Japan Radio Co., Ltd.

Annual Report 2004

For the year ended March 31,2004

Japan Radio Co., Ltd.

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 electron-ics equipment. The Group considers its mission to be contributing to the realization of a prosperous society through healthy business activities, and as such offers beneficial products and services that serve the needs of customers, as it develops its business into a name trusted throughout the world.

Management Philosophy

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.

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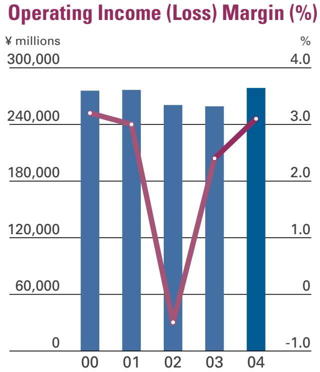
Financial Highlights

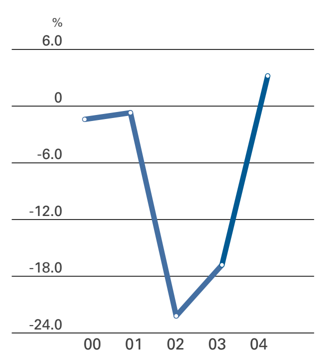
	Millions of Yen				Percentage Change	Thousands of U.S. Dollars
	2001	2002	2003	**2004**	2004/2003	**2004**
Net sales	276,631	261,498	259,381	**278,572**	7.4%	**2,635,742**
Radio communications equipment	168,687	166,433	157,929	**167,350**	6.0%	**1,583,403**
Semiconductor devices and microwave tubes	64,224	48,866	54,247	**66,021**	21.7%	**624,667**
Medical electronics equipment	43,720	46,199	47,205	**45,201**	- 4.2%	**427,672**
Gross profit	59,701	50,729	54,472	**57,055**	4.7%	**539,830**
Gross profit margin (%)	21.6%	19.4%	21.0%	**20.5%**	–	**–**
Operating income (loss)	8,210	(1,202)	6,351	**8,668**	36.5%	**82,015**
Operating income (loss) margin (%)	3.0%	(0.5%)	2.4%	**3.1%**	–	**–**
Income (loss) before income taxes	2,503	(13,043)	2,293	**6,515**	184.1%	**61,644**
Net income (loss)	(616)	(16,430)	(10,534)	**2,161**	–	**20,446**
Total assets	304,108	274,311	247,849	**232,235**	- 6.3%	**2,197,327**
Shareholders' equity	89,862	74,041	62,687	**66,701**	6.4%	**631,100**
Interest-bearing liabilities	70,762	77,957	64,053	**50,838**	- 20.6%	**508,647**
Net income (loss) per share (yen)	(4.46)	(119.08)	(76.85)	**15.19**	–	**–**
Shareholders' equity ratio (%)	29.5%	27.0%	25.3%	**28.7%**	–	**–**
Depreciation	8,803	8,200	8,359	**7,820**	- 6.4%	**73,990**
Capital Expenditures	12,030	8,407	8,385	**7,142**	- 14.8%	**67,575**
ROE (%)	–	–	–	**3.2%**	–	**–**
D/E ratio (times)	0.79 times	1.05 times	1.02 times	**0.76 times**	–	**–**

Note: The 2004 yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥105.69=U.S.$1,the approximate exchange rate at March 31,2004.

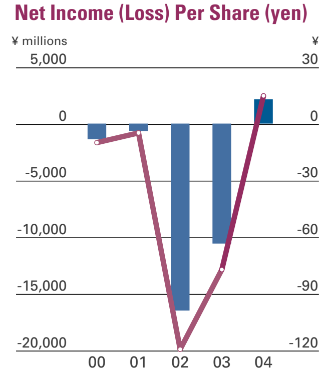
Net Sales (millions of yen) / Operating Income (Loss) Margin (%)



ROE (%)



Net Income (Loss) (millions of yen) / Net Income (Loss) Per Share (yen)



Overview of Business

Radio Communications Equipment

Products

Communications Equipment

Multi System UE Tester

Mobile Communications
Telecommunications
Measurement & Testing
Electronic Devices
Others

System Electronics

18GHz Fixed Wireless Access

Water and River Management
Disaster Prevention Information
Road and Traffic Management
Broadcast
Meteorological Information
Seaport / Airport Management & Simulation
Electro-Acoustic Systems
Others

Marine Electronics

ARPA RADAR (Medium Class)

Maritime Communications
Marine Navigation
Fishing and Marine Farming
Leisure

Outline of business

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 method of communication.

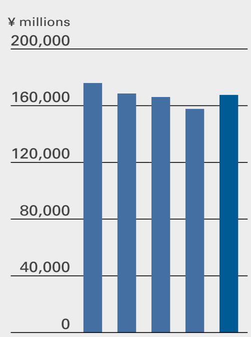
The JRC Group parent company, Japan Radio Co., Ltd., handles business related to the Radio Communications Equipment segment, which consists of the three fields of communications (communications equipment, system electronics and marine electronics).

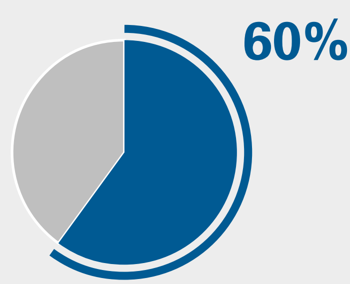
The communications equipment business handles the mobile communication and IT devices that allow people to exchange information faster and easier. The business draws upon its base in proprietary electronics technology to produce products in a wide range of fields, from mobile devices such as PHS and 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. The business provides reliable technologies for management and control of water lines and roads, communication equipment, emergency services networks, and many other crucial systems integral to modern society.

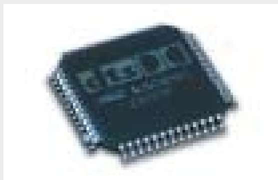
The marine electronics business is JRC's oldest, one in which the Company has shown impressive strength since its founding in 1915. The JRC brand has achieved a solid position in the field of marine equipment, to the point where approximately 30% of all ships in operation throughout the world today incorporate 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.

Net Sales and Sales Composition





Semiconductor Devices and Microwave Tubes



Multi-Function Digital Audio Decoder

Microwave Tubes and Peripheral Equipment
Microwave Devices
Semiconductors

Medical Electronics Equipment

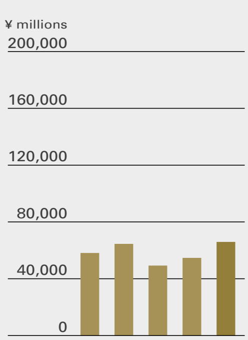
Diagnostic Ultrasound Systems

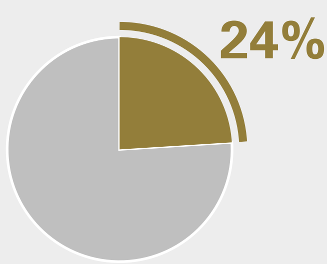
Electronic Medical Systems
Radiation Protection and Analytical Instruments
Clinical Laboratory Systems

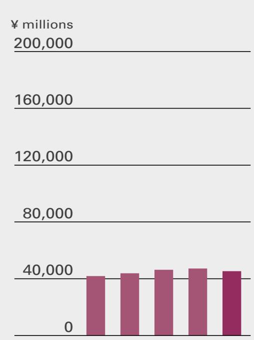
JRC's subsidiary New Japan Radio Co., Ltd. manufactures and sells semiconductors and microwave devices, as well as microwave tubes and peripheral equipment. New JRC was established in 1959 to build on the technology and successes realized by JRC, which was one of the pioneers of microwave and semiconductor technology in Japan. New JRC's principal business field is the electronic devices and technologies that have supported the IT revolution, and the subsidiary 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", New JRC has integrated the microelectronics technology of semiconductors with microwave technology to provide new solutions for the multimedia age.

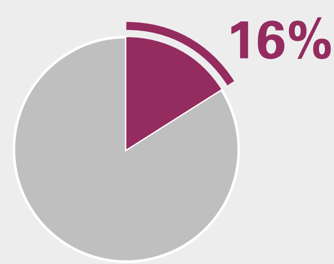
JRC's subsidiary Aloka Co., Ltd. manufactures and sells equipment such as medical and general analysis systems. Founded in 1950, Aloka inherited ultrasound technology from JRC and has since grown to become one of the leading manufacturers and retailers of medical equipment. The word aloka, *which meant "light" in ancient Indo-Aryan, was registered as a trademark in 1936. JRC chose* aloka *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 combines science and humanity to meet the challenge of ensuring appropriate medical treatment in the new social environment.









Policies and Performance

The basic policy of the JRC Group is to foster the creation of a prosperous society by pursuing sound business activities. In all of our businesses—radio communications equipment, semiconductor devices and microwave tubes, and medical electronics equipment—we seek to develop original technologies and make top-quality products. We have also established leading-edge R&D, quality control, environmental, and risk management systems in order to deliver valuable products and services that address the needs of customers. Under our "limitless originality" motto, we are committed to furthering our business in a way that earns worldwide trust.

The operating environment for the JRC Group is turning around, boosted by economic growth in the so-called BRICs (Brazil, Russia, India, and China), highlighted by China's burgeoning economy, as well as growing exports from the solid U.S. economy. Also contributing were early signs of economic recovery in Japan.

Under these conditions, the Medical Electronics Equipment segment struggled, but the Radio Communications Equipment segment returned to profitability for the first time in four years. The Semiconductor Devices and Microwave Tubes segment also expanded its earnings. As a consequence, consolidated net sales for the year to March 31, 2004, totaled ¥278,571 million, up 7.4% from the previous fiscal year. Operating income jumped 36.5%, to ¥8,668 million, and net income amounted to ¥2,160 million, compared with a net loss of ¥10,534 million in the preceding fiscal year.

The radio communications business of the JRC Group is spearheaded by Japan Radio Co., Ltd. (JRC), which posted a solid performance by returning the Group to profitability in the year under review. Nevertheless, we must further enhance our earnings structure as an urgent priority, because of remaining uncertainty about the future of the business environment. For this reason, we have formulated our new Management Vision, designed to guide the Group through the year ending March 31, 2007. We are also pursuing a three-year business plan, which we review and modify annually. Spurred by the catchphrases of the plan—"selection and concentration" and "change and challenge"—we will structurally reform our operations by reinforcing our profit composition and targeting new businesses with good growth prospects.

Corporate Social Responsibility

The JRC Group has devised a set of ethics, covering such areas as compliance with legal and other regulations, fair business practices, respect for human rights, prohibition of discrimination, management of information, clear lines between public and private information, and dealing with antisocial behavior, as well as imposing tough penalties for misdeeds in these areas. These ethics serve as guidelines governing how directors and employees should behave.

With respect to corporate governance, our fundamental policies are to further solidify our operating control systems and continuously increase our value as a corporation. To this end, we are working to accelerate decision-making and raise management

Tadahiro Muta
President

transparency in our rapidly changing business environment.

The Group is also fulfilling its social responsibilities by appropriately dealing with risks that could have a major effect on the smooth running of its businesses. We are also working to ensure the safety and security of all stakeholders, including employees, shareholders, customers, and business partners. At the same time, we are striving to protect our managerial resources while targeting sustained growth by delivering consistently good services and earning people's trust.

