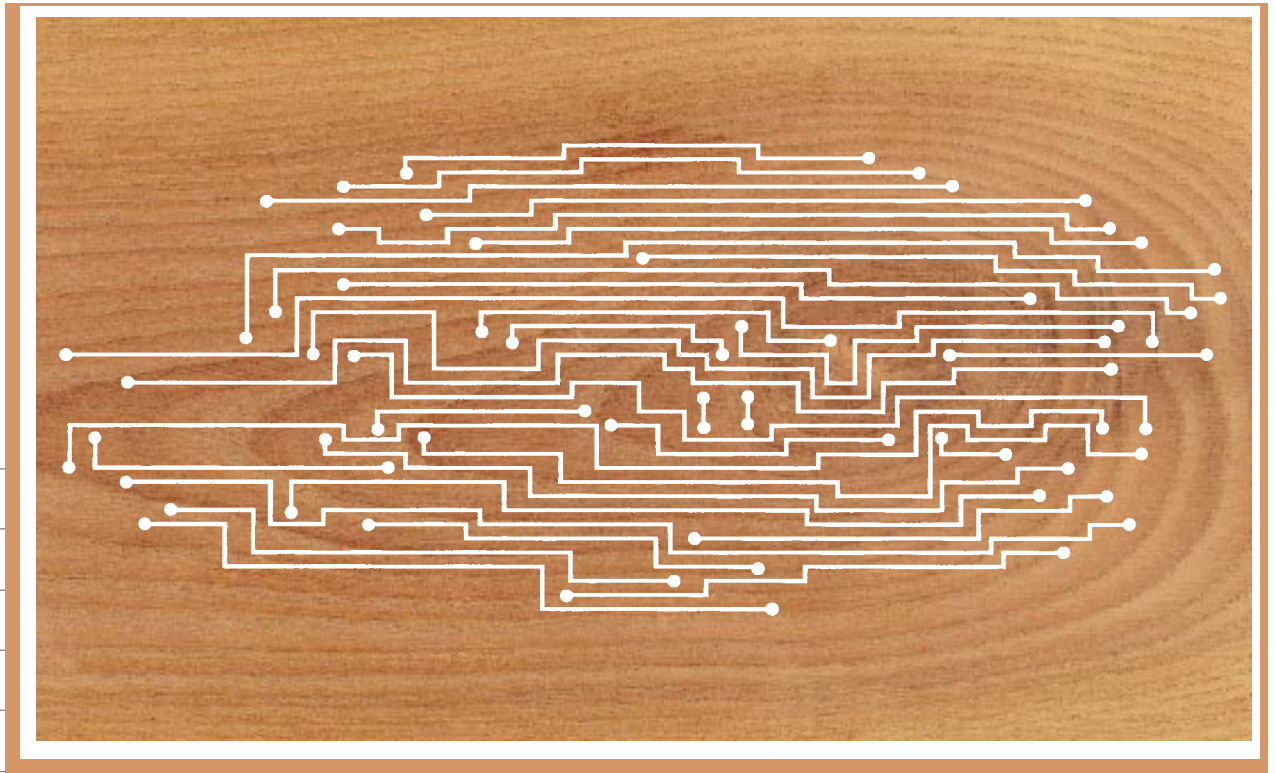


NGK SPARK PLUG CO., LTD.

ANNUAL REPORT

Fiscal Year Ended March 31, 1998



Profile

NGK Spark Plug Co., Ltd. is a leading manufacturer in the ceramic industry.

The company sells its products worldwide, chiefly to the leading manufacturers ranging from automobiles to electronics for use as components in their production line.

The company is one of the two leading manufacturers of spark plugs for use in automobiles, motorcycles and aircrafts, etc. in the world.

In the automotive field, oxygen sensors are added to be an increasingly important item and so hold are IC packages for MPU in electronics industry.

These main products occupy an important market share worldwide.

To cope with the highly advanced information-orientated society, we will continue to intensify our traditional objective; "contribute to the industry through development of ceramics".

We feel being responsible for creating and promoting a global development and production system for enhancement of our objective.

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Financial Highlights

Years Ended March 31

	Millions of Yen			Thousands of U.S. Dollars
	1998	1997	1996	1998
Net sales	¥171,544	¥179,756	¥157,834	\$1,299,576
Operating income	14,692	18,445	10,477	111,303
Net income	7,609	8,680	5,063	57,644
Total assets	276,440	296,365	306,767	2,094,242
Shareholders' equity	141,254	134,614	126,416	1,070,106
Net income per share (in Yen and U.S. Dollars)	34.2	39.5	23.4	0.26
Number of employees	5,361	5,372	5,168	

Note: U.S. Dollar amounts above and elsewhere in this Annual Report are converted from Yen, for convenience only, at the rate of ¥132-U.S.\$1.

