

Consolidated financial reports under Japanese GAAP for the six months ended September 30, 2006

URL <http://www.ngkntk.co.jp>
 Stock listing Tokyo 1st section, Nagoya 1st section
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Consolidated financial highlights

	(Six months ended) September 30		(Fiscal year ended)
	2006	2005	March 31, 2006
(Millions of yen)			
Net Sales	166,657	136,079	284,884
Operating Income	25,774	19,381	41,513
Ordinary Income	26,407	20,488	43,130
Net Income	16,441	12,196	25,104
Total assets	396,068	346,081	386,235
Net assets	270,264	240,404	260,766
Cash flow from			
- Operating activities	14,027	10,821	34,749
- Investing activities	(7,889)	(9,452)	(30,691)
- Financing activities	(4,646)	(2,045)	(2,457)
Cash and cash equivalents	44,864	40,300	43,304
Per share (Yen)			
Net income			
- Basis	74.28	55.07	112.82
- Diluted	70.53	52.15	106.91
Equity	1,218.30	1,079.53	1,166.97
Cash dividends			
- Interim	14.00	9.00	-
- Annual	-	-	20.00
Equity ratio (%)	67.8%	69.1%	67.1%

Note: The interim dividend for the six months ended September 30, 2006 includes 3.00 yen of commemorative dividends on the 70th anniversary of the NGK Spark Plug Co., Ltd.

Consolidated financial forecast

	(Millions of yen)		
	Fiscal year ending March 31, 2007	(Reference) Fiscal year ended March 31, 2006	Changes
Net Sales	328,000	284,884	15.1%
Operating Income	48,000	41,513	15.6%
Ordinary Income	48,500	43,130	12.4%
Net Income	30,300	25,104	20.7%
Net Income per share	137.15yen	126.16 yen	

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

(Millions of yen)

	September 30		March 31			
	2006	2005	2006			
Assets						
Current assets:						
Cash and time deposit	66,364	53,254	64,327			
Notes and accounts receivable, trade	61,341	50,174	54,243			
Securities	18,260	26,412	24,070			
Inventories	57,326	44,530	51,127			
Deferred tax assets	8,104	7,208	8,505			
Other current assets	9,268	8,625	8,853			
Allowance for doubtful accounts	(242)	(257)	(224)			
Total current assets	220,424	189,948	55.7%	54.9%	210,902	54.6%
Fixed assets:						
Tangible assets:						
Building and structures	40,516	35,217	41,087			
Machinery and vehicles	40,687	33,559	36,557			
Land	16,584	16,224	16,385			
Construction in progress	5,994	4,911	4,744			
Other tangible assets	1,998	1,960	1,917			
Total tangible assets	105,781	91,872	26.7%	26.6%	100,691	26.1%
Intangible assets:						
Software	333	172	199			
Consolidated goodwill	594	651	581			
Total intangible assets	927	824	0.2%	0.2%	780	0.2%
Investment and other assets:						
Investments securities	65,941	60,454	70,884			
Deferred tax assets	1,077	1,091	1,173			
Other assets	2,005	1,990	1,894			
Allowance for doubtful accounts	(89)	(100)	(91)			
Total investment and other assets	68,934	63,435	17.4%	18.3%	73,860	19.1%
Total fixed assets	175,643	156,133	44.3%	45.1%	175,332	45.4%
Total assets	396,068	346,081	100.0%	100.0%	386,235	100.0%

(Millions of yen)

	September 30		March 31	
	2006	2005	2006	2005
Liabilities				
Current liabilities:				
Accounts payable, trade	34,122	22,603	29,513	
Short-term borrowing	11,896	8,734	10,462	
Bonds due within one year	10,000	-	10,000	
Income taxes payable	8,071	7,010	11,044	
Deferred tax liabilities	208	213	215	
Other current liabilities	21,838	17,852	23,055	
Total current liabilities	86,138	56,415	84,290	
	21.8%	16.3%	21.8%	
Fixed liabilities:				
Bonds	16,099	27,000	16,099	
Employee retirement benefit liability	14,215	13,972	14,186	
Accrued severance indemnities for officers	635	861	985	
Negative consolidated goodwill	63	-	-	
Deferred tax liabilities	7,717	6,615	9,042	
Other fixed liabilities	934	811	864	
Total fixed liabilities	39,665	49,261	41,178	
	10.0%	14.2%	10.7%	
Total liabilities	125,803	105,676	125,468	
	31.8%	30.5%	32.5%	
Net assets				
Shareholders' equity:				
Common stock	47,869	47,869	47,869	
Capital surplus	55,169	54,826	55,167	
Retained earnings	152,098	127,288	138,202	
Less, treasury stock at cost	(9,970)	(6,869)	(6,454)	
Total shareholders' equity	245,167	223,114	234,784	
	61.9%	64.4%	60.8%	
Valuation and adjustment:				
Net unrealized gains on available-for-sale securities	25,969	22,001	27,831	
Foreign currency translation adjustment	(2,491)	(6,066)	(3,403)	
Total valuation and adjustment	23,477	15,935	24,428	
	5.9%	4.7%	6.3%	
Minority interests in consolidated subsidiaries	1,619	1,354	1,552	
	0.4%	0.4%	0.4%	
Total net assets	270,264	240,404	260,766	
	68.2%	69.5%	67.5%	
Total liabilities and net assets	396,068	346,081	386,235	
	100.0%	100.0%	100.0%	

