Annual Report 2009

Fiscal year ended March 31, 2009

Accelerating Innovation for the Next Generation

NGK SPARK PLUG CO., LTD.

Profile

NGK SPARK PLUG CO., LTD., established in 1936 as a manufacturer of spark plugs, has always cultivated ceramics as its core competence. The Company has a distinguished track record of applying the expertise cultivated in the field of ceramics in other fields to create new value. Today, NGK SPARK PLUG CO., LTD. is a leading manufacturer supplying its products to major manufacturers worldwide in the automotive, electronics and other industries. The Company's products are vital components of a host of finished products manufactured on production lines the world over.

NGK SPARK PLUG CO., LTD. is at the forefront of innovation in the information and communications and automotive industries that are destined to underpin 21st-century society. The Company is also increasingly active in the medical field, attuning its expertise to the needs of the aging society, and in the environmental sphere.

Drawing on a wealth of experience, NGK SPARK PLUG CO., LTD. continues to deploy its technological prowess in the service of its customers and society.

Contents

Forward-Looking Statements

This Annual Report contains information about forward-looking statements related to such matters as the Company's plans, strategies, and business results. These forward-looking statements represent judgments made by the Company based on information available at present and are inherently subject to a variety of risks and uncertainties. The Company's actual activities and business results could differ significantly due to changes including, but not limited to, changes in the economic environment, business environment, exchange rates, laws, regulations, government policies, political circumstances, market demand for products, and price competition.

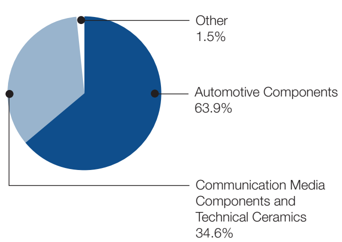
Financial Highlights

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

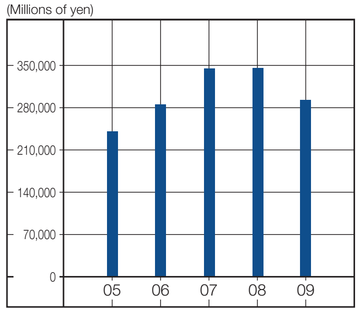
	Millions of yen			Change (%)	Thousands of U.S. dollars
	2009	2008	2007	2009/2008	**2009**
For the year:					
Net sales:	**¥292,122**	¥345,584	¥344,891	(15.5)%	**$2,980,837**
Automotive Components	**186,685**	209,394	185,601	(10.8)	**1,904,949**
Communication Media Components and Technical Ceramics	**100,941**	130,946	154,447	(22.9)	**1,030,010**
Other	**4,496**	5,244	4,843	(14.3)	**45,878**
Operating (loss) income	**(5,222)**	35,040	52,402	–	**(53,286)**
Net (loss) income	**(71,669)**	22,144	34,073	–	**(731,316)**
At year-end:					
Total assets	**¥275,995**	¥412,151	¥413,769	(33.0)%	**$2,816,276**
Net assets	**184,385**	288,299	288,977	(36.0)	**1,881,480**
	Yen			Change (%)	U.S. dollars
Per share data:					
Net (loss) income:					
—Basic	**¥(328.90)**	¥100.93	¥154.24	– %	**$(3.36)**
—Diluted	**–**	95.80	146.44	–	**–**
				Change (Yen)	
Cash dividends	**13.50**	27.00	27.00	¥(13.5)	**0.14**

Note: U.S. dollar amounts above and elsewhere in this Annual Report are converted from yen, for convenience only, at the rate of ¥98=U.S.$1

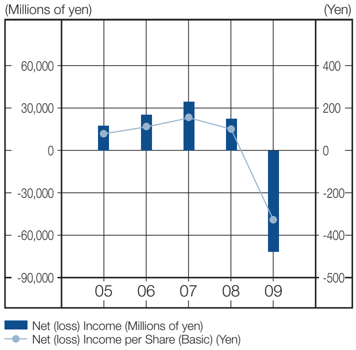
2009 Sales Composition by Industry Segment (%)



Net Sales



Net (loss) Income/ Net (loss) Income per Share (Basic)



A Message from the President

Norio Kato
President

NGK SPARK PLUG CO., LTD. and its consolidated subsidiaries (the "NGK Spark Plug Group" or the "Group") reported marked declines in both sales and profits for the fiscal year ended March 31, 2009. While net sales decreased 15.5% year on year to ¥292,122 million, an operating loss amounted to ¥5,222 million and the Group recorded a large net loss amounting to ¥71,669 million.

The Automotive Components Business experienced a sharp decline in order-taking for items for factory installation in new vehicles, affected by lackluster sales of new vehicles and extensive production cuts, reflecting the automotive crisis in the U.S. and elsewhere. Also, the demand for items for aftermarkets began to decline due to the sluggishness of the industry. The Communication Media Components and Technical Ceramics Businesses recorded a large operating loss because of initial costs incurred for the new factory that started operating toward the end of the previous fiscal year, in addition to several external factors, such as falling unit prices due to the spread of low-price mobile personal computers, worldwide inventory reductions, and sharp appreciation of the yen.

The Group's operating environment is likely to remain tough in the year ending March 2010. The Automotive Components Business is expected to suffer because of sluggish new vehicle production and also lower sales of spark plugs for the aftermarket owing to inventory reduction in the supply chain and the lower demand in emerging economies. With regard to the Communication Media Components and Technical Ceramics Businesses, in parallel with nuts-and-bolts efforts, such as cost reduction, we intend to implement a drastic reshaping of the business structure to achieve conversion to highly profitable operations. However, a decline in segment sales is expected to be unavoidable in view of the persisting tough operating environment.

In the last three years, we implemented the fourth medium-term management plan that covered the three-year period to March 2009. Although it is time to review the outcome and set the next medium-term objectives, the drastically changing market environment is fraught with uncertainty. So, without drawing up a medium-term plan, we are focusing out efforts on improving the Group's financial performance for the fiscal year to March 2010. Based on the conviction that one should prepare for the future when times are tough, we will do our utmost to stabilize the business, which is currently in turmoil, so that we are ready to seize the next opportunity.

In this harsh business environment, we need to shift from an uncompromisingly aggressive approach in the pursuit of expansion of the business scale. It is a great opportunity to revisit the fundamentals of the business and focus on establishment of highly efficient production systems with an emphasis on quality to accomplish a transformation into a highly profitable enterprise. Remaining true to our guiding principle, “stay a step ahead in product creation” through “participation by all,” we will tackle the difficulties.

Reorganization

Currently, we are undergoing a reorganization.

First, with development of promising new products for the next generation as the primary objective, we set up the Engineering R&D Group. By eliminating the barriers between divisions, technological expertise we cultivated in diverse fields, such as spark plugs and IC packages, will be integrated at this sole organization. The Engineering R&D Group will promote R&D under four themes, namely, automotive, energy, healthcare, and the environment, with the aim of developing strategic new products for the years from 2020 to 2030.

Regarding the technology trend in the automotive industry, the shift to electric vehicles and next-generation power sources is accelerating. In readiness for technological innovation, we will promote R&D of next-generation products under the new Engineering R&D Group.

Moreover, we are working to realize early commercialization of solid oxide fuel cells (SOFC), thermal conductivity type hydrogen sensors using microelectromechanical systems (MEMS), and hydrogen production modules as an opening gambit for the clean energy era to come.

Secondly, we reorganized the semiconductor components business on June 1, 2009. The Semiconductor Components Division was divided into the Ceramic Package Division and the Organic Package Division. The objective is to enable strategic decision-making, efficient investment of resources, and accurate analysis of business performance through clarification of responsibilities and swift decision-making by leaner organizations.

Regarding the ceramic IC package business, the new Ceramic Package Division and the three manufacturing subsidiaries (Iijima Ceramic, Nakatsugawa Ceramic, and Kani Ceramic) will be integrated and the new company NTK Ceramic Co., Ltd. to be established will succeed to the ceramic IC package business. The objective of this reshaping is rationalization through integration of manufacturing processes and integration of indirect operations. The plan calls for establishment of the new company in October, 2009. We will also explore all possibilities concerning the organic IC package business while promoting improvement of profitability.

Implementing CSR Management

Since the business activities of companies are supported by various stakeholders, it is important to engage in a continuing dialogue with them and to reflect their opinions and requests in management of the business. Accordingly, we are engaged in vigorous CSR activities covering investor relations, environmental issues, labor-management relations, supply chain management, communication with local communities and so on.

Our environmental protection activities have a long history. While stepping up our efforts to respond to increasingly stringent environmental regulations, we are working to expedite practical application of clean energy technology so as to facilitate the establishment of a low-carbon society. We are resolved to fulfill our corporate social responsibility and contribute to local communities, society at large and to the world through our core business by delivering energy-saving products and environmentally conscious products to people worldwide.

In regard to our ongoing efforts to conduct flourishing business activities underpinned by fulfillment of CSR, I would be grateful for the understanding and support of our shareholders and the wider investor community.

Norio Kato
President

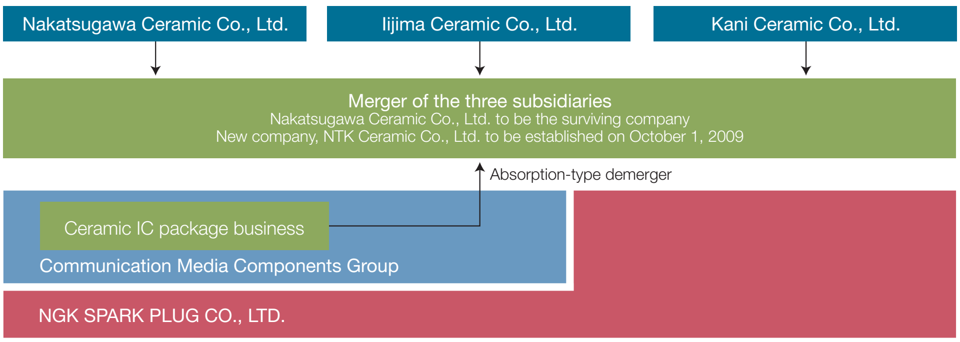
Ceramic IC Package Business to be Reorganized

NGK SPARK PLUG CO., LTD. decided at a meeting of its Board of Directors held on May 8, 2009, to reorganize the Group's ceramic IC package business. The objective of the reorganization involving the Company's subsidiaries is to further strengthen the Group's ceramic IC package business through strategic decision-making and efficient deployment of resources.

Overview of reorganization

Nakatsugawa Ceramic Co., Ltd., Iijima Ceramic Co., Ltd. and Kani Ceramic Co., Ltd., wholly owned subsidiaries engaged in production of ceramic IC packages, will merge, with Nakatsugawa Ceramic being the surviving company. In order to integrate the Group's ceramic IC package business, NGK SPARK PLUG CO., LTD. will transfer its ceramic IC package business to the subsidiary established as a result of the merger.

Restructuring of the Ceramic IC Package Business



Objectives of the reorganization

1. Accelerate decision-making through integration of operations in order to heighten responsiveness to rapid change in the industry.
2. Eliminate dispersion of resources through integration of manufacturing processes and indirect operations in order to achieve rationalization.
3. Wind up unprofitable products in order to convert to a business structure geared to high profitability.

The new organization is scheduled to be established on October 1, 2009.

Starting with reorganization of the ceramic IC package business to achieve functional and efficient business operations, we will continue emphasizing selection and focus of businesses, deploying the characteristics of NGK SPARK PLUG CO., LTD. to maximum advantage, with the overriding goal of enhancing corporate value and thus satisfying the expectations of our shareholders.

Accelerating Innovation for the Next Generation

From gasoline-powered and diesel-powered vehicles to electric vehicles, technology innovation is accelerating toward a low-carbon society. With the aim of realizing next-generation clean energy, NGK SPARK PLUG CO., LTD. is engaged in an all-out effort to commercialize hydrogen production modules, MEMS thermal conductivity type hydrogen sensors to detect hydrogen leakage, and solid oxide fuel cells (SOFC) to generate power by converting city gas to hydrogen.

Focusing on Clean Energy

Initiatives toward a low-carbon society involve three principal approaches: 1) cleaner exhaust, 2) reduction of CO_2 emissions by improved fuel efficiency, and 3) alternative energy. Many automotive manufacturers are tackling power train innovation, including improvement of the internal combustion engine. Hybrid cars, which are attracting great interest, are another important theme.

Ever since our foundation in 1936, we have been handling automotive components. These include spark plugs, oxygen sensors and numerous other items. Attuned to the future trend of technology, our R&D focuses on 1) hydrogen production modules, 2) MEMS thermal conductivity type hydrogen sensors to detect hydrogen leakage, and 3) SOFC to generate power by converting city gas to hydrogen. These new technologies reflect our unique vision inspired by society's pressing need for clean energy.

SOFC next-generation fuel cells

A solid oxide fuel cells (SOFC) generates electricity by producing hydrogen through reverse reaction of electrolysis of water and causes it to react with oxygen in the air. The SOFC we are developing uses ceramic electrodes for the cell and has the advantage of high power generation efficiency (lower heating value basis).

