

NSK Ltd.

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For Immediate Release

May 13, 2003

CONSOLIDATED RESULTS FOR THE YEAR ENDED MARCH 31, 2003 (unaudited)

Financial highlights

(Millions of yen)	Year ended March 31		Change %
	2003	2002	
Net sales	¥ 522,820	¥ 480,902	8.7
Operating income	17,847	3,947	352.1
Ordinary income	10,821	-3,164	—
Net loss (Yen)	-2,670	-17,696	—
Net loss per share			
Basic	¥ -5.22	¥ -31.79	
Diluted	—	—	

Financial position

(Millions of yen)	As of	As of
	March 31, 2003	March 31, 2002
Total assets	¥ 593,098	¥642,823
Shareholders' equity	170,566	208,179
(%)		
Shareholders' equity to total assets	28.8%	32.4%
(Yen)		
Shareholders' equity per share	¥ 316.27	¥ 378.03

Cash Flow

(Millions of yen)	Year ended March 31	
	2003	2002
Net cash provided by operating activities	¥ 30,961	¥ 30,331
Net cash used in investing activities	-16,223	-34,372
Net cash provided by (used in) financing activities	-11,819	12,919
Cash and cash equivalents at end of the year	58,938	56,558

Consolidated balance sheets

(Millions of yen)	As of March 31,	As of March 31,	Increase Decrease
	2003	2002	
Assets			
Current assets	¥ 285,749	¥291,490	¥ -5,741
Cash and deposits	37,271	24,465	12,806
Notes and accounts receivable	113,513	112,655	858
Marketable securities	17,565	30,737	-13,172
Inventories	83,487	97,459	-13,972
Other current assets	35,186	27,825	7,361
Less allowance for doubtful accounts	-1,276	-1,653	377
Non-current assets	307,349	351,332	-43,983
Property, plant and equipment	198,635	217,565	-18,930
Buildings and structures	65,282	67,954	-2,672
Machinery and transportation equipment	95,517	104,858	-9,341
Land	22,915	24,359	-1,444
Other property, plant and equipment	14,920	20,393	-5,473
Intangible assets	2,732	2,614	118
Investments and other assets	105,981	131,153	-25,172
Investment securities	79,697	122,777	-43,080
Long-term loans	271	281	-10
Deferred tax assets	5,325	1,557	3,768
Prepaid pension costs	14,842	—	14,842
Other investments and other assets	7,306	8,698	-1,392
Less allowance for doubtful accounts	-1,461	-2,161	700
Total assets	¥ 593,098	¥ 642,823	¥ -49,725

NSK Ltd. (Consolidated)

(Millions of yen)	As of March 31, <u>2003</u>	As of March 31, <u>2002</u>	Increase Decrease
Liabilities			
Current liabilities	¥ 227,314	¥239,378	¥ -12,064
Notes and accounts payable	87,382	86,346	1,036
Short-term loans	93,102	98,453	-5,351
Current portion of bonds payable	10,000	20,000	-10,000
Income taxes payable	3,816	1,377	2,439
Other current liabilities	33,012	33,200	-188
Long-term liabilities	183,481	182,455	1,026
Bonds payable	106,989	96,989	10,000
Long-term loans	57,688	56,917	771
Deferred tax liabilities	2,756	6,945	-4,189
Accrued employees' retirement benefits	6,503	13,141	-6,638
Accrued officers' retirement benefits	1,668	1,600	68
Other long-term liabilities	7,875	6,859	1,016
Total liabilities	<u>410,795</u>	<u>421,833</u>	<u>-11,038</u>
Minority interests	11,736	12,810	-1,074
Shareholders' equity			
Common stock	67,176	67,176	—
Capital surplus	77,923	77,923	—
Retained earnings	48,366	53,921	-5,555
Unrealized holding gains on securities	5,133	24,316	-19,183
Translation adjustments	-23,670	-14,749	-8,921
Treasury stock	-4,362	-408	-3,954
Total shareholders' equity	<u>170,566</u>	<u>208,179</u>	<u>-37,613</u>
Total liabilities and shareholders' equity	<u>¥ 593,098</u>	<u>¥ 642,823</u>	<u>¥ -49,725</u>

