

**FOR IMMEDIATE RELEASE**

INNOTECH Corporation  
Listed Stock Exchange: JASDAQ  
Ticker Code: 9880

**INNOTECH Announces Interim Financial Results**  
**for the Six Months Ended September 30, 2002**

**Highlights**

- Net sales rose 3.7% to 27,992 million yen.
- Operating income fell from 156 million yen to an operating loss of 71 million yen. As a result of the operating loss and extraordinary losses of 44 million yen, the Company's net loss widened to 436 million yen from 348 million yen.
- INNOTECH succeeded in reducing interest-bearing liabilities 9.7% from the year before to 2,264 million yen. Inventories were also reduced and loss-making subsidiaries were restructured as according to the Company's structural and financial reform plan.
- Free cash flows fell from 716 million yen from the same period the year before to 4,298 million yen. Cash and cash equivalents at the end of the period increased 1,680 million yen to 8,989 million yen.
- The Company expects 58 billion yen in net sales, 1,180 million yen in operating income and a net loss of 150 million yen for the full year ending March 31, 2003.

Yokohama, November 22, 2002 - (JCN Newswire) – INNOTECH Corporation, one of Japan's leading semiconductor trading companies, announced interim financial results for the six

months ended September 30, 2002. Group net sales rose 3.7 percent to 27,992 million yen, while operating income fell from 156 million yen to an operating loss of 71 million yen. Net loss widened to 436 million yen from 348 million yen.

**Operating Performance**

Net sales increased 1,010 million yen to 27,992 million yen from the same period the year before, boosted mainly by increased demand for semiconductor design tools, in particular electronic design automation (EDA) tools produced by Cadence Design System, Inc., of the U.S..

Growth in sales was limited by declines in sales in the Electronic Components Business and the Manufacturing Equipment Business following reductions in capital investment by customers in the telecommunications and semiconductor industries.

Operating income fell 156 million yen to an operating loss of 71 million yen. While selling, general and administrative expenses fell 164 million yen to 4,365 million yen, and the ratio of SG&A expenses to net sales fell 1.2 points to 15.6%, its lowest level for five years, this was offset by a rise in cost of goods sold of 1,402 million yen to 23,698 million yen.

Furthermore INNOTECH was forced to reduce the prices of products it sold to major electronics companies as the effects of deflation and increased competition forced them to reduce the prices of their own end products.

Extraordinary losses came to 44 million yen, lower than previous periods when the Company took charges to restructure loss-making subsidiary companies, reduce inventories and reduce loss-making areas. The Company is now starting to benefit from the results of this restructuring. Interest-bearing liabilities fell 2,435 million yen to 22,604 million yen and have now fallen by more than half from 4,500 million yen as of the end of March 2000. In addition, the Company repaid 3 billion yen of corporate bonds due in October 2002 using cash on hand.

As a result, the Company reported a net loss of 436 million yen compared to a loss of 348 from the same period the year before.

**Semiconductor Design Business**

Sales in the Semiconductor Design Business increased 20.4 % from the same period year before to 15,750 million yen. Operating income fell 11.9% to 1,119 million yen while the ratio of operating income to sales fell by 2.6 points to 7.1%.

Sales growth was driven by demand for INNOTECH's range of high-end EDA tools, which assist in the design of semiconductors. In Japan the market for EDA tools grew at an average of 6.7% every year for the past five years and these two factors have led to double-digit growth in sales in INNOTECH's Semiconductor Design Business.

“Japanese semiconductor makers are shifting away from developing memory chips such as DRAM towards more higher value-added areas such as system LSI,” said Toshihumi Kaneko, Director of INNOTECH and General Manager of the Cadence Technology Division. “With cutting-edge EDA tools, INNOTECH provides comfortable design environments that are imperative for the miniaturization and integration demanded by the next-generation of system LSI. INNOTECH supports all the design processes from front-end design to back-end design.”

