Financial Section

Contents

Scope of Consolidation

These consolidated financial statements present performance results for Japan Radio Co., Ltd., its 37 consolidated subsidiaries (21 domestic and 16 overseas) and four affiliated companies. Three of the domestic affiliates are accounted for by the equity method.

Net Sales

Consolidated net sales for fiscal 2002 (ended March 31, 2003) totaled ¥259,381 million (US$2,158 million), a decline of 0.8% from the previous fiscal year's total of ¥261,498 million. The Japanese economy during fiscal 2002 continued to present a difficult operating environment, with apprehension regarding the direction of the U.S. and global economies, further dampening demand. In the electronics industry, although there were signs of bright prospects for semiconductors and electronic components, deteriorating profits resulting from the IT slump and international price competition plagued many companies. Fundamental restructuring measures such as widespread personnel reductions, and the integration or closure of business units were implemented, with increasingly fierce competition arising as companies struggled to survive. In the medical equipment field as well, the operating environment worsened as significant negative effects arose as a result of reform to the insurance system to lower medical service fees, and demand for capital investment stagnated as institutions postponed equipment upgrades.

Operating Expenses and Operating Income

Consolidated gross profit increased 7.4%, to ¥54,472 million (US$453 million) from ¥50,729 million the previous fiscal year. The gross profit margin improved 1.6 percentage points to 21.0%. The ratio of selling, general and administrative (SG&A) expenses to net sales improved 1.3 percentage points to 18.6%. Consolidated operating income amounted to ¥6,351 million (US$53 million), representing an improvement of ¥7,553 million compared with the operating loss in the previous period. This turnaround followed reductions in variable costs in the Radio Communications Equipment segment, including fixed expenses such as personnel and administrative costs, materials purchasing expenses, and costs arising from outside manufacture, which led to a narrower operating loss. At the same time, operating income grew in the Semiconductor Devices and Microwave Tubes segment due to a recovery of demand and healthy sales of new products, as well as in the Medical Electronics Equipment segment from the launch of new products and expansion of the Group's overseas sales network.

Segment Information

In the Radio Communications Equipment segment, although sales of marine electronics rose as a result of strong demand for shipbuilding, mainly overseas, and from new products that were introduced for ship automatic identification systems (AIS), sales of system electronics declined due to cost reductions by national and local governments, greater competition for this business, and from a "between season" effect accompanying the switchover from analog to digital. The communications equipment business suffered from the slow start of full-scale, global demand for amplifiers used in third-generation mobile phone base stations. As a result, sales in this segment, excluding intersegment sales, declined 5.1%, to ¥157,929 million (US$1,314 million) from ¥166,433 million in the previous fiscal year. The latest-year figure represented 60.9% of consolidated net sales. The Radio Communications Equipment segment posted an operating loss for the fiscal year of ¥1,424 million (US$11.8 million), an improvement of ¥3,899 million from the previous period as a result of the previously mentioned cost reductions.

In the Semiconductor Devices and Microwave Tubes segment, sales of microwave tubes and peripheral devices picked up as national and local governments (the principal source of demand for these products) completed their inventory adjustments. Sales of semiconductors were strong due to greater sales of new products and a recovery in demand stemming from further inventory adjustments of audio-visual equipment, the principal field in which bipolar products are used. Sales of MOS products were strong as major television manufacturers adopted NJR sound ICs for use in their goods, and new orders were won for LCD drivers from manufacturers of mobile telephones and related equipment. Sales of both semiconductor device products and microwave device products increased markedly on the strength of new product launches and greater sales to new customers. As a result, sales in this segment, excluding intersegment sales, increased 11.0%, to ¥54,247 million (US$451 million) from ¥48,866 million in the previous fiscal year. For fiscal 2002, this segment represented 20.9% of consolidated net sales. Operating income in the Semiconductor Devices and Microwave Tubes segment more than tripled to ¥3,774 million (US$31 million), with an operating margin of 6.9%.

In the Medical Electronics Equipment segment, the Company added to its lineup of mainstay diagnostic ultrasound systems with the launch of Japan's first low-cost, color diagnostic ultrasound equipment, a system that has been particularly well received by medical practitioners, and others in the healthcare field. Demand for bone mineral analysis and bone evaluation systems also increased. In radiation measuring instruments, an increase in the number of hospitals installing cyclotrons, and the construction of nuclear fuel reprocessing facilities led to an increase in sales of facility monitors and survey meters. Sales in overseas markets also increased significantly as positive effects began to be seen from the

Company's policy of building a direct sales structure in Europe, Korea, China and other areas (which it has pursued intermittently for some time). As a result, net sales in this segment increased 2.2%, to ¥47,205 million (US$393 million) from ¥46,199 million in the previous fiscal year. This segment accounted for 18.1% of consolidated net sales in the fiscal year under review. Operating income in the Medical Electronics Equipment segment surged 40.1% to ¥3,972 million (US$33 million), with an operating margin of 8.4%.

Net Income (Loss)

During the fiscal year under review, although the Company recorded an extraordinary gain in conjunction with the return of pension assets previously managed on behalf of the government, as a result of a loss on revaluation of investment securities due to the fall in stock prices, a reversal of deferred tax assets and other factors, the Company posted a net loss for the fiscal year of ¥10,534 million (US$88 million). However, this was an improvement of ¥5,896 million compared to the net loss of ¥16,430 million in the previous fiscal year. Net loss per share for the term under review was ¥76.85.

Cash Flow and Financial Position

Net cash provided by operating activities during the fiscal year under review totaled ¥15,095 million (US$126 million), compared to cash used in operating activities in the previous fiscal year of ¥245 million. The main sources of cash were depreciation and amortisation of ¥8,644 million, decrease in notes and accounts receivable of ¥2,380 million, and decrease in inventories of ¥4,588 million.

Net cash used in investing activities totaled ¥5,119 million (US$43 million), slightly lower than the ¥5,415 million used in the previous fiscal year. Principal factors affecting cash were the acquisition of property, plant and equipment (mainly for the semiconductor business), and capital expenditures necessary for streamlining and labor-saving measures.

Net cash used in financing activities totaled ¥13,907 million (US$116 million), compared to cash provided by financing activities in the previous fiscal year of ¥6,782 million. Principal factors affecting cash were a net change in commercial paper of ¥7,000 million, and repayments of long-term debt and corporate bonds of ¥10,398 million.

Cash and cash equivalents during the fiscal year under review, despite the marked improvement in cash flow from operating activities, decreased ¥3,956 million, or 13.3%, owing mainly to repayments of long-term debt and capital expenditures chiefly in the Semiconductor Devices and Microwave Tubes segment. As a result, cash and cash equivalents, end of year stood at ¥25,884 million (US$215 million), a decrease of 13.3% from a year earlier.

Total current assets decreased ¥12,038 million from the end of the previous fiscal year to ¥186,966 million (US$1,555 million). This was mainly the result of the decline of ¥3,956 million in cash and cash equivalents, a fall in trade notes of ¥2,175 million, and a decline of ¥4,854 million in inventories. Total current liabilities decreased ¥6,166 million from the end of the previous fiscal year to ¥105,089 million (US$874 million). This was mainly the result of a decline of ¥7,000 million in commercial paper. As a result, net working capital decreased ¥5,872 million to ¥81,877 million, and the current ratio slipped to 177.9% from 178.9%.

