

# Consolidated Condensed Financial Statements for the Year Ended March 31, 2005

May 11, 2005

Listing Name: NGK INSULATORS, LTD.

Code Number: 5333

(URL <http://www.ngk.co.jp>)

Listing: Tokyo Stock Exchange, Osaka Stock Exchange, Nagoya Stock Exchange and Sapporo Stock Exchange

Head Office: Aichi Prefecture

Representative: Shun Matsushita  
President and Chief Operating Officer

Contact: Hiroshi Wada  
Managing Director

Telephone Number: (052) 872 - 7230

Date of board of directors' meeting to approve the consolidated financial statements: May 11, 2005

US GAAP: Not adopted

## 1. Financial results for the year ended March 31, 2005 ("Current Year")

[Year ended March 31, 2004 ("Prior Year")]

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

	Net sales	Percentage change	Operating income	Percentage change	Ordinary income	Percentage change
Current Year	266,127	5.9%	24,277	27.9%	24,088	33.0%
Prior Year	251,316	△16.7%	18,974	20.8%	18,114	14.0%

	Net income (Millions of Yen)	Percentage change	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 (%)
Current Year	12,012	42.3%	34.72	-	5.1%	5.7%	9.1%
Prior Year	8,443	△8.0%	24.42	-	3.7%	4.2%	7.2%

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

Current Year – △496 million

Prior Year – △376 million

(2)Weighted average number of shares (consolidated):

Current Year – 343,173,808 shares

Prior Year – 345,823,705 shares

(3)Change in accounting policies: Yes

(4)Percentage changes 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

	Total assets (Millions of Yen)	Shareholders' equity (Millions of Yen)	Ratio of shareholders' equity to total assets (%)	Shareholders' equity per share (in ¥)
Current Year	423,414	236,899	55.9%	702.08
Prior Year	415,501	238,166	57.3%	688.48

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

Current Year – 337,284,930 shares

Prior Year – 345,790,129 shares

## (3) Consolidated cash flow results

(Millions of Yen)

	Cash provided by (△used in) operating activities	Cash provided by (△used in) investing activities	Cash provided by (△used in) financing activities	Year-end balance of cash & cash equivalents
Current Year	28,646	△19,353	△12,487	45,202
Prior Year	27,821	△4,117	△16,011	47,245

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

Consolidated subsidiaries: 51 companies

Unconsolidated subsidiary accounted for by the equity method: one company

Associated companies accounted for by the equity method: 2 companies

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

Consolidation:	Newly consolidated subsidiary:	None
	Excluded subsidiaries:	2 companies
Equity method:	Newly applied company:	None
	Excluded company:	None

2. **Projected consolidated financial results for the year ending March 31, 2006**

(Millions of Yen)

	Net sales	Ordinary income	Net income
Six months ending September 30, 2005	118,000	8,500	4,000
Year ending March 31, 2006	278,000	26,500	15,000

For reference: Projected annual net income per share: ¥ 44.47

\*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.

