

Consolidated financial reports in accordance with Japanese GAAP for the fiscal year ended March 31, 2009

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Stock listing	Tokyo 1st section, Nagoya 1st section
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Financial results highlights

	Millions of yen		
	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Fiscal year ending March 31, 2010 (Forecast)
Net sales:			
Automotive components			
Spark & glow plugs	128,894	119,264	97,942
Automotive sensors	80,498	67,420	58,058
Subtotal	209,393	186,684	156,000
Communication media components & technical ceramics			
Communication media components	108,267	80,532	49,763
Technical ceramics	22,678	20,408	14,737
Subtotal	130,946	100,940	64,500
Others	5,353	4,597	3,578
Elimination	(109)	(101)	(78)
Total net sales	345,584	292,121	224,000
Operating income (loss):			
Automotive components	36,110	21,535	12,500
Communication media components & technical ceramics	(1,160)	(26,564)	(10,000)
Others	89	(192)	0
Total operating income (loss)	35,039	(5,222)	2,500
Ordinary income (loss)	34,938	(7,528)	2,000
Net income (loss)	22,144	(71,669)	(1,000)
Capital expenditure:			
Automotive components	24,840	16,154	8,789
Communication media components & technical ceramics	38,267	7,884	2,511
Others	123	133	0
Total capital expenditure	63,231	24,173	11,300
Depreciation:			
Automotive components	13,036	15,771	14,261
Communication media components & technical ceramics	12,421	15,965	4,630
Others	15	30	9
Total depreciation	25,474	31,767	18,900

	Yen		
	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Fiscal year ending March 31, 2010 (Forecast)
Per share			
Net income (loss) - Basic	100.93	(328.90)	(4.59)
Equity	1,312.72	838.11	828.02
Cash dividends	27.00	13.50	11.00
Actual exchange rate			
Yen - U.S. dollar	114	102	95
Yen - Euro	162	146	125
		Percent	
Operating income ratio	10.1	(1.8)	1.1
Return on equity	7.7	(30.6)	(0.5)
Dividend payout ratio	26.8	-	-

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, 2008 and 2009

	Millions of yen	
	2008	2009
Assets		
Current assets		
Cash and deposits	23,363	18,387
Notes and accounts receivable-trade	56,131	35,493
Short-term investment securities	23,558	15,593
Inventories	76,453	52,689
Deferred tax assets	11,347	1,203
Other	9,136	5,496
Allowance for doubtful accounts	(488)	(139)
Total current assets	199,503	128,724
Noncurrent assets		
Property, plant and equipment		
Building and structures, net	65,461	55,407
Machinery, equipment and vehicles, net	58,074	34,991
Land	18,717	15,819
Construction in progress	5,362	1,668
Other	2,581	2,052
Total property, plant and equipment	150,197	109,939
Intangible assets		
Goodwill	9,236	337
Software	2,516	4,187
Other	-	68
Total intangible assets	11,752	4,592
Investments and other assets		
Investments securities	46,395	30,307
Deferred tax assets	1,462	942
Other	2,936	1,591
Allowance for doubtful accounts	(97)	(102)
Total investments and other assets	50,697	32,739
Total noncurrent assets	212,647	147,271
Total assets	412,150	275,995

	Millions of yen	
	2008	2009
Liabilities		
Current liabilities		
Accounts payable-trade	31,482	9,186
Short-term loans payable	4,399	13,611
Lease obligations	-	131
Income taxes payable	3,865	747
Deferred tax liabilities	191	216
Other	30,924	18,089
Total current liabilities	<u>70,864</u>	<u>41,982</u>
Noncurrent liabilities		
Bonds payable	36,099	22,666
Long-term loans payable	200	-
Lease obligations	-	859
Provision for retirement benefits	14,307	16,243
Accrued severance indemnities for officers	789	-
Negative goodwill	31	10
Deferred tax liabilities	439	8,526
Other	1,120	1,322
Total noncurrent liabilities	<u>52,987</u>	<u>49,628</u>
Total liabilities	<u>123,851</u>	<u>91,610</u>
Net assets		
Shareholders' equity		
Capital stock	47,869	47,869
Capital surplus	55,174	55,164
Retained earnings	182,946	105,673
Treasury stock	(14,960)	(14,979)
Total shareholders' equity	<u>271,029</u>	<u>193,727</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	15,896	8,056
Foreign currency translation adjustment	(857)	(19,165)
Total valuation and translation adjustments	<u>15,039</u>	<u>(11,109)</u>
Minority interests	2,230	1,766
Total net assets	<u>288,299</u>	<u>184,384</u>
Total liabilities and net assets	<u>412,150</u>	<u>275,995</u>