Billions is used in the American sense of one thousand million.



To Our Shareholders



We are pleased to present to you the results of our Company's operations for the fiscal year ended March 31, 1998.

This past fiscal year, the Japanese economy was confronted with severe decline of the personal consumption because of a raise in a consumption tax rate and abolition of special tax reduction in spite of an expansion of exports boosted by depreciation of yen. Also in the latter half period, the domestic demand was diminishing due to a restraint on the public investments and instability of the Japanese financial system. In major European countries and the United States, their economies advanced firmly, but the Southeast Asian countries were faced to serious economic crisis because of their currency depreciation.

Under these economic conditions, we have restructured our operating divisions, which are divided into three segments such as Automotive Components Division, Communication Media Components Division and Technical Ceramics Division, from June 27, 1997, in order to raise combined efficiency of these three segments in each market. Although we made all possible efforts to secure orders and reduce costs based on our new organization, a rapid shift to new IC packages from ceramic IC packages of MPU for our main customers resulted in a large decrease in sales orders.

Automotive Components Division

In the domestic market, net sales of spark plugs for automobile manufacturers increased firmly because automobile production for the overseas markets increased, although net sales of spark plugs for replacement purposes hardly grew under the depressed market. In the overseas markets, exports of finished products mainly for European countries greatly increased and net sales of plug parts to overseas factories firmly grew under the circumstances of yen depreciation.

Sales of oxygen sensors decreased because of sluggish marketing of the United States automobile manufacturers and sales of temperature sensors decreased sharply due to abrogation of installation requirement of such sensors with automobiles followed by easing legal regulations.

As a result, net sales in the Automotive Components Division for this fiscal year amounted to ¥91,753 million (\$695,098 thousand), a 4.5% increase compared with the previous year.

Communication Media Components and Technical Ceramics Divisions

The demand for ceramic IC packages for MPU had diminished considerably since last summer as a consequence of rapid conversion for the United States semiconductor manufacturers from ceramics to plastic IC packages. The market trend of piezoelectric ceramics for portable telephones and other communication equipment was still inactive. Net sales of cutting tools increased mainly for the automobile industry. Net sales of industrial apparatus parts, on the other hand, decreased reflecting severe condition of related industries.

As a result, net sales in the Communication Media Components and Technical Ceramics Divisions for this fiscal year amounted to ¥76,312 million (\$578,121 thousand), a 14.6% decrease compared with the previous year.

Overall, as a result, total net sales were recorded as a 4.6% decrease over the previous year in the amount of ¥171,544 million (\$1,299,576 thousand) including other sales of ¥3,479 million (\$26,356 thousand). Operating income decreased by 20.3% to ¥14,692 million (\$111,303 thousand) and net income for the year decreased by 12.3% to ¥7,609 million (\$57,644 thousand).

Business Outlook

A rapid recovery of domestic economy may not be expected under a serious depression, although effective economic measures of the Japanese Government is expected in the next fiscal year. And the influence on the worldwide economy especially of the Southeast Asian countries' economic crisis is also concerned.

Under these conditions, we will make our best efforts to improve the profitability and strengthen competitiveness in each market through further activities such as a preparation for mass production of plastic IC packages, an introduction of new products to market in advance to the competitors under a strong research and development activities, rationalizing management, reduction of costs and improving the quality of our products.

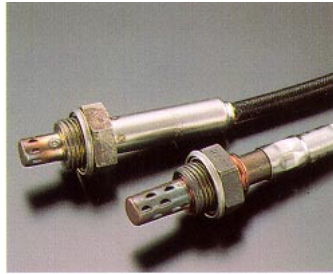
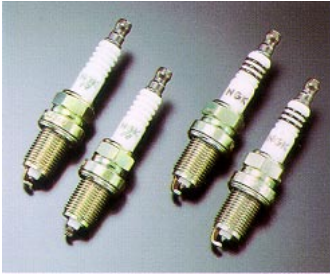
We sincerely ask for the continuing support of our shareholders in the coming year.



