

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

Representative: President and Director Name: Takeshi Yasuda

Officer in charge of enquiries: General Manager of Accounting Name: Yoichiro Sugita Phone: (0463) 84 - 8015

Accounts Settlement Board of Directors Meeting: May 23, 2002

Parent Company Name - (TSE Code No.: - ) Ratio of stock held by parent company: - %

United States accounting standards: Not applied

## 1. Consolidated results for fiscal 2003 (April 1, 2002 to March 31, 2003)

### (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, 2003	26,822	17.3	1,807	-	1,066	-
Fiscal year ending March 31, 2002	22,876	-29.5	-26	-	-260	-

	Net income (loss)		Net income (loss) per share	Net income per share after adjustment for shares, undiluted	Shareholder 's equity net profit margin	Total capital recurring profit margin	Net sales recurring profit margin
	¥ million	%increase (decrease)	¥	¥	%	%	%
Fiscal year ending March 31, 2003	449	-	14.71	-	5.5	3.9	4.0
Fiscal year ending March 31, 2002	-1,662	-	-55.17	-	-19.0	-0.9	-1.1

Note:

\* Equity method investment gain (loss) Year ended March 31, 2003: - Year ended March 31, 2002: -

\*\* Average number of shares (consolidated) Year ended March 31, 2003: 30,586,165  
Year ended March 31, 2002: 30,126,973

\*\*\* 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	%	¥
Fiscal year ending March 31, 2003	27,768	8,353	30.1	269.08
Fiscal year ending March 31, 2002	27,045	7,918	29.3	262.88

Note:

\* No. of issued shares at period-end (consolidated) Year ended March 31, 2003: 31,046,374  
Year ended March 31, 2002: 30,123,088

### (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
Fiscal year ending March 31, 2003	3,722	-575	-2,197	2,631
Fiscal year ending March 31, 2002	-1,080	-1,183	2,156	1,673

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

No. of consolidated subsidiaries: 5 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: 1 ; 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 2004 (ending March 31, 2004)

	Net sales	Operating income (loss)	Recurring profit (loss)
Six months ended Sep. 30, 2004	14,000	900	430
Fiscal year ending March 31, 2004	29,000	2,000	1,050

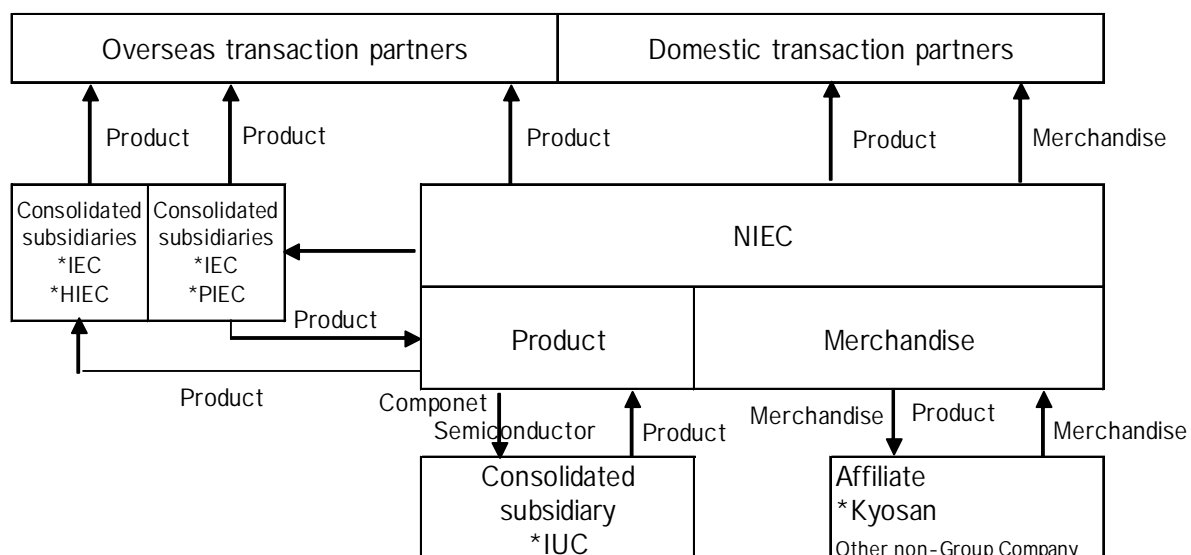
Remarks: Projected net income (loss) per share (for the fiscal year):      ¥ 33.82

## Group Overview

The Nihon Inter Electronics Group ("The Company") consists of the parent company, one domestic subsidiary, four 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 epitaxial diodes (FRED), rectifying diodes for small power applications	Nihon Inter (mfg., sales) IEC (mfg., sales) PIEC (mfg.) IES (sales) HIEC (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.

