

Financial Reports for the Fiscal year ended March 31, 2005 (Consolidated)

May 12, 2005

NGK Spark Plug Co., Ltd. (URL: <http://www.ngkntk.co.jp>)
 Stock Listing: Tokyo (1st Section), Nagoya (1st Section)
 Code Number: 5334
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 Adoption of U.S. GAAP: Not adopted

1. Consolidated Financial Highlights (April 1, 2004 through March 31, 2005)

(1) Consolidated Financial Results

(Yen in millions)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended March 31, 2005	241,185	5.4%	26,090	25.8%	27,711	44.6%	17,147	54.2%
Fiscal year ended March 31, 2004	228,776	(0.1%)	20,745	31.1%	19,163	27.6%	11,117	51.3%

	Net income per share (Basis)	Net income per share (Diluted)	Return on equity	Ordinary profit on total assets	Ordinary profit ratio
Fiscal year ended March 31, 2005	77.01 yen	72.92 yen	8.0%	8.9%	11.5%
Fiscal year ended March 31, 2004	49.84	47.45	5.6%	6.4%	8.4%

Notes: 1. Investment profit in equity method: Fiscal year ended March 31, 2005: 655 million yen
 Fiscal year ended March 31, 2004: 453 million yen
 2. Average number of shares of common stock outstanding: Fiscal year ended March 31, 2005: 221,530,519 shares
 Fiscal year ended March 31, 2004: 221,590,922 shares
 3. Change in accounting treatment: Not applicable
 4. Regarding net sales, operating income, ordinary income, and net income, the percentage figures show rate of changes from the previous fiscal year.

(2) Consolidated Financial Position

(Yen in millions)

	Total assets	Shareholders' equity	Equity ratio	Equity per share
March 31, 2005	323,108	220,932	68.4%	997.13 yen
March 31, 2004	297,994	205,963	69.1%	929.23

Notes: Number of shares of common stock outstanding as of the fiscal year end: March 31, 2005: 221,481,620 shares
 March 31, 2004: 221,572,594 shares

(3) Consolidated Cash Flows

(Yen in millions)

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at the end of the period
Fiscal year ended March 31, 2005	36,092	(41,782)	(1,887)	40,524
Fiscal year ended March 31, 2004	24,258	14,784	(21,792)	48,222

(4) Scope of consolidation and application of equity method

Consolidated subsidiaries: 31 Equity method applied unconsolidated subsidiaries: - Equity method applied affiliates: 4

(5) Change in scope of consolidation and application of equity method

Consolidation (Addition): 1 (Exclusion): - Equity method (Addition): - (Exclusion): 1

2. Consolidated Financial Forecast (April 1, 2005 through March 31, 2006)

(Yen in millions)

	Net sales	Ordinary income	Net income
Six months ending September 30, 2005	124,500	14,400	8,400
Fiscal year ending March 31, 2006	250,000	28,100	17,200

Notes: Net income per share (Basis): 77.26yen

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.

1. Management Policy

Basic Management Policy

As a technology-driven company that preempts market needs, 'NGK Spark Plug Co., Ltd.' (the Company) aims to be a leading company that is highly trusted by customers and society, by adding new values and providing excellent product quality requested by the contemporary market. It is the Company's fundamental policy to maximize corporate value and meet the shareholders' expectations. To this end, the Company devotes every effort in offering a working environment in which each employee can make full use of his/her personality and capability, and strives to move forward constantly in a swift manner.

Policy regarding the distribution of profits

Believing that providing adequate returns among shareholders is one of the most important managerial commitments, the Company has paid dividends based on the principle of stable dividend payments by taking into account its business results, payout ratio and operating environment. Adding to this policy from this fiscal year end, the Company will determine the dividend based on the dividend payout ratio at least 20% of the consolidated net income.

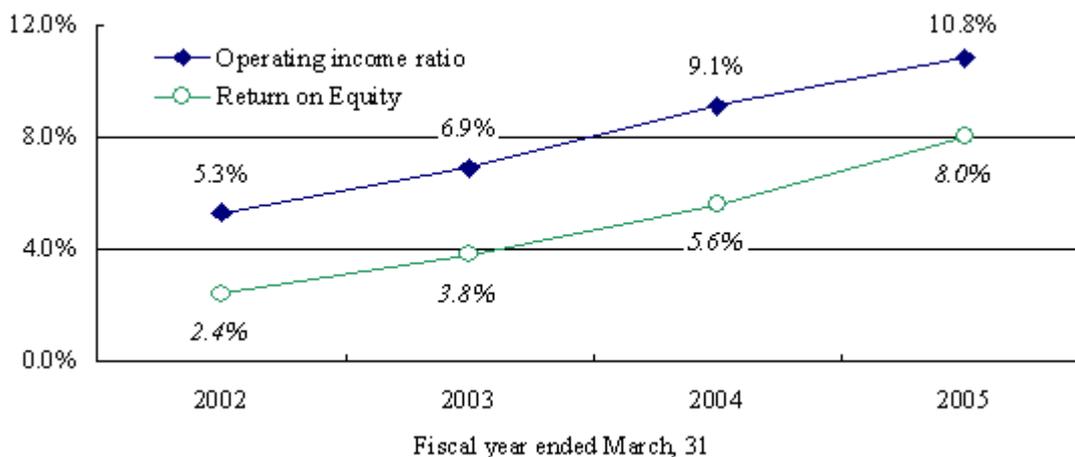
It is also our recognition that retaining internal reserves for activities that contribute toward enhancing the future corporate value of the Company, including investment in research & development, business expansion and streamlining of operations. To this end, we, as NGK Spark Plug Group, will strive further to improve operational results and financial position. We also think that purchase of treasury stock is an effective measure to improve capital efficiency, therefore, we plan to exercise this option according to circumstances.

