

YUHO Report

Annual

Fiscal Year Ended **March 31, 2003**

Traded **JASDAQ**

Stock Code **6930**

Nippon Antenna
(6930, JASDAQ)

Financial Results for the
Fiscal Year Ended March 2003 (Consolidated)

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Company Profile

Financial Highlights

Years ended March 31; Thousands of yen	1999	2000	2001	2002	2003
Consolidated					
Net sales	27,104,973	27,003,282	31,431,934	30,906,091	27,678,297
Ordinary profit	2,664,952	2,467,617	3,254,509	2,583,500	1,327,749
Net income	1,229,216	1,256,674	1,679,762	1,034,678	597,372
Shareholders' equity	17,512,046	18,650,495	19,627,973	20,319,459	20,015,837
Total assets	26,220,791	26,846,966	30,567,962	28,564,422	27,617,602
Shareholders' equity per share (Yen)	1,224.68	1,304.39	1,372.65	1,421.26	1,443.87
Net income per share (Yen)	85.98	87.90	117.48	72.36	39.70
Net income per share, fully diluted (Yen)	—	—	—	—	—
Shareholders' equity ratio	66.78	69.46	64.21	71.13	72.47
Return on equity	7.20	6.95	8.77	5.18	2.96
Price earnings ratio	13.95	14.33	13.79	12.29	21.41
Net cash from operating activities	—	2,190,298	1,780,874	838,657	2,460,180
Net cash from investment activities	—	(510,073)	(968,200)	(1,088,914)	(861,413)
Net cash from financing activities	—	(319,267)	(326,895)	(860,608)	(689,081)
Cash and cash equivalents at end of period	—	6,731,972	7,216,729	6,131,325	7,016,002
Employees	—	1,168	1,121	1,170	1,147

Description of Business

The corporate group, which is composed of the Company (Nippon Antenna Co., Ltd.) and seven subsidiaries, is engaged in the manufacture and sale of antennas for telecommunications, automobiles, and television, and of electronic equipment for television transmission. It is also involved in the construction for installation of telecommunication systems and related businesses.

The following outlines the activities of the corporate group and the involvement of each group company in these activities. The information is provided according to business segment.

Manufacturing

This division is engaged in the manufacture and sale of: satellite antennas, mobile phone antennas, and car antennas; telecommunications-related equipment and antennas; and TV receiving antennas and TV reception/transmission-related equipment and accessories.

The Company, Ishinomaki Atex Co., and Nippon Antenna Philippines, Inc. have manufacturing operations.

The Company, Merlin Aerials Ltd., Nippon Antenna (Europe) GmbH, Nippon Antenna (America), Inc. and Nippon Antenna (Philippines), Inc. are engaged in selling the products manufactured by the group.

Construction

This division is involved in the construction including design and installation of CATV systems, CATV Internet systems, BS/CS receiving systems, and systems for the prevention of TV electromagnetic interference.

The Company and Nichian CATV Co., Ltd. provide construction-related services.

Other

NAC Development Corporation owns the land under the Company's factory in the Philippines {which is operated by Nippon Antenna (Philippines), Inc.}.

Major product in each business segment

Business segments	Sales segments	Major products
Manufacturing business	Antenna	Satellite antennas, mobile phone antennas, car antennas and related equipment, communications antennas and related equipment, TV antennas
	TV reception/transmission related electronic equipment	BS receiving equipment, cable TV transmission equipment, TV receiving related products (amplifiers, splitter, etc.)
Construction business	Electric & communications works	Cable TV related construction, cable Internet-related construction, satellite receiving-related construction, TV electromagnetic interference prevention construction

Group Companies

Thousands of yen	Common stock	Percent ownership
Consolidated subsidiaries		
NIPPON ANTENNA (EUROPE) GmbH	EUR287,850	100.0
NICHIAN CATV CO, Ltd.	50,000	100.0
ISHINOMAKI ATEX CO, Ltd.	92,500	100.0
NIPPON ANTENNA (PHILIPPINES), INC.	PHP250,000	100.0
NIPPON ANTENNA (AMERICA), INC.	US\$1,000	100.0

