Japan Radio Co., Ltd.

Annual Report 2009

For the year ended March 31, 2009

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

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

Management Philosophy

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

Contents

Caution with Regard to Forward-Looking Statements

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

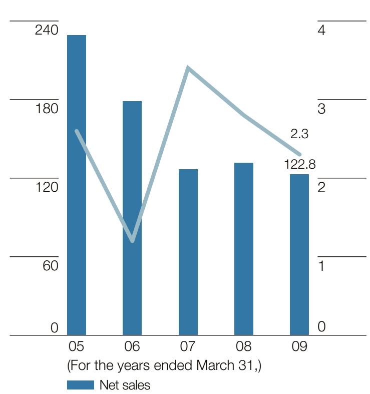
Consolidated Financial Highlights

	Millions of yen			Thousands of U.S. dollars (Note 1)
For the years ended March 31,	2007	2008	2009	2009
Net sales	¥126,667	¥131,829	¥122,870	$1,250,844
Marine electronics equipment	28,468	33,651	35,694	363,379
Communications equipment	37,910	33,265	24,290	247,281
Solutions and specialized equipment	57,607	62,652	60,125	612,087
Operating income	4,318	3,724	2,865	29,164
Operating income ratio (%)	3.4	2.8	2.3	–
Income before income taxes and minority interests	4,743	3,707	1,913	19,478
Net income	4,338	3,377	1,484	15,104
As of March 31,				
Total assets	125,699	121,503	125,380	1,276,395
Total equity	42,756	43,127	41,811	425,647
Capital adequacy ratio (%)	33.7	35.2	33.1	–
Interest-bearing liabilities	21,067	21,342	32,899	334,919
Depreciation	1,652	1,833	1,772	18,042
Capital expenditures	1,354	1,519	1,480	15,076
Net income per share (Yen/U.S. dollars)	31.47	24.50	10.77	0.11
ROE (%)	10.8	7.9	3.5	–
D/E ratio (times)	0.50	0.50	0.79	–
Employees	3,731	3,751	3,770	–

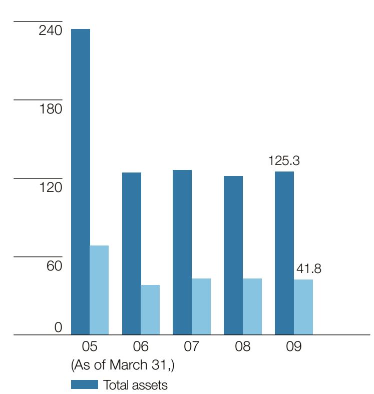
Notes 1. U.S. dollar amounts are translated, for convenience only, at ¥98.23 = US$1.00, the rate prevailing on March 31, 2009.

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

Net sales;
Operating income ratio (Note 2)
(¥ billions, %)



Total assets;
Total equity (Note 2)
(¥ billions)



Rapid Changes in Business Climate Cause Decline in Revenue and Earnings

During FY2008 (ended March 31, 2009), the global financial concerns that originated in the American subprime loan problem, and the economic downturn in the United States and Europe, had an impact on the real economy. The global economy deteriorated rapidly in the third and fourth quarters of the year after the financial crisis worsened. This had significant repercussions in the forex and stock markets. There were also substantial declines in corporate earnings due to the drastic decline in exports, and some companies cut back on production and capital investment.

With this business climate, the JRC Group during the term under review rang up sales of ¥122,870 million ($1,250.8 million), a 6.8% drop from the previous year. Broken down by segment, the sales of marine electronics equipment, rose despite the harsh business climate, but sales of communications equipment to domestic telecommunications carriers fell due to the slump in the cellular terminal market. There was also a slight decline in sales of solutions and specialized equipment.

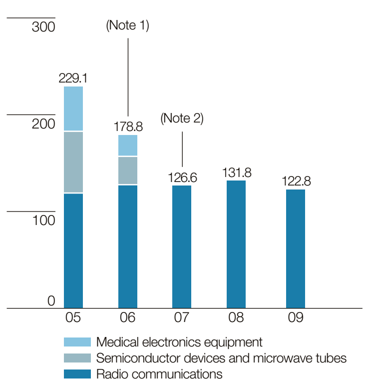
Operating income fell 23.0% to ¥2,865 million ($29.1 million) as a result of the plunge in the communications equipment business and the appreciation of the yen. In addition, net income, which represents final profit, plunged 56.1% to ¥1,484 million ($15.1 million) despite the profits gained from the sale of fixed assets. This stemmed from both the decline in operating income and the valuation losses on inventory assets with the application this year of new ASBJ accounting standards for appraising those assets.

Established a committee to handle crisis situations

Starting in the second half of the year under review, there were drastic changes in the global financial and economic environment, accompanied by a sharp rise in the yen. That further intensified the economic downturn, most notably for the domestic auto and consumer electronics industries. In this crisis, we established an emergency committee to handle crisis situations to further enhance the medium-term business plan now underway, with the objective of obtaining profits. The committee is now employing countermeasures to deal with the emergency.

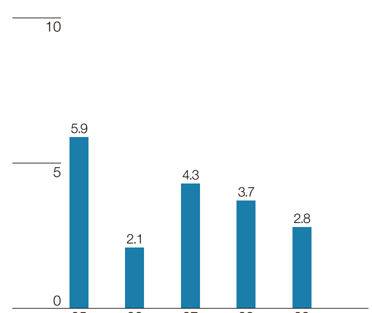
One of the committee's targets is creating an organization that will enable us to obtain and maintain profits even when sales are trending downward. Reform will be the focus of this measure. To immediately lower the breakeven

Consolidated sales
(¥ billions)



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

Operating income
(¥ billions)



point for sales, we drastically cut costs and lowerd our rate of variable expenses. We are also reducing inventory to improve our asset efficiency.

These efforts are being combined with business structure reform to achieve medium-term growth.

Medium-term business plan

Our group's medium-term business plan for the period from FY2006 to FY2008 was to conduct business with the objective of boosting sales and achieving a suitable operating income. Further, we were able to restore dividends based on our plan to appropriately distribute profits. We also added to our internal reserves to strengthen our financial structure. The previously described turnabout in our business climate, however, meant that we were unable to achieve our sales and operating income targets.

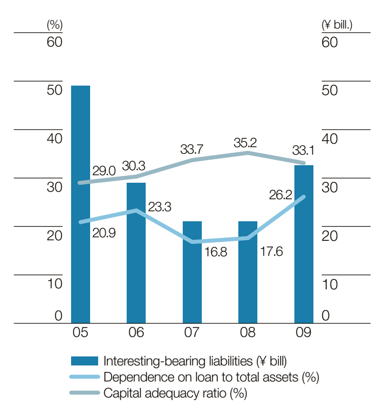
With harsh conditions predicted to continue, we will continue to strengthen our administrative reforms and reforms of our business structure in the medium-term business plan to maintain our earnings structure and to promote stable revenue and earnings growth. As part of our administrative reforms, we will create an earnings structure capable of withstanding further changes in the market climate by lowering our breakeven point for sales. To achieve that, we will further reduce costs to cut our variable expenses, continue to lower fixed expenses, including selling, general, and administrative expenses. Our target for lowering the breakeven point on profits will be ¥100.0 billion, and that for reducing inventory assets will be lowered from ¥40.0 billion to ¥30.0 billion.

We will endeavor to achieve stable sales growth to reform our business structure. With that in mind, we will solidify our position as the general manufacturer with the leading share of the large commercial vessel market in our marine electronics equipment segment. In our communications equipment segment, we will pursue a global strategy for all products, ranging from terminal equipment to equipment for the infrastructure, devoting particular attention to telecommunication infrastructure equipment, ITS, and the professional mobile radio business. In the solutions and specialized equipment segment, we will apply the expertise we have developed in disaster prevention systems for the public sector to business for the private sector. Our objectives will be to extensively cultivate technology and expand the range of our business to those sectors expected to grow in the future, including such infrastructural companies as utilities, and the solution and security business for corporate business objectives.

Profit distribution

Our basic policy for profit distribution is to strike a balance between providing stable dividends to our shareholders and securing internal reserves to strengthen our financial structure to achieve continued growth in the future. In accordance with this basic policy, we provided ¥3.00 in dividends per share at the end of the term under review in

Dependence on loan and capital adequacy ratio
(Consolidated)



consideration of our business performance. While our aim is to continue to provide stable dividends, we cannot project at present whether or how much we will pay dividends next year, owing to an unclear picture of the business climate.

We plan on utilizing our internal reserves in several ways. We will effectively apply them to capital investment and research and development in the future, and to create a group structure that will enable effective consolidated business operations.

Strengthening our business

Since our founding in 1915, we have grown as a pioneer in radio telecommunications technology and created many innovative products that have made a contribution to society. This field still holds great potential for us, and we view this segment as having the potential to create new business opportunities.