\*HIEC: Hong Kong Inter Electronics Co., Ltd.

## Management Policies

### **(1) Basic Management Policy**

Nihon Inter Electronics Corp.'s guiding principle is to fulfill the expectations of its shareholders and all other stakeholders in the Company. With a focus on markets and applications with high growth potential, Nihon Inter leads its industry in the development, manufacture, and sale of power semiconductors, devices that enable high-efficiency power conversion and power management.

Nihon Inter's mission is to contribute to society in terms of energy conservation and environmental protection through power management solutions. Therefore, the Company's basic management policy is to develop industry-leading high-value-added products while continually augmenting its cost competitiveness and taking the leadership role in its industry.

### **(2) Basic Policy Regarding Profit Sharing**

Nihon Inter's basic policy on profit sharing is to provide stable dividends to its shareholders while maintaining internal reserves at levels sufficient to implement investment in R&D, ensure the upkeep and augmentation of production facilities, and otherwise enhance competitive strength in preparation for future growth in the highly competitive power management market.

### **(3) Medium-Term Management Strategy**

Nihon Inter is currently implementing a three-year medium-term management plan that is scheduled for conclusion on March 31, 2004. To survive amid the competition in the global power management market, the Company is focusing on selectivity and concentration as it reforms its business structure, to create a highly profitable and a firm financial foundation. To this end it is implementing the following policies:

- Expansion of SBD/FRED market share
- Improvement of gross profit margin
- Enhancement of ROA

Nihon Inter has positioned its two principal high-frequency rectifying elements: Schottky Barrier Diodes (SBD) and Fast Recovery Epitaxial Diodes (FRED) as its core products. While concentrating managerial resources on these two products, we will withdraw from product lines

that lack potential for substantial growth and streamline our production and sales operations.

The Company will enterprisingly bring to market new products in its core SBD and FRED segments on an ongoing basis, thereby expanding market share and securing profit. Following our development roadmap, we will concentrate on product features, packaging, and cost and strive to assemble a diverse lineup of compact, high-efficiency, low-cost devices. Going forward, Nihon Inter will introduce and concentrate its marketing efforts on such new products as plasma display panels (PDPs) and digital home appliances, two segments of the domestic devices market in which a surge in demand is anticipated. In the development and marketing of new products, we will narrow our focus to the three markets of IT and domestic devices, machine tools and electronic appliances, and automotive devices. By proactively engaging in dialog with our customers, we will supply highly competitive products that meet our customers' application needs.

To this end, Nihon Inter will shift production lines to its overseas affiliates, adopt a just-in-time supply system, and promote collaborative operations both domestically and overseas. These efforts will enable us to lower material costs and reduce fixed costs, thereby decreasing production costs and expanding production capacity.

On the business operations side, the Company's goal is to augment its market competitiveness by promptly generating products that meet market needs through the unified efforts of its production, sales, and development operations. To achieve this goal, we will adopt a cross-departmental system of administrative responsibility, implement prompt market response, and enhance profit management. We will also work to expand our sales networks in China and South Korea, including the establishment of a Hong Kong-based affiliate to conduct sales to the growing Chinese market. At the same time, we will pursue e-commerce in North America and Europe and strive to increase sales.

In the trading business, Nihon Inter will work in unison with its suppliers to engage in such priority target markets as audio-visual and data communications, amusement, factory automation, and communications devices, while continuing to develop new merchandise. Furthermore, by integrating distribution in coordination with our suppliers, we will reduce inventories and strive to increase free cash flow.

Under its current medium-term management plan, Nihon Inter has undertaken the objective of achieving a 30% gross product profit margin through rigorous cost reduction and expansion in new product sales. It has also set the target of attaining a 10% ROA by the final year of the plan through a reduction of total assets to be achieved by decreasing accounts receivable and inventories.

To reinforce the market position of our core SBD products, we will further strengthen our market development and production activities and aim to capture a 20% share of the global market. By enhancing Group management, we will advance further toward our goal of being a highly profitable power semiconductor manufacturer with strong market presence.

Nihon Inter is also engaged in environmental issues, and is currently working fastidiously to assemble an environmental management system based on the ISO 14001 international environmental standard. The Company is working to develop new manufacturing methods and augment process management so as to contribute to the conservation of resources and the reduction of hazardous substances. At the same time, we are actively engaged in the reduction and recycling of waste as well as green procurement activities. Information on the progress of these programs is openly disclosed through the Nihon Inter official Website, and efforts are taken to harmonize with all stakeholders, through such means as questionnaires included in environmental reports.

