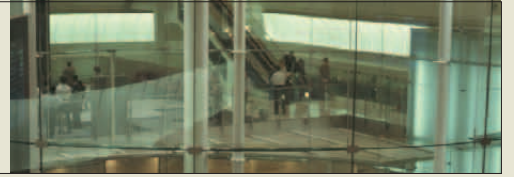


Financial Statements



Management's Discussion and Analysis

(1) Financial Condition

Total assets at the end of fiscal 2003 ended March 31, 2004 increased by ¥1,870 million from the end of fiscal 2002 ended March 31, 2003 to ¥60,914 million as a result of the increase in account receivable following the launch of new production and selling on consignment. Liabilities decreased by ¥303 million from the end of fiscal 2002 to ¥39,832 million (ratio to total liabilities and shareholders' equity: 65.4%) due to the reduction in interest-bearing debt caused by loan repayments, despite an increase in liabilities for purchases with the start of the production and selling on consignment. As a result, shareholders' equity increased by ¥2,173 million from the end of fiscal 2002 to ¥21,082 million (equity ratio: 34.6%) and the equity ratio increased by 2.6 points from the end of fiscal 2002.

Cash and cash equivalents decreased by ¥364 million to ¥3,047 million at the end of fiscal 2003, from ¥3,411 million at the end of fiscal 2002.

Net cash provided by operating activities in fiscal 2003 was ¥7,201 million, an increase of ¥522 million compared to fiscal 2002. Although there was a larger increase in income taxes paid, an increase in operating income, depreciation and amortization contributed to the net increase in cash generated from operating activities.

Net cash used in investing activities in fiscal 2003 was ¥4,451 million, a decrease of ¥1,583 million compared to fiscal 2002. The difference was mainly the result of an increase in acquisition of property, plant and equipment.

Net cash used in financing activities was ¥3,089 million, compared to ¥4,495 million in fiscal 2002. In fiscal 2003, cash was used mainly for repayments of long-term debt and cash dividends.

Notes and accounts receivable increased by ¥3,108 million from the end of fiscal 2002 to ¥17,069 million (ratio to total assets: 28.0%) with the launch of production and selling on consignment by our consolidated subsidiary, NJR FUKUOKA CO., LTD. We have strengthened the aging of accounts receivable to all customers in order to collect them by due date, and have also strictly complied with regulations regarding to credit risk management to try to reduce the bad debts expense.

Inventories were reduced by ¥777 million from the end of fiscal 2002 to ¥15,198 million (ratio to total assets: 24.9%). To shorten delivery times to meet our customers' needs, we have observed the production period through the production process, from start to finish while reducing inventories. We have also tried to keep a stable financial position due to the reduction in inventory and the write-down of assets in cooperation with the production and sales divisions.

Capital expenditures in fiscal 2003 totaled ¥4,014 million, property, plant and equipment decreased by ¥720 million from the end of fiscal 2002 to ¥17,621 million (ratio to total assets: 28.9%). We have made capital expenditures in our semiconductor devices, a key electronics device to keep abreast of rapid technical innovation and market changes in the electronics business. We expect to continue to make significant capital expenditures focusing on streamlining production process and equipment to enhance production capacity and R&D based on market trends within the depreciation and amortization.

Interest-bearing debt decreased by ¥3,178 million from the end of fiscal 2002 to ¥15,520 million (ratio to total liabilities and shareholders' equity: 25.5%), and the ratio dropped by 6.2 points from the end of fiscal 2002. We made efforts to reduce interest-bearing debt in order to improve and strengthen the financial position. In fiscal 2003, we resourced increased working capital, etc. from short-term bank loans.

(2) Results of Operations

Net sales in fiscal 2003 ended March 31, 2004 rose by 22.2% to ¥67,062 million. Sales of semiconductor devices by our subsidiary, NJR FUKUOKA CO., LTD. which started operations in April 2003, contributed to the increase of net sales in fiscal 2003. Sales of microwave application products increased significantly over fiscal 2002 because the market was recovering.

Sales in the Semiconductor Devices were ¥59,420 million. In bipolar products, domestic sales of new products for digital home appliances did well though overseas sales for existing AV equipment were sluggish. In MOS products, sales of audio processor ICs continued to grow favorably, but sales of LCD driver ICs were stagnant. In microwave & optoelectronic devices products, sales of GaAs ICs for PHS in the Chinese market were more sluggish. Sales of optoelectronic devices were sluggish due to the decline in demand for AV equipment.

