

**Advanced Technology,
it is our confidence.**

Annual Report 2002
For the Year Ended March 31, 2002



Dear Shareholders

New Japan Radio Co., Ltd. was established in 1959 to take over the technologies of Japan Radio Co., Ltd., a Japanese pioneer in microwave and semiconductor technologies, as well as to develop future new technologies in a wide range of electronics.

In recent years, the Company has supplied both semiconductor products in response to worldwide spread of communications devices, and semiconductor devices and processors indispensable for audio-video applications, thus providing complete support for next-generation communications systems.

In satellite-based communications and broadcasting, we provide various advanced broadband microwave application products supporting customers' specific needs.

“Barriers that only we can break.” “Products that only we can make.”

This year, we are promoting purposeful management to meet our shareholders' and customers' high expectations.

We are very pleased to inform you that our stock has been listed in the First Section of the Tokyo Stock Exchange from September 2, 2002.

We would like to take this occasion to express our sincere thanks for your patronage and support.

We wish you every success and prosperity and look forward to continuing our mutually beneficial business relationship in the future.

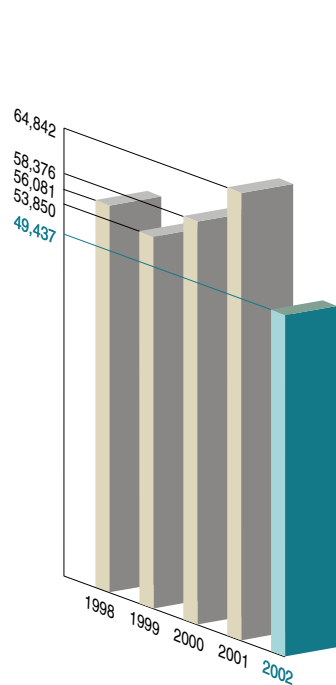
Contents

1	Financial Highlights
2	Dynamism of New Japan Radio Co., Ltd. in 21st Century
4	Semiconductor Division
7	Microwave Application Products Division
8	Microwave Tubes and Radar Components Division
11	Financial Summary
35	Independent Auditors' Report
36	Board of Directors
37	Corporate Data

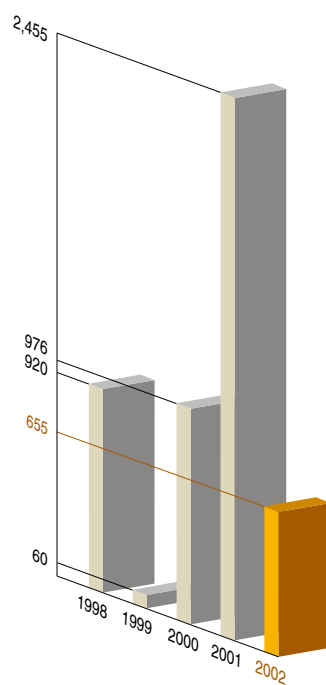
Financial Highlights

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Net sales	¥ 49,437	¥ 64,842	\$ 371,009
Net income	655	2,455	4,916
	Yen		U.S. Dollars
Per share:			
Net income	¥ 16.75	¥ 62.78	\$ 0.13
Cash dividends	10.00	15.00	0.08
	Millions of Yen		Thousands of U.S. Dollars
Shareholders' equity	¥ 17,688	¥ 17,483	\$ 132,743
Total assets	56,874	65,500	426,822
Capital expenditure	3,471	6,805	26,049
Depreciation and amortization	4,925	5,264	36,961

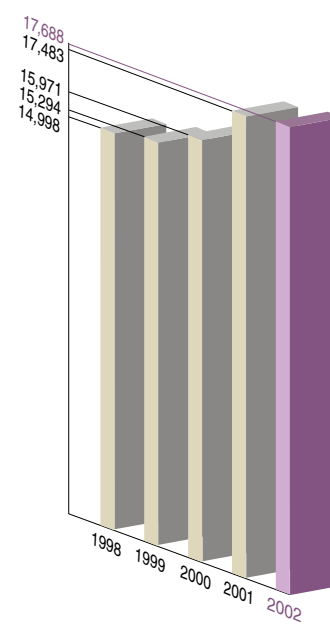
Note: U.S. Dollar amounts are translated from Japanese Yen, for convenience only, at the rate of ¥133.25 = U.S.\$1.



Net sales
(Millions of Yen)



Net income
(Millions of Yen)



Shareholders' equity
(Millions of Yen)

Dynamism of New Japan Radio Co., Ltd. in 21st Century



Kazuhiro Kume
President



This fiscal year saw the electronics industry suffers unprecedented contraction in market size and drops in profits. However, we are still confident that IT is the key to restoring the electronics industry, which is expected to grow with emphasis on digitization, higher speeds, larger capacities, and networking. The semiconductor industry is expected to grow along these lines and we must follow these same lines too as part of the semiconductor industry.

To meet these trends, we will provide various products based on microwave technology for information carriers and on semiconductor technology for information processing.

Over the last several years, New Japan Radio Co., Ltd. has promoted its production innovation campaign to improve customer service and strengthen production efficiency and finances. As a result, product lead times have been cut by 20% to 30% along with cost reduction and in-process inventory reduction. In parallel with this campaign, we are presently expanding the area for effective utilization by constructing a daily settlement system providing monthly settlement figures on the second day of the following month. This will provide instant checks of business performance, helping to make speedy and accurate management decisions. The ultimate goal of daily settlement is to change our way of doing day-to-day business and to provide responsive development of new products and new technologies that meet customers' needs.

Product development-Semiconductors

Standard ICs: Especially our mainstay analog ICs, user demand for higher speed and higher precision is becoming strong. We will foster development of new operational amplifiers and power supply ICs meeting these demands. In our specialty audio field, we are marketing our original surround technology 'eala'. Our customers value this technology for its clear natural sound and it is in increasing demand for digital AV products. Therefore, we are confident that the analog market will expand even as digitization grows.

ASSPs (Application Specific Standard Products): Our mainstay product is the LCD driver and we are now promoting development of a color LCD driver for cellular phones. We are facing an uphill battle due to a worldwide slowdown in growth in the cellular-phone market but when demand for color grows in Europe and America, demand for our LCD driver is expected to increase. Demand for multifunctionality is becoming strong in the traditional monochrome LCD driver and we are responding positively. We have also commercialized an IC for class-D amplifiers.

