Annual Report 2011

For the year ended March 31, 2011




We seek to benefit society through advances in information and communications

JRC Japan Radio Co., Ltd.

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 10 subsidiaries and 2 affiliated companies, principally engaged in the manufacture and sale of radio communications equipment and its related systems. The Group considers its mission to be contributing to the realization of a prosperous society through healthy business activities, and as such offers beneficial products and services that serve the needs of customers, as it develops its business into a name trusted throughout the world.

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.

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.

Japan Radio Co., Ltd. and consolidated subsidiaries

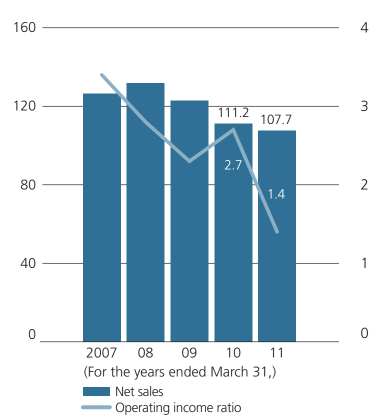
Consolidated Financial Highlights

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31,	2010	2011	2011
Net sales (Note 2):			
Marine electronics equipment business	¥29,279	¥29,593	$355,903
Communications equipment business	19,305	17,333	208,452
Solutions and specialized equipment business	54,539	52,483	631,184
	111,210	107,705	1,295,315
Operating income	3,000	1,551	18,656
Operating income ratio (%)	2.7	1.4	–
Income before income taxes and minority interests	2,708	2,226	26,774
Net income	2,322	1,921	23,107
As of March 31,			
Total assets	117,354	118,613	1,426,500
Total equity	44,360	44,821	539,040
Net equity ratio (%)	37.5	37.5	–
Interest-bearing liabilities	24,868	23,943	287,949
Depreciation	1,578	1,413	16,993
Capital expenditures	774	1,315	15,814
Net income per share (Yen/U.S. dollars)	16.86	13.95	0.17
ROE (%)	5.4	4.3	–
D/E ratio (times)	0.56	0.54	–
Employees	3,760	3,766	–

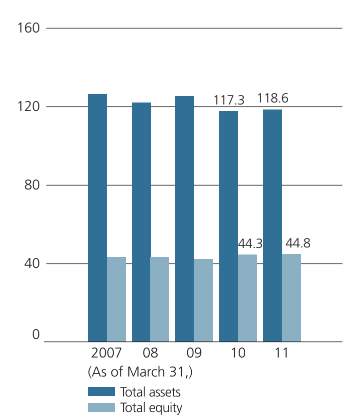
Notes: 1. U.S. dollar amounts are translated, for convenience only, at ¥83.15 = US$1.00, the rate prevailing on March 31, 2011.

2. In addition to the three business segments listed in the table, there is another small segment called “Other.” However, it is omitted here because its ratio to net sales is extremely low.

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



Total assets; Total equity
(¥ billions)



Message from the President

Business Environment and Performance

In FY2010, ended March 31, 2011, the JRC Group posted consolidated net sales of ¥107,705 million ($1,295.3 million), a 3.2% decline compared with the previous year. Operating income fell 48.3%, to ¥1,551 million ($18.6 million), and net income decreased 17.3%, to ¥1,921 million ($23.1 million).

In the period under review, the domestic economy struggled due to the rollback of government economic stimulus measures, in addition to the downturn in sales in all export industries stemming from an appreciating yen. Although there were signs of a recovery in exports to emerging economies in the second half of the year, the Group's operating environment remained challenging due to the high level of unemployment and other factors. The Great East Japan Earthquake, which occurred near the end of the year on March 11, 2011, increased uncertainties surrounding the future outlook for Japan's economy.

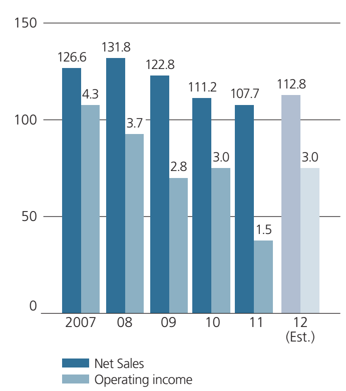
Under these circumstances, the JRC Group worked hard to expand sales. In the Marine Electronics Equipment business segment, sales were up year-on-year owing to growth in the international shipbuilding market. However, Communications Equipment sales declined due to sluggish demand for wireless telecommunications infrastructure equipment. Sales of Solutions and Specialized Equipment also fell, due to decreasing public sector demand and altered delivery schedules as a result of the earthquake.

Impact of the Great East Japan Earthquake

The earthquake caused some damage to the Group's operations in the affected area, although prompt repairs resulted in the early resumption of operations. However, the earthquake's occurrence near the end of the fiscal year affected the Group's performance. For example, the delivery of equipment to government agencies in northeast Honshu, scheduled for late March, was postponed, and the accident at the nuclear power plant stopped some construction work.

Damaged sustained by some suppliers caused disruption to the procurement of certain parts, although supplies have since been restored. The JRC Group has complied with the government's target of a 15% decrease in electricity consumption in response to the shortfall in power supply stemming from the nuclear power plant accident.

Net Sales; Operating income
(¥ billions)



Policies for Fiscal 2011

In FY2011, ending March 2012, we expect continued economic growth among emerging countries, primarily in Asia. At the same time, we predict ongoing increases in crude oil prices and further appreciation of the yen. The outlook for the domestic economy as a whole is increasingly uncertain.

Given this outlook, the JRC Group will strive to increase sales by actively pursuing structural reforms with the aim of putting its businesses back onto a growth trajectory. We will further bolster our profit structure by striving for cost reductions in the areas of design and production, as well as by improving administrative efficiency. We will also boost technological innovation in order to reinforce business activities that contribute to the environment.

Despite the uncertainties surrounding the business climate, in FY2011 we project a 4.7%, or ¥5,095 million, year-on-year increase in consolidated net sales, to ¥112,800 million, and an increase in operating income of around 93%, or ¥1,449 million, to ¥3,000 million.

Basic Policy on Profit Distribution

The distribution of profits to shareholders is one of the Company's top management priorities. Our policy is to pay stable dividends from a long-term perspective, as well as strengthen our performance and financial position.

As a result of an amendment to Japan's Company Law allowing the distribution of surpluses as dividends, the Board of Directors passed a resolution to pay a dividend of ¥5.00 per share for the year ended March 31, 2011. However, in light of the difficulty in accurately predicting the future economic environment, we will forgo the interim dividend in September 2011. We will make a decision on the year-end dividend for the fiscal year ending March 2012 based on our performance going forward.

With regard to the use of internal reserves, our aim is to achieve business growth and enhance corporate value. Accordingly, we intend to appropriate these reserves for capital expenditures, R&D investment, and reinforcement of our financial position.

Change in Shareholding Structure

On March 31, 2011, Nisshinbo Holdings Inc., which had been JRC's major shareholder, raised its stake in JRC from 34.01% to 64.29% by making a tender offer for JRC shares between November 9 and December 21, 2010. As a result, JRC became a consolidated subsidiary of Nisshinbo Holdings. We look forward to working in a cooperative relationship with the Nisshinbo Holdings Group in a variety of fields, including the environment and energy, and to working together to create synergies.

Despite this change in the shareholding structure, it has not imposed any constraints or risks on JRC's businesses. As a publicly traded company, we will retain our independence and continue developing our own management policy, as we have done in the past. We shall do our utmost to increase corporate value and shareholder value for all shareholders, including minority shareholders.

JRC Growth Scenario

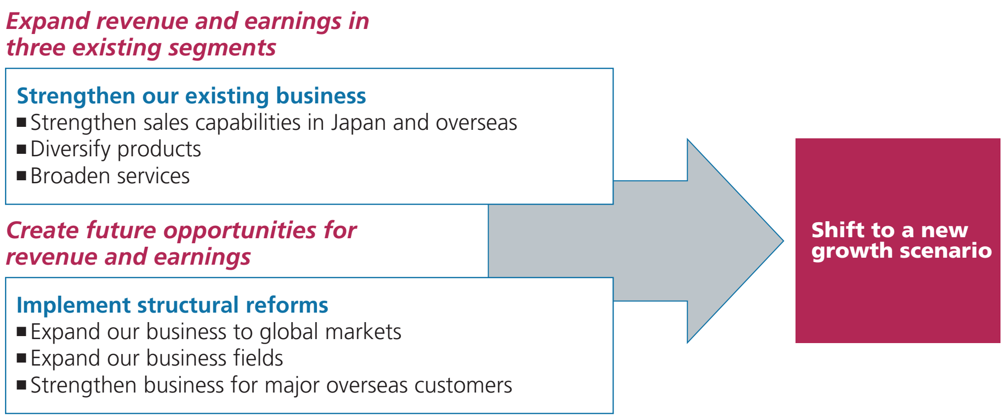
Basic Management Policy

The basic policy of the JRC Group is to contribute to the realization of a prosperous society by pursuing technological developments and making high-quality products underpinned by the Group's leading wireless communications business. Our aim is to become an enterprise that is highly regarded internationally and enjoys ongoing growth through the provision of valued products and services that meet customer needs. To achieve these goals, we will blend quality assurance systems, environmental systems, and risk management systems by focusing on research and development of cutting-edge technologies based on our key wireless communications technologies.

Medium- and Long-Term Strategies

JRC is pursuing strategies outlined in its medium-term business plan, covering the three-year period from April 1, 2010 through March 31, 2012. The aim of the plan is to increase revenue and earnings by implementing structural reforms to accommodate new growth scenarios while improving and strengthening our earnings structure.

