

Financial Section

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Tohatsu & Co.

MS Shibaura Building
13-23, Shibaura 4-chome,
Minato-ku, Tokyo 108-8530, Japan

Tel: +81-3-3457-7321
Fax: +81-3-3769-8508
www.tohatsu.co.jp

**Deloitte
Touche
Tohmatsu**

To the Board of Directors and Shareholders of
Japan Radio Co., Ltd.:

We have examined the consolidated balance sheets of Japan Radio Co., Ltd. and consolidated subsidiaries as of 31st March, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Japan Radio Co., Ltd. and consolidated subsidiaries as of 31st March, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

27th June, 2002

CONSOLIDATED BALANCE SHEETS

Japan Radio Co., Ltd. and Consolidated Subsidiaries
31st March, 2002 and 2001

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
CURRENT ASSETS:			
Cash and cash equivalents	¥ 29,840	¥ 28,434	\$ 223,859
Short-term investments	1,180	907	8,852
Marketable securities (Note 4)	87	145	650
Receivables:			
Trade notes	10,380	13,548	77,873
Trade accounts	81,067	91,824	608,155
Unconsolidated subsidiaries and associated companies (Note 16)	847	1,377	6,352
Other	1,925	1,554	14,444
Allowance for doubtful accounts	(811)	(609)	(6,081)
Inventories (Note 5)	69,128	77,390	518,587
Deferred tax assets (Note 9)	2,941	3,358	22,060
Prepaid expenses and other current assets (Note 16)	2,420	2,649	18,149
Total current assets	199,004	220,577	1,492,900
PROPERTY, PLANT AND EQUIPMENT (Note 6):			
Land	6,307	6,224	47,312
Buildings and structures	54,973	54,846	412,402
Machinery and equipment	67,617	65,932	507,251
Furniture and fixtures	44,469	45,406	333,601
Construction in progress	964	524	7,237
Total	174,330	172,932	1,307,803
Accumulated depreciation	(131,385)	(127,338)	(985,636)
Net property, plant and equipment	42,945	45,594	322,167
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	8,069	12,298	60,534
Investments in and advances to unconsolidated subsidiaries and associated companies	4,577	6,428	34,338
Deferred assets		50	
Deferred tax assets (Note 9)	12,620	12,352	94,671
Other assets	8,669	8,450	65,035
Allowance for doubtful accounts	(1,573)	(1,641)	(11,799)
Total investments and other assets	32,362	37,937	242,779
TOTAL	¥274,311	¥304,108	\$2,057,846

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 3) 2002
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 18,221	¥ 15,482	\$ 136,695
Current portion of long-term debt (Note 6)	10,417	12,303	78,146
Commercial paper	11,000	15,000	82,521
Payables:			
Trade notes	4,174	7,923	31,312
Trade accounts	36,086	42,778	270,716
Unconsolidated subsidiaries and associated companies (Note 16)	3,638	4,942	27,290
Other	3,963	6,139	29,730
Income taxes payable (Note 9)	966	3,823	7,249
Accrued expenses (Note 16)	10,044	14,256	75,352
Advances received	2,746	3,742	20,604
Other current liabilities (Note 16)	10,000	5,364	75,010
Total current liabilities	111,255	131,752	834,625
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	38,319	27,977	287,461
Liability for retirement benefits (Note 7)	27,290	32,122	204,726
Deferred tax liabilities (Note 9)	23	9	171
Other long-term liabilities	971	919	7,285
Total long-term liabilities	66,603	61,027	499,643
MINORITY INTEREST	22,412	21,467	168,131
CONTINGENT LIABILITIES (Note 13)			
SHAREHOLDERS' EQUITY (Note 8):			
Common stock—authorised, 216,000,000 shares; issued, 137,976,690 shares in 2002 and 2001	14,704	14,704	110,310
Additional paid-in capital	17,087	17,087	128,184
Retained earnings	42,443	58,480	318,400
Net unrealised gain on available-for-sale securities	64	20	483
Foreign currency translation adjustments	(251)	(428)	(1,885)
Treasury stock—at cost, 13,928 shares in 2002 and 1,232 shares in 2001	(6)	(1)	(45)
Total shareholders' equity	74,041	89,862	555,447
TOTAL	¥274,311	¥304,108	\$2,057,846

CONSOLIDATED STATEMENTS OF OPERATIONS

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Years ended 31st March, 2002 and 2001

	2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 3) 2002
NET SALES (Notes 16 and 17)	¥261,498	¥276,631	\$1,961,722
COST OF SALES (Notes 16 and 17)	210,769	216,930	1,581,162
Gross profit	50,729	59,701	380,560
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	51,931	51,491	389,580
Operating income (loss) (Note 17)	(1,202)	8,210	(9,020)
OTHER INCOME (EXPENSES):			
Interest and dividend income	208	378	1,558
Interest expense	(1,060)	(1,207)	(7,953)
Other—net (Note 15)	(10,989)	(4,878)	(82,433)
Other expenses—net	(11,841)	(5,707)	(88,828)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	(13,043)	2,503	(97,848)
INCOME TAXES (Note 9):			
Current	2,188	5,241	16,417
Deferred	185	(3,822)	1,385
Total income taxes	2,373	1,419	17,802
INCOME (LOSS) BEFORE MINORITY INTEREST	(15,416)	1,084	(115,650)
MINORITY INTEREST	(1,014)	(1,700)	(7,607)
NET LOSS	¥(16,430)	¥ (616)	\$ (123,257)
		Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.o):			
Basic net loss.....	¥(119.08)	¥(4.46)	\$(0.89)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Years ended 31st March, 2002 and 2001

	Thousands				Millions of Yen		
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealised Gain on Available- for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, 1ST APRIL, 2000	137,977	¥14,704	¥17,087	¥58,874			¥(1)
Net loss				(616)			
Cash dividends, ¥3.00 per share				(414)			
Bonuses to directors				(70)			
Increase due to change in ownership percentage of a subsidiary company				706			
Application of revised accounting standard for foreign currency translation						¥(428)	
Newly applied accounting for financial instruments					¥20		
BALANCE, 31ST MARCH, 2001	137,977	14,704	17,087	58,480	20	(428)	(1)
Net loss				(16,430)			
Bonuses to directors				(85)			
Increase due to change in ownership percentage of a subsidiary company				445			
Adjustment for retained earnings due to the merger of an unconsolidated subsidiary to a consolidated subsidiary				33			
Net increase in unrealised gain on available-for-sale securities					44		
Net increase in foreign currency translation adjustments						177	
Increase in treasury stock (12,696 shares)							(5)
BALANCE, 31ST MARCH, 2002	137,977	¥14,704	¥17,087	¥42,443	¥64	¥(251)	¥(6)

