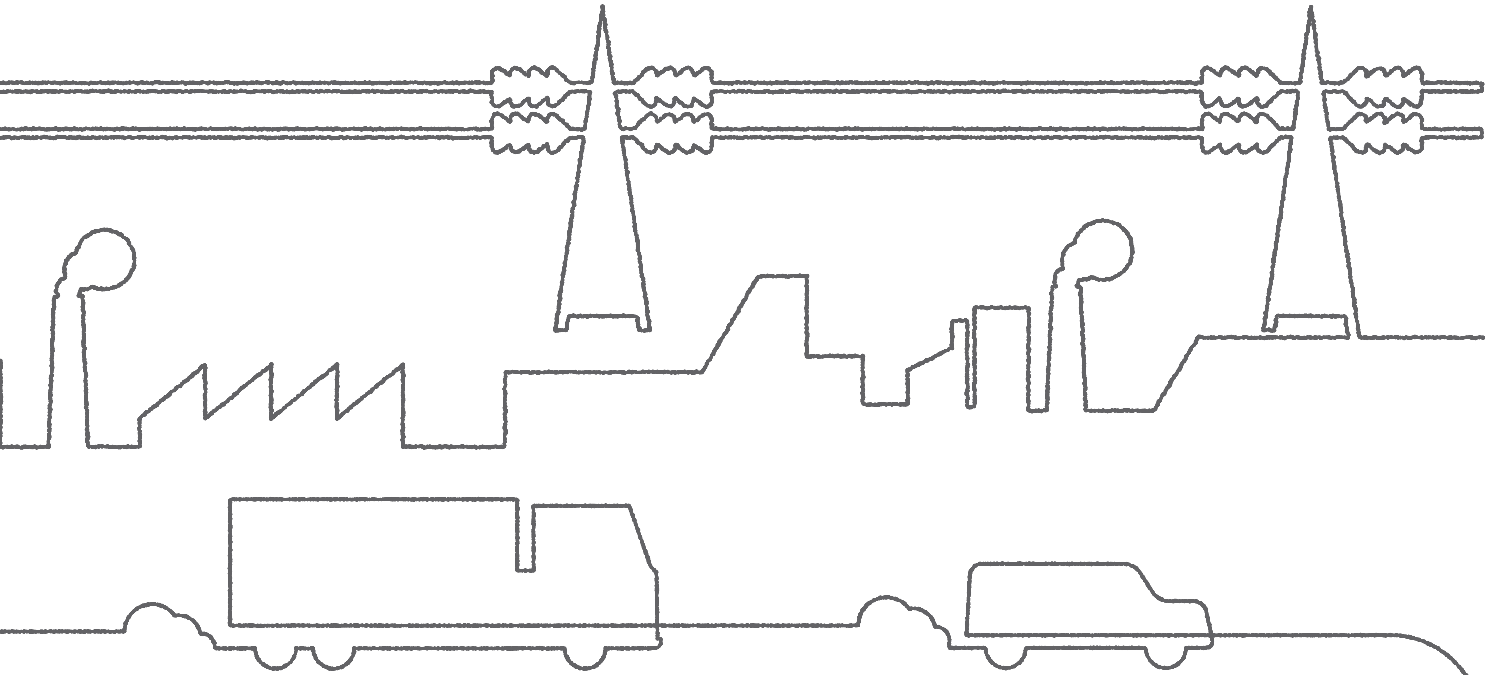
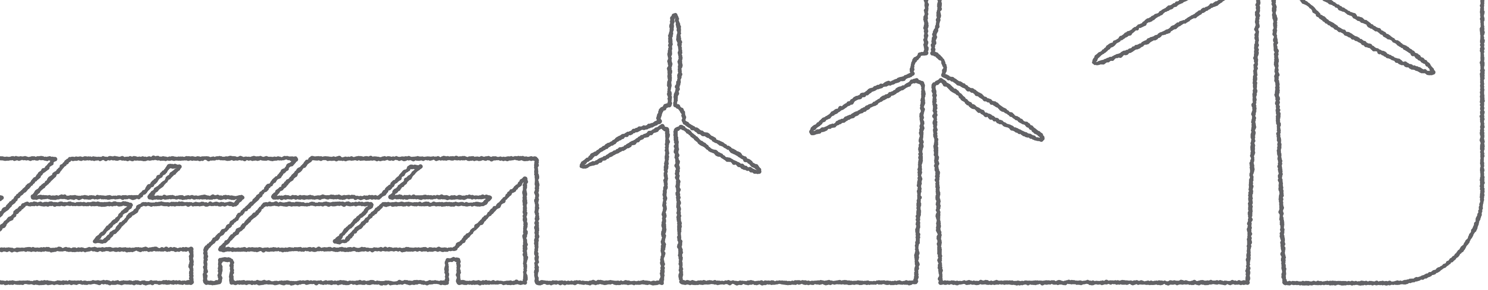
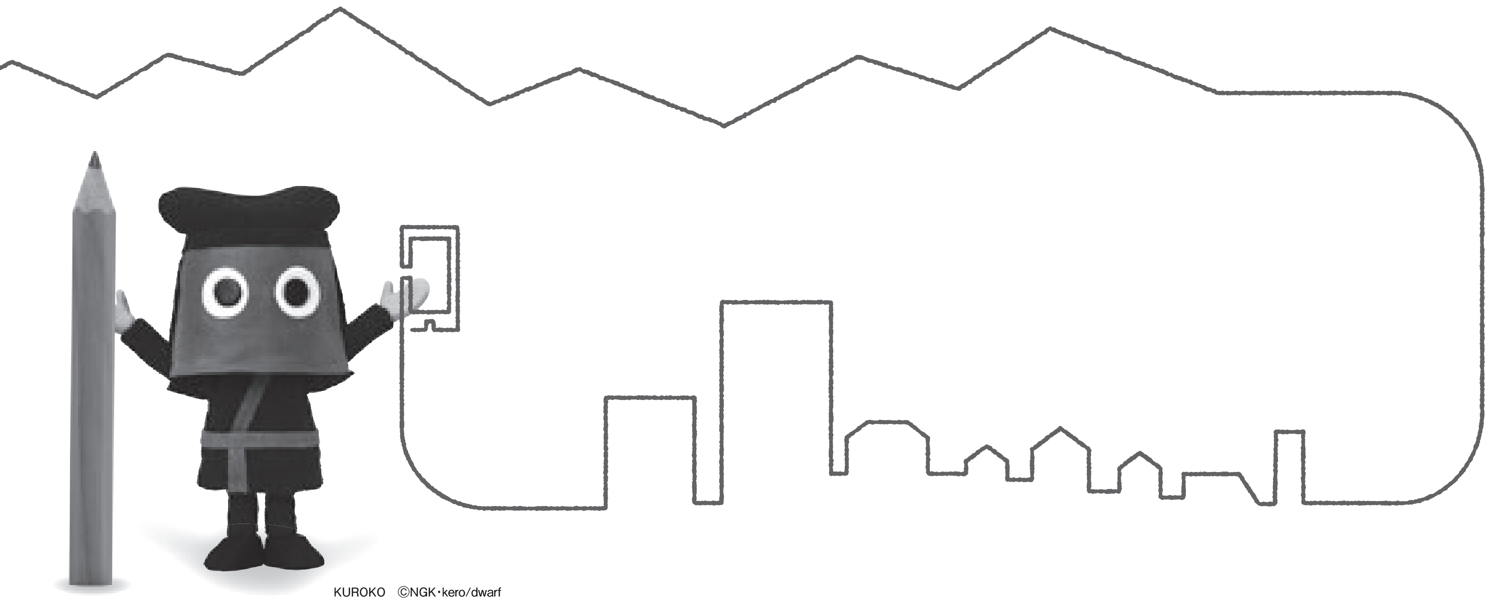
NGK INSULATORS, LTD.



NGK INSULATORS, LTD.
and Consolidated Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2016, and Independent Auditor's Report





KUROKO ©NGK・kero/dwarf

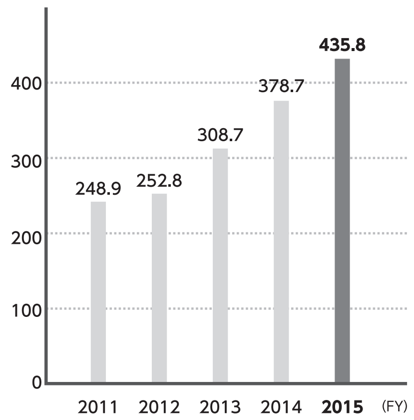
Contents

Financial Highlights

The following data includes financial results of consolidated subsidiaries (22 domestic, 37 overseas companies as of March 31, 2016).

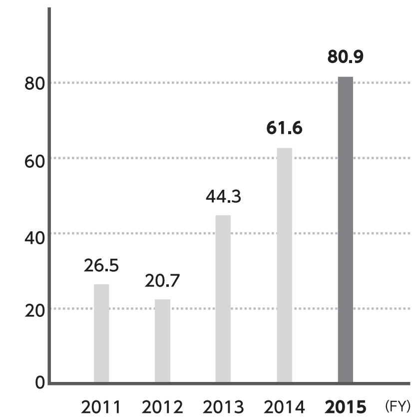
Net Sales

(Billions of yen)



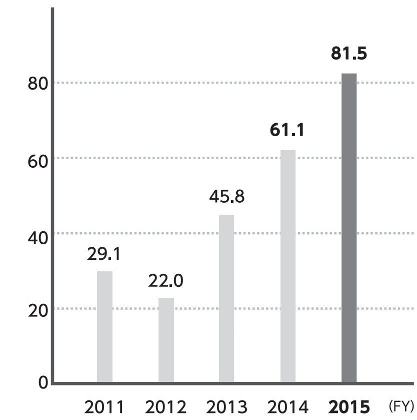
Operating Income

(Billions of yen)



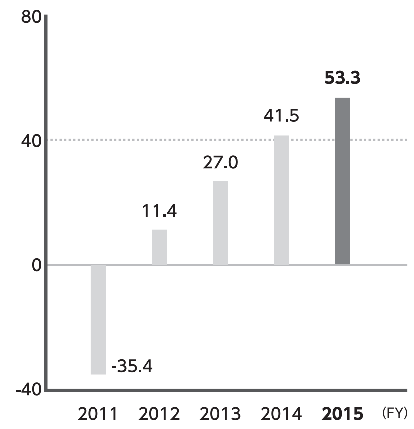
Ordinary Income

(Billions of yen)



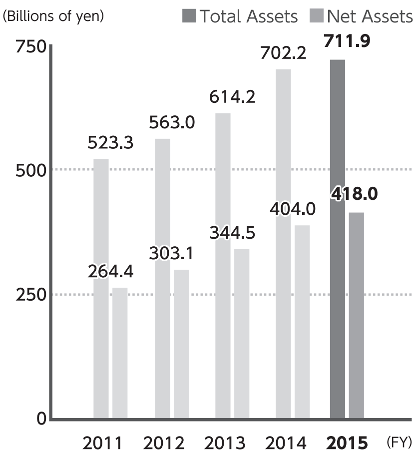
Net Income (Loss)

