

Koyo

ANNUAL REPORT 2001

For the year ended March 31, 2001



KOYO SEIKO CO., LTD.

MESSAGE FROM THE CHAIRMAN AND PRESIDENT

It is our pleasure to report to you on Koyo Seiko's business performance for the fiscal year ended March 31, 2001.

Regarding the state of Japan's economy during this period, although private-sector investment in facilities and equipment fueled slight growth in the early stages, levels of personal consumption failed to rebound because of continued high unemployment and other factors, and as a result, signs of retraction began to appear in the period's latter half, creating a strong sense of uncertainty as to the economy's direction.

Concerning overseas economies, while comparatively stable growth was exhibited by the European economy, the trend toward economic slowdown in America continued, bringing about a climate of economic retraction among Asian economies as well.

Amidst such economic circumstances, the Koyo Group strove to improve the efficiency of its manufacturing and sales structure while strengthening technical capability and quality. As a result, the group achieved 396,108 million yen in consolidated sales, an improvement of 35,045 million yen, or 9.7 percent, over the previous term's figure.

Results by product division are shown below.

Sales of bearings rose 8.2 percent from the previous term to 202,097 million yen thanks to strong demand from the domestic auto industry and increased overseas sales, particularly in the Asian region.

Steering division sales rose 11.5 percent to 132,983 million yen thanks mainly to a significant increase in sales to European customers.

Sales in other product divisions were 61,028 million yen, an increase of 10.9 percent, stemming mainly from strong domestic demand.

Thanks to such increased sales and the effect of cost reduction efforts, etc., a consolidated operating income of 10,259 million yen was achieved, an improvement over the previous term's result. However, a consolidated net loss of 12,106 million yen resulted from such factors as a lump sum amortization of the difference incurred by changing the accounting policy related to allowances for retirement pension reserves.

In regard to consolidated cash flows, net cash through operating activities increased 23,738 million yen, net cash through investment activities such as acquiring fixed assets decreased 22,339 million yen, and net cash through financing activities rose 12,908 million yen. In addition, a currency translation gain and a gain through new consolidations were realized, resulting in cash and cash equivalents at the period's end amounting to 40,490 million yen, an increase of 14,639 million yen from the previous period's end.

Concerning the outlook for the future, although a relaxation of federal interest rates and other measures are being implemented to bring about an early recovery of the U.S. economy, it is feared that the strong sense of uncertainty regarding its direction will lead to further economic slowdown in Asian economies and negatively affect European economies as well. In Japan, signs of a worsening export environment are appearing, causing the climate of economic retraction to spread and fueling concern that Japan's economic situation will grow increasingly severe.

Given such conditions, the Koyo Group will strive to raise its management efficiency by furthering the selected and concentrated use of management resources and work to improve profitability while continuing efforts to achieve exhaustive cost reductions. In regard to the group's globally expanding bearing and steering businesses, we will push forth a reorganization aimed at enabling production at ideal locations worldwide and aggressively carry out R&D aimed at creating environmentally friendly products.

While steadily pursuing the above objectives, we will endeavor to strengthen our management base so that we can respond appropriately to the dramatic changes taking place in the business environment and work to improve business results.

We hope for the continued support and understanding of our shareholders.



Hiroshi Inoue
Chairman

Hiroshi Inoue



Kohshi Yoshida
President

Kohshi Yoshida

Profile March 2001

Foundation:	January, 1921	
Capital:	25,894 million yen	
Number of Employees:	6,795	
Products:	Ball & Roller Bearings	Drive Shafts
	Ball Bearing Units	Oil Seals
	Bearing Relating Products	Machine Tools
	Steering Gear Systems	Industrial Heat Treatment Furnaces etc.