Largest Shareholders

Name of shareholders	Thousands of shares owned	Percent of shares outstanding
Sayo Takizawa	2,773	19.40
Ichiro Takizawa	753	5.27
Mizuho Bank, Ltd.	705	4.94
Resona Bank, Ltd.	697	4.88
Yutaka Takizawa	564	3.95
Souzaburo Yokoyama	365	2.55
Clarion Co., Ltd.	365	2.55
Nippon Antenna Employees' Shareholding Association	325	2.27
Showa-Jisho Co., Ltd	309	2.16
Dai-Ichi Mutual Life Insurance Co.	281	1.97
	7,140	49.93

Directors and Statutory Auditors

Ichiro Takizawa	President and Representative Director
Tatsuo Sakai	Senior Managing Director
Yutaka Takizawa	Managing Director
Nobuyoshi Eguchi	Managing Director
Masaru Hayashi	Director
Kenji Masuda	Director
Kenji Yamaoka	Director
Tomomi Nakamura	Director
Takatsugu Ito	Director
Tetsumi Izawa	Director
Kishio Nakata	Director
Kenji Tanaka	Director
Choji Otsuki	Standing Statutory Auditor
Yasuo Akiyama	Statutory Auditor
Minoru Hino	Statutory Auditor

Business Overview

Results of Operations

During the fiscal year ended March 31, 2003, the Japanese economy remained harsh in a prolonged deflationary environment. Both domestic corporate and consumer spending remained subdued and the stock market weakened, while a slowdown in the global economy, including the U.S. economy, and the situation in Iraq had a negative impact on the economy.

Overall, our industry suffered decline in prices and intensified competition due to weak demand, although business related to terrestrial digital broadcasting were put into place, which is an encouraging sign.

In this economic environment, Nippon Antenna and its consolidated subsidiaries strove to enhance the group's marketing, R&D and cost competitiveness by reorganizing the headquarter, consolidating sales centers in Europe, building more anechoic chambers, and expanding capacity at the manufacturing subsidiary in the Philippines.

Consequently, for the fiscal year ended March 31, 2003, consolidated sales totaled ¥27,678 million, down 10.4% YOY. Consolidated ordinary profit was ¥1,327 million, down 48.6% YOY, and net income was ¥597 million, down 42.3% YOY.

Results by business segment:

Manufacturing

In the area of TV receiving antennas, demand increased for CS and BS antennas and room antennas, due partly to the 2002 World Cup. Car antennas saw favorable demand overseas, particularly in North America. Demand for telecommunications antennas, however, was weak because of continued sluggish demand for mobile phone antennas.

In the area of TV reception/transmission related electronic equipment, while sales to appliance retailers and do-it-yourself stores, particularly of CS/BS separator and splitter, were strong, demand for cable television-related products, including indoor-use boosters and lightning arrester, was weak amid cutbacks in capital expenditures in the cable television sector. Additionally decline in prices led to a decrease in sales.

The division recorded operating income of ¥2,070 million, down 5.0% YOY, on sales of ¥19,931 million, down 4.3% YOY.

Construction

Cable television-related construction slowed compared with the significant growth in previous fiscal years, and demand for construction for the prevention of TV electromagnetic interference also weakened as there were fewer large-scale development projects and condominium constructions.

The division recorded operating income of ¥556 million, down 57.6% YOY, on sales of ¥7,746 million, down 23.1% YOY.

Results by geographical segment:

Japan

Domestic sales were ¥23,690 million, down 16.3% YOY, and operating income was ¥2,384 million, down 31.2% YOY. These results were due to overall decline in prices, a weak mobile phone market, sluggish demand for cable television-related equipment and construction stemming from reduced capital expenditures in the sector and a decrease in large-scale construction projects.

Europe

Business in Europe recorded operating income of ¥20 million, compared with an operating loss of ¥118 million in the previous fiscal year, on sales of ¥2,839 million, up 28.7% YOY. This was partly caused by the integration of the German consolidated sales subsidiary and the UK nonconsolidated sales subsidiary in June 2002.