With radio telecommunications technology as the foundation, we break down this segment into the following classifications: Marine Electronics Equipment (marine radar, voyage data recorders [VDR], Inmarsat satellite ship earth stations, etc.), Communications Equipment (PHS [Personal Handy-Phone System] terminals, linear power amplifiers for cellular base stations, professional mobile radio, ITS-related equipment, etc.), and Solutions and Specialized Equipment (water and river management systems, disaster prevention information systems, meteorological information systems, road and traffic management systems, etc.). We believe these segments have the potential for long-term future growth.

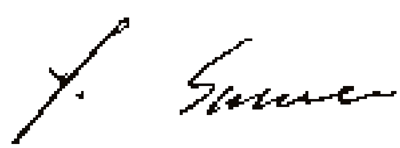
It is our intention to contribute to society by seeking to enhance our position as one of the leading international companies in this industry through research and development focused on these radio telecommunications businesses. Consequently, we will continue to emphasize R&D throughout our company, and invest the funds required for R&D to achieve the world's leading technical capabilities in the future.

Next year's business plan

The uncertainty about the course of business and economic conditions in FY2009 (ending March 31, 2010) is likely to increase as the Japanese economy confronts an increasingly harsh environment. One aspect of this environment is impact on the global economy of the problems in North America and Europe, which are reeling from the subprime loan problem. Other factors include the appreciation of the yen and the depreciation of the dollar, and sluggish individual consumption combined with a sharp rise in unemployment.

We will conduct administrative reforms of every type, accelerate development while cutting the attendant costs through the application of joint design, which shares core technologies with a common architecture in R&D, and reduce fixed costs to strengthen our earnings structure. In addition, we will shore up our business foundation by carefully selecting business sectors for the concentrated application of our operational assets. While implementing these measures, we will attempt to raise the value of our stock through steps that include a further strengthening our governance system.

July 1, 2009



Yorihisa Suwa
President

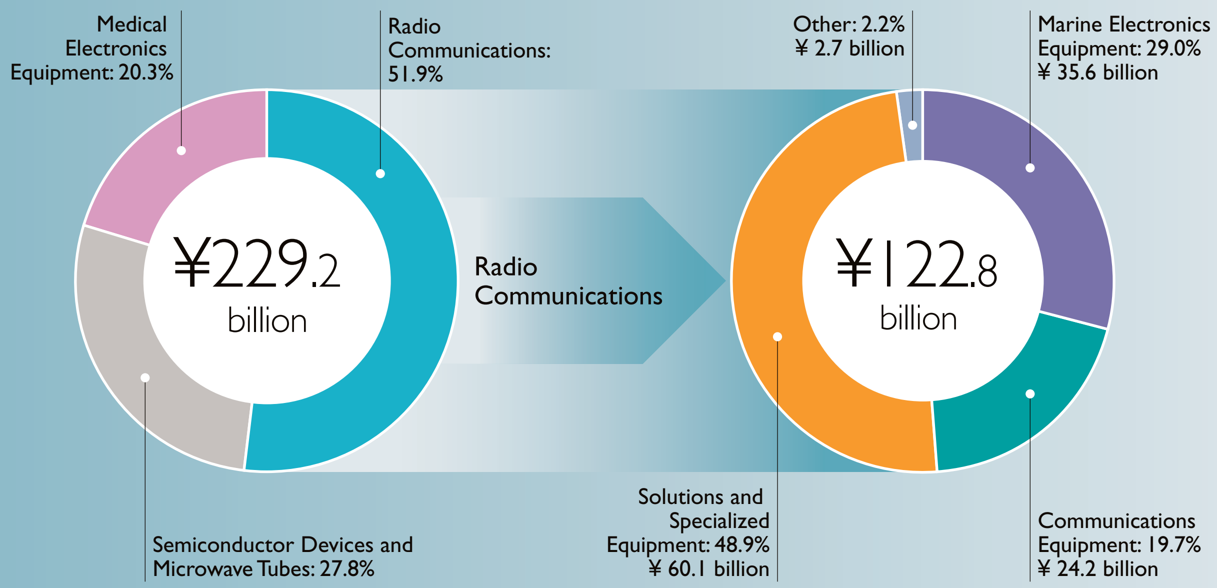
Concentrated attention on the radio telecommunications segment

Until FY2004 (ended March 31, 2005), the JRC group was engaged in the radio telecommunications business, the semiconductor device and microwave tube business, and medical electronics equipment. The two segments apart from the radio telecommunications business were entrusted to subsidiaries.

As part of our policy of carefully selecting the segments on which to concentrate, we sold those two outlying businesses and the stock of our subsidiaries. As a result, the sales from those businesses up to the first half of FY2005 (ended March 2006) were not recorded starting with FY2006 (ended March 2007). Thus, only the results for the radio telecommunications business were recorded after FY2006. Since then, we have focused on the three segments of marine electronics equipment, communications equipment, and solutions and specialized equipment.

Previous JRC Group Segments
Fiscal 2004 sales (ended March 31, 2005)

From fiscal 2006, new JRC group business segment (Radio Communications Business)
Fiscal 2008 sales (ended March 31, 2009)



Marine Electronics Equipment

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

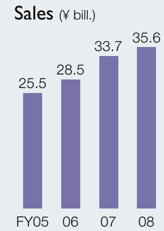
Communications Equipment

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

Solutions and Specialized Equipment

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

Marine Electronics Equipment



Business climate and performance

The JRC group has developed a profitable business with an extensive product lineup against a backdrop of continued brisk activity in the global maritime transport market and demand for new ships. Sales of marine electronics equipment during the year under review rose 6.1% to ¥35,694 million ($363.3 million), the seventh consecutive year of growth in this category.

Sales were particularly good for ship radar, including the JMA-9100 series. That is the first radar equipment in the world to be certified under Europe's Marine Equipment Directive (MED) issued in response to the new International Maritime Organization (IMO) radar performance standards. Sales also rose for the ECDIS, the Simple Voyage Data Recorder (SVDR), and Inmarsat. Among the Inmarsat products, we were also the first company in this industry worldwide to sell the Fleet Broadband FB250.

Market trends and the future direction

The sharp deceleration of the global economy in recent years resulted in a downward trend for new orders of large commercial vessels throughout the world. Nevertheless, large shipyards have already a backlog of orders sufficient to keep them busy for several years. Additionally, the amendment of IMO rules contributed to our sales by creating special demand, and the growing worldwide interest in safe shipping and environmental considerations also benefited our business. While the market for work boats grew, the shipbuilding market for fishing vessels in particular was flat due to new fishing regulations.

We intend to expand our sales channels in the future to the markets of China, Europe, and other newly developing countries to further increase our share of the large commercial ship market. We will further establish our preeminence in this field by improving customer service through our Remote Maintenance System (RMS). We were the first company in the industry to successfully develop and commercialize this system for equipment maintenance aboard ship. Finally, we will endeavor to win bulk orders for our product lineup in the work boat and fishing boat market, particularly for small and medium-sized radar, maritime electronics equipment, and marine navigation systems.

With the global economic downturn that began in the second half of the year under review, we expect new shipbuilding demand next year will be slack. Combined with the impact of foreign exchange rates, we must maintain our vigilance in monitoring trends worldwide. Despite these difficulties, however, we have a substantial backlog of orders. In the future, we will continue to build a strong business that will maintain and increase our market share over the short to medium-term, and that is able to overcome the vicissitudes of the market environment. We will make every effort to improve our products and services from the customers' perspective.

Our corporate strengths

Maritime telecommunications systems

We have developed maritime telecommunications systems for ships that are innovative products for the global updated infrastructure. These systems include the next-generation Inmarsat and the FleetBroadband communication service. Today, the mainstream telecommunications devices for ships use the Inmarsat geostationary satellite, and we provide equipment enabling the utilization of telephones, faxes, and data telecommunications on ships. We

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

Electronic Chart Display and Information System (ECDIS)

Inmarsat Fleet Broadband (FBB)
terminal (FB500) and Receiver

Deferential GPS Navigator (JLR7800)

developed and sell the world's first FB250 that can be used simultaneously with telephones for data telecommunications (432 kbps), and that conform to the world's newest Inmarsat FB (fleet broadband) standards. We also have an extensive selection of telecommunications equipment, including the Global Maritime Distress Safety System and fishing industry radio stations.

Maritime navigational support systems

We feature exceptional technology and a broad product lineup for systems to monitor the safe navigation of ships both on the open sea and in harbors and bays. Our radar equipment for large commercial ships has the highest share of any company in the world, and we offer a wide selection of product varieties. When the new IMO performance standards for radar became applicable in July 2008, we quickly developed radar for large commercial ships (JMA-9100) conforming to those standards. We were also the first company in the world whose radar equipment received certification for MED in Europe, which corresponds to those same standards.

Equipment and systems that ensure the safe navigation of ships is another company strength. In addition to Automated Radar Plotting Aids (ARPA) for collision avoidance and GPS/DGPS navigational devices, we sell the Automatic Identification System (AIS) required by the SOLAS Convention, and the Voyage Data Recorder (VDR), also known as the black box for ships. We have also developed new product categories, such as the solid-state radar system for advanced radar systems. For the Electronic Chart Display and Information System (ECDIS) that conforms to the new standards effective January 2009, we have provided functions that enable the position of one's ship to be displayed on electronic charts, and a warning to be sounded when there is a danger of running aground. Its depiction of electronic charts and radar images, particularly for the accurate display of radar images in conjunction with ship turns, is far superior to our competitors' products.

