

Consolidated financial statements

Consolidated balance sheet

	Millions of yen					
	December 31, 2006		December 31, 2007		March 31, 2007	
Assets						
Current assets:						
Cash and time deposits	23,700		22,265		24,375	
Notes and accounts receivable, trade	65,921		64,890		61,716	
Securities	50,258		24,800		51,859	
Inventories	61,189		74,719		65,433	
Deferred tax assets	7,384		8,671		9,960	
Other current assets	9,340		7,944		10,286	
Allowances for doubtful accounts	(243)		(329)		(302)	
Total current assets	217,551	53.7%	202,961	48.0%	223,328	54.0%
Fixed assets:						
Tangible assets:						
Buildings and structures	40,637		64,855		43,687	
Machinery and vehicles	41,836		47,116		43,829	
Land	16,708		18,761		16,846	
Construction in progress	10,303		13,917		12,638	
Other tangible assets	2,181		2,510		2,265	
Total tangible assets	111,667	27.6%	147,162	34.8%	119,267	28.8%
Intangible assets:						
Software	487		1,918		946	
Consolidated goodwill	809		9,521		753	
Total intangible assets	1,296	0.3%	11,440	2.7%	1,699	0.4%
Investment and other assets:						
Investment securities	71,117		56,461		64,941	
Deferred tax assets	1,120		1,294		1,263	
Other assets	2,134		4,018		3,376	
Allowances for doubtful accounts	(86)		(114)		(108)	
Total investment and other assets	74,286	18.4%	61,661	14.5%	69,472	16.8%
Total fixed assets	187,251	46.3%	220,263	52.0%	190,440	46.0%
Total assets	404,802	100.0%	423,225	100.0%	413,769	100.0%

	Millions of yen					
	December 31, 2006		December 31, 2007		March 31, 2007	
Liabilities						
Current liabilities:						
Accounts payable, trade	34,345		34,242		32,809	
Short-term borrowings	14,141		4,874		15,468	
Bonds due within one year	10,000		-		-	
Income taxes payable	5,565		3,513		11,188	
Deferred tax liabilities	215		206		198	
Other current liabilities	17,995		25,141		24,992	
Total current liabilities	82,262	20.3%	67,978	16.1%	84,657	20.5%
Fixed liabilities:						
Bonds	16,099		36,099		16,099	
Long-term borrowings	-		200		-	
Employee retirement benefit liability	14,367		14,364		14,166	
Accrued severance indemnities for officers	688		734		740	
Negative consolidated goodwill	58		37		53	
Deferred tax liabilities	9,559		4,604		7,901	
Other fixed liabilities	971		1,140		1,174	
Total fixed liabilities	41,744	10.3%	57,180	13.5%	40,134	9.7%
Total liabilities	124,007	30.6%	125,159	29.6%	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	158,509		183,573		166,642	
Less, treasury stock at cost	(10,015)		(14,951)		(10,052)	
Total shareholders' equity	251,533	62.1%	271,665	64.2%	259,629	62.7%
Valuation and adjustment:						
Net unrealized gains on available-for-sale securities	28,820		21,878		26,837	
Foreign currency translation adjustment	(973)		2,436		703	
Total valuation and adjustment	27,847	6.9%	24,315	5.7%	27,541	6.7%
Minority interests in consolidated subsidiaries	1,414	0.4%	2,085	0.5%	1,805	0.4%
Total net assets	280,794	69.4%	298,065	70.4%	288,976	69.8%
Total liabilities and net assets	404,802	100.0%	423,225	100.0%	413,769	100.0%

Consolidated statement of operations

	Millions of yen					
	Nine months ended December 31				Fiscal year ended March 31	
	2006		2007		2007	
Net sales	257,743	100.0%	260,580	100.0%	344,891	100.0%
Costs of goods sold	185,477	72.0%	191,382	73.4%	248,564	72.1%
Gross profit on sales	72,265	28.0%	69,198	26.6%	96,326	27.9%
Selling, general and administrative expenses	32,065	12.4%	34,701	13.4%	43,924	12.7%
Operating income	40,200	15.6%	34,496	13.2%	52,401	15.2%
Other income:						
Interest income	946		1,399		1,386	
Dividend income	707		786		817	
Amortization of consolidated goodwill	15		15		21	
Income of rentals on fixed assets	585		698		842	
Equity in net earnings of affiliates	579		557		481	
Foreign exchange gain	121		-		186	
Miscellaneous income	765		958		1,076	
Total other income	3,722	1.4%	4,417	1.7%	4,812	1.4%
Other expenses:						
Interest expenses	655		456		906	
Depreciation of rentals on fixed assets	454		548		658	
Loss on disposal of inventory	52		130		194	
Warranty	299		404		568	
Foreign exchange loss	-		439		-	
Miscellaneous loss	594		540		1,032	
Total other expenses	2,056	0.8%	2,519	0.9%	3,359	1.0%
Ordinary income	41,865	16.2%	36,393	14.0%	53,855	15.6%
Extraordinary profit:						
Gain on sales of fixed assets	48		18		55	
Gain on sales of investment securities	17		13		85	
Total extraordinary profit	66	0.0%	31	0.0%	140	0.1%
Extraordinary losses:						
Loss on sale or disposal of fixed assets	421		316		610	
Total extraordinary losses	421	0.1%	316	0.1%	610	0.2%
Income before income taxes and minority interests	41,510	16.1%	36,108	13.9%	53,385	15.5%
Income taxes:						
Current	14,377		11,504		21,079	
Deferred	1,015		1,498		(2,011)	
Total income taxes	15,393	6.0%	13,003	5.0%	19,067	5.5%
Less, minority interests in net income of consolidated subsidiaries	177	0.0%	331	0.2%	244	0.1%
Net income	25,939	10.1%	22,773	8.7%	34,072	9.9%
	Yen					
Net income per share						
- Basis	117.34		103.57		154.24	
- Diluted	111.41		98.31		146.44	

