

May 9, 2016

Company name: NGK SPARK PLUG CO., LTD.

Representative: Shinichi Odo, Chairman, President and CEO

Securities Code: 5334

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## **Announcement about the structural reform of ceramic IC package business**

NGK SPARK PLUG CO., LTD. (hereafter the “Company”) announced that it had decided a basic policy about the structural reform of its ceramic IC package business at the Board of Directors Meeting held on May 9, 2016.

### 1. Purpose of the structural reform

Toward the revitalization of our ceramic IC package business, we will establish an independent subsidiary with manufacturing and sales functions consolidated from the subsidiary with manufacturing function only. With this reform, we shall clarify the responsibilities and authorities, visualize the financial management further, and achieve positive turnaround as early as possible.

From technical viewpoints, it is clear that required features which can be achieved only by ceramic will continue to exist in semiconductor package. Therefore, we believe that we can play an active role in this industry by utilizing our core technologies. Moreover, the technologies developed through the ceramic IC package business have been used in sensor business, which is one of our main products, as well as the products for semiconductor manufacturing equipment and Solid Oxide Fuel Cells (SOFC), which are expected to grow. With these perspectives, we believe that there is meaning in continuing ceramic IC package business.

On the other hand, the ceramic IC package business has been operating at loss for the last five years under the intensified price competition. By this structural reform, we will establish an independent, self-supporting organization with clear responsibilities and authorities, and press forward with thorough financial management and better utilization of our technical advantages.

### 2. Outline of the structural reform

#### (1) Establishment of the new subsidiaries

##### a. New subsidiary for the Ceramic IC package business

- 1) Establishing NTK CERAMIC CO., LTD. (hereafter New N-CERA) as a wholly owned subsidiary of the Company on July 1, 2016 (Planned).
- 2) The Ceramic IC package business will be succeeded from the Company and current NTK CERAMIC CO., LTD. (hereafter Current N-CERA, wholly owned subsidiary of the Company) to New N-CERA through absorption-type company split by October 1, 2016 (Planned).
- 3) To be an independent subsidiary, we will consolidate the sales, marketing and design functions of the Company and manufacturing function of Current N-CERA into New N-CERA.

b. New subsidiary for the Sensor business

- 1) Establishing “CS Nakatsugawa CO., LTD” (CS Nakatsugawa) as a wholly owned subsidiary of Company scheduled on July 1, 2016 (Planned).
- 2) The sensor business in Current N-CERA will be succeeded to CS Nakatsugawa through absorption-type company split by October 1, 2016 (Planned).

c. Absorbing Current N-CERA into the Company by January 1, 2017 (Planned)

(2) Selection and concentration of the products

We will identify the profitability by products and customers and concentrate our resources on the products that can better use of our technical advantages.

(3) Consolidation of production bases

To improve productivity and reduce fixed costs, we will consolidate IC package production bases from four to three. Nakatsugawa factory will be utilized as a production base for sensors in which large demand is expected in future.

(4) Inviting the Management from outside

Rather than continuing business reform by ourselves alone, we have decided to use external knowledge and experiences as well. The responsibilities and authorities will be delegated to the top management of New N-CERA to achieve business revitalization.

3. Summary of the structural reform

(1) Schedule

Date of establishment of New N-CERA and CS Nakatsugawa: July 1, 2016 (Planned).

