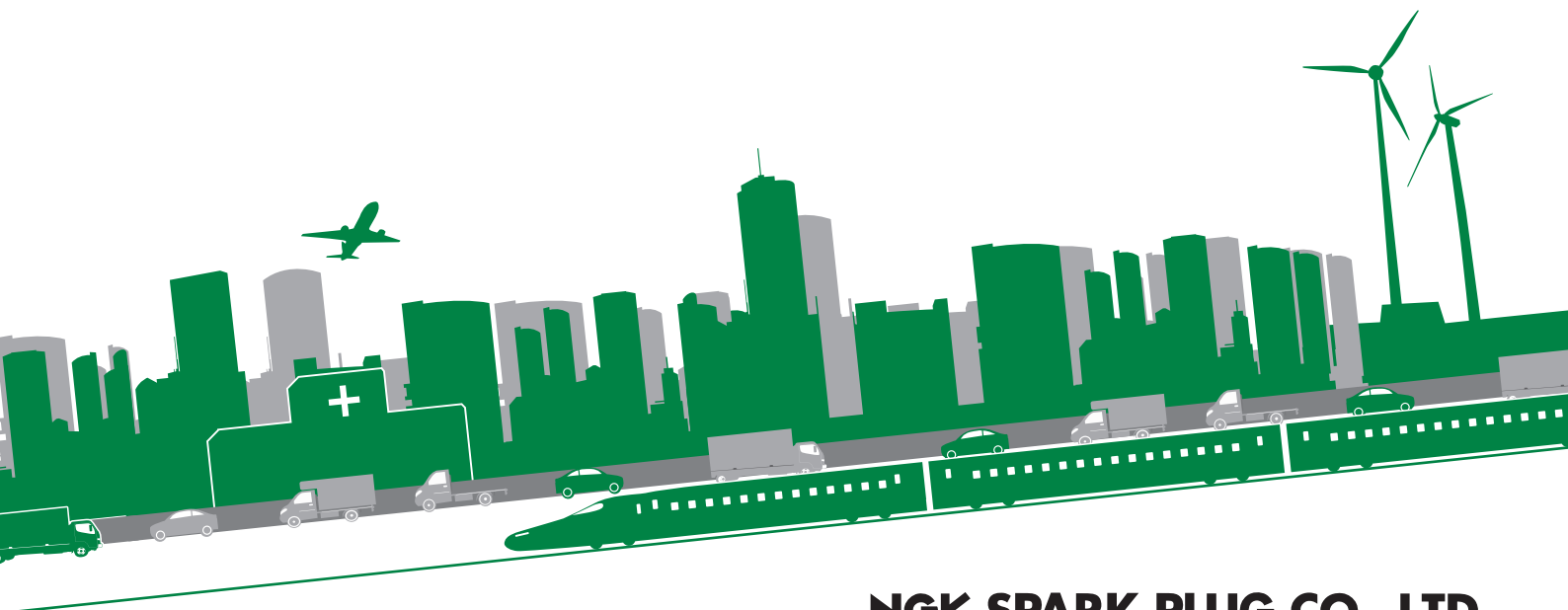


# Annual Report 2015

Fiscal year ended March 31, 2015

## 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

¥347,636  
million

Operating  
Income

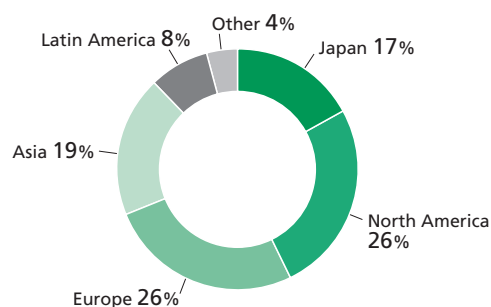
¥62,197  
million

ROE

11.4%

Rate of  
Overseas Sales

83%



### Contents

- 1 Profile
- 2 Global Network
- 4 Financial Highlights
- 6 A Message from the President
- 10 Special Feature
- 14 Review of Operations
- 17 CSR
- 18 CSR [Governance]
- 20 CSR [Social]
- 21 CSR [Environment]
- 22 Six-Year Summary
- 23 Management's Discussion and Analysis
- 28 Consolidated Balance Sheets
- 30 Consolidated Statements of Income
- 31 Consolidated Statements of Comprehensive Income
- 32 Consolidated Statements of Changes in Net Assets
- 33 Consolidated Statements of Cash Flows
- 34 Notes to Consolidated Financial Statements
- 46 Independent Auditor's Report
- 47 Stock Information
- 48 Corporate Data
- 49 Directors, Corporate Officers and Corporate Auditors



### 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 used 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, and other ceramics products for industrial applications.

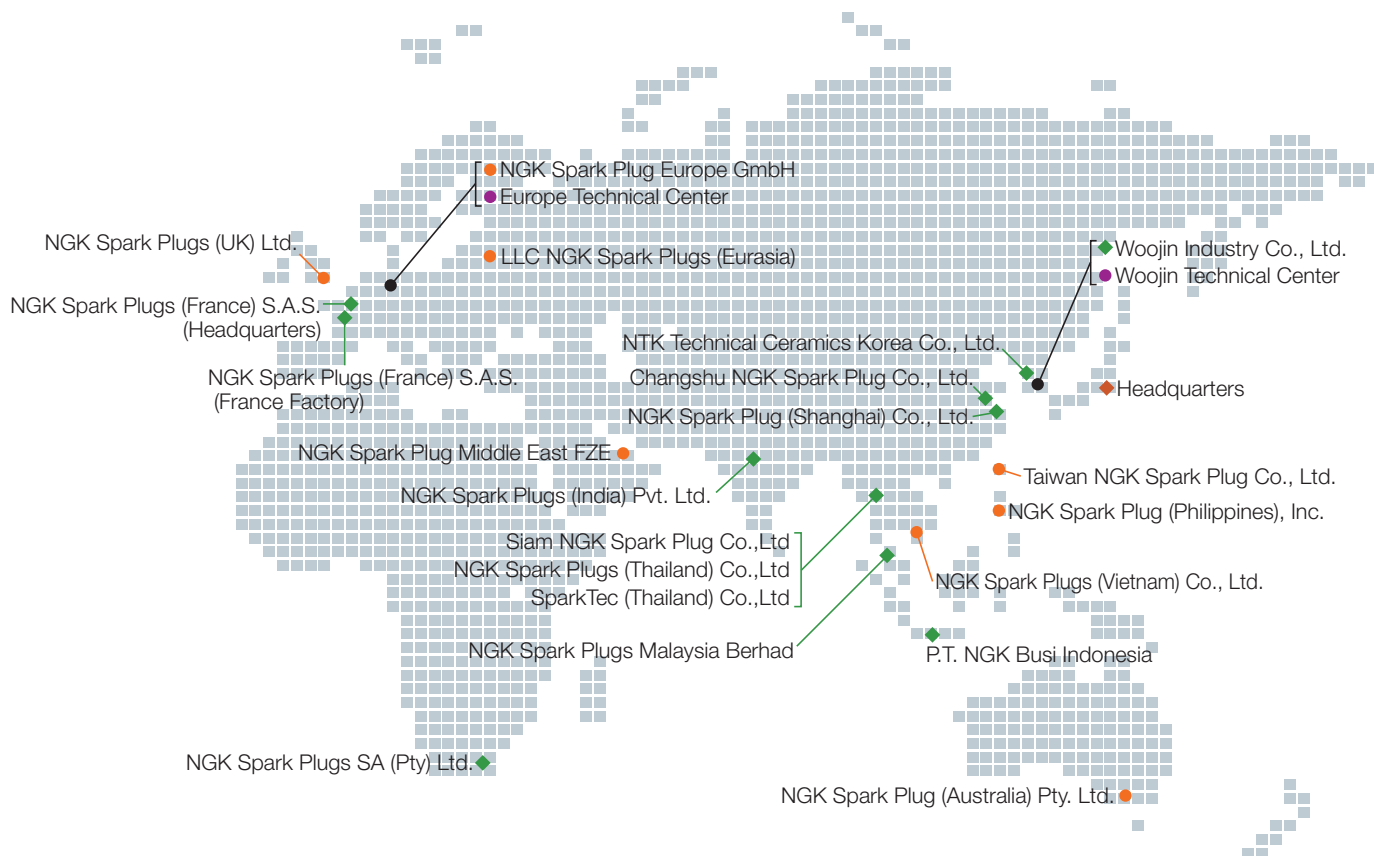
In Japan, NGK SPARK PLUG CO., LTD. manufactures and sells these products. In addition, the Company supplies raw materials and parts to Kamioka Ceramic Co., Ltd. and three other subsidiaries and associates in Japan to which manufacturing is consigned, purchases finished products, semi-products and parts 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.



## ◆ Manufacturing & Sales Organization



NGK Spark Plugs (U.S.A.), Inc. (West Virginia Factory)



Ceramica e Velas de Ignicao NGK do Brasil Ltda.



NGK Spark Plug (Shanghai) Co., Ltd.



Changshu NGK Spark Plug Co., Ltd.



Woojin Industry Co., Ltd.



NTK Technical Ceramics Korea Co., Ltd.



NGK Spark Plugs (Thailand) Co., Ltd.



Siam NGK Spark Plug Co., Ltd.



SparkTec (Thailand) Co., Ltd.



NGK Spark Plugs Malaysia Berhad



P.T. NGK Busi Indonesia



NGK Spark Plugs (India) Pvt. Ltd.



NGK Spark Plugs (France) S.A.S. (Headquarters)



NGK Spark Plugs (France) S.A.S. (France Factory)



NGK Spark Plugs SA (Pty) Ltd.



## Employees

(As of March 31, 2015)

# 13,197

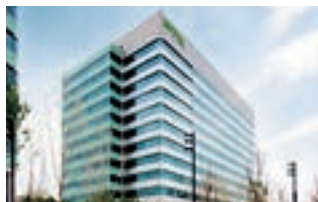
## Overseas Sites

(As of March 31, 2015)

# 26

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

### ● Sales Organization



NTK Technologies, Inc.



NGK Spark Plugs Canada Limited



Bujias NGK de Mexico S.A. de C.V.



Bujias NGK del Ecuador Cia. Ltda.



Taiwan NGK Spark Plug Co., Ltd.



NGK Spark Plugs (Vietnam) Co., Ltd.



NGK Spark Plugs (Philippines), Inc.



NGK Spark Plug Middle East FZE



NGK Spark Plug (Australia) Pty. Ltd.



NGK Spark Plug Europe GmbH



NGK Spark Plugs (UK) Ltd.



LLC NGK Spark Plugs (Eurasia)

### ● Technical Center



NGK Spark Plugs (U.S.A.), Inc. (Headquarters) U.S.A. Technical Center



Brasil Technical Center



Europe Technical Center



Woojin Technical Center





# Financial Highlights

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries  
Years ended March 31, 2015, 2014 and 2013

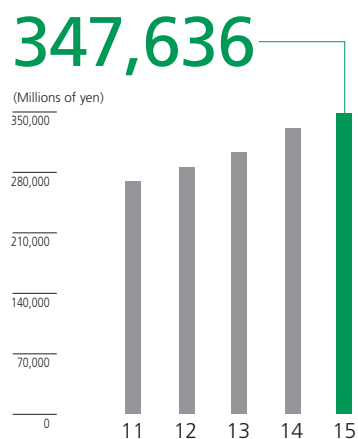
	Millions of yen			Change (%)	Thousands of U.S. dollars
	2015	2014	2013	2015/2014	2015
For the year:					
Net sales:	¥347,636	¥329,758	¥302,799	5.4%	\$2,896,967
Automotive Components	292,794	271,835	248,795	7.7	2,439,950
Technical Ceramics:					
Semiconductor division	29,441	33,100	28,239	(11.1)	245,342
Ceramics division	20,816	21,074	22,054	(1.2)	173,466
Subtotal	50,257	54,174	50,293	(7.2)	418,808
Other	4,585	3,749	3,711	22.3	38,209
Operating income	62,197	51,662	23,754	20.4	518,308
Net income	36,753	32,704	20,910	12.4	306,275
At year-end:					
Total assets	¥485,498	¥458,149	¥366,489	6.0%	\$4,045,817
Net assets	343,381	302,794	268,309	13.4	2,861,508
	%				
Ratios:					
Equity ratio	70.2%	65.6%	72.7%		
ROA (Return on assets)	7.8	7.9	5.9		
ROE (Return on equity)	11.4	11.5	8.4		
	Yen			Change (%)	U.S. dollars
Per share data:					
Net income:					
—Basic	¥168.88	¥150.26	¥96.06	12.4%	\$1.41
—Diluted	—	—	—	—	—
				Change (Yen)	
Cash dividends	36.00	28.00	22.00	¥8.0	0.30

Notes 1: U.S. dollar amounts above and elsewhere in this Annual Report are converted from yen, for convenience only, at the rate of ¥120=U.S.\$1

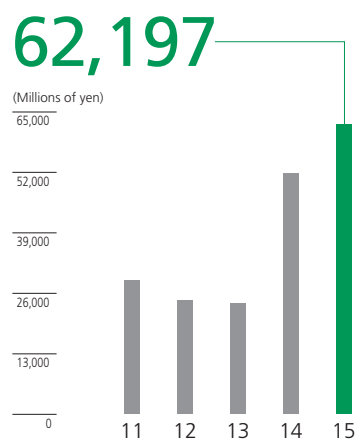
Notes 2: In April 2013, the "Communication media components" segment and "Technical ceramics" segment were integrated and changed the name to the "Technical ceramics" segment. The "Communication media components" segment and the "Technical ceramics" segment in the Segment information of the Notes of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

Note 3: In April 2014, in semiconductor manufacturing equipment products in "Ceramics" in Technical ceramics, we reviewed the segment management division in order to improve operational efficiency; it has been changed to "Semiconductor."  
Segment information for the fiscal year ended March 31, 2014 is based on the reportable segments of the fiscal year ended March 31, 2015.

