NGK SPARK PLUG CO., LTD. January 30, 2017

Quarterly Consolidated Financial Statements in accordance with Japanese GAAP for the nine months ended December 31, 2016

URL : https://www.ngkntk.co.jp
Stock listing : Tokyo 1st section, Nagoya 1st section
Code number : 5334
Head office : 14-18 Takatsuji-cho, Mizuho-ku, Nagoya, 467-8525, Aichi, Japan
Representative : Shinichi Odo, Chairman, President and CEO

Quarterly financial results highlights

	Billions of yen						
	Three months ended						
	2015			2016			
	Jun.30	Sep.30	Dec. 31	Mar.31	Jun.30	Sep.30	**Dec. 31**
For the three months:							
Net sales	94.0	97.9	95.9	95.4	91.1	89.2	**92.6**
Operating income	17.6	16.3	17.7	14.7	15.7	10.9	**12.8**
Ordinary income	19.2	14.5	18.3	12.5	11.9	11.1	**19.0**
Profit attributable to owners of the parent	12.5	0.1	13.0	5.2	7.5	8.0	**15.6**
Sales by industry segments:							
Spark & glow plugs	44.1	49.4	47.8	48.4	45.7	47.1	**48.2**
Automotive sensors	33.2	33.0	33.6	33.4	31.7	28.4	**30.9**
Automotive components	77.4	82.4	81.3	81.7	77.4	75.5	**79.0**
Semiconductor	6.8	6.5	5.4	5.1	5.0	5.2	**4.8**
Ceramics	8.7	8.2	8.2	7.7	7.8	7.6	**7.9**
Technical ceramics	15.5	14.7	13.6	12.8	12.7	12.8	**12.7**
	Percent						
Operating income (loss) ratio:							
Consolidated	18.7	16.7	18.5	15.4	17.2	12.2	**13.9**
By industry segments:							
Automotive components	23.3	21.2	23.2	20.5	22.0	16.9	**16.7**
Semiconductor	(22.8)	(25.3)	(30.0)	(45.5)	(30.9)	(34.7)	**(12.8)**
Ceramics	12.5	7.1	6.1	3.4	2.0	(1.2)	**3.2**
Technical ceramics	(3.0)	(7.2)	(8.2)	(16.0)	(10.8)	(14.9)	**(2.8)**
	Yen						
Actual exchange rate:							
Yen - U.S. dollar	121	122	121	115	108	102	**109**
Yen - Euro	134	136	133	127	122	114	**118**

(Note)

The business combination for the acquisition of NTK Ceratec Co., Ltd. (formerly known as Nihon Ceratec Co., Ltd.) as of April 1, 2015 was accounted for using provisional amounts in the 3rd quarter of the previous fiscal year, and its accounting was completed at the end of the fiscal year ended March 31, 2016. The business combination for the acquisition of Wells Vehicle Electronics Holdings Corp. as of July 1, 2015 was accounted for using provisional amounts in the previous fiscal year ended March 31, 2016, and its accounting was completed in the current fiscal year.

The completions of the business combinations were herein reflected to the amounts of each quarter of the fiscal year ended March 31, 2016.

Quarterly Consolidated Balance Sheets
March 31, 2016 and December 31, 2016

	Millions of yen	
	March 31, 2016	**December 31, 2016**
Assets		
Current assets		
Cash and deposits	37,984	**47,248**
Notes and accounts receivable-trade	74,942	**85,800**
Short-term investment securities	59,548	**49,202**
Inventories	82,122	**89,767**
Deferred tax assets	12,080	**10,370**
Other	12,040	**11,852**
Allowance for doubtful accounts	(406)	**(485)**
Total current assets	278,313	**293,756**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	58,443	**62,794**
Machinery, equipment and vehicles, net	73,286	**84,176**
Land	19,764	**19,811**
Construction in progress	13,393	**9,251**
Other, net	3,586	**3,842**
Total property, plant and equipment	168,473	**179,877**
Intangible assets		
Goodwill	9,372	**8,819**
Software	3,554	**3,665**
Other	10,498	**9,950**
Total intangible assets	23,426	**22,436**
Investments and other assets		
Investment securities	53,064	**69,482**
Deferred tax assets	987	**1,327**
Other	1,966	**2,017**
Allowance for doubtful accounts	(127)	**(128)**
Total investments and other assets	55,890	**72,699**
Total non-current assets	247,790	**275,012**
Total assets	526,103	**568,769**

