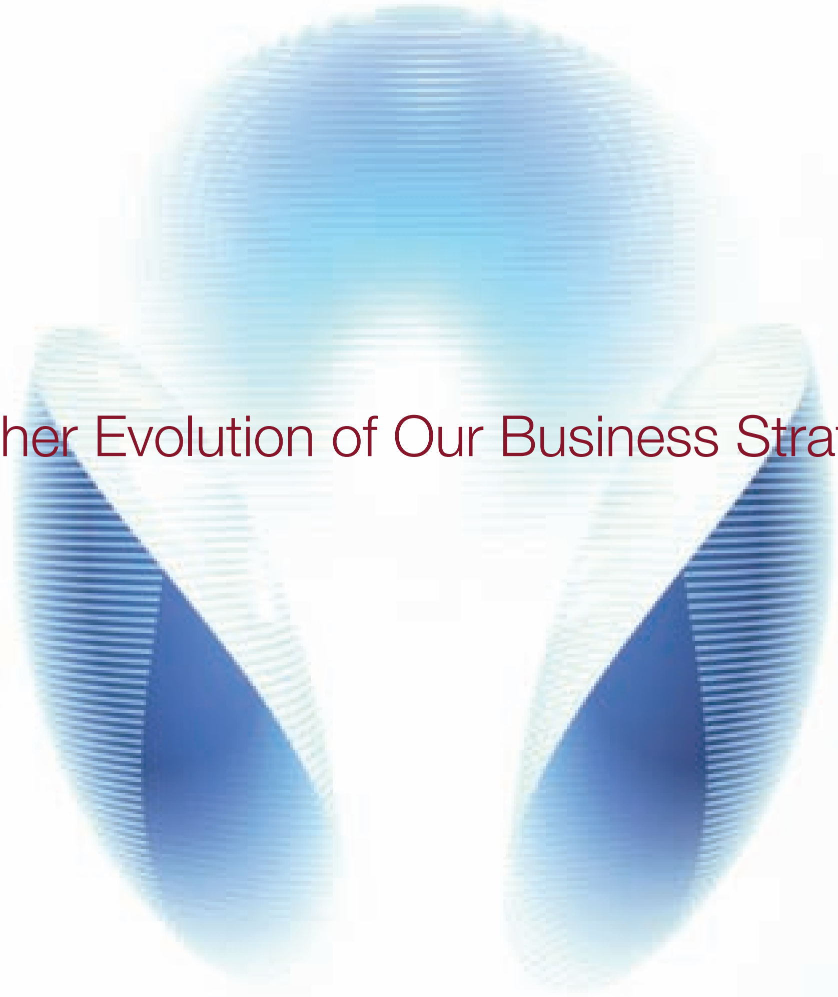
Annual Report 2010

Fiscal year ended March 31, 2010

Further Evolution of Our Business Strategy



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.

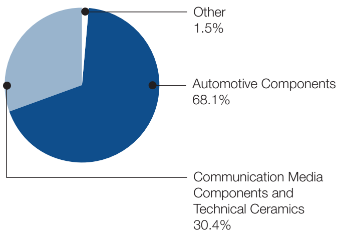
Financial Highlights

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries
Years Ended March 31, 2010, 2009 and 2008

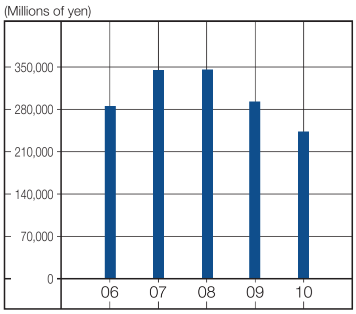
	Millions of yen			Change (%)	Thousands of U.S. dollars
	2010	2009	2008	2010/2009	**2010**
For the year:					
Net sales:	**¥243,914**	¥292,122	¥345,584	(16.5)%	**$2,622,731**
Automotive Components	**166,067**	186,685	209,394	(11.0)	**1,785,667**
Communication Media Components and Technical Ceramics	**74,186**	100,941	130,946	(26.5)	**797,699**
Other	**3,661**	4,496	5,244	(18.6)	**39,365**
Operating income (loss)	**10,684**	(5,222)	35,040	–	**114,882**
Net income (loss)	**13,510**	(71,669)	22,144	–	**145,269**
At year-end:					
Total assets	**¥331,476**	¥275,995	¥412,151	20.1%	**$3,564,258**
Net assets	**207,007**	184,385	288,299	12.3	**2,225,882**
	Yen			Change (%)	U.S. dollars
Per share data:					
Net income (loss):					
—Basic	**¥62.01**	¥(328.90)	¥100.93	–%	**$0.67**
—Diluted	**61.46**	(328.90)	95.80	–	**0.66**
				Change (Yen)	
Cash dividends	**11.00**	13.50	27.00	¥(2.5)	**0.12**

Note: U.S. dollar amounts above and elsewhere in this Annual Report are converted from yen, for convenience only, at the rate of ¥93=U.S.$1

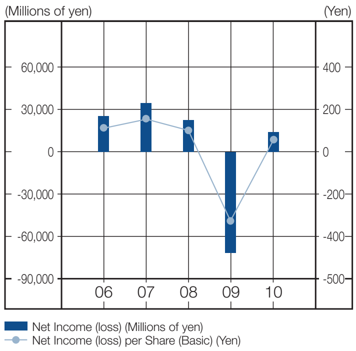
2010 Sales Composition by Industry Segment (%)



Net Sales



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



Norio Kato
President

Business results for fiscal 2009

During the fiscal year ended March 31, 2010, the world economy contracted greatly in the first half because of the impact on the real economy of the global financial crisis that struck in autumn 2008. However, in the second half of the year, a recovery of the world economy got underway as economic stimulus measures implemented by various countries took effect.

In particular, the growth of the emerging economies in Asia, led by China and India, exceeded expectations and the economies of the advanced countries bottomed out. The Japanese economy also started to pick up amid signs of recovery of GDP and personal consumption. On the other hand, earnings of export-related companies generally declined owing to the rapid appreciation of the yen and increasing deflationary pressure due to falling commodity prices. A self-sustaining economic recovery led by domestic demand did not materialize and there was concern about the possibility of a double-dip recession in Japan.

The automotive industry, the NGK Spark Plug Group's principal business field, has been greatly affected by the recession, as indicated by the bankruptcy of major automotive manufacturers in the U.S. in the early part of the fiscal year under review. The number of new vehicles sold plummeted. In these circumstances, automotive manufacturers accelerated their environmental initiatives and released a stream of attractively priced, fuel-efficient hybrid cars. Meanwhile, competition in development of next-generation electric vehicles intensified. In the second half of the year under review, demand for new vehicles recovered, centering on attractively priced compact cars, thanks to the impact of governmental measures to support replacement and purchase of automobiles. In the field of communication media components and technical ceramics, semiconductor companies curbed their IT investment in view of lackluster business results and overcapacity. Although demand for IT products for consumers was weak in the first half, demand for personal computers, smartphones, and semiconductors for digital consumer appliances increased in the second half of the year and business results of major IT companies started to recover.

As a result, consolidated net sales for fiscal 2009 were ¥243,914 million, a decrease of 16.5% year on year. Operating income amounted to ¥10,684 million compared with an operating loss for the previous fiscal year. Net income was ¥13,510 million compared with a large net loss recorded for the previous fiscal year partly because of application of impairment accounting.

Next, I would like to present the overview of business segments.

In the Automotive Components Business, the rapid cooling of demand for automotive components for factory installation in new vehicles and for aftermarkets worldwide in the second half of the previous fiscal year had a major adverse impact on the performance of the Automotive Components Business in the first half of the fiscal year under review. However, demand recovered in the second half of the year at a pace faster than expected, supported by automotive replacement demand reflecting the economic stimulus measures of various countries and the upbeat emerging economies that quickly shrugged off the global recession. As a result, segment sales decreased 11.0% year on year to ¥166,067 million and operating income fell 27.4% to ¥15,626 million.

The Communication Media Components and Technical Ceramics Businesses continued to face a challenging operating environment characterized by shrinking demand worldwide, the depreciation of the U.S. dollar, and price erosion of IC packages for MPUs, the mainstay products in this segment, due to the spread of low-cost mobile personal computers. In these adverse circumstances, we promoted structural reform, including reorganization and optimization of the production system. As a result, coupled with the upturn of the personal computer market and other markets in the second half, we were able to drastically reduce the operating loss. The Communication Media Components and Technical Ceramics Businesses almost broke even in the second half. Segment sales decreased 26.5% year on year to ¥74,186 million and the operating loss decreased by ¥21.5 billion from the previous fiscal year to ¥5,110 million.

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.

In accordance with this policy, the Company paid dividends per share of ¥11.0 for fiscal 2009, consisting of an interim dividend of ¥5.5 and a year-end dividend of ¥5.5. We regret that the annual payout ratio on a consolidated basis was 17.7%, which was below our target payout ratio. However the Company intends to pay out annual dividends of ¥18.0 per share for fiscal 2010. The payout ratio will be 21.2%.

Medium-term management plan

The operating environment in fiscal 2009 was challenging, continuing from the second half of fiscal 2008, which was the toughest time for the Company since its foundation. We recognized it as a great opportunity for us to thoroughly review the existing businesses and think deeply about the future of the Group.

Today's NGK Spark Plug Group has developed through the accumulation of ingenuity and improvements and by offering excellent quality from the customers' viewpoint. These are the core values of the Group and we have renewed our recognition that in tackling various issues we must always remain true to them.

In fiscal 2010 we have started the fifth medium-term management plan, dubbed "The Evolution of NGK Spark Plug: Intensification over Three Years" with the objectives of enriching the existing businesses and establishing new businesses.

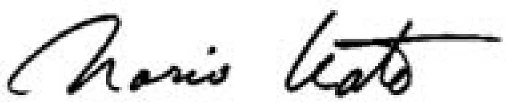
The automotive industry is undergoing sweeping changes. Technological innovation, such as electric vehicles, is transforming our operating environment. Spark plugs and oxygen sensors, our mainstay products, will not be used in electric vehicles. Although this revolution has not occurred yet, we must emphasize development of next-generation new products now in readiness for the future.

In 2009, we established the Engineering R&D Group by integrating departments related to production support engineering, environment & safety management, intellectual property, and production engineering at our R&D Center to promote multifaceted R&D.

In addition, we established a project team to engage in development of new strategic products, looking 10 or 20 years ahead. Apart from fuel cells and other products that are under development, this project team is spearheading our efforts to create products with the potential to become next-generation businesses.