Microwave & optoelectronic devices: We are now supplying GaAs products for domestic cellular and PHS phones. We are developing and supplying multifunctional GaAs products with high performance due to growth of the dual band and dual mode. We will also put our energies into developing power amplifiers and high-performance switches to enter a new field to apply them. Furthermore, we will respond to the strong demand from Europe for modularization.

For future business in the semiconductor field, we will foster new businesses based on DSP (digital signal processing) technology. At present, the nearest target is the audio processor, but we will also apply DSP technology to motor control ICs, etc., as original products.

Product development-Microwave

In microwave-related products, we faced an uphill battle this fiscal year due to shrinkage of the American communications market by the global IT slump. However, ODU (outdoor unit) for VSAT (satellite communications) in Europe and America is a promising future product, and we will develop Ka-band (30 GHz) products for the high-speed and large-capacity IP application, in addition to the traditional Ku-band (14 GHz) products, thus securing a technological edge over competitors in terms of performance and reliability. Also, ODU for FWA (terrestrial communications) is receiving attention because it is expected to become a big future worldwide market, so we have decided to supply ODU to the domestic consumer market in addition to the traditional overseas markets. This product will emerge as big business from next fiscal year.

In our dramatically changing modern society, we will bear in mind that we must contribute to society as a company with presence. We hope for your continued future support.

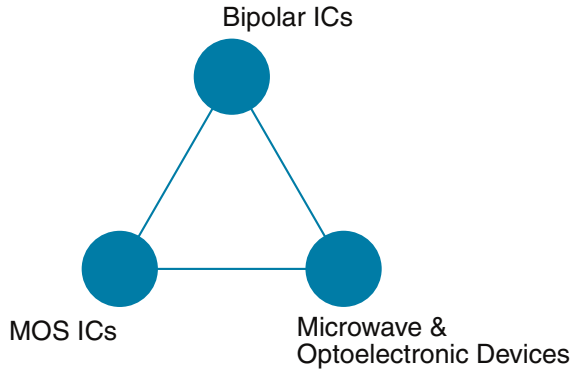
August 2002


Kazuhiro Kume
President

Semiconductor Devices Division

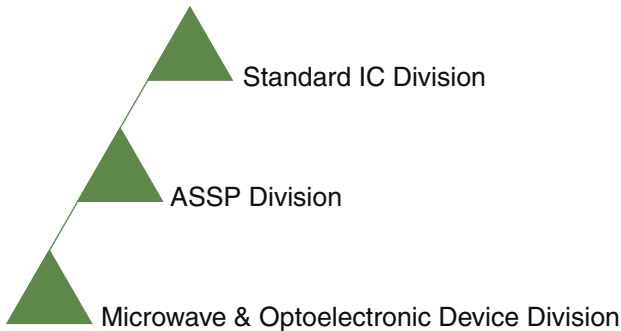
Products

Products in our semiconductor devices division are mostly analog semiconductors classified broadly into three groups:



Bipolar ICs for general-purpose use, such as power supply ICs and audio/video ICs are main products with operational amplifiers and comparators enjoying the highest production volume in the world. Bipolar ICs are used extensively in everyday electronic equipment, such as AV equipment, PC peripherals, mobile communications equipment, game consoles etc.

These semiconductor products are handled by the following three divisions, covering product planning to designing:



NJW1148

The NJW1148 is a single-chip high-performance audio processor containing our unique "eala" surround technology and other sound enhancement technologies, such as SRS™ and BBE®.



The Standard IC Division promotes development of new operational amplifier and new power supply IC products to meet user's strong demands for higher-speed and higher-precision analog ICs of our main products.

During this fiscal year, the division has strengthened its new-product planning department and design department. As a result, this division is marketing a large number of new power supply ICs and new TV audio processor products in both Japan and Asia including China. Although digitization is growing, our analog technologies are used for the newest digital application and user's demands for analog ICs are still strong, so the division will further strengthen its foundations in the analog IC market.

The ASSP Division has developed the 4096-color STN driver for main displays and sub-displays for cellular phones. Also, the division has developed an STN driver for car audios, reinforcing its line of STN color LCD drivers.

The Microwave & Optoelectronic Device Division deals in GaAs products for cellular phones, wireless LANs, etc., and optoelectronic devices for AV equipment, PCs, etc.

- For GaAs products, the division develops front-end ICs and antenna switches mainly for the domestic cellular phone market, and is enjoying popularity in terms of features such as high performance and super-compact packages. The division has developed front-end ICs for next-generation W-CDMA cellular phones to the commercial stage. Also, it has expanded its switch line for overseas cellular-phone applications and wireless LANs.

- For optoelectronic products, the division has developed an optical pickup photo IC for CD digital audio and is now putting its energies into further speeding this product.

The semiconductor industry sees big fluctuations in demand and price and its products' life short, but our analog products are our niche and have a relatively small fluctuation range. We are now developing next-generation products, while maintaining stable profits.



NJM2890

The NJM2890 is a high-precision output/low dropout voltage regulator with ON/OFF control in a VSP-10 package. It is for cellular phones and other portable items.



NJU6825

The NJU6825 is an STN LCD driver that supports displays up to 162COM × 128RGB in 4,096 colors.

It produces high-quality images because it selects the optimum 16 gradations (4,096 colors) from 32 gradations in the built-in color palette according to the LCD panel's characteristics.

Business results

- The bipolar IC market is reduced due to prolonged inventory adjustment caused by drop in demand for AV equipment, PCs and PC peripherals, cellular phones, etc., which are the main application fields for bipolar ICs. Therefore, the sales results for bipolar ICs have remained sluggish throughout this fiscal year.
 - Sales of MOS IC products, such as color LCDs and surround audio processor IC products, were expanded by sales activities. However, results for crystal oscillator ICs and OEM (original equipment manufacturing) products were sluggish, so results for MOS ICs overall remained stagnant.
 - Sales for microwave & optoelectronic devices remained sluggish because demand from major customers for GaAs ICs for cellular phones was slack. The results also dropped for optoelectronic devices mainly for consumer equipment.
- As a result, sales figures were ¥41,499 million (a drop of 21.4% over the previous consolidated fiscal year).

