

Consolidated Financial Results for the Year Ended March 31, 2006

May 11, 2006

Listing Name: NGK Insulators, Ltd.
 (URL: <http://www.ngk.co.jp/english/>)
 Code Number: 5333
 Stock Exchange Listings: Tokyo, Nagoya, Osaka and Sapporo
 Head Office: Aichi Prefecture
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 Director and Senior Vice President
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 Date of board of directors' meeting to approve the consolidated financial statements: May 11, 2006
 US GAAP: Not adopted

1. Financial results for the year ended March 31, 2006

(1) Consolidated operating results (Millions of Yen: Amounts less than ¥1 million have been omitted)

	Net sales		Operating income		Ordinary income	
	Millions of Yen	Growth ratio (%)	Millions of Yen	Growth ratio (%)	Millions of Yen	Growth ratio (%)
Year ended March 31, 2006	283,753	6.6	31,275	28.8	30,926	28.4
Year ended March 31, 2005	266,127	5.9	24,277	27.9	24,088	33.0

	Net income		Net income per share (in ¥)	Diluted net income per share (in ¥)	Ratio of net income to shareholders' equity (%)	Ratio of ordinary income to total assets (%)	Ratio of ordinary income to sales (%)
	Millions of Yen	Growth ratio (%)					
Year ended March 31, 2006	16,522	37.5	48.99	48.98	6.7	6.8	10.9
Year ended March 31, 2005	12,012	42.3	34.75	-	5.1	5.7	9.1

Notes: ① Equity in earnings (△losses) of an unconsolidated subsidiary and associated companies:

Year ended March 31, 2006: △ 691 million

Year ended March 31, 2005: △ 496 million

② Weighted average number of shares (consolidated):

Year ended March 31, 2006: 337,194,257 shares

Year ended March 31, 2005: 343,173,808 shares

③ Changes in accounting policies: None

④ Growth ratio in net sales, operating income, ordinary income and net income in the tables represent increases or decreases compared to prior year.

(2) Consolidated financial position (Millions of Yen: Amounts less than ¥1 million have been omitted)

	Total Assets	Shareholders' equity	Ratio of shareholders' equity to total assets (%)	Shareholders' equity per share (in ¥)
Year ended March 31, 2006	489,440	258,291	52.8	766.16
Year ended March 31, 2005	423,414	236,899	55.9	702.08

Notes: Number of shares issued and outstanding at half-year-end (consolidated):

Year ended March 31, 2006: 337,118,785 shares

Year ended March 31, 2005: 337,284,930 shares

(3) Consolidated cash flow results (Millions of Yen: Amounts less than ¥1 million have been omitted)

	Net cash provided by operating activities	Net cash provided by investing activities	Net cash provided by financing activities	Year-end balance of cash & cash equivalents
Year ended March 31, 2006	36,804	△ 37,672	14,697	59,092
Year ended March 31, 2005	28,646	△ 19,353	△ 12,487	45,202

(4) Scope of consolidation and application of the equity method:

Consolidated subsidiaries: 52
Unconsolidated subsidiary accounted for by the equity method: 1
Associated companies accounted for by the equity method: 1

(5) Changes in the scope of consolidation and application of the equity method:

consolidation: Newly consolidated subsidiary: 1
Excluded subsidiary: None
equity method: Newly applied company: None
Excluded company: 1

2. Projected consolidated financial results for the year ending March 31, 2007

(Millions of Yen)

	Net sales	Ordinary income	Net income
Six months ending September 30, 2006	132,000	13,500	8,000
Year ending March 31, 2007	300,000	34,500	20,000

Projected annual net income per share: ¥ 59.33

※All predictions have been made considering data currently available to the company.