Large power generation plants, such as thermal power stations using coal or LNG to drive steam turbines, have three major drawbacks. Firstly, low fuel efficiency. Only 40% of the energy combusted at such power station can be recovered as electricity. Secondly, power transmission losses. A certain percentage of electricity generated will be lost before reaching users. Thirdly, CO_2 emissions due to combustion of fuel.

To overcome these issues, we have developed a 1kW SOFC stack suitable for power generation and consumption in the home. This co-generation system uses exhaust heat emitted during power generation to supply hot water. Its energy efficiency is as high as 70%, including the hot water supply. Small-scale decentralized power generation minimizes CO_2 emissions.

In addition to fuel cells for home use, we envisage the application of our fuel cells to provide auxiliary power for charging electric vehicles and hybrid vehicles.

SOFC stack

Power generation unit for home use

hydrogen production modules

MEMS thermal conductivity type hydrogen sensors

Aspiring to a hydrogen economy

20th century society underwent a transition in terms of its principal source of energy, from coal to oil. However, it has become evident that oil has major drawbacks. Reserves are finite and use of oil is accompanied by large CO_2 emissions.

In the quest for an alternative source of energy capable of replacing oil, hydrogen is the most promising candidate. Hydrogen can be an energy source for thermal engines and also can be used in fuel cells for generating electricity. Unlike nuclear power, solar power and wind power, hydrogen power generation requires neither huge generators nor fixed energy distribution systems. However, the economics of hydrogen production and portability involve issues that need to be resolved.

We are also tackling development of hydrogen production modules and MEMS thermal conductivity type hydrogen sensors to detect hydrogen leakage. Refining technologies to produce hydrogen simply and ensure safety will open up the possibility of a new market comparable to those for spark plugs and oxygen sensors for gasoline-powered vehicles.

Engineers’ enthusiasm for next-generation technologies

R&D should be geared to market needs and its practitioners need to be enthusiastic about commercializing their achievements. Analysis of successful cases reveals that commercialization requires three elements: a product, a goal, and financial resources. Commercialization cannot succeed if one of these elements is lacking.

Our priority is to set clear goals and secure channels to ensure products reach their target customers. Financial resources entrusted to us by our shareholders are an expression of their confidence and high expectations. We are determined to use financial resources efficiently.

NGK SPARK PLUG CO., LTD. intends to commercialize its first SOFC within the next three to four years time and envisages developing a business whose annual turnover will exceed ¥50 billion at some point between 2015 and 2020.

Leading next-generation product development Engineering R&D Group established in July

In the development of next-generation products, such as SOFC, hydrogen production modules, and MEMS thermal conductivity type hydrogen sensors, NGK SPARK PLUG CO., LTD. is deploying technological expertise cultivated in R&D of spark plugs and IC packages. The R&D Center and the Production Engineering Center are positioned under the newly established Engineering R&D Group.

While the former R&D Center was reorganized as the R&D Center’s Fundamental Region Research Dept. focused on basic research of ceramic materials, the Frontier R&D Dept. for next-generation R&D and the Future Products Development Dept. were newly established. Also, the Intellectual Property Dept. was repositioned as a unit of the R&D Center to facilitate strategic development of new products. Looking 10 to 20 years ahead, we will promote R&D under four priority themes, namely, automotive, energy, healthcare, and the environment.

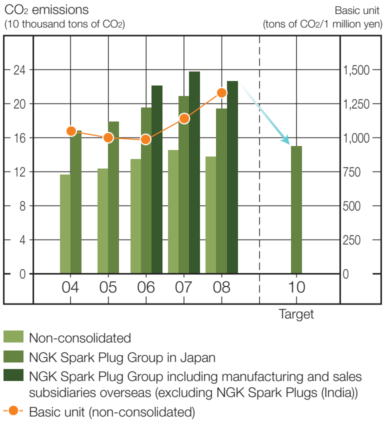
The Production Engineering Center’s three departments provide multifaceted support for production and manufacturing technologies. The former Production Engineering Group was reorganized as the Manufacturing Engineering Development Dept. to integrate manufacturing technologies. The Production Support Engineering Dept. underpins stable operations, and the Environment & Safety Management Dept. is in charge of gathering information on environmental technologies, including those for energy saving.

CO_2 Emissions and Eco Vision 2010

The NGK Spark Plug Group has set goals for the reduction of total CO_2 emissions in Eco Vision 2010, and carries out activities aimed at achieving this. In fiscal 2008, although the total amount of CO_2 emissions decreased compared with the previous year, the basic unit deteriorated. This deterioration was attributable to the fact that energy consumption did not decrease as much as production decreased. Our consumption of fixed energy, that is, energy used for lighting, air conditioning and utilities, is large, with clean-room air conditioning accounting for a large portion of this. We are working to eliminate the wasting of energy and to reduce consumption of energy for these purposes, in order to improve the basic unit and reduce total CO_2 emissions.

In fiscal 2008, our total CO_2 emissions for business sites worldwide amounted to 230,000 tons, a 5% decrease from the previous year. As a global enterprise, we intend to promote measures to mitigate global warming throughout our operations.

Energy-originated CO_2 emissions
(offices and factories)

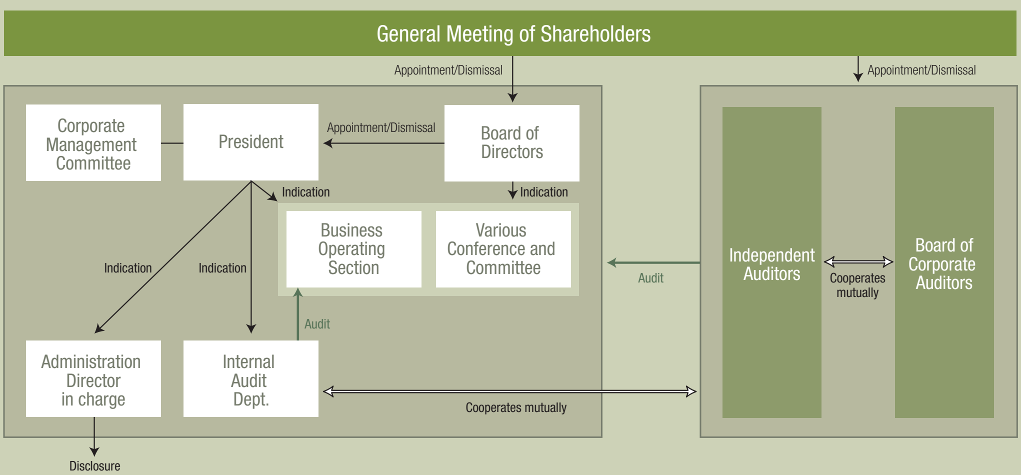


State of Key Internal Control Systems

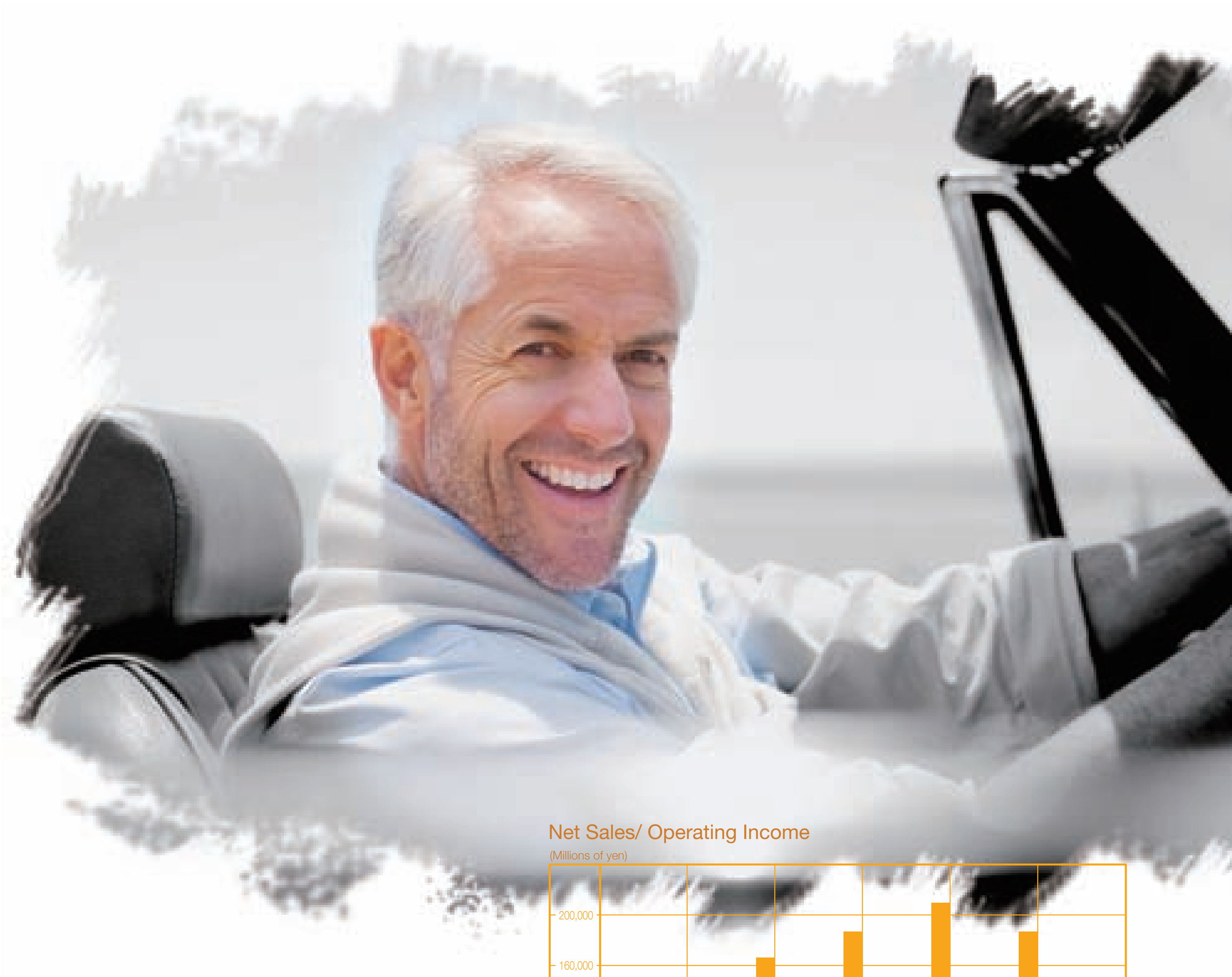
Our company is trusted from all stake-holders, and thinks that it is one of the most important business challenges to construct and to maintain a fair, efficient management system securing health and the transparency of management to raise the corporate value by completing the social responsibility as the enterprise. Moreover, it tries to enhance information management and the internal management function as time and the charge of making public are defined to recognize that it is the one to do the basis of the security market where an appropriate at the right time a company giving information to the investor is wholesome enough, and to do a prompt, accurate, impartial indication in "Inside information management rule".

The system of the organization of management and information management and the internal management function that lies the managerial decision-making, execution, and a supervisor is as follows.

Corporate Governance Structure

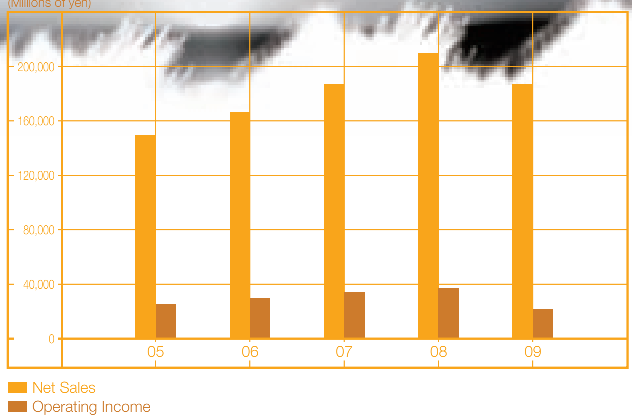


Automotive Components Business



Net Sales/ Operating Income

(Millions of yen)




Spark Plugs


NHTC (New High Temperature Ceramic) Glow Plugs


Zirconia Exhaust Gas Oxygen Sensors


Universal A/F Heated Exhaust Gas Oxygen Sensors


Wide Range Exhaust Gas Temperature Sensors

Outline of the Business

In the Automotive Components Business, we manufacture and sell spark plugs, glow plugs, various automotive sensors, ceramic engine parts and other automotive components.

In Japan, the Company manufactures and sells these products. In addition, the Company supplies raw materials and parts to Ceramic Sensor Co., Ltd., Nittoku Seisakusho Co., Ltd, and five other subsidiaries in Japan to which manufacturing is consigned and from which the Company purchases finished products, semi-products and assembly parts and sells them. Overseas, Ceramica e Velas de Ignicao NGK do Brasil Ltda., a subsidiary in Brazil, is an integrated operation that manufactures and sells spark plugs and NGK Spark Plugs (U.S.A.), Inc. and nine other manufacturing and sales subsidiaries and affiliates in North America, China, South Korea, Southeast Asia and Europe purchase parts and raw materials from the Company, assemble finished products and sell them in their respective regions. Some of the semi-products and components manufactured at overseas factories are utilized as assembly parts by the Company and other manufacturing sites.