Building a new growth scenario for the JRC Group



Strengthening Earnings Structure

The JRC Group's world-renowned technology in the wireless communications area underpins its provision of products and solutions throughout the world. However, we are unable to avoid global price competition. To achieve sustained growth on the global stage, therefore, we must leverage our technical superiority to realize prices that are globally competitive, and also build a robust management base.

JRC recognizes that this requires an earnings structure that takes into account R&D investment targeting future growth, the building of a strong financial position, and making returns to shareholders. In order to generate earnings amid global competition, we will focus on building low-cost systems with the aim of reducing the break-even point for sales volume. We will also work hard to improve the variable cost ratio, raise operating efficiency, and reduce expenses.

Shifting to a New Growth Scenario

To build a new growth scenario for the JRC Group, we will strengthen our sales capabilities, diversify products and services, attract increased orders and revenue, and boost earnings in our three existing business segments. At the same time, we will implement structural reforms to create future opportunities for orders and sales.

The operating environment has undergone huge changes in recent years, including market changes caused by technological innovation and advances, the rise of manufacturers in emerging countries, and the appreciation of the yen. In response, we will strive to increase the share of net sales contributed by our specialty solutions business targeting the domestic public sector. We will also work hard to achieve an equal level of sales by expanding businesses directed at the private sector and expanding our business fields. Furthermore, with the aim of expanding sales in global markets, we will strengthen sales to Asian markets in particular, introduce strategic global products, and strengthen the sales structure for major overseas customers.

Enhancing Shareholder Value

The JRC Group will continue to improve and expand its existing businesses, while expediting business structural reforms. Through such measures, we will strive to increase orders received and sales in new business fields, achieve a sound earnings structure, and build a robust management base.

As a result of these measures and the simultaneous reinforcement of our governance structure, we will target improvements in both corporate value and share value.

July 1, 2011

T. Tsuchida

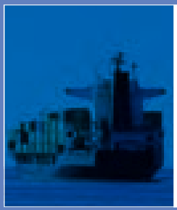
Takayoshi Tsuchida
President

Review of Operations

Focusing on the Wireless Communications Business

Wireless communications technology underpins the JRC Group's three core business segments — Marine Electronics Equipment, Communications Equipment, and Solutions and Specialized Equipment — each of which maintains a strong market share in its respective field. To achieve future growth and advances, we will pursue technical innovations to expand business areas, diversify products and services, and strengthen our global presence.

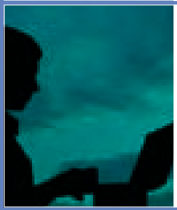
JRC Group business segment



Marine Electronics Equipment

¥ 29.6 billion 27.5%

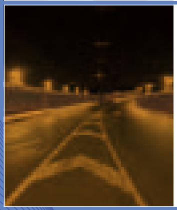
- Inmarsat satellite ship earth stations
- Merchant ship / fishing vessel communications equipment
- Marine radar
- Electronic chart display systems
- Integrated bridge systems
- VHF radiotelephone equipment
- Automatic Identification System (AIS)
- Voyage data recorder (VDR)
- Fishing devices



Communications Equipment

¥ 17.3 billion 16.1%

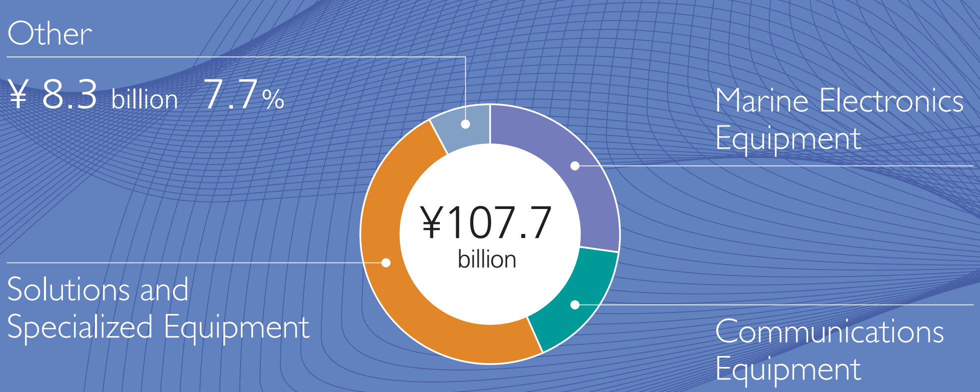
- GPS receivers
- PHS (Personal Handy-Phone System) terminals
- Professional mobile radios
- Linear power amplifiers for cellular base stations
- SAW filters
- Measuring equipment for mobile communications
- Wireless LAN adapters



Solutions and Specialized Equipment

¥ 52.5 billion 48.7%

- 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

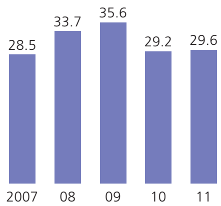


Chart radar compliant with IMO performance standards (JMA-900M)

Electronic chart display and information system (ECDIS)

Business Environment and Performance

In FY2010, ended March 31, 2011, the Marine Electronics Equipment business segment posted a 1.1% year-on-year increase in sales, to ¥29,593 million ($355.9 million), and a 27.2% decline in operating income, to ¥1,035 million ($12.4 million).

Although the global recession that began in the autumn of 2008 also caused a downturn in the shipbuilding market, in the year under review the market for new vessels began to improve. Demand for new commercial vessels in China and South Korea grew, resulting in increased sales of equipment owing to the strong presence of the JRC Group in those markets. Due to the higher than anticipated appreciation of the yen, however, sales edged up just over 1.0%, while operating income declined.

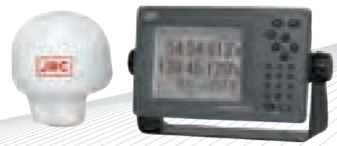
Priority Initiatives

In the year under review, the JRC Group worked hard to increase its market share in equipment for new vessels, while stepping up cost reductions in response to global price competition.

Today, China is said to be the largest shipbuilding market in the world. In April 2011, we established JRC Shanghai Co., Ltd. in order to expand our market share and strengthen sales in equipment for small and medium-sized vessels in both the new-build and retrofit markets. Through this new subsidiary, the JRC Group will boost sales activities and proposals targeting local ship owners and shipbuilding companies, as well as for product packages for smaller shipbuilding yards.

In FY2010, we continued developing sales proposals directed at the large merchant shipbuilding sector. We also formulated sales plans for the retrofit market, which includes small and medium-sized vessels, to increase our share in that market as well. On addition, we introduced strategic products, including a solid-state radar system, new satellite communications system, and new models of wireless communications equipment. As well as boosting efforts directed at the workboat market, we developed and introduced products for the riverboat, offshore vessel, and tugboat markets.

VHF radiotelephone (JHS-770/780)



Differential GPS navigator (JLR7800)

Inmarsat fleet broadband (FBB) terminal (FB500) and receiver

Future Initiatives

In light of various factors, including high crude oil prices, the financial crisis in Europe, and the strong yen, we expect that the Marine Electronics Equipment business will continue facing a challenging environment in the year ahead. Given this outlook, we will leverage our position as a manufacturer of comprehensive marine electronics equipment to increase our shares of the new-build, retrofit, and workboat markets.

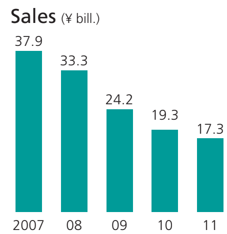
The number of ships in Southeast Asia is comparable to Europe, making it a very important market. The Group will tap into this market by strengthening its sales activities and services, spearheaded by the Singapore Office. By developing equipment designed to meet the needs of each nation, we will establish country-specific sales activities targeting ship owners, shipbuilding yards, and management companies.

The Group will also introduce products for the retrofit market. These include the Electronic Chart Display and Information System (ECDIS), which will soon be compulsory to ensure navigational safety, an expanded lineup of equipment for small and medium-sized vessels, small radar systems, small display systems, and Inmarsat FBB (fleet broadband).

As a manufacturer with expertise in a wide range of maritime electronic equipment used in all sorts of vessels, the Group will continue making a valuable contribution to navigational safety and the advancement of communications equipment.

Through the aforementioned measures aimed at boosting sales, in FY2011, ending March 2012, we project a 5.0% year-on-year increase in sales of the Marine Electronics Equipment segment, to ¥31,000 million, and an 8.6% rise in operating income, to ¥1,130 million.

Communications Equipment Business



PHS handset (WX330J)

Electronic toll collection (ETC) system for motorcycles

Business Environment and Performance

In FY2010, the Communications Equipment segment recorded a 10.2% decline in sales, to ¥17,333 million ($208.5 million). Although the segment posted an operating loss of ¥1,515 million ($18.2 million), this was an improvement over the previous year. While sales of PHS handsets and GPS modules grew, these increases were far outweighed by the decrease in sales of electronic toll collection (ETC) systems for motorcycles and communications infrastructure-related equipment.

Priority Initiatives

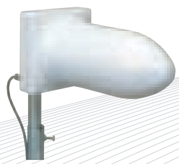
In the year under review, we focused on the three priority areas of intelligent transport systems (ITS), commercial-use radio, and communication infrastructure. We also strove to develop products in two other areas slated for future growth—communications modules and GPS modules for applications other than car navigation.

In the priority area of ITS, we worked to develop dedicated short-range communication (DSRC) units for vehicles and a new type of GPS device. In the field of commercial-use radio, we focused on developing a standard unit for overseas markets earmarked for significant growth. We developed and commenced shipments of digital optical transmission devices for the domestic market, and developed and began marketing optical remote radio heads (RRHs) aimed at base station vendors in overseas market.

