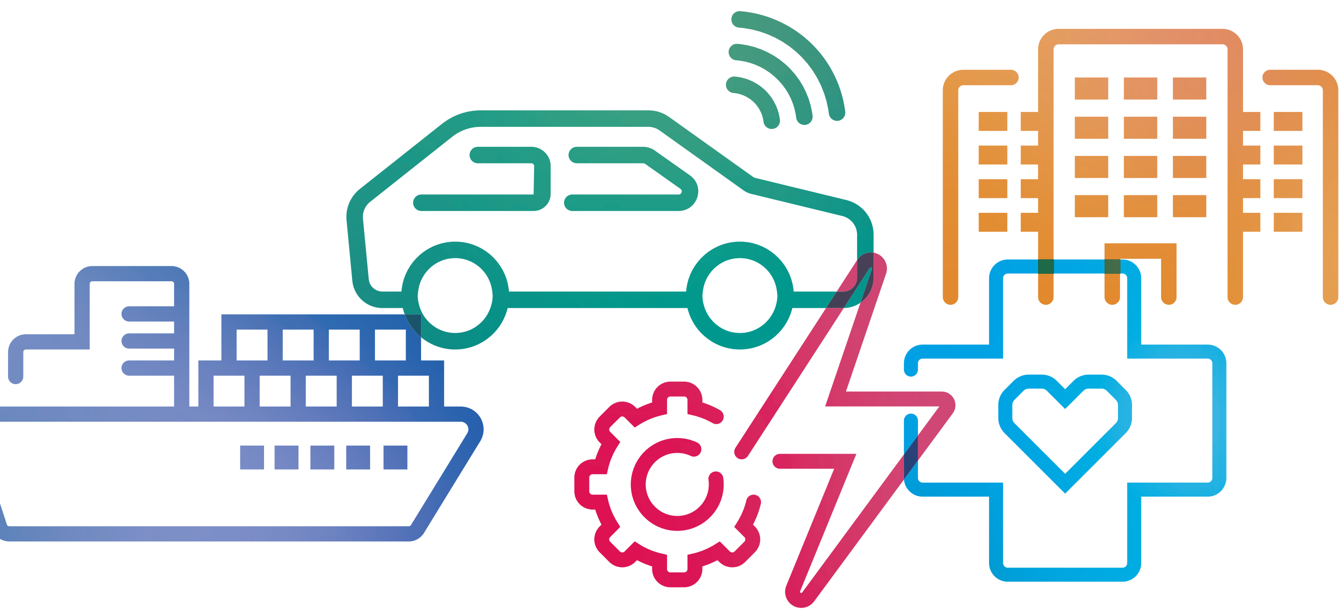
DELIVERING INFORMATION AND INTELLIGENCE

Japan Radio Co., Ltd.

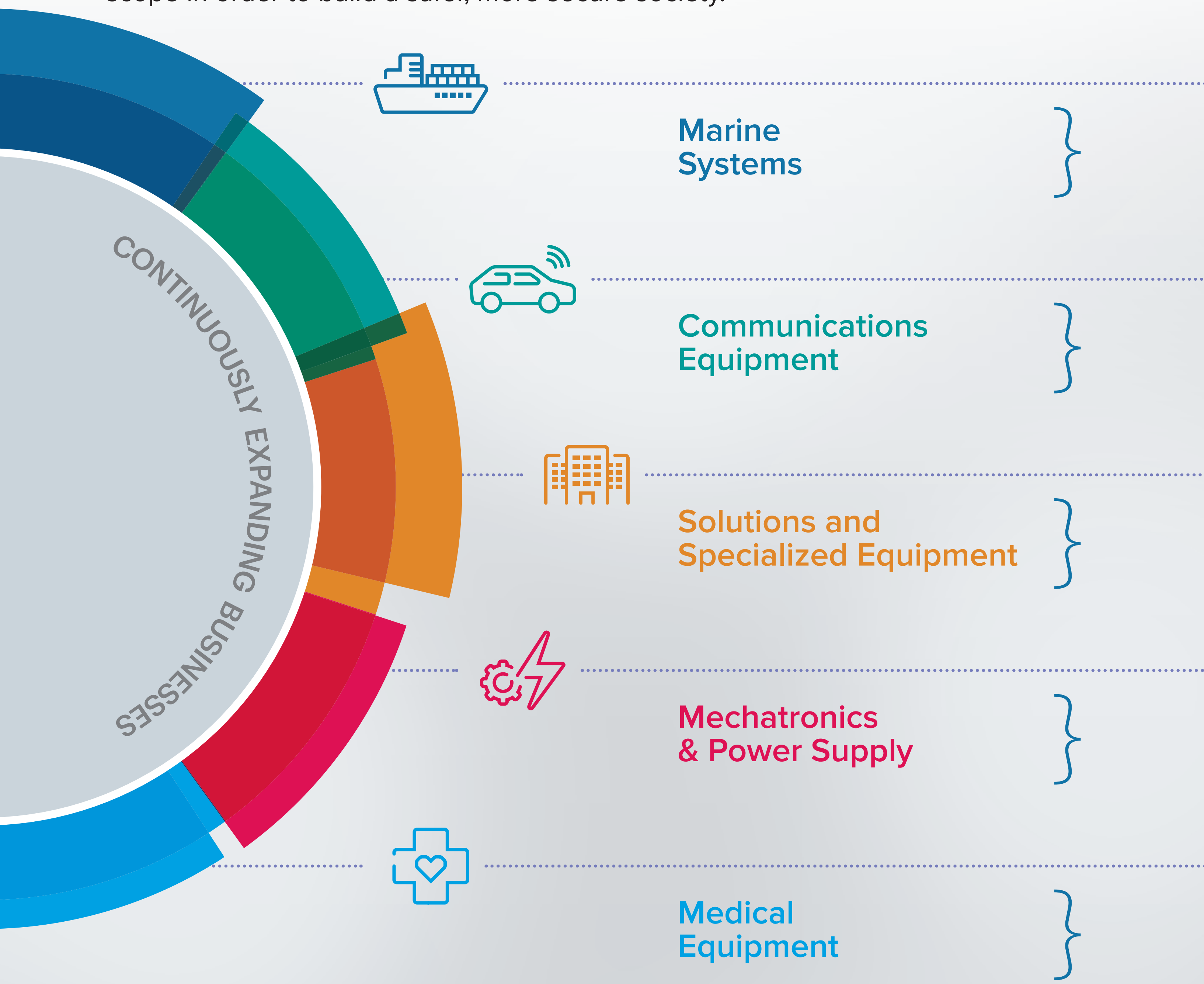
Annual Report 2017

For the year ended March 31, 2017



DELIVERING INFORMATION AND INTELLIGENCE

Depending on wavelength and frequency, radio waves are utilized in various fields, including broadcast communications, radar, nondestructive testing, and medical treatment. At the JRC Group, we will continue expanding our business scope in order to build a safer, more secure society.



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 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.

We contribute to marine safety and security around the world through services that include marine communications, navigation safety support, and fishery support.

We are expanding the scope of applications in this business, from wireless communication to building a networked society, as well as from ITC to automated vehicle operation.

We deploy our comprehensive strengths in various fields, such as weather monitoring, natural disaster mitigation, waterway management, and road traffic management.

We develop high-performance, highly functional, miniaturized chips, modules, and power supply equipment to foster the advancement of various devices.

Applying ultrasonic technologies to develop various medical devices, we contribute to people's health on the medical frontlines.

STRATEGY

ESG

FINANCIAL

INFORMATION

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.

Going forward, the JRC Group will focus efforts on restructuring its core Marine Systems* and Solutions and Specialized Equipment business bases, establishing a robust management foundation.

*Name changed from Marine Electronics Equipment business in April 2017

I sincerely appreciate the continued understanding and cooperation of all our shareholders.

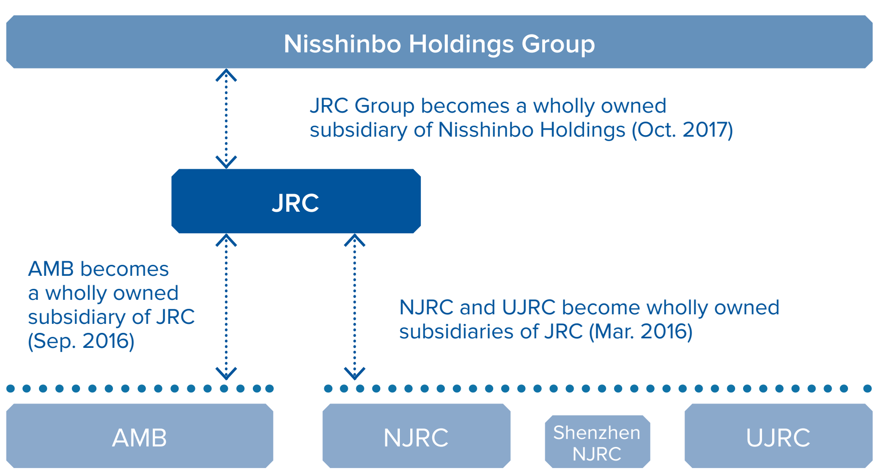
The JRC Group is pleased to report on its business performance in FY2016, ended March 31, 2017 (the Group's 93rd business period).

In FY2016, ended March 2017, business conditions worsened dramatically, leading to a decline in orders and a major operating loss. On behalf of the Company, I hereby express my regret that we were unable to meet the expectations of shareholders.

In the future, we believe that the operating environment will remain difficult. However, based on our corporate commitment, which is to provide products and services that contribute to safety, peace of mind, and the environment, we are expediting growth strategies.

At the 93rd regular General Meeting of Shareholders, we reached a share swap agreement with Nisshinbo Holdings Inc., our parent company. Under the agreement, JRC will become a wholly owned subsidiary of Nisshinbo Holdings, effective October 2, 2017. This decision was made to help JRC overcome its difficult business challenges, which are expected to continue, and deliver renewed growth and improved corporate value. We request the understanding of all shareholders about this decision.

For the year, the Marine Systems segment posted a major fall in sales due to deterioration of the marine sector. The Solutions and Specialized Equipment segment



also reported a sales decline amid intensified competition. However, total consolidated net sales increased year on year owing to the inclusion of two companies—Nagano Japan Radio Co., Ltd. (NJRC) and Ueda Japan Radio Co., Ltd. (UJRC)—into the scope of consolidation at the end of the previous fiscal year. We reported an operating loss and an ordinary loss due to lower sales in the Marine Systems segment and the Solutions and Specialized Equipment segment, as well as increased expenses. Profit attributable to owners of parent also declined year on year due to the impact from other income/expenses.

Going forward, we will step up initiatives aimed at achieving business recovery in the Marine Systems segment and the Solutions and Specialized Equipment segment, which were the sources of our operating loss.

To date, business development in the Marine Systems segment has been driven by product development and sales. In order to expand our target markets and strengthen competitiveness, however, we have declared a commitment to “becoming the world’s leading comprehensive marine systems supplier by offering solutions that include IT technologies, information, and services.” With this in mind, we changed the name of the segment to Marine Systems in April 2017.

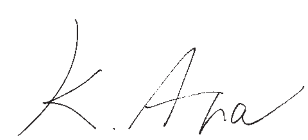
As for specific initiatives, the Marine Systems segment will strive to increase sales by tapping the after-sales service market, entering the market for small and medium-sized vessels, advancing our information services, and building a global network. At the same time, we will strengthen cost competitiveness by shortening lead-times, and reducing construction and distribution expenses.

In the Solutions and Specialized Equipment segment, orders are declining as the demand cycle for large-scale projects and equipment replacement ends. In response, we will set up emergency response projects aimed at expanding orders and sales from domestic public-sector entities. We will also step up proposals and sales activities to meet private-sector demand for solutions. Here, we will target the overseas solutions business, mainly in the future growth area of Southeast Asia, as well as the electricity, gas, and broadcasting sectors. We will also focus on improving profit margins by restraining bidding on unprofitable projects and reducing construction and outsourcing costs.