INNOTECH further enhanced its 'EDA tools supply chain' to differentiate itself from its competitors. The Company began providing additional design process tools from other suppliers that complement those from Cadence and allow INNOTECH to supply all tools for both front-end to back-end design.

On October 2002, INNOTECH agreed to supply semiconductor device modeling services from MODECH Inc. Modeling is the faithful describing of basic motion of test model transistors in order to do circuit simulation to confirm transistors' characteristics before LSI design. MODECH maintains huge libraries of modeling data and so can help semiconductor companies improve modeling efficiencies.

Furthermore, the diversification of LSI types has boosted demand for design outsourcing. Sanei Hytechs Co., Ltd., which INNOTECH acquired at the end of the previous year, offers contract design services, and is steadily seeing increases in demand.

**Electronic Components Business**

Sales in the Electronic Components Business fell 6.7% to 11,189 million yen. Operating income fell 236 million yen to an operating loss of 162 million yen.

Demand fell for one of INNOTECH's major products: application specific integrated circuits (ASIC) produced by LSL Logic Corporation for use in telecommunications equipment, following capital spending cuts by telecommunications carriers.

Demand for application specific standard products (ASSP) was steady especially for graphic chips for 3D image processing produced by Trident Microsystems, Inc. One or two year before INNOTECH secured a contract to supply these chips to a major Japanese PC maker for use in laptop PCs. As a result, volume sales during the period under review increased, though net sales fell because of price declines.

INNOTECH also agreed to supply Sony Corp. with ASSP chips, MPEG2 encoders and decoder chips produced by Conexant Systems, Inc., which Sony will install in its Desktop PC VAIO from October 2002.

INNOTECH aims to expand sales by differentiating its products using its technical capabilities. The Company plans to offer high value-added ASSPs embedded with middleware developed in-house. Demand for HDDs and graphic chips for PCs is also expected to remain strong. In addition, products and engineering services for non-PC applications such as digital household appliances, including PDPs, and sophisticated printers are expected to drive growth in the future.

INNOTECH is using its expertise in handling high-performance semiconductor-related equipment and software to develop its own unique technology.

The Company's proprietary patented technology, threshold voltage modulation image sensor (VMIS), has other applications for example in medical devices and INNOTECH has agreed to co-develop endoscopes and other cameras with Shizuoka University and Hamamatsu University School of Medicine. VMIS can be made into one chip with peripheral circuits and so can be made smaller, has lower power consumption and similar picture quality as CCD sensors, which are mainly used in medical devices at the moment.

To develop its in-house technology further INNOTECH increased the number of engineers by nearly 200, increasing the ratio of engineers to total employees to 59.0% from 40.1% two years before.

**Manufacturing Equipment Business**

Sales in the Manufacturing Equipment Business fell 44.9% to 1,053 million yen, with operating losses coming to 225 million yen.

The drop in sales was due to reduction in capital investment by domestic semiconductor makers and as the division narrowed its product line up to focus on INNOTECH's strengths in areas such as test, measurement, analysis and evaluation.

The division is also developing its own proprietary products. Among them is an automatic optical inspection system that detects faults in semiconductor packaging and is suitable for use in inspecting the next-generation of sophisticated and complex packaging devices. The inspection system will be available in Asia and Japan.

**Cash Flows**

Net cash provided by operating activities fell by 2,392 million yen from year before to 3,251 million yen. Net cash provided by investing activities increased by 1,676 million yen to 1,046 million yen in the black. As a result, free cash flows decreased by 716 million yen to 4,298 million yen. Net increase in cash and cash equivalents for the period under review came to 1,680 million yen, with cash and cash equivalents at the end of the period totaling 8,989 million yen. In addition, 3 billion yen of this total was allocated for retirement of corporate bonds due in October 2002.

To view the financial statements, please see below.