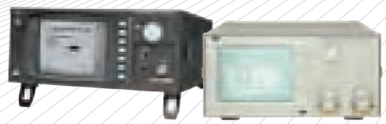
In the two aforementioned growth areas, we sought to create a full line-up of communications modules and GPS modules for applications other than car navigation. To this end, we developed strategic products that are globally competitive.

Professional mobile radio

WiMAX base station



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



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

We also took steps to convert the Group's basic business model from conventional equipment sales to a problem-solving type of business. Specifically, this entails building a technical advice and support structure for major customers. In order to strengthen our relationship with these customers, we are pursuing a joint-development model using field application engineers, which includes participating in customers' product development systems.

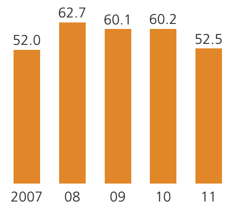
Future Initiatives

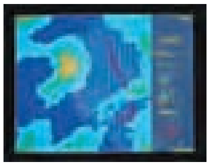
Going forward, the JRC Group will continue reinforcing product development centered on the three priority areas and the two growth areas. In the ITS field, we will work to establish mass production of DSRC equipment and new models of GPS devices. In commercial-use radio, we will cultivate new customers in the domestic railway and transportation sectors, and extend our product lineup targeting overseas markets. In the communications infrastructure area, for the domestic market we will develop communications infrastructure for use in tunnels, such as for the subway networks in Japan's large metropolitan areas. For overseas markets, we will develop commercial-use RRH equipment compatible with the Long Term Evolution (LTE) standard, and we plan to release a fixed wireless access (FWA) device for backhaul systems. We will also develop a system with smaller cells that can be used in blind zones.

In the growth area of communications modules, the Group will target sales expansion through a one-stop wireless solutions business that draws on the expertise of field application engineers. Products will include wireless LAN modules compatible with authentication required by overseas markets, a WiMAX module capable of withstanding harsh environments, and other products that combine several modules. We will develop new applications and markets for GPS devices for applications other than car navigation systems, including for use in digital cameras, data terminals, as well as an in-vehicle drive recorder.

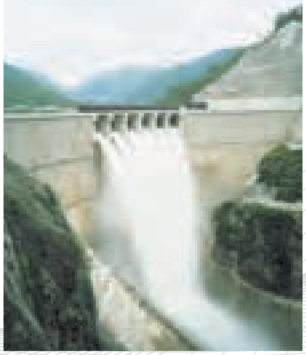
In FY2011, we forecast ¥19,700 million in segment sales, an increase of ¥2,400 million. In other words, we expect segment sales to recovery to the level recorded in FY2009.

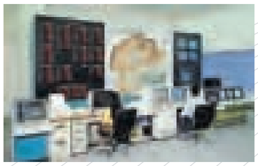
Solutions and Specialized Equipment Business





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





Integrated dam management system

Business Environment and Performance

In the year under review, sales in the Solutions and Specialized Equipment segment totaled ¥52,483 million ($631.2 million), down 3.8% from the previous year. Operating income fell 37.2%, to ¥2,103 million ($25.3 million).

Revenue was boosted by higher replacement demand for wireless disaster-prevention systems and other equipment from prefectures and municipalities in Japan. By contrast, a fall in demand from government agencies resulted in lower sales of water and river management systems, aviation systems, and meteorological systems. Overall sales in Japan declined due to the completion of installation of infrastructure equipment for terrestrial digital broadcast television.

Priority Initiatives

In FY2010, the JRC Group worked hard to increase orders and sales by targeting replacement demand among local government authorities for prefectural and municipal wireless disaster-prevention systems—a specialty of this business segment. We also focused on developing lower-cost systems in response to government budget cuts.

Seeking to tap new demand to compensate for the fall in public sector demand, we worked hard to develop new businesses targeting the private sector. For example, we expanded our business centering on high voltage direct current (FRESH HVDC) power supply systems for data centers. In addition, we developed and launched equipment used in these systems, which have been received well by the market.

Live broadcast equipment and TTL equipment for the broadcasting industry

Transportable earth station

During the year, we reinforced our solutions business for overseas markets. We also boosted sales activities for the vessel traffic management system (VTMS) business targeting the Asian region, which makes use of JRC's solid-state radar system.

Future Initiatives

In the Group's domestic public sector business, there are concerns that government budget cuts will lead to further decreases in the number of projects and cost amounts. Nevertheless, there has been an increase in awareness about disaster prevention and in demand for disaster-prevention measures. Going forward, we expect growth in demand for public disaster-prevention radio systems, which are entering the replacement phase, as well as for more sophisticated and more accurate Doppler meteorological radar systems to enable detection of abnormal weather patterns as early as possible. The Group will seek to attract higher orders by actively developing its solutions business, which draws on its specialist expertise in wireless communications technology.

For private sector customers, we will establish mass production and commence supply of our HVDC power supply systems to data centers. We will also hold trials of our sensor network system and our "1-seg" independent broadcast system, with the aim of expanding our customer base to encompass private corporations. In these activities, we will target our sales activities at customers in the environmental, agricultural, security, service, and medical sectors.

In addition to official development assistance (ODA) projects, we will strengthen our own initiatives directed at overseas governments. Using the Group's Technology Center in the Philippines as a base, we have recently responded to a number of natural disasters that have occurred in Southeast Asia through the aggressive development of various infrastructure development businesses. These include water and river management systems, disaster-prevention information systems, meteorological information systems, earthquake and tsunami information reception systems, and volcano monitoring systems. We will strive to expand orders for our wide range of systems, including VTMS-related equipment, by strengthening collaboration with overseas partner companies and utilizing solid-state radar to differentiate our products.

As a result of the aforementioned initiatives, in FY2011 we project a ¥1,600 million year-on-year increase in segment sales, to ¥54,100 million.

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

A road traffic information system and a radio re-broadcast system for tunnel interiors

JRC Governance Systems

Basic Policy

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

Corporate Governance Overview

The strength of our corporate governance lies in the management, administration, operations, production, technology and quality assurance supervision of directors, a function that we continually strive to enhance. Furthermore, we established a Board of Corporate Auditors staffed by corporate auditors who provide oversight in accordance with auditing policy and plans with regard to the execution of job duties of directors and executive directors.

Furthermore, to heighten management transparency and health, several external directors have been appointed and a clear division has been made between management supervision and operational execution functions. In an attempt to accelerate the decision-making process, we have introduced an executive officer system.

Internal Auditing, Audits Performed by Corporate Auditors and Accounting Audits

*** Internal Audits**

We established the Corporate Internal Auditing Department, which consists of three auditing staff who conduct internal audits, is independent from business divisions and reports directly to the president. Internal auditing is conducted to oversee the soundness of assets, financial reporting and risk management.

In addition, to ensure the reliability of financial reporting, the president appoints internal auditors other than those connected to the Corporate Internal Auditing Department. Furthermore, the Quality Assurance Department conducts audits related to product quality and the environment.

*** Audits Performed by Corporate Auditors**

In addition to monitoring the performance of directors and executives officers, corporate auditors attend Board of Directors, Executive Director Association, and Management Strategy Conference meetings. Also, the Board of Corporate Auditors determine auditing planning and policy, with internal auditing staff reporting on the monitoring status.

*** Accounting Audits**

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

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

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

External Directors and Corporate Auditors

We have two external directors: Noboru Matsuda (an attorney) and Takashi Iwashita (Director and Chairman of Nisshinbo Industries, Inc., one of JRC's largest shareholders). We also have two external auditors: Kazunori Baba (Executive Officer of Nisshinbo Holdings Inc.) and Yoshio Nakatsuchi (a JRC shareholder originally employed at Dai-Ichi Kangyo Bank, formerly one of JRC's main banks).

At the conclusion of our regular shareholders' meeting held on June 28, 2011, Yoshio Nakatsuchi stepped down as external director, and was replaced by Tsutomu Suzuki (Corporate Auditor at Mizuho Asset Management Co., Ltd.).

Environmental Initiatives

The JRC Group places high priority on protecting the environment in the context of fulfilling its corporate social responsibilities.

We devise and implement environmental plans on an annual basis according to our fundamental environmental policies. We are currently focusing on minimizing the impact of our products and manufacturing processes on the environment, and this has become one of our major research and development themes.

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

1. Expansion of environmentally conscious products

a. To raise the application rate of environmentally conscious products (products in compliance to the Type II-1101 environmental label) to 100% by 2013 in regard to such products newly and independently designed.

b. To promote compliance with the REACH Regulation*.

c. To continuously promote compliance with the ErP Directive**.

2. Promotion of green procurement

a. To raise the application rate of green procurement to 90% or higher by 2013 about all materials, parts, equipment and products to be shipped.

b. To perform thorough control for chemicals contained in products from subcontracting partners overseas.

3. Promotion of measures against global warming

To reduce company-wide energy consumption (carbon dioxide equivalent emission of electric power, town gas and heavy oil etc.) by 6.2% from the 2009 figure (11,279 tons of carbon dioxide equivalent) by 2014.

4. Promotion of Three Rs

To maintain Zero Emission***.

5. Compliance with environmental laws and other social requirements

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

Notes:

* REACH Regulation: Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals

** ErP Directive: Directive to establish a framework for the setting of ecodesign requirements for energy-related products

***Zero Emission: waste recycling rate of 99.0% or higher (total rate of Mitaka and Saitama Plants)

Developing Products that Contribute to the Environment

In response to the advanced needs for next-generation data centers in the evolving era of cloud computing, we developed a highly energy-efficient, environmentally friendly, high-voltage direct current (FRESH HVDC) power supply system. Our investment to develop this system — which is highly reliable, reduces energy consumption by 30%, and requires 45% less space than conventional systems — is only half the amount traditionally required.

