New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Balance Sheets as of March 31, 2001 and 2000, and Related Consolidated Statements of Income, Shareholders' Equity, and Cash Flows for Each of the Three Years in the Period Ended March 31, 2001, and Independent Auditors' Report

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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, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2001, 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, made as of April 1, 1999, 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.

As discussed in Note 2, effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

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 28, 2001

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2001 and 2000

ASSETS	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2001
CURRENT ASSETS:			
Cash and cash equivalents	¥ 8,067	¥ 6,477	$ 65,109
Marketable securities (Note 4)		7	
Short-term investments (Note 5)	28	28	226
Notes and accounts receivable (Note 17):			
Trade notes	3,549	2,938	28,644
Trade accounts	12,308	12,452	99,338
Allowance for doubtful accounts	(177)	(186)	(1,429)
Inventories (Note 6)	15,330	13,130	123,729
Deferred tax assets (Note 9)	970	501	7,829
Other current assets (Note 17)	775	1,040	6,255
Total current assets	40,850	36,387	329,701
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	226	227	1,824
Buildings and structures	23,404	22,186	188,894
Machinery and equipment	59,067	56,312	476,731
Construction in progress	447	134	3,608
Total	83,144	78,859	671,057
Accumulated depreciation	(64,024)	(61,419)	(516,739)
Net property, plant and equipment	19,120	17,440	154,318
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	960	457	7,748
Long-term loans	385	447	3,107
Long-term receivables	76	65	614
Deferred charges	999	1,377	8,063
Foreign currency translation adjustments		654	
Deferred tax assets (Note 9)	2,225	765	17,958
Other assets	1,057	982	8,531
Allowance for doubtful accounts	(172)	(67)	(1,388)
Total investments and other assets	5,530	4,680	44,633
TOTAL	¥ 65,500	¥ 58,507	$ 528,652

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2000	Thousands of U.S. Dollars (Note 1) 2001
CURRENT LIABILITIES:			
Short-term bank loans (Note 7)	¥ 8,808	¥ 8,931	$ 71,089
Current portion of long-term debt (Note 7)	1,953	3,395	15,763
Notes and accounts payable (Note 17):			
Trade notes	1,444	1,785	11,655
Trade accounts	8,616	7,035	69,540
Construction and other	3,228	843	26,053
Income taxes payable (Note 9)	2,687	846	21,687
Accrued expenses (Note 17)	3,785	3,922	30,549
Other current liabilities	332	309	2,679
Total current liabilities	30,853	27,066	249,015
LONG-TERM LIABILITIES:			
Long-term debt (Note 7)	9,536	11,218	76,965
Liability for retirement benefits (Note 8)	7,452	4,142	60,145
Deferred tax liabilities (Note 9)	9		73
Other long-term liabilities	167	110	1,348
Total long-term liabilities	17,164	15,470	138,531
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	42,026
Additional paid-in capital	5,211	5,211	42,058
Retained earnings	7,504	5,553	60,565
Net unrealized gain on available-for-sale securities	199		1,606
Foreign currency translation adjustments	(638)		(5,149)
Total shareholders' equity	17,483	15,971	141,106
TOTAL	¥ 65,500	¥ 58,507	$ 528,652

