

Financial reports for the nine months ended December 31, 2005 (Consolidated)

January 31, 2006

NGK Spark Plug Co., Ltd. (URL: <http://www.ngkntk.co.jp>)

Stock Listing: Tokyo (1st Section), Nagoya (1st Section)

Code Number: 5334

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Rep: Norio Kato, President

Adoption of U.S. GAAP: Not adopted

1. Basis for preparation of quarterly consolidated financial statements

(1) Adoption of Simplified Accounting Practices: Not adopted

(2) Change in Accounting Practice from previous year: Not applicable

(3) Change in scope of consolidation and application of equity method:

Consolidation (Addition): 1 (Exclusion): - Equity method (Addition): - (Exclusion): 1
Siam NGK Spark Plug Co., Ltd. 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 the equity method was applied statement of income during interim period.

2. Consolidated Financial Highlights (April 1, 2005 through December 31, 2005)

(1) Consolidated Financial Results

(Yen in millions)

	Net sales	Operating income	Ordinary income	Net income
Nine months ended December 31, 2005	209,514 (15.4%)	32,397 (56.9%)	34,030 (53.4%)	20,767 (53.2%)
Nine months ended December 31, 2004	181,536 (6.6%)	20,642 (35.3%)	22,187 (49.4%)	13,557 (57.0%)
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)
Nine months ended December 31, 2005	93.78yen	88.83yen
Nine months ended December 31, 2004	61.20	57.95
Fiscal year ended March 31, 2005	77.01	72.92

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

Summary of business segment

In the third quarter for this fiscal year, the Japanese economy continuously indicated signs of recovery supported by active private demand along with improved corporate profits and a gradual upturn in consumer spending. On the other hand, product prices have been affected by the high price of crude oil and soaring precious metal prices. These are the elements of future trends that should be carefully watched.

In this climate, as for the markets in which the Company operates, Japanese cars sold well in overseas markets, and the semiconductor components sector recorded increases in demand, especially for PCs and mobile phones. Amid these conditions, the Company's consolidated sales for the nine months ended December 31, 2005, the third quarter of the year ending March 31, 2006, amounted to 209,514 million yen, up 15.4% over the corresponding period of the previous fiscal year. A summary of these results in each business segment is as follows.

<Automotive Components Business>

Regarding spark plugs and related products, demand for factory installation in new cars continued strong, and demand for maintenance increased all over the world, such as North America, Asia, Latin America, and Oceania. In addition, preparations for a production increase in glow plugs, which have been in strong demand by European automakers, are being constructed with a new plant built in Komaki, Aichi prefecture (Japan). On the other hand, sales of automotive sensors, including oxygen sensors, continuously expanded in the domestic market, and overseas shipments to the major markets in North America, Europe, and Korea were steady. As a result, net sales in the Automotive Components Business amounted to 122,593 million yen, up 9.7% over the corresponding period of the previous fiscal year.

<Communication Media Components and Technical Ceramics Businesses>

Reflecting a rise in the PC market boosted by dramatically expanded sales of information equipment in the emerging markets of BRICs, the semiconductor components recorded strong since sales of organic IC packages for MPUs grew significantly. Demand for ceramic IC packages mainly used in communication devices is also strong due to shift to mobile phones with cameras in the European and Asian markets. Sales of cutting tools to the domestic and European markets continued to grow, mainly for use in high-precision processing of automotive parts and the IT industries. In the field of fine ceramics, sales expanded significantly, particularly for medical oxygen concentrators where sales recorded more than quadruple those in the corresponding period of the previous fiscal year. As a result, net sales in Communication Media Components and Technical Ceramics Businesses amounted to 84,553 million yen, up 24.7% over the corresponding period of the previous fiscal year.

(2) Consolidated Financial Position

(Yen in millions)

	Total assets	Shareholders' equity	Equity ratio	Equity per share
December 31, 2005	364,053	250,022	68.7%	1,128.88 <i>yen</i>
December 31, 2004	322,028	218,459	67.8%	986.24
March 31, 2005	323,108	220,932	68.4%	997.13

(3) Consolidated Cash Flows

(Yen in millions)

	From operating activities	From investing activities	From financing activities	Cash and cash equivalents at the end of the period
Nine months ended December 31, 2005	16,938	(12,569)	(3,430)	42,143
Nine months ended December 31, 2004	20,214	(36,710)	9,032	41,023
Fiscal year ended March 31, 2005	36,092	(41,782)	(1,887)	40,524

Net cash provided by operating activities decreased 3,276 million yen to 16,938 million yen, compared with the corresponding period of previous fiscal year. Whereas income before income taxes and minority interests during this period increased to 11,920 million yen, cash inflow was offset by an increased A/R trade generated by sales growth, as well as an increase of income tax paid.

Net cash used in investing activities amounted to 12,569 million yen. Capital expenditure amounted to 14,267 million yen, up 4,146 million yen compared with the corresponding period of previous fiscal year, mainly because of the construction of a new production base for glow plugs. (cf. There is a decrease of 24,140 million yen in these activities as compared with the corresponding period of previous fiscal year, when funds raised through the issue of zero coupon convertible bonds were transferred to the short-term and investment securities accounts.)

