

# *NGK Insulators, Ltd.*

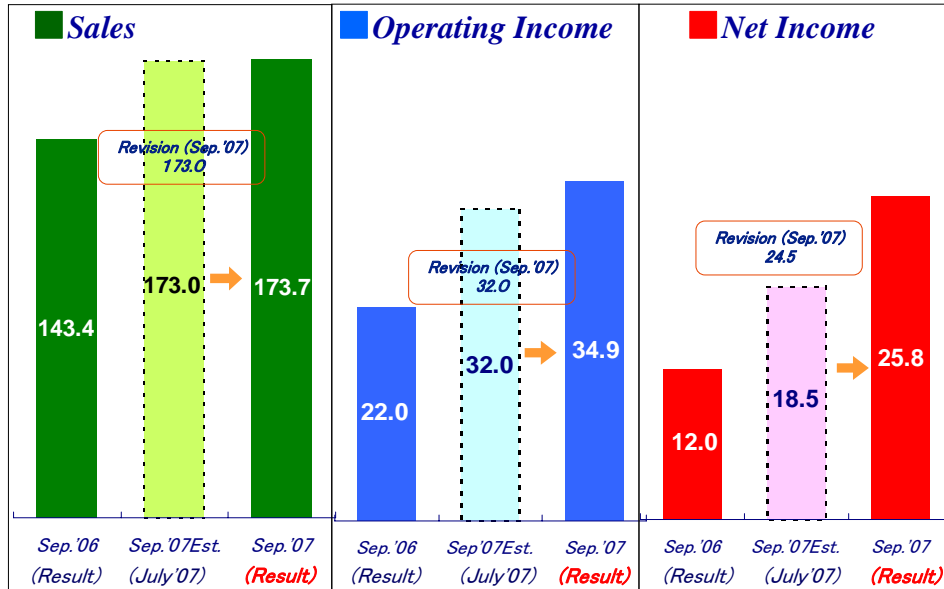
*Oct. 2007*

## *Today's Speaker*

<i>Name</i>	<i>Title</i>
<i>Shun Matsushita</i>	<i>President &amp; Chief Executive Officer</i>
<i>Hiroshi Wada</i>	<i>Director &amp; Senior Vice President</i>
<i>Susumu Sakabe</i>	<i>Vice President</i> <i>Finance and Accounting Dept.</i>

## 1stH Result

¥ Bil.



### ■ Point for 1stH Result (Unit: ¥ Bil.)

- ✦ **Sales & Income increased from the 1stH of previous year**  
 Sales of **SiC-DPF** in the Ceramic Products Business **largely increased**.  
 Weaker Yen contributed to rise in sales & income.  
Impact of weaker yen (120¥/\$, 160¥/ER) Sales+5.4 Op. Income+2.2

#### 【Variance from the 1stH of previous year】

Sales +30.3 (Power+4.6, Ceramic products+21.2, Electronics+3.2, Engineering+1.3)  
 Op. Income +12.9 (Power+1.6, Ceramic products+8.7, Electronics+1.2, Engineering+1.3)

- ✦ **1stH Sales & Income increased from the forecast in July**

#### 【Variance】

Sales + 0.7 (Power+1.0, Ceramic products -0.1, Electronics-0.5, Engineering+0.3)  
 Op. Income + 2.9 (Power+0.5, Ceramic products+1.6, Electronics-0.4, Engineering+1.1)

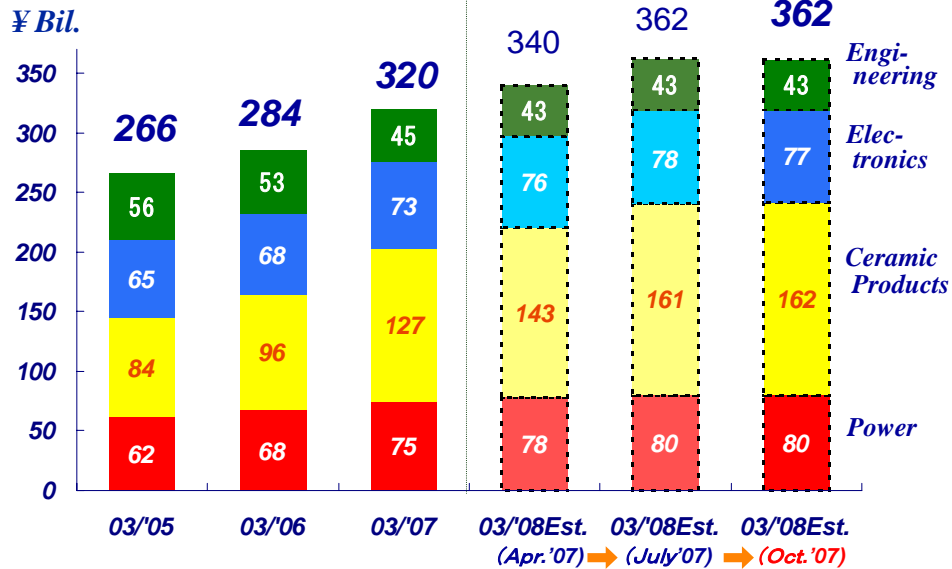
### ■ Forecast for Fiscal year Ended March 2008

