

Consolidated financial reports under Japanese GAAP for the three months ended June 30, 2007

URL	http://www.ngkntk.co.jp
Stock listing	Tokyo 1 st section, Nagoya 1 st section
Code number	5334
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Representative	Norio Kato, President

Quarterly income statement highlights

	(Billions of yen)				
	Three months ended				
	06/30/06	09/30/06	12/31/06	03/31/07	06/30/07
Net sales	81.6	85.1	91.1	87.1	86.3
Operating income	13.2	12.6	14.4	12.2	14.0
Ordinary income	13.6	12.8	15.5	12.0	15.5
Net income	8.4	8.1	9.5	8.1	9.4
Operating income ratio (%)	16.2%	14.8%	15.8%	14.0%	16.2%
Automotive components:					
Sales of spark & glow plugs	27.7	27.7	28.7	28.5	30.6
Sales of automotive sensors	18.9	18.3	17.5	18.3	19.5
Total net sales	46.6	46.1	46.2	46.7	50.1
Operating income ratio (%)	20.9%	18.2%	17.0%	15.5%	20.6%
Communication media components & technical ceramics:					
Sales of communication media components	27.4	31.7	37.9	33.5	29.3
Sales of technical ceramics	6.3	6.2	5.7	5.7	5.8
Total net sales	33.7	38.0	43.6	39.2	35.0
Operating income ratio (%)	10.2%	11.1%	15.1%	12.6%	10.4%
Actual exchange rate					
Yen - U.S. dollar (yen)	115 yen	116 yen	117 yen	119 yen	120 yen
Yen - Euro (yen)	144 yen	148 yen	152 yen	156 yen	163 yen

Forecast of fiscal year ending March 31, 2008

	(Billions of yen)			
	Six months ending September 30, 2007		Fiscal year ending March 31, 2008	
Net sales	168.0	0.8%	345.0	0.0%
Operating income	21.7	(15.8%)	40.5	(22.7%)
Ordinary income	22.6	(14.4%)	42.1	(21.8%)
Net income	14.2	(13.6%)	26.6	(21.9%)
Net income per share (yen)	64.41 yen		120.65 yen	

Note 1. The percentage shows the changes against the corresponding period of the fiscal year ended March 31, 2007.
2. We have not changed from the latest forecast on May 9, 2007.

Disclaimer regarding forward-looking statements.

This document contains forward-looking statements. These statements are based on internal projections and estimates. So we cannot guarantee accuracy and completeness of the statements.

Consolidated financial statements

Consolidated balance sheet

	(Millions of yen)					
	June 30, 2006		June 30, 2007		March 31, 2007	
Assets						
Current assets:						
Cash and time deposit	63,535		54,598		58,445	
Notes and accounts receivable, trade	56,319		61,426		61,716	
Securities	17,437		8,286		17,789	
Inventories	52,385		61,883		65,433	
Deferred tax assets	7,782		8,298		9,960	
Other current assets	8,539		10,559		10,286	
Allowance for doubtful accounts	(232)		(276)		(302)	
Total current assets	205,767	54.2%	204,777	50.0%	223,328	54.0%
Fixed assets:						
Tangible assets:						
Building and structures	40,838		43,304		43,687	
Machinery and vehicles	39,273		45,506		43,829	
Land	16,406		18,549		16,846	
Construction in progress	5,084		21,471		12,638	
Other tangible assets	1,959		2,398		2,265	
Total tangible assets	103,561	27.3%	131,230	32.0%	119,267	28.8%
Intangible assets:						
Software	192		990		946	
Consolidated goodwill	614		697		753	
Total intangible assets	807	0.2%	1,688	0.4%	1,699	0.4%
Investment and other assets:						
Investments securities	66,188		67,729		64,941	
Deferred tax assets	1,111		1,263		1,263	
Other assets	1,989		3,398		3,376	
Allowance for doubtful accounts	(89)		(108)		(108)	
Total investment and other assets	69,200	18.3%	72,284	17.6%	69,472	16.8%
Total fixed assets	173,569	45.8%	205,202	50.0%	190,440	46.0%
Total assets	379,336	100.0%	409,980	100.0%	413,769	100.0%

