

Listed Company Name: Nihon Inter Electronics Corp.

(URL: <http://www.niec.co.jp>)

TSE Code No: 6974

Listed exchange: Tokyo

Head Office Location

Kanagawa Prefecture

Officer in charge of enquiries: General Manager of Accounting

Name: Yoichiro Sugita

Phone: (0463) 84 - 8015

Accounts Settlement Board of Directors Meeting: May 22, 2002

Parent Company Name - (TSE Code No. : -)

Ratio of stock held by parent company : - %

United States accounting standards: Not applied

1. Consolidated results for the six months ended March 31, 2002

(1) Consolidated business results

Note: Stated figures are rounded down to the nearest million

	Net sales		Operating income (loss)		Recurring profit (loss)	
	¥ million	%increase (decrease)	¥ million	%increase (decrease)	¥ million	%increase (decrease)
Fiscal year ending March 31, 2002	22,876	-29.5	-26	-	-260	-
Fiscal year ending March 31, 2001	32,469	14.0	1,807	145.0	1,591	-

	Net loss		Net loss per share		Net income per share after adjustment for shares, undiluted		Shareholders' equity Net profit margin		Total Capital Recurring profit margin		Net Sales Recurring profit margin	
	¥ million	%increase (decrease)	¥	¥	¥	¥	%increase (decrease)	%increase (decrease)	%increase (decrease)	%increase (decrease)	%increase (decrease)	%increase (decrease)
Fiscal year ending March 31, 2002	-1662	-	-55.17	-	-	-19	-	-0.9	-	-1.1	-	-
Fiscal year ending March 31, 2001	-43	-	-1.51	-	-	-0.5	-	5.1	-	4.9	-	-

Note:

* Equity method investment gain (loss) Year ended March 31, 2002: - ; Year ended March 31, 2001: -

** Average number of shares (consolidated) Year ended March 31, 2002: 30,126,973

Year ended March 31, 2001: 28,795,142

*** Changes to accounting methods: none

**** Percentages appended to net sales, operating income, recurring profit, and net income are the rate of increase (decline) compared with the same period of the previous year.

(2) Consolidation financial position

	Total assets		Shareholders' equity		Shareholders' equity ratio		Shareholders' equity per share	
	¥ million	¥ million	¥ million	¥ million	%	¥	¥	
Fiscal year ending March 31, 2002	27,045	7,918	29.3	262.88				
Fiscal year ending March 31, 2001	31,589	9,610	30.4	318.99				

Note:

* No. of issued shares at period-end (consolidated)

Year ended March 31, 2002: 30,123,088

Year ended March 31, 2001: 30,128,189

(3) Consolidated cash flows

	Cash generated by (used in) operating activities		Cash generated by (used in) investment activities		Cash generated by (used in) financing activities		Cash and cash equivalents balance at period-end	
	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	¥ million	
Fiscal year ending March 31, 2002	-1080	-1183	2,156	1,673				
Fiscal year ending March 31, 2001	1,411	-780	-2,297	1,827				

(4) Items pertaining to scope of consolidation and equity method application

No. of consolidated subsidiaries: 4 No. of non-consolidated equity method subsidiaries: - No. of equity method affiliates: -

(5) Changes to scope of consolidation and equity method application

No. of newly consolidated subsidiaries: - ; No. of deconsolidated subsidiaries: - ; No. of newly added equity method subsidiaries: - ; No. of subsidiaries removed from equity method application: -

2. Projected consolidated results for fiscal 2003 (ending March 31, 2003)

	Net sales	Operating income (loss)	Recurring profit (loss)
Six months ended Sep. 30, 2003	12,500 ¥ million	550 ¥ million	330 ¥ million
Fiscal year ending March 31, 2003	26,000	1,500	850

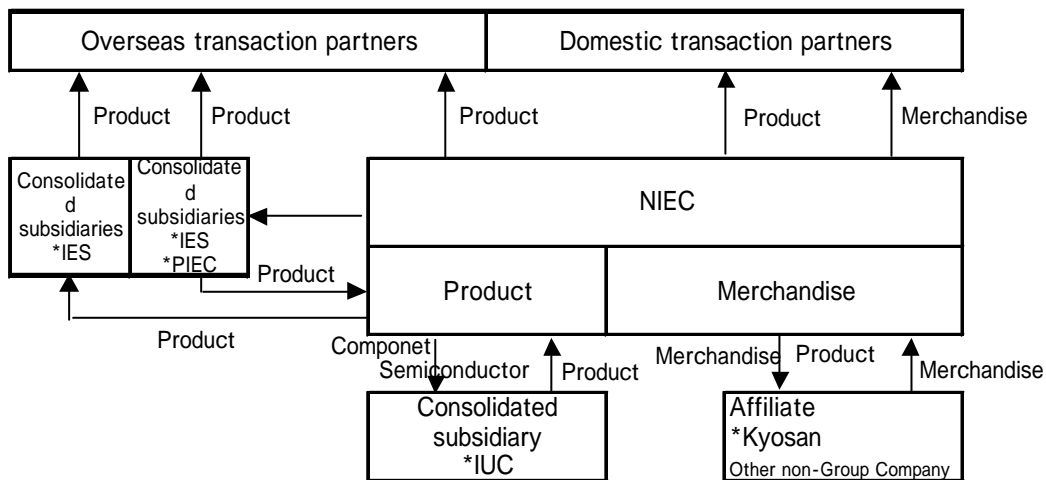
Remarks: Projected net income (loss) per share (for the fiscal year): ¥28.21

