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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

July 29, 2024

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

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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, 2024 (from April 1, 2024, to June 30, 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	%
June 30, 2024	152,521	7.9	17,656	(4.9)	16,825	4.4	10,964	(8.7)
June 30, 2023	141,331	7.9	18,561	(10.1)	16,124	(22.0)	12,005	(33.2)

(Note) Comprehensive income: Three months ended June 30, 2024 ¥31,694 million (20.1) %

: Three months ended June 30, 2023 ¥39,689 million (0.9) %

Fiscal Year ended	Net income per share	Diluted net income per share
	Yen	Yen
June 30, 2024	36.80	36.74
June 30, 2023	39.20	39.13

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
June 30, 2024	1,148,494	727,470	62.6
March 31, 2024	1,127,576	703,225	61.7

(Reference) Equity: As of June 30, 2024 ¥719,295 million

: As of March 31, 2024 ¥695,425 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, 2024	—	25.00	—	25.00	50.00
Fiscal Year ending March 31, 2025	—				
Fiscal Year ending March 31, 2025 (forecast)		30.00	—	30.00	60.00

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

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

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

Notes

(1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: 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 : 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 7 of the Appendix.

(4) Number of shares outstanding (Common Shares)

(i) Number of shares outstanding at period end including treasury shares	June 30, 2024	311,956,996 shares	March 31, 2024	311,956,996 shares
(ii) Number of treasury shares at period end	June 30, 2024	14,022,105 shares	March 31, 2024	14,029,396 shares
(iii) Average number of shares outstanding over period	June 30, 2024	297,931,264 shares	June 30, 2024	306,290,654 shares

*** Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or audit firm: None**

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

(Notes regarding forward-looking statements)

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. Overview of Business Results and Others, (3) Explanation of Future Statements including Forecasts for Consolidated Financial Statements" on page 2 of the Appendix.

Contents of Appendix

1. Overview of Business Results and Others	2
(1) Overview of Business Results for the Three Months Ended June 30, 2024	2
(2) Summary of Financial Position for the Three Months Ended June 30, 2024	2
(3) Explanation of Future Statements including Forecasts for Consolidated Financial Statements	2
2. Consolidated Financial Statements and Primary Notes	3
(1) Consolidated Balance Sheets	3
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Income	5
Consolidated Statement of Comprehensive Income	6
(3) Notes to Consolidated Financial Statements	7
(Changes in Accounting Policy)	7
(Segment Information)	8
(Significant Changes in Stockholder's Equity)	8
(Note on the Assumption as a Going Concern)	8
(Consolidated Cash Flows)	8
(Revenue Recognition)	9

1. Overview of Business Results and Others

(1) Overview of Business Results for the Three Months Ended June 30, 2024

In the three months ended June 30, 2024, the Japanese economy continued to recover gradually driven by corporate profits, but some part such as personal consumption showed weakness due to price rising. Overseas, the United States remained firm, although the economy showed slowdown. Europe recovered moderately supported by personal consumption as inflation slowed. Meanwhile, China continued to stagnate due to the slump in the real estate market. The outlook remains uncertain due to the Russian invasion of Ukraine, prolonged conflicts in the Middle East and the political confusion in the United States and Europe.

Under these circumstances, in the Environment Business, shipments of automotive-related products in China remained weak. In the Digital Society Business, the market remained sluggish, although some shipments of components for semiconductor manufacturing equipment were advanced. In the Energy & Industry Business, shipments of power distribution products to in Japan and insulators in U.S. and Australia remained strong.

As a result, added with the positive effect of the depreciation of the yen, net sales in the three months ended June 30, 2024, increased 7.9% year on year to ¥152,521 million. With regard to profits, while profits increase due to sales growth, operating income decreased 4.9% year on year to ¥17,656 million mainly due to the impact of rising labor cost and an increase of cost of sales in energy storage in the Energy & Industry Business. Ordinary income increased 4.4% year on year to ¥16,825 million due to a turnaround to profit in share of loss of associates accounted for using equity method due to the impact of the exclusion of METAWATER CO., Ltd. and a gain on liquidation of subsidiaries and associates due to the completion of liquidation of a logistics subsidiary, although a decline in operating income. Quarterly net income attributable to owners of the parent decreased 8.7% year on year to ¥10,964 million by having recorded of income tax-deferred related to deferred tax asset for tax credits of overseas subsidiaries in the same period of the previous year.

