

Consolidated financial reports under Japanese GAAP for the fiscal year ended March 31, 2007

URL <http://www.ngkntk.co.jp>
 Stock listing Tokyo 1st section, Nagoya 1st section
 Code number 5334
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Consolidated financial highlights

	(Millions of yen)		
	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007	Fiscal year ending March 31, 2008 (Forecast)
Net sales:			
Automotive components			
Spark & glow plugs	98,298	112,653	122,764
Automotive sensors	66,981	72,948	77,800
Subtotal	165,279	185,601	200,564
Communication media components & technical ceramics			
Communication media components	94,138	130,555	115,307
Technical ceramics	21,894	23,891	24,840
Subtotal	116,032	154,446	140,147
Others	3,644	4,937	4,366
Elimination	(71)	(94)	(77)
Total net sales	284,884	344,891	345,000
Operating income:			
Automotive components	29,356	33,199	32,392
Communication media components & technical ceramics	12,114	19,162	8,061
Others	42	39	47
Total operating income	41,513	52,401	40,500
Ordinary income	43,130	53,855	42,100
Net income	25,104	34,072	26,600
Per share (Yen)			
Net income (Basis)	112.82	154.24	120.65
Equity	1,166.97	1,302.52	1,396.17
Cash dividends	20.00	27.00	27.00
Operating income ratio (%)	14.6%	15.2%	11.7%
Return on equity (%)	10.5%	12.5%	8.9%
Dividend payout ratio (%)	17.7%	17.5%	22.4%
Actual exchange rate (Yen)			
Yen - U.S. dollar	113	117	115
Yen - Euro	138	150	150
Capital expenditure:			
Automotive components	18,534	17,667	26,548
Communication media components & technical ceramics	8,360	11,411	38,442
Others	24	191	10
Total capital expenditure	26,919	29,271	65,000
Depreciation:			
Automotive components	8,607	10,586	13,976
Communication media components & technical ceramics	6,644	8,259	13,809
Others	15	15	15
Total depreciation	15,268	18,861	27,800

Note: The dividend for the fiscal ended March 31, 2007 includes 3.00 yen of commemorative dividends on the 70th anniversary of the NGK Spark Plug Co., Ltd.

Disclaimer regarding forward-looking statements.

This document contains forward-looking statements. These statements are based on internal projections and estimates and should not be interpreted as representation that quantitative or qualitative objectives therein will be fulfilled.

Consolidated financial statements

Consolidated balance sheet

					(Millions of yen)
	March 31, 2006		March 31, 2007		Increase (decrease)
Assets					
Current assets:					
Cash and time deposit	64,327		58,445		(5,882)
Notes and accounts receivable, trade	54,243		61,716		7,473
Securities	24,070		17,789		(6,280)
Inventories	51,127		65,433		14,305
Deferred tax assets	8,505		9,960		1,455
Other current assets	8,853		10,286		1,433
Allowance for doubtful accounts	(224)		(302)		(78)
Total current assets	210,902	54.6%	223,328	54.0%	12,426
Fixed assets:					
Tangible assets:					
Building and structures	41,087		43,687		2,599
Machinery and vehicles	36,557		43,829		7,271
Land	16,385		16,846		461
Construction in progress	4,744		12,638		7,894
Other tangible assets	1,917		2,265		348
Total tangible assets	100,691	26.1%	119,267	28.8%	18,575
Intangible assets:					
Software	199		946		747
Consolidated goodwill	581		753		172
Total intangible assets	780	0.2%	1,699	0.4%	919
Investment and other assets:					
Investments securities	70,884		64,941		(5,942)
Deferred tax assets	1,173		1,263		89
Other assets	1,894		3,376		1,482
Allowance for doubtful accounts	(91)		(108)		(16)
Total investment and other assets	73,860	19.1%	69,472	16.8%	(4,387)
Total fixed assets	175,332	45.4%	190,440	46.0%	15,107
Total assets	386,235	100.0%	413,769	100.0%	27,533

(Millions of yen)