Group Overview

The Nihon Inter Electronics Group ("The Company") consists of the parent company, one domestic subsidiary, three overseas subsidiaries, and one affiliate and conducts its business activities with a primary focus on the manufacture and sale of power semiconductors. Products and merchandise handled by Nihon Inter and its subsidiaries and affiliate as well as their respective functions are as follows:

	Segment	Principal products and merchandise	Company
Products	Semiconductor elements	Schottky barrier diodes (SBD), and fast recovery diodes (FRD), rectifying diodes for small power applications	Nihon Inter (mfg., sales) IEC (mfg., sales) PIEC (mfg.) IES (sales)
		Rectifying diodes for medium to large power applications, thyristors, others	Nihon Inter (mfg., sales)
	Semiconductor-applied products	Power modules, stacks	Nihon Inter (mfg., sales) Inter Unit Corp. (mfg.)
Merchandise		Semiconductors, electronic components, LCD devices, power sources, others	Nihon Inter (mfg., sales) Kyosan Electric (supply)

The following is a flow chart of the Company's operations.



*IEC: International Electronics Corp., Ltd.

*PIEC: Philippine Inter Electronics Corporation

*IES: Inter Electronics Singapore Pte. Ltd.

Management Policies

(1) Basic Management Policy

Under the fundamental philosophy of fulfilling the expectations of its shareholders and all other stakeholders, Nihon Inter conducts business activities centered on the supply of power semiconductors, which enable high-efficiency power conversion and control for such high growth potential fields as electronic devices and systems.

Nihon Inter's mission is to contribute to energy conservation and environmental protection through power management, and its basic policy is to assume leadership in its industry by supplying high-value-added products.

(2) Basic Policy Regarding Profit Sharing

While maintaining its primary policy of providing stable returns to its shareholders, the Company determines profit sharing after giving due consideration to the augmentation of internal reserves in preparation for future business growth, which includes R&D outlays to keep pace with global competition. Moreover, the Company extends every effort to live up to the levels of support provided by its shareholders and fulfill their expectations.

(3) Medium-Term Management Strategy

During the term under review, the Company enacted a new three-year medium-term management plan, to be implemented through fiscal 2003. To implement thorough selectivity and concentration and attain high-level profitability and a robust financial foundation capable of prevailing over the competition in the global power management market, we have engaged in structural reforms under the following policies:

- SBD/FRD market share expansion
- Increased gross profit margin
- Improved ROA

The Company has positioned the two high-frequency rectifying elements of SBDs and FRDs—which account for approximately half of all product sales and command top industry share—as its core products. While concentrating operational resources in these two products, we will slim down production and sales operations by eliminating medium and large electric power rectification elements and other products with meager growth potential from our catalog.

In its core SBD and FRD product ranges, the Company will continuously and proactively

introduce new products, thereby increasing market share and securing profit. In SBDs, in addition to thorough cost reductions through the use of new element configurations, we will also compile a wide-ranging product lineup, including high reverse voltage products and multiple packages, in response to the increasingly compactness, high-efficiency, and low-cost standards of today's applications. In FRDs, we continue to develop ultrahigh-speed, low forward voltage, and low noise products and we have finalized and commenced shipment of an ultrahigh-speed type that restricts power consumption and enables low-cost operation. In product development and sales, we have narrowed our targets down to the three categories of IT and consumer devices, industrial devices and electronic appliances, and automotive devices, and we will proactively pursue information exchanges with our customers and supply competitively priced products that meet customer application requirements.

Hence, the Company has worked to reduce overall costs and strengthen its selling power by reducing personnel costs, outsourcing delivery functions, establishing a branch company in Singapore, and streamlining its network of domestic sales branches. In the months and years ahead, we will further enhance our international competitiveness by proactively expanding foundry usage, implementing direct delivery from our overseas manufacturing centers, and augmenting our overseas sales branches.

Regarding merchandise, which accounts for approximately 40% of overall sales, the Company has targeted these three years for business value enhancement, and it will work to increase free cash flow through expanded sales and development of new products as well as improved working capital efficiency.

The medium-term management plan calls for the attainment of a product gross profit margin of 30% and an ROA of 10% by the plan's final fiscal year. Furthermore, we are determined to establish a firm position for our core SBDs and are striving to attain a 20% share of the global market. In fulfilling these goals, we will strive to be a highly profitable power semiconductor manufacturer and a valuable asset to the industry as well as step up efforts to strengthen overall Group management.

