# Financial Summary

## Results by business segments

The consolidated net sales for fiscal 2002 ended March 31, 2003 rose by 11.0% to ¥54,865 million. Demands for our mainstay semiconductor products recovered rapidly from the beginning of the term due to completion of inventory adjustment by consumer-products makers. Sales of the semiconductor products did well, in particular among the products for digital home appliances and mobile communications equipment, though we were compelled to face severe depression in the field of microwave application products due to prolonged sluggishness in the US and Europe market.

Sales in the Semiconductor Devices were ¥49,097 million; bipolar products increased favorably due to the success of expanded sales of the new products, such as power supply ICs and audio ICs. In MOS products, sales of LCD drivers and surround ICs increased favorably. In the microwave & optoelectronic devices, while the sales of our mainstay GaAs MMICs did well due to a launch of new products and our expanded sales for new customers, sales of the optoelectronic devices remained unchanged from the previous year due to slowdown in the demand.

Sales in the Microwave Application Products were ¥1,225 million. Due to prolonged market sluggishness, sales of components for satellite broadcasting, satellite communications, and terrestrial communications declined.

Sales in the Microwave Tubes and Radar Components were ¥4,543 million. Although sales in governmental-use microwave tubes and radar components increased favorably, consumer-use microwave tubes were below the previous year due to stagnation in the marine radar market.

Operating income by product is as described below. Consolidated operating income, subtracting eliminations of ¥5,329 million, was ¥3,774million.

Unit: Millions of Yen

| | Semiconductor Devices | Microwave Application Products | Microwave Tubes and Radar Components | Total |
|---|---|---|---|---|
| Net Sales | 49,097 | 1,225 | 4,543 | 54,865 |
| Operating expenses | 40,235 | 1,609 | 3,918 | 45,762 |
| Segment operating income | 8,862 | △384 | 625 | 9,103 |
| Eliminations | — | — | — | 5,329 |
| Operating income | — | — | — | 3,774 |

## Net sales to customers by geographic segment

Unit: Millions of Yen

| | 2003 | | 2002 | |
|---|---|---|---|---|
| Japan | 29,677 | (54.1%) | ¥24,099 | (48.7%) |
| Asia | 19,788 | (36.1%) | 17,598 | (35.6%) |
| North America | 2,682 | (4.9%) | 3,214 | (6.5%) |
| Europe | 1,489 | (2.7%) | 1,345 | (2.7%) |
| Others | 1,229 | (2.2%) | 3,181 | (6.5%) |
| Total | 54,865 | (100.0%) | ¥49,437 | (100.0%) |

## Capital expenditures

Capital expenditures for this consolidated fiscal year amounted to ¥4,680 million on an acquisition basis; consisted mainly of investments to update and streamline semiconductors production facilities, save labor, and fund research and development (R&D).

## Financial position

Total assets at the end of this consolidated fiscal year, amounted to ¥59,044 million, rose by ¥2,170 million. Current assets increased by ¥2,237 million. Cash and cash equivalents decreased by ¥707 million to ¥3,411 million, due to increased expenditure for repayment of long-term debt, though fund from operation increased due to favorable sales of our mainstay semiconductor products. The amount of inventory assets increased by ¥1,113 million to ¥15,975 million, mainly for semiconductor products.

Total liabilities mounted to ¥40,135 million, rose by 949 million, due to increased amount of corporate tax, etc., regardless of significant decrease in liabilities caused by repayment of long-term debt.

# Consolidated Balance Sheets

New Japan Radio Co., Ltd. and Subsidiaries March 31, 2003, and 2002

| ASSETS | Millions of Yen 2003 | Millions of Yen 2002 | Thousands of U.S. Dollars (Note 1) 2003 |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash and cash equivalents | **¥ 3,411** | ¥ 4,118 | **$ 28,378** |
| Notes and accounts receivable (Note 14): | | | |
| Trade notes | **2,212** | 2,263 | **18,403** |
| Trade accounts | **11,749** | 10,381 | **97,754** |
| Allowance for doubtful accounts | **(175)** | (166) | **(1,456)** |
| Inventories (Note 4) | **15,975** | 14,862 | **132,903** |
| Deferred tax assets (Note 7) | **1,110** | 584 | **9,235** |
| Other current assets (Note 14) | **680** | 683 | **5,648** |
| Total current assets | **34,962** | 32,725 | **290,865** |
| **PROPERTY, PLANT AND EQUIPMENT** (Note 5)**:** | | | |
| Land | **227** | 231 | **1,889** |
| Buildings and structures | **23,901** | 23,844 | **198,844** |
| Machinery and equipment | **52,717** | 51,374 | **438,577** |
| Furniture and fixtures | **9,666** | 9,580 | **80,416** |
| Construction in progress | **2,217** | 811 | **18,444** |
| Total | **88,728** | 85,840 | **738,170** |
| Accumulated depreciation | **(70,387)** | (67,695) | **(585,582)** |
| Net property, plant and equipment | **18,341** | 18,145 | **152,588** |
| **INVESTMENTS AND OTHER ASSETS:** | | | |
| Investment securities (Note 3) | **1,609** | 1,561 | **13,386** |
| Long-term loans | **263** | 324 | **2,188** |
| Long-term receivables | **52** | 56 | **433** |
| Deferred charges | **522** | 752 | **4,343** |
| Deferred tax assets (Note 7) | **2,620** | 2,514 | **21,797** |
| Other assets | **758** | 947 | **6,306** |
| Allowance for doubtful accounts | **(83)** | (150) | **(691)** |
| Total investments and other assets | **5,741** | 6,004 | **47,762** |
| **TOTAL** | **¥ 59,044** | ¥ 56,874 | **$ 491,215** |

