

**Outline of Financial Reports for the Three Months Ended June 30, 2004**  
**(Consolidated)**

August 3, 2004

**NGK Spark Plug Co., Ltd.** (URL <http://www.ngkntk.co.jp>)

Stock Listing: Tokyo (1<sup>st</sup> Section), Nagoya (1<sup>st</sup> Section)

Code Number: 5334

Head Office: 14-18 Takatsuji-cho, Mizuho-ku, Nagoya, 467-8525, Aichi, Japan

Rep: Norio Kato, President

Adoption of U.S. GAAP: Not applicable.

**1. Basis for preparation of quarterly consolidated financial statements**

- |     |  |                 |
|-----|--|-----------------|
| (1) | Adoption of Simplified Accounting Practices:                       | Not applicable. |
| (2) | Changes in Accounting Practices:                                   | Not applicable. |
| (3) | Change in scope of consolidation and Application of Equity method: | Not applicable. |

**2. Consolidated Financial Highlights (April 1, 2004 through June 30, 2004)**

(1) Consolidated Financial Results

(Millions of yen)

	Net sales		Operating Income		Ordinary Income	
		(%)		(%)		(%)
For the first quarter ended June 30, 2004	60,792	8.4	7,261	20.7	7,853	24.7
For the first quarter ended June 30, 2003	56,065	–	6,018	–	6,298	–
(Ref.) For the year ended March 31, 2004	228,776	(0.1)	20,745	31.1	19,163	27.6

	Net Income		Net Income per Share (Basis)	Net Income per Share (Diluted)
		(%)	(yen)	(yen)
For the first quarter ended June 30, 2004	4,858	30.1	21.93	20.76
For the first quarter ended June 30, 2003	3,733	–	16.85	15.98
(Ref.) For the year ended March 31, 2004	11,117	51.3	49.84	47.45

*Note: The percentage figures which appear in Net Sales, Operating Income, Ordinary Income and Net Income show rates of increase or decrease from the same period of the previous year.*

[Qualitative information on business performance]

During the first quarter of the current fiscal year, the Japanese economy began to awaken from a long slumber and to show robust movement towards an autonomous recovery. In addition to corporate capital expenditure and exports supporting this strength, an increase in individual consumption was seen, enabling widespread economic recovery.

While it is thought that this business circumstance will continue for the time being, on the other hand, other factors having an impact upon the Japanese economy, such as tightening of money market in China, still exist.

In the face of these conditions, the business condition of the Company's group was, compared to the forecasts as of the beginning of the first quarter of this fiscal year, as follows.

[Automotive Components Business]

With respect to spark plugs, sales expanded particularly in Europe and Asia among overseas markets, and shipments for installation in new cars increased due to excellent condition of domestic automobile manufactures.

As for automotive sensors such as oxygen sensors etc., there was a trend towards recovery in demand from major American automobile manufactures as well as continued increase in the number of domestic models adopting the Company's products.

However, the cheap dollar resulted in a decrease in net sales of this business of 0.3% as compared to the same quarter in the previous year, and accordingly the net sales amounted to 38,170 million.

[Communications media components and technical ceramics businesses]

There was a favorable trend in purchase orders for our most predominant products such as MPU packages and communications device packages supported by increased demand for digital home electronics products, as well as strong demand for PCs and mobile phones.

Moreover, sales continued to grow for cutting tools not only to manufacturers of automotive components but also for use in the production of high precision parts. In the category of fine ceramics, purchase orders related to investment in facilities increased as well in line with the economic recovery.

As a result, net sales for these businesses increased by 27.6%, to 21,900 million as compared to the same quarter in the previous year.

Combining the above results with sales of materials etc., consolidated net sales for the first quarter of this fiscal year increased by 8.4%, to 60,792 million as compared to the same quarter in the previous year demonstrating a stronger than anticipated pace of increase in total.

## (2) Consolidated financial position

(Millions of Yen)

	Total Assets	Shareholders' Equity	Ratio of Equity to Assets	Equity per Share
First quarter ended June 30, 2004	313,004	209,383	66.9 (%)	945.03 (yen)
First quarter ended June 30, 2003	299,541	192,192	64.2	867.28
(Ref.) Year ended March 31, 2004	297,994	205,963	69.1	929.23

## [Consolidated Cash Flows]

(Millions of Yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
First quarter ended June 30, 2004	4,242	(43,084)	12,125	21,371
First quarter ended June 30, 2003	-	-	-	-
(Ref.) Year ended March 31, 2004	24,258	14,784	(21,792)	48,222

*Note: Cash flows information was not disclosed in the same quarter for the previous fiscal year, therefore it is not shown here.*

## [Qualitative Information on Changes in Consolidated Financial Position]

Cash flow for the first quarter of this fiscal year increased 4,242 million due to operating activities, decreased 43,084 million due to investment activities, and increased 12,125 million due to financial activities, resulting in a decrease in the net value of cash and cash equivalents of 26,851 million after deduction of exchange losses of 134 million based on movements in the foreign exchange markets and the balance of cash and cash equivalents as of the end of the first quarter of this fiscal year amounted to 21,371 million.

