

Koyo

ANNUAL REPORT 2002

For the year ended March 31, 2002



KOYO SEIKO CO., LTD.

MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT

It is our pleasure to report to you on Koyo Seiko's business performance for the fiscal year ended March 31, 2002.

Regarding the state of Japan's economy during this period, private-sector investment in facilities and equipment was stagnant, personal consumption remained weak because of high unemployment and concern over income stability, and output fell in various sectors because of unfavorable export conditions and other factors, resulting in a very severe economic climate.

Concerning overseas economies, the retraction of America's economy had an adverse effect on economies in Europe and Asia as well, resulting in an atmosphere of economic stagnation worldwide.

Given such economic circumstances, the Koyo Group during this period focused on improving quality, increasing production efficiency, and streamlining sales operations. As a result, it was able to achieve consolidated sales of 404,294 million yen, an improvement of 8,186 million yen, or 2.1 percent, over the previous year's result.

Results by product division are as follows.

Concerning bearing sales, although an increase in the number of consolidated subsidiaries in Europe led to a jump in sales in that region, sales in Japan were weak, resulting in overall sales of 199,781 million yen, a decline of 1.1 percent from the previous term.

Sales of steering products grew to 147,909 million yen, an 11.2 percent increase, chiefly as a result of strong sales of electric power steering systems in Europe.

Sales in other product divisions fell to 56,604 million yen, a decline of 7.2 percent, because of weak sales of industrial furnaces, electronic devices, and other products.

In regard to profit, successful efforts groupwide to lower costs were offset by reduced operating rates in the bearing division and other factors, resulting in consolidated operating income for the period of 3,410 million yen, a decline of 6,849 million yen. Also, extraordinary losses were recorded for such items as decreases in stock values and expenses related to structural reforms, resulting in a consolidated net loss for the period of 1,872 million yen.

Concerning consolidated cash flows, net cash through operating activities increased 22,049 million yen, net cash through investing activities such as the acquisition of fixed assets decreased 30,103 million yen, and net cash through financing activities rose 13,486 million yen. In addition, cash and cash equivalents at the period's end were 46,850 million yen, an increase of 6,360 million yen from the previous term's end, as a result of a currency translation gain and a gain realized from new consolidations.

Regarding the outlook for the future, although the slide of the U.S. economy appears to have stopped, an economic turnaround sufficient to have an immediate impact on the economies of Europe and Asia has not yet occurred. In Japan, an internally fueled economic recovery in the near future is not foreseen, and factors such as the weak level of personal consumption and stagnant investment in facilities and equipment remain matters of concern. Overall, it is expected that the economic climate surrounding our company will continue to be severe.

Given such conditions, the Koyo Group will focus on strengthening its cost competitiveness through such measures as reducing fixed expenses and converting them to variable expenses while striving aggressively to improve quality further and develop new technology. In addition, we will aim to improve profitability by strengthening the ability of our global network of bearing and steering bases to procure parts from optimal sources worldwide and manufacture products at optimal locations. While pursuing these objectives on a groupwide basis, we will pursue structural reforms that will enable us to respond appropriately to changes in the business environment and improve business results.

We hope for the continued strong support of our shareholders.



Hiroshi Inoue
Chairman

Hiroshi Inoue



Kohshi Yoshida
President

Kohshi Yoshida

Profile March 2002

Foundation:	January, 1921	
Capital:	25,894 million yen	
Number of Employees:	6,557	
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	Kazuro Kajiwara
President	Kohshi Yoshida	Director	Tetsuo Inui
Executive Vice-President	Fumio Morishita	Director	Katsuji Nakajima
Senior Executive Director	Kiyoshi Takeda	Director	Yuji Doi
Senior Executive Director	Toshikatsu Taniguchi	Director	Kenji Sasaki
Executive Director	Kohji Hashiguchi	Director	Toshihiko Daido
Executive Director	Michiro Kajiwara	Director	Hideki Sato
Executive Director	Taisuke Senoo		
Executive Director	Masakazu Nagai	Corporate Auditor	Nobutoshi Maeda
Executive Director	Kunihiko Kato	Corporate Auditor	Kazuo Takeda
Executive Director	Mitsuhiro Ikeda	Corporate Auditor	Fujio Cho
Director	Katsuaki Watanabe	Corporate Auditor	Hikomasa Iwaki
Director	Toshio Kajikawa		
Director	Masaomi So		
Director	Shuji Miyawaki		
Director	Yoshihiko Sasabe		