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2001, 2000 and 1999

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2001	2000	1999	2001
NET SALES (Notes 16 and 17)	¥ 64,842	¥ 58,376	¥ 53,850	$ 523,341
COST OF SALES (Notes 8, 12, 14, 16 and 17)	47,440	45,591	42,022	382,889
Gross profit	17,402	12,785	11,828	140,452
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 12, 14, 16 and 17)	10,248	9,590	9,987	82,712
Operating income	7,154	3,195	1,841	57,740
OTHER INCOME (EXPENSES):				
Interest and dividends income	57	84	72	460
Interest expenses	(423)	(505)	(508)	(3,414)
Foreign exchange gains (losses)	552	(325)	(616)	4,455
Losses on disposal of inventories	(388)	(299)	(267)	(3,131)
Amortization of bond discount		(204)	(245)	
Reversal of (provision for) doubtful accounts	(84)		29	(678)
Prior service costs		(656)		
Gain on repurchases of warrants		981		
Charge for full amount of transitional obligations for retirement benefits	(3,433)			(27,708)
Reversal of prior service costs	417			3,366
Provision for retirement benefits		(756)		
Other—net (Note 13)	(268)	(15)	(119)	(2,163)
Other expenses—net	(3,570)	(1,695)	(1,654)	(28,813)
INCOME BEFORE INCOME TAXES	3,584	1,500	187	28,927
INCOME TAXES (Note 9):				
Current	3,185	1,002	380	25,707
Deferred	(2,056)	(478)	(253)	(16,594)
Total income taxes	1,129	524	127	9,113
NET INCOME	¥ 2,455	¥ 976	¥ 60	$ 19,814
	Yen			U.S. Dollars
PER SHARE OF COMMON STOCK:				
Net income	¥ 62.78	¥ 24.95	¥ 1.54	$ 0.51
Cash dividends applicable to the year	15.00	7.00	7.00	0.12

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Shareholders' Equity
Years Ended March 31, 2001, 2000 and 1999

	Thousands	Millions of Yen					
	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, 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)			
Disposition of 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
Net income				2,455			
Cash dividends, ¥12 per share				(469)			
Bonuses to directors				(35)			
Net unrealized gain on available-for-sale securities					¥ 199		
Foreign currency translation adjustments						¥ (638)	
BALANCE, MARCH 31, 2001	39,100	¥ 5,207	¥ 5,211	¥ 7,504	¥ 199	¥ (638)	Nil

	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, 2000	$ 42,026	$ 42,058	$ 44,818			Nil
Net income			19,814			
Cash dividends, $0.10 per share			(3,785)			
Bonuses to directors			(282)			
Net unrealized gain on available-for-sale securities				$1,606		
Foreign currency translation adjustments					$ (5,149)	
BALANCE, MARCH 31, 2001	$ 42,026	$ 42,058	$ 60,565	$ 1,606	$ (5,149)	Nil

See notes to consolidated financial statements.

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2001, 2000 and 1999

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2001	2000	1999	2001
OPERATING ACTIVITIES:				
Income before income taxes	¥ 3,584	¥ 1,500	¥ 187	$ 28,927
Adjustments for:				
Income taxes paid	(1,359)	(377)	(510)	(10,969)
Depreciation and amortization	5,264	5,421	5,636	42,486
Loss on sales and disposals of property, plant and equipment	258	83	103	2,082
Gain on repurchases of warrants		(981)		
Bonuses to directors	(35)	(25)	(30)	(282)
Changes in assets and liabilities:				
(Increase) decrease in allowance for doubtful accounts	83	66	(29)	670
Increase in liability for retirement benefits	3,310	1,541	259	26,715
(Increase) decrease in interest and dividends receivable		3	(3)	
Increase (decrease) in interest payable	(32)	8	(1)	(258)
Decrease (increase) in notes and accounts receivable	(262)	(2,611)	254	(2,115)
Decrease (increase) in inventories	(2,058)	272	(14)	(16,610)
Increase (decrease) in notes and accounts payable	836	2,460	(168)	6,747
Other—net	447	311	(337)	3,608
Total adjustments	6,452	6,171	5,160	52,074
Net cash provided by operating activities	10,036	7,671	5,347	81,001
INVESTING ACTIVITIES:				
Purchases of short-term investments	(53)	(5,529)	(3,000)	(428)
Proceeds from short-term investments	53	8,500	33	428
Proceeds from sales of marketable securities		25	13	
Purchases of property, plant and equipment	(4,424)	(3,818)	(6,152)	(35,706)
Proceeds from sales of property, plant and equipment	7	1	18	56
Purchases of investments securities	(206)	(3)	(113)	(1,663)
Proceeds from sales of investments securities		9		
Expenditures for loans receivable			(145)	
Collection of loans receivable	61	64	47	492
Other—net	(250)	(193)	(61)	(2,017)
Net cash used in investing activities	(4,812)	(944)	(9,360)	(38,838)
FORWARD	¥ 5,224	¥ 6,727	¥ (4,013)	$ 42,163

