

Brief Financial Report for the Fiscal Year ended March 2004 (Consolidated)

May 13, 2004

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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Rep: Norio Kato

President and Director

Adoption of U.S. GAAP: Not applicable

1. Consolidated Business Results (April 1, 2003 through March 31, 2004)

(1) Consolidated Results of Operations

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
		(%)		(%)		(%)		(%)
Year ended March 31, 2004	¥228,776	(0.1)	¥20,745	31.1	¥19,163	27.6	¥11,117	51.3
Year ended March 31, 2003	¥228,928	3.4	¥15,822	33.9	¥15,018	39.6	¥7,347	51.7

	Net income per share (Basic)	Net income per share (Diluted)	Ratio of net income to equity	Ratio of ordinary income to assets	Ratio of ordinary income to sales
	(yen)	(yen)	(%)	(%)	(%)
Year ended March 31, 2004	49.84	—	5.6	6.4	8.4
Year ended March 31, 2003	32.36	31.06	3.8	4.9	6.6

Notes:

- Investment profit or loss in equity method:*
Year ended March 31, 2004: 453 million yen
Year ended March 31, 2003: 478 million yen
- Average number of outstanding shares during each fiscal year (consolidated basis):*
Year ended March 31, 2004: 221,590,922 shares
Year ended March 31, 2003: 224,852,125 shares
- Changes in accounting treatment: Not applicable*
- 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.*

Note: Financial figures (other than certain figures of the fiscal year ended March 2003) appearing in this release have not been audited as of the date of this release.

(2) Consolidated Financial Conditions

(Millions of yen)

	Total assets	Shareholders' equity	Ratio of equity to assets	Equity per share
Year ended March 31, 2004	¥297,994	¥205,963	69.1%	¥929.23
Year ended March 31, 2003	¥298,787	¥189,522	63.4%	¥854.89

Note: Number of outstanding shares as of the end of each fiscal year (consolidated basis):
Year ended March 31, 2004: 221,572,594 shares
Year ended March 31, 2003: 221,609,932 shares

(3) 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 year
Year ended March 31, 2004	¥24,258	¥14,784	(¥21,792)	¥48,222
Year ended March 31, 2003	¥34,534	(¥28,717)	(¥13,786)	¥31,207

(4) Scope of Consolidation and Application of Equity Method

Number of consolidated subsidiaries: 30

Number of non-consolidated subsidiaries accounted for by equity method: 0

Number of affiliates accounted for by equity method: 5

(5) Changes in Scope of Consolidation and Application of Equity Method

Consolidated (increase): 2 (decrease): 1

Equity method (increase): 0 (decrease): 0

2. Forecast of Business Results (April 1, 2004 through March 31, 2005)

(Millions of yen)

	Net sales	Ordinary income	Net income
Six months ending September 30, 2004	¥114,000	¥9,400	¥5,700
Annual	¥232,000	¥19,100	¥11,600

(Reference) Forecast net income per share (annual): 52.02 yen

Note: The above forecasts have been made based on information available at present, and actual business results may vary from forecast figures due to changes in the business conditions, etc.

Results of Operations

1. Summary of the Business Year

While experiencing various circumstances with global impact such as confusion in the Middle East and the avian flu epidemic, the economic situation during the current fiscal year appeared to breaking out of the long-term stagnation following the collapse of the bubble economy, and gradually catching up on recovery, which may be seen from a steady increase in the production of electronic parts and devices for digital home appliances, and also from capital expenditures in the automotive industry as well as the liquid crystal display industry. Export industries are also experiencing recovery in various areas, especially the Chinese market, which has grown to become the largest consumer market in the world.

With respect to business results for the NGK Group in the face of such conditions, the automotive business continued strength since the preceding fiscal year, and commencing with the second half of the current fiscal year, the information and telecommunication business resumed its busy nature in response to the recovery of personal computer markets, and growth in the cellular telephone business in overseas markets. However, the influence of the rapidly weakening the U.S. Dollar resulted in net sales of ¥228,776 million. (a decrease of 0.1% compared to the preceding consolidated fiscal year). On the other hand, with respect to income, as the result of the continuous efforts of cost reduction and reduction of inventory, operating income was ¥20,745 million (an increase of 31.1% compared to the preceding consolidated fiscal year), ordinary income was ¥19,163 million (an increase of 27.6% compared to the preceding consolidated fiscal year) and net income was ¥11,117 million (an increase of 51.3% compared to the preceding consolidated fiscal year).

