

Financial reports for the six months ended September 30, 2005 (Consolidated)

November 8, 2005

NGK Spark Plug Co., Ltd. (URL: <http://www.ngkntk.co.jp>)
 Stock Listing: Tokyo (1st Section), Nagoya (1st Section)
 Code Number: 5334
 Head Office: 14-18 Takatsuji-cho, Mizuho-ku, Nagoya, 467-8525, Aichi, Japan
 Rep: Norio Kato, President
 Adoption of U.S. GAAP: Not adopted

1. Consolidated Financial Highlights (April 1, 2005 through September 30, 2005)

(1) Consolidated Financial Results

(Yen in millions)

	Net sales	Operating income	Ordinary income	Net income
Six months ended September 30, 2005	136,079 11.3%	19,381 37.5%	20,488 29.5%	12,196 29.2%
Six months ended September 30, 2004	122,306 8.3%	14,097 37.7%	15,822 54.3%	9,439 49.9%
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)
Six months ended September 30, 2005	55.07 yen	52.15 yen
Six months ended September 30, 2004	42.61	40.35
Fiscal year ended March 31, 2005	77.01	72.92

Note: 1. Investment profit in equity method: Six months ended September 30, 2005: 430 million yen
 Six months ended September 30, 2004: 300 million yen
 Fiscal year ended March 31, 2005: 655 million yen

2. Average number of shares of common stock outstanding: Six months ended September 30, 2005: 221,461,351 shares
 Six months ended September 30, 2004: 221,555,348 shares
 Fiscal year ended March 31, 2005: 221,530,519 shares

3. Change in accounting treatment: Not applicable

4. 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.

(2) Consolidated Financial Position

(Yen in millions)

	Total assets	Shareholders' equity	Equity ratio	Equity per share
September 30, 2005	346,081	239,049	69.1%	1,079.53 yen
September 30, 2004	319,180	212,698	66.6%	960.10
March 31, 2005	323,108	220,932	68.4%	997.13

Note: Number of shares of common stock outstanding as of period end: September 30, 2005: 221,437,991 shares
 September 30, 2004: 221,538,269 shares
 March 31, 2005: 221,481,620 shares

(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
Six months ended September 30, 2005	10,821	(9,452)	(2,045)	40,300
Six months ended September 30, 2004	18,400	(39,930)	9,110	35,699
Fiscal year ended March 31, 2005	36,092	(41,782)	(1,887)	40,524

(4) Scope of consolidation and application of equity method

Consolidated subsidiaries: 32 Equity method applied unconsolidated subsidiaries: - Equity method applied affiliates: 3

(5) Change in scope of consolidation and application of equity method

Consolidation (Addition): 1 (Exclusion): - Equity method (Addition): - (Exclusion): 1

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)
Fiscal year ending March 31, 2006	271,000	37,500	23,100	103.92 yen

Caution: The above forecasts have been made based on information available as of the release date of this material, and actual business results may vary from forecasted figures due to a number of subsequent factors.

Management Policy

Basic Management Policy

As a technology-driven company that preempts market needs, 'NGK Spark Plug Co., Ltd.' (the Company) aims to be a leading company that is highly trusted by customers and society, by adding new values and providing excellent product quality requested by the contemporary market. It is the Company's fundamental policy to maximize corporate value and meet the shareholders' expectations. To this end, the Company devotes every effort in offering a working environment in which each employee can make full use of his/her personality and capability, and strives to move forward constantly in a swift manner.

Policy regarding the distribution of profits

The policy for distributing dividends to shareholders is one of the management's highest priorities. Our basic dividend policy is to maintain stable and constant payout, while at the same time, aiming to distribute dividends in line with business results, of a payout ratio of at least 20 % of consolidated net income.

It is also our recognition that retaining internal reserves for activities that contribute toward enhancing the future corporate value of the Company, including investment in research & development, business expansion and streamlining of operations. To this end, we, as NGK Spark Plug Group, will strive further to improve operational results and financial position. We also think that purchase of treasury stock is an effective measure to improve capital efficiency, therefore, we plan to exercise this option according to circumstances.

Targets and Strategies

1. Enhance responsiveness to the changing market environment by improving overall efficiency of businesses.
2. Standing on the basis of Customer Satisfaction (CS), strive to transform to a suggestible company by pursuing quality first principle, environment oriented approach, flexibility to customer needs and original technology that stand out from competitors.
3. Increase world share No.1 products from our core business field.
4. Optimize global operations, including production, logistics and raw material in order to enhance price competitiveness.
5. Develop new products by converging the internal combustion related know-how learned from spark plugs and sensors, and the lamination technologies of ceramic IC package business.

We aim to attain the following targets of fiscal year ending March 31, 2006.

	<u>Managerial Target</u>
Return on Equity	8% or above
Operating Income ratio to sales	10% or above

Business Performance and Financial Position

Business performance

Review of Performance (Summary of Results: Six months ended September 30, 2005)

In this interim period, the Japanese automobile manufactures maintained steady production volume due to robust overseas sales, while upward trend was also seen in the semiconductor-related sector owing to fair demand particularly for PCs, reducing inventory glut.