#### **(4) Basic Philosophy on Corporate Governance and Action Progress**

In consideration of the importance of corporate governance, Nihon Inter has put in place a organization consisting of six departments: production, sales, R&D, administration, strategic planning, and trading, along with an executive officer system. The adoption of this configuration will enable the Company to clearly delineate the functions of decision making—which is the role of the Board of Directors—and business execution. To further support the Board of Directors, the Company has also formed a managerial council for essential strategies, consisting of the chairman, president, directors with special title, and external directors, as well as an executive council, headed by the president and consisting primarily of executive officers.

In addition to monitoring the administration of corporate business at the Board of Directors level, Nihon Inter strives to ensure the effective and appropriate execution of business on a day to day basis by assigning external auditors to participate actively in the executive council.

Furthermore, Nihon Inter strives to optimize its investor relations activities to ensure fairness and transparency in management with respect to its shareholders, investors, and all other stakeholders. The Company also works proactively to disclose information. As communication tools, Nihon Inter holds earnings presentation meetings for its institutional investors and the media and also makes financial information available through its official Website. We will continue to exert such efforts to clearly communicate the current state of our business operations and our visions for the future in order to ensure that we are evaluated fairly by the market.

## Operational Results and Financial Conditions

### 1. Operational Results

#### Overview

The course to economic recovery in Japan remained elusive during the term under review. In comparison with the previous term, which saw a sizable recession due to the sharp decline in sales as a result of the IT slump and a prolonged period of corporate restructuring, some signs of recovery in corporate profits were seen during the first half of the term as production gradually rose and exports were relatively strong. However, with weak consumer spending and capital investment the employment market remained severe and deflationary conditions persisted, as illustrated by the continual decline in the stock market. The second half saw increased anxiety over the possibility of recessions in the United States and Europe, and corporate earnings were beset by a number of negative factors at fiscal year-end, including the war in Iraq, further stock market decline, and the spread of the SARS epidemic.

In the electrical machinery and electronics industry in which the Nihon Inter Group operates, demand for consumer electronics rose as business began to rebound from the inventory adjustments that were implemented in the previous term and the World Cup Soccer Tournament provided a boost to the industry. Digital visual devices proved to be a prominent market driver and the automotive wiring segment remained strong. Although business in the industrial electronic equipment sector was generally weak as a result of restraint in private-sector capital investment, demand increased on the strength of active investment in the Chinese market.

Against this backdrop, consolidated net sales for the Nihon Inter Electronics Group climbed 17.3% compared with the previous term, to ¥26,822 million. Sales of products manufactured by Nihon Inter rose 16.7%, to ¥17,153 million, and trade in merchandise increased 18.2%, to ¥9,669 million.

On the profit side, although increasingly intense market competition placed substantial downward pressure on selling prices, recurring profit was vastly improved, amounting to ¥1,066 million. This improvement was achieved both as a result of the increase in net sales and the Company's efforts to enhance its gross profit margin rate as it converts to a high-profit business configuration, a stated aim of the current medium-term management plan. Although the Company incurred a loss on appraisal of securities and other extraordinary losses, consolidated net income nevertheless increased, totaling ¥449 million.

Earnings by geographical segment are as follows:

(1) Japan

Driven by strong demand for digital visual devices as well as persistent strength in the automotive wiring segment, net sales in the Japanese market increased 7.8%, to ¥23,162 million and operating income surged 212.8%, to ¥2,362 million.

(2) Asia

Net sales surged 162.6%, to ¥3,660 million, supported by the full-fledged startup of the Company's Singapore office, which was established in the previous term, as well as the establishment of the new Hong Kong office to capitalize on the increasing trend among Japanese companies to shift production operations to China. Compared with an operating loss for the previous term, operating income of ¥175 million was generated by business in Asia during the term under review.

After considering of net sales figures for the term and the recovery in net income as well as the outlook for future earnings, the Company has set year-end shareholder dividends at ¥2.50 per share (or ¥5.00 per share for the full year).

### **Outlook for the Present Fiscal Year**

The future state of the operating environment surrounding the Company is expected to remain severe. The economic slowdown in the United States has caused concern over a weakening in export growth, and the Japanese economy remains unpredictable as recovery in consumer spending and capital investment remains elusive. On the global level, deflationary trends are being witnessed throughout the industrialized nations of the world, and there is substantial concern over the negative impact of the spread of the SARS epidemic.

Against this backdrop, consolidated net sales for the fiscal year ending March 31, 2004, are expected to increase 8%, to ¥29.0 billion, and the Company anticipates recording a recurring profit of ¥2.0 billion, up 87% year-on-year, and net income of ¥1.05 billion, up 133%.

