

NSK Ltd.

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For Immediate Release

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CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2003 (unaudited)

Financial highlights

	First quarter ended June 30 2003	<Reference> Year ended March 31 2003
(Millions of yen)		
Net sales	¥125,699	¥ 522,820
Operating income	4,148	17,847
Ordinary income	3,414	10,821
Net income (loss)	1,355	-2,670
(Yen)		
Net income per share		
Basic	¥ 2.51	¥ -5.22
Diluted	—	—

Financial position

	As of June 30, 2003	As of March 31, 2003
(Millions of yen)		
Total assets	¥ 609,365	¥ 593,098
Shareholders' equity	175,272	170,566
(%)		
Shareholders' equity to total assets	28.8%	28.8%
(Yen)		
Shareholders' equity per share	¥ 325.00	¥ 316.27

Cash Flow

	First quarter ended June 30 2003	<Reference> Year ended March 31 2003
(Millions of yen)		
Net cash provided by operating activities	¥9,879	¥ 30,961
Net cash used in investing activities	-2,556	-16,223
Net cash used in financing activities	-1,404	-11,819
Cash and cash equivalents at end of the year	64,996	58,938

Consolidated balance sheets

(Millions of yen)	As of June 30,	As of March 31,	Increase Decrease
	2003	2003	
Assets			
Current assets	¥ 293,584	¥ 285,749	¥ 7,835
Cash and deposits	43,312	37,271	6,041
Notes and accounts receivable	111,628	113,513	-1,885
Marketable securities	15,567	17,565	-1,998
Inventories	80,944	83,487	-2,543
Other current assets	43,783	35,186	8,597
Less allowance for doubtful accounts	-1,651	-1,276	-375
Non-current assets	315,780	307,349	8,431
Property, plant and equipment	193,194	198,635	-5,441
Buildings and structures	63,833	65,282	-1,449
Machinery and transportation equipment	92,059	95,517	-3,458
Land	22,902	22,915	-13
Other property, plant and equipment	14,398	14,920	-522
Intangible assets	2,805	2,732	73
Investments and other assets	119,780	105,981	13,799
Investment securities	85,795	79,697	6,098
Prepaid pension costs	22,924	14,842	8,082
Deferred tax assets	5,187	5,325	-138
Other investments and other assets	7,237	7,577	-340
Less allowance for doubtful accounts	-1,365	-1,461	96
Total assets	¥ 609,365	¥ 593,098	¥ 16,267

NSK Ltd. (Consolidated)

(Millions of yen)	As of June 30, 2003	As of March 31, 2003	Increase Decrease
Liabilities			
Current liabilities	¥ 237,691	¥ 227,314	¥ 10,377
Notes and accounts payable	85,436	87,382	-1,946
Short-term loans	88,664	93,102	-4,438
Current portion of bonds payable	20,000	10,000	10,000
Income taxes payable	6,133	3,816	2,317
Other current liabilities	37,457	33,012	4,445
Long-term liabilities	184,582	183,481	1,101
Bonds payable	96,989	106,989	-10,000
Long-term loans	59,137	57,688	1,449
Accrued employees' retirement benefits	15,363	6,503	8,860
Accrued officers' retirement benefits	1,522	1,668	-146
Other long-term liabilities	11,570	10,631	939
Total liabilities	422,274	410,795	11,479
Minority interests	11,818	11,736	82
Shareholders' equity			
Common stock	67,176	67,176	—
Capital surplus	77,923	77,923	—
Retained earnings	49,721	48,366	1,355
Unrealized holding gains on securities	9,217	5,133	4,084
Translation adjustments	-24,401	-23,670	-731
Treasury stock	-4,365	-4,362	-3
Total shareholders' equity	175,272	170,566	4,706
Total liabilities and shareholders' equity	¥ 609,365	¥ 593,098	¥ 16,267

