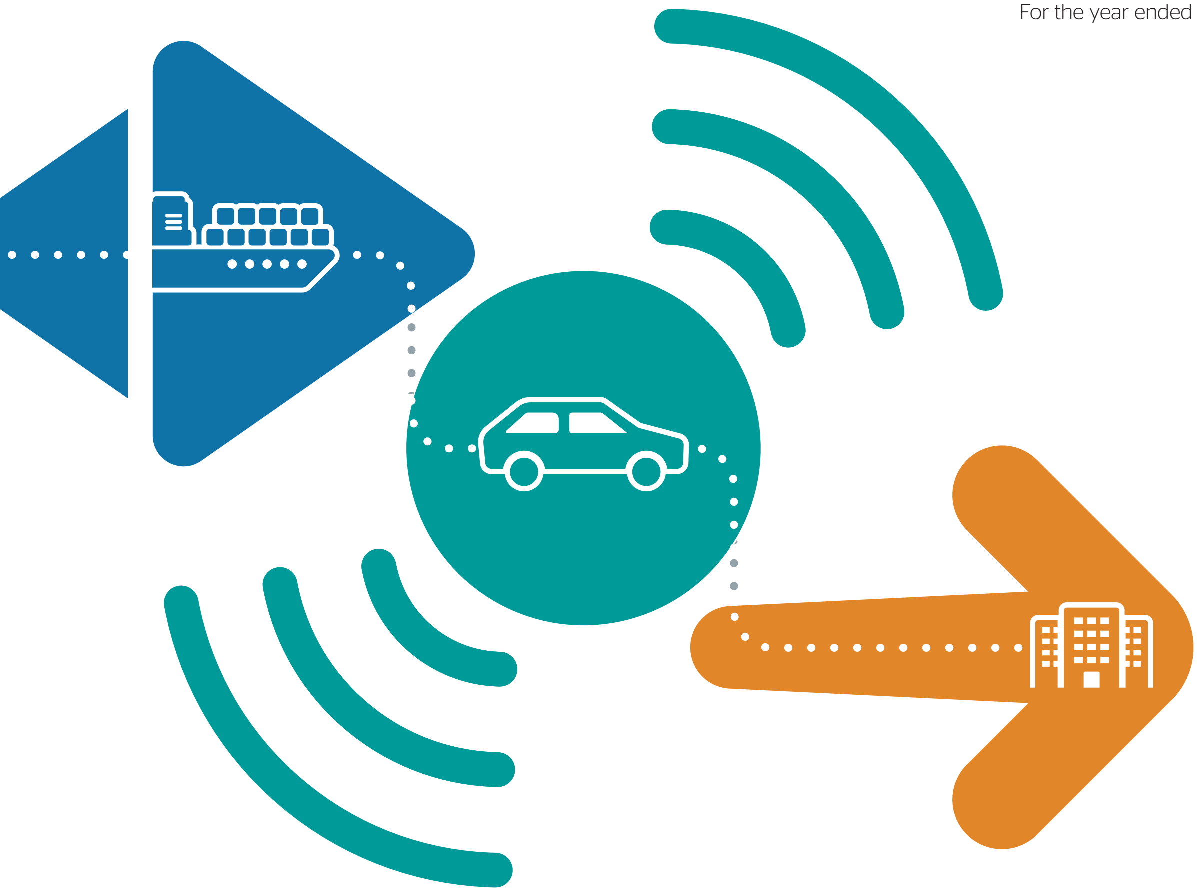
Japan Radio Co., Ltd.

Annual Report 2016

For the year ended March 31, 2016



Delivering Information and Intelligence

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 29 subsidiaries and 2 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.

JRC and Consolidated Subsidiaries:

Japan Radio Co., Ltd. (JRC)

— Nagano Japan Radio Co., Ltd.
— Ueda Japan Radio Co., Ltd.
— JRC Tokki Co., Ltd.
— Japan Radio Glass Co., Ltd.
— JRC Engineering Co., Ltd.
— JRC Marinfonet Co., Ltd.
— Sasebo Japan Radio Co., Ltd.
— JRC System Services Co., Ltd.
— JRC (HK) Limited
— JRC Shanghai Co., Ltd.
— JRC do Brasil Empreendimentos Eletrônicos Ltda.
— Alphatron Marine Beheer B.V.
— Shenzhen NJRC Technology Co., Ltd.

Caution with Regard to Forward-Looking Statements

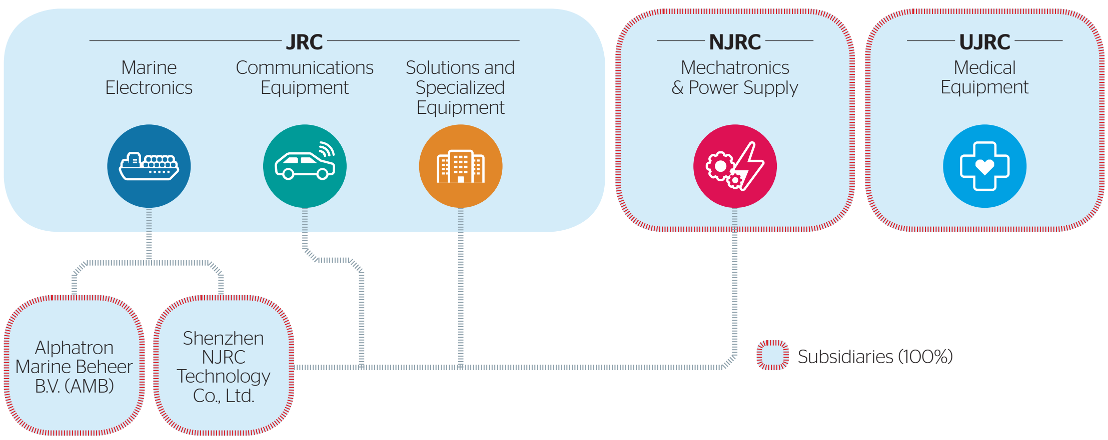
Statements in this annual report with respect to Japan Radio's plans, strategies, beliefs and estimates that are not historical facts are forward-looking statements. They constitute management's assumptions based on information currently available and involve risks and uncertainties. There are a number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

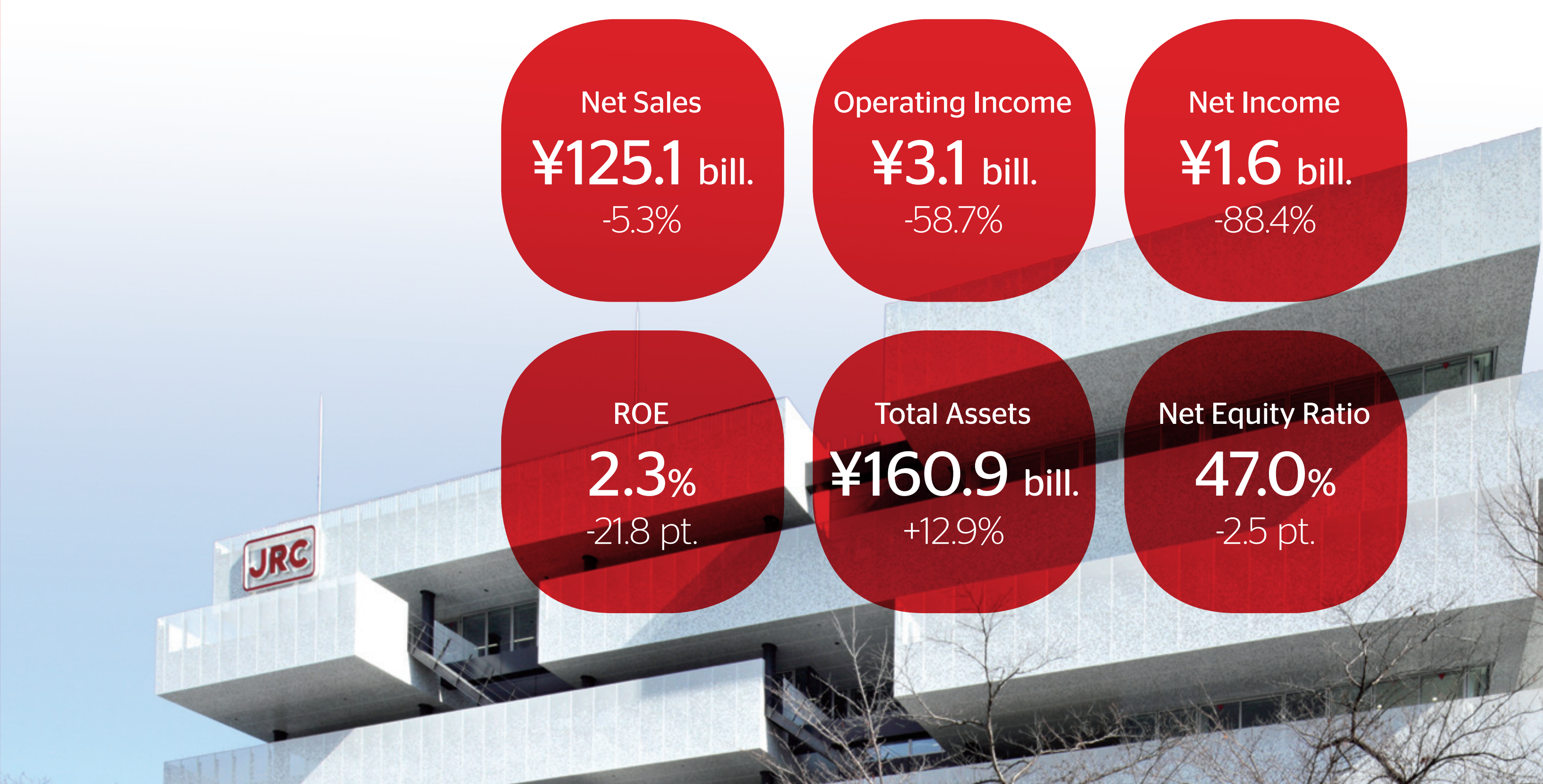
Business Highlights

In FY2015, ended March 31, 2016, the JRC Group reported a year-on-year decline in consolidated net sales due to sluggish business conditions for the Communications Equipment segment and Solutions and Specialized Equipment segment. This was despite an increase in sales of the Marine Electronics Equipment segment.

In October 2015, JRC celebrated 100 years of operations. Having completed business structural reforms on schedule, we have made a new start toward renewed business advancement and social contribution.

Expanding Business Segment and Group Base





Net Sales
¥125.1 bill.
-5.3%

Operating Income
¥3.1 bill.
-58.7%

Net Income
¥1.6 bill.
-88.4%

ROE
2.3%
-21.8 pt.

Total Assets
¥160.9 bill.
+12.9%

Net Equity Ratio
47.0%
-2.5 pt.

Message from the President

Changes in representative directors

At the regular General Meeting of Shareholders held on June 24, 2016—and subsequent resolution at the meetings of the Board of Directors and Board of Corporate Auditors—it was decided to make changes in the Company's representative directors and other executives. Under the changes, Takayoshi Tsuchida, representative director and president, became representative director and chairman. At same time, I, director and executive officer and general manager of a business operation headquarters, became representative director and president.

Under the guidance of Mr. Tsuchida, our former president, we embarked on a series of business structural reforms from FY2012 aimed at ensuring our sustained business advancement in the global market into the future. By September 2015, these efforts to solidify our operational foundation were practically completed, and in October 2015 we celebrated 100 years of operations. Under our transformed organization, we have embarked on a new three-year business plan, under which we will further reinforce our operational foundation and target sustained business development.

Business environment

In FY2015, the world economy showed moderate recovery overall, buoyed by steady economic growth in the United States and a modest turnaround in Europe. This was despite economic slowdown in China and other emerging nations.

In Japan, although personal consumption and corporate capital investments lacked strength, the economy assumed a general recovery tone as economic measures taken by the government and financial easing by the Bank of Japan (BOJ) led to improvements in corporate earnings, employment, and worker incomes. However, reasons for concern about the economic outlook remain, including the downward impact of weakness in emerging economies and the effect of the BOJ's negative interest rate policy on financial markets.

Performance

Under these circumstances, the JRC Group undertook proactive sales activities aimed at business expansion. We also strove to improve profitability through cost restructuring and build an operational foundation for renewed growth. Serving as the electronics business arm of Nisshinbo Holdings Inc., our parent company, we enacted business structural reforms from FY2012 through FY2015 aimed at reinforcing our business base.

As a result, in FY2015, the final year of the aforementioned business structural reforms, the Group posted consolidated net sales of ¥125,192 million, down 5.3% from the previous fiscal year. Operating income declined 58.7%, to ¥3,184 million, and net income fell 88.4%, to ¥1,662 million.

For the year, the Marine Electronics Equipment segment posted a year-on-year increase in sales thanks to healthy demand in the new-vessel shipbuilding market and the retrofit market. However, the Communications Equipment segment and the Solutions and Specialized Equipment segment both reported declines in orders and sales due to weak business conditions. The year-on-year decline in net income stemmed primarily from the partial sale in the previous year of the Mitaka Plant, which generated extraordinary income in that year. This one-time event will not affect earnings going forward.

Overview of business structural reforms

Since September 2012, the Group has been implementing business and cost structural reforms aimed at further advancing its operations in a global operating environment. Under these reforms, we dismantled the Mitaka Plant, which had played a central role in the Group's production and technological development. At the same time, we rebuilt the manufacturing and product development facilities of two Group companies: Nagano Japan Radio Co., Ltd. (NJRC) and Ueda Japan Radio Co., Ltd. (UJRC). As a result, the Group's manufacturing and product development activities are now centered on mainly three operations—Nagano Headquarters and Kawagoe Headquarters in Japan and Shenzhen NJRC Technology Co., Ltd. in China—with our main office located in Nakano, Tokyo.