Continuing growth in ceramic products and turning to profit for NAS batteries

- ✦ **Sales : Forth consecutive period of growth (Record-High)**
- ✦ **Income: Fifth consecutive period of double-digit Op. Income growth**

# Net Sales of NGK

After consolidation elimination



# Income of NGK

Major extraordinary items ;

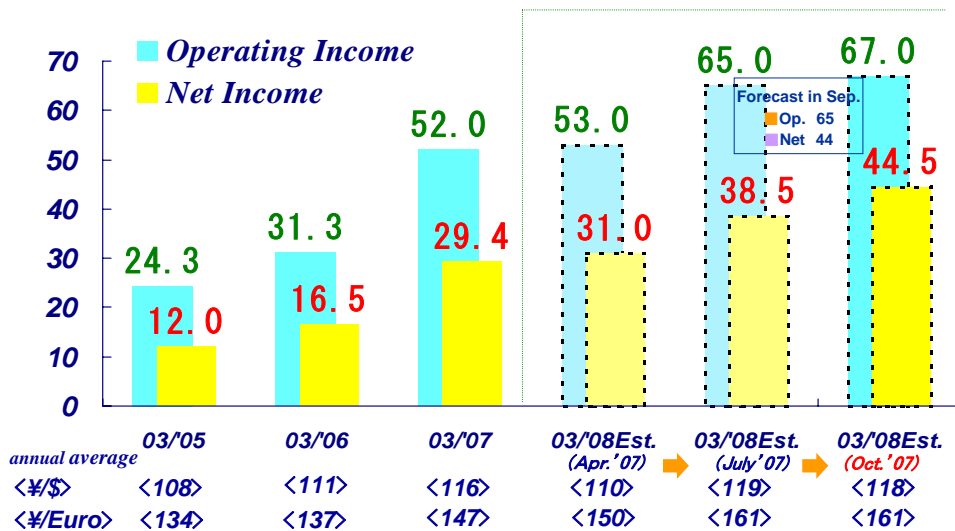
03/06 (¥3.7Bil.) Restructuring Expense

¥3.4Bil. Gain on sales of securities

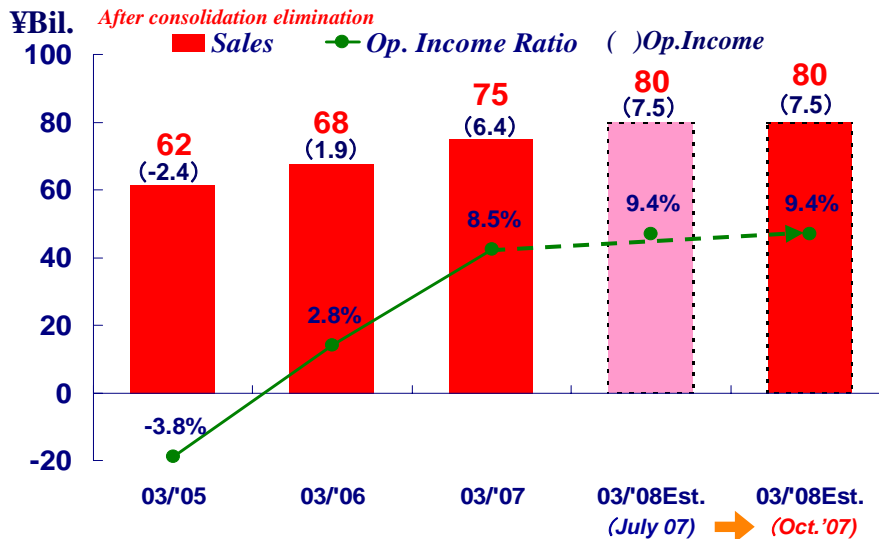
¥3.0Bil. Gain on return of pension trust

03/08 ¥10.0Bil. Gain on sales of securities

¥ Bil.



## Power Business Sales & Operating Income



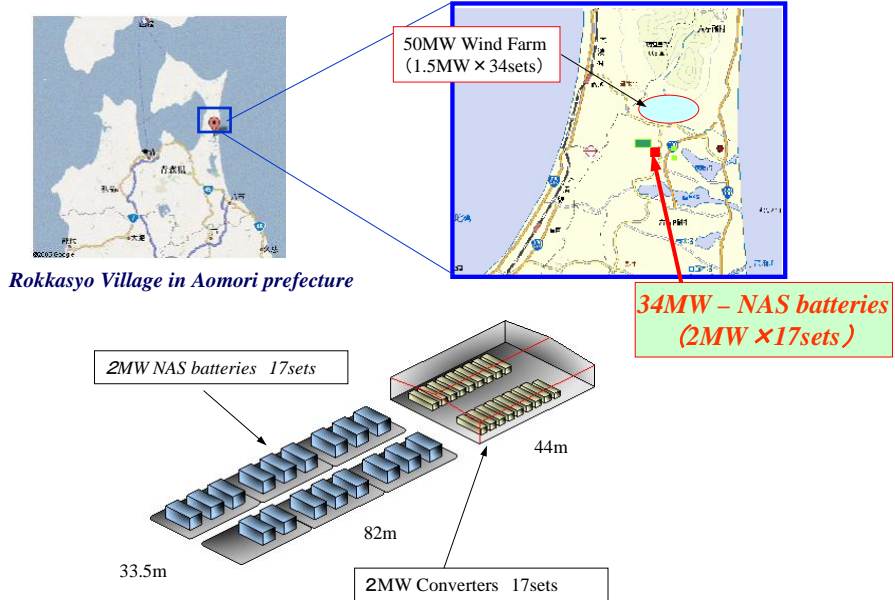
### Overview

- ✦ Demand for insulators in the Japanese market tends to increase gradually. (Expecting the increase of 500KV projects from 2008)
- ✦ Overseas demand in U.S., China and Middle-East Asia is active.
- ✦ Demand for NAS (sodium-sulfur) batteries is largely expected to increase with increase of wind power generation.