Consolidated statements of income

(Millions of yen)	Year ended March 31		Change %
	2003	2002	
Net sales	¥ 522,820	¥ 480,902	8.7
Cost of sales	420,104	393,636	6.7
Selling, general and administrative expenses	84,867	83,318	1.9
Operating income	<u>17,847</u>	<u>3,947</u>	<u>352.1</u>
Non-operating income:	<u>8,100</u>	<u>7,585</u>	<u>6.8</u>
Interest and dividend income	1,815	2,127	-14.6
Equity in earnings of affiliated companies	3,378	2,564	31.8
Other	2,905	2,894	0.4
Non-operating expenses:	<u>15,126</u>	<u>14,698</u>	<u>2.9</u>
Interest expenses	6,567	7,757	-15.3
Other	8,558	6,940	23.3
Ordinary income	<u>10,821</u>	<u>-3,164</u>	<u>—</u>
Extraordinary income:	<u>15,977</u>	<u>9,589</u>	<u>66.6</u>
Gain on sales of investment securities	3,203	313	923.0
Gain on sales of property, plant and equipment	881	9,276	-90.5
Gain on contribution of securities to employees' retirement benefit trust	11,891	—	—
Extraordinary losses:	<u>28,925</u>	<u>16,749</u>	<u>72.7</u>
Costs related to business restructuring	15,030	3,850	290.3
Loss on devaluation of investment securities	12,899	12,898	0.0
Loss on sales of investments in affiliated companies	844	—	—
Provision for accrued retirement benefits	151	—	—
Income before income taxes and minority interests	<u>-2,127</u>	<u>-10,324</u>	<u>—</u>
Income taxes:			
Current taxes	5,380	3,481	54.5
Tax refunds	216	—	—
Deferred taxes	-4,193	3,699	—
Minority interests in earnings of consolidated subsidiaries	—	190	—
Minority losses in earnings of consolidated subsidiaries	426	—	—
Net loss	<u>¥ -2,670</u>	<u>¥ -17,696</u>	<u>—</u>

Consolidated statement of surplus

(Millions of yen)	Year ended March 31		Increase Decrease
	2003	2002	
Capital surplus			
Capital surplus at the beginning of period	<u>¥ 77,923</u>	<u>¥ 82,359</u>	<u>¥ -4,436</u>
Increase in capital surplus			
Conversion of convertible bonds	—	1	-1
Decrease in capital surplus			
Earnings Allocated to Retirement of Treasury Stock	—	4,437	-4,437
Capital surplus at the end of period	<u>¥ 77,923</u>	<u>¥ 77,923</u>	<u>¥ —</u>
Retained earnings			
Retained earnings at the beginning of period	<u>¥ 53,921</u>	<u>¥ 74,453</u>	<u>¥ -20,532</u>
Decrease in retained earnings			
Dividends	2,884	2,836	48
Directors' bonus	2,711	2,779	-68
	172	56	116
Net loss	-2,670	-17,696	15,026
Retained earnings at the end of period	<u>¥ 48,366</u>	<u>¥ 53,921</u>	<u>¥ -5,555</u>