Interest-bearing liabilities (short-term bank loans, current portion of long-term debt, commercial paper, and long-term debt) declined ¥13,904 million from the end of the previous fiscal year to ¥64,053 million.

Total assets declined ¥26,462 million from the previous fiscal year-end to ¥247,849 million (US$2,062 million) as a result of the decrease in current assets noted above as well as a decline in deferred tax assets of ¥6,652 million, and a decrease in investments in unconsolidated subsidiaries and associated companies of ¥4,102 million. The total assets turnover ratio improved to 0.99 from 0.90 in the previous fiscal year.

Total shareholders' equity declined ¥11,354 million from the previous fiscal year-end to ¥62,687 million (US$522 million). The principal reason for the decline was a decrease of ¥10,623 million in retained earnings from the end of the previous fiscal year. The shareholders’ equity ratio fell 1.7 points to 25.3% for the fiscal year under review.

Consolidated Balance Sheets

Japan Radio Co., Ltd. and Consolidated Subsidiaries

31st March, 2003 and 2002

ASSETS	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 25,884**	¥ 29,840	**$ 215,340**
Short-term investments	**970**	1,180	**8,070**
Receivables:			
Trade notes	**8,205**	10,380	**68,260**
Trade accounts	**81,218**	81,067	**675,691**
Unconsolidated subsidiaries and associated companies	**275**	847	**2,287**
Other	**2,461**	1,925	**20,474**
Allowance for doubtful accounts	**(871)**	(811)	**(7,243)**
Inventories (Note 4)	**64,274**	69,128	**534,725**
Deferred tax assets (Note 8)	**2,875**	2,941	**23,920**
Prepaid expenses and other current assets (Note 3)	**1,675**	2,507	**13,934**
Total current assets	**186,966**	199,004	**1,555,458**
PROPERTY, PLANT AND EQUIPMENT (Note 5)**:**			
Land	**6,302**	6,307	**52,434**
Buildings and structures	**55,374**	54,973	**460,683**
Machinery and equipment	**65,915**	67,617	**548,379**
Furniture and fixtures	**44,779**	44,469	**372,534**
Construction in progress	**2,499**	964	**20,790**
Total	**174,869**	174,330	**1,454,820**
Accumulated depreciation	**(132,952)**	(131,385)	**(1,106,090)**
Net property, plant and equipment	**41,917**	42,945	**348,730**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**6,225**	8,069	**51,786**
Investments in unconsolidated subsidiaries and associated companies	**475**	4,577	**3,950**
Deferred tax assets (Note 8)	**6,034**	12,620	**50,198**
Other assets	**7,843**	8,669	**65,260**
Allowance for doubtful accounts	**(1,611)**	(1,573)	**(13,407)**
Total investments and other assets	**18,966**	32,362	**157,787**
TOTAL	**¥ 247,849**	¥ 274,311	**$ 2,061,975**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 18,034**	¥ 18,221	**$ 150,035**
Current portion of long-term debt (Note 5)	**12,076**	10,417	**100,469**
Commercial paper	**4,000**	11,000	**33,278**
Payables:			
Trade notes	**3,232**	4,174	**26,885**
Trade accounts	**35,706**	36,086	**297,053**
Unconsolidated subsidiaries and associated companies	**3,761**	3,638	**31,290**
Other	**4,525**	3,963	**37,643**
Income taxes payable (Note 8)	**3,551**	966	**29,542**
Accrued expenses	**9,610**	10,044	**79,953**
Advances received	**1,814**	2,746	**15,089**
Other current liabilities	**8,780**	10,000	**73,045**
Total current liabilities	**105,089**	111,255	**874,282**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**29,943**	38,319	**249,112**
Liability for retirement benefits (Note 6)	**23,359**	27,290	**194,339**
Deferred tax liabilities (Note 8)	**62**	23	**518**
Other	**2,585**	971	**21,502**
Total long-term liabilities	**55,949**	66,603	**465,471**
MINORITY INTERESTS	**24,124**	22,412	**200,703**
CONTINGENT LIABILITIES (Note 12)			
SHAREHOLDERS' EQUITY (Note 7)**:**			
Common stock—authorised, 216,000,000 shares; issued, 137,976,690 shares in 2003 and 2002	**14,704**	14,704	**122,332**
Capital surplus	**17,087**	17,087	**142,154**
Retained earnings	**31,820**	42,443	**264,722**
Net unrealised (loss) gain on available-for-sale securities	**(588)**	64	**(4,895)**
Foreign currency translation adjustments	**(317)**	(251)	**(2,634)**
Treasury stock—at cost, 69,839 shares in 2003 and 13,928 shares in 2002	**(19)**	(6)	**(160)**
Total shareholders' equity	**62,687**	74,041	**521,519**
TOTAL	**¥247,849**	¥274,311	**$2,061,975**

Consolidated Statements of Operations

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Years Ended 31st March, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
NET SALES (Note 15)	**¥259,381**	¥261,498	**$2,157,910**
COST OF SALES (Note 15)	**204,909**	210,769	**1,704,732**
Gross profit	**54,472**	50,729	**453,178**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**48,121**	51,931	**400,343**
Operating income (loss) (Note 15)	**6,351**	(1,202)	**52,835**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**120**	208	**1,005**
Interest expense	**(1,085)**	(1,060)	**(9,029)**
Other—net (Note 14)	**(3,093)**	(10,989)	**(25,733)**
Other expenses—net	**(4,058)**	(11,841)	**(33,757)**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**2,293**	(13,043)	**19,078**
INCOME TAXES (Note 8):			
Current	**4,449**	2,188	**37,017**
Deferred	**6,740**	185	**56,076**
Total income taxes	**11,189**	2,373	**93,093**
LOSS BEFORE MINORITY INTERESTS	**(8,896)**	(15,416)	**(74,015)**
MINORITY INTERESTS	**(1,638)**	(1,014)	**(13,625)**
NET LOSS	**¥(10,534)**	¥(16,430)	**$ (87,640)**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.p):			
Basic net loss	**¥ (76.85)**	¥(119.58)	**$ (0.64)**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Years Ended 31st March, 2003 and 2002

