

NSK Ltd.

For Immediate Release

November 30, 2000

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2000 (unaudited)

Financial highlights

(Millions of yen)	Six months ended September 30		
	<u>2000</u>	<u>1999</u>	<u>Change</u> %
Net sales	¥268,494	¥239,981	+11.9
Operating income	12,151	6,948	+74.9
Ordinary income	7,869	3,067	+156.6
Net income (Yen)	5,959	1,164	+411.8
Net income per share			
Basic	¥ 10.62	¥ 2.07	
Diluted	10.53	—	

Financial position

(Millions of yen)	September 30	
	<u>2000</u>	<u>1999</u>
Total assets	¥ 696,029	¥ 675,089
Shareholders' equity	229,234	215,933
(%)		
Shareholders' equity to total assets	32.9 %	32.0 %
(Yen)		
Shareholders' equity per share	¥ 408.43	¥ 384.58

Cash Flow

(Millions of yen)	September 30
	<u>2000</u>
Net cash provided by operating activities	¥ 12,539
Net cash used in investing activities	(7,091)
Net cash used in financing activities	719
Cash and cash equivalents at end of year	67,482

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 six months ended September 30, 2000

During the six months ended September 30, 2000, **operating** conditions in Japan continued to be tough despite moderate improvement resulting from government economic stimulus measures, economic recovery in the rest of Asia, and restructuring in the private sector. In contrast, conditions overseas remained favorable despite signs that growth is slowing down in some areas of the U.S. economy. In Europe, gradual growth is being supported by the weak euro, while economies in the rest of Asia are seeing a steady recovery.

Under these conditions, the NSK Group continued to reduce manufacturing costs and general expenses. 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. Further growth is expected in precision machinery and parts and ball bearings, and so NSK is currently increasing production capacity both domestically and overseas.

Interim net sales amounted to ¥268,494 million, an increase of ¥28,513 million (+11.9%) compared with the previous year. Operating income improved by ¥5,203 million to ¥12,151 million (+74.9%) while ordinary income rose ¥4,802 million to ¥7,869 million (+156.6%).

The introduction of new accounting principles governing severance indemnities resulted in an extraordinary loss of ¥17,907 million to recognize pension liabilities incurred in prior periods. This was offset, however, by extraordinary income of ¥16,983 million from the establishment of an employee retirement benefit trust.

Consequently, net profit in the interim period was ¥5,959 million, an increase of ¥4,795 million (+411.8) over the previous term.

Net Sales By Product Category

Bearings

Bearing sales increased to the domestic automobile and machine tool sectors and to the aftermarket, while overseas sales also rose. Net sales for the Bearings Division stood at ¥158,507 million, an increase of ¥12,108 million (+8.3%) compared with the previous year.

Automotive Components

Net sales of automotive products climbed ¥9,065 million (+15.4%) to ¥67,811 million year-on-year, supported by an increase in sales of automatic transmission components sparked by growth in the domestic automobile market.

Precision Machinery and Parts, Mechatronics Products

Domestic net sales was ¥28,274 million, an increase of ¥8,295 million (+41.5%) compared with a year earlier, owing to increased investment by makers of semiconductor manufacturing equipment and by the information technology sector, and due to a large increase in sales in the Americas, Europe, and Asia.

Net Sales by Region

Japan

Net sales in Japan amounted to ¥173,074 million, for a year-on-year increase of ¥17,796 million (+11.5%), while operating income was ¥10,698 million, supported by growth to the automotive and machine tool sectors and the aftermarket, and by higher exports to the Americas, Europe, and particularly to the rest of Asia on the back of economic recovery in the region.

The Americas

Sales of precision machinery and parts and of automotive bearings increased steadily in North America, while substantial sales growth was recorded in Latin America, particularly Brazil. As a result, net sales for the Americas improved by ¥5,209 million (+14.9%) to ¥40,099 million, and operating income was ¥2,804 million.

Europe

The European economy is continuing to expand and sales volumes remain brisk. The weakness of the euro, however, restricted net sales to ¥36,174 million, an increase of ¥1,661 million (+4.8%). To reverse the loss position caused by the weak euro we have implemented a restructuring program that encompasses the reorganization of manufacturing facilities and plans for sales expansion. Despite these measures, an operating loss of ¥1,450 million was recorded in Europe.

Asia and Oceania

The economies of Asia enjoyed an export-led recovery and sales in the region reached ¥19,145 million, an increase of ¥3,846 million (+25.1%) compared with the previous year, while operating income stood at ¥2,146 million, supported by higher sales in the ASEAN region and China.