On October 2, 2017, JRC will make a new start as a wholly owned subsidiary of Nisshinbo Holdings. Under strong collaboration with Nisshinbo Holdings, we will effectively utilize the management resources of both companies and expedite the generation of synergies. Through these efforts, we will accelerate the aforementioned initiatives in our quest to achieve a swift performance recovery and deliver medium- and long-term growth.

We ask all our shareholders to continue your understanding and support of JRC into the future.

June 26, 2017



Kenji Ara
Representative Director and President

Future Fields of Focus

Marine Systems

- Cultivate the aftermarket and step up sales in the market for small and medium-sized ships
- Reinforce the information services business
- Construct global networks

Solutions and Specialized Equipment

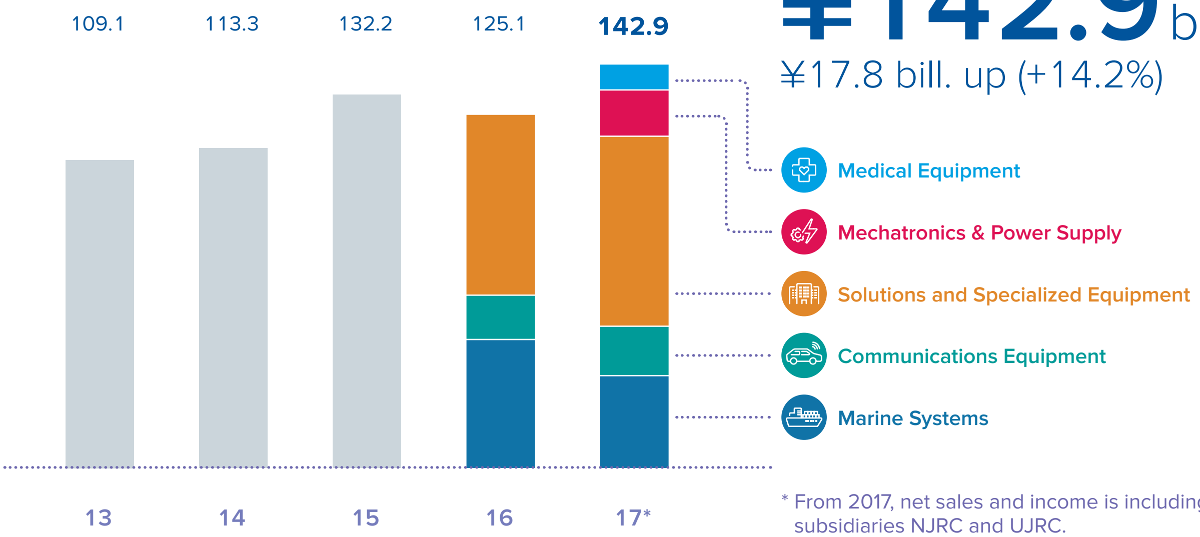
- Expand orders from the public sector in Japan
- Expand orders of solutions for the private sector
- Cultivate the overseas solutions business

Business Highlights

Net Sales

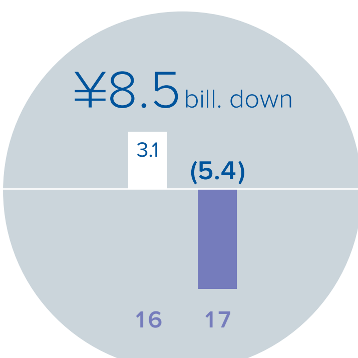
¥142.9 bill.

¥17.8 bill. up (+14.2%)

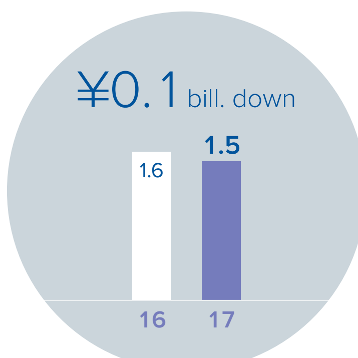


* From 2017, net sales and income is including subsidiaries NJRC and UJRC.

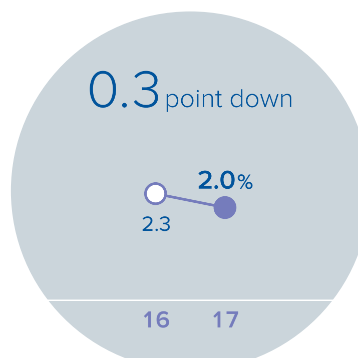
Operating Income (loss)



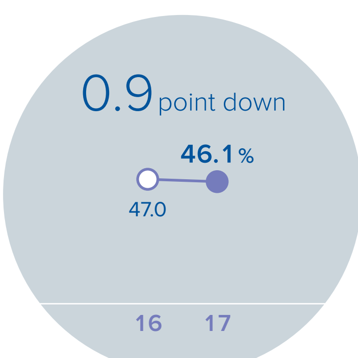
Net Income



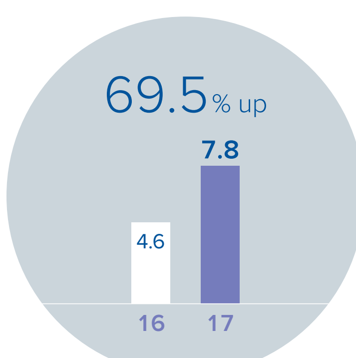
ROE



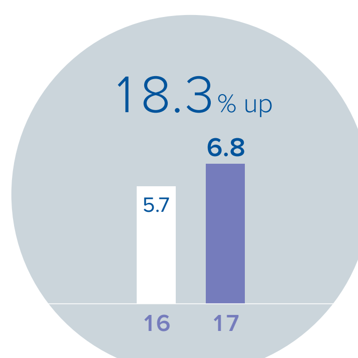
Net Equity Ratio



Capital Expenditure



R&D Expenditure



Focusing on the Wireless Communications Business

The JRC Group develops its core wireless communications technologies in five business segments: Marine Systems, Communications Equipment, Solutions and Specialized Equipment, Mechatronics & Power Supply and Medical Equipment. We deploy our specialist expertise in each segment to acquire strong market share. Furthermore, the Mechatronics & Power Supply and Medical Equipment business segments are handled by NJRC and UJRC, which were added as wholly-owned subsidiaries at the end of the previous fiscal year.

Marine Systems
¥32.5 bill.
22.8 %

Solutions and Specialized Equipment
¥67.3 bill.
47.1 %

Communications Equipment
¥14.9 bill.
10.4 %

Total
¥142.9 bill.

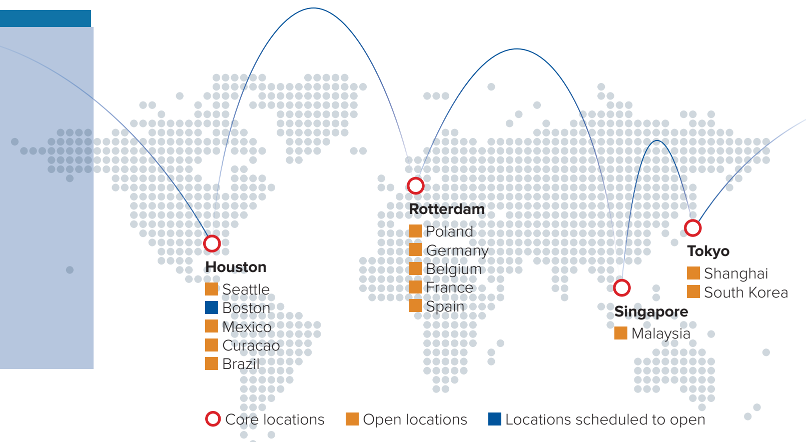
Mechatronics & Power Supply
¥16.4 bill.
11.5 %
(NJRC)

Medical Equipment
¥9.2 bill.
6.5 %
(UJRC)

Marine Systems

- 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.)

Global Network



Segment Review

The Marine Systems segment is one of our core businesses, accounting for 22.8% of JRC Group consolidated net sales.

Sales of equipment for merchant shipbuilding decreased due to sluggish maritime shipping market and shipbuilding market conditions. In the retrofit market, sales also declined due to lackluster capital investment by shipowners. As a result, sales and income declined year on year in this segment.

Marketing Strategies

The JRC Group's strength lies in the merchant shipbuilding and retrofit fields. As these markets are related to the global economy, we expect the business environment to remain challenging going forward. Thus, we will enhance our sales network focusing on our bases in Tokyo, Singapore, Rotterdam and Houston, while strengthening efforts in the after-sales service markets worldwide.

We will also step up our efforts in terms of small and medium-sized vessels. We will expand our product line up for small and medium-sized vessels and strengthen sales in the fishing boat market, while collaborating with Alphatron Marine Beheer B.V. (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.

Marine Systems Focusing Strategies

- Aftermarket
- Enhanced initiatives in the field of small and medium-sized vessels
- Information services business
- Subsidiaries' businesses

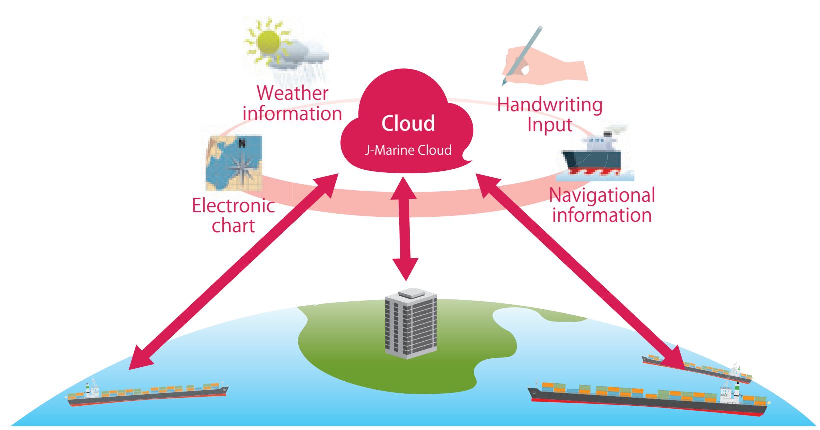
Marine radar JMR-5400 series

Business Segment Value Enhancement

Expanding our efforts in the Marine Systems segment, we will now strive to develop various types of equipment for large merchant ships as well as for the purpose of cultivating the small and medium-sized vessel market, in addition to focusing efforts on expanding marine information services.

Regarding the development of equipment for small and medium-sized vessels, we developed a medium-sized high-performance radar system for the fishing boat and workboat markets. In the merchant ships segment, we are promoting a common bridge design and graphical user interface (GUI) to increase efficiency and lower costs. Specifically, we developed an international VHF radiotelephone device, water speed and distance measuring equipment (SDME) and differential global positioning system (DGPS) navigation equipment. In addition to our lineup comprising bridges, we are also significantly improving visibility and operability by adopting a small display with touch screen.

Regarding the marine information services segment, we developed the navigation electrical conning station table (NeCST) digital chart table. Adopting a large touch panel on which data is displayed and recorded from a handwritten memo function and voyage equipment, we have enhanced functions enabling the display of weather information and other external data and the entry and editing of route plans. We also utilize cloud services to enable the sharing of ship and shipping company information, which contributes to the optimization of shipping operations.



Share and store information between ships and land

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


Professional mobile radio


Handy search NJJ-105


PHS 301JR BISINESTA

Segment Review

The Communications Equipment segment accounts for 10.4% of Group consolidated net sales.

In the year under review, sales of transmission devices and other equipment increased due to solid demand for capital investment among mobile phone operators. Sales also increased in the ITS-related in-vehicle field due to the launch of products corresponding to market needs. As a result, sales and income increased in this segment.

Marketing Strategies

We forecast market expansion in the next-generation communications infrastructure system and automation fields going forward, thus we will strategically allocate resources in these areas and make advanced development investments focused on in-vehicle radar and other automotive businesses.