Shigenobu Kanagawa
President

Outline of Business

Automotive Components Division

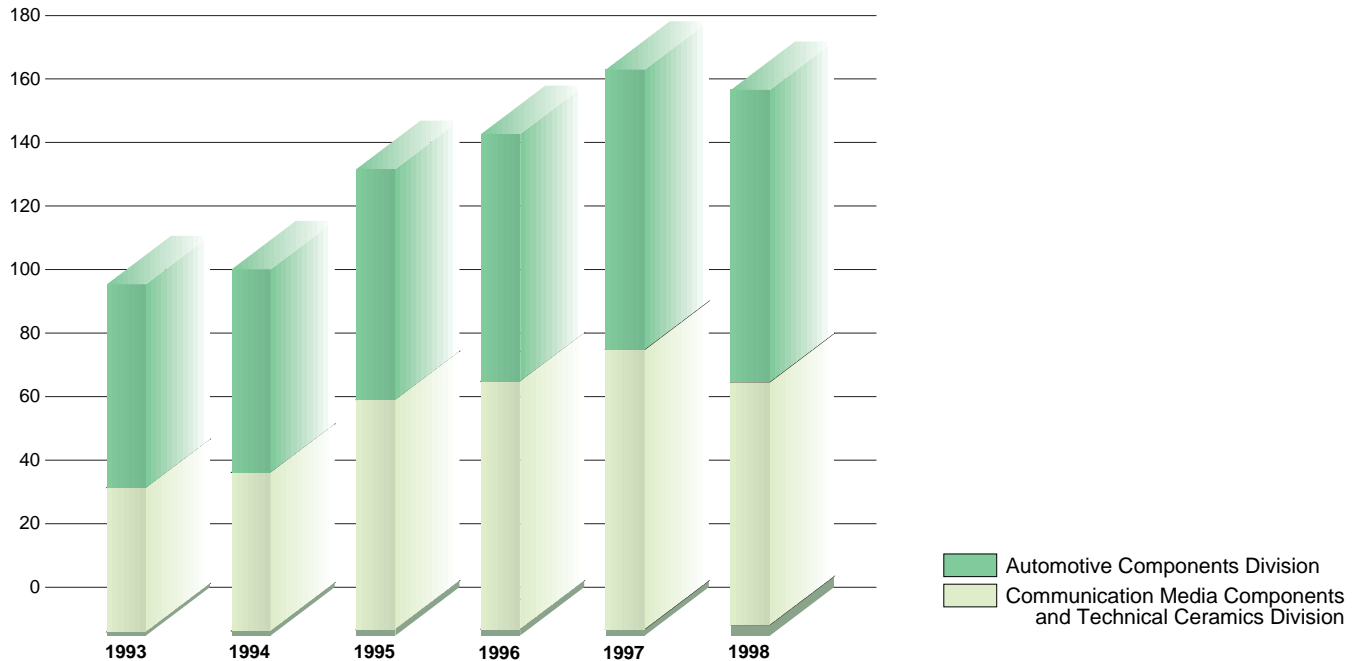


[Main Products]

- Spark plugs for automobiles, motor boats, aircraft, agricultural equipment, etc.
Glow plugs for diesel engines
- Automotive sensors
Oxygen sensors, Exhaust gas temperature sensors, Knock sensors, etc.
- QGS/QHS for diesels, Ceramic engine components, etc.

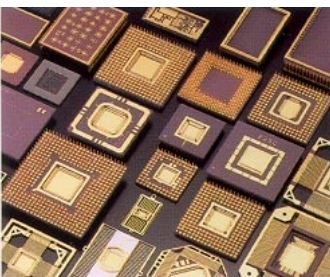
Sales by Division over past 6 years

(Unit: Billions of Yen)



Communication Media Components and Technical Ceramics Division

Others



[Main Products]

- Laminated ceramic IC packages, Cerdip, Ceramic substrates
- Ceramic filters, Dielectric materials, Piezo-electric materials, Gas igniters, Ultrasonic transducers
- Cutting tools (ceramic series, cermet series, coated carbide)
- Vacuum circuit breakers, Silicone rectifier containers, Humidity sensors and detectors, Seal valves and other precision parts, Other ceramic parts for industrial applications

This category comprises sales of by-products, primarily precious metals, derived from the Company's various manufacturing processes.

Non-Consolidated Six-Year Summary

Years Ended March 31

	Millions of Yen					
	1998	1997	1996	1995	1994	1993
Net sales	¥171,544	¥179,756	¥157,834	¥146,807	¥115,261	¥110,557
Automotive components division	91,753	87,799	77,779	72,562	63,904	63,996
Communication media components and Technical ceramics division	76,312	89,375	77,999	72,194	49,900	45,381
Others	3,479	2,582	2,056	2,051	1,457	1,180
Cost of goods sold	135,410	141,146	129,887	119,766	95,567	89,367
Selling, general and administrative expenses	21,442	20,165	17,470	16,103	14,155	13,763
Operating income	14,692	18,445	10,477	10,938	5,539	7,427
Other income (expenses)	(511)	(218)	440	205	562	849
Income before income taxes	14,181	18,227	10,917	11,143	6,101	8,276
Income taxes	6,572	9,547	5,854	6,212	3,308	4,648
Net income	7,609	8,680	5,063	4,931	2,793	3,628
Per share amounts (Yen)						
Net income	34.2	39.5	23.4	23.6	14.7	19.1
Cash dividends	11.0	11.0	10.0	9.5	9.0	9.0
Current assets	140,940	171,612	180,890	143,709	116,246	78,901
Investment and other assets	46,474	45,903	49,656	55,512	42,455	49,342
Property, plant and equipment, net	89,026	78,850	76,221	55,764	43,702	34,331
Current liabilities	44,080	69,752	62,170	33,141	37,275	20,917
Long-term debt	76,910	76,979	102,561	88,956	49,038	35,592
Shareholders' equity	141,254	134,614	126,416	119,364	102,620	94,564
Total assets	276,440	296,365	306,767	254,985	202,403	162,574
Depreciation	14,165	14,044	12,549	9,259	7,371	7,338
Capital investments	19,505	17,789	33,552	21,710	16,972	8,616

Non-Consolidated Balance Sheet

NGK SPARK PLUG CO., LTD.