	March 31, 2006		March 31, 2007		Increase (decrease)
Liabilities					
Current liabilities:					
Accounts payable, trade	29,513		32,809		3,295
Short-term borrowing	10,462		15,468		5,005
Bonds due within one year	10,000		-		(10,000)
Income taxes payable	11,044		11,188		143
Deferred tax liabilities	215		198		(16)
Other current liabilities	23,055		24,992		1,937
Total current liabilities	84,290	21.8%	84,657	20.5%	366
Fixed liabilities:					
Bonds	16,099		16,099		-
Employee retirement benefit liability	14,186		14,166		(20)
Accrued severance indemnities for officers	985		740		(244)
Negative consolidated goodwill	-		53		53
Deferred tax liabilities	9,042		7,901		(1,140)
Other fixed liabilities	864		1,174		310
Total fixed liabilities	41,178	10.7%	40,134	9.7%	(1,043)
Total liabilities	125,468	32.5%	124,792	30.2%	(676)
Net assets					
Shareholders' equity:					
Common stock	47,869	12.4%	47,869	11.5%	-
Capital surplus	55,167	14.3%	55,170	13.3%	3
Retained earnings	138,202	35.8%	166,642	40.3%	28,439
Less, treasury stock at cost	(6,454)	(1.7%)	(10,052)	(2.4%)	(3,598)
Total shareholders' equity	234,784	60.8%	259,629	62.7%	24,844
Valuation and adjustment:					
Net unrealized gains on available-for-sale securities	27,831	7.2%	26,837	6.5%	(994)
Foreign currency translation adjustment	(3,403)	(0.9%)	703	0.2%	4,106
Total valuation and adjustment	24,428	6.3%	27,541	6.7%	3,112
Minority interests in consolidated subsidiaries	1,552	0.4%	1,805	0.4%	253
Total net assets	260,766	67.5%	288,976	69.8%	28,210
Total liabilities and net assets	386,235	100.0%	413,769	100.0%	27,533
Number of shares (shares)					
- Issued common stock	229,544,820	shares	229,544,820	shares	
- Treasury stock	7,508,304	shares	9,071,938	shares	
Accumulated depreciation of tangible assets	210,340		225,406		
Investments in unconsolidated subsidiaries & affiliates	5,094		5,809		
Contingent liabilities					
Guarantees of indebtedness principles of employees	174		149		
Note receivable discounted	461		514		
Export bills discounted	0		-		

Consolidated statement of operations

	Fiscal year ended March 31				(Millions of yen)
	2006		2007		Increase (Decrease)
Net sales	284,884	100.0%	344,891	100.0%	60,006
Costs of goods sold	203,337	71.4%	248,564	72.1%	45,227
Gross profit on sales	81,547	28.6%	96,326	27.9%	14,779
Selling, general and administrative expenses:					
Selling expenses	23,500		25,940		2,439
General and administrative expenses	16,532		17,984		1,451
Total S.G.A.	40,033	14.0%	43,924	12.7%	3,890
Operating income	41,513	14.6%	52,401	15.2%	10,888
Other income:					
Interest income	834		1,386		551
Dividend income	460		817		357
Amortization of consolidated goodwill	-		21		21
Income of rentals on fixed assets	804		842		38
Equity in net earnings of affiliates	673		481		(191)
Foreign exchange gain	485		186		(298)
Miscellaneous income	1,020		1,076		55
Total other income	4,279	1.5%	4,812	1.4%	533
Other expenses:					
Interest expenses	674		906		231
Depreciation of rentals on fixed assets	701		658		(43)
Loss on disposal of inventory	299		194		(104)
Warranty	500		568		67
Miscellaneous loss	486		1,032		545
Total other expenses	2,662	1.0%	3,359	1.0%	697
Ordinary income	43,130	15.1%	53,855	15.6%	10,724
Extraordinary profit:					
Gain on sales of fixed assets	16		55		39
Gain on sales of investment securities	10		85		74
Total extraordinary profit	26	0.0%	140	0.1%	114
Extraordinary losses:					
Loss on sale or disposal of fixed assets	633		610		(22)
Impairment loss on fixed assets	737		-		(737)
Depreciation expenses resulting from revision of residual value	2,749		-		(2,749)
Loss on sales of investment securities	5		-		(5)
Total extraordinary losses	4,125	1.4%	610	0.2%	(3,514)
Income before income taxes and minority interests	39,032	13.7%	53,385	15.5%	14,353
Income taxes:					
Current	16,926		21,079		4,153
Deferred	(3,161)		(2,011)		1,149
Total income taxes	13,765	4.8%	19,067	5.5%	5,302
Less, minority interests in net income of consolidated subsidiaries	162	0.1%	244	0.1%	81
Net income	25,104	8.8%	34,072	9.9%	8,968
Net income per common share (yen)					
- Basis	112.82	yen	154.24	yen	
- Diluted	106.91	yen	146.44	yen	

(Millions of yen)

