

NSK Ltd.

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For Immediate Release

November 15, 2002

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002 (unaudited)

Financial highlights

(Millions of yen)	Six months ended September 30		Change %
	2002	2001	
Net sales	¥ 260,694	¥ 252,419	3.3
Operating income	6,488	4,926	31.7
Ordinary income	3,206	1,984	61.6
Net income	848	3,653	-76.8
(Yen)			
Net income per share			
Basic	¥ 1.54	¥ 6.51	
Diluted	—	6.51	

Financial position

(Millions of yen)	As of	As of
	September 30, 2002	March 31, 2002
Total assets	¥ 599,820	¥642,823
Shareholders' equity	178,520	208,179
(%)		
Shareholders' equity to total assets	29.8%	32.4%
(Yen)		
Shareholders' equity per share	¥ 327.18	¥ 378.03

Cash Flow

(Millions of yen)	Six months ended September 30	
	2002	2001
Net cash provided by operating activities	¥ 19,838	¥ 8,964
Net cash (used in) investing activities	-8,077	-14,625
Net cash (used in) provided by financing activities	-18,235	1,185
Cash and cash equivalents at end of period	49,460	42,494

Consolidated balance sheets

(Millions of yen)	As of September 30,	As of March 31,	
	2002	2002	Increase Decrease
Assets			
Current assets	¥ 275,759	¥291,490	¥ -15,731
Cash and deposits	29,845	24,465	5,380
Notes and accounts receivable – trade	119,161	112,655	6,506
Marketable securities	12,391	30,737	-18,346
Inventories	84,135	97,459	-13,324
Other current assets	31,850	27,825	4,025
Less allowance for doubtful accounts	-1,625	-1,653	28
Non-current assets	324,061	351,332	-27,271
Property, plant and equipment	205,100	217,565	-12,465
Buildings and structures	64,197	67,954	-3,757
Machinery and transportation equipment	98,037	104,858	-6,821
Land	23,195	24,359	-1,164
Other property, plant and equipment	19,670	20,393	-723
Intangible assets	2,625	2,614	11
Investments and other assets	116,336	131,153	-14,817
Investment securities	93,859	122,777	-28,918
Deferred tax assets	1,595	1,557	38
Prepaid pension costs	13,910	—	13,910
Other investments and other assets	9,032	8,979	53
Less allowance for doubtful accounts	-2,062	-2,161	99
Total assets	¥ 599,820	¥ 642,823	¥ -43,003

NSK Ltd. (Consolidated)

(Millions of yen)	As of September 30, <u>2002</u>	As of March 31, <u>2002</u>	Increase Decrease
Liabilities			
Current liabilities	¥ 231,341	¥ 239,378	¥ -8,037
Notes and accounts payable – trade	85,390	86,346	-956
Short-term loans	91,114	98,453	-7,339
Current portion of bonds payable	10,000	20,000	-10,000
Income taxes payable	1,908	1,377	531
Other current liabilities	42,928	33,200	9,728
Long-term liabilities	177,821	182,455	-4,634
Bonds payable	96,989	96,989	—
Long-term loans	57,763	56,917	846
Deferred tax liabilities	8,705	6,945	1,760
Accrued employees' retirement benefits	6,295	13,141	-6,846
Accrued officers' retirement benefits	1,442	1,600	-158
Other long-term liabilities	6,625	6,859	-234
Total liabilities	<u>409,162</u>	<u>421,833</u>	<u>-12,671</u>
Minority interests	<u>12,137</u>	<u>12,810</u>	<u>-673</u>
Shareholders' equity			
Common stock	67,176	67,176	—
Capital surplus	77,923	77,923	—
Retained earnings	53,405	53,921	-516
Unrealized holding gains on securities	5,192	24,316	-19,124
Translation adjustments	-22,752	-14,749	-8,003
Treasury stock	-2,425	-408	-2,017
Total shareholders' equity	<u>178,520</u>	<u>208,179</u>	<u>-29,659</u>
Total liabilities and shareholders' equity	<u>¥ 599,820</u>	<u>¥ 642,823</u>	<u>¥ -43,003</u>

