New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Balance Sheets as of March 31, 2000 and 1999, and Related Consolidated Statements of Income, Shareholders' Equity, and Cash Flows for Each of the Three Years in the Period Ended March 31, 2000, and Independent Auditors' Report

Tohmatsu & Co.
MS Shibaura Building
13-23, Shibaura 4-chome,
Minato-ku, Tokyo 108-8530, Japan

Tel: +81-3-3457-7321
Fax: +81-3-3769-8508
www.tohmatsu.co.jp

Deloitte
Touche
Tohmatsu

INDEPENDENT AUDITORS' REPORT

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

We have examined the consolidated balance sheets of New Japan Radio Co., Ltd. and subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2000, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of New Japan Radio Co., Ltd. and subsidiaries as of March 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the accounting for allowance for employees' retirement benefits and prior service costs under the non-contributory funded pension plan for employees as discussed in Note 3.

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

Deloitte Touche Tohmatsu

June 29, 2000

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2000 and 1999

ASSETS	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars (Note 1) 2000
CURRENT ASSETS:			
Cash and cash equivalents	¥ 6,477	¥ 6,822	$ 61,017
Marketable securities (Note 4)	7	30	66
Short-term investments (Note 5)	28	3,000	264
Notes and accounts receivable:			
Trade notes	2,938	3,117	27,678
Trade accounts	12,452	9,705	117,306
Allowance for doubtful accounts	(186)	(208)	(1,752)
Inventories (Note 6)	13,130	13,510	123,693
Deferred tax assets (Note 9)	501	513	4,720
Other current assets	1,040	1,393	9,797
Total current assets	36,387	37,882	342,789
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	227	233	2,139
Buildings and structures	22,186	22,119	209,006
Machinery and equipment	56,312	54,049	530,495
Construction in progress	134	488	1,262
Total	78,859	76,889	742,902
Accumulated depreciation	(61,419)	(57,896)	(578,606)
Net property, plant and equipment	17,440	18,993	164,296
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	457	452	4,305
Long-term loans	447	513	4,211
Long-term receivables	65	1,302	612
Deferred charges	1,377	599	12,972
Bond discount		205	
Foreign currency translation adjustments	654	528	6,161
Deferred tax assets (Note 9)	765	318	7,207
Other assets	982	955	9,251
Allowance for doubtful accounts	(67)	(1,011)	(631)
Total investments and other assets	4,680	3,861	44,088
TOTAL	¥ 58,507	¥ 60,736	$ 551,173

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars (Note 1) 2000
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	¥ 8,931	¥ 11,329	$ 84,136
Current portion of long-term debt (Note 7)	3,395	9,896	31,983
Notes and accounts payable:			
Trade notes	1,785	1,677	16,816
Trade accounts	7,035	5,094	66,274
Construction and other	843	1,123	7,941
Income taxes payable (Note 9)	846	224	7,970
Accrued expenses	3,922	2,914	36,948
Stock purchase warrants		981	
Other current liabilities (Note 7)	455	347	4,286
Total current liabilities	27,212	33,585	256,354
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	11,218	9,113	105,681
Retirement benefits (Note 8)	3,557	2,601	33,509
Deferred tax liabilities (Note 9)		39	
Other long-term liabilities (Note 7)	549	104	5,172
Total long-term liabilities	15,324	11,857	144,362
CONTINGENT LIABILITIES (Note 10)			
SHAREHOLDERS' EQUITY (Note 11):			
Common stock, ¥50 par value— authorized, 138,000,000 shares; issued and outstanding, 39,100,000 shares	5,207	5,207	49,053
Additional paid-in capital	5,211	5,211	49,091
Retained earnings	5,553	4,876	52,313
Total shareholders' equity	15,971	15,294	150,457
TOTAL	¥ 58,507	¥ 60,736	$ 551,173