(Continued)

New Japan Radio Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2001, 2000 and 1999

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2001	2000	1999	2001
FORWARD	¥ 5,224	¥ 6,727	¥ (4,013)	$ 42,163
FINANCING ACTIVITIES:				
Net change in short-term bank loans	(120)	(2,400)	1,383	(969)
Proceeds from long-term debt	315	5,500	5,900	2,542
Repayments of long-term debt	(2,126)	(1,468)	(1,809)	(17,159)
Expenditures for redemption of bonds	(1,300)	(8,429)		(10,492)
Proceeds from issuance of treasury stock			21	
Cash dividends	(469)	(274)	(292)	(3,785)
Net cash provided by (used in) financing activities	(3,700)	(7,071)	5,203	(29,863)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	66	(1)	(100)	533
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,590	(345)	1,090	12,833
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,477	6,822	5,732	52,276
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 8,067	¥ 6,477	¥ 6,822	$ 65,109

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, 2001, 2000 and 1999 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.

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 2000 and 1999 consolidated financial statements to conform to the classifications used in 2001.

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 ¥123.9 to U.S.$1, the approximate rate of exchange at March 31, 2001. 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"). There are no associate companies (20 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 was changed from all time deposits to the above-mentioned scope to conform with the presentation in 2001 and 2000.

c. ***Foreign Currency Transactions—***Prior to April 1, 2000, short-term monetary assets and liabilities denominated in foreign currencies were translated into Japanese yen at the current 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.

Effective April 1, 2000, the Company and its domestic subsidiaries adopted a revised accounting standard for foreign currency transactions. In accordance with the revised standard, 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.

As a result of adopting the revised accounting standards for foreign currency transactions, income before income taxes increased by ¥36 million ($291 thousand) for the year ended March 31, 2001.

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.

Prior to April 1, 2000, differences arising from such translation were shown as "Foreign currency translation adjustments" as either an asset or liability in the balance sheet. Effective April 1, 2000, such differences are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity in accordance with the revised accounting standard for foreign currency transactions.

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

e. ***Marketable and Investment Securities—***Prior to April 1, 2000, current and non-current marketable securities were stated at the lower of cost, determined by the moving-average method, or market, as applied to each securities.

Effective April 1, 2000, the Company and its domestic subsidiaries adopted a new accounting standard for financial instruments. Under this standard, 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.

As a result of adopting the new accounting standard for financial instruments was to increase income before income taxes by ¥31 million ($250 thousand) for the year ended March 31, 2001.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

Marketable securities classified as current assets decreased by ¥7 million ($56 thousand) and investment securities increased by the same amount as of April 1, 2000.

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 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	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 five years.

i. ***Retirement Benefits—***Under the employees' retirement plans for the Company, prior to April 1, 2000, 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 Company also has a non-contributory funded pension plan covering only employees who have 18 years or more of service. Prior service costs under the non-contributory funded pension plan for employees were charged to income as incurred.

Under the employees' retirement plans for the Company's domestic subsidiaries, prior to April 1, 2000, 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.

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 full amount of the transitional obligation of ¥3,433 million ($27,708 thousand) at the beginning of the year is charged to income and presented as other expense in the income statement. As a result, net periodic benefit costs as compared with the prior method, increased by ¥3,285 million ($26,513 thousand) and income before income taxes decreased by ¥3,285 million ($26,513 thousand).

The Company has 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 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. ***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. ***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.

q. ***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 39,099,876 shares, 39,100,000 shares and 39,058,227 shares for 2001, 2000 and 1999, respectively.

Diluted net income per share is not disclosed because there are no potential common stock equivalents in 2001 and 2000 and it is anti-dilutive in 1999.