Members of the Board and Officers

Chairman	Hiroshi Inoue	Director	Masaomi Sou
President	Kohshi Yoshida	Director	Shuji Miyawaki
Executive Vice-President	Fumio Morishita	Director	Yoshihiko Sasabe
Senior Executive Director	Yasuro Suzuki	Director	Kazuro Kajiwara
Senior Executive Director	Tsuneyoshi Usui	Director	Tetsuo Inui
Senior Executive Director	Keiji Morita	Director	Katsuji Nakajima
Senior Executive Director	Kiyoshi Takeda	Director	Yuji Doi
Executive Director	Hajime Arai	Director	Kenji Sasaki
Executive Director	Toshikatsu Taniguchi		
Executive Director	Kohji Hashiguchi	Corporate Auditor	Nobutoshi Maeda
Executive Director	Michiro Kajiwara	Corporate Auditor	Kazuo Takeda
Executive Director	Taisuke Senoo	Corporate Auditor	Fujio Cho
Director	Katsuaki Watanabe	Corporate Auditor	Akio Kugai
Director	Kunihiko Kato		
Director	Mitsuhiro Ikeda		
Director	Masahiko Noguchi		

Shareholders' Information March 2001

Among 500,000,000 authorized shares of Koyo Seiko Co., Ltd. 196,175,184 shares are issued. The number of shareholders is 7,826 as of March 31, 2001.

A total of 89,640,248 shares (45.7 %) of issued shares are held by financial organizations, 67,092,915 shares (34.2%) by other Japanese corporations, 14,627,314 shares (7.5%) by individuals, 2,166,943 shares (1.1 %) by security companies, and 22,647,764 (11.5 %) by foreign companies and individuals.

Major shareholders and their owned shares in thousands are as follows:

Toyota Motor Co., Ltd. (48,569)
Nippon Life Insurance Co. (15,100)
The Asahi Bank, Ltd. (9,784)
The Sumitomo Trust & Banking Co., Ltd. (9,729)
The Sumitomo Bank, Ltd. (6,051)
The Bank of Tokyo-Mitsubishi, Ltd. (6,032)
Tokai Bank, Ltd. (4,000)
The Sakura Bank, Ltd. (3,756)
Toyota Tsusho Co., Ltd. (3,745)
Japan Trustee Services Bank, Ltd. (3,511)

CONSOLIDATED BALANCE SHEETS

March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
ASSETS			
Current assets:			
Cash	¥ 35,792	¥ 20,109	\$ 288,882
Time deposits	2,413	2,971	19,480
Short-term investments	4,031	15,489	32,535
Notes and accounts receivable:			
Trade	105,870	87,344	854,480
Unconsolidated subsidiaries and affiliates	4,272	2,524	34,483
Other	9,693	6,598	78,229
	119,835	96,466	967,192
Allowance for doubtful accounts	(628)	(630)	(5,072)
	119,207	95,836	962,120
Inventories	80,268	71,402	647,841
Deferred income taxes and other current assets	9,894	8,361	79,853
Total current assets	251,605	214,168	2,030,711
Investments and advances:			
Investments in securities	14,257	1,907	115,071
Investments in and advances to unconsolidated subsidiaries and affiliates	19,969	12,403	161,170
	34,226	14,310	276,241
Property, plant and equipment:			
Buildings and structures	95,468	91,301	770,526
Machinery and equipment	359,468	343,476	2,901,271
	454,936	434,777	3,671,797
Accumulated depreciation	(325,342)	(311,662)	(2,625,841)
	129,594	123,115	1,045,956
Land	27,113	27,235	218,827
Construction in progress	9,957	7,751	80,363
	166,664	158,101	1,345,146
Deferred income taxes and other assets	18,713	27,596	151,036
	¥ 471,208	¥ 414,175	\$ 3,803,134

The consolidated financial statements include the accounts of Koyo Seiko Co., Ltd. and these of its major subsidiaries and affiliates. These forty subsidiaries and three affiliates are as listed below:

KOYO ELECTRONICS INDUSTRIES CO., LTD.	COPARTNERSHIP KJK	KOYO (U.K.) LTD.
KOYO MACHINE INDUSTRIES CO., LTD.	KOYO CORPORATION OF U.S.A.	KOYO DEUTSCHLAND GMBH.
DAIBEA CO., LTD.	SOCIETE DE MECANIQUE DIRIGNY S.A.	KOYO LATIN AMERICA, S.A.
KOYO THERMO SYSTEMS CO., LTD.	KOYO STEERING DIJON SAINT ETIENNE S.A.S.	KOYO AUSTRALIA PTY. LTD.
ISE SEIKI CO., LTD.	KOYO BEARINGS (EUROPE) LTD.	KOYO CANADA INC.
KOYO SEIATSU CO., LTD.	KOYO DELAWARE INC.	KOYO IBERICA, S.A.
TOKYO KOYO BEARING CO., LTD.	KOYO STEERING EUROPE S.A.S.	KOYO SINGAPORE BEARING PTE. LTD.
NIPPON NEEDLE ROLLER MANUFACTURING CO., LTD.	HYDROPERFECT INTERNATIONAL S.A.	AUTOMATIONDIRECT. COM INC.
KOYO SALES CO., LTD.	WUXI KOYO BEARING CO., LTD.	KOYO MACHINERY U.S.A., INC.
UTSUNOMIYA KIKI CO., LTD.	KOYO STEERING (THAILAND) CO., LTD.	KOYO FINANCE (NETHERLANDS) B.V. (AFFILIATES)
KOYO NETSUSHORI CO., LTD.	KOYO MANUFACTURING (THAILAND) CO.,LTD.	TRW KOYO STEERING SYSTEMS CO.
KOYO SEALING TECHNO CO., LTD.	THAI KOYO CO., LTD.	KOYO ITALIA S.R.L.
KYUEI YOUKO CO., LTD.	KOYO NIDEC (DALIAN) PRECISION BEARINGS CO., LTD.	SONA KOYO STEERING SYSTEMS LTD.
MEIWA SHOKO CO., LTD.	EUROPA-KOYO B.V.	
EIKO SEIMITSU CO., LTD.	KOYO FRANCE S.A.	

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	¥ 75,231	¥ 75,931	\$ 607,191
Current portion of long-term debt	4,187	6,446	33,795
Notes and accounts payable:			
Trade	94,370	65,747	761,662
Unconsolidated subsidiaries and affiliates	3,791	2,977	30,600
Construction	10,816	6,852	87,295
Other	6,754	5,753	54,514
	115,731	81,329	934,071
Income tax payable	4,372	3,144	35,285
Accrued expenses	12,060	9,191	97,339
Accrued employees' bonuses	7,870	7,849	63,522
Other current liabilities	2,705	2,150	21,828
Total current liabilities	222,156	186,040	1,793,031
Long-term debt	90,616	71,181	731,362
Accrued severance indemnities	—	22,926	—
Accrued indemnities from retirement benefit plan	46,638	—	376,414
Accrued severance indemnities for members of the board of directors and corporate auditors	1,499	1,316	12,098
Deferred income taxes and other liabilities	1,555	1,921	12,552
Total liabilities	362,464	283,384	2,925,457
Minority interests in consolidated subsidiaries	8,888	8,782	71,736
Shareholders' equity:			
Common stock, ¥50 (US\$0.40) par value			
Authorized—500,000 thousand shares			
Issued—196,175 thousand shares in 2001 and 2000	25,894	25,894	208,988
Additional paid-in capital	60,665	60,665	489,626
Consolidate retained earnings	22,097	35,461	178,348
Unrealized gain on other securities	2,750	—	22,201
Translation adjustments on foreign currency financial statements	(11,540)	—	(93,138)
Less: treasury share	(10)	(11)	(84)
Total shareholders' equity	99,856	122,009	805,941
	¥ 471,208	¥ 414,175	\$ 3,803,134

Conversion Rate ¥123.90 per One U.S. Dollar

KOYO SEIKO CO., LTD. AND CONSOLIDATED SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF INCOME
AND RETAINED EARNINGS**

