

NSK Ltd.

(URL <http://www.nsk.com>)

For Immediate Release

May 20, 2002

CONSOLIDATED RESULTS FOR THE YEAR ENDED MARCH 31, 2002 (unaudited)

Financial highlights

(Millions of yen)	Year ended March 31		Change %
	2002	2001	
Net sales	¥ 480,902	¥ 533,144	-9.8
Operating income	3,947	25,841	-84.7
Ordinary income	-3,164	19,068	—
Net income (Yen)	-17,696	11,425	—
Net income per share			
Basic	¥ -31.79	¥ 20.35	
Diluted	—	20.19	

Financial position

(Millions of yen)	As of	As of
	March 31, 2002	March 31, 2001
Total assets	¥642,823	¥ 680,457
Shareholders' equity	208,179	227,383
(%)		
Shareholders' equity to total assets	32.4%	33.4 %
(Yen)		
Shareholders' equity per share	¥ 378.03	¥ 405.12

Cash Flow

(Millions of yen)	Year ended March 31	
	2002	2001
Net cash provided by operating activities	¥ 30,331	¥ 24,444
Net cash used in investing activities	-34,372	-19,714
Net cash provided by (used in) financing activities	12,919	-20,140
Cash and cash equivalents at end of the year	56,558	46,712

Consolidated balance sheets

(Millions of yen)	As of March 31,	As of March 31,	
	2002	2001	Increase Decrease
Assets			
Current assets	¥291,490	¥ 321,575	¥ -30,085
Cash and deposits	24,465	18,746	5,719
Notes and accounts receivable	112,655	148,007	-35,352
Marketable securities	30,737	23,134	7,603
Inventories	97,459	102,324	-4,865
Other current assets	27,825	30,517	-2,692
Less allowance for doubtful accounts	-1,653	-1,155	-498
Non-current assets	351,332	358,881	-7,549
Property, plant and equipment	217,565	201,574	15,991
Buildings and structures	67,954	59,889	8,065
Machinery and transportation equipment	104,858	94,103	10,755
Land	24,359	25,688	-1,329
Other property, plant and equipment	20,393	21,892	-1,499
Intangible assets	2,614	2,279	335
Investments and other assets	131,153	155,027	-23,874
Investment securities	122,777	146,235	-23,458
Long-term loans	281	128	153
Deferred tax assets	1,557	1,004	553
Other investments and other assets	8,698	9,104	-406
Less allowance for doubtful accounts	-2,161	-1,446	-715
Total assets	¥ 642,823	¥ 680,457	¥ -37,634

NSK Ltd. (Consolidated)

(Millions of yen)	As of March 31, 2002	As of March 31, 2001	Increase Decrease
Liabilities			
Current liabilities	¥239,378	¥ 261,952	¥ -22,574
Notes and accounts payable	86,346	104,963	-18,617
Short-term loans	98,453	95,210	3,243
Commercial paper	—	10,000	-10,000
Current portion of bonds payable	20,000	273	19,727
Income taxes payable	1,377	5,222	-3,845
Other current liabilities	33,200	46,282	-13,082
Long-term liabilities	182,455	179,749	2,706
Bonds payable	96,989	116,989	-20,000
Long-term loans	56,917	23,285	33,632
Deferred tax liabilities	6,945	13,913	-6,968
Accrued employees' retirement benefits	13,141	14,986	-1,845
Accrued officers' retirement benefits	1,600	1,565	35
Other long-term liabilities	6,859	9,009	-2,150
Total liabilities	421,833	441,701	-19,868
Minority interests	12,810	11,372	1,438
Shareholders' equity			
Common stock	67,176	67,175	1
Capital surplus	77,923	82,359	-4,436
Retained earnings	53,921	74,453	-20,532
Unrealized holding gains on securities	24,316	27,107	-2,791
Translation adjustments	-14,749	-23,315	8,566
Treasury stock	-356	-344	-12
Common stock of the parent company held by subsidiaries	-51	-51	—
Total shareholders' equity	208,179	227,383	-19,204
Total liabilities and shareholders' equity	¥ 642,823	¥ 680,457	¥ -37,634

