NGK INSULATORS, LTD.

Annual Report 2012

Year Ended March 31, 2012

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.

HONEYCERAM®

Contents

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.

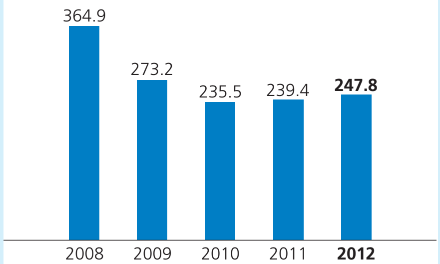
INSULATORS

CERAMIC MEMBRANES

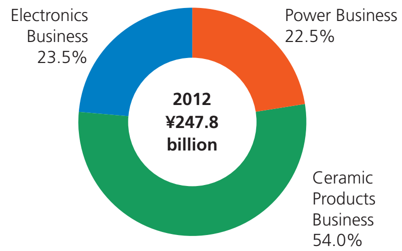
Financial Highlights

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

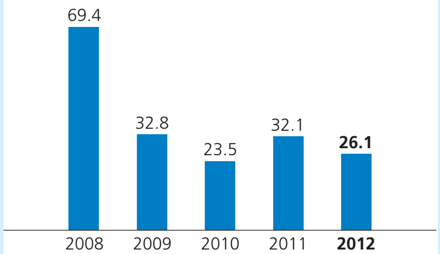
Net Sales
(Billions of Yen)



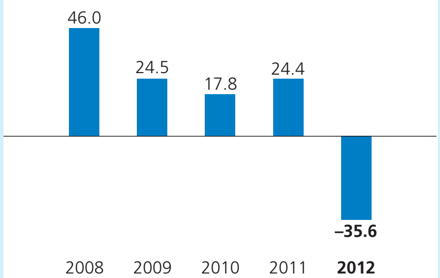
Sales by Business Segment



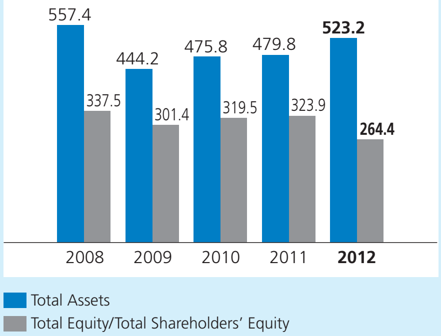
Operating Income
(Billions of Yen)



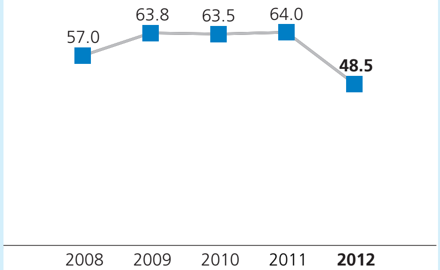
Net Income (Loss)
(Billions of Yen)



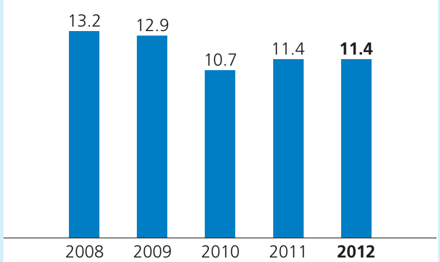
Total Assets, Total Equity/Total Shareholders' Equity
(Billions of Yen)



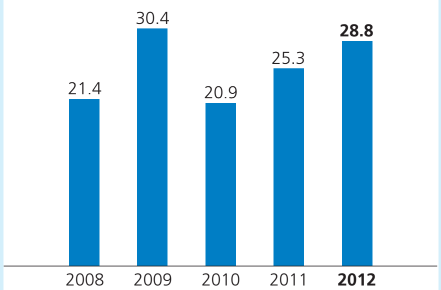
Equity Ratio
(%)



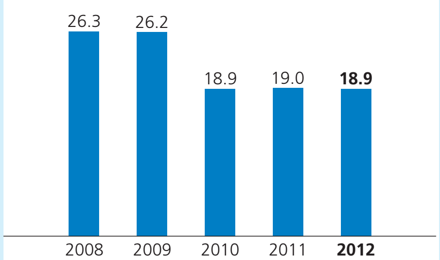
Research and Development Expenses
(Billions of Yen)



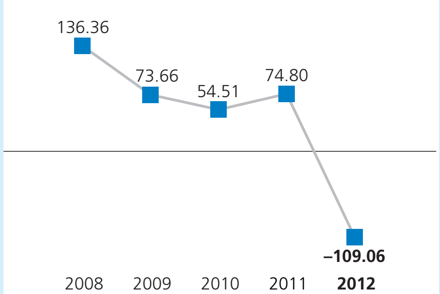
Capital Expenditures
(Billions of Yen)



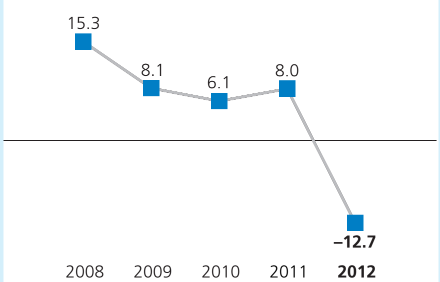
Depreciation and Amortization
(Billions of Yen)



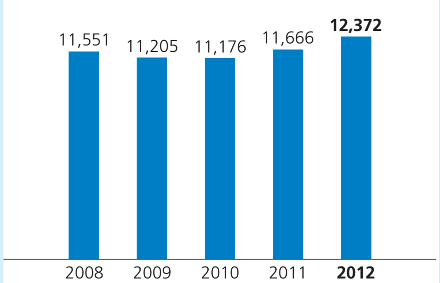
Net Income (Loss) per Share
(Yen)



Return on Equity
(%)



Number of Employees



Business Performance in Fiscal 2011

In September 2011, a fire occurred involving NGK-manufactured sodium sulfur (NAS®) batteries for storing electricity. We would like to extend our deepest apologies for the considerable concern and inconvenience that this accident caused our shareholders, as well as for the impact that it had on the Company's performance.

Following the accident, NGK formed an Accident Investigation Committee to investigate the causes and consider measures for preventing a recurrence. In coordination with Japan's Fire and Disaster Management Agency, it was determined that additional safety measures would be implemented, including monitoring. The measures were based in part on the findings of an independent commission, which verified the results of our own investigation. The specifics of the measures were announced on June 7.

With additional safety measures having since been implemented, customers can use NAS batteries more confidently because the batteries now have more safety features than previous models.

NAS battery production had been suspended since the fire but recommenced in June. For the immediate future, we are putting top priority on making modifications to existing NAS batteries that customers have continued to use. New production is slated to begin in the second half of the current fiscal year. Demand is increasing around the world for large-capacity storage batteries due to more extensive use of renewable energies, the development of smart grids (next-generation power distribution networks), and similar trends. NGK intends to rigorously and properly implement additional safety measures and endeavor to rebuild trust in NAS batteries, which have earned a strong reputation for highly efficient, large-capacity power storage. In the process, we will make a firm step toward our future growth.

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

In fiscal 2011, ended March 31, 2012, the Japanese economy presented extremely challenging conditions in the first half of the year, as illustrated by the Great East Japan Earthquake and ensuing nuclear accident, along with the yen's historically high appreciation. In the second half, however, signs of recovery emerged in general production and consumer spending.

In this climate, the NGK Group's Ceramic Products Business saw increased sales of cordierite diesel particulate filters (DPFs), ceramic substrates for catalytic conversion (large-size HONEYCERAM®), and other products on the back of solid demand in Europe, North America and emerging markets, primarily for automotive products.

In the Power Business, sales of NAS batteries lagged due to the fire incident; sales of insulators also declined due to slower demand in Japan and China.

In the Electronics Business, demand for micro-ceramics actuators used in inkjet printers waned as customers' production volume fell due to the earthquake and other factors, while ceramics for semiconductor manufacturing equipment and beryllium copper products also struggled. As a result, consolidated net sales increased 3.5% year on year to ¥247,819 million owing largely to higher revenues from automotive products.

In terms of earnings, income from the Ceramic Products Business rose largely on the strength of automotive products. However, there was a larger operating loss in the Power Business, reflecting suspended production of NAS batteries and other factors, and lower income from the Electronics Business due to diminished sales, the strong yen and other factors. As a result, consolidated operating income declined by 18.8% to ¥26,054 million and ordinary income fell 12.2% to ¥28,670 million. An extraordinary loss of ¥61,097 million was recorded for NAS battery safety measures and past income taxes of ¥7,754 million were stated based on transfer price taxation, which resulted in a net loss of ¥35,609 million.

Striving for Sustainable Growth

The outlook for economic conditions impacting the Group remains uncertain due to a number of concerns, including slowing in the economies of emerging markets and the U.S., fiscal and financial instability in Europe, geopolitical risk in the Middle East and rising oil prices, the strong yen, and looming power supply shortages in Japan this summer.

In response, the NGK Group has to address the following issues. We must work to achieve growth by steadily taking advantage of opportunities for business expansion in the Ceramic Products Business, with automotive products as the key. We need to improve profitability in the Power Business, where earnings from existing businesses in particular have struggled, and in the Electronics Business, which faces extreme fluctuations in business conditions. And we must quickly generate new products and launch new businesses for our next phase of growth by spurring further innovation in ceramics technologies.

