

Consolidated financial reports in accordance with Japanese GAAP for the fiscal year ended March 31, 2010

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Financial results highlights

	Millions of yen		
	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ending March 31, 2011 (Forecast)
Net sales:			
Automotive components			
Spark & glow plugs	119,264	103,747	108,414
Automotive sensors	67,420	62,319	76,486
Subtotal	186,684	166,066	184,900
Communication media components & technical ceramics			
Communication media components	80,532	57,652	49,408
Technical ceramics	20,408	16,533	17,192
Subtotal	100,940	74,185	66,600
Others	4,597	3,750	4,013
Elimination	(101)	(88)	(13)
Total net sales	292,121	243,914	255,500
Operating income (loss):			
Automotive components	21,535	15,625	24,400
Communication media components & technical ceramics	(26,564)	(5,110)	(2,630)
Others	(192)	167	(270)
Total operating income (loss)	(5,222)	10,683	21,500
Ordinary income (loss)	(7,528)	10,758	22,000
Net income (loss)	(71,669)	13,509	18,500
Capital expenditure:			
Automotive components	16,154	7,325	8,150
Communication media components & technical ceramics	7,884	3,651	3,550
Others	133	0	0
Total capital expenditure	24,173	10,977	11,700
Depreciation:			
Automotive components	15,771	14,282	13,610
Communication media components & technical ceramics	15,965	4,529	4,378
Others	30	13	12
Total depreciation	31,767	18,825	18,000

	Yen		
	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ending March 31, 2011 (Forecast)
Per share			
Net income (loss) - Basic	(328.90)	62.01	84.91
Equity	838.11	942.41	1,012.82
Cash dividends	13.50	11.00	18.00
Actual exchange rate			
Yen - U.S. dollar	102	92	85
Yen - Euro	146	131	120
		Percent	
Operating income ratio	(1.8)	4.4	8.4
Return on equity	(30.6)	7.0	8.7
Dividend payout ratio	-	17.7	21.2

Disclaimer regarding forward-looking statements:

This document contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of release. Some factors, which include, but are not limited to, the risks and uncertainty associated with the worldwide economy, currency fluctuation and competitive activity could cause actual results to differ materially from expectations. We therefore caution readers that these statements should not be interpreted as representation that quantitative or qualitative objective therein will be fulfilled.

Consolidated Balance Sheets March 31, 2009 and 2010

	Millions of yen	
	2009	2010
Assets		
Current assets		
Cash and deposits	18,387	28,838
Notes and accounts receivable-trade	35,493	46,237
Short-term investment securities	15,593	36,120
Inventories	52,689	59,720
Deferred tax assets	1,203	7,108
Other	5,496	8,497
Allowance for doubtful accounts	(139)	(177)
Total current assets	128,724	186,345
Non-current assets		
Property, plant and equipment		
Building and structures, net	55,407	49,136
Machinery, equipment and vehicles, net	34,991	28,413
Land	15,819	15,291
Construction in progress	1,668	571
Other, net	2,052	2,060
Total property, plant and equipment	109,939	95,473
Intangible assets		
Goodwill	337	145
Software	4,187	6,257
Other	68	59
Total intangible assets	4,592	6,462
Investments and other assets		
Investment securities	30,307	38,894
Deferred tax assets	942	2,749
Other	1,591	1,653
Allowance for doubtful accounts	(102)	(102)
Total investments and other assets	32,739	43,195
Total non-current assets	147,271	145,130
Total assets	275,995	331,476

	Millions of yen	
	2009	2010
Liabilities		
Current liabilities		
Accounts payable-trade	9,186	32,957
Short-term loans payable	13,611	1,116
Current portion of bonds	-	2,666
Lease obligations	131	181
Income taxes payable	747	1,369
Deferred tax liabilities	216	109
Other	18,089	19,290
Total current liabilities	<u>41,982</u>	<u>57,691</u>
Non-current liabilities		
Bonds payable	22,666	35,000
Lease obligations	859	849
Provision for retirement benefits	16,243	16,796
Negative goodwill	10	65
Deferred tax liabilities	8,526	12,701
Other	1,322	1,365
Total non-current liabilities	<u>49,628</u>	<u>66,778</u>
Total liabilities	91,610	124,469
Net assets		
Shareholders' equity		
Capital stock	47,869	47,869
Capital surplus	55,164	55,162
Retained earnings	105,673	117,985
Treasury stock	(14,979)	(15,004)
Total shareholders' equity	<u>193,727</u>	<u>206,013</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8,056	12,082
Foreign currency translation adjustment	(19,165)	(12,774)
Total valuation and translation adjustments	<u>(11,109)</u>	<u>(691)</u>
Minority interests	1,766	1,684
Total net assets	<u>184,384</u>	<u>207,006</u>
Total liabilities and net assets	<u>275,995</u>	<u>331,476</u>

