

FY2021
Interim Business Report for Shareholders
(From April 1 to September 30, 2021)

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Message

We would like to express our deepest gratitude for your continued support.

We hereby present a summary of consolidated financial results for the first half (six months) of the 156th fiscal year ended September 30, 2021 (from April 1 to September 30, 2021).

During the first half of the fiscal year under review, the prolonged state of emergency caused growing concerns, but the Japanese economy showed signs of recovery toward the end of the period as economic activities resumed thanks to progress in the COVID-19 vaccine rollout. In developed countries overseas in Europe and the United States, where vaccinations are progressing relatively well, the economy was on a recovery track as activity restrictions were eased. However, the impact of infectious diseases caused by COVID-19 variants is still significant, which leaves the situation uncertain, such as a global shortage of semiconductors, rising prices of materials and energy, a slowdown in the Chinese economy, and concerns over subsequent waves of infection in developed countries.

In the NGK Group, sales of insulators in the Energy Infrastructure Business increased mainly because of the repricing effect, while weak domestic demand continued for some time. In the Ceramics Business, shipments of automobile-related products increased significantly due to a recovery in the global automobile market. In the Electronics Business, despite stronger demand for beryllium copper wrought materials and piezoelectric microactuators for HDDs, overall sales decreased due to the exclusion of Soshin Electric Co., Ltd. and its group companies from the scope of consolidation. In the Process Technology Business, shipments of products for semiconductor manufacturing equipment increased, supported by expanding semiconductor markets.

As a result, consolidated net sales for the first half ended September 30, 2021 increased 28.3% year-on-year to ¥250,159 million. In terms of profit, operating income was up 296.8% year-on-year to ¥45,925 million, ordinary income increased 259.3% to ¥43,905 million, and profit attributable to owners of the parent grew 339.7% to ¥31,950 million, owing mainly to an increase in sales in the Ceramics Business and the weak yen effect.

On a full-year basis, we expect year-on-year increases of 13.9% in net sales to ¥515 billion, 63.3% in operating income to ¥83 billion, and 54.7% in ordinary income to ¥82 billion. This is due to stronger demand for products related to electronics and semiconductor manufacturing equipment in the wake of the progress of digitization. Profit attributable to owners of the parent is expected to be ¥60 billion, or up 55.9% from the previous fiscal year, and mark record-highs both in sales and profit on a full-year basis as well as on a half-year one.

The interim dividend for the fiscal year will be ¥30 per share, an increase of ¥10 from ¥20 at the end of the previous fiscal year. The year-end dividend is set at ¥30 at the moment, making for a total of ¥60 for the full year, which will be the highest payout ever.

The business environment still remained uncertain in the second half for reasons like a global shortage of semiconductors, rising prices of materials and energy, and so on; however, we will address the following priority issues announced in the beginning of the fiscal year, with the aim of becoming a company that continues to grow globally.

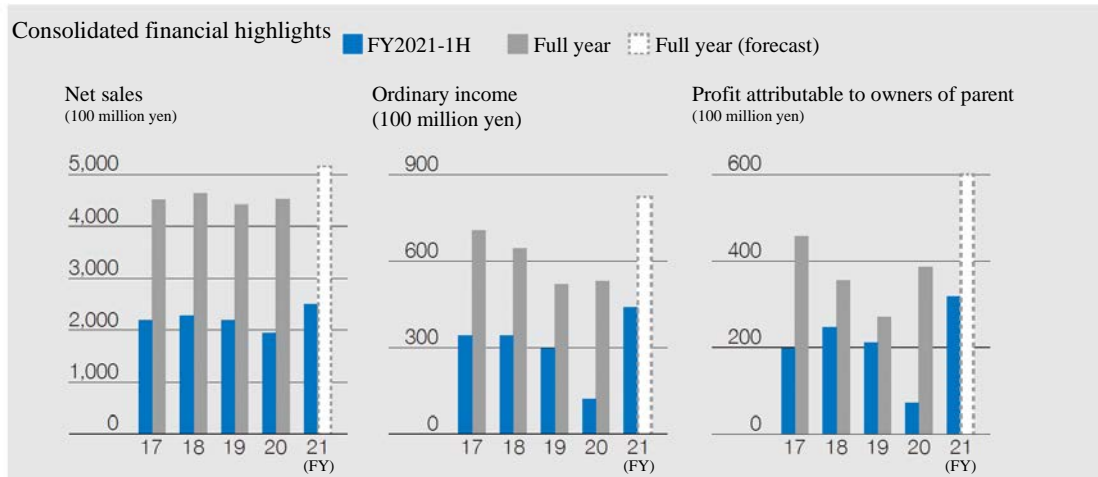
- 1) Advancement of ESG management
- 2) Enhancement of profitability in existing businesses and creation of new products and businesses