(4) Enhanced Corporate Governance

In consideration of the importance of corporate governance, the Company intends to clarify executive responsibility and authority by separating the functions of the Board of Directors—which is a managerial decision-making body that represents the shareholders—and execution of business operations. To this end, in June 2001 we revised our organization into a

divisional framework consisting of the six divisions of production, sales, R&D, administration, business strategy, and trading, with the respective heads of each division serving as executive directors.

Furthermore, to ensure fairness and transparency in management from our shareholders, investors, and other stakeholders' viewpoints, we are exerting every effort to augment IR activities. We are utilizing IR meetings and the Internet as forums for communication, through which we will proactively engage in information disclosure, accurately relay information concerning our current state of business and future vision, and strive to receive fair evaluation from the market.

Operational Results and Financial Conditions

1. Operational Results

Overview

During fiscal 2001, ended March 31, 2002, the Japanese economy proceeded under extremely severe conditions. Suffering the ill effects of the bursting of the IT bubble and the multiple terrorist attacks in the United States, corporate earnings deteriorated substantially, particularly in manufacturing industries, due to declining imports and large-scale production adjustments. Financial institutions' structural reforms and continued disposal of nonperforming loans led to numerous corporate bankruptcies, and restructuring announcements were made in rapid succession among leading manufacturers and financial institutions. Weakness persisted in the stock market and the unemployment rate climbed to 5% as the economy continued to recede, with low-level consumer spending further exacerbating the situation.

In the machinery and electronics industry, in which the Nihon Inter Electronics Group operates, corporate earnings fell substantially below those for the previous year across the board in the data and communications devices sector due to the bursting of the IT bubble and resultant weakness in semiconductors. Faced with reluctance in the private sector to engage in capital investment due to the protracted economic malaise, the industrial electronic machinery sector proceeded under unprecedentedly severe conditions as production adjustments carried over from the second half of the previous fiscal year. Business in automotive electronic components for compact cars, however, displayed firm growth.

Against this backdrop, the Company's net sales declined 29.5% compared with the previous fiscal year, to ¥22,876 million. Net sales of products fell 24.7%, to ¥14,697 million, and net sales of merchandise dropped 36.7%, to ¥8,179 million.

On the profit side, although it exerted every effort to secure income, including curtailing product costs and expenditures and reducing personnel expenses, due to the substantial effect of the large decline in net sales, the Company recorded a recurring loss for the term of ¥260 million. Under these severe business conditions, we enacted and commenced a new three-year medium-term management plan during the term under review. To establish a firm foundation for future operations, we implemented early retirement programs and disposed of equipment and other assets as part of our structural reform efforts. Due to the effectiveness of these efforts, the Company was able to produce a slight recurring profit in the second half of the term. However, due to various costs incurred in these reforms and other factors, the Company recorded an

extraordinary loss of ¥2,444 million and ended up recording a net loss for the term of ¥1,662 million.

Outlook for the Present Fiscal Year

Concerning business conditions surrounding the Company for fiscal 2002, with progress in inventory adjustments and other factors, some indications of a bottoming out are being seen in consumer market segments. However, a full-fledged recovery for the overall Japanese economy is expected to remain elusive for the immediate future as capital investment restraints keep activity in industrial segments low and instability in job markets, and weakness in consumer spending persist.

All of the companies that comprise the Nihon Inter Electronics Group, both domestic and overseas, will unite in efforts to fortify the Group production and sales framework. On the earnings side, under the medium-term management plan, we will increase the cost-competitiveness of our core products, develop new high-value-added products, and proactively carry out a number of priority projects, including the deeper penetration of select priority markets and tapping into new markets. Furthermore, we will fully leverage the substantial fixed cost cutting effects of the structural reforms implemented during fiscal 2001 and expand sales and income.

The Company will also strive to reduce assets and interest-bearing debt and aggressively undertake other measures to further improve its financial standing.

In consideration of the current business environment, we have revised our forecasts for consolidated earnings. We now foresee a 13.6% increase in net sales, to ¥26.0 billion, recurring profit of ¥1.5 billion, and net income of ¥0.85 billion.

2. Financial Conditions

Cash and cash equivalents at fiscal year-end amounted to ¥1,673 million, a decline of ¥154 million compared with the previous fiscal year. Cash flows for the term and their underlying factors are as follows.

Cash used in operating activities amounted to ¥1,080 million (compared with cash generated by operating activities of ¥1,411 million in the previous term). This was due to such factors as the recording of a loss before income taxes and minority interest of ¥2,703 million due to the

implementation of structural reforms, a decline in trade payables, and the payment of corporate income taxes.

Cash used in investment activities amounted to ¥1,183 million (compared with ¥780 million in the previous term), due to such factors as ¥1,330 million in outlays for the acquisition of property, plant and equipment.

Cash generated in financing activities amounted to ¥2,156 million (compared with ¥2,297 million in the previous term). This was due primarily to ¥2.1 billion in bank financing that was allocated to the payment of special retirement benefits as part of the Company's structural reform initiatives.

