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**Notice of Projected Extraordinary Loss on NAS Battery Safety Measures, Allowance for Income Taxes Based on Transfer Pricing Taxation and Revision of Business Forecasts**

NGK Insulators, Ltd. today announced that it has revised its full-year business forecasts for the fiscal year ending March 31, 2012 issued on October 28, 2011. The revisions reflect a correction notice based on transfer pricing taxation that NGK expects to receive, as well as a projected extraordinary loss on safety and other measures directed at developing business following the NAS (sodium-sulfur) battery fire incident that occurred on September 21, 2011. Details are as follows.

1. Projected Extraordinary Loss on NAS Battery Safety Measures

In the “Summary of Consolidated Financial Results for the Six Months Ended September 30, 2011” issued on October 28, 2011, NGK did not determine its net income forecast at that time based on the expectation that some difficult-to-estimate expenses may be incurred for the NAS battery fire incident investigation and safety measures. This is in connection with the fire incident involving NAS batteries for storing electricity, which occurred on September 21, 2011. (For details, please see the NGK press release titled “NAS Battery Fire Incident and Response” issued on October 28, 2011.)

Although the Company must conduct additional verification work and

obtain independent assessments from the fire authorities and other parties in order to determine the cause of the incident and the safety measures, NGK has made progress with its own technical investigation. In this context, NGK plans to further upgrade NAS batteries so as to provide an additional margin of safety. This will enable customers to use their existing NAS battery equipment without anxiety and the Company to fulfill strong needs for large-capacity batteries and to expand business by capturing emerging demand for large-capacity batteries.

In connection with the foregoing, while some details have yet to be determined, NGK expects to incur an extraordinary loss of around ¥60 billion for the fiscal year ending March 31, 2012, based on the sum total of the cost of investigation, upgrades and other safety measures, as well as loss from valuation of assets, and other expenses.

NGK plans to record an allowance based on a close examination of the investigation into the cause of the incident and safety measures, along with related expenses. NGK expects the NAS battery fire incident to have a negative impact of around ¥50 billion on the net income forecast for the fiscal year ending March 31, 2012.

For details, please see the appended press release titled “NAS Battery Fire Incident Response and Future Measures”.

## 2. Allowance for Income Taxes Based on Transfer Pricing Taxation

NGK has been subject to a tax investigation (hereinafter “the Investigation”) concerning transfer pricing by the Nagoya Regional Taxation Bureau. The tax authorities have pointed out that there is a transfer pricing issue regarding transactions between NGK and a U.S. or Poland subsidiary from the fiscal year ended March 31, 2006 to the fiscal year ended March 31, 2010.

In the course of the Investigation, NGK has explained to the tax authorities

that the Company and its subsidiaries, including the two companies in question, have maintained appropriate trading terms and have properly fulfilled their tax obligations under the tax codes of each country. However, there are still differences in interpretation between NGK and the tax authorities. As a result, NGK expects to receive a correction notice based on transfer pricing taxation. Accordingly, NGK hereby announces that it has decided to record estimated income taxes of around ¥8.1 billion for the nine months ending December 31, 2011.

At this time, NGK has yet to receive a correction notice indicating the conclusions of the Investigation. NGK plans to promptly file a motion for correction when it officially receives the correction notice. At the same time, NGK will consider filing a request for mutual discussion among the related countries' governments from the standpoint of preventing double taxation.

As a procedural formality, NGK will first pay income taxes according to the correction notice. Consequently, the Company expects increase in income tax due to tax payment or estimated tax reserve in the fiscal year ending March 31, 2012.

### 3. Revisions of Business Forecasts

In the "Summary of Consolidated Financial Results for the Six Months Ended September 30, 2011" issued on October 28, 2011, NGK did not determine its net income forecast based on the difficulty in rationally estimating expenses related to the response to the NAS battery fire incident and safety measures. As stated above, in the fiscal year ending March 31, 2012, NGK will book estimated income taxes of around ¥8.1 billion based on transfer pricing taxation as well as a projected extraordinary loss of around ¥60 billion (of which around ¥50 billion will be negatively reflected in net income) in the third quarter.