**Consolidated Balance Sheets (Unaudited)**

	Thousands of Yen			Thousands of
				U.S. Dollars
	As of Sep. 30, 2002	As of Mar. 31, 2002	As of Sep. 30, 2001	As of Sep. 30, 2002
<b>ASSETS:</b>				
Current Assets:				
Cash and bank deposits	8,979,519	7,299,494	4,113,063	73,602
Notes and accounts receivable, trade	10,210,718	13,230,147	14,779,591	83,694
Inventories	4,541,855	4,555,233	6,037,364	37,228
Other	2,339,178	4,053,951	3,221,260	19,173
Allowance for doubtful accounts	(25,036)	(49,661)	(68,326)	(205)
<b>Total current assets</b>	<b>26,046,235</b>	<b>29,089,166</b>	<b>28,082,953</b>	<b>213,493</b>
Fixed Assets:				
Property, Plant and Equipment:				
Buildings and structures	6,330,376	6,491,752	6,570,086	51,888
Land	5,888,577	5,885,919	5,317,496	48,267
Other	874,753	798,497	616,326	7,170
<b>Total property, plant and equipment</b>	<b>13,093,707</b>	<b>13,176,169</b>	<b>12,503,910</b>	<b>107,325</b>
Intangible Assets:				
Exclusive marketing rights	1,950,820	2,156,170	2,361,519	15,990
Consolidation adjustments account	1,618,712	2,075,706	266,832	13,268
Other	534,674	271,242	288,461	4,382
<b>Total intangible assets</b>	<b>4,104,207</b>	<b>4,503,119</b>	<b>2,916,813</b>	<b>33,641</b>
Investments and Other Assets:				
Investments in securities	3,374,456	3,458,974	3,302,795	27,659
Other	4,050,076	4,189,547	4,336,855	33,197
Allowance for doubtful accounts	(85,084)	(84,334)	(83,755)	(697)
<b>Total investments and other assets</b>	<b>7,339,448</b>	<b>7,564,187</b>	<b>7,555,895</b>	<b>60,159</b>
<b>Total fixed assets</b>	<b>24,537,363</b>	<b>25,243,477</b>	<b>22,976,619</b>	<b>201,125</b>
<b>Total assets</b>	<b>50,583,598</b>	<b>54,332,643</b>	<b>51,059,573</b>	<b>414,619</b>

	Thousands of Yen			Thousands of
				U.S. Dollars
	As of Sep. 30, 2002	As of Mar. 31, 2002	As of Sep. 30, 2001	As of Sep. 30, 2002
<b>LIABILITIES:</b>				
Current Liabilities:				
Notes and accounts payable, trade	5,810,896	6,364,364	4,722,196	47,630
Short-term borrowings	11,114,271	15,284,196	14,003,000	91,100
Current portion of corporate bonds	3,300,000	3,000,000	-	27,049
Income and other taxes payable	121,174	83,912	11,635	993
Other	1,768,799	1,685,684	1,920,001	14,498
<b>Total current liabilities</b>	<b>22,115,141</b>	<b>26,418,157</b>	<b>20,656,833</b>	<b>181,271</b>
Long-term Liabilities:				
Corporate bonds	1,840,000	1,140,000	4,140,000	15,081
Long-term debt	6,349,376	5,614,491	5,035,300	52,044
Deferred tax liabilities	825,808	917,185	1,006,431	6,768
Allowance for retirement and severance benefits	445,810	429,686	409,010	3,654
Other	79,740	79,734	78,558	653
<b>Total long-term liabilities</b>	<b>9,540,736</b>	<b>8,181,097</b>	<b>10,669,300</b>	<b>78,202</b>
<b>Total liabilities</b>	<b>31,655,877</b>	<b>34,599,255</b>	<b>31,326,133</b>	<b>259,474</b>
Minority interests in consolidated subsidiaries	470,388	337,612	307,355	3,855
<b>SHAREHOLDERS' EQUITY:</b>				
Common stock	8,483,500	8,483,500	8,483,500	69,536
Additional paid-in capital	9,246,500	9,246,500	9,246,500	75,790
Retained earnings	891,781	1,477,914	1,819,849	7,309
Unrealized gains (losses) on other securities	(182,251)	165,171	(131,501)	(1,493)
Foreign currency translation adjustments	17,899	22,751	7,798	146
Treasury stock	(97)	(61)	(61)	(0)
<b>Total shareholders' equity</b>	<b>18,457,332</b>	<b>19,395,775</b>	<b>19,426,084</b>	<b>151,289</b>
<b>Total liabilities and shareholders' equity</b>	<b>50,583,598</b>	<b>54,332,643</b>	<b>51,059,573</b>	<b>414,619</b>

Notes:

1. Amounts shown herein have been rounded down to the nearest unit.
2. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥122 to \$1, the approximate exchange rate prevailing on September 30, 2002.

