NGK INSULATORS, LTD.

Annual Report 2011

Year Ended March 31, 2011

Profile

Despite a surge in the severity of competition on the global stage, NGK, in line with its commitment to being a company of excellence based on global standards, is steadily evolving to fulfill its corporate mission to constantly provide value to clients, shareholders, employees and society as a whole. Firmly grounded in distinctive ceramics technology, NGK continues to make its presence felt across the "Triple-E" business domains of Energy, Ecology and Electronics.

Contents

INSULATORS

HONEYCERAM

Forward-Looking Statements

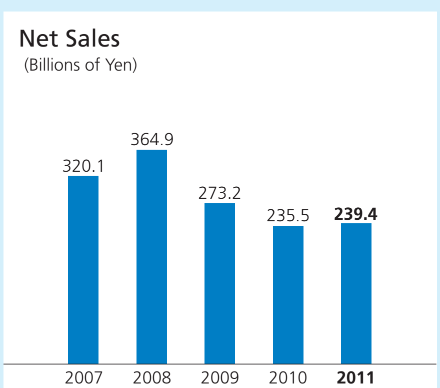
This annual report contains forward-looking statements about the future plans, strategies, beliefs and performance of NGK and subsidiaries. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the Company, and are subject to a number of risks, uncertainties and assumptions, which, without limitation, include economic trends, competition in markets where the Company is active, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from those projected.

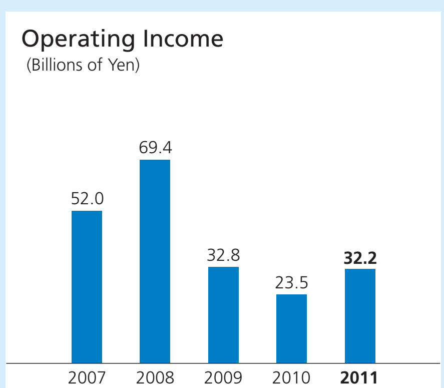
Financial Highlights

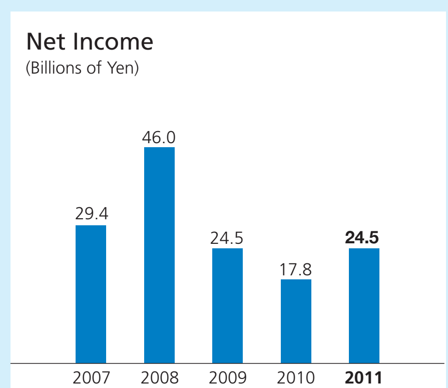
NGK Insulators, Ltd. and Consolidated Subsidiaries
Years Ended March 31

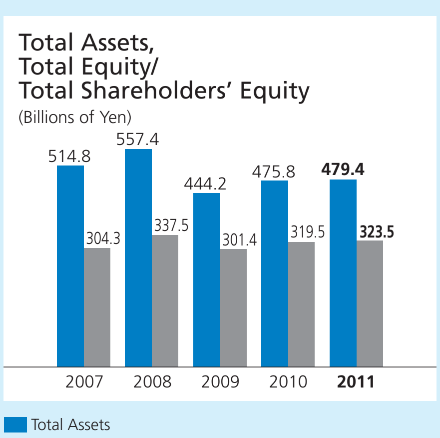
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen			
	2011		2010	2009	2008	2007
Net Sales	**¥239,363**	**$2,883,892**	¥235,489	¥273,211	¥364,888	¥320,120
Operating Income	**32,157**	**387,434**	23,452	32,809	69,377	52,017
Net Income	**24,463**	**294,735**	17,808	24,468	45,951	29,413
Total Assets	**479,384**	**5,775,711**	475,847	444,203	557,390	514,806
Total Equity/Total Shareholders' Equity	**323,536**	**3,898,024**	319,472	301,424	337,514	304,346
Depreciation	**19,042**	**229,422**	18,933	26,238	26,260	23,780
Capital Expenditures	**25,285**	**304,639**	20,891	30,353	21,383	25,956
Research and Development Expenses	**11,438**	**137,807**	10,699	12,864	13,215	12,151
	Yen	U.S. Dollars	Yen			
Net Income per Share	**¥74.91**	**$0.903**	¥54.51	¥73.66	¥136.36	¥87.23
			%			
Return on Equity	**8.0%**		6.1%	8.1%	15.3%	10.8%
Number of Employees	**11,666**		11,176	11,205	11,551	10,696

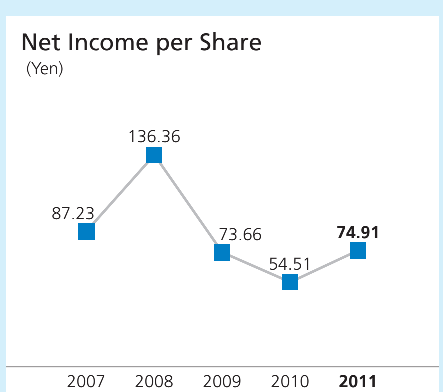
Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥83=$1, the exchange rate prevailing at March 31, 2011.

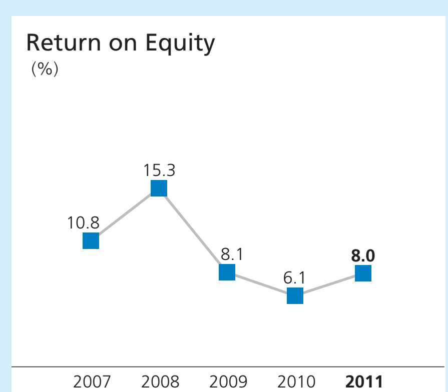












On behalf of NGK, we would like to offer our sincere sympathies to those affected by the Great East Japan Earthquake, and will do our utmost to assist in the swift restoration of the region hardest hit by this disaster.

Left: Shun Matsushita
Right: Taro Kato

Business Performance in Fiscal 2010

In fiscal 2010, ended March 31, 2011, the Japanese economy initially showed signs of recovery in the first half of the year, with growth supported by a range of government-backed economic stimulus measures and healthy performance in newly emerging economies. The pace of improvement began to falter, however, from the second half of the fiscal year. The Great East Japan Earthquake then struck in March 2011, causing untold damage to daily life and industry in the country.

In this climate, the NGK Group experienced a significant decline in sales in the Power Business, due to weak demand for insulators used for power transmission and substations in the Chinese market, and the postponement of overseas projects for NAS (sodium sulfur) batteries used for power storage. However, the Ceramic Products Business experienced sharply higher sales for automotive products, specifically ceramic honeycomb substrates for automobile catalytic converters and silicon carbide diesel particulate filters (SiC-DPFs), reflecting a recovery in automobile sales volume. The same was true for the Electronics Business, where rebounding market conditions spurred sales growth in ceramics for semiconductor manufacturing equipment, beryllium copper products, and micro-ceramics actuators used in inkjet printers in addition to electronic components used in information and communications devices. As a result, consolidated net sales increased 1.6% year on year to ¥239,363 million.

Consolidated operating income rose 37.1% to ¥32,157 million, with ordinary income up 31.7% to ¥32,726 million. Net income, meanwhile, increased 37.4% to ¥24,463 million and ROE for the year was 8.0%. Although earnings performance in the Power Business ended substantially lower, resulting in an operating loss for the year, the Ceramic Products Business and Electronics Business saw markedly higher earnings, as increased sales and cost reductions absorbed the effects of the yen's appreciation.

■ Enhancing Corporate Value and Realizing Growth

The Great East Japan Earthquake not only brought untold damage to the lives and livelihoods of many people in the stricken area, but also caused a decline in production activities and clouded consumer sentiment. Consequently, the Japanese economy now faces a great deal more uncertainty than before. And while the global economy, which continues to mount a modest recovery, can expect to benefit from high growth rates in newly emerging economies, a host of risks also abound, among them high resource prices worldwide, and financial policy concerns in Europe. Coupled with production stoppages in automobiles and electronic products in Japan due to the earthquake, the business environment remains an extremely severe one for the global economy overall.

Given the circumstances, the NGK Group has several key issues to address. One is the restructuring of the Power Business. Another is establishing a production framework for definitively capturing growth opportunities in the Ceramic Products Business. Others are the early market launch of new products in the Electronics Business, enhancing our profitability and competitiveness by promoting structural innovation in manufacturing, and generating new technologies and products that will support the next generation of growth.

Addressing these issues will help solidify our corporate growth, and should raise corporate value as we promote shareholder-oriented management that emphasizes capital efficiency across the Group. Furthermore, by supplying distinctive products that contribute to social infrastructure and the environment, the NGK Group will comprehensively respond to restoration efforts in the wake of the March 2011 disaster, while striving simultaneously to develop a business continuity plan (BCP) that will mitigate exposure to the types of risk that arose from the recent catastrophe.

We ask for your continued guidance and support of the NGK Group and its operations.

August 2011

Shun Matsushita

Shun Matsushita
Chairman and Chief Executive Officer

Taro Kato

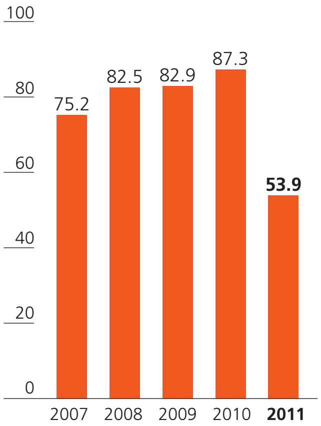
Taro Kato
President

Net Sales (Billions of Yen)

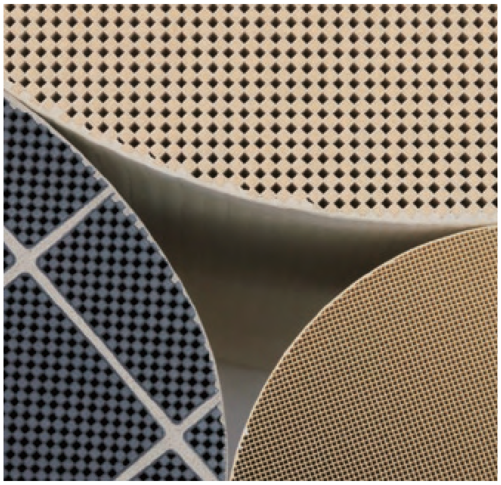
Power Business Group

This business segment covers the production and sale of insulators and devices for power companies and manufacturers of heavy electrical equipment in Japan and overseas.

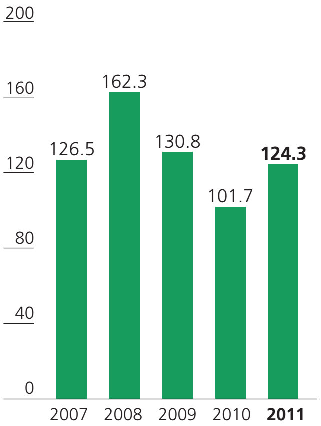
The business also produces NAS batteries that are used for large-scale power storage.



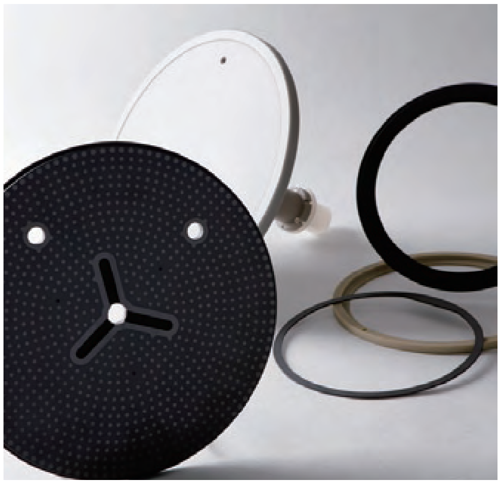
Ceramic Products Business Group



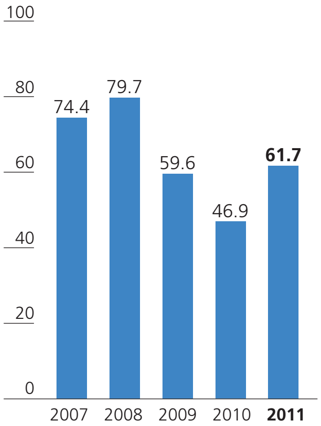
This business segment encompasses three operations: automotive ceramics, where NGK is involved in the production of components essential to automotive exhaust gas purification; industrial process apparatus, in which the Company manufactures products which are highly resistant to heat and chemical corrosion; and industrial heating systems and refractories, built on NGK's sophisticated firing technologies.