Renewed JRC Group

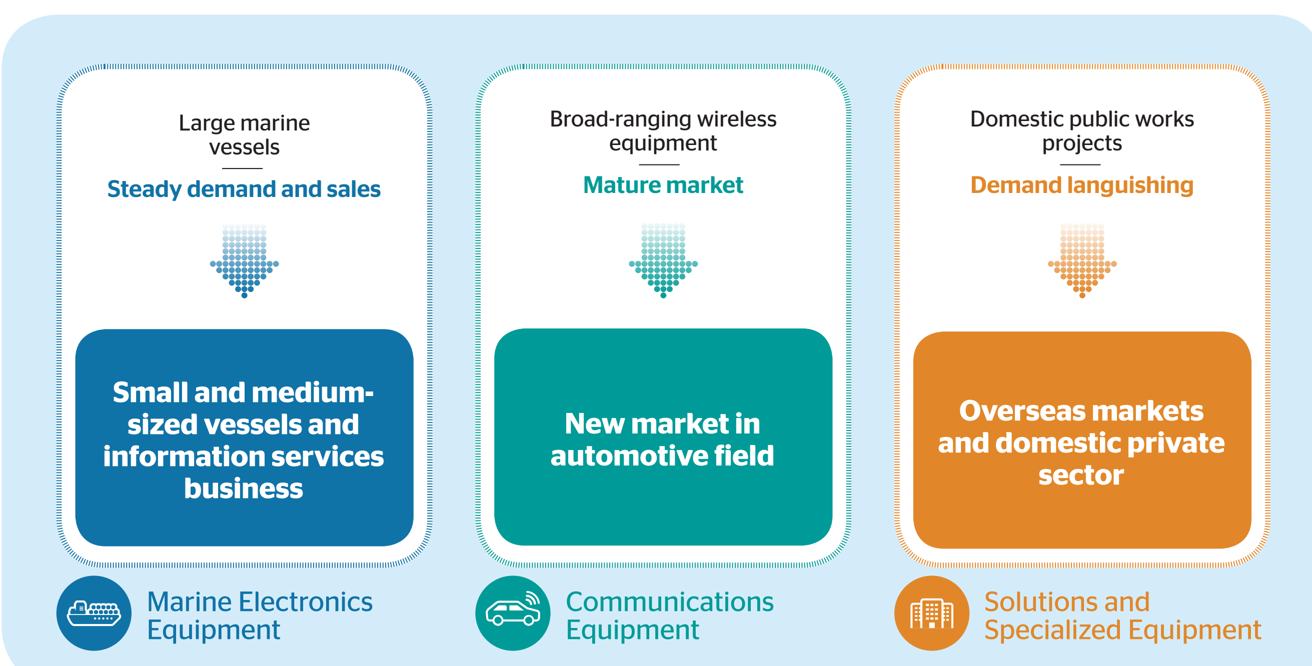
At the Nagano Headquarters, in collaboration with NJRC we built the Advanced Technology Center and the Solutions and Specialized Equipment Plant and relocated equipment and personnel. All of these plans were completed on schedule in FY2015. We also completed relocation of the systems engineering, R&D, and other functions to the Kawagoe Headquarters in August 2016 and subsequently commenced operations there. In Shenzhen, meanwhile, we started production of various marine communications equipment at Shenzhen NJRC Technology Co., Ltd., a joint venture with NJRC. Seeking to expand our marine electronics equipment business, we launched bridge systems and other products developed jointly with Alphatron Marine Beheer B.V. (AMB), a subsidiary and JRC Group company based in Rotterdam, Netherlands. We are currently working to reorganize and strengthen that company's sales and service systems.

JRC's 100th anniversary and consolidation of NJRC and UJRC

To celebrate the centenary of JRC's foundation, complete structural reinforcement aimed at future business advancement, and further strengthen unity within the Group, in March 2016 we transformed two affiliated companies—NJRC and UJRC—into consolidated subsidiaries.

Through these actions, we will pursue Groupwide synergies and invest actively to create new growth opportunities as "One-JRC," enabling us to build an efficient business portfolio and maximize overall Group earnings. By embracing the challenge of implementing future growth strategies, we will demonstrate our corporate commitment, which is to provide products and services that contribute to safety, peace of mind, and the environment.

Future Core Business Portfolio



Adhering to our corporate commitment, in the Communications Equipment segment we will work to establish a new business in the automotive field while maintaining our core businesses in the Marine Electronics Equipment and Solutions and Specialized Equipment segments. In Solutions and Specialized Equipment segment, meanwhile, we have earmarked overseas markets and the domestic private sector as future growth domains in which we will cultivate market demand.

Marine Electronics Equipment: Expand market share and strengthen/upgrade information services business

The market for new large marine vessels, where the JRC Group is strong, is easily affected by the world economy, new vessel demand, and other factors. We will apply our technological expertise, amassed in the market for large vessels, to the retrofit market, as well as to the market for small and medium-sized vessels, with the aim of expanding market share. In addition, we will collaborate with AMB and other companies to broaden our information services business while strengthening our repair and maintenance business.

Communications Equipment: Focus on new businesses in automotive and other fields

The JRC Group has amassed significant core technologies, including microwave technologies, as part of its future growth strategy. Leveraging this strength, we will reinforce our business in the automotive field, where growth is expected. At the same time, we will step up our capabilities in advanced driver assistance systems.

Solutions and Specialized Equipment: Concentrate on overseas markets and domestic private sector

In the solutions business, in Japan we will focus on lifeline and other surveillance and security solutions while targeting business expansion in the private sector. Overseas, we will seek to expand our business in such areas as meteorological radar systems, especially in emerging nations where we anticipate solid demand for social infrastructure and disaster prevention solutions.

With respect to specialized equipment, we will upgrade our technological capabilities and pursue collaboration with other companies, with a view to expanding our business overseas. We will also enter the aerospace business, which is earmarked for future growth.

Strengthen interface as “One-JRC”

Having recently transformed two Group companies into consolidated subsidiaries, we will demonstrate our strengths as “One-JRC” consisting of three companies working in unison. Specifically, we will target reforms in the areas of technological development strategies, production and distribution strategies, and personnel strategies. Our aim is to strengthen interface within the Group across all functions, including product development and manufacturing, organization, and personnel development.

Technological Development Strategies: To enhance the efficiency of research and development, we will advance a cross-lateral R&D policy across the Group. To this end, we will concentrate investments as a Group in future growth domains. In the Marine Electronics Equipment segment, for example, we will step up development of equipment for small and medium-sized vessels while strengthening and upgrading our information services. In the Communications Equipment segment, we will develop millimeter wave and microwave equipment for the automotive field. In addition, we will consider deploying external resources, including from overseas, as well as M&A opportunities.

Production and Distribution Strategies: We will work to build a unified supply chain for the renewed JRC Group. We will also use IoT and other technologies to increase productivity and thus improve cash flows.

Personnel Strategies: As part of its growth strategy, the JRC Group will promote personnel development reforms aimed at helping individuals who can understand and perform in practical situations. To this end, we will build a system in which our corporate commitment and policies and employees' individual goals are aligned. Specifically, we will reorganize our personnel system to enable employees to think and act independently and strive for better performances.

Profit distribution and corporate value improvement

The distribution of profits to shareholders is one of the Company's top management priorities. Our basic policy is to pay stable and continuous dividends from a long-term perspective, while paying attention to strengthening our performance and operational foundation. In the year under review, we paid an interim dividend of ¥5.00 per share and a year-end dividend of ¥5.00, for total annual dividends of ¥10.00 per share.

Our policy is effectively deploy internal reserves to make capital investments and R&D expenditures targeting business growth over the medium and long terms, in addition to shareholder returns, with the aim of strengthening our financial position.

The JRC Group will mobilize its industry-leading technologies to deliver products and services that contribute to safety, peace of mind, and the environment in the global market. In this way, we will become a group regarded as indispensable by people worldwide. We will also strengthen our ties with AMB, NJRC, UJRC, and other main Group companies to further advance our operations. Motivated to succeed and unafraid of change, we will foster a corporate culture brimming with the spirit of challenge.

Going forward, the JRC Group will enhance corporate value, emphasize communication with investors, and work in other ways to achieve stable growth and fulfill its social responsibilities.

We look forward to the continued understanding and cooperation of shareholders.

July 1, 2016

K. Ara

Kenji Ara
Representative Director and President

Review of Operations

Focusing on the Wireless Communications Business

Leveraging its expertise in wireless communications technologies, the JRC Group is expanding its operations in its three main business segments—Marine Electronics Equipment, Communications Equipment, and Solutions and Specialized Equipment. We are deploying our specialist expertise in each segment to achieve strong market shares.

In March 2016 , we transformed two companies—Nagano Japan Radio Co., Ltd. (NJRC) and Ueda Japan Radio Co., Ltd. (UJRC)—into consolidated subsidiaries. Accordingly, two new business segments have now been added to the Group's operations: Mechatronics & Power Supply (NJRC) and Medical Equipment (UJRC).

Marine Electronics Equipment
¥45.3 bill.
36.2%

Communications Equipment
¥13.5 bill.
10.9%

Solutions and Specialized Equipment
¥64.1 bill.
51.2%

Consolidated Net Sales
¥125.1 bill.

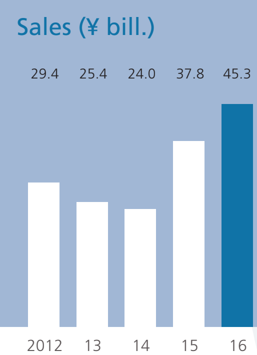
New Segment

Mechatronics & Power Supply
(NJRC)

Medical Equipment
(UJRC)

Review of Operations

Marine Electronics Equipment



- Inmarsat satellite ship earth stations
- Ship communications equipment
- Marine radar
- Electronic chart display systems (ECDIS)
- Integrated bridge systems
- VHF radiotelephone equipment
- Automatic Identification System (AIS)
- Voyage data recorder (VDR)
- Fishing devices (radars, fish finder, sonar, etc.)

Performance

The Marine Electronics Equipment segment posted a year-on-year increase in sales thanks to healthy orders from the new-vessel shipbuilding market and the retrofit market. Consolidated subsidiary AMB also reported revenue growth. As a result, segment sales rose 19.7% year on year, to ¥45,360 million, and segment income jumped 134.5%, to ¥2,298 million.

Initiatives

Going forward, we will target increased sales in our mainstay new-vessel shipbuilding market by stepping up the introduction of strategic products, such as bridge systems developed jointly with AMB. In the retrofit market, as well, we will work hard to expand market share and attract orders for equipment that conforms to new regulations.

With respect to small and medium-sized vessels, we will enhance our product lineup to target increased market share while strengthening and upgrading our sales network and after-sales service system. We will also reinforce sales in the fishing boat market, and we will strengthen collaboration with AMB to expand our market shares for both workboats and offshore support vessels. In addition, we will broaden information services to support marine operational safety.

Fish finder with 10.4" color display for small and medium-sized vessels

Compact radar system for small boat

In our information services business, we are specialists in optimized routing assistance systems. Here, we will actively advance our J-Marine Routing system while also promoting J-Marine GIS Web Pro, a ship visualization technology.

In these ways, we will focus on enhancing our lineup of equipment for small and medium-sized vessels. We will also expand business in collaboration with other companies, broaden our information services business, and reinforce our repair and maintenance systems.

New Products and Technologies

The JRC Group actively develops and releases onto the market various types of advanced maritime equipment. This includes Integrated Navigation Systems (INSs) that conform to the highest performance standards set by the International Maritime Organization (IMO), as well as models compatible with other international regulations, such as those set by DNV GL and Lloyds.

A feature of INSs released by the Group is that they can be connected via networks to multiple devices, enabling sharing of information between devices and complete multitasking operations.

In other news, we recently developed and released a second-generation marine-use remote maintenance system (RMS) that uses Global Xpress, a global Ka-band satellite network operated by Inmarsat . Adoption of a new-generation satellite communications service enables enhanced maintenance information, automatic uploading and remote updating of vessel information, and connectivity with JRC's J-Marine Cloud. The accurate deployment of information collected from ships greatly contributes to safer marine vessel operation. We will begin sales and promotion of the services and system in FY2016.

Bridge solutions

Review of Operations

Communications Equipment

—ITS equipment
—GPS modules/chips
—PHS (Personal Handy-Phone System) terminals
—Professional mobile digital radios
—Remote optical repeater/mobile backhaul equipment
—Non-destructive testing equipment

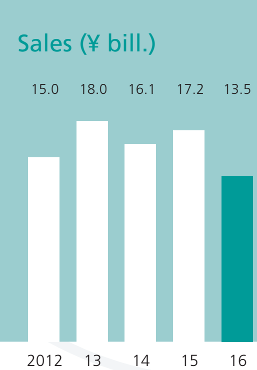
Performance

The Communications Equipment segment reported a year-on-year decline in sales due to sluggish demand for commercial wireless equipment. Sales of PHS handsets were also down, affected by inventory adjustments and other factors. For the year, segment sales decreased 21.2%, to ¥13,588 million. The segment posted a ¥441 million loss, compared with segment income of ¥28 million in the previous year.

Initiatives

Deploying our "selection and concentration" policy, we will strategically direct our resources to next-generation traffic infrastructure systems, where future market growth is anticipated. In this context, we will make ahead-of-the-curve investments in in-vehicle radar and other automotive systems, which we hope to nurture into a core business segment for the Group.

A policy of our new three-year business plan is to step up efforts in the automotive business, in particular. In the automotive sector, the spotlight



Professional mobile radio

is on advanced driver assistance systems, and our plan is effectively demonstrate our strengths in this business and thus differentiate the JRC Group from its competitors.

Meanwhile, recent years have seen new innovations and sales growth in intelligent transportation systems (ITSs), including the ETC2.0 Service, Japan's new electronic toll collection (ETC) system. We also notice ongoing technological developments in the automotive sector. Our plan is to establish top market shares for our products by making technological advancements across our lineup, which includes high-precision GPS11, 77/79GHz radar, ultrasonic sensors, and traffic infrastructure roadside equipment, as well as road-vehicle and vehicle-vehicle communication technologies.

Within the Communications Equipment segment, we will target business growth centered on the ITS field, where we anticipate market expansion.

New Products and Technologies

In the automotive field, a focal point for the Group, we recently developed a 24GHz automobile radar system. In relation to advanced driver assistance systems, this system can remove road surface clutter and interference from third-party radar and has advanced detection capabilities as a radar system.

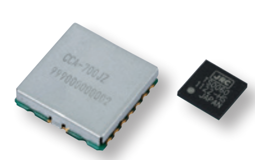
With respect to communications infrastructure, we are developing broadband front-end equipment for 4GHz-band base stations in preparation for the advent of next-generation mobile phone systems.

With data transmissions growing and communication frequencies trending to broader bands, these technologies will be key to realizing such next-generation mobile phone systems.

In the commercial wireless field, we are developing a range of systems that contribute greatly to user safety and efficiency. These include built-in GPS portable radio, portable safety systems for driving test courses, and safety systems for high-speed railways.

