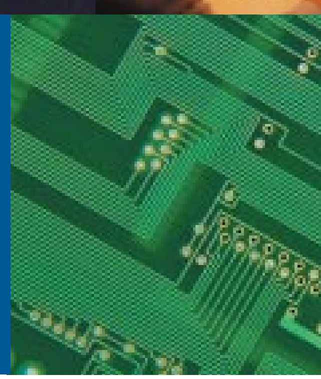
We seek to benefit society through advances in information and communications.

JRC Japan Radio Co., Ltd.

Radio Communications Equipment

Semiconductor Devices and Microwave Tubes

Medical Electronics Equipment



Annual Report 2005

For the year ended March 31, 2005

Founded in 1915, Japan Radio Co., Ltd. has grown to become one of the leading companies in the field of wireless technology in Japan. The JRC Group includes 37 subsidiaries and 4 affiliated companies, principally engaged in the manufacture and sale of radio communications equipment, semiconductor devices and microwave tubes and medical electronics equipment. The Group considers its mission to be contributing to the realization of a prosperous society through healthy business activities, and as such offers beneficial products and services that serve the needs of customers, as it develops its business into a name trusted throughout the world.

Management Philosophy

Japan Radio Co., Ltd. shall apply its full creative and intelligent resources to develop technologies and products of superior value, in order to contribute to the realization of a society of ever higher quality.

Contents

Caution with Regard to Forward-Looking Statements

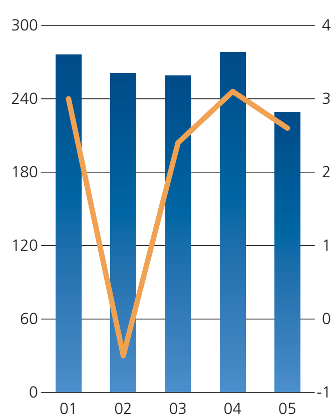
Statements in this annual report with respect to Japan Radio's plans, strategies, beliefs and estimates that are not historical facts are forward-looking statements. They constitute management's assumptions based on information currently available and involve risks and uncertainties. There are a number of factors that could cause actual results to differ materially from such statements.

CONSOLIDATED FINANCIAL HIGHLIGHTS

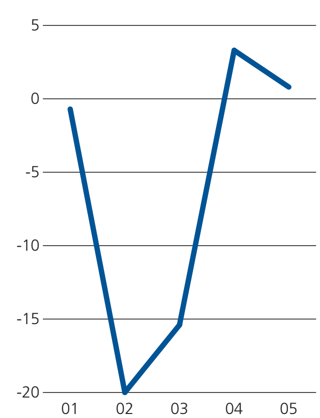
	Millions of yen			Change (%)	Thousands of U.S. dollars
For the year ended 31st March,	2003	2004	**2005**	2005/2004	**2005**
Net sales	¥259,381	¥278,572	**¥229,193**	-17.7	**$2,134,216**
Radio communications equipment	157,929	167,350	**119,163**	-28.8	**1,109,633**
Semiconductor devices and microwave tubes	54,247	66,021	**63,834**	- 3.3	**594,410**
Medical electronics equipment	47,205	45,201	**46,196**	2.2	**430,173**
Operating income	6,351	8,668	**5,965**	-31.2	**55,546**
Operating income ratio (%)	2.4	3.1	**2.6**	-0.5 pt	–
Income before income taxes and minority interests	2,293	6,515	**4,761**	-26.9	**44,336**
Net income (loss)	(10,534)	2,161	**542**	-74.9	**5,046**
As of 31st March,					
Total assets	247,849	232,235	**233,878**	0.7	**2,177,842**
Shareholders' equity	62,687	66,701	**67,725**	1.5	**630,646**
Shareholders' equity ratio (%)	25.3	28.7	**29.0**	0.3 pt	–
Interest-bearing liabilities	64,053	50,838	**46,940**	-7.7	**437,098**
Depreciation	8,359	7,820	**7,855**	0.4	**73,147**
Capital expenditures	8,385	7,142	**6,202**	-13.4	**57,754**
Net income (loss) per share (Yen/U.S. dollars)	(76.85)	15.19	**3.44**	-77.3	**0.03**
ROE (%)	–	3.2	**0.8**	-2.4 pt	–
D/E ratio (times)	1.02	0.76	**0.69**	-0.07pt	–
Employees	8,625	8,739	**8,612**	-127	–

Note: U.S. dollar amounts are translated, for convenience only, at ¥107.39 = US$1.00, the rate prevailing on March 31, 2005.

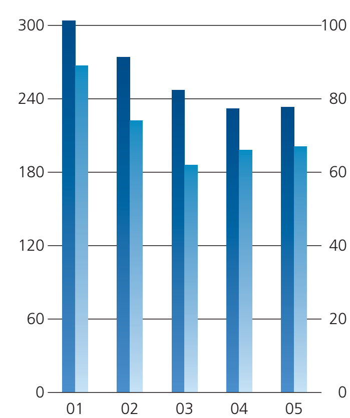
Net sales; Operating income (loss) ratio
(¥ billions, %)



ROE
(%)



Total assets; Shareholders' equity
(¥ billions)



I would like to report that I was appointed Representative Director of the JRC Group at the Annual General Meeting of Shareholders, held on June 29, 2005.

I take the responsibilities that come with my appointment very seriously. My plans for leading the Group are best summarized by the following three objectives: (1) Build a corporate structure capable of generating more stable revenues; (2) Foster new businesses to accelerate growth in the future; and (3) Develop new technologies to underpin future growth by further refining the Group's advanced technological strengths.

Performance

Unfortunately, the consolidated performance of the JRC Group and its subsidiaries in fiscal 2004, ended March 31, 2005, was below our expectations. Despite a turnaround earlier in the year, subsequent natural disasters and other unforeseen factors led to an inevitable decline in both revenue and earnings for the period under review.

Consolidated net sales amounted ¥229,193 million, down 17.7% from the previous year. Operating income fell 31.2%, to ¥5,965 million, and net income dropped 74.9%, to ¥542 million. These declines were caused by a number of factors. In the Radio Communications Equipment segment, for example, we sold our shares in a subsidiary engaged in retail sales of mobile phones, leading to a revenue decline. Also, our system equipment business was affected by a series of natural disasters in various parts of Japan, including a typhoon and earthquake, causing many deliveries to be delayed until the following fiscal year. In the Semiconductor Devices and Microwave Tubes segment, our businesses related to mobile phones and Personal Handyphone Systems (PHS) languished. And our Medical Electronics Equipment segment faced harsh conditions due to cutbacks in medical expenditures in Japan.

We regret, therefore, that we could not resume dividend payments to shareholders for the year under review, due to the poor net income figure and the prioritization of investment aimed at strengthening our financial position in the future.

Strengthening Compliance

In December 2004, we were informed that defense equipment delivered to the National Defense Agency had been overpriced. We are currently subjected to a special investigation, for which we are providing our full cooperation with the aim of reaching a resolution as soon as possible. Although the extent of overpricing is yet to be specified, we intend to expedite repayment once the amount is known. In addition, we are making considerable efforts aimed at recovering the trust of our customers as soon as possible.

We regard this situation with the utmost gravity and are working hard to prevent a recurrence in the future. To this end, we are strengthening efforts aimed at complying with laws and regulations. These efforts are spearheaded by our internal Compliance Committee.

Business Strategies

Our medium-term business strategy is to further enhance our earnings structure by honing our competitive strengths. We will achieve this by eliminating waste and making full and effective use of the technologies we have accumulated over the years. The JRC Group is principally engaged in three main business segments: the Radio Communications Equipment segment, spearheaded by Japan Radio Co., Ltd. (JRC); the Semiconductor Devices and Microwave Tubes segment, centering on New Japan Radio Co., Ltd. (NJRC); and the Medical Electronics Equipment segment, for which Aloka Co., Ltd. is largely responsible. Separate business strategies have been formulated for each of these business segments based on their respective operating conditions.

Radio Communications Equipment

In this segment, JRC has formulated a vision and a medium-term business plan for the next three years. The medium-term business plan will be reviewed and modified annually, while business targets are constantly being set for the subsequent three-year period. Underpinned by our fundamental business philosophy of "selection and concentration," our aim is to reinforce our earnings structure and target new business areas with good growth prospects. By utilizing the specialist technologies JRC has developed over the years, we aim to uncover new business domains, develop products and systems with high added value, and become a world leader in the radio communications equipment field. To this end, we established a Technical Committee to allow the superior technologies of each division to function effectively across the entire organization. We are confident that this new committee will prove extremely effective in facilitating development of new technologies, products, and systems.

Due to continued contraction of public works and social infrastructure spending in Japan, we believe that overseas markets hold the key for future growth. For this reason, we are setting up operations aimed at strengthening our marine electronics, system electronics, and other capabilities and after-sales service systems in overseas markets. Of particular note is the China Business Development Department, established within our headquarters in April 2003 to broaden our business base in China, where rapid growth continues.

We intend to increase sales of infrastructural systems in association with the building up of new infrastructure and equipment for the third-generation (3G) mobile phone standard in overseas markets. In addition, we will channel resources into expanding sales of disaster prevention systems, especially in light of successive natural catastrophes around the world, which have heightened awareness of the need for disaster prevention.

Yorihisa Suwa
President

Semiconductor Devices and Microwave Tubes

NJRC is responsible for this business segment. It continues to focus on developing new products and technologies that are not only compliant with broadband and networking technologies, but also feature low electricity and energy consumption. To strengthen cost-competitiveness and broaden our production capabilities, we will expand our production bases in Thailand while reinforcing our sales networks in China.

Medical Electronics Equipment

In this segment, Aloka addresses the needs of customers, fulfilling its role as a company that contributes to society by making improvements in the medical field. We also have European sales subsidiaries, and we have a local subsidiary in China that has commenced direct sales activities. In addition, Shanghai Aloka Medical Equipment Co., Ltd., engages in local production, develops the business of Aloka International Trading (Shanghai) Co., Ltd., and expands local sales. It is also developing an overseas export business.

Outlook for Fiscal 2005

In the Radio Communications Equipment segment, we expect a recovery in sales of systems equipment and positive growth in sales of marine and communications equipment on the back of favorable conditions in the Japanese and Asian shipbuilding markets. As a result, we forecast a 6.6% year-on-year increase in non-consolidated net sales, to ¥120.0 billion, and net income of ¥2.0 billion. We forecast an increase in revenue in the Medical Electronics Equipment segment due to business growth in China and elsewhere. Due to protracted adjustments in the market, however, the Semiconductor Devices and Microwave Tubes segment will find it difficult to generate an earnings recovery.

For the fiscal year ending March 31, 2006, we project consolidated sales of ¥239,000 million, down 1.6% from fiscal 2004. We are also targeting a recovery in profitability, with forecast net income of ¥3,700 million.

We will continue to implement reforms as we restructure our languishing businesses and review the Group's business plans. In the process, we will restore our earnings structure, reinforce our financial position, enhance corporate value, and provide ample rewards to shareholders.

I have every confidence in the technical capabilities of JRC. Going forward, I will do my utmost to ensure that these capabilities will once again be utilized effectively, and thus help transform the Group into a world leader in its high-tech niche markets.

The information and communications business, in which we are involved, has the potential to make a significant contribution to society. For this reason, we will proudly and actively develop this business in the future.

June 29, 2005

Yorihisa Suwa
President

We intend to demonstrate our creativity in our high-tech niche markets around the world.

We spoke with Yorihisa Suwa, our incoming president, about the future path of the JRC Group, as well as his aspirations for the future.

Q1: How would you summarize the JRC Group's performance in the year under review?

Unfortunately, we were unable to reach our initial targets for revenue and earnings. This was due to a range of factors, including a spate of natural disasters that affected the Radio Communications Equipment segment, a decline in sales due to falling public-sector investments in social infrastructure, and stagnation in the semiconductor market, which impacted the Semiconductor Devices and Microwave Tubes segment. Such circumstances prompted us to undertake business reforms before the year in review. These included pursuing a sounder earnings structure and reducing interest-bearing debt. As a result, in fiscal 2003 we posted positive earnings after five consecutive years of net losses. In fiscal 2004, however, we again posted an unsatisfactory performance. In other words, while our earnings structure is in the process of improving, it is not yet at an acceptable level. I believe, therefore, that we have no option but to target further changes aimed at improving our earnings structure.

Q2: What is your notion of how an optimal company should operate?

Fundamentally, we as a company should act more responsibly, in the interests all of shareholders. To do this, we must operate profitably and return our profits to shareholders. Our businesses operate in niche markets that require advanced technological capabilities related to wireless technology. Our goal is to become a leader in these niche areas by building on our dominance in Japan to encompass overseas markets, ensuring a corporate constitution capable of generating stable income.

Q3: What specific plans do you have in mind to achieve this goal?

First, we must build a sound structure that is resilient to changes in the operating environment. For the Radio Communications Equipment segment, which accounts for a significant portion of our business, it is particularly important to maintain sound earnings. This remains true even under unprecedented circumstances, like those we faced in fiscal 2004. We must build a foundation for future growth by generating stable earnings from our core businesses, such as communications equipment, which includes mobile communications equipment and linear power amplifiers (LPAs), marine electronics, and system electronics.

To this end, first we must further cut both fixed and variable costs and work hard to expand our business scope. Second, we need to sow the seeds of new businesses. Since we cannot sustain long-term growth through our existing operations alone, it is vital that we nurture new businesses. We have sophisticated technological capabilities, honed over many years, and we are cultivating several new businesses that will come to fruition. Nurturing these businesses to maturity is indispensable for the future growth of the Group. Third, we must develop new proprietary technologies, which will enable us to outstrip our competitors in our niche sectors and put us at the cutting edge of industry. I am convinced that such technologies constitute an effective method for building a high earnings structure. For this reason, we will strive to develop new proprietary technologies.

