

Annual Report 2000

Fiscal year ended March 31, 2000



NGK SPARK PLUG CO., LTD.

Profile

NGK Spark Plug Co., Ltd. is a leading manufacturer in the ceramic industry.

The company sells its products worldwide, chiefly to the leading manufacturers ranging from automobiles to electronics for use as components in their production line.

The company is the world's largest manufacturer of spark plugs for use in automobiles, motorcycles and aircrafts, etc. in the world.

In the automotive field, oxygen sensors are added to be an increasingly important item and so hold are IC packages for MPU in electronics industry.

These main products occupy an important market share worldwide.

To cope with the highly advanced information-orientated society, we will continue to intensify our traditional objective; "contribute to the industry through development of ceramics".

We feel being responsible for creating and promoting a global development and production system for enhancement of our objective.



**Aiming to create
new values.**

Contents

1	Financial Highlights
2	A Message from the President
3	Review of Operations
5	Five-Year Summary
6	Financial Review
8	Consolidated Balance Sheets
10	Consolidated Statements of Income
11	Consolidated Statements of Shareholders' Equity
12	Consolidated Statements of Cash Flows
13	Notes to Consolidated Financial Statements
21	Report of Independent Certified Public Accountants
22	Major Subsidiaries and Affiliates
24	Organization & Board of Directors
25	Corporate Data

Financial Highlights

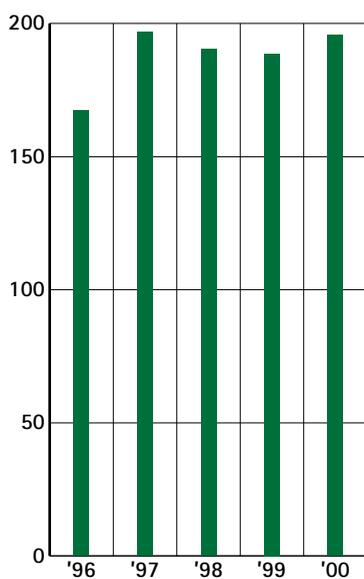
NGK Spark Plug Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars	Percent Change
	2000	1999	1998	2000	2000 / 1999
For the year:					
Net sales	¥195,595	¥188,744	¥190,333	\$1,845,236	+3.6
Operating income	14,437	12,899	16,075	136,198	+11.9
Net income	6,578	5,494	6,669	62,057	+19.7
Depreciation	19,365	18,220	15,897	182,689	+6.3
Capital expenditures	17,492	22,803	28,658	165,019	-23.3
At year-end:					
Total assets	314,321	300,680	312,010	2,965,292	+4.5
Shareholders' equity	165,495	149,117	146,139	1,561,274	+11.0
		Yen		U.S. Dollars	
Per share data:					
Net income					
–Basic	¥29.56	¥24.69	¥30.01	\$0.28	+19.7
–Diluted	27.37	22.82	27.43	0.26	+19.9
Cash dividends	11.00	11.00	11.00	0.10	—

Note: U.S. Dollar amounts above and elsewhere in this Annual Report are converted from Yen, for convenience only, at the rate of ¥106-U.S.\$1. Billions is used in the American sense of one thousand million.

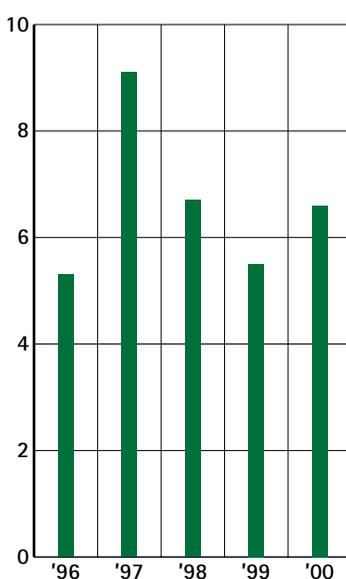
Net Sales

(Billions of Yen)



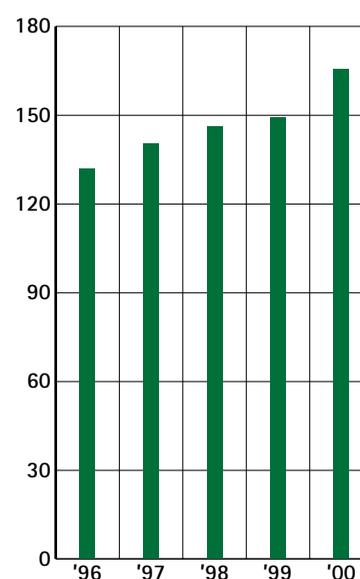
Net Income

(Billions of Yen)



Shareholders' Equity

(Billions of Yen)



A Message from the President



Shigenobu Kanagawa
President

During the year ended March 31, 2000, the deterioration of the Japanese economy halted thanks to the effect of the Japanese government's economic packages. Although there was a slight sign of economic recovery, personal consumption remained sluggish, reflecting the severe labor market, and, as a whole, the Japanese economy continued to be lackluster. Overseas, the U.S. economy continued to expand, most Southeast Asian economies were on a recovery track and major economies in the EU performed relatively well. The yen further appreciated later in the fiscal year.

In these circumstances, we executed vigorous, well-targeted marketing to secure orders.

As a result, consolidated net sales amounted to ¥195,595 million, up 3.6% from the previous year. Operating income rose 11.9% to ¥14,437 million. Of the outstanding amount of the unexercised warrants respecting U.S. dollar bonds with warrants that was reported as liabilities on the balance sheets, ¥2,606 million was reported as an extraordinary gain from the return of warrants following expiry of the exercise period. Also, partly due to the tax effect accounting, net income surged 19.7% to ¥6,578 million.

From the fiscal year under review, Ceramica e Velas de Ignicao NGK do Brasil Ltda. and P.T. NGK Busi Indonesia became consolidated subsidiaries.

Regarding cash flows, net cash provided by operating activities amounted to ¥21,892 million, net cash used in investing activities was ¥10,373 million, and net cash used in financing activities was ¥1,478 million. As a result, after subtracting the effect, amounting to ¥1,813 million, of exchange rate changes on cash and cash equivalents, the increase in cash and cash equivalents was ¥8,228 million, and including the increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation amounting to ¥2,969 million, cash and cash equivalents at the end of the year amounted to ¥67,941 million.

Looking ahead, many unstable factors make a self-sustaining recovery of the Japanese economy uncertain. Competition among companies in the global marketplace is likely to intensify. Thus, the tough operating environment is expected to continue.

In view of these situations, NGK Spark Plug Co., Ltd. launched its second mid-term business plan for the period from April 2000 to March 2003. We have set three goals. Firstly, we aim to enhance the enterprise value through establishment of robust operations by conducting business globally. Secondly, we intend to achieve optimized, well-balanced operations through efficient allocation of resources from a long-term perspective. Thirdly, every one at NGK Spark Plug Co., Ltd. will decide and act in a speedy and accurate manner so as to reinforce the strength of the company. We are resolved to achieve the goals of the mid-term business plan. In these endeavors, we ask our shareholders and business partners for their continued support and encouragement.

June 29, 2000

A handwritten signature in black ink that reads "Shigenobu Kanagawa". The signature is written in a cursive, flowing style.

Shigenobu Kanagawa
President

Review of Operations

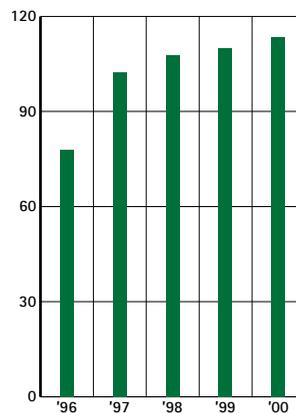
Automotive Components Group

Sales of the Automotive

Components Group increased 3.4% from the previous year to ¥113,631 million and accounted for 58.1% of the Company's net sales. Operating income was ¥17,303 million, an increase of 6.7%.



(Billions of Yen)



Although recovery of production and sales of automobiles in Japan was limited, sales of spark plugs for new automobiles and those for replacement both increased slightly from the previous year. Overseas, Ceramica e Velas de Ignicao NGK do Brasil Ltda. and P.T. NGK Busi Indonesia, which became consolidated subsidiaries from the year under review, and most other manufacturing subsidiaries performed well. However, exports of finished products leveled off, following the favorable results of the previous year. The great appreciation of the yen was also a negative factor.

Sales of oxygen sensors for automotive applications were robust thanks to the increase in the demand and their expanded adoption by automotive manufacturers as a result of implementation of stricter regulations concerning exhaust in Europe.