	Thousands of U.S. Dollars (Note 3)						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealised Gain on Available- for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	
BALANCE, 31ST MARCH, 2001	\$110,310	\$128,184	\$438,707	\$153	\$(3,210)	\$(8)	
Net loss			(123,257)				
Bonuses to directors			(642)				
Increase due to change in ownership percentage of a subsidiary company			3,343				
Adjustment for retained earnings due to the merger of an unconsolidated subsidiary to a consolidated subsidiary			249				
Net increase in unrealised gain on available-for-sale securities				330			
Net increase in foreign currency translation adjustments					1,325		
Increase in treasury stock (12,696 shares)							(37)
BALANCE, 31ST MARCH, 2002	\$110,310	\$128,184	\$318,400	\$483	\$(1,885)	\$(45)	

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Years ended 31st March, 2002 and 2001

	2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 3) 2002
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interest	¥ (13,043)	¥ 2,503	\$ (97,848)
Adjustments for:			
Income taxes—paid.....	(5,119)	(5,676)	(38,405)
Depreciation and amortisation.....	8,549	9,083	64,134
Provision for doubtful accounts.....	124	837	928
Gain on sales of investment securities.....	(129)	(715)	(968)
Loss on disposal of inventories	3,197	245	23,986
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable.....	14,996	(8,642)	112,498
Decrease (increase) in inventories	4,400	(10,752)	33,010
Decrease in interest and dividend receivable.....	40	65	297
(Decrease) increase in notes and accounts payable.....	(12,044)	3,503	(90,353)
(Decrease) Increase in interest payable	(217)	29	(1,631)
(Decrease) increase in liability for retirement benefits	(5,517)	3,819	(41,385)
Other—net	4,518	4,037	33,902
Total adjustments	12,798	(4,167)	96,013
Net cash used in operating activities	(245)	(1,664)	(1,835)
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment.....	1,577	98	11,828
Purchase of property, plant and equipment.....	(8,365)	(6,984)	(62,754)
Proceeds from sales of marketable securities.....	145	2,102	1,085
Purchase of marketable securities.....	(73)	(1,409)	(549)
Proceeds from sales of investment securities.....	2,504	752	18,786
Purchase of investment securities	(407)	(1,519)	(3,051)
Proceeds from sales of investments in subsidiaries		1,572	
Purchase of investments in subsidiaries		(1,038)	
Other—net	(796)	(308)	(5,974)
Net cash used in investing activities	(5,415)	(6,734)	(40,629)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	2,641	437	19,816
Net change in commercial paper	(4,000)	6,000	(30,008)
Proceeds from long-term debt	20,829	315	156,258
Repayments of long-term debt	(12,419)	(3,821)	(93,168)
Cash dividends	(353)	(798)	(2,651)
Proceeds from minority interest shareholders.....	89	68	669
Other—net	(5)	106	(38)
Net cash provided by financing activities	6,782	2,307	50,878
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	61	124	458
INCREASE DUE TO MERGER OF AN UNCONSOLIDATED SUBSIDIARY TO A CONSOLIDATED SUBSIDIARY			
	121		913
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR			
	102		763
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,122	(6,091)	8,414
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	28,434	34,401	213,311
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 29,840	¥28,434	\$223,859

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Years ended 31st March, 2002 and 2001

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions of the Securities and Exchange Law of Japan and its related accounting regulations and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

Certain reclassifications have been made in the 2001 consolidated financial statements to conform to the classifications used in 2002.

2. Summary of Significant Accounting Policies

a. Consolidation—The consolidated financial statements as of 31st March, 2002 include the accounts of the Company and its 32 significant (26 in 2001) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Parent, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 4 (3 in 2001) associated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortised over a period of 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealised profit included in assets resulting from transactions with the Group is eliminated.

b. Cash and Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

c. Inventories—Finished goods and work in process are stated at cost, determined principally by the specific identification method.

Raw materials are stated at cost determined by the average method.

Inventories of certain consolidated foreign subsidiaries are stated at the lower of cost or market.

d. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealised gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortised cost and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealised gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realisable value by a charge to income.

e. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Significant renewals and additions are capitalised; maintenance and repairs, and minor renewals and improvements, are charged to income as incurred.

Depreciation is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after 1st April, 1998 for the Company and the domestic consolidated companies. The range of useful lives is from 2 to 50 years for buildings and from 2 to 15 years for machinery and equipment.

f. Retirement and Pension Plans—The Company and certain consolidated subsidiaries have contributory defined benefit pension plans and unfunded retirement benefit plans for employees. Other consolidated subsidiaries have unfunded retirement benefit plans.

Effective 1st April, 2000, the Group adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation of ¥9,530 million (\$76,917 thousand), determined as of 1st April, 2000, is amortised over 15 years by the Company and various years by the subsidiaries presented as other expense in the consolidated statements of operations.

The Company and certain subsidiaries have provided an allowance for directors' and corporate auditors' retirement benefits calculated in accordance with each company's policies and have included this amount in the liability for retirement benefits.

g. Allowance for Doubtful Accounts— The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Research and Development Costs— Research and development costs are charged to income as incurred.

i. Leases— All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the notes to the lessee's consolidated financial statements.

j. Income Taxes— Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognised for financial reporting purposes and such amounts recognised for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

k. Appropriations of Retained Earnings— Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

l. Foreign Currency Transactions— All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognised in the statement of operations to the extent that they are not hedged by forward exchange contracts.

m. Foreign Currency Financial Statements— The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

n. Derivatives and Hedging Activities— The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and currency swaps are utilised by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives be recognised as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognised in the statements of operations and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts employed to hedge foreign exchange exposures for import purchases are measured at the fair value and the unrealised gains/losses are recognised in income. Forward contracts applied for committed transactions are also measured at the fair value but the unrealised gains/losses are deferred until the underlying transactions are completed.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations are translated at the contracted rate if the currency swap contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognised and included in interest expense or income.

o. Per Share Information— The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The weighted average number of common shares used in the computation was 137,971,916 shares for 2002 and 137,975,156 shares for 2001.

Fully diluted net income per share is not disclosed because of the Company's loss position.

