

Consolidated Financial Results for the Half-Year Ended September 30, 2006

November 8, 2006

Listing Name: NGK Insulators, Ltd.
 (URL: <http://www.ngk.co.jp/english/>)
 Code Number: 5333
 Stock Exchange Listings: Tokyo, Nagoya, Osaka and Sapporo
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 Date of board of directors' meeting to approve the consolidated financial statements: November 8, 2006
 US GAAP: Not adopted

1. Financial results for the half-year ended September 30, 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 (%)
Half-year ended Sep. 30, 2006	143,424	17.7	22,018	63.5	20,984	63.6
Half-year ended Sep. 30, 2005	121,819	3.1	13,465	28.2	12,829	17.5
Year ended Mar. 31, 2006	283,753	6.6	31,275	28.8	30,926	28.4

	Net income		Net income per share (in ¥)	Diluted net income per share (in ¥)
	Millions of Yen	Growth ratio (%)		
Half-year ended Sep. 30, 2006	11,977	71.2	35.52	35.50
Half-year ended Sep. 30, 2005	6,996	40.9	20.75	-
Year ended Mar. 31, 2006	16,522	37.5	48.99	48.98

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

Half-year ended Sep. 30, 2006: Δ 121 million

Half-year ended Sep. 30, 2005: Δ 188 million

Year ended Mar. 31, 2006: Δ 691 million

② Weighted average number of shares (consolidated):

Half-year ended Sep. 30, 2006: 337,228,171 shares

Half-year ended Sep. 30, 2005: 337,240,351 shares

Year ended Mar. 31, 2006: 337,194,257 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)

	Total Assets	Net assets	Ratio of net worth to total assets (%)	Net assets per share (in ¥)
Half-year ended Sep. 30, 2006	481,172	282,506	54.9	782.94
Half-year ended Sep. 30, 2005	420,989	242,724	57.6	719.81
Year ended Mar. 31, 2006	489,440	258,291	52.8	766.16

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

Half-year ended Sep. 30, 2006: 337,201,499 shares

Half-year ended Sep. 30, 2005: 337,207,214 shares

Year ended Mar. 31, 2006: 337,118,785 shares

(3) Consolidated cash flow results (Millions of Yen)

	Net cash provided by operating activities	Net cash provided by investing activities	Net cash provided by financing activities	Half-year end balance of cash & cash equivalents
Half-year ended Sep. 30, 2006	20,360	△ 16,880	3,369	65,847
Half-year ended Sep. 30, 2005	17,505	△ 15,177	428	47,110
Year ended Mar. 31, 2006	36,804	△ 37,672	14,697	59,092

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

Consolidated subsidiaries: 54
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: 2
Excluded subsidiary: None
equity method: Newly applied company: None
Excluded company: None

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

(Millions of Yen)

	Net sales	Ordinary income	Net income
Year ending March 31, 2007	306,000	40,000	24,000

Projected annual net income per share: ¥ 71.17

※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 September 30, 2005		As of September 30, 2006		As of March 31, 2006	
	Millions of Yen	Composition Ratio (%)	Millions of Yen	Composition Ratio (%)	Millions of Yen	Composition Ratio (%)		
Assets:		%		%		%		%
I. Current Assets:								
Cash and bank deposits	18,695		57,612		42,737			
Notes and accounts receivable trade	55,915		67,098		80,346			
Marketable securities	33,618		18,650		26,359			
Inventories	67,307		70,134		65,574			
Deferred tax assets	6,692		7,442		7,411			
Other currents assets	8,597		9,878		18,219			
Allowance for doubtful accounts	△ 379		△ 231		△ 336			
Total current assets	190,446	45.2	230,586	47.9	240,313	49.1		
II. Fixed Assets:								
1. Tangible assets								
Buildings and structures	43,032		48,270		47,014			
Machinery and structures	53,493		72,277		67,235			
Tools, equipment and furniture	5,912		7,044		6,707			
Land	19,810		20,149		20,184			
Construction in progress	18,323		12,100		14,700			
Total tangible assets	140,572	33.4	159,840	33.2	155,842	31.8		
2. Intangible assets								
Software	4,788		3,199		4,028			
Goodwill	99		43		71			
Other intangible assets	1,123		1,245		1,315			
Total intangible assets	6,011	1.4	4,489	0.9	5,415	1.1		
3. Investments and other assets								
Investment securities	58,117		59,914		64,950			
Deferred tax assets	1,804		2,039		2,236			
Other assets	24,956		24,716		21,579			
Allowance for doubtful accounts	△ 920		△ 414		△ 897			
Total investments and other assets	83,957	20.0	86,255	18.0	87,869	18.0		
Total fixed assets	230,542	54.8	250,585	52.1	249,127	50.9		
Total assets	420,989	100.0	481,172	100.0	489,440	100.0		