The NGK Group will tackle these challenges while guided by five basic policies—seeking innovation in our technologies, emphasizing speed, paying attention to on-site operations, encouraging human resource development, and promoting CSR in which all employees can take part. The Group will collectively work to achieve sustained growth through these activities and thereby further raise corporate value while continuing to put managerial emphasis on capital efficiency and shareholder value.

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

August 2012

Shun Matsushita
Chairman

Taro Kato
President

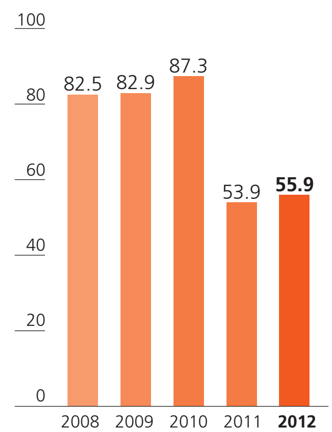
Left: Shun Matsushita   Right: Taro Kato

Power Business Group

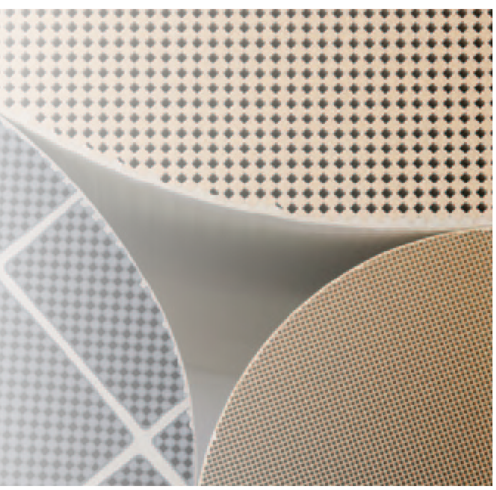
This business segment covers the production and sale of insulators and devices for power companies and manufacturers of heavy electrical equipment in Japan and overseas.

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

Net Sales (Billions of Yen)

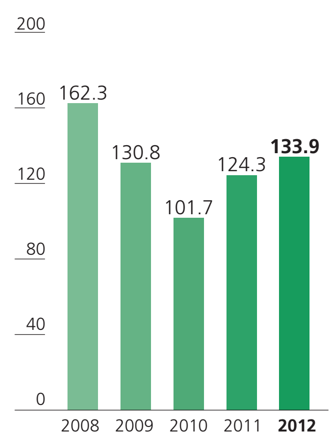


Ceramic Products Business Group



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.

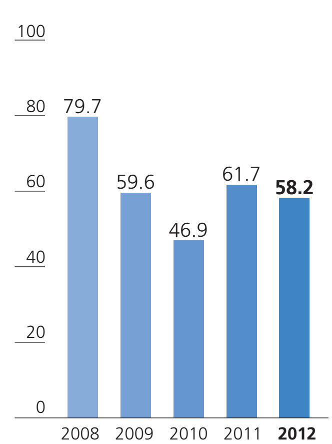
Net Sales (Billions of Yen)



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.

Net Sales (Billions of Yen)



Fiscal 2011 Business Overview

In fiscal 2011, consolidated segment sales rose 3.8% to ¥55,876 million. Sales of insulators slowed compared to the previous year on the impact of the strong yen and stagnating demand in the domestic and Chinese markets. Sales of NAS battery systems also declined due to the suspension of production after the fire incident and other factors.

Insulators and NAS battery systems both posted operating losses, and the combined operating loss for the segment was ¥12,194 million (compared to an operating loss of ¥8,096 million in the previous fiscal year).

R&D Activities

In this segment, which is focused on the power distribution business, the main thrust of R&D activities at our consolidated subsidiary ENERGY SUPPORT CORPORATION 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 2011.

R&D expenses in this segment totaled ¥1,948 million.

Fiscal 2011 Business Overview

Consolidated segment sales were ¥133,939 million, up 7.8% from the previous fiscal year.

Automotive ceramics were impacted by the strong yen and the earthquake, but sales increased on higher demand stemming from steady sales of passenger vehicles in developing countries and the U.S., and increased truck sales in Europe, North America and emerging markets. Sales were led by cordierite diesel particulate filters (DPFs) and ceramic substrates for catalytic conversion (large-size HONEYCERAM). Sales of industrial process apparatuses increased on demand growth for such products as firing furnaces for lithium batteries.

Consolidated operating income climbed 7.2% to ¥33,312 million, as growth in sales of automotive products and enhanced productivity absorbed the impact of the strong yen, expenses incurred in the launch of a new base, and other factors.

R&D Activities

R&D in this segment is focused on several main themes: improving DPFs production techniques and performance; enhancing production techniques for ceramic honeycomb substrates used in catalytic converters for diesel and other automobiles; the development of heating and drying systems for glass substrate and film, and the refinement of waste treatment systems for nuclear power plants.

R&D expenses in this segment totaled ¥3,685 million.

Fiscal 2011 Business Overview

Consolidated segment sales were ¥58,224 million, down 5.7% from the previous fiscal year.

Sales of beryllium copper products declined due to the strong yen and less favorable market conditions, and demand was soft for micro-ceramics actuators used in inkjet printers due to the impact of the earthquake, leading to lower sales. Sales of ceramic products for semiconductor manufacturing equipment were boosted by corporate acquisitions, but overall sales decreased due to deteriorating market conditions for semiconductor manufacturing equipment, the strong yen, and other factors. Similarly, the group sales of consolidated subsidiary SOSHIN ELECTRIC CO., LTD. declined on weak demand associated with information and communications infrastructure.

Consequently, consolidated operating income fell 45.8% to ¥4,893 million, largely as a result of flagging sales and the strong yen.

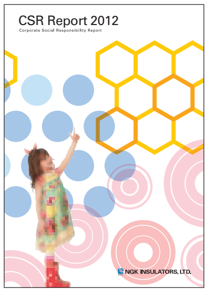
R&D Activities

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 on high-intensity discharge lamp arc tubes made from translucent alumina ceramics, and continue efforts to develop low-cost mass production technology in this area. SOSHIN ELECTRIC also conducts R&D centered on areas such as large-capacity, industrial-use capacitors and multi-layered dielectric filters, primarily for the fields of power electronics and information and communications.

R&D expenses in this segment totaled ¥3,067 million.

Corporate Social Responsibility



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

CSR from NGK's Perspective

To contribute to society in a manner that embodies our corporate philosophy, the NGK Group is committed to offering products and services that help create a better social environment and bring new value to society.

By putting these activities into practice, we are working together with our customers, employees and business partners to fulfill our social responsibility as a company in every respect, an act essential to meeting the public's expectations and earning its trust.

Refer to the Corporate Social Responsibility Report for more information concerning NGK's CSR activities.

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.

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.

Financial Review

Summary of Income Statements

Net sales for the NGK Group increased 3.5% year on year to ¥247,819 million, with growth strongly driven by increased sales of automotive products. In the Ceramic Products Business, demand was especially firm for automotive products in Europe, the United States and in emerging markets, with sales particularly higher for cordierite diesel particulate filters (DPFs) and large-size HONEYCERAM substrates. In the Power Business, sales suffered due to an accidental fire caused by a NAS (sodium sulfur) battery used for power storage in September 2011, with sales of insulators also lower on weak demand in the Japanese and Chinese markets. Similarly in the Electronics Business, the lingering effects of the Great East Japan Earthquake and other factors led to subdued demand for micro-ceramics actuators used in inkjet printers, with lackluster sales also reported for ceramics for semiconductor manufacturing equipment and beryllium copper products.

With respect to earnings, operating income decreased 18.8% to ¥26,054 million. Earnings in the Ceramic Products Business rose primarily on the strength of automotive products, which offset a larger operating loss in the Power Business, arising mainly from suspended production of NAS batteries, coupled with a drop in earnings in the Electronics Business caused by lower sales and the negative impact of the strong yen. Nevertheless, the NGK Group posted a net loss for the fiscal year under review of ¥35,609 million. In addition to booking an extraordinary loss of ¥61,097 million in expenses for NAS battery safety measures, the Group took a charge of ¥7,754 million for past income taxes stated based on transfer price taxation.

Financial Position

As of March 31, 2012, total assets were ¥523,214 million, an increase of 9.0% from the previous fiscal year-end.

Current assets increased by 17.1% year on year to ¥283,003 million, mainly due to an increase in marketable securities and deferred tax assets. Fixed assets rose 0.9% year on year to ¥240,210 million, attributable mainly to an increase in investment securities.

Current liabilities increased 54.9% year on year to ¥112,479 million. This outcome mainly reflected an allowance for NAS battery safety measures to cover anticipated expenses necessary to promote this business. Long-term liabilities increased 75.7% to ¥146,291 million, primarily due to an increase in long-term debt.

Total equity stood at ¥264,444 million, 18.4% lower than the previous fiscal year-end. Consequently, the equity ratio was 48.5%, while net assets per share fell ¥162.53 year on year to ¥777.93.