	Millions of yen	
	2009	2010
(a) Inventories consists of		
- Finished goods	26,976	38,787
- Work-in-process	17,515	14,594
- Raw materials	8,197	6,338
(b) Accumulated depreciation of tangible assets	271,336	284,790
(c) Investments in unconsolidated subsidiaries & affiliates	2,022	2,382
(d) Guarantees of indebtedness principles of employees	112	95
	Shares	
	March 31, 2009	March 31, 2010
(f) Number of shares		
- Issued common stock	229,544,820	229,544,820
- Treasury stock	11,651,113	11,676,366

Consolidated Statements of Income
For the fiscal years ended March 31, 2009 and 2010

	Millions of yen	
	Fiscal year ended March 31	
	2009	2010
Net sales	292,121	243,914
Costs of sales	251,832	192,722
Gross profit	40,289	51,192
Selling, general and administrative expenses		
Selling expenses	26,437	21,518
General and administrative expenses	19,074	18,989
Total selling, general and administrative expenses	45,511	40,508
Operating income (loss)	(5,222)	10,683
Non-operating income		
Interest income	1,491	634
Dividends income	872	460
Amortization of negative goodwill	21	26
Equity in earnings of affiliates	-	293
Foreign exchange gains	-	156
Other	1,169	1,038
Total non-operating income	3,554	2,610
Non-operating expenses		
Interest expenses	584	641
Equity in losses of affiliates	515	-
Foreign exchange losses	4,046	-
Depreciation of inactive non-current assets	-	1,166
Other	714	726
Total non-operating expenses	5,861	2,535
Ordinary income (loss)	(7,528)	10,758
Extraordinary income		
Gain on sales of property, plant and equipment	45	937
Gain on sales of investment securities	10	-
Gain on sales of subsidiaries and affiliates' stocks	-	800
Total extraordinary income	56	1,737
Extraordinary loss		
Loss on sales or disposal of property, plant and equipment	297	329
Impairment loss	26,657	1,761
Loss on depreciation of goodwill	7,791	-
Loss on sales of investment securities	-	18
Loss on valuation of investment securities	1,093	4
Total extraordinary losses	35,839	2,113
Income (loss) before income taxes and minority interests	(43,311)	10,382
Income taxes-current	4,148	2,998
Refund of income taxes for prior periods	-	(101)
Income taxes-deferred	23,801	(6,311)
Total income taxes	27,949	(3,414)
Minority interests in income	407	287
Net income (loss)	(71,669)	13,509

	Fiscal year ended March 31	
	2009	2010
	Yen	
(a) Net income (loss) per share		
- Basic	(328.90)	62.01
- Diluted	-	61.46

Note: For the fiscal year ended March 31, 2009, diluted net income per share is not disclosed due to the recording of a net loss.

	Fiscal year ended March 31	
	2009	2010
	Millions of yen	
(b) Net (reversal of) write-down of inventories	2,913	(2,751)
(c) The major components of selling, general and administrative expenses		
Depreciation	1,291	1,465
Provision for allowance for doubtful accounts	16	111
Net periodic retirement benefit expense	909	963
Provision for officers' severance indemnities	76	-
Salaries and bonuses	16,208	15,182
Packing and transport	4,580	4,566
Advertising	4,054	3,414
Research and development	2,876	2,468

(d) Impairment loss

For the purpose of recognition and measurement of an impairment loss, fixed assets are grouped into cash-generating units based on the managerial accounting classification, other than idle or unused property. For the fiscal years ended March 31, 2009 and 2010, major assets on which we recognized an impairment loss are follows.

For the fiscal year ended March 31, 2009:

1. Manufacturing property for IC-package of Communication media components & technical ceramics
 - a. Location Komaki, Aichi prefecture, Japan
 Ise, Mie prefecture, Japan
 Iijima-cho, Kamiina-gun, Nagano prefecture, Japan
 Nakatsugawa, Gifu prefecture, Japan
 Kani, Gifu prefecture, Japan
 - b. Classification of fixed assets and the amount of impairment losses

Building and structures	1,260	million yen
Machinery and vehicles	13,515	million yen
Other fixed assets	2,406	million yen
	<u>17,182</u>	million yen
2. Unused property
 - a. Location Komaki, Aichi prefecture, Japan
 - b. Classification of fixed assets and the amount of impairment losses

Building and structures	4,400	million yen
Land	3,399	million yen
	<u>7,740</u>	million yen
3. Unused property
 - a. Location Kani, Gifu prefecture, Japan
 - b. Classification of fixed assets and the amount of impairment losses

Land	1,517	million yen
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The recoverable amount of land and buildings was measured based on their net selling value. And the recoverable amount of other assets was measured as zero based on value in use.