	Thousands	Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealised Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, 1ST APRIL, 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	
Repurchase of treasury stock (12,696 shares)							(5)
BALANCE, 31ST MARCH, 2002	137,977	14,704	17,087	42,443	64	(251)	(6)
Net loss				(10,534)			
Bonuses to directors				(78)			
Decrease due to change in ownership percentage of a subsidiary company				(11)			
Net decrease in unrealised gain on available-for-sale securities					(652)		
Net decrease in foreign currency translation adjustments						(66)	
Repurchase of treasury stock (55,911 shares)							(13)
BALANCE, 31ST MARCH, 2003	137,977	¥14,704	¥17,087	¥ 31,820	¥(588)	¥(317)	¥(19)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealised Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, 31ST MARCH, 2002	$122,332	$142,154	$353,101	$ 535	$(2,090)	$ (51)
Net loss			(87,640)			
Bonuses to directors			(649)			
Decrease due to change in ownership percentage of a subsidiary company			(90)			
Net decrease in unrealised gain on available-for-sale securities				(5,430)		
Net decrease in foreign currency translation adjustments					(544)	
Repurchase of treasury stock (55,911 shares)						(109)
BALANCE, 31ST MARCH, 2003	$122,332	$142,154	$264,722	$(4,895)	$(2,634)	$(160)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Years Ended 31st March, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	**¥ 2,293**	¥(13,043)	**$ 19,078**
Adjustments for:			
Income taxes—paid	**(1,862)**	(5,119)	**(15,491)**
Depreciation and amortisation	**8,644**	8,549	**71,912**
Gain on sales of investment securities	**(5)**	(129)	**(43)**
Loss on valuation of investment securities	**1,389**	2,128	**11,552**
Equity in loss of associated companies	**1,870**	1,658	**15,559**
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	**2,380**	14,996	**19,802**
Decrease in inventories	**4,588**	4,400	**38,169**
(Increase) decrease in interest and dividend receivable	**(3)**	40	**(24)**
Decrease in notes and accounts payable	**(1,201)**	(12,044)	**(9,995)**
Decrease in interest payable	**(1)**	(217)	**(7)**
Decrease in liability for retirement benefits	**(3,171)**	(5,517)	**(26,384)**
Other—net	**174**	4,053	**1,455**
Total adjustments	**12,802**	12,798	**106,505**
Net cash provided by (used in) operating activities	**15,095**	(245)	**125,583**
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	**94**	1,577	**780**
Purchase of property, plant and equipment	**(5,947)**	(8,365)	**(49,476)**
Proceeds from sales of marketable securities	**84**	145	**701**
Purchase of marketable securities	**(5)**	(73)	**(44)**
Proceeds from sales of investment securities	**30**	2,504	**248**
Purchase of investment securities	**(100)**	(407)	**(828)**
Proceeds from sales of investments in an associated company	**1,500**		**12,483**
Other—net	**(775)**	(796)	**(6,449)**
Net cash used in investing activities	**(5,119)**	(5,415)	**(42,585)**
FINANCING ACTIVITIES:			
Net change in short-term bank loans	**(174)**	2,641	**(1,446)**
Net change in commercial paper	**(7,000)**	(4,000)	**(58,236)**
Proceeds from long-term debt	**3,761**	20,829	**31,291**
Repayments of long-term debt	**(10,398)**	(12,419)	**(86,506)**
Cash dividends	**(368)**	(353)	**(3,066)**
Proceeds from minority interest shareholders	**289**	89	**2,404**
Other—net	**(17)**	(5)	**(144)**
Net cash (used in) provided by financing activities	**(13,907)**	6,782	**(115,703)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(25)**	61	**(211)**
INCREASE DUE TO MERGER OF AN UNCONSOLIDATED SUBSIDIARY TO A CONSOLIDATED SUBSIDIARY		121	
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		102	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,956)**	1,406	**(32,916)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**29,840**	28,434	**248,256**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 25,884**	¥ 29,840	**$ 215,340**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Years Ended 31st March, 2003 and 2002

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law 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 Financial Reporting 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. In addition, certain reclassifications and rearrangements have been made in the 2002 consolidated financial statements to conform to the classifications and rearrangements used in 2003.

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 ¥120.20 to $1, the approximate rate of exchange at 31st March, 2003. 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.

2. Summary of Significant Accounting Policies

a. Consolidation—The accompanying consolidated financial statements as of 31st March, 2003 include the accounts of the Company and its 33 (32 in 2002) significant subsidiaries (collectively the "Group"). Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

Under the control or influence concept, those companies in which the Company, 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 three (four in 2002) associated companies (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method. Investments in the remaining three unconsolidated subsidiaries and one associated company (three subsidiaries and one associated company in 2002) 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 subsidiaries at the date of acquisition is being amortised over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealised profit included in assets resulting from transactions within 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 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) 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 (2) available-for-sale securities, which are not classified as 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.

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 its domestic consolidated subsidiaries. The range of useful lives is from 2 to 50 years for buildings and structures and from 2 to 15 years for machinery and equipment.

f. Bond with Warrants—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 amount allocated to warrants are recorded as other current liabilities.

g. 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 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.

h. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the each 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 consolidated financial statements.

k. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognise deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

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 consolidated statement of operations to the extent that they are not hedged by forward exchange contracts and options.

n. 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.

o. 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 option 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 are recognised as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognised in the consolidated 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 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.

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.

p. Per Share Information—Effective 1st April, 2002, the Group adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because of the Group's loss position.

3. Investment Securities

Investment securities as of 31st March, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Current:			
Non-marketable equity securities	**¥ 3**	¥ 73	**$ 25**
Government and corporate bonds	**5**	14	**44**
Total	**¥ 8**	¥ 87	**$ 69**
Non-current:			
Marketable equity securities	**¥5,336**	¥7,054	**$44,388**
Government and corporate bonds	**261**	297	**2,171**
Other	**628**	718	**5,227**
Total	**¥6,225**	¥8,069	**$51,786**

The carrying amounts and aggregate fair values of investment securities at 31st March, 2003 and 2002 were as follows:

	Millions of Yen			
31st March, 2003	Cost	Unrealised Gains	Unrealised Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥6,084	¥455	¥1,081	¥5,458
Debt securities	254	19	7	266
31st March, 2002				
Securities classified as available-for-sale:				
Equity securities	¥7,055	¥803	¥762	¥7,096
Debt securities	271	36	11	296

	Thousands of U.S. Dollars			
31st March, 2003	Cost	Unrealised Gains	Unrealised Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$50,612	$3,783	$8,993	$45,402
Debt securities	2,115	158	58	2,215

Available-for-sale securities whose fair value is not readily determinable as of 31st March, 2003 and 2002 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Available-for-sale—Equity securities	**¥423**	¥ 683	**$3,518**
Other	**86**	380	**720**
Total	**¥509**	¥1,063	**$4,238**

Proceeds from sales of available-for-sale securities for the years ended 31st March, 2003 and 2002 were ¥49 million ($404 thousand) and ¥2,094 million, respectively. Gross realised gains and losses on these sales, computed on the moving average cost basis, were ¥5 million ($43 thousand) and ¥20 million ($166 thousand), respectively, for the year ended 31st March, 2003 and ¥129 million and ¥128 million, respectively, for the year ended 31st March, 2002.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at 31st March, 2003 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 5	$ 44
Due after one year through five years	321	2,666
Due after five years through ten years	184	1,532
Total	¥510	$4,242

4. Inventories

Inventories at 31st March, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Finished goods	**¥24,759**	¥29,847	**$205,980**
Work in process	**27,979**	32,259	**232,771**
Raw materials and supplies	**11,536**	7,022	**95,974**
Total	**¥64,274**	¥69,128	**$534,725**

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

Short-term bank loans at 31st March, 2003 and 2002 consisted of notes to banks, 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, 2003 and 2002 were 0.95 percent and 0.78 percent, respectively.