Fishing, maritime leisure activities, and general boating

We have a complete product lineup for the fishing, maritime leisure, and general boating sector, and are working to expand our sales in these areas. Our products include navigational safety devices for deep-sea fishing boats, fish detection equipment, including radars of all types, color scanning sonar, GPS and DGPS receivers for ships, and such navigational information display devices as plotters and radar.

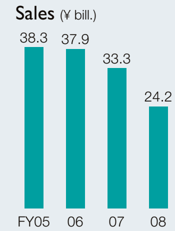
Maintenance and service system

Our company has a round-the-clock service system based in Japan with branches in Amsterdam and Seattle to provide complete maintenance and service to our customers. We have also created a world-wide network of distributors. We were the first company in our industry to develop and adopt a Remote Maintenance System (RMS). This system provides effective maintenance and repair through the access and remote monitoring of navigational and telecommunications devices on board ship from our primary offices in Japan and overseas. We also employ our service network, which includes distributors around the world. This is one of our major strengths for enhancing customer service.

Historically, Europe has been a leader in maritime transport. Germany in particular is an important region for the world's maritime transport and shipbuilding businesses. We opened an office in Hamburg in April 2008 to improve our capabilities for receiving maritime equipment orders and provide maintenance service to ship owners and the shipbuilding market in Germany and the surrounding countries.

VHF radiotelephone
(JHS-770/780)

Communications Equipment



Business climate and performance

Sales of communications equipment during the term under review fell 27.0% from the year-before period to ¥24,290 million ($247.2 million). In overseas, there was an increase in sales of telecommunications infrastructure equipment including linear power amplifiers (LPA) overseas. In the Japanese market, sales of ETC equipment for motorcycles rose, but there was a sharp decline in sales of LPAs, network devices.

Market trends and the future direction

The economic downturn of recent years has resulted in slack sales of telecommunications equipment to both general consumers and companies. There has been a sharp decline in the ITS market for automobiles. In contrast, sales for ETC equipment have been good. This is the result of government subsidies for equipment and installation costs and discount prices for highway tolls enabled by the use of ETC on expressways during holidays.

Next year, we expect that our business climate will remain harsh. We forecast further declines in consumption caused by the continued stagnation of economic conditions, and slack markets for cellular terminals and automobiles. To respond to those conditions, we will strive to expand our business in Japan and our presence in overseas markets.

The future, however, has several elements that give us cause for optimism. There will be a shift to the 3.5 and 3.9 generation in the cellular infrastructure market, and we foresee full-scale growth in the BWA (broadband radio access) market, such as worldwide interoperability for microwave access (WiMAX), next-generation PHS and other equipment.

Our Strengths

Mobile Communications and LPAs

The JRC Group provides society with radio communications infrastructure and equipment of all types indispensable for contemporary life, ranging from mobile phone handsets to professional mobile radio, satellite, and other communications systems. We developed and sell to telecommunications carriers the WX220J-Z/WX321J-Z handsets, which are compatible with W-VPN, a mobile virtual private network platform that can be used throughout Japan. We’ve also contributed to the expansion and development of the global radio telecommunications network as the group with the leading share worldwide for base station amplifiers, critical for the spread of cell phone use. Additionally, we successfully developed a highly efficient, world-class LPA for 3.9-generation mobile phone base stations, which require wide-band coverage and high output, and plan to launch these products on the market in the near future.

In the field of commercial-use radio, we are among the world leaders in converting from analog to digital equipment for the taxicab and transportation industries, and for the public sector. We expect sales in this area to continue to grow.

PHS handset (WX330J)

Electronic Toll Collection (ETC) System for Motorcycles

Professional mobile radio

WiMAX Base Station

Information telecommunications

In recent years, the information communications industry has become increasingly wireless. Wireless networks have spread from companies and organizations into the home, and wireless LAN hotspots are being established in many public areas. We have contributed to the development of wireless information networks. Using our expertise in broadband wireless access (BWA) technologies as a basis, we have created a wealth of technology, including wireless LANs, next-generation PHS, mobile Worldwide Interoperability for Microwave Access (WiMAX), and fixed wireless access (FWA) systems for IP broadband communications and wireless entrance devices.

In addition, we are having a major impact on the telecommunications infrastructure environment both in Japan and overseas with such products as the local WiMAX base station device (NTF-302) developed in-house, the 25GHz low power data communications device (NTG-2500), the wireless LAN bridge (JRL-710 series), and the 4.9G wireless LAN. Finally, we have developed microwave wireless devices that respond to the increasing amount of data for mobile phone networks as IPs.

The ITS business and measurement equipment

We have been the first to offer products in many parts of the ITS (Intelligent Transport System) sector, and have earned the leading market share in that field. Our company was the first in the world to successfully commercialize a GPS receiver, the critical part for car navigation systems, and have won the leading share for that product both in Japan and abroad. In the Vehicle Information and Communication Systems (VICS) sector, we are working to ensure safer, smoother traffic flows by gathering and effectively managing information covering such areas as traffic volume, average vehicle speeds, and weather-related data. Indeed, we boast a wealth of application-ready technology from radio communications technology, and it is our objective to attain the leading share in equipment for vehicles. We are the only company to produce an ETC device for motorcycles, a sector that we have significantly enlarged since we began shipments in October 2006. In fact, as of June 2009, we had shipped a cumulative 200,000 units in this country.

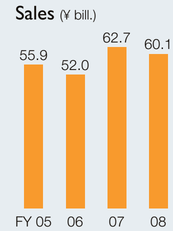
Our company has also made an enormous contribution to this sector by developing many products, ranging from digital mobile telecommunications devices to the commercial-use measuring equipment indispensable for maintenance. Company strengths include the NJZ-4000, a W-CDMA application tester for mobile phones incorporating W-CDMA and High-Speed Downlink Packet Access (HSDPA) protocols, an enhanced version with added GSM/GPRS functions, and the NJZ-5000, a new type of multi-path fading simulator for evaluating mobile communication fading environments of all types.

Also counted among our unique strengths are the distinctive products that originated in and were developed from wireless technology. These include the NJJ-95B, a deep-sensing radar that uses electromagnetic waves to identify reinforced steel, gas pipes, transmission cable, and other objects in concrete structures or underground; and a mobile locator embedded with the FOMA Ubiquitous Module, made by NTT DoCoMo.

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

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

Solutions and Specialized Equipment



Business climate and performance

During the year under review, JRC Group sales in the Solutions and Specialized Equipment segment fell 4.0%, to ¥60,125 million ($612.0 million). In Japan this year, sales rose steadily for higher sales of water and river information systems used for developing a foundation for flood control data, and for broadcasting systems due to the conversion from analog to digital in Japanese terrestrial television broadcasting. Nonetheless, sales declined for disaster prevention information systems to the public sector, including systems for emergency broadcasts during typhoons, earthquakes, and other natural disasters.

Business climate and performance

Our company will solidify its position as a provider of solutions for disaster prevention, environmental concerns, and monitoring whose products offer peace of mind and safety. We anticipate replacement demand for large dam control systems in Japan, as well for the digitization of municipal disaster prevention information systems. We also expect to benefit from disaster prevention measures for earthquakes and other abnormal weather conditions that have arisen both in Japan and overseas.

Regarding our business performance next year, we think demand will remain firm for products that contribute to the achievement of community safety, despite intensified price competition. Therefore, we intend to maintain our level of sales by aggressively expanding our solutions business through the utilization of wireless telecommunications technology, a group strength.

We also intend to expand our presence in new business sectors, including location systems for large factories, security systems for electric power companies, telemetry systems for oil and gas companies, and wireless transmission systems.

Our Strengths

Solutions Business

In the solutions business, we utilize our comprehensive strengths to create unique systems by integrating wireless communication technologies, our field of specialization, with comprehensive solution-based technologies. In addition to road and traffic management systems, interest in various mitigation systems has risen with the occurrence of such natural disasters as typhoons, cyclones, and earthquakes. These systems include water and river management systems, disaster prevention information systems, meteorological information systems, earthquake and tsunami information receiving and warning systems, and volcano monitoring systems.

A small radar system capable of detailed measurements, even for local rain showers

A Doppler radar system capable of detailed, three-dimensional measurements of rain cloud structures

Transportable Earth Station

Live broadcast equipment and TTL equipment for the broadcasting industry

In this context, the JRC Group believes there is a growing worldwide need for a solution-based business that creates comprehensive systems to deal with these disasters. To respond to this need, we will expand our presence throughout the world and provide services offering our accumulated technological expertise to promote the safety of people around the world. With the recent profusion of abnormal weather patterns, dams are assuming increased importance as a way to control rivers and other waterways for preventing natural disasters and effectively utilizing agricultural and drinking water. We are utilizing our wireless communications and electronic technologies to build dam and waterway control systems, thus contributing to effective water utilization. Meanwhile, we are also converting voice into IP data for transmitting warning and disaster prevention broadcasts to broader audiences via wide-area IP broadcasting systems.

