ANNUAL REPORT 2003

JRC Japan Radio Co., Ltd.

MANAGEMENT PHILOSOPHY

FUNDAMENTAL SPIRIT

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.

Profile

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.

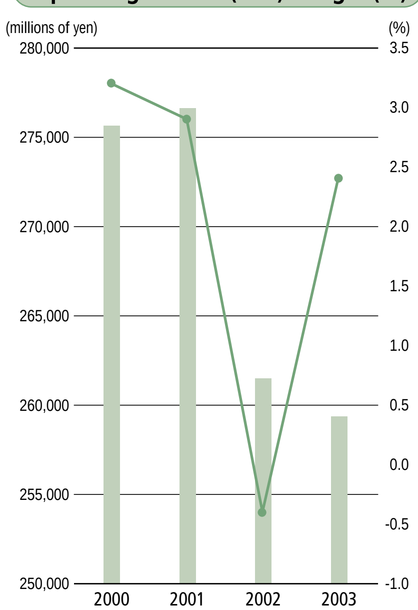
Contents

Financial Highlights

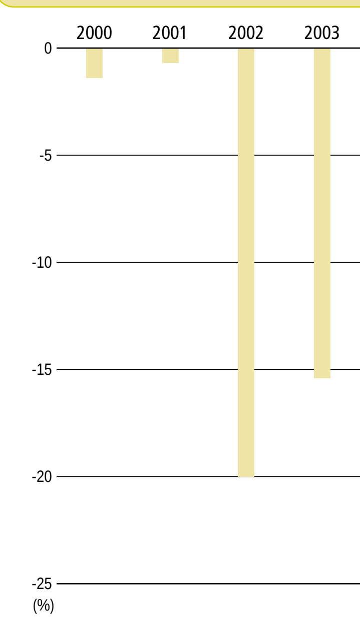
	Millions of Yen				Percentage Change	Thousands of U.S. Dollars
	2000	2001	2002	2003	2003/2002	2003
Net sales	275,647	276,631	261,498	259,381	-0.8%	2,157,910
Radio communications equipment	176,306	168,687	166,433	157,929	-5.1%	1,313,884
Semiconductor devices and microwave tubes	57,928	64,224	48,866	54,247	11.0%	451,302
Medical electronics equipment	41,413	43,720	46,199	47,205	2.1%	392,724
Gross profit	60,757	59,701	50,729	54,472	7.3%	453,178
Gross profit margin (%)	22.0%	21.5%	19.3%	21.0%	-	-
Operating income (loss)	9,011	8,210	(1,202)	6,351	-	52,835
Operating income (loss) margin (%)	3.2%	2.9%	-0.4%	2.4%	-	-
Income (loss) before income taxes	565	2,503	(13,043)	2,293	-	19,078
Net income (loss)	(1,326)	(616)	(16,430)	(10,534)	-	(87,640)
Total assets	286,938	304,108	274,311	247,849	-9.6%	2,061,975
Shareholders' equity	90,664	89,862	74,041	62,687	-15.3%	521,519
Interest-bearing liabilities	67,812	70,762	77,957	64,053	-17.8%	532,894
Net income (loss) per share (yen)	(9.61)	(4.46)	(119.58)	(76.85)	-	-
Shareholders' equity ratio (%)	31.6%	29.5%	27.0%	25.3%	-	-
ROE (%)	-1.4%	-0.7%	-20.0%	-15.4%	-	-
D/E ratio (times)	0.74 times	0.78 times	1.05 times	1.02 times	-	-

Note: The 2003 yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥120.20=U.S.$1,the approximate exchange rate on March 31,2003.

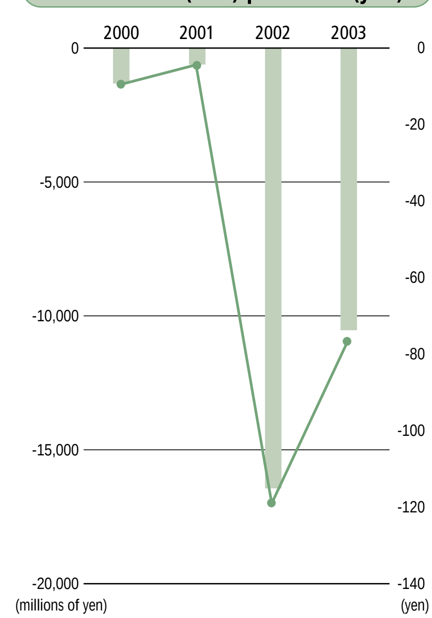
Net sales (millions of yen) / Operating income (loss) margin (%)



ROE (%)



Net income (loss) (millions of yen) / Net income (loss) per share (yen)



Message from the President

"Creating value that contributes to society"

Tadahiro Muta
President

Q … How would you evaluate the JRC Group's performance during fiscal 2002?

A … It was a positive year that gave us a glimpse of a bright future. Although there was continuing concern regarding the direction of the U.S. and world economies, and we suffered from the negative effects of sluggish stock prices, the JRC Group worked aggressively in its business activities.

Although consolidated net sales declined 0.8% from the previous fiscal year to ¥259.4 billion, reductions in both fixed and variable expenses significantly lowered our losses in the Radio Communications Equipment segment (which is comprised of the JRC parent company). Together with increased earnings in the Semiconductor Devices and Microwave Tubes segment, as well as the Medical Electronics Equipment segment, this allowed us to achieve consolidated operating income of ¥6.4 billion, marking a turnaround from the operating loss posted in fiscal 2001. In terms of net profitability, though, the Company recorded a loss on valuation of investment securities due to the declining stock market, which along with a reversal of deferred tax assets resulted in a net loss for the term of ¥10.5 billion. This represented a smaller loss than in the previous fiscal year, however, and this development allowed us to succeed in building a solid foundation for improved profitability in the coming fiscal periods.

Q … Please explain your strategy for each business segment.

A … In the JRC Group overall, the Semiconductor Devices and Microwave Tubes segment and the Medical Electronics Equipment segment are both performing strongly, while in the JRC parent company we have succeeded in significantly reducing the level of loss. We managed a recovery during fiscal 2002 by adopting a defensive business posture. Through these measures we have built a financial base that will allow for stable growth in fiscal 2003, and we hope to shift to a more offensive posture in the near future.

JRC's non-consolidated operations consist of three main product categories: communications equipment, targeting land-based private-sector demand; system electronics, targeting public-sector demand; and marine electronics, targeting marine-based private-sector demand. In the communications equipment category we are aiming to grow in global niche businesses through alliances with outside companies, while in system electronics we are asserting our position as one of the leading companies involved in preservation of national land. In marine electronics we are positioning the JRC brand as a strong player in the merchant marine and fishing industry market. In addition, the markets for the system electronics and marine electronics businesses have stabilized, allowing for reasonable predictions for the future, so in these areas we are working to enhance stable profitability. We intend to adopt a more aggressive stance in the communications equipment business.

JRC is working not only to create an extension of its core businesses, but is also planning moves into new fields and completely new markets. Some of the new fields that we have begun to explore are radio frequency (RF) plasma generator system power sources for semiconductors, and computerised tomography (CT) scanners for X-ray noncontact industrial uses.

We are also planning to move into the personal handyphone system (PHS) market in overseas regions showing impressive economic growth, such as China and Southeast Asia. To enter the Chinese market we are pursuing technical collaboration with leading local companies, outsourcing marketing functions but retaining our proprietary manufacturing technologies.

JRC is a technology company at its core, and so devotes its efforts to the development of technology for the future, and seeks to further enhance its technical strength. For this reason we are planning to increase our level of investment in R&D. Our core technologies consist of radio technologies, of course, along with analog, radar, and signal processing technologies. We are also working to further develop the field of wireless LANs, in which we have been extremely strong for some time.