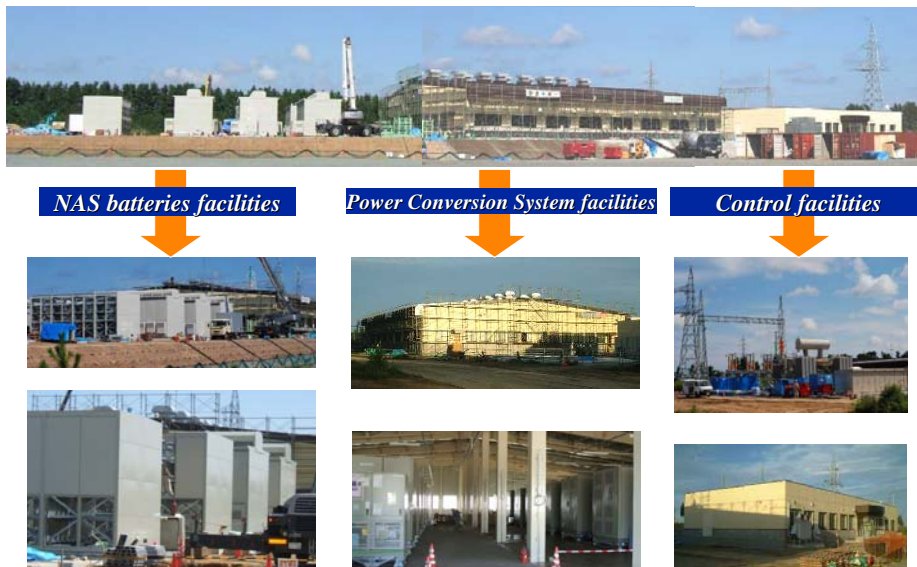
### Tasks

- ✦ **Electrical Insulators : Improvement of profitability**
  - Keep up with expanding **Chinese market**  
(Start soon the new substation plant & the sales company in China)
  - Promote replacement of insulators in Japan.
- ✦ **NAS batteries : Achievement of breakeven**
  - Cover growing demand for wind power generation and reinforce overseas business
  - Promoting radical cost reduction