## (4) Consolidated Financial Statements

## 1. Consolidated Balance Sheets

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

Accounts	Fiscal year ended March 31, 2004		Fiscal year ended March 31, 2005		Increase/ △Decrease
	Millions of Yen	Composition Ratio	Millions of Yen	Composition Ratio	Millions of Yen
<b>Assets:</b>					
<b>I. Current assets</b>		%		%	
1. Cash and bank deposits	¥ 16,147		¥ 20,438		¥ 4,291
2. Notes and accounts receivable-trade	77,270		75,286		△1,984
3. Marketable securities	39,670		29,695		△9,974
4. Inventories	54,846		59,761		4,914
5. Deferred tax assets	4,877		6,274		1,396
6. Other current assets	6,074		10,830		4,756
Allowance for doubtful accounts	△505		△431		74
<b>Total current assets</b>	<b>198,381</b>	<b>47.8</b>	<b>201,856</b>	<b>47.7</b>	<b>3,474</b>
<b>II. Fixed assets:</b>					
1. Property, plant and equipment					
(1) Buildings and structures	42,238		43,459		1,220
(2) Machinery and vehicles	45,180		50,774		5,593
(3) Tools, equipment and furniture	4,914		5,435		521
(4) Land	21,748		19,886		△1,862
(5) Construction in progress	5,625		11,592		5,966
<b>Total property, plant and equipment</b>	<b>119,708</b>	<b>28.8</b>	<b>131,148</b>	<b>31.0</b>	<b>11,439</b>
2. Intangible assets					
(1) Software	6,836		5,628		△1,207
(2) Goodwill	139		122		△16
(3) Other intangible assets	2,030		1,227		△802
<b>Total intangible assets</b>	<b>9,005</b>	<b>2.1</b>	<b>6,978</b>	<b>1.6</b>	<b>△2,027</b>
3. Investments and other assets					
(1) Investment securities	64,772		56,324		△8,448
(2) Long-term loans receivable	2,182		2,126		△55
(3) Deferred tax assets	1,891		2,048		157
(4) Other assets	20,525		23,951		3,426
Allowance for doubtful accounts	△966		△1,020		△53
<b>Total investments and other assets</b>	<b>88,405</b>	<b>21.3</b>	<b>83,431</b>	<b>19.7</b>	<b>△4,973</b>
<b>Total fixed assets</b>	<b>217,119</b>	<b>52.2</b>	<b>221,558</b>	<b>52.3</b>	<b>4,438</b>
<b>Total assets</b>	<b>¥ 415,501</b>	<b>100.0</b>	<b>¥ 423,414</b>	<b>100.0</b>	<b>¥ 7,912</b>

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

Accounts	Fiscal year ended March 31, 2004		Fiscal year ended March 31, 2005		Increase/ △Decrease
	Millions of Yen	Composition Ratio	Millions of Yen	Composition Ratio	Millions of Yen
<b>Liabilities:</b>					
<b>I. Current liabilities:</b>					
1. Notes and accounts payable-trade	¥ 38,565		¥ 42,111		¥ 3,545
2. Short-term borrowings	3,144		3,241		97
3. Current portion of long-term bonds payable	-		10,000		10,000
4. Accounts payable –other	7,667		10,774		3,107
5. Income taxes payable	5,154		5,694		540
6. Accrued expenses	9,433		10,486		1,053
7. Other current liabilities	4,925		6,376		1,450
Total current liabilities	68,890	16.6	88,685	21.0	19,795
<b>II. Long-term liabilities:</b>					
1. Long-term bonds payable	20,000		10,000		△10,000
2. Long-term borrowings	35,985		35,442		△543
3. Deferred tax liabilities	11,575		12,131		555
4. Liability for employees' retirement benefits	18,761		17,870		△891
5. Liability for retirement benefits for directors and corporate auditors	1,030		1,120		89
6. Other long-term liabilities	4,734		4,426		△308
Total long-term liabilities	92,087	22.2	80,989	19.1	△11,097
Total liabilities	160,978	38.8	169,675	40.1	8,697
<b>Minority interest:</b>					
Minority interest	16,356	3.9	16,839	4.0	482
<b>Shareholders' equity:</b>					
I. Common stock	69,849	16.8	69,849	16.5	-
II. Capital surplus	85,136	20.5	85,142	20.1	5
III. Retained earnings	81,658	19.7	89,762	21.2	8,103
IV. Unrealized gain on available-for-sale securities	18,873	4.5	16,139	3.8	△2,733
V. Foreign currency translation adjustments	△10,578	△2.6	△9,315	△2.2	1,263
VI. Treasury stock	△6,772	△1.6	△14,678	△3.5	△7,905
Total shareholders' equity	238,166	57.3	236,899	55.9	△1,267
<b>Total liabilities, minority interest and shareholders' equity</b>	<b>¥ 415,501</b>	<b>100.0</b>	<b>¥ 423,414</b>	<b>100.0</b>	<b>¥ 7,912</b>