Consolidated statements of income

(Millions of yen)	Year ended March 31		Change %
	2002	2001	
Net sales	¥ 480,902	¥ 533,144	-9.8
Cost of sales	393,636	428,291	-8.1
Selling, general and administrative expenses	83,318	79,011	5.5
Operating income	<u>3,947</u>	<u>25,841</u>	<u>-84.7</u>
Non-operating income:	<u>7,585</u>	<u>9,697</u>	<u>-21.8</u>
Interest and dividend income	2,127	2,558	-16.8
Equity in earnings of affiliated companies	2,564	3,228	-20.6
Other	2,894	3,910	-26.0
Non-operating expenses:	<u>14,698</u>	<u>16,469</u>	<u>-10.8</u>
Interest expenses	7,757	9,430	-17.7
Other	6,940	7,039	-1.4
Ordinary income	<u>-3,164</u>	<u>19,068</u>	<u>—</u>
Extraordinary income:	<u>9,589</u>	<u>24,757</u>	<u>-61.3</u>
Gain on sales of investment securities	313	3,620	-91.4
Gain on sales of property, plant and equipment	9,276	—	—
Gain on contribution of securities to employees' retirement benefit trust	—	20,241	—
Gain on sales of investments in affiliated companies	—	895	—
Extraordinary losses:	<u>16,749</u>	<u>20,514</u>	<u>-18.4</u>
Costs related to business restructuring	3,850	2,606	47.7
Loss on devaluation of investment securities	12,898	—	—
Amortization of net retirement benefit obligation at transition	—	17,907	—
Income before income taxes and minority interests	<u>-10,324</u>	<u>23,312</u>	<u>—</u>
Income taxes:			
Current	3,481	8,271	-57.9
Deferred	3,699	2,861	29.3
Minority interests in earnings of consolidated subsidiaries	190	753	-74.7
Net income	<u>¥ -17,696</u>	<u>¥ 11,425</u>	<u>—</u>

Consolidated statements of cash flows

(Millions of yen)	As of March 31	
	2002	2001
Operating activities		
Income (Loss) before income taxes and minority interests	¥ -10,324	¥ 23,312
Depreciation and amortization	27,536	26,210
Amortization of excess of cost over net assets acquired	400	—
Increase (Decrease) in allowance for doubtful accounts	1,101	13
Increase (Decrease) in provision for retirement benefits	-1,498	-5,565
Interest and dividend income	-2,127	-2,558
Interest expense	7,757	9,430
Equity in earnings of affiliated companies	-2,564	-3,228
Gain on sales of property, plant and equipment	-9,276	-855
Gain on sales of investment securities	-313	-3,620
Loss on devaluation of investment securities	12,928	—
Gain on sales of investments in affiliated companies	—	-895
Decrease (increase) in notes and accounts receivable	34,813	-16,251
Decrease (increase) in inventories	10,292	732
Increase (Decrease) in notes and accounts payable	-19,753	4,660
Other	-5,604	6,135
Subtotal	43,336	37,519
Interest and dividends received	3,539	5,308
Interest paid	-7,139	-9,717
Income taxes paid	-9,404	-8,665
Net cash provided by operating activities	30,331	24,444
Investing activities		
Additions to property, plant and equipment	-42,393	-33,872
Proceeds from sales of property, plant and equipment	11,039	4,292
Acquisition of investment securities	-4,708	-364
Proceeds from sales of investment securities	2,615	10,449
Proceeds from sales of subsidiaries' stock	—	1,107
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	—	956
Acquisition of affiliated companies' stock	-75	-1,356
Payments for advances	-394	-363
Proceeds from collection of advances	212	497
Other	-710	-1,061
Net cash used in investing activities	-34,372	-19,714
Financing activities		
Net increase (decrease) in short-term bank loans	101	-8,515
Decrease (increase) in commercial paper	-10,000	10,000
Long-term debt – borrowing	38,151	5,701
Long-term debt – repayments	-7,286	-12,801
Proceeds from issuance of bonds	—	20,000
Payments for redemption of bonds	-270	-31,649
Payments for acquisition of treasury stock	-4,462	-438
Dividends paid	-3,085	-3,088
Dividends paid to minority stockholders	-124	-128
Other	-104	782
Net cash provided by financing activities	12,919	20,140
Effect of exchange rate changes on cash and cash equivalents	967	-508
Net increase (decrease) in cash and cash equivalents	9,846	-14,901
Cash and cash equivalents at beginning of the year	46,712	61,613
Cash and cash equivalents at end of the year	¥ 56,558	¥ 46,712

