Annual Report 2014

For the year ended March 31, 2014

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 11 subsidiaries and 5 affiliated companies, principally engaged in the manufacture and sale of radio communications equipment and its related systems. The Group considers its mission to be contributing to the realization of a prosperous society through healthy business activities, and as such offers beneficial products and services that serve the needs of customers, as it develops its business into a name trusted throughout the world.

JRC and Principal Consolidated Subsidiaries

Japan Radio Co., Ltd. (JRC)

- Alphatron Marine Beheer B.V.
- JRC (HK) Limited
- JRC Shanghai Co., Ltd.
- JRC do Brasil Empreendimentos Electronicos Ltda.
- JRC Tokki Co., Ltd.
- Japan Radio Glass Co., Ltd.
- JRC Engineering Co., Ltd.
- Musashino Electronics Co., Ltd.
- Sougou Business Service Co., Ltd.
- JRC Marinfonet Co., Ltd.

Principal Affiliated Companies:

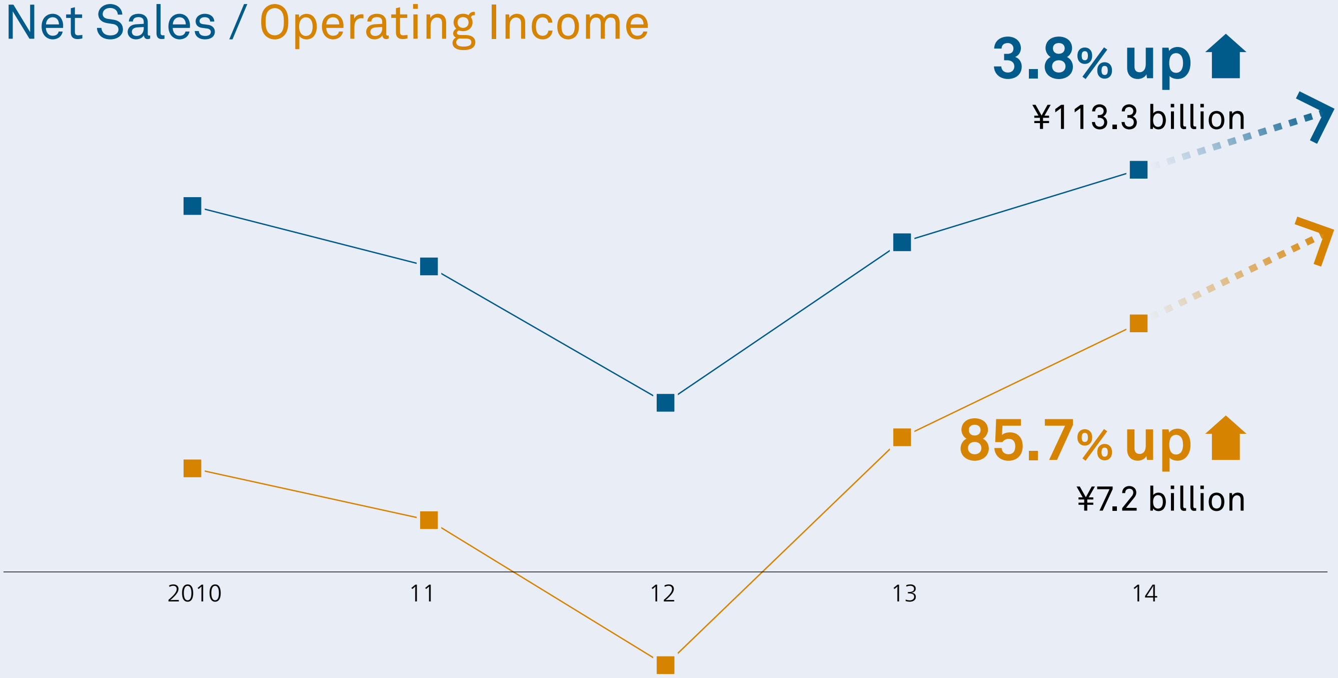
- **Nagano Japan Radio Co., Ltd.(NJRC)**
- **Ueda Japan Radio Co., Ltd.(UJRC)**
- **Shenzhen NJRC Technology Co., Ltd.**

Business Highlights

Consolidated Highlights

In FY2013, ended March 31, 2014, the JRC Group reported year-on-year increases in consolidated net sales and operating income for the second consecutive period. To build a robust corporate foundation that is resilient to world economic trends, we will further hone our distinguished, world-renowned technological capabilities. At the same time, we will implement **business structural reforms** at all Group companies in order to reinforce our global price-competitiveness.

