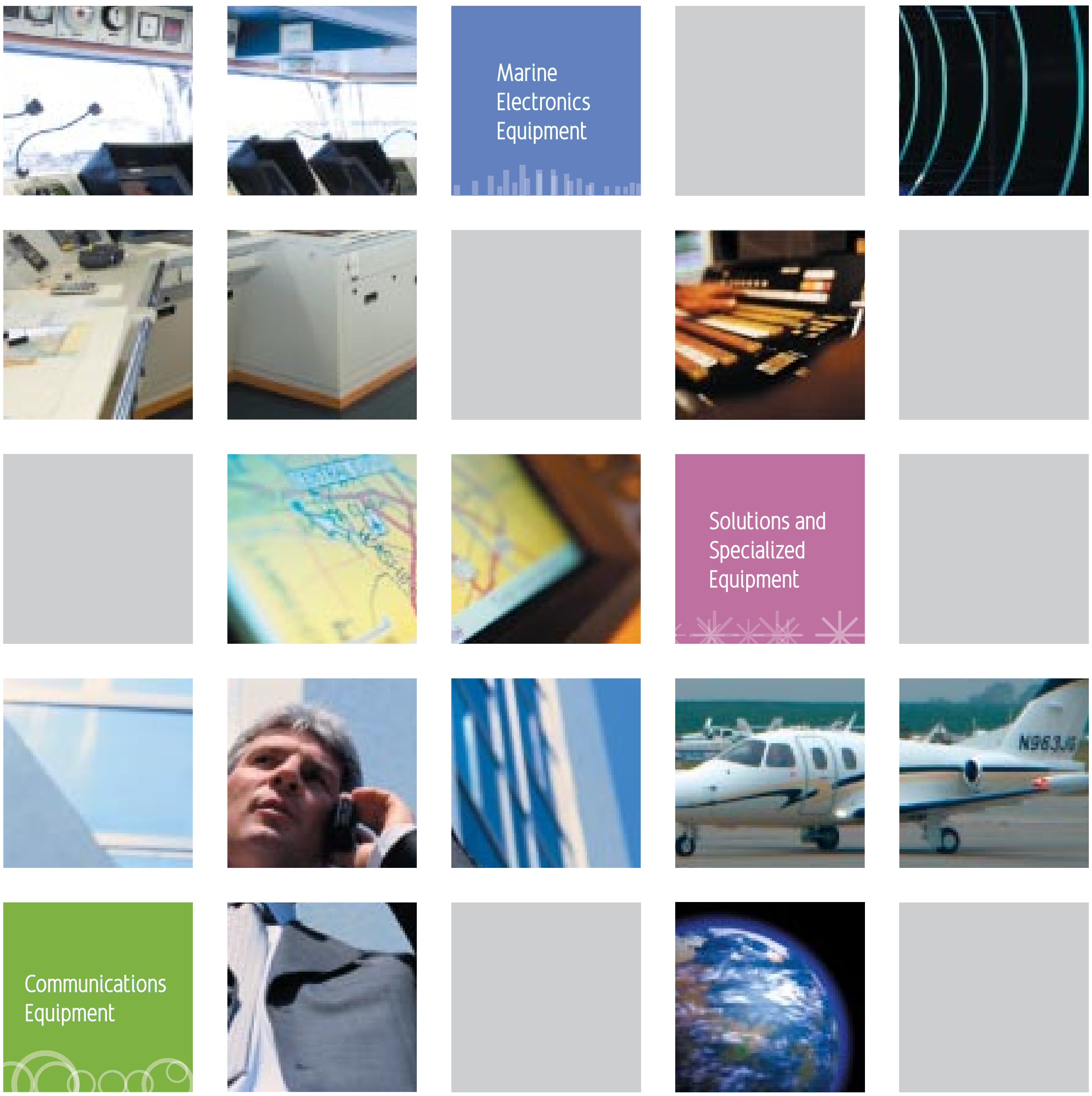
JRC Japan Radio Co., Ltd.

Annual Report 2007

For the year ended March 31, 2007

We seek to benefit society through advances in **information and communications.**



Founded in 1915, Japan Radio Co., Ltd. has grown to become one of the leading companies in the field of wireless technology in Japan. The JRC Group includes 11 subsidiaries and 3 affiliated companies, principally engaged in the manufacture and sale of radio communications equipment and its related systems. The Group considers its mission to be contributing to the realization of a prosperous society through healthy business activities, and as such offers beneficial products and services that serve the needs of customers, as it develops its business into a name trusted throughout the world.

Management Philosophy

Japan Radio Co., Ltd. shall apply its full creative and intelligent resources to develop technologies and products of superior value, in order to contribute to the realization of a society of ever higher quality.

Contents

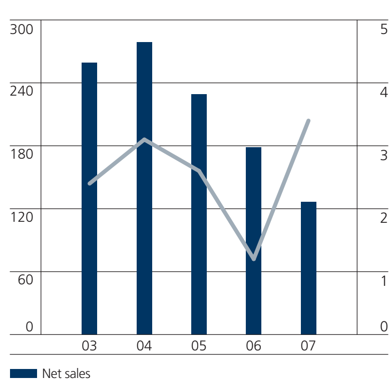
Caution with Regard to Forward-Looking Statements

Consolidated Financial Highlights

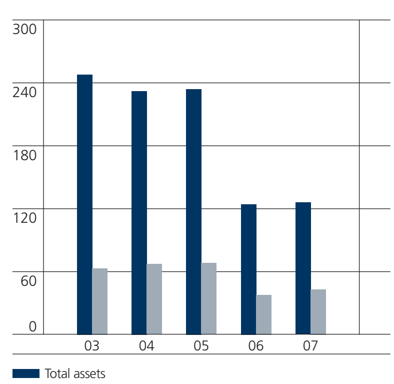
	Millions of yen			Thousands of U.S. dollars
For the years ended 31st March,	2005	2006	**2007**	**2007**
Net sales	¥229,193	¥178,848	**¥126,667**	**$1,072,995**
Radio communications	119,163	127,703	**126,667**	**1,072,095**
Semiconductor devices and microwave tubes	63,834	29,316	**0**	**0**
Medical electronics equipment	46,196	21,829	**0**	**0**
Operating income	5,965	2,157	**4,318**	**36,581**
Operating income ratio (%)	2.6	1.2	**3.4**	**–**
Income (loss) before income taxes and minority interests	4,761	(29,749)	**4,743**	**40,181**
Net income (loss)	542	(32,097)	**4,338**	**36,748**
As of 31st March,				
Total assets	233,878	124,128	**125,699**	**1,064,791**
Total equity	67,725	37,584	**42,756**	**362,184**
Capital adequacy ratio (%)	29.0	30.3	**34.0**	**–**
Interest-bearing liabilities	46,940	28,417	**21,067**	**178,454**
Depreciation	7,855	4,162	**1,652**	**14,001**
Capital expenditures	6,202	3,228	**1,354**	**11,470**
Net income (loss) per share (Yen/U.S. dollars)	3.44	(233.04)	**31.47**	**0.267**
ROE (%)	0.8	(61.0)	**10.8**	**–**
D/E ratio (times)	0.72	0.71	**0.50**	**–**
Employees	8,612	3,766	**3,731**	**–**

Notes 1. U.S. dollar amounts are translated, for convenience only, at ¥118.05 = US$1.00, the rate prevailing on March 31, 2007.
2. With respect to "Semiconductor devices and microwave tubes" segment, New Japan Radio Co., Ltd.'s group was excluded from the scope of consolidation as a result of the sale of issued shares with voting rights. With respect to "Medical electronics equipment" segment, ALOKA CO., LTD.'s group was excluded from the scope of consolidation as a result of the sale of issued share with voting right. For the reasons stated above, their sales, depreciation and capital expenditures until September 30, 2005 were reflected in each segment and their assets were not stated.

Net sales;
Operating income ratio
(¥ billions, %)



Total assets;
Total equity
(¥ billions)



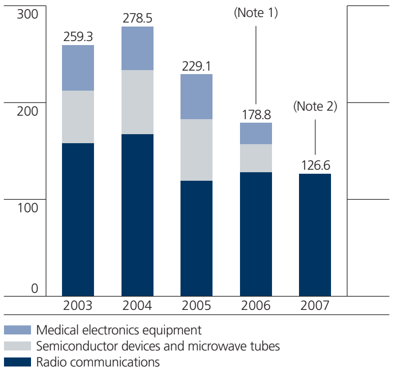
Improved Profitability

In the previous fiscal year, ended March 31, 2006, the JRC Group undertook a comprehensive reassessment of its business structure and rebuilt its operations. In December 2005, we sold two subsidiaries: New Japan Radio Co., Ltd., which handled the Semiconductor Devices and Microwave Tubes segment, and Aloka Co., Ltd., which was responsible for the Medical Electronics segment. Both segments were core businesses of the JRC Group. We have since concentrated our managerial resources on the Radio Communications segment, the third of the Group's three core businesses.

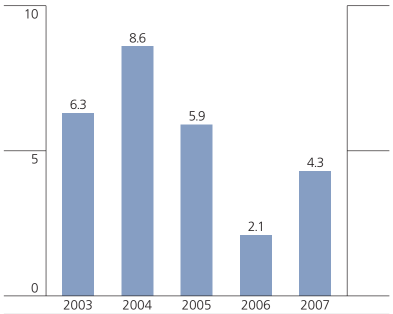
Due to the aforementioned removal of two core segments from our operations, consolidated net sales in fiscal 2006, ended March 31, 2007, declined significantly from the previous fiscal period. Nonetheless, we succeeded in stemming the revenue decline for the Radio Communications segment, sales of which edged down 1.4%, to ¥126,667 million.

However, profitability improved markedly, with operating income doubling to ¥4,318 million. This was attributable to enhanced efforts to reduce fixed costs and the favorable performance of the core Radio Communications segment. Earnings benefited from a number of factors, such as growth in the marine electronics equipment category and increased sales of linear power amplifier (LPA) devices for domestic telecommunications operators, owing to the introduction of number portability for mobile phones. Other reasons included focusing on the profitability of orders in the solutions business, lower device manufacturing costs, and the depreciation of the Japanese yen.

Consolidated sales
(¥ billions)



Operating income
(¥ billions)



Notes:
1. The decline in sales for the period ended March 2006 stemmed from the exclusion of two major subsidiaries (sold in December 2005) from the second half of the period.
2. The decline in sales for the period under review stemmed from the exclusion from revenue of two major subsidiaries (sold in December 2005) from the entire period.

Profit Distribution

JRC views the return of profit to shareholders as its top management priority. Our basic profit distribution policy is to continue paying stable dividends in the long term while taking account of our business performance and strengthening our financial position.

However, the Group did not declare cash dividends for the six-year period from fiscal 2000 to fiscal 2005. This was due to a decline in public-sector projects and a slump in performance stemming from other factors. During that period, we endeavored to cut both fixed and variable costs. At the same time, we concentrated on the Radio Communications business. In summary, we worked hard to build a corporate foundation capable of generating higher earnings in the medium and long terms.

For the fiscal period under review, therefore, we achieved a significant year-on-year improvement in earnings. In appreciation of the support received from shareholders over this time, we declared a year-end cash dividend of ¥5.00 per share for the year under review, our first dividend in seven years.

To promote medium- and long-term business growth, we will make effective use of retained earnings by investing in such areas as R&D and capital equipment. Furthermore, we will continue allocating retained earnings to establishing a framework that will realize efficient management and enhance the performance of the entire Group.

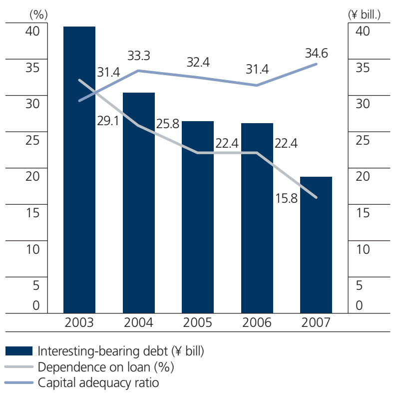
Medium-Term Business Policies

Medium-Term Strategies

The JRC Group's medium-term vision is to deploy its specialized technologies, namely in the wireless communications field, to create distinctive, high-value-added products. In the process, will seek to carve out a unique position and become the market leader. To achieve these goals, we will establish a sound foundation for the further growth of our Radio Communications business by building a robust earnings structure.

Since fiscal 2002, our operating income has steadily increased owing to reforms to our earnings structure. In the year under review, operating income exceeded the numerical target set down in our medium-term business plan. However, we do not expect operating income to reach our target for the current fiscal year, ending March 2008. This is due to our plan to make large R&D investments in anticipation of further medium- and long-term growth in the Radio Communications business. Consequently, although we will experience a decline in profitability in the current fiscal term, we forecast an increase in the operating income ratio owing to efforts to reduce fixed and variable costs in the medium term.

Dependence on loan and capital adequacy ratio
(Non-Consolidated)



We will also continue to pursue financial soundness by reducing interest-bearing liabilities. In addition, we will strive to attain a higher capital adequacy ratio by improving net income through enhanced profitability and cost reductions.

Meanwhile, we are undertaking a reassessment of the systems of Group companies. We have established a production headquarters to create a more robust earnings structure by raising productivity and strengthening the material procurement capabilities of the Group as a whole. This will be achieved through Group-wide production systems, integrated production management, adjustment of manufacturing loads within the Group, Group-wide capital investments, and joint procurement of materials.