For the fiscal year ended March 31, 2010:

We recognized an impairment loss on fixed assets in the amount of ¥1,761 million, which includes ¥1,469 million for unused property. The amount of ¥1,761 million consisted of ¥1,187 million on Building and structures and ¥573 million on Land.

The recoverable amount of land and buildings was measured based on their net selling value.

(e) Loss on depreciation of goodwill

For the fiscal year ended March 31, 2009, because NGK SPARK PLUG CO., LTD. recognized losses on valuation of subsidiaries in the separated financial statements, "Loss on depreciation of goodwill" was recognized as extraordinary losses in accordance with "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Laws and Regulations Committee Report No. 7).

Consolidated Statements of Changes in Net Assets for the fiscal years ended March 31, 2009 and 2010

	Million of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total valuation and adjustments	Minority interests	Total net assets
Balance at March 31, 2008	47,869	55,174	182,946	(14,960)	271,029	15,896	(857)	15,039	2,230	288,299
Adjustment to the opening balance resulting from application of the new practical solution			279		279					279
Net loss			(71,669)		(71,669)					(71,669)
Dividends			(5,883)		(5,883)					(5,883)
Purchase of treasury stock				(62)	(62)					(62)
Sales of treasury stock		(10)		43	32					32
Net changes of items other than shareholders' equity						(7,840)	(18,308)	(26,148)	(463)	(26,611)
Total change	-	(10)	(77,552)	(19)	(77,582)	(7,840)	(18,308)	(26,148)	(463)	(104,194)
Balance at March 30, 2009	47,869	55,164	105,673	(14,979)	193,727	8,056	(19,165)	(11,109)	1,766	184,384
Net income			13,509		13,509					13,509
Dividends			(1,198)		(1,198)					(1,198)
Purchase of treasury stock				(30)	(30)					(30)
Sales of treasury stock		(1)		5	4					4
Net changes of items other than shareholders' equity						4,026	6,391	10,418	(82)	10,336
Total change	-	(1)	12,311	(24)	12,285	4,026	6,391	10,418	(82)	22,621
Balance at March 31, 2010	47,869	55,162	117,985	(15,004)	206,013	12,082	(12,774)	(691)	1,684	207,006

Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2009 and 2010

	Millions of yen	
	Fiscal year ended March 31	
	2009	2010
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(43,311)	10,382
Depreciation and amortization	31,767	18,825
Impairment loss	26,657	1,761
Amortization of goodwill	8,878	164
Increase (decrease) in provision for retirement benefits	1,973	531
Interest and dividends income	(2,363)	(1,095)
Interest expenses	584	641
Equity in (earnings) losses of affiliates	515	(293)
Loss (gain) on disposal of non-current assets	251	(607)
Loss (gain) on sales of investment securities	(10)	18
Loss (gain) on valuation of investment securities	1,093	4
Loss (gain) on sales of stocks of subsidiaries and affiliates	-	(800)
Decrease (increase) in notes and accounts receivable-trade	15,082	(9,280)
Decrease (increase) in inventories	13,889	(4,369)
Increase (decrease) in notes and accounts payable-trade	(10,497)	19,443
Other, net	(1,796)	881
Subtotal	42,714	36,209
Interest and dividends income received	2,029	1,255
Interest expenses paid	(585)	(636)
Income taxes paid	(7,554)	(2,572)
Net cash provided by (used in) operating activities	36,603	34,255
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(1,579)	(222)
Net decrease (increase) in short-term investment securities	7,193	(7,455)
Purchase of property, plant and equipment	(30,077)	(5,023)
Proceeds from sales of property, plant and equipment	295	1,117
Purchase of intangible assets	(2,518)	(2,607)
Purchase of investment securities	(1,008)	(5,690)
Proceeds from sales of investment securities	1,023	2,518
Purchase of investments in subsidiaries	-	(404)
Other, net	(483)	497
Net cash provided by (used in) investing activities	(27,153)	(17,270)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	9,529	(12,357)
Repayment of long-term loans payable	(300)	(200)
Proceeds from issuance of bonds	-	14,918
Redemption of bonds	(13,433)	-
Purchase of treasury stock	(62)	(30)
Proceeds from sales of treasury stock	32	4
Cash dividends paid	(5,876)	(1,206)
Other, net	(352)	(263)
Net cash provided by (used in) financing activities	(10,461)	865
Effect of exchange rate change on cash and cash equivalents	(3,098)	921
Net increase (decrease) in cash and cash equivalents	(4,109)	18,771
Cash and cash equivalents at beginning of period	31,702	27,593
Cash and cash equivalents at end of the period	27,593	46,364

a) Reconciliation of cash and time deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows is the following.