## 2. Consolidated Statements of Income

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

Accounts	Fiscal year ended March 31, 2004			Fiscal year ended March 31, 2005			Increase/ △Decrease	
	Millions of Yen	Percentage	Millions of Yen	Percentage	Millions of Yen	Percentage		
<b>I. Net sales</b>	¥ 251,316	100.0	¥ 266,127	100.0	¥ 14,810	5.9		
<b>II. Cost of sales</b>	185,094	73.6	192,012	72.2	6,918	3.7		
<b>Gross profit</b>	66,222	26.4	74,114	27.8	7,892	11.9		
<b>III. Selling, general and administrative expenses</b>	47,247	18.8	49,837	18.7	2,589	5.5		
<b>Operating income</b>	18,974	7.6	24,277	9.1	5,303	27.9		
<b>IV. Non-operating income:</b>								
1. Interest income	¥ 1,062		¥ 970					
2. Dividends income	633		639					
3. Foreign exchange gain	-		484					
4. Gain on derivative contracts	440		-					
5. Other non-operating income	588	2,724	1.0	812	2,906	1.1	182	6.7
<b>V. Non-operating expenses:</b>								
1. Interest expenses	1,151		1,051					
2. Foreign exchange losses	588		-					
3. Loss on disposals of inventories	-		617					
4. Loss on derivative contracts	-		315					
5. Equity in losses of an unconsolidated subsidiary and associated companies	376		496					
6. Other non-operating expenses	1,467	3,584	1.4	614	3,095	1.1	△489	△13.6
<b>Ordinary income</b>		18,114	7.2		24,088	9.1	5,974	33.0
<b>VI. Extraordinary income:</b>								
1. Gain on sales of fixed assets	1,884		399					
2. Gain on sales of investment securities	4,622		3,329					
3. Gain on redemption of bonds	350	6,857	2.7	-	3,728	1.4	△3,129	△45.6
<b>VII. Extraordinary loss:</b>								
1. Loss on sales and disposals of fixed assets	1,470		1,776					
2. Loss on sales of investment securities	73		-					
3. Loss on sales of stocks of subsidiaries and associated companies	4,046		-					
4. Impairment of goodwill of a foreign subsidiary	474		929					
5. Impairment of long-lived assets	-		2,185					
6. Special retirement payments	124	6,189	2.4	-	4,891	1.9	△1,297	△21.0
<b>Income before income taxes and minority interest</b>		18,782	7.5		22,925	8.6	4,142	22.1
<b>Income taxes - current</b>	7,584		9,847					
<b>Income taxes - deferred</b>	1,816	9,400	3.7	551	10,398	3.9	998	10.6
<b>Minority interest</b>		938	0.4		513	0.2	△424	△45.3
<b>Net income</b>		¥ 8,443	3.4		¥ 12,012	4.5	¥ 3,569	42.3

### 3. Consolidated Statements of Capital Surplus and Retained Earnings

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

Fiscal year	Fiscal year ended March 31, 2004		Fiscal year ended March 31, 2005	
Accounts				
<b>(Capital surplus)</b>				
I. Beginning balance of capital surplus		¥ 85,135		¥ 85,136
II. Increase in capital surplus				
1. Gain on sales of treasury stock	¥ 1	1		5
III. Ending balance of capital surplus		85,136		85,142
<b>(Retained earnings)</b>				
I. Beginning balance of retained earnings		75,511		81,658
II. Increases in retained earnings				
1. Net income	8,443		¥ 12,012	
2. Increase due to de-consolidation of subsidiaries	1,321	9,765	-	12,012
III. Decreases in retained earnings				
1. Dividends	3,460		3,806	
2. Bonuses to directors	87		87	
(including bonuses to corporate auditors)	(9)		(9)	
3. Net decrease due to minimum pension liability adjustments of foreign consolidated subsidiaries	45		15	
4. Decrease due to discontinuance of application of the equity method to associated companies	23	3,617	-	3,909
IV. Ending balance of retained earnings		¥ 81,658		¥ 89,762

