

NSK Ltd.

For Immediate Release

May 23, 2001

CONSOLIDATED RESULTS FOR THE YEAR ENDED MARCH 31, 2001 (unaudited)

Financial highlights

(Millions of yen)	Year ended March 31		Change %
	2001	2000	
Net sales	¥ 533,144	¥ 486,539	9.6
Operating income	25,841	14,701	75.8
Ordinary income	19,068	8,490	124.6
Net income	11,425	2,798	308.2
(Yen)			
Net income per share			
Basic	¥ 20.35	¥ 4.98	
Diluted	20.19	—	

Financial position

(Millions of yen)	March 31	
	2001	2000
Total assets	¥ 680,457	¥ 668,774
Shareholders' equity	227,383	215,991
(%)		
Shareholders' equity to total assets	33.4%	32.3%
(Yen)		
Shareholders' equity per share	¥ 405.12	¥ 384.65

Cash Flow

(Millions of yen)	Year ended March 31	
	2001	2000
Net cash provided by operating activities	¥ 24,444	¥ 20,371
Net cash used in investing activities	(19,714)	15,244
Net cash used in financing activities	(20,140)	(19,071)
Cash and cash equivalents at end of year	46,712	61,613

Consolidated statements of income

(Millions of yen)	Year ended March 31		Change %
	2001	2000	
Net sales	¥ 533,144	¥ 486,539	9.6
Cost of sales	428,291	393,711	
Selling, general and administrative expenses	79,011	78,126	
Operating income	25,841	14,701	75.8
Other non-operating income:			
Interest and dividends	2,558	2,925	
Equity in earnings of affiliated companies	3,228	3,298	
Other	3,910	2,811	
	9,697	9,036	
Other non-operating expenses:			
Interest expense	9,430	10,332	
Other	7,039	4,914	
	16,469	15,247	
Ordinary income	19,068	8,490	124.6
Extraordinary income:			
Profit from sale of securities	3,620	14,037	
Profit from disposal of securities to establish retirement benefit trust	20,241	-	
Profit on sale of affiliates' stocks	895	-	
Profit from sale of fixed assets	-	6,408	
Prior period adjustment	-	872	
	24,757	21,318	
Extraordinary losses:			
Restructuring costs	2,606	8,676	
Retirement benefit expenses resulting from the adoption of the accounting standards for retirement benefits	17,907	-	
Valuation loss on securities	-	2,012	
Voluntary retirement expenses	-	10,519	
	20,514	21,208	
Income before income taxes and minority interests	23,312	8,599	
Income taxes			
Current	8,271	7,768	
Deferred	2,861	(2,836)	
Minority interests' share in profit for the year	753	868	
Net income	¥ 11,425	¥ 2,798	308.2

Consolidated balance sheets

(Millions of yen)	As of March 31		Increase (Decrease)
	<u>2000</u>	<u>1999</u>	
Assets			
Current assets	¥321,575	¥392,459	¥(70,884)
Cash and deposits	18,746	24,342	(5,596)
Notes and accounts receivable	148,007	129,813	18,194
Marketable securities	23,134	108,237	(85,103)
Inventories	102,324	101,526	798
Other current assets	30,517	30,079	438
Less allowance for doubtful accounts	(1,155)	(1,539)	384
Noncurrent assets	358,881	247,631	111,250
Property, plant and equipment	201,574	185,396	16,178
Buildings and structures	59,889	59,764	125
Machinery and delivery equipment	94,103	86,236	7,867
Land	25,688	23,192	2,496
Other property, plant and equipment	21,892	16,203	5,689
Intangible fixed assets	2,279	1,979	300
Investments and other assets	155,027	60,254	94,773
Investments in securities	146,235	41,516	104,719
Deferred tax assets	1,004	10,579	(9,575)
Other investments and other assets	9,232	9,208	24
Less allowance for doubtful accounts	(1,446)	(1,049)	(397)
Translation adjustments	-	28,683	(28,683)
Total assets	680,457	668,774	11,683