NGK Iridium IX Plug

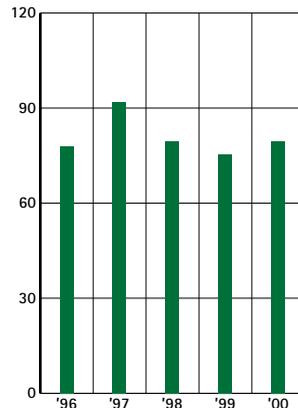
We introduced the iridium plug for tuning engines in 1996. In April 2000 we commercialized NGK Iridium IX Plug for use in normal engines. Use of the highly oxidation-resistant iridium alloy has realized an ultra-thin-core electrode (diameter: 0.6mm) thereby reducing energy loss. Also, start-up performance at low temperature and response during acceleration have been improved greatly.



Communication Media Components and Technical Ceramics Group



(Billions of Yen)



Sales of the Communication Media Components and Technical Ceramics Group increased 5.9% from the previous year to ¥79,627 million and accounted for 40.7% of net sales. The group continued to record operating loss, which amounted to ¥2,914 million. This was mainly due to the fact that the cost of manufacturing plastic packages remained high.

Sales of ceramic IC packages increased greatly. The decline in sales of ceramic packages for MPUs was fully compensated for by the sharp increase in demand for communication applications,

such as quartz device SAW filters for cellular phones and inter-city optical communication transmission/reception systems. Regarding plastic packages, the Company established the mass production system for in-house-developed products and completed a shift from conventional products to these products toward the end of the fiscal year.

Sales of electronic parts increased substantially, thanks to a strong demand from major U.S. and European manufacturers for cellular phone parts, which account for a large proportion of this operation.

Sales of cutting tools and applied ceramics declined despite the Company's vigorous marketing efforts, due to continued weak demand reflecting the lackluster manufacturing industry in Japan.

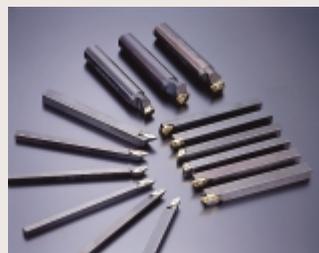
We have long been engaged in development of machine tools in this field and have responded to the needs of customers for tools with higher efficiency, longer life and higher precision. In response to a sharp increase in use of difficult-to-machine materials, we offer highly effective tools.

Antenna switch module

We developed an E-GSM/DCS dual-system antenna switch module for cellular telephones. This module consists of compact chip parts and ceramic multi-layered functional circuits. The three functions—a diplexer to separate the two frequencies, a transmission/reception signal switch and a low-pass filter for transmission signals—are put into the world's smallest module, whose dimensions are 6.7mm x 5.0mm x 1.8mm.



SS Bite



NTK SS Tools with indexable inserts developed by NGK Spark Plug Co., Ltd. for automatic CNC lathes and cam type autos are used for machining of small parts, such as for office automatic equipment, medical equipment, watches, auto mobiles and communication equipment. Sales of SS Tools are increasing greatly due to the recent market expansion for IT-related products.

Five - Year Summary

NGK Spark Plug Co., Ltd. and consolidated subsidiaries
 Years ended March 31, 2000, 1999, 1998, 1997 and 1996

	Millions of Yen					Thousands of U.S. Dollars
	2000	1999	1998	1997	1996	2000
For the year:						
Net sales	¥195,595	¥188,744	¥ 190,333	¥196,697	¥167,448	\$1,845,236
Net income	6,578	5,494	6,669	9,126	5,278	62,057
At year-end:						
Total assets	314,321	300,680	312,010	328,178	337,868	2,965,292
Shareholders' equity	165,495	149,117	146,139	140,443	131,805	1,561,274
Number of shares outstanding (in thousands)	222,546	222,529	222,529	221,177	219,468	
Per share data:						
	Yen					U.S. Dollars
Net income						
-Basic	¥29.56	¥24.69	30.01	41.52	24.41	\$0.28
-Diluted	27.37	22.82	27.43	37.32	22.48	0.26
Cash dividends	11.00	11.00	11.00	11.00	10.00	0.10
Shareholders' equity	743.65	670.11	656.73	634.99	600.57	7.02
Ratios:						
	Percent					
Equity ratio	52.7%	49.6%	46.8%	42.8%	39.0%	
Return on net sales	3.4%	2.9%	3.5%	4.6%	3.2%	
Return on assets	2.1%	1.8%	2.1%	2.8%	1.6%	
Return on equity	4.2%	3.7%	4.6%	6.5%	4.0%	

Note: U.S. dollar amounts above and elsewhere in this Annual Report are converted from yen, for convenience only, at the rate of ¥106-U.S.\$1. Billions is used in the American sense of one thousand million.

Financial Review

Sales and Profits

Net sales for the year under review were ¥195,595 million, an increase of 3.6% from the previous year. Cost of goods sold was ¥149,924 million, up 4.0%, and the ratio of cost to sales was 76.7%, virtually unchanged from 76.4% for the previous year.

Selling, general and administrative expenses were 1.5% lower than in the previous year, at ¥31,234 million. The main factors contributing to this decrease were the decline in research and development expenses and the reduction of other expenses.

Non-operating loss was ¥2,893 million, compared with ¥2,399 million in the previous year. Gain on forfeiture of warrants and loss on product indemnity were accrued, foreign exchange loss increased due to the appreciation of the yen, and loss on write-down of marketable securities also increased.

As a result, operating income was ¥14,437 million, an increase of 11.9% and net income was ¥6,578 million, up 19.7%.

Financial Position

Total assets at the year-end were ¥314,321 million, having increased by 4.5% from the end of the previous year.

This increase was mainly attributable to the deferred income taxes due to adoption of the tax effect accounting from the year under review. In addition, notes and accounts receivable and inventories also increased. Cash and cash equivalents increased greatly mainly because the funds gained due to redemption of marketable securities at maturity were deposited in banks and the long-term deposits in banks that are due within a year were transferred. The increase in the foreign currency translation adjustments was attributable to the increase in the foreign exchange differences for overseas subsidiaries due to the appreciation of the yen.

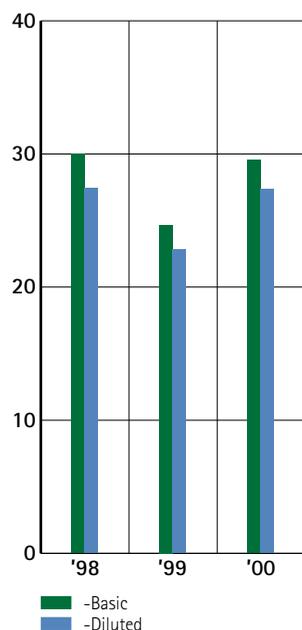
Regarding liabilities, current liabilities decreased due to the decreases in payables concerning machinery and equipment and warrants.

Shareholders' equity was ¥165,495 million, an increase of 11.0% from the end of the previous year. The increase in consolidated surplus was attributable to the increase in the consolidated surplus for the preceding years due to adoption of the tax effect accounting and the increase due to the fact that two subsidiaries have become newly consolidated from the year under review.

The equity ratio rose to 52.7% from 49.6% in the previous year.

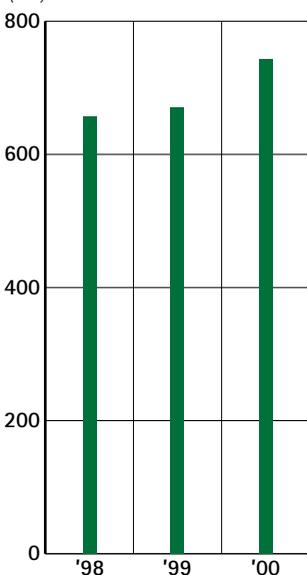
Net income per Share

(Yen)



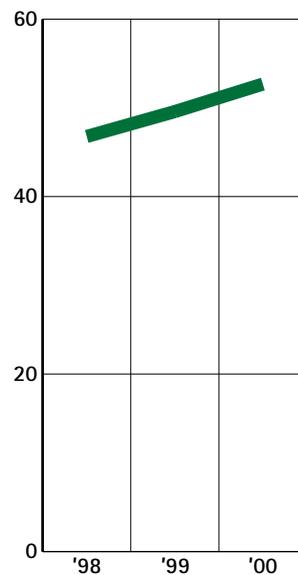
Shareholders' Equity per Share

(Yen)



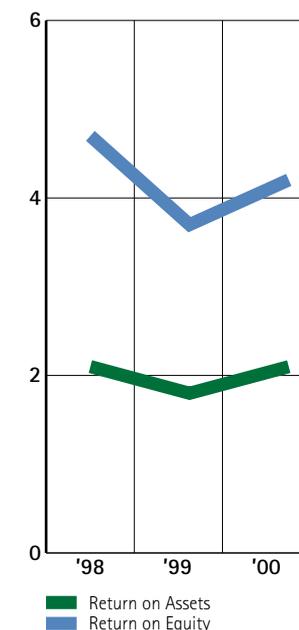
Equity Ratio

(%)



ROA & ROE

(%)



Cash flows

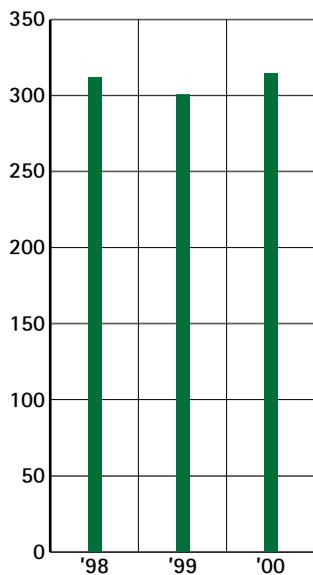
Net cash provided by operating activities amounted to ¥21,892 million, compared with ¥18,988 million for the previous year. This increase was mainly due to the increase in income before income taxes, the increase in depreciation and the decrease in accrued income taxes payable.

