

Consolidated Quarterly Financial Statements in accordance with Japanese GAAP for the six months ended September 30, 2008

URL : <http://www.ngkntk.co.jp>
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Quarterly financial results highlights

	Billions of yen					
	Three months ended					
	2007			2008		
	Jun. 30	Sep. 30	Dec. 31	Mar. 31	Jun. 30	Sep. 30
For the three months:						
Net sales	86.3	81.2	93.0	85.0	85.7	86.9
Operating income	14.0	8.8	11.8	0.5	4.7	1.9
Ordinary income	15.5	8.4	12.6	(1.5)	6.3	1.0
Net income	9.4	5.5	7.8	(0.6)	3.5	0.4
Sales by industry segments:						
Spark & glow plugs	30.6	32.7	32.9	32.7	32.9	33.7
Automotive sensors	19.5	20.4	20.2	20.4	19.2	20.1
Automotive components	50.1	53.1	53.1	53.1	52.1	53.8
Communication media components	29.3	21.4	32.8	24.7	26.2	25.8
Technical ceramics	5.8	5.5	5.7	5.6	5.9	5.9
Communication media components and technical ceramics	35.0	27.0	38.6	30.3	32.1	31.7
						Percent
Operating income ratio:						
Consolidated	16.2	10.8	12.6	0.6	5.5	2.2
By industry segments:						
Automotive components	20.6	16.6	21.2	10.7	18.2	12.7
Communication media components and technical ceramics	10.4	(0.2)	1.1	(17.2)	(14.8)	(15.4)
						Yen
Actual exchange rate:						
Yen - U.S. dollar	120	118	113	105	105	107
Yen - Euro	163	162	164	158	164	161

Forecasts for the fiscal year ending March 31, 2009

	Forecast of fiscal year ending March 31, 2009					(Reference) Fiscal year ended March 31, 2008
	Automotive components	Communication media components and technical ceramics	Other	Elimination	Consolidated	
	Millions of yen					
Net Sales	201,800	114,100	5,208	(108)	321,000	345,584
Operating income	28,800	(19,300)	(200)	-	9,300	35,039
Ordinary income					8,800	34,938
Net income					3,200	22,144
Depreciation	15,852	16,027	21	-	31,900	25,474
Capital expenditure	18,433	8,062	5	-	26,500	63,231
					Yen	
Net income per share (Basic)					14.69	100.93
Dividend per share					27.00	27.00

Note 1: Above forecasts are revised from those disclosed on May 9, 2008.

2: Forecast of exchange rate in the latter half of this fiscal year;

1 U.S. dollar = 100yen 1 Euro = 125 yen

Disclaimer regarding forward-looking statements.

This document contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of release. Some factors, which include, but are not limited to, the risks and uncertainty associated with the worldwide economy, currency fluctuation and competitive activity, could cause actual results to differ materially from expectations. We therefore caution readers that these statements should not be interpreted as representation that quantitative or qualitative objective therein will be fulfilled.

**Consolidated Quarterly Balance Sheets
September 30, 2008 and March 31, 2008**

	Millions of yen	
	September 30, 2008	March 31, 2008
Assets		
Current assets		
Cash and deposits	24,082	23,363
Notes and accounts receivable-trade	61,869	56,131
Short-term investment securities	14,210	23,558
Inventories	73,611	76,453
Deferred tax assets	11,592	11,347
Other	8,905	9,136
Allowance for doubtful accounts	(331)	(488)
Total current assets	193,939	199,503
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	65,921	65,461
Machinery, equipment and vehicles, net	56,896	58,074
Land	19,135	18,717
Construction in progress	3,443	5,362
Other, net	2,792	2,581
Total property, plant and equipment	148,190	150,197
Intangible assets		
Goodwill	8,682	9,236
Software	3,454	2,516
Other	60	-
Total intangible assets	12,197	11,752
Investments and other assets		
Investment securities	43,360	46,395
Deferred tax assets	2,278	1,462
Other	2,004	2,936
Allowance for doubtful accounts	(97)	(97)
Total investments and other assets	47,547	50,697
Total noncurrent assets	207,935	212,647
Total assets	401,874	412,150