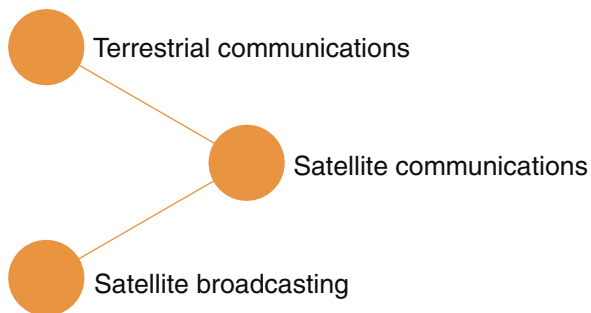


NJG1540JA3
Antenna switch for PDC application (NJG1540JA3)
This 5 × 10 antenna switch has been developed for domestic cellular phones using most popular PDC mode; it is ideal for the dual band asymmetrical packet mode.

Microwave Application Products Division

Products

Microwave application products cover the following three fields:



- In the terrestrial communications field, in collaboration with Japan Radio Co., Ltd., we have developed the 26-GHz band point-to-multipoint FWA (Fixed Wireless Access) outdoor transceiver for the domestic consumer market. This wireless access system can provide a broadband environment up to 23 Mbps for locations where high-speed lines such as optical fiber cannot be used due to the problems concerning on-premises ducting or co-owned space in condominiums, or in areas where optical fibers are not yet available.

Based on this world-first experience of providing hardware for full-scale consumer high-speed wireless access, we will also introduce the service to the Asian, European, and American markets.

- In the satellite communications field, we have completed development of outdoor transmitters supporting the C-band (5 to 6 GHz) and the Ku-band (14 GHz) for each output power. We are now putting our energies into developing transmitters that can perform high-speed transmission at a higher frequency (30 GHz).

NJT5015

This RF PC board is for a satellite communications transmitter using microwave technologies.

NJT5661

The NJT5661 is used as a C-band 5-W transmitter for VSAT satellite communications.



NJT5015



NJT5661

Business results

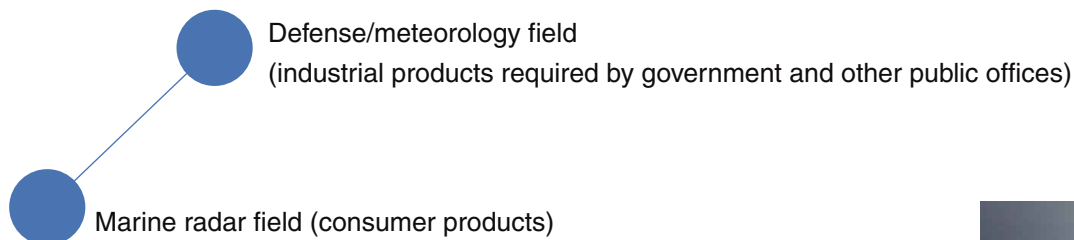
Sales of terrestrial communications components decreased due to inventory adjustment caused by sluggish orders from the European market. Sales of satellite broadcasting components decreased due to inventory adjustment caused by the sluggish American market. Sales of satellite communications components decreased due to a drop in orders of core products from specific customers.

As a result, sales figures were ¥3,369 million (a drop of 56.9% over the previous consolidated fiscal year).

Microwave Tubes and Radar Components Division

Products

The mainstay products in the microwave tubes & peripheral equipment division are in two fields:



● Industrial products required by government and other public offices are expected to enjoy stable future sales and profits in the context of their high share of the domestic market.

It is unlikely that high-power electronic tubes will be replaced by semiconductors, so demand from government and other public offices is expected to be stable in the future.

● In consumer products, a design-in electronic tube is being developed to meet new spurious-noise regulations to be enforced from 2003; the design-in electronic tube is highly valued by both domestic and overseas radar manufacturers.

We aim to maintain a high share of the market for electronic tubes for next-generation radar.

We are also promoting development of a new semiconductor device (SiC) to miniaturize and cut the weight of radar devices thus targeting the low-end marine radar market (pleasure boat).

Business results

Sales of electronic tubes and peripheral equipment to government and other public offices remained good because major customers have completed inventory adjustment, so sales this year exceeded last year. On the other hand, sales of consumer electronic tubes and peripheral equipment remained sluggish due to stagnation in the marine radar market continuing from last year.

As a result, sales figures were ¥4,567 million (8.7% more than the previous consolidated fiscal year).



M1458A

This magnetron is for X-band 25-kW radar.

Band-pass-Filter

This supports the new regulations for spurious emissions.

Financial Statements





Tokyo Stock Exchange

We are very pleased to inform you that our stock has been listed in the First Section of the Tokyo Stock Exchange from September 2, 2002.

We would like to take this occasion to express our sincere thanks for your patronage and support.

We wish you every success and prosperity and look forward to continuing our mutually beneficial business relationship in the future.

Financial Summary

Results by business segments

The consolidated net sales for the fiscal year ended March, 2002 fell 23.8% to ¥49,437 million. We were compelled to largely adjust production in the field of our mainstay semiconductor products and faced extreme depression in our major US market for microwave application products and communications products, resulting in sales sluggishness.

Sales in the Semiconductor Devices Division were ¥41,499 million; bipolar products were slowing down due to prolonged inventory adjustment. In MOS products, while sales of color LCDs, surround ICs, etc. increased, sales were generally slow down. In microwave & optoelectronic devices, sales of our mainstay GaAs ICs fell, and sales of optoelectronic devices also dropped.

Sales in the Microwave Application Products Division were ¥3,369 million. Sales of components for satellite broadcasting, satellite communications, and terrestrial communications dropped.

In the Microwave Tubes and Radar Components Division, sales were ¥4,567 million. Although sales in the consumer electron tubes and radar components declined, governmental electron tubes increased and exceeded the previous year.

Operating income by segment is presented in the table below. Consolidated operating income, excluding eliminations of ¥5,087 million, was ¥1,222 million.

