(Translation)

New Japan Radio Co., Ltd.

Notes on Consolidated Financial Statements

Note: This document is available on the New Japan Radio website.

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Notes on Important Matters that serve as the Basis for Preparation of Consolidated Financial Statements

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries 6 companies

Names of consolidated subsidiaries

SAGA ELECTRONICS Co., LTD.

NJR CORPORATION

THAI NJR CO., LTD.

NJR (SINGAPORE) PTE LTD

NJR FUKUOKA CO., LTD.

NJR SHANGHAI CO., LTD.

(2) Number of non-consolidated subsidiaries 2 companies

Names of non-consolidated subsidiaries

NJR KOREA CO., LTD.

NJR Europe GmbH

Reasons for excluding those companies from the scope of consolidation

The two companies above are excluded from the scope of consolidation because neither of their respective nor their aggregate total assets, sales, net income or net loss, retained earnings, etc. have a material influence on the consolidated financial statements.

2. Matters related to application of the equity method

The equity method is not applied to non-consolidated subsidiaries or affiliates.

Further, NJR KOREA CO., LTD. and NJR Europe GmbH, which are non-consolidated subsidiaries, are excluded from the scope of application of the equity method because in light of their respective and aggregate total net income or net loss, retained earnings, etc., their influence on the consolidated financial statements would be minor and they have no significance, even if the equity method is not applied.

3. Matters related to the fiscal year, etc. of consolidated subsidiaries

Of the consolidated subsidiaries, the last day of the fiscal year of NJR SHANGHAI CO., LTD. is December 31. When preparing the consolidated financial statements, financial statements based on a provisional settlement of accounts made as of the consolidated closing date have been used.

The last day of the fiscal year of the other consolidated subsidiaries is the same as the consolidated closing date.

4. Matters related to accounting policies

(1) Valuation standards and valuation method for significant assets

(i) Securities

Other securities

Securities that have a market value

Calculated using the fair value method based on the market value, etc. on the last day of the consolidated fiscal year (the entire valuation difference is recognized directly in net assets, and the cost of securities sold is calculated using the moving-average method)

Securities that do not have a market value

Calculated using the cost method based on the moving average method

(ii) Derivatives

Calculated using the fair value method

(iii) Inventory assets

Calculated using the moving-average method and the periodic average method, as well as the cost method based on the specific identification method (method in which the book value is reduced based on decreased profitability with respect to the values on the balance sheet)

(2) Depreciation/amortization method for material depreciable/amortizable assets

(i) Property, plant and equipment (excluding leased assets)

Straight-line method. The principal useful lives are as follows:

Buildings and structures	2–50 years

Machinery, equipment and vehicles	2–15 years
Tools, furniture and fixtures	2–20 years

(ii) Intangible fixed assets (excluding leased assets)

Straight-line method. The principal useful life is as follows:

Software used by the Company	2–10 years

(iii) Leased assets

Leased assets pertaining to non-ownership transfer finance lease transactions

The straight-line method is adopted with the lease period as the useful life and the residual value as zero.

(3) Standards for recognition of significant allowances

(i) Allowance for doubtful accounts

An estimated uncollectible amount is recognized in consideration of individual collectability with respect to specified claims such as claims with a possibility of default, and collectively based on the bad debt ratio with respect to general claims to provide for losses due to bad debts.

(ii) Provision for directors' bonuses

The estimated payment amount to be borne during the current consolidated fiscal year is recognized in order to pay bonuses to directors.

(4) Standards for recognition of net defined benefit assets and

liabilities

With respect to net defined benefit assets and liabilities, an amount obtained by deducting the amount of pension assets from the retirement benefit obligations is recognized based on the estimated amounts of the retirement benefit obligations and the pension assets at the end of the current consolidated fiscal year in order to pay retirement benefits to employees. The benefit formula standards are used as the method of attributing retirement benefit obligations to a specific period.

Actuarial differences are amortized using the straight-line method over a certain number of years (principally 15 years) over the average of the estimated remaining years of service of employees at the time of the occurrence of the differences in each consolidated fiscal year, with each expense being recognized in the following consolidated fiscal year.

Prior service costs are amortized in a lump sum when they arise.

Unrecognized actuarial differences are recognized in the amount of accumulated premeasurements pertaining to the retirement benefits of the accumulated other comprehensive income amount in the net assets section after adjusting for tax effects.