	Millions of yen	
	September 30, 2008	March 31, 2008
Liabilities		
Current liabilities		
Accounts payable-trade	29,268	31,482
Short-term loans payable	3,809	4,399
Lease obligations	114	-
Income taxes payable	2,223	3,865
Deferred tax liabilities	284	191
Other	22,336	30,924
Total current liabilities	58,036	70,864
Noncurrent liabilities		
Bonds payable	36,099	36,099
Long-term loans payable	200	200
Lease obligations	985	-
Provision for retirement benefits	14,878	14,307
Negative goodwill	21	31
Deferred tax liabilities	603	439
Other	1,259	1,910
Total noncurrent liabilities	54,046	52,987
Total liabilities	112,083	123,851
Net assets		
Shareholders' equity		
Capital stock	47,869	47,869
Capital surplus	55,173	55,174
Retained earnings	184,267	182,946
Treasury stock	(14,981)	(14,960)
Total shareholders' equity	272,328	271,029
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,783	15,896
Foreign currency translation adjustment	625	(857)
Total valuation and translation adjustments	15,409	15,039
Minority interests	2,053	2,230
Total net assets	289,791	288,299
Total liabilities and net assets	401,874	412,150

Consolidated Quarterly Statements of Income For the Six Months Ended September 30, 2008 and 2007

	Millions of yen	
	2008	2007
Net sales	172,604	167,583
Cost of sales	142,460	121,969
Gross profit	30,143	45,613
Selling, general and administrative expenses	23,539	22,868
Operating income	6,603	22,744
Non-operating income		
Interest income	733	951
Dividends income	483	431
Equity in earnings of affiliates	-	504
Amortization of negative goodwill	10	10
Other	486	1,211
Total non-operating income	1,713	3,109
Non-operating expenses		
Interest expenses	311	315
Equity in losses of affiliates	39	-
Foreign exchange losses	495	189
Other	164	1,506
Total non-operating expenses	1,010	2,011
Ordinary income	7,306	23,842
Extraordinary income		
Gain on sales of property, plant and equipment	10	3
Gain on sales of investment securities	-	13
Total extraordinary income	10	16
Extraordinary loss		
Loss on sales or disposal of property, plant and equipment	181	257
Total extraordinary losses	181	257
Income before income taxes and minority interests	7,135	23,601
Income taxes-current	3,172	8,854
Income taxes-deferred	(270)	(371)
Total income taxes	2,901	8,483
Minority interests in income	250	182
Net income	3,983	14,935
	Yen	
Net income per share		
- Basic	18.28	67.75
- Diluted	17.34	64.32

Consolidated Quarterly Statements of Cash Flows For the Six Months Ended September 30, 2008 and 2007

	Millions of yen	
	2008	2007
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	7,135	23,601
Depreciation and amortization	15,273	10,867
Amortization of goodwill	543	101
Increase (decrease) in provision for retirement benefits	579	57
Interest and dividends income	(1,216)	(1,382)
Interest expenses	311	315
Equity in (earnings) losses of affiliates	39	(504)
Loss (gain) on sales and valuation of investment securities	-	(13)
Loss (gain) on disposal of noncurrent assets	170	254
Decrease (increase) in notes and accounts receivable-trade	(4,327)	7,342
Decrease (increase) in inventories	4,528	(2,993)
Increase (decrease) in notes and accounts payable-trade	(3,107)	(1,283)
Other, net	(671)	(667)
Subtotal	19,259	35,696
Interest and dividends income received	1,022	1,338
Interest expenses paid	(314)	(254)
Income taxes paid	(4,947)	(12,243)
Net cash provided by (used in) operating activities	15,018	24,537
Net cash provided by (used in) investment activities		
Decrease (increase) in time deposits	(1,440)	711
Decrease (increase) in securities	6,184	9,449
Purchase of property, plant and equipment	(19,959)	(26,300)
Proceeds from sales of property, plant and equipment	68	82
Purchase of intangible assets	(1,062)	(266)
Purchase of investment securities	(420)	(2,746)
Proceeds from sales of investment securities	1,010	42
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(10,878)
Other, net	(90)	(15)
Net cash provided by (used in) investment activities	(15,708)	(29,920)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(553)	(9,999)
Proceeds from issuance of bonds	-	19,893
Purchase of treasury stock	(39)	(73)
Proceeds from sales of treasury stock	17	5
Cash dividends paid	(2,933)	(2,856)
Other, net	(273)	(68)
Net cash provided by (used in) financing activities	(3,782)	6,900
Effect of exchange rate change on cash and cash equivalents	197	895
Net increase (decrease) in cash and cash equivalents	(4,276)	2,413
Cash and cash equivalents at beginning of period	31,702	41,257
Cash and cash equivalents at end of period	27,426	43,670