The fifth medium-term management plan is crucially important in light of NGK Spark Plug's vision 10 years ahead as the plan sets the direction for the first three years. We must achieve the goals of this medium-term management plan in order to ensure that we lay a firm foundation for the Company 10 years ahead. We cannot afford to waste any time. With dedication, officers and employees are making a concerted effort.

In these endeavors, I would be grateful for the understanding and support of our shareholders and the wider investor community.



Norio Kato
President

NGK Spark Plug Employees Lecture at a High School

Kagoshima-Miyanojo Factory, NGK Spark Plug's mainstay plant for spark plugs, has benefited from the support of people in the local community. Seeking coexistence and co-prosperity with the local community, the factory is vigorously committed to social contribution activities as a good corporate citizen.

As an element of social contribution activities, employees of Kagoshima-Miyanojo Factory recently visited Kagoshima Prefectural Satsuma Chuo High School to lecture to students on the theme of the relationship between education and manufacturing.

This education program is designed principally for high school students in the 12th grade who will start working after graduation and covers themes such as quality control, subjects relevant to students who subsequently pursue careers in manufacturing. In this program, our employees' draw on the wealth of experience they have gained through their work.

We received favorable feedback from the students who participated in the lectures and from the teachers. Students commented that the lectures helped them deepen their understanding of the importance of quality. Teachers praised the lectures for being readily accessible to the students and for tackling issues not usually raised in school while providing useful tips to students embarking on careers.

We intend to offer students opportunities to gain direct experience of the world of work in addition to class-room lectures in the future. In this way, we are striving to enhance our contribution to the local community.

Donating Part of Proceeds from Spark Plug Sales to Tree Planting

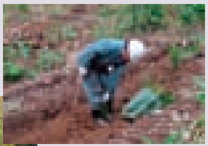
Spark plugs, our mainstay products, are critically important components for engine ignition. Electrodes of a spark plug wear out after a long period of use and prevent normal combustion, causing deterioration of vehicle power and fuel efficiency and increases of CO_2 and other gases contained in exhaust. With the catchphrase "Let's replace it with an eco plug!" NGK Spark Plug is advocating that plugs be replaced regularly, which will be vehicle friendly and environmentally friendly.

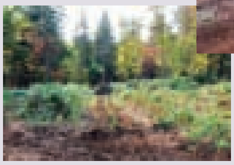
As our principal business involves offering environmentally conscious products, we recognize that working for harmony with the environment is an important corporate responsibility. Based on this recognition, we donated part of the proceeds from sales of spark plugs during the spring eco plug campaign period (April to June 2009) to a tree planting initiative in Horokanai-cho, Uryu-gun, Hokkaido.

Large tracts of virgin forest in Hokkaido have been overwhelmed by bamboo as a result of natural disasters, such as typhoons and fires.

Once bamboo becomes the dominant plant, it takes a long time for the forest to grow back. With the aim of restoring the rich forest ecosystem, 15 researchers from Hokkaido University planted 1,000 pine tree seedlings (Picea glehnii) in September 2009, of which 100 seedlings were donated by NGK Spark Plug.

Users of NGK spark plugs are contributing to the restoration of the forest ecosystem where these pine trees were planted. We intend to continue contributing to tree planting and will strive to make expanded cooperation with the users of our products integral to our way of doing business.





Pine tree seedling. An aluminum identification tag will be attached to each tree.

Fifth Medium-term Management Plan Launched

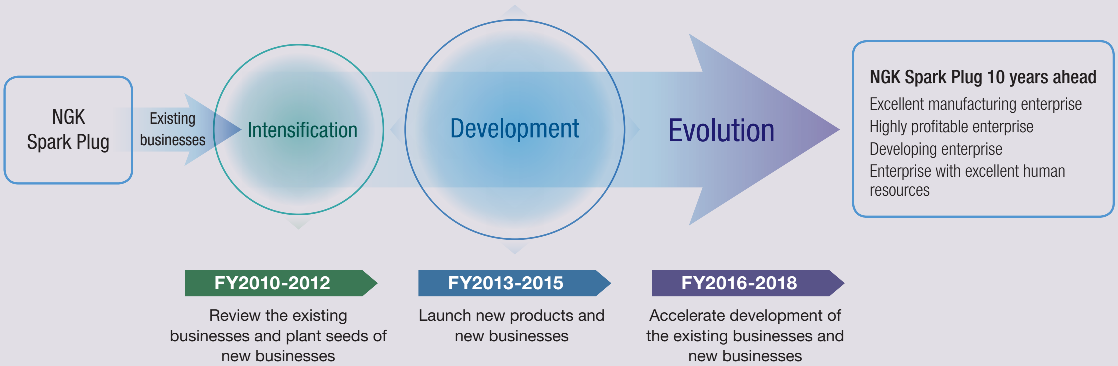
NGK Spark Plug formulated the fifth medium-term management plan, entitled “The Evolution of NGK Spark Plug: Intensification over Three Years” which covers the three years from April 2010 to March 2013.

This three-year period is the first phase in the NGK Spark Plug Group’s progress toward achievement of the Group’s vision 10 years ahead, namely, an enterprise excelling in manufacturing, profitability, development, and human resources.

In the three-year period from fiscal 2010 to fiscal 2012 devoted to “intensification,” we will concentrate on review the existing businesses and planting the seeds of new businesses.

The fifth medium-term management plan positions the three years from fiscal 2010 to fiscal 2012 as a preparatory period for renewing our recognition of NGK Spark Plug’s core values as a manufacturing enterprise, laying a firm foundation for the business, and planting seeds for new businesses in light of the vision of the Company 10 years into the future, so that we can launch new businesses in the next three-year period, from fiscal 2013 to fiscal 2015.

Overview of the new medium-term management plan



Basic policy and measures

Basic policy

Reinforce the business foundation and establish footholds for further development

Basic measures

- Reconstruct the existing businesses by strengthening manufacturing capabilities and strengthen the foundation of the business
- Develop new products leading to the next generation under the new R&D structure
- Strengthen organizational power through strategic deployment of human resources

Based on the above-mentioned policy and measures, we aim to achieve the following targets for the year ending March 31, 2013, the final year of the fifth medium-term management plan: net sales of ¥295.0 billion, an increase of 21% compared with fiscal 2009, operating income of ¥41.0 billion, an increase of 283%, and the ratio of operating income to net sales of 13.9%.

Performance targets

(Billions of yen)

	FY2009 results	FY2010	FY2011	FY2012
Net sales	243.9	255.5	277.5	295.0
Operating income (ratio of operating income to net sales)	10.7 (4.4%)	21.5 (8.4 %)	33.3 (12.0 %)	41.0 (13.9 %)
Net income	13.5	18.5	24.8	24.0
ROE	7.0 %	8.7 %	10.7 %	9.5 %

Measures for business fields

Automotive Components Business

- Secure technological advantages and promote low-cost design
- Further expand the share of the global market through optimization of the production structure worldwide

Communication Media Components and Technical Ceramics Businesses

- Strengthen competitiveness through in-house production of high-value-added products, cycle time reduction and cost reduction
- Establish a business structure capable of continually generating profits

Commitment to New Businesses

We are developing new products and new businesses that have the potential to become next-generation mainstays of the Group. Among them are solid oxide fuel cells (SOFC).

In view of global warming, there is a global need for fuel cells and markets are emerging worldwide. Moreover, the NGK Spark Plug Group's technological expertise can be leveraged for fuel cells.

SOFC System Unit

State of Corporate Governance

NGK Spark Plug seeks to increase its corporate value by gaining the greater trust of all stakeholders and fulfilling its responsibility to society in a thoroughgoing manner. We believe that one of the most important managerial challenges to reach this goal is thse development and maintenance of a fair and efficient managerial system while ensuring managerial soundness and transparency.

We also place great importance on the timely and appropriate disclosure of corporate information to our investors, which is essential to the healthy operation of the securities exchanges. We are making efforts to enhance mechanisms for information management and internal control by setting forth the timing and the parties accountable in the Internal Information Control Rules, among other measures.

In addition, the Company is redoubling efforts to raise awareness about compliance. The Code of Conduct was established with an aim to make each and every officer and employee fully aware of and to instill in them the Company's commitment, management policy and action guideline, which constitute the Corporate Philosophy, and to clarify the Company's basic attitude essential to translating the code into practical action.

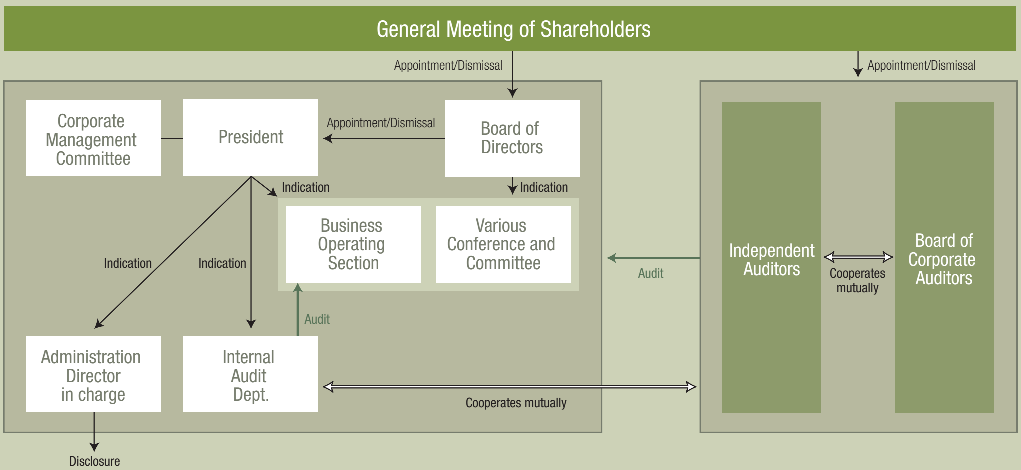
The managerial structures for decision-making, execution and oversight, as well as information control and internal control mechanisms, are illustrated below.

State of Key Internal Control Systems

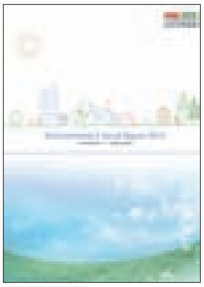
(1) The Board of Auditors is composed of four auditors, including two outside auditors. The two outside auditors, who have no conflicts of interests with the Company such as business relationships and do not belong to any organization with conflicts of interests, keep informed on important affairs by attending the Board of Directors meetings and receiving business reports. Through periodic exchanges of opinions with the President in addition to audits of major business locations and subsidiaries, they also audit the execution of duties by the directors.