By segment, net sales increased 3.5% year on year in the Environment Business to ¥99,117 million, and operating income increased 8.0% year on year to ¥17,105 million. In the Digital Society Business, net sales increased 19.2% year on year to ¥39,933 million. Operating income increased 147.1% year on year to ¥2,270 million. In the Energy & Industry Business, net sales increased 11.6% year on year to ¥13,703 million and operating loss was ¥1,733 million (operating income of ¥1,800 million in the same period of the previous fiscal year).

Effective from the first quarter of the current fiscal year, the Industrial Process Business which included in the “Energy & Industry” has been changed to the “Environment”. Year-on-year figures for each segment were calculated after adjusting the figures for the same period of the previous fiscal year to the revised segment classification.

(2) Summary of Financial Position for the Three Months Ended June 30, 2024

As of June 30, 2024, total assets were ¥1,148,494 million, an increase of ¥20,917 million from the previous fiscal year-end. This was mainly due to increases in inventories, Investment securities and tangible assets.

Total liabilities decreased by ¥3,327 million from the previous fiscal year-end to ¥421,024 million. This was mainly due to decreases in long-term borrowings and income tax payable despite an increase in short-term borrowings.

Total net assets stood at ¥727,470 million, or ¥24,244 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, 2025 no revisions have been made to those announced on April 26, 2024 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, 2024	March 31, 2024
Assets		
Current assets		
Cash and deposits	192,970	192,656
Notes and accounts receivable-trade, and contract assets	138,548	134,262
Securities	54,980	50,015
Inventories	248,752	239,063
Other	22,389	26,319
Allowance for doubtful accounts	(177)	(165)
Total current assets	657,464	642,151
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	132,141	129,119
Machinery and vehicles, net	175,984	174,122
Other, net	71,659	68,661
Total property, plant and equipment	379,786	371,903
Intangible assets	6,553	6,659
Investments and other assets		
Investment securities	75,475	76,709
Other	29,540	30,469
Allowance for doubtful accounts	(325)	(317)
Total investments and other assets	104,690	106,862
Total non-current assets	491,029	485,425
Total assets	1,148,494	1,127,576

(Millions of yen)

	June 30, 2024	March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	50,893	50,269
Short-term borrowings	16,340	11,342
Current portion of long-term borrowings	40,061	40,897
Income taxes payable	4,209	6,734
Other	67,014	66,559
Total current liabilities	178,519	175,803
Non-current liabilities		
Bonds payable	52,000	52,000
Long-term borrowings	149,354	155,086
Retirement benefit liability	21,065	20,906
Other	20,084	20,554
Total non-current liabilities	242,505	248,547
Total liabilities	421,024	424,351
Net assets		
Shareholders' equity		
Share capital	70,064	70,064
Capital surplus	70,397	70,397
Retained earnings	455,066	451,550
Treasury shares	(25,142)	(25,155)
Total shareholders' equity	570,386	566,856
Accumulated other comprehensive income		
Valuation difference on available -for-sale securities	36,923	38,845
Deferred gains or losses on hedges	9	6
Foreign currency translation adjustment	104,254	82,250
Remeasurements of defined benefit plans	7,721	7,467
Total accumulated other comprehensive income	148,909	128,569
Share acquisition rights	837	852
Non-controlling interests	7,337	6,947
Total net assets	727,470	703,225
Total liabilities and net assets	1,148,494	1,127,576

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

(Millions of yen)

	Three months ended June 30, 2024	Three months ended June 30, 2023
Net sales	152,521	141,331
Cost of sales	110,922	101,467
Gross profit	41,598	39,864
Selling, general and administrative expenses	23,941	21,303
Operating income	17,656	18,561
Non-operating income		
Interest income	469	316
Dividend income	940	669
Share of profit of entities accounted for using equity method	41	—
Gain on liquidation of subsidiaries and associates	470	—
Other	172	173
Total non-operating income	2,094	1,159
Non-operating expenses		
Interest expense	992	967
Share of loss of associates accounted for using equity method	—	384
Foreign exchange losses	398	69
Loss on valuation of derivatives	1,104	1,862
Other	430	313
Total non-operating expense	2,925	3,596
Ordinary income	16,825	16,124
Extraordinary income		
Gain on sales of non-current assets	47	33
Gain on sales of investment securities	461	19
Subsidies income	135	169
Total extraordinary income	644	222
Extraordinary losses		
Loss on disposals of non-current assets	61	68
Total extraordinary losses	61	68
Income before income taxes	17,408	16,278
Income taxes-current	4,913	2,521
Income taxes-deferred	1,537	1,650
Total income taxes	6,451	4,172
Net income	10,957	12,105
Net (loss)income attributable to non-controlling interests	(6)	100
Net income attributable to owners of the parent	10,964	12,005