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

Accounts	Fiscal year		As of September 30, 2005		As of September 30, 2006		As of March 31, 2006	
	Millions of Yen	Composition Ratio (%)	Millions of Yen	Composition Ratio (%)	Millions of Yen	Composition Ratio (%)		
Liabilities:		%		%		%		
I. Current liabilities:								
Notes and accounts payable trade	29,127		25,470		42,271			
Short-term borrowings	6,333		6,170		6,257			
Current portion of long-term bonds payable	10,000		-		-			
Accounts payable others	9,400		14,778		16,339			
Income taxes payable	4,546		6,658		9,424			
Accrued expenses	10,388		13,076		11,022			
Liability for restructuring costs	-		1,436		2,606			
Other current liabilities	9,016		12,117		10,493			
Total current liabilities	78,812	18.7	79,708	16.6	98,414	20.1		
II. Long-term liabilities:								
Long-term bonds payable	10,000		10,000		10,000			
Long-term borrowings	35,295		70,378		64,006			
Deferred tax liabilities	13,811		16,493		17,819			
Liability for employees' retirements benefits	17,506		17,890		18,232			
Liability for retirement for directors and corporate auditors	191		186		218			
Other long-term liabilities	5,482		4,007		4,550			
Total long-term liabilities	82,288	19.6	118,956	24.7	114,826	23.5		
Total liabilities	161,101	38.3	198,665	41.3	213,240	43.6		
Minority interest:								
Minority interest	17,164	4.1	-	-	17,908	3.6		
Shareholders' equity:								
Common Stock	69,849	16.6	-	-	69,849	14.3		
Capital Surplus	85,142	20.2	-	-	85,144	17.4		
Retained earnings	94,647	22.5	-	-	101,551	20.7		
Unrealized gain on available-for-sale securities	17,425	4.1	-	-	22,337	4.6		
Foreign currency translation adjustments	△ 9,574	△ 2.3	-	-	△ 5,703	△ 1.2		
Treasury stock	△ 14,767	△ 3.5	-	-	△ 14,888	△ 3.0		
Total shareholders' equity	242,724	57.6	-	-	258,291	52.8		
Total liabilities, minority interest and shareholders' equity	420,989	100.0	-	-	489,440	100.0		
Net assets:								
I. Shareholders' equity								
Common stock	-	-	69,849	14.5	-	-		
Capital surplus	-	-	85,149	17.7	-	-		
Retained earnings	-	-	111,165	23.1	-	-		
Treasury stock	-	-	△ 14,996	△ 3.1	-	-		
Total shareholders' equity	-	-	251,167	52.2	-	-		
II. Valuation and translation adjustments								
Unrealized gain on available-for-sale securities	-	-	19,481	4.0	-	-		
Loss on deferred hedges	-	-	△ 385	△ 0.1	-	-		
Foreign currency translation adjustments	-	-	△ 6,253	△ 1.3	-	-		
Total valuation and translation adjustments	-	-	12,842	2.6	-	-		
III. Stock acquisition rights	-	-	231	0.1	-	-		
IV. Minority interests	-	-	18,265	3.8	-	-		
Total net assets	-	-	282,506	58.7	-	-		
Total liabilities and net assets	-	-	481,172	100.0	-	-		