Shareholders' Information March 2002

Among 500,000,000 authorized shares of Koyo Seiko Co., Ltd. 196,175,184 shares are issued. The number of shareholders is 8,796 as of March 31, 2002.

A total of 95,923,248 shares (48.9 %) of issued shares are held by financial organizations, 64,438,464 shares (32.8%) by other Japanese corporations, 17,358,939 shares (8.8%) by individuals, 1,097,164 shares (0.6 %) by security companies, and 17,357,369 (8.9 %) by foreign companies and individuals.

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

Toyota Motor Corp. (48,569)
Nippon Life Insurance Co. (15,100)
Sumitomo Mitsui Banking Corp. (9,808)
The Asahi Bank, Ltd. (9,784)
The Sumitomo Trust & Banking Co., Ltd. (9,729)
The Bank of Tokyo-Mitsubishi, Ltd. (5,680)
The Mitsubishi Trust And Banking Corp. (5,630)
Japan Trustee Services Bank, Ltd. (5,027)
UFJ Bank Ltd. (4,000)
Toyota Tsusho Corp. (3,745)

CONSOLIDATED BALANCE SHEETS

March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
ASSETS			
Current assets:			
Cash	¥ 41,409	¥ 35,792	\$ 310,761
Time deposits	1,830	2,413	13,732
Short-term investments	4,150	4,031	31,144
Notes and accounts receivable:			
Trade	98,321	105,870	737,871
Unconsolidated subsidiaries and affiliates	5,265	4,272	39,515
Other	9,920	9,693	74,443
	113,506	119,835	851,829
Allowance for doubtful accounts	(665)	(628)	(4,988)
	112,841	119,207	846,841
Inventories	78,586	80,268	589,761
Deferred tax assets	4,667	4,732	35,025
Other current assets	5,337	5,162	40,054
Total current assets	248,820	251,605	1,867,318
Investments and advances:			
Investments in securities	13,573	14,257	101,862
Investments in and advances to unconsolidated subsidiaries and affiliates	20,247	19,969	151,945
	33,820	34,226	253,807
Property, plant and equipment:			
Buildings and structures	105,503	95,468	791,770
Machinery and equipment	388,504	359,468	2,915,600
	494,007	454,936	3,707,370
Accumulated depreciation	(352,487)	(325,342)	(2,645,307)
	141,520	129,594	1,062,063
Land	27,470	27,113	206,156
Construction in progress	8,041	9,957	60,346
	177,031	166,664	1,328,565
Deferred tax assets	13,987	13,557	104,967
Other assets	5,604	5,156	42,054
	¥ 479,262	¥ 471,208	\$ 3,596,711

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

(SUBSIDIARIES)

KOYO ELECTRONICS INDUSTRIES CO., LTD.
 KOYO MACHINE INDUSTRIES CO., LTD.
 DAIBEA CO., LTD.
 KOYO THERMO SYSTEMS CO., LTD.
 ISE SEIKI CO., LTD.
 KOYO SEIATSU CO., LTD.
 TOKYO KOYO BEARING CO., LTD.
 NIPPON NEEDLE ROLLER MANUFACTURING CO., LTD.
 KOYO SALES CO., LTD.
 UTSUNOMIYA KIKI CO., LTD.
 KOYO NETSUSHORI CO., LTD.
 KOYO SEALING TECHNO CO., LTD.
 KYUEI YOUKO CO., LTD.
 MEIWA SHOKO CO., LTD.
 EIKO SEIMITSU CO., LTD.