Q4: What kind of business policies are you formulating on a consolidated basis?

Because our other two major business segments are handled by the two consolidated subsidiaries, we work closely with those companies with respect to information-sharing and formulating consolidated business policies. Senior executives from major JRC Group companies, including the two consolidated subsidiaries, meet every three months to exchange information and engage in business discussions.

Q5: What are the focuses of your internal reforms?

First, we will strive to reform our corporate structure. In this context, the formulation of a compliance policy parallels future-oriented business development in terms of importance. As a member of society, the Group must conduct its business activities according to the rules of that society. Last year, JRC was caused in an incident that brought immense trouble to many people. To ensure that such a situation never recurs, we immediately set the task of formulating the "JRC Code of Conduct." The Code has been disseminated to all executives and employees, and we are actively promoting compliance with the Code across our entire organization.

Second, we are reaffirming the importance of a customer-focused approach to sales and business in general. I believe that a comprehensive customer-focused approach covering all aspects of our operations—sales, technology, manufacturing, and services—will lead to increased revenue and earnings. I also believe that understanding and addressing both customer and on-site needs can provide useful hints that will enhance the added value of our future products and technologies.

Third, we are promoting changes in the consciousness of our executives and regular employees. Undertaking these business reforms requires simultaneous changes to employee awareness. We want employees to embrace bold reforms without fear of failure.

Q6: The JRC Group's greatest strength lies in its technological capabilities. How do you intend to sharpen those capabilities?

It has been 11 years since JRC shifted to an organizational structure with separate business divisions. This shift served to heighten the sense of identity within each division. From another perspective, however, the attachment of technical departments to their respective business divisions has led to a decentralization of technology, resulting in a decline in the Group's overall technological capabilities.

I decided to remedy this situation by establishing a Technical Committee. The aims of the Committee include sharing various kinds of information and technologies across technical departments, building an infrastructure that actively encourages such exchanges, and establishing an emergency response framework. I feel that sharing technologies across divisions will create a climate that enables us to broaden the scope of our product development activities and create a system that enhances added value. Such an environment will better enable us to demonstrate the unique strengths of JRC.

The JRC Group consists of Japan Radio Co., Ltd. (JRC), 35 subsidiaries, and four affiliated companies. On a Group consolidated basis in fiscal 2004, the Radio Communications Equipment segment accounted for 52.7% of net sales, the Semiconductor Devices and Microwave Tubes segment 28.4%, and the Medical Electronic Equipment segment 20.2%*.

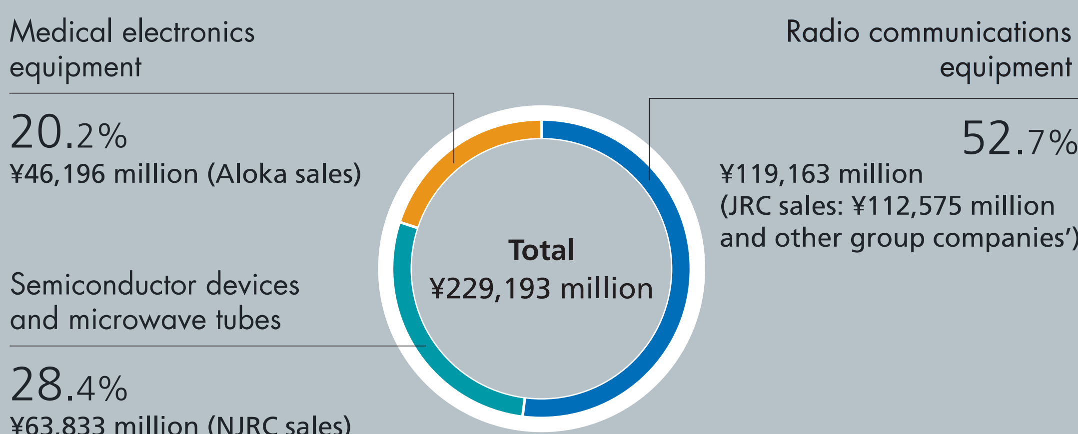
JRC, the Group's parent company, is largely responsible for manufacturing and sales of radio communications equipment. In fiscal 2004, this segment reported consolidated sales of ¥119,163 million. JRC accounted for 94.5% of this amount, with other companies, such as JRC Tokki Co., Ltd., and JRC Engineering Co., Ltd., representing most of the remaining 6.7%.

In the Semiconductor Devices and Microwave Tubes segment, New Japan Radio Co., Ltd. (NJRC), a subsidiary, engages in manufacturing and sales. This company generated 100.0% of consolidated segment sales, which totaled ¥65,053 million in fiscal 2004.

Aloka Co., Ltd., a manufacturing and sales subsidiary, accounted for 100% of consolidated sales in the Medical Electronics Equipment segment, which amounted to ¥46,196 million in the year under review. (* Other consolidated adjustments account for the remaining 1.2%.)

We will leverage our technologies to expand our business domains.

■ **Sales Composition** (Consolidated)



Radio Communications Equipment

Communications Equipment
Mobile Communications, Telecommunications, Measurement, Electronic Devices, Linear Power Amplifiers (LPAs)

Marine Electronics
Maritime Communications, Marine Navigation, Fishing and Marine Farming, Leisure

System Electronics
Waterway Information Systems, Disaster Prevention Information, Road and Traffic Management Information, Meteorological Information, Airport Management and Simulation, Electro-Acoustic Systems, Broadcasting, Special Equipment

Semiconductor Devices and Microwave Tubes

Microwave Tubes and Peripheral Equipment
Microwave Tubes (Magnetrons, CFA, TWT, Klystron, Switch Tubes), Radar Components, Cathodes (Barium-Impregnated Cathodes)

Microwave Application Products
Microwave Components (Satellite Broadcast, Satellite Transmission, Terrestrial Transmission Components, Sensor Modules)

Semiconductors
Integrated Circuits (Bipolar, CMOS, Bi-CMOS), Semiconductor Devices (Optical Semiconductor Elements, Remote Control Receivers, Optical Elements, GaAs IC/FET)

Medical Electronics Equipment

Electronic Medical Systems
Diagnostic Ultrasound Systems, Bone Densitometry Systems, Therapeutic and Surgical Systems, Diagnostic Nuclear Medicine Systems, Related Systems

General-Purpose Analysis Systems
Radiation Measuring Instruments, Radiation Monitoring Equipment, Radiation Applied Analysis Equipment, Bio-Related Systems, Related Systems

Medical Analysis Systems
Clinical Laboratory Systems, Pipetting Devices, Optical Emission Spectrometry Equipment, Related Systems

Radio Communications Equipment

Performance

In fiscal 2004, consolidated sales in this segment amounted to ¥119,163 million, equivalent to 52.7% of consolidated Group net sales. JRC, the parent company, accounted for 94.5% of this total, with net sales of ¥112,575 million, with other Group companies contributing the remaining 5.5%. Of JRC's sales, marine electronics represented 20.4%, communications equipment 32.2%, and system electronics 47.3%.

In the marine electronics category, strong demand for building new ships boosted growth in sales of our products, including marine radar systems, our Voyage Data Recorder (VDR), and maritime satellite transmission systems (Inmarsat). In the communications equipment category, however, revenue declined, largely because we sold our shares in JRC Mobitec Co., Ltd., a mobile phone retail sales subsidiary, in December 2004. Other factors affecting sales in this category included a series of natural disasters, namely a typhoon and an earthquake. The result was delays in fulfilling some orders for systems from government and other public agencies until fiscal 2005.


Multi-dam management system

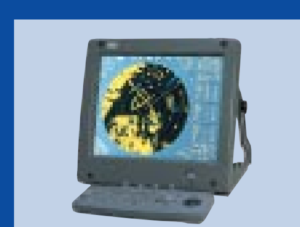
Outlook

In the marine electronics category, we will continue to reinforce sales activities in Japan, South Korea, China, and other countries where a buoyant maritime transportation industry has led to an upturn in the building of new vessels. We will also actively target the European market, where stable growth continues. In another initiative, we will introduce strategic products to the market for fishing boats and other vessels. We will strengthen our efforts to build a global service network, respond to new business opportunities presented by changes in international regulations, and work proactively to form strategic alliances.

In the communications equipment category, where we have niche markets around the world, we will expand our business by reinforcing our technical capabilities. In Japan and overseas, broadband infrastructure is being built at a rapid pace. In commercial radio, as well, digitization continues to advance. With respect to the third-generation mobile phone market, 3G-capable phones are fast becoming the standard. For these reasons, we will expand our infrastructure-related business, which includes linear power amplifiers (LPAs) for 3G mobile phones. We will also expand our measuring equipment and wireless entrance systems businesses. In the area of Intelligent Transport Systems (ITS), where steps are being taken to create an international standard, we will work to expand sales of our car navigation and electronic toll collection (ETC) systems.


Amplifier for micro base stations


Digital transceiver


Color marine radar

We will proactively develop our businesses in radio frequency (RF) technologies, radio network technologies, and digital signal technologies. We will pay particular attention to strengthening sales overseas and forming alliances with foreign companies.

In the systems electronics category, we will step up construction of infrastructural systems, both in Japan and overseas. Heightened emphasis on the need to address earthquakes, floods, and other natural catastrophes has resulted in increased construction of disaster prevention systems, which is beneficial to the JRC Group's business. In the growth area of digital terrestrial broadcasting, we will fully utilize our systems construction expertise and develop a consulting-oriented business.

NEW PRODUCTS

■ *PHS Handset with Web Browsing Capability* ■

JRC developed the Air Edge Phone, the first PHS terminal (AH-J3003S) with a web browsing capability. The new product was launched by Willcom, Inc. Japan's largest PHS carrier, in July 2004. Featuring office mode compliance and compatible with switchboard systems, the terminal is expected to attract solid demand from commercial users.

■ *Multi-System Tester* ■

JRC has complemented its Multi-System Tester lineup with the development of the NJZ-2000 series, designed to support major mobile communication standards around the world, including W-CDMA, GSM, and CDMA2000. The series was launched in February 2005, targeting mobile phone makers and maintenance centers. As a single unit compatible with multiple standards, the series not only reduces investment in equipment, but also contributes to improved productivity.

■ *World's Most Advanced Capacitor Module* ■

Together with Nisshinbo Industries, Inc., we have developed a large-capacity electric double layer (EDL) capacitor module in response to anticipated demand for uninterruptible power supply (UPS) and continuous power supply systems for hybrid cars and fuel cell vehicles. Combining the highest levels of power and energy density in the world in a compact module, the capacitor is the most advanced model of its type. Mass production is scheduled to begin in October 2005.

PHS Phone

Multi-System Tester

Large-capacity electric double layer (EDL) capacitor module

Semiconductor Devices and Microwave Tubes

Performance

This segment posted consolidated sales of ¥63,833 million in fiscal 2004, constituting 28.4% of the Group's consolidated net sales. New Japan Radio Co., Ltd. (NJRC) and its subsidiaries manufacture and sell 100.0% of all products in this segment. These companies supply electronic components and related products and technologies that sustain information technology at the heart of the digital revolution, as well as the shift to broadband and other information networks. NJRC's operations center on three business categories: semiconductors, which account for 86.7% of segment sales, microwave tubes and peripheral equipment (6.8%), and microwave application products, such as gallium arsenic (GaAs) ICs (6.5%).

In the semiconductor category, sales of power supply ICs for digital household appliances were healthy during the term under review. However, increased digitization has led to a slump in demand for analog audiovisual equipment, resulting in a decline in sales of operational amplifiers and other products. Sales of LCD controller drivers for mobile phones also languished. With respect to semiconductor devices, we reported downturn in sales of GaAs ICs, the most popular type of microwave device, due to a slump in sales of mobile phones in Japan and PHS terminals in China.

NJT5669 is a 5 to 6 GHz 5W output power transmitter, can be used to high speed and high capacity application for VSAT (Very Small Aperture Terminal) system of satellite communication, developed as ageneric product.

During the year, we enjoyed healthy sales in the microwave tubes and peripheral equipment category, thanks to a buoyant market for satellite transmission components in Europe and the United States and growth in sales of new products. However, we reported a decrease in sales of equipment to the public sector. The microwave application products category benefited from a considerable increase in sales of mainstay satellite transmission components. This was despite a decline in domestic and overseas sales of fixed wireless access (FWA) systems, stemming from heightened demand in Europe and United States.

Outlook

We expect further innovations in IT-related devices as social infrastructure continues to develop on the back of spreading digitization, faster transmission speeds, higher radio frequencies, and the ongoing proliferation of broadband and other information networks. NJRC will channel its resources into the development of technologies and products with higher levels of added value. In addition to enhancing investment efficiency, it will strive to reinforce its financial position and build a stable earnings structure.

NJRC will increase the production capacity of its subsidiary in Thailand in order to expand its semiconductor production capacity and reinforce cost competitiveness. To strengthen its operating base, it will boost its sales capabilities, shorten production lead-times, enhance quality assurance, and shift to a high-earnings structure.

The NJM411D is a single, precision JFET input operational amplifiers. It is suitable for a high speed integrator, sample & hold circuits and high speed buffer.

NJW1157 is an eight channel electric volume IC. It is suitable for multi-channel audio equipments such as AV receivers and DVD receivers.

Medical Electronics Equipment

Performance

Sales in this segment in fiscal 2004 amounted to ¥46,196 million, or 20.2% of consolidated net sales for the JRC Group. Aloka Co., Ltd., and its subsidiaries make and sell 100.0% of this segment's products. Electronic medical systems constitute 77.2% of segment sales, radiation protection and analytical instruments 12.6%, and clinical laboratory systems 10.2%.