(Millions of yen)

	June 30, 2006		June 30, 2007		March 31, 2007	
Liabilities						
Current liabilities:						
Accounts payable, trade	30,869		30,149		32,809	
Short-term borrowings	10,148		11,380		15,468	
Bonds due within one year	10,000		-		-	
Income taxes payable	4,202		3,564		11,188	
Deferred tax liabilities	200		200		198	
Other current liabilities	19,582		25,943		24,992	
Total current liabilities	75,003	19.8%	71,237	17.4%	84,657	20.5%
Fixed liabilities:						
Bonds	16,099		16,099		16,099	
Employee retirement benefit liability	14,342		14,247		14,166	
Accrued severance indemnities for officers	568		607		740	
Negative consolidated goodwill	68		47		53	
Deferred tax liabilities	7,322		9,321		7,901	
Other fixed liabilities	905		1,194		1,174	
Total fixed liabilities	39,308	10.4%	41,517	10.1%	40,134	9.7%
Total liabilities	114,311	30.2%	112,755	27.5%	124,792	30.2%
Net assets						
Shareholders' equity:						
Common stock	47,869	12.6%	47,869	11.7%	47,869	11.5%
Capital surplus	55,167	14.5%	55,172	13.5%	55,170	13.3%
Retained earnings	144,009	38.0%	173,205	42.2%	166,642	40.3%
Less, treasury stock at cost	(6,473)	(1.7%)	(10,092)	(2.5%)	(10,052)	(2.4%)
Total shareholders' equity	240,573	63.4%	266,154	64.9%	259,629	62.7%
Valuation and adjustment:						
Net unrealized gains on available-for-sale securities	25,147	6.6%	28,347	6.9%	26,837	6.5%
Foreign currency translation adjustment	(2,317)	(0.6%)	878	0.2%	703	0.2%
Total valuation and adjustment	22,829	6.0%	29,226	7.1%	27,541	6.7%
Minority interests in consolidated subsidiaries	1,622	0.4%	1,844	0.5%	1,805	0.4%
Total net assets	265,024	69.8%	297,225	72.5%	288,976	69.8%
Total liabilities and net assets	379,336	100.0%	409,980	100.0%	413,769	100.0%

Consolidated statements of operations

	(Millions of yen)					
	Three months ended June 30			Fiscal year ended March 31		
	2006		2007		2007	
Net sales	81,575	100.0%	86,343	100.0%	344,891	100.0%
Costs of goods sold	57,835	70.9%	61,197	70.9%	248,564	72.1%
Gross profit on sales	23,739	29.1%	25,146	29.1%	96,326	27.9%
Selling, general and administrative expenses	10,544	12.9%	11,159	12.9%	43,924	12.7%
Operating income	13,195	16.2%	13,986	16.2%	52,401	15.2%
Other income:						
Interest income	271		449		1,386	
Dividend income	342		361		817	
Amortization of consolidated goodwill	5		5		21	
Income of rentals on fixed assets	190		321		842	
Equity in net earnings of affiliates	320		272		481	
Foreign exchange gain	-		444		186	
Miscellaneous income	169		271		1,076	
Total other income	1,300	1.6%	2,125	2.5%	4,812	1.4%
Other expenses:						
Interest expenses	179		173		906	
Depreciation of rentals on fixed assets	148		251		658	
Foreign exchange loss	277		-		-	
Warranty	121		104		568	
Miscellaneous loss	126		131		1,227	
Total other expenses	853	1.1%	660	0.8%	3,359	1.0%
Ordinary income	13,642	16.7%	15,452	17.9%	53,855	15.6%
Extraordinary profit:						
Gain on sale of fixed assets	0		0		55	
Gain on sale of investment securities	-		13		85	
Total extraordinary profit	0	0.0%	13	0.0%	140	0.1%
Extraordinary losses:						
Loss on sale or disposal of fixed assets	97		81		610	
Total extraordinary losses	97	0.1%	81	0.1%	610	0.2%
Income before income taxes and minority interests	13,544	16.6%	15,384	17.8%	53,385	15.5%
Income taxes:						
Current	4,245		3,831		21,079	
Deferred	896		2,060		(2,011)	
Total income taxes	5,142	6.3%	5,891	6.8%	19,067	5.5%
Less, minority interests in net income of consolidated subsidiaries	50	0.1%	63	0.1%	244	0.1%
Net income	8,351	10.2%	9,428	10.9%	34,072	9.9%
Net income per share (yen)						
- Basis	42.77 yen		37.62 yen		154.24 yen	
- Diluted	40.60 yen		35.72 yen		146.44 yen	