(Billions of yen)



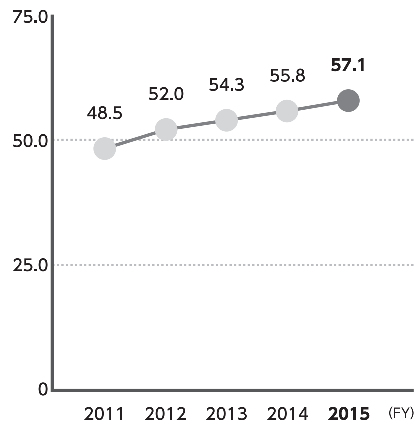
Total Assets/Net Assets

(Billions of yen)



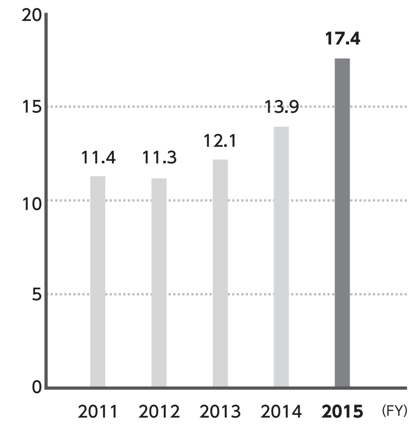
Equity Ratio

(%)



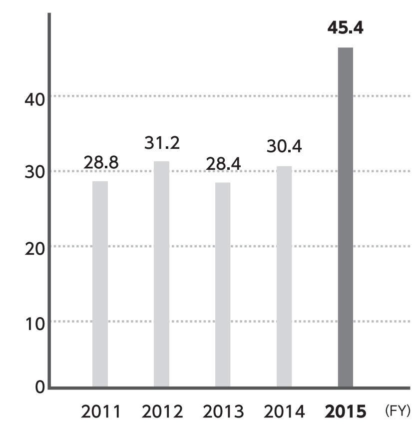
Research and Development Expenses

(Billions of yen)



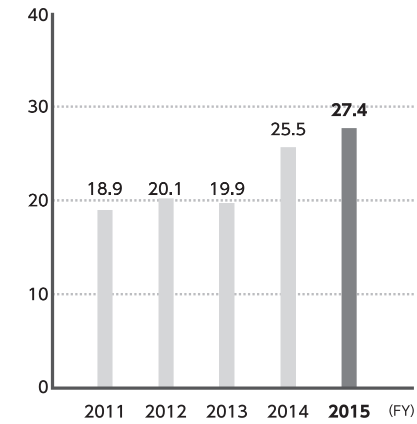
Capital Expenditures

(Billions of yen)

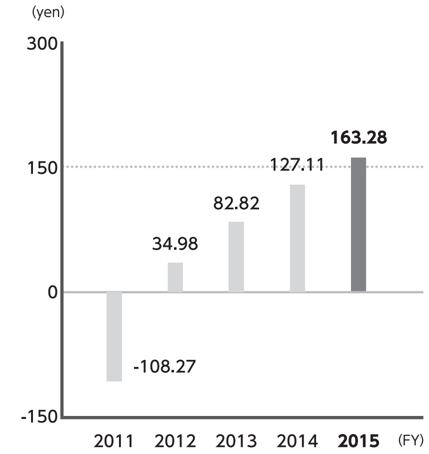


Depreciation and Amortization

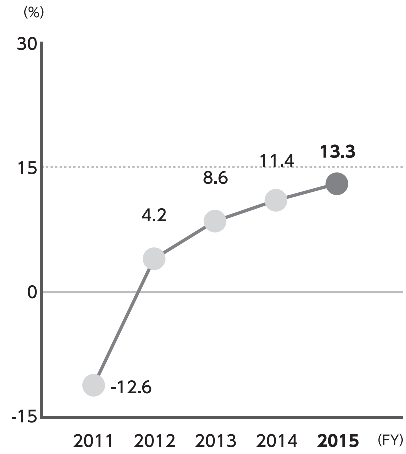
(Billions of yen)



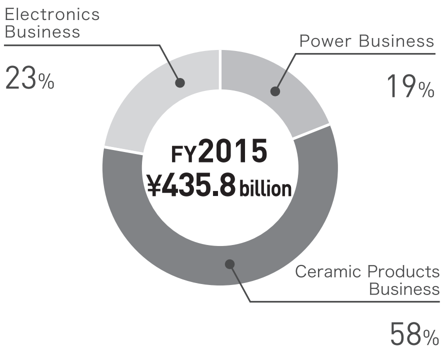
Net Income (Loss) per Share



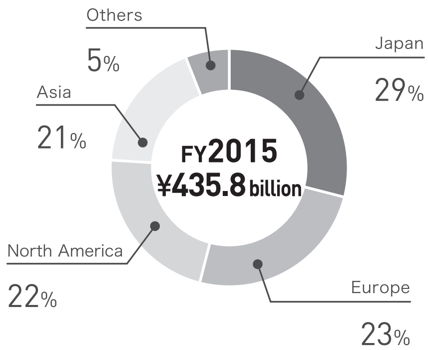
Return on Equity



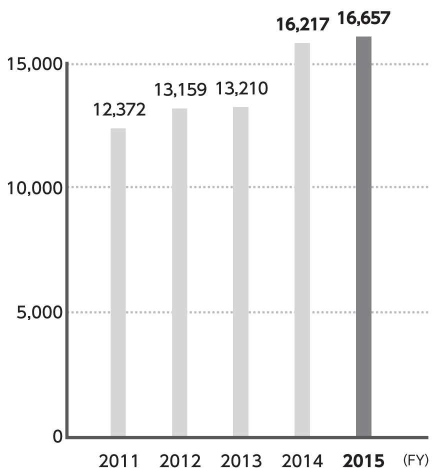
Sales by Business Segment



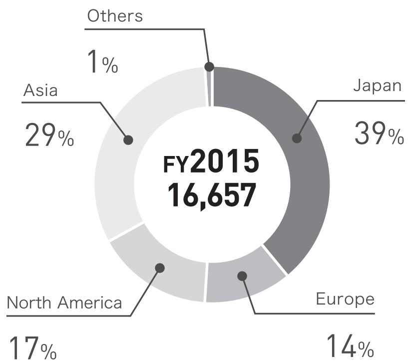
Sales by Region



Number of Employees



Workforce by Region



NGK INSULATORS, LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
MARCH 31, 2016

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	¥ 136,065	¥ 128,617	$ 1,204,115
Time deposits (Note 13)	12,322	11,416	109,044
Marketable securities (Notes 3 and 13)	19,393	28,030	171,619
Notes and accounts receivable:			
Trade notes and accounts (Note 13)	102,576	88,979	907,753
Other	10,790	10,773	95,487
Allowance for doubtful accounts	(827)	(1,221)	(7,319)
Total	112,539	98,531	995,921
Inventories (Note 4)	108,945	111,498	964,116
Deferred tax assets (Note 10)	16,306	15,253	144,301
Prepaid expenses and other current assets	6,763	3,815	59,849
Total current assets	412,333	397,160	3,648,965
PROPERTY, PLANT AND EQUIPMENT (Note 5)			
Land	22,804	22,349	201,805
Buildings and structures	154,710	156,243	1,369,115
Machinery and equipment	388,804	396,043	3,440,743
Construction in progress	27,237	17,998	241,035
Total	593,555	592,633	5,252,698
Accumulated depreciation	(388,561)	(393,373)	(3,438,593)
Net property, plant and equipment	204,994	199,260	1,814,105
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 13)	61,260	61,690	542,124
Investments in unconsolidated subsidiaries and associated companies	17,415	17,166	154,115
Intangible assets	3,020	4,185	26,726
Net defined benefit asset (Note 7)	5,252	14,477	46,478
Deferred tax assets (Note 10)	4,353	5,092	38,522
Other assets	3,270	3,204	28,938
Total investments and other assets	94,570	105,814	836,903
TOTAL	¥ 711,897	¥ 702,234	$ 6,299,973

(Continued)

NGK INSULATORS, LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
MARCH 31, 2016

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 13)	¥ 4,550	¥ 4,320	$ 40,265
Current portion of long-term debt (Notes 6 and 13)	20,243	6,345	179,142
Notes and accounts payable:			
Trade notes and accounts (Note 13)	35,197	35,737	311,478
Other	13,997	14,040	123,867
Total	49,194	49,777	435,345
Accrued expenses	16,308	15,082	144,319
Provision for NAS Battery safety measures	5,406	7,343	47,841
Provision for loss related to competition law	4,308	9,300	38,124
Income taxes payable (Note 13)	7,137	3,480	63,159
Other current liabilities	5,316	11,479	47,044
Total current liabilities	112,462	107,126	995,239
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 13)	139,180	145,538	1,231,681
Net defined benefit liability (Note 7)	21,419	20,223	189,549
Provision for product warranties	1,841	979	16,292
Deferred tax liabilities (Note 10)	13,767	20,044	121,832
Other long-term liabilities	5,255	4,323	46,504
Total long-term liabilities	181,462	191,107	1,605,858
CONTINGENT LIABILITIES (Note 15)			
EQUITY (Note 8):			
Common stock:			
Authorized - 735,030 thousand shares			
Issued - 327,560 thousand shares			
at March 31, 2016 and 2015	69,849	69,849	618,133
Capital surplus	72,092	72,099	637,982
Stock acquisition rights (Note 9)	876	887	7,752
Retained earnings (Note 19)	266,581	224,040	2,359,124
Treasury stock - at cost: 981 thousand shares and 1,033 thousand shares at March 31, 2016 and 2015, respectively (Note 19)	(1,364)	(1,403)	(12,071)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities	20,833	26,394	184,363
Deferred gain on derivatives under hedge accounting	-	7	-
Foreign currency translation adjustments	(5,888)	7,983	(52,106)
Defined retirement benefit plans	(15,359)	(6,915)	(135,920)
Total	407,620	392,941	3,607,257
Noncontrolling interests	10,353	11,060	91,619
Total equity	417,973	404,001	3,698,876
TOTAL	¥ 711,897	¥ 702,234	$ 6,299,973

See notes to consolidated financial statements. (Concluded)

NGK INSULATORS, LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED MARCH 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET SALES	¥ 435,798	¥ 378,665	$ 3,856,619
COST OF SALES (Note 11)	289,266	254,387	2,559,876
Gross profit	146,532	124,278	1,296,743
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	65,634	62,701	580,832
Operating income	80,898	61,577	715,911
OTHER INCOME (EXPENSES):			
Interest and dividend income	2,146	1,784	18,991
Interest expense	(1,968)	(2,029)	(17,416)
(Loss) gain on sales of and disposals of property, plant and equipment - net	(306)	464	(2,708)
Equity in earnings of unconsolidated subsidiaries and associated companies	1,020	855	9,027
Foreign exchange loss	(2,393)	(92)	(21,177)
Gain on sales of investment securities - net	663	750	5,867
Gain on change in equity	-	3,527	-
Impairment loss on fixed assets (Note 5)	(4,452)	(118)	(39,398)
Provision of reserve for loss related to competition law (Note 15)	(7,113)	(9,300)	(62,947)
Other-net	2,090	(1,027)	18,496
Other expenses - net	(10,313)	(5,186)	(91,265)
INCOME BEFORE INCOME TAXES	70,585	56,391	624,646
INCOME TAXES (Note 10):			
Current	15,783	9,519	139,673
Deferred	1,362	4,482	12,053
Total income taxes	17,145	14,001	151,726
NET INCOME	53,440	42,390	472,920
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	124	885	1,097
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 53,316	¥ 41,505	$ 471,823

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.w and 17):			
Basic net income	¥ 163.28	¥ 127.11	$ 1.445
Diluted net income	162.97	126.87	1.442
Cash dividends applicable to the year	38.00	28.00	0.336

See notes to consolidated financial statements.