See notes to consolidated financial statements.

| LIABILITIES AND SHAREHOLDERS' EQUITY | Millions of Yen 2003 | Millions of Yen 2002 | Thousands of U.S. Dollars (Note 1) 2003 |
|---|---|---|---|
| **CURRENT LIABILITIES:** | | | |
| Short-term bank loans (Note 5) | **¥ 9,577** | ¥ 9,839 | **$ 79,676** |
| Current portion of long-term debt (Note 5) | **4,986** | 3,856 | **41,481** |
| Notes and accounts payable (Note 14): | | | |
| Trade notes | | 333 | |
| Trade accounts | **6,554** | 6,236 | **54,526** |
| Construction and other | **1,878** | 1,247 | **15,624** |
| Income taxes payable (Note 7) | **1,864** | 60 | **15,507** |
| Accrued expenses (Note 14) | **3,489** | 3,200 | **29,027** |
| Other current liabilities | **272** | 275 | **2,262** |
| Total current liabilities | **28,620** | 25,046 | **238,103** |
| **LONG-TERM LIABILITIES:** | | | |
| Long-term debt (Note 5) | **1,468** | 6,453 | **12,213** |
| Long-term payables—construction and other | **1,845** | | **15,349** |
| Liability for retirement benefits (Note 6) | **7,977** | 7,477 | **66,364** |
| Other long-term liabilities | **225** | 210 | **1,873** |
| Total long-term liabilities | **11,515** | 14,140 | **95,799** |
| **CONTINGENT LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** (Note 8)**:** | | | |
| Common stock—authorized, 138,000,000 shares; issued, 39,100,000 shares | **5,207** | 5,207 | **43,319** |
| Additional paid-in capital | **5,211** | 5,211 | **43,353** |
| Retained earnings | **8,953** | 7,669 | **74,484** |
| Net unrealized gain on available-for-sale securities | **161** | 87 | **1,340** |
| Foreign currency translation adjustments | **(622)** | (486) | **(5,175)** |
| Treasury stock—at cost, 881 shares in 2003 and 547 shares in 2002 | **(1)** | | **(8)** |
| Total shareholders' equity | **18,909** | 17,688 | **157,313** |
| **TOTAL** | **¥ 59,044** | ¥ 56,874 | **$ 491,215** |

## Consolidated Statements of Income

New Japan Radio Co., Ltd. and Subsidiaries    Years Ended March 31, 2003, 2002 and 2001

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 |
| **NET SALES** (Notes 13 and 14) | ¥ 54,865 | ¥ 49,437 | ¥ 64,842 | $ 456,448 |
| **COST OF SALES** (Notes 6, 9, 11, 13 and 14) | 40,088 | 37,656 | 47,440 | 333,511 |
| Gross profit | 14,777 | 11,781 | 17,402 | 122,937 |
| **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES** (Notes 6, 9, 11, 13 and 14) | 11,003 | 10,559 | 10,248 | 91,539 |
| Operating income | 3,774 | 1,222 | 7,154 | 31,398 |
| **OTHER INCOME (EXPENSES):** | | | | |
| Interest and dividends income | 35 | 29 | 57 | 291 |
| Interest expenses | (243) | (296) | (423) | (2,022) |
| Foreign exchange gains (losses) | (348) | 353 | 552 | (2,895) |
| Losses on disposal of inventories | (53) | (76) | (388) | (441) |
| Reversal of (provision for) doubtful accounts | | 18 | (84) | |
| Charge for full amount of transitional obligations for retirement benefits | | | (3,433) | |
| Reversal of prior service costs | | | 417 | |
| Other—net (Note 10) | (164) | (148) | (268) | (1,364) |
| Other expenses—net | (773) | (120) | (3,570) | (6,431) |
| **INCOME BEFORE INCOME TAXES** | 3,001 | 1,102 | 3,584 | 24,967 |
| **INCOME TAXES** (Note 7): | | | | |
| Current | 1,973 | 272 | 3,185 | 16,414 |
| Deferred | (687) | 175 | (2,056) | (5,715) |
| Total income taxes | 1,286 | 447 | 1,129 | 10,699 |
| **NET INCOME** | ¥ 1,715 | ¥ 655 | ¥ 2,455 | $ 14,268 |

| | Yen | | | U.S. Dollars |
|---|---|---|---|---|
| **PER SHARE OF COMMON STOCK** (Note 2.p): | | | | |
| Net income | ¥ 42.84 | ¥ 15.73 | ¥ 61.76 | $ 0.36 |
| Cash dividends applicable to the year | 12.00 | 10.00 | 15.00 | 0.10 |

See notes to consolidated financial statements.