Notes to Consolidated Quarterly Financial Statement

1. Change in accounting

(a) From the six months ended September 30, 2008, NGK SPARK PLUG CO., LTD. and its consolidated subsidiaries, have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18), issued by Accounting Standards Board of Japan on May 17, 2006. It requires that financial statements shall prepare by foreign subsidiaries in accordance with Japanese GAAP or IFRSs or US GAAP. The impact of income from PITF No. 18 was immaterial for the six months ended September 30, 2008.

(b) Accounting Standards Board of Japan revised "Accounting Standard for Lease Transactions" (ASBJ Statement No.13) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No.16) on March 30, 2007, which is effective for the fiscal year ending on or after March 31, 2009, with earlier adoption permitted. They require that finance leases that not transfer ownership of the leased shall be recognized as assets and liabilities in their balance sheets.

NGK SPARK PLUG CO., LTD. and its domestic subsidiaries have adopted these revisions of standards for the period beginning on April 1, 2008. NGK SPARK PLUG CO., LTD. and its domestic subsidiaries capitalized finance leases assets that were acquired on or after April 1, 2008 at amount of equal to total lease payments, and their depreciation is calculated 100% of recognized amounts, using straight-line method over the lease term. The impact of income from ASBJ statement of No.13 was nothing for the six months ended September 30, 2008.

(c) For the six months ended September 30, 2007, inventories were principally stated at moving average cost. Meanwhile, for the six months September 30, 2008 ("current term"), they were principally stated at acquisition cost modified by recognizing write-downs below cost to net selling value of inventories regarded as the decreased profitability of assets, whose write-downs are included in cost of sales. This change in accounting was reflecting that NGK SPARK PLUG CO., LTD. and its domestic subsidiaries have adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) at March 31, 2008, earlier.

As a result, operating income for current term decreased by 532 million yen, and income before income taxes and minority interests for current term decreased by 457 million yen, as compared with the previous accounting method.

2. Segment information

(a) Information by industry segment for the six months ended September 30, 2008 and 2007 was as follows:

	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	Consolidated
Millions of yen						
Six months ended September 30, 2008						
Net sales	105,916	63,787	2,953	172,657	(53)	172,604
Operating income (loss)	16,295	(9,606)	(85)	6,603	-	6,603
Six months ended September 30, 2007						
Net sales	103,230	62,010	2,386	167,627	(43)	167,583
Operating income	19,133	3,606	4	22,744	-	22,744

(b) Information summarized by geographic segment for the six months ended September 30, 2008 and 2007 was as follows:

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
Millions of yen							
Six months ended September 30, 2008							
Net sales	143,512	35,585	36,457	24,796	240,352	(67,748)	172,604
Operating income (loss)	(1,632)	1,153	2,353	3,331	5,206	1,397	6,603
Six months ended September 30, 2007							
Net sales	143,285	49,046	34,530	21,221	248,082	(80,499)	167,583
Operating income	16,982	1,452	2,232	3,087	23,755	(1,010)	22,744

(c) For the six months ended September 30, 2008 and 2007, overseas sales which included export sales from Japan and net sales of overseas consolidated subsidiaries other than Japan were as follows:

	Millions of yen			
	2008		2007	
North America	65,617	38.0%	67,535	40.3%
Europe	36,350	21.1%	34,410	20.5%
Asia	19,798	11.5%	18,365	11.0%
Other area	17,158	9.9%	16,839	10.0%
Total overseas sales	138,924	80.5%	137,150	81.8%
Consolidated net sales	172,604	100.0%	167,583	100.0%

Note: Percentage figures show rate of each areas sales to total consolidated net sales.