(5) Standards for converting material assets and liabilities denominated in a foreign currency to Japanese yen

Monetary claims and obligations denominated in a foreign currency are converted to Japanese yen using the spot exchange rate on the consolidated closing date, and translation adjustments are treated as profits or losses. Assets and liabilities of overseas consolidated subsidiaries are converted into Japanese yen using the spot exchange rate on the consolidated closing date, income and expenses of those consolidated subsidiaries are converted into Japanese yen using the average exchange rate during the fiscal year, and exchange differences are included in the foreign currency translation adjustment account in the net assets section.

(6) Accounting method of consumption tax

The tax-exclusion method is used for accounting of consumption taxes.

(7) Application of the consolidated taxation system

The consolidated taxation system is applied.

Notes on Changes in the Presentation Method

Consolidated profit and loss statements

“Insurance benefits,” which was presented in “other” non-operating income until the previous consolidated fiscal year, is presented separately in the current consolidated fiscal year because it has become significant in terms of monetary amount. “Insurance benefits” for the previous consolidated fiscal year was 33 million yen.
Further, “compensation for damage” of non-operating income, which was presented separately until the previous consolidated fiscal year, is included in “other” non-operating income from the current consolidated fiscal year because it is no longer material in terms of monetary amount.

Notes on Consolidated Balance Sheet

1. Assets provided as collateral and liabilities pertaining to collateral

(1) Contents and amounts of assets provided as collateral

Buildings	2,615 million yen
Land	169 million yen
Total	2,784 million yen

(2) Contents and amount of liabilities pertaining to collateral

Long-term loans payable (including those scheduled to be repaid within one year)	3,400 million yen

(3) A joint revolving mortgage with a maximum amount of 4,000 million yen has been created as security for the long-term loans payable of 3,400 million yen over the preceding property, plant and equipment (buildings and land).

2. Financial covenants

The Company executed a syndicated loan agreement, under which Mizuho Bank, Ltd. is the arranger, on March 28, 2017 to strengthen its financial base and ensure stable financing. That agreement has the following financial covenants:

(i) The amount obtained by deducting the deferred tax assets, the foreign currency translation adjustment account, and the accumulated premeasurements pertaining to retirement benefits from the amount of the net assets section in the consolidated balance sheet for the accounting period of each fiscal year must not fall below 70% compared to the previous period, ended March 2017. However, the impact associated with changes to the accounting standards and other changes related to retirement benefits is excluded from calculations in the net assets section in the consolidated balance sheet on the last day of each fiscal year.

(ii) The operating profit or loss and the ordinary profit or loss displayed in the consolidated profit and loss statement for the accounting period of each fiscal year must not be a loss for two consecutive periods with respect to the accounting period that includes the period ended March 2017.

A CMS (cash management service) agreement must also be maintained with Nisshinbo Holdings Inc., the Company's parent company, and certain restrictions must be kept in place with respect to the shareholding ratio of the parent company with respect to the issued shares of the Company.

Further, the loans payable of the syndicated loan agreement at the end of the current consolidated fiscal year is 3,400 million yen as long-term loans payable (including those scheduled to be repaid within one year).

3. CMS agreement

The Company participates in CMS transactions through Nisshinbo Holdings Inc., the Company's parent company, to procure necessary funds as required.

The loans payable at the end of the current consolidated fiscal year under that agreement is 5,998 million yen as short-term loans payable.

4. Amount of accumulated depreciation of property, plant and equipment 91,686 million yen

5. Accounting of notes and electronically recorded monetary claims to mature on the last day of the consolidated fiscal year

The accounting of Notes on mature on the last day of the consolidated fiscal year and electronically recorded monetary claims on the last day of the consolidated fiscal year are settled on the clearing date and settlement date. Further, given that the last day of the current consolidated fiscal year is a financial institution holiday, the following notes scheduled to mature on the last day of the consolidated fiscal year and electronically recorded monetary claims on the last day of the consolidated fiscal year are included in the balance at the end of the current consolidated fiscal year.

Notes	34 million yen
Electronically recorded monetary claims	574 million yen
Total	609 million yen

Notes on Consolidated Statement of Income

1. Gain on revision of retirement benefit plan

   The retirement benefit obligations have decreased and extraordinary profits have been recorded because SAGA ELECTRONICS Co., LTD., which is a consolidated subsidiary of the Company, revised its retirement benefit plan.

2. Impairment loss

   The Company Group recorded impairment losses with respect to the following asset groups:

   (1) Principal assets in which impairment losses have been recognized

Location	Use	Type
Fujimino City, Saitama Prefecture	Business assets	Machinery, equipment and vehicles
		Tools, furniture and fixtures
		Construction in progress

(2) Background leading to recognition of impairment losses

Given that there was no prospect of achieving the initial profit estimate with respect to some of the electronic device products, impairment losses have been recognized with respect to the asset group pertaining to those products.