Consolidated Financial Statements

Consolidated balance sheet

(Assets)

(Millions of yen)

Fiscal year	Fiscal year ended March 31, 2002	Fiscal year ended March 31, 2001	Gain (loss)
Item	(A)	(B)	(A) - (B)
Current assets	17,171	21,188	-4,017
Cash and deposits in banks	1,732	2,040	-308
Notes and accounts receivable	8,104	11,097	-2,993
Marketable securities	54	52	2
Inventory assets	6,411	7,489	-1,078
Deferred tax assets	723	289	434
Other	151	250	-99
Allowances for doubtful accounts	-5	-32	27
Fixed assets	9,780	10,204	-424
Tangible fixed assets	6,920	7,869	-949
Buildings and structures	2,807	2,924	-117
Machinery and vehicles	2,646	3,068	-422
Land	658	658	0
Construction in process	486	883	-397
Other	322	334	-12
Intangible fixed assets	66	69	-3
Land lease rights	7	7	0
Software	36	37	-1
Other	21	24	-3
Investments and other assets	2,793	2,265	528
Investment securities	614	593	21
Long-term prepaid expenses	346	466	-120
Deferred tax assets	1,514	883	631
Other	420	343	77
Allowances for doubtful accounts	-101	-20	-81
Deferred assets	93	196	-103
Business commencement expenses	5	8	-3
Experiment and research expenses	88	188	-100
Total assets	27,045	31,589	-4,544

(Liabilities, minority interest, and shareholders' equity)

(Millions of yen)

Fiscal year	Fiscal year ended March 31, 2002	Fiscal year ended March 31, 2001	Gain (loss)
Item	(A)	(B)	(A) - (B)
Current liabilities	9,562	14,603	-5,041
Trade notes and accounts payable	3,427	6,146	-2,719
Short-term loans	5,614	5,851	-237
Accrued expenses	234	305	-71
Income taxes payable	9	775	-766
Allowances for employee bonuses	133	502	-369
Facilities related bills payable	61	928	-867
Other	81	93	-12
Fixed liabilities	9,564	7,375	2,189
Long-term loans	7,258	4,774	2,484
Allowances for retirement benefits	2,281	2,574	-293
Other	24	26	-2
Total liabilities	19,126	21,979	-2,853
Minority interest	-	-	-
Shareholders' equity	3,904	3,904	0
Capital reserve	3,880	3,880	0
Consolidated surplus	394	2,133	-1,739
Appraisal differences on marketable securities	45	-	45
Equity adjustment from foreign currency translation	-305	-307	2
Treasury stock	0	0	0
Total shareholders' equity	7,918	9,610	-1,692
Liabilities, minority interest, and shareholders' equity	27,045	31,589	-4,544

Statement of consolidated income and retained earnings

(Millions of yen)

Item	Fiscal year ended March 31, 2002 (A)		Fiscal year ended March 31, 2001 (B)		Gain (loss) (A) - (B)
	Sum	Percentage	Sum	Percentage	Sum
Net sales	22,876	100.0	32,469	100.0	-9,593
Cost of sales	19,520	85.3	27,002	83.2	-7,482
Gross profit	3,355	14.7	5,467	16.8	-2,112
Selling, general and administrative expenses	3,381	14.8	3,659	11.2	-278
Operating income (loss)	-26	-0.1	1,807	5.6	-1,833
Non-operating income	177	0.8	393	1.2	-216
Interest received	12		16		-4
Dividends received	5		7		-2
Gain on foreign currency exchange	95		260		-165
Other	64		108		-44
Non-operating expenses	411	1.8	609	1.9	-198
Interest expense	165		152		13
Write-off of fees for technologies acquisition	121		121		0
Write off of deferred experiment and research expenses	99		116		-17
Other	24		219		-195
Recurring income (loss)	-260	-1.1	1,591	4.9	-1,851
Extraordinary income	1	0.0	371	1.1	-370
Gain on reserve for new stock subscription rights	-		352		-352
Other	1		18		-17
Extraordinary loss	2,444	10.7	1,965	6.0	479
Structural reform expenditures	1,737		-		1,737
Loss on disposal of inventories	311		-		311
Loss on retirement of fixed assets	244		25		219
Director retirement bonuses	74		36		38
Valutaion loss on investment securities	62		-		62
Differential due to change to retirement benefit accounting standards	-		1,886		-1,886
Other	13		16		-3
Net income (loss) before income taxes	-2,703	-11.8	-3	0.0	-2,700
Corporate, residence, and business taxes	57	0.3	892	2.7	-835
Income tax and other adjustments	-1,098	-4.8	-852	-2.6	-246
Net income (loss)	-1,662	-7.3	-43	-0.1	-1,619

Interim term consolidated surplus statement

(Millions of yen)

Fiscal year Item	Fiscal year ended March 31, 2002 (A)	Fiscal year ended March 31, 2001 (B)	Gain (loss) (A) - (B)
Consolidated surplus balance at beginning of period	2,133	2,317	-184
Consolidated surplus decrease			
Dividends	75	140	-65
Employee bonuses	1	-	1
Deferred capital reserve	0	-	0
Total consolidated surplus decrease	76	140	-64
Net income	-1,662	-43	-1,619
Consolidated surplus balance at end of period	394	2,133	-1,739

