

Consolidated financial reports in accordance with Japanese GAAP for the fiscal year ended March 31, 2012

URL : <http://www.ngkntk.co.jp>
 Stock listing : Tokyo 1st section, Nagoya 1st section
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 Representative : Shinichi Odo, President

Financial results highlights

	Millions of yen		
	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ending March 31, 2013 (Forecast)
Net sales:			
Automotive components	197,213	222,635	217,210
Spark & glow plugs	116,470	125,117	125,000
Automotive sensors	80,743	97,518	92,210
Communication media components	44,472	33,891	34,633
Technical ceramics	23,053	23,737	21,367
Others	4,493	4,480	5,490
Elimination	-	-	-
Total net sales	269,232	284,746	278,700
Operating income (loss):			
Automotive components	31,943	30,703	31,480
Communication media components	(4,402)	(7,583)	(5,706)
Technical ceramics	1,074	1,307	1,184
Others	155	50	42
Total operating income (loss)	28,770	24,478	27,000
Ordinary income	27,379	23,740	28,300
Net income	23,680	25,524	21,400
Capital expenditure:			
Automotive components	6,365	11,854	15,436
Communication media components	1,737	1,294	4,373
Technical ceramics	650	856	2,191
Others	13	0	0
Total capital expenditure	8,767	14,004	22,000
Depreciation:			
Automotive components	12,424	12,259	10,686
Communication media components	2,657	1,835	1,722
Technical ceramics	1,553	1,328	1,184
Others	11	14	8
Total depreciation	16,646	15,438	13,600

	Yen		
	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ending March 31, 2013 (Forecast)
Per share			
Net income - Basic	108.71	117.25	98.31
Cash dividends	22.00	22.00	22.00
Actual exchange rate			
Yen - U.S. dollar	86	79	80
Yen - Euro	113	109	105
		Percent	
Operating income ratio	10.7	8.6	9.7
Return on equity	11.2	11.3	8.8
Dividend payout ratio	20.2	18.8	22.4

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, 2011 and 2012

	Millions of yen	
	2011	2012
Assets		
Current assets		
Cash and deposits	27,274	20,463
Notes and accounts receivable-trade	44,393	50,727
Short-term investment securities	40,915	57,069
Inventories	62,086	62,061
Deferred tax assets	8,100	8,626
Other	8,408	8,119
Allowance for doubtful accounts	(116)	(171)
Total current assets	191,062	206,897
Non-current assets		
Property, plant and equipment		
Building and structures, net	44,153	41,135
Machinery, equipment and vehicles, net	23,213	22,516
Land	15,132	15,017
Construction in progress	1,542	2,721
Other, net	2,127	2,091
Total property, plant and equipment	86,170	83,483
Intangible assets		
Goodwill	27	-
Software	5,494	4,184
Other	44	194
Total intangible assets	5,565	4,379
Investments and other assets		
Investment securities	50,295	42,872
Deferred tax assets	2,600	843
Other	1,728	1,921
Allowance for doubtful accounts	(104)	(101)
Total investments and other assets	54,520	45,536
Total non-current assets	146,255	133,398
Total assets	337,318	340,295

	Millions of yen	
	2011	2012
Liabilities		
Current liabilities		
Accounts payable-trade	30,182	23,557
Short-term loans payable	703	1,250
Current portion of bonds	-	10,000
Lease obligations	225	310
Income taxes payable	1,336	1,238
Deferred tax liabilities	72	76
Other	20,653	21,784
Total current liabilities	53,173	58,217
Non-current liabilities		
Bonds payable	35,000	25,000
Lease obligations	769	838
Provision for retirement benefits	17,615	17,728
Negative goodwill	49	32
Deferred tax liabilities	11,158	1,142
Other	1,392	1,722
Total non-current liabilities	65,985	46,464
Total liabilities	119,158	104,682
Net assets		
Shareholders' equity		
Capital stock	47,869	47,869
Capital surplus	55,162	54,824
Retained earnings	138,071	151,440
Treasury stock	(15,202)	(7,525)
Total shareholders' equity	225,901	246,609
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,433	11,815
Foreign currency translation adjustment	(19,856)	(24,366)
Total valuation and translation adjustments	(9,422)	(12,550)
Minority interests	1,681	1,555
Total net assets	218,159	235,613
Total liabilities and net assets	337,318	340,295

