Japan Radio Co., Ltd.

Annual Report 2008

For the year ended March 31, 2008

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

Statements in this annual report with respect to Japan Radio's plans, strategies, beliefs and estimates that are not historical facts are forward-looking statements. They constitute management's assumptions based on information currently available and involve risks and uncertainties. There are a number of factors that could cause actual results to differ materially from such statements.

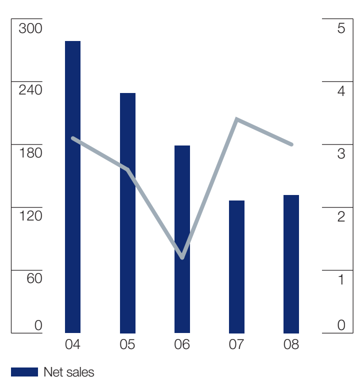
Consolidated Financial Highlights

	Millions of yen			Thousands of U.S. dollars (Note 1)
For the years ended 31st March,	2006	2007	2008	2008
Net sales	¥178,848	¥126,667	¥131,829	$1,315,789
Radio communications	127,703	126,667	131,829	1,315,789
Semiconductor devices and microwave tubes (Note 2)	29,316	0	0	0
Medical electronics equipment (Note 2)	21,829	0	0	0
Operating income	2,157	4,318	4,030	40,225
Operating income ratio (%)	1.2	3.4	3.0	–
Income (loss) before income taxes and minority interests	(29,749)	4,743	3,703	36,997
Net income (loss)	(32,097)	4,338	3,377	33,705
As of 31st March,				
Total assets	124,128	125,699	121,503	1,212,725
Total equity	37,584	42,756	43,127	430,449
Capital adequacy ratio (%)	30.3	34.0	35.4	–
Interest-bearing liabilities	28,417	21,067	21,342	213,014
Depreciation	4,162	1,652	1,667	16,638
Capital expenditures	3,228	1,354	1,519	15,223
Net income (loss) per share (Yen/U.S. dollars)	(233.04)	31.47	24.50	0.24
ROE (%)	(61.0)	10.8	7.9	–
D/E ratio (times)	0.77	0.50	0.50	–
Employees	3,766	3,731	3,751	–

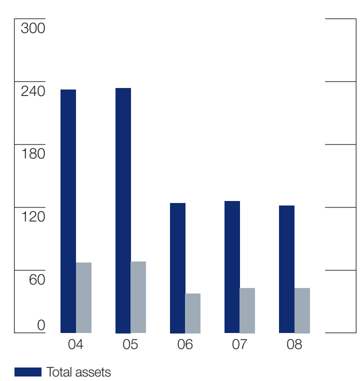
Notes 1. U.S. dollar amounts are translated, for convenience only, at ¥100.19 = US$1.00, the rate prevailing on March 31, 2008.

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.

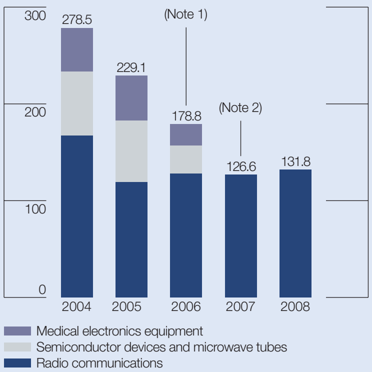
Net sales;
Operating income ratio
(¥ billions, %)



Total assets;
Total equity
(¥ billions)



Consolidated 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
(¥ billions)

Targeting Improved Profitability

Back in the year ended March 2006, the JRC undertook a comprehensive restructuring of its operations. Until that time, the Group had three main businesses: Radio Communications, Semiconductor Devices and Microwave Tubes, and Medical Electronics. Under the restructuring, we sold subsidiaries handling two of those three business, leaving only the Radio Communications business. This led to a major year-on-year revenue decline for the year ended March 2007. The year under review, ended March 2008, is the second year in which Group's operations have focused solely on the Radio Communications business.

Since its establishment, JRC has built an impressive track record as a pioneer in radio communications. By developing original technologies, we have supplied a diversity of innovative products to the market. Moreover, we believe this business has tremendous potential for future opportunities. Within the radio communications business, we are focusing mainly on three segments: Marine Electronics Equipment, centering on marine radars, voyage data recorders (VDRs), and Inmarsat marine satellite transmission systems; Communications Equipment, such as PHS terminals and cellular phone handsets, transmitting amplifiers, and wireless broadband base stations; and Solutions and Specialized Equipment, including natural disaster warning systems and Doppler radar systems. Each of the three segments covers a broad scope and offers vast potential for growth. Going forward, the JRC Group will step up R&D in these radio communications businesses, with the aim of building a position as a world-leading company and contributing to society.

In conjunction with the aforementioned restructuring program, the Group embarked on a medium-term business plan, covering the three-year period from April 2006 to March 2009, emphasizing management strategies with top priority on profitability. In the year under review, the second year of the plan, we pursued aggressive business activities and reforms.

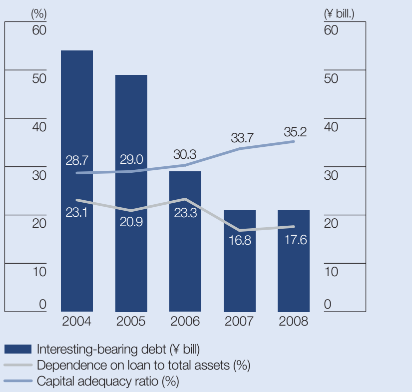
As a result, consolidated net sales for the year amounted to ¥131,829 million, up 4.1% from the previous year. Contributing to revenue, the Marine Electronics segment posted a steady performance, while the Solutions and Specialized Equipment segment benefited from solid demand for broadcasting systems amid proliferation of terrestrial digital broadcasting. However, operating income declined 6.7%, to ¥4,030 million, and net income fell 22.2%, to ¥3,376 million. This was mainly due to R&D investments aimed at solidifying the foundation of our radio communications business, which is essential for future progress, as well as a decrease in sales of telecommunications-related infrastructure by the Communications Equipment segment.

Progress of Medium-Term Business Plan

The JRC Group's medium-term vision is to deploy its specialized technologies, namely in the radio 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 are working to build a robust earnings structure and solidify the foundation of our radio communications business to permit further growth and development. The main policies of our core businesses are summarized below.

In the Marine Electronics Equipment segment, we are seeking to further advance our radio communications technologies and seize the top market share, drawing on our

Dependence on loan and capital adequacy ratio
(Consolidated)



solid reputation among professional customers in the maritime industry. In the Communications Equipment segment, we will leverage our expertise in wireless broadband technologies to globally advance our radio communications equipment operations, ranging from basic information terminals to sophisticated infrastructural facilities. In the Solutions and Specialized Equipment segment, we will deploy our diversified know-how in disaster prevention systems, amassed over many years serving the public sector, to provide solutions and security systems for our corporate customers. Accordingly, we will further entrench our position in this business, for which we expect significant growth in the future. By taking full advantage of our broad, in-depth technological strength in disaster prevention systems, we believe we will have many opportunities to expand our market share. R&D investments and Group-wide coordination will be important to this initiative in the future.

Thanks to reforms of our earnings structure undertaken since fiscal 2002, operating income been trending upwards, and we have steadily reduced interest-bearing debt. At the same time, we have been emphasizing investments in research and development. Going forward, we will further hone our “selection and concentration” policy and continue efforts aimed at reducing operating expenses and basic costs, in order to enhance production efficiency and further reinforce our corporate foundation.

The JRC Group’s R&D activities cover a broad spectrum, ranging from basic research conducted from medium- and long-term perspectives to product development linked directly to our businesses. Moreover, we are building a framework conducive to conducting R&D across business lines and facilitating establishment of new businesses. In the year under review, the Group made total R&D investments of ¥8,429 million.

Appropriation of Earnings

The Group regards the return of profits to shareholders and an important priority. Here, our basic policy is to consistently pay stable cash dividends over the long term while strengthening our business performance and solidifying our financial foundation.

Based on this policy, we have declared a year-end dividend of ¥5.00 per share, unchanged from the previous fiscal year. We plan to pay a similar dividend for the year ending March 2009. With respect to retained earnings, we will effectively utilize these resources to make capital and R&D investments geared to medium- and long-term growth, while placing high priority on building a framework allowing efficient consolidated management.

Forecast for Fiscal 2008

Fiscal 2008, ending March 2009, is the final year of our medium-term business plan. Once again, our operations will be challenged by various uncertainties, such as the negative economic impact of subprime loan crisis in the United States, as well as the yen's appreciation against the U.S. dollar and soaring prices of crude oil and raw materials. Facing these challenges, we continue pursuing our "selection and concentration" policy and step up efforts to reduce operating expenses and procurement costs. At the same time, we will strive to lower costs from the product design stage, with the aim of improving Group-wide production efficiency and further reinforcing our earnings foundation.

By implementing the various strategies of our medium-term business plan, we will strive to achieve the consolidated financial targets set for the final year of the plan: net sales of ¥134.0 billion and operating income of ¥6.6 billion. In light of the yen's appreciation, major changes to our business, and other difficulties in the operating environment, however, we have set the more realistic forecast of ¥131.0 billion in net sales, mostly unchanged from the year under review. (On a non-consolidated basis, we forecast net sales of ¥124.0 billion, also unchanged.) By contrast, we project a 16.6% increase in consolidated operating income, to ¥4.7 billion, and a ¥33.3% rise in net income, to ¥4.5 billion, thanks to expansion of new businesses and various other initiatives.

Improving Value for Shareholders

We will continue striving to realize the tremendous potential of our radio communications technologies while pursuing ongoing technical innovation, with the aim of becoming the leading company in the industry.

On the financial front, we will adopt a cash-flow-driven management strategy. This means reducing interest-bearing debt and inventories while expediting collection of accounts receivable and making effective business investments aimed at maximizing the efficiency of cash flows. As for performance indicators, we have selected return on equity (ROE) to demonstrate our commitment to shareholders, with a consolidated ROE target of 9.0% for the year ending March 2009.