	Millions of yen	
	2008	2009
(a) Inventories consists of		
- Finished goods	44,613	26,976
- Work-in-process	23,185	17,515
- Raw materials	8,654	8,197
(b) Accumulated depreciation of tangible assets	251,905	271,336
(c) Investments in unconsolidated subsidiaries & affiliates	3,760	2,022
(d) Guarantees of indebtedness principles of employees	132	112
(e) Note receivable discounted	372	-
	Shares	
	March 31, 2008	March 31, 2009
(f) Number of shares		
- Issued common stock	229,544,820	229,544,820
- Treasury stock	11,624,045	11,651,113

Consolidated Statements of Income
For the fiscal year ended March 31, 2008 and 2009

	Millions of yen	
	Fiscal year ended March 31	
	2008	2009
Net sales	345,584	292,121
Costs of sales	262,243	251,832
Gross profit	83,340	40,289
Selling, general and administrative expenses		
Selling expenses	28,533	26,437
General and administrative expenses	19,767	19,074
Total selling, general and administrative expenses	48,301	45,511
Operating income (loss)	35,039	(5,222)
Non-operating income		
Interest income	1,843	1,491
Dividends income	864	872
Amortization of negative goodwill	21	21
Equity in earnings of affiliates	351	-
Other	2,022	1,169
Total non-operating income	5,102	3,554
Non-operating expenses		
Interest expenses	610	584
Equity in losses of affiliates	-	515
Foreign exchange losses	2,391	4,046
Other	2,201	714
Total non-operating expenses	5,203	5,861
Ordinary income (loss)	34,938	(7,528)
Extraordinary income		
Gain on sales of property, plant and equipment	24	45
Gain on sales of investment securities	13	10
Total extraordinary income	37	56
Extraordinary loss		
Loss on sales or disposal of property, plant and equipment	418	297
Impairment loss	-	26,657
Loss on depreciation of goodwill	-	7,791
Loss on sales of investment securities	5	-
Loss on valuation of investment securities	-	1,093
Total extraordinary losses	424	35,839
Income (loss) before income taxes and minority interests	34,551	(43,311)
Income taxes-current	13,443	4,148
Income taxes-deferred	(1,497)	23,801
Total income taxes	11,946	27,949
Minority interests in income	461	407
Net income (loss)	22,144	(71,669)

	Fiscal year ended March 31	
	2008	2009
	Yen	
(a) Net income (loss) per common share		
- Basis	100.93	(328.90)
- Diluted	95.80	-

For the fiscal year ended March 31, 2009, diluted earnings per shares are not disclosed due to the negative amount in accordance with "Accounting Standard for Earnings Per Share" (ASBJ Statement No.2).

	Fiscal year ended March 31	
	2008	2009
	Millions of yen	
(b) Net write-down of inventories	3,368	2,913
(c) The major components of selling, general and administrative expenses		
Depreciation	1,221	1,291
Provision for allowance for doubtful accounts	207	16
Net periodic retirement benefit expense	758	909
Provision for officers' severance indemnities	234	76
Salaries and bonuses	16,337	16,208
Packing and transport	5,111	4,580
Advertising	4,293	4,054
Research and development	2,972	2,876

(e) 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 end of March 31, 2009, major assets on which we recognised an impairment loss are follows.

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 | <u>2,406</u> | <u>million yen</u> |
| | 17,182 | 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 | <u>3,399</u> | <u>million yen</u> |
| | 7,740 | 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 |
|------|-------|-------------|

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.

(f) Loss on depreciation of goodwill

For the fiscal year ended March 31, 2009, because NGK SPARK PLUG CO., LTD. recognised losses on valuation of subsidiaries in the separated financial statements, "Loss on depreciation of goodwill" was recognised 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 year ended March 31, 2008 and 2009

	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, 2007	47,869	55,170	166,642	(10,052)	259,629	26,837	703	27,541	1,805	288,976
Net income			22,144		22,144					22,144
Dividends			(5,842)		(5,842)					(5,842)
Change of scope of consolidation			2		2					2
Purchase of treasury stock				(4,914)	(4,914)					(4,914)
Sales of treasury stock		3		7	10					10
Net changes of items other than shareholders' equity						(10,941)	(1,561)	(12,502)	424	(12,077)
Total change	-	3	16,304	(4,907)	11,400	(10,941)	(1,561)	(12,502)	424	(677)
Balance at March 30, 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 31, 2009	47,869	55,164	105,673	(14,979)	193,727	8,056	(19,165)	(11,109)	1,766	184,384

Consolidated Statements of Cash Flows for the fiscal year ended March 31, 2008 and 2009