3. Translation Into United States Dollars

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.30 to \$1, the approximate rate of exchange at 31st March, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

4. Marketable and Investment Securities

Marketable and investment securities as of 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current:			
Marketable equity securities	¥ 73	¥145	\$ 549
Government and corporate bonds	14		101
Total	¥ 87	¥145	\$ 650
Non-current:			
Marketable equity securities	¥7,054	¥9,320	\$52,921
Government and corporate bonds	297	817	2,226
Other	718	2,161	5,387
Total	¥8,069	¥12,298	\$60,534

The carrying amounts and aggregate fair values of investment securities at 31st March, 2002 and 2001 were as follows:

31st March, 2002	Millions of Yen			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥7,055	¥ 803	¥ 762	¥ 7,096
Debt securities	271	36	11	296
31st March, 2001				
Securities classified as available-for-sale:				
Equity securities	¥11,736	¥1,418	¥1,352	¥11,802

31st March, 2002	Thousands of U.S. Dollars			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	\$52,931	\$6,030	\$5,721	\$53,240
Debt securities	2,033	271	78	2,226

Available-for-sale securities whose fair value is not readily determinable as of 31st March, 2002 and 2001 were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
	2002	2001
Available-for-sale:		
Equity securities	¥762	¥641
		\$5,718

Proceeds from sales of available-for-sale securities for the years ended 31st March, 2002 and 2001 were ¥2,094 million (\$15,712 thousand) and ¥945 million, respectively. Gross realised gains and losses on these sales, computed on the moving average cost basis, were ¥129 million (\$968 thousand) and ¥128 million (\$962 thousand), respectively, for the year ended 31st March, 2002 and ¥88 million and ¥3 million, respectively, for the year ended 31st March, 2001.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at 31st March, 2002 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 29	\$ 218
Due after one year through five years	334	2,510
Due after five years through ten years	270	2,030
Total	¥633	\$4,758

5. Inventories

Inventories at 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Finished goods	¥29,847	¥30,544	\$223,907
Work in process	32,259	35,755	242,005
Raw materials and supplies	7,022	11,091	52,675
Total	¥69,128	¥77,390	\$518,587

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans were generally unsecured and represented by loans on deeds, short-term notes and bank overdrafts.

The weighted average annual interest rates for short-term bank loans for the years ended 31st March, 2002 and 2001 were 0.78 percent and 1.07 percent, respectively.

Long-term debt at 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
1.0 percent Swiss franc bonds due 2001 issued with warrants issued by a consolidated subsidiary		¥ 4,982	
Unsecured 2.2 percent domestic bonds due 2002		5,000	
Unsecured 2.0 percent domestic bonds due 2002	¥ 5,000	5,000	\$ 37,509
Unsecured 2.7 percent domestic bonds due 2004	5,000	5,000	37,509
Unsecured 2.475 percent domestic bonds due 2004	8,000	8,000	60,015
1.39 percent domestic bonds due 2005 issued with warrants issued by a consolidated subsidiary	277		2,082
Unsecured 0.7 percent domestic bonds due 2007	7,000		52,513
0.69 percent to 2.46 percent loans from banks due 2002 to 2012:			
Secured	2,230	3,058	16,728
Unsecured	21,229	9,240	159,251
Total	48,736	40,280	365,607
Less current portion	(10,417)	(12,303)	(78,146)
Long-term debt, less current portion	¥38,319	¥27,977	\$287,461

The proceeds of bonds with warrants are allocated between a bond portion resulting in a bond discount and a warrant portion. Bond discounts are amortised over the term of the related bonds. The amounts ascribed to warrants are stated as other current liabilities.

Annual maturities of long-term debt outstanding at 31st March, 2002 were as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2003	¥10,417	\$78,146
2004	11,856	88,942
2005	10,516	78,890
2006	2,539	19,042
2007	12,640	94,826
2008 and thereafter	768	5,762
Total	¥48,736	\$365,608

The carrying amounts of assets pledged as collateral for long-term debt totalling ¥2,230 million (\$3,058 thousand) at 31st March, 2002 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥7,454	\$55,925

The current exercise prices of the warrants issued with the above bonds are as follows:

The warrants issued with 1.39 percent domestic bonds due 2005 exercisable to 2005	¥647 per share
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The above exercise prices are subject to adjustments in certain circumstances, including stock splits.

7. Retirement and Pension Plans

The Company and its certain consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for employees' retirement benefits at 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Projected benefit obligation	¥78,374	¥77,032	\$ 587,951
Fair value of plan assets	(35,889)	(34,362)	(269,239)
Unrecognised prior service cost	2,403	2,578	18,033
Unrecognised actuarial loss	(15,363)	(9,752)	(115,254)
Unrecognised transitional obligation	(5,334)	(5,812)	(40,018)
Prepaid pension expense	2,006	1,382	15,050
Net liability	¥26,197	¥ 31,066	\$ 196,523

The components of net periodic benefit costs for the years ended 31st March, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Service cost	¥4,419	¥ 4,312	\$ 33,154
Interest cost	2,288	2,446	17,168
Expected return on plan assets	(1,111)	(1,717)	(8,336)
Amortisation of prior service cost	(174)	(460)	(1,311)
Recognised actuarial loss	681		5,109
Amortisation of transitional obligation	478	3,717	3,589
Contributions by employees	(350)	(354)	(2,629)
Net periodic benefit costs	¥6,231	¥ 7,944	\$ 46,744

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Commercial Code (the "Code").

The Company recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors. The annual provisions for retirement allowances for directors and corporate auditors for the years ended 31st March, 2002 and 2001 were ¥1,093 million (\$8,203 thousand) and ¥1,066 million, respectively.

Assumptions used for the years ended 31st March, 2002 and 2001 are set forth as follows:

	2002	2001
Discount rate	2.5%–3.0%	3.0%
Expected rate of return on plan assets	3.0%–6.3%	3.3%–6.3%
Amortisation period of prior service cost	15 years	15 years
Recognition period of actuarial gain/loss	10–15 years	10–15 years
Amortisation period of transitional obligation	5–15 years	5–15 years

8. Shareholders' Equity

Japanese companies are subject to the Code to which certain amendments became effective from 1st October, 2001.

Prior to 1st October, 2001, the Code required at least 50 percent of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective 1st October, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to 1st October, 2001, the Code also provided that an amount at least equal to 10 percent of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25 percent of stated capital. Effective 1st October, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25 percent of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25 percent of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥3,365 million (\$25,243 thousand) and ¥3,294 million as of 31st March, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to 1st October, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to 1st October, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective 1st October, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors after 31st March, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At 31st March, 2002, retained earnings recorded on the Company's books were ¥10,575 million (\$79,335 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

At the general shareholders meeting of the Company held on 29th June, 2000, the Company's shareholders approved the following stock option plan. The plan provides for granting options to directors and key employees to purchase up to 150 thousand shares of the Company's common stock in the period from 5th January, 2001 to 20th December, 2004. The options will be exercisable at an exercise price of ¥1,093 per share. The exercise price will be subject to adjustment if there are stock splits or additional shares issued for less than the market price.

At the general shareholders meeting of the Company held on 28th June, 2001, the Company's shareholders approved the following stock option plan. The plan provides for granting options to directors and key employees to purchase up to 150 thousand shares of the Company's common stock in the period from 7th January, 2002 to 20th December, 2005. The options will be exercisable at an exercise price of ¥682 per share. The exercise price will be subject to adjustment if there are stock splits or additional shares issued for less than the market price.

9. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 41.8 percent for the years ended 31st March, 2002 and 2001.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at 31st March, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current deferred tax assets:			
Inventories	¥ 490	¥ 509	\$ 3,686
Provision for bonuses	1,706	1,649	12,795
Business taxes payable	77	328	575
Provision for doubtful accounts	110	117	825
Unrealised gain	212	231	1,591
Warranty for finished products	338	326	2,534
Other	476	312	3,571
Valuation allowance	(371)	(59)	(2,786)
Total	3,038	3,413	22,791
Current deferred tax liabilities:			
Adjustment of provision for doubtful accounts	14	12	105
Other	83	43	626
Total	97	55	731
Net current deferred tax assets			
	¥ 2,941	¥ 3,358	\$ 22,060
Non-current deferred tax assets:			
Provision for doubtful accounts	¥ 377	¥ 357	\$ 2,830
Provision for retirement benefits	6,785	8,105	50,903
Operating loss carried forward	7,036	1,734	52,783
Software	960	498	7,201
Investment securities	1,686		12,645
Unrealised gain	1,838	659	13,790
Deficit of consolidated subsidiaries		308	
Other	1,328	1,498	9,967
Valuation allowance	(6,817)	(178)	(51,146)
Total	13,193	12,981	98,973
Non-current deferred tax liabilities:			
Deferred gain on sales of property	316	334	2,373
Special reserve for tax purposes	136	137	1,018
Net unrealised gain on available-for-sale securities	121	158	911
Total	573	629	4,302
Net non-current deferred tax assets			
	¥12,620	¥12,352	\$ 94,671
Current deferred tax liabilities—other			
	¥ 1		\$ 12
Non-current deferred tax liabilities			
	23	¥ 9	171

A reconciliation between the normal effective statutory tax rates for the years ended 31st March, 2002 and 2001 and the actual effective tax rates reflected in the accompanying consolidated statements of operations is as follows:

	2002	2001
Normal effective statutory tax rate	41.8%	41.8%
Expenses not deductible for income tax purposes	(1.4)	8.7
Dividend income not to be taxed	0.1	(1.0)
Equity in earnings of affiliated companies	(5.3)	10.6
Minimum inhabitants tax	(1.1)	5.7
Tax benefits not recognised of subsidiaries		(8.2)
Change in valuation allowance	(51.4)	
Low income tax rates applicable to income in subsidiaries	1.2	
Other—net	(2.1)	(0.9)
Actual effective tax rate	(18.2)%	56.7%

The Group is subject to corporate (national), inhabitants and enterprise (local) taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.8% in 2002 and 2001. The actual effective tax rates of the Group for the years ended 31st March, 2002 and 2001 differed from the normal Japanese statutory effective tax rates principally as a result of the loss position of certain subsidiaries.

At 31st March, 2002, certain subsidiaries have tax loss carryforwards aggregating approximately ¥352 million (\$2,639 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilised, will expire as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2007 and thereafter	¥352	\$2,639
Total	¥352	\$2,639

10. Research and Development Costs

Research and development costs charged to income were ¥22,653 million (\$169,943 thousand) and ¥22,307 million for the years ended 31st March, 2002 and 2001, respectively.

11. Leases

The Group leases certain machinery, computer equipment, office space and other assets.

Total rental expenses for the years ended 31st March, 2002 and 2001 were ¥1,059 million (\$7,945 thousand) and ¥1,167 million, respectively, including ¥1,043 million (\$7,822 thousand) and ¥1,167 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalised" basis for the years ended 31st March, 2002 and 2001 was as follows:

	Millions of Yen			
	2002			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥506	¥3,609	¥550	¥4,665
Accumulated depreciation	313	2,196	262	2,771
Net leased property	¥193	¥1,413	¥288	¥1,894

	Millions of Yen			
	2001			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥435	¥3,627	¥517	¥4,579
Accumulated depreciation	227	2,105	168	2,500
Net leased property	¥208	¥1,522	¥349	¥2,079

	Thousands of U.S. Dollars			
	2002			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	\$3,797	\$27,071	\$4,127	\$34,995
Accumulated depreciation	2,350	16,474	1,966	20,790
Net leased property	\$1,447	\$10,597	\$2,161	\$14,205

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year	¥ 841	¥ 868	\$ 6,309
Due after one year	1,329	1,302	9,973
Total	¥2,170	¥2,170	\$16,282

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Depreciation expense	¥ 942	¥1,069	\$7,067
Interest expense	58	69	436
Total	¥1,000	¥1,138	\$7,503

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancellable operating leases at 31st March, 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2002	2002
Due within one year	¥39		\$295
Due after one year	56		417
Total	¥95		\$712

12. Derivatives

The Group enters into foreign currency forward contracts and currency swap contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedge assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorisation and credit limit amount.

The Group had no derivatives contracts outstanding at 31st March, 2002 and 2001.

13. Contingent Liabilities

Contingent liabilities at 31st March, 2002 and 2001 for notes discounted in the ordinary course of business and guarantees of bank loans amounted to ¥724 million (\$5,430 thousand) and ¥797 million, respectively.

14. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Salary	¥18,003	¥17,417	\$135,055
Depreciation expense	684	650	5,132
Rent expense	2,751	2,683	20,637
Research and development cost	10,461	10,451	78,478
Provision for retirement benefits	1,982	1,491	14,865
Other	18,050	18,799	135,413
Total	¥51,931	¥51,491	\$389,580

15. Other Income (Expenses) —Net

Other income (expenses)—net for the years ended 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Gain on sales of marketable securities		¥ 55	
Gain on sales of investment securities	¥ 129	715	\$ 968
Loss on valuation of investment securities	(2,128)	(1,097)	(15,966)
Equity in loss of associated companies	(1,657)	(635)	(12,435)
Gain on valuation of money trust		32	
Loss on valuation and disposal of inventories	(4,165)	(945)	(31,242)
Foreign exchange gain	1,091	1,362	8,187
Reversal of allowance for doubtful accounts	58	55	436
Reversal of liability for retirement benefits	1	611	7
Provision for retirement benefits	(89)	(3,819)	(664)
Gain on sales of fixed assets	1,336		10,026
Gain on reversal of subscription right	109		821
Special retirement expenses	(4,688)	(27)	(35,172)
Other loss—net	(986)	(1,185)	(7,399)
Total	¥(10,989)	¥(4,878)	\$(82,433)

16. Related Party Transactions

Transactions of the Group with unconsolidated subsidiaries and associated companies for the years ended 31st March, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Sales	¥ 1,638	¥ 2,039	\$12,287
Purchases	12,336	13,286	92,540

Balances due to or from these unconsolidated subsidiaries and associated companies at 31st March, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Notes and accounts receivables	¥748	¥1,137	\$ 5,615
Other receivables	99	240	737
Prepaid expenses and other current assets	312	91	2,346
Notes and accounts payables	3,638	4,938	27,290
Other payables		4	
Accrued expenses and other current liabilities	109	184	816

17. Consolidated Segment Information

Information about operations in different industry segments, foreign operations and sales to foreign customers for the years ended 31st March, 2002 and 2001 is as follows:

(1) Industry Segment

Sales and Operating Income

	Millions of Yen					
	2002					
	Telecommunications Equipment	Electron Tubes and Semiconductor Devices	Medical Electronics Equipment	Total	Eliminations or Corporate	Consolidated
Sales to customers	¥166,433	¥48,866	¥46,199	¥261,498		¥261,498
Intersegment sales	1,176	571	1	1,748	¥(1,748)	
Total sales	167,609	49,437	46,200	263,246	(1,748)	261,498
Operating expenses	172,932	48,214	43,365	264,511	(1,811)	262,700
Operating income (loss)	¥ (5,323)	¥ 1,223	¥ 2,835	¥ (1,265)	¥ 63	¥ (1,202)

Total Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2002					
	Telecommunications Equipment	Electron Tubes and Semiconductor Devices	Medical Electronics Equipment	Total	Eliminations or Corporate	Consolidated
Total assets	¥169,764	¥54,171	¥51,054	¥274,989	¥(678)	¥274,311
Depreciation	2,952	4,698	550	8,200		8,200
Capital expenditures	4,240	3,613	554	8,407		8,407

Sales and Operating Income

	Thousands of U.S. Dollars					
	2002					
	Telecommunications Equipment	Electron Tubes and Semiconductor Devices	Medical Electronics Equipment	Total	Eliminations or Corporate	Consolidated
Sales to customers	\$1,248,557	\$366,583	\$346,582	\$1,961,722		\$1,961,722
Intersegment sales	8,823	4,288	5	13,116	\$(13,116)	
Total sales	1,257,380	370,871	346,587	1,974,838	(13,116)	1,961,722
Operating expenses	1,297,314	361,700	325,316	1,984,330	(13,588)	1,970,742
Operating income (loss)	\$ (39,934)	\$ 9,171	\$ 21,271	\$ (9,492)	\$ 472	\$ (9,020)

Total Assets, Depreciation and Capital Expenditures

Thousands of U.S. Dollars						
2002						
	Telecommunications Equipment	Electron Tubes and Semiconductor Devices	Medical Electronics Equipment	Total	Eliminations or Corporate	Consolidated
Total assets	\$1,273,551	\$406,386	\$382,998	\$2,062,935	\$(5,089)	\$2,057,846
Depreciation	22,142	35,244	4,126	61,512		61,512
Capital expenditures	31,812	27,103	4,155	63,070		63,070

Sales and Operating Income

Millions of Yen						
2001						
	Telecommunications Equipment	Electron Tubes and Semiconductor Devices	Medical Electronics Equipment	Total	Eliminations or Corporate	Consolidated
Sales to customers	¥168,687	¥64,224	¥43,720	¥276,631		¥276,631
Intersegment sales	1,739	618		2,357	¥(2,357)	
Total sales	170,426	64,842	43,720	278,988	(2,357)	276,631
Operating expenses	172,953	57,688	40,474	271,115	(2,694)	268,421
Operating income (loss)	¥ (2,527)	¥ 7,154	¥ 3,246	¥ 7,873	¥ 337	¥ 8,210

Total Assets, Depreciation and Capital Expenditures

Millions of Yen						
2001						
	Telecommunications Equipment	Electron Tubes and Semiconductor Devices	Medical Electronics Equipment	Total	Eliminations or Corporate	Consolidated
Total assets	¥186,652	¥63,611	¥55,004	¥305,267	¥(1,159)	¥304,108
Depreciation	3,146	5,042	615	8,803		8,803
Capital expenditures	4,144	7,063	823	12,030		12,030

(2) Geographical Segment

The Company and its consolidated subsidiaries operate predominantly in Japan. Geographical segment is minor in relation to the total consolidated sales. Accordingly, the presentation of geographical segment information is not required under the related regulations.

(3) Sales to Foreign Customers

					Millions of Yen
	Asia	Europe	North America	Others	2002 Total
Sales to foreign customers	¥29,902	¥18,902	¥9,644	¥10,111	¥ 68,559
Consolidated sales					261,498
The ratio of sales to foreign customers	11.4%	7.2%	3.7%	3.9%	26.2%

					Thousands of U.S. Dollars
	Asia	Europe	North America	Others	2002 Total
Sales to foreign customers	\$224,318	\$141,804	\$72,346	\$75,853	\$ 514,321
Consolidated sales					1,961,722
The ratio of sales to foreign customers	11.4%	7.2%	3.7%	3.9%	26.2%

					Millions of Yen
	Asia	Europe	North America	Others	2001 Total
Sales to foreign customers	¥32,133	¥13,103	¥10,948	¥12,077	¥ 68,261
Consolidated sales					276,631
The ratio of sales to foreign customers	11.6%	4.7%	4.0%	4.4%	24.7%

Notes:

- Asia area consists of China, Korea, Taiwan, Philippines.
- Europe area consists of the United Kingdom, Germany, France.
- North America area consists of the United States of America.
- Other area consists of Middle East, Latin America.

Tohatsu & Co.

MS Shibaura Building
13-23, Shibaura 4-chome,
Minato-ku, Tokyo 108-8530, Japan

Tel: +81-3-3457-7321
Fax: +81-3-3769-8508
www.tohatsu.co.jp

**Deloitte
Touche
Tohmatsu**

To the Board of Directors and Shareholders of
Japan Radio Co., Ltd.:

We have examined the non-consolidated balance sheets of Japan Radio Co., Ltd. as of 31st March, 2002 and 2001, and the related non-consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the financial position of Japan Radio Co., Ltd. as of 31st March, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 3. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



27th June, 2002

NON-CONSOLIDATED BALANCE SHEETS

Japan Radio Co., Ltd.
31st March, 2002 and 2001

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2002	2001	2002
CURRENT ASSETS:			
Cash and cash equivalents	¥ 19,700	¥ 16,599	\$ 147,785
Marketable securities (Note 4)	66	2	494
Receivables:			
Trade notes	4,110	5,295	30,834
Trade accounts	49,934	61,055	374,602
Subsidiaries and associated companies (Note 15)	1,395	3,459	10,468
Other	679	1,024	5,090
Allowance for doubtful accounts	(297)	(155)	(2,229)
Inventories (Note 5)	35,467	42,665	266,071
Deferred tax assets (Note 9)	928	1,104	6,960
Prepaid expenses and other current assets (Note 15)	1,540	2,140	11,554
Total current assets	113,522	133,188	851,629
PROPERTY, PLANT AND EQUIPMENT:			
Land	1,878	1,997	14,089
Buildings and structures	23,938	24,458	179,577
Machinery and equipment	13,716	13,584	102,892
Furniture and fixtures	29,016	30,337	217,673
Construction in progress	3	3	24
Total	68,551	70,379	514,255
Accumulated depreciation	(52,959)	(52,861)	(397,290)
Net property, plant and equipment	15,592	17,518	116,965
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	6,424	8,214	48,191
Investments in and advances to subsidiaries and associated companies (Note 4)	5,770	5,912	43,287
Deferred tax assets (Note 9)	7,251	8,369	54,396
Other assets	4,429	4,716	33,225
Allowance for doubtful accounts	(645)	(1,433)	(4,835)
Total investments and other assets	23,229	25,778	174,264
TOTAL	¥152,343	¥176,484	\$1,142,858

See notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 3) 2002
CURRENT LIABILITIES:			
Short-term bank loans (Note 6).....	¥ 4,550	¥ 4,900	\$ 34,134
Current portion of long-term debt (Note 6).....	5,720	5,000	42,911
Commercial paper.....	11,000	15,000	82,521
Payables:			
Trade notes.....	1,845	2,665	13,842
Trade accounts.....	22,023	29,037	165,214
Subsidiaries and associated companies (Note 15).....	4,921	6,156	36,919
Other.....	533	1,174	3,994
Income taxes payable (Note 9).....	65	34	486
Accrued expenses (Note 15).....	6,701	9,279	50,271
Other current liabilities (Note 15).....	4,915	5,425	36,870
Total current liabilities	62,273	78,670	467,162
LONG-TERM LIABILITIES:			
Long-term debt (Note 6).....	28,280	18,000	212,153
Liability for retirement benefits (Note 7).....	17,066	21,026	128,029
Total long-term liabilities	45,346	39,026	340,182
CONTINGENT LIABILITIES (Note 12)			
SHAREHOLDERS' EQUITY (Note 8):			
Common stock—authorised, 216,000,000 shares; issued, 137,976,690 shares in 2002 and 2001.....	14,704	14,704	110,310
Additional paid-in capital.....	17,087	17,087	128,184
Legal reserve.....	2,278	2,278	17,093
Retained earnings.....	10,582	24,705	79,380
Net unrealised gain on available-for-sale securities.....	79	14	592
Treasury stock—at cost, 13,928 shares in 2002.....	(6)		(45)
Total shareholders' equity	44,724	58,788	335,514
TOTAL	¥152,343	¥176,484	\$1,142,858

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

Japan Radio Co., Ltd.

Years ended 31st March, 2002 and 2001

	2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 3) 2002
NET SALES (Note 15)	¥145,409	¥159,534	\$1,090,843
COST OF SALES (Note 15)	126,886	136,792	951,887
Gross profit	18,523	22,742	138,956
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	24,421	25,836	183,200
Operating loss	(5,898)	(3,094)	(44,244)
OTHER INCOME (EXPENSES):			
Interest and dividend income	713	852	5,353
Interest expense	(650)	(671)	(4,879)
Other—net (Note 14).....	(6,669)	(438)	(50,032)
Other expenses—net.....	(6,606)	(257)	(49,558)
LOSS BEFORE INCOME TAXES	(12,504)	(3,351)	(93,802)
INCOME TAXES (Note 9):			
Current	373	77	2,800
Deferred	1,246	(1,553)	9,350
Total income taxes.....	1,619	(1,476)	12,150
NET LOSS	¥ (14,123)	¥ (1,875)	\$ (105,952)
		Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.o):			
Basic net loss.....	¥(102.36)	¥(13.58)	\$(0.77)

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Japan Radio Co., Ltd.

Years ended 31st March, 2002 and 2001

	Thousands		Millions of Yen				
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Net Unrealised Gain on Available- for-sale Securities	Treasury Stock
BALANCE, 1ST APRIL, 2000	137,977	¥14,704	¥17,087	¥2,237	¥27,035		
Net loss					(1,875)		
Cash dividends, ¥3.00 per share					(414)		
Transfer to legal reserve				41	(41)		
Newly applied accounting for financial instruments						¥14	
BALANCE, 31ST MARCH, 2001	137,977	14,704	17,087	2,278	24,705	14	
Net loss					(14,123)		
Net increase in unrealised gain on available-for-sale securities						65	
Application of revised accounting standard for treasury stock at cost							¥(6)
BALANCE, 31ST MARCH, 2002	137,977	¥14,704	¥17,087	¥2,278	¥10,582	¥79	¥(6)

	Thousands of U.S. Dollars (Note 3)					
	Common Stock	Additional Paid-in Capital	Legal Reserve	Retained Earnings	Net Unrealised Gain on Available- for-sale Securities	Treasury Stock
BALANCE, 31ST MARCH, 2001	\$110,310	\$128,184	\$17,093	\$185,332	\$99	
Net loss				(105,952)		
Net increase in unrealised gain on available-for-sale securities					493	
Application of revised accounting standard for treasury stock at cost						\$(45)
BALANCE, 31ST MARCH, 2002	\$110,310	\$128,184	\$17,093	\$79,380	\$592	\$(45)

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Radio Co., Ltd.

Years ended 31st March, 2002 and 2001

	2002	Millions of Yen 2001	Thousands of U.S. Dollars (Note 3) 2002
OPERATING ACTIVITIES:			
Loss before income taxes	¥(12,504)	¥(3,351)	\$(93,802)
Adjustments for:			
Income taxes—paid	(342)	(1,650)	(2,565)
Depreciation and amortisation	2,754	2,952	20,657
Reversal of allowance for doubtful accounts	(789)		(5,919)
Provision for doubtful receivables	306	1,093	2,293
Loss on sales and disposal of property, plant and equipment	434	425	3,258
Gain on sales of property, plant and equipment	(2,671)	(1)	(20,037)
Loss on sales of marketable securities	63	275	474
Gain on sales of investment securities—net		(34)	
Gain on sales of investments in and advance to subsidiaries and associated companies	(1,498)	(1,382)	(11,241)
Loss on valuation and disposal of inventories	4,088	311	30,670
Loss on valuation of investment securities	1,793	840	13,449
Loss on valuation of investments in and advances to subsidiaries and associated companies	739	107	5,542
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	14,352	(2,980)	107,664
Decrease (increase) in inventories	3,110	(8,830)	23,330
(Decrease) increase in notes and accounts payable	(9,070)	2,651	(68,038)
(Decrease) increase in other payable	(1,391)	807	(10,433)
(Decrease) increase in accrued expenses	(2,561)	3,418	(19,216)
(Decrease) increase in liability for retirement benefits	(3,336)	358	(25,024)
Other—net	(5)	(116)	(33)
Total adjustments	5,976	(1,756)	44,831
Net cash used in operating activities	(6,528)	(5,107)	(48,971)
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	2,884	43	21,635
Purchase of property, plant and equipment	(416)	(3,300)	(3,123)
Purchase of marketable securities	(66)		(494)
Proceeds from sales of investment securities	400		3,001
Purchase of investment securities	(289)	(331)	(2,168)
Purchase of investments in and advance to subsidiaries and associated companies	(1,093)	(1,093)	(8,198)
Proceeds from sales of investments in subsidiaries	1,995	1,572	14,964
Other—net	(431)	(1,666)	(3,231)
Net cash provided by (used in) investing activities	2,984	(4,775)	22,386
FINANCING ACTIVITIES:			
Net change in short-term bank loans	(350)		(2,626)
Net change in commercial paper	(4,000)	6,000	(30,008)
Proceeds from long-term debt	16,000		120,030
Repayments of long-term debt	(5,000)		(37,509)
Cash dividends		(414)	
Other—net	(5)		(38)
Net cash provided by financing activities	6,645	5,586	49,849
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,101	(4,296)	23,264
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,599	20,895	124,521
CASH AND CASH EQUIVALENTS, END OF YEAR	¥19,700	¥16,599	\$147,785

See notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Japan Radio Co., Ltd.