Amid a dramatically changing operating environment and fast-paced technological innovation, we will strive to entrench, advance, and expand our core business segments-Marine Electronics Equipment, Communications Equipment, and Solutions and Specialized Equipment-which together constitute our radio communications business. We will achieve this by constantly reassessing our comprehensive strategies and systems and increasing investments in product development.

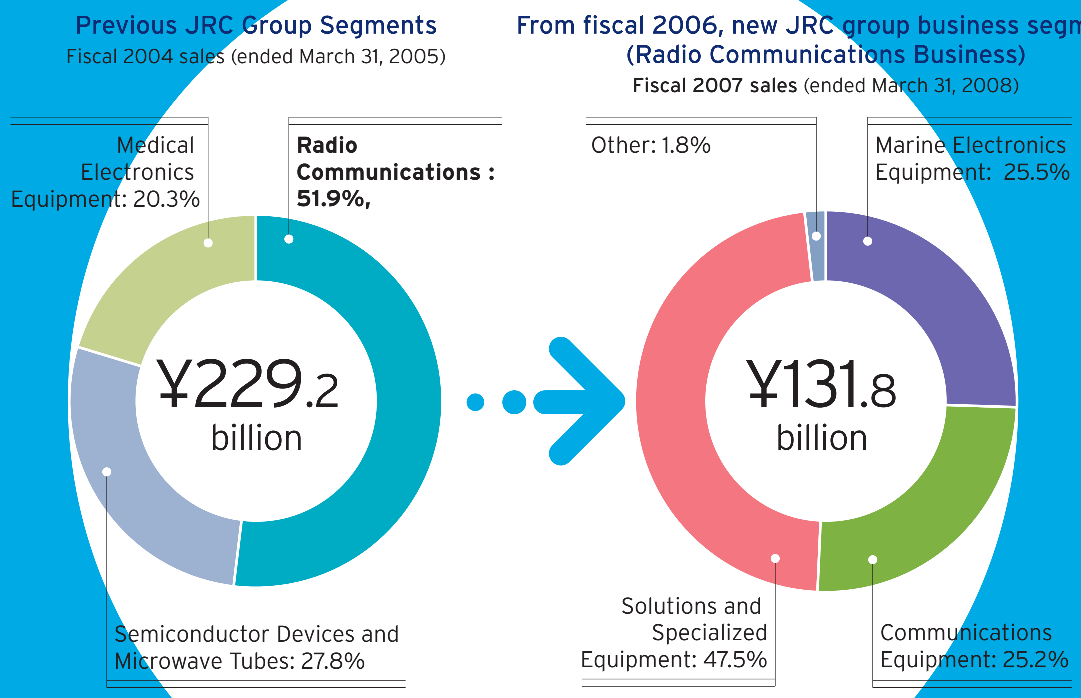
One of the Group's most important policies from the management strategy perspective is to solidify its earnings base. To this end, we will speed up product development through common use of design platforms, while striving to cut costs and strengthen operational controls. In addition, we will further nurture our world-leading technological prowess and reinforce our financial position in order to raise the value of our shares.

July 1, 2008

Yorihisa Suwa
President

Concentrating on Core Businesses

Previously, the JRC Group sought to advance its radio communications operations by developing businesses in such fields as semiconductor devices, microwave tubes, and medical electronics equipment. These businesses were conducted via two subsidiaries. During the year ended March 2005, however, the Group adopted a "selection and concentration" policy and rationalization strategy, which led to the sale of shares in those subsidiaries, causing its revenue composition to gradually change. Since the year ended March 2007, therefore, our activities have been limited to the Radio Communications business, where we specialize in three areas: Marine Electronics Equipment, Communications Equipment, and Solutions and Specialized Equipment.



Marine Electronics Equipment

- Inmarsat satellite ship earth stations
- Merchant ship / Fishing vessel communications equipment
- Marine radar
- Electronic chart display systems
- Integrated bridge systems
- VHF radiotelephone equipment
- Automatic Identification System (AIS)
- Voyage data recorder (VDR)
- Fishing devices

Communications Equipment

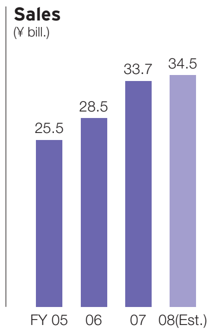
- GPS receivers
- PHS (Personal Handy-Phone System) terminals
- Business radiotelephones
- Linear power amplifiers for cellular base station
- SAW filters
- Measuring equipment for mobile communications
- Wireless LAN adapters

Solutions and Specialized Equipment

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

Marine Electronics Equipment

Chart radar compliance with IMO performance standards (JMA-900M)



Environment and Performance

In the year under review, the marine transportation and shipping industries performed well, as they did in the previous fiscal year, benefiting from steady worldwide demand. With a broad product lineup, the JRC Group reported increased year-on-year sales of various items, such as medium- and large-scale marine radars, voyage data recorders (VDRs), Inmarsat-based communications equipment, and electronic chart display and information systems (ECDIS).

As a result, consolidated sales in the marine electronics equipment segment amounted to ¥33,651 million, up 18.2% from the previous year.

Outlook

Seeking to expand our market share, we will complement our efforts in Japan and China by stepping up sales activities in Western Europe, Eastern Europe, and the BRIC markets, with the aim of further strengthening our world-leading position in the large-scale commercial shipping market. In the markets for workboats and fishing boats, as well, we will broaden our line of small and medium-sized equipment in order to attract bulk orders for radars, marine communications equipment, marine navigation systems, and other products.

With conditions expected to remain favorable in the year ahead, we forecast continued increases in demand for radars, radio communications equipment, and other systems. Due to various negative factors, such as rising prices of crude oil and raw materials, however, we expect the rate of growth to slow. Specifically, we forecast a 2.5% increase in segment sales, to ¥34.5 billion.

Our Strengths

Marine Communications Equipment

In the marine communications equipment field, we are working to further expand our market share by developing new products that match the requirements of emerging infrastructural environments. These products include next-generation Inmarsat systems and Broadband Global Area Network (BGAN) systems. In marine vessel communications, our lineup has grown to communications equipment using modern Inmarsat geostationary satellites. Accordingly, we offer equipment enabling communication via telephone, fax machine, and Internet from marine vessels. Responding to the launch of the Inmarsat FB (Fleet

Inmarsat Fleet Broadband (FBB) terminal (JUE-250) which is the world's first Ship Earth Station for FBB system

Navigational echo sounder (JFE-680)

Broadband) service in November 2007, we developed the FB250, the world's first device allowing simultaneous communication by telephone and Internet, with a transmission speed of 432mbps-providing a marine communication environment on a par with terrestrial systems. We also offer a wealth of other ship-related communications equipment, including Global Maritime Distress & Safety Systems (GMDSS) and fishing industry radio stations, where we hold a leading market position.

Marine Navigation Support Systems

JRC has a proven track record in Japan and in overseas markets, with strong technological expertise and a variety of products, including navigation safety monitoring systems for both ocean and harbor use. In particular, we have the top global market share for large-scale marine radar equipment, with an abundant product lineup. We recently developed the JMA-9100, a large-scale commercial shipping radar system complying with new International Maritime Organization (IMO) performance standard for radar systems installed from July 2008. Moreover, we were the first in the world to develop a radar compliant with the new IMO standard and also approved by Europe's Marine Equipment Directive (MED).

We have an especially strong lineup of equipment and systems for ensuring safe marine journeys. In addition to Automatic Radar Plotting Aid (ARPA) and global positioning system (GPS) and differential GPS equipment, our offerings include Automatic Identification System (AIS) devices-which are now mandatory under the International Convention for the Safety of Life at Sea (SOLAS)-as well as VDRs. In addition, we are developing products in new fields, such as solid-state radar equipment for advanced marine navigational systems. For example, we have an ECDIS system that conforms to new standards to be adopted in January 2009 and whose functions include displaying vessel position on an electronic chart and warning of the danger of running aground. This system is distinguished from those made by other companies owing to its advanced functions. For example, it can perform electronic marine charting and radar image representation, displaying images accurately while accounting for vessel gyrations.

Recent years have seen an increase in needs among LNG tankers and other high-value-added vessels for integrated engine control, cargo handling control, and navigation equipment systems, rather than standalone equipment with specified functions. JRC is developing and making such integrated systems. We are also developing remote maintenance systems to meet rapidly growing demand for such functions on a global basis. These systems enable us to remotely access and monitor the status of navigation and communications equipment installed in vessels from our bases located around the world, providing an efficient framework for supporting maintenance and repair work.

Outside of Japan, there are a number of historically significant maritime nations in Europe. At present, Germany is building a large number of new vessels and has become one of the most important centers for maritime transportation and shipbuilding. In April 2008, JRC established a representative office in Hamburg, Germany, to strengthen its marine equipment sales and maintenance service capabilities targeting ship owners and shipbuilding markets in that nation and surrounding areas.

Meanwhile, protecting of the environment is an underlying theme for our product development efforts. We are constantly working to make all of our products lighter, more compact, and more energy-efficient.

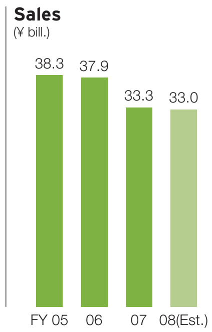
Fishing and Leisure Vessels

For the fishing and leisure boating market, we offer navigation safety equipment for deep-sea fishing boats, as well as various radar systems. Other products include fish finders, color scanning sonar devices, marine GPS and DGPS receivers, and marine information display devices, such as plotters and radar equipment. These products enable us to demonstrate our technological strength.

Communications Equipment

PHS handset with high security (WX321J)

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



Environment and Performance

In the year under review, the JCR Group reported increased sales of Personal Handy-Phone System (PHS) terminals, digital commercial wireless equipment, electronic toll collection (ETC) devices for motorcycles, and other products. However, sales of linear power amplifiers (LPAs), which serve as infrastructural components for telecommunications providers, were sluggish, as were sales of network-related equipment, measurement equipment, and other products. This was largely due to a recoil in demand relative to the previous fiscal year, which saw active capital investments in infrastructure due to the introduction of number portability for mobile phones.