Therefore, discrepancies may occur between the actual and predicted outcomes according to circumstances.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen: Amounts less than ¥1 million have been omitted)

Accounts	Fiscal year	As of March 31, 2005		As of March 31, 2006		Increase/ △Decrease
		Millions of Yen	Composition Ratio (%)	Millions of Yen	Composition Ratio (%)	Millions of Yen
Assets:			%		%	
I. Current Assets:						
1. Cash and bank deposits		20,438		42,737		22,299
2. Notes and accounts receivable trade		75,286		80,346		5,059
3. Marketable securities		29,695		26,359		△ 3,335
4. Inventories		59,761		65,574		5,813
5. Deferred tax assets		6,274		7,411		1,137
6. Other currents assets		10,830		18,219		7,388
Allowance for doubtful accounts		△ 431		△ 336		95
Total current assets		201,856	47.7	240,313	49.1	38,457
II. Fixed Assets:						
1. Property, plant and equipment						
(1) Buildings and structures		43,459		47,014		3,555
(2) Machinery and structures		50,774		67,235		16,460
(3) Tools, equipment and furniture		5,435		6,707		1,271
(4) Land		19,886		20,184		298
(5) Construction in progress		11,592		14,700		3,108
Total property, plant and equipment		131,148	31.0	155,842	31.8	24,694
2. Intangible assets						
(1) Software		5,628		4,028		△ 1,599
(2) Goodwill		122		71		△ 50
(3) Other intangible assets		1,227		1,315		88
Total intangible assets		6,978	1.6	5,415	1.1	△ 1,562
3. Investments and other assets						
(1) Investment securities		56,324		64,950		8,626
(2) Long-term loans receivable		2,126		408		△ 1,718
(3) Deferred tax assets		2,048		2,236		187
(4) Other assets		23,951		21,171		△ 2,780
Allowance for doubtful accounts		△ 1,020		△ 897		122
Total investments and other assets		83,431	19.7	87,869	18.0	4,437
Total fixed assets		221,558	52.3	249,127	50.9	27,569
Total assets		423,414	100.0	489,440	100.0	66,026

(Millions of Yen: Amounts less than ¥1 million have been omitted)

Accounts	Fiscal year		As of March 31, 2005		As of March 31, 2006		Increase/ △Decrease
	Millions of Yen	Composition Ratio (%)	Millions of Yen	Composition Ratio (%)	Millions of Yen		
Liabilities:		%		%			
I. Current liabilities:							
1. Notes and accounts payable trade	42,111		42,271		159		
2. Short-term borrowings	3,241		6,257		3,015		
3. Current portion of long-term bonds payable	10,000		-		△ 10,000		
4. Accounts payable others	10,774		16,339		5,564		
5. Income taxes payable	5,694		9,424		3,730		
6. Accrued expenses	10,486		11,022		535		
7. Liability for restructuring costs	-		2,606		2,606		
8. Other current liabilities	6,376		10,493		4,117		
Total current liabilities	88,685	21.0	98,414	20.1	9,728		
II. Long-term liabilities:							
1. Long-term bonds payable	10,000		10,000		-		
2. Long-term borrowings	35,442		64,006		28,564		
3. Deferred tax liabilities	12,131		17,819		5,688		
4. Liability for employees' retirements benefits	17,870		18,232		361		
5. Liability for retirement for directors and corporate auditors	1,120		218		△ 902		
6. Other long-term liabilities	4,426		4,550		124		
Total long-term liabilities	80,989	19.1	114,826	23.5	33,836		
Total liabilities	169,675	40.1	213,240	43.6	43,564		
Minority interest:							
Minority interest	16,839	4.0	17,908	3.6	1,069		
Shareholders' equity:							
I. Common Stock	69,849	16.5	69,849	14.3	-		
II. Capital Surplus	85,142	20.1	85,144	17.4	2		
III. Retained earnings	89,762	21.2	101,551	20.7	11,789		
IV. Unrealized gain on available-for-sale securities	16,139	3.8	22,337	4.6	6,198		
V. Foreign currency translation adjustments	△ 9,315	△ 2.2	△ 5,703	△ 1.2	3,612		
VI. Treasury stock	△ 14,678	△ 3.5	△ 14,888	△ 3.0	△ 209		
Total shareholders' equity	236,899	55.9	258,291	52.8	21,392		
Total liabilities, minority interest and shareholders' equity	423,414	100.0	489,440	100.0	66,026		

(2) Consolidated Statements of Income

(Millions of Yen: Amounts less than ¥1 million have been omitted)