## NAS batteries & Wind Power Generations

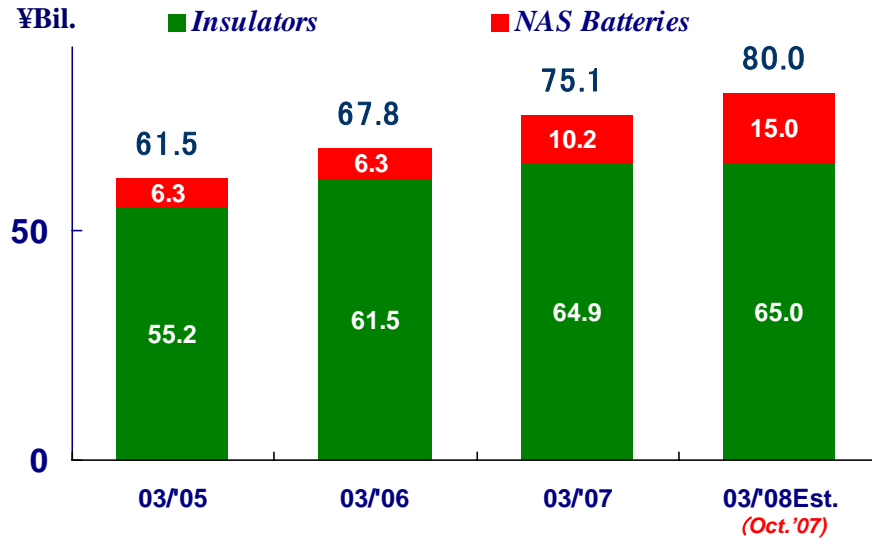


## Rakkasyo Village / NAS batteries facilities (under construction)

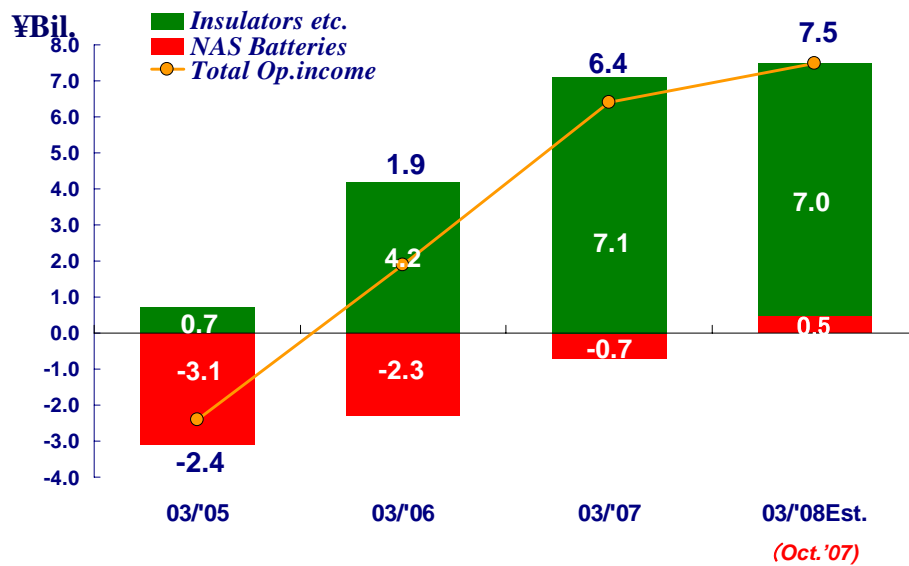


## Sales of Power Business

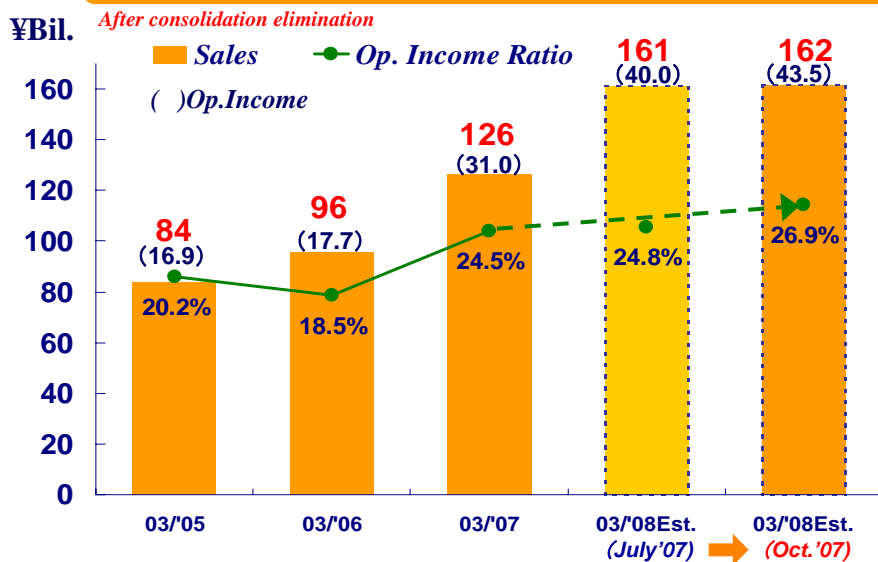
After consolidation elimination



## Operating Income of Power Business



## Ceramic Products Business Sales & Operating Income



### Overview

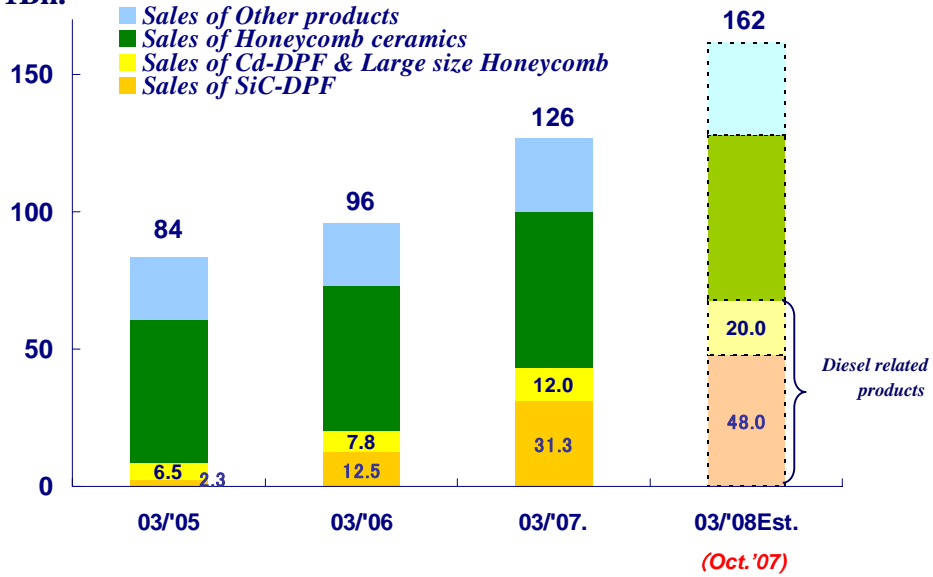
- ✦ Emission regulations being tightened worldwide
- ◆ Gasoline cars
  - Demand for Automotive catalytic converters (“Honeycomb Ceramics” for gasoline cars) continues to be high due to increase of number of automotive sales worldwide.
- ◆ Diesel cars
  - Demand for SiC-DPF increasing in Europe.
  - Demand for Cd-DPF & Large size honeycombs used for trucks and construction equipment is going to increase caused by tighter emission regulations in 2010.

