

Fiscal 2004 Interim Flash Report (Consolidated)

November 20, 2003

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 CEO Name: Takeshi Yasuda

Officer in charge of enquiries: General Manager of Accounting Name: Fumio Inoue

Phone: +81-463-84-8015

Accounts Settlement Board of Directors Meeting: Nov. 20, 2003

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

Ratio of stock held by parent company: - %

United States accounting standard Not applied

1. Consolidated results for the six months ended Sep. 30, 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)
Six months ended Sep. 30, 2003	14,484	9.7	1,414	92.8	1,145	245.3
Six months ended Sep. 30, 2002	13,204	13.0	733	-	331	-
Year ended March 31, 2003	26,822		1,807		1,066	

	Net income (loss)		Net income (loss) per share		Net income per share after adjustment for shares, undiluted	
	¥million	%increase (decrease)	¥		¥	
Six months ended Sep. 30, 2003	518	299.2	16.70		16.56	
Six months ended Sep. 30, 2002	129	-	4.32		-	
Year ended March 31, 2003	449		14.71		-	

Note:

* Equity method investment gain (loss)
Six months ended Sep. 30, 2003: -
Six months ended Sep. 30, 2002: -
Year ended March 31, 2003: -

** Average number of shares (consolidated)
Six months ended Sep. 30, 2003: 31,066,082
Six months ended Sep. 30, 2002: 30,119,486
Year ended March 31, 2003: 30,586,165

*** 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		%		¥	
Six months ended Sep. 30, 2003	27,841		8,850		31.8		284.34	
Six months ended Sep. 30, 2002	27,276		8,025		29.4		266.48	
Year ended March 31, 2003	27,768		8,353		30.1		269.08	

Note:

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

Six months ended Sep. 30, 2003: 31,127,683
Six months ended Sep. 30, 2002: 30,116,463
Year ended March 31, 2003: 31,046,374

(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
Six months ended Sep. 30, 2003	1,201	-147	-1,008	2,658
Six months ended Sep. 30, 2002	2,395	-312	-1,542	2,204
Year ended March 31, 2003	3,722	-575	-2,197	2,631

(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: -

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)
	¥million	¥million	¥million
Fiscal year ending March 31, 2004	29,700	2,580	1,260

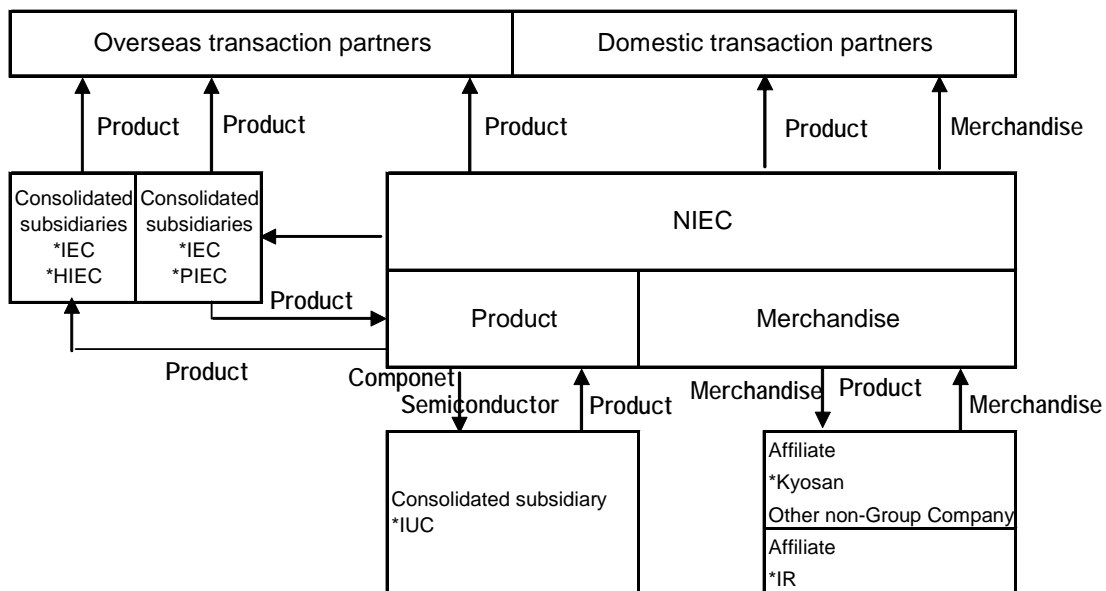
Remarks: Projected net income (loss) per share (for the fiscal year): ¥40.48