Medium-Term Earnings Projection

While pursuing our long-term vision, we also have a medium-term business plan emphasizing profitability. Under this plan, we have the following targets for fiscal 2008, ending March 2009: net sales of ¥134.0 billion (up 5.8% from fiscal 2006), operating income of ¥6.6 billion (up 1.5-fold), and net income of ¥6.0 billion (up around 40% compared with fiscal 2006).

As a means of enhancing corporate value, the JRC Group adopts a management strategy with a high priority on cash flows. To further boost cash flows, in fiscal 2007 we will continue to reduce interest-bearing liabilities and inventory assets, expedite the collection of accounts receivable, and be highly selective in our business investments. Furthermore, we will add ROE as a business indicator in order to clarify the Group's responsibilities to its shareholders. Specifically, we are targeting consolidated ROE of 9.0% for fiscal 2008.

In order to attain these targets and realize our long-term vision, we will undertake a comprehensive review of our internal structure, pursue efficiencies, and build an operating foundation that emphasizes profitability.

At present, we are extensively reviewing the strategies and systems of the three categories that constitute the Radio Communications segment: marine electronics equipment, Radio communications equipment, and solutions and specialized equipment. This is because we understand the need to seize business opportunities in those fields, and transform such opportunities into tangible results for the Group.

We at the JRC Group stand united in our commitment to reinforcing our corporate foundation. In the process, we will build a robust earnings structure and financial position.

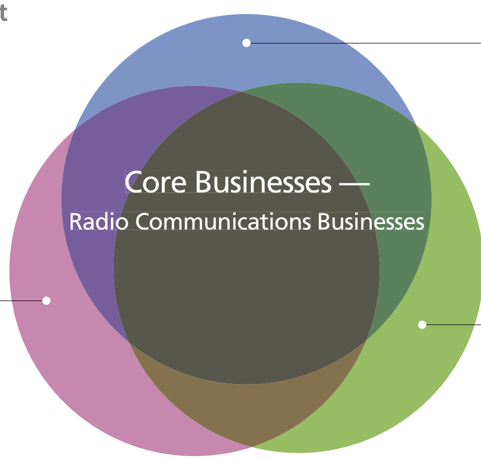
July 2, 2007

Yorihisa Suwa
President

Concentrating on Core Businesses

The JRC Group has established solid businesses in semiconductor devices, microwave tubes, and medical electronics equipment in an effort to diversify its activities in the radio communications field. After undertaking a reassessment of our operations from the perspective of profitability, however, we have decided to return to our core business and establish a leading presence in the global market by honing our technological capabilities and overall strengths. The Group's core Radio Communications segment is made up of three broad categories: marine electronic equipment, Radio communications equipment, and solutions and specialized equipment. By employing our comprehensive development capabilities encompassing all three categories, we will provide systems with an even higher level of added value and expand our market share.

From fiscal 2006,
JRC group business segment



Marine Electronics Equipment

- Marine satellite ship earth stations
- Vessel communications equipment
- Marine radar
- Fishing devices
- Electronic chart display systems
- Integrated bridge systems
- VHF radiotelephone equipment

Solutions and Specialized Equipment

- Broadcasting systems
- Regional and municipal disaster prevention systems
- Water and river information systems
- Aviation and meteorological systems
- Road information systems
- Landslide warning systems
- Specialized communications equipment

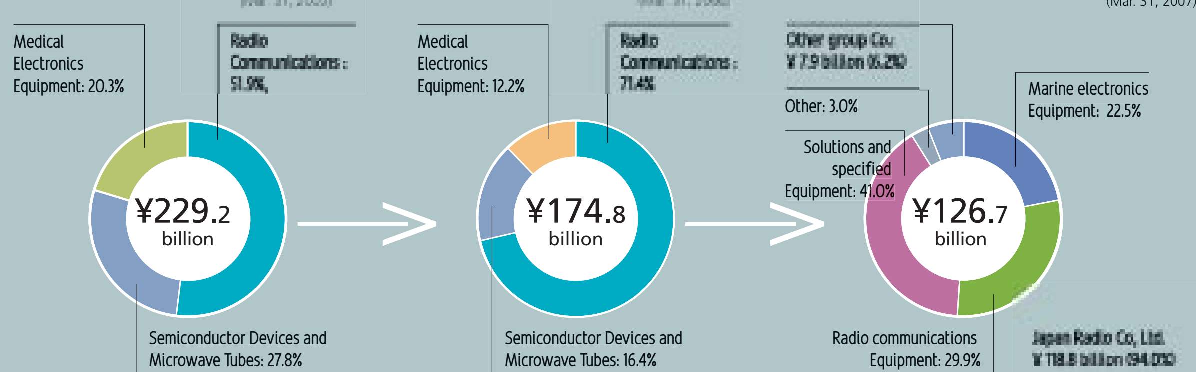
Radio Communications Equipment

- GPS receivers
- PHS (Personal Handy-Phone System) terminals
- Commercial radiotelephones
- Subscriber radio equipment
- Transmitting amplifiers
- SAW filters

Previous JRC Group Segments (Mar. 31, 2005)

Fiscal 2005 JRC Group Segments (Mar. 31, 2006)

From fiscal 2006, JRC group business segment (Radio Communications Business) (Mar. 31, 2007)



Operational Areas that We are Focusing on

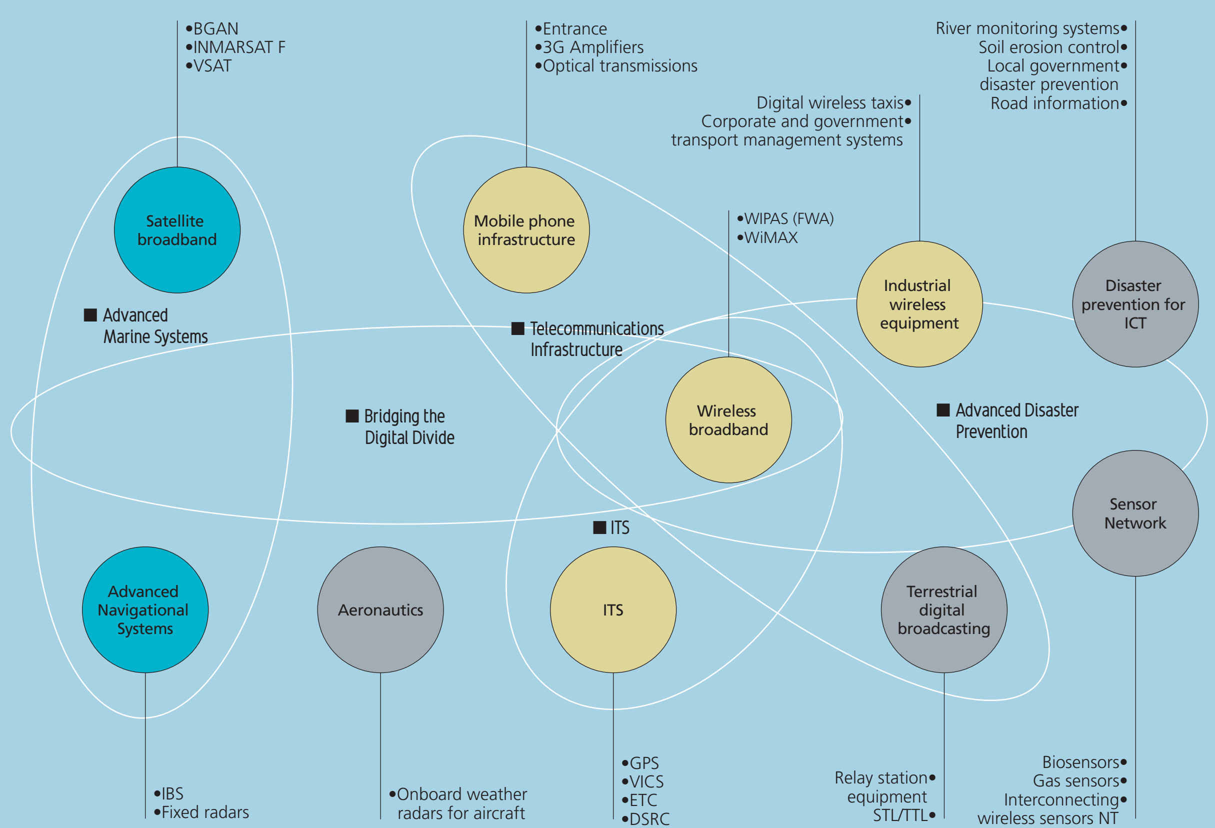
Going forward, the JRC Group will step up efforts to realize the potential of radio communications technologies and create a world-leading company in this area by making technological innovations.

In the marine electronics equipment category, we will expand our market share and create a stable business by developing new technologies, such as next-generation Inmarsat radar and fixed radar.

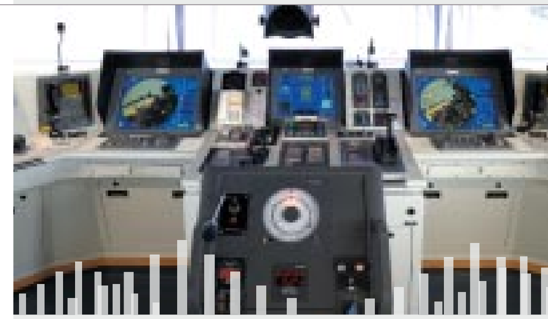
In the communications equipment category, we will establish a global broadband wireless access (BWA) business, by launching mobile WiMAX (Worldwide Interoperability for Microwave Access) and high-speed fixed wireless access (FWA) systems. We will establish a leading presence by developing onboard equipment in the field of Intelligent Transport Systems (ITS). We will also expand our activities in the private digital wireless communications equipment sector.

In the solutions and specialized equipment category, there is considerable private-sector demand for unique systems that merge the Group's solutions and radio communications technologies. We expect that this business, which achieved favorable results over the past period, will form a key pillar of future growth. Our solutions business aimed at public infrastructure is an important category that underpins the Group's activities. By pursuing further technological advances in this area, we will target stable growth. We are also building a new business pillar in the specialized equipment category by developing and applying technologies related to national defense. In addition, we are establishing a solid track record in the avionics business supplying radio and radar systems for the private-sector aviation industry.

By expanding our operations on a global scale, we will seek to increase our profile in the marine electronics equipment markets in Europe and China, where our presence is not as strong as in Japan. Similarly, by reinforcing strategic alliances in the communications equipment category, we will strive to make further inroads in overseas markets.



Marine Electronics Equipment

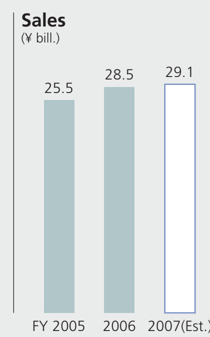


Environment and Performance

In the year under review, the marine transportation industry performed well, despite concerns stemming from high fuel prices. The sector's growth was attributable to strong demand for new vessels within the commercial shipping industry owing to high volumes of maritime freight. The market for replacing existing vessels was also buoyant. In response, we recorded strong sales of marine electronics equipment, such as voyage data recorders and simplified voyage data recorders, as well electronic chart display and information systems (ECDIS) and other navigational equipment, marine satellite transmission systems (Inmarsat), and ship radar systems.

As a result, non-consolidated sales in the marine electronics equipment category amounted to ¥28,468 million, up 11.8% from the previous year. Higher sales contributed to an increase in operating income for this category.

The JRC Group has built an esteemed reputation among professional customers in the maritime industry. This is a reflection of our technological and systems-related expertise. Going forward, we will strive to capture the top world market share as a manufacturer of marine communications equipment. Here, we boast a broad array of sophisticated technologies, centering on radar and other forms of radio communications.



Business Strategies

In the fiscal year ending March 2008, we anticipate an increase in demand, centering on marine communications equipment and radar systems, on the back of ongoing strength in the maritime industry and continued high demand for new vessels. Our plan is to step up sales activities in the European and Chinese markets. We also intend to launch a new model Inmarsat marine satellite transmission system. We forecast that these activities will contribute to an increase in sales of around 2%. We also anticipate that operating income will grow owing to higher sales and lower costs.

In addition, we will reinforce sales in the work boat market and endeavor to expand our share of the global market through OEM production and other initiatives. To further broaden the scope of our operations in this category, we will actively promote business alliances with other entities. Given the fast pace of technological innovation, we will target joint development of next-generation devices and pursue shared-supply arrangements for our equipment.

Our key strength lies in our ability to provide integrated systems centering on radio communications technologies. For example, we are aggressively developing next-generation technologies for the shipping sector in such areas as onboard information systems, advanced radar technologies, and sophisticated satellite communications technologies.

Inmarsat fleet mobile terminal JUE-250, with built-in Ethernet interface

GPS Compass (JLR-20)

Conventional marine radar display unit JMA-5300 series

Communications Equipment

Environment and Performance

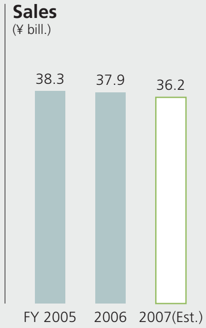
In fiscal 2006, Japanese telecommunications companies invested in infrastructure in preparation for the October 2006 introduction of number portability, allowing users to retain the same mobile phone number even when they switch carriers. These investment activities contributed to an increase in sales of related communications equipment. Sales in both the domestic and overseas markets also benefited from the shift from an analog to a digital system for commercial wireless equipment. However, we recorded sluggish growth in sales of measurement equipment to overseas markets.