Amid these conditions, NGK Spark Plug Group posted record-high consolidated results during six months ended September 30, 2005. Details are as following;

		<u>% Change from the previous year</u>
Net Sales	136,079 million yen	Up 11.3%
Operating Income	19,381 million yen	Up 37.5%
Ordinary Income	20,488 million yen	Up 29.5%
Net Income	12,196 million yen	Up 29.2%

Summary of segment

Business segment

<Automotive Components Business>

Regarding spark plugs and glow plugs for factory installation in new cars, shipment quantity of precious metal type spark plugs and glow plugs increased. This is mainly due to robust automobile sales and the consumers' tendency that favors fuel-efficient and low-emission vehicles such as Japanese cars and diesel automobiles in Europe.

Especially, as for the ceramic glow plugs (Quick Glowing type) which was started last fiscal year, there has been very strong demand that surpasses our production capacity. We are preparing additional production lines in a new facility in Komaki, Aichi prefecture (Japan), now under construction but expected to start its operation within this year. Regarding spark plugs for the maintenance market, sales increased by large especially in the U.S., China and Southeast Asia.

In the automotive sensors area, sales volumes in the U.S. market remained flat due to slump at BIG 3, but total shipment quantity increased, supported by new applications as well as strong automobile production in Japan, Korea and Europe. In addition, sales of knock sensors to the U.S. automakers increased, and shipment of wide range temperature sensors used for diesel vehicles started on a large scale.

As a result, Automotive Components Business posted net sales of 81,405 million yen, up 6.7% over the corresponding period of the previous year, and operating income of 14,737 million yen (up 10.3%).

<Communication Media Components and Technical Ceramics Businesses>

Reflecting the rapid expansion of IT device sales in the emerging market such as BRICs, as well as steady demand for mobile PCs, shipment quantity of IC packages for MPU's increased significantly. In addition, sales of ceramic products used for semiconductor manufacturing equipment and wide-area network expanded, while inventory of devices used for mobile phones and digital cameras reduced.

In the area of fine ceramics for industrial uses, demand for cutting tools increased mainly for the uses of metal processing in the automotive components and precision machinery industries. The production at NTK Technical Ceramics Polska Spółka z o.o. (Poland) that started its operation last year is getting on the right track as well. Furthermore, in the field of medical related products, sales of medical oxygen concentrators quadrupled. In this area, we are also working on a new bioactive past-type artificial bone that is targeted to be launched by the end of the year.

As a result, Communication Media Components and Technical Ceramics Businesses posted net sales of 53,200 million yen, up 18.9% over the corresponding period of the previous year, and operating income of 4,632 million yen (up 6.3x).

<Other businesses>

Net sales in other businesses totaled 1,506 million yen, up 17.1% over the corresponding period of the previous year, while operating income was 10 million yen.

Geographic segment

<Japan>

Automotive Components Business expanded due mainly to increased adoption of automotive sensors such as oxygen sensors. In the Communication Media Components and Technical Ceramics Businesses, IC packages for MPU's contributed to the large increase of sales, while medical oxygen concentrators delivered to new OEM customers.

As a result, net sales totaled 117,479 million yen, up 11.6% over the corresponding period of the previous year, while operating income was 15,540 million yen. (up 43.1%)

<North America>

In the Automotive Components Business, strong sales to the Japanese automobile manufactures and steady sales for the maintenance markets overtook the stagnant sales to the BIG 3. In the Communication Media Components and Technical Ceramics Businesses, IC packages for MPU's and chucks for semiconductor manufacturing equipment contributed to the large increase of sales.

As a result, net sales totaled 41,170 million yen, up 10.0% over the corresponding period of the previous year, while operating income was 1,209 million yen. (up 14.2%)

<Europe>

In the Automotive Components Business, demand for glow plugs used for diesel engines as well as various sensors expanded; however, total sales volume was hampered by a temporary disruption due to a British automobile manufacture's bankruptcy. In the Communication Media Components and Technical Ceramics Businesses, demand at our major communication-device customers dropped due to their model changes. In addition, customers transferred assembly to subcontractors in Southeast Asia.

As a result, net sales totaled 24,530 million yen, down 1.0% from the corresponding period of the previous year, while operating income was 880 million yen. (down 26.7%)

<Other Regions>

Sales especially for spark plugs expanded in China, Southeast Asia and Latin America. Net sales totaled 12,844 million yen, up 17.9% over the corresponding period of the previous year, while operating income was 1,225 million yen. (up 43.2%) These increases are partly due to consolidation of NGK Spark Plugs Malaysia Berhad (Malaysia).

Outlook for Fiscal Year Ending March 31, 2006

Regarding the full FY2005, automobile production is expected to continue to perform strong, and demand for IT equipment such as PC's will also remain on an upward trend. On the other hand, soaring raw material prices and decreasing unemployment rate are igniting inflation worries.

In addition, plant and equipment investment for the glow plugs and organic IC packages is necessary to meet burgeoning demand. In this respect, we anticipate temporally expenses and increased depreciation that will affect profitability.

Under these circumstances, we forecast consolidated net sales of 271,000 million yen, up 12.4% over the same period in FY2004, ordinary income of 37,500 million yen (up 35.3%), net income of 23,100 million yen (up 34.7%).

These forecasts assume exchange rates of 110 yen=US\$1, and 135 yen=1 euro for the second half FY 2005.

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.

Financial position

Net cash provided by operating activities amounted to 10,821 million yen, net cash used in investing activities amounted to 9,452 million yen and net cash used in financial activities amounted to 2,045 million yen. As a result, and also because of currency exchange rate changes, cash and cash equivalents decreased 223 million yen compared with March 31, 2005 to 40,300 million yen at September 30, 2005.