Through these measures, we hope to further bolster the JRC brand that we have built up since the Company's founding 88 years ago in 1915. As a corporate group, we are also pursuing positive synergistic effects for the Group as a whole.

Q … Please give a summary of the new three-year medium-term management plan.

A … Though the operating environment is extremely harsh, to ensure the continued existence of the Company we need to lift the Radio Communications Equipment business out of its current loss structure. Furthermore, to survive in the face of global competition and retain a reason for the Company's existence, we must further raise our technical capacity to global levels, as well as expand and bolster development of distinctive, original products.

To realize these goals, on May 29, 2003 the Company announced a three-year medium-term management plan, beginning in fiscal 2003 (the fiscal year ending March 31, 2004). By developing products with high degrees of added value in the specialized fields of each of our Group companies, we aim to achieve, on a consolidated basis by fiscal 2005, net sales of ¥324 billion, operating income of ¥22 billion, and ROE greater than 9%.

On a non-consolidated basis, assuming that we are able to achieve the plan for the Radio Communications Equipment business that is vital to improving consolidated performance, we expect to attain by fiscal 2005 net sales of ¥140 billion, operating income of ¥7 billion, and 8% ROE. The policies and strategies being emphasized to realize this include selection and concentration of business, profit-oriented management, deep cost reductions, pursuit of strategic alliances, strengthening of core technologies, and customer-focused quality management.

Though the plan has just begun, as president I plan to lead all of our executives and employees in a proactive campaign to achieve the objectives of the three-year plan ahead of schedule.

Q … What is your vision for the future of JRC?

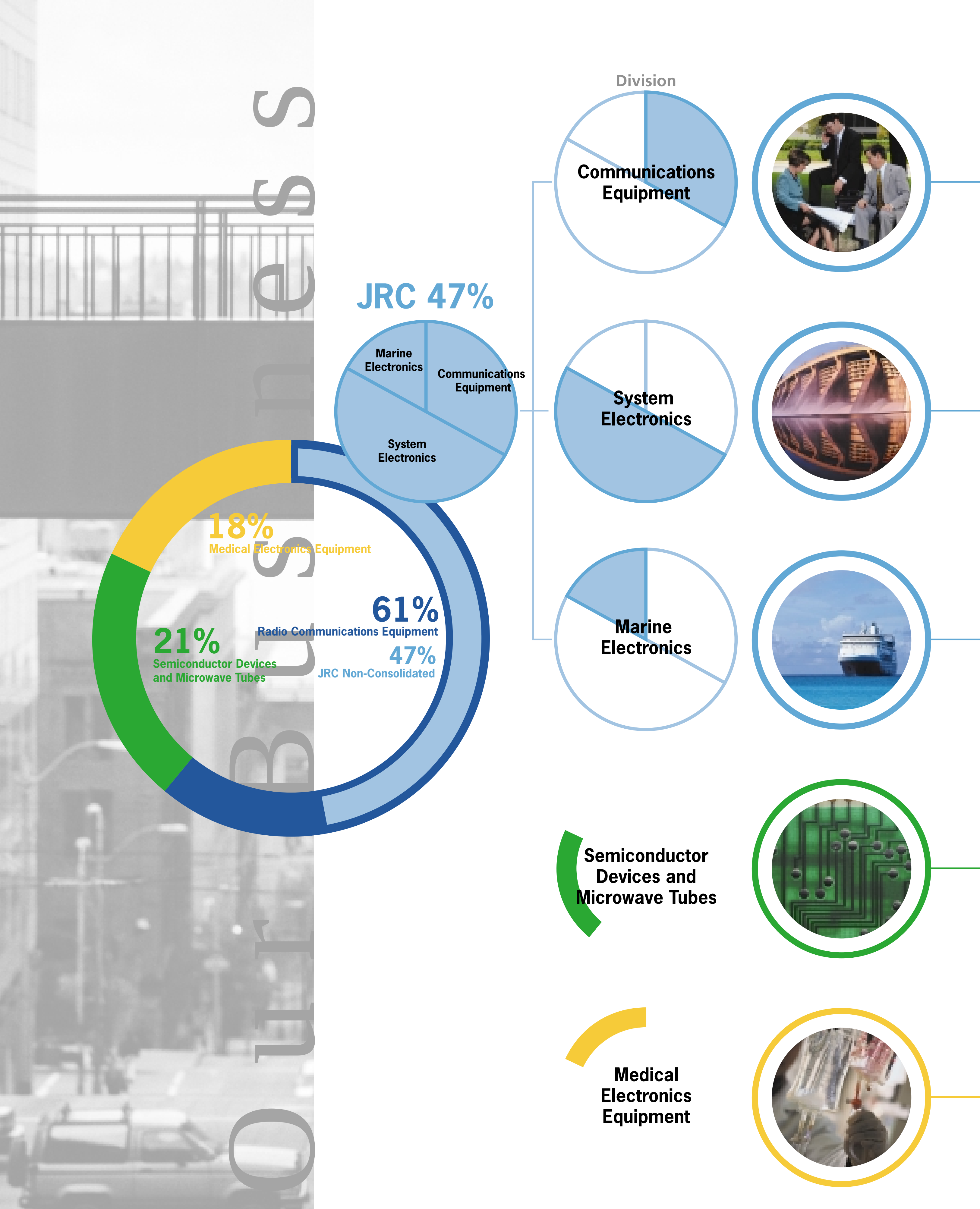
A … I believe that JRC should aim to be a company that pioneers its own business fields based on the specialized technologies of its Group companies, develops products that are unique and incorporate high degrees of added value, and which leads the world in its industry. In terms of management I do not want to simply follow the lead of the U.S., but pursue a Japanese management style that takes full account of the culture and customs of Japan. First and foremost I think it is important that we stabilize our performance to create a company with which shareholders and employees can feel comfortable. The result will be a company that will provide meaning to the work life of its employees.

I would like to ensure that JRC continues to live up to the fundamental principle of its management philosophy, that of "applying 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," and comes to lead the world in the area of radio wireless communications.

JRC will continue to work to increase corporate value in order to earn the backing of its shareholders, investors, customers and all stakeholders. Thank you for your continued support of JRC.