Unit: Millions of Yen

	Semiconductor Devices Division	Microwave Application Products Division	Microwave Tubes and Radar Components Division	Total
Net Sales	41,499	3,369	4,567	49,437
Operating expenses	36,011	3,141	3,974	43,126
Segment operating income	5,488	228	593	6,309
Eliminations	-	-	-	5,087
Operating income	-	-	-	1,222

Net sales to customers by geographic segment

Unit: Millions of Yen

	2002		2001	
Japan	24,099	(48.7%)	¥33,054	(52.5%)
Asia	17,598	(35.6%)	20,411	(34.4%)
North America	3,214	(6.5%)	4,462	(6.4%)
Europe	1,345	(2.7%)	2,091	(5.4%)
Others	3,180	(6.5%)	4,824	(1.3%)
Total	49,437	(100.0%)	¥64,842	(100.0%)

Capital expenditures

Capital expenditures for this consolidated fiscal year amounted to ¥3,471 million on an acquisition basis; consisted mainly of investments to update and streamline semiconductor production facilities, reduce labor costs, and fund research and development programs.

Financial position

Total assets at the end of this consolidated fiscal year amounted to ¥56,874 million, fell ¥8,626 million. Current assets fell ¥8,125 million. Cash and cash equivalents decreased ¥3,949 million to ¥4,118 million, due to slowdown in our core semiconductor products and increased expenditures on payment of corporate tax, etc., and acquisition of tangible fixed assets. The amount of inventory assets decreased ¥468 million to ¥14,862 million, mainly for semiconductor products.

Total liabilities decreased ¥8,831 million to ¥39,186 million. This was attributable to reduced trade payables of raw materials, etc., due to a substantial declining in production.

Consolidated Balance Sheets

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

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002 □ □	2001 □ □	2002 □
CURRENT ASSETS:			
Cash and cash equivalents □	¥ 4,118 □	¥ 8,067 □	\$ 30,904
Short-term investments (Note 5) □	□	28	
Notes and accounts receivable (Note 16):			
Trade notes □	2,263 □	3,549 □	16,983
Trade accounts □	10,381 □	12,308 □	77,906
Allowance for doubtful accounts □	(166) □	(177) □	(1,246)
Inventories (Note 6) □	14,862 □	15,330 □	111,535
Deferred tax assets (Note 9) □	584 □	970 □	4,383
Other current assets (Note 16) □	683 □	775 □	5,126
Total current assets □	32,725 □	40,850 □	245,591
□			
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land □	231 □	226 □	1,734
Buildings and structures □	23,844 □	23,404 □	178,942
Machinery and equipment □	51,374 □	49,556 □	385,546
Furniture and fixtures □	9,580 □	9,511 □	71,895
Construction in progress □	811 □	447 □	6,086
Total □	85,840 □	83,144 □	644,203
Accumulated depreciation □	(67,695) □	(64,024) □	(508,030)
Net property, plant and equipment □	18,145 □	19,120 □	136,173
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4) □	1,561 □	960 □	11,715
Long-term loans □	324 □	385 □	2,432
Long-term receivables □	56 □	76 □	421
Deferred charges □	752 □	999 □	5,643
Deferred tax assets (Note 9) □	2,514 □	2,225 □	18,867
Other assets □	947 □	1,057 □	7,106
Allowance for doubtful accounts □	(150) □	(172) □	(1,126)
Total investments and other assets □	6,004 □	5,530 □	45,058
TOTAL □	¥ 56,874 □	¥ 65,500 □	\$ 426,822

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2002 □	2001 □	2002 □
CURRENT LIABILITIES:			
Short-term bank loans (Note 7) □	¥ 9,839 □	¥ 8,808 □	\$ 73,839
Current portion of long-term debt (Note 7) □	3,856 □	1,953 □	28,938
Notes and accounts payable (Note 16): □			
Trade notes □	333 □	1,444 □	2,499
Trade accounts □	6,236 □	8,616 □	46,799
Construction and other □	1,247 □	3,228 □	9,358
Income taxes payable (Note 9) □	60 □	2,687 □	450
Accrued expenses (Note 16) □	3,200 □	3,785 □	24,015
Other current liabilities □	275 □	332 □	2,064
	<hr/>		
Total current liabilities □	25,046 □	30,853 □	187,962
<hr/>			
LONG-TERM LIABILITIES:			
Long-term debt (Note 7) □	6,453 □	9,536 □	48,428
Liability for retirement benefits (Note 8) □	7,477 □	7,452 □	56,113
Deferred tax liabilities (Note 9) □	□	9 □	
Other long-term liabilities □	210 □	167 □	1,576
□	□	□	
Total long-term liabilities □	14,140 □	17,164 □	106,117
<hr/>			
CONTINGENT LIABILITIES			
SHAREHOLDERS' EQUITY (Note 10):			
Common stock—authorized, 138,000,000 shares; issued and outstanding, 39,100,000 shares □	5,207 □	5,207 □	39,077
Additional paid-in capital □	5,211 □	5,211 □	39,107
Retained earnings □	7,669 □	7,504 □	57,553
Net unrealized gain on available-for-sale securities □	87 □	199 □	653
Foreign currency translation adjustments □	(486) □	(638) □	(3,647)
	<hr/>		
Total shareholders' equity □	17,688 □	17,483 □	132,743
<hr/>			
TOTAL □	¥ 56,874 □	¥ 65,500 □	\$ 426,822

Consolidated Statements of Income

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002□	2001□	2000□	2002□
NET SALES (Notes 15 and 16) □	¥ 49,437 □	¥ 64,842□	¥ 58,376□	\$ 371,009 □
COST OF SALES (Notes 8, 11, 13, 15 and 16)□	37,656 □	47,440□	45,591□	282,596
Gross profit□	11,781 □	17,402□	12,785□	88,413
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 11, 13, 15 and 16) □	10,559 □	10,248□	9,590□	79,242
Operating income□	1,222 □	7,154□	3,195□	9,171
OTHER INCOME (EXPENSES): □				
Interest and dividends income □	29 □	57□	84□	217
Interest expenses□	(296) □	(423)□	(505)□	(2,221)
Foreign exchange gains (losses)□	353 □	552□	(325)□	2,649
Losses on disposal of inventories□	(76) □	(388)□	(299)□	(570)
Amortization of bond discount□	□	□	(204)	
Reversal of (provision for) doubtful accounts□	18 □	(84)□	□	135
Prior service costs□	□	□	(656)	
Gain on repurchases of warrants□	□	□	981	
Charge for full amount of transitional obligations for retirement benefits□	□	(3,433)		
Reversal of prior service costs□	□	417		
Provision for retirement benefits□	□	□	(756)	
Other—net (Note 12)□	(148) □	(268)□	(15)□	(1,111)
Other expenses—net□	(120) □	(3,570)□	(1,695)□	(901)
INCOME BEFORE INCOME TAXES □	1,102 □	3,584□	1,500□	8,270
INCOME TAXES (Note 9):				
Current□	272 □	3,185□	1,002□	2,041
Deferred □	175 □	(2,056)□	(478)□	1,313
Total income taxes□	447 □	1,129□	524□	3,354
NET INCOME □	¥ 655 □	¥ 2,455□	¥ 976□	\$ 4,916
□				
PER SHARE OF COMMON STOCK:		Yen		U.S. Dollars
Net income□	¥ 16.75 □	¥ 62.78□	¥ 24.95□	\$ 0.13
Cash dividends applicable to the year□	10.00 □	15.00□	7.00□	0.08