Risk Factors

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

(1) Tendency toward the second half of each fiscal year

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

(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 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

Due to various circumstances, such as changing economic conditions and the advent of natural disasters, the JRC Group could potentially face difficulty in procuring parts. For example, sharp economic growth in certain regions and a surge in the popularity of certain products, as well as major natural disasters or power outages, 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 profitability.

(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.

(8) Natural disasters

The JRC Group takes various measures to minimize the potential negative impact of earthquakes, fires, power outages, wind and water damage, outbreak of infectious diseases, and other disasters. These include regular inspections of equipment, disaster-prevention exercises, and steps to address disease outbreaks. However, these measures cannot guarantee that problems will be completely prevented, or even alleviated. In the event of a major earthquake or other disaster or accident that impedes business continuity, the Group's performance could be affected.

Japan Radio Co., Ltd. and consolidated subsidiaries

Financial Statements

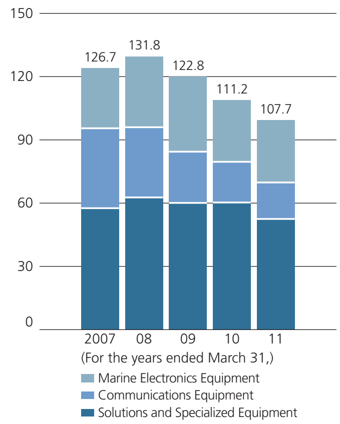
Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars (Note)
For the years ended March 31,	2007	2008	2009	2010	2011	2011
Net sales	¥126,667	¥131,829	¥122,870	¥111,210	¥107,705	$1,295,315
Operating income	4,318	3,724	2,865	3,000	1,551	18,656
Operating income ratio (%)	3.4	2.8	2.3	2.7	1.4	–
Income before income taxes and minority interests	4,743	3,707	1,913	2,708	2,226	26,774
Net income	4,338	3,377	1,484	2,322	1,921	23,107
As of March 31,						
Total assets	125,699	121,503	125,380	117,354	118,613	1,426,500
Total equity	42,756	43,127	41,811	44,360	44,821	539,040
Capital adequacy ratio (%)	33.7	35.2	33.1	37.5	37.5	–
Interest-bearing liabilities	21,067	21,342	32,899	24,868	23,943	287,949
Depreciation	1,652	1,833	1,772	1,578	1,413	16,993
Capital expenditures	1,354	1,519	1,480	774	1,315	15,814
Net income per share (Yen/U.S. dollars)	31.47	24.50	10.77	16.86	13.95	0.17
ROE (%)	10.8	7.9	3.5	5.4	4.3	–
D/E ratio (times)	0.50	0.50	0.79	0.56	0.54	–
Employees	3,731	3,751	3,770	3,760	3,766	–

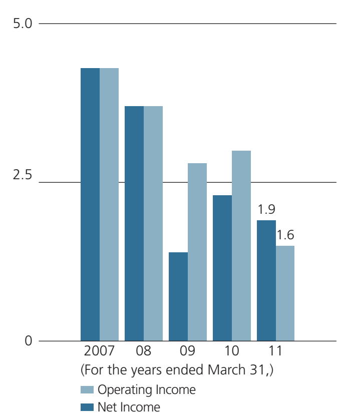
Note: U.S. dollar amounts are translated, for convenience only, at ¥83.15= US$1.00, the rate prevailing on March 31, 2011.

Consolidated Financial Review

Consolidated Net Sales
(¥ billions)



Operating Income; Net Income
(¥ billions)



Revenue and Earnings

In the FY2010, ended March 31, 2011, the JRC Group reported consolidated net sales of ¥107,705 million ($1,295.3 million), down 3.2%, or ¥3,505 million, from the previous year. Despite a year-on-year increase in sales of the Marine Electronics Equipment business segment owing to growth in the new-vessel sector of the commercial shipbuilding industry, revenues were down in our other two business segments. In the Solutions and Specialized Equipment segment, for example, sales of water and river management systems, aviation systems, and meteorological systems declined due to falling demand from government agencies. Meanwhile, the Communications Equipment segment posted lower sales due to weak demand for electronic toll collection (ETC) systems for motorcycles and communications infrastructure-related equipment.

Due primarily to the fall in revenue, operating income declined 48.3%, or ¥1,449 million, to ¥1,551 million ($18.6 million). In the period under review, the Group posted a significant year-on-year increase in gain on sale of investment securities (other income). However, we also reported other expenses, including a foreign exchange loss—net, a loss on sale of investment securities, a loss on adjustment for changes in accounting standard for asset retirement obligations, and a loss on natural disaster. Accordingly, we were unable to avoid a year-on-year decline in net income, which was down 17.3%, or ¥401 million, to ¥1,921 million ($23.1 million).

Performance by Segment

The JRC Group's operations are classified into three business segments based on wireless communications devices: Marine Electronics Equipment, Communications Equipment, and Solutions and Specialized Equipment.

For the year, the Marine Electronics Equipment segmented reported a 1.0% year-on-year increase in sales, to ¥29,593 million ($355.9 million), and operating income of ¥1,035 million ($12.4 million). The Communications Equipment segmented posted a 10.2% decline in sales, to ¥17,333 million ($208.4 million), and an operation loss of ¥1,515 million ($18.2 million). The Solutions and Specialized Equipment segment recorded a 3.7% decrease in sales, to ¥52,483 million ($631.1 million), and operating income of ¥2,103 million ($25.2 million).

	Millions of yen				
Year ended March 31, 2011	Marine Electronics Equipment	Communications Equipment	Solutions and Specialized Equipment	Other (including re-considerations)	Total
Sales	¥29,593	¥17,333	¥52,483	¥8,296	¥107,705
Segment profits (loss)	1,035	(1,515)	2,103	(72)	1,551
Year ended March 31, 2010					
Sales	29,279	19,305	54,539	8,087	111,210
Segment profits (loss)	1,422	(1,800)	3,348	30	3,000
Year ended March 31, 2011	Thousands of U.S. dollars				
Sales	$355,903	$208,452	$631,184	$99,776	$1,295,315
Segment profits (loss)	12,450	(18,222)	25,290	(862)	18,656

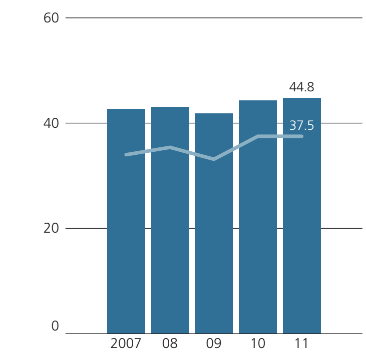
Financial Position

At fiscal year-end, the Group had consolidated total assets of ¥118,613 million ($1,426.5 million), up 1.0%, or ¥1,259 million, from a year earlier. This increase stemmed mainly from a ¥14,497 million year-on-year rise in marketable securities and a ¥1,771 million increase in goods in progress. By contrast, there was a ¥9,268 million decline in cash and cash equivalents, a ¥2,598 million fall in notes and accounts receivable, and a ¥2,556 million decrease in the balance of investment securities due to sales of such securities.

Total liabilities rose 1.0%, or ¥798 million, to ¥73,792 million ($887.5 million). This was due mainly to a ¥2,468 million increase in notes and accounts payable, which contrasted with a ¥923 million decline in long-term debt and other interest-bearing liabilities.

Equity edged up ¥460 million, to ¥44,821 million ($539.0 million). This stemmed primarily from a ¥1,508 million rise in retained earnings, which contrasted with a ¥1,056 million decrease in net unrealized gain on available-for-sale securities. As a result, the equity ratio at fiscal year-end remained unchanged, at 37.5%.

Total Equity; Net Equity Ratio
(¥ billions and %)



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

Cash Flows

Consolidated cash and cash equivalents at fiscal year-end totaled ¥23,059 million ($277.3 million), up 29.1%, or ¥5,198 million, from a year earlier. This was mainly due ¥5,197 million in net cash provided by operating activities and ¥1,561 million in net cash provided by investing activities, which outweighed ¥1,392 million in net cash used in financing activities.

Cash Flows from Operating Activities

For the year, net cash provided by operating activities amounted to ¥5,197 million, compared with ¥10,328 million in the previous year. Factors contributing to cash flows included ¥2,226 million in income before income taxes (down 17.7% year-on-year), a ¥2,593 million decrease in notes and accounts receivable, and a ¥2,476 million increase in notes and accounts payable. These contrasted with a ¥1,449 million increase in inventories.

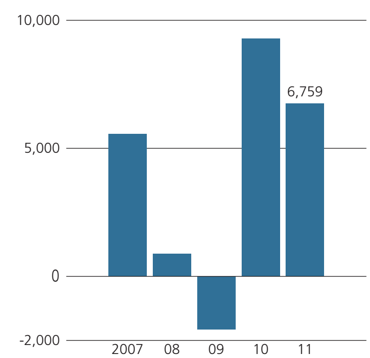
Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥1,561 million, compared with ¥1,038 million in net cash used in investment activities in the previous fiscal year. This stemmed mainly from ¥2,460 million in proceeds from sale of investment securities, which contrasted with ¥722 million in purchase of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥1,392 million, compared with ¥8,466 in the previous fiscal year. Main factors included ¥1,243 million in repayments of long-term debt and ¥412 million in cash dividends.