Sales in Microwave Application Products were ¥3,066 million. Sales of components for satellite communications increased significantly.

Sales in Microwave Tubes and Radar Components were ¥4,576 million. Sales of government-use electron tubes and radar components remained favorable because of stable order from our main customers.

Net income in fiscal 2003 increased by 50.4% from fiscal 2002 to ¥2,579 million because of tax deduction for R&D despite the ongoing appreciation of the yen resulted in foreign exchange loss of ¥465 million.

Operating income by products

Unit: Millions of Yen

	Semiconductor Devices	Microwave Application Products	Microwave Tubes and Radar Components	Total
Net Sales	59,420	3,066	4,576	67,062
Operating expenses	49,777	3,137	4,073	56,987
Segment operating income	9,643	(71)	503	10,075
Eliminations	—	—	—	5,462
Operating income	—	—	—	4,613

Note: Consolidated operating income, subtracting eliminations of ¥5,462 million, was ¥4,613 million.

Net sales by geographic segment

Unit: Millions of Yen

	2004		2003	
Japan	40,443	(60.3%)	¥29,677	(54.1%)
Asia	20,554	(30.7%)	19,788	(36.1%)
North America	2,579	(3.8%)	2,682	(4.9%)
Europe	1,390	(2.1%)	1,489	(2.7%)
Others	2,096	(3.1%)	1,229	(2.2%)
Total	67,062	(100.0%)	¥54,865	(100.0%)

Note: Sales by geographic segment are classified by the customer location.

Consolidated Balance Sheets

New Japan Radio Co., Ltd. and Subsidiaries March 31, 2004 and 2003

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004 □	2003 □	2004 □
CURRENT ASSETS:			
Cash and cash equivalents □	¥ 3,047 □	¥ 3,411 □	\$ 28,831
Notes and accounts receivable (Note 15): □	□	□	□
Trade notes □	1,692 □	2,212 □	16,013
Trade accounts □	15,377 □	11,749 □	145,490
Allowance for doubtful accounts □	(93) □	(175) □	(882)
Inventories (Note 4) □	15,198 □	15,975 □	143,796
Deferred tax assets (Note 7) □	1,239 □	1,110 □	11,721
Other current assets □	547 □	680 □	5,176
□	□	□	□
Total current assets □	37,007 □	34,962 □	350,145
□			
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land □	224 □	227 □	2,123
Buildings and structures □	24,634 □	23,901 □	233,079
Machinery and equipment □	56,238 □	52,717 □	532,106
Furniture and fixtures □	10,044 □	9,666 □	95,029
Construction in progress □	268 □	2,217 □	2,538
Total □	91,408 □	88,728 □	864,875
Accumulated depreciation □	(73,787) □	(70,387) □	(698,150)
□			
Net property, plant and equipment □	17,621 □	18,341 □	166,725
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3) □	2,022 □	1,609 □	19,130
Long-term loans □	202 □	263 □	1,907
Long-term receivables □	6 □	52 □	57
Deferred charges □	341 □	522 □	3,229
Deferred tax assets (Note 7) □	2,890 □	2,620 □	27,344
Other assets □	861 □	758 □	8,155
Allowance for doubtful accounts □	(36) □	(83) □	(342)
□			
Total investments and other assets □	6,286 □	5,741 □	59,480
TOTAL □	¥ 60,914 □	¥ 59,044 □	\$ 576,350