	Millions of yen	
	2011	2012
(a) Inventories consist of		
- Finished goods	38,934	38,648
- Work-in-process	16,060	15,896
- Raw materials	7,091	7,516
(b) Accumulated depreciation of tangible assets	284,217	287,019
(c) Investments in unconsolidated subsidiaries & affiliates	2,520	2,339
(d) Notes receivable matures on March 31, 2012	-	57
(e) Guarantees of indebtedness principles of employees	79	64

	Shares	
	March 31, 2011	March 31, 2012
(f) Number of shares		
- Issued common stock	229,544,820	223,544,820
- Treasury stock	11,839,416	5,864,626

Consolidated Statements of Income
For the fiscal years ended March 31, 2011 and 2012

	Millions of yen	
	Fiscal year ended March 31	
	2011	2012
Net sales	269,232	284,746
Costs of sales	195,461	213,408
Gross profit	73,771	71,337
Selling, general and administrative expenses		
Selling expenses	23,355	24,121
General and administrative expenses	21,645	22,738
Total selling, general and administrative expenses	45,000	46,859
Operating income	28,770	24,478
Non-operating income		
Interest income	1,145	1,378
Dividends income	519	594
Amortization of negative goodwill	16	16
Equity in earnings of affiliates	443	-
Other	982	817
Total non-operating income	3,107	2,807
Non-operating expenses		
Interest expenses	646	630
Equity in losses of affiliates	-	25
Foreign exchange losses	1,826	1,340
Depreciation of inactive non-current assets	1,179	898
Other	846	650
Total non-operating expenses	4,499	3,545
Ordinary income	27,379	23,740
Extraordinary income		
Gain on sales of property, plant and equipment	189	82
Total extraordinary income	189	82
Extraordinary loss		
Loss on sales or disposal of property, plant and equipment	389	230
Impairment loss	-	1,141
Loss on valuation of investment securities	222	552
Loss on adjustment for changes of accounting standard for asset retirement obligations	136	-
Total extraordinary losses	748	1,923
Income before income taxes and minority interests	26,821	21,899
Income taxes-current	4,176	4,076
Income taxes-deferred	(1,325)	(7,951)
Total income taxes	2,851	(3,874)
Income before minority interests	23,969	25,774
Minority interests in income	288	249
Net income	23,680	25,524

**Consolidated Statements of Comprehensive Income
For the fiscal years ended March 31, 2011 and 2012**

	Millions of yen	
	Fiscal year ended March 31	
	2011	2012
Income before minority interests	23,969	25,774
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,649)	1,396
Foreign currency translation adjustment	(6,890)	(4,555)
Share of other comprehensive income of associates accounted for using equity method	(233)	(149)
Total other comprehensive income	(8,772)	(3,308)
Comprehensive income	15,196	22,465
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	14,948	22,396
Comprehensive income attributable to minority interests	247	69

	Fiscal year ended March 31	
	2011	2012
	Yen	
(a) Net income per share		
- Basic	108.71	117.25
- Diluted	107.83	-

	Fiscal year ended March 31	
	2011	2012
	Millions of yen	
(b) Net (reversal of) write-down of inventories	481	520
(c) The major components of selling, general and administrative expenses		
Depreciation	2,232	2,165
Provision for allowance for doubtful accounts	16	103
Net periodic retirement benefit expense	790	782
Salaries and bonuses	15,525	16,368
Packing and transport	6,704	6,335
Advertising	3,359	3,822
Research and development	3,152	3,542

(d) Impairment loss

For the purpose of recognition and measurement of an impairment loss, fixed assets are grouped into cash-generating units based on the managerial accounting classification, other than idle or unused property. For the fiscal year ended March 31, 2012, major assets on which we recognized an impairment loss are as follows.