As a result, non-consolidated sales in the communications equipment category edged down 1.1% year-on-year, to ¥37,911 billion. Operating income grew owing to a decrease in the variable cost ratio stemming from cost-cutting efforts.

Business Strategies

Looking ahead, we anticipate growth in sales of Personal Handy-Phone System (PHS) terminals and commercial wireless equipment. However, capital investment in infrastructure is expected to decline due to the completion of investments ahead of the introduction of mobile phone portability in October 2006. Given such circumstances, we will work hard to grow our domestic business, strengthen our activities overseas, and expand our overall business fields. While we forecast a sales decline in fiscal 2007 of around 4%, we are targeting an increase in operating income. We will achieve this by reducing costs and achieving higher earnings in the areas of commercial wireless equipment, PHS terminals, and measuring instruments for digital mobile communications.

Leveraging our exceptional expertise in wireless broadband technologies, we will seek to broaden the scope of our business and develop our activities on a global scale. Here, our initiatives will cover everything from expanding our presence in communications infrastructure and ITS to boosting sales of related measuring instruments and information terminals.



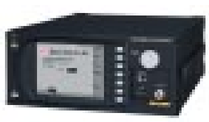
PHS handset with high security (WX321J)

Advanced communications standard W-OAM-compliant Personal Handyphone System (PHS) terminal (WX220J-Z)

In the communications infrastructure field, we will develop our business in fixed wireless access (FWA), both in Japan and overseas. We will also strive to increase sales of linear power amplifiers (LPAs) for base stations to address the proliferation of 3G mobile phones. In the ITS field, we will increase sales of ETC (Electronic Toll Collection System) devices for motorcycles and step up efforts aimed at integrating wireless communications systems for automobiles. These include Vehicle Information and Communication Systems (VICS), dedicated short range communications (DSRC) systems, and wireless LANs.

Amid strong demand for car navigation GPS receivers and portable navigation receivers, the Group will endeavor to expand its share of these markets both in Japan and overseas. In addition, we will reinforce sales activities in peripheral devices, such as mobile testers and concrete radars.

New Products and Technologies



Multi-path fading simulator (NJZ-2000)

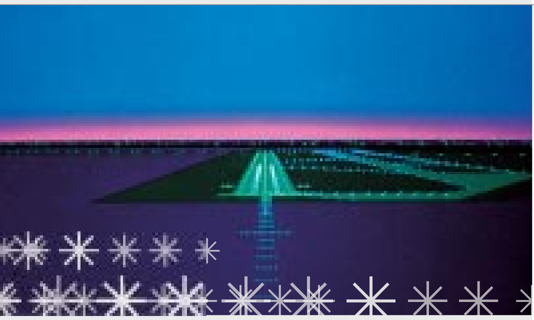
JRC has launched the NZJ-2000, a W-CDMA application tester for 3.5-generation mobile phones incorporating High-Speed Downlink Packet Access (HSDPA) protocols.

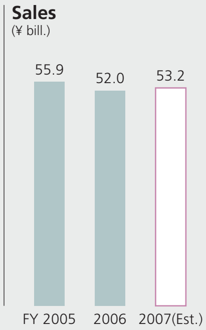
Compact outdoor mobile WiMAX base station

ETC onboard unit for motorcycles
In October 2006, JRC released the JRM-11 Series, Japan's first water-resistant and vibration proof ETC onboard unit for motorcycles.

Deeper-sensing "Handy Search" (NJJ-95B)

Solutions and Specialized Equipment





Environment and Performance

In the period under review, we recorded increased sales of systems to broadcasting networks on the back of advances in digitalization in the lead-up to terrestrial digital broadcasting in Japan. However, sales of solutions and specialized equipment for public-sector projects declined due to our focus on profitable orders amid severe price competition in this area.

As a result, non-consolidated sales declined 7.0%, to ¥51,975 million. Despite recording an operating loss, profitability improved markedly owing to the Group's emphasis on profitable orders and efforts to reduce fixed costs.

Business Strategies

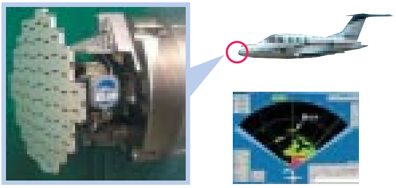
For fiscal 2007, we forecast increased sales of around 2% arising from an expected upturn in demand for disaster prevention systems, as well as meteorological radar and broadcasting equipment. We also project an improvement in operating income stemming from efforts to increase sales while emphasizing profitability. Earnings will also benefit from cost reductions achieved through standardization of designs and other measures.

This category has been affected by cutbacks in public works budgets and severe price competition in Japan in recent years. Nevertheless, we believe that solid opportunities exist in the area of disaster management, due to growing crisis awareness with respect to earthquakes and typhoons and abnormal weather thought to be attributable to global warming. The Ministry of Land, Infrastructure and Transportation is expanding the capacity of its arterial microwave network and plans to reinstall lines at local offices to provide an integrated, enhanced-function disaster prevention system covering all prefectures and municipalities by 2009. In response, the JRC Group will take up the challenge in new fields, such as sensor networks and remote maintenance. We also have a positive long-term outlook, which will benefit from a resurgence in capital expenditures in the lead-up to the full-scale commencement of terrestrial digital broadcasting in 2011, as well as the start of 1-segment broadcasts for mobile phones.

Amid declining public sector demand, we will strive to maintain sales in this category by expanding our list of customers. At the same time, we will reinforce our solutions business aimed at the private sector. Specifically, we will expand services related to regional intranets and other access-related areas, and we will broaden and upgrade our disaster prevention systems. In addition, we will cultivate demand for remote maintenance services using radio communications, and we will push ahead with our sensor network business.

Live broadcast equipment and TTL equipment for the broadcasting industry

Portable flat-type satellite communications equipment



JRC's compact weather radar (JMA-500) scheduled for introduction in the Eclipse 500, a small business jet aircraft made by U.S.-based Eclipse Aviation

World Leader in Wireless Communications Technology

R&D Aimed at Future Growth

The management vision of the JRC Group is to "deploy our specialized technologies, accumulated over many years, to carve solid positions in our respective areas, and target the top positions in our markets by nurturing distinctive, high-value-added products." By adhering to this vision, JRC competes for top world market positions in many areas of the wireless communications equipment sector. For example, we boast the No.1 share in Japan in GPS devices for car navigation systems, and in Vehicle Information and Communication Systems (VICS). We are also among the leaders in the world market for W-CDMA base station amplifiers.

In the marine electronics equipment field, moreover, we have the leading share of markets for commercial vessel radar and other devices, demonstrating our unwavering technological edge. Our expertise is not limited to our range of system technologies, for we also possess unsurpassed integrated strength in technologies used for constructing such systems. We boast the top market share in areas that require extremely high levels of reliability and technological excellence. These include dam management systems, disaster prevention systems, highway information systems, and various radar systems for the National Defense Agency.

As we pursue our management vision, we will increase the level of investment in development to achieve future progress. We will concentrate on developing common platforms and wireless broadband technologies, such as WiMAX, fixed radars, and onboard ITS devices to expand our operations in an efficient manner.

We have adopted a system for sharing technologies across the Group. The system brings together the Group's exceptional strengths in the various fields of wireless communications technologies, promotes technical information exchange and sharing, and allows JRC to exercise its integrated strength. Through the system, we hope to raise our overall technological expertise and enhance our role as a systems integrator.

Global Operations

The Broadband Wireless Access business is expected to develop globally following the launch of mobile WiMAX and high-speed FWA. China is earmarked for huge market growth fuelled by an economic boom ahead of the 2008 Beijing Olympics, as well as the switch to 3G mobile phones and growth of the local shipbuilding industry. Our office in Hong Kong, JRC (HK) Limited, is responsible for after-sales services and material procurement. In July 2007, we opened a representative office in Shanghai. We also have offices in Singapore, Jakarta, Manila, Taipei, and Hanoi. These are responsible for sales activities aimed at generating future business in the Asian region. In addition, we have branches in North America (Seattle and New York), the Netherlands, and Greece, as well as a subsidiary in Brazil. These operations provide sales and after-sales services for marine electronic equipment and radio communications equipment to customers in their respective nations and in surrounding markets.

Serving as a provider of comprehensive radio communications solutions to markets around the world, we will proactively develop the JRC brand on a global basis.

Mobile WiMAX base station

Corporate Governance and Compliance

Amid a rapidly changing business environment, our fundamental policies are to ensure accurate decision-making, expedite our responsiveness, and raise management transparency in order to enhance our corporate value.

JRC has an Auditor Association, with four auditors, two of whom are external auditors in accordance with the provisions of Japan's New Company Law. Our Managing Board consists of 12 members, including two external directors, also as prescribed by the New Company Law.

The Managing Board meets once a month, and on other occasions as needed, to decide important management-related matters. There is also the Managing Director Association, consisting of managing directors and more senior executives, as well as the Executive Director Association, made up of executive directors. Through these frameworks, we ensure communication between directors, mutual monitoring of duties, and compliance with laws, regulations, and the Company's Articles of Incorporation. Furthermore, by clarifying supervisory systems relating to management, administration, operations, and technology, we are endeavoring to reinforce our corporate governance framework.

We hold regular Management Strategy Conference meetings attended by directors, auditors, and the managers of relevant divisions to discuss important matters related to the execution of duties. These meetings are designed to ensure the Group's swift response to changes in the business environment. The corporate auditors monitor the soundness of operations by attending Managing Board, Executive Director Association, and Management Strategy Conference meetings in addition to monitoring the performance of directors.

The Corporate Internal Auditing Department is responsible for overseeing risk management and other internal control-related matters. In addition to monitoring the soundness of the Group's assets, the Department is responsible for risk management, monitoring compliance-related matters, and strengthening internal auditing. It seeks advice as needed from legal advisors and other professionals to receive opinions on legal matters and regulations. In addition to receiving audit reports from the independent auditor, the Corporate Internal Auditing Department receives proposals for improving business procedures via accounting audits.

Compliance System

In May 2005, the Group introduced the JRC Code of Conduct with the aim of promoting compliance awareness among executives, employees, and all other persons working in the Group. Since then, we have worked hard to ensure that everyone is familiar with the Code. We also established the CSR Promotion Department, which is dedicated to compliance and risk management-related matters. The Group also promotes compliance through regulations and an internal reporting system that enables employees to report directly on compliance-related issues.

Risk Management System

As part of our risk management system, we produced a Risk Management Manual in April 2004. We also established an Emergency Response Headquarters, with the aim of mitigating risks and facilitating swift recovery in the event of incident that may have a major impact on the Group's business operations. We have been strengthening our risk management system by appointing supervisors to monitor the various risks related to compliance, environment, quality, disaster, and information.

Internal Control Systems

At its meeting held in May 2006, the Managing Board approved a policy outlining the establishment of internal control systems. In accordance with this policy, the Group continues to introduce internal control systems covering such matters as legal compliance, reliable financial reporting, and effective and efficient performance of duties by directors and employees in accordance with corporate objectives. We continually strive to enhance not only performance and auditing and monitoring systems, but also our compliance, risk management, information management, and Group company management systems.

Basic Policies

The JRC Group places high priority on protecting the environment in the context of fulfilling its corporate social responsibilities. We devise and implement environmental plans on an annual basis according to our fundamental environmental policies. We are currently focusing on the impact that our products and manufacturing processes have on the environment, and this has become one of our major research and development themes.

The entire Group is engaged in environmental initiatives to ensure that its business activities will not have a negative influence on society or the environment. Our head office and domestic production and sales operations have obtained certification under ISO14001, the international standard for environmental management systems. At present, we are pursuing the following objectives.

1

Making environmentally friendly products: Ensure that such products constitute 90% or more of our lineup by the year ending March 2009 (except in special circumstances)

2

Lower use of toxic substances: All products to be RoHS-compliant by 2008 or 2009 (except in special circumstances)

3

Promote “green” procurement: Prioritize procurement of eco-products

4

Take action to prevent global warming: Cut energy use as a percentage of production output value to below 1990 levels by 2010

5

Increase recycling ratio: Ensure that 90% or more of waste is recycled by 2010

6

Minimize final waste: Reduce volume of final waste as a percentage of production output value by at least 60% of the 1996 level by 2010

7

Prevent air and water pollution: Observe all legal standards

Development of Environmentally Friendly Products

In the field of marine radar equipment, we developed the JMA-5200 as part of an initiative to increase environmentally friendly products. By adopting a liquid-crystal display, we reduced energy consumption by approximately 43% compared with the previous model (JMA-3900). We also conserved resources by making the model smaller and lighter. In addition, we developed a maritime satellite communication system that reduces power consumption by 30% when on standby and by 10% when transmitting. Here, too, we achieved a smaller and lighter system. Our indoor optical transmission solutions and LPAs for mobile phone W-CDMA base stations are lead-free, RoHS compliant, more energy efficient, and contain fewer components than existing products.

There are a number of risks that could potentially affect the JRC Group's business performance, share prices, and financial position. Such risks are summarized below.

(1) Tendency toward second half of each fiscal year

Because a relatively high proportion of the Group's products are delivered to public entities, sales tend to be toward the second half of each fiscal year.