Non-destructive testing equipment (RC radar)

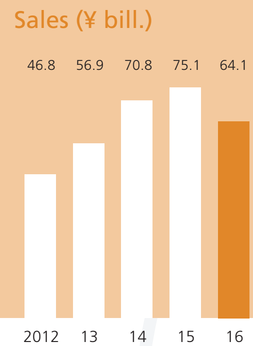
Electronic toll collection (ETC) 2.0 system for motorcycles



GPS receivers

Review of Operations

Solutions and Specialized Equipment



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

Performance

In this segment, sales of wireless disaster prevention and waterway management systems declined year on year as shipments for large-scale projects reached completion. As a result, segment sales decreased 14.7% year on year, to ¥64,145 million, and segment income fell 74.2%, to ¥1,776 million.

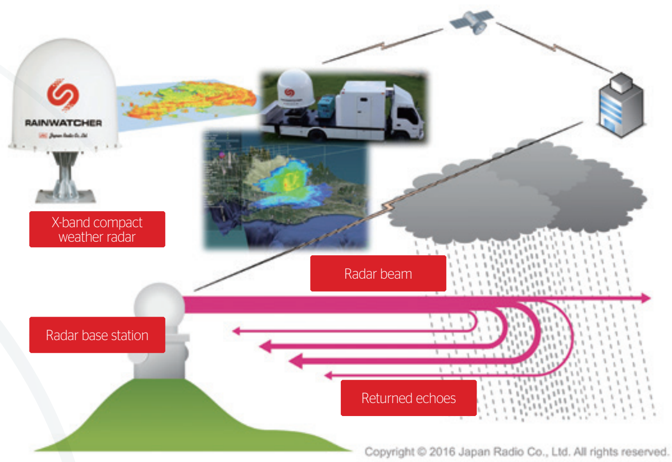
Initiatives

Going forward, we predict a downturn in demand for renewal of disaster prevention and mitigation systems from public entities. Under our three-year business plan, therefore, we will strive to attract orders for waterway and road management systems. At the same time, we will expand the target markets for our overseas and private sector businesses.

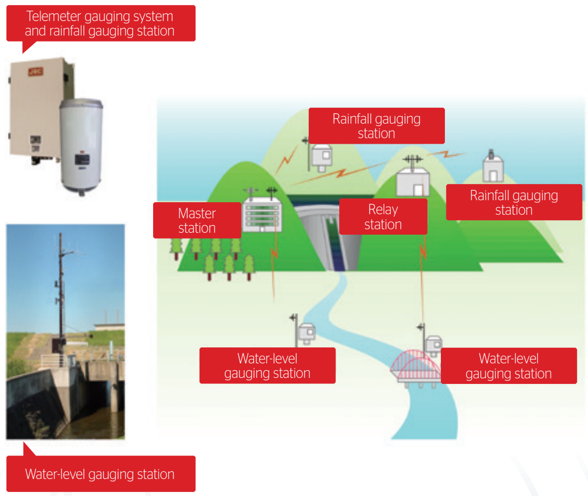
Overseas, we will focus on providing solutions in emerging markets where demand is expected to grow. Here, we will offer systems that contribute to people's safety and peace of mind and bolster orders. These include debris flow forecasting and warning systems (telemetry systems), harbor and gulf security systems, and meteorological radar systems.

Regarding overseas business development, we will strengthen our

Weather Radar System



Telemeter System



sales system by developing products specifically for each overseas market and establishing local subsidiaries. Through collaboration with local companies, we will also reinforce our business foundation.

For the private sector, we will actively propose solutions to various entities, including electricity and gas providers.

The results of NJRC, which became a consolidated subsidiary in March 2016, will be added to this segment's performance from FY2016.

New Products and Technologies

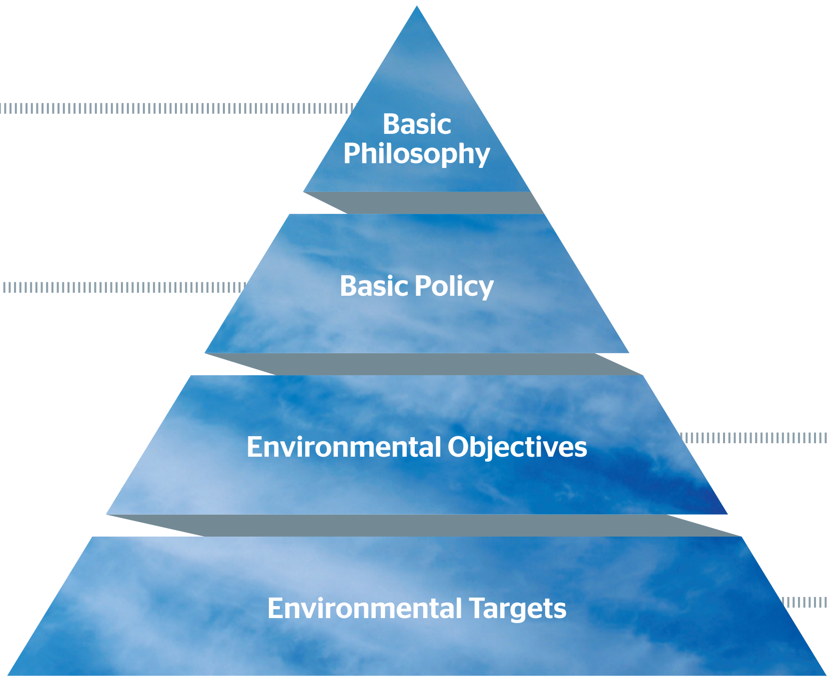
In the wireless infrastructure field, we have developed a terrestrial digital television relay transmitter and a Long Term Evolution (LTE) system for small and medium-sized networks. Terrestrial digital television broadcasts began in Japan in 2003, so we anticipate a wave of replacement demand in the near future. In response, we are developing new-model relay transmitters with multiple benefits for users. The aforementioned LTE system, offering compactness, scalability, and simple operation, can be operated as a customized portable communications system for short time periods.

In the traffic infrastructure field, we are developing software that enables marine charts, satellite images, and the like to be displayed on harbor and gulf security systems. This software can also be integrated with airspace surveillance radar, allowing it to be used for non-marine-related purposes, such as terrorism prevention and security applications.

With respect to water infrastructure, we have developed a Doppler radar for airport weather observation, as well as a phased array weather radar. The Doppler radar has a function for detecting not only rainfall but also dangerous downdrafts that could affect aircraft, and we anticipate its use in the aviation field both in Japan and overseas. The phased array weather radar offers greatly reduced observation time compared with conventional equipment, which significantly benefits efforts to detect and prepare for torrential rainfall and other abnormal weather events.

Building a Sustainable Society

Environmental Policy



Basic Philosophy

JRC recognizes environmental conservation to be one of the most important common concerns for all mankind, and will act with full consideration for environmental protection in all aspects of its business activity.

Basic Policy

The Company fulfills its responsibility as a corporation for the development of a sustainable society by establishing the following environmental policies led by ISO14001 and conducting its business in accordance with them.

1 — **Reduce impacts on biodiversity**

Pursue multifaceted environmental protection activities from a whole-planet perspective, in order to reduce the impact of business activities on biodiversity.

2 — **Contribute by introducing environmentally conscious products**

In the field of wireless communications and data processing, the Company contributes to the public by introducing environmentally conscious products with less environmental impacts throughout their life cycles.

3 — **Reduce environmental impacts of business activities, products, and services**

(1) Save energy
(2) Promote 3R activities (reduce, reuse, recycle) to reduce discharge and wastes
(3) Promote green procurement

4— **Comply with laws and regulations related to the environment**

The business activities, products, and services of the Company shall comply with laws and regulations related to the environment and other social requirements to which the Company subscribes.

5— **Make continuous improvement of environmental impacts and prevent pollution**

The Company makes efforts to reduce the environmental impacts of its business activities as well as its products and services, and prevents pollution by improving the environmental management system.

6— **Establish and periodically review the objectives and targets for environmental protection**

The Company establishes objectives and targets for environmental protection and reviews them periodically. The Company shall make maximum efforts to achieve such objectives and targets.

7— **Make announcements of its environmental policy to the public**

The environmental policy, including the basic philosophy and basic policy, shall be made thoroughly known to all employees in order to obtain their full understanding and cooperation. In addition, this environmental policy shall be announced to outside parties through the website and through other means.

Environmental Objectives

— Design and sell environmentally friendly products
— Promote measures to prevent global warming
— Emphasize the 3Rs (reduce, reuse, recycle)
— Conform to environmental regulations and social demands

Environmental Targets

— Raise sales of environmentally friendly products to the equivalent of 25% of net sales or higher by FY2018, by complying with the Company's Type II Environmental Label Assessment Standards and the like; undertake life cycle assessments (LCAs)
— Undertake meticulous energy management (modify organization in conjunction with business restructuring)
— Raise the recycling ratio to 95% or higher, including at Japanese and overseas operations, as well as subsidiaries
— Conform to legal standards and customer demands

Environmental Accounting

In FY2015, the Company's environmental protection-related expenses amounted to ¥440 million, down 45% from the previous year. The economic benefits associated with environmental protection activities decreased 76%, to ¥5 million. The main factor for these declines was the partial relocation of production to subsidiaries based on our business structural reforms. Going forward, the JRC Group will continue to control its environmental protection-related costs and advance its environmental management approach.

JRC Governance Systems

Basic Policy

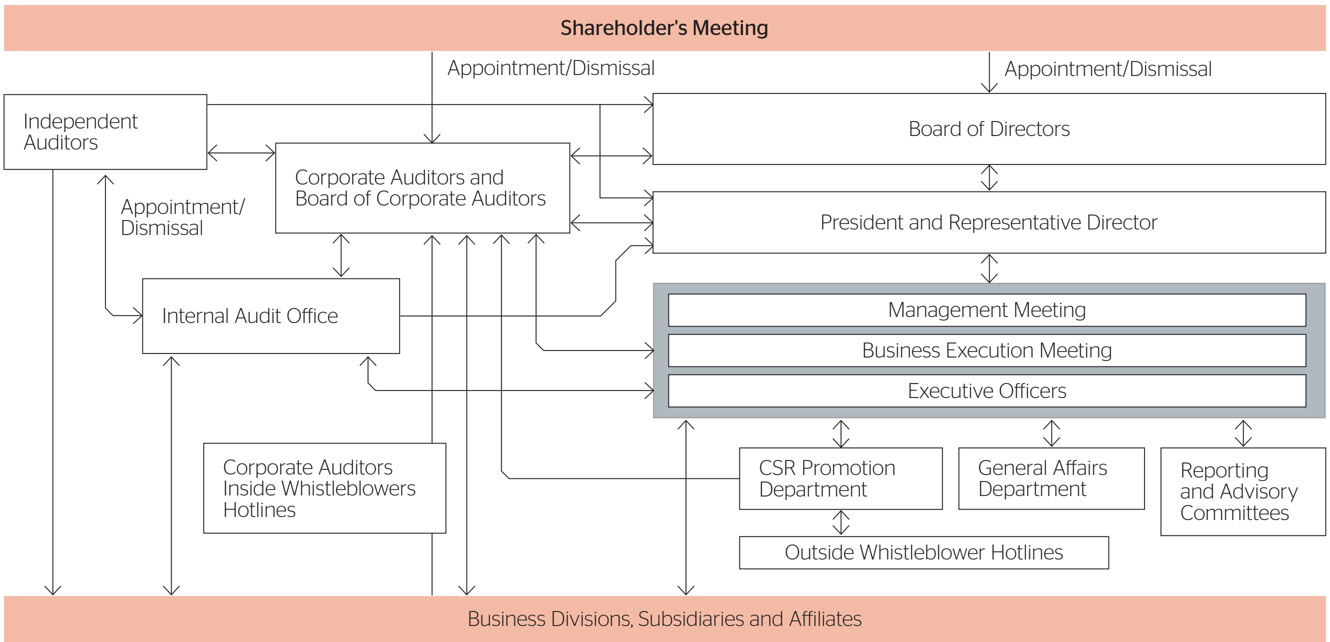
To ensure quick decision-making and management soundness and transparency, we seek to strengthen our management control system with a basic policy regarding corporate governance in an aim to enhance corporate value.

Corporate Governance Overview

JRC adopts an executive officer system as a means of reinforcing the separation of the decision-making and supervisory functions of management from the business execution function based on such management decisions.

The Company has established a Board of Corporate Auditors, which is responsible for auditing business execution by directors in accordance with auditing policies and plans determined by the Board of Corporate Auditors.

Furthermore, we appoint two external directors and two corporate auditors to enhance management transparency and soundness. Our external directors and external corporate auditors draw on their extensive experience and knowledge to fulfill their respective roles of supervising and auditing management from an objective and neutral standpoint. We adopted the current system with the aim of ensuring appropriate management decisions based on beneficial and accurate advice from multifaceted perspectives.



Directors and Board of Directors

The Company has 11 directors, two of whom are external directors. In order to clarify the responsibilities of directors each business year and ensure responsiveness to changing business conditions, the Company has set the terms of directors to one year. The Board of Directors meets every month to make decisions on important business items, such as management policies and strategies and medium-term business plans. Oversight of business execution by directors is spearheaded by the Company's external directors.

Management Meeting

The Management Meeting, consisting of full-time directors, facilitates mutual communication among directors and enhances the flexibility of business execution. It also serves to assure compliance with laws and the Articles of Incorporation.

Executive Officers and Business Execution Meeting

JRC adopts an executive officer system, consisting of 17 executive officers, including six directors. The Business Execution Meeting are held regularly to ensure swift decision-making with respect to business execution and quick responses to changing and diversifying business conditions. Depending on items to be discussed, the meetings are attended by directors, corporate auditors, executive officers, and divisional general managers.

Corporate Auditors and Board of Corporate Auditors

JRC has four corporate auditors, including two external ones. Corporate auditors attend meetings of the Board of Directors and other important meetings to express their valuable opinions on items under deliberation and monitor and audit the status of business execution. The Board of Corporate Auditors meetings regularly to exchange opinions and information about the status of audits performed by each corporate auditor, based on auditing policies and division of responsibilities, with the aim of maximizing overall auditing effectiveness.

Internal Audits, Audits Performed by Corporate Auditors, and Accounting Audits

— Internal Audits

The Internal Audit Office, which is independent from business divisions and reports directly to the president, consists of three auditing staff who conduct internal audits. The Department conducts internal audits from the perspectives of risk management and compliance. Based on reports from auditing staff and the Internal Audit Office, additional internal auditors are appointed by the president to conduct internal audits, in order to ensure the reliability of financial reporting and compliance responsiveness.

Furthermore, the CSR Promotion Department conducts audits related to the environment, and the Quality Assurance Promotion Department conducts audits related to product quality.

— Audits Performed by Corporate Auditors

Audits performed by corporate auditors are overseen by the Board of Corporate Auditors.