Long-term debt at 31st March, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Unsecured 2.0 percent domestic bonds due 2002		¥ 5,000	
Unsecured 2.7 percent domestic bonds due 2004	**¥ 5,000**	5,000	**$ 41,597**
Unsecured 2.5 percent domestic bonds due 2004	**8,000**	8,000	**66,556**
1.4 percent domestic bonds due 2005 issued with warrants issued by a consolidated subsidiary	**277**	277	**2,304**
Unsecured 0.7 percent domestic bonds due 2006	**7,000**	7,000	**58,236**
Unsecured 1.2 percent domestic bonds due 2005	**100**		**832**
Unsecured 1.0 percent domestic bonds due 2008	**100**		**832**
Loans from banks, due serially to 2012 with interest rates ranging from 0.6 percent to 2.9 percent (in 2003) and from 0.7 percent to 2.5 percent (in 2002):			
Collateralised	**1,550**	2,230	**12,895**
Unsecured	**19,992**	21,229	**166,329**
Total	**42,019**	48,736	**349,581**
Less current portion	**(12,076)**	(10,417)	**(100,469)**
Long-term debt, less current portion	**¥ 29,943**	¥ 38,319	**$ 249,112**

Annual maturities of long-term debt outstanding at 31st March, 2003 were as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2004	¥12,076	$100,469
2005	10,836	90,150
2006	2,758	22,945
2007	12,760	106,157
2008	2,940	24,460
2009 and thereafter	649	5,400
Total	¥42,019	$349,581

The carrying amounts of assets pledged as collateral for long-term debt totalling ¥1,550 million ($12,895 thousand) at 31st March, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥6,547	$54,468

The current exercise price of the warrants issued with the above bonds is as follows:

The warrants issued with 1.4 percent domestic bonds due 2005 exercisable to 2005	¥647 per share

The above exercise price is subject to adjustments in certain circumstances, including stock splits.

6. Retirement and Pension Plans

The Company and 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, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥ 69,636**	¥ 78,374	**$ 579,334**
Fair value of plan assets	**(25,200)**	(35,889)	**(209,650)**
Unrecognised prior service cost	**1,291**	2,403	**10,740**
Unrecognised actuarial loss	**(20,776)**	(15,363)	**(172,845)**
Unrecognised transitional obligation	**(4,119)**	(5,334)	**(34,268)**
Prepaid pension expense	**1,498**	2,006	**12,463**
Net liability	**¥ 22,330**	¥ 26,197	**$ 185,774**

The components of net periodic benefit costs for the years ended 31st March, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥3,605**	¥4,419	**$29,987**
Interest cost	**1,935**	2,288	**16,098**
Expected return on plan assets	**(568)**	(1,111)	**(4,721)**
Amortisation of prior service cost	**(138)**	(174)	**(1,149)**
Recognised actuarial loss	**1,027**	681	**8,544**
Amortisation of transitional obligation	**448**	478	**3,725**
Contributions by employees	**(159)**	(350)	**(1,321)**
Net periodic benefit costs	**¥6,150**	¥6,231	**$51,163**

Assumptions used for the years ended 31st March, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate	2.4%–4.0%	2.5%–3.0%
Expected rate of return on plan assets	0.0%–4.5%	3.0%–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

The Company has two types of pension plans for employees; a non-contributory and a contributory funded defined benefit pension plan. The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on 18th September, 2002.

As a result of this exemption, the Company recognised a gain on exemption from future pension obligation of the governmental program in the amount of ¥3,780 million ($31,446 thousand) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended 31st March, 2003.

The substitutional portion of the plan assets which will be transferred to the government in the subsequent year is measured to be approximately ¥7,258 million ($60,391 thousand) as at 31st March, 2003.

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 and certain subsidiaries recorded a liability for its un-funded 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, 2003 and 2002 were ¥1,029 million ($8,565 thousand) and ¥1,093 million, respectively.

7. Shareholders' Equity

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

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50 percent of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10 percent of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25 percent of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25 percent of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese 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 beginning 1st April, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥3,020 million ($25,129 thousand) as of 31st March, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

Effective 1st April, 2002, the Group adopted a new accounting standard for treasury stock and reversal of statutory reserves issued by the Accounting Standards Board of Japan. The effect of this change was to increase income before income taxes by ¥502 million ($4,176 thousand) and to decrease net loss by ¥510 million ($4,246 thousand).

8. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.8 percent for the years ended 31st March, 2003 and 2002.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at 31st March, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Current deferred tax assets:			
Inventories	**¥ 600**	¥ 490	**$ 4,993**
Provision for bonuses	**1,954**	1,706	**16,255**
Enterprise taxes payable	**320**	77	**2,658**
Provision for doubtful accounts	**154**	110	**1,285**
Unrealised gain	**242**	212	**2,010**
Warranty for finished products	**324**	338	**2,698**
Other	**198**	476	**1,648**
Valuation allowance	**(799)**	(371)	**(6,650)**
Total	**2,993**	3,038	**24,897**
Current deferred tax liabilities:			
Adjustment of provision for doubtful accounts	**11**	14	**88**
Other	**107**	83	**889**
Total	**118**	97	**977**
Net current deferred tax assets	**¥ 2,875**	¥ 2,941	**$ 23,920**
Non-current deferred tax assets:			
Provision for doubtful accounts	**¥ 319**	¥ 377	**$ 2,658**
Provision for retirement benefits	**7,425**	6,785	**61,768**
Tax loss carryforwards	**6,805**	7,036	**56,615**
Software	**903**	960	**7,509**
Investment securities	**1,324**	1,686	**11,015**
Unrealised gain	**1,837**	1,838	**15,280**
Inventories	**348**		**2,897**
Property, plant and equipment	**258**		**2,145**
Other	**1,412**	1,328	**11,746**
Valuation allowance	**(14,065)**	(6,817)	**(117,010)**
Total	**6,566**	13,193	**54,623**
Non-current deferred tax liabilities:			
Deferred gain on sales of property	**284**	316	**2,360**
Special reserve for tax purposes	**110**	136	**911**
Net unrealised gain on available-for-sale securities	**138**	121	**1,154**
Total	**532**	573	**4,425**
Net non-current deferred tax assets	**¥ 6,034**	¥12,620	**$ 50,198**
Current deferred tax liabilities—other		¥ 1	
Non-current deferred tax liabilities	**¥ 62**	23	**$ 518**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended 31st March, 2003 and 2002 is as follows:

	2003	2002
Normal effective statutory tax rate	41.8%	41.8%
Expenses not deductible for income tax purposes	8.2	(1.4)
Dividend income not to be taxed		0.1
Equity in earnings of associated companies	34.1	(5.3)
Minimum inhabitants tax	6.1	(1.1)
Change in valuation allowance	325.1	(51.4)
Effect of tax rate reduction	23.8	
Loss on sales of investments in a consolidated subsidiary and an associated company	34.4	
Loss on change in equity ownership of a subsidiary	15.3	
Other—net	(0.8)	(0.9)
Actual effective tax rate	488.0%	(18.2)%

On 31st March, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 41.8 percent to 40.5 percent, effective for years beginning 1st April, 2004. The effect of this change on deferred taxes in the consolidated statement of operations for the year ended 31st March, 2003 is approximately ¥102 million ($848 thousand).

At 31st March, 2003, the Company and subsidiaries have tax loss carryforwards aggregating approximately ¥16,620 million ($138,272 thousand) which are available to be offset against taxable income of the Company and 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
2006	¥ 4,027	$ 33,503
2007	8,853	73,655
2008 and thereafter	3,740	31,114
Total	¥16,620	$138,272

9. Research and Development Costs

Research and development costs charged to income were ¥20,259 million ($168,544 thousand) and ¥23,017 million for the years ended 31st March, 2003 and 2002, respectively.