Net cash used in financial activities amounted to 3,430 million yen. Unlike the corresponding period of previous fiscal year when we raised funds through the CB, payment of dividends is the main factor in this period.

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	281,000	42,600	25,100	112.93 <i>yen</i>

Disclaimer regarding Forward-Looking Statements.

This document contains forward-looking statements. These statements are based on internal projections and estimates and should not be interpreted as representation that quantitative or qualitative objectives therein will be fulfilled.

Consolidated Financial Statements

Consolidated Balance Sheet

	(Yen in millions)					
	December 31		December 31		March 31	
	2005	2004	2005	2004	2005	2004
Assets						
Current assets:						
Cash and time deposit	55,773	58,474	61,432			
Notes and accounts receivable, trade	55,256	44,888	41,960			
Securities	24,633	17,165	15,320			
Inventories	45,207	41,830	45,367			
Deferred tax assets	7,349	7,078	7,562			
Other current assets	8,235	6,872	7,460			
Allowance for doubtful accounts	(270)	(283)	(187)			
Total current assets	196,185	176,027	178,917	53.9%	54.7%	55.4%
Fixed assets:						
Tangible assets:						
Building and structures	40,910	36,777	36,300			
Machinery and vehicles	34,146	31,722	33,063			
Land	16,242	15,203	15,200			
Construction in progress	6,018	3,973	2,344			
Other tangible assets	2,013	2,026	2,029			
Total tangible assets	99,331	89,705	88,937	27.3%	27.9%	27.5%
Intangible assets:						
Software	165	145	137			
Consolidated goodwill	616	-	-			
Total intangible assets	781	145	137	0.2%	0.0%	0.0%
Investment and other assets:						
Investments securities	64,757	53,306	52,392			
Deferred tax assets	1,147	1,034	1,034			
Other assets	1,948	1,892	1,797			
Allowance for doubtful accounts	(99)	(83)	(107)			
Total investment and other assets	67,753	56,150	55,117	18.6%	17.4%	17.1%
Total fixed assets	167,867	146,000	144,191	46.1%	45.3%	44.6%
Total assets	364,053	322,028	323,108	100.0%	100.0%	100.0%
(Yen in millions)						
December 31		December 31		March 31		
2005	2004	2005	2004	2005	2004	
Liabilities						
Current liabilities:						
Accounts payable, trade	22,135	17,975	22,660			
Short-term borrowing	9,234	9,139	8,319			

Bonds due within one year	-		10,000		-	
Income taxes payable	7,719		5,105		6,885	
Deferred tax liabilities	217		140		208	
Other current liabilities	22,058		14,711		17,806	
Total current liabilities	61,365	16.8%	57,072	17.7%	55,880	17.3%
Fixed liabilities:						
Bonds	26,900		27,000		27,000	
Employee retirement benefit liability	14,192		13,631		13,743	
Accrued severance indemnities for officers	922		1,041		1,091	
Negative goodwill	-		96		40	
Deferred tax liabilities	8,346		3,404		2,658	
Other fixed liabilities	883		788		682	
Total fixed liabilities	51,245	14.1%	45,961	14.3%	45,217	14.0%
Total liabilities	112,610	30.9%	103,033	32.0%	101,097	31.3%
Minority interests in consolidated subsidiaries	1,420	0.4%	535	0.2%	1,078	0.3%
Shareholders' equity:						
Common stock	47,869	13.1%	47,869	14.9%	47,869	14.8%
Capital surplus	54,864	15.1%	54,826	17.0%	54,826	17.0%
Retained earnings	133,867	36.8%	113,805	35.3%	117,394	36.3%
Net unrealized gains on available-for-sale securities	24,968	6.9%	16,036	5.0%	15,352	4.8%
Foreign currency translation adjustment	(4,667)	(1.3%)	(7,296)	(2.3%)	(7,701)	(2.4%)
Less, treasury stock at cost	(6,879)	(1.9%)	(6,781)	(2.1%)	(6,808)	(2.1%)
Total shareholders' equity	250,022	68.7%	218,459	67.8%	220,932	68.4%
Total liabilities, minority interests and shareholders' equity	364,053	100.0%	322,028	100.0%	323,108	100.0%

Consolidated Statement of Operations

(Yen in millions)