Sales by product segment

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, 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

Year ended March 31, 2001

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

Sales by customer location

	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

	Year ended March 31, 2001			
(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 81,448	¥ 72,004	¥ 73,727	¥ 227,180
Consolidated sales				533,144
Ratio of overseas sales to consolidated sales	% 15.3	% 13.5	% 13.8	% 42.6

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 unrivaled reputation for reliability by maximizing our capabilities through our engineering, manufacturing and sales efforts. Second, through our expertise in tribology, the science of anti-friction and lubrication technologies, we aim to contribute to the betterment of society and do our utmost to reduce environmental impact. Third, NSK seeks to be a good corporate citizen in all the locations where it operates, including all overseas location where our manufacturing bases continue to expand. Our goal is to establish "NSK" as a reliable brand and be recognized as a 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 ratios.

3. Basic Principle and Policies concerning Reduction of Minimum Trading Lots for Shares

NSK believes the reduction of minimum trading lots for shares is an effective method of attracting individual investors to the stock market. NSK will decide on this matter considering the stock market trend, business results, and stock prices.

4. Mid- and Long-Term Strategies

NSK pursues a policy of 'select and focus' and endeavors to build a framework of global expansion in order to comply to the changes in business environment and for the efficient use of management resources, both inside and outside the company. First, to achieve global cost competitiveness, we are expanding our network of optimally located production sites while developing ever more efficient manufacturing processes domestically and overseas. NSK is also actively expanding in new automotive markets such as electric power steering (EPS) and continuously variable transmissions (CVTs) while forging global strategic alliances. 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 the world leader in ball bearings.

5. Strengthening Corporate Governance

In June 1999, NSK introduced an executive officer system, streamlined the Board of Directors, and appointed an outside Director. This has enabled the Company to separate the Board's corporate decision-making and monitoring functions from Management's execution of corporate policy, creating a more effective top management structure. A younger generation of executives is being appointed, and we have introduced a group officer program and a group settlement system using "e" technology, in an effort to speed-up and reinforce group management. Furthermore, compensation for Directors and Executive Officers is decided by the Executive Compensation Committee, headed by an outside Director, in an aim to increase corporate transparency.

6. Key Management Tasks

In the continuing difficult economic environment, NSK will fundamentally continue to focus on her aggressive restructuring policies. This includes the reorganization of our production systems, both inside and outside Japan, reforming our employment and procurement systems,

as well as further reducing costs by the implementing stricter fixed-cost cutting measures. We will also continue to reduce inventory and interest-bearing debts in order to reinforce the financial position and increase the profitability of NSK.

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 with our "Mid-term strategy".

Our restructuring activities 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, 2002

In Japan, exports and production saw a sharp decline. The weakening of the U.S. economy and the dramatic drop in information technology (IT)-related demand affected the entire economy. Employment was also sharply affected, with the unemployment rate reaching record-level highs.

In the U.S., the stalling of the IT industry in the previous year led to a slowing down of the entire economy. The September 11 terrorist attack was an added blow, resulting in the world economy losing momentum. The European economy was stable overall, however the recession in Japan, U.S. and other regions led to a slowing down of economic growth. NSK's business also suffered in Asia as a result of the weakened economies of the countries that NSK exports to, bringing about a slow down of economic expansion in China, etc.

Under these conditions, the NSK Group continues her efforts to improve productivity and reduce expenses. At the same time, in order to survive in such difficult business environment, the Company is in the process of reviewing its business foundations, both in Japan and overseas, and further pursuing business restructuring activities.

However, the consolidated net sales for the year ended March 31, 2002, decreased to ¥480,902 million, down 9.8% (¥5,224 million) from the previous term. Operating income fell to ¥3,947 million, or 84.7% (¥21,894 million) below last year, while ordinary loss was ¥ 3,164 million, or ¥22,232 million below last year.

Sale of the former Tamagawa Plant site brought about ¥9,276 million in extraordinary income, while a loss of ¥12,898 million on devaluation of investment securities was appropriated as extraordinary losses.

Consequently, after deduction of income taxes and minority interests, net loss totaled ¥ 17,696 million, or ¥29,121 million below the previous term.