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2002, 2001 and 2000

	Thousands		Millions of Yen				Treasury Stock— At Cost
	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	
BALANCE, APRIL 1, 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 increase in unrealized gain on available-for-sale securities					¥ 199		
Net decrease in foreign currency translation adjustments						¥ (638)	
BALANCE, MARCH 31, 2001	39,100	5,207	5,211	7,504	199	(638)	Nil
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)	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, 2001	\$39,077	\$ 39,107	\$ 56,315	\$ 1,494	\$ (4,788)	Nil
Net income			4,916			
Cash dividends, \$0.09 per share			(3,378)			
Bonuses to directors			(300)			
Net decrease in unrealized gain on available-for-sale securities				(841)		
Net increase in foreign currency translation adjustments					1,141	
BALANCE, MARCH 31, 2002	\$39,077	\$ 39,107	\$ 57,553	\$ 653	\$ (3,647)	Nil

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002 □	2001 □	2000 □	2002 □
OPERATING ACTIVITIES:				
Income before income taxes □	¥ 1,102 □	¥ 3,584 □	¥ 1,500 □	\$ 8,270
Adjustments for:				
Income taxes paid □	(3,022) □	(1,359) □	(377) □	(22,679)
Depreciation and amortization □	4,925 □	5,264 □	5,421 □	36,961
Loss on sales and disposals of property, plant and equipment □	109 □	258 □	83 □	818
Gain on repurchases of warrants □	□	□	(981)	
Bonuses to directors □	(40) □	(35) □	(25) □	(300)
Changes in assets and liabilities:				
Increase (decrease) in allowance for doubtful accounts □	(37) □	83 □	66 □	(278)
Increase in liability for retirement benefits □	25 □	3,310 □	1,541 □	188
Decrease in interest and dividends receivable □	□	□	3	
Increase (decrease) in interest payable □	22 □	(32) □	8 □	165
Decrease (increase) in notes and accounts receivable □	3,354 □	(262) □	(2,611) □	25,171
Decrease (increase) in inventories □	542 □	(2,058) □	272 □	4,067
Increase (decrease) in notes and accounts payable □	(3,633) □	836 □	2,460 □	(27,265)
Other—net □	(416) □	447 □	311 □	(3,122)
Total adjustments □	1,829 □	6,452 □	6,171 □	13,726
Net cash provided by operating activities □	2,931 □	10,036 □	7,671 □	21,996
INVESTING ACTIVITIES:				
Purchases of short-term investments □	□	(53) □	(5,529)	
Proceeds from short-term investments □	28 □	53 □	8,500 □	210
Proceeds from sales of marketable securities □	□	□	25	
Purchases of property, plant and equipment □	(5,447) □	(4,424) □	(3,818) □	(40,878)
Proceeds from sales of property, plant and equipment □	69 □	7 □	1 □	518
Purchases of investment securities □	(885) □	(206) □	(3) □	(6,642)
Proceeds from sales of investment securities □	□	□	9	
Collection of loans receivable □	61 □	61 □	64 □	458
Other—net □	(137) □	(250) □	(193) □	(1,028)
Net cash used in investing activities □	(6,311) □	(4,812) □	(944) □	(47,362)
FORWARD □	¥ (3,380) □	¥ 5,224 □	¥ 6,727 □	\$ (25,366)

Consolidated Statements of Cash Flows

New Japan Radio Co., Ltd. and Subsidiaries Years Ended March 31, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2002 □	2001 □	2000 □	2002 □
FORWARD □	¥ (3,380) □	¥ 5,224 □	¥ 6,727 □	\$ (25,366)
FINANCING ACTIVITIES:				
Net change in short-term bank loans □	1,030 □	(120) □	(2,400) □	7,730
Proceeds from long-term debt □	821 □	315 □	5,500 □	6,161
Repayments of long-term debt □	(1,987) □	(2,126) □	(1,468) □	(14,912)
Expenditures for redemption of bonds □	□	(1,300) □	(8,429)	
Cash dividends □	(450) □	(469) □	(274) □	(3,377)
Net cash used in financing activities □	(586) □	(3,700) □	(7,071) □	(4,398)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS □	17 □	66 □	(1) □	128
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS □	(3,949) □	1,590 □	(345) □	(29,636)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR □	8,067 □	6,477 □	6,822 □	60,540
CASH AND CASH EQUIVALENTS, END OF YEAR □	¥ 4,118 □	¥ 8,067 □	¥ 6,477 □	\$ 30,904

See notes to consolidated financial statements.

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

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 2001 and 2000 consolidated financial statements to conform to the classifications used in 2002.

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 ¥133.25 to U.S.\$1, the approximate rate of exchange at March 31, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Consolidation**—The consolidated financial statements include the accounts of the Company and all its subsidiaries (together, the "Companies"). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has 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, 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.

-
-
- 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 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 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**—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 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, 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.

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

-
-
- Work in process is stated at cost, determined by the average method, or using the specific identification method.
 - Inventories of foreign consolidated subsidiaries are stated at the lower of cost or market determined by the average method.
 - g. Property, Plant and Equipment**—Property, plant and equipment are recorded at cost.
 - Depreciation of property, plant and equipment is computed by the declining-balance method at rates based upon the usage of the assets over the estimated useful lives of the assets while the straight-line method is applied to buildings of the Company and its domestic subsidiaries acquired after April 1, 1998.
 - Estimated useful lives are as follows:

Buildings and structures	<input type="checkbox"/> <input type="checkbox"/>	2 to 50 years
Machinery and equipment	<input type="checkbox"/> <input type="checkbox"/>	2 to 10 years
Furniture and fixtures	<input type="checkbox"/> <input type="checkbox"/>	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 2 to 5 years for intangible assets and over 5 years for goodwill.
 - 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 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 and income before income taxes decreased by ¥3,285 million.
 - The Company has provided an allowance for directors' and corporate auditors' retirement benefits calculated in accordance with the Company's rules and has included this amount in the liability for retirement benefits.