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2000	1999	1998	2000
NET SALES (Note 16)	¥ 58,376	¥ 53,850	¥ 56,081	$ 549,939
COST OF SALES (Notes 8, 12 and 16)	45,591	42,022	43,074	429,496
Gross profit	12,785	11,828	13,007	120,443
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 12, 14 and 16)	9,590	9,987	9,259	90,344
Operating income	3,195	1,841	3,748	30,099
OTHER INCOME (EXPENSES):				
Interest and dividends income	84	72	52	791
Interest expenses	(505)	(508)	(576)	(4,757)
Foreign exchange gains (losses)	(325)	(616)	97	(3,062)
Losses on disposal of inventories	(299)	(267)	(474)	(2,817)
Amortization of bond discount	(204)	(245)	(245)	(1,922)
Reversal of (provision for) doubtful accounts		29	(1,017)	
Prior service costs	(656)			(6,180)
Gain on repurchases of warrants	981			9,242
Provision for retirement benefits	(756)			(7,122)
Other—net (Note 13)	(15)	(119)	(62)	(141)
Other expenses—net	(1,695)	(1,654)	(2,225)	(15,968)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,500	187	1,523	14,131
INCOME TAXES (Note 9):				
Current	1,002	380	602	9,439
Deferred	(478)	(253)		(4,503)
Total income taxes	524	127	602	4,936
MINORITY INTERESTS IN CONSOLIDATED SUBSIDIARIES			(1)	
NET INCOME	¥ 976	¥ 60	¥ 920	$ 9,195
	Yen			U.S. Dollars
PER SHARE OF COMMON STOCK:				
Net income	¥ 24.95	¥ 1.54	¥ 23.53	$ 0.24
Cash dividends applicable to the year	7.00	7.00	7.00	0.07

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Shareholders' Equity
Years Ended March 31, 2000, 1999 and 1998

	Thousands	Millions of Yen			
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at Cost
BALANCE, APRIL 1, 1997	39,100	¥ 5,207	¥ 5,211	¥ 3,979	
Net income				920	
Cash dividends, ¥6.5 per share				(254)	
Bonuses to directors				(30)	
Increase in treasury stock					¥ (35)
BALANCE, MARCH 31, 1998	39,100	5,207	5,211	4,615	(35)
Adjustment of retained earnings for the adoption of deferred tax accounting method				524	
Net income				60	
Cash dividends, ¥7.5 per share				(293)	
Bonuses to directors				(30)	
Decrease in treasury stock					35
BALANCE, MARCH 31, 1999	39,100	5,207	5,211	4,876	Nil
Net income				976	
Cash dividends, ¥7 per share				(274)	
Bonuses to directors				(25)	
BALANCE, MARCH 31, 2000	39,100	¥ 5,207	¥ 5,211	¥ 5,553	Nil

	Thousands of U.S. Dollars (Note 1)			
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at Cost
BALANCE, MARCH 31, 1999	$ 49,053	$ 49,091	$ 45,935	
Net income			9,195	
Cash dividends, $0.07 per share			(2,581)	
Bonuses to directors			(236)	
BALANCE, MARCH 31, 2000	$ 49,053	$ 49,091	$ 52,313	Nil

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2000	1999	1998	2000
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	¥ 1,500	¥ 187	¥ 1,523	$ 14,131
Adjustments for:				
Income taxes paid	(377)	(510)	(1,266)	(3,551)
Depreciation and amortization	5,421	5,636	5,491	51,069
Loss on sales and disposals of property, plant and equipment	83	103	104	782
Gain on repurchases of warrants	(981)			(9,242)
Provision for (reversal of) doubtful accounts	66	(29)	1,026	622
Provision for retirement benefits	986	210	124	9,289
Retirement allowance for directors and corporate auditors	(30)	49	(38)	(283)
Foreign exchange gains (losses)	(2)	89		(19)
Changes in assets and liabilities:				
Increase in accrued prior service costs	585			5,511
(Increase) decrease in interest and dividends receivable	3	(3)	(27)	28
Increase (decrease) in interest payable	8	(1)	1	75
Decrease (increase) in notes and accounts receivable	(2,611)	254	(919)	(24,597)
Decrease (increase) in inventories	272	(14)	1,104	2,562
Increase (decrease) in notes and accounts payable	2,460	(168)	886	23,175
Bonuses to directors	(25)	(30)	(30)	(236)
Other—net	313	(426)	(1,338)	2,950
Total adjustments	6,171	5,160	5,118	58,135
Net cash provided by operating activities	7,671	5,347	6,641	72,266
INVESTING ACTIVITIES:				
Purchases of short-term investments	(5,529)	(3,000)	(34)	(52,087)
Proceeds from short-term investments	8,500	33	250	80,075
Proceeds from sales of marketable securities	25	13	4	236
Purchases of property, plant and equipment	(3,818)	(6,152)	(5,857)	(35,968)
Proceeds from sales of property, plant and equipment	1	18	17	9
Purchases of investments securities	(3)	(113)	(20)	(28)
Proceeds from sales of investments securities	9			85
Expenditures for loans receivable		(145)		
Collection of loans receivable	64	47	37	603
Other—net	(193)	(61)	(55)	(1,818)
Net cash used in investing activities	(944)	(9,360)	(5,658)	(8,893)
FORWARD	¥ 6,727	¥ (4,013)	¥ 983	$ 63,373