Cash flow from operating activities

Net cash provided by operating activities decreased 7,578 million yen compared with the corresponding period of previous fiscal year to 10,821 million yen, although income before income taxes and minority interests increased 4,498 million yen compared over the previous period to 19,451 million yen. An increase of income taxes paid and an increase of A/R trade depressed cash flow from operating activities. An increase of A/R trade was mainly due to the growth of sales of spark plugs for replacement and enlargement of communication media and technical ceramics components sales, especially sales to new customers.

Cash flow from investing activities

Net cash used in investing activities amounted to 9,452 million yen. Although Cash used in capital expenditure increased 3,164 million yen compared over the corresponding period of fiscal year to 8,947 million yen, net cash used in this activities decreased 30,477 million yen compared with the corresponding period. This result was due to activities for fund raising. During this period, Net cash transferred for fund raising was a little. On the other hand, we transferred cash of 34,176 million yen to short-term and investment securities during the previous period, primarily due to issuance of zero coupon convertible bonds.

Cash flow from financial activities

Net cash used in financial activities amounted to 2,045 million yen. This result was mainly due to payment of dividends of 2,214 million, increased 994 million yen from previous period.

Supplemental information for cash flows

	March 31, 2004	September 30, 2004	March 31, 2005	September 30, 2005
Equity Ratio:	69.1%	66.6%	68.4%	69.1%
Equity ratio based on market price ratio:	72.5%	79.7%	76.0%	105.3%
Repayment period:	1.4year	-	1.0year	-
Interest coverage ratio:	23.7times	62.6times	55.5times	36.6times

Notes: 1. Equity ratio: shareholders' equity / total assets

Equity market price ratio: issued common stock stated at market price / total assets

Repayment period: interest bearing debt / cash flows from operating activities

Interest coverage ratio: (cash flows from operating activities + interest paid) / interest paid.

2. Each ratio is calculated based on the figures in the consolidated financial statements.

3. Market price is calculated based on closing price at the end of fiscal year multiplied by the number of shares outstanding at the end of fiscal year, excluding treasury stock.

4. Cash flows provided by operating activities are the amount of operating cash flows in the consolidated statements of cash flows. Interest-bearing debt includes short-term borrowings, current portion of long-term debt, and long-term debt in the consolidated balance sheets. Additionally, interest paid is the amount of interest paid in the consolidated statements of cash flows.

Consolidated Financial Statements

Consolidated Balance Sheet

	(Yen in millions)					
	September 30		March 31			
	2005	2004	2005	2004	2005	2004
Assets						
Current assets:						
Cash and time deposit	53,254	63,024	61,432			
Notes and accounts receivable, trade	50,174	43,210	41,960			
Securities	26,412	12,563	15,320			
Inventories	44,530	41,317	45,367			
Deferred tax assets	7,208	7,125	7,562			
Other current assets	8,625	6,726	7,460			
Allowance for doubtful accounts	(257)	(281)	(187)			
Total current assets	189,948	173,685	178,917	54.9%	54.4%	55.4%
Fixed assets:						
Tangible assets:						
Building and structures	35,217	37,274	36,300			
Machinery and vehicles	33,559	31,935	33,063			
Land	16,224	14,500	15,200			
Construction in progress	4,911	3,189	2,344			
Other tangible assets	1,960	2,022	2,029			
Total tangible assets	91,872	88,921	88,937	26.6%	27.9%	27.5%
Intangible assets:						
Software	172	146	137			
Consolidated goodwill	651	-	-			
Total intangible assets	824	146	137	0.2%	0.0%	0.0%
Investment and other assets:						
Investments securities	60,454	53,605	52,392			
Deferred tax assets	1,091	1,017	1,034			
Other assets	1,990	1,885	1,797			
Allowance for doubtful accounts	(100)	(81)	(107)			
Total investment and other assets	63,435	56,426	55,117	18.3%	17.7%	17.1%
Total fixed assets	156,133	145,494	144,191	45.1%	45.6%	44.6%
Total assets	346,081	319,180	323,108	100.0%	100.0%	100.0%

	(Yen in millions)					
	September 30		September 30		March 31	
	2005		2004		2005	
Liabilities						
Current liabilities:						
Accounts payable, trade	22,603		18,944		22,660	
Short-term borrowing	8,734		8,329		8,319	
Bonds due within one year	-		10,000		-	
Income taxes payable	7,010		6,139		6,885	
Deferred tax liabilities	213		138		208	
Other current liabilities	17,852		17,346		17,806	
Total current liabilities	56,415	16.3%	60,898	19.1%	55,880	17.3%
Fixed liabilities:						
Bonds	27,000		27,000		27,000	
Employee retirement benefit liability	13,972		13,295		13,743	
Accrued severance indemnities for officers	861		991		1,091	
Negative goodwill	-		102		40	
Deferred tax liabilities	6,615		2,986		2,658	
Other fixed liabilities	811		695		682	
Total fixed liabilities	49,261	14.2%	45,070	14.1%	45,217	14.0%
Total liabilities	105,676	30.5%	105,969	33.2%	101,097	31.3%
Minority interests in consolidated subsidiaries	1,354	0.4%	512	0.2%	1,078	0.3%
Shareholders' equity:						
Common stock	47,869	13.8%	47,869	15.0%	47,869	14.8%
Capital surplus	54,826	15.8%	54,825	17.2%	54,826	17.0%
Retained earnings	127,288	36.8%	111,016	34.8%	117,394	36.3%
Net unrealized gains on available-for-sale securities	22,001	6.4%	15,072	4.7%	15,352	4.8%
Foreign currency translation adjustment	(6,066)	(1.7%)	(9,338)	(3.0%)	(7,701)	(2.4%)
Less, treasury stock at cost	(6,869)	(2.0%)	(6,747)	(2.1%)	(6,808)	(2.1%)
Total shareholders' equity	239,049	69.1%	212,698	66.6%	220,932	68.4%
Total liabilities, minority interests and shareholders' equity	346,081	100.0%	319,180	100.0%	323,108	100.0%

