

Consolidated financial reports under Japanese GAAP for the six months ended September 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

Consolidated financial highlights

	Interim ended September 30, 2006	Interim ended September 30, 2007	Fiscal year ended March 31, 2007	Fiscal year ending March 31, 2008 (Forecast)
(Millions of yen)				
Net sales:				
Automotive components				
Spark & glow plugs	55,469	63,322	112,653	126,596
Automotive sensors	37,180	39,907	72,948	79,500
Subtotal	92,650	103,230	185,601	206,096
Communication media components & technical ceramics				
Communication media components	59,112	50,711	130,555	107,866
Technical ceramics	12,536	11,299	23,891	22,650
Subtotal	71,649	62,010	154,446	130,516
Others	2,400	2,386	4,937	4,468
Elimination	(42)	(43)	(94)	(80)
Total net sales	166,657	167,583	344,891	341,000
Operating income:				
Automotive components	18,100	19,133	33,199	37,557
Communication media components & technical ceramics	7,648	3,606	19,162	4,422
Others	25	4	39	21
Total operating income	25,774	22,744	52,401	42,000
Ordinary income	26,407	23,842	53,855	44,100
Net income	16,441	14,935	34,072	27,700
Per share (Yen)				
Net income (Basis)	74.28 yen	67.75 yen	154.24 yen	* ¹ 126.13 yen
Equity	1,218.30 yen	1,361.54 yen	1,302.52 yen	* ¹ 1,399.13 yen
Interim dividends	* ² 14.00 yen	13.50 yen	-	-
Annual dividends	-	-	* ² 27.00 yen	27.00 yen
Operating income ratio (%)	15.5%	13.6%	15.2%	12.3%
Return on equity (%)	-	-	12.5%	* ¹ 9.4%
Dividend payout ratio (%)	-	-	17.5%	* ¹ 21.4%
Actual exchange rate (Yen)				
Yen - U.S. dollar	115 yen	119 yen	117 yen	* ³ 117 yen
Yen - Euro	146 yen	162 yen	150 yen	* ³ 156 yen
Capital expenditure:				
Automotive components	6,072	10,265	17,667	27,278
Communication media components & technical ceramics	6,470	23,468	11,411	38,912
Others	180	-	191	10
Total capital expenditure	12,723	33,734	29,271	66,200
Depreciation:				
Automotive components	4,896	5,848	10,586	13,370
Communication media components & technical ceramics	3,771	5,013	8,259	13,019
Others	7	4	15	11
Total depreciation	8,675	10,867	18,861	26,400

*1 Estimated on purchasing 2,500,000 shares of treasury stock during the latter half of this fiscal year
(Please refer to P12 "Purchase of treasury stock")

*2 Including 3.00 yen of commemorative dividends on our 70th anniversary.

*3 Forecast of exchange rate in the latter half of this fiscal year: 1 U.S. dollar = 115 yen 1 Euro = 150 yen

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)

	September 30, 2006		September 30, 2007		March 31, 2007
Assets					
Current assets:					
Cash and time deposit	28,694		26,227		24,375
Notes and accounts receivable, trade	61,341		56,694		61,716
Securities	55,930		44,997		51,859
Inventories	57,326		73,038		65,433
Deferred tax assets	8,104		10,467		9,960
Other current assets	9,268		7,544		10,286
Allowance for doubtful accounts	(242)		(307)		(302)
Total current assets	220,424	55.7%	218,661	50.1%	223,328
Fixed assets:					
Tangible assets:					
Building and structures	40,516		63,206		43,687
Machinery and vehicles	40,687		47,771		43,829
Land	16,584		18,955		16,846
Construction in progress	5,994		10,937		12,638
Other tangible assets	1,998		2,587		2,265
Total tangible assets	105,781	26.7%	143,458	32.9%	119,267
Intangible assets:					
Software	333		1,174		946
Consolidated goodwill	594		9,807		753
Total intangible assets	927	0.2%	10,981	2.5%	1,699
Investment and other assets:					
Investments securities	65,941		58,491		64,941
Deferred tax assets	1,077		1,356		1,263
Other assets	2,005		3,675		3,376
Allowance for doubtful accounts	(89)		(113)		(108)
Total investment and other assets	68,934	17.4%	63,408	14.5%	69,472
Total fixed assets	175,643	44.3%	217,848	49.9%	190,440
Total assets	396,068	100.0%	436,510	100.0%	413,769

Note: Domestic NCDs* included in "Cash and Deposits" as of March 31, 2007 were reclassified into "Securities" at interim ended September 30, 2007, due to the revision of Accounting Standard for Financial Instruments (ASBJ Statement No.10) on June 15, 2007. For comparative purposes, the balances of earlier period's ends also have been reclassified into current presentation on this financial statement.