Cash Flows

There was a net increase of ¥22,117 million in total cash and cash equivalents from the previous fiscal year-end to ¥85,149 million. This reflected ¥13,851 million in net cash provided by operating activities, ¥45,438 million in net cash used in investing activities, and ¥56,608 million in net cash provided by financing activities.

Cash Flow from Operating Activities

Net cash from operating activities was ¥13,851 million, ¥22,799 million less than the previous fiscal year. In addition to a loss before income taxes and minority interests of ¥32,468 million, this was primarily attributable to the payment of past income taxes stated based on transfer pricing taxation, coupled with an allowance for NAS battery safety measures and depreciation and amortization. Compared to the previous fiscal year, net cash declined on the decrease in income before income taxes and minority interests, an increase in income taxes paid and other payments.

Cash Flow from Investing Activities

Net cash used in investing activities was ¥45,438 million, ¥27,552 million more 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 overseas subsidiaries involved in diesel-related products in Mexico, China and other countries. Time deposits, meanwhile, were higher than in the previous fiscal year.

Cash Flow from Financing Activities

Net cash provided by financing activities was ¥56,608 million, an increase of ¥61,754 million from net cash used in the previous fiscal year. Cash used was related mainly to outlays for payment of cash dividends, which was offset by proceeds from long-term debt. In contrast to the previous fiscal year, cash was provided by proceeds from long-term debt.

In previous years, certain overseas subsidiaries adopting U.S. GAAP have applied the "first-in first-out" method or the "last-in first-out" method when valuating inventory assets. These methods, however, were changed to the weighted-average method from the fiscal year under review. Figures for the previous fiscal year have thus been retroactively adjusted for comparison.

Capital Expenditures

Capital expenditures for the NGK Group totaled ¥28,839 million.

Capital expenditures in the Power Business segment totaled ¥2,785 million, mainly related to upgrades to testing equipment for R&D facilities, mass production facilities for power distribution equipment, and the construction of new warehouses.

In the Ceramic Products Business segment, capital expenditures totaled ¥21,026 million, and were concentrated on production facilities related to cordierite diesel particulate filters and large-size HONEYCERAM substrates.

Capital expenditures in the Electronics Business segment totaled ¥2,792 million, mainly for production facilities related to electronic components.

At the Head Office, capital expenditures were ¥2,236 million, principally for upgrading facilities.

Business Risks

Production Bases

The NGK Group's main production bases are located in Aichi Prefecture and Ishikawa 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 compliance with 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 to 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 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 consistent 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 the Group's business performance.

Consolidated Balance Sheet

NGK Insulators, Ltd. and Consolidated Subsidiaries
March 31, 2012

Assets	Millions of Yen 2012	2011	Thousands of U.S. Dollars (Note 1) 2012
Current Assets:			
Cash and cash equivalents (Note 15)	**¥ 85,149**	¥ 63,004	**$ 1,038,402**
Time deposits (Note 15)	**12,776**	10,290	**155,805**
Marketable securities (Notes 5 and 15)	**18,202**	17,922	**221,976**
Notes and accounts receivable:			
Trade notes and accounts (Note 15)	**54,027**	48,907	**658,866**
Non-consolidated subsidiaries and associated companies	**1,424**	1,305	**17,366**
Other	**7,944**	6,821	**96,878**
Allowance for doubtful accounts	**(112)**	(128)	**(1,366)**
	63,283	56,905	**771,744**
Inventories (Note 6)	**79,258**	81,925	**966,561**
Deferred tax assets (Note 12)	**21,438**	9,524	**261,439**
Prepaid expenses and other current assets	**2,897**	2,112	**35,329**
Total current assets	**283,003**	241,682	**3,451,256**
Property, Plant and Equipment:			
Buildings and structures	**116,286**	111,761	**1,418,122**
Machinery and equipment	**246,566**	241,894	**3,006,903**
	362,852	353,655	**4,425,025**
Accumulated depreciation	**(263,091)**	(255,044)	**(3,208,427)**
	99,761	98,611	**1,216,598**
Land	**21,107**	21,293	**257,402**
Construction in progress	**14,577**	17,326	**177,768**
Net property, plant and equipment (Note 7)	**135,445**	137,230	**1,651,768**
Investments and Other Assets:			
Investment securities (Notes 5 and 15)	**58,231**	54,067	**710,134**
Investments in and loans to non-consolidated subsidiaries and associated companies	**19,631**	18,227	**239,402**
Intangible assets	**3,513**	2,657	**42,841**
Prepaid pension cost (Note 9)	**16,946**	18,086	**206,659**
Deferred tax assets (Note 12)	**3,991**	5,316	**48,671**
Other assets	**2,454**	2,528	**29,927**
Total investments and other assets	**104,766**	100,881	**1,277,634**
Total	**¥ 523,214**	¥ 479,793	**$ 6,380,658**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Liabilities and Equity	**2012**	2011	**2012**
Liabilities:			
Current Liabilities:			
Short-term borrowings (Notes 8 and 15)	**¥ 2,924**	¥ 3,344	**$ 35,659**
Current portion of long-term debt (Notes 8 and 15)	**8,000**	10,108	**97,561**
Notes and accounts payable:			
Trade notes and accounts (Note 15)	**24,005**	22,957	**292,744**
Non-consolidated subsidiaries and associated companies	**2,929**	2,842	**35,720**
Other	**9,179**	9,912	**111,938**
	36,113	35,711	**440,402**
Accrued expenses	**10,008**	10,196	**122,049**
Provision for NAS Battery safety measures	**42,334**	—	**516,268**
Income taxes payable (Note 15)	**3,835**	3,247	**46,768**
Other current liabilities	**9,265**	9,996	**112,988**
Total current liabilities	**112,479**	72,602	**1,371,695**
Long-Term Liabilities:			
Long-term debt (Notes 8 and 15)	**118,701**	54,000	**1,447,573**
Liability for retirement benefits (Note 9)	**16,544**	16,221	**201,756**
Provision for product warranties	**659**	2,029	**8,037**
Deferred tax liabilities (Note 12)	**6,852**	7,136	**83,561**
Other long-term liabilities	**3,535**	3,860	**43,110**
Total long-term liabilities	**146,291**	83,246	**1,784,037**
Contingent Liabilities (Note 17)			
Equity (Note 10)**:**			
Common stock:			
Authorized—735,030 thousand shares			
Issued—337,560 thousand shares at March 31, 2012 and 2011	**69,849**	69,849	**851,817**
Capital surplus	**85,138**	85,137	**1,038,268**
Stock acquisition rights (Note 11)	**741**	698	**9,037**
Retained earnings	**158,684**	200,829	**1,935,171**
Treasury stock—at cost: 11,043,028 shares and 11,043,485 shares at March 31, 2012 and 2011, respectively	**(14,413)**	(14,416)	**(175,768)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**4,479**	4,826	**54,622**
Deferred gain on derivatives under hedge accounting	**35**	32	**426**
Foreign currency translation adjustments	**(47,727)**	(37,525)	**(582,037)**
Postretirement benefit liability adjustment of foreign subsidiaries	**(2,036)**	(1,655)	**(24,829)**
Total	**254,750**	307,775	**3,106,707**
Minority interests	**9,694**	16,170	**118,219**
Total equity	**264,444**	323,945	**3,224,926**
Total	**¥523,214**	¥479,793	**$6,380,658**

See notes to consolidated financial statements.

Consolidated Statement of Operations

NGK Insulators, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Net Sales	**¥247,819**	¥239,363	**$3,022,183**
Cost of Sales (Note 13)	**171,778**	160,804	**2,094,854**
Gross profit	**76,041**	78,559	**927,329**
Selling, General and Administrative Expenses (Note 13)	**49,987**	46,456	**609,597**
Operating income	**26,054**	32,103	**317,732**
Other Income (Expenses):			
Interest and dividend income	**1,961**	1,846	**23,915**
Interest expense	**(1,248)**	(1,118)	**(15,220)**
Gain (loss) on sales of and disposals of property, plant and equipment—net	**213**	(289)	**2,598**
Equity in earnings of unconsolidated subsidiaries and associated companies	**1,877**	2,048	**22,890**
Foreign exchange gain (loss)	**526**	(2,165)	**6,415**
Subsidy income	**1,476**	—	**18,000**
Gain on negative goodwill	**1,926**	—	**23,488**
Loss on evaluation of derivative	**(410)**	(123)	**(5,000)**
Depreciation expense on idle facilities	**(403)**	(353)	**(4,915)**
Loss from write-down of investment securities	**(657)**	—	**(8,012)**
Impairment loss on fixed assets associated with reorganization of business structure (Note 7)	**(2,740)**	—	**(33,415)**
Provision for loss on liquidation of subsidiaries and affiliates	**—**	(126)	**—**
Provision for product warranties	**(260)**	(1,682)	**(3,171)**
Loss from a natural disaster	**—**	(147)	**—**
Loss on NAS Battery safety measures (Note 7)	**(61,097)**	—	**(745,085)**
Other—net	**314**	434	**3,829**
Other expenses—net	**(58,522)**	(1,675)	**(713,683)**
(Loss) Income before Income Taxes and Minority Interests	**(32,468)**	30,428	**(395,951)**
Income Taxes (Note 12)			
Current			
Current period	**4,318**	7,847	**52,659**
Prior periods	**7,754**	—	**94,561**
Deferred	**(9,721)**	(2,586)	**(118,549)**
Total income taxes	**2,351**	5,261	**28,671**
Net (Loss) Income before Minority Interests	**(34,819)**	25,167	**(424,622)**
Minority Interests in Net Income	**790**	739	**9,634**
Net (Loss) Income	**¥ (35,609)**	¥ 24,428	**$ (434,256)**