NGK INSULATORS, LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥ 53,440	¥ 42,390	$ 472,920
OTHER COMPREHENSIVE (LOSS) INCOME (Note 16):			
Unrealized (loss) gain on available-for-sale securities	(5,587)	8,920	(49,442)
Deferred loss on derivatives under hedge accounting	(7)	(11)	(62)
Foreign currency translation adjustments	(14,126)	9,157	(125,009)
Share of other comprehensive (loss) income in associates	(390)	437	(3,451)
Defined retirement benefit plans	(8,422)	3,987	(74,531)
Total other comprehensive (loss) income	(28,532)	22,490	(252,495)
COMPREHENSIVE INCOME	¥ 24,908	¥ 64,880	$ 220,425
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of parent	¥ 25,432	¥ 63,801	$ 225,062
Noncontrolling interests	(524)	1,079	(4,637)

See notes to consolidated financial statements.

NGK INSULATORS, LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2016

	Thousands					
	Outstanding Number of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock
Balance at April 1, 2014 (as previously reported)	326,540	¥ 69,849	¥ 72,092	¥ 779	¥ 187,734	¥ (1,347)
Cumulative effect of accounting change	-	-	-	-	2,965	-
Balance at April 1, 2014 (as restated)	326,540	69,849	72,092	779	190,699	(1,347)
Net income attributable to owners of the parent	-	-	-	-	(8,164)	-
Cash dividends, ¥25 per share	-	-	-	-	41,505	-
Purchase of treasury stock	(34)	-	-	-	-	(84)
Disposal of treasury stock	21	-	7	-	-	28
Net change in the year	-	-	-	108	-	-
Balance at March 31, 2015	326,527	69,849	72,099	887	224,040	(1,403)
Net income attributable to owners of the parent	-	-	-	-	53,316	-
Cash dividends, ¥33 per share	-	-	-	-	(10,775)	-
Purchase of treasury stock	(22)	-	-	-	-	(63)
Disposal of treasury stock	74	-	(16)	-	-	102
Change in the parent's ownership interest due to transactions with noncontrolling interests	-	-	9	-	-	-
Net change in the year	-	-	-	(11)	-	-
Balance at March 31, 2016	326,579	¥ 69,849	¥ 72,092	¥ 876	¥ 266,581	¥ (1,364)

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock
Balance at March 31, 2015	$ 618,133	$ 638,044	$ 7,850	$ 1,982,655	$ (12,416)
Net income attributable to owners of the parent	-	-	-	471,823	-
Cash dividends, $0.29 per share	-	-	-	(95,354)	-
Purchase of treasury stock	-	-	-	-	(558)
Disposal of treasury stock	-	(142)	-	-	903
Change in the parent's ownership interest due to transactions with noncontrolling interests	-	80	-	-	-
Net change in the year	-	-	(98)	-	-
Balance at March 31, 2016	$ 618,133	$ 637,982	$ 7,752	$ 2,359,124	$ (12,071)

See notes to consolidated financial statements.

Millions of Yen

Accumulated Other Comprehensive Income						
Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
¥ 17,492	¥ 18	¥ (1,190)	¥ (11,147)	¥ 334,280	¥ 10,173	¥ 344,453
-	-	-	-	2,965	-	2,965
17,492	18	(1,190)	(11,147)	337,245	10,173	347,418
-	-	-	-	(8,164)	-	(8,164)
-	-	-	-	41,505	-	41,505
-	-	-	-	(84)	-	(84)
-	-	-	-	35	-	35
8,902	(11)	9,173	4,232	22,404	887	23,291
26,394	7	7,983	(6,915)	392,941	11,060	404,001
-	-	-	-	53,316	-	53,316
-	-	-	-	(10,775)	-	(10,775)
-	-	-	-	(63)	-	(63)
-	-	-	-	86	-	86
-	-	-	-	9	-	9
(5,561)	(7)	(13,871)	(8,444)	(27,894)	(707)	(28,601)
¥ 20,833	-	¥ (5,888)	¥ (15,359)	¥ 407,620	¥ 10,353	¥ 417,973

Thousands of U.S. Dollars (Note 1)

Accumulated Other Comprehensive Income						
Unrealized Gain on Available-for-sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
$ 233,575	$ 62	$ 70,646	$ (61,195)	$ 3,477,354	$ 97,876	$ 3,575,230
-	-	-	-	471,823	-	471,823
-	-	-	-	(95,354)	-	(95,354)
-	-	-	-	(558)	-	(558)
-	-	-	-	761	-	761
-	-	-	-	80	-	80
(49,212)	(62)	(122,752)	(74,725)	(246,849)	(6,257)	(253,106)
$ 184,363	-	$ (52,106)	$ (135,920)	$ 3,607,257	$ 91,619	$ 3,698,876

NGK INSULATORS, LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 70,585	¥ 56,391	$ 624,646
Adjustments for:			
Income taxes - paid	(12,861)	(8,821)	(113,814)
Depreciation and amortization	27,366	25,532	242,177
Impairment loss on fixed assets	4,452	118	39,398
Decrease of provision for NAS Battery safety measures	(1,937)	(3,548)	(17,142)
(Decrease) increase of provision for loss related to competition law	(4,992)	9,300	(44,177)
Equity in earnings of unconsolidated subsidiaries and associated companies	(1,020)	(855)	(9,027)
Gain on change in equity	-	(3,527)	-
Changes in assets and liabilities:			
Increase in notes and accounts receivable - trade	(16,045)	(6,512)	(141,991)
Increase in inventories	(1,634)	(2,375)	(14,460)
(Increase) decrease in asset for retirement benefits	(2,942)	1,176	(26,035)
(Decrease) increase in notes and accounts payable - trade	(95)	4,360	(841)
(Decrease) increase in other current liabilities	(4,097)	1,027	(36,257)
Other - net	2,665	736	23,584
Total adjustments	(11,140)	16,611	(98,585)
Net cash provided by operating activities	59,445	73,002	526,061
INVESTING ACTIVITIES:			
Purchases of marketable securities	(32,049)	(28,700)	(283,619)
Proceeds from sales and redemption of marketable securities	32,312	22,674	285,947
Proceeds from sales of property, plant and equipment	166	2,356	1,469
Purchases of investment securities	(11,442)	(4,226)	(101,257)
Proceeds from sales and redemption of investment securities	10,320	9,461	91,327
Purchases of property, plant and equipment	(42,694)	(30,262)	(377,823)
Purchase of an investment in a subsidiary resulting in change in scope of consolidation	-	(10,788)	-
Increase in time deposits	(1,282)	(1,887)	(11,345)
Increase in restricted deposits	(2,376)	-	(21,026)
Other - net	(728)	1,875	(6,442)
Net cash used in investing activities	(47,773)	(39,497)	(422,769)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings - net	528	(1,119)	4,673
Proceeds from long-term debt	16,826	5,686	148,903
Repayment of long-term borrowings	(6,691)	(1,899)	(59,212)
Redemption of bonds	-	(20,000)	-
Cash dividends	(10,776)	(8,164)	(95,363)
Other-net	(260)	(504)	(2,301)
Net cash used in financing activities	(373)	(26,000)	(3,300)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(3,851)	1,330	(34,080)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,448	8,835	65,912
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	128,617	119,782	1,138,203
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 136,065	¥ 128,617	$ 1,204,115

See notes to consolidated financial statements.

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 accordance 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 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥113 to $1, the approximate rate of exchange at March 31, 2016. 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, 2016, include the accounts of the Company and its 59 significant (58 in 2015) subsidiaries (together, the "Group"). NGK CERAMICS (THAILAND) CO., LTD. was newly established during the year ended March 31, 2016, and is also accounted for as a consolidated subsidiary.

Under the control and influence concepts, 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.

Investments in the remaining unconsolidated subsidiaries and associated company 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 amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated. The fiscal years of subsidiaries are not necessarily the same as that of the Company. Accounts of ten foreign consolidated subsidiaries in China and Mexico, etc. have different fiscal years. Those subsidiaries provisionally closed at March 31 for the consolidation.

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" which was subsequently revised in February 2010, and March 2015, to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. PITF No. 18 prescribes that 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. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that 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 recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

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" which was subsequently revised in line with the revisions to PITF No. 18 above. The 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 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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

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."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The 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 are 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 price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(*a*) *Transactions with noncontrolling interest*—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(*b*) *Presentation of the consolidated balance sheet*—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.

(*c*) *Presentation of the consolidated statement of income*—In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(*d*) *Provisional accounting treatments for a business combination*—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(*e*) *Acquisition-related costs*—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

As a result, the impact of this change on the consolidated financial statements for the year ended March 31, 2016 is immaterial.

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, certificates of deposit, and investment trusts that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

f. ***Inventories***—Inventories are stated at the lower of cost, determined principally by the average method for finished products, work in process, and raw materials, or net selling value (see Note 4). Write-downs of inventories in the amounts of ¥214 million ($1,894 thousand) and ¥913 million for the years ended March 31, 2016 and 2015, respectively, were included in cost of sales. Costs of contracts in progress are stated at cost, determined by the specific identification method.

g. ***Allowance for Doubtful Accounts***—To provide for the loss from doubtful accounts, the allowance for doubtful accounts is calculated using the historical rate of actual losses for normal receivables and the estimated nonrecoverable amount for specific doubtful receivables after considering the recoverability of each account.

h. ***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.

   Nonmarketable 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.

i. ***Property, Plant and Equipment***—Property, plant, and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is computed by the straight-line method.