In addition to auditing the execution of duties by directors and executive officers, the corporate auditors monitor the soundness of the Company's operations by attending meetings of the Board of Directors, Board of Management, and Board of Executive Officers. The Board of Corporate Auditors determines auditing policy and planning, and receives audit reports from the corporate auditors.

— Accounting Audits

In accordance with the Companies Act and the Financial Instruments and Exchange Act, we have commenced an audit contract with Deloitte Touche Tohmatsu LLC.

— Link between Internal Auditing, Audits Performed by Corporate Auditors and Accounting Audits and Relation to Internal Control Department

The relationship between JRC corporate auditors, Corporate Internal Auditing Department, Internal Control Department and external accounting auditors is made efficient and effective through the exchange of information and ideas concerning auditing plans and results, as well as the maintenance, operation and assessment of our internal control system.

External Directors and External Corporate Auditors

JRC has two external directors and two external corporate auditors.

External director Hideo Iida is an attorney. There are no particular conflicts of interest between Mr. Iida and Japan Radio Co., Ltd. Mr. Iida is an independent officer as provided in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

External director Itsuo Hashimoto has served in senior positions in the Ministry of Foreign Affairs. Apart from owning shares in the Company, there are no particular conflicts of interest between Mr. Hashimoto and Japan Radio Co., Ltd. Mr. Hashimoto is an independent officer as provided in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

External corporate auditor Takanori Ikeda previously worked for the Mizuho Corporate Bank, Ltd. one of the main financial institutions with which JRC had transactions. There are no particular conflicts of interest between Mr. Ikeda and Japan Radio., Ltd.

External corporate auditor Masaaki Hori previously worked Sapporo Breweries Ltd. There are no particular conflicts of interest between Mr. Hori and Japan Radio Co., Ltd. Mr. Hori is an independent officer as provided in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

Although we have not established standards or a policy concerning independence from the Company when appointing external directors or external auditors, we refer to the Tokyo Stock Exchange's guidelines for listed companies.

When appointing external directors, we emphasize the ability of candidates to reinforce the supervisory function of the Board of Directors and to ensure transparent and sound management. External directors attend monthly Board of Directors' meetings, at which they fulfill this role by monitoring the activities of the Board.

When appointing external corporate auditors, we place particular emphasis on the ability of candidates to draw on their extensive experience and knowledge when performing audits. External corporate auditors are tasked with monitoring business execution from an objective viewpoint in their capacity as independent officers. In addition to attending Board of Corporate Auditors' meetings, they attend monthly Board of Directors' meetings and other important meetings. Through participation at such meetings, they fulfill their supervisory role and ascertain business performance by commenting during discussion of agenda items as needed from a fair and neutral perspective.

The Company receives reports as needed concerning audit plans, audit results, and the establishment and operation of internal controls. These reports are produced through collaboration between the corporate auditors, internal auditors, account auditors, and the Internal Control Department.

Risk Factors

The following are risks that have the potential to affect the JRC Group's business performance, share prices, and financial position.

(1) Tendency toward the 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. As a result, net sales and income in the fourth quarter tend to be higher compared with other quarters.

(2) Changes in the operating environment

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. Changes in the global environment, including geopolitical instability in other countries and a slowdown in economic growth in developing nations, could have an impact on the Group's business performance and financial position.

(3) Exchange rate fluctuations

In order to minimize risks associated with foreign currency exchange rate fluctuations, the Group takes measures, such as entering forward exchange contracts and engaging in currency option transactions. However, such actions do not offer a complete guarantee against currency risk. As a result, fluctuations in exchange rates between the yen and other currencies, primarily the U.S. dollar, could have an impact on the Group's business performance and financial position.

(4) Procurement

The Group endeavors to maintain a stable supply chain of parts and raw materials used in its products by dealing with multiple sources of supply, boosting support for suppliers, and ensuring appropriate inventories. However, substantial delays in delivery or sudden price rises caused by deterioration in the supply chain could have an impact on the Group's business performance and financial position.

(5) Regulations

Products provided by the Group are subject to various government regulations in each of the countries in which it operates, including business and investment license rules, as well as import and export laws and regulations concerning such areas as national security. Our products are also subject to laws and regulations governing fair trading, patents, and the environment. The Group has established internal rules and strives to educate all employees about compliance. However, unforeseen revisions to laws and regulations, as well as legal actions, may limit the Group's business activities and lead to costs associated with compliance with new regulations, which could have an impact on the Group's business performance and financial position.

(6) Quality

The JRC Group has in place a quality control system for the products it manufactures and sells. The Group strives to ensure that high quality standards are maintained at each stage: design, development, parts procurement and manufacturing. However, there exists the possibility that unforeseen circumstances could lead to severe problems on the quality front. Such a situation could have an impact on the Group's business performance and financial position.

(7) Disasters and Accidents

The Group takes does its utmost to ensure the continuation of business activities and fulfill its social responsibilities as a corporate citizen in the event of an earthquake, large-scale flooding or other natural disaster, or the outbreak of a new strain of influenza or other infectious disease. Measures include periodic inspections of equipment and facilities, disaster prevention drills, and steps to mitigate the effect of an electricity shortage or the outbreak of disease. However, a major earthquake or other disaster that impedes business continuity could have an impact on the Group's business performance or financial position.

Financial Statements

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Five-Year Summary

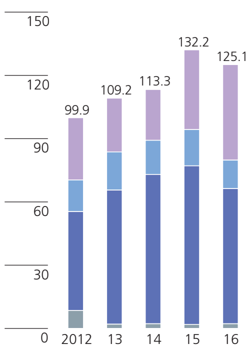
	Millions of yen					Thousands of U.S. dollars (Note)
For the years ended March 31,	2012	2013	2014	2015	2016	2016
Net sales	¥99,872	¥109,158	¥113,307	¥132,252	¥125,192	$1,111,042
Operating income (loss)	(2,791)	3,919	7,281	7,713	3,184	28,257
Operating income (loss) ratio (%)	(2.8)	3.8	6.4	5.8	2.5	–
Income (loss) before income taxes and minority interests	(1,456)	10,419	2,727	15,519	3,030	26,890
Net income (loss)	(1,844)	9,245	2,311	14,342	1,662	14,749
As of March 31,						
Total assets	94,954	105,541	113,814	142,509	160,950	1,428,380
Total equity	41,413	50,928	49,843	71,840	77,257	685,636
Net equity ratio (%)	43.2	48.0	42.6	49.4	47.0	–
Interest-bearing liabilities	4,874	3,238	5,888	6,678	21,232	188,428
Depreciation	1,291	1,746	2,098	2,932	2,193	19,465
Capital expenditures	1,501	1,878	2,630	14,950	4,656	41,324
Net income (loss) per share (yen/U.S. dollars)	(13.39)	67.11	16.77	104.13	11.90	0.11
ROE (%)	(4.3)	20.2	4.7	24.1	2.3	–
D/E ratio (times)	0.12	0.06	0.12	0.09	0.28	–
Employees	3,758	3,671	3,294	3,366	5,575	–

Note: U.S. dollar amounts are translated, for convenience only, at ¥112.68= US$1.00, the rate prevailing on March 31, 2016.

Contents of Financial Statements

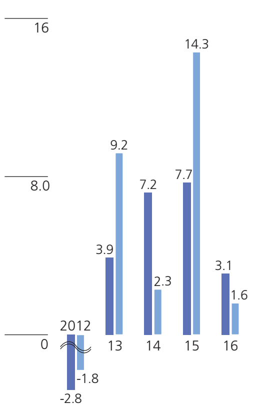
Consolidated Financial Review

Consolidated Net Sales
(¥ bill.)



(For the years ended March 31,)
Marine Electronics Equipment
Communications Equipment
Solutions and Specialized Equipment
Other
Note: Figures for the year ended March 31, 2013 and thereafter reflect a segment reclassification.

Operating Income (Loss); Net Income (Loss)
(¥ bill.)



(For the years ended March 31,)
Operating Income (Loss)
Net Income (Loss)

Revenue and Earnings

In FY2015, ended March 31, 2016, the JRC Group reported consolidated net sales of ¥125,192 million, down 5.3%, or ¥7,059 million, from the previous year.

Operating income declined 58.7%, or ¥4,529 million, to ¥3,184 million. Net income fell 88.4%, or ¥12,680 million, to ¥1,662 million.

Business Overview

The JRC Group engages mainly in the manufacture and sale of wireless communications equipment. Its operations are classified into three business segments according to products and services: Marine Electronics Equipment (wireless communications equipment for marine vessels), Communications Equipment (broad range of wireless, microwave, and other communications equipment), and Solutions and Specialized Equipment (comprehensive solutions).

Performance by Segment

For the year, the Marine Electronics Equipment segment reported a 19.7% increase in sales, to ¥45,360 million, or 36.2% of net sales. The Communications Equipment segment posted a 21.2% decrease in sales, to ¥13,588 million, or 10.9% of net sales. The Solutions and Specialized Equipment segment recorded a 14.7% decline in sales, to ¥64,145 million, or 51.2% of net sales. Sales from other businesses rose 8.8%, to ¥2,099 million, or 1.7% of net sales.

Segment Sales / Profit (Loss)

	Millions of yen				
Year ended March 31, 2016	Marine Electronics Equipment	Communica-tions Equipment	Solutions and Specialized Equipment	Other (including recon-ciliation)	Total
Sales	¥45,360	¥13,588	¥64,145	¥2,099	¥125,192
Segment profit (loss)	2,298	(441)	1,776	(449)	3,184
Year ended March 31, 2015					
Sales	¥37,883	¥17,242	¥75,197	¥1,930	¥132,252
Segment profit (loss)	980	28	6,909	(204)	7,713
Year ended March 31, 2016	Thousands of U.S. dollars				
Sales	$402,557	$120,587	$569,270	$18,628	$1,111,042
Segment profit (loss)	20,390	(3,913)	15,765	(3,985)	28,257

Performance by Region

The JRC Group classifies its business into five geographical regions: Japan, Asia and emerging nations, Europe, North America, and other regions. For the year, sales in Japan amounted to ¥83,656 million, or 66.8% of net sales; sales in Asia and emerging nations totaled ¥14,621 million, or 11.7% of net sales; sales in Europe were ¥18,117 million, or 14.5% of net sales; sales in North America totaled ¥3,819 million, or 3.0% of net sales, and sales in other regions amounted to ¥4,979 million, or 4.0% of net sales.

In FY2015, sales in Asia and emerging nations jumped 42.0% year on year, and sales in Europe rose 35.3%, owing to the inclusion of AMB in the scope of consolidation.

Financial Position

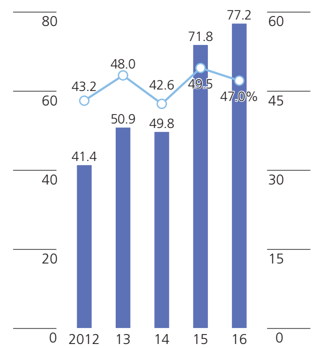
During the year, NJRC and UJRC became consolidated subsidiaries. The inclusion of the assets and liabilities of those companies had a considerable effect on the Group's financial position.

At fiscal year-end, the Group had consolidated total assets of ¥160,950 million, up 12.9%, or ¥18,441 million, from a year earlier. Among current assets, the main factor was a ¥10,292 million year-on-year increase in inventories (products, merchandise, work in progress, raw materials, and supplies). Among fixed assets, main factors included a ¥4,084 million increase in buildings and structures, a ¥2,442 million rise in land, and a ¥1,950 million increase in deferred tax assets. This contrasted with a ¥3,375 million decrease in investment securities.

Total liabilities increased 18.4%, or ¥13,022 million, to ¥83,693 million. Main factors included a ¥13,952 million rise in short-term bank loans, a ¥3,268 million rise in current portion of long-term debt, and a ¥4,389 million increase in liability for retirement benefits. By contrast, there was a ¥2,970 million decrease in notes and accounts payable and a ¥2,662 million decline in long-term debt.

Total equity rose 7.5%, or ¥5,417 million, to ¥77,257 million. This stemmed mainly from a ¥5,912 million increase in capital surplus. As a result, the equity ratio at fiscal year-end was 47.0%, down 2.5 points from a year earlier.

Total Equity; Net Equity Ratio
(¥ bill. and %)



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

Cash Flows

Consolidated cash and cash equivalents at fiscal year-end totaled ¥4,602 million, up ¥815 million from a year earlier. This was mainly due to ¥759 million in net cash provided by operating activities and ¥5,230 million in net cash provided by financing activities, which contrasted with ¥5,771 million in net cash used in investing activities and a ¥75 million net decrease in cash and cash equivalents. The inclusion of NJRC (and its subsidiaries) and UJRC in the scope of consolidation led to an ¥890 million increase in cash and cash equivalents.

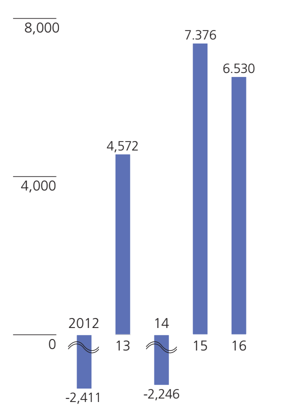
For the year, net cash provided by operating activities amounted to ¥759 million, compared with ¥3,522 million in the previous year. Factors boosting cash flows included ¥3,030 million in income before income taxes and minority interests and a ¥9,965 million decrease in notes and accounts receivable. This contrasted with a ¥1,906 million increase in inventories and an ¥11,795 million decrease in notes and accounts payable.

Net cash used in investing activities totaled ¥5,771 million, compared with ¥3,854 million in the previous year. Main factors boosting cash flows were a ¥1,576 million net increase short-term loans and ¥1,127 million in proceeds from sales of property, plant and equipment. This contrasted with ¥7,915 million in purchase of property, plant and equipment.

Net cash provided by financing activities was ¥5,230 million, from ¥455 million in the previous year. This was due primarily to a ¥6,780 million net change (increase) in short-term bank loans, which contrasted with ¥1,454 million in cash dividends.

With an emphasis on cash flows, the management of JRC Group will step up efforts to generate cash by reducing interest-bearing debt and inventories while swiftly collecting receivables and entrenching its "selection and concentration" policy with respect to investments.

Free Cash Flow
(¥ mill.)



