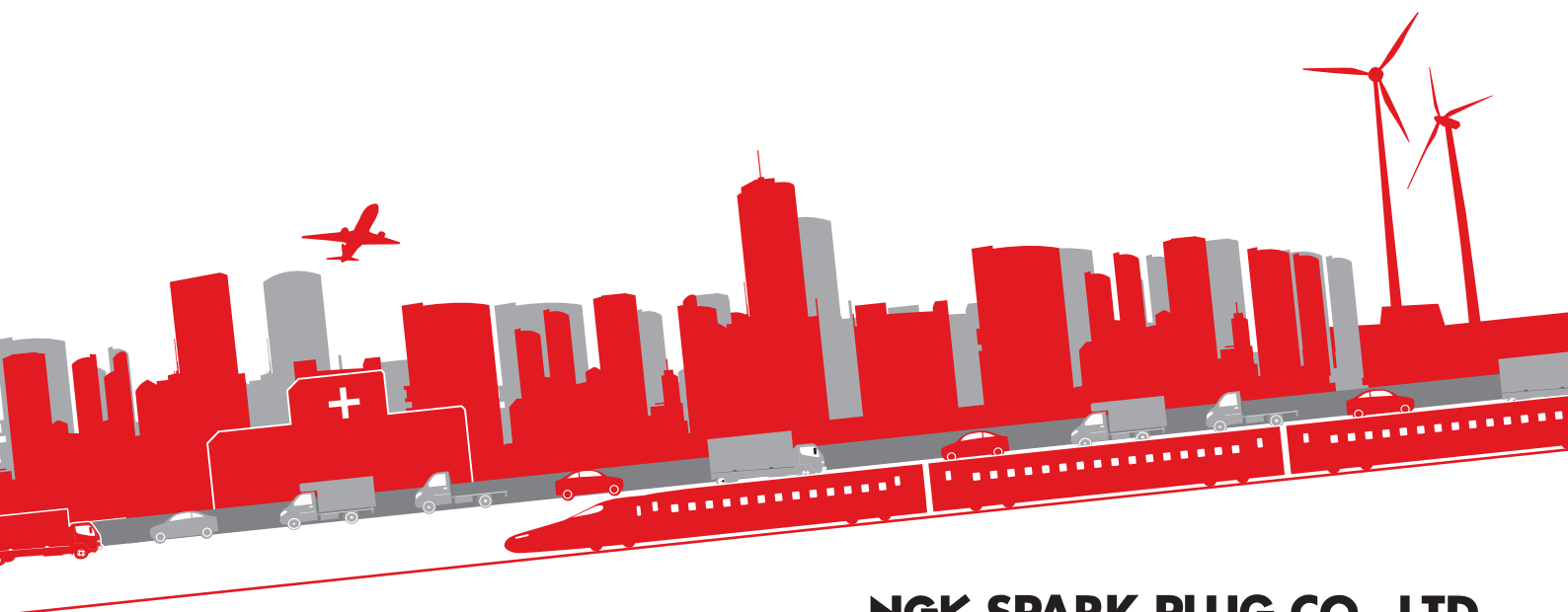


# Annual Report 2014

Fiscal year ended March 31, 2014

## The Evolution to Real Value



**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 the 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.

# Strong Potential for

Spark Plugs  
World Share

No.1

Net Sales

¥329,758  
million

Operating  
Income

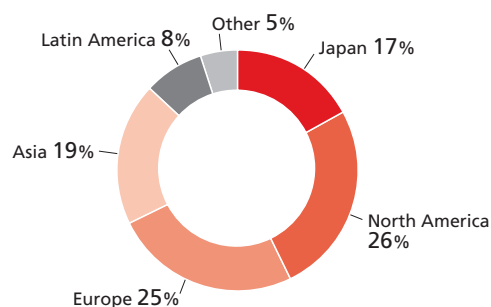
¥51,662  
million

ROE

11.5%

Rate of  
Overseas Sales

83%



### Contents

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### Slogan

With established trust and confidence inside and outside the company, we aim to contribute to the peoples of the world by creating and putting at their disposal new values for the future.

#### 1. Commitment

With full use of the most suitable technology and our accumulated experience, we continue striving to offer new values to the peoples of the world.

#### 2. Management Policy

We offer a working environment in which each one of us is encouraged to make full use of his or her personality and capabilities.

With all our power we are dedicated to pursue management based on trust and confidence.

#### 3. Action Guideline

Ever onward ! Always mindful of what is the best course, we swiftly put it into action.

# Future Growth

## Our Operation

### Automotive Components Group

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, NGK SPARK PLUG CO., LTD. manufactures and sells these products. In addition, the Company supplies raw materials and parts to Ceramic Sensor Co., Ltd., Nittoku Seisakusho Co., Ltd. and five other subsidiaries in Japan to which manufacturing is consigned and from which the Company purchases finished products, semi-products and assembly parts and sells them. Overseas, Ceramica e Velas de Ignicao NGK do Brasil Ltda., a subsidiary in Brazil, is an integrated operation that manufactures and sells spark plugs, and NGK Spark Plugs (U.S.A.), Inc. and eleven other manufacturing and sales subsidiaries and associates 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.

In addition, 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.

### Technical Ceramics Group

#### Semiconductor Division

In the Semiconductor Business, we manufacture and sell IC packages and other semiconductor components.

In Japan, NGK SPARK PLUG CO., LTD. and one associate manufacture and sell these components. In addition, the Company supplies raw materials and parts to NTK Ceramic Co., Ltd., a subsidiary, to which manufacturing is consigned and from which the Company purchases finished products, semi-products and parts and sells them.

Overseas, NTK Technologies, Inc. and four other overseas sales subsidiaries sell finished products procured from the Company to customers in their regions.

#### Ceramics Division

In the Ceramics Business, we manufacture and sell cutting tools for machining, components for semiconductor manufacturing equipment, and other ceramics products for industrial applications.

In Japan, NGK SPARK PLUG CO., LTD. manufactures and sells these products. In addition, the Company supplies raw materials and parts to Kamioka Ceramic Co., Ltd. and three other subsidiaries and associates in Japan to which manufacturing is consigned, purchases finished products, semi-products and 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. purchases semi-products and some raw materials from the Company, assembles finished cutting tools and sells them directly to customers or via the Company and its sales subsidiaries.

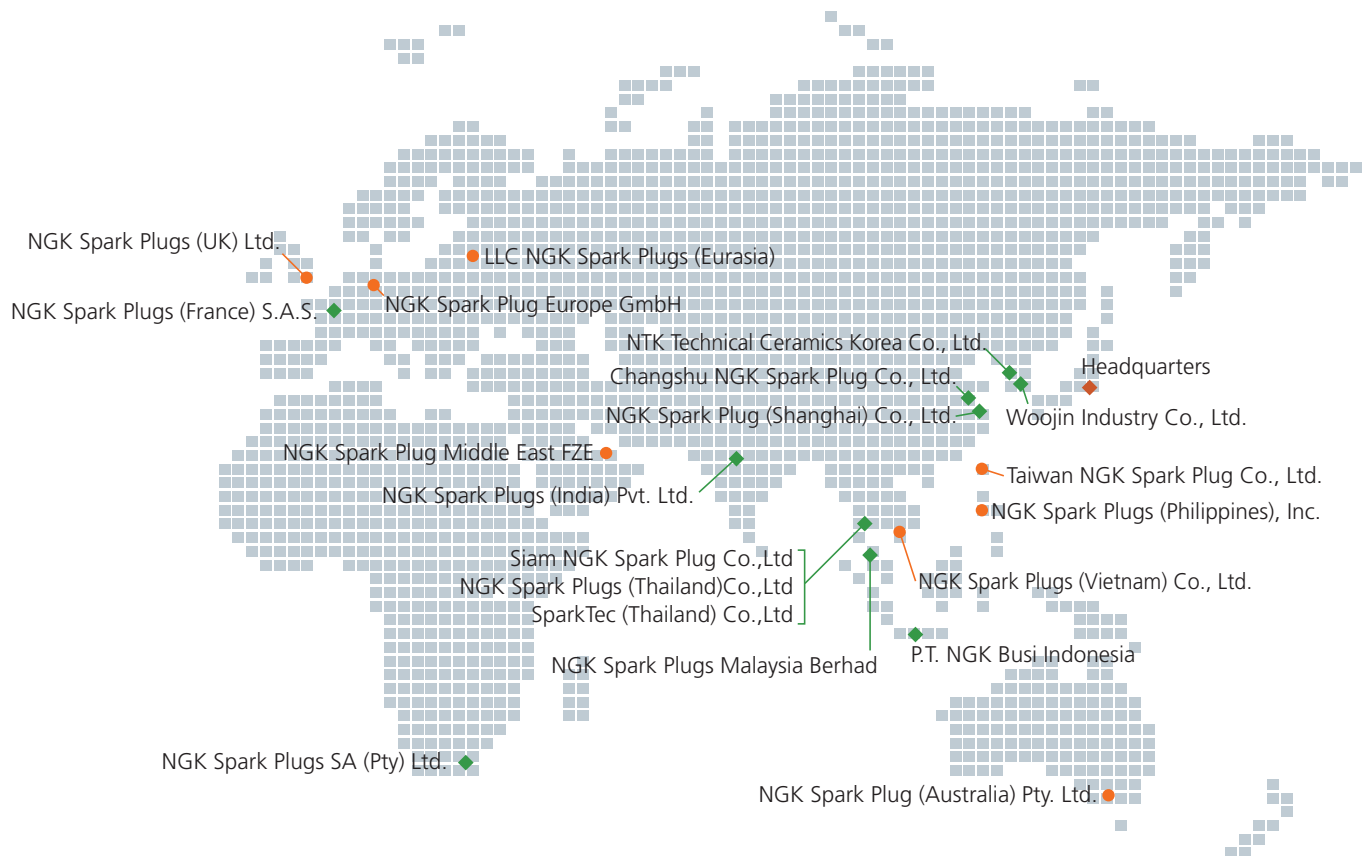
NGK Spark Plug Europe GmbH and eight other overseas sales subsidiaries sell finished products procured from the Company and the above-mentioned overseas manufacturing subsidiaries to customers in their regions.

#### 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.

## 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 Plugs (France) 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.



## Employees

(As of March 31, 2014)

# 12,760

## Overseas Sites

(As of March 31, 2014)

# 26

- ◆ Headquarters
- ◆ Manufacturing & Sales Organization
- Sales Organization
- Holding Company

### 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
- SparkTec TONO 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 semiconductor components and ceramics
- NGK Spark Plugs Canada Limited**  
Sale of automotive components
- NGK Spark Plug Europe GmbH**  
Sale of automotive components, semiconductor components and ceramics
- NGK Spark Plugs (UK) Ltd.**  
Sale of automotive components, semiconductor components and ceramics
- NGK Spark Plugs (France) S.A.S.**  
Production of spark plugs, sale of automotive components, semiconductor components and ceramics
- LLC NGK Spark Plugs (Eurasia)**  
Sale of automotive components
- Taiwan NGK Spark Plug Co., Ltd.**  
Sale of automotive components

- NTK Technical Ceramics Korea Co., Ltd.**  
Production and sale of cutting tools
- P.T. NGK Busi Indonesia**  
Production and sale of spark plugs, sale of automotive sensors
- NGK Spark Plug (Shanghai) Co., Ltd.**  
Production and sale of spark plugs and automotive sensors, sale of cutting tools
- Changshu NGK Spark Plug Co., Ltd.**  
Production and sales of 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.**  
Production of automotive sensors, sale of automotive components and ceramics
- SparkTec (Thailand) Co., Ltd.**  
Production and sale of spark plug parts

- NGK Spark Plugs (Vietnam) Co., Ltd.**  
Sales of automotive components
- 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 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 and ceramics

### Associates

- Woojin Industry Co., Ltd.**  
Production and sale of automotive components
- Tokai Taima Kogu Co., Ltd.**  
Production and sale of mold tools
- Eastern Co., Ltd.**  
Production and sale of IC packages

# Financial Highlights

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries  
Years ended March 31, 2014, 2013 and 2012

	Millions of yen			Change (%)	Thousands of U.S. dollars
	2014	2013	2012	2014/2013	2014
<b>For the year:</b>					
Net sales:	<b>¥329,758</b>	¥302,799	¥284,746	8.9%	<b>\$3,201,534</b>
Automotive Components	<b>271,835</b>	248,795	222,636	9.3	<b>2,639,175</b>
Technical Ceramics:					
Semiconductor division	<b>29,713</b>	28,239	33,892	5.2	<b>288,476</b>
Ceramics division	<b>24,461</b>	22,054	23,738	10.9	<b>237,485</b>
Subtotal	<b>54,174</b>	50,293	57,630	7.7	<b>525,961</b>
Other	<b>3,749</b>	3,711	4,480	1.0	<b>36,398</b>
Operating income	<b>51,662</b>	23,754	24,478	117.5	<b>501,573</b>
Net income	<b>32,704</b>	20,910	25,524	56.4	<b>317,515</b>
<b>At year-end:</b>					
Total assets	<b>¥458,149</b>	¥366,489	¥340,296	25.0%	<b>\$4,448,049</b>
Net assets	<b>302,794</b>	268,309	235,613	12.9	<b>2,939,748</b>

	%		
<b>Ratios:</b>			
Equity ratio	<b>65.6%</b>	72.7 %	68.8 %
ROA (Return on assets)	<b>7.9</b>	5.9	7.5
ROE (Return on equity)	<b>11.5</b>	8.4	11.3

	Yen			Change (%)	U.S. dollars
<b>Per share data:</b>					
Net income:					
—Basic	<b>¥150.26</b>	¥96.06	¥117.25	56.4%	<b>\$1.46</b>
—Diluted	—	—	—	—	—
Cash dividends	28.00	22.00	22.00	Change (Yen) ¥6.0	<b>0.28</b>

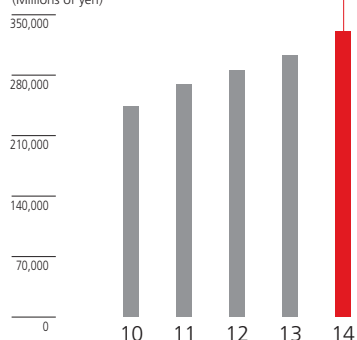
Notes 1: U.S. dollar amounts above and elsewhere in this Annual Report are converted from yen, for convenience only, at the rate of ¥103=U.S.\$1

Notes 2: In April 2013, the "Communication media components" segment and "Technical ceramics" segment were integrated and changed the name to the "Technical ceramics" segment. The "Communication media components" segment and the "Technical ceramics" segment in the Segment information of the Notes of the Consolidated Financial Statements correspond to each of the "Semiconductor" division and the "Ceramics" division in the Technical Ceramics Group.

### Net Sales

**329,758**

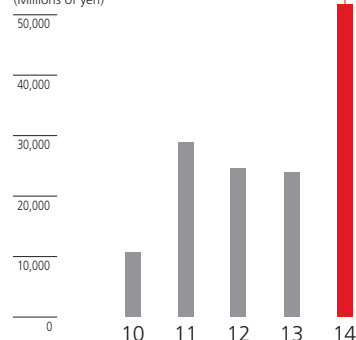
(Millions of yen)



### Operating Income

**51,662**

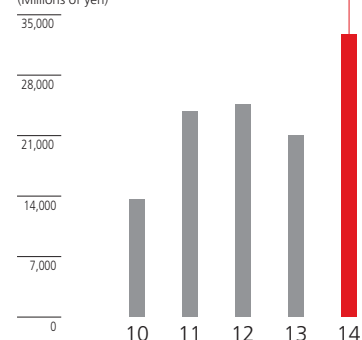
(Millions of yen)



### Net Income

**32,704**

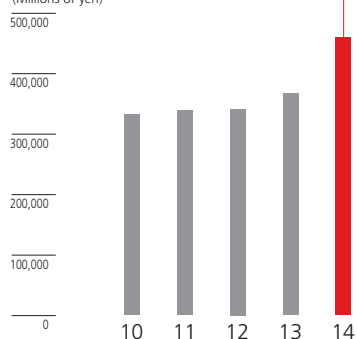
(Millions of yen)



### Total Assets

**458,149**

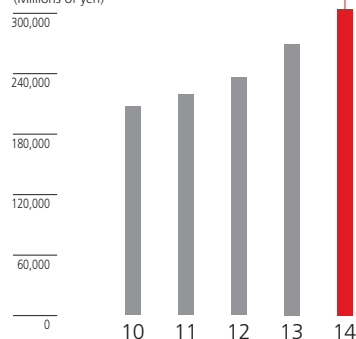
(Millions of yen)



### Net Assets

**302,794**

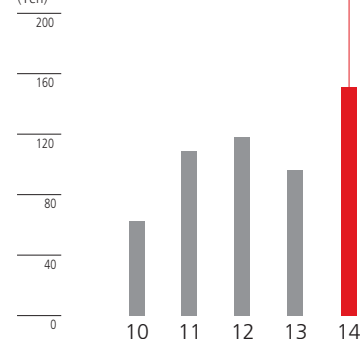
(Millions of yen)



### Net Income per Share (Basic)

**150.26**

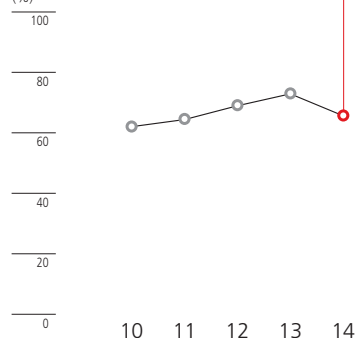
(Yen)



### Equity Ratio

**65.6**

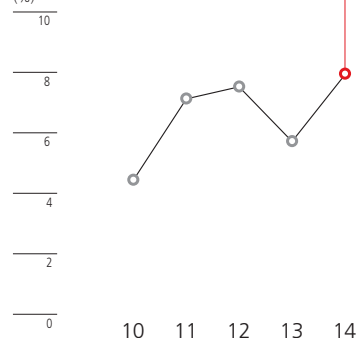
(%)



### Return on Assets

**7.9**

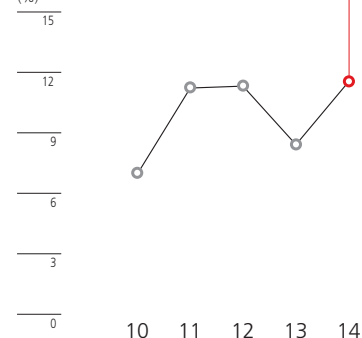
(%)



### Return on Equity

**11.5**

(%)





# We seek to become the No.1 manufacturer in the industry with unique technological abilities



### Financial results for the fiscal year ended March 31st, 2014

In the fiscal year ended March 31st, 2014, opposing trends became apparent in the world economy, with a modest recovery in developed countries and the slowdown in emerging economies. The situation varied greatly among regions. In particular, European economies were on a recovery path and their exports, mainly to the U.S. and China, started to gain momentum. On the other hand, in the ASEAN region, political instability in certain areas became more serious from the second half of the fiscal year and private-sector demand remained sluggish. In Japan, under the Abe administration, stock prices rose and depreciation of the yen continued in the foreign exchange market, creating a tailwind for financial results of export-related companies including our company.