(2) Demand trends

The business performance of the JRC Group can potentially be affected by the investment programs of public sector entities, which constitute a major source of business for the Group, as well as capital expenditures in the telecommunications industry. The Group's policy is to increase revenue from overseas, which will involve various risks, including geopolitical instability in certain regions and a possible slowdown in China's economic growth. Such changes in local environmental conditions can have an impact on the JRC Group as it develops its business globally.

(3) Exchange rate fluctuations

The Group's business includes foreign currency-denominated transactions conducted by overseas sales operations. Exchange rate fluctuations, therefore, have an effect on its business. The Group endeavors to minimize the effect of short-term fluctuations by engaging in exchange contracts and currency option transactions. However, such actions do not offer a full guarantee against currency risk, and earnings may be affected accordingly. In addition, exchange rate fluctuations can influence the purchasing patterns of customers overseas, which, in turn, may affect the performance of products sold in yen.

(4) Interest rate fluctuations

The JRC Group's business performance and financial position can potentially be affected by future interest rate movements and changes in its credit rating, which could influence its fund-raising costs.

(5) Availability of parts

Certain parts used by the JRC Group can become difficult to purchase due to changes in economic conditions. For example, sharp economic growth in certain regions (such as China) and a surge in the popularity of certain products (such as digital electronic appliances) may reveal limitations in the supply capacity of parts manufacturers and cause problems with delivery times. Such factors have the potential to affect the Group's shipment schedule, while sharp increases in parts' prices could have an adverse impact on earnings.

(6) Legal restrictions

In the countries where the Group engages in business transactions, various laws apply, including restrictions on exports and imports, as well as laws related to the environment and recycling. The Group's stated policy focuses on compliance with such laws and regulations, and this policy is clarified in its internal rules. However, unexpected changes to laws have the potential to restrict the Group's activities and increase costs.

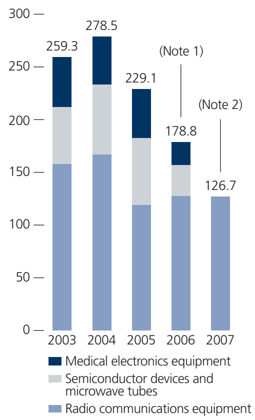
Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars (Note 1)
For the years ended 31st March,	2003	2004	2005	2006	**2007**	**2007**
Net sales	¥259,381	¥278,572	¥229,193	¥178,848	**¥126,667**	**$1,072,995**
Radio communications	157,929	167,350	119,163	127,703	**126,667**	**1,072,995**
Semiconductor devices and microwave tubes (Note 2)	54,247	66,021	63,834	29,316	**0**	**0**
Medical electronics equipment (Note 2)	47,205	45,201	46,196	21,829	**0**	**0**
Operating income	6,351	8,668	5,965	2,157	**4,318**	**36,581**
Operating income ratio (%)	2.4	3.1	2.6	1.2	**3.4**	**–**
Income (loss) before income taxes and minority interests	2,293	6,515	4,761	(29,749)	**4,743**	**40,181**
Net income (loss)	(10,534)	2,161	542	(32,097)	**4,338**	**36,748**
As of 31st March,						
Total assets	247,849	232,235	233,878	124,128	**125,699**	**1,064,791**
Total equity	62,687	66,701	67,725	37,584	**42,756**	**362,184**
Capital adequacy ratio (%)	25.3	28.7	29.0	30.3	**33.7**	**–**
Interest-bearing liabilities	64,053	50,838	46,940	28,417	**21,067**	**178,454**
Depreciation	8,359	7,820	7,855	4,162	**1,652**	**14,001**
Capital expenditures	8,385	7,142	6,202	3,228	**1,354**	**11,470**
Net income (loss) per share (Yen/U.S. dollars)	(76.85)	15.19	3.44	(233.04)	**31.47**	**0.267**
ROE (%)	–	3.2	0.8	(61.0)	**10.8**	
D/E ratio (times)	1.02	0.80	0.72	0.77	**0.49**	
Employees	8,625	8,739	8,612	3,766	**3,731**	

Notes 1. U.S. dollar amounts are translated, for convenience only, at ¥118.05 = US$1.00, the rate prevailing on March 31, 2007.

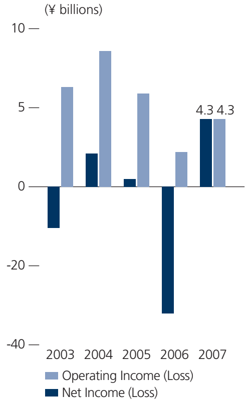
2. With respect to “Semiconductor devices and microwave tubes” segment, New Japan Radio Co., Ltd.’s group was excluded from the scope of consolidation as a result of the sale of issued shares with voting rights. With respect to “Medical electronics equipment” segment, ALOKA CO., LTD.’s group was excluded from the scope of consolidation as a result of the sale of issued share with voting right. For the reasons stated above, their sales, depreciation and capital expenditures until September 30, 2005 were reflected in each segment and their assets were not stated.

Consolidated Net Sales
(¥ billions)



Notes:
1. The decline in sales for the period ended March 2006 stemmed from the exclusion of two major subsidiaries (sold in December 2005) from the second half of the period.
2. The decline in sales for the period under review stemmed from the exclusion from revenue of two major subsidiaries (sold in December 2005) from the entire period.

Operating Income; Net Income
(¥ billions)



Revenue and Earnings

In fiscal 2006, ended March 31, 2007, consolidated net sales amounted to ¥126,667 million, down 29.2% from fiscal 2005. The decline stemmed primarily from the removal of the Semiconductor Devices and Microwave Tubes segment and the Medical Electronics Equipment segment from the Group's financial statements in the second half of the previous fiscal year. Accordingly, revenue in fiscal 2006 was generated solely by the Radio Communications segment.

On the earnings side, we worked hard to improved Group-wide profitability. Thanks to these efforts, operating income increased two-fold, to ¥4,318 million. In addition, the Group posted net income of ¥4,338 million, compared with a net loss of ¥32,097 million in the previous fiscal year. The main reason for the significant improvement in the bottom line was the absence of extraordinary losses posted in the previous fiscal year. These included the payment of a ¥23,077 million refund to the National Defense Agency and a ¥5,563 million loss on valuation and disposal of inventories.

On a non-consolidated basis, net sales edged down 1.0%, to ¥118,765 million, and operating income totaled ¥3,689 million. The Company posted net income of ¥3,862 million, compared with a net loss of ¥4,946 million in the previous fiscal year.

Sales by Segment

Because the Group's consolidated revenue is driven by the Radio Communications segment from the year under review, for year-to-year performance evaluation purposes we will compare consolidated Group net sales in 2006 with consolidated sales of the Radio Communications segment in fiscal 2005.

The Radio Communications segment is made up of three broad categories: marine electronic equipment, radio communications equipment, and solutions and specialized equipment.

	Millions of yen		Millions of U.S. dollars (Notes 1)
	2006 (Note 2)	**2007**	**2007**
Marine electronic equipment	¥ 25,463	**¥ 28,468**	**$ 241.1**
Communications equipment	38,343	**37,911**	**321.1**
Solutions and specialized equipment	55,906	**51,975**	**440.3**
Other	432	**411**	**3.5**
Total	¥120,144	**¥118,765**	**$1,072.9**

Note 1: Yen figures are rounded to the nearest million. U.S. dollar figures are truncated to the nearest thousand dollars.

2: For the purpose of comparison, sales in the previous period consisted of the radio communications equipment segment only.

Financial Position

At March 31, 2007, consolidated total assets stood at ¥125,699 million, up ¥1,571 million from a year earlier. The main factor in this increase was a rise in inventories. Total liabilities declined ¥3,249 million, to ¥82,943 million, as the Company reduced interest-bearing liabilities as part of its management policy, which focuses on cash flows.

Net assets at fiscal year-end totaled ¥42,756 million, up ¥4,820 million compared with the sum of shareholders' equity and minority interests at end of the previous fiscal year. The increase was attributable mainly to net income, which amounted to ¥4,338 million.

On a consolidated basis, the equity ratio at fiscal year-end was 33.7%, up 3.4 points from a year earlier. On a non-consolidated basis, the equity ratio rose 3.2 points, to 34.6%.

Cash Flows

On a consolidated basis, cash and cash equivalents at year-end stood at ¥7,622 million, down ¥2,291 million from a year earlier.

Net cash provided by operating activities amounted to ¥6,206 million, compared with ¥21,218 million in net cash used in such activities in the previous fiscal year. This was due to ¥4,743 million in income before income taxes and minority interests.

Net cash used in investing activities totaled ¥640 million, compared with ¥14,713 million in net cash provided by such activities in the previous fiscal year. This was mainly due to ¥970 million in purchase of property, plant, and equipment.

Net cash used in financing activities was ¥7,860 million, compared with ¥1,060 million in the previous fiscal year. This resulted from an ¥8,600 million net change in commercial paper.

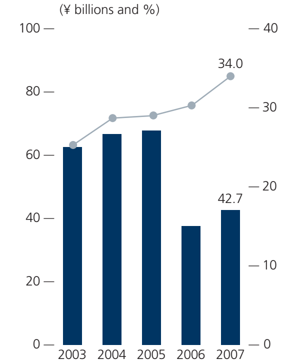
Outlook for Fiscal 2007

The outlook for the year ahead is uncertain, due to a number of concerns. These include exchange rate trends, economic conditions in the United States and China, and rising prices of crude oil and raw materials. Harnessing its comprehensive strengths, the JRC Group will push forward with its "selection and concentration" policy. We will also target ongoing reductions in operating expenses and purchasing costs. At the same time, we will strive to raise Group-wide production efficiency and further solidify our corporate foundation.

For fiscal 2007, ending March 31, 2008, we forecast a 0.2% increase in non-consolidated net sales, to ¥119.0 billion. We also project a 5.1% decrease in operating income, to ¥3.5 billion, and a 22.3% fall in net income, to ¥3.0 billion. The decline earnings decline will result from stepped-up R&D investments aimed at reinforcing our future growth potential.

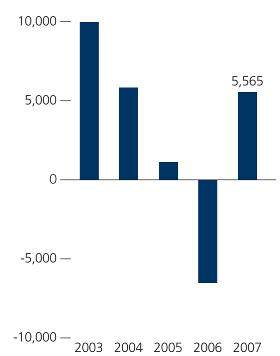
On a consolidated basis, we forecast a 0.1% dip in net sales, to ¥126.5 billion, and a 21.6% decline in net income, to ¥3.4 billion. The projected fall in net income reflects our plan to allocate resources toward investments in research and development, in order to bolster the Group's growth potential.

Total Equity;
Capital Adequacy Ratio
(¥ billions and %)



* Shareholders' equity ratio on a market value (%) = Aggregate Market Value/Total Assets

Free Cash Flow
(¥ millions)



* Free Cash Flow = Inflow from Operating Activities – Outflow from Investing Activities

Consolidated Balance Sheets

March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 7,622	¥ 9,913	$ 64,564
Short-term investments (Note 3)	102	100	864
Receivables:			
Trade notes	4,725	3,927	40,021
Trade accounts	46,247	47,527	391,760
Unconsolidated subsidiaries and affiliated companies	192	239	1,629
Other	258	579	2,182
Allowance for doubtful accounts	(463)	(601)	(3,925)
Inventories (Note 4)	34,540	30,559	292,586
Deferred tax assets (Note 9)	341	358	2,891
Prepaid expenses and other	1,071	983	9,076
Total current assets	94,635	93,584	801,648
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 6):			
Land	1,937	1,935	16,406
Buildings and structures	25,971	25,839	220,001
Machinery and equipment	10,110	10,474	85,643
Furniture and fixtures	18,631	18,734	157,822
Construction in progress	71	7	602
Total	56,720	56,989	480,474
Accumulated depreciation	(45,347)	(45,248)	(384,130)
Net property, plant and equipment	11,373	11,741	96,344
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	15,579	14,887	131,973
Investments in and advances to unconsolidated subsidiaries and affiliated companies	1,201	773	10,170
Deferred tax assets (Note 9)	1,374	1,479	11,635
Other assets (Note 5)	2,013	2,185	17,056
Allowance for doubtful accounts	(476)	(521)	(4,035)
Total investments and other assets	19,691	18,803	166,799
TOTAL	¥ 125,699	¥ 124,128	$ 1,064,791

See notes to consolidated financial statements.