	Yen		U.S. Dollars
Per Share of Common Stock (Notes 2.w. and 19)			
Basic net (loss) income	**¥(109.06)**	¥74.80	**$(1.330)**
Diluted net income	**—**	74.69	**—**
Cash dividends applicable to the year	**20.00**	20.00	**0.244**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

NGK Insulators, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Net (Loss) Income before Minority Interests	**¥(34,819)**	¥ 25,167	**$(424,622)**
Other Comprehensive Income (Note 18)			
Unrealized loss on available-for-sale securities	**(402)**	(1,467)	**(4,903)**
Deferred gain (loss) on derivatives under hedge accounting	**6**	(38)	**73**
Foreign currency translation adjustments	**(10,193)**	(13,139)	**(124,305)**
Share of other comprehensive income in associates	**(2)**	2	**(24)**
Postretirement benefit liability adjustments of foreign subsidiaries	**(381)**	41	**(4,646)**
Total other comprehensive income	**(10,972)**	(14,601)	**(133,805)**
Comprehensive Income (Note 18)	**¥(45,791)**	¥ 10,566	**$(558,427)**
Total Comprehensive Income Attributable to (Note 18)			
Owners of the parent	**¥(46,536)**	¥ 10,235	**$(567,512)**
Minority interests	**745**	331	**9,085**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

NGK Insulators, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	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, 2010	326,588	¥69,849	¥85,140	¥643	¥180,077	¥(14,315)	¥ 6,226	¥ 81	¥(24,732)	—	¥302,969	¥16,503	¥319,472
Cumulative effect of the change in accounting policy (Note 3)	—	—	—	—	506	—	—	—	(8)	—	498	—	498
Balance after retrospective adjustment at April 1, 2010	—	69,849	85,140	643	180,583	(14,315)	6,226	81	(24,740)	—	303,467	16,503	319,970
Reclassification for postretirement benefit liability of foreign subsidiaries	—	—	—	—	1,697	—	—	—	—	¥(1,697)	—	—	—
Net income	—	—	—	—	24,428	—	—	—	—	—	24,428	—	24,428
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)	(12,785)	42	(14,137)	(333)	(14,470)
Balance at March 31, 2011	**326,516**	**69,849**	**85,137**	**698**	**200,829**	**(14,416)**	**4,826**	**32**	**(37,525)**	**(1,655)**	**307,775**	**16,170**	**323,945**
Net loss	**—**	**—**	**—**	**—**	**(35,609)**	**—**	**—**	**—**	**—**	**—**	**(35,609)**	**—**	**(35,609)**
Cash dividends, ¥20 per share	**—**	**—**	**—**	**—**	**(6,530)**	**—**	**—**	**—**	**—**	**—**	**(6,530)**	**—**	**(6,530)**
Purchase of treasury stock	**(21)**	**—**	**—**	**—**	**—**	**(25)**	**—**	**—**	**—**	**—**	**(25)**	**—**	**(25)**
Disposal of treasury stock	**22**	**—**	**1**	**—**	**—**	**28**	**—**	**—**	**—**	**—**	**29**	**—**	**29**
Adjustment of retained earnings for subsidiaries which were unconsolidated in prior year	**—**	**—**	**—**	**—**	**(6)**	**—**	**—**	**—**	**—**	**—**	**(6)**	**—**	**(6)**
Net changes other than shareholders' equity	**—**	**—**	**—**	**43**	**—**	**—**	**(347)**	**3**	**(10,202)**	**(381)**	**(10,884)**	**(6,476)**	**(17,360)**
Balance at March 31, 2012	**326,517**	**¥69,849**	**¥85,138**	**¥741**	**¥158,684**	**¥(14,413)**	**¥ 4,479**	**¥ 35**	**¥(47,727)**	**¥(2,036)**	**¥254,750**	**¥ 9,694**	**¥264,444**

	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, 2011	**$851,817**	**$1,038,256**	**$8,512**	**$2,449,134**	**$(175,805)**	**$58,854**	**$390**	**$(457,622)**	**$(20,183)**	**$3,753,353**	**$197,195**	**$3,950,548**
Net loss	**—**	**—**	**—**	**(434,256)**	**—**	**—**	**—**	**—**	**—**	**(434,256)**	**—**	**(434,256)**
Cash dividends, $0.244 per share	**—**	**—**	**—**	**(79,634)**	**—**	**—**	**—**	**—**	**—**	**(79,634)**	**—**	**(79,634)**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**(305)**	**—**	**—**	**—**	**—**	**(305)**	**—**	**(305)**
Disposal of treasury stock	**—**	**12**	**—**	**—**	**342**	**—**	**—**	**—**	**—**	**354**	**—**	**354**
Adjustment of retained earnings for subsidiaries which were unconsolidated in prior year	**—**	**—**	**—**	**(73)**	**—**	**—**	**—**	**—**	**—**	**(73)**	**—**	**(73)**
Net changes other than shareholders' equity	**—**	**—**	**525**	**—**	**—**	**(4,232)**	**36**	**(124,415)**	**(4,646)**	**(132,732)**	**(78,976)**	**(211,708)**
Balance at March 31, 2012	**$851,817**	**$1,038,268**	**$9,037**	**$1,935,171**	**$(175,768)**	**$54,622**	**$426**	**$(582,037)**	**$(24,829)**	**$3,106,707**	**$118,219**	**$3,224,926**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

NGK Insulators, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Operating Activities:			
(Loss) income before income taxes and minority interests	**¥(32,468)**	¥ 30,428	**$ (395,951)**
Adjustments for:			
Income taxes—paid	**(12,142)**	(8,955)	**(148,073)**
Depreciation and amortization	**18,924**	19,042	**230,781**
Impairment loss on fixed assets associated with reorganization of business structure	**2,740**	—	**33,415**
Gain on negative goodwill	**(1,926)**	—	**(23,488)**
(Decrease) increase in provision for product warranties	**(1,284)**	1,562	**(15,659)**
Increase in provision for NAS Battery safety measures	**42,334**	—	**516,268**
Equity in earnings of unconsolidated subsidiaries and associated companies	**(1,877)**	(2,048)	**(22,890)**
Impairment loss on fixed assets associated with NAS Battery business	**4,443**	—	**54,183**
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable—trade	**(8,415)**	7,591	**(102,622)**
Increase in inventories	**(388)**	(18,185)	**(4,732)**
Increase in other current asset	**(1,195)**	(3,874)	**(14,573)**
Decrease in prepaid pension cost	**1,140**	2,876	**13,903**
Increase in notes and accounts payable—trade	**3,783**	4,288	**46,134**
(Decrease) increase in other current liabilities	**(700)**	3,973	**(8,537)**
Other—net	**882**	(48)	**10,756**
Total adjustments	**46,319**	6,222	**564,866**
Net cash provided by operating activities	**13,851**	36,650	**168,915**
Investing Activities:			
Purchases of marketable securities	**(13,113)**	(7,095)	**(159,915)**
Proceeds from sales of marketable securities	**17,019**	7,779	**207,549**
Purchases of investment securities	**(15,586)**	(24,402)	**(190,073)**
Proceeds from sales and redemption of investment securities	**3,697**	6,445	**45,085**
Purchases of property, plant and equipment	**(27,767)**	(23,932)	**(338,622)**
Purchases of intangible assets	**(1,435)**	(599)	**(17,500)**
(Increase) decrease in time deposits	**(2,985)**	26,348	**(36,402)**
Purchase of business	**—**	(1,275)	**—**
Purchase of stocks of a subsidiary	**(5,368)**	(45)	**(65,463)**
Other—net	**100**	(1,110)	**1,219**
Net cash used in investing activities	**(45,438)**	(17,886)	**(554,122)**
Financing Activities:			
Increase in short-term borrowings—net	**726**	5,536	**8,854**
Proceeds from long-term debt	**72,777**	—	**887,524**
Repayment of long-term borrowings	**(10,000)**	(4,000)	**(121,951)**
Cash dividends	**(6,530)**	(5,879)	**(79,634)**
Other—net	**(365)**	(803)	**(4,451)**
Net cash provided by (used in) financing activities	**56,608**	(5,146)	**690,342**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**(2,904)**	(3,986)	**(35,415)**
Net Increase in Cash and Cash Equivalents	**22,117**	9,632	**269,720**
Cash and Cash Equivalents of Newly Consolidated Subsidiaries, Beginning of Year	**28**	7	**341**
Cash and Cash Equivalents, Beginning of Year	**63,004**	53,365	**768,341**
Cash and Cash Equivalents, End of Year	**¥ 85,149**	¥ 63,004	**$1,038,402**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NGK Insulators, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2012

1. Basis of Presentation of 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 the application and disclosure requirements of International Financial Reporting Standards.