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 for the year ended March 31, 2000, decreased by ¥832 million and the cumulative charge totaled ¥756 million. 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 for the year ended March 31, 2000, decreased by ¥592 million and the cumulative charge totaled ¥656 million. 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, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Current:			
Marketable equity securities		¥ 1	
Government and corporate bonds		6	
Total		¥ 7	
Non-current:			
Marketable equity securities	¥ 935	¥ 383	$ 7,546
Government and corporate bonds	10		81
Other	15	74	121
Total	¥ 960	¥ 457	$ 7,748

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2001, were as follows:

	Millions of Yen			
	2001			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities	¥ 595	¥ 372	¥ 32	¥ 935
Debt securities	6	4		10

	Thousands of U.S. Dollars			
	2001			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities	$ 4,802	$ 3,002	$ 258	$ 7,546
Debt securities	49	32		81

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2001, were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale—Equity securities	¥ 15	$ 121
Total	¥ 15	$ 121

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2001, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after one year through five years	¥ 10	$ 81
Total	¥ 10	$ 81

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

	Millions of Yen
	2000
Current:	
Carrying value	¥ 7
Aggregate market value	10
Unrealized gain	¥ 3
Non-current:	
Carrying value	¥ 383
Aggregate market value	1,283
Unrealized gain	¥ 900

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, 2001 and 2000, consisted of time deposits maturing after three months from the date of purchase.

6. INVENTORIES

Inventories at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Merchandise	¥ 245	¥ 216	$ 1,977
Finished goods	5,373	4,397	43,366
Work in process	7,816	6,807	63,083
Raw materials	1,896	1,710	15,303
Total	¥ 15,330	¥ 13,130	$ 123,729

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

Short-term bank loans at March 31, 2001 and 2000, 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, 2001 and 2000, were 0.94 percent and 0.72 percent, respectively.

Long-term debt at March 31, 2001 and 2000, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Unsecured 7.68 percent U.S. dollar corporate bonds, due December 2000		¥ 1,300	
Loans from banks and other financial institutions, due serially to 2006 with interest rates ranging from 0.71 to 4.65 percent (2001), from 0.71 to 4.65 percent (2000):			
Collateralized	¥ 3,058	3,926	$ 24,681
Unsecured	8,431	9,387	68,047
Total	11,489	14,613	92,728
Less current portion	(1,953)	(3,395)	(15,763)
Long-term debt, less current portion	¥ 9,536	¥ 11,218	$ 76,965

Annual maturities of long-term debt outstanding at March 31, 2001, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 1,953	$ 15,763
2003	3,741	30,194
2004	4,705	37,974
2005	560	4,520
2006 and thereafter	530	4,277
Total	¥ 11,489	$ 92,728

The carrying amounts of assets pledged as collateral for long-term debt of ¥3,058 million ($24,681 thousand) at March 31, 2001, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥ 7,418	$ 59,871

8. RETIREMENT BENEFITS

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

Effective April 1, 2000, the Company adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at March 31, 2001, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2001
Projected benefit obligation	¥ 10,295	$ 83,091
Fair value of plan assets	(2,192)	(17,692)
Unrecognized actuarial loss	(915)	(7,385)
Net liability	¥ 7,188	$ 58,014

The components of net periodic benefit costs are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2001	2001
Service cost	¥ 644	$ 5,198
Interest cost	325	2,623
Expected return on plan assets	(68)	(549)
Charge for full amounts of prior service cost	(416)	(3,358)
Credit for full amounts of transitional obligation	3,433	27,708
Net periodic benefit costs	¥ 3,918	$ 31,622

Assumptions used for the year ended March 31, 2001, are set forth as follows:

	2001
Discount rate	3.0%
Expected rate of return on plan assets	3.3%
Amortization period of prior service cost	Fully amortized to income in the current period
Amortization period of transitional obligation	Fully amortized to income in the current period
Recognition period of actuarial gain/loss	15 years

The liability for retirement benefits to directors and corporate auditors included in the accompanying consolidated balance sheets amounted to ¥264 million ($2,131 thousand) and ¥279 million at March 31, 2001 and 2000, 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 and 1999, were ¥2,058 million and ¥620 million, respectively.