### Tasks

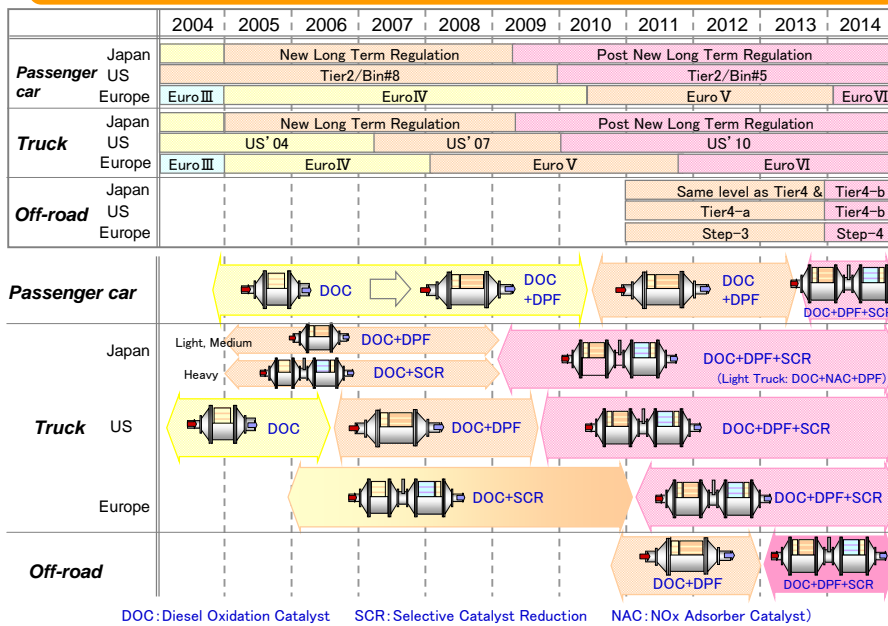
- ✦ Increase capital expenditures for Cd-DPF & Large size honeycombs.
- ✦ Improve productivity and reduce cost for “SiC-DPF”.

## Sales Forecast of Ceramic Products Business

¥Bil. *After consolidation elimination*

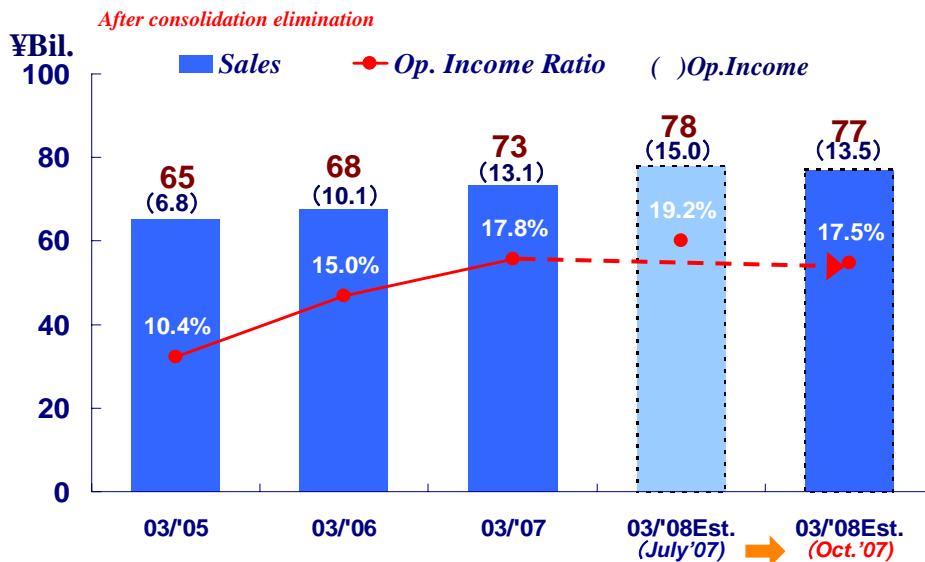


## Emission Regulation for Diesel & Technical Trend





## Electronics Business Sales & Operating Income



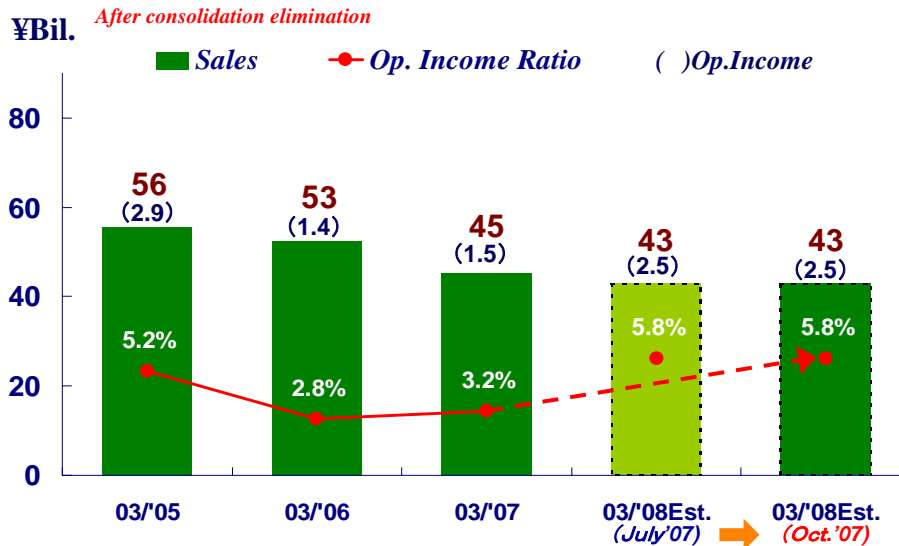
### Overview

- ✦ **“Beryllium Copper”**: Demand for automotive micro-electronics devices and electrical appliances increases strongly in China. Copper price remains high.
- ✦ **“Ceramic Components for Semi-conductor Production Equipment”**: Outlook of demand is not clear due to decline of orders of SPE markers.
- ✦ **“Ceramic Actuators for Color Printer Heads”**: Demand increases due to change of our customer's (Seiko Epson) sales policy which recovers the sales volume of the printers.
- ✦ **“Soshin Electric Products”**: increases steadily supported by demand for “blue tooth” etc.