In these circumstances, for the fiscal year ended March 31st, 2014, an increase in net sales for the fourth consecutive year, an increase in operating income for the first time in three years, and the highest-ever ordinary income were achieved. Consolidated net sales increased 8.9% to ¥329,758 million, and operating income increased 117.5% to ¥51,662 million.

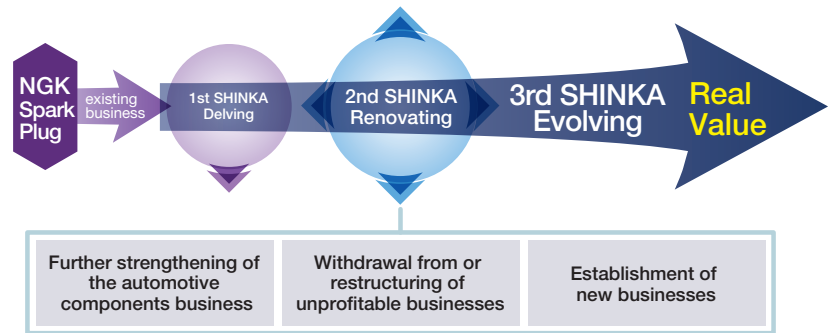
Going forward, the Group's business environment is expected to remain challenging in view of the fiscal problems in the U.S., uncertain prospects of the European

**Shinichi Odo**

*President and Chief Executive Officer*



### Points of “the 2nd SHINKA”



economies, and concerns about the business slowdown of emerging economies. For the fiscal 2014, we assume an exchange rate of ¥95 to the U.S. dollar and ¥135 to the euro, and the plan calls for consolidated net sales of ¥334.0 billion, an increase of 1.3% year on year, and operating income of ¥62.0 billion, an increase of 20%.

### NITTOKU SHINKARON (The Evolution of NGK Spark Plug) Reaches the Halfway Mark to the Goal

In fiscal 2010, the Group formulated a management plan—NITTOKU SHINKARON (The Evolution of NGK Spark Plug)—and defined its vision of what NGK Spark Plug should be in 2020, namely, a distinguished manufacturing company, a highly profitable company, a progressive company, and a personnel “assets” company, aimed to ultimately provide “real value” to all stakeholders. The road-map for realization of this vision consists of three phases of every three-year term : The 1st SHINKA (Delving), the 2nd SHINKA (Renovating), and the 3rd SHINKA (Evolving). We launched the sixth medium-term management plan (the 2nd SHINKA “three years devoted to renovating”) in the fiscal 2013. The fiscal 2013 is halfway through the period covered by the NITTOKU SHINKARON.

In the 1st SHINKA (Delving) phase ending in the fiscal 2012, we focused on the reform of the organizational

structure and culture, which is the basis of our company, introduced the corporate officers system and designed a new personnel system. The new personnel system introduced in April 2014 offers employees flexibility in the career path they choose to pursue. We have put in place systems for planning a career path for each individual, by fostering personnel “assets” who are capable of adapting to changes in the Group’s business environment, and for promoting diversity so that our versatile human resources can bring their capabilities into full play.

The 2nd SHINKA (“three years devoted to renovating”) is an important phase before the final phase, the 3rd SHINKA, of accelerated development of our company. For renovating, it is important to strengthen the existing core businesses as well as introducing new products and establishing new businesses. We aim to maximize earnings of the strong Automotive Components business and use the profit gained from that to create new businesses.

We completed the first year of the 2nd SHINKA in accordance with this direction and I am convinced that we have successfully reached the halfway mark to the goal. Our direction is shared throughout our members and we are steadily heading toward the 3rd SHINKA (Evolving).

With regard to the Automotive Components business, the Nino Plant of Spark Tech TONO Co., Ltd. started operations in April 2014. This plant manufactures insulators for

## A Message from the President



spark plugs, which are our key products, and it is of crucial importance in the Company's drive to be the No.1 spark plug manufacturer. Responding to the growing demand mainly in emerging economies, we established the Nino Plant to hold a firm position as the No.1 global spark plug manufacturer.

For the semiconductor-related business, through the capital and business alliance with Eastern Co., Ltd., we have established a new business model based on a fabless structure. By integrating our scaling technology cultivated through IC packaging, and Eastern's ultrathin sheet processing and manufacturing technology cultivated through memory chip packaging, we intend to establish competitive superiority in the growing smartphone and tablet markets.

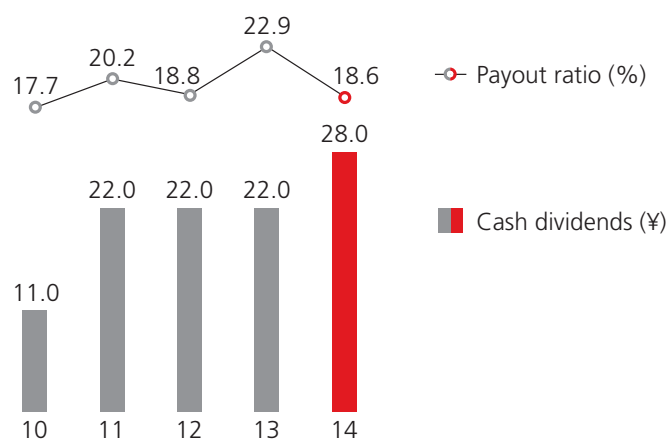
### **Become the "No.1" and "Only 1" manufacturer in our industry with unique technological abilities**

For the 2nd SHINKA (three years devoted to renovating) launched in April 2013, in accordance with the basic policy of "utilizing corporate resources at most, toward the 3rd

SHINKA (Evolving) phase, boldly challenge new industrial domains and fields", we are striving to launch new products and new businesses by increasing the speed of decision-making and execution on the foundation laid during the 1st SHINKA phase of three years devoted to delving.

Strengthening new businesses and the non-Automotive Components business as new sources of earnings will raise the Company's profile and is expected to greatly expand the scale of our business. We are seizing the opportunity for change by leveraging the Company's manifold strengths. Without change, it would be impossible to respond to the new environment. In the automotive components business, which is our main source of earnings at present, we aim to maintain our overwhelming presence by introducing a stream of new products. We intend to position the automotive components business and non-automotive components business as the two wheels driving our growth. With regard to unprofitable businesses, we intend to formulate a roadmap for making them profitable through reorganization and restructuring.

In my opinion, our core competence in manufacturing capabilities is the key to raising our presence in the world. A mere extension of the past experience of success would



not allow us to prevail over manufacturers based in emerging economies that compete on the basis of low prices. We aim to realize new creations by enhancing productivity of not only manufacturing workplaces but also indirect operations, and by proposing new added value. We also intend to invest in a timely manner to increase the capacity of each plant, as necessary, so as not to lose opportunities. We also aim to realize efficient production operations globally in order to maximize our earnings.

We have three indispensable tasks to ensure our sustainable development for the future; further strengthening of the automotive components business, withdrawal from or restructuring of unprofitable businesses, and establishment of new businesses. By accomplishing these three tasks without fail, we seek to become the No.1 manufacturer in the industry with unique technological abilities, capable of contributing to the world with ceramics at the core and through combining metal, organic and other materials.

## Dividend policy

At NGK Spark Plug, we regard returning profits to share-

holders as one of our most important management policies. While comprehensively taking into consideration R&D investment, capital expenditure for business expansion and for rationalization of operations, we prioritize stable dividend payment. Our policy is to maintain a dividend payout ratio of at least 20% of consolidated net income for the time being.

In accordance with this policy, we paid dividends per share of ¥28.0 for the fiscal 2013. While adhering to the basic policy of maintaining stable dividends, we aim to increase the payout ratio. Taking into consideration the improving performance of each business, we plan to pay dividends per share of ¥32.0 for the fiscal 2014.

I greatly appreciate your understanding on our business and direction for the future growth, and also your continuous support.

**Shinichi Odo**  
President and Chief Executive Officer

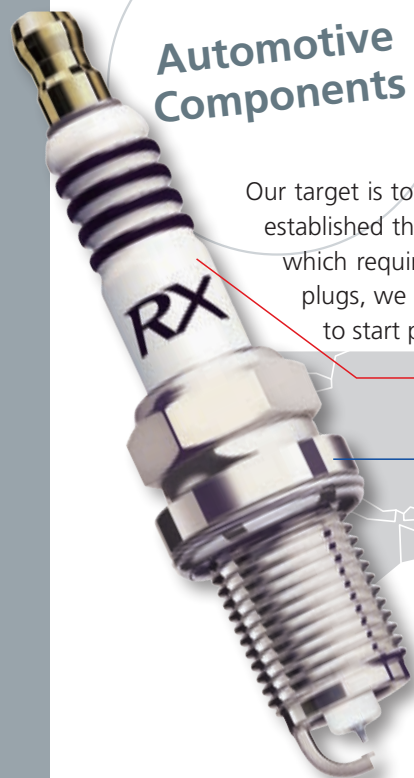
# OPERATION STRATEGY

With the aim of becoming the “No. 1” manufacturer capable of delivering products with added value worldwide, we are tackling business innovation by reinforcing our strengths, remedying our weaknesses and creating new businesses.

## Automotive Components

## Toward Production Capacity of One Billion Spark Plugs a Year

Our target is to achieve annual production capacity of one billion spark plugs by 2020. For this purpose, we established the Nino Plant in Kani-shi, Gifu Prefecture, as the principal factory for production of insulators, which require high technology. The Nino Plant started operation in April 2014. For metal shells of spark plugs, we have established SparkTec (Thailand) Co., Ltd., our third plant in Thailand, which is scheduled to start production in April 2015.



Insulators

Metal shells

### Production plan

Approx.  
13.5 million/month (2016)

### Production of insulators for spark plugs Nino Plant

Production capacity	Approx. 13.5 million/month (to be increased gradually)
Site area	52,800m <sup>2</sup>
Start of operation	April 2014
Investment amount	Approx. 28 billion yen (for the building and primary equipment)

### Production plan

Approx.  
18 million/year (2016)

### Production of metal shells for spark plugs SparkTec (Thailand) Co., Ltd.

Production capacity	18 million units/year in 2016; to be increased to 140 million units/year in 2020.
Start of operation	April 2015
Investment amount	Approx. 3 billion yen

## Automotive Components

## Environmental Regulations Create Business Opportunities

Increasingly stringent environmental regulations worldwide in response to ever more pressing environmental issues are creating new business opportunities for NGK SPARK PLUG. In North America and Europe, demand for small-diameter, high-ignitability plugs is expanding in line with engine downsizing and there is a shift to UEGO (Universal Exhaust Gas Oxygen) sensors. Prompted by these trends, we will leverage our technological capabilities. In China, there is a trend toward both precious metal plugs and oxygen sensors, volumes of which are expected to increase.

### Products whose volumes are expected to increase in line with stricter environmental regulations

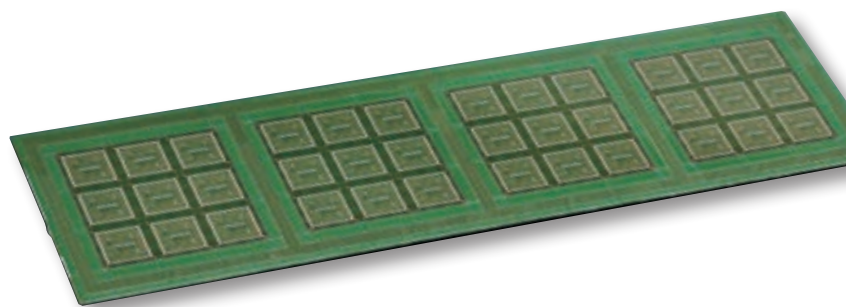
Plugs: Precious metal plugs  
Sensors: Oxygen sensors

### Products whose volumes are expected to increase in line with stricter environmental regulations

Plugs: Small-diameter, high-ignitability plugs  
Sensors: UEGO (Universal Exhaust Gas Oxygen) sensors

### Products whose volumes are expected to increase in line with stricter environmental regulations

Plugs: Small-diameter, high-ignitability plugs  
Sensors: UEGO (Universal Exhaust Gas Oxygen) sensors



## Semiconductor ~Organic IC package~

## Focus on Growth Fields for Business Restructuring

With regard to restructuring of the organic IC package business operations, we have implemented measures for CPU and non-CPU businesses, respectively, and prospects are becoming clearer. From now on, we will sharpen our focus on development of the non-CPU business with the aim of restoring the business to profitability by the end of March 2016.

### CPU Business

#### Shift to royalty business

Transfer of the commercial rights to a Taiwanese partner was completed. As a result, the CPU business is now a royalty business without manufacturing, selling and inventory risks.

### Non-CPU Business

#### Minimization of risks, maximization of profit

Production was transferred to Eastern Co., Ltd. and it has just started the shipment of FCBGA (Flip Chip-Ball Grid Array) products mass-produced by Eastern in April 2014. Reduction of fixed costs of the non-CPU business is expected for fiscal 2014 because of the termination of operations of one manufacturing plant and the redeployment of labor from the non-CPU business to the Automotive business.



***Restore the business to profitability by the end of March 2016***

## New Businesses

## Create New Products and Businesses to Unlock the Future

We consider our current business structure dependent on plugs and sensors to be exposed to high risks from a long-term perspective. Thus, with a view to creating new businesses for the future, we are directing our attention to such themes as next-generation automobiles, the medical field, and the environment and energy, and are developing new technologies linked to those themes.

### Next-generation vehicle

Compact electric vehicle "FOMM Concept One" developed in cooperation with FOMM Corporation



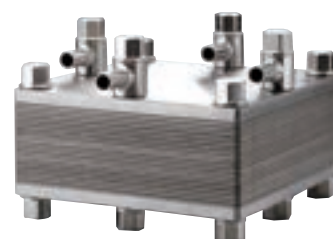
### Medical

Bone prosthesis for restoration and cure by supplementing a missing or void part



### Environment and energy

Developing solid oxide fuel cells (SOFCs) enabling high-efficiency power generation at low cost for cogeneration and automotive applications





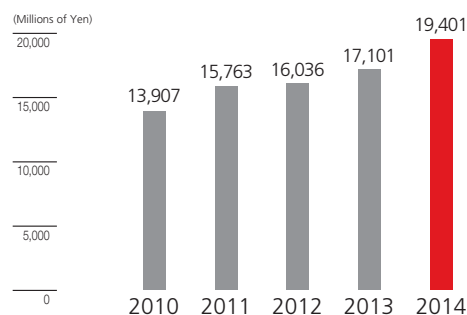
# R&D

Technological development capabilities are among the vital elements for growth of our businesses. We are investing strategically in R&D in order to deliver “real value,” which is the ultimate goal of the NITTOKU SHINKARON.

Guided by our Corporate Philosophy, the Group's R&D initiatives emphasize creation of new value through deployment of industry-leading technologies and our accumulated experience. R&D is executed by the Engineering R&D Group and the New Business Advancement Group, which are corporate organizations, the SOFC Project, which was previously a part of the New Business Advancement Group and became an independent unit as of April 1, 2013, and divisional engineering departments. We are striving to enhance the quality of R&D outcomes by exploiting the latest technologies through vigorous participation in technology conferences and industry associations as well as joint research with universities and research institutions in Japan and around the world.

R&D expenses in the fiscal year under review amounted to ¥19,401 million, which included expenses related to improvements of existing products and applied research. The “research and development cost” pursuant to the “Accounting Standard for Research and Development Cost” (Business Accounting Council) amounted to ¥4,018 million.

## R&D Expenses



## Initiatives in Business Fields

### Automotive Components

Automotive engines are evolving ever more rapidly to respond to environmental issues and to demanding regulatory regimes requiring low fuel consumption and low emissions. In response to these trends, we are increasing the temperature resistance, voltage resistance, and ignitability of our spark plugs, as well as making them more compact and elongated. With these objectives in mind, we are promoting comprehensive development from materials to product design, including development of manufacturing methods. Regarding sensors, we are enhancing their abilities to endure harsh environments, including resistance to high temperature, thermal shock, vibration, and water, and are also developing energy- and resource-saving sensors.

### Technical Ceramics

With regard to semiconductors, we are developing coreless packaging and high-strength packaging in response to growing needs for thinner and more compact IC packages.