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

j. ***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 is 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.

k. ***Retirement and Pension Plans***—Net defined benefit liability (asset) is accounted for based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit-formula basis. Actuarial gains and losses are amortized and charged to expense on a straight-line basis over 10 years within the expected average remaining service period of the employees from the consolidated fiscal year following the year when they occur. Past service costs are amortized and charged to expense on a straight-line basis, mainly over 10 years, within the expected average remaining service period of the employees.

   In some consolidated subsidiaries in the United States, the costs of postretirement benefits other than pension plans are allocated to each period based on the estimated service period of employees, and are included in net defined benefit liability because they are similar to retirement benefits.

   Certain domestic consolidated subsidiaries apply the simplified method to state the liability based on the amount that would be paid if employees retired at the consolidated balance sheet date.

   In May 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 an effective date of April

1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are 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.

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all 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.

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit-formula basis and the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings.

l. ***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 measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expenses over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock options 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.

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

n. ***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.

o. ***Provision for NAS Battery Safety Measures*****—**In September 2012, the Company-manufactured NAS® (sodium-sulfur) batteries used for storing electricity caught fire. The Company, in connection with this incident, reserved an allowance as "Provision for NAS Battery safety measures" for anticipated future expenses related to safety measures necessary to expand NAS battery business to the extent that such amount can be reasonably estimated.

p. ***Provision for Loss Related to Competition Law*****—**The Company estimated and recorded an allowance for estimated losses related to competition law.

q. ***Revenue Recognition***—The Group recognizes revenue mainly upon the delivery of products, based on the contract terms and other relevant factors.

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, 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 is deemed to 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 income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates 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 income 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 swaps, 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 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 income; 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.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and import purchases 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.

Receivables or payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

Long-term debt denominated in foreign currencies for which currency and interest rate swaps are used to hedge the foreign currency and interest rate fluctuations is also 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.

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

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding stock acquisition rights.

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

x. ***Change in presentation***—Prior to April 1, 2015, (decrease) increase in other current liabilities was included in the other-net among the operating activity section of the consolidated statement of cash flows. Since during this fiscal year ended March 31, 2016, the amount increased significantly, such amount is disclosed separately in the operating activity section of the consolidated statement of cash flows for the year ended March 31, 2016. The amount of ¥1,763 million included in other-net for the year ended March 31, 2015 was reclassified to (decrease) increase in other current liabilities in the amount of ¥1,027 million and classified as other-net in the amount of ¥736 million.

y. ***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 following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—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.

z. ***New Accounting Pronouncements***

Tax Effect Accounting—On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the new guidance on recoverability of deferred tax assets effective April 1, 2016, and is in the process of measuring the effects of applying the new guidance in future applicable periods.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2015**	**2016**
Current:			
Investment trusts and other	¥ 11,845	¥ 10,528	$ 104,823
Debt securities	7,548	17,502	66,796
Total	¥ 19,393	¥ 28,030	$ 171,619
Noncurrent:			
Equity securities and other	¥ 48,794	¥ 57,789	$ 431,805
Debt securities	12,466	3,901	110,319
Total	¥ 61,260	¥ 61,690	$ 542,124

The costs and aggregate fair values of marketable and investment securities at March 31, 2016 and 2015, were as follows:

March 31, 2016	Millions of Yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 18,417	¥ 29,353	¥ 1,068	¥ 46,702
Investment trusts and other	11,447	546	148	11,845
Held-to-maturity:				
Debt securities	20,014	200	1	20,213

March 31, 2015	Millions of Yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 19,000	¥ 36,726	¥ 48	¥ 55,678
Investment trusts and other	9,625	944	41	10,528
Held-to-maturity:				
Debt securities	21,402	272	2	21,672

March 31, 2016	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 162,982	$ 259,761	$ 9,451	$ 413,292
Investment trusts and other	101,301	4,832	1,310	104,823
Held-to-maturity:				
Debt securities	177,115	1,770	9	178,876

Proceeds from sales of available-for-sale securities (including marketable securities and investment securities) for the years ended March 31, 2016 and 2015, were ¥1,486 million ($13,150 thousand) and ¥2,039 million, respectively. Realized gains on these sales, computed on the moving-average cost basis, were ¥747 million ($ 6,611 thousand) and ¥841 million for the years ended March 31, 2016 and 2015, respectively.

4. INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars 2016
Finished products	¥ 46,265	¥ 55,639	$ 409,425
Work in process	11,872	11,855	105,063
Raw materials and supplies	50,471	43,439	446,646
Cost of contracts in progress	337	565	2,982
Total	¥ 108,945	¥ 111,498	$ 964,116

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2016. As a result, the Group recognized an impairment loss of ¥4,552 million ($39,398 thousand) as other expense mainly in the following groups which deteriorated in profitability due to changes in the market and business environment, and the carrying amounts of the relevant assets were written down to the recoverable amount for the year ended March 31, 2016. The recoverable amounts of those assets were measured at their net selling values, based on appraisal values assessed by a third party.

Groups	Asset category	Location	Millions of Yen	Thousands of U.S. Dollars
			2016	2016
NAS battery business	Machinery and equipment	Kasugai-shi, Aichi-ken and other	¥ 2,660	$ 23,540
Industrial process apparatuses business	Buildings and structures, Machinery and equipment and other	Handa-shi, Aichi-ken and other	1,115	9,867
Soshin Electric group business	Buildings and structures, Machinery and equipment and other	Miyazaki-shi, Miyazaki-ken and other	658	5,823

The Group-recognized impairment losses for the year ended March 31, 2016 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2016	2016
Buildings and structures	¥ 426	$ 3,770
Machinery and equipment	3,670	32,478
Construction in progress	176	1,558
Other	161	1,424
Total	¥ 4,433	$ 39,230

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2016 and 2015, consisted of notes to banks. The weighted-average interest rates on short-term borrowings as of March 31, 2016 and 2015, were 2.3% and 0.5%, respectively.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Borrowings from banks and other			

financial institutions due serially through 2028, with weighted-average interest rates of 1.3% (2016) and 1.3% (2015)	¥ 159,423	¥ 151,883	$ 1,410,823
Total	159,423	151,883	1,410,823
Less: portion due within one year	(20,243)	(6,345)	(179,142)
Long-term debt, less current portion	¥ 139,180	¥ 145,538	$ 1,231,681

Annual maturities of long-term debt at March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥20,243	$179,142
2018	7,048	62,372
2019	10,971	97,088
2020	28,878	255,558
2021	5,497	48,646
2022 and thereafter	86,786	768,017
Total	¥159,423	$1,410,823

7. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees.

The Company and certain domestic subsidiaries have unfunded lump-sum payment plans, defined benefit pension plans, smaller enterprise retirement allowance mutual aid plans, and specific retirement allowance mutual aid plans.

During the year ended March 31, 2015, the Group received reimbursement for the securities that had been contributed to the employee retirement benefit trust because of a constant surplus in the plan.

Furthermore, additional retirement benefits that are not included in net defined benefit liability are paid in certain cases.

Some of the domestic subsidiaries participate in multiemployer contributory funded plans, and the plans are accounted for as if the plans were defined contribution plans in the case that the plan assets attributable to the contributions by the subsidiaries cannot be rationally determined. In accordance with the Defined Benefit Pension Plan Law enacted in April 2002, those domestic subsidiaries applied for an exemption from the obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government upon approval. Those domestic subsidiaries obtained approval for a exemption from the future obligation by the Ministry of Health Labor and Welfare on October 1, 2015.

Certain U.S. subsidiaries have defined benefit plans and defined contribution plans.
The simplified calculation method was applied to measure the liability and the cost of defined benefit plans and lump-sum payment plans in immaterial domestic subsidiaries.

a. Defined Benefit Pension Plans

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015 (except for the plans to which the simplified method was applied), were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥ 86,545	¥ 85,335	$ 765,885
Cumulative effect of accounting change	-	(5,316)	-
Balance at beginning of year (as restated)	¥ 86,545	¥ 80,019	$ 765,885
Current service cost	2,787	2,657	24,664
Interest cost	1,514	1,472	13,398
Actuarial losses	12,368	3,214	109,451
Benefits paid	(4,910)	(4,179)	(43,451)
Past service cost	(5)	0	(44)
Defined benefit obligation of newly consolidated subsidiary	-	1,518	-
Others	(785)	1,844	(6,947)
Balance at end of year	¥ 97,514	¥ 86,545	$ 862,956

(2) The changes in plan assets for the years ended March 31, 2016 and 2015 (except for the plans to which the simplified method was applied), were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 82,811	¥ 77,989	$ 732,841
Expected return on plan assets	1,680	1,513	14,867
Actuarial (losses) gains	(2,032)	7,161	(17,982)
Contributions from the employer	5,132	4,977	45,415
Benefits paid	(3,967)	(3,763)	(35,106)
Refund from the employee retirement benefit trust	-	(6,180)	-
Plan assets of newly consolidated subsidiary	-	111	-
Others	(391)	1,003	(3,460)
Balance at end of year	¥ 83,233	¥ 82,811	$ 736,575

(3) The changes in net defined benefit liability, where the simplified method was applied to measure the liability, for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥ 2,013	¥ 1,840	$ 17,814
Pension costs	240	401	2,124
Benefits paid	(287)	(149)	(2,540)
Contributions to pension plans	(80)	(80)	(708)
Balance at end of year	¥ 1,886	¥ 2,012	$ 16,690

(4) Reconciliation between the asset and the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Funded defined benefit obligation	¥ 89,468	¥ 79,298	$ 791,752
Plan assets	(84,108)	(83,660)	(744,319)
	5,360	(4,362)	47,434
Unfunded defined benefit obligation	10,807	10,108	95,637
Net liability arising from defined benefit obligation	¥ 16,167	¥ 5,746	$ 143,071

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Net defined benefit liability	¥ 21,419	¥ 20,223	$ 189,549
Net defined benefit asset	(5,252)	(14,477)	(46,478)
Net liability arising from defined benefit obligation	¥ 16,167	¥ 5,746	$ 143,071

(5) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 2,787	¥ 2,657	$ 24,663
Interest cost	1,514	1,472	13,398
Expected return on plan assets	(1,680)	(1,513)	(14,867)
Recognized actuarial losses	1,359	4,457	12,027
Amortization of past service cost	(351)	(493)	(3,106)
Benefit costs measured by the simplified method	240	401	2,124
Others	-	21	-
Net periodic benefit costs	¥ 3,869	¥ 7,002	$ 34,239

Note: Recognized actuarial losses for the year ended March 31, 2015, include the actuarial loss of ¥2,879 million that resulted from the cancellation of employee retirement benefit trusts.