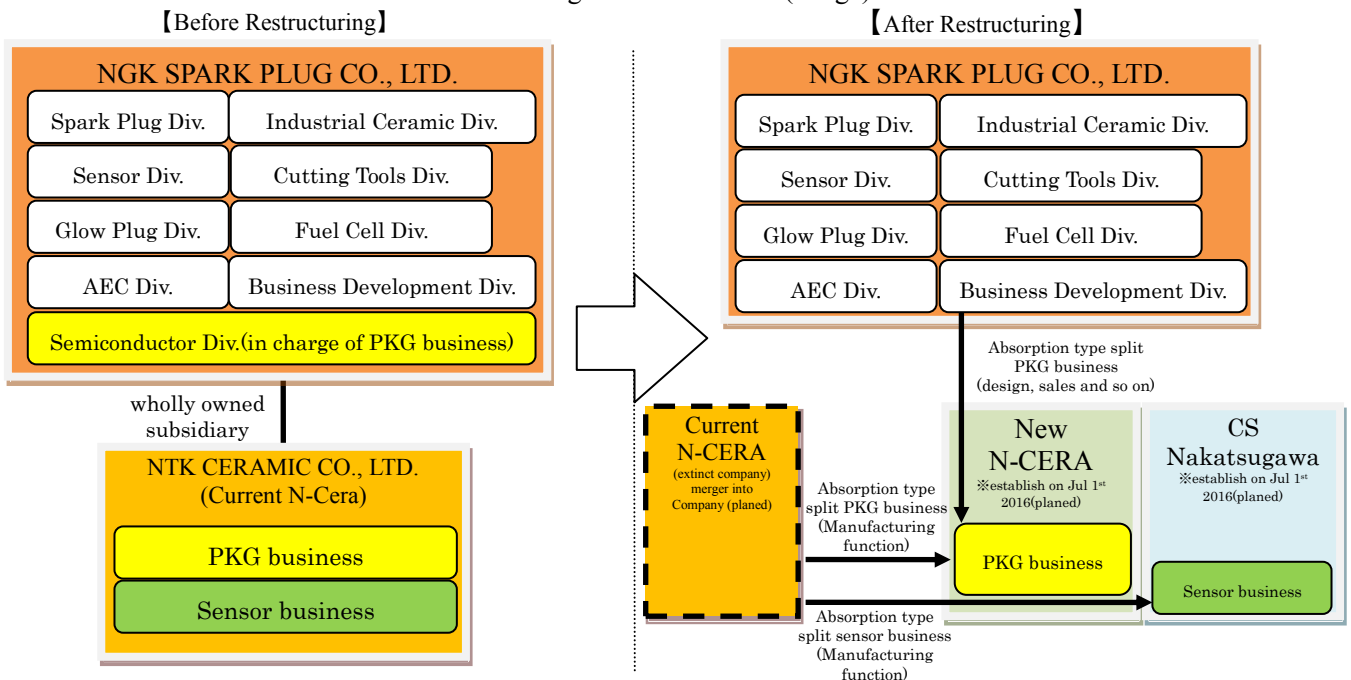
Date of conclusion of absorption-type Company Split Agreement: July 29, 2016 (Planned).

Effective date of the Splits: October 1, 2016 (Planned).

Absorption type of merger of Current N-CERA into the Company: January 1, 2017 (Planned).

(2) Scheme of reorganization of subsidiaries

< Restructuring of PKG business (image) >



## (3) Overview of Companies associated with the Company Splits (as of March 31, 2016)

Corporate name	NGK SPARK PLUG CO.,LTD.(Splitting Company)	NTK CERAMIC CO., LTD. (Splitting Company)
Head office	14-18, Takatsuji-cho, Mizuho-ku, Nagoya	1642-4,Nasubigawa, Nakatsugawa,Gifu
Date of establishment	October,1936	July,1993
Representative Director	Shinichi Odo Chairman, President and CEO	Chizuo Nakashima President
Area of operation	Manufacture and sales of automotive parts, and ceramics for electronic parts and industrial use or application	Manufacture and sales of ceramics for electronic parts and industrial use or application
Stated capital	47,869 million yen	450 million yen
Fiscal year-end	March 31	March 31
Number of shares issued	223,544,820 shares	2,000 shares
Net assets (loss)	289,100 million yen	(3,103) million yen
Total assets	438,665 million yen	9,030 million yen
Major shareholders and shareholding ratios	The Dai-ichi Life Insurance Company, Limited 7.49% STATE STREET BANK AND TRUST COMPANY 7.20% Meiji Yasuda Life Insurance Company 6.17% The Master Trust Bank of Japan, Ltd.(Trust Account) 5.22% Japan Trustee Services Bank, Ltd. (Trust Account) 4.47%	NGK SPARK PLUG CO., LTD. 100%
Net sales	279,161 million yen	28,329 million yen
Operating Income	44,607 million yen	421 million yen
Operating Income	48,379 million yen	416 million yen
Net income	20,162 million yen	276 million yen

(4) Overview of Succeeding Companies after the Company Splits

Corporate name	NTK CERAMIC CO., LTD. (Succeeding Company)	CS Nakatsugawa CO., LTD. (Succeeding Company)
Head office	2808, Iwasaki, Komaki, Aichi	1642-4, Nasubigawa, Nakatsugawa, Gifu
Representative Director	Not yet decided (Inviting from outside)	Akio Mizutani, President
Area of operation	Manufacture and sales of ceramics for electronic parts	Manufacture and sales of ceramics for industrial use or application
Stated capital	100 million yen	50 million yen
Fiscal year-end	March 31	March 31

4. Future Outlook

We schedule these company splits and mergers on October 1, 2016. For items that are undecided at this timing, we will make announcements when decided. We are currently investigating the impact on the consolidated financial target, and will promptly announce it if there is any impact.