As for ceramics, we are developing tools suitable for machining components applied in the automotive, aerospace and other industries. In addition, we are also developing and commercializing bearing balls, large-diameter vacuum chuck plates for semiconductor manufacturing equipment, oxygen concentrators for home medical care, and ultrasonic wave oscillators for medical applications.

### New Businesses

Fuel cells are a promising next-generation energy source. In pursuit of clean energy, we are vigorously engaged in fuel-cell-related R&D, including jointly with research institutions, such as participation in a project of the New Energy and Industrial Technology Development Organization (NEDO) of Japan. Leveraging our unique functional ceramics material technology and process technology, we are promoting development of solid oxide fuel cells (SOFCs), which have great potential as high-efficiency, clean power generation systems.

## Thomson Reuters Selects NGK Spark Plug as a Top 100 Global Innovators 2013 Winner

2013 THOMSON REUTERS  
**TOP 100**  
GLOBAL INNOVATORS

Our company was selected as a Thomson Reuters Top 100 Global Innovators 2013 winner in October 2013. This award is presented to companies recognized as innovative by Thomson Reuters based on its stringent methodology focused on four criteria (success, global, influence, and volume). For the global and influence criteria, our company judged to be a particularly high performer.

# GOVERNANCE

To strengthen our corporate governance, Mr. Otaki joined us as our first outside director 1 year ago. We have received his review about our corporate governance.



Outside Director  
**Morihiko Otaki**  
(June 11, 1954–)

## Profile

August, 1996 Johnson & Johnson K.K., President of Vision Care Company  
August, 2011 Pasona Inc., Vice Chairman (up to the present)  
June, 2013 NGK SPARK PLUG CO., LTD., Member of the Board (Outside Director)

**Q1.** You are participated in NGK SPARK PLUG's management as an outside director. How would you characterize NGK SPARK PLUG?

**A1.**

NGK SPARK PLUG is an earnest and sturdy manufacturer with a grand tradition. "Prudent," "history," "technology" and "humane" are the words that come into my mind. I would describe NGK SPARK PLUG as a well-rounded, well-balanced enterprise worthy of respect.

**Q2.** What impression do you have on our corporate governance?

**A2.**

We have the culmination of a long, distinguished history and draws strength from the achievements of previous generations. I feel the governance is considering the external environment, our history, and accumulated expertise. With the clear vision of top management, all of us are moving forward to achieve the NITTOKU SHINKARON (The Evolution of NGK SPARK PLUG), which is our long term management plan. I am also impressed by the breadth and depth of communication.

As we endeavor to take its business to a new level, I think we should not be satisfied with the status quo, seeking improvements wherever possible and vigorously embracing new ideas. I expect we will align its activities with ambitious targets.

**Q3.** How do you fill the role as an outside director?

**A3.**

I worked at both Japanese and foreign companies and gained broad experiences in the variety of businesses namely HR services, printing/publishing, and healthcare industries. Our top management is seeking to adopt new perspectives and ideas with a global viewpoint for new businesses such as the healthcare and other than the automotive industry. To meet top management's expectations, I am making proposals on corporate governance and new businesses with a view to enhancing corporate value.

In my judgment, NGK SPARK PLUG has appropriate corporate governance. My role is to bring a perspective different from that of an insider and confirm whether its operations are appropriate. I am vigorously making proposals for the future by fully utilizing my expertise. I recognize that NGK SPARK PLUG expects me to introduce a new, external and global viewpoint flexibly and appropriately.

**Q4.** To increase our corporate value, what do you think we need to do?

**A4.**

Sound business operations are a prerequisite for enhancing corporate value. In addition, it is crucially important to ensure that stakeholders are kept informed about NGK SPARK PLUG through PR and IR activities attuned to each type of stakeholder.

In general, stakeholders of a company are classified into four categories: customers, employees, local communities and shareholders. It is pointed out that many Japanese companies do not sufficiently consider or implement activities for employees or local communities. I believe it is a driver of growth that management regularly confirms the employees' understanding on the company's goals so that they can align their own efforts with the goals. With respect to local communities, we need to take action as the same local member of the communities. It may take a long time for such activities to take root. At present, we are strengthening its communication with the employees and thus their understanding of the company's goals is deepening. I think we need to continue this proactive communication. It would be crucial to have employees' feedbacks on these activities. We have just launched a new initiative focused on contributions to local communities. It is important that such initiatives are not be just one-shot but continued.

It is also essential to cultivate a corporate culture harnessing new knowledge flexibly from both inside and outside. In this regard, we are making a corporate-wide effort led by top management. I strongly believe that NGK SPARK PLUG to be a gem to shine far more brightly by bringing our best efforts. I also do my best to play my role as outside director for the same goals we shared.



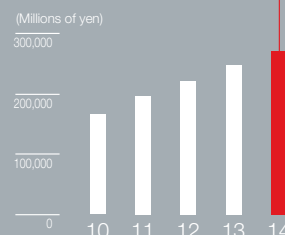


# Automotive Components Group



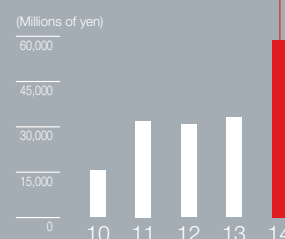
### Net Sales

271,835



### Operating Income

58,893



### Net Sales Ratio

82.4%



### Review of Results

Sales of automotive components both for factory installation in new vehicles and for aftermarkets were robust centering on North America and emerging-market countries. A weaker yen also contributed to higher sales. In order to meet the robust demand, we increased production capacity. We prepared for the establishment of a new plant at a subsidiary in Japan and established a new company overseas.

As a result, net sales of the Automotive Components Group increased 9.3% year on year to ¥271,835 million and operating income rose 77.6% to ¥58,893 million.

### Outlook

Robust demand for automotive components overseas, mainly in the U.S. and China, is expected to continue from the fiscal 2013. For the fiscal year ending March 31, 2015, we forecast net sales of ¥278,520 million, an increase of 2.5% year on year, and operating income of ¥65,700 million, an increase of 11.6%.



Spark Plugs



NHTC (New High Temperature Ceramic) Glow Plugs



Zirconia Exhaust Gas Oxygen Sensors



Universal A/F Heated Exhaust Gas Oxygen Sensors

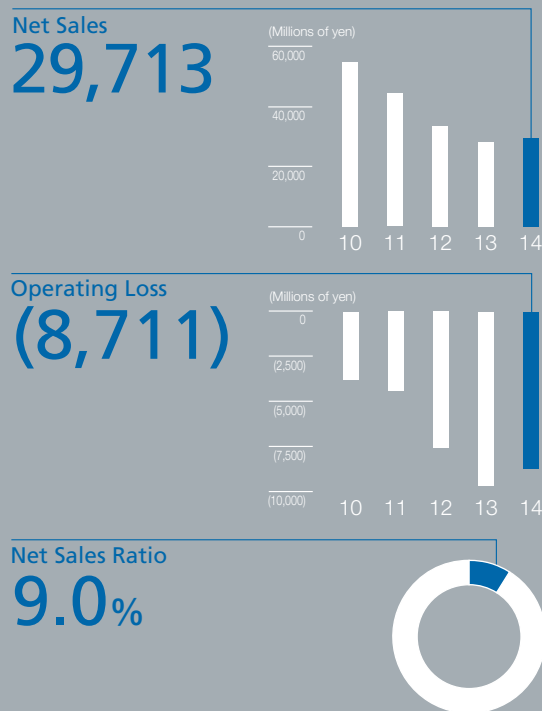


Wide Range Exhaust Gas Temperature Sensors

## Review of Operations

# Technical Ceramics Group

## Semiconductor Division



### Review of Results

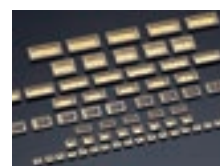
Demand was sluggish for IC packages both for mobile phones and personal computer CPUs, partly because of customers' inventory adjustment. In these circumstances, the Semiconductor Division strove to improve profitability through productivity enhancement, cost reduction and other rationalization initiatives. Production of certain IC packages was transferred to an outsourcee in Japan and commercial rights for the CPU business to a partner overseas.

As a result, the Semiconductor Division's net sales increased 5.2% year on year to ¥29,713 million and the operating loss was ¥8,711 million compared with the operating loss of ¥9,677 million recorded for fiscal 2012.

### Outlook

Transfer of production to outsourcees has been proceeding smoothly. We are shifting the semiconductor operations to a fabless business model emphasizing design and development. For the fiscal year ending March 31, 2015, we forecast net sales of ¥33,070 million, an increase of 11.3% year on year, and an operating loss of ¥3,840 million compared with the operating loss of ¥8,711 million recorded for the fiscal 2013.

\*In the Technical Ceramics Group, whereas all ceramics products for industrial applications had been included in the Ceramics Division, products for semiconductor manufacturing equipment are now included in the Semiconductor Division as a result of the segment reclassification, reflecting the organizational change in April 2014 to enhance operational efficiency. The impact of this change is an increase of ¥3,400 million in net sales and an improvement of ¥600 million in operating income/loss.



Ceramic IC Packages  
(for crystal device and  
SAW filter)



Organic IC Packages



Large-Scale Substrate for  
Wafer Tester



Optical Device Package



LED Package

## Review of Operations

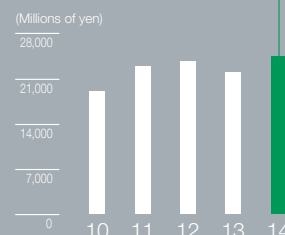
# Technical Ceramics Group

## Ceramics Division



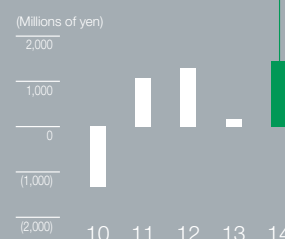
### Net Sales

24,461



### Operating Income

1,461



### Net Sales Ratio

7.4%



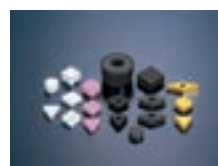
### Review of Results

The Ceramics Division's shipments of products for machine tools were robust centering on those for machining automotive components. Regarding shipments of products for industrial equipment, sales of products for semiconductor manufacturing equipment were robust.

As a result, net sales of the Ceramics Division increased 10.9% year on year to ¥24,461 million and operating income surged 765.1% to ¥1,461 million.

### Outlook

We are working to establish a stable earnings structure for the ceramics business. For the fiscal year ending March 31, 2015, we forecast net sales of ¥18,630 million, a decrease of 23.8% year on year, and operating income of ¥140 million, a decrease of 90.4%.



Cutting Tools



Electro-Static Chuck,  
Vacuum Chuck



Ultrasonic Transducer



Bio Ceramics



Oxygen Concentrator

## Commitment to CSR

### CSR of NGK Spark Plug Group

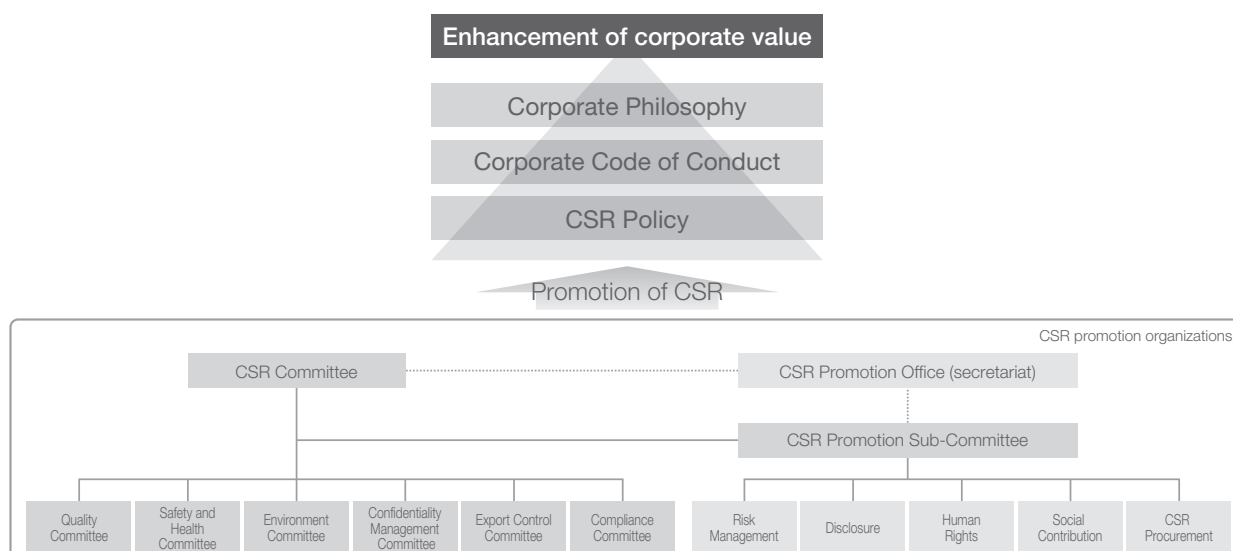
We view CSR not just as a responsibility but as an opportunity to be accountable through review of the NGK Spark Plug Group's economic, environmental and social activities from a global perspective, to enhance corporate value, and to contribute to the sustainable development of society in accordance with our Corporate Philosophy. Our CSR activities are wide ranging and diverse. They include offering excellent products to customers, disclosing corporate information in an optimal, easy-to-understand manner, collaborating with suppliers for mutual development, ensuring a safe and employee-friendly working environment, and participating in and supporting activities in the local community. To articulate the Group's action guidelines for CSR activities, we established the CSR Policy in April 2011, which comprises the Compliance Policy and nine other policies. In accordance with the CSR Policy, we intend to review and promote CSR based on a multifaceted approach far into the future.

### CSR Promotion System

As well as determining each year's key tasks for implementation of the CSR Policy, the CSR Committee oversees and evaluates the CSR-related activities implemented by the respective committees, working groups and divisions, and makes proposals regarding them, in order to achieve total optimization of CSR activities, thereby strengthening the business foundation. The CSR Promotion Sub-Committee establishes working groups as necessary to discuss specific themes and develops countermeasures. Through close collaboration among the CSR Committee, the CSR Promotion Sub-Committee, and the task force committees, a company-wide CSR promotion system is put in place. We publish an annual CSR report on our CSR activities and results, which is also available on our website.



CSR Report 2014



## CSR [Governance]

### Corporate Governance

We believe that one of our most important managerial tasks is to establish and maintain a fair and efficient management system, thus securing soundness and transparency in management.

#### Management Organization

The Board of Directors, consisting of nine directors (two of whom are outside directors), deliberates and makes decisions on matters stipulated by laws or bylaws and management-related matters of importance, and supervises the execution of operations by each director. In April 2012, to meet the need for greater speed in both decision-making and business execution, we introduced the corporate officers system and a performance-based system for officers' remuneration. The 21 corporate officers, seven of whom concurrently serve as directors, execute business in accordance with the policies decided by the Board of Directors. At the corporate officers' meeting held once a month, corporate officers report on the progress of business execution, share information and exchange opinions in order to enhance operational efficiency. The term of office of a corporate officer and that of a director are one year.

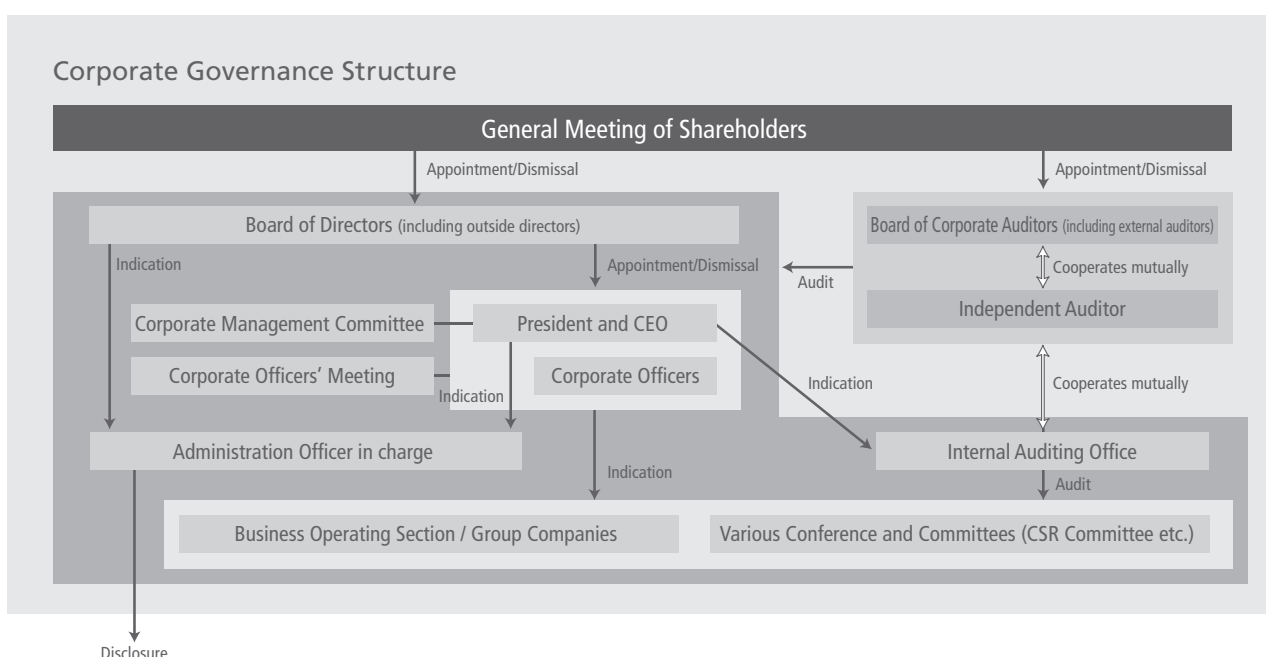
#### Management Oversight Functions

The Company employs the Board of Corporate Auditors System and

the Board of Corporate Auditors consists of four corporate auditors (two of whom are external corporate auditors). The corporate auditors attend the meetings of the Board of Directors and, if necessary, various other meetings and committee meetings, to grasp important issues. Through audits of the Company's offices and subsidiaries, they also supervise directors' execution of duties. In June 2013, we appointed an outside director for the first time with the aim of strengthening corporate governance. The outside director attend the meetings of the Board of Directors and state their opinions as necessary, based on their great experience at global companies and deep insight.