(3) Amount of impairment losses

Machinery, equipment and vehicles	4 million yen
Tools, furniture and fixtures	0 million yen
Construction in progress	4 million yen
Total	8 million yen

(4) Method of grouping assets

In the application of accounting for the impairment of assets, the Company Group classifies assets based on minimum units that produce cash flows considering matters such as the manufacturing processes and distribution channels of products based on categories of management accounting based on business units.

(5) Method of calculating recoverable value

The recoverable value of the Company Group uses its value in use. Given that it is uncertain whether the future cash flow will be positive, the book value of all of those assets is decreased.

Notes on Consolidated Statement of Changes in Equity

1. Total number of issued shares of the Company in the current consolidated fiscal year

Common shares	39,131,000 shares

2. Matters concerning dividends of surplus

(1) Dividends of surplus occurring in the current consolidated fiscal year

Not applicable matters.

(2) Dividends of surplus that will occur after the last day of the current consolidated fiscal year with a record date that is during the current consolidated fiscal year

Not applicable matters.

Notes on Financial Instruments

1. Matters regarding the conditions of financial instruments

The Company procures funds for capital investments and operations through loans payable from highly credible financial institutions. It is also possible for the Company to procure necessary funds as required by participating in CMS (cash management service) transactions through Nisshinbo Holdings Inc., the Company's parent company. Some consolidated subsidiaries have a policy of procuring funds for capital investments and operations by borrowing from affiliates of Nisshinbo Holdings Inc.

Customer credit risk pertaining to notes, accounts receivables, and electronically recorded monetary claims is managed in accordance with the Credit Management Rules. Further, the market value of listed shares, which are investment securities, is determined each quarter.

Short-term loans payable are borrowings pertaining to capital investments and operation funds, and long-term loans payable are borrowings pertaining to capital investments and long-term operation funds.

Derivative transactions are used to reduce foreign exchange risk and are conducted to the extent of real demand in accordance with the Derivative Transactions Management Rules.

2. Matters concerning the market values, etc. of financial instruments

The amounts reported on the consolidated balance sheet as of March 31, 2018, the market values, and the difference between those amounts are set out below.

(Millions of yen)

		Amount reported on the consolidated balance sheet	Market value	Difference
(1)	Cash and deposits	1,327	1,327	–
(2)	Notes and accounts receivable －trade	9,912	9,912	–
(3)	Electronically recorded monetary claims	3,689	3,689	–
(4)	Investment securities (other securities)	180	180	–
Total assets		15,110	15,110	–

(1) Notes and accounts payable－trade		3,324	3,324	–
(2) Electronically recorded obligations		1,714	1,714	–
(3) Short-term loans payable		7,119	7,119	–
(4) Long-term loans payable	(*1)	3,990	3,989	(0)
Total liabilities		16,148	16,147	(0)
Derivative transactions	(*2)	8	8	–

(*1) Long-term loans payable includes long-term loans payable scheduled to be repaid within one year.

(*2) Net claims and obligations that arise from derivative transactions are displayed as net amounts.

(Notes)

1. Method of calculating the market value of financial instruments and matters concerning securities and derivative transactions

   <u>Assets</u>

   (1) Cash and deposits

   Given that these assets are settled in the short term, their market value is essentially equivalent to the book value, so their market value is based on the corresponding book value.

   (2) Notes and accounts receivable－trade and (3) Electronically recorded monetary claims

Given that these assets are settled in the short term, their market value is essentially equivalent to the book value, so their market value is based on the corresponding book value. The market value and the book value represent amounts less on allowance for doubtful accounts.

(4) Investment securities (other securities)

The market value of those assets is based on the exchange price.

<u>Liabilities</u>

(1) Notes and accounts payable—trade, (2) Electronically recorded obligations, and (3) Short-term loans payable

Given that these liabilities are settled in the short term, their market value is essentially equivalent to the book value, so their market value is based on the corresponding book value.

(4) Long-term loans payable

The market value of long-term loans payable is calculated by discounting the total amount of the principal and interest by an interest rate presumed to apply if a similar new loan were taken out.

<u>Derivative transactions</u>

The market value of forward exchange transactions is based on the forward exchange rate.

2. Given that unlisted shares (amount of 10 million yen reported on the consolidated balance sheet) do not have a market value and it is not practicable to reasonably estimate the future cash flow, and it is therefore deemed extremely difficult to determine the market value, unlisted shares are not included in (4) Investment securities (other securities) in Assets.