27th June, 2003
Tadahiro Muta, President

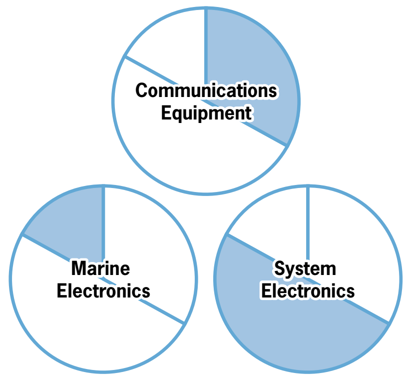
Our Business



Key lines of business	Business outline and topics
Mobile Communications **Telecommunications** **Broadcast** **Measurement & Testing** **Electronic Devices** **Others**	Because the worldwide implementation of third-generation mobile phone service is progressing at a sluggish pace, sales of amplifiers for mobile phone base stations were virtually flat. However, sales of mobile devices, primarily GPS cores for car navigation systems, did register growth. In December 2001, the Company transferred the Retail Business for Cellular Phone segment to subsidiary JRC Mobitec Co., Ltd. As a result of these and other factors, net sales in the communications equipment business declined 25.0% to ¥42,833 million in the fiscal year under review. We expect that sales in the PHS business will increase in the next fiscal year as a result of our energetic push into the Chinese market.
Water and River Management **Disaster Prevention Information** **Road and Traffic Management** **Meteorological Information** **Seaport / Airport Management & Simulation** **Electro-Acoustic Systems** **Others**	Sales of system electronics fell as a result of cuts at both the national and local government levels, intensifying competition, and a lull in the shift from analog to digital disaster prevention information systems. In the system electronics business, only road information systems showed healthy sales growth. As a result, sales in the system electronics business declined 16.0% to ¥59,810 million. Because national and local governments will implement the Third Disaster Management Plan next fiscal year, growth in sales of prevention information systems is anticipated.
Maritime Communications **Marine Navigation** **Fishing and Marine Farming** **Leisure**	Sales in the marine electronics business rose 13.8% to ¥19,338 million, primarily as a result of growth in demand arising from an increase in new ship building and the introduction of new products. In the next fiscal year, further sales growth is expected to result from special procurement for our Automatic Identification System (AIS).
Microwave Tubes and Peripheral Equipment **Microwave Devices** **Semiconductors**	In the Semiconductor Devices and Microwave Tubes segment, we achieved progress in inventory adjustments, secured new orders, and developed new customers. As a result, net sales climbed 11.0% to ¥54,247 million, and operating income jumped 208.5% to ¥3,774 million. From fiscal 2003 onward, we will be working to achieve a core-focused strengthening and expansion of our marketing capabilities and sales network in the Chinese market, and will be moving forward with the speedy development of products that are optimally suited to meet customer needs.
Electronic Medical Systems **Radiation Protection and Analytical Instruments** **Clinical Laboratory Systems**	Growth both in Japan and overseas brought a 2.1% increase in net sales in the Medical Electronics Equipment segment, to ¥47,205 million. Operating income surged 40.1% to ¥3,972 million. However, conditions in the domestic medical equipment industry remain severe, as a result of reductions in reimbursement of medical fees under the government health insurance schemes and other factors. From fiscal 2003 onward, though, we will be meeting these challenges head-on with efforts to expand our market share in existing businesses and to foster new businesses, to eradicate manufacturing defects and otherwise heighten product quality, to bring manufacturing operations in China on line, and to strengthen our cost-competitiveness through full implementation of ERP.

Review of Operations

Radio Communications Equipment



47%

JRC Non-Consolidated

With the development of information networks such as the Internet, communication has become increasingly global. Mobile communication has also become an integral part of everyday life as the technology has developed and spread, opening two main avenues for development in communications. The focus of the Radio Communications Equipment segment is to aid the further development of this next-generation style of communication.

The JRC Group parent company Japan Radio Co., Ltd. handles business related to the Radio Communications Equipment segment, comprised of the three fields of communications equipment, system electronics and marine electronics.

The communications equipment business handles the mobile communications and IT devices that allow people to exchange information faster and easier. It draws upon its base in proprietary electronics technology to produce products in a wide range of fields, from mobile devices such as PHS and mobile handsets, to communication and control network systems such as wireless LANs and fixed wireless access services that support the foundations of society.

The system electronics business develops the system technologies that underpin many of the world's lifelines. It provides reliable technologies for management and control of water lines and roads, communications equipment, emergency services networks, and many other crucial systems that form the foundation of modern society.

The marine electronics business is the oldest of JRC's businesses, one in which it has shown an impressive strength since the Company's founding in 1915. The JRC brand has achieved a solid position in the field of marine equipment, to the point where approximately 30% of all ships in operation throughout the world today incorporate one or more of JRC's products. The seas and oceans account for around 70% of the surface area of the Earth, and JRC's communication and navigation systems play a key role in helping ensure the safety of the ships that sail them. JRC will undoubtedly be a part of the future of marine businesses, helping realize the bounty of the seas with fishing, marine farming and other systems.

W-CDMA
Application Tester

Communications Equipment

> Mobile Communications

A specialist in wireless technologies, JRC is exploring the cutting edge of electronics, developing equipment designed to handle sophisticated information processing, including mobile telephones and terminal devices, linear power amplifiers for mobile telephone base stations, business-use radiotelephones, satellite communications and GPS systems. JRC pursues the development of mobile communications from the standpoint of expanding the realm of possibility to include anytime, anywhere and anyone.

> *Telecommunications*

Wireless networks are no longer used only in government or corporate networks, but with the appearance of wireless LAN Hotspots and other access methods, they have found their way into our daily lives. JRC offers a wide array of sophisticated equipment and networks—including wireless LANs, fixed wireless access and mobile base station entrance—to build everything from small-scale systems designed for individual use to large-scale networks for corporations and governments, making the various networks imagined by customers a reality.

> *Broadcast*

JRC has developed innovative equipment for both radio and television, including FM and medium-wave radio broadcast equipment and community broadcast equipment, leaving a lasting mark in the history of broadcasting since the early years of the medium.

Japan will begin terrestrial digital broadcasting of television in certain areas beginning in 2003, requiring significant change in the functions of television broadcasting. Drawing on its long-established base in analog broadcast technology, JRC offers a full line of equipment and systems that permit the deployment of complete systems, including TV broadcasting transmitters, TV transposers and transmission equipment employing the latest technologies, allowing it to respond to the need for terrestrial digital broadcast and transmission network.

JRC is seeking to further expand its broadcast equipment operations by shifting them to the system electronics business, gaining access to a nationwide sales network, from fiscal 2003.

> *Measurement & Testing*

Measuring instruments are vital to the research, development, manufacturing and maintenance of products. Utilizing the expertise it has accumulated over many years, JRC offers a full lineup of cutting-edge measuring equipment for digital mobile communications, helping ensure the reliability of these systems. It is also active in the field of nondestructive measurement, producing equipment that takes advantage of ultrahigh frequency (UHF) radar and signal processing technology to aid in engineering construction and surveying.

> *Electronic Devices*

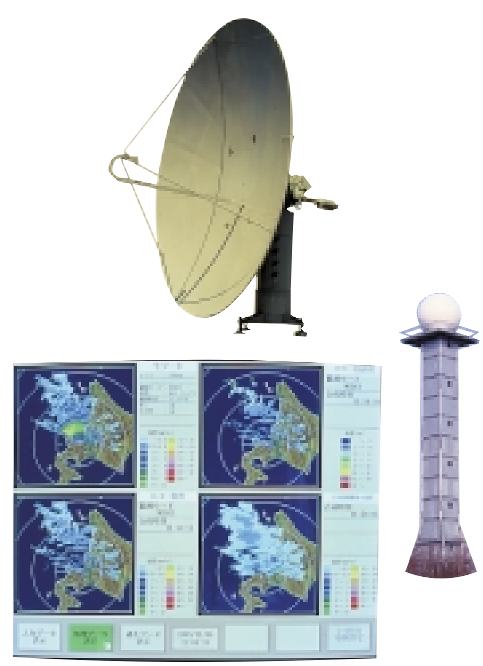
Stemming from the relentless pursuit of sophisticated functionality and high reliability, JRC is pursuing development of surface acoustic wave (SAW) filters, important devices to support mobile communications. JRC's long-standing device technologies help ensure a high degree of reliability for a large number of products.

