

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

| | |
|----------------|----------------------------------------------------------------|
| URL | http://www.ngkntk.co.jp |
| Stock listing | Tokyo 1st section, Nagoya 1st section |
| Code number | 5334 |
| Head office | 14-18 Takatsuji-cho, Mizuho-ku, Nagoya, 467-8525, Aichi, Japan |
| Representative | Norio Kato, President |

Financial results highlights

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

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

Disclaimer regarding forward-looking statements:

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

Consolidated Balance Sheets March 31, 2009 and 2010

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

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

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

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

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

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

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

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

(d) Impairment loss

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

For the fiscal year ended March 31, 2009:

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

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

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

| | | |
|------|-------|-------------|
| Land | 1,517 | million yen |
|------|-------|-------------|

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

For the fiscal year ended March 31, 2010:

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

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

(e) Loss on depreciation of goodwill

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

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

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

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

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

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

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

Scope of consolidation and application of equity method

1. Number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates

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

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

1. Consolidated subsidiaries:

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

2. Affiliates, account for by equity method

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

3. Accounting periods of consolidated subsidiaries

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

Segment information

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

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

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

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

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

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

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

For derivative transactions

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

The tax effects on temporary difference

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

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

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

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

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

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