(2) The Company's four-member Internal Audit Section conducts business audits for the Company and its affiliates,

Corporate Governance Structure



and reports audit and inspection results to management and recommends corrective and improvement measures as needed. It keeps in close touch with the corporate directors, with whom it exchanges information regarding the audit policy, plans and the state of audit implementation during periodic and ad hoc conferences. In addition, the section and the auditors attempt to improve their auditing competency on a mutual basis. Examples of mutual involvements include corporate auditors accompanying the section staff to internal audits and the section preparing investigations and reports for auditors at the request of auditors, as needed.
(3) In the area of risk control, internal rules and guidelines were prepared under the leadership of the directors. They are designed, along with training and seminars, to prevent incidents of loss and damage. In the event of the occurrence of an actual risk, a cross-organizational structure encompassing the entire Group will be mobilized to bring the matter under control.



Publishing "Environmental & Social Report"

Prevention of global warming

Recognizing that mitigating global warming is essential not only for humankind but also for maintaining the ecosystem in the 21st century, we are promoting various initiatives. In fiscal 2009, amid the global recession, we focused on eliminating waste in fixed energy consumption. As a result, we were able to reduce total CO_2 emissions although we fell short of the target by a narrow margin. In fiscal 2010, the final year of Eco Vision, we intend to redouble our efforts to reduce CO_2 emissions so that we can achieve our target: CO_2 emissions of 150,000 tons or less.

NGK Spark Plug established the Energy Saving Promotion Office in July 2010 to spearhead the drive to reduce CO_2 emissions with a 10-year horizon. The Group intends to further strengthen energy-saving initiatives as part of efforts to contribute to mitigation of global warming.

Result Compared with the Fiscal 2009 Target

The NGK Spark Plug Group's CO_2 emissions in fiscal 2009 amounted to 171,000 tons. Although the result slightly exceeded the target of 169,000 tons, the Group achieved a 12% reduction compared with fiscal 2008. We also achieved an improvement in emissions in terms of the basic unit. Despite higher production compared with the previous year, integration of factories and facilities and equipment as a result of restructuring led to lower CO_2 emissions and an improvement of the basic unit.

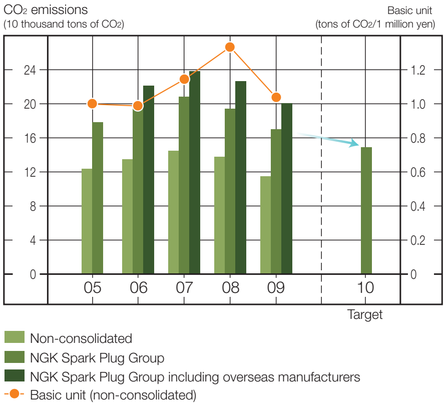
Considering the fiscal 2009 result and the production forecast, the Group's target for fiscal 2010 is 176,000 tons. We will strive to reduce total emissions while endeavoring to continue improving the basic unit.

As a global enterprise, we intend to promote measures to mitigate global warming throughout our operations worldwide.

Fiscal 2009 target and result

	Target (Emissions)	Result
Group	169,000 tons or less	171,000 tons

Energy-originated CO_2 emissions
(offices and factories)

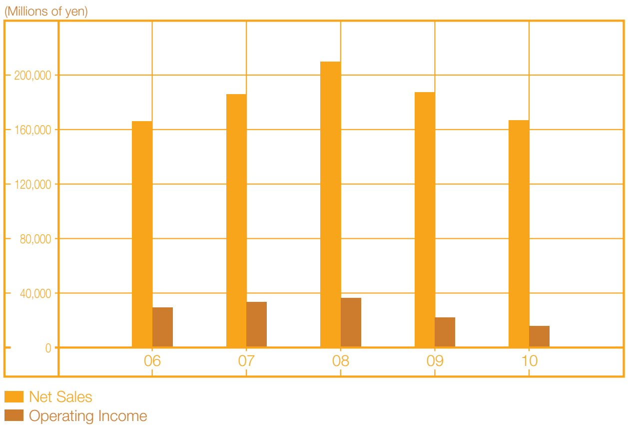


Principal measures

- Energy saving by means of start-stop control of vacuum pumps
- Energy saving through the revised pure water supply method
- Energy saving by changing the method of heating the plating tank

Automotive Components Business

Net Sales/ Operating Income



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 four 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 eight 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 ten other overseas sales subsidiaries sell finished products procured from the Company and the overseas manufacturing subsidiaries to customers in their regions.

Review of Results

The rapid cooling of demand for automotive components for factory installation in new vehicles and for aftermarkets worldwide in the second half of the previous fiscal year had a major adverse impact on the performance of the Automotive Components Business in the first half of the fiscal year under review. However, demand recovered in the second half of the year at a pace faster than expected, supported by automotive replacement demand reflecting the economic stimulus measures of various countries and the upbeat emerging economies that quickly shrug off the global recession.

As a result, segment sales decreased 11.0% year on year to ¥166,067 million and operating income fell 27.4% to ¥15,626 million.

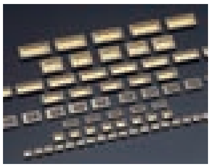
Outlook

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. In the year to March 2011, as the recovery in demand since the second half of the fiscal year under review is expected to continue, we forecast segment sales of ¥184.9 billion, an increase of 11.3% year on year, and operating income of ¥24.4 billion, an increase of 56.2%.

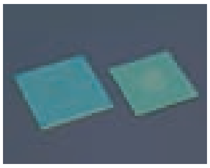
Communication Media Components and Technical Ceramics Businesses

Net Sales/ Operating (loss) Income

(Millions of yen)



Ceramic IC Packages (for crystal device and SAW filter)



Organic IC Packages

Electronic Components

Cutting Tools

Fine Ceramics

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 NTK Ceramic Co., Ltd. and three 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

The Communication Media Components and Technical Ceramics Businesses continued to face a challenging operating environment characterized by shrinking demand worldwide, the depreciation of the U.S. dollar, and price erosion of IC packages for MPUs, the mainstay products in this segment, due to the spread of low-cost mobile personal computers. In these adverse circumstances, we promoted structural reform, including reorganization and optimization of the production system. As a result, coupled with the upturn of the personal computer market and other markets in the second half, we were able to drastically reduce the operating loss. The Communication Media Components and Technical Ceramics Businesses almost broke even in the second half.

Segment sales decreased 26.5% year on year to ¥74,186 million and the operating loss decreased from ¥26,565 million for the previous fiscal year to ¥5,110 million.

Outlook

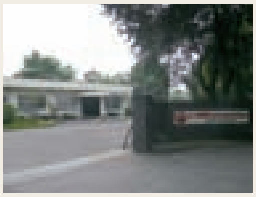
We are working to further improve productivity by implementing thorough cost controls. Owing to a decline in demand for IC packages, the mainstay products, we forecast segment sales of ¥66.6 billion, a decrease of 10.2% year on year and an operating loss of ¥2,630 million compared with an operating loss of ¥5,110 million recorded for the year under review.

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.

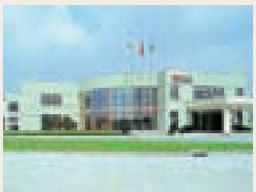

NGK Spark Plugs (Thailand) Co., Ltd.


Woojin 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.


NGK Spark Plugs (India) Pvt. Ltd.

Major Subsidiaries and Affiliates

As of March 31, 2010

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

NTK 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.
Sale of automotive components

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 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

Woojin 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, 2010, 2009, 2008, 2007, 2006 and 2005

	Millions of yen						Thousands of U.S. dollars
	2010	2009	2008	2007	2006	2005	**2010**
For the year:							
Net sales	**¥243,914**	¥292,122	¥345,584	¥344,891	¥284,885	¥241,186	**$2,622,731**
Costs of goods sold	**192,722**	251,833	262,243	248,565	203,338	177,786	**2,072,279**
Selling, general and administrative expenses	**40,508**	45,511	48,301	43,924	40,034	37,310	**435,570**
Operating income (loss)	**10,684**	(5,222)	35,040	52,402	41,513	26,090	**114,882**
Net income (loss)	**13,510**	(71,669)	22,144	34,073	25,104	17,147	**145,269**
Cash flows from operating activities	**34,255**	36,604	37,728	36,481	34,750	36,092	**368,333**
Cash flows from investing activities	**(17,271)**	(27,154)	(43,821)	(22,924)	(30,692)	(41,782)	**(185,710)**
Cash flows from financing activities	**865**	(10,461)	(2,930)	(14,042)	(2,458)	(1,888)	**9,301**
Depreciation	**18,826**	31,767	25,474	18,861	15,269	14,528	**202,430**
Capital expenditures	**10,978**	24,173	63,231	29,271	26,919	13,956	**118,043**
At year-end:							
Total assets	**¥331,476**	¥275,995	¥412,151	¥413,769	¥386,235	¥323,109	**$3,564,258**
Net assets	**207,007**	184,385	288,299	288,977	260,766	222,011	**2,225,882**
Sales by Industry Segment:							
Automotive components	**166,067**	186,685	209,394	185,601	165,280	148,726	**1,785,667**
Communication media components and technical ceramics	**74,186**	100,941	130,946	154,447	116,032	89,805	**797,699**
Other	**3,661**	4,496	5,244	4,843	3,573	2,655	**39,365**
Sales by geographic area:							
Japan	**97,971**	123,770	149,200	149,433	127,127	101,448	**1,053,452**
North America	**50,600**	61,925	85,267	105,955	83,584	73,700	**544,086**
Europe	**51,215**	61,440	67,560	57,683	47,490	44,961	**550,699**
Other	**44,128**	44,987	43,557	31,820	26,684	21,077	**474,494**
Other Data:							
Number of Shareholders	**12,102**	16,280	12,681	13,033	11,169	12,702	
Number of Employees (Consolidated)	**11,795**	11,979	11,599	10,407	9,815	9,406	

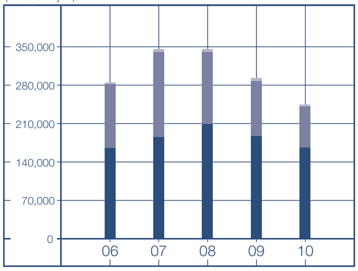
	Yen						U.S. dollars
Per share data:							
Net income (loss)							
— Basic	**¥62.01**	¥(328.90)	¥100.93	¥154.24	¥112.82	¥77.01	**$0.67**
— Diluted	**61.46**	(328.90)	95.80	146.44	106.91	72.92	**0.66**
Cash dividends	**11.00**	13.50	27.00	27.00	20.00	16.00	**0.12**
Equity	**942.41**	838.11	1,312.72	1,302.52	1,166.97	997.13	**10.13**

	Percent					
Ratios (Figures in parentheses are negative)**:**						
Operating profit ratio	**4.4%**	(1.8)%	10.1%	15.2%	14.6%	10.8%
Equity ratio	**61.9**	66.2	69.4	69.4	67.1	68.4
Return on net sales	**5.5**	(24.5)	6.4	9.9	8.8	7.1
Return on assets	**4.4**	(20.8)	5.4	8.5	7.1	5.5
Return on equity	**7.0**	(30.6)	7.7	12.5	10.5	8.0

Note : U.S. dollar amounts above and elsewhere in this Annual Report are converted from yen, for convenience only, at the rate of ¥93=U.S.$1.