Since becoming the first company in Japan to develop a weather radar system, we have continued to create new, cutting edge radar systems. Our multi-parameter weather radar and Doppler radar systems, among other equipment, effectively respond to the needs for high-precision forecasting of such events as landslides and urban flooding.

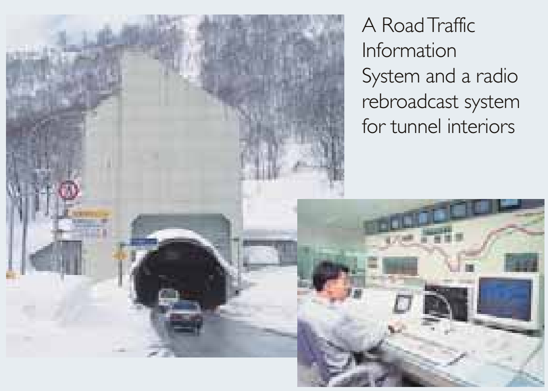
Further, we offer products and applied radio systems that enhance safe air and sea navigation. These include high frequency (HF) band radio business, weather radar for use on aircraft, the airport monitoring radar on which airport safety depends, simulation facilities required for training on-board and air traffic control personnel, and the VTS (vessel traffic service) ship control and monitoring system for use in harbors.

Broadcasting equipment and the acoustic systems business

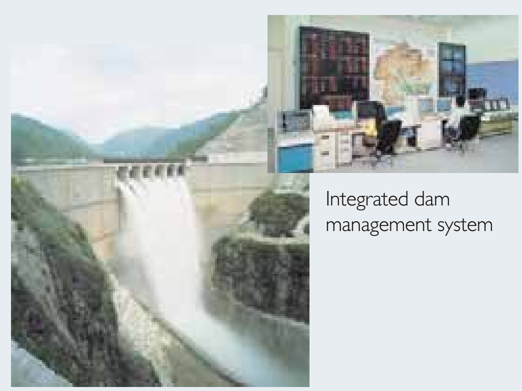
We have long contributed to advances in broadcasting culture by developing FM and medium-wave broadcasting equipment for radio and television. In conjunction with the recent rapid digitization of broadcasting, we have played a central role in providing integrated services for digital terrestrial broadcasting. At the same time, we are aggressively working to develop transmission, relay, and TTL equipment. Further, we are applying our accumulated technology over a wide range of sectors, including acoustic systems for concert halls and stadiums, as well as simultaneous interpreting broadcasting equipment.

Specialized Equipment

The specialized equipment, for Japanese Ministry of Defense, we have developed includes land radio communications; marine radio communications; ground to air radio communications; surveillance, tracking, navigation and meteorology radar equipment; and educational and training systems.



A Road Traffic Information System and a radio rebroadcast system for tunnel interiors



Integrated dam management system

Our Governance Systems

Our Corporate Governance

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

Description of Company and Organizations

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

The Board of Directors meets once a month, and on other occasions as needed, to decide important management-related matters. There is also the Executive Directors' Meeting, consisting of Director and Managing Executive Officers and more senior executives, as well as the Management Committee, made up of Standing Directors and Standing Corporate Auditors. Through these frameworks, we ensure communication between directors, mutual monitoring of duties, and compliance with laws, regulations, and the Company's Articles of Incorporation.

Furthermore, by clarifying supervisory systems relating to management, administration, operations, and technology, we are endeavoring to reinforce our corporate governance framework.

With respect to execution of business, we have introduced an executive officer system, with the aim of expediting the decision making process. We also hold regular Corporate Management Committee attended by directors, auditors, executive officers, and the managers of relevant divisions to discuss important matters related to the execution of duties. These meetings are designed to ensure the Group's swift response to changes in the business environment.

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

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

Creating systems for internal control and risk management

We have created and applied internal control systems to ensure that we are appropriately conducting company business by determining whether the directors' performance accords with legal requirements and the articles of incorporation. As part of our operational management system for decision-making, execution, and oversight, we hold meetings of the Board of Directors at least once a month, as well as whenever it is deemed necessary. Additionally, there are regular meetings of the Board of Executive Directors, which consists of directors, managing executive officers, and more senior executives, as well as the Management Committee, made up of Standing Directors and Standing Corporate Auditors.

JRC also has a Board of Corporate Auditors. These auditors attend meetings of the Board of Directors, the Board of Executive Directors, Corporate Management Committee, and meetings of divisions involved with operations. This has strengthened the oversight of the job performance of directors and executive directors. The company has created and implemented a system for presenting reports in conformance with the evaluation standards for internal control related to financial reports that are generally recognized as fair and appropriate. This system ensures the reliability of the group's financial reports.

Our company has created, promotes, and maintains a compliance system based on operating regulations that we have formulated. This also includes the establishment of a division for the comprehensive oversight of these matters.

Internal Audits and Audits Performed by Corporate Auditors

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

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

Audits Performed by Independent Auditor

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

External Directors and Corporate Auditors

We have two external directors: attorney Noboru Matsuda, and Yoshikazu Sashida, the chairman of Nisshinbo Industries, Inc., a large JRC shareholder. (The name of the company was changed to Nisshinbo Holdings Inc. on April 1, 2009, and Mr. Sashida stepped down from his position at the regular shareholders' meeting on June 26, 2009.)

One external auditor is Masaya Kawata, an executive officer of Nisshinbo Industries, Inc. He has no capital relationship with JRC. The other is Yoshio Nakatsuchi, a JRC shareholder originally employed at Dai-Ichi Kangyo Bank, formerly one of JRC's main banks. Neither of the external directors or external auditors have business relationships with JRC.

Environmental Approach

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

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

1. Expansion of Environmental conscious products

a. To raise the application rate of environmental conscious products (products in compliance to the Type II environmental label) to 100% by 2010, except for those for which it is not applicable based on customers' requests.

b. To increase RoHS complied products in succession by reducing materials containing such substances as banned by RoHS directive.

c. To establish a system to grasp status of hazardous substances if any in our products.

2. Promotion of Green Procurement

To raise the application rate of green procurement to 80% or higher by 2010 about all materials, parts, equipment and products to be shipped.

3. Promotion of measures against global warming

To reduce energy consumption (expressed as carbon dioxide from electric, gas and crude oil) on a production value unit base to equal or less fiscal 1990 levels (i.e. 0.122 ton per million yen as carbon dioxide) by 2010.

4. Improvement of recycling rate

To improve the recycling rate of waste products to greater than 95% by 2010.

5. Reduction of volume of permanent disposal of waste

To reduce the volume of permanent disposal of waste products generated by the Company's facilities on a production value unit base to less than 20% of fiscal 1996 levels by 2010.

6. Compliance to environmental laws and other social requirements

To comply with standard value in laws and conditions agreed with customers.

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

(1) Tendency toward second half of each fiscal year

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

(2) Demand trends

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

(3) Exchange rate fluctuations

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

(4) Interest rate fluctuations

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

(5) Availability of parts

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

(6) Legal restrictions

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

(7) Product quality

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

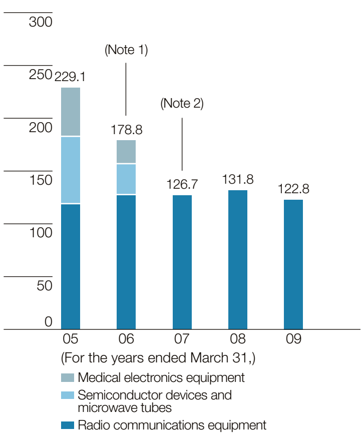
Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars (Note 1)
For the years ended March 31,	2005	2006	2007	2008	2009	2009
Net sales	¥229,193	¥178,848	¥126,667	¥131,829	¥122,870	$1,250,844
Radio communications	119,163	127,703	126,667	131,829	122,870	1,250,844
Semiconductor devices and microwave tubes (Note 2)	63,834	29,316	–	–	–	–
Medical electronics equipment (Note 2)	46,196	21,829	–	–	–	–
Operating income	5,965	2,157	4,318	3,724	2,865	29,164
Operating income ratio (%)	2.6	1.2	3.4	2.8	2.3	–
Income (loss) before income taxes and minority interests	4,761	(29,749)	4,743	3,707	1,913	19,478
Net income (loss)	542	(32,097)	4,338	3,377	1,484	15,104
As of March 31,						
Total assets	233,878	124,128	125,699	121,503	125,380	1,276,395
Total equity	67,725	37,584	42,756	43,127	41,811	425,647
Capital adequacy ratio (%)	29.0	30.3	33.7	35.2	33.1	–
Interest-bearing liabilities	48,797	28,920	21,067	21,342	32,899	334,919
Depreciation	7,855	4,162	1,652	1,833	1,772	18,042
Capital expenditures	6,202	3,228	1,354	1,519	1,480	15,076
Net income (loss) per share (Yen/U.S. dollars)	3.44	(233.04)	31.47	24.50	10.77	0.11
ROE (%)	0.8	(61.0)	10.8	7.9	3.5	–
D/E ratio (times)	0.72	0.77	0.50	0.50	0.79	–
Employees	8,612	3,766	3,731	3,751	3,770	–

Notes 1. U.S. dollar amounts are translated, for convenience only, at ¥98.23 = US$1.00, the rate prevailing on March 31, 2009.
2. With respect to “Semiconductor devices and microwave tubes” segment, New Japan Radio Co., Ltd.’s group was excluded from the scope of consolidation as a result of the sale of issued shares with voting rights. With respect to “Medical electronics equipment” segment, ALOKA CO., LTD.’s group was excluded from the scope of consolidation as a result of the sale of issued share with voting right. For the reasons stated above, their sales, depreciation and capital expenditures until September 30, 2005 were reflected in each segment and their assets were not stated.