-
-
- j. □ Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- k. □ Research and Development Costs**—Research and development costs are charged to income as incurred.
- l. □ Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- m. □ Appropriations of Retained Earnings**—Appropriations of retained earnings are accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.
- n. □ Leases**—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.
- o. □ Derivative Financial Instruments**—The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency option contracts and interest rate swaps are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.
- Effective April 1, 2000, the Companies adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: (a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.
- p. □ Per Share Information**—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 39,099,453 shares, 39,099,876 shares and 39,100,000 shares for 2002, 2001 and 2000, respectively.
- Diluted net income per share is not disclosed because it is anti-dilutive in 2002 and there are no potential common stock equivalents in 2001 and 2000.
- 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.

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

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, 2002 and 2001, consisted of the following:

	□	Millions of Yen		Thousands of
		2002□	2001□	U.S. Dollars
				2002□
Non-current:				
Marketable equity securities□	□	¥ 1,537□	¥ 935□	\$ 11,535
Government and corporate bonds□	□	9□	10□	68
Other□	□	15□	15□	112
Total□	□	¥ 1,561□	¥ 960□	\$ 11,715

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2002 and 2001, were as follows:

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

	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			
	2002			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as—				
Available-for-sale:				
Equity securities□	\$ 10,432□	\$ 1,666□	\$ 563□	\$ 11,535
Debt securities□	45□	23□	□	68

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2002 and 2001, were as follows:

	□	Carrying Amount		
		Millions of Yen		Thousands of U.S. Dollars
		2002□	2001□	2002□
Available-for-sale—Equity securities□	□	¥ 15□	¥ 15□	\$ 112
Total □	□	¥ 15□	¥ 15□	\$ 112

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2002, are as follows:

	□	Millions of Yen	Thousands of U.S. Dollars
		¥ 9□	\$ 68
Due after one year through five years□			
Total □		¥ 9□	\$ 68

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

The carrying amounts of assets pledged as collateral for long-term debt of ¥2,230 million (\$16,736 thousand) at March 31, 2002, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation □	¥ 7,455 □	\$ 55,947

8. 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.

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

The liability for employees' retirement benefits at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002 □	2001 □	2002 □
Projected benefit obligation □	¥ 11,613 □	¥ 10,295 □	\$ 87,152
Fair value of plan assets □	(2,368) □	(2,192) □	(17,771)
Unrecognized actuarial loss □	(1,986) □	(915) □	(14,904)
Net liability □	¥ 7,259 □	¥ 7,188 □	\$ 54,477

The components of net periodic benefit costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002 □	2001 □	2002 □
Service cost □	¥ 687 □	¥ 644 □	\$ 5,156
Interest cost □	306 □	325 □	2,296
Expected return on plan assets □	(138) □	(67) □	(1,036)
Recognized actuarial loss □	61 □	□	458
Charge for full amounts of prior service cost □	□	(417)	
Credit for full amounts of transitional obligation □	□	3,433	
Net periodic benefit costs □	¥ 916 □	¥ 3,918 □	\$ 6,874

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

6. INVENTORIES

Inventories at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002 □	2001 □	2002 □
Merchandise □	¥ 118 □	¥ 245 □	\$ 886
Finished goods □	4,630 □	5,373 □	34,747
Work in process □	8,285 □	7,816 □	62,176
Raw materials □	1,829 □	1,896 □	13,726
Total □	¥ 14,862 □	¥ 15,330 □	\$ 111,535

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

Short-term bank loans at March 31, 2002 and 2001, 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, 2002 and 2001, were 0.65 percent and 0.94 percent, respectively.

Long-term debt at March 31, 2002 and 2001, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002 □	2001 □	2002 □
Loans from banks and other financial institutions, due serially to 2006 with interest rates ranging from 0.73 to 2.50 percent (2002), from 0.71 to 4.65 percent (2001):			
Collateralized □	¥ 2,230 □	¥ 3,058 □	\$ 16,736
Unsecured □	8,079 □	8,431 □	60,630
Total □	10,309 □	11,489 □	77,366
Less current portion □	(3,856) □	(1,953) □	(28,938)
Long-term debt, less current portion □	¥ 6,453 □	¥ 9,536 □	\$ 48,428

Annual maturities of long-term debt outstanding at March 31, 2002, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003 □	¥ 3,856 □	\$ 28,938
2004 □	4,986 □	37,419
2005 □	846 □	6,349
2006 □	591 □	4,435
2007 and thereafter □	30 □	225
Total □	¥ 10,309 □	\$ 77,366

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

Assumptions used for the years ended March 31, 2002 and 2001, are set forth as follows:

	2002	2001
Discount rate	2.5%	3.0%
Expected rate of return on plan assets	6.3%	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	15 years

The liability for retirement benefits to directors and corporate auditors included in the accompanying consolidated balance sheets amounted to ¥218 million (\$1,636 thousand) and ¥264 million at March 31, 2002 and 2001, respectively. Amounts payable to directors and corporate auditors upon retirement are subject to the approval of the shareholders.

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 rate of approximately 42 percent for the years ended March 31, 2002, 2001 and 2000.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2002 and 2001, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Current			
Deferred tax assets:			
Inventories	¥ 165	¥ 233	\$ 1,238
Accrued bonuses	464	516	3,482
Accrued enterprise tax	1	222	8
Others	101	115	758
Valuation allowance	(49)	(60)	(368)
Total	682	1,026	5,118
Deferred tax liabilities:			
Allowance for doubtful receivables	14	12	105
Undistributed earnings of subsidiaries	27	□	202
Others	57	44	428
Total	98	56	735
Net deferred tax assets	¥ 584	¥ 970	\$ 4,383