Group Overview

The Nihon Inter Electronics Group ("The Company") consists of the parent company, one domestic subsidiary, four overseas subsidiaries, and two 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) IR(sales, supply)
		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.
- *IR: International Rectifier Corporation (U.S)
- *IUC: Interunits Corporation

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. It also makes effective use of its internal reserves by investing in R&D, the upkeep and augmentation of production facilities, and other measures for future growth as a means to enhance competitive strength in the increasingly harsh power management market. The Company will continue to work to provide profit sharing at levels appropriate to its earnings and commensurate with the support and expectations of its valued shareholders.

(3) Medium-Term Management Strategy

Nihon Inter is currently implementing a three-year management strategy 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's core products include its Schottky Barrier Diodes (SBD), which command the highest share of the market, and Fast Recovery Epitaxial Diodes (FREDs). These two principal high-frequency rectifying

elements account for the bulk of the Company's sales. While concentrating our managerial resources on these two products, we will enterprisingly bring to market new products on an ongoing basis, thereby expanding market share and securing profit. At the same time, we will downsize production and sales of products with little potential for substantial growth.

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), thin screen televisions, DVD recorders, and other digital home appliances, segments of the domestic devices market in which a surge in demand is anticipated. We will also supply high-reliability small power rectifiers to the increasingly electronic automotive market and compact power modules using sophisticated new materials to the industrial machinery market. By narrowing our focus to the three markets of IT and domestic devices, industrial machinery and electronic appliances, and automotive devices and proactively engaging in dialog with our customers, we will supply highly competitive products that meet our customers' application needs.

To this end, Nihon Inter is determined to augment its international competitiveness by promptly generating products that meet market needs through the unified efforts of its production, sales, and development operations. To achieve this goal, in April 2003 we adopted a cross-departmental system of administrative responsibility, implementing more prompt market response, and enhancing profit management.

In its 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 and attaining a 10% ROA by the plan's final year. To achieve these goals, we will raise our gross product profit margin through rigorous cost reduction and expansion in new product sales and raise ROA by decreasing accounts receivable and inventories and reducing total assets.

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) Enhanced Corporate Governance

Acknowledging the importance of corporate governance, Nihon Inter is working to clarify executive responsibility and authority by separating upper management into two distinct bodies, the decision-making Board of Directors and business operations. We are also working to reinforce business operations by adopting a departmental system consisting of the six departments of production, sales, R&D, administration, business strategy, and trading and introducing an executive officers system. To provide support to the Board of Directors, we have also established a management council consisting of the chairman, the president, title-holding directors, and external directors, as well as an executive officers council, chaired by the president and consisting of executive officers and auditors. The management council deliberates on crucial items relating to managerial strategies while the executive officers council is in charge of controlling business operations, both bodies work together to achieve swift decision making and efficient business management. Nihon Inter will continue to enhance its corporate governance by improving its business operations framework and incorporating management monitoring, and internal controls.

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 Japanese economy displayed indications of a gradual recovery during the interim term under review. Although a deflationary state has persisted, such issues as the war in Iraq and the SARS epidemic were resolved relatively swiftly, and the sense of opaqueness shrouding the economies of the United States and other countries of the world began to diminish.

With firm exports to the United States and the People's Republic of China and indications of recovery in domestic demand from such sectors as digital appliances, corporate business confidence improved and the stock market, which hit an all time low in April 2003, began to recover.

In the electrical machinery and electronics industry in which the Nihon Inter Group operates, growth in demand was seen in semiconductors and electronic components for digital appliances, notebook PCs, and camera equipped mobile phones, and the ensuing recovery in purchase orders and sales led to increased capacity utilization and a recuperation in capital investment.

Against this backdrop, consolidated net sales for the Nihon Inter Electronics Group climbed 9.7% compared with the same half of the previous fiscal year, to ¥14,484 million. Sales of products manufactured by Nihon Inter rose 10.9%, to ¥9,399 million, and trade in merchandise increased 7.6%, to ¥5,085 million.