* Domestic NCDs: Negotiable certificate of deposits issued by Japanese financial institution

(Millions of yen)

	September 30, 2006	September 30, 2007	March 31, 2007
Liabilities			
Current liabilities:			
Accounts payable, trade	34,122	31,125	32,809
Short-term borrowing	11,896	6,404	15,468
Bonds due within one year	10,000	-	-
Income taxes payable	8,071	7,824	11,188
Deferred tax liabilities	208	210	198
Other current liabilities	21,838	30,537	24,992
Total current liabilities	86,138 21.8%	76,101 17.4%	84,657 20.5%
Fixed liabilities:			
Bonds	16,099	36,099	16,099
Long-term borrowing	-	200	-
Employee retirement benefit liability	14,215	14,264	14,166
Accrued severance indemnities for officers	635	679	740
Negative consolidated goodwill	63	42	53
Deferred tax liabilities	7,717	5,625	7,901
Other fixed liabilities	934	1,324	1,174
Total fixed liabilities	39,665 10.0%	58,236 13.4%	40,134 9.7%
Total liabilities	125,803 31.8%	134,337 30.8%	124,792 30.2%
Net assets			
Shareholders' equity:			
Common stock	47,869	47,869	47,869
Capital surplus	55,169	55,173	55,170
Retained earnings	152,098	178,712	166,642
Less, treasury stock at cost	(9,970)	(10,123)	(10,052)
Total shareholders' equity	245,167 61.9%	271,631 62.2%	259,629 62.7%
Valuation and adjustment:			
Net unrealized gains on available-for-sale securities	25,969	23,443	26,837
Foreign currency translation adjustment	(2,491)	5,062	703
Total valuation and adjustment	23,477 5.9%	28,506 6.6%	27,541 6.7%
Minority interests in consolidated subsidiaries	1,619 0.4%	2,035 0.4%	1,805 0.4%
Total net assets	270,264 68.2%	302,173 69.2%	288,976 69.8%
Total liabilities and net assets	396,068 100.0%	436,510 100.0%	413,769 100.0%
Number of shares (shares)			
- Issued common stock	229,544,820 shares	229,544,820 shares	229,544,820 shares
- Treasury stock	9,037,134 shares	9,105,216 shares	9,071,938 shares
Accumulated depreciation of tangible assets	216,840	242,476	225,406
Contingent liabilities			
Guarantees of indebtedness principles of employees	160	141	149
Note receivable discounted	505	382	514

Consolidated statement of operations

	(Millions of yen)					
	Six months ended				Fiscal year ended	
	September 30				March 31	
	2006		2007		2007	
Net sales	166,657	100.0%	167,583	100.0%	344,891	100.0%
Costs of goods sold	119,578	71.7%	121,969	72.8%	248,564	72.1%
Gross profit on sales	47,079	28.3%	45,613	27.2%	96,326	27.9%
Selling, general and administrative expenses	21,304	12.8%	22,868	13.6%	43,924	12.7%
Operating income	25,774	15.5%	22,744	13.6%	52,401	15.2%
Other income:						
Interest income	588		951		1,386	
Dividend income	397		431		817	
Amortization of consolidated goodwill	10		10		21	
Income of rentals on fixed assets	383		694		842	
Equity in net earnings of affiliates	452		504		481	
Foreign exchange gain	-		-		186	
Miscellaneous income	520		517		1,076	
Total other income	2,352	1.4%	3,109	1.8%	4,812	1.4%
Other expenses:						
Interest expenses	388		315		906	
Depreciation of rentals on fixed assets	297		548		658	
Loss on disposal of inventory	52		130		194	
Warranty	224		355		568	
Foreign exchange loss	256		189		-	
Miscellaneous loss	499		472		1,032	
Total other expenses	1,719	1.1%	2,011	1.2%	3,359	1.0%
Ordinary income	26,407	15.8%	23,842	14.2%	53,855	15.6%
Extraordinary profit:						
Gain on sale of fixed assets	20		3		55	
Gain on sale of investment securities	17		13		85	
Total extraordinary profit	38	0.0%	16	0.0%	140	0.1%
Extraordinary losses:						
Loss on sale or disposal of fixed assets	237		257		610	
Total extraordinary losses	237	0.1%	257	0.1%	610	0.2%
Income before income taxes and minority interests	26,208	15.7%	23,601	14.1%	53,385	15.5%
Income taxes:						
Current	9,222		8,854		21,079	
Deferred	424		(371)		(2,011)	
Total income taxes	9,647	5.8%	8,483	5.1%	19,067	5.5%
Less, minority interests in net income of consolidated subsidiaries	118	0.0%	182	0.1%	244	0.1%
Net income	16,441	9.9%	14,935	8.9%	34,072	9.9%
Net income per share (yen)						
- Basis	74.28 yen		67.75 yen		154.24 yen	
- Diluted	70.53 yen		64.32 yen		146.44 yen	