Management's Discussion and Analysis

Net Sales by Business Segment
(Millions of yen)



Overview of Results

During the fiscal year ended March 31, 2010, the world economy contracted greatly in the first half because of the impact on the real economy of the global financial crisis that struck in autumn 2008. However, in the second half of the year, a recovery of the world economy got underway as economic stimulus measures implemented by various countries took effect. In particular, the growth of the emerging economies in Asia, led by China and India, exceeded expectations and the economies of the advanced countries bottomed out.

The Japanese economy also started to pick up amid signs of recovery of GDP and personal consumption. On the other hand, a decline in earnings of export-related companies owing to the rapid appreciation of the yen and increasing deflationary pressure due to falling commodity prices threw cold water on the recovery of the Japanese economy supported by the government's economic stimulus measures by and the buoyant emerging economies. A self-sustaining economic recovery led by domestic demand did not materialize and there was concern about the possibility of a double-dip recession in Japan.

The automotive industry, the NGK Spark Plug Group's principal business field, has been greatly affected by the recession, as indicated by the bankruptcy of major automotive manufacturers in the U.S. in the early part of the fiscal year under review. The number of new vehicles sold plummeted. In these circumstances, automotive manufacturers accelerated their environmental initiatives and released a stream of attractively priced, fuel-efficient hybrid cars. Meanwhile, competition in development of next-generation electric vehicles intensified. In the second half of the year under review, demand for new vehicles recovered, centering on attractively priced compact cars, thanks to the impact of governmental measures to support replacement and purchase of automobiles.

In the field of communication media components and technical ceramics, semiconductor companies curbed their IT investment in view of lackluster business results and overcapacity. Although demand for IT products for consumers was weak in the first half, demand for personal computers, smartphones, and semiconductors for digital consumer appliances increased in the second half of the year and business results of major IT companies started to recover.

As a result, consolidated net sales for the fiscal year ended March 31, 2010, were ¥243,914 million, a decrease of 16.5% year on year. Operating income amounted to ¥10,684 million compared with the operating loss of ¥5,222 million for the previous fiscal year and net income was ¥13,510 million compared with the net loss of ¥71,669 million for the previous fiscal year.

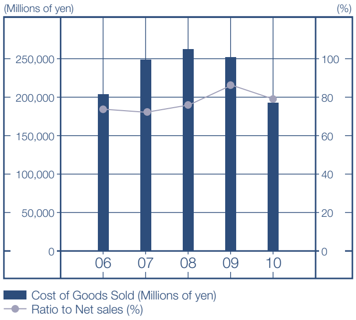
Results of Operations

Net Sales

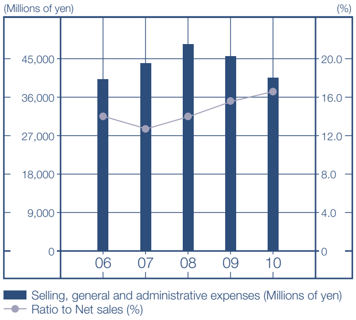
Net sales decreased ¥48,208 million or 16.5% from the previous fiscal year to ¥243,914 million. This decrease was attributable to lower shipments in the Automotive Components Business because of reduced demand for new vehicles and lower demand for IT products in the Communication Media Components and Technical Ceramics Businesses as companies curbed investment in IT.

	Millions of yen		
	2009	**2010**	Decrease (-)
Automotive Components Business	186,685	**166,067**	-20,618
Communication Media Components and Technical Ceramics Businesses	100,941	**74,186**	-26,755
Other businesses	4,598	**3,750**	-848
Elimination or corporate	(102)	**(89)**	
Consolidated net sales	292,122	**243,914**	-48,208

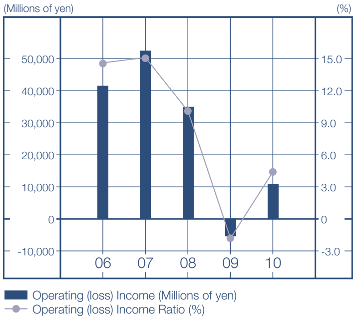
Costs of Goods Sold and Ratio to Net Sales



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 ¥59,111 million or 23.5% from the previous fiscal year to ¥192,722 million. The ratio of costs of goods sold to net sales decreased 7.2 percentage points from 86.2% for the previous fiscal year to 79.0% for the year under review. This decrease indicates that the impact of restructuring, including reorganization, started to take effect, in addition to the impact of a great decrease in depreciation and amortization as a result of impairment of fixed assets at the end of the previous fiscal year and curtailment of investment.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased ¥5,003 million or 11.0% to ¥40,508 million. The principal reason was that salaries and bonuses, advertising expenses, and R&D expenses were all lower.

Operating income

Operating income amounted to ¥10,684 million, having increased ¥15,906 million from the operating loss recorded for the previous fiscal year.

Net income

Net income amounted to ¥13,510 million, having increased ¥85,179 million from the net loss recorded for the previous fiscal year. The previous fiscal year's large loss was attributable to the recognition of a loss on impairment of fixed assets, amortization of goodwill, and write-down of deferred tax assets, reflecting sharp deterioration of operating revenues in the deep recession and the extremely unclear outlook. However, in the fiscal year under review, operating revenues recovered owing to the faster-than-expected economic recovery and the impact of restructuring. Recoverability of deferred tax assets was reassessed in light of the recovery of operating revenues.

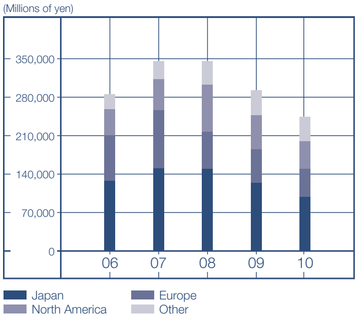
The return on equity increased 37.6 percentage points from -30.6% at the previous fiscal year-end to 7.0%, and net income per share was ¥62.01, compared to a net loss per share of ¥328.9 at the previous fiscal year-end.

Geographical Segment Information

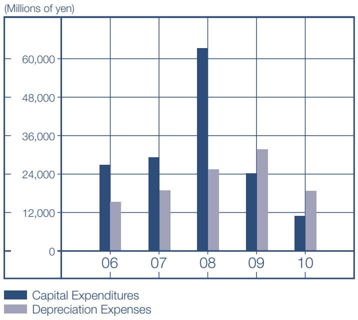
Japan

In the Automotive Components Business, shipments of finished goods and knock-down parts for subsidiaries overseas decreased owing to deep production cuts by automotive manufacturers, reflecting the global financial crisis. 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 12.0% year on year to ¥206,440 million, however operating income of ¥10,055 million was recorded compared with an operating loss of ¥21,511 million for the previous fiscal year.

Net Sales by Region



Capital Expenditures and Depreciation Expenses



North America

Contraction of the demand for automotive components for factory installation in new vehicles led not only to lower shipments to the Big Three automotive manufacturers in the U.S but also to Japanese manufacturers there. Sales in North America decreased 18.5% from the previous fiscal year to ¥51,203 million and operating income was ¥242 million, decreased by 76.1%.

Europe

Although the decline in demand for automotive components for installation in new vehicles and for the aftermarket was less pronounced in Europe than in Japan and in the U.S., the depreciation of the euro had a large adverse impact. Sales in Europe decreased 16.3% from the previous fiscal year to ¥52,042 million, and operating income decreased 40.7% to ¥1,991 million.

Other Regions

The Asia and Latin American markets picked up earlier than markets elsewhere. However, partly owing to the effect of foreign exchange rates, sales in other regions decreased 2.7% to ¥45,142 million and operating income decreased 43.6% to ¥3,235 million.

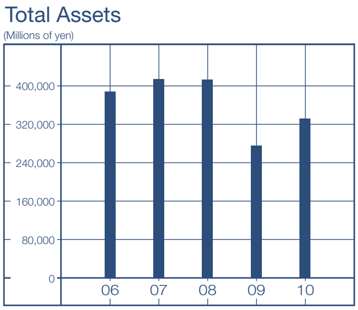
Capital Expenditures

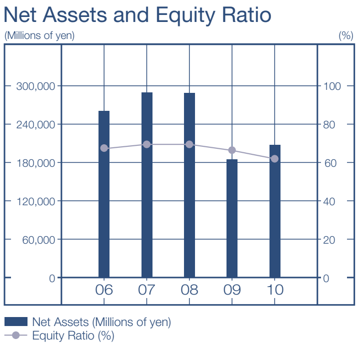
Capital expenditures amounted to ¥10,978 million, most of which were used for updating of mission-critical IT systems and rationalization. The breakdown of capital expenditures was as follows: ¥7,325 million for the Automotive Components Business, ¥3,652 million for the Communication Media Components and Technical Ceramics Businesses, and ¥1 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

Total assets

Total assets were ¥331,476 million, having increased ¥55,481 million or 20.1% from the end of the previous fiscal year. The main factors were as follows:

- Notes and accounts receivable increased ¥14,042 million, owing to an increase in orders received in the second half of the fiscal year.
- Cash and cash equivalents increased ¥18,771 million and short-term investments increased ¥12,207 million. This increase in cash and cash equivalents was attributable to cash flow from operating activities, which amounted to ¥34,255 million despite the appreciation of the yen, reflecting the faster-than-expected recovery of the Company's financial performance. Curtailment of capital expenditures was also a factor contributing to the increase in cash and cash equivalents.
- Deferred tax assets increased ¥7,711 million as a result of a reassessment of recoverability.
- Recovery in the market value of shares of listed stocks held by the Company resulted in an ¥8,213 million increase in investment securities.