On the profit side, in addition to the increase in net sales, the Company made further advancements toward a low-cost structure capable of withstanding price competition through reductions in materials expenses and other manufacturing-related costs. As a result, consolidated operating income was approximately doubled, amounting to ¥1,414 million, and consolidated recurring profit increased 3.5 fold, to ¥1,145 million, an all time high.

Looking at core product sales, in semiconductor elements, high-frequency rectifying Schottky Barrier Diodes (SBD) and ultra-high-speed recovery elements Fast Recovery Epitaxial Diodes (FREDs) both displayed firm growth. Showing particularly outstanding growth were FREDs for the rapidly growing digital appliances sector, including PDPs, DVD recorders, and digital still cameras (DSC). Stable sales were also maintained in the automotive electronics market for small power rectification elements.

Sales of semiconductor applied products benefited from increased capital investment in China, with core power module products achieving substantial growth, and machine tool and semiconductor manufacturing devices related products also turning strong sales. Sales of merchandise also increased on the strength of strong performance in imaging equipment, IT devices and other opto-devices.

On the production side, Nihon Inter worked to reduce production costs and expand production capacity by shifting its domestic assembly lines to overseas subsidiaries and further promoting collaborative operations in Japan and overseas.

On the sales side, we formulated a sales expansion project targeting sales in the market for PDPs and other digital appliances and the increasingly electronic automotive market. We also expanded our sales network in China and other Asian markets as well as rolling out sales promotion initiatives in Europe and North America through the use of such tools as e-commerce.

Examining earnings by geographical segment, sales in Japan grew 4.4%, to ¥12,072 million while operating income surged 59.3%, to ¥1,751 million. Sales to Asia, excluding Japan, advanced 46.7%, to ¥2,412 million, and operating increased 2.5 fold, to ¥108 million.

In line with its basic policy on profit sharing, the Company has set annual shareholder dividends at ¥5.00 per share (or ¥2.50 per share for the interim term).

Outlook for the Present Fiscal Year

The operating environment surrounding the Company is expected to remain adverse. Although there are some indications of economic recovery, several causes for concern also remain. Deflationary trends persist, the global economy remains opaque, the job market remains severe, and the yen's appreciation continues. In the electrical machinery and electronics industries, the upswing seen in the first half of the fiscal year should continue through the end of the calendar year, and although seasonal factors may cause some decline at the outset of the new year, business is expected to remain firm for the foreseeable future.

In consumer semiconductor element products, in addition to PDPs and other digital appliances, which continue to display high growth potential, Nihon Inter will target sales expansion for SBDs, FREDs and other core products in such sectors as notebook PCs and automotive electronics applications. We will also work to achieve similar expansion in industrial use semiconductor applied products as capital investment, particularly in the Chinese market, continues to recover. Also, in line with our current medium-term management strategy, which concludes in the current fiscal year, the Company will raise its gross profit margin by building a low-cost production framework and take other such measures to improve profitability while at the same time further strengthening its business foundation by narrowing its focus to markets with a high work management demand potential and pursue the development of products that provide the best strategic fit to those needs.

In consideration of these business conditions, at this time Nihon Inter foresees a 10.7%

increase in consolidated net sales for the fiscal year ending March 31, 2004, to ¥29.7 billion. It also foresees recording a recurring profit of ¥2.58 billion, up 140%, and net income of ¥1.26 billion, up 180%.

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 presented in this report as a result of a variety of factors.

2. Financial Conditions

Total assets at the end of the of the interim term amounted to ¥27,841 million, an increase of ¥565 million compared with the end of the same half of the previous fiscal year (and an increase of ¥73 million compared with the previous fiscal year-end). Thus, while net sales rose 9.7% compared with the same half of the previous term, total assets increased only 2.1%. The reason for this outcome was that although accounts receivable did increase commensurate to the rise in net sales, the Company continued to reduce inventories and take other measures to decrease working capital, fixed assets declined as a result of progress in depreciation and amortization, and profit recovery led to a drop in deferred tax assets.

Primarily as a result of profit recovery and the ensuing increase in retained earnings, shareholders' equity rose 10.3%, to ¥8.85 billion, and the shareholders' equity ratio climbed 2.4 percentage points (1.7 percentage points in comparison the previous fiscal year-end), to 31.8%.