Shareholder Value

The JRC Group's basic profit allocation policy is to continuously pay stable dividends based on long-term perspectives, taking into account such factors as our business performance and the need to reinforce our corporate foundation. In the year under review, the parent company posted positive net income for the first time in six years and is currently taking various measures aimed at further improving its earnings structure. However, our financial condition has not fully recovered. Regretfully, therefore, we will not declare a dividend for the year in review, but will strive to resume dividend payments for the year to March 31, 2005.

Seeking to maximize corporate value, we have adopted a cash-flow-oriented management approach. We will work rigorously to maximize cash flows by reducing interest-bearing debt and inventories, quickly collecting accounts receivable, and selectively targeting business investments. Demonstrating our commitment to shareholder value, we have chosen return on equity (ROE) as a suitable performance indicator, Our ROE target for the year to March 31, 2007 is 9%.

We look forward to the ongoing support of our business partners and other stakeholders as we embrace the challenges ahead.

29th June, 2004

Tadahiro Muta
President

Aiming for the Realization of the Further Leaps

Medium-Term Business Strategies

In the Radio Communications Equipment segment, our vision is to "use specialized technologies to deeply carve our own market domain while developing distinctive, high-value-added products and becoming a world leader in our field." To this end, we will clarify our core businesses and concentrate management resources on growth areas. At the same time, we will implement rigorous cost-cutting measures and enter strategic alliances to develop our market domain on a global basis.

In the Semiconductor Devices and Microwave Tubes segment, we will focus on developing new products that offer high performance in terms of speed, frequency and precision while consuming minimal energy. Such products will form the basis for advances in digitization, speed and frequency, as well as broadband and network compatibility. These efforts are based on our recognition that electronic device technologies represent a key pillar supporting the IT revolution.

In the Medical Electronics Equipment segment, we will target business growth by addressing the needs of customers as a company that contributes to society via its activities in the medical field. Overseas, our subsidiary Aloka Holding Europe AG will spearhead our efforts to reinforce sales in Europe. We will also seek to expand our business by actively cultivating the Chinese market. At the same time, we will work to reduce costs and enhance operating efficiency.

2003.3

Radio Communications Equipment segment

"Using specialized technologies to deeply carve our own market domain while developing distinctive, high-value-added products and becoming a world leader in our field"

Semiconductor Devices and Microwave Tubes segment

"Focusing on developing new products that offer high performance in terms of speed, frequency and precision while consuming minimal energy"

Medical Electronics Equipment segment

"Targeting business growth by addressing the needs of customers as a company that contributes to society via its activities in the medical field"

Outlook for fiscal 2004

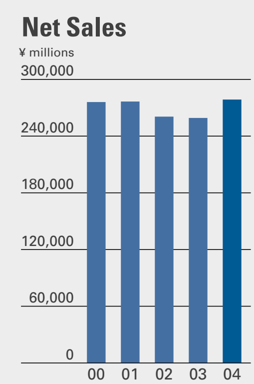
Looking ahead, we expect the domestic economy to maintain its steady recovery, supported by solid exports and capital spending. However, the outlook defies confident prediction, due to a number of concerns, including difficult conditions in the employment market, fears of the yen's appreciation, rising prices of raw materials, and geopolitical instability in Iraq and elsewhere.

As for the JRC Group's business environment, we expect healthy growth in the market for semiconductors and electronic devices, driven by strong demand for digital equipment and related products. However, the outlook is unclear for the Radio Communications Equipment segment, which faces stiff price competition, and the Medical Electronics Equipment segment, which must address the problem of ongoing restrictive policy in medical fees due to low birthrates and the aging population.

Harnessing its comprehensive strengths, the JRC Group will work swiftly to implement its policy of "business selection and concentration of management resources." We will also target sustained reductions in operating expenses and materials purchasing costs while striving to raise the productivity of the entire Group. For the fiscal year to March 31, 2005, we forecast consolidated net sales of ¥242 billion, operating income of ¥10.7 billion and net income of ¥4.1 billion.

2005.3

JRC in Progress

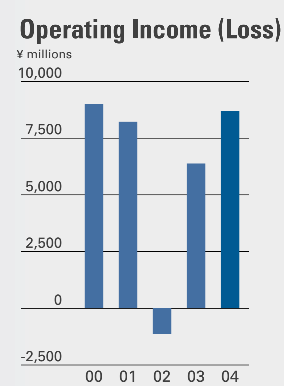


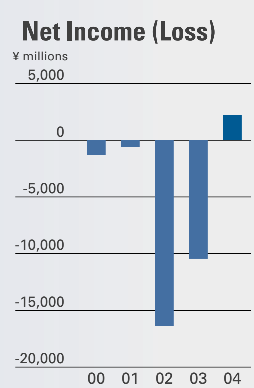
Results of Operations for fiscal 2003

2004.3

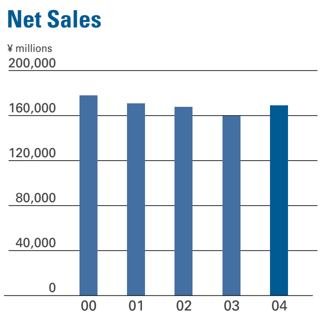
In fiscal 2003, JRC posted consolidated net sales of ¥278,571 million, up 7.4% from fiscal 2002. Operating income declined due to factors affecting the Medical Electronics Equipment segment, including ongoing government measures to suppress medical treatment fees and falling sales prices stemming from intense competition. On a bright note, the Radio Communications Equipment segment returned to profitability for the first time in four years, boosted by cost-cutting measures that began in fiscal 2002, as well as a policy of meticulous business selection. Moreover, the Semiconductor Devices and Microwave Tubes segment enjoyed a significant increase in operating income thanks to higher demand for digital-related products, as well as recovery in the European and North American telecommunications markets after prolonged recession.

Consequently, consolidated operating income jumped 36.5%, to ¥8,668 million. Net income amounted to ¥2,160 million, returning to profitability after five years of losses, due to extraordinary income, including gains on sales of investment securities and shares in affiliated companies. Such gains offset extraordinary losses posted by the Radio Communications Equipment segment, which implemented a special early retirement incentive plan and thus had to make additional severance payments.

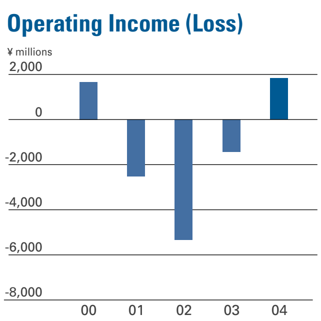




Radio Communications Equipment



Results of Operations for Fiscal 2003



Sales in this segment in fiscal 2003 totaled ¥169,044 million, up 6.1% from fiscal 2002. The main reason for the increase was the full-year contribution of subsidiary JRC Mobitec Co., Ltd., which contributed to results for only nine months in the previous term, when it changed its fiscal year-end.

Segment operating income amounted to ¥1,837 million, compared with an operating loss of ¥1,423 million in the preceding year. The recovery stemmed mainly from improved earnings of the parent company, while profitability also benefited from reductions in fixed costs, centering on personnel and operating expenses, as well as reduced variable costs, such as purchasing and outsourcing costs. A segment breakdown by product category follows.

In the communications equipment category, subsidiaries specializing in the sale of mobile phones reported increased revenues, but sales of mobile phones made by the parent company declined, because the parent company stopped developing new models of the Mova handset range for the NTT DoCoMo platform in the previous fiscal year. Other factors affecting revenue included intensified price competition for mobile phone base station amplifiers, as well as delays in getting the W-CDMA system up and running in Europe.

In the system electronics category, we faced a difficult business environment due to reductions in public works spending. However, category sales increased owing to strong demand from local government entities for natural disaster information systems.

In the marine electronics category, sales increased from continued solid demand for our Automatic Identification System (AIS) for marine vessels, a new product launched in the previous fiscal year, as well as for our Voyage Data Recorder (VDR). Strong demand for new ships also boosted revenue in this category.

Outlook for Fiscal 2004

In the communications equipment category, we will target the Personal Handyphone System (PHS) business in China, which offers low-cost advantages in terms of capital equipment and usage fees. We will also develop our PHS business in other nations, such as Thailand, Viet Nam, and India. With the respect to the third-generation mobile phone market, which is expected to commence full-scale operation in the near future, we will concentrate on cost-saving base station amplifiers, which will enable us to better withstand price competition. We are also optimistic about getting our measuring equipment business up and

Personal Handyphone System

Digital Transmitter *Digital Transposer*

Digital Broadcast Equipment

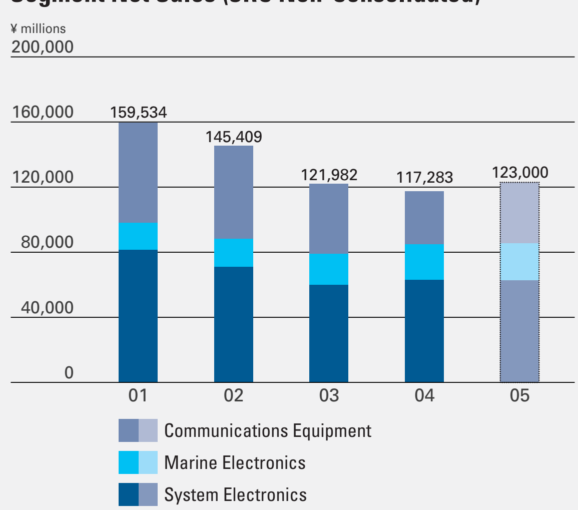
Automatic Identification System (AIS)

running overseas, having taken over that business from Agilent Technologies in December 2003.

In the system electronics category, we expanded our lineup of next-generation natural disaster prevention systems, designed to address advances in system digitization, information complexity, and network compatibility. We have commenced the construction of infrastructural systems to protect the nation from natural disasters, and we are developing wireless, IP-oriented waterway and road information systems. In anticipation of the nationwide expansion of digital terrestrial broadcasting, which was launched in some regions in December 2003, we will focus on increasing sales of relay equipment, which are strategic products for the Company.

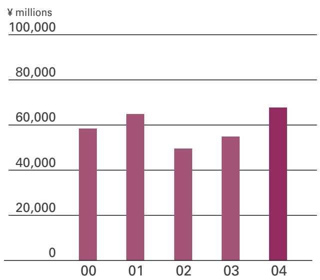
In the marine electronics category, special AIS procurement will end in December 2004, but the installation of ship security alert systems (SSAS) using Inmarsat C is now mandatory, and we expect demand for such systems to grow as a result. Due to the scheduled termination of Inmarsat A services at the end of 2007, we look forward to demand for Inmarsat F and other alternative means of transmission. Meanwhile, a shipbuilding rush is taking place as trade with China flourishes in line with that nation's economic growth. In response, we will launch competitive new products in the market. In Europe, we will work to broaden our share of the market for fishing vessel equipment, and we will release new strategic products to facilitate our full-scale entry into the market for work-boat equipment.

Segment Net Sales (JRC Non-Consolidated)



Semiconductor Devices and Microwave Tubes

Net Sales



Results of Operations for Fiscal 2003

In this segment, we generated solid orders for microwave tubes and peripheral equipment from major customers in the public sector. In the private sector, a recovery in the market for marine radars underpinned revenue growth.

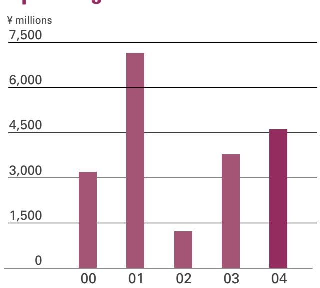
In the area of microwave tube application products, the Company posted dramatic growth in sales of satellite transmission components owing to recoveries in the U.S. and European markets. Domestic sales of terrestrial transmission components increased as we commenced full-scale mass production of 26-GHz fixed wireless access (FWA) systems for use in homes.