Consolidated statements of cash flows

(Millions of yen)	As of March 31	
	2003	2002
Operating activities		
Income (Loss) before income taxes and minority interests	¥ -2,127	¥ -10,324
Depreciation and amortization	28,812	27,536
Amortization of excess of cost over net assets acquired	—	400
Increase (Decrease) in allowance for doubtful accounts	-1,060	1,101
Increase (Decrease) in provision for retirement benefits	-15,076	-1,498
Interest and dividend income	-1,815	-2,127
Interest expense	6,567	7,757
Equity in earnings of affiliated companies	-3,378	-2,564
Gain on sales of property, plant and equipment	-881	-9,276
Gain on sales of investment securities	-3,203	-313
Loss on devaluation of investment securities	12,899	12,898
Gain on sales of investments in affiliated companies	844	—
Business restructuring expenses	2,087	—
Decrease (increase) in notes and accounts receivable	-2,354	34,813
Decrease (increase) in inventories	10,577	10,292
Increase (Decrease) in notes and accounts payable	1,316	-19,753
Other	3,252	-5,604
Subtotal	36,459	43,336
Interest and dividends received	3,367	3,539
Interest paid	-7,475	-7,139
Income taxes paid	-1,389	-9,404
Net cash provided by operating activities	30,961	30,331
Investing activities		
Additions to property, plant and equipment	-24,734	-42,393
Proceeds from sales of property, plant and equipment	3,065	11,039
Acquisition of investment securities	-1,088	-4,708
Proceeds from sales of investment securities	7,227	2,615
Investment in affiliated companies, net of cash paid	—	-231
Investment in affiliated companies, net of cash acquired	—	273
Proceeds from sales of subsidiaries' stock resulting in changes in consolidation	1,046	—
Acquisition of affiliated companies' stock	-565	-75
Payments for advances	-178	-394
Proceeds from collection of advances	198	212
Other	-1,194	-710
Net cash used in investing activities	-16,223	-34,372
Financing activities		
Net increase (decrease) in short-term bank loans	-7,025	101
Decrease (increase) in commercial paper	—	-10,000
Long-term debt – borrowing	13,014	38,151
Long-term debt – repayments	-11,148	-7,286
Proceeds from issuance of bonds	20,000	—
Payments for redemption of bonds	-20,000	-270
Payments for acquisition of treasury stock	-3,665	-4,462
Dividends paid	-2,721	-3,085
Dividends paid to minority stockholders	-140	-124
Other	-132	-104
Net cash provided by financing activities	-11,819	12,919
Effect of exchange rate changes on cash and cash equivalents	-539	967
Net increase (decrease) in cash and cash equivalents	2,380	9,846
Cash and cash equivalents at beginning of the year	56,558	46,712
Cash and cash equivalents at end of the year	¥ 58,938	¥ 56,558

Sales by product segment

Year ended March 31, 2003

(Millions of yen)	Bearings	Automotive components	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 321,960	¥ 150,663	¥ 34,898	¥ 15,297	¥ 522,820	¥ —	¥ 522,820
Inter-segment sales and transfers	—	—	—	4,682	4,682	-4,682	—
Total	321,960	150,663	34,898	19,980	527,502	-4,682	¥ 522,820
Operating expenses	299,817	146,402	41,189	18,854	506,264	-1,291	504,972
Operating income (loss)	22,142	4,260	-6,290	1,126	21,238	-3,391	17,847
Assets	344,101	108,052	53,465	18,457	524,077	69,021	593,098
Depreciation expenses	21,245	4,618	3,561	462	29,886	-1,074	28,812
Capital expenditure	¥ 18,560	¥ 4,243	¥ 1,018	¥ 267	¥ 24,089	¥ -710	¥ 23,378

Year ended March 31, 2002

(Millions of yen)	Bearings	Automotive components	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 302,360	¥ 128,168	¥ 33,974	¥ 16,398	¥ 480,902	¥ —	¥ 480,902
Inter-segment sales and transfers	—	—	—	10,529	10,529	-10,529	—
Total	302,360	128,168	33,974	26,928	491,432	-10,529	480,902
Operating expenses	291,075	127,784	39,302	25,123	483,286	-6,331	476,954
Operating income (loss)	11,285	383	-5,328	1,805	8,145	-4,198	3,947
Assets	349,890	103,790	58,798	22,746	535,226	107,596	642,823
Depreciation expenses	20,160	4,264	3,789	326	28,541	-1,005	27,536
Capital expenditure	¥ 28,312	¥ 4,586	¥ 5,350	¥ 105	¥ 38,355	¥ -1,285	¥ 37,070