	Fiscal year ended March 31	
	2006	2007
The major components of selling, general and administrative expenses		
Depreciation	923	973
Provision for allowance for doubtful accounts	82	145
Net periodic retirement benefit expense	812	682
Provision for officers' severance indemnities	253	253
Salaries and bonuses	13,584	14,913
Packing and transport	4,046	4,964
Sales commission	2,309	2,232
Advertising	3,284	3,527
Research and development	2,844	2,841

Note 1. Since fiscal year ended March 31, 2007, we have adopted Accounting Standard for Directors' Bonus (ASBJ Statement No.4), which issued by Accounting Standards Board of Japan on November 29, 2005. This standard stipulates that officers' bonus shall be accounted for as an expense of the accounting period in which such bonuses are accrued. As a result, for the year ended March 31, 2007, operating income, ordinary income and net income decreased by 113 million yen, as compared with the previous accounting method.

2. We have adopted new accounting standards for business combinations and business divestitures since fiscal year ended March 31, 2007. Those standards stipulate that consolidated goodwill and its amortization should be booked in the gross amounts in principle. As a result, for the year ended March 31, 2007, operating income decreased by 21 million yen, as compared with the previous accounting method. Ordinary income and net income had no impact.

New accounting standards for business combinations and business divestitures are as follows.

- Accounting Standard for Business Combination, issued by Business Accounting Council on October 31, 2003
- Accounting Standard for Business Divestitures (ASBJ Statement No.7), issued by Accounting Standards Board of Japan on December 27, 2005
- Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures (ASBJ Guidance No.10), issued by Accounting Standards Board of Japan on December 27, 2005

Consolidated statement of net assets

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Total valuation and adjustment	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2006	47,869	54,826	117,394	(6,808)	213,282	15,352	(7,701)	7,650	1,078	222,011
Net income	-	-	25,104	-	25,104					25,104
Dividends	-	-	(4,207)	-	(4,207)					(4,207)
Bonus to directors and corporate auditors	-	-	(88)	-	(88)					(88)
Purchase of treasury stock	-	-	-	(210)	(210)					(210)
Sales of treasury stock	-	340	-	564	905					905
Other, net						12,479	4,297	16,777	474	17,252
Total change	-	340	20,808	354	21,502	12,479	4,297	16,777	474	38,755
Balance at March 31, 2006	47,869	55,167	138,202	(6,454)	234,784	27,831	(3,403)	24,428	1,552	260,766
Net income	-	-	34,072	-	34,072					34,072
Dividends	-	-	(5,529)	-	(5,529)					(5,529)
Bonus to directors and corporate auditors	-	-	(103)	-	(103)					(103)
Purchase of treasury stock	-	-	-	(3,601)	(3,601)					(3,601)
Sales of treasury stock	-	3	-	3	6					6
Other, net						(994)	4,106	3,112	253	3,365
Total change	-	3	28,439	(3,598)	24,844	(994)	4,106	3,112	253	28,210
Balance at March 31, 2007	47,869	55,170	166,642	(10,052)	259,629	26,837	703	27,541	1,805	288,976

