

# Fiscal 2003 Interim Flash Report (Non-consolidated)

Nov 21, 2002

Listed Company Name Nihon Inter Electronics Corp.  
TSE Code No: 6974

Listed exchange: Tokyo  
Head Office location  
Kanagawa Prefecture

Officer in charge of enquiries: General Manager of Accounting

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United States accounting standards: Applied

## 1. Non-Consolidated results for the six-month ended September 30, 2002

### (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)
Six months ended Sep. 30, 2002	12,682	12.4	685	-	467	-
Six months ended Sep. 30, 2001	11,282	-29.7	-172	-	-186	-
Year ended March 31, 2002	22,003	-30.1	-45	-	-165	-

	Net income (loss)		Net income per share	
	¥ million	%increase (decrease)		¥
Six months ended Sep. 30, 2002	251	-		8.36
Six months ended Sep. 30, 2001	-1,088	-		-36.14
Year ended March 31, 2002	-1454	-		-48.27

Note:

\* Average number of shares (consolidated)

Six months ended Sep. 30, 2002 : 30,119,486

Six months ended Sep. 30, 2001 : 30,128,656

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) Dividends

	Interim Dividend Per Share		Annual Dividend Per Share	
	¥		¥	
Six months ended Sep. 30, 2002	2.50	-		-
Six months ended Sep. 30, 2001	0.00	-		-
Year ended March 31, 2002		-	0.00	-

Note:

\*Detail of Interim Dividend Per Share for in Sep, 2002

Memorial Dividend --

Bonus Dividend --

### (3) Financial Position

	Total assets		Shareholders' equity		Shareholders' equity ratio	Shareholders' equity per share
	¥ million		¥ million		%	¥
Six months ended Sep. 30, 2002	26,837		8,696		32.4	288.77
Six months ended Sep. 30, 2001	28,133		8,761		31.1	290.80
Year ended March 31, 2002	26,265		8,416		32.0	279.39

Note:

\* No. of issued shares at period-end

Six months ended Sep. 30, 2002 : 30,116,463

Six months ended Sep. 30, 2001 : 30,127,989

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

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

Six months ended Sep. 30, 2002 : 13,087

Six months ended Sep. 30, 2001 : 1,561

Year ended March 31, 2002 : 6,462

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

	Net sales	Operating income (loss)	Recurring profit (loss)	Annual Dividend Per	
				Fiscal year-end	
	¥ million	¥ million	¥ million	¥	¥
Fiscal year ending March 31, 2002	25,500	1,100	600	2.50	5.00

Remarks: Projected net income (loss) per share (for the fiscal year) : ¥19.31

Note: Forecast net income per share for the fiscal year under review is calculated based on 950,000 shares issued due to allocation of shares to a third party as a result of a capital injection executed on October 31, 2002.

## Interim Financial Statements

### Balance Sheets

#### Assets

Millions of yen

Item	Six-month period ended Sep. 30, 2002	Year ended March 31, 2001	Year ended March 31, 2002
Current assets	17,870	18,775	16,640
Cash and deposits in banks	1,823	591	1,309
Trade receivables	2,410	2,520	2,378
Notes and accounts receivable	6,394	5,660	5,490
Merchandise	1,479	1,647	1,290
Products	1,966	2,771	2,380
Raw materials	647	969	703
Work in process	926	1,306	993
Inventories	44	62	40
Prepaid expenses	76	44	40
Short-term loans	948	1,858	942
Accrued revenue	178	149	33
Accounts receivable on compensatory materials	379	166	393
Deferred tax assets	576	993	641
Other current assets	33	102	6
Allowance for doubtful accounts	-15	-69	-3
Fixed assets	8,918	9,221	9,536
Tangible fixed assets	5,003	5,815	5,371
Buildings	2,167	2,255	2,203
Structures	60	65	62
Machinery and equipment	2,090	2,288	1,991
Vehicles	0	0	0
Tools, instruments and fixtures	272	247	280
Land	349	349	349
Construction in progress	64	608	484
Intangible fixed assets	48	56	53
Software	22	30	27
Other fixed assets	25	26	26
Investments and other assets	3,866	3,349	4,111
Investment securities	687	617	643
Shares of affiliated company	1,219	1,214	1,214
Long-term loans	234	72	288
Long-term prepaid expenses	187	313	250
Security deposits	118	128	127
Deferred tax assets	1,267	852	1,437
Other assets	174	172	251
Allowance for doubtful accounts	-22	-20	-101
Deferred assets	48	135	88
Experiment and research expenses	48	135	88
Total assets	26,837	28,133	26,265