Targets and Strategies

1. Enhance responsiveness to the changing market environment by improving overall efficiency of businesses.
2. Standing on the basis of Customer Satisfaction (CS), strive to transform to a suggestible company by pursuing quality first principle, environment oriented approach, flexibility to customer needs and original technology that stand out from competitors.
3. Increase world share No.1 products from our core business field.
4. Optimize global operations, including production, logistics and raw material in order to enhance price competitiveness.
5. Develop new products by converging the internal combustion related know-how learned from spark plugs and sensors, and the lamination technologies of ceramic IC package business.

We aim to attain the following targets.

	Managerial Target
Return on Equity	8% or above
Operating Income ratio to sales	10% or above



2. Business Performance and Financial Position

Business performance

Review of Performance (Summary of Results: Fiscal year ended March 31, 2005)

We posted record-high consolidated results for the second year in a row during fiscal year ended March 31, 2005. Details are as following;

		<u>% Change from the previous year</u>
Net Sales	241,185 million yen	Up 5.4%
Operating Income	26,090 million yen	Up 25.8%
Ordinary Income	27,711 million yen	Up 44.6%
Net Income	17,147 million yen	Up 54.2%

Summary of segment

Business segment

<Automotive Components Business>

Regarding Spark Plugs, oversea market business resulted strong in Europe and Asia, as well as domestic market. Sales resulted in a record-high for the second year in a row.

In the Automotive Sensors category such as the Oxygen Sensors, total sales amount declined slightly, dragged down by stagnant market condition due to reduced production at U.S. automakers who are our major customers, and exchange rate that shifted towards the weakening of the U.S. dollars, while sales in the European markets grew steadily.

As a result, Automotive Components Business posted net sales of 148,726 million yen, up 0.7% over the fiscal year ended March 31, 2004, and operating income of 24,946 million yen (down 4.8%).

<Communication Media Components and Technical Ceramics Businesses>

Regarding Communication Media Components, MPU organic IC packages, the main components of this business segment, climbed largely despite a continuing price competition, as the PC market expanded steadily. In the Ceramic IC packages category, increase of communication-media device packages, as well as new products developed for mobile-digital related components and semiconductor test equipments contributed to the expansion of total sales in this business segment.

In the area of cutting tools, sales increased due to steady growth of auto industry and machinery industry both of which are our main consumers. In the fine ceramics category, sales increased as well reflecting the expansion of ceramic components for industrial product and medical related use.

As a result, Communication Media Components and Technical Ceramics Businesses posted net sales of 89,804 million yen, up 14.4% over the fiscal year ended March 31, 2004, and operating income of 1,137 million yen.

<Other businesses>

Net sales in other businesses totaled 2,717 million yen, down 0.7% from the fiscal year ended March 31, 2004, and operating income was 6 million yen (down 80.0%).

Geographic segment

In Japan, net sales were 210,624 million yen, up 7.3% over the fiscal year ended March 31, 2004, and operating income was 21,275 million yen (up 49.0%). This result was due to solid performance in the automotive components business and high performance in the Communication Media Components Business.

In North America, net sales were 74,256 million yen, up 4.9% over the fiscal year ended March 31, 2004, and operating income was 1,556 million yen (down 12.3%). The detail of each business is as follows.

In the Automotive Components Business, performance ended stagnant due to reduced production at U.S. automakers in North America and the weak U.S. dollars. On the other hand, the Communication Media Components Business improved due to an increase in shipment quantity of IC packages for MPU's.

In Europe, net sales were 45,509 million yen, up 7.0% over the fiscal year ended March 31, 2004, due to strong performance in each business. However operating income was down 28.4% to 1,685 million yen, because of initial costs of 'NTK Technical Ceramics Polska Spółka z o.o.' and the expenses for inventory adjustment at distribution channels in Euroarea.

In other regions, net sales were 21,952 million yen, up 19.9% over the fiscal year ended March 31, 2004, and operating income was 1,671 million yen (up 17.9%). This result was due to strong performance of the Automotive Components Business in Asia, Latin America and Oceania.

Outlook for Fiscal Year Ending March 31, 2006

In the Japanese economy, recovery is expected to maintain a firm footing for growth, as steady increase of capital investment as well as improving employment are seen, along with the firm recovery of world economy. On the other hand, there are concerns over the record-setting rise of oil price and higher costs of raw materials such as steel.

Under these conditions, we will strive to obtain higher trust from customers by practicing "Good Quality Principle" and "Manufacture that Stays One Step Ahead", and further work to strengthen existing technologies to create No.1 products.

In connection with the fiscal year ending March 31, 2006, net sales are forecast to increase 3.7% to 250,000 million yen, ordinary income is expected to rise 1.4% to 28,100 million yen, and net income is forecast to increase 0.3% to 17,200 million yen.

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.

Financial position

Net cash provided for operating activities amounted to 36,092 million yen, net cash used in investing activities amounted to 41,782 million yen and net cash used in financial activities amounted to 1,887 million yen. As a result, and also because of currency exchange rate changes, cash and cash equivalents decreased 7,697 million yen (down 16.0%) compared with March 31, 2004, to 40,524 million yen at March 31, 2005.

Cash flow from operating activities

Net cash provided by operating activities increased 11,833 million yen (up 48.8%) compared over the fiscal year ended March 31, 2005 to 36,092 million yen primarily due to an increase of net income amounted to 26,166 million yen for rising performance and to a decrease in payment of income tax of 7,290 million yen.