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, 42 percent and 47 percent for the years ended March 31, 2001, 2000 and 1999, respectively.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2001 and 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Current			
Deferred tax assets:			
Inventories	¥ 233	¥ 98	$ 1,880
Accrued bonuses	516	321	4,165
Accrued enterprise tax	222	80	1,792
Accrued prior service costs		61	
Others	115	68	928
Valuation allowance	(60)		(484)
Total	1,026	628	8,281
Deferred tax liabilities:			
Allowance for doubtful receivables	12	126	97
Others	44	1	355
Total	56	127	452
Net deferred tax assets	¥ 970	¥ 501	$ 7,829
Non-current			
Deferred tax assets:			
Allowance for doubtful accounts	¥ 12	¥ 14	$ 97
Liability for retirement benefits	2,335	808	18,846
Tax loss carryforwards	207		1,671
Others	98	42	791
Valuation allowance	(179)		(1,445)
Total	2,473	864	19,960
Offset with deferred tax liabilities	(248)	(99)	(2,002)
Net deferred tax assets	¥ 2,225	¥ 765	$ 17,958
Deferred tax liabilities:			
Special reserve for tax purposes	¥ 113	¥ 91	$ 912
Unrealized gain on available-for-sale securities	144		1,163
Others		8	
Total	257	99	2,075
Offset with deferred tax assets	(248)	(99)	(2,002)
Net deferred tax liabilities	¥ 9	Nil	$ 73

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000, and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	2001	2000
Normal effective statutory tax rate	42.0 %	42.0 %
Taxation on per capita basis	0.3	0.8
Expenses not deductible for income tax purposes	0.6	1.9
Lower income tax rates applicable to income in certain foreign countries	(2.9)	(0.6)
Deduction for foreign subsidiaries' tax loss carryforward		(8.7)
Valuation allowance	(3.5)	
Non-taxable consolidation adjustment	(3.7)	
Others—net	(1.3)	(0.5)
Actual effective tax rate	31.5 %	34.9 %

10. CONTINGENT LIABILITIES

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

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 ¥412 million ($3,325 thousand) and ¥362 million as of March 31, 2001 and 2000, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2001, retained earnings recorded on the Company's books were ¥5,729 million ($46,239 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

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 split 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.

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.

12. RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development costs charged to income for the years ended March 31, 2001, 2000 and 1999, were as follows:

Millions of Yen			Thousands of U.S. Dollars
2001	2000	1999	2001
¥ 5,353	¥ 6,031	¥ 8,267	$ 43,204

13. OTHER INCOME (EXPENSES)—OTHER—NET

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

	Millions of Yen			Thousands of U.S. Dollars
	2001	2000	1999	2001
Loss on sales and disposals of property, plant and equipment	¥ (258)	¥ (83)	¥ (103)	$ (2,082)
Relocation expenses of subsidiary			(24)	
Loss on devaluation of investment securities	(55)		(20)	(444)
Loss on sales of investment securities			(18)	
Other—net	45	68	46	363
Total	¥ (268)	¥ (15)	¥ (119)	$ (2,163)

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 ¥390 million ($3,148 thousand), ¥329 million and ¥325 million for the years ended March 31, 2001, 2000 and 1999, 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, 2001 and 2000, was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2001			2001		
	Machinery and Equipment	Other	Total	Machinery and Equipment	Other	Total
Acquisition cost	¥ 1,324	¥ 460	¥ 1,784	$ 10,686	$ 3,713	$ 14,399
Accumulated depreciation	718	137	855	5,795	1,106	6,901
Net leased property	¥ 606	¥ 323	¥ 929	$ 4,891	$ 2,607	$ 7,498

	Millions of Yen		
	2000		
	Machinery and Equipment	Other	Total
Acquisition cost	¥ 1,209	¥ 277	¥ 1,486
Accumulated depreciation	603	128	731
Net leased property	¥ 606	¥ 149	¥ 755

Obligations under finance leases as of March 31, 2001 and 2000, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Due within one year	¥ 332	¥ 295	$ 2,679
Due after one year	614	479	4,956
Total	¥ 946	¥ 774	$ 7,635

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 2001, 2000 and 1999, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2001	2000	1999	2001
Depreciation expense	¥ 366	¥ 306	¥ 299	$ 2,954
Interest expense	24	21	24	194
Total	¥ 390	¥ 327	¥ 323	$ 3,148