In the field of electronic medical systems, operating conditions for our mainstay diagnostic ultrasound systems remained harsh as government policies for curtailing medical expenditures sparked a slump in capital expenditures by medical institutions. Aloka responded by introducing new products and high-end versions of systems used mainly for health examinations and routine testing. Sales have increased thanks to our direct sales system, which we continue to strengthen. We have gradually rolled out the system in Europe and China in our plan to establish and reinforce our overseas sales channels.

In fiscal 2004, our radiation measuring instruments and personal radiation monitoring devices—two mainstays of the radiation laboratory system business—did not perform well. Here, we experienced difficulties due to budget cutbacks by medical institutions and a demand slump in the nuclear power sector. Specimen pre-processing systems, the largest single product in the radiation protection and analytical instruments category, also performed poorly. This was due to government changes in the remuneration system for medical institutions and clinical testing centers, the main sources of demand for such systems. Aloka's products have acquired a solid reputation for their level of automation and their significant contribution to clinical testing efficiency.

Outlook

Operating conditions in the domestic medical equipment industry are expected to remain difficult. This is due to a number of factors, including curtailed capital expenditure and delayed replacement of equipment by medical institutions, stemming from across-the-board reductions in remuneration for medical treatment. In response, Aloka will seek to boost revenue by expanding its lineup of high-quality ultrasound-related products and strengthening its sales activities.

It will also target higher sales overseas by reinforcing its marketing activities and introducing new products into the European market. In Asia, Aloka will seek to boost revenue and earnings by further reinforcing its direct sales system through its subsidiary, Aloka International Trading (Shanghai) Co., Ltd.

Diagnostic Ultrasound System
(ProSound SSD series)

In April 2005, we established a CSR Office in order to enhance ethical awareness and reinforce our compliance, corporate governance, environmental protection, and personal information protection systems. We are also working hard to ensure that other Group companies share this fundamental policy by meeting their social obligations.

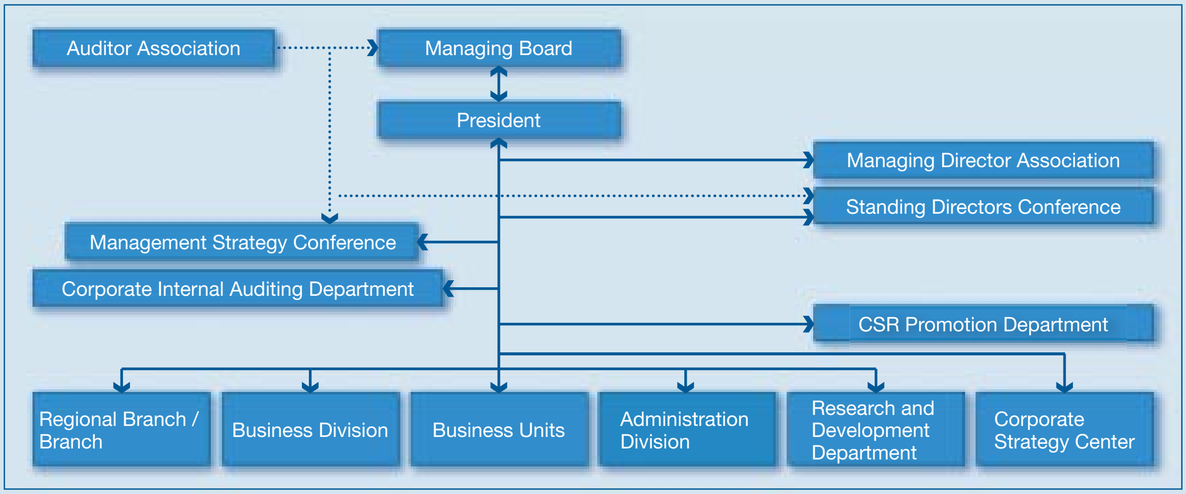
Reinforcing our Compliance System

Long-term growth will not be possible unless we fulfill our social responsibilities while pursuing profitability and a stronger financial position. For this reason, we set up a Compliance Committee to strengthen compliance with laws and other regulations and promote the creation of a highly transparent corporate culture. In this way, we hope to develop and grow in partnership with society.

Corporate Governance

With respect to corporate governance, our fundamental policies are to further solidify our operating control systems and enhance our value as a corporation. To this end, we are working to expedite decision-making and raise management transparency in our rapidly changing business environment. To ensure Groupwide cohesion, representatives from the companies in the Group attend regular meetings.

JRC's Managing Board consists of 11 members, including one external director. The Company also has an Auditor Association, with four members, including two external ones. The Managing Board meets once a month to decide important management-related issues. In addition, the Managing Director Association, consisting of executives ranked Managing Director and above, meets twice a month. The Standing Director Conference, attended by Standing Directors (including Managing Directors and above), is also held twice each month. Meanwhile, the Management Strategy Conference brings directors and related Company people together around twice a month to discuss specific themes, with the aim of enabling the Company to swiftly address changing business conditions. Corporate auditors also attend the Managing Board, Standing Directors Conference, and the Managing Strategy Conference to monitor the soundness of the Company's operations. Internally, the Corporate Internal Auditing Department, which is independent of the business departments, has been set up to upgrade and maintain the independence of the internal auditing function.



Environmental Policy

Regulations to protect the environment are becoming tighter around the world, highlighting the importance for companies to meet their social responsibilities. In 1998, JRC formulated a set of environmental policies, and has since devised and implemented various environmental initiatives on an annual basis. We are currently focusing on the impact that our products have on the environment, and this has become one of our major research and development themes. The entire Group is engaged in environmental initiatives to ensure that its businesses activities will not have a negative influence on society or the environment. Our major production plants in Japan and overseas have obtained certification under ISO14001, the international standard for environmental management systems.

Basic Environmental Policies

(1) The business activities, products and services of the Company shall comply with laws and regulations related to the environment and other social requirements to which the company subscribes.

(2) The business activities, products and services of the Company shall contribute to the saving of energy and resources, as well as the reduction of discharges and wastes.

(3) The Company shall structure its environmental management system to continually protect the environment, prevent pollution and improve the environmental impact of its business activities, as well as products and services.

(4) The environmental management system established by the Company shall define the objectives and targets of environmental conservation that shall be periodically reviewed. The Company shall make maximum efforts to achieve such objectives and targets.

(5) The environmental policy, including its fundamental spirit and basic policy, shall be made thoroughly known to all employees in order to obtain their full understanding and cooperation. If required, the policy shall be made public.

Protection of Personal Information

The Personal Information Protection Law came into full effect in Japan in April 2005. As early as March 2004, we produced a risk management manual, setting out policies for risks that can potentially arise in the course of our business activities. We also established protocols to deal with problems. Additional material on preventing the leakage of personal information was added in April 2004, describing measures to protect personal information. In February 2005, we formulated in-house regulations on handling personal information, based on the Personal Information Protection Law, and we have ensured that all employees are fully acquainted with these regulations.

Research and Development

JRC is a specialist in wireless communications equipment, one of its goals being to seize the No. 1 position in the world linear power amplifier (LPA) market. In this role, we will develop our businesses in wireless broadband and other next-generation communications fields.

In the maritime equipment sector, too, JRC has a formidable technological edge, as demonstrated by its top share of the world market for radar systems in new mercantile vessels. We are also poised to seize a leading share of the systems market, which requires extremely high reliability and technical capabilities. Our systems management capabilities cover dams, disaster prevention systems, road information systems, and various kinds of radar systems supplied to the National Defense Agency. We have an excellent lineup of services in this sector.

JRC has added information technology (IT) to the wealth of technologies it has amassed to date. This forms the basis of our IT information systems business, which we are developing. We will hone our competitive edge in wireless broadband technologies, a JRC specialization, and utilize the results in the other sector as well. In an important initiative to further reinforce our technical capabilities, we established a Technical Committee, based on the necessity of sharing information and technologies across different divisions. This will facilitate flexible and expeditious responses in all our projects, enabling us to further distinguish our comprehensive capabilities from other companies.

In both the Semiconductor Devices and Microwave Tubes and Medical Electronics Equipment segments, we will deploy our specialist technologies to spearhead development of successive new technologies that will lead to exciting new products.

Overseas Activities

In the Radio Communications Equipment segment, in April 2003 we established a China Business Development Department to handle strategic alliances in the Chinese market and develop sales activities closely tied to that region. We also have offices in Singapore, Jakarta, Manila, Taipei, and Hanoi. These are responsible for sales activities aimed at generating future business in the Asian region. In addition, we are actively pursuing sales activities in North America and Europe.

In the Semiconductor Devices and Microwave Tubes segment, we have established production bases in Thailand to strengthen cost competitiveness and boost production capacity. We also sell our offerings in North America, Europe, and Asia.

In the Medical Electronics Equipment segment, we have subsidiaries in Germany, Spain, France, and Italy, dedicated to selling our imaging test systems and therapeutic and surgical systems. In China, we will complement our sales office by establishing a manufacturing plant in Shanghai, where considerable growth in demand is expected.

ISO9001 Certification

The telecommunications, semiconductor, and medical equipment industries all demand the highest levels of reliability and quality. JRC first obtained ISO9001 certification, the international standard for quality management systems, in 1995. Since then, virtually all of our production plants, including those of other companies in the JRC Group, have acquired this certification. Our record of ISO9001 certification is testament to the highly reliable products and systems we provide to our customers around the world, and to our excellent post-delivery service system.

RISKS

There are a number of risks that could potentially affect the JRC Group's business performance, share prices and financial position. Such risks are summarized below.

(1) Tendency toward second half of each fiscal year

Because a relatively high proportion of the Group's products are delivered to public entities, sales tend to be toward the second half of each fiscal year.

(2) Domestic and overseas demand trends

The business performance of the JRC Group can potentially be affected by a number of factors. These include budgets of public sector entities, which constitute a major source of business for the Group, as well as capital expenditures in the telecommunications industry, demand trends in the semiconductor industry, and capital expenditures by medical institutions. In the future, the Group intends to increase revenue from overseas, which will involve various risks, including political instability in certain regions and China's economic performance. Such changes in local environmental conditions can have an impact on the JRC Group as it develops its business globally.

(3) Exchange rate fluctuations

The Group's business includes foreign currency-denominated transactions conducted by overseas sales operations. Exchange rate fluctuations, therefore, have an effect on its business. The Group endeavors to minimize the effect of short-term fluctuations by engaging in exchange contracts and currency option transactions. However, such actions do not offer a full guarantee against currency risk, and earnings may be affected accordingly. In addition, exchange rate fluctuations can influence the purchasing patterns of customers overseas, which, in turn, may affect the performance of products sold in yen.

(4) Interest rate fluctuations

The JRC Group's business performance and financial position can potentially be affected by future interest rate movements and changes in its credit rating, which could influence its fund-raising costs.

(5) Availability of parts

Certain parts used by the JRC Group can become difficult to purchase due to changes in economic conditions. For example, sharp economic growth in certain regions (such as China) and a surge in the popularity of certain products (such as digital electronic appliances) may reveal limitations in the supply capacity of parts manufacturers and cause problems with delivery times. Such factors have the potential to affect the Group's shipment schedule, while sharp increases in parts' prices could have an adverse impact on earnings.

(6) Legal restrictions

In the countries where the Group engages in business transactions, various laws apply, including restrictions on exports and imports as well as laws related to the environment and recycling. The Group's stated policy focuses on compliance with such laws and regulations, and this policy is clarified in its internal rules. However, unexpected changes to laws have the potential to restrict the Group's activities and increase costs.

CONSOLIDATED FIVE-YEAR SUMMARY

	Millions of yen					Thousands of U.S. dollars
For the year ended 31st March,	2001	2002	2003	2004	2005	2005
Net sales	¥276,631	¥261,498	¥259,381	¥278,572	¥229,193	$2,134,216
Radio communications equipment	168,687	166,433	157,929	167,350	119,163	1,109,633
Semiconductor devices and microwave tubes	64,224	48,866	54,247	66,021	63,834	594,410
Medical electronics equipment	43,720	46,199	47,205	45,201	46,196	430,173
Operating income (loss)	8,210	(1,202)	6,351	8,668	5,965	55,546
Operating income (loss) ratio (%)	3.0	(0.5)	2.4	3.1	2.6	–
Income (loss) before income taxes and minority interests	2,503	(13,043)	2,293	6,515	4,761	44,336
Net income (loss)	(616)	(16,430)	(10,534)	2,161	542	5,046
As of 31st March,						
Total assets	304,108	274,311	247,849	232,235	233,878	2,177,842
Shareholders' equity	89,862	74,041	62,687	66,701	67,725	630,646
Shareholders' equity ratio (%)	29.5	27.0	25.3	28.7	29.0	–
Interest-bearing liabilities	70,762	77,957	64,053	50,838	46,940	437,098
Depreciation	8,803	8,200	8,359	7,820	7,855	73,147
Capital expenditures	12,030	7,416	8,385	7,142	6,202	57,754
Net income (loss) per share (Yen/U.S. dollars)	(4.46)	(119.08)	(76.85)	15.19	3.44	0.03
ROE (%)	–	–	–	3.2	0.8	–
D/E ratio (times)	0.79	1.05	1.02	0.76	0.69	–
Employees	9,052	8,785	8,625	8,739	8,612	–

Note: U.S. dollar amounts are translated, for convenience only, at ¥107.39 = US$1.00, the rate prevailing on March 31, 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Revenue and Earnings

In fiscal 2004, ended March 31, 2005, consolidated net sales amounted to ¥229,193 million, down 17.7% from fiscal 2003. Operating income declined 31.2%, to ¥5,965 million, due to a fall in revenue and earnings from system equipment. Net income dropped 74.9%, to ¥542 million, resulting from a revaluation loss on inventories and other factors.