Consolidated statements of operations

Six months ended September 30

(Millions of yen)	2002	2001	Change %
Net sales	¥ 260,694	¥ 252,419	3.3
Cost of sales	211,699	206,476	2.5
Selling, general and administrative expenses	42,506	41,016	3.6
Operating income	6,488	4,926	31.7
Non-operating income:	4,032	3,707	8.8
Interest and dividend income	989	1,433	-31.0
Equity in earnings of affiliated companies	1,546	1,089	42.0
Other	1,496	1,184	26.3
Non-operating expenses:	7,315	6,650	10.0
Interest expenses	3,365	3,953	-14.9
Other	3,949	2,696	46.5
Ordinary income	3,206	1,984	61.6
Extraordinary income:	14,979	9,508	57.5
Gain on sales of investment securities	2,326	232	—
Gain on sales of property, plant and equipment	761	9,276	-91.8
Gain on contribution of securities to employees' retirement benefit trust	11,891	—	—
Extraordinary losses:	10,658	1,753	507.9
Costs related to business restructuring	9,446	245	—
Loss on devaluation of investment securities	216	1,508	-85.6
Loss on sales of investments in affiliated companies	844	—	—
Provision for employees' retirement benefit trust	151	—	—
Income before income taxes and minority interests	7,526	9,739	-22.7
Income taxes:			
Current	1,814	5,177	-65.0
Deferred	5,051	692	629.6
Minority interests in earnings of consolidated subsidiaries	-188	215	—
Net income	¥ 848	¥ 3,653	-76.8

Consolidated statement of surplus

(Millions of yen)	Six months ended September 30		Increase Decrease
	2002	2001	
Capital surplus			
Capital surplus at the beginning of period	<u>¥ 77,923</u>	<u>¥ 82,359</u>	<u>¥ -4,436</u>
Increase in capital surplus			
Conversion of convertible bonds	—	1	-1
Capital surplus at the end of period	<u>¥ 77,923</u>	<u>¥ 82,360</u>	<u>¥ -4,437</u>
Retained earnings			
Retained earnings at the beginning of period	<u>¥ 53,921</u>	<u>¥ 74,453</u>	<u>¥ -20,532</u>
Decrease in retained earnings			
Dividends	1,363	1,402	-39
Net income	848	3,653	-2,805
Retained earnings at the end of period	<u>¥ 53,405</u>	<u>¥ 76,705</u>	<u>¥ -23,300</u>

Consolidated statements of cash flows

Six months ended September 30

(Millions of yen)