North America

Sales totaled ¥1,082 million, up 168.0% YOY, and operating income was ¥58 million, compared with an operating loss of ¥43 million in the previous fiscal year, on strong sales of car antennas.

Asia

The group only has manufacturing operations in the region and sales generated locally are minimal. Most sales are intra-group transactions and thus are eliminated on a consolidated basis. Sales were ¥65 million, an increase of ¥63 million, and operating income was ¥201 million, up 481.6% YOY.

Cash Flows

As of March 31, 2003, cash and cash equivalents totaled ¥7,016 million, an increase of ¥884 million from the previous fiscal year end.

Cash flow from operating activities

Net cash provided by operating activities was ¥2,460 million. The main factors contributing to the increase were ¥1,181 million in income before taxes and other adjustments, depreciation of ¥817 million and a ¥1,739 million decrease in trade receivables, while those contributing to a decrease were a ¥784 million decrease in trade payables and ¥520 million paid as income tax and other corporate taxes.

Cash flow from investing activities

Net cash used in investing activities was ¥861 million. ¥943 million in cash was used to build anechoic chambers and purchase machines and measuring equipment in order to enhance R&D and production systems.

Cash flow from financing activities

Net cash used in financing activities was ¥689 million. ¥360 million was used for share buy-backs and ¥328 million was paid as dividends.

Production, Orders and Sales**1. Production**

Production (consolidated basis) at each business segment for the year ended March 31, 2003:

Thousands of yen	Value	YOY (%)
Manufacturing	18,428,684	87.7
Construction	7,746,818	76.9
Total	26,175,502	84.2

(Notes) 1. Amounts are calculated based on net sales prices.

2. Amounts are stated exclusive of consumption tax.

2. Orders

Orders (consolidated basis) at each business segment for the year ended March 31, 2003:

Thousands of yen	Value of orders	YOY (%)	Orders outstanding	YOY (%)
Manufacturing	12,380,304	111.2	890,299	113.7
Construction	6,703,523	65.7	2,345,737	69.2
Total	19,083,827	89.4	3,236,036	77.6

(Note) Amounts are stated exclusive of consumption tax.

3. Sales

Sales (consolidated basis) at each business segment for the year ended March 31, 2003:

Thousands of yen	Amounts	YOY (%)
Manufacturing	19,931,479	95.7
Construction	7,746,818	76.9
Total	27,678,297	89.6

(Note) Amounts are stated exclusive of consumption tax.

Issues Facing the Company

Nippon Antenna is currently working on the initiatives listed below based on the strategy outlined in the medium-term business plan for the three-year period from fiscal 2002 (April 2002 – March 2005). This strategy designates three businesses - Antennas, TV Reception/Transmission-related Electronic Equipment, and Telecommunications Construction – as core businesses, and the Company strives to accurately respond to changes in the market, including technological innovations like optical and digital telecommunications in the information and telecommunications industry, emerging needs for new systems like ITS and telematics, the integration of broadcasting and telecommunications, and the rapid spread of computer networking, particularly via the Internet.

- (1) Establishing R&D capabilities to be leader in new product development
- (2) Strengthening sales networks at home and overseas
- (3) Improving customer satisfaction by offering more competitive products in terms of quality, cost and service.
- (4) Increasing the use of performance based evaluations and human resource development for employees in order to allow them to fully realize their potential and give dynamism to the business.
- (5) Seeking a more efficient and robust management by improving IT systems and establishing internal controls

Going forward, the economy is unlikely to recover quickly, considering ongoing deflationary pressure and a volatile global situation.

The business climate for the industry is also likely to remain difficult because of intensified competition stemming from slow growth in cable television-related markets, a decrease in large scale development projects and condominium constructions, and overall weaker pricing, although benefits are expected from national project related to the terrestrial digital broadcasting over the next few years.

Against this backdrop, Nippon Antenna is committed to strengthening its business platform by stepping up marketing, production and R&D. Specifically, we will set up a new sales subsidiary in Detroit, open a factory in Shanghai, and build R&D facilities in Germany, while focusing on businesses related to terrestrial digital broadcasting. In addition, the Company will work to strengthen corporate ethics through stricter compliance and at the same time improve risk management.