### Tasks

- ✦ Keep growth in **“Ceramic Components for Semi-conductor Production Equipment”**:
- ✦ Promote recovery in **“Ceramic Actuators for Color Printer Heads”** by development of higher performance products.
- ✦ Create new products

## Engineering Business Sales & Operating Income



### Overview

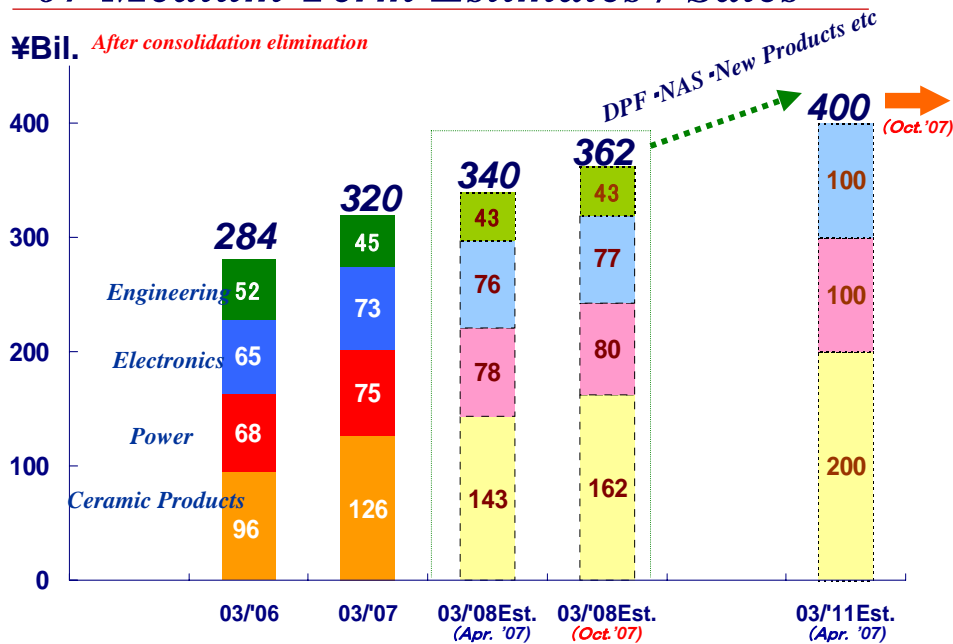
- ✦ Tough competition is continuing due to reduction of public investment related to **Sewage Treatment Systems** in Japan.
- ✦ Shift to the distinctive technical proposal competition from the price competition.
- ✦ Increase the demand for renewal & reconstruction

### Tasks

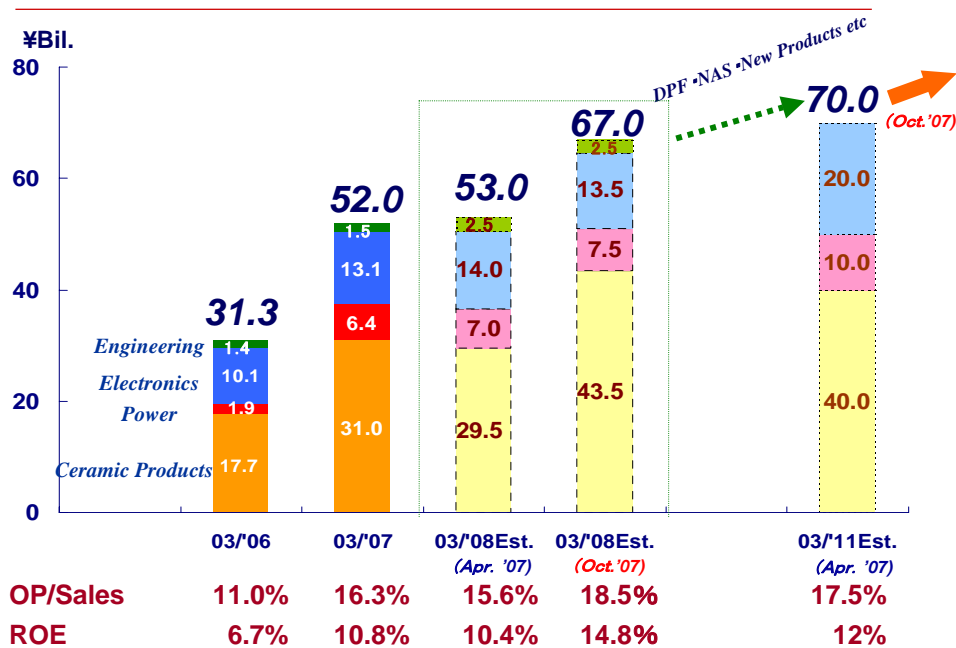
Preparation for the realization of **consolidation** of the water environmental business operations with **Fuji Electric Groups**

- ✦ Reinforce the development of new products & technologies and bring **synergy effect** from the consolidation.
- ✦ Reinforce **cost competitive power**.
- ✦ Promote overseas business

## '07 Medium Term Estimates / Sales



## '07 Medium Term Estimates / Operating Income



## Semi-annual Sales and Operating Income by Segment

*After consolidation elimination*

( ¥ Bil.)