Consolidated statement of cash flows

	(Millions of yen)		
	Fiscal year ended March 31		Increase
	2006	2007	(Decrease)
Cash flow from operating activities:			
Income before income taxes and minority interests	39,032	53,385	14,353
Depreciation	18,017	18,861	843
Impairment loss on fixed assets	737	-	(737)
Amortization of consolidated goodwill	64	178	114
Net (decrease) / increase in allowance for retirement benefit for employees	433	(38)	(471)
Interest and dividend income	(1,295)	(2,203)	(908)
Equity in net earnings of affiliates	(673)	(481)	191
Interest expenses	674	906	231
Gain on sales of investment securities	(10)	(85)	(74)
Loss on sales of investment securities	5	-	(5)
Gain on sales of fixed assets	(16)	(55)	(39)
Loss on sales or disposal of fixed assets	633	610	(22)
Net increase in accounts receivables, trade	(10,005)	(5,920)	4,085
Net increase in inventory	(3,003)	(11,928)	(8,925)
Net increase in accounts payable, trade	1,558	2,432	874
Other, net	315	233	(81)
Subtotal	46,467	55,895	9,427
Interest and dividend received	1,481	2,171	689
Interest paid	(670)	(908)	(238)
Income taxes paid	(12,528)	(20,676)	(8,147)
Net cash provided by operating activities	34,749	36,481	1,731
Cash flow from investing activities:			
Net decrease / (increase) in fixed-term deposit	(2,565)	3,326	5,891
Purchase of securities	(15,560)	(17,829)	(2,269)
Sales of securities	19,927	26,929	7,001
Purchase of investment securities	(8,318)	(845)	7,473
Sales of investment securities	1,027	3,101	2,073
Purchase of shares of subsidiaries	(67)	(562)	(494)
Net decrease by an acquisition of share of a new subsidiary	(468)	-	468
Purchase of tangible fixed assets	(24,560)	(36,420)	(11,860)
Sales of tangible fixed assets	84	210	126
Net (increase) / decrease in loans	9	(16)	(26)
Other, net	(198)	(816)	(617)
Net cash used in investing activities	(30,691)	(22,924)	7,767
Cash flow from financing activities:			
Net increase in short-term borrowing	2,076	4,942	2,865
Repayment of long-term debt	-	(10,000)	(10,000)
Proceeds from an issuance of common stock of a subsidiary	16	248	232
Purchase of treasury stock and fractional shares	(210)	(3,601)	(3,391)
Sales of treasury stock and fractional shares	4	6	2
Dividends paid	(4,205)	(5,527)	(1,321)
Other, net	(139)	(111)	27
Net cash used in financing activities	(2,457)	(14,042)	(11,584)
Effect of exchange rate changes on cash and cash equivalents	1,179	(1,561)	(2,740)
Net (decrease) / increase in cash and cash equivalents	2,779	(2,046)	(4,826)
Cash and cash equivalents at beginning of the period	40,524	43,304	2,779
Cash and cash equivalents at end of the period	43,304	41,257	(2,046)

Note: Reconciliation of cash and time deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows.

	(Millions of yen)	
	March 31	
	2006	2007
Cash and time deposits	64,327	58,445
Securities	24,070	17,789
Subtotal	88,397	76,234
Time deposits with original maturities of three months or longer	(24,023)	(20,193)
Security other than short-term investments with an original maturity of three months or less	(21,069)	(14,783)
Cash and cash equivalents	43,304	41,257

Scope of consolidation and application of equity method

1. Number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates

	<u>March 31,2006</u>	<u>March 31,2007</u>
Consolidated subsidiaries:		
Overseas	21	23
Domestic	10	10
Unconsolidated subsidiaries, stated at cost	4	3
Affiliates, accounted for by equity method	3	3
Affiliates, stated at cost	4	5

Note 1. Newly consolidated subsidiaries in fiscal year ended March 31, 2007 are 'NGK Spark Plugs (India) Private Limited' and 'NGK Spark Plugs (South Africa) (Proprietary) Limited'. These subsidiaries have been newly established.

2. Unconsolidated subsidiaries are small in terms of their total assets, total sales, total net income or loss and total retained earnings and others, and do not have a significant effect on the consolidated financial statements.

3. Unconsolidated subsidiaries and affiliates, which are stated at cost, are not accounted for by the equity method as their impact is not significant on consolidated net income or loss for the period or on consolidated retained earnings or other results.

2. Name of major consolidated subsidiaries and affiliates, accounted for by equity method

1. Consolidated subsidiaries:

(1) Overseas subsidiaries	NGK Spark Plugs (U.S.A.), Inc.	(U.S.A.)
	NTK Technologies, Inc.	(U.S.A.)
	NGK Spark Plugs (U.K.) Ltd.	(U.K.)
	NGK Spark Plug GmbH	(Germany)
	Cerâmica e Velas de Ignição NGK do Brasil Ltda.	(Brazil)
	NGK Spark Plug (Australia) Pty., Ltd.	(Australia)
(2) Domestic subsidiaries	Nittoku Seisakusho Co., Ltd.	
	Kamioka Ceramic Co., Ltd.	
	Iijima Ceramic Co., Ltd.	
	Nakatsugawa Ceramic Co., Ltd.	

2. Affiliates, account for by equity method

(1) Overseas affiliate	Woo Jin Industry Co., Ltd.	(Korea)
(2) Domestic affiliates	Ceramic Sensor Co., Ltd.	
	Tokai Taima Kogu Co., Ltd.	

3. Accounting periods of consolidated subsidiaries and affiliates

All the overseas consolidated subsidiaries and affiliate close their books at December 31 every year, three months earlier than consolidated balance sheet date (March 31). Significant transactions for the period between their closing date and the consolidated balance sheet date are adjusted on consolidation.