Total liabilities

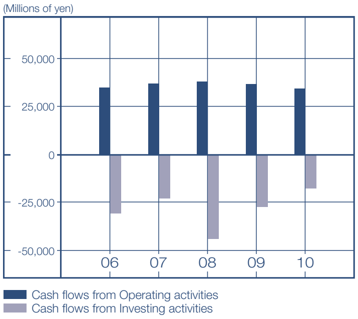
Total liabilities amounted to ¥124,469 million, having increased ¥32,859 million or 35.9% from the end of the previous fiscal year. The main factor was that accounts payable increased ¥23,862 million owing to recovery of the Company's manufacturing output.

Net assets

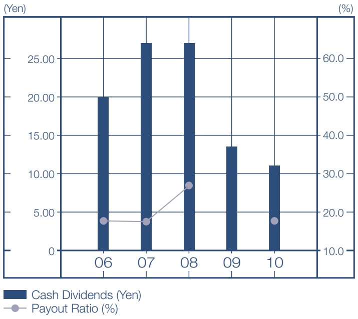
Net assets amounted to ¥207,007 million, having increased ¥22,622 million or 12.3% from the end of the previous fiscal year. The main items were a ¥12,311 million increase in retained earnings and a ¥10,418 million increase in valuation and translation adjustments.

The equity ratio decreased from 66.2% at the end of the previous fiscal year to 61.9% because of an increase in accounts payable. Net assets per share based on the number of shares issued and outstanding at the end of the fiscal year amounted to ¥942.41 compared with ¥838.11 at the end of the previous fiscal year.

Cash Flows from Operating Activities and Investing Activities



Cash Dividends and Payout Ratio



Cash Flows

Cash and cash equivalents at March 31, 2010, were ¥46,364 million. A net increase in cash and cash equivalents, including the effect of exchange rate changes on cash and cash equivalents, amounted to ¥18,771 million.

Cash flows from operating activities

Net cash provided by operating activities was ¥34,255 million, having decreased ¥2,349 million from the previous fiscal year. This decrease was attributable to a decrease of ¥47,360 million in major non-cash items (depreciation, impairment loss on fixed assets, amortization of goodwill, equity in net (earnings) loss of affiliates) and increases in notes and accounts receivable and inventories in line with the recovery of market conditions, whereas notes and accounts receivable and inventories decreased in the previous fiscal year in line with a decrease in sales.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥17,271 million, having decreased ¥9,883 million from the previous fiscal year. This decrease was mainly attributable to curtailment of capital investment.

Cash flows from financing activities

Net cash provided in financing activities amounted to ¥865 million, whereas net cash used in financing activities amounted to ¥10,461 million for the previous fiscal year. The Company raised ¥15.0 billion (net proceeds of ¥14,919 million) through the issuance of unsecured bonds in view of the recovery of the bond market. On the other hand, the Company reduced short-term borrowings.

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.

The Company paid dividends per share of ¥11.0 for the fiscal year ended March 31, 2010, consisting of an interim dividend of ¥5.5 and a year-end dividend of ¥5.5. The Company intends to pay out common dividends of ¥18.0 per share for the fiscal year ending March 31, 2011.

Consolidated Balance Sheets

March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Current assets:			
Cash and cash equivalents (Note 3)	**¥ 46,364**	¥ 27,593	**$ 498,538**
Short-term investments (Notes 3 and 6)	**18,595**	6,388	**199,946**
Notes and accounts receivable, net of allowance for doubtful accounts (Notes 3 and 4)	**52,181**	38,139	**561,086**
Inventories (Note 5)	**59,721**	52,689	**642,162**
Deferred tax assets (Note 17)	**7,108**	1,203	**76,430**
Other current assets	**2,377**	2,712	**25,559**
Total current assets	**186,346**	128,724	**2,003,721**
Investments and other assets:			
Investment securities (Notes 3 and 6)	**36,835**	28,622	**396,075**
Investments in unconsolidated subsidiaries and affiliates	**2,383**	2,022	**25,624**
Intangible assets (Note 7)	**6,462**	4,592	**69,484**
Deferred tax assets (Note 17)	**2,749**	943	**29,559**
Other assets	**1,330**	1,254	**14,301**
Less allowance for doubtful accounts	**(102)**	(102)	**(1,097)**
Total investments and other assets	**49,657**	37,331	**533,946**
Property, plant and equipment (Note 16)**:**			
Land	**15,291**	15,820	**164,419**
Buildings and structures	**132,367**	132,958	**1,423,301**
Machinery and equipment	**232,033**	230,830	**2,494,978**
Construction in progress	**572**	1,669	**6,151**
Total property, plant and equipment	**380,263**	381,277	**4,088,849**
Less accumulated depreciation	**(284,790)**	(271,337)	**(3,062,258)**
Net property, plant and equipment	**95,473**	109,940	**1,026,591**
Total assets	**¥ 331,476**	¥ 275,995	**$ 3,564,258**

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Current liabilities:			
Short-term borrowings (Notes 3 and 9)	**¥ 1,117**	¥ 13,411	**$ 12,011**
Current portion of long-term debt (Notes 3 and 9)	**2,848**	362	**30,623**
Accounts payable (Notes 3 and 8)	**37,351**	13,489	**401,624**
Accrued expenses	**13,291**	11,839	**142,914**
Income taxes payable	**1,369**	747	**14,720**
Deferred tax liabilities (Note 17)	**109**	216	**1,172**
Other current liabilities	**1,606**	1,918	**17,269**
Total current liabilities	**57,691**	41,982	**620,333**
Long-term debt (Notes 3 and 9)	**35,849**	23,526	**385,473**
Employee retirement benefit liability (Note 10)	**16,796**	16,243	**180,602**
Deferred tax liabilities (Note 17)	**12,702**	8,526	**136,581**
Other long-term liabilities	**1,431**	1,333	**15,387**
Total liabilities	**124,469**	91,610	**1,338,376**
Commitments and contingent liabilities (Notes 11 and 12)			
Net Assets (Note 14):			
Shareholders' equity:			
Common stock: authorized 390,000,000 shares;			
issued 229,544,820 shares	**47,869**	47,869	**514,720**
Capital surplus	**55,163**	55,164	**593,151**
Retained earnings	**117,985**	105,674	**1,268,656**
Less treasury stock at cost: 11,676,366 shares in 2010			
and 11,651,113 shares in 2009	**(15,004)**	(14,980)	**(161,333)**
Total shareholders' equity	**206,013**	193,727	**2,215,194**
Accumulated losses from valuation and translation adjustments	**(691)**	(11,109)	**(7,430)**
Minority interests	**1,685**	1,767	**18,118**
Total net assets	**207,007**	184,385	**2,225,882**
Total liabilities and net assets	**¥331,476**	¥275,995	**$3,564,258**

Consolidated Statements of Operations

For the Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Operating revenue:			
Net sales (Note 19)	**¥243,914**	¥292,122	**$2,622,731**
Operating costs and expenses (Note 19)**:**			
Costs of goods sold	**192,722**	251,833	**2,072,279**
Selling, general and administrative expenses	**40,508**	45,511	**435,570**
	233,230	297,344	**2,507,849**
Operating income (loss)	**10,684**	(5,222)	**114,882**
Other income (expenses):			
Interest and dividend income	**1,095**	2,364	**11,774**
Interest expenses	**(642)**	(585)	**(6,903)**
Gain (loss) on sale or disposal of property, plant and equipment	**607**	(251)	**6,527**
Depreciation of idle property, plant and equipment	**(1,167)**	—	**(12,549)**
Impairment loss on fixed assets (Note 15)	**(1,762)**	(26,658)	**(18,946)**
Extraordinary amortization of goodwill (Note 7)	**—**	(7,791)	**—**
Equity in net earnings (loss) of affiliates	**294**	(516)	**3,161**
Gain on sale of investment in affiliates	**801**	—	**8,613**
Foreign exchange gain (loss)	**157**	(4,047)	**1,688**
Other, net	**316**	(606)	**3,398**
	(301)	(38,090)	**(3,237)**
Income (loss) before income taxes and minority interests	**10,383**	(43,312)	**111,645**
Income taxes (Note 17)**:**			
Current	**2,897**	4,148	**31,150**
Deferred	**(6,311)**	23,801	**(67,860)**
Total income taxes	**(3,414)**	27,949	**(36,710)**
Income (loss) before minority interests	**13,797**	(71,261)	**148,355**
Less minority interests in net income of consolidated subsidiaries	**287**	408	**3,086**
Net income (loss)	**¥ 13,510**	¥ (71,669)	**$ 145,269**

	Yen		U.S. dollars
Per share:			
Net income (loss):			
Basic	**¥ 62.01**	¥ (328.90)	**$ 0.67**
Diluted	**61.46**	(328.90)	**0.66**
Cash dividends (Note 14)	**11.00**	13.50	**0.12**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