KJK CO., LTD.

KOYO CORPORATION OF U.S.A.
 SOCIETE DE MECANIQUE D'IRIGNY S.A.
 KOYO STEERING DIJON SAINT ETIENNE S.A.S.
 KOYO BEARINGS (EUROPE) LTD.
 KOYO ROMANIA S.A.
 KOYO STEERING SYSTEMS OF USA INC.
 KOYO DELAWARE INC.
 KOYO STEERING EUROPE S.A.S.
 HYDROPERFECT INTERNATIONAL S.A.
 WUXI KOYO BEARING CO., LTD.
 KOYO STEERING (THAILAND) CO., LTD.
 KOYO MANUFACTURING (THAILAND) CO., LTD.
 THAI KOYO CO., LTD.
 KOYO (DALIAN) PRECISION BEARINGS CO., LTD.
 EUROPA-KOYO B.V.

KOYO FRANCE S.A.

KOYO (U.K.) LTD.
 KOYO DEUTSCHLAND GMBH
 KOYO LATIN AMERICA, S.A.
 KOYO AUSTRALIA PTY. LTD.
 KOYO CANADA INC.
 KOYO IBERICA, S.A.
 KOYO SINGAPORE BEARING PTE. LTD.
 AUTOMATIONDIRECT. COM INC.
 KOYO MACHINERY U.S.A., INC.
 (AFFILIATES)
 FUJIKIKO CO., LTD.
 TRW KOYO STEERING SYSTEMS CO.
 KOYO ITALIA S.R.L.
 SONA KOYO STEERING SYSTEMS LTD.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	¥ 83,352	¥ 75,231	\$ 625,530
Current portion of long-term debt	39,726	4,187	298,129
Notes and accounts payable:			
Trade	87,683	94,370	658,036
Unconsolidated subsidiaries and affiliates	4,399	3,791	33,010
Construction	6,997	10,816	52,506
Other	9,020	6,754	67,695
	108,099	115,731	811,247
Income tax payable	1,909	4,372	14,325
Accrued expenses	8,618	12,060	64,677
Accrued employees' bonuses	7,870	7,870	59,065
Other current liabilities	3,502	2,705	26,283
Total current liabilities	253,076	222,156	1,899,256
Long-term debt	67,045	90,616	503,152
Accrued indemnities from retirement benefit plan	46,928	46,638	352,179
Accrued severance indemnities for members of the board of directors and corporate auditors	1,326	1,499	9,954
Deferred tax liabilities	1,207	1,078	9,053
Other liabilities	666	477	4,999
Total liabilities	370,248	362,464	2,778,593
Minority interests in consolidated subsidiaries	9,069	8,888	68,060
Shareholders' equity:			
Common stock			
Authorized—500,000 thousand shares			
Issued—196,175 thousand shares in 2002 and 2001	25,894	25,894	194,323
Additional paid-in capital	60,665	60,665	455,270
Consolidated retained earnings	17,534	22,097	131,586
Unrealized gain on other securities	2,913	2,750	21,860
Translation adjustments on foreign currency financial statements	(7,048)	(11,540)	(52,881)
Less: treasury share	(13)	(10)	(100)
Total shareholders' equity	99,945	99,856	750,058
	¥479,262	¥471,208	\$3,596,711