	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 1,150	¥ 1,270	$ 9,742
Current portion of long-term debt (Note 6)	163	14,732	1,378
Commercial paper (Note 6)		7,000	
Payables:			
Trade notes	1,705	1,419	14,444
Trade accounts	31,458	28,624	266,480
Unconsolidated subsidiaries and affiliated companies	3,617	3,097	30,643
Other	644	683	5,453
Income taxes payable (Note 9)	330	381	2,793
Accrued expenses	2,699	2,599	22,863
Advances received	1,894	1,264	16,044
Other	5,108	3,767	43,271
Total current liabilities	48,768	64,836	413,111
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	19,252	5,415	163,086
Liability for retirement benefits (Note 7)	10,903	12,192	92,362
Deferred tax liabilities (Note 9)	3,960	3,704	33,542
Other	60	45	506
Total long-term liabilities	34,175	21,356	289,496
MINORITY INTERESTS		352	
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 14 and 16)			
EQUITY (Note 8):			
Common stock-authorized, 216,000,000 shares; issued, 137,976,690 shares in 2007 and 2006	14,704	14,704	124,560
Capital surplus	16,505	17,087	139,810
Retained earnings	5,349	331	45,307
Net unrealized gain on available-for-sale securities	5,869	5,501	49,718
Foreign currency translation adjustments	10	4	85
Treasury stock-at cost, 143,035 shares in 2007 and 125,588 shares in 2006	(49)	(43)	(413)
Total	42,388	37,584	359,067
Minority interests	368		3,117
Total equity	42,756	37,584	362,184
TOTAL	¥ 125,699	¥ 124,128	$1,064,791

Consolidated Statements of Operations

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
NET SALES	¥126,667	¥178,848	$1,072,995
COST OF SALES	104,604	142,914	886,098
Gross profit	22,063	35,934	186,897
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	17,745	33,777	150,316
Operating income	4,318	2,157	36,581
OTHER INCOME (EXPENSES):			
Interest and dividend income	181	413	1,534
Interest expense	(335)	(449)	(2,836)
Other—net (Note 12)	579	(31,870)	4,902
Other income (expenses)—net	425	(31,906)	3,600
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	4,743	(29,749)	40,181
INCOME TAXES (Note 9):			
Current	269	1,093	2,280
Deferred	116	1,270	978
Total income taxes	385	2,363	3,258
MINORITY INTERESTS IN NET INCOME (LOSS)	20	(15)	175
NET INCOME (LOSS)	¥ 4,338	¥ (32,097)	$ 36,748

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 2.q):			
Basic net income (loss)	¥ 31.47	¥ (233.04)	$ 0.27
Cash dividends applicable to the year	5.00		0.04

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2005	137,872	¥14,704	¥17,087	¥34,373	¥2,020	¥(425)	¥(34)	¥67,725		¥67,725
Net loss				(32,097)				(32,097)		(32,097)
Bonuses to directors				(67)				(67)		(67)
Decrease in retained earnings resulting from exclusion of consolidated subsidiaries				(1,878)				(1,878)		(1,878)
Net increase in unrealized gain on available-for-sale securities					3,481			3,481		3,481
Net increase in foreign currency translation adjustments						429		429		429
Purchase of treasury stock	(21)						(9)	(9)		(9)
BALANCE, MARCH 31, 2006	137,851	14,704	17,087	331	5,501	4	(43)	37,584		37,584
Reclassified balance as of of March 31, 2006 (Note 2.r)									¥352	352
Net income				4,338				4,338		4,338
Transfer from additional paid-in capital			(582)	582						
Bonuses to directors				(26)				(26)		(26)
Effect of increase in affiliates accounted for by the equity method				124				124		124
Purchase of treasury stock	(17)						(6)	(6)		(6)
Net change in the year					368	6		374	16	390
BALANCE, MARCH 31, 2007	137,834	¥14,704	¥16,505	¥5,349	¥5,869	¥10	¥(49)	¥42,388	¥368	¥42,756

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	$124,560	$144,743	$ 2,800	$46,602	$31	$(363)	$318,373		$318,373
Reclassified balance as of March 31, 2006 (Note 2.r)								$2,979	2,979
Net income			36,748				36,748		36,748
Transfer from additional paid-in capital		(4,933)	4,933						
Bonuses to directors			(222)				(222)		(222)
Effect of increase in affiliates accounted for by the equity method			1,048				1,048		1,048
Purchase of treasury stock						(50)	(50)		(50)
Net change in the year				3,116	54		3,170	138	3,308
BALANCE, MARCH 31, 2007	$124,560	$139,810	$45,307	$49,718	$85	$(413)	$359,067	$3,117	$362,184

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 4,743	¥ (29,749)	$ 40,181
Adjustments for:			
Income taxes—paid	(380)	(1,759)	(3,215)
Depreciation and amortization	1,667	4,608	14,121
Impairment loss	94	228	797
Gain on sales of investment securities	(1)	(6)	(12)
Loss on valuation of investment securities	3	100	25
Gain on sales of investments in a consolidated subsidiary		(5,052)	
Loss on sales of investments in a consolidated subsidiary		6,440	
Equity in losses (earnings) of affiliated companies	(329)	365)	(2,790)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	501	(1,711)	4,246
(Increase) decrease in inventories	(4,003)	7,140	(33,908)
Decrease (increase) in interest and dividend receivable	9	(7)	79
Increase (decrease) in notes and accounts payable	3,581	(556)	30,334
Increase (decrease) in interest payable	72	(6)	609
Decrease in liability for retirement benefits	(1,357)	(380)	(11,497)
Other—net	1,606	(873)	13,597
Total adjustments	1,463	8,531	12,386
Net cash provided by (used in) operating activities	6,206	(21,218)	52,567
INVESTING ACTIVITIES:			
Proceeds from sales of short-term investments	50	1,120	424
Purchase of short—term investments	(50)	(810)	(424)
Proceeds from sales of property, plant and equipment	5	88	42
Purchase of property, plant and equipment	(970)	(2,868)	(8,216)
Proceeds from sales of intangible asset	677		5,736
Proceeds from sales of investment securities	2	55	13
Purchase of investment securities	(49)	(147)	(414)
Sales of investments in consolidated subsidiaries, net of cash (Note 13)		17,948	
Other—net	(305)	(673)	(2,583)
Net cash provided by (used in) investing activities	(640)	14,713	(5,422)
	5,566	(6,505)	47,145
FINANCING ACTIVITIES:			
Net change in short-term bank loans	(120)	278	(1,017)
Net change in commercial paper	(7,000)	(1,000)	(59,297)
Proceeds from long-term debt	14,100	4,793	119,441
Repayments of long-term debt	(14,832)	(4,973)	(125,641)
Proceeds from minority interest shareholders		36	
Cash dividends	(2)	(184)	(18)
Other—net	(6)	(10)	(50)
Net cash used in financing activities	(7,860)	(1,060)	(66,582)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	3	50	28
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,291)	(7,515)	(19,409)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,913	17,428	83,973
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 7,622	¥ 9,913	$ 64,564

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2007 and 2006

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006.

The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in equity" from the current fiscal year.

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 addition, certain reclassifications have been made in the 2006 consolidated financial statements to conform to the classifications used in 2007.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Japan Radio Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥118.05 to $1, the approximate rate of exchange at March 31, 2007. Such translation should not be construed as representation 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 as of March 31, 2007 include the accounts of the Company and its 8 (8 in 2006) significant subsidiaries (together, the "Group").

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.

New Japan Radio Co., Ltd. was excluded from the scope of consolidation as of October 1, 2005 as a result of the sale of 50% of the total number of issued shares with voting rights. This company also has 8 subsidiaries as of October 1, 2005.

ALOKA CO., LTD. was excluded from the scope of consolidation as of October 1, 2005 as a result of the sale of 41% of the total number of issued shares with voting rights. This company also has 13 subsidiaries as of October 1, 2005.

Investments in 3 unconsolidated subsidiaries and 2 (3 in 2006) affiliated companies (companies over which the Group has the ability to exercise significant influence) are accounted for by the equity method.

FJ Mobile Core Technologies Inc. was excluded from the equity method of accounting as of April 1, 2006 as a result of the dissolution of this company.

Investments in 1 affiliated company (4 unconsolidated subsidiaries and 1 affiliated company in 2006) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material. In the year ended March 31, 2007, 1 unconsolidated subsidiary was merged into another unconsolidated subsidiary. For 3 unconsolidated subsidiaries, the equity method was applied due to increased materiality in the year ended March 31, 2007.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is being amortized over a period of 5 years.

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

b. 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 and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

c. Inventories — Finished products, semi-finished products and work in process are stated at cost determined principally by the specific identification method.

Raw materials and supplies are stated at cost determined by the average method.

Merchandise are stated at cost determined by the moving-average method.

Inventories of certain foreign consolidated subsidiaries are stated at the lower of cost determined by the moving-average method or market.

d. Marketable and Investment Securities — Marketable and investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities, which are not classified as either trading securities nor held-to-maturity debt securities, and they are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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.

e. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998 for the Company and its domestic consolidated subsidiaries. The range of useful lives is from 10 to 50 years for buildings and structures and from 7 to 10 years for machinery and equipment.

f. Long-lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. Stock and Bond Issue Costs — Stock and bond issue costs are charged to income as incurred.

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

i. Retirement and Pension Plans — The Company and certain domestic consolidated subsidiaries have contributory and non-contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Other foreign consolidated subsidiaries have non-contributory funded pension plans and unfunded retirement benefit plans.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The Company and certain subsidiaries have provided an allowance for directors' and corporate auditors' retirement benefits calculated in accordance with each company's policies and have included this amount in the liability for retirement benefits.

j. Reserve for Product Defect Compensation — The Company provided a reserve for product defect compensation at an estimated amount in order to cover the anticipated compensation.

k. 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.

l. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. 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 reflected in the financial statements for the following year upon shareholders' approval.

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

o. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

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

p. Derivatives and Hedging Activities — The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign currency forward contracts, interest rate swaps and currency options are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

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

The foreign currency forward contracts employed to hedge foreign exchange exposures for import purchases and export sales are measured at fair value and the unrealized gains/losses are recognized in income. Trade payables and trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

q. Per Share Information — Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because it is anti-dilutive during the two years in the period ended March 31, 2007.

Cash dividends per share presented in the consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

r. Presentation of Equity — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

s. New Accounting Pronouncements

Measurement of Inventories — Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting — On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Short-term investments:			
Time deposits	**¥ 100**	¥ 100	**$ 847**
Other	**2**		**17**
Total	**¥ 102**	¥ 100	**$ 864**
Investment securities:			
Equity securities	**¥14,853**	¥14,207	**$125,820**
Debt securities	**211**	212	**1,788**
Other	**515**	468	**4,365**
Total	**¥15,579**	¥14,887	**$131,973**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥ 4,693	¥ 9,843	¥ 18	¥ 14,518
Debt securities	208	3		211
Other	359	18	4	373
March 31, 2006				
Securities classified as available-for-sale:				
Equity securities	4,687	9,188	6	13,869
Debt securities	210	2		212
Other	317	16	4	329

	Thousands of U.S. Dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$ 39,754	$ 83,383	$ 152	$ 122,985
Debt securities	1,778	27		1,805
Other	3,041	150	31	3,160

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Available-for-sale:			
Equity securities	**¥ 335**	¥ 338	**$ 2,835**
Other	**142**	139	**1,205**
Total	**¥ 477**	¥ 477	**$ 4,040**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥2 million ($13 thousand) and ¥55 million, respectively. Gross realized gains on these sales for the year ended March 31, 2007, computed on the moving average cost basis, were ¥1 million ($12 thousand). Gross realized gains on these sales for the year ended March 31, 2006, computed on the moving average cost basis, were ¥6 million.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2007 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 2	$ 17
Due after one year through five years	12	102

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Finished products, semi-finished products and merchandise	**¥ 7,944**	¥ 7,710	**$ 67,295**
Work in process	**21,714**	18,150	**183,942**
Raw materials and supplies	**4,882**	4,699	**41,349**
Total	**¥ 34,540**	¥ 30,559	**$ 292,586**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2007 and 2006, and, as a result, recognized an impairment loss, as follows:

Location: Mitaka City, Tokyo
Asset use: Assets for Special Equipment Division

Year Ended March 31, 2007	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥ 2	$ 21
Furniture and fixture	51	430
Software	33	283
Other	8	63
Total	¥ 94	$ 797

Location: Mitaka City, Tokyo
Asset use: Assets for Special Equipment Division

Year Ended March 31, 2006	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥ 66	$ 563
Furniture and fixture	129	1,094
Other	33	283
Total	¥ 228	$ 1,940

In principle, the Group pools the assets of its business divisions into the smallest possible units for cash flow generation.

In the year under review, the Special Equipment Division, uncertain whether or not it could turn a profit at an early stage, reduced the book value of its asset pool to the amount deemed recoverable.

Within this asset pool, the amount deemed recoverable is determined according to estimated utility value. Because such assets are not certain to generate positive cash flow in the future, they were devalued to zero.

6. SHORT-TERM BANK LOANS, COMMERCIAL PAPER AND LONG-TERM DEBT

Short-term bank loans at March 31, 2007 and 2006 consisted of notes to banks, loans on deeds and bank overdrafts.

The weighted average annual interest rates for short-term bank loans for the years ended March 31, 2007 and 2006 were 1.5% and 1.4%, respectively.

