

## Financial Reports for the Three Months Ended June 30, 2005 (Consolidated)

August 2, 2005

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

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

- (1) Adoption of Simplified Accounting Practices: Not adopted  
(2) Change in Accounting Practice from previous year: Not applicable  
(3) Change in scope of consolidation and application of equity method:  
Consolidation (Addition): - (Exclusion): - Equity method (Addition): - (Exclusion): -

### 2. Consolidated Financial Highlights (April 1, 2005 through June 30, 2005)

#### (1) Consolidated Financial Results

(Yen in millions)

	Net sales		Operating income		Ordinary income		Net income	
Three months ended June 30, 2005	65,780	8.2%	8,952	23.3%	9,406	19.8%	5,211	7.3%
Three months ended June 30, 2004	60,792	8.4%	7,261	20.7%	7,853	24.7%	4,858	30.1%
Fiscal year ended March 31, 2005	241,185	5.4%	26,090	25.8%	27,711	44.6%	17,147	54.2%

  

	Net income per share (Basis)	Net income per share (Diluted)
Three months ended June 30, 2005	23.53 <i>yen</i>	22.28 <i>yen</i>
Three months ended June 30, 2004	21.93	20.76
Fiscal year ended March 31, 2005	77.01	72.92

Note: Regarding net sales, operating income, ordinary income, and net income, the percentage figures show rate of changes from the corresponding period of the previous year.

#### Summary of business segment

During this first quarter, Japanese economy has shown improving employment situation and steady private consumption, breaking out of the temporary lull of the economy. On the other hand, soaring world oil prices have been a concern that may hamper the growth of world economies.

In this climate, as for the market in which the Company operates, the automobile industry continued to show robust sales, and the semiconductor-related sectors recorded increases in demand, especially for PCs. Amid these conditions, the Company's consolidated sales for the three months ended June 30, 2005, the first quarter of the year ending March 31, 2006, amounted to 65,780 million yen, up 8.2% over the corresponding period of the previous year. Summary of these results in each business segment is as following.

##### <Automotive Components Business>

Regarding spark plugs and related products, domestic shipment quantity for factory installation in new cars and the maintenance demands in all over the world such as in North America, Asia, Latin America and Oceania increased. In addition, shipment quantity of glow plugs to European auto-makers expanded.

Regarding automotive sensors such as the oxygen sensors; on the other hand, sales volumes in the domestic market continued to expand, and overseas shipment such as to North America and Korea turned out as planned.

As a result, net sales in Automotive Components Business amounted to 39,894 million yen, up 4.5% over the corresponding period of the previous year.

##### <Communication Media Components and Technical Ceramics Businesses>

Reflecting the rise in PC market, the semiconductor-related components ended strong, as sales of organic IC packages for MPU's expanded significantly. Sales of ceramic IC packages such as crystal devices packages and SAW filter packages recovered along with the increase of mobile phones with camera in the European and Asian market. Sales of cutting tools continued to grow, mainly for the uses of metal processing in the automotive components and machinery industries. In the area of fine ceramics, sales expanded especially in medical oxygen concentrators business.

As a result, net sales in Communication Media Components and Technical Ceramics Businesses amounted to 25,165 million yen, up 14.9% over the corresponding period of the previous year.

The Electronic Components Division in this segment has been under restructuring process since the withdrawal of the 455KHz ceramic filter business. However, based upon the judgment that restoring of profitability in short-term is difficult, the Company wrote-down impaired fixed assets such as machinery and equipment for 737 million yen in this first quarter.

## (2) Consolidated Financial Position

(Yen in millions)

	Total assets	Shareholders' equity	Equity ratio	Equity per share
June 30, 2005	320,655	224,580	70.0%	1,014.03 <i>yen</i>
June 30, 2004	313,004	209,383	66.9%	945.03
March 31, 2005	323,108	220,932	68.4%	997.13

## (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
Three months ended June 30, 2005	(1,712)	7,679	(1,042)	45,644
Three months ended June 30, 2004	4,242	(43,084)	12,125	21,371
Fiscal year ended March 31, 2005	36,092	(41,782)	(1,887)	40,524

We used 1,712 million yen in operating activities during this period, though we provided 4,242 million yen during previous period. This result, despite a growth of income before income taxes and minority interests, was mainly due to an increase of payment of income taxes.

We provided 7,679 million yen by investing activities during this period, due to liquidation of short-term investment for capital expenditures. We used 43,084 million yen during previous period, primarily due to shift from cash provided by the bond to short-term investment and investment securities.