In our semiconductor business, we enjoyed increased domestic demand for bipolar products used in digital audiovisual equipment. We also posted higher sales of new semiconductors. In MOS products, we enjoyed healthy sales of our audio processor ICs, which were adopted by major television manufacturers. However, sales of LCD driver ICs stagnated. As for semiconductor devices, the Company reported strong sales of gallium arsenide (GaAs) ICs, which benefited from growing domestic demand for mobile phone terminals and wireless LANs, as well as expanding demand in China for PHS-related devices.

Also contributing to increased segment revenue was NJR Fukuoka Co., Ltd., a subsidiary, which began consignment production and sales in the year under review.

As a result, sales in this segment climbed 22.2%, to ¥67,062 million, and operating income rose 22.3%, to ¥4,613 million.

Operating Income



Outlook for Fiscal 2004

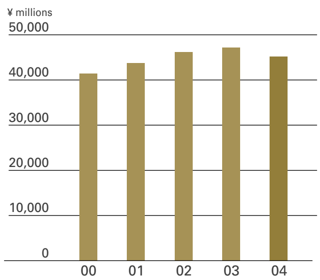
Despite concerns about future exchange rate movements, in light of the yen's sudden surge against the U.S. dollar at the end of the year in review, we note that domestic personal consumption is turning around amid the global economic recovery, notably in the United States and China.

Under these conditions, we will take full advantage of the economic recovery and respond accurately to major new technological innovations. To this end, we will strive to reinforce our basic ability to make appealing products and grow as a company. We will also strengthen our sales capabilities, raise the share of new product sales in total revenues and shorten overall production lead times. In addition, we will work to improve quality assurance in terms of parts per million (PPM) and build a solid earnings foundation. For the fiscal year to March 31, 2005, we are targeting net sales of ¥72.5 billion, up 7.4%, and operating income of ¥5.5 billion, up 14.5%.

Ku-band 2W Block Upconverter

Medical Electronics Equipment

Net Sales



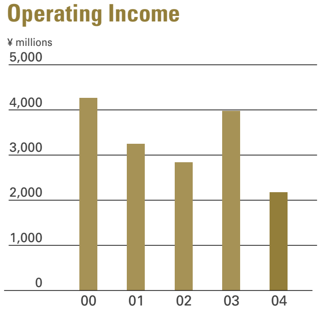
Results of Operations for Fiscal 2003

In the field of electronic medical systems, domestic demand for our mainstay diagnostic ultrasound systems remained depressed as medical institutions were reluctant to make major capital investments, due to a reduction in medical treatment remuneration and other efforts to suppress the cost of treatment. Competition with other companies' products, including imported ones, increased.

Sales of our osteoporosis diagnosis systems were firm, benefiting from favorable clinical assessments of new treatment drugs. By contrast, our radiation measuring instruments faced difficulties due to delays in the construction of nuclear power reprocessing plants and the suppression of investments in nuclear power facilities amid deregulation in the electric power industry. In biosciences, we received increased inquiries for our newly developed gene discovery and analytical equipment, as well as for our infrared biomolecular image analyzers. However, these products failed to make a contribution to revenues as national university hospitals reduced their budgets ahead of their reorganization into independent administrative corporations.

Consequently, sales in this segment declined 4.3%, to ¥45.2 billion, and operating income fell 45.2%, to ¥2,177 million.

Operating Income



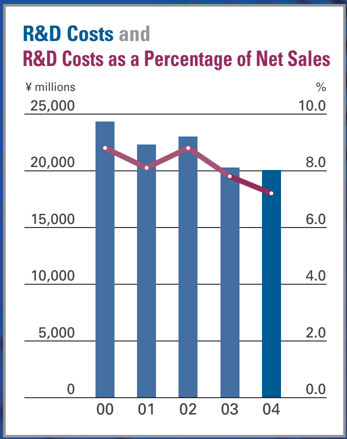
Outlook for Fiscal 2004

Despite promising economic signs in Japan, we cannot be optimistic about an economic recovery for a number of reasons. These include uncertainty about the U.S. economy and exchange rate movements, as well as severe employment conditions, weak personal consumption, and price competition in Japan. Nevertheless, we will strive to expand sales, upgrade our product planning capabilities, enhance product quality, and strengthen cost-competitiveness. Adhering to our policy of emphasizing improvements in asset efficiency, we will also endeavor to raise our overall financial performance. Specific initiatives for the current fiscal year include expanding our share of existing markets, entering new fields, offering unique responses, reducing provision of gratis repair and maintenance services, increasing production in China, and incorporating enterprise resource planning (ERP) on a full-scale basis. By also lowering accounts receivable and inventories while controlling the outsourcing of design more rigorously, we also intend to broaden our business performance.

For the fiscal year to March 31, 2005, we are targeting a 5.8% rise in segment sales, to ¥48.0 billion, and a 35.3% jump in operating income, to ¥3.4 billion.

Radiation Monitoring Systems

Research and Development Activities



The JRC Group pursues a comprehensive R&D program, from basic research—which is guided by medium- and long-term perspectives—to the development of new technologies that pertain directly to the Group's business activities. In fiscal 2003, the Group's total R&D investment was ¥19,998 million. A breakdown of R&D activities by business segment is given below.

Radio Communications Equipment

In this segment, we develop leading-edge technologies in mobile communications, digital and satellite transmission, measurement and control systems. R&D investments in this segment totaled ¥8,301 million in fiscal 2003.

During the year, JRC and Nisshinbo Industries, Inc., agreed to develop large-capacity, high-output electric double layer (EDL) capacitor modules. In addition to offering excellent electrical efficiency, EDL capacitors can be recycled and thus are attracting widespread attention as electricity storage systems that benefit the environment. We anticipate a host of applications for EDL capacitors, including in power sources for hybrid cars.

Another highlight of fiscal 2003 was our development of a wavelength division multiplexing (WDM) optical extension unit, a device that eliminates pockets of poor mobile phone reception in buildings. The unit allows connectivity to telephone call zones even in buildings located far away from base stations.

During the year, JRC successfully developed an 18GHz compact link that offers two types of transmission capacity and is compatible with IP interfaces. Being compact and light, it does not need to be mounted on large steel towers or buildings.

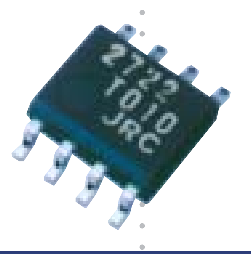
JRC has also developed a multifunction display that combines in a single unit, three functions—Electronic Chart Display Information System (ECDIS), electronic charting radar and conning display—so that the user can switch between functions.

EDL Capacitor Module

Semiconductor Devices and Microwave Tubes

Our R&D activities in this segment are comprehensive, from planning and design to production technologies related to semiconductor products and microwave tubes. Segment R&D investments in fiscal 2003 amounted to ¥6,382 million.

In fiscal 2003, we upgraded our lineup of high-speed, wide-band operational amplifiers with the addition of full-swing models. We also developed a low-dropout (LDO) power source IC incorporating a reset voltage detection IC. In addition, we reinforced our foothold in television-use audio processors with the development of an electronic volume processor offering improved precision and sound quality. In another highlight, we lead the industry in developing a Class D amplifier for flat piezo speakers.



Ultra-High Speed and
Wide Band Single Operational Amplifier

Medical Electronics Equipment

In this segment, we conduct leading-edge research, mainly in medical treatment, radiology and biotechnology. The emphasis of our R&D is on product performance and safety. Total R&D investment in the segment was ¥5,314 million.

R&D highlights in this segment in fiscal 2003 included the development and commercialization of a 3D image-processing, high-resolution diagnostic ultrasound system. We also developed and commercialized an ultrasound bone evaluation system to allow the early detection of osteoporosis and the subsequent monitoring of treatment. In addition, we developed and commercialized a genetic analysis system for use in biotechnological research. Finally, we developed and commercialized an automatic preprocessing system and an automatic examination system for blood serum and other samples. Both systems conduct the centrifugation, valving, processing, and examination of samples.


Automated Pipetting Systems

Environmental Protection Initiatives

JRC believes that protecting the natural environment is a crucial responsibility common to all people. Accordingly, we are pursuing various environmental initiatives, having formulated a set of environmental policies that describe our basic philosophy and guidelines related to the environment.

Based on our belief in the shared responsibility for environmental protection, we have a basic philosophy that calls for consideration of the environment in all stages of our business activities. To this end, we have established the following five environmental policies:

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

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

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

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

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

In February 2004, JRC obtained renewed certification under ISO 14001, the international standard for environmental management systems. We will effectively use this opportunity to pursue environmental protection initiatives in the future.

In the areas of saving energy, cutting waste and recycling resources, we are focusing on initiatives across all stages of product design and manufacturing. These initiatives are based on environmental plans formulated annually. We have also devised a set of guidelines for designing environmentally friendly products. Our aim is to minimize the environmental impact of our products through companywide design reviews based on environmental considerations.

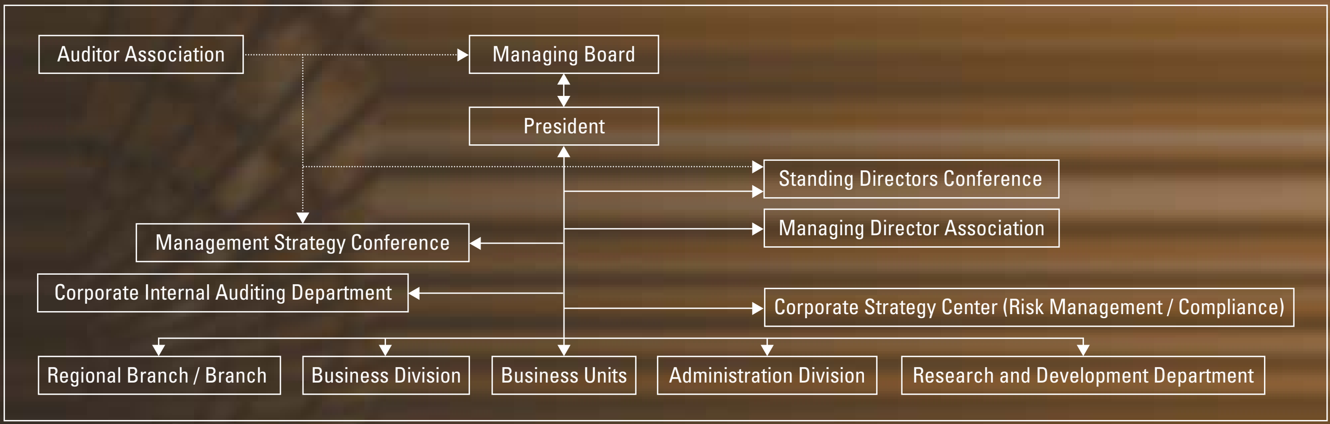
The Restriction of Hazardous Substances in Electrical and Electronic Equipment Directive (ROHS) is scheduled to take effect in the European Union on July 1, 2006. JRC has set up a special ROHS committee to ensure a companywide, grass-roots response to this legislation.

Amid the growing importance of environmental protection, JRC is committed to fulfilling its responsibilities as a corporation by stepping up its environmental initiatives.