	Millions of yen	
	March 31, 2016	**December 31, 2016**
Liabilities		
Current liabilities		
Accounts payable-trade	28,049	**28,941**
Short-term loans payable	11	**8,165**
Lease obligations	174	**123**
Income taxes payable	2,038	**5,969**
Other	36,062	**32,628**
Total current liabilities	66,335	**75,828**
Non-current liabilities		
Bonds payable	55,000	**55,000**
Long-term loans payable	24,859	**32,848**
Lease obligations	167	**77**
Net defined benefit liability	32,185	**31,506**
Deferred tax liabilities	5,325	**9,239**
Other	1,185	**1,035**
Total non-current liabilities	118,723	**129,706**
Total liabilities	185,058	**205,535**
Net assets		
Shareholders' equity		
Capital stock	47,869	**47,869**
Capital surplus	54,824	**54,825**
Retained earnings	245,463	**267,461**
Treasury stock	(7,647)	**(17,647)**
Total shareholders' equity	340,510	**352,507**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,733	**29,417**
Foreign currency translation adjustment	(15,640)	**(13,470)**
Remeasurements of defined benefit plans	(8,734)	**(7,575)**
Total accumulated other comprehensive income	(1,640)	**8,371**
Non-controlling interests	2,174	**2,354**
Total net assets	341,044	**363,234**
Total liabilities and net assets	526,103	**568,769**

(Notes)

(1) We are subject to investigations by overseas authorities regarding possible violations of competition laws in relation to certain past transactions of the automotive components segment. In connection with such situation, compensations for damage claims have been discussed with some customers and civil lawsuits have been filed. Additional losses may arise if new facts related to possible violations become known. However, the effect of these contingent liabilities on the quarterly consolidated financial statements is not estimable at this stage.

(2) We have repurchased 5,396,600 treasury shares as resolved at the meeting of the Board of Directors held on July 29, 2016. As a result of the repurchase, treasury stock increased by 10,000 million yen in the nine months ended December 2016, and the amount of treasury stock as of December 31, 2016 was 17,647 million yen.

Quarterly Consolidated Statements of Operations for the nine months ended December 31, 2015 and 2016

	Millions of yen	
	2015	**2016**
Net sales	287,913	**272,918**
Cost of sales	183,915	**181,988**
Gross profit	103,997	**90,930**
Selling, general and administrative expenses	52,370	**51,552**
Operating income	51,627	**39,377**
Non-operating income		
Interest income	1,214	**850**
Dividends income	1,177	**1,223**
Equity in earnings of affiliates	-	**417**
Other	1,264	**1,259**
Total non-operating income	3,656	**3,750**
Non-operating expenses		
Interest expenses	245	**229**
Equity in losses of affiliates	197	**-**
Foreign exchange losses	1,852	**48**
Depreciation of inactive non-current assets	162	**150**
Other	792	**730**
Total non-operating expenses	3,250	**1,159**
Ordinary income	52,034	**41,968**
Extraordinary income		
Gain on sales of property, plant and equipment	63	**470**
Total extraordinary income	63	**470**
Extraordinary loss		
Loss on sales or disposal of property, plant and equipment	245	**595**
Loss on valuation of investment securities	-	**64**
Settlement	14,837	**99**
Total extraordinary losses	15,082	**759**
Profit before income taxes	37,015	**41,679**
Income taxes-current	7,517	**8,427**
Income taxes-deferred	3,660	**1,891**
Total income taxes	11,178	**10,318**
Profit	25,836	**31,361**
Profit attributable to non-controlling interests	230	**308**
Profit attributable to owners of the parent	25,606	**31,052**
	Yen	
Earnings per share		
- Basic	117.66	**144.39**
- Diluted	-	**-**

Quarterly Consolidated Statements of Comprehensive Income for the nine months ended December 31, 2015 and 2016