March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Assets			
Current assets:			
Cash	¥ 457	¥ 307	\$ 3,462
Short-term investments (Note 3)	94,175	118,945	713,447
Trade receivables, net of allowance for doubtful accounts (Note 4)	24,603	27,070	186,387
Inventories (Note 5)	20,285	23,125	153,674
Short-term loans to subsidiaries and affiliates	360	436	2,727
Prepaid expenses and other current assets	1,060	1,729	8,030
Total current assets	140,940	171,612	1,067,727
Investments and other assets:			
Investments in and long-term loans to subsidiaries and affiliates (Note 6)	17,120	17,346	129,697
Investment securities (Note 6)	16,451	22,032	124,629
Long-term deposits in banks	8,000	1,500	60,606
Other assets	4,903	5,025	37,144
	46,474	45,903	352,076
Property, plant and equipment, at cost:			
Land	11,692	11,692	88,576
Buildings and structures	59,904	52,360	453,818
Machinery and equipment	118,585	107,745	898,371
Construction in progress	1,527	1,122	11,568
	191,708	172,919	1,452,333
Less, accumulated depreciation	(102,682)	(94,069)	(777,894)
	89,026	78,850	674,439
	¥276,440	¥296,365	\$2,094,242
Liabilities and Shareholders' Equity			
Current liabilities:			
Short-term borrowings	¥ 132	¥ 124	\$ 1,000
Current portion of long-term debt (Note 8)	43	25,581	326
Accounts payable (Note 7)	25,749	21,578	195,068
Accrued expenses	7,740	7,811	58,636
Accrued income taxes	3,145	6,893	23,826
Deferred exchange gains	1,008	1,483	7,636
Other current liabilities	6,263	6,282	47,447
Total current liabilities	44,080	69,752	333,939
Long-term debt (Note 8)	76,910	76,979	582,652
Long-term deferred exchange gains	1,400	2,408	10,606
Accrued severance indemnities	12,796	12,612	96,939
Commitments and contingent liabilities (Notes 9 and 10)			
Shareholders' equity (Notes 11 and 15):			
Common stock	37,046	36,277	280,652
Additional paid-in capital	41,231	40,463	312,356
Legal reserve	4,907	4,655	37,174
Retained earnings	58,070	53,219	439,924
	141,254	134,614	1,070,106
	¥276,440	¥296,365	\$2,094,242

See Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Income

NGK SPARK PLUG CO., LTD.

For the Years Ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Net sales:			
Outside customers	¥89,032	¥108,879	\$ 674,485
Subsidiaries and affiliates	82,512	70,877	625,091
	<u>171,544</u>	<u>179,756</u>	<u>1,299,576</u>
Operating costs and expenses (Notes 10 and 13):			
Cost of goods sold	135,410	141,146	1,025,833
Selling, general and administrative expenses	21,442	20,165	162,440
	<u>156,852</u>	<u>161,311</u>	<u>1,188,273</u>
Operating income	14,692	18,445	111,303
Other income (expenses):			
Interest and dividends income:			
Subsidiaries and affiliates	543	605	4,114
Other	3,376	3,768	25,576
Interest and discount charges	(1,991)	(2,150)	(15,083)
Amortization of debt discounts	(1,210)	(1,210)	(9,167)
Loss on write-down of marketable securities	(1,127)	(408)	(8,538)
Miscellaneous, net	(102)	(823)	(773)
	<u>(511)</u>	<u>(218)</u>	<u>(3,871)</u>
Income before income taxes	14,181	18,227	107,432
Income taxes (Note 12)	6,572	9,547	49,788
Net income	<u>¥ 7,609</u>	<u>¥ 8,680</u>	<u>\$ 57,644</u>
Per share:			
Net income:			
– Basic	¥ 34.2	¥ 39.5	\$ 0.26
– Diluted	31.2	35.5	0.24
Cash dividends	11.0	11.0	0.08

See Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Shareholders' Equity

NGK SPARK PLUG CO., LTD.