	Millions of Yen		Thousands of U.S. Dollars
	2002 □ □	2001 □ □	2002 □
Non-current			
Deferred tax assets:			
Allowance for doubtful accounts □	¥ 8 □	¥ 12 □	\$ 60
Liability for retirement benefits □	2,424 □	2,335 □	18,191
Tax loss carryforwards □	386 □	207 □	2,897
Others □	127 □	98 □	953
Valuation allowance □	(253) □	(179) □	(1,898)
Total □	2,692 □	2,473 □	20,203
Offset with deferred tax liabilities □	(178) □	(248) □	(1,336)
Net deferred tax assets □	¥ 2,514 □	¥ 2,225 □	\$ 18,867
Deferred tax liabilities:			
Special reserve for tax purposes □	¥ 114 □	¥ 113 □	\$ 856
Unrealized gain on available-for-sale securities □	64 □	144 □	480
Total □	178 □	257 □	1,336
Offset with deferred tax assets □	(178) □	(248) □	(1,336)
Net deferred tax liabilities □	Nil □	¥ 9 □	Nil

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2002, 2001 and 2000, and the actual effective tax rates reflected in the accompanying consolidated statements of income was as follows:

	2002 □ □	2001 □ □	2000 □
Normal effective statutory tax rate □	42.0 % □	42.0 % □	42.0 %
Taxation on per capita basis □	1.2 □	0.3 □	0.8
Expenses not deductible for income tax purposes □	0.2 □	0.6 □	1.9
Lower income tax rates applicable to income in certain foreign countries □	(2.9) □	(2.9) □	(0.6)
Deduction for foreign subsidiaries' tax loss carryforward □	□	□	(8.7)
Valuation allowance □	4.6 □	(3.5)	
Non-taxable consolidation adjustment □	(0.8) □	(3.7)	
Others—net □	(3.7) □	(1.3) □	(0.5)
Actual effective tax rate □	40.6 % □	31.5 % □	34.9 %

At March 31, 2002, certain subsidiaries have tax loss carryforwards aggregating approximately ¥268 million (\$2,013 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized totaling ¥268 million (\$2,013 thousand), will expire in 2007.

10. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective from October 1, 2001.

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

Prior to October 1, 2001, the Code required at least 50 percent of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10 percent of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25 percent of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25 percent of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25 percent of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totals ¥442 million (\$3,317 thousand) and ¥412 million as of March 31, 2002 and 2001, respectively. Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of unappropriated retained earnings, available for dividends, to stated capital 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, 2002, retained earnings recorded on the Company's books were ¥5,944 million (\$44,608 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

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 an exercise price of 105 percent of the average market price for the month immediately preceding the date of grant. The exercise price will be subject to adjustment if there are stock splits or additional shares issued for less than the market price.

11. RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development costs charged to income for the years ended March 31, 2002, 2001 and 2000, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
	¥ 5,542	¥ 5,353	¥ 6,031	\$ 41,591

12. OTHER INCOME (EXPENSES)—OTHER—NET

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

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
Loss on sales and disposals of property, plant and equipment	¥ (109)	¥ (258)	¥ (83)	\$ (818)
Loss on devaluation of investment securities	(88)	(55)		(661)
Other—net	49	45	68	368
Total	¥ (148)	¥ (268)	¥ (15)	\$ (1,111)

13. 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 ¥409 million (\$3,069 thousand), ¥390 million and ¥329 million for the years ended March 31, 2002, 2001 and 2000, 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, 2002 and 2001, was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	2002				2002			
	Machinery and Equipment	Furniture and Foxtures	Other	Total	Machinery and Equipment	Furniture and Foxtures	Other	Total
Acquisition cost	¥ 1,307	¥ 7	¥ 485	¥ 1,799	\$ 9,808	\$ 53	\$ 3,640	\$ 13,501
Accumulated depreciation	720	2	216	938	5,403	15	1,621	7,039
Net leased property	¥ 587	¥ 5	¥ 269	¥ 861	\$ 4,405	\$ 38	\$ 2,019	\$ 6,462

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

Millions of Yen

2001

	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost □	¥ 1,314 □	¥ 10 □	¥ 460 □	¥ 1,784
Accumulated depreciation □	714 □	4 □	137 □	855
Net leased property □	¥ 600 □	¥ 6 □	¥ 323 □	¥ 929

Obligations under finance leases as of March 31, 2002 and 2001, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	□ 2002 □	2001 □	2002
Due within one year □	□ ¥ 333 □	¥ 332 □	\$ 2,499
Due after one year □	□ 545 □	614 □	4,090
Total □	□ ¥ 878 □	¥ 946 □	\$ 6,589

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 2002, 2001 and 2000, were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002 □	2001 □	2000 □	2002 □
Depreciation expense □	¥ 387 □	¥ 366 □	¥ 306 □	\$ 2,904
Interest expense □	22 □	24 □	21 □	165
Total □	¥ 409 □	¥ 390 □	¥ 327 □	\$ 3,069

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.

14. 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:

	Millions of Yen	
	2000	
	Contract or Notional Amount	Fair Value (Loss)
Interest rate swaps (fixed rate payments, floating rate receipt) □	¥ 1,300 □	¥ (65)

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.

15. SEGMENT INFORMATION

Information about industry segments, geographical segments and sales to foreign customers of the Companies for the years ended March 31, 2002, 2001 and 2000, was as follows:

(1) Industry Segments

Industry segments information is not shown since substantially all consolidated net sales, operating income and identifiable assets for 2002, 2001 and 2000 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

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

The geographical segments of the Companies for the years ended March 31, 2002, 2001 and 2000, are summarized as follows:

	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

	Thousands of U.S. Dollars				Consolidated □
	2002				
	Japan	Asia	North America	Eliminations or Corporate	
Sales:					
To customers □	\$ 303,812 □	\$ 38,409 □	\$ 28,788 □	□	\$ 371,009
Interarea transfers □	55,948 □	30,311 □	1,614 □	\$ (87,873)	
Total □	359,760 □	68,720 □	30,402 □	(87,873) □	371,009
Operating expenses □	314,326 □	66,664 □	30,177 □	(49,329) □	361,838
Operating income □	\$ 45,434 □	\$ 2,056 □	\$ 225 □	\$ (38,544) □	\$ 9,171
Total assets □	\$ 370,935 □	\$ 33,223 □	\$ 6,499 □	\$ 16,165 □	\$ 426,822

	Millions of Yen				Consolidated □
	2001				
	Japan	Asia	North America	Eliminations or Corporate	
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