Electronics Business Group



This business segment is composed of three operations: specialty metals, which deals in beryllium copper; high-performance ceramics for providing ceramic products for semiconductor manufacturing equipment; and electronic components, a business engaged in developing components by applying functional ceramics technology.



Fiscal 2010 Business Overview

In fiscal 2010, consolidated segment sales fell 38.3% to ¥53,854 million.

Sales of insulators were lower than in the previous fiscal year because of the impact of a strong yen combined with the continuation of weak demand in the Chinese market. Sales of NAS battery systems for electric power storage were also sharply lower for the year, reflecting weak demand due to the deferment of projects overseas and product returns from one particular project.

In contrast to consolidated operating income of ¥7,974 million in the previous fiscal year, the segment posted an operating loss of ¥8,127 million for the fiscal year under review, the outcome of lower sales of insulators and NAS battery systems, in addition to the effects of the yen's appreciation.

Consolidated segment sales were ¥124,295 million, up 22.2% from the previous fiscal year.

Sales of mainstay honeycomb ceramics for gasoline vehicles and diesel-related products, particularly SiC-DPFs, rose sharply on increased demand. This growth tracked robust sales of automobiles worldwide, centered on newly emerging economies and a recovery in sales volumes for trucks. Sales of industrial process apparatus were lower year on year, due to a drop in the level of capital investments made by clients and deferred shipments in the wake of the March 2011 disaster in Japan.

Consolidated operating income climbed 135.9% to ¥31,085 million, as dramatic growth in sales of automotive products absorbed the impact of a strong yen.

Consolidated segment sales were ¥61,717 million, up 31.6% from the previous fiscal year.

Sales were higher year on year for beryllium copper products and ceramic products for semiconductor manufacturing equipment, due respectively to increased demand in line with a recovery in market conditions and growth in demand as semiconductor manufacturers resumed capital investments. Demand for micro-ceramics actuators used in inkjet printers was also firm, resulting in year-on-year sales growth. Similarly, sales from consolidated subsidiary Soshin Electric Co., Ltd. increased overall, tracking a recovery in the communications equipment and industrial equipment markets.

Consolidated operating income increased 298.0% year on year to ¥9,110 million, primarily due to higher sales, which absorbed the yen's appreciation.

R&D Activities

In this segment, we are working for further market expansion in NAS (sodium sulfur) batteries for electrical power storage through efforts to develop higher-output batteries. In the power distribution business, the main thrust of R&D activities at our consolidated subsidiary ENERGY SUPPORT Co., Ltd. is enhancing the functionality and performance chiefly of switches and cut-out switches. ENERGY SUPPORT is also active in promoting joint R&D with electric power companies.

Solid oxide fuel cells were a major R&D theme for this segment during fiscal 2010.

R&D expenses in this segment totaled ¥1,902 million.

R&D in this segment is focused on several main themes: improving diesel particulate filter (DPF) production techniques and performance; enhancing production techniques for ceramic honeycomb substrates used in catalytic converters for diesel and other automobiles; the development of better kilns for the lithium-ion battery and organic electroluminescence sectors, and the refinement of waste treatment systems for nuclear power plants.

In fiscal 2010 one major R&D theme for the Ceramic Products Business Group was the incorporation of porous ceramics technology into ceramic separation membranes.

R&D expenses in this segment totaled ¥3,640 million.

Research in this segment is focused on: boosting the density and performance of the micro-ceramics actuators used in inkjet printers, based on core piezoelectric ceramics technology; ceramic components and modules for raising the performance of a range of devices and semiconductor production equipment; and beryllium copper strip products for electronic parts such as connectors and relays for automobiles, industrial equipment and digital appliances.

We are also working in the areas of ceramic arc tubes for use in metal halide lamps, which are seeing growing demand as an energy-saving measure, and establishing technology for mass producing low-cost arc tubes. Soshin Electric also conducts R&D centered on areas such as multi-layered dielectric filters and large-capacity, industrial-use capacitors for new markets.

R&D expenses in this segment totaled ¥3,065 million.

Corporate Social Responsibility

Our Approach to CSR

Corporate Social Responsibility Report
http://www.ngk.co.jp/english/csr/index.html

To contribute to society in a manner that embodies our corporate philosophy, we are committed to offering products and services that help create a better social environment and bring new value to society. We believe that working together with our customers, employees and business partners to fulfill our social responsibility as a company in every respect is essential to meeting the public's expectations and earning its trust.

To ensure that this approach is shared throughout the Group, NGK has formulated the NGK Group Guidelines for Corporate Behavior, and strives to create a company capable of garnering greater levels of trust from stakeholders through its daily corporate activities. With publication of our Corporate Social Responsibility Report in 2009, we drafted eight priorities in promoting CSR that will serve as the basis for reviewing our CSR activities each year. Through these actions, the NGK Group seeks to contribute to society's sustainable development.

Response and Support from NGK Following the Great East Japan Earthquake

In the aftermath of the Great East Japan Earthquake, NGK took immediate and intensive action to transport insulators and related materials to the affected region needed to restore electrical power facilities and railroads, both critical lifelines, to working condition. In parallel, the Group moved collectively to assist in the recovery and restoration efforts of all of its customers.

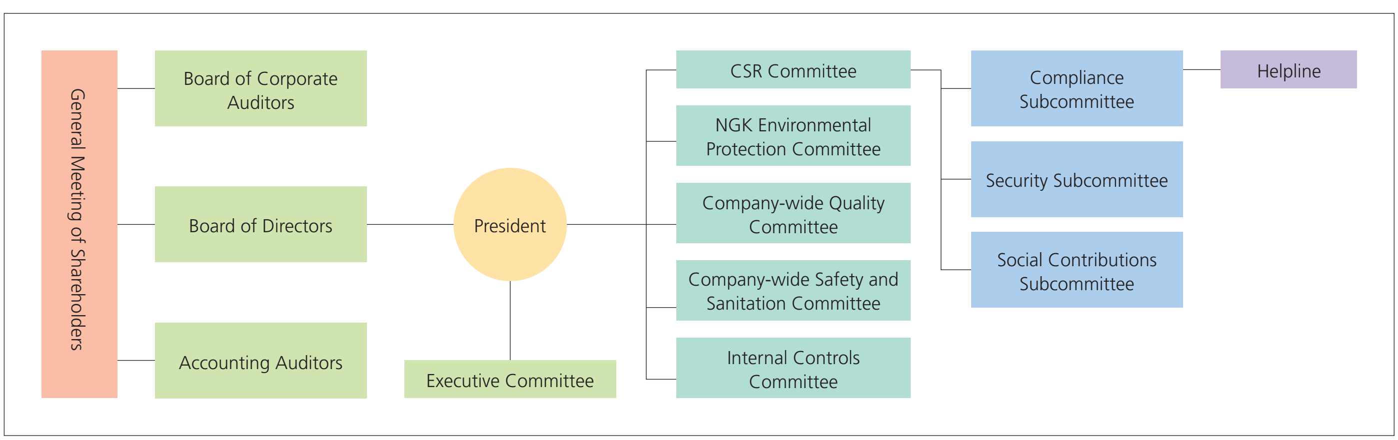
In terms of assistance to those directly affected by the disaster and its role in helping revitalize the worst-hit region, NGK gave roughly ¥100 million in monetary donations, consisting of ¥50 million from NGK itself and contributions from Group companies, executives and employees.

Furthermore, the entire NGK Group is instituting an energy conservation protocol to cope with a worsening power supply scenario triggered by the accident at the Fukushima Daiichi Nuclear Power Station and an operational halt at the Hamaoka Nuclear Power Station. At the same time, NGK is working to better ensure business continuity by enacting measures to minimize risks posed by earthquakes and other catastrophes, and revising its business continuity plans, among other initiatives.

CSR Promotion Framework

NGK has established the CSR Committee, NGK Environmental Protection Committee, Company-wide Quality Committee, Company-wide Safety and Sanitation Committee, and the Internal Controls Committee to promote Group CSR activities.

CSR Promotion Framework



Corporate Governance

■ Basic Approach to Corporate Governance and Status Initiatives

To ensure appropriate operations and transparent management, NGK has set its sights on establishing and maintaining an organization capable of swiftly responding to changes in the business environment, and a fair and open management system that emphasizes the interests of shareholders. These components comprise NGK's basic approach to corporate governance.

To put this approach into practice, NGK has chosen a governance structure anchored by a Board of Corporate Auditors. In addition to the General Meeting of Shareholders, the Board of Directors and the Board of Corporate Auditors, corporate governance at NGK includes the Executive Committee and several other committees established to assist the president in management decision-making. By deliberating and reviewing important matters, these bodies help to enhance governance efficacy.

Considering the importance of swift and optimal decision-making and execution for responding promptly to changes in the operating environment, NGK introduced a corporate officer system, thus separating the management's decision-making and supervision functions from business execution functions, and clearly defining the responsibilities of both.

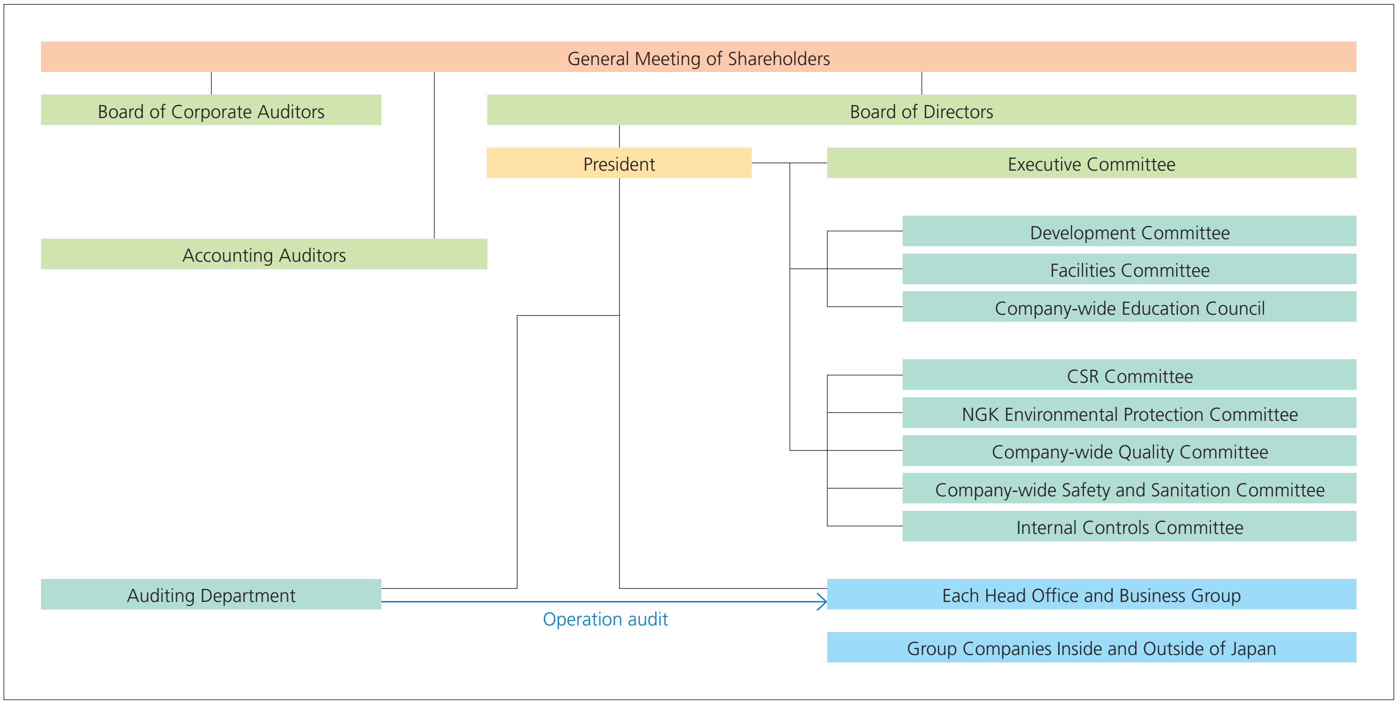
NGK's Board of Directors has two outside directors, while the Board of Corporate Auditors has two outside corporate auditors. These independent officers provide recommendations with respect to all aspects of NGK's management.