# Consolidated Statements of Shareholders' Equity

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2003, 2002 and 2001

| | Thousands | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|---|
| | Issued Number of Shares of Common Stock | Common Stock | Additional Paid-in Capital | Retained Earnings | Net Unrealized Gain on Available-for-sale Securities | Foreign Currency Translation Adjustments | Treasury Stock—At Cost |
| **BALANCE, APRIL 1, 2000** | 39,100 | ¥ 5,207 | ¥ 5,211 | ¥ 5,553 | | | |
| Net income | | | | 2,455 | | | |
| Cash dividends, ¥12 per share | | | | (469) | | | |
| Bonuses to directors | | | | (35) | | | |
| Net increase in unrealized gain on available-for-sale securities | | | | | ¥ 199 | | |
| Net decrease in foreign currency translation adjustments | | | | | | ¥ (638) | |
| **BALANCE, MARCH 31, 2001** | 39,100 | 5,207 | 5,211 | 7,504 | 199 | (638) | |
| Net income | | | | 655 | | | |
| Cash dividends, ¥11.5 per share | | | | (450) | | | |
| Bonuses to directors | | | | (40) | | | |
| Net decrease in unrealized gain on available-for-sale securities | | | | | (112) | | |
| Net increase in foreign currency translation adjustments | | | | | | 152 | |
| **BALANCE, MARCH 31, 2002** | 39,100 | 5,207 | 5,211 | 7,669 | 87 | (486) | |
| Net income | | | | 1,715 | | | |
| Cash dividends, ¥10 per share | | | | (391) | | | |
| Bonuses to directors | | | | (40) | | | |
| Net increase in unrealized gain on available-for-sale securities | | | | | 74 | | |
| Net decrease in foreign currency translation adjustments | | | | | | (136) | |
| Increase in treasury stock (334 shares) | | | | | | | ¥ (1) |
| **BALANCE, MARCH 31, 2003** | 39,100 | ¥ 5,207 | ¥ 5,211 | ¥ 8,953 | ¥ 161 | ¥ (622) | ¥ (1) |

| | Thousands of U.S. Dollars (Note 1) | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | Additional Paid-in Capital | Retained Earnings | Net Unrealized Gain on Available-for-sale Securities | Foreign Currency Translation Adjustments | Treasury Stock—At Cost |
| **BALANCE, MARCH 31, 2002** | $ 43,319 | $ 43,353 | $ 63,802 | $ 724 | $ (4,043) | |
| Net income | | | 14,268 | | | |
| Cash dividends, $0.08 per share | | | (3,253) | | | |
| Bonuses to directors | | | (333) | | | |
| Net increase in unrealized gain on available-for-sale securities | | | | 616 | | |
| Net decrease in foreign currency translation adjustments | | | | | (1,132) | |
| Increase in treasury stock (334 shares) | | | | | | ¥ (8) |
| **BALANCE, MARCH 31, 2003** | **$ 43,319** | **$ 43,353** | **$ 74,484** | **$ 1,340** | **$ (5,175)** | **¥ (8)** |

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

New Japan Radio Co., Ltd. and Subsidiaries    Years Ended March 31, 2003, 2002 and 2001

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | **2003** | 2002 | 2001 | **2003** |
| **OPERATING ACTIVITIES:** | | | | |
| Income before income taxes | **¥ 3,001** | ¥ 1,102 | ¥ 3,584 | **$ 24,967** |
| Adjustments for: | | | | |
| Income taxes paid | **(79)** | (3,022) | (1,359) | **(657)** |
| Depreciation and amortization | **4,676** | 4,925 | 5,264 | **38,902** |
| Loss on sales and disposals of property, plant and equipment | **87** | 109 | 258 | **724** |
| Bonuses to directors | **(39)** | (40) | (35) | **(324)** |
| Changes in assets and liabilities: | | | | |
| (Decrease) increase in allowance for doubtful accounts | **(52)** | (37) | 83 | **(433)** |
| Increase in liability for retirement benefits | **500** | 25 | 3,310 | **4,160** |
| (Decrease) increase in interest payable | **(20)** | 22 | (32) | **(166)** |
| (Increase) decrease in notes and accounts receivable | **(1,450)** | 3,354 | (262) | **(12,063)** |
| (Increase) decrease in inventories | **(1,201)** | 542 | (2,058) | **(9,992)** |
| Increase (decrease) in notes and accounts payable | **126** | (3,633) | 836 | **1,048** |
| Other—net | **1,130** | (416) | 447 | **9,401** |
| Total adjustments | **3,678** | 1,829 | 6,452 | **30,600** |
| Net cash provided by operating activities | **6,679** | 2,931 | 10,036 | **55,567** |
| **INVESTING ACTIVITIES:** | | | | |
| Purchases of short-term investments | | | (53) | |
| Proceeds from short-term investments | | 28 | 53 | |
| Purchases of property, plant and equipment | **(2,872)** | (5,447) | (4,424) | **(23,894)** |
| Proceeds from sales of property, plant and equipment | **50** | 69 | 7 | **416** |
| Purchases of investment securities | **(2)** | (885) | (206) | **(17)** |
| Collection of loans receivable | **61** | 61 | 61 | **507** |
| Other—net | **(105)** | (137) | (250) | **(874)** |
| Net cash used in investing activities | **(2,868)** | (6,311) | (4,812) | **(23,862)** |
| **FORWARD** | **¥ 3,811** | ¥ (3,380) | ¥ 5,224 | **$ 31,705** |