Cash and cash equivalents at the end of the interim term amounted to ¥2,658 million as a result of a positive cash flow of ¥26 million (compared with ¥531 million in the same half of the previous fiscal year). The Company's cash flow situation is as follows.

Cash provided by operating activities totaled ¥1,201 million (compared with cash provided in the same half of the previous fiscal year of ¥2,395 million), primarily as a result of a ¥207 million decline in inventories, and a ¥350 million increase in accounts payable, and depreciation expenses on fixed assets and others of ¥560 million, despite a ¥1,005 million increase in net income before income taxes, depreciation and amortization and a ¥761 million rise in accounts receivable.

Cash used in investing activities totaled ¥147 million (compared with cash used in the same half of the previous fiscal year of ¥304 million), due to ¥174 million in expenditures for the acquisition of property, plant and equipment (compared with ¥304 million) as part of the Company's capital investment plans.

Cash used in financing activities totaled ¥1,008 million (compared with ¥1,542 million). The reason for this was that although short-term loans provided ¥233 million, the Company also incurred expenditures of ¥1,180 million to repay long-term borrowings and ¥77 million for the payment of dividends.

Interim Consolidated Financial Statements

Interim Consolidated balance sheet

(Assets)

(Millions of yen)

Item	Six-month period ended Sep. 30, 2003	Six-month period ended Sep. 30, 2002	Year ended March 31, 2003
Current assets	19,598	17,922	18,659
Cash and deposits in banks	2,668	2,264	2,651
Notes and accounts receivable	9,668	8,632	8,931
Inventory assets	5,818	6,102	6,072
Deferred tax assets	312	613	736
Other	1,159	323	273
Allowances for doubtful accounts	-29	-13	-8
Fixed assets	8,238	9,301	9,087
Tangible fixed assets	5,709	6,544	6,369
Buildings and structures	2,514	2,714	2,620
Machinery and vehicles	2,160	2,745	2,400
Land	658	658	658
Construction in process	131	111	411
Other	244	315	278
Intangible fixed assets	48	59	55
Land lease rights	7	7	7
Software	22	29	27
Other	18	21	20
Investments and other assets	2,480	2,697	2,662
Investment securities	642	687	500
Long-term prepaid expenses	577	271	822
Deferred tax assets	968	1,395	1,032
Other	315	365	331
Allowances for doubtful accounts	-24	-22	-23
Deferred assets	5	52	22
Business commencement expenses	0	3	1
Experiment and research expenses	4	48	20
Total assets	27,841	27,276	27,768

(Liabilities, minority interest, and shareholders' equity)

(Millions of yen)

Item	Six-month period ended Sep. 30, 2003	Six-month period ended Sep. 30, 2002	Year ended March 31, 2003
Current liabilities	13,199	8,047	9,845
Trade notes and accounts payable	5,477	4,878	4,895
Short-term loans	6,366	2,513	3,510
Income taxes payable	452	22	629
Accrued expenses	34	8	25
Allowance for employee bonuses	341	268	278
Other	526	355	506
Fixed liabilities	5,791	11,203	9,569
Long-term loans	3,220	8,794	7,064
Allowances for retirement benefits	2,530	2,375	2,467
Other	40	34	37
Total liabilities	18,991	19,251	19,414
Minority interest	-	-	-
Shareholders' equity	3,991	3,904	3,979
Capital surplus	3,960	3,880	3,955
Revenue surplus	1,217	524	768
Appraisal differences on marketable securities	91	76	6
Equity adjustment from foreign currency translation	-395	-357	-351
Treasury stock	-13	-2	-6
Total shareholders' equity	8,850	8,025	8,353
Liabilities, minority interest, and shareholders' equity	27,841	27,276	27,768

Statement of consolidated income and retained earnings

(Millions of yen)