Although the business environment is expected to remain severe, the Company plans to pay shareholder dividends for the full fiscal year of ¥5.00 per share and it will strive to continue to provide stable returns to its investors.

The preceding forecast and anticipations regarding earnings are based on the Company's pragmatic analysis of current available information. Actual results may differ materially from the outlook present in this report as a result of a variety of factors.

## **2. Financial Conditions**

Cash and cash equivalents at fiscal year-end amounted to ¥2,631 million, an increase of ¥958 million compared with the previous fiscal year-end. The Company's cash flow situation is as follows.

Cash provided by operating activities totaled ¥3,722 million (compared with cash used in the previous term of ¥1,080 million) as result of the recording of ¥954 million in net income before income taxes, depreciation and amortization of ¥1,150 million, and a decrease in inventories of ¥252 million.

Cash used in investing activities totaled ¥575 million (compared with cash used in the previous term of ¥1,183 million), primarily as a result of the ¥423 million used in the acquisition of property, plant and equipment.

Cash used in financing activities totaled ¥2,197 million (compared with cash used in the previous term of ¥2,156 million) as a result of ¥150 million in revenue from the issuance of new stocks, ¥2,266 million in the repayment of loans to improve the Company's financial condition, and ¥75 million used in the payment of shareholder dividends.

## Consolidated Financial Statements

### Consolidated balance sheet

( Assets )

(Millions of yen)

Item	Fiscal year ended March 31, 2003 (A)	Fiscal year ended March 31, 2002 (B)	Gain (loss) (A) - (B)
Current assets	18,659	17,117	1,542
Cash and deposits in banks	2,651	1,732	919
Notes and accounts receivable	8,931	8,104	827
Inventory assets	6,072	6,411	-339
Deferred tax assets	736	723	13
Other	273	151	122
Allowances for doubtful accounts	-8	-5	-3
Fixed assets	9,087	9,834	-747
Tangible fixed assets	6,369	6,920	-551
Buildings and structures	2,620	2,807	-187
Machinery and vehicles	2,400	2,646	-246
Land	658	658	-
Construction in process	411	486	-75
Other	278	322	-44
Intangible fixed assets	55	66	-11
Land lease rights	7	7	-
Software	27	36	-9
Other	20	21	-1
Investments and other assets	2,662	2,847	-185
Investment securities	500	668	-168
Long-term prepaid expenses	822	346	476
Deferred tax assets	1,032	1,514	-482
Other	331	420	-89
Allowances for doubtful accounts	-23	-101	78
Deferred assets	22	93	-71
Business commencement expenses	1	5	-4
Experiment and research expenses	20	88	-68
<b>Total assets</b>	<b>27,768</b>	<b>27,045</b>	<b>723</b>

( Liabilities, minority interest, and shareholders' equity )

(Millions of yen)

Item	Fiscal year ended March 31, 2003 (A)	Fiscal year ended March 31, 2002 (B)	Gain (loss) (A) - (B)
Current liabilities	9,845	9,562	283
Trade notes and accounts payable	4,895	3,427	1,468
Short-term loans	3,510	5,614	-2,104
Income taxes payable	629	60	569
Accrued expenses	25	9	16
Allowance for employee bonuses	278	133	145
Other	506	316	190
Fixed liabilities	9,569	9,564	5
Long-term loans	7,064	7,258	-194
Allowances for retirement benefits	2,467	2,281	186
Other	37	24	13
Total liabilities	19,414	19,126	288
Minority interest	-	-	-
Shareholders' equity	3,979	3,904	75
Capital surplus	3,955	3,880	75
Revenue surplus	768	394	374
Appraisal differences on marketable securities	6	45	-39
Equity adjustment from foreign currency translation	-351	-305	-46
Treasury stock	-6	0	-6
Total shareholders' equity	8,353	7,918	435
Liabilities, minority interest, and shareholders' equity	27,768	27,045	723

## Statement of consolidated income and retained earnings

(Millions of yen)

