

## Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2015 [Japanese GAAP]

January 29, 2016

Company Name : NGK INSULATORS, LTD.  
 Stock Exchange Listings : Tokyo and Nagoya  
 Listing Code : 5333  
 URL : <http://www.ngk.co.jp/english/>  
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Date of the Filing of Securities Report "Shihanki Hokokusho" (Scheduled) : February 5, 2016  
 Date of Dividend Payment (Scheduled) : —  
 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 Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)

#### (1) Consolidated operating results

(Percentage figures represent increase (decrease) from previous period.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2015	310,306	14.7	60,864	40.6	60,907	43.4	38,898	8.7
Nine months ended December 31, 2014	270,566	24.2	43,285	35.0	42,470	29.4	35,799	92.0

(Note) Comprehensive Income : Nine months ended December 31, 2015 36,054million yen (47.0)%  
 : Nine months ended December 31, 2014 68,014million yen 25.4%

	Profit per share	Diluted profit per share
	Yen	Yen
Nine months ended December 31, 2015	119.13	118.90
Nine months ended December 31, 2014	109.63	109.43

#### (2) Consolidated financial position

	Total assets	Total net assets	Ratio of net worth to total assets
	Millions of yen	Millions of yen	%
December 31, 2015	728,521	429,344	57.3
March 31, 2015	702,234	404,001	55.8

(Reference) Net worth : As of December 31, 2015, 417,150million yen  
 : As of March 31, 2015, 392,054 million yen

### 2. Dividend payment

	Cash dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total (Full-year)
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	-	13.00	-	15.00	28.00
Year ending March 31, 2016	-	18.00	-		
Year ending March 31, 2016 (forecast)				18.00	36.00

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

### 3. Forecasts of consolidated financial results for the fiscal year ending March 31, 2016

(Percentage figures represent increase (decrease) from previous period.)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2016	430,000	13.6	72,000	16.9	74,500	22.0	51,000	22.9	156.18

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

#### Notes

(1) Significant changes in subsidiaries during this period (changes in specified subsidiaries, "tokutei kogaisha" defined in the "Cabinet Office Ordinance on Disclosure of Corporate Information, etc.", involving a change of the scope of consolidation during this period) : None  
New — company ( ), Exclusion — company ( )

(2) Application of special accounting methods for preparing quarterly consolidated financial statements : None

(3) Changes in accounting policies, accounting estimates or retrospective restatements

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

(Note) For details, please refer to "2. Consolidated Financial Statements (3) Notes to Consolidated Financial Statements (Changes in accounting policy)" on page 8 of the Appendix.

(4) Number of shares outstanding (Common Shares)

i. Number of shares outstanding at period end including treasury stocks	December 31, 2015	327,560,196 shares	March 31, 2015	327,560,196 shares
ii. Number of treasury stocks at period end	December 31, 2015	1,020,680 shares	March 31, 2015	1,033,304 shares
iii. Average number of shares outstanding over period	December 31, 2015	326,535,436 shares	December 31, 2014	326,542,503 shares

#### \* Presentation regarding the implementation status of review procedures

These financial statements are outside the scope of review procedures in accordance with the Financial Instruments and Exchange Law of Japan. At the time of disclosure of this report, the review procedures of the consolidated financial statements in accordance with the Financial Instruments and Exchange Law of Japan are in progress.

#### \* Explanation of appropriate use of results forecasts and other notes

This document contains forward-looking statements that are based on information and certain assumption 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.

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## **1. Qualitative Information on Quarterly Financial Statements**

### **(1) Explanation of Business Results**

During the nine months ended December 31, 2015, the Japanese economy remained on a moderate recovery course underpinned by improved corporate earnings and the employment and income environment. Overseas economies also continued on a path of recovery centering on domestic demand in the developed economies such as the U.S. and Europe, despite the slowdown of economic growth in China and the weakness observed in resource-rich nations and emerging countries, among others.

The NGK Group, thanks mainly to strong sales for passenger cars in the U.S. and European market and trucks in the U.S. market in addition to sales increase in China owing to tax reduction measures for small passenger cars, saw solid demand for automotive ceramics in its Ceramics Business Segment. In the Electronics Business Segment, demand for ceramic components for semiconductor manufacturing equipment grew, on the back of the expansion of capital investment for further multi-layering and miniaturization by semiconductor manufacturers. In addition, NGK Electronics Devices, Inc., which became a consolidated subsidiary in January 2015, contributed to the Group's results. The Power Business Segment saw its sales decrease from the corresponding period of the previous fiscal year, which saw concentration of large shipments of NAS® (sodium-sulfur) batteries.

As a result of the above, consolidated net sales for the nine months ended December 31, 2015 increased by 14.7% year on year to ¥310,306 million, reflecting increased sales in the Ceramics Business Segment and Electronics Business Segment. In terms of earnings, as a result of increased net sales and the effect of the appreciation of the dollar against the yen, among other factors, operating income increased by 40.6% year on year to ¥60,864 million and ordinary income increased by 43.4% to ¥60,907 million. Profit attributable to owners of the parent increased by 8.7% to ¥38,898 million owing to improvement in operating income, although "Provision of reserve for loss related to competition law" of ¥6,097 million was recorded under extraordinary loss based on an estimate of potential losses in connection with the competition law.