New Japan Radio Co., Ltd. and Subsidiaries    Years Ended March 31, 2003, 2002 and 2001

| | Millions of Yen | | | Thousands of U.S. Dollars (Note 1) |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 |
| **FORWARD** | ¥ 3,811 | ¥ (3,380) | ¥ 5,224 | $ 31,705 |
| **FINANCING ACTIVITIES:** | | | | |
| Net change in short-term bank loans | (251) | 1,030 | (120) | (2,088) |
| Proceeds from long-term debt | | 821 | 315 | |
| Repayments of long-term debt | (3,853) | (1,987) | (2,126) | (32,055) |
| Expenditures for redemption of bonds | | | (1,300) | |
| Cash dividends | (391) | (450) | (469) | (3,253) |
| Net cash used in financing activities | (4,495) | (586) | (3,700) | (37,396) |
| **FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS** | (23) | 17 | 66 | (191) |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | (707) | (3,949) | 1,590 | (5,882) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 4,118 | 8,067 | 6,477 | 34,260 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | ¥ 3,411 | ¥ 4,118 | ¥ 8,067 | $ 28,378 |

See notes to consolidated financial statements.

## 1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

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

In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

Certain reclassifications have been made in the 2002 and 2001 consolidated financial statements to conform to the classifications used in 2003.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Consolidation—**The consolidated financial statements include the accounts of the Company and all its subsidiaries (together, the "Companies"). 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 Companies have the ability to exercise significant influence are accounted for by the equity method. There are no companies that are accounted for by the equity method.

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

**b. Cash and Cash Equivalents—**Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature within three months of the date of acquisition.

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

**d. Foreign Currency Financial Statements—**Financial statements of foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date for all balance sheet accounts except for shareholders' equity accounts, which are translated at the historical exchange rate.

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

**e. Marketable and Investment Securities—**All marketable securities the Companies own are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

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

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

f. **Inventories—**Merchandise and finished goods are stated at cost determined by the moving-average method. Raw materials are stated at cost determined by the average method. Work in process is stated at cost, determined by the average method, or using the specific identification method. Inventories of foreign consolidated subsidiaries are stated at the lower of cost or market determined by the average method.

g. **Property, Plant and Equipment—**Property, plant and equipment are recorded at cost.

Depreciation of property, plant and equipment is computed by the declining-balance method at rates based upon the usage of the assets over the estimated useful lives of the assets while the straight-line method is applied to buildings of the Company and its domestic subsidiaries acquired after April 1, 1998.

Estimated useful lives are as follows:

| | |
|---|---|
| Buildings and structures | 2 to 50 years |
| Machinery and equipment | 2 to 10 years |
| Furniture and fixtures | 1 to 20 years |

h. **Other Assets—**Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 3 to 5 years for intangible assets and over 5 years for goodwill.

i. **Retirement Benefits—**The Company has a non-contributory funded pension plan covering only employees who have 18 years or more of service.

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

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

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

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

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

m. **Appropriations of Retained Earnings—**Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

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

**o. Derivative Financial Instruments—**The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency option contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Effective April 1, 2000, the Companies adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: (a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement 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.

**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. The average number of common shares used in the computation was 39,099,119 shares, 39,099,453 shares and 39,099,876 shares for 2003, 2002 and 2001, respectively.

Diluted net income per share is not disclosed because it is anti-dilutive in 2003 and 2002 and there are no potential common stock equivalents in 2001.

Cash dividends per share shown in the consolidated statements of income are the amounts applicable to the respective years without giving retroactive adjustment for subsequent stock splits.