The weighted average annual interest rate for commercial paper for the year ended March 31, 2006 was 0.1%.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Unsecured 0.7% domestic bonds due 2006		¥ 7,000	
Unsecured 0.7% domestic bonds due 2006		1,500	
Unsecured 1.0% domestic bonds due 2008		100	
Loans from banks, due serially to 2012 with interest rates ranging from 0.8% to 2.9% (in 2007) and from 0.9% to 2.9% (in 2006):			
Collateralized	**¥ 768**	888	**$ 6,506**
Unsecured	**18,647**	10,659	**157,958**
Total	**19,415**	20,147	**164,464**
Less current portion	**(163)**	(14,732)	**(1,378)**
Long-term debt, less current portion	**¥ 19,252**	¥ 5,415	**$ 163,086**

Annual maturities of long-term debt outstanding at March 31, 2007 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥163	$1,378
2009	2,334	19,774
2010	15,430	130,707
2011	1,200	10,165
2012	120	1,017
2013 and thereafter	168	1,423
Total	¥ 19,415	$164,464

The carrying amounts of assets pledged as collateral for long-term debt totaling ¥768 million ($6,506 thousand) at March 31, 2007 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment— net of accumulated depreciation	¥318	$2,690

7. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees, directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligation	**¥ 43,604**	¥ 43,561	**$ 369,377**
Fair value of plan assets	**(28,871)**	(26,628)	**(244,569)**
Unrecognized transitional obligation	**(2,628)**	(2,956)	**(22,262)**
Unrecognized actuarial loss	**(5,297)**	(6,178)	**(44,874)**
Unrecognized prior service cost	**3,672**	4,010	**31,106**
Net liability	**¥ 10,480**	¥ 11,809	**$ 88,778**

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost	**¥ 1,584**	¥ 2,328	**$ 13,418**
Interest cost	**882**	1,172	**7,471**
Expected return on plan assets	**(1,035)**	(775)	**(8,771)**
Amortization of prior service cost	**(338)**	(338)	**(2,866)**
Recognized actuarial loss	**675**	1,270	**5,726**
Amortization of transitional obligation	**329**	329	**2,783**
Net periodic benefit costs	**2,097**	3,986	**17,761**
Additional retirement benefits paid to employees		48	
Total	**¥ 2,097**	¥ 4,034	**$ 17,761**

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate	2.0%-2.5%	2.0%-2.5%
Expected rate of return on plan assets	2.0%-4.0%	1.0%-4.5%
Amortization period of prior service cost	15 years	15 years
Recognition period of actuarial gain/loss	10-15 years	10-15 years
Amortization period of transitional obligation	15 years	15 years

Retirement benefits for directors and corporate auditors are paid subject to approval of the shareholders.

The Company and certain subsidiaries recorded a liability for its unfunded retirement allowance plan covering all of its directors and corporate auditors. The liability for retirement benefits for directors and corporate auditors for the years ended March 31, 2007 and 2006 was ¥423 million ($3,585 thousand) and ¥383 million, respectively.

8. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b.Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c.Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

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 40.7% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Net current deferred tax assets—			
Current deferred tax assets:			
Accrued bonuses	¥ 1,201	¥ 932	$ 10,172
Enterprise taxes payable	60	35	508
Inventories	170	638	1,440
Allowance for doubtful accounts		1	
Unrealized gains	51	45	434
Accrued social security on accrued bonuses	158	108	1,336
Warranty for finished products	353		2,991
Other	31	41	266
Valuation allowance	(1,683)	(1,442)	(14,256)
Net current deferred tax assets	¥ 341	¥ 358	$ 2,891
Net non-current deferred tax assets—			
Non-current deferred tax assets:			
Liability for retirement benefits	¥ 670	¥ 719	$ 5,671
Tax loss carryforwards	110	74	931
Unrealized gains	636	629	5,390
Other	128	193	1,087
Valuation allowance	(116)	(74)	(982)
Total	1,428	1,541	12,097
Non-current deferred tax liabilities—			
net unrealized gains on available-for-sale securities	54	62	462
Total	54	62	462
Net non-current deferred tax assets	¥ 1,374	¥ 1,479	$ 11,635
Net non-current deferred tax liabilities—			
Non-current deferred tax assets:			
Allowance for doubtful accounts	¥ 257	¥ 300	$ 2,180
Liability for retirement benefits	3,618	4,063	30,649
Tax loss carryforwards	5,267	6,606	44,620
Software	2,630	2,577	22,280
Investment securities	845	850	7,162
Inventories	1,232	1,080	10,438
Property, plant and equipment	209	525	1,770
Other	238	277	2,006
Valuation allowance	(14,296)	(16,278)	(121,105)
Total			
Non-current deferred tax liabilities—			
net unrealized gains on available-for-sale securities	3,960	3,704	33,542
Total	3,960	3,704	33,542
Net non-current deferred tax liabilities	¥ 3,960	¥ 3,704	$ 33,542

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	1.0	(0.4)
Change in valuation allowance	(28.1)	(12.2)
Adjustment of gain on sales of investments in subsidiaries		(36.7)
Other—net	(5.5)	0.7
Actual effective tax rate	8.1%	(7.9)%

At March 31, 2007, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥13,122 million ($111,157 thousand) which are available to be offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 4,740	$ 40,149
2010	2,327	19,712
2011	239	2,023
2013 and thereafter	5,816	49,273
Total	¥13,122	$ 111,157

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥7,112 million ($60,249 thousand) and ¥13,108 million for the years ended March 31, 2007 and 2006, respectively.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Details of selling, general and administrative expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Provision for doubtful accounts	**¥ 86**	¥ 561	**$ 730**
Salary	**7,234**	12,592	**61,276**
Provision for retirement benefits	**714**	1,508	**6,050**
Research and development costs	**3,616**	5,973	**30,631**
Other	**6,095**	13,143	**51,629**
Total	**¥ 17,745**	¥ 33,777	**$150,316**

12. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Gain on sales of investment securities	**¥ 1**	¥ 6	**$ 12**
Gain on sales of intangible asset	**677**		**5,736**
Loss on valuation of investment securities	**(3)**	(100)	**(25)**
Gain on sales of investments in a consolidated subsidiary		5,052	
Loss on sales of investments in a consolidated subsidiary		(6,440)	
Equity in earnings (losses) of affiliated companies	**329**	(365)	**2,790**
Loss on valuation and disposal of inventories	**314**	(6,209)	**(2,658)**
Foreign exchange gain	**174**	414	**1,470**
Reversal of allowance for doubtful accounts	**126**	29	**1,066**
Impairment loss	**(94)**	(228)	**(797)**
Refund to Japan Defense Agency		(23,078)	
Other loss—net	**(317)**	(951)	**(2,692)**
Total	**¥ 579**	¥ (31,870)	**$ 4,902**

Notes: 1. Loss on valuation and disposal of inventories

For the fiscal year ended March 31, 2006, the Company established new standards for devaluation of assets based on years elapsed and other factors, and applied these standards to its holdings of inventories. The new standards were deemed necessary for properly valuing the effectiveness of assets in line with the Company's business restructuring, and resulted from the Company's review of appropriate methods for valuing inventories.

The Special Equipment Division, uncertain whether or not it could turn a profit at an early stage, reported an impairment loss on its fixed assets in the year under review. After careful consideration of future business conditions, that Division also posted a loss on valuation of inventories in recognition of a substantial decline in the effective value of such assets.

2. Refund to Japan Defense Agency
On December 14, 2004, the Company received an over-billing claim from the Japan Defense Agency for the delivery of defense-related equipment. The Company was subsequently subject to a special investigation on orders and contracts fulfilled prior to that date. On March 24, 2006, the Company received notification from the Agency of the overpaid amount, which was refunded in full on the same day.

3. Gain on sales of intangible asset
Gain on sales of intangible asset derives from the transfer to Nisshinbo Industries, Inc., of intellectual property other than patents (such as expertise) upon the dissolution of a joint development contract between the Company and Nisshinbo Industries, Inc.

13. SUPPLEMENTAL CASH FLOW INFORMATION

New Japan Radio Co., Ltd.'s group and ALOKA CO., LTD.'s group were excluded from the scope of consolidation as a result of the sale of 50% and 41% of the total number of issued shares with voting rights.

The cash flow effects of sales of ownership interest for the year ended March 31, 2006 are as follows:

	Millions of Yen
New Japan Radio Co., Ltd.'s Group	
Current assets	¥ 36,233
Long-term assets	22,424
Current liabilities	(25,814)
Long-term liabilities	(10,078)
Minority liabilities	(10,668
Gain on sales of investments in a consolidated subsidiary	5,052
Consideration received	17,149
Cash and cash equivalents	(3,606)
Incidental cost of sales of investments in a consolidated subsidiary	235
Net of cash	¥ 13,778
ALOKA CO., LTD.'s Group	
Current assets	¥ 38,535
Long-term assets	11,618
Current liabilities	(12,460)
Long-term liabilities	(3,174)
Minority liabilities	(16,125)
Decrease in retained earnings resulting from exclusion of consolidated subsidiaries	(1,878)
Cost of withholding taxes on consent dividend	(255)
Loss on sales of investments in a consolidated subsidiary	(6,440)
Consideration received	9,821
Cash and cash equivalents	(5,910)
Incidental cost of sales of investments in a consolidated subsidiary	259
Net of cash	¥ 4,170

14. LEASES

The Group leases certain machinery, computer equipment and other assets.

Total rental expenses including lease payments for the years ended March 31, 2007 and 2006 were ¥467 million ($3,953 thousand) and ¥347 million, respectively.

For the years ended March 31, 2007 and 2006, the Group recorded an impairment loss of ¥8 million ($64 thousand) and ¥6 million on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property, which is included in long-term liabilities-other.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance leases, depreciation expense, interest expense and impairment loss 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, 2007 and 2006 was as follows:

	Millions of Yen							
	2007				2006			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥914	¥1,090	¥360	¥2,364	¥932	¥761	¥140	¥1,833
Accumulated depreciation	522	487	100	1,109	426	317	50	793
Accumulated impairment loss		13		13		6		6
Net leased property	¥392	¥590	¥260	¥1,242	¥506	¥438	¥ 90	¥1,034

	Thousands of U.S. Dollars			
	2007			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$7,747	$9,235	$3,046	$20,028
Accumulated depreciation	4,420	4,124	847	9,391
Accumulated impairment loss		112		112
Net leased property	$3,327	$4,999	$2,199	$10,525

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 455	¥ 355	$ 3,856
Due after one year	861	735	7,293
Total	¥1,316	¥1,090	$11,149

Allowance for impairment loss on leased property of ¥10 million ($92 thousand) and ¥5 million, as of March 31, 2007 and 2006 is not included in obligations under finance lease.
Depreciation expense, interest expense and impairment loss under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥417	¥317	$3,533
Interest expense	27	20	227
Total	¥444	¥337	$3,760
Reversal of allowance for impairment loss on leased property	¥ 3		$ 28
Impairment loss	8	¥ 6	64

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, are computed by the straight-line method and the interest method, respectively.
The minimum rental commitments under noncancelable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 5	¥ 11	$ 44
Due after one year		5	1
Total	¥ 5	¥ 16	$ 45

15. DERIVATIVES

The Group enters into derivative financial instruments, including foreign currency forward contracts and currency options, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap agreements 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 within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading or speculative purposes.

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

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

16. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2007 and 2006 for guarantees of bank loans amounted to ¥157 million ($1,327 thousand) and ¥170 million, respectively.

17. RELATED PARTY TRANSACTIONS

Transaction of the Company with major shareholder, Nisshinbo Industries, Inc., for the year ended March 31, 2007 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2007	2007
Sales of business and intangible asset	¥677	$5,736

18. SEGMENT INFORMATION

The Company operates in the following industries:

The Radio Communications Equipment segment consists of radio communications equipment, radio-applied equipment, electronics equipment, installation work and other operations.

Information about operations in industry segments, geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2007 and 2006 is as follows:

(1) Industry Segments

For the fiscal year ended March 31, 2007, the percentages of the Radio Communications Equipment segment in total sales and in operating income exceeded 90%, thus we have omitted the disclosure of segmental information by business type.

Sales and operating income

	Millions of Yen				
	2006				
	Radio Communications Equipment	Semiconductor Devices and Microwave Tubes	Medical Electronics Equipment	Eliminations or Corporate	Consolidated
Sales to customers	¥ 127,703	¥ 29,316	¥ 21,829		¥ 178,848
Intersegment sales	780	363		¥ (1,143)	
Total sales	128,483	29,679	21,829	(1,143)	178,848
Operating expenses	126,878	28,842	22,198	(1,227)	176,691
Operating income (loss)	¥ 1,605	¥ 837	¥ (369)	¥ 84	¥ 2,157

Total assets, depreciation, impairment loss and capital expenditures

	Millions of Yen				
	2006				
	Radio Communications Equipment	Semiconductor Devices and Microwave Tubes	Medical Electronics Equipment	Eliminations or Corporate	Consolidated
Total assets	¥124,128				¥124,128
Depreciation	1,746	¥ 1,988	¥ 428		4,162
Impairment loss	278				278
Capital expenditures	1,366	1,587	275		3,228

Notes: 1.The effect of the adoption of the accounting for impairment of fixed assets in Note 2.f was to decrease the assets of the "Radio communications equipment" segment for the year ended March 31, 2006 by ¥228 million.

2.With respect to "Semiconductor devices and microwave tubes" segment, New Japan Radio Co., Ltd.'s group was excluded from the scope of consolidation as a result of the sale of issued shares with voting rights.

With respect to "Medical electronics equipment" segment, ALOKA CO., LTD.'s group was excluded from the scope of consolidation as a result of the sale of issued share with voting right.

For the reasons stated above, their sales, operating expenses, depreciation and capital expenditures until September 30, 2005 were reflected in each segment and their assets were not stated.

(2) Geographical Segments

The Company and consolidated subsidiaries operate predominantly in Japan. Geographical segment is minor in relation to the total consolidated sales. Accordingly, the presentation of geographical segment information is not required under the related regulations.