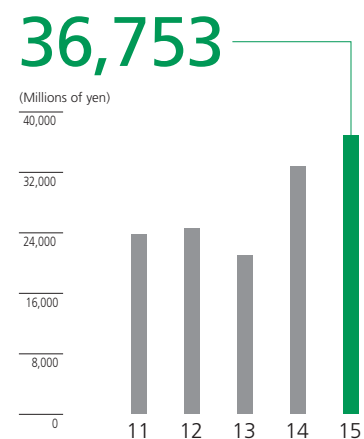
### Net Sales



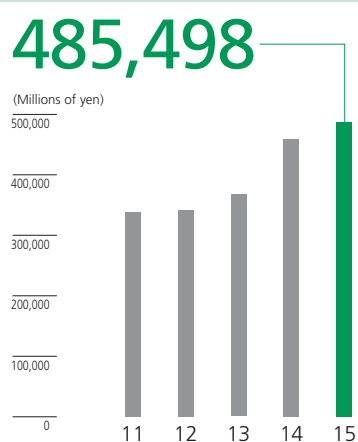
### Operating Income



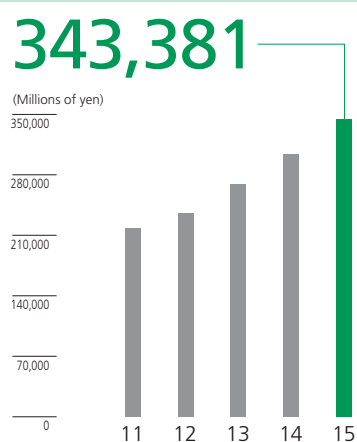
### Net Income



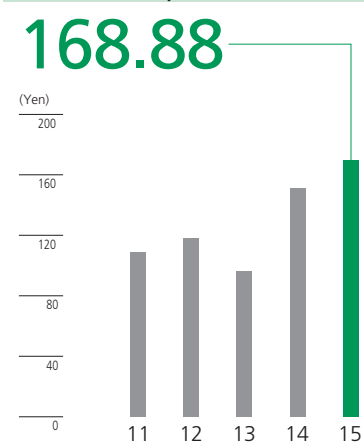
### Total Assets



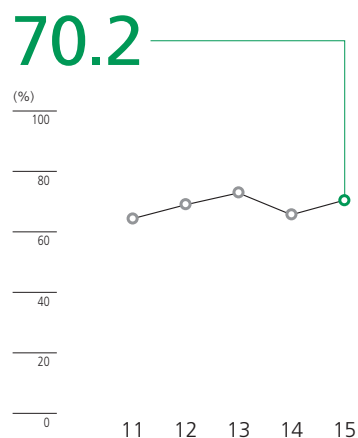
### Net Assets



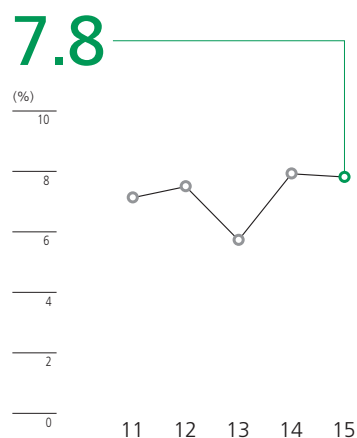
### Net Income per Share (Basic)



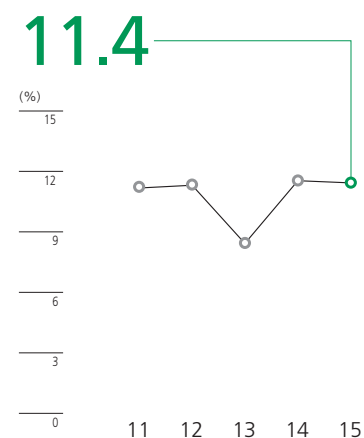
### Equity Ratio



### Return on Assets



### Return on Equity



## Toward the final stage—“SHINKA (Evolving)”



### Financial results for the fiscal year ended March 31st, 2015

Firstly, I would like to take this opportunity to deeply thank for your continuous supports.

In the fiscal year ended March 31st, 2015, with regard to global economic conditions, domestic demand was sluggish in China despite modest growth in exports. In particular, a property market experienced a downturn and it accelerated an economic slowdown. In the United States, labor market conditions improved further on the back of strong corporate profits, and the economy sustained a moderate rate of expansion. In Europe, however, growth rate remained slow due to stalled domestic demand, and concerns over economic slowdown heightened due to rising tensions in Ukraine and deceleration of the Russian economy owing to falling oil prices. In Japan, although demand was impacted in the first half of the year due to the backlash to the consumption tax hike, the government's economic policy including public investment helped to maintain economic confidence at a relatively high level. In the second half of the year, the yen weakened sharply and the stock market rallied after the additional monetary easing measures were unveiled leading to price hike due to rise in imported raw material costs, whereas corporate earnings were increased at exporting companies.

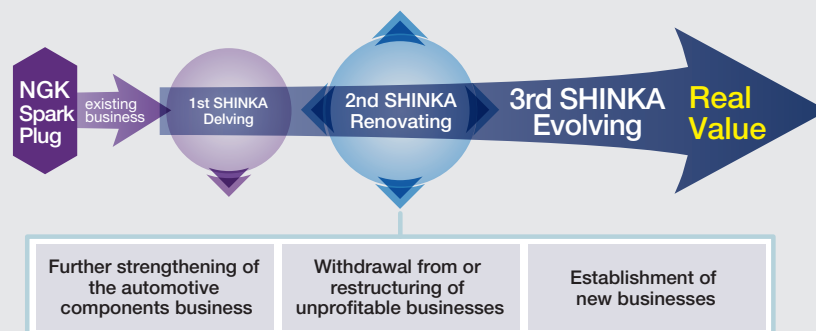
In these circumstances, for the fiscal year ended March 31st, 2015, consolidated net sales increased 5.4% year on year to ¥347,636 million. Operating income rose

**Shinichi Odo**

*President and Chief Executive Officer*



### Points of “the 2nd SHINKA”



20.4% to ¥62,197 million, and net income increased 12.4% to ¥36,753 million. These results were notable for consecutive gains in performance. Net sales was the fifth consecutive increase, operating income was the second consecutive increase in profit, ordinary income was the third consecutive increase in profit, and net income was an increase of second consecutive years.

For the fiscal year 2015, we expect the U.S. economy to continue growing at a moderate pace, but with the uncertainty over European economic prospects and growing concerns relating to economic growth in developing countries, we also expect that business conditions across the Group’s entire operations will continue to be challenging. With regard to the results forecast for the fiscal year 2015, we call for net sales of ¥394.5 billion, an increase of 13.5% year on year, operating income of ¥67.0 billion, an increase of 7.7%, and net income of ¥46.0 billion, an increase of 25.2%, assuming the exchange rate of ¥115 to the U.S. dollar and ¥125 to the euro.

### Business initiatives in fiscal 2014

In the fiscal year 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 stages of every three-year term: The 1st SHINKA (Delving), the 2nd SHINKA (Renovating), and the 3rd SHINKA (Evolving). In the fiscal year 2014, the second year of the second three-year stage of “Renovating”, our basic policy was the establishment of new products and businesses. We focused on expanding existing businesses to support the ongoing renovation of the Group.

In the Automotive Components business, we decided in the fiscal year 2014 to build a new plant in Komaki, Aichi Prefecture, to upgrade our production capacity for center electrodes and terminals of spark plugs. The new plant is due to come on stream in March 2016. In April 2015, we started operations at a new plant at SparkTec Thailand Co., Ltd. for metal shells for components of spark plugs. The facility is currently ramping up toward full-fledged operation. In Japan, another new plant at Spark-Tec TONO Co., Ltd. began operating in April 2014 as part of efforts to increase our production capacity for spark plug insulators, and progress in capacity expansion has been made steadily. In the U.S., meanwhile, we acquired Wells Manufacturing, L.P. (hereafter Wells) in an aim to enter into a new business.

In the Technical Ceramics business, we are promoting selection and concentration to support the optimal allocation of business resources. This strategy means downsizing or withdrawing from product areas where we cannot necessarily be competitive, while investing aggressively in areas that have future growth potential. For instance, based

on our view that we can leverage our ceramics technology and enhance our competitiveness in the market of components for semiconductor manufacturing equipment, a sector in which growth is expected, we acquired all of the shares in NIHON CERATEC Co., Ltd. and made it a subsidiary.

With the aim of renovating the Group, we are also channeling resources into new business fields, namely the environment and energy, the medical field, and next-generation automobiles. In the medical field, we have entered into an alliance with a US-based venture Spirometrix with the aim of utilizing our sensor technology to create new products.

### Toward the final stage—"SHINKA (Evolving)"

The fiscal year 2015 is the final year of the 2nd SHINKA (three years devoted to renovating) of the management plan – NITTOKU SHINKARON (The Evolution of NGK Spark Plug). In the final stage of the 3rd SHINKA (Evolving) stage, we aim to accelerate the development of both existing

operations and new businesses. To this end, it is vital for us to target growth markets so that we can continue to thrive amid global competition. We will be looking to deploy capital proactively to secure technology and other expertise, including possible M&A deals.

In May 2015, we decided to acquire Wells, which is one of the leading players in the U.S. automotive aftermarket. This acquisition will enhance our product lineup and increase our presence in the aftermarket, which is a major source of revenue for the Group in the automotive components field. Increasing the range of products we can supply to this market also complements our growth strategy for the future. Going forward, we aim to strengthen our business in the automotive aftermarket not only in the U.S. but also on a global scale through the global sales channels that constitute one of the Group's strengths.

In terms of new business development, we are focusing on three business fields: the environment and energy, the medical, and next-generation automobiles, and are planning to invest resources proactively to gain operating scale in these areas.



Timing and speed are vital factors in carrying out reforms within a company. It is also important to recognize the need to transcend the existing framework by approaching the challenge boldly and from fresh perspectives. While we must seek to preserve the valuable culture and traditions that our company has developed in the course of its long history, we must also adapt to the needs of this globalized era by looking to change frameworks and systems where necessary in ways that combine flexibility and speed.

Without resting on our laurels, we will undertake reforms with urgency, speed and a collective belief that this is our mission.

## Dividend policy

At NGK SPARK PLUG, we place a high value on sustainable growth and view returning profits to shareholders as one of our most important management policies. While proactively conducting R&D investment, capital expenditure for business expansion and for rationalization of operations,

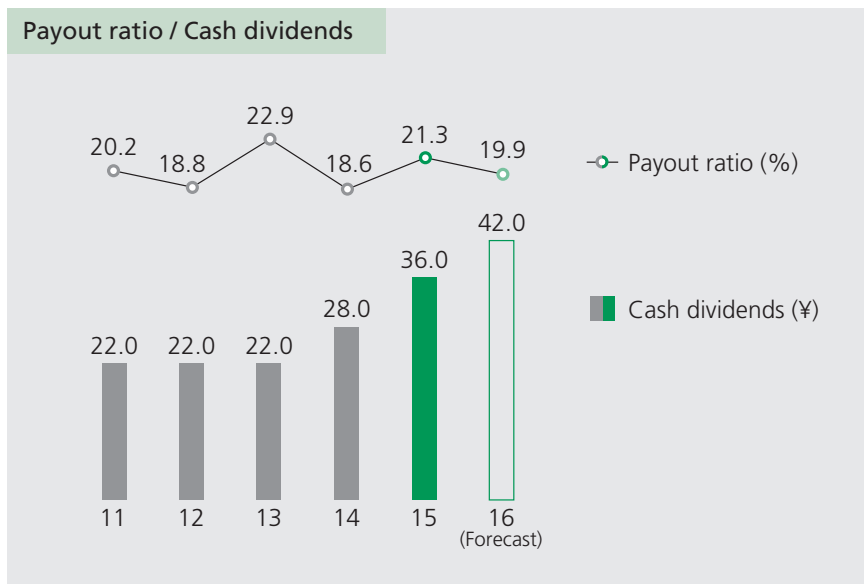
we will prioritize stable dividend payment, and maintain a dividend payout ratio of at least 20% of consolidated net income.

Based on this policy, and with due consideration for our business prospects, we have set annual dividends for the fiscal year 2014 at ¥36.0 per share. Going forward, our basic policy will remain to pay stable dividends while seeking to further increase the payout ratio. With regard to dividends per share for the fiscal year 2015, we plan to increase the annual dividend amount to ¥42.0 per share.

We appreciate all of our shareholders and other stakeholders for their continued understanding and support of our business activities.



**Shinichi Odo**  
President and Chief Executive Officer



# Setting the Stage for the 3rd SHINKA (Evolution)

Having entered the final stage of the 2nd SHINKA (Renovating) of the NITTOKU SHINKARON (The Evolution of NGK SPARK PLUG) long-term management plan, NGK SPARK PLUG is doing its utmost to establish new products and businesses while striving to achieve further growth of the mainstay Automotive Components business and promoting selection and concentration in the Technical Ceramics business.

## Automotive Components Group

For spark plugs, the product for which we have the top share of the global market, we are promoting capital investment to meet burgeoning demand in developing countries. With the acquisition of Wells, a company with a successful track record in the U.S. automotive aftermarket, we intend to further increase our presence in the global market.

### Establishing production systems toward 2020

To raise our annual spark plug production capacity to one billion units, we are establishing production systems around the world. Two new plants have begun operation: one in Kani-shi, Gifu Prefecture, for insulators, which are key components for spark plugs, and the other in Thailand for metal shells for components of spark plugs. In addition, to boost production capacity for center electrodes and terminals of spark plugs, construction of a new plant of NITTOKU SEISAKUSYO CO.,LTD. in Komaki-shi, Aichi Prefecture, started in May 2015 and the plant is scheduled to come on stream in March 2016. Through these strategic moves, we are strengthening production systems worldwide to meet global demand in 2020.

#### SparkTec (THAILAND) CO., LTD.

Start of Operation  
2015.4



#### SparkTec TONO CO., LTD.

Start of Operation  
2014.4



Insulator

Metal shell

Terminal

#### NITTOKU SEISAKUSYO CO., LTD.

Start of Operation  
2016.3



Center electrodes

SparkTec TONO CO., LTD.

NITTOKU SEISAKUSYO CO., LTD.

SparkTec (THAILAND) CO., LTD.

## Acquisition of Wells, a Leading Supplier of Automotive Components in the U.S. —Making Wells a Subsidiary—

Wells Manufacturing, L.P., an established manufacturer and supplier of automotive-related components with a history of over a century in the U.S., previously operated as a unit of UCI Holdings Limited, a leading contender in the U.S. automotive components market. Wells offers more than 38,000 automotive components, including ignition coils, switches, and sensors in the U.S. automotive aftermarket.

Wells was eager to expand sales outside the U.S. We therefore expect the combination of NGK SPARK PLUG CO., LTD. and Wells to unleash synergy in the aftermarket, leading to expanded sales opportunities for both companies' products worldwide by leveraging the powerful international sales network we have constructed over the years.

The aftermarket is our major source of revenues. We believe the addition of the Wells product portfolio to our own will fuel the growth strategies of both companies.

We will continue embracing new challenges to further strengthen the Automotive Components business while also building new businesses. We expect the combination of the current businesses and new ones to spur growth of the Automotive Components business.

### Objective of acquiring Wells and making it a subsidiary

Acquisition of Wells of the U.S.—Utilizing global sales network

Synergistic benefits of Wells acquisition to speed progress toward the 3rd SHINKA (Evolution)



### Principal products



#### Profile

Previously a unit of UCI-FRAM Group, Wells is a leading supplier of advanced in-vehicle electronics components for replacement applications in the automotive, marine, and other industries.

#### Outline of Wells

- 1) Company name: Wells Manufacturing, L.P.
- 2) Establishment: 1903
- 3) Headquarters: Fond du Lac, Wisconsin, U.S.
- 4) CEO: David F. Peace
- 5) Sales: US\$222 million (fiscal year ended December 2014)
- 6) Operating profit: US\$25 million (fiscal year ended December 2014)





## Technical Ceramics Group Semiconductor Division

In the Technical Ceramics business, we are promoting selection and concentration of resources by identifying the growth potential of existing businesses and our competitiveness, on which basis we opt for downsizing, withdrawal or vigorous investment.



### Semiconductor manufacturing equipment parts business to be new growth driver

We acquired NIHON CERATEC CO., LTD., which has strengths in promising semiconductor manufacturing equipment parts. While we take advantage of NIHON CERATEC's high-precision processing technology and cost competitiveness in high-mix low-volume production, NIHON CERATEC will use our global sales network to expand the customer base and strengthen the support system, including R&D, for both existing and prospective customers. In view of the anticipated synergistic benefits of the combination of the two companies, our plans call for a threefold increase in sales of semiconductor manufacturing equipment parts by the fiscal year ending March 31, 2020.

## New Businesses

Anticipating change in the industrial structure, we have begun creating new businesses with a 10- to 20-year time horizon. In addition to solid oxide fuel cells (SOFCs) for homes, we are also developing SOFCs for industrial applications.

### Business tie-up for cylindrical cell stacks used in SOFCs

In development of SOFCs, NGK SPARK PLUG has hitherto been focusing primarily on home applications. Now, also mindful of the great potential of the industrial applications field, we have concluded a basic agreement with MITSUBISHI HITACHI POWER SYSTEMS, LTD. on a business tie-up targeting mass production of cylindrical cell stacks, which are power-generating elements used in SOFCs. By integrating MHPS's development, engineering and manufacturing technologies for cylindrical cell stacks cultivated through many years of R&D with our mass production technologies for ceramics, we aim to establish a cost-competitive mass-production system for cylindrical cell stacks through the tie-up.