For the Years Ended March 31, 1998 and 1997

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
	(Thousands)	Millions of Yen			
Balance at March 31, 1996	219,469	¥35,335	¥39,523	¥4,414	¥47,144
Net income	—	—	—	—	8,680
Cash dividends	—	—	—	—	(2,304)
Transfer to legal reserve	—	—	—	241	(241)
Exercise of warrants	1,708	942	940	—	—
Bonuses to directors and statutory auditors	—	—	—	—	(60)
Balance at March 31, 1997	221,177	36,277	40,463	4,655	53,219
Net income	—	—	—	—	7,609
Cash dividends	—	—	—	—	(2,441)
Transfer to legal reserve	—	—	—	252	(252)
Exercise of warrants	1,353	769	768	—	—
Bonuses to directors and statutory auditors	—	—	—	—	(65)
Balance at March 31, 1998	222,530	¥37,046	¥41,231	¥4,907	¥58,070
		Thousands of U.S. Dollars			
Balance at March 31, 1997		\$274,826	\$306,538	\$35,265	\$403,174
Net income		—	—	—	57,644
Cash dividends		—	—	—	(18,493)
Transfer to legal reserve		—	—	1,909	(1,909)
Exercise of warrants		5,826	5,818	—	—
Bonuses to directors and statutory auditors		—	—	—	(492)
Balance at March 31, 1998		\$280,652	\$312,356	\$37,174	\$439,924

See Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statement of Cash Flows

NGK SPARK PLUG CO., LTD.

For the Years Ended March 31, 1998 and 1997

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Cash flows from operating activities:			
Net income	¥ 7,609	¥ 8,680	\$ 57,644
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	14,165	14,044	107,311
Loss on write-down of marketable securities	1,127	408	8,538
Provision for severance indemnities, net of severance pay	184	883	1,394
Changes in operating assets and liabilities:			
Decrease (increase) in receivables	2,514	(2,786)	19,045
Decrease in inventories	2,840	1,144	21,515
Decrease (increase) in prepaid expenses and other current assets	660	(206)	5,000
(Decrease) increase in payables, accrued expenses and accrued income taxes	(5,221)	5,714	(39,553)
Other, net	(745)	186	(5,644)
Net cash provided by operating activities	23,133	28,067	175,250
Cash flows from investing activities:			
Increase in property, plant and equipment	(19,505)	(17,789)	(147,765)
Increase in investments and long-term loans	(6,679)	(3,662)	(50,599)
Decrease in property and investments	4,675	2,113	35,417
Repayment of long-term loans receivable	342	309	2,591
Decrease in short-term investments	24,752	14,608	187,515
Net cash provided by (used in) investing activities	3,585	(4,421)	27,159
Cash flows from financing activities:			
Repayment of long-term debt	(25,607)	(23,307)	(193,993)
Increase in short-term borrowings	8	18	61
Exercise of warrants	1,537	1,882	11,644
Dividends paid	(2,441)	(2,304)	(18,493)
Other	(65)	(60)	(492)
Net cash used in financing activities	(26,568)	(23,771)	(201,273)
Increase (decrease) in cash	150	(125)	1,136
Cash at beginning of year	307	432	2,326
Cash at end of year	¥ 457	¥ 307	\$ 3,462

See Notes to Non-Consolidated Financial Statements.

Notes to Non-Consolidated Financial Statements

NGK SPARK PLUG CO., LTD.

1. Significant Accounting Policies

(a) Basis of presenting the non-consolidated financial statements

The accompanying non-consolidated financial statements of NGK Spark Plug Co., Ltd. (the "Company") have been prepared in accordance with accounting principles and practices generally accepted in Japan, and from the non-consolidated financial statements filed with the Minister of Finance of Japan ("MOF"). Certain items presented in the original non-consolidated financial statements have been reclassified for the convenience of readers outside Japan. The accompanying non-consolidated statement of cash flows has been prepared for the purpose of inclusion in this annual report, although such a statement is not customarily prepared in Japan and is not required to be filed with MOF.

Certain comparative figures have been reclassified to conform with the current year's presentation.

(b) Marketable securities

Securities with market quotations on stock exchanges both in current assets and non-current assets are stated at the lower of market or moving average cost. Other securities are stated at the moving average cost.

(c) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at the aggregate amount of estimated uncollectible receivables and the maximum amount which could be charged to income under the Japanese income tax laws.

(d) Inventories

Inventories are stated at the moving average cost.

(e) Investments

Investments in subsidiaries and affiliates and other investment securities are carried at the moving average cost (see also Note 1(b)).

The Company has prepared consolidated financial statements which include the accounts of the Company and its significant subsidiaries. A summary of financial information of the Company on a consolidated basis for the years ended, or at March 31, 1998 and 1997 is as follows.