(Millions of yen)

	Six months ended		Fiscal year ended
	September 30		March 31
	2006	2007	2007
The major components of selling, general and administrative expenses			
Depreciation	466	553	973
Provision for allowance for doubtful accounts	52	0	145
Net periodic retirement benefit expense	336	358	682
Provision for officers' severance indemnities	147	124	253
Salaries and bonuses	7,252	7,978	14,913
Packing and transport	2,390	2,496	4,964
Sales commission	1,178	964	2,232
Advertising	1,535	1,914	3,527
Research and development	1,383	1,479	2,841

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 six months ended September 30, 2007.

The following table shows the difference of depreciation methods.

Tangible assets	Current 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 for IC-package production by one year from this period.

These revision increased depreciation expense of this period by 375 million yen as compared with the previous method. Likewise, this method decreased operating income of the period by 230 million yen, ordinary income by 230 million yen, and net income by 137 million yen.

Consolidated statement 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			16,441		16,441					16,441
Dividends			(2,442)		(2,442)					(2,442)
Bonus to directors and corporate auditors			(103)		(103)					(103)
Purchase of treasury stock				(3,518)	(3,518)					(3,518)
Sale of treasury stock		2		2	4					4
Net change other than shareholder's equity						(1,862)	911	(951)	67	(884)
Total change	-	2	13,895	(3,516)	10,382	(1,862)	911	(951)	67	9,498
Balance at September 30, 2006	47,869	55,169	152,098	(9,970)	245,167	25,969	(2,491)	23,477	1,619	270,264
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			14,935		14,935					14,935
Dividends			(2,866)		(2,866)					(2,866)
Purchase of treasury stock				(73)	(73)					(73)
Sale of treasury stock		2		3	5					5
Net change other than shareholder's equity						(3,393)	4,358	964	229	1,194
Total change	-	2	12,069	(70)	12,001	(3,393)	4,358	964	229	13,196
Balance at September 30, 2007	47,869	55,173	178,712	(10,123)	271,631	23,443	5,062	28,506	2,035	302,173

Consolidated statement of cash flows

	(Millions of yen)		
	Six months ended September 30		Fiscal year ended March 31
	2006	2007	2007
Cash flow from operating activities:			
Income before income taxes and minority interests	26,208	23,601	53,385
Depreciation	8,675	10,867	18,861
Amortization of consolidated goodwill	77	101	178
Net increase / (decrease) in allowance for retirement benefit for employees	22	57	(38)
Interest and dividend income	(985)	(1,382)	(2,203)
Equity in net earnings of affiliates	(452)	(504)	(481)
Interest expenses	388	315	906
Gain on sales of investment securities	(17)	(13)	(85)
Gain on sales of fixed assets	(20)	(3)	(55)
Loss on sales or disposal of fixed assets	237	257	610
Net decrease / (increase) in accounts receivables, trade	(7,014)	7,342	(5,920)
Net increase in inventory	(5,964)	(2,993)	(11,928)
Net (decrease) / increase in accounts payable, trade	4,100	(1,283)	2,432
Other, net	(108)	(667)	233
Subtotal	25,145	35,696	55,895
Interest and dividend received	1,004	1,338	2,171
Interest paid	(391)	(254)	(908)
Income taxes paid	(11,730)	(12,243)	(20,676)
Net cash provided by operating activities	14,027	24,537	36,481
Cash flow from investing activities:			
Net decrease in fixed-term deposit	1,549	711	836
Net decrease in securities	6,673	9,449	11,589
Purchase of investment securities	(341)	(2,746)	(845)
Sales of investment securities	21	42	3,101
Purchase of shares of subsidiaries	-	-	(562)
Net decrease by an acquisition of the newly consolidated subsidiary	-	(10,878)	-
Purchase of tangible fixed assets	(15,713)	(26,300)	(36,420)
Sales of tangible fixed assets	95	82	210
Net increase in loans	(3)	(18)	(16)
Other, net	(170)	(263)	(816)
Net cash used in investing activities	(7,889)	(29,920)	(22,924)
Cash flow from financing activities:			
Net (decrease) / increase in short-term borrowing	1,420	(9,999)	4,942
Issuance of long-term debt	-	19,893	-
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	(3,518)	(73)	(3,601)
Sales of treasury stock and fractional shares	4	5	6
Dividends paid	(2,441)	(2,856)	(5,527)
Other, net	(111)	(68)	(111)
Net cash provided by (used in) financing activities	(4,646)	6,900	(14,042)
Effect of exchange rate changes on cash and cash equivalents	68	895	(1,561)
Net increase / (decrease) in cash and cash equivalents	1,560	2,413	(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	44,864	43,670	41,257