2. Summary of Business Segments

(Automotive components business)

In addition to good progress in the condition of overseas business markets leading to increased exports, sales of spark plugs to Japanese domestic automobile manufacturers for installation in new cars increased in response to strong export demand.

On the other hand, while exports of automotive sensors such as oxygen sensors etc. suffered in consequence of production cutbacks by U.S. automobile manufacturers, being a important source of demand, sales of automotive sensors increased due to the impact of Japanese domestic automobile manufacturers adopting these products for use on an increasing number of models.

As a result, net sales were ¥147,696 million (an increase of 3.7% compared to the preceding consolidated fiscal year) and operating income was ¥26,209 million (an increase of 15.4% compared to the preceding consolidated fiscal year).

(Communication media components and technical ceramics businesses)

With respect to information and telecommunication related products, sales of MPU packages, being the core product of these businesses, experienced growth in step with the recovery of the personal computer market commencing in the second half of the current fiscal year. Further, the sales volumes of packages for communications devices and modules increased due to expansion in the cellular phone market, and at the same time, our electronic parts business received increased orders for dielectric resonators for use in mobile phone base stations.

Moreover, sales generated by our cutting tool business were up based on increased demand due to the strength of automobile manufacturers and demand for metal processing in the IT-related sector. In addition, as the result of increased focus on, and the selection of, high valued added products in the field of applied ceramics, both medical products and parts for machinery for production of semiconductors experienced solid growth.

Unfortunately, in addition to lower sales prices in consequence of changes in product structure and the impact of the cheaper US Dollar, net sales for these businesses were ¥78,486 million (a decrease of 5.9% compared to the preceding consolidated fiscal year) and operating loss amounted to ¥5,494 million.

(Other businesses)

With respect to other businesses, net sales were ¥2,738 million (a decrease of 15.3% compared to the preceding consolidated fiscal year) and operating income was ¥30 million (a decrease of 69.6 % compared to the preceding consolidated fiscal year).

3. Outlook for the Following Business Year

The Japanese economy, and in particular, the manufacturing sector, is expected to regain confidence and expected to see gradual improvement in overall economic conditions. For the time being, the recovery of the markets of Japan, America, and Europe should be focused on as well as economic trends in the China. As for other regions, political unrest in the Middle East Region and trends in exchange rates etc. must be accorded careful consideration, and in spite of a feeling of optimism, a strong recovery is on tap in light of lingering uncertainties such as the lack of momentum in personal consumption etc.

In light of these conditions, business results for the following fiscal year are forecast to be ¥232 billion in net sales (an increase of 1.4% compared to the preceding consolidated fiscal year), ¥19.1 billion in ordinary income (a decrease of 0.3% compared to the preceding consolidated fiscal year), and ¥11.6 billion in net income (an increase of 4.3% compared to the preceding consolidated fiscal year).

Consolidated Balance Sheet

[Assets]

(Millions of yen)

Accounts	Year ended March 31, 2004		Year ended March 31, 2003		Increase/ decrease
		%		%	
Current Assets	155,306	52.1	159,160	53.3	(3,854)
Cash and cash equivalents	47,579		51,503		(3,923)
Notes and accounts receivable	41,054		37,406		3,648
Securities	11,670		11,695		(24)
Inventories	42,223		45,988		(3,765)
Deferred tax assets	7,035		7,209		(173)
Others	6,033		5,618		415
Allowance for doubtful accounts	(290)		(260)		(30)
Fixed Assets	142,688	47.9	139,626	46.7	3,061
Tangible fixed assets	90,674	30.4	96,759	32.4	(6,084)
Buildings and structures	38,464		41,210		(2,746)
Machinery and vehicles	32,890		36,857		(3,966)
Land	14,489		14,418		70
Construction in progress	2,668		1,918		750
Others	2,162		2,353		(191)
Intangible fixed assets	157	0.1	105	0.0	52
Software	154		80		73
Consolidated adjustment accounts	3		25		(21)
Investment and other assets	51,855	17.4	42,761	14.3	9,094
Investment securities	49,044		38,518		10,525
Deferred tax assets	1,013		2,345		(1,332)
Others	1,910		2,053		(143)
Allowance for doubtful accounts	(112)		(156)		43
Total Assets	297,994	100.0	298,787	100.0	(792)