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Actuarial (gains) losses	¥ (12,771)	¥ 7,854	$ (113,017)
Prior service cost	(341)	(506)	(3,018)
Net periodic benefit costs	¥ (13,112)	¥ 7,348	$ (116,035)

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized actuarial gains	¥ (21,630)	¥ (8,859)	$ (191,416)
Unrecognized past service cost	428	768	3,788
Total	¥ (21,202)	¥ (8,091)	$ (187,628)

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Assets in an insurer's general account	39 %	38 %
Equity investments	22 %	26 %
Debt investments	30 %	26 %
Cash and cash equivalents	1 %	2 %
Others	8 %	8 %
Total	100 %	100 %

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	Primarily 0.6%	Primarily 1.5%
Expected rate of return on plan assets	Primarily 1.5%	Primarily 1.5%
Expected rate of future salary increase	Primarily 2.0%－6.3%	Primarily 1.9%－5.9%

b. Funded Status of the Multiemployer Contributory Funded Pension Plans

Some subsidiaries participate in a multiemployer plan where the amount of plan assets corresponding to the contributions made by the subsidiaries cannot be reasonably calculated. Therefore, it is accounted for using the same method as a defined contribution plan.

The contributions to such multiemployer plan, which are accounted for using the same method as a defined contribution plan, were ¥107 million ($ 947 thousand) and ¥141 million for the years ended March 31, 2016 and 2015, respectively.

(1) The funded status of the multiemployer plan as of March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Plan assets	¥ 317,424	¥ 303,721	$ 2,809,062
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	(302,958)	(299,821)	(2,681,044)
Net balance	¥ 14,466	¥ 3,900	$ 128,018

The net balance above is mainly a result of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥ 18,844	¥ 20,430	$ 166,761
Retained earnings	8,979	12,010	79,460
General reserve	24,331	12,320	215,319

Prior service cost under the plan is amortized on a straight-line basis over 20 years.

(2) The contribution ratio of the Group in the multiemployer plan for the years ended March 31, 2016 and 2015 was 1.9%. The ratio does not represent the actual actuarial liability ratio of the Group.

c. Defined Contribution Pension Plans

The Group’s contributions to defined contribution pension plan funds for the years ended March 31, 2016 and 2015 were ¥219 million ($1,938 thousand) and ¥121 million, respectively.

8. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year 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 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 within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

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

9. STOCK OPTIONS

The stock options outstanding as of March 31, 2016 were as follows:

Stock Option Scheme	Persons Originally Granted	Number of Options Originally Granted	Date of Grant	Exercise Price	Exercise Period
2005 Stock Option Scheme	12 directors 2 full-time audit and supervisory board members 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 audit and supervisory board members	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

Stock Option Scheme	Persons Originally Granted	Number of Options Originally Granted	Date of Grant	Exercise price	Exercise Period
2012 Stock Option Scheme	10 directors 14 officers	Common shares 66,000 shares	August 15, 2012	¥1 ($0.01)	From August 16, 2012 to June 30, 2042
2013 Stock Option Scheme	9 directors 16 officers	Common shares 61,000 Shares	August 16, 2013	¥1 ($0.01)	From August 17, 2013 to June 30, 2043
2014 Stock Option Scheme	10 directors 13 officers	Common shares 57,000 Shares	August 19, 2014	¥1 ($0.01)	From August 20, 2014 to June 30, 2044
2015 Stock Option Scheme	10 directors 10 officers	Common shares 52,000 Shares	August 18, 2015	¥1 ($0.01)	From August 19, 2015 to June 30, 2045

The stock option activity is as follows:

	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	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
						(Shares)						
For the year ended March 31, 2015												
Non-vested												
April 1, 2014												
－Outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-	-	-	-	57,000	-
Canceled	-	-	-	-	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-	-	-	57,000	-
March 31, 2015												
－Outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Vested												
April 1, 2014												
－Outstanding	95,000	63,000	24,000	42,000	53,000	62,000	64,000	62,000	66,000	61,000	-	-
Vested	-	-	-	-	-	-	-	-	-	-	57,000	-
Exercised	4,000	4,000	-	4,000	3,000	3,000	3,000	-	-	-	-	-
Canceled	-	-	-	-	-	-	-	-	-	-	-	-
March 31, 2015												
－Outstanding	91,000	59,000	24,000	38,000	50,000	59,000	61,000	62,000	66,000	61,000	57,000	-
For the year ended March 31, 2016												
Non-vested												
March 31, 2015												
－Outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Granted	-	-	-	-	-	-	-	-	-	-	-	52,000
Canceled	-	-	-	-	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	-	-	-	-	-	52,000
March 31, 2016												
－Outstanding	-	-	-	-	-	-	-	-	-	-	-	-
Vested												
March 31, 2015												
－Outstanding	91,000	59,000	24,000	38,000	50,000	59,000	61,000	62,000	66,000	61,000	57,000	-
Vested	-	-	-	-	-	-	-	-	-	-	-	52,000
Exercised	21,000	5,000	7,000	2000	10,000	13,000	10,000	2,000	2,000	2,000	-	-
Canceled	-	-	-	6,000	6,000	8,000	4,000	10,000	2,000	2,000	2,000	-
March 31, 2016												
－Outstanding	70,000	54,000	17,000	30,000	34,000	38,000	47,000	50,000	62,000	57,000	55,000	52,000
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥2,638 ($23.35)	¥3,050 ($26.99)	¥3,171 ($28.06)	¥2,160 ($19.12)	¥2,086 ($18.46)	¥2,244 ($19.86)	¥2,270 ($20.09)	¥3,080 ($27.26)	¥3,080 ($27.26)	¥3,080 ($27.26)	N/A	N/A
Fair value price at grant date	-	¥1,506 ($13.33)	¥1,506 ($13.33)	¥3,658 ($32.37)	¥1,434 ($12.69)	¥2,072 ($18.37)	¥1,289 ($11.41)	¥1,100 ($9.73)	¥923 ($8.17)	¥1,276 ($11.29)	¥2,510 ($22.21)	¥2,850 ($25.22)

The Assumptions Used to Measure the Fair Value of the 2015 Stock Option

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	37.83%
Estimated remaining outstanding period:	Four-and-a-half years
Estimated dividend:	¥28 per share
Risk-free interest rate:	0.076%

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 32.9% and 35.4% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2015**	**2016**
Deferred tax assets:			
Inventories	¥ 9,239	¥ 10,576	$ 81,761
Accounts payable and accrued expenses	3,124	3,312	27,646
Enterprise taxes payable	683	278	6,044
Property, plant and equipment	7,530	7,274	66,637
Pension and severance cost	6,506	6,931	57,575
Tax loss carryforwards	3,090	3,671	27,345
Investment securities	1,969	2,103	17,425
Tax deduction of foreign subsidiaries	2,449	3,144	21,673
Provision for NAS Battery safety measures	1,657	2,390	14,664
Provision for loss related to competition law	1,313	-	11,619
Provision for product warranties	686	345	6,071
Other	3,631	4,170	32,133
Total	41,877	44,194	370,593
Less: valuation allowance	(12,478)	(14,821)	(110,425)
Offset with deferred tax liabilities	(8,740)	(9,028)	(77,345)
Net deferred tax assets	¥ 20,659	¥ 20,345	$ 182,823
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 7,668	¥ 10,810	$ 67,859
Deferred gains on sales of property	1,029	1,173	9,106
Undistributed earnings of foreign subsidiaries	6,404	6,502	56,673
Fixed asset	4,085	1,901	36,150
Net defined benefit asset	1,176	5,027	10,407
Securities contributed to retirement benefit trust	1,414	1,499	12,513
Other	822	2,247	7,274
Total	22,598	29,159	199,982
Offset with deferred tax assets	(8,740)	(9,028)	(77,345)
Net deferred tax liabilities	¥ 13,858	¥ 20,131	$ 122,637

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2016, with the corresponding figures for 2015 is as follows:

	2016	2015
Normal effective statutory tax rate	32.9 %	35.4 %
Expenses not deductible for income tax purposes	3.4	7.1
Income excluded from income tax such as dividends received	(0.5)	(3.4)
Decrease in valuation allowance	(2.3)	(5.8)
Undistributed earnings of foreign subsidiaries	(0.1)	1.5
Effect of tax rate reduction	0.8	0.8
Lower income tax rates applicable to income in certain foreign countries	(2.5)	(4.4)
Tax credit of foreign subsidiaries	(4.3)	(4.5)
Tax credit of research and development costs	(2.3)	(1.3)
Equity in earnings of unconsolidated subsidiaries and associated companies	(0.5)	(0.3)
Other - net	0.3	(0.3)
Actual effective tax rate	24.3 %	24.8 %

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, to approximately 30.7% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.5%.The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥106 million ($938 thousand) and accumulated other comprehensive income for defined retirement benefit plans by ¥331 million ($2,929 thousand), to increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥466 million ($4,124 thousand) in the consolidated balance sheet as of March 31, 2016 and to increase income taxes – deferred in the consolidated statement of income for the year then ended by ¥269 million ($2,381 thousand).

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥17,410 million ($154,071 thousand) and ¥13,943 million for the years ended March 31, 2016 and 2015, respectively, which included consigned research costs of ¥1,374 million ($12,159 thousand) and ¥876 million for the years ended March 31, 2016 and 2015, respectively.

12. LEASES

The minimum rental commitments under noncancelable operating leases at March 31, 2016, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 306	$ 2,708
Due after one year	988	8,743
Total	¥ 1,294	$ 11,451

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group policy for financial instruments

The Group raises funds through borrowings from banks or other financial institutions. Temporary excess funds are invested mainly in low-risk financial assets. It is the Group's policy to use derivatives not for speculation, but for hedging the risks from operating receivables, payables, and borrowings.

(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. The risk is insignificant with respect to the held-to-maturity bonds because investments in bonds are limited to highly rated 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 almost all trade payables, including notes and accounts, are less than four months.