Cash flow from investing activities

Net cash used in investing activities amounted to 41,782 million yen. (In fiscal year ended March 31, 2004, net cash provided amounted to 14,784 million yen.) The previous fiscal year's result was due to liquidation of fixed-term deposits and marketable securities. This fiscal year's result was due to shift from cash to fixed-term deposits and marketable securities for capital expenditure in fiscal year ending March 31, 2006.

In capital expenditure, we used 13,744 million yen, an increase of 3,433 million yen over the fiscal year ended March 31, 2004.

Cash flow from financial activities

Net cash used in financial activities decreased 19,904 million yen (down 91.3%) to 1,887 million yen. The previous fiscal year's expenditure was principally due to redemption of convertible bond of 19,930 million yen. This fiscal year's result was mainly due to repayment of straight bond of 10,000 million yen and short-term borrowing of 6,149 million yen, offset by an issuance of the Euro-Yen convertible bond of 17,000 million yen.

Supplemental information for cash flows

	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
Equity Ratio:	62.6%	63.4%	69.1%	68.4%
Equity ratio based on market price ratio:	75.7%	60.4%	72.5%	76.0%
Repayment period:	3.1 year	1.6 year	1.4 year	1.0 year
Interest coverage ratio:	9.3 times	29.8 times	23.7 times	55.5 times

Notes: 1. Equity ratio: shareholders' equity / total assets

Equity market price ratio: issued common stock stated at market price / total assets

Repayment period: interest bearing debt / cash flows from operating activities

Interest coverage ratio: (cash flows from operating activities + interest paid) / interest paid.

2. Each ratio is calculated based on the figures in the consolidated financial statements.

3. Market price is calculated based on closing price at the end of fiscal year multiplied by the number of shares outstanding at the end of fiscal year, excluding treasury stock.

4. Cash flows provided by operating activities are the amount of operating cash flows in the consolidated statements of cash flows. Interest-bearing debt includes short-term borrowings, current portion of long-term debt, and long-term debt in the consolidated balance sheets. Additionally, interest paid is the amount of interest paid in the consolidated statements of cash flows.

3. Consolidated Financial Statements

Consolidated Balance Sheet

(Yen in millions)

	March 31		Increase / (Decrease)
	2005	2004	
Assets			
Current assets:			
Cash and Time deposit	61,432	47,579	13,853
Notes and accounts receivable, trade	41,960	41,054	906
Securities	15,320	11,670	3,650
Inventories	45,367	42,223	3,144
Deferred tax assets	7,562	7,035	527
Other current assets	7,460	6,033	1,426
Allowance for doubtful accounts	(187)	(290)	103
Total current assets	178,917 55.4%	155,306 52.1%	23,610
Fixed assets:			
Tangible assets:			
Building and structures	36,300	38,464	(2,163)
Machinery and vehicles	33,063	32,890	172
Land	15,200	14,489	711
Construction in progress	2,344	2,668	(324)
Other tangible assets	2,029	2,162	(132)
Total tangible assets	88,937 27.5%	90,674 30.4%	(1,737)
Intangible assets:			
Software	137	154	(17)
Consolidated goodwill	-	3	(3)
Total intangible assets	137 0.0%	157 0.1%	(20)
Investment and other assets:			
Investments securities	52,392	49,044	3,348
Deferred tax assets	1,034	1,013	21
Other assets	1,797	1,910	(113)
Allowance for doubtful accounts	(107)	(112)	5
Total investment and other assets	55,117 17.1%	51,855 17.4%	3,261
Total fixed assets	144,191 44.6%	142,688 47.9%	1,503
Total assets	323,108 100.0%	297,994 100.0%	25,114

(Yen in millions)

	March 31				Increase / (Decrease)
	2005		2004		
Liabilities					
Current liabilities:					
Accounts payable, trade	22,660		17,183		5,476
Short-term borrowing	8,319		14,458		(6,139)
Bonds due within one year	-		10,000		(10,000)
Income taxes payable	6,885		3,432		3,452
Deferred tax liabilities	208		140		67
Other Current liabilities	17,806		17,701		105
Total current liabilities	55,880	17.3%	62,917	21.1%	(7,037)
Fixed Liabilities:					
Bonds	27,000		10,000		17,000
Employee retirement benefit liability	13,743		13,033		710
Accrued severance indemnities for officers	1,091		893		198
Negative consolidated goodwill	40		-		40
Deferred tax liabilities	2,658		3,840		(1,182)
Other fixed liabilities	682		676		5
Total fixed liabilities	45,217	14.0%	28,444	9.6%	16,773
Total liabilities	101,097	31.3%	91,361	30.7%	9,735
Minority interests in consolidated subsidiaries	1,078	0.3%	668	0.2%	409
Shareholders' equity:					
Common stock	47,869	14.8%	47,869	16.1%	-
Capital surplus	54,826	17.0%	54,825	18.4%	1
Retained earnings	117,394	36.3%	102,868	34.5%	14,526
Net unrealized gains on available-for-sale securities	15,352	4.8%	15,628	5.2%	(276)
Foreign currency translation adjustment	(7,701)	(2.4%)	(8,516)	(2.9%)	815
Less, treasury stock at cost	(6,808)	(2.1%)	(6,710)	(2.2%)	(97)
Total shareholders' equity	220,932	68.4%	205,963	69.1%	14,969
Total liabilities, minority interests and shareholders' equity	323,108	100.0%	297,994	100.0%	25,114