## 3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2003 and 2002, consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2003** | 2002 | **2003** |
| Non-current: | | | |
| Marketable equity securities | **¥ 1,592** | ¥ 1,537 | **$ 13,245** |
| Government and corporate bonds | **10** | 9 | **83** |
| Other | **7** | 15 | **58** |
| Total | **¥ 1,609** | ¥ 1,561 | **$ 13,386** |

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

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2003 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as available-for-sale: | | | | |
| Equity securities | ¥ 1,325 | ¥ 282 | ¥ 15 | ¥ 1,592 |
| Debt securities | 6 | 4 | | 10 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2002 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as available-for-sale: | | | | |
| Equity securities | ¥ 1,390 | ¥ 222 | ¥ 75 | ¥ 1,537 |
| Debt securities | 6 | 3 | | 9 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2003 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as available-for-sale: | | | | |
| Equity securities | $ 11,023 | $ 2,346 | $ 124 | $ 13,245 |
| Debt securities | 50 | 33 | | 83 |

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

| | Carrying Amount | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | 2003 | 2002 | 2003 |
| Available-for -sale- Equity securities | ¥ 7 | ¥ 15 | $ 58 |
| Total | ¥ 7 | ¥ 15 | $ 58 |

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

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Due after one year through five years | ¥ 10 | $ 83 |
| Total | ¥ 10 | $ 83 |

### 4. INVENTORIES

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2003** | 2002 | **2003** |
| Merchandise | **¥ 126** | ¥ 118 | **$ 1,048** |
| Finished goods | **5,047** | 4,630 | **41,988** |
| Work in process | **7,882** | 8,285 | **65,574** |
| Raw materials | **2,920** | 1,829 | **24,293** |
| Total | **¥ 15,975** | ¥ 14,862 | **$ 132,903** |

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

Short-term bank loans at March 31, 2003 and 2002, consisted of notes to banks and bank overdrafts. The annual weighted average interest rates for short-term bank loans for the years ended March 31, 2003 and 2002, were 0.72 percent and 0.65 percent, respectively.

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2003** | 2002 | **2003** |
| Loans from banks and other financial institutions, due serially to 2006 with interest rates ranging from 0.70 to 2.53 percent (2003), from 0.73 to 2.50 percent (2002): | | | |
| Collateralized | **¥ 1,550** | ¥ 2,230 | **$ 12,895** |
| Unsecured | **4,904** | 8,079 | **40,799** |
| Total | **6,454** | 10,309 | **53,694** |
| Less current portion | **(4,986)** | (3,856) | **(41,481)** |
| Long-term debt, less current portion | **¥ 1,468** | ¥ 6,453 | **$ 12,213** |

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

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2004 | ¥ 4,986 | $ 41,481 |
| 2005 | 847 | 7,047 |
| 2006 | 591 | 4,917 |
| 2007 | 30 | 249 |
| Total | ¥ 6,454 | $ 53,694 |

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

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

## 6. RETIREMENT BENEFITS

The Company and its domestic subsidiaries have pension plans. The plans provide for lump-sum payments to terminated employees who have 2 years or more of continuous service.

The Company has a non-contributory funded pension plan covering only employees with 18 years or more of service. Such employees receive a lump-sum distribution upon mandatory retirements, equal to 50 percent of their total retirement benefits, payable from the pension fund.

Certain foreign subsidiaries have a contributory funded pension plan covering only employees who have 1 year or more continuous service.

Retirement allowances for employees are determined on the basis of length of service and current basic salary at the time of termination. If the termination is involuntary, the employee is usually entitled to greater payment than in the case of voluntary termination.

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2003** | 2002 | **2003** |
| Projected benefit obligation | **¥ 12,403** | ¥ 11,613 | **$ 103,186** |
| Fair value of plan assets | **(2,313)** | (2,368) | **(19,243)** |
| Unrecognized actuarial loss | **(2,383)** | (1,986) | **(19,825)** |
| Net liability | **¥ 7,707** | ¥ 7,259 | **$ 64,118** |

The components of net periodic benefit costs are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2003** | 2002 | **2003** |
| Service cost | **¥ 762** | ¥ 687 | **$ 6,339** |
| Interest cost | **288** | 306 | **2,396** |
| Expected return on plan assets | **(62)** | (138) | **(516)** |
| Recognized actuarial loss | **137** | 61 | **1,140** |
| Net periodic benefit costs | **¥ 1,125** | ¥ 916 | **$ 9,359** |

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

| | **2003** | 2002 |
|---|---|---|
| Discount rate | **2.5%** | 2.5% |
| Expected rate of return on plan assets | **2.6%** | 6.3% |
| Recognition period of actuarial gain/loss | **15 years** | 15 years |

The liability for retirement benefits to directors and corporate auditors included in the accompanying consolidated balance sheets amounted to ¥270 million ($2,246 thousand) and ¥218 million at March 31, 2003 and 2002, respectively. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of the shareholders.