(Continued)

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2000, 1999 and 1998

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2000	1999	1998	2000
FORWARD	¥ 6,727	¥ (4,013)	¥ 983	$ 63,373
FINANCING ACTIVITIES:				
Net change in short-term bank loans	(2,400)	1,383	518	(22,610)
Proceeds from long-term debt	5,500	5,900	3,300	51,814
Repayments of long-term debt	(1,468)	(1,809)	(3,254)	(13,839)
Expenditure for redemption of bonds	(8,429)			(79,397)
Proceeds from issuance of treasury stock		21	(35)	
Cash dividends	(274)	(292)	(253)	(2,581)
Net cash provided by (used in) financing activities	(7,071)	5,203	276	(66,613)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1)	(100)	(55)	(10)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(345)	1,090	1,204	(3,250)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,822	5,732	4,528	64,267
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 6,477	¥ 6,822	¥ 5,732	$ 61,017

See notes to consolidated financial statements.

(Concluded)

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the 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 Accounting 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.

Effective April 1, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and those for the years ended March 31, 2000, 1999 and 1998 are presented herein.

In preparing these consolidated financial statements, certain reclassifications 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.

Certain reclassifications have been made in the 1999 and 1998 consolidated financial statements to conform to the classifications used in 2000.

The U.S. dollar amounts included herein represent translations using the approximate exchange rate at March 31, 2000 of ¥106.15 = U.S.$1, solely for convenience. The translations should not be construed as presentations that Japanese yen have been, could have been, or could in the future 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 New Japan Radio Co., Ltd. (the "Company") and all its subsidiaries (together, the "Companies"). There are no associates (20 percent to 50 percent ownership) to be 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 are 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, certificate of deposits and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition. The scope of cash and cash equivalents in 1999 and 1998 was changed from all time deposits to above-mentioned scope to conform with the presentation in 2000.

c. ***Foreign Currency Transactions*****—**Short-term monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at exchange rates prevailing at each balance sheet date; long-term monetary assets and liabilities in foreign currencies are translated at exchange rates prevailing when acquired or incurred, except for the liabilities which are translated at contracted rates.

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 is translated at the historical exchange rate. The annual average rate is used for revenue and expense accounts. Differences arising from such translation are shown as translation adjustments in the accompanying consolidated balance sheets.

e. ***Marketable and Investment Securities—***Current and non-current marketable securities are stated at the lower of cost, determined by the moving-average method, or market, as applied to each securities.

Other securities are stated at cost which is determined by the moving-average method.

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 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 estimated useful lives of the assets while the straight-line method is applied to buildings acquired after April 1, 1998.

The range of the useful lives is principally from 17 to 50 years for buildings.

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

i. ***Retirement Benefits—***The Company has provided as an allowance for employees' retirement benefits an amount equal to 40 percent of the amount that would be required to be paid if all employees retired on a voluntary basis at each balance sheet date.

The domestic subsidiaries have provided as an allowance for employees' retirement benefits an amount equal to 100 percent of the amount that would be required to be paid if all employees retired on a voluntary basis at each balance sheet date.

The Company also has a non-contributory funded pension plan covering only employees who have 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.

Prior service costs under the non-contributory funded pension plan for employees are charged to income as incurred.