Net cash used in investing activities was ¥10,373 million, compared with ¥19,261 million. This was mainly attributable to the decrease in investments for acquisition of property and equipment, because of completion of capital investment for plastic packages. Sale of marketable securities consisted of redemption of bonds at maturity which had been held for the purpose of investment.

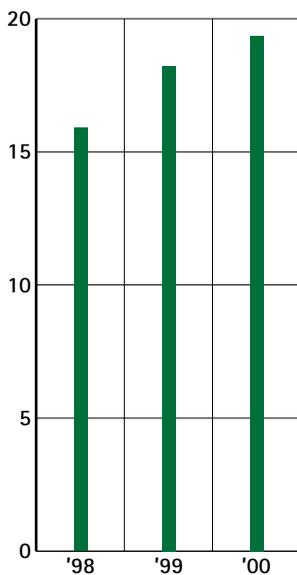
Net cash used in financing activities was ¥1,478 million, compared with ¥9,405 million in the previous year. This was mainly due to the large decrease in short-term borrowings recorded in the previous year. During the year under review, corporate bonds with warrants due in 2000 were redeemed following maturity, and new corporate bonds worth ¥20 billion were issued.

As a result, cash and cash equivalents, taking the effect of exchange rate changes into account, amounted to ¥67,941 million, having increased by ¥11,197 million from ¥56,744 million for the previous year.

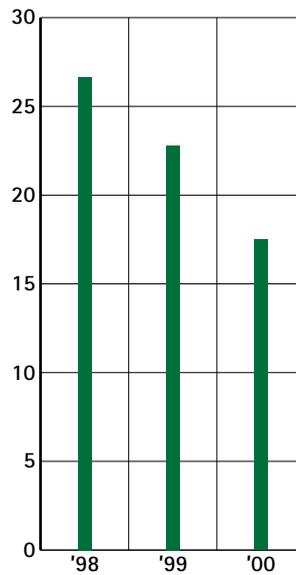
Total Assets
(Billions of Yen)



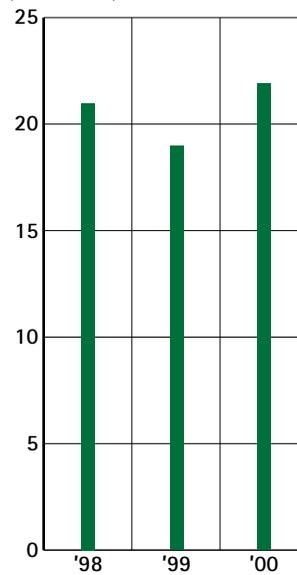
Depreciation
(Billions of Yen)



Capital Expenditures
(Billions of Yen)



Cash Flows from Operating Activities
(Billions of Yen)



Consolidated Balance Sheets

NGK Spark Plug Co., Ltd. and consolidated subsidiaries

March 31, 2000 and 1999

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2000	1999	2000
Assets			
Current assets:			
Cash and cash equivalents	¥ 67,941	¥ 56,744	\$ 640,953
Short-term investments (Note 3)	23,814	26,366	224,660
Notes and accounts receivable, net of allowance for doubtful accounts (Note 4)	39,704	34,859	374,566
Inventories (Note 5)	39,609	38,537	373,670
Deferred tax assets	4,472	–	42,189
Prepaid expenses and other current assets	1,215	1,757	11,462
Total current assets	176,755	158,263	1,667,500
Investments and other assets:			
Investment securities (Note 6)	18,182	18,417	171,528
Investments in and long-term loans to unconsolidated subsidiaries and affiliates (Note 6)	3,304	7,013	31,169
Long-term deposits in banks	2,534	8,019	23,906
Deferred tax assets	4,502	–	42,472
Other assets	3,019	3,925	28,481
	31,541	37,374	297,556
Property, plant and equipment (Note 7)	97,379	103,491	918,670
Foreign currency translation adjustments	8,646	1,552	81,566
	¥314,321	¥300,680	\$2,965,292

See Notes to Consolidated Financial Statements.

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2000	1999	2000
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings (Note 9)	¥ 11,664	¥ 11,245	\$ 110,038
Current portion of long-term debt (Note 9)	18,488	18,917	174,415
Accounts payable (Note 8)	25,233	28,059	238,047
Accrued expenses	10,751	10,569	101,424
Income taxes payable	2,783	1,037	26,255
Other current liabilities	4,380	7,805	41,321
Total current liabilities	73,299	77,632	691,500
Long-term debt (Note 9)	60,816	59,351	573,736
Accrued severance indemnities	13,552	13,722	127,849
Other long-term liabilities	704	487	6,641
Commitments and contingent liabilities (Notes 10 and 11)			
Minority interest	455	371	4,292
Shareholders' equity (Note 12):			
Common stock	37,057	37,046	349,594
Additional paid-in capital	41,244	41,231	389,094
Retained earnings	87,197	70,843	822,613
Less, treasury stock, at cost	(3)	(3)	(27)
	165,495	149,117	1,561,274
	¥314,321	¥300,680	\$2,965,292

Consolidated Statements of Income

NGK Spark Plug Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Net sales (Note 15)	¥195,595	¥188,744	\$1,845,236
Operating costs and expenses (Notes 11 and 15):			
Cost of goods sold	149,924	144,149	1,414,377
Selling, general and administrative expenses	31,234	31,696	294,661
	181,158	175,845	1,709,038
Operating income	14,437	12,899	136,198
Other income (expenses):			
Interest and dividend income	1,859	1,900	17,538
Interest expenses	(1,845)	(2,027)	(17,406)
Amortization of debt discounts	(1,101)	(1,210)	(10,387)
Loss on sale or disposal of property, plant and equipment	(676)	(774)	(6,377)
Loss on write-down of marketable securities	(657)	(133)	(6,198)
Gain on forfeiture of warrants	2,606	–	24,585
Foreign exchange loss	(1,794)	(486)	(16,924)
Compensation for product liability	(1,700)	–	(16,038)
Miscellaneous, net	415	331	3,915
	(2,893)	(2,399)	(27,292)
Income before income taxes and minority interest	11,544	10,500	108,906
Income taxes (Note 13)	4,836	4,975	45,623
Minority interest in net income of consolidated subsidiaries	130	31	1,226
Net income	¥ 6,578	¥ 5,494	\$ 62,057

	Yen		U.S. Dollars
Per share:			
Net income:			
–Basic	¥29.56	¥24.69	\$0.28
–Diluted	27.37	22.82	0.26
Cash dividends	11.00	11.00	0.10

See Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

NGK Spark Plug Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 2000 and 1999

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings
	Millions of Yen			
Balance at March 31, 1998	222,529,686	¥ 37,046	¥ 41,231	¥ 67,865
Net income for the year	—	—	—	5,494
Cash dividends	—	—	—	(2,448)
Bonuses to directors and statutory auditors	—	—	—	(68)
Balance at March 31, 1999	222,529,686	37,046	41,231	70,843
Net income for the year	—	—	—	6,578
Cash dividends	—	—	—	(2,448)
Bonuses to directors and statutory auditors	—	—	—	(65)
Exercise of warrants	16,993	11	13	—
Cumulative effect on initial adoption of deferred income tax accounting	—	—	—	7,356
Increase in retained earnings through inclusion of additional subsidiaries on consolidation	—	—	—	4,933
Balance at March 31, 2000	222,546,679	¥37,057	¥41,244	¥87,197

	Thousands of U.S. Dollars		
Balance at March 31, 1999	\$349,491	\$388,972	\$668,330
Net income for the year	—	—	62,057
Cash dividends	—	—	(23,095)
Bonuses to directors and statutory auditors	—	—	(613)
Exercise of warrants	103	122	—
Cumulative effect on initial adoption of deferred income tax accounting	—	—	69,396
Increase in retained earnings through inclusion of additional subsidiaries on consolidation	—	—	46,538
Balance at March 31, 2000	\$349,594	\$389,094	\$822,613