Statement of consolidated cash flows

(Millions of yen)

Fiscal year	Fiscal year ended	Fiscal year ended	Gain (loss)
Item	March 31, 2002	March 31, 2001	(A) - (B)
	(A)	(B)	(A) - (B)
I. Cash flows from operating activities			
Loss before provision for income taxes	-2,703	-3	-2,700
Depreciation and amortization	1,184	1,145	39
Deferred asset depreciation	233	290	-57
Increase (decrease) in allowances for doubtful accounts	54	4	50
Increase in reserve for retirement benefits	-294	1,956	-2,250
Interest and dividend loss	-17	-24	7
Interest expense	165	152	13
Gain (loss) on foreign currency exchange	32	-95	127
Loss on retirement of fixed assets	244	25	219
Loss on valuation of investment securities	62	-	62
Increase (decrease) in notes and accounts receivable	2,923	-957	3,880
Increase (decrease) in inventories	1,085	-616	1,701
Increase (decrease) in notes and accounts payable	-2,744	277	-3,021
Other	-369	87	-456
Other	37	-382	419
Subtotal	-104	1,861	-1,965
Receipt of interest and dividends	14	23	-9
Payment of interest	-169	-176	7
Payment of income taxes	-821	-297	-524
Net cash provide from (used in) operating activities	-1,080	1,411	-2,491
II. Cash flows from investing activities			
Expenditures in term deposits	-19	-100	81
Proceeds from refunds on term deposits	173	800	-627
Expenditures for the acquisition of tangible fixed assets	-1,330	-1,466	136
Other	-7	-14	7
Net cash used in investing activities	-1,183	-780	-403
III. Cash flows from financing activities			
Net decline in short-term bank loans	-1,698	-1,659	-39
Proceeds from long-term debt	5,200	2,500	2,700
Payments on long-term debt	-1,267	-240	-1,027
Expenditures for bond redemption	-	-3,356	3,356
Proceeds from issue of new stock	-	600	-600
Expenditures for the repurchase of company stock	0	0	0
Dividends paid to stockholders	-76	-141	65
Net cash proved by (used in) financing activities	2,156	-2,297	4,453
IV. Foreign exchange differential on cash and cash equivalents	-47	22	-69
V. Net decrease in cash and cash equivalents	-154	-1,644	1,490
VI. Cash and cash equivalents at beginning of period	1,827	3,472	-1,645
VII. Cash and cash equivalents at end of period	1,673	1,827	-154

Basis for Presenting Consolidated Financial Statements

1. Scope of Consolidation

NIEC had four subsidiaries as of September 30, 2002, consisting of International Electronics Corp., Ltd., Inter Units Corporation, Philippine Inter Electronics Corporation, Inter Electronics Singapore Pte. Ltd.

2. Equity Method Application

N/A

3. Account Settlement Dates

The interim-term account settlement date for all consolidated subsidiaries is September 30, the same date as the settlement of the parent company's consolidated accounts.

4. Accounting Principles

(1) Standards and Methods for the Valuation of Principal Assets

Marketable securities

Items with cash value

Marked to market based on the market price at the end of the interim term (Net unrealized gains or losses are reported directly in shareholders' equity on a net-of-tax basis. Selling costs are calculated using the gross average method.)

Inventories

At cost, based on the moving average method

(2) Depreciation and Amortization Methods for Fixed Assets

Tangible fixed assets

The declining balance method is the principal method used for the parent company and its domestic, and overseas subsidiaries are straight-line method. However, as for the buildings (including fixtures) in us and our domestic are accounted for using the straight-line method.

Intangible fixed assets

The straight-line method is used. However, software used internally by NIEC is amortized on a straight-line basis over a five-year period, the estimated useful life of the software.

(3) Methods of amortization of deferred assets

New stock issuance costs: Full amount amortized at time of expenditure

Business development costs: Annual average amortized over five years

Testing and research expenses: Annual average amortized over five years

(4) Recording Standards for Allowances

Allowance for doubtful accounts

The allowances for the avoidance of bad debt losses on receivables, loans and others is primarily recorded according to the rate of previous bad debt occurrence. In the case of particularly doubtful accounts and other specific claims, the projected nonrecoverable amounts, based on an individual calculation of recoverability, are budgeted.

Allowance for employee bonuses

To allocate funds to bonuses paid to employees, the estimated sum to be paid during the given period is recorded.

Allowance for retirement benefits

To prepare employee retirement benefits, the liability was calculated as the difference between expected future retirement payments and the related assets retained to meet said payments.

Actuarial differences are treated as expenses for the consolidated fiscal year in which they occur and are amortized using the straight-line method over 10 years, within the average remaining consolidated term of employment, following the year in which they arise.

(5) Accounting Methods for Principal Lease Transactions

Finance leases (with the exception of those whose property ownership rights have been designated for transfer to the lessee) are accounted for in the same way as ordinary operating leases.

(6) Accounting Methods for Sales Taxes

Net-of-tax formulas are applied to sales taxes and local sales taxes.

