Results for the Financial Period Ending March 2018

The total consolidated net sales for the fiscal year ended March 2018 increased by 12.4% year on year to 451,125 million yen. In addition to the volume of automotive ceramics increasing mainly due to an increase in sales of trucks in the Chinese market and tighter emissions regulations in Europe, the quantities of beryllium copper products and components for semiconductor manufacturing equipment rose.

In terms of earnings, despite increases in costs for items such as depreciation and research and development, operating income increased by 10.8% year on year to 70,027 million yen and ordinary income increased by 9.4% to 70,615 million yen as a result of factors such as increased consolidated net sales and a weakened yen. With respect to extraordinary income and loss, while posting an impairment loss totaling 3,768 million yen under extraordinary loss, a gain on sale of investment securities of 1,286 million yen was recorded as extraordinary income. In addition to these, in the previous period, the fiscal year ended March 31, 2017, 11,213 million yen was posted for income taxes for prior periods. As a result of the above, profit attributable to owners of parent increased by 25.9% to total 45,814 million yen.

(Billion yen)

	2014/3	2015/3	2016/3	2017/3	2018/3	Year-on-year
Net sales	308.7	378.7	435.8	401.3	451.1	12.4%
Operating income	44.3	61.6	80.9	63.2	70.0	10.8%
Profit attributable to owners of parent	27.0	41.5	53.3	36.4	45.8	25.9%

Target Management Indicators

The NGK Group seeks to apply a brand of management that focuses on its shareholders, with return on equity (ROE) as the key management indicator. While focusing on an ROE level of 10% or more from the medium- to long-term perspective through efficient investment of business resources to expand core current businesses, launch new businesses, and in other ways improve its earning capacity, the NGK Group will seek to achieve further improvements in capital efficiency.

Capital Policy

The NGK Group implements its capital policy from the perspective of contributing to sustained enhancement of its corporate value based on communication with its shareholders and investors. The NGK Group will work to realize both financial soundness and securing of profitability that surpasses capital cost, while actively returning profits to shareholders from the medium- to long-term perspective. With items such as ROE, dividend payout ratio, and dividend on equity ratio as important indicators, the NGK Group will aim to maintain profit margin, capital turnover, and financial leverage at sound levels in accordance with business strategies.

Measures for Returning Profits to Shareholders

NGK views the return of profits to shareholders as one of its most important management policies.

As a basic policy, we strive for shareholder-oriented management that emphasizes ROE, and distribute the benefits of successful management with a medium-term target consolidated payout ratio of approximately 30% after consideration of a comprehensive range of factors, including business performance, financial position, and future business development. Meanwhile, NGK plans to utilize retained funds primarily to extend its existing core business and capital investments in new business projects, with a view to enhancing its corporate value.

Cash Flows

Net cash provided by operating activities for the current consolidated accounting year was 50,554 million yen.

Net cash used in investing activities totaled 49,414 million yen. This was mainly due to capital investment of 71,714 million yen (up 19.3% from the previous period) spent mainly on automotive-related ceramics production facilities and semiconductor manufacturing equipment-related production facilities; and cash inflow from the sale and redemption of marketable securities.

Net cash provided by financing activities totaled 22,546 million yen. This was mainly due to proceeds from long-term borrowings and issuance of bonds payable bringing in 42,444 million yen, despite cash outflows due to cash dividends paid and repayment of long-term borrowings.
Altogether, the final balance for cash and cash equivalents was 169,918 million yen (up 25,225 million yen from the previous period).

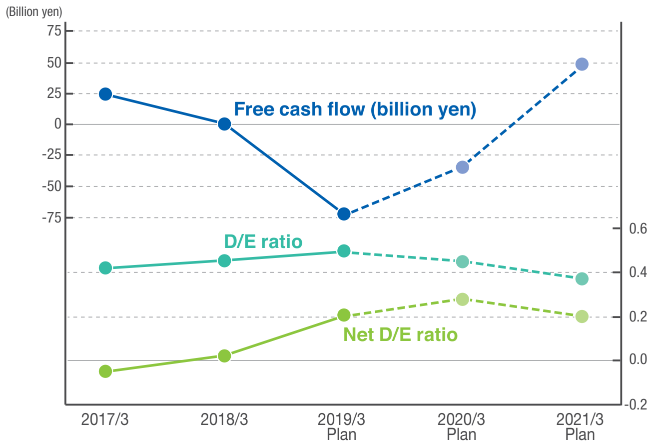
(Billion yen)