Consolidated Statement of Operations

	(Yen in millions)				
	Fiscal year ended March 31				Increase / (Decrease)
	2005		2004		
Net Sales	241,185	100.0%	228,776	100.0%	12,409
Cost of goods sold	177,785	73.7%	171,481	75.0%	6,303
Gross profit on sales	63,400	26.3%	57,294	25.0%	6,105
Selling, general and administrative expenses:					
Selling expenses	22,227		22,008		218
General and administrative expenses	15,082		14,540		541
Total S.G.A.	37,309	15.5%	36,549	15.9%	759
Operating income	26,090	10.8%	20,745	9.1%	5,345
Other income:					
Interest income	532		571		(39)
Dividend income	420		342		78
Amortization of consolidated goodwill	11		-		11
Income of rentals on fixed assets	833		854		(21)
Investment profit in equity method	655		453		202
Foreign exchange gain	192		-		192
Miscellaneous income	1,198		1,126		71
Total other income	3,844	1.6%	3,349	1.5%	495
Other expenses:					
Interest expenses	647		1,026		(379)
Depreciation of rentals on fixed assets	677		699		(22)
Loss on disposal of inventory	253		609		(355)
Foreign exchange loss	-		644		(644)
Warranty	289		383		(94)
Miscellaneous loss	356		1,567		(1,211)
Total other expenses	2,223	0.9%	4,931	2.2%	(2,707)
Ordinary income	27,711	11.5%	19,163	8.4%	8,548
Extraordinary profit:					
Gain on sales of fixed assets	26		57		(31)
Gain on sales of investment securities	2		47		(45)
Total extraordinary profit	28	0.0%	105	0.1%	(76)
Extraordinary losses:					
Loss on sales or disposal of fixed assets	1,444		854		589
Loss on write-down of investment securities	128		-		128
Total extraordinary losses	1,573	0.7%	854	0.4%	718
Income before income taxes and minority interests	26,166	10.8%	18,414	8.1%	7,752
Income taxes:					
Current	10,455		8,235		2,219
Deferred	(1,480)		(974)		(506)
Total income taxes	8,974	3.7%	7,261	3.2%	1,713
Minority interest of consolidated subsidiaries	44	0.0%	35	0.0%	9
Net income	17,147	7.1%	11,117	4.9%	6,029

Consolidated Statement of Capital Surplus and Retained Earnings

(Yen in millions)

	<u>Fiscal year ended March 31</u>	
	<u>2005</u>	<u>2004</u>
Capital surplus:		
Balance at the beginning of the fiscal year	54,825	54,824
Increases due to:		
Profit from treasury stock disposition	1	0
Balance at the end of the fiscal year	54,826	54,825
Retained Earnings:		
Balance at the beginning of the fiscal year	102,868	94,260
Increases due to:		
Net Income	17,147	11,117
Decreases due to:		
Dividends	(2,547)	(2,437)
Bonuses to directors and corporate auditors	(72)	(72)
Balance at the end of the fiscal year	117,394	102,868

Consolidated Statement of Cash Flows

	(Yen in millions)		
	Fiscal year ended March 31		Increase /
	2005	2004	(Decrease)
Cash flow from operating activities:			
Income before taxes and minority interests	26,166	18,414	7,752
Depreciation	14,527	15,942	(1,414)
Amortization of consolidated goodwill	(11)	34	(45)
Increase in allowance for retirement benefit for employees	708	601	107
Interest and dividend income	(952)	(914)	(38)
Investment profit in equity method	(655)	(453)	(202)
Interest expenses	647	1,026	(379)
Gain on sales of investment securities	(2)	(47)	45
Loss on write-down of investment securities	128	-	128
Gain on sales of fixed assets	(26)	(57)	31
Loss on sales or disposal of fixed assets	1,444	854	589
Minority interest of consolidated subsidiaries	(44)	(35)	(9)
Net increase in accounts receivables, trade	(407)	(4,181)	3,773
Net (increase)/decrease in inventory	(2,240)	3,006	(5,246)
Net increase/(decrease) in account payable, trade	3,627	(1,727)	5,355
Other, net	61	1,232	(1,170)
Subtotal	42,971	33,694	9,276
Interest and dividend received	1,062	1,039	23
Interest paid	(650)	(1,025)	374
Income taxes paid	(7,290)	(9,450)	2,159
Net cash provided by operating activities	36,092	24,258	11,833
Cash flow from investing activities:			
Net decrease/(increase) in fixed-term deposit	(19,488)	20,487	(39,976)
Purchase of securities	(8,230)	(9,696)	1,465
Sales of securities	10,230	14,124	(3,894)
Purchase of investment securities	(12,237)	(3,020)	(9,217)
Sales of investment securities	1,033	3,157	(2,124)
Payment for acquisition of shares of subsidiaries	(74)	(156)	82
Net increase by acquisition of shares of a new subsidiary	654	-	654
Purchase of tangible fixed assets	(13,744)	(10,310)	(3,433)
Sales of tangible fixed assets	228	243	(15)
Net decrease in loans	4	8	(3)
Other, net	(157)	(52)	(105)
Net cash provided by (used in) investing activities	(41,782)	14,784	(56,567)
Cash flow from financing activities:			
Net increase/(decrease) in short-term borrowing	(6,149)	630	(6,780)
Repayment of long-term debt	(10,010)	(19,930)	9,919
Proceeds from issuance of long-term debt	16,929	-	16,929
Purchase of treasury stock and fractional shares	(102)	(38)	(63)
Sales of treasury stock and fractional shares	6	4	1
Dividends paid	(2,547)	(2,437)	(109)
Other, net	(13)	(20)	6
Net cash used in financing activities	(1,887)	(21,792)	19,904
Effect of exchange rate changes on cash and cash equivalents	(119)	(236)	116
Net increase/(decrease) in cash and cash equivalents	(7,697)	17,015	(24,713)
Cash and cash equivalents at beginning of fiscal year	48,222	31,207	17,015
Cash and cash equivalents at end of fiscal year	40,524	48,222	(7,697)