As for cash flow from operating activities, there was an increase of 4,242 million due to the quarterly net income of 7,675 million income before income taxes and minority interests and depreciation expenses of 3,397 million versus payment of bonus to employees, income taxes. As for cash flow from investment activities, there was a decrease of 43,084 million resulting from the establishment of 35,867 million in fixed deposits having terms in excess of three months, acquisition of 5,106 million in investment securities such as bonds and capital expenditures of 3,086 million. Cash flow from financial activities increased by 12,125 million resulting from issuance of Euro-yen bond of 17 billion, against the payment of dividends of the preceding fiscal year as well as repayment in part of bank loans.

### 3. Consolidated Financial Forecast (April 1, 2004 through March 31, 2005)

(Millions of yen)

	Net Sales	Ordinary Income	Net Income	Net Income per Share
Semi-Annual	121,000	13,200	8,000	36.11 <sup>(yen)</sup>
Annual	238,500	24,900	14,900	66.92

(For Reference) Non-consolidated Financial Forecast (April 1, 2004 through March 31, 2005)

(Millions of yen)

	Net Sales	Ordinary Income	Net Income	Net Income per Share
Semi-Annual	102,000	10,400	6,300	28.43 <sup>(yen)</sup>
Annual	205,000	19,400	11,700	52.49

[Qualitative Information on Results Forecast]

For the first quarter of this fiscal year, profits exceeded the business plan in consequence of a weaker than expected Yen due to movements in exchange rates against both American and European currencies and increases in manufacturing yields in addition to the results of rationalization efforts on top of securing the increased purchase orders anticipated for both our automotive and communications media components and technical ceramics businesses as of the beginning of the quarter. As for the future, while unpredictable factors, such as rapid changes in exchange rates and markets, will always exist, it appears that the current excellent level of purchase orders will continue and therefore we change forecasts of semi-annual and annual business results as mentioned above.

*Caution: The above forecasts have been made based on information available as of the release date of this material, and actual business results may vary from forecasted figures due to a number of subsequent factors.*

Consolidated Balance Sheet

[Assets]

(Millions of yen)

Accounts	First quarter ended June 30, 2004		First quarter ended June 30, 2003		Year ended March 31, 2004	
		%		%		%
<b>Current Assets</b>	<b>166,931</b>	53.3	<b>160,207</b>	53.5	<b>155,306</b>	52.1
Cash and time deposits	58,526		53,474		47,579	
Notes and accounts receivable	43,176		41,811		41,054	
Securities	9,885		10,691		11,670	
Inventories	42,331		41,552		42,223	
Deferred tax assets	7,278		7,266		7,035	
Others	6,015		5,684		6,033	
Allowance for doubtful accounts	(282)		(273)		(290)	
<b>Fixed Assets</b>	<b>146,072</b>	46.7	<b>139,333</b>	46.5	<b>142,688</b>	47.9
<b>Tangible fixed assets</b>	<b>89,270</b>	28.5	<b>95,232</b>	31.8	<b>90,674</b>	30.4
Buildings and structures	37,755		40,582		38,464	
Machinery and vehicles	32,606		35,756		32,890	
Land	14,483		14,420		14,489	
Construction in progress	2,372		2,191		2,668	
Others	2,053		2,281		2,162	
<b>Intangible fixed assets</b>	<b>170</b>	0.1	<b>102</b>	0.0	<b>157</b>	0.1
Software	167		85		154	
Consolidated adjustment accounts	3		17		3	
<b>Investment and other assets</b>	<b>56,631</b>	18.1	<b>43,998</b>	14.7	<b>51,855</b>	17.4
Investment securities	53,748		39,430		49,044	
Deferred tax assets	1,054		2,667		1,013	
Others	1,930		2,056		1,910	
Allowance for doubtful accounts	(101)		(156)		(112)	
<b>Total Assets</b>	<b>313,004</b>	100.0	<b>299,541</b>	100.0	<b>297,994</b>	100.0

[Liabilities, Minority Interests and Shareholders' Equity]

(Millions of yen)

