

Fiscal 2005 Interim Flash Report (Non-consolidated) November 16, 2004

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 Acco Name: Fumio Inoue

Phone: +81-463-84-8015

Date of the Meeting of the Board of Directors for Settling Accounts: November 16, 2004 Payment of Interim Dividends: Yes
Interim term dividend payment date: December 10, 2004 Minimum share trading unit: 100 shares

1. Non-Consolidated results for the six-month ended September 30, 2004

(1) 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, 2004	17,090	23.5	1,747	33.2	1,545	39.8
Six months ended Sep. 30, 2003	13,837	9.1	1,311	91.5	1,105	136.4
Year ended March 31, 2004	29,291	13.9	2,994	94.8	2,564	129.8

	Net income (loss)		Net income per share
	¥million	%increase (decrease)	
Six months ended Sep. 30, 2004	915	76.2	29.35
Six months ended Sep. 30, 2003	519	106.3	16.72
Year ended March 31, 2004	1,242	139.7	38.47

Note:

* Average number of shares (consolidated)

Six months ended Sep. 30, 2004 : 31,173,816

Six months ended Sep. 30, 2003 : 31,066,082

Year ended March 31, 2004 : 31,109,118

** Changes to accounting methods: yes

*** 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, 2004	3.00	-
Six months ended Sep. 30, 2003	2.50	-
Year ended March 31, 2004	-	5.50

(3) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥million	¥million	%	¥
Six months ended Sep. 30, 2004	29,278	11,016	37.6	353.23
Six months ended Sep. 30, 2003	27,139	9,507	35.0	305.45
Year ended March 31, 2004	27,721	10,297	37.1	328.88

Note:

* No. of issued shares at period-end

Six months ended Sep. 30, 2004 : 31,188,938

Six months ended Sep. 30, 2003 : 31,127,683

Year ended March 31, 2004 : 31,169,398

** No. of Treasury stocks at period-end

Six months ended Sep. 30, 2004 : 78,612

Six months ended Sep. 30, 2003 : 46,867

2. Projected results for fiscal 2005 (ending March 31, 2005)

	Net sales	Operating income (loss)	Recurring profit (loss)	Annual Dividend Per	
				Fiscal year-end	
	¥million	¥million	¥million	¥	¥
Fiscal year ending March 31, 2005	31,540	2,720	1,570	3.00	6.00

Remarks: Projected net income (loss) per share (for the fiscal year): ¥50.34

Interim Financial Statements

Balance Sheets

Assets

Millions of yen

Item	Six-month period ended Sep. 30, 2004		Six-month period ended Sep. 30, 2003		Year ended March 31, 2004	
	Amount	%	Amount	%	Amount	%
Current assets	19,926	68.1	18,994	70.0	19,243	69.4
Cash and deposits in banks	1,973		1,921		1,856	
Trade receivables	2,808		2,582		2,778	
Notes and accounts receivable	8,611		7,097		8,359	
Inventory assets	5,026		4,766		4,446	
Prepaid expenses	171		228		176	
Short-term loans	840		984		1,065	
Accrued revenue	206		800		336	
Deferred tax assets	237		285		250	
Other current assets	80		356		7	
Allowance for doubtful accounts	29		29		33	
Fixed assets	9,303	31.8	8,140	30.0	8,477	30.6
Tangible fixed assets	5,531	18.9	4,585	16.9	4,641	16.8
Buildings	2,027		2,030		1,985	
Machinery and equipment	1,613		1,822		1,740	
Tool, instruments and fixtures	208		214		207	
Land	1,001		349		349	
Construction in progress	627		112		305	
Other tangible fixed assets	52		56		53	
Intangible fixed assets	50	0.2	41	0.2	39	0.1
Software	13		18		16	
Other fixed assets	37		23		23	
Investments and other assets	3,722	12.7	3,513	12.9	3,796	13.7
Investment securities	764		599		831	
Shares of affiliated company	1,436		1,234		1,444	
Long-term loans	1		50		22	
Long-term prepaid expenses	385		505		442	
Deferred tax assets	899		876		812	
Other assets	257		272		266	
Allowance for doubtful accounts	22		24		23	
Deferred assets	47	0.1	4	0.0	-	-
Bond issue cost	47		-		-	
Experiment and research expenses	-		4		-	
Total assets	29,278	100.0	27,139	100.0	27,721	100.0

Liabilities and Shareholders' Equity

Millions of yen

Item	Six-month period ended Sep. 30, 2004		Six-month period ended Sep. 30, 2003		Year ended March 31, 2004	
	Amount	%	Amount	%	Amount	%
Current liabilities	11,419	39.0	12,276	45.2	12,415	44.8
Trade notes payable	3,899		3,336		3,400	
Accounts payable	2,250		2,333		2,360	
Short-term debt	1,593		389		897	
Current portion of long-term debt	2,221		5,068		4,205	
Accrued liabilities	36		445		132	
Accrued expenses	253		266		288	
Corporate Tax etc., Payables	644		22		501	
Allowance for employee bonuses	341		297		330	
Facilities-related bills payable	160		100		274	
Other current liabilities	17		16		23	
Fixed liabilities	6,842	23.4	5,355	19.8	5,008	18.1
Bonds and debentures	2,500		-		-	
Long-term debt	1,771		2,992		2,571	
Allowance for retirement benefits	2,471		2,321		2,396	
Allowance for executives retirement benefits	61		-		-	
Other fixed liabilities	37		40		40	
Total liabilities	18,261	62.4	17,632	65.0	17,423	62.9
Shareholders' equity	4,003		3,991		3,998	
Capital surplus	3,972		3,960		3,967	
Capital reserve	3,971		3,960		3,967	
Other capital reserve	0		-		-	
Revenue surplus	2,899		1,478		2,123	
Revenue reserve	333		333		333	
Voluntary reserve	1,481		482		482	
Retained earnings	1,084		662		1,308	
Unrealized loss on marketable securities	185	0.6	91	0.3	230	0.8
Treasury stock	43	0.1	13	0.0	23	0.1
Total shareholders' equity	11,016	37.6	9,507	35.0	10,297	37.1
Total	29,278	100.0	27,139	100.0	27,721	100.0