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) □	¥ 11,413 □	¥ 9,577 □	\$ 107,986
Current portion of long-term debt (Note 5) □	877 □	4,986 □	8,293
Notes and accounts payable (Note 15): □			
Trade accounts □	8,351 □	6,554 □	79,015
Construction and other □	2,353 □	1,878 □	22,259
Income taxes payable (Note 7) □	1,143 □	1,864 □	10,817
Accrued expenses (Note 15) □	4,273 □	3,489 □	40,430
Other current liabilities □	408 □	272 □	3,865
Total current liabilities □	28,818 □	28,620 □	272,665
□			
LONG-TERM LIABILITIES:			
Long-term debt (Note 5) □	1,091 □	1,468 □	10,327
Long-term payables—construction and other □	1,025 □	1,845 □	9,696
Liability for retirement benefits (Note 6) □	8,587 □	7,977 □	81,247
Other long-term liabilities □	311 □	225 □	2,944
□	□	□	
Total long-term liabilities □	11,014 □	11,515 □	104,214
CONTINGENT LIABILITIES			
SHAREHOLDERS' EQUITY (Note 8):			
Common stock—authorized, 138,000,000 shares; issued, 39,131,000 shares in 2004 and 39,100,000 shares in 2003 □	5,220 □	5,207 □	49,390
Additional paid-in capital □	5,224 □	5,211 □	49,426
Retained earnings □	11,010 □	8,953 □	104,168
Net unrealized gain on available-for-sale securities □	406 □	161 □	3,840
Foreign currency translation adjustments □	(777) □	(622) □	(7,348)
Treasury stock—at cost, 881 shares in 2004 and 881 shares in 2003 □	(1) □	(1) □	(5)
Total shareholders' equity □	21,082 □	18,909 □	199,471
TOTAL □	¥ 60,914 □	¥ 59,044 □	\$ 576,350

Consolidated Statements of Income

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2004□	2003□	2002□	2004□
NET SALES (Notes 14 and 15) □	¥ 67,062 □	¥ 54,865□	¥ 49,437□	\$ 634,518 □
COST OF SALES (Notes 6, 9, 12, 14 and 15)□	51,201 □	40,088□	37,656□	484,450
Gross profit□	15,861 □	14,777□	11,781□	150,068
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 6, 9, 12, 14 and 15) □	11,248 □	11,003□	10,559□	106,418
Operating income□	4,613 □	3,774□	1,222□	43,650
OTHER INCOME (EXPENSES): □				
Interest and dividends income □	31 □	35□	29□	297
Interest expenses□	(183) □	(243)□	(296)□	(1,735)
Foreign exchange (losses) gains□	(465) □	(348)□	353□	(4,403)
Losses on disposal of inventories□	(53) □	(53)□	(76)□	(505)
Reversal of doubtful accounts□	62 □	□	18□	589
Other—net (Note 10)□	9 □	(164)□	(148)□	83
Other expenses—net□	(599) □	(773)□	(120)□	(5,674)
INCOME BEFORE INCOME TAXES □	4,014 □	3,001□	1,102□	37,976
INCOME TAXES (Note 7):				
Current□	2,007 □	1,973□	272□	18,986
Deferred□	(572) □	(687)□	175□	(5,414)
Total income taxes□	1,435 □	1,286□	447□	13,572
NET INCOME □	¥ 2,579 □	¥ 1,715□	¥ 655□	\$ 24,404

□

PER SHARE OF COMMON STOCK

(Notes 2.p and 16):

	Yen			U.S. Dollars
Net income□	¥ 64.92 □	¥ 42.84□	¥ 15.73□	\$ 0.61
Diluted net income□	64.85 □	□	□	0.61
Cash dividends applicable to the year□	12.00 □	12.00□	10.00□	0.11