The borrowings from banks and other financial institutions are principally raised for capital investment, and their maximum maturities do not exceed 11 years and 11 months after the balance sheet date. All such long-term debts carry fixed-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 and interest rate swaps, which are for hedging foreign exchange 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 details 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 that are shown in Note 14 do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(a) Fair values of financial instruments

	Millions of yen		
March 31, 2016	**Carrying amount**	**Fair value**	**Unrealized gain/loss**
Cash and cash equivalents	¥ 136,065	¥ 136,065	-
Time deposits	12,322	12,322	-
Notes and accounts receivable:			
Trade notes and accounts	102,576	102,570	¥ (6)
Marketable and investment securities	95,591	99,817	4,226
Short-term borrowings	(4,550)	(4,550)	-
Notes and accounts payable:			
Trade notes and accounts	(35,197)	(35,197)	-
Income taxes payable	(7,137)	(7,137)	-
Long-term debt, including current potion	(159,423)	(167,316)	(7,893)
Derivatives	448	448	-

	Millions of yen		
March 31, 2015	**Carrying amount**	**Fair value**	**Unrealized gain/loss**
Cash and cash equivalents	¥ 128,617	¥ 128,617	-
Time deposits	11,416	11,416	-
Notes and accounts receivable:			
Trade notes and accounts	88,979	88,957	¥ (22)
Marketable and investment securities	104,444	106,305	1,861
Short-term borrowings	(4,320)	(4,320)	-
Notes and accounts payable:			
Trade notes and accounts	(35,737)	(35,735)	2
Income taxes payable	(3,480)	(3,480)	-
Long-term debt, including current potion	(151,883)	(157,175)	(5,292)
Derivatives	157	157	-

	Thousands of U.S. Dollars		
March 31, 2016	**Carrying amount**	**Fair value**	**Unrealized gain/loss**
Cash and cash equivalents	$ 1,204,115	$ 1,204,115	-
Time deposits	109,044	109,044	-
Notes and accounts receivable:			
Trade notes and accounts	907,753	907,699	$ (54)
Marketable and investment securities	845,938	883,336	37,398
Short-term borrowings	(40,265)	(40,265)	-
Notes and accounts payable:	(311,478)	(311,478)	-
Trade notes and accounts			
Income taxes payable	(63,159)	(63,159)	-
Long-term debt, including current potion	(1,410,823)	(1,480,673)	(69,850)
Derivatives	3,973	3,973	-

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 majority of receivables are measured at the carrying amount 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 the majority of marketable and investment securities are measured at the quoted market price. The carrying amount of some securities represents the fair value because the fair value approximates such carrying amount. The fair value information for the marketable and investment securities by classification is included in Note 3.

Notes and accounts payables, short-term borrowings, and income taxes payable

The fair values of these financial instruments approximate the carrying amount because of their short maturities.

Long-term debt, including current portion

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

The long-term debt with floating interest rates and hedged with interest rate swaps are accounted for together with the hedging swaps, and the fair values of such debt are measured by discounting the total cash flows from the payables and hedging swaps at the Group's assumed corporate borrowing rate.

Derivatives

The fair value information for derivatives is included in Note 14.

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	**2015**	**2016**
Investments in equity instruments that do not have a quoted market price in an active market			
Stock of associated companies	¥ 386	¥ 331	$ 3,416
Other	2,091	2,112	18,504

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

March 31, 2016	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 136,065	-	-	-
Notes and accounts receivable:				
Trade notes and accounts	102,509	¥ 67	-	-
Held-to-maturity securities				
Debt securities	7,548	12,466	-	-
Total	¥ 246,122	¥ 12,533	-	-

March 31, 2016	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	$ 1,204,115	-	-	-
Notes and accounts receivable:				
Trade notes and accounts	907,160	$ 593	-	--
Held-to-maturity securities				
Debt securities	66,796	110,319	-	-
Total	$ 2,178,071	$ 110,912	-	-

Please see Note 6 for annual maturities of long-term debt.

14. DERIVATIVES

The Group enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts, interest rate and currency swaps, and interest rate swap contracts. The foreign exchange forward contracts are entered into in order to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The interest rate and currency swaps 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 that require approval and reporting of all derivative transactions.

Derivative transactions to which hedge accounting is not applied at March 31, 2016 and 2015, were as follows:

	Millions of Yen			
March 31, 2016	**Contract Amount**	**Contract Amount Due After One Year**	**Fair Value**	**Unrealized Gain/(Loss)**
Foreign currency forward contracts:				
Selling U.S.$	¥ 8,788	-	¥ 374	¥ 374
Selling Euro	6,069	-	84	84
Selling Swiss franc	26	-	0	0
Buying U.S.$	205	-	(10)	(10)
Buying Euro	12	-	1	1
Buying Japanese yen	9	-	(0)	(0)
Total	¥ 15,109	-	¥ 449	¥ 449

	Millions of Yen			
March 31, 2015	**Contract Amount**	**Contract Amount Due After One Year**	**Fair Value**	**Unrealized Gain/(Loss)**
Foreign currency forward contracts:				
Selling U.S.$	¥ 6,092	-	¥ (26)	¥ (26)
Selling Euro	5,637	-	182	182
Selling Swiss franc	0	-	(0)	(0)
Buying U.S.$	196	-	(10)	(10)
Buying Euro	72	-	0	0
Buying Japanese yen	10	-	(0)	(0)
Total	¥ 12,007	-	¥ 146	¥ 146

	Thousands of U.S. Dollars			
March 31, 2016	**Contract Amount**	**Contract Amount Due After One Year**	**Fair Value**	**Unrealized Gain/(Loss)**
Foreign currency forward contracts:				
Selling U.S.$	$ 77,770	-	$ 3,309	$ 3,309
Selling Euro	53,708	-	743	743
Selling Swiss franc	230	-	0	0
Buying U.S.$	1,814	-	(88)	(88)
Buying Euro	106	-	9	9
Buying Japanese yen	80	-	(0)	(0)
Total	$ 133,708	-	$ 3,973	$ 3,973

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, 2016 and 2015, were as follows:

		Millions of Yen		
March 31, 2016	**Hedged Item**	**Contract Amount**	**Contract Amount Due After One Year**	**Fair Value**
Interest rate swaps:				
(Fixed rate payment, floating rate receipt) (※)	Long-term debt (including current portion)	¥ 35,231	¥ 15,000	-

		Millions of Yen		
March 31, 2015	**Hedged Item**	**Contract Amount**	**Contract Amount Due After One Year**	**Fair Value**
Interest rate swaps:				
(Floating rate payment, fixed-rate receipt)	Current portion of long-term debt	¥ 1,000	-	¥10
Interest rate swaps:				
(Fixed rate payment, floating rate receipt) (※)	Long-term Debt (including current portion)	41,231	¥ 35,231	-
Total		¥ 42,231	¥ 35,231	¥ 10

		Thousands of U.S. Dollars		
March 31, 2016	**Hedged Item**	**Contract Amount**	**Contract Amount Due After One Year**	**Fair Value**
Interest rate swaps:				
(Fixed rate payment, floating rate receipt) (※)	Long-term debt (including current portion)	$ 311,779	$ 132,743	-

(※) The above interest rate swaps that 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 is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of hedged items (i.e., long-term debt) in Note 13.

March 31, 2016	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due After One Year	 Fair Value
Interest rate and currency swaps:				
(Fixed rate payment, floating rate receipt)	Long-term debt			
(Japanese yen payment, U.S.$ receipt) (※)		¥ 10,000	¥ 10,000	-

March 31, 2015	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due After One Year	 Fair Value
Interest rate and currency swaps:				
(Fixed rate payment, floating rate receipt)	Long-term debt			
(Japanese yen payment, U.S.$ receipt) (※)		¥ 10,000	¥ 10,000	-

March 31, 2016	Hedged Item	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due After One Year	 Fair Value
Interest rate and currency swaps:				
(Fixed rate payment, floating rate receipt)	Long-term debt			
(Japanese yen payment, U.S.$ receipt) (※)		$ 88,496	$ 88,496	-

(※) The above interest rate and currency swaps that 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 is included in that of hedged items (i.e., long-term debt) in Note 13.

March 31, 2015	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due After One Year	 Fair Value
Foreign currency forward contracts:				
Selling U.S.$	Receivables	¥ 36	-	-

There were no foreign currency forward contracts to which hedge accounting was applied at March 31, 2016.

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

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 in the balance sheet at year-end, are not subject to the disclosure of market value information.

15. GUARANTEES OBLIGATION AND OTHER

a. Guarantee obligations

At March 31, 2016, the Group had guarantee obligations as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees for bank borrowings of employees	¥ 25	$ 221
Guarantees for bank borrowings of a business-related company	199	1,761

b. Contingent liability

The NGK Group is subject to an international investigation on the situation of competition. Since the receiving of a subpoena by a U.S. subsidiary of NGK Insulators, LTD. (NGK) from the U.S. Department of Justice (DOJ) in 2011, NGK has cooperated in the investigation concerning ceramic substrates for catalytic converters including establishing the Independent Committee in 2012. In September, 2015, NGK entered into a Plea Agreement with DOJ, agreeing to pay a fine of US$65.3 million based on charges that it violated U.S. laws including the antitrust law in connection with some transactions for ceramic substrates for catalytic converters, and paid the total amount in November 2015. We have entered into negotiations for compensation for damages with the relevant customers. In addition to some customers requiring monetary compensation, civil lawsuits (class action) have also been filed. In consideration of such progresses, the NGK Group made an estimate of potential losses, and recognized the estimated amount as of the end of the fiscal year ended March 31, 2016, as "provision for loss related to competition law," however, additional losses may arise with the emergence of new facts. Overall details of the investigation and negotiations are not disclosed because they may put the NGK Group at a disadvantage.

16. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2016, and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (8,141)	¥13,040	$ (72,044)
Reclassification adjustments to profit or loss	(751)	(850)	(6,646)
Amount before income tax effect	(8,892)	12,190	(78,690)
Income tax effect	3,305	(3,270)	29,248
Total	¥ (5,587)	¥ 8,920	$ (49,442)
Deferred loss on derivatives under hedge accounting:			
(Losses) arising during the year	-	¥ (2)	-
Reclassification adjustments to profit or loss	¥ (11)	(16)	$ (97)
Amount before income tax effect	(11)	(18)	(97)
Income tax effect	4	7	35
Total	¥ (7)	¥ (11)	$ (62)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (14,459)	¥ 9,879	$ (127,956)
Reclassification adjustments to profit or loss	333	(722)	2,947
Total	¥ (14,126)	¥ 9,157	$ (125,009)
Share of other comprehensive income in associates—			
(Losses) gains arising during the year	¥ (390)	¥ 437	$ (3,451)
Defined retirement benefit plans:			
(Losses) gains arising during the year	¥ (14,120)	¥3,384	$ (124,955)
Reclassification adjustments to profit or loss	1,008	3,964	8,920
Amount before income tax effect	(13,112)	7,348	(116,035)
Income tax effect	4,690	(3,361)	41,504
Total	¥ (8,422)	¥ 3,987	$ (74,531)
Total other comprehensive (loss) income	¥ (28,532)	¥22,490	$ (252,495)

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2016, and 2015, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2016	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥53,316	326,540	¥163.28	$1.445
Effect of dilutive securities:				
Stock options	-	608		
Diluted EPS—Net income for computation	¥53,316	327,148	¥162.97	$1.442
Year Ended March 31, 2015				
Basic EPS—Net income available to common shareholders	¥41,505	326,539	¥127.11	
Effect of dilutive securities:				
Stock options	-	612		
Diluted EPS—Net income for computation	¥41,505	327,151	¥126.87	

18. RELATED-PARTY DISCLOSURES

The Company had the following transactions with related parties for the years ended March 31, 2016 and 2015:

For the year ended March 31, 2016

Category	Company Name/Name	Address	Capital	Content of business/Occupation	Ratio of voting rights	Relationship	Summary of transactions	Amount	Account items	Balance at the end of fiscal year
Executive	Hiroyuki Kamano	-	-	Outside Director	-	-	Payment of consideration and expenses relating to the charge of chairman of an independent committee	¥21 million ($186 thousand)	Other accounts payable	¥0 million ($0 thousand)
Executive	Setsuo Tanaka	-	-	Outside Audit & Supervisory Board Member	-	-	Payment of consideration and expenses relating to the charge of a member of an independent committee	¥9 million ($80 thousand)	Other accounts payable	¥0 million ($0 thousand)

For the year ended March 31, 2015

Category	Company Name/Name	Address	Capital	Content of business/Occupation	Ratio of voting rights	Relationship	Summary of transactions	Amount	Account items	Balance at the end of fiscal year
Executive	Hiroyuki Kamano	-	-	Outside Director	-	-	Payment of consideration and expenses relating to the charge of chairman of an independent committee	¥47 million	-	-
Executive	Setsuo Tanaka	-	-	Outside Audit & Supervisory Board Member	-	-	Payment of consideration and expenses relating to the charge of a member of an independent committee	¥25 million	-	-
Company owned by the directors and their close relatives, holding the majority of the voting rights (including its subsidiaries)	Yoshimura Sangyo Kabushiki Kaisya	Ena-shi, Gifu-ken	¥10 million ($83 thousand)	Manufacture of clay for ceramics	(Held) Direct 0.0%	Purchase of raw materials	Purchase of clay/silica sand	¥13 million	-	-

Notes 1. The above "Amount" does not include consumption tax; the balance includes consumption tax.
2. Transaction terms and policy for determining transaction terms
Transactions stated above were determined through negotiations with reference to the prevailing market price.
3. As ex-director Atoshi Yoshimura retired at the Annual Shareholders' Meeting held on June 27, 2014, Yoshimura Sangyo Kabushiki Kaisha was excluded from the disclosure of related parties as of the same date. Therefore, the amount of the transactions with Yoshimura Sangyo Kabushiki Kaisha for the year ended March 31, 2015 covers the period up to June 27, 2014.

A consolidated subsidiary had the following transactions with related parties for the years ended March 31, 2015 as follows:

For the year ended March 31, 2015

Category	Company name	Address	Capital	Content of business	Ratio of voting rights	Relationship	Summary of transactions	Amount	Account items	Balance at the end of fiscal year
Company owned by the directors and their close relatives, holding the majority of the voting rights (including its subsidiaries)	Yoshimura Sangyo Kabushiki Kaisya	Ena-shi, Gifu-ken	¥10 million ($83 thousand)	Manufacture of clay for ceramics	(Held) Direct 0.0%	Purchase of raw materials	Purchase of clay/silica sand	¥18 million ($150 thousand)	-	-

Notes 1. The above "Amount" does not include consumption tax; the balance includes consumption tax.
2. Transaction terms and policy for determining transaction terms
Transactions stated above were determined through negotiations with reference to the prevailing market price.
3. As ex-director Atoshi Yoshimura retired at the Annual Shareholders' Meeting held on June 27, 2014, Yoshimura Sangyo Kabushiki Kaisha was excluded from the disclosure of related parties as of the same date. Therefore, the amount of the transactions with Yoshimura Sangyo Kabushiki Kaisha for the year ended March 31, 2015 covers the period up to June 27, 2014.

19. SUBSEQUENT EVENTS

a. *Appropriations of Retained Earnings*

The following appropriation of retained earnings at March 31, 2016, was approved at the Company's shareholders' meeting held on June 29, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥20 ($0.18) per share	¥6,532	$57,805

b. *Acquisition of Treasury Stocks*

The Company resolved to acquire its own shares based on Article 156 of the Companies Act, which is applicable in accordance with Article 165, Paragraph 3 of the same law at a meeting of the Board of Directors held on April 28, 2016.

1. Objective of the Acquisition of Treasury Stocks
   To improve capital efficiency and enable the Company to flexibly exercise its capital policy in response to the changing managerial environment.

2. Details of the Acquisition

(1) Types of shares to be acquired	Shares of common stock
(2) Total numbers of shares to be acquired	Up to 10 million shares (3.06% of the total number of outstanding shares excluding treasury shares)
(3) Total value of shares to be acquired	Up to 20,000 million yen ($ 176,991 thousand)
(4) Acquisition period	From May 2, 2016 to June 28, 2016
(5) Acquisition method	Market purchases I. Purchase through Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange II. Purchase in the market through a trust bank

3. Results of the Acquisition

(1) Types of shares to be acquired	Shares of common stock
(2) Total numbers of shares to be acquired	5,000,000 shares
(3) Total value of shares to be acquired	11,175 million yen ($ 98,893 thousand)
(4) Acquisition period	From May 2, 2016 to June 28, 2016

20. 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 Disclosures," 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 horns, bushing shells, fuse cut-outs, APM, line arresters, and NAS ® (sodium sulfur) batteries
Ceramics products	Automotive ceramics for exhaust gas purification, corrosion-resistant ceramic apparatuses for chemical industries, gas analyzers, industrial heating systems, refractory products, and radioactive waste treatment systems
Electronics	Ceramic component for semiconductor manufacturing equipment, ceramic components for electronics, beryllium copper products, and molds

(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					
	2016					
	Reportable segment					
	Power	Ceramics	Electronics	Total	Reconciliations	Consolidated
Sales						
Sales to customers	¥ 83,505	¥ 250,862	¥ 101,431	¥ 435,798	-	¥ 435,798
Intersegment sales or transfers	42	262	-	304	¥ (304)	-
Total	¥ 83,547	¥ 251,124	¥ 101,431	¥ 436,102	¥ (304)	¥ 435,798
Segment profit	¥ 2,577	¥ 70,651	¥ 7,670	¥ 80,898	-	¥ 80,898
Segment assets	96,877	324,124	104,203	525,204	¥ 186,693	711,897
Other:						
Depreciation and amortization	3,341	18,610	5,415	27,366	-	27,366
Impairment losses on assets	2,660	1,115	658	4,433	19	4,452
Increase in property, plant, and equipment and intangible assets	3,350	26,525	12,793	42,668	2,769	45,437

	Millions of Yen					
	2015					
	Reportable segment					
	Power	Ceramics	Electronics	Total	Reconciliations	Consolidated
Sales						
Sales to customers	¥ 72,804	¥ 227,101	¥ 78,760	¥ 378,665	-	¥ 378,665
Intersegment sales or transfers	43	97	-	140	¥ (140)	-
Total	¥ 72,847	¥ 227,198	¥ 78,760	¥ 378,805	¥ (140)	¥ 378,665
Segment (loss) profit	¥ (2,352)	¥57,614	¥ 6,295	¥ 61,557	¥ 20	¥ 61,577
Segment assets	93,938	293,416	97,871	485,225	217,009	702,234
Other:						
Depreciation and amortization	3,110	18,844	3,578	25,532	-	25,532
Impairment losses on assets	-	-	118	118	-	118
Increase in property, plant, and equipment and intangible assets	2,687	20,855	5,254	28,796	1,570	30,366

	Power	Ceramics	Electronics	Total	Reconciliations	Consolidated
	Thousands of U.S. Dollars					
	2016					
	Reportable segment					
Sales						
Sales to customers	$ 738,982	$ 2,220,018	$ 897,619	$ 3,856,619	-	$ 3,856,619
Intersegment sales or transfers	372	2,319	-	2,691	$ (2,691)	-
Total	$ 739,354	$ 2,222,337	$ 897,619	$ 3,859,310	$ (2,691)	$ 3,856,619
Segment profit	$ 22,805	$ 625,230	$ 67,876	$ 715,911	-	$ 715,911
Segment assets	857,319	2,868,354	922,150	4,647,823	$ 1,652,150	6,299,973
Other:						
Depreciation and amortization	29,566	164,691	47,920	242,177	-	242,177
Impairment losses on assets	23,540	9,867	5,823	39,230	168	39,398
Increase in property, plant, and equipment and intangible assets	29,646	234,735	113,212	377,593	24,504	402,097

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 was ¥228,415 million ($2,021,372 thousand) and ¥258,132 million at March 31, 2016 and 2015, respectively, mainly consisting of surplus funds (cash and marketable securities), long-term investment funds (investment securities), and the assets of administrative departments.
3. The increase in property, plant, and equipment and intangible assets in other relates to the increase in corporate departments.

Information about Geographical Areas

(1) Sales

Millions of Yen

2016							
	North America		Europe			Other	
Japan	USA	Others	Germany	Others	Asia	Areas	Total
¥126,712	¥87,960	¥6,440	¥46,569	¥52,385	¥92,195	¥23,537	¥435,798

Millions of Yen

2015							
	North America		Europe			Other	
Japan	USA	Others	Germany	Others	Asia	Areas	Total
¥107,891	¥78,897	¥5,707	¥43,666	¥49,115	¥69,181	¥24,208	¥378,665

Thousands of U.S. Dollars							
2016							
	North America		Europe			Other	
Japan	USA	Others	Germany	Others	Asia	Areas	Total
$1,121,345	$778,407	$56,991	$412,115	$463,584	$815,885	$208,292	$3,856,619

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

(2) Property, plant, and equipment

Millions of Yen								
2016								
	North America			Europe			Other	
Japan	USA	Mexico	Others	Poland	Others	Asia	Areas	Total
¥91,397	¥20,742	¥24,125	¥10	¥38,216	¥3,442	¥26,610	¥452	¥204,994

Millions of Yen								
2015								
	North America			Europe			Other	
Japan	USA	Mexico	Others	Poland	Others	Asia	Areas	Total
¥86,872	¥22,029	¥27,846	¥12	¥27,090	¥3,477	¥31,332	¥602	¥199,260

Thousands of U.S. Dollars								
2016								
	North America			Europe			Other	
Japan	USA	Mexico	Others	Poland	Others	Asia	Areas	Total
$808,823	$183,557	$213,495	$88	$338,195	$30,460	$235,487	$4,000	$1,814,105

Notes:
Prior to April 1 2015, the China segment was disclosed separately in the Asia section as “China” under property, plant, and equipment. During this fiscal year ended March 31, 2016, the materiality of the amount decreased and such amount is included in the Asia section.