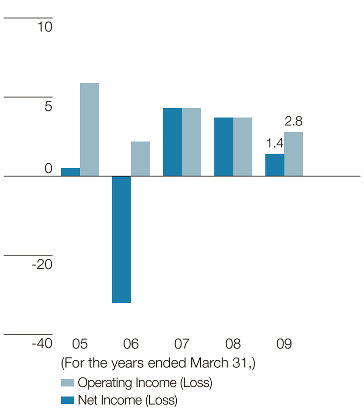
Consolidated Financial Review

Consolidated Net Sales
(¥ billions)



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

Operating Income; Net Income
(¥ billions)



Revenue and earnings

Consolidated net sales for our group for FY2008, ended March 31, 2009, fell 6.8% from the previous year to ¥122,870 million ($1,250.8 million). Operating income dropped 23.0% to ¥2,865 million ($29.1 million), and net income plunged 56.1% to ¥1,484 million ($15.1 million).

The primary factors behind the declines in sales and operating profit were due to several factors. The severe downturn in the economies of Europe and the United States, and the global financial anxiety that began last year in the U.S. had an effect on the real economy world-wide. In Japan, this was manifest as a sharp reduction in demand and greater appreciation of the yen. This was a particular factor in the decline of sales for telecommunications equipment.

There was a significant decline in net income. Despite recording ¥1,528 million of gains on sales of property, plant and equipment, we also recorded a ¥924 million loss on the inventory valuation and a ¥429 million loss on the disposal of inventories. The former stemmed from the new accounting standards for inventory valuation that became applicable this year. The latter was due to such factors as parts and semi-finished products that did not correspond to RoHS.

Segment Sales

The consolidated sales of our group business are divided into three segments based on wireless communications devices: marine electronics equipment, telecommunications equipment, and solutions and specialized equipment.

Sales of marine electronics equipment rose 6.1%, or ¥2,043 million, to ¥35,694 million ($363.3 million). In contrast, sales of communications equipment fell 27.0%, or ¥8,975 million to ¥24,290 million ($247.2 million), and revenue from solutions and specialized equipment slid 4.0%, or ¥2,527 million, to ¥60,125 million ($612.0 million). As a result, consolidated net sales were down 6.8% from the previous year.

	Millions of yen		Thousands of U.S. dollars (Note)
	2008	2009	2009
Marine electronic equipment	¥ 33,651	¥ 35,694	$ 363,379
Communications equipment	33,265	24,290	247,281
Solutions and specialized equipment	62,652	60,125	612,087
Other	2,260	2,759	28,095
Total	¥131,829	¥122,870	$1,250,844

Note: Yen figures are rounded to the nearest million. U.S. dollar figures are translated for convenience only, at ¥98.23=US$1.00, the rate prevailing on March 31, 2009 and truncated to the nearest thousand dollars.

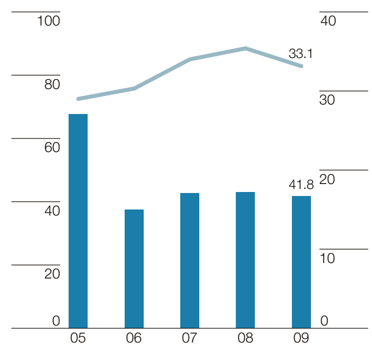
Financial Position

Consolidated total assets as of the end of the year under review stood at ¥125,380 million ($1,276.3 million). This was a year-on-year increase of ¥3,877 million, or 3.2%. The primary factor for this increase was the ¥13,125 million rise in cash and deposits, offsetting the ¥3,087 million decline in the market value for securities for investment.

Liabilities rose ¥5,192 million, or 6.6%, from the year-before period to stand at ¥83,569 million ($850.7 million). The primary reason was an ¥11,579 million rise in long-term loans and other interest-bearing debt, despite the ¥4,904 million reduction in bills payable and accounts payable. Interest-bearing debt was increased for securing on-hand liquidity to deal with future volatility in financial conditions with greater adaptability.

Net assets declined ¥1,315 million, or 3.0%, to ¥41,811 million ($425.6 million). This was the result of a ¥2,042 million in net unrealized gain in available for sale securities, despite the ¥794 million increase in the earned surplus. Consequently, the net equity ratio fell by 2.1 percentage points to 33.1%.

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



(As of March 31,)
* Shareholders' equity ratio on a market value (%) = Aggregate Market Value/Total Assets

Cash Flows

Consolidated cash and cash equivalents as of the end of the year under review had risen ¥9,095 million from the previous year to ¥17,070 million ($173.7 million). This was due primarily to an increase of ¥10,884 million for financing activities from long-term borrowings, in contrast to a ¥1,779 million decline in operating activities and a ¥126 million increase in investing activities.

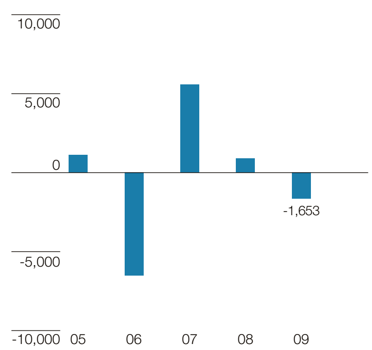
Cash flows from operating activities

Cash flows from operating activities during the year under review showed a net decline in funds to ¥1,779 million from a net increase of ¥2,050 million the previous year. While income before income taxes and minority interests stood at ¥1,913 million, and there was a ¥1,194 million decline in notes and accounts receivable as an incremental cash flows, there was a ¥4,885 million drop in notes and accounts payable.

Cash flows from investing activities

Cash flows from investing activities during the year under review rose ¥126 million in contrast to a ¥1,161 million decline last year. Offsetting expenditures of ¥1,152 million to purchase property, plant and equipment was income of ¥1,563 million from the proceeds from sales of property, plant and equipment.

Free Cash Flow
(¥ millions)



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

Cash flows from financing activities

Cash flows from financing activities during the year under review stood at a net increase in funds of ¥10,884 million, in contrast to a net decline of ¥418 million last year. Counterbalancing expenditures of ¥2,345 million for the repayment of long-term debt, and the payment of ¥689 million in cash dividends, there was an increase of ¥4,000 million from commercial paper and income of ¥10,014 million in proceeds from long-term debt.

Next year's business outlook

The Japanese economy faces a serious economic climate due to several factors. One is the impact of the worsening economy in Europe and the United States that is a result of the subprime loan problem in the U.S. Further darkening the picture are trends in foreign exchange due to the yen appreciation and the decline of the dollar, and the drastic deterioration in employment conditions. Thus, the outlook is increasingly uncertain.

In these circumstances, we think it will be difficult to avoid a sales decline. Therefore, we will lower our breakeven point for sales, restructure our business operations and cut costs to achieve that objective, and reduce fixed expenses.

Consequently, as our projection for our business performance in Fiscal 2009, ending March 31, 2010, we forecast a 19.7% decline in operating income to ¥2.3 billion on a 5.6% drop in consolidated sales to ¥116.0 billion.