Corporate Governance

Current Status

JRC's Board of Directors consists of 11 members, including one external director. The Company also has a Board of Corporate Auditors, with four members, including two who satisfy Commercial Code requirements for external auditors. The Board of Directors meets once a month, in principle, to decide important management-related issues. There are two other Boards: the Board of Managing Directors (with members being managing directors or higher) and the Board of Full-Time Directors. In addition, the Executive Council convenes as necessary to discuss specific themes. In these ways, the Company works to appropriately address the changing and diversifying business environment. Corporate auditors also attend the meetings of the Board of Directors, the Board of Managing Directors and the Board of Full-Time Directors in order to monitor the soundness of the Company's operations. Internally, the Auditing Office, which is independent of the business departments, has been set up to help improve management and upgrade the in-house auditing function.



Recent Highlights

JRC has undertaken risk management measures for some time. During the year in review, we produced a Risk Management Manual and set up protocols aimed at systemizing our risk management framework. This initiative is spearheaded by our RMS (Risk Management System) Manager, who was selected by our managing directors. We are seeking to build a system that comprehensively and efficiently understands, assesses and manages all conceivable risks. Our aim is to raise corporate value while reinforcing the internal supervision function and ensuring more effective legal and ethical compliance.

Board of Directors *(as of 29th June, 2004)*

Tadahiro Muta
Representative Director
President

Shinji Takeuchi
Representative Director
Managing Director (General Manager, Mitaka Factory)

Kenkichi Hirade
Managing Director (Research & Development)

Takeshige Machino
Managing Director (Business Operation)

Mikio Naito
Managing Director (Business Operation)

Akihiko Hayashi
Director (Research & Development)

Koichi Okajima
Director (Administration)

Hajime Takagiwa
Director

Takashi Kosaka
Director (Product Development)

Hironori Sakamoto
Director (Product Development)

Yorihisa Suwa
Director (Product Development)

CORPORATE AUDITORS

Hideki Takeishi
Standing Corporate Auditor

Yoshio Nakatsuchi
Standing Corporate Auditor

Morihiro Sato
Standing Corporate Auditor

Kenji Tasaki
Corporate Auditor

Financial Section

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MAJOR ACCOUNTING POLICIES AND FORWARD-LOOKING STATEMENTS

The consolidated financial statements of the JRC Group conform to accounting standards generally accepted in Japan. These statements include accounting policies selected and applied by management, as well as forecasts that affect the reporting and disclosure of figures pertaining to assets, liabilities, income, and expenses. When making such forward-looking statements, JRC Group management endeavors to make rational judgments based on past performance. Actual results, however, may differ from such statements, which contain inherent uncertainties.

The Group believes that the following items will have a major impact on key forecasts made in these consolidated financial statements.

Net sales—In principle, sales of products are included in net sales as soon as they are shipped from the factory. Sales from construction projects are included in net sales when such projects are completed. With projects exceeding two years and above a certain value (long-term projects for which the contract value exceeds a certain amount determined by taxation law), net sales are reported according to the project progress method. Export sales are reported as soon as the products are loaded onto a vessel.

Valuation of inventories—In the Radio Communications Equipment segment, inventories are valued at cost, based on the specific identification method. Mass-produced items are valued at cost, based on the first-in, first-out method. In the Semiconductor Devices and Microwave Tubes segment and the Medical Electronics Equipment segment, inventories are valued at cost, based on the moving-average method.

Recoverability of deferred tax assets—The JRC Group makes rational forecasts about future taxable income when assessing the recoverability of deferred tax assets. The Company provides a valuation allowance for the entire amount of deferred tax assets. A valuation allowance may be recovered, if management believes that the Group will generate stable taxable income in the future.

REVENUE AND EARNINGS

In fiscal 2003, ended March 31, 2004, consolidated net sales amounted to ¥278,572 million, up 7.4% from fiscal 2003.

In the electronics industry, corporate earnings showed a general recovery trend, although results varied across the sector. This improvement stemmed from a number of factors, including reduction of personnel costs, reorganization and consolidation of businesses, and other survival-oriented measures taken by companies to enhance their previously high cost structures. Another positive factor was strong demand for high-value-added digital equipment and related products, including thin televisions, which incorporate some of Japan's most powerful technologies.

Selling, general and administrative expenses remained generally unchanged, at ¥48,387 million, which outweighed increases in the provision for the allowance for doubtful accounts and the liability for retirement benefits.

Operating income jumped 36.5%, to ¥8,668 million. Despite a decline in sales in the Medical Electronics Equipment segment, the Radio Communications Equipment segment continued cost-cutting measures that began in fiscal 2002 and reinforced its policy of meticulous business selection. Meanwhile, the Semiconductor Devices and Microwave Tubes segment benefited from higher demand for digital-related products, as well as from the recovery in the European and North American telecommunications markets after prolonged recessions.

Net income amounted to ¥2,161 million, returning to profitability after five years of losses, due to extraordinary income, including gains on sales of investment securities and shares in affiliated companies. Such gains offset extraordinary losses posted by the Radio Communications Equipment segment, which had to make additional severance payments.

FINANCIAL POSITION

At March 31, 2004, consolidated total assets stood at ¥232,235 million, down ¥15,614 million from a year earlier.

Current assets declined ¥17,546 million, to ¥169,420 million, due to two factors. First, the Company transferred all of its shares in JRC Mobitec Co., Ltd., whose assets were consequently removed from the consolidated balance sheets. Second, the Company's stronger focus on cash flow management succeeded in holding down notes and accounts receivable and inventories.

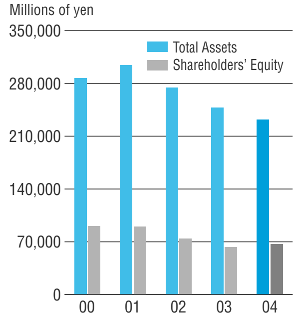
Noncurrent assets rose ¥1,932 million, to ¥62,815 million, mainly due to a ¥2,258 million increase in the value of the Company's holdings of investment securities (included in the Investments and Other Assets column).

Total liabilities at fiscal year-end amounted to ¥139,959 million, down ¥21,079 million, due to the removal of JRC Mobitec's liabilities from the consolidated balance sheets, as well as efforts to lower interest-bearing debt-consistent with the Group's strategy to strengthen its financial position. Through repayment of bank loans and other debt, the Group succeeded in reducing interest-bearing debt by ¥10,294 million during the year in review.

Total shareholders' equity rose ¥4,014 million, to ¥66,701 million, owing mainly to an increase in retained earnings, stemming from high profits posted by the Semiconductor Devices and Microwave Tubes segment and the return to profitability of the Radio Communications Equipment segment. As a result, the shareholders' equity ratio increased 3.4 percentage points to 28.7%.

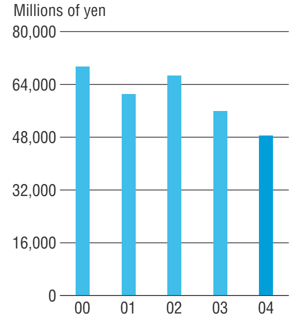
Total Assets & Shareholders' Equity

Millions of yen



Total Lomg-Term Liabilities

Millions of yen



LIQUIDITY AND CAPITAL RESOURCES

Cash Flows—Net cash provided by operating activities amounted to ¥10,164 million. Major components included ¥6,515 million in income before income taxes and minority interests, ¥8,170 million in depreciation and amortization and a ¥3,699 million decrease in notes and accounts receivable.

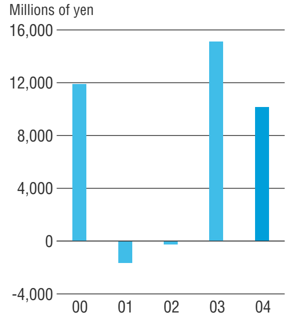
Net cash used in investing activities totaled ¥4,317 million, attributable to the purchase of property, plant and equipment, centering on the Semiconductor Devices and Microwave Tubes segment.

Net cash used in financing activities was ¥10,891 million, stemming mainly from a ¥4,000 million decrease in commercial paper and ¥12,090 million in repayments of long-term debt.

As a result, cash and cash equivalents at year-end stood at ¥20,607 million, down 20.4% from a year earlier.

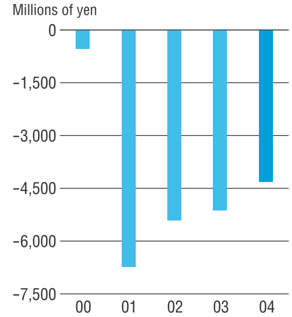
Cash Flows from Operating Activities

Millions of yen



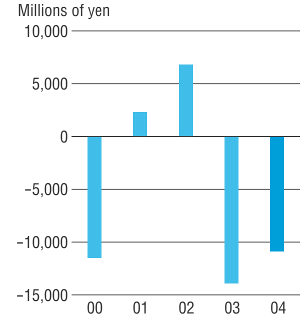
Cash Flows from Investing Activities

Millions of yen



Cash Flows from Financing Activities

Millions of yen



Capital Investments—In fiscal 2003, the JRC Group made capital investments totaling ¥6,540 million, aimed primarily at upgrading equipment to facilitate the development of new technologies, as well as to save labor and streamline operations.

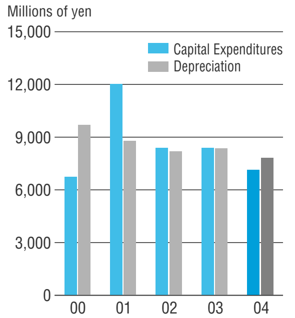
The Radio Communications Equipment segment made capital investments of ¥927 million, focusing on purchase of dedicated testing equipment aimed at raising the reliability and preparedness of the Company's testing activities.

Capital investments by the Semiconductor Devices and Microwave Tubes segment amounted to ¥4,014 million. Spending was concentrated on R&D on new products, the reinforcement of production capacity and the purchase of semiconductor fabrication equipment to streamline production processes and save labor.

Seeking to address rapid technological innovation and intensifying sales competition, the Medical Electronics Equipment segment made capital investments of ¥1,597 million, mainly in equipment designed to improve production efficiency.

Reflecting forecasts of solid demand in the future, the semiconductor industry, in particular, is expected to increase capital investments, and the JRC Group will make purchases of property, plant and equipment to meet the needs of its industry.

Capital Expenditures & Depreciation



ISSUES AND POLICIES

The JRC Group is well-versed in each of its businesses-Radio Communications Equipment, Semiconductor Devices and Microwave Tubes, and Medical Electronics Equipment. The Group strives to formulate policies based on an accurate understanding of its business environment, both on the macro and micro levels, and the latest information available. A closer look at the business environment, however, reveals intensified price competition on a global scale, highlighting the urgent need to implement cost-related measures to ensure the Group's survival. As the first step in addressing this need, the Group established the Production Division on June 9, 2003. The aim of this move is to raise overall production efficiency and provide more added value. Going forward, we will continue striving to minimize costs by implementing strategies deemed most appropriate by management. In the process, we will endeavor to maximize Group earnings.

