

Consolidated financial reports in accordance with Japanese GAAP for the fiscal year ended March 31, 2011

URL : <http://www.ngkntk.co.jp>
 Stock listing : Tokyo 1st section, Nagoya 1st section
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Financial results highlights

	Millions of yen		
	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ending March 31, 2012 (Forecast)
Net sales:			
Automotive components	166,066	197,213	207,670
Spark & glow plugs	103,747	116,470	118,168
Automotive sensors	62,319	80,743	89,502
Communication media components	55,030	44,472	40,260
Technical ceramics	19,154	23,053	22,140
Others	3,750	4,493	5,930
Elimination	(88)	-	-
Total net sales	243,914	269,232	276,000
Operating income (loss):			
Automotive components	15,625	31,943	29,430
Communication media components	(3,774)	(4,402)	(2,034)
Technical ceramics	(1,335)	1,074	1,104
Others	167	155	0
Total operating income (loss)	10,683	28,770	28,500
Ordinary income	10,758	27,379	29,500
Net income	13,509	23,680	25,400
Capital expenditure:			
Automotive components	7,325	6,365	13,627
Communication media components	2,620	1,737	2,585
Technical ceramics	1,031	650	788
Others	0	13	0
Total capital expenditure	10,977	8,767	17,000
Depreciation:			
Automotive components	14,282	12,424	13,273
Communication media components	2,921	2,657	2,099
Technical ceramics	1,608	1,553	1,417
Others	13	11	11
Total depreciation	18,825	16,646	16,800

	Yen		
	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ending March 31, 2012 (Forecast)
Per share			
Net income - Basic	62.01	108.71	116.67
Equity	942.41	994.36	1,089.03
Cash dividends	11.00	22.00	22.00
Actual exchange rate			
Yen - U.S. dollar	92	86	80
Yen - Euro	131	113	110
		Percent	
Operating income ratio	4.4	10.7	10.3
Return on equity	7.0	11.2	11.2
Dividend payout ratio	17.7	20.2	18.9

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, 2010 and 2011

	Millions of yen	
	2010	2011
Assets		
Current assets		
Cash and deposits	28,838	27,274
Notes and accounts receivable-trade	46,237	44,393
Short-term investment securities	36,120	40,915
Inventories	59,720	62,086
Deferred tax assets	7,108	8,100
Other	8,497	8,408
Allowance for doubtful accounts	(177)	(116)
Total current assets	186,345	191,062
Non-current assets		
Property, plant and equipment		
Building and structures, net	49,136	44,153
Machinery, equipment and vehicles, net	28,413	23,213
Land	15,291	15,132
Construction in progress	571	1,542
Other, net	2,060	2,127
Total property, plant and equipment	95,473	86,170
Intangible assets		
Goodwill	145	27
Software	6,257	5,494
Other	59	44
Total intangible assets	6,462	5,565
Investments and other assets		
Investment securities	38,894	50,295
Deferred tax assets	2,749	2,600
Other	1,653	1,728
Allowance for doubtful accounts	(102)	(104)
Total investments and other assets	43,195	54,520
Total non-current assets	145,130	146,255
Total assets	331,476	337,318

	Millions of yen	
	2010	2011
Liabilities		
Current liabilities		
Accounts payable-trade	32,957	30,182
Short-term loans payable	1,116	703
Current portion of bonds	2,666	-
Lease obligations	181	225
Income taxes payable	1,369	1,336
Deferred tax liabilities	109	72
Other	19,290	20,653
Total current liabilities	57,691	53,173
Non-current liabilities		
Bonds payable	35,000	35,000
Lease obligations	849	769
Provision for retirement benefits	16,796	17,615
Negative goodwill	65	49
Deferred tax liabilities	12,701	11,158
Other	1,365	1,392
Total non-current liabilities	66,778	65,985
Total liabilities	124,469	119,158
Net assets		
Shareholders' equity		
Capital stock	47,869	47,869
Capital surplus	55,162	55,162
Retained earnings	117,985	138,071
Treasury stock	(15,004)	(15,202)
Total shareholders' equity	206,013	225,901
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,082	10,433
Foreign currency translation adjustment	(12,774)	(19,856)
Total valuation and translation adjustments	(691)	(9,422)
Minority interests	1,684	1,681
Total net assets	207,006	218,159
Total liabilities and net assets	331,476	337,318