For the fiscal year ended March 31, 2012:

Manufacturing and sales property for IC-package of Communication media components

a. Location

Komaki, Aichi prefecture, Japan and others

b. Classification of fixed assets and the amount of impairment losses

Machinery and vehicles 677 million yen

Other fixed assets 463 million yen

1,141 million yen

The recoverable amount was measured as zero based on the value in use.

Consolidated Statements of Changes in Net Assets for the fiscal years ended March 31, 2011 and 2012

	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, 2010	47,869	55,162	117,985	(15,004)	206,013	12,082	(12,774)	(691)	1,684	207,006
Net income			23,680		23,680					23,680
Dividends			(3,594)		(3,594)					(3,594)
Purchase of treasury stock				(201)	(201)					(201)
Sales of treasury stock		(0)		3	3					3
Net changes of items other than shareholders' equity						(1,649)	(7,081)	(8,731)	(3)	(8,735)
Total change	-	(0)	20,085	(197)	19,887	(1,649)	(7,081)	(8,731)	(3)	11,152
Balance at March 31, 2011	47,869	55,162	138,071	(15,202)	225,901	10,433	(19,856)	(9,422)	1,681	218,159
Net income			25,524		25,524					25,524
Dividends			(4,789)		(4,789)					(4,789)
Purchase of treasury stock				(30)	(30)					(30)
Sales of treasury stock		(0)		4	3					3
Retirement of treasury stock		(336)	(7,365)	7,702	-					-
Net changes of items other than shareholders' equity						1,382	(4,510)	(3,128)	(126)	(3,254)
Total change	-	(337)	13,369	7,676	20,708	1,382	(4,510)	(3,128)	(126)	17,453
Balance at March 31, 2012	47,869	54,824	151,440	(7,525)	246,609	11,815	(24,366)	(12,550)	1,555	235,613

Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2011 and 2012

	Millions of yen	
	Fiscal year ended March 31	
	2011	2012
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	26,821	21,899
Depreciation and amortization	16,646	15,438
Impairment loss	-	1,141
Amortization of goodwill	110	10
Increase (decrease) in provision for retirement benefits	849	134
Interest and dividends income	(1,664)	(1,973)
Interest expenses	646	630
Equity in (earnings) losses of affiliates	(443)	25
Loss (gain) on disposal of non-current assets	199	147
Loss (gain) on valuation of investment securities	222	552
Decrease (increase) in notes and accounts receivable-trade	(2,127)	(8,096)
Decrease (increase) in inventories	(6,904)	(2,342)
Increase (decrease) in notes and accounts payable-trade	2,297	(4,508)
Other, net	1,755	1,075
Subtotal	38,407	24,133
Interest and dividends income received	1,747	1,810
Interest expenses paid	(646)	(629)
Income taxes paid	(4,109)	(4,234)
Net cash provided by (used in) operating activities	35,398	21,079
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	1,248	68
Net decrease (increase) in short-term investment securities	4,334	(5,286)
Purchase of property, plant and equipment	(7,420)	(12,471)
Proceeds from sales of property, plant and equipment	327	297
Purchase of intangible assets	(636)	(427)
Purchase of investment securities	(21,714)	(4,630)
Proceeds from sales of investment securities	3,551	6,570
Purchase of investments in subsidiaries	(114)	-
Other, net	12	29
Net cash provided by (used in) investing activities	(20,412)	(15,850)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(353)	598
Redemption of bonds	(2,666)	-
Purchase of treasury stock	(201)	(30)
Proceeds from sales of treasury stock	3	3
Cash dividends paid	(3,591)	(4,785)
Other, net	(345)	(474)
Net cash provided by (used in) financing activities	(7,154)	(4,688)
Effect of exchange rate change on cash and cash equivalents	(2,308)	(604)
Net increase (decrease) in cash and cash equivalents	5,524	(63)
Cash and cash equivalents at beginning of period	46,364	51,888
Cash and cash equivalents at end of the period	51,888	51,824