For the Years Ended March 31, 2010 and 2009

	Number of shares of common stock issued	Shareholders' equity					Accumulated (losses) gains from valuation and translation adjustments				
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Total accumulated gains (losses) from valuation and translation adjustments	Minority interests	Total net assets
		Millions of yen									
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
Net income for the year	–	–	–	13,510	–	13,510	–	–	–	–	13,510
Cash dividends	–	–	–	(1,199)	–	(1,199)	–	–	–	–	(1,199)
Purchases of treasury stock and fractional shares, net of sales	–	–	(1)	–	(24)	(25)	–	–	–	–	(25)
Net changes other than shareholders' equity for the year	–	–	–	–	–	–	4,027	6,391	10,418	(82)	10,336
Balance at March 31, 2010	**229,544,820**	**¥47,869**	**¥55,163**	**¥117,985**	**¥(15,004)**	**¥206,013**	**¥12,083**	**¥(12,774)**	**¥(691)**	**¥1,685**	**¥207,007**
		Thousands of U.S. dollars									
Balance at March 31, 2009		$514,720	$593,161	$1,136,280	$(161,075)	$2,083,086	$86,624	$(206,076)	$(119,452)	$19,000	$1,982,634
Net income for the year		–	–	145,269	–	145,269	–	–	–	–	145,269
Cash dividends		–	–	(12,893)	–	(12,893)	–	–	–	–	(12,893)
Purchases of treasury stock and fractional shares, net of sales		–	(10)	–	(258)	(268)	–	–	–	–	(268)
Net changes other than shareholders' equity for the year		–	–	–	–	–	43,301	68,721	112,022	(882)	111,140
Balance at March 31, 2010		**$514,720**	**$593,151**	**$1,268,656**	**$(161,333)**	**$2,215,194**	**$129,925**	**$(137,355)**	**$(7,430)**	**$18,118**	**$2,225,882**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥10,383**	¥(43,312)	**$111,645**
Adjustments for:			
Depreciation	**18,826**	31,767	**202,430**
Impairment loss on fixed assets	**1,762**	26,658	**18,946**
Amortization of goodwill	**165**	8,878	**1,774**
Equity in net (earnings) loss of affiliates	**(294)**	516	**(3,161)**
Gain on sale of investment in affiliates	**(801)**	—	**(8,613)**
(Increase) decrease in trade receivables	**(9,281)**	15,083	**(99,796)**
(Increase) decrease in inventories	**(4,370)**	13,889	**(46,989)**
Increase (decrease) in trade payables	**19,443**	(10,497)	**209,065**
Other, net	**376**	(268)	**4,043**
Subtotal	**36,209**	42,714	**389,344**
Interest and dividend received	**1,255**	2,030	**13,495**
Interest paid	**(637)**	(586)	**(6,850)**
Income taxes paid	**(2,572)**	(7,554)	**(27,656)**
Net cash provided by operating activities	**34,255**	36,604	**368,333**
Cash flows from investing activities:			
Increase in property, plant and equipment	**(5,023)**	(30,077)	**(54,011)**
Increase in intangible assets	**(2,608)**	(2,518)	**(28,043)**
Increase in long-term investments	**(5,690)**	(1,010)	**(61,183)**
Decrease in long-term investments	**2,518**	1,024	**27,075**
Net (increase) decrease in short-term investments	**(7,677)**	5,614	**(82,548)**
Other, net	**1,209**	(187)	**13,000**
Net cash used in investing activities	**(17,271)**	(27,154)	**(185,710)**
Cash flows from financing activities:			
Issuance of long-term debt	**14,919**	—	**160,419**
Repayment of long-term debt	**(389)**	(13,867)	**(4,183)**
Net (decrease) increase in short-term borrowings	**(12,357)**	9,529	**(132,871)**
Dividends paid	**(1,207)**	(5,876)	**(12,978)**
Purchase of treasury stock and fractional shares, net of sales	**(26)**	(29)	**(280)**
Other, net	**(75)**	(218)	**(806)**
Net cash provided by (used in) financing activities	**865**	(10,461)	**9,301**
Effect of exchange rate changes on cash and cash equivalents	**922**	(3,099)	**9,915**
Net increase (decrease) in cash and cash equivalents	**18,771**	(4,110)	**201,839**
Cash and cash equivalents at beginning of year	**27,593**	31,703	**296,699**
Cash and cash equivalents at end of year	**¥46,364**	¥27,593	**$498,538**

See accompanying 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 approximate exchange rate prevailing at March 31, 2010, which was ¥93 to U.S. $1.00. 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 presentation.

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 difference 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, is principally deferred as goodwill or negative goodwill and amortized over the estimated useful life, generally 5 years, on a straight-line basis.

The number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates for the years ended March 31, 2010 and 2009 was as follows:

	2010	2009
Consolidated subsidiaries:		
Domestic	**9**	11
Overseas	**25**	25
Unconsolidated subsidiaries stated at cost	**1**	1
Affiliates accounted for by the equity method	**2**	2
Affiliates stated at cost	**4**	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 the overseas subsidiaries' financial statements as of their year-end. Significant transactions for the period between the overseas consolidated subsidiaries' year-end 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 the 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. The NGK Spark Plug Group has no securities categorized as trading or held-to-maturity securities. Available-for-sale securities are stated at fair value if such value is available, and net unrealized gain or loss on these securities is reported as a component of net assets, net of applicable income taxes. Gains and losses on the disposal of available-for-sale securities are computed by the moving average method. Available-for-sale securities without available fair value 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 and 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.

(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. Depreciation is calculated based on the estimated useful life of the asset as follows:
(a) The declining balance method for the property, plant and equipment, except for buildings, of the Company and its domestic consolidated subsidiaries,
(b) The straight-line method for the buildings of the Company and its domestic consolidated subsidiaries
(c) The straight-line method for the property, plant and equipment of the overseas consolidated subsidiaries

Expenditures on maintenance and repairs are charged to income as incurred. Upon disposal, the cost and accumulated depreciation are removed from the related accounts and any gain or loss is recorded as income or expense.

(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 revised 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 as lessee capitalize the assets used under finance leases commenced on or after April 1, 2008 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 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 11). The adoption of the revised standard had no impact on the financial statements 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 is 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 the 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 the value of 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. Past service cost is amortized on a straight-line basis over ten years, a specific period not exceeding the average remaining period of the employees.

Effective from the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008). The revised accounting standard requires domestic companies to use the rate of return on long-term government or gilt-edged bonds as of the end of the fiscal year for calculating the projected benefit obligation of a defined-benefit retirement plan. Previously, domestic companies were allowed to use a discount rate determined by taking into consideration fluctuations in the yield of long-term government or gilt-edged bonds over a certain period. This change had no impact on the consolidated financial statements for the year ended March 31, 2010.

(k) 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 prevailing at the fiscal year-end. Transactions in foreign currencies are recorded based on the exchange rates prevailing on the transaction dates. Resulting translation gains and losses are included in current earnings.

For financial statement items of the 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-end. 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.

(l) 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, 2010 and 2009, research and development expenses aggregated ¥13,908 million ($149,548 thousand) and ¥17,576 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 ¥2,469 million ($26,548 thousand) and ¥2,877 million at March 31, 2010 and 2009, 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.

(m) Bond issue costs

Bond issue costs are charged to income when incurred.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

3. Financial Instruments

Effective from the year ended March 31, 2010, the Company adopted the revised accounting standard, "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, revised on March 10, 2008), and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, revised on March 10, 2008).

(a) Qualitative information on financial instruments

The NGK Spark Plug Group does not permit the investment of surplus funds in securities other than short-term bank deposits and debt securities with high liquidity from issuers with high credit ratings in accordance with fund management policies. The NGK Spark Plug Group uses indirect financing from financial institutions such as correspondent banks to satisfy short-term funding requirements and direct financing from financial markets principally by the issuance of corporate bonds to satisfy long-term funding requirements.

The NGK Spark Plug Group is exposed to credit risk primarily with respect to trade receivables. In order to reduce credit risk of these receivables, the NGK Spark Plug Group sets payment terms according to the credit capability of its customers. In some cases, the NGK Spark Plug Group receives security deposits in advance.

The NGK Spark Plug Group holds investments in securities such as negotiable certificates of deposits, debt securities and equity securities, whose fair values are monitored on a quarterly basis.

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.

(b) Fair value of financial instruments

The fair and carrying value of financial instruments at March 31, 2010, other than unlisted equity securities for which the fair value is extremely difficult to determine, was as follows:

	Carrying value	Fair value	Differences
	Millions of yen		
Financial assets:			
Cash and cash equivalents	¥ 46,364	¥ 46,364	¥ —
Short-term investments	18,595	18,595	—
Trade receivables	46,238	46,238	—
Investment securities: Available-for-sale securities	36,093	36,093	—
Total	¥ 147,290	147,290	—
Financial liabilities *1:			
Short-term borrowings	¥ (1,117)	¥ (1,117)	¥ —
Trade payables	(32,958)	(32,958)	—
Bonds payable, including current portion	(37,666)	(38,766)	(1,100)
Total	¥(71,741)	¥(72,841)	¥(1,100)
Derivative instruments *2	¥ (209)	¥ (209)	¥ —
	Thousands of U.S. dollars		
Financial assets:			
Cash and cash equivalents	$ 498,538	$ 498,538	$—
Short-term investments	199,946	199,946	—
Trade receivables	497,183	497,183	—
Investment securities: Available-for-sale securities	388,097	388,097	—
Total	$1,583,764	$1,583,764	$—

	Thousands of U.S. dollars		
Financial liabilities *1:			
Short-term borrowings	$ (12,011)	$ (12,011)	$ —
Trade payables	(354,387)	(354,387)	—
Bonds payable, including current portion	(405,010)	(416,839)	(11,829)
Total	$(771,408)	$(783,237)	$(11,829)
Derivative instruments *2	$ (2,247)	$ (2,247)	$ —

*1 The amount in parenthesis shows liabilities.
*2 The value of derivative instruments is described as a net position.

Notes:

(1) Details of the methods and assumptions used to estimate fair value of financial instruments are summarized below:
The fair value of cash and cash equivalents, trade receivables, short-term borrowings and trade payables are approximately equal to their carrying value due to having short-term maturities. The fair value of equity securities is based on quoted market prices. The fair value of bonds and other securities included in investment securities, bonds payable and derivative instruments is based on the price provided by corresponding financial institutions.

(2) The following securities are not included in the table above because the fair value is extremely difficult to determine.

	Carrying value	
	Millions of yen	Thousands of U.S. dollars
Investments (equity securities) in unconsolidated subsidiaries and affiliates	¥2,383	$25,624
Unlisted equity securities	418	4,495

(3) Expected maturities of financial assets at March 31, 2010 were as follows:

	Due in one year or less	Due after one year through five years	Due after five years
	Millions of yen		
Cash and cash equivalents	¥ 46,364	¥ —	¥—
Trade receivables	46,238	—	—
Investments	18,073	2,971	—
	¥110,675	¥2,971	¥—

	Thousands of U.S. dollars		
Cash and cash equivalents	$ 498,538	$ —	$—
Trade receivables	497,183	—	—
Investments	194,333	31,946	—
	$1,190,054	$31,946	$—

Contractual maturities of bonds payable at March 31, 2010 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 2,666	$ 28,666
2012	—	—
2013	10,000	107,527
2014	—	—
2015	10,000	107,527
Thereafter	15,000	161,290
	¥37,666	$405,010

4. Notes and Accounts Receivable

At March 31, 2010 and 2009, notes and accounts receivable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Trade receivables	**¥44,635**	¥34,943	**$479,946**
Unconsolidated subsidiaries and affiliates	**1,603**	554	**17,237**
Other	**6,120**	2,782	**65,806**
Less allowance for doubtful accounts	**(177)**	(140)	**(1,903)**
	¥52,181	¥38,139	**$561,086**

5. Inventories

At March 31, 2010 and 2009, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Finished goods	**¥38,787**	¥26,976	**$417,065**
Work-in-process	**14,595**	17,516	**156,936**
Raw materials	**6,339**	8,197	**68,161**
	¥59,721	¥52,689	**$642,162**

For the year ended March 31, 2010, a reversal of write-down of ¥2,751 million ($29,581 thousand) was recorded as a reduction of costs of goods sold. For the year ended March 31, 2009, a write-down of ¥2,914 million was recognized as costs of goods sold.