Note 1. Reconciliation of cash and time deposits in the consolidated balance sheet to cash and cash equivalents in the consolidated statement of cash flows.

	(Millions of yen)		
	September 30		March 31
	2006	2007	2007
Cash and time deposits	28,694	26,227	24,375
Securities	55,930	44,997	51,859
Subtotal	84,625	71,224	76,234
Time deposits with original maturities of three months or longer	(8,521)	(8,299)	(8,273)
Negotiable certificate of deposits with original maturities of three months or longer	(15,980)	(9,220)	(11,920)
Bonds and beneficiary right on trusts	(15,258)	(10,034)	(14,783)
Cash and cash equivalents	44,864	43,670	41,257

Note 2. Breakdown of net decrease by an acquisition of the newly consolidated subsidiary

	(Millions of yen)		
	Six months ended September 30		Fiscal year ended March 31
	2006	2007	2007
Current assets of the newly consolidated subsidiary	-	6,577	-
Fixed assets of the newly consolidated subsidiary	-	2,762	-
Current liabilities of the newly consolidated subsidiary	-	(4,839)	-
Fixed liabilities of the newly consolidated subsidiary	-	(233)	-
Consolidated goodwill	-	9,165	-
The Company's share before an acquisition	-	(2,134)	-
Payment for acquisition of shares	-	11,300	-
Cash and cash equivalents of the newly subsidiary	-	(421)	-
Net decrease by an acquisition of the newly consolidated subsidiary	-	10,878	-

* The Company acquired the 50% stake of Ceramic Sensor Co., Ltd. (Ceramic Sensor) at September 25, 2007. As a result, Ceramic Sensor became the Company's wholly owned subsidiary in this period ended.

About Ceramic Sensor

- Trade name Ceramic Sensor Co., Ltd.
- Location Komaki, Aichi, Japan
- Paid-in Capital 2,500 million yen
- Line of Business Production of automotive sensors

Relationship between the Company and Ceramic Sensor

- Capital The Company has 100% voting rights of Ceramic Sensor.
- Personnel The Company has installed the Company's two officers and three employees as Ceramic Sensor's Directors.
- Financial support None
- Partnerships The Company purchases finish goods from Ceramic Sensor.
- Rental of assets The Company rents land for factory and parking, building, equipments for automotive sensor's production.

Scope of consolidation and application of equity method

1. Number of consolidated subsidiaries, unconsolidated subsidiaries and affiliates

	<u>September 30,2006</u>	<u>September 30,2007</u>	<u>March 31,2007</u>
Consolidated subsidiaries:			
Overseas	22	23	23
Domestic	10	11	10
Unconsolidated subsidiaries, stated at cost	4	3	3
Affiliates, accounted for by equity method	3	2	3
Affiliates, stated at cost	4	5	5

Note 1. Ceramic Sensor Co., Ltd., an affiliate as of March 31, 2007, has been reclassified as a subsidiary, reflecting an acquisition of shares by the Company. We treated acquisition date as September 30, 2007, therefore only balance sheet was consolidated and the equity method was applied to the statement of income.