#### Glossary

#### What is a solid oxide fuel cell (SOFC)?

An SOFC is a device that generates electrical energy through conductance of oxygen ions. Its electrolyte is oxygen ion conductive ceramics. Efficient power generation is possible through the electrochemical reaction of oxygen with hydrogen and carbon monoxide generated by reforming city gas.



External view of high-efficiency cogeneration system  
Courtesy of: MITSUBISHI HITACHI POWER SYSTEMS, LTD.





# A Management Review by an Outside Director



**Kanemaru Yasui** (Date of birth: February 22, 1951)

Outside Director



August 2007 Representative Partner, KPMG AZSA & Co.  
(KPMG AZSA & Co. became a limited liability company in July 2010.)  
July 2013 Opened Yasui CPA Office  
June 2014 Outside Director, NGK SPARK PLUG CO., LTD. (current position)

## Q1. What is your impression of NGK SPARK PLUG after serving for one year as an outside director?

A1.

My impression is that NGK SPARK PLUG has a relatively flat management structure. Although the Company will celebrate its 80th anniversary in 2016, I do not feel any authoritarian atmosphere, which could be somewhat rare at firms with a long history. And with the change to the new president, Mr. Shinichi Odo, I believe transformation will happen at NGK SPARK PLUG, and that it is adapting well to the needs of the times.

## Q2. What role do you think the company expects you to play as an outside director? How would you meet those expectations?

A2.

I believe the company's expectations of me are the same as those of stakeholders such as shareholders, investors and customers. In other words, what is expected of me is to adopt an unrestricted, independent perspective in discussing how to achieve sustained growth, how to increase enterprise value, and how to become a company that generates profits in a fair manner. I certainly do think that I need some understanding of how NGK SPARK PLUG operates, but it is the executives who actually manage the business. My role is to activate the Board of Directors by posing questions to the executives and raising issues, based on my experience as an accountant.

## Q3. Looking ahead, what do you believe NGK SPARK PLUG needs to further increase enterprise value?

A3.

Increasing enterprise value means building up the company's ability to generate profits consistently, and I believe that human resources are a critical element to this end. Presently, the company has a strong financial base due to its top position in the spark plug business, but engineering further growth will require assuming risk and taking up challenges. However, simply assuming risk is an approach that is prone to failure, so the challenges must be confronted by a strong morale and reasons, and a good cultural understanding of NGK SPARK PLUG. I believe it will be critical for NGK SPARK PLUG to develop its human resources that can pursue this approach. It is up to human resources whether the company can take advantage of various opportunities.

In my opinion, NGK SPARK PLUG should not abandon the culture and traditions that it has cultivated over the long history. At the same time, the company must also look to increase earnings abilities in a continuous manner by flexibly

changing its frameworks and systems to respond to the needs of the globalized era.

## Q4. Generating sustained enterprise growth inevitably entails assumption of risk. What do you think should be considered when assuming risk?

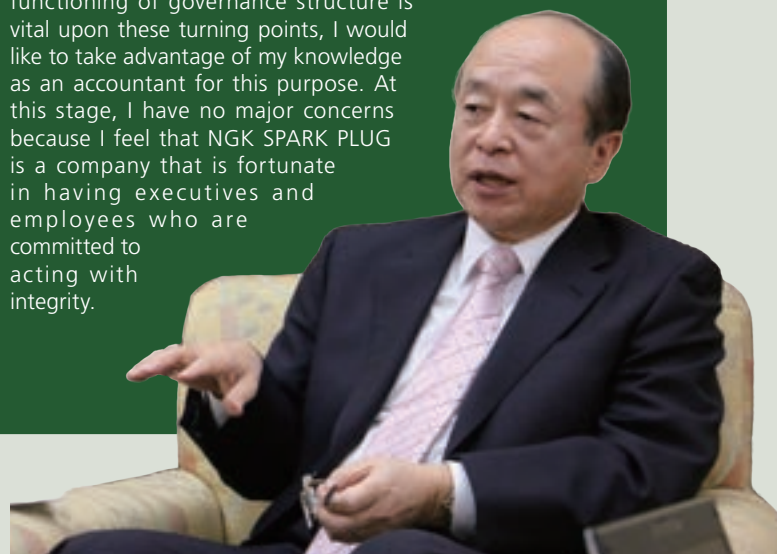
A4.

It is necessary to assume risk within quantifiable limits. I feel that NGK SPARK PLUG has been quite risk-averse to date. However, an idea that one should assume risk simply because one has not been assuming risk in the past is a little problematic. Therefore, the Company needs to move forward with the awareness and mind of all employees on the same page when assuming risk. Business expansion can be achieved with relative ease simply by merging with a large company, but expansion alone is not what the Company intends. I think the critical thing is to focus on areas where NGK SPARK PLUG understands the business well by virtue of its ceramics technology, sales channels and related expertise. Only in these areas would it be possible for the company to quantify the risks with greater accuracy.

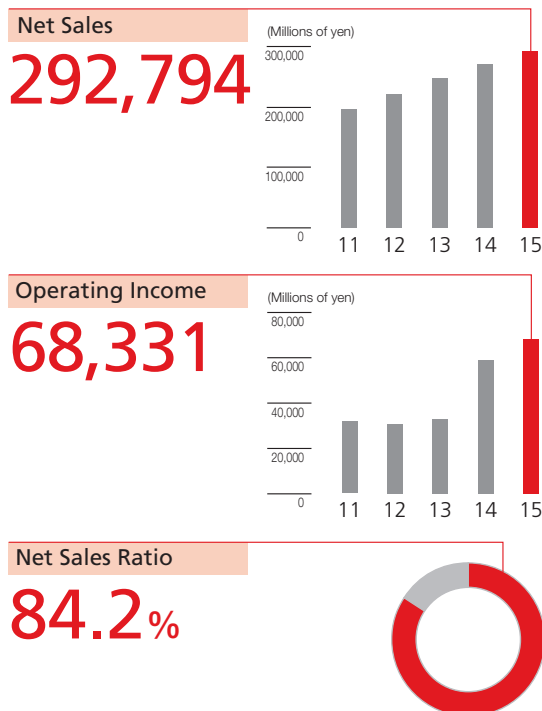
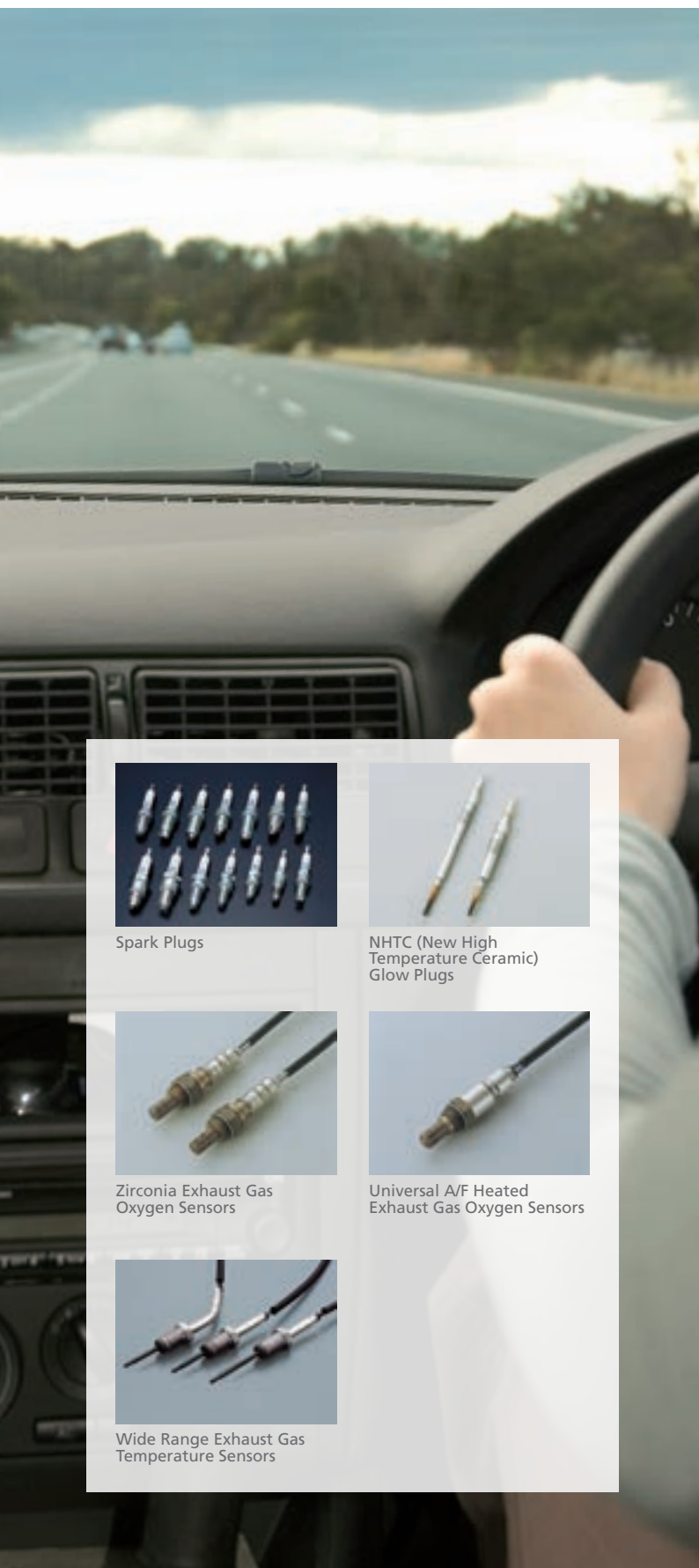
## Q5. As the company enters the final year of the 2nd SHINKA (Renovating) of the long-term management plan – NITTOKU SHINKARON (The Evolution of NGK SPARK PLUG), how do you see corporate governance contributing to the creation of new value in the fiscal year 2015?

A5.

Looking ahead, the company will seek to establish new products and businesses, and I believe that through this process a new corporate culture will start to take shape. Optimized allocation of resources will also be important in achieving this. As I believe that effective functioning of governance structure is vital upon these turning points, I would like to take advantage of my knowledge as an accountant for this purpose. At this stage, I have no major concerns because I feel that NGK SPARK PLUG is a company that is fortunate in having executives and employees who are committed to acting with integrity.



# Automotive Components Group

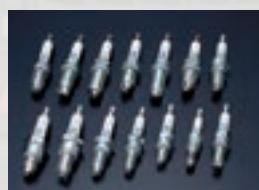


## Review of Results

In the Automotive Components business, automotive sales increased mainly in the U.S. and China market, and sales of automotive components both for factory installation in new vehicles and for aftermarkets were also robust. In addition, depreciation of the yen in foreign exchange markets provided a boost to higher net sales. In order to meet the brisk demand, we steadily increased production capacity, including the commencement of operation of a new plant at a subsidiary in Japan and establishment of a new company overseas. As a result, net sales of the Automotive Components Group increased 7.7% year on year to ¥292,794 million and operating income rose 16.0% to ¥68,331 million.

## Outlook

Sales of new automobiles are expected to be robust, mainly in the U.S. and China. In aftermarkets, we intend to expand sales of a wide range of automotive components by taking full advantage of the Company's existing sales network. For the fiscal year ending March 31st, 2016, we forecast net sales of ¥327,760 million, an increase of 11.9% year on year, and operating income of ¥70,180 million, an increase of 2.7%.



Spark Plugs



NHTC (New High Temperature Ceramic) Glow Plugs



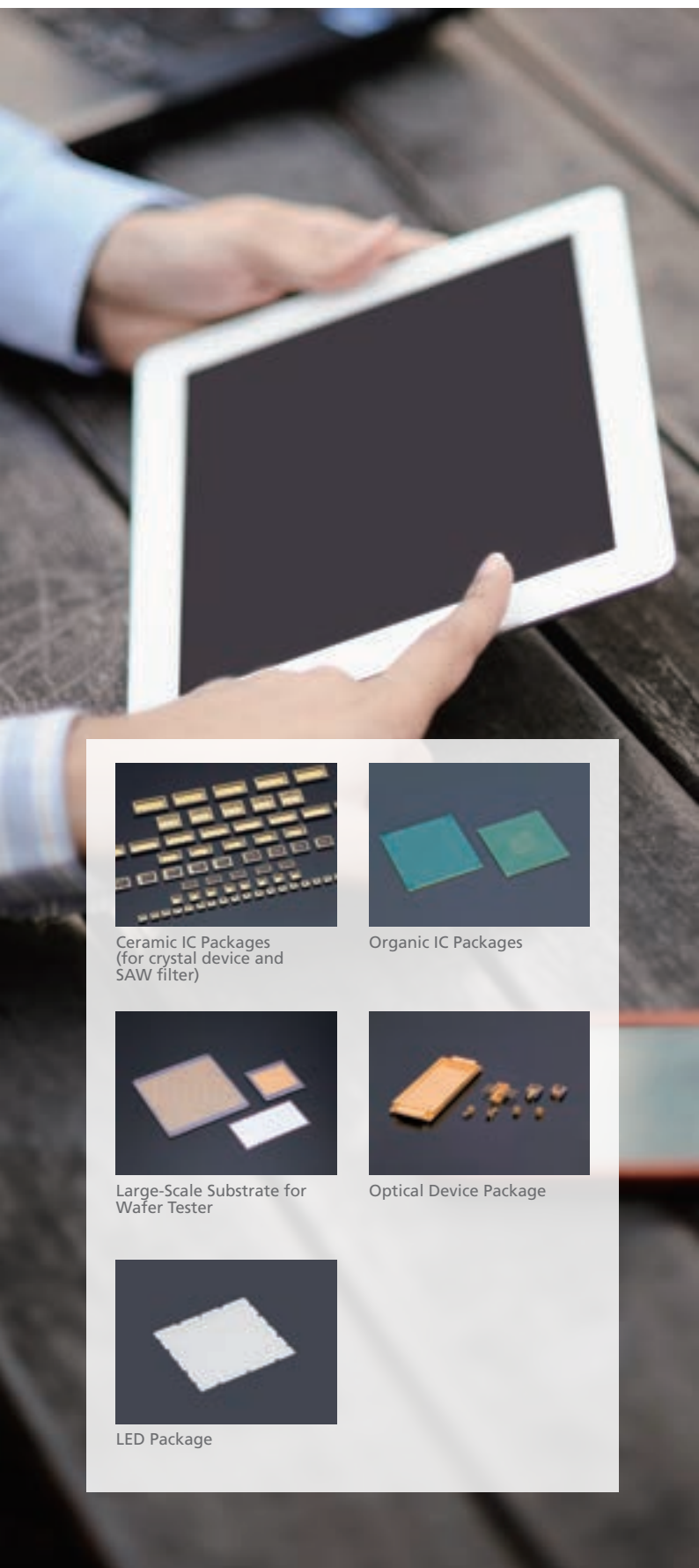
Zirconia Exhaust Gas Oxygen Sensors



Universal A/F Heated Exhaust Gas Oxygen Sensors

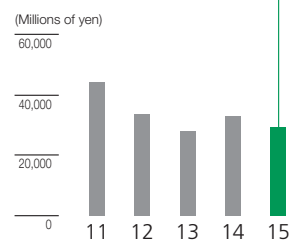


Wide Range Exhaust Gas Temperature Sensors



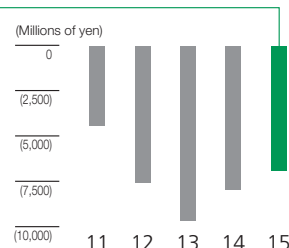
## Net Sales

**29,441**



## Operating Loss

**(6,908)**



## Net Sales Ratio

**8.5%**

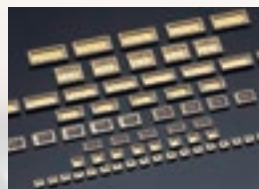


## Review of Results

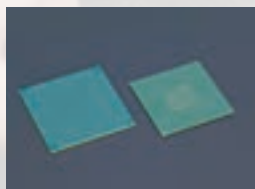
Despite the positive impact of depreciation of the yen, sales of organic IC packages for personal computer CPUs decreased because of the transfer of commercial rights to a partner, and sales of ceramic IC packages for mobile phones were stagnant as well. In these circumstances, the Semiconductor Division strove to improve profitability through productivity enhancement, cost reduction and other rationalization initiatives. In addition, production of organic IC packages for non-CPU applications was transferred to an outsourcee in Japan. As a result, the Semiconductor Division's net sales decreased 11.1% year on year to ¥29,441 million and an operating loss of ¥6,908 million was recorded, compared with the operating loss of ¥7,953 million recorded for fiscal 2013.