Interim Statements of Income and Retained Earnings

Millions of yen

Item	Six-month period ended Sep. 30, 2004		Six-month period ended Sep. 30, 2003		Year ended March 31, 2004	
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Sales	17,090	100.0	13,837	100.0	29,291	100.0
Merchandise	7,350	43.0	4,971	35.9	10,836	37.0
Product	9,739	57.0	8,866	64.1	18,454	63.0
Cost of sales	13,546	79.3	10,972	79.3	23,059	78.7
Merchandise	6,603	89.8	4,533	91.2	9,875	91.1
Product	6,943	71.3	6,438	72.6	13,183	71.4
Gross profit	3,543	20.7	2,865	20.7	6,232	21.3
Merchandise	747	10.2	438	8.8	961	8.9
Product	2,796	28.7	2,427	27.4	5,271	28.6
Selling, General and Adm. expenses	1,796	10.5	1,554	11.2	3,237	11.1
Operating income	1,747	10.2	1,311	9.5	2,994	10.2
Nonoperating income	111	0.7	60	0.4	154	0.5
Interest received / Dividends received	18		20		33	
Other income	93		40		120	
Nonoperating expenses	313	1.8	267	1.9	583	
Interest expense	55		68		127	2.0
Loss on disposal of inventories	111		65		98	
Write-off of fees for technology acquisition	61		60		173	
Other expenses	85		72		184	
Recurring income	1,545	9.1	1,105	8.0	2,564	8.7
Extraordinary income	4	0.0	-	-	-	-
Extraordinary loss	50	0.3	131	1.0	380	1.3
Director retirement bonuses	-		129		129	
Provision for reserve for officers' retirements benefits	44		-		-	
Other extraordinary losses	5		1		250	
Net income before income taxes	1,498	8.8	974	7.0	2,184	7.4
Corporate, local inhabitants and enterprise taxes	626	3.7	47	0.3	532	1.8
Income tax and other adjustments	42	0.3	407	2.9	408	1.4
Net income	915	5.4	519	3.8	1,242	4.2
Previous term's earned surplus	169		142		142	
Interim cash dividends paid	-		-		77	
Retained earnings	1,084		662		1,308	

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

(1) New stock issue expense

Expensed in full at the time of expenditure

(2) Corporate bond issue expenses

The total of corporate bond issue expenses per fiscal year is amortized over a 3-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 non-recoverable 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.

(4) Allowance for directors and executive officers retirement benefits

In order to prepare the future payment of retirement benefits to the incumbent directors and executive officers, in accordance with intra-company payment rule, the amount to be paid , calculated as of the end of the interim period are booked as allowance for this payment.

5. 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.

6. 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.

7. Other important items

Accounting Methods for Sales Taxes

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

[The amendment of Accounting Principle]
 (Allowance for directors and executive officers' retirement benefits)

Our previous accounting practice for this matter was that the payment amount paid at the time of actual retirement is booked as one time expense. Taking into account the profit performance of the fiscal period when they actually retire, not a little affected by payment in one lump sum and recent accounting practice to establish the allowance for this which became of general use, from the end of this interim period we decided to allocate the retirement payment as expenses to each fiscal period during the time directors and executive officers are incumbent so that the amount to be paid in accordance with directors and executive officers' retirement benefits rules are reserved on allowance for their retirement benefits.

As a result, the amount for this interim period amounted to 16 million yen and was booked as general and administrative expenses and the amount of 44 million yen to be paid for the period until the previous fiscal year was booked as extraordinary loss account. This treatment caused the decrease by 16 million yen of operating profit and ordinary profit and 61 million yen of profit before taxes etc. as compared with these figures in accordance with the previously used treatment.

Additional information

(Amendment of treatment for so called " business scale tax ", a part of corporate business tax on income statement)

Note: Business scale tax is imposed on value added items and capital related items such as salary, interest, rental expenses etc.

From this interim period the amount of 22 million yen was separately booked as general and administrative expenses from previously calculated corporate business taxes in total which is recorded as corporate taxes and others account in accordance with the amended guideline related to this treatment designated corporate accounting standard committee on Feb. 13, 2004.

[Notes]

Balance Sheets and Statements of Income and Retained Earnings

	(Millions of yen)		
	Six-month ended Sep. 30, 2004	Six-month ended Sep. 30, 2003	Year ended March 31, 2004
1. Depreciation of tangible fixed assets	13,489	12,894	13,206
2. Treasury stock	78,612 shares	46,867shares	60,152shares

Lease Transactions

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

	Six-month ended Sep. 30, 2004	Six-month ended Sep. 30, 2003	Millions of yen Year ended March 31, 2004
Leased property acquisition prices	1,462	984	1,377
Depreciation, total	414	307	379
Interim term-end balance	1,047	676	997

2. Leased property acquisition prices

	Six-month ended Sep. 30, 2004	Six-month ended Sep. 30, 2003	Millions of yen Year ended March 31, 2004
One year or less	204	147	190
More than one year	863	533	815
	1,068	681	1,006

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

	Six-month ended Sep. 30, 2004	Six-month ended Sep. 30, 2003	Millions of yen Year ended March 31, 2004
Payable Lease Fees	119	63	174
Depreciation, Total	109	59	162
Interest Payment	14	3	16

(Marketable securities)

There were no subsidiary or affiliate stocks with cash value.