	Millions of yen	
	2010	2011
(a) Inventories consists of		
- Finished goods	38,787	38,934
- Work-in-process	14,594	16,060
- Raw materials	6,338	7,091
(b) Accumulated depreciation of tangible assets	284,790	284,217
(c) Investments in unconsolidated subsidiaries & affiliates	2,382	2,520
(d) Guarantees of indebtedness principles of employees	95	79
	Shares	
	March 31, 2010	March 31, 2011
(f) Number of shares		
- Issued common stock	229,544,820	229,544,820
- Treasury stock	11,676,366	11,839,416

Consolidated Statements of Income
For the fiscal years ended March 31, 2010 and 2011

	Millions of yen	
	Fiscal year ended March 31	
	2010	2011
Net sales	243,914	269,232
Costs of sales	192,722	195,461
Gross profit	51,192	73,771
Selling, general and administrative expenses		
Selling expenses	21,518	23,355
General and administrative expenses	18,989	21,645
Total selling, general and administrative expenses	40,508	45,000
Operating income	10,683	28,770
Non-operating income		
Interest income	634	1,145
Dividends income	460	519
Amortization of negative goodwill	26	16
Equity in earnings of affiliates	293	443
Foreign exchange gains	156	-
Other	1,038	982
Total non-operating income	2,610	3,107
Non-operating expenses		
Interest expenses	641	646
Foreign exchange losses	-	1,826
Depreciation of inactive non-current assets	1,166	1,179
Other	726	846
Total non-operating expenses	2,535	4,499
Ordinary income	10,758	27,379
Extraordinary income		
Gain on sales of property, plant and equipment	937	189
Gain on sales of subsidiaries and affiliates' stocks	800	-
Total extraordinary income	1,737	189
Extraordinary loss		
Loss on sales or disposal of property, plant and equipment	329	389
Impairment loss	1,761	-
Loss on sales of investment securities	18	-
Loss on valuation of investment securities	4	222
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	136
Total extraordinary losses	2,113	748
Income before income taxes and minority interests	10,382	26,821
Income taxes-current	2,998	4,176
Refund of income taxes for prior periods	(101)	-
Income taxes-deferred	(6,311)	(1,325)
Total income taxes	(3,414)	2,851
Income before minority interests	13,797	23,969
Minority interests in income	287	288
Net income	13,509	23,680

**Consolidated Statements of Comprehensive Income
For the fiscal years ended March 31, 2010 and 2011**

	Millions of yen	
	Fiscal year ended March 31	
	2010	2011
Income before minority interests	13,797	23,969
Other comprehensive income		
Valuation difference on available-for-sale securities	4,026	(1,649)
Foreign currency translation adjustment	6,419	(6,890)
Share of other comprehensive income of associates accounted for using equity method	166	(233)
Total other comprehensive income	10,611	(8,772)
Comprehensive income	24,408	15,196
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	23,928	14,948
Comprehensive income attributable to minority interests	480	247

	Fiscal year ended March 31	
	2010	2011
	Yen	
(a) Net income per share		
- Basic	62.01	108.71
- Diluted	61.46	107.83
	Fiscal year ended March 31	
	2010	2011
	Millions of yen	
(b) Net (reversal of) write-down of inventories	(2,751)	481
(c) The major components of selling, general and administrative expenses		
Depreciation	1,465	2,232
Provision for allowance for doubtful accounts	111	16
Net periodic retirement benefit expense	963	790
Salaries and bonuses	15,182	15,525
Packing and transport	4,566	6,704
Advertising	3,414	3,359
Research and development	2,468	3,152

(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 year ended March 31, 2010, major assets on which we recognized an impairment loss are follows.