Years ended 31st March, 2002 and 2001

1. Basis of Presenting Non-consolidated Financial Statements

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Japan Radio Co., Ltd. (the "Company") in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The non-consolidated statements of cash flows are not required as part of the basic financial statements in Japan but are presented herein for the convenience of readers outside Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

Certain reclassifications have been made in the 2001 non-consolidated financial statements to conform to the classifications used in 2002.

2. Summary of Significant Accounting Policies

a. Non-Consolidation— The non-consolidated financial statements include only the accounts of the Company. The accounts of its subsidiaries have not been consolidated.

Investments in subsidiaries and affiliated companies (20 percent to 50 percent owned) are stated at cost and the equity method is not applied.

b. Cash and Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

c. Inventories—Finished goods and work in process are stated at cost determined principally by the specific identification method.

Raw materials are stated at cost determined by the average method.

d. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealised gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortised cost, (3) investment securities in subsidiaries and associated companies, are reported at cost, and (4) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealised gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realisable value by a charge to income.

e. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Significant renewals and additions are capitalised; maintenance and repairs, and minor renewals and improvements, are charged to income as incurred.

Depreciation is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after 1st April, 1998. The range of useful lives is from 10 to 50 years for buildings, from 7 to 10 years for machinery and equipment and from 2 to 15 years for furniture and fixtures.

f. Investments in Subsidiaries and Associated Companies—Investments in subsidiaries and associated companies are stated at cost, except that appropriate write-downs are recorded for investments in companies which have incurred substantial losses deemed to be of a permanent nature.

g. Retirement and Pension Plans—The Company has contributory defined benefit pension plans and unfunded retirement benefit plan for employees.

Effective 1st April, 2000, the Company adopted a new accounting standard for the employees' retirement benefits and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

The transitional obligation of ¥5,848 million (\$47,199 thousand), determined as of 1st April, 2000, is amortised over 15 years and presented as other expense in the non-consolidated statements of operations.

The Company has provided an allowance for directors' and corporate auditors' retirement benefits calculated in accordance with the Company's policies and has included this amount in the liability for retirement benefits.

h. Allowance for Doubtful Accounts— The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. Research and Development Costs— Research and development costs are charged to income as incurred.

j. Leases— All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the notes to the lessee's non-consolidated financial statements.

k. Income Taxes— Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognised for financial reporting purposes and such amounts recognised for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l. Appropriations of Retained Earnings— Appropriations of retained earnings are accounted for and reflected in the accompanying non-consolidated financial statements when approved by the shareholders.

m. Foreign Currency Transactions— All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognised in the statement of operations to the extent that they are not hedged by forward exchange contracts.

n. Treasury Stock— Prior to 1st April, 2001, treasury stock was included in "Prepaid expenses and other" as an asset.

Effective 1st April, 2001, such stock is presented as a separate component of shareholders' equity in accordance with the new disclosure requirement for treasury stock.

o. Per Share Information— The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits. The weighted average number of common shares used in the computation was 137,971,916 shares for 2002 and 137,975,156 shares for 2001.

Fully diluted net income per share is not disclosed because of the Company's loss position.

3. Translation Into United States Dollars

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.30 to \$1, the approximate rate of exchange at 31st March, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

4. Marketable and Investment Securities

Marketable and investment securities as of 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current—			
Marketable equity securities	¥ 66	¥ 2	\$ 494
Total	¥ 66	¥ 2	\$ 494
Non-current:			
Marketable equity securities	¥5,697	¥7,520	\$42,741
Government and corporate bonds	254	614	1,903
Trust fund investments and other	473	80	3,547
Total	¥6,424	¥8,214	\$48,191

The carrying amounts and aggregate fair values of investment securities in subsidiaries and associated companies whose market values are available at 31st March, 2002 and 2001 are as follows:

	Millions of Yen		
	2002		
	Carrying Amount	Market Value	Unrealised Gain
Subsidiaries	¥3,423	¥22,743	¥19,320
Associated companies	766	2,139	1,373
Total	¥4,189	¥24,882	¥20,693

	Millions of Yen		
	2001		
	Carrying Amount	Market Value	Unrealised Gain
Subsidiaries	¥3,695	¥31,242	¥27,547
Associated companies	766	4,193	3,427
Total	¥4,461	¥35,435	¥30,974

	Thousands of U.S. Dollars		
	2002		
	Carrying Amount	Market Value	Unrealised Gain
Subsidiaries	\$25,681	\$170,618	\$144,937
Associated companies	5,743	16,043	10,300
Total	\$31,424	\$186,661	\$155,237

5. Inventories

Inventories at 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Finished goods	¥12,471	¥14,989	\$93,553
Work in process	18,113	21,931	135,885
Raw materials and supplies	4,883	5,745	36,633
Total	¥35,467	¥42,665	\$266,071

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans are represented by loans on deeds and bank overdrafts.

The weighted average annual interest rates for short-term bank loans for the years ended 31st March, 2002 and 2001 were 0.5 percent, respectively.

Long-term debt at 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Unsecured 2.2 percent domestic bonds due 2002		¥ 5,000	
Unsecured 2.0 percent domestic bonds due 2002	¥5,000	5,000	\$ 37,509
Unsecured 2.7 percent domestic bonds due 2004	5,000	5,000	37,509
Unsecured 2.475 percent domestic bonds due 2004	8,000	8,000	60,015
Unsecured 0.7 percent domestic bonds due 2006	7,000		52,513
Loans from banks, due serially to 2007 with interest rates ranging from 1.42 percent to 2.13 percent—Unrealised	9,000		67,518
Total	34,000	23,000	255,064
Less current portion	(5,720)	(5,000)	(42,911)
Long-term debt, less current portion	¥28,280	¥18,000	\$212,153

Annual maturities of long-term debt outstanding at 31st March, 2002 were as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 5,720	\$ 42,911
2004	6,070	45,536
2005	9,070	68,042
2006	1,070	8,027
2007	12,070	90,548
Total	¥34,000	\$255,064

7. Retirement Allowances for Directors and Corporate Auditors

Retirement allowances for directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Code.

The Company recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors. The annual provisions for retirement allowances for directors and corporate auditors for the years ended 31st March, 2002 and 2001 were ¥405 million (\$3,042 thousand) and ¥358 million, respectively.