Consolidated statements of income

(Millions of yen)	First quarter ended June 30 2003	Ratio against sales	Year ended March 31 2003	Ratio against sales
		%		%
Net sales	¥ 125,699	100.0	¥ 522,820	100.0
Cost of sales	99,887	79.5	420,104	80.4
Gross profit	25,812	20.5	102,715	19.6
Selling, general and administrative expenses	21,664	17.2	84,867	16.2
Operating income	4,148	3.3	17,847	3.4
Non-operating income:	1,872	1.5	8,100	1.6
Interest and dividend income	499	0.4	1,815	0.4
Equity in earnings of affiliated companies	774	0.6	3,378	0.6
Other	597	0.5	2,905	0.6
Non-operating expenses:	2,606	2.1	15,126	2.9
Interest expenses	1,587	1.3	6,567	1.3
Other	1,018	0.8	8,558	1.6
Ordinary income	3,414	2.7	10,821	2.1
Extraordinary income:	707	0.6	15,977	3.1
Gain on sales of investment securities	194	0.2	3,203	0.6
Gain on sales of investments in affiliated companies	513	0.4	—	—
Gain on contribution of securities to employees' retirement benefit trust	—	—	11,891	2.3
Gain on sales of property, plant and equipment	—	—	881	0.2
Extraordinary losses:	101	0.1	28,925	5.6
Loss on devaluation of investment securities	101	0.1	12,899	2.5
Costs related to business restructuring	—	—	15,030	2.9
Loss on sales of investments in affiliated companies	—	—	844	0.2
Provision for accrued retirement benefits	—	—	151	0.0
Income before income taxes and minority interests	4,020	3.2	-2,127	-0.4
Income taxes:				
Current taxes	5,647	4.5	5,380	1.0
Tax refunds	—	—	216	0.0
Deferred taxes	-3,122	-2.5	-4,193	-0.8
Minority interests in earnings of consolidated subsidiaries	140	0.1	—	—
Minority losses in earnings of consolidated subsidiaries	—	—	426	0.1
Net income (loss)	¥ 1,355	1.1	¥ -2,670	-0.5

Consolidated statement of surplus

(Millions of yen)	First quarter ended June 30 2003	Year ended March 31 2003
Capital surplus		
Capital surplus at the beginning of period	<u>¥ 77,923</u>	<u>¥ 77,923</u>
Capital surplus at the end of period	<u>¥ 77,923</u>	<u>¥ 77,923</u>
Retained earnings		
Retained earnings at the beginning of period	<u>¥ 48,366</u>	<u>¥ 53,921</u>
Increase in retained earnings	<u>¥ 1,355</u>	<u>¥ —</u>
Net income	1,355	—
Decrease in retained earnings	<u>¥ —</u>	<u>¥ 5,554</u>
Net loss	—	2,670
Dividends	—	2,711
Directors' bonus	—	172
Retained earnings at the end of period	<u>¥ 49,721</u>	<u>¥ 48,366</u>

Consolidated statements of cash flows

(Millions of yen)