Business Segment Value Enhancement

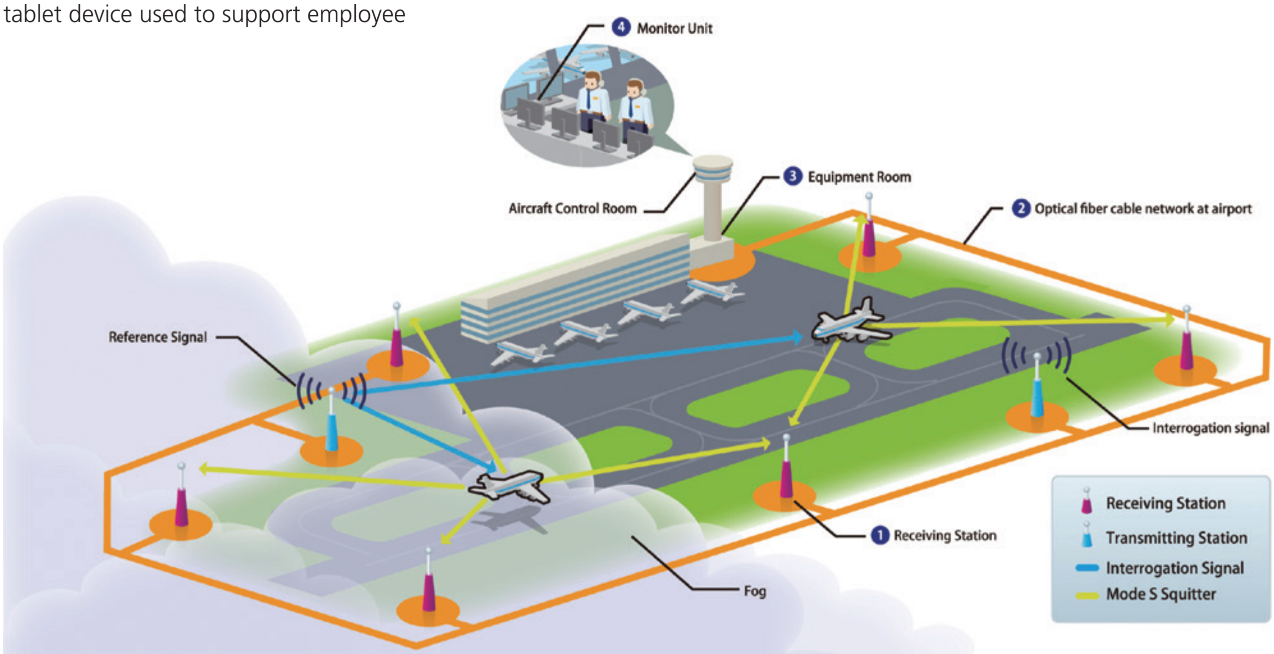
The JRC Group will focus efforts on communications systems and intelligent transfer systems (ITS) in particular.

With regard to the ITS segment, we promoted the development of ITS roadside equipment, devices related to driving safety support systems (DSSS). ITS roadside equipment uses sensors to detect oncoming cars and pedestrians in intersections. As cars enter the intersection, this information and traffic signal status is communicated to in-vehicle equipment with radio waves to inform the driver in support

Electronic toll collection (ETC) system for motorcycles

of safe driving. We also realized radar measurements for traffic counters that measure traffic volume. Field tests yielded a high measurement accuracy, confirming the advantages of this device.

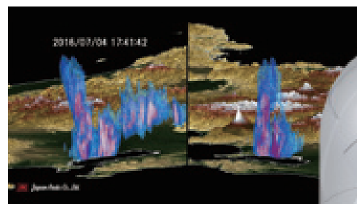
In the communication systems segment, we developed a highly reliable tablet device used to support employee safety and other systems for business purposes. This device identifies the position of workers on the worksite using GPS and monitors worksite conditions wirelessly with a high degree of accuracy to support safety.



Integrated system for airport weather radar, aircraft location management, remote control and other functions.
Sales of the system mentioned above are included in the Solutions and Specialized Equipment segment.

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



Three dimensional movie of cumulonimbus

3D rapid scanning phased array weather radar

Segment Review

The Solutions and Specialized Equipment segment is one of our core businesses, accounting for 47.1% of JRC Group consolidated net sales.

In fiscal 2016, ended March 31, 2017, orders in Japan declined as the demand cycle for large-scale projects and equipment replacement ended, resulting in lower sales of satellite communications and other backbone systems and roadside information systems. However, in line with a rise demand for infrastructure development, sales of water and river information systems increased, and the conversion of Nagano Japan Radio Co., Ltd. (NJRC) to a wholly-owned subsidiary drove net sales higher. However, in terms of income, the increase of various expenses resulting in an operating loss.

Marketing Strategies

In the year under review, demand was lower for renewal of disaster prevention and mitigation systems by prefectures and cities. Going forward, we will focus efforts on securing orders for river management and roadside information systems. In terms of overseas solutions, we will focus efforts on expanding sales of debris flow forecasting and warning systems, harbor and gulf security systems and meteorological radar systems in developing countries where demand is expected to grow.

Also, regarding the private sector solutions business, we are developing proactive solution proposal activities for providers of electricity, gas and other public utilities.

Solutions and Specialized Equipment Strategies

Expand orders from the public sector in Japan
- Increase the number of bidding projects

Expand orders of solutions for the private sector
- Cultivate new projects, including electric power, gas and broadcasting

Cultivate the overseas solutions business
- Cultivate new solution projects targeting Southeast Asia

Business Segment Value Enhancement

In the broadcasting system segment, we developed a transmission device using microwaves for terrestrial digital television. This is a highly reliable and serviceable transmission method using critical trunk lines supporting many viewing households. It has a space diversity reception function that maintains stable transmissions even when reception is disturbed, as well as a seamless switching function enabling the changeover to backup equipment able to maintain video feeds with no disruption even during broadcasts.

In the weather radar systems segment, we developed C band weather radar. After field evaluation, we plan to take this product to market in fiscal 2018. Although this is a large device, an antenna, transceiver, signal processing device and other equipment are mounted inside the radar dome. This all-in-one design realizes low power loss and simple installation.

In the port equipment segment, we developed the vessel traffic service (VTS) system simulator for which international standardization is advancing. Enabling conformance with the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA) standards system allows us to meet future demands for the introduction of VTS simulators in countries throughout the world. Going forward, we plan to promote the expansion of sales to global markets as equipment necessary for vessel traffic management systems (VTMS).

Mechatronics & Power Supply

- Mechatronics
  Scanner, MFP, Printer, Copier, peripheral equipment, production facilities, 3D printer, other
- Information & Communications/Power Supply
  High-frequency power supply application eqpt., low-power wireless module, custom board, Chargers, power supply for illuminations, automotive components, other

Segment Review

The Mechatronics & Power Supply segment is developed by NJRC, a new wholly owned subsidiary. In the year under review, business related to this segment accounted for 11.5% of consolidated net sales. In the Mechatronics segment, sales of copy machines and peripheral equipment to the office equipment markets in Japan and overseas remained low, while performance was also sluggish in the Power Supply segment.

Marketing Strategies

This business segment develops mechatronics, telecommunications and power supply equipment. In mechatronics, these products are used in places requiring high-speed, highly precise control technologies for various types of printers and copy machines.

With regard to telecommunications and power supply equipment, we focus efforts on nearfield wireless solutions using communication modules, including mobile equipment and security as well as environment sensing. We also provide miniature, high-efficiency and highly reliable products contributing to electrical components for environmentally friendly eco-cars and the conservation of energy and the environment.

Business Segment Value Enhancement

In the mechatronics segment, we developed color printing technologies for IC cards using sublimation ink ribbons. As a result, this enables the printing of high-quality images on IC cards using low-cost sublimation ink ribbons, which is expected to lower the cost of consumable goods.

In the power supply segment, we developed LLC power supply equipment enabling high-efficiency at low temperature ranges. This is expected to meet demands for energy-saving equipment and power supplies for telecommunications infrastructure and other high-temperature environments.

In the in-vehicle equipment segment, we developed a DC/DC converter power transformer and smoothing choke coil that meet the need for compact, lightweight and low-cost winding parts used for a variety of electrical equipment. By optimizing the heat dissipation structure and improving high frequency loss and other functions, we were able to drastically reduce the volume, weight and cost compared with conventional products.

Medical Equipment

- Medical & Ultrasonic Business Unit:
  * Transducers, image processing products, ultrasonic application products, analytical products, other.
- Collaboration Business:
  * Wireless Health care eqpt., wireless medical eqpt.
- Information Communication Business

Segment Review

The Medical Equipment segment is developed by consolidated subsidiary UJRC and accounts for 6.5% of JRC Group consolidated net sales. In the medical and ultrasound equipment segment, net sales in the year under review increased year on year due to the release of new models in the market and special demand in overseas markets.

In these businesses, we are focusing efforts on near-future technological developments, including participation in national projects such as the miniaturization of medical equipment focused on home medical care and light-based ultrasound technologies that are also able to meet advanced needs as medical equipment centered on ultrasound technologies.

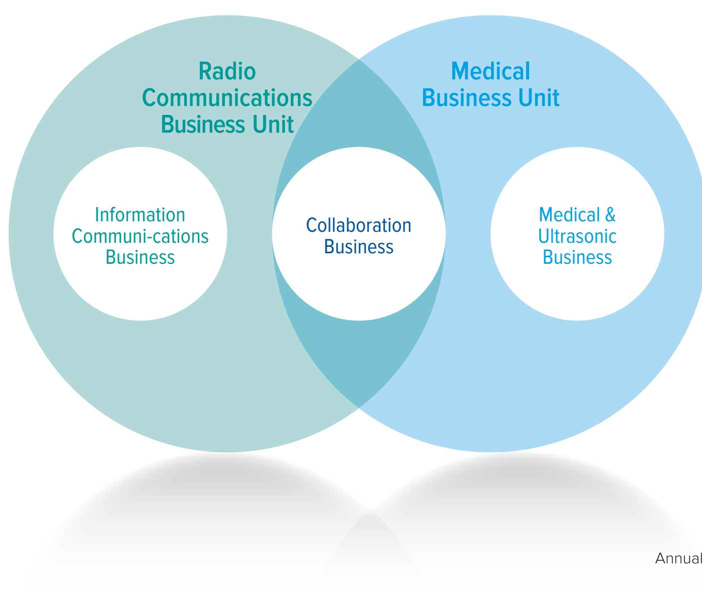
Marketing Strategies

In this segment, we aim to promote collaborations and partnerships with other companies to strengthen and expand our business foundation. We also intend to further step up collaborations involving wireless and medical technologies.

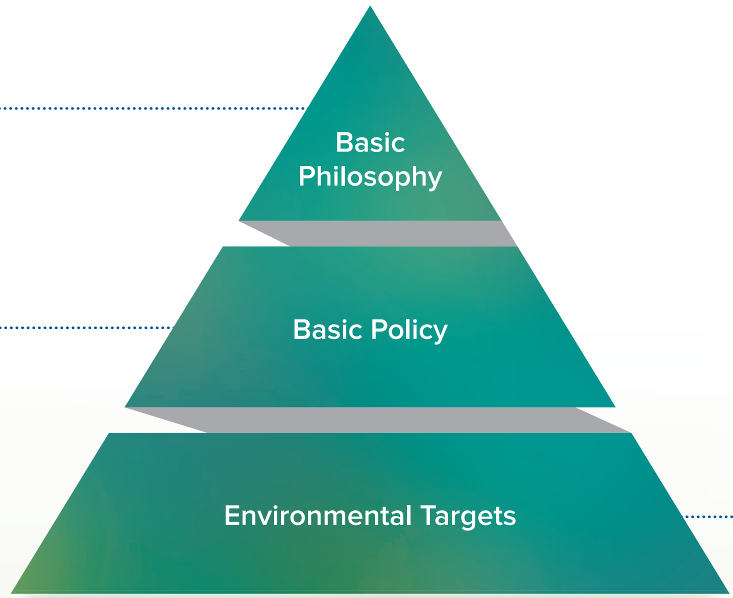
Business Segment Value Enhancement

In the ultrasound sensor segment, we developed intravascular ultrasound catheter high-frequency products for examining blood vessels. These products enable high-resolution examinations.