For the year ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Net sales	¥ 396,108	¥ 361,063	\$ 3,197,000
Cost of sales	329,738	302,441	2,661,328
Gross profit	66,370	58,622	535,672
Selling, general and administrative expenses	56,111	52,823	452,873
Operating income	10,259	5,799	82,799
Other income (expenses):			
Interest and dividend income	687	618	5,547
Interest expense	(3,652)	(3,177)	(29,474)
Foreign currency exchange gain(loss),net	1,474	(2,235)	11,896
Loss on sales or disposal of property, plant and equipment, net	(1,005)	(21)	(8,108)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,131	1,263	9,132
Other, net	(27,700)	1,569	(223,575)
	(29,065)	(1,983)	(234,582)
Income (loss) before income taxes and items listed below	(18,806)	3,816	(151,783)
Income taxes	5,644	3,462	45,549
Income taxes-deferred	(12,513)	(1,010)	(100,989)
Minority interests in net loss of consolidated subsidiaries	(169)	(320)	(1,365)
Net income (loss)	(12,106)	1,044	(97,708)
Consolidated retained earnings:			
Balance at beginning of the year	35,461	29,883	286,208
Prior period effect of deferred income taxes	-	6,105	-
Merger between a consolidated subsidiary and an unconsolidated retained earnings	190	-	1,532
Consolidation of additional subsidiaries and affiliates	-	(163)	-
Cash dividends	(1,177)	(1,177)	(9,499)
Bonuses to directors and statutory auditors	(271)	(231)	(2,185)
Balance at end of the year	¥ 22,097	¥ 35,461	\$ 178,348
Per share:		Yen	U.S. dollars
Net income (loss)	¥(61.72)	¥5.32	\$(0.498)
Cash dividends	6.00	6.00	0.048
Weighted average number of common shares outstanding(thousands)	196,175	196,175	196,175

KOYO SEIKO CO.,LTD. AND CONSOLIDATED SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF
CASH FLOWS**

For the year ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Cash flows from operating activities			
Income (loss) before income taxes	¥ (18,806)	¥ 3,816	\$ (151,783)
Depreciation and amortization	22,075	21,830	178,170
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,131)	(1,263)	(9,132)
Notes and accounts receivable	(18,430)	(6,179)	(148,747)
Inventories	(6,972)	(772)	(56,270)
Notes and accounts payable	26,988	5,887	217,818
Bonuses to directors and statutory auditors	(315)	(265)	(2,540)
Payment of income taxes	(4,430)	(921)	(35,756)
Other, net	24,759	(3,218)	199,829
Net cash provided by operating activities	23,738	18,915	191,589
Cash flows from investing activities			
Increase in time deposits	(87)	(116)	(707)
(Increase) decrease in marketable securities	3,001	(49)	24,222
Purchases of property, plant and equipment	(22,948)	(20,165)	(185,218)
Proceeds from sales of property, plant and equipment . . .	2,456	356	19,826
Increase in investments in securities	(5,787)	(6,710)	(46,707)
(Increase) decrease in loans receivable	357	(1,084)	2,885
Other, net	669	(643)	5,400
Net cash used in investing activities	(22,339)	(28,411)	(180,299)
Cash flows from financing activities			
Increase (decrease) in short-term loans	(2,446)	11,193	(19,738)
Increase (decrease) in long-term debt	16,811	(542)	135,680
Cash dividends	(1,243)	(1,294)	(10,035)
Other, net	(214)	(198)	(1,723)
Net cash provided by financing activities	12,908	9,159	104,184
Exchange defference of cash and cash equivalents	219	(597)	1,764
Net increase (decrease) in cash and cash equivalents . .	14,526	(934)	117,238
Cash and cash equivalents at beginning of the year	25,851	25,231	208,649
Increase in cash and cash equivalents from additional consolidated subsidiaries	113	1,554	915
Cash and cash equivalents at end of the year	¥ 40,490	¥ 25,851	\$ 326,802