By segment, the Power Business Segment posted ¥49,324 million in net sales, an decrease of 12.3% year on year, and an operating income of ¥694 million, compared to an operating loss of ¥989 million in the same period of the previous year. In the Ceramics Business Segment, net sales increased by 12.9% year on year to ¥184,214 million and operating income increased by 30.9% year on year to ¥53,094 million. In the Electronics Business Segment, net sales increased by 50.2% year on year to ¥76,990 million and operating income increased by 92.3% year on year to ¥7,075 million.

### **(2) Explanation of Financial Position**

As of December 31, 2015, total assets were ¥728,521 million, an increase of ¥26,287 million from the previous fiscal year-end. This was mainly due to increases in cash and bank deposits, inventories and tangible assets, despite a decrease in securities.

Total liabilities were ¥299,177 million, an increase of ¥944 million from the previous fiscal year-end. Total net assets stood at ¥429,344 million, or ¥25,342 million higher than the previous fiscal year-end, due to increases in retained earnings.

### **(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, 2016, no revisions have been made to those announced on October 30, 2015 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 and actual results may differ materially from those in the forecasts due to various factors.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2015	As of March 31, 2015
<b>Assets</b>		
Current assets		
Cash and bank deposits	90,020	69,958
Notes and accounts receivable trade	81,264	88,979
Securities	73,080	98,104
Inventories	129,531	111,498
Other	30,851	29,841
Allowance for doubtful accounts	(837)	(1,220)
<b>Total current assets</b>	<b>403,911</b>	<b>397,160</b>
Non-current assets		
Tangible assets		
Buildings and structures	63,007	63,621
Machinery and vehicles	90,798	89,258
Other	54,820	46,380
<b>Total tangible assets</b>	<b>208,627</b>	<b>199,259</b>
Intangible assets	3,321	4,185
Investments and other assets		
Investment securities	87,103	78,856
Other	25,719	22,935
Allowance for doubtful accounts	(162)	(162)
<b>Total investments and other assets</b>	<b>112,660</b>	<b>101,629</b>
<b>Total non-current assets</b>	<b>324,609</b>	<b>305,074</b>
<b>Total assets</b>	<b>728,521</b>	<b>702,234</b>

(Millions of yen)

	As of December 31, 2015	As of March 31, 2015
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable trade	33,756	36,057
Short-term borrowings	5,371	4,320
Current portion of long-term borrowings	20,962	6,345
Income taxes payable	7,510	3,480
Provision for NAS battery safety measures	6,131	7,342
Provision for loss related to competition law	7,249	9,300
Other	37,309	40,279
Total current liabilities	118,290	107,126
Long-term liabilities		
Long-term borrowings	131,992	145,537
Net defined benefit liability	20,295	20,222
Other	28,598	25,345
Total long-term liabilities	180,886	191,106
<b>Total liabilities</b>	<b>299,177</b>	<b>298,232</b>
<b>Net assets</b>		
Shareholders' equity		
Common stock	69,849	69,849
Capital surplus	72,086	72,099
Retained earnings	252,163	224,040
Treasury stock	(1,416)	(1,403)
Total shareholders' equity	392,682	364,585
Accumulated other comprehensive income		
Unrealized gain (loss) on available -for-sale securities	26,339	26,394
Deffered gain on derivatives under hedge accounting	(1)	7
Foreign currency translation adjustments	4,527	7,983
Remeasurements of defined benefits plans	(6,398)	(6,915)
Total accumulated other comprehensive income	24,467	27,469
Stock acquisition rights	930	886
Non-controlling interests	11,263	11,060
<b>Total net assets</b>	<b>429,344</b>	<b>404,001</b>
<b>Total liabilities and net assets</b>	<b>728,521</b>	<b>702,234</b>

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

**Consolidated Statement of Income**

(Millions of yen)

	Nine months ended December 31,2015	Nine months ended December 31,2014
<b>Net sales</b>	<b>310,306</b>	<b>270,566</b>
Cost of sales	200,750	181,017
<b>Gross profit</b>	<b>109,555</b>	<b>89,548</b>
Selling, general and administrative expenses	48,690	46,263
<b>Operating income</b>	<b>60,864</b>	<b>43,285</b>
Non-operating income		
Interest income	517	574
Dividend income	1,487	1,041
Foreign exchange gain	—	1,705
Other	2,490	756
Total non-operating income	4,495	4,077
Non-operating expenses		
Interest expense	1,474	1,559
Equity in loss of unconsolidated subsidiaries and associated companies	1,094	1,048
Foreign exchange loss	1,508	—
Loss on compensation	—	1,100
Other	375	1,184
Total non-operating expense	4,452	4,892
<b>Ordinary income</b>	<b>60,907</b>	<b>42,470</b>
Extraordinary income		
Gain on sales of fixed assets	38	586
Gain on sales of investment securities	453	357
Gain on change in equity	—	3,343
Subsidy income	153	—
Total extraordinary income	644	4,287
Extraordinary loss		
Loss on sales and disposals of fixed assets	174	289
Provision of reserve for loss related to competition law	※1 6,097	—
Total extraordinary loss	6,271	289
<b>Income before income taxes and non controlling interests</b>	<b>55,280</b>	<b>46,468</b>
Income taxes -current	13,961	6,726
Income taxes -deferred	2,167	3,306
<b>Income taxes - total</b>	<b>16,129</b>	<b>10,033</b>
<b>Profit</b>	<b>39,151</b>	<b>36,434</b>
<b>Profit attributable to non-controlling interests</b>	<b>252</b>	<b>634</b>
<b>Profit attributable to owners of parent</b>	<b>38,898</b>	<b>35,799</b>