Net Sales / Operating Income



Consolidated Performance Highlights

Total Assets	Total Equity	ROE	D/E Ratio (times)
¥113.8 billion +7.8%	**¥49.8** billion -2.1%	**4.7%** -15.5 points	**0.12** +0.06 times

Commitment of Our Future Growth

JRC Group structural reforms

The JRC Group—JRC, Nagano JRC, and Ueda JRC—is committed to deploying its highly advanced wireless communications technologies to foster safety and peace of mind for people all over the world while protecting the environment and helping realize a sustainable society.

We are committed to ongoing growth as a leading company in the wireless communications field. In the meantime, we are building a global-standard cost structure so we can deliver our services to customers practically anywhere in the world. By leveraging our accumulated know-how, we will reinforce our information services business and pursue business alliances and collaborations while making proactive investments targeting renewed growth.

At present, we are reorganizing our business structure and reinforcing our Groupwide operational foundation so we can contribute to society through our business activities. As stated in "Regarding Implementation of Business Structural Reforms Aimed at Renewed Growth" announced in September 2012, the three Group companies have started sharing growth strategies and implementing business structural reforms.

To achieve significant advances in the future, the Group will pursue business structural reforms on a global basis, targeting the rapidly growing Southeast Asian region and newly emerging nations. Below is a description of our progress in FY2013, the second year of the business structural reforms, with basic policies emphasizing growth strategies and global-level cost structure reforms.

Basic policy on growth strategies

To achieve sustainable growth in the future, the JRC Group has identified the five following key challenges to be embraced by all of its main business segments: Marine Electronics Equipment, Communications Equipment, and Solutions and Specialized Equipment.

- Expand overseas business, centered on newly emerging nations
- Strengthen and expand businesses related to safety, peace of mind, and the environment
- Establish an information services business
- Pursue M&As, alliances, and other collaborations
- Make proactive investments necessary for growth

Pursue cost structure reforms

In order to build a robust corporate foundation that is resilient to global price competition, we are rebuilding our production and sales systems, including at Group companies both in Japan and overseas. Major challenges here include relocation of the main Mitaka Plant, closure of the Saitama Plant and sale of its land, reforms of product development and manufacturing systems, personnel reductions, and reforms of administrative departments.

Reforming global production system

The JRC Group is reassessing its domestic and overseas production system. In Japan, we have finished the process of relocating production from JRC to Nagano JRC and Ueda JRC. Overseas, JRC took an equity stake in Shenzhen NJRC Technology Co., Ltd., based in Shenzhen City, China. (That company is a wholly owned subsidiary of Nagano Japan Radio Company (HK) Ltd.) In March 2013, Shenzhen NJRC Technology completed construction of a new plant, to which production of radars and other marine electronics equipment was transferred in September 2013. The plant will serve as a key overseas production base for JRC and Nagano JRC and will expand its production items accordingly.

Through these production system reforms, we are targeting cost reductions of around 15% for domestic production and about 30% for overseas production, compared with the existing cost structure. At the same time, we will raise the skill levels of local workers and enhance the utilization rate, while reducing lead times and reforming procurement and distribution processes.

Nakano main office

Reorganization of bases and sale of assets

Head office functions, such as sales and administration, were relocated to Nakano, Tokyo in July 2014. With respect to the functions of technical development and production and quality assurance, JRC has purchased some land owned by Nagano JRC, where JRC is now constructing a state-of-the-art technical center and a new factory. We will also establish a new facility near Tokyo, to which we will relocate the sales engineering, services, and research functions.

The site of the Mitaka Plant will be sold in stages. First, we will sell 28,188 m^2 by December 2014 and 6,152 m^2 by December 2015, with the remaining land to be sold in or after 2017. In FY2014, we expect to generate a gain on gain on the first sale of around ¥9.0 billion, to be booked as extraordinary income.

New JRC group organization

- New main office (new Nakano Head Office: Administration and sales)
- Nagano office: Technical center, new plant for Solutions and Specialized Equipment segment, plant for large-scale equipment, environmental testing facility
- New facility near Tokyo: Sales engineering, services, research, software development

Reduce personnel and other

JRC's voluntary early retirement plan ended in FY2013. We are considering personnel reorganizations at our subsidiaries as well. We plan to modify our retirement benefits and pension systems in the latter half of FY2014. We are also in the process of building new information systems.