RISKS

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

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

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

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

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

Consolidated Balance Sheets

31st March, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	**¥ 20,607**	¥ 25,884	**$ 194,977**
Shot-term investments	**954**	970	**9,022**
Receivables:			
Trade notes	**8,379**	8,205	**79,275**
Trade accounts	**71,564**	81,218	**677,114**
Unconsolidated subsidiaries and associated companies	**604**	275	**5,717**
Other	**1,056**	2,461	**9,992**
Allowance for doubtful accounts	**(642)**	(871)	**(6,074)**
Inventories (Note 4)	**61,788**	64,274	**584,611**
Deferred tax assets (Note 8)	**2,853**	2,875	**26,998**
Prepaid expenses and other current assets (Notes 3)	**2,257**	1,675	**21,363**
Total current assets	**169,420**	186,966	**1,602,995**
PROPERTY, PLANT AND EQUIPMENT (Note 5 and 16)**:**			
Land	**6,299**	6,302	**59,603**
Buildings and structures	**56,366**	55,374	**533,313**
Machinery and equipment	**69,087**	65,915	**653,678**
Furniture and fixtures	**45,627**	44,779	**431,702**
Construction in progress	**631**	2,499	**5,969**
Total	**178,010**	174,869	**1,684,265**
Accumulated depreciation	**(137,407)**	(132,952)	**(1,300,094)**
Net property, plant and equipment	**40,603**	41,917	**384,171**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**8,838**	6,225	**83,619**
Investments in and advances to unconsolidated subsidiaries and associated companies	**672**	475	**6,355**
Deferred tax assets (Note 8)	**6,373**	6,034	**60,302**
Other assets	**7,665**	7,843	**72,525**
Allowance for doubtful accounts	**(1,336)**	(1,611)	**(12,640)**
Total investments and other assets	**22,212**	18,966	**210,161**
TOTAL	**¥ 232,235**	¥ 247,849	**$ 2,197,327**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 17,632**	¥ 18,034	**$ 166,829**
Current portion of long-term debt (Note 5)	**10,929**	12,076	**103,402**
Commercial paper		4,000	
Payables:			
Trade notes	**1,836**	3,232	**17,376**
Trade accounts	**34,632**	35,706	**327,675**
Unconsolidated subsidiaries and associated companies	**4,788**	3,761	**45,304**
Other	**3,701**	4,525	**35,013**
Income taxes payable (Note 8)	**1,429**	3,551	**13,519**
Accrued expenses	**5,835**	9,610	**55,211**
Advances received	**1,907**	1,814	**18,039**
Other current liabilities	**8,859**	8,780	**83,823**
Total current liabilities	**91,548**	105,089	**866,191**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**22,278**	29,943	**210,786**
Liability for retirement benefits (Note 6)	**22,872**	23,359	**216,404**
Deferred tax liabilities (Note 8)	**1,501**	62	**14,201**
Other	**1,760**	2,585	**16,662**
Total long-term liabilities	**48,411**	55,949	**458,053**
MINORITY INTERESTS	**25,575**	24,124	**241,983**
CONTINGENT LIABILITIES (Note 16)			
SHAREHOLDERS' EQUITY (Note 7):			
Common stock—authorised, 216,000,000 shares; issued, 137,976,690 shares in 2004 and 2003	**14,704**	14,704	**139,127**
Capital surplus	**17,087**	17,087	**161,671**
Retained earnings	**33,900**	31,820	**320,748**
Net unrealised gain (loss) on available-for-sale securities	**1,522**	(588)	**14,401**
Foreign currency translation adjustments	**(488)**	(317)	**(4,619)**
Treasury stock—at cost, 80,489 shares in 2004 and 69,839 shares in 2003	**(24)**	(19)	**(228)**
Total shareholders' equity	**66,701**	62,687	**631,100**
TOTAL	**¥232,235**	¥247,849	**$2,197,327**

Consolidated Statements of Operations

Years Ended 31st March, 2004 and 2003

	Millions of Yen 2004	Millions of Yen 2003	Thousands of U.S. Dollars (Note 1) 2004
NET SALES	**¥278,572**	¥259,381	**$2,635,742**
COST OF SALES	**221,517**	204,909	**2,095,912**
Gross profit	**57,055**	54,472	**539,830**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**48,387**	48,121	**457,815**
Operating income	**8,668**	6,351	**82,015**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**108**	120	**1,020**
Interest expense	**(973)**	(1,085)	**(9,208)**
Other—net (Note 11)	**(1,288)**	(3,093)	**(12,183)**
Other expenses—net	**(2,153)**	(4,058)	**(20,371)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**6,515**	2,293	**61,644**
INCOME TAXES (Note 8):			
Current	**2,864**	4,449	**27,098**
Deferred	**(192)**	6,740	**(1,813)**
Total income taxes	**2,672**	11,189	**25,285**
MINORITY INTERESTS	**(1,682)**	(1,638)	**(15,913)**
NET INCOME (LOSS)	**¥ 2,161**	¥(10,534)	**$ 20,446**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.p and 17):			
Basic net income (loss)	**¥ 15.19**	¥ (76.85)	**$ 0.14**
Diluted net income	**15.16**		**0.14**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended 31st March, 2004 and 2003

	Thousands	Millions of Yen					
	Outstanding 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, 2002	137,963	¥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	(56)						(13)
BALANCE, 31ST MARCH, 2003	137,907	14,704	17,087	31,820	(588)	(317)	(19)
Net income				2,161			
Bonuses to directors				(74)			
Prior year adjustment of the opening retained earnings (Note 12)				(7)			
Net increase in unrealised gain on available-for-sale securities					2,110		
Net decrease in Foreign currency translation adjustments						(171)	
Repurchase of treasury stock	(11)						(5)
BALANCE, 31ST MARCH, 2004	**137,896**	**¥14,704**	**¥17,087**	**¥33,900**	**¥1,522**	**¥(488)**	**¥(24)**

	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, 2003	$139,127	$161,671	$301,065	$(5,567)	$(2,996)	$(182)
Net income			20,446			
Bonuses to directors				(694)		
Prior year adjustment of the opening retained earnings (Note 12)				(69)		
Net increase in unrealised gain on available-for-sale securities					19,968	
Net decrease in Foreign currency translation adjustments						(1,623)
Repurchase of treasury stock						(46)
BALANCE, 31ST MARCH, 2004	**$139,127**	**$161,671**	**$320,748**	**$14,401**	**$(4,619)**	**$(228)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended 31st March, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 6,515	¥ 2,293	$ 61,644
Adjustments for:			
Income taxes-paid	(4,887)	(1,862)	(46,239)
Depreciation and amortisation	8,170	8,644	77,301
Gain on sales of investment securities	(1,101)	(5)	(10,417)
Loss on valuation of investment securities	27	1,389	252
Equity in loss of associated companies	8	1,870	80
Gain on sales of investments in a consolidated subsidiary	(751)		(7,105)
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	3,699	2,380	35,002
Decrease in inventories	644	4,588	6,093
Increase in interest and dividend receivable	(1)	(3)	(11)
Increase (decrease) in notes and accounts payable	3,548	(1,201)	33,569
Decrease in interest payable	(47)	(1)	(443)
Decrease in liability for retirement benefits	(157)	(3,171)	(1,483)
Other—net	(5,503)	174	(52,071)
Total adjustments	3,649	12,802	34,528
Net cash provided by operating activities	10,164	15,095	96,172
INVESTING ACTIVITIES:			
Proceeds from sales of short-term investments	4,510	1,570	42,672
Purchase of short-term investments	(4,463)	(1,360)	(42,227)
Proceeds from sales of property, plant and equipment	148	94	1,405
Purchase of property, plant and equipment	(6,562)	(5,947)	(62,088)
Proceeds from sales of marketable securities	104	84	983
Purchase of marketable securities	(7)	(5)	(68)
Proceeds from sales of investment securities	2,164	30	20,475
Purchase of investment securities	(503)	(100)	(4,758)
Sales of investments in a consolidated subsidiary, net of cash (Note 13)	773		7,314
Proceeds from sales of investments in an associated company		1,500	
Other—net	(481)	(985)	(4,552)
Net cash used in investing activities	(4,317)	(5,119)	(40,844)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	2,158	(174)	20,414
Net change in commercial paper	(4,000)	(7,000)	(37,847)
Proceeds from long-term debt	3,290	3,761	31,126
Repayments of long-term debt	(12,090)	(10,398)	(114,394)
Cash dividends	(365)	(368)	(3,453)
Proceeds from minority interest shareholders	121	289	1,148
Other—net	(5)	(17)	(45)
Net cash used in financing activities	(10,891)	(13,907)	(103,051)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(233)	(25)	(2,204)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,277)	(3,956)	(49,927)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	25,884	29,840	244,904
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 20,607	¥ 25,884	$ 194,977

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended 31st March, 2004 and 2003

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2003 financial statements to conform to the classifications used in 2004.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Japan Radio Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥105.69 to $1, the approximate rate of exchange at 31st March, 2004. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation*—The consolidated financial statements as of 31st March, 2004 include the accounts of the Company and its 31 (33 in 2003) significant subsidiaries (together, the "Group").

The Company sold all of the outstanding shares of JRC Mobitec Co., Ltd. and this company was excluded from consolidated subsidiaries during fiscal 2004.

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

Investments in 3 (3 in 2003) 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 3 unconsolidated subsidiaries and 1 associated company (3 subsidiaries and 1 associated company in 2003) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

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

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

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

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

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

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

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

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

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

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

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

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

j. ***Leases***—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be 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 statements 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 options 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 that qualify as hedges of firm commitments are also measured at 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*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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

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

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

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

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of 31st March, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Current:			
Non-marketable equity securities	**¥ 3**	¥ 3	**$ 28**
Government and corporate bonds	**9**	5	**88**
Other	**19**		**181**
Total	**¥ 31**	¥ 8	**$ 297**
Non-current:			
Marketable equity securities	**¥7,853**	¥4,916	**$74,301**
Non-marketable equity securities	**356**	420	**3,366**
Government and corporate bonds	**266**	261	**2,512**
Other	**363**	628	**3,440**
Total	**¥8,838**	¥6,225	**$83,619**

The carrying amounts and aggregate fair values of marketable and investment securities at 31st March, 2004 and 2003 were as follows:

	Millions of Yen			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
31st March, 2004				
Securities classified as available-for-sale:				
Equity securities	¥5,087	¥2,904	¥138	¥7,853
Debt securities	256	20	1	275
Other	369	1	75	295
31st March, 2003				
Securities classified as available-for-sale:				
Equity securities	5,375	455	914	4,916
Debt securities	254	19	7	266
Other	709		167	542

	Thousands of U.S. Dollars			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
31st March, 2004				
Securities classified as available-for-sale:				
Equity securities	$48,135	$27,473	$1,307	$74,301
Debt securities	2,424	185	9	2,600
Other	3,494	9	706	2,797

Available-for-sale securities whose fair value is not readily determinable as of 31st March, 2004 and 2003 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Available-for-sale:			
Equity securities	**¥359**	¥423	**$3,394**
Other	**87**	86	**818**
Total	**¥446**	¥509	**$4,212**

Proceeds from sales of available-for-sale securities for the years ended 31st March, 2004 and 2003 were ¥2,258 million ($21,362 thousand) and ¥49 million, respectively. Gross realised gains and losses on these sales, computed on the moving average cost basis, were ¥1,101 million ($10,417 thousand) and ¥11 million ($100 thousand), respectively, for the year ended 31st March, 2004 and ¥5 million and ¥20 million, respectively, for the year ended 31st March, 2003.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at 31st March, 2004 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 15	$ 142
Due after one year through five years	287	2,721
Due after five years through ten years	32	300
Total	¥334	$3,163

4. INVENTORIES

Inventories at 31st March, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
inished goods and merchandise	**¥21,170**	¥24,759	**$200,299**
Work in process	**29,444**	27,979	**278,583**
Raw materials and supplies	**11,174**	11,536	**105,729**
Total	**¥61,788**	¥64,274	**$584,611**

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

Short-term bank loans at 31st March, 2004 and 2003 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, 2004 and 2003 were 0.98 percent and 0.95 percent, respectively.