## Outlook

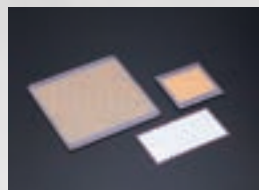
Transfer of production to outsourcees has been progressing, and going forward, we aim to shift to a business model by promoting a fabless business model focused on product development and sales. For the fiscal year ending March 31st, 2016, we forecast net sales of ¥40,040 million, an increase of 36.0% year on year, and an operating loss of ¥4,080 million compared with the operating loss of ¥6,908 million recorded for fiscal 2014.



Ceramic IC Packages  
(for crystal device and  
SAW filter)



Organic IC Packages



Large-Scale Substrate for  
Wafer Tester



Optical Device Package



LED Package



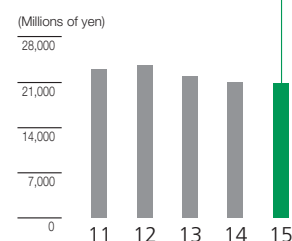
# Technical Ceramics Group

Ceramics Division



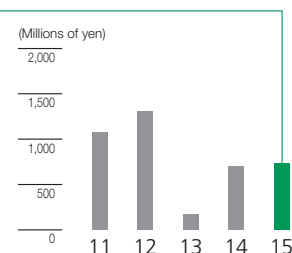
## Net Sales

20,816



## Operating Income

735



## Net Sales Ratio

6.0%



## Review of Results

In regard to the Ceramics Division's shipments of products for machine tools, shipments of products applied in tools for machining automotive components were robust, centering on Europe and Southeast Asia, and shipments of products for industrial equipment were also robust. As a result, although net sales of the Ceramics Division decreased 1.2% year on year to ¥20,816 million, operating income increased 4.5% to ¥735 million.

## Outlook

We are working to establish a stable earnings structure for the ceramics business. For the fiscal year ending March 31st, 2016, we forecast net sales of ¥22,660 million, an increase of 8.9% year on year, and operating income of ¥900 million, an increase of 22.5%.



Cutting Tools



Electro-Static Chuck, Vacuum Chuck



Ultrasonic Transducer



Bio Ceramics



Oxygen Concentrator

## Commitment to CSR

### CSR of NGK SPARK PLUG Group

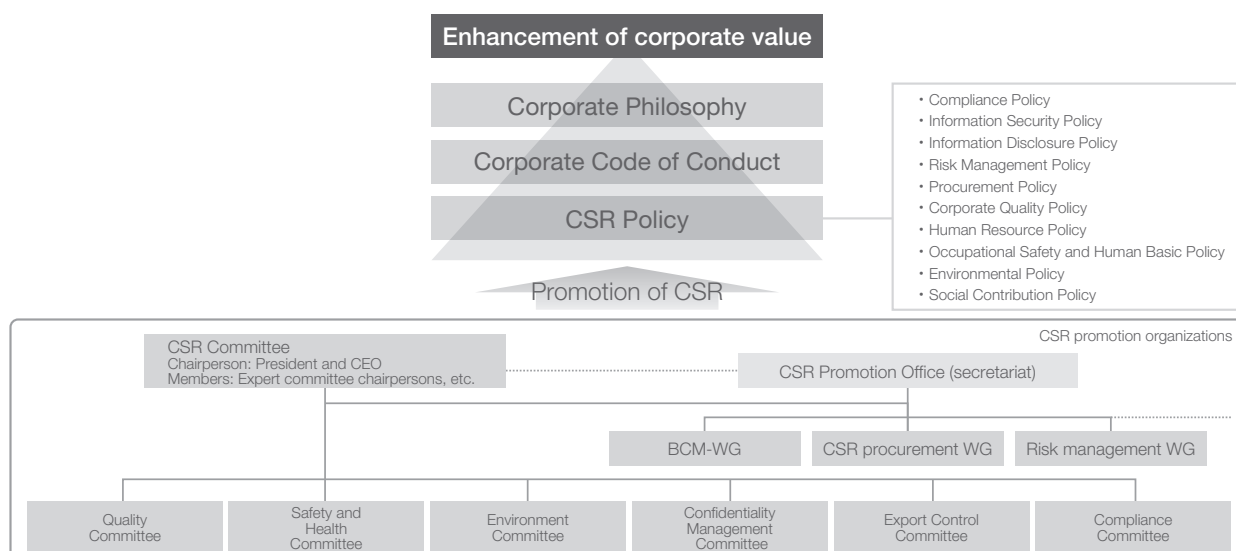
We view CSR not just as a responsibility but as an opportunity to be accountable through review of the NGK Spark Plug Group's economic, environmental and social activities from a global perspective, to enhance corporate value, and to contribute to the sustainable development of society in accordance with our Corporate Philosophy. Our CSR activities are wide ranging and diverse. They include offering excellent products to customers, disclosing corporate information to shareholders and the wider investor community 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, and intend to review and promote CSR based on a multifaceted approach.

### 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 taskforce committees and divisions, and makes proposals regarding them, in order to achieve total optimization of CSR activities, thereby strengthening the business foundation. Working groups are established as necessary to discuss specific themes and develop countermeasures. Through close collaboration among the CSR Committee, the task force committees, and working groups, a company-wide CSR promotion system is put in place. We publish an annual CSR report on our CSR activities and results, which is available on our website.



CSR Report 2015



### 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 ten 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, eight 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.

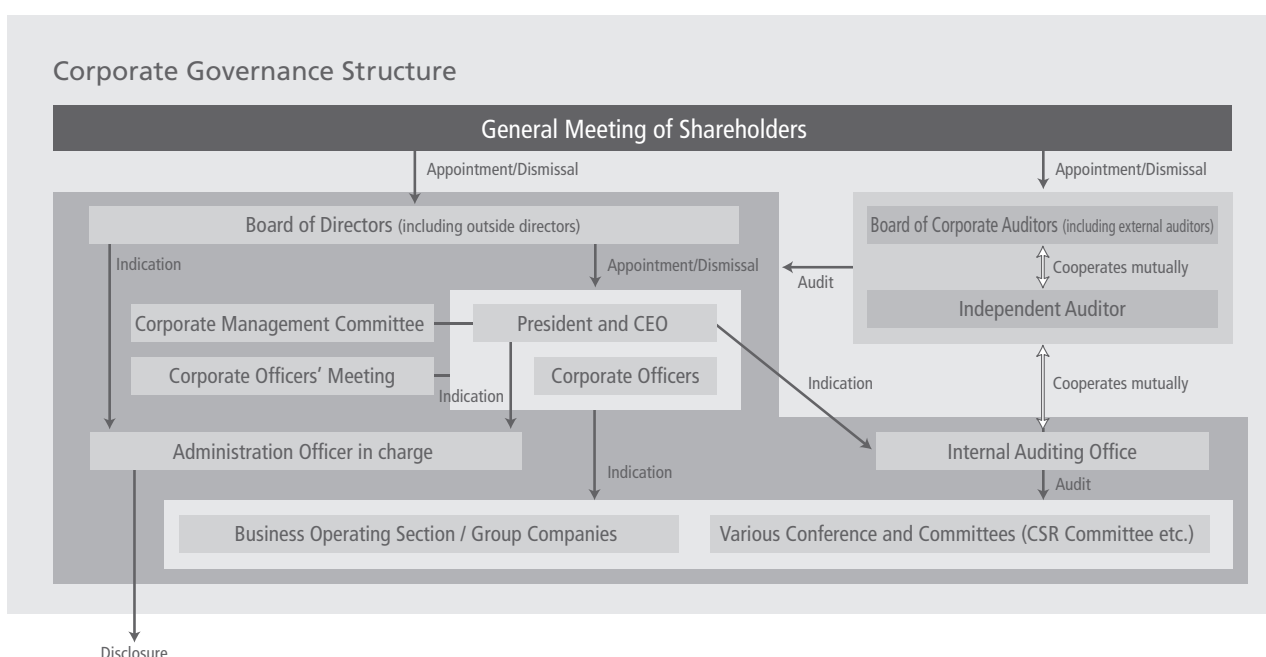
#### Management Oversight Functions

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. With the aim of strengthening corporate governance, following the first appointment of an outside director in the previous year, we appointed an outside director in June 2014 and now have two outside directors. The outside directors attend the meetings of the Board of Directors and oversee execution of operations and provide advice as necessary, based on their great experience at companies operating globally 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

The Compliance Committee, chaired by a representative director 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. While continuing to hold seminars for employees according to positions and conduct education and training at workplaces for the purpose of raising employees' awareness toward compliance, we also held a seminar by an external instructor for executives and compliance promoters at departments in fiscal 2014.

### 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 25 cases of consultation and reporting in fiscal 2014, most of which concerned labor issues and the workplace environment. We contracted an external service provider specializing in the area in fiscal 2014 to increase convenience for employees, enabling employees to seek consultation and make reports outside office hours and on weekends and holidays.

### 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. In addition, we are also working on the IT business continuity plan (BCP) through initiatives including making the intra-group network system more robust, relocating it to an external data center, and implementing network-level redundancy.

### 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 fiscal 2014, as part of a corporate-wide disaster drill, all directors and officers of the Company, presidents of subsidiaries in Japan, and plant managers participated in hazard mapping for large-scale disasters, whereby they were allowed the opportunity to formulate countermeasures based on the assumption of a specific scenario.

### 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 offer safe and reliable products that deliver greater customer satisfaction, we are advocating and implementing total quality management (TQM). In fiscal 2014, in accordance with the CSR Policy, we renewed the Basic Rules on Quality, and are working on entrenching across the Group the five pillars of quality assurance, daily management, policy management, small-group improvement activities, and education & training on quality management while maintaining and enhancing our world-class quality.

### With Our Shareholders and Investors

The Group is working to ensure the transparency and fairness of information disclosure to shareholders and investors in Japan and overseas. In fiscal 2014, we held presentations around Japan and vigorously contacted investors in Japan and overseas 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 launched a new personnel system in 2014 that includes development of a working environment to leverage diversity. In fiscal 2014, we in particular promoted the active participation of female employees.

### With Our Suppliers

With a view to global optimization of procurement, while strengthening cooperation with suppliers, we have established the NGK SPARK PLUG Group CSR Procurement Guidelines. In fiscal 2014, we conducted a CSR survey of our suppliers using a self-check sheet and fed back the overall results to them. Our efforts to cultivate partnerships with our suppliers also include the creation of opportunities to share the Company' policy and exchange opinions with suppliers and the provision of support to suppliers for enhancement of their manufacturing.

### 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

### Certified by Nagoya City as a Leading Enterprise for Women and Received Superior Award

The Company was certified by Nagoya City as a Leading Enterprise for Women, a commendation for companies promoting active participation of women, and received a superior award. Positioning the promotion of active participation of women as a business strategy, we place emphasis on changing the awareness of our employees and have launched the DIAMOND Project, working to reform the personnel system to expand job opportunities for women and to conduct training of all managerial personnel. Going forward, we will strive to enrich systems and cultivate the corporate culture so that diverse employees including women can play an active role.



Members of the Diamond Project

### Supporting a Professional Soccer Team that Shares Values with NGK SPARK PLUG

We concluded an official partnership agreement in January 2014 with FC Gifu, a professional football club based in Gifu Prefecture where three Group companies are based and which is proactive in community contribution activities. Following the signing of the agreement, the NGK SPARK PLUG Award was established for each season's most valuable player, who is determined by supporters' votes. We are cheering FC Gifu on to greater sporting success, specifically by strengthening the relationships between the team and the supporters and by encouraging FC Gifu to fulfill its ambition of promotion to J. League Division 1.



NGK SPARK PLUG Appreciation Match

### Donation to an Orphanage in Mexico

Bujías NGK de México, S.A. de C.V., our subsidiary in Mexico, has been supporting children's homes and nursing homes for the elderly with annual donations. In 2014, the company donated food, clothing, and toys to an orphanage where 70 children reside. The company held a traditional Christmas party there with a piñata, a container filled with toys and candies.



A letter of appreciation from the children

## 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

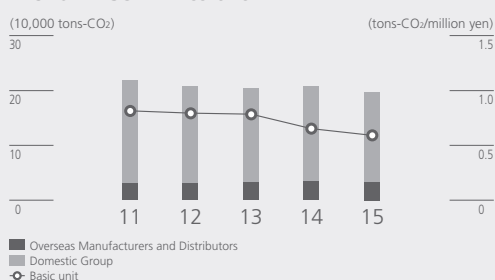
Operation of the environmental management system is checked

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, 2015, 16 overseas subsidiaries have obtained ISO 14001 and the percentage of obtaining the certification for the Group on an employee level for both Japan and overseas is 98% for fiscal 2014.

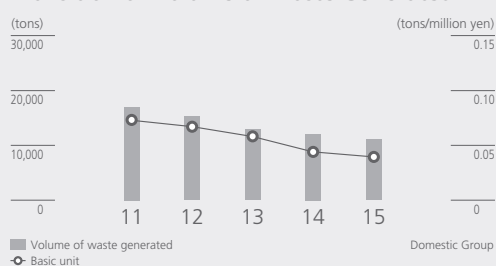
### Environmental Risk Management

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.