Accounts	Year ended March 31, 2005		Year ended March 31, 2006		Increase/△Decrease	
	Millions of Yen	Composition Ratio (%)	Millions of Yen	Composition Ratio (%)	Millions of Yen	Growth Ratio (%)
I. Net sales	266,127	100.0	283,753	100.0	17,625	6.6
II. Cost of sales	192,012	72.2	202,767	71.5	10,755	5.6
III. Gross profit	74,114	27.8	80,985	28.5	6,870	9.3
Selling, general and administrative expenses	49,837	18.7	49,709	17.5	△ 127	△ 0.3
Operating income	24,277	9.1	31,275	11.0	6,998	28.8
IV. Non-operating income	2,906	1.1	2,590	0.9	△ 316	△ 10.9
1. Interest income	970		773			
2. Dividend income	639		775			
3. Foreign exchange gain	484		-			
4. Other	812		1,040			
V. Non-operating expenses	3,095	1.1	2,939	1.0	△ 156	△ 5.0
1. Interest expense	1,051		1,070			
2. Loss on disposal of inventories	617		465			
3. Loss on revaluation of inventories	-		454			
4. Loss on derivative contracts	315		-			
5. Equity in losses of an unconsolidated subsidiaries and associated companies	496		-			
6. Other	614		948			
Ordinary income	24,088	9.1	30,926	10.9	6,838	28.4
VI. Extraordinary income	3,728	1.4	7,208	2.5	3,480	93.4
1. Gain on sales of fixed assets	399		30			
2. Gain on sales of investment securities	3,329		3,419			
3. Gain on reversal of allowance for doubtful accounts	-		155			
4. Gain on return of employees' pension trust	-		3,026			
5. Gain on insurance received	-		577			
VII. Extraordinary loss	4,891	1.9	5,398	1.9	507	10.4
1. Loss on sales of fixed assets	1,776		864			
2. Equity in losses of an unconsolidated subsidiaries and associated companies	-		438			
3. Restructuring costs	-		3,723			
4. Impairment loss on long-lived assets	2,185		106			
5. Loss resulting from casualty	-		265			
6. Impairment loss on goodwill of a foreign subsidiary	929		-			
Income before income taxes and minority interests	22,925	8.6	32,736	11.5	9,811	42.8
Income taxes -current	9,847	3.7	14,975	5.3	5,127	52.1
Income taxes -deferred	551	0.2	573	0.2	21	4.0
Minority interests	513	0.2	665	0.2	151	29.5
Net income	12,012	4.5	16,522	5.8	4,509	37.5

(3) Consolidated Statements of Capital Surplus and Retained Earnings

(Millions of Yen: Amounts less than ¥1 million have been omitted)

Accounts	Fiscal year	Year ended March 31, 2005	Year ended March 31, 2006
Capital surplus			
I. Beginning balance of capital surplus		85,136	85,142
II. Increase in capital surplus		5	2
1. Gain on sales of treasury stock		5	2
III. Ending balance of retained surplus		85,142	85,144
Retained earnings			
I. Beginning balance of retained earnings		81,658	89,762
II. Increase in retained earnings		12,012	16,522
1. Net income		12,012	16,522
III. Decreases in retained earnings		3,909	4,732
1. Cash dividends paid		3,806	4,049
2. Bonuses paid to directors		87	85
3. Net decrease due to minimum pension liability adjustments of foreign consolidated subsidiaries		15	596
IV. Ending balance of retained earnings		89,762	101,551

(4) Consolidated Statements of Cash Flows

(Millions of Yen: Amounts less than ¥1 million have been omitted)