One of the consolidated foreign subsidiaries has a contributory funded pension plan covering only employees who have one year or more continuous service.

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

j. ***Allowance for Doubtful Accounts*—**The Companies provide for possible losses on the uncollectability of notes, accounts and loans receivable at an estimated amount deemed necessary by management in addition to the maximum amount which is allowable for tax purposes.

k. ***Bonds with Warrants*—**The proceeds of bonds with warrants are allocated between a bond portion resulting in a bond discount and a warrant portion. Bond discounts are amortized over the term of the related bonds. The amounts ascribed to warrants are stated as current liabilities.

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

m. ***Income Taxes*—**Effective April 1, 1998, the Companies adopted an accounting method for the allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥524 million is included as an adjustment to retained earnings as of April 1, 1998. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of April 1, 1998.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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

o. ***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.

p. ***Per Share Information*—**The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation was 39,100,000 shares, 39,058,227 shares and 30,089,638 shares for 2000, 1999 and 1998, respectively.

Diluted net income per share is not disclosed because there is no potential stock in 2000 and it is anti-dilutive in 1999 and 1998.

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. ACCOUNTING CHANGE

Effective April 1, 1999, the domestic subsidiaries changed their accounting policy for employees' retirement benefits from providing 40 percent to 100 percent of the amount that would be required to be paid if all employees retired on a voluntary basis at each balance sheet date. This change was made in order to reflect periodic income and expenses more appropriately as a result of the investigation of various factors concerned with the eligible employees, such as age, structure and length of service, as well as the changes in circumstances of accounting practices in connection with retirement benefits. As a result of the change, income before income taxes and minority interests for the year ended March 31, 2000, decreased by ¥832 million ($7,838 thousand) and the cumulative charge totaled ¥756 million ($7,122 thousand). This cumulative charge was included in "other income (expenses)" in the 2000 consolidated statement of income.

Until March 31, 1999, prior service costs under the non-contributory funded pension plan for employees were charged to income when they were paid. Effective April 1, 1999, however, the Company changed its method of accounting for such prior service costs to provide for them at the present value amount which would be required at the year end. This change was made in order to provide a more proper charge on pension costs and contribute to financial soundness of the Company. As a result of the change, income before income taxes and minority interests for the year ended March 31, 2000, decreased by ¥592 million ($5,578 thousand) and the cumulative charge totaled ¥656 million ($6,180 thousand). This cumulative charge was included in "other income (expenses)" in the 2000 consolidated statement of income.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current:			
Marketable equity securities	¥ 1	¥ 1	$ 9
Government and corporate bonds	6	9	57
Other		20	
Total	¥ 7	¥ 30	$ 66
Non-current:			
Marketable equity securities	¥ 383	¥ 443	$ 3,605
Other	74	9	700
Total	¥ 457	¥ 452	$ 4,305

The carrying values and aggregate market value at March 31, 2000 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current:			
Carrying value	¥ 7	¥ 10	$ 66
Aggregate market value	10	14	94
Unrealized gain	¥ 3	¥ 4	$ 28
Non-current:			
Carrying value	¥ 383	¥ 452	$ 3,605
Aggregate market value	1,283	690	12,088
Unrealized gain	¥ 900	¥ 238	$ 8,483

The difference between the above carrying value and the amounts shown in the accompanying consolidated balance sheets principally consists of money management funds and non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

5. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2000 and 1999, consisted of time deposits maturing after three months from the date of purchase.

6. INVENTORIES

Inventories at March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Merchandise	¥ 216	¥ 718	$ 2,038
Finished goods	4,397	4,775	41,416
Work in process	6,807	6,382	64,129
Raw materials	1,710	1,635	16,110
Total	¥ 13,130	¥ 13,510	$ 123,693

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

Short-term bank loans at March 31, 2000 and 1999, 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, 2000 and 1999, were 0.72 percent and 1.23 percent, respectively.