We also developed compact transducers used for ultrasound diagnostic devices. These are expected to lead to device miniaturization and we will attempt to promote utilization in emergency, home and house call situations.



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

JRC has formulated the following basic policy in keeping with the philosophy of ISO 14001. Through our business activities we aim to fulfill our social responsibility by alleviating and responding to climate change; contribute toward the creation of a sustainable and recycling-oriented society, and protect biodiversity and the ecosystem (priority issues).

1. We provide society with solutions that help to address priority measures by developing new products and technologies and through our wireless communication and information-processing technologies.

2. We strive to reduce environmental impact by preventing global warming and promoting the 3Rs (reduce, reuse, recycle) for waste.

3. 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.

4 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.

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

6 We are communicating our environmental policy to all employees and all people who work for the Company, in order to ensure their understanding and cooperation. We also publish the policy on our website, making it available to people outside the Company.

Environmental Targets

- Raise sales of products that have undergone life cycle assessments (LCAs) to 40% or more of the total by FY2018.
- Increase sales of products that contribute to a sustainable society to 40% or more of the total by FY2018.
- Undertake meticulous energy management.
- Increase the recycling rate to 98% or higher by FY2018.
- Conform to legal standards and customer demands.
- Continue to implement biodiversity preservation activities through FY2018.

Environmental Accounting

In FY2016, the Company's environmental protection-related expenses amounted to ¥508 million, up 15.2% from the previous year. The economic benefits associated with environmental protection activities decreased 20.0%, to ¥4 million.

Activities included the introduction of video conferencing systems to communicate among business locations that had grown dispersed as a result of business structural reforms, thereby lowering business travel expenses. As expenses for social activities, we donated ¥1 million to the Tokyo University of Marine Science and Technology to undertake surveys of biodiversity preservation activities in Tokyo Bay.

JRC Governance Systems

Basic Policy

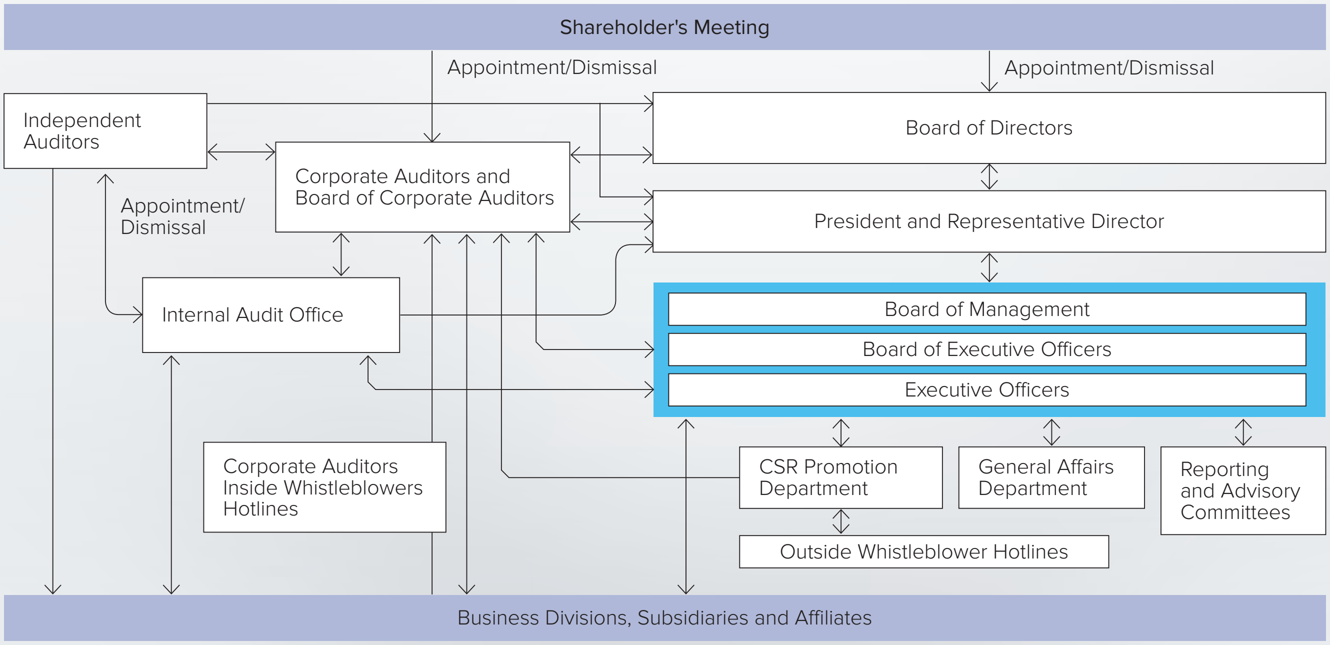
To ensure quick decision-making and management soundness and transparency, we seek to strengthen our management control system with a basic policy regarding corporate governance in an aim to enhance corporate value.

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 outside directors and outside 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 outside 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 outside directors.

Board of Management

The Board of Management, 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 Board of Executive Officers

JRC adopts an executive officer system, consisting of 18 executive officers, including six directors. The Board of Executive Officers 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.

Outside Directors and Outside Corporate Auditors

JRC has two outside directors and two outside corporate auditors.

Outside 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.

Outside 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.

Outside 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.

Outside 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

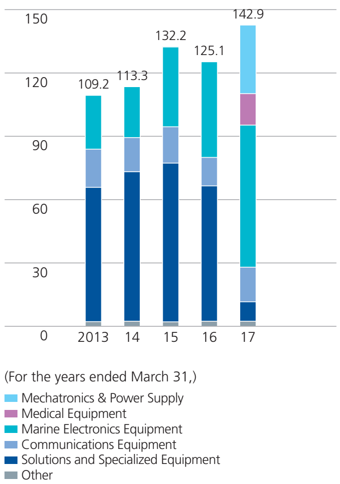
	Millions of yen					Thousands of U.S. dollars (Note)
For the years ended March 31,	2013	2014	2015	2016	2017	2017
Net sales	¥109,158	¥113,307	¥132,252	¥125,192	¥142,910	$1,273,817
Operating income (loss)	3,919	7,281	7,713	3,184	(5,487)	(48,906)
Operating income (loss) ratio (%)	3.8	6.4	5.8	2.5	(3.8)	–
Income (loss) before income taxes and minority interests	10,419	2,727	15,519	3,030	3,771	33,612
Net income (loss)	9,245	2,311	14,342	1,662	1,559	13,898
As of March 31,						
Total assets	105,541	113,814	142,509	160,950	167,092	1,489,369
Total equity	50,928	49,843	71,840	77,257	77,341	689,377
Net equity ratio (%)	48.0	42.6	49.4	47.0	46.2	–
Interest-bearing liabilities	3,238	5,888	6,678	21,232	24,241	216,072
Depreciation	1,746	2,098	2,932	2,193	2,867	25,556
Capital expenditures	1,878	2,630	14,950	4,656	7,834	69,830
Net income (loss) per share (yen/U.S. dollars)	67.11	16.77	104.13	59.48	47.72	0.42
ROE (%)	20.2	4.7	24.1	2.3	2.0	–
D/E ratio (times)	0.06	0.12	0.09	0.28	0.31	–
Employees	3,671	3,294	3,366	5,575	5,571	–

Note: U.S. dollar amounts are translated, for convenience only, at ¥112.19= US$1.00, the rate prevailing on March 31, 2017.

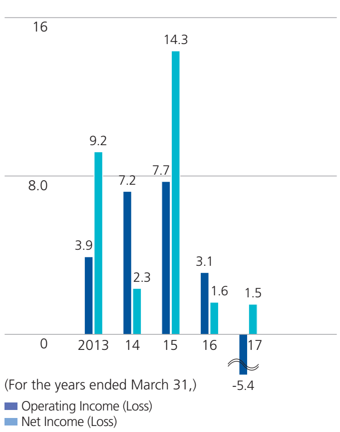
Contents of Financial Statements

Consolidated Financial Review

Consolidated Net Sales
(¥ bill.)



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



Business Results

In FY2016, ended March 31, 2017, the JRC Group reported consolidated net sales of ¥142,910 million, up 14.2% from the previous fiscal year due to the addition of NJRC and UJRC as consolidated subsidiaries. However, in terms of operating income, a decline in Marine Systems sales and other factors resulted in an operating loss of ¥5,487 million after having posted operating income of ¥3,184 million in the previous fiscal year.

Despite a gain on sales of non-current assets as other income/expenses amounting to ¥11,153 million, net income attributable to owners of parent declined 6.2% year on year to ¥1,559 million due to other factors.

Segment Sales and Profits

JRC Group consolidated net sales are presented from two perspectives: by sales by business segment and sales by region. Furthermore, there are no year on year comparisons for the newly added mechatronics and power supply and medical equipment segments.

Sales by Business Segment

Marine Systems segment net sales decreased 28.2% year on year to ¥32,580 million. Communications Equipment segment net sales increased 9.8% to ¥14,923 million. Solutions and Specialized Equipment segment sales increased 5.0% to ¥67,367 million. Mechatronics & Power Supply segment net sales were ¥16,499 million. Medical Equipment segment net sales were ¥9,289 million. Other business segment net sales were ¥2,252 million.

Segment Sales by Region

The JRC Group classifies its consolidated net sales into five geographical regions: Japan, Asia and emerging nations, Europe, North America, and other regions. Japan comprised 76.4% of net sales, Asia and emerging nations comprised 9.7% of net sales, Europe comprised 8.4% of net sales, North America comprised 2.8% of net sales and other regions comprised 2.8% of net sales.

Financial Position

Assets

Assets increased ¥6,142 million year on year, to ¥167,092 million. This was mainly due to a ¥2,287 million increase in notes and accounts receivable – trade, a ¥2,711 million decrease in work in process and other inventory assets, a ¥4,142 million increase in buildings and structures, a ¥1,997 million decrease in construction in progress and a ¥1,059 million increase in goodwill.

Liabilities

Liabilities increased ¥6,059 million year on year, to ¥89,751 million. This was mainly due to a ¥1,849 million decrease in notes and accounts payable – trade, a ¥3,312 million increase in short-term loans payable, a ¥3,104 million decrease in the current portion of long-term loans payable, a ¥1,664 million increase in provision for contingent loss, a ¥2,835 million increase in long-term loans payable and a ¥2,031 million increase in deferred tax liabilities.

Equity

Equity increased ¥84 million year on year, to ¥77,341 million. This was mainly due to a ¥742 million increase in capital surplus, a ¥667 million increase in valuation difference on available-for-sale securities and a ¥1,424 million decrease in non-controlling interests.

As a result, the equity ratio at fiscal year-end was 46.2%, down 0.8 points from a year earlier.

Cash Flows

JRC Group cash and cash equivalents at fiscal year-end totaled ¥5,116 million, up ¥513 million from a year earlier. This was mainly due to ¥3,580 million in net cash used in operating activities, ¥2,108 million in net cash provided by investing activities and ¥2,068 million in net cash provided by financing activities.

For the year, net cash used in operating activities amounted to ¥3,580 million, compared with ¥759 million provided in the previous year. This was due to a loss before income tax of ¥3,771 million, subsidy income of ¥1,000 million, a gain on sales of non-current assets of ¥11,153 million, a ¥2,655 million increase in trade accounts receivable and a ¥1,776 million decrease in trade payables, despite a ¥1,664 million increase in provision for contingent loss, ¥2,867 million in depreciation, ¥1,221 million in amortization of goodwill and a ¥2,227 million decrease in inventory assets.