10. Leases

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

Total rental expenses for the years ended 31st March, 2003 and 2002 were ¥960 million ($7,984 thousand) and ¥1,059 million, respectively, including ¥920 million ($7,656 thousand) and ¥1,043 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, 2003 and 2002 was as follows:

	Millions of Yen							
	2003				2002			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥862	¥2,446	¥518	¥3,826	¥506	¥3,609	¥550	¥4,665
Accumulated depreciation	357	1,452	273	2,082	313	2,196	262	2,771
Net leased property	¥505	¥ 994	¥245	¥1,744	¥193	¥1,413	¥288	¥1,894

	Thousands of U.S. Dollars			
	2003			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$7,170	$20,345	$4,311	$31,826
Accumulated depreciation	2,968	12,079	2,271	17,318
Net leased property	$4,202	$ 8,266	$2,040	$14,508

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥ 707**	¥ 841	**$ 5,884**
Due after one year	**1,064**	1,329	**8,847**
Total	**¥1,771**	¥2,170	**$14,731**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Depreciation expense	**¥812**	¥ 942	**$6,756**
Interest expense	**42**	58	**351**
Total	**¥854**	¥1,000	**$7,107**

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, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2003	2003
Due within one year	¥39	$327
Due after one year	17	136
Total	¥56	$463

11. Derivatives

The Group enters into foreign currency forward contracts and currency option 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 hedged 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, 2003 and 2002.

12. Contingent Liabilities

Contingent liabilities at 31st March, 2003 and 2002 for notes discounted in the ordinary course of business and guarantees of bank loans amounted to ¥404 million ($3,361 thousand) and ¥727 million, respectively.

13. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended 31st March, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Provision for doubtful receivables	**¥ 383**	¥ 628	**$ 3,184**
Salary	**17,011**	18,003	**141,525**
Provision for retirement benefits	**2,076**	1,982	**17,272**
Depreciation expense	**603**	684	**5,018**
Rent expense	**2,527**	2,751	**21,021**
Research and development costs	**7,940**	10,461	**66,057**
Other	**17,581**	17,422	**146,266**
Total	**¥48,121**	¥51,931	**$400,343**

14. Other Income (Expenses)—Net

Other income (expenses)—net for the years ended 31st March, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Gain on sales of investment securities	**¥ 5**	¥ 129	**$ 43**
Loss on valuation of investment securities	**(1,389)**	(2,128)	**(11,552)**
Loss on sales of investments in a consolidated subsidiary and an associated company	**(459)**		**(3,822)**
Equity in loss of associated companies	**(1,870)**	(1,658)	**(15,559)**
Loss on valuation and disposal of inventories	**(1,460)**	(4,165)	**(12,143)**
Foreign exchange gain		1,091	
Foreign exchange loss	**(626)**		**(5,212)**
Reversal of allowance for doubtful accounts	**18**	58	**150**
Gain on exemption from future pension obligation of the governmental program	**3,780**		**31,446**
Provision for retirement benefits	**(89)**	(89)	**(738)**
Special retirement expenses	**(21)**	(4,688)	**(177)**
Gain on sales of fixed assets	**26**	1,336	**213**
Gain on reversal of subscription right		109	
Other loss—net	**(1,008)**	(984)	**(8,382)**
Total	**¥(3,093)**	¥(10,989)	**$(25,733)**

15. Consolidated Segment Information

Information about operations in different industry segments, foreign operations and sales to foreign customers for the years ended 31st March, 2003 and 2002 is as follows:

(1) Industry Segment

Sales and Operating Income

	Millions of Yen					
	2003					
	Telecommunications Equipment	Electron Tubes and Semiconductor Devices	Medical Electronics Equipment	Total	Eliminations or Corporate	Consolidated
Sales to customers	¥157,929	¥54,247	¥47,205	¥259,381		¥259,381
Intersegment sales	1,445	618		2,063	¥(2,063)	
Total sales	159,374	54,865	47,205	261,444	(2,063)	259,381
Operating expenses	160,798	51,091	43,233	255,122	(2,092)	253,030
Operating income (loss)	¥ (1,424)	¥ 3,774	¥ 3,972	¥ 6,322	¥ 29	¥ 6,351

Total Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2003					
	Telecommunications Equipment	Electron Tubes and Semiconductor Devices	Medical Electronics Equipment	Total	Eliminations or Corporate	Consolidated
Total assets	¥140,325	¥56,180	¥52,188	¥248,693	¥(844)	¥247,849
Depreciation	3,273	4,441	645	8,359		8,359
Capital expenditures	2,088	4,785	1,512	8,385		8,385

Sales and Operating Income

	Thousands of U.S. Dollars					
	2003					
	Telecommunications Equipment	Electron Tubes and Semiconductor Devices	Medical Electronics Equipment	Total	Eliminations or Corporate	Consolidated
Sales to customers	$1,313,884	$451,302	$392,724	$2,157,910		$2,157,910
Intersegment sales	12,021	5,140	5	17,166	$(17,166)	
Total sales	1,325,905	456,442	392,729	2,175,076	(17,166)	2,157,910
Operating expenses	1,337,750	425,048	359,682	2,122,480	(17,405)	2,105,075
Operating income (loss)	$ (11,845)	$ 31,394	$ 33,047	$ 52,596	$ 239	$ 52,835

Total Assets, Depreciation and Capital Expenditures

	Thousands of U.S. Dollars					
	2003					
	Telecommunications Equipment	Electron Tubes and Semiconductor Devices	Medical Electronics Equipment	Total	Eliminations or Corporate	Consolidated
Total assets	$1,167,426	$467,392	$434,179	$2,068,997	$(7,022)	$2,061,975
Depreciation	27,231	36,944	5,370	69,545		69,545
Capital expenditures	17,374	39,809	12,582	69,765		69,765

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

Effective 1st April, 2002, the Company adopted a new accounting standard for treasury stock and reversal of statutory reserves issued by the Accounting Standards Board of Japan. The effect of this change is to decrease assets of Medical Electronics Equipment as of 31st March, 2003 by ¥327 million ($2,723 thousand).

(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				
	2003				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	¥36,535	¥23,464	¥8,689	¥7,887	¥ 76,575
Consolidated sales					259,381
The ratio of sales to foreign customers	14.1%	9.0%	3.4%	3.0%	29.5%

	Thousands of U.S. Dollars				
	2003				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	$303,952	$195,208	$72,291	$ 65,614	$ 637,065
Consolidated sales					2,157,910
The ratio of sales to foreign customers	14.1%	9.0%	3.4%	3.0%	29.5%

	Millions of Yen				
	2002				
	Asia	Europe	North America	Other	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%

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.

16. Subsequent Event

Based on the resolution of the Board of Directors meeting held on 20th May, 2003, effective 20th June, 2003 through 4th July, 2003, the Company is encouraging its employees to consider an early retirement plan, under which an employee who elects early retirement is granted an additional lump-sum payment upon retirement based on the number of remaining years to the mandatory retirement age. In connection with this early retirement plan, the Company will expend about ¥3,200 million ($26,622 thousand) for the year ending 31st March, 2004.

INDEPENDENT AUDITORS' REPORT

Deloitte
Touche
Tohmatsu

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

We have audited the accompanying consolidated balance sheets of Japan Radio Co., Ltd. and consolidated subsidiaries as of 31st March, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Radio Co., Ltd. and consolidated subsidiaries as of 31st March, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

As discussed in Note 7 to the consolidated financial statements, the Company and consolidated subsidiaries adopted the new accounting standard for treasury stock and reversal of statutory reserves issued by the Accounting Standards Board of Japan as of 1st April, 2002.