Long-term debt at March 31, 2000 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
0.5 percent Swiss franc notes, due 2000 with warrants		¥ 8,429	
Unsecured 7.68 percent U.S. dollar corporate bonds, due 2000	¥ 1,300	1,300	$ 12,247
Loans from banks and other financial institutions, due serially to 2006 with interest rates ranging from 0.71 percent to 4.65 percent (2000), from 0.84 percent to 4.90 percent (1999):			
Collateralized	3,926	4,417	36,985
Unsecured	9,387	4,863	88,432
Total	14,613	19,009	137,664
Less current portion	(3,395)	(9,896)	(31,983)
Long-term debt, less current portion	¥ 11,218	¥ 9,113	$ 105,681

Annual maturities of long-term debt outstanding at March 31, 2000, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2001	¥ 3,395	$ 31,983
2002	1,893	17,834
2003	3,680	34,668
2004	4,645	43,759
2005	500	4,710
2006 and thereafter	500	4,710
Total	¥ 14,613	$ 137,664

The Swiss franc notes were translated into yen at the forward exchange contract rate. The difference between the amount translated at the contract rate and the amount at the historical exchange rate has been deferred and is being amortized over the lives of the forward exchange contracts. Such amortized exchange difference was ¥83 million in 1999 and is included in "other current liabilities." In 2000, such difference was amortized.

The carrying amounts of assets pledged as collateral for long-term debt of ¥3,926 million ($36,985 thousand) at March 31, 2000, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥ 8,268	$ 77,892

8. RETIREMENT BENEFITS

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 assets of the non-contributory pension fund were ¥1,903 million ($17,926 thousand) at the most recent date of available information.

The liability for retirement benefits to directors and corporate auditors included in the accompanying consolidated balance sheets amounted to ¥279 million ($2,630 thousand) and ¥309 million at March 31, 2000 and 1999, respectively. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of the shareholders.

The expenses for retirement benefits for employees, directors and corporate auditors and pension costs under pension plans for the years ended March 31, 2000, 1999 and 1998, were as follows:

Millions of Yen			Thousands of U.S. Dollars
2000	1999	1998	2000
¥ 2,058	¥ 620	¥ 646	$ 19,389

9. 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 rates of approximately 42 percent, 47 percent and 51 percent for the years ended March 31, 2000, 1999 and 1998, respectively.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2000 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Current			
Deferred tax assets:			
Inventories	¥ 98	¥ 93	$ 920
Accrued bonuses	321	44	3,027
Accrued enterprise tax	80		751
Tax loss carryforwards		321	
Deferred tax credits		21	
Accrued prior service costs	61		580
Others	68	55	640
Total	628	534	5,918
Deferred tax liabilities:			
Allowance for doubtful receivables	126	21	1,191
Others	1		7
Total	127	21	1,198
Net deferred tax assets	¥ 501	¥ 513	$ 4,720

	Millions of Yen 2000	Millions of Yen 1999	Thousands of U.S. Dollars 2000
Non-current			
Deferred tax assets:			
Allowance for doubtful accounts	¥ 14	¥ 98	$ 128
Retirement allowance	507	72	4,772
Retirement allowance for directors	117	130	1,104
Accrued prior service costs	184		1,735
Others	42	33	401
Total	864	333	8,140
Offset with deferred tax liabilities	(99)	(15)	(933)
Net deferred tax assets	¥ 765	¥ 318	$ 7,207
Deferred tax liabilities:			
Special reserve for tax purposes	¥ 91	¥ 54	$ 858
Others	8		75
Total	99	54	933
Offset with deferred tax assets	(99)	(15)	(933)
Net deferred tax liabilities	Nil	¥ 39	Nil

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2000 and 1999, and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	Year Ended March 31 2000	Year Ended March 31 1999
Normal effective statutory tax rate	42.0%	47.0%
Effect of tax rate reduction		20.2
Taxation on per capita basis	0.8	7.1
Expenses not deductible for income tax purposes	1.9	21.6
Lower income tax rates applicable to income in certain foreign countries	(0.6)	4.9
Deduction for foreign subsidiaries' tax loss carryforward	(8.7)	
Others—net	(0.5)	(33.3)
Actual effective tax rate	34.9%	67.5%

The normal effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 1998 differed from the actual effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and for financial reporting purposes.

10. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2000, for notes discounted in the ordinary course of business totaled ¥50 million ($471 thousand).