We used 1,042 million yen in financial activities during this period, mainly due to payment of dividends. We provided 12,125 million yen during previous period, primarily due to an issuance of the bond.

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

(Yen in millions)

	Net sales	Ordinary income	Net income	Net income per share (Basis)
Six months ending September 30, 2005	131,000	17,500	10,400	-
Fiscal year ending March 31, 2006	259,000	31,600	19,400	87.20 <i>yen</i>

Our business performance during this period surpassed the forecast announced on May 12, 2005. Therefore, we revise the financial results forecast for the fiscal year ending March 31, 2006 as above.

**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.

# Consolidated Financial Statements

## Consolidated Balance Sheet

	(Yen in millions)					
	June 30			March 31		
	2005		2004		2005	
<b>Assets</b>						
<b>Current assets:</b>						
Cash and time deposit	53,009		58,526		61,432	
Notes and accounts receivable, trade	45,942		43,176		41,960	
Securities	19,782		9,885		15,320	
Inventories	44,721		42,331		45,367	
Deferred tax assets	7,485		7,278		7,562	
Other current assets	8,044		6,015		7,460	
Allowance for doubtful accounts	(197)		(282)		(187)	
<b>Total current assets</b>	<b>178,789</b>	55.8%	<b>166,931</b>	53.3%	<b>178,917</b>	55.4%
<b>Fixed assets:</b>						
<b>Tangible assets:</b>						
Building and structures	35,662		37,755		36,300	
Machinery and equipment	32,264		32,606		33,063	
Land	15,217		14,483		15,200	
Construction in progress	3,199		2,372		2,344	
Other tangible assets	1,876		2,053		2,029	
<b>Total tangible assets</b>	<b>88,220</b>	27.5%	<b>89,270</b>	28.5%	<b>88,937</b>	27.5%
<b>Intangible assets:</b>						
Software	193		167		137	
Consolidated goodwill	-		3		-	
<b>Total intangible assets</b>	<b>193</b>	0.0%	<b>170</b>	0.1%	<b>137</b>	0.0%
<b>Investment and other assets:</b>						
Investments securities	50,794		53,748		52,392	
Deferred tax assets	1,002		1,054		1,034	
Other assets	1,756		1,930		1,797	
Allowance for doubtful accounts	(100)		(101)		(107)	
<b>Total investment and other assets</b>	<b>53,452</b>	16.7%	<b>56,631</b>	18.1%	<b>55,117</b>	17.1%
<b>Total fixed assets</b>	<b>141,865</b>	44.2%	<b>146,072</b>	46.7%	<b>144,191</b>	44.6%
<b>Total assets</b>	<b>320,655</b>	100.0%	<b>313,004</b>	100.0%	<b>323,108</b>	100.0%

	(Yen in millions)					
	June 30			March 31		
	2005		2004		2005	
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable, trade	21,303		18,995		22,660	
Short-term borrowing	9,474		10,627		8,319	
Bonds due within one year	-		10,000		-	
Income taxes payable	3,752		3,593		6,885	
Deferred tax liabilities	211		136		208	
Other current liabilities	15,570		13,839		17,806	
<b>Total current liabilities</b>	<b>50,312</b>	15.7%	<b>57,193</b>	18.3%	<b>55,880</b>	17.3%
<b>Fixed liabilities:</b>						
Bonds	27,000		27,000		27,000	
Employee retirement benefit liability	13,929		13,238		13,743	
Accrued severance indemnities for officers	782		914		1,091	
Negative goodwill	37		-		40	
Deferred tax liabilities	2,266		3,935		2,658	
Other fixed liabilities	697		655		682	
<b>Total fixed liabilities</b>	<b>44,713</b>	14.0%	<b>45,744</b>	14.6%	<b>45,217</b>	14.0%
<b>Total liabilities</b>	<b>95,025</b>	29.7%	<b>102,937</b>	32.9%	<b>101,097</b>	31.3%
<b>Minority interests in consolidated subsidiaries</b>	<b>1,050</b>	0.3%	<b>683</b>	0.2%	<b>1,078</b>	0.3%
<b>Shareholders' equity:</b>						
Common stock	47,869	14.9%	47,869	15.3%	47,869	14.8%
Capital surplus	54,826	17.1%	54,825	17.5%	54,826	17.0%
Retained earnings	120,304	37.5%	106,435	34.0%	117,394	36.3%
Net unrealized gains on available-for-sale securities	15,426	4.8%	16,048	5.1%	15,352	4.8%
Foreign currency translation adjustment	(7,027)	(2.2%)	(9,074)	(2.9%)	(7,701)	(2.4%)
Less, treasury stock at cost	(6,818)	(2.1%)	(6,721)	(2.1%)	(6,808)	(2.1%)
<b>Total shareholders' equity</b>	<b>224,580</b>	70.0%	<b>209,383</b>	66.9%	<b>220,932</b>	68.4%
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>320,655</b>	100.0%	<b>313,004</b>	100.0%	<b>323,108</b>	100.0%