Long-term debt at 31st March, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Unsecured 2.7 percent domestic bonds due 2004		¥5,000	
Unsecured 2.5 percent domestic bonds due 2004	**¥ 8,000**	8,000	**$ 75,693**
Unsecured 1.2 percent domestic bonds due 2005	**100**	100	**946**
Unsecured 1.4 percent domestic bonds due 2005 issued with warrants	**277**	277	**2,625**
Unsecured 0.7 percent domestic bonds due 2006	**7,000**	7,000	**66,232**
Unsecured 0.69 percent domestic bonds due 2006	**1,500**		**14,192**
Unsecured 1.0 percent domestic bonds due 2008	**100**	100	**946**
Loans from banks, due serially to 2014 with interest rates ranging from 0.6 percent to 3.3 percent (in 2004) and from 0.6 percent to 2.9 percent (in 2003):			
Collateralised	**1,440**	1,550	**13,625**
Unsecured	**14,790**	19,992	**139,929**
Total	**33,207**	42,019	**314,188**
Less current portion	**(10,929)**	(12,076)	**(103,402)**
Long-term debt, less current portion	**¥ 22,278**	¥29,943	**$ 210,786**

Annual maturities of long-term debt outstanding at 31st March, 2004 were as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2005	¥10,929	$103,402
2006	2,946	27,869
2007	15,427	145,967
2008	3,107	29,400
2009	239	2,261
2010 and thereafter	559	5,289
Total	¥33,207	$314,188

The carrying amounts of assets pledged as collateral for long-term debt totalling ¥1,400 million ($13,246 thousand) at 31st March, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥6,092	$57,637

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, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Projected benefit obligation	**¥ 67,482**	¥ 69,636	**$ 638,495**
Fair value of plan assets	**(30,138)**	(25,200)	**(285,150)**
Unrecognised transitional obligation	**(3,702)**	(4,119)	**(35,028)**
Unrecognised actuarial loss	**(18,140)**	(20,776)	**(171,633)**
Unrecognised prior service cost	**4,687**	1,291	**44,349**
Prepaid pension expense	**1,789**	1,498	**16,919**
Net liability	**¥ 21,978**	¥ 22,330	**$ 207,952**

The components of net periodic benefit costs for the years ended 31st March, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Service cost	**¥3,132**	¥3,605	**$29,636**
Interest cost	**1,689**	1,935	**15,984**
Expected return on plan assets	**(379)**	(568)	**(3,587)**
Amortisation of prior service cost	**(161)**	(138)	**(1,519)**
Recognised actuarial loss	**1,626**	1,027	**15,381**
Amortisation of transitional obligation	**417**	448	**3,946**
Contributions by employees		(159)	
Net periodic benefit costs	**6,324**	6,150	**59,841**
Special retirement expenses	**1,653**	21	**15,638**
Additional retirement benefits paid to employees	**4**	6	**38**
Total	**¥7,981**	¥6,177	**$75,517**

Assumptions used for the years ended 31st March, 2004 and 2003 are set forth as follows:

	2004	2003
Discount rate	**2.0%-5.8%**	2.4%-4.0%
Expected rate of return on plan assets	**0.0%-5.0%**	0.0%-4.5%
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 three types of pension plans for employees; a non-contributory funded defined benefit pension plan, a contributory funded defined benefit pension plan and an unfunded retirement benefit 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 in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended 31st March, 2003.

The Company applied for transfer of the substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labour and Welfare on 1st April, 2004.

According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company implemented a new defined benefit pension plan in April 2004 by which the former qualified contributory and non-contributory defined benefit pension plans were terminated.

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

The Company and certain subsidiaries recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors. The liability for retirement benefits for directors and corporate auditors for the years ended 31st March, 2004 and 2003 were ¥894 million ($8,452 thousand) and ¥1,029 million, respectively.

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which various amendments have become 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 the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25 percent of the balance of 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 balance 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. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the 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 ¥3,489 million ($33,015 thousand) as of 31st March, 2004, 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.

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, 2004 and 2003.

On 31st March, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 41.8 percent to 40.5 percent, effective for years beginning on or after 1st April, 2004. The deferred tax assets and liabilities which will be realised on or after 1st April, 2004 are measured at the effective tax rate of 40.5 percent as at 31st March, 2004 and 2003.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at 31st March, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Net current deferred tax assets:			
Current deferred tax assets:			
Accrued bonuses	**¥2,321**	¥1,703	**$21,958**
Enterprise taxes payable	**141**	320	**1,337**
Inventories	**562**	600	**5,320**
Allowance for doubtful accounts	**67**	154	**635**
Unrealised gains	**281**	242	**2,661**
Warranty for finished products	**261**	324	**2,468**
Accrued social security on accrued bonuses	**259**	251	**2,448**
Other	**83**	198	**786**
Valuation allowance	**(998)**	(799)	**(9,445)**
Total	**2,977**	2,993	**28,168**
Current deferred tax liabilities:			
Adjustment of allowance for doubtful accounts	**1**	11	**14**
Other	**123**	107	**1,156**
Total	**124**	118	**1,170**
Net current deferred tax assets	**¥2,853**	¥2,875	**$26,998**

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Net non-current deferred tax assets:			
Non-current deferred tax assets:			
Allowance for doubtful accounts	**¥ 82**	¥ 319	**$ 773**
Liability for retirement benefits	**3,540**	7,425	**33,493**
Tax loss carryforwards	**217**	6,805	**2,054**
Software	**35**	903	**336**
Investment securities	**112**	1,324	**1,064**
Inventories		348	
Property, plant and equipment		258	
Unrealised gains	**1,838**	1,837	**17,389**
Other	**1,120**	1,412	**10,590**
Valuation allowance	**(173)**	(14,065)	**(1,632)**
Total	**6,771**	6,566	**64,067**
Non-current deferred tax liabilities:			
Deferred gain on sales of properties		284	
Special reserve for tax purposes	**68**	110	**643**
Net unrealised gains on available-for-sale securities	**283**	109	**2,673**
Other	**47**	29	**449**
Total	**398**	532	**3,765**
Net non-current deferred tax assets	**¥ 6,373**	¥ 6,034	**$ 60,302**
Net non-current deferred tax liabilities:			
Non-current deferred tax assets:			
Allowance for doubtful accounts	**¥ 108**		**$ 1,024**
Liability for retirement benefits	**4,008**		**37,926**
Tax loss carryforwards	**6,136**		**58,054**
Software	**1,881**		**17,801**
Investment securities	**955**		**9,037**
Inventories	**231**		**2,188**
Property, plant and equipment	**159**		**1,505**
Other	**283**		**2,674**
Valuation allowance	**(13,477)**		**(127,520)**
Total	**284**		**2,689**
Non-current deferred tax liabilities:			
Deferred gain on sales of properties	**271**		**2,565**
Special reserve for tax purposes	**13**		**125**
Net unrealised gains on available-for-sale securities	**1,428**		**13,515**
Other	**73**	¥ 62	**685**
Total	**1,785**	62	**16,890**
Net non-current deferred tax liabilities	**¥ 1,501**	¥ 62	**$ 14,201**

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 year ended 31st March, 2003 is as follows:

	2003
Normal effective statutory tax rate	41.8%
Expenses not deductible for income tax purposes	8.2
Effect of tax rate reduction	23.8
Change in valuation allowance	325.1
Minimum inhabitants tax	6.1
Equity in loss of associated companies	34.1
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)
Actual effective tax rate	488.0%

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

At 31st March, 2004, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥15,638 million ($147,958 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	$ 38,102
2009	8,790	83,165
2010	2,392	22,630
2011 and thereafter	429	4,061
Total	¥15,638	$147,958

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥19,999 million ($189,219 thousand) and ¥20,259 million for the years ended 31st March, 2004 and 2003, respectively.

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Details of selling, general and administrative expenses for the years ended 31st March, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Provision for doubtful accounts	**¥ 409**	¥ 383	**$ 3,869**
Salary	**17,473**	17,011	**165,322**
Provision for retirement benefits	**2,333**	2,076	**22,074**
Research and development cost	**7,763**	7,940	**73,454**
Other	**20,409**	20,711	**193,096**
Total	**¥48,387**	¥48,121	**$457,815**

11. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended 31st March, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Gain on sales of investment securities	**¥ 1,101**	¥ 5	**$ 10,417**
Loss on valuation of investment securities	**(27)**	(1,389)	**(252)**
Loss on sales of investments in a consolidated subsidiary and an associated company		(459)	
Gain on sales of investments in a consolidated subsidiary	**751**		**7,105**
Equity in loss of associated companies	**(8)**	(1,870)	**(80)**
Loss on valuation and disposal of inventories	**(331)**	(1,460)	**(3,132)**
Foreign exchange loss	**(1,181)**	(626)	**(11,172)**
Reversal of allowance for doubtful accounts	**210**	18	**1,991**
Gain on exemption from future pension obligation of the governmental program		3,780	
Provision for retirement benefits	**(89)**	(89)	**(838)**
Special retirement expenses	**(1,653)**	(21)	**(15,638)**
Gain on sales of fixed assets	**1**	26	**5**
Other loss—net	**(62)**	(1,008)	**(589)**
Total	**¥(1,288)**	¥(3,093)	**$(12,183)**

12. PRIOR YEAR ADJUSTMENT

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

The effect of this adoption was to decrease the opening retained earnings by ¥7 million ($69 thousand) as of 1st April, 2003.

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 8,147	$ 77,084
Long-term assets	233	2,212
Current liabilities	(8,139)	(77,010)
Long-term liabilities	(36)	(342)
Gain on sales of investments	751	7,105
Consideration received	956	9,049
Cash and cash equivalents	(183)	(1,735)
Cash inflow	¥ 773	$ 7,314

14. LEASES

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

Total rental expenses for the years ended 31st March, 2004 and 2003 were ¥847 million ($8,015 thousand) and ¥960 million, respectively, including ¥808 million ($7,643 thousand) and ¥920 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalised" basis for the years ended 31st March, 2004 and 2003 was as follows:

	Millions of Yen							
	2004				2003			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	**¥827**	**¥2,017**	**¥590**	**¥3,434**	¥862	¥2,446	¥518	¥3,826
Accumulated depreciation	**393**	**1,101**	**338**	**1,832**	357	1,452	273	2,082
Net leased property	**¥434**	**¥ 916**	**¥252**	**¥1,602**	¥505	¥ 994	¥245	¥1,744

	Thousands of U.S. Dollars			
	2004			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	**$7,825**	**$19,080**	**$5,582**	**$32,487**
Accumulated depreciation	**3,722**	**10,414**	**3,201**	**17,337**
Net leased property	**$4,103**	**$ 8,666**	**$2,381**	**$15,150**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥ 612**	¥ 707	**$ 5,793**
Due after one year	**995**	1,064	**9,411**
Total	**¥1,607**	¥1,771	**$15,204**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Depreciation expense	**¥712**	¥812	**$6,738**
Interest expense	**33**	42	**311**
Total	**¥745**	¥854	**$7,049**

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, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥17**	¥39	**$155**
Due after one year		17	
Total	**¥17**	¥56	**$155**

15. DERIVATIVES

The Group enters into derivative financial instruments, including foreign currency forward contracts and currency options, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap agreements as a means of managing its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading purposes.