#### Internal Audits

The Internal Auditing Office performs audits of our company and its subsidiaries and affiliates, reports the audit results to management, and makes proposals to correct problems and improve business operations as necessary. A department that receives a proposal for improvement formulates and implements an improvement plan and the Internal Auditing Office investigates and confirms the implementation status. The department assesses the effectiveness of internal control over financial reporting in accordance with the requirements for the internal control report system pursuant to the Financial Instruments and Exchange Act so as to secure the reliability of the Group's financial reporting, thereby maintaining and improving internal control.





## Compliance

Recognizing that NGK Spark Plug is a member of society, we enhance corporate ethics, comply with laws and ordinances, international rules, and company regulations, striving to become a company trusted by the international community.

### Action Guidelines

- We comply with all relevant laws and ordinances, the Corporate Code of Conduct, and company regulations.
- We regularly educate and raise the awareness of all our employees so that they independently act ethically and knowledgeably to prevent compliance problems.
- Should a problem occur, we promptly deal with it and fulfill our accountability, striving to identify the causes and prevent recurrence.

### Compliance Promotion Structure

In August 2013, we established a new framework for promoting compliance at workplaces. Heads of all departments of our company and presidents of Group companies have been appointed as “compliance leaders,” and “compliance promoters” have been assigned under them. In addition, the Compliance Committee, chaired by the corporate officer responsible for general affairs and consisting of the departments responsible for laws and regulations and the heads of divisions, meets every three months to monitor key issues and actions concerning them and to implement corrections.

### Corporate Ethics Helpline

We have the Corporate Ethics Helpline in place so that our employees can receive consultation or make a report about compliance. The helpline is available inside and outside the Company and employees may use it anonymously. The Helpline received 21 cases of consultation and reporting in fiscal 2013, most of which concerned labor issues, the workplace environment, and information management. In some cases, the reporting prompted revision of the internal regulations.

### Export Controls

To ensure appropriate security export controls in compliance with the Foreign Exchange and Foreign Trade Control Act of Japan, we have the Export Control Rules and an export control organization in house as a framework enabling us to flexibly respond to amendments of the law. We also have put in place an antiterrorism security control system for air cargo in accordance with the guidance of the authorities. As part of our efforts for appropriate cargo management, metal detectors have been introduced at our logistics centers.

### Security Control / Information Security

We have established the Confidentiality Management Regulations and strive to appropriately manage confidential information of the

Company, our customers, and our suppliers. Our Privacy Policy is available on our website.

### Protection and Utilization of Intellectual Property Rights

NGK Spark Plug is active in the acquisition and utilization of intellectual property rights to protect its current and newly developed products. We investigate third-party intellectual property rights to confirm whether IP provisions in agreements are appropriate. It is our intention to strengthen management of intellectual property throughout the Group, including countermeasures for counterfeit products.

## Risk Management

NGK Spark Plug has made preparations to deal with various possible risks, such as natural disasters, accidents, and infectious diseases. If such a risk should arise, we will act to minimize the impact on our stakeholders. We will also work to restore and maintain the continuity of business operations, thereby earning the continued trust of our stakeholders.

### Action Guidelines

- We strive to prevent factors that could affect business continuity.
- We conduct our activities, always according top priority to the protection of human life.
- We minimize the impact on other parties.
- We strive to rapidly restore business operations and maintain stable supply of products and services.
- We implement measures to prevent the recurrence

### Review of the Business Continuity Plan (BCP)

We have conducted maintenance, operation and ongoing improvement of business continuity through PDCA cycle for the business continuity plan (BCP) formulated in 2012. In addition, we have implemented a recovery strategy including contingency plans so that the resumption of operations is within the target recovery time set in accordance with the results of business impact analysis (BIA). In order to inculcate measures at every workplace, we conducted a corporate-wide disaster drill, assuming the occurrence of a major earthquake, in November 2013, and a BCP drill in February 2014. Moreover, off-grid power generators have been installed for the Headquarters and the Komaki Machine Room to safely stop the main server in the event of disruption of power supply due to a major incident.

### Response to New Infectious Diseases

Mindful of the importance of protecting employee health, we are working to prevent the spread of influenza in the workplace. As group infection at workplaces may affect the performance of duties, we are implementing measures that are timely and focused with the departments concerned.

## CSR [Social]

The NGK Spark Plug Group endeavors to identify the expectations of its stakeholders, respond to them and enhance corporate value, capitalizing on stakeholders' confidence in the Group.

### With Our Customers

In order to grasp the diverse and evolving needs of customers and to create safe and reliable products that deliver greater customer satisfaction, we are promoting total quality management (TQM). At the same time, we are applying the SDCA (standardize-do-check-act) cycle at workplaces to facilitate standardization of business processes and production processes in order to ensure that we offer consistent quality throughout the world.

### With Our Shareholders and Investors

The Group is working to ensure the transparency and fairness of information disclosure to shareholders and investors. In addition to visiting institutional investors overseas, we are holding increasing the number of meetings for individual shareholders as part of our efforts to deepen investors' understanding of NGK Spark Plug.

### With Our Employees

Recognizing that employees are the most important management resource, we respect their diversity and individuality. In April 2014 we launched a new personnel system designed to cultivate highly capable human resources.

### With Our Suppliers

With a view to global optimization of procurement, we are strengthening cooperation with suppliers. We have released the NGK Spark Plug Group CSR Procurement Guidelines and are promoting CSR-oriented procurement throughout the supply chain. We hold an annual seminar for our main suppliers in order to share our policies with them.

### With Local Communities and International Society

As part of our concerted effort to fulfill our responsibility as a good corporate citizen, we are involved in various social contribution activities in communities where our production sites are located. In conducting business around the world, we respect local cultures and customs and engage in activities that contribute to the development of local communities.

## Social Contribution Activities of Our Sites Worldwide

### Inviting Families in the Region to a Musical

At NTK Hall, a cultural complex of Nagoya City for which we acquired the naming right in July 2012, we hosted a performance of the musical *Town Musicians of Bremen* by Theater Company HIKOSEN to express our appreciation to people in the region for their patronage. We invited people displaced by the Great East Japan Earthquake who are currently living in Nagoya and children raised in orphanages as well as other families in the region. Some 3,700 children and accompanying adults enjoyed the musical.

We received many letters of gratitude from children who participated.



### Becoming an Official Sponsor of FC Gifu

We have signed an official partnership agreement with FC Gifu, a J. League Division 2 football club based in Gifu Prefecture. Not only are three Group companies based in Gifu Prefecture, but the new plant of Group company SparkTech TONO Co., Ltd. recently started operation, further strengthening our ties with the prefecture. Thus, aspiring to contribute to the community where we do business, we have engaged in the official partnership agreement. Not only the three Group companies operating in the prefecture but all of us at the company will be cheering for the club.



### Giving Classes on Traffic Safety and Environmental Protection at Schools for Migrant Workers' Children in China

NGK Spark Plug (Shanghai) Co., Ltd., our subsidiary in China, gives classes on traffic safety and environmental protection at schools in Shanghai where children of rural migrants study, in order to help reduce traffic accidents and raise environmental awareness as befits a company involved in the automotive industry. In fiscal 2013, several hundred children received the class at five schools.





## CSR [Environment]

Recognizing that environmental issues are a common challenge for all humankind and have an important bearing on our business, NGK Spark Plug is making a concerted effort to minimize our business activities' environmental impacts, including CO<sub>2</sub> emissions, water consumption, waste, and chemical substances, and to develop products and technologies with excellent environmental performance. We are also endeavoring to deepen communication with our stakeholders, including those in local communities, and to work together with them to contribute to the emergence of a sustainable society.

### Eco Vision 2015

In accordance with the environmental policy and action plan of Eco Vision 2015, which sets out the Group's environmental goals for 2015, everyone in the Group is involved in the efforts to minimize the environmental impacts of our business and in the development and commercialization of products and services that contribute to environmental protection.

### Environmental Management

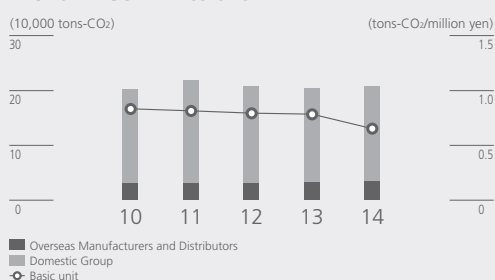
Operation of the environmental management system is checked

through internal audits, and the central and regional environment committees check progress toward goals and identify issues for the group, each division, region, and department in order to facilitate continuous improvement. We have obtained integrated ISO 14001 certification covering NGK Spark Plug and its 10 affiliated companies in Japan. Overseas subsidiaries are seeking to obtain ISO 14001 certification individually. In fiscal 2013, Changshu NGK Spark Plug Co., Ltd. obtained ISO 14001 certification. As of the end of March 31, 2014, 16 overseas subsidiaries were ISO 14001 certified. The certification ratio was 98% at the end of fiscal 2013, which is the ratio of the number of employees of the Group's business sites worldwide that are ISO 14001 certified to the Group's total number of employees.

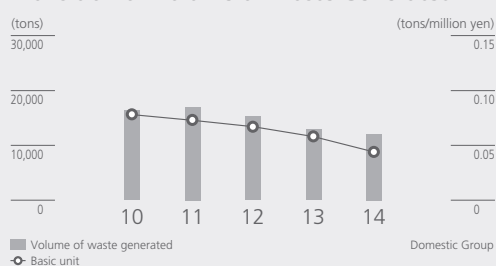
### Environmental Risk Management

NGK Spark Plug is doing its utmost to reduce environmental risks and to prevent environmental incidents and pollution. In this regard, we conduct soil surveys, apply stringent control for PCB, handle asbestos issues, and perform on-site checks of waste treatment contractors. We implement measures to prevent leakage of chemical substances and health hazards, and hold emergency drills.

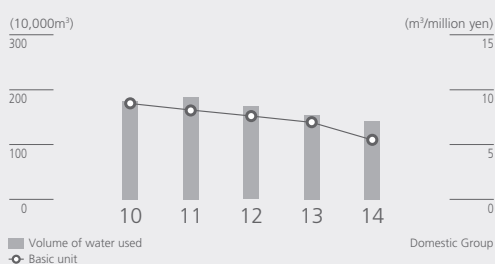
#### Trend in CO<sub>2</sub> Emissions



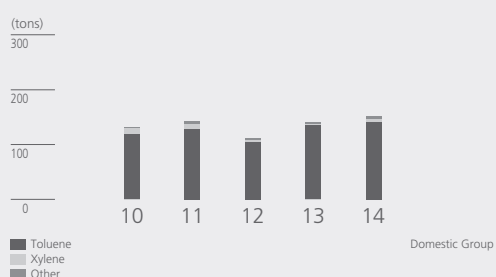
#### Transition of Volume of Waste Generated



#### Trends in Volume of Water Used



#### Emission Volumes of PRTR Substances



## Six-Year Summary

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries  
Years Ended March 31, 2014, 2013, 2012, 2011, 2010 and 2009

	Millions of yen						Thousands of U.S. dollars
	2014	2013	2012	2011	2010	2009	2014
<b>For the year:</b>							
Net sales	¥329,758	¥302,799	¥284,746	¥269,233	¥243,914	¥292,122	\$3,201,534
Costs of goods sold	222,383	229,530	213,409	195,461	192,722	251,833	2,159,058
Selling, general and administrative expenses	55,713	49,515	46,859	45,001	40,508	45,511	540,903
Operating income (loss)	51,662	23,754	24,478	28,771	10,684	(5,222)	501,573
Net income (loss)	32,704	20,910	25,524	23,680	13,510	(71,669)	317,515
Cash flows from operating activities	54,698	26,194	21,080	35,399	34,255	36,604	531,049
Cash flows from investing activities	(61,149)	(15,443)	(15,851)	(20,412)	(17,271)	(27,154)	(593,680)
Cash flows from financing activities	24,123	(15,495)	(4,688)	(7,154)	865	(10,461)	234,204
Depreciation	11,567	12,798	15,439	16,646	18,826	31,767	112,301
Capital expenditures	41,034	24,013	14,005	8,767	10,978	24,173	398,388
<b>At year-end:</b>							
Total assets	¥458,149	¥366,489	¥340,296	¥337,318	¥331,476	¥275,995	\$4,448,049
Net assets	302,794	268,309	235,613	218,159	207,007	184,385	2,939,748
<b>Sales by Reportable Segments:</b>							
Automotive components	¥271,835	¥248,795	¥222,636	¥197,214	¥166,067	¥186,685	\$2,639,175
Technical Ceramics:							
Semiconductor	29,713	28,239	33,892	44,472	55,031	77,410	288,476
Ceramics	24,461	22,054	23,738	23,053	19,155	23,531	237,485
Subtotal	54,174	50,293	57,630	67,525	74,186	100,941	525,961
Other	3,749	3,711	4,480	4,494	3,661	4,496	36,398
<b>Other Data:</b>							
Number of shareholders	10,070	10,701	11,666	12,744	12,102	16,280	
Number of employees (Consolidated)	12,760	12,563	12,064	11,767	11,795	11,979	
	Yen						U.S. dollars
<b>Per Share Data:</b>							
Net income (loss)							
—Basic	¥150.26	¥96.06	¥117.25	¥108.71	¥62.01	¥(328.90)	\$1.46
—Diluted	—	—	—	107.83	61.46	(328.90)	—
Cash dividends	28.00	22.00	22.00	22.00	11.00	13.50	0.28
Net assets	1,381.38	1,223.41	1,075.24	994.36	942.41	838.11	13.41
	%						
<b>Ratios</b> (Figures in parentheses are negative):							
Operating income ratio	15.7%	7.8%	8.6%	10.7%	4.4%	(1.8)%	
Equity ratio	65.6	72.7	68.8	64.2	61.9	66.2	
Return on net sales	9.9	6.9	9.0	8.8	5.5	(24.5)	
Return on assets	7.9	5.9	7.5	7.1	4.4	(20.8)	
Return on equity	11.5	8.4	11.3	11.2	7.0	(30.6)	

Note: U.S. dollar amounts above and elsewhere in this Annual Report are converted from yen, for convenience only, at the rate of ¥103=U.S.\$1

# Management's Discussion and Analysis

## Overview of Results

During the fiscal year ended March 31, 2014, with regard to conditions overseas, the Chinese economy continued to grow though at a slower pace due to stagnating domestic and foreign demand. In ASEAN countries, foreign demand experienced a slowdown, and domestic demand, which had been robust, began to lose momentum. In particular, from the second half of the fiscal year under review, political instability in Thailand was prominent and demand from the private sector continued to slump. In contrast, the European economies headed toward recovery and in the Eurozone, exports picked up centering on those for the U.S. and China. The U.S. economy continued to recover at a modest pace in line with the recovery of the manufacturing industry and improvement in the labor market. The Japanese economy continued to recover, supported by public investment in line with government economic policies. Toward the end of the fiscal year under review, there was a spike in consumer spending in Japan as last-minute demand surged before the consumption tax increase, giving the economy a boost. In the financial market, the trend in low yen and high share prices continued, and improvement in the financial results of companies, particularly those engaged in export, became evident.

In the automotive industry, which is the principal market for the NGK Spark Plug Group's products, worldwide automotive

sales grew steadily, led by brisk sales in the U.S. and China. In Japan, automotive sales were also robust as sales of compact cars, whose prices and running costs are relatively low, remained high and also thanks to last-minute demand prior to the consumption tax increase.

In the semiconductor industry, the markets for smartphones and tablets continued to expand while demand for PCs remained weak worldwide.

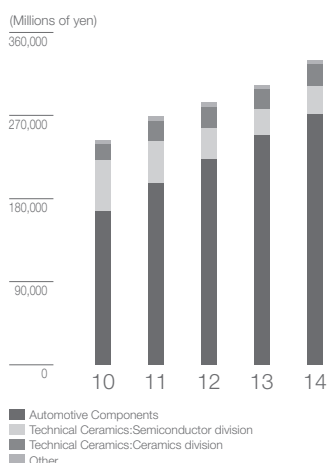
As a result, consolidated net sales for the fiscal year ended March 31, 2014 increased 8.9% year on year to ¥329,758 million. Operating income surged 117.5% to ¥51,662 million, and net income increased 56.4% to ¥32,704 million.

## Results of Operation

### Net Sales

Consolidated net sales increased ¥26,959 million or 8.9% year on year to ¥329,758 million. Although sales in Thailand, Malaysia, and certain other countries in the ASEAN region were lackluster, sales of automotive components both for factory installation and for aftermarkets were robust, centering on North America and emerging economies. Demand in Europe, which had been lackluster, started to recover gradually in the second half of the fiscal year under review.

### Net Sales by Business Segment



# Management's Discussion and Analysis

Millions of yen

	2013	2014	Increase
Automotive Components	¥248,795	<b>¥271,835</b>	¥23,040
Technical Ceramics	50,293	<b>54,174</b>	3,881
Semiconductor	28,239	<b>29,713</b>	1,474
Ceramics	22,054	<b>24,461</b>	2,407
Other	3,711	<b>3,749</b>	38
Consolidated net sales	302,799	<b>329,758</b>	26,959

## Costs of goods sold

Costs of goods sold decreased ¥7,147 million or 3.1% from the previous fiscal year to ¥222,383 million. The ratio of costs of goods sold to net sales improved, having decreased 8.4 percentage points from 75.8% for the previous fiscal year to 67.4% for the fiscal year under review.