■ Internal Control Systems

The Board of Directors and the executive bodies overseen by the president are responsible for establishing and operating NGK's internal control system. The Auditing Department, a specialist internal audit body, is responsible for monitoring the status of business execution at each operating division. Moreover, NGK has established the Internal Controls Committee to manage its reporting system for internal controls pursuant to Japan's Financial Instruments and Exchange Law. The NGK Group Guidelines for Corporate Behavior were formulated as a policy that embodies the Group's corporate and management philosophies and as a guide for the actions we take. These guidelines specify the Group's fundamental stance with respect to business activities and corporate behavior to ensure that it is a Company that remains beneficial to society even in the pursuit of its economic goals. The CSR Committee, meanwhile, is responsible for a range of activities that include formulating the NGK Group Guidelines for Corporate Behavior, ensuring that compliance with laws, regulations and corporate ethics is fully entrenched throughout the Group, and developing responses to incidents and accidents that it believes could significantly impact the Company. The committee's actions are designed to maintain and improve the level of the Group's internal control system.

Regarding the internal control reporting system established in accordance with the Financial Instruments and Exchange Act (J-SOX), this system for enhancing the effectiveness, efficiency and reliability of operations, as well as proper operational evaluation, is being developed primarily by NGK's Internal Controls Committee.

Governance System



Financial Review

Summary of Income Statements

Net sales for the NGK Group increased 1.6% year on year to ¥239,363 million. Sales were sharply lower in the Power Business, reflecting weak demand for power transmission and transformer insulators, along with the deferment of NAS (sodium sulfur) battery projects overseas. However, the Ceramic Products Business experienced sharply higher sales for automotive products, such as honeycomb ceramics for automobile catalytic converters and silicon carbide diesel particulate filters (SiC-DPFs), reflecting a recovery in auto sales volume. Similarly in the Electronics Business, recovering market conditions spurred higher sales of ceramics for semiconductor manufacturing equipment, as well as of beryllium copper products, micro-ceramics actuators used in inkjet printers, and electronic components used in information and communications equipment.

With respect to earnings, operating income increased 37.1% to ¥32,157 million, and net income rose 37.4% to ¥24,463 million. ROE for the year was 8.0%. Although sharply lower earnings resulted in an operating loss in the Power Business, higher net sales and cost reductions in the Ceramics Products Business and Electronics Business resulted in significant earnings growth, which absorbed the negative impact of the yen's appreciation.

Financial Position

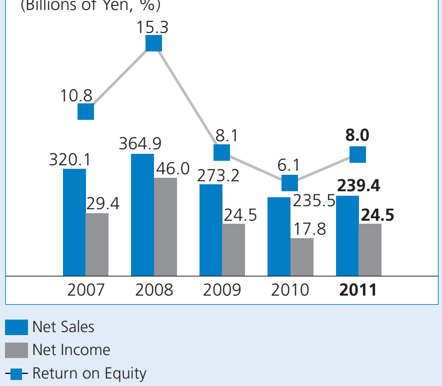
As of March 31, 2011, total assets were ¥479,384 million, an increase of ¥3,537 million, or 0.7%, from the previous fiscal year-end. The equity ratio was 64.0%, while net assets per share rose ¥13.50 from the previous fiscal year to ¥939.21.

Current assets decreased by 5.1% year on year to ¥241,273 million. Inventories increased due to NAS battery product returns from one project. In contrast, accounts receivable declined, as did cash and cash equivalents related to purchases of property, plant and equipment and marketable securities. Fixed assets increased 7.5% from the previous fiscal year to ¥238,111 million, due mainly to an increase in investment securities.

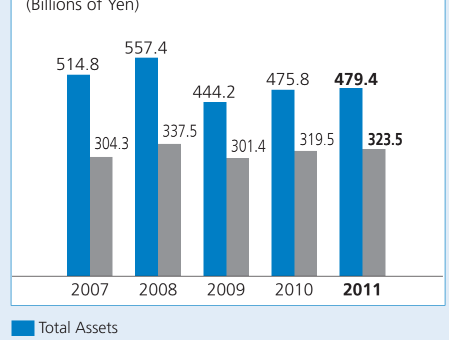
Current liabilities increased 16.6% year on year to ¥72,602 million.

This outcome mainly reflected an increase in short-term borrowings and the current portion of long-term debt. Long-term liabilities declined 11.6% to ¥83,246 million, primarily due to a decrease in long-term debt.

Total equity stood at ¥323,536 million, 1.3% higher than the previous fiscal year-end, largely due to an increase in retained earnings, which offset decreases in foreign currency translation adjustments and unrealized gain on available-for-sale securities.



Net Sales, Net Income, Return on Equity
(Billions of Yen, %)



Total Assets, Total Equity/Total Shareholders' Equity
(Billions of Yen)

Cash Flows

There was a net increase of ¥9,639 million in total cash and cash equivalents from the previous fiscal year-end to ¥63,004 million. This reflected ¥36,650 million in net cash provided by operating activities, ¥17,886 million in net cash used in investing activities, and ¥5,146 million in net cash used in financing activities.

Cash Flow from Operating Activities

Net cash from operating activities was ¥36,650 million, ¥7,725 million less than the previous fiscal year. This was primarily attributable to income before income taxes and minority interests and depreciation and amortization, despite an increase in inventories of NAS batteries and other products. Compared to the previous fiscal year, net cash declined on increases in inventories and in income taxes-paid, partially offset by a decrease in notes and trade accounts receivable and an increase in income before income taxes and minority interests.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥17,886 million, ¥53,280 million less than a year earlier. Cash was primarily used for capital expenditures in the Ishikawa Plant, which manufacturers honeycomb ceramics for automobile catalytic converters, and in subsidiaries with bases involved in diesel-related products in Mexico and China. Time deposits were also lower than in the previous fiscal year.

Cash Flow from Financing Activities

Net cash used in financing activities was ¥5,146 million, versus ¥1,683 million in net cash provided in the previous fiscal year. This use of cash was related mainly to outlays for payment of cash dividends and repayment of long-term debt, offsetting proceeds from an increase in short-term borrowings. This contrasted with the previous fiscal year, which saw proceeds from the issuance of bonds and long-term debt.

Capital Expenditures

Capital expenditures for the NGK Group totaled ¥25,285 million.

Capital expenditures in the Power Business segment totaled ¥11,166 million, mainly related to production facilities for NAS batteries. In the Ceramic Products Business segment, capital expenditures totaled ¥9,485 million, and were concentrated on production facilities related to ceramic honeycomb substrates for automotive catalytic converters. Capital expenditures in the Electronics Business segment totaled ¥2,191 million, mainly for production facilities related to electronic components. At the Head Office, capital expenditures were ¥2,443 million, principally for upgrading facilities.

Business Risks

Production Bases

The NGK Group's main production bases are located in Aichi Prefecture in Japan, and overseas in North America, Europe, Asia and other regions. The Group operates a global production system for its core products, such as ceramic honeycomb substrates for automotive catalytic converters and electrical insulators, from the perspective of manufacturing close to demand centers and achieving optimal production. This ensures that risk is dispersed among manufacturing sites. However, irrespective of whether a production base is in Japan or overseas, if facilities at a major production base are seriously damaged by a natural disaster such as an earthquake or fire, production may stop for a considerable period of time, thereby adversely affecting the NGK Group's business performance and financial condition. Overseas operations, in particular, carry such potential risks as adverse changes in the host country's laws, regulations or taxes, adverse changes in the economic environment such as fluctuations in exchange rates, difficulty in securing, educating and training personnel, inadequate infrastructure and societal problems such as terrorism and war. The unforeseen occurrence of any of these events could adversely affect the NGK Group's business performance and financial condition.

Exchange Rates, Interest Rates and Material Prices

The NGK Group produces and sells products worldwide. Consequently, the Group hedges the risk of short-term changes in the exchange rates of major currencies, particularly the U.S. dollar, euro and yen, with forward foreign exchange contracts and other financial instruments. However, appreciation of the yen could cause a decline in net sales and earnings. The NGK Group plans to continue making the necessary capital investments to expand its businesses and improve productivity. The Group's funding needs include these capital expenditures and the redemption of corporate bonds. In the event of interest rate rises, future fund procurement costs may increase, which could adversely impact the NGK Group's business performance and financial condition. Recent rises in raw materials prices have led to higher manufacturing costs at NGK Group businesses. To minimize this factor, the Group raises sales prices, cuts costs, improves productivity and reduces business expenses. The NGK Group endeavors to absorb rises in purchasing prices, but excessive rises in the prices for raw materials may adversely impact on the Group's business performance and financial condition.

New Products

The NGK Group works to create new products to secure its growth prospects. Looking ahead, the Group will make focused investments in new products that should become pillars of growth. NGK is therefore making significant capital expenditures in stages, for example, in production plants for diesel particulate filters, since demand for these products is expected rise due to stricter emissions standards for diesel vehicles. The NGK Group is anticipating significant growth in these new products going forward. However, in the event that these capital expenditures are not made on schedule, this may adversely impact on the NGK Group’s medium-term growth prospects.

Changes in the Business Environment

Demand for the products that the NGK Group manufactures and sells is strongly influenced by changes in the economic climate in and outside of Japan. Such changes may adversely impact on the Group’s business performance and financial condition.

Product Quality

Guided by its Corporate Quality Policy, the NGK Group conducts quality-related activities in a committed drive to ensure consistently high quality. These efforts notwithstanding, the Group cannot completely eliminate the possibility of quality-related issues from every product that it sells or manufactures. The occurrence of such problems could therefore have a substantial and adverse impact on Group business performance.

