

Consolidated financial reports in accordance with Japanese GAAP for the fiscal year ended March 31, 2014

URL : <http://www.ngkntk.co.jp>
 Stock listing : Tokyo 1st section, Nagoya 1st section
 Code number : 5334
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 Representative : Shinichi Odo, President

Financial results highlights

	Millions of yen		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ending March 31, 2015 (Forecast)
Net sales:			
Automotive components group	248,795	271,834	278,520
Spark & glow plugs	145,882	159,075	160,270
Automotive sensors	102,912	112,759	118,250
Technical ceramics group	50,292	54,174	51,700
Semiconductor	28,238	29,713	33,070
Ceramics	22,054	24,461	18,630
Others	3,711	3,748	3,780
Elimination	-	-	-
Total net sales	302,798	329,758	334,000
Operating income (loss):			
Automotive components group	33,159	58,893	65,700
Technical ceramics group	(9,508)	(7,249)	(3,700)
Semiconductor	(9,677)	(8,710)	(3,840)
Ceramics	168	1,460	140
Others	103	18	0
Total operating income (loss)	23,754	51,661	62,000
Ordinary income	27,674	54,960	64,000
Net income	20,909	32,704	40,500
Capital expenditure:			
Automotive components group	17,960	34,353	46,625
Technical ceramics group	6,041	6,676	10,275
Others	10	4	0
Total capital expenditure	24,012	41,034	56,900
Depreciation:			
Automotive components group	10,157	9,170	12,781
Technical ceramics group	2,633	2,387	2,613
Others	7	8	6
Total depreciation	12,798	11,567	15,400

	Yen		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ending March 31, 2015 (Forecast)
Per share			
Net income - Basic	96.06	150.26	186.09
Cash dividends	22.00	28.00	32.00
Actual exchange rate			
Yen - U.S. dollar	83	100	95
Yen - Euro	107	135	135
		Percent	
Operating income ratio	7.8	15.7	18.6
Return on equity	8.4	11.5	11.7
Dividend payout ratio	22.9	18.6	17.2

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, 2013 and 2014

	Millions of yen	
	2013	2014
Assets		
Current assets		
Cash and deposits	24,557	31,508
Notes and accounts receivable-trade	53,103	61,991
Short-term investment securities	46,079	80,943
Inventories	67,845	71,069
Deferred tax assets	8,805	12,785
Other	10,148	11,361
Allowance for doubtful accounts	(299)	(449)
Total current assets	210,240	269,209
Non-current assets		
Property, plant and equipment		
Building and structures, net	40,334	48,946
Machinery, equipment and vehicles, net	30,157	38,375
Land	15,131	15,147
Construction in progress	8,966	15,671
Other, net	2,484	2,955
Total property, plant and equipment	97,073	121,095
Intangible assets		
Software	3,590	3,367
Other	235	252
Total intangible assets	3,826	3,620
Investments and other assets		
Investment securities	52,770	60,837
Deferred tax assets	925	999
Other	1,755	2,488
Allowance for doubtful accounts	(103)	(103)
Total investments and other assets	55,347	64,222
Total non-current assets	156,248	188,938
Total assets	366,489	458,148

	Millions of yen	
	2013	2014
Liabilities		
Current liabilities		
Accounts payable-trade	18,814	23,625
Short-term loans payable	1,432	1,594
Current portion of bonds	-	10,000
Lease obligations	302	252
Income taxes payable	4,854	16,410
Deferred tax liabilities	94	1
Other	25,799	29,776
Total current liabilities	51,298	81,660
Non-current liabilities		
Bonds payable	25,000	40,000
Long-term loans payable	-	5,000
Lease obligations	683	492
Provision for retirement benefits	17,401	-
Net defined benefit liability	-	23,522
Negative goodwill	16	-
Deferred tax liabilities	2,334	3,459
Other	1,446	1,220
Total non-current liabilities	46,881	73,694
Total liabilities	98,180	155,354
Net assets		
Shareholders' equity		
Capital stock	47,869	47,869
Capital surplus	54,824	54,824
Retained earnings	167,561	195,042
Treasury stock	(7,539)	(7,611)
Total shareholders' equity	262,716	290,124
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	16,175	21,137
Foreign currency translation adjustment	(12,596)	(6,543)
Remeasurements of defined benefit plans	-	(4,083)
Total valuation and translation adjustments	3,579	10,509
Minority interests	2,013	2,159
Total net assets	268,309	302,793
Total liabilities and net assets	366,489	458,148