NSK Ltd. (Consolidated)

(Millions of yen)	As of March 31		
	<u>2000</u>	<u>1999</u>	<u>Increase</u> <u>(Decrease)</u>
Liabilities			
Current liabilities	¥261,952	¥282,719	(20,767)
Notes and accounts payable	104,963	99,423	5,540
Short term bank loans	95,210	106,763	(11,553)
Commercial paper	10,000	-	10,000
Current portion of bonds	273	31,666	(31,393)
Accrued income taxes	5,222	5,524	(302)
Other current liabilities	46,282	39,342	6,940
Long term liabilities	179,749	160,951	18,798
Bonds	116,989	97,278	19,711
Long term debts	23,285	25,610	(2,325)
Deferred tax liabilities	13,913	1,538	12,375
Liability for past service cost of pension plan	-	14,637	(14,637)
Accrued severance indemnities	16,551	12,686	3,865
Other long term liabilities	9,009	9,199	(190)
Total liabilities	441,701	443,670	(1,969)
Minority interests	11,372	9,112	2,260
Shareholder's equity			
Common stock	67,175	67,167	8
Additional paid-in capital	82,359	82,351	8
Retained earnings	74,453	66,593	7,860
Net unrealized gains on other securities	27,107	-	27,107
Translation adjustments	(23,315)	-	(23,315)
Less: treasury common stock	(344)	(2)	(342)
Less: common stock of the parent held by consolidated subsidiaries	(51)	(117)	66
Total shareholder's equity	227,383	215,991	11,392
Total liabilities and shareholder's equity	680,457	668,774	11,683

Consolidated statements of cash flows

(Millions of yen)	Year ended March 31	
	2000	1999
Operating activities		
Income before income taxes and minority interests	23,312	8,599
Depreciation	26,210	26,349
Amortization of excess of cost over net assets acquired	—	1,496
Increase (Decrease) in allowance for doubtful accounts	13	108
Provision for severance indemnities, less payments	(5,565)	(1,251)
Interest and dividend income	(2,558)	(2,925)
Interest expenses	9,430	10,332
Unrealized loss on securities	—	2,020
Equity in earnings of affiliates	(3,228)	(3,298)
Gain on sales of property, plant and equipment	(855)	(6,408)
Gain on sales of securities	(3,620)	(14,037)
Gain on sale of affiliates' stock	(895)	—
Increase in trade notes and accounts receivable	(16,251)	(14,450)
Decrease in inventories	732	5,655
Increase in trade notes and accounts payable	4,660	17,717
Others	6,135	2,155
Subtotal	37,519	32,064
Interest and dividends received	5,308	2,916
Interest paid	(9,717)	(10,344)
Income taxes paid	(8,665)	(4,264)
Net cash provided by operating activities	24,444	20,371
Investing activities		
Payments for purchase of marketable securities	—	(4,102)
Proceeds from sales of marketable securities	—	38,010
Payments for acquisition of property, plant and equipment	(33,872)	(26,701)
Proceeds from sales of property, plant and equipment	4,292	8,760
Payments for purchase of investments in securities	(364)	(714)
Proceeds from sales of investments in securities	10,449	2,269
Proceeds from sales of affiliated companies' share	1,107	—
Acquisition of stock resulting in changes in consolidation	—	(411)
Proceeds from sales of stock resulting in changes in consolidation	956	—
Additional acquisition of affiliated companies' share	(1,356)	(3,136)
Others	(927)	1,269
Net cash provided by investing activities	(19,714)	15,244
Financing activities		
Net decrease in short-term bank loans	(8,515)	(2,033)
Net increase in commercial paper	10,000	—
Proceeds from origination of long-term loans	5,701	5,251
Payments for repayment of long-term loans	(12,801)	(8,598)
Proceeds from issuance of bonds	20,000	—
Payments for redemption of bonds	(31,649)	(10,491)
Dividends paid	(3,088)	(2,809)
Others	215	(388)
Net cash provided by financing activities	(20,140)	(19,071)
Effect of exchange rate changes on cash and cash equivalents	508	(2,467)
Net increase in cash and cash equivalents	(14,901)	14,076
Cash and cash equivalents at beginning of period	61,613	41,673
Increase in cash and cash equivalents due to expansion in scope of consolidated subsidiaries	—	5,862
Cash and cash equivalents at end of period	46,712	61,613