Cash Flow

Cash flow provided by operating activities increased by ¥12,539 million. Of this, income before income taxes and minority interests was ¥9,011 million, with depreciation and amortization of ¥12,419 million. Higher volumes led to an increase in notes and accounts receivable that used cash of ¥15,990, whereas an increase in notes and accounts payable provided cash of ¥5,768. A decrease in inventories provided cash of ¥2,791 million.

Cash flow used in investing activities decreased by ¥7,091 million. This included additions to plant, property and equipment of ¥14,366, less income of ¥5,026 million arising from the sale of marketable securities.

Net cash used in financing activities increased by ¥719 million. This comprised expenditure of ¥17,503 million for the repayment of debt and the redemption of corporate bonds, and income of ¥20,000 million generated from the issuance of corporate bonds in April 2000 for the purpose of paying dividends totaling ¥1,401 million and to redeem ¥30,000 million worth of corporate bonds in December 2000.

In aggregate, the net increase in cash and cash equivalents (after an adjustment for the effect of exchange rate changes on cash) was ¥5,869 million, resulting in cash and cash equivalents of ¥67,482 million for the first half of the fiscal year.

Forecast for the year ending March 31,2001

	(Millions of yen)
Net sales	¥535,000
Ordinary income	20,000
Net income	12,000

Further moderate recovery in domestic business conditions is anticipated as companies continue to increase **capital** investment following improvement in corporate results. The outlook overseas is generally favorable with the economies of the rest of Asia expected to remain brisk, despite concerns about economic slowdown in the U.S., the weakness of the euro and other currencies, and inflationary pressure from high oil prices.

In the fiscal year ending March 31, 2001, management forecasts net sales of ¥535,000 million, ordinary income of ¥20,000 million, and net profit of ¥12,000 million. These forecasts assume an exchange rate of ¥105 per U.S. dollar and ¥90 per euro.

The NSK Group will continue efforts to reduce manufacturing costs and restructure the company in Europe.

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.

Consolidated statements of income

(Millions of yen)	Six months ended September 30		
	2000	1999	Change %
Net sales	¥268,494	¥ 239,981	+ 11.9
Cost of sales	216,545	195,539	
Selling, general and administrative expenses	39,798	37,494	
Operating income	12,151	6,948	+ 74.9
Other income:			
Interest and dividends	1,300	1,803	
Equity in earnings of affiliated companies	1,613	1,397	
Other	2,223	956	
	5,136	4,157	
Other expenses:			
Interest expense	5,232	5,331	
Other	4,185	2,707	
	9,417	8,038	
Ordinary income	7,869	3,067	+ 156.6
Extraordinary income:			
Gain on sale of securities	1,113	6,861	
Gain on sale of affiliated companies' share	952	—	
Gain on disposal of securities to establish retirement benefit trust	16,983	—	
Profit from sale of fixed assets	—	5,962	
Extraordinary losses:			
Retirement benefit expenses resulting from the adoption of the accounting standards for retirement benefits	17,907	—	
Restructuring costs	—	2,369	
Unrealized loss on securities	—	652	
Early retirement expenses	—	10,519	
Income before income taxes	9,011	2,349	
Income taxes			
Current	3,672	2,405	
Deferred	(649)	(1,419)	
Minority interests	28	199	
Net income	¥5,959	¥1,164	+411.8

Consolidated balance sheets

(Millions of yen)	As of September 30 <u>2000</u>	As of March 31 <u>1999</u>	<u>Increase (Decrease)</u>
Assets			
Current assets	¥329,756	¥392,459	¥(62,703)
Cash and deposits	29,255	24,342	4,913
Notes and accounts receivable	144,081	129,813	14,268
Marketable securities	32,935	108,237	(75,302)
Inventories	97,062	101,526	(4,464)
Other current assets	27,385	30,079	(2,694)
Less allowance for doubtful accounts	(963)	(1,539)	576
Noncurrent assets	366,272	247,631	118,641
Property, plant and equipment	188,199	185,396	2,803
Buildings and structures	58,376	59,764	(1,388)
Machinery and delivery equipment	88,489	86,236	2,253
Land	23,489	23,192	297
Other property, plant and equipment	17,843	16,203	1,640
Intangible fixed assets	1,969	1,979	(10)
Investments and other assets	176,103	60,254	115,849
Investments in securities	168,387	41,516	126,871
Deferred tax assets	476	10,579	(10,103)
Other investments and other assets	8,556	9,209	(653)
Less allowance for doubtful accounts	(1,316)	(1,049)	(267)
Translation adjustments		28,683	(28,683)
Total assets	696,029	668,774	27,255

NSK Ltd. (Consolidated)