As a result of the foregoing, NGK has revised its business forecasts for the

fiscal year ending March 31, 2012 as follows:

Forecasts of consolidated financial results for the fiscal year ending March 31, 2012 (April 1, 2011 to March 31, 2012)

(Millions of yen, except per share data and percentage)

	Net Sales	Operating Income	Ordinary Income	Net Income (Loss)	Net Income (Loss) per share (Yen)
Previous Forecast (A)	245,000	24,000	26,000	—	—
Revised Forecast (B)	245,000	24,000	26,000	-40,000	-122.50
Increase or Decrease (B - A)	0	0	0	—	—
Percentage Change	0.0	0.0	0.0	—	—
(Reference) Results for the previous year ended Mar. 31, 2011	239,363	32,102	32,671	24,428	74.80

Note: Results for the previous fiscal year have been retrospectively restated to reflect changes in accounting policy.

The forecasts above are based on management's expectations, estimates, projection and assumptions that were available and reasonable at the time of release. Actual future results and trends may differ materially from those in the forecasts due to a variety of factors.

**NAS Battery Fire Incident Response and Future Measures**

On September 21, 2011, NGK-manufactured NAS (sodium-sulfur) batteries for storing electricity that were installed at the Tsukuba Plant (Joso City, Ibaraki Prefecture) of Mitsubishi Materials Corporation caught fire. NGK Insulators, Ltd. hereby announces its response to the NAS battery fire incident and future measures in the NAS battery business.

At present, the fire authorities are continuing their investigation into the cause of the fire. In cooperation with the investigation, NGK has formed an Accident Investigation Committee that is leading efforts to look into the cause of the fire and measures to prevent a recurrence. NGK has analyzed battery operation records before and after the fire, surveyed the production history of the batteries, and conducted simulated fire experiments. In addition, NGK has surveyed a broad range of factors that could have caused the fire in various processes, ranging from components to design, manufacturing and installation. Based on these surveys, NGK is eliminating all factors that could cause the batteries to catch on fire, as well as considering safety measures that will provide the redundancy needed to stop the spread of fire even in the unlikely event of a recurrence.

Ever since commercializing NAS batteries in 2002, NGK has focused on safety measures. NGK takes the recent fire incident very seriously because the incident showed that the safety measures it had developed over many years were not failsafe. The engineering departments across the Company redouble their collective efforts to identify the cause of the incident and steadily execute additional safety measures, while incorporating the opinions of independent experts from outside the Company. NGK will first introduce the safety measures to currently installed batteries and restart their operations, to ensure that customers can use currently installed batteries without anxiety. At the same time, NGK aims to resume

production of NAS batteries incorporating safety measures in the first half of the fiscal year ending March 2013.

Global demand for large-capacity storage batteries has continued to increase, driven mainly by the utilization of renewable energy, high expectations for smart grids, and a review of energy policy. In light of these conditions, NGK aims to further upgrade its NAS batteries, which have garnered high marks for their large capacity and highly efficient electrical storage capability. This will ensure that NGK steadily expands its business by capturing new demand.

The fire authorities have yet to issue a final determination of the cause of the fire and certify safety measures. However, NGK's investigation into the cause of the incident and survey of safety measures has progressed, and it expects the incident to have a material impact on business performance for the fiscal year ending March 2012. Considering these factors, NGK has estimated the total cost of various expenses expected to arise from the fire incident going forward at ¥60 billion, and will book this cost as an extraordinary loss. NGK has estimated this cost based on measures necessary to expand the NAS battery business and under all possible assumptions. However, the cost estimate contains many uncertainties. Accordingly, NGK will continue to closely examine the cost estimate and revise it as necessary.