(For the years ended March 31,)
* Free Cash Flow = Inflow from Operating Activities – Outflow from Investing Activities

Consolidated Balance Sheet

Japan Radio Co., Ltd. and Consolidated Subsidiaries
March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 20)	¥ 4,622	¥ 3,787	$ 41,021
Short-term investments (Notes 4 and 20)	420	353	3,727
Receivables (Note 3):			
Trade notes (Note 20)	4,944	3,511	43,874
Trade accounts (Note 20)	56,053	57,442	497,452
Unconsolidated subsidiaries and affiliated companies (Note 20)	27	295	243
Other		641	
Allowance for doubtful accounts	(294)	(192)	(2,608)
Short-term loans due from parent company (Note 20)	900	1,576	7,987
Inventories (Note 5)	44,545	34,253	395,322
Deferred tax assets (Note 14)	2,057	1,653	18,256
Prepaid expenses and other	2,567	1,713	22,777
Total current assets	¥115,841	¥105,032	$1,028,051
PROPERTY, PLANT AND EQUIPMENT (Note 8):			
Land	7,289	4,847	64,688
Buildings and structures	37,887	25,241	336,232
Machinery and equipment (Note 6)	6,758	3,958	59,977
Furniture and fixtures (Note 6)	17,697	14,291	157,051
Lease assets	770	277	6,832
Construction in progress	2,253	1,149	19,999
Total	72,654	49,763	644,779
Accumulated depreciation	(41,427)	(28,402)	(367,647)
Net property, plant and equipment	31,227	21,361	277,132
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 20)	4,231	4,983	37,550
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 20)	412	3,414	3,659
Goodwill	1,130	1,508	10,025
Asset for retirement benefits	2,664	3,590	23,643
Deferred tax assets (Note 14)	2,780	830	24,674
Other assets (Note 6)	3,586	3,660	31,819
Allowance for doubtful accounts	(921)	(1,869)	(8,173)
Total investments and other assets	13,882	16,116	123,197
TOTAL	¥160,950	¥142,509	$1,428,380

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 20)	¥ 17,187	¥ 3,235	$ 152,530
Current portion of long-term debt (Notes 8 and 20)	3,269		29,008
Current portion of long-term lease obligations	194	84	1,719
Payables:			
Trade notes (Note 20)	5,455	456	48,415
Trade accounts (Note 20)	23,204	25,953	205,925
Unconsolidated subsidiaries and affiliated companies (Notes 20 and 23)		5,220	
Other	2,973	5,185	26,386
Income taxes payable	719	2,887	6,385
Accrued expenses	3,438	2,374	30,509
Advances received	3,027	4,168	26,861
Provision for loss on construction contracts	486		4,311
Provision for contingent loss	575		5,107
Other	3,327	3,740	29,526
Total current liabilities	¥ 63,854	¥ 53,302	$ 566,682
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 20)	338	3,000	2,996
Liability for retirement benefits (Note 10)	16,566	12,176	147,015
Deferred tax liabilities (Note 14)	454	287	4,029
Deferred tax liabilities for land revaluation (Notes 7 and 14)	510		4,529
Long-term lease obligations	399	160	3,537
Provision for environmental measures	132	79	1,171
Asset retirement obligations (Note 11)	560	449	4,972
Other	880	1,216	7,813
Total long-term liabilities	19,839	17,367	176,062
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 9 and 22)			
EQUITY (Note 12):			
Common stock—authorized, 216,000,000 shares; issued, 164,024,231 shares in 2016 and 137,976,690 shares in 2015	14,704	14,704	130,497
Capital surplus	22,417	16,505	198,948
Retained earnings	38,912	38,627	345,332
Treasury stock—at cost, 660,308 shares in 2016 and 240,906 shares in 2015	(180)	(76)	(1,600)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,054	1,681	9,350
Foreign currency translation adjustments	(121)	216	(1,073)
Defined retirement benefit plans	(1,364)	(1,142)	(12,108)
Revaluation reserve for land (Note 7)	252		2,243
Total	75,674	70,515	671,589
Non-controlling interests	1,583	1,325	14,047
Total equity	77,257	71,840	685,636
TOTAL	¥160,950	¥142,509	$1,428,380

Consolidated Statement of Income

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET SALES	¥125,192	¥132,252	$1,111,042
COST OF SALES (Notes 10, 15 and 23)	99,535	102,975	883,344
Gross profit	25,657	29,277	227,698
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10, 15 and 16)	22,473	21,564	199,441
Operating income	3,184	7,713	28,257
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 23)	163	147	1,448
Interest expense (Note 23)	(109)	(112)	(968)
Foreign exchange gain (loss)—net	(192)	43	(1,701)
Gain on sales of investment securities		77	
Equity in earnings of affiliated companies	377	264	3,345
Impairment losses (Note 6)	(46)	(115)	(411)
Gain on sale of land and property	835	8,959	7,407
Business structure improvement expenses (Note 17)	(588)	(990)	(5,218)
Loss on revision of retirement benefit plan		(286)	
Provision for contingent loss	(575)		(5,107)
Other—net (Note 18)	(19)	(181)	(162)
Other income (expenses)—net	(154)	7,806	(1,367)
INCOME BEFORE INCOME TAXES	3,030	15,519	26,890
INCOME TAXES (Note 14):			
Current	627	3,012	5,566
Reversal of income taxes for prior periods	(89)		(789)
Deferred	358	(2,078)	3,179
Total income taxes	896	934	7,956
NET INCOME	2,134	14,585	18,934
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	472	243	4,185
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 1,662	¥ 14,342	$ 14,749

	Yen		U.S. Dollars (Note 1)
	2016	2015	2016
PER SHARE OF COMMON STOCK (Note 2w):			
Basic net income	¥ 11.90	¥ 104.13	$ 0.11
Cash dividends applicable to the year	10.00	5.00	0.09

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
NET INCOME	¥ 2,134	¥14,585	$18,934
OTHER COMPREHENSIVE INCOME (LOSS) (Note 19):			
Unrealized gain (loss) on available-for-sale securities	(611)	597	(5,425)
Foreign currency translation adjustments	(454)	186	(4,026)
Remeasurements of defined benefits plans (net of tax)	(220)	3,875	(1,954)
Share of other comprehensive income (loss) in associates	(19)	47	(164)
Total other comprehensive income (loss)	(1,304)	4,705	(11,569)
COMPREHENSIVE INCOME	¥ 830	¥19,290	$ 7,365
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 476	¥19,025	$ 4,221
Non-controlling interests	354	265	3,144

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Thousands	Millions of Yen										
						Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Revaluation Reserve for Land	Total	Non-controlling Interests	Total Equity
BALANCE, APRIL 1, 2014 (as previously reported)	137,741	¥14,704	¥16,505	¥21,271	¥(74)	¥1,076	¥ 48	¥(5,051)		¥48,479	¥1,364	¥49,843
Cumulative effect of accounting change				3,036						3,036		3,036
BALANCE, APRIL 1, 2014 (as restated)	137,741	14,704	16,505	24,307	(74)	1,076	48	(5,051)		51,515	1,364	52,879
Net income attributable to owners of the parent				14,342						14,342		14,342
Purchase of treasury stock	(5)				(2)					(2)		(2)
Change of scope of consolidation				(22)						(22)		(22)
Net change in the year						605	168	3,909		4,682	(39)	4,643
BALANCE, MARCH 31, 2015	137,736	14,704	16,505	38,627	(76)	1,681	216	(1,142)		70,515	1,325	71,840
Net income attributable to owners of the parent				1,662						1,662		1,662
Cash dividends, ¥10 per share				(1,377)						(1,377)		(1,377)
Purchase of treasury stock	(12)				(5)					(5)		(5)
Increase by share exchanges	25,640		5,912		(99)					5,813		5,813
Net change in the year						(627)	(337)	(222)	¥252	(934)	258	(676)
BALANCE, MARCH 31, 2016	163,364	¥14,704	¥22,417	¥38,912	¥(180)	¥1,054	¥(121)	¥(1,364)	¥252	¥75,674	¥1,583	¥77,257

	Thousands of U.S. Dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Revaluation Reserve for Land	Total	Non-controlling Interests	Total Equity
BALANCE, MARCH 31, 2015	$130,497	$146,473	$342,806	$ (673)	$14,922	$1,912	$(10,137)		$625,800	$11,760	$637,560
Net income attributable to owners of the parent			14,749						14,749		14,749
Cash dividends, $0.09 per share			(12,223)						(12,223)		(12,223)
Purchase of treasury stock				(41)					(41)		(41)
Increase by share exchanges		52,475		(886)					51,589		51,589
Net change in the year					(5,572)	(2,985)	(1,971)	$2,243	(8,285)	2,287	(5,998)
BALANCE, MARCH 31, 2016	$130,497	$198,948	$345,332	$(1,600)	$ 9,350	$(1,073)	$(12,108)	$2,243	$671,589	$14,047	$685,636

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
OPERATING ACTIVITIES:			
Income before income taxes	¥ 3,030	¥15,519	$ 26,890
Adjustments for:			
Business structure improvement expenses	588	990	5,218
Income taxes—paid	(3,039)	(466)	(26,974)
Depreciation and amortization	2,193	2,932	19,465
Impairment loss	46	115	411
Gain on sales of property, plant and equipment	(833)	(8,935)	(7,392)
Gain on sales of investment securities		(77)	2
Equity in earnings of affiliated companies	(377)	(264)	(3,345)
Amortization of goodwill	229	241	2,034
Gain on bargain purchase		(80)	
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	9,965	(5,445)	88,437
Increase in inventories	(1,906)	(4,010)	(16,917)
Decrease in interest and dividends receivable		23	
Increase (decrease) in notes and accounts payable	(11,795)	3,179	(104,678)
Decrease in interest payable		(1)	3
Increase in liability for retirement benefits	277	697	2,457
Increase (decrease) in allowance for doubtful receivables	(45)	109	(398)
Payments for extra retirement payments		(179)	
Increase (decrease) in advances received	(1,161)	377	(10,300)
Other—net	3,587	(1,203)	31,823
Total adjustments	(2,271)	(11,997)	(20,154)
Net cash provided by operating activities	759	3,522	6,736
INVESTING ACTIVITIES:			
Purchase of short-term investments	(370)	(320)	(3,284)
Proceeds from sales of short-term investment	300	490	2,662
Purchase of property, plant and equipment	(7,915)	(11,126)	(70,245)
Proceeds from sales of property, plant and equipment	1,127	8,981	10,004
Purchase of investment securities	(8)	(9)	(72)
Proceeds from sales of investment securities	1	181	6
Net changes in short-term loan	1,576	(1,576)	13,985
Other—net	(482)	(475)	(4,274)
Net cash used in investing activities	(5,771)	(3,854)	(51,218)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	6,780	801	60,170
Repayments of long-term debt		(35)	
Cash dividends	(1,454)	(76)	(12,903)
Repayments to non-controlling shareholders		(148)	
Other—net	(96)	(87)	(850)
Net cash provided by financing activities	5,230	455	46,417
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(293)	86	(2,602)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(75)	209	(667)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR		113	
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, END OF YEAR	890		7,903
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,787	3,465	33,607
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 4,602	¥ 3,787	$ 40,843

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2016

1. BASIS OF PRESENTATION OF 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 Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, 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 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥112.68 to $1, the approximate rate of exchange at March 31, 2016. 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, 2016, include the accounts of the Company and its 25 (17 in 2015) significant subsidiaries (together, the "Group").

Under the control and influence concepts, 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 1 (1 in 2015) unconsolidated subsidiary and 0 (3 in 2015) affiliated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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. *Business Combinations*—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) *Transactions with non-controlling interest*—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of non-controlling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) *Presentation of the consolidated balance sheet*—In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "non-controlling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of income*—In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d) *Provisional accounting treatments for a business combination*—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with non-controlling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with non-controlling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with non-controlling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with non-controlling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with non-controlling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows for costs relating to the share exchange are presented under operating activities.

As a result, operating income and income before income taxes for the year ended March 31, 2016, decreased by ¥107 million ($951 thousand).

c. *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 certificates of deposit, all of which mature or become due within three months of the date of acquisition.

d. *Inventories*—Inventories are measured at the lower of cost or net selling value.

The cost of finished products, semifinished products, and work in process is determined principally by the specific identification method.

The cost of raw materials and supplies is determined principally by the average method.

Selling value is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. Replacement cost may be used in place of the net selling value, if appropriate.

e. *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 or held-to-maturity debt securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. *Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method. The range of useful lives is from 10 to 50 years for buildings and structures and from 7 to 8 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.

g. *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.

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 past credit loss experience and an evaluation of potential losses in the receivables outstanding.

j. *Retirement and Pension Plans*—The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Other consolidated subsidiaries have unfunded retirement benefit plans.

Effective April 1, 2000, the Company and certain consolidated subsidiaries adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10–14 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 14–15 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the BAC in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments (see Note 19).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, discount rate, and expected future salary increases.

k. *Provision for Loss on Construction Contracts*—The provision for loss on construction contracts is provided for an estimated amount of probable losses to be incurred in future years.

l. *Provision for Contingent Loss*—On November 18, 2014, the Company was investigated by the Japan Fair Trade Commission on suspected infringement of The Antimonopoly Act in connection with the bids for Digital Radios/solution for fire and emergency medical services. Although the investigation is still in process, the Company posted the estimated amount deemed necessary for the loss burden.

m. *Provision for Environmental Measures*—The provision for environmental measures is estimated and recorded to provide for future potential costs, such as costs related to disposal of PCB based on related legal requirements.

n. *Asset Retirement Obligations*—In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on 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 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 the 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 in each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

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

p. *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.

q. *Construction Contracts*—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on 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 should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

r. *Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statement 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 income tax rates to the temporary differences.

s. *Foreign Currency Financial Statements*—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 statement of income to the extent that they are not hedged by forward currency contracts and options.

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

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

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

u. *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 statement 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 or 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 is recognized and included in interest expense or income.

v. *Per Share Information*—Basic net income per share is computed by dividing net income attributable 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 as there were no securities with a dilutive effect.

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

w. *Accounting Changes and Error Corrections*—In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in accounting policies

When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in presentation

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior-period errors

When an error in prior-period financial statements is discovered, those statements are restated.