On a non-consolidated basis, net sales slipped 4.0%, to ¥112,576 million, or 49.1% of consolidated net sales. Operating income declined 96.7%, to ¥45 million. The Company reported a non-consolidated net loss of ¥1,428 million for the year, compared with net income of ¥493 million in fiscal 2003.

Consolidated sales by segment

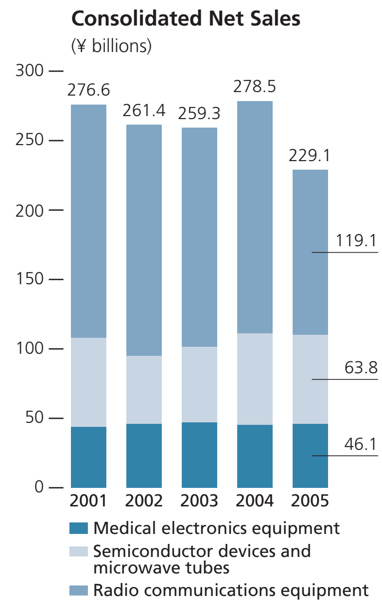
Sales of JRC and its consolidated subsidiaries are divided into three segments: Radio Communications Equipment, Semiconductor Devices and Microwave Tubes, and Medical Electronics Equipment.

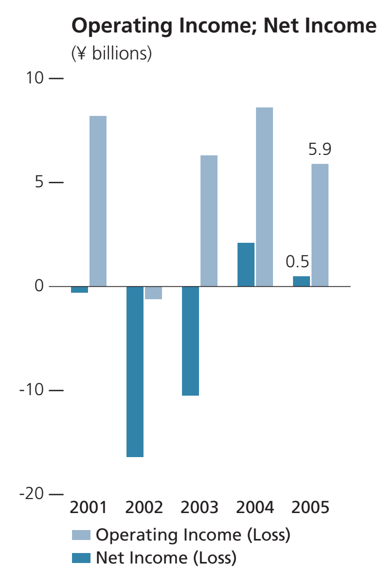
In fiscal 2004, the Radio Communications Equipment segment posted consolidated sales of ¥119,163 million, down 28.8% from fiscal 2003. Segment sales accounted for 52.0% of consolidated net sales, down 8.1 points from 60.1%.

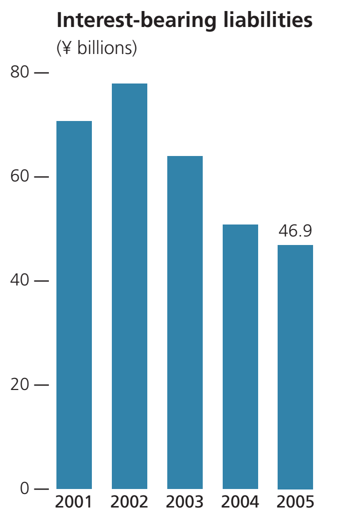
JRC (the parent company) reported net sales of ¥112,575 million, representing 94.4% of sales generated by the Radio Communications Equipment segment. Of this figure, marine electronics equipment accounted for 20.4% (¥23,000 million), communications equipment 32.2% (¥36,300 million), and system electronics equipment 47.3% (¥53,300 million).

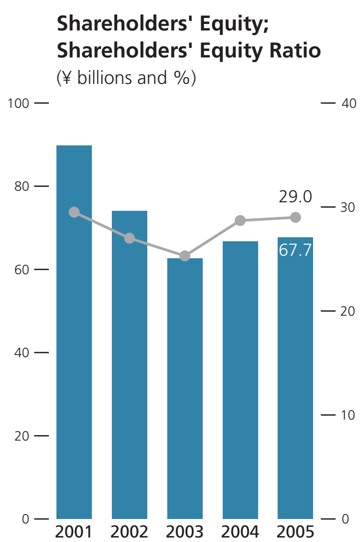
Sales of the Semiconductor Devices and Microwave Tubes segment declined 3.3%, to ¥63,833 million, or 27.8% of net sales. New Japan Radio Co., Ltd., recorded sales of ¥65,053 million, representing 94.3% of sales in this segment.

The Medical Electronics Equipment segment posted a 2.2% sales increase, to ¥46,196 million, or 20.2% of net sales. Aloka Co., Ltd., posted sales of ¥46,196 million, accounting for 99.9% of segment sales.









* Shareholders' equity ratio on a market value (%) = Aggregate Market Value/Total Assets

Dividend Policy

During the four-year period from fiscal 2000 to fiscal 2003, JRC suspended dividends. For fiscal 2004, we regret that we are again unable to declare a dividend. Going forward, we will strive to generate sufficient earnings that will enable us to resume dividend payments.

Financial Position

At March 31, 2005, consolidated total assets stood at ¥233.8 billion, up 0.7% from a year earlier. The main reason for this increase was a rise in inventory assets. On a non-consolidated basis, total assets edged down 0.4%, to ¥117.2 billion.

Shareholders' equity rose 1.5%, to ¥67.7 billion, owing to an increase in retained earnings. As a result, the shareholders' equity ratio increased 0.2 point, to 29.0%. On a non-consolidated basis, the ratio slipped 0.9 point, to 32.3%.

Performance Indicators

The Group has adopted a cash-flow-oriented management approach aimed at maximizing corporate value. In fiscal 2004, consolidated free cash flows (net cash flows from operating activities and investing activities) amounted to ¥1,127 million. In fiscal 2005, we will continue seeking to boost cash flows by reducing inventory assets, swiftly recovering accounts receivable, and adopting a more selective approach to our business domains. Reflecting our commitment to shareholder value, we have chosen return on equity (ROE) as a suitable performance indicator. Our ROE target for the year to March 31, 2007, is 9.0%.

Cash Flows

On a consolidated basis, cash and cash equivalents at year-end stood at ¥17,427 million, down ¥3,179 million from a year earlier.

Net cash provided by operating activities amounted to ¥7,779 million. Major components included ¥8,497 million in depreciation, a ¥5,246 million increase in notes and accounts payable, and a ¥7,821 million increase in inventories.

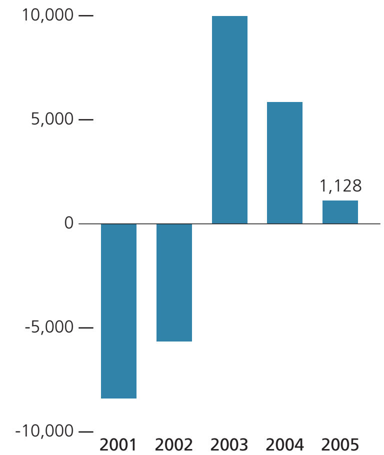
Net cash used in investing activities totaled ¥6,652 million, consisting mainly of capital expenditures aimed at streamlining operations, as well as the purchase of property, plant, and equipment, mostly related to semiconductor devices.

Net cash used in financing activities was ¥4,326 million. This resulted from ¥8,100 million in redemption of corporate bonds and a ¥4,061 million net decrease in short-term bank loans, which outweighed inflows stemming from the issue of commercial paper.

	Millions of yen		Thousand of U.S. dollars
	2004	2005	2005
Cash flows from operating activities	¥10,164	¥ 7,780	$ 72,446
Cash flows from investing activities	(4,317)	(6,652)	(61,949)
Cash flows from financing activities	(10,891)	(4,327)	(40,290)
Interest-bearing liabilities	50,838	46,940	437,107
Years to maturity (years)*1	5.3	6.3	–
Interest coverage ratio (times)*2	10.0	11.9	–

*1: Years to maturity = Interest-bearing liabilities / Cash flows from operating activities
*2: Interest coverage ratio = Cash flows from operating activities /Interest paid

Free Cash Flow
(¥ millions)



* Free Cash Flow = Inflow from Operating Activities – Outflow from Investing Activities

Outlook for Fiscal 2005

The outlook for the year ahead is uncertain, due to a number of concerns. These include fears of a fluctuating yen, unpredictable economic conditions in the United States and China, and rising prices of crude oil and raw materials.

Harnessing its comprehensive strengths, the JRC Group will push forward with its business policy of "selection and concentration." We will also target cost reductions and improved production efficiency. For the fiscal year to March 31, 2006, we forecast a 6.0% increase in consolidated net sales, to ¥239,000 million, and net income of ¥3,700 million.

On a non-consolidated basis, we forecast a 6.5% increase in net sales, to ¥120,000 million, and a substantial increase in operating income, to ¥2,700 million. We also project ¥2,000 million in net income, marking a return to profitability.

Japan Radio Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED BALANCE SHEETS

March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	**¥ 17,428**	¥ 20,607	**$ 162,283**
Short-term investments (Note 3)	**1,095**	985	**10,196**
Receivables:			
Trade notes	**8,499**	8,379	**79,143**
Trade accounts	**71,708**	71,564	**667,734**
Unconsolidated subsidiaries and affiliated companies	**295**	604	**2,748**
Other	**452**	1,056	**4,215**
Allowance for doubtful accounts	**(831)**	(642)	**(7,741)**
Inventories (Note 4)	**69,643**	61,788	**648,507**
Deferred tax assets (Note 8)	**2,897**	2,853	**26,975**
Prepaid expenses and other	**1,977**	2,226	**18,412**
Total current assets	**173,163**	169,420	**1,612,472**
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 16):			
Land	**6,272**	6,299	**58,406**
Buildings and structures	**56,640**	56,366	**527,427**
Machinery and equipment	**69,833**	69,087	**650,274**
Furniture and fixtures	**45,804**	45,627	**426,523**
Construction in progress	**295**	631	**2,742**
Total	**178,844**	178,010	**1,665,372**
Accumulated depreciation	**(140,498)**	(137,407)	**(1,308,297)**
Net property, plant and equipment	**38,346**	40,603	**357,075**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**9,647**	8,838	**89,831**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**1,357**	672	**12,633**
Deferred tax assets (Note 8)	**6,141**	6,373	**57,187**
Other assets	**6,392**	7,665	**59,521**
Allowance for doubtful accounts	**(1,168)**	(1,336)	**(10,877)**
Total investments and other assets	**22,369**	22,212	**208,295**
TOTAL	**¥ 233,878**	¥ 232,235	**$ 2,177,842**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 13,614**	¥ 17,632	**$ 126,768**
Current portion of long-term debt (Note 5)	**3,744**	10,929	**34,867**
Commercial paper (Note 5)	**8,000**		74,495
Payables:			
Trade notes	**3,936**	1,836	**36,652**
Trade accounts	**41,396**	34,632	**385,469**
Unconsolidated subsidiaries and affiliated companies	**1,435**	4,788	**13,366**
Other	**4,093**	3,701	**38,112**
Income taxes payable (Note 8)	**1,669**	1,429	**15,545**
Accrued expenses	**5,242**	5,835	**48,812**
Advances received	**1,747**	1,907	**16,272**
Other (Note 8)	**7,820**	8,859	**72,819**
Total current liabilities	**92,696**	91,548	**863,177**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**21,583**	22,278	**200,977**
Liability for retirement benefits (Note 6)	**22,600**	22,872	**210,445**
Deferred tax liabilities (Note 8)	**1,444**	1,501	**13,447**
Other	**871**	1,760	**8,110**
Total long-term liabilities	**46,498**	48,411	**432,979**
MINORITY INTERESTS	**26,959**	25,575	**251,040**
CONTINGENT LIABILITIES (Note 16)			
SHAREHOLDERS' EQUITY (Note 7):			
Common stock—authorized, 216,000,000 shares; issued, 137,976,690 shares in 2005 and 2004	**14,704**	14,704	**136,925**
Capital surplus	**17,087**	17,087	**159,111**
Retained earnings	**34,373**	33,900	**320,079**
Net unrealized gain on available-for-sale securities	**2,020**	1,522	**18,808**
Foreign currency translation adjustments	**(425)**	(488)	**(3,962)**
Treasury stock—at cost, 104,421 shares in 2005 and 80,489 shares in 2004	**(34)**	(24)	**(315)**
Total shareholders' equity	**67,725**	66,701	**630,646**
TOTAL	**¥233,878**	¥232,235	**$2,177,842**

CONSOLIDATED STATEMENTS OF INCOME

Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
NET SALES	**¥229,193**	¥278,572	**$2,134,216**
COST OF SALES	**175,459**	221,517	**1,633,856**
Gross profit	**53,734**	57,055	**500,360**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**47,769**	48,387	**444,814**
Operating income	**5,965**	8,668	**55,546**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**122**	108	**1,139**
Interest expense	**(641)**	(973)	**(5,969)**
Other—net (Note 11)	**(685)**	(1,288)	**(6,380)**
Other expenses-net	**(1,204)**	(2,153)	**(11,210)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**4,761**	6,515	**44,336**
INCOME TAXES (Note 8):			
Current	**2,651**	2,864	**24,686**
Deferred	**(209)**	(192)	**(1,947)**
Total income taxes	**2,442**	2,672	**22,739**
MINORITY INTERESTS	**(1,777)**	(1,682)	**(16,551)**
NET INCOME	**¥ 542**	¥ 2,161	**$ 5,046**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.p and 18):			
Basic net income	**¥3.44**	¥15.19	**$0.03**
Diluted net income	**3.43**	15.16	**0.03**

See notes to consolidated financial statements.