## Selling, general and administrative expenses

Selling, general and administrative expenses increased ¥6,198 million or 12.5% from the previous fiscal year to ¥55,713 million.

## Operating income

As a result, operating income surged ¥27,908 million or 117.5% from the previous fiscal year to ¥51,662 million. The ratio of operating income to net sales improved, having increased 7.9 percentage points from 7.8% for the previous fiscal year to 15.7% for the year under review.

## Net income

Net income increased ¥11,794 million or 56.4% from the previous fiscal year to ¥32,704 million.

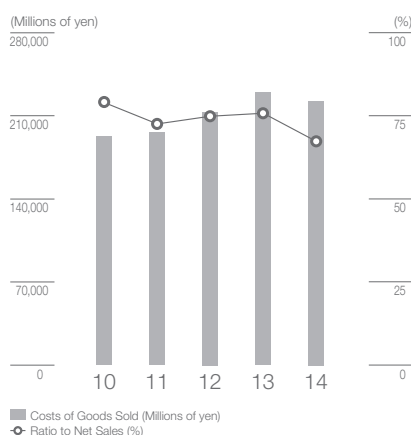
Spark plugs, exhaust gas sensors, and other automotive components contributed to higher profit, with buoyant sales mainly in the U.S. and emerging economies.

As a result, the return on equity increased 3.1 percentage points from 8.4% at the previous fiscal year-end to 11.5%, and net income per share increased ¥54.20 from ¥96.06 at the previous fiscal year-end to ¥150.26.

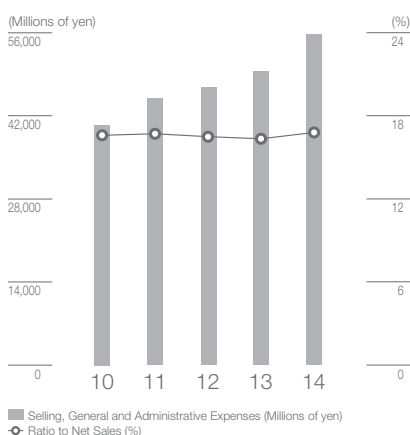
## Capital Expenditures

Capital expenditures amounted to ¥41,034 million, including ¥34,353 million for the Automotive Components Group, and ¥4,234 million for the Semiconductor Business and ¥2,443 million for the Ceramics Business of the Technical Ceramics Group. Capital expenditures of ¥56,900 million in planned for fiscal 2014,

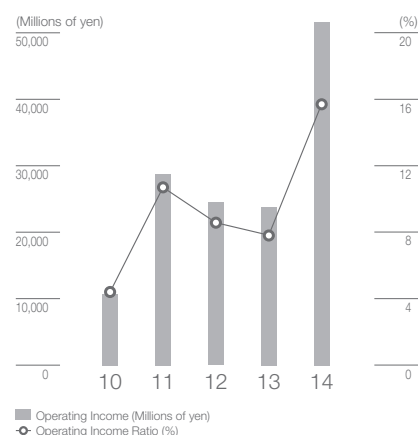
### Costs of Goods Sold and Ratio to Net Sales



### Selling, General and Administrative Expenses and Ratio to Net Sales



### Operating Income and Operating Income Ratio



primarily to increase production in facilities of the Automotive Components Group and for R&D facilities.

## R&D

R&D expenses in the fiscal year under review amounted to ¥19,401 million, which included expenses related to improvements of existing products and applied research. The "research and development cost" pursuant to the "Accounting Standard for Research and Development Cost" (Business Accounting Council) amounted to ¥4,018 million.

## 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 enabling flexible capital expenditures in the future, in order to support stable management and the ability to respond to changing circumstances. For this purpose, as well as retention and management of current funds in accordance with financial planning, we are implementing ongoing measures to enhance the efficiency of receivables, payables and inventories. At the same time, while the Group is strengthening internal rules such as the Fund Management Regulations, the Investment Committee and other organizations are working to reduce 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 through the issuance of corporate bonds, etc.

## Financial Condition

### Total Assets

Total assets were ¥458,149 million, having increased ¥91,660 million or 25.0% from the end of the previous fiscal year. The main factors were as follows:

- Of short-term investments, negotiable certificates of deposits increased due to financing.
- Of property, plant and equipment, buildings and structures and machinery and equipment increased due to capital expenditures.

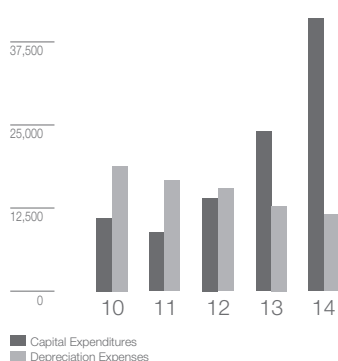
### Total Liabilities

Total liabilities amounted to ¥155,355 million, having increased ¥57,175 million or 58.2% from the end of the previous fiscal year.

- Interest-bearing debt increased mainly owing to the issuance of bonds amounting to ¥25,000 million and long-term debt amounting to ¥5,000 million.

## Capital Expenditures and Depreciation Expenses

(Millions of yen)  
50,000



# Management's Discussion and Analysis

## Net Assets

Net assets amounted to ¥302,794 million, having increased ¥34,485 million or 12.9% from the end of the previous fiscal year. The main items were an increase of ¥27,480 million in retained earnings and an increase of ¥6,052 million in foreign currency translation adjustments.

Net assets per share amounted to ¥1,381.38 compared with ¥1,223.41 at the end of the previous fiscal year.

## Cash Flows

Cash and cash equivalents at March 31, 2014, amounted to ¥68,967 million, in net value, including the effect of exchange rate changes on cash and cash equivalents amounting to ¥1,420 million, having increased ¥19,092 million from the end of the previous fiscal year.

## Cash flows from operating activities

Net cash provided by operating activities was ¥54,698 million, having increased ¥28,504 million from the previous fiscal year. This increase was mainly attributable to an increase in income before income taxes and minority interests.

## Cash flows from investing activities

Net cash used in investing activities amounted to ¥61,149 million, having increased ¥45,706 million from the previous fiscal year. This increase was mainly attributable to an increase in property, plant and equipment.

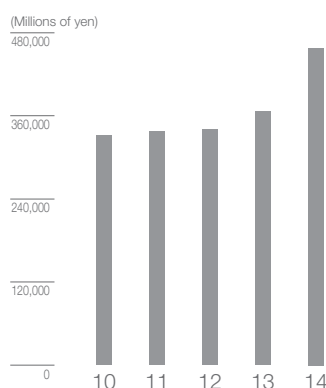
## Cash flows from financing activities

Net cash provided by financing activities amounted to ¥24,123 million, whereas for the previous fiscal year, net cash used in financing activities amounting to ¥15,495 million was recorded. This increase was mainly attributable to issuance of bonds and bank borrowings.

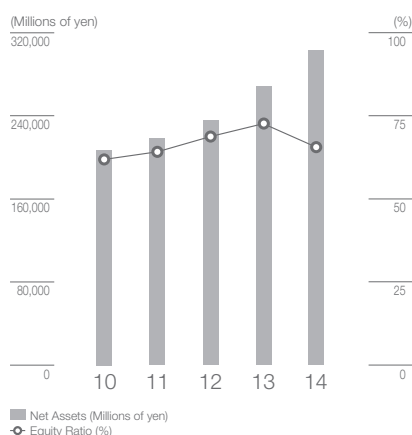
## Dividend Policy

NGK Spark Plug 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. We also think 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, we decide the amount

Total Assets



Net Assets and Equity Ratio

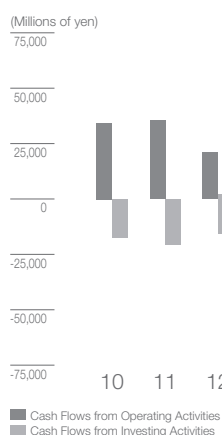


of dividends by comprehensively taking into consideration the basic policy of paying stable dividends and of maintaining sufficient internal reserves for R&D investment, capital expenditures for business expansion and for rationalization of operations, and investment in other companies, which are essential to future growth. We intend to maintain dividend payments at twice a year, consisting of an interim dividend and a year-end dividend. NGK Spark Plug recognizes the effectiveness of share buybacks for enhancing capital efficiency and intends to repurchase its shares, as necessary.

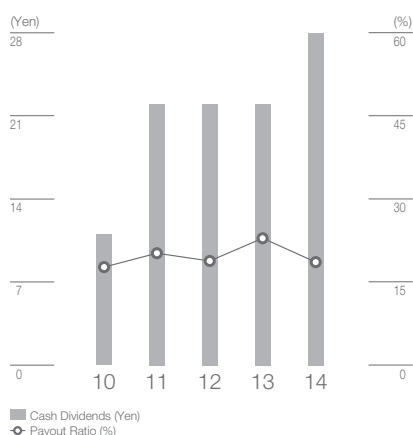
In order to ensure flexibility in the returning of profits to shareholders, our company's Articles of Incorporation specifies dividends from surplus as a matter requiring resolution of the board of directors.

The Company paid dividends per share of ¥28.0 for the fiscal year ended March 31, 2014, consisting of an interim dividend of ¥13.0 and a year-end dividend of ¥15.0.

Cash Flows from Operating Activities and Investing Activities



Cash Dividends and Payout Ratio





# Consolidated Balance Sheets

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries  
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Current assets:</b>			
Cash and cash equivalents (Note 3)	¥ 68,967	¥ 49,875	\$ 669,583
Short-term investments (Notes 3 and 6)	43,485	20,763	422,184
Notes and accounts receivable, net of allowance for doubtful accounts (Notes 3 and 4)	69,864	59,571	678,291
Inventories (Note 5)	71,070	67,845	690,000
Deferred tax assets (Note 16)	12,785	8,805	124,126
Other current assets	3,039	3,382	29,505
Total current assets	269,210	210,241	2,613,689
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 6)	54,656	47,205	530,641
Investments in unconsolidated subsidiaries and associates (Note 3)	6,489	5,873	63,000
Intangible assets (Note 7)	3,621	3,827	35,155
Deferred tax assets (Note 16)	1,000	926	9,709
Other assets	2,181	1,447	21,175
Less allowance for doubtful accounts	(104)	(104)	(1,010)
Total investments and other assets	67,843	59,174	658,670
<b>Property, plant and equipment:</b>			
Land	15,147	15,131	147,058
Buildings and structures	146,880	134,995	1,426,019
Machinery and equipment	240,002	232,732	2,330,117
Construction in progress	15,671	8,967	152,146
Total property, plant and equipment	417,700	391,825	4,055,340
Less accumulated depreciation	(296,604)	(294,751)	(2,879,650)
Net property, plant and equipment	121,096	97,074	1,175,690
Total assets	¥458,149	¥366,489	\$4,448,049

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Current liabilities:</b>			
Short-term borrowings (Notes 3 and 9)	¥ 1,595	¥ 1,433	\$ 15,485
Current portion of long-term debt (Notes 3 and 9)	10,252	303	99,534
Accounts payable (Notes 3 and 8)	35,909	28,397	348,631
Accrued expenses	16,238	14,159	157,651
Income taxes payable	16,411	4,854	159,330
Deferred tax liabilities (Note 16)	1	94	10
Other current liabilities	1,254	2,059	12,175
Total current liabilities	81,660	51,299	792,816
<b>Long-term debt (Notes 3 and 9)</b>	45,493	25,683	441,680
<b>Employee retirement benefit liability (Note 10)</b>	—	17,401	—
<b>Net defined benefit liability (Note 10)</b>	23,522	—	228,369
<b>Deferred tax liabilities (Note 16)</b>	3,459	2,334	33,582
<b>Other long-term liabilities</b>	1,221	1,463	11,854
Total liabilities	155,355	98,180	1,508,301
<b>Commitments and contingent liabilities (Notes 11 and 12)</b>			
<b>Net assets (Note 14):</b>			
Shareholders' equity:			
Common stock:			
authorized 390,000,000 shares;			
issued 223,544,820 shares	47,869	47,869	464,748
Capital surplus	54,825	54,825	532,281
Retained earnings	195,042	167,562	1,893,612
Less treasury stock at cost:			
5,911,360 shares in 2014			
and 5,877,441 shares in 2013	(7,611)	(7,540)	(73,893)
Total shareholders' equity	290,125	262,716	2,816,748
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	21,138	16,176	205,223
Foreign currency translation adjustments	(6,544)	(12,596)	(63,534)
Remeasurements of defined benefit plans (Note 10)	(4,084)	—	(39,650)
Total accumulated other comprehensive income	10,510	3,580	102,039
Minority interests	2,159	2,013	20,961
Total net assets	302,794	268,309	2,939,748
Total liabilities and net assets	¥458,149	¥366,489	\$4,448,049

# Consolidated Statements of Income

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries  
For the Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Operating revenue:</b>			
Net sales (Note 18)	¥329,758	¥302,799	\$3,201,534
<b>Operating costs and expenses:</b>			
Costs of goods sold	222,383	229,530	2,159,058
Selling, general and administrative expenses	55,713	49,515	540,903
	278,096	279,045	2,699,961
Operating income (Note 18)	51,662	23,754	501,573
<b>Other income (expenses):</b>			
Interest and dividend income	2,017	1,802	19,582
Interest expense	(536)	(556)	(5,204)
(Loss) gain on sale or disposal of property, plant and equipment	(332)	118	(3,223)
Depreciation of idle property, plant and equipment	(251)	(393)	(2,437)
Impairment loss on fixed assets (Note 15)	(5,143)	—	(49,932)
Equity in net earnings of associates	231	575	2,243
Foreign exchange gain	1,505	1,626	14,612
Other, net	343	804	3,330
	(2,166)	3,976	(21,029)
Income before income taxes and minority interests	49,496	27,730	480,544
<b>Income tax expenses (Note 16):</b>			
Current	20,146	8,059	195,592
Deferred	(3,658)	(1,554)	(35,514)
Total income tax expenses	16,488	6,505	160,078
Income before minority interests	33,008	21,225	320,466
<b>Less minority interests in net income of consolidated subsidiaries</b>	<b>304</b>	<b>315</b>	<b>2,951</b>
Net income	¥ 32,704	¥ 20,910	\$ 317,515

	Yen		U.S. dollars
<b>Per share:</b>			
Net income - basic	¥150.26	¥96.06	\$1.46
Cash dividends (Note 14)	28.00	22.00	0.28

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Comprehensive Income

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries  
For the Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Income before minority interests</b>	<b>¥33,008</b>	<b>¥21,225</b>	<b>\$320,466</b>
<b>Other comprehensive income:</b>			
Unrealized gains on available-for-sale securities	4,905	4,343	47,621
Foreign currency translation adjustments	5,581	11,522	54,185
Share of other comprehensive income of associates accounted for using the equity method	535	631	5,194
Total other comprehensive income (Note 17)	11,021	16,496	107,000
<b>Comprehensive income</b>	<b>¥44,029</b>	<b>¥37,721</b>	<b>\$427,466</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent	¥43,719	¥37,040	\$424,456
Minority interests	310	681	3,010
Total comprehensive income	¥44,029	¥37,721	\$427,466

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Changes in Net Assets

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries  
For the Years Ended March 31, 2014 and 2013

	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income						Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available—for- sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests		
Millions of yen													
Balance at April 1, 2012	223,544,820	¥47,869	¥54,825	¥151,441	¥(7,526)	¥246,609	¥11,815	¥(24,366)	¥	—	¥(12,551)	¥1,555	¥235,613
Net income for the year	—	—	—	20,910	—	20,910	—	—	—	—	—	—	20,910
Cash dividends	—	—	—	(4,789)	—	(4,789)	—	—	—	—	—	—	(4,789)
Purchases of treasury stock and fractional shares, net of sales	—	—	—	—	(14)	(14)	—	—	—	—	—	—	(14)
Net changes other than changes in shareholders' equity for the year	—	—	—	—	—	—	4,361	11,770	—	16,131	458	16,589	
Balance at March 31, 2013	223,544,820	47,869	54,825	167,562	(7,540)	262,716	16,176	(12,596)	—	3,580	2,013	268,309	
Net income for the year	—	—	—	32,704	—	32,704	—	—	—	—	—	32,704	
Cash dividends	—	—	—	(5,224)	—	(5,224)	—	—	—	—	—	(5,224)	
Purchases of treasury stock	—	—	—	—	(71)	(71)	—	—	—	—	—	(71)	
Net changes other than changes in shareholders' equity for the year	—	—	—	—	—	—	4,962	6,052	(4,084)	6,930	146	7,076	
Balance at March 31, 2014	223,544,820	¥47,869	¥54,825	¥195,042	¥(7,611)	¥290,125	¥21,138	¥ (6,544)	¥(4,084)	¥ 10,510	¥2,159	¥302,794	
Thousands of U.S. dollars													
Balance at March 31, 2013		\$464,748	\$532,281	\$1,626,816	\$(73,204)	\$2,550,641	\$157,048	\$(122,291)	\$	—	\$ 34,757	\$19,544	\$2,604,942
Net income for the year		—	—	317,515	—	317,515	—	—	—	—	—	—	317,515
Cash dividends		—	—	(50,719)	—	(50,719)	—	—	—	—	—	—	(50,719)
Purchases of treasury stock		—	—	—	(689)	(689)	—	—	—	—	—	—	(689)
Net changes other than changes in shareholders' equity for the year		—	—	—	—	—	48,175	58,757	(39,650)	67,282	1,417	68,699	
Balance at March 31, 2014		\$464,748	\$532,281	\$1,893,612	\$(73,893)	\$2,816,748	\$205,223	\$ (63,534)	\$(39,650)	\$102,039	\$20,961	\$2,939,748	

See accompanying Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries  
For the Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥49,496	¥27,730	\$480,544
Adjustments for:			
Depreciation	11,567	12,798	112,301
Impairment loss on fixed assets	5,143	—	49,932
Amortization of goodwill	(16)	(16)	(155)
Equity in net earnings of associates	(231)	(575)	(2,243)
(Increase) decrease in trade receivables	(4,602)	4,674	(44,680)
Decrease in inventories	1,064	1,559	10,330
Decrease in trade payables	(125)	(12,720)	(1,213)
Other, net	319	(4,337)	3,097
Subtotal	62,615	29,113	607,913
Interest and dividends received	1,994	2,126	19,359
Interest paid	(518)	(581)	(5,029)
Income taxes paid	(9,393)	(4,464)	(91,194)
Net cash provided by operating activities	54,698	26,194	531,049
<b>Cash flows from investing activities:</b>			
Increase in property, plant and equipment	(37,506)	(19,467)	(364,136)
Increase in intangible assets	(1,252)	(993)	(12,155)
Increase in long-term investments	(10,151)	(8,986)	(98,553)
Decrease in long-term investments	5,107	13,801	49,582
Net increase in short-term investments	(17,414)	(832)	(169,068)
Other, net	67	1,034	650
Net cash used in investing activities	(61,149)	(15,443)	(593,680)
<b>Cash flows from financing activities:</b>			
Issuance of long-term debt	24,878	—	241,534
Proceeds from long-term debt	5,000	—	48,544
Repayment of long-term debt	(336)	(10,373)	(3,262)
Net increase (decrease) in short-term borrowings	42	(90)	407
Dividends paid	(5,229)	(4,795)	(50,767)
Purchase of treasury stock and fractional shares, net of sales	(71)	(14)	(689)
Other, net	(161)	(223)	(1,563)
Net cash provided by (used in) financing activities	24,123	(15,495)	234,204
Effect of exchange rate changes on cash and cash equivalents	1,420	2,794	13,787
Net increase (decrease) in cash and cash equivalents	19,092	(1,950)	185,360
Cash and cash equivalents at beginning of year	49,875	51,825	484,223
Cash and cash equivalents at end of year	¥68,967	¥49,875	\$669,583

See accompanying Notes to Consolidated Financial Statements.