3. CONSTRUCTION CONTRACTS

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2016 and 2015, net of amounts settled, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Costs and estimated earnings	¥12,540	¥17,207	$111,294
Amounts settled	(6,599)	(8,390)	(58,566)
Net	¥ 5,941	¥ 8,817	$ 52,728

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Short-term investments:			
Time deposits	¥ 420	¥ 350	$ 3,727
Debt securities		3	
Total	¥ 420	¥ 353	$ 3,727

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investment securities:			
Equity securities	¥ 4,120	¥ 4,859	$ 36,562
Other	111	124	988
Total	¥ 4,231	¥ 4,983	$ 37,550

The carrying amounts and aggregate fair values of securities classified as available-for-sale, which are partially included in short-term investments and investment securities, at March 31, 2016 and 2015, were as follows:

	Millions of Yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥2,345	¥1,549	¥42	¥3,852
Other	65	46		111
March 31, 2015				
Securities classified as available-for-sale:				
Equity securities	¥2,208	¥2,391	¥ 2	¥4,597
Debt securities	3			3
Other	64	60		124

	Thousands of U.S. Dollars			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$20,814	$13,746	$376	$34,183
Other	577	411		988

Securities classified as available-for-sale whose fair value is not readily determinable at March 31, 2016 and 2015, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Securities classified as available-for-sale:			
Equity securities	¥268	¥261	$2,379

5. INVENTORIES

Inventories at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Finished products, semifinished products and merchandise	¥12,793	¥ 9,254	$113,536
Work in process	24,908	20,231	221,048
Raw materials and supplies	6,844	4,768	60,738
Total	¥44,545	¥34,253	$395,322

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment at March 31, 2016 and 2015, and recognized impairment losses as follows:

Year Ended March 31, 2016

Location: Mitaka City, Tokyo

Asset use: Assets for Communications Equipment Division

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥14	$123
Furniture and fixture	32	288
Total	¥46	$411

Year Ended March 31, 2015

Location: Mitaka City, Tokyo

Asset use: Assets for Communications Equipment Division

	Millions of Yen
Type:	
Machinery and equipment	¥ 30
Furniture and fixture	81
Other assets	4
Total	¥115

The Group allocates the assets of its business divisions into the smallest cash-generating units when evaluating them for impairment.

7. LAND REVALUATION

Nagano Japan Radio Co., Ltd., a consolidated subsidiary, revaluated its land used for business activities in accordance with the “Law of Land Revaluation” on March 31, 2002. The difference between the revalued amount and the book value is recorded within “Revaluation reserve for land” in equity after deducting the related deferred tax liability.

The fair value as of March 31, 2016, declined by ¥933 million ($8,283 thousand), compared to the book value after the revaluation.

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

Short-term bank loans at March 31, 2016 and 2015, consisted of notes to banks and bank overdrafts.

The weighted-average interest rates for short-term bank loans at March 31, 2016 and 2015, were 0.60% and 0.88%, respectively.

Long-term debt at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loans from banks, due serially to 2019 with interest rates at 0.8% (in 2016) and ranging from 0.9% (in 2015):			
Collateralized	¥ 586		$ 5,202
Unsecured	3,020	¥3,000	26,802
Total	3,606	3,000	32,004
Less current portion	(3,268)		(29,008)
Long-term debt, less current portion	¥ 338	¥3,000	$ 2,996

Annual maturities of long-term debt outstanding at March 31, 2016, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 165	$ 1,461
2018	100	884
2019	73	651
Total	¥ 338	$ 2,996

As of March 31, 2016 and 2015, the following assets were pledged as collateral for short-term borrowings and long-term debt of the Group:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Land	¥2,552	¥ 34	$ 22,647
Buildings and structures	1,429	281	12,689
Machinery and equipment	83		734
Total	¥4,064	¥ 315	$ 36,070

9. CREDIT FACILITY AGREEMENT

Certain subsidiaries have concluded a credit facility agreement with a local bank for procurement of working capital. The portion of the credit line that had not been exercised under this agreement as of March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Total loan agreement limits	¥2,306	¥1,099	$ 20,465
Loan executions	(1,553)	(512)	(13,781)
Net	¥ 753	¥ 587	$ 6,684

For this facility the following securities have been provided:
- Rights of pledge for the inventory and business inventory of Alphatron Marine B.V.
- Possessory pledge for all Dutch receivables

10. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees.

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 Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for their employees. Other consolidated subsidiaries have unfunded retirement benefit plans.

(1) The changes in defined benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year (as previously reported)	¥31,178	¥41,091	$276,693
Cumulative effect of accounting change		(3,324)	
Balance at beginning of year (as restated)	31,178	37,767	276,693
Current service cost	1,272	1,489	11,288
Interest cost	275	307	2,441
Actuarial losses (gains)	230	(118)	2,041
Benefits paid	(1,932)	(1,986)	(17,147)
Effect of transfer to defined contribution pension plan		(6,285)	
Effect of newly consolidated subsidiaries due to share exchange	5,872		52,115
Others		4	
Balance at end of year	¥36,895	¥31,178	$327,431

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥22,592	¥26,064	$200,495
Expected return on plan assets	554	549	4,918
Actuarial gains (losses)	(948)	1,954	(8,413)
Contributions from the employer	474	645	4,207
Benefits paid	(1,249)	(1,423)	(11,085)
Effect of transfer to defined contribution pension plan		(5,197)	
Effect of newly consolidated subsidiaries due to share exchange	1,570		13,937
Balance at end of year	¥22,993	¥22,592	$204,059

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Defined benefit obligation	¥20,425	¥19,002	$181,269
Plan assets	(22,993)	(22,592)	(204,059)
Total	(2,568)	(3,590)	(22,790)
Unfunded defined benefit obligation	16,470	12,176	146,162
Net liability arising from defined benefit obligation	¥13,902	¥ 8,586	$123,372

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥16,566	¥12,176	$147,015
Asset for retirement benefits	(2,664)	(3,590)	(23,643)
Net liability arising from defined benefit obligation	¥13,902	¥ 8,586	$123,372

(4) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 1,272	¥ 1,489	$ 11,288
Interest cost	275	307	2,440
Expected return on plan assets	(554)	(549)	(4,918)
Amortization of prior service cost	(182)	(277)	(1,615)
Recognized actuarial losses	636	1,189	5,649
Amortization of transitional obligation		262	
Net periodic benefit costs	¥ 1,447	¥ 2,421	$ 12,844

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prior service cost	¥ (182)	¥ (406)	$ (1,615)
Actuarial gains	(541)	3,923	(4,806)
Others		271	
Total	¥ (723)	¥ 3,788	$ (6,421)

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrecognized prior service cost	**¥ 257**	¥ 439	**$ 2,283**
Unrecognized actuarial losses	**(2,243)**	(1,625)	**(19,909)**
Total	**¥ (1,986)**	¥ (1,186)	**$(17,626)**

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments	**54.3%**	48.9%
Equity investments	**27.7**	32.2
Cash and cash equivalents	**1.9**	4.2
Others	**16.1**	14.7
Total	**100.0%**	100.0%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	**0.0%–0.9%**	0.9%–1.0%
Expected rate of return on plan assets	**2.0%–2.5%**	0.0%–2.5%

(9) The Company and its consolidated subsidiaries have ¥377 million ($3,354 thousand) of payables to defined contribution plans.

11. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year	**¥449**	¥330	**$3,989**
Additional provisions associated with the acquisition of property, plant and equipment	**0**	230	**3**
Reduction associated with settlement of asset retirement obligations	**(5)**	(111)	**(45)**
Decrease in others	**116**		**1,025**
Balance at end of year	**¥560**	¥449	**$4,972**

12. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board members, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year 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 Companies Act permits companies to distribute dividends-in-kind (noncash 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 Companies Act 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 Companies Act 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 aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights
The Companies Act 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 a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act 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.

13. SUPPLEMENTAL CASH FLOW INFORMATION

The components of assets and liabilities of Nagano Japan Radio Co., Ltd. and Ueda Japan Radio Co., Ltd., newly consolidated subsidiaries acquired through share exchange, for the year ended March 31, 2016, are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 28,357	$ 251,664
Fixed assets	8,402	74,565
Total assets	¥ 36,759	$ 326,229
Current liabilities	¥ (22,036)	$(195,567)
Long-term liabilities	(5,916)	(52,501)
Total liabilities	¥ (27,952)	$(248,068)

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Net current deferred tax assets—			
Current deferred tax assets:			
Accrued bonuses	¥ 899	¥ 971	$ 7,979
Enterprise taxes payable	94	141	831
Inventories	1,241	995	11,016
Unrealized gains	187	109	1,660
Social security insurance on accrued bonuses	136	147	1,207
Reserve for product defect compensation	23	18	202
Other	807	497	7,162
Valuation allowance	(1,330)	(1,225)	(11,801)
Net current deferred tax assets	¥ 2,057	¥1,653	$18,256
Net noncurrent deferred tax assets—			
Noncurrent deferred tax assets:			
Liability for retirement benefits	¥ 2,143	¥ 307	$19,016
Unrealized gains	642	626	5,701
Other	952	26	8,446
Valuation allowance	(957)	(129)	(8,489)
Net noncurrent deferred tax assets	¥ 2,780	¥ 830	$24,674

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Net noncurrent deferred tax liabilities:			
Noncurrent deferred tax assets:			
Allowance for doubtful accounts	¥ 304	¥ 627	$ 2,697
Liability for retirement benefits	2,115	4,161	18,771
Software	1,380	1,471	12,244
Investment securities	564	579	5,001
Property, plant and equipment	665	706	5,900
Asset retirement obligations	82	71	728
Other	208	118	1,851
Valuation allowance	(2,021)	(3,923)	(17,933)
Total	3,297	3,810	29,259
Noncurrent deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	475	790	4,212
Reserve for advance depreciation of noncurrent assets	2,324	2,195	20,627
Reserve for special account for advance depreciation of noncurrent assets	947	1,112	8,401
Other	5		48
Total	3,751	4,097	33,288
Net noncurrent deferred tax liabilities	¥ 454	¥ 287	$ 4,029
Deferred tax liabilities for land revaluation	¥ 510		$ 4,529

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2016, with the corresponding figures for 2015, is as follows:

	2016	2015
Normal effective statutory tax rate	33.1%	35.6%
Earnings not taxable and expenses not deductible for income tax purposes	(0.1)	0.5
Change in valuation allowance	(2.5)	(28.8)
Effect of changes in the tax rate	1.7	0.8
Per capita portion of inhabitants tax	2.3	0.5
Equity in earnings of affiliated companies	(4.1)	(0.8)
Other—net	(0.8)	(1.8)
Actual effective tax rate	29.6%	6.0%

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, from approximately 32.3% to 30.9%, and for the fiscal year beginning on or after April 1, 2018, from approximately 32.3% to 30.6%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥79 million ($700 thousand) and defined retirement benefit plans by ¥53 million ($475 thousand), and increase unrealized gain on available-for-sale securities by ¥26 million ($228 thousand) in the consolidated balance sheet as of March 31, 2016, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥51 million ($453 thousand).

At March 31, 2016, certain subsidiaries have net operating loss carryforwards aggregating approximately ¥3,564 million ($31,628 thousand) which are available to be offset against taxable income of 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
2018	¥ 227	$ 2,014
2019	65	580
2023	1,341	11,900
2024	789	6,999
2025 and thereafter	1,142	10,135
Total	¥3,564	$ 31,628

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,753 million ($51,060 thousand) and ¥5,351 million for the years ended March 31, 2016 and 2015, respectively.

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Provision for doubtful accounts	¥ 5	¥ 19	$ 43
Salaries	8,710	8,097	77,300
Provision for retirement benefits	571	796	5,066
Depreciation	652	655	5,784
Rent	1,163	1,163	10,324
Amortization of goodwill	229	241	2,034
Research and development costs	3,336	3,711	29,602
Other	7,807	6,882	69,288
Total	¥22,473	¥21,564	$199,441

17. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

Business structure improvement expenses for the years ended March 31, 2016 and 2015, are mainly the transfer cost of production equipment.

18. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Loss on disposals of property, plant and equipment	¥(56)	¥(152)	$(493)
Loss on devaluation of investment securities	(10)		(87)
Other income (expenses)—net	47	(29)	418
Total	¥(19)	¥(181)	$(162)

19. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrealized gain on available-for-sale securities:			
(Loss) gain arising during the year	¥ (949)	¥ 800	$ (8,427)
Reclassification adjustments to profit or loss	10	1	87
Total	(939)	801	(8,340)
Foreign currency translation adjustments—Adjustments arising during the year	(454)	186	(4,026)
Defined retirement benefit plans:			
Adjustments arising during the year	(1,178)	2,072	(10,455)
Reclassification adjustments to profit or loss	455	1,716	4,034
Total	(723)	3,788	(6,421)
Amount before income tax effect	(2,116)	4,775	(18,787)
Income tax effect	831	(117)	7,382
Total	(1,285)	4,658	(11,405)
Share of other comprehensive income in associates—Loss (income) arising during the year	(19)	47	(164)
Total other comprehensive income (loss)	¥ (1,304)	¥4,705	$(11,569)

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments
The Group uses financial instruments, mainly for long-term debt including bank loans, based on its business plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund its ongoing operations. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and Extent of Risks Arising from Financial Instruments
Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Investment securities and equity instruments of customers and suppliers of the Group are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Maturities of bank loans are less than two years after the consolidated balance sheet date. Although a part of such bank loans is exposed to market risks from changes in variable interest rates, those risks are mitigated by using derivatives of interest rate swaps.

Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 21 for more details about derivatives.

(3) Risk Management for Financial Instruments
Credit risk management
Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. Please see Note 21 for the details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts at March 31, 2016.

Market risk management (foreign exchange risk and interest rate risk)
Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts. In addition, when foreign currency trade receivables and payables are expected from forecasted transactions, forward foreign currency contracts may be used under the limited contracts term of half a year.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Basic principles of derivative transactions are approved by an executive officer based on the internal guidelines which prescribe the authority and the limit for each transaction by the accounting and finance department. Reconciliation of the transaction and balances with customers is made, and the transaction data are reported to the officer on a quarterly basis.

Liquidity risk management
Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by commitment lines with major financial institutions.

(4) Fair Values of Financial Instruments
Fair values of financial instruments are based on quoted price in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 21 for the details on fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 4,622	¥ 4,622	
Short-term investments	420	420	
Receivables:			
Trade notes	4,944	4,944	
Trade accounts	56,053	56,053	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	25	25	
Short-term loans due from parent company	900	900	
Investment securities	3,963	3,963	
Total	¥70,927	¥70,927	
Short-term bank loans	¥17,187	¥17,187	
Payables:			
Trade notes	5,455	5,455	
Trade accounts	23,204	23,204	
Long-term debt (including current portion of long-term debt)	3,607	3,612	¥ 5
Total	¥49,453	¥49,458	¥ 5

March 31, 2015	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 3,787	¥ 3,787	
Short-term investments	353	353	
Receivables:			
Trade notes	3,511	3,511	
Trade accounts	57,442	57,442	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	149	149	
Short-term loans due from parent company	1,576	1,576	
Investment securities	4,722	4,722	
Investment in affiliated companies	792	2,168	¥1,376
Total	¥72,332	¥73,708	¥1,376
Short-term bank loans	¥ 3,235	¥ 3,235	
Payables:			
Trade notes	456	456	
Trade accounts	25,953	25,953	
Unconsolidated subsidiaries and affiliated companies	5,220	5,220	
Long-term debt	3,000	3,004	¥ 4
Total	¥37,864	¥37,868	¥ 4

March 31, 2016	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	$ 41,021	$ 41,021	
Short-term investments	3,727	3,727	
Receivables:			
Trade notes	43,874	43,874	
Trade accounts	497,452	497,452	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	222	222	
Short-term loans due from parent company	7,987	7,987	
Investment securities	35,172	35,172	
Total	$629,455	$629,455	
Short-term bank loans	$152,530	$152,530	
Payables:			
Trade notes	48,415	48,415	
Trade accounts	205,925	205,925	
Long-term debt (including current portion of long-term debt)	32,004	32,051	$47
Total	$438,874	$438,921	$47

Cash and Cash Equivalents
The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Short-Term Investments
The carrying values of short-term investments approximate fair value because of their short maturities.