As a result, non-consolidated sales in the communications equipment segment declined 12.3%, to ¥33,265 million.

Outlook

In the year ahead, the JRC Group will work to further expand market share by broadening its sales network in Japan while stepping up business development overseas. On a positive note, we expect increases in sales of network-related equipment, infrastructure-related measuring equipment, and other products. However, sales of LPAs will remain sluggish, and revenue from our PHS business is forecast to decline, while the yen's appreciation will have a negative impact on overall operations. For the year ending March 2009, therefore, we predict a 0.8% decrease in segment sales, to ¥33.0 billion.

Our Strengths

Mobile Communications and LPAs

For many years, the JRC Group has delivered to society a host of radio communications infrastructure and equipment that are essential to the modern age-ranging from mobile phone handsets to commercial-use radio, satellite, and other communications systems. With respect to PHS terminals, in September 2007 we launched the WX220J-Z handset, which is compatible with W-VPN, a mobile virtual private network platform that can be used throughout Japan. Soon after, we developed the WX321J-Z handset with enhanced functions, which we began shipping to WILLCOM in January 2008. We are also among the global market leaders in LPAs, which are indispensable to the proliferation of mobile phones and PHS terminals. In these and other ways, we are contributing to the growth and advancement of wireless communications networks around the world. In

Application tester (NJZ-4000) for HSDPA and W-CDMA and Multi-path fading simulator (NJZ-5000)

Radio frequency unit for wires IP access system (WIPAS) base station

VHF radiotelephone (JHS-770/780)

addition, we successfully developed a high-efficiency LPA for 3.5-generation mobile phone base stations, which require wide-area coverage and high output. This LPA is one of the most advanced of its type in the world.

Information Communications

In recent years, the information communications industry has become progressively more wireless in nature. Indeed, wireless networks have spread from companies and organizations into private homes, and wireless LAN hotspots are being established in many public areas. Leveraging its expertise in broadband wireless access (BWA) technologies, JRC has developed a range of equipment for wireless LANs, next-generation PHS, and mobile Worldwide Interoperability for Microwave Access (WiMAX), as well as fixed wireless access (FWA) systems for IP broadband communications and wireless entrance devices. In the process, we are contributing to the advancement of various wireless information communications networks. In the year under review, we developed a system that converts voice to IP data for transmission via IP-VPNs and the Internet. We have great expectations for this system, which allows construction of reasonably priced voice communications environments.

Many of our products are having a significant impact on communications infrastructures in Japan and overseas. These include the NTF-302, a WiMAX LPA; the NTG-2500, a low-power data communication device for the 25GHz band; the JRL-710 series of wireless LAN bridges; and 4.9GHz wireless LAN equipment. Responding to expected proliferation of IP technologies in mobile phone networks, we are developing microwave wireless devices capable of transmitting large volumes of data.

In the commercial wireless field, communication networks used by taxi and transportation companies, as well as government agencies, are shifting from analog to digital. In this context, we will work to expand our commercial wireless business and generate increased revenue from it.

Protecting the environment is an important theme of our product development efforts. In the year under review, we made our GPS receiver modules more environmentally friendly by cutting use of toxic substances, lowering power consumption, achieving advances in compactness and weight reduction, and making our products easier to recycle and maintain. With respect to indoor solution optical transmitters and LPAs for W-CDMA mobile phone base stations, for example, we have sought to achieve RoHS-compliance while maximizing energy efficiency and minimizing component numbers.

Measurement Equipment and ITS Business

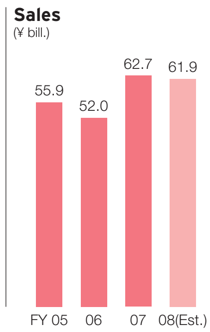
The JRC Group has developed a multitude of commercial measurement devices that are essential to the development, manufacture, and maintenance of digital mobile communication systems. In the process, we have made a significant contribution to the advancement and growth of this industry. In March 2007, we developed and launched the NJZ-4000, a W-CDMA application tester for mobile phones incorporating W-CDMA and High-Speed Downlink Packet Access (HSDPA) protocols. In August 2008, we unveiled an enhanced version with added GSM/GPRS functions for customers in Japan and overseas. In the same month, we also started domestic and overseas sales of the NJZ-5000, a new type of multi-path fading simulator for evaluating all kinds of mobile communication fading environments.

In other activities, we developed and released the NJJ-95B, a deep-sensing radar that uses electromagnetic waves to identify reinforced steel, gas pipes, transmission cable, and other objects in concrete structures or underground locations. In addition, we developed a mobile locator embedded with the FOMA Ubiquitous Module, made by NTT DoCoMo. This locator is contributing to the advancement of telecommunications-related industries.

We have also been a pioneer and hold the top domestic market share for many categories of Japan's Intelligent Transport Systems (ITS) sector. We were the first in the world to successfully commercialize a GPS receiver, a core component of car navigation systems, and we are building top market shares in Japan and overseas. In Vehicle Information and Communication Systems (VICS), we are working to ensure safer, smoother traffic flows through a focus on gathering and effectively managing a variety of information covering such areas as traffic volume, average vehicle speeds, and weather details, and we are building infrastructures for such systems. Possessing a wealth of applicable expertise in wireless and communications technologies, we will seek to forge leading positions in the fields of infrastructural equipment and onboard devices. In addition, JRC is Japan's sole producer of ETC devices for motorcycles. Between October 2005 and May 2008, we shipped around 100,000 such devices in Japan, and we continue to expand our business.

Solutions and Specialized Equipment

Meteorological radar system



Environment and Performance

In the year under review, the JRC Group benefited from the ongoing digitization of terrestrial television broadcasting in Japan, reporting healthy sales of related systems. We also enjoyed higher demand from government agencies for emergency broadcasting systems and wireless disaster prevention systems to address natural disasters and other events, and we posted an increase in shipments of aeronautical and weather systems. In overseas markets, we recorded a rise in shipments of harbor monitoring systems and other equipment for large-scale projects.

As a result, non-consolidated sales in the Solutions and Specialized Equipment segment grew 8.8%, to ¥62,652 million.

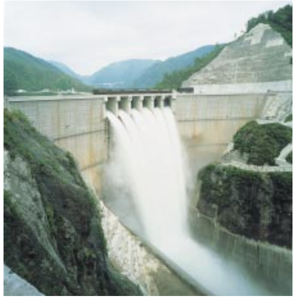
Outlook

In the year ahead, we look forward to an increase in domestic demand for river information systems and large-scale disaster prevention systems. In the meantime, we plan to spearhead initiatives in new fields, such as location systems for large factories, security systems for electric power companies, telemetry systems for oil and gas companies, and wireless transmission systems.

Despite predictions of a difficult business environment stemming from curtailment of public works spending, we will mitigate revenue declines by actively advancing our solutions business, leveraging our core wireless communication technologies, a strength of the JRC Group.

For the year ending March 2009, we forecast a 1.2% decline in segment sales, to \61.9 billion.

Integrated dam management system



Live broadcast equipment and TTL equipment for the broadcasting industry

Our Strengths

Solutions Business

In the solutions business, we build unique systems by integrating our renowned strength in wireless communication technologies with comprehensive solution-based technologies. This business enables us to deploy our comprehensive strengths. Recent years have seen the occurrence of numerous natural disasters, such as typhoons, floods, and earthquakes. This has led to rising demand for various mitigation systems, such as wireless disaster prevention administration and weather information systems, earthquake warning systems, tsunami warning systems, and volcano monitoring systems. In this context, the JRC Group believes there is a growing worldwide need for solution-based services. In response, we will mobilize our massed technological expertise and knowledge, gained through our domestic business, to foster the safety of people around the world. Specifically, we will establish operations in major world regions in order to effectively deliver our services.

Given the profusion of abnormal weather patterns in recent times, there is growing need to prevent natural disasters and utilize agricultural water and drinking water more effectively. To this end, dams are assuming increased importance as a way to control rivers and other waterways. By devising solutions using its strengths in wireless communications and electronic technologies, the JRC Group is building dam and waterway control systems and thus contributing to effective water utilization. By converting voice into IP data, meanwhile, we plan to transmit warning and disaster prevention broadcasts to broader audiences via wide-area IP broadcasting systems.

Back in 1954, JRC was the first company in Japan to develop a weather radar system. Since then, we have consistently developed leading-edge radar systems. Our innovative multi-parameter weather radar and Doppler radar systems, for example, are used to address the need for high-precision forecasting of such events as landslides and urban flooding.

Broadcasting Equipment

For some time, the JRC Group has contributed to the advancement of broadcasting culture by developing FM and medium-wave broadcasting equipment for radio and television. Addressing the rapid digitalization of broadcasting in recent years, we play a key role by providing integrated services for digital terrestrial broadcasting. At the same time, we are actively developing transmission, relay, and TTL equipment.

Other Businesses

In addition, we apply our base of amassed technologies in other diverse ways, including in acoustic systems for music venues and stadiums, as well as simultaneous interpreting broadcasting equipment.

Specialized Equipment

With respect to specialized equipment, we have been forging new businesses by developing civilian applications for our technologies, amassed by supplying radars and various other systems to the Ministry of Defense. For example, we have built a solid track record in our avionics business, in which we provide wireless and radar systems to the private-sector aircraft industry. In addition to weather radar systems fitted into aircraft, our offerings include airport monitoring radars to ensure airport safety, various wireless systems, and simulation equipment essential for the training of flight crew and air traffic controllers.

Governance Systems

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 the Board of Corporate Auditors, with four auditors, two of whom are external auditors in accordance with the provisions of Japan's Company Law. Our Board of Directors consists of 12 members, including two external directors, also as prescribed by the New Company Law.