	2002	2001
Operating activities		
Income before income taxes and minority interests	¥ 7,526	¥ 9,739
Depreciation and amortization	13,964	13,295
Amortization of excess of cost over net assets acquired	—	381
(Decrease) increase in allowance for doubtful accounts	-88	132
(Decrease) in provision for retirement benefits	-14,326	-391
Interest and dividend income	-989	-1,433
Interest expense	3,365	3,953
Equity in earnings of affiliated companies	-1,546	-1,089
Gain on sales of property, plant and equipment	-761	-9,276
Gain on sales of investment securities	-2,326	-232
Loss on devaluation of investment securities	216	1,508
Loss on sales of investments in affiliated companies	844	—
Business restructuring expenses	790	—
(Increase) decrease in notes and accounts receivable	-8,956	12,500
Decrease (increase) in inventories	9,381	-454
(Decrease) in notes and accounts payable	-427	-14,354
Other	14,985	2,591
Subtotal	21,653	16,870
Interest and dividends received	1,876	2,174
Interest paid	-4,304	-4,130
Income taxes paid	612	-5,950
Net cash provided by operating activities	19,838	8,964
Investing activities		
Additions to property, plant and equipment	-12,994	-21,564
Proceeds from sales of property, plant and equipment	1,710	9,368
Acquisition of investment securities	-435	-2,703
Proceeds from sales of investment securities	3,291	294
Proceeds from acquisition of subsidiaries' stock resulting in changes in consolidation	—	273
Proceeds from sales of subsidiaries' stock resulting in changes in consolidation	1,046	—
Acquisition of affiliated companies' stock	-147	-75
Payments for advances	-5	-121
Proceeds from collection of advances	105	52
Other	-647	-149
Net cash (used in) investing activities	-8,077	-14,625
Financing activities		
Net (decrease) increase in short-term bank loans	-6,364	12,945
(Decrease) in commercial paper	—	-10,000
Long-term debt – borrowing	3,018	1,691
Long-term debt – repayments	-1,647	-2,038
Payments for redemption of bonds	-10,000	—
Payments for acquisition of treasury stock	-1,754	—
Dividends paid	-1,375	-1,683
Dividends paid to minority stockholders	-23	-27
Other	-89	297
Net cash (used in) provided by financing activities	-18,235	1,185
Effect of exchange rate changes on cash and cash equivalents	-624	257
Net (decrease) increase in cash and cash equivalents	-7,097	-4,217
Cash and cash equivalents at beginning of the year	56,558	46,712
Cash and cash equivalents at end of period	¥ 49,460	¥ 42,494

Sales by business segment

Six months ended September 30, 2002

(Millions of yen)	Bearings	Automotive components	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 160,355	¥ 75,074	¥ 16,525	¥ 8,739	¥ 260,694	—	¥ 260,694
Intersegment sales and transfers	—	—	—	2,657	2,657	-2,657	—
Total	160,355	75,074	16,525	11,397	263,351	-2,657	260,694
Operating expenses	151,009	73,109	19,950	10,998	255,068	-863	254,205
Operating income (loss)	¥ 9,345	¥ 1,964	¥ -3,425	¥ 398	¥ 8,282	¥ -1,793	¥ 6,488

Six months ended September 30, 2001

(Millions of yen)	Bearings	Automotive components	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 155,513	¥ 65,407	¥ 20,852	¥ 10,646	¥ 252,419	—	¥ 252,419
Intersegment sales and transfers	—	—	—	5,318	5,318	-5,318	—
Total	155,513	65,407	20,852	15,964	257,738	-5,318	252,419
Operating expenses	148,796	65,317	21,411	15,205	250,731	-3,238	247,493
Operating income (loss)	¥ 6,717	¥ 89	¥ -558	¥ 758	¥ 7,006	¥ -2,080	¥ 4,926

Sales by geographical segment

Six months ended September 30, 2002

(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 155,051	¥ 40,898	¥ 42,058	¥ 22,685	¥ 260,694	—	¥ 260,694
Interarea sales and transfers	36,925	152	1,778	6,396	45,253	-45,253	—
Total	191,976	41,050	43,837	29,082	305,947	-45,253	260,694
Operating expenses	185,971	40,000	45,039	26,886	297,897	-43,692	254,205
Operating income (loss)	¥ 6,005	¥ 1,050	¥ -1,201	¥ 2,195	¥ 8,050	¥ -1,561	¥ 6,488

Six months ended September 30, 2001

(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 151,183	¥ 38,378	¥ 42,299	¥ 20,557	¥ 252,419	—	¥ 252,419
Interarea sales and transfers	39,639	190	1,667	7,690	49,188	-49,188	—
Total	190,823	38,569	43,967	28,247	301,607	-49,188	252,419
Operating expenses	186,172	36,877	46,106	25,946	295,102	-47,609	247,493
Operating income (loss)	¥ 4,651	¥ 1,692	¥ -2,138	¥ 2,301	¥ 6,505	¥ -1,578	¥ 4,926