**Consolidated Statement of Comprehensive Income**

(Millions of yen)

	Nine months ended December 31,2015	Nine months ended December 31,2014
Profit	39,151	36,434
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(66)	7,552
Deferred losses on hedges	(7)	(12)
Foreign currency translation adjustments	(3,521)	20,816
Remeasurements of defined benefit plans	426	2,671
Share of other comprehensive income of associates accounted for by using the equity method	73	552
Total other comprehensive income	(3,096)	31,580
Comprehensive Income	36,054	68,014
Comprehensive Income attributable to:		
Owners of parent	35,896	67,075
Non-controlling interests	157	938

### **(3) Notes to Consolidated Financial Statements**

#### **(Changes in accounting policy)**

Effective from the first quarter of fiscal 2015, the Company adopted the Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereinafter, “Business Combinations Standard”), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter, “Consolidated Financial Statements Standard”) and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter, “Business Divestitures Standard”) and others. Accordingly, the Company’s accounting policies have been changed; the difference arising from a change in the Company’s ownership interest in a subsidiary over which the Company continues to have control is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year when they are incurred. In addition, for business combinations to be performed at and after the beginning of the first quarter of fiscal 2015, a method was changed to recognize an adjustment to the provisional amount arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost in the consolidated financial statements for the quarter where the date of business combination belongs. In addition, the Company has changed the presentation of net income and other related items, and the presentation of “minority interests” to “non-controlling interests.” To reflect this change in presentation, the reclassification of accounts has been made to the consolidated financial statements for the Nine months ended December 31, 2014 and the fiscal year ended March 31, 2015.

The Business Combinations Standard and others were adopted in accordance with transitional treatments stipulated in Paragraph 58-2 (4) of the Business Combinations Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestitures Standard, and they have been prospectively adopted from the beginning of the first quarter of the fiscal 2015.

These changes have no impact on the consolidated financial statements for the Nine months ended December 31, 2015.

#### **(Note on the assumption as a going concern)**

Not applicable

#### **(Significant changes in stockholder's equity)**

Not applicable

**(Consolidated Balance Sheet)****Contingent Liabilities**

The NGK Group is subject to an international investigation on the situation of competition.

Since the receiving of a subpoena by a U.S. subsidiary of NGK Insulators, LTD. (NGK) from the U.S. Department of Justice (DOJ) in 2011, NGK has cooperated in the investigation concerning ceramic substrates for catalytic converters including establishing the Independent Committee in 2012. On September 3, 2015 (U.S. time), NGK entered into a Plea Agreement with DOJ, agreeing to pay a fine of US\$65.3 million based on charges that it violated U.S. laws including the antitrust law in connection with some transactions for ceramic substrates for catalytic converters, and paid the total amount in November 2015.

In consideration of such progresses, the NGK Group made an estimate of potential losses, including compensation to some of its customers, and recognized the estimated amount as of the end of the third quarter under review as “provision for loss related to competition law,” however, additional losses may arise with the emergence of new facts. Overall details of the investigation and negotiations are not disclosed because they may put the NGK Group at a disadvantage.

**(Consolidated Statement of Income)****※ 1. Provision of reserve for loss related to competition law**

The Company estimated and recorded the amount of potential losses related to competition law.

**(Segment information)**

(1) Nine months ended December 31, 2015 ( from April 1, 2015 to December 31, 2015 ) (Millions of yen)

	Business Segment				Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Total		
Sales						
Sales to customers	49,297	184,017	76,990	310,306	-	310,306
Intersegment sales	26	196	-	223	(223)	-
Total sales	49,324	184,214	76,990	310,529	(223)	310,306
Operating income	694	53,094	7,075	60,864	-	60,864

(2) Nine months ended December 31, 2014 ( from April 1, 2014 to December 31, 2014 ) (Millions of yen)

	Business Segment				Elimination or Adjustment	Consolidated
	Power	Ceramics	Electronics	Total		
Sales						
Sales to customers	56,181	163,117	51,266	270,566	-	270,566
Intersegment sales	31	58	-	90	(90)	-
Total sales	56,213	163,176	51,266	270,656	(90)	270,566
Operating income (loss)	(989)	40,575	3,679	43,265	20	43,285

(Notes) 1. Elimination or adjustment of operating income (loss) is an adjustment of intersegment transactions.

## 2. Main products by business segment

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