System Electronics

> *Water and River Management*

JRC offers the latest electronics technology to provide solutions for water management, including the development of flood control and water utilization systems. It develops the water management systems that underlie the foundations of industry, society and the everyday lives of people, most notably a variety of control systems for water, rivers and dams, but also including

Personal Handyphone System



Meteorological Radar System

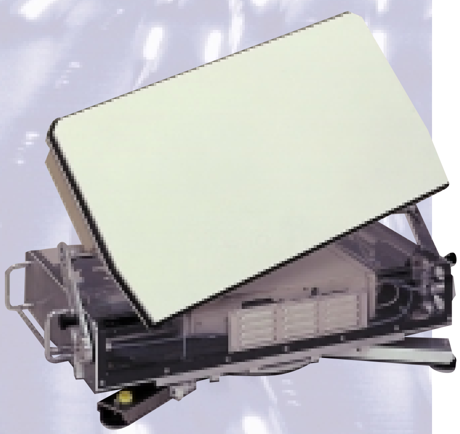
agricultural irrigation, water supply and sewerage systems, flood prevention, water quality and environmental information systems.

> Disaster Prevention Information

When disasters such as earthquakes, typhoons, floods or tidal waves happen, one of the first things necessary is to collect prompt and accurate information. JRC seeks to minimize the increasingly complex and diversified damage that occurs in today's more integrated society, offering disaster prevention information systems utilizing satellite and terrestrial communications. During normal times these systems serve as a community information service network linking citizens with government, contributing to greater trust and security among the community at large. Japan's microwave multiplex communication system, first deployed by JRC in 1949, plays an important role for government and other public organizations, serving as the trunk network for instructions and communication in times of disaster, as well as the means of communication for a variety of official notices.

> Road and Traffic Management

Whether for industry, logistics, business or leisure, JRC helps support the safe and smooth flow of traffic with prompt and accurate collection and transmission of traffic information. By utilizing the latest road and traffic information communication, monitoring and control systems, it is possible to get an overview of road and traffic conditions, and by transmitting this information through a variety of channels, to contribute to greater transportation safety.



VSAT Transportable Earth Station with IP Application

> Meteorological Information

JRC perfected the first weather radar system in Japan in 1954, and since that time has worked to improve the weather forecasting that is so closely linked with corporate activity and daily life. In addition to the weather radar systems used in meteorological observatories and airports throughout the country, JRC's leading technologies are utilized to provide accurate atmospheric data necessary for a variety of facilities, as well as the observation and analysis of rainfall data.

> Seaport / Airport Management & Simulation

Better equipment to maintain and improve safety has been essential to the evolution of sea and air ports. JRC provides for airport authorities the monitoring radar systems that are at the heart of airport safety, and for port authorities the navigation management systems to monitor and control the arrival and departure of ships. The Company also produces training simulators essential to the proper instruction of crew, maintenance personnel and controllers. In this way, the variety of equipment supplied by JRC plays a part in ensuring the safety of the sea and air.

> Electro-Acoustic Systems

JRC's communication technologies are well suited to the creation of comfortable acoustic spaces. In the past JRC provided leading acoustic technologies to support historic events such as the Tokyo Olympics in 1964 and the Japan World Exposition Osaka 1970. JRC continues to build on this technical expertise today, bringing it to life in acoustic equipment for concert halls, as well as conference sound systems and simultaneous interpretation for a wide variety of conference centers. In all the places where culture flourishes, JRC helps to create comfortable communication spaces.

Marine Electronics

> Maritime Communications

Navigating the expanse of the oceans, subject to severe weather and rough sea conditions, requires communication equipment with sophisticated functions. Taking the approach to marine information of improving communication quality and ensuring safe navigation, JRC offers a range of radio equipment for merchant marine and fishing vessels, coast radio stations, as well as Inmarsat (International Maritime Satellite Organization) global navigation systems, for which JRC boasts the largest share worldwide. JRC is helping make the seas safer by developing sophisticated electronic systems and peripheral equipment to provide high-quality communications in any area of ocean throughout the world.

Fleet F77 Ship Earth Station (Inmarsat-F)

> Marine Navigation

JRC's navigation systems are developed from the standpoints of energy conservation, lessening the burden on the crew and above all ensuring safety. From automatic radar plotting aid (ARPA) units and GPS/DGPS navigation systems, to integrated navigation systems that can guide the ship to its destination by the shortest route possible, JRC utilizes a wide variety of electronic technologies to help ensure the safety of the crew and conserve energy in ship operations. The Company's berthing aid equipment and port management radar support efficient entry and departure of ships and maintain safety in ports and straights, playing an important role in many aspects of high seas navigation.

Color LCD Radar

> Fishing and Marine Farming

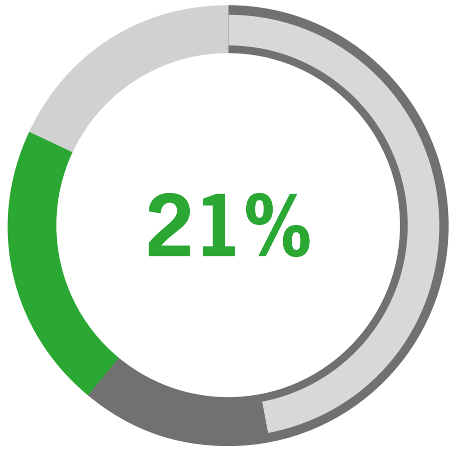
While the fishing industry used to rely on a variety of empirical rules, today for operations to be efficient they must be based on scientific data. JRC's ultrasound and image processing technologies are fully utilized in products such as color fish-finders to accurately chase and catch schools of fish, color-scanning sonar, and color hydrographic phenomena displays that make it easy to find the lines between ocean currents from the temperature just above the sea level. JRC is also supporting the development of the fish farming industry with instruments to measure a variety of resource and oceanographic data, and by building information networks. JRC serves a useful role in helping the fishing industry adapt to the characteristics of various regions.

> Leisure

JRC supports safe and comfortable cruising in the area of marine leisure. Even for leisure the reliability of marine gear when subject to severe conditions is of the utmost importance, and JRC offers a number of useful technologies that have survived rigorous testing under professional conditions.

Review of Operations

Semiconductor Devices and Microwave Tubes (NEW JRC)



JRC's subsidiary New Japan Radio Co., Ltd. manufactures and sells semiconductors and microwave devices, as well as microwave tubes and peripheral equipment. New JRC was established in 1959 to build on the technology and successes realized by JRC, which was one of the pioneers of microwave and semiconductor technology in Japan. New JRC adopted as its principal business field the electronic devices and technologies that have supported the IT revolution, and has continued to refine its proprietary technologies while generating distinctive products that have made contributions to the field of electronics. Recently, adopting the slogan of "µ & µ" it has integrated the microelectronics technology of semiconductors with microwave technology to provide new solutions for the multimedia age.

> Microwave Tubes and Peripheral Equipment

New JRC is developing microwave electronic tubes for use in the radar and electronic devices used in navigation, weather, aviation and other specialized fields to make the seas and skies safer. This technology, which generates high-power microwaves, is employed in such fields as the production of membranes and other thin films by means of industrial heating and microwave plasma. In order to make these electron tubes easier to use, New JRC has proactively developed and brought to market single modules that combine the electric tubes and the power units that drive them, as well as modules with an integrated electron tube and microwave signal processing unit.

> Microwave Devices

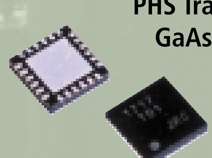
The market for satellite broadcasting and communications is growing rapidly. New JRC has incorporated new basic developments into its long-standing high-frequency technologies to develop products with higher wave frequencies, seeking to create products that look toward the future.

> Semiconductors

The versatility of general purpose linear ICs has led to their use in a large number of products. New JRC's power supply ICs—which have earned a top ranking for production performance in the industry—as well as its general purpose linear ICs, such as comparators, are found in many products that improve daily life.