Consolidated Statement of Operations

(Yen in millions)

	Six months ended September 30		Fiscal year ended March 31	
	2005	2004	2005	
Net Sales	136,079	122,306	241,185	
	100.0%	100.0%	100.0%	
Costs of goods sold	97,344	89,385	177,785	
	71.5%	73.1%	73.7%	
Gross profit on sales	38,734	32,920	63,400	
	28.5%	26.9%	26.3%	
Selling, general and administrative expenses	19,353	18,823	37,309	
	14.2%	15.4%	15.5%	
Operating income	19,381	14,097	26,090	
	14.3%	11.5%	10.8%	
Other income:				
Interest income	333	238	532	
Dividend income	249	237	420	
Amortization of consolidated goodwill	5	0	11	
Income of rentals on fixed assets	382	390	833	
Equity in net earnings of affiliates	430	300	655	
Foreign exchange gain	270	877	192	
Miscellaneous income	650	749	1,198	
Total other income	2,323	2,795	3,844	
	1.7%	2.3%	1.6%	
Other expenses:				
Interest expenses	292	301	647	
Depreciation of rentals on fixed assets	308	316	677	
Loss on disposal of inventory	135	142	253	
Warranty	238	106	289	
Miscellaneous loss	240	203	356	
Total other expenses	1,215	1,069	2,223	
	0.9%	0.9%	0.9%	
Ordinary income	20,488	15,822	27,711	
	15.1%	12.9%	11.5%	
Extraordinary profit:				
Gain on sales of fixed assets	10	6	26	
Gain on sales of investment securities	-	2	2	
Total extraordinary profit	10	9	28	
	0.0%	0.0%	0.0%	
Extraordinary losses:				
Loss on sale or disposal of fixed assets	310	735	1,444	
Loss on write-down of investment securities	-	143	128	
Loss on write-down of impaired fixed assets	737	-	-	
Total extraordinary losses	1,047	878	1,573	
	0.8%	0.7%	0.7%	
Income before income taxes and minority interests	19,451	14,953	26,166	
	14.3%	12.2%	10.8%	
Income taxes:				
Current	7,439	6,063	10,455	
Deferred	(246)	(578)	(1,480)	
Total income taxes	7,193	5,485	8,974	
	5.3%	4.5%	3.7%	
Less, minority interests in net income of consolidated subsidiaries	62	28	44	
	0.0%	0.0%	0.0%	
Net income	12,196	9,439	17,147	
	9.0%	7.7%	7.1%	

Consolidated Statement of Capital Surplus and Retained Earnings

(Yen in millions)

	Six months ended September 30		Fiscal year ended March 31
	2005	2004	2005
Capital surplus:			
Balance at the beginning of the period	54,826	54,825	54,825
Increases due to:			
Profit from treasury stock disposition	0	0	1
Balance at the end of the period	54,826	54,825	54,826
Retained Earnings:			
Balance at the beginning of the period	117,394	102,868	102,868
Increases due to:			
Net Income	12,196	9,439	17,147
Decreases due to:			
Dividends	(2,214)	(1,218)	(2,547)
Bonuses to directors and corporate auditors	(87)	(72)	(72)
Balance at the end of the period	127,288	111,016	117,394