NON-CONSOLIDATED BALANCE SHEETS

March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
ASSETS			
Current assets:			
Cash	¥ 25,714	¥ 11,885	\$ 207,540
Time deposits	297	1,129	2,393
Short-term investments	3,821	12,199	30,836
Notes and accounts receivable:			
Trade	42,945	40,588	346,610
Subsidiaries and affiliates	60,632	46,051	489,365
Other	3,863	3,383	31,177
	107,440	90,022	867,152
Allowance for doubtful accounts	(387)	(413)	(3,123)
	107,053	89,609	864,029
Inventories	31,576	30,616	254,854
Deferred income taxes and other current assets	2,278	2,339	18,385
Total current assets	170,739	147,777	1,378,037
Investments and advances:			
Investments in securities	13,889	404	112,099
Investments in and advances to subsidiaries and affiliates	80,771	76,445	651,905
	94,660	76,849	764,004
Property, plant and equipment:			
Buildings and structures	57,459	56,855	463,754
Machinery and equipment	236,009	234,874	1,904,835
	293,468	291,729	2,368,589
Accumulated depreciation	(224,418)	(220,121)	(1,811,282)
	69,050	71,608	557,307
Land	16,871	17,303	136,162
Construction in progress	4,087	4,022	32,985
	90,008	92,933	726,454
Deferred income taxes and other assets	9,667	3,660	78,028
	¥365,074	¥ 321,219	\$2,946,523

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	¥ 30,850	¥ 37,850	\$ 248,991
Current portion of long-term debt	500	500	4,036
Notes and accounts payable:			
Trade	53,369	41,499	430,740
Subsidiaries and affiliates	26,262	20,452	211,962
Construction	10,027	8,029	80,924
Other	2,646	2,347	21,360
	92,304	72,327	744,986
Income tax payable	2,020	1,681	16,308
Accrued expenses	2,081	1,356	16,796
Accrued employees' bonuses	6,200	5,950	50,040
Other current liabilities	400	399	3,228
Total current liabilities	134,355	120,063	1,084,385
Long-term debt	80,999	61,499	653,745
Accrued severance indemnities	—	15,978	—
Accrued indemnities from retirement benefit plan	32,903	—	265,560
Accrued severance indemnities for members of the board of directors and corporate auditors	441	398	3,555
Total liabilities	248,698	197,938	2,007,245
Shareholders' equity			
Common stock, ¥50 (US\$0.40) par value			
Authorized—500,000 thousand shares			
Issued—196,175 thousand shares in 2001 and 2000 ..	25,894	25,894	208,988
Additional paid-in capital	60,665	60,665	489,626
Legal reserve	5,765	5,607	46,535
Voluntary reserve	26,148	26,164	211,041
Retained earnings	(4,783)	4,951	(38,604)
Unrealized gain on other securities	2,687	—	21,692
Total shareholders' equity	116,376	123,281	939,278
	¥365,074	¥ 321,219	\$ 2,946,523

Conversion Rate ¥123.90 per One U.S. Dollar

NON-CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the year ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Net sales	¥283,651	¥ 263,093	\$ 2,289,355
Cost of sales	250,055	234,099	2,018,200
Gross profit	33,596	28,994	271,155
Selling, general and administrative expenses	28,355	26,755	228,857
Operating income	5,241	2,239	42,298
Other income (expenses):			
Interest and dividend income	694	828	5,599
Interest expense	(1,249)	(1,190)	(10,081)
Foreign currency exchange gain (loss), net	1,220	(1,534)	9,850
Loss on sales or disposal of property, plant and equipment, net	(385)	(241)	(3,107)
Other, net	(20,158)	1,583	(162,694)
	(19,878)	(554)	(160,433)
Income (loss) before income taxes	(14,637)	1,685	(118,135)
Income taxes	2,700	1,800	21,791
Income taxes-deferred	(9,011)	(1,202)	(72,730)
Net income (loss)	(8,326)	1,087	(67,196)
Retained earnings:			
Balance at beginning of the year	4,951	2,621	39,958
Prior period effect of deferred income taxes	-	1,432	-
Transfer from voluntary reserves-recognition of deferred income tax liabilities	-	1,202	-
Cash dividends	(1,177)	(1,177)	(9,499)
Transfer to legal reserve	(159)	(159)	(1,282)
Transfer to voluntary reserves	17	34	133
Bonuses to directors and statutory auditors	(89)	(89)	(718)
Balance at end of the year	¥(4,783)	¥4,951	\$(38,604)
Per share:	Yen		U.S. dollars
Net income (loss)	¥(42.44)	¥5.54	\$(0.343)
Cash dividends	6.00	6.00	0.048
Weighted average number of common shares outstanding (thousands)	196,175	196,175	196,175