The Board of Directors meets once a month, and on other occasions as needed, to decide important management-related matters. There is also the Executive Directors' Meeting, consisting of Director and Managing Executive Officers and more senior executives, as well as the Management Committee, made up of Standing Directors and Standing Corporate Auditors. 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.

With respect to execution of business, we have introduced an executive officer system, with the aim of expediting the decision-making process. We also hold regular Corporate Management Committee attended by directors, auditors, executive officers, 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.

In June 2007, we reduced the tenure of directors to one year, in order to clarify the responsibilities of directors on an annual basis and create a framework that can quickly address changes in the operating environment.

We also seek advice as needed from legal advisors and other professionals to receive opinions on legal matters and regulations. In addition to obtaining audit reports from the independent auditor, we receive proposals for improving business procedures via accounting audits.

Internal Control Systems

Back in May 2006, the Managing Board approved a policy outlining the establishment of internal control systems, with the aim of creating a framework to ensure appropriate business practices as prescribed by the New Company Law. At its meeting in March 2008, the Managing Board clarified a number of additional items, namely its commitment to eliminating antisocial behavior, its decision to establish internal controls covering financial reporting, and its decision on various structural changes, including the introduction of an executive officer system. The Group is currently working to set up and operate these various systems.

Internal Audits; Audits Performed by Corporate Auditors

The Corporate Internal Auditing Department was established independently of the Group's business departments, in order to undertake internal audits. Reporting directly to the president and staffed by two auditors, the Department is responsible for overseeing risk management and other internal control-related matters. In addition to monitoring the soundness of the Group's assets, it is responsible for conducting audits from the perspectives of risk management and compliance. It also conducts internal audits to raise the reliability of financial reporting. In this context, its activities are complemented by internal auditors appointed by the president. Meanwhile audits of the Group's quality control activities are handled by the Quality Assurance Department.

Corporate auditors monitor the performances of directors and executive officers according to the corporate auditor system described in the "Corporate Governance" section above. They also monitor the soundness of operations by attending Managing Board, Executive Director Association, and Management Strategy Conference meetings.

Audits Performed by Independent Auditor

The JRC Group has contracted the services of independent auditor, Deloitte Touche Tohmatsu Japan, to conduct accounting audits according to the New Company Law and the Financial Instruments and Exchange Law. Working closely with corporate auditors and the Corporate Internal Auditing Department, Deloitte Touche Tohmatsu Japan devises audit plans and reports on the results of its audits. It conducts audits in an effective, efficient manner while exchanging information and opinions as necessary, even midway through accounting periods.

External Directors and Corporate Auditors

JRC has two external directors and two external corporate auditors. The external directors are Noboru Matsuda (lawyer) and Yoshikazu Sashida (chairman of Nisshinbo Industries, Inc., a large JRC shareholder). The external corporate auditors are Masaya Kawata (executive officer of Nisshinbo Industries) and Yoshio Nakatsuchi (JRC shareholder originally employed at Dai-Ichi Kangyo Bank, formerly one of JRC's main banks). None of the four men have business relationships with JRC, and three of them (Noboru Matsuda, Yoshikazu Sashida, and Masaya Kawata) do not have capital relationships with JRC.

Environmental Initiatives

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 minimizing the impact of our products and manufacturing processes 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. Expand line of environmentally friendly products

- Raise the application rate of environmentally friendly products (products compliant with the Type II environmental label) to 90% or higher by 2008, except those for which it is not applicable based on customers' requests.
- Successively increase RoHS-compliance products by reducing materials containing substances banned by the RoHS directive.
- Establish a system to monitor status of hazardous substances, if any, in our products.

2. Promote green procurement

- Raise the green procurement rate of to 80% or higher by 2010 for all materials, parts, equipment, and products to be shipped.

3. Promote measures to address global warming

- Reduce energy consumption (expressed as carbon dioxide emitted through use of electricity, gas, and crude oil) on a production value unit base to equal or less fiscal 1990 levels (i.e., 0.122 ton per million yen as carbon dioxide by 2010.

4. Improve recycling rate

- Improve the recycling rate for waste products to greater than 90% by 2010.

5. Reduce volume of permanent waste disposal

- Reduce the volume of permanent disposal of waste products generated by the Company's facilities on a production value unit base to less than 40% of fiscal 1996 levels by 2010.

6. Comply with environmental laws and other social requirements

- Comply with standards prescribed by laws and conditions agreed with customers.

Risk Factors

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 of economic growth in the BRIC nations. 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.

(7) Product quality

The JRC Group has established a product quality control system in a rigorous effort to ensure a high level of product quality across all stages of its operations, including design, development, procurement, and manufacturing. It is possible, however, that external circumstances may cause major product problems to arise, which may have a negative impact on the Group's business performance and financial position.

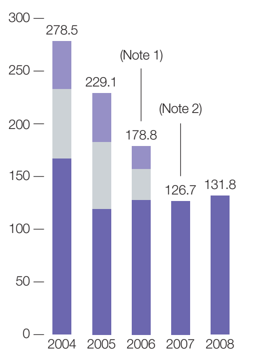
Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars (Note 1)
For the years ended 31st March,	2004	2005	2006	2007	2008	2008
Net sales	¥278,572	¥229,193	¥178,848	¥126,667	¥131,829	$1,315,789
Radio communications	167,350	119,163	127,703	126,667	131,829	1,315,789
Semiconductor devices and microwave tubes (Note 2)	66,021	63,834	29,316	0	0	0
Medical electronics equipment (Note 2)	45,201	46,196	21,829	0	0	0
Operating income	8,668	5,965	2,157	4,318	4,030	40,225
Operating income ratio (%)	3.1	2.6	1.2	3.4	3.0	–
Income (loss) before income taxes and minority interests	6,515	4,761	(29,749)	4,743	3,703	36,997
Net income (loss)	2,161	542	(32,097)	4,338	3,377	33,705
As of 31st March,						
Total assets	232,235	233,878	124,128	125,699	121,503	1,212,725
Total equity	66,701	67,725	37,584	42,756	43,127	430,449
Capital adequacy ratio (%)	28.7	29.0	30.3	33.7	35.4	–
Interest-bearing liabilities	50,838	46,940	28,417	21,067	21,342	213,014
Depreciation	7,820	7,855	4,162	1,652	1,667	16,638
Capital expenditures	7,142	6,202	3,228	1,354	1,519	15,223
Net income (loss) per share (Yen/U.S. dollars)	15.19	3.44	(233.04)	31.47	24.50	0.24
ROE (%)	3.2	0.8	(61.0)	10.8	7.9	–
D/E ratio (times)	0.80	0.72	0.77	0.50	0.50	–
Employees	8,739	8,612	3,766	3,731	3,751	–

Notes 1. U.S. dollar amounts are translated, for convenience only, at ¥100.19 = US$1.00, the rate prevailing on March 31, 2008.
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)



Medical electronics equipment

Semiconductor devices and microwave tubes

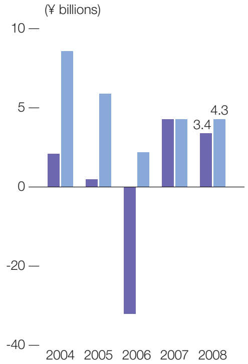
Radio communications equipment

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

Operating Income;
Net Income

(¥ billions)



Operating Income (Loss)

Net Income (Loss)

Revenue and Earnings

In fiscal 2007, ended March 31, 2008, consolidated net sales amounted to ¥131,828 million, up 4.1% from fiscal 2006. By contrast, operating income declined 6.7%, to ¥4,030 million. This was due mainly to a decrease in sales of telecommunications infrastructure by the Radio Communications Equipment business, as well as aggressive R&D investments aimed at solidifying the Company's foundation, which is essential for future progress. Net income for the year fell 22.2%, to ¥3,376 million, due to a foreign exchange loss accompanying the yen's appreciation, as well as the absence of a gain on sales of property, plant, and equipment that was reported in the previous fiscal year.

On a non-consolidated basis, net sales grew 4.4%, to ¥124,063 million, or 94.1% of consolidated net sales. Operating income declined 9.2%, to ¥3,350 million, and net income fell 26.1%, to ¥2,852 million.

Sales by Segment

The Group's consolidated revenue is generated primarily by the Radio Communications Equipment business, which is made up of three broad segments: Marine Electronics Equipment, Communications Equipment, and Solutions and Specialized Equipment.

	Millions of yen		Millions of U.S. dollars (Note)
	2007	2008	2008
Marine electronic equipment	¥ 28,468	¥ 33,651	$ 335.8
Communications equipment	37,911	33,265	332.0
Solutions and specialized equipment	57,607	62,652	625.3
Other	2,681	2,260	22.6
Total	¥126,667	¥131,828	$1,072.9

Note: Yen figures are rounded to the nearest million. U.S. dollar figures are translated for convenience only, at ¥100.19=US$1.00, the rate prevailing on March 31, 2008 and truncated to the nearest thousand dollars.

Financial Position

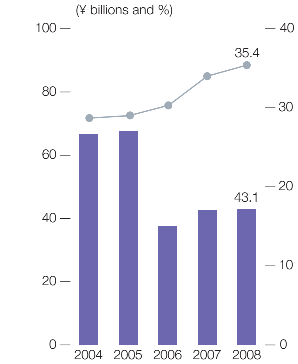
At March 31, 2008, consolidated total assets stood at ¥121,502 million, down ¥4,195 million, or 3.3%, from a year earlier. Main factors in this decline included decreases in inventories and market values of investment securities.

Total liabilities were down ¥4,566 million, or 5.5%, to ¥78,376 million, due mainly to declines in notes and accounts payable and deferred tax liabilities.

Net assets at fiscal year-end totaled ¥43,126 million, up ¥370 million from a year earlier. This was due to a ¥2,687 million increase in retained earnings, which contrasted with a ¥2,315 million fall in net unrealized gain on available-for-sale securities.

On a consolidated basis, the equity ratio at fiscal year-end was 35.2%, up 1.5 points from a year earlier. On a non-consolidated basis, the equity ratio rose 1.3 points, to 35.9%.