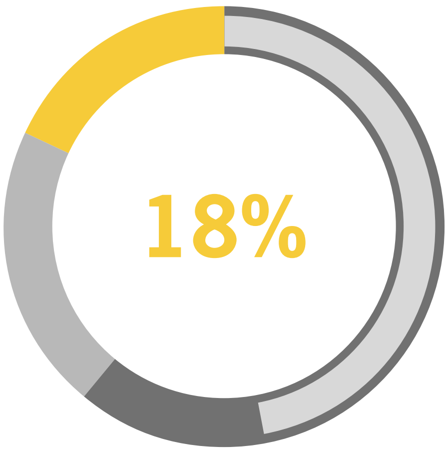
Audio Processor with Subwoofer Output

PHS Transceiver GaAs MMIC



Review of Operations

Medical Electronics Equipment (ALOKA)



JRC's subsidiary Aloka Co., Ltd. manufactures and sells equipment such as medical and general analysis systems. Founded in 1950, Aloka inherited electron tube and electronics technology from JRC, and has since grown to become one of the leading manufacturers and retailers of medical equipment. The word "aloka," which meant "light" in ancient Indo-Aryan, was registered as a trademark in 1936. JRC chose the word as the name for the new company from a desire to shine the light of health on all people through the production of superior medical equipment. Aloka is a pioneer in the medical equipment field, and under the motto of "the preciousness of life" pursues technological innovations while carrying out a wide array of corporate activities.

Aloka seeks to respond to the diversified needs created by the increasing sophistication of medicine by continually bringing to the forefront ideas and products that improve the medical environment. The company is working from the standpoint of science and humanity to meet the challenge of ensuring appropriate medical treatment in the new social environment.

> Electronic Medical Systems

Aloka's diagnostic ultrasound systems, osteoporosis diagnosis systems, and treatment and surgical systems consistently support the leading edge of medical care. The high-quality, high-resolution imaging possible with Aloka's ultrasound diagnostic systems has been highly praised both in Japan and around the world, and it is today one of the major pillars of Aloka's business.

> Radiation Protection and Analytical Instruments

Aloka's radiation measuring instruments, radiation monitoring systems, and biology systems incorporate an array of cutting-edge technologies, helping pioneer new fields. It has developed radiation measuring instruments incorporating the latest technologies for use at all facilities that handle radioisotopes, such as nuclear power plants, universities, research centers and hospitals.

> Clinical Laboratory Systems

Aloka offers the clinical testing systems and dispensing systems required in modern medicine to help optimize clinical testing. Its products are developed with a focus on shorter testing times, automation and versatility, playing an important role in many areas of modern medicine.

LabFLEX2500

Prosound SSD-4000

Research and Development Activities

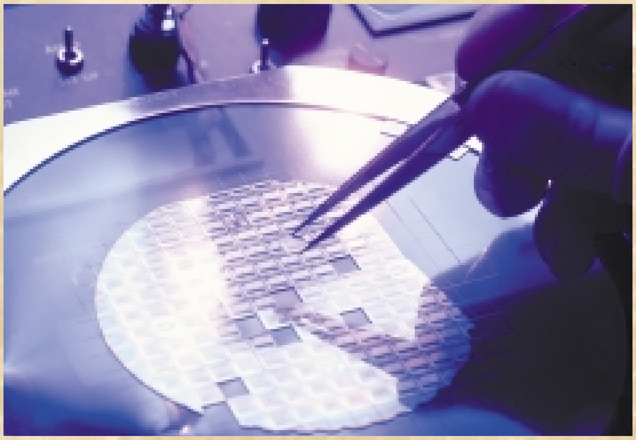
Pioneering the frontiers of information technology, JRC's vibrant R&D program helps create the value that contributes to society

The JRC Group conducts a comprehensive program of research and development, from basic research with a medium- to long-term perspective, to development of new technologies with a direct relation to business activities.

The JRC parent company handles the radio communications equipment business. Drawing upon an extensive background in IT technologies acquired over many years, JRC is seeking to make further strides forward, pushing ahead in the fields of communications and communications-related devices, and devoting its resources to the development of such new technologies as IT-integrated system architecture that will greatly contribute to society. As a result of these aggressive measures, the Company will accelerate its entry into the high-value-added information-related fields.

New JRC handles the semiconductor and microwave tubes business. It conducts a comprehensive R&D program that includes the semiconductor products that are at the heart of electronic components, and the microwave tubes used in radar systems, satellite and terrestrial communications. The scope of the program ranges from the planning and design processes up to and including production technologies.

Aloka is a pioneer in the field of medical electronics equipment. It is expanding and upgrading its current product lines, but is also concentrating on exploring new fields of research, and developing new technologies. IT systems are rapidly being deployed in the medical environment to bolster overall effectiveness in the future, and to provide more efficient medical care. In response Aloka is conducting research and development on products that will allow it to more quickly meet societal needs, such as construction of network systems and full-fledged introduction of fully digital equipment.



Further toward the cutting edge, and greater possibilities for technology.

Relentlessly striving toward the creation of value that contributes to society, the JRC Group's R&D program is moving resolutely toward the future.

Principal R&D Activities

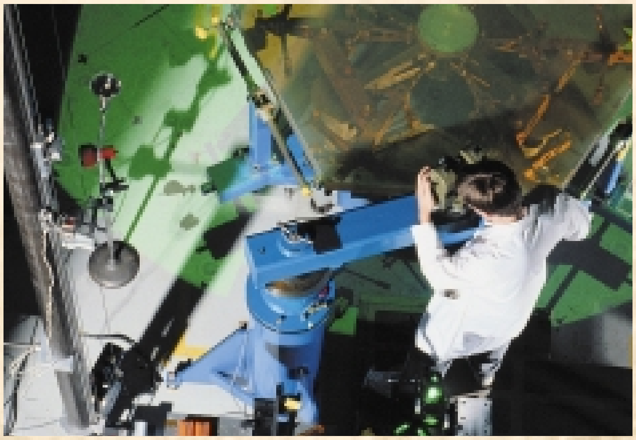
1) Radio Communications Equipment

Major fields of radio communications R&D are growth areas such as mobile communications, as well as cutting-edge technology in digital and satellite transmission, measurement and control systems, and graphics processing.

R&D investment in this segment totaled ¥9.46 billion in the fiscal year under review. Products developed through the R&D program during fiscal 2002 included:

• Low-cost Mobile Base Station Entrance (MBSE) equipment with flexible system architecture, using the 20MHz band, a 160QAM modulation, and having 52Mbps of transmission capacity. In conjunction with the launch of cdma2000 high-speed data transmission service for mobile telephones, use of this equipment will increase the transmission capacity of base stations and transmission hubs.

• Terrestrial digital television STL (Studio to Transmitter Link) /TTL (Transmitter to Transmitter Link) equipment to transmit signals from broadcast studio to relay station, or between relay stations, using microwaves. This equipment was developed in anticipation of the launch of terrestrial digital television transmission scheduled for 2003. As a result of the development of error correction and automated wave pattern technologies, this equipment is capable of



transmitting raw broadcast data in TS format, in compliance with standard specifications.

• The Ethernet FLEET F77 Ship Earth Station, the first such equipment to incorporate an Ethernet interface, having a maximum 64kbs high-speed packet transmission (MPDS: Mobile Packet Data Service) function. This equipment makes it possible to account data by volume. The Below Deck Equipment (BDE) incorporates a variety of standard interface ports (RS332, Ethernet, ISDN, RS530, etc.) to establish a ship-wide network.

• A PHS handset with a USB hub that allows for exchange of data with a personal computer. This is the first PHS to incorporate an Internet browser with SSL (Secure Socket Layer), and the ability to access sites with high levels of security.

