

## Listed Company Name: Nihon Inter Electronics Corp.

Listed exchange: Tokyo

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

Head Office Location

TSE Code No:

6974

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  
 Date of the Meeting of the Board of Directors for Settling Accounts: May 23, 2003  
 Date of the General Meeting of Shareholders: June 25, 2003  
 Payment of Interim Dividends: Yes  
 Minimum share trading unit: 1,000 shares

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

## (1) Business results

Note: Stated figures are round 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	25,706	16.8	1,537	-	1,116	-
Fiscal year ending March 31, 2002	22,003	-30.1	-45	-	-165	-

	Net income (loss)		Net income per share	Net income per share after adjustment for shares, undiluted	Shareholders' equity	Total capital	Net sales
	¥ million	% increase (decrease)	¥	¥	Net profit ratio	Recurring profit ratio	Recurring profit ratio
Fiscal year ending March 31, 2003	518	-	16.95	-	6.0	12.8	4.3
Fiscal year ending March 31, 2002	-1,454	-	-48.27	-	-15.9	-0.6	-0.8

Note:

\* Average number of shares (consolidated)

Year ended March 31, 2003: 30,586,165 shares

Year ended March 31, 2002: 30,126,973 shares

\*\* 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) Dividends

	Annual Dividend Per Share			Total dividend (For the year)	Payout ratio	Ratio of dividends to shareholders' equity
		Interim term	Fiscal year-end			
Fiscal year ending March 31, 2003	5.00	2.50	2.50	152	29.5	1.7
Fiscal year ending March 31, 2002	0.00	0.00	0.00	-	-	-

Note: \*Detail of Interim Dividend Per Share for the year ended March 31, 2003

Memorial Dividend: 0.00

Bonus Dividend: 0.00

## (3) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥ million	¥ million	%	¥
Fiscal year ending March 31, 2003	27,116	8,965	33.1	288.78
Fiscal year ending March 31, 2002	26,265	8,416	32.0	279.39

Note:

\* No. of issued shares at period-end

Year ended March 31, 2003 : 31,046,374 shares

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

\*\* No. of Treasury stocks at period-end

Year ended March 31, 2003 : 33,176 shares

Year ended March 31, 2002 : 6,462 shares

## 2. Projected results for fiscal 2004 (ending March 31, 2004)

	Net sales	Operating income	Recurring profit	Annual Dividend Per Share	
				Interim term	Fiscal year-end
Interim term	¥ million	¥ million	¥ million	¥	¥
	13,500	850	400	2.50	-
Fiscal year-end	28,000	1,900	1,000	-	2.50
					5.00

Remarks: Projected net income (loss) per share (for the fiscal year): ¥ 32.21

# Financial Statements

## Balance Sheets

### Assets

Millions of yen

Item	Fiscal year ending March 31, 2003 (A)	Fiscal year ending March 31, 2002 (B)	Gain (loss) (A) - (B)
Current assets	18,433	16,640	1,793
Cash and deposits in banks	2,162	1,309	853
Trade receivables	2,669	2,378	291
Notes and accounts receivable	6,221	5,490	731
Merchandise	1,503	1,290	213
Products	1,912	2,380	-468
Raw materials	500	703	-203
Work in process	1,068	993	75
Inventories	44	40	4
Prepaid expenses	55	40	15
Short-term loans	1,092	942	150
Accrued revenue	105	33	72
Accounts receivable on compensatory materials	378	393	-15
Deferred tax assets	715	641	74
Other current assets	9	6	3
Allowance for doubtful accounts	-6	-3	-3
Fixed assets	8,662	9,536	-874
Tangible fixed assets	4,932	5,371	-439
Buildings	2,097	2,203	-106
Structures	58	62	-4
Machinery and equipment	1,808	1,991	-183
Vehicles	0	0	-
Tools, instruments and fixtures	243	280	-37
Land	349	349	-
Construction in progress	375	484	-109
Intangible fixed assets	46	53	-7
Software	21	27	-6
Other fixed assets	24	26	-2
Investments and other assets	3,683	4,111	-428
Investment securities	473	643	-170
Shares of affiliated company	1,218	1,214	4
Long-term loans	80	288	-208
Security deposits	118	127	-9
Long-term prepaid expenses	740	250	490
Deferred tax assets	910	1,437	-527
Other assets	166	251	-85
Allowance for doubtful accounts	-23	-101	78
Deferred assets	20	88	-68
Experiment and research expenses	20	88	-68
Total assets	27,116	26,265	851