## Consolidated Statement of Operations

	(Yen in millions)					
	Three months ended June 30				Fiscal year ended March 31	
	2005		2004		2005	
<b>Net Sales</b>	<b>65,780</b>	100.0%	<b>60,792</b>	100.0%	<b>241,185</b>	100.0%
<b>Costs of goods sold</b>	<b>47,225</b>	71.8%	<b>44,386</b>	73.0%	<b>177,785</b>	73.7%
<b>Gross profit on sales</b>	<b>18,554</b>	28.2%	<b>16,406</b>	27.0%	<b>63,400</b>	26.3%
<b>Selling, general and administrative expenses</b>	<b>9,601</b>	14.6%	<b>9,144</b>	15.1%	<b>37,309</b>	15.5%
<b>Operating income</b>	<b>8,952</b>	13.6%	<b>7,261</b>	11.9%	<b>26,090</b>	10.8%
<b>Other income:</b>						
Interest income	144		112		532	
Dividend income	244		190		420	
Amortization of consolidated goodwill	2		0		11	
Income of rentals on fixed assets	187		188		833	
Equity in net earnings of affiliates	222		85		655	
Foreign exchange gain	-		273		192	
Miscellaneous income	226		136		1,198	
<b>Total other income</b>	<b>1,027</b>	1.6%	<b>986</b>	1.6%	<b>3,844</b>	1.6%
<b>Other expenses:</b>						
Interest expenses	156		144		647	
Depreciation of rentals on fixed assets	150		153		677	
Miscellaneous loss	266		96		899	
<b>Total other expenses</b>	<b>573</b>	0.9%	<b>395</b>	0.6%	<b>2,223</b>	0.9%
<b>Ordinary income</b>	<b>9,406</b>	14.3%	<b>7,853</b>	12.9%	<b>27,711</b>	11.5%
<b>Extraordinary profit:</b>						
Gain on sales of fixed assets	7		1		26	
Gain on sales of investment securities	-		2		2	
<b>Total extraordinary profit</b>	<b>7</b>	0.0%	<b>3</b>	0.0%	<b>28</b>	0.0%
<b>Extraordinary losses:</b>						
Loss on sale or disposal of fixed assets	226		72		1,444	
Loss on write-down of investment securities	-		108		128	
Loss on write-down of impaired fixed assets	737		-		-	
<b>Total extraordinary losses</b>	<b>963</b>	1.5%	<b>180</b>	0.3%	<b>1,573</b>	0.7%
<b>Income before income taxes and minority interests</b>	<b>8,450</b>	12.8%	<b>7,675</b>	12.6%	<b>26,166</b>	10.8%
<b>Income taxes:</b>						
Current	3,524		3,283		10,455	
Deferred	(314)		(480)		(1,480)	
<b>Total income taxes</b>	<b>3,210</b>	4.9%	<b>2,802</b>	4.6%	<b>8,974</b>	3.7%
<b>Less, minority interests in net income of consolidated subsidiaries</b>	<b>28</b>	0.0%	<b>14</b>	0.0%	<b>44</b>	0.0%
<b>Net income</b>	<b>5,211</b>	7.9%	<b>4,858</b>	8.0%	<b>17,147</b>	7.1%

## Consolidated Statement of Capital Surplus and Retained Earnings

	(Yen in millions)		
	Three months ended June 30		Fiscal year ended March 31
	2005	2004	2005
<b>Capital surplus:</b>			
<b>Balance at the beginning of the period</b>	<b>54,826</b>	<b>54,825</b>	<b>54,825</b>
Increases due to:			
Profit from treasury stock disposition	0	0	1
<b>Balance at the end of the period</b>	<b>54,826</b>	<b>54,825</b>	<b>54,826</b>
<b>Retained Earnings:</b>			
<b>Balance at the beginning of the period</b>	<b>117,394</b>	<b>102,868</b>	<b>102,868</b>
Increases due to:			
Net Income	5,211	4,858	17,147
Decreases due to:			
Dividends	(2,214)	(1,218)	(2,547)
Bonuses to directors and corporate auditors	(87)	(72)	(72)
<b>Balance at the end of the period</b>	<b>120,304</b>	<b>106,435</b>	<b>117,394</b>