Free Cash Flow
(¥ millions)



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

Japan Radio Co., Ltd. and consolidated subsidiaries

Consolidated Balance Sheets

March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 17)	¥23,059	¥ 17,860	$ 277,319
Short-term investments (Notes 4 and 17)	562	533	6,764
Receivables (Notes 3 and 17):			
Trade notes	2,816	3,832	33,868
Trade accounts	43,030	44,295	517,497
Unconsolidated subsidiaries and affiliated companies	271	516	3,262
Other	258	490	3,108
Allowance for doubtful accounts	(207)	(224)	(2,489)
Inventories (Note 5)	24,632	23,199	296,235
Deferred tax assets (Note 11)	320	290	3,845
Prepaid expenses and other	1,177	1,015	14,143
Total current assets	95,918	91,806	1,153,552
Property, Plant and Equipment (Notes 6 And 7):			
Land	1,964	1,914	23,624
Buildings and structures	26,095	25,525	313,832
Machinery and equipment	9,229	9,331	110,994
Furniture and fixtures	16,868	16,871	202,862
Lease assets	218	210	2,619
Construction in progress	33	4	397
Total	54,407	53,855	654,328
Accumulated depreciation	(44,983)	(44,141)	(540,989)
Net property, plant and equipment	9,424	9,714	113,339
Investments and Other Assets:			
Investment securities (Notes 4 and 17)	6,264	9,059	75,341
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 17)	2,231	1,964	26,834
Deferred tax assets (Note 11)	1,262	1,264	15,173
Other assets (Note 6)	5,089	5,158	61,205
Allowance for doubtful accounts	(1,575)	(1,611)	(18,944)
Total investments and other assets	13,271	15,834	159,609
TOTAL	¥118,613	¥117,354	$1,426,500

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
LIABILITIES AND EQUITY			
Current Liabilities:			
Short-term bank loans (Notes 7 and 17)	¥ 1,770	¥ 1,450	$ 21,287
Current portion of long-term debt (Notes 7 and 17)	18,763	1,243	225,655
Payables (Note 17):			
Trade notes	843	814	10,143
Trade accounts	22,033	20,731	264,982
Unconsolidated subsidiaries and affiliated companies (Note 20)	4,187	3,050	50,351
Other	620	415	7,462
Income taxes payable	257	297	3,086
Accrued expenses	2,122	2,369	25,525
Advances received	2,242	1,944	26,962
Lease obligations (Note 16)	65	50	783
Other	3,498	4,559	42,058
Total current liabilities	56,400	36,922	678,294
Long-Term Liabilities:			
Long-term debt (Notes 7 and 17)	2,942	21,705	35,382
Liability for retirement benefits (Note 8)	12,340	11,916	148,412
Deferred tax liabilities (Note 11)	721	1,450	8,673
Lease obligations (Note 16)	163	154	1,958
Provision for environmental measures	231	234	2,774
Asset retirement obligations (Note 9)	353		4,242
Other	642	613	7,725
Total long-term liabilities	17,392	36,072	209,166
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16 and 19)			
EQUITY (Notes 10 and 21):			
Common stock—authorized, 216,000,000 shares; issued, 137,976,690 shares in 2011 and 2010	14,704	14,704	176,841
Capital surplus	16,505	16,505	198,492
Retained earnings	12,248	10,740	147,299
Treasury stock—at cost, 216,826 shares in 2011 and 203,724 shares in 2010	(69)	(66)	(828)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,084	2,140	13,034
Foreign currency translation adjustments	(10)	2	(123)
Total	44,462	44,025	534,715
Minority interests	359	335	4,325
Total equity	44,821	44,360	539,040
TOTAL	¥118,613	¥117,354	$1,426,500

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	**2011**
NET SALES	**¥107,705**	¥111,210	**$1,295,315**
COST OF SALES (Notes 12 and 20)	**89,568**	91,727	**1,077,190**
Gross profit	**18,137**	19,483	**218,125**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**16,586**	16,483	**199,469**
Operating income	**1,551**	3,000	**18,656**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**212**	208	**2,555**
Interest expense	**(426)**	(451)	**(5,125)**
Foreign exchange loss—net	**(435)**	(42)	**(5,235)**
Gain on sales of investment securities	**1,964**	164	**23,616**
Equity in earnings of affiliated companies	**248**	208	**2,981**
Loss on sales of investment securities	**(236)**	(13)	**(2,833)**
Loss on adjustment for changes in accounting standard for asset retirement obligations	**(369)**		**(4,437)**
Losses from a natural disaster (Note 14.a)	**(146)**		**(1,759)**
Other—net (Note 14.b)	**(137)**	(366)	**(1,645)**
Other income (expenses)—net	**675**	(292)	**8,118**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**2,226**	2,708	**26,774**
INCOME TAXES (Note 11):			
Current	**310**	367	**3,727**
Deferred	**(32)**	12	**(386)**
Total income taxes	**278**	379	**3,341**
NET INCOME BEFORE MINORITY INTERESTS	**1,948**	2,329	**23,433**
MINORITY INTERESTS IN NET INCOME	**27**	7	**326**
NET INCOME	**¥ 1,921**	¥ 2,322	**$ 23,107**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.t and 21.a):			
Basic net income	**¥ 13.95**	¥ 16.86	**$ 0.17**
Cash dividends applicable to the year	**5.00**	3.00	**0.06**

See notes to consolidated financial statements.

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
NET INCOME BEFORE MINORITY INTERESTS	¥ 1,948	$ 23,433
OTHER COMPREHENSIVE LOSS (Note 15):		
Unrealized loss on available-for-sale securities	(1,054)	(12,676)
Foreign currency translation adjustments	(12)	(147)
Share of other comprehensive income in associates	(3)	(33)
Total other comprehensive loss	(1,069)	(12,856)
COMPREHENSIVE INCOME	¥ 879	$ 10,577
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 15):		
Owners of the parent	¥ 852	$ 10,253
Minority interests	27	324

See notes to consolidated financial statements.

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended March 31, 2011 and 2010

	Thousands	Millions of Yen								
						Accumulated Other Comprehensive Income				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	137,784	¥14,704	¥16,505	¥8,831	¥(64)	¥1,511	¥(6)	¥41,481	¥330	¥41,811
Net income				2,322				2,322		2,322
Cash dividends, ¥3 per share				(413)				(413)		(413)
Purchase of treasury stock	(11)				(2)			(2)		(2)
Net change in the year						629	8	637	5	642
BALANCE, MARCH 31, 2010	137,773	14,704	16,505	10,740	(66)	2,140	2	44,025	335	44,360
Net income				1,921				1,921		1,921
Cash dividends, ¥3 per share				(413)				(413)		(413)
Purchase of treasury stock	(13)				(3)			(3)		(3)
Net change in the year						(1,056)	(12)	(1,068)	24	(1,044)
BALANCE, MARCH 31, 2011	137,760	¥14,704	¥16,505	¥12,248	¥(69)	¥1,084	¥(10)	¥44,462	¥359	¥44,821

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	$176,841	$198,492	$129,163	$(791)	$25,740	$24	$529,469	$4,027	$533,496
Net income			23,107				23,107		23,107
Cash dividends, $0.03 per share			(4,971)				(4,971)		(4,971)
Purchase of treasury stock				(37)			(37)		(37)
Net change in the year					(12,706)	(147)	(12,853)	298	(12,555)
BALANCE, MARCH 31, 2011	$176,841	$198,492	$147,299	$(828)	$13,034	$(123)	$534,715	$4,325	$539,040

See notes to consolidated financial statements.

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 2,226	¥ 2,708	$ 26,774
Adjustments for:			
Income taxes—paid	(353)	(365)	(4,251)
Depreciation and amortization	1,413	1,579	16,994
Impairment loss	61	2	738
Gain on sales of investment securities	(1,728)	(151)	(20,783)
Equity in earnings of affiliated companies	(248)	(208)	(2,981)
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	2,594	1,744	31,196
(Increase) decrease in inventories	(1,449)	9,281	(17,429)
Decrease in interest and dividends receivable	28	28	340
Increase (decrease) in notes and accounts payable	2,477	(4,433)	29,786
Decrease in interest payable	(2)	(9)	(29)
Increase (decrease) in liability for retirement benefits	520	(5)	6,249
(Decrease) increase in allowance for doubtful receivables	(49)	7	(583)
Other—net	(293)	150	(3,519)
Total adjustments	2,971	7,620	35,728
Net cash provided by operating activities	5,197	10,328	62,502
INVESTING ACTIVITIES:			
Purchase of short-term investments	(112)	(200)	(1,352)
Proceeds from sale of short-term investment	80		962
Purchase of property, plant and equipment	(722)	(925)	(8,683)
Proceeds from sale of investment securities	2,461	176	29,596
Purchase of investment securities	(18)	(10)	(217)
Other—net	(127)	(79)	(1,525)
Net cash provided by (used in) investing activities	1,562	(1,038)	18,781
FINANCING ACTIVITIES:			
Net change in short-term bank loans	320	(50)	3,849
Net change in commercial paper		(4,000)	
Repayments of long-term debt	(1,243)	(3,973)	(14,951)
Cash dividends	(414)	(414)	(4,985)
Other—net	(55)	(29)	(657)
Net cash used in financing activities	(1,392)	(8,466)	(16,744)
	5,367	824	64,539
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(168)	(34)	(2,015)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,199	790	62,524
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	17,860	17,070	214,795
CASH AND CASH EQUIVALENTS, END OF YEAR	¥23,059	¥17,860	$277,319

See notes to consolidated financial statements..