Also, the above-mentioned overseas manufacturing and sales subsidiaries, NGK Spark Plug Europe GmbH and nine other overseas sales subsidiaries sell finished products procured from the Company and the overseas manufacturing subsidiaries to customers in their regions.

Review of Results

Weakening of demand for automotive components for factory installation in new vehicles became evident in the first quarter of the fiscal year under review. Order-taking subsequently plunged as sales of new vehicles slumped and automotive manufacturers slashed production. This crisis in the automotive industry, which hit the U.S. with particular severity, reflected the worldwide financial crisis that struck in September 2008. Shipments of automotive components for aftermarkets, although previously a source of buoyant demand in advanced countries, began to decline as the automotive industry floundered.

As a result, segment sales decreased 10.8% year on year to ¥186,685 million and operating income fell 40.4% to ¥21,535 million.

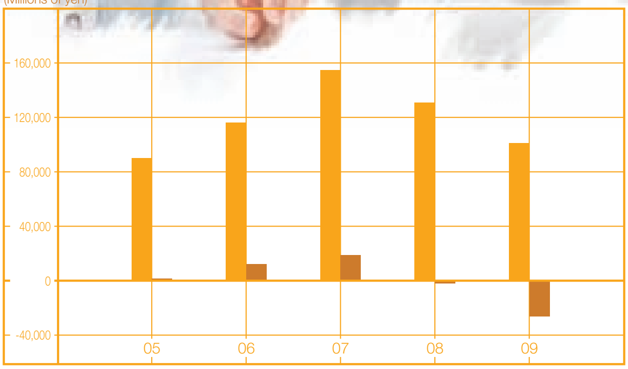
Outlook

The field of automotive components is undergoing sweeping change, as indicated by the filing for bankruptcy of GM and Chrysler, two of the Big Three, under the U.S. Bankruptcy Code, while sales of new vehicles are expected to remain weak amid the worldwide recession. In response to increasingly stringent environmental regulations, we intend to focus on measures to improve fuel efficiency, including an emphasis on the development and improvement in performance of new sensors and glow plugs for which demand is expected to increase, while doing our utmost to reduce costs. We will also take the initiative concerning electric vehicles and other next-generation environmentally friendly vehicles in the expectation that the shift toward them will gain momentum.

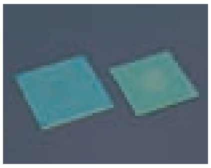
Communication Media Components and Technical Ceramics Businesses

Net Sales/ Operating (loss) Income

(Millions of yen)



Net Sales
Operating (loss) Income



Organic IC Packages

Electronic Components

Cutting Tools

Fine Ceramics

Oxygen Concentrators

Outline of the Business

In the Communication Media Components and Technical Ceramics Businesses, we manufacture and sell IC packages and other semiconductor components, electronic components, cutting tools and ceramics products for industrial and medical applications.

In Japan, the Company and Iijima Ceramic Co., Ltd., Nakatsugawa Ceramic Co., Ltd. and four other subsidiaries and affiliates manufacture communication media components and technical ceramics. The Company supplies raw materials and parts to these subsidiaries and affiliates in Japan to which manufacturing is consigned, purchases finished products, semi-products and assembly parts from them and sells them. Overseas, Ceramica e Velas de Ignicao NGK do Brasil Ltda., a subsidiary in Brazil, is an integrated operation that manufactures and sells ceramics products for industrial applications and NTK Technical Ceramics Korea Co., Ltd. and NTK Technical Ceramics Polska Sp.zo.o. purchase semi-products and some raw materials from the Company, assemble finished cutting tools and sell them directly to customers or via the Company and its sales subsidiaries.

NTK Technologies, Inc. and eight other overseas sales subsidiaries sell finished products procured from the Company and the above-mentioned overseas manufacturing subsidiaries to customers in their regions.

Review of Results

Organic IC packages for MPUs, the mainstay products in this segment, suffered from price erosion due to the spread of netbooks, low-cost mobile personal computers. Reflecting lackluster consumer demand for PCs and steps to cut inventories throughout PC supply chains worldwide, orders received declined sharply. The Communication Media Components and Technical Ceramics Businesses recorded a huge operating loss because of sharp yen appreciation, start-up costs associated with a new factory that came on stream in the previous fiscal year, and considerable costs for the stabilization of quality incurred mainly in the first half of the fiscal year under review.

As a result, segment sales decreased 22.9% year on year to ¥100,941 million, and an operating loss of ¥26,565 million was recorded compared with one of ¥1,161 million for the previous fiscal year.

Outlook

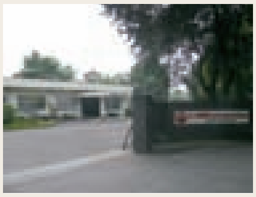
In the field of communication media components and technical ceramics, demand for PCs, mobile phones and other IT products is expected to increase, led by the emerging economies. Therefore, our top priority is swift and decisive restructuring of the IC package business, whose performance was the largest factor contributing to the unsatisfactory business results for the fiscal year under review. Consolidation of previously dispersed factories is underway as we take decisive action to streamline manufacturing processes while, at the same time, striving to inculcate an emphasis on profitability throughout the business. In parallel with cost reduction, yield improvement and other nuts-and-bolts efforts, we are drastically reshaping the business structure.

Global Network


NGK Spark Plugs (U.S.A.), Inc.


NGK Spark Plugs Malaysia Berhad.


Siam NGK SPARK PLUG CO., LTD.

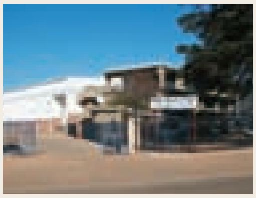

P.T. NGK Busi Indonesia


Ceramica e Velas de Ignicao NGK do Brasil Ltda.


Taiwan NGK SPARK PLUG CO., LTD.


Woo Jin Industry Co., Ltd.


NGK Spark Plug Industries Europe S.A.S.


NGK Spark Plugs SA (Pty) Ltd.


NTK Technical Ceramics Korea Co., Ltd.


NGK Spark Plug (Shanghai) Co., Ltd.


NTK Technical Ceramics Polska Sp. zo. o.

Major Subsidiaries and Affiliates

As of March 31, 2009

Domestic Subsidiaries

Ceramic Sensor Co., Ltd.
Production of automotive sensors

Nittoku Seisakusho Co., Ltd.
Production of spark plug parts and automotive sensor parts

Nichiwa Kiki Co., Ltd.
Production of spark plug resistor covers and cables, and automotive sensor parts

Kamioka Ceramic Co., Ltd.
Production of glow plugs and cutting tools

Kani Ceramic Co., Ltd.
Production of IC packages and automotive sensor parts

Iijima Ceramic Co., Ltd.
Production of IC packages

Nakatsugawa Ceramic Co., Ltd.
Production of IC packages and automotive sensor parts

Tono Ceramic Co., Ltd.
Production of spark plug parts

Nansei Ceramic Co., Ltd.
Production of electronic components

Nittoku Unyu Co., Ltd.
Transportation of the Company products

Nittoku Alpha Service Co., Ltd.
Welfare services for Company employees

Overseas Subsidiaries

NGK Spark Plugs (U.S.A.) Holding, Inc.
Holding company for U.S. subsidiaries

NGK Spark Plugs (U.S.A.), Inc.
Production and sale of spark plugs and automotive sensors, sale of cutting tools

NTK Technologies, Inc.
Sale of communication media components and technical ceramics

NGK Spark Plugs Canada Limited
Sale of automotive components

NGK Spark Plug Europe GmbH
Sale of automotive components, communication media components and technical ceramics

NGK Spark Plugs (U.K.) Ltd.
Sale of automotive components, communication media components and technical ceramics

NGK Spark Plug Industries Europe S.A.S.
Production of spark plugs

NGK Spark Plugs (France) S.A.S.
Sale of automotive components and communication media components

NTK Technical Ceramics Polska Sp.zo.o.
Production of cutting tools

Taiwan NGK Spark Plug Co., Ltd.
Production and sale of spark plugs, sale of automotive sensors

NTK Technical Ceramics (Taiwan) Ltd.
Sale of communication media components and technical ceramics

NTK Technical Ceramics Korea Co., Ltd.
Production and sale of technical ceramics

P.T. NGK Busi Indonesia
Production and sale of spark plugs

NGK Spark Plugs Singapore Pte Ltd
Sale of communication media components

NGK Spark Plug (Shanghai) Co., Ltd.
Production and sale of spark plugs and automotive sensors

NGK Spark Plugs Malaysia Berhad
Production and sale of spark plugs, sale of automotive sensors

NGK Spark Plugs (Philippines), Inc.
Sale of spark plugs

Siam NGK Spark Plug Co., Ltd.
Production and sale of spark plugs and glow plugs, sale of automotive sensors

NGK Spark Plugs (Thailand) Co., Ltd.
Sale of automotive components and technical ceramics

NGK Spark Plugs (India) Pvt. Ltd.
Production and sale of spark plugs, sale of automotive sensors

Ceramica e Velas de Ignicao NGK do Brasil Ltda.
Production and sale of automotive components and technical ceramics

Bujias NGK de Mexico S.A. de C.V.
Sale of automotive components

NGK Spark Plug Middle East FZE
Sale of spark plugs

NGK Spark Plugs SA (Pty) Ltd.
Production and sale of spark plugs

NGK Spark Plug (Australia) Pty. Ltd.
Sale of automotive components, communication media components and technical ceramics

Affiliates

Woo Jin Industry Co., Ltd.
Production and sale of automotive components

Tokai Taima Kogu Co., Ltd.
Production and sale of mold tools

Six-Year Summary

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries
Years ended March 31, 2009, 2008, 2007, 2006, 2005 and 2004

	Millions of yen						Thousands of U.S. dollars
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For the year:							
Net sales	**¥292,122**	¥345,584	¥344,891	¥284,885	¥241,186	¥228,776	**$2,980,837**
Costs of goods sold	**251,833**	262,243	248,565	203,338	177,786	171,481	**2,569,725**
Selling, general and administrative expenses	**45,511**	48,301	43,924	40,034	37,310	36,550	**464,398**
Operating (loss) income	**(5,222)**	35,040	52,402	41,513	26,090	20,745	**(53,286)**
Net (loss) income	**(71,669)**	22,144	34,073	25,104	17,147	11,117	**(731,316)**
Cash flows from operating activities	**36,604**	37,728	36,481	34,750	36,092	24,259	**373,510**
Cash flows from investing activities	**(27,154)**	(43,821)	(22,924)	(30,692)	(41,782)	14,784	**(277,082)**
Cash flows from financing activities	**(10,461)**	(2,930)	(14,042)	(2,458)	(1,888)	(21,792)	**(106,745)**
Depreciation	**31,767**	25,474	18,861	15,269	14,528	15,943	**324,153**
Capital expenditures	**24,173**	63,231	29,271	26,919	13,956	10,414	**246,663**
At year-end:							
Total assets	**¥275,995**	¥412,151	¥413,769	¥386,235	¥323,109	¥297,995	**$2,816,276**
Net assets	**184,385**	288,299	288,977	260,766	222,011	206,633	**1,881,480**
Sales by Industry Segment:							
Automotive components	**186,685**	209,394	185,601	165,280	148,726	147,696	**1,904,949**
Communication media components and technical ceramics	**100,941**	130,946	154,447	116,032	89,805	78,487	**1,030,010**
Other	**4,496**	5,244	4,843	3,573	2,655	2,593	**45,878**
Sales by geographic area:							
Japan	**123,770**	149,200	149,433	127,127	101,448	99,058	**1,262,959**
North America	**61,925**	85,267	105,955	83,584	73,700	69,922	**631,888**
Europe	**61,440**	67,560	57,683	47,490	44,961	42,314	**626,939**
Other	**44,987**	43,557	31,820	26,684	21,077	17,482	**459,051**
Other Data:							
Number of Shareholders	**16,280**	12,681	13,033	11,169	12,702	14,921	
Number of Employees (Consolidated)	**11,979**	11,599	10,407	9,815	9,406	9,284	

	Yen						U.S. dollars
Per share data:							
Net (loss) income							
— Basic	**¥(328.90)**	¥100.93	¥154.24	¥112.82	¥77.01	¥49.84	**$(3.36)**
— Diluted	**—**	95.80	146.44	106.91	72.92	47.45	**—**
Cash dividends	**13.50**	27.00	27.00	20.00	16.00	11.00	**0.14**
Equity	**838.11**	1,312.72	1,302.52	1,166.97	997.13	929.23	**8.55**

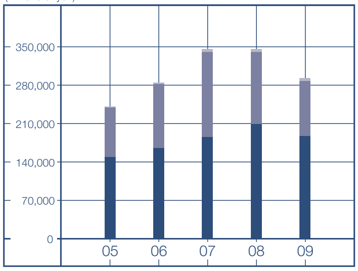
	Percent					
Ratios (Figures in parentheses are negative)**:**						
Operating profit ratio	**(1.8)%**	10.1%	15.2%	14.6%	10.8%	9.1%
Equity ratio	**66.2**	69.4	69.4	67.1	68.4	69.1
Return on net sales	**(24.5)**	6.4	9.9	8.8	7.1	4.9
Return on assets	**(20.8)**	5.4	8.5	7.1	5.5	3.7
Return on equity	**(30.6)**	7.7	12.5	10.5	8.0	5.6

Note : U.S. dollar amounts above and elsewhere in this Annual Report are converted from yen, for convenience only, at the rate of ¥98=U.S.$1.
Diluted net income per share for the fiscal year ended 2009 is not disclosed due to the recording of a net loss.