8. Shareholders' Equity

The Company is subject to the Code to which certain amendments became effective from 1st October, 2001.

Prior to 1st October, 2001, the Code required at least 50 percent of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective 1st October, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to 1st October, 2001, the Code also provided that an amount at least equal to 10 percent of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25 percent of stated capital. Effective 1st October, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25 percent of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25 percent of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to 1st October, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to 1st October, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective 1st October, 2001, the Code eliminated these restrictions allowing the Company to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors after 31st March, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The Code permits the Company to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits the Company to transfer a portion of

unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

At the general shareholders meeting of the Company held on 29th June, 2000, the Company's shareholders approved the following stock option plan. The plan provides for granting options to directors and key employees to purchase up to 150 thousand shares of the Company's common stock in the period from 5th January, 2001 to 20th December, 2004. The options will be exercisable at an exercise price of ¥1,093 per share. The exercise price will be subject to adjustment if there are stock splits or additional shares issued for less than the market price.

At the general shareholders meeting of the Company held on 28th June, 2001, the Company's shareholders approved the following stock option plan. The plan provides for granting options to directors and key employees to purchase up to 150 thousand shares of the Company's common stock in the period from 7th January, 2002 to 20th December, 2005. The options will be exercisable at an exercise price of ¥682 per share. The exercise price will be subject to adjustment if there are stock splits or additional shares issued for less than the market price.

9. Income Taxes

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 41.8 percent for the years ended 31st March, 2002 and 2001.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at 31st March, 2002 and 2001 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current deferred tax assets:			
Inventories	¥ 792	¥ 277	\$ 5,942
Provision for bonuses	326	771	2,443
Provision for doubtful accounts		44	
Other	132	12	994
Valuation allowance	(322)		(2,419)
Total	¥ 928	¥1,104	\$ 6,960

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Non-current deferred tax assets:			
Provision for retirement benefits	¥4,267	¥5,332	\$32,010
Tax loss carryforwards	6,565	1,528	49,248
Software	960	498	7,201
Provision for doubtful accounts	188	431	1,409
Investment securities	1,473		11,052
Other	757	947	5,681
Valuation allowance	(6,565)		(49,248)
Total	7,645	8,736	57,353
Non-current deferred tax liabilities:			
Deferred gain on sales of property	316	333	2,374
Special reserve for tax purposes	21	25	158
Other	57	9	425
Total	394	367	2,957
Net non-current deferred tax assets	¥7,251	¥8,369	\$54,396

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying non-consolidated statements of operations for the years ended 31st March, 2002 and 2001 is as follows:

	2002	2001
Normal effective statutory tax rate	41.8%	41.8%
Expenses not deductible for income tax purposes	(0.7)	(3.4)
Dividend income not to be taxed	2.1	8.9
Minimum inhabitants tax	(0.5)	(2.1)
Change in valuation allowance	(52.5)	
Other— net	(3.2)	(1.1)
Actual effective tax rate	(13.0)%	44.1%

10. Research and Development Costs

Research and development costs charged to income were ¥12,153 million (\$91,170 thousand) and ¥11,860 million for the years ended 31st March, 2002 and 2001, respectively.

11. Leases

The Company leases certain machinery, computer equipment, office space and other assets.

Total rental expenses for the years ended 31st March, 2002 and 2001 were ¥449 million (\$3,368 thousand) and ¥495 million, respectively, including ¥433 million (\$3,245 thousand) and ¥495 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalised" basis for the years ended 31st March, 2002 and 2001, was as follows:

Millions of Yen			
2002			
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥498	¥1,122	¥1,620
Accumulated depreciation	306	706	1,012
Net leased property	¥192	¥ 416	¥ 608

Millions of Yen			
2001			
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥424	¥1,431	¥1,855
Accumulated depreciation	219	800	1,019
Net leased property	¥205	¥ 631	¥ 836

Thousands of U.S. Dollars			
2002			
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	\$3,737	\$8,413	\$12,150
Accumulated depreciation	2,294	5,296	7,590
Net leased property	\$1,443	\$3,117	\$4,560

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Due within one year	¥349	¥374	\$2,617
Due after one year	520	533	3,900
Total	¥869	¥907	\$6,517

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Depreciation expense	¥367	¥437	\$2,755
Interest expense	28	35	211
Total	¥395	¥472	\$2,966

Depreciation expense and interest expense, which are not reflected in the accompanying non-consolidated statements of operations, are computed by the straight-line method and the interest, respectively.

The minimum rental commitments under noncancellable operating leases at 31st March, 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2002	2002
Due within one year	¥39		\$295
Due after one year	56		417
Total	¥95		\$712

12. Contingent Liabilities

Contingent liabilities at 31st March, 2002 and 2001 for guarantees of bank loans amounted to ¥2,666 million (\$19,999 thousand) and ¥926 million, respectively.

13. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Salary	¥ 7,279	¥ 8,112	\$ 54,610
Depreciation expense	305	305	2,288
Rent expense	1,189	1,242	8,921
Research and development cost	6,671	7,241	50,042
Provision for retirement benefits	1,283	1,070	9,626
Other	7,694	7,866	57,713
Total	¥24,421	¥25,836	\$183,200

14. Other Income (Expenses)—Net

Other income (expenses)—net for the years ended 31st March, 2002 and 2001 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
2002	2001	2002
Gain on sales of investment securities	¥ 34	
Loss on valuation of investment securities	¥(1,793)	\$(13,449)
Gain on sales of investments in and advances to subsidiaries and affiliated companies	1,498	11,241
Loss on valuation of investments in and advances to subsidiaries and associated companies	¥(739)	\$(5,542)
Loss on valuation and disposal of inventories	¥(4,088)	\$(30,670)
Foreign exchange gain	421	3,159
Reversal of allowance for doubtful accounts	789	5,919
Provision for doubtful accounts	(838)	
Gain on sales of fixed assets	2,671	20,037
Loss on disposal of fixed assets	¥(276)	\$(2,070)
Loss on sales of fixed assets	¥(212)	\$(1,594)
Loss on valuation of golf club membership	¥(24)	\$(181)
Special retirement expenses	¥(4,688)	\$(35,172)
Other loss—net	¥(228)	\$(1,710)
Total	¥(6,669)	\$(50,032)

15. Related Party Transactions

Transactions of the Company with subsidiaries and associated companies for the years ended 31st March, 2002 and 2001 were summarised as follows:

	Millions of Yen	Thousands of U.S. Dollars
2002	2001	2002
Sales	¥ 3,654	\$ 27,410
Purchases	21,234	159,294

Balances due to or from these subsidiaries and associated companies at 31st March, 2002 and 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
2002	2001	2002
Notes and accounts receivables	¥1,171	\$ 8,789
Other receivables	224	1,679
Prepaid expenses and other current assets	347	2,597
Notes and accounts payables	4,898	36,743
Other payables	23	176
Accrued expenses and other current liabilities	283	2,126