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

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 and 1999:

	Millions of Yen			
	2000		1999	
	Contract or Notional Amount	Fair Value (Loss)	Contract or Notional Amount	Fair Value (Loss)
Forward exchange contracts—				
Buying Swiss franc			¥ 67	¥ 63
Interest rate swaps (fixed rate payments, floating rate receipt)	¥ 1,300	¥ (65)	1,300	(165)

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. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2001, 2000 and 1999, was as follows:

(1) Industry Segments

Industry segments information is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2001, 2000 and 1999 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 except for Japan, Asia, North America, mainly consist of the following countries and areas.

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

The geographical segments of the Companies for the years ended March 31, 2001, 2000 and 1999, are summarized as follows:

	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

	Thousands of U.S. Dollars				
	2001				
	Japan	Asia	North America	Eliminations or Corporate	Consolidated
Sales:					
To customers	$ 424,843	$ 59,120	$ 39,378		$ 523,341
Interarea transfers	91,759	35,327	1,945	$ (129,031)	
Total	516,602	94,447	41,323	(129,031)	523,341
Operating expenses	425,125	88,951	39,911	(88,386)	465,601
Operating income	$ 91,477	$ 5,496	$ 1,412	$ (40,645)	$ 57,740
Total assets	$ 452,607	$ 36,642	$ 10,735	$ 28,668	$ 528,652

	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
Total assets	¥ 51,301	¥ 4,245	¥ 1,081	¥ 1,880	¥ 58,507

	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
Total assets	¥ 49,897	¥ 3,733	¥ 1,111	¥ 5,995	¥ 60,736

Notes: 1. The unallocated operating expenses for the years ended March 31, 2001, 2000 and 1999, amounting to ¥4,601 million ($37,135 thousand), ¥4,056 million and ¥4,524 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, 2001, 2000 and 1999, amounting to ¥8,305 million ($67,030 thousand), ¥7,210 million and ¥10,999 million, respectively, were included in "Eliminations or corporate" column, and consisted primarily of funds held by the Company for earning income or 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, 2001, 2000 and 1999, amounted to ¥31,789 million ($256,570 thousand), ¥27,732 million and ¥25,956 million, respectively, and accounted for 49.0 percent, 47.5 percent and 48.2 percent, respectively, of the consolidated net sales.

The segment information is grouped by geographic area based on the countries and areas where the Companies' customers are located. Asia, North America, Europe, other, mainly consist of the following countries and areas.

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				
	2001				
	Asia	North America	Europe	Other	Total
Sales	¥ 20,411	¥ 4,463	¥ 2,091	¥ 4,824	¥ 31,789

	Thousands of U.S. Dollars				
	2001				
	Asia	North America	Europe	Other	Total
Sales	$ 164,738	$ 36,021	$ 16,876	$ 38,935	$ 256,570

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

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

17. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Japan Radio Co., Ltd. (the "Parent"). At March 31, 2001, the Parent held 21,206 thousand shares of common stock of the Company, 54.24 percent of the total outstanding shares.

Transactions with and balances due from and to the Parent for the years ended March 31, 2001, 2000 and 1999, are principally as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2001	2000	1999	2001
Transactions:				
Sales	¥ 519	¥ 428	¥ 672	$ 4,189
Purchase	3	8	10	24
Services	32	11	9	258
Rental cost and other expense	41	41	40	331
Purchase of the equipments	37			299
Balances:				
Trade notes receivable			56	
Trade accounts receivable	145	101	42	1,170
Other receivable	3	1	3	24
Trade accounts payable		8	2	
Other payable	38			307
Accrued expenses	3	3	3	24

18. SUBSEQUENT EVENTS

(1) At the general shareholders meeting of the Company held on June 28, 2001, the appropriations of retained earnings were duly approved as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥6.5 ($0.05) per share	¥ 254	$ 2,050
Bonuses to directors	40	323
Transfer to legal reserve	30	242
Total	¥ 324	$ 2,615

(2) 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 150 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 an exercise price of 105% 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.

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