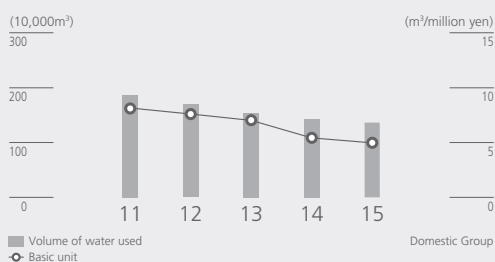
#### Trend in CO<sub>2</sub> Emissions



#### 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, 2015, 2014, 2013, 2012, 2011 and 2010

	Millions of yen						Thousands of U.S. dollars
	2015	2014	2013	2012	2011	2010	2015
<b>For the year:</b>							
Net sales	¥347,636	¥329,758	¥302,799	¥284,746	¥269,233	¥243,914	\$2,896,967
Costs of goods sold	223,315	222,383	229,530	213,409	195,461	192,722	1,860,959
Selling, general and administrative expenses	62,124	55,713	49,515	46,859	45,001	40,508	517,700
Operating income	62,197	51,662	23,754	24,478	28,771	10,684	518,308
Net income	36,753	32,704	20,910	25,524	23,680	13,510	306,275
Cash flows from operating activities	36,593	54,698	26,194	21,080	35,399	34,255	304,942
Cash flows from investing activities	(12,866)	(61,149)	(15,443)	(15,851)	(20,412)	(17,271)	(107,217)
Cash flows from financing activities	(18,746)	24,123	(15,495)	(4,688)	(7,154)	865	(156,217)
Depreciation	13,338	11,567	12,798	15,439	16,646	18,826	111,150
Capital expenditures	36,373	41,034	24,013	14,005	8,767	10,978	303,108
<b>At year-end:</b>							
Total assets	¥485,498	¥458,149	¥366,489	¥340,296	¥337,318	¥331,476	\$4,045,817
Net assets	343,381	302,794	268,309	235,613	218,159	207,007	2,861,508
<b>Sales by Reportable Segments:</b>							
Automotive components	¥292,794	¥271,835	¥248,795	¥222,636	¥197,214	¥166,067	\$2,439,950
Technical Ceramics:							
Semiconductor	29,441	33,100	28,239	33,892	44,472	55,031	245,342
Ceramics	20,816	21,074	22,054	23,738	23,053	19,155	173,466
Subtotal	50,257	54,174	50,293	57,630	67,525	74,186	418,808
Other	4,585	3,749	3,711	4,480	4,494	3,661	38,209
<b>Other Data:</b>							
Number of shareholders	10,803	7,425	10,701	11,666	12,744	12,102	
Number of employees (Consolidated)	13,197	12,760	12,563	12,064	11,767	11,795	
	Yen						U.S. dollars
<b>Per Share Data:</b>							
Net income							
—Basic	¥168.88	¥150.26	¥96.06	¥117.25	¥108.71	¥62.01	\$1.41
—Diluted	—	—	—	—	107.83	61.46	—
Cash dividends	36.00	28.00	22.00	22.00	22.00	11.00	0.30
Net assets	1,566.80	1,381.38	1,223.41	1,075.24	994.36	942.41	13.06
	%						
<b>Ratios:</b>							
Operating income ratio	17.9%	15.7%	7.8%	8.6%	10.7%	4.4%	
Equity ratio	70.2	65.6	72.7	68.8	64.2	61.9	
Return on net sales	10.6	9.9	6.9	9.0	8.8	5.5	
Return on assets	7.8	7.9	5.9	7.5	7.1	4.4	
Return on equity	11.4	11.5	8.4	11.3	11.2	7.0	

Note: U.S. dollar amounts above and elsewhere in this Annual Report are converted from yen, for convenience only, at the rate of ¥120=U.S.\$1

# Management's Discussion and Analysis

## Overview of Results

During the fiscal year ended March 31, 2015, with regard to global economic conditions, economic slowdown accelerated in China particularly due to the downturn in the property market along with sluggish domestic demand despite modest growth in exports. In the U.S., the economy sustained a moderate rate of expansion with solid corporate performance and continued improvement in the labor market. In Europe, however, the growth rate remained slow owing to stalled domestic demand, and concerns over possibility of an economic slowdown heightened because of rising tensions in Ukraine and deceleration of the Russian economy owing to falling oil prices. In Japan, although economic conditions were affected in the first half of the year by the backlash decrease in demand accompanying the consumption tax increase, the government's economic policy including public investment helped to maintain economic confidence at a relatively high level. In the second half of the year, the yen weakened sharply and the stock market rallied after the additional monetary easing measures were unveiled leading to price hikes due to rising costs of imported raw materials, while corporate earnings increased at exporting companies.

In the automotive industry, which is the principal market for the NGK SPARK PLUG Group's products, worldwide automotive sales grew steadily centering on the U.S. and

China. In Japan, sales of compact cars remained brisk, which are fuel-efficient and whose running costs are relatively low.

In the semiconductor industry, while demand for PCs remained weak worldwide, rapid penetration of smartphones centering on emerging-market countries intensified price competition among semiconductor chip manufacturers and mobile phone manufacturers, resulting in lower prices.

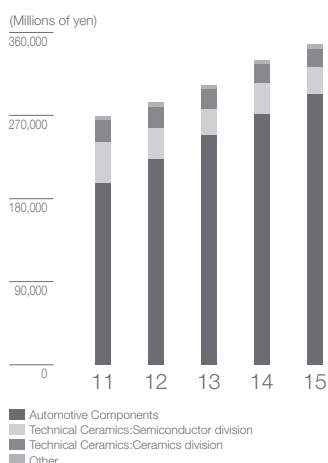
As a result, consolidated net sales for the fiscal year ended March 31, 2015 increased 5.4% year on year to ¥347,636 million. Operating income rose 20.4% to ¥62,197 million, and net income increased 12.4% to ¥36,753 million.

## Results of Operation

### Net Sales

Consolidated net sales increased ¥17,878 million or 5.4% year on year to ¥347,636 million. Regarding worldwide automotive sales, besides robust sales growth in the U.S. and China, sales of compact cars remained brisk, which are fuel-efficient and whose running costs are relatively low.

### Net Sales by Business Segment



# Management's Discussion and Analysis

Millions of yen

	2014	2015	Increase/ (decrease)
Automotive Components	¥271,835	<b>¥292,794</b>	¥20,959
Technical Ceramics	54,174	<b>50,257</b>	(3,917)
Semiconductor	33,100	<b>29,441</b>	(3,659)
Ceramics	21,074	<b>20,816</b>	(258)
Other	3,749	<b>4,585</b>	836
Consolidated net sales	329,758	<b>347,636</b>	17,878

## Costs of goods sold

Costs of goods sold increased ¥932 million or 0.4% from the previous fiscal year to ¥223,315 million. The ratio of costs of goods sold to net sales improved, having decreased 3.2 percentage points from 67.4% for the previous fiscal year to 64.2% for the fiscal year under review.

## Selling, general and administrative expenses

Selling, general and administrative expenses increased ¥6,411 million or 11.5% from the previous fiscal year to ¥62,124 million.

## Operating income

As a result, operating income increased ¥10,535 million or 20.4% from the previous fiscal year to ¥62,197 million. The ratio of operating income to net sales improved, having increased 2.2 percentage points from 15.7% for the previous fiscal year to 17.9% for the year under review.

## Net income

Net income increased ¥4,049 million or 12.4% from the previous fiscal year to ¥36,753 million.

Although income taxes increased ¥3,513 million, increased sales of automotive components in the U.S., China, and Japan contributed to higher profits.

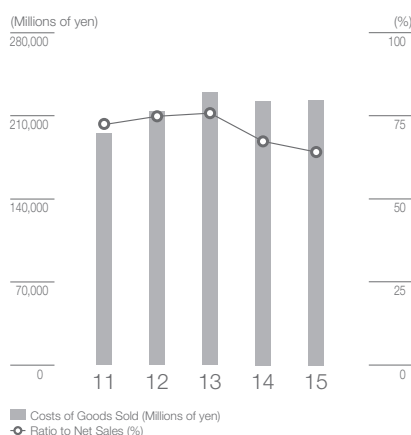
As a result, the return on equity decreased 0.1 percentage points from 11.5% at the previous fiscal year-end to 11.4%, and net income per share increased ¥18.62 from ¥150.26 at the previous fiscal year-end to ¥168.88.

## Capital Expenditures

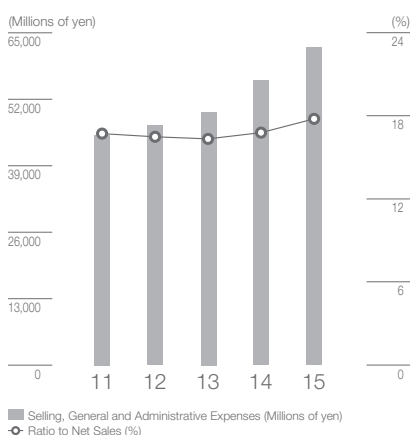
Capital expenditures amounted to ¥36,373 million, including ¥31,876 million for the Automotive Components Group, and ¥2,624 million for the Semiconductor Business and ¥1,862 million for the Ceramics Business of the Technical Ceramics Group.

Capital expenditures of ¥61,500 million are planned for fiscal

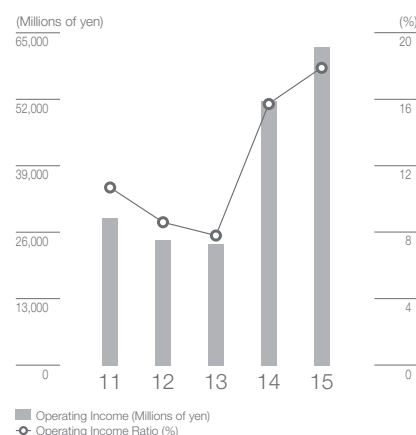
### Costs of Goods Sold and Ratio to Net Sales



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



### Operating Income and Operating Income Ratio





2015, primarily for increasing production of automotive components and for R&D facilities, and will be financed mostly by internal resources.

## R&D

R&D expenses in the fiscal year under review amounted to ¥21,337 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 ¥4,597 million.

## Financial Policy

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 ¥485,498 million, having increased ¥27,349 million or 6.0% from the end of the previous fiscal year. The main factors were as follows:

- Marketable securities decreased mainly owing to redemption of bonds.
- Of property, plant and equipment, machinery and equipment increased owing to capital expenditures.

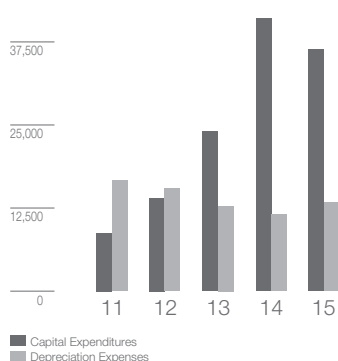
### Total Liabilities

Total liabilities amounted to ¥142,117 million, having decreased ¥13,238 million or 8.5% from the end of the previous fiscal year.

- Interest-bearing debt decreased mainly owing to redemption of bonds amounting to ¥10,000 million.

## Capital Expenditures and Depreciation Expenses

(Millions of yen)  
50,000



# Management's Discussion and Analysis

## Net Assets

Net assets amounted to ¥343,381 million, having increased ¥40,587 million or 13.4% from the end of the previous fiscal year. The main items were an increase of ¥28,094 million in retained earnings and an increase of ¥9,160 million in net unrealized gains on available-for-sale securities.

Net assets per share amounted to ¥1,566.80 compared with ¥1,381.38 at the end of the previous fiscal year.

## Cash Flows

Cash and cash equivalents at March 31, 2015, amounted to ¥75,540 million, in net value, including the effect of exchange rate changes on cash and cash equivalents amounting to ¥1,592 million, having increased ¥6,573 million from the end of the previous fiscal year.

## Cash flows from operating activities

Net cash provided by operating activities was ¥36,593 million, having decreased ¥18,105 million from the previous fiscal year. This decrease was mainly attributable to payment of income taxes.

## Cash flows from investing activities

Net cash used in investing activities amounted to ¥12,866 million, having decreased ¥48,283 million from the previous fiscal year. This decrease was mainly attributable to a decrease in purchase of marketable securities.

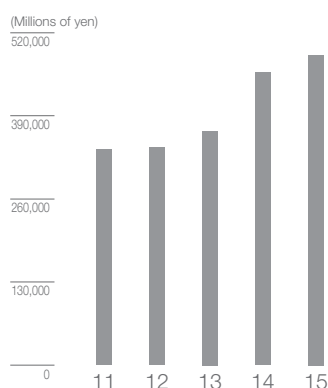
## Cash flows from financing activities

Net cash used in financing activities amounted to ¥18,746 million, whereas for the previous fiscal year, net cash provided by financing activities amounting to ¥24,123 million was recorded. The main factor was redemption of bonds

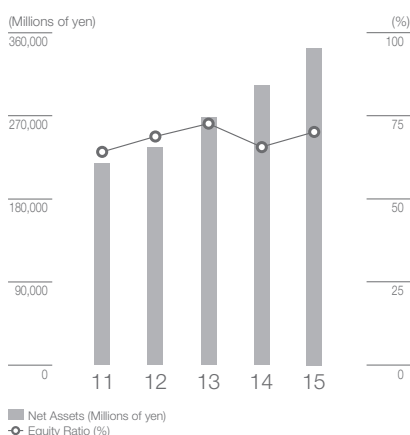
## Dividend Policy

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 of dividends by comprehensively taking into consideration the

## Total Assets



## Net Assets and Equity Ratio

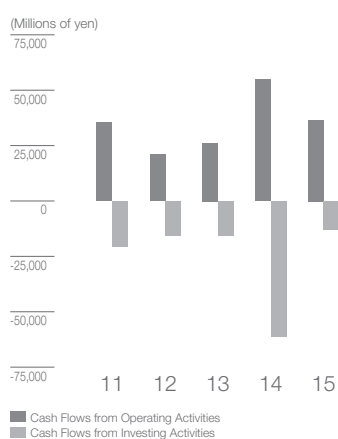


basic policy of paying stable dividends and of maintaining sufficient internal reserves for R&D investment, capital expenditures for business expansion and for rationalization of operations, and investment in other companies, which are essential to future growth. We intend to maintain dividend payments 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.

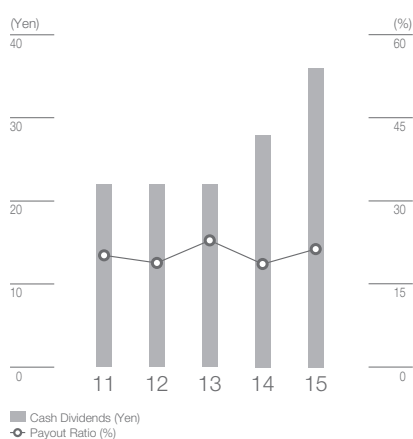
In order to ensure flexibility in the returning of profits to shareholders, our company's Articles of Incorporation specifies dividends from surplus as a matter requiring resolution of the board of directors.

The Company paid dividends per share of ¥36.0 for the fiscal year ended March 31, 2015, consisting of an interim dividend of ¥18.0 and a year-end dividend of ¥18.0.