Conversion Rate ¥133.25 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, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales	¥ 404,294	¥ 396,108	\$ 3,034,102
Cost of sales	341,938	329,738	2,566,137
Gross profit	62,356	66,370	467,965
Selling, general and administrative expenses	58,946	56,111	442,375
Operating income	3,410	10,259	25,590
Other income (expenses):			
Interest and dividend income	600	687	4,502
Interest expense	(3,609)	(3,652)	(27,073)
Foreign currency exchange gain, net	1,719	1,474	12,900
Loss on sales or disposal of property, plant and equipment, net	(164)	(1,005)	(1,231)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,305	1,131	9,791
Other, net	(2,718)	(27,700)	(20,401)
	(2,867)	(29,065)	(21,512)
Income (loss) before income taxes and items listed below	543	(18,806)	4,078
Income taxes	2,856	5,644	21,436
Income taxes-deferred	(475)	(12,513)	(3,569)
Minority interests in net loss of consolidated subsidiaries	(34)	(169)	(260)
Net loss	(1,872)	(12,106)	(14,049)
Consolidated retained earnings:			
Balance at beginning of the year	22,097	35,461	165,834
Merger between a consolidated subsidiary and an unconsolidated retained earnings	—	190	—
Consolidation of additional subsidiaries and affiliates	(1,243)	—	(9,327)
Cash dividends	(1,177)	(1,177)	(8,833)
Bonuses to directors and statutory auditors	(271)	(271)	(2,039)
Balance at end of the year	¥ 17,534	¥ 22,097	\$ 131,586
Per share:	Yen		U.S. dollars
Net loss	¥(9.54)	¥(61.72)	\$(0.072)
Cash dividends	6.00	6.00	(0.045)
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, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Cash flows from operating activities			
Income (loss) before income taxes	¥ 543	¥ (18,806)	\$ 4,078
Depreciation and amortization	23,387	22,075	175,515
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,305)	(1,131)	(9,791)
Notes and accounts receivable	11,447	(18,430)	85,907
Inventories	6,180	(6,972)	46,380
Notes and accounts payable	(11,560)	26,988	(86,765)
Bonuses to directors and statutory auditors	(313)	(315)	(2,351)
Payment of income taxes	(5,343)	(4,430)	(40,096)
Other, net	(987)	24,759	(7,406)
Net cash provided by operating activities	22,049	23,738	165,471
Cash flows from investing activities			
(Increase) decrease in time deposits	207	(87)	1,556
Increase in marketable securities	1,003	3,001	7,529
Purchases of property, plant and equipment	(28,661)	(22,948)	(215,090)
Proceeds from sales of property, plant and equipment . . .	1,272	2,456	9,545
Increase in investments in securities	(5,127)	(5,787)	(38,474)
decrease in loans receivable	101	357	759
Other, net	1,102	669	8,261
Net cash used in investing activities	(30,103)	(22,339)	(225,914)
Cash flows from financing activities			
Increase (decrease) in short-term loans	3,836	(2,446)	28,789
Increase in long-term debt	11,102	16,811	83,315
Cash dividends	(1,288)	(1,243)	(9,666)
Other, net	(164)	(214)	(1,233)
Net cash provided by financing activities	13,486	12,908	101,205
Exchange deference of cash and cash equivalents	411	219	3,087
Net increase in cash and cash equivalents	5,843	14,526	43,849
Cash and cash equivalents at beginning of the year	40,490	25,851	303,870
Increase in cash and cash equivalents from additional consolidated subsidiaries	517	113	3,874
Cash and cash equivalents at end of the year	¥ 46,850	¥ 40,490	\$ 351,593

NON-CONSOLIDATED BALANCE SHEETS

March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
ASSETS			
Current assets:			
Cash	¥ 26,806	¥ 25,714	\$ 201,172
Time deposits	4,114	297	30,873
Short-term investments	4,119	3,821	30,910
Notes and accounts receivable:			
Trade	40,191	42,945	301,625
Subsidiaries and affiliates	53,518	60,632	401,636
Other	3,682	3,863	27,628
	97,391	107,440	730,889
Allowance for doubtful accounts	(222)	(387)	(1,666)
	97,169	107,053	729,223
Inventories	28,470	31,576	213,655
Deferred tax assets	1,561	1,928	11,719
Other current assets	420	350	3,152
Total current assets	162,659	170,739	1,220,704
Investments and advances:			
Investments in securities	13,393	13,889	100,508
Investments in and advances to subsidiaries and affiliates	94,958	80,771	712,634
	108,351	94,660	813,142
Property, plant and equipment:			
Buildings and structures	58,871	57,459	441,807
Machinery and equipment	235,130	236,009	1,764,576
	294,001	293,468	2,206,383
Accumulated depreciation	(227,716)	(224,418)	(1,708,938)
	66,285	69,050	497,445
Land	16,870	16,871	126,608
Construction in progress	2,350	4,087	17,636
	85,505	90,008	641,689
Deferred tax assets	8,684	7,772	65,173
Other assets	1,932	1,895	14,498
	¥ 367,131	¥ 365,074	\$2,755,206