## Consolidated Statement of Cash Flows

	(Yen in millions)		
	Three months ended June 30		Fiscal year ended March 31
	2005	2004	2005
<b>Cash flow operating activities:</b>			
Income before income taxes and minority interests	8,450	7,675	26,166
Depreciation	3,255	3,397	14,527
Loss on write-down of impaired fixed assets	737	-	-
Amortization of consolidated goodwill	(2)	(0)	(11)
Increase in allowance for retirement benefit for employees	184	207	708
Interest and dividend income	(388)	(302)	(952)
Equity in net earnings of affiliates	(222)	(85)	(655)
Interest expenses	156	144	647
Gain on sales of investment securities	-	(2)	(2)
Loss on write-down of investment securities	-	108	128
Gain on sales of fixed assets	(7)	(1)	(26)
Loss on sale or disposal of fixed assets	226	72	1,444
Minority interests in net income of consolidated subsidiaries	(28)	(14)	(44)
Net increase in accounts receivables, trade	(3,487)	(2,615)	(407)
Net decrease/(increase) in inventory	924	(584)	(2,240)
Net (decrease)/increase in account payable, trade	(1,681)	2,436	3,627
Other, net	(3,703)	(3,446)	61
<b>Subtotal</b>	<b>4,412</b>	<b>6,990</b>	<b>42,971</b>
Interest and dividend received	525	391	1,062
Interest paid	(104)	(34)	(650)
Income taxes paid	(6,546)	(3,104)	(7,290)
<b>Net cash (used in) provided by operating activities</b>	<b>(1,712)</b>	<b>4,242</b>	<b>36,092</b>
<b>Cash flow investing activities:</b>			
Net decrease/(increase) in fixed-term deposit	12,592	(35,808)	(19,488)
Purchase of securities	(4,299)	(1,501)	(8,230)
Sales of securities	4,360	2,396	10,230
Purchase of investment securities	(2,448)	(5,106)	(12,237)
Sales of investment securities	1,000	4	1,033
Purchase of shares of subsidiaries	(67)	-	(74)
Net increase by acquisition of share of a new subsidiary	-	-	654
Purchase of tangible fixed assets	(3,428)	(3,086)	(13,744)
Sales of tangible fixed assets	8	25	228
Net decrease in loans	3	2	4
Other, net	(41)	(11)	(157)
<b>Net cash provided by (used in) investing activities</b>	<b>7,679</b>	<b>(43,084)</b>	<b>(41,782)</b>
<b>Cash flow from financing activities:</b>			
Net increase/(decrease) in short-term borrowing	1,097	(3,776)	(6,149)
Repayment of long-term debt	-	-	(10,010)
Proceeds from issuance of bond	-	17,000	16,929
Purchase of treasury stock and fractional shares	(10)	(10)	(102)
Sales of treasury stock and fractional shares	0	0	6
Dividends paid	(2,016)	(1,082)	(2,547)
Other, net	(113)	(4)	(13)
<b>Net cash (used in) provided by financing activities</b>	<b>(1,042)</b>	<b>12,125</b>	<b>(1,887)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>195</b>	<b>(134)</b>	<b>(119)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,119</b>	<b>(26,851)</b>	<b>(7,697)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>40,524</b>	<b>48,222</b>	<b>48,222</b>
<b>Cash and cash equivalents at end of the period</b>	<b>45,644</b>	<b>21,371</b>	<b>40,524</b>

Note: 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)		
	Three months ended June 30		Fiscal year ended March 31
	2005	2004	2005
Cash and Time deposits	53,009	58,526	61,432
Securities	19,782	9,885	15,320
Subtotal	<u>72,792</u>	<u>68,411</u>	<u>76,753</u>
Time deposits with original maturities of three months or longer	(8,365)	(37,154)	(20,908)
Security other than short-term investments with an original maturity of three months or less	(18,782)	(9,885)	(15,320)
Cash and cash equivalents	<u>45,644</u>	<u>21,371</u>	<u>40,524</u>