6. Investments

At March 31, 2010 and 2009, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Securities with fair value:			
Bonds	¥ 5,616	¥ 10	$ 60,387
Other	4,912	322	52,817
	10,528	332	113,204
Time deposits with an original maturity of more than three months	8,067	6,056	86,742
	¥18,595	¥6,388	$199,946

At March 31, 2010 and 2009, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Securities with fair value:			
Equity securities	¥33,141	¥26,371	$356,355
Bonds	2,952	1,486	31,742
	36,093	27,857	388,097
Other securities without fair value	742	765	7,978
	¥36,835	¥28,622	$396,075

At March 31, 2010 and 2009, the cost and fair value of available-for-sale securities were summarized as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of yen			
At March 31, 2010:				
Equity securities	¥12,750	¥21,733	¥(1,342)	¥33,141
Bonds	8,583	15	(30)	8,568
Other	5,036	—	(124)	4,912
	¥26,369	¥21,748	¥(1,496)	¥46,621
At March 31, 2009:				
Equity securities	¥12,765	¥15,749	¥(2,143)	¥26,371
Bonds	1,509	—	(13)	1,496
Other	322	—	—	322
	¥14,596	¥15,749	¥(2,156)	¥28,189
	Thousands of U.S. dollars			
At March 31, 2010:				
Equity securities	$137,097	$233,688	$(14,430)	$356,355
Bonds	92,290	161	(322)	92,129
Other	54,150	—	(1,333)	52,817
	$283,537	$233,849	$(16,085)	$501,301

For the year ended March 31, 2010 and 2009, a loss on the write-down of available-for-sale securities in the amounts of ¥4 million ($43 thousand) and ¥1,093 million, respectively, was recognized as other expenses due to their other than temporary diminution in value.

7. Intangible Assets

At March 31, 2010 and 2009, intangible assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Software	¥6,257	¥4,187	$67,280
Goodwill	145	337	1,559
Other intangible assets	60	68	645
	¥6,462	¥4,592	$69,484

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

8. Accounts Payable

At March 31, 2010 and 2009, accounts payable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Trade payables	¥32,870	¥ 9,142	$353,441
Unconsolidated subsidiaries and affiliates	88	45	946
Other	4,393	4,302	47,237
	¥37,351	¥13,489	$401,624

9. Short-term Borrowings and Long-term Debt

At March 31, 2010 and 2009, short-term borrowings consisted of the following

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Unsecured bank loans with interest at rates ranging from 1.23% to 9.05% per annum at March 31, 2010	¥ 1,117	¥13,185	$ 12,011
Export bills accepted by overseas consolidated subsidiaries and discounted with banks by the Company	—	226	—
	¥1,117	¥13,411	$12,011

At March 31, 2010 and 2009, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Zero coupon convertible bonds with stock acquisition rights due March 2011	**¥ 2,666**	¥2,666	**$ 28,666**
1.65% unsecured bonds due July 2012	**10,000**	10,000	**107,527**
1.85% unsecured bonds due July 2014	**10,000**	10,000	**107,527**
1.22% unsecured bonds due September 2015	**15,000**	—	**161,290**
Unsecured bank loans due through 2010	**—**	200	**—**
Capitalized lease obligations	**1,031**	1,022	**11,086**
	38,697	23,888	**416,096**
Less current portion	**(2,848)**	(362)	**(30,623)**
	¥35,849	¥23,526	**$385,473**

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 the 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, 2010, 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, 2010 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 2,848	$ 30,623
2012	214	2,301
2013	10,191	109,580
2014	138	1,484
2015	10,094	108,537
Thereafter	15,212	163,571
	¥38,697	$416,096

10. 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, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Reconciliation of benefit liability:			
Projected benefit obligation	**¥45,226**	¥45,402	**$486,301**
Less fair value of pension plan assets at end of year	**(23,709)**	(22,061)	**(254,935)**
Projected benefit obligation in excess of pension plan assets	**21,517**	23,341	**231,366**
Unrecognized actuarial differences	**(4,388)**	(6,999)	**(47,183)**
Unrecognized past service cost	**(333)**	(99)	**(3,581)**
Net amounts of employee retirement benefit liability	**¥16,796**	¥16,243	**$180,602**

Note: The 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 year ended March 31, 2009, some domestic consolidated subsidiaries changed the calculation method for projected benefit obligation to the standardized method.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Components of net periodic retirement benefit expense:			
Service cost	**¥2,492**	¥2,674	**$26,796**
Interest cost	**904**	887	**9,720**
Expected return on pension plan assets	**(546)**	(608)	**(5,871)**
Recognized actuarial differences	**1,066**	849	**11,462**
Amortization of past service cost	**25**	12	**269**
The effect of change in calculation method of projected benefit obligation of certain consolidated subsidiaries	**—**	960	**—**
Net periodic retirement benefit expense	**¥3,941**	¥4,774	**$42,376**

Major assumptions used in the calculation of the above information for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
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

11. Lease Commitments

At March 31, 2010 and 2009, NGK Spark Plug Group had annual commitments under operating leases as lessee. The aggregate future minimum payments for non-cancelable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥327**	¥ 271	**$3,516**
Due after one year	**540**	824	**5,807**
	¥867	¥1,095	**$9,323**

As disclosed in Note 2(h), as lessee, finance leases 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 under finance leases which commenced prior to April 1, 2008, including the imputed interest portion at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥ 482**	¥ 682	**$ 5,183**
Due after one year	**305**	815	**3,279**
	¥ 787	¥1,497	**$ 8,462**

Total rental and lease expenses for both cancelable and non-cancelable leases for the years ended March 31, 2010 and 2009 were ¥2,809 million ($30,204 thousand) and ¥3,508 million, respectively. For the years ended March 31, 2010 and 2009, lease expenses for such finance leases amounted to ¥638 million ($6,860 thousand) and ¥863 million, respectively.

12. Contingent Liabilities

At March 31, 2010 and 2009, contingent liabilities in respect to guarantees of indebtedness principally of employees amounted to ¥96 million ($1,032 thousand) and ¥112 million, respectively.

13. Derivative Instruments

At March 31, 2010 and 2009, 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, 2010:			
Foreign exchange contracts:			
Forward contracts to sell	**¥14,356**	**¥(142)**	**¥(142)**
Forward contracts to buy	**179**	**2**	**2**
Currency call options	**3,810**	**(61)**	**(61)**
Currency put options	**3,402**	**(8)**	**(8)**
			¥(209)
At March 31, 2009:			
Foreign exchange contracts:			
Forward contracts to sell	¥10,548	¥(422)	¥(422)
Currency call options	2,242	(60)	(60)
Currency put options	1,337	(7)	(7)
			¥(489)
	Thousands of U.S. dollars		
At March 31, 2010:			
Foreign exchange contracts:			
Forward contracts to sell	**$154,366**	**$(1,527)**	**$(1,527)**
Forward contracts to buy	**1,925**	**22**	**22**
Currency call options	**40,968**	**(656)**	**(656)**
Currency put options	**36,581**	**(86)**	**(86)**
			$(2,247)

14. 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 in which 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, 2010 and 2009, 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 ($62,774 thousand) at March 31, 2010 and 2009, 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, 2010, the Company paid interim dividends of ¥1,198 million ($12,882 thousand, ¥5.50 ($0.06) per share). On May 7, 2010, the Board of Directors of the Company approved cash dividends of ¥1,198 million ($12,882 thousand), ¥5.50 ($0.06) per share for the appropriation of retained earnings to shareholders of record on March 31, 2010.

15. Impairment Loss on Fixed Assets

For the year ended March 31, 2010 and 2009, the NGK Spark Plug Group recognized an impairment loss on fixed assets in the amount of ¥1,762 million ($18,946 thousand) and ¥26,658 million, respectively, as other expenses.

For the year ended March 31, 2010, impairment loss consisted of ¥1,188 million ($12,774 thousand) on buildings and structures and ¥574 million ($6,172 thousand) on land. Recoverable amounts were estimated using net selling value. The major assets subject to impairment were unused property located on Ise-city, Mie prefecture, Japan in the amount of ¥1,470 million ($15,806 thousand) after determining that the future use of the property became undetermined due to the integration of the production processes of NGK Spark Plug Group.

For the year ended March 31, 2009, the major assets subject to impairment were as follows:

(a) Equipment used for IC Package production in the communication media components and technical ceramics segment. Loss for the year ended March 31, 2009 amounted to ¥17,183 million, which consisted of ¥1,260 million on buildings and structures, ¥13,516 million on machinery and vehicles and ¥2,407 million 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, which consisted of ¥4,401 million on buildings and structures and ¥4,857 million 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.

16. Investment and Rental Property

Effective from the year ended March 31, 2010, the Company has adopted the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20, issued on November 28, 2008) and the “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23, issued on November 28, 2008). This accounting standard requires companies to disclose information about property classified as investment property, idle property that is not expected to be used in the future, and rental property held to earn rental income.

The Company and certain consolidated subsidiaries had idle property and rental property located in Aichi prefecture, Japan and others. For year ended March 31, 2010, the NGK Spark Plug Group recorded net rental income from rental property in the amount of ¥8 million ($86 thousand) as other income in the accompanying consolidated statements of operations. At March 31, 2010, investment and rental property consisted of idle property of ¥16,255 million ($174,785 thousand) and rental property of ¥130 million ($1,398 thousand). Information about fair value of investment and rental property at March 31, 2010 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2010	2010
Carrying amount at the beginning of year	¥15,879	$170,742
Addition	3,779	40,635
Decrease as depreciation	(1,167)	(12,549)
Decrease as impairment loss and other	(2,106)	(22,645)
Carrying amount at the end of year	¥16,385	$176,183
Fair value at the end of year *	¥16,534	$177,785

*Fair value was measured principally at reasonably adjusted value based on appraisal values or municipal property tax bases.

17. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Net operating loss carryforwards	**¥11,651**	¥11,159	**$125,279**
Impairment loss on fixed assets	**8,990**	11,008	**96,667**
Employee retirement benefit liability	**7,099**	6,849	**76,333**
Depreciation	**4,074**	4,118	**43,806**
Accrued expenses	**3,730**	3,600	**40,107**
Inventories	**1,750**	2,947	**18,817**
Other	**1,150**	1,127	**12,366**
Less valuation allowance	**(28,303)**	(38,382)	**(304,333)**
	10,141	2,426	**109,042**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**8,270**	5,514	**88,925**
Retained earnings of overseas subsidiaries	**3,112**	2,398	**33,462**
Other	**1,713**	1,110	**18,419**
	13,095	9,022	**140,806**
Net deferred tax liabilities	**¥(2,954)**	¥(6,596)	**$(31,764)**

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Current	**¥7,108**	¥1,203	**$76,430**
Noncurrent	**2,749**	943	**29,559**
Deferred tax liabilities:			
Current	**109**	216	**1,172**
Noncurrent	**12,702**	8,526	**136,581**

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, 2010 and 2009, 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, 2010, the reconciliation of the differences between the Japanese statutory effective tax rate and the actual effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of operations was as follows:

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

For the year ended March 31, 2009, the reconciliation was not disclosed because a loss before income taxes and minority interests was recorded.

