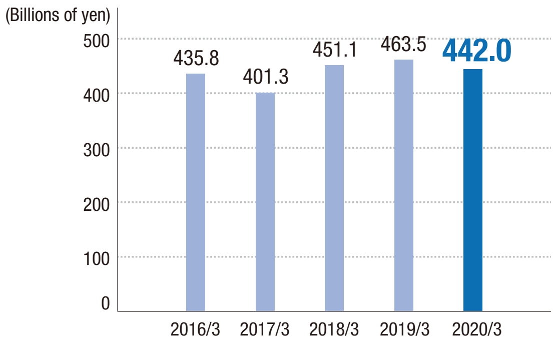
Overview of Business Results and Management Policies

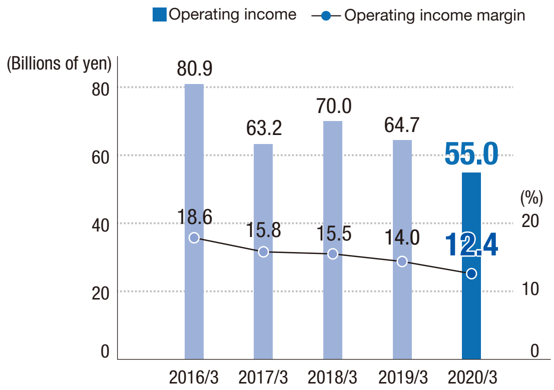
Net Sales

442.0 billion yen



Operating Income, Operating Income Margin

55 billion yen



Overview of Business Results for the Fiscal Year Ended March 2020

Power Business

Insulator demand fell in Japan and overseas. Losses shrank due to factors including a reduction in expenses associated with closures of overseas bases.

Ceramics Business

Net sales remained largely unchanged from the previous fiscal year as declines in automobile production and sales volume combined with a strong yen to offset growth in gasoline particulate filter (GPF) demand due to governments' adoption of stricter exhaust regulations. Profits fell due to factors including an increase in depreciation and amortization.

Electronics Business

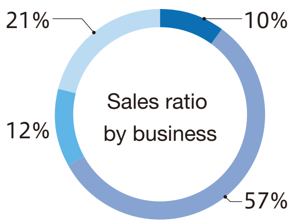
Revenue fell as profits rose slightly, reflecting a decline in ceramic package quantity and sluggish performance by Soshin Electric.

Process Technology Business

Revenue and profits fell compared to the previous fiscal year due primarily to decline in demand for semiconductor manufacturing equipment products.

Extraordinary Losses

The NGK Group recognized an impairment loss on fixed assets totaling 12.6 billion yen during the fiscal year ended March 2020 (including a 9.7 billion yen loss in the subsidiary manufacturing automotive ceramics in Thailand and a 2.2 billion yen loss in the package business). (During the fiscal year ended March 2019, the NGK Group recognized a fixed-asset impairment loss of 10.9 billion yen and a loss on business subsidiaries and associates of 3.0 billion yen.)



Targeted Management Indicators and Capital Policy

Regarding the return on invested capital (ROIC), the key management indicator relevant to ROE, which is an important indicator of business performance, the NGK Group promotes management with a focus on capital efficiency. Towards a medium- to long-term target ROE of at least 10%, we will implement a capitalization strategy that is conducive to a sustained enhancement of corporate value by accommodating changes in business risks. In addition to reducing capital costs through communication with shareholders and investors, the NGK Group will secure earnings beyond capital costs by utilizing ROIC for business planning and decision-making processes for capital investment, using business resources to expand core businesses and reduce their costs, and investing efficiently in development and new businesses.

In addition, we will take a proactive approach to shareholder returns by referring to key indicators including the dividend payout ratio and the dividend on equity (DOE) ratio. Through these measures, while seeking to maintain financial soundness, we will aim to maintain good levels of profitability measured by ROE, capital turnover, and financial leverage consistent with our business strategies.

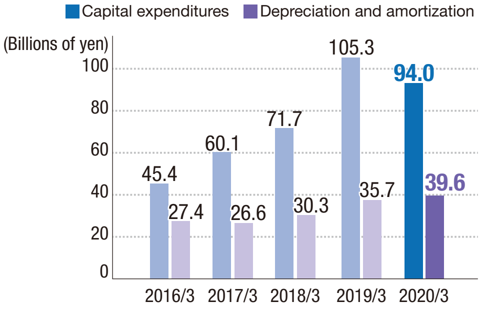
Dividend Policy

NGK places a high priority on the interests of shareholders and positions continuous improvement of corporate value and return of profits as one of the most important management policies. NGK regards return on equity (ROE) that exceeds the cost of capital as an essential medium- to long-term goal for its major management indicators and is working to make improvements by using the NGK version of ROIC (calculating operating income, equipment, inventory, and accounts receivable by product), which can be managed by each business segment. NGK pays cash dividends with a dividend rate of 3% on net assets and a consolidated dividend payout ratio of approximately 30% over the medium term. This takes into consideration the management of net assets in line with changes in business risks and the linkage to business results (ROE) for approximately three years, as well as cash flow forecasts and other factors.