Japan Radio Co., Ltd. and Consolidated Subsidiaries

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended March 31, 2005 and 2004

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2003	137,907	¥14,704	¥17,087	¥31,820	¥ (588)	¥(317)	¥(19)
Net income				2,161			
Bonuses to directors				(74)			
Prior year adjustment of the opening retained earnings (Note 12)				(7)			
Net increase in unrealized gain on available-for-sale securities					2,110		
Net decrease in foreign currency translation adjustments						(171)	
Repurchase of treasury stock	(11)						(5)
BALANCE, MARCH 31, 2004	137,896	14,704	17,087	33,900	1,522	(488)	(24)
Net income				542			
Bonuses to directors				(69)			
Net increase in unrealized gain on available-for-sale securities					498		
Net increase in foreign currency translation adjustments						63	
Repurchase of treasury stock	(24)						(10)
BALANCE, MARCH 31, 2005	137,872	¥14,704	¥17,087	¥34,373	¥2,020	¥(425)	¥(34)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2004	$136,925	$159,111	$315,670	$14,173	$(4,546)	$(224)
Net income			5,046			
Bonuses to directors			(637)			
Net increase in unrealized gain on available-for-sale securities				4,635		
Net increase in foreign currency translation adjustments					584	
Repurchase of treasury stock						(91)
BALANCE, MARCH 31, 2005	$136,925	$159,111	$320,079	$18,808	$(3,962)	$(315)

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 4,761**	¥ 6,515	**$ 44,336**
Adjustments for:			
Income taxes—paid	**(2,248)**	(4,887)	**(20,935)**
Depreciation and amortization	**8,498**	8,170	**79,128**
Gain on sales of investment securities	**(50)**	(1,101)	**(466)**
Loss on valuation of investment securities	**22**	27	**207**
Equity in losses (earnings) of affiliated companies	**(261)**	8	**(2,427)**
Gain on sales of investments in a consolidated subsidiary		(751)	
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	**152**	3,699	**1,419**
Decrease (increase) in inventories	**(7,822)**	644	**(72,837)**
Decrease (increase) in interest and dividend receivable	**11**	(1)	**105**
Increase in notes and accounts payable	**5,247**	3,548	**48,855**
Decrease in interest payable	**(11)**	(47)	**(100)**
Increase (decrease) in liability for retirement benefits	**1,106**	(157)	**10,297**
Other—net	**(1,625)**	(5,503)	**(15,136)**
Total adjustments	**3,019**	3,649	**28,110**
Net cash provided by operating activities	**7,780**	10,164	**72,446**
INVESTING ACTIVITIES:			
Proceeds from sales of short-term investments	**1,484**	4,614	**13,814**
Purchase of short-term investments	**(1,567)**	(4,470)	**(14,595)**
Proceeds from sales of property, plant and equipment	**425**	148	**3,961**
Purchase of property, plant and equipment	**(5,802)**	(6,562)	**(54,031)**
Proceeds from sales of investment securities	**343**	2,164	**3,193**
Purchase of investment securities	**(238)**	(503)	**(2,212)**
Sales of investments in a consolidated subsidiary, net of cash (Note 13)		773	
Proceeds from sales of investments in an affiliated company	**(549)**		**(5,116)**
Other—net	**(748)**	(481)	**(6,963)**
Net cash used in investing activities	**(6,652)**	(4,317)	**(61,949)**
FINANCING ACTIVITIES:			
Net change in short-term bank loans	**(4,062)**	2,158	**(37,820)**
Net change in commercial paper	**8,000**	(4,000)	**74,495**
Proceeds from long-term debt	**3,212**	3,290	**29,914**
Repayments of long-term debt	**(11,098)**	(12,090)	**(103,340)**
Proceeds from minority interest shareholders	**14**	121	**126**
Cash dividends	**(384)**	(365)	**(3,574)**
Other—net	**(9)**	(5)	**(91)**
Net cash used in financing activities	**(4,327)**	(10,891)	**(40,290)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**20**	(233)	**186**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,179)**	(5,277)	**(29,607)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**20,607**	25,884	**191,890**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 17,428**	¥ 20,607	**$162,283**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2005 and 2004

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 have been made in the 2004 consolidated financial statements to conform to the classifications used in 2005.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Japan Radio Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107.39 to $1, the approximate rate of exchange at March 31, 2005. Such translation should not be construed as representation 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 consolidated financial statements as of March 31, 2005 include the accounts of the Company and its 31 (31 in 2004) significant subsidiaries (together, the "Group").

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 3 (3 in 2004) affiliated companies (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method.

Investments in the remaining 3 unconsolidated subsidiaries and 1 affiliated company (3 unconsolidated subsidiaries and 1 affiliated company in 2004) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

b. 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 certificate of deposits, all of which mature or become due within three months of the date of acquisition.

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

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

Merchandise are stated at cost determined by the moving-average method.

Inventories of certain foreign consolidated subsidiaries are stated at the lower of cost determined by the moving-average method or market.

d. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities, which are not classified as either trading securities nor held-to-maturity debt securities, and they are reported at fair value, with unrealized 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 realizable 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 April 1, 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. Stock and Bond Issue Costs—Stock and bond issue costs are charged to income as incurred.

g. Bond with Warrants—The proceeds of bonds with warrants are allocated between a bond portion and a warrant portion. The amount ascribed to warrants are stated as other current liabilities.

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

i. Retirement and Pension Plans—The Company and certain domestic consolidated subsidiaries have contributory and non-contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Other foreign consolidated subsidiaries have non-contributory funded pension plans and unfunded retirement benefit plans.

The Group 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.

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 capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" 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 income. The asset and liability approach is used to recognize 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.

Certain consolidated subsidiaries file a tax return under the consolidated corporate-tax system from the fiscal year ended March 31, 2005, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

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 recognized in the consolidated statements of income to the extent that they are not hedged by forward currency 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 currency forward contracts, interest rate swaps and currency options are utilized 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 recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income 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 currency forward contracts employed to hedge foreign exchange exposures for import purchases and export sales are measured at fair value and the unrealized gains/losses are recognized in income. Trade payables and trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

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

p. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised. Diluted net income per share of common stock assumes full exercise of outstanding warrants of certain subsidiaries, if certain requirements are fulfilled, at the beginning of the year with an applicable adjustment for minority interests.

q. New Accounting Pronouncements—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Group expects to adopt these pronouncements as of April 1, 2005 and is currently in the process of assessing the effect of adoption of these pronouncements.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Short-term investments:			
Time deposits	**¥1,044**	¥ 954	**$ 9,721**
Equity securities		3	
Debt securities	**18**	9	**168**
Other	**33**	19	**307**
Total	**¥1,095**	¥ 985	**$10,196**
Investment securities:			
Equity securities	**¥8,969**	¥8,209	**$83,519**
Debt securities	**218**	266	**2,027**
Other	**460**	363	**4,285**
Total	**¥9,647**	¥8,838	**$89,831**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2005 and 2004 were as follows:

	Millions of Yen			
March 31, 2005	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥5,030	¥3,823	¥232	¥8,621
Debt securities	226	10		236
Other	363		66	297
March 31, 2004				
Securities classified as available-for-sale:				
Equity securities	5,087	2,904	138	7,853
Debt securities	256	20	1	275
Other	369	1	75	295

	Thousands of U.S. Dollars			
March 31, 2005	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$46,839	$35,596	$2,160	$80,275
Debt securities	2,100	95		2,195
Other	3,381		613	2,768

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Available-for-sale:			
Equity securities	**¥348**	¥359	**$3,244**
Other	**196**	87	**1,824**
Total	**¥544**	¥446	**$5,068**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥353 million ($3,285 thousand) and ¥2,258 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥51 million ($474 thousand) and ¥2 million ($15 thousand), respectively, for the year ended March 31, 2005 and ¥1,101 million and ¥11 million, respectively, for the year ended March 31, 2004.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2005 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 51	$ 475
Due after one year through five years	59	546
Due after five years through ten years	31	288
Total	¥141	$1,309

4. INVENTORIES

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Finished products, semi-finished products and merchandise	**¥23,343**	¥21,170	**$217,371**
Work in process	**34,576**	29,444	**321,963**
Raw materials and supplies	**11,724**	11,174	**109,173**
Total	**¥69,643**	¥61,788	**$648,507**

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2005 and 2004 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 March 31, 2005 and 2004 were 0.9% and 1.0%, respectively.

The weighted average annual interest rate for commercial paper for the year ended March 31, 2005 was 0.2%.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Unsecured 2.5% domestic bonds due 2004		¥ 8,000	
Unsecured 1.2% domestic bonds due 2005		100	
Unsecured 1.4% domestic bonds due 2005 issued with warrants	**¥ 277**	277	**$ 2,585**
Unsecured 0.7% domestic bonds due 2006	**7,000**	7,000	**65,183**
Unsecured 0.7% domestic bonds due 2006	**1,500**	1,500	**13,968**
Unsecured 1.0% domestic bonds due 2008	**100**	100	**931**
Loans from banks, due serially to 2014 with interest rates ranging from 0.5% to 3.3% (in 2005) and from 0.6% to 3.3% (in 2004):			
Collateralized	**1,884**	1,400	**17,544**
Unsecured	**14,566**	14,830	**135,633**
Total	**25,327**	33,207	**235,844**
Less current portion	**(3,744)**	(10,929)	**(34,867)**
Long-term debt, less current portion	**¥21,583**	¥22,278	**$200,977**

Annual maturities of long-term debt outstanding at March 31, 2005 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 3,744	$ 34,867
2007	16,227	151,099
2008	3,907	36,382
2009	639	5,947
2010	379	3,533
2011 and thereafter	431	4,016
Total	¥25,327	$235,844

The carrying amounts of assets pledged as collateral for long-term debt totaling ¥1,884 million ($17,544 thousand) at March 31, 2005 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥6,191	$57,650

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

The warrants issued with 1.4% 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 March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥ 68,636	¥ 67,482	$ 639,133
Fair value of plan assets	(32,467)	(30,138)	(302,332)
Unrecognized transitional obligation	(3,285)	(3,702)	(30,590)
Unrecognized actuarial loss	(16,332)	(18,140)	(152,084)
Unrecognized prior service cost	4,349	4,687	40,496
Prepaid pension expense	768	1,789	7,155
Net liability	¥ 21,669	¥ 21,978	$ 201,778

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥2,977	¥3,132	$27,720
Interest cost	1,435	1,689	13,360
Expected return on plan assets	(837)	(379)	(7,793)
Amortization of prior service cost	(358)	(161)	(3,335)
Recognized actuarial loss	1,523	1,626	14,185
Amortization of transitional obligation	417	417	3,884
Net periodic benefit costs	5,157	6,324	48,021
Special retirement expenses		1,653	
Additional retirement benefits paid to employees	15	4	142
Total	¥5,172	¥7,981	$48,163

Assumptions used for the years ended March 31, 2005 and 2004 are set forth as follows:

	2005	2004
Discount rate	2.0%-5.3%	2.0%-5.8%
Expected rate of return on plan assets	1.0%-5.0%	0.0%-5.0%
Amortization period of prior service cost	15 years	15 years
Recognition period of actuarial gain/loss	10-15 years	10-15 years
Amortization period of transitional obligation	5-15 years	5-15 years

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 unfunded retirement allowance plan covering all of its directors and corporate auditors. The liability for retirement benefits for directors and corporate auditors for the years ended March 31, 2005 and 2004 was ¥931 million ($8,667 thousand) and ¥894 million, respectively.

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code.

The Code requires that all shares of common stock are recorded with no par value and at least 50% 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 Code also provides that an amount at least equal to 10% 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% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% 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 Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. 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 shareholders meeting.

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. The amount of retained earnings available for dividends under the Code was ¥2,051 million ($19,102 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

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.

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.7% and 41.8% for the years ended March 31, 2005 and 2004, respectively.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan. The tax law, which required the tax and public dues in the form of pro forma standard taxation, was newly introduced effective from the term ended March 31, 2005. The effect of this introduction was to increase in selling, general and administrative expenses by ¥327 million ($3,049 thousand).

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Net current deferred tax assets:			
Current deferred tax assets:			
Accrued bonuses	**¥ 2,230**	¥ 2,321	**$ 20,765**
Enterprise taxes payable	**216**	141	**2,014**
Inventories	**851**	562	**7,927**
Allowance for doubtful accounts	**82**	67	**763**
Unrealized gains	**214**	281	**1,995**
Warranty for finished products	**205**	261	**1,900**
Accrued social security on accrued bonuses	**257**	259	**2,397**
Other	**276**	83	**2,567**
Valuation allowance	**(1,325)**	(998)	**(12,342)**
Total	**3,006**	2,977	**27,986**
Current deferred tax liabilities:			
Adjustment of allowance for doubtful accounts		1	**1**
Other	**109**	123	**1,010**
Total	**109**	124	**1,011**
Net current deferred tax assets	**¥ 2,897**	¥ 2,853	**$ 26,975**

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Net non-current deferred tax assets:			
Non-current deferred tax assets:			
Allowance for doubtful accounts	¥ 28	¥ 82	$ 260
Liability for retirement benefits	4,081	3,540	38,001
Tax loss carryforwards	88	217	816
Software		35	
Investment securities	5	112	44
Unrealized gains	1,836	1,838	17,100
Other	490	1,120	4,565
Valuation allowance	(32)	(173)	(297)
Total	6,496	6,771	60,489
Non-current deferred tax liabilities:			
Special reserve for tax purposes	43	68	401
Net unrealized gains on available-for-sale securities	207	283	1,932
Other	105	47	969
Total	355	398	3,302
Net non-current deferred tax assets	¥ 6,141	¥ 6,373	$ 57,187
Net non-current deferred tax liabilities:			
Non-current deferred tax assets:			
Allowance for doubtful accounts	¥ 319	¥ 108	$ 2,972
Liability for retirement benefits	4,313	4,008	40,160
Tax loss carryforwards	6,601	6,136	61,471
Software	2,344	1,881	21,831
Investment securities	915	955	8,523
Inventories	275	231	2,562
Property, plant and equipment	267	159	2,491
Other	422	283	3,922
Valuation allowance	(14,880)	(13,477)	(138,567)
Total	576	284	5,365
Non-current deferred tax liabilities:			
Deferred gain on sales of properties	258	271	2,400
Special reserve for tax purposes	9	13	89
Liability for retirement benefits	319		2,972
Net unrealized gains on available-for-sale securities	1,349	1,428	12,564
Other	85	73	787
Total	2,020	1,785	18,812
Net non-current deferred tax liabilities	¥1,444	¥1,501	$13,447

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2005 is as follows:

	2005
Normal effective statutory tax rate	40.7%
Expenses not deductible for income tax purposes	3.5
Change in valuation allowance	14.8
Minimum inhabitants tax	2.8
Equity in earnings of affiliated companies	(2.2)
Tax credit for experimentation and research expenses	(8.0)
Other—net	(0.3)
Actual effective tax rate	51.3%

Note:The reconciliation for 2004 is not shown because the difference between the normal effective statutory tax rate and the actual effective tax rate for financial statement purposes is less than 5% of the normal effective statutory tax rate.