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 2011 consolidated financial statements to conform to the classifications used in 2012.

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 ¥82 to $1, the approximate rate of exchange at March 31, 2012. 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, 2012 and 2011 include the accounts of the Company and its 55 significant 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 unconsolidated subsidiary and one associated company are accounted for by the equity method in 2012 and 2011.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 5 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 also 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 preparation 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 ("U.S. GAAP") 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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

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 such 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 of America 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 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; and (5) exclusion of minority interests from net income, if contained in net income.

d. Business Combinations — In October 2003, the Business Accounting Council 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 standards 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 previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (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. The revised standard was applicable to business combinations undertaken on or after 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, certificate of deposits 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 (See Note 6). 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: (1) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost; and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in 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 of the Company and its consolidated domestic subsidiaries is computed by the declining-balance method on the estimated useful lives of the assets, while the straight-line method is applied to all property, plant and equipment of consolidated foreign subsidiaries. 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. The useful lives for lease assets are the terms of the respective leases.

i. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance 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 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 normal operation of a tangible fixed asset and is associated with the retirement of such 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.

m. Stock Options — In December 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.

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

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

p. Provision for NAS Battery Safety Measures — In September 2011, NGK-manufactured NAS (sodium-sulfur) batteries used for storing electricity caught fire. The Company, in connection with the fire accident, reserved an allowance as "Provision for NAS Battery safety measures" for anticipated future expenses on safety measures necessary to expand NAS battery business, to the extent that such amount can be reasonably estimated.

q. 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 was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were 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 by recognizing 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 Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

r. 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.

s. Income Taxes — The provision for current income taxes is computed based on the pretax income included in the consolidated statement of operations. 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.

t. 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 statement of operations to the extent that they are not hedged by forward exchange contracts.

u. 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 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 rate.

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, interest rate and currency swap, and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) 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 consolidated statement of operations and (2) for derivatives used for hedging purposes, if such 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 currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Long-term debt denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations is translated at the contracted rate if the forward contracts qualify for hedge accounting.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense 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 conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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. Accounting Changes and Error Corrections — In December 2009, the 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 revision of accounting standards, the 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.

y. New Accounting Pronouncements

Accounting Standard for Retirement Benefits — On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

3. Accounting Change

In connection with the elimination of Last-In, First-Out (LIFO) method under Japanese accounting standards recently implemented, which are aimed at convergence with IFRS, the company reconsidered its inventory valuation methodology with a view to unify the accounting policies applied to its subsidiaries. As a result of the reconsideration, some of its subsidiaries applying U.S. GAAP elected to change their inventory valuation method, from the First-In, First-Out (FIFO) method or the LIFO method to the Weighted-Average cost method from the beginning of the current period. This change in accounting policy was applied retrospectively, and the consolidated financial statements for the year ended March 31, 2011 were restated.

The effects of this accounting policy change for 2011 were as follows: (1) Consolidated balance sheet as of March 31, 2011—"inventories" and "retained earnings" increased by ¥686 million and ¥471 million, respectively, while deferred tax assets decreased by ¥277 million. (2) Consolidated statement of income for the year ended March 31, 2011—"operating income," and "income before income taxes and minority interests," decreased by ¥54 million, respectively, and "net income before minority interests" and "net income" both decreased by ¥34 million. (3) Per share of common stock for the year ended March 31, 2011—"basic net income" and "diluted net income" both decreased by ¥0.11. (4) Consolidated statement of cash flows for the year ended March 31, 2011—in the operating activities, income before income taxes and minority interests decreased by ¥54 million and "increase in inventories" increased by ¥146 million. (5) Consolidated statement of changes in equity—"retained earnings" as of April 1, 2010 increased by ¥506 million.

4. Business Combination

On January 24, 2012, the Company launched a public tender offer for Energy Support Corporation ("Energy Support"). As of March 31, 2011, the Company had a 49.4% of ownership interest in Energy Support. The Company intended to acquire all remaining shares of Energy Support and make it a wholly owned company. As a result of the tender offer, the Company purchased an additional 46.9% of Energy Support's common stock, resulting in a 96.3% ownership interest as of March 31, 2012.

The acquisition cost was ¥3,947 million in cash including ¥122 million of related costs. Negative goodwill of ¥1,924 million was immediately recognized in the consolidated statement of operations as "Gain on negative goodwill". The investment climate of the electric power companies, which are the main customers of the Group has changed significantly, and the business environment is not expected to recover for several years. Under these circumstances, the electric power business is undergoing a restructuring, and the Company considered various measures to enhance its long-term revenue base. As a result, it was concluded that the best measure was for the Company to make Energy Support a wholly owned company through a public tender offer, because it is necessary that the Company and Energy Support structure a firm, bilateral cooperative strategy, while, at the same time, establishing and executing a flexible management strategy which is not biased against short-term profit making, and, moreover, to make decision making possible while implementing its strategy agilely and flexibly.

The Company was scheduled to acquire all remaining shares of Energy Support through additional procedures in accordance with the Companies Act of Japan (the "Companies Act"), in order to make it a wholly owned subsidiary.

5. Marketable and Investment Securities

Marketable and investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Current:			
Investment trusts and other	**¥ 6,320**	¥10,821	**$ 77,073**
Debt securities	**11,882**	7,101	**144,902**
Total	**¥18,202**	¥17,922	**$221,976**
Non-current:			
Equity securities and other	**¥26,598**	¥28,538	**$324,366**
Debt securities	**31,633**	25,529	**385,768**
Total	**¥58,231**	¥54,067	**$710,134**

The costs and aggregate fair values of marketable and investment securities at March 31, 2012 and 2011 were as follows:

March 31, 2012	Millions of Yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥17,502**	**¥8,161**	**¥1,190**	**¥24,473**
Investment trusts and other	**6,358**	**76**	**114**	**6,320**
Held-to-maturity:				
Debt securities	**43,516**	**260**	**404**	**43,372**

March 31, 2011	Millions of Yen 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

March 31, 2012	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$213,439**	**$99,524**	**$14,512**	**$298,451**
Investment trusts and other	**77,537**	**926**	**1,390**	**77,073**
Held-to-maturity:				
Debt securities	**530,683**	**3,171**	**4,927**	**528,927**

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2012 and 2011 were as follows:

	Carrying amount: Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Available-for-sale:			
Equity securities and other	**¥2,124**	¥2,128	**$25,903**
Total	**¥2,124**	¥2,128	**$25,903**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2012 and 2011 were ¥517 million ($6,305 thousand) and ¥913 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥14 million ($170 thousand) and ¥32 million ($390 thousand), respectively, for the year ended March 31, 2012 and ¥55 million and ¥88 million, respectively, for the year ended March 31, 2011.

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, 2012 were as follows:

	Millions of Yen Available-for-Sale	Held-to-Maturity	Thousands of U.S. Dollars Available-for-Sale	Held-to-Maturity
Due in one year or less	**¥3,000**	**¥11,880**	**$36,585**	**$144,878**
Due after one year through five years	**—**	**31,655**	**—**	**386,037**
Total	**¥3,000**	**¥43,535**	**$36,585**	**$530,915**

6. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Finished products	**¥30,632**	¥35,395	**$373,561**
Semi-finished products	**9,607**	8,178	**117,158**
Work in process	**7,770**	7,996	**94,756**
Raw materials	**15,832**	13,181	**193,073**
Supplies	**14,799**	16,671	**180,476**
Cost of contracts in progress	**618**	504	**7,537**
Total	**¥79,258**	¥81,925	**$966,561**

7. Long-Lived Assets

The Group reviewed its long-lived assets for impairment as of March 31, 2012. As a result, the Group recognized ¥4,443 million ($54,183 thousand) as impairment loss on production equipment of NAS Battery because its start of operation is unknown at the present time due to the fire accident which occurred in September 2011. The losses are included in "Loss on NAS Battery safety measures" in the consolidated statement of operations. In addition, the Company recognized impairment losses on Porcelain Insulator production equipment because the production capacity of the existing four insulator plants in Japan and China is redundant due to the continuing stagnation of the insulator business market. The losses are presented on the consolidated statement of operations as "Impairment loss on fixed assets associated with reorganization of business structure."

8. Short-Term Borrowings and Long-Term Debt

Short-term borrowings loans at March 31, 2012 and 2011 consisted of notes to banks. The weighted-average interest rates on short-term borrowings as of March 31, 2012 and 2011 were 2.5% and 1.9%, respectively.