Management's Discussion and Analysis

Net Sales by Business Segment

(Millions of yen)



Overview of Results

During the fiscal year ended March 31, 2009, turmoil in financial markets triggered by emergence of the subprime mortgage problem in the U.S. in the previous year continued to drag down the global economy. The bankruptcy of a major U.S. financial institution in September 2008 prompted a worldwide financial crisis, leading to weak stock markets and sharp foreign exchange fluctuations. Moreover, financial difficulties of prominent U.S. automotive manufacturers exacerbated the worldwide economic slowdown. In this economic environment, corporate earnings weakened, capital investment slowed, the labor market deteriorated, and personal consumption declined. Sharp yen appreciation eroded profits of export-reliant companies and cooling of personal consumption exacerbated deterioration of the Japanese economy.

The automotive industry, the NGK Spark Plug Group's principal business field, is greatly affected by the slumping global economy and the financial difficulties of major automotive manufacturers. In the face of weakening demand for new vehicles in the U.S. and around the world, automotive manufacturers had no option but to cut production, triggering a worldwide automotive industry crisis. This crisis has propelled the automotive industry into a period of far-reaching change, with environmental sustainability and technological innovation rising to the top of the agenda. In order to respond to consumer needs for vehicles offering excellent performance, comfort and reliability, automotive manufacturers are accelerating the shift to electric vehicles, including next-generation plug-in hybrid vehicles.

In the field of communication media components and technical ceramics, with growth of the semiconductor market evaporating in the aftermath of excessive capital investment, the worldwide financial crisis made a bad situation worse. As curbing of IT investment by companies became evident, demand for personal computers and other IT equipment sank lower.

As a result, consolidated net sales for the fiscal year ended March 31, 2009, were ¥292,122 million, a decrease of 15.5% year on year, and the Group recorded an operating loss of ¥5,222 million compared with operating income of ¥35,040 million for the previous fiscal year. Whereas net income amounted to ¥22,144 million for the previous year, the Group recorded a net loss amounting to ¥71,669 million primarily due to the influence from impairment accounting and deferred tax accounting.

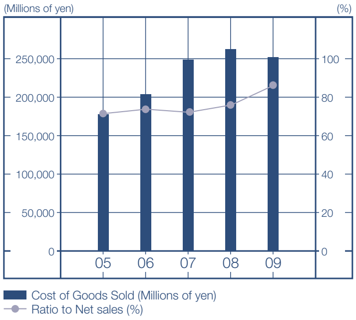
Results of Operations

Net Sales

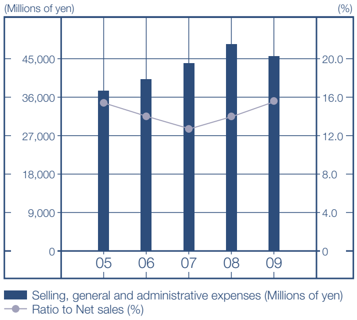
Net sales decreased ¥53,462 million or 15.5% from the previous fiscal year to ¥292,122 million. This decrease was attributable to lower shipments in the Automotive Components Business because the automotive industry crisis reduced demand in the second half of the fiscal year, lower shipments in the Communication Media Components and Technical Ceramics Businesses owing to major customers' inventory cuts, yen appreciation, and price erosion that reflected intensifying competition.

	Millions of yen		
	2008	**2009**	Decrease(-)
Automotive Components Business	209,394	**186,685**	-22,709
Communication Media Components and Technical Ceramics Businesses	130,946	**100,941**	-30,005
Other businesses	5,353	**4,598**	-755
Elimination	(109)	**(102)**	
Net sales	345,584	**292,122**	-53,462

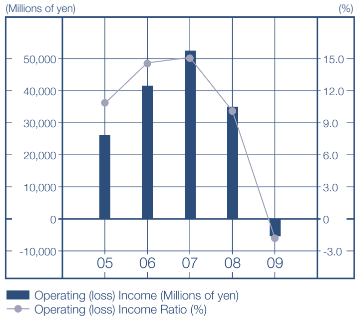
Costs of Goods Sold and Ratio to Net Sales



Selling, General and Administrative Expenses and Ratio to Net Sales



Operating (loss) Income and Operating (loss) Income Ratio



Costs of goods sold

Costs of goods sold decreased ¥10,410 million or 4.0% from the previous fiscal year to ¥251,833 million. The ratio of costs of goods sold to net sales rose 10.3 percentage points from 75.9% for the previous fiscal year to 86.2% for the year under review. This increase was mainly attributable to deterioration of the profitability of the Communication Media Components and Technical Ceramics Businesses.

Automobile Components Business

Lower sales due to yen appreciation and increased depreciation expenses led to an increase of 4.6 percentage points in the ratio of costs of goods sold to segment sales compared with the previous fiscal year.

Communication Media Components and Technical Ceramics Businesses

The ratio of costs of goods sold to segment sales increased 23.7 percentage points owing to depreciation expenses for a new plant and quality costs, in addition to lower sales associated with inventory adjustments by customers, falling sales prices, and yen appreciation.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased ¥2,790 million or 5.8% to ¥45,511 million. The principal reason for the decrease was reduced direct selling expenses, such as packing and transport expenses, sales commissions and sample expenses, mainly owing to decline sales.

Operating income (loss)

An operating loss amounted to ¥5,222 million, a decline of ¥40,262 million from the operating income recorded for the previous fiscal year.

Net income (loss)

A net loss amounted to ¥71,669 million, a decline of ¥93,813 million from the net income recorded for the previous fiscal year. The main factors were recognition of a loss on impairment of business assets with sluggish earnings and idle assets amounting to ¥26,658 million, amortization of goodwill amounting to ¥7,791 million due to the revaluation of the recoverable amount of investments in subsidiaries, and reassessment of recoverability of deferred tax assets.

The return on equity declined 38.3 percentage points from 7.7% at the previous fiscal year-end to -30.6%, and a net loss per share was ¥328.9, compared to net income per share of ¥100.93 at the previous fiscal year-end.

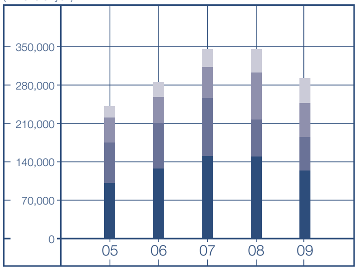
Geographical Segment Information

Japan

In the Automotive Components Business, shipments of finished goods and knock-down parts for overseas subsidiaries decreased owing to extensive production cuts by automotive manufacturers battered by the worldwide automotive industry crisis in the second half of the fiscal year under review. In the Communication Media Components and Technical Ceramics Businesses, sales of organic IC packages for MPUs, the mainstay products, plummeted, affected by falling personal computer sales prices and sluggish consumer demand. As a result, sales in Japan decreased 20.5% year on year to ¥234,705 million and an operating loss of ¥21,511 million was recorded compared with operating income of ¥21,562 million for the previous fiscal year.

Net Sales by Region

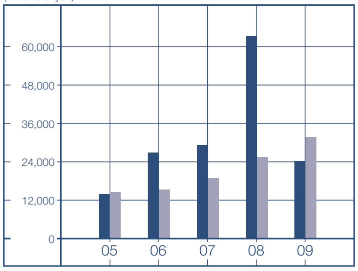
(Millions of yen)



Japan
North America
Europe
Other

Capital Expenditures and Depreciation Expenses

(Millions of yen)



Capital Expenditures
Depreciation Expenses

North America

Reflecting a decline in shipments of organic IC packages for MPUs in the Communication Media Components and Technical Ceramics Businesses, sales in North America decreased 27.2% from the previous fiscal year to ¥62,789 million and operating income plunged 56.0% to ¥1,012 million.

Europe

Although the decline in demand for automotive components for installation in new vehicles and for the aftermarket was slight, the appreciation of the yen was a severe blow to the Automotive Components Business. Sales in Europe decreased 9.1% from the previous fiscal year to ¥62,182 million, and operating income decreased 11.5% to ¥3,360 million.

Other Regions

The demand for automotive components was solid in Asia and Latin America, Sales in other regions increased 2.8% from the previous fiscal year to ¥46,409 million, and operating income decreased 1.1% to ¥5,734 million.

Capital Expenditures

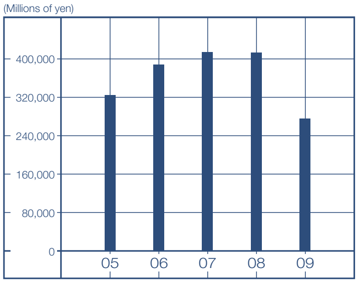
Capital expenditures amounted to ¥24,173 million, most of which were executed in the first half of the fiscal year under review to increase production capacity. The major item was production equipment for two factories constructed in the previous fiscal year: an organic IC package factory in Komaki, Aichi Prefecture, and a spark plug insulator factory in Miyanojo, Kagoshima Prefecture.

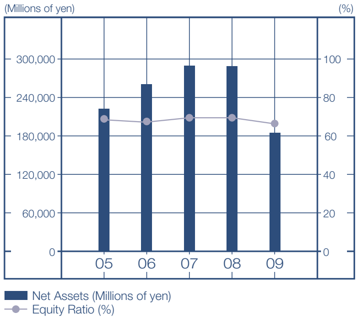
The breakdown of capital expenditures was as follows: ¥16,154 million for the Automotive Components Business, ¥7,885 million for the Communication Media Components and Technical Ceramics Businesses, and ¥134 million for other businesses.

Financial Policy

The NGK Spark Plug Group's financial policy is to secure working capital to underpin smooth business operations and to systematically prepare for medium- to long-term funding needs to enable flexible capital expenditures in the future so as to support stable management and the ability to respond to changing circumstances. To this end, as well as retention and management of current funds according to financial planning, we are implementing ongoing measures to enhance efficiency of receivables, payables and inventories. At the same time, the Group is improving internal rules such as the Fund Management Regulations and operating the Investment Committee and other organizations for the purpose of reducing investment risks.

To satisfy short-term funding requirements, the Group uses indirect financing, in addition to internal reserves. For medium- to long-term funding needs, the Group engages in direct financing from financial markets by means of the issuance of corporate bonds, etc.





Financial Condition

The financial condition changed greatly as a result of a large decline in earnings reflecting the deterioration of the economy and recognition of an impairment loss for the Communication Media Components and Technical Ceramics Businesses.

Total assets

Total assets were ¥275,995 million, having decreased ¥136,156 million or 33.0% from the end of the previous fiscal year. The main factors were as follows:

- Notes and accounts receivable decreased ¥23,853 million, owing to lower orders received as the economy deteriorated in the second half of the fiscal year.
- Inventories decreased ¥23,765 million mainly in line with the production cut of IC packages for MPUs.
- Deferred tax assets classified as current decreased ¥10,144 million as a result of a review of recoverability.
- Property, plant and equipment decreased ¥40,257 million because a loss on impairment of buildings and facilities for production of IC packages for MPUs was recognized and capital investment was curbed in view of weakening demand.
- A decline in the market value of shares of listed stocks held by the Company resulted in a ¥14,352 million decrease in investment securities.

Total liabilities

Total liabilities amounted to ¥91,610 million, having decreased ¥32,242 million or 26.0% from the end of the previous fiscal year.

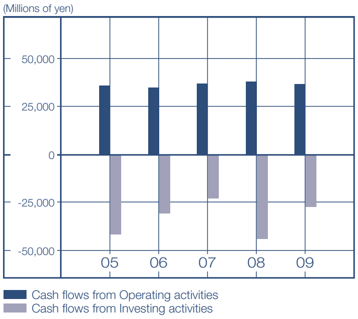
- A ¥31,650 million decrease in accounts payable was attributable to production cuts.
- Long-term debt decreased ¥12,478 million mainly for pre-maturity redemption of corporate bonds. In order to apply for that payment, the Company increased short-tem borrowing ¥9,011 million.
- A decrease of ¥3,118 million in income taxes payable was attributable to the decline in earnings caused by the sharp appreciation of the yen and lower demand reflecting deterioration of the economy.