<b>Total</b>	<b>03/'07 Actual</b>			<b>03/'08 Est. (Oct. '07)</b>		
	<i>1st H</i>	<i>2nd H</i>	<i>Total</i>	<i>1st H</i>	<i>2nd H</i>	<i>Total</i>
<i>Sales</i>	143.4	176.7	320.1	173.7	188.3	362.0
<i>Operating Income</i>	22.0	30.0	52.0	34.9	32.1	67.0
<i>OI Margin</i>	15%	17%	16%	20%	17%	19%

### *Power Business*

<i>Sales</i>	32.9	42.2	75.1	37.5	42.5	80.0
<i>Operating Income</i>	2.4	4.0	6.4	4.0	3.5	7.5
<i>OI Margin</i>	7%	9%	9%	11%	8%	9%

### *Ceramic Products Business*

	<b>03/'07 Actual</b>			<b>03/'08 Est. (Oct. '07)</b>		
	<i>1st H</i>	<i>2nd H</i>	<i>Total</i>	<i>1st H</i>	<i>2nd H</i>	<i>Total</i>
<i>Sales</i>	62.7	63.7	126.4	83.9	78.1	162.0
<i>Operating Income</i>	14.9	16.1	31.0	23.6	19.9	43.5
<i>OI Margin</i>	24%	25%	25%	28%	25%	27%

### *Electronics Business*

<i>Sales</i>	37.3	36.0	73.3	40.5	36.5	77.0
<i>Operating Income</i>	6.9	6.2	13.1	8.1	5.4	13.5
<i>OI Margin</i>	18%	17%	18%	20%	15%	18%

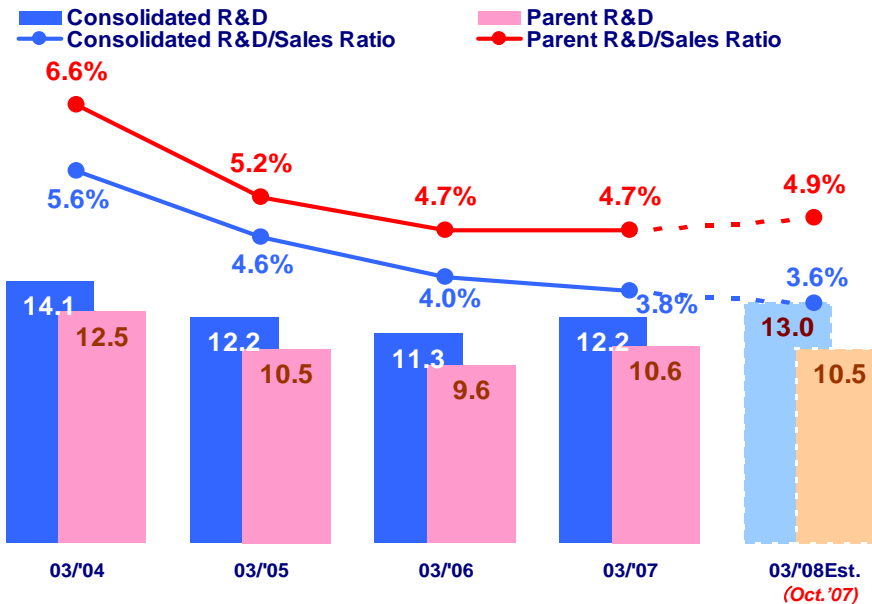
### *Engineering Business*

<i>Sales</i>	10.5	34.8	45.3	11.8	31.2	43.0
<i>Operating Income</i>	-2.2	3.7	1.5	-0.9	3.4	2.5
<i>OI Margin</i>	-	11%	3%	-	11%	6%

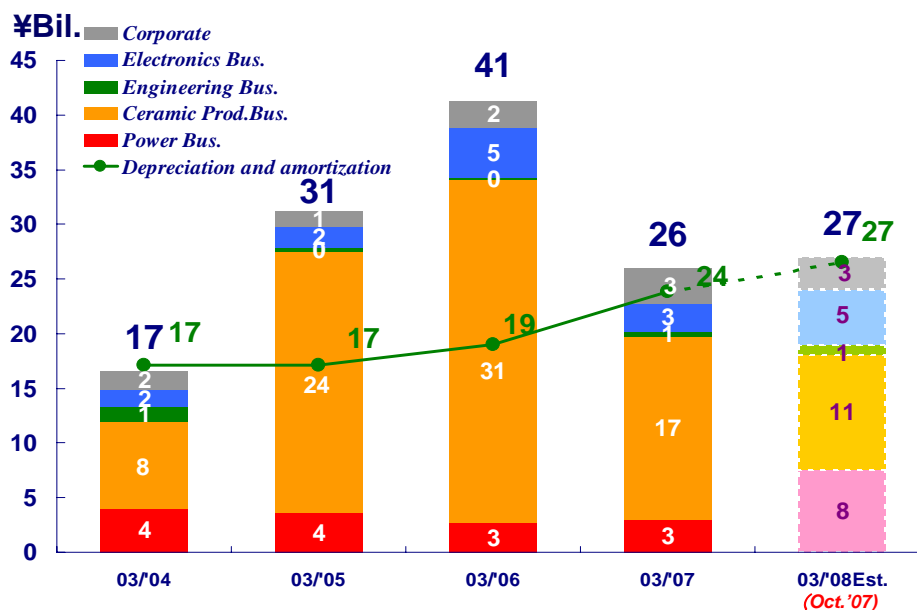
## Summary of Cash Flow (¥ Bil.)