## Liabilities and Shareholders' Equity

Millions of yen

Item	Six-month period ended Sep. 30, 2002	Year ended March 31, 2001	Year ended March 31, 2002
<b>Current liabilities</b>	7,334	10,823	8,734
Trade notes payable	2,933	2,909	2,131
Accounts payable	2,000	1,426	1,247
Short-term debt	922	1,379	2,450
Current portion of long-term debt	967	3,112	2,514
Accrued liabilities	16	7	51
Accrued expenses	178	204	155
Corporate Tax etc., Payables	6	8	9
Allowance for employee bonuses	233	434	102
Facilities-related bills payable	61	132	61
Allowance for Structural reform	-	1,182	-
Other current liabilities	13	24	12
<b>Fixed liabilities</b>	10,806	8,548	9,114
Long-term debt	8,561	6,030	6,952
Allowance for retirement benefits	2,210	2,494	2,138
Other fixed liabilities	34	24	24
<b>Total liabilities</b>	18,140	19,372	17,849
Shareholders' equity	3,904	3,904	3,904
Capital surplus	3,873	3,873	3,873
Capital reserve	3,873	3,873	3,873
Revenue surplus	844	958	593
Revenue reserve	333	333	333
Voluntary reserve	1,683	1,684	1,684
Reserve for technical research	13	13	13
Reserve for reduction of fixed assets	17	18	18
Contingent reserve	1,653	1,653	1,653
Retained earnings	-1,171	-1,059	-1,424
Unrealized loss on marketable securities	76	24	45
Treasury stock	-2	-	0
<b>Total shareholders' equity</b>	8,696	8,761	8,416
<b>Total</b>	26,837	28,133	26,265

## Interim Statements of Income and Retained Earnings

Millions of yen

Item	Six-month period ended Sep. 30, 2002		Year ended March 31, 2001		Year ended March 31, 2002	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Net sales	12,682	100.0	11,282	100.0	22,003	100.0
Cost of sales	10,503	82.8	9,722	86.2	18,977	86.2
Gross profit	2,178	17.2	1,559	13.8	3,025	13.8
Selling, general and administrative expenses	1,493	11.8	1,731	15.4	3,071	13.9
Operating (loss) income	685	5.4	-172	-1.6	-45	-0.1
Nonoperating income	56	0.4	204	1.8	278	1.3
Interest received	17		25		46	
Dividends received	5		145		146	
Other income	34		33		84	
Nonoperating expenses	273	2.1	218	1.9	397	2.0
Interest expense	72		74		156	
Foreign currency translation income	73		14		-	
Write-off of fees for technology acquisition	60		60		121	
Write-off of deferred experiment and research expenses	39		52		99	
Other expenses	27		16		20	
Recurring (loss) income	467	3.7	-186	-1.7	-165	-0.8
Extraordinary income	3	0.0	5	0.0	6	0.0
Gain on sale of fixed assets	3		5		6	
Extraordinary loss	11	0.1	1,709	15.1	2,332	10.5
Valuation loss on investment securities	5		-		62	
Structural reform expenditures	-		1,182		1,737	
Loss on disposal of inventories	-		258		258	
Loss on retirement of fixed assets	5		192		195	
Other extraordinary losses	0		75		79	
Net income (loss) before income taxes	458	3.6	-1,890	-16.8	-2,491	-11.3
Corporate, local inhabitants and enterprise taxes	9	0.0	44	0.4	57	0.3
Income tax and other adjustments	197	1.6	-845	-7.5	-1,094	-5.0
Net loss	251	2.0	-1,088	-9.7	-1,454	-6.6
Previous term's earned surplus	-1,423		29		29	
Interim cash dividends paid	-		-		-	
Transfer to legal reserve	-		-		-	
Retained earnings	-1,171		-1,059		-1,424	

# Basis for Presenting Financial Statements

## 1. Standards and Methods for the Valuation of Assets

### (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.)

### (3) Standards and Methods for the Valuation of Inventories

At cost, based on the moving average method.

## 2. 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.

## 3. 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.

## 4. 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.

## **5. 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).

## **6. 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.

## **7. Accounting Methods for Sales Taxes**

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

### **Additional Information:**

(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.)

(Interim Balance Sheet)

1.

To comply with revisions to standards for interim financial statements, starting with the interim term under review, capital reserve was reported as capital surplus fund and income reserve. The voluntary reserve and undistributed profits for the interim period were reported under accumulated earnings. Figures for the previous interim term and the previous fiscal year have also been revised to reflect new accounting methods.

2.

Due to revisions to standards for interim financial statements, for the interim term under review, treasury stock, which until the previous interim term was calculated as a liquid asset, is listed as a deduction from capital in the shareholders' equity portion of the balance sheet.

## [ Notes ]

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

	Millions of yen		
	Six-month ended Sep. 30, 2002	Six-month ended Sep. 30, 2001	Year ended March 31, 2002
1. Depreciation of tangible fixed assets	12,392	11,890	12,303
2. Treasury stock	13,087	1,561	6,462

### Lease Transactions

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

	Millions of yen		
	Six-month ended Sep. 30, 2002	Six-month ended Sep. 30, 2001	Year ended March 31, 2002
Leased property acquisition prices	538	3,277	3,378
Depreciation, total	284	2,930	3,104
Interim term-end balance	254	347	273

#### 2. Leased property acquisition prices

	Millions of yen		
	Six-month ended Sep. 30, 2002	Six-month ended Sep. 30, 2001	Year ended March 31, 2002
One year or less	80	245	82
More than one year	178	144	195
	258	390	277

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

	Millions of yen		
	Six-month ended Sep. 30, 2002	Six-month ended Sep. 30, 2001	Year ended March 31, 2002
Payable Lease Fees	48	249	460
Depreciation, Total	45	197	364
Interest Payment	3	11	16