**7. 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 42 percent for the years ended March 31, 2003, 2002 and 2001.

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

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | **2003** | 2002 | **2003** |
| **Current** | | | |
| Deferred tax assets: | | | |
| Inventories | **¥ 201** | ¥ 165 | **$ 1,672** |
| Accrued bonuses | **733** | 464 | **6,098** |
| Accrued enterprise tax | **160** | 1 | **1,331** |
| Others | **182** | 101 | **1,514** |
| Valuation allowance | **(48)** | (49) | **(399)** |
| Total | **1,228** | 682 | **10,216** |
| Deferred tax liabilities: | | | |
| Allowance for doubtful receivables | **11** | 14 | **91** |
| Undistributed earnings of subsidiaries | | 27 | |
| Others | **107** | 57 | **890** |
| Total | **118** | 98 | **981** |
| Net deferred tax assets | **¥ 1,110** | ¥ 584 | **$ 9,235** |
| **Non-current** | | | |
| **Deferred tax assets:** | | | |
| Allowance for doubtful accounts | | ¥ 8 | |
| Liability for retirement benefits | **¥ 2,739** | 2,424 | **$ 22,787** |
| Tax loss carryforwards | **125** | 386 | **1,040** |
| Others | **106** | 127 | **882** |
| Valuation allowance | **(118)** | (253) | **(982)** |
| Total | **2,852** | 2,692 | **23,727** |
| **Deferred tax liabilities:** | | | |
| Special reserve for tax purposes | **93** | 114 | **774** |
| Undistributed earnings of subsidiaries | **29** | | **241** |
| Unrealized gain on available-for-sale securities | **110** | 64 | **915** |
| Total | **232** | 178 | **1,930** |
| Net deferred tax liabilities | **¥ 2,620** | ¥ 2,514 | **¥ 21,797** |

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2003, 2002 and 2001, and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Normal effective statutory tax rate | 42.0 % | 42.0 % | 42.0 % |
| Taxation on per capita basis | 0.5 | 1.2 | 0.3 |
| Expenses not deductible for income tax purposes | 0.1 | 0.2 | 0.6 |
| Lower income tax rates applicable to income in certain foreign countries | 0.3 | (2.9) | (2.9) |
| Change in foreign subsidiaries' tax loss carryforward valuation allowance | (2.3) | 4.6 | (3.5) |
| Non-taxable consolidation adjustment | | (0.8) | (3.7) |
| Effect of tax rate reduction | 2.6 | | |
| Others—net | (0.3) | (3.7) | (1.3) |
| Actual effective tax rate | 42.9 % | 40.6 % | 31.5 % |

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective statutory tax rate from 42.0 percent to 40.4 percent, effective for years beginning on or after April 1, 2004. The effect of this change was to decrease deferred tax assets—non-current by ¥73 million, increase income taxes—deferred by ¥77 million, and increase unrealized gain on available-for-sale securities by ¥4 million in the consolidated financial statements for the year ended March 31, 2003.

**8. SHAREHOLDERS' EQUITY**

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 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. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

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

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

The amount of retained earnings available for dividends under the Code was ¥6,590 million ($54,825 thousand) as of March 31, 2003, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

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

At the general shareholders meeting of the Company held on June 28, 2001, the Company's shareholders approved the following stock option plan. The plan provides for granting options to directors and key employee to purchase up to 113 thousand shares of the Company's common stock in the period from January 7, 2002 to December 20, 2005. The options will be exercisable at ¥827. The exercise price will be subject to adjustment if there are stock splits or additional shares issued for less than the market price.

## 9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,851 million ($48,678 thousand), ¥5,542 million and ¥5,353 million for the years ended March 31, 2003, 2002 and 2001, respectively.

## 10. OTHER INCOME (EXPENSES)—OTHER—NET

Other income (expenses)—other—net consisted of the following:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2003** | 2002 | 2001 | **2003** |
| Loss on sales and disposals of property, plant and equipment | **¥ (87)** | ¥ (109) | ¥ (258) | **$ (732)** |
| Loss on devaluation of investment securities | **(74)** | (88) | (55) | **(616)** |
| Other—net | **(3)** | 49 | 45 | **(16)** |
| Total | **¥ (164)** | ¥ (148) | ¥ (268) | **$ (1,364)** |

## 11. LEASES

The Company and domestic subsidiaries have several lease agreements relating to office space, computer equipment and circuit equipment. Total lease payments under finance lease agreements that do not transfer ownership of the leased property to the Company were ¥372 million ($3,095 thousand), ¥409 million and ¥390 million for the years ended March 31, 2003, 2002 and 2001, respectively.