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



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

Cash Flows

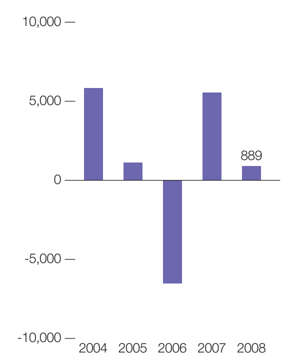
On a consolidated basis, cash and cash equivalents at year-end stood at ¥7,974 million, up ¥352 million from a year earlier.

Net cash provided by operating activities amounted to ¥2,050 million, compared with ¥6,206 million in the previous fiscal year. This was due to ¥3,706 million in income before income taxes and minority interests and a ¥2,575 million decrease in inventories, which contrasted with a ¥2,788 million decrease in notes and accounts payable.

Net cash used in investing activities totaled ¥1,161 million, compared with ¥640 million in the previous fiscal year. This was mainly due to ¥1,003 million in purchase of property, plant, and equipment.

Net cash used in financing activities was ¥417 million, down from ¥7,860 million in the previous fiscal year. Major outflows included ¥683 million in cash dividends. The main reason for the year-on-year decline in outflows was the large-scale redemption of commercial paper in the previous fiscal year.

Free Cash Flow
(¥ millions)



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

Outlook for Fiscal 2008

The outlook for the year ahead, the final year of the Group's medium-term business plan, is fraught with ongoing uncertainty about the operating environment. During the year, we will step up efforts to reduce operating expenses and materials purchases costs. At the same time, we will further strengthen our corporate foundation by improving production efficiency.

Because business conditions remain highly difficult, however, we have adopted a cautious approach in setting financial targets for fiscal 2008. Specifically, we forecast net sales of ¥131.0 billion, largely unchanged from fiscal 2007. We also project a 16.6% year-on-year increase in operating income, to ¥4.7 billion.

Consolidated Balance Sheets

March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 7,975	¥ 7,622	$ 79,594
Short-term investments (Note 3)		102	
Receivables:			
Trade notes	2,335	4,725	23,307
Trade accounts	49,044	46,247	489,510
Unconsolidated subsidiaries and affiliated companies	345	192	3,441
Other	429	258	4,280
Allowance for doubtful accounts	(212)	(463)	(2,111)
Inventories (Note 4)	31,956	34,540	318,957
Deferred tax assets (Note 9)	338	341	3,377
Prepaid expenses and other	1,015	1,071	10,126
Total current assets	93,225	94,635	930,481
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 6):			
Land	1,937	1,937	19,330
Buildings and structures	26,135	25,971	260,855
Machinery and equipment	9,982	10,110	99,633
Furniture and fixtures	18,604	18,631	185,691
Construction in progress	1	71	12
Total	56,659	56,720	565,521
Accumulated depreciation	(45,855)	(45,347)	(457,687)
Net property, plant and equipment	10,804	11,373	107,834
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	11,483	15,579	114,613
Investments in and advances to unconsolidated subsidiaries and affiliated companies	1,478	1,201	14,752
Deferred tax assets (Note 9)	1,314	1,374	13,117
Other assets (Note 5)	3,524	2,013	35,177
Allowance for doubtful accounts	(325)	(476)	(3,249)
Total investments and other assets	17,474	19,691	174,410
TOTAL	¥121,503	¥125,699	$1,212,725

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 1,590	¥ 1,150	$ 15,870
Current portion of long-term debt (Note 6)	2,334	163	23,298
Payables:			
Trade notes	1,603	1,705	15,997
Trade accounts	28,231	31,458	281,772
Unconsolidated subsidiaries and affiliated companies	4,100	3,617	40,919
Other	636	644	6,348
Income taxes payable	325	330	3,248
Accrued expenses	2,584	2,699	25,797
Advances received	1,416	1,894	14,130
Other	4,235	5,108	42,268
Total current liabilities	47,054	48,768	469,647
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	16,918	19,252	168,859
Liability for retirement benefits (Note 7)	11,140	10,903	111,190
Deferred tax liabilities (Note 9)	2,415	3,960	24,110
Other	849	60	8,470
Total long-term liabilities	31,322	34,175	312,629
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Note 8):			
Common stock—authorized, 216,000,000 shares; issued, 137,976,690 shares in 2008 and 2007	14,704	14,704	146,765
Capital surplus	16,505	16,505	164,733
Retained earnings	8,036	5,349	80,210
Net unrealized gain on available-for-sale securities	3,554	5,869	35,471
Foreign currency translation adjustments	23	10	226
Treasury stock—at cost, 165,510 shares in 2008 and 143,035 shares in 2007	(58)	(49)	(577)
Total	42,764	42,388	426,828
Minority interests	363	368	3,621
Total equity	43,127	42,756	430,449
TOTAL	¥121,503	¥125,699	$1,212,725

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES	¥131,829	¥126,667	$1,315,789
COST OF SALES	109,619	104,604	1,094,109
Gross profit	22,210	22,063	221,680
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	18,180	17,745	181,455
Operating income	4,030	4,318	40,225
OTHER INCOME (EXPENSES):			
Interest and dividend income	328	181	3,278
Interest expense	(368)	(335)	(3,672)
Foreign exchange gain (loss)	(399)	174	(3,989)
Other—net (Note 12)	116	405	1,155
Other income (expenses)—net	(323)	425	(3,228)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	3,707	4,743	36,997
INCOME TAXES (Note 9):			
Current	241	269	2,407
Deferred	92	116	918
Total income taxes	333	385	3,325
MINORITY INTERESTS IN NET INCOME (LOSS)	(3)	20	(33)
NET INCOME	¥ 3,377	¥ 4,338	$ 33,705

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.r and 17):			
Basic net income	¥ 24.50	¥ 31.47	$ 0.24
Cash dividends applicable to the year	5.00	5.00	0.05

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended March 31, 2008 and 2007

	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, 2006	137,851	¥14,704	¥17,087	¥331	¥5,501	¥4	¥(43)	¥37,584		¥37,584
Reclassified balance as of March 31, 2006 (Note 2.j)									¥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
Net income				3,377				3,377		3,377
Cash dividends, ¥5 per share				(690)				(690)		(690)
Purchase of treasury stock	(23)						(9)	(9)		(9)
Net change in the year					(2,315)	13		(2,302)	(5)	(2,307)
BALANCE, MARCH 31, 2008	137,811	¥14,704	¥16,505	¥8,036	¥3,554	¥23	¥(58)	¥42,764	¥363	¥43,127

	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, 2007	$146,765	$164,733	$53,384	$58,580	$100	$(487)	$423,075	$3,673	$426,748
Net income			33,705				33,705		33,705
Cash dividends, $0.05 per share			(6,879)				(6,879)		(6,879)
Purchase of treasury stock						(90)	(90)		(90)
Net change in the year				(23,109)	126		(22,983)	(52)	(23,035)
BALANCE, MARCH 31, 2008	$146,765	$164,733	$80,210	$35,471	$226	$(577)	$426,828	$3,621	$430,449

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 3,707	¥ 4,743	$ 36,997
Adjustments for:			
Income taxes—paid	(204)	(380)	(2,037)
Depreciation and amortization	1,833	1,667	18,296
Impairment loss	14	94	145
Loss on valuation of investment securities	26	3	255
Equity in earnings of affiliated companies	(288)	(329)	(2,874)
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(691)	501	(6,893)
Decrease (increase) in inventories	2,576	(4,003)	25,710
Decrease in interest and dividend receivable	7	9	68
(Decrease) increase in notes and accounts payable	(2,789)	3,581	(27,836)
(Decrease) increase in interest payable	(34)	72	(338)
Decrease in liability for retirement benefits	(1,134)	(1,357)	(11,321)
Other—net	(973)	1,605	(9,710)
Total adjustments	(1,657)	1,463	(16,535)
Net cash provided by operating activities	2,050	6,206	20,462
INVESTING ACTIVITIES:			
Proceeds from sales of short-term investments	100	50	998
Purchase of short-term investments		(50)	
Proceeds from sales of property, plant and equipment		5	
Purchase of property, plant and equipment	(1,004)	(970)	(10,016)
Proceeds from sales of investment securities	137	2	1,363
Proceeds from sales of intangible asset		677	
Purchase of investment securities	(9)	(49)	(93)
Other—net	(385)	(305)	(3,845)
Net cash used in investing activities	(1,161)	(640)	(11,593)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	440	(120)	4,392
Net change in commercial paper		(7,000)	
Proceeds from long-term debt		14,100	
Repayments of long-term debt	(163)	(14,832)	(1,624)
Cash dividends	(686)	(2)	(6,846)
Other—net	(9)	(6)	(91)
Net cash used in financing activities	(418)	(7,860)	(4,169)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(118)	3	(1,179)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	353	(2,291)	3,521
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,622	9,913	76,073
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 7,975	¥ 7,622	$ 79,594

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2008 and 2007

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 Financial Instruments and Exchange Law (formerly, 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.

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 2007 consolidated financial statements to conform to the classifications used in 2008.

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 translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.19 to $1, the approximate rate of exchange at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation*—The consolidated financial statements as of March 31, 2008 include the accounts of the Company and its 8 (8 in 2007) 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.

Investments in 3 (3 in 2007) unconsolidated subsidiaries and 2 (2 in 2007) affiliated companies are accounted for by the equity method.

Investment in the remaining affiliated company is 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.

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 principally by the average method.

Merchandise are stated at cost determined by the moving-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. *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 had an unfunded retirement benefit plan for directors and corporate auditors, and effective June 28, 2007, terminated its retirement plan. Certain subsidiaries have an unfunded severance benefit plan for directors' and corporate auditors.The retirement benefits to directors and corporate auditors are provided at the amount that would be required if all directors and corporate auditors retired at the balance sheet date.

j. *Presentation of Equity*—On December 9, 2005, the Accounting Standards Board of Japan ("ASBJ") published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, 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 was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

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

l. *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.

m. *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.

n. *Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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 consolidated statements of income to the extent that they are not hedged by forward currency contracts and options.

p. *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.

q. *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/swaps 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 income 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.