Net assets

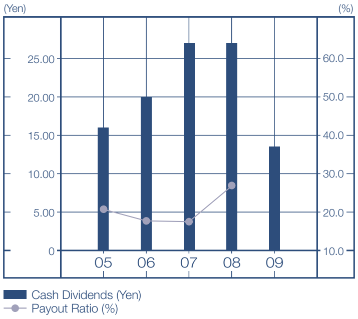
Net assets amounted to ¥184,385 million, having decreased ¥103,914 million or 36.0% from the end of the previous fiscal year. The main items were a ¥77,273 million decrease in retained earnings and a ¥18,308 million decrease in foreign currency translation adjustment.

The equity ratio decreased from 69.4% at the end of the previous fiscal year to 66.2%. Net assets per share based on the number of shares issued and outstanding at the end of the fiscal year amounted to ¥838.11 compared with ¥1,312.72 at the end of the previous fiscal year.

Cash Flows from Operating Activities and Investing Activities



Cash Dividends and Payout Ratio



Cash Flows

Net cash and cash equivalents at March 31, 2009, were ¥27,593 million, having decreased ¥4,110 million compared with the figure at the previous fiscal year-end.

Cash flows from operating activities

Net cash provided by operating activities was ¥36,604 million, virtually the same level as for the previous fiscal year, because impacts of an impairment loss and depreciation were large and notes and accounts receivable and inventories decreased, although income before income taxes and minority interests decreased ¥77,864 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥27,154 million, having decreased ¥16,667 million from the previous fiscal year. The Company executed a large investment in the previous fiscal year for the purpose of increasing production capacity.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥10,461 million, having increased ¥7,531 million from ¥2,930 million for the previous fiscal year. Repayment of long-term debt amounted to ¥13,867 million mainly attributable to pre-maturity redemption of corporate bonds.

Dividend Policy

The Company regards returning profits to shareholders as one of its most important management policies and will continue to meet the expectations of shareholders under the basic policy of continuing to pay stable dividends. The Company also thinks it is important to provide shareholders with returns in line with earnings. While maintaining a target dividend payout ratio of at least 20% of consolidated net income for the time being, the Company decides the amount of dividends by comprehensively taking into consideration the basic policy of paying stable dividends and of maintaining sufficient internal reserves for capital investment in research and development, business expansion, rationalization of operations, and investment in other companies, which are essential to future growth. The Company recognizes the effectiveness of share buybacks for enhancing capital efficiency and intends to repurchase its shares, as necessary.

In order to ensure flexibility in the returning of profits to shareholders, the Company's Articles of Incorporation specifies dividends from surplus as a matter requiring resolution of the board of directors.

For the fiscal year ended March 31, 2009, the amount of annual dividends was ¥13.5 per share as the Company paid an interim dividend of ¥13.5 but forwent a year-end dividend.

Consolidated Balance Sheets

March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current assets:			
Cash and cash equivalents	**¥ 27,593**	¥ 31,703	**$ 281,561**
Short-term investments (Note 5)	**6,388**	15,220	**65,184**
Notes and accounts receivable, net of allowance for doubtful accounts (Note 3)	**38,139**	61,992	**389,173**
Inventories (Note 4)	**52,689**	76,454	**537,643**
Deferred tax assets (Note 15)	**1,203**	11,347	**12,276**
Other current assets	**2,712**	2,788	**27,673**
Total current assets	**128,724**	199,504	**1,313,510**
Investments and other assets:			
Investment securities (Note 5)	**28,622**	42,974	**292,061**
Investments in unconsolidated subsidiaries and affiliates	**2,022**	3,761	**20,633**
Intangible assets (Note 6)	**4,592**	11,752	**46,857**
Deferred tax assets (Note 15)	**943**	1,463	**9,623**
Other assets	**1,254**	2,597	**12,796**
Less allowance for doubtful account	**(102)**	(97)	**(1,041)**
Total investments and other assets	**37,331**	62,450	**380,929**
Property, plant and equipment:			
Land	**15,820**	18,718	**161,429**
Buildings and structures	**132,958**	137,672	**1,356,714**
Machinery and equipment	**230,830**	240,351	**2,355,408**
Construction in progress	**1,669**	5,362	**17,031**
Total property, plant and equipment	**381,277**	402,103	**3,890,582**
Less accumulated depreciation	**(271,337)**	(251,906)	**(2,768,745)**
Net property, plant and equipment	**109,940**	150,197	**1,121,837**
Total assets	**¥275,995**	¥412,151	**$2,816,276**

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Current liabilities:			
Short-term borrowings (Note 8)	**¥ 13,411**	¥ 4,400	**$ 136,847**
Current portion of long-term debt (Note 8)	**362**	33	**3,694**
Accounts payable (Note 7)	**13,489**	45,139	**137,643**
Accrued expenses	**11,839**	15,996	**120,806**
Income taxes payable	**747**	3,865	**7,623**
Deferred tax liabilities (Note 15)	**216**	191	**2,204**
Other current liabilities	**1,918**	1,240	**19,571**
Total current liabilities	**41,982**	70,864	**428,388**
Long-term debt (Note 8)	**23,526**	36,333	**240,061**
Employee retirement benefit liability (Note 9)	**16,243**	14,307	**165,745**
Deferred tax liabilities (Note 15)	**8,526**	439	**87,000**
Other long-term liabilities	**1,333**	1,909	**13,602**
Total liabilities	**91,610**	123,852	**934,796**
Commitments and contingent liabilities (Notes 10 and 11)			
Net Assets (Note 13)**:**			
Shareholders' equity:			
Common stock: authorized 390,000,000 shares; issued 229,544,820 shares	**47,869**	47,869	**488,459**
Capital surplus	**55,164**	55,174	**562,898**
Retained earnings	**105,674**	182,947	**1,078,306**
Less treasury stock at cost: 11,651,113 shares in 2009 and 11,624,045 shares in 2008	**(14,980)**	(14,961)	**(152,857)**
Total shareholders' equity	**193,727**	271,029	**1,976,806**
Accumulated (losses) gains from valuation and translation adjustments	**(11,109)**	15,039	**(113,357)**
Minority interests	**1,767**	2,231	**18,031**
Total net assets	**184,385**	288,299	**1,881,480**
Total liabilities and net assets	**¥275,995**	¥412,151	**$2,816,276**

Consolidated Statements of Operations

For the Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Operating revenue:			
Net sales (Note 17)	**¥292,122**	¥345,584	**$2,980,837**
Operating costs and expenses (Note 17)**:**			
Costs of goods sold	**251,833**	262,243	**2,569,725**
Selling, general and administrative expenses	**45,511**	48,301	**464,398**
	297,344	310,544	**3,034,123**
Operating (loss) income	**(5,222)**	35,040	**(53,286)**
Other income (expenses):			
Interest and dividend income	**2,364**	2,708	**24,122**
Interest expenses	**(585)**	(610)	**(5,969)**
Loss on sale or disposal of property, plant and equipment	**(251)**	(395)	**(2,561)**
Impairment loss on fixed assets (Note 14)	**(26,658)**	—	**(272,020)**
Extraordinary amortization of goodwill (Note 6)	**(7,791)**	—	**(79,500)**
Equity in net (losses) earnings of affiliates	**(516)**	351	**(5,265)**
Foreign exchange loss	**(4,047)**	(2,392)	**(41,296)**
Other, net	**(606)**	(150)	**(6,184)**
	(38,090)	(488)	**(388,673)**
(Loss) income before income taxes and minority interests	**(43,312)**	34,552	**(441,959)**
Income taxes (Note 15)**:**			
Current	**4,148**	13,444	**42,327**
Deferred	**23,801**	(1,497)	**242,867**
Total income taxes	**27,949**	11,947	**285,194**
(Loss) income before minority interests	**(71,261)**	22,605	**(727,153)**
Less minority interests in net income of consolidated subsidiaries	**408**	461	**4,163**
Net (loss) income	**¥ (71,669)**	¥ 22,144	**$ (731,316)**

	Yen		U.S. dollars
Per share:			
Net (loss) income:			
Basic	**¥ (328.90)**	¥ 100.93	**$ (3.36)**
Diluted (Note 2(r))	**—**	95.80	**—**
Cash dividends (Note 13)	**13.50**	27.00	**0.14**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the Years ended March 31, 2009 and 2008

		Shareholders' equity					Accumulated (losses) gains from valuation and translation adjustment				
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustment	Total accumulated (losses) gains valuation and translation adjustments	Minority interests	Total net assets
		Millions of yen									
Balance at March 31, 2007	229,544,820	¥47,869	¥55,171	¥166,643	¥(10,053)	¥259,630	¥26,838	¥ 703	¥ 27,541	¥1,806	¥288,977
Net income for the year	–	–	–	22,144	–	22,144	–	–	–	–	22,144
Cash dividends	–	–	–	(5,842)	–	(5,842)	–	–	–	–	(5,842)
Increase in retained earnings through changes in scope of consolidation	–	–	–	2	–	2	–	–	–	–	2
Purchases of treasury stock and fractional shares, net of sales	–	–	3	–	(4,908)	(4,905)	–	–	–	–	(4,905)
Net changes other than shareholders' equity for the year	–	–	–	–	–	–	(10,942)	(1,560)	(12,502)	425	(12,077)
Balance at March 31, 2008	229,544,820	47,869	55,174	182,947	(14,961)	271,029	15,896	(857)	15,039	2,231	288,299
Adjustment to opening balance resulting from the adoption of ASBJ Practical Issues Task Force No. 18 (Note 2(a))	–	–	–	280	–	280	–	–	–	–	280
Net loss for the year	–	–	–	(71,669)	–	(71,669)	–	–	–	–	(71,669)
Cash dividends	–	–	–	(5,884)	–	(5,884)	–	–	–	–	(5,884)
Purchases of treasury stock and fractional shares, net of sales	–	–	(10)	–	(19)	(29)	–	–	–	–	(29)
Net changes other than shareholders' equity for the year	–	–	–	–	–	–	(7,840)	(18,308)	(26,148)	(464)	(26,612)
Balance at March 31, 2009	**229,544,820**	**¥47,869**	**¥55,164**	**¥105,674**	**¥(14,980)**	**¥193,727**	**¥ 8,056**	**¥(19,165)**	**¥(11,109)**	**¥1,767**	**¥184,385**

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Foreign currency translation adjustment	Total accumulated (losses) gains valuation and translation adjustments	Minority interests	Total net assets
	Thousands of U.S. dollars									
Balance at March 31, 2008	$488,459	$563,000	$1,866,806	$(152,663)	$2,765,602	$162,204	$ (8,745)	$ 153,459	$22,766	$2,941,827
Adjustment to opening balance resulting from the adoption of ASBJ Practical Issues Task Force No. 18	–	–	2,857	–	2,857	–	–	–	–	2,857
Net loss for the year	–	–	(731,316)	–	(731,316)	–	–	–	–	(731,316)
Cash dividends	–	–	(60,041)	–	(60,041)	–	–	–	–	(60,041)
Purchases of treasury stock and fractional shares, net of sales	–	(102)	–	(194)	(296)	–	–	–	–	(296)
Net changes other than shareholders' equity for the year	–	–	–	–	–	(80,000)	(186,816)	(266,816)	(4,735)	(271,551)
Balance at March 31, 2009	**$488,459**	**$562,898**	**$1,078,306**	**$(152,857)**	**$1,976,806**	**$ 82,204**	**$(195,561)**	**$(113,357)**	**$18,031**	**$1,881,480**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash flows from operating activities:			
(Loss) income before income taxes and minority interests	**¥(43,312)**	¥34,552	**$(441,959)**
Adjustments for:			
Depreciation	**31,767**	25,474	**324,153**
Impairment loss on fixed assets	**26,658**	—	**272,020**
Amortization of goodwill	**8,878**	662	**90,592**
Equity in net losses (earnings) of affiliates	**516**	(351)	**5,265**
Decrease in trade receivables	**15,083**	4,250	**153,908**
Decrease (increase) in inventories	**13,889**	(11,051)	**141,725**
(Decrease) increase in trade payables	**(10,497)**	3,964	**(107,112)**
Other, net	**(268)**	(1,401)	**(2,735)**
Subtotal	**42,714**	56,099	**435,857**
Interest and dividend received	**2,030**	2,790	**20,714**
Interest paid	**(586)**	(544)	**(5,979)**
Income taxes paid	**(7,554)**	(20,617)	**(77,082)**
Net cash provided by operating activities	**36,604**	37,728	**373,510**
Cash flows from investing activities:			
Increase in property, plant and equipment	**(30,077)**	(51,186)	**(306,908)**
Increase in intangible assets	**(2,518)**	(1,399)	**(25,694)**
Increase in investments in subsidiaries (Note 16)	**—**	(10,878)	**—**
Increase in long-term investments	**(1,010)**	(4,008)	**(10,306)**
Decrease in long-term investments	**1,024**	57	**10,449**
Net decrease in short-term investments	**5,614**	23,379	**57,285**
Other, net	**(187)**	214	**(1,908)**
Net cash used in investing activities	**(27,154)**	(43,821)	**(277,082)**
Cash flows from financing activities:			
Issuance of long-term debt	**—**	19,894	**—**
Repayment of long-term debt	**(13,867)**	(5)	**(141,500)**
Net increase (decrease) in short-term borrowings	**9,529**	(12,006)	**97,235**
Dividends paid	**(5,876)**	(5,828)	**(59,959)**
Purchase of treasury stock and fractional shares, net of sales	**(29)**	(4,904)	**(296)**
Other, net	**(218)**	(81)	**(2,225)**
Net cash used in financing activities	**(10,461)**	(2,930)	**(106,745)**
Effect of exchange rate changes on cash and cash equivalents	**(3,099)**	(628)	**(31,622)**
Net decrease in cash and cash equivalents	**(4,110)**	(9,651)	**(41,939)**
Cash and cash equivalents at beginning of year	**31,703**	41,258	**323,500**
Increase in cash and cash equivalents upon inclusion of additional subsidiaries in consolidation	**—**	96	**—**
Cash and cash equivalents at end of year	**¥ 27,593**	¥31,703	**$ 281,561**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of NGK SPARK PLUG CO., LTD. (the "Company") and its consolidated subsidiaries (together with the Company, the "NGK Spark Plug Group") have been prepared in accordance with the provisions set forth in the Financial Instrument and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instrument and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing approximate exchange rate at March 31, 2009, which was ¥98 to U.S. $1. The translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Certain comparative figures have been reclassified to conform to the current year's presentations.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in significant unconsolidated subsidiaries and affiliates are accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost. All intercompany transactions and accounts have been eliminated. The differences between the cost of investments in subsidiaries and the underlying equity in their net assets adjusted based on the fair value at the time of acquisition are principally deferred as goodwill or negative goodwill and amortized over the estimated useful life on a straight-line basis. The goodwill or negative goodwill is generally amortized over 5 or 10 years.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended March 31, 2009 and 2008 was as follows:

	2009	2008
Consolidated subsidiaries:		
Domestic	**11**	11
Overseas	**25**	25
Unconsolidated subsidiaries, stated at cost	**1**	1
Affiliates, accounted for by the equity method	**2**	2
Affiliates, stated at cost	**5**	5

The Company's overseas consolidated subsidiaries close their books at December 31 every year, three months earlier than the Company and the domestic consolidated subsidiaries. The Company has consolidated such subsidiaries' financial statements as of their year-end. Significant transactions for the period between the overseas consolidated subsidiaries' year-ends and the Company's year-end are adjusted for on consolidation.

(Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements)

Until the year ended March 31, 2008, overseas consolidated subsidiaries adopted accounting principles generally accepted in their respective countries, and no adjustments to conform to accounting principles generally accepted in Japan were made to their financial statements on consolidation, as allowed under previous accounting principles and practices generally accepted in Japan. On March 17, 2006, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No. 18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income is accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

The adoption of PITF No. 18 had no material effect on the consolidated financial statements for the year ended March 31, 2009.

(b) Cash equivalents
The NGK Spark Plug Group considers cash equivalents to be highly liquid debt instruments purchased with an original maturity of three months or less.

(c) Investments and marketable securities
The NGK Spark Plug Group classifies certain investments in debt and equity securities as "held-to-maturity," "trading" or "available-for-sale." The classification determines the respective accounting method as stipulated by the accounting standard for financial instruments. Marketable securities with market quotations for available-for-sale securities are stated at fair value, and net unrealized gains or losses on these securities are reported as a component of net assets, net of applicable income taxes. Gains and losses on the disposal of marketable securities are computed by the moving average method. Non-marketable securities without available market quotations for available-for-sale securities are carried at cost determined by the moving average method. Adjustments in the carrying values of individual investment securities are charged to income through write-downs when a decline in value is deemed other than temporary.

(d) Accounting for derivatives
Derivative instruments are valued at fair value if hedge accounting is not appropriate or when there is no hedging designation, and the gains or losses on the derivatives are recognized in the current earnings. According to the special treatment permitted by the accounting standard for financial instruments, hedging interest rate swaps are accounted for on an accrual basis and recorded net of interest expenses generated from the hedged borrowings if certain conditions are met.

(e) Inventories
Inventories held for sale in the ordinary course of business are valued at the lower of cost, determined principally by the moving average method, or net realizable value. If net reliable value falls below cost at the end of the period, the cost basis is reduced to net realizable value and regarded as decreased profitability of inventories.

Until the year ended March 31, 2007, inventories were stated principally at the moving average cost. From the year ended March 31, 2008, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) issued by ASBJ on July 5, 2006. As a result of this accounting change, operating income and income before income taxes and minority interests for the year ended March 31, 2008 decreased by ¥3,109 million and ¥2,830 million, respectively, compared with amounts that would have been recorded with the previous accounting method.

(f) Allowance for doubtful accounts
Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit losses based on an individual review of doubtful or troubled receivables and a general reserve for other receivables based on the historical loss experience of a certain past period.

(g) Property, plant and equipment and depreciation
Property, plant and equipment, including significant renewals and additions, are stated at cost. Until the year ended March 31, 2007, property and equipment were depreciated principally by the straight-line method for the overseas consolidated subsidiaries and by the declining balance method for the Company and its domestic consolidated subsidiaries at rates based on the estimated useful life of the asset. Effective April 1, 2007, the Company and its domestic consolidated subsidiaries changed the depreciation method for buildings to the straight-line method. This accounting change resulted from seeking better cost allocation over the long-term and the stable utilization of property. In addition, in accordance with the amendment of the Corporation Tax Law of Japan, effective for the fiscal year ended March 31, 2008, the

Company and its domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on and after April 1, 2007, except for buildings, to the declining balance method, pursuant to the amended Corporation Tax Law of Japan. The Company also revised the estimated useful life of equipment for IC-package production to shorten the one-year estimate in order to catch up with innovations in semiconductor technology. As a result of these changes, operating income and income before income tax and minority interests for the year ended March 31, 2008 decreased by ¥1,040 million and ¥1,041 million, respectively, compared with amounts that would have been recorded with the previous accounting method.

(h) Leases

Effective from the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No. 16) revised by ASBJ on March 30, 2007. The new accounting standards require that all finance lease transactions be accounted for in a manner similar to that used for ordinary sale or purchase transactions. Prior to April 1, 2008, finance leases which did not transfer ownership of the leased assets to the lessee were accounted for by accounting treatment similar to that used for operating leases as permitted by the previous accounting standard. From the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries capitalizes the assets used under finance leases commencing on or after April 1, 2008 as lessee at an amount equivalent to the total lease payments, except for certain immaterial or short-term finance leases which are accounted for as operating leases, in accordance with the revised standard. Depreciation is calculated using the straight-line method over the lease term and assuming no residual value. As permitted, finance leases as lessee which commenced prior to April 1, 2008 and have been accounted for with accounting treatment similar to that used for operating leases continue to be accounted for with accounting treatment similar to that used for operating leases, with the disclosure of certain "as if capitalized" information (See also Note 10). There has been no impact from the adoption of the revised standard for the year ended March 31, 2009.

(i) Impairment of fixed assets

The Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Impairment of Fixed Assets" and the related practical guidance. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of the impaired assets or a group of assets to the recoverable amount measured by the higher of the asset's net selling price or value in use. Fixed assets include land, plants, buildings and other forms of property, as well as intangible assets, and are to be grouped at the lowest level for which there are identifiable cash flows from other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets of the NGK Spark Plug Group are grouped into cash generating units based on managerial accounting classifications other than idle or unused property.

(j) Employee retirement benefits

Employees who terminate their service with the NGK Spark Plug Group are entitled to retirement benefits generally determined by basic rates of pay at the time of retirement, length of service and conditions under which the termination occurs.

In accordance with the accounting standard for employee retirement benefits, the NGK Spark Plug Group has principally recognized retirement benefits including pension cost and the related liability based on the actuarial present value of the projected benefit obligation using actuarial appraisal approach and the fair value of pension plan assets available for benefits at the respective fiscal year-ends. Unrecognized actuarial differences arising from changes in the projected benefit obligation or pension plan assets from the amounts assumed and from changes in the assumptions themselves are amortized on a straight-line basis over ten years, a specific period not exceeding the average remaining service period of employees, from the year following the year in which they arise.

During the year ended March 31, 2008, the Company changed from a non-contributory pension plan to a defined benefit corporate pension fund plan and recorded past service cost resulting from this change. Past service cost is amortized on a straight-line basis over ten years, a period within the average remaining service period of the employees.

(k) Accrued severance indemnities for directors and corporate auditors

A company may pay severance indemnities benefits to directors and corporate auditors, subject to the approval of the shareholders. At the annual general meeting of shareholders held on June 27, 2008, the shareholders of the Company approved the termination of the severance indemnities benefit plan. The Company planned to pay severance indemnities benefits granted prior to the shareholders' meeting date to directors and corporate auditors who were reelected at the shareholders' meeting on their future retirement dates and transferred the accrual of ¥613 million to other long-term liabilities at June 27, 2008. Until the year ended March 31, 2008, the NGK Spark Plug Group provided for the full amount of the liability for directors' and corporate auditors' severance indemnities at the respective balance sheet date. At March 31, 2008, other long-term liabilities in the accompanying consolidated balance sheets included these accruals for directors' and corporate auditors' severance indemnities in the amount of ¥789 million.

(l) Translation of foreign currency accounts
Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese yen at exchange rates at the fiscal year-ends. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains and losses are included in current earnings.

For financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Japanese yen by applying the exchange rate in effect at the respective fiscal year-ends. All income and expense accounts are translated at the average rate of exchange prevailing during each year. Translation differences, after allocating portions attributable to minority interests, are reported in foreign currency translation adjustments as a component of net assets in the accompanying consolidated balance sheets.

(m) Research and development expenses
Expenses related to research and development activities are charged to income as incurred. Research and development expenses relate to a wide range of NGK Spark Plug Group's activities, including basic and applied research for material development, the plan or design of new products and processes, activities to significantly improve existing products and processes, and the improvement of existing products. For the years ended March 31, 2009 and 2008, research and development expenses aggregated ¥17,576 million ($179,346 thousand) and ¥17,445 million, respectively. These amounts included research and development activities for basic and applied research and the development of new products and processes in the amount of ¥2,877 million ($29,357 thousand) and ¥2,973 million at March 31, 2009 and 2008, respectively, and were recorded as general and administrative expenses. The remaining expenses were recorded for the respective years in the accompanying consolidated statements of operations as manufacturing costs.

(n) Bond issue costs
Bond issue costs are charged to income when incurred.

(o) Income taxes
Income taxes are accounted for by the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(p) Enterprise taxes
The NGK Spark Plug Group records enterprise taxes calculated based on the "added value" and "capital" amounts when levied as size-based corporate taxes for local government enterprise taxes, which are included in selling, general and administrative expenses.

(q) Appropriation of retained earnings
Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors of the Company.

(r) Per share data
Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is computed assuming that all convertible bonds were converted at the time of issue unless having anti-dilutive effects. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of operations represent dividends declared by the Company as applicable to the respective year. For the fiscal year ended March 31, 2009, diluted net

income per shares is not disclosed due to the recording of a net loss.

3. Notes and Accounts Receivable

At March 31, 2009 and 2008, notes and accounts receivable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Trade receivables	**¥34,943**	¥53,522	**$356,561**
Unconsolidated subsidiaries and affiliates	**554**	2,611	**5,653**
Other	**2,782**	6,347	**28,388**
Less allowance for doubtful accounts	**(140)**	(488)	**(1,429)**
	¥38,139	¥61,992	**$389,173**

4. Inventories

At March 31, 2009 and 2008, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finished goods	**¥26,976**	¥44,614	**$275,265**
Work-in-process	**17,516**	23,186	**178,735**
Raw materials	**8,197**	8,654	**83,643**
	¥52,689	¥76,454	**$537,643**

For the years ended March 31, 2009 and 2008, respectively, amounts for write-down of ¥2,914 million ($29,734 thousand) and ¥3,368 million were recognized as costs of goods sold.