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2004, 2003 and 2002

	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, 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)
Net income				2,579			
Cash dividends, ¥12 per share				(469)			
Bonuses to directors				(40)			
Net increase in unrealized gain on available-for-sale securities					245		
Net decrease in foreign currency translation adjustments						(155)	
Exercise of stock option	31	13	13				
Prior year adjustment of the opening retained earnings (Note 11)				(13)			
BALANCE, MARCH 31, 2004	39,131	¥ 5,220	¥ 5,224	¥ 11,010	¥ 406	¥ (777)	¥ (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, 2003	\$49,269	\$ 49,305	\$ 84,707	\$ 1,522	\$ (5,887)	\$ (5)
Net income				24,404		
Cash dividends, \$0.11 per share				(4,440)		
Bonuses to directors				(378)		
Net increase in unrealized gain on available-for-sale securities				2,318		
Net decrease in foreign currency translation adjustments					(1,461)	
Exercise of stock options		121	121			
Prior year adjustment of the opening retained earnings (Note 11)				(125)		
BALANCE, MARCH 31, 2004	\$49,390	\$ 49,426	\$104,168	\$ 3,840	\$ (7,348)	\$ (5)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2004 □	2003 □	2002 □	2004 □
OPERATING ACTIVITIES:				
Income before income taxes □	¥ 4,014 □	¥ 3,001 □	¥ 1,102 □	\$ 37,976
Adjustments for:				
Income taxes paid □	(2,721) □	(79) □	(3,022) □	(25,747)
Depreciation and amortization □	5,021 □	4,676 □	4,925 □	47,503
Loss on sales and disposals of property, plant and equipment □	66 □	87 □	109 □	626
Bonuses to directors □	(41) □	(39) □	(40) □	(387)
Changes in assets and liabilities:				
Decrease in allowance for doubtful accounts □	(117) □	(52) □	(37) □	(1,111)
Increase in liability for retirement benefits □	610 □	500 □	25 □	5,773
(Decrease) increase in interest payable □	(25) □	(20) □	22 □	(238)
(Increase) decrease in notes and accounts receivable □	(3,279) □	(1,450) □	3,354 □	(31,028)
(Increase) decrease in inventories □	660 □	(1,201) □	542 □	6,249
Increase (decrease) in notes and accounts payable □	1,966 □	126 □	(3,633) □	18,603
Other—net □	1,047 □	1,130 □	(416) □	9,917
Total adjustments □	3,187 □	3,678 □	1,829 □	30,160
Net cash provided by operating activities □	7,201 □	6,679 □	2,931 □	68,136
INVESTING ACTIVITIES:				
Proceeds from short-term investments □	□	□	28 □	
Purchases of property, plant and equipment □	(4,191) □	(2,872) □	(5,447) □	(39,657)
Proceeds from sales of property, plant and equipment □	6 □	50 □	69 □	57
Purchases of investment securities □	(2) □	(2) □	(885) □	(22)
Collection of loans receivable □	61 □	61 □	61 □	579
Other—net □	(325) □	(105) □	(137) □	(3,067)
Net cash used in investing activities □	(4,451) □	(2,868) □	(6,311) □	(42,110)
FORWARD □	¥ 2,750 □	¥ 3,811 □	¥ (3,380) □	\$ 26,026

Consolidated Statements of Cash Flows

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2004□	2003□	2002□	2004□
FORWARD □	¥ 2,750□	¥3,811□	¥(3,380)□	\$ 26,026
FINANCING ACTIVITIES:				
Net change in short-term bank loans □	1,840□	(251)□	1,030□	17,417
Proceeds from long-term debt□	500□	□	821□	4,731
Repayments of long-term debt □	(4,986)□	(3,853)□	(1,987)□	(47,175)
Proceeds from exercise of stock options□	26□	□	□	240
Cash dividends□	(469)□	(391)□	(450)□	(4,440)
Net cash used in financing activities□	(3,089)□	(4,495)□	(586)□	(29,227)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS□	(25)□	(23)□	17□	(237)
NET DECREASE IN CASH AND CASH EQUIVALENTS □	(364)□	(707)□	(3,949)□	(3,438)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR □	3,411□	4,118□	8,067□	32,269
CASH AND CASH EQUIVALENTS, END OF YEAR□	¥ 3,047□	¥ 3,411□	¥ 4,118□	\$ 28,831

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 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 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 2003 and 2002 consolidated 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 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 ¥105.69 to U.S.\$1, the approximate rate of exchange at March 31, 2004. 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.

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

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 of the Companies, except for one domestic subsidiary, 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 property, plant and equipment of the domestic subsidiary and 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 15 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 10 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 upon 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 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.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the 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.

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

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 39,130,119 shares, 39,099,119 shares and 39,099,453 shares for 2004, 2003 and 2002, respectively.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Diluted net income per share is not disclosed because it is anti-dilutive in 2003 and 2002.

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.

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

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

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

3. MARKETABLE AND INVESTMENT SECURITIES

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

		Millions of Yen		Thousands of U.S. Dollars
	□	2004 □	2003 □	2004 □
Non-current:				
Marketable equity securities □	□	¥ 2,005 □	¥ 1,592 □	\$ 18,969
Government and corporate bonds □	□	10 □	10 □	95
Other □	□	7 □	7 □	66
Total □	□	¥ 2,022 □	¥ 1,609 □	\$ 19,130

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

	Millions of Yen			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities□	¥ 1,327□	¥ 680□	¥ 2□	¥ 2,005
Debt securities□	6□	4□	□	10

	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

	Thousands of U.S. Dollars			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities□	\$ 12,556□	\$ 6,430□	\$ 17□	\$ 18,969
Debt securities□	60□	35□	□	95