	First quarter ended June 30 2003	Year ended March 31 2003
Operating activities		
Income (loss) before income taxes and minority interests	¥ 4,020	¥ -2,127
Depreciation and amortization	6,407	28,812
Increase (decrease) in allowance for doubtful accounts	265	-1,060
Increase (decrease) in provision for retirement benefits	1,328	-15,076
Interest and dividend income	-499	-1,815
Interest expense	1,587	6,567
Equity in earnings of affiliated companies	-774	-3,378
Gain on sales of property, plant and equipment	—	-881
Gain on sales of investment securities	-194	-3,203
Loss on devaluation of investment securities	108	12,899
Gain on sales of investments in affiliated companies	-513	—
Loss on sales of investments in affiliated companies	—	844
Business restructuring expenses	—	2,087
Decrease (increase) in notes and accounts receivable	-1,531	-2,354
Decrease (increase) in inventories	750	10,577
Increase (decrease) in notes and accounts payable	-1,640	1,316
Other	4,624	3,252
Subtotal	13,938	36,459
Interest and dividends received	1,425	3,367
Interest paid	-1,901	-7,475
Income taxes paid	-3,583	-1,389
Net cash provided by operating activities	9,879	30,961
Investing activities		
Additions to property, plant and equipment	-3,552	-24,734
Proceeds from sales of property, plant and equipment	1,842	3,065
Acquisition of investment securities	-14	-1,088
Proceeds from sales of investment securities	510	7,227
Proceeds from sales of subsidiaries' stock resulting in changes in the scope of consolidation	—	1,046
Sales of investment in affiliated companies, net of cash	-218	—
Acquisition of affiliated companies' stock	—	-565
Payments for advances	-216	-178
Proceeds from collection of advances	38	198
Other	-945	-1,194
Net cash used in investing activities	-2,556	-16,223
Financing activities		
Net increase (decrease) in short-term bank loans	-1,402	-7,025
Long-term debt – borrowing	1,947	13,014
Long-term debt – repayments	-560	-11,148
Payments for redemption of bonds	—	-20,000
Proceeds from issuance of bonds	—	20,000
Payments for acquisition of NSK treasury stock	-2	-3,665
Dividends paid	-1,198	-2,721
Dividends paid to minority stockholders	-37	-140
Other	-150	-132
Net cash used in financing activities	-1,404	-11,819
Effect of exchange rate changes on cash and cash equivalents	139	-539
Net increase (decrease) in cash and cash equivalents	6,058	2,380
Cash and cash equivalents at beginning of the year	58,938	56,558
Cash and cash equivalents at end of the year	¥ 64,996	¥ 58,938

Sales by product segment

First quarter ended June 30, 2003

(Millions of yen)	Bearings	Automotive components	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 80,807	¥ 31,781	¥ 9,463	¥ 3,646	¥ 125,699	¥ —	¥ 125,699
Inter-segment sales and transfers	—	—	—	1,326	1,326	-1,326	—
Total	80,807	31,781	9,463	4,973	127,025	-1,326	125,699
Operating expenses	76,494	30,763	10,259	4,602	122,120	-569	121,551
Operating income (loss)	¥ 4,313	¥ 1,017	¥ -796	¥ 371	¥ 4,905	¥ -757	¥ 4,148

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

Sales by geographic segment

First quarter ended June 30, 2003

(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 73,822	¥ 18,416	¥ 22,239	¥ 11,220	¥ 125,699	¥ —	¥ 125,699
Inter-area sales and transfers	19,296	62	976	2,699	23,035	-23,035	—
Total	93,118	18,478	23,216	13,920	148,734	-23,035	125,699
Operating expenses	88,931	18,183	23,354	12,631	143,100	-21,549	121,551
Operating income (loss)	¥ 4,187	¥ 295	¥ -137	¥ 1,289	¥ 5,633	¥ -1,485	¥ 4,148

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

Sales by customer location

First quarter ended June 30, 2003

(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 18,756	¥ 22,251	¥ 19,091	¥ 60,098
Consolidated sales				125,699
Ratio of overseas sales to consolidated sales	% 14.9	% 17.7	% 15.2	% 47.8

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

Overview of the first quarter ended June 30, 2003

Weakness continued in Japan's economy in the first quarter of fiscal 2003 (i.e. the three months ended June 30, 2003) as unemployment rates remained high and income levels continued to decline. Consumer demand remained stable and is showing signs of bottoming out. However, because of the weakness in export demand, which was the driving force behind the previous year's economic recovery, and with capital expenditures yet to begin a full-fledged recovery, the Japanese economy still lacks strength.

In the U.S., although corporate earning figures are beginning to improve, the job market continued to shrink, and capital expenditure levels for the three months of January to March fell below the level of the same period last year, weakening the recovery of the overall economy. In Europe, the strong euro has had an adverse effect on the economy, while in Asia, the SARS epidemic led to an overall slowdown of the region's economic expansion.

Under these conditions, NSK has continued to implement profitability improvement measures throughout the Group, and as a result, our consolidated net sales for the first quarter ended June 30, 2003, totaled ¥125,699 million and operating income was ¥4,148 million with an operating income margin of 3.3%.

Net sales by product category

Bearings

Strong demand from the automotive industry both in Japan and overseas have pushed up bearing sales. Sales of general industrial bearings increased in Japan but remained flat overseas. As a result, overall bearings sales amounted to ¥80,807 million with operating income of ¥4,313 million.