**Consolidated Statements of Income (Unaudited)**

	Thousands of Yen		Thousands of
			U.S. Dollars
	Six Months Ended Sep. 30,		
	2002	2001	2002
<b>Net Sales</b>	<b>27,991,750</b>	26,981,462	<b>229,440</b>
Cost of Goods Sold	<b>23,697,952</b>	22,296,175	<b>194,245</b>
Gross Profit on Sales	<b>4,293,798</b>	4,685,286	<b>35,195</b>
Selling, General and Administrative Expenses	<b>4,364,622</b>	4,528,829	<b>35,775</b>
<b>Operating Income (Loss)</b>	<b>(70,823)</b>	156,456	<b>(580)</b>
Non-operating Income:			
Gain on sales of investment securities	-	65,762	-
Office rent revenue	<b>254,345</b>	254,979	<b>2,084</b>
Other	<b>124,599</b>	86,702	<b>1,021</b>
<b>Total non-operating income</b>	<b>378,944</b>	407,444	<b>3,106</b>
Non-operating Expenses:			
Interest expenses	<b>203,251</b>	253,119	<b>1,665</b>
Office rent expenses	<b>258,105</b>	225,715	<b>2,115</b>
Equity in losses of affiliated companies	<b>110,225</b>	151,270	<b>903</b>
Foreign exchange losses	<b>143,679</b>	-	<b>1,177</b>
Other	<b>31,186</b>	12,561	<b>255</b>
<b>Total non-operating expenses</b>	<b>746,448</b>	642,666	<b>6,118</b>
<b>Ordinary Loss</b>	<b>(438,328)</b>	(78,765)	<b>(3,592)</b>
Extraordinary Gains:			
Proceeds from cancellation of insurance reserve fund	<b>130,434</b>	-	<b>1,069</b>
Recovery of allowance for doubtful accounts	<b>24,314</b>	-	<b>199</b>
Other	<b>33,789</b>	9,065	<b>276</b>
<b>Total extraordinary gains</b>	<b>188,538</b>	9,065	<b>1,545</b>
Extraordinary Losses:			
Loss on disposal of fixed assets	-	290,858	-
Loss on change in equity interest in subsidiary	-	132,581	-
Loss on valuation of investment securities	<b>43,191</b>	-	<b>354</b>
Other	<b>1,185</b>	46,738	<b>9</b>
<b>Total extraordinary losses</b>	<b>44,377</b>	470,177	<b>363</b>
<b>Loss before Income Taxes</b>	<b>(294,167)</b>	(539,877)	<b>(2,411)</b>

	Thousands of Yen		Thousands of
			U.S. Dollars
	Six Months Ended Sep. 30,		
	2002	2001	2002
<b>Loss before Income Taxes</b>	<b>(294,167)</b>	(539,877)	<b>(2,411)</b>
Income taxes	<b>182,785</b>	16,087	<b>1,498</b>
Deferred income taxes	<b>(2,684)</b>	(89,296)	<b>(22)</b>
Minority interests in losses of consolidated subsidiaries	<b>38,120</b>	118,663	<b>312</b>
<b>Net Loss</b>	<b>(436,148)</b>	(348,004)	<b>(3,574)</b>

**Per Share Data:**

Net income			
--- Basic	<b>(¥23.65)</b>	(¥18.87)	<b>(\$0.19)</b>
--- Diluted	-	-	-
Cash Dividends	-	-	-

Notes:

1. Amounts shown herein have been rounded down to the nearest unit.
2. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥122 to \$1, the approximate exchange rate prevailing on September 30, 2002.
3. Net sales do not include consumption taxes.
4. The Company issued convertible bonds. However, since net loss was recorded for the six months ended September 30, 2002 and 2001, the Company has omitted diluted net income per share here.