5. Appropriation of Profit

Interim-term consolidated surplus statements are compiled based on the appropriation of profit or loss established in the consolidated interim term.

6. Scope of Capital in Statement of Consolidated Cash Flows

Capital (cash and cash equivalents) in the interim-term statements of consolidated cash flows is composed of cash on hand, payable-on-demand accounts and short-term investments with maturity dates within three months of acquisition date with high liquidity and that are easily converted to cash and carry only slight price fluctuation risks.

[Additional Information]

Accounting for Financial Instruments

From the consolidated period under review, the Company has adopted a new Japanese accounting standard for financial instruments (see "Report on the Establishment of Accounting Standards for Financial Instruments," issued by the Business Accounting Council on January 1, 1999) for application to other marketable securities with cash value and changed from the cost method using the gross average method to the mark-to-market method based on the current stock price on the final day of the accounting term (Net unrealized gains or losses are reported directly in shareholders' equity on a net-of-tax basis. Selling costs are calculated using the gross average method.)

Due to this change, an unrealized gain on other marketable securities was recorded of ¥45 million.

[Notes]

Consolidated Balance Sheets

	<u>March 31, 2002</u>	<u>March 31, 2001</u>
1. Depreciation of tangible fixed assets (consolidated)	¥14,751 million	¥15,418 million
2. Pledged assets and mortgages (consolidated)		
Assets pledged as collateral:		
Land	¥387 million	¥387 million
Buildings and structures	¥438 million	¥329 million
Machinery and vehicles	¥90 million	¥115 million
Other (tools, appliances and fixtures)	¥1 million	¥2 million
Total	¥917 million	¥835 million

Mortgages

Long-term loans	¥2,224 million
Short-term loans	¥489 million
Long-term loans repayable within one year	¥562 million
Total	¥2,713 million

3. Treasury stock	6,462 shares	1,361 shares
-------------------	--------------	--------------

4. Accounting for Bills Maturing on the Final Day of the Interim Term (Consolidated)

Bills maturing on the final day of the interim term are treated as items that are settled on their maturity dates. Moreover, because the final day of the interim term under review fell on a bank holiday, bills maturing on the final day of the next interim term have also been treated as items settled on their maturity date

Bills discounted: ¥330 million

Bills payable: ¥351 million

Statement of Consolidated Income and Retained Earnings

1. Principal selling, general and administrative expenses

	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2001</u>
Salaries and bonuses	¥1,570 million	¥1,699 million
Freight costs	¥206 million	¥261 million
Travel and transportation expenses	¥125 million	¥135 million
Rental expenses	¥113 million	¥111 million
Land and house rental expenses	¥99 million	¥98 million
Depreciation and amortization	¥41 million	¥46 million
Deferred allowance for employee bonuses	¥52 million	¥225 million
Deferred allowance for retirement benefits	¥175 million	¥115 million

Statement of Consolidated Cash Flows

1. Balance of cash and cash equivalents and interim term-end and interim consolidated balance sheet items

Cash and deposits	¥1,732 million
Time deposits longer than three months	¥ -59 million
Cash and cash equivalents	¥1,673 million

Segment Information

1. Segment information per individual business category

The primary business of the Nihon Inter Group is the development, manufacture and sale of electronic components. These products are widely used in such applications as IT devices, automobile electronic components, office equipment and machinery.

However, because of the similarity and overlap among products used in each market that result from the wide-ranging nature of the markets in which Nihon Inter operates, it does not manage its businesses as separate independent segments. In terms of products categories, properties, and manufacturing methods as well, it is the opinion of Nihon Inter that the state of its operations is most appropriately represented by consideration as a single business segment. Hence, segment information according to individual business category has been omitted.

2. Geographical segment data

Year ended March 31, 2002 (consolidated)

Millions of yen

	Japan	Southeast Asia	Subtotal	Elimination & corporate assets	Total
. Net sales and operating income (loss)					
(1) Customer sales	21,482	1,393	22,876	-	22,876
(2) Intersegment sales	1,721	3,436	5,158	-5,158	-
Total sales	23,204	4,830	28,034	-5,158	22,876
Operating costs and expenses	22,448	4,870	27,318	-4,415	22,902
Operating income (loss)	755	-39	716	-742	-26
. Capital	26,290	3,074	29,364	-2,318	27,045

Note: 1. Country and regional segments are determined according to geographic proximity.

2. Primary country and region segments outside of Japan:

Southeast Asia: Taiwan, the Philippines, Singapore

3. Nonabsorbable operating costs and expenses included in elimination & corporate assets consist primarily of ¥844 million in parent company head office expenses.

4. Assets included in elimination & corporate assets amounted to ¥767 million. These assets consisted primarily of cash, cash equivalents, marketable securities, investment securities and assets related to the Administration Department.