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

Diluted net income per share is not disclosed because it is anti-dilutive.

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

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. 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.

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 shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

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 its foreign subsidiaries which have been 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 standard 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.

Construction Contracts—Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Short-term investments:			
Time deposits		¥ 100	
Other		2	
Total		¥ 102	
Investment securities:			
Equity securities	¥10,991	¥14,853	$109,706
Debt securities	212	211	2,116
Other	280	515	2,791
Total	¥11,483	¥15,579	$114,613

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥4,665	¥6,203	¥211	¥10,657
Debt securities	210	2		212
Other	183		21	162
March 31, 2007				
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

	Thousands of U.S. Dollars			
March 31, 2008	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$46,563	$61,914	$2,110	$106,367
Debt securities	2,095	21		2,116
Other	1,822	1	207	1,616

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities	¥334	¥335	$3,339
Other	118	142	1,175
Total	¥452	¥477	$4,514

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥137 million ($1,363 thousand) and ¥2 million, respectively. Gross realized losses on these sales for the year ended March 31, 2008, computed on the moving average cost basis, were ¥38 million ($377 thousand). Gross realized gains on these sales for the year ended March 31, 2007, computed on the moving average cost basis, were ¥1 million.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2008 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after one year through five years	¥14	$140

4. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Finished products, semi-finished products and merchandise	¥ 7,776	¥ 7,944	$ 77,613
Work in process	19,267	21,714	192,307
Raw materials and supplies	4,913	4,882	49,037
Total	¥31,956	¥34,540	$318,957

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2008 and 2007, and, as a result, recognized impairment losses, as follows:

Year Ended March 31, 2008

Location: Mitaka City, Tokyo
Asset use: Assets for defense-related business in the Special Equipment Division

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Furniture and fixture	¥ 3	$ 35
Software	11	110
Total	¥14	$145

Year Ended March 31, 2007

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

	Millions of Yen
Type:	
Machinery and equipment	¥ 2
Furniture and fixture	51
Software	33
Other	8
Total	¥94

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

The assets for defense-related business in the Special Equipment Division were written down to the recoverable amount, because it is uncertain whether the business will generate a profit. The recoverable amount was measured at its value in use. The value was evaluated at zero due to uncertainty about positive cash flow from continued use.

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

Short-term bank loans at March 31, 2008 and 2007 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, 2008 and 2007 were 1.36% and 1.5%, respectively.
Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Loans from banks, due serially to 2013 with interest rates ranging from 0.9% to 2.9% (in 2008) and from 0.8% to 2.9% (in 2007):			
Collateralized	¥ 648	¥ 768	$ 6,467
Unsecured	18,604	18,647	185,690
Total	19,252	19,415	192,157
Less current portion	(2,334)	(163)	(23,298)
Long-term debt, less current portion	¥16,918	¥19,252	$168,859

Annual maturities of long-term debt outstanding at March 31, 2008 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥15,430	$154,007
2011	1,200	11,977
2012	120	1,198
2013	168	1,677
Total	¥16,918	$168,859

The carrying amounts of assets pledged as collateral for long-term debt totaling ¥648 million ($6,467 thousand) at March 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥304	$3,035

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, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥ 43,705	¥ 43,604	$ 436,225
Fair value of plan assets	(25,669)	(28,871)	(256,201)
Unrecognized transitional obligation	(2,299)	(2,628)	(22,952)
Unrecognized actuarial loss	(9,732)	(5,297)	(97,135)
Unrecognized prior service cost	3,334	3,672	33,274
Prepaid pension cost	1,612		16,093
Net liability	¥ 10,951	¥ 10,480	$ 109,304

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥ 1,565	¥ 1,584	$ 15,621
Interest cost	882	882	8,804
Expected return on plan assets	(1,123)	(1,035)	(11,211)
Amortization of prior service cost	(338)	(338)	(3,377)
Recognized actuarial loss	668	675	6,675
Amortization of transitional obligation	329	329	3,279
Net periodic benefit costs	¥ 1,983	¥ 2,097	$ 19,791

Assumptions used for the years ended March 31, 2008 and 2007 are set forth as follows:

	2008	2007
Discount rate	2.0%-2.5%	2.0%-2.5%
Expected rate of return on plan assets	2.0%-4.0%	2.0%-4.0%
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

The liabilities for retirement benefits to directors and corporate auditors were ¥189 million ($1,886 thousand) and ¥423 million at March 31, 2008 and 2007 , respectively.

The retirement benefits to directors and corporate auditors are paid subject to the approval of the shareholders. Effective June 28, 2007, the Company terminated its retirement plan for all directors and corporate auditors, the outstanding balance of ¥225 million ($2,242 thousand) was reclassified to the other long term liabilities.

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions 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, 2008 and 2007.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Net current deferred tax assets—			
Current deferred tax assets:			
Accrued bonuses	¥ 1,199	¥ 1,201	$ 11,972
Enterprise taxes payable	47	60	471
Inventories	170	170	1,694
Unrealized gains	48	51	478
Accrued social security on accrued bonuses	159	158	1,591
Warranty for finished products	162	353	1,613
Other	22	31	216
Valuation allowance	(1,469)	(1,683)	(14,658)
Net current deferred tax assets	¥ 338	¥ 341	$ 3,377
Net non-current deferred tax assets:			
Non-current deferred tax assets:			
Liability for retirement benefits	¥ 645	¥ 670	$ 6,438
Tax loss carryforwards	92	110	916
Unrealized gains	636	636	6,351
Other	110	128	1,095
Valuation allowance	(157)	(116)	(1,565)
Total	1,326	1,428	13,235
Non-current deferred tax liabilities—net unrealized gains on available-for-sale securities	12	54	118
Total	12	54	118
Net non-current deferred tax assets	¥ 1,314	¥ 1,374	$ 13,117
Net non-current deferred tax liabilities:			
Non-current deferred tax assets:			
Allowance for doubtful accounts	¥ 112	¥ 257	$ 1,115
Liability for retirement benefits	3,183	3,618	31,775
Tax loss carryforwards	4,636	5,267	46,268
Software	2,879	2,630	28,733
Investment securities	854	845	8,528
Inventories	1,331	1,232	13,285
Property, plant and equipment	179	209	1,790
Other	210	238	2,097
Valuation allowance	(13,384)	(14,296)	(133,591)
Total			
Non-current deferred tax liabilities—net unrealized gains on available-for-sale securities	2,415	3,960	24,110
Total	2,415	3,960	24,110
Net non-current deferred tax liabilities	¥ 2,415	¥ 3,960	$ 24,110

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007 is as follows:

	2008	2007
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	1.3	1.0
Change in valuation allowance	(29.1)	(28.1)
Other—net	(3.9)	(5.5)
Actual effective tax rate	9.0%	8.1%

At March 31, 2008, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥11,464 million ($114,426 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	¥ 3,055	$ 30,494
2010	2,327	23,226
2011	239	2,383
2013	5,843	58,323
Total	¥11,464	$114,426

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,430 million ($84,138 thousand) and ¥7,112 million for the years ended March 31, 2008 and 2007, respectively.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Provision for doubtful accounts	¥ 2	¥ 86	$ 21
Salary	7,417	7,234	74,032
Provision for retirement benefits	626	714	6,247
Depreciation	243	245	2,418
Rent	857	961	8,553
Research and development costs	4,133	3,616	41,255
Other	4,902	4,889	48,929
Total	¥18,180	¥17,745	$181,455

12. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Gain (loss) on sale of investment securities	¥ (38)	¥ 1	$ (377)
Gain on sale of intangible asset		677	
Loss on valuation of investment securities	(26)	(3)	(255)
Equity in earnings of affiliated companies	288	329	2,874
Loss on valuation and disposal of inventories	(306)	(314)	(3,055)
Reversal of allowance for doubtful accounts	253	126	2,521
Impairment loss	(14)	(94)	(145)
Other loss—net	(41)	(317)	(408)
Total	¥ 116	¥ 405	$ 1,155

Note: Gain on sale of intangible asset

Gain on sale 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. LEASES

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

Total rental expenses including lease payments for the years ended March 31, 2008 and 2007 were ¥502 million ($5,012 thousand) and ¥467 million, respectively.

For the year ended March 31, 2007, the Group recorded an impairment loss of ¥8 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 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, 2008 and 2007 was as follows:

	Millions of Yen							
	2008				2007			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥1,002	¥1,176	¥227	¥2,405	¥914	¥1,090	¥360	¥2,364
Accumulated depreciation	654	643	112	1,409	522	487	100	1,109
Accumulated impairment loss		13		13		13		13
Net leased property	¥ 348	¥ 520	¥115	¥ 983	¥392	¥ 590	¥260	¥1,242

	Thousands of U.S. Dollars			
	2008			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$10,000	$11,743	$2,271	$24,014
Accumulated depreciation	6,526	6,419	1,121	14,066
Accumulated impairment loss		132		132
Net leased property	$ 3,474	$ 5,192	$1,150	$ 9,816

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 410	¥ 455	$ 4,090
Due after one year	696	861	6,952
Total	¥1,106	¥1,316	$11,042

Allowance for impairment loss on leased property of ¥10 million, as of March 31, 2007 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
	2008	2007	2008
Depreciation expense	¥452	¥417	$4,508
Interest expense	30	27	301
Total	¥482	¥444	$4,809
Reversal of allowance for impairment loss on leased property	¥ 3	¥ 3	$ 33
Impairment loss		8	

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

The minimum rental commitments under noncancelable operating leases at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥3	¥5	$30
Total	¥3	¥5	$30

14. DERIVATIVES

The Group enters into derivative financial instruments, including foreign currency forward contracts and currency options and currency swaps, 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 assets and 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.

15. CONTINGENT LIABILITIES

During the year the Company sold notes receivable to a finance company. As part of the finance agreement, under certain circumstances, the Company has the obligation to repurchase these amounts.

At March 31, 2008, in connection with this structured finance agreement, the maximum repurchase commitment the Company has exposure to is ¥504 million ($5,033 thousand).