Item	Six-month period ended Sep. 30, 2003		Six-month period ended Sep. 30, 2002		Year ended March 31, 2003	
	Sum	Percentage	Sum	Percentage	Sum	Percentage
Net sales	14,484	100.0	13,204	100.0	26,822	100.0
Cost of sales	11,299	78.0	10,775	81.6	21,586	80.5
Gross profit	3,184	22.0	2,429	18.4	5,236	19.5
Selling, general and administrative expenses	1,770	12.2	1,695	12.8	3,428	12.8
Operating income	1,414	9.8	733	5.6	1,807	6.7
Non-operating income	50	0.3	39	0.3	103	0.4
Interest received	2		1		4	
Dividends received	5		5		6	
Other	43		32		93	
Non-operating expenses	319	2.2	442	3.4	844	3.1
Interest expense	77		81		163	
Write-off of fees for technologies acquisition	60		60		121	
Write off of deferred experiment and research expenses	15		39		67	
Loss on disposal of inventories	65		-		66	
Foreign currency translation income	78		198		307	
Other	20		61		117	
Recurring income	1,145	7.9	331	2.5	1,066	4.0
Extraordinary income	-	0.0	3	0.0	8	0.0
Gain on retirement of fixed assets	-		3		5	
Gain on sales of investment securities	-		-		3	
Extraordinary loss	139	1.0	11	0.1	120	0.4
Loss on retirement of fixed assets	2		5		14	
Valutaion loss on investment securities	-		5		90	
Director retirement bonuses	137		-		0	
Other	-		-		15	
Net income before income taxes	1,005	6.9	323	2.4	954	3.6
Corporate, residence, and business taxes	58	0.4	11	0.1	34	0.1
Income tax and other adjustments	427	2.9	181	1.3	470	1.8
Net income	518	3.6	129	1.0	449	1.7

Interim term consolidated surplus statement

(Millions of yen)

Item	Six-month period ended Sep. 30, 2003		Six-month period ended Sep. 30, 2002		Year ended March 31, 2003	
(Capital Surplus)						
Consolidated capital surplus balance at beginning of period		3,955		3,880		3,880
Increase						
New issue of stock	11	11	-	-	75	75
Decrease						
Provision for retained earnings	7	7	-	-	-	-
Balance at end of period		3,960		3,880	-	3,955
(Retained Earnings)						
Consolidated Revenue surplus balance at beginning of period		768		394		394
Increase						
Net Income (Interim)	518		129		449	
Disposition of capital surplus	7	525	-	129	-	449
Decrease						
Dividends	77	77	-	-	75	75
Balance at end of period		1,217		524		768

Statement of consolidated cash flows

(Millions of yen)

Item	Six-month period ended Sep. 30, 2003	Six-month period ended Sep. 30, 2002	Year ended March 31, 2003
I. Cash flows from operating activities			
Loss before provision for income taxes	1,005	323	954
Depreciation and amortization	480	559	1,150
Deferred asset depreciation	80	103	197
Increase in allowances for doubtful accounts	22	4	0
Increase in reserve for retirement benefits	71	104	199
Interest and dividend loss	-7	-7	-10
Interest expense	77	81	163
Gain on foreign currency exchange	17	104	126
Loss on retirement of fixed assets	2	5	14
Loss on valuation of investment securities	-	5	90
Increase in notes and accounts receivable	-761	-565	-881
Increase (decrease) in inventories	207	238	252
Increase (decrease) in notes and accounts payable	350	1,511	1,548
Other	-227	1	80
Subtotal	1,319	2,470	3,885
Receipt of interest and dividends	5	5	8
Payment of interest	-74	-85	-170
Payment of income taxes	-49	-10	-16
Receipt of tax refund	0	14	14
Net cash provide from (used in) operating activities	1,201	2,395	3,722
II. Cash flows from investing activities			
Proceeds from refunds on term deposits	10	-	40
Expenditures for the acquisition of tangible fixed assets	-174	-304	-423
Proceeds from the acquisition of tangible fixed assets	-	6	12
Expenditures for the acquisition of technologies	-	-	-206
Other	16	-14	2
Net cash used in investing activities	-147	-312	-575
III. Cash flows from financing activities			
Net increase(decrease) in short-term bank loans	233	74	-1,964
Proceeds from long-term debt	-	2,300	2,490
Payments on long-term debt	-1,180	-3,915	-2,792
Proceeds from issue of new stock	23	-	150
Expenditures for the repurchase of company stock	-7	-1	-5
Dividends paid to stockholders	-77	0	-75
Net cash proved by (used in) financing activities	-1,008	-1,542	-2,197
IV. Foreign exchange differential on cash and cash equivalents	-18	-7	9
V. Net decrease in cash and cash equivalents	26	531	958
VI. Cash and cash equivalents at beginning of period	2,631	1,673	1,673
VII. Cash and cash equivalents at end of period	2,658	2,204	2,631

Basis for Presenting Interim 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 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. 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) 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.