Consolidated Balance Sheets

NGK Insulators, Ltd. and Consolidated Subsidiaries
March 31, 2011 and 2010

Assets	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars (Note 1) 2011
Current Assets:			
Cash and cash equivalents	¥ 63,004	¥ 53,365	$ 759,084
Time deposits	10,290	37,544	123,976
Marketable securities (Note 3)	17,922	21,223	215,928
Notes and accounts receivable:			
Trade notes and accounts	48,907	60,703	589,241
Non-consolidated subsidiaries and associated companies	1,305	1,928	15,723
Other	6,821	3,297	82,181
Allowance for doubtful accounts	(128)	(139)	(1,542)
	56,905	65,789	685,603
Inventories (Note 4)	81,239	65,377	978,783
Deferred tax assets (Note 9)	9,801	8,496	118,084
Prepaid expenses and other current assets	2,112	2,474	25,446
Total current assets	241,273	254,268	2,906,904
Property, Plant and Equipment:			
Buildings and structures	111,761	111,672	1,346,518
Machinery and equipment	241,894	245,405	2,914,386
	353,655	357,077	4,260,904
Accumulated depreciation	(255,044)	(251,664)	(3,072,819)
	98,611	105,413	1,188,085
Land	21,293	21,426	256,542
Construction in progress	17,326	12,146	208,746
Net property, plant and equipment	137,230	138,985	1,653,373
Investments and Other Assets:			
Investment securities (Note 3)	54,067	35,068	651,410
Investments in and loans to non-consolidated subsidiaries and associated companies	18,227	16,390	219,602
Intangible assets	2,657	2,023	32,012
Prepaid pension cost (Note 6)	18,086	20,961	217,904
Deferred tax assets (Note 9)	5,316	5,448	64,048
Other assets	2,528	2,704	30,458
Total investments and other assets	100,881	82,594	1,215,434
Total	¥ 479,384	¥ 475,847	$ 5,775,711

Liabilities and Equity	Millions of Yen 2011	2010	Thousands of U.S. Dollars (Note 1) 2011
Liabilities			
Current Liabilities:			
Short-term borrowings (Note 5)	**¥ 3,344**	¥ 1,368	**$ 40,289**
Current portion of long-term debt (Note 5)	**10,108**	4,000	**121,783**
Notes and accounts payable:			
Trade notes and accounts	**22,957**	22,909	**276,590**
Non-consolidated subsidiaries and associated companies	**2,842**	2,807	**34,241**
Other	**9,912**	7,535	**119,422**
	35,711	33,251	**430,253**
Accrued expenses	**10,196**	9,534	**122,844**
Income taxes payable	**3,247**	4,538	**39,120**
Other current liabilities (Note 9)	**9,996**	9,551	**120,434**
Total current liabilities	**72,602**	62,242	**874,723**
Long-Term Liabilities:			
Long-term debt (Note 5)	**54,000**	64,132	**650,602**
Liability for retirement benefits (Note 6)	**16,221**	16,818	**195,434**
Provision for product warranties	**2,029**	460	**24,446**
Deferred tax liabilities (Note 9)	**7,136**	8,876	**85,976**
Other long-term liabilities	**3,860**	3,847	**46,506**
Total long-term liabilities	**83,246**	94,133	**1,002,964**
Contingent Liabilities (Note 15)			
Equity (Note 7)**:**			
Common stock:			
Authorized—735,030 thousand shares			
Issued—337,560 thousand shares at March 31, 2011 and 2010	**69,849**	69,849	**841,554**
Capital surplus	**85,137**	85,140	**1,025,747**
Stock acquisition rights (Note 8)	**698**	643	**8,410**
Retained earnings	**200,358**	180,077	**2,413,952**
Treasury stock—at cost: 11,043,485 shares and 10,971,790 shares at March 31, 2011 and 2010, respectively	**(14,416)**	(14,315)	**(173,687)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**4,826**	6,226	**58,145**
Deferred gain on derivatives under hedge accounting	**32**	81	**386**
Foreign currency translation adjustments	**(37,463)**	(24,732)	**(451,362)**
Post-retirement benefit liability adjustment of foreign subsidiaries	**(1,655)**	—	**(19,940)**
Total	**307,366**	302,969	**3,703,205**
Minority interests	**16,170**	16,503	**194,819**
Total equity	**323,536**	319,472	**3,898,024**
Total	**¥479,384**	¥475,847	**$5,775,711**

See notes to consolidated financial statements.

Consolidated Statements of Income

NGK Insulators, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
Net Sales	**¥239,363**	¥235,489	**$2,883,892**
Cost of Sales (Note 10)	**160,749**	168,717	**1,936,735**
Gross profit	**78,614**	66,772	**947,157**
Selling, General and Administrative Expenses (Note 10)	**46,457**	43,320	**559,723**
Operating income	**32,157**	23,452	**387,434**
Other Income (Expenses):			
Interest and dividend income	**1,846**	1,774	**22,241**
Interest expense	**(1,118)**	(1,317)	**(13,470)**
Loss on sales and disposals of property, plant and equipment—net	**(289)**	(1,548)	**(3,482)**
Equity in earnings of unconsolidated subsidiaries and associated companies	**2,048**	1,509	**24,675**
Foreign exchange loss	**(2,165)**	(207)	**(26,085)**
Provision for loss on liquidation of subsidiaries and affiliates	**(126)**	(902)	**(1,518)**
Provision for product warranties	**(1,682)**	—	**(20,265)**
Losses from a natural disaster	**(147)**	—	**(1,771)**
Other—net	**(42)**	245	**(506)**
Other expenses—net	**(1,675)**	(446)	**(20,181)**
Income before Income Taxes and Minority Interests	**30,482**	23,006	**367,253**
Income Taxes (Note 9):			
Current	**7,847**	6,038	**94,542**
Deferred	**(2,567)**	(40)	**(30,928)**
Total income taxes	**5,280**	5,998	**63,614**
Net Income before Minority Interests	**25,202**	—	**303,639**
Minority Interests in Net Income (Loss)	**739**	(800)	**8,904**
Net Income	**¥ 24,463**	¥ 17,808	**$ 294,735**

	Yen		U.S. Dollars
Per Share of Common Stock (Notes 2.w. and 16):			
Basic net income	**¥74.91**	¥54.51	**$0.903**
Diluted net income	**74.80**	54.44	**0.901**
Cash dividends applicable to the year	**20.00**	16.00	**0.241**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

NGK Insulators, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
Net Income before Minority Interests	¥ 25,202	$ 303,639
Other Comprehensive Income (Note 14):		
Unrealized loss on available-for-sale securities	(1,467)	(17,675)
Deferred loss on derivatives under hedge accounting	(38)	(458)
Foreign currency translation adjustments	(13,084)	(157,639)
Share of other comprehensive income of associates accounted for using equity method	2	25
Post-retirement benefit liability adjustments of foreign subsidiaries	41	494
Total other comprehensive income	(14,546)	(175,253)
Comprehensive Income (Note 14)	¥ 10,656	$ 128,386
Total Comprehensive Income Attributable to (Note 14):		
Owners of the parent company	¥ 10,325	$ 124,398
Minority interests	331	3,988

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

NGK Insulators, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	Outstanding Number of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Post-Retirement Benefit Liability Adjustment of Foreign Subsidiaries	Total	Minority Interests	Total Equity
Balance at April 1, 2009	326,752	¥69,849	¥85,136	¥519	¥168,361	¥(13,987)	¥ 2,508	¥(109)	¥(28,414)	—	¥283,863	¥17,561	¥301,424
Net income	—	—	—	—	17,808	—	—	—	—	—	17,808	—	17,808
Cash dividends, ¥16 per share	—	—	—	—	(6,208)	—	—	—	—	—	(6,208)	—	(6,208)
Net provision of liability for retirement benefits of foreign subsidiaries	—	—	—	—	116	—	—	—	—	—	116	—	116
Purchase of treasury stock	(174)	—	—	—	—	(341)	—	—	—	—	(341)	—	(341)
Disposal of treasury stock	10	—	4	—	—	13	—	—	—	—	17	—	17
Net changes other than shareholders' equity	—	—	—	124	—	—	3,718	190	3,682	—	7,714	(1,058)	6,656
Balance at March 31, 2010	**326,588**	**69,849**	**85,140**	**643**	**180,077**	**(14,315)**	**6,226**	**81**	**(24,732)**	**—**	**302,969**	**16,503**	**319,472**
Reclassification for post retirement benefit liability of foreign subsidiaries	**—**	**—**	**—**	**—**	**1,697**	**—**	**—**	**—**	**—**	**¥(1,697)**	**—**	**—**	**—**
Net income	**—**	**—**	**—**	**—**	**24,463**	**—**	**—**	**—**	**—**	**—**	**24,463**	**—**	**24,463**
Cash dividends, ¥20 per share	**—**	**—**	**—**	**—**	**(5,879)**	**—**	**—**	**—**	**—**	**—**	**(5,879)**	**—**	**(5,879)**
Purchase of treasury stock	**(108)**	**—**	**—**	**—**	**—**	**(148)**	**—**	**—**	**—**	**—**	**(148)**	**—**	**(148)**
Disposal of treasury stock	**36**	**—**	**(3)**	**—**	**—**	**47**	**—**	**—**	**—**	**—**	**44**	**—**	**44**
Net changes other than shareholders' equity	**—**	**—**	**—**	**55**	**—**	**—**	**(1,400)**	**(49)**	**(12,731)**	**42**	**(14,083)**	**(333)**	**(14,416)**
Balance at March 31, 2011	**326,516**	**¥69,849**	**¥85,137**	**¥698**	**¥200,358**	**¥(14,416)**	**¥ 4,826**	**¥ 32**	**¥(37,463)**	**¥(1,655)**	**¥307,366**	**¥16,170**	**¥323,536**

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Post-Retirement Benefit Liability Adjustment of Foreign Subsidiaries	Total	Minority Interests	Total Equity
Balance at March 31, 2010	**$841,554**	**$1,025,783**	**$7,747**	**$2,169,602**	**$(172,470)**	**$ 75,013**	**$ 976**	**$(297,976)**	**—**	**$3,650,229**	**$198,831**	**$3,849,060**
Reclassification for post retirement benefit liability of foreign subsidiaries	**—**	**—**	**—**	**20,446**	**—**	**—**	**—**	**—**	**$(20,446)**	**—**	**—**	**—**
Net income	**—**	**—**	**—**	**294,735**	**—**	**—**	**—**	**—**	**—**	**294,735**	**—**	**294,735**
Cash dividends, $0.241 per share	**—**	**—**	**—**	**(70,831)**	**—**	**—**	**—**	**—**	**—**	**(70,831)**	**—**	**(70,831)**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(1,783)**	**—**	**—**	**—**	**—**	**(1,783)**	**—**	**(1,783)**
Disposal of treasury stock	**—**	**(36)**	**—**	**—**	**566**	**—**	**—**	**—**	**—**	**530**	**—**	**530**
Net changes other than shareholders' equity	**—**	**—**	**663**	**—**	**—**	**(16,868)**	**(590)**	**(153,386)**	**506**	**(169,675)**	**(4,012)**	**(173,687)**
Balance at March 31, 2011	**$841,554**	**$1,025,747**	**$8,410**	**$2,413,952**	**$(173,687)**	**$ 58,145**	**$ 386**	**$(451,362)**	**$(19,940)**	**$3,703,205**	**$194,819**	**$3,898,024**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

NGK Insulators, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
Operating Activities:			
Income before income taxes and minority interests	**¥ 30,482**	¥ 23,006	**$ 367,253**
Adjustments for:			
Income taxes—paid	**(8,955)**	(527)	**(107,892)**
Depreciation and amortization	**19,042**	18,933	**229,422**
Increase in provision for product warranties	**1,562**	414	**18,819**
Write-down and disposal (reversal of write-down) of inventories	**2,340**	(895)	**28,193**
Equity in earnings of unconsolidated subsidiaries and associated companies	**(2,048)**	(1,509)	**(24,675)**
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable—trade	**7,591**	(15,482)	**91,458**
(Increase) decrease in inventories	**(20,672)**	15,511	**(249,060)**
(Increase) decrease in other current asset	**(3,874)**	629	**(46,675)**
Decrease in prepaid pension costs	**2,876**	3,355	**34,651**
Increase (decrease) in notes and accounts payable—trade	**4,288**	(4,432)	**51,663**
Increase in other current liabilities	**3,973**	2,662	**47,867**
Other—net	**45**	2,710	**542**
Total adjustments	**6,168**	21,369	**74,313**
Net cash provided by operating activities	**36,650**	44,375	**441,566**
Investing Activities:			
Purchases of marketable securities	**(7,095)**	(22,654)	**(85,482)**
Proceeds from sales of marketable securities	**7,779**	10,909	**93,723**
Purchases of investment securities	**(24,402)**	(4,306)	**(294,000)**
Proceeds from sales and redemption of investment securities	**6,445**	1,852	**77,651**
Purchases of property, plant and equipment	**(23,932)**	(19,710)	**(288,337)**
Increase (decrease) in time deposits	**26,348**	(36,412)	**317,446**
Purchase of business	**(1,275)**	—	**(15,362)**
Other—net	**(1,754)**	(845)	**(21,133)**
Net cash used in investing activities	**(17,886)**	(71,166)	**(215,494)**
Financing Activities:			
Increase (decrease) in short-term borrowings—net	**5,536**	(1,561)	**66,699**
Proceeds from long-term debt	**—**	20,093	**—**
Repayment of long-term borrowings	**(4,000)**	(30,086)	**(48,193)**
Proceeds from issuing of corporate bonds	**—**	19,933	**—**
Cash dividends	**(5,879)**	(6,208)	**(70,831)**
Other—net	**(803)**	(488)	**(9,675)**
Net cash (used in) provided by financing activities	**(5,146)**	1,683	**(62,000)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**(3,986)**	1,965	**(48,024)**
Net Increase (Decrease) in Cash and Cash Equivalents	**9,632**	(23,143)	**116,048**
Cash and Cash Equivalents of Subsidiaries:			
Excluded from Consolidation, Beginning of Year	**7**	—	**84**
Cash and Cash Equivalents, Beginning of Year	**53,365**	76,508	**642,952**
Cash and Cash Equivalents, End of Year	**¥ 63,004**	¥ 53,365	**$ 759,084**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NGK Insulators, Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act 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 of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 14. In addition, "Net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which NGK INSULATORS, LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 55 significant (54 in 2010) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in one (two in 2010) non-consolidated subsidiaries and one (one in 2010) associated company are accounted for by the equity method.