Sales by customer location

	Year ended September 30, 2002			
(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 43,085	¥ 41,793	¥ 39,251	¥ 124,130
Consolidated net sales				260,694
Ratio of overseas sales to consolidated net sales	16.5%	16.0%	15.1%	47.6%

	Year ended September 30, 2001			
(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 40,272	¥ 42,959	¥ 37,352	¥ 120,584
Consolidated net sales				252,419
Ratio of overseas sales to consolidated net sales	16.0%	17.0%	14.8%	47.8%

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 locations 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. Mid- and Long-Term Strategies

NSK pursues a policy of "Select and Focus" and endeavors to build a framework of global expansion as a means of adapting to the changes in business environment and further improve profitability. NSK will press forward with the spin-off of its business units, with each unit being held accountable for its profitability and allowing each unit to specialize in their respective markets. At the same time, we will also strategically seek global alliances to establish a strong foothold as a globally based corporation. NSK will continue to expand its business on a worldwide level, while at the same time, strengthening its technological development capabilities to improve fundamental technologies and develop new products.

4. 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 have been appointed, and the top management of our major subsidiaries now concurrently hold executive posts in the parent company as a means of reinforcing the consolidated management of the overall NSK Group. Furthermore, compensation for Directors and Executive Officers is decided by the Executive Compensation Committee, headed by an outside Director, in order to increase corporate transparency. NSK has also formed a "Risk Management Committee" to brace the entire NSK Group against potential crises, especially as corporate entities are coming under increasing public scrutiny.

5. Key Management Tasks

As the economic environment continues to deteriorate, NSK will continue to focus aggressively on the 2nd phase of the "NSK Business Restructuring Program," which involves the reorganization of production systems, both inside and outside Japan, reforming employment and procurement systems, as well as further reducing costs by implementing stricter fixed-cost cutting measures. We will also continue to reduce inventory and interest-bearing debts in order to improve our financial position and increase profitability.

We will further revolutionize our production methods, which are the foundation of any manufacturer's competitiveness, by drastically changing our work procedures. In addition, we shall be taking part in the development of "e" innovation activities, with the objective of improving service to our customers and distributors. We shall also take active part in

environmental protection activities in accordance with our “Mid-term strategy.”

In this manner, members of the NSK Group will combine their management efforts in order to remain a healthy corporate group with potential to expand in the 21st century.

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, 2002

In Japan, the difficult economic environment continues, with protracted weakness in the stock markets, the instability of the nation's financial system and the continuation of deflation causing consumer demand to remain flat and unemployment to remain at a high level. However, certain areas experienced some recovery as a result of an increase in export demand. In the U.S., the growth in consumer demand has started to level out, and the speed of economic recovery has slowed down yet again. In the U.K., the economy continues to recover, however, this trend has started to weaken in all other European countries. Expansion continues in Asia, supported by healthy export demand, although the pessimistic outlook for the U.S. economy has thrown a cloud over this region as well.

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

As a result, consolidated net sales for the six months ended September 30, 2002 ended at ¥260,694 million, an increase of ¥8,275 million or 3.3% from the same period last year. Operating income increased to ¥6,488 million, a year-on-year increase of 1,562 million or 31.7%, while ordinary income was ¥3,206 million, up ¥1,222 million or 61.6%.

Extraordinary income, including a ¥11,891 million gain on contribution of securities to the employees' retirement benefit trust, has been offset by extraordinary losses including ¥9,446 million in restructuring costs such as special severance payments arising from the expanded application of the early retirement program. As a result, net income for the six months ended September 30 ended at ¥848 million, down ¥2,805 million from the same period last year.

Net sales by product category

Bearings

In Japan, sales to the automotive industry increased. Sales in Europe were weaker, but increased in the Americas and Asia, resulting in overall bearing sales totaling ¥160,355 million, up 3.1% (¥4,842 million) from the same period last year. Operating income was ¥9,345 million.