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

NGK Spark Plug Co., Ltd. and consolidated subsidiaries

For the years ended March 31, 2000 and 1999

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Cash flows from operating activities:			
Income before income taxes	¥ 11,544	¥ 10,500	\$ 108,906
Adjustments for:			
Depreciation	19,365	18,220	182,689
Amortization of debt discounts	1,101	1,210	10,387
Loss on sale or disposal of property, plant and equipment	676	774	6,377
Loss on write-down of marketable securities	657	133	6,198
Gain on forfeiture of warrants	(2,606)	–	(24,585)
Increase in receivables	(7,130)	(3,761)	(67,264)
Increase in inventories	(3,827)	(2,739)	(36,104)
Increase in payables	4,861	3,853	45,858
Other, net	1,776	(848)	16,754
Sub-total	26,417	27,342	249,216
Interest and dividend received	2,041	2,117	19,255
Interest paid	(2,650)	(2,948)	(25,000)
Income taxes paid	(3,916)	(7,523)	(36,943)
Net cash provided by operating activities	21,892	18,988	206,528
Cash flows from investing activities:			
Increase in property, plant and equipment	(18,515)	(25,330)	(174,670)
Increase in long-term investments and loans	(494)	(4,398)	(4,660)
Decrease in property, long-term investments and loans	601	2,354	5,670
Decrease in short-term investments	8,035	8,113	75,802
Net cash used in investing activities	(10,373)	(19,261)	(97,858)
Cash flows from financing activities:			
Increase in long-term debt	19,922	–	187,943
Repayment of long-term debt	(18,874)	(539)	(178,057)
Increase (decrease) in short-term borrowings	101	(6,418)	953
Exercise of warrants	22	–	208
Dividends paid	(2,448)	(2,448)	(23,095)
Other, net	(201)	–	(1,895)
Net cash used in financing activities	(1,478)	(9,405)	(13,943)
Effect of exchange rate changes on cash and cash equivalents	(1,813)	(184)	(17,104)
Increase (decrease) in cash and cash equivalents	8,228	(9,862)	77,623
Cash and cash equivalents at beginning of year	56,744	66,606	535,320
Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation	2,969	–	28,010
Cash and cash equivalents at end of year	¥67,941	¥56,744	\$640,953

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of NGK Spark Plug Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles and practices generally accepted in Japan. Certain items presented in the original consolidated financial statements in Japanese filed with the Minister of Finance of Japan ("MOF") have been reclassified for the convenience of readers outside Japan.

Certain comparative figures have been reclassified to conform with the current year's presentation.

(b) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and affiliates are accounted for by the equity method. All intercompany transactions and accounts have been eliminated.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended March 31, 2000 and 1999 was as follows:

	2000	1999
Consolidated subsidiaries:		
Domestic	10	10
Overseas	16	14
Unconsolidated subsidiaries, stated at cost	5	4
Affiliates, accounted for by equity	6	7
Affiliates, stated at cost	2	2

The Company's overseas consolidated subsidiaries close their book at December 31 every year, three months earlier than the Company and other domestic consolidated subsidiaries. The Company consolidated such subsidiaries' financial statements as of their year-end. Significant transactions for the period between subsidiaries' year-end and the Company's year-end are adjusted on consolidation.

Overseas consolidated subsidiaries adopt accounting principles generally accepted in their respective countries, and no adjustments have been made to their financial statements in consolidation to conform with accounting principles and practices generally accepted in Japan.

Until the year ended March 31, 1999, the accounts of a certain overseas manufacturing subsidiary located in Brazil and its three subsidiaries were excluded from consolidation and equity. Investments in such unconsolidated subsidiaries and their affiliate were stated at cost in order to avoid misleading for readers in the view of uncertain values and availability of the unrealistic financial information as a result of consolidation of such subsidiaries due to the following reasons;

a) Such a subsidiary located in Brazil had adopted the so-called

inflation accounting that was different from the historical cost accounting for a long time in the past.

b) Even in the year 1999, foreign exchange market in Brazil was unstable after the abandoning the exchange rate band within which it had undertaken to support the real in comparison to the U.S. dollars based on the foreign exchange policy change of the Central Bank of Brazil. Then, under the high devaluation of Reals currency in Brazil, the effect of the foreign exchange fluctuation on such subsidiaries could be still material. As a result, management of the Company believed that there was no presumption that consolidation of such subsidiaries were meaningful to the readers of the consolidated financial statements.

Effective from the year ended March 31, 2000, the Company consolidated such a subsidiary located in Brazil, as the management of the Company considered that the consolidation of such a Brazilian subsidiary was useful due to a stringency of inflation accounting. A summary of the unaudited condensed financial information of such a Brazilian subsidiary for the fiscal years ended December 31, 1999 and 1998 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
At year-end:			
Current assets	¥ 3,820	¥ 5,350	\$ 36,038
Property, plant and equipment	1,424	2,563	13,434
Other assets	737	1,187	6,953
Foreign currency translation adjustments	4,626	2,175	43,641
Total assets	¥10,607	¥11,275	\$100,066
Total liabilities	965	1,208	9,104
Capital	3,936	3,936	37,132
Retained earnings	5,706	6,131	53,830
Total liabilities and shareholders' equity	¥10,607	¥11,275	\$100,066
For the year:			
Net sales	¥ 6,428	¥ 8,928	\$ 60,642
Operating costs and expenses	5,440	8,459	51,321
Operating income	988	469	9,321
Other income	401	617	3,783
Income before income taxes	1,389	1,086	13,104
Income taxes	509	387	4,802
Net income	¥ 880	¥ 699	\$ 8,302

(c) Preparation of statement of cash flows

In the current fiscal year 2000, the Company adopted "Opinion Concerning Establishment of Standards for Preparation of Consolidated Statement of Cash Flows" issued by the Business Accounting Deliberation Council of Japan ("BADDC") and related practical guideline issued by the Japanese Institute of Certified Public Accountants ("JICPA"). This new standard requires to prepare a statement of cash flows from the current fiscal year in order to be filed with MOF. Until the fiscal year 1999, the consolidated statements of cash flows were prepared for the purpose of inclusion in this annual report, although such statements were not required to be filed with MOF. The Company has restated the prior year's statements of cash flows in conformity with this new standard.

The Company considered cash equivalents to be highly liquid debt instruments purchased with original maturities of three months or less.

(d) Marketable securities

Securities with market quotations on stock exchanges both in current assets and non-current assets are stated principally at the lower of market or moving average cost. Other securities are stated at the moving average cost.

As for the securities valuation of the Company and its domestic consolidated subsidiaries, until the year ended March 31, 1998, when market value was less than cost, the market values became as new cost basis. Effective from April 1, 1998, the Company and its domestic consolidated subsidiaries changed the accounting treatment to the method that the amount by which the cost for portfolio valued on an individual basis exceeds market value is accounted for as a valuation allowance, and the change in the valuation allowance is included in the determination of net income of the period in which it occurs. This accounting change resulted in no effect on the consolidated financial statements for the year ended March 31, 1999. For the year ended March 31, 2000, loss on write-down of marketable securities of ¥657 million (\$6,198 thousand) was recorded after netting of a reversal of valuation allowance of ¥133 million at March 31, 1999.

(e) Inventories

Inventories are stated principally at the moving average cost.

(f) Investments

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method and investment securities other than securities with market quotations on stock exchanges are carried at the moving average cost (see also Note 1(b) and 1(d)).

(g) Property, plant and equipment and depreciation

Property, plant and equipment, including significant renewals and additions, are stated at cost, and have been depreciated by the declining-balance method for the Company and its domestic consolidated subsidiaries and by the straight-line method for overseas consolidated subsidiaries at rates based on the estimated useful lives of the assets.

The depreciation of the buildings of the Company and its domestic consolidated subsidiaries has been calculated at rates based on the depreciation period shortened from the fiscal year ended March 31, 1999 in accordance with the Japanese income tax laws and regulations revised in 1998. The effect of this change was to decrease income before income taxes by ¥111 million for the year ended March 31, 1999.

Expenditures on maintenance and repairs are charged to income as incurred. Upon the disposal of property, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is recorded as income or expenses.

(h) Leases

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Company and its domestic consolidated subsidiaries is not capitalized and the relating rental and lease expenses are charged to income as incurred.

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at the aggregate amount of estimated uncollectible receivables and the maximum amount which could be charged to income using a legal provision ratio method under the Japanese income tax laws.

(j) Accrued severance indemnities and pension plan

Employees who terminate their service with the Company and its consolidated subsidiaries are entitled to severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs.

The Company has established a non-contributory pension plan which covers 80% of its obligations in relation to severance indemnities for employees who retire at the compulsory retirement age after ten years or more of service. Amounts paid into the pension plan in each year are charged to income and include current service costs in relation to eligible employees as well as past service costs for employees who have become eligible, amortization over ten years, and interest on the unamortized amounts. The balance of the Company's obligations in relation to the payment of severance indemnities for all employees is not funded. However, the Company has provided for 100% of the amount which would be payable if all of its employees were voluntarily to terminate their service at the respective balance sheet dates, less the net assets of the funded pension plan.

The Company's domestic consolidated subsidiaries have similar severance indemnities plans and have provided for the liabilities for their severance indemnities at 100% of the amount which would be payable assuming that all of their employees voluntarily terminate their service at the respective balance sheet dates.