Notes to Consolidated Financial Statements

1. Scope of consolidation and Application of Equity method

(1) Consolidated subsidiaries:	31	
Overseas	21	NGK Spark Plugs (U.S.A.), Inc. NTK Technologies, Inc. NGK Spark Plugs (U.K.) Ltd. NGK Spark Plug GmbH Cerâmica e Velas de Ignição NGK do Brasil Ltda. NGK Spark Plug (Australia) Pty., Ltd., Others
Domestic	10	Nittoku Seisakusho Co., Ltd. Kamioka Ceramic Co., Ltd. Iijima Ceramic Co., Ltd. Nakatsugawa Ceramic Co., Ltd., Others
(2) Change in scope of consolidation:	1	
Addition:	1	
Overseas	1	NGK Spark Plugs Malaysia Berhad. This company has been reclassified as a subsidiary, reflecting an acquisition of shares by the Company. We treated the acquisition date for the record as March 31, 2005, therefore only the balance sheet was consolidated and the equity method was applied to the statement of income.
(3) Unconsolidated subsidiaries:	5	
Overseas	5	Bujías NGK del Ecuador Cia. Ltda., Others
Note: These 5 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 semiannual consolidated financial statements.		

2. Equity Method

(1) Equity method-applied Companies:	4	
Overseas	2	Woo Jin Industry Co., Ltd. Siam NGK Spark Plug Co., Ltd.
Domestic	2	Ceramic Sensor Co., Ltd. Tokai Taima Kogyo Co., Ltd.
(2) Change in equity method-applied:	1	
Exclusion:	1	
Overseas	1	NGK Spark Plugs Malaysia Berhad. This company has been reclassified as a subsidiary.
(3) Companies not accounted for by the equity method:	8	
Overseas	7	Bujías NGK del Ecuador Cia. Ltda., Other
Domestic	1	Hayakawa Seiki Kogyo Co., Ltd.
Note: These 8 companies 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.		

3. Accounting Periods of Consolidated Subsidiaries and Affiliates

All the overseas consolidated subsidiaries and affiliates 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.

4. Accounting Policies

(1) Valuation methods of assets

a) Securities

Marketable securities for available-for-sale securities:

Marketable securities with market quotations stated at fair value. Net unrealized gains and losses are reported as a separate component of shareholders' equity, net of applicable income taxes. Gains and losses on disposition are computed by moving average.

Non-marketable securities for available-for-sale securities:

Non-marketable securities without available market quotations for available-for-sale securities are carried at cost determined by moving average method.

b) Inventory

Inventories are principally stated at moving average cost.

c) Derivative

Fair value method

(2) Depreciation method and amortization method

a) Tangible assets

Tangible assets have been principally depreciated by the reducing balance method for the Company and its domestic consolidated subsidiaries and by the straight-line method for overseas consolidated subsidiaries.

b) Software

Software is being amortized on a straight-line basis on an estimated useful life within five year.

(3) Accounting methods on deferred assets

a) Bonds issue expenses

Bonds issue expense is accounted for fully as an expense when it is paid.

(4) Account policy for allowance

a) Allowance for doubtful accounts

Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss based on the individual financial review approach for doubtful or troubled receivables and a general reserve for other receivables calculated based on the historical loss experience for a certain past period.

b) Employee retirement benefit liability

In accordance with the accounting standard for employee retirement benefits, the NGK Group has principally recognized the retirement benefits including pension cost and related liability based on actuarial present value of projected benefit obligation using actuarial appraisal approach and the pension plan assets available for benefits at the respective fiscal year-ends. Unrecognized actuarial differences as changes in the projected benefit obligation or pension plan assets resulting from the experience different from that assumed and from changes in assumptions are amortized on a straight-line basis over ten years as a certain period within remaining service lives of employees from the next year in which they arise.

c) Accrued severance indemnities for officers

The liabilities of directors' and corporate auditors' severance indemnities are provided for the full amount estimated at the period-end based on the internal regulations.

(5) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese Yen at the exchange rates at the period-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in the current earnings.

In respect of the financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Japanese Yen by applying the exchange rates in effect at the respective period-ends. All income and expense accounts are translated at the average rates of exchange prevailing during each period. Translation differences, after allocating to minority interests portions attributable to minority interests, are reported as foreign currency translation adjustment in a separate component of shareholders' equity in the accompanying consolidated balance sheets.

(6) Leases

Lease transactions except for the finance leases are accounted by the method equivalent to rental transactions.

(7) Consumption tax

Tax-excluding method

5. Cash and Cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits that can be readily withdrawn, and short-term, highly liquid investments with an original maturity of three months or less and little risk of changes in value.