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

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

The fair value of the Groups' derivative financial instruments at 31st March, 2004 are as follows:

	Millions of Yen		
	2004		
	Contract Amount	Fair Value	Unrealised Loss
Foreign currency forward contracts:			
Buying—Japanese yen	**¥1,762**	**¥1,696**	**¥ 66**
Selling—U.S. dollars	**2,194**	**2,079**	**115**
Total	**¥3,956**	**¥3,775**	**¥181**

	Thousands of U.S. Dollars		
	2004		
	Contract Amount	Fair Value	Unrealised Loss
Foreign currency forward contracts:			
Buying—Japanese yen	**$16,667**	**$16,050**	**$ 617**
Selling—U.S. dollars	**20,759**	**19,671**	**1,088**
Total	**$37,426**	**$35,721**	**$1,705**

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

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

16. CONTINGENT LIABILITIES

Contingent liabilities at 31st March, 2004 and 2003, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Export drafts discounted	**¥414**	¥457	**$3,922**
Guarantees and items of a similar nature	**385**	404	**3,641**

The carrying amounts of assets pledged as collateral for guarantees of ¥67 million ($635 thousand) at 31st March, 2004, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥31	$287
Property, plant and equipment—net of accumulated depreciation	38	363
Total	¥69	$650

17. NET INCOME PER SHARE

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

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended 31st March, 2004	Net Income	Weighted-average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥2,095	137,901	¥15.19	$0.14
Effect of dilutive securities—Minority interests	(4)			
Diluted EPS—Net income for computation	¥2,091	137,901	¥15.16	$0.14

18. SEGMENT INFORMATION

The Company operates in the following industries:

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

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

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

Information about operations in industry segments, geographic segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended 31st March, 2004 and 2003 is as follows:

(1) Industry Segments

Sales and operating income

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

Total assets, depreciation and capital expenditures

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

Sales and operating income

	Thousands of U.S. Dollars				
	2004				
	Radio Communications Equipment	Semiconductor Devices and Microwave Tubes	Medical Electronics Equipment	Eliminations or Corporate	Consolidated
Sales to customers	**$1,583,403**	**$624,667**	**$427,672**		**$2,635,742**
Intersegment sales	**16,035**	**9,851**	**2**	**$(25,888)**	
Total sales	**1,599,438**	**634,518**	**427,674**	**(25,888)**	**2,635,742**
Operating expenses	**1,582,055**	**590,868**	**407,069**	**(26,265)**	**2,553,727**
Operating income	**$ 17,383**	**$ 43,650**	**$ 20,605**	**$ 377**	**$ 82,015**

Total assets, depreciation and capital expenditures

	Thousands of U.S. Dollars				
	2004				
	Radio Communications Equipment	Semiconductor Devices and Microwave Tubes	Medical Electronics Equipment	Eliminations or Corporate	Consolidated
Total assets	**$1,164,666**	**$548,073**	**$496,999**	**$(12,411)**	**$2,197,327**
Depreciation	**20,949**	**45,295**	**7,746**		**73,990**
Capital expenditures	**11,550**	**39,467**	**16,558**		**67,575**

Sales and operating income

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

Total assets, depreciation and capital expenditures

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

(2) Geographical Segments

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

(3) Sales to Foreign Customers

	Millions of Yen				
	2004				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	**¥35,372**	**¥20,024**	**¥9,996**	**¥8,770**	**¥ 74,162**
Consolidated sales					**278,572**
The ratio of sales to foreign customers	**12.7%**	**7.2%**	**3.6%**	**3.1%**	**26.6%**

	Thousands of U.S. Dollars				
	2004				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	**$334,674**	**$189,459**	**$94,580**	**$82,975**	**$ 701,688**
Consolidated sales					**2,635,742**
The ratio of sales to foreign customers	**12.7%**	**7.2%**	**3.6%**	**3.1%**	**26.6%**

	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%

Notes: Asia area consists of China, Korea, Taiwan, Philippines, Thailand.
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.

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3)3457 7321
Fax: +81(3)3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Japan Radio Co., Ltd. and consolidated subsidiaries as of 31st March, 2004 and 2003, 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 generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Radio Co., Ltd. and consolidated subsidiaries as of 31st March, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

29th June, 2004

Non-consolidated Balance Sheets

31st March, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 11,960**	¥ 16,587	**$ 113,159**
Receivables:			
Trade notes	**3,604**	3,146	**34,098**
Trade accounts	**40,910**	46,563	**387,073**
Subsidiaries and associated companies (Note 13)	**976**	1,208	**9,239**
Other	**431**	363	**4,082**
Allowance for doubtful accounts	**(222)**	(220)	**(2,096)**
Inventories (Note 4)	**29,209**	29,353	**276,367**
Prepaid expenses and other current assets (Notes 3 and 13)	**1,065**	900	**10,070**
Total current assets	**87,933**	97,900	**831,992**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**1,878**	1,878	**17,770**
Buildings and structures	**24,150**	24,037	**228,498**
Machinery and equipment	**10,287**	10,682	**97,330**
Furniture and fixtures	**28,737**	28,889	**271,902**
Construction in progress	**281**	60	**2,659**
Total	**65,333**	65,546	**618,159**
Accumulated depreciation	**(52,060)**	(51,438)	**(492,579)**
Net property, plant and equipment	**13,273**	14,108	**125,580**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**7,462**	5,042	**70,599**
Investments in subsidiaries and associated companies (Note 3)	**5,454**	5,576	**51,602**
Other assets	**3,302**	3,528	**31,250**
Allowance for doubtful accounts	**(680)**	(760)	**(6,435)**
Total investments and other assets	**15,538**	13,386	**147,016**
TOTAL	**¥116,744**	¥125,394	**$1,104,588**

See notes to non-consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)	**¥ 2,850**	¥ 4,550	**$ 26,966**
Current portion of long-term debt (Note 5)	**9,070**	6,070	**85,817**
Commercial paper		4,000	
Payables:			
Trade notes	**882**	1,169	**8,350**
Trade accounts	**20,444**	21,641	**193,436**
Subsidiaries and associated companies (Note 13)	**5,220**	5,083	**49,391**
Other	**324**	370	**3,063**
Income taxes payable (Note 7)	**68**	66	**643**
Accrued expenses (Note 13)	**4,766**	5,027	**45,090**
Other current liabilities (Note 13)	**3,273**	3,183	**30,963**
Total current liabilities	**46,897**	51,159	**443,719**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**18,240**	24,810	**172,580**
Liability for retirement benefits	**11,790**	12,911	**111,552**
Deferred tax liabilities (Note 7)	**919**		**8,696**
Total long-term liabilities	**30,949**	37,721	**292,828**
CONTINGENT LIABILITIES (Note 12)			
SHAREHOLDERS' EQUITY (Note 6)**:**			
Common stock—authorised, 216,000,000 shares; issued, 137,976,690 shares in 2004 and 2003	**14,704**	14,704	**139,127**
Capital surplus—additional paid-in capital	**17,087**	17,087	**161,671**
Retained earnings:			
Legal reserve	**2,278**	2,278	**21,558**
Unappropriated	**3,514**	3,021	**33,243**
Net unrealised gain (loss) on available-for-sale securities	**1,339**	(557)	**12,670**
Treasury stock—at cost, 80,489 shares in 2004 and 69,839 shares in 2003	**(24)**	(19)	**(228)**
Total shareholders' equity	**38,898**	36,514	**368,041**
TOTAL	**¥116,744**	¥125,394	**$1,104,588**

Non-consolidated Statements of Operations

Years Ended 31st March, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	**2004**
NET SALES	**¥117,283**	¥121,982	**$1,109,687**
COST OF SALES (Note 13)	**97,511**	104,593	**922,610**
Gross profit	**19,772**	17,389	**187,077**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 9)	**18,403**	19,317	**174,125**
Operating income (loss)	**1,369**	(1,928)	**12,952**
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 13)	**564**	600	**5,339**
Interest expense	**(651)**	(700)	**(6,162)**
Other—net (Note 10)	**(736)**	2,763	**(6,964)**
Other income (expenses)—net	**(823)**	2,663	**(7,787)**
INCOME BEFORE INCOME TAXES	**546**	735	**5,165**
INCOME TAXES (Note 7):			
Current	**53**	61	**501**
Deferred		8,235	
Total income taxes	**53**	8,296	**501**
NET INCOME (LOSS)	**¥ 493**	¥ (7,561)	**$ 4,664**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK—Basic net income (loss) (Notes 2.o)	**¥ 3.57**	¥ (54.81)	**$ 0.03**

See notes to non-consolidated financial statements.

Non-consolidated Statements of Shareholders' Equity

Years Ended 31st March, 2004 and 2003

	Thousands	Millions of Yen					
			Capital Surplus	Retained Earnings			
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated	Net Unrealised Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, 1ST APRIL, 2002	137,963	¥14,704	¥17,087	¥2,278	¥10,582	¥79	¥(6)
Net loss					(7,561)		
Net decrease in unrealised gain on available-for-sale securities						(636)	
Repurchase of treasury stock	(56)						(13)
BALANCE, 31ST MARCH, 2003	137,907	14,704	17,087	2,278	3,021	(557)	(19)
Net income					493		
Net increase in unrealised gain on available-for-sale securities						1,896	
Repurchase of treasury stock	(11)						(5)
BALANCE, 31ST MARCH, 2004	**137,896**	**¥14,704**	**¥17,087**	**¥2,278**	**¥3,514**	**¥1,339**	**¥(24)**

	Thousands of U.S. Dollars (Note 1)					
		Capital Surplus	Retained Earnings			
	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated	Net Unrealised Gain (Loss) on Available-for-sale Securities	Treasury Stock
BALANCE, 31ST MARCH, 2003	$139,127	$161,671	$21,558	$28,579	$(5,269)	$(182)
Net income				4,664		
Net increase in unrealised gain on available-for-sale securities					17,939	
Repurchase of treasury stock						(46)
BALANCE, 31ST MARCH, 2004	**$139,127**	**$161,671**	**$21,558**	**$33,243**	**$12,670**	**$(228)**

See notes to non-consolidated financial statements.

Notes to Non-consolidated Financial Statements

Years Ended 31st March, 2004 and 2003

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Japan Radio Co., Ltd. (the "Company") in accordance with the provisions set forth in the Japanese Commercial Code (the "Code") and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2003 non-consolidated financial statements to conform to the classifications used in 2004. 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 translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥105.69 to $1, the approximate rate of exchange at 31st March, 2004. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Non-consolidation***—The non-consolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and associated companies are stated at cost.

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

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

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

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

d. ***Marketable and Investment Securities***—Marketable and investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities, which are not classified as either trading securities nor held-to-maturity debt securities, and they are reported at fair value, with 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. ***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.

f. ***Property, Plant and Equipment***—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after 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.

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

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

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

The Company accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

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

j. ***Leases***—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be 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 non-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 non-consolidated statements of operations to the extent that they are not hedged by forward exchange contracts and options.

n. ***Derivatives and Hedging Activities***—The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate swaps and currency options 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 non-consolidated statements of operations and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign 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 that qualify as hedges of firm commitments 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***—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because it is anti-dilutive.