At March 31, 2008 and 2007, guarantees of bank loans amounted to ¥81 million ($813 thousand) and ¥157 million, respectively.

16. RELATED PARTY TRANSACTIONS

Transaction of the Company with Ueda Japan Radio Co., Ltd., an affiliated company, for the year ended March 31, 2008 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2008	2008
Purchases	¥6,519	$65,063

Balances due to the Company with Ueda Japan Radio Co., Ltd., an affiliated company, at March 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2008	2008
Notes and accounts payables	¥2,322	$23,180

17. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2008 was approved at the Company's shareholders meeting held on June 27, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5 ($0.05) per share	¥689	$6,877

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, 2008 and 2007 is as follows:

(1) Industry Segments

The percentages of the Radio Communications Equipment segment in total sales and in operating income exceeded 90%, thus the Company and consolidated subsidiaries have omitted the disclosure of segmental information by business type.

(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				
	2008				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	¥10,845	¥8,211	¥5,593	¥8,035	¥ 32,684
Consolidated sales					131,829
The ratio of sales to foreign customers	8.2%	6.2%	4.3%	6.1%	24.8%

	Thousands of U.S. Dollars				
	2008				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	$108,248	$81,955	$55,823	$80,192	$ 326,218
Consolidated sales					1,315,789
The ratio of sales to foreign customers	8.2%	6.2%	4.3%	6.1%	24.8%

	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%

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, 2008 and 2007, and the related consolidated statements of income, 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, 2008 and 2007, 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 27, 2008

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Balance Sheets

March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 5,941	¥ 5,397	$ 59,302
Short-term investments (Note 3)		2	
Receivables:			
Trade notes	2,272	4,627	22,680
Trade accounts	47,623	45,147	475,327
Subsidiaries and affiliated companies	417	270	4,161
Other	424	256	4,227
Allowance for doubtful accounts	(209)	(461)	(2,081)
Inventories (Note 4)	29,889	32,614	298,320
Prepaid expenses and other	937	912	9,350
Total current assets	87,294	88,764	871,286
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	1,852	1,852	18,481
Buildings and structures	24,599	24,441	245,527
Machinery and equipment	9,000	9,121	89,830
Furniture and fixtures	17,046	17,089	170,138
Construction in progress	1	71	12
Total	52,498	52,574	523,988
Accumulated depreciation	(42,519)	(42,086)	(424,388)
Net property, plant and equipment	9,979	10,488	99,600
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	11,169	10,042	111,474
Investments in subsidiaries and affiliated companies (Note 3)	2,147	7,304	21,428
Prepaid pension expense	1,612		16,093
Other assets (Note 5)	1,613	1,670	16,097
Allowance for doubtful accounts	(326)	(476)	(3,249)
Total investments and other assets	16,215	18,540	161,843
TOTAL	¥113,488	¥117,792	$1,132,729

See notes to non-consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current portion of long-term debt (Note 6)	¥ 2,210		$ 22,058
Payables:			
Trade notes	1,294	¥ 1,397	12,920
Trade accounts	26,968	30,068	269,171
Subsidiaries and affiliated companies	5,130	4,474	51,204
Other	407	332	4,062
Income taxes payable	132	189	1,313
Accrued expenses	4,895	4,975	48,857
Other	2,834	3,995	28,286
Total current liabilities	43,870	45,430	437,871
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	16,390	18,600	163,589
Liability for retirement benefits	9,327	8,999	93,096
Deferred tax liabilities (Note 8)	2,416	3,960	24,110
Other	789	12	7,872
Total long-term liabilities	28,922	31,571	288,667
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 13)			
EQUITY (Note 7):			
Common stock—authorized, 216,000,000 shares; issued, 137,976,690 shares in 2008 and 2007	14,704	14,704	146,765
Capital surplus—additional paid-in capital	16,505	16,505	164,733
Retained earnings-unappropriated	6,026	3,862	60,142
Net unrealized gain on available-for-sale securities	3,519	5,769	35,128
Treasury stock—at cost, 165,510 shares in 2008 and 143,035 shares in 2007	(58)	(49)	(577)
Total equity	40,696	40,791	406,191
TOTAL	¥113,488	¥117,792	$1,132,729

Non-consolidated Statements of Income

Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
NET SALES	¥124,063	¥118,765	$1,238,281
COST OF SALES	104,255	99,014	1,040,577
Gross profit	19,808	19,751	197,704
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	16,458	16,062	164,266
Operating income	3,350	3,689	33,438
OTHER INCOME (EXPENSES):			
Interest and dividend income	410	262	4,094
Interest expense	(318)	(283)	(3,178)
Other—net (Note 11)	(552)	249	(5,506)
Other income (expenses)—net	(460)	228	(4,590)
INCOME BEFORE INCOME TAXES	2,890	3,917	28,848
INCOME TAXES—Current (Note 8)	38	55	378
NET INCOME	¥ 2,852	¥ 3,862	$ 28,470

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.q):			
Basic net income	¥ 20.70	¥ 28.02	$ 0.21
Cash dividends applicable to the year	5.00	5.00	0.05

See notes to non-consolidated financial statements.

Non-consolidated Statements of Changes in Equity

Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen						
			Capital Surplus	Retained Earnings				
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated	Net Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total Equity
BALANCE, APRIL 1, 2006	137,851	¥14,704	¥17,087	¥2,278	¥(2,860)	¥5,397	¥(43)	¥36,563
Net income					3,862			3,862
Transfer from additional paid-in capital			(582)		582			
Transfer from legal reserve				(2,278)	2,278		(6)	(6)
Purchase of treasury stock	(17)							
Net change in the year						372		372
BALANCE, MARCH 31, 2007	137,834	14,704	16,505		3,862	5,769	(49)	40,791
Net income					2,852			2,852
Cash dividends, ¥5 per share					(688)			(688)
Purchase of treasury stock	(23)						(9)	(9)
Net change in the year						(2,250)		(2,250)
BALANCE, MARCH 31, 2008	137,811	¥14,704	¥16,505		¥6,026	¥3,519	¥(58)	¥40,696

	Thousands of U.S. Dollars (Note 1)						
		Capital Surplus	Retained Earnings				
	Common Stock	Additional Paid-in Capital	Legal Reserve	Unappropriated	Net Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total Equity
BALANCE, MARCH 31, 2007	$146,765	$164,733		$38,551	$57,583	$(487)	$407,145
Net income				28,470			28,470
Cash dividends, $0.05 per share				(6,879)			(6,879)
Purchase of treasury stock						(90)	(90)
Net change in the year					(22,455)		(22,455)
BALANCE, MARCH 31, 2008	$146,765	$164,733		$60,142	$35,128	$(577)	$406,191

See notes to non-consolidated financial statements.

Notes to NON-Consolidated Financial Statements

Years Ended March 31, 2008 and 2007

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 (the "Corporate Law") 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.

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 2007 non-consolidated financial statements to conform to the classifications used in 2008.

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 ¥100.19 to $1, the approximate rate of exchange at March 31, 2008. 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.

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 principally 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.

Prior June 28, 2007, the Company has provided an allowance for directors' and corporate auditors' retirement benefits calculated in accordance with Company's policies and has included this amount in the liability for retirement benefits. Effective June 28, 2007, the Company terminated its unfunded retirement allowance plan for all directors and corporate auditors. The outstanding balance of retirement allowances for directors and corporate auditors as of June 28, 2007 was reclassified to the long-term liabilities in the year ended March 31, 2008.

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

m. *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.

n. *Income Taxes*—The provision for income taxes is computed based on the pretax income included in the non-consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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 income 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/swaps 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 income 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 per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because it is anti-dilutive.

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

r. *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 Accounting Standards Board of Japan ("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. 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.

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 shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Construction Contracts—Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On December 27, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Short-term investments—Debt securities		¥ 2	
Investment securities:			
Equity securities	**¥10,828**	9,639	**$108,073**
Debt securities	**212**	211	**2,116**
Other	**129**	192	**1,285**
Total	**¥11,169**	¥10,042	**$111,474**

The carrying amounts and aggregate fair values of investment securities in affiliated companies whose market values are available at March 31, 2008 and 2007 are as follows:

	Millions of Yen					
	2008			2007		
	Carrying Amount	Market Value	Unrealized Gain	Carrying Amount	Market Value	Unrealized Gain
Affiliated companies	¥1,015	¥1,237	¥222	¥1,015	¥1,901	¥886

	Thousands of U.S. Dollars		
	2008		
	Carrying Amount	Market Value	Unrealized Gain
Affiliated companies	$10,134	$12,351	$2,217

4. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Finished products and semi-finished products	¥ 7,804	¥ 7,968	$ 77,895
Work in process	17,530	20,126	174,961
Raw materials and supplies	4,555	4,520	45,464
Total	¥29,889	¥32,614	$298,320

5. LONG-LIVED ASSETS

The Company reviewed its long-lived assets for impairment as of the years ended March 31, 2008 and 2007, and, as a result, recognized impairment losses, as follows:

Year Ended March 31, 2008

Location: Mitaka City, Tokyo
Asset use: Assets for defense-related business in the Special Equipment Division

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Furniture and fixture	¥ 3	$ 35
Software	11	110
Total	¥14	$145

Year Ended March 31, 2007

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

	Millions of Yen
Type:	
Machinery and equipment	¥ 2
Furniture and fixture	51
Software	33
Other	8
Total	¥94

In principle, the Company pools the assets of its business divisions into the smallest possible units for cash flow generation.
The assets for defense-related business in the Special Equipment Division were written down to the recoverable amount, because it is uncertain whether the business will generate a profit. The recoverable amount was measured at its value in use. The value was evaluated at zero due to uncertainty about positive cash flow from continued use.