Long-term debt at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Borrowings from banks and other financial institutions due serially to 2027 with weighted-average interest rates of 1.3% (2012) and 1.5% (2011)	**¥106,701**	¥44,108	**$1,301,232**
Unsecured 0.734% yen bonds due December 4, 2014	**20,000**	20,000	**243,902**
Total	**126,701**	64,108	**1,545,134**
Less: portion due within one year	**(8,000)**	(10,108)	**(97,561)**
Long-term debt, less current portion	**¥118,701**	¥54,000	**$1,447,573**

Annual maturities of long-term debt at March 31, 2012, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 8,000	$ 97,561
2014	—	—
2015	20,101	245,134
2016	6,000	73,170
2017	17,003	207,354
2018 and thereafter	75,597	921,915
Total	¥126,701	$1,545,134

9. Liability for Retirement Benefits

The Company and certain consolidated subsidiaries have severance payment 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, 2012 and 2011 for directors and corporate auditors is ¥79 million ($963 thousand) and ¥58 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits, except for the directors and corporate auditors described above, at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Projected benefit obligation	**¥ 78,680**	¥ 77,995	**$ 959,512**
Fair value of plan assets	**(66,891)**	(67,490)	**(815,744)**
Unrecognized prior service benefit	**2,135**	2,670	**26,036**
Unrecognized actuarial loss	**(17,203)**	(17,812)	**(209,792)**
Net asset	**(3,279)**	(4,637)	**(39,988)**
Prepaid pension cost	**16,946**	18,086	**206,658**
Other postretirement obligation	**2,798**	2,714	**34,121**
Amount recognized as liability	**¥ 16,465**	¥ 16,163	**$ 200,793**

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥ 2,631**	¥ 2,517	**$ 32,085**
Interest cost	**1,644**	1,689	**20,049**
Expected return on plan assets	**(1,454)**	(1,460)	**(17,732)**
Amortization of prior service benefit	**(524)**	(528)	**(6,390)**
Recognized actuarial loss	**2,684**	2,952	**32,732**
Other	**21**	12	**256**
Net periodic benefit costs	**¥ 5,002**	¥ 5,182	**$ 61,000**

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
Discount rate	**Primarily 2.0%**	Primarily 2.0%
Expected rate of return on plan assets	**Primarily 1.8%**	Primarily 1.7%
Amortization period of prior service cost/benefit	**Primarily 10 years**	Primarily 10 years
Recognition period of actuarial gain/loss	**Primarily 10 years**	Primarily 10 years

Funded status of the multi-employer pension plan at March 31, 2011 and 2010 (available information as of March 31, 2012 and 2011), to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Fair value of plan assets	**¥ 258,978**	¥ 267,165	**$ 3,158,268**
Pension benefit obligation records recorded by pension fund	**(300,200)**	(304,796)	**(3,660,975)**
Difference	**¥ (41,222)**	¥ (37,631)	**$ (502,707)**

The Group's contribution percentage for the multi-employer pension plan is 1.8%

Note 1. The difference mainly resulted from revaluation of plan assets of ¥14,970 million.
2. Prior service cost is amortized over 20 years.

10. Equity

Japanese companies are subject to 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 that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a 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 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 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 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 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.

11. Stock Options

The stock options outstanding as of March 31, 2012 were 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
2011 Stock Option Scheme	11 directors 11 officers	Common shares 62,000 shares	August 15, 2011	¥1 ($0.01)	From August 16, 2011 To June 30, 2041

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	2011 Stock Option
For the year ended March 31, 2011								
Non-vested								
April 1, 2010—Outstanding	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	64,000	—
Canceled	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	(64,000)	—
March 31, 2011—Outstanding	—	—	—	—	—	—	—	—
Vested								
April 1, 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	—
For the year ended March 31, 2012								
Non-vested								
March 31, 2011—Outstanding	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	62,000
Canceled	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	(62,000)
March 31, 2012—Outstanding	—	—	—	—	—	—	—	—
Vested								
March 31, 2011—Outstanding	135,000	93,000	33,000	59,000	57,000	62,000	64,000	—
Vested	—	—	—	—	—	—	—	62,000
Exercised	(6,000)	—	(5,000)	(4,000)	(2,000)	—	—	—
Canceled	—	—	—	—	—	—	—	—
March 31, 2012—Outstanding	129,000	93,000	28,000	55,000	55,000	62,000	64,000	62,000
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1
	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)
Average stock price at exercise	¥1,151	N/A	¥1,151	¥1,070	¥1,151	N/A	N/A	N/A
	($14.04)		($14.04)	($13.05)	($14.04)			
Fair value price at grant date	—	¥1,506	¥1,506	¥3,658	¥1,434	¥2,072	¥1,289	¥1,100
		($18.37)	($18.37)	($44.61)	($17.49)	($25.27)	($15.72)	($13.41)

The Assumptions Used to Measure the Fair Value of 2012 Stock Option

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	51.60%
Estimated remaining outstanding period:	Four and a half years
Estimated dividend:	¥20 per share
Risk free interest rate:	0.38%

12. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.5% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Deferred tax assets:			
Inventories	**¥ 9,438**	¥ 3,807	**$ 115,098**
Allowance for bad debt	**125**	154	**1,524**
Accounts payable and accrued expenses	**2,525**	3,035	**30,793**
Accrued enterprise tax	**176**	301	**2,147**
Property, plant and equipment	**5,328**	4,145	**64,975**
Pension and severance costs	**6,241**	6,688	**76,110**
Tax loss carry forwards	**3,499**	2,249	**42,671**
Investment securities	**284**	103	**3,463**
Reserve for bonus payment	**558**	601	**6,805**
Tax deduction of a foreign subsidiary	**1,777**	4,014	**21,671**
Provision for NAS Battery safety measures	**15,986**	—	**194,951**
Other	**2,652**	3,814	**32,341**
Total	**48,589**	28,911	**592,549**
Less: valuation allowance	**(15,205)**	(6,886)	**(185,427)**
Offset with deferred tax liabilities	**(7,955)**	(7,185)	**(97,012)**
Net deferred tax assets	**¥ 25,429**	¥14,840	**$ 310,110**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ 2,426**	¥ 3,348	**$ 29,585**
Deferred gains on sales of property	**1,550**	1,098	**18,903**
Undistributed earnings of foreign subsidiaries	**3,353**	1,660	**40,890**
Fixed asset	**535**	481	**6,524**
Prepaid pension cost	**6,345**	7,330	**77,378**
Other	**620**	450	**7,561**
Total	**14,829**	14,367	**180,841**
Offset with deferred tax assets	**(7,955)**	(7,185)	**(97,012)**
Net deferred tax liabilities	**¥ 6,874**	¥ 7,182	**$ 83,829**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations (income) for the years ended March 31, 2012 and 2011 was as follows:

	2012	2011
Normal effective statutory tax rate	**Omitting note because of loss before income taxes and minority interests**	40.5%
Expenses not deductible for income tax purposes		1.3
Tax deduction such as R&D expenses		(1.9)
Revenues excluded from income tax such as dividend received		(0.7)
Decrease in valuation allowances		(7.9)
Undistributed earnings of foreign subsidiaries		0.5
Lower income tax rates applicable to income in certain foreign countries		(11.3)
Equity in earnings of unconsolidated subsidiaries and associated companies		(2.6)
Other—net		(0.6)
Actual effective tax rate		17.3%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.5% to 37.8% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.4% thereafter. The effect of this change was to decrease deferred taxes in the consolidated balance sheet as of March 31, 2012 by ¥316 million ($3,853 thousand) and to increase income taxes—deferred in the consolidated statement of operations for the year then ended by ¥669 million ($8,159 thousand), unrealized gain on available-for-sale securities by ¥350 million ($4,268 thousand) and deferred gain on derivatives under hedge accounting by ¥3 million ($37 thousand).

In March 2012, NGK received a correction notice from Nagoya Regional Taxation Bureau, based on transfer pricing taxation regarding transactions between NGK and two U.S./Poland subsidiaries. Accordingly, NGK accounted for the amount of additional tax to be paid as "Income taxes for previous periods."

13. Research and Development Costs

Research and development costs were ¥11,428 million ($139,366 thousand) and ¥11,438 million for the years ended March 31, 2012 and 2011, respectively, which included consigned research costs of ¥896 million ($10,927 thousand) and ¥1,204 million for the years ended March 31, 2012 and 2011, respectively.

14. Leases

The minimum rental commitments under non-cancellable operating leases at March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥247**	**$3,012**
Due after one year	**499**	**6,073**
Total	**¥746**	**$9,085**

15. Financial Instruments and Related Disclosures

(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. Group 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 14 years and 11 months after the balance sheet date. All such long-term debts carry fixed interest rates. However, a part of such fixed rates are converted to floating rates by using interest-rate swap derivatives, 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 currencies, currency swaps, which are for hedging currency risks from the borrowings denominated in foreign currencies, and interest rate swaps, which are for reducing cash outflow from interest payments of borrowings. The Company's management believes that the credit risks from those transactions are not significant because the transactions are entered into only with highly rated financial institutions. Derivative transactions are strictly managed complying with internal policies for approval and reporting. For 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 16 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, 2012	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**¥ 85,149**	**¥ 85,149**	**—**
Time deposits	**12,776**	**12,776**	**—**
Notes and accounts receivable:			
Trade notes and accounts	**54,027**	**53,996**	**¥ (31)**
Marketable and investment securities	**74,309**	**74,165**	**(144)**
Notes and accounts payable:			
Trade notes and accounts	**(24,005)**	**(24,005)**	**—**
Short-term borrowings	**(2,924)**	**(2,924)**	**—**
Current portion of long-term debt	**(8,000)**	**(8,000)**	**—**
Income taxes payable	**(3,835)**	**(3,835)**	**—**
Long-term debt	**(118,701)**	**(118,643)**	**58**
Derivatives	**(360)**	**(360)**	**—**

March 31, 2011	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 63,004	¥ 63,004	—
Time deposits	10,290	10,290	—
Notes and accounts receivable:			
Trade notes and accounts	48,907	48,894	¥ (13)
Marketable and investment securities	69,861	69,112	(749)
Notes and accounts payable:			
Trade notes and accounts	(22,957)	(22,957)	—
Short-term borrowings	(3,344)	(3,344)	—
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, 2012	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	**$ 1,038,402**	**$ 1,038,402**	**—**
Time deposits	**155,805**	**155,805**	**—**
Notes and accounts receivable:			
Trade notes and accounts	**658,866**	**658,488**	**$ (378)**
Marketable and investment securities	**906,207**	**904,451**	**(1,756)**
Notes and accounts payable:			
Trade notes and accounts	**(292,744)**	**(292,744)**	**—**
Short-term borrowings	**(35,659)**	**(35,659)**	**—**
Current portion of long-term debt	**(97,561)**	**(97,561)**	**—**
Income taxes payable	**(46,768)**	**(46,768)**	**—**
Long-term debt	**(1,447,573)**	**(1,446,866)**	**707**
Derivatives	**(4,390)**	**(4,390)**	**—**

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

Notes and accounts receivable
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 5.