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

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

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

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of 31st March, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Current—Non-marketable equity securities	**¥ 3**	¥ 3	**$ 28**
Total	**¥ 3**	¥ 3	**$ 28**
Non-current:			
Marketable equity securities	**¥7,141**	¥4,754	**$67,567**
Government and corporate bonds	**242**	237	**2,292**
Trust fund investments and other	**79**	51	**740**
Total	**¥7,462**	¥5,042	**$70,599**

The carrying amounts and aggregate fair values of investment securities in subsidiaries and associated companies whose market values are available at 31st March, 2004 and 2003 are as follows:

	Millions of Yen					
	2004			2003		
	Carrying Amount	Market Value	Unrealised Gain	Carrying Amount	Market Value	Unrealised Gain
Subsidiaries	**¥3,346**	**¥38,354**	**¥35,008**	¥3,346	¥25,198	¥21,852
Associated companies	**766**	**1,604**	**838**	766	787	21
Total	**¥4,112**	**¥39,958**	**¥35,846**	¥4,112	¥25,985	¥21,873

	Thousands of U.S. Dollars		
	2004		
	Carrying Amount	Market Value	Unrealised Gain
Subsidiaries	**$31,666**	**$362,895**	**$331,229**
Associated companies	**7,243**	**15,176**	**7,933**
Total	**$38,909**	**$378,071**	**$339,162**

4. INVENTORIES

Inventories at 31st March, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Finished goods	**¥ 8,360**	¥ 9,165	**$ 79,095**
Work in process	**15,628**	14,626	**147,867**
Raw materials and supplies	**5,221**	5,562	**49,405**
Total	**¥29,209**	¥29,353	**$276,367**

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

Short-term bank loans at 31st March, 2004 and 2003 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, 2004 and 2003 were 1.0 percent.

Long-term debt at 31st March, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Unsecured 2.7 percent domestic bonds due 2004		¥ 5,000	
Unsecured 2.5 percent domestic bonds due 2004	**¥ 8,000**	8,000	**$ 75,693**
Unsecured 0.7 percent domestic bonds due 2006	**7,000**	7,000	**66,232**
Unsecured 0.69 percent domestic bonds due 2006	**1,500**		**14,192**
Loans from banks, due serially to 2008 with interest rates ranging from 1.1 percent to 2.1 percent (in 2004) and from 1.3 percent to 2.1 percent (in 2003)	**10,810**	10,880	**102,280**
Total	**27,310**	30,880	**258,397**
Less current portion	**(9,070)**	(6,070)	**(85,817)**
Long-term debt, less current portion	**¥18,240**	¥24,810	**$172,580**

Annual maturities of long-term debt outstanding at 31st March, 2004 were as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 9,070	$ 85,817
2006	1,070	10,124
2007	14,570	137,856
2008	2,600	24,600
Total	¥27,310	$258,397

6. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which various amendments have become 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 the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25 percent of the balance of 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 balance 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. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the 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 ¥3,489 million ($33,015 thousand) as of 31st March, 2004. 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.

7. 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, 2004 and 2003.

On 31st March, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 41.8 percent to 40.5 percent, effective for years beginning on or after 1st April, 2004. The deferred tax assets and liabilities which will be realised on or after 1st April, 2004 are measured at the effective tax rate of 40.5 percent as at 31st March, 2004 and 2003.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at 31st March, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Current deferred tax assets:			
Accrued bonuses	**¥ 740**	¥ 399	**$ 7,001**
Inventories	**167**	156	**1,576**
Accrued social security on accrued bonuses	**79**	97	**751**
Restructuring cost		87	
Other 12	**11**	114	
Valuation allowance	**(998)**	(750)	**(9,442)**
Total			
Non-current deferred tax assets:			
Liability for retirement benefits	**¥ 4,008**	¥ 4,232	**$ 37,926**
Tax loss carryforwards	**6,136**	6,550	**58,054**
Software	**1,881**	842	**17,801**
Investment securities	**955**	1,013	**9,037**
Investments in subsidiaries and associated companies	**45**	364	**426**
Net unrealised loss on available-for-sale securities		225	
Allowance for doubtful accounts	**108**	76	**1,024**
Property, plant and equipment	**159**	258	**1,505**
Inventories	**231**	348	**2,188**
Other 239	**239**	281	**2,249**
Valuation allowance	**(13,478)**	(13,889)	**(127,520)**
Total	**284**	300	**2,690**
Non-current deferred tax liabilities:			
Deferred gain on sales of properties	**271**	284	**2,565**
Special reserve for tax purposes	**13**	16	**125**
Net unrealised gain on available-for-sale securities	**919**		**8,696**
Total	**1,203**	300	**11,386**
Net non-current deferred tax liabilities	**¥ 919**		**$ 8,696**

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, 2004 and 2003 is as follows:

	2004	2003
Normal effective statutory tax rate	**41.8%**	41.8%
Expenses not deductible for income tax purposes	**12.1**	12.0
Dividend income not to be taxed	**(38.9)**	(21.6)
Minimum inhabitants tax	**9.7**	8.3
Change in valuation allowance	**(11.5)**	1,023.4
Effect of tax rate reduction		60.1
Other—net	**(3.5)**	4.0
Actual effective tax rate	**9.7%**	1,128.0%

At 31st March, 2004, the Company has tax loss carryforwards aggregating approximately ¥15,277 million ($144,541 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	$ 38,102
2009	8,649	81,830
2010	2,290	21,664
2011	311	2,945
Total	¥15,277	$144,541

8. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,090 million ($76,540 thousand) and ¥9,204 million for the years ended 31st March, 2004 and 2003, respectively.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Details of selling, general and administrative expenses for the years ended 31st March, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Provision for doubtful accounts	**¥ 136**	¥ 145	**$ 1,291**
Salary	**6,644**	6,475	**62,867**
Provision for retirement benefits	**1,270**	1,221	**12,018**
Depreciation expense	**211**	190	**1,994**
Rent expense	**1,064**	972	**10,065**
Research and development cost	**3,682**	3,813	**34,834**
Other	**5,396**	6,501	**51,056**
Total	**¥18,403**	¥19,317	**$174,125**

10. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended 31st March, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Gain on sales of investment securities	**¥ 997**	¥ 5	**$ 9,433**
Loss on valuation of investment securities	**(27)**	(660)	**(252)**
Gain on sales of investments in subsidiaries and associated companies	**906**	1,917	**8,576**
Loss on valuation of investments in subsidiaries and associated companies	**(32)**	(53)	**(299)**
Loss on valuation and disposal of inventories	**(277)**	(1,407)	**(2,627)**
Foreign exchange loss	**(338)**	(169)	**(3,199)**
Gain on sales of property, plant and equipment		26	
Loss on sales and disposal of property, plant and equipment	**(117)**	(162)	**(1,106)**
Restructuring cost		(249)	
Gain on exemption from future pension obligation of the governmental program		3,780	
Special retirement expenses	**(1,653)**	(13)	**(15,638)**
Other loss—net	**(195)**	(252)	**(1,852)**
Total	**¥ (736)**	¥ 2,763	**$ (6,964)**

11. LEASES

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

Total rental expenses for the years ended 31st March, 2004 and 2003 were ¥374 million ($3,541 thousand) and ¥418 million, respectively, including ¥335 million ($3,171 thousand) and ¥379 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalised" basis for the years ended 31st March, 2004 and 2003 was as follows:

	Millions of Yen						
	2004				2003		
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**¥766**	**¥616**	**¥32**	**¥1,414**	¥850	¥844	¥1,694
Accumulated depreciation	**368**	**277**	**7**	**652**	356	614	970
Net leased property	**¥398**	**¥339**	**¥25**	**¥ 762**	¥494	¥230	¥ 724

	Thousands of U.S. Dollars			
	2004			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	**$7,242**	**$5,832**	**$304**	**$13,378**
Accumulated depreciation	**3,478**	**2,622**	**66**	**6,166**
Net leased property	**$3,764**	**$3,210**	**$238**	**$ 7,212**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥218**	¥287	**$2,067**
Due after one year	**555**	453	**5,249**
Total	**¥773**	¥740	**$7,316**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Depreciation expense	**¥271**	¥304	**$2,561**
Interest expense	**15**	18	**145**
Total	**¥286**	¥322	**$2,706**

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, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Due within one year	**¥17**	¥39	**$155**
Due after one year		17	
Total	**¥17**	¥56	**$155**

12. CONTINGENT LIABILITIES

Contingent liabilities at 31st March, 2004 and 2003 for guarantees of bank loans amounted to ¥269 million ($2,541 thousand) and ¥2,707 million, respectively.

13. RELATED PARTY TRANSACTIONS

Transactions of the Company with subsidiaries and associated companies for the years ended 31st March, 2004 and 2003 were summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Purchases	**¥18,475**	¥17,136	**$174,804**
Dividend income	**481**	516	**4,554**

Balances due to or from these subsidiaries and associated companies at 31st March, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	**2004**
Notes and accounts receivables	**¥ 746**	¥ 684	**$ 7,058**
Other receivables	**230**	524	**2,181**
Prepaid expenses and other current assets	**107**	119	**1,021**
Notes and accounts payables	**5,204**	5,063	**49,234**
Other payables	**16**	20	**157**
Accrued expenses and other current liabilities	**267**	273	**2,526**

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81 (3) 3457 7321
Fax: +81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying non-consolidated balance sheets of Japan Radio Co., Ltd. as of 31st March, 2004 and 2003, and the related non-consolidated statements of operations and shareholders' equity for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Radio Co., Ltd. as of 31st March, 2004 and 2003, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

29th June, 2004

Affiliated Companies of JRC *(As of 31st March, 2004)*

Aloka Co., Ltd. *

Number of employees: 1,119 (non-consolidated) / 1,587 (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-shi, 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./ Aloka Business Service Co., Ltd./Aloka System Engineering Co., Ltd.
Homepage address: http://www.aloka.com

New Japan Radio Co., Ltd. *

Number of employees: 1,692 (non-consolidated) / 3,477 (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: 355
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: 164
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: 97
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 : +81-49-264-4411
Homepage address: http://www.jrg.co.jp

••• Musashino Electric Co., Ltd. *

Number of employees: 159
Business scope: Manufacture of radio communications and medical electronics equipment, and electronics 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

••• Sougou Business Service Co., Ltd. *

Number of employees: 94
Business scope: Distribution management of electronic equipment
Head office and factory: 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: 821(non-consolidated) / 2,070(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, Inazato-machi, Nagano-shi, Nagano 381-2288
Phone : +81-26-285-1111
Homepage address: http://www.njrc.jp

••• Ueda Japan Radio Co., Ltd.

Number of employees: 666
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

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, Japan
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, Japan
Phone: +81-49-266-5611
Fax: +81-49-266-5615

Overseas Branch Offices

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

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

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

Overseas Offices

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

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

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

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

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

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

Overseas Subsidiaries

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

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

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

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:	11,118
Stock Listing:	Tokyo Stock Exchange, First Section (Code: 6751)
Number of Employees:	3,066
General Meeting of Shareholders:	Convened annually in late June

JRC Web Site

http://www.jrc.co.jp

Major Shareholders

Name	Number of Shares Held (Thousands)	Percentage of Total Shares Issued
Nisshinbo Industries, Inc.	26,662	19.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,986	11.58
Japan Trustee Services Bank, Ltd. (Trust Account)	10,538	7.63
Mizuho Corporate Bank, Ltd.	5,853	4.24
Mizuho Bank, Ltd.	3,672	2.66
BNP Paribas Securities Services, Luxemburg Jasdec Securities	3,272	2.37
The Chase Manhattan Bank NA London SL Omnibus Account	2,331	1.68
JRC employee ownership	2,284	1.65
Nippon Life Insurance Co. (Pension Special Account)	1,977	1.43
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	63	39	338	108	10,571	11,118
Number of Shares Held	(Thousands) 50,903	1,954	32,109	22,459	29,866	137,307
Percentage of Total Shares Issued	37.07	1.42	23.39	16.35	21.77	100.0

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