Sales by geographic segment

(Millions of yen)	Year ended March 31, 2001					Eliminations	
	Japan	Americas	Europe	Asia	Total	and other	Consolidated
Sales to third parties	<u>¥347,065</u>	<u>¥76,446</u>	<u>¥70,258</u>	<u>¥39,373</u>	<u>¥533,144</u>	—	<u>¥533,144</u>
Interarea sales and transfers	<u>90,995</u>	<u>543</u>	<u>3,461</u>	<u>14,063</u>	<u>109,064</u>	<u>(109,064)</u>	—
Total	<u>438,061</u>	<u>76,990</u>	<u>73,720</u>	<u>53,437</u>	<u>642,209</u>	<u>(109,064)</u>	<u>533,144</u>
Operating expenses	<u>413,581</u>	<u>72,599</u>	<u>76,663</u>	<u>49,126</u>	<u>611,971</u>	<u>(104,668)</u>	<u>507,303</u>
Operating income	<u>¥24,479</u>	<u>¥4,390</u>	<u>¥(2,942)</u>	<u>¥4,310</u>	<u>¥30,238</u>	<u>¥(4,396)</u>	<u>¥25,841</u>
Total assets	<u>¥675,492</u>	<u>¥65,332</u>	<u>¥71,813</u>	<u>¥54,629</u>	<u>¥867,269</u>	<u>¥(186,811)</u>	<u>¥680,457</u>

(Millions of yen)	Year ended March 31, 2000					Eliminations	
	Japan	Americas	Europe	Asia	Total	and other	Consolidated
Sales to third parties	<u>¥322,070</u>	<u>¥68,218</u>	<u>¥63,957</u>	<u>¥32,292</u>	<u>¥486,539</u>	—	<u>¥486,539</u>
Interarea sales and transfers	<u>74,833</u>	<u>225</u>	<u>2,283</u>	<u>12,521</u>	<u>89,864</u>	<u>(89,864)</u>	—
Total	<u>396,904</u>	<u>68,444</u>	<u>66,241</u>	<u>44,813</u>	<u>576,403</u>	<u>(89,864)</u>	<u>486,539</u>
Operating expenses	<u>381,633</u>	<u>64,760</u>	<u>70,027</u>	<u>41,277</u>	<u>557,698</u>	<u>(85,860)</u>	<u>471,837</u>
Operating income	<u>¥15,271</u>	<u>¥3,684</u>	<u>¥(3,786)</u>	<u>¥3,536</u>	<u>¥18,705</u>	<u>¥(4,003)</u>	<u>¥14,701</u>
Total assets	<u>¥625,085</u>	<u>¥62,551</u>	<u>¥71,137</u>	<u>¥43,599</u>	<u>¥802,373</u>	<u>¥(133,599)</u>	<u>¥668,774</u>

Management Policy Statement

1. Basic Policy

NSK's primary objective is to meet the increasingly global and diverse needs of our customers, and establish an unrivalled reputation for reliability by maximizing our capabilities through efforts in engineering, manufacturing and sales. Second, through tribology, the science of anti-friction and lubrication technologies, we aim to contribute to the advancement of society and reduce environmental impact. Third, as our manufacturing bases continue to expand around the world, NSK seeks to be a good corporate citizen in the locations where it operates. Through these three objectives, we aim to be recognized as a reliable brand and an excellent, world-class company.

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 ratio.