[Liabilities, Minority Interests and Shareholders' Equity]

(Millions of yen)

Accounts	Year ended March 31, 2004		Year ended March 31, 2003		Increase/ decrease
		%		%	
Current Liabilities	62,917	21.1	73,772	24.7	(10,854)
Accounts payable	17,183		19,867		(2,684)
Short-term borrowings	14,458		13,737		721
Bonds due within one year	10,000		-		10,000
Convertible bonds due within one year	-		19,930		(19,930)
Corporate tax payable, etc.	3,432		4,632		(1,200)
Others	17,842		15,604		2,238
Long-term Liabilities	28,444	9.6	34,663	11.6	(6,219)
Bonds	10,000		20,000		(10,000)
Allowance for retirement benefit for employees	13,033		12,433		599
Allowance for retirement benefit for directors	893		1,009		(116)
Deferred tax liabilities	3,840		517		3,323
Others	676		702		(25)
Total Liabilities	91,361	30.7	108,435	36.3	(17,074)
Minority Interests	668	0.2	829	0.3	(160)
Capital	47,869	16.1	47,869	16.0	-
Additional paid-in capital	54,825	18.4	54,824	18.3	0
Retained earnings	102,868	34.5	94,260	31.5	8,607
Net unrealised gains on available-for-sale securities	15,628	5.2	7,056	2.4	8,571
Foreign currency translation adjustment	(8,516)	(2.9)	(7,813)	(2.6)	(703)
Treasury stock	(6,710)	(2.2)	(6,675)	(2.2)	(34)
Total Shareholders' Equity	205,963	69.1	189,522	63.4	16,441
Total Liabilities, Minority Interests and Shareholders' Equity	297,994	100.0	298,787	100.0	(792)

Consolidated Statements of Income

(Millions of yen)

Accounts	For the year ended March 31, 2004	For the year ended March 31, 2003	Increase/ decrease
Net sales	228,776	228,928	(152)
Cost of goods sold	171,481	177,856	(6,375)
Gross profit on sales	57,294	51,071	6,223
Selling, general and administrative expenses	36,549	35,248	1,300
Operating income	20,745	15,822	4,922
Other income	3,349	3,201	148
Interest and dividend income	914	935	(21)
Others	2,435	2,265	170
Other expenses	4,931	4,006	925
Interest expenses	1,026	1,172	(145)
Others	3,904	2,833	1,071
Ordinary income	19,163	15,018	4,145
Extraordinary profit	105	7	97
Gain on sales of fixed assets	57	7	50
Gain on sales of investment securities	47	-	47
Extraordinary losses	854	2,586	(1,731)
Loss on sales or disposal of fixed assets	854	1,548	(693)
Loss on write-down of investment securities	-	1,038	(1,038)
Income before income taxes, etc.	18,414	12,439	5,974
Income taxes	7,261	5,006	2,254
Current	8,235	6,396	1,839
Deferred	(974)	(1,389)	415
Minority interests	35	85	(49)
Net income	11,117	7,347	3,769

Consolidated Statements of Retained Earnings

(Millions of yen)

Accounts	Year ended March 31, 2004	Year ended March 31, 2003
(Additional paid-in capital)		
Additional paid-in capital at beginning of year	54,824	54,824
Increase in additional paid-in capital	0	-
Profit from treasury stock disposition	0	-
Additional paid-in capital at end of year	54,825	54,824
(Retained earnings)		
Retained earnings at beginning of year	94,260	89,479
Increase in retained earnings	11,117	7,347
Net Income	11,117	7,347
Decrease in retained earnings	2,509	2,565
Dividends	2,437	2,497
Bonus for directors and statutory auditors	72	68
Retained earnings at end of year	102,868	94,260

Consolidated Statements of Cash Flows

(Millions of yen)