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			25,939		25,939					25,939
Dividends			(5,529)		(5,529)					(5,529)
Bonus to directors and corporate auditors			(103)		(103)					(103)
Purchase of treasury stock				(3,563)	(3,563)					(3,563)
Sale of treasury stock		2		2	4					4
Net change other than shareholder's equity						988	2,430	3,418	(138)	3,280
Total change	-	2	20,306	(3,561)	16,748	988	2,430	3,418	(138)	20,028
Balance at December 31, 2006	47,869	55,169	158,509	(10,015)	251,533	28,820	(973)	27,847	1,414	280,794
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			22,773		22,773					22,773
Dividends			(5,842)		(5,842)					(5,842)
Purchase of treasury stock				(4,901)	(4,901)					(4,901)
Sale of treasury stock		2		3	6					6
Net change other than shareholder's equity						(4,958)	1,732	(3,225)	279	(2,946)
Total change	-	2	16,931	(4,898)	12,035	(4,958)	1,732	(3,225)	279	9,088
Balance at December 31, 2007	47,869	55,173	183,573	(14,951)	271,665	21,878	2,436	24,315	2,085	298,065

Consolidated statement of cash flows

	Millions of yen		
	Nine months ended December 31		Fiscal year ended March 31
	2006	2007	2007
Cash flow from operating activities:			
Income before income taxes and minority interests	41,510	36,108	53,385
Depreciation	13,636	17,349	18,861
Amortization of consolidated goodwill	128	381	178
Net increase / (decrease) in allowance for retirement benefit for employees	167	166	(38)
Interest and dividend income	(1,654)	(2,186)	(2,203)
Equity in net earnings of affiliates	(579)	(557)	(481)
Interest expenses	655	456	906
Gain on sales of investment securities	(17)	(13)	(85)
Gain on sales of fixed assets	(48)	(18)	(55)
Loss on sales or disposal of fixed assets	421	316	610
Net increase in accounts receivable, trade	(10,698)	(2,849)	(5,920)
Net increase in inventories	(8,887)	(6,323)	(11,928)
Net increase in accounts payable, trade	3,268	3,864	2,432
Other, net	(3,053)	(3,608)	233
Subtotal	34,848	43,088	55,895
Interest and dividend received	1,679	2,312	2,171
Interest paid	(595)	(305)	(908)
Income taxes paid	(19,696)	(19,030)	(20,676)
Net cash provided by operating activities	16,236	26,064	36,481
Cash flow from investing activities:			
Net decrease in fixed-term deposits	3,884	623	836
Net decrease in securities	12,085	21,100	11,589
Purchase of investment securities	(601)	(3,635)	(845)
Sales of investment securities	24	42	3,101
Purchase of shares of a subsidiary	(562)	-	(562)
Net decrease by an acquisition of a newly consolidated subsidiary	-	(10,878)	-
Purchase of tangible fixed assets	(27,422)	(40,357)	(36,420)
Sales of tangible fixed assets	321	134	210
Net increase in loans	(3)	(73)	(16)
Other, net	(422)	(1,032)	(816)
Net cash used in investing activities	(12,696)	(34,075)	(22,924)
Cash flow from financing activities:			
Net (decrease) / increase in short-term borrowings	3,646	(11,378)	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 stocks and fractional shares	(3,563)	(4,901)	(3,601)
Sales of treasury stocks and fractional shares	4	6	6
Dividends paid	(5,529)	(5,835)	(5,527)
Other, net	(111)	(68)	(111)
Net cash used in financing activities	(5,553)	(2,284)	(14,042)
Effect of exchange rate changes on cash and cash equivalents	466	304	(1,561)
Net decrease in cash and cash equivalents	(1,546)	(9,991)	(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	41,757	31,266	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		
	December 31		March 31
	2006	2007	2007
Cash and time deposits	23,700	22,265	24,375
Securities	50,258	24,800	51,859
Subtotal	73,958	47,065	76,234
Time deposits with original maturities of three months or longer	(6,336)	(8,133)	(8,273)
Negotiable certificate of deposits with original maturities of three months or longer	(8,670)	(870)	(11,920)
Bonds, beneficiary right on trust	(17,194)	(6,796)	(14,783)
Cash and cash equivalents	41,757	31,266	41,257