2) Semiconductor Devices and Microwave Tubes

R&D in semiconductor devices and microwave tubes is oriented toward the electronics industry, a field characterized by rapid technical innovation and a constantly changing market. The comprehensive R&D program includes the semiconductor products that are at the heart of electronic components, and the microwave tubes used in radar systems, satellite and terrestrial communications. The scope of the program ranges from the planning and design process up to and including production technologies.

R&D investment in this segment totaled ¥5.85 billion. Products developed through the R&D program during fiscal 2002 included:

• In the mainstay field of operational amplifiers, new low-noise products were added to the Company‘s series of full-swing operational amplifiers, a line-up of high-speed, wide-band operational amplifiers was established, and high-pressure, high-speed processes were developed.

• In the field of audio ICs, a number of audio processors for the extensive television market in China were developed, further development was conduced on *eala*, the Company‘s unique field sound technology, and products in a wide range of series were developed and brought to market, such as *eala* for reproduction of low bass sounds, and *eala* for use in mobile telephones.

3) Medical Electronics Equipment

The medical electronics equipment business conducts leading-edge research in such fields as medical treatments, radiology and biology. Its R&D program is focused on development of the high-performance, highly safe products that serve the needs of customers.

R&D investment in this segment totaled ¥4.95 billion. Products developed and brought to market through the R&D program during fiscal 2002 included:

• A wide variety of diagnostic ultrasound systems and transducers suitable for all medical environments from universities to general hospitals

• 3D-image processing and high-resolution diagnostic ultrasound systems

• Ultrasound bone analysis systems to allow for early detection of osteoporosis

ENVIRONMENTAL INITIATIVES

Corporate Social Responsibility

JRC recognizes environmental conservation to be one of the most important common concerns for all mankind, and will act with full consideration for environmental conservation in all aspects of its business activity. In accordance with this principle, the Company conducts its business in line with the following environmental policy in order to fulfill its social responsibility as a corporation.

1. Business activities, products and services of the Company shall comply with environmental laws and regulations, or other societal obligations of the Company.

2. Business activities, products and services of the Company shall promote energy efficiency, resource conservation and waste reduction.

3. The Company shall structure its environmental management system to prevent pollution and continually lessen the environmental impact of its business activities, products and services.

4. The environmental management system established by the Company shall set environmental goals and targets, and best efforts shall be made to achieve them. These environmental goals and targets shall be periodically revised.

5. The environmental conservation policy, incorporating the Company's fundamental principles and policies, shall be made known to all employees to gain their full understanding and cooperation. The company's philosophy shall be made public in response to a request for such.

In order to realize the creation of a sustainable society, it is essential to make a dramatic shift from the mass-production, mass-consumption, mass-disposal society that has existed to the present, toward a more resource conservation and recycling-oriented model. The 21st century is often referred to as the environmental century. To respond to the demands of such an age, JRC has used as a reference the Rio Declaration on Environment and Development proclaimed at the global summit of 1992, and the Environment Basic Law enacted in 1993, in establishing in 1993 a department dedicated to the promotion of environmental preservation. Since the establishment of this department, the Company has continuously carried out a steady program of activities to lessen the environmental burden, including energy and resource conservation, and waste reduction.

The new department also focused its activity toward obtaining ISO 14001 certification, the international standard for environmental management systems, and acquired the certification in 1998.

Major environmental initiatives enacted to the present include a plan to reduce the environmental burden at the Saitama Plant, a plan to counter global warming at the Mitaka Factory, thorough management of chemical agents, and purchasing of raw materials with a small environmental impact.

New Japan Radio Co., Ltd. recognizes that protection of the environment is one of the most important common concerns for all mankind, and has continued with its efforts to control pollution and preserve the environment. It has formulated voluntary environmental guidelines that help lessen the environmental burden in all its corporate activities, and is pursuing activities aimed at making it an organization that works in harmony with the environment.

Aloka Co., Ltd. recognizes that protection of the environment is one of the most important common concerns for all mankind, and in accordance with its management principles and basic guidelines, conducts its business with consideration for environmental preservation in all fields of its operations.

The JRC Group continually strives to preserve the global environment.

JRC Environmental Guidelines

Goal	Target
1. Promote measures to prevent global warming	Reduce energy consumption (expressed as carbon dioxide from electric, gas, crude oil) on a production value unit base to less than 75% of fiscal 1990 levels by 2010
2. Improve the recycling rate	Improve the recycling rate of waste products to greater than 60% by 2010
3. Reduce the volume of permanent disposal of waste	Reduce the volume of permanent disposal of waste products generated by the Company's facilities on a production value unit base to less than 40% of fiscal 1996 levels by 2010
4. Design environmentally friendly products	Implement an environmental design review
5. Promote green purchasing	(1) Give priority to ecologically friendly products (2) Create a database of the environmental impact of machine parts by fiscal 2005
6. Prevent air and water pollution	Comply with all laws and standards
7. Reduce harmful substances (1) Reduce the amount of lead solder used (2) Reduce the use of substances applicable to RoHs (3) Implement thorough risk management of chemical agents	(1) Abolish the use of lead solder in products applicable to RoHs by fiscal 2004 (2) Abolish the use of lead, mercury, cadmium, sexivalent chrome, and PBR/PBDE by fiscal 2004 (3) Manage chemical agents in accordance with laws and regulations

Board of Directors (Effective as of 27th June, 2003)

Tadahiro Muta
Representative Director
President

Shinji Takeuchi
Representative Director
Managing Director
(Executive in charge of Corporate Strategy and Production)

Kenkichi Hirade
Managing Director
(Executive in charge of Research & Development)

Shoji Tsuji
Managing Director
(Executive in charge of Human Resources, Quality Assurance and Information Processing)

Takeshige Machino
Managing Director
(Executive in charge of Public Sector and Defense Business)

Mikio Naito
Managing Director
(Executive in charge of Private Sector Business)

Akihiko Hayashi
Director
(General Manager, Research & Development Department)

Kouichi Okajima
Director
(Executive in charge of General Affairs and Accounting & Finance)

Hajime Takagiwa
Director
(Executive Director, Nisshinbo Industries Inc.)

Takashi Kosaka
Director
(Executive in charge of System Electronics Division)

Hironori Sakamoto
Director
(Executive in charge of Linear Power Amplifier Division)

CORPORATE AUDITORS

Hideki Takeishi
Standing Corporate Auditor

Yoshio Nakatsuchi
Standing Corporate Auditor

Morihiro Sato
Standing Corporate Auditor

Kenji Tasaki
Corporate Auditor

Financial Section

Contents

MANAGEMENT'S DISCUSSION & ANALYSIS
Consolidated Financial Information

Scope of Consolidation

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

Net Sales

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

Operating Expenses and Operating Income

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

Segment Information

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

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

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

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

Net Income (Loss)

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

Cash Flow and Financial Position

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

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

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

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

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

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

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

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

CONSOLIDATED BALANCE SHEETS

Japan Radio Co., Ltd. and Consolidated Subsidiaries

31st March, 2003 and 2002

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

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Years Ended 31st March, 2003 and 2002

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

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

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Years Ended 31st March, 2003 and 2002

	Thousands	Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealised Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, 1ST APRIL, 2001	137,977	¥14,704	¥17,087	¥ 58,480	¥ 20	¥(428)	¥ (1)
Net loss				(16,430)			
Bonuses to directors				(85)			
Increase due to change in ownership percentage of a subsidiary company				445			
Adjustment for retained earnings due to the merger of an unconsolidated subsidiary to a consolidated subsidiary				33			
Net increase in unrealised gain on available-for-sale securities					44		
Net increase in foreign currency translation adjustments						177	
Repurchase of treasury stock (12,696 shares)							(5)
BALANCE, 31ST MARCH, 2002	137,977	14,704	17,087	42,443	64	(251)	(6)
Net loss				(10,534)			
Bonuses to directors				(78)			
Decrease due to change in ownership percentage of a subsidiary company				(11)			
Net decrease in unrealised gain on available-for-sale securities					(652)		
Net decrease in foreign currency translation adjustments						(66)	
Repurchase of treasury stock (55,911 shares)							(13)
BALANCE, 31ST MARCH, 2003	137,977	¥14,704	¥17,087	¥ 31,820	¥(588)	¥(317)	¥(19)

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

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Years Ended 31st March, 2003 and 2002

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

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Years Ended 31st March, 2003 and 2002

1. Basis of Presenting Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2002 consolidated financial statements to conform to the classifications and rearrangements used in 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.20 to $1, the approximate rate of exchange at 31st March, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

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

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

Investments in three (four in 2002) associated companies (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method. Investments in the remaining three unconsolidated subsidiaries and one associated company (three subsidiaries and one associated company in 2002) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

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

Cash equivalents include time deposits and all of which mature or become due within three months of the date of acquisition.