INTERNATIONAL NETWORK

OFFICES

KOYO CANADA INC.

KOYO CORPORATION OF U.S.A. (SALES DIV.)
-- Cleveland Office --
-- Detroit Office --

KOYO STEERING SYSTEMS OF USA INC.
-- Detroit Office --

KOYO DE MEXICO, S.A.

KOYO LATIN AMERICA, S.A.

KOYO ROLAMENTOS DO BRASIL LTDA.

THAI KOYO CO., LTD.

KOYO SINGAPORE BEARING (PTE.) LTD.

PHILIPPINE KOYO BEARING CORPORATION

KOYO SEIKO CO., LTD. SEOUL BRANCH

KOYO SEIKO CO., LTD. BEIJING LIAISON OFFICE

KOYO SEIKO CO., LTD. SHANGHAI LIAISON OFFICE

KOYO AUSTRALIA PTY. LTD.

KOYO SEIKO CO., LTD. EUROPEAN CENTRAL OFFICE

KOYO STEERING EUROPE S.A.S.

KOYO KULLAGER SCANDINAVIA A.B.

KOYO (U.K.) LTD.

EUROPA-KOYO B.V.

KOYO DEUTSCHLAND GMBH

KOYO FRANCE S.A.

KOYO IBERICA, S.A.

KOYO ITALIA S.R.L.

TECHNICAL CENTERS

KOYO SEIKO CO., LTD.
North American Technical Center

KOYO STEERING SYSTEMS OF USA INC.
Steering Technical Center

KOYO SEIKO CO., LTD.
European Technical Centre

KOYO STEERING EUROPE S.A.S.
Koyo European Technical Center

BEARING PLANTS

KOYO CORPORATION OF U.S.A. (MANUFACTURING DIV.)
-- Orangeburg Plant --
-- Richland Plant --

KENTUCKY ADVANCED FORGE, LLC

WUXI KOYO BEARING CO., LTD.

KOYO (DALIAN) PRECISION BEARINGS CO., LTD.

DALIAN KOYO WAZHOU AUTOMOBILE BEARING CO., LTD.

KOYO BEARING DALIAN CO., LTD.

KOYO MANUFACTURING (THAILAND) CO., LTD.

KOYO MANUFACTURING (PHILIPPINES) CORP.

KOYO BEARINGS (EUROPE) LTD.

KOYO ROMANIA S.A.

STEERING SYSTEM PLANTS

TRW KOYO STEERING SYSTEMS CO.

KOYO STEERING SYSTEMS OF USA INC.

KOYO FUJI USA LLC

KOYO STEERING ARGENTINA S.A.

KOYO STEERING BRASIL LTDA.

T&K AUTOPARTS SDN. BHD.

YUBEI KOYO STEERING SYSTEM CO., LTD.

FAW KOYO STEERING SYSTEMS CO., LTD.

KOYO STEERING (THAILAND) CO., LTD.

SONA KOYO STEERING SYSTEMS LTD.

SOCIETE DE MECANIQUE D'IRIGNY S.A.

KOYO STEERING DIJON SAINT ETIENNE S.A.S.
-- Dijon Plant --
-- Saint Etienne Plant --

HYDROPERFECT INTERNATIONAL S.A.
-- Chennevieres Plant --
-- Blois Plant --

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