Consolidated statement of operations

(Millions of yen)

	Six months ended September 30				Fiscal year ended March 31	
	2006		2005		2006	
Net Sales	166,657	100.0%	136,079	100.0%	284,884	100.0%
Costs of goods sold	119,578	71.7%	97,344	71.5%	203,337	71.4%
Gross profit on sales	47,079	28.3%	38,734	28.5%	81,547	28.6%
Selling, general and administrative expenses	21,304	12.8%	19,353	14.2%	40,033	14.0%
Operating income	25,774	15.5%	19,381	14.3%	41,513	14.6%
Other income:						
Interest income	588		333		834	
Dividend income	397		249		460	
Amortization of consolidated goodwill	10		5		-	
Income of rentals on fixed assets	383		382		804	
Equity in net earnings of affiliates	452		430		673	
Foreign exchange gain	-		270		485	
Miscellaneous income	520		650		1,020	
Total other income	2,352	1.4%	2,323	1.7%	4,279	1.5%
Other expenses:						
Interest expenses	388		292		674	
Depreciation of rentals on fixed assets	297		308		701	
Loss on disposal of inventory	52		135		299	
Donation	272		13		33	
Warranty	224		238		500	
Foreign exchange loss	256		-		-	
Miscellaneous loss	227		227		453	
Total other expenses	1,719	1.1%	1,215	0.9%	2,662	1.0%
Ordinary income	26,407	15.8%	20,488	15.1%	43,130	15.1%
Extraordinary profit:						
Gain on sales of fixed assets	20		10		16	
Gain on sales of investment securities	17		-		10	
Total extraordinary profit	38	0.0%	10	0.0%	26	0.0%
Extraordinary losses:						
Loss on sale or disposal of fixed assets	237		310		633	
Impairment loss on fixed assets	-		737		737	
Depreciation expenses resulting from revision of residual value	-		-		2,749	
Loss on sales of investment securities	-		-		5	
Total extraordinary losses	237	0.1%	1,047	0.8%	4,125	1.4%
Income before income taxes and minority interests	26,208	15.7%	19,451	14.3%	39,032	13.7%
Income taxes:						
Current	9,222		7,439		16,926	
Deferred	424		(246)		(3,161)	
Total income taxes	9,647	5.8%	7,193	5.3%	13,765	4.8%
Less, minority interests in net income of consolidated subsidiaries	118	0.0%	62	0.0%	162	0.1%
Net income	16,441	9.9%	12,196	9.0%	25,104	8.8%

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)
Sales of treasury stock	-	2	-	2	4	-	-	-	-	4
Other, net	-	-	-	-	-	(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	(2,419)	23,477	1,619	270,264

Consolidated statement of capital surplus and retained earnings

(Millions of yen)

	Six months ended September 30, 2005	Fiscal year ended March 31, 2006
Capital surplus:		
Balance at the beginning of the period	54,826	54,826
Increases due to:		
Profit from treasury stock disposition	0	340
Balance at the end of the period	54,826	55,167
Retained Earnings:		
Balance at the beginning of the period	117,394	117,394
Increases due to:		
Net Income	12,196	25,104
Decreases due to:		
Dividends	(2,214)	(4,207)
Bonuses to directors and corporate auditors	(87)	(88)
Balance at the end of the period	127,288	138,202

Consolidated Statement of Cash Flows

(Millions of yen)

