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 due2006	**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**
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)**	(840)	**$(13,449)**
Gain on sales of investments in and advances to subsidiaries and affiliated companies	**1,498**	1,382	**11,241**
Loss on valuation of investments in and advances to subsidiaries and associated companies	**(739)**	(107)	**(5,542)**
Loss on valuation and disposal of inventories	**(4,088)**	(311)	**(30,670)**
Foreign exchange gain	**421**	627	**3,159**
Reversal of allowance for doubtful accounts	**789**		**5,919**
Provision for doubtful accounts		(838)	
Gain on sales of fixed assets	**2,671**		**20,037**
Loss on disposal of fixed assets	**(276)**	(421)	**(2,070)**
Loss on sales of fixed assets	**(212)**	(4)	**(1,594)**
Loss on valuation of golf club membership	**(24)**	(47)	**(181)**
Special retirement expenses	**(4,688)**		**(35,172)**
Other loss—net	**(228)**	87	**(1,710)**
Total	**¥(6,669)**	¥(438)	**$(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**	¥ 3,571	**$ 27,410**
Purchases	**21,234**	20,365	**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**	¥3,020	**$ 8,789**
Other receivables	**224**	439	**1,679**
Prepaid expenses and other current assets	**347**	183	**2,597**
Notes and accounts payables	**4,898**	6,129	**36,743**
Other payables	**23**	27	**176**
Accrued expenses and other current liabilities	**283**	186	**2,126**