(Millions of yen)	As of September 30 <u>2000</u>	As of March 31 <u>1999</u>	<u>Increase</u> <u>(Decrease)</u>
Liabilities			
Current liabilities	¥265,012	¥282,719	(17,707)
Notes and accounts payable	102,588	99,423	3,165
Short term bank loans	89,758	106,763	(17,005)
Current portion of bonds	30,000	31,666	(1,666)
Accrued income taxes	3,304	5,524	(2,220)
Other current liabilities	39,361	39,342	19
Long term liabilities	191,417	160,951	30,466
Bonds	117,272	97,278	19,994
Long term debts	26,221	25,610	611
Deferred income taxes	17,644	1,538	16,106
Liability for past service cost of pension plan	—	14,637	(14,637)
Accrued severance indemnities	21,634	12,686	8,948
Other long term liabilities	8,644	9,199	(555)
Total liabilities	456,430	443,670	12,760
Minority interests	10,634	9,112	1,252
Shareholder's equity			
Common stock	67,170	67,167	3
Additional paid-in capital	82,354	82,351	3
Retained earnings	70,869	66,593	4,276
Net unrealized gains on other securities	37,322	—	37,322
Translation adjustments	(28,018)	—	(28,018)
Less: treasury common stock	(345)	(2)	(343)
Less: common stock of the parent held by consolidated subsidiaries	(117)	(117)	—
Total shareholder's equity	229,234	215,991	13,243
Total liabilities and shareholder's equity	696,029	668,774	27,255

Consolidated statements of cash flows

(April 2000 through September 2000) (April 1999 through March 2000)

(Millions of yen)	<u>2000</u>	<u>1999</u>
Operating activities		
Income before income taxes and minority interests	9,011	8,599
Depreciation expenses	12,419	26,349
Amortization of excess of cost over net assets acquired	—	1,496
Increase (Decrease) in allowance for doubtful accounts	(266)	108
Decrease in allowance for retirement benefits	(1,298)	(1,251)
Interest expenses	5,232	10,332
Unrealized loss on securities	—	2,020
Equity in earnings of affiliates	(1,613)	(3,298)
Gain on sales of property, plant and equipment	(519)	(6,408)
Gain on sales of securities	(1,113)	(14,037)
Gain on sale of affiliated companies' share	(952)	—
Increase in trade notes and accounts receivable	(15,990)	(14,450)
Decrease in inventories	2,791	5,655
Increase in trade notes and accounts payable	5,768	17,717
Others	7,088	2,155
Subtotal	19,257	32,064
Interest and dividends received	3,201	2,916
Interest paid	(4,003)	(10,344)
Income taxes paid	(5,916)	(4,264)
Net cash provided by operating activities	12,539	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	(14,366)	(26,701)
Proceeds from sales of property, plant and equipment	2,048	8,760
Payments for purchase of investments in securities	(237)	(714)
Proceeds from sales of investments in securities	5,026	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	945	—
Additional acquisition of affiliated companies' share	(1,040)	(3,136)
Others	573	1,269
Net cash provided by investing activities	(7,091)	15,244
Financing activities		
Decrease in short-term bank loans	(9,891)	(2,033)
Proceeds from origination of long-term loans	3,736	5,251
Payments for repayment of long-term loans	(9,658)	(8,598)
Proceeds from issuance of bonds	20,000	—
Payments for redemption of bonds	(1,690)	(10,491)
Dividends paid	(1,401)	(2,809)
Others	(376)	(388)
Net cash provided by financing activities	719	(19,071)
Effect of exchange rate changes on cash and cash equivalents	(298)	(2,467)
Net increase in cash and cash equivalents	5,869	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	67,482	61,613

Sales by geographic segment

Six months ended September 30, 2000

(Millions of yen)	Eliminations						Consolidated
	Japan	Americas	Europe	Asia	Total	and other	
Sales to third parties	¥173,074	¥40,099	¥36,174	¥19,145	¥268,494	—	¥268,494
Interarea sales and transfers	<u>42,396</u>	<u>218</u>	<u>1,431</u>	<u>6,831</u>	<u>50,878</u>	<u>(50,878)</u>	—
Total	215,470	40,318	37,606	25,976	319,372	(50,878)	268,494
Operating expenses	204,772	37,514	39,057	23,830	305,174	(48,831)	256,343
Operating income	<u>¥10,698</u>	<u>¥2,804</u>	<u>¥(1,450)</u>	<u>¥2,146</u>	<u>¥14,198</u>	<u>¥(2,046)</u>	<u>¥12,151</u>

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	<u>35,076</u>	<u>77</u>	<u>1,176</u>	<u>6,234</u>	<u>42,565</u>	<u>(42,565)</u>	—
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	<u>¥5,014</u>	<u>¥2,458</u>	<u>¥(518)</u>	<u>¥1,977</u>	<u>¥8,932</u>	<u>¥(1,984)</u>	<u>¥6,948</u>