At March 31, 2005, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥14,590 million ($135,858 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 utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 3,155	$ 29,375
2007	41	386
2009	8,714	81,141
2010	2,368	22,049
2011	256	2,389
2012 and thereafter	56	518
Total	¥14,590	$135,858

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥18,766 million ($174,751 thousand) and ¥19,999 million for the years ended March 31, 2005 and 2004, respectively.

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Details of selling, general and administrative expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Provision for doubtful accounts	**¥ 296**	¥ 409	**$ 2,752**
Salary	**17,539**	17,473	**163,320**
Provision for retirement benefits	**1,951**	2,333	**18,169**
Research and development costs	**7,731**	7,763	**71,988**
Other	**20,252**	20,409	**188,585**
Total	**¥47,769**	¥48,387	**$444,814**

11. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Gain on sales of investment securities	**¥ 50**	¥ 1,101	**$ 466**
Loss on valuation of investment securities	**(22)**	(27)	**(207)**
Gain on sales of investments in a consolidated subsidiary		751	
Equity in earnings (losses) of affiliated companies	**261**	(8)	**2,427**
Loss on valuation and disposal of inventories	**(1,933)**	(331)	**(17,999)**
Foreign exchange gain (loss)	**744**	(1,181)	**6,928**
Reversal of allowance for doubtful accounts	**81**	210	**755**
Provision for retirement benefits	**(89)**	(89)	**(825)**
Special retirement expenses		(1,653)	
Gain on sales of fixed assets	**303**	1	**2,817**
Other loss—net	**(80)**	(62)	**(742)**
Total	**¥ (685)**	¥(1,288)	**$ (6,380)**

12. PRIOR YEAR ADJUSTMENT

A subsidiary in Singapore adopted Interpretation to Singapore Financial Reporting Standards 19, effective April 1, 2003.

The effect of this adoption was to decrease the opening retained earnings by ¥7 million as of April 1, 2003.

13. SUPPLEMENTAL CASH FLOW INFORMATION

The Company sold all of the outstanding shares of JRC Mobitec Co., Ltd. in December 2003. The cash flow effects of sales of ownership interest for the year ended March 31, 2004 are as follows:

	Millions of Yen
	2005
Current assets	¥8,147
Long-term assets	233
Current liabilities	(8,139)
Long-term liabilities	(36)
Gain on sales of investments	751
Consideration received	956
Cash and cash equivalents	(183)
Cash inflow	¥ 773

14. LEASES

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

Total lease payments for the years ended March 31, 2005 and 2004 were ¥729 million ($6,789 thousand) and ¥847 million, respectively, including ¥713 million ($6,637 thousand) and ¥808 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004 was as follows:

	Millions of Yen							
	2005				2004			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥815	¥1,859	¥568	¥3,242	¥827	¥2,017	¥590	¥3,434
Accumulated depreciation	286	1,017	328	1,631	393	1,101	338	1,832
Net leased property	¥529	¥ 842	¥240	¥1,611	¥434	¥ 916	¥252	¥1,602

	Thousands of U.S. Dollars			
	2005			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$7,585	$17,310	$5,291	$30,186
Accumulated depreciation	2,663	9,467	3,058	15,188
Net leased property	$4,922	$ 7,843	$2,233	$14,998

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 578	¥ 612	$ 5,381
Due after one year	1,120	995	10,430
Total	¥1,698	¥1,607	$15,811

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Depreciation expense	**¥667**	¥712	**$6,208**
Interest expense	**30**	33	**283**
Total	**¥697**	¥745	**$6,491**

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

The minimum rental commitments under noncancelable operating leases at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥12**	¥17	**$108**
Due after one year	**17**		**166**
Total	**¥29**	¥17	**$274**

15. DERIVATIVES

The Group enters into derivative financial instruments, including foreign currency forward contracts and currency options, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap agreements as a means of managing 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. The Group does not hold or issue derivatives for trading or speculative purposes.

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 of the Company and such subsidiaries which regulate the authorization and credit limit amount.

The fair value of the Group's derivative financial instruments at March 31, 2005 and 2004 are as follows:

	Millions of Yen					
	2005			2004		
	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:						
Buying—Japanese yen	¥2,535	¥2,434	¥(101)	¥1,762	¥1,696	¥(66)
Selling—U.S. dollars	2,528	2,560	(32)	2,194	2,079	115
Total	¥5,063	¥4,994	¥(133)	¥3,956	¥3,775	¥ 49

	Thousands of U.S. Dollars		
	2005		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Foreign currency forward contracts:			
Buying—Japanese yen	$23,692	$22,749	$ (943)
Selling—U.S. dollars	23,538	23,841	(303)
Total	$47,230	$46,590	$(1,246)

Derivative financial instruments which qualify for hedge accounting for the years ended March 31, 2005 and 2004 are excluded from the disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

16. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Export drafts discounted	**¥319**	¥414	**$2,972**
Guarantees and items of a similar nature	**641**	385	**5,968**

The carrying amounts of assets pledged as collateral for guarantees of ¥162 million ($1,504 thousand) at March 31, 2005, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥30	$280
Property, plant and equipment-net of accumulated depreciation	34	314
Total	¥64	$594

17. OVER-BILLING CLAIM

On December 14, 2004, the Company received an over-billing claim from the Japan Defense Agency. A special investigation is under way on orders and contracts fulfilled prior to that date. As of June 29, 2005, the amount of claimed over-billing is yet to be confirmed.

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2005 and 2004 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2005	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 475	137,886	¥ 3.44	$0.03
Effect of dilutive securities—Minority interests	(2)			
Diluted EPS—Net income for computation	¥ 473	137,886	¥ 3.43	$0.03
Year Ended March 31, 2004				
Basic EPS-Net income available to common shareholders	¥2,095	137,901	¥15.19	
Effect of dilutive securities-Minority interests	(4)			
Diluted EPS-Net income for computation	¥2,091	137,901	¥15.16	

19. SEGMENT INFORMATION

The Company operates in the following industries:

Industry radio communications equipment consists of radio communications equipment, radio-applied equipment, electronics equipment, installation work and other operations.

Industry semiconductor devices and microwave tubes consists of microwave tubes and peripheral equipment, microwave devices, and semiconductor products.

Industry medical electronics equipment consists of electronic medical systems, radiation protection and analytical instruments, and clinical laboratory systems.

Information about operations in industry segments, geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2005 and 2004 is as follows:

(1) Industry Segments

Sales and operating income

	Millions of Yen				
	2005				
	Radio Communications Equipment	Semiconductor Devices and Microwave Tubes	Medical Electronics Equipment	Eliminations or Corporate	Consolidated
Sales to customers	¥119,163	¥63,834	¥46,196		¥229,193
Intersegment sales	1,488	1,220		¥(2,708)	
Total sales	120,651	65,054	46,196	(2,708)	229,193
Operating expenses	120,036	61,451	44,526	(2,785)	223,228
Operating income	¥ 615	¥ 3,603	¥ 1,670	¥ 77	¥ 5,965

Total assets, depreciation and capital expenditures

	Millions of Yen				
	2005				
	Radio Communications Equipment	Semiconductor Devices and Microwave Tubes	Medical Electronics Equipment	Eliminations or Corporate	Consolidated
Total assets	¥123,456	¥57,025	¥54,360	¥(963)	¥233,878
Depreciation	2,319	4,467	1,069		7,855
Capital expenditures	1,606	4,068	528		6,202

Sales and operating income

	Thousands of U.S. Dollars				
	2005				
	Radio Communications Equipment	Semiconductor Devices and Microwave Tubes	Medical Electronics Equipment	Eliminations or Corporate	Consolidated
Sales to customers	$1,109,633	$594,410	$430,173		$2,134,216
Intersegment sales	13,858	11,356	6	$(25,220)	
Total sales	1,123,491	605,766	430,179	(25,220)	2,134,216
Operating expenses	1,117,765	572,216	414,625	(25,936)	2,078,670
Operating income	$ 5,726	$ 33,550	$ 15,554	$ 716	$ 55,546

Total assets, depreciation and capital expenditures

	Thousands of U.S. Dollars				
	2005				
	Radio Communications Equipment	Semiconductor Devices and Microwave Tubes	Medical Electronics Equipment	Eliminations or Corporate	Consolidated
Total assets	$1,149,607	$531,012	$506,196	$(8,973)	$2,177,842
Depreciation	21,597	41,593	9,957		73,147
Capital expenditures	14,955	37,879	4,920		57,754

Sales and operating income

	Millions of Yen				
	2004				
	Radio Communications Equipment	Semiconductor Devices and Microwave Tubes	Medical Electronics Equipment	Eliminations or Corporate	Consolidated
Sales to customers	¥167,350	¥66,021	¥45,201		¥278,572
Intersegment sales	1,695	1,041		¥(2,736)	
Total sales	169,045	67,062	45,201	(2,736)	278,572
Operating expenses	167,207	62,449	43,023	(2,775)	269,904
Operating income	¥ 1,838	¥ 4,613	¥ 2,178	¥ 39	¥ 8,668

Total assets, depreciation and capital expenditures

	Millions of Yen				
	2004				
	Radio Communications Equipment	Semiconductor Devices and Microwave Tubes	Medical Electronics Equipment	Eliminations or Corporate	Consolidated
Total assets	¥123,094	¥57,926	¥52,528	¥(1,313)	¥232,235
Depreciation	2,214	4,787	819		7,820
Capital expenditures	1,221	4,171	1,750		7,142

(2) Geographical Segments

The Company and 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				
	2005				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	¥33,328	¥20,953	¥11,373	¥10,927	¥ 76,581
Consolidated sales					229,193
The ratio of sales to foreign customers	14.5%	9.1%	5.0%	4.8%	33.4%

	Thousands of U.S. Dollars				
	2005				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	$310,342	$195,111	$105,902	$101,752	$ 713,107
Consolidated sales					2,134,216
The ratio of sales to foreign customers	14.5%	9.1%	5.0%	4.8%	33.4%

	Millions of Yen				
	2005				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	¥35,372	¥20,024	¥9,996	¥8,770	¥ 74,162
Consolidated sales					278,572
The ratio of sales to foreign customers	12.7%	7.2%	3.6%	3.1%	26.6%

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

INDEPENDENT AUDITORS' REPORT

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 March 31, 2005 and 2004, and the related consolidated statements of income, 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 generally accepted 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 March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles 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

June 29, 2005

Japan Radio Co., Ltd.