Footnotes

Consolidated Balance Sheet

	(Yen in millions)	
	March 31	
	2005	2004
a) Depreciation of tangible assets	195,042	187,583
b) Accounted for by the equity method for significant affiliates and at cost for unconsolidated subsidiaries and other affiliates	4,927	4,570
c) Contingent Liabilities		
Guarantees of indebtedness	217	277
Notes receivable discounted	555	344
Export bills discounted	6	424

Consolidated Statement of Cash Flows

a) Reconciliation of cash and time deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows

	(Yen in millions)	
	March 31	
	2005	2004
Cash and Time deposits	61,432	47,579
Securities	15,320	11,670
Subtotal	76,753	59,250
Time deposits with original maturities of three months or longer	(20,908)	(1,357)
Security other than short-term investments with an original maturity of three months or less	(15,320)	(9,670)
Cash and cash equivalents	40,524	48,222

b) Break down of net increase by acquisition of shares of a new subsidiary

A) Increase due to:

 Cash and cash equivalents of a new subsidiary 1,105 million yen

B) Decrease due to:

 Current assets of a new subsidiary 1,670

 Fixed assets of a new subsidiary 152

 Liabilities of a new subsidiary (474)

 Minority interests (539)

 Consolidated goodwill 50

 Equity method (408)

 Payment for acquisition of shares of a new subsidiary 450

C) Net increase by acquisition of shares of a new subsidiary (A-B) 654

Leases

Finance lease transactions other than those with an unconditional title transfer clause to lessee

(1) Equivalent of acquisition costs, accumulated depreciation and net book value as of balance sheet date
(Yen in millions)

	March 31	
	2005	2004
Machinery and vehicles:		
Equivalent of acquisition costs	119	164
Equivalent of accumulated depreciation	100	126
Equivalent of net book value as of balance sheet date	18	37
Tools and implements:		
Equivalent of acquisition costs	4,313	4,761
Equivalent of accumulated depreciation	2,206	2,465
Equivalent of net book value as of balance sheet date	2,106	2,295

(2) Future minimum lease payments as of balance sheet date

	(Yen in millions)	
	March 31	
	2005	2004
Due within one year	827	915
Due within one year	1,297	1,417
Total	2,124	2,333

(3) Lease fees paid for this fiscal year

	(Yen in millions)	
	Fiscal year ended March 31	
	2005	2004
Lease payments	972	1,051
Equivalent of depreciation	972	1,051

(4) Depreciation methods of leased assets

Depreciation of leased assets is calculated at 100% of acquisition costs, using the straight-line method over the lease term.

Fair Value Information of Securities

1. Available-for-sale securities that have a market value

(Yen in millions)

	March 31					
	2005			2004		
	Cost	Fair and carrying value	Unrealized gains / (losses)	Cost	Fair and carrying value	Unrealized gains / (losses)
Securities with ending balances that exceed the historical acquisition costs						
(1) Equity Securities	8,795	34,590	25,794	7,929	34,244	26,314
(2) Bonds	11,812	11,860	48	6,810	6,891	80
(2) Others	-	-	-	-	-	-
Subtotal	20,607	46,451	25,843	14,740	41,136	26,395
Securities with ending balances that do not exceed the historical acquisition costs						
(1) Equity Securities	78	78	-	1,070	973	(96)
(2) Bonds	12,597	12,574	(22)	5,000	4,993	(6)
(2) Others	-	-	-	3,209	3,209	-
Subtotal	12,676	12,653	(22)	9,279	9,175	(103)
Total	33,283	59,104	25,820	24,020	50,311	26,291

Note: During the fiscal year ended March 31, 2004, we recorded no loss on write-down on marketable investment securities.

During the fiscal year ended March 31, 2005, we recorded a loss on write-down on marketable investment securities due to a permanent diminution in value in the amount of 128 million yen.

2. Securities that are not valued at fair value

(Yen in millions)

	March 31	
	2005	2004
Available-for-sale securities:		
(1) Unlisted stocks (excluding those traded over-the-counter)	3,491	3,483
(2) Unlisted foreign bonds	180	300
(3) Others	10	2,049

3. Redemption schedule (after the balance sheet date) of available-for-sale securities that have a maturity

(Yen in millions)

	Within 1 Year	1 to 5 years	5 to 10 years	Over 10 years
<u>March 31, 2005:</u>				
(1) Bonds				
Government bonds	35	154	-	-
Corporate bonds	15,274	5,609	2,500	-
(2) Others	-	-	-	0
Total	15,310	5,763	2,500	0
<u>March 31, 2004:</u>				
(1) Bonds				
Government bonds	113	140	35	-
Corporate bonds	6,300	2,509	2,010	-
(2) Others	3,210	-	-	0
Total	9,623	2,650	2,045	0

For Derivative Transactions

1. Derivative transactions

The Company 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					
	2005			2004		
	Notional amounts	Fair value	Unrealized gains / (losses)	Notional amounts	Fair value	Unrealized gains / (losses)
Sell:	17,279	17,528	(248)	6,096	5,869	226
Buy:	-	-	-	-	-	-
Total	17,279	17,528	(248)	6,096	5,869	226

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

Employee Retirement Benefit

1. Description of employee retirement benefit plans

The Company and its domestic consolidated subsidiaries have defined benefit pension plans and lump-sum retirement benefit plans. In addition, certain overseas consolidated subsidiaries have defined contribution plans.

2. The following table reconciles the benefit

	(Yen in millions)	
	March 31	
	2005	2004
Projected benefit obligation	42,289	40,894
Less, fair value of pension plan assets at end of year	<u>(23,651)</u>	<u>(22,700)</u>
Project benefit obligation in excess of pension plan assets	18,638	18,193
Less, unrecognized actuarial difference (loss)	<u>(4,894)</u>	<u>(5,160)</u>
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheet	<u>13,743</u>	<u>13,033</u>

3. The following table reconciles net periodic retirement benefit expenses

	(Yen in millions)	
	Fiscal year ended March 31	
	2005	2004
Service cost	2,158	2,264
Interest cost	778	902
Expected return on pension plan assets	(337)	(292)
Recognized actuarial difference	<u>633</u>	<u>768</u>
Net periodic retirement benefit expense	<u>3,232</u>	<u>3,642</u>