(4) 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

(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) Accounting Methods for Sales Taxes

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

5. Scope of Capital in Statement of Interim 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.

[Notes]

Interim Consolidated Balance Sheets

	(Millions of yen)		
	<u>September 30, 2003</u>	<u>September 30, 2002</u>	<u>March 31, 2003</u>
1. Depreciation of tangible fixed assets (consolidated)	¥15,319	¥14,766	15,020
2. Pledged assets and mortgages (consolidated)			
Assets pledged as collateral:			
Land	387	387	387
Buildings and structures	379	407	395
Machinery and vehicles	82	85	82
Other (tools, appliances and fixtures)	1	1	1
Total	851	883	867
Mortgages			
Long-term loans	1,693	1,853	1,950
Short-term loans	500	367	361
Long-term loans repayable within one year	164	396	128
Total	2,358	2,617	2,440
3. Treasury stock	46,867 shares	13,087 shares	33,176 shares
The Company's outstanding stock volume is 31,174,550 shares of common stock.			

Statement of Interim Consolidated Income and Retained Earnings

1. Principal selling, general and administrative expenses

	(Millions of yen)		
	<u>September 30, 2003</u>	<u>September 30, 2002</u>	<u>March 31, 2003</u>
Salaries and bonuses	630	624	1,412
Freight costs	136	125	247
Travel and transportation expenses	64	69	133
Rental expenses	56	53	107
Expenditure for subcontracting	95	96	197
Depreciation and amortization	30	26	58
Deferred allowance for employee bonuses	181	134	144
Deferred allowance for retirement benefits	73	76	150
Deferred allowance for doubtful accounts	21	4	0

Statement of Interim Consolidated Cash Flows

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

	<u>September 30, 2003</u>	<u>September 30, 2002</u>	<u>March 31, 2003</u>
Cash and deposits	2,668	2,264	2,651
Time deposits longer than three months	-10	-59	-20
Cash and cash equivalents	2,658	2,204	2,631

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

Six-month period ended September 30, 2003 (consolidated)

Millions of yen

	Japan	Asia	Subtotal	Elimination & corporate assets	Total
. Net sales and operating income (loss)					
(1) Customer sales	12,072	2,412	14,484	-	14,484
(2) Intersegment sales	2,405	2,386	4,792	-4,792	-
Total sales	14,478	4,798	19,277	-4,792	14,484
Operating costs and expenses	12,727	4,690	17,417	-4,347	13,070
Operating income (loss)	1,751	108	1,859	-444	1,414

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 ¥432 million in parent company head office expenses.

Six-month period ended September 30, 2002 (consolidated)

Millions of yen

	Japan	Southeast Asia	Subtotal	Elimination & corporate assets	Total
I. Net sales and operating income					
(1) Customer sales	11,559	1,644	13,204	-	13,204
(2) Intersegment sales	1,627	2,181	3,808	-3,808	-
Total sales	13,186	3,826	17,012	-3,808	13,204
Operating costs and expenses	12,087	3,781	15,869	-3,398	12,471
Operating income	1,099	44	1,143	-409	733

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, Hong Kong

3. Nonabsorbable operating costs and expenses included in elimination & corporate assets consist primarily of ¥413 million parent company head office expenses.

Year ended March 31, 2003 (consolidated)

Millions of yen

	Japan	Asia	Subtotal	Elimination & corporate assets	Total
I. Net sales and operating income					
(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	2,362	175	2,538	-731	1,807

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 parent company head office expenses.

3. Overseas net sales

Six-month period ended September 30, 2003 (consolidated)

Millions of yen

	Asia	North America	Europe	Total
I. Overseas net sales	3,596	85	46	3,728
II. Consolidated net sales				14,484
III. Percentage of consolidated net sales accounted for by overseas net sales	24.8%	0.6%	0.3%	25.7%

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, 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.