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

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

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

d. Marketable and Investment Securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortised cost and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealised gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

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

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

e. Property, Plant and Equipment—Property, plant and equipment are stated at cost.

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

f. Bond with Warrants—The proceeds of bonds with warrants are allocated between a bond portion resulting in a bond discount and a warrant portion. Bond discounts are amortised over the term of the related bonds. The amount allocated to warrants are recorded as other current liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Investment Securities

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

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

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

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

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

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

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

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

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

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

4. Inventories

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

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

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

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

The weighted average annual interest rates for short-term bank loans for the years ended 31st March, 2003 and 2002 were 0.95 percent and 0.78 percent, respectively.

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

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

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

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

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

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

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

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

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

6. Retirement and Pension Plans

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

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

The liability for employees' retirement benefits at 31st March, 2003 and 2002 consisted of the following:

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

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

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

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

	2003	2002
Discount rate	2.4%–4.0%	2.5%–3.0%
Expected rate of return on plan assets	0.0%–4.5%	3.0%–6.3%
Amortisation period of prior service cost	15 years	15 years
Recognition period of actuarial gain/loss	10–15 years	10–15 years
Amortisation period of transitional obligation	5–15 years	5–15 years

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

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

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

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

The Company and certain subsidiaries recorded a liability for its un-funded retirement allowance plan covering all of its directors and corporate auditors. The annual provisions for retirement allowances for directors and corporate auditors for the years ended 31st March, 2003 and 2002 were ¥1,029 million ($8,565 thousand) and ¥1,093 million, respectively.

7. Shareholders' Equity

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

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

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

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

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

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

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

8. Income Taxes

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

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

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

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

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

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

At 31st March, 2003, the Company and subsidiaries have tax loss carryforwards aggregating approximately ¥16,620 million ($138,272 thousand) which are available to be offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilised, will expire as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 4,027	$ 33,503
2007	8,853	73,655
2008 and thereafter	3,740	31,114
Total	¥16,620	$138,272

9. Research and Development Costs

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

10. Leases

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

Total rental expenses for the years ended 31st March, 2003 and 2002 were ¥960 million ($7,984 thousand) and ¥1,059 million, respectively, including ¥920 million ($7,656 thousand) and ¥1,043 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalised" basis for the years ended 31st March, 2003 and 2002 was as follows:

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

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

Obligations under finance leases:

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

Depreciation expense and interest expense under finance leases:

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

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

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

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

11. Derivatives

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

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

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

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

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

12. Contingent Liabilities

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

13. Selling, General and Administrative Expenses

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

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

14. Other Income (Expenses)—Net

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

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

15. Consolidated Segment Information

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

(1) Industry Segment

Sales and Operating Income

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

Total Assets, Depreciation and Capital Expenditures

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

Sales and Operating Income

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

Total Assets, Depreciation and Capital Expenditures

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

Sales and Operating Income

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

Total Assets, Depreciation and Capital Expenditures

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

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

(2) Geographical Segment

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

(3) Sales to Foreign Customers

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

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

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

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

16. Subsequent Event

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

INDEPENDENT AUDITORS’ REPORT

Deloitte
Touche
Tohmatsu

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

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

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

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

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

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

27th June, 2003

NON-CONSOLIDATED BALANCE SHEETS

Japan Radio Co., Ltd.

31st March, 2003 and 2002

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

See notes to non-consolidated financial statements.

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

Non-Consolidated Statements of Operations

Japan Radio Co., Ltd.

Years Ended 31st March, 2003 and 2002

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

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

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Japan Radio Co., Ltd.

Years Ended 31st March, 2003 and 2002

	Thousands	Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus: Additional Paid-in Capital	Retained Earnings: Legal Reserve	Retained Earnings: Unappropriated	Unrealised Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, 1ST APRIL, 2001	137,977	¥14,704	¥17,087	¥2,278	¥ 24,705	¥ 14	
Net loss					(14,123)		
Net increase in unrealised gain on available-for-sale securities						65	
Application of revised accounting standard for treasury stock at cost							¥ (6)
BALANCE, 31ST MARCH, 2002	137,977	14,704	17,087	2,278	10,582	79	(6)
Net loss					(7,561)		
Repurchase of treasury stock (55,911 shares)							(13)
Net decrease in unrealised gain on available-for-sale securities						(636)	
BALANCE, 31ST MARCH, 2003	137,977	¥14,704	¥17,087	¥2,278	¥ 3,021	¥(557)	¥(19)

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

See notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Radio Co., Ltd.

Years Ended 31st March, 2003 and 2002

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

See notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

Japan Radio Co., Ltd.

Years Ended 31st March, 2003 and 2002

1. Basis of Presenting Non-Consolidated Financial Statements

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

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

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2002 non-consolidated financial statements to conform to the classifications and rearrangements used in 2003. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.20 to $1, the approximate rate of exchange at 31st March, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

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

Investments in subsidiaries and associated companies are stated at cost.

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

Cash equivalents include time deposits and all of which mature or become due within three months of the date of acquisition.

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

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

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

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

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

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

e. Property, Plant and Equipment—Property, plant and equipment are stated at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Investment Securities

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

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

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

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

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

4. Inventories

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

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

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

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

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

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

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

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

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

6. Retirement and Pension Plans

The Company has severance payment plans for employees, directors and corporate auditors.

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

The liability for employees' retirement benefits at 31st March, 2003 and 2002 consisted of the following:

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

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

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

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

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

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

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

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

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

The Company recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors. The annual provisions for retirement allowances for directors and corporate auditors for the years ended 31st March, 2003 and 2002 were ¥214 million ($1,782 thousand) and ¥405 million, respectively.