4. Major assumptions used in the calculation of above information

	(Yen in millions)	
	Fiscal year ended March 31	
	2005	2004
Method attributing the projected benefits to periods of service	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected rate of return on pension plan assets	Primarily 1.75%	Primarily 1.75%
Amortization of actuarial difference	<u>10 years</u>	<u>10 years</u>

Income Taxes

1. Significant portion of deferred tax assets and liabilities

	(Yen in millions)	
	March 31	
	2005	2004
Deferred tax assets:		
Inter-company profits	2,932	3,102
Depreciation	3,190	2,937
Employee retirement benefit liability	5,147	4,290
Accrued bonus to employee	2,392	2,345
Inventories	700	610
Enterprise tax accruals	616	335
Others	2,058	2,168
Total deferred tax assets	<u>17,037</u>	<u>15,839</u>
Deferred tax liabilities:		
Unrealized gains on available-for-sale securities	(10,457)	(10,645)
Accelerated depreciation	(454)	(419)
Others	(395)	(706)
Total deferred tax liabilities	<u>(11,307)</u>	<u>(11,771)</u>
Net deferred tax assets	<u>5,730</u>	<u>4,067</u>

Note: Deferred tax and liabilities were follows.

	(Yen in millions)	
	March 31	
	2005	2004
Deferred tax assets:		
Current	7,562	7,035
Non-current	1,034	1,013
Deferred tax liabilities:		
Current	(208)	(140)
Non-current	(2,658)	(3,840)
Net deferred tax assets	<u>5,730</u>	<u>4,067</u>

2. The effective tax rates reflected in the consolidated statements of income for the years ended differ from the statutory tax rate for the following reasons:

	(Yen in millions)	
	Fiscal year ended March 31	
	2005	2004
Statutory tax rate of the Company	40.5%	41.9%
Adjust:		
Non-deductible expenses	0.8%	0.9%
Non-deductible incomes	(0.7%)	(0.4%)
Tax credit for R&D	(5.1%)	(4.7%)
Different tax rates applied to foreign subsidiaries	(0.9%)	(0.6%)
Effect of consolidation procedures	0.2%	0.3%
Others	(0.5%)	2.0%
Effective tax rate	<u>34.3%</u>	<u>39.4%</u>

Segment Information

1. Information by industry segment

(Yen in millions)

	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	Consolidated
<u>Fiscal year ended March 31, 2005</u>						
Operating revenues-net sales:						
Outside customers	148,726	89,804	2,654	241,185	-	241,185
Inter-segment sales	-	-	63	63	(63)	-
Total net sales	148,726	89,804	2,717	241,248	(63)	241,185
Operating costs and expenses	123,779	88,666	2,711	215,158	(63)	215,095
Operating Income	24,946	1,137	6	26,090	-	26,090
Identifiable assets	198,625	123,210	1,273	323,108	-	323,108
Depreciation	7,550	6,966	11	14,527	-	14,527
Capital expenditures	8,817	5,125	12	13,955	-	13,955
<u>Fiscal year ended March 31, 2004</u>						
Operating revenues-net sales:						
Outside customers	147,696	78,486	2,593	228,776	-	228,776
Inter-segment sales	-	-	145	145	(145)	-
Total net sales	147,696	78,486	2,738	228,921	(145)	228,776
Operating costs and expenses	121,487	83,980	2,708	208,176	(145)	208,031
Operating Income / (Loss)	26,209	(5,494)	30	20,745	-	20,745
Identifiable assets	183,717	113,136	1,140	297,994	-	297,994
Depreciation	7,817	8,116	8	15,942	-	15,942
Capital expenditures	6,607	3,792	14	10,414	-	10,414

2. Information summarized by geographic area

(Yen in millions)

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
Fiscal year ended March 31, 2005							
Operating revenues-net sales:							
Outside customers	101,447	73,699	44,960	21,077	241,185	-	241,185
Inter-segment sales	109,176	556	548	874	111,156	(111,156)	-
Total net sales	210,624	74,256	45,509	21,952	352,341	(111,156)	241,185
Operating costs and expenses	189,348	72,699	43,823	20,280	326,152	(111,057)	215,095
Operating Income	21,275	1,556	1,685	1,671	26,189	(98)	26,090
Identifiable assets	273,617	30,840	26,700	16,788	347,946	(24,837)	323,108

Fiscal year ended March 31, 2004

Operating revenues-net sales:							
Outside customers	99,057	69,922	42,314	17,481	228,776	-	228,776
Inter-segment sales	97,323	853	235	821	99,233	(99,233)	-
Total net sales	196,381	70,775	42,550	18,303	328,010	(99,233)	228,776
Operating costs and expenses	182,104	69,001	40,194	16,884	308,185	(100,154)	208,031
Operating Income	14,277	1,774	2,355	1,418	19,824	920	20,745
Identifiable assets	248,976	27,979	25,693	12,958	315,607	(17,612)	297,994

3. Overseas sales

(Yen in millions)

	Fiscal year ended March 31			
	2005		2004	
Overseas sales:				
North America	98,113	40.7%	94,522	41.3%
Europe	46,642	19.3%	45,066	19.7%
Other area	43,580	18.1%	39,006	17.1%
Total overseas sales	188,336	78.1%	178,595	78.1%
Consolidated net sales	241,185	100.0%	228,776	100.0%

Note: Overseas sales included export sales from Japan and net sales of overseas consolidated subsidiaries other than Japan.

4. Group of Company

Our group of Companies is comprised of 36 subsidiaries and 7 affiliates as of March 31, 2005. The Group is primarily engaged in the manufacture and sales of automotive components, communication media components and technical ceramics.

Automotive components

Automotive components business is principally involved in the manufacture and sale of spark plugs, glow plugs, oxygen sensors, temperature sensors and knock sensors.