Consolidated Statement of Cash Flows

	(Yen in millions)		
	Six months ended September 30		Fiscal year ended March 31
	2005	2004	2005
Cash flow operating activities:			
Income before income taxes and minority interests	19,451	14,953	26,166
Depreciation	6,691	6,971	14,527
Loss on write-down of impaired fixed assets	737	-	-
Amortization of consolidated goodwill	(5)	(0)	(11)
Increase in allowance for retirement benefit for employees	228	265	708
Interest and dividend income	(583)	(476)	(952)
Equity in net earnings of affiliates	(430)	(300)	(655)
Interest expenses	292	301	647
Gain on sales of investment securities	-	(2)	(2)
Loss on write-down of investment securities	-	143	128
Gain on sales of fixed assets	(10)	(6)	(26)
Loss on sale or disposal of fixed assets	310	735	1,444
Net increase in accounts receivables, trade	(7,421)	(2,302)	(407)
Net decrease/(increase) in inventory	1,819	794	(2,240)
Net (decrease)/increase in account payable, trade	(1,198)	1,383	3,627
Other, net	(1,726)	(770)	17
Subtotal	18,153	21,687	42,971
Interest and dividend received	760	575	1,062
Interest paid	(295)	(294)	(650)
Income taxes paid	(7,796)	(3,569)	(7,290)
Net cash provided by operating activities	10,821	18,400	36,092
Cash flow investing activities:			
Net decrease/(increase) in fixed-term deposit	5,357	(26,012)	(19,488)
Purchase of securities	(9,099)	(5,257)	(8,230)
Sales of securities	7,166	3,477	10,230
Purchase of investment securities	(4,353)	(6,417)	(12,237)
Sales of investment securities	1,004	33	1,033
Purchase of shares of subsidiaries	(67)	(70)	(74)
Net (decrease)/increase by acquisition of shares of new subsidiaries	(468)	-	654
Purchase of tangible fixed assets	(8,947)	(5,783)	(13,744)
Sales of tangible fixed assets	23	117	228
Net decrease in loans	5	3	4
Other, net	(72)	(20)	(157)
Net cash used in investing activities	(9,452)	(39,930)	(41,782)
Cash flow from financing activities:			
Net increase/(decrease) in short-term borrowing	368	(6,549)	(6,149)
Repayment of long-term debt	-	-	(10,010)
Proceeds from issuance of bond	-	16,929	16,929
Purchase of treasury stock and fractional shares	(62)	(37)	(102)
Sales of treasury stock and fractional shares	1	0	6
Dividends paid	(2,214)	(1,219)	(2,547)
Other, net	(138)	(13)	(13)
Net cash (used in) provided by financing activities	(2,045)	9,110	(1,887)
Effect of exchange rate changes on cash and cash equivalents	452	(103)	(119)
Net decrease in cash and cash equivalents	(223)	(12,522)	(7,697)
Cash and cash equivalents at beginning of the period	40,524	48,222	48,222
Cash and cash equivalents at end of the period	40,300	35,699	40,524

Notes to Consolidated Financial Statements

1. Scope of consolidation and application of equity method

(1) Consolidated subsidiaries:	32	
Overseas	22	NGK Spark Plugs (U.S.A.), Inc. NTK Technologies, Inc. NGK Spark Plugs (U.K.) Ltd. NGK Spark Plug GmbH Cerâmica e Velas de Ignição NGK do Brasil Ltda. NGK Spark Plug (Australia) Pty., Ltd., Others
Domestic	10	Nittoku Seisakusho Co., Ltd. Kamioka Ceramic Co., Ltd. Iijima Ceramic Co., Ltd. Nakatsugawa Ceramic Co., Ltd., Others
(2) Change in scope of consolidation:		
Addition:	1	
Overseas	1	Siam NGK Spark Plug Co., Ltd. This company has been reclassified as a subsidiary, reflecting an acquisition of shares by the Company. We treated the acquisition date for the record as September 30, 2005, therefore only the balance sheet was consolidated and the equity method was applied to the statement of income.
(3) Unconsolidated subsidiaries:	4	
Overseas	4	Bujías NGK del Ecuador Cia. Ltda., Others
		Note: These 4 unconsolidated subsidiaries are small in terms of their total assets, total sales, total net income or loss and total retained earnings and others, and do not have a significant effect on the semiannual consolidated financial statements.

2. Equity Method

(1) Equity method-applied Companies:	3	
Overseas	1	Woo Jin Industry Co., Ltd.
Domestic	2	Ceramic Sensor Co., Ltd. Tokai Taima Kogyo Co., Ltd.
(2) Change in equity method-applied:		
Exclusion:	1	
Overseas	1	Siam NGK Spark Plug Co., Ltd. This company has been reclassified as a subsidiary.
(3) Companies not accounted for by the equity method:	7	
Overseas	6	Bujías NGK del Ecuador Cia. Ltda., Other
Domestic	1	Hayakawa Seiki Kogyo Co., Ltd.
		Note: These 7 companies are not accounted for by the equity method as their impact is not significant on consolidated net income or loss for the period or on consolidated retained earnings or other results.

3. Accounting Periods of Consolidated Subsidiaries and Affiliates

All the overseas consolidated subsidiaries and affiliates close their books at June 30 every year, three months earlier than consolidated balance sheet date (September 30). Significant transactions for the period between their closing date and the consolidated balance sheet date are adjusted on consolidation.

4. Accounting Policies

(1) Valuation methods of assets

a) Securities

Marketable securities for available-for-sale securities:

Marketable securities with market quotations stated at fair value. Net unrealized gains and losses are reported as a separate component of shareholders' equity, net of applicable income taxes. Gains and losses on disposition are computed by moving average.

Non-marketable securities for available-for-sale securities:

Non-marketable securities without available market quotations for available-for-sale securities are carried at cost determined by moving average method.

b) Inventory

Inventories are principally stated at moving average cost.

c) Derivative

Fair value method

(2) Depreciation method and amortization method

a) Tangible assets

Tangible assets have been principally depreciated by the reducing balance method for the Company and its domestic consolidated subsidiaries and by the straight-line method for overseas consolidated subsidiaries.

b) Software

Software is being amortized on a straight-line basis on an estimated useful life within five year.

(3) Account policy for allowance

a) Allowance for doubtful accounts

Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss based on the individual financial review approach for doubtful or troubled receivables and a general reserve for other receivables calculated based on the historical loss experience for a certain past period.

b) Employee retirement benefit liability

In accordance with the accounting standard for employee retirement benefits, the NGK Spark Plug Group has principally recognized the retirement benefits including pension cost and related liability based on actuarial present value of projected benefit obligation using actuarial appraisal approach and the pension plan assets available for benefits at the respective fiscal year-ends. Unrecognized actuarial differences as changes in the projected benefit obligation or pension plan assets resulting from the experience different from that assumed and from changes in assumptions are amortized on a straight-line basis over ten years that represents a specific period of employees from the next year in which they arise in accordance with the Japanese accounting standard for employee retirement benefits.

c) Accrued severance indemnities for officers

The liabilities of directors' and corporate auditors' severance indemnities are provided for the full amount estimated at the period-end based on the internal regulations.