Notes to Consolidated Financial Statements

Years Ended March 31, 2011 and 2010

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.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 15. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 consolidated financial statements to conform to the classifications used in 2011.

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 ¥83.15 to $1, the approximate rate of exchange at March 31, 2011. 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, 2011 include the accounts of the Company and its 8 (8 in 2010) 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 unconsolidated subsidiaries (3 in 2010) and 2 affiliated companies (2 in 2010) are accounted for by the equity method.

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

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

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

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

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

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

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

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 at 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, but effective June 28, 2007, terminated this 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. Provision for Environmental Measures—The provision for environmental measures is estimated and recorded to provide for future potential costs, such as costs related to disposal of PCB based on related legal requirements.

k. Asset Retirement Obligations—In March 2008, the Accounting Standards Board of Japan (the “ASBJ”) published the 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 was effective for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥3 million ($35 thousand) and income before income taxes and minority interests by ¥372 million ($4,472 thousand).

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

m. 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.

n. 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.

Under the previous accounting standard, finance leases deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised 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 Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

o. Construction Contracts—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage of completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and was effective for fiscal years beginning on or after April 1, 2009. The Company applied the accounting standard effective April 1, 2009.

p. 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.

q. 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.

r. 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" under accumulated other comprehensive income in a separate component of equity.

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

s. 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 or losses are recognized in income. Trade payables and trade receivables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

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

t. 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 due to no securities with a dilutive effect.

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.

u. New Accounting Pronouncements

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

(1) Changes in accounting policies

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentations

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

(3) Changes in accounting estimates

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

(4) Corrections of prior period errors

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

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. CONSTRUCTION CONTRACTS

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage of completion method at March 31, 2011 and 2010, net of amounts settled, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Costs and estimated earnings	¥3,350	¥3,632	$40,291
Amounts settled	(2,019)	(2,880)	(24,287)
Net	¥1,331	¥752	$16,004

4. SHORT TERM INVESTMENTS AND INVESTMENT SECURITIES

Short term investments and investment securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Short-term investments:			
Time deposits	¥402	¥370	$4,840
Debt securities		3	
Government and corporate bonds	160	160	1,924
Total	¥562	¥533	$6,764
Investment securities:			
Equity securities	¥6,062	¥8,638	$72,906
Debt securities	14	190	168
Other	188	231	2,267
Total	¥6,264	¥9,059	$75,341

The carrying amounts and aggregate fair values of short-term investments and investment securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥3,921	¥2,058	¥240	¥5,739
Debt securities	14			14
Other	305			305
March 31, 2010				
Securities classified as available-for-sale:				
Equity securities	¥4,651	¥3,977	¥331	¥8,297
Debt securities	209		17	192
Other	343		33	310

March 31, 2011	Thousands of U.S. Dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$47,161	$24,754	$2,896	$69,019
Debt securities	168			168
Other	3,668	1		3,669

Available for sale securities whose fair value is not readily determinable as of March 31, 2011 and 2010 were as follows:

	Carrying Amount: Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Available-for-sale:			
Equity securities	¥323	¥342	$3,887
Other	43	81	522
Total	¥366	¥423	$4,409

Proceeds from sales of available for sale securities for the years ended March 31, 2011 and 2010 were ¥2,461 million ($29,596 thousand) and ¥176 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥1,964 million ($23,616 thousand) and ¥236 million ($2,833 thousand), respectively, for the year ended March 31, 2011 and ¥164 million and ¥13 million, respectively, for the year ended March 31, 2010.

5. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Finished products, semi-finished products and merchandise	¥ 6,212	¥ 6,547	$ 74,711
Work in process	15,092	13,320	181,496
Raw materials and supplies	3,328	3,332	40,028
Total	¥24,632	¥23,199	$296,235

6. LONG LIVED ASSETS

The Group reviewed its long lived assets for impairment as of March 31, 2011 and 2010, and recognized impairment losses, as follows:

Year Ended March 31, 2011

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

	Millions of Yen	Thousands of U.S. Dollars
Type—Furniture and fixture	¥2	$23

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

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥ 6	$ 78
Furniture and fixture	49	590
Software	4	44
Other		3
Total	¥59	$715

Year Ended March 31, 2010

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

	Millions of Yen
Type—Software	¥2
Total	¥2

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

7. SHORT TERM BANK LOANS AND LONG TERM DEBT

Short term bank loans at March 31, 2011 and 2010 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, 2011 and 2010 were 1.33% and 1.33%, respectively.

Long term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans from banks, due serially to 2014 with interest rates ranging from 1.2% to 2.9% (in 2011) and from 1.0% to 2.9% (in 2010):			
Collateralized	¥ 405	¥ 568	$ 4,873
Unsecured	21,300	22,380	256,164
Total	21,705	22,948	261,037
Less current portion	(18,763)	(1,243)	(225,655)
Long-term debt, less current portion	¥ 2,942	¥21,705	$ 35,382

Annual maturities of long term debt outstanding at March 31, 2011 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥18,763	$225,655
2013	1,963	23,610
2014	979	11,772
Total	¥21,705	$261,037

The carrying amounts of assets pledged as collateral for long term debt totaling ¥405 million ($4,873 thousand) at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment— net of accumulated depreciation	¥386	$4,648

8. 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, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ 43,523	¥ 44,118	$ 523,422
Fair value of plan assets	(24,287)	(24,748)	(292,083)
Unrecognized transitional obligation	(1,314)	(1,643)	(15,803)
Unrecognized actuarial loss	(10,416)	(11,234)	(125,263)
Unrecognized prior service cost	2,230	2,617	26,817
Prepaid pension cost	2,431	2,539	29,238
Net liability	¥ 12,167	¥ 11,649	$ 146,328

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥1,537	¥1,563	$18,484
Interest cost	871	888	10,469
Expected return on plan assets	(621)	(547)	(7,464)
Amortization of prior service cost	(388)	(337)	(4,661)
Recognized actuarial loss	1,485	1,440	17,866
Amortization of transitional obligation	329	329	3,951
Net periodic benefit costs	¥3,213	¥3,336	$38,645

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Assumptions used for the years ended March 31, 2011 and 2010 were set forth as follows:

	2011	2010
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%–2.7%	0.0%–2.7%
Amortization period of prior service cost	14–15 years	15 years
Recognition period of actuarial gain/loss	10–14 years	10–15 years
Amortization period of transitional obligation	15 years	15 years

The liabilities for retirement benefits to directors and corporate auditors were ¥173 million ($2,084 thousand) and ¥267 million at March 31, 2011 and 2010, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the year ended March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Balance at beginning of year	¥352	$4,237
Additional provisions associated with the acquisition of property, plant and equipment	1	11
Reduction associated with meeting asset retirement obligations		(6)
Balance at end of year	¥353	$4,242

10. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria, 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 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 that was 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 amount of 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.

11. 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, 2011 and 2010.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Net current deferred tax assets—			
Current deferred tax assets:			
Accrued bonuses	¥ 1,105	¥ 1,169	$ 13,291
Enterprise taxes payable	41	39	488
Inventories	2,161	2,117	25,986
Unrealized gains	33	39	399
Social security insurance on accrued bonuses	153	162	1,840
Reserve for product defect compensation	50	219	604
Other	106	78	1,277
Valuation allowance	(3,329)	(3,533)	(40,040)
Net current deferred tax assets	¥ 320	¥ 290	$ 3,845
Net non-current deferred tax assets—			
Non-current deferred tax assets:			
Liability for retirement benefits	¥ 642	¥ 618	$ 7,719
Tax loss carryforwards	17	39	200
Unrealized gains	632	636	7,599
Other	95	112	1,149
Valuation allowance	(124)	(140)	(1,494)
Total	1,262	1,265	15,173
Non-current deferred tax liabilities—net unrealized gains on available-for-sale securities		1	
Total		1	
Net non-current deferred tax assets	¥ 1,262	¥ 1,264	$ 15,173
Net non-current deferred tax liabilities—			
Non-current deferred tax assets:			
Allowance for doubtful accounts	¥ 585	¥ 575	$ 7,038
Liability for retirement benefits	3,358	3,149	40,384
Tax loss carryforwards	1,399	2,440	16,829
Software	2,817	2,655	33,881
Investment securities	829	803	9,968
Property, plant and equipment	167	122	2,013
Asset retirement obligations	144		1,727
Other	210	234	2,521
Valuation allowance	(9,509)	(9,978)	(114,361)
Total			
Non-current deferred tax liabilities—net unrealized gains on available-for-sale securities	721	1,450	8,673
Total	721	1,450	8,673
Net non-current deferred tax liabilities	¥ 721	¥ 1,450	$ 8,673

Reconciliations 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, 2011 and 2010 are as follows:

	2011	2010
Normal effective statutory tax rate	40.7%	40.7%
Expenses not deductible for income tax purposes	1.4	1.2
Change in valuation allowance	(27.2)	(28.2)
Other—net	(2.4)	0.3
Actual effective tax rate	12.5%	14.0%

At March 31, 2011, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥3,496 million ($42,049 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
2013	¥3,447	$41,461
2016	16	196
2017	33	392
Total	¥3,496	$42,049

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,108 million ($73,452 thousand) and ¥5,267 million for the years ended March 31, 2011 and 2010, respectively.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Provision for doubtful accounts	¥ 8	¥ 42	$ 92
Salaries	7,367	7,360	88,603
Provision for retirement benefits	1,040	1,046	12,502
Depreciation	203	215	2,442
Rent	737	783	8,865
Research and development costs	2,582	2,452	31,055
Other	4,649	4,585	55,910
Total	¥16,586	¥16,483	$199,469