The Company manufactures those products and sells them. In addition, the Company supplies materials and semi-finished goods to group companies. Other domestic group companies purchase materials from the Company, and manufacture semi-finished goods or finished goods, and resell them to the Company. 'Cerâmica e Velas de Ignição NGK do Brasil Ltda.' manufactures spark plugs in integrated production lines. Other overseas group's-manufacturing companies purchase semi-finished goods and materials from the Company, and manufacture finished goods. They sell them to customers in each area. In addition, overseas group's-manufacturing companies supply semi-finished goods to the Company and group companies. Eight overseas group's-manufacturing companies and ten overseas group's-sales companies purchase finished goods from the Company and group companies, and sell them to customers in each area.

Group companies concerning automotive components business are as follows.

<u>Domestic groups</u>	(Manufacturing and sales)	
	NGK Spark Plug Co., Ltd.	
	(Manufacturing subsidiaries)	
	Kamioka Ceramic Co., Ltd.	
	Kani Ceramic Co., Ltd.	
	Nittoku Seisakusho Co., Ltd.	
	Nichiwa Kiki Co., Ltd.	
	Nakatsugawa Ceramic Co., Ltd.	
	Tono Ceramic Co., Ltd.	
	Nansei Ceramic Co., Ltd.	
	(Manufacturing affiliate)	
	Ceramic Sensor Co., Ltd.	
<u>Overseas groups</u>	(Manufacturing and sales subsidiaries)	
	Cerâmica e Velas de Ignição NGK do Brasil Ltda.	(Brazil)
	NGK Spark Plugs (U.S.A.), Inc.	(U.S.A.)
	Taiwan NGK Spark Plug Co., Ltd.	(Taiwan)
	P.T. NGK Busi Indonesia	(Indonesia)
	NGK Spark Plug (Shanghai) Co., Ltd.	(China)
	NGK Spark Plugs Malaysia Berhad.	(Malaysia)
	(Manufacturing subsidiary)	
	NGK Spark Plug Industries Europe S.A.S.	(France)
	(Manufacturing and sales affiliates)	
	Siam NGK Spark Plug Co., Ltd.	(Thailand)
	Woo Jin Industry Co., Ltd.	(Korea)
	(Sales subsidiaries)	
	NGK Spark Plug Europe GmbH	(Germany)
	NGK Spark Plugs (U.K.) Ltd.	(U.K.)
	NGK Spark Plug (Australia) Pty., Ltd.	(Australia)
	NGK Spark Plugs Canada Limited	(Canada)
	Bujías NGK de México S.A. de C.V.	(Mexico)
	NGK Spark Plugs (France) S.A.S.	(France)
	NGK Spark Plugs Singapore Pte Ltd	(Singapore)
	NGK Spark Plug Middle East FZE	(U.A.E.)
	Bujías NGK del Ecuador Cia. Ltda.	(Ecuador)
	NGK Spark Plugs (Italy) S.R.L.	(Italy)

Communication media components & Technical Ceramics

Communication media components & Technical Ceramic business is principally involved in the manufacture and sales of semiconductor components, electronic components, cutting tools, bio ceramics and industrial components.

The Company manufactures those products and sells them. In addition, the Company supplies materials and semi-finished goods to group companies. Domestic group companies purchase materials from the Company, manufacture semi-finished goods or finished goods, and resell them to the Company. 'Cerâmica e Velas de Ignição NGK do Brasil Ltda.' manufactures industrial components in integrated production lines. 'NTK Cutting Tools Korea Co., Ltd.' and 'NTK Technical Ceramics Polska Spółka z o.o.' purchase semi-finished goods and materials from the Company, and manufacture finished cutting tools, and sell them to customers or resell to the Company. On the other hand, nine overseas group's-sales companies purchase finished goods from the Company, and sell them to customers in each area.

Group companies concerning Communication media components & Technical Ceramics business are as follows.

<u>Domestic groups</u>	(Manufacturing and sales)	
	NGK Spark Plug Co., Ltd.	
	(Manufacturing subsidiaries)	
	Kamioka Ceramic Co., Ltd.	
	Iijima Ceramic Co., Ltd.	
	Kani Ceramic Co., Ltd.	
	Nakatsugawa Ceramic Co., Ltd.	
	Nansei Ceramic Co., Ltd.	
	(Manufacturing affiliate)	
	Hayakawa Seiki Kogyo Co., Ltd.	
<u>Overseas groups</u>	(Manufacturing and sales subsidiaries)	
	Cerâmica e Velas de Ignição NGK do Brasil Ltda.	(Brazil)
	NTK Cutting Tools Korea Co., Ltd.	(Korea)
	NTK Technical Ceramics Polska Spółka z o.o.	(Poland)
	(Sales subsidiaries)	
	NTK Technologies, Inc.	(U.S.A.)
	NGK Spark Plugs (U.S.A.), Inc.	(U.S.A.)
	NGK Spark Plug Europe GmbH	(Germany)
	NGK Spark Plugs (U.K.) Ltd.	(U.K.)
	NGK Spark Plug (Australia) Pty., Ltd.	(Australia)
	NGK Spark Plugs (France) S.A.S.	(France)
	NGK Spark Plugs Singapore Pte Ltd	(Singapore)
	NTK Technical Ceramics H.K. Ltd.	(Hong Kong)
NTK Technical Ceramics (Taiwan) Ltd.	(Taiwan)	

Others

The companies sell machinery tools and other materials; 'Nittoku Unyu Co., Ltd.' conducts distribution business, and 'Nittoku Alpha Service Co., Ltd.' conducts welfare business.