Accounts	First quarter ended June 30, 2004		First quarter ended June 30, 2003		Year ended March 31, 2004	
		%		%		%
<b>Current Liabilities</b>	<b>57,193</b>	18.3	<b>71,929</b>	24.0	<b>62,917</b>	21.1
Accounts payable	18,995		15,316		17,183	
Short-term borrowings	10,627		19,270		14,458	
Bonds due within one year	10,000		-		10,000	
Convertible bonds due within one year	-		19,930		-	
Corporate tax payable etc.	3,593		2,917		3,432	
Others	13,976		14,494		17,842	
<b>Long-term Liabilities</b>	<b>45,744</b>	14.6	<b>34,584</b>	11.5	<b>28,444</b>	9.6
Bonds	10,000		20,000		10,000	
Bonds with Stock Acquisition Rights	17,000		-		-	
Allowance for retirement benefit for employees	13,238		12,613		13,033	
Allowance for retirement benefit for directors	914		717		893	
Deferred tax liabilities	3,935		523		3,840	
Others	655		730		676	
<b>Total Liabilities</b>	<b>102,937</b>	32.9	<b>106,513</b>	35.5	<b>91,361</b>	30.7
<b>Minority interests in consolidated subsidiaries</b>	<b>683</b>	0.2	<b>835</b>	0.3	<b>668</b>	0.2
<b>Capital</b>	<b>47,869</b>	15.3	<b>47,869</b>	16.0	<b>47,869</b>	16.1
<b>Additional paid-in capital</b>	<b>54,825</b>	17.5	<b>54,824</b>	18.3	<b>54,825</b>	18.4
<b>Retained earnings</b>	<b>106,435</b>	34.0	<b>96,703</b>	32.3	<b>102,868</b>	34.5
<b>Net unrealized gains on available-for-sale securities</b>	<b>16,048</b>	5.1	<b>7,056</b>	2.3	<b>15,628</b>	5.2
<b>Foreign currency translation adjustment</b>	<b>(9,074)</b>	(2.9)	<b>(7,580)</b>	(2.5)	<b>(8,516)</b>	(2.9)
<b>Treasury stock</b>	<b>(6,721)</b>	(2.1)	<b>(6,680)</b>	(2.2)	<b>(6,710)</b>	(2.2)
<b>Total Shareholders' Equity</b>	<b>209,383</b>	66.9	<b>192,192</b>	64.2	<b>205,963</b>	69.1
<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>313,004</b>	100.0	<b>299,541</b>	100.0	<b>297,994</b>	100.0

Consolidated Statements of Income

(Millions of yen)

Accounts	For the first quarter ended June 30, 2004		For the first quarter ended June 30, 2003		For the year ended March 31, 2004	
		%		%		%
<b>Net sales</b>	<b>60,792</b>	100.0	<b>56,065</b>	100.0	<b>228,776</b>	100.0
<b>Cost of goods sold</b>	<b>44,386</b>	73.0	<b>41,051</b>	73.2	<b>171,481</b>	75.0
<b>Gross profit on sales</b>	<b>16,406</b>	27.0	<b>15,013</b>	26.8	<b>57,294</b>	25.0
<b>Selling, general and administrative expenses</b>	<b>9,144</b>	15.1	<b>8,995</b>	16.1	<b>36,549</b>	15.9
<b>Operating income</b>	<b>7,261</b>	11.9	<b>6,018</b>	10.7	<b>20,745</b>	9.1
<b>Other income</b>	<b>986</b>	1.6	<b>1,265</b>	2.3	<b>3,349</b>	1.5
Interest and dividend income	302		287		914	
Others	684		978		2,435	
<b>Other expenses</b>	<b>395</b>	0.6	<b>985</b>	1.8	<b>4,931</b>	2.2
Interest expenses	144		276		1,026	
Others	250		708		3,904	
<b>Ordinary income</b>	<b>7,853</b>	12.9	<b>6,298</b>	11.2	<b>19,163</b>	8.4
<b>Extraordinary profit</b>	<b>3</b>	0.0	<b>2</b>	0.0	<b>105</b>	0.1
Gain on sales of fixed assets	1		1		57	
Gain on sales of investment securities	2		0		47	
<b>Extraordinary losses</b>	<b>180</b>	0.3	<b>35</b>	0.0	<b>854</b>	0.4
Loss on sales or disposal of fixed assets	72		35		854	
Loss on write-down of investment securities	108		-		-	
<b>Income before income taxes and minority interests</b>	<b>7,675</b>	12.6	<b>6,265</b>	11.2	<b>18,414</b>	8.1
<b>Income taxes</b>	<b>2,802</b>	4.6	<b>2,506</b>	4.5	<b>7,261</b>	3.2
Current	3,283		2,872		8,235	
Deferred	(480)		(366)		(974)	
<b>Minority interests</b>	<b>14</b>	0.0	<b>25</b>	0.0	<b>35</b>	0.0
<b>Net income</b>	<b>4,858</b>	8.0	<b>3,733</b>	6.7	<b>11,117</b>	4.9

Consolidated Statement of Additional paid-in capital and Retained Earnings

(Millions of yen)