(2) Consolidated Statements of Income

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

Accounts	Half-year ended September 30, 2005		Half-year ended September 30, 2006		Year ended March 31, 2006	
	Millions of Yen	Composition Ratio (%)	Millions of Yen	Composition Ratio (%)	Millions of Yen	Composition Ratio (%)
Net sales	121,819	100.0	143,424	100.0	283,753	100.0
Cost of sales	83,939	68.9	96,502	67.3	202,767	71.5
Gross profit	37,880	31.1	46,921	32.7	80,985	28.5
Selling, general and administrative expenses	24,415	20.0	24,903	17.4	49,709	17.5
Operating income	13,465	11.1	22,018	15.3	31,275	11.0
Non-operating income	1,419	1.1	1,322	0.9	2,590	0.9
Interest income	393		510		773	
Dividend income	361		544		775	
Foreign exchange gain	329		-		95	
Other	335		266		944	
Non-operating expenses	2,055	1.7	2,355	1.6	2,939	1.0
Interest expense	513		787		1,070	
Equity in losses of an unconsolidated subsidiaries and associated companies	188		121		252	
Loss on revaluation of inventories	519		360		454	
Foreign exchange loss	-		755		-	
Loss on derivative contracts	622		-		-	
Other	210		330		1,161	
Ordinary income	12,829	10.5	20,984	14.6	30,926	10.9
Extraordinary income	567	0.5	21	0.0	7,208	2.5
Gain on sales of fixed assets	22		21		30	
Gain on sales of investment securities	16		-		3,419	
Other	528		-		3,758	
Extraordinary loss	567	0.5	222	0.1	5,398	1.9
Loss on sales of fixed assets	234		222		864	
Equity in losses of an unconsolidated subsidiaries and associated companies	-		-		438	
Restructuring costs	-		-		3,723	
Impairments of long-lived assets	105		-		106	
Loss resulting from casualty	-		-		265	
Other	227		-		-	
Income before income taxes and minority interests	12,828	10.5	20,784	14.5	32,736	11.5
Income taxes -current	5,064	4.2	7,192	5.0	14,975	5.3
Income taxes -deferred	646	0.5	1,067	0.7	573	0.2
Minority interests	121	0.1	546	0.4	665	0.2
Net income	6,996	5.7	11,977	8.4	16,522	5.8

(3) Consolidated Statements of Capital Surplus and Retained Earnings

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

Accounts	Fiscal year	Half-year ended September 30, 2005	Year ended March 31, 2006
Capital surplus			
Beginning balance of capital surplus		85,142	85,142
Increase in capital surplus		0	2
Gain on sales of treasury stock		0	2
Ending balance of retained surplus		85,142	85,144
Retained earnings			
Beginning balance of retained earnings		89,762	89,762
Increase in retained earnings		6,996	16,522
Net income		6,996	16,522
Decreases in retained earnings		2,111	4,732
Cash dividends paid		2,025	4,049
Bonuses paid to directors		85	85
Net decrease due to minimum pension liability adjustments of foreign consolidated subsidiaries		-	596
Ending balance of retained earnings		94,647	101,551

(4) Consolidated Statements of Changes in Net Assets

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

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	69,849	85,144	101,551	△ 14,888	241,657
Changes during the current period					
Dividends from retained earnings			△ 2,360		△ 2,360
Bonuses to directors and corporate auditors			△ 4		△ 4
Net income			11,977		11,977
Repurchase and disposal of treasury stock		5		△ 77	△ 72
Net change in treasury stock-other				△ 30	△ 30
Net changes other than shareholders' equity					-
Total changes during the current period	-	5	9,613	△ 108	9,510
Balance as of September 30, 2006	69,849	85,149	111,165	△ 14,996	251,167