Research and Development

The information and telecommunications industry is experiencing changes on an unprecedented scale. Significant technological innovations, particularly digitization, optical communications and satellite communications, have led to a rapid penetration of broadband networking and the integration of broadcasting and telecommunications. Nippon Antenna is promoting R&D activities throughout the group in an effort to respond quickly and properly to market trends and changes in the information and telecommunications system industry, and to develop proprietary, high value-added products.

During the fiscal year ended March 31, 2003, the expansion of development facilities and consolidation of engineers at the Kawasato Technical Center were for the most part completed, and the center is now contributing to new product development focused on auto related products and improved services for customers. Going forward, we aim to establish an operation system that enables a quick response to demand worldwide by expanding the overseas R&D network and promoting international-minded human resource development.

The company has been working on basic research and the commercialization of many products in the areas of antennas and communications systems/equipment in view of global market trends, and some products have been launched in the market. These products include ITS related systems like car ETC and DSRC, satellite radio antenna systems, compound antennas for telematics, interactive amplifiers and units for cable Internet, antennas and high-power amplifiers for satellite digital broadcasting, a wide range of optical transmission equipment, invisible antenna systems that use glass, film, etc., advanced dual/triple antennas for diversified information equipment, small terrestrial digital antennas (for mobile phones and PDAs), wideband digital station antenna systems for public telecommunications, wireless LAN transmission system equipment, nondirectional vertical horizontal polarized wave antennas, and terrestrial digital broadcast receiving equipment.

At the same time, while expanding capital expenditures in areas like new measuring equipment, we will continue to improve and develop equipment related to information and telecommunications areas with an eye to future technological innovations like digital and high-speed signals, as well as more significant use of optical and microwave transmission. Areas of focus include broadband network-related equipment including cable television, optical transmission, wireless LANs, car information systems, screen antenna systems, BS/CS digital broadcasting, terrestrial digital broadcasting, wireless telecommunications, mobile phones and video digital transmission equipment.

Currently, R&D activities are primarily conducted by the technology unit (which includes the Technical Center) within the Manufacturing division. As of March 31, 2003, 117 employees were engaged in these activities, with related spending for the fiscal year totaling ¥1,215 million.

The Construction division incurs no R&D related expenses as its operations use products developed and commercialized by the Manufacturing division.

Financial Statements

Consolidated Balance Sheets

Years ended March 31; Thousands of Yen	2002	2003
(Assets)		
Current assets		
Cash and deposits	6,132,611	7,017,288
Trade notes & accounts receivable	9,326,077	7,880,079
Inventories	5,168,494	5,051,209
Deferred tax assets	224,054	264,571
Other	1,292,348	1,390,944
Allowance for doubtful accounts	(46,107)	(19,009)
Total current assets	22,097,479	21,585,083
Fixed assets		
Tangible fixed assets		
Buildings & structures	2,328,494	2,184,208
Machinery, equipment and vehicles	1,039,496	915,271
Land	869,866	869,866
Other tangible fixed assets	874,624	803,154
Total tangible fixed assets	5,112,482	4,772,501
Intangible fixed assets		
Software	73,487	110,559
Other intangible fixed assets	24,966	24,753
Total intangible fixed assets	98,454	135,312
Investments and other assets		
Investment securities	736,001	477,711
Deferred tax assets	241,107	354,391
Other	288,279	390,525
Allowance for doubtful accounts	(9,381)	(97,924)
Total investments and other assets	1,256,006	1,124,704
Total fixed assets	6,466,943	6,032,518
Total assets	28,564,422	27,617,602