	1998	1997
Number of:		
Consolidated subsidiaries	24	24
Unconsolidated subsidiaries and affiliates, accounted for by equity ...	7	7
Unconsolidated subsidiaries, stated at cost	4	4
Affiliates, stated at cost	4	4

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
For the year:			
Net sales	¥190,333	¥196,698	\$1,441,917
Operating income	16,097	20,991	121,947
Net income	6,669	9,126	50,523
Net income per share (in the whole yen and dollars)			
– Basic	¥ 30.0	¥ 41.5	\$ 0.23
– Diluted	27.4	37.3	0.21
At year-end:			
Total assets	¥312,010	¥328,179	\$2,363,712
Total shareholder's equity	146,140	140,444	1,107,121

(f) Property, plant and equipment and depreciation

Property, plant and equipment, including significant renewals and additions, are stated at cost, and have been depreciated on the declining balance method at rates based on the estimated useful lives of the assets.

(g) Accrued severance indemnities and pension plan

Employees who terminate their service with the Company are entitled to severance indemnities determined by reference to current basic rates of pay, length of service and conditions under which the termination occurs. The Company has established a non-contributory fully-funded pension plan which covers 80% of its obligations in relation to severance indemnities for employees who retire at the compulsory retirement age after ten years or more of service.

Amounts paid into the pension plan in each year are charged to income and include current service costs in relation to eligible employees as well as past service costs for employees who have become eligible, amortized over ten years, and interest on such amortized amounts.

The balance of the Company's obligations in relation to the payment of severance indemnities for all employees is not funded. However, the Company provides for 100% of the amount which would be payable if all employees were to retire voluntarily at the respective balance sheet dates, less the net assets of the funded pension plan.

The Company also pays severance indemnities to directors and statutory auditors, which are subject to the approval of the Company's shareholders. The Company provides for the full amount of the liabilities of directors' and statutory auditors' severance indemnities at the respective balance sheet dates. At March 31, 1998 and 1997, accrued severance indemnities included the liability for directors and statutory auditors in the amounts of ¥849 million (\$6,432 thousand) and ¥1,255 million, respectively.

(h) Notes with warrants

In February 1994, the Japanese Institute of Certified Public Accountants released the Accounting Committee Report "Accounting and reporting for bonds with warrants by issuers", which adopts the accounting method to allocate the issue price to notes and warrants, effective for notes with warrants issued after March 31, 1994, though the notes with warrants issued prior to that date are reported at a single issue price. The issue amounts of warrants are stated as the current liability, and transferred to additional paid-in capital on exercise of warrants. When the warrants are expired, the balance of warrants, if any, is recognized as gain in the non-consolidated statement of income.

This accounting method has been applied to notes with warrants due 2000 and 2001 issued in February 1996.

Warrants relating to these issuances were included in other current liabilities in the amount of ¥5,398 million (\$40,894 thousand) at March 31, 1998 and 1997. Debt discounts of ¥2,776 million (\$21,030 thousand) and ¥3,986 million at March 31, 1998 and 1997, respectively, which were included in other assets are amortized over the life of the related notes by the straight-line method.

(i) Leases

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property is not capitalized and the relating rental and lease expenses are charged to income as incurred.

(j) Income taxes

Income taxes have been accrued on the basis of income tax returns, and no provision is made for deferred taxes arising from timing differences between financial and tax reporting.

(k) Translation of foreign currency accounts

Receivables and payables denominated in foreign currencies and covered by firm forward exchange contracts are translated into yen at such forward contract rates. Current receivables and payables denominated in foreign currencies not covered by forward exchanges contracts are translated into yen at the exchange rates in effect at the year-end. Non-current assets and liabilities denominated in foreign currencies not covered by forward exchange contracts are translated into yen at historical exchange rates, except for the cases with significant exchange losses at the exchange rates in effect at the year-end. Exchange gains on forward exchange contracts on long-term debts are deferred and credited to income over the contract period.

(l) Research and development

Expenses related to research and development activities are charged to income as incurred.

(m) Bond issue expenses

Bond issue expenses are charged to income as incurred.

(n) Appropriation of retained earnings

Cash dividends, transfers to legal reserve and bonuses to directors and statutory auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders.

(o) Per share data

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed assuming convertible bonds were converted at the time of issue unless having anti-dilutive effects and as if warrants were exercised at the beginning of the relevant year or (if later) on their first exercise date and as if the funds obtained thereby were used to purchase common stock at the average market price during the respective years under the treasury stock method.

Cash dividends per share shown for each fiscal year in the accompanying non-consolidated statement of income represent dividends declared as applicable to the respective years.

2. U.S. Dollar Amounts

The Company maintains its accounting records in yen. The dollar amounts included in the accompanying non-consolidated financial statements and notes thereto represent the arithmetic results of translating yen into dollars at a rate of ¥132 to U.S.\$1, the approximate rate of exchange effective at March 31, 1998. The inclusion of such dollar amounts is solely for the convenience of the readers and is not intended to imply that yen and the assets and liabilities originating in yen have been or could be readily converted, realized or settled in dollars at ¥132 to U.S.\$1 or at any other rate.