Sales by geographic segment

Year ended March 31, 2003

(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 319,465	¥ 77,083	¥ 81,483	¥ 44,786	¥ 522,820	¥ —	¥ 522,820
Inter-area sales and transfers	76,069	302	3,517	12,715	92,605	-92,605	—
Total	395,535	77,386	85,001	57,502	615,425	-92,605	522,820
Operating expenses	378,368	75,387	87,352	52,960	594,068	-89,095	504,972
Operating income (loss)	¥ 17,167	¥ 1,999	¥ -2,351	¥ 4,541	¥ 21,357	¥ -3,510	¥ 17,847
Total assets	¥ 517,116	¥ 59,500	¥ 76,131	¥ 58,971	¥ 711,719	¥ -118,620	¥ 593,098

Year ended March 31, 2002

(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 291,088	¥ 73,021	¥ 76,472	¥ 40,319	¥ 480,902	¥ —	¥ 480,902
Inter-area sales and transfers	75,635	316	3,360	13,439	92,752	-92,752	—
Total	366,724	73,338	79,833	53,759	573,655	-92,752	480,902
Operating expenses	358,711	71,373	86,492	50,129	566,707	-89,752	476,954
Operating income (loss)	¥ 8,012	¥ 1,965	¥ -6,659	¥ 3,630	¥ 6,948	¥ -3,000	¥ 3,947
Total assets	¥ 501,589	¥ 70,769	¥ 84,462	¥ 61,523	¥ 718,345	¥ -75,521	¥ 642,823

Sales by customer location

	Year ended March 31, 2003			
(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 81,785	¥ 81,418	¥ 80,356	¥ 243,560
Consolidated sales				522,820
Ratio of overseas sales to consolidated sales	% 15.6	% 15.6	% 15.4	% 46.6

	Year ended March 31, 2002			
(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 76,495	¥ 76,964	¥ 69,818	¥ 223,278
Consolidated sales				480,902
Ratio of overseas sales to consolidated sales	% 15.9	% 16.0	% 14.5	% 46.4

Management Policy Statement

1. Basic Policy

NSK's objective is to adapt to the drastically changing business environment and contribute to the progress of mankind by establishing a reputation as an "Excellent Company of the 21st century" and increasing the value of its corporate brand.

In order to meet our objective, we will meet the increasingly diverse needs of our customers by improving the Quality, Cost, Delivery and Service of our engineering, manufacturing and sales units to provide ultimate customer satisfaction. Second, through our expertise in tribology, the science of anti-friction and lubrication technologies, we will continue to contribute to the betterment of society and do our utmost to reduce environmental impact. Third, NSK will fulfill its responsibilities as a corporate citizen in all the locations where it operates, including all overseas locations where our manufacturing bases continue to expand.

2. Dividends

NSK places great importance on shareholder returns. As such, we seek to issue a consistent dividend, taking into account a range of factors such as financial performance and dividend payout ratios.

3. Key Indicators

NSK recognizes operating income margin as a key indicator of profitability. We will also strive to improve asset efficiency and increase our cash flow, as well as improve our return on equity.

4. Mid and Long-Term Strategies

NSK considers accurate forecasting and response to the rapidly changing business environment as the key to survival and further growth.

In order to do so, we have begun the process of establishing a strategically integrated global organization. The initial step, which was to spin off the steering column, precision machinery business and part of the bearing business into separate corporate entities, has already been taken. The scope of these new entities will need to be extended to include their respective global operations.

The second step will be to clearly define corporate strategies and reinforce management capabilities to enable each business unit to focus on increasing profitability and competitiveness.

Third, we will reinforce our global marketing efforts in order to better provide information to our research and development areas, strengthening their ability to bring new products to the market. By simultaneously proceeding with all three activities, we are confident we will achieve further growth.

We have placed special emphasis on China, as part of our regional strategies. It is viewed not only as a growing consumer market but also as a focal point of global production and logistical activities.

5. Key Management Tasks

In the continuing difficult economic environment, NSK's goal is to complete her aggressive restructuring policies. This includes promoting manufacturing innovation activities, reforming our employment and procurement systems, as well as further reducing costs by reviewing our machining and procurement cost structure. We will focus our management resources on global, strategic projects, while actively promoting alliances. We will also attempt to improve our financial position by reforming our balance sheet and reinforcing quality improvement activities.