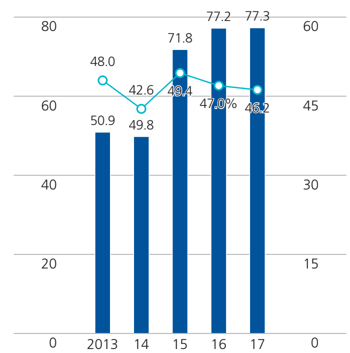
Net cash provided by investing activities increased ¥2,108 million after a decrease of ¥5,771 million in the previous fiscal year. This was due to proceeds from sales of property, plant and equipment amounted to ¥11,538 million, despite payments of ¥5,542 million for the purchase of property, plant and equipment and ¥3,443 million for the purchase of shares of subsidiaries.

Net cash provided by financing activities increased ¥2,068 million after increasing ¥5,230 million in the previous fiscal year. This was due to a ¥3,501 million increase in short-term loans payable and a ¥3,000 million increase in long-term debt payable, despite repayment of long-term loans payable of ¥3,269 million and cash dividend payment of ¥815 million.

Targeted Management Indicators

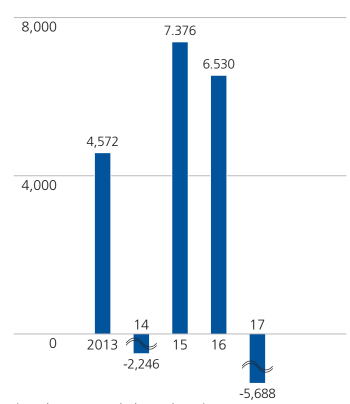
The JRC Group strives to conduct management emphasizing cash flows by constraining interest-bearing debt and inventory assets and collecting accounts receivable – trade as early as possible, while engaging in investment selection and focus that attempts to create additional cash flows.

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



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

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, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 19)	¥ 5,116	¥ 4,622	$ 45,598
Short-term investments (Notes 5 and 19)	20	420	178
Receivables (Note 4):			
Trade notes (Note 19)	8,100	4,944	72,201
Trade accounts (Note 19)	55,208	56,053	492,097
Unconsolidated subsidiaries and affiliated companies (Note 19)		27	2
Allowance for doubtful accounts	(276)	(294)	(2,458)
Short-term loans due from parent company (Note 19)	1,400	900	12,479
Inventories (Note 6)	41,834	44,545	372,884
Deferred tax assets (Note 14)	2,557	2,057	22,790
Prepaid expenses and other	3,484	2,567	31,053
Total current assets	¥117,443	¥115,841	$1,046,824
PROPERTY, PLANT AND EQUIPMENT (Note 9):			
Land	7,305	7,289	65,111
Buildings and structures	36,060	37,887	321,416
Machinery and equipment (Note 7)	6,703	6,758	59,747
Furniture and fixtures (Note 7)	17,903	17,697	159,581
Lease assets	620	770	5,525
Construction in progress	255	2,253	2,278
Total	68,846	72,654	613,658
Accumulated depreciation	(35,435)	(41,427)	(315,847)
Net property, plant and equipment	33,411	31,227	297,811
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 19)	5,101	4,231	45,466
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 19)	458	412	4,079
Goodwill	2,189	1,130	19,512
Asset for retirement benefits (Note 11)	2,836	2,664	25,281
Deferred tax assets (Note 14)	2,815	2,780	25,091
Other (Note 7)	3,879	3,586	34,576
Allowance for doubtful accounts	(1,040)	(921)	(9,271)
Total investments and other assets	16,238	13,882	144,734
TOTAL	¥167,092	¥160,950	$1,489,369

See notes to consolidated financial statements.

	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 9 and 19)	¥ 20,499	¥ 17,187	$ 182,716
Current portion of long-term debt (Notes 9 and 19)	165	3,269	1,467
Current portion of long-term lease obligations	166	194	1,482
Payables:			
Trade notes (Note 19)	5,374	5,455	47,903
Trade accounts (Note 19)	21,436	23,204	191,064
Other	4,322	2,973	38,523
Income taxes payable	774	719	6,895
Accrued expenses	3,620	3,438	32,265
Advances received	3,659	3,027	32,610
Provision for loss on construction contracts	977	486	8,706
Provision for contingent loss	2,239	575	19,957
Other	1,608	3,327	14,354
Total current liabilities	¥ 64,839	¥ 63,854	$ 577,942
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9 and 19)	3,173	338	28,282
Liability for retirement benefits (Note 11)	17,311	16,566	154,304
Deferred tax liabilities (Note 14)	2,485	454	22,151
Deferred tax liabilities for land revaluation (Notes 8 and 14)	510	510	4,548
Long-term lease obligations	276	399	2,464
Provision for environmental measures	141	132	1,258
Asset retirement obligations (Note 12)	476	560	4,247
Other	540	880	4,796
Total long-term liabilities	24,912	19,839	222,050
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 10 and 21)			
EQUITY (Note 13):			
Common stock—authorized, 43,200,000 shares; issued, 32,804,846 shares in 2017 and 32,804,846 shares in 2016	14,704	14,704	131,067
Capital surplus	22,417	22,417	199,817
Retained earnings	39,655	38,912	353,457
Treasury stock—at cost, 135,166 shares in 2017 and 132,061 shares in 2016	(184)	(180)	(1,640)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,721	1,054	15,340
Foreign currency translation adjustments	(135)	(121)	(1,209)
Defined retirement benefit plans	(1,248)	(1,364)	(11,123)
Revaluation reserve for land (Note 8)	252	252	2,255
Total	77,182	75,674	687,964
Non-controlling interests	159	1,583	1,413
Total equity	77,341	77,257	689,377
TOTAL	¥167,092	¥160,950	$1,489,369

Consolidated Statement of Income

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET SALES	¥142,910	¥125,192	$1,273,817
COST OF SALES (Notes 11, 15 and 22)	119,446	99,535	1,064,673
Gross profit	23,464	25,657	209,144
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 11, 15 and 16)	28,951	22,473	258,050
Operating income (loss)	(5,487)	3,184	(48,906)
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 22)	151	163	1,347
Interest expense (Note 22)	(156)	(109)	(1,392)
Foreign exchange loss—net	(174)	(192)	(1,552)
Subsidy income	1,000		8,913
Equity in earnings of affiliated companies	10	377	90
Impairment losses (Note 7)	(159)	(46)	(1,415)
Gain on sales of property, plant and equipment	11,153	835	99,411
Business structure improvement expenses		(588)	
Amortization of goodwill	(854)		(7,609)
Provision for contingent loss	(1,687)	(575)	(15,038)
Other—net (Note 17)	(26)	(19)	(237)
Other income (expenses)—net	9,258	(154)	82,518
INCOME BEFORE INCOME TAXES	3,771	3,030	33,612
INCOME TAXES (Note 14):			
Current	909	627	8,104
Reversal of income taxes for prior periods		(89)	
Deferred	1,167	358	10,396
Total income taxes	2,076	896	18,500
NET INCOME	1,695	2,134	15,112
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	136	472	1,214
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 1,559	¥ 1,662	$ 13,898

	Yen		U.S. Dollars (Note 1)
	2017	2016	2017
PER SHARE OF COMMON STOCK (Note 2v):			
Basic net income	¥ 47.72	¥ 59.48	$ 0.43
Cash dividends applicable to the year	25.00	10.00	0.22

The Company implemented the consolidation of shares of common stock by a factor of 5 to 1, with October 1, 2016, as the effective date. Basic net income per share is calculated based on the assumption that the consolidation had been implemented at the beginning of the fiscal year ended March 31, 2016.

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
NET INCOME	¥1,695	¥2,134	$15,112
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):			
Unrealized gain (loss) on available-for-sale securities	665	(611)	5,930
Foreign currency translation adjustments	77	(454)	689
Remeasurements of defined benefits plans (net of tax)	117	(220)	1,038
Share of other comprehensive income (loss) in associates	9	(19)	77
Total other comprehensive income (loss)	868	(1,304)	7,734
COMPREHENSIVE INCOME	¥2,563	¥ 830	$22,846
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥2,328	¥ 476	$20,754
Non-controlling interests	235	354	2,092

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	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, 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
Net income attributable to owners of the parent				1,559						1,559		1,559
Cash dividends, ¥25 per share				(816)						(816)		(816)
Purchase of treasury stock	(3)				(4)					(4)		(4)
Consolidation of shares (Note 13)	(130,691)											
Net change in the year						667	(14)	116		769	(1,424)	(655)
BALANCE, MARCH 31, 2017	32,670	¥14,704	¥22,417	¥39,655	¥(184)	¥1,721	¥(135)	¥(1,248)	¥252	¥77,182	¥ 159	¥77,341

	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, 2016	$131,067	$199,817	$346,840	$(1,607)	$ 9,391	$(1,078)	$(12,161)	$2,255	$674,524	$14,108	$688,632
Net income attributable to owners of the parent			13,898						13,898		13,898
Cash dividends, $0.22 per share			(7,281)						(7,281)		(7,281)
Purchase of treasury stock				(33)					(33)		(33)
Net change in the year					5,949	(131)	1,038		6,856	(12,695)	(5,839)
BALANCE, MARCH 31, 2017	$131,067	$199,817	$353,457	$(1,640)	$15,340	$(1,209)	$(11,123)	$2,255	$687,964	$ 1,413	$689,377

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
OPERATING ACTIVITIES:			
Income before income taxes	¥ 3,771	¥ 3,030	$ 33,612
Adjustments for:			
Depreciation and amortization	2,867	2,193	25,556
Impairment losses	159	46	1,415
Amortization of goodwill	1,221	229	10,883
Business structure improvement expenses		588	
Income taxes—paid	(981)	(3,039)	(8,747)
Gain on sales of property, plant and equipment	(11,153)	(835)	(99,411)
Gain on sales of investment securities	(34)		(307)
Equity in earnings of affiliated companies	(10)	(377)	(90)
Subsidy income	(1,000)		(8,913)
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(2,655)	9,965	(23,663)
Decrease (increase) in inventories	2,227	(1,906)	19,853
Increase in provision for contingent loss	1,664	575	14,828
Decrease in notes and accounts payable	(1,776)	(11,795)	(15,834)
Increase in liability for retirement benefits	862	277	7,680
Increase (decrease) in allowance for doubtful receivables	127	(45)	1,135
Proceeds from subsidy income	333		2,971
Increase (decrease) in advances received	632	(1,161)	5,631
Other—net	166	3,014	1,491
Total adjustments	(7,351)	(2,271)	(65,522)
Net cash provided by (used in) operating activities	(3,580)	759	(31,910)
INVESTING ACTIVITIES:			
Purchase of short-term investments		(370)	
Proceeds from sale of short-term investments	420	300	3,744
Purchase of property, plant and equipment	(5,542)	(7,915)	(49,396)
Proceeds from sale of property, plant and equipment	11,538	1,127	102,843
Purchase of investment securities	(9)	(8)	(76)
Proceeds from sales of investment securities	124	1	1,105
Net changes in short-term loans	(500)	1,576	(4,457)
Purchase of shares of subsidiaries	(3,443)		(30,691)
Other—net	(480)	(482)	(4,286)
Net cash provided by (used in) investing activities	2,108	(5,771)	18,786
FINANCING ACTIVITIES:			
Net change in short-term bank loans	3,501	6,780	31,202
Proceeds from long-term debt	3,000		26,740
Repayments of long-term debt	(3,269)		(29,135)
Cash dividends	(986)	(1,454)	(8,790)
Other—net	(178)	(96)	(1,588)
Net cash provided by financing activities	2,068	5,230	18,429
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(82)	(293)	(729)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	514	(75)	4,576
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, END OF YEAR		890	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,602	3,787	41,022
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 5,116	¥ 4,602	$ 45,598

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Japan Radio Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2017

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 2016 consolidated financial statements to conform to the classifications used in 2017.

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 ¥112.19 to $1, the approximate rate of exchange at March 31, 2017. 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, 2017, include the accounts of the Company and its 28 (25 in 2016) 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 2016) unconsolidated subsidiary is 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*—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. 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. 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. 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 noncontrolling 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. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

The Company acquired 100% of the shares of Alphatron Marine Beheer B.V. on September 30, 2016, and accounted for this acquisition by the purchase method of accounting (see Note 3).

c. *Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and 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 cost 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.