Consolidated Balance Sheets

March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥ 17,070	¥ 7,975	$ 173,782
Short-term investments (Note 3)	339		3,451
Receivables:			
Trade notes	4,144	2,335	42,184
Trade accounts	46,148	49,044	469,792
Unconsolidated subsidiaries and affiliated companies	139	345	1,416
Other	466	429	4,747
Allowance for doubtful accounts	(1,255)	(212)	(12,772)
Inventories (Note 4)	32,435	31,956	330,190
Deferred tax assets (Note 9)	336	338	3,422
Prepaid expenses and other	800	1,015	8,141
Total current assets	100,622	93,225	1,024,353
PROPERTY, PLANT AND EQUIPMENT (Notes 5 and 6):			
Land	1,914	1,937	19,488
Buildings and structures	25,494	26,135	259,531
Machinery and equipment	9,817	9,982	99,937
Furniture and fixtures	18,335	18,604	186,654
Lease assets	111		1,128
Construction in progress	3	1	36
Total	55,674	56,659	566,774
Accumulated depreciation	(45,172)	(45,855)	(459,858)
Net property, plant and equipment	10,502	10,804	106,916
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	8,055	11,483	82,000
Investments in and advances to unconsolidated subsidiaries and affiliated companies	1,797	1,478	18,290
Deferred tax assets (Note 9)	1,243	1,314	12,657
Other assets (Note 5)	3,764	3,524	38,317
Allowance for doubtful accounts	(603)	(325)	(6,138)
Total investments and other assets	14,256	17,474	145,126
TOTAL	¥125,380	¥121,503	$1,276,395

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	¥ 1,500	¥ 1,590	$ 15,270
Current portion of long-term debt (Note 6)	3,973	2,334	40,448
Commercial paper (Note 6)	4,000		40,721
Payables:			
Trade notes	1,273	1,603	12,963
Trade accounts	23,806	28,231	242,349
Unconsolidated subsidiaries and affiliated companies	3,951	4,100	40,219
Other	685	636	6,977
Income taxes payable	307	325	3,123
Accrued expenses	2,467	2,584	25,110
Advances received	1,698	1,416	17,284
Lease obligations (Note 13)	26		268
Other	3,599	4,235	36,636
Total current liabilities	47,285	47,054	481,368
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	22,948	16,918	233,619
Liability for retirement benefits (Note 7)	11,377	11,140	115,821
Deferred tax liabilities (Note 9)	1,043	2,415	10,620
Lease obligations (Note 13)	105		1,068
Other	811	849	8,252
Total long-term liabilities	36,284	31,322	369,380
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13 and 15)			
EQUITY (Note 8):			
Common stock-authorized, 216,000,000 shares; issued, 137,976,690 shares in 2009 and 2008	14,704	14,704	149,693
Capital surplus	16,505	16,505	168,021
Retained earnings	8,831	8,036	89,900
Net unrealized gain on available-for-sale securities	1,511	3,554	15,384
Foreign currency translation adjustments	(6)	23	(59)
Treasury stock-at cost, 192,481 shares in 2009 and 165,510 shares in 2008	(64)	(58)	(647)
Total	41,481	42,764	422,292
Minority interests	330	363	3,355
Total equity	41,811	43,127	425,647
TOTAL	¥125,380	¥121,503	$1,276,395

Consolidated Statements of Income

Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
NET SALES	¥122,870	¥131,829	$1,250,844
COST OF SALES	100,883	109,925	1,027,008
Gross profit	21,987	21,904	223,836
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	19,122	18,180	194,672
Operating income	2,865	3,724	29,164
OTHER INCOME (EXPENSES):			
Interest and dividend income	279	328	2,839
Interest expense	(405)	(368)	(4,126)
Foreign exchange loss	(488)	(399)	(4,963)
Gain on sales of property, plant and equipment (Note 12.a)	1,528		15,557
Loss on valuation of inventories (Note 12.b,c)	(1,334)		(13,579)
Other—net (Note 12.c)	(532)	422	(5,414)
Other expenses—net	(952)	(17)	(9,686)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	1,913	3,707	19,478
INCOME TAXES (Note 9):			
Current	372	241	3,790
Deferred	87	92	888
Total income taxes	459	333	4,678
MINORITY INTERESTS IN NET LOSS	(30)	(3)	(304)
NET INCOME	¥ 1,484	¥ 3,377	$ 15,104

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.q and 17):			
Basic net income	¥ 10.77	¥ 24.50	$ 0.11
Cash dividends applicable to the year	3.00	5.00	0.03

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Years Ended March 31, 2009 and 2008

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	137,834	¥14,704	¥16,505	¥5,349	¥5,869	¥10	¥(49)	¥42,388	¥368	¥42,756
Net income				3,377				3,377		3,377
Cash dividends, ¥5 per share				(690)				(690)		(690)
Purchase of treasury stock	(23)						(9)	(9)		(9)
Net change in the year					(2,315)	13		(2,302)	(5)	(2,307)
BALANCE, MARCH 31, 2008	137,811	14,704	16,505	8,036	3,554	23	(58)	42,764	363	43,127
Net income				1,484				1,484		1,484
Cash dividends, ¥5 per share				(689)				(689)		(689)
Purchase of treasury stock	(27)						(6)	(6)		(6)
Net change in the year					(2,043)	(29)		(2,072)	(33)	(2,105)
BALANCE, MARCH 31, 2009	137,784	¥14,704	¥16,505	¥8,831	¥1,511	¥(6)	¥(64)	¥(41,481)	¥330	¥41,811

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2008	$149,693	$168,021	$81,811	$36,178	$230	$(589)	$435,344	$3,693	$439,037
Net income			15,104				15,104		15,104
Cash dividends, $0.05 per share			(7,015)				(7,015)		(7,015)
Purchase of treasury stock						(58)	(58)		(58)
Net change in the year				(20,794)	(289)		(21,083)	(338)	(21,421)
BALANCE, MARCH 31, 2009	$149,693	$168,021	$89,900	$15,384	$(59)	$(647)	$422,292	$3,355	$425,647

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 1,913	¥ 3,707	$ 19,478
Adjustments for:			
Income taxes—paid	(404)	(204)	(4,112)
Depreciation and amortization	1,773	1,833	18,046
Impairment loss	19	14	192
Loss on valuation of investment securities	12	26	127
Gain on sales of property, plant and equipment	(1,528)		(15,557)
Equity in earnings of affiliated companies	(362)	(288)	(3,682)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	1,194	(691)	12,152
(Increase) decrease in inventories	(497)	2,576	(5,058)
Decrease in interest and dividend receivable	21	7	209
Decrease in notes and accounts payable	(4,885)	(2,789)	(49,733)
Decrease in interest payable	(4)	(34)	(37)
Decrease in liability for retirement benefits	(198)	(1,134)	(2,018)
Increase (decrease) in allowance for doubtful receivables	1,403	(237)	14,284
Other—net	(236)	(736)	(2,402)
Total adjustments	(3,692)	(1,657)	(37,589)
Net cash (used in) provided by operating activities	(1,779)	2,050	(18,111)
INVESTING ACTIVITIES:			
Proceeds from sales of short-term investments		100	
Purchase of short-term investments	(330)		(3,359)
Proceeds from sales of property, plant and equipment	1,563		15,917
Purchase of property, plant and equipment	(1,152)	(1,004)	(11,726)
Proceeds from sales of investment securities		137	
Purchase of investment securities	(45)	(9)	(459)
Other—net	90	(385)	914
Net cash provided by (used in) investing activities	126	(1,161)	1,287
FINANCING ACTIVITIES:			
Net change in short-term bank loans	(90)	440	(916)
Net change in commercial paper	4,000		40,721
Proceeds from long-term debt	10,014		101,948
Repayments of long-term debt	(2,345)	(163)	(23,873)
Cash dividends	(689)	(686)	(7,015)
Other—net	(6)	(9)	(58)
Net cash provided by (used in) financing activities	10,884	(418)	110,807
	¥9,231	¥471	$93,983
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(136)	(118)	(1,383)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,095	353	92,600
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,975	7,622	81,182
CASH AND CASH EQUIVALENTS, END OF YEAR	¥17,070	¥ 7,975	$173,782

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 consolidated financial statements to conform to the classifications used in 2009.

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 ¥98.23 to $1, the approximate rate of exchange at March 31, 2009. 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, 2009 include the accounts of the Company and its 8 (8 in 2008) significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 3 (3 in 2008) unconsolidated subsidiaries and 2 (2 in 2008) affiliated companies are accounted for by the equity method.

Investment in the remaining affiliated company is stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

b. *Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

c. *Inventories*—Prior to April 1, 2008, finished products, semi-finished products and work in process were stated at cost, determined principally by the specific identification method, and raw materials and supplies were stated at cost, determined principally by the average method, and merchandise were stated at cost, determined by the moving-average method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company accounted for loss on valuation of inventories ¥924 million ($9,407 thousand) having applied this standard to the inventory at the beginning of the period.

The Company applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease income before income taxes and minority interests by ¥981 million ($9,986 thousand).

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

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

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

e. *Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998 and lease assets of the Company and its domestic consolidated subsidiaries. The range of useful lives is from 10 to 50 years for buildings and structures and from 7 to 8 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.

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

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

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

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

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

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

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

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

l. *Leases*—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. There was no effect on the consolidated statements of income as a result of adoption of this standard.

All other leases are accounted for as operating leases.