	Millions of yen	
	2013	2014
(a) Inventories consist of		
- Finished goods	41,703	42,013
- Work-in-process	17,364	19,468
- Raw materials	8,776	9,587
(b) Accumulated depreciation of tangible assets	294,750	296,604
(c) Investments in unconsolidated subsidiaries & affiliates	5,872	6,489
(d) Notes receivable matures on balance sheet date	67	-
(e) Guarantees of indebtedness principles of employees	51	40

	Shares	
	March 31, 2013	March 31, 2014
(f) Number of shares		
- Issued common stock	223,544,820	223,544,820
- Treasury stock	5,877,441	5,911,360

Consolidated Statements of Income
For the fiscal years ended March 31, 2013 and 2014

	Millions of yen	
	Fiscal year ended March 31	
	2013	2014
Net sales	302,798	329,758
Costs of sales	229,529	222,383
Gross profit	73,269	107,374
Selling, general and administrative expenses		
Selling expenses	23,960	25,874
General and administrative expenses	25,554	29,838
Total selling, general and administrative expenses	49,514	55,712
Operating income	23,754	51,661
Non-operating income		
Interest income	1,118	1,124
Dividends income	683	892
Amortization of negative goodwill	16	16
Equity in earnings of affiliates	575	230
Foreign exchange earnings	1,625	1,505
Other	1,516	1,308
Total non-operating income	5,535	5,078
Non-operating expenses		
Interest expenses	556	535
Product compensation expenses	251	200
Depreciation of inactive non-current assets	392	250
Other	414	793
Total non-operating expenses	1,615	1,780
Ordinary income	27,674	54,960
Extraordinary income		
Gain on sales of property, plant and equipment	631	101
Gain on sales of investment securities	-	11
Total extraordinary income	631	112
Extraordinary loss		
Loss on sales or disposal of property, plant and equipment	513	433
Impairment loss	-	5,143
Loss on valuation of investment securities	63	-
Total extraordinary losses	576	5,576
Income before income taxes and minority interests	27,729	49,496
Income taxes-current	8,059	20,146
Income taxes-deferred	(1,554)	(3,657)
Total income taxes	6,504	16,488
Income before minority interests	21,225	33,007
Minority interests in income	315	303
Net income	20,909	32,704

**Consolidated Statements of Comprehensive Income
For the fiscal years ended March 31, 2013 and 2014**

	Millions of yen	
	Fiscal year ended March 31	
	2013	2014
Income before minority interests	21,225	33,007
Other comprehensive income		
Valuation difference on available-for-sale securities	4,342	4,905
Foreign currency translation adjustment	11,522	5,581
Share of other comprehensive income of associates accounted for using equity method	630	534
Total other comprehensive income	16,496	11,020
Comprehensive income	37,721	44,028
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	37,040	43,718
Comprehensive income attributable to minority interests	680	309

	Fiscal year ended March 31	
	2013	2014
	Yen	
(a) Net income per share		
- Basic	96.06	150.26

	Fiscal year ended March 31	
	2013	2014
	Millions of yen	
(b) Net (reversal of) write-down of inventories	1,079	512
(c) The major components of selling, general and administrative expenses		
Depreciation	2,239	2,250
Provision for allowance for doubtful accounts	163	127
Net periodic retirement benefit expense	828	766
Salaries and bonuses	18,094	20,130
Packing and transport	5,882	6,478
Advertising	4,030	4,447
Research and development	3,733	4,017

(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, 2014, major assets on which we recognized an impairment loss are as follows.