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2024	Three months ended June 30, 2023
Net income	10,957	12,105
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,921)	3,286
Deferred gain or loss on hedges	3	12
Foreign currency translation adjustment	22,400	24,258
Defined retirement benefit plans	253	9
Share of other comprehensive income of entities accounted for using equity method	—	17
Total other comprehensive income	20,736	27,583
Comprehensive income	31,694	39,689
Comprehensive income attributable to:		
Owners of the parent	31,304	39,082
Non-controlling interests	390	607

(3) Notes to Consolidated Financial Statements

(Changes in Accounting Policy)

- Accounting Standard for Current Income Taxes

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as “Accounting Standard Revised in 2022”) since the beginning of the first quarter of the current consolidated fiscal year.

In the past, the Company recognized corporation tax, municipal tax, business tax, etc. (hereinafter referred to as “income taxes”) in profit (loss) in the amount calculated in accordance with the relevant laws and regulations. However, the Company has chosen to recognize income taxes on income separately in profit (loss), shareholders’ equity, and other comprehensive income, depending on transactions that become the sources of the income tax. Regarding income taxes recognized in accumulated other comprehensive income, the Company has elected to recognize the corresponding tax amount in profit (loss) at the time when the transaction, etc. that caused the income tax to be imposed is recognized in profit (loss).

However, in the case that transactions, etc. are related to shareholders’ equity or other comprehensive income in addition to profit (loss), and that it is difficult to determine the amount of income taxes imposed on shareholders’ equity or other comprehensive income, the Company recognizes the amount of such taxes in profit (loss).

With respect to the revision to the accounting classification of income taxes (taxation on other comprehensive income), the Company follows the transitional treatment provided for in the proviso of Paragraph 20-3 of the Accounting Standard Revised in 2022. The Company has applied the new accounting policy since the beginning of the current fiscal year, and the cumulative amount affected by the retrospective application of the new accounting policy prior to the beginning of the initial year of application is added to or subtracted from retained earnings at the beginning of the initial year of application, and the corresponding amount is added to or subtracted from an appropriate classification among capital surplus, valuation and transaction adjustments or other comprehensive income. The Company follows the transitional treatment provided for in the proviso of Paragraph 65-2 (2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as “Implementation Guidance Revised in 2022”). The Company has applied the new accounting policy since the beginning of the current fiscal year, and the cumulative amount affected by the retrospective application of the new accounting policy prior to the beginning of the initial year of application is added to or subtracted from retained earnings at the beginning of the initial year of application, and the corresponding amount is added to or subtracted from capital surplus at the beginning of the fiscal year.

In addition, regarding the revision related to changes in treatment in consolidated financial statements in the case of deferring gains or losses from sales of stocks, etc. of subsidiaries between consolidated companies for tax purposes, the Company has applied the Implementation Guidance Revised in 2022 since the beginning of the first quarter of the current consolidated fiscal year. These changes in accounting policies were applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous quarter and fiscal year are those after retroactive application.

During the three months ended June 30, 2024, there were no impact on the quarterly consolidated financial statements.

- Practical Solution on the Accounting for and Disclosure of Current Taxes Related to Global Minimum Tax Rules, etc.

The Company has applied the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to Global Minimum Rules, etc. (ASBJ PITF No. 46, March 22, 2024; hereinafter referred to as “ASBJ PITF”) since the beginning of the first quarter of the current consolidated fiscal year.

The Company follows the transitional treatment in paragraph 7 and paragraph 15 of ASBJ PITF. The Company neither recognized income taxes related to global minimum tax in the first quarter of the current consolidated fiscal year nor presented any note to that effect.

The result of those changes has no impact on the quarterly consolidated financial statements.