#### 4. Consolidated Statements of Cash Flows

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

Accounts	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005
<b>I Cash flows from operating activities</b>		
Income before income taxes and minority interest	¥ 18,782	¥ 22,925
Depreciation and amortization	17,091	17,161
Increase/△decrease in liability for employees' retirement benefits	△1,714	△891
△Increase/decrease in prepaid pension cost	△2,090	△3,933
Interest and dividends income	△1,696	△1,609
Interest expenses	1,151	1,051
△Gain/loss on sales and disposals of fixed assets	△414	1,377
Impairment of long-lived assets	-	2,185
△Gain/loss on sales and redemption of investment securities	△4,899	△3,329
Loss on sales of stocks of subsidiaries and associated companies	4,046	-
Write-down and disposals of inventories	-	1,209
△Increase/decrease in trade receivables	2,001	2,253
△Increase/decrease in inventories	△1,794	△5,895
△Increase/decrease in other current assets	-	△4,707
Increase/△decrease in trade payables	2,063	6,005
Increase/△decrease in other current liabilities	△3,118	2,575
Other	2,397	1,224
Sub-total	31,806	37,602
Interest and dividends received	1,687	1,567
Interest paid	△1,229	△1,045
Income taxes paid	△4,443	△9,477
<b>Net cash provided by (△used in) operating activities</b>	27,821	28,646
<b>II Cash flows from investing activities</b>		
Purchases of marketable securities	△24,968	△17,847
Proceeds from sales and redemption of marketable securities	22,749	20,638
Purchases of property, plant and equipment	△15,455	△29,720
Proceeds from sales of property, plant and equipment	2,574	664
Purchases of intangible assets	△1,991	△873
Purchases of investment securities	△3,043	△2,062
Proceeds from sales and redemption of investment securities	17,614	8,406
Proceeds from sales of stocks of consolidated subsidiaries	1,617	-
Additions to loans receivable	△2,025	-
Collections of loans receivable	327	-
△Increase/decrease in time deposits	△1,616	1,889
Other	99	△448
<b>Net cash provided by (△used in) investing activities</b>	△4,117	△19,353
<b>III Cash flows from financing activities</b>		
Net increase/△decrease in short-term borrowings	△858	21
Proceeds from long-term borrowings	25	-
Repayment of long-term borrowings	△1,912	△626
Redemption of bonds	△10,065	-
Acquisition of treasury stock	-	△7,931
Cash dividends	△3,460	△3,806
Other	260	△144
<b>Net cash provided by (△used in) financing activities</b>	△16,011	△12,487
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	511	1,151
<b>V Net increase/(△decrease) in cash and cash equivalents</b>	8,202	△2,042
<b>VI Cash and cash equivalents, beginning of year</b>	39,042	47,245
<b>VII Cash and cash equivalents, end of year</b>	¥ 47,245	¥ 45,202

## Segment Information

### 1. Industry segments

#### Prior year (Year ended March 31, 2004)

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

	Power	Ceramics	Engineering	Electronics	Total	Elimination or Corporate	Consolidated
<b>I. Sales and operating income/expenses</b>							
Sales							
(1) Sales to customers	¥ 62,585	¥ 76,315	¥ 54,109	¥ 58,305	¥ 251,316	-	¥ 251,316
(2) Intersegment sales	30	82	-	-	113	¥ (113)	-
<b>Total</b>	<b>62,615</b>	<b>76,398</b>	<b>54,109</b>	<b>58,305</b>	<b>251,429</b>	<b>(113)</b>	<b>251,316</b>
Operating expenses	62,505	61,627	51,256	57,112	232,502	(159)	232,342
Operating income	¥ 110	¥ 14,770	¥ 2,853	¥ 1,193	¥ 18,927	¥ 46	¥ 18,974
<b>II. Assets, depreciation and capital expenditure</b>							
Assets	¥ 82,539	¥ 83,803	¥ 37,652	¥ 69,922	¥ 273,917	¥ 141,584	¥ 415,501
Depreciation	¥ 4,507	¥ 6,775	¥ 792	¥ 5,039	¥ 17,115	¥ (24)	¥ 17,091
Capital expenditure	¥ 4,035	¥ 7,891	¥ 1,306	¥ 1,690	¥ 14,923	¥ 1,641	¥ 16,565