For the fiscal year ended March 31, 2014:

Manufacturing property for IC-package of Semiconductor of Technical ceramics

a. Location

Komaki, Aichi prefecture, Japan
Iijima-machi, Kamiina-gun, Nagano prefecture, Japan
Nakatsugawa, Gifu prefecture, Japan
Kani, Gifu prefecture, Japan
Ena, Gifu prefecture, Japan

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

Machinery and equipment	4,493	million yen
Tools, furniture, fixtures and others	52	million yen
Construction in progress	<u>596</u>	<u>million yen</u>
	5,143	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, 2013 and 2014

	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	Remeasur- ements of defined benefit plans	Total valuation and adjustments	Minority interests	Total net assets
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
Dividends			(4,788)		(4,788)						(4,788)
Net income			20,909		20,909						20,909
Purchase of treasury stock				(14)	(14)						(14)
Sales of treasury stock			(0)	0	0						0
Net changes of items other than shareholders' equity						4,360	11,770		16,130	458	16,588
Total change	-	-	16,120	(13)	16,106	4,360	11,770	-	16,130	458	32,695
Balance at March 31, 2013	47,869	54,824	167,561	(7,539)	262,716	16,175	(12,596)	-	3,579	2,013	268,309
Dividends			(5,223)		(5,223)						(5,223)
Net income			32,704		32,704						32,704
Purchase of treasury stock				(71)	(71)						(71)
Sales of treasury stock											-
Net changes of items other than shareholders' equity						4,961	6,052	(4,083)	6,930	145	7,076
Total change	-	-	27,480	(71)	27,408	4,961	6,052	(4,083)	6,930	145	34,484
Balance at March 31, 2014	47,869	54,824	195,042	(7,611)	290,124	21,137	(6,543)	(4,083)	10,509	2,159	302,793

Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2013 and 2014

	Millions of yen	
	Fiscal year ended March 31	
	2013	2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	27,729	49,496
Depreciation and amortization	12,798	11,567
Impairment loss	-	5,143
Amortization of goodwill	(16)	(16)
(Decrease) increase in provision for retirement benefits	(395)	(17,430)
Increase (decrease) in net defined benefit liability	-	17,383
Interest and dividends income	(1,801)	(2,017)
Interest expenses	556	535
Equity in (earnings) losses of affiliates	(575)	(230)
Loss (gain) on disposal of non-current assets	(118)	332
Loss (gain) on valuation of investment securities	63	-
(Increase) decrease in notes and accounts receivable-trade	4,674	(4,601)
Decrease (increase) in inventories	1,559	1,063
(Decrease) increase in notes and accounts payable-trade	(12,720)	(125)
Other, net	(2,640)	1,514
Subtotal	29,112	62,615
Interest and dividends income received	2,126	1,994
Interest expenses paid	(580)	(518)
Income taxes paid	(4,463)	(9,393)
Net cash provided by (used in) operating activities	26,194	54,697
Net cash (used in) provided by investing activities		
(Increase) decrease in time deposits	354	(1,313)
Net (increase) decrease in short-term investment securities	(1,186)	(16,100)
Purchase of property, plant and equipment	(19,467)	(37,506)
Proceeds from sales of property, plant and equipment	921	752
Purchase of intangible assets	(992)	(1,251)
Purchase of investment securities	(8,986)	(10,150)
Proceeds from sales of investment securities	13,801	5,107
Other, net	112	(685)
Net cash (used in) provided by investing activities	(15,442)	(61,148)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(90)	42
Proceeds from long-term loans payable	-	5,000
Proceeds from issuance of bonds	-	24,877
Redemption of bonds	(10,000)	-
Purchase of treasury stock	(14)	(71)
Proceeds from sales of treasury stock	0	-
Cash dividends paid	(4,794)	(5,228)
Other, net	(595)	(496)
Net cash provided by (used in) financing activities	(15,495)	24,123
Effect of exchange rate change on cash and cash equivalents	2,793	1,419
Net increase (decrease) in cash and cash equivalents	(1,949)	19,092
Cash and cash equivalents at beginning of period	51,824	49,874
Cash and cash equivalents at end of the period	49,874	68,966