# Notes to Consolidated Financial Statements

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries

## 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 ("IFRS").

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, 2014, which was ¥103 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's 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 associates are accounted for by the equity method. Investments in unconsolidated subsidiaries and associates 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 and amortized over the estimated useful life, generally 5 years, on a straight-line basis.

The number of consolidated subsidiaries and associates accounted for by the equity method for the years ended March 31, 2014 and 2013 was as follows:

	2014	2013
Consolidated subsidiaries:		
Domestic	9	9
Overseas	25	24
Associates accounted for by the equity method	3	3

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these

companies, the effect on the accompanying consolidated financial statements would not have been material.

For the year ended March 31, 2014, the fiscal year-end date of NGK Spark Plug (Shanghai) Co., Ltd., Changshu NGK Spark Plug Co., Ltd., Bujias NGK de Mexico S.A. de C.V., LLC NGK Spark Plugs (Eurasia) and Woo Jin Industry Co., Ltd. is December 31. However, when preparing consolidated financial statements, the Company uses the financial statements of the four consolidated subsidiaries and one associate which have been compiled by a temporary closing of their accounts as of March 31.

Effective from the fiscal year ended March 31, 2013, seventeen overseas consolidated subsidiaries (NGK Spark Plug Europe GmbH, etc.) changed their fiscal year-end date from December 31 to March 31. These changes were made in order to improve the NGK Spark Plug Group's managerial planning and disclosures on a consolidated basis and to prepare for the future adoption of IFRS. The fiscal year-end date of NGK Spark Plug (Shanghai) Co., Ltd., Changshu NGK Spark Plug Co., Ltd., Bujias NGK de Mexico S.A. de C.V. and Woo Jin Industry Co., Ltd. is December 31. However, when preparing consolidated financial statements, the Company uses the financial statements of the three consolidated subsidiaries and one associate which have been compiled by a temporary closing of their accounts as of March 31. Accordingly, the accompanying consolidated statements of income for the year ended March 31, 2013 included the operating results of twenty consolidated subsidiaries and one associate for the 15-month period from January 1, 2012 to March 31, 2013. As a result, for the year ended March 31, 2013, net sales, operating income and net income were ¥39,063 million, ¥3,826 million and ¥2,265 million more, respectively, than the amounts that would have been recorded without the change.

(Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)

The Company has adopted Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements," issued by the Accounting Standards Board of Japan ("ASBJ"). 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 IFRS or U.S. generally accepted accounting principles ("U.S. GAAP"). In this case, adjustments for the following five 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.

- Goodwill not subject to amortization
- Actuarial gains and losses of defined benefit retirement plans recognized outside profit and loss
- Capitalized expenditures for research and development activities
- Fair value measurement of investment properties and revaluation of property, plant and equipment and



- intangible assets
- (e) Accounting for net income attributable to minority interests

#### **(Unification of accounting policies applied to associates accounted for using the equity method)**

The Company also has adopted ASBJ PITF No. 24, "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method." PITF No. 24 requires that accounting policies and procedures applied by an investment company and its associates to similar transactions and events under similar circumstances should, in principle, be unified for applying the equity method. PITF No. 24, however, as a tentative measure, allows an investment company to apply the equity method using foreign associates' financial statements prepared in accordance with either IFRS or U.S. GAAP. In this case, adjustments for the same five items as PITF No. 18 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.

#### **(b) Cash equivalents**

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

#### **(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 to be applied to the investments as stipulated by the accounting standards 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 accumulated other comprehensive income, 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 current earnings. According to the special treatment as permitted by the accounting standard for financial instruments, if interest rate and currency swap contracts are used as a hedge and meet certain hedging criteria, the interest rate and currency swap contracts are not remeasured at market price, and the amount to be received under the interest rate and currency swap contracts is added to or deducted from the interest on the liabilities for which the swap contracts are executed, and the liabilities denominated in foreign currencies, for which the interest rate and currency swap contracts are

executed, are translated at the contracted rate. Measurement of hedge effectiveness is not considered necessary for interest rate and currency swap contracts that meet the requirements for the special treatment.

#### **(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 realizable value has fallen 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 certain 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 by the straight-line method.

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.

#### **(Changes in accounting policies for depreciation methods that are not distinguishable from changes in accounting estimates)**

The Company and its domestic consolidated subsidiaries had depreciated property, plant and equipment, except for buildings, using the declining balance method. From the fiscal year ended March 31, 2013, the Company and its domestic consolidated subsidiaries have changed their depreciation method for all properties to the straight-line method. This change is based on the NGK Spark Plug Group's judgment that applying a depreciation method to match revenues and expenses by allocating acquisition costs of property, plant and equipment equally over its useful life would be more appropriate accurate as a result of a reassessment of the actual use of the properties following an expansion of capital expenditures in accordance with domestic "Automotive components" operations growth and the steady contributions for investment and earnings. In addition, unifying the NGK Spark Plug Group's accounting policies to the straight-line method is consistent with the practices of the overseas consolidated subsidiaries, which calculate depreciation by the straight-line method and whose capital expenditures are on the rise. As a result, for the year ended March 31, 2013, depreciation costs were ¥2,637 million less, operating income ¥2,123 million more and income before income taxes and minority interests ¥2,345 million more than the amounts that would have been recorded without the change.

#### **(Change of accounting estimates for the useful life of property)**

From the fiscal year ended March 31, 2013, the Company and its domestic consolidated subsidiaries have changed the useful life of machinery and equipment in the "Automotive components"

and “Ceramics” business to the years of actual product use, considering years of usage, repair cycles and payout periods of machinery and equipment. As a result, for the year ended March 31, 2013, depreciation costs were ¥1,667 million less and operating income and income before income taxes and minority interests ¥1,426 million more than the amounts that would have been recorded without the change.

#### **(h) Leases**

The Company and its domestic consolidated subsidiaries have adopted the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and its “Guidance on Accounting Standard for Lease Transactions” (Guidance No. 16), revised by ASBJ on March 30, 2007. The revised accounting standard requires that all finance lease transactions be accounted for in a manner similar to that used for ordinary sale and purchase transactions. The Company and its domestic consolidated subsidiaries as lessee capitalize the assets used under finance leases commenced on or after April 1, 2008, 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.

#### **(i) Impairment of fixed assets**

The Company and its domestic consolidated subsidiaries have adopted the “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 asset 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, including 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, other than idle or unused property, are grouped into cash generating units based on managerial accounting classifications.

#### **(j) Employee retirement benefits**

The difference between retirement benefit obligations and plan assets has been recognized as net defined benefit liability. To calculate the retirement benefit obligations, the straight-line method is used to allocate estimated retirement benefits. Past service costs that are yet to be recognized are amortized on a straight-line basis over ten years, a period not exceeding the average remaining period of the employees. Actuarial gains and losses that are yet to be recognized are amortized on a straight-line basis over ten years, a period not exceeding the average remaining service period of employees, from the year following

the year in which they arise. Net defined benefit liability and retirement benefit costs of certain consolidated subsidiaries are calculated using the simplified method as permitted by the accounting standard for retirement benefits.

#### **(Changes in accounting policies for retirement benefits)**

Effective from the year ended March 31, 2014, the NGK Spark Plug Group applies the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, “Statement No. 26”)) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, “Guidance No. 25”)) except Article 35 of Statement No. 26 and Article 67 of the Guidance No. 25, and actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as net defined benefit liability.

In accordance with Article 37 of the Statement No. 26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income. As a result, net defined benefit liability in the amount of ¥23,522 million (\$228,369 thousand) has been recognized and accumulated other comprehensive income was ¥4,084 million (\$39,650 thousand) less and minority interests ¥4 million (\$39 thousand) less at the end of the current fiscal year than the amounts that would have been recorded without the change.

#### **(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 accumulated other comprehensive income in the accompanying consolidated balance sheets.

#### **(l) Research and development expenses**

Expenses related to research and development are charged to income as incurred. Research and development expenses arise from a wide range of the NGK Spark Plug Group’s activities, including basic and applied research for material development, planning and designing of new products and processes and activities aimed at improving existing products and processes. For the years ended March 31, 2014 and 2013, research and development expenses aggregated ¥19,439 million (\$188,728 thousand) and ¥17,101 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 ¥4,018 million (\$39,010 thousand) and ¥3,734 million at March 31, 2014 and 2013, respectively,

and were recorded as general and administrative expenses. The remaining expenses were recorded for the respective years in the accompanying consolidated statements of income 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-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 carry-forwards. 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 promulgation 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 not disclosed as the NGK Spark Plug Group had no dilutive common shares. Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared by the Company as applicable to the respective year.

#### **(r) New accounting standards issued but not yet adopted**

##### **(Accounting standard for retirement benefits)**

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which together replaced the accounting standard for retirement benefits originally issued by the Business Accounting Council of Japan in 1998. Under the amended rule, actuarial differences and past service costs that have not been recognized in profit or loss are to be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus is to be recognized as a liability or asset without any adjustments. For determining the method of attributing expected benefit to periods, the new standard allows the choice of benefit formula basis or straight-line basis. Pursuant to the amendment, the method used to determine the discount rate has also been

changed.

Amendments related to the determination of retirement benefit obligations and current service costs are effective from the beginning of annual periods ending on or after March 31, 2015.

The NGK Spark Plug Group is currently in the process of determining the effects of this new standard on the consolidated financial statements.

### **3. Financial Instruments**

#### **(a) Qualitative information on financial instruments**

The NGK Spark Plug Group does not invest 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 and direct financing from financial markets principally by the issuance of corporate bonds to satisfy short-term and long-term funding requirements.

The NGK Spark Plug Group is exposed to credit risk primarily with respect to trade receivables. In order to reduce the 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 and currency swap agreements in the normal course of business principally for hedging purposes in order to reduce its own exposure to fluctuations in exchange rates and interest rates. 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 and import purchases.

## (b) Fair value of financial instruments

The fair value and carrying value of financial instruments at March 31, 2014 and 2013, other than unlisted equity securities for which the fair value was extremely difficult to determine, were as follows:

	Carrying value	Fair Value	Difference
	Millions of yen		
At March 31, 2014:			
Financial assets:			
Cash and cash equivalents	¥ 68,967	¥ 68,967	¥ —
Short-term investments	43,485	43,485	—
Trade receivables	61,992	61,992	—
Investment securities:			
Available-for-sale securities	53,919	53,919	—
Total	¥228,363	¥228,363	¥ —
Financial liabilities (*1):			
Short-term borrowings	¥ (1,595)	¥ (1,595)	¥ —
Long-term bank loans	(5,000)	(5,015)	(15)
Trade payables	(23,625)	(23,625)	—
Bonds payable, including current portion	(50,000)	(50,348)	(348)
Total	¥ (80,220)	¥ (80,583)	¥ (363)
Derivative instruments (*2)	¥ 30	¥ 30	¥ —

At March 31, 2013:

Financial assets:			
Cash and cash equivalents	¥ 49,875	¥ 49,875	¥ —
Short-term investments	20,763	20,763	—
Trade receivables	53,103	53,103	—
Investment securities:			
Available-for-sale securities	46,489	46,489	—
Total	¥170,230	¥170,230	¥ —
Financial liabilities (*1):			
Short-term borrowings	¥ (1,433)	¥ (1,433)	¥ —
Trade payables	(18,814)	(18,814)	—
Bonds payable, including current portion	(25,000)	(25,588)	(588)
Total	¥ (45,247)	¥ (45,835)	¥ (588)
Derivative instruments (*2)	¥ (419)	¥ (419)	¥ —

Thousands of U.S. dollars

At March 31, 2014:

Financial assets:			
Cash and cash equivalents	\$ 669,583	\$ 669,583	\$ —
Short-term investments	422,184	422,184	—
Trade receivables	601,864	601,864	—
Investment securities:			
Available-for-sale securities	523,486	523,486	—
Total	\$2,217,117	\$2,217,117	\$ —
Financial liabilities (*1):			
Short-term borrowings	\$ (15,485)	\$ (15,485)	\$ —
Long-term bank loans	(48,544)	(48,689)	(145)
Trade payables	(229,369)	(229,369)	—
Bonds payable, including current portion	(485,437)	(488,816)	(3,379)
Total	\$ (778,835)	\$ (782,359)	\$ (3,524)
Derivative instruments (*2)	\$ 291	\$ 291	\$ —

\*1) Amounts in parenthesis reflect liabilities.

\*2) The value of derivative instruments is shown as a net position.

Notes:

(1) The methods and assumptions used to estimate the fair value of financial instruments are summarized below:

The fair value of cash and cash equivalents, trade receivables, short-term borrowings and trade payables is approximately equal to the carrying value due to their short-term maturities. The fair value of investment 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. The fair value of long-term bank loans is computed based on the total amount of principal and interest discounted at an interest rate applicable to new loans under the same conditions.

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

	Carrying value		Thousands of U.S. dollars
	Millions of yen		2014
	2014	2013	
Investments (equity securities) in unconsolidated subsidiaries and associates	¥6,489	¥5,873	\$63,000
Unlisted equity securities	429	409	4,165

(3) Expected maturities of financial assets at March 31, 2014 were as follows:

	Due in one year or less	Due after one year through five years	Due after five years
	Millions of yen		
At March 31, 2014:			
Cash and cash equivalents	¥ 68,967	¥ —	¥—
Trade receivables	61,992	—	—
Investments	40,142	7,101	—
	¥171,101	¥7,101	¥—

Thousands of U.S. dollars

At March 31, 2014:

Cash and cash equivalents	\$ 669,583	\$ —	\$ —
Trade receivables	601,864	—	—
Investments	389,728	68,942	—
	\$1,661,175	\$68,942	\$ —

Contractual maturities of bank loans at March 31, 2014 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥1,595	\$15,485
2016	—	—
2017	—	—
2018	—	—
2019	5,000	48,544
	¥6,595	\$64,029

Contractual maturities of bonds payable at March 31, 2014 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥10,000	\$ 97,087
2016	15,000	145,631
2017	—	—
2018	—	—
2019	25,000	242,719
	¥50,000	\$485,437

#### 4. Notes and Accounts Receivable

At March 31, 2014 and 2013, notes and accounts receivable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Trade receivables	¥59,790	¥51,214	\$580,485
Unconsolidated subsidiaries and associates	2,362	1,894	22,932
Other	8,162	6,762	79,243
Less allowance for doubtful accounts	(450)	(299)	(4,369)
	¥69,864	¥59,571	\$678,291

#### 5. Inventories

At March 31, 2014 and 2013, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Finished goods	¥42,014	¥41,704	\$407,903
Work-in-process	19,468	17,364	189,010
Raw materials	9,588	8,777	93,087
	¥71,070	¥67,845	\$690,000

For the years ended March 31, 2014 and 2013, a write-down of ¥513 million (\$4,981 thousand) and ¥1,080 million, respectively, was recognized as costs of goods sold.