Year ended March 31, 2001 (consolidated)

Millions of yen

	Japan	Southeast Asia	Subtotal	Elimination & corporate assets	Total
I. Net sales and operating income					
(1) Customer sales	31,480	990	32,470	-	32,470
(2) Intersegment sales	1,359	4,450	5,809	-5,809	-
Total sales	32,839	5,440	38,279	-5,809	32,470
Operating costs and expenses	30,360	5,258	35,618	-4,956	30,662
Operating income	2,479	182	2,661	-853	1,808
II. Capital	30,900	3,376	34,276	-2,686	31,590

Note: 1. Country and regional segments are determined according to geographic proximity.

2. Primary country and region segments outside of Japan:

Southeast Asia: Taiwan, the Philippines

3. Nonabsorbable operating costs and expenses included in elimination & corporate assets consist primarily of ¥897 million parent company head office expenses.

4. Assets included in eliminations & corporate assets amounted to ¥925 million. These assets consisted primarily of cash, cash equivalents, marketable securities, investment securities and assets related to the Administration Department.

3. Overseas net sales

Year ended March 31, 2002 (consolidated)

Millions of yen

	Southeast Asia	North America	Europe	Total
I. Overseas net sales	3,891	215	190	4,297
II. Consolidated net sales				22,876
III. Percentage of consolidated net sales accounted for by overseas	17.0%	1.0%	0.8%	18.8%

Notes: 1. Country and regional segments are determined according to geographic proximity.

2. Primary country and region segments outside of Japan:

Southeast Asia: Taiwan, South Korea, Singapore

North America: United States, Canada

Europe: Sweden, United Kingdom, France

3. Overseas net sales consist of net sales of NIEC and its consolidated subsidiaries generated in countries or regions other than Japan.

Year ended March 31, 2001 (consolidated)

Millions of yen

	S.E. Asia	North America	Europe	Total
I. Overseas net sales	5,067	220	403	5,690
II. Consolidated net sales				32,470
III. Percentage of consolidated net sales accounted for by overseas	15.6%	0.7%	1.2%	17.5%

Notes: 1. Country and regional segments are determined according to geographic proximity.

2. Primary country and region segments outside of Japan:

Southeast Asia: Taiwan, South Korea, Singapore

North America: United States, Canada

Europe: Sweden, United Kingdom, France

3. Overseas net sales consist of net sales of NIEC and its consolidated subsidiaries generated in countries or regions other than Japan.

Lease Transactions

1. Value of leased property acquisition prices; depreciation, total, and term-end balance

	Millions of yen	
	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2001</u>
Leased property acquisition prices	3,389	3,232
Depreciation, total	3,115	2,768
Term-end balance	273	463

2. Value of unearned lease fees balance at the end of term

	Millions of yen	
	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2001</u>
One year or less	82	438
More than one year	195	107
Total	277	545

3. Value of Payable Lease Fees; Depreciation, Total, and Interest Payment

	Millions of yen	
	<u>Year ended March 31, 2002</u>	<u>Year ended March 31, 2001</u>
Payable Lease Fees	463	559
Depreciation, Total	366	441
Interest Payment	16	47

Transactions with related parties

(1) Parent company and major corporate shareholders

Company name	Kyosan Electric Mfg. Co., Ltd.	
Status	Affiliate	
Location	Tsurumi-ku, Yokohama-shi, Kanagawa-ken	
Capital or investment	¥6,270 million	
Business content or profession	Manufacture, sales, and repair of railway signal safety devices	
Percentage ownership	20.30%	
Relations		
Shared directors	One shared director	
Business relations	Sale of Nihon Inter products and purchase of merchandise	
Type of transactions	Sale of Nihon Inter products	Purchase of affiliate's products
Amount of transactions	¥835 million	¥126 million
Term-end balance	Trade notes receivable : ¥ 161 million Accounts receivable : ¥ 114 million	Accounts payable : ¥7 million

(Transaction conditions and policies for determining transaction conditions)

All products sold and merchandise purchased are traded at prices calculated from market prices.

(2) Directors and major individual shareholders

N/A Not Applicable

(3) Subsidiaries

N/A Not Applicable

(4) Fellow subsidiaries

Company name	Kyosan Seiki Co., Ltd.	Kyosan Kogyo Co., Ltd.
Status	Subsidiary of affiliate	Subsidiary of affiliate
Location	Tsurumi-ku, Yokohama-shi, Kanagawa-ken	Tsurumi-ku, Yokohama-shi, Kanagawa-ken
Capital or investment	¥ 87 million	¥ 11 million
Business content or profession	Manufacture of electric machinery	Manufacture of electric machinery
Percentage ownership	0%	0%
Relations		
Shared directors	None	None
Business relations	Sale of electric machinery components	Purchase of office supplies
Type of transactions	Sales of Nihon Inter products	Purchase of office supplies
Amount of transactions	¥10 million	¥ 0 million
Term-end balance	Trade notes receivable : ¥ 2 million	Accounts payable : ¥ 0 million

Tax effect accounting

Breakdown of principal causes of deferred tax assets and deferred tax liabilities

(Millions of yen)

