

NSK Ltd.

For Immediate Release

May 25, 2000

CONSOLIDATED RESULTS FOR THE YEAR ENDED MARCH 31, 2000 (unaudited)

Financial highlights

(Millions of yen)	Year ended March 31		Change %
	2000	1999	
Net sales	¥ 486,539	¥ 472,614	2.9
Operating income	14,701	12,992	13.2
Ordinary income	8,490	7,790	9.0
Net income (Yen)	2,798	(4,094)	—
Net income per share			
Basic	¥ 4.98	¥ (7.27)	
Diluted	—	—	

Financial position

(Millions of yen)	March 31	
	2000	1999
Total assets	¥ 668,774	¥ 663,522
Shareholders' equity	215,991	215,690
(%)		
Shareholders' equity to total assets	32.3%	32.5%
(Yen)		
Shareholders' equity per share	¥ 384.65	¥ 383.95

Cash Flow

(Millions of yen)	Year ended March 31
	2000
Net cash provided by operating activities	¥ 20,879
Net cash used in investing activities	14,536
Net cash used in financing activities	(18,871)
Cash and cash equivalents at end of year	61,613

Consolidated statements of income

(Millions of yen)	Year ended March 31		Change %
	2000	1999	
Net sales	¥ 486,539	¥ 472,614	2.9
Cost of sales	393,711	381,243	
Selling, general and administrative expenses	78,126	78,379	
Operating income	14,701	12,992	13.2
Other income:			
Interest and dividends	2,925	5,715	
Equity in earnings of affiliated companies	3,298	2,512	
Other	2,811	4,960	
	9,036	13,188	
Other expenses:			
Interest expense	10,332	12,698	
Other	4,914	5,692	
	15,247	18,390	
Ordinary income	8,490	7,790	9.0
Extraordinary income:			
Profit from sale of fixed assets	6,408	2,655	
Profit from sale of securities	14,037	—	
Prior period adjustment	872	—	
	21,318	2,655	
Extraordinary losses:			
Restructuring costs	8,676	825	
Unrealized loss on securities	2,012	3,743	
Voluntary retirement expenses	10,519	—	
Prior service liability accrual cost	—	14,197	
	21,208	18,766	
Income before income taxes	8,599	(8,319)	
Income taxes			
Current	7,768	3,156	
Deferred	(2,836)	(6,852)	
Minority interests	868	(529)	
Net income	¥ 2,798	¥ (4,094)	—

Sales by geographic segment

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

(Millions of yen)	Year ended March 31, 1999					Eliminations	
	Japan	Americas	Europe	Asia	Total	and other	Consolidated
Sales to third parties	¥296,953	¥73,884	¥75,912	¥25,864	¥472,614	—	¥472,614
Interarea sales and transfers	63,702	161	2,772	4,997	71,633	(71,633)	—
Total	360,655	74,045	78,684	30,861	544,247	(71,633)	472,614
Operating expenses	349,363	70,407	78,836	28,790	527,397	(67,775)	459,622
Operating income	¥11,291	¥3,638	¥(151)	¥2,071	¥16,850	¥(3,857)	¥12,992
Total assets	¥609,723	¥71,517	¥78,029	¥38,378	¥797,649	¥(134,126)	¥663,522

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 world-class in the 21st century 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. In April this year, a review of the executive officer system led to the appointment of a younger generation of executives 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 reorganizing our domestic manufacturing and sales organizations, reducing procurement costs, 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.

In April, the domestic sales subsidiaries and the non-automotive sales units of the parent company were integrated to form NSK Sales Co. Ltd, thus achieving an improved customer

interface through a flatter, nationwide organizational structure. NSK also decided on a phased sell-off of its seat belt operations to Autoliv Inc. of Sweden.

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, 2000

NSK Ltd. announced consolidated net sales for the fiscal year ended March 31, 2000, of ¥486,539 million, a year-on-year increase of 2.9%. Ordinary income improved to ¥8,490 million, or 9% above the previous term, and the Company recorded a consolidated net profit of ¥2,798 million.

Although the Japanese economy continued a moderate improvement, supported by expanded public-sector expenditures and economic recovery in Asia, strong concerns about overcapacity and overmanning continued and a recovery sustained by capital investment and private consumption did not materialize. In these conditions, NSK's sales in Japan rose 6.0% to ¥286,836 million.