(4) Translation of foreign currency accounts

Receivables, payables and securities, other than stocks of subsidiaries and certain other securities, are translated into Japanese Yen at the exchange rates at the period-end. Transactions in foreign currencies are recorded based on the prevailing exchange rates on the transaction dates. Resulting translation gains or losses are included in the current earnings.

In respect of the financial statement items of overseas consolidated subsidiaries, all asset and liability accounts are translated into Japanese Yen by applying the exchange rates in effect at the respective period-ends. All income and expense accounts are translated at the average rates of exchange prevailing during each period. Translation differences, after allocating to minority interests portions attributable to minority interests, are reported as foreign currency translation adjustment in a separate component of shareholders' equity in the accompanying consolidated balance sheets.

(5) Leases

Lease transactions except for the finance leases are accounted by the method equivalent to rental transactions.

(6) Consumption tax

Tax-excluding method

5. Cash and Cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits that can be readily withdrawn, and short-term, highly liquid investments with an original maturity of three months or less and little risk of changes in value.

Footnotes

Consolidated balance sheet

	(Yen in millions)		
	September 30		March 31
	2005	2004	2005
a) Depreciation of tangible assets	201,379	190,876	195,042
b) Contingent Liabilities			
Guarantees of indebtedness	197	252	217
Notes receivable discounted	319	357	555
Export bills discounted	15	315	6

Consolidated statement of operations

Detail of write-down of impaired fixed assets (Six months ended September 30, 2005)

a) Assets group

Location:	Ise factory (Ise, Mie prefecture)	
Use:	Production equipment for electronic components	
Asset type:	Machinery and vehicles	645 million yen
	Other tangible assets	91 million yen
	Software	0 million yen
	(Total)	737 million yen

b) Method of grouping assets

We group fixed assets by product division on management accounting.

c) Process that recognized impairment of fixed assets.

The Electronic Components Division, which was recognized impairment of fixed assets, has been under restructuring process since the withdrawal of the 455KHz ceramic filter business. However, we judged that restoring of profitability in short-term is difficult.

Consolidated statement of cash flow

a) 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)		
	September 30		March 31
	2005	2004	2005
Cash and Time deposits	53,254	63,024	61,432
Securities	26,412	12,563	15,320
Subtotal	79,667	75,587	76,753
Time deposits with original maturities of three months or longer	(15,954)	(27,325)	(20,908)
Security other than short-term investments with an original maturity of three months or less	(23,412)	(12,563)	(15,320)
Cash and cash equivalents	40,300	35,699	40,524

b) Break down of net (decrease) increase by acquisition of shares of new subsidiaries

	(Yen in millions)		
	Six months ended September 30		Fiscal year ended March 31
	2005	2004	2005
A) Increase due to:			
Cash and cash equivalents of new subsidiaries	439	-	1,105
B) Decrease due to:			
Current assets of new subsidiaries	1,223	-	1,670
Fixed assets of new subsidiaries	548	-	152
Liabilities of new subsidiaries	(626)	-	(474)
Minority interests	(274)	-	(539)
Consolidated goodwill	686	-	50
Equity method	(648)	-	(408)
Payment for acquisition of shares of new subsidiaries	908	-	450
C) Net (decrease) / increase by acquisition of shares of new subsidiaries (A-B)	(468)	-	654

Leases

Finance lease transactions other than those with an unconditional title transfer clause to lessee

(1) Equivalent of acquisition costs, accumulated depreciation and net book value as of balance sheet date

	(Yen in millions)		
	September 30		March 31
	2005	2004	2005
Machinery and vehicles:			
Equivalent of acquisition costs	119	119	119
Equivalent of accumulated depreciation	109	93	100
Equivalent of net book value as of balance sheet date	9	26	18
Tools and implements:			
Equivalent of acquisition costs	4,155	4,517	4,313
Equivalent of accumulated depreciation	2,180	2,453	2,206
Equivalent of net book value as of balance sheet date	1,974	2,064	2,106

(2) Future minimum lease payments as of balance sheet date

	(Yen in millions)		
	September 30		March 31
	2005	2004	2005
Due within one year	798	836	827
Due over one year	1,185	1,253	1,297
Total	1,984	2,090	2,124

(3) Lease fees paid and equivalent of depreciation

	(Yen in millions)		
	Six months ended September 30		Fiscal year ended March 31
	2005	2004	2005
Lease payments	457	500	972
Equivalent of depreciation	457	500	972

(4) Depreciation methods of leased assets

Depreciation of leased assets is calculated at 100% of acquisition costs, using the straight-line method over the lease term.