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

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

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

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

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

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

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

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

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

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

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

r. New Accounting Pronouncements

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

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Short-term investments:			
Time deposits	¥ 170		$ 1,731
Debt securities	9		92
Government corporate bonds	160		1,628
Total	¥ 339		$ 3,451
Investment securities:			
Equity securities	¥7,630	¥10,991	$77,671
Debt securities	193	212	1,968
Other	232	280	2,361
Total	¥8,055	¥11,483	$82,000

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥4,672	¥3,248	¥639	¥7,281
Debt securities	370		8	362
Other	183		48	135
March 31, 2008				
Securities classified as available-for-sale:				
Equity securities	4,665	6,203	211	10,657
Debt securities	210	2		212
Other	183		21	162

	Thousands of U.S. Dollars			
March 31, 2009	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$47,565	$33,063	$6,508	$74,120
Debt securities	3,765		77	3,688
Other	1,863	3	496	1,370

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 and 2008 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Available-for-sale:			
Equity securities	¥349	¥334	$3,551
Other	97	118	991
Total	¥446	¥452	$4,542

Proceeds from sales of available-for-sale securities for the year ended March 31, 2008 were ¥137 million. Gross realized losses on these sales for the year ended March 31, 2008, computed on the moving average cost basis, were ¥38 million.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥169	$1,720
Due after one year through five years	5	51

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Finished products, semi-finished products and merchandise	¥ 9,482	¥ 7,776	$ 96,530
Work in process	18,312	19,267	186,413
Raw materials and supplies	4,641	4,913	47,247
Total	¥32,435	¥31,956	$330,190

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2009 and 2008, and, as a result, recognized impairment losses, as follows:

Year Ended March 31, 2009
Location: Mitaka City, Tokyo
Asset use: Assets for defense-related business in the Special Equipment Division

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment		$ 3
Furniture and fixture	¥10	$103
Total	¥10	$106

Location: Mitaka City, Tokyo
Asset use: Assets for business of Eclipse Aviation Corporation

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Furniture and fixture	¥3	$27
Software	6	59
Total	¥9	$86

Year Ended March 31, 2008
Location: Mitaka City, Tokyo
Asset use: Assets for defense-related business in the Special Equipment Division

	Millions of Yen
Type:	
Furniture and fixture	¥ 3
Software	11
Total	¥14

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

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

Short-term bank loans at March 31, 2009 and 2008 consisted of notes to banks and bank overdrafts.

The weighted average annual interest rates for short-term bank loans for the years ended March 31, 2009 and 2008 were 1.29% and 1.36%, respectively.

The weighted average annual interest rates for commercial paper for the year ended March 31, 2009 was 0.7%.

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Loans from banks, due serially to 2014 with interest rates ranging from 1.0% to 2.9% (in 2009) and from 0.9% to 2.9% (in 2008):			
Collateralized	¥ 731	¥ 648	$ 7,448
Unsecured	26,190	18,604	266,619
Total	26,921	19,252	274,067
Less current portion	(3,973)	(2,334)	(40,448)
Long-term debt, less current portion	¥22,948	¥16,918	$233,619

Annual maturities of long-term debt outstanding at March 31, 2009 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 1,243	$ 12,656
2012	18,763	191,013
2013	1,963	19,986
2014	979	9,964
Total	¥22,948	$233,619

The carrying amounts of assets pledged as collateral for long-term debt totaling ¥731 million ($7,448 thousand) at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment-net of accumulated depreciation	¥439	$4,469

7. RETIREMENT AND PENSION PLANS

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

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

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥ 44,122	¥ 43,705	$ 449,173
Fair value of plan assets	(21,607)	(25,669)	(219,963)
Unrecognized transitional obligation	(1,971)	(2,299)	(20,065)
Unrecognized actuarial loss	(14,412)	(9,732)	(146,722)
Unrecognized prior service cost	2,995	3,334	30,493
Prepaid pension cost	2,032	1,612	20,687
Net liability	¥ 11,159	¥ 10,951	$ 113,603

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥1,527	¥ 1,565	$15,543
Interest cost	881	882	8,974
Expected return on plan assets	(124)	(1,123)	(1,255)
Amortization of prior service cost	(338)	(338)	(3,445)
Recognized actuarial loss	1,070	668	10,894
Amortization of transitional obligation	329	329	3,344
Net periodic benefit costs	¥3,345	¥ 1,983	$34,055

Assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate	2.0%-2.5%	2.0%-2.5%
Expected rate of return on plan assets	0.0%-2.0%	2.0%-4.0%
Amortization period of prior service cost	15 years	15 years
Recognition period of actuarial gain/loss	10-15 years	10-15 years
Amortization period of transitional obligation	15 years	15 years

The liabilities for retirement benefits to directors and corporate auditors were ¥218 million ($2,218 thousand) and ¥189 million at March 31, 2009 and 2008, respectively.

8. EQUITY

Since May 1, 2006, Japanese companies have been 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. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The 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 total of 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 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 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.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Net current deferred tax assets—			
Current deferred tax assets:			
Accrued bonuses	¥ 1,211	¥ 1,199	$ 12,328
Enterprise taxes payable	53	47	541
Inventories	38	170	383
Unrealized gains	55	48	560
Social security insurance on accrued bonuses	162	159	1,647
Reserve for product defect compensation	64	162	648
Other	21	22	228
Valuation allowance	(1,268)	(1,469)	(12,913)
Net current deferred tax assets	¥ 336	¥ 338	$ 3,422
Net non-current deferred tax assets:			
Non-current deferred tax assets:			
Liability for retirement benefits	¥ 605	¥ 645	$ 6,159
Tax loss carryforwards	65	92	657
Unrealized gains	636	636	6,478
Other	129	110	1,316
Valuation allowance	(191)	(157)	(1,948)
Total	1,244	1,326	12,662
Non-current deferred tax liabilities—net unrealized gains on available-for-sale securities	1	12	5
Total	1	12	5
Net non-current deferred tax assets	¥ 1,243	¥ 1,314	$ 12,657
Net non-current deferred tax liabilities:			
Non-current deferred tax assets:			
Allowance for doubtful accounts	¥ 588	¥ 112	$ 5,988
Liability for retirement benefits	3,177	3,183	32,338
Tax loss carryforwards	3,365	4,636	34,256
Software	2,915	2,879	29,680
Investment securities	803	854	8,174
Inventories	1,820	1,331	18,523
Property, plant and equipment	181	179	1,844
Other	177	210	1,806
Valuation allowance	(13,026)	(13,384)	(132,609)
Total			
Non-current deferred tax liabilities—net unrealized gains on available-for-sale securities	1,043	2,415	10,620
Total	1,043	2,415	10,620
Net non-current deferred tax liabilities	¥ 1,043	¥ 2,415	$ 10,620

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 is as follows:

	2009	2008
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	2.1	1.3
Change in valuation allowance	(15.1)	(29.1)
Other—net	(3.7)	(3.9)
Actual effective tax rate	24.0%	9.0%

At March 31, 2009, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥8,426 million ($85,773 thousand) which are available to be offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥2,327	$23,689
2011	239	2,431
2013 and thereafter	5,860	59,653
Total	¥8,426	$85,773

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥7,803 million ($79,438 thousand) and ¥8,430 million for the years ended March 31, 2009 and 2008, respectively.

11.SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Provision for doubtful accounts	¥ 1,124	¥ 2	$ 11,445
Salary	7,313	7,417	74,453
Provision for retirement benefits	992	626	10,097
Depreciation	250	243	2,548
Rent	813	857	8,279
Research and development costs	3,586	4,133	36,504
Other	5,044	4,902	51,346
Total	¥19,122	¥18,180	$194,672

12. OTHER INCOME (EXPENSES)—NET

a. Gain on Sales of Property, Plant and Equipment

Gain on sales of property, plant and equipment derives mainly from the sales of unused land in Yokohama City owned by the Company for the purpose of improvement of the balance sheet and expansion of business.

b. Loss on Valuation of Inventories

The Company accounted for loss on valuation of inventories of ¥924 million ($9,407 thousand) having applied ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories" to the inventory at the beginning of the period.

c. Other income (expenses)—net for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Loss on sales of investment securities		¥ (38)	
Loss on valuation of investment securities	¥ (12)	(26)	$ (127)
Equity in earnings of affiliated companies	362	288	3,682
Reversal of allowance for doubtful accounts	14	253	140
Impairment loss*1	(19)	(14)	(192)
Loss on disposal of inventories*2	(429)		(4,363)
Provision of allowance for doubtful accounts*1	(301)		(3,069)
Other loss—net	(147)	(41)	(1,485)
Total	¥(532)	¥422	$(5,414)

Notes: *1 Eclipse Aviation Corporation, one of the customers of the Company, filed for Chapter 11 bankruptcy protection on November 25, 2008, which was converted to Chapter 7 liquidation and approved by the bankruptcy court on March 5, 2009. In this context, the business of Eclipse Aviation Corporation had to be discontinued and the Company reported a provision for allowance for doubtful accounts of ¥301 million ($3,069 thousand), loss on valuation of inventories of ¥410 million ($4,172 thousand), and impairment loss of ¥9 million ($86 thousand).

*2 The Company has implemented the policy that all the goods shipped would be RoHS compliant by September 2008, except for those that could not be compliant due to customers instruction. In accordance with this policy, the Company has disposed non-RoHS-compliant supplies and semi-finished products in its inventory.