**Consolidated Statements of Cash Flows (Unaudited)**

	Thousands of Yen		Thousands of
			U.S. Dollars
	Six Months Ended Sep. 30,		
	2002	2001	2002
<b>Cash Flows from Operating Activities:</b>			
Loss before income taxes	(294,167)	(539,877)	(2,411)
Depreciation expenses	501,676	484,337	4,112
Amortization of consolidation adjustments account	125,745	48,656	1,030
Decrease in allowance for doubtful accounts	(23,876)	(19,333)	(195)
Increase in allowance for retirement and severance benefits	16,124	1,878	132
Interest and dividend income	(35,871)	(18,911)	(294)
Interest expenses	203,251	253,119	1,665
Equity in losses of affiliated companies	110,225	151,270	903
Gain on sales of investment securities	(9,329)	(65,762)	(76)
Loss on disposal of fixed assets	-	290,858	-
Loss on valuation of investment securities	43,191	-	354
Loss on change in equity interest in subsidiary	-	132,581	-
Decrease in trade receivables	3,044,757	5,703,097	24,957
Decrease in inventories and advances to suppliers	244,289	191,224	2,002
Decrease in trade payables	(553,467)	(1,374,613)	(4,536)
Increase (decrease) in consumption taxes payable	112,776	(277,902)	924
Increase in other current assets	136,926	7,285	1,122
(Increase) decrease in other current liabilities	(90,457)	137,645	(741)
Directors' bonuses paid	(15,000)	(57,000)	(122)
Other	37,766	29,800	309
<b>Sub total</b>	<b>3,554,560</b>	<b>5,078,354</b>	<b>29,135</b>
Interest and dividend received	34,981	22,361	286
Interest paid	(199,299)	(227,449)	(1,633)
Income and other taxes paid (refunded)	(138,735)	770,587	(1,137)
<b>Net cash provided by operating activities</b>	<b>3,251,506</b>	<b>5,643,853</b>	<b>26,651</b>

	Thousands of Yen		Thousands of
			U.S. Dollars
	Six Months Ended Sep. 30,		
	<b>2002</b>	2001	<b>2002</b>
<b>Cash Flows from Investing Activities:</b>			
Payments for purchase of property, plant and equipment	(130,976)	(39,666)	(1,073)
Proceeds from sales of property, plant and equipment	1,147	17,065	9
Payments for purchase of investment securities	(136,596)	(80,650)	(1,119)
Proceeds from sales of investment securities	87,219	95,929	714
Increase (decrease) in cash and cash equivalents due to sales of stock in subsidiary excluded from consolidation	525,985	(35,048)	4,311
Payments for short-term loans	(297,874)	(474,544)	(2,441)
Proceeds from collection of short-term loans	652,449	49,349	5,347
Payments for long-term loans	(65,100)	(42,000)	(533)
Proceeds from collection of long-term loans	6,750	17,920	55
Proceeds from reversal of guarantee deposits	73,831	3,853	605
Proceeds from cancellation of insurance reserve fund	655,308	-	5,371
Other	(326,007)	(142,388)	(2,672)
<b>Net cash provided by (used in) investing activities</b>	<b>1,046,137</b>	<b>(630,178)</b>	<b>8,574</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term borrowings	10,912,125	9,825,000	89,443
Payments of short-term borrowings	(13,794,865)	(17,328,531)	(113,072)
Proceeds from long-term debt	1,990,000	1,100,000	16,311
Payments of long-term debt	(2,542,850)	(2,481,170)	(20,843)
Proceeds from bond issuance	983,083	-	8,058
Proceeds from stock issuance to minority shareholders	-	110,500	-
Proceeds from sales of treasury stock	-	630,104	-
Payments for purchase of treasury stock	(36)	-	(0)
Dividend paid by parent company	(138,299)	(184,399)	(1,133)
Dividend paid to minority shareholders	(13,370)	-	(109)
<b>Net cash used in financing activities</b>	<b>(2,604,212)</b>	<b>(8,328,497)</b>	<b>(21,346)</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(13,406)	1,705	(109)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,680,024</b>	<b>(3,313,117)</b>	<b>13,770</b>
Cash and Cash Equivalents at Beginning of Period	7,299,494	7,426,181	59,831
<b>Cash and Cash Equivalents at End of Period</b>	<b>8,979,519</b>	<b>4,113,063</b>	<b>73,602</b>