Item	Fiscal year ended March 31, 2003 (A)		Fiscal year ended March 31, 2002 (B)		Gain (loss) (A) - (B)
	Sum	Percentage	Sum	Percentage	Sum
Net sales	26,822	100.0	22,876	100.0	3,946
Cost of sales	21,586	80.5	19,520	85.3	2,066
Gross profit	5,236	19.5	3,355	14.7	1,881
Selling, general and administrative expenses	3,428	12.8	3,381	14.8	47
Operating income (loss)	1,807	6.7	-26	-0.1	1,833
Non-operating income	103	0.4	177	0.8	-74
Interest received	4		12		-8
Dividends received	6		5		1
Gain on foreign currency exchange	-		95		-95
Other	93		64		29
Non-operating expenses	844	3.1	411	1.8	433
Interest expense	163		165		-2
Write-off of fees for technologies acquisition	121		121		-
Write off of deferred experiment and research expenses	67		99		-32
Loss on disposal of obsolete inventories	66		-		66
Foreign currency translation income	307		-		307
Other	117		24		93
Recurring income (loss)	1,066	4.0	-260	-1.1	1,326
Extraordinary income	8	0.0	1	0.0	7
Loss on retirement of fixed assets	5		1		4
Loss on sales of securities	3		-		3
Extraordinary loss	120	0.4	2,444	10.7	-2,324
Valutaion loss on investment securities	90		62		28
Loss on retirement of fixed assets	14		244		-230
Director retirement bonuses	0		74		-74
Structural reform expenditures	-		1,737		-1,737
Other	15		325		-310
Net income (loss) before income taxes	954	3.6	-2,703	-11.8	3,657
Corporate, residence, and business taxes	34	0.1	57	0.3	-23
Income tax and other adjustments	470	1.8	-1,098	-4.8	1,568
Net income (loss)	449	1.7	-1,662	-7.3	2,111

# Consolidated surplus statement

(Millions of yen)

Item	Fiscal year ended March 31, 2003		Fiscal year ended March 31, 2002	
Consolidated retained earnings balance at beginning of period		-		2,133
Consolidated surplus decrease				
Dividends	-		75	
Employee bonuses	-		1	
Deferred capital reserve	-	-	0	76
Net income		-		-1,662
Consolidated surplus balance at end of period		-		394
(Capital Surplus)				
Consolidated capital surplus balance at beginning of period		3,880		-
Increase				
New issue of stock	75	75	-	-
Decrease		-		-
Balance at end of period		3,955		-
(Retained Earnings)				
Consolidated Revenue surplus balance at beginning of period		394		-
Increase				
Net Income (Interim)	449	449	-	-
Decrease				
Dividend	75	75	-	-
Balance at end of period		768		-

# Statement of consolidated cash flows

(Millions of yen)

Item	Fiscal year ended March 31, 2003 (A)	Fiscal year ended March 31, 2002 (B)	Gain (loss) (A) - (B)
<b>I. Cash flows from operating activities</b>			
Loss before provision for income taxes	954	-2,703	3,657
Depreciation and amortization	1,150	1,184	-34
Deferred asset depreciation accounts	197 0	233 54	-36 -54
Increase in reserve for retirement benefits	199	-294	493
Interest and dividend loss	-10	-17	7
Interest expense	163	165	-2
Gain (loss) on foreign currency exchange	126	32	94
Loss on retirement of fixed assets	14	244	-230
Loss on valuation of investment securities receivable	90 -881	62 2,923	28 -3,804
Increase (decrease) in inventories	252	1,085	-833
Increase (decrease) in notes and accounts payable bonuses	1,548 146	-2,744 -369	4,292 515
Other	-66	37	-103
Subtotal	3,885	-104	3,989
Receipt of interest and dividends	8	14	-6
Payment of interest	-170	-169	-1
Payment of income taxes	-16	-821	805
Receipt of tax refund	14	-	14
Net cash provide from (used in) operating activities	3,722	-1,080	4,802
<b>II. Cash flows from investing activities</b>			
Expenditures in term deposits	-1	-19	18
Proceeds from refunds on term deposits	40	173	-133
Expenditures for the acquisition of tangible fixed assets	-423	-1,330	907
Proceeds from the acquisition of tangible fixed assets	12	13	-1
Expenditures for the acquisition of technologies	-206	-	-206
Other	3	-20	23
Net cash used in investing activities	-575	-1,183	608
<b>III. Cash flows from financing activities</b>			
Net increase(decrease) in short-term bank loans	-1,964	-1,698	-266
Proceeds from long-term debt	2,490	5,200	-2,710
Payments on long-term debt	-2,792	-1,267	-1,525
Proceeds from issue of new stock stock	150 -5	- 0	150 -5
Dividends paid to stockholders	-75	-76	1
Net cash proved by (used in) financing activities	-2,197	2,156	-4,353
IV. Foreign exchange differential on cash and cash equivalents	9	-47	56
V. Net decrease in cash and cash equivalents	958	-154	1,112
VI. Cash and cash equivalents at beginning of period	1,673	1,827	-154
VII. Cash and cash equivalents at end of period	2,631	1,673	958

## Basis for Presenting Consolidated Financial Statements

### 1. Scope of Consolidation

NIEC had five subsidiaries consisting of International Electronics Corp., Ltd., Inter Units Corporation, Philippine Inter Electronics Corporation, Inter Electronics Singapore Pte. Ltd., and Hong Kong Inter Electronics Co., Ltd.