Nippon Antenna

Years ended March 31; Thousands of Yen	2002	2003
(Liabilities)		
Current liabilities		
Trade notes & accounts payable	4,301,627	4,160,915
Accounts payable—construction	1,345,160	817,437
Accrued income taxes	117,400	275,018
Accrued expenses	178,177	117,083
Reserve for bonuses	556,534	525,380
Other	1,040,445	955,238
Total current liabilities	7,539,345	6,851,073
Long-term liabilities		
Allowance for employees' retirement benefits	450,121	472,575
Allowance for directors' retirement benefits	247,660	270,280
Other	7,836	7,836
Total long-term liabilities	705,617	750,691
Total liabilities	8,244,962	7,601,764
Shareholders' equity		
Common stock	4,673,616	4,673,616
Additional paid-in capital	6,318,554	6,318,554
Retained earnings	9,449,917	9,674,425
Unrealized gain on other securities	99,972	16,951
Foreign currency translation adjustments	(219,061)	(303,914)
Treasury stock	(3,538)	(363,794)
Total shareholders' equity	20,319,459	20,015,837
Total liabilities and shareholders' equity	28,564,422	27,617,602

Consolidated Statement of Income

Years ended March 31; Thousands of Yen	2002	2003
Sales		
Sales of goods	20,836,048	19,931,479
Sales on construction	10,070,042	7,746,818
	<u>30,906,091</u>	<u>27,678,297</u>
Cost of sales		
Cost of goods sold	15,304,770	14,164,222
Cost of construction	7,771,270	6,076,054
	<u>23,076,041</u>	<u>20,240,277</u>
Selling, general and administrative expenses	5,234,304	5,760,942
Operating income	2,595,746	1,677,076
Non-operating income		
Interest & dividend income	15,139	85,370
Other	80,877	65,232
	<u>96,016</u>	<u>150,602</u>
Non-operating expenses		
Interest expenses	6,158	276
Other	102,103	499,654
	<u>108,262</u>	<u>499,930</u>
Ordinary profit	2,583,500	1,327,749
Extraordinary income		
Gain on fixed assets sold	15,210	3
	<u>15,210</u>	<u>3</u>
Extraordinary loss		
Loss on disposal of fixed assets	30,150	30,979
Valuation loss on golf memberships	2,815	12,737
Valuation loss on investment securities	661,403	102,659
	<u>694,369</u>	<u>146,376</u>
Income before taxes and other adjustments	1,904,341	1,181,375
Corporate, inhabitant and enterprises taxes	803,031	676,491
Deferred taxes	71,788	(92,488)
Minority interest in income (losses) of consolidated subsidiaries	(5,157)	—
Net income	<u>1,034,678</u>	<u>597,372</u>

Consolidated Statement of Retained Earnings

Years ended March 31; Thousands of yen	2002	2003
Balance at beginning of the period	8,969,232	9,449,917
Increase		
Net income	1,034,678	597,372
Deductions		
Cash dividends paid	457,576	328,825
Bonuses to directors and statutory auditors	54,100	44,040
Decrease in consolidated surplus from addition of subsidiaries to scope of consolidation	42,315	—
Balance at end of the period	9,449,917	9,674,425

Consolidated statements of cash flows

Years ended March 31; Thousands of yen	2002	2003
Net cash from operating activities		
Net income before income taxes	1,904,341	1,181,375
Depreciation	810,331	817,486
Amortization of consolidation adjustment account	(7,042)	—
Valuation loss on investment securities	661,403	102,659
Increase (Decrease) in allowance for retirement benefits	43,686	22,454
Increase (Decrease) in allowance for directors' retirement benefits	26,930	22,620
Increase (Decrease) in allowance for bonuses	11,060	(31,154)
Increase in allowance for doubtful accounts	4,499	57,449
Interest and dividend income	(15,139)	(85,370)
Interest expenses	6,158	276
Foreign exchange loss	47,156	72,187
Gain on sale of fixed assets	(15,210)	(3)
Loss on disposal of fixed assets	30,150	30,979
Valuation loss on golf memberships	2,815	12,737
Decrease in trade receivables	898,808	1,739,201
Decrease (increase) in inventory	(275,748)	136,915
Increase in trade payables	(1,256,150)	(784,718)
Directors' bonuses	(54,100)	(44,040)
Other	(384,506)	(284,013)
	2,439,444	2,967,041
Interest and dividend income	17,656	13,826
Interest expenses	(9,339)	(276)
Income tax and others	(1,609,103)	(520,411)
	838,657	2,460,180
Net cash from investment activities		
Payments for purchases of marketable securities	(40,711)	(2,348)
Payments for acquisition of tangible and intangible fixed assets	(1,077,869)	(943,889)
Proceeds from sales of tangible and intangible fixed assets	41,705	870
Payments for acquisition of subsidiaries' equity	(1,740)	—
Proceeds from merger, purchase of business	—	82,612
Payments for loans	(31,593)	(20,523)
Proceeds from collection of loans	21,295	21,865
	(1,088,914)	(861,413)
Net cash from financing activities		
Payments for redemption of bonds	(400,000)	—
Payments for purchases of treasury stock	(9,677)	(360,255)
Proceeds from sales of treasury stock	6,646	—
Dividends paid	(457,576)	(328,825)
	(860,608)	(689,081)
Effect of exchange rate changes on cash and cash equivalents	12,097	(25,008)
Increase (decrease) in cash and cash equivalents	(1,098,767)	884,676
Cash and cash equivalents at beginning of period	7,216,729	6,131,325
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	13,363	—
Cash and cash equivalents at end of period	6,131,325	7,016,002