The appreciation of the yen held overseas sales in yen terms to ¥199,702 million, a decline of 1.1%, with the ratio of overseas sales to total consolidated sales standing at 41.0%. Despite strong performance in the Americas on the back of continued solid growth in the U.S. economy, sales in yen terms declined 6.5% to ¥72,774 million. In Europe, there was a significant upturn in business conditions in the second half of the term, but the weakness of the euro restricted sales in yen terms to ¥64,298 million, down 15.1%. Sales in Asia climbed 29.7% to ¥62,629 million, attributable mainly to higher sales of small-size bearings as consumption and capital investment recovered, fuelled by expanding production by the region's exporters.

Net sales by product category

Bearings

Despite a fall in sales to iron, steel and machine tool manufacturers, bearing sales to the domestic market increased from a year earlier, reflecting increases to the automobile and general industrial machinery sectors and to the after-market. Overseas sales increased substantially due primarily to higher demand for small-size bearings in Asia, but the appreciation of the yen led to a 1.1% fall in overall bearing sales to ¥296,375 million.

Automotive components

Domestic sales of automotive components increased from a year earlier, as growth in electric power assisted steering (EPAS) systems and automatic transmission components offset the effect of falling domestic automobile sales. Sales in Europe were at approximately the same level as the previous term, but significant increases in sales in Asia contributed to a 14.3% increase in overall automotive component sales to ¥124,336 million.

Precision machinery and parts, mechatronics products

Despite sluggish performance in the machine tool sector, domestic sales rose substantially year-on-year, supported by an increase in sales to the semiconductor manufacturing equipment and information technology equipment sectors. Sales in Europe fell, but substantial increases in North America and Asia contributed to overall sales of ¥42,832 million, a rise of 13.0%.

To raise profitability, the Company took corporate-wide measures to curtail manufacturing and

administration costs, and implemented a restructuring program which included the rationalization of European manufacturing operations and 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. Higher sales in Japan and Asia contributed to consolidated operating income of ¥14,701 million, a rise of 13.2% compared with the previous term, and to ordinary income of ¥8,490 million, a rise of 9%.

Extraordinary losses comprised ¥10,519 million in costs related to the voluntary retirement program, ¥8,676 million in restructuring costs which included the rationalization of plants in Japan and overseas, and a ¥2,012 million devaluation of securities. However, these were offset by extraordinary gains of ¥6,408 million on profit from the sale of fixed assets and ¥14,037 million on profit from the sale of marketable securities.

After corporation tax, inhabitants' taxes, enterprise tax, and provision for deferred income taxes and minority interests, the Company recorded a net profit for the term of ¥2,798 million.

Taking into account financial results and the management tasks that lie ahead, the Company will pay a year-end dividend of ¥2.5 per share, which combines with the interim dividend for a full-year payment of ¥5.0

Cash Flow

Cash flow provided by operating activities increased by ¥20,879 million with income before income taxes amounting to ¥8,599 million. Net cash used in investment activities increased by ¥14,536 million, including ¥46,771 million in proceeds from the sale of property, plant and equipment and marketable securities. Additions to property, plant and equipment were ¥27,515 million. Net cash used in financing activities declined ¥18,871 million as management made use of cash flow for the repayment of long-term debt and bond redemption. In aggregate, cash and cash equivalents after currency translation rose ¥14,076 million. The consolidation of additional companies resulted in cash and cash equivalents at end of year of ¥61,613 million.

Forecast for the year ending March 31, 2001

	(Millions of yen)
Net sales	¥505,000
Ordinary income	20,000
Net income	10,000

Domestic demand is expected to recover, but the economic outlook will remain uncertain. The recovery in Asia will continue to gather pace but there are concerns that stock market corrections in the United States will slow down the U.S. economy.

In the fiscal year ending March 31, 2001, management forecasts consolidated net sales of ¥505,000 million supported by sales growth in Japan and Asia, with ordinary income of ¥20,000 million and net income of ¥10,000 million, aided by further reductions in fixed costs arising from the reorganization of the sales and manufacturing network. These forecasts assume an exchange rate of ¥105 per U.S. dollar.

The application of new accounting principles governing employee retirement benefits is expected to result in a one-time charge of ¥18,000 million on a consolidated basis (¥17,000 million on a non-consolidated basis). However, this will be offset by profit from the establishment of an employee retirement benefit trust.

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.