

## Consolidated financial reports in accordance with Japanese GAAP for the fiscal year ended March 31, 2015

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

### Financial results highlights

	Millions of yen		
	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ending March 31, 2016 (Forecast)
<b>Net sales:</b>			
Automotive components group	271,834	<b>292,794</b>	327,760
Spark & glow plugs	159,075	<b>172,429</b>	194,600
Automotive sensors	112,759	<b>120,364</b>	133,160
Technical ceramics group	54,174	<b>50,256</b>	62,700
Semiconductor	33,100	<b>29,440</b>	40,040
Ceramics	21,074	<b>20,816</b>	22,660
Others	3,748	<b>4,585</b>	4,040
Elimination	-	-	-
<b>Total net sales</b>	329,758	<b>347,636</b>	394,500
<b>Operating income (loss):</b>			
Automotive components group	58,893	<b>68,331</b>	70,180
Technical ceramics group	(7,249)	<b>(6,173)</b>	(3,180)
Semiconductor	(7,953)	<b>(6,908)</b>	(4,080)
Ceramics	703	<b>734</b>	900
Others	18	<b>38</b>	0
<b>Total operating income</b>	51,661	<b>62,196</b>	67,000
<b>Ordinary income</b>	54,960	<b>67,907</b>	71,000
<b>Net income</b>	32,704	<b>36,753</b>	46,000
<b>Capital expenditure:</b>			
Automotive components group	34,353	<b>31,876</b>	47,824
Technical ceramics group	6,676	<b>4,486</b>	13,676
Others	4	<b>10</b>	0
<b>Total capital expenditure</b>	41,034	<b>36,372</b>	61,500
<b>Depreciation:</b>			
Automotive components group	9,170	<b>11,380</b>	14,677
Technical ceramics group	2,387	<b>1,948</b>	1,915
Others	8	<b>9</b>	8
<b>Total depreciation</b>	11,567	<b>13,337</b>	16,600

	Yen		
	Fiscal year ended March 31, 2014	<b>Fiscal year ended March 31, 2015</b>	Fiscal year ending March 31, 2016 (Forecast)
Per share			
Net income - Basic	150.26	<b>168.88</b>	211.37
Cash dividends	28.00	<b>36.00</b>	42.00
Actual exchange rate			
Yen - U.S. dollar	100	<b>110</b>	115
Yen - Euro	135	<b>139</b>	125
		Percent	
Operating income ratio	15.7	<b>17.9</b>	17.0
Return on equity	11.5	<b>11.4</b>	12.8
Dividend payout ratio	18.6	<b>21.3</b>	19.9

**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, 2014 and 2015

	Millions of yen	
	2014	2015
Assets		
Current assets		
Cash and deposits	31,508	<b>38,708</b>
Notes and accounts receivable-trade	61,991	<b>68,514</b>
Short-term investment securities	80,943	<b>62,839</b>
Inventories	71,069	<b>78,379</b>
Deferred tax assets	12,785	<b>12,679</b>
Other	11,361	<b>12,549</b>
Allowance for doubtful accounts	(449)	<b>(387)</b>
Total current assets	269,209	<b>273,284</b>
Non-current assets		
Property, plant and equipment		
Building and structures, net	48,946	<b>50,775</b>
Machinery, equipment and vehicles, net	38,375	<b>54,718</b>
Land	15,147	<b>18,082</b>
Construction in progress	15,671	<b>13,448</b>
Other, net	2,955	<b>3,043</b>
Total property, plant and equipment	121,095	<b>140,068</b>
Intangible assets		
Software	3,367	<b>3,131</b>
Other	252	<b>288</b>
Total intangible assets	3,620	<b>3,420</b>
Investments and other assets		
Investment securities	60,837	<b>65,714</b>
Deferred tax assets	999	<b>867</b>
Other	2,488	<b>2,270</b>
Allowance for doubtful accounts	(103)	<b>(127)</b>
Total investments and other assets	64,222	<b>68,724</b>
Total non-current assets	188,938	<b>212,213</b>
Total assets	458,148	<b>485,497</b>