	Millions of yen	
	Fiscal year ended March 31	
	2008	2009
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	34,551	(43,311)
Depreciation and amortization	25,474	31,767
Impairment loss	-	26,657
Amortization of goodwill	661	8,878
Increase (decrease) in provision for retirement benefits	112	1,973
Interest and dividends income	(2,707)	(2,363)
Equity in (earnings) losses of affiliates	(351)	515
Interest expenses	610	584
Loss (gain) on valuation of investment securities	-	1,093
Loss (gain) on sales of investment securities	(7)	(10)
Loss (gain) on disposal of noncurrent assets	394	251
Decrease (increase) in notes and accounts receivable-trade	4,249	15,082
Decrease (increase) in inventories	(11,051)	13,889
Increase (decrease) in notes and accounts payable-trade	3,964	(10,497)
Other, net	197	(1,796)
Subtotal	56,098	42,714
Interest and dividends income received	2,789	2,029
Interest expenses paid	(542)	(585)
Income taxes paid	(20,617)	(7,554)
Net cash provided by (used in) operating activities	37,728	36,603
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	2,280	(1,579)
Net decrease (increase) in short-term investment securities	21,098	7,193
Purchase of property, plant and equipment	(51,185)	(30,077)
Proceeds from sales of property, plant and equipment	235	295
Purchase of intangible assets	(1,398)	(2,518)
Purchase of investment securities	(4,008)	(1,008)
Proceeds from sales of investment securities	57	1,023
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(10,878)	-
Other, net	(21)	(483)
Net cash provided by (used in) investing activities	(43,820)	(27,153)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(12,005)	9,529
Repayment of long-term loans payable	(5)	(300)
Proceeds from issuance of bonds	19,893	-
Redemption of bonds	-	(13,433)
Purchase of treasury stock	(4,914)	(62)
Proceeds from sales of treasury stock	10	32
Cash dividends paid	(5,828)	(5,876)
Other, net	(80)	(352)
Net cash provided by (used in) financing activities	(2,929)	(10,461)
Effect of exchange rate change on cash and cash equivalents	(629)	(3,098)
Net increase (decrease) in cash and cash equivalents	(9,651)	(4,109)
Cash and cash equivalents at beginning of period	41,257	31,702
Increase in cash and cash equivalents from newly consolidated subsidiary	96	-
Cash and cash equivalents at end of the period	31,702	27,593

(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	
	2008	2009
Cash and time deposits	23,363	18,387
Securities	23,558	15,593
Subtotal	46,922	33,981
Time deposits with original maturities of three months or longer	(7,556)	(6,055)
Negotiable certificate of deposits with original maturities of three months or longer	(1,000)	-
Security other than short-term investments with an original maturity of three months or less	(6,663)	(332)
Cash and cash equivalents	31,702	27,593

(b) Breakdown of net decrease by an acquisition of shares of a newly consolidated subsidiary is the following.

	Millions of yen	
	Fiscal year ended March 31	
	2008	2009
Current assets of the newly consolidated subsidiary	6,577	-
Fixed assets of the newly consolidated subsidiary	2,762	-
Current liabilities of the newly consolidated subsidiary	(4,839)	-
Fixed liabilities of the newly consolidated subsidiary	(233)	-
Consolidated goodwill	9,165	-
The Company's share before an acquisition	(2,134)	-
Payment for acquisition of shares	11,300	-
Cash and cash equivalents of the newly subsidiary	(421)	-
Net decrease by an acquisition of the newly consolidated subsidiary	10,878	-

Scope of consolidation and application of equity method

1. Number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates

	March 31, 2008	March 31, 2009
Consolidated subsidiaries:		
Overseas	25	25
Domestic	11	11
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 GmbH	(Germany)
	Cerâmica e Velas de Ignição NGK do Brasil Ltda.	(Brazil)
	NGK Spark Plug (Australia) Pty., Ltd.	(Australia)
Domestic subsidiaries	Ceramic Sensor Co., Ltd.	
	Nittoku Seisakusho Co., Ltd.	
	Kamioka Ceramic Co., Ltd.	
	Iijima Ceramic Co., Ltd.	
	Nakatsugawa 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.

Change in accounting

- (a) From the fiscal year ended March 31, 2009, NGK SPARK PLUG CO., LTD. and its consolidated subsidiaries, have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18), issued by Accounting Standards Board of Japan on May 17, 2006. It requires that financial statements of overseas' subsidiaries be prepared in accordance with Japanese GAAP or IFRSs or US GAAP. The impact of income from PITF No. 18 was immaterial for the fiscal year ended March 31, 2009.
- (b) Accounting Standards Board of Japan revised "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No.16) on March 30, 2007, which are effective for the fiscal year ending on or after March 31, 2009, with earlier adoption permitted. They require that finance leases without title transfer be recognized as assets and liabilities in their balance sheets.