Investments in remaining non-consolidated 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 be material.

The differences between the cost and the fair value of the net assets of the acquired subsidiaries at the date of acquisition were amortized by the straight-line method over five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

The fiscal years of the subsidiaries are not necessarily the same as the Company's. Accounts of those subsidiaries, which have different fiscal periods, have been adjusted for significant transactions to reflect properly their financial positions at March 31 of each year and the results of operations for the years then ended.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the presentation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant and equipment, and investment properties, and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method — In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. There was no effect of this change.

d. Business Combinations — In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures," and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. This standard was applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

The Company applied this accounting standard effective April 1, 2010.

e. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, commercial paper, certificates of deposit and investment trusts that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

f. Inventories — Inventories are stated at the lower of cost, determined principally by the average method for finished products, work in process, and raw materials, or net selling value.

Costs of construction in progress are stated at cost, determined by the individual identification method.

g. Marketable and Investment Securities — Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity are reported at amortized cost, and
ii) available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed mainly by the declining-balance method except for buildings, whose depreciation is computed by the straight-line method at rates based on the estimated useful lives of the assets. Certain consolidated subsidiaries utilize the straight-line method.

The range of useful lives is principally from 15 to 50 years for buildings and structures and from 3 to 12 years for machinery and equipment.

i. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Intangible Assets — Depreciation is computed by the straight-line method based on the estimated useful lives of the asset. The useful life of software is five years.

k. Liability for Retirement Benefits — The liability for retirement benefits is accounted for based on the projected benefit obligations and plan assets at the balance sheet date.

l. Asset Retirement Obligations — In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18,"Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset, and is associated with the retirement of such a tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010. The Company applied this accounting standard effective April 1, 2010. There was no significant effect of this change.

m. Stock Options — On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. The Company has applied this accounting standard for stock options to those granted on and after May 1, 2006.

n. Research and Development Costs — Research and development costs are charged to income as incurred.

o. Provision for Product Warranty Costs — The company and some consolidated subsidiaries estimate and accrue the costs of warranty repair for products sold in reserve for future expenses.

(Additional Information)

The company estimated and accrued ¥1,682 million as an extraordinary loss in this fiscal year for the future expenses arising from warranty repairs of the products sold.

Also, the provision for product warranties of consolidated subsidiaries which were included in "Other long-term liabilities," ¥460 million at the end of last fiscal year, are included in "Provision for product warranties" in long-term liabilities from this fiscal year.

p. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group continues to account for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

q. Construction Contracts — In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009. The Company applied this accounting standard effective April 1, 2009.

r. Income Taxes — The provision for current income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

s. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

t. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into

Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rates.

u. Revenue Recognition — Generally, revenue is recognized when goods are delivered to customers or construction contracts are completed. However, the Company applies the percentage-of-completion method to the contracts whose construction periods are scheduled to last more than one year and the outcome of a construction contract can be estimated reliably.

v. Derivatives and Hedging Activities — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency swaps and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts are employed to hedge foreign exchange exposures. Foreign currency receivables and payables are translated at the contracted rates if the forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

w. Per Share Information — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of the outstanding stock options with an applicable adjustment.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

x. New Accounting Pronouncements
Accounting Changes and Error Corrections — In December 2009, ASBJ issued ASBJ, Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied with a revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. Marketable and Investment Securities

Marketable and investment securities at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Current:			
Investment trusts and other	**¥10,821**	¥16,127	**$130,374**
Debt securities	**7,101**	5,096	**85,554**
Total	**¥17,922**	¥21,223	**$215,928**
Non-current:			
Equity securities and other	**¥28,538**	¥30,766	**$343,832**
Debt securities	**25,529**	4,302	**307,578**
Total	**¥54,067**	¥35,068	**$651,410**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥18,145**	**¥8,963**	**¥698**	**¥26,410**
Investment trusts and other	**10,804**	**120**	**103**	**10,821**
Held-to-maturity:				
Debt securities	**32,630**	**8**	**757**	**31,881**

	Millions of Yen			
March 31, 2010	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities and other	¥17,928	¥11,655	¥971	¥28,612
Debt securities	100	0	—	100
Investment trusts and other	15,142	205	141	15,206
Held-to-maturity:				
Debt securities	9,299	5	136	9,168
Investment trusts and other	921	—	—	921

	Thousands of U.S. Dollars			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$218,615**	**$107,988**	**$8,410**	**$318,193**
Investment trusts and other	**130,169**	**1,447**	**1,241**	**130,373**
Held-to-maturity:				
Debt securities	**393,133**	**97**	**9,120**	**384,108**

Available-for-sale securities and held-to-maturity securities whose fair values are not readily determinable as of March 31, 2011 and 2010 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Available-for-sale:			
Equity securities and other	**¥2,128**	¥2,153	**$25,639**
Total	**¥2,128**	¥2,153	**$25,639**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2011 and 2010 were ¥913 million ($11,000 thousand) and ¥1,919 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥55 million ($663 thousand) and ¥88 million ($1,060 thousand), respectively, for the year ended March 31, 2011 and ¥141 million and ¥319 million, respectively, for the year ended March 31, 2010.

The carrying values of debt securities and investment trusts and other by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available-for-Sale	Held-to-Maturity	Available-for-Sale	Held-to-Maturity
Due in one year or less	**¥8,000**	**¥ 7,100**	**$96,386**	**$ 85,542**
Due after one year through five years	**—**	**25,533**	**—**	**307,627**
Total	**¥8,000**	**¥32,633**	**$96,386**	**$393,169**

4. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Finished products	**¥35,222**	¥22,008	**$424,362**
Semi-finished products	**8,190**	9,008	**98,675**
Work-in-process	**7,638**	6,957	**92,024**
Raw materials	**13,014**	11,498	**156,795**
Supplies	**16,671**	15,790	**200,855**
Cost of contracts in progress	**504**	116	**6,072**
Total	**¥81,239**	¥65,377	**$978,783**

5. Short-Term Borrowings and Long-Term Debt

Short-term borrowings at March 31, 2011 and 2010 consisted mainly of notes to banks. The weighted average interest rates on short-term borrowings as of March 31, 2011 and 2010 were 1.9% and 1.4%, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Borrowings from banks and other financial institutions due serially to 2019 with weighted average interest rates of 1.5% (2011) and 1.4% (2010)	**¥ 44,108**	¥48,132	**$ 531,421**
Unsecured 0.734% yen bonds due December 4, 2014	**20,000**	20,000	**240,964**
Total	**64,108**	68,132	**772,385**
Less: portion due within one year	**(10,108)**	(4,000)	**(121,783)**
Long-term debt, less current portion	**¥ 54,000**	¥64,132	**$ 650,602**

Annual maturities of long-term debt at March 31, 2011, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥10,108	$121,783
2013	8,000	96,386
2014	20,000	240,964
2015	—	—
2016	6,000	72,289
2017 and thereafter	20,000	240,964
Total	¥64,108	$772,386

6. Liability for Retirement Benefits

The Company and certain consolidated subsidiaries have retirement benefit plans for employees, directors and corporate auditors. The Company and certain domestic subsidiaries have unfunded retirement plans, contributory pension plans and/or non-contributory pension plans. Certain U.S. subsidiaries have defined benefit plans or defined contribution plans. Certain domestic subsidiaries contribute to a multi-employer pension plan.

The liability for retirement benefits at March 31, 2011 and 2010 for directors and corporate auditors is ¥58 million ($699 thousand) and ¥80 million, respectively.

The liability for employees' retirement benefits, except for the directors and corporate auditors described above, at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Projected benefit obligation	**¥ 77,995**	¥ 78,309	**$ 939,699**
Fair value of plan assets	**(67,490)**	(71,295)	**(813,133)**
Unrecognized prior service benefit	**2,670**	3,213	**32,169**
Unrecognized actuarial loss	**(17,812)**	(17,319)	**(214,602)**
Net asset	**(4,637)**	(7,092)	**(55,867)**
Prepaid pension cost	**18,086**	20,961	**217,903**
Other post-retirement obligation	**2,714**	2,869	**32,699**
Amount recognized as liability	**¥ 16,163**	¥ 16,738	**$ 194,735**

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Service cost	**¥ 2,517**	¥ 2,381	**$ 30,325**
Interest cost	**1,689**	1,744	**20,349**
Expected return on plan assets	**(1,460)**	(1,395)	**(17,590)**
Amortization of prior service benefit	**(528)**	(525)	**(6,362)**
Recognized actuarial gain	**2,952**	3,405	**35,566**
Other	**12**	8	**145**
Net periodic benefit costs	**¥ 5,182**	¥ 5,618	**$ 62,433**

Assumptions used for the years ended March 31, 2011 and 2010 were set forth as follows:

	2011	2010
Discount rate	**Primarily 2.0%**	Primarily 2.0%
Expected rate of return on plan assets	**Primarily 1.7%**	Primarily 1.7%
Amortization period of prior service cost/benefit	**Primarily ten years**	Primarily ten years
Recognition period of actuarial gain/loss	**Primarily ten years**	Primarily ten years

Funded status of the multi-employer pension plan at March 31, 2010 and 2009 (available information as of March 31, 2011 and 2010), to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of Yen	
	2011	2010
Fair value of plan assets	**¥ 267,165**	¥ 235,665
Pension benefit obligation recorded by pension fund	**(304,796)**	(328,394)
Difference	**¥ (37,631)**	¥ (92,729)
The Group's contribution percentage for multi-employer pension plan		1.8%

Notes: 1. The difference mainly resulted from revaluation of plan assets of ¥37,528 million.
2. Prior service cost is amortized over 20 years.

7. Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies meeting certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all of the above criteria. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Company qualifies for this provision. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. Stock Options

The stock option schemes as of March 31, 2011 are as follows:

Stock Option Schemes	Persons Originally Granted	Number of Options Originally Granted	Date of Grant	Exercise Price	Exercise Period
2005 Stock Option Scheme	12 directors 2 full-time corporate auditors 10 officers	Common shares 180,000 shares	August 5, 2005	¥1 ($0.01)	From August 5, 2005 To June 30, 2035
2006 Stock Option Scheme (2-1)	12 directors 2 full-time corporate auditors	Common shares 113,000 shares	August 11, 2006	¥1 ($0.01)	From August 12, 2006 To June 30, 2036
2006 Stock Option Scheme (2-2)	10 officers	Common shares 41,000 shares	August 11, 2006	¥1 ($0.01)	From August 12, 2006 To June 30, 2036
2007 Stock Option Scheme	12 directors 10 officers	Common shares 62,000 shares	August 30, 2007	¥1 ($0.01)	From August 31, 2007 To June 30, 2037
2008 Stock Option Scheme	11 directors 9 officers	Common shares 57,000 shares	August 13, 2008	¥1 ($0.01)	From August 14, 2008 To June 30, 2038
2009 Stock Option Scheme	12 directors 10 officers	Common shares 62,000 shares	August 17, 2009	¥1 ($0.01)	From August 18, 2009 To June 30, 2039
2010 Stock Option Scheme	12 directors 11 officers	Common shares 64,000 shares	August 16, 2010	¥1 ($0.01)	From August 17, 2010 To June 30, 2040

The stock option activity is as follows:

	Shares						
	2005 Stock Option	2006 Stock Option (2-1)	2006 Stock Option (2-2)	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option
For the year ended March 31, 2010							
Non-vested							
March 31, 2009—Outstanding	—	—	—	—	—	—	—
Granted	—	—	—	—	—	62,000	—
Canceled	—	—	—	—	—	—	—
Vested	—	—	—	—	—	(62,000)	—
March 31, 2010—Outstanding	—	—	—	—	—	—	—
Vested							
March 31, 2009—Outstanding	145,000	103,000	37,000	62,000	57,000	—	—
Vested	—	—	—	—	—	62,000	—
Exercised	—	(3,000)	—	—	—	—	—
Canceled	—	—	—	—	—	—	—
March 31, 2010—Outstanding	145,000	100,000	37,000	62,000	57,000	62,000	—
For the year ended March 31, 2011							
Non-vested							
March 31, 2010—Outstanding	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	64,000
Canceled	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	(64,000)
March 31, 2011—Outstanding	—	—	—	—	—	—	—
Vested							
March 31, 2010—Outstanding	145,000	100,000	37,000	62,000	57,000	62,000	—
Vested	—	—	—	—	—	—	64,000
Exercised	(10,000)	(7,000)	(4,000)	(3,000)	—	—	—
Canceled	—	—	—	—	—	—	—
March 31, 2011—Outstanding	135,000	93,000	33,000	59,000	57,000	62,000	64,000
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥1,556 ($18.7)	¥1,634 ($19.7)	¥1,078 ($13.0)	¥1,634 ($19.7)	N/A	N/A	N/A
Fair value price at grant date	N/A	¥1,506 ($18.1)	¥1,506 ($18.1)	¥3,658 ($44.1)	¥1,434 ($17.3)	¥2,072 ($25.0)	¥1,289 ($15.5)

The assumptions used to measure fair value of 2010 Stock Option:

Estimate method	Black-Scholes option pricing model
Volatility of stock price	50.84%
Estimated remaining outstanding period	Four and a half years
Estimated dividend	¥20 per share
Risk-free interest rate	0.31%

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 41% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carry-forwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred Tax Assets:			
Inventories	¥ 4,084	¥ 4,085	$ 49,205
Allowance for bad debt	154	168	1,855
Accounts payable and accrued expenses	3,036	2,681	36,578
Accrued enterprise tax	301	380	3,627
Property, plant and equipment	4,145	4,266	49,940
Pension and severance costs	6,688	6,963	80,578
Tax loss carry-forwards	2,249	1,948	27,096
Investment securities	103	89	1,241
Reserve for bonus payment	601	554	7,241
Tax deduction of a foreign subsidiary	4,014	6,277	48,361
Other	3,814	2,683	45,952
Total	29,189	30,094	351,674
Less: valuation allowance	(6,887)	(8,533)	(82,976)
Offset with deferred tax liabilities	(7,185)	(7,617)	(86,566)
Net deferred tax assets	¥15,117	¥13,944	$182,132
Deferred Tax Liabilities:			
Unrealized gain on available-for-sale securities	¥ 3,348	¥ 4,329	$ 40,337
Deferred gains on sales of property	1,098	1,139	13,229
Undistributed earnings of foreign subsidiaries	1,660	1,512	20,000
Fixed asset	481	565	5,795
Prepaid pension cost	7,330	8,496	88,313
Other	450	517	5,422
Total	14,367	16,558	173,096
Offset with deferred tax assets	(7,185)	(7,617)	(86,566)
Net deferred tax liabilities	¥ 7,182	¥ 8,941	$ 86,530

Reconciliations between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2011 and 2010 were as follows:

	2011	2010
Normal effective statutory tax rate	40.5%	40.5%
Expenses not deductible for income tax purposes	1.3	1.6
Tax deduction such as R&D expenses	(1.9)	(2.2)
Revenues excluded from income tax such as dividends received	(0.7)	(1.8)
Increase (Decrease) in valuation allowances	(7.9)	(2.5)
Undistributed earnings of foreign subsidiaries	0.5	1.8
Lower income tax rates applicable to income in certain foreign countries	(11.3)	(8.5)
Equity in earnings of unconsolidated subsidiaries and associated companies	(2.6)	(2.8)
Other—net	(0.6)	0.1
Actual effective tax rate	17.3%	26.1%

10. Research and Development Costs

Research and development costs were ¥11,438 million ($137,807 thousand) and ¥10,699 million for the years ended March 31, 2011 and 2010, respectively, which included consigned research costs of ¥1,204 million ($14,506 thousand) and ¥903 million for the years ended March 31, 2011 and 2010, respectively.

11. Leases

The minimum rental commitments under non-cancelable operating leases at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 294	$ 3,542
Due after one year	745	8,976
Total	¥1,039	$12,518

12. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal year ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Group finances funds by borrowings from banks or other financial institutions and the issuance of corporate bonds. Temporary excess funds are invested mainly in low-risk financial assets. Our policy for using derivatives is not for speculation, but for hedging the risks from operating receivables and payables.

(2) Nature and extent of risks arising from financial instruments, and risk management for financial instruments

The credit risks from receivables such as trade notes and trade accounts are managed by each business unit according to the characteristics of the customers. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, a certain percentage of the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts.

Marketable and investment securities, which consist mainly of held-to-maturity bonds and the capital stocks of customers or suppliers, are exposed to market risk, however, the risk is insignificant with respect to the bonds. To manage the risk, the market price and the financial position of the issuers are reviewed constantly. Moreover, with respect to those other than held-to maturity, the portfolio is constantly reviewed considering market circumstances and relationships with the issuers.

Payment terms of nearly all trade payables, including notes and accounts are less than four months.

The borrowings from the financial institutions and debenture bonds are principally raised for capital investment, and their maximum maturities do not exceed eight years and nine months after the balance sheet date. All of those long-term debts are fixed rates. However, a part of such fixed rates are exchanged with floating rates by using derivatives of interest rate swaps, and are exposed to the market risks of rising interest rates.

Derivatives consist of forward currency contracts, which are for hedging currency risks from the trade receivables and payables denominated in foreign currency, foreign currency swaps and interest rate swaps, which are for reducing cash outflow from interest payments of long-term borrowings. The Company's management believes that the credit risks from those transactions are very little because the transactions are entered into only with high credit rating financial institutions. Derivative transactions are strictly managed complying with internal policies for approval and reporting. With regards to the more detail about hedge accounting, including hedging instruments, hedged items, hedge policies and hedge effectiveness, please see Note 2.v.

(3) Supplemental remarks on fair values of financial instruments

The contract or notional amounts of derivatives which are shown in Note 13 do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥ 38,888**	**¥ 38,888**	**¥ —**
Time deposits	**10,290**	**10,290**	**—**
Notes and accounts receivable	**50,081**	**50,068**	**(13)**
Marketable and investment securities	**93,977**	**93,228**	**(749)**
Notes and accounts payable	**(23,330)**	**(23,330)**	**—**
Short-term borrowings	**(5,122)**	**(5,122)**	**—**
Current portion of long-term debt	**(10,108)**	**(10,108)**	**—**
Income taxes payable	**(3,247)**	**(3,247)**	**—**
Long-term debt	**(54,000)**	**(54,064)**	**(64)**
Derivatives	**(399)**	**(399)**	**—**

March 31, 2010	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 53,365	¥ 53,365	¥ —
Time deposits	37,544	37,544	—
Notes and accounts receivable	65,789	65,788	(1)
Marketable and investment securities	54,138	54,008	(130)
Notes and accounts payable	(33,251)	(33,251)	—
Short-term borrowings	(1,368)	(1,368)	—
Current portion of long-term debt	(4,000)	(4,000)	—
Income taxes payable	(4,538)	(4,538)	—
Long-term debt	(64,132)	(63,649)	483
Derivatives	494	494	—

March 31, 2011	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**$ 468,530**	**$ 468,530**	**$ —**
Time deposits	**123,976**	**123,976**	**—**
Notes and accounts receivable	**603,386**	**603,229**	**(157)**
Marketable and investment securities	**1,132,253**	**1,123,229**	**(9,024)**
Notes and accounts payable	**(281,084)**	**(281,084)**	**—**
Short-term borrowings	**(61,711)**	**(61,711)**	**—**
Current portion of long-term debt	**(121,783)**	**(121,783)**	**—**
Income taxes payable	**(39,120)**	**(39,120)**	**—**
Long-term debt	**(650,602)**	**(651,373)**	**(771)**
Derivatives	**(4,807)**	**(4,807)**	**—**

Cash and cash equivalents, Time deposits
The carrying values of cash and cash equivalents and time deposits approximate fair value because of their short maturities.

Notes and accounts receivables
The fair values of the major part of receivables are measured at the amount to be received because of their short maturities while those of some receivables are measured at the amount to be received at maturity discounted at the Group's assumed discount rate determined considering credit risks.

Marketable and investment securities
The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the marketable and investment securities by classification is included in Note 3.

Notes and accounts payables, Short-term borrowings, Current portion of long-term debt and Income taxes payable
The carrying values of these financial instruments approximate fair value because of their short maturities.

Long-term debt
The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

The long-term loan payable with floating interest rate hedged with interest rate swap is accounted for as one item together with the hedging swap, and the fair value of such loan payables are measured by discounting the total cash flows from the payables and hedging swaps at the Group's assumed corporate borrowing rate.

Derivatives
The information of the fair value for derivatives is included in Note 13.

(b) Financial instruments whose fair value cannot be reliably determined

March 31, 2011	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market		
Stock of affiliated companies	¥18,227	$219,602
Other	2,128	26,639

(4) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2011	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	¥49,178	—	—	—
Notes and accounts receivable	49,950	¥ 130	—	—
Held-to-maturity securities				
Debt securities	7,100	25,533	—	—
Available-for-sale securities with contractual maturities				
Others	19,500	—	—	—

March 31, 2011	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and cash equivalents	$592,506	—	—	—
Notes and accounts receivable	601,807	$ 1,566	—	—
Held-to-maturity securities				
Debt securities	85,542	307,627	—	—
Available-for-sale securities with contractual maturities				
Others	234,940	—	—	—

Please see Note 5 for annual maturities of long-term debt.

13. Derivatives

The Group enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts, foreign currency swaps and interest rate swap contracts. The foreign exchange forward contracts are entered into in order to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The interest rate swap contracts are entered into as a means of managing the interest rate risk for loans from financial institutions. The Group does not hold or issue derivatives for trading or speculative purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which require approval and reporting of all derivative transactions.