	Valuation and translation adjustments			
	Unrealized gain on available-for-sale securities	Loss on deferred hedges	Foreign currency translation adjustments	Total valuation and translation adjustments
Balance as of March 31, 2006	22,337	-	△ 5,703	16,634
Changes during the current period				
Dividends from retained earnings				-
Bonuses to directors and corporate auditors				-
Net income				-
Repurchase and disposal of treasury stock				-
Net change in treasury stock-other				-
Net changes other than shareholders' equity	△ 2,856	△ 385	△ 550	△ 3,792
Total changes during the current period	△ 2,856	△ 385	△ 550	△ 3,792
Balance as of September 30, 2006	19,481	△ 385	△ 6,253	12,842

	Stock acquisition rights	Minority interests	Total net assets
Balance as of March 31, 2006	-	17,908	276,200
Changes during the current period			
Dividends from retained earnings			△ 2,360
Bonuses to directors and corporate auditors			△ 4
Net income			11,977
Disposal of treasury stock			△ 72
Net change in treasury stock-other			△ 30
Net changes other than shareholders' equity	231	356	△ 3,203
Total changes during the current period	231	356	6,306
Balance as of September 30, 2006	231	18,265	282,506

(5) Consolidated Statements of Cash Flows

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

Accounts	Half-year ended September 30, 2005	Half-year ended September 30, 2006	Year ended March 31, 2006
I. Cash flows from operating activities			
Income before income taxes and minority interests	12,828	20,784	32,736
Depreciation and amortization	8,943	11,049	19,018
Increase (decrease) in liability for employees' retirement benefits	△ 365	△ 311	206
Increase (decrease) in prepaid pension cost	△ 694	△ 1,861	△ 1,649
Liabilities for restructuring costs	-	-	3,723
Increase (decrease) in liability for restructuring costs	-	△ 1,169	-
Gain on return of employees' pension trust	-	-	△ 3,026
Interest and dividend income	△ 754	△ 1,055	△ 1,549
Interest expenses	513	787	1,070
Gain (loss) on sales and disposals of fixed assets	211	200	833
Gain (loss) on sales and redemption of investment securities	△ 16	-	△ 3,419
Loss on revaluation and disposals of inventories	-	399	1,026
Increase (decrease) in trade receivables	19,543	13,180	△ 3,273
Increase (decrease) in inventories	△ 7,817	△ 5,456	△ 5,271
Increase (decrease) in other current assets	2,188	7,626	△ 7,061
Increase (decrease) in trade payables	△ 12,733	△ 16,550	△ 1,593
Increase (decrease) in other current liabilities	-	1,988	10,699
Other	1,572	888	△ 1,942
Sub-total	23,419	30,500	40,527
Interest and dividends received	784	990	1,553
Interest paid	△ 512	△ 768	△ 1,082
Gain on return of employees' pension trust	-	-	6,739
Income taxes paid	△ 6,185	△ 10,361	△ 10,933
Net cash provided by operating activities	17,505	20,360	36,804
II. Cash flows from investing activities			
Purchase of marketable securities	△ 2,520	△ 2,807	△ 7,629
Proceeds from sales and redemption of marketable securities	2,602	3,998	3,982
Purchases of property, plant and equipment	△ 17,144	△ 15,066	△ 39,663
Proceeds from sales of property, plant and equipment	109	129	192
Purchases of intangible assets	△ 214	△ 200	△ 618
Purchases of investment securities	△ 989	△ 19	△ 1,283
Proceeds from sales and redemption of investment securities	1,320	120	5,890
Purchases of stocks of consolidated subsidiaries	-	-	△ 2
Additions to loans receivable	-	△ 4	-
Collections of loans receivable	2,007	16	2,014
Net increase (decrease) in time deposits	-	△ 3,220	△ 1,010
Other	△ 348	173	455
Net cash provided by investing activities	△ 15,177	△ 16,880	△ 37,672
III. Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	2,865	14	2,426
Proceeds from long-term borrowings	135	5,869	29,697
Repayment of long-term borrowings	△ 456	-	△ 3,037
Repayment of long-term bonds payable	-	-	△ 10,000
Acquisition of treasury stock	△ 88	△ 73	△ 240
Cash dividends	△ 2,025	△ 2,360	△ 4,049
Other	△ 1	△ 82	△ 98
Net cash provided by financing activities	428	3,369	14,697
IV. Effects of exchange rate changes on cash and cash equivalents	△ 849	△ 93	60
V. Net increase (decrease) in cash and cash equivalents	1,907	6,755	13,889
VI. Cash and cash equivalents, beginning of year	45,202	59,092	45,202
VII. Cash and cash equivalents, end of year	47,110	65,847	59,092