Accounts	Terms	For the year ended March 31, 2004	For the year ended March 31, 2003
I. Cash flows from operating activities:			
Income before income taxes and minority interests		18,414	12,439
Depreciation		15,942	18,478
Amortization of consolidated adjustment accounts		34	21
Increase in allowance for retirement benefit for employees		601	11
Interest and dividend income		(914)	(935)
Investment profit in equity method		(453)	(478)
Interest expenses		1,026	1,172
Gain on sales of investment securities		(47)	-
Loss on write-down of investment securities		-	1,038
Gain on sales of fixed assets		(57)	(7)
Loss on disposals of fixed assets		854	1,548
Minority interests		(35)	(85)
Increase or decrease in accounts receivables		(4,181)	4,138
Decrease in inventories		3,006	3,429
Decrease in purchase liabilities		(1,727)	(2,221)
Others		1,232	(736)
Subtotal		33,694	37,812
Interest and dividend received		1,039	1,089
Interest paid		(1,025)	(1,158)
Income taxes paid		(9,450)	(3,208)
Net cash provided by operating activities:		24,258	34,534
II. Cash flows from investing activities			
Net increase or decrease in fixed-term deposit		20,487	(17,432)
Purchase of securities		(9,696)	(9,438)
Sales of securities		14,124	13,183
Purchase of investment securities		(3,020)	(4,940)
Sales of investment securities		3,157	31
Purchase of shares of subsidiaries		(156)	-
Purchase of tangible fixed assets		(10,310)	(10,256)
Sales of tangible fixed assets		243	213
Expense and collection of loans		8	(6)
Others		(52)	(71)
Net cash used in investing activities		14,784	(28,717)
III. Cash flows from financing activities:			
Net increase or decrease in short-term borrowings		630	(4,621)
Redemption of bonds		(19,930)	-
Purchase of treasury stock		(38)	(6,640)
Sales of treasury stock		4	-
Dividends paid		(2,437)	(2,497)
Others		(20)	(27)
Net cash used in financing activities		(21,792)	(13,786)
IV. Effect of exchange rate changes on cash and cash equivalents		(236)	(258)
V. Net decrease or increase in cash and cash equivalents		17,015	(8,228)
VI. Cash and cash equivalents at beginning of year		31,207	39,435
VII. Cash and cash equivalents at end of year		48,222	31,207

Segment Information

[Information by Business Segment]

This Consolidated Fiscal Year (April 1, 2003 - March 31, 2004)

(Millions of yen)

	Automotive components	Communication media components and technical ceramics	Others	Total	Elimination	Consolidated
I. Sales and Revenue						
Net Sales						
(1) Outside customers	147,696	78,486	2,593	228,776	-	228,776
(2) 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	26,209	(5,494)	30	20,745	-	20,745
II. Assets etc.						
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

Previous Consolidated Fiscal Year (April 1, 2002 - March 31, 2003)

(Millions of yen)

	Automotive components	Communication media components and technical ceramics	Others	Total	Elimination	Consolidated
I. Sales and Revenue						
Net Sales						
(1) Outside customers	142,431	83,436	3,060	228,928	-	228,928
(2) Inter-segment sales	-	1	171	173	(173)	-
Total net sales	142,431	83,438	3,231	229,101	(173)	228,928
Operating costs and expenses	119,717	90,443	3,131	213,293	(187)	213,105
Operating income	22,714	(7,004)	99	15,808	14	15,822
II. Assets etc.						
Assets	178,616	119,128	1,041	298,787	-	298,787
Depreciation	8,304	10,164	9	18,478	-	18,478
Capital expenditures	6,758	4,043	8	10,810	-	10,810

(Notes) Main products in each business segment

Industry Segment	Main Products
Automotive Components	Spark plugs, glow plugs for diesel engines, automotive sensors and ceramic engine parts, etc.
Communication Media Components and technical ceramics	Semiconductor parts (ceramic laminated IC packages, Organic IC packages, packages for communication devices, etc.), electronic parts, cutting tools and fine ceramics, etc.
Others	Distribution business and sales of material, etc.

Material Subsequent Event

Issuance of Japanese Yen Convertible Bonds - Bonds with Stock Acquisition Rights - Due 2011

Issuance of Japanese Yen Convertible Bonds - Bonds with Stock Acquisition Rights - Due 2011 was resolved at the meeting of the Board of Directors held on March 29, 2004. The closing date thereof was April 15, 2004 and ¥17,000,000,000 was financed through such issuance.

- | | | |
|----|----------------------------|---|
| 1. | Aggregate Issue Price: | ¥17,000,000,000 |
| 2. | Denomination of Each Bond: | ¥1,000,000 |
| 3. | Issue Price of the Bonds: | 100% of the principal amount of the Bonds |
| 4. | Conversion Price: | ¥1,369 per share |
| 5. | Maturity Date: | March 31, 2011 |