NON-CONSOLIDATED BALANCE SHEETS

March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 8,457**	¥ 11,960	**$ 78,747**
Short-term investments (Note 3)	**3**	3	**28**
Receivables:			
Trade notes	**3,427**	3,604	**31,913**
Trade accounts	**41,505**	40,910	**386,484**
Subsidiaries and affiliated companies (Note 14)	**795**	976	**7,398**
Other	**275**	431	**2,568**
Allowance for doubtful accounts	**(293)**	(222)	**(2,725)**
Inventories (Note 4)	**34,836**	29,209	**324,386**
Prepaid expenses and other (Note 14)	**794**	1,062	**7,398**
Total current assets	**89,799**	87,933	**836,197**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**1,850**	1,878	**17,229**
Buildings and structures	**24,085**	24,150	**224,280**
Machinery and equipment	**9,846**	10,287	**91,684**
Furniture and fixtures	**28,191**	28,737	**262,507**
Construction in progress	**36**	281	**335**
Total	**64,008**	65,333	**596,035**
Accumulated depreciation	**(52,039)**	(52,060)	**(484,586)**
Net property, plant and equipment	**11,969**	13,273	**111,449**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**8,289**	7,462	**77,186**
Investments in subsidiaries and affiliated companies (Note 3)	**5,704**	5,454	**53,112**
Other assets	**1,985**	3,302	**18,483**
Allowance for doubtful accounts	**(535)**	(680)	**(4,977)**
Total investments and other assets	**15,443**	15,538	**143,804**
TOTAL	**¥117,211**	¥116,744	**$1,091,450**

See notes to non-consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)		¥ 2,850	
Current portion of long-term debt (Note 5)	**¥ 1,070**	9,070	**$ 9,964**
Commercial paper (Note 5)	**8,000**		**74,495**
Payables:			
Trade notes	**1,265**	882	**11,780**
Trade accounts	**26,754**	20,444	**249,131**
Subsidiaries and affiliated companies (Note 14)	**5,515**	5,220	**51,355**
Other	**426**	324	**3,962**
Income taxes payable (Note 7)	**225**	68	**2,098**
Accrued expenses (Note 14)	**4,106**	4,766	**38,235**
Other (Note 14)	**2,446**	3,273	**22,773**
Total current liabilities	**49,807**	46,897	**463,793**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**17,170**	18,240	**159,885**
Liability for retirement benefits	**11,068**	11,790	**103,060**
Deferred tax liabilities (Note 7)	**1,239**	919	**11,541**
Total long-term liabilities	**29,477**	30,949	**274,486**
CONTINGENT LIABILITIES (Note 12)			
SHAREHOLDERS' EQUITY (Note 6):			
Common stock—authorized, 216,000,000 shares; issued, 137,976,690 shares in 2005 and 2004	**14,704**	14,704	**136,925**
Capital surplus—additional paid-in capital	**17,087**	17,087	**159,111**
Retained earnings:			
Legal reserve	**2,278**	2,278	**21,217**
Unappropriated	**2,086**	3,514	**19,417**
Net unrealized gain on available-for-sale securities	**1,806**	1,339	**16,816**
Treasury stock—at cost, 104,421 shares in 2005 and 80,489 shares in 2004	**(34)**	(24)	**(315)**
Total shareholders' equity	**37,927**	38,898	**353,171**
TOTAL	**¥117,211**	¥116,744	**$1,091,450**

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
NET SALES	**¥112,576**	¥117,283	**$1,048,289**
COST OF SALES (Note 14)	**94,323**	97,511	**878,317**
Gross profit	**18,253**	19,772	**169,972**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	**18,208**	18,403	**169,550**
Operating income	**45**	1,369	**422**
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 14)	**598**	564	**5,571**
Interest expense	**(375)**	(651)	**(3,492)**
Other—net (Note 10)	**(1,643)**	(736)	**(15,307)**
Other expenses—net	**(1,420)**	(823)	**(13,228)**
INCOME (LOSS) BEFORE INCOME TAXES	**(1,375)**	546	**(12,806)**
INCOME TAXES (Note 7):			
Current	**53**	53	**493**
Deferred			
Total income taxes	**53**	53	**493**
NET INCOME (LOSS)	**¥ (1,428)**	¥ 493	**$ (13,299)**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK—			
Basic net income (loss) (Note 2.o)	**¥ (10.36)**	¥ 3.57	**$ (0.10)**

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended March 31, 2005 and 2004

	Thousands	Millions of Yen					
			Capital Surplus	Retained Earnings			
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated	Net Unrealized Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, APRIL 1, 2003	137,907	¥14,704	¥17,087	¥2,278	¥3,021	¥ (557)	¥(19)
Net income					493		
Net increase in unrealized gain on available-for-sale securities						1,896	
Repurchase of treasury stock	(11)						(5)
BALANCE, MARCH 31, 2004	137,896	14,704	17,087	2,278	3,514	1,339	(24)
Net loss					(1,428)		
Net increase in unrealized gain on available-for-sale securities						467	
Repurchase of treasury stock	(24)						(10)
BALANCE, MARCH 31, 2005	137,872	¥14,704	¥17,087	¥2,278	¥2,086	¥1,806	¥(34)

	Thousands of U.S. Dollars (Note 1)					
		Capital Surplus	Retained Earnings			
	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated	Net Unrealized Gain (Loss) on Available-for-sale Securities	Treasur Stock
BALANCE, MARCH 31, 2004	$136,925	$159,111	$21,217	$32,716	$12,470	$(224)
Net loss				(13,299)		
Net increase in unrealized gain on available-for-sale securities					4,346	
Repurchase of treasury stock						(91)
BALANCE, MARCH 31, 2005	$136,925	$159,111	$21,217	$19,417	$16,816	$(315)

See notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2005 and 2004

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 generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with accounting principles generally accepted in Japan.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2004 non-consolidated financial statements to conform to the classifications used in 2005.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107.39 to $1, the approximate rate of exchange at March 31, 2005. Such translation should not be construed as representation 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 do not include the accounts of subsidiaries. Investments in subsidiaries and affiliated companies are stated at cost.

b. 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 certificate of deposits, all of which mature or become due within three months of the date of acquisition.

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

Raw materials and supplies 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 available-for-sale securities, which are not classified as either trading securities nor held-to-maturity debt securities, and they are reported at fair value, with unrealized 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 realizable value by a charge to income.

e. Investments in Subsidiaries and Affiliated Companies—Investments in subsidiaries and affiliated companies are generally 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.

f. 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 April 1, 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.

g. Stock and Bond Issue Costs—Stock and bond issue costs are charged to income as incurred.

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. Retirement and Pension Plans—The Company has a non-contributory funded defined benefit pension plan and an unfunded retirement benefit plan for employees.

The Company 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.

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 capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" 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 non-consolidated statements of operations. The asset and liability approach is used to recognize 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 recognized in the non-consolidated statements of operations to the extent that they are not hedged by forward currency contracts and 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 currency forward contracts, interest rate swaps and currency options are utilized 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 recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the non-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 currency forward contracts employed to hedge foreign exchange exposures for import purchases and export sales are measured at a fair value and the unrealized gains/losses are recognized in income. Trade payables and trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

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

o. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders 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 net loss position.

p. New Accounting Pronouncements—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company expects to adopt these pronouncements as of April 1, 2005 and is currently in the process of assessing the effect of adoption of these pronouncements.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Short-term investments—Debt securities	**¥ 3**	¥ 3	**$ 28**
Investment securities:			
Equity securities	**¥7,922**	¥7,141	**$73,765**
Debt securities	**210**	242	**1,955**
Other	**157**	79	**1,466**
Total	**¥8,289**	¥7,462	**$77,186**

The carrying amounts and aggregate fair values of investment securities in subsidiaries and affiliated companies whose market values are available at March 31, 2005 and 2004 are as follows:

	Millions of Yen					
	2005			2004		
	Carrying Amount	Market Value	Unrealized Gain	Carrying Amount	Market Value	Unrealized Gain
Subsidiaries	¥3,347	¥28,948	¥25,601	¥3,346	¥38,354	¥35,008
Affiliated companies	1,015	1,838	823	766	1,604	838
Total	¥4,362	¥30,786	¥26,424	¥4,112	¥39,958	¥35,846

	Thousands of U.S. Dollars		
	2005		
	Carrying Amount	Market Value	Unrealized Gain
Subsidiaries	$31,165	$269,557	$238,392
Affiliated companies	9,455	17,115	7,660
Total	$40,620	$286,672	$246,052

4. INVENTORIES

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Finished products and semi-finished products	**¥ 8,953**	¥ 8,360	**$ 83,370**
Work in process	**20,420**	15,628	**190,144**
Raw materials and supplies	**5,463**	5,221	**50,872**
Total	**¥34,836**	¥29,209	**$324,386**

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2004 consisted of notes to banks, loans on deeds and bank overdrafts.

The weighted average annual interest rate for short-term bank loans for the year ended March 31, 2004 was 1.0%.

The weighted average annual interest rate for commercial paper for the year ended March 31, 2005 was 0.2%.
Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Unsecured 2.5% domestic bonds due 2004		¥ 8,000	
Unsecured 0.7% domestic bonds due 2006	**¥ 7,000**	7,000	**$ 65,183**
Unsecured 0.7% domestic bonds due 2006	**1,500**	1,500	**13,968**
Loans from banks, due serially to 2008 with interest rates ranging from 1.3% to 2.1% (in 2005) and from 1.1% to 2.1% (in 2004)	**9,740**	10,810	**90,698**
Total	**18,240**	27,310	**169,849**
Less current portion	**(1,070)**	(9,070)	**(9,964)**
Long-term debt, less current portion	**¥17,170**	¥18,240	**$159,885**

Annual maturities of long-term debt outstanding at March 31, 2005 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 1,070	$ 9,964
2007	14,570	135,674
2008	2,600	24,211
Total	¥18,240	$169,849

6. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code.

The Code requires that all shares of common stock are recorded with no par value and at least 50% 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 Code also provides that an amount at least equal to 10% 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% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% 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 Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. 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 shareholders meeting.

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. The amount of retained earnings available for dividends under the Code was ¥2,051 million ($19,102 thousand) as of March 31, 2005 based on the amount recorded in the Company's general books of account.

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.

7. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.7% and 41.8% for the years ended March 31, 2005 and 2004, respectively.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan. The tax law, which required the tax and public dues in the form of pro forma standard taxation, was newly introduced effective from the term ended March 31, 2005. The effect of this introduction was to increase in selling, general and administrative expenses by ¥156 million ($1,453 thousand).

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Current deferred tax assets:			
Accrued bonuses	**¥ 698**	¥ 740	**$ 6,500**
Inventories	**459**	167	**4,272**
Accrued social security on accrued bonuses	**75**	79	**700**
Enterprise taxes payable	**63**		**591**
Other	**24**	12	**218**
Valuation allowance	**(1,319)**	(998)	**(12,281)**
Total	**–**	–	**–**
Non-current deferred tax assets:			
Liability for retirement benefits	**¥ 4,313**	¥ 4,008	**$ 40,160**
Tax loss carryforwards	**6,601**	6,136	**61,471**
Software	**2,332**	1,881	**21,720**
Investment securities	**811**	955	**7,549**
Investments in subsidiaries and affiliated companies	**45**	45	**419**
Allowance for doubtful accounts	**210**	109	**1,948**
Property, plant and equipment	**261**	159	**2,429**
Inventories	**276**	231	**2,562**
Other	**243**	238	**2,266**
Valuation allowance	**(14,824)**	(13,478)	**(138,035)**
Total	**268**	284	**2,489**
Non-current deferred tax liabilities:			
Deferred gain on sales of properties	**258**	271	**2,400**
Special reserve for tax purposes	**10**	13	**89**
Net unrealized gain on available-for-sale securities	**1,239**	919	**11,541**
Total	**1,507**	1,203	**14,030**
Net non-current deferred tax liabilities	**¥ 1,239**	¥ 919	**$ 11,541**

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 March 31, 2005 and 2004 is as follows:

	2005	2004
Normal effective statutory tax rate	40.7%	41.8%
Expenses not deductible for income tax purposes	(4.6)	12.1
Dividend income not to be taxed	16.1	(38.9)
Minimum inhabitants tax	(3.9)	9.7
Change in valuation allowance	(54.0)	(11.5)
Other-net	1.8	(3.5)
Actual effective tax rate	(3.9)%	9.7%

At March 31, 2005, the Company has tax loss carryforwards aggregating approximately ¥14,349 million ($133,619 thousand) which are available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 3,155	$ 29,375
2009	8,648	80,534
2010	2,290	21,321
2011	256	2,389
Total	¥14,349	$133,619

8. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥7,727 million ($71,955 thousand) and ¥8,090 million for the years ended March 31, 2005 and 2004, respectively.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Details of selling, general and administrative expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Provision for doubtful accounts	**¥ 100**	¥ 136	**$ 928**
Salary	**6,882**	6,644	**64,084**
Provision for retirement benefits	**961**	1,270	**8,947**
Depreciation expense	**202**	211	**1,877**
Rent expense	**1,094**	1,064	**10,190**
Research and development cost	**3,544**	3,682	**33,004**
Other	**5,425**	5,396	**50,520**
Total	**¥18,208**	¥18,403	**$169,550**

10. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Gain on sales of investments in securities		¥ 997	**$ 2**
Loss on valuation of investment securities	**¥ (22)**	(27)	**(202)**
Gain on sales of investments in subsidiaries and affiliated companies		906	
Loss on valuation of investments in subsidiaries and affiliated companies		(32)	
Loss on valuation and disposal of inventories	**(1,888)**	(277)	**(17,583)**
Foreign exchange gain (loss)	**111**	(338)	**1,031**
Gain on sales of property, plant and equipment	**296**		2,755
Loss on sales and disposal of property, plant and equipment	**(126)**	(117)	**(1,179)**
Special retirement expenses		(1,653)	
Other loss—net	**(14)**	(195)	**(131)**
Total	**¥(1,643)**	¥(736)	**$(15,307)**

11. LEASES

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

Total lease payments for the years ended March 31, 2005 and 2004 were ¥284 million ($2,641 thousand) and ¥374 million, respectively, including ¥267 million ($2,489 thousand) and ¥335 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004, was as follows:

	Millions of Yen							
	2005				2004			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥782	¥614	¥33	¥1,429	¥766	¥616	¥32	¥1,414
Accumulated depreciation	273	237	9	519	368	277	7	652
Net leased property	¥509	¥377	¥24	¥910	¥398	¥339	¥25	¥762

	Thousands of U.S. Dollars			
	2005			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$7,282	$5,713	$308	$13,303
Accumulated depreciation	2,538	2,204	89	4,831
Net leased property	$4,744	$3,509	$219	$8,472

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥267**	¥218	**$2,484**
Due after one year	**690**	555	**6,430**
Total	**¥957**	¥773	**$8,914**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Depreciation expense	**¥252**	¥271	**$2,344**
Interest expense	**16**	15	**149**
Total	**¥268**	¥286	**$2,493**

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 noncancelable operating leases at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥10**	¥17	**$ 93**
Due after one year	**15**		**139**
Total	**¥25**	¥17	**$232**

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2005 and 2004 for guarantees of bank loans amounted to ¥641 million ($5,968 thousand) and ¥269 million, respectively.

13. OVER-BILLING CLAIM

On December 14, 2004, the Company received an over-billing claim from the Japan Defense Agency. A special investigation is under way on orders and contracts fulfilled prior to that date. As of June 29, 2005, the amount of claimed over-billing is yet to be confirmed.