In addition, under the NGK Group Vision: Road to 2050, announced in April 2021, we position “carbon neutrality” for humans to coexist with nature and a “digital society,” in which we can live safely, conveniently, comfortably, and healthily, as focus areas in anticipation of social changes toward 2050; we are committed to new product development and new business promotion by investing our management resources intensively in promising development themes.

Through these efforts, the NGK Group will further strengthen the management base and continue to grow for a sustainable future by delivering products that exceed society’s expectations with our unique ceramic technology. We are looking forward to your continued support and additional guidance.

December 2021

President
Shigeru Kobayashi



Topics

NGK Group will be 100% powered by renewable energy by FY2025 at overseas sites

Our policy is to switch to being 100% powered by renewable energy at overseas sites by FY2025. We will start using green power at our main production sites in Europe and completely go green at all production sites in Europe by January 2022. As of FY2025, about 60% of the electricity used by the NGK Group will be based on renewable energy sources, which should contribute to a reduction of about 330,000 tons of CO₂ per year.

Business Overview by Segment

		FY2021-1H (100 million yen)	FY2020-1H (100 million yen)	Year-on- year
Energy Infrastructure Business Sales rose 4.1% to ¥20,239 million. Cost reduction and repricing effects associated with insulators reduced a deficit. Operating loss was ¥930 million (cf. operating loss of ¥2,280 million in the same period of the previous year).	Net sales	202	194	+4%
	Operating income	(9)	(23)	-
Ceramics Business Sales rose 50.1% to ¥147,564 million. Sales and profit increased due to growing demand for automobile-related products on the back of a recovery in sales of vehicles/trucks. Operating income rose 453.6% to ¥36,777 million.	Net sales	1,476	983	+50%
	Operating income	368	66	+454%
Electronics Business Sales fell 4.1% to ¥25,701 million. Sales decreased due to the impact of excluding the Soshin Electric Group from consolidation and changes in revenue recognition standards. Profit increased due to growing demand for piezoelectric elements for HDDs and metal products. Operating income rose 365.1% to ¥3,005 million.	Net sales	257	268	-4%
	Operating income	30	6	+365%
Process Technology Business Sales rose 12.1% to ¥58,160 million. Demand for semiconductor manufacturing equipment increased on the back of strong foundry investment. Operating income rose 7.9% to ¥7,069 million.	Net sales	582	519	+12%
	Operating income	71	66	+8%

Condensed Financial Statements (Consolidated)

Quarterly Consolidated Balance Sheet (as of September 30, 2021)

(Million yen)