The Company and its consolidated subsidiaries also pay severance indemnities to directors and statutory auditors, which are subject to the approval of the shareholders. The Company has provided for the full amount of the liabilities of directors' and statutory auditors' severance indemnities at the respective balance sheet dates. At March 31, 2000 and 1999, accrued severance indemnities in the accompanying consolidated balance sheets included those for directors and statutory auditors in the amounts of ¥1,059 million (\$9,991 thousand) and ¥1,057 million, respectively.

(k) Notes with warrants

Japanese accounting standard relating to bonds with warrants by issuers requires the accounting method to allocate the issue

price to notes and warrants. The issue amounts of warrants are stated as the current liability, and transferred to additional paid-in capital on exercise of warrants. When the warrants are expired, the balance of warrants, if any, is recognized as gain in the consolidated statements of income.

Warrants relating to the notes with warrants were included in other current liabilities in the amounts of ¥2,789 million (\$26,311 thousand) and ¥5,398 million at March 31, 2000 and 1999, respectively. During the year ended March 31, 2000, as warrants relating to notes due February 2000 were expired, the Company recorded such warrants of ¥2,606 million (\$24,585 thousand) as other income in the accompanying consolidated statements of income. Debt discounts of ¥465 million (\$4,387 thousand) and ¥1,566 million at March 31, 2000 and 1999, respectively, were included in other assets and are amortized over the lives of the related notes by the straight-line method.

(l) Bond issue expenses

Bond issue expenses are charged to income as incurred.

(m) Income taxes

In October 1998, BADC issued "Opinion Concerning Establishment of Standards for Tax Effects". This new standard requires the accounting for income taxes to recognize the deferred taxes under the asset and liability method. Until the year ended March 31, 1999, the Company and its consolidated subsidiaries recorded income taxes on the basis of income tax returns, and no provision was made for deferred taxes arising from temporary differences between financial and tax reporting. Effective from the year ended March 31, 2000, the Company and its consolidated subsidiaries adopted this new deferred income tax accounting. Under the new accounting standard, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, and measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. As a result of this accounting change, net income increased by ¥1,121 million (\$10,575 thousand) for the year ended March 31, 2000. Cumulative effect on initial adoption of deferred income tax accounting in the credit amount of ¥7,356 million (\$69,396 thousand) is included in the change in retained earnings in the accompanying consolidated statements of shareholders' equity for the year ended March 31, 2000.

(n) Translation of foreign currency accounts

Receivables and payables denominated in foreign currencies and covered by firm forward exchange contracts are translated into Yen at such forward contract rates. Current receivables and payables denominated in foreign currencies not covered by forward exchanges contracts are translated into Yen at the exchange rates in effect at the year-end. Non-current assets

and liabilities denominated in foreign currencies not covered by forward exchange contracts are translated into Yen at historical exchange rates, unless having significant exchange loss. Exchange gains on forward exchange contracts on long-term debt are deferred and credited to income over the contract periods.

In respect of financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Yen at the rates of exchange in effect at the year-end and all income and expense accounts are translated at the average rates of exchange during the respective fiscal years in accordance with the Accounting Standards for Foreign Currency Transactions issued in May 1995. Translation differences are debited or credited to the "Foreign currency translation adjustments" account in the accompanying consolidated balance sheets.

(o) Research and development expenses

Expenses related to research and development activities are charged to income as incurred. Such research and development expenses for the years ended March 31, 2000 and 1999 amounted to ¥10,750 million (\$101,415 thousand) and ¥11,740 million, respectively, and were included in cost of goods sold and selling, general and administrative expenses in the accompanying consolidated statements of income.

(p) Appropriation of retained earnings

Cash dividends and bonuses to directors and statutory auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

(q) Per share data

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed assuming convertible bonds were converted at the time of issue unless having anti-dilutive effects and as if warrants were exercised at the beginning of the relevant year or (if later) on their first exercise date and as if the funds obtained thereby were used to purchase common stock at the average market price during the respective years under the treasury stock method.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared as applicable to the respective years.

2. U.S. Dollar Amounts

The Company maintains its accounting records in Japanese Yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating Japanese Yen into U.S. dollars at a rate of ¥106 to \$1, the approximate rate of exchange at March 31, 2000. The inclusion of such dollar amounts is solely for the convenience of the readers and is not intended to

imply that Yen and the assets and liabilities originating in Yen have been or could be readily converted, realized or settled in dollars at ¥106 to \$1 or at any other rate.

3. Short-term Investments

At March 31, 2000 and 1999, short-term investments consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Marketable securities:			
Equity securities	¥ —	¥ 383	\$ —
Bonds	8,296	13,778	78,264
Total marketable securities	8,296	14,161	78,264
Other nonmarketable securities	9,000	12,027	84,906
Time deposits with original maturities of more than three months	6,518	178	61,490
	<u>¥23,814</u>	<u>¥26,366</u>	<u>\$224,660</u>
Market value of marketable securities	<u>¥ 8,441</u>	<u>¥14,270</u>	<u>\$ 79,632</u>

4. Notes and Accounts Receivable

At March 31, 2000 and 1999, notes and accounts receivable consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Trade receivables	¥35,016	¥31,078	\$330,339
Unconsolidated subsidiaries and affiliates	2,818	1,962	26,585
Other	2,243	2,200	21,161
Less, allowance for doubtful accounts	(373)	(381)	(3,519)
	<u>¥39,704</u>	<u>¥34,859</u>	<u>\$374,566</u>

5. Inventories

At March 31, 2000 and 1999, inventories consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Finished goods	¥21,500	¥21,206	\$202,830
Work in process	13,093	12,515	123,519
Raw materials	5,016	4,816	47,321
	<u>¥39,609</u>	<u>¥38,537</u>	<u>\$373,670</u>

6. Investments

At March 31, 2000 and 1999, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Marketable securities:			
Equity securities	¥13,138	¥13,425	\$123,943
Other nonmarketable securities	5,044	4,992	47,585
	<u>¥18,182</u>	<u>¥18,417</u>	<u>\$171,528</u>
Market value of marketable securities	<u>¥47,539</u>	<u>¥48,335</u>	<u>\$448,481</u>

At March 31, 2000 and 1999, investments in and long-term loans to unconsolidated subsidiaries and affiliates consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Investments as stated by the equity method for significant affiliates and at cost for others	¥3,241	¥6,984	\$30,575
Interest bearing long-term loans	63	29	594
	<u>¥3,304</u>	<u>¥7,013</u>	<u>\$31,169</u>

Investments in 1999 in the table above included an investment in a certain Brazilian subsidiary, which was excluded from consolidation and equity in 1999 but was consolidated in 2000 as described in Note 1(b), in the amount of ¥3,936 million.

7. Property, plant and equipment

At March 31, 2000 and 1999, property, plant and equipment consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Land	¥ 13,418	¥ 13,527	\$ 126,585
Buildings and structures	75,933	73,881	716,349
Machinery and equipment	152,548	140,828	1,439,132
Construction in progress	2,235	5,661	21,085
	<u>244,134</u>	<u>233,897</u>	<u>2,303,151</u>
Less, accumulated depreciation	(146,755)	(130,406)	(1,384,481)
	<u>¥ 97,379</u>	<u>¥103,491</u>	<u>\$ 918,670</u>

8. Accounts Payable

At March 31, 2000 and 1999, accounts payable consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Trade payables	¥19,274	¥19,274	\$181,830
Unconsolidated subsidiaries and affiliates	2,161	1,846	20,387
Other	3,798	6,939	35,830
	<u>¥25,233</u>	<u>¥28,059</u>	<u>\$238,047</u>

9. Short-term Borrowings and Long-term Debt

At March 31, 2000 and 1999, short-term borrowings consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Unsecured bank loans with interest at rates ranging from 3.675% to 7.91% per annum at March 31, 2000:	¥ 3,584	¥ 2,922	\$ 33,811
Export bills accepted by consolidated subsidiaries and discounted with banks by the Company with interest at rates ranging from 1.375% to 7.375% per annum at March 31, 2000	8,080	8,323	76,227
	<u>¥11,664</u>	<u>¥11,245</u>	<u>\$110,038</u>

At March 31, 2000 and 1999, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	
	2000	1999	2000	
2.25% U.S.\$200,000,000 notes with warrants due February 2000	¥ —	¥18,661	\$ —	
3.0% U.S.\$200,000,000 notes with warrants due February 2001	18,251	18,251	172,179	
1.3% convertible bonds due March 2002	20,000	20,000	188,679	
1.4% convertible bonds due March 2004	19,934	19,934	188,057	
1.4% notes due March 2005	10,000	—	94,340	
1.86% notes due March 2007	10,000	—	94,340	
Unsecured loans from government agencies due through September 2000 with interest rates ranging from 3.6% to 5.025% per annum at March 31, 2000	22	64	207	
Unsecured bank loans due through April 2001 with interest at rates ranging from 6.5% to 8.5% per annum at March 31, 2000	8	124	75	
Capital lease obligations for overseas consolidated subsidiaries	1,089	1,234	10,274	
	79,304	78,268	748,151	
Less, current portion	(18,488)	(18,917)	(174,415)	
	¥60,816	¥59,351	\$573,736	

Each holder of a warrant issued with 3.0% notes due 2001 is entitled to subscribe to ¥540,000 for shares of common stock of the Company currently at ¥1,271 per share, which is subject to adjustment in certain circumstances including a stock split.