Automotive components

Sales of electric power assisted steering (EPS) systems and automatic transmission components increased in Japan, and added with the sharp sales increase in Europe, sales of automotive components ended at ¥75,074 million, up 14.8% (¥9,667 million) from the same period last year. Operating income was ¥1,964 million.

Precision machinery and parts, mechatronic products

Domestic sales, especially to the semiconductor production equipment and machine tool sectors, deteriorated sharply, as did sales in the Americas and Europe. This resulted in sales decreasing to ¥16,525 million, down 20.8% (¥4,327 million) from the same period last year, with an operating loss of ¥3,425 million.

Other

Other sales totaled ¥8,739 million, down 17.9% (¥1,907 million) from the same period last year. Operating income was ¥398 million.

Net sales by region

Japan

Domestic precision machinery sales to the semiconductor production equipment and machine tool sectors decreased sharply. However, sales of bearings and automotive components to the automotive sector saw a substantial increase, bringing net sales in Japan to ¥155,051 million, up 2.6% (¥3,868 million) from the same period last year. Operating income was ¥6,005 million.

The Americas

In the Americas, sales of automotive components saw a sharp increase, but sales of precision machinery and parts were weaker. As a result, sales totaled ¥40,898 million, a year-on-year increase of 6.6% (¥2,520 million), and operating income was ¥1,050 million.

Europe

Europe saw a sharp increase in sales of electric power assisted steering (EPS) systems, but a steep decline in demand for bearings and precision machinery and parts. As a result, sales finished at ¥42,058 million, a year-on-year decrease of 0.6% (¥241 million). Business restructuring efforts are being continued, but we were unable to prevent an operating loss of ¥1,201 million for the period.

Asia and Oceania

The Asian economy remains healthy, with increasing demand for bearings. Sales totaled ¥22,685 million, up 10.4% (¥2,128 million) from the previous term. Operating income was ¥2,195 million.

Cash Flow

Cash flow provided by operating activities amounted to ¥19,838 million. This includes income before income taxes and minority interests worth ¥7,526 million, depreciation and amortization worth ¥13,964 million, reduction of inventories worth ¥9,381 million and an increase in notes and accounts receivable that used cash equivalent to ¥8,956 million.

Cash flow used in investing activities was ¥8,077 million, including investments in property, plant and equipment of ¥12,994 million, and sale of investment securities worth ¥3,291 million. Net cash used in financing activities was ¥18,235 million. This includes net decrease of debts of ¥4,992 million, expenditure of ¥10,000 million for the redemption of bonds, payment of ¥1,754 million for acquisition of treasury stock, and dividend payment of ¥1,375 million.

In aggregate, the net decrease in cash and cash equivalents (after adjustments for the effect of exchange rate changes on cash) was ¥7,097 million, resulting in cash and cash equivalents at end of the period to decrease to ¥49,460 million.

Forecast for the year ending March 31, 2003

	(Millions of yen)
Net sales	¥ 505,000
Ordinary income	7,000
Net income	1,000

Uncertainty surrounding the outlook of the U.S. economy grows stronger, and coupled with the falling domestic stock prices and high unemployment rate, this is expected to have a negative impact on consumer demand. In these difficult business conditions, NSK will continue to review its business foundations, both inside and outside Japan. NSK will also press forward with the reorganization of its production system and supplier base. From October 2002, both the precision machinery and parts business and the steering column business have been spun-off to form separate entities. We are also pushing forward activities to improve our financial position by reducing external procurement costs, reforming our employment and salary systems, and further reducing fixed costs and inventories.

Under the current economic conditions, NSK forecasts net sales of ¥505,000 million for the year ending March 31, 2003. Operating income, ordinary income and net income are forecasted at ¥14,000 million, ¥7,000 million and ¥1,000 million, respectively.

Please note that these estimate figures have been calculated using an estimated foreign exchange rate of \$1=¥120.

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.