### 2. Equity Method Application

N/A

### 3. Account Settlement Dates

The account settlement date for all consolidated subsidiaries is March 31, 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. Regarding depreciable assets with small acquisition costs of over ¥100,000 and under ¥200,000, depreciation is calculated in equal portions over a three-year period.

Depreciation periods for major assets are as follows:

Buildings: 3-50 years

Machinery and vehicles: 5-15 years

#### 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) Principal Accounting Methods for Hedge Accounting

##### 1. Hedge accounting methods

The appropriation method is used for overseas currency denominated debt with exchange contracts.

##### 2. Hedging method and items to be hedged

Hedging method: exchange contracts

Items to be hedged: overseas currency denominated debt

##### 3. Hedging method

The policy regarding hedging is to limit the total amount of the exchange contracts entered into to the actual amount of currency available and only apply hedging to items within the designated range of items to be hedged, so as to avoid risks associated with fluctuations in exchange rates.

##### 4. Method of evaluation of effectiveness of hedging

Evaluation of hedge effectiveness is not considered necessary as the terms and notional amounts of hedge instruments used are the same as those of related transactions, and therefore they are assumed to be highly effective in offsetting fluctuations in exchange rates and interest rates at their inception as well as during their term and at their termination.

#### (7) Other important items

##### Accounting Methods for Sales Taxes

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

Accounting methods for treasury stock and amount of reversal of appropriations to legally designated reserves

Starting with the interim term under review, the Company revised its accounting practices to comply with Basic Corporate Accounting Law, Article 1, "Accounting Methods for Treasury Stock and Amount of Reversal of Appropriations to Legally Designated Reserves." This revision had no effect on income (loss.) To comply with revisions to standards for consolidated interim financial statements, the Stockholders' Equity section of the consolidated interim term balance sheets for the consolidated interim under review and the consolidated interim term Capital Surplus Fund accounting statement have been revised to reflect new accounting methods.

Accounting standards for net income per share

"Accounting Standard for Net Profit per Share" (Financial Accounting Standard No. 2) and "Guidance for Appropriation of Accounting Standard for Net Profit per Share" (Guidance of Financial Accounting Standard No. 4) are applied as of fiscal 2002. The application of these items has no effect on earnings.

**5. Handling of items pertaining to profit distribution**

The consolidated surplus statement is compiled based on profit distribution or loss disposition confirmed during the fiscal year.

**6. Scope of Capital in Statement of Consolidated Cash Flows**

Capital (cash and cash equivalents) in the 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.

[Notes]

Consolidated Balance Sheets

	<u>Fiscal year ended</u> <u>March 31, 2003</u>	<u>Fiscal year ended</u> <u>March 31, 2002</u>
1. Depreciation of tangible fixed assets (consolidated)	¥15,020 million	¥14,751 million
2. Pledged assets and mortgages		

(consolidated)		
Assets pledged as collateral:		
Land	¥387 million	¥387 million
Buildings and structures	¥395 million	¥438 million
Machinery and vehicles	¥82 million	¥90 million
Other		
(tools, appliances and fixtures)	¥1 million	¥1 million
Total	¥867 million	¥917 million
Mortgages		
Long-term loans	¥2,079 million	¥2,224 million
Short-term loans	¥361 million	¥489 million
(Long-term loans repayable within one year)	(¥128 million)	(¥562 million)
Total	¥2,440 million	¥2,713 million
3. Treasury stock	33,176 shares	6,462 shares
The Company's outstanding stock volume is 31,079,550 shares of common stock.		

### Statement of Consolidated Income and Retained Earnings

#### 1. Principal selling, general and administrative expenses

	<u>Fiscal year ended</u> <u>March 31, 2003</u>	<u>Fiscal year ended</u> <u>March 31, 2002</u>
Salaries and bonuses	¥1,412 million	¥1,570 million
Freight costs	¥247 million	¥206 million
Travel and transportation expenses	¥133 million	¥125 million
Rental expenses	¥107 million	¥113 million
Expenditure for subcontracting	¥197 million	¥115 million
Depreciation and amortization	¥58 million	¥41 million
Deferred allowance for employee bonuses	¥140 million	¥52 million
Deferred allowance for retirement benefits	¥150 million	¥175 million