Our audits 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 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

27th June, 2003

Non-Consolidated Balance Sheets

Japan Radio Co., Ltd.

31st March, 2003 and 2002

ASSETS	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 16,587**	¥ 19,700	**$ 137,995**
Receivables:			
Trade notes	**3,146**	4,110	**26,173**
Trade accounts	**46,563**	49,934	**387,378**
Subsidiaries and associated companies (Note 15)	**1,208**	1,395	**10,047**
Other	**363**	679	**3,022**
Allowance for doubtful accounts	**(220)**	(297)	**(1,831)**
Inventories (Note 4)	**29,353**	35,467	**244,197**
Deferred tax assets (Note 8)		928	
Prepaid expenses and other current assets (Notes 3 and 15)	**900**	1,606	**7,492**
Total current assets	**97,900**	113,522	**814,473**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**1,878**	1,878	**15,624**
Buildings and structures	**24,037**	23,938	**199,971**
Machinery and equipment	**10,682**	13,716	**88,872**
Furniture and fixtures	**28,889**	29,016	**240,337**
Construction in progress	**60**	3	**500**
Total	**65,546**	68,551	**545,304**
Accumulated depreciation	**(51,438)**	(52,959)	**(427,937)**
Net property, plant and equipment	**14,108**	15,592	**117,367**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**5,042**	6,424	**41,949**
Investments in subsidiaries and associated companies (Note 3)	**5,576**	5,770	**46,388**
Deferred tax assets (Note 8)		7,251	
Other assets	**3,528**	4,429	**29,353**
Allowance for doubtful accounts	**(760)**	(645)	**(6,323)**
Total investments and other assets	**13,386**	23,229	**111,367**
TOTAL	**¥125,394**	¥152,343	**$1,043,207**

See notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2003	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2003
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 4,550**	¥ 4,550	**$ 37,854**
Current portion of long-term debt (Note 5)	**6,070**	5,720	**50,499**
Commercial paper	**4,000**	11,000	**33,278**
Payables:			
Trade notes	**1,169**	1,845	**9,728**
Trade accounts	**21,641**	22,023	**180,040**
Subsidiaries and associated companies (Note 15)	**5,083**	4,921	**42,291**
Other	**370**	533	**3,079**
Income taxes payable (Note 8)	**66**	65	**551**
Accrued expenses (Note 15)	**5,027**	6,701	**41,821**
Other current liabilities (Note 15)	**3,183**	4,915	**26,471**
Total current liabilities	**51,159**	62,273	**425,612**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**24,810**	28,280	**206,406**
Liability for retirement benefits (Note 6)	**12,911**	17,066	**107,411**
Total long-term liabilities	**37,721**	45,346	**313,817**
CONTINGENT LIABILITIES (Note 12)			
SHAREHOLDERS' EQUITY (Note 7)**:**			
Common stock—authorised, 216,000,000 shares; issued, 137,976,690 shares in 2003 and 2002	**14,704**	14,704	**122,332**
Capital surplus—additional paid-in capital	**17,087**	17,087	**142,154**
Retained earnings:			
Legal reserve	**2,278**	2,278	**18,956**
Unappropriated	**3,021**	10,582	**25,129**
Net unrealised (loss) gain on available-for-sale securities	**(557)**	79	**(4,633)**
Treasury stock—at cost, 69,839 shares in 2003 and 13,928 shares in 2002	**(19)**	(6)	**(160)**
Total shareholders' equity	**36,514**	44,724	**303,778**
TOTAL	**¥125,394**	¥152,343	**$1,043,207**

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

Japan Radio Co., Ltd.

Years Ended 31st March, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
NET SALES (Note 15)	**¥121,982**	¥145,409	**$1,014,823**
COST OF SALES (Note 15)	**104,593**	126,886	**870,159**
Gross profit	**17,389**	18,523	**144,664**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**19,317**	24,421	**160,705**
Operating loss	**(1,928)**	(5,898)	**(16,041)**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**600**	713	**4,993**
Interest expense	**(700)**	(650)	**(5,823)**
Other—net (Note 14)	**2,763**	(6,669)	**22,990**
Other income (expenses)—net	**2,663**	(6,606)	**22,160**
INCOME (LOSS) BEFORE INCOME TAXES	**735**	(12,504)	**6,119**
INCOME TAXES (Note 8):			
Current	**61**	373	**508**
Deferred	**8,235**	1,246	**68,514**
Total income taxes	**8,296**	1,619	**69,022**
NET LOSS	**¥ (7,561)**	¥ (14,123)	**$ (62,903)**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.o):			
Basic net loss	**¥ (54.81)**	¥ (102.36)	**$ (0.46)**

See notes to non-consolidated financial statements.

Non-Consolidated Statements of Shareholders' Equity

Japan Radio Co., Ltd.

Years Ended 31st March, 2003 and 2002

	Thousands	Millions of Yen					
			Capital Surplus	Retained Earnings			
	Issued Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated	Unrealised Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, 1ST APRIL, 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)
Net loss					(7,561)		
Repurchase of treasury stock (55,911 shares)							(13)
Net decrease in unrealised gain on available-for-sale securities						(636)	
BALANCE, 31ST MARCH, 2003	137,977	¥14,704	¥17,087	¥2,278	¥ 3,021	¥(557)	¥(19)

	Thousands of U.S. Dollars (Note 1)					
		Capital Surplus	Retained Earnings			
	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated	Unrealised Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, 31ST MARCH, 2002	$122,332	$142,154	$18,956	$ 88,032	$ 657	$ (51)
Net loss				(62,903)		
Repurchase of treasury stock (55,911 shares)						(109)
Net decrease in unrealised gain on available-for-sale securities					(5,290)	
BALANCE, 31ST MARCH, 2003	$122,332	$142,154	$18,956	$ 25,129	$(4,633)	$(160)

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Radio Co., Ltd.

Years Ended 31st March, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	**2003**
OPERATING ACTIVITIES:			
Income (loss) before income taxes	**¥ 735**	¥(12,504)	**$ 6,119**
Adjustments for:			
Income taxes—paid	**(60)**	(342)	**(496)**
Depreciation and amortisation	**3,040**	2,754	**25,290**
Reversal of allowance for doubtful accounts		(789)	
Provision of allowance for doubtful accounts	**145**	306	**1,205**
Loss on sales and disposal of property, plant and equipment	**162**	434	**1,346**
Gain on sales of property, plant and equipment	**(26)**	(2,671)	**(213)**
Loss on sales of marketable securities		63	
Gain on sales of investments in subsidiaries and associated companies	**(1,917)**	(1,498)	**(15,951)**
Loss on valuation of investment securities	**660**	1,793	**5,490**
Loss on valuation of investments in subsidiaries and associated companies	**53**	739	**440**
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	**4,732**	14,352	**39,364**
Decrease in inventories	**5,840**	3,110	**48,586**
Decrease in notes and accounts payable	**(893)**	(9,070)	**(7,430)**
Decrease in liability for retirement benefits	**(3,269)**	(3,336)	**(27,197)**
Other—net	**(2,304)**	131	**(19,164)**
Total adjustments	**6,163**	5,976	**51,270**
Net cash provided by (used in) operating activities	**6,898**	(6,528)	**57,389**
INVESTING ACTIVITIES:			
Proceeds from sales of marketable securities	**63**		**523**
Purchase of marketable securities		(66)	
Proceeds from sales of property, plant and equipment	**41**	2,884	**342**
Purchase of property, plant and equipment	**(1,934)**	(416)	**(16,089)**
Proceeds from sales of investment securities	**25**	400	**210**
Purchase of investment securities	**(4)**	(289)	**(31)**
Purchase of investments in subsidiaries and associated companies		(1,093)	
Proceeds from sales of investments in subsidiaries and associated companies	**2,059**	1,995	**17,128**
Other—net	**(128)**	(431)	**(1,065)**
Net cash provided by investing activities	**122**	2,984	**1,018**
FINANCING ACTIVITIES:			
Net change in short-term bank loans		(350)	
Net change in commercial paper	**(7,000)**	(4,000)	**(58,236)**
Proceeds from long-term debt	**2,600**	16,000	**21,631**
Repayments of long-term debt	**(5,720)**	(5,000)	**(47,587)**
Other—net	**(13)**	(5)	**(111)**
Net cash (used in) provided by financing activities	**(10,133)**	6,645	**(84,303)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,113)**	3,101	**(25,896)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**19,700**	16,599	**163,891**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 16,587**	¥ 19,700	**$137,995**

See notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

Japan Radio Co., Ltd.

Years Ended 31st March, 2003 and 2002

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 Financial Reporting 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.

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 addition, certain reclassifications and rearrangements have been made in the 2002 non-consolidated financial statements to conform to the classifications and rearrangements used in 2003. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

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 ¥120.20 to $1, the approximate rate of exchange at 31st March, 2003. 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.

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 associated companies are stated at cost.

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 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) 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, (2) investment securities in subsidiaries and associated companies are reported at 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.

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 and structures, 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 an 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 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—The provision for income taxes is computed based on the pretax income included in the statements of operations. The asset and liability approach is used to recognise deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

l. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

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 options.

n. Derivatives and Hedging Activities—The Company 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 option are utilised by the Company to reduce foreign currency exchange and interest rate risks. The Company 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 are 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 a 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.

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—Effective 1st April, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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

3. Investment Securities

Investment securities as of 31st March, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Current—Non-marketable equity securities	**¥ 3**	¥ 66	**$ 25**
Total	**¥ 3**	¥ 66	**$ 25**
Non-current:			
Marketable equity securities	**¥4,754**	¥5,697	**$39,548**
Government and corporate bonds	**237**	254	**1,976**
Trust fund investments and other	**51**	473	**425**
Total	**¥5,042**	¥6,424	**$41,949**

The carrying amounts and aggregate fair values of investment securities in subsidiaries and associated companies whose market values are available at 31st March, 2003 and 2002 are as follows:

	Millions of Yen					
	2003			2002		
	Carrying Amount	Market Value	Unrealised Gain	Carrying Amount	Market Value	Unrealised Gain
Subsidiaries	¥3,346	¥25,198	¥21,852	¥3,423	¥22,743	¥19,320
Associated companies	766	787	21	766	2,139	1,373
Total	¥4,112	¥25,985	¥21,873	¥4,189	¥24,882	¥20,693

	Thousands of U.S. Dollars		
	2003		
	Carrying Amount	Market Value	Unrealised Gain
Subsidiaries	$27,844	$209,644	$181,800
Associated companies	6,368	6,545	177
Total	$34,212	$216,189	$181,977

4. Inventories

Inventories at 31st March, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Finished goods	**¥ 9,165**	¥12,471	**$ 76,248**
Work in process	**14,626**	18,113	**121,682**
Raw materials and supplies	**5,562**	4,883	**46,267**
Total	**¥29,353**	¥35,467	**$244,197**

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

Short-term bank loans at 31st March, 2003 and 2002 consisted of notes to banks, loans on deeds and bank overdrafts.

The weighted average annual interest rates for short-term bank loans for the years ended 31st March, 2003 and 2002 were 1.0 percent and 0.5 percent, respectively.

Long-term debt at 31st March, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Unsecured 2.0 percent domestic bonds due 2002		¥ 5,000	
Unsecured 2.7 percent domestic bonds due 2004	**¥ 5,000**	5,000	**$ 41,597**
Unsecured 2.5 percent domestic bonds due 2004	**8,000**	8,000	**66,556**
Unsecured 0.7 percent domestic bonds due 2006	**7,000**	7,000	**58,236**
Loans from banks, due serially to 2008 with interest rates ranging from 1.3 percent to 2.1 percent (in 2003) and from 1.4 percent to 2.1 percent (in 2002)— Unsecured	**10,880**	9,000	**90,516**
Total	**30,880**	34,000	**256,905**
Less current portion	**(6,070)**	(5,720)	**(50,499)**
Long-term debt, less current portion	**¥24,810**	¥28,280	**$206,406**

Annual maturities of long-term debt outstanding at 31st March, 2003 were as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 6,070	$ 50,499
2005	9,070	75,458
2006	1,070	8,902
2007	12,070	100,416
2008	2,600	21,630
Total	¥30,880	$256,905

6. Retirement and Pension Plans

The Company has 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 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, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Projected benefit obligation	**¥ 43,365**	¥ 54,447	**$ 360,777**
Fair value of plan assets	**(14,863)**	(25,625)	**(123,655)**
Unrecognised prior service cost	**1,292**	2,403	**10,747**
Unrecognised actuarial loss	**(14,600)**	(11,502)	**(121,467)**
Unrecognised transitional obligation	**(3,942)**	(5,068)	**(32,796)**
Prepaid pension expense	**1,445**	2,006	**12,023**
Net liability	**¥ 12,697**	¥ 16,661	**$ 105,629**

The components of net periodic benefit costs for the years ended 31st March, 2003 and 2002 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Service cost	**¥2,130**	¥3,009	**$17,722**
Interest cost	**1,346**	1,653	**11,201**
Expected return on plan assets	**(332)**	(750)	**(2,767)**
Amortisation of prior service cost	**(138)**	(174)	**(1,149)**
Recognised actuarial loss	**700**	527	**5,827**
Amortisation of transitional obligation	**359**	389	**2,988**
Contributions by employees	**(159)**	(350)	**(1,321)**
Net periodic benefit costs	**¥3,906**	¥4,304	**$32,501**

Assumptions used for the years ended 31st March, 2003 and 2002 are set forth as follows:

	2003	2002
Discount rate	2.5%	2.8%
Expected rate of return on plan assets	1.5%	3.0%
Amortisation period of prior service cost	15 years	15 years
Recognition period of actuarial gain/loss	15 years	15 years
Amortisation period of transitional obligation	15 years	15 years

The Company has two types of pension plans for employees; a non-contributory and a contributory funded defined benefit pension plan. The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on 18th September, 2002.

As a result of this exemption, the Company recognised a gain on exemption from future pension obligation of the governmental program in the amount of ¥3,780 million ($31,446 thousand) in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended 31st March, 2003.

The substitutional portion of the plan assets which will be transferred to the government in the subsequent year is measured to be approximately ¥7,258 million ($60,391 thousand) as at 31st March, 2003.

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, 2003 and 2002 were ¥214 million ($1,782 thousand) and ¥405 million, respectively.

7. Shareholders' Equity

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

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50 percent of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10 percent of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve until such reserve and additional paid-in capital equals 25 percent of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25 percent of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock 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 beginning 1st April, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥3,020 million ($25,129 thousand) as of 31st March, 2003. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

Effective 1st April, 2002, the Company adopted a new accounting standard for treasury stock and reversal of statutory reserves issued by the Accounting Standards Board of Japan.