	Six months ended September 30		Fiscal year ended March 31
	2006	2005	2006
Cash flow from operating activities:			
Income before income taxes and minority interests	26,208	19,451	39,032
Depreciation	8,675	6,691	18,017
Impairment loss on fixed assets	-	737	737
Amortization of consolidated goodwill	77	(5)	64
Increase in allowance for retirement benefit for employees	22	228	433
Interest and dividend income	(985)	(583)	(1,295)
Equity in net earnings of affiliates	(452)	(430)	(673)
Interest expenses	388	292	674
Gain on sales of investment securities	(17)	-	(10)
Loss on sales of investment securities	-	-	5
Gain on sales of fixed assets	(20)	(10)	(16)
Loss on sale or disposal of fixed assets	237	310	633
Net increase in accounts receivables, trade	(7,014)	(7,421)	(10,005)
Net (increase) / decrease in inventory	(5,964)	1,819	(3,003)
Net increase / (decrease) in account payable, trade	4,100	(1,198)	1,558
Other, net	(108)	(1,726)	315
Subtotal	25,154	18,153	46,467
Interest and dividend received	1,004	760	1,481
Interest paid	(391)	(295)	(670)
Income taxes paid	(11,730)	(7,796)	(12,528)
Net cash provided by operating activities	14,027	10,821	34,749
Cash flow from investing activities:			
Net (increase) / decrease in fixed-term deposit	(20)	5,357	(2,565)
Purchase of securities	(5,196)	(9,099)	(15,560)
Sales of securities	13,440	7,166	19,927
Purchase of investment securities	(341)	(4,353)	(8,318)
Sales of investment securities	21	1,004	1,027
Purchase of shares of subsidiaries	-	(67)	(67)
Net decrease by an acquisition of share of a new subsidiary	-	(468)	(468)
Purchase of tangible fixed assets	(15,713)	(8,947)	(24,560)
Sales of tangible fixed assets	95	23	84
Net (increase) / decrease in loans	(3)	5	9
Other, net	(170)	(72)	(198)
Net cash used in investing activities	(7,889)	(9,452)	(30,691)
Cash flow from financing activities:			
Net increase in short-term borrowing	1,420	368	2,076
Proceeds from an issuance of common stock of a subsidiary	-	-	16
Purchase of treasury stock and fractional shares	(3,518)	(62)	(210)
Sales of treasury stock and fractional shares	4	1	4
Dividends paid	(2,441)	(2,214)	(4,205)
Other, net	(111)	(138)	(139)
Net cash used in financing activities	(4,646)	(2,045)	(2,457)
Effect of exchange rate changes on cash and cash equivalents	68	452	1,179
Net increase / (decrease) in cash and cash equivalents	1,560	(223)	2,779
Cash and cash equivalents at beginning of the period	43,304	40,524	40,524
Cash and cash equivalents at end of the period	44,864	40,300	43,304

Note: 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	2005	2006
Cash and time deposits	66,364	53,254	64,327
Securities	18,260	26,412	24,070
Subtotal	84,625	79,667	88,397
Time deposits with original maturities of three months or longer	(24,501)	(15,954)	(24,023)
Security other than short-term investments with an original maturity of three months or less	(15,258)	(23,412)	(21,069)
Cash and cash equivalents	44,864	40,300	43,304

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
<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>Fiscal year ended March 31, 2005</u>						
Operating revenues-net sales:						
Outside customers	165,279	116,032	3,573	284,884	-	284,884
Inter-segment sales	-	-	71	71	(71)	-
Total net sales	165,279	116,032	3,644	284,955	(71)	284,884
Operating costs and expenses	135,923	103,917	3,601	243,442	(71)	243,371
Operating Income	29,356	12,114	42	41,513	-	41,513

2. Information by geographic Segment

(Millions of yen)

	Japan	North America	Europe	Other	Total	Elimination	Consolidated
Six months ended September 30,							
2006							
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,

2005

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

Fiscal year ended March 31, 2006

Operating revenues-net sales:							
Outside customers	127,126	83,583	47,489	26,684	284,884	-	284,884
Inter-segment sales	123,424	778	1,051	878	126,132	(126,132)	-
Total net sales	250,551	84,361	48,541	27,563	411,017	(126,132)	284,884
Operating costs and expenses	215,046	82,435	46,835	24,779	369,096	(125,725)	243,371
Operating Income	35,504	1,925	1,705	2,784	41,920	(406)	41,513

3. Overseas sales

(Millions of yen)

	Six months ended September 30				Fiscal year ended March 31	
	2006		2005		2006	
North America	73,438	44.1%	56,849	41.8%	118,330	41.5%
Europe	29,223	17.5%	24,938	18.3%	49,140	17.3%
Asia	17,113	10.3%	14,216	10.5%	31,213	11.0%
Other area	13,679	8.2%	11,718	8.6%	24,874	8.7%
Total overseas sales	133,454	80.1%	107,723	79.2%	223,560	78.5%
Consolidated net sales	166,657	100.0%	136,079	100.0%	284,884	100.0%