### Statement of Interim Consolidated Cash Flows

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

	<u>Fiscal year ended</u> <u>March 31, 2003</u>	<u>Fiscal year ended</u> <u>March 31, 2002</u>
Cash and deposits	¥2,651 million	¥1,732 million
Time deposits longer than three months	¥ -20 million	¥ -59 million
Cash and cash equivalents	¥2,631 million	¥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, 2003 (consolidated)

Millions of yen

	Japan	Asia	Subtotal	Elimination & corporate assets	Total
I. Net sales and operating income (loss)					
(1) Customer sales	23,162	3,660	26,822	-	26,822
(2) Intersegment sales	3,588	4,318	7,907	-7,907	-
Total sales	26,750	7,978	34,729	-7,907	26,822
Operating costs and expenses	24,388	7,802	32,190	-7,175	25,015
Operating income (loss)	2,362	175	2,538	-731	1,807
II. Capital	27,388	3,639	31,028	-3,259	27,768

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

2. Primary country and region segments outside of Japan:

Asia: Taiwan, the Philippines, Singapore, China

3. Nonabsorbable operating costs and expenses included in elimination & corporate assets consist primarily of ¥824 million in parent company head office expenses.

4. Assets included in Elimination & Corporate Assets amounted to ¥613 million. These assets consisted primarily of surplus funds held by the parent company (cash and marketable securities), long-term investments (investment securities), or assets connected to the Administration Department.

Year ended March 31, 2002 (consolidated)

Millions of yen

	Japan	Asia	Subtotal	Elimination & corporate assets	Total
I. Net sales and operating income					
(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
II. 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:

Asia: Taiwan, the Philippines, Singapore

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

4. Assets included in Elimination & Corporate Assets amounted to ¥767 million. These assets consisted primarily of surplus funds held by the parent company (cash and marketable securities), long-term investments (investment securities), or assets connected to the Administration Department.

### 3. Overseas net sales

Year ended March 31, 2003 (consolidated)

Millions of yen

	Asia	North America	Europe	Total
I. Overseas net sales	6,036	136	97	6,270
II. Consolidated net sales				26,822
III. Percentage of consolidated net sales accounted for by overseas net sales	22.5%	0.5%	0.4%	23.4%

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

2. Primary country and region segments outside of Japan:

Asia: Taiwan, South Korea, Singapore, China

North America: United States, Canada, Mexico

Europe: Holland, Hungary, Sweden

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, 2002 (consolidated)

Millions of yen

	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 net sales	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:

Asia: Taiwan, South Korea, Singapore

North America: United States, Mexico

Europe: Sweden, United Kingdom, Finland

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, 2003</u>	<u>Year ended March 31, 2002</u>
Leased property acquisition prices	657	3,388
Depreciation, total	381	3,115
Term-end balance	276	272

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

	Millions of yen	
	<u>Year ended March 31, 2003</u>	<u>Year ended March 31, 2002</u>
One year or less	94	81
More than one year	187	195
Total	256	277

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

	Millions of yen	
	<u>Year ended March 31, 2003</u>	<u>Year ended March 31, 2002</u>
Payable Lease Fees	110	463
Depreciation, Total	102	366
Interest Payment	7	16

## Per share information

1. Net assets per share            ¥269.08

2. Net income per share           ¥14.71

3. Diluted net income per share

Not presented as the Company possesses no stock with latent dilution effects.

"Accounting Standard for Net Profit per Share" (Financial Accounting Standard No. 2) and "Guidance for Appropriation of Accounting Standard for Net Profit per Share" (Guidance of Financial Accounting Standard No. 4) are applied as of fiscal 2002. The application of these items has no effect on earnings.

Note:

Basis for calculating net income per share

Net income	¥449 million
Amount not belonging to common stockholders	-
Net income connected to common stockholders	¥449 million
Average number of shares during the term	30,586,165

## 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	20.2%	
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	¥897 million	¥141million
Term-end balance	Trade notes receivable: ¥ 470 million	Accounts payable: ¥7 million

Company name	International Rectifier Corporation	
Status	Affiliate	
Location	United States	
Capital or investment	US\$ 64 million	
Business content or profession	Manufacture and sales of electronic components	
Percentage ownership	17.7%	
Relations:		
Shared directors	One shared director	
Business relations	license affiliation	
Type of transactions	licensing of technology	
Amount of transactions	¥616 million	
Term-end balance	Accounts payable: ¥ 409 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	¥13 million	¥1 million
Term-end balance	Trade notes receivable: ¥ 3 million	Accounts payable: ¥ 0 million

## Tax effect accounting

### 1. Breakdown of principal causes of deferred tax assets and deferred tax liabilities

(Millions of yen)