3. Mid- and Long-Term Strategy

NSK pursues a policy of 'select and focus' whereby resources are concentrated on strategic businesses in a framework of global expansion. First, to achieve global cost competitiveness, we are expanding our network of optimally located manufacturing plants while developing ever more efficient manufacturing processes domestically and overseas. We are continuing to target growth sectors such as information technology while forging global strategic alliances. NSK is also actively expanding in new automotive markets such as electric power steering (EPS) and continuously variable transmissions (CVTs). In addition, we are utilizing manufacturing bases in South-East Asia, China, South Korea and eastern Europe to expand our global logistics network as we seek to firmly establish NSK's position as world leader in ball bearings.

4. Strengthening Corporate Governance

In June 1999, NSK introduced an Executive Officer system, reduced the size of the board of directors to its optimal level, and appointed an independent director. This has enabled the separation of the board's corporate decision-making and monitoring functions from management's execution of corporate policy, thus creating a faster and more effective top management structure. A younger generation of executives is being appointed, and the top management of our major subsidiaries now concurrently hold executive posts in the parent company, both in an effort to bolster group management. A committee on executive compensation was set up, headed by an independent director, to examine executive compensation systems aimed at increasing transparency.

5. Key Management Tasks

We aim to further improve the financial position and profitability of the Company by further implementing cost reduction activities such as reduction of fixed costs, as well as reducing inventory and interest-bearing debt, and improving pension fund financing. We also intend to raise the profitability of overseas operations, primarily through the restructuring of our European business.

We will further revolutionize our production methods, which are the foundation of any manufacturer's competitiveness, and shall be taking part in the development of "e" innovation

activities, aimed to improve service to our customers and distributors, and drastically change our work procedures. We shall also take active part in environmental protection activities in accordance to our “Mid-term strategy”.

Our restructuring actions are helping to build an effective group management structure to deliver strong consolidated financial performance.

6. Key Indicators

NSK aims to increase ROE and recognizes operating income margin as a key indicator of stable profitability and the importance of asset efficiency and cash flow.

Overview of the year ended March 31, 2001

NSK Ltd. announced consolidated net sales for the fiscal year ended March 31, 2001, of ¥533,144 million, a year-on-year increase of 9.6% (¥46,605 million). Operating income improved to ¥25,841 million, or 75.8% (¥11,140 million) above the previous term, while ordinary income improved to ¥19,068 million, or 124.6% (¥10,578 million) above the previous term.

Although the Japanese economy continued to show signs of recovery, centering on increased production in the private sector supported by increase in exports and demand for information technology related products, recovery in income and the labor market is slow, and, added with the weakening of production demand due to the drop in exports following the slowing down of the U.S. economy, the general outlook remains unclear.

Looking overseas, the U.S. economy showed good signs during the first half of the term, but as private consumption deteriorated due to the drop in stock prices and the effect of companies adjusting their production, employment and capital expenditure set in during the second half of the year, the U.S. economy shows signs of going into a recession. In Europe, although there are indications of weakening demand in certain regions, the overall trend continues to be stable. The Asian economy continues to recover, supported by strong exports. Although conditions in South Korea and the ASEAN nations weakened in the second half of the term due to the slowing down of the U.S. economy, overall conditions remained favorable, supported by the expansion of consumer demand in China.

Under these conditions, the NSK Group continued activities to improve productivity and reduce expenses. Also, as part of restructuring efforts aimed at improving the Company's profitability, we reduced procurement costs, reorganized domestic sales units, restructured parts of our European business, and reduced interest-bearing debt. NSK also strategically increased production capacity in our precision machinery and parts related business and automotive bearings and electric power assisted steering (EPAS) business, where further growth is expected.

The introduction of new accounting standards for retirement benefits resulted in an extraordinary loss of ¥17,907 million to reorganize pension liabilities incurred in prior periods. This was offset, however, by extraordinary income of ¥20,241 million from the establishment of an employee retirement benefit trust.

Consequently, after deduction of income taxes and minority interests, net profits increased to ¥11,425 million, or 308.3% (¥8,627 million) above the previous term.

Taking into account financial results and the management tasks that lie ahead, the Company will pay a year-end dividend of ¥3 per share, which, combined with the interim dividend, totals a full-year payment of ¥6 per share.