(3) Sales to Foreign Customers

	Millions of Yen				
	2007				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	¥ 7,313	¥ 9,117	¥ 5,243	¥ 7,344	¥ 29,017
Consolidated sales					126,667
The ratio of sales to foreign customers	5.8%	7.2%	4.1%	5.8%	22.9%

	Thousands of U.S. Dollars				
	2007				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	$61,949	$77,227	$44,417	$62,213	$ 245,806
Consolidated sales					1,072,995
The ratio of sales to foreign customers	5.8%	7.2%	4.1%	5.8%	22.9%

	Millions of Yen				
	2006				
	Asia	Europe	America	North Other	Total
Sales to foreign customers	¥ 20,670	¥ 14,830	¥8,573	¥7,903	¥ 51,976
Consolidated sales					178,848
The ratio of sales to foreign customers	11.6%	8.3%	4.8%	4.4%	29.1%

Notes: Asia area consists of China, Korea, Taiwan and Singapore.
Europe area consists of the United Kingdom and Greece.
North America area consists of the United States of America.
Other area consists of the Middle East, Latin America and others.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Japan Radio Co., Ltd. (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2007 and 2006, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Radio Co., Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 28, 2007

Non-Consolidated Balance Sheets

March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 5,397	¥ 7,354	$ 45,718
Short-term investments (Note 3)	2		17
Receivables:			
Trade notes	4,627	3,828	39,198
Trade accounts	45,147	46,435	382,439
Subsidiaries and affiliated companies (Note 14)	270	346	2,284
Other	256	521	2,169
Allowance for doubtful accounts	(461)	(598)	(3,908)
Inventories (Note 4)	32,614	28,692	276,272
Prepaid expenses and other (Note 14)	912	879	7,734
Total current assets	88,764	87,457	751,923
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	1,852	1,850	15,685
Buildings and structures	24,441	24,312	207,043
Machinery and equipment	9,121	9,490	77,268
Furniture and fixtures	17,089	17,222	144,760
Construction in progress	71	4	595
Total	52,574	52,878	445,351
Accumulated depreciation	(42,086)	(42,064)	(356,506)
Net property, plant and equipment	10,488	10,814	88,845
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	10,042	14,394	85,064
Investments in subsidiaries and affiliated companies (Note 3)	7,304	2,357	61,875
Other assets (Note 5)	1,670	1,836	14,145
Allowance for doubtful accounts	(476)	(521)	(4,034)
Total investments and other assets	18,540	18,066	157,050
TOTAL	¥117,792	¥116,337	$997,818

See notes to non-consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 6)		¥ 14,570	
Commercial paper (Note 6)		7,000	
Payables:			
Trade notes	**¥ 1,397**	1,178	**$ 11,835**
Trade accounts	**30,068**	27,057	**254,703**
Subsidiaries and affiliated companies (Note 14)	**4,474**	4,319	**37,903**
Other	**332**	354	**2,811**
Income taxes payable (Note 8)	**189**	127	**1,601**
Accrued expenses (Note 14)	**4,975**	4,149	**42,147**
Other (Note 14)	**3,995**	2,674	**33,839**
Total current liabilities	**45,430**	61,428	**384,839**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**18,600**	4,500	**157,560**
Liability for retirement benefits	**8,999**	10,132	**76,229**
Deferred tax liabilities (Note 8)	**3,960**	3,704	**33,542**
Other	**12**	10	**102**
Total long-term liabilities	**31,571**	18,346	**267,433**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 13)			
EQUITY (Note 7):			
Common stock—authorized, 216,000,000 shares; issued, 137,976,690 shares in 2007 and 2006	**14,704**	14,704	**124,560**
Capital surplus—additional paid-in capital	**16,505**	17,087	**139,810**
Retained earnings:			
Legal reserve		2,278	
Unappropriated retained earnings (deficit)	**3,862**	(2,860)	**32,718**
Net unrealized gain on available-for-sale securities	**5,769**	5,397	**48,871**
Treasury stock—at cost, 143,035 shares in 2007 and 125,588 shares in 2006	**(49)**	(43)	**(413)**
Total equity	**40,791**	36,563	**345,546**
TOTAL	**¥117,792**	¥116,337	**$ 997,818**

Non-consolidated Statements of Operations

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	**2007**
NET SALES	**¥118,765**	¥120,144	**$1,006,060**
COST OF SALES (Note 14)	**99,014**	100,938	**838,749**
Gross profit	**19,751**	19,206	**167,311**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**16,062**	18,261	**136,062**
Operating income	**3,689**	945	**31,249**
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 14)	**262**	694	**2,221**
Interest expense	**(283)**	(295)	**(2,399)**
Other—net (Note 11)	**249**	(6,236)	**2,113**
Other income (expenses)—net	**228**	(5,837)	**1,935**
INCOME (LOSS) BEFORE INCOME TAXES	**3,917**	(4,892)	**33,184**
INCOME TAXES—Current (Note 8)	**55**	54	**466**
NET INCOME (LOSS)	**¥ 3,862**	¥ (4,946)	**$ 32,718**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.q):			
Basic net income (loss)	**¥ 28.02**	¥ (35.88)	**$ 0.24**
Cash dividends applicable to the year	**5.00**		**0.04**

See notes to non-consolidated financial statements.

Non-consolidated Statements of Changes in Equity

Years Ended March 31, 2007 and 2006

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus Additional Paid-in Capital	Retained Earnings Legal Reserve	Retained Earnings Unappropriated	Net Unrealized Gain on Available-for-sale Securities	Treasury Stock
BALANCE, APRIL 1, 2005	137,872	¥14,704	¥17,087	¥2,278	¥ 2,086	¥1,806	¥(34)
Net loss					(4,946)		
Net increase in unrealized gain on available-for-sale securities						3,591	
Purchase of treasury stock	(21)						(9)
BALANCE, MARCH 31, 2006	137,851	14,704	17,087	2,278	(2,860)	5,397	(43)
Net income					3,862		
Transfer from additional paid-in capital			(582)		582		
Transfer from legal reserve				(2,278)	2,278		
Purchase of treasury stock	(17)						(6)
Net change in the year						372	
BALANCE, MARCH 31, 2007	**137,834**	**¥14,704**	**¥16,505**		**¥3,862**	**¥ 5,769**	**¥(49)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus Additional Paid-in Capital	Retained Earnings Legal Reserve	Retained Earnings Unappropriated	Net Unrealized Gain on Available-for-sale Securities	Treasur Stock
BALANCE, MARCH 31, 2006	$124,560	$144,743	$ 19,301	$ (24,234)	$45,719	$(363)
Net income				32,718		
Transfer from additional paid-in capital		(4,933)		4,933		
Transfer from legal reserve			(19,301)	19,301		
Purchase of treasury stock						(50)
Net change in the year					3,152	
BALANCE, MARCH 31, 2007	**$124,560**	**$139,810**		**$ 32,718**	**$48,871**	**$(413)**

See notes to non-consolidated financial statements.

Notes to NON-Consolidated Financial Statements

Years Ended March 31, 2007 and 2006

1. BASIS OF PRESENTING NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements have been prepared from the accounts maintained by Japan Radio Co., Ltd. (the "Company") in accordance with the provisions set forth in the Corporate Law of Japan or the Commercial Code of Japan and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006.

The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the statement of changes in equity" from the current fiscal year.

As consolidated statements of cash flows and certain disclosures are presented in the consolidated financial statements of the Company, non-consolidated statements of cash flows and certain disclosures are not presented herein in accordance with Japanese GAAP.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the Company's financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 non-consolidated financial statements to conform to the classifications used in 2007.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of \118.05 to $1, the approximate rate of exchange at March 31, 2007. Such translation should not be construed as representation 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.Non-consolidation — The non-consolidated financial statements do not include the accounts of subsidiaries. Investments in subsidiaries and affiliated companies are stated at cost.

b.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 and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

c.Inventories — Finished products, semi-finished products and work in process are stated at cost determined principally by the specific identification method.

Raw materials and supplies are stated at cost determined by the average method.

d.Marketable and Investment Securities — Marketable and investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities, which are not classified as either trading securities nor held-to-maturity debt securities, and they are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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.

e.Investments in Subsidiaries and Affiliated Companies — Investments in subsidiaries and affiliated companies are generally stated at cost, except that appropriate write-downs are recorded for investments in companies which have incurred substantial losses deemed to be of a permanent nature.

f.Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 10 to 50 years for buildings and structures, from 7 to 10 years for machinery and equipment and from 2 to 15 years for furniture and fixtures.

g.Long-lived Assets — The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h.Stock and Bond Issue Costs — Stock and bond issue costs are charged to income as incurred.

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

j.Retirement and Pension Plans — The Company has a non-contributory funded defined benefit pension plan and an unfunded retirement benefit plan for employees.

The Company accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

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

k.Reserve for Product Defect Compensation — The Company provided a reserve for product defect compensation at an estimated amount in order to cover the anticipated compensation.

l.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 non-consolidated financial statements.

m.Income Taxes — The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of operations. 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.

n.Appropriations of Retained Earnings — Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

o.Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the non-consolidated statements of operations to the extent that they are not hedged by forward currency contracts and options.

p.Derivatives and Hedging Activities — The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign currency forward contracts, interest rate swaps and currency options are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

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

The foreign currency forward contracts employed to hedge foreign exchange exposures for import purchases and export sales are measured at a fair value and the unrealized gains/losses are recognized in income. Trade payables and trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

q.Per Share Information — Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because it is anti-dilutive during the two years in the period ended March 31, 2007.

Cash dividends per share presented in the non-consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

r.Presentation of Equity — On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

The non-consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

s.New Accounting Pronouncements

Measurement of Inventories — Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting — On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Short-term investments—Debt securities	¥ 2		$ 17
Investment securities:			
Equity securities	¥ 9,639	¥13,996	$81,653
Debt securities	211	212	1,788
Other	192	186	1,623
Total	¥10,042	¥14,394	$85,064

The carrying amounts and aggregate fair values of investment securities in affiliated companies whose market values are available at March 31, 2007 and 2006 are as follows:

	Millions of Yen					
	2007			2006		
	Carrying Amount	Market Value	Unrealized Gain	Carrying Amount	Market Value	Unrealized Gain
Affiliated companies	¥ 1,015	¥ 1,901	¥ 886	¥1,015	¥2,511	¥1,496

	Thousands of U.S. Dollars		
	2007		
	Carrying Amount	Market Value	Unrealized Gain
Affiliated companies	$8,601	$16,109	$7,508

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Finished products and semi-finished products	¥ 7,968	¥ 7,567	$ 67,500
Work in process	20,126	16,736	170,487
Raw materials and supplies	4,520	4,389	38,285
Total	¥ 32,614	¥ 28,692	$ 276,272

5. LONG-LIVED ASSETS

The Company reviewed its long-lived assets for impairment as of the years ended March 31, 2007 and 2006, and, as a result, recognized an impairment loss, as follows:

Location: Mitaka City, Tokyo
Asset use: Assets for Special Equipment Division

Year Ended March 31, 2007	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥ 2	$ 21
Furniture and fixture	51	430
Software	33	283
Other	8	63
Total	¥ 94	$ 797

Location: Mitaka City, Tokyo
Asset use: Assets for Special Equipment Division

Year Ended March 31, 2006	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥ 66	$ 563
Furniture and fixture	129	1,094
Other	33	283
Total	¥ 228	$ 1,940

In principle, the Company pools the assets of its business divisions into the smallest possible units for cash flow generation.

In the year under review, the Special Equipment Division, uncertain whether or not it could turn a profit at an early stage, reduced the book value of its asset pool to the amount deemed recoverable.

Within this asset pool, the amount deemed recoverable is determined according to estimated utility value. Because such assets are not certain to generate positive cash flow in the future, they were devalued to zero.

6. SHORT-TERM BANK LOANS, COMMERCIAL PAPER AND LONG-TERM DEBT

The weighted average annual interest rate for commercial paper for the year ended March 31, 2006 was 0.1%. Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Unsecured 0.7% domestic bonds due 2006		¥ 7,000	
Unsecured 0.7% domestic bonds due 2006		1,500	
Loans from banks, due serially to 2008 with interest rates ranging from 0.8% to 1.8% (in 2007) and from 0.9% to 2.1% (in 2006)	**¥18,600**	10,570	**$157,560**
Total	**18,600**	19,070	**157,560**
Less current portion		(14,570)	
Long-term debt, less current portion	**¥18,600**	¥ 4,500	**$157,560**

Annual maturities of long-term debt outstanding at March 31, 2007 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 2,210	$ 18,721
2010	15,310	129,691
2011	1,080	9,148
Total	¥ 18,600	$157,560

7. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than \3 million.

b.Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c.Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. INCOME TAXES

The Company is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Current deferred tax assets:			
Accrued bonuses	**¥ 964**	¥ 688	**$ 8,164**
Inventories	**170**	638	**1,440**
Accrued social security on accrued bonuses	**125**	76	**1,063**
Enterprise taxes payable	**45**	23	**383**
Warranty for finished products	**353**		**2,991**
Other	**26**	17	**215**
Valuation allowance	**(1,683)**	(1,442)	**(14,256)**
Total			
Non-current deferred tax assets:			
Liability for retirement benefits	**¥ 3,618**	¥ 4,063	**$ 30,649**
Tax loss carryforwards	**5,267**	6,606	**44,620**
Software	**2,630**	2,577	**22,280**
Inventories	**1,232**	1,080	**10,438**
Investment securities	**845**	850	**7,162**
Property, plant and equipment	**209**	525	**1,770**
Allowance for doubtful accounts	**257**	300	**2,180**
Other	**238**	277	**2,006**
Valuation allowance	**(14,296)**	(16,278)	**(121,105)**
Total			
Non-current deferred tax liabilities—			
Net unrealized gain on available-for-sale securities	**3,960**	3,704	**33,542**
Total	**3,960**	3,704	**33,542**
Net non-current deferred tax liabilities	**¥ 3,960**	¥ 3,704	**$ 33,542**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying non-consolidated statements of operations for the years ended March 31, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	**40.7%**	40.7%
Dividend income not to be taxed	**(1.7)**	35.4
Change in valuation allowance	**(37.0)**	(72.3)
Other—net	**(0.6)**	(4.9)
Actual effective tax rate	**1.4%**	(1.1)%

At March 31, 2007, the Company has tax loss carryforwards aggregating approximately ¥12,942 million ($109,633 thousand) which are available to be offset against taxable income of the Company in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 4,674	$ 39,597
2010	2,273	19,252
2011	239	2,023
2013	5,756	48,761
Total	¥12,942	$109,633

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,884 million ($58,315 thousand) and ¥7,375 million for the years ended March 31, 2007 and 2006, respectively.