#### 6. Investments

At March 31, 2014 and 2013, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Securities with fair value:			
Bonds	¥27,557	¥10,806	\$267,544
Other	8,880	4,288	86,213
	36,437	15,094	353,757
Time deposits with an original maturity of more than three months	7,048	5,669	68,427
	¥43,485	¥20,763	\$422,184

At March 31, 2014 and 2013, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Securities with fair value:			
Equity securities	¥45,258	¥37,614	\$439,398
Bonds	8,661	8,875	84,088
	53,919	46,489	523,486
Other securities without fair value	737	716	7,155
	¥54,656	¥47,205	\$530,641

At March 31, 2014 and 2013, 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, 2014:				
Equity securities	¥12,664	¥32,793	¥ (199)	¥45,258
Bonds	36,197	74	(53)	36,218
Other	8,636	244	—	8,880
	¥57,497	¥33,111	¥ (252)	¥90,356
At March 31, 2013:				
Equity securities	¥12,645	¥25,406	¥ (437)	¥37,614
Bonds	19,600	106	(25)	19,681
Other	4,281	110	(103)	4,288
	¥36,526	¥25,622	¥ (565)	¥61,583

	Thousands of U.S. dollars			
At March 31, 2014:				
Equity securities	\$122,952	\$318,378	\$ (1,932)	\$439,398
Bonds	351,427	719	(514)	351,632
Other	83,844	2,369	—	86,213
	\$558,223	\$321,466	\$ (2,446)	\$877,243

Although no loss on the write-down of available-for-sale securities was recognized for the year ended March 31, 2014, a loss on the write-down of available-for-sale securities in the amount of ¥63 million was recognized as other expenses due to the other than temporary diminution in value for the year ended March 31, 2013.

#### 7. Intangible Assets

At March 31, 2014 and 2013, intangible assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Software	¥3,368	¥3,591	\$32,699
Other intangible assets	253	236	2,456
	¥3,621	¥3,827	\$35,155

#### 8. Accounts Payable

At March 31, 2014 and 2013, accounts payable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Trade payables	¥23,394	¥18,735	\$227,126
Unconsolidated subsidiaries and associates	350	86	3,398
Other	12,165	9,576	118,107
	¥35,909	¥28,397	\$348,631



## 9. Short-term Borrowings and Long-term Debt

At March 31, 2014 and 2013, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unsecured bank loans with interest at rates ranging from 0.02% to 5.04% per annum at March 31, 2014	¥1,595	¥1,433	\$15,485

At March 31, 2014 and 2013, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
1.85% unsecured bonds due July 2014	¥10,000	¥10,000	\$ 97,087
1.22% unsecured bonds due September 2015	15,000	15,000	145,631
0.391% unsecured bonds due September 2018	25,000	—	242,719
0.41% unsecured bank loans due September 2018	5,000	—	48,544
Capitalized lease obligations	745	986	7,233
	55,745	25,986	541,214
Less current portion	(10,252)	(303)	(99,534)
	¥45,493	¥25,683	\$441,680

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, 2014 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥10,252	\$ 99,534
2016	15,229	147,855
2017	174	1,689
2018	85	825
2019	30,005	291,311
	¥55,745	\$541,214

## 10. Employee Retirement Benefits

The Company has a lump-sum retirement benefit plan and a defined benefit pension plan that cover 80% of the 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 Company contributes certain plan assets to the employee retirement benefit trust under the defined benefit pension plan. Net defined benefit liability and retirement benefit costs of certain consolidated subsidiaries are calculated using the simplified method as permitted by the accounting standard for retirement benefits.

The following tables reconcile the benefit liability and net periodic retirement benefit expense as of and for the year ended March 31, 2013:

	Millions of yen
	2013
Reconciliation of benefit liability:	
Projected benefit obligation *	¥50,075
Less fair value of pension plan assets at end of year	(26,568)
Projected benefit obligation in excess of value of pension plan assets	23,507
Unrecognized actuarial differences	(5,887)
Unrecognized past service cost	(219)
Net amounts of employee retirement benefit liability	¥17,401

\*The projected benefit obligation of certain consolidated subsidiaries was calculated applying the simplified method as permitted by the accounting standard for retirement benefits.

	Millions of yen
	2013
Components of net periodic retirement benefit costs:	
Service cost	¥2,582
Interest cost	934
Expected return on pension plan assets	(647)
Recognized actuarial differences	844
Amortization of past service cost	38
Net periodic retirement benefit expense	¥3,751

Major assumptions used in the calculation of the above information for the year ended March 31, 2013 were as follows:

	2013
Method attributing the projected benefits to periods of services	Straight-line method
Discount rate	1.5%
Expected rate of return on pension plan assets	2.75%
Amortization of actuarial differences	10 years
Amortization of past service cost	10 years

Information about employee retirement benefits for the year ended March 31, 2014 was as follows:

### (a) Defined benefit plans

Movement in retirement benefit obligations, except for plans applying the simplified method:

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥49,741	\$482,922
Service cost	3,125	30,340
Interest cost	755	7,330
Actuarial loss	1,416	13,748
Benefits paid	(1,878)	(18,233)
Past service costs	(179)	(1,738)
Other	29	281
Balance at March 31, 2014	¥53,009	\$514,650

Movement in plan assets, except for plans applying the simplified method:

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥26,473	\$257,019
Expected return on plan assets	699	6,786
Actuarial gain	618	6,000
Contributions paid by the employer	3,273	31,777
Benefits paid	(1,341)	(13,019)
Other	3	29
Balance at March 31, 2014	¥29,725	\$288,592

Movement in net defined benefit liability for plans applying the simplified method:

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥239	\$2,320
Retirement benefit costs	39	379
Benefits paid	(21)	(204)
Contributions paid by the employer	(19)	(184)
Balance at March 31, 2014	¥238	\$2,311

Reconciliation from retirement benefit obligations and plan assets to net defined benefit liability:

	Millions of yen	Thousands of U.S. dollars
	<b>2014</b>	<b>2014</b>
Funded retirement benefit obligations	¥35,448	\$344,155
Plan assets	(29,851)	(289,815)
	<b>5,597</b>	<b>54,340</b>
Unfunded retirement benefit obligations	17,925	174,029
Total net defined benefit liability (asset)	¥23,522	\$228,369
Net defined benefit liability	23,522	228,369
Total net defined benefit liability (asset)	¥23,522	\$228,369

Retirement benefit costs:

	Millions of yen	Thousands of U.S. dollars
	<b>2014</b>	<b>2014</b>
Service cost	¥3,125	\$30,340
Interest cost	755	7,330
Expected return on plan assets	(699)	(6,786)
Net actuarial loss amortization	535	5,194
Past service costs amortization	38	368
Retirement benefit costs based on the simplified method	39	379
Total	¥3,793	\$36,825

Remeasurements of defined benefit plans (before adjusting for tax effects):

	Millions of yen	Thousands of U.S. dollars
	<b>2014</b>	<b>2014</b>
Past service costs that are yet to be recognized	¥ 12	\$ 117
Actuarial losses that are yet to be recognized	6,127	59,485
Total	¥6,139	\$59,602

Plan assets:

(1) Plan assets comprise:

	<b>2014</b>
Bonds	<b>23%</b>
Equity securities	<b>33%</b>
General life insurance accounts	<b>27%</b>
Alternative investments	<b>14%</b>
Other	<b>3%</b>
Total	<b>100%</b>

Note: 9% of plan assets are contributed to the employee retirement benefit trust under the defined benefit pension plan.

(2) Long-term expected rate of return:

Current and target asset allocation, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return. Actuarial assumptions:

The principal actuarial assumptions at March 31, 2014 were as follows:

Discount rate	<b>Mainly 1.5%</b>
Long-term expected rate of return	<b>Mainly 2.75%</b>

(b) Defined contribution plans

The amount of the required contribution to the defined contribution plans in the overseas consolidated subsidiaries was ¥154 million (\$1,495 thousand) for the year ended March 31, 2014.

## 11. Lease Commitments

At March 31, 2014 and 2013, the 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
	<b>2014</b>	<b>2013</b>	<b>2014</b>
Due within one year	¥ 708	¥ 455	\$ 6,874
Due after one year	2,246	723	21,806
	¥2,954	¥1,178	\$28,680

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 but are not capitalized. However, the aggregate future minimum payments under such finance leases is not material and, therefore, not disclosed.

## 12. Contingent Liabilities

At March 31, 2014 and 2013, contingent liabilities in respect to guarantees of indebtedness, principally of employees, amounted to ¥41 million (\$398 thousand) and ¥51 million, respectively.

### 13. Derivative Instruments

At March 31, 2014 and 2013, derivative instruments, except for derivative instruments accounted for by hedge accounting, were stated at fair value and recognized for valuation gains and losses as current earnings as follows:

	Notional principal or contract amounts	Fair value	Valuation gains (losses)
	Millions of yen		
At March 31, 2014:			
Foreign exchange contracts:			
Forward contracts to sell	¥13,171	¥ 49	¥ 49
Currency call options	3,126	(40)	(40)
Currency put options	3,098	21	21
			¥ 30
At March 31, 2013:			
Foreign exchange contracts:			
Forward contracts to sell	¥12,688	¥(413)	¥(413)
Currency call options	1,474	(21)	(21)
Currency put options	737	15	15
			¥(419)

	Thousands of U.S. dollars		
At March 31, 2014:			
Foreign exchange contracts:			
Forward contracts to sell	\$127,874	\$476	\$476
Currency call options	30,350	(389)	(389)
Currency put options	30,078	204	204
			\$291

At March 31, 2014, derivative instruments to which hedge accounting was applied were as follows:

Hedged item	Notional principal or contract amounts	Contract amounts due after one year	Fair value
	Millions of yen		
At March 31, 2014:			
Interest rate and currency swaps:			
(floating rate receipt, fixed-rate payment) Long-term			
(U.S.\$ receipt, Japanese yen payment) bank loans	¥5,000	¥5,000	¥ —

	Thousands of U.S. dollars		
At March 31, 2014:			
Interest rate and currency swaps:			
(floating rate receipt, fixed-rate payment) Long-term			
(U.S.\$ receipt, Japanese yen payment) bank loans	\$48,544	\$48,544	\$ —

The above interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not separated from the hedged bank loans. The fair value of such derivative instruments is reflected in the calculation of the fair value of related bank loans. (See Note 3)

### 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, 2014 and 2013, 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 (\$56,680 thousand) at March 31, 2014 and 2013, 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, 2014, the Company paid interim dividends of ¥2,829 million (\$27,466 thousand), ¥13.00 (\$0.13) per share. On May 8, 2014, the Board of Directors of the Company approved cash dividends of ¥3,265 million (\$31,699 thousand), ¥15.00 (\$0.15) per share, for the appropriation of retained earnings to shareholders of record as of March 31, 2014.

### 15. Impairment Loss on Fixed Assets

Although no impairment loss was recorded for the year ended March 31, 2013, for the year ended March 31, 2014, the NGK Spark Plug Group recognized an impairment loss on fixed assets in the amount of ¥5,143 million (\$49,932 thousand), which consisted of ¥4,546 million (\$44,136 thousand) on machinery and equipment and other properties and ¥597 million (\$5,796 thousand) on construction in progress, as other expenses. The loss arose in connection with properties used for production of IC packages in the "Semiconductor" of the "Technical Ceramics" segment that became impaired because performance in the IC package business worsened due to a change in the supply and demand and increased costs to stabilize quality. Recoverable amounts estimated using value in use were nil.



## 16. Income Taxes

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Net operating loss carryforwards	¥ 3,016	¥ 2,033	\$ 29,282
Impairment loss on fixed assets	6,148	4,879	59,689
Employee retirement benefit liability	—	6,588	—
Net defined benefit liability	8,685	—	84,320
Depreciation	3,268	3,767	31,728
Accrued expenses	3,918	3,570	38,039
Inventories	2,588	2,361	25,126
Inter-company profits	5,905	3,415	57,330
Other	2,881	1,379	27,971
Less valuation allowance	(8,397)	(6,586)	(81,524)
	28,012	21,406	271,961
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	11,532	8,852	111,961
Retained earnings of overseas consolidated subsidiaries	4,900	3,972	47,573
Other	1,255	1,279	12,184
	17,687	14,103	171,718
Net deferred tax liabilities	¥10,325	¥ 7,303	\$100,243

At March 31, 2014 and 2013, deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Current	¥12,785	¥8,805	\$124,126
Noncurrent	1,000	926	9,709
Deferred tax liabilities:			
Current	1	94	10
Noncurrent	3,459	2,334	33,582

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, 2014 and 2013, a valuation allowance was provided to reduce deferred tax assets to the amount that management believed the deferred tax assets were realizable.

For the years ended March 31, 2014 and 2013, the reconciliation of the differences between the combined Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income was as follows.

	Percentage of pre-tax income (%)	
	2014	2013
Combined Japanese statutory tax rate	37.7	37.7
Increase (decrease) due to:		
Permanently nondeductible expenses	0.5	1.7
Tax exempt income	(0.6)	(0.9)
Tax credit for research and development expenses	(6.0)	(3.6)
Differences between Japanese and foreign tax rates	(1.7)	(2.9)
Changes in valuation allowance	1.2	(3.7)
Effect on income tax rate changes	0.9	—
Other	1.3	(4.8)
Effective income tax rate	33.3	23.5

On March 31, 2014, the "Act on Partial Amendment of the Income Tax Act" (Act No. 10, 2014) was promulgated and the Special Corporate Tax for Reconstruction was abolished from the fiscal year beginning on or after April 1, 2014. Due to this change, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the temporary differences expected to be either deductible, taxable or expired in the fiscal year beginning on April 1, 2014 has been revised from the previous rate of 37.7% to 35.3%. The change has had no material effect for the year ended March 31, 2014.

## 17. Other Comprehensive Income

Amounts reclassified as net income in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gains on available-for-sale securities			
Increase during the year	¥ 7,597	¥ 6,878	\$ 73,757
Reclassification adjustments	(12)	55	(117)
Subtotal, before tax	7,585	6,933	73,640
Tax effect	(2,680)	(2,590)	(26,019)
Subtotal, net of tax	4,905	4,343	47,621
Foreign currency translation adjustments			
Increase during the year	5,581	11,522	54,185
Share of other comprehensive income of associates accounted for by the equity method			
Increase during the year	535	631	5,194
Total other comprehensive income	¥11,021	¥16,496	\$107,000

## 18. Segment Information

### (a) General information about reportable segments

The reportable segments of the Company are the business units for which the Company is able to obtain financial information separately in order for the Board of Directors of the Company to conduct periodic investigations to determine the distribution of management resources and evaluate business results. The Company has its business units identified by products. Each business unit plans its comprehensive domestic and overseas strategy for its products and conducts its business activities. Accordingly, the NGK Spark Plug Group consists of two reportable segments. "Automotive components" and "Technical ceramics" consisting of "Semiconductor" and "Ceramics."

- In the "Automotive components" segment, the Company manufactures and sells spark plugs, glow plugs, various automotive sensors, ceramic engine parts and other automotive components.
- In the "Technical ceramics" segment, the Company manufactures and sells IC packages and other semiconductor components in "Semiconductor" and manufactures and sells cutting tools, ceramics products for industrial in "Ceramics."

### (b) Information about reportable segment profit and loss, segment assets and other material items

Information about reportable segments as of and for the years ended March 31, 2014 and 2013 was as follows:

	Reportable segments								Adjustments	Consolidated
	Technical ceramics				Total	Other	Total			
	Automotive components	Semiconductor	Ceramics	Total Technical ceramics						
Millions of yen										
For the year 2014:										
Operating revenue - net sales:										
External customers	¥ 271,835	¥ 29,713	¥ 24,461	¥ 54,174	¥ 326,009	¥ 3,749	¥ 329,758	¥—	¥ 329,758	
Intersegment sales	—	—	—	—	—	—	—	—	—	
Total net sales	271,835	29,713	24,461	54,174	326,009	3,749	329,758	—	329,758	
Segment income (loss)	¥ 58,893	¥ (8,711)	¥ 1,461	¥ (7,250)	¥ 51,643	¥ 19	¥ 51,662	¥—	¥ 51,662	
Segment assets	¥ 390,325	¥ 32,113	¥ 34,193	¥ 66,306	¥ 456,631	¥ 1,518	¥ 458,149	¥—	¥ 458,149	
Other items:										
Depreciation	¥ 9,171	¥ 1,444	¥ 944	¥ 2,388	¥ 11,559	¥ 8	¥ 11,567	¥—	¥ 11,567	
Impairment loss on fixed assets	—	5,143	—	5,143	5,143	—	5,143	—	5,143	
Increase in property, plant and equipment and intangible assets	34,353	4,234	2,443	6,677	41,030	4	41,034	—	41,034	

For the year 2013

Operating revenue - net sales:																	
External customers	¥	248,795	¥	28,239	¥	22,054	¥	50,293	¥	299,088	¥	3,711	¥	302,799	¥—	¥	302,799
Intersegment sales		—		—		—		—		—		—		—		—	—
Total net sales		248,795		28,239		22,054		50,293		299,088		3,711		302,799		—	302,799
Segment income (loss)	¥	33,159	¥	(9,677)	¥	169	¥	(9,508)	¥	23,651	¥	103	¥	23,754	¥—	¥	23,754
Segment assets	¥	305,116	¥	31,918	¥	28,229	¥	60,147	¥	365,263	¥	1,226	¥	366,489	¥—	¥	366,489
Other items:																	
Depreciation	¥	10,157	¥	1,546	¥	1,087	¥	2,633	¥	12,790	¥	8	¥	12,798	¥—	¥	12,798
Increase in property, plant and equipment and intangible assets		17,961		4,204		1,838		6,042		24,003		10		24,013		—	24,013

Thousands of U.S. dollars

For the year 2014:									
Operating revenue - net sales:									
External customers	\$2,639,175	\$288,476	\$237,485	\$525,961	\$3,165,136	\$36,398	\$3,201,534	\$—	\$3,201,534
Intersegment sales	—	—	—	—	—	—	—	—	—
Total net sales	2,639,175	288,476	237,485	525,961	3,165,136	36,398	3,201,534	—	3,201,534
Segment income (loss)	\$ 571,776	\$ (84,573)	\$ 14,185	\$ (70,388)	\$ 501,388	\$ 185	\$ 501,573	\$—	\$ 501,573
Segment assets	\$3,789,563	\$311,777	\$331,971	\$643,748	\$4,433,311	\$14,738	\$4,448,049	\$—	\$4,448,049
Other items:									
Depreciation	\$ 89,039	\$ 14,019	\$ 9,165	\$ 23,184	\$ 112,223	\$ 78	\$ 112,301	\$—	\$ 112,301
Impairment loss on fixed assets	—	49,932	—	49,932	49,932	—	49,932	—	49,932
Increase in property, plant and equipment and intangible assets	333,525	41,107	23,718	64,825	398,350	38	398,388	—	398,388

Note: As disclosed in Note 2(a), from the fiscal year ended March 31, 2013, seventeen overseas consolidated subsidiaries (NGK Spark Plug Europe GmbH, etc.) have changed their fiscal year-end date from December 31 to March 31. The fiscal year-end date of NGK Spark Plug (Shanghai) Co., Ltd., Changshu NGK Spark Plug Co., Ltd., Bujias NGK de Mexico S.A. de C.V. and Woo Jin Industry Co., Ltd. is December 31. However, when preparing consolidated financial statements, the Company uses the financial statements of the three consolidated subsidiaries and one associate which have been compiled by a temporary closing of their accounts as of March 31. As a result, for the year ended March 31, 2013, net sales and segment income were ¥36,548 million and ¥3,759 million more, respectively, in the "Automotive components" segment, net sales and segment loss were ¥1,119 million and ¥44 million more, respectively, in the "Semiconductor" of the "Technical Ceramics" segment and net sales and segment income were ¥1,396 million and ¥111 million more, respectively, in the "Ceramics" of the "Technical Ceramics" segment than the amounts that would have been recorded without the change.