Automotive components

Demand for automotive components has remained stable, although our withdrawal from the seat belt business led to a decrease in overall sales in Japan. Overseas, sales have risen sharply in the Americas and Asia. As a result, sales totaled ¥31,781 million, and operating income was ¥1,017 million.

Precision machinery and parts, mechatronic products

Demand from the domestic IT industry and machine tool sectors have started to show signs of recovery, leading to a large increase in sales in Japan. Sales in the Americas are still weak but are also showing signs of improvement. Sales in Europe decreased slightly while demand for systemized products fell in Asia. Overall, sales totaled ¥9,463 million, with an operating loss of ¥796 million.

Other

Sales to other sectors totaled ¥3,646 million, and operating income was ¥371 million.

Net sales by region

Japan

Sales to the machine tool sector, general machinery sector and the aftermarket all showed signs of recovery, but those to the electric and IT industries decreased. Although car production failed to meet the previous year's results, we were able to increase bearing sales to this industry. Sales of automotive components remained stable although total automotive

component sales fell due to withdrawal from the seat belt business. Sales of precision machinery and parts recorded a good recovery. As a result, overall sales totaled ¥73,822 million with an operating income of ¥4,187 million.

The Americas

Bearing sales to the automotive industry continued to increase, but sales of general industrial bearings were disappointing, particularly to the electrical appliance sector. Sales of automotive components increased due to the higher level of car production at Japanese transplants. Sales of precision machinery and parts also increased. After taking into account the effect of the stronger yen against the U.S. dollar, sales totaled ¥18,416 million with operating income of ¥295 million.

Europe

Sales of automotive bearings increased, automotive components remained flat, while industrial bearings and precision machinery and parts ended lower than the same period last year. After taking into account the effect of the weaker yen against the euro, sales ended at ¥22,239 million, and as result of profit improvement measures, operating loss was reduced to ¥137 million.

Asia and Oceania

Economic growth and increased local production in China has pushed up bearing sales in this market. Sales in South Korea were also robust, but fell in the Asean region due to the decrease in demand for HDD (hard disk drive) bearings and transfer of demand to China. Expansion of local production lead to a surge in sales of automotive components, while sales of precision machinery and parts remained steady at the previous year's level. Sales in Asia totaled ¥11,220 million, with operating income of ¥1,289 million.

Cash Flow

Cash flow provided by operating activities in the first quarter of fiscal 2003 was ¥9,879 million with income before income taxes and minority interests providing ¥4,020 million and depreciation and amortization providing ¥6,407 million in cash.

Additions to property, plant and equipment used ¥3,552 million in cash, while proceeds from sales of property, plant and equipment provided cash of ¥1,842 million. As a result, net cash flow used in investing activities totaled ¥2,556 million.

Cash flow used in financing activities was ¥1,404 million, with ¥1,198 million in cash used to pay dividends.

In aggregate, the net increase in cash and cash equivalents was ¥6,058 million, resulting in cash and cash equivalents at the end of the quarter to total ¥64,996 million.

Forecast for the year ending March 31, 2004

(Millions of yen)	Six months ending September 30 2003	Year ending March 31 2004
Net sales	¥ 253,000	¥ 498,000
Operating income	10,000	23,000
Ordinary income	7,000	17,000
Net income	3,000	9,000

<Reference> Projected net income per share for the year ending March 31, 2004: ¥16.69

Although the stalling European economy and slowing down of market expansion in the Chinese market continue to cast a shadow over the global economy, there are some indications that the Japanese and U.S. economies have started to bottom out.

Under these economic conditions, we have revised our net sales forecast for the six months ending September 30, 2003 to total ¥253,000 million, with operating income, ordinary income and net income of ¥10,000 million, ¥7,000 million and ¥3,000 million, respectively. Net sales forecast for the year ending March 31, 2004 has also been revised to ¥498,000 million, with operating income, ordinary income and net income of ¥23,000 million, ¥17,000 million and ¥9,000 million, respectively.

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.