The Company and certain consolidated subsidiaries 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 10–13 years within the average remaining service period. Past service costs are amortized on a straight-line basis over 13–15 years within the average remaining service period.

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 (the "Commission") on suspected infringement of The Antimonopoly Act in connection with the bids for Digital Radios/solution for fire and emergency medical services. On February 2, 2017, the Company received from the Commission a cease-and-desist order and a payment order of surcharge. As a result, the Company posted the estimated amount deemed necessary for the loss burden.

(Change in Accounting Estimate)

On October 20, 2016, the Company received from the Commission a notice of the hearing of opinions about a draft cease-and-desist order and a draft payment order of surcharge. As a result, the Company changed the estimated amount in this consolidated fiscal year.

As a result of the change in accounting estimate, the balance of provision for contingent loss increased by ¥1,687 million ($15,038 thousand), and income before income taxes for the year ended March 31, 2017, decreased by ¥1,687 million ($15,038 thousand).

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*—An asset retirement obligation is recorded for 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 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***—Construction revenue and construction costs are 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 such 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 Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated 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.

The Company implemented the consolidation of shares of common stock by a factor of 5 to 1, with October 1, 2016, as the effective date. Basic net income per share is calculated based on the assumption that the consolidation had been implemented at the beginning of the fiscal year ended March 31, 2016.

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.

Cash dividends per share applicable to the period for the fiscal year ended March 31, 2016, comprise interim dividends of ¥5.00 (before the consolidation) and year-end dividends of ¥5.00 (before the consolidation).

If the consolidation had been taken into consideration, cash dividends per share applicable to the period for the fiscal year ended March 31, 2016, would be ¥50.00.

w. *Accounting Changes and Error Corrections*—Under Accounting Standards Board of Japan (“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 are required 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.

X. *Change in Presentation*—“Increase in provision for contingent loss,” which had been included in “Other—net” in operating activities in the consolidated statement of cash flows, has been presented as a separate line item from the fiscal year ended March 31, 2017, as its quantitative significance increased. In order to reflect this change in presentation, the consolidated statement of cash flows for the previous fiscal year was reclassified.

As a result, the amount previously presented in “Other—net” in operating activities in the consolidated statement of cash flows for the previous fiscal year ¥3,589 million has been reclassified to “Increase in provision for contingent loss” ¥575 million and “Other—net” ¥3,014 million.

3. ADDITIONAL INFORMATION

(Business Combination by Way of Step Acquisition)

The Company entered into a stock purchase agreement, in which the Company acquired 51% of ordinary shares of Alphatron Marine Beheer B.V. in December 2013 and additionally acquired the remaining 49% of ordinary shares in September 2016. Accordingly, Alphatron Marine Beheer B.V. became a wholly owned subsidiary of the Company upon completion of the acquisition. These acquisitions were treated as one transaction, and the goodwill arising from the additional acquisition of shares was deemed to arise at the acquisition of control. The amortization amount of the goodwill, corresponding to the period from the acquisition of control in December 2013 and the additional acquisition in September 2016, was collectively recognized in the consolidated statement of income (other expenses).

a. Outline of the Business Combination

(1) Name and business parties of the acquired company
Name: Alphatron Marine Beheer B.V. and its subsidiaries
Business: Sales and services related to vessel navigation and radio communication equipment

(2) Purpose of the business combinations
Alphatron Marine Beheer B.V. has been collaborating with the Company as one of the Company’s representative offices for marine electronics products for more than 20 years. Further, Alphatron Marine Beheer B.V. has expertise in equipment sales, support services and system integration services related to high quality workboats, including offshore support vessels.

The Group aims to expand its operations in marine electronics by combining technologies and unifying development and marketing strategies with Alphatron Marine Beheer B.V. so that the Group, together with Alphatron Marine Beheer B.V., can provide the most advanced navigation and communication devices for vessels.

To meet this objective, the Group decided to acquire a majority of the voting rights in Alphatron Marine Beheer B.V.

(3) Date of the business combination
December 31, 2013 (deemed acquisition date) actual acquisition
September 30, 2016 (deemed acquisition date) acquisition of additional shares

(4) Legal form of the business combination
Acquisition of shares by cash

(5) Company name following the business combination
No change

(6) Acquired voting rights ratio

Actual acquisition (December 31, 2013)	51%
Acquisition of additional shares (September 30, 2016)	49
Total	100%

(7) Basis for determining the acquirer
It is based on the fact that the Company acquired 51% of voting rights by means of share acquisition in consideration for cash.

b. Acquisition Cost of the Acquired Company and Related Details of Each Class of Consideration

Actual Acquisition

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition	¥2,564	$ 22,851
Direct acquisition expenses	199	1,776
Acquisition cost	¥2,763	$ 24,627

Additional Acquisition

	Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition	¥3,385	$ 30,171
Acquisition cost	¥3,385	$ 30,171

c. Major Acquisition-Related Costs

	Millions of Yen	Thousands of U.S. Dollars
Direct acquisition expenses	¥ 34	$ 305

From the previous consolidated fiscal year, the Company has changed its accounting policy to record acquisition-related costs as expenses in the periods in which the costs are incurred.

d. Amount of Goodwill Incurred, Reasons for the Goodwill Incurred, and the Method and Period of Amortization

(1) Amount of goodwill incurred

	Millions of Yen	Thousands of U.S. Dollars
Actual acquisition	¥1,707	$ 15,219
Acquisition of additional shares	2,206	19,663
	¥3,913	$ 34,882

(2) Reasons for the goodwill incurred

Goodwill is incurred since the acquisition cost exceeded the net amount of acquired assets and assumed liabilities.

(3) Method and period of goodwill incurred

The goodwill incurred is amortized on a straight-line basis over seven years.

4. 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, 2017 and 2016, net of amounts settled, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Costs and estimated earnings	**¥14,241**	¥12,540	**$126,936**
Amounts settled	**(3,807)**	(6,599)	**(33,933)**
Net	**¥10,434**	¥ 5,941	**$ 93,003**

5. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Short-term investments—Time deposits	**¥ 20**	¥ 420	**$ 178**
Total	**¥ 20**	¥ 420	**$ 178**
Investment securities:			
Equity securities	**¥ 4,972**	¥ 4,120	**$ 44,321**
Other	**129**	111	**1,145**
Total	**¥ 5,101**	¥ 4,231	**$ 45,466**

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, 2017 and 2016, were as follows:

	Millions of Yen			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**¥2,353**	**¥2,462**	**¥14**	**¥4,801**
Other	**66**	**63**		**129**
March 31, 2016				
Securities classified as available-for-sale:				
Equity securities	¥2,345	¥1,549	¥42	¥3,852
Other	65	46		111

	Thousands of U.S. Dollars			
March 31, 2017	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**$20,973**	**$21,948**	**$125**	**$42,796**
Other	**588**	**557**		**1,145**

Securities classified as available-for-sale whose fair value is not readily determinable at March 31, 2017 and 2016, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Securities classified as available-for-sale—			
Equity securities	**¥171**	¥268	**$1,525**

6. INVENTORIES

Inventories at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Finished products, semifinished products and merchandise	¥11,351	¥12,793	$101,177
Work in process	23,739	24,908	211,599
Raw materials and supplies	6,744	6,844	60,108
Total	¥41,834	¥44,545	$372,884

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment at March 31, 2017 and 2016, and recognized impairment losses as follows:

Year Ended March 31, 2017

Location: Nagano City and Ueda City, Nagano

Asset use: Assets for Communications Equipment Division

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥ 29	$ 263
Furniture and fixture	87	772
Total	¥116	$1,035

Location: Nagano City, Nagano

Asset use: Assets for Specialized Equipment Division

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥ 4	$ 36
Furniture and fixture	36	321
Other	3	23
Total	¥ 43	$ 380

Year Ended March 31, 2016

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

	Millions of Yen
Type:	
Machinery and equipment	¥14
Furniture and fixture	32
Total	¥46

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

8. 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, 2017, declined by ¥936 million ($8,341 thousand), compared to the book value after the revaluation.

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

Short-term bank loans at March 31, 2017 and 2016, consisted of notes to banks and bank overdrafts.

The weighted-average interest rates for short-term bank loans at March 31, 2017 and 2016, were 0.40% and 0.60%, respectively.

Long-term debt at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Loans from banks, due serially to 2020 with interest rates at 0.7% (in 2017) and ranging from 0.8% (in 2016):			
Collateralized		¥ 586	
Unsecured	¥ 3,338	3,020	$29,749
Total	3,338	3,606	29,749
Less current portion	(165)	(3,268)	(1,467)
Long-term debt, less current portion	¥ 3,173	¥ 338	$28,282

Annual maturities of long-term debt outstanding at March 31, 2017, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥ 100	$ 888
2019	3,073	27,394
Total	¥3,173	$28,282

As of March 31, 2017 and 2016, 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
	2017	2016	2017
Land	¥ 244	¥2,552	$ 2,169
Buildings and structures	593	1,429	5,288
Machinery and equipment		83	
Total	¥ 837	¥4,064	$ 7,457

10. 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, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Total loan agreement limits	¥ 2,001	¥2,306	$17,843
Loan executions	(496)	(1,553)	(4,424)
Net	¥ 1,505	¥ 753	$13,419

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

11. 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.

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, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 36,895	¥31,178	$ 328,862
Current service cost	1,962	1,272	17,491
Interest cost	310	275	2,760
Actuarial losses	111	230	998
Benefits paid	(1,746)	(1,932)	(15,566)
Effect of newly consolidated subsidiaries due to share exchange		5,872	
Balance at end of year	¥ 37,532	¥36,895	$ 334,545

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥ 22,993	¥22,592	$ 204,951
Expected return on plan assets	565	554	5,039
Actuarial gains (losses)	8	(948)	68
Contributions from the employer	634	474	5,650
Benefits paid	(1,143)	(1,249)	(10,186)
Effect of newly consolidated subsidiaries due to share exchange		1,570	
Balance at end of year	¥ 23,057	¥22,993	$ 205,522

(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
	2017	2016	2017
Defined benefit obligation	¥ 20,266	¥20,425	$ 180,643
Plan assets	(23,057)	(22,993)	(205,522)
Total	(2,791)	(2,568)	(24,879)
Unfunded defined benefit obligation	17,266	16,470	153,902
Net liability arising from defined benefit obligation	¥ 14,475	¥13,902	$ 129,023

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for retirement benefits	¥ 17,311	¥16,566	$ 154,304
Asset for retirement benefits	(2,836)	(2,664)	(25,281)
Net liability arising from defined benefit obligation	¥ 14,475	¥13,902	$ 129,023

(4) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Service cost	¥ 1,962	¥1,272	$ 17,491
Interest cost	310	275	2,760
Expected return on plan assets	(565)	(554)	(5,039)
Amortization of prior service cost	(325)	(182)	(2,899)
Recognized actuarial losses	584	636	5,215
Net periodic benefit costs	¥ 1,966	¥1,447	$ 17,528

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Prior service cost	¥(325)	¥(182)	$ (2,899)
Actuarial gains	481	(541)	4,285
Total	¥ 156	¥(723)	$ 1,386

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrecognized prior service cost	¥ (68)	¥ 257	$ (606)
Unrecognized actuarial losses	(1,763)	(2,243)	(15,711)
Total	¥ (1,831)	¥ (1,986)	$(16,317)

(7) Plan assets

a. Components of plan assets
Plan assets as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
Debt investments	46.6%	54.3%
Equity investments	29.7	27.7
Cash and cash equivalents	6.7	1.9
Others	17.0	16.1
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, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	0.0%–0.9%	0.0%–0.9%
Expected rate of return on plan assets	2.0%–2.5%	2.0%–2.5%

(9) The Company and its consolidated subsidiaries have ¥569 million ($5,073 thousand) of payables to defined contribution plans.

12. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥560	¥449	$4,994
Additional provisions associated with the acquisition of property, plant and equipment	27		241
Reduction associated with settlement of asset retirement obligations	(111)	(5)	(991)
Reconciliation associated with passage of time	1		9
(Decrease) increase in others	(1)	116	(6)
Balance at end of year	¥476	¥560	$4,247

13. 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 (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The 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.

The Company implemented the consolidation of shares of common stock by a factor of 5 to 1, with October 1, 2016, as effective date. As a result, the number of authorized shares as of March 31, 2017 and 2016, are 43,200,000 shares and 216,000,000 shares, respectively, and the number of shares issued as of March 31, 2017 and 2016, are 32,804,846 shares and 164,024,231 shares, respectively. Also, the number of treasury stock as of March 31, 2017 and 2016, are 135,166 shares and 660,308 shares, respectively.

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 30.9% and 33.1% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Net current deferred tax assets—			
Current deferred tax assets:			
Accrued bonuses	**¥ 936**	¥ 899	**$ 8,347**
Enterprise taxes payable	**127**	94	**1,132**
Inventories	**1,617**	1,241	**14,414**
Unrealized gains	**96**	187	**859**
Social security insurance on accrued bonuses	**145**	136	**1,294**
Reserve for product defect compensation	**20**	23	**178**
Other	**873**	807	**7,769**
Valuation allowance	**(1,257)**	(1,330)	**(11,203)**
Net current deferred tax assets	**¥ 2,557**	¥2,057	**$22,790**
Net noncurrent deferred tax assets—			
Noncurrent deferred tax assets:			
Liability for retirement benefits	**¥ 2,201**	¥2,143	**$19,616**
Unrealized gains	**642**	642	**5,725**
Other	**827**	952	**7,370**
Valuation allowance	**(855)**	(957)	**(7,620)**
Net noncurrent deferred tax assets	**¥ 2,815**	¥2,780	**$25,091**

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Net noncurrent deferred tax liabilities:			
Noncurrent deferred tax assets:			
Allowance for doubtful accounts	¥ 347	¥ 304	$ 3,095
Liability for retirement benefits	2,217	2,115	19,764
Software	1,333	1,380	11,882
Investment securities	563	564	5,020
Property, plant and equipment	333	665	2,969
Asset retirement obligations	51	82	454
Other	477	208	4,247
Valuation allowance	(2,565)	(2,021)	(22,867)
Total	2,756	3,297	24,564
Noncurrent deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	767	475	6,837
Reserve for advance depreciation of noncurrent assets	3,488	2,324	31,093
Reserve for special account for advance depreciation of noncurrent assets	984	947	8,772
Other	2	5	13
Total	5,241	3,751	46,715
Net noncurrent deferred tax liabilities	¥ 2,485	¥ 454	$22,151
Deferred tax liabilities for land revaluation	¥ 510	¥ 510	$ 4,548

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, 2017, with the corresponding figures for 2016, is as follows:

	2017	2016
Normal effective statutory tax rate	30.9%	33.1%
Earnings not taxable and expenses not deductible for income tax purposes	0.6	(0.1)
Change in valuation allowance	9.8	(2.5)
Effect of changes in the tax rate		1.7
Per capita portion of inhabitants tax	2.2	2.3
Equity in earnings of affiliated companies	(0.1)	(4.1)
Amortization of goodwill	10.0	2.5
Other—net	1.6	(3.3)
Actual effective tax rate	55.0%	29.6%

The Company applied ASBJ Guidance No. 26, “Guidance on Recoverability of Deferred Tax Assets,” effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

At March 31, 2017, certain subsidiaries have net operating loss carryforwards aggregating approximately ¥2,952 million ($26,314 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	¥ 178	$ 1,591
2019	60	531
2023	1,034	9,216
2024	526	4,688
2025	814	7,260
2026 and thereafter	340	3,028
Total	¥2,952	$26,314

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,805 million ($60,652 thousand) and ¥5,753 million for the years ended March 31, 2017 and 2016, respectively.

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Provision for doubtful accounts	¥ (41)	¥ 5	$ (371)
Salaries	11,745	8,710	104,693
Provision for retirement benefits	1,021	571	9,099
Depreciation	890	652	7,936
Rent	1,665	1,163	14,837
Amortization of goodwill	367	229	3,274
Research and development costs	4,231	3,336	37,717
Other	9,073	7,807	80,865
Total	¥28,951	¥22,473	$258,050

17. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Loss on disposals of property, plant and equipment	¥(138)	¥ (56)	$(1,229)
Loss on devaluation of investment securities	(12)	(10)	(109)
Other income—net	124	47	1,101
Total	¥ (26)	¥ (19)	$ (237)

18. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Unrealized gain on available-for-sale securities:			
Gain (loss) arising during the year	¥ 954	¥ (949)	$ 8,505
Reclassification adjustments to profit or loss	4	10	35
Total	958	(939)	8,540
Foreign currency translation adjustments— Adjustments arising during the year	77	(454)	689
Defined retirement benefit plans:			
Adjustments arising during the year	(104)	(1,178)	(929)
Reclassification adjustments to profit or loss	260	455	2,315
Total	156	(723)	1,386
Amount before income tax effect	1,191	(2,116)	10,615
Income tax effect	(332)	831	(2,958)
Total	859	(1,285)	7,657
Share of other comprehensive income in associates— Loss (income) arising during the year	9	(19)	77
Total other comprehensive income (loss)	¥ 868	¥(1,304)	$ 7,734

19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly 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 20 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 20 for the details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts at March 31, 2017.

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 is 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 20 for the details on fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2017	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 5,116	¥ 5,116	
Short-term investments	20	20	
Receivables:			
Trade notes	8,100	8,100	
Trade accounts	55,208	55,208	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)			
Short-term loans due from parent company	1,400	1,400	
Investment securities	4,930	4,930	
Total	¥74,774	¥74,774	
Short-term bank loans	¥20,499	¥20,499	
Payables:			
Trade notes	5,374	5,374	
Trade accounts	21,436	21,436	
Long-term debt (including current portion of long-term debt)	3,338	3,347	¥9
Total	¥50,647	¥50,656	¥9

March 31, 2016	Millions of Yen		
	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, 2017	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	$ 45,598	$ 45,598	
Short-term investments	178	178	
Receivables:			
Trade notes	72,201	72,201	
Trade accounts	492,097	492,097	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	2	2	
Short-term loans due from parent company	12,479	12,479	
Investment securities	43,942	43,942	
Total	$666,497	$666,497	
Short-term bank loans	$182,716	$182,716	
Payables:			
Trade notes	47,903	47,903	
Trade accounts	191,064	191,064	
Long-term debt (including current portion of long-term debt)	29,749	29,837	$88
Total	$451,432	$451,520	$88

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
The fair values of investment securities 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 by classification is included in Note 5.

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 20.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Investment securities in equity instruments that do not have a quoted market price in an active market	**¥171**	¥268	**$1,524**
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	**149**	76	**1,324**
Total	**¥320**	¥344	**$2,848**

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

	Millions of Yen
March 31, 2017	Due in 1 Year or Less
Cash and cash equivalents	**¥ 5,116**
Short-term investments	**20**
Receivables:	
Trade notes	**8,100**
Trade accounts	**55,208**
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	
Total	**¥68,444**

	Millions of Yen
March 31, 2016	Due in 1 Year or Less
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

	Thousands of U.S. Dollars
March 31, 2017	Due in 1 Year or Less
Cash and cash equivalents	**$ 45,598**
Short-term investments	**178**
Receivables:	
Trade notes	**72,201**
Trade accounts	**492,097**
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	**2**
Total	**$610,076**

Please see Note 9 for annual maturities of long-term debt.

20. 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 the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2017

		Millions of Yen		
March 31, 2017	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥ 138	¥ 68	

		Thousands of U.S. Dollars		
March 31, 2017	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	$1,226	$606	

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.

21. CONTINGENT LIABILITIES

At March 31, 2017, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees and similar items of bank loans		$2

22. RELATED PARTY TRANSACTIONS

(1) Parent Company

The Company's transactions with Nisshinbo Holdings Inc. ("Nisshinbo"), the parent company, for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Interest income	**¥ 7**	¥23	**$ 66**
Interest expense	**(28)**	(7)	**(246)**

The Company's balances due from Nisshinbo at March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Short-term loans due from parent company	**¥ 1,400**	¥ 900	**$ 12,479**
Short-term loans borrowed from parent company	**11,321**	11,845	**100,913**

(2) Affiliated Company

The Company's transactions with Ueda Japan Radio Co., Ltd., an affiliated company, for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Purchases		¥ 8,647	

(3) Director of the Company's Consolidated Subsidiaries
The Company's transactions with Alphatron Holding B.V., in which director of the Company's consolidated subsidiaries holds majority of voting rights, for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Purchases of shares of subsidiary	¥2,708		$24,137

23. SUBSEQUENT EVENTS

Appropriation of Retained Earnings
The following appropriation of retained earnings at March 31, 2017, was approved at the Company's Board of Directors' meeting held on May 9, 2017:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25 ($0.22) per share	¥ 817	$ 7,280

Conclusion of Share Exchange Agreement
The Company resolved at the Board of Directors' meeting held on May 15, 2017, to conduct a share exchange (the "Share Exchange") whereby the Company would become a wholly owned subsidiary of Nisshinbo. Nisshinbo and the Company entered into the share exchange agreement on the date of the above resolution.

a. Purpose of the Share Exchange

The business structure reform that the Company and the electronics business group of Nisshinbo have been conducting since September 2012 is slated to progress for the five years through September 2017, and the Company is now reaching the stage of accelerated execution of the next-stage growth strategy.

Given these circumstances, through sincere deliberations and negotiations between the two companies, the Company concluded that the Share Exchange will increase the Company's corporate value because the Company can acquire the following merits.

(1) Expectation of IT investment and growth investment using Nisshinbo's credit and capital
(2) Reduction of workload and costs by unifying indirect operations
(3) Use of Nisshinbo's manufacturing skills and know-how for operations
(4) Use of global network that Nisshinbo has constructed
(5) Sharing of Nisshinbo's governance method

b. Overview of the Share Exchange

(1) Share Exchange Method
Through the Share Exchange, the Company will become a wholly owned subsidiary of Nisshinbo.

Since, for Nisshinbo, the Share Exchange falls under a simplified share exchange as set forth in Article 796(2) of the Companies Act, resolutions of shareholders concerning approval of the Stock Exchange will not be required. In addition, the Share Exchange has been resolved at the of shareholders' meeting of the Company held on June 26, 2017, which will be executed on effective date, October 2, 2017.

(2) Allotment of Shares in the Share Exchange

	Nisshinbo (Wholly-Owning Parent Company in the Share Exchange)	The Company (Wholly Owned Subsidiary in the Share Exchange)
Allotment of shares in the Share Exchange	1	1.28

The share exchange agreement sets the share exchange ratio at 1.28 shares of Nisshinbo common stock for every 1 share of the Company.

The share exchange ratio may be changed pursuant to discussion and agreement between both companies if any of the conditions on which it is premised change materially.

The Company will retire all treasury shares it holds upon resolution of the Board of Directors' meeting held by the day immediately preceding the effective date of the Share Exchange. The number of shares to be delivered through the Share Exchange may change depending upon the number of treasury shares held by the Company at the date of the treasury share retirement.

24. 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 five segments: Marine electronics equipment, Communications equipment, Solutions and Specialized equipment, Mechatronics and Power supply equipment, and Medical 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 Nagano Japan Radio Co., Ltd. and its subsidiaries, JRC Tokki Co., Ltd., Sasebo Japan Radio Co., Ltd., and JRC System Service Co., Ltd. Mechatronics and Power supply equipment consists of office equipment, equipment for production facilities, and power supplies provided by Nagano Japan Radio Co., Ltd. and its subsidiaries. Medical equipment consists of ultrasonic diagnostic equipment, ultrasonic probes and transducers, and medical analytical products provided by Ueda Japan Radio Co., Ltd.