14. OTHER INCOME (EXPENSES)—NET

a. Losses from a natural disaster

The Company and certain domestic subsidiaries recognized losses from a natural disaster of ¥146 million ($1,759 thousand) mainly for restoration of facilities and disposal of inventories damaged by the Great East Japan Earthquake which consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
Provision for restoration of facilities	¥ 50	$ 605
Provision for disposal of inventories	43	518
Other	53	636
Total	¥146	$1,759

b. Other income (expenses)—net for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Reversal of allowance for doubtful accounts	**¥ 38**	¥ 15	**$ 455**
Impairment loss	**(61)**	(2)	**(738)**
Loss on provision for environmental measures	**(3)**	(234)	**(34)**
Other loss—net	**(111)**	(145)	**(1,328)**
Total	**¥(137)**	¥(366)	**$(1,645)**

15. COMPREHENSIVE INCOME

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥613
Foreign currency translation adjustments	8
Share of other comprehensive income in associates	16
Total other comprehensive income	¥637

Total comprehensive income for the year ended March 31, 2010 comprised the following:

	Millions of Yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥2,959
Minority interests	7
Total comprehensive income	¥2,966

16. LEASES

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

Total rental expenses including lease payments for the years ended March 31, 2011 and 2010 were ¥253 million ($3,054 thousand) and ¥354 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	
	2011		2010		**2011**	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥130	¥ 5	¥248	¥ 4	$1,570	$ 58
Due after one year	68	5	198	7	815	62
Total	¥198	¥10	¥446	¥11	$2,385	$120

Pro forma Information of Leased Property Whose Lease Inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied the ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, 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 was as follows:

	Millions of Yen							
	2011				2010			
	Machinery and Equipment	Furniture and Fixtures	Other	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥257	¥381	¥112	¥750	¥510	¥614	¥119	¥1,243
Accumulated depreciation	239	317	100	656	402	451	85	938
Accumulated impairment loss		7		7		7		7
Net leased property	¥ 18	¥ 57	¥ 12	¥ 87	¥108	¥156	¥ 34	¥ 298

	Thousands of U.S. Dollars			
	2011			
	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	$3,093	$4,584	$1,343	$9,020
Accumulated depreciation	2,873	3,809	1,204	7,886
Accumulated impairment loss		92		92
Net leased property	$ 220	$ 683	$ 139	$1,042

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Depreciation expense	¥225	¥327	$2,708
Interest expense	8	15	98
Total	¥233	¥342	$2,806
Reversal of allowance for impairment loss on leased property	¥ 2	¥ 2	$ 19

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.

Consolidated Financial Highlights | Message from the President | Review of Operations | JRC Governance Systems | Environmental Initiatives | Risk Factors | Financial Statements | JRC Organization | Directory | Investor Information

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(1) Group Policy for Financial Instruments

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

(2) Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 18 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. Please see Note 18 for the details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2011.

Market risk management (foreign exchange risk and interest rate risk)

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

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

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

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Please see Note 18 for the detail on fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥23,059	¥23,059	
Short-term investments	562	562	
Receivables:			
Trade notes	2,816	2,816	
Trade accounts	43,030	43,030	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	139	139	
Investment securities	5,898	5,898	
Investment in affiliated company	888	1,181	¥293
Total	¥76,392	¥76,685	¥293
Short-term bank loans	¥ 1,770	¥ 1,770	
Payables:			
Trade notes	843	843	
Trade accounts	22,033	22,033	
Unconsolidated subsidiaries and affiliated companies	4,187	4,187	
Long-term debt	21,705	21,842	¥137
Total	¥50,538	¥50,675	¥137

	Millions of Yen		
March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥17,860	¥17,860	
Short-term investments	533	533	
Receivables:			
Trade notes	3,832	3,832	
Trade accounts	44,295	44,295	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	456	456	
Investment securities	8,636	8,636	
Investment in affiliated company	760	1,201	¥441
Total	¥76,372	¥76,813	¥441
Short-term bank loans	¥ 1,450	¥ 1,450	
Payables:			
Trade notes	814	814	
Trade accounts	20,731	20,731	
Unconsolidated subsidiaries and affiliated companies	3,050	3,050	
Long-term debt	22,948	23,145	¥197
Total	¥48,993	¥49,190	¥197

	Thousands of U.S. Dollars		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$277,319	$277,319	
Short-term investments	6,764	6,764	
Receivables:			
Trade notes	33,868	33,868	
Trade accounts	517,497	517,497	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	1,668	1,668	
Investment securities	70,932	70,932	
Investment in affiliated company	10,682	14,207	$3,525
Total	$918,730	$922,255	$3,525
Short-term bank loans	$ 21,287	$ 21,287	
Payables:			
Trade notes	10,143	10,143	
Trade accounts	264,982	264,982	
Unconsolidated subsidiaries and affiliated companies	50,351	50,351	
Long-term debt	261,037	262,686	$1,649
Total	$607,800	$609,449	$1,649

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

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

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

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

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

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

Derivatives
The information for the fair value of derivatives is included in Note 18.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Investment securities in equity instruments that do not have a quoted market price in an active market	**¥ 367**	¥ 423	**$ 4,409**
Investments in and advances to unconsolidated subsidiaries and affiliated companies in equity instruments that do not have a quoted market price in an active market	**1,258**	1,148	**15,132**
Total	**¥1,625**	¥1,571	**$19,541**

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

	Millions of Yen			
March 31, 2011	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	**¥23,059**			
Short-term investments	**562**			
Receivables:				
Trade notes	**2,810**	**¥ 6**		
Trade accounts	**43,030**			
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	**139**			
Investment securities—Available-for-sale securities with contractual maturities		**14**		
Total	**¥69,600**	**¥20**		
March 31, 2010				
Cash and cash equivalents	¥17,860			
Short-term investments	533			
Receivables:				
Trade notes	3,832			
Trade accounts	44,295			
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	456			
Investment securities—Available-for-sale securities with contractual maturities		¥11		
Total	¥66,976	¥11		

March 31, 2011	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	$277,319			
Short-term investments	6,764			
Receivables:				
Trade notes	33,796	$ 72		
Trade accounts	517,497			
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	1,668			
Investment securities—Available-for-sale securities with contractual maturities		168		
Total	$837,044	$240		

Please see Note 7 for annual maturities of long term debt.

18. DERIVATIVES

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

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

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

Derivative transactions entered into by the Group are made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative Transactions to Which Hedge Accounting is Applied at March 31, 2011 and 2010

		Millions of Yen		
March 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥10,688	¥ 1,000	¥(100)
March 31, 2010				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥11,408	¥10,808	¥(161)

		Thousands of U.S. Dollars		
March 31, 2011	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	$128,539	$12,026	$(1,205)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

19. CONTINGENT LIABILITIES

At March 31, 2011 and 2010, guarantees of bank loans amounted to ¥36 million ($428 thousand) and ¥47 million, respectively.

20. RELATED PARTY TRANSACTIONS

The Company's transactions with Ueda Japan Radio Co., Ltd., an affiliated company, for the years ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Purchases	¥6,176	¥5,255	$74,276

The Company's balances due to Ueda Japan Radio Co., Ltd., an affiliated company, at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Notes and accounts payables	¥2,168	¥1,965	$26,072

21. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was declared at the Company's board of directors meeting held on May 9, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5 ($0.06) per share	¥689	$8,284

b. Sale of the Parent Company's Stock

At the board of directors meeting held on May 31, 2011, the Company decided to sell the stock of Nisshinbo Holdings Inc. (the Parent Company), which became the Company's parent company effective December 29, 2010 by takeover bid. The details of this transaction are as follows:

1. The reason for the transaction

The Company decided to sell the stock of the Parent Company in accordance with the Companies Act article 135.

2. Details of the transaction

(1) Type of the stock: Common stock
(2) Number of the stock: 3,370,000 shares
(3) Amount: ¥2,584 million
(4) Date of sale: June 1, 2011
(5) Sold to: the Parent Company
(6) Gain on the sale: ¥889 million

22. SEGMENT INFORMATION

For the Years Ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Description of reportable segments

The Group's reportable segments are those for separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of three segments: Marine electronics equipment, Communications equipment, and Solutions and Specialized equipment. Marine electronics equipment consists of Inmarsat, GMDSS, marine radar, fishing, ECDIS, navigation system, VHF radiotelephone, etc. Communications equipment consists of GPS receivers, PHS handsets, digital commercial use radio, SAW filter, linear power amplifier, measuring equipment for digital mobile communications, etc. Solutions and Specialized equipment consists of disaster prevention information system, water and river management system, meteorological information system, road/traffic management system, landslide monitoring system, broadcasting equipment, special equipment, etc.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

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

(3) Information about sales, profit (loss), assets and other items is as follows:

	Millions of Yen							
	2011							
	Reportable Segment							
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Total	Other (Note (a))	Total	Reconci-liations (Note (b))	Consoli-dated (Note (c))
Sales:								
Sales to external customers	¥29,593	¥17,333	¥52,483	¥99,409	¥ 8,296	¥107,705		¥107,705
Intersegment sales or transfers	2	6	40	48	5,952	6,000	¥ (6,000)	
Total	¥29,595	¥17,339	¥52,523	¥99,457	¥14,248	¥113,705	¥ (6,000)	¥107,705
Segment profit (loss)	¥ 1,035	¥ (1,515)	¥ 2,103	¥ 1,623	¥ (87)	¥ 1,536	¥ 15	¥ 1,551
Segment assets	17,729	11,343	35,689	64,761	9,453	74,214	44,399	118,613
Other:								
Depreciation	121	179	230	530	223	753	660	1,413
Increase in property, plant and equipment and intangible assets	194	154	207	555	184	739	576	1,315