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	¥ 30,850	¥ 30,850	\$ 231,520
Current portion of long-term debt	35,499	500	266,409
Notes and accounts payable:			
Trade	52,255	53,369	392,159
Subsidiaries and affiliates	25,062	26,262	188,082
Construction	6,736	10,027	50,550
Other	2,669	2,646	20,032
	86,722	92,304	650,823
Income tax payable	1,110	2,020	8,328
Accrued expenses	1,166	2,081	8,754
Accrued employees' bonuses	5,500	6,200	41,276
Other current liabilities	390	400	2,925
Total current liabilities	161,237	134,355	1,210,035
Long-term debt	55,500	80,999	416,510
Accrued indemnities from retirement benefit plan	32,971	32,903	247,439
Accrued severance indemnities for members of the board of directors and corporate auditors	340	441	2,548
Total liabilities	250,048	248,698	1,876,532
Shareholders' equity			
Common stock			
Authorized—500,000 thousand shares			
Issued—196,175 thousand shares in 2002 and 2001 . .	25,894	25,894	194,323
Additional paid-in capital	60,665	60,665	455,270
Legal reserve	5,865	5,765	44,021
Voluntary reserve	18,903	26,148	141,861
Retained earnings	2,885	(4,783)	21,650
Unrealized gain on other securities	2,874	2,687	21,572
Less : treasury share	(3)	-	(23)
Total shareholders' equity	117,083	116,376	878,674
	¥367,131	¥365,074	\$ 2,755,206

Conversion Rate ¥133.25 per One U.S. Dollar

NON-CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the year ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales	¥286,158	¥ 283,651	\$ 2,147,529
Cost of sales	253,887	250,055	1,905,346
Gross profit	32,271	33,596	242,183
Selling, general and administrative expenses	28,389	28,355	213,053
Operating income	3,882	5,241	29,130
Other income (expenses):			
Interest and dividend income	704	694	5,283
Interest expense	(1,152)	(1,249)	(8,642)
Foreign currency exchange gain, net	1,236	1,220	9,279
Loss on sales or disposal of property, plant and equipment, net	(106)	(385)	(798)
Other, net	(2,157)	(20,158)	(16,187)
	(1,475)	(19,878)	(11,065)
Income (loss) before income taxes	2,407	(14,637)	18,065
Income taxes	1,300	2,700	9,756
Income taxes-deferred	(682)	(9,011)	(5,116)
Net income (loss)	1,789	(8,326)	13,425
Retained earnings:			
Balance at beginning of the year	(4,783)	4,951	(35,895)
Cash dividends	(1,177)	(1,177)	(8,833)
Transfer to legal reserve	(100)	(159)	(751)
Transfer to voluntary reserves	7,245	17	54,372
Bonuses to directors and statutory auditors	(89)	(89)	(668)
Balance at end of the year	¥2,885	¥(4,783)	\$21,650
Per share:	Yen		U.S. dollars
Net income (loss)	¥9.12	¥(42.44)	\$(0.068)
Cash dividends	6.00	6.00	0.045
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.
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 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.
KOYO JOINT (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.
- Chenevieres Plant -
- Blois Plant -
SAINT ETIENNE AUTOMOTIVE COMPONENTS S.A.S.

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