The Group added “Mechatronics and Power Supply Equipment” and “Medical Equipment” as reportable segments as a result of the new review of consolidated performance management method regarding the business of Nagano Japan Radio Co., Ltd. and its subsidiaries, and Ueda Japan Radio Co., Ltd., which became consolidated subsidiaries as of March 31, 2016.

Also, the Group changed the classification of the business of Nagano Japan Radio Co., Ltd. and its subsidiaries, and Ueda Japan Radio Co., Ltd. to reportable segments, which had been included in “Other” as of March 31, 2016.

Segment information for the year ended March 31, 2016, is presented under the new method.

(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 — 2017

	Reportable Segment									
	Marine Electronics Equipment	Communications Equipment	Solutions and Specialized Equipment	Mechatronics and Power Supply Equipment	Medical Equipment	Total	Other (Note (a))	Total	Reconciliations (Note (b))	Consolidated (Note (c))
Sales:										
Sales to external customers	¥ 32,580	¥14,923	¥ 67,367	¥16,499	¥9,289	¥140,658	¥2,252	¥142,910		¥142,910
Intersegment sales or transfers	10,494	1,751	8,113	9,869	26	30,253	2,173	32,426	¥(32,426)	
Total	¥ 43,074	¥16,674	¥ 75,480	¥26,368	¥9,315	¥170,911	¥4,425	¥175,336	¥(32,426)	¥142,910
Segment profit (loss)	¥ (4,836)	¥ 573	¥ (1,976)	¥ (352)	¥ 996	¥ (5,595)	¥ (69)	¥ (5,664)	¥ 177	¥ (5,487)
Segment assets	28,389	7,861	57,994	6,663	5,145	106,052	3,198	109,250	57,842	167,092
Other:										
Depreciation	297		551	383	211	1,442	55	1,497	1,370	2,867
Increase in property, plant and equipment and intangible assets	508	86	521	322	206	1,643	124	1,767	6,067	7,834

Millions of Yen — 2016

	Reportable Segment									
	Marine Electronics Equipment	Communications Equipment	Solutions and Specialized Equipment	Mechatronics and Power Supply Equipment	Medical 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	32,492	7,515	57,629	¥7,430	¥4,703	109,769	2,361	112,130	48,820	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

Thousands of U.S. Dollars — 2017

	Reportable Segment									
	Marine Electronics Equipment	Communications Equipment	Solutions and Specialized Equipment	Mechatronics and Power Supply Equipment	Medical Equipment	Total	Other (Note (a))	Total	Reconciliations (Note (b))	Consolidated (Note (c))
Sales:										
Sales to external customers	$290,404	$133,019	$600,473	$147,058	$82,793	$1,253,747	$20,070	$1,273,817		$1,273,817
Intersegment sales or transfers	93,539	15,607	72,315	87,970	233	269,664	19,367	289,031	$(289,031)	
Total	$383,943	$148,626	$672,788	$235,028	$83,026	$1,523,411	$39,437	$1,562,848	$(289,031)	$1,273,817
Segment profit (loss)	$(43,107)	$ 5,104	$(17,613)	$ (3,133)	$ 8,881	$ (49,868)	$ (613)	$ (50,481)	$ 1,575	$ (48,906)
Segment assets	253,044	70,068	516,925	59,389	45,862	945,288	28,503	973,791	515,578	1,489,369
Other:										
Depreciation	2,646		4,913	3,412	1,881	12,852	491	13,343	12,213	25,556
Increase in property, plant and equipment and intangible assets	4,532	763	4,640	2,872	1,834	14,641	1,111	15,752	54,078	69,830

Notes:

(a) The segment "Other" is a business segment that does not belong to any reportable segment and includes the 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) in the consolidated statement of income.

(4) Geographical Information

	Millions of Yen					
	2017					
	Japan	Asia	Europe	North America	Other	Total
Sales	**¥109,167**	**¥13,819**	**¥11,947**	**¥4,033**	**¥3,944**	**¥142,910**

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

	Thousands of U.S. Dollars					
	2017					
	Japan	Asia	Europe	North America	Other	Total
Sales	**$973,051**	**$123,173**	**$106,485**	**$35,948**	**$35,160**	**$1,273,817**

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, 2017 and 2016, were as follows:

	Millions of Yen							
	2017							
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Mechatronics and Power Supply Equipment	Medical Equipment	Other	Elimination/ Corporate	Total
Impairment losses of assets		**¥116**	**¥43**					**¥159**

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

	Thousands of U.S. Dollars							
	2017							
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Mechatronics and Power Supply Equipment	Medical Equipment	Other	Elimination/ Corporate	Total
Impairment losses of assets		**$1,035**	**$380**					**$1,415**

(6) Amortization and Balance of Goodwill by Reportable Segment

Amortization and balance of goodwill by reportable segment for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen							
	2017							
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Mechatronics and Power Supply Equipment	Medical Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	**¥ 367**							**¥ 367**
Goodwill at March 31, 2017	**2,189**							**2,189**

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

	Thousands of U.S. Dollars							
	2017							
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Mechatronics and Power Supply Equipment	Medical Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	**$ 3,274**							**$ 3,274**
Goodwill at March 31, 2017	**19,512**							**19,512**

Deloitte.

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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, 2017, 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, 2017, 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.

Emphasis of Matter

As discussed in Note 23 to the consolidated financial statements, following approval at a meeting of the Board of Directors held on May 15, 2017, Japan Radio Co., Ltd. entered into a share exchange agreement with Nisshinbo Holdings Inc. in which Japan Radio Co., Ltd. would become a wholly owned subsidiary of Nisshinbo Holdings Inc. The share exchange agreement was approved by the annual general meeting of shareholders on June 26, 2017. Our opinion is not modified in respect of this matter.

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 26, 2017

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Directory

(as of Oct. 1, 2017)

Japan Radio Co., Ltd.

Head Office

NAKANO CENTRAL PARK EAST
4-10-1, Nakano, Nakano-ku,
Tokyo 164-8570, Japan
Phone: +81-3-6832-1721
Fax: +81-3-6832-0436

Nagano Plant

834, Inasatomachi, Nagano, Nagano
381-2289, Japan
Phone: +81-26-214-6910

Kawagoe Plant

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

Marine Service Center

1-7-32, Tatsumi, Koto-ku, Tokyo 135-0053, Japan
Phone: +81-3-5534-7800

Kanto Logistics Center

Mitsui Fudosan Logistics Park, 3-1-1, Asahigaoka, Hino,
Tokyo 191-0065, Japan
Phone: +81-42-589-1521

Overseas Branch Offices

Greece Branch

223, Syngrou Avenue & 2, Tralleon Street, 171 21 Nea Smyrni,
Athens, Greece
Phone: +30-210-9355061, 9355661
Fax: +30-210-9355611

Manila Branch

Unit 603, Liberty Center 104 H.V. Dela, Costa Street, Salcedo
Village, Makati City, Manila, Philippines
Phone: +63-2-886-4185 (or 884-8767)
Fax: +63-2-844-6812

Overseas Representative Offices

Taipei Representative Office

5-4F, No. 50, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei
City 105, Taiwan, R.O.C.
Phone: +886-2-2571-3100
Fax: +886-2-2571-2999

Hanoi Representative Office

Hanoi Tung Shing Square, Unit 802, 8th floor 2 Ngo Quyen
Street, Hanoi, Viet Nam
Phone: +84-24-3936-2500
Fax: +84-24-3936-2498
URL: http://www.jrc.com.vn/

New York Office

1 Bridge Plaza North, Suite #275, Fort Lee, NJ07024, 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/

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

PT. JRC SPECTRA INDONESIA

Wisma Keiai, 8th Floor, Jenderal Sudirman Kav.3, Jakarta 10220, Indonesia
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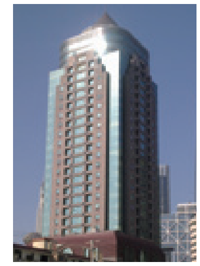
JRC Shanghai Co., Ltd.

Floor 9-A Building C2, Shanghai International Trade Center, 1599 New Jinqiao Road, Pudong, Shanghai, China 201206
Phone: +86-21-2024-0607
Fax: +86-21-2024-0611
URL: http://www.jrc-cn.com



JRC do Brasil Empreendimentos Eletrônicos Ltda.

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Phone: +55-21-2220-8121
Fax: +55-21-2240-6324
URL: http://www.jrcbrasil.com.br

Alphatron Marine Beheer B.V.

Schaardijk 23 Harbour 115
3063 NH Rotterdam
The Netherlands
Phone: +31-10-453-4000
Fax: +31-10-452-9214
URL: http://www.alphatronmarine.com/

Alphatron Marine Korea Co., Ltd.

240, Jungang-daero, Dong-gu, Busan 48732, Korea
Phone: +82-51-714-1862

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 26, 2017)

- Audit & Supervisory Board
- Board of Directors
- 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
  - San Jose Technological Development Center
- 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 Systems
  - Quality Assurance Dept. of Solution Business
- Business Operation Headquarters
  - Business Management Department
  - Product Management Department
  - Communications Equipment Division
    - Business Planning Department
    - Sales and Marketing Department
    - Engineering Department
    - Automotive Business Department
  - Marine Systems 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, 2017)

Corporate Data

Japan Radio Co., Ltd.

Established:
December, 1915

Paid-in Capital:
¥14,704 million ($131,067 thousand)

Number of Shares Issued:
164,024,231 shares

Number of Shareholders:
6,689

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

Employees:
2,335 (Consolidated: 5,571)

General Meeting of Shareholders:
Convened annually in June

Board of Directors, Corporate Auditors and Executive Officers

(as of June 26, 2017)

Representative Director and President
Kenji Ara

Representative Director and Senior Managing Executive Officer
Atsunori Sasaki

Directors and Managing Executive Officers:
Nobuyuki Hagiwara
Noriaki Yokoi

Directors and Executive Officers:
Tomohiro Waki
Kensuke Onuma
Takeshi Koarai

Directors:
Masaya Kawata
Ryo Ogura
Hideo Iida
Itsuo Hashimoto

Standing Corporate Auditors:
Tatsuya Kobayashi
Juichiro Kimura
Takanori Ikeda

Corporate Auditor
Masaaki Hori

Executive Officers:
Toshiyuki Okamura
Takayuki Komiya
Tooru Takahashi
Kinji Kato
Hisataka Igarashi
Nobuyuki Adachi
Kenji Hashimoto
Koichi Katagami
Hideaki Kamata
Masatoshi Magarifuchi
Toshihiko Fujisawa
Hisao Ashizawa

Major Shareholders (as of March 31, 2017)

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Holdings Inc.	20,278	61.81
Chase Manhattan Bank GTS Clients Account Escrow	841	2.56
JRC Business Partner Ownership	809	2.46
KBL EPB S. A. 107704	612	1.86
JRC Employee Ownership	580	1.77
The Master Trust Bank of Japan (Trust Account)	428	1.30
Japan Trustee Services Bank of Japan, Ltd. (Trust Account)	423	1.29
BNYMSANV RE BNYMTD RE CF MORANT WRIGHT NIPPON YIELD FUND	275	0.83
Japan Trustee Services Bank of Japan, Ltd. (Trust Account 5)	225	0.68
Japan Trustee Services Bank of Japan, Ltd. (Trust Account 9)	183	0.55

Shareholder Type (as of March 31, 2017)

	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals	Individuals and others	Total
Number of Shareholders	26	29	291	112	6,958	7,416
Number of Shares Held (Thousand)	20,618	2,223	213,853	33,051	56,991	326,736
Percentage of Total Shares Issued	6.31	0.68	65.45	10.12	17.44	100.0

1. Treasury stock of 135,166 shares includes, by shareholder category, 1,351 units for individuals and others.
2. Based on a resolution passed by the 92nd General Shareholders Meeting on June 24, 2016, the Company conducted a one-for-five reverse stock split on October 1, 2016, and changed the trading unit from 1,000 shares to 100 shares.

Major Shareholder (as of October 2, 2017)

Name	Shares (%)
Nisshinbo Holdings Inc.	100

JRC Japan Radio Co., Ltd.

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