Segment information

1. Information by industry segment

(Millions of yen)

	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	Consolidated
Fiscal year ended March 31, 2007						
Operating revenues-net sales:						
Outside customers	185,601	154,446	4,842	344,891	-	344,891
Inter-segment sales	-	-	94	94	(94)	-
Total net sales	185,601	154,446	4,937	344,985	(94)	344,891
Operating costs and expenses	152,401	135,284	4,897	292,583	(94)	294,489
Operating income	33,199	19,162	39	52,401	-	52,401
Identifiable assets	244,769	167,300	1,699	413,769	-	413,769
Depreciation	10,586	8,259	15	18,861	-	18,861
Capital expenditure	17,667	11,411	191	29,271	-	29,271

Fiscal year ended March 31, 2006

Operating revenues-net sales:						
Outside customers	165,279	116,032	3,573	284,884	-	284,884
Inter-segment sales	-	-	71	71	(71)	-
Total net sales	165,279	116,032	3,644	284,955	(71)	284,884
Operating costs and expenses	135,923	103,917	3,601	243,442	(71)	243,371
Operating income	29,356	12,114	42	41,513	-	41,513
Identifiable assets	235,696	149,212	1,326	386,235	-	386,235
Depreciation	8,607	6,644	15	15,268	-	15,268
Impairment loss on fixed assets	-	737	-	737	-	737
Capital expenditure	18,534	8,360	24	26,919	-	26,919

2. Information by geographic segment

(Millions of yen)

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
Fiscal year ended March 31, 2007							
Operating revenues-net sales:							
Outside customers	149,433	105,955	57,683	31,819	344,891	-	344,891
Inter-segment sales	157,260	862	1,322	1,045	160,491	(160,491)	-
Total net sales	306,693	106,818	59,005	32,865	505,382	(160,491)	344,891
Operating costs and expenses	262,173	104,270	55,834	29,313	451,591	(159,102)	292,489
Operating income	44,520	2,547	3,171	3,551	53,790	(1,388)	52,401
Identifiable assets	334,788	44,364	33,665	32,039	444,857	(31,088)	413,769
Fiscal year ended March 31, 2006							
Operating revenues-net sales:							
Outside customers	127,126	83,583	47,489	26,684	284,884	-	284,884
Inter-segment sales	123,424	778	1,051	878	126,132	(126,132)	-
Total net sales	250,551	84,361	48,541	27,563	411,017	(126,132)	284,884
Operating costs and expenses	215,046	82,435	46,835	24,779	369,096	(125,725)	243,371
Operating income	35,504	1,925	1,705	2,784	41,920	(406)	41,513
Identifiable assets	325,946	35,760	27,010	24,275	412,991	(26,756)	386,235

3. Overseas sales

	(Millions of yen)			
	Fiscal year ended March 31			
	2006		2007	
North America	118,330	41.5%	156,159	45.3%
Europe	49,140	17.3%	59,177	17.2%
Asia	31,213	11.0%	34,775	10.1%
Other area	24,874	8.7%	28,446	8.2%
Total overseas sales	233,560	78.5%	278,558	80.8%
Consolidated net sales	284,884	100.0%	344,891	100.0%

For derivative transactions

1. Derivative transactions

The Company, as NGK Spark plug Co., Ltd., is a party to derivative instruments such as foreign currency forward exchange contracts. As a matter of corporate policy, derivatives are not held or issued for speculative trading purposes. These exposures include certain anticipated export sales or import purchases. Because the counterparties to these derivative transactions are limited to major financial institutions with high credit ratings, the Company does not anticipate any losses arising from the above transactions. General transaction guidelines on derivative transactions are decided by the Board of Directors, and the Accounting & Financial Section manages the execution of and control over its derivatives. The results of these transactions are reported to the Board of Directors.

2. Fair value of derivative transactions

Notional amounts, fair value and unrealized gain or loss

Currency-related transactions:

	(Yen in millions)					
	March 31, 2006			March 31, 2007		
	Notional amounts with in 1 year	Fair value	Unrealized loss	Notional amounts with in 1 year	Fair value	Unrealized gain
Sell:	24,955	25,052	(96)	24,992	24,886	106
Buy:	-	-	-	-	-	-
Total	24,955	25,052	(96)	24,992	24,886	106

Note: Fair values at the end of each fiscal period are estimated based on prevailing forward exchange rates at that date.

Subsequent events

At May 9, 2007, the board of directors declared a cash dividend of 13.00 yen per share, payable June 8, 2007, to shareholders of record on March 31, 2007.