	03/'06	03/'07	03/'08Est.
<i>Income before taxes</i>	32.7	51.3	76.0
<i>Income taxes paid</i>	-10.9	-17.0	-19.8
<i>Depreciation</i>	19.0	23.8	26.5
<i>Increase in Acct. Rec.</i>	-3.3	-3.8	-3.6
<i>Increase / Decrease in inventories</i>	-5.2	-4.1	2.3
<i>Other changes</i>	4.5	-11.9	-24.3
<b><i>Operating Activities</i></b>	<b>36.8</b>	<b>38.3</b>	<b>57.1</b>
<i>Property, plant &amp; equip.</i>	-40.3	-24.2	-27.0
<i>Proceed, investment securities</i>	5.9	4.7	11.3
<i>Other investments</i>	-3.3	-1.8	-
<b><i>Investing Activities</i></b>	<b>-37.7</b>	<b>-21.3</b>	<b>-15.7</b>
	03/'06	03/'07	03/'08Est.
<i>Acquisition of treasury stock</i>	-0.2	-0.3	-
<i>Cash dividends</i>	-4.0	-4.7	-6.7
<i>Redemption of bonds</i>	-10.0	-	-
<i>Proceeds from new borrowings</i>	29.7	6.4	-
<i>Other</i>	-0.7	-0.5	-2.9
<b><i>Financing Activities</i></b>	<b>14.7</b>	<b>0.9</b>	<b>-9.6</b>
<i>Effect of exchange rate change</i>	0.1	1.3	-
<b><i>Net Changes in Cash &amp; eq.</i></b>	<b>13.9</b>	<b>19.2</b>	<b>31.8</b>
<b><i>Cash &amp; eq. at End of Year</i></b>	<b>59.1</b>	<b>78.3</b>	<b>110.1</b>

## R&D Input (¥ Bil.)



## Capital Expenditures



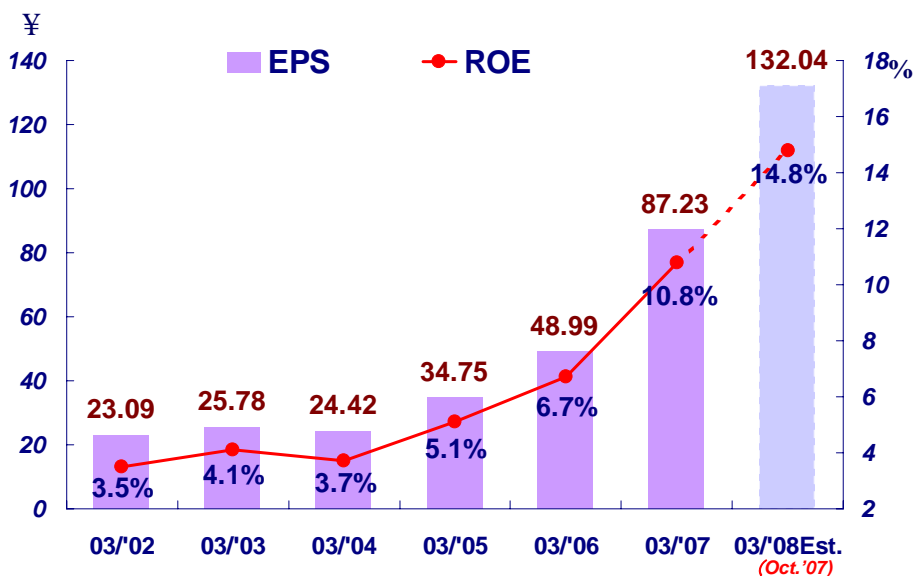
## Number of Outstanding Shares

Mar.'96	355 Mil. Shares	
Mar.'97	345	-10 Buyback of Stocks
Mar.'98	364	+29 Exercise of Warrants -10 Buyback of Stocks
Mar.'99	354	-10 Buyback of Stocks
Mar.'00	339	-15 Buyback of Stocks
Mar.'01	367	+37 Conversion of CBs -10 Buyback of Stocks
Mar.'02	357	-10 Buyback of Stocks
Mar.'03	346	-10 Buyback of Stocks
Mar.'04	346	- Buyback of Stocks
Mar.'05	337	-8 Buyback of Stocks
Sep.'07	337	-

Accumulated  
Buyback  
83Mil. Shares  
¥90.7Bil.

19 Mil.shares are held  
as treasury stocks;  
others were retired.

## ROE & EPS



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