The current conversion price of 1.3% convertible bonds due 2002 is ¥1,364 per share and is subject to adjustment in certain circumstances, including in the event of a stock split. The Company may, at its call option, redeem the bonds for the period from April 1, 1999 at 102% to 100% of the principal amount subject to certain conditions.

The current conversion price of 1.4% convertible bonds due 2004 is ¥1,364 per share and is subject to adjustment in certain circumstances, including in the event of a stock split. The Company may, at its call option, redeem the bonds for the period from April 1, 2000 at 103% to 100% of the principal amount subject to certain conditions.

At March 31, 2000, the number of shares of common stock necessary for exercise of all warrants and conversion of all convertible bonds outstanding was approximately 46 million.

As is customary in Japan, substantially all bank borrowings are subject to general agreements which provide, among other things, that the banks may, under certain circumstance, request additional security for these loans and may treat any security so furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness. The banks have never requested the Company or its subsidiaries to submit such additional security. Also, as is customary in Japan, the Company and certain of its subsidiaries have time deposits with the banks from which they have short-term and long-term borrowings.

However, there are no agreements with any banks which would require maintaining such deposits.

The aggregate annual maturities of long-term debt at March 31, 2000 were as follows:

Years ending March 31,	Millions	Thousands of
	of Yen	U.S. Dollars
2001	¥18,488	\$174,415
2002	20,210	190,660
2003	208	1,962
2004	20,091	189,538
2005	10,136	95,623
2006 and thereafter	10,171	95,953
	¥79,304	\$748,151

10. Contingent Liabilities

At March 31, 2000 and 1999, contingent liabilities in respect of trade notes and export bills discounted with banks with recourse in the ordinary course of business and guarantees of indebtedness principally of employees and the third parties aggregated ¥3,944 million (\$37,208 thousand) and ¥3,788 million, respectively.

11. Lease Commitments

The Company and its domestic consolidated subsidiaries have made various rental and lease agreements as lessee principally for buildings cancelable with a few months' advance notice and also for computer equipment, other office machines and vehicles which are not usually cancelable for 12 months to 120 months from the original contract dates.

Total rental and lease expenses including cancelable and non-cancelable leases for the years ended March 31, 2000 and 1999 were ¥3,082 million (\$29,075 thousand) and ¥2,993 million, respectively. For the years ended March 31, 2000 and 1999, the lease expenses for non-cancelable lease agreements which were categorized as financing leases amounted to ¥1,086 million (\$10,245 thousand) and ¥1,114 million, respectively.

The aggregate future minimum payments for such non-cancelable leases, including the imputed interest portion, at March 31, 2000 were as follows:

	Millions	Thousands of
	of Yen	U.S. Dollars
Year ending March 31, 2001	¥ 999	\$ 9,425
Thereafter	1,529	14,424
	¥2,528	\$23,849

12. Shareholders' Equity

1) The authorized number of shares of common stock, with a par value of ¥50 per share, is 400 million at March 31, 2000, unless there may be a reduction due to a cancellation of treasury stock acquired.

Pursuant to the articles of incorporation of the Company revised upon the approval of shareholders at the general meeting on June 26, 1998, the Company can purchase and cancel the

treasury stock of the Company up to 22 million shares through a charge to retained earnings, subject to the resolution of the Board of Directors, in accordance with the Law Concerning Special Measures under the Commercial Code with Respect to Procedures of Cancellation of Stocks.

2) At March 31, 2000 and 1999, retained earnings included legal reserve of the Company in the amounts of ¥5,412 million (\$51,057 thousand) and ¥5,159 million, respectively. The Commercial Code of Japan provides that an amount equivalent to at least 10% of cash payments as an appropriation of retained earnings shall be appropriated as a legal reserve until such reserve equals 25% of common stock. The legal reserve is not available for the distribution as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper actions of the Board of Directors and/or shareholders of the Company.

3) On June 29, 2000, the following appropriations of retained earnings were approved at an annual general meeting of shareholders of the Company:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥1,224	\$11,547
Bonuses to directors and statutory auditors	60	566

13. Income Taxes

As disclosed in Note 1 (m), the Company adopted the new accounting method to recognize the tax effect on temporary differences from the year ended March 31, 2000. Income taxes for the years ended March 31, 2000 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current	¥5,769	¥4,975	\$54,425
Deferred	(933)	—	(8,802)
	¥4,836	¥4,975	\$45,623

The tax effects on temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2000, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Deferred tax assets:		
Intercompany profits	¥2,679	\$25,273
Depreciation	2,323	21,915
Accrued severance indemnities	2,203	20,783
Accrued bonus to employees	730	6,887
Inventories	716	6,755
Other	687	6,481
	9,338	88,094
Deferred tax liabilities:		
Accelerated depreciation	570	5,377
Other	428	4,038
	998	9,415
Net deferred tax assets	¥8,340	\$78,679

In assessing the realizability of deferred tax assets, management of the Company and its consolidated subsidiaries considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2000, no valuation allowance was provided to reduce the deferred tax assets since the management believes that the amount of the deferred tax assets is expected to be fully realizable.

The difference between the Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the year ended March 31, 2000, was not material.

14. Off-Balance-Sheet Financial Instruments

The Company is a party to financial instruments with off-balance-sheet risks such as foreign currency forward exchange contracts in the normal course of business to reduce its own exposure to fluctuations in exchange rates in order for hedge purposes. These exposures include certain anticipated export sales or import purchases, and long-term debt denominated in foreign currencies. The Company is exposed to credit loss in the event of nonperformance by the other parties. However, the Company does not expect nonperformance by the counterparties. The Company's consolidated subsidiaries do not hold or issue any derivative transactions.

A summary of foreign currency forward exchange contracts outstanding, excluding those for a hedge of assets and liabilities recognized on the accompanying consolidated balance sheets, and related unrealized gain at March 31, 2000 and 1999 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Contract (notional) amounts:			
Buy contracts	¥492	¥1,431	\$4,642
Sell contracts	2,139	4,495	20,179
Fair value*:			
Buy contracts	540	1,746	5,094
Sell contracts	2,090	4,518	19,717
Aggregate unrealized gain	97	292	915

*Fair value was calculated based on the future exchange rates prevailing at the relevant year-end.

15. Segment Information

The Company's operations are classified into three segments, automotive components business, communication media components and technical ceramics business, and other business. Automotive components segment is composed of those operations involved in the manufacture and sale of spark plugs, automotive sensors and other products for automobiles. Communication media components and technical ceramics segment is principally involved in the manufacture and sale of semiconductor parts, electronic parts and cutting tools for ceramic products.

Information by industry segment for the years ended March 31, 2000 and 1999 was as follows:

	Automotive Components	Communication Media Components and Technical Ceramics		Other	Total	Elimination	Consolidated
(Millions of Yen)							
For the year 2000:							
Net sales:							
Outside customers	¥113,631	¥ 79,627	¥2,337	¥195,595	¥ —	¥195,595	
Inter-segment sales	—	2	268	270	(270)	—	
Total net sales	113,631	79,629	2,605	195,865	(270)	195,595	
Operating costs and expenses	96,328	82,543	2,567	181,438	(280)	181,158	
Operating income(loss)	¥ 17,303	¥ (2,914)	¥ 38	¥ 14,427	¥ 10	¥ 14,437	
Identifiable assets	¥150,714	¥154,249	¥ 712	¥305,675	¥8,646	¥314,321	
Depreciation	¥ 7,253	¥ 12,108	¥ 4	¥ 19,365	—	¥ 19,365	
Capital expenditures	¥ 9,848	¥ 7,642	¥ 2	¥ 17,492	—	¥ 17,492	

For the year 1999:

Net sales:							
Outside customers	¥ 109,900	¥ 75,218	¥ 3,626	¥ 188,744	¥ —	¥ 188,744	
Inter-segment sales	—	—	545	545	(545)	—	
Total net sales	109,900	75,218	4,171	189,289	(545)	188,744	
Operating costs and expenses	93,684	78,579	4,137	176,400	(555)	175,845	
Operating income(loss)	¥ 16,216	¥ (3,361)	¥ 34	¥ 12,889	¥ 10	¥ 12,899	
Identifiable assets	¥ 144,113	¥ 154,199	¥ 816	¥ 299,128	¥ 1,552	¥ 300,680	
Depreciation	¥ 6,567	¥ 11,647	¥ 6	¥ 18,220	—	¥ 18,220	
Capital expenditures	¥ 7,480	¥ 15,322	¥ 1	¥ 22,803	—	¥ 22,803	