Net sales by product category

Bearings

Despite a fall in sales to iron, steel and electric appliance sectors, where demand is moving overseas, bearing sales increase from the previous term, reflecting increases to the automobile sector. Sales increased in all regions of Asia, resulting in overall bearings sales to amount to ¥318,405 million, up 5.0% (¥15,166 million) from the previous term.

Automotive components

Sales of automotive related products increased to ¥133,192 million, up 13.4% (¥15,720 million) from the previous term as result of increased domestic sales of EPAS and automatic transmission parts, and increased overseas sales to all regions.

Precision machinery and parts, mechatronics products

Domestic sales to the semiconductor manufacturing equipment and machine tool sectors rose substantially, as did overseas sales, especially in the U.S. This resulted in sales to increase to ¥58,018 million, up 35.5% (¥15,186 million) from the previous term.

Net sales by region

Japan

Net sales in Japan amounted to ¥347,065 million, a year-on-year increase of 7.8% (¥24,995 million), while operating income was ¥24,479 million, supported by increased bearing sales of bearings to the automotive sector and the aftermarket, and the substantial sales growth of precision machinery and parts and mechatronics products to the semiconductor manufacturing equipment and machine tool sectors.

The Americas

Sales of precision machinery and parts and mechatronic products grew in North America, while substantial sales growth was recorded in Latin America, particularly in Brazil. As a result, net sales for the Americas improved by ¥8,228 million (12.1%) to ¥76,446 million, while operating income was ¥4,390 million.

Europe

Good economic conditions continued in Europe, and sales volumes remained brisk. The weakness of the euro, however, restricted net sales to ¥70,258 million, an increase of 9.9% (¥6,301 million) after translation into yen. To reverse the loss position caused by the weak euro we have implemented a restructuring program that encompasses the reorganization of manufacturing facilities and streamlining of indirect divisions. Despite these measures, an operating loss of ¥2,942 million was recorded in Europe for the term.

Asia and Oceania

In general, the Asian economy enjoyed a strong year, with sales growing in the ASEAN nations, South Korea, and China. This resulted in regional sales totaling ¥39,373 million, a year-on-year increase of 21.9% (¥7,081 million), and operating income was ¥4,310 million.

Cash Flow

Cash flow provided by operating activities was ¥24,444 million. Of this, income before income taxes and minority interests was ¥23,312 million, with depreciation at ¥26,210 million. Higher volumes led to an increase in notes and accounts receivable that used cash of ¥16,251 million, whereas an increase in notes and accounts payable provided cash of ¥4,660 million.

Cash flow used in investing activities was ¥19,714 million. This included additions to plant, property and equipment of ¥33,872 million, less income of ¥10,449 million arising from the sale of marketable securities.

Net cash used in financing activities was ¥20,140 million. This comprised expenditure of ¥47,266 million for the repayment of debt and the redemption of corporate bonds, and income of ¥30,000 million generated from the issuance of corporate bonds and commercial paper.

In aggregate, the net decrease in cash and cash equivalents (after an adjustment for the effect of exchange rate changes on cash) was ¥14,901 million, resulting in cash and cash equivalents at end of year of ¥46,712 million.

Forecast for the year ending March 31, 2002

	(Millions of yen)
Net sales	¥530,000
Ordinary income	18,000
Net income	12,000

The economic growth ratios in all areas of the globe are predicted to fall, triggered by the weakening U.S. economy. In Japan, the economy still fails to begin recovery, as private consumption remains sluggish and capital expenditure shows signs of weakening. We fear these dull conditions will continue into the coming term.

We forecast consolidated sales for the next term of ¥530,000 million. As for profits, we will continue efforts to reduce fixed costs, and endeavor to improve the Company's profitability by reducing inventory, etc. However, we forecast ordinary income and net income for the coming term to be low, at ¥18,000 million and ¥12,000 million, respectively. Please note that an estimated exchange rate of \$1=¥120 has been used to calculate the above.

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.