(Segment Information)

(1) Three months ended June 30, 2024 (from April 1, 2024, to June 30, 2024)

(Millions of yen)

	Business Segment				Adjustment *1	Consolidated *2
	Environment	Digital Society	Energy & Industry	Total		
Net sales						
Sales to customers	99,026	39,933	13,560	152,521	—	152,521
Intersegment sales	90	—	142	232	(232)	—
Total	99,117	39,933	13,703	152,754	(232)	152,521
Operating income	17,105	2,270	(1,733)	17,642	13	17,656

*1. The adjustment of ¥13 million to operating income comprises of intersegment transactions.

*2. Segment profit(loss) is reconciled to operating income in the quarterly consolidated statement of operations.

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

(Millions of yen)

	Business Segment				Adjustment *1	Consolidated *2
	Environment	Digital Society	Energy & Industry	Total		
Net sales						
Sales to customers	95,733	33,486	12,111	141,331	—	141,331
Intersegment sales	38	10	167	215	(215)	—
Total	95,771	33,496	12,278	141,547	(215)	141,331
Operating income	15,840	918	1,800	18,559	1	18,561

*1. The adjustment of ¥1 million to operating income comprises of intersegment transactions.

*2. Segment profit is reconciled to operating income in the quarterly consolidated statement of operations.

(3) Changes in Segments

Effective from the first quarter of the current fiscal year, the Industrial Process Business which included in the “Energy & Industry” has been changed to the “Environment”.

Year-on-year figures for reportable business segments were calculated after adjusting the figures for the same period of the previous fiscal year to the revised segment classification.

(Significant Changes in Stockholder's Equity)

Not applicable

(Note on the Assumption as a Going Concern)

Not applicable

(Consolidated Cash Flows)

There is no quarterly consolidated statement of cash flows for the three months ended June 30, 2024.

Depreciation for the three months ended June 30, 2024(including depreciation for intangible assets) is as follows.

	Three months ended June 30, 2024	Three months ended June 30, 2023
Depreciation	14,496 million yen	13,695 million yen

(Revenue Recognition)

Disaggregated revenue recognized from contracts with customers

Three months ended June 30, 2024 (from April 1, 2024, to June 30, 2024)

(Millions of yen)

	Business Segment			Total
	Environment	Digital Society	Energy & Industry	
Major geographical regions				
Japan	11,601	11,524	8,615	31,741
North America	21,165	10,195	3,017	34,377
Europe	36,934	1,167	124	38,226
Asia	28,410	17,001	684	46,095
Others	915	44	1,119	2,079
Total	99,026	39,933	13,560	152,521
Major product lines				
Automotive ceramics for exhaust gas purification	77,560	—	—	77,560
Sensors	15,061	—	—	15,061
Industrial processes	6,405	—	—	6,405
SPE related (Components for semiconductor production equipment)	—	25,101	—	25,101
Electronics components	—	8,068	—	8,068
Metal related	—	6,763	—	6,763
Energy storage	—	—	1,558	1,558
Insulators	—	—	12,002	12,002
Total	99,026	39,933	13,560	152,521
Timing of revenue recognition				
Goods and services transferred at a point in time	96,583	39,933	13,477	149,994
Goods and services transferred over time	2,443	—	83	2,526
Total	99,026	39,933	13,560	152,521

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	11,350	11,455	7,574	30,380
North America	17,564	10,856	3,015	31,436
Europe	34,926	1,012	89	36,028
Asia	30,363	10,149	271	40,784
Others	1,528	13	1,160	2,702
Total	95,733	33,486	12,111	141,331
Major product lines				
Automotive ceramics for exhaust gas purification	71,678	—	—	71,678
Sensors	17,980	—	—	17,980
Industrial processes	6,074	—	—	6,074
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
Total	95,733	33,486	12,111	141,331
Timing of revenue recognition				
Goods and services transferred at a point in time	94,147	33,486	12,023	139,657
Goods and services transferred over time	1,586	—	88	1,674
Total	95,733	33,486	12,111	141,331

(Notes) Effective from the current fiscal year, the Industrial Process Business which included in the “Energy & Industry” has been changed to the “Environment.”

Year-on-year figures for disaggregated revenue recognized from contracts with customers were calculated after adjusting the figures for the same period of the previous fiscal year to the revised segment classification.