We will further improve the usability of our "e" innovation services, which we have been developing to improve service to our customers and distributors, and drastically change our work procedures.

As for our involvement in environmental protection, we achieved our goal of "zero" emissions at our domestic plants in fiscal 2002 and we will continue with these activities.

6. Strengthening Corporate Governance

NSK has recognized the importance of reinforcing and improving our corporate governance system. Accordingly, we have taken steps to strengthen our corporate governance such as separating the Board's corporate decision-making and monitoring functions from Management's execution of corporate policy to increase corporate transparency. From 1999, NSK has implemented measures such as streamlining the Board of Directors, introducing an executive officer system, appointing an outside Director and establishing an Executive Compensation Committee headed by an outside Director.

Furthermore, as part of a project to establish a new internal audit system, we established the New Audit System Preparation Committee in April 2003. This Committee is headed by an outside Director and includes third parties.

Overview of the year ended March 31, 2003

Japan's economy has gradually recovered over the past year, supported by strong automotive exports to the U.S. and a general increase in exports to Asia. However, domestic consumer demand remains sluggish, while capital expenditures are forecasted to decrease for the third consecutive year. Japan has yet to solve the various critical economic problems it faces, such as the increasing unemployment rate, declining income levels, protracted stock market weakness, and continued fragility of the banking system. In summary, the economy remains weak.

In the U.S., the economy, backed by robust consumer demand, remained strong. However, capital expenditures continued to decline. In Europe, the economy was weaker in comparison to the strong results of 2001. Asia's economy is recovering, lead by strong export demands.

Under these conditions, our consolidated net sales for the year ended March 31, 2003, increased to ¥522,820 million, up 8.7% (¥41,918 million) from the previous term. Operating income was ¥17,847 million, up ¥13,900 million from last year, while ordinary income was ¥10,821 million, an increase of ¥13,985 million from last year.

Extraordinary income, including a ¥11,891 million gain on contribution of securities to the employees' retirement benefit trust, and a ¥3,203 million gain on sales of investment securities was offset by extraordinary losses including ¥12,899 million in losses on devaluation of investment securities and ¥15,030 million in business restructuring expenses.

Consequently, after deducting for income taxes and minority interests, and including provisions for deferred income taxes based on the tax effect accounting method, net loss totaled ¥2,670 million.

Although net income ended in a loss, the Company will pay a year-end dividend of ¥2.5 per share, which, combined with the interim dividend, totals a full-year payment of ¥5 per share, taking into consideration the Company's policy to issue consistent dividends and its business forecasts for fiscal 2003.

Net sales by product category

Bearings

Since the latter half of fiscal 2001, domestic sales to the automotive industry have remained strong. Demand from other industries, such as the electronic and IT industries and the aftermarket, have also started to recover, resulting in domestic sales to exceeding the previous year's results. Sales in the Americas, Asia and Europe were also robust. As a result, overall bearings sales amounted to ¥321,960 million, up 6.5% (¥19,600 million) from the previous term. Operating income was ¥22,142 million.

Automotive components

Sales of electric power assisted steering (EPS) systems increased sharply in Japan. Demand for automatic transmission components were also strong. As a result, domestic sales increased from the previous year, despite the slight decline in steering column sales. Sales overseas also increased. In Asia, local production in Thailand doubled, while sales in both Europe and the Americas exceeded the previous year's results. Overall sales totaled ¥150,663 million, up 17.6% (¥22,495 million) from the previous year. Operating income was ¥4,260 million.

Precision machinery and parts, mechatronic products

Demand from the domestic semiconductor production equipment and machine tool sectors recovered dramatically. Overseas, sales increased in Asia, but fell in Europe and the Americas as recovery in demand remained weak. Overall, sales increased 2.7% (¥924 million) from the previous term to ¥34,898 million, with an operating loss of ¥6,290 million.

Other

Sales to other sectors totaled ¥15,297 million, down 6.7% (¥1,101 million) from the previous term. Operating income was ¥1,126 million.