Notes on Information per Share

1.	Amount of net assets per share	359.30 yen
2.	Current net income per share	64.44 yen

Notes on Material Subsequent Events

Execution of the share exchange agreement

The Company passed a resolution at the meeting of its Board of Directors held on May 10, 2018 to conduct a share exchange in which Nisshinbo Holdings Inc. ("Nisshinbo Holdings") will become the wholly owning parent company resulting from a share exchange, and the Company will become a wholly owned subsidiary resulting from a share exchange (the "Share Exchange"), and a share exchange agreement between those companies (the "Share Exchange Agreement") was executed on that day.

1. Purposes of the Share Exchange

There are calls to effectively invest management resources to rapidly respond to sudden changes in the business environment, such as vehicles becoming more networked with the computerization of vehicles such as ADAS or autonomous driving or the emergence of the IoT, so there is a pressing need to establish a solid financial basis that will allow even faster and more flexible decision making and investment decisions and will allow timely growth investments, including M&A transactions. Further, to expand its business into automotive and industrial products, which is the Company's goal, it will also be essential to create a system that will allow full utilization of the abundant human resources and knowledge possessed by the Nisshinbo Group in that area.

Under these circumstances, as a result of repeated discussions and negotiations in good faith between Nisshinbo Holdings and the Company, Nisshinbo Holdings and the Company determined that the Share Exchange will contribute to improving the corporate value of the Company because it can be expected that the Company will benefit in the following ways. As such, the Company decided to conduct the Share Exchange with Nisshinbo Holdings.

(i) Expectation of investments utilizing Nisshinbo Holdings' credibility and capital strength

(ii) Stabilization of business operations and management as a result of adopting a long-term perspective

(iii) Utilization of the global network built by Nisshinbo Holdings

(iv) Utilization of human resources by rationalizing indirect services through unified business operations and delisting

(v) Utilization of the Nisshinbo Group's abundant human resources and knowledge

(vi) Accelerated decision making

2. Overview of the Share Exchange

(1) Overview of the wholly owning parent company resulting from a share exchange

Trade name	Nisshinbo Holdings Inc.
Location of head office	2-31-11 Ningyo-cho, Nihonbashi, Chuo-ku, Tokyo
Name of representative	Masaya Kawata, President and Representative Director
Stated capital	27,587 million yen
Description of business	Manufacturing and selling electronics, automobile brakes, precision instruments, chemicals, textiles, and other similar products, and selling, purchasing, and leasing real estate

(2) Schedule of the Share Exchange

Record date for annual general meeting of shareholders (the Company)	March 31, 2018
Resolution date of the meeting of the Board of Directors (each of Nisshinbo Holdings and the company)	May 10, 2018
Execution date of the Share Exchange Agreement (each of Nisshinbo Holdings and the Company)	May 10, 2018
Date of annual general meeting of shareholders (the Company)	June 25, 2018 (scheduled)
Final trading date (the Company)	August 28, 2018 (scheduled)
Date of delisting (the Company)	August 29, 2018 (scheduled)
Effective date of the Share Exchange	September 1, 2018 (scheduled)

The above schedule might be changed upon agreement by Nisshinbo Holdings and the Company if necessary for the performance of procedures for the Share Exchange or for another reason.

(3) Method of the Share Exchange

The Share Exchange is a share exchange in which Nisshinbo Holdings will become the wholly owning parent company resulting from a share exchange and the Company will become a wholly owned subsidiary resulting from a share exchange. The Share Exchange will be implemented, in the case of Nisshinbo Holdings, without approval by resolution of its general shareholders' meeting by way of a simplified share exchange as prescribed in Article 796, Paragraph 2 of the Companies Act, and in the case of the Company, with the Share

Exchange Agreement being approved at its annual general shareholders' meeting to be held on June 25, 2018. The effective date of the Share Exchange is scheduled to be September 1, 2018.

(4) Allotments in the Share Exchange

	Nisshinbo Holdings (wholly owning parent company resulting from a share exchange)	The Company (wholly owned subsidiary resulting from a share exchange)
Allotment ratio in the Share Exchange	1	0.65

Nisshinbo Holdings will furnish 0.65 shares of common stock of Nisshinbo Holdings per the Company Share. The Share Exchange Ratio might be changed upon discussion and agreement between Nisshinbo Holdings and the Company if a significant change occurs in the terms and conditions that constitute the bases for the relevant calculations.

The Company plans to cancel all of its treasury shares by resolution at the meeting of its Board of Directors held prior to the day before the Share Exchange Effective Date. The number of shares to be delivered in the Share Exchange might be changed due to the number of treasury shares the Company comes to hold.

Other Explanatory Notes

Stated amounts are rounded down to the nearest unit of 1 million yen.