Change in scope of consolidation

Ceramic Sensor Co., Ltd. (hereinafter referred to as "CS"), an affiliate as of March 31, 2007, has been reclassified as a subsidiary, reflecting an acquisition of shares by NGK SPARK PLUG CO., LTD. (hereinafter referred to as "the Company"). We treated acquisition date as September 30, 2007; therefore we consolidated CS's balance sheet, statement of income and cash flow from end of interim period, by applying equity method to CS's statement of income up to end of interim period.

Revision of the depreciation method of tangible assets

The Company and its domestic consolidated subsidiaries have revised the depreciation method of tangible assets from this period of the nine months ended December 31, 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:

This depreciation rate is 250% of the straight-line method's depreciation rate.

* Traditional declining-balance method:

This 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 revisions increased depreciation expense of this period by 717 million yen as compared with the previous method. Likewise, this method decreased operating income of the period by 542 million yen, ordinary income by 543 million yen, and net income by 322 million yen.

Segment information

1. Information by industry segment

	Millions of yen					Consolidated
	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	
<u>Nine months ended December 31, 2006</u>						
Operating revenues-net sales:						
Outside customers	138,858	115,282	3,602	257,743	-	257,743
Inter-segment sales	-	-	73	73	(73)	-
Total net sales	138,858	115,282	3,675	257,816	(73)	257,743
Operating costs and expenses	112,919	101,045	3,650	217,616	(73)	217,543
Operating income	25,938	14,236	24	40,200	-	40,200
<u>Nine months ended December 31, 2007</u>						
Operating revenues-net sales:						
Outside customers	156,322	100,606	3,651	260,580	-	260,580
Inter-segment sales	-	-	81	81	(81)	-
Total net sales	156,322	100,606	3,733	260,662	(81)	260,580
Operating costs and expenses	125,910	96,556	3,699	226,165	(81)	226,083
Operating income	30,412	4,050	34	34,496	-	34,496
<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: The Company and its domestic subsidiaries have revised the depreciation method of tangible assets from this period.

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

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

Automotive components segment	decreased by 50 million yen
Communication media components and technical ceramics segment	decreased by 492 million yen
Other segment	increased by 0 million yen

2. Information by geographic segment

	Millions of yen						Consolidated
	Japan	North America	Europe	Other	Total	Elimination	
<u>Nine months ended December 31, 2006</u>							
Operating revenues-net sales:							
Outside customers	113,919	77,559	42,963	23,300	257,743	-	257,743
Inter-segment sales	116,363	655	991	721	118,732	(118,732)	-
Total net sales	230,283	78,215	43,955	24,021	376,475	(118,732)	257,743
Operating costs and expenses	196,153	75,927	41,077	21,281	334,439	(116,896)	217,543
Operating income	34,129	2,287	2,877	2,740	42,035	(1,835)	40,200

Nine months ended December 31, 2007

Operating revenues-net sales:							
Outside customers	110,400	67,241	50,952	31,985	260,580	-	260,580
Inter-segment sales	113,953	612	675	1,063	116,305	(116,305)	-
Total net sales	224,354	67,854	51,627	33,049	376,885	(116,305)	260,580
Operating costs and expenses	199,709	65,662	48,217	28,294	341,884	(115,800)	226,083
Operating income	24,645	2,191	3,409	4,754	35,001	(504)	34,496

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

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

As a result, operating income for this period decreased by 542 million yen in the segment of Japan, as compared with calculated by previous depreciation method.

3. Overseas sales

	Millions of yen					
	Nine months ended				Fiscal year ended	
	December 31, 2006		December 31, 2007		March 31, 2007	
North America	116,081	45.1%	106,834	41.0%	156,159	45.3%
Europe	44,127	17.1%	51,411	19.7%	59,177	17.2%
Asia	26,373	10.2%	29,061	11.2%	34,775	10.1%
Other area	21,162	8.2%	26,036	10.0%	28,446	8.2%
Total overseas sales	207,744	80.6%	213,344	81.9%	278,558	80.8%
Consolidated net sales	257,743	100.0%	260,580	100.0%	344,891	100.0%