	Millions of Yen							
	2010							
	Reportable Segment							
	Marine Electronics Equipment	Communi- cations Equipment	Solutions and Specialized Equipment	Total	Other (Note (a))	Total	Reconci- liations (Note (b))	Consoli- dated (Note (c))
Sales:								
Sales to external customers	¥29,279	¥19,305	¥54,539	¥103,123	¥ 8,087	¥111,210		¥111,210
Intersegment sales or transfers	10	10	76	96	5,994	6,090	¥(6,090)	
Total	¥29,289	¥19,315	¥54,615	¥103,219	¥14,081	¥117,300	¥(6,090)	¥111,210
Segment profit (loss)	¥ 1,422	¥(1,800)	¥ 3,348	¥ 2,970	¥ (8)	¥ 2,962	¥ 38	¥ 3,000
Segment assets	16,416	10,758	37,696	64,870	9,378	74,248	43,106	117,354
Other:								
Depreciation	236	362	55	653	242	895	684	1,579
Increase in property, plant and equipment and intangible assets	92	129	83	304	177	481	294	775

	Thousands of U.S. Dollars							
	2011							
	Reportable Segment							
	Marine Electronics Equipment	Communi- cations Equipment	Solutions and Specialized Equipment	Total	Other (Note (a))	Total	Reconci- liations (Note (b))	Consoli- dated (Note (c))
Sales:								
Sales to external customers	$355,903	$208,452	$631,184	$1,195,539	$ 99,776	$1,295,315		$1,295,315
Intersegment sales or transfers	22	73	487	582	71,571	72,153	$ (72,153)	
Total	$355,925	$208,525	$631,671	$1,196,121	$171,347	$1,367,468	$ (72,153)	$1,295,315
Segment profit (loss)	$ 12,450	$ (18,222)	$ 25,290	$ 19,518	$ (1,045)	$ 18,473	$ 183	$ 18,656
Segment assets	213,223	136,413	429,209	778,845	113,689	892,534	533,966	1,426,500
Other:								
Depreciation	1,452	2,151	2,769	6,372	2,679	9,051	7,943	16,994
Increase in property, plant and equipment and intangible assets	2,337	1,853	2,490	6,680	2,213	8,893	6,926	15,819

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

(b) Reconciliations

(1) Reconciliations of segment profit (loss) include unrealized gain on inventories.

(2) Reconciliations of segment assets represent assets that do not belong to any business segment and mainly consist of the Company's facilities in common use and investments and other assets.

(3) Reconciliations of increase in property, plant and equipment and intangible assets consist of capital investment that is not attributed to any business segment.

(c) Reconciliations of segment profit (loss) are based on the operating profit on the consolidated statements of income.

For the Year Ended March 31, 2010

The Company operates in the following industries:

The Radio Communications Equipment segment consists of manufacturing radio communications equipment, radio applied equipment, and 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 year ended March 31, 2010 is as follows:

(1) Industry Segments

The Radio Communications Equipment segment consisted of more than 90% of total consolidated sales and operating income for the year ended March 31, 2010, and thus, the disclosure of segmental information by business type is omitted.

(2) Geographical Segments

The Company and consolidated subsidiaries operate predominantly in Japan. Other geographical segments are minor in relation to 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				
	2010				
	Asia	Europe	North America	Other	Total
Sales to foreign customers	¥10,042	¥8,516	¥4,496	¥7,164	¥30,218
Consolidated sales					111,210
The ratio of sales to foreign customers	9.0%	7.7%	4.0%	6.5%	27.2%

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.

Independent Auditors' Report

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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 (the "Group") as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of 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, 2011 and 2010, 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 LLC

June 23, 2011

Member of
Deloitte Touche Tohmatsu Limited

JRC Organization

(as of April 1, 2011)

- Board of Directors
- Chairman
- President
- Board of Management
- Board of Executive Officers
- Board of Corporate Auditors

- Corporate Internal Auditing Department
- Internal Management Promotion Department
- CSR Promotion Department
- Corporate Strategy Department
- Administration
  - General Affairs Department
  - Accounting & Financial Department
  - Human Resources Department
  - IT Promotion Department
- Research & Development Center
  - Laboratory
  - Technology Development Department
  - Engineering Coordination Department
  - Mechanical Design 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
  - Philippines Branch
  - Seattle Branch
  - Amsterdam Branch
  - Greece 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

Directory
(as of August 31, 2011)

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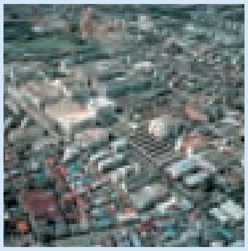

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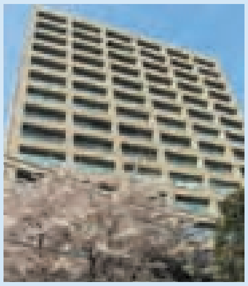

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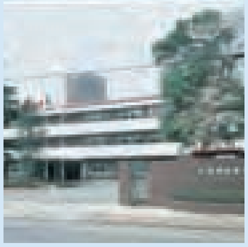

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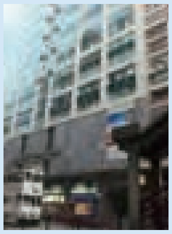
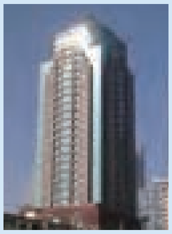


JRC Shanghai Co., Ltd.
19F/C, Yonghua Building No.138 Pudong Ave. Pudong, Shanghai, China
Phone: +86-21-2024-0607
Fax: +86-21-2024-0611
URL: http://www.jrc-cn.com



JRC do Brasil Empreendimentos Eletrônicos 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
URL: http://www.jrcbrasil.com.br

JRC Tokki Co., Ltd.

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

Head office and factory:
3-2-1, Shinyoshida-higashi, Kohoku-ku, Yokohama, Kanagawa 223-8572, Japan
Phone: +81-45-547-8572
URL: http://www.jrctokki.co.jp
Employees: 337

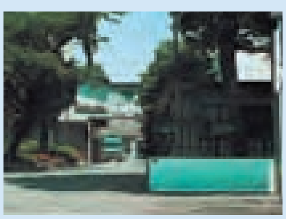
JRC Engineering Co., Ltd.

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: 154

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: 63

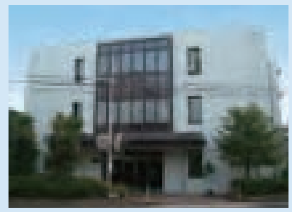
Musashino Electronics Co., Ltd.

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: 183

Sougou Business Service Co., Ltd.

Business:
Distribution management of electronic equipment



Head office and factory:
c/o Japan Radio Co., Ltd.
1-1, Shimorenjaku 5-chome, Mitaka, Tokyo 181-0013, Japan
Phone : +81-422-40-0471
Employees: 95

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, Inasato-machi, Nagano, Nagano 381-2288, Japan
Phone: +81-26-285-1111
URL: http://www.njrc.jp
Employees: 871(non-consolidated) / 1,931(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: 660

Investor Information

(as of March 31, 2011)

Corporate Data

Japan Radio Co., Ltd.

Established:
December, 1915

Paid-in Capital:
¥14,704 million ($176,837 thousand)

Number of Shares Issued:
137,976,690 shares

Number of Shareholders:
8,419

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

Employees:
2,851

General Meeting of Shareholders:
Convened annually in late June

Board of Directors, Corporate Auditors and Executive Officers

(as of June 28, 2011)

Representative Director and Chairman
Yorihisa Suwa

Representative Director and President
Takayoshi Tsuchida

Director and Managing Executive Officers
Shuichi Gotoh
Yoshimasa Gunji

Directors and Executive Officers:
Hironori Sakamoto
Tatsuro Masamura
Kiyohiko Tatebayashi
Michiaki Hyodoh
Kenji Ara

Directors:
Noboru Matsuda
Takashi Iwashita

Standing Corporate Auditors:
Yuichi Notsu
Masayuki Doi
Tsutomu Suzuki

Corporate Auditor
Kazunori Baba

Executive Officers:
Tamiho Shinya
Yasuhiko Hara
Daisaku Yamane
Tomohiro Waki
Syoji Kubota
Satoshi Nakamura
Kazuaki Uchino
Mitsugu Yokota

Major Shareholders

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Holdings Inc.	88,713	64.29
JRC Business Partner Ownership	3,617	2.62
JRC Employee Ownership	3,055	2.21
Japan Trustee Services Bank, Ltd. (Trust Account)	2,439	1.76
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,387	1.73
Japan Trustee Services Bank, Ltd. (Trust Account No. 1)	674	0.48
Japan Trustee Services Bank, Ltd. (Trust Account No. 9)	601	0.43
Japan Trustee Services Bank, Ltd. (Trust Account No. 3)	468	0.33
Japan Trustee Services Bank, Ltd. (Trust Account No. 6)	431	0.31
Japan Trustee Services Bank, Ltd. (Trust Account No. 4)	418	0.30
Total	102,803	74.50

Shareholder Type

	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals	Individuals and others	Total
Number of Shareholders	31	30	273	77	8,008	8,419
Number of Shares Held	10,564	798	91,054	3,112	31,948	137,476
Percentage of Total Shares Issued	7.69	0.58	66.23	2.26	23.24	100.00

Notes: Trading unit of common stock: 1,000 shares
Odd-lot stock: 500,690 shares

Japan Radio Co., Ltd.

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