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Current assets:</b>			
Cash and cash equivalents (Note 3)	¥ 75,540	¥ 68,967	\$ 629,500
Short-term investments (Notes 3 and 6)	26,008	43,485	216,733
Notes and accounts receivable, net of allowance for doubtful accounts (Notes 3 and 4)	77,653	69,864	647,109
Inventories (Note 5)	78,380	71,070	653,167
Deferred tax assets (Note 16)	12,679	12,785	105,658
Other current assets	3,024	3,039	25,200
Total current assets	273,284	269,210	2,277,367
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 6)	58,597	54,656	488,308
Investments in unconsolidated subsidiaries and associates (Note 3)	7,485	6,489	62,375
Intangible assets (Note 7)	3,421	3,621	28,508
Deferred tax assets (Note 16)	868	1,000	7,233
Other assets	1,902	2,181	15,850
Less allowance for doubtful accounts	(128)	(104)	(1,066)
Total investments and other assets	72,145	67,843	601,208
<b>Property, plant and equipment:</b>			
Land	18,082	15,147	150,683
Buildings and structures	146,442	146,880	1,220,350
Machinery and equipment	252,284	240,002	2,102,367
Construction in progress	13,449	15,671	112,075
Total property, plant and equipment	430,257	417,700	3,585,475
Less accumulated depreciation	(290,188)	(296,604)	(2,418,233)
Net property, plant and equipment	140,069	121,096	1,167,242
Total assets	¥485,498	¥458,149	\$4,045,817

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Current liabilities:</b>			
Short-term borrowings (Notes 3 and 9)	¥ 668	¥ 1,595	\$ 5,567
Current portion of long-term debt (Notes 3 and 9)	15,187	10,252	126,558
Accounts payable (Notes 3 and 8)	36,529	35,909	304,409
Accrued expenses	17,543	16,238	146,192
Income taxes payable	7,783	16,411	64,858
Deferred tax liabilities (Note 16)	—	1	—
Other current liabilities	1,624	1,254	13,533
Total current liabilities	79,334	81,660	661,117
<b>Long-term debt (Notes 3 and 9)</b>	<b>30,298</b>	<b>45,493</b>	<b>252,484</b>
<b>Net defined benefit liability (Note 10)</b>	<b>24,012</b>	<b>23,522</b>	<b>200,100</b>
<b>Deferred tax liabilities (Note 16)</b>	<b>7,129</b>	<b>3,459</b>	<b>59,408</b>
<b>Other long-term liabilities</b>	<b>1,344</b>	<b>1,221</b>	<b>11,200</b>
Total liabilities	142,117	155,355	1,184,309
<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	398,908
Capital surplus	54,825	54,825	456,875
Retained earnings	223,136	195,042	1,859,467
Less treasury stock at cost: 5,921,224 shares in 2015 and 5,911,360 shares in 2014	(7,640)	(7,611)	(63,667)
Total shareholders' equity	318,190	290,125	2,651,583
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	30,298	21,138	252,483
Foreign currency translation adjustments	(4,018)	(6,544)	(33,483)
Remeasurements of defined benefit plans (Note 10)	(3,497)	(4,084)	(29,142)
Total accumulated other comprehensive income	22,783	10,510	189,858
Minority interests	2,408	2,159	20,067
Total net assets	343,381	302,794	2,861,508
Total liabilities and net assets	¥485,498	¥458,149	\$4,045,817

# Consolidated Statements of Income

NGK SPARK PLUG CO., LTD. and Consolidated Subsidiaries  
For the Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Operating revenue:</b>			
Net sales (Note 18)	¥347,636	¥329,758	\$2,896,967
<b>Operating costs and expenses:</b>			
Costs of goods sold	223,315	222,383	1,860,959
Selling, general and administrative expenses	62,124	55,713	517,700
	285,439	278,096	2,378,659
Operating income (Note 18)	62,197	51,662	518,308
<b>Other income (expenses):</b>			
Interest and dividend income	2,885	2,017	24,042
Interest expense	(457)	(536)	(3,808)
Loss on sale or disposal of property, plant and equipment	(940)	(332)	(7,833)
Depreciation of idle property, plant and equipment	(191)	(251)	(1,592)
Impairment loss on fixed assets (Note 15)	(4,133)	(5,143)	(34,442)
Equity in net earnings of associates	594	231	4,950
Foreign exchange gain	2,231	1,505	18,592
Loss on violation of antitrust law	(5,786)	—	(48,217)
Other, net	631	343	5,258
	(5,166)	(2,166)	(43,050)
Income before income taxes and minority interests	57,031	49,496	475,258
<b>Income tax expenses (Note 16):</b>			
Current	18,752	20,146	156,267
Deferred	1,249	(3,658)	10,408
Total income tax expenses	20,001	16,488	166,675
Income before minority interests	37,030	33,008	308,583
<b>Less minority interests in net income of consolidated subsidiaries</b>	277	304	2,308
Net income	¥ 36,753	¥ 32,704	\$ 306,275

	Yen	U.S. dollars
<b>Per share:</b>		
Net income - basic	¥168.88	\$1.41
Cash dividends (Note 14)	36.00	0.30

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Income before minority interests</b>	<b>¥37,030</b>	<b>¥33,008</b>	<b>\$308,583</b>
<b>Other comprehensive income:</b>			
Unrealized gains on available-for-sale securities	9,163	4,905	76,358
Foreign currency translation adjustments	2,109	5,581	17,575
Remeasurements of defined benefit plans	585	—	4,875
Share of other comprehensive income of associates accounted for using the equity method	571	535	4,759
Total other comprehensive income (Note 17)	12,428	11,021	103,567
<b>Comprehensive income</b>	<b>¥49,458</b>	<b>¥44,029</b>	<b>\$412,150</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent	¥49,027	¥43,719	\$408,558
Minority interests	431	310	3,592
Total comprehensive income	¥49,458	¥44,029	\$412,150

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, 2015 and 2014

	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, 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	
Cumulative effects of changes in accounting policies		—	—	(1,477)	—	(1,477)	—	—	—	—	—	—	(1,477)
Restated balance at April 1, 2014		47,869	54,825	193,565	(7,611)	288,648	21,138	(6,544)	(4,084)	10,510	2,159	301,317	
Net income for the year	—	—	—	36,753	—	36,753	—	—	—	—	—	—	36,753
Cash dividends	—	—	—	(7,182)	—	(7,182)	—	—	—	—	—	—	(7,182)
Purchases of treasury stock and fractional shares, net of sales	—	—	—	—	(29)	(29)	—	—	—	—	—	—	(29)
Net changes other than changes in shareholders' equity for the year	—	—	—	—	—	—	9,160	2,526	587	12,273	249	12,522	
Balance at March 31, 2015	223,544,820	¥47,869	¥54,825	¥223,136	¥(7,640)	¥318,190	¥30,298	¥ (4,018)	¥(3,497)	¥22,783	¥2,408	¥343,381	
Thousands of U.S. dollars													
Balance at March 31, 2014		\$398,908	\$456,875	\$1,625,350	\$(63,425)	\$2,417,708	\$176,150	\$(54,533)	\$(34,034)	\$ 87,583	\$17,992	\$2,523,283	
Cumulative effects of changes in accounting policies		—	—	(12,308)	—	(12,308)	—	—	—	—	—	—	(12,308)
Restated balance at April 1, 2014		398,908	456,875	1,613,042	(63,425)	2,405,400	176,150	(54,533)	(34,034)	87,583	17,992	2,510,975	
Net income for the year		—	—	306,275	—	306,275	—	—	—	—	—	—	306,275
Cash dividends		—	—	(59,850)	—	(59,850)	—	—	—	—	—	—	(59,850)
Purchases of treasury stock and fractional shares, net of sales		—	—	—	(242)	(242)	—	—	—	—	—	—	(242)
Net changes other than changes in shareholders' equity for the year		—	—	—	—	—	76,333	21,050	4,892	102,275	2,075	104,350	
Balance at March 31, 2015		\$398,908	\$456,875	\$1,859,467	\$(63,667)	\$2,651,583	\$252,483	\$(33,483)	\$(29,142)	\$189,858	\$20,067	\$2,861,508	

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥57,031	¥49,496	\$475,258
Adjustments for:			
Depreciation	13,338	11,567	111,150
Impairment loss on fixed assets	4,133	5,143	34,442
Amortization of goodwill	—	(16)	—
Equity in net earnings of associates	(594)	(231)	(4,950)
Increase in trade receivables	(4,580)	(4,602)	(38,166)
(Increase) decrease in inventories	(5,309)	1,064	(44,242)
Decrease in trade payables	(1,499)	(125)	(12,492)
Other, net	(1,283)	319	(10,692)
Subtotal	61,237	62,615	510,308
Interest and dividends received	2,576	1,994	21,467
Interest paid	(504)	(518)	(4,200)
Income taxes paid	(26,716)	(9,393)	(222,633)
Net cash provided by operating activities	36,593	54,698	304,942
<b>Cash flows from investing activities:</b>			
Increase in property, plant and equipment	(36,702)	(37,506)	(305,850)
Increase in intangible assets	(1,281)	(1,252)	(10,675)
Increase in long-term investments	(1,983)	(10,151)	(16,525)
Decrease in long-term investments	11,700	5,107	97,500
Net decrease (increase) in short-term investments	14,763	(17,414)	123,025
Other, net	637	67	5,308
Net cash used in investing activities	(12,866)	(61,149)	(107,217)
<b>Cash flows from financing activities:</b>			
Issuance of long-term debt	—	24,878	—
Proceeds from long-term debt	—	5,000	—
Repayment of long-term debt	(10,285)	(336)	(85,708)
Net (decrease) increase in short-term borrowings	(1,069)	42	(8,908)
Dividends paid	(7,180)	(5,229)	(59,834)
Purchase of treasury stock and fractional shares, net of sales	(29)	(71)	(242)
Other, net	(183)	(161)	(1,525)
Net cash (used in) provided by financing activities	(18,746)	24,123	(156,217)
Effect of exchange rate changes on cash and cash equivalents	1,592	1,420	13,267
Net increase in cash and cash equivalents	6,573	19,092	54,775
Cash and cash equivalents at beginning of year	68,967	49,875	574,725
Cash and cash equivalents at end of year	¥75,540	¥68,967	\$629,500

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, 2015, which was ¥120 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, 2015 and 2014 was as follows:

	2015	2014
Consolidated subsidiaries:		
Domestic	9	9
Overseas	25	25
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, 2015, 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.

(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.

- (a) Goodwill not subject to amortization
- (b) Actuarial gains and losses of defined benefit retirement plans recognized outside profit and loss
- (c) Capitalized expenditures for research and development activities
- (d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
- (e) 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 hedges 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.

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

---

The Company and its domestic consolidated subsidiaries capitalize the assets used under finance leases as lessee, except for certain immaterial or short-term finance leases which are accounted for as operating leases in accordance with the current accounting standard. Depreciation is calculated using the straight-line method over the lease term and assuming no residual value.

#### **(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 benefit formula basis is used to allocate estimated retirement benefits. Past service cost that is yet to be recognized is amortized on a straight-line basis over ten years, a period not exceeding the average remaining service 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, 2015, the Company and its domestic consolidated subsidiaries have adopted Article 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, “Statement No. 26”)) and Article 67 of the Guidance on Accounting Standard for

Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015 (hereinafter, "Guidance No. 25")) and have changed methods used to determine the retirement benefit obligations and current service cost. In addition, the Company and its domestic consolidated subsidiaries have changed the method used to attribute expected benefits to periods of service from a straight line method to a benefit formula basis and the method used to determine the discount rate to a single weighted average discount rate reflecting the estimated timing and amount of benefit payments.

In accordance with Article 37 of Statement No. 26, the effect of changing the method used to determine retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the year ended March 31, 2015. As a result, net defined benefit liability increased by ¥2,166 million (\$18,050 thousand) and retained earnings decreased by ¥1,477 million (\$12,308 thousand) at the beginning of the year ended March 31, 2015. The effects on income were not material.

Effective from the year ended March 31, 2014, the NGK Spark Plug Group applies Statement No. 26 and Guidance No. 25 except Article 35 of Statement No. 26 and Article 67 of Guidance No. 25, and actuarial gains and losses and past service cost that had 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 Statement No. 26, the effect of the change in accounting policies arising from the 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 has been recognized and accumulated other comprehensive income was ¥4,084 million less and minority interests ¥4 million less at the end of year ended March 31, 2014 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, 2015 and 2014, research and development expenses aggregated ¥21,337 million (\$177,808 thousand) and ¥19,439 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 ¥4,597 million (\$38,308 thousand) and ¥4,018 million at March 31, 2015 and 2014, 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 carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the 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**

"Revised Accounting Standards for Business Combinations" (ASBJ Statement No. 21, September 13, 2013)

"Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013)

"Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013)



"Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, September 13, 2013)

"Revised Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013)

"Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, September 13, 2013)

#### (1) Summary

The above standards and guidance have been revised primarily to account for:

- 1) How the changes in the Company's holding of shares in subsidiaries over which the Company continues to control should be treated by the Company when additional stock of a subsidiary is acquired.
- 2) Treatment of acquisition related costs
- 3) Presentation of current net income and the change in shareholder's equity from minority interests to non-controlling interests
- 4) Provisional application of accounting treatments

#### (2) Effective date

Effective from the beginning of the year ended March 31, 2016.

Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the year ended March 31, 2016.

#### (3) Effects of the application of the standards

The NGK Spark Plug Group is currently in the process of determining the effects of these new standards 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, 2015 and 2014, 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, 2015:			
Financial assets:			
Cash and cash equivalents	¥ 75,540	¥ 75,540	¥ —
Short-term investments	26,008	26,008	—
Trade receivables	68,515	68,515	—
Investment securities:			
Available-for-sale securities	57,182	57,182	—
Total	¥227,245	¥227,245	¥ —
Financial liabilities (*1):			
Short-term borrowings	¥ (668)	¥ (668)	¥ —
Long-term bank loans	(5,000)	(5,030)	(30)
Trade payables	(25,239)	(25,239)	—
Bonds payable, including current portion	(40,000)	(40,230)	(230)
Total	¥ (70,907)	¥ (71,167)	¥(260)
Derivative instruments (*2)	¥ 49	¥ 49	¥ —
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	¥ —
	Thousands of U.S. dollars		
At March 31, 2015:			
Financial assets:			
Cash and cash equivalents	\$ 629,500	\$ 629,500	\$ —
Short-term investments	216,733	216,733	—
Trade receivables	570,958	570,958	—
Investment securities:			
Available-for-sale securities	476,517	476,517	—
Total	\$1,893,708	\$1,893,708	\$ —
Financial liabilities (*1):			
Short-term borrowings	\$ (5,567)	\$ (5,567)	\$ —
Long-term bank loans	(41,667)	(41,917)	(250)
Trade payables	(210,325)	(210,325)	—
Bonds payable, including current portion	(333,333)	(335,250)	(1,917)
Total	\$ (590,892)	\$ (593,059)	\$ (2,167)
Derivative instruments (*2)	\$ 408	\$ 408	\$ —

\*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	
	Millions of yen	Thousands of U.S. dollars
	2015	2014
Investments (equity securities) in unconsolidated subsidiaries and associates	¥7,485	¥6,489
Unlisted equity securities	1,047	429
		8,725

Expected maturities of financial assets at March 31, 2015 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, 2015:			
Cash and cash equivalents	¥ 72,634	¥ —	¥—
Trade receivables	68,515	—	—
Investments	21,474	3,001	—
	¥162,623	¥3,001	¥—

	Thousands of U.S. dollars	
	2015	2014
At March 31, 2015:		
Cash and cash equivalents	\$ 605,284	\$ —
Trade receivables	570,958	—
Investments	178,950	25,008
	\$1,355,192	\$25,008

Contractual maturities of bank loans at March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	2015	2014
2016	¥ 668	\$ 5,567
2017	—	—
2018	—	—
2019	5,000	41,667
	¥5,668	\$47,234

Contractual maturities of bonds payable at March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	2015	2014
2016	¥15,000	\$125,000
2017	—	—
2018	—	—
2019	25,000	208,333
	¥40,000	\$333,333

#### 4. Notes and Accounts Receivable

At March 31, 2015 and 2014, notes and accounts receivable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Trade receivables	¥66,179	¥59,790	\$551,492
Unconsolidated subsidiaries and associates	2,379	2,362	19,825
Other	9,482	8,162	79,017
Less allowance for doubtful accounts	(387)	(450)	(3,225)
	¥77,653	¥69,864	\$647,109

#### 5. Inventories

At March 31, 2015 and 2014, inventories consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished goods	¥46,705	¥42,014	\$389,209
Work-in-process	21,303	19,468	177,525
Raw materials	10,372	9,588	86,433
	¥78,380	¥71,070	\$653,167

For the year ended March 31, 2015, a reversal of a write-down of ¥22 million (\$183 thousand) was recognized as a reduction in costs of goods sold. For the year ended March 31, 2014, a write-down of ¥513 million was recognized as costs of goods sold.