Short-Term Loans Due from Parent Company
The carrying values of short-term loans due from parent company approximate fair value because of their short maturities.

Investment Securities and Investment in Affiliated Companies
The fair values of investment securities and investment in affiliated companies are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities and investment in affiliated companies by classification is included in Note 4.

Receivables and Payables
The fair values of receivables and payables are measured at the amount to be received or paid at maturity because of their short maturities.

Short-Term Bank Loans
The carrying values of short-term bank loans approximate fair value because of their short maturities.

Long-Term Debt (including Current Portion of Long-Term Debt)
The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives
Fair value information for derivatives is included in Note 21.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Investment securities in equity instruments that do not have a quoted market price in an active market	¥268	¥ 261	$2,378
Investments in and advances to unconsolidated subsidiaries and affiliated companies in equity instruments that do not have a quoted market price in an active market	76	2,341	677
Total	¥344	¥2,602	$3,055

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen	
March 31, 2016	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	¥ 4,622	
Short-term investments	420	
Receivables:		
Trade notes	4,944	
Trade accounts	56,053	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	25	
Total	¥66,064	

	Millions of Yen	
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	¥ 3,787	
Short-term investments	353	
Receivables:		
Trade notes	3,511	
Trade accounts	57,442	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	149	
Total	¥65,242	

	Thousands of U.S. Dollars	
March 31, 2016	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	$ 41,021	
Short-term investments	3,727	
Receivables:		
Trade notes	43,874	
Trade accounts	497,452	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	222	
Total	$586,296	

Please see Note 8 for annual maturities of long-term debt.

21. DERIVATIVES

The Group utilizes derivative financial instruments, including foreign currency forward contracts, 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 made 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 are made in accordance with internal policies which regulate their authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2016

		Millions of Yen		
March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥261	¥138	

		Thousands of U.S. Dollars		
March 31, 2016	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	$2,318	$1,221	

Since interest rate swaps that are subject to special treatment are accounted for with long-term loans payable, which are hedged items, their fair value is included in the fair value of the said long-term loans payable.

22. CONTINGENT LIABILITIES

At March 31, 2016, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥421	$3,738
Guarantees and similar items of bank loans	2	19

23. RELATED PARTY TRANSACTIONS

(1) Parent Company

The Company's transactions with Nisshinbo Holdings Inc., the parent company, for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Interest income	**¥23**	¥38	**$208**
Interest expense	**(7)**	(1)	**(62)**

The Company's balances due from Nisshinbo Holdings Inc. at March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Short-term loans due from parent company	**¥ 900**	¥1,576	**$ 7,987**
Short-term loans borrowed from parent company	**11,845**		**105,118**

(2) Affiliated Company
The Company's transactions with Ueda Japan Radio Co., Ltd., an affiliated company, for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Purchases	**¥8,647**	¥9,604	**$76,735**

The Company's balance due to Ueda Japan Radio Co., Ltd. at March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Notes and accounts payables		¥3,496	

24. BUSINESS COMBINATIONS

Conversion of Nagano Japan Radio Co., Ltd. (Former Affiliated Company of the Company), to a Wholly Owned Subsidiary through Share Exchange

a. Overview of the Transaction

(1) Name and business of parties to the business combination
Combining company (wholly owning parent company in the share exchange)
Name: Japan Radio Co., Ltd. (the "Company")
Business: Manufacture and sale of radio communication equipment

Combined company (wholly owned subsidiary in the share exchange)
Name: Nagano Japan Radio Co., Ltd. ("Nagano JRC")
Business: Manufacture and sale of solutions and specialized equipment, information and communications equipment, power supply devices, and mechatronics

(2) Date of the business combination
March 23, 2016

(3) Legal form of the business combination
A share exchange (the "Share Exchange") in which the Company became the wholly owning parent company and Nagano JRC became the wholly owned subsidiary

(4) Company name following the business combination
No change

(5) Other
Through the Share Exchange, the Company and Nagano JRC will accelerate synergy creation in the solutions and specialized equipment business which is one of the core businesses for both companies. In particular, cost competitiveness for both companies is expected to be enhanced by fully utilizing, in the business development of the Group, long-standing manufacturing skills and operations know-how of overseas manufacturing which have been accumulated by Nagano JRC. Sophistication of design technology as well as efficiency of new technology development of both companies are expected through acceleration of technology exchange between the Company, which has an advantage in electronics technology, and the design department of Nagano JRC. Through these benefits, the Company and Nagano JRC will work together to build a strong business structure in order to be competitive in the challenging global market. In addition, since Nagano JRC will be able to conduct aggressive business development by utilizing the Company's domestic and overseas marketing channels as well as financial ability, the Company determined that the Share Exchange will contribute to the corporate value of Nagano JRC.

b. Overview of Accounting Treatment
The Share Exchange was treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations and Guidance on Accounting Standard for Business Divestitures.

c. Additional Acquisitions of Shares of Affiliated Company

(1) Acquisition cost and its breakdown
Consideration for acquisition (common shares of the Company): ¥2,999 million ($26,612 thousand)
Acquisition cost: ¥2,999 million ($26,612 thousand)

(2) Exchange ratio by class of shares, calculation method, and number of shares delivered

(a) Class of Shares, Exchange Ratio, and Number of Shares Delivered

Class of Shares	Common Shares of the Company (Wholly Owning Parent Company in the Share Exchange)	Common Shares of Nagano JRC (Wholly Owned Subsidiary in the Share Exchange)
Share exchange ratio	1	0.698

Number of shares delivered in the Share Exchange	Common shares of the Company: 19,063,421

Note: The Company issued new shares in the Share Exchange.

(b) Calculation Method of the Share Exchange Ratio

To ensure the fairness and the validity of the Share Exchange and the share exchange ratio, the Company appointed GCA Savvian Corporation as a third-party appraiser and Nishimura & Asahi as a legal advisor, and Nagano JRC appointed Hibiya Audit Corporation as a third-party appraiser and City-Yuwa Partners as a legal advisor.

Considering the calculation results by the appraisers and the advices from the legal advisors, the Company and Nagano JRC reached an agreement on the above-mentioned share exchange ratio for the Share Exchange based on several circumspect discussions.

(3) Change in equity in transaction with non-controlling interests and parent company

(a) Main Factor in the Increase in Capital Surplus

Acquisitions of additional shares in affiliated company in the Share Exchange

(b) Increase of Capital Surplus by Transaction with Non-controlling Interests and Parent Company

¥3,625 million ($32,167 thousand)

Conversion of Ueda Japan Radio Co., Ltd. (Former Affiliated Company of the Company), to a Wholly Owned Subsidiary through Share Exchange

a. Overview of the Transaction

(1) Name and business of parties to the business combination

Combining company (wholly owning parent company in the share exchange)

Name: Japan Radio Co., Ltd. (the “Company”)

Business: Manufacture and sale of radio communication equipment

Combined company (wholly owned subsidiary in the share exchange)

Name: Ueda Japan Radio Co., Ltd. (“Ueda JRC”)

Business: Manufacture and sale of marine electronics equipment, electronic application equipment, and electro-medical equipment, etc.

(2) Date of the business combination

March 23, 2016

(3) Legal form of the business combination

A share exchange (the “Share Exchange”) in which the Company became the wholly owning parent company and Ueda JRC became the wholly owned subsidiary company

(4) Company name following the business combination

No change

(5) Other

Through the Share Exchange, the Company and Ueda JRC will accelerate synergy creation in the marine electronics equipment which is one of the core businesses of the Group. In particular, cost competitiveness for both companies is expected to be enhanced by fully utilizing, in the business development of the Group, long-standing manufacturing skills which have been accumulated in Ueda JRC, and efficient process management in all stages of manufacturing from designing to shipping. Through these benefits, the Company and Ueda JRC will work together to build a strong business structure in order to be competitive in the challenging global market.

b. Overview of Accounting Treatment

The Share Exchange was treated as a transaction under common control in accordance with the Accounting Standard for Business Combinations and Guidance on Accounting Standard for Business Divestitures.

c. Additional Acquisitions of Shares of Affiliated Company

(1) Acquisition cost and its breakdown

Consideration for acquisition (common shares of the Company):	¥2,390 million ($21,210 thousand)
Acquisition cost:	¥2,390 million ($21,210 thousand)

(2) Exchange ratio by class of shares, calculation method, and number of shares delivered

(a) Class of Shares, Exchange Ratio, and Number of Shares Delivered

Class of Shares	Common Shares of the Company (Wholly Owning Parent Company in the Share Exchange)	Common Shares of Ueda JRC (Wholly Owned Subsidiary in the Share Exchange)
Share exchange ratio	1	11

Number of shares delivered in the Share Exchange — Common shares of the Company: 6,984,120

Note: The Company issued new shares in the Share Exchange.

(b) Calculation Method of the Share Exchange Ratio

To ensure the fairness and the validity of the Share Exchange and the share exchange ratio, the Company appointed GCA Savvian Corporation as a third-party appraiser and Nishimura & Asahi as a legal advisor, and Ueda JRC appointed ASPASIO Co., Ltd. as a third-party appraiser and Shinju Law Offices as a legal advisor.

Considering the calculation results by the appraisers and the advices from the legal advisors, the Company and Ueda JRC reached an agreement on the above-mentioned share exchange ratio for the Share Exchange based on several circumspect discussions.

(3) Change in equity in transaction with parent company

(a) Main Factor in the Increase in Capital Surplus

Acquisitions of additional shares in affiliated company in the Share Exchange

(b) Increase of Capital Surplus by Transaction with Parent Company

¥2,288 million ($20,308 thousand)

25. SUBSEQUENT EVENTS

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2016, was approved at the Company's board of directors' meeting held on May 10, 2016:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5 ($0.04) per share	¥819	$7,267

Consolidation of Shares and Revision of the Number of Shares per Trading Unit

The Company resolved at the board of directors' meeting held on May 24, 2016, to submit a proposal for partial amendment of the Articles of Incorporation for the consolidation of shares and the revision of the number of shares per trading unit. The proposal was approved by resolution at the 92nd Annual General Meeting of Shareholders held on June 24, 2016.

a. Reason for the consolidation of shares

The Japanese stock exchanges announced the "Action Plan for Consolidating Trading Units" and are pursuing the goal of consolidation of the trading units of listed companies at 100 shares. In according once therewith, the Company proposed to change the number of shares per trading unit from 1,000 to 100 shares and consolidate its shares in order to meet the standard of the investment unit (¥50,000 or more and less than ¥500,000) that the Japanese stock exchanges deem to be desirable.

b. Details of the consolidation of shares

(1) Class of stock to be consolidated: Common shares

(2) Method of consolidation and ratio: The Company shall consolidate the shares on October 1, 2016, at a ratio of 5 to 1 held by the shareholders registered on September 30, 2016.

(3) Decrease in the number of common shares due to the consolidation

Number of common shares outstanding before the consolidation of shares (as of March 31, 2016)	164,024,231 shares
Number of common shares to be decreased by the consolidation of shares	131,219,385 shares
Number of common shares outstanding after the consolidation of shares	32,804,846 shares

Note: "Number of common shares to be decreased by the consolidation of shares" and "Number of common shares outstanding after the consolidation of shares" are theoretical values calculated based on the number of common shares outstanding before the consolidation of shares and the consolidation ratio.

c. Decrease in the number of shareholders due to the consolidation of shares
Details of shareholders registered as of March 31, 2016, are as follows:

Shareholders by Number of Common Shares	Shareholders	Number of Common Shares Owned
Total	9,146 (100.00%)	164,024,231 (100.00%)
Less than 5 shares	173 (1.89%)	264 (0.00%)
5 or more shares	8,973 (98.11%)	164,023,967 (100.00%)

d. The total number of authorized shares on the effective day

Number of authorized shares before the consolidation of shares	216,000,000 shares
Number of authorized shares after the consolidation of shares (as of October 1, 2016)	43,200,000 shares

e. Impact on per share information
Per share information for the fiscal years ended March 31, 2016 and 2015, is as follows, assuming that the shares were consolidated as such at the beginning of the fiscal year ended March 31, 2015.

	Yen		U.S. Dollars
	2016	2015	**2016**
Net asset per share of common stock	**¥2,316.14**	¥2,559.80	**$20.56**
Net income per share of common stock	**59.48**	520.64	**0.53**

Repurchase of Treasury Shares
The Company resolved at the board of directors' meeting held on May 31, 2016, to acquire its own shares held by its subsidiary under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 163 of the Companies Act.

The Company completed the share exchange in which the Company became the wholly owning parent company and Nagano JRC and Ueda JRC became wholly owned subsidiaries on March 23, 2016. The Company acquired treasury shares allotted through the Share Exchange to JRC Tokki Co., Ltd. and Sasebo Japan Radio Co., Ltd. which are both wholly subsidiaries.

a. Reason for share repurchase
The Company acquires the treasury shares held by its subsidiaries under the provisions of Article 135(3) of the Companies Act.

b. Details of the share repurchase
(1) Type of shares
Common stock of the Company

(2) Aggregate number of shares to be repurchased
407,632

(3) Aggregate amount of shares to be repurchased
¥119,436,176 ($1,060 thousand)

(4) Date of the share repurchase
May 31, 2016

(5) Method of the share repurchase
Negotiated transactions

26. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of three segments: Marine electronics equipment, Communications equipment, and Solutions and Specialized equipment. Marine electronics equipment consists of marine radars, electronic chart displays, vessel communications equipment, maritime satellite communications equipment, integrated bridge systems, VHF radiotelephone equipment and fishing devices, including sales of Alphatron Marine Beheer B.V., JRC Marinfonet Co., Ltd., and JRC Shanghai Co., Ltd. Communications equipment consists of ITS in-vehicle equipment, GPS receivers, professional mobile radios, personal handy-phone system (PHS) terminals, optical transmission equipment/communication amplifiers, non-destructive inspection equipment, wireless LAN, etc. Solutions and Specialized equipment consists of regional and municipal disaster prevention systems, water and river management systems, aviation and meteorological systems, vessel traffic management system (VTS), road information systems, landslide warning systems, simulator systems, broadcasting systems, and equipment and maintenance works of JRC Tokki Co., Ltd., Sasebo Japan Radio Co., Ltd., and JRC System Service Co., Ltd.