As disclosed in Note 2(g), the Company and its domestic consolidated subsidiaries had depreciated property, plant and equipment, except for buildings, using the declining balance method until the year ended March 31, 2012. From the fiscal year ended March 31, 2013, the Company and its domestic consolidated subsidiaries have changed the depreciation method for all properties to the straight-line method. As a result, for the year ended March 31, 2013, segment income was ¥1,929 million more in the "Automotive components" segment, segment loss ¥80 million less in the "Semiconductor" of the "Technical Ceramics" segment and segment income ¥114 million more in the "Ceramics" of the "Technical Ceramics" segment than the amounts that would have been recorded without the change.

As disclosed in Note 2(g), from the fiscal year ended March 31, 2013, the Company and its domestic consolidated subsidiaries have changed the useful life of machinery and equipment. As a result, for the year ended March 31, 2013, segment income was ¥1,304 million more in the "Automotive components" segment and segment income ¥122 million more in the "Ceramics" of the "Technical Ceramics" segment than the amounts that would have been recorded without the change.

From the fiscal year ended March 31, 2014, the "Communication media components" segment and "Technical ceramics" segment have been integrated and the name has been changed to the "Technical ceramics" segment. The "Communication media components" segment and the "Technical ceramics" segment for the fiscal year ended March 31, 2013 correspond to the "Semiconductor" segment and the "Ceramics" segment of the fiscal year ended March 31, 2014. Segment information for the fiscal year ended March 31, 2013, including the above notes, is based on the reportable segments of the fiscal year ended March 31, 2014.

### (c) Enterprise-wide information

Information about geographic areas as of and for the years ended March 31, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Operating revenue - net sales:			
Japan	¥ 57,575	¥ 56,194	\$ 558,980
North America	85,831	70,694	833,311
Europe	83,517	80,055	810,845
Asia	61,784	52,974	599,845
Other area	41,051	42,882	398,553
	¥329,758	¥302,799	\$3,201,534

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Property, plant and equipment:			
Japan	¥ 97,771	¥80,560	\$ 949,233
Other area	23,325	16,514	226,457
	¥121,096	¥97,074	\$1,175,690

The NGK Spark Plug Group had no single external customer which accounted for more than 10% of net sales for the years ended March 31, 2014 and 2013.

# Independent Auditor's Report



## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of NGK SPARK PLUG CO., LTD. and its consolidated subsidiaries (the "NGK Spark Plug Group"), which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the NGK Spark Plug Group as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2(g) of Notes to Consolidated Financial Statements, which describes NGK SPARK PLUG CO., LTD.'s and its domestic consolidated subsidiaries' change in depreciation method for property, plant and equipment from the fiscal year ended March 31, 2013.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of Notes to Consolidated Financial Statements.

KPMG AZSA LLC

July 30, 2014  
Nagoya, Japan

# Stock Information

(As of March 31, 2014)

## Common Shares

Authorized: 390,000,000

Issued: 223,544,820

## Stock Listings

Tokyo Stock Exchange, 1st Section

Nagoya Stock Exchange, 1st Section

## Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

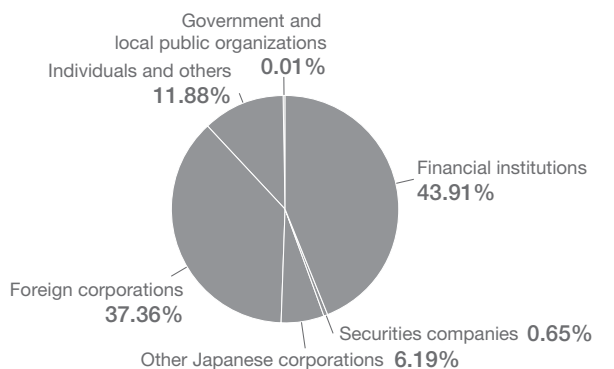
## Independent Auditor

KPMG AZSA LLC

## Number of Shareholders

10,070

## Share Distribution by Owner



5,911,000 shares (5,911 units) of treasury stock are included in "Individuals and others."

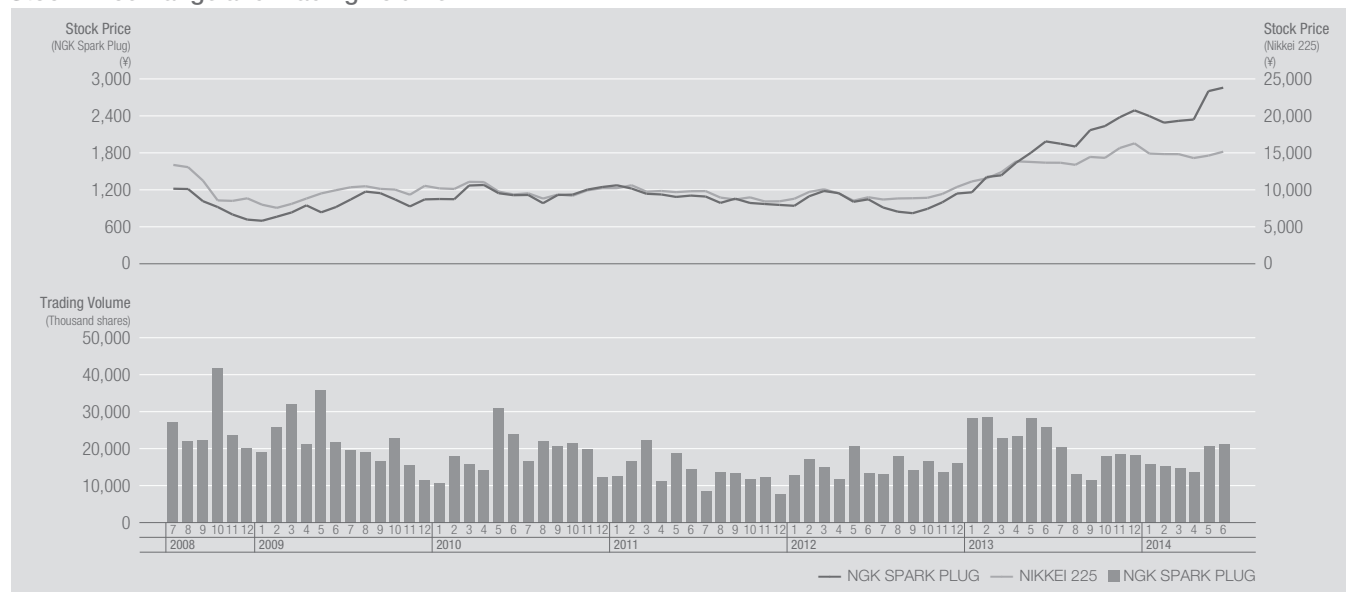
## Major Shareholders

Name	Number of shares held (1,000 shares)	Ownership ratio (%)
State Street Bank and Trust Company	19,788	8.85
The Dai-ichi Life Insurance Company, Limited	16,752	7.49
Meiji Yasuda Life Insurance Company	13,794	6.17
The Master Trust Bank of Japan, Ltd. (trust account)	11,667	5.22
Japan Trustee Services Bank, Ltd. (trust account)	9,482	4.24
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,541	2.93
National Mutual Insurance Federation of Agricultural Cooperatives	6,138	2.75
The Nomura Trust and Banking Co., Ltd. (investment trust contract account)	4,126	1.85
The Master Trust Bank of Japan, Ltd. Toyota Motor Account	3,929	1.76
Nippon Life Insurance Company	3,563	1.59

Note:

Although the Company held treasury stock of 5,911 thousand shares as of March 31, 2014, the Company is excluded from the above list of major shareholders.

## Stock Price Range and Trading Volume



All figures on this page are based on the Japanese "Securities Report."

# Corporate Data

(As of March 31, 2014)

## NGK SPARK PLUG CO., LTD.

### Headquarters

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

### Established

October 1936

### Paid-in Capital

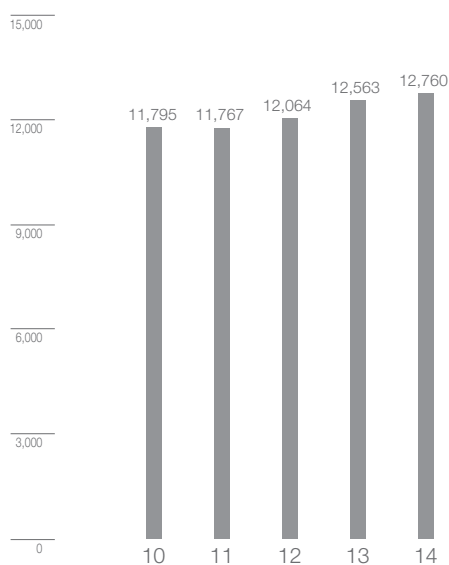
¥47,869 million

### Number of Employees

Consolidated: 12,760

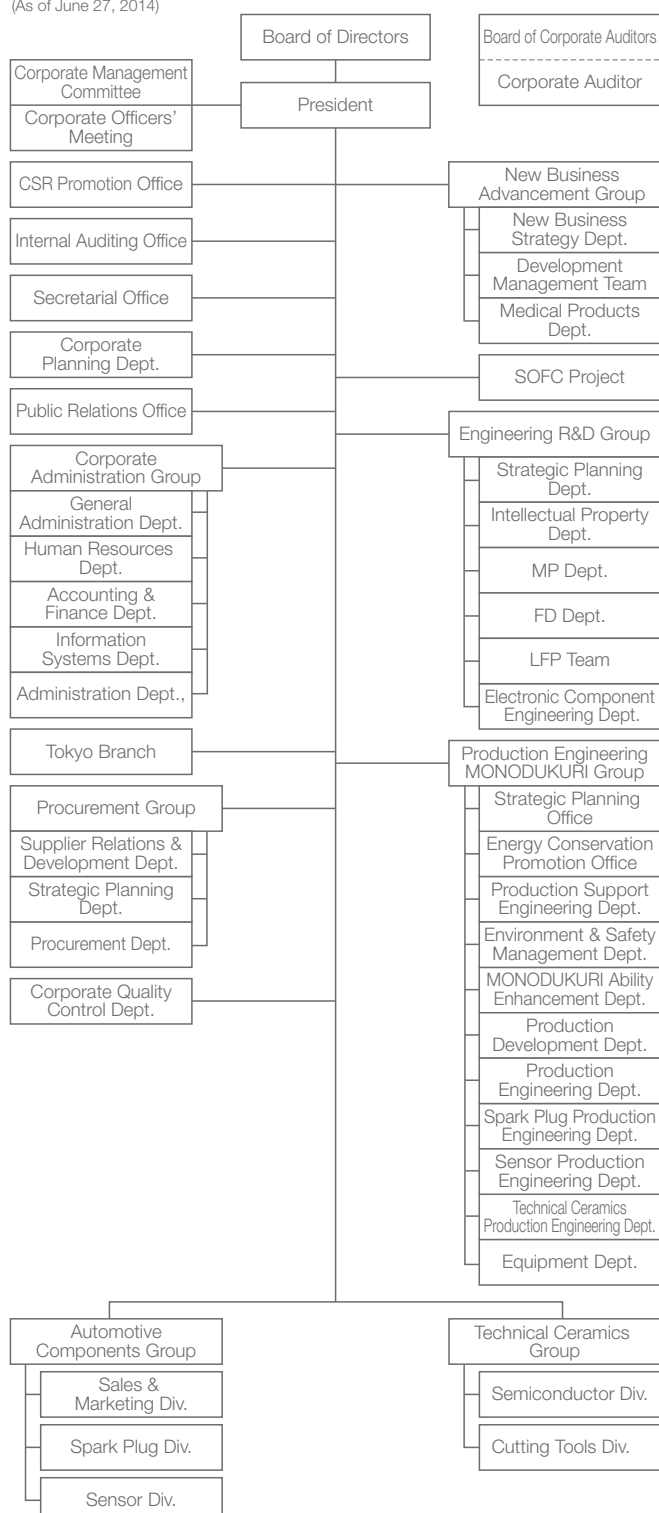
Non-Consolidated: 5,809

### Number of Employees (Consolidated)



## Organization

(As of June 27, 2014)





# Directors, Corporate Officers and Corporate Auditors

(As of June 27, 2014)

Representative Director,  
Chief Executive Officer  
and President Officer



Shinichi  
Odo\*<sup>1</sup>

Representative Director,  
Vice Chief Executive  
and Vice President Officer



Takafumi  
Oshima\*<sup>1</sup>

Representative Director,  
Vice Chief Executive  
and Vice President Officer



Shinji  
Shibagaki\*<sup>1</sup>

Member of the Board  
Vice President Officer



Shogo  
Kawajiri

Member of the Board  
Senior Executive Officer



Takeshi  
Nakagawa

Member of the Board  
Executive Officer



Hideyuki  
Koiso



Teppei  
Okawa

Member of the Board



Morihiko  
Otaki\*<sup>2</sup>



Kanemaru  
Yasui\*<sup>2</sup>

\*<sup>1</sup> Representative Director  
\*<sup>2</sup> Outside Director

Standing Corporate  
Auditor



Masami  
Asai

Corporate  
Auditor



Keiichi  
Matsunari



Shigehisa  
Sao\*<sup>3</sup>



Kenichi  
Masuda\*<sup>3</sup>

\*<sup>3</sup> Outside Auditor

Executive  
Officer



Hitoshi  
Iimi



Takao  
Hamada



Tadao  
Kawai



Masahiko  
Okuyama



Takahiro  
Suzuki



Hisashi  
Nakanishi



Takeshi  
Kawai

Corporate  
Officer



Yoshitaka  
Narita



Kozo  
Amano



Noboru  
Ishida



Kozo  
Yamasaki



Nobuyuki  
Tokioka



Yoshihiro  
Matsubara

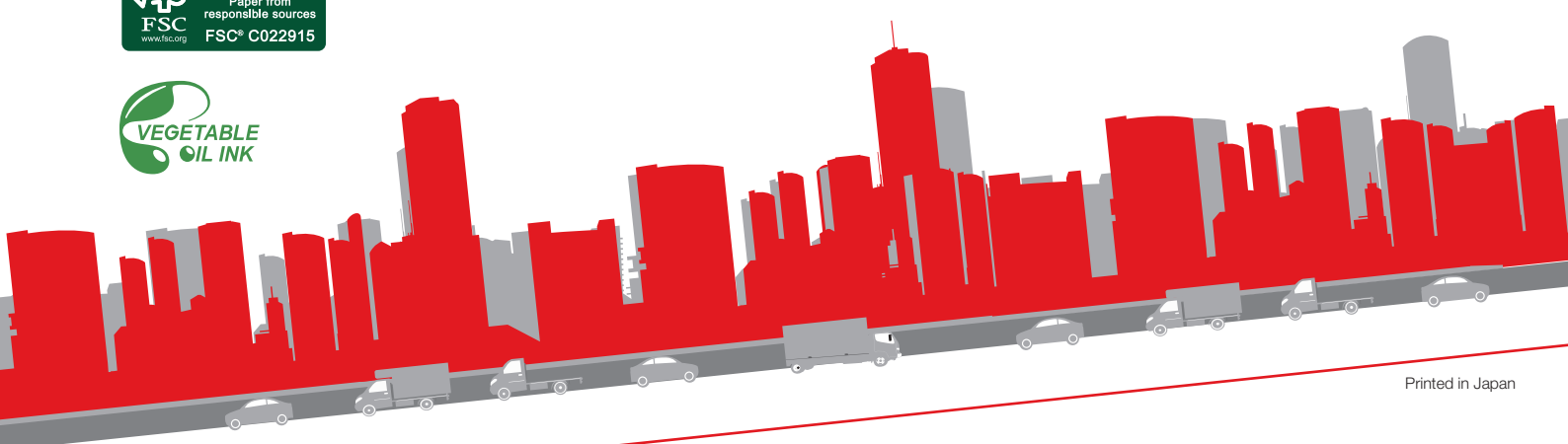


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<http://www.ngkntk.co.jp>



Printed in Japan