	Nine months ended				Fiscal year ended	
	December 31				March 31	
	2005		2004		2005	
Net Sales	209,514	100.0%	181,536	100.0%	241,185	100.0%
Costs of goods sold	147,856	70.6%	133,176	73.4%	177,785	73.7%
Gross profit on sales	61,657	29.4%	48,359	26.6%	63,400	26.3%
Selling, general and administrative expenses	29,260	13.9%	27,717	15.2%	37,309	15.5%
Operating income	32,397	15.5%	20,642	11.4%	26,090	10.8%
Other income:						
Interest income	554		381		532	
Dividend income	458		375		420	
Amortization of consolidated goodwill	-		5		11	
Income of rentals on fixed assets	589		608		833	
Equity in net earnings of affiliates	574		489		655	
Foreign exchange gain	484		267		192	
Miscellaneous income	811		962		1,198	
Total other income	3,473	1.6%	3,090	1.7%	3,844	1.6%
Other expenses:						
Interest expenses	460		472		647	
Depreciation of rentals on fixed assets	517		493		677	
Loss on disposal of inventory	136		142		253	
Warranty	377		176		289	
Miscellaneous loss	348		260		356	
Total other expenses	1,840	0.9%	1,544	0.9%	2,223	0.9%
Ordinary income	34,030	16.2%	22,187	12.2%	27,711	11.5%
Extraordinary profit:						
Gain on sales of fixed assets	13		16		26	
Gain on sales of investment securities	0		2		2	
Total extraordinary profit	13	0.0%	18	0.0%	28	0.0%
Extraordinary losses:						
Loss on sale or disposal of fixed assets	433		1,111		1,444	
Loss on write-down of investment securities	-		142		128	
Loss on write-down of impaired fixed assets	737		-		-	
Total extraordinary losses	1,170	0.5%	1,253	0.7%	1,573	0.7%
Income before income taxes and minority interests	32,873	15.7%	20,952	11.5%	26,166	10.8%

Income taxes:						
Current	12,706		8,126		10,455	
Deferred	(715)		(771)		(1,480)	
Total income taxes	<u>11,991</u>	5.7%	<u>7,355</u>	4.0%	<u>8,974</u>	3.7%
Less, minority interests in net income of consolidated subsidiaries	113	0.1%	39	0.0%	44	0.0%
Net income	<u>20,767</u>	9.9%	<u>13,557</u>	7.5%	<u>17,147</u>	7.1%

Consolidated Statement of Capital Surplus and Retained Earnings

(Yen in millions)

	Nine months ended December 31		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	38	1	1
Balance at the end of the period	54,864	54,826	54,826
Retained Earnings:			
Balance at the beginning of the period	117,394	102,868	102,868
Increases due to:			
Net Income	20,767	13,557	17,147
Decreases due to:			
Dividends	(4,207)	(2,547)	(2,547)
Bonuses to directors and corporate auditors	(88)	(72)	(72)
Balance at the end of the period	133,867	113,805	117,394

Consolidated Statement of Cash Flows

(Yen in millions)

	Nine months ended December 31		Fiscal year ended March 31
	2005	2004	2005
Cash flow operating activities:			
Income before income taxes and minority interests	32,873	20,952	26,166
Depreciation	10,792	10,614	14,527
Loss on write-down of impaired fixed assets	737	-	-
Amortization of consolidated goodwill	29	(5)	(11)
Increase in allowance for retirement benefit for employees	447	595	708
Interest and dividend income	(1,012)	(756)	(952)
Equity in net earnings of affiliates	(574)	(489)	(655)
Interest expenses	460	472	647
Gain on sales of investment securities	(0)	(2)	(2)
Loss on write-down of investment securities	-	142	128
Gain on sales of fixed assets	(13)	(16)	(26)
Loss on sale or disposal of fixed assets	433	1,111	1,444
Net increase in accounts receivables, trade	(12,146)	(3,073)	(407)
Net decrease/(increase) in inventory	1,827	1,293	(2,240)
Net (decrease)/increase in account payable, trade	(2,126)	(932)	3,627
Other, net	(3,866)	(3,519)	17
Subtotal	27,860	26,387	42,971
Interest and dividend received	1,197	869	1,062
Interest paid	(403)	(371)	(650)
Income taxes paid	(11,717)	(6,671)	(7,290)
Net cash provided by operating activities	16,938	20,214	36,092
Cash flow investing activities:			
Net decrease/(increase) in fixed-term deposit	5,783	(16,060)	(19,488)
Purchase of securities	(10,099)	(6,627)	(8,230)
Sales of securities	10,974	3,582	10,230
Purchase of investment securities	(5,360)	(7,632)	(12,237)
Sales of investment securities	1,007	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	(14,267)	(10,121)	(13,744)
Sales of tangible fixed assets	48	201	228
Net decrease in loans	3	11	4
Other, net	(123)	(27)	(157)
Net cash used in investing activities	(12,569)	(36,710)	(41,782)

Cash flow from financing activities:

Net increase/(decrease) in short-term borrowing	908	(5,382)	(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	(134)	(70)	(102)
Sales of treasury stock and fractional shares	1	1	6
Dividends paid	(4,066)	(2,431)	(2,547)
Other, net	(138)	(13)	(13)
Net cash (used in) provided by financing activities	(3,430)	9,032	(1,887)
Effect of exchange rate changes on cash and cash equivalents	680	264	(119)
Net decrease in cash and cash equivalents	1,618	(7,198)	(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	42,143	41,023	40,524

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

	(Yen in millions)		
	December 31		March 31
	2005	2004	2005
Cash and Time deposits	55,773	58,474	61,432
Securities	24,633	17,165	15,320
Subtotal	80,407	75,640	76,753
Time deposits with original maturities of three months or longer	(15,631)	(17,450)	(20,908)
Security other than short-term investments with an original maturity of three months or less	(22,633)	(17,165)	(15,320)
Cash and cash equivalents	42,143	41,023	40,524