11. SHAREHOLDERS' EQUITY

The Japanese Commercial Code (the "Code") requires at least 50 percent of the issue price of new shares, with a minimum of the par value, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires companies to appropriate from retained earnings to legal reserve an amount equal to at least 10 percent of all cash payments which are made as an appropriation of retained earnings until the reserve equals 25 percent of stated capital. The Company's reserve amount, which is included in retained earnings, totaled ¥362 million ($3,410 thousand) and ¥332 million as of March 31, 2000 and 1999, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock spilt pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent that the aggregate par value of the shares outstanding after the issuance does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the issuance shall not be less than ¥50.

At the general shareholders meeting held on June 26, 1998, the Company's shareholders approved the following purchase of treasury stock:

> The Company is authorized to repurchase, at management's discretion, up to 3,910,000 shares of the Company's stock for the purpose of canceling the shares by charging such amounts against retained earnings.

12. RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development costs charged to income for the years ended March 31, 2000, 1999 and 1998, were as follows:

Millions of Yen			Thousands of U.S. Dollars
2000	1999	1998	2000
¥ 6,031	¥ 8,267	¥ 7,787	$ 56,817

13. OTHER INCOME (EXPENSES)—OTHER—NET

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

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	2000
Loss on sales and disposals of property, plant and equipment	¥ (83)	¥ (103)	¥ (104)	$ (782)
Relocation expenses of subsidiary		(24)		
Loss on devaluation of investment securities		(20)	(95)	
Loss on sales of investment securities		(18)		
Other—net	68	46	137	641
Total	¥ (15)	¥ (119)	¥ (62)	$ (141)

14. 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 ¥329 million ($3,105 thousand), ¥325 million and ¥278 million for the years ended March 31, 2000, 1999 and 1998, 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, 2000 and 1999, was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	March 31, 2000			March 31, 2000		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥ 1,209	¥ 277	¥ 1,486	$ 11,387	$ 2,610	$ 13,997
Accumulated depreciation	603	128	731	5,675	1,207	6,882
Net leased property	¥ 606	¥ 149	¥ 755	$ 5,712	$ 1,403	$ 7,115

	Millions of Yen		
	March 31, 1999		
	Machinery and Equipment	Other	Total
Acquisition cost	¥ 1,253	¥ 253	¥ 1,506
Accumulated depreciation	605	133	738
Net leased property	¥ 648	¥ 120	¥ 768

Obligations under finance leases as of March 31, 2000 and 1999, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Due within one year	¥ 295	¥ 275	$ 2,776
Due after one year	479	515	4,515
Total	¥ 774	¥ 790	$ 7,291

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 as of 2000 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2000	1999	2000
Depreciation expense	¥ 306	¥ 299	$ 2,885
Interest expense	21	24	199
Total	¥ 327	¥ 323	$ 3,084

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of income, computed by the straight-line method and the interest method. In 1998, the disclosure of depreciation expense and interest expense were not required by the Japanese accounting standards.

15. 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.

The Company had the following derivatives contracts outstanding at March 31, 2000, 1999 and 1998:

	Millions of Yen						Thousands of U.S. Dollars	
	2000		1999		1998		2000	
	Contract or Notional Amount	Fair Value (Loss)	Contract or Notional Amount	Fair Value (Loss)	Contract or Notional Amount	Fair Value (Loss)	Contract or Notional Amount	Fair Value (Loss)
Forward exchange contracts—								
Buying Swiss franc			¥ 67	¥ 63	¥ 136	¥ 138		
Interest rate swaps (fixed rate payments, floating rate receipt)	¥ 1,300	¥ (65)	1,300	(165)	1,500	(208)	$ 12,247	$ (609)

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.

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.