Meanwhile, NGK plans to utilize retained funds primarily to extend its existing core business and capital expenditures in new business projects, with a view to enhancing its corporate value.

Capital Expenditures, Depreciation and Amortization

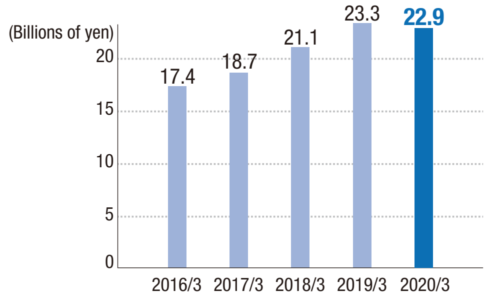
94.0 billion yen



During fiscal 2019, the NGK Group made overall capital expenditures totaling 94.0 billion yen, with a focus on production equipment related to automotive-related ceramic products and semiconductor manufacturing equipment. We expect large-scale capital expenditures to decrease gradually after having peaked in fiscal 2019, and we will work steadily to recover those expenditures during fiscal 2020 and beyond.

R&D Expenses

22.9 billion yen



NGK strives to invest 4% to 6% of net sales in R&D, where spending totaled 22.9 billion yen (5.2% of net sales) in fiscal 2019. Going forward, we will strive to ensure that at least 30% of consolidated net sales comes from new products. We have set a company-wide “Keep up 30” goal to maintain this percentage in the future and are focused on creating new products and businesses based on the input of R&D funding.

Return on Equity (ROE), Net Income Attributable to Owners of the Parent

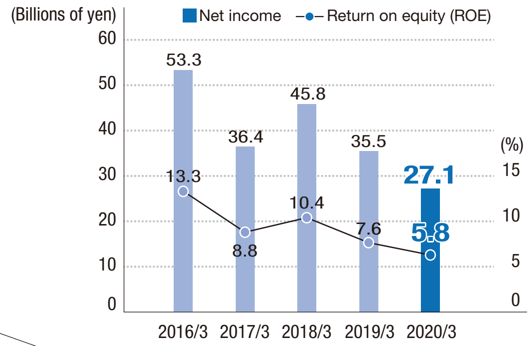
ROE in fiscal 2019 was 5.8% (down 1.8 points compared to the previous fiscal year), reflecting a decline in operating income as well as an impairment loss due to factors such as the COVID-19 pandemic. Although that figure falls below our target of at least 10%, we will continue work to maintain and improve this indicator.

ROE

5.8 %

Net income

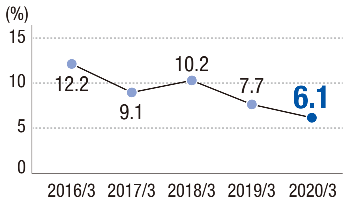
27.1 billion yen



Profit Margin

This figure is calculated by dividing net income attributable to owners of the parent by net sales. In fiscal 2019, the decline in profit exceeded net sales due to factors such as an impairment loss, pushing the profit margin to 6.1% (down 1.6 points compared to the previous fiscal year).

6.1 %



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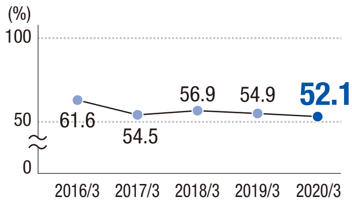
Asset Turnover

This figure is calculated by dividing net sales by the average of net assets at the beginning and end of the fiscal year. In fiscal 2019, asset turnover was 52.1% (down 2.8 points compared to the previous fiscal year) due primarily to the effects of a decline in net sales.

52.1 %



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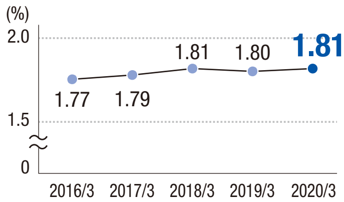
Financial Leverage

This figure is calculated by dividing the average of net assets at the beginning and end of the fiscal year by average net worth*. In fiscal 2019, financial leverage was 1.81 (up 0.01 points from the previous fiscal year).

1.81



*Average at the beginning and end of the fiscal year