Accounts	For the first quarter ended June 30, 2004	For the first quarter ended June 30, 2003	For the year ended March 31, 2004
(Additional paid-in capital)			
<b>Additional paid-in capital at beginning of year</b>	<b>54,825</b>	<b>54,824</b>	<b>54,824</b>
<b>Increase in additional paid-in capital</b>	<b>0</b>	<b>-</b>	<b>0</b>
Profit from treasury stock disposition	0	-	0
<b>Additional paid-in capital at end of period</b>	<b>54,825</b>	<b>54,824</b>	<b>54,825</b>
(Retained earnings)			
<b>Retained earnings at beginning of year</b>	<b>102,868</b>	<b>94,260</b>	<b>94,260</b>
<b>Increase in retained earnings</b>	<b>4,858</b>	<b>3,733</b>	<b>11,117</b>
Net income	4,858	3,733	11,117
<b>Decrease in retained earnings</b>	<b>1,291</b>	<b>1,291</b>	<b>2,509</b>
Dividends	1,218	1,218	2,437
Bonuses to directors and statutory auditors	72	72	72
<b>Retained earnings at end of period</b>	<b>106,435</b>	<b>96,703</b>	<b>102,868</b>

## Consolidated Statements of Cash Flows

(Millions of yen)

Accounts	For the first quarter ended June 30, 2004	For the first quarter ended June 30, 2003	For the year ended March 31, 2004
<b>I. Cash flows from operating activities:</b>			
Income before income taxes and minority interests	7,675	-	18,414
Depreciation	3,397	-	15,942
Amortization of consolidated adjustment accounts	(0)	-	34
Increase in allowance for retirement benefit for employees	207	-	601
Interest and dividend income	(302)	-	(914)
Investment profit in equity method	(85)	-	(453)
Interest expenses	144	-	1,026
Gain on sales of investment securities	(2)	-	(47)
Loss on write-down of investment securities	108	-	-
Gain on sales of fixed assets	(1)	-	(57)
Loss on disposals of fixed assets	72	-	854
Minority interests	(14)	-	(35)
Increase in accounts receivables	(2,615)	-	(4,181)
Net (increase) decrease in inventories	(584)	-	3,006
Net (decrease) increase in purchase liabilities	2,436	-	(1,727)
Other, net	(3,446)	-	1,232
Subtotal	6,990	-	33,694
Interest and dividend received	391	-	1,039
Interest paid	(34)	-	(1,025)
Income taxes paid	(3,104)	-	(9,450)
<b>Net cash provided by operating activities</b>	<b>4,242</b>	<b>-</b>	<b>24,258</b>
<b>II. Cash flows from investing activities:</b>			
Net (increase) decrease in fixed-term deposit	(35,808)	-	20,487
Purchase of securities	(1,501)	-	(9,696)
Sales of securities	2,396	-	14,124
Purchase of investment securities	(5,106)	-	(3,020)
Sales of investment securities	4	-	3,157
Purchase of shares of subsidiaries	-	-	(156)
Purchase of tangible fixed assets	(3,086)	-	(10,310)
Sales of tangible fixed assets	25	-	243
Expense and collection of loans	2	-	8
Other, net	(11)	-	(52)
<b>Net cash used in investing activities</b>	<b>(43,084)</b>	<b>-</b>	<b>14,784</b>
<b>III. Cash flows from financing activities:</b>			
Net (decrease) increase in short-term borrowings	(3,776)	-	630
Redemption of bonds	-	-	(19,930)
Issuance of bonds	17,000	-	-
Purchase of treasury stock	(10)	-	(38)
Sales of treasury stock	0	-	4
Dividends paid	(1,082)	-	(2,437)
Other, net	(4)	-	(20)
<b>Net cash used in financing activities</b>	<b>12,125</b>	<b>-</b>	<b>(21,792)</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	<b>(134)</b>	<b>-</b>	<b>(236)</b>
<b>V. Net decrease (increase) in cash and cash equivalents</b>	<b>(26,851)</b>	<b>-</b>	<b>17,015</b>
<b>VI. Cash and cash equivalents at beginning of year</b>	<b>48,222</b>	<b>-</b>	<b>31,207</b>
<b>VII. Cash and cash equivalents at end of Period</b>	<b>21,371</b>	<b>-</b>	<b>48,222</b>

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)

Accounts	First quarter ended June 30, 2004	First quarter ended June 30, 2003	Year ended March 31, 2004
Cash and time deposits	58,526		47,579
Securities	9,885	-	11,670
Total	68,411	-	59,250
Fixed-term deposit with deposit term exceeding three months	(37,154)	-	(1,357)
Securities other than Money Management Fund	(9,885)	-	(9,670)
Cash and cash equivalents	21,371	-	48,222

*Note: Cash flows information was not disclosed in the same quarter for the previous fiscal year therefore, it is not shown here.*