Net sales by region

Japan

A sharp recovery in demand for precision machinery and parts from the semiconductor production equipment and machine tool sectors, in addition to healthy sales to the automotive sector, electronic and IT related industries and the aftermarket, contributed to an increase in overall sales of 9.7% (¥28,377 million) from the previous term to ¥319,465 million, with an operating income of ¥17,167 million.

The Americas

Demand from the semiconductor production equipment industry remained sluggish, weighing down sales of precision machinery and parts. On the other hand, sales to the automotive industry was robust, leading to sales of both bearings and automotive components to increase from the previous year. Overall, net sales for the Americas increased to ¥77,083 million, up 5.6% (¥4,062 million) from the previous term, with an operating income of ¥1,999 million.

Europe

Sales of EPS systems were up in Europe. Bearing demand was also robust, leading to a 6.6% (¥5,011 million) increase in revenue to ¥81,483 million, despite flat sales of precision machinery and parts. Operating loss decreased to ¥2,351 million as result of profitability improvement activities such as the reorganization of production facilities and streamlining of administrative divisions.

Asia and Oceania

In Asia, exports, especially to the U.S., were strong, and together with the growth in demand in China, and the increase of local production in Thailand, boosted sales of both automotive

components and precision machinery and parts. Bearing sales also recovered. Overall, sales totaled ¥44,786 million, up 11.1% (¥4,467 million) from the previous year. Operating income totaled ¥4,541 million.

Cash Flow

Although loss before income taxes and minority interests used cash of ¥ 2,127 million, net cash flow provided by operating activities amounted to ¥30,961 million as the result of actions such as inventory reductions.

Investments for future growth areas and the acquisition of property, plant and equipment offset revenue provided by sale of investment securities. As a result, net cash flow used in investing activities was ¥16,223 million.

Cash used for redemption of bonds worth ¥20,000 million, repayment of loans and buy back of treasury stocks exceeded cash provided by loans, the issue of ¥20,000 million worth of bonds, etc. As a result, net cash used in financing activities was ¥11,819 million.

In aggregate, the net increase in cash and cash equivalents was ¥2,380 million, resulting in cash and cash equivalents at end of the term to total ¥58,938 million.

The following is the trend of our consolidated cash flow:

	As of March 31, 2000	As of March 31, 2001	As of March 31, 2002	As of March 31, 2003
Ratio of net worth to total capital (%)	32.3	33.4	32.4	28.8
Ratio of net worth to total capital at market value (%)	64.5	46.7	47.1	29.3
Debt redemption period (Years)	12.8	10.1	9.0	8.6
Interest coverage ratio	2.0	2.5	4.2	4.1

- Ratio of net worth to total capital (%): Net worth/Total capital
- Ratio of net worth to total capital at market value (%): Market capital/Total capital
- Debt redemption period (Years): Interest bearing debts/ Net cash provided by operating activities
- Interest coverage ratio: Net cash provided by operating activities/Interest paid

(Notes) 1. All indices have been calculated based on consolidated data.

2. Market capital has been calculated as:

“Closing share price at the end of the term” × “Common shares outstanding at the end of term”

3. Interest-bearing debts refer to the total amount of bonds, loans and commercial paper appropriated on the balance sheet.

Forecast for the year ending March 31, 2004

	(Millions of yen)
Net sales	¥ 492,000
Ordinary income	16,500
Net income	8,000

Although the Japanese economy appears to be gradually recovering, this recovery is generally attributed to healthy exports as domestic demand continues to be sluggish. The economic outlook in the U.S. and Asia for Japan's major customers, remains unclear. What is clear is that the business environment in Japan will continue to be difficult.

Under these economic conditions, NSK expects net sales for fiscal 2003 to total ¥492,000 million, with ordinary income and net income of ¥16,500 million and ¥8,000 million, respectively. Please note that these estimate figures have been calculated using an estimated foreign exchange rate of U.S. \$1=¥118.

Notes

All forecasts are based on a number of assumptions and are subject to change. Actual financial results may differ materially and NSK Ltd. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.