Consolidated statements of net assets

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustment	Total valuation and adjustment	Minority interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2006	47,869	55,167	138,202	(6,454)	234,784	27,831	(3,403)	24,428	1,552	260,766
Net income			8,351		8,351					8,351
Dividends			(2,442)		(2,442)					(2,442)
Bonus to directors and corporate auditors			(102)		(102)					(102)
Purchase of treasury stock				(19)	(19)					(19)
Sale of treasury stock		0		0	0					0
Net change other than shareholder's equity						(2,684)	1,085	(1,599)	69	(1,529)
Total change	-	0	5,807	(19)	5,788	(2,684)	1,085	(1,599)	69	4,258
Balance at June 30, 2006	47,869	55,167	144,009	(6,473)	240,573	25,147	(2,317)	22,829	1,622	265,024
Balance at March 31, 2006	47,869	55,167	138,202	(6,454)	234,784	27,831	(3,403)	24,428	1,552	260,766
Net income			34,072		34,072					34,072
Dividends			(5,529)		(5,529)					(5,529)
Bonus to directors and corporate auditors			(103)		(103)					(103)
Purchase of treasury stock				(3,601)	(3,601)					(3,601)
Sale of treasury stock		3		3	6					6
Net change other than shareholder's equity						(994)	4,106	3,112	253	3,365
Total change	-	3	28,439	(3,598)	24,844	(994)	4,106	3,112	253	28,210
Balance at March 31, 2007	47,869	55,170	166,642	(10,052)	259,629	26,837	703	27,541	1,805	288,976
Net income			9,428		9,428					9,428
Dividends			(2,866)		(2,866)					(2,866)
Purchase of treasury stock				(41)	(41)					(41)
Sale of treasury stock		1		2	3					3
Net change other than shareholder's equity						1,509	174	1,684	38	1,723
Total change	-	1	6,562	(39)	6,525	1,509	174	1,684	38	8,248
Balance at June 30, 2007	47,869	55,172	173,205	(10,092)	266,154	28,347	878	29,226	1,844	297,225

Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30		Fiscal year ended
	2006	2007	March 31
			2007
Cash flow from operating activities:			
Income before income taxes and minority interests	13,544	15,384	53,385
Depreciation	4,152	4,784	18,861
Amortization of consolidated goodwill	35	50	178
Net increase / (decrease) in allowance for retirement benefit for employees	148	83	(38)
Interest and dividend income	(614)	(811)	(2,203)
Equity in net earnings of affiliates	(320)	(272)	(481)
Interest expenses	179	173	906
Gain on sale of investment securities	-	(13)	(85)
Gain on sale of fixed assets	(0)	(0)	(55)
Loss on sale or disposal of fixed assets	97	81	610
Net decrease / (increase) in accounts receivable, trade	(1,830)	351	(5,920)
Net decrease / (increase) in inventory	(976)	3,540	(11,928)
Net (decrease) / increase in accounts payable, trade	1,048	(2,637)	2,432
Other, net	(2,944)	(2,089)	233
Subtotal	12,520	18,626	55,895
Interest and dividend received	675	795	2,171
Interest paid	(129)	(171)	(908)
Income taxes paid	(10,649)	(11,276)	(20,676)
Net cash provided by operating activities	2,417	7,975	36,481
Cash flow from investing activities:			
Net decrease in fixed-term deposit	4,569	1,048	3,326
Purchase of securities	(1,698)	(7,996)	(17,829)
Sale of securities	9,327	17,500	26,929
Purchase of investment securities	(339)	(53)	(845)
Sale of investment securities	-	42	3,101
Purchase of shares of subsidiaries	-	-	(562)
Purchase of tangible fixed assets	(8,171)	(14,395)	(36,420)
Sale of tangible fixed assets	64	107	210
Net decrease / (increase) in loans	(6)	6	(16)
Other, net	(24)	(111)	(816)
Net cash (used in) / provided by investing activities	3,720	(3,850)	(22,924)
Cash flow from financing activities:			
Net (decrease) / increase in short-term borrowings	(318)	(4,088)	4,942
Repayment of long-term debt	-	-	(10,000)
Proceeds from an issuance of common stock of a subsidiary	-	-	248
Purchase of treasury stock and fractional shares	(19)	(41)	(3,601)
Sale of treasury stock and fractional shares	0	3	6
Dividends paid	(2,251)	(2,867)	(5,527)
Other, net	(28)	(50)	(111)
Net cash used in financing activities	(2,617)	(7,044)	(14,042)
Effect of exchange rate changes on cash and cash equivalents	77	9	(1,561)
Net (decrease) / increase in cash and cash equivalents	3,598	(2,909)	(2,046)
Cash and cash equivalents at beginning of the period	43,304	41,257	43,304
Cash and cash equivalents at end of the period	46,902	38,347	41,257

Note: Reconciliation of cash and time deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statements of cash flows.

(Millions of yen)

	Three months ended June 30		Fiscal year ended
	2006	2007	March 31
			2007
Cash and time deposits	63,535	54,598	58,445
Securities	17,437	8,286	17,789
Subtotal	80,973	62,885	76,234
Time deposits with original maturities of three months or longer	(19,634)	(19,250)	(20,193)
Security other than short-term investments with an original maturity of three months or less	(14,436)	(5,286)	(14,783)
Cash and cash equivalents	46,902	38,347	41,257

Revision of the depreciation method of tangible assets

NGK SPARK PLUG CO., LTD. (the Company) and its domestic consolidated subsidiaries have revised the depreciation method of tangible assets from this period of the three months ended June 30, 2007.

The following table shows the difference of depreciation methods.

	Revised method	Previous method
Buildings	Straight-line method	Traditional declining-balance method
Other tangible assets acquired on or after April 1, 2007	250% declining-balance method	Traditional declining-balance method
Other tangible assets acquired before April 1, 2007 (Not revised)	Traditional declining-balance method	Traditional declining-balance method

* 250% declining-balance method: the depreciation rate is calculated by multiplying the depreciation rate of straight-line method by 2.5.

* Traditional declining-balance method: the depreciation rate is calculated to become 10% of the acquisition cost after useful life.

In addition, the Company has shortened the useful life of equipment regarding IC-package production by one year from this period.

As a result, while depreciation expense increased by 106 million yen, operating income by 73 million yen, ordinary income by 70 million yen, and net income by 41 million yen decreased respectively for this period, as compared with calculated by previous depreciation method.