14. RELATED PARTY TRANSACTIONS

Transactions of the Company with subsidiaries and affiliated companies for the years ended March 31, 2005 and 2004 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Purchases	**¥17,718**	¥18,475	**$164,989**
Dividend income	**511**	481	**4,756**

Balances due to or from these subsidiaries and affiliated companies at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Notes and accounts receivables	**¥ 612**	¥ 746	**$ 5,694**
Other receivables	**183**	230	**1,704**
Prepaid expenses and other current assets	**106**	107	**991**
Notes and accounts payables	**5,460**	5,204	**50,842**
Other payables	**55**	16	**513**
Accrued expenses and other current liabilities	**249**	267	**2,321**

INDEPENDENT AUDITORS' REPORT

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 March 31, 2005 and 2004, and the related non-consolidated statements of operations and shareholders' equity 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 generally accepted 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 March 31, 2005 and 2004, and the results of its operations for the years then ended in conformity with accounting principles 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

June 29, 2005

AFFILIATED COMPANIES

(as of 31st March, 2005)

New Japan Radio Co., Ltd. *

(* denotes a consolidated subsidiary)

Business:
Manufacture and sale of microwave products for radar and satellite communications use, and semiconductor devices such as operational amplifiers, and LCD controller and driver ICs for cellular phones

Head office:
3-10, Yokoyama-cho, Nihonbashi, Chuo-ku, Tokyo 103-8456, Japan

Phone: +81-3-5642-8222

URL: http://www.njr.co.jp

Factory: 1-1, Fukuoka 2-chome, Fujimino, Saitama 356-8510, Japan

Subsidiaries:
Saga Electronics Co., Ltd./NJR Trading Co., Ltd./NJR Chichibu Co., Ltd./NJR Corporation/ Thai NJR Co., Ltd./NJR (Singapore) Pte., Ltd./NJR FUKUOKA Co., Ltd./ NJR Service Co., Ltd.

Employees: 1,543(non-consolidated) / 3,105(consolidated)

Aloka Co., Ltd.*

Business:
Manufacture and sale of radio and ultrasonic diagnostic equipment, radiation measuring instruments, nuclear medical equipment, sample testing and analysis equipment, and therapeutic and surgical equipment

Head office and factory:
22-1, Mure 6-chome, Mitaka, Tokyo 181-8622, Japan

Phone: +81-422-45-5111

URL: http://www.aloka.com

Tokyo works: 7-19, Imai 3-chome, Oume, Tokyo 198-8577, Japan

Subsidiaries:
Aloka Technical Service Co., Ltd./Shanghai Aloka Medical Equipment Co., Ltd./Aloka Hong Kong Co., Ltd./Aloka Korea Co., Ltd./ Aloka Holding Europe AG/Aloka S.a.r.l./Aloka S.p.A./Aloka Espana SL/ Aloka GesmbH/ Aloka Deutschland GmbH./Aloka Business Service Co., Ltd./Aloka System Engineering Co., Ltd./Aloka International Trading (Shanghai) Co., Ltd.

Employees: 1,113 (non-consolidated) / 1,608(consolidated)

JRC Tokki Co., Ltd. *

Business:
Repairs and overhaul of defense electronics for ships and aircraft, system support engineering for installations on ships, and manufacture of peripheral equipment

Head office and factory:
3-2-1, Shinyoshida-higashi, Kohoku-ku, Yokohama, Kanagawa 223-0058, Japan

Phone: +81-45-547-8572

URL: http://www.jrctokki.co.jp

Employees: 344

JRC Engineering Co., Ltd. *

Business:
Software development and engineering for information and data processing systems using general-purpose computers, mini-computers and microcomputers

Head office and factory:
c/o Japan Radio Co., Ltd.
1-1, Shimorenjaku 5-chome, Mitaka, Tokyo 181-0013, Japan

Phone: +81-422-45-9661

URL: http://www.jrce.co.jp

Employees: 164

Nihonmusen Glass Co., Ltd. *

Business:
Manufacture and sale of glassware for outdoor lamps, mercury-vapor lamps, electron tubes, physicochemical apparatus, tableware and other glass tubes

Head office and factory:
1-8, Fukuoka 2-chome, Fujimino, Saitama 356-0011, Japan

Phone: +81-49-264-4411

URL: http://www.jrg.co.jp

Employees: 91

Musashino Electric Co., Ltd. *

Business:
Manufacture of radio communications and medical electronics equipment, and electronics parts

Head office and factory:
1-33, Shimorenjaku 8-chome, Mitaka, Tokyo 181-0013, Japan

Phone: +81-422-47-6341

URL: http://www.musashino-e.com

Employees: 151

Sougou Business Service Co., Ltd. *

Business:
Distribution management of electronic equipment

Head office and factory:
Japan Radio Co., Ltd. Mitaka Factory
1-1, Shimorenjaku 5-chome, Mitaka, Tokyo 181-0013, Japan

Phone : +81-422-40-0471

Employees: 73

Nagano Japan Radio Co., Ltd.

Business:
Manufacture and sale of VHF radio equipment, radars, data transmission equipment, controllers, public address sets, power supply equipment, capacitors, etc.

Head office and factory:
1163, Inazato-machi, Nagano, Nagano 381-2288, Japan

Phone: +81-26-285-1111

URL: http://www.njrc.jp

Employees: 800(non-consolidated) / 2,161(consolidated)

Ueda Japan Radio Co., Ltd.

Business:
Manufacture of VHF radio equipment, radio receivers, measuring instruments, and electromedical equipment, etc.

Head office and factory:
10-19, Fumiiri 2-chome, Ueda, Nagano 386-8608, Japan

Phone : +81-268-26-2112

URL: http://www.ujrc.co.jp

Employees: 585

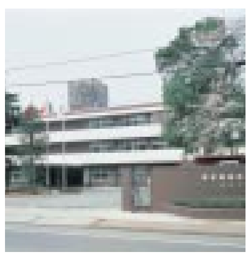
MAIN OFFICE, PLANTS AND OVERSEAS OFFICES

Main Office and Plants

Head Quarters / Mitaka Factory
1-1, Shimorenjaku 5-chome,
Mitaka, Tokyo 181-8510, Japan
Phone: +81-422-45-9111
Fax: +81-422-45-9110
Telex: 2822-351

Main Office
Nittochi Nishi-Shinjuku Bldg.
10-1, Nishi-Shinjuku 6-chome,
Shinjuku-ku, Tokyo 160-8328,
Japan
Phone: +81-3-3348-3604
Fax: +81-3-3348-3648
URL (English):
http://www.jrc.co.jp/eng/index.html

Saitama Plant
1-4, Fukuoka 2-chome,
Fujimino, Saitama 356-0011,
Japan
Phone: +81-49-266-5611
Fax: +81-49-266-5615



Overseas Branch Offices

U.S.A.
Japan Radio Co., Ltd. Seattle Branch
1021 SW Klickitat Way Bldg. D, Suite 101 Seattle, WA 98134, U.S.A.
Phone: +1-206-654-5644
Fax: +1-206-654-7030
URL: http//www.jrcamerica.com/

Netherlands
Japan Radio Co., Ltd. Amsterdam Branch
Cessnalaan 40-42, 1119 NL, Schiphol-Rijk, The Netherlands
Phone: +31-20-658-0750
Fax: +31-20-658-0755

Greece
Japan Radio Co., Ltd. Greece Branch
223, Syngrou Avenue & 2, Tralleon Street, 171 21 Nea Smyrni, Athens, Greece
Phone: +30-210-9355061, 9355661
Fax: +30-210-9355611

Overseas Offices

Taiwan
Japan Radio Co., Ltd.
7F No.146, Sung Chiang Road, Taipei, Taiwan, R.O.C.
Phone: +886-2-2571-3100
Fax: +886-2-2571-2999

U.S.A. (New York)
Japan Radio Co., Ltd.
2125 Center Avenue, Suite 208, Fort Lee, NJ 07024, U.S.A.
Phone: +1-201-242-1882
Fax: +1-201-242-1885

Indonesia
Japan Radio Co., Ltd.
JL. Cikini 5, No.15, Jakarta Pusat, Indonesia
Phone: +62-21-392-4150
Fax: +62-21-3193-4143

Singapore
Japan Radio Co., Ltd.
c/o Codar (PTE.) Ltd.
315 Outram Road, #11-06/07 Tan Boon Liat Building,
Singapore 169074, Republic of Singapore
Phone: +65-62229190
Fax: +65-62229398

Philippines
Japan Radio Co., Ltd.
Unit 901, Liberty Center 104 H.V. Dela, Costa Street, Salcedo Village, Makati City,
Manila, The Philippines
Phone: +63-2-6700-6088, 6089
Fax: +63-2-844-6812

Viet Nam
Japan Radio Co., Ltd.
Suite 505-2, Metropole Centre, 56 Ly Thai To Street, Hanoi, Viet Nam
Phone: +84-4-936-2500
Fax: +84-4-936-2498
URL: http://www.jrc.com.vn/

Overseas Subsidiaries

JRC (HK) Limited *
23B, 23/F, Wyndham Place, 40-44 Wyndham Street,
Central, Hong Kong
Phone: +852-2707-9170
Fax: +852-2707-9226

JRC do Brasil Empreendimentos Electronicos Ltda.
Av. Almirante Barroso, 63-S/309 CEP 20031-003, Rio de Janeiro, RJ, Brasil
Phone: +55-21-2220-8121
Fax: +55-21-2240-6324

JRC ORGANIZATION

- Managing Director Association
- Managing Board — President
- Management Strategy Conference
- Auditor
  Auditor Association

President
- Corporate Internal Auditing Department
- CSR Promotion Department
- Corporate Strategy Center
- Business Promotion Department
- General Affairs and Human Resources Department
- Accounting & Financial Department
- Quality Assurance Department
- IT Promotion Department
- Production Control Department
- Procurement Department
- RoHS Promotion Department
- Research & Development Department
- Mechanical Design Center
- Wireless Access System Unit
- Mobile Phone Business Unit
- C-Project Department
- China Business Development Department
- Branches
  - Hokkaido Regional Branch
  - Tohoku Regional Branch
  - Hokuriku Branch
  - Chubu Regional Branch
  - Kansai Regional Branch
  - Chugoku Branch
  - Kyushu Regional Branch
  - Seattle Branch
  - London Branch
  - Amsterdam Branch
  - Greece Branch
- Production Division
  - Production Quality Assurance Department
  - Production Engineering Department
  - Component Production Department
  - Machining Department
  - Equipment Production Department
- Marine Electronics Division
  - Marine Electronics Sales & Marketing Department
  - Marine Electronics Engineering Department
  - Marine Electronics Inspection Department
  - Marine Electronics Quality Assurance Department
  - Marine Service Department
- Communications Equipment Division
  - Communications Equipment Marketing Department
  - Communications Equipment Engineering Department
  - Communications Equipment Quality Assurance Department
- LPA Division
  - LPA Business Department
  - LPA Engineering Department
  - LPA Manufacturing Department
  - LPA QA Department
- System Electronics Division
  - Government Business Department
  - Public Business Department
  - Communication Systems Engineering Department
  - Information Systems Engineering Department
  - System Electronics Inspection Department
  - System Electronics Quality Assurance Department
  - Field Engineering Department
- Special Equipment Division
  - Special Equipment Sales Department
  - Special Equipment Project Management Department
  - Special Equipment Engineering Department I
  - Special Equipment Engineering Department II
  - Special Equipment Manufacturing & Engineering Department
  - Special Equipment Quality Assurance Department

INVESTOR INFORMATION

(as of 31st March, 2005)

Corporate Data

Japan Radio Co., Ltd.

Established:
December, 1915

Paid-in Capital:
¥14,704 millions ($136925 thousands)

Number of Shares Issued:
137,976,690 shares

Number of Shareholders:
12,923

Stock Listing:
Tokyo Stock Exchange,
First Section (Code: 6751)

Employees:
2,983

General Meeting of Shareholders:
Convened annually in late June

Board of Directors and Corporate Auditors

(as of 29th June, 2005)

Chairman
Shinji Takeuchi

Representative Director, President
Yorihisa Suwa

Representative Director, Managing Director
Koichi Okajima

Managing Director
Mikio Naito

Directors
Hajime Takagiwa
Hironori Sakamoto
Tatsuro Masamura
Yoshimasa Gunji
Kiyohiko Tatebayashi
Takayoshi Tsuchida
Manabu Arai

Standing Corporate Auditors
Hideki Takeishi
Yoshio Nakatsuchi
Morihiro Sato

Corporate Auditor
Kenji Tasaki

Major Shareholders

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Industries, Inc.	26,662	19.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,923	10.81
Japan Trustee Services Bank, Ltd. (Trust Account)	9,545	6.91
Mizuho Corporate Bank, Ltd.	5,853	4.24
Mizuho Bank, Ltd.	3,672	2.66
Japan Securities Finance Co., Ltd.	2,919	2.11
JRC employee ownership	2,371	1.71
Morgan Stanley and Company Intl., Ltd.	2,065	1.49
Mitsubishi Electric Co.	1,945	1.40
JRC business customer ownership	1,576	1.14

Shareholder Type

	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals	Individuals and others	Total
Number of Shareholders	62	54	371	103	12,333	12,923
Number of Shares Held	48,870	3,581	32,409	13,569	38,903	137,332
Percentage of Total Shares Issued	35.58	2.61	23.60	9.88	28.33	100.0

Notes: Trading unit of common stock : 1,000 shares
Odd-Lot Stock : 644,690 share

Japan Radio Co., Ltd.

This annual report uses 100% recycled paper and
is printed with soy bean ink.

Printed in Japan