	Millions of yen	
	March 31	
	2009	2010
Cash and time deposits	18,387	28,838
Securities	15,593	36,120
Subtotal	33,981	64,958
Time deposits with original maturities of three months or longer	(6,055)	(8,066)
Security other than short-term investments with an original maturity of three months or less	(332)	(10,527)
Cash and cash equivalents	27,593	46,364

Scope of consolidation and application of equity method

1. Number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates

	March 31, 2009	March 31, 2010
Consolidated subsidiaries:		
Overseas	25	25
Domestic	11	9
Unconsolidated subsidiaries, stated at cost	1	1
Affiliates, accounted for by equity method	2	2
Affiliates, stated at cost	5	5

2. Name of major consolidated subsidiaries and affiliates, accounted for by equity method

1. Consolidated subsidiaries:

Overseas subsidiaries	NGK Spark Plugs (U.S.A.), Inc.	(U.S.A.)
	NTK Technologies, Inc.	(U.S.A.)
	NGK Spark Plugs (U.K.) Ltd.	(U.K.)
	NGK Spark Plug Europe GmbH	(Germany)
	NGK Spark Plug Industries Europe S.A.S.	(France)
	Cerâmica e Velas de Ignição NGK do Brasil Ltda.	(Brazil)
	NGK Spark Plug (Shanghai) Co., Ltd.	(China)
	NGK Spark Plug (Australia) Pty., Ltd.	(Australia)
Domestic subsidiaries	Ceramic Sensor Co., Ltd.	
	Nittoku Seisakusho Co., Ltd.	
	Kamioka Ceramic Co., Ltd.	
	NTK Ceramic Co., Ltd.	

2. Affiliates, account for by equity method

Overseas affiliate	Woo Jin Industry Co., Ltd.	(Korea)
Domestic affiliates	Tokai Taima Kogu Co., Ltd.	

3. Accounting periods of consolidated subsidiaries

All the overseas-consolidated subsidiaries close their books on December 31, which is three months earlier than consolidated balance sheet date (March 31). Significant transactions between their closing date and the date of consolidated balance sheet are adjusted at the time of consolidation.

Segment information

(a) Information by industry segment for the fiscal years ended March 31, 2009 and 2010 was as follows:

	Millions of yen					Consolidated
	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	
<u>Fiscal year ended March 31, 2009</u>						
Operating revenues-net sales:						
Outside customers	186,684	100,940	4,495	292,121	-	292,121
Inter-segment sales	-	-	101	101	(101)	-
Total net sales	186,684	100,940	4,597	292,223	(101)	292,121
Operating costs and expenses	165,149	127,505	4,790	297,445	(101)	297,344
Operating income (loss)	21,535	(26,564)	(192)	(5,222)	-	(5,222)
Identifiable assets	199,867	74,680	1,446	275,995	-	275,995
Depreciation	15,771	15,965	30	31,767	-	31,767
Impairment losses	1,101	25,556	-	26,657	-	26,657
Capital expenditure	16,154	7,884	133	24,173	-	24,173
<u>Fiscal year ended March 31, 2010</u>						
Operating revenues-net sales:						
Outside customers	166,066	74,185	3,661	243,914	-	243,914
Inter-segment sales	-	-	88	88	(88)	-
Total net sales	166,066	74,185	3,750	244,003	(88)	243,914
Operating costs and expenses	150,440	79,295	3,582	233,319	(88)	233,230
Operating income (loss)	15,625	(5,110)	167	10,683	-	10,683
Identifiable assets	244,101	86,142	1,232	331,476	-	331,476
Depreciation	14,282	4,529	13	18,825	-	18,825
Impairment losses	190	1,571	-	1,761	-	1,761
Capital expenditure	7,325	3,651	0	10,977	-	10,977

(b) Information summarized by geographic segment for the fiscal years ended March 31, 2009 and 2010 was as follows:

	Millions of yen						
	Japan	North America	Europe	Other	Total	Elimination	Consolidated
<u>Fiscal year ended March 31, 2009</u>							
Operating revenues-net sales:							
Outside customers	123,770	61,924	61,439	44,986	292,121	-	292,121
Inter-segment sales	110,934	864	742	1,421	113,962	(113,962)	-
Total net sales	234,704	62,789	62,182	46,408	406,084	(113,962)	292,121
Operating costs and expenses	256,215	61,777	58,822	40,673	417,489	(120,145)	297,344
Operating income (loss)	(21,511)	1,011	3,359	5,734	(11,404)	6,182	(5,222)
Identifiable assets	219,274	24,643	27,588	32,200	303,706	(27,711)	275,995
<u>Fiscal year ended March 31, 2010</u>							
Operating revenues-net sales:							
Outside customers	97,971	50,600	51,214	44,128	243,914	-	243,914
Inter-segment sales	108,468	602	827	1,014	110,913	(110,913)	-
Total net sales	206,439	51,202	52,041	45,143	354,827	(110,913)	243,914
Operating costs and expenses	196,384	50,960	50,050	41,908	339,304	(106,073)	233,230
Operating income (loss)	10,055	241	1,991	3,234	15,523	(4,839)	10,683
Identifiable assets	254,313	32,810	40,930	46,954	375,008	(43,532)	331,476

(c) For the fiscal years ended March 31, 2009 and 2010, overseas sales which included export sales from Japan and net sales of overseas consolidated subsidiaries other than Japan were as follows:

	Millions of yen			
	Fiscal year ended March 31			
	2009		2010	
North America	107,406	36.8%	76,629	31.4%
Europe	61,881	21.2%	51,425	21.1%
Asia	32,639	11.2%	33,383	13.7%
Other area	31,379	10.7%	29,026	11.9%
Total overseas sales	233,306	79.9%	190,464	78.1%
Consolidated net sales	292,121	100.0%	243,914	100.0%

Note: Percentage figures show rate of each areas sales to total consolidated net sales.

For derivative transactions

	Millions of yen					
	March 31, 2009			March 31, 2010		
	Notional amounts within 1 year	Fair value	Unrealized losses	Notional amounts within 1 year	Fair value	Unrealized losses
Forward Contract:						
Selling position	10,547	(422)	(422)	14,356	(141)	(141)
Buying position	-	-	-	178	2	2
Currency options:						
Written currency call option	2,241	(60)	(60)	3,810	(61)	(61)
Purchased currency put options	1,337	(7)	(7)	3,402	(8)	(8)
Total			(490)			(208)

The tax effects on temporary difference

(a) At March 31, 2009 and 2010, deferred tax assets and liabilities consisted of the following:

	Millions of Yen	
	2009	2010
Deferred tax assets:		
Unused tax losses	11,158	11,651
Impairment losses	11,007	8,989
Employee retirement benefit liability	6,848	7,098
Depreciation	4,118	4,073
Accrued expenses	3,599	3,730
Inventories	2,947	1,750
Inter-company profits	349	282
Other	777	867
	<u>40,807</u>	<u>38,444</u>
Less, valuation allowance	(38,382)	(28,302)
	<u>2,425</u>	<u>10,141</u>
Deferred tax liabilities:		
Unrealized gains on available-for-sale securities	5,514	8,270
Retained earnings of overseas-subidiaries	2,397	3,111
Accelerated depreciation	578	670
Other	531	1,042
	<u>9,022</u>	<u>13,094</u>
Net deferred tax liabilities	<u>(6,596)</u>	<u>(2,953)</u>

(b) At March 31, 2009 and 2010, deferred tax assets and liabilities were as follows:

	Millions of Yen	
	2009	2010
Deferred tax assets:		
Current	1,203	7,108
Non-current	942	2,749
Deferred tax liabilities:		
Current	216	109
Non-current	8,526	12,701
Net deferred tax liabilities	<u>(6,596)</u>	<u>(2,953)</u>

(c) For the fiscal year ended March 31, 2009, the reconciliation of the differences between the Japanese statutory effective tax rate and the actual effective income tax rate on pre-tax income was not disclosed as a loss was recorded before income taxes and minority interests. For the fiscal year ended March 31, 2010, the reconciliation was as follows.

	Percentage of pre-tax income
Japanese statutory effective tax rate	40.5 %
Increase (decrease) due to:	
Permanently non-deductible expenses	1.8
Tax exempt income	(1.9)
Differences between Japanese and foreign tax rates	(8.3)
Unrecognized tax effects on the intercompany profit	23.8
Changes in valuation allowance	(97.1)
Changes in retained earnings of subsidiaries	6.9
Other	1.4
Actual effective income tax rate	(32.9) %