#### 6. Investments

At March 31, 2015 and 2014, short-term investments consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Securities with fair value:			
Bonds	¥13,310	¥27,557	\$110,916
Other	4,523	8,880	37,692
	17,833	36,437	148,608
Time deposits with an original maturity of more than three months	8,175	7,048	68,125
	¥26,008	¥43,485	\$216,733

At March 31, 2015 and 2014, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Securities with fair value:			
Equity securities	¥57,181	¥45,258	\$476,508
Bonds	1	8,661	9
	57,182	53,919	476,517
Other securities without fair value	1,415	737	11,791
	¥58,597	¥54,656	\$488,308

At March 31, 2015 and 2014, 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, 2015:				
Equity securities	¥12,672	¥44,583	¥ (74)	¥57,181
Bonds	13,317	39	(45)	13,311
Other	3,919	604	—	4,523
	¥29,908	¥45,226	¥ (119)	¥75,015
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
Thousands of U.S. dollars				
At March 31, 2015:				
Equity securities	\$105,600	\$371,525	\$ (617)	\$476,508
Bonds	110,975	325	(375)	110,925
Other	32,658	5,034	—	37,692
	\$249,233	\$376,884	\$ (992)	\$625,125

A loss on the write-down of available-for-sale securities was not material for the year ended March 31, 2015, and no loss on the write-down of available-for-sale securities was recognized for the year ended March 31, 2014.

## 7. Intangible Assets

At March 31, 2015 and 2014, intangible assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Software	¥3,132	¥3,368	\$26,100
Other intangible assets	289	253	2,408
	¥3,421	¥3,621	\$28,508

## 8. Accounts Payable

At March 31, 2015 and 2014, accounts payable consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Trade payables	¥24,812	¥23,394	\$206,767
Unconsolidated subsidiaries and associates	595	350	4,958
Other	11,122	12,165	92,684
	¥36,529	¥35,909	\$304,409

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

At March 31, 2015 and 2014, short-term borrowings consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unsecured bank loans with interest at rates ranging from 4.82% to 9.30% per annum at March 31, 2015	¥668	¥1,595	\$5,567

At March 31, 2015 and 2014, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
1.85% unsecured bonds due July 2014	¥ —	¥10,000	\$ —
1.22% unsecured bonds due September 2015	15,000	15,000	125,000
0.391% unsecured bonds due September 2018	25,000	25,000	208,333
0.41% unsecured bank loans due September 2018	5,000	5,000	41,667
Capitalized lease obligations	485	745	4,042
	45,485	55,745	379,042
Less current portion	(15,187)	(10,252)	(126,558)
	¥30,298	¥45,493	\$252,484

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, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥15,187	\$126,558
2017	188	1,567
2018	96	800
2019	30,011	250,092
2020	2	17
Thereafter	1	8
	¥45,485	\$379,042

## 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.

Information about employee retirement benefits for the years ended March 31, 2015 and 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
	2015	2014	2015
Balance at April 1	¥53,009	¥49,741	\$441,742
Cumulative effects of changes in accounting policies	2,166	—	18,050
Restated balance	55,175	49,741	459,792
Service cost	3,076	3,125	25,633
Interest cost	673	755	5,608
Actuarial loss	1,113	1,416	9,275
Benefits paid	(2,591)	(1,878)	(21,592)
Past service cost	—	(179)	—
Other	(85)	29	(708)
Balance at March 31	¥57,361	¥53,009	\$478,008

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1	¥29,725	¥26,473	\$247,708
Expected return on plan assets	787	699	6,558
Actuarial gain	1,577	618	13,142
Contributions paid by the employer	3,278	3,273	27,317
Benefits paid	(1,792)	(1,341)	(14,933)
Other	10	3	83
Balance at March 31	¥33,585	¥29,725	\$279,875

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1	¥238	¥239	\$1,984
Retirement benefit costs	43	39	358
Benefits paid	(26)	(21)	(217)
Contributions paid by the employer	(19)	(19)	(158)
Balance at March 31	¥236	¥238	\$1,967

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥38,372	¥35,448	\$319,767
Plan assets	(33,715)	(29,851)	(280,959)
	4,657	5,597	38,808
Unfunded retirement benefit obligations	19,355	17,925	161,292
Total net defined benefit liability	¥24,012	¥23,522	\$200,100
Net defined benefit liability	24,012	23,522	200,100
Total net defined benefit liability	¥24,012	¥23,522	\$200,100

Retirement benefit costs:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥3,076	¥3,125	\$25,633
Interest cost	673	755	5,608
Expected return on plan assets	(787)	(699)	(6,558)
Net actuarial loss amortization	752	535	6,267
Past service cost amortization	22	38	183
Retirement benefit costs based on the simplified method	43	39	358
Total	¥3,779	¥3,793	\$31,491

Remeasurements of defined benefit plans included in other comprehensive income (before adjusting for tax effects):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service costs	¥ (22)	¥—	\$ (183)
Actuarial losses	(1,213)	—	(10,109)
Total	¥(1,235)	¥—	\$(10,292)

Remeasurements of defined benefit plans included in accumulated other comprehensive income (before adjusting for tax effects):

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service cost yet to be recognized	¥ (10)	¥ 12	\$ (83)
Actuarial losses yet to be recognized	4,914	6,127	40,950
Total	¥4,904	¥6,139	\$40,867

Plan assets:

(1) Plan assets comprise:

	2015	2014
Bonds	21%	23%
Equity securities	36%	33%
General life insurance accounts	26%	27%
Alternative investments	14%	14%
Other	3%	3%
Total	100%	100%

Note: 10% of plan assets in 2015 and 9% of plan assets in 2014 were 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 and 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, 2015 and 2014 were as follows:

	2015	2014
Discount rate	Mainly 0.9%	Mainly 1.5%
Long-term expected rate of return	Mainly 2.75%	Mainly 2.75%

#### (b) Defined contribution plans

For the years ended March 31, 2015 and 2014, the amount of required contribution to the defined contribution plans of the overseas consolidated subsidiaries was ¥181 million (\$1,508 thousand) and ¥154 million, respectively.

### 11. Lease Commitments

At March 31, 2015 and 2014, 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
	2015	2014	2015
Due within one year	¥ 657	¥ 708	\$ 5,475
Due after one year	2,015	2,246	16,792
	¥2,672	¥2,954	\$22,267

### 12. Contingent Liabilities

At March 31, 2015 and 2014, contingent liabilities in respect to guarantees of indebtedness, principally of employees, amounted to ¥28 million (\$233 thousand) and ¥41 million, respectively.

### 13. Derivative Instruments

At March 31, 2015 and 2014, derivative instruments, except for derivative instruments accounted for by hedge accounting, were stated at fair value and recognized for valuation gains and losses in current earnings as follows:

	Notional principal or contract amounts	Fair value	Valuation gains (losses)
Millions of yen			
At March 31, 2015:			
Foreign exchange contracts:			
Forward contracts to sell	¥12,218	¥44	¥44
Currency call options	794	(8)	(8)
Currency put options	805	13	13
			¥49

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

Thousands of U.S. dollars

At March 31, 2015:

Foreign exchange contracts:			
Forward contracts to sell	\$101,817	\$367	\$367
Currency call options	6,617	(67)	(67)
Currency put options	6,708	108	108
			\$408

At March 31, 2015 and 2014, derivative instruments to which hedge accounting was applied were as follows:

	Hedged items	Notional principal or contract amounts	Contract amounts due after one year	Fair value
Millions of yen				

At March 31, 2015:

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	¥	—

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	¥	—

	Hedged items	Notional principal or contract amounts	Contract amounts due after one year	Fair value
Thousands of U.S. dollars				

At March 31, 2015:

Interest rate and currency swaps:				
(floating rate receipt, fixed-rate payment) Long-term				
(U.S.\$ receipt, Japanese yen payment) bank loans	\$41,667	\$41,677	\$	—

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, 2015 and 2014, 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 (\$48,650 thousand) at March 31, 2015 and 2014, 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, 2015, the Company paid interim dividends of ¥3,917 million (\$32,642 thousand), ¥18.00 (\$0.15) per share. On May 8, 2015, the Board of Directors of the Company approved cash dividends of ¥3,917 million (\$32,642 thousand), ¥18.00 (\$0.15) per share, for the appropriation of retained earnings to shareholders of record as of March 31, 2015.

## 15. Impairment Loss on Fixed Assets

For the years ended March 31, 2015 and 2014, the NGK Spark Plug Group recognized an impairment loss on fixed assets in the amount of ¥ 4,133 million (\$34,442 thousand) and ¥5,143 million, respectively, as other expenses.

For the year ended March 31, 2015, the major assets subject to impairment were as follows:

- (a) Properties used for production of IC packages in the "Semiconductor" sub-segment of the "Technical Ceramics" segment. Loss for the year ended March 31, 2015 amounted to ¥3,540 million (\$29,500 thousand), which consisted of ¥2,982 million (\$24,850 thousand) on machinery and equipment and other properties and ¥558 million (\$4,650 thousand) on construction in progress. They became impaired because performance in the IC package business worsened due to a change in supply and demand and increased costs to stabilize quality. Recoverable amounts estimated using value in use were nil.

- (b) Properties used for production of ceramics products for industrial business in the "Ceramics" sub-segment of the "Technical Ceramics" segment. Loss for the year ended March 31, 2015 amounted to ¥593 million (\$4,942 thousand), which consisted of ¥574 million (\$4,784 thousand) on machinery and equipment and other properties and ¥19 million (\$158 thousand) on construction in progress. They became impaired because performance in the ceramics products for industrial business worsened due to a change in supply and demand and increased costs to stabilize quality. Recoverable amounts estimated using value in use were nil.

For the year ended March 31, 2014, impairment loss consisted of ¥4,546 million on machinery and equipment and other properties and ¥597 million on construction in progress. The loss arose in connection with properties used for production of IC packages in the "Semiconductor" sub-segment of the "Technical Ceramics" segment that became impaired because performance in the IC package business worsened due to a change in 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Net operating loss carryforwards	¥ 2,521	¥ 3,016	\$ 21,008
Impairment loss on fixed assets	6,385	6,148	53,208
Net defined benefit liability	7,765	8,685	64,708
Depreciation	2,703	3,268	22,525
Accrued expenses	3,988	3,918	33,234
Inventories	2,307	2,588	19,225
Inter-company profits	6,573	5,905	54,775
Other	2,469	2,881	20,575
Less valuation allowance	(7,540)	(8,397)	(62,833)
	27,171	28,012	226,425
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	14,312	11,532	119,267
Retained earnings of overseas consolidated subsidiaries	5,109	4,900	42,575
Other	1,332	1,255	11,100
	20,753	17,687	172,942
Net deferred tax liabilities	¥ 6,418	¥10,325	\$ 53,483

At March 31, 2015 and 2014, deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Current	¥12,679	¥12,785	\$105,658
Noncurrent	868	1,000	7,233
Deferred tax liabilities:			
Current	—	1	—
Noncurrent	7,129	3,459	59,408



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, 2015 and 2014, 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, 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
Combined Japanese statutory tax rate	37.7
Increase (decrease) due to:	
Permanently nondeductible expenses	0.5
Tax exempt income	(0.6)
Tax credit for research and development expenses	(6.0)
Differences between Japanese and foreign tax rates	(1.7)
Changes in valuation allowance	1.2
Effect on income tax rate changes	0.9
Other	1.3
Effective income tax rate	33.3

For the year ended March 31, 2015, a reconciliation of the difference between the statutory and effective tax rates is not disclosed since the difference between the combined Japanese statutory tax rate and the effective income tax rate was less than 5% of the combined Japanese statutory tax rate.

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 were changed for the year ended March 31, 2015 from 35.3% to 32.8% and 32.1%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) decreased by ¥234 million (\$1,950 thousand) as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥1,543 million (\$12,858 thousand), Net unrealized gains on available-for-sale securities increased by ¥1,449 million (\$12,075 thousand) and remeasurements of defined benefit plans included in accumulated other comprehensive income decreased by ¥140 million (\$1,167 thousand).

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 for fiscal years beginning on and 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
	2015	2014	2015
Unrealized gains on available-for-sale securities			
Increase during the year	¥11,944	¥ 7,597	\$ 99,533
Reclassification adjustments	—	(12)	—
Subtotal, before tax	11,944	7,585	99,533
Tax effect	(2,781)	(2,680)	(23,175)
Subtotal, net of tax	9,163	4,905	76,358
Foreign currency translation adjustments			
Increase during the year	2,109	5,581	17,575
Remeasurements of defined benefit plans			
Increase during the year	461	—	3,842
Reclassification adjustments	774	—	6,450
Subtotal, before tax	1,235	—	10,292
Tax effect	(650)	—	(5,417)
Subtotal, net of tax	585	—	4,875
Share of other comprehensive income of associates accounted for by the equity method			
Increase during the year	571	535	4,759
Total other comprehensive income	¥12,428	¥11,021	\$103,567

## 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 strategies 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" sub-segments.

- 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 the "Semiconductor" sub-segment and manufactures and sells cutting tools, ceramics products for industrial in the "Ceramics" sub-segment.

### (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, 2015 and 2014 was as follows:

	Reportable segments					Other	Total	Adjustments	Consolidated
	Automotive components	Technical ceramics		Total Technical ceramics	Total				
		Semiconductor	Ceramics						
Millions of yen									
For the year 2015:									
Operating revenue - net sales:									
External customers	¥ 292,794	¥ 29,441	¥ 20,816	¥ 50,257	¥ 343,051	¥ 4,585	¥ 347,636	¥—	¥ 347,636
Intersegment sales	—	—	—	—	—	—	—	—	—
Total net sales	292,794	29,441	20,816	50,257	343,051	4,585	347,636	—	347,636
Segment income (loss)	¥ 68,331	¥ (6,908)	¥ 735	¥ (6,173)	¥ 62,158	¥ 39	¥ 62,197	¥—	¥ 62,197
Segment assets	¥ 423,725	¥ 31,576	¥ 28,822	¥ 60,398	¥ 484,123	¥ 1,375	¥ 485,498	¥—	¥ 485,498
Other items:									
Depreciation	¥ 11,381	¥ 1,076	¥ 872	¥ 1,948	¥ 13,329	¥ 9	¥ 13,338	¥—	¥ 13,338
Impairment loss on fixed assets	—	3,540	593	4,133	4,133	—	4,133	—	4,133
Increase in property, plant and equipment and intangible assets	31,876	2,624	1,862	4,486	36,362	11	36,373	—	36,373

For the year 2014

Operating revenue - net sales:									
External customers	¥ 271,835	¥ 33,100	¥ 21,074	¥ 54,174	¥ 326,009	¥ 3,749	¥ 329,758	¥—	¥ 329,758
Intersegment sales	—	—	—	—	—	—	—	—	—
Total net sales	271,835	33,100	21,074	54,174	326,009	3,749	329,758	—	329,758
Segment income (loss)	¥ 58,893	¥ (7,953)	¥ 703	¥ (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

Thousands of U.S. dollars

For the year 2015:

Operating revenue - net sales:									
External customers	\$2,439,950	\$245,342	\$173,466	\$418,808	\$2,858,758	\$38,209	\$2,896,967	\$—	\$2,896,967
Intersegment sales	—	—	—	—	—	—	—	—	—
Total net sales	2,439,950	245,342	173,466	418,808	2,858,758	38,209	2,896,967	—	2,896,967
Segment income (loss)	\$ 569,425	\$ (57,567)	\$ 6,125	\$ (51,442)	\$ 517,983	\$ 325	\$ 518,308	\$—	\$ 518,308
Segment assets	\$3,531,041	\$263,134	\$240,183	\$503,317	\$4,034,358	\$11,459	\$4,045,817	\$—	\$4,045,817
Other items:									
Depreciation	\$ 94,842	\$ 8,966	\$ 7,267	\$ 16,233	\$ 111,075	\$ 75	\$ 111,150	\$—	\$ 111,150
Impairment loss on fixed assets	—	29,500	4,942	34,442	34,442	—	34,442	—	34,442
Increase in property, plant and equipment and intangible assets	265,634	21,866	15,517	37,383	303,017	91	303,108	—	303,108

Note: From the year ended March 31, 2015, assignment of components for semiconductor manufacturing equipment has been changed from the "Ceramics" to the "Semiconductor" sub-segment. Segment information for the fiscal year ended March 31, 2014, including the above notes, is based on the reportable segments for the fiscal year ended March 31, 2015. From the year ended March 31, 2014, the "Communication media components" segment and "Technical ceramics" segment have been integrated as the "Technical ceramics" segment. As disclosed in Note 2(j), from the year ended March 31, 2015, the Company and its domestic consolidated subsidiaries have changed the determination of retirement benefit obligations and current service cost. The effects on segment income or loss has not been material.