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Details of selling, general and administrative expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Provision for doubtful accounts	¥ 86	¥ 400	$ 731
Salary	6,357	6,710	53,848
Provision for retirement benefits	616	929	5,216
Depreciation expense	232	239	1,968
Rent expense	889	1,009	7,526
Research and development cost	3,526	3,824	29,867
Other	4,356	5,150	36,906
Total	¥ 16,062	¥18,261	$136,062

11. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Gain on sales of investment securities	¥ 1	¥ 6	$ 12
Loss on valuation of investment securities	(3)	(96)	(25)
Gain on sales of investments in subsidiaries and affiliated companies		24,070	
Gain on sales of intangible asset	677		5,736
Loss on valuation and disposal of inventories	(314)	(6,196)	(2,658)
Foreign exchange gain	173	182	1,468
Loss on sales and disposal of property, plant and equipment	(78)	(130)	(664)
Impairment loss	(94)	(228)	(797)
Refund to Japan Defense Agency		(23,078)	
Other loss—net	(113)	(766)	(959)
Total	¥ 249	¥ (6,236)	$ 2,113

Notes: 1.Loss on valuation and disposal of inventories

For the fiscal year ended March 31, 2006, the Company established new standards for devaluation of assets based on years elapsed and other factors, and applied these standards to its holdings of inventories. The new standards were deemed necessary for properly valuing the effectiveness of assets in line with the Company's business restructuring, and resulted from the Company's review of appropriate methods for valuing inventories.

The Special Equipment Division, uncertain whether or not it could turn a profit at an early stage, reported an impairment loss on its fixed assets in the year under review. After careful consideration of future business conditions, that Division also posted a loss on valuation of inventories in recognition of a substantial decline in the effective value of such assets.

2. Refund to Japan Defense Agency

On December 14, 2004, the Company received an over-billing claim from the Japan Defense Agency for the delivery of defense-related equipment. The Company was subsequently subject to a special investigation on orders and contracts fulfilled prior to that date. On March 24, 2006, the Company received notification from the Agency of the overpaid amount, which was refunded in full on the same day.

3. Gain on sales of intangible asset

Gain on sales of intangible asset derives from the transfer to Nisshinbo Industries, Inc., of intellectual property other than patents (such as expertise) upon the dissolution of a joint development contract between the Company and Nisshinbo Industries, Inc.

12. LEASES

The Company leases certain machinery, computer equipment and other assets.

Total rental expenses including lease payments for the years ended March 31, 2007 and 2006 were ¥391 million ($3,312 thousand) and ¥306 million, respectively.

For the years ended March 31, 2007 and 2006, the Company recorded an impairment loss of ¥8 million ($64 thousand) and ¥6 million on certain leased property held under finance leases that do not transfer ownership and an allowance for impairment loss on leased property, which is included in long-term liabilities-other.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance lease, depreciation expense, interest expense and other information 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, 2007 and 2006, was as follows:

	Millions of Yen							
	2007				2006			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥854	¥918	¥157	¥1,929	¥875	¥672	¥89	¥1,636
Accumulated depreciation	498	419	49	966	412	259	22	693
Accumulated impairment loss		13		13		6		6
Net leased property	¥356	¥486	¥108	¥ 950	¥463	¥407	¥67	¥ 937

	Thousands of U.S. Dollars			
	2007			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$7,232	$7,780	$1,332	$16,344
Accumulated depreciation	4,213	3,548	427	8,188
Accumulated impairment loss		112		112
Net leased property	$3,019	$4,120	$ 905	$ 8,044

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 380	¥319	$3,217
Due after one year	638	670	5,406
Total	¥1,018	¥989	$8,623

Allowance for impairment loss on leased property of ¥10 million ($92 thousand) and ¥5 million, as of March 31, 2007 and 2006 is not included in obligations under finance lease.

Depreciation expense, interest expense and other information under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Depreciation expense	¥359	¥281	$3,043
Interest expense	21	17	178
Total	¥380	¥298	$3,221
Reversal of allowance for impairment loss on leased property	¥ 3		$ 28
Impairment loss	8	¥ 6	64

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

The minimum rental commitments under noncancelable operating leases at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2007	2007
Due within one year	¥5	$42

13. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2007 and 2006 for guarantees of bank loans amounted to ¥186 million ($1,579 thousand) and ¥625 million, respectively.

14. RELATED PARTY TRANSACTIONS

Transactions of the Company with subsidiaries and affiliated companies for the years ended March 31, 2007 and 2006 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Purchases	¥15,806	¥17,870	$133,896
Dividend income	97	355	823

Balances due to or from these subsidiaries and affiliated companies at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Notes and accounts receivables	¥ 156	¥ 241	$ 1,322
Other receivables	114	105	962
Prepaid expenses and other current assets	250	648	2,118
Notes and accounts payables	4,407	4,306	37,328
Other payables	67	13	575
Accrued expenses and other current liabilities	291	233	2,465

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying non-consolidated balance sheets of Japan Radio Co., Ltd. (the "Company") as of March 31, 2007 and 2006, and the related non-consolidated statements of operations and changes in equity for the years then ended, all expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Radio Co., Ltd. as of March 31, 2007 and 2006, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 28, 2007

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Fax: +81-3-3348-3648
URL (English):
http://www.jrc.co.jp/eng/index.html

Saitama Plant
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Fax: +81-49-266-5615

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Phone: +886-2-2571-3100 Fax:+886-2-2571-2999

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JRC (HK) Limited *
23B, 23/F, Wyndham Place, 40-44 Wyndham Street,
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Phone: +852-2707-9170
Fax: +852-2707-9226

JRC do Brasil Empreendimentos Electronicos Ltda.
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Phone: +55-21-2220-8121
Fax: +55-21-2240-6324

Affiliated Companies
(as of 31st March, 2006)

(* denotes a consolidated subsidiary)

JRC Tokki Co., Ltd. *

Business:
Repairs and overhaul of defense electronics for ships and aircraft, system support engineering for installations on ships, and manufacture of peripheral equipment

Head office and factory:
3-2-1, Shinyoshida-higashi, Kohoku-ku, Yokohama, Kanagawa 223-0058, Japan

Phone: +81-45-547-8572

URL: http://www.jrctokki.co.jp

Employees: 344

JRC Engineering Co., Ltd. *

Business:
Software development and engineering for information and data processing systems using general-purpose computers, minicomputers and microcomputers

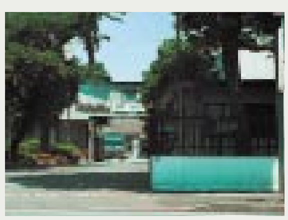
Head office and factory:
c/o Japan Radio Co., Ltd.
1-1, Shimorenjaku 5-chome, Mitaka, Tokyo 181-0013, Japan

Phone: +81-422-45-9661

URL: http://www.jrce.co.jp

Employees: 164

Japan Radio Glass Co., Ltd. *



Business:
Manufacture and sale of glassware for outdoor lamps, mercury-vapor lamps, electron tubes, physico-chemical apparatus, tableware and other glass tubes

Head office and factory:
1-8, Fukuoka 2-chome, Fujimino, Saitama 356-0011, Japan

Phone: +81-49-264-4411

URL: http://www.jrg.co.jp

Employees: 91

Musashino Electronics Co., Ltd. *

Business:
Manufacture of radio communications and medical electronics equipment, and electronics parts

Head office and factory:
1-33, Shimorenjaku 8-chome, Mitaka, Tokyo 181-0013, Japan

Phone: +81-422-47-6341

URL: http://www.musashino-e.com

Employees: 151

Sougou Business Service Co., Ltd. *

Business:
Distribution management of electronic equipment

Head office and factory:
Japan Radio Co., Ltd. Mitaka Factory
1-1, Shimorenjaku 5-chome, Mitaka, Tokyo 181-0013, Japan

Phone : +81-422-40-0471

Employees: 73

Nagano Japan Radio Co., Ltd.

Business:
Manufacture and sale of VHF radio equipment, radars, data transmission equipment, controllers, public address sets, power supply equipment, capacitors, etc.

Head office and factory:
1163, Inazato-machi, Nagano, Nagano 381-2288, Japan

Phone: +81-26-285-1111

URL: http://www.njrc.jp

Employees: 800(non-consolidated) / 2,161(consolidated)

Ueda Japan Radio Co., Ltd.

Business:
Manufacture of VHF radio equipment, radio receivers, measuring instruments, and electromedical equipment, etc.

Head office and factory:
10-19, Fumiiri 2-chome, Ueda, Nagano 386-8608, Japan

Phone : +81-268-26-2112

URL: http://www.ujrc.co.jp

Employees: 585

JRC Organization

(as of 1st April, 2007)

- Managing Director Association
- Managing Board
- President
- Management Strategy Conference
- Auditor / Auditor Association

- Corporate Internal Auditing Department
- Internal Management Promotion Department
- CSR Promotion Department
- Corporate Strategy Center
- Administration
  - General Affairs and Humana Resources Department
  - Security Trade Control Group
  - Legal Group
  - Accounting & Financial Department
- Research & Development Center
  - Laboratory
  - Development Department
- Core Technologies Center
  - Core Engineering Department
  - Mechanical Design Department
  - IT Promotion Department
- Quality Assurance
  - Quality Assurance Department
  - Quality Assurance Department / Communications Equipment
  - Quality Assurance Department / Solution Business
  - Quality Assurance Department / Marine Electronics
- Production
  - Production Control Department
  - Procurement Department
  - Production Department
- Sales & Marketing
  - Business Promotion Department
  - Communications Equipment Business Department
  - Solution Business Department
  - Marine Electronics Business Department
  - International Business Department
  - Hokkaido Regional Branch
  - Tohoku Regional Branch
  - Hokuriku Branch
  - Chubu Regional Branch
  - Kansai Regional Branch
  - Chugoku Branch
  - Kyushu Regional Branch
  - Seattle Branch
  - Amsterdam Branch
  - Greece Branch
- Communications Equipment Division
  - Wireless Access Business Unit
  - Mobile Business Unit
  - LPA Business Unit
  - ITS Business Unit
- Solution Business Division
  - Communications Solution Business Unit
  - Information Solution Business Unit
  - System Integrations Department
  - Field Engineering Department
- Marine Electronics Division
  - Marine Electronics Engineering Department
  - Marine Service Department
- Special Equipment Division
  - Special Equipment Sales Department
  - Special Equipment Project Management Department
  - Special Equipment Engineering Department
  - Applied Radio Systems Engineering Department
  - Special Equipment Production Department
  - Special Equipment Quality Assurance Department
- BWA Project

Investor Information

(as of 31st March, 2007)

Corporate Data

Japan Radio Co., Ltd.

Established:
December, 1915

Paid-in Capital:
¥14,704 millions ($124,560 thousands)

Number of Shares Issued:
137,976,690 shares

Number of Shareholders:
13,557

Stock Listing:
Tokyo Stock Exchange,
First Section (Code: 6751)

Employees:
2,858

General Meeting of Shareholders:
Convened annually in late June

Board of Directors and Corporate Auditors

(as of 28th June, 2007)

Chairman
Shinji Takeuchi

Representative Director, President
Yorihisa Suwa

Representative Director, Executive Managing Director
Koichi Okajima

Managing Director
Mikio Naito

Directors
Hironori Sakamoto
Tatsuro Masamura
Yoshimasa Gunji
Kiyohiko Tatebayashi
Takayoshi Tsuchida
Manabu Arai
Noboru Matsuda
Yoshikazu Sashida

Standing Corporate Auditors
Hideki Takeishi
Yoshio Nakatsuchi
Morihiro Sato

Corporate Auditor
Masaya Kawata

Major Shareholders

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Industries, Inc.	33,419	24.22
Mizuho Corporate Bank, Ltd.	5,853	4.24
Mizuho Bank, Ltd.	3,672	2.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,450	2.50
Morgan Stanley and Company Intl. Ltd.	2,518	1.82
JRC employee ownership	2,462	1.78
CBNY DFA International Cap. Value Portfolio	2,402	1.74
Japan Trustee Services Bank, Ltd. (Trust Account)	2,355	1.70
JRC Business Partner Ownership	2,082	1.50
Mitsubishi Electric Co.	1,850	1.34

Shareholder Type

	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals	Individuals and others	Total
Number of Shareholders	52	49	345	94	13,017	13,557
Number of Shares Held	26,924	1,933	38,940	18,213	51,366	137,376
Percentage of Total Shares Issued	19.6	1.4	28.3	13.3	37.4	100.0

Notes: Trading unit of common stock : 1,000 shares
Odd-Lot Stock : 600,690 share

Japan Radio Co., Ltd.

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Printed in Japan