8. Income Taxes

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.8 percent for the years ended 31st March, 2003 and 2002.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at 31st March, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Current deferred tax assets:			
Inventories	**¥ 156**	¥ 326	**$ 1,298**
Provision for bonuses	**496**	792	**4,127**
Other	**98**	132	**822**
Valuation allowance	**(750)**	(322)	**(6,247)**
Total		¥ 928	
Non-current deferred tax assets:			
Provision for retirement benefits	**¥ 4,232**	¥ 4,267	**$ 35,210**
Tax loss carryforwards	**6,550**	6,565	**54,500**
Software	**842**	960	**7,008**
Provision for doubtful accounts		188	
Investment securities	**1,013**	1,062	**8,430**
Inventories	**348**	348	**2,897**
Property, plant and equipment	**258**	39	**2,145**
Investment in subsidiaries and associated companies	**364**	342	**3,029**
Other	**582**	439	**4,833**
Valuation allowance	**(13,889)**	(6,565)	**(115,552)**
Total	**300**	7,645	**2,500**
Non-current deferred tax liabilities:			
Deferred gain on sales of property	**284**	316	**2,360**
Special reserve for tax purposes	**16**	21	**140**
Other		57	
Total	**300**	394	**2,500**
Net non-current deferred tax assets		¥ 7,251	

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, 2003 and 2002 is as follows:

	2003	2002
Normal effective statutory tax rate	41.8%	41.8%
Expenses not deductible for income tax purposes	12.0	(0.7)
Dividend income not to be taxed	(21.6)	2.1
Minimum inhabitants tax	8.3	(0.5)
Change in valuation allowance	1,023.4	(52.5)
Effect of tax rate reduction	60.1	
Other—net	4.0	(3.2)
Actual effective tax rate	1,128.0%	(13.0)%

On 31st March, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 41.8 percent to 40.5 percent, effective for years beginning 1st April, 2004. The effect of this change on deferred taxes in the non-consolidated statement of operations for the year ended 31st March, 2003 is none.

At 31st March, 2003, the Company has tax loss carryforwards aggregating approximately ¥16,179 million ($134,602 thousand) which are available to be offset against taxable income of the Company 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
2006	¥ 4,027	$ 33,503
2007	8,649	71,952
2008	3,503	29,147
Total	¥16,179	$134,602

9. Research and Development Costs

Research and development costs charged to income were ¥9,204 million ($76,573 thousand) and ¥12,153 million for the years ended 31st March, 2003 and 2002, respectively.

10. Leases

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

Total rental expenses for the years ended 31st March, 2003 and 2002 were ¥418 million ($3,481 thousand) and ¥449 million, respectively, including ¥379 million ($3,155 thousand) and ¥433 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, 2003 and 2002, was as follows:

	Millions of Yen					
	2003			2002		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥836	¥858	¥1,694	¥498	¥1,122	¥1,620
Accumulated depreciation	346	624	970	306	706	1,012
Net leased property	¥490	¥234	¥ 724	¥192	¥ 416	¥ 608

	Thousands of U.S. Dollars		
	2003		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$6,954	$7,141	$14,095
Accumulated depreciation	2,881	5,189	8,070
Net leased property	$4,073	$1,952	$ 6,025

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Due within one year	**¥287**	¥349	**$2,387**
Due after one year	**453**	520	**3,773**
Total	**¥740**	¥869	**$6,160**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Depreciation expense	**¥304**	¥367	**$2,528**
Interest expense	**18**	28	**154**
Total	**¥322**	¥395	**$2,682**

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 method, respectively.

The minimum rental commitments under noncancellable operating leases at 31st March, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2003	2003
Due within one year	¥39	$326
Due after one year	17	136
Total	¥56	$462

11. Derivatives

The Company enters into foreign currency forward contracts and currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company 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 hedged assets or liabilities.

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

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

The Company had no derivatives contracts outstanding at 31st March, 2003 and 2002.

12. Contingent Liabilities

Contingent liabilities at 31st March, 2003 and 2002 for guarantees of bank loans amounted to ¥2,707 million ($325,435 thousand) and ¥2,666 million, respectively.

13. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended 31st March, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Provision for doubtful receivables	**¥ 145**	¥ 306	**$ 1,205**
Salary	**6,475**	7,279	**53,868**
Provision for retirement benefits	**1,221**	1,283	**10,156**
Depreciation expense	**190**	305	**1,580**
Rent expense	**972**	1,189	**8,088**
Research and development cost	**3,813**	6,671	**31,726**
Other	**6,501**	7,388	**54,082**
Total	**¥19,317**	¥24,421	**$160,705**

14. Other Income (Expenses)—Net

Other income (expenses)—net for the years ended 31st March, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Loss on valuation of investment securities	**¥ (660)**	¥(1,793)	**$ (5,490)**
Gain on sales of investments in subsidiaries and affiliated companies	**1,917**	1,498	**15,951**
Loss on valuation of investments in subsidiaries and associated companies	**(53)**	(739)	**(440)**
Loss on valuation and disposal of inventories	**(1,407)**	(4,088)	**(11,702)**
Foreign exchange gain		421	
Foreign exchange loss	**(169)**		**(1,407)**
Reversal of allowance for doubtful accounts		789	
Gain on sales of property, plant and equipment	**26**	2,671	**213**
Loss on sales and disposal of property, plant and equipment	**(162)**	(434)	**(1,346)**
Restructuring cost	**(249)**		**(2,069)**
Special retirement expenses	**(13)**	(4,688)	**(108)**
Gain on exemption from future pension obligation of the governmental program	**3,780**		**31,446**
Other loss—net	**(247)**	(306)	**(2,058)**
Total	**¥ 2,763**	¥(6,669)	**$ 22,990**

15. Related Party Transactions

Transactions of the Company with subsidiaries and associated companies for the years ended 31st March, 2003 and 2002 were summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Sales	**¥ 1,478**	¥ 3,654	**$ 12,293**
Purchases	**17,136**	21,234	**142,560**

Balances due to or from these subsidiaries and associated companies at 31st March, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	**2003**
Notes and accounts receivables	**¥ 684**	¥1,171	**$ 5,692**
Other receivables	**523**	224	**4,355**
Prepaid expenses and other current assets	**119**	347	**994**
Notes and accounts payables	**5,063**	4,898	**42,119**
Other payables	**21**	23	**172**
Accrued expenses and other current liabilities	**273**	283	**2,268**

16. Subsequent Event

Based on the resolution of the Board of Directors meeting held on 20th May, 2003, effective 20th June, 2003 through 4th July, 2003, the Company is encouraging its employees to consider an early retirement plan, under which an employee who elects early retirement is granted an additional lump-sum payment upon retirement based on the number of remaining years to the mandatory retirement age. In connection with this early retirement plan, the Company will expend about ¥3,200 million ($26,622 thousand) for the year ending 31st March, 2004.

INDEPENDENT AUDITORS' REPORT

Deloitte Touche Tohmatsu

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

We have audited the accompanying non-consolidated balance sheets of Japan Radio Co., Ltd. as of 31st March, 2003 and 2002, and the related non-consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Radio Co., Ltd. as of 31st March, 2003 and 2002, 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.

Our audits 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 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

27th June, 2003