	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

Notes: 1. The unallocated operating expenses for the years ended March 31, 2002, 2001 and 2000, amounting to ¥5,088 million (\$38,184 thousand), ¥4,601 million and ¥4,056 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, 2002, 2001 and 2000, amounting to ¥6,020 million (\$45,178 thousand), ¥8,305 million and ¥7,210 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, 2002, 2001 and 2000, amounted to ¥25,338 million (\$190,154 thousand), ¥31,789 million and ¥27,732 million, respectively, and accounted for 51.3 percent, 49.0 percent and 47.5 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 and 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				
	2002				
	Asia	North America	Europe	Other	Total
Sales	¥ 17,598	¥ 3,214	¥ 1,345	¥ 3,181	¥ 25,338

	Thousands of U.S. Dollars				
	2002				
	Asia	North America	Europe	Other	Total
Sales	\$ 132,068	\$ 24,120	\$ 10,094	\$ 23,872	\$ 190,154

Notes to Consolidated Financial Statements

New Japan Radio Co., Ltd. and Subsidiaries

	Millions of Yen				
	2001				
	Asia	North America	Europe	Other	Total
Sales□	¥ 20,411□	¥ 4,463□	¥ 2,091□	¥ 4,824□	¥ 31,789
	Millions of Yen				
	2000				
	Asia	North America	Europe	Other	Total
Sales□	¥ 20,057□	¥ 3,725□	¥ 3,167□	¥ 783□	¥ 27,732

16. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Japan Radio Co., Ltd. (the "Parent"). At March 31, 2002, the Parent held 19,756 thousand shares of common stock of the Company, 50.53 percent of the total outstanding shares.

Transactions with and balances due from and to the Parent for the years ended March 31, 2002, 2001 and 2000, are principally as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002□	2001□	2000□	2002□
Transactions:				
Sales□	¥ 496□	¥ 519□	¥ 428□	\$ 3,722
Purchase□	□	3□	8	
Services□	13□	32□	11□	98
Rental cost and other expense□	42□	41□	41□	315
Purchase of the equipments□	4□	37□	□	30
Purchase of marketable securities□	882□	□	□	6,619
Balances:				
Trade accounts receivable□	118□	145□	101□	886
Other receivable□	2□	3□	1□	15
Trade accounts payable□	□	□	8	
Other payable□	□	38		
Accrued expenses□	3□	3□	3□	23

17. SUBSEQUENT EVENTS

(1)□At the general shareholders meeting of the Company held on June 27, 2002, the appropriations of retained earnings were duly approved as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥5.0 (\$0.04) per share □	¥ 195□	\$ 1,464
Bonuses to directors□	40□	300
Total□	¥ 235□	\$ 1,764

(2) At the general shareholders meeting held on June 27, 2002, the Company's shareholders approved the purchase of treasury stock.

The Company is authorized to repurchase up to 2 million shares of the Company's common stock (aggregate amount of ¥2 billion).

* * * * *

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, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2002, 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, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, 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 27, 2002

Board of Directors

President

Kazuhiro Kume*

Executive Managing Director

Koji Fujimoto*

Managing Directors

Toshihiko Yoshimura

Kazuo Hirata

Director & Senior Adviser

Yoshihiko Sato

Directors

Tadahiro Muta

Hideaki Tamai

Teruo Yoshida

Koshi Fujino

Ryo Ogura

Masaharu Shimada

Shigeo Ohki

Seitaro Togashi

Tadashi Kobayashi

Statutory Auditors

- Standing Statutory Auditors

Akira Yamamoto

Tadahisa Kingo

- Statutory Auditors

Hajime Takagiwa

Tomoo Uehara

*Representative Director

Corporate Data



Kawagoe Works

Head Office

NB Nihonbashi Bldg., 3-10, Nihonbashi Yokoyama-cho,
Chuo-ku, Tokyo 103-8456, Japan

Telephone

+81-3-5642-8222

Facsimile

+81-3-5642-8220

Web site

<http://www.njr.co.jp/>

Subsidiaries

Saga Electronics Co., Ltd. (Japan)

Telephone +81-952-52-3181

Facsimile +81-952-52-3214

NJR Trading Co., Ltd. (Japan)

Telephone +81-3-5642-8511

Facsimile +81-3-5642-8510

NJR CORPORATION (U.S.A.)

Telephone +1-408-995-6200

Facsimile +1-408-938-5580

NJR Chichibu Co., Ltd. (Japan)

Telephone +81-494-54-2666

Facsimile +81-494-54-2660

THAI NJR CO., LTD. (Thailand)

Telephone +66-53-581-260

Facsimile +66-53-581-266

NJR (SINGAPORE) PTE LTD (Singapore)

Telephone +65-6744-4143

Facsimile +65-6744-9439

NJR Service Co., Ltd. (Japan)

Telephone +81-49-278-2180

Facsimile +81-49-278-2181

Independent auditor

Tohmatsu & Co.

Transfer agent

The Chuo Mitsui Trust and Banking Company, Limited

Stock exchange listing

First Section, Tokyo Stock Exchange

Number of shareholders

3,676 (as of March 31, 2002)

Environmental Activities

Our ISO 9001 and 14001 standard certification attests to New JRC's high precision and high quality

At New JRC, we feel it is an ongoing mission to continually strengthen our technology groups and upgrade the skills of our engineering staff as we tackle creative new technologies. To achieve this, we introduced an education system that provides level-specific training for all of our employees, from new recruits to managerial class. Many in-house training programs have been initiated under this system to increase our overall technological prowess. Understanding that environmental conservation is very important to all human beings, New JRC is dedicated to preventing pollution and protecting the environment. We have voluntarily developed environmentally friendly policies and are committed to being a company that coexists in harmony with the environment.

In 1994, we acquired certification under the ISO 9001 standard (Quality ISO), a vital admission ticket to the global marketplace, and in 1997 acquired ISO 14001 (Environment ISO). All of New JRC's products and technologies are the offspring of this effective organization of people and technology.

Quality Policy:

We, New Japan Radio Co., Ltd., continually use creativity to improve our business and thus produce adaptable products and services of high quality that meet the satisfaction of our customers.

Environmental Policy:

Basic concepts

Aware of the fact that protection of the global environment is an important task that is common to mankind, this company has an eye to environmental preservation in all its activities related to the production and services of semiconductor and microwave products in accordance with its management principles and basic management policies.

This annual report is printed on recycled paper.