Fair Value Information of Securities

1. Available-for-sale securities that have a market value

	(Yen in millions)								
	September 30						March 31		
	2005			2004			2005		
	Cost	Fair and carrying value	Unrealized gains	Cost	Fair and carrying value	Unrealized gains	Cost	Fair and carrying value	Unrealized gains
(1) Equity Securities	9,378	46,408	37,030	8,857	34,153	25,295	8,874	34,669	25,794
(2) Bonds	29,178	29,185	6	22,482	22,546	64	24,409	24,435	25
(3) Others	-	-	-	810	810	-	-	-	-
Total	38,556	75,593	37,036	32,150	57,510	25,360	33,283	59,104	25,820

2. Securities that are not valued at fair value

	(Yen in millions)		
	September 30		March 31
	2005	2004	2005
Available-for-sale securities:			
(1) Unlisted stocks (excluding those traded over-the-counter)	3,490	3,492	3,491
(2) Unlisted foreign bonds	189	222	180
(3) Others (Money management fund, etc.)	3,010	52	10

For Derivative Transactions

Notional amounts, fair value and unrealized gain or loss

Currency-related transactions:

(Yen in millions)

	September 30						March 31		
	2005			2004			2005		
	Notional amounts	Fair value	Unrealized losses	Notional amounts	Fair value	Unrealized losses	Notional amounts	Fair value	Unrealized losses
Foreign exchange forward contact	19,748	19,956	(208)	11,965	12,033	(67)	17,279	17,528	(248)

Note: Fair values at the end of each fiscal period are estimated based on prevailing forward exchange rates at that date.

Segment Information

1. Information by industry segment

(Yen in millions)

	Automotive components	Communication media components and technical ceramics	Other	Total	Elimination	Consolidated
<u>Six months ended September 30, 2005</u>						
Operating revenues-net sales:						
Outside customers	81,405	53,200	1,472	136,079	-	136,079
Inter-segment sales	-	-	34	34	(34)	-
Total net sales	81,405	53,200	1,506	136,113	(34)	136,079
Operating costs and expenses	66,668	48,568	1,495	116,732	(34)	116,698
Operating Income	14,737	4,632	10	19,381	-	19,381
<u>Six months ended September 30, 2004</u>						
Operating revenues-net sales:						
Outside customers	76,316	44,737	1,252	122,306	-	122,306
Inter-segment sales	-	-	34	34	(34)	-
Total net sales	76,316	44,737	1,286	122,340	(34)	122,306
Operating costs and expenses	62,953	44,003	1,285	108,242	(34)	108,208
Operating Income	13,362	734	0	14,097	-	14,097
<u>Fiscal year ended March 31, 2005</u>						
Operating revenues-net sales:						
Outside customers	148,726	89,804	2,654	241,185	-	241,185
Inter-segment sales	-	-	63	63	(63)	-
Total net sales	148,726	89,804	2,717	241,248	(63)	241,185
Operating costs and expenses	123,779	88,666	2,711	215,158	(63)	215,095
Operating Income	24,946	1,137	6	26,090	-	26,090

2. Information summarized by geographic area

(Yen in millions)

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
<u>Six months ended September 30, 2005</u>							
Operating revenues-net sales:							
Outside customers	58,757	40,795	24,107	12,417	136,079	-	136,079
Inter-segment sales	58,721	374	422	426	59,945	(59,945)	-
Total net sales	117,479	41,170	24,530	12,844	196,024	(59,945)	136,079
Operating costs and expenses	101,938	39,961	23,649	11,618	177,168	(60,469)	116,698
Operating Income	15,540	1,209	880	1,225	18,856	524	19,381
<u>Six months ended September 30, 2004</u>							
Operating revenues-net sales:							
Outside customers	50,298	37,113	24,473	10,420	122,306	-	122,306
Inter-segment sales	54,979	326	301	470	56,077	(56,077)	-
Total net sales	105,277	37,440	24,774	10,890	178,383	(56,077)	122,306
Operating costs and expenses	94,418	36,381	23,574	10,034	164,409	(56,200)	108,208
Operating Income	10,858	1,059	1,200	856	13,974	122	14,097
<u>Fiscal year ended September 30, 2004</u>							
Operating revenues-net sales:							
Outside customers	101,447	73,669	44,960	21,077	241,185	-	241,185
Inter-segment sales	109,176	556	548	874	111,156	(111,156)	-
Total net sales	210,624	74,256	45,509	21,952	352,341	(111,156)	241,185
Operating costs and expenses	189,348	72,699	43,823	20,280	326,152	(111,057)	215,095
Operating Income	21,275	1,556	1,685	1,671	26,189	(98)	26,090

3. Overseas sales

(Yen in millions)

	Six months ended				Fiscal year ended	
	September 30				March 31	
	2005		2004		2005	
North America	56,849	41.8%	49,351	40.4%	98,113	40.7%
Europe	24,938	18.3%	25,429	20.8%	46,642	19.3%
Asia	14,216	10.5%	11,438	9.4%	23,178	9.6%
Other area	11,718	8.6%	9,864	8.0%	20,402	8.5%
Total overseas sales	107,723	79.2%	96,084	78.6%	188,336	78.1%
Consolidated net sales	136,079	100.0%	122,306	100.0%	241,185	100.0%

Note: Overseas sales included export sales from Japan and net sales of overseas consolidated subsidiaries other than Japan.

Group of Company

Our group of Companies is comprised of 36 subsidiaries and 6 affiliates as of September 30, 2005. The Group is primarily engaged in the manufacture and sales of automotive components, communication media components and technical ceramics.

Automotive components

Automotive components business is principally involved in the manufacture and sale of spark plugs, glow plugs, oxygen sensors, temperature sensors and knock sensors.