#### Current year (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
<b>I. Sales and operating income/expenses</b>							
Sales							
(1) Sales to customers	¥ 61,504	¥ 83,706	¥ 55,631	¥ 65,283	¥ 266,127	-	¥ 266,127
(2) Intersegment sales	24	71	-	-	95	¥ (95)	-
<b>Total</b>	<b>61,529</b>	<b>83,778</b>	<b>55,631</b>	<b>65,283</b>	<b>266,222</b>	<b>(95)</b>	<b>266,127</b>
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
<b>III. Assets, depreciation and capital expenditure</b>							
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
Capital expenditure	¥ 3,623	¥ 23,900	¥ 402	¥ 1,839	¥ 29,765	¥ 1,405	¥ 31,171

Notes:

- The industry segments in the above table were categorized in consideration of internal corporate policies.
- Main products by industry segment:

Industry segment	Main products
Power	Insulators, hardware for insulator assemblies, current limiting arching horn, bushing shells, fuse cut-outs, APM, line arrester and NAS (sodium sulfur)-batteries
Ceramics	Automotive ceramics for exhaust gas purification, corrosion-resistant ceramic apparatuses 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 ¥136,067 million for the current fiscal year and ¥151,920 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

### Prior year (Year ended March 31, 2004)

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

	Japan	North America	Europe	Other area	Total	Eliminations or Corporate	Consolidated
I. Sales and operating income/expenses							
(1) Sales to customers	¥ 186,162	¥ 37,672	¥ 17,931	¥ 9,549	¥ 251,316	-	¥ 251,316
(2) Interarea transfer	29,963	3,912	1,289	4,329	39,494	¥ (39,494)	-
Total	216,126	41,584	19,221	13,878	290,811	(39,494)	251,316
Operating expenses	204,155	39,447	17,370	12,125	273,099	(40,757)	232,342
Operating income	¥ 11,970	¥ 2,136	¥ 1,851	¥ 1,753	¥ 17,711	¥ 1,262	¥ 18,974
II. Assets	¥ 246,281	¥ 31,263	¥ 23,818	¥ 19,593	¥ 320,956	¥ 94,545	¥ 415,501

### Current year (Year ended March 31, 2005)

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

	Japan	North America	Europe	Other area	Total	Eliminations or Corporate	Consolidated
I. Sales and operating income/expenses							
(1) Sales to customers	¥ 193,052	¥ 39,064	¥ 23,071	¥ 10,939	¥ 266,127	-	¥ 266,127
(2) Interarea transfer	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
II. Assets	¥ 277,161	¥ 30,873	¥ 37,117	¥ 27,396	¥ 372,548	¥ 50,865	¥ 423,414

#### 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 etc.
Other area	Indonesia, China, Australia, Thailand, South Africa etc.
2. Corporate assets included in the “Assets” presented in “Eliminations or Corporate” are ¥136,067 million for the current fiscal year and ¥151,920 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

#### **Prior year (Year ended March 31, 2004)**

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

	North America	Europe	Asia	Other area	Total
I Sales to foreign customers	¥37,852	¥18,487	¥18,592	¥13,290	¥88,222
II Consolidated sales					¥251,316
III Ratio of sales to foreign customers to consolidated sales	15.0%	7.4%	7.4%	5.3%	35.1%

#### **Current year (Year ended March 31, 2005)**

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

	North America	Europe	Asia	Other area	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%

Notes:

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

(1) The geographical area 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 etc.
Asia	Korea, China, Thailand etc.
Other Area	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.