Accounts	Year ended March 31, 2005	Year ended March 31, 2006
I. Cash flows from operating activities		
Income before income taxes and minority interests	22,925	32,736
Depreciation and amortization	17,161	19,018
Impairments of long-lived assets	2,185	-
Increase (decrease) in liability for employees' retirement benefits	△ 891	206
Increase (decrease) in prepaid pension cost	△ 3,933	△ 1,649
Liabilities for restructuring costs	-	3,723
Gain on return of employees' pension trust	-	△ 3,026
Interest and dividend income	△ 1,609	△ 1,549
Interest expenses	1,051	1,070
Gain (loss) on sales and disposals of fixed assets	1,377	833
Gain (loss) on sales and redemption of investment securities	△ 3,329	△ 3,419
Loss on revaluation and disposals of inventories	1,209	1,026
Increase (decrease) in trade receivables	2,253	△ 3,273
Increase (decrease) in inventories	△ 5,895	△ 5,271
Increase (decrease) in other current assets	△ 4,707	△ 7,061
Increase (decrease) in trade payables	6,005	△ 1,593
Increase (decrease) in other current liabilities	2,575	10,699
Other	1,224	△ 1,942
Sub-total	37,602	40,527
Interest and dividends received	1,567	1,553
Interest paid	△ 1,045	△ 1,082
Gain on return of employees' pension trust	-	6,739
Income taxes paid	△ 9,477	△ 10,933
Net cash provided by operating activities	28,646	36,804
II. Cash flows from investing activities		
Purchase of marketable securities	△ 17,847	△ 7,629
Proceeds from sales and redemption of marketable securities	20,638	3,982
Purchases of property, plant and equipment	△ 29,720	△ 39,663
Proceeds from sales of property, plant and equipment	664	192
Purchases of intangible assets	△ 873	△ 618
Purchases of investment securities	△ 2,062	△ 1,283
Proceeds from sales and redemption of investment securities	8,406	5,890
Purchases of stocks of consolidated subsidiaries	-	△ 2
Collections of loans receivable	-	2,014
Net increase (decrease) in time deposits	1,889	△ 1,010
Other	△ 448	455
Net cash provided by investing activities	△ 19,353	△ 37,672
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	21	2,426
Proceeds from long-term borrowings	-	29,697
Repayment of long-term borrowings	△ 626	△ 3,037
Repayment of long-term bonds payable	-	△ 10,000
Acquisition of treasury stock	△ 7,931	△ 240
Cash dividends	△ 3,806	△ 4,049
Other	△ 144	△ 98
Net cash provided by financing activities	△ 12,487	14,697
IV. Effects of exchange rate changes on cash and cash equivalents	1,151	60
V. Net increase (decrease) in cash and cash equivalents	△ 2,042	13,889
VI. Cash and cash equivalents, beginning of year	47,245	45,202
VII. Cash and cash equivalents, end of year	45,202	59,092

Segment Information

1. Industry segments

Year ended March 31, 2005

(Millions of Yen: Amounts less than ¥1 million have been omitted)

	Power	Ceramics	Engineering	Electronics	Total	Elimination or Corporate	Consolidated
Sales							
(1) Sales to customers	61,504	83,706	55,631	65,283	266,127	-	266,127
(2) Intersegment sales	24	71	-	-	95	(95)	-
Total	61,529	83,778	55,631	65,283	266,222	(95)	266,127
Operating expenses	63,880	66,829	52,754	58,525	241,990	(140)	241,850
Operating income (△/loss)	△ 2,351	16,948	2,877	6,758	24,232	45	24,277
Assets	80,293	118,573	38,535	78,970	316,373	107,040	423,414
Depreciation	4,691	7,154	930	4,409	17,185	(24)	17,161
Impairment loss on long-lived assets	55	-	-	112	167	2,017	2,185
Capital Expenditure	3,623	23,900	402	1,839	29,765	1,405	31,171

Year ended March 31, 2006

(Millions of Yen: Amounts less than ¥1 million have been omitted)

	Power	Ceramics	Engineering	Electronics	Total	Elimination or Corporate	Consolidated
Sales							
(1) Sales to customers	67,808	95,724	52,512	67,707	283,753	-	283,753
(2) Intersegment sales	116	91	-	709	916	(916)	-
Total	67,924	95,815	52,512	68,417	284,670	(916)	283,753
Operating expenses	65,994	78,100	51,064	58,280	253,439	(962)	252,477
Operating income	1,929	17,715	1,448	10,136	31,230	45	31,275
Assets	77,227	158,100	44,160	80,756	360,244	129,196	489,440
Depreciation	4,522	9,536	836	4,146	19,042	(24)	19,018
Impairment loss on long-lived assets	-	-	-	1	1	105	106
Capital Expenditure	2,732	31,291	239	4,546	38,809	2,429	41,238

Notes:

1. The industry segments in the above table were categorized in consideration of internal corporate policies.

2. Main products by industry segment:

Industry Segment	Main products
Power	Insulators, hardware for insulator assemblies, current limiting arching horn, bushing shells, fuse cut-puts, APM, line arrester and NAS (sodium-sulfur) batteries
Ceramics	Automotive ceramics for exhaust gas purification, corrosion-resistant ceramic apparatus for chemical industries, gas analyzer, industrial heating systems and refractories
Engineering	Clear water / sewage treatment systems, water purification systems, melting furnace, noise-control systems and solid waste / radioactive waste treatment systems
Electronics	Beryllium copper wrought products, molds and ceramic components for electronics and semiconductor manufacturing equipment

3. Corporate assets included in the "Assets" presented in "Eliminations or Corporate" are ¥ 159,944 million for the current fiscal year and ¥ 136,067 million for the prior year and, both of which principally consisted of extra working funds (cash and marketable securities), funds for long-term investments (investment securities) and the administrative department-related assets at parent company.

2. Geographical segments

Year ended March 31, 2005

(Millions of Yen: Amounts less than ¥1 million have been omitted)

	Japan	North America	Europe	Other areas	Total	Elimination or Corporate	Consolidated
Sales							
(1) Sales to customers	193,052	39,064	23,071	10,939	266,127	-	266,127
(2) Intersegment sales	33,643	4,563	1,124	4,536	43,867	(43,867)	-
Total	226,696	43,627	24,195	15,475	309,995	(43,867)	266,127
Operating expenses	210,192	41,428	21,657	14,260	287,539	(45,689)	241,850
Operating income	16,503	2,198	2,537	1,215	22,455	1,821	24,277
Assets	277,161	30,873	37,117	27,396	372,548	50,865	423,414

Year ended March 31, 2006

(Millions of Yen: Amounts less than ¥1 million have been omitted)

	Japan	North America	Europe	Other areas	Total	Elimination or Corporate	Consolidated
Sales							
(1) Sales to customers	202,394	39,147	28,669	13,542	283,753	-	283,753
(2) Intersegment sales	31,618	5,387	1,047	5,965	44,018	(44,018)	-
Total	234,012	44,535	29,716	19,507	327,771	(44,018)	283,753
Operating expenses	210,573	41,352	28,184	18,571	298,682	(46,204)	252,477
Operating income	23,438	3,182	1,532	935	29,089	2,185	31,275
Assets	301,759	34,555	58,434	35,241	429,991	59,449	489,440

Notes:

1. Policies with respect to global geographical area and countries:

(1) The geographical areas in the above tables and countries were determined in consideration of their geographical closeness.

(2) Each global geographical division consists of the following countries:

North America: The United States of America and Canada

Europe: Germany, Belgium, France, Poland, etc.

Other areas: Indonesia, China, Australia, Thailand, South Africa, etc.

2. Corporate assets included in the "Assets" presented in "Eliminations or Corporate" are ¥ 159,944 million for the current fiscal year and ¥ 136,067 million for the prior year and, both of which principally consisted of extra working funds (cash and marketable securities), funds for long-term investments (investment securities) and the administrative department-related assets at parent company.

3. Sales to foreign customers

Year ended March 31, 2005

(Millions of Yen: Amounts less than ¥1 million have been omitted)

	North America	Europe	Asia	Other areas	Total
I. Sales to foreign customers	37,844	22,872	18,088	15,490	94,297
II. Consolidated sales					266,127
III. Ratio of sales to foreign customers to consolidated sales (%)	14.2	8.6	6.8	5.8	35.4

Year ended March 31, 2006

(Millions of Yen: Amounts less than ¥1 million have been omitted)

	North America	Europe	Asia	Other areas	Total
I. Sales to foreign customers	37,570	26,500	26,431	19,476	109,979
II. Consolidated sales					283,753
III. Ratio of sales to foreign customers to consolidated sales (%)	13.2	9.3	9.3	6.9	38.8

Notes:

1. Policies with respect to global geographical area and countries:

(1) The geographical areas in the above tables and countries were determined in consideration of their geographical closeness.

(2) Each global geographical division consists of the following countries:

North America: The United States of America and Canada

Europe: Germany, Belgium, France, Poland, etc.

Asia: Korea, China, Thailand, etc.

Other areas: South Africa, Saudi Arabia, etc.

2. Sales to foreign customers represent the Company's and consolidated subsidiaries' sales in the countries or area other than Japan.