

# NSK Ltd.

For Immediate Release

November 26, 1999

## CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1999 (unaudited)

### Financial highlights

(Millions of yen)	Six months ended September 30		Change %
	1999	1998	
Net sales	<b>¥239,981</b>	¥235,783	+1.8
Operating income	<b>6,948</b>	9,324	- 25.5
Ordinary income	<b>3,067</b>	7,334	- 58.2
Net income (Yen)	<b>1,164</b>	5,377	-78.3
Net income per share			
Basic	<b>¥ 2.07</b>	¥ 9.54	
Diluted	<b>2.18</b>	9.30	

### Financial position

(Millions of yen)	September 30	
	1999	1998
Total assets	<b>¥ 675,089</b>	¥ 679,648
Shareholders' equity	<b>215,933</b>	221,934
(%)		
Shareholders' equity to total assets	<b>32.0 %</b>	32.7 %
(Yen)		
Shareholders' equity per share	<b>¥ 384.58</b>	¥ 393.54

# Consolidated statements of income

(Millions of yen)	Six months ended September 30		Change %
	1999	1998	
Net sales	<b>¥239,981</b>	¥ 235,783	+ 1.8
Cost of sales	<b>195,539</b>	187,516	
Selling, general and administrative expenses	<b>37,494</b>	38,941	
Operating income	<b>6,948</b>	9,324	- 25.5
Other income:			
Interest and dividends	<b>1,803</b>	2,559	
Equity in earnings of affiliated companies	<b>1,397</b>	1,535	
Other	<b>956</b>	2,475	
	<b>4,157</b>	6,570	
Other expenses:			
Interest expense	<b>5,331</b>	6,397	
Other	<b>2,707</b>	2,162	
	<b>8,038</b>	8,560	
Ordinary income	<b>3,067</b>	7,334	- 58.2
Extraordinary income:			
Profit from sale of fixed assets	<b>5,962</b>	—	
Profit from sale of securities	<b>6,861</b>	—	
Extraordinary losses:			
Unrealized loss on securities	<b>652</b>	—	
Voluntary retirement expenses	<b>10,519</b>	—	
Restructuring costs	<b>2,369</b>	—	
Income before income taxes	<b>2,349</b>	7,334	
Income taxes			
Current	<b>2,405</b>	2,112	
Deferred	<b>(1,419)</b>	—	
Minority interests	<b>199</b>	(155)	
Net income	<b>¥1,164</b>	¥5,377	-78.3

## Sales by geographic segment

### Six months ended September 30, 1999

(Millions of yen)						Eliminations		Consolidated
	Japan	Americas	Europe	Asia	Total	and other		
Sales to third parties	¥155,278	¥34,890	¥34,513	¥15,299	¥239,981	—	¥239,981	
Interarea sales and transfers	35,076	77	1,176	6,234	42,565	(42,565)	—	
Total	190,354	34,967	35,689	21,534	282,546	(42,565)	239,981	
Operating expenses	185,339	32,508	36,208	19,556	273,614	(40,580)	233,033	
Operating income	¥5,014	¥2,458	¥(518)	¥1,977	¥8,932	¥(1,984)	¥6,948	
Total assets	¥618,946	¥69,990	¥76,070	¥46,342	¥811,350	¥(136,261)	¥675,089	

### Six months ended September 30, 1998

(Millions of yen)						Eliminations		Consolidated
	Japan	Americas	Europe	Asia	Total	and other		
Sales to third parties	¥146,900	¥38,333	¥38,300	¥12,249	¥235,783	—	¥235,783	
Interarea sales and transfers	32,710	88	1,443	2,421	36,664	(36,664)	—	
Total	179,610	38,422	39,743	14,670	272,447	(36,664)	235,783	
Operating expenses	172,171	35,703	39,006	13,497	260,379	(33,921)	226,458	
Operating income	¥7,439	¥2,718	¥737	¥1,172	¥12,068	¥(2,743)	¥9,324	
Total assets	¥612,533	¥84,163	¥88,369	¥44,506	¥829,572	¥(149,924)	¥679,648	

# Overview of the six months ended September 30, 1999

During the interim period ended September 30, 1999, the Japanese economy showed signs of underlying improvement, supported by expanded public-sector expenditures, tax cuts and a zero-interest rate policy. However, domestic automotive output was flat compared with the same period of the previous fiscal year, and NSK's operating environment remained harsh. Although bearings sales were adversely affected, new products in the automotive component segment, including electric power assisted steering (EPAS) systems, recorded favorable growth. Consequently, total domestic net sales for the interim period rose 4.4% to ¥139,698 million.

Overseas sales were ¥100,283 million and accounted for 41.8% of consolidated net sales. The following is a discussion of performance by region.

## *The Americas*

Amid continued robust economic growth in the United States, NSK recorded sales growth on a local-currency basis. However, the appreciation of the yen held sales in yen terms in the Americas to ¥37,184 million, or 15.5% of consolidated net sales.

## *Europe*

European economies began a moderate recovery and NSK recorded high sales growth for EPAS systems. However, with lower after-market sales and the appreciation of the yen against European currencies, net sales in yen terms were held to ¥34,472 million, making up 14.4% of consolidated net sales.

## *Asia and Oceania*

Asian economies as a whole are on a firm recovery path, and NSK's sales in the region have been on a growth trend since the second half of 1998. With demand especially strong for small-sized and miniature bearings, net sales in the region reached ¥28,626 million, accounting for 11.9% of consolidated net sales.

To raise profitability, the Company curtailed capital investment and took measures to slash administrative expenses, while restructuring operations to improve the profit structure, including the transfer of seat belt operations to a new subsidiary. Other steps included the reduction of procurement costs, the implementation of a voluntary retirement program, and a reduction in interest-bearing debt. Negative factors included the impact of the yen's appreciation, costs associated with new products and losses at the parent company. In Europe, profitability on bearings sales declined and intensified competition resulted in falling market prices, leading to an operating loss for the interim period. However, sales growth at affiliates in the Americas and Asia contributed to profits, and NSK recorded consolidated ordinary income of ¥3,067 million and interim net income of ¥1,164 million.

# Forecast for the year ending March 31,2000

	(Millions of yen)
Net sales	<b>¥480,000</b>

Ordinary income	<b>8,500</b>
Net income	<b>3,000</b>

In the second half of the fiscal year, excess capital stock and employment in the domestic economy will continue to be significant problems, with adverse impact on private consumption and capital investment. However, consumer sentiment has improved, and management expects demand from the domestic automotive industry to benefit from new car sales. Overseas, rapid economic growth in the United States may give way to inflation, and the possibility of a fall in the stock market is an additional risk factor, giving rise to concerns of a sharp slowdown. European economies, however, are benefiting from an underlying improvement amid a moderate upturn in domestic and overseas demand, and an overall recovery in Asia has become increasingly well established.

As a result of the above factors, for the full fiscal year ending March 31, 2000, management forecasts net sales of ¥480,000 million, with ordinary income of ¥8,500 million and net income of ¥3,000 million. These forecasts assume an exchange rate of 105 yen per U.S. dollar for the parent company and 110 yen per U.S. dollar for overseas subsidiaries.

#### Notes

All forecasts are based on a number of assumptions and subject to significant risks and uncertainties. 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.