	Millions of yen	
	2015	**2016**
Profit	25,836	**31,361**
Other comprehensive income		
Valuation difference on available-for-sale securities	468	**6,673**
Foreign currency translation adjustment	(5,744)	**2,242**
Remeasurements of defined benefit plans	371	**1,155**
Share of other comprehensive income of associates accounted for using equity method	(268)	**(40)**
Total other comprehensive income	(5,172)	**10,031**
Comprehensive income	20,664	**41,392**
Comprehensive income attributable to		
owners of the parent	20,737	**41,064**
non-controlling interests	(73)	**327**

Quarterly Consolidated Statements of Cash Flows
For the nine months ended December 31, 2015 and 2016

	Millions of yen	
	2015	**2016**
Net cash provided by operating activities		
Profit before income taxes	37,015	**41,679**
Depreciation and amortization	11,842	**14,347**
Increase (decrease) in net defined benefit liability	(206)	**825**
Interest and dividends income	(2,391)	**(2,073)**
Interest expenses	245	**229**
Equity in (earnings) losses of affiliates	197	**(417)**
Loss on disposal of non-current assets	182	**124**
Loss on valuation of investment securities	-	**64**
(Increase) decrease in notes and accounts receivable-trade	3,159	**(10,036)**
Increase in inventories	(2,594)	**(7,801)**
Increase in notes and accounts payable-trade	138	**155**
Other, net	(294)	**158**
Subtotal	47,292	**37,258**
Interest and dividends income received	2,708	**1,859**
Interest expenses paid	(205)	**(241)**
Income taxes paid	(15,091)	**(4,028)**
Net cash provided by operating activities	34,702	**34,848**
Net cash used in investment activities		
Net increase in time deposits	(1,493)	**(416)**
Net (increase) decrease in short-term investment securities	2,857	**(8,073)**
Purchase of property, plant and equipment	(29,898)	**(26,759)**
Purchase of intangible assets	(753)	**(884)**
Purchase of investment securities	(238)	**(7,726)**
Proceeds from sales and redemption of investment securities	6,104	**-**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(37,415)	**-**
Other, net	1,441	**1,484**
Net cash used in investment activities	(59,394)	**(42,376)**
Net cash (used in) provided by financing activities		
Net increase (decrease) in short-term loans payable	(654)	**7,453**
Proceeds from long-term loans payable	19,848	**8,000**
Proceeds from issuance of bonds	29,859	**-**
Redemption of bonds	(15,000)	**-**
Purchase of treasury stock	(6)	**(10,000)**
Cash dividends paid	(8,478)	**(9,049)**
Other, net	(380)	**(295)**
Net cash (used in) provided by financing activities	25,187	**(3,892)**
Effect of exchange rate change on cash and cash equivalents	(892)	**(127)**
Net decrease in cash and cash equivalents	(397)	**(11,548)**
Cash and cash equivalents at beginning of period	75,540	**71,155**
Cash and cash equivalents at end of period	75,143	**59,607**

Segment information

Information about sales and segment income (loss) by reportable segments

	Reportable segments								
	Automotive components	Technical ceramics			Total	Others	Total	Adjustment	Consolidated
		Semiconductor	Ceramics	Total					
	Millions of yen								
Nine months ended December 31, 2015									
Net sales	241,119	18,743	25,113	43,857	284,977	2,936	287,913	-	287,913
Segment income (loss)	54,403	(4,821)	2,168	(2,652)	51,750	(122)	51,627	-	51,627
Nine months ended December 31, 2016									
Net sales	**231,968**	**14,958**	**23,269**	**38,227**	**270,196**	**2,721**	**272,918**	**-**	**272,918**
Segment income (loss)	**43,034**	**(3,951)**	**321**	**(3,630)**	**39,404**	**(26)**	**39,377**	**-**	**39,377**

Note 1: "Others" represents businesses such as Material Sales, Welfare Program Service and Transportation, which are not included in reportable segments.

Note 2: Segment income (loss) is adjusted to Operating income (loss) of "Consolidated Quarterly Statement of Operations".

Note 3: In April 2016, we changed the segment management division of semiconductor manufacturing equipment products from "Semiconductor" in Technical Ceramics to "Ceramic". Segment information for the nine months ended December 31, 2015 above is based on the reportable segments of the nine months ended December 31, 2016.