16. CONSOLIDATED SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2000, 1999 and 1998, was as follows:

(1) Industry Segments

Industry segments information is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2000, 1999 and 1998 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 geographical segments of the Companies for the years ended March 31, 2000, 1999 and 1998, are summarized as follows:

	Millions of Yen				
	2000				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥ 46,811	¥ 7,608	¥ 3,957		¥ 58,376
Interarea transfers	10,795	4,155	270	¥ (15,220)	
Total	57,606	11,763	4,227	(15,220)	58,376
Operating expenses	50,257	11,585	4,224	(10,885)	55,181
Operating income	¥ 7,349	¥ 178	¥ 3	¥ (4,335)	¥ 3,195
Assets	¥ 51,301	¥ 4,245	¥ 1,081	¥ 1,880	¥ 58,507

	Thousands of U.S. Dollars				
	2000				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	$ 440,989	$ 71,672	$ 37,278		$ 549,939
Interarea transfers	101,696	39,143	2,543	$ (143,382)	
Total	542,685	110,815	39,821	(143,382)	549,939
Operating expenses	473,453	109,138	39,793	(102,544)	519,840
Operating income	$ 69,232	$ 1,677	$ 28	$ (40,838)	$ 30,099
Assets	$ 483,288	$ 39,991	$ 10,184	$ 17,710	$ 551,173

	Millions of Yen				
	1999				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥ 43,491	¥ 7,059	¥ 3,300		¥ 53,850
Interarea transfers	9,756	2,958	325	¥ (13,039)	
Total	53,247	10,017	3,625	(13,039)	53,850
Operating expenses	45,979	10,195	4,282	(8,447)	52,009
Operating income (loss)	¥ 7,268	¥ (178)	¥ (657)	¥ (4,592)	¥ 1,841
Assets	¥ 49,897	¥ 3,733	¥ 1,111	¥ 5,995	¥ 60,736

	Millions of Yen				
	1998				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	¥ 46,137	¥ 6,894	¥ 3,050		¥ 56,081
Interarea transfers	9,191	4,128	302	¥ (13,621)	
Total	55,328	11,022	3,352	(13,621)	56,081
Operating expenses	47,069	10,401	3,708	(8,845)	52,333
Operating income (loss)	¥ 8,259	¥ 621	¥ (356)	¥ (4,776)	¥ 3,748
Assets	¥ 51,199	¥ 4,803	¥ 1,513	¥ (670)	¥ 56,845

(3) Sales to Foreign Customers

Sales to foreign customers for the years ended March 31, 2000, 1999 and 1998, amounted to ¥27,732 million ($261,250 thousand), ¥25,956 million and ¥25,622 million, respectively, and accounted for 47.5 percent, 48.2 percent and 45.7 percent, respectively, of the consolidated net sales.

	Millions of Yen				
	2000				
	Asia	North America	Europe	Other	Total
Sales	¥ 20,057	¥ 3,725	¥ 3,167	¥ 783	¥ 27,732

	Thousands of U.S. Dollars				
	2000				
	Asia	North America	Europe	Other	Total
Sales	$ 188,945	$ 35,090	$ 29,835	$ 7,380	$ 261,250

	Millions of Yen				
	1999				
	Asia	North America	Europe	Other	Total
Sales	¥ 17,724	¥ 5,115	¥ 2,502	¥ 615	¥ 25,956

	Millions of Yen				
	1998				
	Asia	North America	Europe	Other	Total
Sales	¥ 18,574	¥ 3,815	¥ 2,458	¥ 775	¥ 25,622

17. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Japan Radio Co., Ltd. (the "Parent"). At March 31, 2000, the Parent held 23,206 thousand shares of common stock of the Company, 59.35 percent of the total outstanding shares.

Transactions with and balances due from and to the Parent for the years ended March 31, 2000, 1999 and 1998, are principally as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	2000
Transactions:				
Sales	¥ 428	¥ 672	¥ 743	$ 4,032
Purchase	8	10	3	75
Services	11	9	17	104
Rental cost and other expense	41	40	42	386

	Millions of Yen			Thousands of U.S. Dollars
	2000	1999	1998	2000
Balances:				
Trade notes receivable		¥ 56	¥ 81	
Trade accounts receivable	¥ 101	42	58	$ 951
Other receivable	1	3	5	9
Trade accounts payable	8	2		75
Other payable	3	3	3	28

18. SUBSEQUENT EVENT

At the general shareholders meeting of the Company held on June 29, 2000, the appropriations of retained earnings were duly approved as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥3.5 ($0.03) per share	¥ 137	$ 1,289
Bonuses to directors	35	330
Transfer to legal reserve	17	162
Total	¥ 189	$ 1,781

* * * * * *