	Millions of yen	
	2014	2015
Liabilities		
Current liabilities		
Accounts payable-trade	23,625	<b>25,239</b>
Short-term loans payable	1,594	<b>668</b>
Current portion of bonds	10,000	<b>15,000</b>
Lease obligations	252	<b>187</b>
Income taxes payable	16,410	<b>7,782</b>
Deferred tax liabilities	1	-
Other	29,776	<b>30,456</b>
Total current liabilities	81,660	<b>79,334</b>
Non-current liabilities		
Bonds payable	40,000	<b>25,000</b>
Long-term loans payable	5,000	<b>5,000</b>
Lease obligations	492	<b>298</b>
Net defined benefit liability	23,522	<b>24,012</b>
Deferred tax liabilities	3,459	<b>7,129</b>
Other	1,220	<b>1,343</b>
Total non-current liabilities	73,694	<b>62,783</b>
Total liabilities	155,354	<b>142,117</b>
Net assets		
Shareholders' equity		
Capital stock	47,869	<b>47,869</b>
Capital surplus	54,824	<b>54,824</b>
Retained earnings	195,042	<b>223,135</b>
Treasury stock	(7,611)	<b>(7,640)</b>
Total shareholders' equity	290,124	<b>318,189</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	21,137	<b>30,297</b>
Foreign currency translation adjustment	(6,543)	<b>(4,017)</b>
Remeasurements of defined benefit plans	(4,083)	<b>(3,496)</b>
Total valuation and translation adjustments	10,509	<b>22,782</b>
Minority interests	2,159	<b>2,407</b>
Total net assets	302,793	<b>343,380</b>
Total liabilities and net assets	458,148	<b>485,497</b>

	Millions of yen	
	2014	2015
(a) Inventories consist of		
- Finished goods	42,013	<b>46,704</b>
- Work-in-process	19,468	<b>21,302</b>
- Raw materials	9,587	<b>10,371</b>
(b) Accumulated depreciation of tangible assets	296,604	<b>290,188</b>
(c) Investments in unconsolidated subsidiaries & affiliates	6,489	<b>7,484</b>
(d) Guarantees of indebtedness principles of employees	40	<b>28</b>

	Shares	
	March 31, 2014	March 31, 2015
(f) Number of shares		
- Issued common stock	223,544,820	<b>223,544,820</b>
- Treasury stock	5,911,360	<b>5,921,224</b>

**Consolidated Statements of Income**  
**For the fiscal years ended March 31, 2014 and 2015**

	Millions of yen	
	Fiscal year ended March 31	
	2014	2015
Net sales	329,758	<b>347,636</b>
Costs of sales	222,383	<b>223,315</b>
Gross profit	107,374	<b>124,320</b>
Selling, general and administrative expenses		
Selling expenses	25,874	<b>27,729</b>
General and administrative expenses	29,838	<b>34,394</b>
Total selling, general and administrative expenses	55,712	<b>62,124</b>
Operating income	51,661	<b>62,196</b>
Non-operating income		
Interest income	1,124	<b>1,765</b>
Dividends income	892	<b>1,119</b>
Amortization of negative goodwill	16	-
Equity in earnings of affiliates	230	<b>594</b>
Foreign exchange earnings	1,505	<b>2,231</b>
Other	1,308	<b>1,843</b>
Total non-operating income	5,078	<b>7,554</b>
Non-operating expenses		
Interest expenses	535	<b>457</b>
Product compensation expenses	200	<b>243</b>
Depreciation of inactive non-current assets	250	<b>190</b>
Other	793	<b>951</b>
Total non-operating expenses	1,780	<b>1,843</b>
Ordinary income	54,960	<b>67,907</b>
Extraordinary income		
Gain on sales of property, plant and equipment	101	<b>80</b>
Gain on sales of investment securities	11	-
Total extraordinary income	112	<b>80</b>
Extraordinary loss		
Loss on sales or disposal of property, plant and equipment	433	<b>1,020</b>
Impairment loss	5,143	<b>4,132</b>
Loss on valuation of investment securities	-	<b>16</b>
Loss on violation of antitrust law	-	<b>5,786</b>
Total extraordinary losses	5,576	<b>10,956</b>
Income before income taxes and minority interests	49,496	<b>57,031</b>
Income taxes-current	20,146	<b>18,752</b>
Income taxes-deferred	(3,657)	<b>1,248</b>
Total income taxes	16,488	<b>20,001</b>
Income before minority interests	33,007	<b>37,030</b>
Minority interests in income	303	<b>276</b>
Net income	32,704	<b>36,753</b>