2. Unconsolidated subsidiaries are small in terms of their total assets, total sales, total net income or loss and total retained earnings and others. So they do not have a significant effect on the consolidated financial statements.
3. Unconsolidated subsidiaries and affiliates, which are stated at cost, are not accounted for by the equity method. Because their impact is not so significant on consolidated net income or loss for the period or on consolidated retained earnings or other results.

2. Name of major consolidated subsidiaries and affiliates, accounted for by equity method

1. Consolidated subsidiaries:

- (1) Overseas subsidiaries
 NGK Spark Plugs (U.S.A.), Inc. (U.S.A.)
 NTK Technologies, Inc. (U.S.A.)
 NGK Spark Plugs (U.K.) Ltd. (U.K.)
 NGK Spark Plug Europe GmbH (Germany)
 Cerâmica e Velas de Ignição NGK do Brasil Ltda. (Brazil)
 NGK Spark Plug (Australia) Pty., Ltd. (Australia)
- (2) Domestic subsidiaries
 Ceramic Sensor Co., Ltd.
 Nittoku Seisakusho Co., Ltd.
 Kamioka Ceramic Co., Ltd.
 Iijima Ceramic Co., Ltd.
 Nakatsugawa Ceramic Co., Ltd.

2. Affiliates, accounted for by equity method

- (1) Overseas affiliate
 WOOJIN INDUSTRY CO.,LTD. (Korea)
- (2) Domestic affiliate
 Tokai Taima Kogu Co., Ltd.

3. Accounting periods of consolidated subsidiaries

All the overseas-consolidated subsidiaries close their books on June 30, which is three months earlier than consolidated balance sheet date (September 30). Significant transactions between their closing date and the date of consolidated balance sheet are adjusted at the time of consolidation.

Segment information

1. Information by industry segment

(Millions of yen)

	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	Consolidated
<u>Six months ended September 30, 2006</u>						
Operating revenues-net sales:						
Outside customers	92,650	71,649	2,357	166,657	-	166,657
Inter-segment sales	-	-	42	42	(42)	-
Total net sales	92,650	71,649	2,400	166,700	(42)	166,657
Operating costs and expenses	74,550	64,001	2,374	140,925	(42)	140,883
Operating income	18,100	7,648	25	25,774	-	25,774

Six months ended September 30, 2007

Operating revenues-net sales:						
Outside customers	103,230	62,010	2,342	167,583	-	167,583
Inter-segment sales	-	-	43	43	(43)	-
Total net sales	103,230	62,010	2,386	167,627	(43)	167,583
Operating costs and expenses	84,096	58,404	2,381	144,882	(43)	144,838
Operating income	19,133	3,606	4	22,744	-	22,744

Fiscal year ended March 31, 2006

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: The Company and its domestic subsidiaries have revised the depreciation method of tangible assets from this period.

(Please refer to P5 "Revision of the depreciation method of tangible assets")

As a result, operating income in each industry for this period changed as compared with calculated by previous depreciation method. They are as follows:

Automotive components segment	increased by 9 million yen
Communication media components and technical ceramics segment	decreased by 239 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
<u>Six months ended September 30, 2006</u>							
Operating revenues-net sales:							
Outside customers	72,684	50,513	28,323	15,136	166,657	-	166,657
Inter-segment sales	73,527	428	694	472	75,123	(75,123)	-
Total net sales	146,212	50,942	29,017	15,609	241,781	(75,123)	166,657
Operating costs and expenses	126,389	49,007	27,020	13,691	216,108	(75,225)	140,883
Operating income	19,822	1,934	1,997	1,917	25,672	101	25,774

Six months ended September 30, 2007

Operating revenues-net sales:							
Outside customers	64,374	48,625	34,087	20,495	167,583	-	167,583
Inter-segment sales	78,910	420	442	725	80,499	(80,499)	-
Total net sales	143,285	49,046	34,530	21,221	248,082	(80,499)	167,583
Operating costs and expenses	126,302	47,593	32,297	18,133	224,327	(79,489)	144,838
Operating income	16,982	1,452	2,232	3,087	23,755	(1,010)	22,744

Fiscal year ended March 31, 2006

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: The Company and its domestic subsidiaries have revised the depreciation method of tangible assets from this period.
(Please refer to P5 "Revision of the depreciation method of tangible assets")

As a result, operating income for this period decreased by 230 million yen in the segment of Japan, as compared with calculated by previous depreciation method.