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 payables with floating interest rates and hedged with interest rate swaps are accounted for together with the hedging swaps, 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 16.

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

	Millions of Yen **2012**	2011	Thousands of U.S. Dollars **2012**
Investments in equity instruments that do not have a quoted market price in an active market			
Stock of affiliated companies	**¥19,631**	¥18,277	**$239,402**
Other	**2,125**	2,128	**25,915**

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

March 31, 2012	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	**¥47,596**	**—**	**—**	**—**
Notes and accounts receivable	**54,502**	**¥ 881**	**—**	**—**
Held-to-maturity securities				
Debt securities	**11,880**	**31,655**	**—**	**—**
Available-for-sale securities with contractual maturities				
Others	**12,000**	**—**	**—**	**—**

March 31, 2012	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	**$580,439**	**—**	**—**	**—**
Notes and accounts receivable	**664,659**	**$ 10,743**	**—**	**—**
Held-to-maturity securities				
Debt securities	**144,878**	**386,039**	**—**	**—**
Available-for-sale securities with contractual maturities				
Others	**146,341**	**—**	**—**	**—**

Please see Note 8 for annual maturities of long-term debt.

16. Derivatives

The Group enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts, 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 currency swap contracts are entered into as a means of managing interest rate risk and foreign exchange risk for loans 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, 2012, are as follows:

At March 31, 2012	Millions of Yen: Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:				
Selling U.S.$	**¥12,788**	**—**	**¥13,172**	**¥(384)**
Selling Euro	**4,355**	**—**	**4,382**	**(27)**
Buying Japanese Yen	**77**	**—**	**77**	**(0)**
Buying U.S.$	**219**	**—**	**219**	**0**
Total	**¥17,439**	**—**	**¥17,850**	**¥(411)**

At March 31, 2011	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
	Millions of Yen			
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, 2012	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
	Thousands of U.S. Dollars			
Foreign currency forward contracts:				
Selling U.S.$	**$155,951**	**—**	**$160,634**	**$(4,683)**
Selling Euro	**53,110**	**—**	**53,439**	**(329)**
Buying Japanese Yen	**939**	**—**	**939**	**(0)**
Buying U.S.$	**2,671**	**—**	**2,671**	**0**
Total	**$212,671**	**—**	**$217,683**	**$(5,012)**

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, 2012, are as follows:

At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
		Millions of Yen		
Foreign currency forward contracts:				
Selling U.S.$	Receivables	**¥32**	**—**	**—**
Total		**¥32**	**—**	**—**

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

At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
		Thousands of U.S. Dollars		
Foreign currency forward contracts:				
Selling U.S.$	Receivables	**$390**	**—**	**—**
Total		**$390**	**—**	**—**

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.

Forward exchange contracted amounts which are assigned to associated assets or liabilities and are reflected on the balance sheet at year end, are not subject to the disclosure of market value information.

		Millions of Yen		
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate receipt, floating rate payment)	Long-term debt	**¥ 2,000**	**¥ 1,000**	**¥51**
Interest rate swaps: (floating rate receipt, fixed rate payment)*	Long-term debt	**46,003**	**38,003**	**—**
Total		**¥48,003**	**¥39,003**	**¥51**

		Millions of Yen		
At March 31, 2011	Hedged Item	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

		Thousands of U.S. Dollars		
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps: (fixed rate receipt, floating rate payment)	Long-term debt	**$ 24,390**	**$ 12,195**	**$622**
Interest rate swaps: (floating rate receipt, fixed rate payment)*	Long-term debt	**561,012**	**463,451**	**—**
Total		**$585,402**	**$475,646**	**$622**

* 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 14 is included in that of hedged items (i.e., long-term debt).

		Millions of Yen		
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency swaps: (Japanese Yen payment, U.S.$ receipt) (floating rate receipt, fixed rate payment)	Long-term debt	**¥10,000**	**¥10,000**	**—**
Total		**¥10,000**	**¥10,000**	**—**

		Thousands of U.S. Dollars		
At March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Currency swaps: (Japanese Yen payment, U.S.$ receipt) (floating rate receipt, fixed rate payment)	Long-term debt	**$121,951**	**$121,951**	**—**
Total		**$121,951**	**$121,951**	**—**

* The above currency 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 15 is included in that of hedged items (i.e., long-term debt).

17. Contingent Liabilities

At March 31, 2012, the Group had contingent liabilities as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for bank borrowings of employees	**¥ 86**	**$1,049**
Guarantees for bank borrowings of a closely-related company	**275**	**3,354**

18. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrealized loss on available-for-sale securities:		
Losses arising during the year	**¥ (2,016)**	**$ (24,585)**
Reclassification adjustments to profit or loss	**666**	**8,122**
Amount before income tax effect	**(1,350)**	**(16,463)**
Income tax effect	**948**	**11,560**
Total	**¥ (402)**	**$ (4,903)**
Deferred gain on derivatives under hedge accounting:		
Gains arising during the year	**¥ 127**	**$ 1,549**
Reclassification adjustments to profit or loss	**(121)**	**(1,476)**
Amount before income tax effect	**6**	**73**
Income tax effect	**0**	**(0)**
Total	**¥ 6**	**$ 73**
Foreign currency translation adjustments:		
Adjustments arising during the year	**¥(10,537)**	**$(128,500)**
Reclassification adjustments to profit or loss	**344**	**4,195**
Total	**¥(10,193)**	**$(124,305)**
Share of other comprehensive income in associates—		
Gains arising during the year	**¥ (2)**	**$ (24)**
Total	**¥ (2)**	**$ (24)**
Postretirement benefit liability adjustments of foreign subsidiaries		
Losses arising during the year	**¥ (744)**	**$ (9,073)**
Reclassification adjustments to profit or loss	**124**	**1,512**
Amount before income tax effect	**(620)**	**(7,561)**
Income tax effect	**239**	**2,915**
Total	**¥ (381)**	**$ (4,646)**
Total other comprehensive income	**¥(10,972)**	**$(133,805)**

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

19. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2011 was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Year Ended March 31, 2012				
Basic EPS—Net loss available to common shareholders	**¥(35,609)**	**326,517**	**¥(109.06)**	**$(1.330)**
Year Ended March 31, 2011				
Basic EPS—Net income available to common shareholders	¥ 24,428	326,569	¥ 74.80	
Effect of dilutive securities:				
Stock options	—	486		
Diluted EPS—Net income for computation	¥ 24,428	327,055	¥ 74.69	

Note: Diluted net income per share is not disclosed for the year ended March 31, 2012 because it is anti-dilutive due to the Company's net loss position.

20. Subsequent Events

The following appropriation of retained earnings at March 31, 2012 was approved at the Company's shareholders meeting held on June 28, 2012:

Appropriation of retained earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥10 ($0.12) per share	¥3,265	$39,817

21. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information, 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.