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	
	2013	2014
Cash and time deposits	24,557	31,508
Securities	46,079	80,943
Subtotal	70,637	112,452
Time deposits with original maturities of three months or longer	(5,668)	(7,047)
Security other than short-term investments with an original maturity of three months or less	(15,094)	(36,437)
Cash and cash equivalents	49,874	68,966

Scope of consolidation and application of equity method

1. Number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates

	March 31, 2013	March 31, 2014
Consolidated subsidiaries:		
Overseas	24	25
Domestic	9	9
Unconsolidated subsidiaries, stated at cost	1	2
Affiliates, accounted for by equity method	3	3
Affiliates, stated at cost	5	6

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, accounted for by equity method

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

3. Accounting periods of consolidated subsidiaries

NGK Spark Plug (Shanghai) Co., Ltd., Changshu NGK Spark Plug Co., Ltd., Bujias NGK de Mexico S.A. de C.V., LLC NGK Spark Plugs (Eurasia) and Woo Jin Industry Co., Ltd. close their books on December 31, which is three months earlier than consolidated balance sheet date (March 31). When preparing consolidated financial statements, the company uses the financial statements of NGK Spark Plug (Shanghai) Co., Ltd., Changshu NGK Spark Plug Co., Ltd., Bujias NGK de Mexico S.A. de C.V., LLC NGK Spark Plugs (Eurasia) and Woo Jin Industry Co., Ltd. which have been compiled by provisionally settling their accounts as of March 31.

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 reportable segments of "Automotive components" and "Technical ceramics" consisting of "Semiconductor" and "Ceramics".

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

"Technical ceramics" is a segment that manufactures and sells IC packages and other semiconductor components in "Semiconductor" and manufactures and sells cutting tools, ceramics products for industrial in "Ceramics".

In April 2013, the "Communication media components" segment and "Technical ceramics" segment were integrated and changed the name to the "Technical ceramics" segment. The "Communication media components" segment and the "Technical ceramics" segment of the fiscal year ended March 31, 2013 correspond to each of the "Semiconductor" segment and the "Ceramics" segment of the fiscal year ended March 31, 2014. Segment information for the fiscal year ended March 31, 2013 below is based on the reportable segments of the fiscal year ended March 31, 2014.

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

	Reportable segments				Total	Others	Total	Adjustment	Consolidated
	Automotive components	Technical ceramics		Total					
		Semiconductor	Ceramics						
Millions of yen									
<u>Fiscal year ended March 31, 2013</u>									
Operating revenues-net sales:									
Outside customers	248,795	28,238	22,054	50,292	299,087	3,711	302,798	-	302,798
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total net sales	248,795	28,238	22,054	50,292	299,087	3,711	302,798	-	302,798
Segment income (loss)	33,159	(9,677)	168	(9,508)	23,650	103	23,754	-	23,754
Segment assets	305,116	31,918	28,229	60,147	365,263	1,225	366,489	-	366,489
Depreciation	10,157	1,546	1,086	2,633	12,790	7	12,798	-	12,798
Acquisition of tangible and intangible fixed assets	17,960	4,204	1,837	6,041	24,002	10	24,012	-	24,012
<u>Fiscal year ended March 31, 2014</u>									
Operating revenues-net sales:									
Outside customers	271,834	29,713	24,461	54,174	326,009	3,748	329,758	-	329,758
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total net sales	271,834	29,713	24,461	54,174	326,009	3,748	329,758	-	329,758
Segment income (loss)	58,893	(8,710)	1,460	(7,249)	51,643	18	51,661	-	51,661
Segment assets	390,325	32,113	34,193	66,306	456,631	1,517	458,148	-	458,148
Depreciation	9,170	1,444	943	2,387	11,558	8	11,567	-	11,567
Impairment loss	-	5,143	-	5,143	5,143	-	5,143	-	5,143
Acquisition of tangible and intangible fixed assets	34,353	4,234	2,442	6,676	41,030	4	41,034	-	41,034

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".