## Liabilities and Shareholders' Equity

Millions of yen

Item	Fiscal year ending March 31, 2003 (A)	Fiscal year ending March 31, 2002 (B)	Gain (loss) (A) - (B)
<b>Current liabilities</b>	9,074	8,734	340
Trade notes payable	3,029	2,131	898
Accounts payable	2,041	1,247	794
Short-term debt	360	2,450	-2,090
Current portion of long-term debt	2,372	2,514	-142
Accrued liabilities	621	8	613
Accrued expenses	177	155	22
Corporate Tax etc., Payables	13	9	4
Deposits	14	12	2
Allowance for employee bonuses	243	102	141
Facilities-related bills payable	199	61	138
Other current liabilities	1	43	-42
<b>Fixed liabilities</b>	9,076	9,114	-38
Long-term debt	6,777	6,952	-175
Allowance for retirement benefits	2,262	2,138	124
Other fixed liabilities	37	24	13
<b>Total liabilities</b>	18,150	17,849	301
<b>Shareholders' equity</b>	3,979	3,904	75
Capital surplus	3,948	3,873	75
Capital reserve	3,948	3,873	75
Revenue surplus	1,036	593	443
Revenue reserve	333	333	-
Voluntary reserve	1,683	1,684	-1
Reserve for technical research	13	13	-
Reserve for reduction of fixed assets	17	18	-1
Contingent reserve	1,653	1,653	-
Retained earnings	-980	-1,424	444
Unrealized loss on marketable securities	6	45	-39
Treasury stock	-6	0	-6
<b>Total shareholders' equity</b>	8,965	8,416	549
<b>Total</b>	27,116	26,265	851

## Statements of Income and Retained Earnings

Millions of yen

Item	Fiscal year ending March 31, 2003 (A)		Fiscal year ending March 31, 2002 (B)		Gain (loss) (A) - (B)	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Net sales	25,706	100.0	22,003	100.0	3,703	-
Cost of sales	21,149	82.3	18,977	86.2	2,172	-3.9
Gross profit	4,556	17.7	3,025	13.8	1,531	3.9
Selling, general and administrative expenses	3,019	11.7	3,071	13.9	-52	-2.2
Operating (loss) income	1,537	6.0	-45	-0.1	1,582	6.1
Nonoperating income	99	0.4	278	1.3	-179	-0.9
Interest received	34		46		-12	
Dividends received	6		146		-140	
Purchase discount	27		22		5	
Other income	30		62		-32	
Nonoperating expenses	519	2.0	397	2.0	122	0.0
Interest expense	144		156		-12	
Write-off of fees for technology acquisition	121		121		-	
Foreign currency translation income	82		-		82	
Write-off of deferred experiment and research expenses	67		99		-32	
Loss on disposal of inventories	66		-		66	
Other expenses	38		20		18	
Recurring (loss) income	1,116	4.4	-165	-0.8	1,281	5.2
Extraordinary income	9	0.0	6	0.0	3	0.0
Gain on sale of fixed assets	5		6		-1	
Other extraordinary income	3		-		3	
Extraordinary loss	120	0.5	2,332	10.5	-2,212	-10.0
Valuation loss on investment securities	90		62		28	
Cooperative company closure cost	15		-		15	
Structural reform expenditures	-		1,737		-1,737	
Other extraordinary losses	15		532		-517	
Net income (loss) before income taxes	1,004	3.9	-2,491	-11.3	3,495	15.2
Corporate, local inhabitants and enterprise taxes	18	0.1	57	0.3	-39	-0.2
Income tax and other adjustments	467	1.8	-1,094	-5.0	1,561	6.8
Net loss	518	2.0	-1,454	-6.6	1,972	8.6
Previous term's earned surplus	-1,423		29		-1,452	
Interim cash dividends paid	75		-		75	
Retained earnings	-980		-1,424		444	

## Profit distribution

(Millions of yen)

Item	Year ended March 31, 2003		Year ended March 31, 2002	
	Amount		Amount	
Unappropriated retained earnings		980		-
Reversal of general reserve				
Reversal of special reserve for write-down of fixed assets	0		-	
Disposition of separate reserve funds	1,200	1,200	-	-
Profit distribution				
Shareholders' dividends		77		-
Retained earnings		142		-

## Loss treatment

(Millions of yen)

Item	Year ended March 31, 2003		Year ended March 31, 2002	
	Amount		Amount	
Unabsorbed loss		-		1,424
Loss treatment				
Reversal of general reserve				
Reversal of special reserve for write-down of fixed assets		-		1
Loss carried over		-		1,423

## **Basis for Presenting Financial Statements**

### **1. Standards and Methods for the Valuation of Marketable Securities**

#### (1) Stock of subsidiaries

At cost, based on the gross average method

#### (2) Other marketable securities

Mark-to-market based on the market price at the end of the 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.)

### **2. Standards and Methods for the Valuation of Inventories**

At cost, based on the moving average method.

### **3. Depreciation and Amortization Methods for Fixed Assets**

#### (1) Tangible fixed assets

The declining balance method is used. However, buildings (including fixtures) are accounted for using the straight-line method.

Assets' useful lives and remaining values are determined according to the same standards as the method prescribed by the corporate tax law. Depreciable assets with small acquisition values of between ¥100,000 and ¥200,000 are depreciated over a three-year period according to the regulations of the corporate income tax law.

#### (2) Intangible fixed assets

The straight-line method is used. Assets' useful lives and remaining values are determined according to the same standards as the method prescribed by the corporate tax law. However, software used internally by the Company is amortized on a straight-line basis over a five-year period, the estimated useful life of the software.