(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, Ceramics Products Business Group and Electronics Business Group, while 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
Ceramics 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 with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

	Millions of Yen							
	Reportable segment							
2012	Power	Ceramics	Electronics	Total	Other	Total	Reconciliations	Consolidated
Sales								
Sales to customers	**¥ 55,827**	**¥133,768**	**¥58,224**	**¥247,819**	**—**	**¥247,819**	**—**	**¥247,819**
Intersegment sales or transfers	**49**	**171**	**—**	**220**	**—**	**220**	**¥ (220)**	**—**
Total	**55,876**	**133,939**	**58,224**	**248,039**	**—**	**248,039**	**(220)**	**247,819**
Segment (loss) profit	**(12,194)**	**33,312**	**4,893**	**26,011**	**—**	**26,011**	**43**	**26,054**
Segment assets	**91,924**	**175,159**	**64,174**	**331,257**	**¥240,572**	**571,829**	**(48,615)**	**523,214**
Other:								
Depreciation and amortization	**5,600**	**9,900**	**3,424**	**18,924**	**—**	**18,924**	**—**	**18,924**
Increase in property, plant and equipment and intangible assets	**2,785**	**21,026**	**2,792**	**26,603**	**2,236**	**28,839**	**—**	**28,839**
Impairment losses on assets	**7,183**	**—**	**—**	**7,183**	**—**	**7,183**	**—**	**7,183**

	Millions of Yen							
	Reportable segment							
2011	Power	Ceramics	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	(8,096)	31,085	9,024	32,013	—	32,013	90	32,103
Segment assets	121,071	163,007	64,550	348,628	¥179,900	528,528	(48,735)	479,793
Other:								
Depreciation and amortization	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							
2012	Power	Ceramics	Electronics	Total	Other	Total	Reconciliations	Consolidated
Sales								
Sales to customers	**$ 680,817**	**$1,631,317**	**$710,049**	**$3,022,183**	**—**	**$3,022,183**	**—**	**$3,022,183**
Intersegment sales or transfers	**598**	**2,085**	**—**	**2,683**	**—**	**2,683**	**$ (2,683)**	**—**
Total	**681,415**	**1,633,402**	**710,049**	**3,024,866**	**—**	**3,024,866**	**(2,683)**	**3,022,183**
Segment (loss) profit	**(148,707)**	**406,244**	**59,670**	**317,207**	**—**	**317,207**	**525**	**317,732**
Segment assets	**1,121,024**	**2,136,085**	**782,610**	**4,039,719**	**$2,933,804**	**6,973,523**	**(592,865)**	**6,380,658**
Other:								
Depreciation and amortization	**68,293**	**120,732**	**41,756**	**230,781**	**—**	**230,781**	**—**	**230,781**
Increase in property, plant and equipment and intangible assets	**33,963**	**256,415**	**34,049**	**324,427**	**27,268**	**351,695**	**—**	**351,695**
Impairment losses on assets	**87,598**	**—**	**—**	**87,598**	**—**	**87,598**	**—**	**87,598**

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 ¥240,572 million ($2,933,804 thousand) and ¥179,900 million at March 31, 2012 and 2011, respectively, 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 were the increase in corporate departments.

Information about geographical areas

(1) Sales

	Millions of Yen						
	2012						
	North America		Europe				
Japan	USA	Others	Germany	Others	Asia	Other Areas	Total
¥108,557	¥36,778	¥3,519	¥27,189	¥20,434	¥32,925	¥18,417	¥247,819

	Thousands of U.S. Dollars						
	2012						
	North America		Europe				
Japan	USA	Others	Germany	Others	Asia	Other Areas	Total
$1,323,866	$448,512	$42,915	$331,573	$249,195	$401,524	$224,598	$3,022,183

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

(2) Property, plant and equipment

	Millions of Yen					
	2012					
			Asia			
Japan	North America	Europe	China	Others	Other Areas	Total
¥80,026	¥20,577	¥11,701	¥18,824	¥3,645	¥672	¥135,445

	Thousands of U.S. Dollars					
	2012					
			Asia			
Japan	North America	Europe	China	Other	Other Areas	Total
$975,927	$250,939	$142,695	$229,561	$44,451	$8,195	$1,651,768

Subsidiaries and Affiliated Companies | As of March 31, 2012

JAPAN

JAPAN	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■ ENERGY SUPPORT CORPORATION	96.3	Power distribution equipment
■ AKECHI INSULATORS, LTD.	100	Electrical insulators
■ IKEBUKURO HORO KOGYO CO., LTD.	78.9	Glass-lined apparatuses
■ NGK CHEM-TECH, LTD.	100	Chemical apparatuses and parts
■ NGK FILTECH, LTD.	90	Membrane filter systems
■ NGK ADREC CO., LTD.	96.7	Refractories
■ NGK KILNTECH CORPORATION	100	Furnaces and far infrared ray ceramic heaters
■ HEISEI CERAMICS CO., LTD.	60	Refractories
■ NGK METEX 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.	40.6	Electronic components and devices
□ METAWATER CO., LTD.	50	Environmental protection systems
□ TAJIMI COUNTRY CLUB CO., LTD.	100	Operation of a golf course

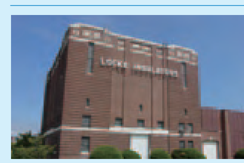
Other Group Companies

■ KANSAI ENERGYS CORPORATION
■ TOKAI ENERGYS CORPORATION
■ SOSHIN POWERTECH CO., LTD.
NGK TECHNICA, LTD.
■ KYUSYU ENERGYS CORPORATION
■ ENERGYS SANGYO CORPORATION
NGK SPORTS PLANNING CO., LTD.
NGK BUILDING SERVICE, LTD.
■ CHUBU ENERGYS CORPORATION
■ SOSHIN DEVICE CO., LTD.
NGK LIFE CO., LTD.
NGK LOGISTICS, LTD.
■ HOKURIKU ENERGYS CORPORATION
■ RISSHIN ELECTRONICS CO., LTD.
NGK YU-SERVICE CO., LTD.
NGK EDUCATION SERVICES, LTD.

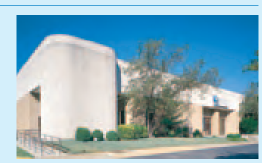
■ Consolidated companies
□ Affiliated companies accounted for by the equity method

Global Network | As of March 31, 2012

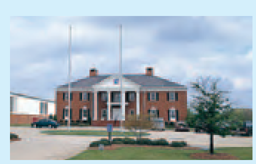
NORTH AMERICA



LOCKE INSULATORS, INC.



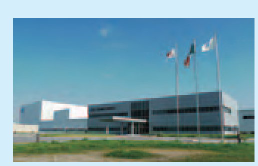
NGK-LOCKE POLYMER INSULATORS, INC.



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 METALS CORPORATION	100	Beryllium copper products
NGK ELECTRONICS USA, INC.	100	Ceramic products
FM INDUSTRIES, INC.	100	Modules for semiconductor production equipment

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

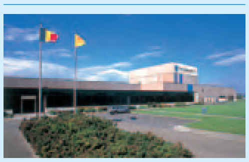
ASIA PACIFIC

	Company's Direct and Indirect Ownership (%)	Principal Products and Services
NGK INSULATORS TANGSHAN CO., LTD.	100	Electrical insulators
NGK INSULATORS SUZHOU CO., LTD.	100	Electrical insulators
NGK STANGER PTY. LTD.	100	Power distribution equipment
NGK INSULATORS (CHINA) INVESTMENT CO., LTD.	100	Electrical insulators
P.T. NGK CERAMICS INDONESIA	97.8	Automotive ceramics
SIAM NGK TECHNOCERA CO., LTD.	100	Refractories
NGK CERAMICS SUZHOU CO., LTD.	100	Automotive ceramics
NGK TECHNOCERA SUZHOU CO., LTD.	100	Kiln furniture and firing kiln for electronic ceramics

Other Group Companies

- NGK AUTOMOTIVE CERAMICS MEXICO, S. DE R.L. DE C.V.
- ENERGY ELECTRIC (SHANGHAI) CORPORATION
- SOSHIN ELECTRONICS (HK) LIMITED
- SOSHIN ELECTRONICS OF AMERICA, INC.
  NGK AUTOMOTIVE CERAMICS KOREA CO., LTD.
  TAIWAN SOSHIN ELECTRIC CO., LTD.
  SOSHIN ELECTRONICS EUROPE GMBH
- SOSHIN ELECTRONICS (M) SDN. BHD.
- SOSHIN ELECTRONICS (SZ) LIMITED

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.

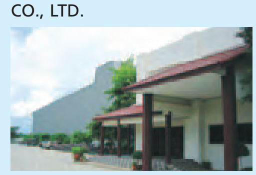
ASIA PACIFIC


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, 2012

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

32,328

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, 2012

Power Business Group

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

Ceramic Products Business Group

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

Electronics Business Group

- Business Planning Dept.
- New Business Development
- 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
- New Business Planning Office
- Secretarial Office
- Public Relations Office
- Human Resources Dept.
- CSR Office
- Finance & Accounting Dept.
- Legal Affairs & Intellectual Property Dept.
- General Affairs Dept.
- Purchasing Dept.

Corporate R&D

- Wafer Project
- NCM Project
- Functional Materials Development Project
- 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 28, 2012

Directors and Corporate Officers

*Representative Directors


Shun Matsushita*
Chairman


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


Ryohei Iwasaki
Director and
Senior Vice President


Atoshi Yoshimura
Director


Hiroyuki Kamano
External Director


Toshio Nakamura
External Director


Takafumi Hochi
Senior Vice President


Taku Oshima
Senior Vice President


Hiroshi Kanie
Senior Vice President


Hiroaki Sakai
Vice President


Hideaki Saito
Vice President


Haruo Fukui
Vice President


Nobuo Takahashi
Vice President


Yukiyasu Ohguchi
Vice President


Koji Yokoi
Vice President


Shuhei Ishikawa
Vice President


Hideki Yamamoto
Vice President


Hiroshi Kurachi
Vice President


Takaya Teshima
Vice President


Atsushi Matsuda
Vice President

Corporate Auditors


Hiroshi Wada
Standing Corporate Auditor


Michio Fukuhara
Standing Corporate Auditor


Setsuo Tanaka
External Corporate Auditor


Ichiro Terato
External Corporate Auditor

NGK

MIX
Paper from responsible sources
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VEGETABLE OIL INK

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

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