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

| | Millions of Yen | | | | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 2003 | | | | 2003 | | | |
| | Machinery and Equipment | Furniture and Fixtures | Other | Total | Machinery and Equipment | Furniture and Fixtures | Other | Total |
| Acquisition cost | **¥ 1,016** | **¥ 6** | **¥ 470** | **¥ 1,492** | **$ 8,453** | **$ 50** | **$ 3,910** | **$ 12,413** |
| Accumulated depreciation | **589** | **3** | **259** | **851** | **4,900** | **25** | **2,155** | **7,080** |
| Net leased property | **¥ 427** | **¥ 3** | **¥ 211** | **¥ 641** | **$ 3,553** | **$ 25** | **$ 1,755** | **$ 5,333** |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2002 | | | |
| | Machinery and Equipment | Furniture and Fixtures | Other | Total |
| Acquisition cost | ¥ 1,307 | ¥ 7 | ¥ 485 | ¥ 1,799 |
| Accumulated depreciation | 720 | 2 | 216 | 938 |
| Net leased property | ¥ 587 | ¥ 5 | ¥ 269 | ¥ 861 |

Obligations under finance leases as of March 31, 2003 and 2002, are as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 2003 | 2002 | 2003 |
| Due within one year | **¥ 275** | ¥ 333 | **$ 2,288** |
| Due after one year | **380** | 545 | **3,161** |
| Total | **¥ 655** | ¥ 878 | **$ 5,449** |

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense under finance leases for the years ended March 31, 2003, 2002 and 2001, were as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | **2003** | 2002 | 2001 | **2003** |
| Depreciation expense | **¥ 353** | ¥ 387 | ¥ 366 | **$ 2,937** |
| Interest expense | **16** | 22 | 24 | **133** |
| Total | **¥ 369** | ¥ 409 | ¥ 390 | **$ 3,070** |

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

## 12. DERIVATIVES

The Company enters into foreign exchange forward contracts and currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Company also enters into interest rate swap contracts 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 with its financing activities. The Company does not hold or issue derivatives for trading purposes.

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

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

Forward exchange contracted amounts which are assigned to assets or liabilities and are reflected on the balance sheet at year end are not subject to the disclosure of market value information.

## 13. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2003, 2002 and 2001, was as follows:

### (1) Industry Segments

Industry segments information is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2003, 2002 and 2001 resulted from the primary business of the Companies, which is to manufacture and sell electronics devices such as electron tubes and semiconductor devices.

### (2) Geographical Segments

The segment information is grouped by geographic area based on the countries and areas where the Companies are located. The segments mainly consist of the following countries:

Asia —Thailand, Singapore, Hong Kong
North America—United States of America

The geographical segments of the Companies for the years ended March 31, 2003, 2002 and 2001, are summarized as follows:

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2003 | | | | |
| | Japan | Asia | North America | Eliminations or Corporate | Consolidated |
| Sales: | | | | | |
| To customers | ¥ 46,117 | ¥ 5,091 | ¥ 3,657 | | ¥ 54,865 |
| Interarea transfers | 7,756 | 4,569 | 201 | ¥ (12,526) | |
| Total | 53,873 | 9,660 | 3,858 | (12,526) | 54,865 |
| Operating expenses | 44,872 | 9,429 | 3,801 | (7,011) | 51,091 |
| Operating income | ¥ 9,001 | ¥ 231 | ¥ 57 | ¥ (5,515) | ¥ 3,774 |
| Total assets | ¥ 52,336 | ¥ 3,638 | ¥ 851 | ¥ 2,219 | ¥ 59,044 |

| | Thousands of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | 2003 | | | | |
| | Japan | Asia | North America | Eliminations or Corporate | Consolidated |
| Sales: | | | | | |
| To customers | $ 383,670 | $ 42,354 | $ 30,424 | | $ 456,448 |
| Interarea transfers | 64,526 | 38,012 | 1,672 | $ (104,210) | |
| Total | 448,196 | 80,366 | 32,096 | (104,210) | 456,448 |
| Operating expenses | 373,312 | 78,444 | 31,622 | (58,328) | 425,050 |
| Operating income | $ 74,884 | $ 1,922 | $ 474 | $ (45,882) | $ 31,398 |
| Total assets | $ 435,408 | $ 30,266 | $ 7,080 | $ 18,461 | $ 491,215 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2002 | | | | |
| | Japan | Asia | North America | Eliminations or Corporate | Consolidated |
| Sales: | | | | | |
| To customers | ¥ 40,483 | 5,118 | 3,836 | | ¥ 49,437 |
| Interarea transfers | 7,455 | 4,039 | 215 | ¥ (11,709) | |
| Total | 47,938 | 9,157 | 4,051 | (11,709) | 49,437 |
| Operating expenses | 41,884 | 8,883 | 4,021 | (6,573) | 48,215 |
| Operating income | ¥ 6,054 | ¥ 274 | ¥ 30 | ¥ (5,136) | ¥ 1,222 |
| Total assets | ¥ 49,427 | ¥ 4,427 | ¥ 866 | ¥ 2,154 | ¥ 56,874 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2001 | | | | |
| | Japan | Asia | North America | Eliminations or Corporate | Consolidated |
| Sales: | | | | | |
| To customers | ¥ 52,638 | ¥ 7,325 | ¥ 4,879 | | ¥ 64,842 |
| Interarea transfers | 11,369 | 4,377 | 241 | ¥ (15,987) | |
| Total | 64,007 | 11,702 | 5,120 | (15,987) | 64,842 |
| Operating expenses | 52,673 | 11,021 | 4,945 | (10,951) | 57,688 |
| Operating income | ¥ 11,334 | ¥ 681 | ¥ 175 | ¥ (5,036) | ¥ 7,154 |
| Total assets | ¥ 56,078 | ¥ 4,540 | ¥ 1,330 | ¥ 3,552 | ¥ 65,500 |