For the fiscal year ended March 31, 2010:

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

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

Consolidated Statements of Changes in Net Assets for the fiscal years ended March 31, 2010 and 2011

	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, 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
Net income			23,680		23,680					23,680
Dividends			(3,594)		(3,594)					(3,594)
Purchase of treasury stock				(201)	(201)					(201)
Sales of treasury stock		(0)		3	3					3
Net changes of items other than shareholders' equity						(1,649)	(7,081)	(8,731)	(3)	(8,735)
Total change	-	(0)	20,085	(197)	19,887	(1,649)	(7,081)	(8,731)	(3)	11,152
Balance at March 31, 2011	47,869	55,162	138,071	(15,202)	225,901	10,433	(19,856)	(9,422)	1,681	218,159

Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2010 and 2011

	Millions of yen	
	Fiscal year ended March 31	
	2010	2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	10,382	26,821
Depreciation and amortization	18,825	16,646
Impairment loss	1,761	-
Amortization of goodwill	164	110
Increase (decrease) in provision for retirement benefits	531	849
Interest and dividends income	(1,095)	(1,664)
Interest expenses	641	646
Equity in (earnings) losses of affiliates	(293)	(443)
Loss (gain) on disposal of non-current assets	(607)	199
Loss (gain) on sales of investment securities	18	-
Loss (gain) on valuation of investment securities	4	222
Loss (gain) on sales of stocks of subsidiaries and affiliates	(800)	-
Decrease (increase) in notes and accounts receivable-trade	(9,280)	(2,127)
Decrease (increase) in inventories	(4,369)	(6,904)
Increase (decrease) in notes and accounts payable-trade	19,443	2,297
Other, net	881	1,755
Subtotal	36,209	38,407
Interest and dividends income received	1,255	1,747
Interest expenses paid	(636)	(646)
Income taxes paid	(2,572)	(4,109)
Net cash provided by (used in) operating activities	34,255	35,398
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(222)	1,248
Net decrease (increase) in short-term investment securities	(7,455)	4,334
Purchase of property, plant and equipment	(5,023)	(7,420)
Proceeds from sales of property, plant and equipment	1,117	327
Purchase of intangible assets	(2,607)	(636)
Purchase of investment securities	(5,690)	(21,714)
Proceeds from sales of investment securities	2,518	3,551
Purchase of investments in subsidiaries	(404)	(114)
Other, net	497	12
Net cash provided by (used in) investing activities	(17,270)	(20,412)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(12,357)	(353)
Repayment of long-term loans payable	(200)	-
Proceeds from issuance of bonds	14,918	-
Redemption of bonds	-	(2,666)
Purchase of treasury stock	(30)	(201)
Proceeds from sales of treasury stock	4	3
Cash dividends paid	(1,206)	(3,591)
Other, net	(263)	(345)
Net cash provided by (used in) financing activities	865	(7,154)
Effect of exchange rate change on cash and cash equivalents	921	(2,308)
Net increase (decrease) in cash and cash equivalents	18,771	5,524
Cash and cash equivalents at beginning of period	27,593	46,364
Cash and cash equivalents at end of the period	46,364	51,888

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	
	2010	2011
Cash and time deposits	28,838	27,274
Securities	36,120	40,915
Subtotal	64,958	68,190
Time deposits with original maturities of three months or longer	(8,066)	(6,189)
Security other than short-term investments with an original maturity of three months or less	(10,527)	(10,112)
Cash and cash equivalents	46,364	51,888

Scope of consolidation and application of equity method

1. Number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates

	March 31, 2010	March 31, 2011
Consolidated subsidiaries:		
Overseas	25	23
Domestic	9	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 Plugs (France) 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 year ended March 31, 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, 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 year ended March 31, 2010 was as follows:

	Millions of yen					Consolidated
	Japan	North America	Europe	Other	Total	
<u>Fiscal year ended March 31, 2010</u>						
Operating revenues-net sales:						
Outside customers	97,971	50,600	51,214	44,128	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)
Operating costs and expenses	196,384	50,960	50,050	41,908	339,304	(106,073)
Operating income	10,055	241	1,991	3,234	15,523	(4,839)
Identifiable assets	254,313	32,810	40,930	46,954	375,008	(43,532)

(c) For the fiscal year ended March 31, 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	
	2010	
North America	76,629	31.4%
Europe	51,425	21.1%
Asia	33,383	13.7%
Other area	29,026	11.9%
Total overseas sales	190,464	78.1%
Consolidated net sales	243,914	100.0%

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

Segment information

(a) Outline of reportable segments

The reportable segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic investigation to determine distribution of management resources and evaluate their business results.