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

	□	Carrying Amount		
		Millions of Yen		Thousands of U.S. Dollars
		2004□	2003□	2004□
Available-for -sale- Equity securities□	□	¥ 7□	¥ 7□	\$ 66
Total□	□	¥ 7□	¥ 7□	\$ 66

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

	Millions of Yen	Thousands of U.S. Dollars
Due after one year through five years□	¥ 10□	\$ 95
Total □	¥ 10□	\$ 95

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

4. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Merchandise	¥ 59	¥ 126	\$ 561
Finished goods	4,399	5,047	41,620
Work in process	8,253	7,882	78,087
Raw materials	2,487	2,920	23,528
Total	¥ 15,198	¥ 15,975	\$ 143,796

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

Short-term bank loans at March 31, 2004 and 2003, 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, 2004 and 2003, were 0.75 percent and 0.72 percent, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Loans from banks and other financial institutions, due serially to 2008 with interest rates ranging from 0.72 to 1.87 percent (2004), from 0.70 to 2.53 percent (2003):			
Collateralized	¥ 1,400	¥ 1,550	\$ 13,246
Unsecured	568	4,904	5,374
Total	1,968	6,454	18,620
Less current portion	(877)	(4,986)	(8,293)
Long-term debt, less current portion	¥ 1,091	¥ 1,468	\$ 10,327

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2005 □	¥ 877 □	\$ 8,293
2006 □	711 □	6,728
2007 □	150 □	1,423
2008 □	120 □	1,135
2009 □	110 □	1,041
Total □	¥ 1,968 □	\$ 18,620

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

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

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.

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

The liability for employees' retirement benefits at March 31, 2004 and 2003, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Projected benefit obligation	¥ 13,254	¥ 12,403	\$ 125,408
Fair value of plan assets	(2,968)	(2,313)	(28,087)
Unrecognized actuarial loss	(1,922)	(2,383)	(18,188)
Net liability	¥ 8,364	¥ 7,707	\$ 79,133

The components of net periodic benefit costs are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Service cost	¥ 762	¥ 762	¥ 687	\$ 7,292
Interest cost	307	288	306	2,911
Expected return on plan assets		(62)	(138)	
Recognized actuarial loss	172	137	61	1,628
Net periodic benefit costs	¥ 1,250	¥ 1,125	¥ 916	\$ 11,831

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

	2004	2003
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	0.0%	2.6%
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 ¥223 million (\$2,114 thousand) and ¥270 million at March 31, 2004 and 2003, 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, 2004, 2003 and 2002.

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

	Millions of Yen		Thousands of U.S. Dollars
	2004 □ □	2003 □ □	2004 □
Current			
Deferred tax assets:			
Inventories □	¥ 152 □	¥ 201 □	\$ 1,437
Accrued bonuses □	937 □	733 □	8,868
Accrued enterprise tax □	107 □	160 □	1,017
Others □	166 □	182 □	1,568
Valuation allowance □	□	(48) □	
Total □	1,362 □	1,228 □	12,890
Deferred tax liabilities:			
Allowance for doubtful receivables □	1 □	11 □	14
Others □	122 □	107 □	1,155
Total □	123 □	118 □	1,169
Net deferred tax assets □	¥ 1,239 □	¥ 1,110 □	\$ 11,721
Non-current			
Deferred tax assets:			
Liability for retirement benefits □	¥ 3,163 □	2,739 □	\$ 29,925
Tax loss carryforwards □	118 □	125 □	1,116
Others □	116 □	106 □	1,093
Valuation allowance □	(116) □	(118) □	(1,091)
Total □	3,281 □	2,852 □	31,043
Deferred tax liabilities:			
Special reserve for tax purposes □	68 □	93 □	643
Undistributed earnings of subsidiaries □	46 □	29 □	435
Unrealized gain on available-for-sale securities □	276 □	110 □	2,608
Others □	1 □	□	13
Total □	391 □	232 □	3,699
Net deferred tax assets □	¥ 2,890 □	¥ 2,620 □	¥ 27,344

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2004, 2003 and 2002, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

		2004 □ □	2003 □ □	2002 □ □
Normal effective statutory tax rate □	□	42.0 % □	42.0 % □	42.0 %
Taxation on per capita basis □	□	0.3 □	0.5 □	1.2
Expenses not deductible for income tax purposes □	□	□	0.1 □	0.2
Lower income tax rates applicable to income in certain foreign countries □	□	(0.4) □	0.3 □	(2.9)
Valuation allowance □	□	(2.0) □	(2.3) □	4.6
Non-taxable consolidation adjustment □	□	□	□	(0.8)
Effect of tax rate reduction □	□	□	2.6	
Tax deduction of research and development □	□	(6.0) □	□	
Others—net □	□	1.8 □	(0.3) □	(3.7)
Actual effective tax rate □	□	35.7 % □	42.9 % □	40.6 %

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 the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25 percent of the common stock balance 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 ¥8,320 million (\$78,721 thousand) as of March 31, 2004, based upon 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.