18. Business Combinations

For the year ended March 31, 2010, the NGK Spark Plug Group reorganized its Ceramic IC package business. The reorganization was completed as of October 1, 2009 in order to further strengthen the NGK Spark Plug Group's Ceramic IC package business, which is one of the core businesses in the communication media components and technical ceramics segment according to strategic decision and efficient investment. This transaction was accounted for using accounting treatment for business combinations under common control transactions in accordance with "Accounting Standard for Business Combinations" (issued by Business Accounting Council of Japan on October 31, 2003) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, revised on November 15, 2007). The outline of transaction was as below.

On October 1, 2009, a wholly-owned consolidated subsidiary, Nakatsugawa Ceramics Co., Ltd. ("Nakatsugawa"), merged with wholly-owned subsidiaries, Iijima Ceramic Co., Ltd. and Kani Ceramic Co., Ltd. In addition, Nakatsugawa successfully completed a corporate division of the Company's Ceramic IC package business section, excluding the selling function, and changed its company name to NTK Ceramic Co., Ltd.

19. 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. The automotive components segment includes operations involved in the manufacture and sale of spark plugs, glow plugs, automotive sensors and other products for automobiles. The communication media components and technical ceramics segment involves principally 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, 2010 and 2009 was as follows:

	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	Consolidated
	Millions of yen					
For the year 2010:						
Operating revenue - net sales:						
External customers	¥166,067	¥74,186	¥3,661	¥243,914	¥ —	¥243,914
Intersegment sales	—	—	89	89	(89)	—
Total net sales	166,067	74,186	3,750	244,003	(89)	243,914
Operating costs and expenses	150,441	79,296	3,582	233,319	(89)	233,230
Operating income (loss)	¥ 15,626	¥ (5,110)	¥ 168	¥ 10,684	¥ —	¥ 10,684
Identifiable assets	¥244,101	¥86,142	¥1,233	¥331,476	¥ —	¥331,476
Depreciation	14,283	4,530	13	18,826	—	18,826
Impairment loss on fixed assets	190	1,572	—	1,762	—	1,762
Capital expenditures	7,325	3,652	1	10,978	—	10,978
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
	Thousands of U.S. dollars					
For the year 2010:						
Operating revenue - net sales:						
External customers	$1,785,667	$797,699	$39,365	$2,622,731	$ —	$2,622,731
Intersegment sales	—	—	957	957	(957)	—
Total net sales	1,785,667	797,699	40,322	2,623,688	(957)	2,622,731
Operating costs and expenses	1,617,645	852,645	38,516	2,508,806	(957)	2,507,849
Operating income (loss)	$ 168,022	$ (54,946)	$ 1,806	$ 114,882	$ —	$ 114,882
Identifiable assets	$2,624,742	$926,258	$13,258	$3,564,258	$ —	$3,564,258
Depreciation	153,581	48,709	140	202,430	—	202,430
Impairment loss on fixed assets	2,043	16,903	—	18,946	—	18,946
Capital expenditures	78,763	39,269	11	118,043	—	118,043

Information summarized by geographic area for the years ended March 31, 2010 and 2009 was as follows:

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
	Millions of yen						
For the year 2010:							
Operating revenue - net sales:							
External customers	**¥ 97,971**	**¥50,600**	**¥51,215**	**¥44,128**	**¥243,914**	**¥ —**	**¥243,914**
Intersegment sales	**108,469**	**603**	**827**	**1,014**	**110,913**	**(110,913)**	**—**
Total net sales	**206,440**	**51,203**	**52,042**	**45,142**	**354,827**	**(110,913)**	**243,914**
Operating costs and expenses	**196,385**	**50,961**	**50,051**	**41,907**	**339,304**	**(106,074)**	**233,230**
Operating income	**¥ 10,055**	**¥ 242**	**¥ 1,991**	**¥ 3,235**	**¥ 15,523**	**¥ (4,839)**	**¥ 10,684**
Identifiable assets	**¥254,314**	**¥32,810**	**¥40,931**	**¥46,954**	**¥375,009**	**¥ (43,533)**	**¥331,476**
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
	Thousands of U.S. dollars						
For the year 2010:							
Operating revenue - net sales:							
External customers	**$1,053,452**	**$544,086**	**$550,699**	**$474,494**	**$2,622,731**	**$ —**	**$2,622,731**
Intersegment sales	**1,166,333**	**6,484**	**8,892**	**10,904**	**1,192,613**	**(1,192,613)**	**—**
Total net sales	**2,219,785**	**550,570**	**559,591**	**485,398**	**3,815,344**	**(1,192,613)**	**2,622,731**
Operating costs and expenses	**2,111,667**	**547,968**	**538,182**	**450,613**	**3,648,430**	**(1,140,581)**	**2,507,849**
Operating income	**$ 108,118**	**$ 2,602**	**$ 21,409**	**$ 34,785**	**$ 166,914**	**$ (52,032)**	**$ 114,882**
Identifiable assets	**$2,734,559**	**$352,796**	**$440,118**	**$504,882**	**$4,032,355**	**$ (468,097)**	**$3,564,258**

For the years ended March 31, 2010 and 2009, 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
	2010	2009	**2010**
North America	**¥ 76,629**	¥107,407	**$ 823,968**
Europe	**51,425**	61,881	**552,957**
Asia	**33,383**	32,640	**358,957**
Other area	**29,027**	31,379	**312,118**
	¥190,464	¥233,307	**$2,048,000**
Percentage of overseas sales to total consolidated net sales	**78.1%**	79.9%	

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of NGK SPARK PLUG CO., LTD. (the "Company") and its consolidated subsidiaries (the "NGK Spark Plug Group") as of March 31, 2010 and 2009, 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, 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

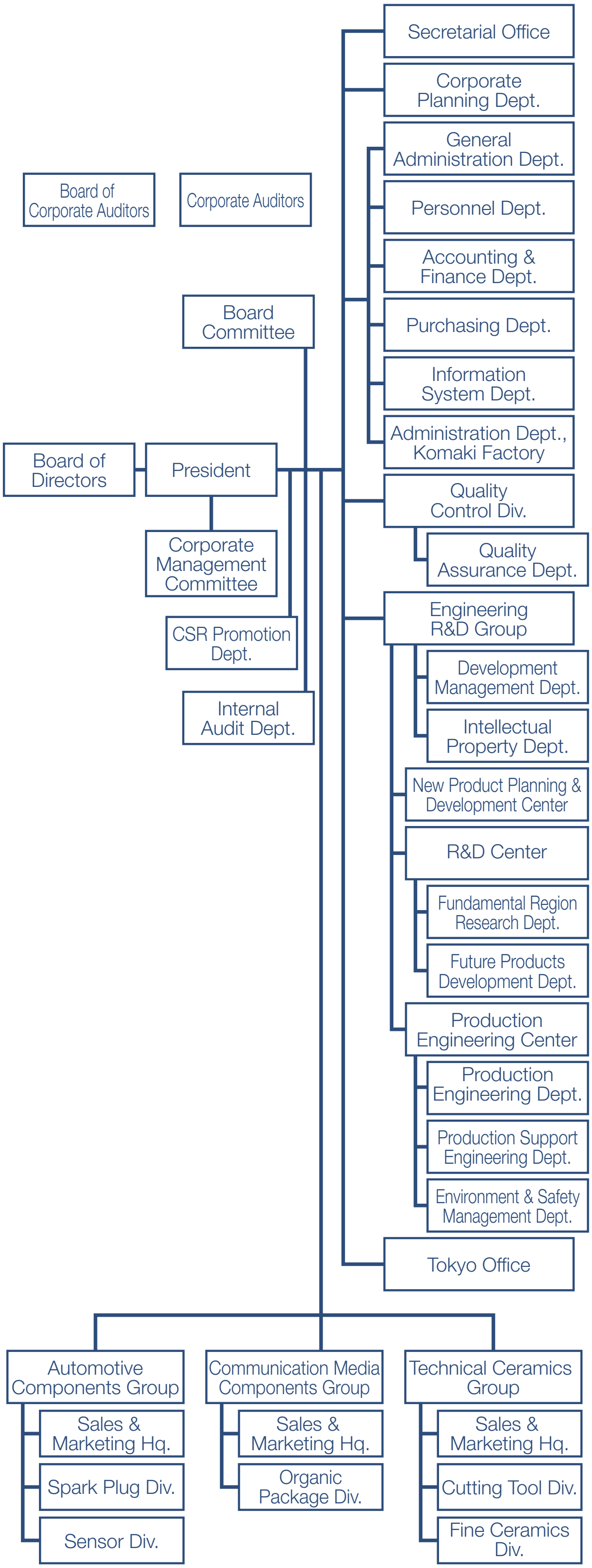
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, the translation was made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Nagoya, Japan
June 29, 2010

Organization

(As of July 1, 2010)



Board of Directors

(As of June 29, 2010)

President, Chief Executive Officer

Norio Kato*

Executive Vice President

Kazuo Kawahara*

Masami Kawashita*

Senior Managing Director

Junichi Kagawa

Managing Director

Katsuhiko Sumida

Seiji Nimura

Takafumi Oshima

Yo Tajima

Shinji Shibagaki

Shinichi Odo

Director

Masahiko Yamada

Norio Teranishi

Shogo Kawajiri

Junichiro Suzuki

Takeshi Nakagawa

Keiichi Matsunari

Hitoshi Iimi

Hideyuki Koiso

Takao Hamada

Tadao Kawai

Standing Corporate Auditor

Tsutomu Kawamitsu

Masami Asai

Corporate Auditor

Kunihiro Inoue

Shigehisa Sao

*Representative Director

Corporate Data

(As of March 31, 2010)

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: 11,795
Non-Consolidated: 5,726

Number of Shareholders

12,102

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

Independent Auditors

KPMG AZSA & Co.

Common Stock Price Range

	FY2010	
	High	Low
April-June 2009	¥1,058	¥799
July-September 2009	1,213	872
October-December 2009	1,136	879
January-March 2010	1,293	1,035

NGK SPARK PLUGS
NTK TECHNICAL CERAMICS
NGK SPARK PLUG CO., LTD.

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

Printed in Japan