3. Short-term Investments

At March 31, 1998 and 1997, short-term investments consisted of the following:

	Millions of Yen		Thousands of
	1998	1997	U.S. Dollars
Marketable securities:			
Equity securities	¥ 1,340	¥ 2,216	\$ 10,152
Bonds	13,916	28,212	105,424
Other	-	3,251	-
Total marketable securities	15,256	33,679	115,576
Other securities	27,899	53,957	211,356
Time deposits and certificate of deposits	51,020	31,309	386,515
	¥ 94,175	¥118,945	\$713,447
Market value of marketable securities	¥ 15,906	¥ 34,935	\$120,500

4. Trade Receivables

At March 31, 1998 and 1997, trade receivables consisted of the following:

	Millions of Yen		Thousands of
	1998	1997	U.S. Dollars
Notes	¥ 579	¥ 671	\$ 4,387
Accounts	14,444	20,221	109,424
Subsidiaries and affiliates	9,788	6,433	74,152
Less, allowance for doubtful accounts	(208)	(255)	(1,576)
	¥24,603	¥27,070	\$186,387

5. Inventories

At March 31, 1998 and 1997, inventories consisted of the following:

	Millions of Yen		Thousands of
	1998	1997	U.S. Dollars
Finished goods	¥ 8,007	¥ 7,218	\$ 60,659
Work in process	11,065	14,849	83,826
Raw materials	1,213	1,058	9,189
	¥20,285	¥23,125	\$153,674

6. Investments and Long-term Loans

At March 31, 1998 and 1997, investments in and long-term loans to subsidiaries and affiliates consisted of the following:

	Millions of Yen		Thousands of
	1998	1997	U.S. Dollars
Investments at cost	¥16,329	¥16,329	\$123,705
Interest bearing long-term loans	791	1,017	5,992
	¥17,120	¥17,346	\$129,697

At March 31, 1998 and 1997, investment securities consisted of the following:

	Millions of Yen		Thousands of
	1998	1997	U.S. Dollars
Marketable securities:			
Equity securities	¥12,440	¥13,419	\$ 94,243
Bonds	-	499	-
Other	-	133	-
Total marketable securities	12,440	14,051	94,243
Other securities	4,011	7,981	30,386
	¥16,451	¥22,032	\$124,629
Market value of marketable securities	¥46,682	¥50,284	\$353,652

7. Accounts Payable

At March 31, 1998 and 1997, accounts payable consisted of the following:

	Millions of Yen		Thousands of
	1998	1997	U.S. Dollars
Outside suppliers	¥20,674	¥17,157	\$156,621
Subsidiaries and affiliates	5,075	4,421	38,447
	¥25,749	¥21,578	\$195,068

8. Long-term Debt

At March 31, 1998 and 1997, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
1.5% U.S.\$250,000,000 notes with warrants due 1998	¥ -	¥ 25,539	\$ -
2.25% U.S.\$200,000,000 notes with warrants due 2000	18,661	18,661	141,372
3.0% U.S.\$200,000,000 notes with warrants due 2001	18,251	18,251	138,265
1.3% Convertible bonds due 2002	20,000	20,000	151,515
1.4% Convertible bonds due 2004	19,934	19,960	151,015
Unsecured loans from government agencies due through 2000 with interest rates ranging from 3.6% to 5.025% per annum at March 31, 1998	107	149	811
	76,953	102,560	582,978
Less, current portion	(43)	(25,581)	(326)
	¥ 76,910	¥ 76,979	\$582,652

Each holder of a warrant issued with the 2.25% notes due 2000 and 3.0% notes due 2001 is entitled to subscribe to ¥540,000 for shares of common stock of the Company currently at ¥1,271 per share, which is subject to adjustment in certain circumstances including stock split.

The current conversion price of 1.3% convertible bonds due 2002 is ¥1,364 per share and is subject to adjustment in certain circumstances, including in the event of a stock split. The Company may, at its call option, redeem the bonds for the period from April 1, 1999 at 102% to 100% of the principal amount subject to certain conditions.

The current conversion price of 1.4% convertible bonds due 2004 is ¥1,364 per share and is subject to adjustment in certain circumstances, including in the event of a stock split. The Company may, at its call option, redeem the bonds for the period from April 1, 2000 at 103% to 100% of the principal amount subject to certain conditions.

At March 31, 1998, the number of shares of common stock necessary for exercise of all warrants and conversion of all convertible bonds was approximately 63 million.