Derivative transactions to which hedge accounting is not applied at March 31, 2011

At March 31, 2011	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥14,340	—	¥13,909	¥431
Selling euro	4,606	—	4,687	(81)
Buying Japanese yen	67	—	66	(1)
Buying U.S.$	360	—	360	0
Total	¥19,373	—	¥19,022	¥349

At March 31, 2010	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	¥10,823	—	¥10,571	¥(252)
Selling euro	4,394	—	4,541	147
Currency Swap Contracts:				
Japanese yen receipt U.S.$ (hedging currency) payment	1,994	—	472	472
Total	¥17,211	—	¥15,584	¥ 367

At March 31, 2011	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	**$172,771**	**—**	**$167,578**	**$5,193**
Selling euro	**55,494**	**—**	**56,470**	**(976)**
Buying Japanese yen	**808**	**—**	**796**	**(12)**
Buying U.S.$	**4,337**	**—**	**4,337**	**0**
Total	**$233,410**	**—**	**$229,181**	**$4,205**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

Derivative transactions to which hedge accounting is applied at March 31, 2011

At March 31, 2011	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	**¥13**	**—**	**—**
Foreign currency forward contracts:				
Buying Chinese yuan	Payable	**31**	**—**	**¥(7)**
Total		**¥44**	**—**	**¥(7)**

At March 31, 2010	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 40	—	—
Foreign currency forward contracts:				
Buying Chinese yuan	Payable	152	¥30	¥(28)
Total		¥192	¥30	¥(28)

At March 31, 2011	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	**$157**	**—**	**—**
Foreign currency forward contracts:				
Buying Chinese yuan	Payable	**373**	**—**	**$(84)**
Total		**$530**	**—**	**$(84)**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

At March 31, 2011	Hedged Item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate receipt, floating rate payment)	Long-term debt	**¥12,000**	**¥ 2,000**	**¥58**
Interest rate swaps: (fixed rate receipt, floating rate payment)*	Long-term debt	**14,000**	**14,000**	**—**
Total		**¥26,000**	**¥16,000**	**¥58**

At March 31, 2010	Hedged item	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate receipt, floating rate payment)	Long-term debt	¥13,000	¥12,000	¥155
Interest rate swaps: (fixed rate receipt, floating rate payment)*	Long-term debt	14,000	14,000	—
Total		¥27,000	¥26,000	¥155

At March 31, 2011	Hedged Item	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate receipt, floating rate payment)	Long-term debt	**$144,578**	**$ 24,096**	**$699**
Interest rate swaps: (fixed rate receipt, floating rate payment)*	Long-term debt	**168,675**	**168,675**	**—**
Total		**$313,253**	**$192,771**	**$699**

* The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not premeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 12 is included in that of hedged items (i.e., long-term debt).

14. Comprehensive Income

For the year ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was the following:

	Millions of Yen 2010
Total comprehensive income attributable to:	
Owners of the parent	¥25,399
Minority interests	(666)
Total comprehensive income	¥24,733

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥3,747
Deferred gain on derivatives under hedge accounting	192
Foreign currency translation adjustments	3,781
Share of other comprehensive income in associates	4
Total other comprehensive income	¥7,724

15. Contingent Liabilities

At March 31, 2011, the Group had contingent liabilities as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for bank borrowings of employees	**¥106**	**$1,277**
Guarantees for bank borrowings of a closely related company	**294**	**3,542**
Contingent liabilities for notes endorsed with recourse	**118**	**1,422**

16. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2011 and 2010 is as follows:

	Millions of Yen	Thousands of Shares	Yen	Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2011:				
Basic EPS				
Net income available to common shareholders	**¥24,463**	**326,569**	**¥74.91**	**$0.90**
Effect of Dilutive Securities				
Stock options	**—**	**485**		
Diluted EPS				
Net income for computation	**¥24,463**	**327,054**	**¥74.80**	**$0.90**
For the year ended March 31, 2010:				
Basic EPS				
Net income available to common shareholders	¥17,808	326,691	¥54.51	$0.66
Effect of Dilutive Securities				
Stock options	—	440		
Diluted EPS				
Net income for computation	¥17,808	327,131	¥54.44	$0.66

17. Segment Information

For the year ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments

The Group's reportable segments are components of the Group about which separate financial information is available that is evaluated regularly by the Company's management in deciding how to allocate resources and in assessing performance. The Group develops and conducts its operations under three business groups, Power Business Group, Ceramic Products Business Group and Electronics Business Group, with planning a comprehensive strategy for domestic and overseas markets. Consequently, the Group defines those three business groups as its reportable segments.

Business segment	Main products
Power	Insulators, hardware for insulator assemblies, current limiting arching horn, bushing shells, fuse cut-outs, APM, line arrester and NAS (sodium sulfur) batteries
Ceramic Products	Automotive ceramics for exhaust gas purification, corrosion-resistant ceramic apparatuses for chemical industries, gas analyzer, industrial heating systems, refractory products and radioactive waste treatment systems
Electronics	Beryllium-copper-wrought products, molds and ceramic components for electronics and semiconductor manufacturing equipment

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit (loss), assets and other items is as follows:

	Millions of Yen							
	Reportable Segment							
2011	Power	Ceramic Products	Electronics	Total	Other	Total	Reconciliations	Consolidated
Sales								
Sales to customers.	**¥ 53,811**	**¥123,835**	**¥61,717**	**¥239,363**	**—**	**¥239,363**	**—**	**¥239,363**
Intersegment sales or transfers	**43**	**460**	**—**	**503**	**—**	**503**	**¥ (503)**	**—**
Total	**53,854**	**124,295**	**61,717**	**239,866**	**—**	**239,866**	**(503)**	**239,363**
Segment profit (loss)	**(8,127)**	**31,085**	**9,110**	**32,068**	**—**	**32,068**	**89**	**32,157**
Segment assets	**120,646**	**163,007**	**64,566**	**348,219**	**179,900**	**528,119**	**(48,735)**	**479,384**
Other:.								
Depreciation	**5,594**	**9,870**	**3,578**	**19,042**	**—**	**19,042**	**—**	**19,042**
Increase in property, plant and equipment and intangible assets	**11,166**	**9,485**	**2,191**	**22,842**	**2,443**	**25,285**	**—**	**25,285**

	Thousands of U.S. Dollars							
	Reportable Segment							
2011	Power	Ceramic Products	Electronics	Total	Other	Total	Reconciliations	Consolidated
Sales								
Sales to customers.	**$ 648,325**	**$1,491,988**	**$743,579**	**$2,883,892**	**—**	**$2,883,892**	**—**	**$2,883,892**
Intersegment sales or transfers	**518**	**5,542**	**—**	**6,060**	**—**	**6,060**	**$ (6,060)**	**—**
Total	**648,843**	**1,497,530**	**743,579**	**2,889,952**	**—**	**2,889,952**	**(6,060)**	**2,883,892**
Segment profit (loss)	**(97,916)**	**374,518**	**109,759**	**386,361**	**—**	**386,361**	**1,073**	**387,434**
Segment assets	**1,453,566**	**1,963,940**	**777,904**	**4,195,410**	**2,167,470**	**6,362,880**	**(587,169)**	**5,775,711**
Other:.								
Depreciation	**67,398**	**118,916**	**43,108**	**229,422**	**—**	**229,422**	**—**	**229,422**
Increase in property, plant and equipment and intangible assets	**134,530**	**114,277**	**26,398**	**275,205**	**29,434**	**304,639**	**—**	**304,639**

2010	Millions of Yen Reportable Segment Power	Ceramic Products	Electronics	Total	Other	Total	Reconciliations	Consolidated
Sales								
Sales to customers	¥ 87,251	¥101,330	¥46,908	¥235,489	—	¥235,489	—	¥235,489
Intersegment sales or transfers	56	363	—	419	—	419	¥ (419)	—
Total	87,307	101,693	46,908	235,908	—	235,908	(419)	235,489
Segment profit	7,974	13,176	2,289	23,439	—	23,439	13	23,452
Segment assets	108,471	158,937	65,912	333,320	168,308	501,628	(25,781)	475,847
Other:								
Depreciation	4,851	10,145	3,937	18,933	—	18,933	—	18,933
Increase in property, plant and equipment and intangible assets	10,597	5,059	1,500	17,156	3,735	20,891	—	20,891
Impairment losses of assets	—	—	169	169	—	169	—	169

Notes: 1. Reconciliation of segment profit is the adjustment of intersegment transactions.
2. The amount of general corporate assets included in the reconciliation of segment assets is ¥179,900 million ($2,167,470 thousand) and ¥168,308 million at March 31, 2011 and 2010, mainly consisted of surplus funds (cash and marketable securities), long-term investment funds (investment securities) and the assets of administrative departments.
3. Increase in property, plant and equipment and intangible assets in "Other" are the increase in corporate departments.

Information about geographical areas

(1) Sales

Millions of Yen — 2011

Japan	North America: America	North America: Other	North America: Total	Europe	Other Areas	Total
¥113,612	**¥34,204**	**¥6,255**	**¥40,459**	**¥42,610**	**¥42,682**	**¥239,363**

Thousands of U.S. Dollars — 2011

Japan	North America: America	North America: Other	North America: Total	Europe	Other Areas	Total
$1,368,819	**$412,096**	**$75,362**	**$487,458**	**$513,374**	**$514,241**	**$2,883,892**

Sales are attributed to countries based on the location of the clients.

(2) Property, plant and equipment

Millions of Yen — 2011

Japan	North America	Europe	Asia: China	Asia: Other	Asia: Total	Other Areas	Total
¥86,615	**¥11,408**	**¥14,714**	**¥19,569**	**¥3,869**	**¥23,438**	**¥1,055**	**¥137,230**

Millions of Yen — 2011

Japan	North America	Europe	Asia: China	Asia: Other	Asia: Total	Other Areas	Total
$1,043,554	**$137,446**	**$177,277**	**$235,771**	**$46,614**	**$282,385**	**$12,711**	**$1,653,373**

For the year ended March 31, 2010

Information about operations by line of business, operations by geographic segments and sales to foreign customers of the Group for the year ended March 31, 2010 were as follows:

a. Operations by Line of Business

	Millions of Yen					
2010	Power	Ceramic Products	Electronics	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥ 87,251	¥101,330	¥46,908	¥235,489	—	¥235,489
Intersegment sales	56	363	—	419	¥ (419)	—
Total sales	87,307	101,693	46,908	235,908	(419)	235,489
Operating expenses	79,333	88,517	44,619	212,469	(432)	212,037
Operating income	¥ 7,974	¥ 13,176	¥ 2,289	¥ 23,439	¥ 13	¥ 23,452
Total assets	¥108,471	¥158,937	¥65,912	¥333,320	¥142,527	¥475,847
Depreciation	4,851	10,145	3,937	18,933	—	18,933
Impairment loss	—	—	169	169	—	169
Capital expenditures	10,597	5,059	1,500	17,156	3,735	20,891

Notes:

Industry segment	Main products
Power	Insulators, hardware for insulator assemblies, current limiting arching horn, bushing shells, fuse cut-outs, APM, line arrester and NAS (sodium sulfur) batteries
Ceramic Products	Automotive ceramics for exhaust gas purification, corrosion-resistant ceramic apparatuses for chemical industries, gas analyzer, industrial heating systems, refractory products and radioactive waste treatment systems
Electronics	Beryllium-copper-wrought products, molds and ceramic components for electronics and semiconductor manufacturing equipment

As for machine equipment owned by a subsidiary in Europe, its useful life was changed. The effect of this treatment was to increase the operating income of Ceramic Products by ¥2,230 million for the year ended March 31, 2010.

b. Operations by Geographical Segments

	Millions of Yen							
2010	Japan	North America	Europe	Asia	Other	Total	Eliminations/ Corporate	Consolidated
Sales to customers	¥150,471	¥28,433	¥35,736	¥12,434	¥8,415	¥235,489	—	¥235,489
Interarea transfers	32,460	4,189	1,102	9,576	108	47,435	¥(47,435)	—
Total sales	182,931	32,622	36,838	22,010	8,523	282,924	(47,435)	235,489
Operating expenses	171,135	32,401	28,234	21,530	8,181	261,481	(49,444)	212,037
Operating income	¥ 11,796	¥ 221	¥ 8,604	¥ 480	¥ 342	¥ 21,443	¥ 2,009	¥ 23,452
Total assets	¥270,302	¥34,611	¥64,592	¥49,245	¥9,329	¥428,079	¥ 47,768	¥475,847