Assets		Liabilities	
Account	Amount	Account	Amount
Current assets	458,842	Current liabilities	133,922
Cash and bank deposits	127,489	Notes and accounts payable - trade	38,698
Notes and accounts receivable trade, and contract assets	112,682	Short-term borrowings	7,412
Securities	38,089	Current portion of long-term borrowings	26,919
Inventories	164,293	Income taxes payable	14,746
Other	16,407	Provision for NAS battery safety measures	1,042
Allowance for doubtful accounts	(120)	Other	45,102
Non-current assets	442,162	Long term liabilities	231,737
Tangible assets	364,606	Bonds payable	25,000
Buildings and structures	117,629	Long-term borrowings	178,441
Machinery and vehicles	179,199	Net defined benefit liability	22,103
Other	67,777	Other	6,191
Intangible assets	5,478	Total liabilities	365,659
Investments and other assets	72,077	Net assets	
Investment securities	58,318	Shareholders' equity	515,707
Other	14,088	Common stock	69,849
Allowance for doubtful accounts	(329)	Capital surplus	70,199
Total assets	901,005	Retained earnings	386,666
		Treasury stock	(11,007)
		Accumulated other comprehensive income	13,425
		Unrealized gain on available for sale securities	18,178
		Deferred (loss) on derivatives under hedge accounting	(469)
		Foreign currency translation adjustments	(1,256)
		Defined retirement benefit plans	(3,027)
		Stock acquisition rights	991
		Non-controlling interests	5,221
		Total net assets	535,345
		Total liabilities and net assets	901,005

(Amounts of less than 1 million yen omitted.)

Consolidated Statement of Income (From April 1 to September 30, 2021)

(Million yen)

Account	Amount
Net sales	250,159
Cost of sales	166,340
Gross profit	83,819
Selling, general and administrative expenses	37,893
Operating income	45,925
Non-operating income	2,065
Non-operating expenses	4,086
Ordinary income	43,905
Extraordinary income	1,439
Extraordinary loss	220
Income before income taxes and non controlling interests	45,125
Income taxes - current	13,673
Income taxes - deferred	(690)
Profit	32,142
Profit attributable to non-controlling interests	192
Profit attributable to owners of parent	31,950

(Amounts of less than 1 million yen omitted.)

Stock Information (as of September 30, 2021)

Major shareholders

Shareholder name	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	53,413	17.14
Custody Bank of Japan, Ltd. (Trust Account)	25,265	8.10
Meiji Yasuda Life Insurance Company	21,695	6.96
The Dai-ichi Life Insurance Company, Limited	21,457	6.88
MUFG Bank, Ltd.	7,204	2.31
National Mutual Insurance Federation of Agricultural Cooperatives	7,029	2.25
Aioi Nissay Dowa Insurance Co., Ltd.	4,387	1.40
Custody Bank of Japan, Ltd. (Trust Account 7)	4,261	1.36
STATE STREET BANK WEST CLIENT TREATY 505234	4,038	1.29
JP MORGAN CHASE BANK 385781	3,287	1.05

(Notes)

- We hold 5,602,939 treasury shares but they are excluded from the major shareholders listed above.
- The shareholding ratio above is calculated based on the number of shares after deducting the number of treasury shares (5,602,939 shares) from the total number of shares issued and rounded down to the second decimal place.

Stock information

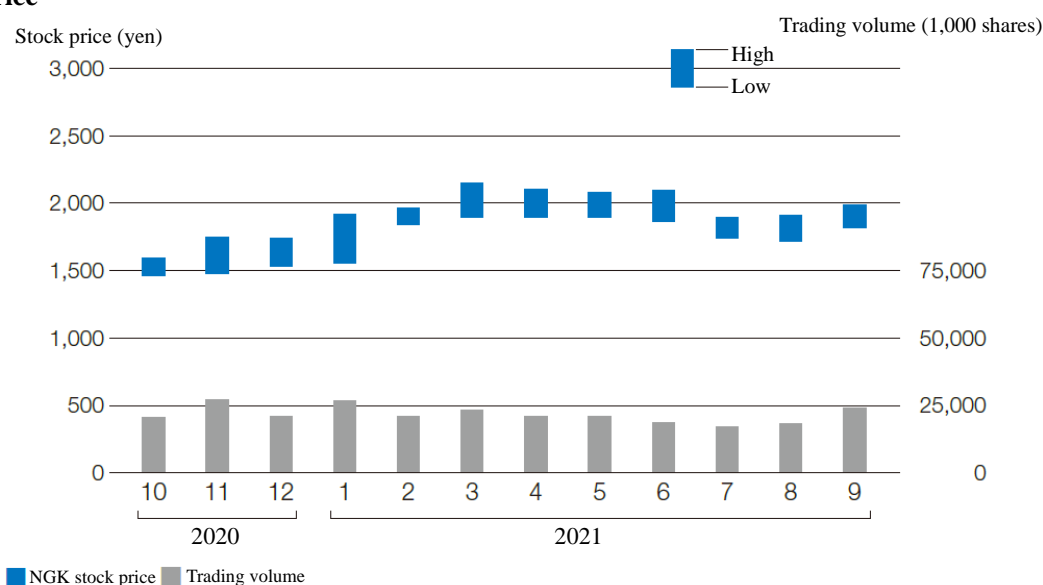
Total number of shares authorized: 735,030,000