### (c) Enterprise-wide information

Information about geographic areas as of and for the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Operating revenue - net sales:			
Japan	¥ 56,587	¥ 57,575	\$ 471,559
North America	90,703	85,831	755,858
Europe	89,690	83,517	747,417
Asia	66,256	61,784	552,133
Other area	44,400	41,051	370,000
	¥347,636	¥329,758	\$2,896,967

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Property, plant and equipment:			
Japan	¥110,212	¥ 97,771	\$ 918,433
Other area	29,857	23,325	248,809
	¥140,069	¥121,096	\$1,167,242

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, 2015 or 2014.

## 19. Significant subsequent events

Business combinations resulting from acquisitions

### (a) Acquisition of Nihon Ceratec Co., Ltd.

The Company resolved at the Board of Directors Meeting on February 24, 2015 to acquire all the shares of Nihon Ceratec Co., Ltd. (hereinafter, "Nihon Ceratec") and to make it into the Company's subsidiary. The shares were acquired on April 1, 2015.

#### (1) Overview of the combination

- 1) Name and business of the acquired company  
Name: Nihon Ceratec Co., Ltd.  
Business: Development, manufacturing and sales, also cleaning and regeneration of structural ceramics and various application products. Development, manufacturing and sales of piezoelectric ceramics, and various application products.

#### 2) Major reasons for the combination

The Company decided to acquire all the shares of Nihon Ceratec for the purpose of utilizing its high-precision processing technology and cost competitiveness in the production of small in components for semiconductor manufacturing equipment, which the Company plans to expand.

#### 3) Date of the combination

April 1, 2015

#### 4) Legal form of the combination

Acquisition of shares

#### 5) Name of the acquired company after the combination

Nihon Ceratec Co., Ltd.

#### 6) Ratio of voting rights acquired

100%

#### 7) Main reason for determining the acquiring company

The Company acquired 100% of the voting rights by acquiring shares of Nihon Ceratec for cash.

#### (2) Acquisition cost of the acquired company

¥7,300 million (\$60,833 thousand) cash

### (b) Acquisition of UCI Acquisition Holdings (No.2) Corp.

The Company resolved at the Board of Directors Meeting on May 8, 2015 to acquire all the shares of UCI Acquisition Holdings (No. 2) Corp. (hereinafter, "UCI Acquisition") and to make it into the Company's subsidiary. The shares were acquired on July 1, 2015.

#### (1) Overview of the combination

##### 1) Name and business of the acquired company

Name: UCI Acquisition Holdings (No. 2) Corp.

Business: Manufacturing and sales of automotive components, mainly driven by Wells Manufacturing L.P. (hereinafter, "Wells"), which is owned by UCI Acquisition.

##### 2) Major reasons for the combination

In order to strengthen the automotive components business which is the core business of the Company, the Company aims to expand its business areas and develop new sales channels and customers by acquiring the business of Wells, which has strengths in the US automotive repair market.

##### 3) Date of the combination

July 1, 2015

##### 4) Legal form of the combination

Acquisition of shares

##### 5) Name of the acquired company after the combination

Undecided

##### 6) Ratio of voting rights acquired

100%

##### 7) Main reason for determining the acquiring company

The Company acquired 100% of the voting rights by acquiring shares of UCI Acquisition for cash.

#### (2) Acquisition cost of the acquired company

\$251 million cash

# 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, 2015 and 2014, 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 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, 2015  
Nagoya, Japan

# Stock Information

(As of March 31, 2015)

## 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

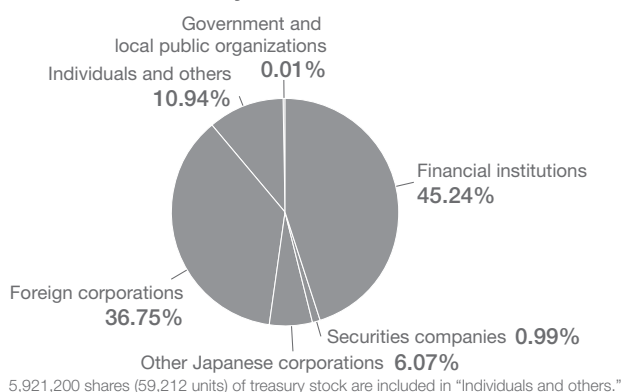
## Independent Auditor

KPMG AZSA LLC

## Number of Shareholders

10,803

## Share Distribution by Owner



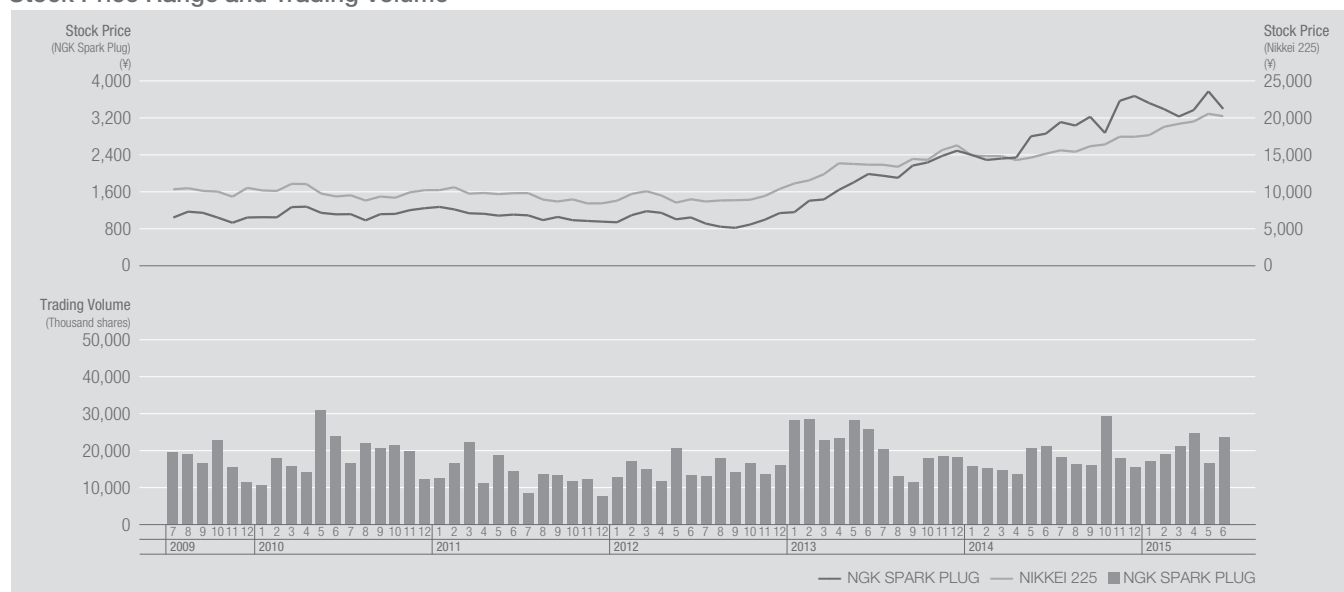
## Major Shareholders

Name	Number of shares held (1,000 shares)	Ownership ratio (%)
The Dai-ichi Life Insurance Company, Limited	16,752	7.49
State Street Bank and Trust Company	14,612	6.54
Meiji Yasuda Life Insurance Company	13,794	6.17
The Master Trust Bank of Japan, Ltd. (trust account)	12,067	5.40
Japan Trustee Services Bank, Ltd. (trust account)	11,913	5.33
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,541	2.93
National Mutual Insurance Federation of Agricultural Cooperatives	6,138	2.75
The Master Trust Bank of Japan, Ltd. Toyota Motor Account	3,929	1.76
Nippon Life Insurance Company	3,563	1.59
The Nomura Trust and Banking Co., Ltd. (investment trust contract account)	3,478	1.55

Note:

Although the Company held treasury stock of 5,921 thousand shares as of March 31, 2015, 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, 2015)

## 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

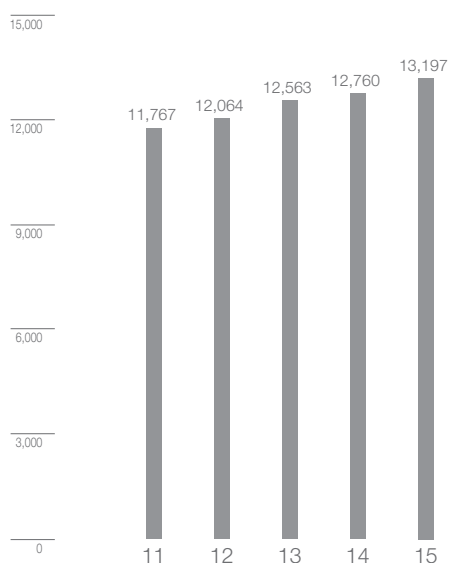
¥47,869 million

### Number of Employees

Consolidated: 13,197

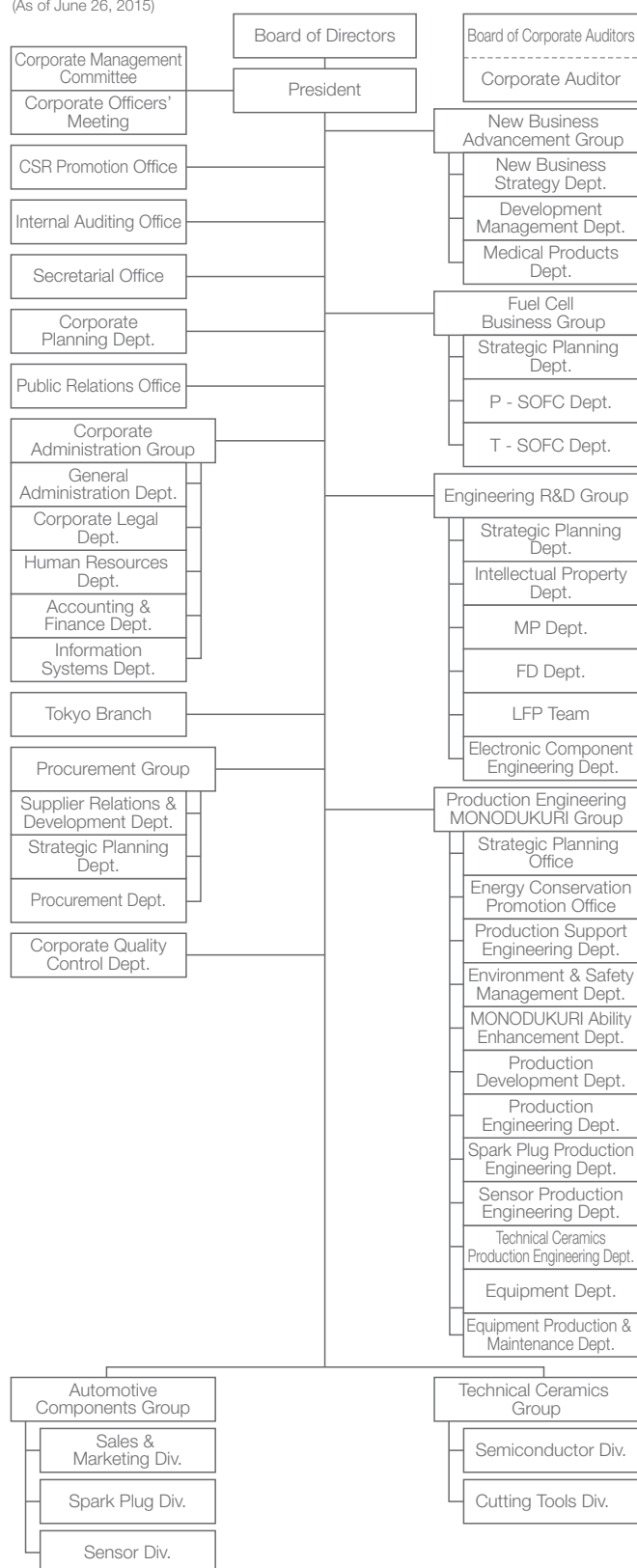
Non-Consolidated: 5,823

### Number of Employees (Consolidated)



## Organization

(As of June 26, 2015)





# Directors, Corporate Officers and Corporate Auditors

(As of June 26, 2015)

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



Teppei  
Okawa



Masahiko  
Okuyama



Takeshi  
Kawai

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



Keiichi  
Matsunari

Corporate  
Auditor



Fumio  
Mizuno



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



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

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

Executive  
Officer



Hitoshi  
Iimi

Corporate  
Officer



Takao  
Hamada



Takahiro  
Suzuki



Yoshitaka  
Narita



Kozo  
Amano



Noboru  
Ishida



Kozo  
Yamasaki

Corporate  
Officer



Nobuyuki  
Tokioka



Yoshihiro  
Matsubara



Takio  
Kojima



Yutaka  
Tanaka



Masato  
Taniguchi

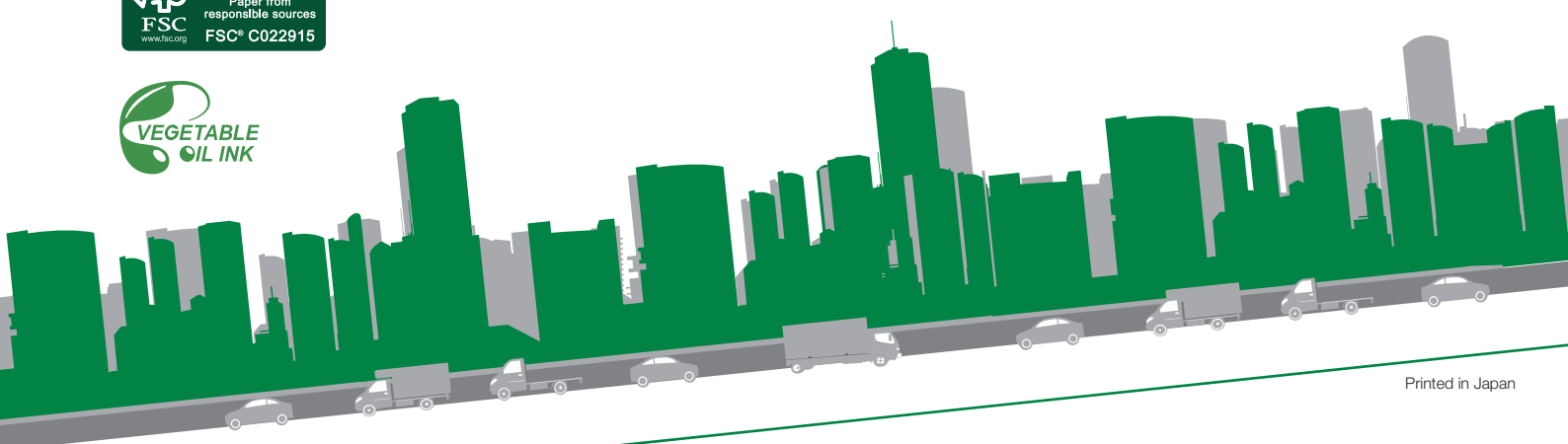


Toru  
Matsui



**NGK SPARK PLUG CO., LTD.**

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



Printed in Japan