* * * * * *

Subsidiaries and Affiliated Companies

As of March 31, 2016

JAPAN

	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■ENERGY SUPPORT CORPORATION	100	Power distribution equipment
■AKECHI INSULATORS, LTD.	100	Electrical insulators
■IKEBUKURO HORO KOGYO CO., LTD.	78.9	Glass-lined reactors & tanks for chemical processing industries
■NGK CHEM-TECH, LTD.	100	Chemical equipment and maintenance
■NGK FILTECH, LTD.	100	Membrane separation systems
■NGK ADREC CO., LTD.	100	Refractories/kiln furniture
■NGK KILNTECH CORPORATION	100	Thermal process engineering & products
■HEISEI CERAMICS CO., LTD.	100	Refractories/kiln furniture
■NGK OKHOTSK, LTD.	100	Jig for ceramics production
■NGK METEX CORPORATION	100	Beryllium copper wrought products
■NGK FINE MOLDS, LTD.	100	Molds
■NGK CERAMIC DEVICE CO., LTD.	100	Ceramic electronic components
■SOSHIN ELECTRIC CO., LTD.	40.6	Electronic components and devices
■NGK ELECTRONICS DEVICES, INC.	100	Ceramic packages for semiconductors and ceramic electronic components
●METAWATER CO., LTD.	28.9	Environmental protection systems
●NGK LIFE CO., LTD.	100	Operation of a golf course

Other Group Companies

■KANSAI ENERGYS CORPORATION	■KYUSYU ENERGYS CORPORATION	■HOKURIKU ENERGYS CORPORATION	■TOKAI ENERGYS CORPORATION
■ENERGYS SANGYO CORPORATION	■SOSHIN DEVICE CO., LTD.	■RISSHIN ELECTRONICS CO., LTD.	■SOSHIN POWERTECH CO., LTD.
NGK SPORTS PLANNING CO., LTD.	NGK YU-SERVICE CO., LTD.	NGK TECHNICA, LTD.	NGK BUILDING SERVICE, LTD.
NGK LOGISTICS, 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	Ceramics for semiconductor manufacturing equipment
■FM INDUSTRIES, INC.	100	Modules for semiconductor production equipment

EUROPE AND AFRICA

	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■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

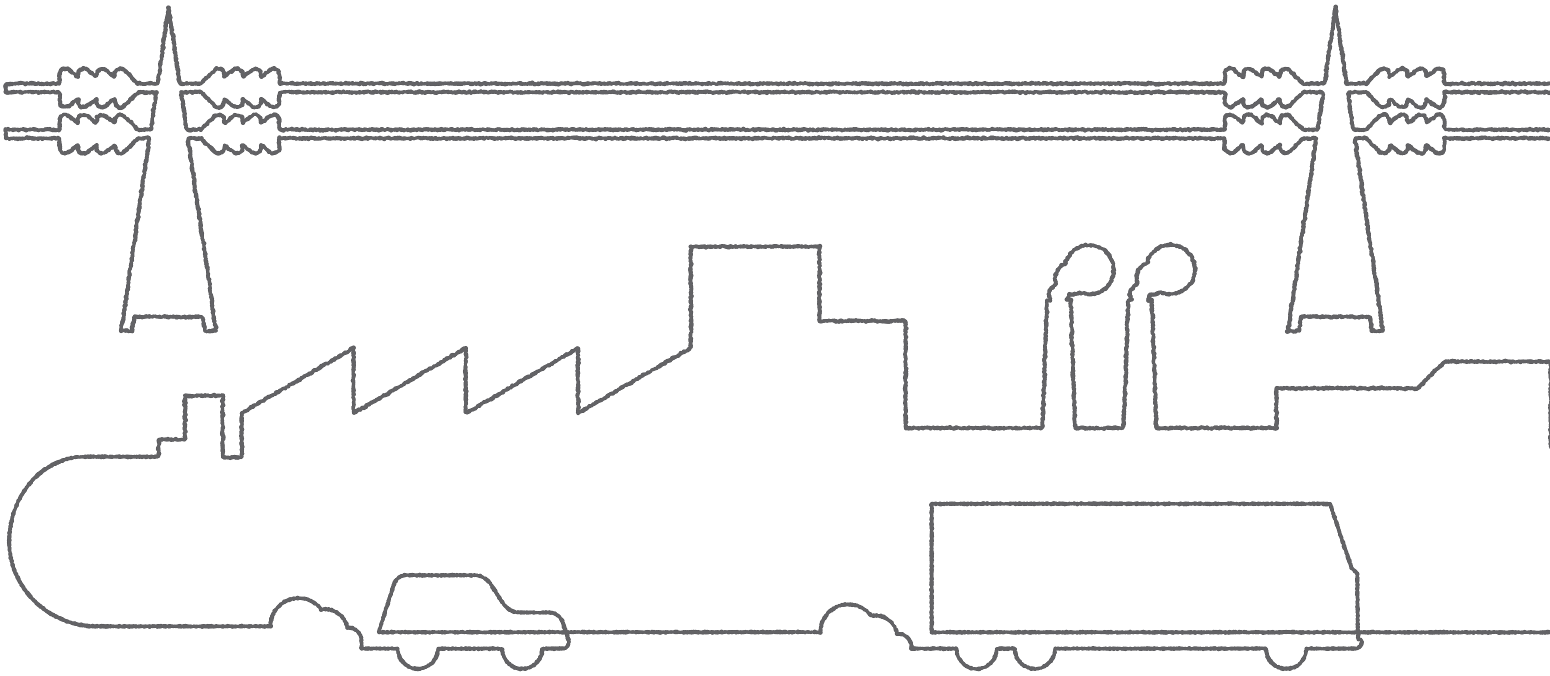
ASIA PACIFIC

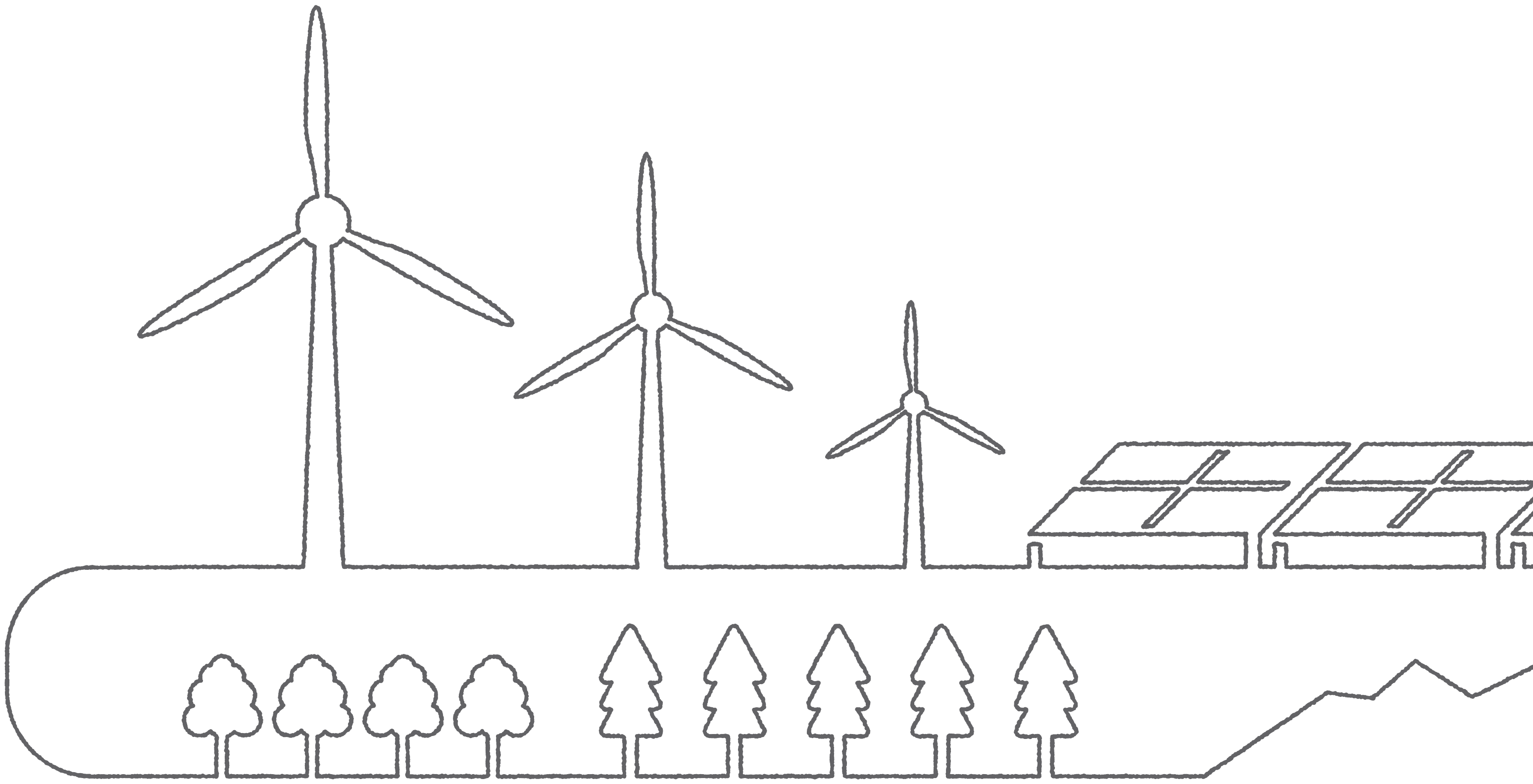
	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■NGK INSULATORS TANGSHAN CO., LTD.	100	Electrical insulators
■NGK STANGER PTY. LTD.	100	Power distribution equipment
■NGK INSULATORS (CHINA) INVESTMENT CO., LTD.	100	Electrical insulators and beryllium copper products
■P.T. NGK CERAMICS INDONESIA	97.8	Automotive ceramics
■SIAM NGK TECHNOCERA CO., LTD.	100	Refractories/kiln furniture
■NGK CERAMICS (THAILAND) CO., LTD.	95	Automotive ceramics
■NGK CERAMICS SUZHOU CO., LTD.	100	Automotive ceramics
■NGK TECHNOCERA SUZHOU CO., LTD.	100	Thermal process engineering & products, refractories/kiln furniture

Other Group Companies

■ENERGY ELECTRIC (SHANGHAI) CORPORATION	■SOSHIN ELECTRONICS OF AMERICA, INC	NGK AUTOMOTIVE CERAMICS KOREA CO., LTD.
■NGK MATERIAL USA, INC.	■SOSHIN ELECTRONICS (HK) LIMITED	NGK TECHNOLOGIES INDIA PVT. LTD.
■NGK AUTOMOTIVE CERAMICS MEXICO, S. DE R.L. DE C.V.	■SOSHIN ELECTRONICS (SZ) LIMITED	NGK ITALY S.R.L.
■NGK ELECTRONICS DEVICES (M) SDN. BHD.	■SOSHIN ELECTRONICS (M) SDN. BHD.	TAIWAN SOSHIN ELECTRIC CO., LTD.
■NGK GLOBETRONICS TECHNOLOGY SDN. BHD.	■NGK INSULATORS SUZHOU CO., LTD.	SOSHIN ELECTRONICS EUROPE GMBH
■NGK ELECTRONICS DEVICES SUZHOU CO., LTD.		NGK ELECTRONICS DEVICES ASIA SDN. BHD.

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





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