Total number of shares issued: 317,211,996

Number of shareholders: 46,293

		(1,000 shares)
Number of shares:	317,211	
Financial institutions	179,995	(56.8%)
Domestic corporations	16,820	(5.3%)
Individuals and others	46,665	(14.7%)
Foreign corporations, etc.	73,731	(23.2%)

Stock price



Company Information (as of September 30, 2021)

Company profile

Way of writing company name	日本ガイシ株式会社 (Japanese)	
Registered trade name	日本碍子株式会社 (Japanese) NGK INSULATORS, LTD.	
Representatives	Representative Director and Chairman Representative Director and President Representative Director and Executive Vice President Representative Director and Executive Vice President	Taku Oshima Shigeru Kobayashi Hiroshi Kanie Chiaki Niwa
Founded	May 5, 1919	
Share capital	69,849 million yen	

Directors

* Representative Director

* Director and Chairman	Taku Oshima	Director (Outside)	Hiroyuki Kamano
* Director and President	Shigeru Kobayashi	Director (Outside)	Emiko Hamada
* Director and Executive Vice President	Hiroshi Kanie	Director (Outside)	Kazuo Furukawa
* Director and Executive Vice President	Chiaki Niwa	Statutory Auditor	Nobumitsu Saji
Director	Ryohei Iwasaki	Statutory Auditor	Takeshi Shimazaki
Director	Hideaki Shindo	Auditor (Outside)	Junichi Itoh
		Auditor (Outside)	Masayoshi Sakaguchi

Executive Officers

* Concurrently serves as a director

* President	Shigeru Kobayashi	Vice President	Masanobu Inoue
* Executive Vice President	Hiroshi Kanie	Vice President	Hiroharu Kato
* Executive Vice President	Chiaki Niwa	Vice President	Atsushi Miyajima
* Senior Vice President	Ryohei Iwasaki	Vice President	Hiroyuki Shinohara
* Senior Vice President	Hideaki Shindo	Vice President	Iwao Ohwada
Senior Vice President	Shuheishi Ishikawa	Vice President	Tatsumi Ichioka
Senior Vice President	Atsushi Matsuda	Vice President	Ryo Ishihara
Senior Vice President	Tsutomu Nanataki	Vice President	Mayumi Inagaki
Senior Vice President	Jun Mori	Vice President	Hirofumi Sakamoto
Senior Vice President	Hiroshi Kurachi	Vice President	Hideki Shimizu
Senior Vice President	Hiroto Matsuda	Vice President	Kazushi Tada
Senior Vice President	Tadaaki Yamada	Vice President	Ryugo Takeda
Senior Vice President	Akira Katoh	Vice President	David Miller
		Vice President	Takao Onishi

Shareholder's memo

Business year	From April 1 of each year to March 31 of the following year
Annual shareholders' meeting	June
Record date for distribution of surplus	(Year-end) March 31 (Interim) September 30
Shareholder registry administrator Account management institution for special accounts	Mitsubishi UFJ Trust and Banking Corporation
Contact information	137-8081 Shin-Tokyo Post Office, PO Box No. 29 Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation Phone: 0120-232-711 (toll free) (9:00-17:00 weekdays)
Method of public notice	Public notices will be posted on our company website (https://www.ngk.co.jp/ir/koukoku). If an electronic public notice cannot be posted due to an accident or other unavoidable reason, it will be released in the <i>Nihon Keizai Shimbun</i> and the <i>Chunichi Shimbun</i> published in the city of Nagoya.