The Company has its business units identified by products. Each business unit plans its comprehensive domestic and overseas strategy for its products, and operates its business activities.

Therefore, the Company consists of its business units, identified by products, which are three reportable segments of "Automotive components", "Communication media components" and "Technical ceramics".

"Automotive components" is a segment that manufactures and sells spark plugs, glow plugs, various automotive sensors, ceramic engine parts and other automotive components.

"Communication media components" is a segment that manufactures and sells IC packages and other semiconductor components.

"Technical ceramics" is a segment that manufactures and sells cutting tools, ceramics products for industrial and medical applications.

(b) Information about sales, segment income (loss), assets, liabilities and others by reportable segments

	Reportable segments			Total	Others	Total	Adjustment	Consolidated
	Automotive components	Communication media components	Technical ceramics					
	Millions of yen							
Nine months ended								
March 31, 2011								
Net sales	197,213	44,472	23,053	264,739	4,493	269,232	-	269,232
Segment income (loss)	31,943	(4,402)	1,074	28,615	155	28,770	-	28,770
Segment assets	263,299	45,071	27,750	336,121	1,197	337,318	-	337,318
Depreciation	12,424	2,657	1,553	16,635	11	16,646	-	16,646
Acquisition of tangible and intangible fixed assets	6,365	1,737	650	8,754	13	8,767	-	8,767

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

Note 2: Each figure is adjusted to corresponding figure of "Consolidated Statements of Income".

From the fiscal year ended March 31, 2011, the Group applies the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 of March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 of March 21, 2008).

The tax effects on temporary difference

(a) At March 31, 2010 and 2011, deferred tax assets and liabilities consisted of the following:

	Millions of Yen	
	2010	2011
Deferred tax assets:		
Unused tax losses	11,651	7,323
Impairment losses	8,989	7,090
Employee retirement benefit liability	7,098	7,445
Depreciation	4,073	3,569
Accrued expenses	3,730	3,935
Inventories	1,750	1,986
Inter-company profits	282	288
Other	867	970
	<u>38,444</u>	<u>32,611</u>
Less, valuation allowance	(28,302)	(21,660)
	<u>10,141</u>	<u>10,950</u>
Deferred tax liabilities:		
Unrealized gains on available-for-sale securities	(8,270)	(7,136)
Retained earnings of overseas-subidiaries	(3,111)	(2,961)
Accelerated depreciation	(670)	(472)
Other	(1,042)	(909)
	<u>(13,094)</u>	<u>(11,480)</u>
Net deferred tax liabilities	<u>(2,953)</u>	<u>(529)</u>

(b) At March 31, 2010 and 2011, deferred tax assets and liabilities were as follows:

	Millions of Yen	
	2010	2011
Deferred tax assets:		
Current	7,108	8,100
Non-current	2,749	2,600
Deferred tax liabilities:		
Current	(109)	(72)
Non-current	(12,701)	(11,158)
Net deferred tax liabilities	<u>(2,953)</u>	<u>(529)</u>

(c) For the fiscal year ended March 31, 2010 and 2011, the reconciliation was as follows.

	Percentage of pre-tax income	
	2010	2011
Japanese statutory effective tax rate	40.5 %	40.1 %
Increase (decrease) due to:		
Permanently non-deductible expenses	1.8	0.7
Tax exempt income	(1.9)	(0.5)
Differences between Japanese and foreign tax rates	(8.3)	(3.3)
Unrecognized tax effects on the intercompany profit	23.8	(2.2)
Changes in valuation allowance	(97.1)	(24.8)
Changes in retained earnings of subsidiaries	6.9	-
Other	1.4	0.6
Actual effective income tax rate	(32.9) %	10.6 %