(Thousands of U.S. Dollars)

For the year 2000:

Net sales:							
Outside customers	\$1,071,991	\$ 751,198	\$22,047	\$1,845,236	\$ —	\$1,845,236	
Inter-segment sales	—	19	2,528	2,547	(2,547)	—	
Total net sales	1,071,991	751,217	24,575	1,847,783	(2,547)	1,845,236	
Operating costs and expenses	908,755	778,707	24,217	1,711,679	(2,641)	1,709,038	
Operating income (loss)	\$ 163,236	\$ (27,490)	\$ 358	\$ 136,104	\$ 94	\$ 136,198	
Identifiable assets	\$1,421,830	\$1,455,179	\$ 6,717	\$2,883,726	\$81,566	\$2,965,292	
Depreciation	\$ 68,425	\$ 114,226	\$ 38	\$ 182,689	—	\$ 182,689	
Capital expenditures	\$ 92,906	\$ 72,094	\$ 19	\$ 165,019	—	\$ 165,019	

Note: Identifiable assets in the elimination column represent unallocated general corporate items which were not assigned to a particular industry segment, net of inter-segment balances.

Information summarized by geographic area for the years ended March 31, 2000 and 1999 was as follows:

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
	(Millions of Yen)						
For the year 2000:							
Net sales:							
Outside customers	¥ 80,030	¥72,452	¥31,120	¥11,993	¥195,595	¥ —	¥195,595
Inter-segment sales	91,509	339	357	845	93,050	(93,050)	—
Total net sales	171,539	72,791	31,477	12,838	288,645	(93,050)	195,595
Operating costs and expenses	160,834	71,968	30,109	10,944	273,855	(92,697)	181,158
Operating income	¥ 10,705	¥ 823	¥ 1,368	¥ 1,894	¥ 14,790	¥ (353)	¥ 14,437
Identifiable assets	¥260,838	¥29,789	¥16,858	¥10,211	¥317,696	¥ (3,375)	¥314,321
For the year 1999:							
Net sales:							
Outside customers	¥ 74,960	¥78,192	¥30,427	¥5,165	¥188,744	¥ —	¥188,744
Inter-segment sales	94,469	458	383	71	95,381	(95,381)	—
Total net sales	169,429	78,650	30,810	5,236	284,125	(95,381)	188,744
Operating costs and expenses	158,134	77,678	30,082	4,860	270,754	(94,909)	175,845
Operating income	¥ 11,295	¥ 972	¥ 728	¥ 376	¥ 13,371	¥ (472)	¥ 12,899
Identifiable assets	¥261,937	¥31,827	¥15,610	¥3,225	¥312,599	¥(11,919)	¥300,680

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
<i>(Thousands of U.S. Dollars)</i>							
For the year 2000:							
Net sales:							
Outside customers	\$ 755,000	\$683,510	\$293,585	\$113,141	\$1,845,236	\$ —	\$1,845,236
Inter-segment sales	863,292	3,198	3,368	7,972	877,830	(877,830)	—
Total net sales	1,618,292	686,708	296,953	121,113	2,723,066	(877,830)	1,845,236
Operating costs and expenses	1,517,302	678,944	284,047	103,245	2,583,538	(874,500)	1,709,038
Operating income	\$ 100,990	\$ 7,764	\$ 12,906	\$ 17,868	\$ 139,528	\$ (3,330)	\$ 136,198
Identifiable assets	\$2,460,736	\$281,028	\$159,038	\$ 96,330	\$2,997,132	\$ (31,840)	\$2,965,292

For the years ended March 31, 2000 and 1999, overseas sales which included export sales from Japan and net sales of overseas consolidated subsidiaries other than Japan were summarized as follows:

	<i>Millions of Yen</i>		<i>Thousands of U.S. Dollars</i>
	2000	1999	2000
North America	¥ 86,732	¥ 80,547	\$ 818,226
Europe	36,245	33,992	341,934
Other area	29,509	34,680	278,387
	¥152,486	¥149,219	\$1,438,547
	78.0%	79.1%	

Percentage of overseas sales to total consolidated net sales

Note: Overseas sales in Southeast Asia area was included in sales in other area in the table above due to their immaterial sales amount in the year 2000, which were separately disclosed in the annual report previously reported.

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3-7-12, Sakae, Naka-ku
Nagoya, 460-0008 Japan
Telephone 052-264-1701
Facsimile 052-264-1791

Report of Independent Certified Public Accountants

To the Board of Directors of
NGK Spark Plug Co., Ltd.

We have audited the accompanying consolidated balance sheets of NGK Spark Plug Co., Ltd. and its consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. Our audits were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of NGK Spark Plug Co., Ltd. and its consolidated subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

As described in Note 1, effective for the year ended March 31, 2000, NGK Spark Plug Co., Ltd. and its consolidated subsidiaries have adopted new Japanese accounting standard for income taxes.

The amounts expressed in U. S. dollars, which are provided solely for the convenience of the readers, have been translated on the basis set forth in Note 2 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Nagoya, Japan
June 29, 2000

Notice to Readers:

The accompanying consolidated financial statements are not intended to present the consolidated financial position and results of their operations and their cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Japan.

Major Subsidiaries and Affiliates

Domestic Subsidiaries

- Nittoku Seisakusho Co.,Ltd.
Production and sale of spark plug parts and jigs
- Nittoku Unyu Co.,Ltd.
Transportation of the Company's products
- Nichiwa Kiki Co.,Ltd.
Production and sale of spark plug resistor covers and cables
- Oguchi Seiki Co.,Ltd.
Production and sale of electrodes for spark plug and sensors

- Kamioka Ceramic Co.,Ltd.
Production and sale of glow plugs and cutting tools
- Kani Ceramic Co.,Ltd.
Production and sale of IC packages
- Takenami Ceramic Co.,Ltd.
Production and sale of ceramic substrates
- Iijima Ceramic Co.,Ltd.
Production and sale of IC packages

- Nittoku Alpha Service Co.,Ltd.
Welfare services for employee of the Company
- Nakatsugawa Ceramic Co.,Ltd.
Production and sale of IC packages

Overseas Subsidiaries

- NGK Spark Plugs (U.S.A.) ,Inc.
Production and sale of spark plugs, cutting tools and sale of communication media components and technical ceramics
- NGK Spark Plugs (U.K.) Ltd.
Sale of automotive components and communication media components and technical ceramics
- NGK Spark Plug (Australia) Pty.Ltd.
Sale of automotive components and communication media components and technical ceramics
- NGK Spark Plugs Canada Limited
Sale of automotive components
- Taiwan NGK Spark Plug Co.,Ltd.
Production and sale of spark plugs

- NGK Spark Plug Industries Europe S.A.
Production and sale of spark plugs
- Bujias NGK de Mexico S.A. de C.V.
Sale of automotive components
- NGK Spark Plugs (France) S.A.
Sale of automotive components and communication media components and technical ceramics
- NTK Cutting Tools Korea Co.,Ltd.
Production and sale of cutting tools
- NTK Technical Ceramics H.K.Ltd.
Sale of communication media components and technical ceramics
- NGK Spark Plug MFG. (U.S.A.) ,Inc.
Production and sale of oxygen sensors for automobile