As for machine equipment owned by a subsidiary in Europe, its useful life was changed. The effect of this treatment was to increase the operating income of Europe by ¥2,230 million for the year ended March 31, 2010. Although Asia was included in Other in the past, the company disclosed Asia separately from Other due to an increase of significance of Asia.

c. Sales to Foreign Customers

	Millions of Yen				
2010	North America	Europe	Asia	Other	Total
Overseas sales	¥29,371	¥32,035	¥38,670	¥22,011	¥122,087
Net sales					235,489
Ratio of overseas sales to net sales	12.5%	13.6%	16.4%	9.3%	51.8%

18. Subsequent Events

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's shareholders meeting held on June 29, 2011:

Appropriation of retained earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10 ($0.12) per share	¥3,265	$39,337

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of NGK INSULATORS, Ltd.:

We have audited the accompanying consolidated balance sheets of NGK INSULATORS, Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NGK INSULATORS, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 29, 2011

Deloitte Touche Tohmatsu LLC

Member of
Deloitte Touche Tohmatsu Limited

Subsidiaries and Affiliated Companies
(As of March 31, 2011)

JAPAN

	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■ ENERGY SUPPORT CORPORATION	49.4	Power distribution equipment
■ KANSAI ENERGYS CORPORATION	100	Power distribution equipment and parts
■ KYUSYU ENERGYS CORPORATION	100	Power distribution equipment
■ CHUBU ENERGYS CORPORATION	100	Energy and water conservation products
■ HOKURIKU ENERGYS CORPORATION	75	Power distribution equipment
■ TOKAI ENERGYS CORPORATION	100	Power distribution equipment and parts
■ ENERGYS SANGYO CORPORATION	90.9	Provision of welfare services to Energy Support Corporation employees
■ AKECHI INSULATORS, LTD.	100	Electrical insulators
■ IKEBUKURO HORO KOGYO CO., LTD.	78.9	Glass-lined apparatus
■ NGK CHEM-TECH, LTD.	100	Chemical apparatus and parts
■ NGK FILTECH, LTD.	90	Membrane filter systems
■ NGK ADREC CO., LTD.	96.8	Refractories
■ NGK KILNTECH CORPORATION	100	Furnaces and far-infrared-ray ceramic heaters
■ HEISEI CERAMICS CO., LTD.	60	Refractories
■ NGK METTEX CORPORATION	100	Beryllium copper wrought products
■ NGK FINE MOLDS, LTD.	100	Molds
■ NGK CERAMIC DEVICE CO., LTD.	100	Ceramic electronic components
■ NGK OKHOTSK, LTD.	100	Ceramic electronic components
■ SOSHIN ELECTRIC CO., LTD.	40.7	Electronic components and devices
■ SOSHIN DEVICE CO., LTD.	100	Electronic components and devices
■ RISSHIN ELECTRONICS CO., LTD.	100	Electronic components and devices
■ SOSHIN POWERTECH CO., LTD.	100	Electronic components and devices
■ METAWATER CO., LTD.	50	Environmental protection systems
■ TAJIMI COUNTRY CLUB CO., LTD.	100	Operation of a golf course
NGK SPORTS PLANNING CO., LTD.	100	Operation of a tennis club and a driving range
NGK LIFE CO., LTD.	100	Finance and insurance services
NGK YU-SERVICE CO., LTD.	80	Provision of welfare services to NGK employees
NGK TECHNICA, LTD.	100	Technical consulting
NGK BUILDING SERVICE, LTD.	100	Maintenance and security of plants and facilities
NGK LOGISTICS, LTD.	100	Packing materials
NGK EDUCATION SERVICES, LTD.	100	Education and training services

■ Consolidated companies
■ Affiliated companies accounted for by the equity method

Global Network
(As of March 31, 2011)

NORTH AMERICA


LOCKE INSULATORS, INC.


NGK-LOCKE POLYMER INSULATORS, INC.


NGK CERAMICS USA, INC.


NGK METALS CORPORATION


FM INDUSTRIES, INC.


NGK CERAMICS MEXICO, S. DE R. L. DE C. V.

NGK-LOCKE INC.
NGK AUTOMOTIVE CERAMICS USA, INC.
NGK ELECTRONICS USA, INC.
NGK INSULATORS OF CANADA, LTD.

NORTH AMERICA

	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■ NGK NORTH AMERICA, INC.	100	Holding company
■ LOCKE INSULATORS, INC.	100	Electrical insulators
■ NGK-LOCKE INC.	100	Electrical insulators
■ NGK-LOCKE POLYMER INSULATORS, INC.	100	Electrical polymer insulators
■ NGK INSULATORS OF CANADA, LTD.	100	Electrical insulators and ceramic products
■ NGK CERAMICS USA, INC.	100	Automotive ceramics
■ NGK AUTOMOTIVE CERAMICS USA, INC.	100	Automotive ceramics
■ NGK CERAMICS MEXICO, S. DE R.L. DE C.V.	95	Automotive ceramics
■ NGK AUTOMOTIVE CERAMICS MEXICO, S. DE R.L. DE C.V.	100	Worker dispatching
■ NGK METALS CORPORATION	100	Beryllium copper products
■ NGK ELECTRONICS USA, INC.	100	Ceramic products
■ FM INDUSTRIES, INC.	100	Modules for semiconductor production equipment
■ SOSHIN ELECTRONICS OF AMERICA, INC.	100	Electronic components and devices

EUROPE AND AFRICA

	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■ NGK INSULATORS UK LTD.	100	Electrical insulators
■ NGK CERAMICS EUROPE S.A.	100	Automotive ceramics
■ NGK EUROPE GMBH	100	Ceramic products
■ NGK CERAMICS POLSKA SP. Z O.O.	95	Automotive ceramics
■ NGK CERAMICS SOUTH AFRICA (PTY) LTD.	100	Automotive ceramics
■ NGK BERYLCO FRANCE	100	Beryllium copper products
■ NGK BERYLCO U.K. LTD.	100	Beryllium copper products
■ NGK DEUTSCHE BERYLCO GMBH	100	Beryllium copper products
SOSHIN ELECTRONICS EUROPE GMBH	100	Electronic components and devices

ASIA PACIFIC

	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■ NGK INSULATORS TANGSHAN CO., LTD.	86	Electrical insulators
■ NGK INSULATORS SUZHOU CO., LTD.	91.9	Electrical insulators
■ NGK STANGER PTY. LTD.	100	Power distribution equipment
■ NGK INSULATORS (CHINA) INVESTMENT CO., LTD.	100	Electrical insulators
■ ENERGY ELECTRIC (SHANGHAI) CORPORATION	100	Power distribution equipment and components
■ P.T. NGK CERAMICS INDONESIA	97.9	Automotive ceramics
■ SIAM NGK TECHNOCERA CO., LTD.	100	Refractories
NGK AUTOMOTIVE CERAMICS KOREA CO., LTD.	100	Ceramic products
■ NGK CERAMICS SUZHOU CO., LTD.	97	Automotive ceramics
■ NGK TECHNOCERA SUZHOU CO., LTD.	95	Kiln furniture and firingkiln for electronic ceramics
■ SOSHIN ELECTRONICS (M) SDN. BHD.	100	Electronic components and devices
■ SOSHIN ELECTRONICS (HK) LIMITED	100	Electronic components and devices
TAIWAN SOSHIN ELECTRIC CO., LTD.	100	Electronic components and devices
SOSHIN ELECTRONICS (SZ) LIMITED	100	Electronic components and devices

EUROPE


NGK CERAMICS EUROPE S.A.


NGK CERAMICS POLSKA SP. Z O.O.


NGK BERYLCO FRANCE

NGK INSULATORS UK LTD.
NGK BERYLCO U.K. LTD.
NGK EUROPE GMBH
NGK DEUTSCHE BERYLCO GMBH

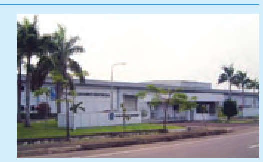
AFRICA


NGK CERAMICS SOUTH AFRICA (PTY) LTD.

ASIA PACIFIC


NGK INSULATORS TANGSHAN CO., LTD.


NGK INSULATORS SUZHOU CO., LTD.


PT. NGK CERAMICS INDONESIA


NGK STANGER PTY. LTD.


SIAM NGK TECHNOCERA CO., LTD.


NGK CERAMICS SUZHOU CO., LTD.


NGK TECHNOCERA SUZHOU CO., LTD.

NGK INSULATORS (CHINA) INVESTMENT CO., LTD.
NGK AUTOMOTIVE CERAMICS KOREA CO., LTD.
NGK INSULATORS, LTD. NEW DELHI LIAISON OFFICE

Corporate Data

(As of March 31, 2011)

NGK INSULATORS, LTD.

2-56 Suda-cho, Mizuho, Nagoya 467-8530, Japan
Tel: +81-52-872-7171
Fax: +81-52-872-7690
URL: http://www.ngk.co.jp/english/

Paid-in Capital

69,849 million yen

Common Stock

337,560 thousand shares

Number of Shareholders

31,789

Stock Exchange Listings

Tokyo, Nagoya, Osaka and Sapporo

Auditors

Deloitte Touche Tohmatsu LLC
(The Japanese member firm of Deloitte Touche Tohmatsu)

Organization

(As of April 1, 2011)

Power Business Group

- Sales Div.
- Electrical Insulator Div.
- NAS Battery Div.
  - Quality Assurance Dept.

Ceramic Products Business Group

- Worldwide Sales and Marketing Div.
- Engineering Div.
- Manufacturing Div.
- Sensor Dept.
- Industrial Process Div.
  - Quality Assurance Dept.

Electronics Business Group

- High Performance Ceramics Div.
- New Metals Div.
- Electronic Components Div.
  - Quality Assurance Dept.

Head Office

- Auditing Dept.
- Environmental Management Dept.
- Quality Management Dept.
- Corporate Strategy Office
- Secretarial Office
- Public Relations Office
- Human Resources Dept.
- CSR Office
- Finance & Accounting Dept.
- Legal Affairs & Intellectual Property Dept.
- General Affairs Dept.
- Purchasing Dept.
- NAS Global Business Project

Corporate R&D

- New Products Development Center
- Advanced Materials Development Center
- Materials Research Laboratory
- Future Technology Management Center

Corporate Manufacturing Engineering

- Administration Dept.
- Manufacturing Engineering Dept.
- Information Technology Dept.
- Construction & Maintenance Dept.

Board of Directors, Corporate Auditors and Corporate Officers

(As of June 29, 2011)

Directors and Corporate Officers

*Representative Directors


Shun Matsushita*
Chairman and
Chief Executive Officer


Taro Kato*
President


Eiji Hamamoto*
Executive Vice President


Hiroshi Fujito*
Executive Vice President


Takeyuki Mizuno
Director and
Senior Vice President


Mitsuo Ibuki
Director and
Senior Vice President


Toshiyuki Hamanaka
Director and
Senior Vice President


Yukihisa Takeuchi
Director and
Senior Vice President


Susumu Sakabe
Director and
Senior Vice President


Hideaki Saito
Director and
Vice President


Ryohei Iwasaki
Director and
Vice President


Hiroyuki Kamano
External Director


Toshio Nakamura
External Director


Takafumi Hochi
Senior Vice President


Taku Oshima
Senior Vice President


Hiroaki Sakai
Vice President


Haruo Fukui
Vice President


Nobuo Takahashi
Vice President


Yukiyasu Ohguchi
Vice President


Hiroshi Kanie
Vice President


Koji Yokoi
Vice President


Shuhei Ishikawa
Vice President


Hideki Yamamoto
Vice President


Hiroshi Kurachi
Vice President

Corporate Auditors


Hiroshi Wada
Standing Corporate Auditor


Michio Fukuhara
Standing Corporate Auditor


Setsuo Tanaka
External Corporate Auditor


Ichiro Terato
External Corporate Auditor

This Annual Report is printed on FSC-approved paper
using vegetable oil inks.

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