6. LONG-TERM DEBT

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Loans from banks, due serially to 2011 with interest rates ranging from 0.9% to 1.4% (in 2008) and from 0.8% to 1.8% (in 2007)	¥18,600	¥18,600	$185,647
Total	18,600	18,600	185,647
Less current portion	(2,210)		(22,058)
Long-term debt, less current portion	¥16,390	¥18,600	$163,589

Annual maturities of long-term debt outstanding at March 31, 2008 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥15,310	$152,810
2011	1,080	10,779
Total	¥16,390	$163,589

7. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law, which reformed and replaced the Commercial Code of Japan. The significant provisions 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, 2008 and 2007.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current deferred tax assets:			
Accrued bonuses	¥ 965	¥ 964	$ 9,636
Inventories	170	170	1,694
Accrued social security on accrued bonuses	128	125	1,275
Enterprise taxes payable	31	45	305
Warranty for finished products	162	353	1,613
Other	13	26	136
Valuation allowance	(1,469)	(1,683)	(14,659)
Total			
Non-current deferred tax assets:			
Liability for retirement benefits	¥ 3,183	¥ 3,618	$ 31,775
Tax loss carryforwards	4,636	5,267	46,268
Software	2,879	2,630	28,733
Inventories	1,331	1,232	13,285
Investment securities	854	845	8,528
Property, plant and equipment	179	209	1,790
Allowance for doubtful accounts	112	257	1,115
Other	210	238	2,097
Valuation allowance	(13,384)	(14,296)	(133,591)
Total			
Non-current deferred tax liabilities—			
Net unrealized gain on available-for-sale securities	2,416	3,960	24,110
Total	2,416	3,960	24,110
Net non-current deferred tax liabilities	¥ 2,416	¥ 3,960	$ 24,110

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying non-consolidated statements of income for the years ended March 31, 2008 and 2007 is as follows:

	2008	2007
Normal effective statutory tax rate	40.7%	40.7%
Dividend income not to be taxed	(2.9)	(1.7)
Change in valuation allowance	(38.9)	(37.0)
Other—net	2.4	(0.6)
Actual effective tax rate	1.3%	1.4%

At March 31, 2008, the Company has tax loss carryforwards aggregating approximately ¥11,240 million ($112,185 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	¥ 2,972	$ 29,665
2010	2,273	22,684
2011	239	2,383
2013	5,756	57,453
Total	¥11,240	$112,185

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,221 million ($82,055 thousand) and ¥6,884 million for the years ended March 31, 2008 and 2007, respectively.

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Provision for doubtful accounts	**¥ 1**	¥ 86	**$ 8**
Salary	**6,518**	6,357	**65,052**
Provision for retirement benefits	**540**	616	**5,393**
Depreciation	**230**	232	**2,299**
Rent	**788**	889	**7,861**
Research and development cost	**4,038**	3,526	**40,304**
Other	**4,343**	4,356	**43,349**
Total	**¥ 16,458**	¥16,062	**$164,266**

11. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2008 and 2007 consisted of the following:

	Thousands of Millions of Yen		U.S. Dollars
	2008	2007	**2008**
Gain on sale of investment securities		¥ 1	
Loss on sales of investment securities	**¥ (8)**		**$ (80)**
Loss on valuation of investment securities	**(26)**	(3)	**(255)**
Gain on sale of intangible asset		677	
Loss on valuation and disposal of inventories	**(306)**	(314)	**(3,056)**
Foreign exchange gain		173	
Foreign exchange loss	**(400)**		**(3,991)**
Loss on sales and disposal of property, plant and equipment	**(54)**	(78)	**(540)**
Impairment loss	**(14)**	(94)	**(145)**
Other	**256**	(113)	**2,561**
Total	**¥ (552)**	¥ 249	**$ (5,506)**

12. LEASES

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

Total rental expenses including lease payments for the years ended March 31, 2008 and 2007 were ¥415 million ($4,142 thousand) and ¥391 million, respectively.

For the year ended March 31, 2007, the Company recorded an impairment loss of ¥8 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, 2008 and 2007, was as follows:

	Millions of Yen							
	2008				2007			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥940	¥1,045	¥157	¥2,142	¥854	¥918	¥157	¥1,929
Accumulated depreciation	624	592	85	1,301	498	419	49	966
Accumulated impairment loss		13		13		13		13
Net leased property	¥316	¥ 440	¥ 72	¥ 828	¥356	¥486	¥108	¥ 950

	Thousands of U.S. Dollars			
	2008			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$9,381	$10,436	$1,568	$21,385
Accumulated depreciation	6,231	5,912	842	12,985
Accumulated impairment loss		132		132
Net leased property	$3,150	$ 4,392	$ 726	$ 8,268

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥339	¥ 380	$3,389
Due after one year	531	638	5,297
Total	¥870	¥1,018	$8,686

Allowance for impairment loss on leased property of ¥7 million ($67 thousand) and ¥10 million, as of March 31, 2008 and 2007 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
	2008	2007	2008
Depreciation expense	¥372	¥359	$3,712
Interest expense	20	21	204
Total	¥392	¥380	$3,916
Reversal of allowance for impairment loss on leased property	¥ 3	¥ 3	$ 33
Impairment loss		8	

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

The minimum rental commitments under noncancelable operating leases at March 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2008	2008
Due within one year	¥3	$30

13. CONTINGENT LIABILITIES

During the year the Company sold notes receivable to a finance company. As part of the finance agreement, under certain circumstances, the Company has the obligation to repurchase these amounts.

At March 31, 2008, in connection with this structured finance agreement, the maximum repurchase commitment the Company has exposure to is ¥504 million ($5,033 thousand).

At March 31, 2008 and 2007, guarantees of bank loans amounted to ¥86 million ($855 thousand) and ¥186 million, respectively.

14. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2008 was approved at the shareholders meeting held on June 27, 2008:

	Millions of Yen	
Year-end cash dividends, ¥5 ($0.05) per share	¥689	$6,877

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, 2008 and 2007, and the related non-consolidated statements of income 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, 2008 and 2007, 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 27, 2008

Member of
Deloitte Touche Tohmatsu

Directory

(as of 31st March, 2008)

Main Office and Plants

Head Quarters/Mitaka Factory

1-1, Shimorenjaku 5-chome, Mitaka,
Tokyo 181-8510, Japan
Phone: +81-422-45-9111
Fax: +81-422-45-9110
Telex: 2822-351

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Shinjuku-ku, Tokyo 160-8328,
Japan
Phone: +81-3-3348-3604
Fax: +81-3-3348-3648
URL (English):
http://www.jrc.co.jp/eng/index.html

Saitama Plant

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Fujimino, Saitama 356-0011, Japan
Phone: +81-49-266-5611
Fax: +81-49-266-5615

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URL: http//www.jrcamerica.com/

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Japan Radio Co., Ltd. Amsterdam Branch

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Greece

Japan Radio Co., Ltd. Greece Branch

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Hamburg Office

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Phone: +49-40-69691182 Fax: +49-40-69691543

Subsidiaries

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Wyndham Street,
Central, Hong Kong
Phone: +852-2707-9170
Fax: +852-2707-9226

JRC do Brasil Empreendimentos Electronicos Ltda.

Av. Almirante Barroso, 63-S/309
CEP 20031-003, Rio de Janeiro,
RJ, Brasil
Phone: +55-21-2220-8121
Fax: +55-21-2240-6324

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: 355

JRC Engineering Co., Ltd.

Business:
Software development and engineering for information and data processing systems using general-purpose computers, mini-computers 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: 151

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: 66

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: 166

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: 126

Affiliated Companies

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: 842(non-consolidated) / 2,480(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: 668

JRC Organization

(as of 1st April, 2008)

- Executive Directors' Meeting
- Management Committee
- Board of Directors
- President
- Corporate Management Committee
- Board of Corporate Auditors

- Corporate Internal Auditing
- Internal Management Promotion Department
- CSR Promotion Department
- Corporate Strategy Department
- Administration
  - General Affairs Department
  - Security Trade Control Group
  - Legal Group
  - Accounting & Financial Department
  - Human Resources Department
- Research & Development Center
  - Laboratory
  - Development Department
- Core Technologies Center
  - Engineering Property Department
  - 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
  - Land Mobile Radio 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
  - Special Equipment Production Department
  - Special Equipment Quality Assurance Department
  - Applied Radio Systems Engineering Department
- BWA Project

Investor Information

(as of 31st March, 2008)

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:
10,915

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

Employees:
2,850

General Meeting of Shareholders:
Convened annually in late June

Board of Directors, Corporate Auditors and Executive Officers

(as of 28th June, 2008)

Director Chairman
Shinji Takeuchi

Representative Director and President
Yorihisa Suwa

Representative Director and Senior Managing Executive Officer
Kouichi Okajima

Director and Managing Executive Officer
Mikio Naito

Directors and Managing Executive Officer
Hironori Sakamoto
Tatsuro Masamura
Yoshimasa Gunji
Kiyohiko Tatebayashi
Takayoshi Tsuchida
Manabu Arai

Directors
Noboru Matsuda
Yoshikazu Sashida

Standing Corporate Auditors
Hideki Takeishi
Yoshio Nakatsuchi
Yuichi Notsu

Corporate Auditor
Masaya Kawata

Executive Officers
Shuichi Gotoh
Michiaki Hyodoh
Seiji Kassai
Tamiho Shinya
Kenji Ara
Yasuhiko Hara

Major Shareholders

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Industries, Inc.	46,939	34.01
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,400	5.36
Mizuho Corporate Bank, Ltd.	5,853	4.24
Mizuho Bank, Ltd.	3,672	2.66
Japan Trustee Services Bank, Ltd. (Trust Account)	3,278	2.37
Goldman Sachs International	2,961	2.14
Morgan Stanley and Company Intl. Ltd.	2,937	2.12
JRC employee ownership	2,489	1.80
JRC Business Partner Ownership	2,405	1.74
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	43	42	305	107	10,418	10,915
Number of Shares Held	28,796	1,218	52,257	16,702	38,424	137,397
Percentage of Total Shares Issued	20.96	0.89	38.03	12.16	27.96	100.0

Notes: Trading unit of common stock : 1,000 shares
Odd-Lot Stock : 165,510 share

JRC Japan Radio Co., Ltd.

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