Segment Information

Business segment information

Thousands of yen	Manufacturing business	Construction business	Total	Eliminations and/or corporate	Consolidated
2002					
Sales					
External customer sales	20,836,048	10,070,042	30,906,091	—	30,906,091
Intersegment transactions and eliminations	19,160	—	19,160	(19,160)	—
	20,855,209	10,070,042	30,925,252	(19,160)	30,906,091
Operating expenses	18,676,698	8,756,856	27,433,555	876,789	28,310,345
Operating income	2,178,510	1,313,186	3,491,696	(895,950)	2,595,746
Identifiable assets	16,043,530	4,622,992	20,666,522	7,897,899	28,564,422
Depreciation	750,597	20,296	770,893	39,437	810,331
Capital expenditures	1,148,076	35,169	1,183,245	16,263	1,199,509
2003					
Sales					
External customer sales	19,931,479	7,746,818	27,678,297	—	27,678,297
Intersegment transactions and eliminations	18,035	—	18,035	(18,035)	—
	19,949,514	7,746,818	27,696,333	(18,035)	27,678,297
Operating expenses	17,879,105	7,189,956	25,069,062	932,157	26,001,220
Operating income	2,070,409	556,861	2,627,270	(950,193)	1,677,076
Identifiable assets	14,410,559	3,573,175	17,983,734	9,633,867	27,617,602
Depreciation	757,197	22,720	779,917	37,568	817,486
Capital expenditures	570,590	18,886	589,477	3,268	592,745

Basis of segmentation

The Group's business is divided into two segments based on the manufacturing of antennas, TV reception/transmission-related electronic equipment, and construction including telecommunications-related design and installation.

Overseas Sales

The geographical segments of the Company and its consolidated subsidiaries for the years ended March 31, 2003 and March 31, 2002, are summarized as follows:

Thousands of yen	Europe	Asia	Other	Total
2002				
Overseas sales	2,468,269	442,804	458,371	3,369,445
Consolidated sales				30,906,091
As % of net sales	7.9	1.4	1.4	10.9

1. Regions are classified on the basis of geographical proximity.
2. The major countries in each region are as follows.
 - (1) Europe: Germany, Great Britain
 - (2) Asia: South Korea, Saudi Arabia, China
 - (3) Other: USA, New Zealand
3. Overseas revenues are generated by the Company and its subsidiaries in countries and regions other than Japan.

Thousands of yen	Europe	North America	Asia	Other	Total
2003					
Overseas sales	2,920,594	1,209,062	927,066	90,875	5,147,598
Consolidated sales					27,678,297
As % of net sales	10.6	4.4	3.3	0.3	18.6

1. North American sales were included under "Other" in the year to March 2002, but are being recorded separately from the fiscal year ended March 2003 to reflect their increased size and significance.
2. The major countries in each region are as follows.
 - (1) Europe: Germany, Great Britain
 - (2) North America: USA
 - (3) Asia: South Korea, China, Philippine
 - (4) Other: Australia



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