At the general shareholders meeting of the Company held on June 27, 2003, 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 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 ¥995. 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 ¥6,382 million (\$60,388 thousand), ¥5,851 million and ¥5,542 million for the years ended March 31, 2004, 2003 and 2002, respectively.

10. OTHER INCOME (EXPENSES)—OTHER—NET

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

	Millions of Yen			Thousands of U.S. Dollars
	2004□	2003□	2002□	2004□
Loss on sales and disposals of property, plant and equipment□	¥ (67)□	¥ (87)□	¥ (109)□	\$ (640)
Loss on devaluation of investment securities□	□	(74)□	(88)□	
Other—net□	76□	(3)□	49□	723
□				
Total□	¥ 9□	¥ (164)□	¥ (148)□	\$ 83

11. PRIOR YEAR ADJUSTMENT

NJR (SINGAPORE) PTE LTD., a subsidiary in Singapore, adopted Interpretation to Singapore Financial Reporting Standards 19, effective April 1, 2003.

The effect of this adoption was to decrease opening retained earnings by ¥13 million (\$125 thousand) as of April 1, 2003.

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

12. 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 Companies were ¥316 million (\$2,991 thousand), ¥372 million and ¥409 million for the years ended March 31, 2004, 2003 and 2002, 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, 2004 and 2003, was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2004				2004			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost □	¥ 883 □	¥ 13 □	¥ 495 □	¥ 1,391 □	\$ 8,354 □	\$ 122 □	\$ 4,681 □	\$ 13,157
Accumulated depreciation □	546 □	6 □	307 □	859 □	5,169 □	56 □	2,903 □	8,128
Net leased property □	¥ 337 □	¥ 7 □	¥ 188 □	¥ 532 □	\$ 3,185 □	\$ 66 □	\$ 1,778 □	\$ 5,029

	Millions of Yen			
	2003			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost □	¥ 1,016 □	¥ 6 □	¥ 470 □	¥ 1,492
Accumulated depreciation □	589 □	3 □	259 □	851
Net leased property □	¥ 427 □	¥ 3 □	¥ 211 □	¥ 641

Obligations under finance leases as of March 31, 2004 and 2003, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	□ 2004 □	2003 □	2004
Due within one year □	□ ¥ 265 □	¥ 275 □	\$ 2,508
Due after one year □	□ 278 □	380 □	2,629
Total □	□ ¥ 543 □	¥ 655 □	\$ 5,137

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, 2004, 2003 and 2002, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Depreciation expense	¥ 301	¥ 353	¥ 387	\$ 2,846
Interest expense	12	16	22	116
Total	¥ 313	¥ 369	¥ 409	\$ 2,962

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.

13. DERIVATIVES

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

All derivative transactions are entered into to hedge 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.

	Millions of Yen			Thousands of U.S. Dollars		
	Contract Amount	Fair Value	Unrealized Loss	Contract Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts —						
Selling U.S.\$	¥ 2,194	¥ 2,079	¥ 115	\$ 20,760	\$ 19,671	\$ 1,089

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 Company's exposure to credit or market risk.

14. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2004, 2003 and 2002, is as follows:

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

(1) Industry Segments

Industry segments information is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2004, 2003 and 2002 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
- North America—United States of America

The geographical segments of the Companies for the years ended March 31, 2004, 2003 and 2002, are summarized as follows:

	Millions of Yen				
	2004				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated □
Sales:					
To customers □	¥ 59,144 □	¥ 4,695 □	¥ 3,223 □	□	¥ 67,062
Interarea transfers □	6,874 □	4,357 □	180 □	¥ (11,411)	
Total □	66,018 □	9,052 □	3,403 □	(11,411) □	67,062
Operating expenses □	56,034 □	8,882 □	3,384 □	(5,851) □	62,449
Operating income □	¥ 9,984 □	¥ 170 □	¥ 19 □	¥ (5,560) □	¥ 4,613
Total assets □	¥ 53,831 □	¥ 3,761 □	¥ 699 □	¥ 2,623 □	¥ 60,914