Notes: 1. The unallocated operating expenses for the years ended March 31, 2003, 2002 and 2001, amounting to ¥5,329 million ($44,334 thousand), ¥5,088 million and ¥4,601 million, respectively, were included in "Eliminations or corporate" column, which mainly consisted of administration expense of the Company.

2. The corporate assets at March 31, 2003, 2002 and 2001, amounting to ¥5,630 million ($46,839 thousand), ¥6,020 million and ¥8,305 million, respectively, were included in "Eliminations or corporate" column, and consisted primarily of funds held by the Company for investing purposes (cash, time deposits, marketable securities and investment securities) and assets held for administration of the Company.

### (3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2003, 2002 and 2001, amounted to ¥25,188 million ($209,551 thousand), ¥25,338 million and ¥31,789 million, respectively, and accounted for 45.9 percent, 51.3 percent and 49.0 percent, respectively, of the consolidated net sales.

The segment information is grouped by geographic area based on the countries where the Companies' customers are located. The segments mainly consist of the following countries:

Asia —Hong Kong, Republic of Korea, Singapore, China, Malaysia, Taiwan
North America—United States of America
Europe —France, United Kingdom, Holland
Other —Mexico, Israel

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | **2003** | | | | |
| | Asia | North America | Europe | Other | Total |
| Sales | **¥ 19,788** | **¥ 2,682** | **¥ 1,489** | **¥ 1,229** | **¥ 25,188** |

| | Thousands of U.S. Dollars | | | | |
|---|---|---|---|---|---|
| | **2003** | | | | |
| | Asia | North America | Europe | Other | Total |
| Sales | **$ 164,626** | **$ 22,313** | **$ 12,388** | **$ 10,224** | **$ 209,551** |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2002 | | | | |
| | Asia | North America | Europe | Other | Total |
| Sales | ¥ 17,598 | ¥ 3,214 | ¥ 1,345 | ¥ 3,181 | ¥ 25,338 |

| | Millions of Yen | | | | |
|---|---|---|---|---|---|
| | 2001 | | | | |
| | Asia | North America | Europe | Other | Total |
| Sales | ¥ 20,411 | ¥ 4,463 | ¥ 2,091 | ¥ 4,824 | ¥ 31,789 |

## 14. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Japan Radio Co., Ltd. (the "Parent"). At March 31, 2003, the Parent held 19,756 thousand shares of common stock of the Company, 50.53 percent of the total outstanding shares.

Transactions with and balances due from and to the Parent for the years ended March 31, 2003, 2002 and 2001, were principally as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|---|---|---|---|
| | 2003 | 2002 | 2001 | 2003 |
| Transactions: | | | | |
| Sales | ¥ 564 | ¥ 496 | ¥ 519 | $ 4,692 |
| Purchase | 23 | | 3 | 191 |
| Services | 4 | 13 | 32 | 33 |
| Rental cost and other expense | 40 | 42 | 41 | 333 |
| Purchase of the equipment | | 4 | 37 | |
| Purchase of marketable securities | | 882 | | |
| Balances: | | | | |
| Trade accounts receivable | 117 | 118 | 145 | 973 |
| Other receivable | | 2 | 3 | |
| Other payable | | | 38 | |
| Accrued expenses | 3 | 3 | 3 | 25 |

## 15. SUBSEQUENT EVENTS

(1) At the general shareholders meeting of the Company held on June 27, 2003, the appropriations of retained earnings were duly approved as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Cash dividends, ¥7.0 ($0.06) per share | ¥ 274 | $ 2,280 |
| Bonuses to directors | 40 | 333 |
| Total | ¥ 314 | $ 2,613 |

(2) At the general shareholders meeting of the Company held on June 27, 2003, the Company's shareholders approved a stock option plan. The plan provides for granting options to directors, corporate auditors and key employees to purchase up to 140 thousand shares of the Company's common stock in the period from January 7, 2004 to December 20, 2007. The options will be exercisable at an exercise price of 105 percent of the average market price for the month immediately preceding the date of grant. The exercise price will be subject to adjustment if there are stock splits or additional shares issued for less than the market price.

# Independent Auditors' Report

**To the Board of Directors and Shareholders of**

**New Japan Radio Co., Ltd.:**

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

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

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

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

Deloitte Touche Tohmatsu

June 27, 2003