Principal causes	Fiscal year ended March 31, 2003
Deferred tax assets	
Excess accrued employee bonuses	98
Excess of provision for employee retirement benefits	971
Overseas taxes	52
Excess of provision for doubtful accounts	6
Investment related tax reduction	20
Unrealized income	5
Losses carried over from previous years	628
Other	1
Total deferred tax assets	1,784
Deferred tax liabilities	
Special reserve for write-down of fixed assets	11
Gain on valuation of marketable securities	4
Total deferred tax liabilities	15
Net deferred tax assets	1,768

### 2. Influence of the adoption of pro forma standard taxation on tax effect accounting

As a result of revision to the Local Tax Laws, whereas the legal effective tax rate used in the calculation of deferred tax assets and deferred tax liabilities was 42.0% in the previous fiscal year, for the year ended March 31, 2003 the rate was 42.0% for temporary differences that are expected to be resolved by March 31, 2004, and 40.6% for differences that expected to be resolved thereafter. As a result of these taxation rate changes, net deferred tax assets at year-end (the sum resulting after the deduction of deferred tax liabilities) declined ¥32 million and the adjustment of corporate income tax recorded for the fiscal year increased by the same amount.

Regarding the current price of investment securities, the effect on the valuation difference on other marketable securities is negligible.

## Securities

Year ended March 31, 2003 (Consolidated)

### 1. Other securities with market value

(Millions of yen)

Category	Year ended March 31, 2003			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						
1. Equity securities	55	77	22	360	490	130
2. Bonds and debentures						
National and local government bonds	-	-	-	-	-	-
Corporate bonds and debentures	-	-	-	-	-	-
Other bonds and debentures	-	-	-	52	54	1
3. Other securities	-	-	-	-	-	-
Subtotal	55	77	22	413	545	131
Items whose acquisition costs do not exceed amounts listed in consolidated balance						
1. Equity securities	381	373	-7	239	123	-115
2. Bonds and debentures						
National and local government bonds	-	-	-	-	-	-
Corporate bonds and debentures	-	-	-	-	-	-
Other bonds and debentures	52	49	-2	-	-	-
3. Other securities	-	-	-	-	-	-
Subtotal	433	423	-10	239	123	-115
Total	489	500	11	652	668	16

### 2. Other marketable securities sold during the term (April 1, 2002 to March 31, 2003)

Sale price	Total gains on sale	Total losses on sale
15	3	0

### 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 ¥ 90 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, 2003

No corresponding items other than exchange rate contracts to which hedge accounting has been applied

Year ended March 31, 2002

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, 2003)

	(Millions of yen)
a. Projected benefit obligation	-3,271
b. Plan assets	440
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c. Funded status (a+b)	-2,830
d. Unrecognized transition obligation	-
e. Unrecognized actuarial loss	363
f. Unrealized past service liabilities	-
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g. Net funds listed in consolidated balance sheets (c+d+e+f)	-2,467
h. Prepaid plan expenses	-
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i. Accrued pension and severance costs (g-h)	-2,467

### 3 Breakdown of retirement benefit costs for the year ending March 31, 2003

	(Millions of yen)
a. Service cost	216 *
b. Interest cost	74
c. Expected return on retirement plan assets	-6
d. Amortization of net unrecognized transition obligation	-
e. Amortization of net unrecognized actuarial loss	50
f. Past service liabilities cost	-
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g. Pension cost (a+b+c+d+e+f)	334

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

### 4 Actuarial assumptions used in accounting for pension plans as of March 31, 2003

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	1.2%
d. Number of years past service liabilities are charged	-
e. Period of amortization of net actuarial loss	10 years
f. Period of amortization of net transition obligation	-

## Status of Purchase Orders and Sales

### 1. Net sales by product category

(Millions of yen)

Segment	Fiscal year ended March 31, 2003	Percentage (%)	Fiscal year ended March 31, 2002	Percentage (%)	Increase (decrease) (A) - (B)
Semiconductor elements	13,402	50.0	11,293	49.4	2,109
Applied semiconductor products	3,750	14.0	3,403	14.9	347
Subtotal	17,153	64.0	14,697	64.3	2,456
Merchandise	9,669	36.0	8,179	35.7	1,490
Total	26,822	100.0	22,876	100.0	3,946

### 2. Net purchase orders and purchase order balance

(Millions of yen)

Segment	Fiscal year ended March 31, 2003		Fiscal year ended March 31, 2002	
	Net purchase orders	Purchase order balance	Net purchase orders	Purchase order balance
Semiconductor elements	13,294	454	11,216	563
Applied semiconductor products	3,813	385	3,136	323
Subtotal	17,107	840	14,352	886
Merchandise	9,707	382	8,094	344
Total	26,815	1,222	22,447	1,230