Segment information

1. Information by industry segment

(Millions of yen)

	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	Consolidated
<u>Three months ended June 30, 2006</u>						
Operating revenues-net sales:						
Outside customers	46,595	33,697	1,282	81,575	-	81,575
Inter-segment sales	-	-	20	20	(20)	-
Total net sales	46,595	33,697	1,302	81,595	(20)	81,575
Operating costs and expenses	36,854	30,261	1,283	68,400	(20)	68,379
Operating income	9,740	3,435	18	13,195	-	13,195
<u>Three months ended June 30, 2007</u>						
Operating revenues-net sales:						
Outside customers	50,094	35,049	1,199	86,343	-	86,343
Inter-segment sales	-	-	22	22	(22)	-
Total net sales	50,094	35,049	1,221	86,366	(22)	86,343
Operating costs and expenses	39,773	31,399	1,206	72,379	(22)	72,356
Operating income	10,321	3,650	15	13,986	-	13,986
<u>Fiscal year ended March 31, 2007</u>						
Operating revenues-net sales:						
Outside customers	185,601	154,446	4,842	344,891	-	344,891
Inter-segment sales	-	-	94	94	(94)	-
Total net sales	185,601	154,446	4,937	344,985	(94)	344,891
Operating costs and expenses	152,401	135,284	4,897	292,583	(94)	292,489
Operating income	33,199	19,162	39	52,401	-	52,401

Note: As disclosed above, the Company and its domestic subsidiaries have revised the depreciation method of tangible assets from this period. As a result, the changes of operating income in each industry segment for this period as compared with calculated by previous depreciation method are as follows.

Automotive components segment	increased by 13 million yen
Communication media and technical ceramics	decreased by 87 million yen
Other segment	increased by 0 million yen

2. Information by geographic segment

(Millions of yen)

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
Three months ended June 30, 2006							
Operating revenues-net sales:							
Outside customers	35,287	24,613	14,197	7,476	81,575	-	81,575
Inter-segment sales	36,939	200	287	223	37,651	(37,651)	-
Total net sales	72,227	24,814	14,484	7,700	119,226	(37,651)	81,575
Operating costs and expenses	61,887	23,956	13,454	6,821	106,119	(37,739)	68,379
Operating income	10,339	857	1,030	878	13,106	88	13,195
Three months ended June 30, 2007							
Operating revenues-net sales:							
Outside customers	32,630	27,661	16,789	9,262	86,343	-	86,343
Inter-segment sales	42,645	231	234	280	43,391	(43,391)	-
Total net sales	75,276	27,892	17,023	9,542	129,735	(43,391)	86,343
Operating costs and expenses	64,422	27,235	15,929	8,221	115,808	(43,451)	72,356
Operating income	10,854	656	1,094	1,321	13,926	60	13,986
Fiscal year ended March 31, 2007							
Operating revenues-net sales:							
Outside customers	149,433	105,955	57,683	31,819	344,891	-	344,891
Inter-segment sales	157,260	862	1,322	1,045	160,491	(160,491)	-
Total net sales	306,693	106,818	59,005	32,865	505,382	(160,491)	344,891
Operating costs and expenses	262,173	104,270	55,834	29,313	451,591	(159,102)	292,489
Operating income	44,520	2,547	3,171	3,551	53,790	(1,388)	52,401

Note: As disclosed above, the Company and its domestic subsidiaries have revised the depreciation method of tangible assets from this period. As a result, operating income for this period decreased by 73 million yen in the segment of Japan, as compared with calculated by previous depreciation method.

3. Overseas sales

(Millions of yen)

	Three months ended June 30				Fiscal year ended March 31	
	2006		2007		2007	
North America	34,772	42.6%	37,302	43.2%	156,159	45.3%
Europe	14,625	17.9%	16,977	19.7%	59,177	17.2%
Asia	8,699	10.7%	8,832	10.2%	34,775	10.1%
Other area	6,739	8.3%	7,896	9.1%	28,446	8.2%
Total overseas sales	64,837	79.5%	71,008	82.2%	278,558	80.8%
Consolidated net sales	81,575	100.0%	86,343	100.0%	344,891	100.0%