### **4. Disposal Methods for Deferred Assets**

#### R&D Expenses

The average total of R&D expenses per fiscal year is amortized over a five-year period, the maximum period permitted by the Commercial Code of Japan.

### **5. Recording Standards for Allowances**

#### (1) Allowance for doubtful accounts

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

#### (2) Allowance for employee bonuses

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

### (3) Allowance for retirement benefits

To prepare employee retirement benefits, the liability was calculated as the difference between the projected benefit obligation at fiscal year-end and the fair value of the assets retained to meet said payments.

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

## **6. Change in Accounting Methods for the Conversion of Foreign Currency Denominated Assets and Liabilities into Yen**

Foreign currency denominated assets and liabilities are converted to yen based on the spot exchange rate on the interim term account settlement date and the accounting balance is applied to income (loss).

## **7. Accounting Methods for 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.

## **8. Principal Hedge Accounting Methods**

### 1. Hedge Accounting Methods

Foreign currency denominated debts and credits with currency exchange contracts are accounted for by appropriation.

### 2. Hedging Measures and Hedged Items

Hedging measures: exchange rate contract

Hedged items: Foreign currency denominated debts and credits and other items

### 3. Hedge Policy

The limit on exchange rate contracts is defined as the scope of real demand, and hedge measures are implemented for the purpose of avoiding risk due to future exchange rate fluctuations within the designated scope of hedged items.

### 4. Method of Determining Hedge Validity

Principal conditions concerning hedge measures and hedged items are the same, and, because it can be anticipated that hedges will completely offset any exchange rate fluctuations both at the time of hedge commencement and continuously thereafter, the determination of hedge validity is omitted.

## **9. Other important items**

### **(1) Accounting Methods for Sales Taxes**

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

### **(2) Accounting for Treasury Stock and Disposition of Legal Reserve**

As of the term under review, "Accounting Standards concerning Treasury Stock and Disposition of Legal Reserve" (Corporate Accounting Standards Vol. 1) are applied. This action has no effect on income for the term. Furthermore, due to revision to the rules governing financial statements, the capital section of the Consolidated Balance Sheets and the Statement of Consolidated Income and Retained Earnings have been prepared according to the revised rules.

### **(3) Per share information**

"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.

## [ Notes ]

### Balance Sheets and Statements of Income and Retained Earnings

	Fiscal year ending March 31, 2003	Fiscal year ending March 31, 2002	Millions of yen Gain (loss)
1. Depreciation of tangible fixed assets	12,559	12,303	256
2. Treasury stock	33,176 shares	6,462 shares	26,714 shares

### Lease Transactions

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

	Fiscal year ending March 31, 2003	Fiscal year ending March 31, 2002	Millions of yen Gain (loss)
Leased property acquisition prices	656	3,378	-2,722
Depreciation, total	380	3,104	-2,724
Interim term-end balance	275	273	-2

#### 2. Leased property acquisition prices

	Fiscal year ending March 31, 2003	Fiscal year ending March 31, 2002	Millions of yen Gain (loss)
One year or less	94	82	-12
More than one year	186	195	-9
	280	277	-3

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

	Fiscal year ending March 31, 2003	Fiscal year ending March 31, 2002	Millions of yen Gain (loss)
Payable Lease Fees	109	460	-351
Depreciation, Total	102	364	-262
Interest Payment	7	16	-9

## Marketable securities

There were no subsidiary or affiliate stocks with cash value.

## Tax-effect accounting

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

	Millions of yen
	Year ended March 31, 2003
<b>Deferred tax assets</b>	
Excess accrued employee bonuses	92
Accrued enterprise taxes	0
Excess of provision for employee retirement benefits	918
Excess of provision for doubtful accounts	6
Loss carryforward	569
Overseas taxes	52
Other	1
Total deferred tax assets	<u>1,641</u>
<b>Deferred tax liabilities</b>	
Special reserve for writedown of fixed assets	11
Gain on valuation of marketable securities	4
Total deferred tax liabilities	<u>15</u>
<b>Net deferred tax assets</b>	<u>1,625</u>

### 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.

## Changes to the Board of Directors ( The June 25, 2003, general meeting of shareholders )

### 1. New auditor candidate

Current title	Name
Part-time director ( external )	Takeo Akimoto

### 2. Retiring director

New title	Name	Current title
Director Advisor	Kouzo Yamamuro	Advisor
Director and Executive Officer	Tomotoshi Kobayashi	Senior Executive Officer
Director and Executive Officer	Masao Ishii	Senior Executive Officer
Director and Executive Officer	Hideaki Uchida	

### 3. Retiring auditor

Current title	Name
Auditor	Michihiro Hiraoka

### 4. New operating officer

New title	Name	Current title
Operating officer	Hiroshi Urano	General Manager, Production Department
Operating officer	Saburo Mori	Assistant Manager, Production Department and President and CEO of Interunits Corporation