NGK SPARK PLUG CO., LTD. and its domestic subsidiaries have adopted these revisions of standards for the period beginning on April 1, 2008. NGK SPARK PLUG CO., LTD. and its domestic subsidiaries capitalized finance leases assets that were acquired on or after April 1, 2008 at amount of equal to total lease payments, and their depreciation is calculated 100% of recognized amounts, using straight-line method over the lease term. The impact of income from ASBJ statement of No.13 was nothing for the fiscal year ended March 31, 2009.

Segment information

(a) Information by industry segment for the fiscal year ended March 31, 2008 and 2009 was as follows:

	Millions of yen					Consolidated
	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	
<u>Fiscal year ended March 31, 2008</u>						
Operating revenues-net sales:						
Outside customers	209,393	130,946	5,244	345,584	-	345,584
Inter-segment sales	-	-	109	109	(109)	-
Total net sales	209,393	130,946	5,353	345,693	(109)	345,584
Operating costs and expenses	173,283	132,106	5,263	310,654	(109)	310,544
Operating income (loss)	36,110	(1,160)	89	35,039	-	35,039
Identifiable assets	264,699	146,107	1,344	412,150	-	412,150
Depreciation	13,036	12,421	15	25,474	-	25,474
Capital expenditure	24,840	38,267	123	63,231	-	63,231
<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

(b) Information summarized by geographic segment for the fiscal year ended March 31, 2008 and 2009 was as follows:

	Millions of yen						
	Japan	North America	Europe	Other	Total	Elimination	Consolidated
<u>Fiscal year ended March 31, 2008</u>							
Operating revenues-net sales:							
Outside customers	149,200	85,267	67,559	43,557	345,584	-	345,584
Inter-segment sales	145,845	983	864	1,584	149,277	(149,277)	-
Total net sales	295,045	86,250	68,424	45,141	494,862	(149,277)	345,584
Operating costs and expenses	273,483	83,949	64,626	39,342	461,402	(150,857)	310,544
Operating income	21,562	2,301	3,797	5,798	33,459	1,579	35,039
Identifiable assets	335,862	32,794	33,712	41,140	443,509	(31,358)	412,150
<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

(c) For the fiscal year ended March 31, 2008 and 2009, 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			
	2008		2009	
North America	138,792	40.2%	107,406	36.8%
Europe	68,185	19.7%	61,881	21.2%
Asia	39,537	11.4%	32,639	11.2%
Other area	35,054	10.2%	31,379	10.7%
Total overseas sales	281,569	81.5%	233,306	79.9%
Consolidated net sales	345,584	100.0%	292,121	100.0%

For derivative transactions

	Millions of yen					
	March 31, 2008			March 31, 2009		
	Notional amounts within 1 year	Fair value	Unrealized gains / (losses)	Notional amounts within 1 year	Fair value	Unrealized losses
Forward Contract:						
Selling position	14,203	13,596	606	10,547	10,969	(422)
Buying position	-	-	-	-	-	-
Currency options:						
Written currency call option	626	9	(1)	2,241	102	(60)
Purchased currency put options	315	4	(4)	1,337	32	(7)
Total			601			(490)

The tax effects on temporary difference

(a) At March 31, 2008 and 2009, deferred tax assets and liabilities consisted of the following:

	Millions of Yen	
	2008	2009
Deferred tax assets:		
Unused tax losses	209	11,158
Impairment losses	304	11,007
Employee retirement benefit liability	6,039	6,848
Depreciation	5,459	4,118
Accrued expenses	4,466	3,599
Inventories	2,821	2,947
Inter-company profits	3,766	349
Other	1,489	777
	<u>24,555</u>	<u>40,807</u>
Less, valuation allowance	(392)	(38,382)
	<u>24,163</u>	<u>2,425</u>
Deferred tax liabilities:		
Unrealized gains on available-for-sale securities	10,865	5,514
Retained earnings of overseas-subidiaries	84	2,397
Accelerated depreciation	518	578
Other	515	531
	<u>11,983</u>	<u>9,022</u>
Net deferred tax assets (liabilities)	<u>12,179</u>	<u>(6,596)</u>

(b) At March 31, 2008 and 2009, deferred tax assets and liabilities were as follows:

	Millions of Yen	
	2008	2009
Deferred tax assets:		
Current	11,347	1,203
Non-current	1,462	942
Deferred tax liabilities:		
Current	191	216
Non-current	439	8,526
Net deferred tax assets (liabilities)	<u>12,179</u>	<u>(6,596)</u>