5. Investments

At March 31, 2009 and 2008, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Marketable securities:			
Bonds	**¥ 10**	¥ 5,996	**$ 102**
Other	**—**	200	**—**
	10	6,196	**102**
Time deposits and certificates of deposits with an original maturity of more than three months	**6,056**	8,556	**61,796**
Other nonmarketable securities	**322**	468	**3,286**
	¥6,388	¥15,220	**$65,184**

At March 31, 2009 and 2008, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Marketable securities:			
Equity securities	**¥26,371**	¥39,657	**$269,092**
Bonds	**1,486**	2,496	**15,163**
	27,857	42,153	**284,255**
Other nonmarketable securities	**765**	821	**7,806**
	¥28,622	¥42,974	**$292,061**

Marketable securities are classified as available-for-sale and are stated at fair value with unrealized gains and losses excluded from current earnings and reported as a net amount within the net assets account until realized. At March 31, 2009 and 2008, gross unrealized gains and losses for marketable securities were summarized as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of yen			
At March 31, 2009:				
Marketable securities:				
Equity securities	**¥12,765**	**¥15,749**	**¥(2,143)**	**¥26,371**
Bonds	**1,509**	**—**	**(13)**	**1,496**
	¥14,274	**¥15,749**	**¥(2,156)**	**¥27,867**
At March 31, 2008:				
Marketable securities:				
Equity securities	¥12,855	¥27,341	¥(539)	¥39,657
Bonds	8,509	—	(17)	8,492
Other	200	—	—	200
	¥21,564	¥27,341	¥(556)	¥48,349
	Thousands of U.S. dollars			
At March 31, 2009:				
Marketable securities:				
Equity securities	**$130,255**	**$160,704**	**$(21,867)**	**$269,092**
Bonds	**15,398**	**—**	**(133)**	**15,265**
	$145,653	**$160,704**	**$(22,000)**	**$284,357**

A loss on the write-down of marketable securities in the amount of ¥1,093 million ($11,153 thousand) was recognized as other expenses for the year ended March 31, 2009, due to the other than temporary diminution in value. No write-down was recorded for the year ended March 31, 2008.

Expected maturities of available-for-sale debt securities at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥ 43	$ 439
Due after one year through five years	1	10
Due after five years through ten years	1,500	15,306
Due after ten years	—	—
	¥1,544	$15,755

6. Intangible Assets

At March 31, 2009 and 2008, intangible assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Goodwill	**¥ 337**	¥ 9,236	**$ 3,439**
Software	**4,187**	2,516	**42,724**
Other intangible assets	**68**	—	**694**
	¥4,592	¥11,752	**$46,857**

For the fiscal year ended March 31, 2009, the Company recorded extraordinary amortization of goodwill in the amount of ¥7,791 million ($79,500 thousand) as other expenses based on the valuation of a recovery of the Company's investments in its consolidated subsidiaries.

7. Accounts Payable

At March 31, 2009 and 2008, accounts payable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Trade payables	**¥ 9,142**	¥31,343	**$ 93,286**
Unconsolidated subsidiaries and affiliates	**45**	141	**459**
Other	**4,302**	13,655	**43,898**
	¥13,489	¥45,139	**$137,643**

8. Short-term Borrowings and Long-term Debt

At March 31, 2009 and 2008, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Unsecured bank loans with interest at rates ranging from 1.06% to 14.5% per annum at March 31, 2009	**¥13,185**	¥ 967	**$134,541**
Export bills accepted by overseas consolidated subsidiaries and discounted with banks by the Company with interest at rates ranging from 1.88% to 4.00% per annum at March 31, 2009	**226**	3,433	**2,306**
	¥13,411	¥4,400	**$136,847**

At March 31, 2009 and 2008, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Zero coupon convertible bonds with stock acquisition rights due March 2011	**¥ 2,666**	¥16,099	**$ 27,204**
1.65% unsecured bonds due July 2012	**10,000**	10,000	**102,041**
1.85% unsecured bonds due July 2014	**10,000**	10,000	**102,041**
Unsecured bank loans due through 2010 with interest at 1.52% per annum at March 31, 2009	**200**	200	**2,041**
Capitalized lease obligations	**1,022**	67	**10,428**
	23,888	36,366	**243,755**
Less current portion	**(362)**	(33)	**(3,694)**
	¥23,526	¥36,333	**$240,061**

During the year ended March 31, 2009, zero coupon convertible bonds of ¥13,433 million were redeemed before their maturity. The current conversion price of zero coupon convertible bonds due March 2011 is ¥1,369 per share and is subject to adjustment in certain circumstances, including in the event of a stock split. At March 31, 2009, the number of shares of common stock necessary for conversion of all convertible bonds outstanding was approximately 2 million.

As is customary in Japan, substantially all bank borrowings are subject to general agreements which provide, among other things, that the banks may, under certain circumstances, request additional security for these loans and may treat any security so furnished to the bank, as well as cash deposited with it, as security for all present and future indebtedness.

The banks have never requested the Company or its subsidiaries to submit such additional security. Also, as is customary in Japan, the Company and certain of its subsidiaries may have time deposits with banks from which they have short-term and long-term borrowings. However, there are no agreements with any banks which would require maintaining such deposits.

The aggregate annual maturities of long-term debt at March 31, 2009 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 362	$ 3,694
2011	2,862	29,204
2012	156	1,592
2013	10,136	103,429
2014	105	1,071
Thereafter	10,267	104,765
	¥23,888	$243,755

9. Employee Retirement Benefits

The Company has a lump-sum retirement benefit plan and has also established a defined benefit pension plan, which covers 80 % of retirement benefits for employees of the Company who retire at the compulsory retirement age after ten years or more of service. Some of the Company's domestic consolidated subsidiaries have similar retirement benefit plans. Some of the overseas consolidated subsidiaries have defined contribution plans.

The following table reconciles the benefit liability and net periodic retirement benefit expense as of and for the years ended March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Reconciliation of benefit liability:			
Projected benefit obligation	**¥45,402**	¥46,799	**$463,286**
Less fair value of pension plan assets at end of year	**(22,061)**	(26,664)	**(225,113)**
Projected benefit obligation in excess of pension plan assets	**23,341**	20,135	**238,173**
Unrecognized actuarial differences	**(6,999)**	(5,717)	**(71,418)**
Unrecognized past service cost	**(99)**	(111)	**(1,010)**
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets	**¥16,243**	¥14,307	**$165,745**

Note: Projected benefit obligation of certain domestic consolidated subsidiaries was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits. For the fiscal year ended March 31, 2009, some domestic subsidiaries changed the calculation method for projected benefit obligation to the standardized method.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Components of net periodic retirement benefit expense:			
Service cost	**¥2,674**	¥2,404	**$27,286**
Interest cost	**887**	834	**9,051**
Expected return on pension plan assets	**(608)**	(652)	**(6,204)**
Recognized actuarial differences	**849**	230	**8,663**
Amortization of past service cost	**12**	10	**122**
The effect of change in calculation method of projected benefit obligation	**960**	–	**9,796**
Net periodic retirement benefit expense	**¥4,774**	¥2,826	**$48,714**

Major assumptions used in the calculation of the above information for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Method attributing the projected benefits to periods of services	**Straight-line method**	Straight-line method
Discount rate	**2.0%**	2.0%
Expected rate of return on pension plan assets	**2.5%**	2.5%
Amortization of actuarial differences	**10 years**	10 years
Amortization of past service cost	**10 years**	10 years

10. Lease Commitments

At March 31, 2009 and 2008, NGK Spark Plug Group had annual commitments under operating leases. The aggregate future minimum payments for non-cancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due within one year	**¥ 271**	¥ 101	**$ 2,765**
Due after one year	**824**	566	**8,408**
	¥1,095	¥ 667	**$11,173**

As disclosed in Note 2(h), finance leases as lessee, which commenced prior to April 1, 2008 and have been accounted for with accounting treatment similar to that used for operating leases continue to be accounted for with accounting treatment similar to that used for operating leases, with the disclosure of certain "as if capitalized" information and are not capitalized. The aggregate future minimum payments for finance leases, including the imputed interest portion, as lessee at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due within one year	**¥ 682**	¥ 813	**$ 6,959**
Due after one year	**815**	1,301	**8,317**
	¥1,497	¥2,114	**$15,276**

Total rental and lease expenses for both cancelable and non-cancelable leases for the years ended March 31, 2009 and 2008 were ¥3,508 million ($35,796 thousand) and ¥3,605 million, respectively. For the years ended March 31, 2009 and 2008, lease expenses for such finance leases amounted to ¥863 million ($8,806 thousand) and ¥897 million, respectively.

11. Contingent Liabilities

At March 31, 2009 and 2008, contingent liabilities in respect to guarantees of indebtedness principally of employees and trade notes discounted with banks with recourse in the ordinary course of business aggregated ¥112 million ($1,143 thousand) and ¥505 million, respectively.

12. Derivative Instruments

The NGK Spark Plug Group is a party to derivative instruments such as foreign currency forward exchange contracts, currency option contracts and interest rate swap agreement in the normal course of business in order to reduce its own exposure to fluctuations in exchange rates and interests rates principally for hedging purposes. The NGK Spark Plug Group does not hold or issue derivative financial instruments for trading purposes. Under the NGK Spark Plug Group's financial management policies, contract balances of currency derivatives are limited to certain anticipated export sales or import purchases. While the Company is potentially exposed to credit loss in the event of non-performance by the other parties, the NGK Spark Plug Group does not expect non-performance by the counterparties as the counterparties of the derivative transactions are limited to major banks with a relatively high credit ratings.

At March 31, 2009 and 2008, currency derivative instruments which were stated at fair value, except for the derivative instruments accounted for by hedge accounting, and recognized for valuation gains and losses as current earnings were summarized as follows:

	Notional principal or contract amounts	Fair value	Valuation gains/(losses)
	Millions of yen		
At March 31, 2009:			
Foreign exchange contracts:			
Forward	**¥10,548**	**¥10,970**	**¥(422)**
Currency option written to buy	**2,242**	**102**	**(60)**
Currency option purchased to sell	**1,337**	**33**	**(7)**
At March 31, 2008:			
Foreign exchange contracts:			
Forward	¥14,204	¥13,597	¥ 607
Currency option written to buy	626	9	(1)
Currency option purchased to sell	316	4	(4)
	Thousands of U.S. dollars		
At March 31, 2009:			
Foreign exchange contracts:			
Forward	**$107,633**	**$111,939**	**$(4,306)**
Currency option written to buy	**22,878**	**1,041**	**(612)**
Currency option purchased to sell	**13,643**	**337**	**(71)**

13. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under Japanese Corporate Law (the "Law"), in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At March 31, 2009 and 2008, respectively, capital surplus consisted principally of additional paid-in capital. In addition, retained earnings included legal earnings reserve of the Company in the amount of ¥5,838 million ($59,571 thousand) at March 31, 2009 and 2008, respectively.

The maximum amount that the Company can distribute as dividends is calculated based on the separate financial statements of the Company in accordance with Japanese laws and regulations.

During the year ended March 31, 2009, the Company paid interim dividends of ¥13.50 per share and no year-end dividends.

During the year ended March 31, 2008, the Company purchased 2,500,000 shares of treasury stock of the Company based on the resolution of the Board of Directors under the Law in the amount of ¥4,800 million.

14. Impairment Loss on Fixed Assets

For the year ended March 31, 2009, the NGK Spark Plug Group recognized an impairment loss on fixed assets in the amount of ¥26,658 million ($272,020 thousand) as other expenses. No impairment loss was recorded for the year ended March 31, 2008. The major assets subject to impairment were as follows:

(a) Equipment used for IC Package production in communication media components and technical ceramics segment. Loss for the year ended March 31, 2009 amounted to ¥17,183 million ($175,337 thousand), which consisted of ¥1,260 million ($12,857 thousand) on buildings and structures ¥13,516 million ($137,919 thousand) on machinery and vehicles and ¥2,407 million ($24,561 thousand) on other noncurrent assets. They became impaired because performance in the IC-package business worsened due to a change in the supply and demand balance, increased costs to stabilize quality and a weaker dollar against the yen. The recoverable amount of land and buildings was measured by using net selling value, and other was estimated at zero using value-in use.

(b) For unused property, loss for the year ended March 31, 2009 was ¥9,258 million ($94,469 thousand), which consisted of ¥4,401 million ($44,908 thousand) on buildings and structures and ¥4,857 million ($49,561 thousand) on land. The reason for the impairment was that the future use became undetermined due to the economic recession. Recoverable amounts were estimated using net selling value.

15. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Net operating loss carryforwards	**¥11,159**	¥ 209	**$113,867**
Impairment loss on fixed assets	**11,008**	305	**112,327**
Employee retirement benefit liability	**6,849**	6,039	**69,888**
Depreciation	**4,118**	5,460	**42,020**
Accrued expenses	**3,600**	4,466	**36,735**
Inventories	**2,947**	2,821	**30,071**
Intercompany profits	**350**	3,766	**3,571**
Other	**777**	1,490	**7,929**
Less valuation allowance	**(38,382)**	(393)	**(391,653)**
	2,426	24,163	**24,755**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**5,514**	10,865	**56,265**
Retained earnings of overseas subsidiaries	**2,398**	85	**24,469**
Accelerated depreciation	**579**	518	**5,908**
Other	**531**	515	**5,418**
	9,022	11,983	**92,060**
Net deferred tax (liabilities) assets	**¥ (6,596)**	¥12,180	**$ (67,305)**

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Current	**¥1,203**	¥11,347	**$12,276**
Noncurrent	**943**	1,463	**9,623**
Deferred tax liabilities:			
Current	**216**	191	**2,204**
Noncurrent	**8,526**	439	**87,000**

In assessing the realizability of deferred tax assets, management of the NGK Spark Plug Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. At March 31, 2009 and 2008, a valuation allowance was provided to reduce deferred tax assets to the extent that management believed the deferred tax assets to be realizable.

For the 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 year ended March 31, 2008, the reconciliation was as follows.