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 account the Company's policy to issue consistent dividends and its business forecasts for fiscal 2002.

Net sales by product category

Bearings

Domestic sales to the automotive industry saw a slight increase, however, sales to all other industries, especially the electronic and IT industries, decreased, as did sales in all other areas of the world. As a result, overall bearings sales amounted to ¥302,360 million, down 5.0% (¥16,045 million) from the previous term. Operating income was ¥11,285 million.

Automotive components

Although sales of electric power assisted steering (EPS) systems increased in Japan and Europe, sales of other steering-related products decreased, resulting in overall sales of automotive related products to decline by 3.8% (¥5,024 million) to ¥128,168 million. Operating income was ¥383 million.

Precision machinery and parts, mechatronic products

Following the dramatic fall in IT-related demand, sales to the semiconductor production equipment and machine tool sectors fell sharply, as did overseas sales. This resulted in sales decreasing to ¥33,974 million, down 41.4% (¥24,044 million) from the previous term, with an operating loss of ¥5,328 million.

Other

Sales to other sectors totaled ¥16,398 million, down 30.3% (¥7,129 million) from the previous term. Operating income was ¥185 million.

Net sales by region

Japan

Domestic bearing sales decreased sharply, especially to the electronic, IT industries and the aftermarket, while sales of precision machinery and parts to the semiconductor production equipment and machine tool sectors also fell substantially. As a result, net sales in Japan amounted to ¥291,088 million, down 16.1% (¥55,977 million) from the previous term, with operating income of ¥8,012million.

The Americas

Sales in North America fell sharply due to the weakness in the IT industry. On the other hand, stabilization of inflation has kept sales strong in South America, especially in Brazil. Overall, net sales for the Americas decreased to ¥73,021 million, down 4.5% (¥3,425 million) from the previous term, with operating income of ¥1,965 million.

Europe

Sales in Europe were good with increased sales of EPS systems, resulting in an increase in net sales to ¥76,472 million, up 8.8% (¥6,214 million) from the previous term. Business restructuring measures to prevent profit deterioration, such as the reorganization of production facilities and streamlining of administrative divisions are in progress. However, these were not enough to prevent an operating loss of ¥6,659 million.

Asia and Oceania

The Asian economy was also partially affected by the global recession, but sales totaled ¥40,319, up 2.4% (¥946 million) from the previous term, supported by an increase in local production in China. Operating income totaled ¥3,630 million.

Cash Flow

Although loss before income taxes and minority interests used cash of ¥ 10,324, cash flow provided by operating activities amounted to ¥30,331 million as the result of reduction efforts of notes receivable and accounts receivable and inventories.

Cash flow used in investing activities was ¥34,372 million, as investments for future growth areas and the construction of a new R&D center brought about a large increase in payments for the acquisition of property, plant and equipment.

Net cash provided by financing activities was ¥12,919 million. This includes net increase of debts of ¥30,966 million, expenditure of ¥10,000 million for the redemption of commercial paper, and payment of ¥4,462 for acquisition of treasury stock.

In aggregate, the net increase in cash and cash equivalents (after adjustments for the effect of exchange rate changes on cash) was ¥9,846 million, resulting in cash and cash equivalents at end of the term of ¥56,558 million.

Forecast for the year ending March 31, 2003

	(Millions of yen)
Net sales	¥ 510,000
Ordinary income	11,000
Net income	4,000

Although the U.S. economy seems to be bottoming-out, and the Japanese economy is showing signs of recovery, the speed of recovery is slow. Therefore, the difficult business environment surrounding NSK is expected to continue. The Company is pressed with the need to adapt structurally to the swift changes in the global economy, such as intensified cost competition and the hollowing out of domestic industries.

In order to cope with these drastic economic changes, NSK is in the process of reviewing its business foundations, both domestically and overseas, and will aggressively pursue further reorganization of its production system. This reorganization will involve the NSK group and its suppliers. Employment systems and salaries will be reviewed, and measures to further reduce fixed costs and improve profitability through reduction of inventory, etc., will be implemented.

Under such current economic conditions, NSK expects net sales for fiscal 2002 to increase to ¥510,000 million, with ordinary income and net income of ¥11,000 million and ¥4,000 million, respectively. Please note that these estimate figures have been calculated using an estimated foreign exchange rate of \$1=¥125.

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.