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	
	2011	2012
Cash and time deposits	27,274	20,463
Securities	40,915	57,069
Subtotal	68,190	77,533
Time deposits with original maturities of three months or longer	(6,189)	(5,293)
Security other than short-term investments with an original maturity of three months or less	(10,112)	(20,415)
Cash and cash equivalents	51,888	51,824

Scope of consolidation and application of equity method

1. Number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates

	March 31, 2011	March 31, 2012
Consolidated subsidiaries:		
Overseas	23	23
Domestic	9	9
Unconsolidated subsidiaries, stated at cost	1	1
Affiliates, accounted for by equity method	2	2
Affiliates, stated at cost	5	5

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

1. Consolidated subsidiaries:

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

2. Affiliates, account for by equity method

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

3. Accounting periods of consolidated subsidiaries

Excepting 3 of the consolidated subsidiaries located in U.S.A area (NGK Spark Plugs (U.S.A.) Holding, Inc., NGK Spark Plugs (U.S.A.), Inc. and NTK Technologies, Inc.), 20 of 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.

This year, 3 of the consolidated subsidiaries located in U.S.A area have changed their closing date from December 31 to March 31 in order to prepare for IFRS (International Financial Reporting Standards) and to make disclosures of the consolidated financial statements more adequate.

Accordingly, those companies' operating results for the 15-month period from January 1, 2011 to March 31, 2012 are used to make the consolidated financial statements.

As a result, net sales increased by 15,898 million yen, operating income increased by 265 million yen, ordinary income increased by 360 million yen, and net income increased by 237 million yen, compared with the figures calculated using the former closing dates.

Segment information

(a) Outline of reportable segments

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

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

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

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

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

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

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

	Reportable segments					Total	Others	Total	Adjustment	Consolidated
	Automotive components	Communication media components	Technical ceramics	Total	Others					
Millions of yen										
<u>Fiscal year ended March 31, 2011</u>										
Operating revenues-net sales:										
Outside customers	197,213	44,472	23,053	264,739	4,493	269,232	-	269,232	-	269,232
Inter-segment sales	-	-	-	-	-	-	-	-	-	-
Total net sales	197,213	44,472	23,053	264,739	4,493	269,232	-	269,232	-	269,232
Segment income (loss)	31,943	(4,402)	1,074	28,615	155	28,770	-	28,770	-	28,770
Segment assets	263,299	45,071	27,750	336,121	1,197	337,318	-	337,318	-	337,318
Depreciation	12,424	2,657	1,553	16,635	11	16,646	-	16,646	-	16,646
Acquisition of tangible and intangible fixed assets	6,365	1,737	650	8,754	13	8,767	-	8,767	-	8,767
<u>Fiscal year ended March 31, 2012</u>										
Operating revenues-net sales:										
Outside customers	222,635	33,891	23,737	280,265	4,480	284,746	-	284,746	-	284,746
Inter-segment sales	-	-	-	-	-	-	-	-	-	-
Total net sales	222,635	33,891	23,737	280,265	4,480	284,746	-	284,746	-	284,746
Segment income (loss)	30,703	(7,583)	1,307	24,427	50	24,478	-	24,478	-	24,478
Segment assets	276,425	33,654	28,820	338,900	1,395	340,295	-	340,295	-	340,295
Depreciation	12,259	1,835	1,328	15,424	14	15,438	-	15,438	-	15,438
Impairment loss	-	1,141	-	1,141	-	1,141	-	1,141	-	1,141
Acquisition of tangible and intangible fixed assets	11,854	1,294	856	14,004	0	14,004	-	14,004	-	14,004

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

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

Note 3: From the fiscal year ended March 31, 2012, 3 of the consolidated subsidiaries located in U.S.A area have changed their closing date from December 31 to March 31. As a result, Automotive components' net sales increased by 12,429 million yen and segment income increased by 294 million yen, Communication media components' net sales increased by 2,640 million yen and segment loss increased by 55 million yen, Technical ceramics' net sales increased by 828 million yen and segment income increased by 26 million yen, compared with the figures calculated using the former closing dates.