**Consolidated Statements of Comprehensive Income  
For the fiscal years ended March 31, 2014 and 2015**

	Millions of yen	
	Fiscal year ended March 31	
	2014	2015
Income before minority interests	33,007	<b>37,030</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	4,905	<b>9,162</b>
Foreign currency translation adjustment	5,581	<b>2,109</b>
Remeasurements of defined benefit plans	-	<b>584</b>
Share of other comprehensive income of associates accounted for using equity method	534	<b>570</b>
Total other comprehensive income	11,020	<b>12,427</b>
Comprehensive income	44,028	<b>49,457</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	43,718	<b>49,026</b>
Comprehensive income attributable to minority interests	309	<b>431</b>

	Fiscal year ended March 31	
	2014	2015
	Yen	
(a) Net income per share		
- Basic	150.26	<b>168.88</b>

  

	Fiscal year ended March 31	
	2014	2015
	Millions of yen	
(b) Net (reversal of) write-down of inventories	512	<b>(21)</b>
(c) The major components of selling, general and administrative expenses		
Depreciation	2,250	<b>2,273</b>
Provision for allowance for doubtful accounts	127	<b>121</b>
Net periodic retirement benefit expense	766	<b>942</b>
Salaries and bonuses	20,130	<b>22,628</b>
Packing and transport	6,478	<b>6,601</b>
Advertising	4,447	<b>5,004</b>
Research and development	4,017	<b>4,596</b>

(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 and 2015, 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	596	million yen
	<u>5,143</u>	million yen

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

For the fiscal year ended March 31, 2015:

Manufacturing property for IC-package of Semiconductor of Technical ceramics

a. Location

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



b. Classification of fixed assets and the amount of impairment losses		
Machinery and equipment	2,816	million yen
Tools, furniture, fixtures and others	166	million yen
Construction in progress	557	million yen
	<u>3,540</u>	million yen

Manufacturing property for Fine ceramics of Technical ceramics

a. Location		
Komaki, Aichi prefecture, Japan		
Ise, Mie prefecture, Japan		
Others		
b. Classification of fixed assets and the amount of impairment losses		
Machinery and equipment	550	million yen
Tools, furniture, fixtures and others	22	million yen
Construction in progress	19	million yen
	<u>592</u>	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, 2014 and 2015

	Million of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-fo r-sale securities	Foreign currency translation adjustment	Remeasure ments of defined benefit plans	Total valuation and adjustments	Minority interests	Total net assets
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
Cumulative effects of changes in accounting policies											
Restated balance	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
<b>Balance at March 31, 2014</b>	<b>47,869</b>	<b>54,824</b>	<b>195,042</b>	<b>(7,611)</b>	<b>290,124</b>	<b>21,137</b>	<b>(6,543)</b>	<b>(4,083)</b>	<b>10,509</b>	<b>2,159</b>	<b>302,793</b>
Cumulative effects of changes in accounting policies			(1,477)		(1,477)						(1,477)
Restated balance	47,869	54,824	193,564	(7,611)	288,647	21,137	(6,543)	(4,083)	10,509	2,159	301,316
Dividends			(7,181)		(7,181)						(7,181)
Net income			36,753		36,753						36,753
Purchase of treasury stock				(28)	(28)						(28)
Sales of treasury stock		0		0	0						0
Net changes of items other than shareholders' equity						9,159	2,526	587	12,273	248	12,521
Total change	-	0	29,571	(28)	29,542	9,159	2,526	587	12,273	248	42,064
<b>Balance at March 31, 2015</b>	<b>47,869</b>	<b>54,824</b>	<b>223,135</b>	<b>(7,640)</b>	<b>318,189</b>	<b>30,297</b>	<b>(4,017)</b>	<b>(3,496)</b>	<b>22,782</b>	<b>2,407</b>	<b>343,380</b>

## Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2014 and 2015

	Millions of yen	
	Fiscal year ended March 31	
	2014	2015
Net cash provided by operating activities		
Income before income taxes and minority interests	49,496	57,031
Depreciation and amortization	11,567	13,337
Impairment loss	5,143	4,132
Amortization of goodwill	(16)	-
Decrease in provision for retirement benefits	(17,430)	-
(Decrease) increase in net defined benefit liability	17,383	(384)
Interest and dividends income	(2,017)	(2,885)
Interest expenses	535	457
Equity in earnings of affiliates	(230)	(594)
Loss on disposal of non-current assets	332	940
Loss on valuation of investment securities	-	16
Increase in notes and accounts receivable-trade	(4,601)	(4,579)
(Increase) decrease in inventories	1,063	(5,308)
Decrease in notes and accounts payable-trade	(125)	(1,498)
Other, net	1,514	572
Subtotal	62,615	61,237
Interest and dividends income received	1,994	2,575
Interest expenses paid	(518)	(503)
Income taxes paid	(9,393)	(26,716)
Net cash provided by operating activities	54,697	36,593
Net cash used in investing activities		
Increase in time deposits	(1,313)	(2,225)
Net decrease (increase) in short-term investment securities	(16,100)	16,988
Purchase of property, plant and equipment	(37,506)	(36,701)
Proceeds from sales of property, plant and equipment	752	670
Purchase of intangible assets	(1,251)	(1,280)
Purchase of investment securities	(10,150)	(1,983)
Proceeds from sales of investment securities	5,107	11,700
Other, net	(685)	(33)
Net cash used in investing activities	(61,148)	(12,865)
Net cash (used in) provided by financing activities		
Net (decrease) increase in short-term loans payable	42	(1,069)
Proceeds from long-term loans payable	5,000	-
Proceeds from issuance of bonds	24,877	-
Redemption of bonds	-	(10,000)
Purchase of treasury stock	(71)	(28)
Proceeds from sales of treasury stock	-	0
Cash dividends paid	(5,228)	(7,179)
Other, net	(496)	(468)
Net cash (used in) provided by financing activities	24,123	(18,745)
Effect of exchange rate change on cash and cash equivalents	1,419	1,591
Net increase in cash and cash equivalents	19,092	6,573
Cash and cash equivalents at beginning of period	49,874	68,966
Cash and cash equivalents at end of the period	68,966	75,540

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	
	2014	2015
Cash and time deposits	31,508	<b>38,708</b>
Securities	80,943	<b>62,839</b>
Subtotal	112,452	<b>101,548</b>
Time deposits with original maturities longer than three months	(7,047)	<b>(8,175)</b>
Security other than short-term investments with an original maturity of three months or less	(36,437)	<b>(17,832)</b>
Cash and cash equivalents	68,966	<b>75,540</b>

## Scope of consolidation and application of equity method

### 1. Number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates

	March 31, 2014	March 31, 2015
Consolidated subsidiaries:		
Overseas	25	25
Domestic	9	9
Unconsolidated subsidiaries, stated at cost	2	2
Affiliates, accounted for by equity method	3	3
Affiliates, stated at cost	6	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 2014, in semiconductor manufacturing equipment products in "Ceramics" in Technical ceramics, we reviewed the segment management division in order to improve operational efficiency; it has been changed to "Semiconductor"

Segment information for the fiscal year ended March 31, 2014 is based on the reportable segments of the fiscal year ended March 31, 2015.

## (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, 2014</u>									
Operating revenues-net sales:									
Outside customers	271,834	33,100	21,074	54,174	326,009	3,748	329,758	-	329,758
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total net sales	271,834	33,100	21,074	54,174	326,009	3,748	329,758	-	329,758
Segment income (loss)	58,893	(7,953)	703	(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
<u>Fiscal year ended March 31, 2015</u>									
Operating revenues-net sales:									
Outside customers	292,794	29,440	20,816	50,256	343,051	4,585	347,636	-	347,636
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total net sales	292,794	29,440	20,816	50,256	343,051	4,585	347,636	-	347,636
Segment income (loss)	68,331	(6,908)	734	(6,173)	62,158	38	62,196	-	62,196
Segment assets	423,724	31,576	28,821	60,398	484,122	1,375	485,497	-	485,497
Depreciation	11,380	1,076	871	1,948	13,328	9	13,337	-	13,337
Impairment loss	-	3,540	592	4,132	4,132	-	4,132	-	4,132
Acquisition of tangible and intangible fixed assets	31,876	2,623	1,862	4,486	36,362	10	36,372	-	36,372

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".