Principal causes	Year ended March 31, 2002 (As of March 31, 2002)	Year ended March 31, 2001 (As of March 31, 2001)
Deferred tax assets		
Excess accrued employee bonuses	6	117
Accrued enterprise taxes	0	69
Excess of provision for employee retirement benefits	835	867
Overseas taxes	64	-
Excess of provision for doubtful accounts	41	23
Investment related tax reduction	44	54
Unrealized income	1	30
Losses carried over from previous years	1,282	19
Other	8	7
Total deferred tax assets	2,283	1,186
Deferred tax liabilities		
Special reserve for write-down of fixed assets	13	13
Gain on valuation of marketable securities	33	0
Total deferred tax liabilities	46	13
Net deferred tax assets	2,237	1,173

Securities

Year ended March 31, 2002 (Consolidated)

1. Other securities with market value

(Millions of yen)

Category	Year ended March 31, 2002			Year ended March 31, 2002		
	Acquisition cost	Balance sheet amount	Gain (loss)	Acquisition cost	Balance sheet amount	Gain (loss)
Items whose acquisition costs exceed amounts listed in consolidated balance sheets						
1. Equity securities	360	490	130	395	395	0
2. Bonds and debentures						
National and local government bonds	-	-	-	-	-	-
Corporate bonds and debentures	-	-	-	-	-	-
Other bonds and debentures	52	54	1	52	52	0
3. Other securities	-	-	-	-	-	-
Subtotal	413	545	131	448	448	0
Items whose acquisition costs do not exceed amounts listed in consolidated balance sheets						
1. Equity securities	239	123	-115	197	197	0
2. Bonds and debentures						
National and local government bonds	-	-	-	-	-	-
Corporate bonds and debentures	-	-	-	-	-	-
Other bonds and debentures	-	-	-	-	-	-
3. Other securities	-	-	-	-	-	-
Subtotal	239	123	-115	197	197	0
Total	652	668	16	646	646	0

2. Other marketable securities sold during the term (April 1, 2001 to March 31, 2002)

Omitted because selling prices were less than ¥1 million

3. Principal marketable securities that were not given mark-to-market valuation

N/A Not Applicable

4. Other marketable securities with maturity dates

N/A Not Applicable

(Note:)

The Company implemented a write-down of ¥ 62 million in marketable securities for the term ended March 31, 2002.

All securities whose market prices have fallen below 50% of their acquisition price are written down.

Derivative transactions, market value, and valuation gains (losses)

Year ended March 31, 2002

Year ended March 31, 2001

N/A Not Applicable

Retirement benefits

1 Summary of retirement benefits policy

Nihon Inter and its domestic consolidated subsidiaries employ a defined benefit type pension plan consisting of approved retirement annuities and retirement allowances.

2 Breakdown of retirement benefit obligation (as of March 31, 2002)

	(Millions of yen)
a. Projected benefit obligation	-3,268
b. Plan assets	474
<hr/>	
c. Funded status (a+b)	-2,794
d. Unrecognized transition obligation	-
e. Unrecognized actuarial loss	512
<hr/>	
f. Net funds listed in consolidated balance sheets (c+d+e)	-2,281
g. Prepaid plan expenses	-
<hr/>	
h. Accrued pension and severance costs	-2,281
<hr/>	

3 Breakdown of retirement benefit costs for the year ending March 31, 2002

	(Millions of yen)
a. Service cost	166 *
b. Interest cost	127
c. Expected return on retirement plan assets	-14
d. Amortization of net unrecognized transition obligation	0
e. Amortization of net unrecognized actuarial loss	60
<hr/>	
f. Pension cost	340
<hr/>	

* Pension contributions for the approved retirement annuities plan have been deducted.

4 Actuarial assumptions used in accounting for pension plans as of March 31, 2002

a. Method of amortization for gross retirement benefit projected at the end of average remaining service period	Straight-line
b. Discount rate	2.5%
c. Expected long-term rates of return on plan assets	0.9%
d. Period of amortization of net transition obligation	Amortized in lump sum in first fiscal year following transiti
e. Period of amortization of net actuarial loss	10 years

Status of Purchase Orders and Sales

1 .Net sales by product category

(Millions of yen)

Segment	Fiscal year ended March 31, 2002	Percentage (%)	Fiscal year ended March 31, 2001	Percentage (%)	Increase (decrease) (A) - (B)
Semiconductor elements	11,293	49.4	14,997	46.2	-3,704
Applied semiconductor products	3,403	14.9	4,532	14.0	-1,129
Subtotal	14,697	64.3	19,530	60.2	-4,833
Merchandise	8,179	35.7	12,939	39.8	-4,760
Total	22,876	100.0	32,469	100.0	-9,593

2 .Net purchase orders and purchase order balance

(Millions of yen)

Segment	Fiscal year ended March 31, 2002		Fiscal year ended March 31, 2001	
	Net purchase orders	Purchase order balance	Net purchase orders	Purchase order balance
Semiconductor elements	11,216	571	14,824	649
Applied semiconductor products	3,136	323	4,780	590
Subtotal	14,352	894	19,605	1,239
Merchandise	8,094	344	12,984	428
Total	22,447	1,239	32,589	1,668