From this fiscal year, the newly consolidated companies, Alphatron Marine Beheer B.V., JRC Marinfonet Co., Ltd., and JRC Shanghai Co., Ltd. are included in Marine electronics equipment.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Sales, Profit (Loss), Assets, and Other Items

	Millions of Yen							
	2016							
	Reportable Segment							
	Marine Electronics Equipment	Communications Equipment	Solutions and Specialized Equipment	Total	Other (Note (a))	Total	Reconciliations (Note (b))	Consolidated (Note (c))
Sales:								
Sales to external customers	¥45,360	¥13,588	¥64,145	¥123,093	¥2,099	¥125,192		¥125,192
Intersegment sales or transfers	8,984		1,398	10,382	2,542	12,924	¥(12,924)	
Total	¥54,344	¥13,588	¥65,543	¥133,475	¥4,641	¥138,116	¥(12,924)	¥125,192
Segment profit (loss)	¥ 2,298	¥ (441)	¥ 1,776	¥ 3,633	¥ (329)	¥ 3,304	¥ (120)	¥ 3,184
Segment assets	31,998	7,495	51,473	90,966	31,615	122,581	38,369	160,950
Other:								
Depreciation	318		339	657	37	694	1,499	2,193
Increase in property, plant and equipment and intangible assets	504	46	637	1,187	120	1,307	3,349	4,656

	Millions of Yen							
	2015							
	Reportable Segment							
	Marine Electronics Equipment	Communications Equipment	Solutions and Specialized Equipment	Total	Other (Note (a))	Total	Reconciliations (Note (b))	Consolidated (Note (c))
Sales:								
Sales to external customers	¥37,883	¥17,242	¥75,197	¥130,322	¥1,930	¥132,252		¥132,252
Intersegment sales or transfers	4,061		1,664	5,725	5,426	11,151	¥(11,151)	
Total	¥41,944	¥17,242	¥76,861	¥136,047	¥7,356	¥143,403	¥(11,151)	¥132,252
Segment profit (loss)	¥ 980	¥ 28	¥ 6,909	¥ 7,917	¥ (16)	¥ 7,901	¥ (188)	¥ 7,713
Segment assets	30,146	9,252	58,758	98,156	2,668	100,824	41,685	142,509
Other:								
Depreciation	274		421	695	31	726	2,206	2,932
Increase in property, plant and equipment and intangible assets	528	113	462	1,103	84	1,187	13,763	14,950

	Thousands of U.S. Dollars							
	2016							
	Reportable Segment							
	Marine Electronics Equipment	Communications Equipment	Solutions and Specialized Equipment	Total	Other (Note (a))	Total	Reconciliations (Note (b))	Consolidated (Note (c))
Sales:								
Sales to external customers	$402,557	$120,587	$569,270	$1,092,414	$18,628	$1,111,042		$1,111,042
Intersegment sales or transfers	79,732		12,400	92,132	22,561	114,693	$(114,693)	
Total	$482,289	$120,587	$581,670	$1,184,546	$41,189	$1,225,735	$(114,693)	$1,111,042
Segment profit (loss)	$ 20,390	$ (3,913)	$ 15,765	$ 32,242	$(2,921)	$ 29,321	$ (1,064)	$ 28,257
Segment assets	283,976	66,513	456,810	807,299	280,569	1,087,868	340,512	1,428,380
Other:								
Depreciation	2,824		3,003	5,827	333	6,160	13,305	19,465
Increase in property, plant and equipment and intangible assets	4,476	404	5,659	10,539	1,058	11,597	29,727	41,324

Notes:

(a) The segment "Other" is a business segment that does not belong to any reportable segment and includes software business of certain consolidated subsidiaries.

(b) Reconciliations

(1) Reconciliations of segment profit (loss) include unrealized gain on inventories.
(2) Reconciliations of segment assets represent assets that do not belong to any business segment and mainly consist of the Company's facilities in common use and investments and other assets.
(3) Reconciliations of increase in property, plant and equipment and intangible assets consist of capital investment that is not attributed to any business segment.

(c) Segment profit (loss) is based on the operating income (loss) on the consolidated statement of income.

(4) Geographical Information

	Millions of Yen					
	2016					
	Japan	Asia	Europe	North America	Other	Total
Sales	¥83,656	¥14,621	¥18,117	¥3,819	¥4,979	¥125,192

	Millions of Yen					
	2015					
	Japan	Asia	Europe	North America	Other	Total
Sales	¥98,410	¥10,297	¥13,386	¥3,893	¥6,266	¥132,252

	Thousands of U.S. Dollars					
	2016					
	Japan	Asia	Europe	North America	Other	Total
Sales	$742,424	$129,753	$160,783	$33,889	$44,193	$1,111,042

Sales are classified by country or region based on the location of customers.

(5) Impairment Losses of Assets by Reportable Segment

Impairment losses of assets by reportable segment for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen					
	2016					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Impairment losses of assets		¥46				¥46

	Millions of Yen					
	2015					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Impairment losses of assets		¥115				¥115

	Thousands of U.S. Dollars					
	2016					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Impairment losses of assets		$411				$411

(6) Amortization and Balance of Goodwill by Reportable Segment

Amortization and balance of goodwill by reportable segment for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen					
	2016					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥ 229					¥ 229
Goodwill at March 31, 2016	1,130					1,130

	Millions of Yen					
	2015					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥ 241					¥ 241
Goodwill at March 31, 2015	1,508					1,508

	Thousands of U.S. Dollars					
	2016					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	$ 2,034					$ 2,034
Goodwill at March 31, 2016	10,025					10,025

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
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Minato-ku, Tokyo 108-6221
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Japan Radio Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 24, 2016

Member of
Deloitte Touche Tohmatsu Limited

Directory

(as of Sept. 30, 2016)

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Kawagoe Works
2-1-12, Fukuoka, Fujimino, Saitama 356-8580, Japan
Phone: +81-49-257-6220

Marine Service Center
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Phone: +81-3-5534-7800

Kanto Logistics Center
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URL: http://www.jrc.am/

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Manila Branch
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Hanoi Office
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Fax: +84-4-3936-2498
URL: http://www.jrc.com.vn/

New York Office
1099 Wall Street West Suite141, Lyndhurst, NJ 07071, U.S.A.
Phone: +1-201-242-1882
Fax: +1-201-242-1885

Subsidiaries

Nagano Japan Radio Co., Ltd.
Business:
Manufacture and sale of VHF radio equipment, radars, data transmission equipment, controllers, public address sets, power supply equipment, etc.

Head office and factory:
1163, Inasato-machi, Nagano,
Nagano 381-2288, Japan
Phone: +81-26-285-1111
URL: http://www.njrc.jp

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

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 223-8572, Japan
Phone: +81-45-547-8572
URL: http://www.jrctokki.co.jp

Japan Radio Glass Co., Ltd.

Business:
Manufacture and sale of glassware for outdoor lamps, mercury-vapor lamps, electron tubes, physicochemical 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

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:
4F, North Block, MCC Mitaka Bldg., 8-7-2, Shimorenjaku, Mitaka, Tokyo 181-0013, Japan
Phone: +81-422-45-9661
URL: http://www.jrce.co.jp

JRC Marinfonet Co., Ltd.

Business:
Maintenance and repair of marine electronics equipment; provision of information communication services

Head office:
1-7-32, Tatsumi, Koto-ku, Tokyo 135-0053, Japan
Phone: +81-3-5534-7820
URL: http://www.jrc-marinfonet.com/

Sasebo Japan Radio Co., Ltd.

Business:
Inspection and repair of vessel onboard equipment

Head office and factory:
339-39, Kuroishi, Kosaza-cho, Sasebo, Nagasaki 857-0401, Japan
Phone: +81-956-68-3202

JRC System Services Co., Ltd.

Business:
Installation and maintenance of wireless communications equipment

Head office and factory:
6-21-11, Mure, Mitaka, Tokyo 181-0002, Japan
Phone: +81-422-71-0703

JRC (HK) Limited

Unit 2013, Level 20, Landmark North,
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Fax: +852-2707-9226

JRC Shanghai Co., Ltd.

Floor 9-A Building C2, Shanghai International Trade Center, 1599 New Jinqiao Road, Pudong, Shanghai, China 201206
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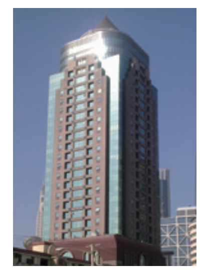
Fax: +86-21-2024-0611
URL: http://www.jrc-cn.com



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Alphatron Marine Beheer B.V.

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The Netherlands
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Fax: +31-10-452-9214
URL: http://www.alphatronmarine.com/

Shenzhen NJRC Technology Co., Ltd.

Business:
Manufacture and distribution of AC adapters, electric and control equipment, mechatronics and marine electronics equipment.

Head office and factory:
1&2 Block, 21 ZhongTai Road, 2nd Industrial Zone, LouCun Community, GongMing, GuangMing New District, Shenzhen, China
Phone: +86-755-2798-0394

JRC Organization

(as of June 24, 2016)

- Audit & Supervisory Board
- Board of Directors
- Chairman
- President
- Board of Management
- Board of Executive Officers

- Internal Audit Office
- Management Strategy Headquarters
  - Corporate Planning Department
  - Finance and Accounting Department
  - CSR Promotion Department
  - Intellectual Property and Legal Department
  - IT Promotion Department
- General Affairs Headquarters
  - General Affairs Department
  - Human Resources Department
  - Facilities Administration Department
- Research and Development Center
  - New Business Fields Planning Department
  - Research and Development Department
- Biosensor Project Office
- Engineering Headquarters
  - Engineering Development Department
  - Product Design Department
  - Mechanical Design Department
  - Engineering Management Department
- Creative Design & Manufacturing Strategy Headquarters
  - Manufacturing Development Department
  - Manufacturing Design Department
  - Manufacturing Engineering Department
- Procurement Headquarters
  - Procurement Department
  - Supply Chain Management Department
- Quality Assurance Headquarters
  - Quality Assurance Promotion Department
  - Quality Assurance Dept. of Communications Eqpt.
  - Quality Assurance Dept. of Marine Electronics Eqpt.
  - Quality Assurance Dept. of Solution Business
- Business Operation Headquarters
  - Business Management Department
  - Product Management Department
  - Communications Equipment Division
    - Sales and Marketing Department
    - Engineering Department
    - Automotive Business Department
  - Marine Electronics Equipment Division
    - Business Planning Department
    - Sales and Marketing Department
      - Seattle Branch/Amsterdam Branch/Greece Branch
    - Engineering Department
    - Marine Solution Engineering Department
    - Marine Services Department
  - Solution Business Division
    - Business Planning Department
    - Business Development Department
    - Public Sector Business Management Department
    - Private Sector Business Management Department
    - Overseas Business Management Department
      - Manila Branch
    - Engineering Management Department
    - Wireless Infrastructure Department
    - Water Infrastructure Department
    - Transport Infrastructure Department
    - Overseas Solution Engineering Department
    - System Integration Department
    - Field Engineering Management Department
  - Defense Systems Division
    - Business Planning Department
    - Administration and Production Management Department
    - Sales and Marketing Department
    - Engineering Department
    - Production Department
    - Quality Assurance Department
  - Hokkaido Regional Headquarters
  - Tohoku Regional Headquarters
  - Kanto Regional Headquarters
  - Hokuriku Branch
  - Chubu Regional Headquarters
  - Kansai Regional Headquarters
  - Chugoku Branch
  - Kyushu Regional Headquarters

Investor Information

(as of March 31, 2016)

Corporate Data

Japan Radio Co., Ltd.

Established:
December, 1915

Paid-in Capital:
¥14,704 million ($130,497 thousand)

Number of Shares Issued:
164,024,231 shares

Number of Shareholders:
6,689

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

Employees:
2,309 (Consolidated: 5,575)

General Meeting of Shareholders:
Convened annually in June

Board of Directors, Corporate Auditors and Executive Officers

(as of June 24, 2016)

Director and Chairman
Takayoshi Tsuchida

Representative Director and President
Kenji Ara

Representative Director and Senior Executive Officer
Atsunori Sasaki

Directors and Managing Executive Officers:
Nobuyuki Hagiwara
Yasuhiko Hara
Noriaki Yokoi

Directors and Executive Officers:
Tomohiro Waki
Kensuke Onuma

Directors:
Masaya Kawata
Hideo Iida
Itsuo Hashimoto

Standing Corporate Auditors:
Tatsuya Kobayashi
Juichiro Kimura
Takanori Ikeda

Corporate Auditor
Masaaki Hori

Executive Officers:
Kazuaki Uchino
Mitsugu Yokota
Takeshi Koarai
Keimei Kojima
Toshiyuki Okamura
Takayuki Komiya
Tooru Takahashi
Kinji Kato
Hisataka Igarashi
Toshihiko Fujisawa
Tadao Takahashi

Major Shareholders

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Holdings Inc.	101,394	61.81
JRC Business Partner Ownership	3,883	2.36
KBL EPB S. A. 107704	3,057	1.86
The Master Trust Bank of Japan (Trust Account)	2,236	1.36
Japan Trustee Services Bank of Japan, Ltd. (Trust Account)	2,062	1.25
Mitsubishi Electronic	2,052	1.25
JRC Employee Ownership	2,006	1.22
Chase Manhattan Bank GTS Clients Account Escrow	1,671	1.01
RBC ISB S/A Dub Nonresident/Treaty Rate Ucits-Clients Account	1,600	0.97
The Bank of New York Mellon SA/NV 10	1,380	0.84

* Treasury stock: 252,676 shares

Shareholder Type

	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals	Individuals and others	Total
Number of Shareholders	27	38	282	104	6,238	6,689
Number of Shares Held (Thousand)	9,731	1,088	109,529	15,001	27,318	162,667
Percentage of Total Shares Issued	5.98	0.67	67.33	9.23	16.79	100.00

* Trading unit of common stock: 1,000 shares

JRC Japan Radio Co., Ltd.

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Printed in Japan