	Percentage of pre-tax income
Japanese statutory effective tax rate	40.5%
Increase (decrease) due to:	
Permanently nondeductible expenses	0.8
Tax exempt income	(0.9)
Tax credit for research and development expenses	(4.5)
Differences between Japanese and foreign tax rates	(2.1)
Other	(0.8)
Actual effective income tax rate	34.6%

16. Obtaining Control of Subsidiary

During the year ended March 31, 2008, the Company acquired an additional 50% interest in the issued and outstanding shares of common stock of Ceramic Sensor Co., Ltd. ("Ceramic Sensor"), which was a 50% owned affiliate previously accounted for by the equity method. The Company has consolidated its accounts since September 30, 2007. A summary of the assets and liabilities of Ceramic Sensor was as follows:

	Millions of yen
Current assets	¥ 6,578
Noncurrent assets	2,762
Goodwill (see also Note 6)	9,166
Current liabilities	(4,839)
Noncurrent liabilities	(233)
Investments previously accounted for by the equity method	(2,134)
Acquisition cost newly acquired for the period	11,300
Cash and cash equivalents held by Ceramic Sensor	(422)
Increase in investments in subsidiaries presented on the accompanying consolidated statements of cash flows	¥10,878

17. Segment Information

The NGK Spark Plug Group's operations are classified into three segments, automotive components segment, communication media components and technical ceramics segment and other segment. Automotive components segment is composed of those operations involved in the manufacture and sale of spark plugs, glow plugs, automotive sensors and other products for automobiles. Communication media components and technical ceramics segment principally involves the manufacture and sale of IC-Packages, electronic components, cutting tools and ceramic products for industrial applications.

Information by industry segment for the years ended March 31, 2009 and 2008 was as follows:

	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	Consolidated
			Millions of yen			
For the year 2009:						
Operating revenue - net sales:						
External customers	¥186,685	¥100,941	¥4,496	¥292,122	¥ —	¥292,122
Intersegment sales	—	—	102	102	(102)	—
Total net sales	186,685	100,941	4,598	292,224	(102)	292,122
Operating costs and expenses	165,150	127,506	4,790	297,446	(102)	297,344
Operating income (loss)	¥21,535	¥ (26,565)	¥ (192)	¥ (5,222)	¥ —	¥ (5,222)
Identifiable assets	¥199,868	¥74,680	¥1,447	¥275,995	¥ —	¥275,995
Depreciation	15,771	15,965	31	31,767	—	31,767
Impairment loss on fixed assets	1,101	25,557	—	26,658	—	26,658
Capital expenditures	16,154	7,885	134	24,173	—	24,173
For the year 2008:						
Operating revenue - net sales:						
External customers	¥209,394	¥130,946	¥5,244	¥345,584	¥ —	¥345,584
Intersegment sales	—	—	109	109	(109)	—
Total net sales	209,394	130,946	5,353	345,693	(109)	345,584
Operating costs and expenses	173,284	132,107	5,262	310,653	(109)	310,544
Operating income (loss)	¥ 36,110	¥ (1,161)	¥ 91	¥ 35,040	¥ —	¥ 35,040
Identifiable assets	¥264,699	¥146,107	¥1,345	¥412,151	¥ —	¥412,151
Depreciation	13,037	12,422	15	25,474	—	25,474
Capital expenditures	24,840	38,268	123	63,231	—	63,231
			Thousands of U.S. dollars			
For the year 2009:						
Operating revenue - net sales:						
External customers	$1,904,949	$1,030,010	$45,878	$2,980,837	$ —	$2,980,837
Intersegment sales	—	—	1,041	1,041	(1,041)	—
Total net sales	1,904,949	1,030,010	46,919	2,981,878	(1,041)	2,980,837
Operating costs and expenses	1,685,204	1,301,081	48,879	3,035,164	(1,041)	3,034,123
Operating income (loss)	$ 219,745	$ (271,071)	$ (1,960)	$ (53,286)	$ —	$ (53,286)
Identifiable assets	$2,039,470	$ 762,041	$14,765	$2,816,276	$ —	$2,816,276
Depreciation	160,929	162,908	316	324,153	—	324,153
Impairment loss on fixed assets	11,235	260,785	—	272,020	—	272,020
Capital expenditures	164,837	80,459	1,367	246,663	—	246,663

Information summarized by geographic area for the years ended March 31, 2009 and 2008 was as follows:

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
	Millions of yen						
For the year 2009:							
Operating revenue - net sales:							
External customers	**¥123,770**	**¥61,925**	**¥61,440**	**¥44,987**	**¥292,122**	**¥ —**	**¥292,122**
Intersegment sales	**110,935**	**864**	**742**	**1,422**	**113,963**	**(113,963)**	**—**
Total net sales	**234,705**	**62,789**	**62,182**	**46,409**	**406,085**	**(113,963)**	**292,122**
Operating costs and expenses	**256,216**	**61,777**	**58,822**	**40,675**	**417,490**	**(120,146)**	**297,344**
Operating income (loss)	**¥ (21,511)**	**¥ 1,012**	**¥ 3,360**	**¥ 5,734**	**¥ (11,405)**	**¥ 6,183**	**¥ (5,222)**
Identifiable assets	**¥219,274**	**¥24,644**	**¥27,588**	**¥32,200**	**¥303,706**	**¥ (27,711)**	**¥275,995**
For the year 2008:							
Operating revenue - net sales:							
External customers	¥149,200	¥85,267	¥67,560	¥43,557	¥345,584	¥ —	¥345,584
Intersegment sales	145,846	983	864	1,585	149,278	(149,278)	—
Total net sales	295,046	86,250	68,424	45,142	494,862	(149,278)	345,584
Operating costs and expenses	273,484	83,949	64,626	39,343	461,402	(150,858)	310,544
Operating income	¥21,562	2,301	3,798	5,799	33,460	1,580	35,040
Identifiable assets	¥335,862	¥32,794	¥33,712	¥41,141	¥443,509	¥ (31,358)	¥412,151
	Thousands of U.S. dollars						
For the year 2009:							
Operating revenue - net sales:							
External customers	**$1,262,959**	**$631,888**	**$626,939**	**$459,051**	**$2,980,837**	**$ —**	**$2,980,837**
Intersegment sales	**1,131,990**	**8,816**	**7,572**	**14,510**	**1,162,888**	**(1,162,888)**	**—**
Total net sales	**2,394,949**	**640,704**	**634,511**	**473,561**	**4,143,725**	**(1,162,888)**	**2,980,837**
Operating costs and expenses	**2,614,450**	**630,377**	**600,225**	**415,051**	**4,260,103**	**(1,225,980)**	**3,034,123**
Operating income (loss)	**$ (219,501)**	**$ 10,327**	**$ 34,286**	**$ 58,510**	**$ (116,378)**	**$ 63,092**	**$ (53,286)**
Identifiable assets	**$2,237,490**	**$251,469**	**$281,510**	**$328,572**	**$3,099,041**	**$ (282,765)**	**$2,816,276**

For the years ended March 31, 2009 and 2008, overseas sales, which included export sales from Japan and net sales of overseas consolidated subsidiaries other than Japan, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
North America	**¥107,407**	¥138,792	**$1,095,990**
Europe	**61,881**	68,186	**631,439**
Asia	**32,640**	39,537	**333,061**
Other area	**31,379**	35,054	**320,194**
	¥233,307	¥281,569	**$2,380,684**
Percentage of overseas sales to total consolidated net sales	**79.9%**	81.5%	

Independent Auditors' Report

To the Board of Directors of
NGK SPARK PLUG CO., LTD.

We have audited the accompanying consolidated balance sheet of NGK SPARK PLUG CO., LTD. (the "Company") and its consolidated subsidiaries (the "NGK Spark Plug Group") as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the NGK Spark Plug Group's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the NGK Spark Plug Group as of March 31, 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

(1) As discussed in Note 2(e) to the consolidated financial statements, the Company and its domestic consolidated subsidiaries have adopted a new accounting standard for measurement of inventories effective from the year ended March 31, 2008.
(2) As discussed in Note 2(g) to the consolidated financial statements, the Company and its domestic consolidated subsidiaries changed the depreciation method for buildings effective from the year ended March 31, 2008.

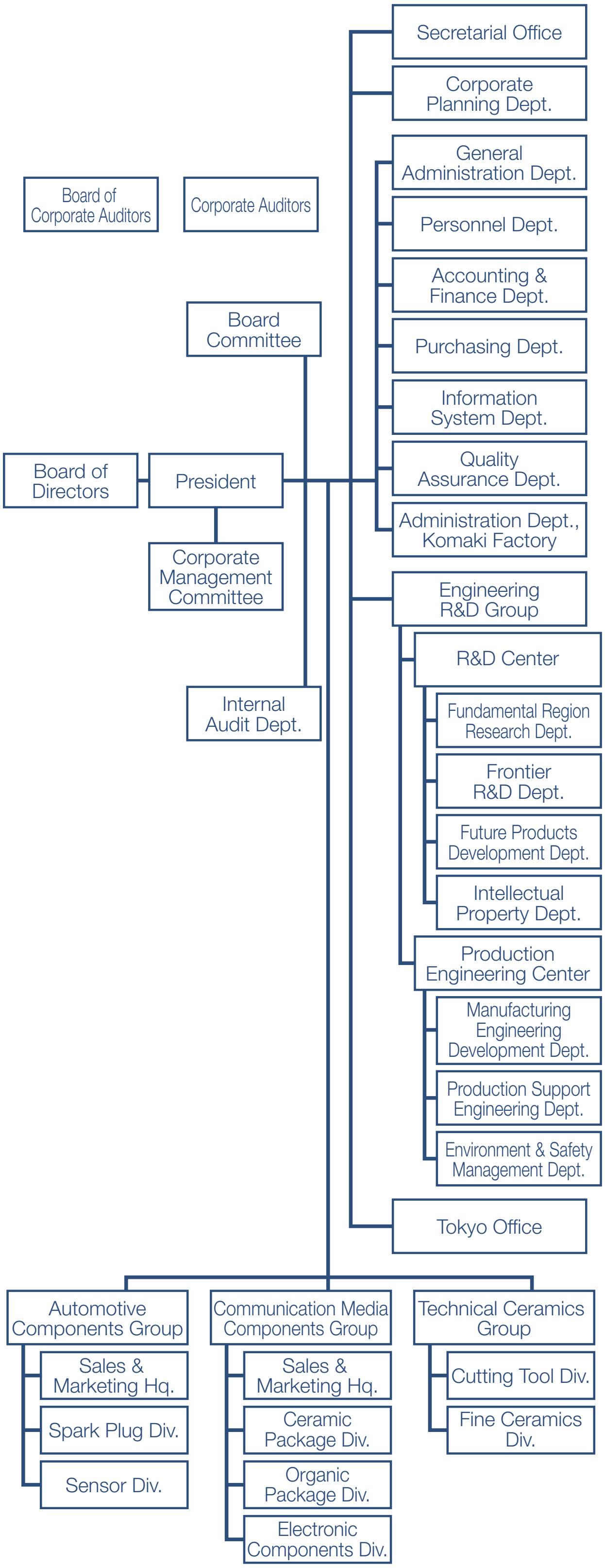
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Nagoya, Japan
June 26, 2009

Organization

(As of July 1, 2009)



Board of Directors

(As of June 26, 2009)

President,
Chief Executive Officer

Norio Kato*

Executive Vice President

Kazuo Kawahara*
Masami Kawashita*

Senior Managing Director

Junichi Kagawa

Managing Director

Tsuneo Ito
Tessho Yamada
Katsuhiko Sumida
Seiji Nimura
Takafumi Oshima

Director

Yo Tajima
Masahiko Yamada
Norio Teranishi
Shinji Shibagaki
Shinichi Odo
Shogo Kawajiri
Junichiro Suzuki
Takeshi Nakagawa
Keiichi Matsunari
Hitoshi Iimi
Hideyuki Koiso
Takao Hamada

Standing Corporate Auditor

Tsutomu Kawamitsu
Masami Asai

Corporate Auditor

Kunihiro Inoue
Shigehisa Sao

*Representative Director

Corporate Data

(As of March 31, 2009)

NGK SPARK PLUG CO., LTD.

Head Office
14-18 Takatsuji-cho, Mizuho-ku, Nagoya, 467-8525, Japan
http://www.ngkntk.co.jp

Established
October 1936

Common Shares
Authorized: 390,000,000
Issued: 229,544,820

Paid-in-Capital
¥47,869 million

Stock Listings
Tokyo Stock Exchange, 1st Section
Nagoya Stock Exchange, 1st Section

Number of Employees
Consolidated: 11,979
Non-Consolidated: 6,050

Number of Shareholders
16,280

Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation

Independent Auditors
KPMG AZSA & Co.

Common Stock Price Range

	FY2009	
	High	Low
April-June 2008	¥1,445	¥1,158
July-September 2008	1,302	985
October-December 2008	1,039	655
January-March 2009	905	652

NGK SPARK PLUG CO., LTD.

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