Six-month period ended September 30, 2002 (consolidated)

Millions of yen

	Southeast Asia	North America	Europe	Total
I. Overseas net sales	2,978	79	44	3,102
II. Consolidated net sales				13,204
III. Percentage of consolidated net sales accounted for by overseas net sales	22.6%	0.6%	0.3%	23.5%

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, China

 North America: United States, Mexico

 Europe: Holland, 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, 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:

Southeast Asia: Taiwan, South Korea, Singapore, China

North America: United States, Canada

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.

Lease Transactions

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

	Millions of yen		
	<u>Six-month period ended</u>	<u>Six-month period ended</u>	<u>Year ended</u>
	<u>September 30, 2003</u>	<u>September 30, 2002</u>	<u>March 31, 2003</u>
Leased property			
acquisition prices	997	547	657
Depreciation, total	318	291	381
Term-end balance	678	255	276

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

	Millions of yen		
	<u>Six-month period ended</u>	<u>Six-month period ended</u>	<u>Year ended</u>
	<u>September 30, 2003</u>	<u>September 30, 2002</u>	<u>March 31, 2003</u>
One year or less	150	80	94
More than one year	534	179	187
Total	684	260	281

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

	Millions of yen		
	<u>Six-month period ended</u>	<u>Six-month period ended</u>	<u>Year ended</u>
	<u>September 30, 2003</u>	<u>September 30, 2002</u>	<u>March 31, 2003</u>
Payable Lease Fees	65	48	110
Depreciation, Total	61	45	102
Interest Payment	4	3	7

Securities

1. Other securities with market value

Six-month period ended September 30, 2003 (consolidated)

(Millions of yen)

Category	Acquisition cost	Balance sheet amount	Gain (loss)
1. Equity securities	436	589	153
2. Bonds and debentures			
National and local government bonds	-	-	-
Corporate bonds and debentures	-	-	-
Other bonds and debentures	52	53	0
3. Other securities	-	-	-
Subtotal	489	642	153

Six-month period ended September 30, 2002 (consolidated)

(Millions of yen)

Category	Acquisition cost	Balance sheet amount	Gain (loss)
1. Equity securities	537	665	127
2. Bonds and debentures			
National and local government bonds	-	-	-
Corporate bonds and debentures	-	-	-
Other bonds and debentures	52	50	-2
3. Other securities	-	-	-
Subtotal	590	716	125

Year ended March 31, 2003 (consolidated)

(Millions of yen)

Category	Acquisition cost	Balance sheet amount	Gain (loss)
1. Equity securities	436	450	14
2. Bonds and debentures			
National and local government bonds	-	-	-
Corporate bonds and debentures	-	-	-
Other bonds and debentures	52	49	-2
3. Other securities	-	-	-
Subtotal	489	500	11

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

N/A Not Applicable

3. Other marketable securities with maturity dates

N/A Not Applicable

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

Six-month period ended September 30, 2003

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

Six-month period ended September 30, 2002

No corresponding items since derivative transactions were not used during the term.

Year ended March 31, 2003

No corresponding items since derivative transactions were not used during the year.

Status of Purchase Orders and Sales

1. Net sales by product category

(Millions of yen)

Segment	Six-year ended September 30, 2003	Percentage (%)	Six-year ended September 30, 2002	Percentage (%)	Year ended March 31, 2003	Percentage (%)
Semiconductor elements	6,988	48.2	6,728	51.0	13,402	50.0
Applied semiconductor products	2,411	16.7	1,747	13.2	3,750	14.0
Subtotal	9,399	64.9	8,476	64.2	17,153	64.0
Merchandise	5,085	35.1	4,728	35.8	9,669	36.0
Total	14,484	100.0	13,204	100.0	26,822	100.0

2. Net purchase orders and purchase order balance

(Millions of yen)

Segment	Six-year ended September 30, 2003		Six-year ended September 30, 2002		Year ended March 31, 2003	
	Net purchase orders	Purchase order balance	Net purchase orders	Purchase order balance	Net purchase orders	Purchase order balance
Semiconductor elements	7,016	482	6,726	568	13,294	454
Applied semiconductor products	2,494	468	1,794	369	3,813	385
Subtotal	9,510	951	8,520	938	17,107	840
Merchandise	5,092	389	4,835	451	9,707	382
Total	14,602	1,474	13,355	1,389	26,815	1,222