	Thousands of U.S. Dollars				
	2004				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated □
Sales:					
To customers □	\$ 559,597 □	\$ 44,428 □	\$ 30,493 □	□	\$ 634,518
Interarea transfers □	65,043 □	41,217 □	1,704 □	\$ (107,964)	
Total □	624,640 □	85,645 □	32,197 □	(107,964) □	634,518
Operating expenses □	530,178 □	84,033 □	32,022 □	(55,365) □	590,868
Operating income □	\$ 94,462 □	\$ 1,612 □	\$ 175 □	\$ (52,559) □	\$ 43,650
Total assets □	\$ 509,331 □	\$ 35,584 □	\$ 6,615 □	\$ 24,820 □	\$ 576,350

	Millions of Yen				Consolidated□
	2003				
	Japan	Asia	North America	Eliminations or Corporate	
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

	Millions of Yen				Consolidated□
	2002				
	Japan	Asia	North America	Eliminations or Corporate	
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

Notes: 1. □The unallocated operating expenses for the years ended March 31, 2004, 2003 and 2002, amounting to ¥5,462 million (\$51,679 thousand), ¥5,329 million and ¥5,088 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, 2004, 2003 and 2002, amounting to ¥6,018 million (\$56,936 thousand), ¥5,630 million and ¥6,020 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.

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2004, 2003 and 2002, amounted to ¥26,619 million (\$251,860 thousand), ¥25,188 million and ¥25,338 million, respectively, and accounted for 39.7 percent, 45.9 percent and 51.3 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, Taiwan, Malaysia, Singapore
- North America—United States of America
- Europe —United Kingdom, Germany, Holland
- Other —Mexico, Israel

		Millions of Yen				
		2004				
		Asia	North America	Europe	Other	Total
Sales	<input type="checkbox"/>	¥ 20,554	¥ 2,579	¥ 1,390	¥ 2,096	¥ 26,619

		Thousands of U.S. Dollars				
		2004				
		Asia	North America	Europe	Other	Total
Sales	<input type="checkbox"/>	\$ 194,474	\$ 24,401	\$ 13,157	\$ 19,828	\$ 251,860

		Millions of Yen				
		2003				
		Asia	North America	Europe	Other	Total
Sales	<input type="checkbox"/>	¥ 19,788	¥ 2,682	¥ 1,489	¥ 1,229	¥ 25,188

		Millions of Yen				
		2002				
		Asia	North America	Europe	Other	Total
Sales	<input type="checkbox"/>	¥ 17,598	¥ 3,214	¥ 1,345	¥ 3,181	¥ 25,338

15. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Japan Radio Co., Ltd. (the "Parent"). At March 31, 2004, the Parent held 19,756 thousand shares of common stock of the Company, 50.49 percent of the total outstanding shares.

Transactions with and balances due from and to the Parent for the years ended March 31, 2004, 2003 and 2002, were principally as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004□	2003□	2002□	2004□
Transactions:				
Sales□	¥ 937□	¥ 564□	¥ 496□	\$ 8,862
Purchases□	90□	23□	□	849
Services□	44□	4□	13□	412
Rental cost and other expenses□	42□	40□	42□	394
Purchase of the equipment□	99□	□	4□	932
Purchase of marketable securities□	□	□	882□	
Balances:				
Trade accounts receivable□	554□	117□	118□	5,242
Other receivable□	□	□	2□	
Other payable□	66□	□	□	626
Accrued expenses□	3□	3□	3□	29

16. NET INCOME PER SHARE

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

Year Ended March 31, 2004	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares		EPS
Basic EPS—Net income available to common shareholders □	¥ 2,539□	39,114□	¥ 64.92□	\$ 0.61
Effect of dilutive securities—Warrants□	□	42□	□	
Diluted EPS—Net income for computation□	¥ 2,539□	39,156□	¥ 64.85□	\$ 0.61

17. SUBSEQUENT EVENT

At the general shareholders meeting of the Company held on June 29, 2004, the appropriations of retained earnings were duly approved as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥7.0 (\$0.07) per share□	¥ 274□	\$ 2,592
Bonuses to directors□	40□	378
□ Total□	¥ 314	\$ 2,970