	2017/3	2018/3	2019/3 Plan
Cash flows from operating activities	80.2	50.6	66.0
Cash flows from investing activities	(56.5)	(49.4)	(141.0)
Cash flows from financing activities	(13.0) New loan 30.1 Repayment (19.2) Stock repurchase (11.2)	22.5 New loan 42.4 Repayment (6.8)	22.0 New loan 47.0 Repayment (10.0)
Foreign currency translation adjustments on cash and cash equivalents	(2.1)	1.5	(2.0)
Net increase (decrease) in cash and cash equivalents	8.6	25.2	(55.0)
Cash and cash equivalents at end of year	144.7	169.9	114.9

Free Cash Flow and Financial Composition

With capital expenditure preceding, free cash flow is expected to turn negative during the financial periods ending March 2019 and March 2020; thus, interest-bearing liabilities will exceed outstanding funds for a while. Free cash flow is forecast to turn positive in the fiscal year ending March 2021.

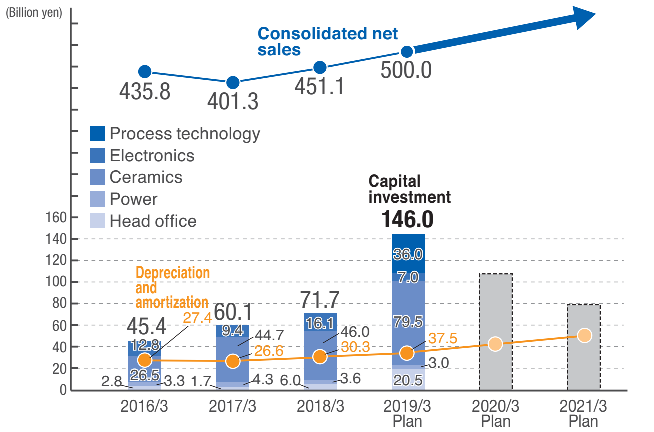
With regard to financial composition, an equity ratio of 50% or higher and a D/E ratio of around 0.4 will be maintained while seeking to find opportunities for financial leverage, such as through the procurement of necessary capital via interest-bearing debts.



Capital Expenditure and Depreciation Costs

NGK is planning capital investment of about 300 billion yen over a three-year period in order to increase production of automotive-related and SPE products and to invest in the mass production of new products.

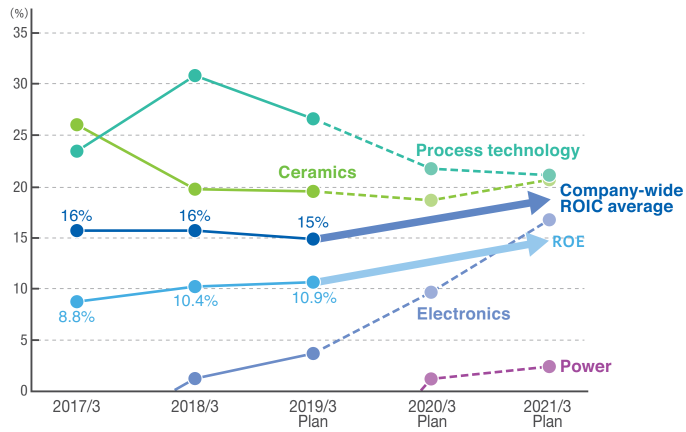
The main capital investments are 22 billion yen for the second automotive-related plant in Poland, 50 billion yen for the plant in Thailand, 33 billion yen for the second plant in China, 14 billion yen for increased production of NOx sensors, and 40 billion yen collectively for semiconductor manufacturing equipment-related plants in Komaki, Chita, and Tajimi.



Return on Invested Capital (ROIC)

NGK-version ROIC is calculated based on business assets (sales receivables + inventories + fixed assets) that can be managed by business departments rather than capital and liabilities, while pre-tax operating income is used in place of operating profit after tax as the numerator.

ROIC for fiscal 2017 produced a company-wide average of 15%, which is a one-point decrease from the previous period. We are aiming to improve ROIC with targets for each product group by improving profitability, prioritizing investments, and reducing inventories.



EPS, Dividends

Net income per share for fiscal 2017 was 142.42 yen, which is a four yen increase over the previous period and resulted in annual dividends of 44 yen being paid.

Net income per share for fiscal 2018 is expected to be 161.61 yen, which would yield annual dividends of 50 yen.