The Company manufactures those products and sells them. In addition, the Company supplies materials and semi-finished goods to group companies. Other domestic group companies purchase materials from the Company, and manufacture semi-finished goods or finished goods, and resell them to the Company. 'Cerâmica e Velas de Ignição NGK do Brasil Ltda.' manufactures spark plugs in integrated production lines. Other overseas group's-manufacturing companies purchase semi-finished goods and materials from the Company, and manufacture finished goods. They sell them to customers in each area. In addition, overseas group's-manufacturing companies supply semi-finished goods to the Company and group companies. Eight overseas group's-manufacturing companies and ten overseas group's-sales companies purchase finished goods from the Company and group companies, and sell them to customers in each area.

Group companies concerning automotive components business are as follows.

<u>Domestic groups</u>	(Manufacturing and sales)	
	NGK Spark Plug Co., Ltd.	
	(Manufacturing subsidiaries)	
	Kamioka Ceramic Co., Ltd.	
	Kani Ceramic Co., Ltd.	
	Nittoku Seisakusho Co., Ltd.	
	Nichiwa Kiki Co., Ltd.	
	Nakatsugawa Ceramic Co., Ltd.	
	Tono Ceramic Co., Ltd.	
	Nansei Ceramic Co., Ltd.	
	(Manufacturing affiliate)	
	Ceramic Sensor Co., Ltd.	
<u>Overseas groups</u>	(Manufacturing and sales subsidiaries)	
	Cerâmica e Velas de Ignição NGK do Brasil Ltda.	(Brazil)
	NGK Spark Plugs (U.S.A.), Inc.	(U.S.A.)
	Taiwan NGK Spark Plug Co., Ltd.	(Taiwan)
	P.T. NGK Busi Indonesia	(Indonesia)
	NGK Spark Plug (Shanghai) Co., Ltd.	(China)
	NGK Spark Plugs Malaysia Berhad.	(Malaysia)
	Siam NGK Spark Plug Co., Ltd.	(Thailand)
	(Manufacturing subsidiary)	
	NGK Spark Plug Industries Europe S.A.S.	(France)
	(Manufacturing and sales affiliate)	
	Woo Jin Industry Co., Ltd.	(Korea)
	(Sales subsidiaries)	
	NGK Spark Plug Europe GmbH	(Germany)
	NGK Spark Plugs (U.K.) Ltd.	(U.K.)
	NGK Spark Plug (Australia) Pty., Ltd.	(Australia)
	NGK Spark Plugs Canada Limited	(Canada)
	Bujías NGK de México S.A. de C.V.	(Mexico)
	NGK Spark Plugs (France) S.A.S.	(France)
	NGK Spark Plugs Singapore Pte Ltd	(Singapore)
	NGK Spark Plug Middle East FZE	(U.A.E.)
	Bujías NGK del Ecuador Cia. Ltda.	(Ecuador)
	NGK Spark Plugs (Italy) S.R.L.	(Italy)

Communication media components & Technical Ceramics

Communication media components & Technical Ceramic business is principally involved in the manufacture and sales of semiconductor components, electronic components, cutting tools, bio ceramics and industrial components.

The Company manufactures those products and sells them. In addition, the Company supplies materials and semi-finished goods to group companies. Domestic group companies purchase materials from the Company, manufacture semi-finished goods or finished goods, and resell them to the Company. 'Cerâmica e Velas de Ignição NGK do Brasil Ltda.' manufactures industrial components in integrated production lines. 'NTK Cutting Tools Korea Co., Ltd.' and 'NTK Technical Ceramics Polska Spółka z o.o.' purchase semi-finished goods and materials from the Company, and manufacture finished cutting tools, and sell them to customers or resell to the Company. On the other hand, nine overseas group's-sales companies purchase finished goods from the Company, and sell them to customers in each area.

Group companies concerning Communication media components & Technical Ceramics business are as follows.

<u>Domestic groups</u>	(Manufacturing and sales)	
	NGK Spark Plug Co., Ltd.	
	(Manufacturing subsidiaries)	
	Kamioka Ceramic Co., Ltd.	
	Kani Ceramic Co., Ltd.	
	Iijima Ceramic Co., Ltd.	
	Nakatsugawa Ceramic Co., Ltd.	
	Nansei Ceramic Co., Ltd.	
	(Manufacturing affiliate)	
	Hayakawa Seiki Kogyo Co., Ltd.	
<u>Overseas groups</u>	(Manufacturing and sales subsidiaries)	
	Cerâmica e Velas de Ignição NGK do Brasil Ltda.	(Brazil)
	NTK Cutting Tools Korea Co., Ltd.	(Korea)
	NTK Technical Ceramics Polska Spółka z o.o.	(Poland)
	(Sales subsidiaries)	
	NTK Technologies, Inc.	(U.S.A.)
	NGK Spark Plugs (U.S.A.), Inc.	(U.S.A.)
	NGK Spark Plug Europe GmbH	(Germany)
	NGK Spark Plugs (U.K.) Ltd.	(U.K.)
	NGK Spark Plug (Australia) Pty., Ltd.	(Australia)
	NGK Spark Plugs (France) S.A.S.	(France)
NGK Spark Plugs Singapore Pte Ltd	(Singapore)	
NTK Technical Ceramics H.K. Ltd.	(Hong Kong)	
NTK Technical Ceramics (Taiwan) Ltd.	(Taiwan)	

Others

The Company sells machinery tools and other materials. 'Nittoku Unyu Co., Ltd.' conducts distribution business, and 'Nittoku Alpha Service Co., Ltd.' conducts welfare business.