7. Shareholders' Equity

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

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

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

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

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

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

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

8. Income Taxes

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

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

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

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

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

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

At 31st March, 2003, the Company has tax loss carryforwards aggregating approximately ¥16,179 million ($134,602 thousand) which are available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilised, will expire as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 4,027	$ 33,503
2007	8,649	71,952
2008	3,503	29,147
Total	¥16,179	$134,602

9. Research and Development Costs

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

10. Leases

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

Total rental expenses for the years ended 31st March, 2003 and 2002 were ¥418 million ($3,481 thousand) and ¥449 million, respectively, including ¥379 million ($3,155 thousand) and ¥433 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalised" basis for the years ended 31st March, 2003 and 2002, was as follows:

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

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

Obligations under finance leases:

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

Depreciation expense and interest expense under finance leases:

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

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

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

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

11. Derivatives

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

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

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

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

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

12. Contingent Liabilities

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

13. Selling, General and Administrative Expenses

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

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

14. Other Income (Expenses)—Net

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

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

15. Related Party Transactions

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

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

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

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

16. Subsequent Event

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

INDEPENDENT AUDITORS' REPORT

Deloitte
Touche
Tohmatsu

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

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

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

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

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

27th June, 2003

Affiliated Companies of JRC (As of 31st March, 2003)

Aloka Co., Ltd. *

Number of employees: 1,076 (non-consolidated) / 1,462 (consolidated)
Business scope: 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-shi, Tokyo 181-8622
Phone : +81-422-45-5111
Tokyo works: 7-19, Imai 3-chome, Oume, Tokyo 198-8577
Subsidiaries: Aloka Technical Service Co., Ltd./Shanghai Aloka Medical Equipment Company/Aloka Hong Kong Limited/ 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./AEC Co., Ltd./Aloka System Engineering Co., Ltd.
Homepage address: http://www.aloka.com

New Japan Radio Co., Ltd. *

Number of employees: 1,592 (non-consolidated) / 2,805 (consolidated)
Business scope: 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
Phone : +81-3-5642-8222
Factory: 1-1, Fukuoka 2-chome, Kamifukuoka-shi, Saitama 356-8510
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.
Homepage address: http://www.njr.co.jp

JRC Tokki Co., Ltd. *

Number of employees: 354
Business scope: 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-shi, Kanagawa 223-0058
Phone : +81-45-547-8572
Homepage address: http://www.jrctokki.co.jp

JRC Engineering Co., Ltd. *

Number of employees: 157
Business scope: 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-shi, Tokyo 181-0013
Phone : +81-422-45-9661
Homepage address: http://www.jrce.co.jp

Nihonmusen Glass Co., Ltd. *

Number of employees: 108
Business scope: 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, Kamifukuoka-shi, Saitama 356-0011
Phone : +81-492-64-4411
Homepage address: http://www.jrg.co.jp

Musashino Electric Co., Ltd. *

Number of employees:	165
Business scope:	Manufacture of radio communications and medical electronics equipment, and electronic parts
Head office and factory:	1-33, Shimorenjaku 8-chome, Mitaka-shi, Tokyo 181-0013
Phone :	+81-422-47-6341
Homepage address:	http://www.musashino-e.com

JRC Mobitec Co., Ltd. *

Number of employees:	82
Business scope:	Proxy service business for telecommunications carriers, sales for mobile telecommunication equipment, system sales and maintenance for mobile telecommunication
Head office:	Kanda Ponpian Bldg. 5-12, Iwamoto-cho 2-chome, Chiyoda-ku, Tokyo 101-0032
Phone :	+81-3-3865-3041
Homepage address:	http://www.jrcmobitec.co.jp

Sougou Business Service Co., Ltd. *

Number of employees:	86
Business scope:	Distribution management of electronic equipment
Head office:	Japan Radio Co., Ltd. Mitaka Factory 1-1, Shimorenjaku 5-chome, Mitaka-shi, Tokyo 181-0013
Phone :	+81-422-40-0471

Nagano Japan Radio Co., Ltd.

Number of employees:	973 (non-consolidated) / 3,272 (consolidated)
Business scope:	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 Shimohigano, Inazato-machi, Nagano-shi, Nagano 381-2288
Phone :	+81-26-285-1111
Homepage address:	http://www.njrc.co.jp

Ueda Japan Radio Co., Ltd.

Number of employees:	720
Business scope:	Manufacture of VHF radio equipment, radio receivers, measuring instruments, and electromedical equipment, etc.
Head office and factory:	10-19, Fumiiri 2-chome, Ueda-shi, Nagano 386-8608
Phone :	+81-268-26-2112
Homepage address:	http://www.ujrc.co.jp

Note : Mark * denotes a consolidated subsidiary.

Main Office, Plants and Overseas Offices

Main Office & Plants

• 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

• Mitaka Factory
1-1, Shimorenjaku 5-chome ,
Mitaka-shi, Tokyo 181-8510
Phone: +81-422-45-9111
Fax: +81-422-45-9110
Telex: 2822-351

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

Overseas Subsidiary

• JRC (HK) Limited
Room 1701, Telford House,16 Wang Hoi Road,
Kowloon Bay, Kowloon, Hong Kong
Phone: +852-2707-9170
Fax: +852-2707-9226

Overseas Branch Offices

• U.S.A.
Japan Radio Co., Ltd. Seattle Branch
1011 SW Klickitat Way Bldg. B, Suite 100
Seattle, WA 98134, U.S.A.
Phone: +1-206-654-5644
Fax: +1-206-654-7030

• 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

Overseas Offices

• Indonesia
Japan Radio Co., Ltd.
Jl. Cikini 5, No.15, Jakarta Pusat,
INDONESIA
Phone: +62-21-3924150
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, SINGAPORE
Phone: +65-62229190
Fax: +65-62229398

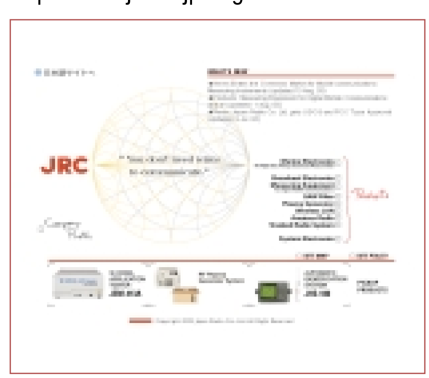
• Greece
Japan Radio Co.,Ltd.
Akti Miaoli 57, Piraeus, Greece
Phone: +30-210-429-3304/3305
Fax: +30-210-429-3306

• 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
Suite 208, 2125 Center Avenue,
Fort Lee, NJ 07024 U.S.A.
Phone: +1-201-242-1882
Fax: +1-201-242-1885

• 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

JRC Web Site (English)
http://www.jrc.co.jp/eng/index-e.html



Investor Information (As of 31st March, 2003)

Corporate Data

Corporate Name	Japan Radio Co., Ltd.
Date of Establishment	December, 1915
Paid-in Capital	¥14,704,352,707
Number of Shares Issued	137,976,690 shares
Number of Shareholders	14,871
Stock Listing	Tokyo Stock Exchange, First Section (Code: 6751)
Number of Employees	3,347
General Meeting of Shareholders	Convened annually in late June

JRC Web Site

http://www.jrc.co.jp

Major Shareholders

Name	Number of Shares Held	Percentage of Total Shares Issued
Nisshinbo Industries, Inc.	26,670	19.32
The Master Trust Bank of Japan, Ltd.	7,573	5.48
Japan Trustee Services Bank, Ltd.	6,861	4.97
Mizuho Corporate Bank, Ltd.	6,853	4.96
The Nomura Trust and Banking Co., Ltd.	6,794	4.92
Mitsui Asset Trust and Banking Co., Ltd	5,594	4.05
UFJ Trust Bank Ltd.	4,747	3.44
Mizuho Bank, Ltd.	3,672	2.66
JRC employee ownership	2,340	1.69
Mitsubishi Electric Co.	1,945	1.40

Shareholder Type

	Financial Institutions	Securities Companies	Other Corporations	Foreign Corporations and Individuals	Individuals and Others	Total
Number of Shareholders	62	73	387	74	12,641	13,237
Number of Shares Held	(Thousands) 57,570	3,107	32,706	7,237	36,677	137,297
Percentage of Total Shares Issued	41.93	2.27	23,82	5.27	26.71	100.0

Notes: Trading Unit of Common Stock : 1,000 shares
Odd-Lot Stock : 679,690 share