Notes:

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**Business Segment Information (Unaudited)**

	Thousands of Yen		Thousands of
			U.S. Dollars
	Six Months Ended Sep. 30,		
	2002	2001	2002
<b>Net Sales:</b>			
Semiconductor Design Business:			
Customers	15,749,509	13,077,244	129,094
Inter-segment	17,471	-	143
<b>Total</b>	<b>15,766,981</b>	<b>13,077,244</b>	<b>129,237</b>
Manufacturing Equipment Business:			
Customers	1,052,726	1,908,974	8,628
Inter-segment	-	-	-
<b>Total</b>	<b>1,052,726</b>	<b>1,908,974</b>	<b>8,628</b>
Electronic Components Business:			
Customers	11,189,514	11,995,243	91,717
Inter-segment	-	-	-
<b>Total</b>	<b>11,189,514</b>	<b>11,995,243</b>	<b>91,717</b>
Elimination	(17,471)	-	(143)
<b>Consolidated Net Sales</b>	<b>27,991,750</b>	<b>26,981,462</b>	<b>229,440</b>
<b>Operating Income:</b>			
Semiconductor Design Business	1,118,753	1,269,844	9,170
Manufacturing Equipment Business	(225,232)	(144,428)	(1,846)
Electronic Components Business	(162,474)	73,245	(1,331)
<b>Total</b>	<b>731,046</b>	<b>1,198,661</b>	<b>5,992</b>
Elimination	(801,870)	(1,042,204)	6,572
<b>Consolidated Operating Income</b>	<b>(70,823)</b>	<b>156,456</b>	<b>(580)</b>

Notes:

1. Amounts shown herein have been rounded down to the nearest unit.
2. All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥122 to \$1, the approximate exchange rate prevailing on September 30, 2002.
3. Net sales do not include consumption taxes.

### **Geographic Segment Information**

Since total domestic net sales exceeded 90% of total net sales and total domestic assets exceeded 90% of total assets for all segments, no applicable items exist and INNOTECH has omitted this listing.

### **About INNOTECH**

Founded in 1987, INNOTECH is Japan's premier importer of high-end semiconductor devices and equipment and a skilled support partner to many of Japan's top electronics makers. The Company maintains direct relationships with every major semiconductor manufacturer in Japan. Today's INNOTECH is a high-paced company that prides itself on making swift but informed decisions to keep up with the pace of an ever-changing electronics market. In recent years we have begun to leverage our built-up corporate knowledge and technological expertise to expand in development, and licensing of our own patented technology in Japan.

For more information about INNOTECH, please visit the company's website at:

<http://www.innotech.co.jp/english/index.html>.

### **Cautionary Statement**

Statements made on this news release with respect to INNOTECH Group's (INNOTECH and its subsidiaries and affiliated companies) current plans, estimates, strategies and beliefs and other statements that are not historical fact are forward-looking statements about the future performance of the INNOTECH Group. These statements are based on management's assumptions and beliefs in light of the information currently available to it and therefore undue reliance should not be placed upon them in making investment decisions. The INNOTECH Group cautions that a number of important factors including, but not limited to: changes in general economic conditions, exchange rate fluctuations, conditions in the semiconductor and

electronic components industry, could cause actual results to differ materially from those discussed in the forward-looking statements.

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