13. LEASES

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

Total rental expenses including lease payments for the years ended March 31, 2009 and 2008 were ¥438 million ($4,454 thousand) and ¥502 million, respectively.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2009		2008		2009	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥345	¥4	¥ 410	¥3	$3,517	$42
Due after one year	445	4	696		4,533	39
Total	¥790	¥8	¥1,106	¥3	$8,050	$81

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligation under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

	Millions of Yen							
	2009				2008			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥558	¥879	¥200	¥1,637	¥1,002	¥1,176	¥227	¥2,405
Accumulated depreciation	344	544	131	1,019	654	643	112	1,409
Accumulated impairment loss		13		13		13		13
Net leased property	¥214	¥322	¥ 69	¥ 605	¥ 348	¥ 520	¥115	¥ 983

	Thousands of U.S. Dollars			
	2009			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$5,676	$8,953	$2,032	$16,661
Accumulated depreciation	3,502	5,536	1,330	10,368
Accumulated impairment loss		135		135
Net leased property	$2,174	$3,282	$ 702	$ 6,158

Depreciation expense, interest expense and impairment loss under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Depreciation expense	¥405	¥452	$4,126
Interest expense	24	30	248
Total	¥429	¥482	$4,374
Reversal of allowance for impairment loss on leased property	¥ 3	¥ 3	$ 32

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

14. DERIVATIVES

The Group enters into derivative financial instruments, including foreign currency forward contracts and currency options and currency swaps, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap agreements as a means of managing its interest rate exposures on certain assets and liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Group does not hold or issue derivatives for trading or speculative purposes.

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

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

15. CONTINGENT LIABILITIES

At March 31, 2009 and 2008, guarantees of bank loans amounted to ¥57 million ($579 thousand) and ¥81 million, respectively.

16. RELATED PARTY TRANSACTIONS

Transactions of the Company with Ueda Japan Radio Co., Ltd., an affiliated company, for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Purchases	¥7,237	¥6,519	$73,675

Balances due to the Company with Ueda Japan Radio Co., Ltd., an affiliated company, at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Notes and accounts payables	¥2,587	¥2,322	$26,333

17. SUBSEQUENT EVENT

The following appropriation of retained earnings at March 31, 2009 was approved at the Company's shareholders meeting held on June 26, 2009:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3 ($0.03) per share	¥413	$4,208

18. SEGMENT INFORMATION

The Company operates in the following industries:

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

Information about operations in industry segments, geographical segments and sales to foreign customers of the Company and consolidated subsidiaries for the years ended March 31, 2009 and 2008 is as follows:

(1) Industry Segments

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

(2) Geographical Segments

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

(3) Sales to Foreign Customers

	Millions of Yen				
	2009				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	¥11,411	¥11,924	¥4,884	¥8,531	¥36,750
Consolidated sales					122,870
The ratio of sales to foreign customers	9.3%	9.7%	4.0%	6.9%	29.9%

	Thousands of U.S. Dollars				
	2009				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	$116,169	$121,381	$49,719	$86,849	$374,118
Consolidated sales					1,250,844
The ratio of sales to foreign customers	9.3%	9.7%	4.0%	6.9%	29.9%

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

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

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Japan Radio Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Radio Co., Ltd. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 26, 2009

Member of
Deloitte Touche Tohmatsu

Directory

(as of August 31, 2009)

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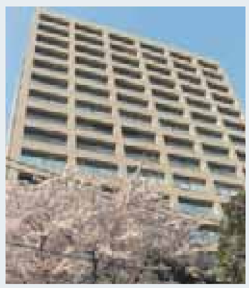
Fax: +81-3-6832-1844
URL (English):
http://www.jrc.co.jp/eng/index.html



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Greece Branch
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Hamburg Office
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Fax: +852-2707-9226

JRC do Brasil Empreendimentos Electronicos Ltda.

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

JRC Tokki Co., Ltd.

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

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

Phone: +81-45-547-8572

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

Employees: 332

JRC Engineering Co., Ltd.

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

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

Phone: +81-422-45-9661

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

Employees: 153

Japan Radio Glass Co., Ltd.

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

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

Phone: +81-49-264-4411

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

Employees: 64

Musashino Electronics Co., Ltd.

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

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

Phone: +81-422-47-6341

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

Employees: 168

Sougou Business Service Co., Ltd.

Business:
Distribution management of electronic equipment

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

Phone : +81-422-40-0471

Employees: 127

Affiliated Companies

Nagano Japan Radio Co., Ltd.

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

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

Phone: +81-26-285-1111

URL: http://www.njrc.jp

Employees: 843(non-consolidated) / 2,432(consolidated)

Ueda Japan Radio Co., Ltd.

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

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

Phone : +81-268-26-2112

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

Employees: 648

JRC Organization

(as of April 1, 2009)

- Executive Directors' Meeting
- Management Committee
- Board of Directors
- President
  - Corporate Internal Auditing
  - Internal Management Promotion Department
  - CSR Promotion Department
  - Corporate Strategy Department
  - Administration
    - General Affairs Department
    - Security Trade Control Group
    - Legal Group
    - Accounting & Financial Department
    - Human Resources Department
  - Research & Development Center
    - Laboratory
    - Development Department
  - Core Technologies
    - Engineering Coordination Department
    - Engineering Property Department
    - Core Engineering Department
    - Mechanical Design Department
    - IT Promotion Department
  - Quality Assurance
    - Quality Assurance Department
    - Quality Assurance Department / Communications Equipment
    - Quality Assurance Department / Solution Business
    - Quality Assurance Department / Marine Electronics
  - Production
    - Production Control Department
    - Procurement Department
    - Production Department
  - Sales & Marketing
    - Business Promotion Department
    - International Business Department
    - Hokkaido Regional Branch
    - Tohoku Regional Branch
    - Hokuriku Branch
    - Chubu Regional Branch
    - Kansai Regional Branch
    - Chugoku Branch
    - Kyushu Regional Branch
    - Seattle Branch
    - Amsterdam Branch
    - Greece Branch
    - Philippines Branch
  - Communications Products Division
    - Business Department
    - Engineering Department
  - Communications Networks Division
    - Business Department
    - Engineering Department
  - Solution Business Division
    - Solution Business Department
    - Communications Solution Department
    - Information Solution Department
    - Applied Radio Systems Engineering Department
    - System Integrations Department
    - Field Engineering Department
  - Marine Electronics Division
    - Marine Electronics Business Department
    - Marine Electronics Engineering Department
    - Marine Service Department
  - Special Equipment Division
    - Special Equipment Sales Department
    - Special Equipment Project Management Department
    - Special Equipment Engineering Department
    - Special Equipment Production Department
    - Special Equipment Quality Assurance Department
- Corporate Management Committee
- Board of Corporate Auditors

Investor Information

(as of March 31, 2009)

Corporate Data

Japan Radio Co., Ltd.

Established:
December, 1915

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

Number of Shares Issued:
137,976,690 shares

Number of Shareholders:
12,044

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

Employees:
2,856

General Meeting of Shareholders:
Convened annually in late June

Board of Directors, Corporate Auditors and Executive Officers

(as of June 26, 2009)

Representative Director and President
Yorihisa Suwa

Representative Director and Senior Managing Executive Officer
Kouichi Okajima

Director and Managing Executive Officer
Mikio Naitoh

Director and Managing Executive Officer
Yoshimasa Gunji

Directors and Executive Officers:
Hironori Sakamoto
Tatsuro Masamura
Kiyohiko Tatebayashi
Takayoshi Tsuchida
Manabu Arai

Directors:
Noboru Matsuda
Takashi Iwashita

Director and Executive Officer
Shuichi Gotoh

Standing Corporate Auditors:
Hideki Takeishi
Yoshio Nakatsuchi
Yuichi Notsu

Corporate Auditor
Masaya Kawata

Executive Officers:
Michiaki Hyodoh
Seiji Kassai
Tamiho Shinya
Kenji Ara
Yasuhiko Hara
Daisaku Yamane
Tomohiro Waki
Syoji Kubota

Major Shareholders

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Industries, Inc.(Note)	46,939	34.01
Japan Trustee Services Bank, Ltd. (Trust Account)	10,384	7.52
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,702	4.85
Mizuho Corporate Bank, Ltd.	5,853	4.24
Mizuho Bank, Ltd.	3,672	2.66
JRC Business Partner Ownership	3,012	2.18
JRC Employee Ownership	2,802	2.03
Mitsubishi Electric Co.	1,850	1.34
Taisei Corporation	1,000	0.72
The Nomura Trust and Banking Co., Ltd.	506	0.36

Note: The name of the company was changed to Nisshinbo Holdings Inc. on April 1, 2009.

Shareholder Type

	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals	Individuals and others	Total
Number of Shareholders	34	49	310	92	11,559	12,044
Number of Shares Held	30,724	1,211	52,727	6,074	46,684	137,420
Percentage of Total Shares Issued	22.36	0.88	38.37	4.42	33.97	100.00

Notes: Trading unit of common stock: 1,000 shares
Odd-Lot Stock: 192,481 shares

JAPAN RADIO CO., LTD. Annual Report 2009

Japan Radio Co., Ltd.

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