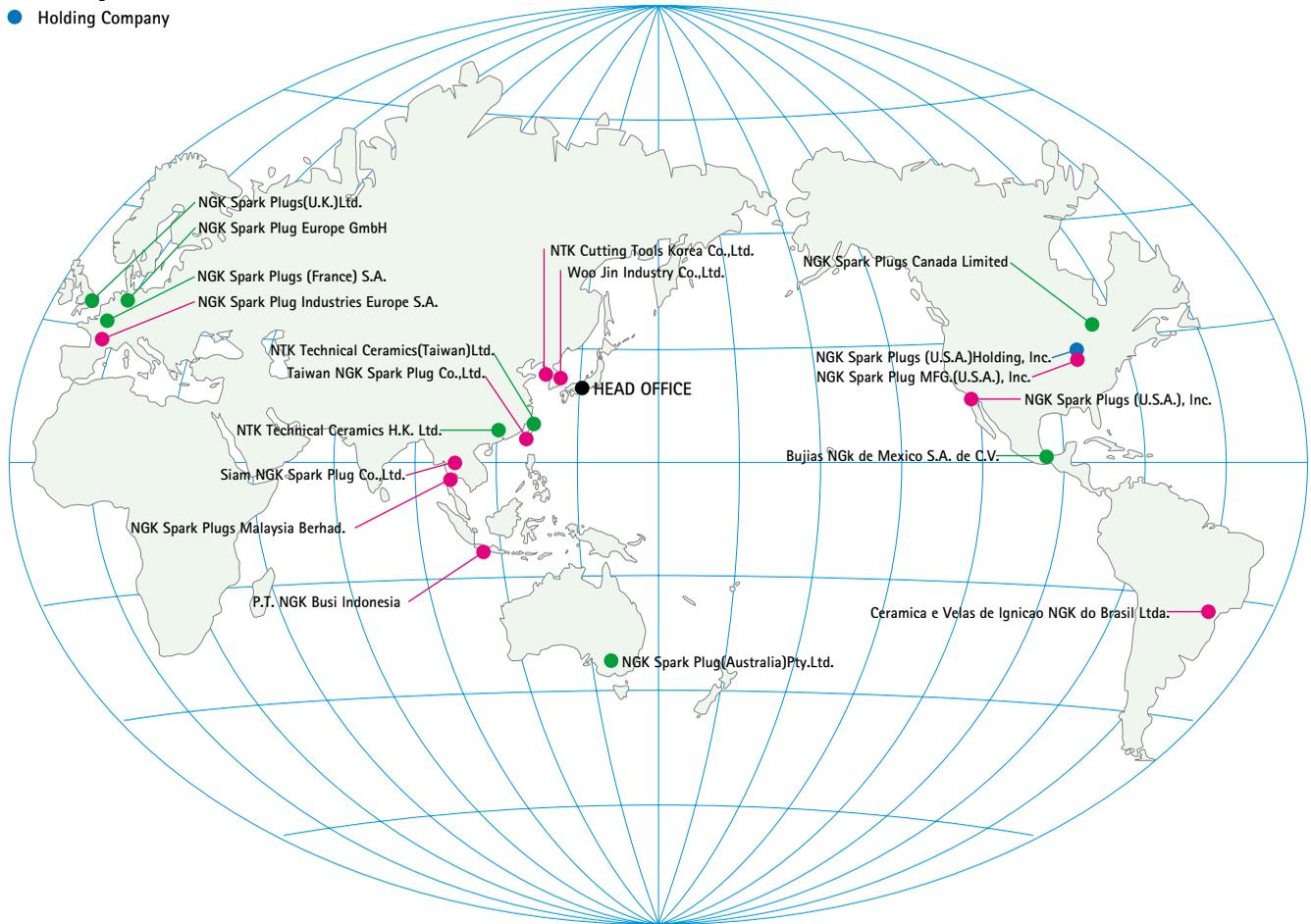
- NTK Technical Ceramics (Taiwan) Ltd.
Sale of communication media components and technical ceramics
- NGK Spark Plugs (U.S.A.) Holding,Inc.
Holding company for U.S. subsidiaries
- NGK Spark Plug Europe GmbH
Sale of automotive components and communication media components and technical ceramics
- Ceramica e Velas de Ignicao NGK do Brasil Ltda.
Production and sale of spark plugs, construction materials and technical ceramics
- P.T.NGK Busi Indonesia
Production and sale of spark plugs

Affiliates

- Ceramic Sensor Co.,Ltd.
Production and sale of oxygen sensors for automobile
- Siam NGK Spark Plug Co.,Ltd.
Production and sale of spark plugs
- Woo Jin Industry Co.,Ltd.
Production and sale of spark plugs and oxygen sensors for automobile

Overseas Network

- Head Office
- Production & Sales Organization
- Sales Organization
- Holding Company



NGK Spark Plugs (U.S.A.), Inc.



NGK Spark Plug MFG.(U.S.A.), Inc.



NGK Spark Plug Industries Europe S.A.



Ceramica e Velas de Ignicao NGK do Brasil Ltda.



Siam NGK Spark Plug Co., Ltd.



NGK Spark Plugs Malaysia Berhad.



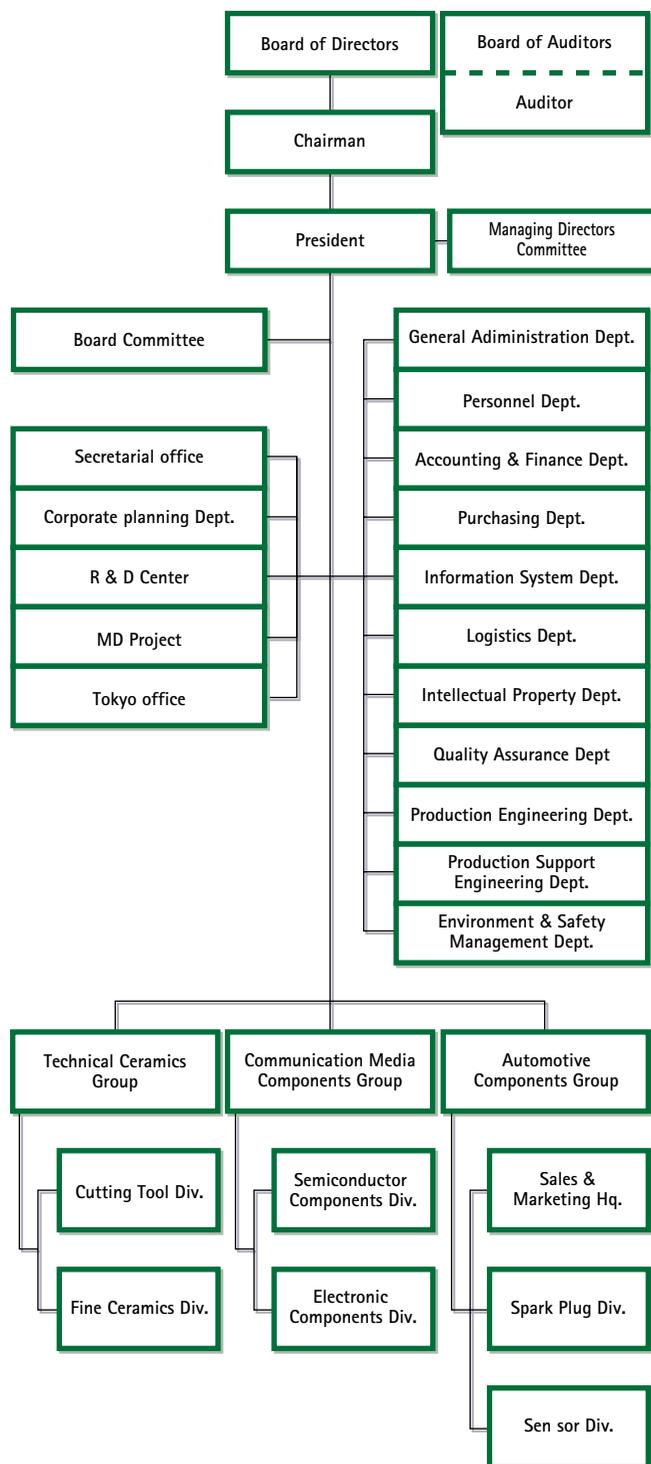
P.T. NGK Busi Indonesia



Taiwan NGK Spark Plug Co., Ltd.

Organization

(As of June 29, 2000)



Board of Directors

(As of June 29, 2000)

CHAIRMAN
Kaneo Okamura*

PRESIDENT
Shigenobu Kanagawa*

EXECUTIVE VICE PRESIDENTS
Seiji Haga
Yutaka Morita

SENIOR MANAGING DIRECTORS
Masao Sasaki
Kanemitsu Nishio
Nobuto Otaguro
Katsumasa Nishiyama

MANAGING DIRECTORS
Yasuo Saito
Toshio Hattori
Hiroshi Tanaka
Yoshiro Ushida
Norio Kato

DIRECTORS
Takao Morimura
Harunobu Sato
Shin Suzuki
Toyoji Morimura
Masaru Aritani
Takashi Terada
Akio Takami
Naomiki Kato
Ikuo Hotta
Genjiro Hashimoto

STANDING STATUTORY AUDITORS
Masahiko Kuwashima
Yoshiaki Miwa

STATUTORY AUDITORS
Minoru Hoshino
Ikuko Ohtsuka

*Representative Director

Corporate Data

(As of March 31, 2000)

NGK SPARK PLUG CO.,LTD.

Head Office

14-18 Takatsuji-cho, Mizuho-Ku, Nagoya, 467-8525, Japan

<http://www.ngkntk.co.jp>

Established

October 1936

Common Shares

Authorized: 400,000,000

Issued: 222,546,679

Paid-in Capital

¥37,057 million

Stock Listing

Tokyo Stock Exchange, First Section

Nagoya Stock Exchange, First Section

Number of Employees

4,944

Number of Shareholders

12,844

Transfer Agent

The Mitsubishi Trust and Banking Corporation

Independent Certified Public Accountants

ChuoAoyama Audit Corporation

Common Stock Price Range

	FY2000	
	High	Low
1999/April-June	¥1,380	¥1,190
1999/July-September	1,259	891
1999/October-December	1,058	701
2000/January-March	1,192	865

NGK SPARK PLUG CO., LTD.

14-18 Takatsuji-cho, Mizuho-ku, Nagoya, 467-8525, Japan