The aggregate annual maturities of long-term debt at March 31, 1998, were as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars
1999	¥ 43	\$206,326
2000	18,704	141,697
2001	18,272	138,425
2002	20,000	151,515
2003	-	-
2004	19,934	151,015
	¥ 76,953	\$582,978

9. Contingent Liabilities

At March 31, 1998, contingent liabilities in respect of trade notes and export bills discounted with banks with recourse in the ordinary course of business and borrowings guaranteed by the Company (principally for employees housing loans and for the third parties) in aggregate amounted to ¥27,093 million (\$205,250 thousand).

10. Lease Commitments

The Company has made various rental and lease agreements principally for buildings cancelable with a few months' advance notice and also for computer equipment, other office machines and vehicles which are not usually cancelable for 12 months to 72 months from the original contract dates.

Total rental and lease expenses including cancelable and non-cancelable leases for the years ended March 31, 1998 and 1997 were ¥2,329 million (\$17,644 thousand) and ¥2,213 million, respectively. For the years ended March 31, 1998 and 1997, the lease expenses for non-cancelable lease agreements which were categorized as financing leases amounted to ¥974 million (\$7,379 thousand) and ¥988 million, respectively.

The aggregate future minimum payments for such non-cancelable leases, including the imputed interest portion, at March 31, 1998 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year ending March 31, 1999	¥ 879	\$ 6,659
Thereafter	1,560	11,818
	¥2,439	\$18,477

11. Shareholders' Equity

- The authorized number of shares of common stock, with a par value of ¥50 per share, is 400 million at March 31, 1998.
- The Japanese Commercial Code provides that an amount equivalent to at least 10% of cash payment as an appropriation of retained earnings shall be appropriated as a legal reserve until such reserve equals 25% of common stock. The legal reserve is not available for distribution as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper actions of the Board of Directors and/or shareholders of the Company.
- At March 31, 1998 and 1997, special reserves provided for a deferral of income tax payments in accordance with the provision of the Special Tax Measures Law of Japan and included in retained earnings amounted to ¥707 million (\$5,356 thousand) and ¥907 million, respectively. Future income tax liabilities on such special reserves which should be reversed for income tax purposes have not been provided for in the accompanying non-consolidated financial statements.

12. Income Taxes

The effective income tax rates on income before income taxes in the accompanying non-consolidated financial statements differ from the normal statutory rates in Japan. The principal reasons for such differences are (a) the accounting policy of not providing for deferred income taxes arising from timing differences between financial and tax reporting; (b) special reserves appropriated and reversed in accordance with the Special Tax Measures Law of Japan (see Note 11); and (c) certain expenses which are not deductible for income tax purposes.

13. Additional Income Statement Information

Additional income statement information for the years ended March 31, 1998 and 1997 is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	1997	1998
Purchases from subsidiaries and affiliates	¥ 48,227	¥50,659	\$365,356
Depreciation	14,165	14,044	107,311
Provisions for severance indemnities and pension costs	2,258	1,997	17,106
Research and development expenses	10,718	9,196	81,197
Taxes other than income taxes	4,271	4,091	32,356

14. Off-Balance-Sheet Financial Instruments

The Company is a party to financial instruments with off-balance-sheet risks such as foreign currency forward exchange contracts in the normal course of business to reduce its own exposure to fluctuations in exchange rates. These exposures include certain anticipated export sales or import purchases, investment securities and long-term debt denominated in foreign currencies. The Company is exposed to credit loss in the event of nonperformance by the other parties. However, the Company does not expect nonperformance by the counterparties.

A summary of foreign currency forward exchange contracts outstanding, excluding those for a hedge of assets and liabilities recognized on the accompanying non-consolidated balance sheet, at March 31, 1998 was as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Sell	Buy	Sell	Buy
Aggregate contract amounts:				
Due within one year	¥2,149	¥ 908	\$16,280	\$ 6,879
Thereafter	-	1,530	-	11,591
Total	¥2,149	¥2,438	\$16,280	\$18,470
Fair value*	¥2,191	¥3,145	\$16,598	\$23,826
Unrealized gain (loss)	¥ (42)	¥ 707	\$ (318)	\$ 5,356

*Fair value was calculated based on the future exchange rate prevailing at the year-end.

15. Subsequent Event

On June 26, 1998, the following appropriations of retained earnings were approved at a meeting of shareholders:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥1,224	\$9,273
Transfer to legal reserve	130	985
Bonuses to directors and statutory auditors	65	492

Report of Independent Auditors


To the Board of Directors of NGK Spark Plug Co., Ltd.

We have audited the accompanying non-consolidated balance sheet of NGK Spark Plug Co., Ltd. as of March 31, 1998 and 1997, and the related non-consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our audit was made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above, expressed in Japanese yen, present fairly the financial position of NGK Spark Plug Co., Ltd. at March 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

The amounts expressed in U.S. dollars have been translated on the basis set forth in Note 2 of Notes to Non-Consolidated Financial Statements.

Nagoya, Japan
June 26, 1998



Chuo Audit Corporation



NGK SPARK PLUG CO., LTD.

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