Segment Information

1. Industry segments

Half-year ended September 30, 2005

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

	Power	Ceramics	Electronics	Engineering	Total	Elimination or Corporate	Consolidated
Sales							
(1) Sales to customers	32,524	45,168	34,066	10,060	121,819	-	121,819
(2) Intersegment sales	-	50	317	-	367	(367)	-
Total	32,524	45,218	34,383	10,060	122,187	(367)	121,819
Operating expenses	30,717	36,320	28,493	13,214	108,745	(390)	108,354
Operating income (△/loss)	1,807	8,898	5,890	△ 3,153	13,442	22	13,465

Half-year ended September 30, 2006

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

	Power	Ceramics	Electronics	Engineering	Total	Elimination or Corporate	Consolidated
Sales							
(1) Sales to customers	32,898	62,711	37,308	10,506	143,424	-	143,424
(2) Intersegment sales	17	81	463	-	563	(563)	-
Total	32,916	62,792	37,772	10,506	143,987	(563)	143,424
Operating expenses	30,495	47,888	30,888	12,719	121,992	(585)	121,406
Operating income (△/loss)	2,420	14,904	6,884	△ 2,212	21,995	22	22,018

Year ended March 31, 2006

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

	Power	Ceramics	Electronics	Engineering	Total	Elimination or Corporate	Consolidated
Sales							
(1) Sales to customers	67,808	95,724	67,707	52,512	283,753	-	283,753
(2) Intersegment sales	116	91	709	-	916	(916)	-
Total	67,924	95,815	68,417	52,512	284,670	(916)	283,753
Operating expenses	65,994	78,100	58,280	51,064	253,439	(962)	252,477
Operating income	1,929	17,715	10,136	1,448	31,230	45	31,275

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
Electronics	Beryllium copper wrought products, molds and ceramic components for electronics and semiconductor manufacturing equipment
Engineering	Clear water / sewage treatment systems, water purification systems, melting furnace, noise-control systems and solid waste / radioactive waste treatment systems

2. Geographical segments

Half-year ended September 30, 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	83,596	18,997	13,532	5,694	121,819	-	121,819
(2) Intersegment sales	15,992	2,660	557	2,182	21,393	(21,393)	-
Total	99,588	21,657	14,090	7,876	143,212	(21,393)	121,819
Operating expenses	89,691	20,297	13,113	7,807	130,909	(22,555)	108,354
Operating income	9,896	1,360	977	68	12,302	1,162	13,465

Half-year ended September 30, 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	93,667	23,347	17,778	8,631	143,424	-	143,424
(2) Intersegment sales	19,181	2,802	2,137	4,572	28,694	(28,694)	-
Total	112,849	26,149	19,915	13,203	172,119	(28,694)	143,424
Operating expenses	98,154	23,462	17,006	12,205	150,828	(29,421)	121,406
Operating income	14,695	2,687	2,909	998	21,291	727	22,018

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

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, Saudi Arabia, South Africa, etc.

3. Sales to foreign customers

Half-year ended September 30, 2005

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

	North America	Europe	Asia	Other areas	Total
I. Sales to foreign customers	18,471	12,991	11,166	9,167	51,797
II. Consolidated sales					121,819
III. Ratio of sales to foreign customers to consolidated sales (%)	15.2	10.7	9.2	7.4	42.5

Half-year ended September 30, 2006

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

	North America	Europe	Asia	Other areas	Total
I. Sales to foreign customers	22,071	18,199	16,958	13,234	70,464
II. Consolidated sales					143,424
III. Ratio of sales to foreign customers to consolidated sales (%)	15.4	12.7	11.8	9.2	49.1

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.