JRC — Future Growth Strategy

Core businesses based on wireless communication technology

- Marine Electronics Equipment
- Communications Equipment
- Solutions and Specialized Equipment

- Expand overseas businesses
- Contribute to safety, peace of mind, and the environment
- Strengthen information services
- Promote business alliances and cooperation
- Make proactive growth-oriented investments

- Become a top global business group
- Create structure resilient to economic trends
- Build robust financial foundation

Reforms aimed at creating a global cost structure

- ■ Sell JRC's Mitaka and Saitama plants
- ■ Reorganize global production system
- ■ Reduce number of personnel

Concentrate financial resources on structural reforms and strengthening financial position

Production

- ■ Relocate to Nagano JRC and Ueda JRC
- ■ Construct new domestic plant (Nagano JRC)
- ■ Construct new Chinese plant (Shenzhen NJRC Technology)

Research and development

Construct leading-edge technical center (Nagano JRC)

Head office

Relocate to Nakano, Tokyo (completed in July 2014)

Services and software

Relocate to Tokyo metropolitan area

Message from the President

Business environment and performance

In FY2013, ended March 31, 2014, the world economy headed toward overall recovery despite discrepancies between geographical regions. Although there was a slowdown in economic growth among newly emerging nations in Asia, the U.S. economy firmed, and Europe showed signs of an economic turnaround.

In Japan, financial liberalization and other economic measures taken by the government helped correct the yen's appreciation and stimulate the share market, buoying the overall economy.

Higher performance for second successive year

Seeking to improve its performance and stabilize earnings, the JRC Group pursued proactive sales activities in Japan and overseas and reinforced its operational foundation for renewed growth. As a result, the Group enjoyed year-on-year increases in revenue and earnings for the second consecutive period. Specifically, consolidated net sales rose 3.8%, or ¥4,149 million, to ¥113,306 million ($1,100.9 million), and operating income jumped 85.8%, or ¥3,362 million, to ¥7,281 million ($70.7 million). However, net income fell 75.0%, or ¥6,900 million, to ¥2,310 million ($22.4 million).

Although the Marine Electronics Equipment segment and Communications Equipment segment reported year-on-year sales declines, the Solutions and Specialized Equipment segment posted increased sales thanks to higher demand for water and river management systems, disaster-prevention systems, satellite communications systems, and other offerings, leading to increased overall net sales.

During the year, the parent company relocated some production to other Group companies, which pushed up the variable cost ratio and had a downward impact on earnings. Nevertheless, operating income increased significantly, reflecting a foreign exchange gain and efforts to cut personnel expenses and other fixed costs, in addition to higher net sales. However, net income declined for several reasons. These included the absence of a gain on sale of property, plant and equipment (Saitama Plant property), posted in the previous year, as well as costs associated with a voluntary early retirement plan and extraordinary losses related to relocation of production.

Basic policy on profit distribution

The distribution of profits to shareholders is one of the Company's top management priorities. Our basic policy is to pay stable and continuous dividends from a long-term perspective, while paying attention to strengthening our performance, earnings, and operational foundation. At the same time, we need to reinforce our financial position to achieve stable future growth, and we must continue making capital investments and R&D expenditures. In FY2014, we made a total of ¥2,630 million in capital investments. These were allocated mainly to construction of a leading-edge technical center that will spearhead technological development for three Group companies—Japan Radio Co., Ltd. (JRC), Nagano Japan Radio Co., Ltd. (Nagano JRC), and Ueda Japan Radio Co., Ltd. (Ueda JRC)—and purchase land for construction of a factory for solutions and specialized equipment. Accordingly, we decided to forego payment of dividends for the year.

Focusing on wireless communications technologies

The JRC Group is a specialist corporate group that develops its business across a broad spectrum of fields with wireless communications technologies at the core. These include mobile communications systems, digital commercial systems, ITS-related equipment, marine radar, maritime communications equipment, disaster-prevention systems, and satellite communications systems. The Group consists of Japan Radio Co., Ltd. (the parent company) and its consolidated subsidiaries, as well as affiliated companies, including Nagano JRC and Ueda JRC.

Through the provision of wireless communications technologies, the Group contributes to the safety and security of society. We are committed to protecting the environment and fostering the sustainable development of society into the future. To this end, we are implementing business structural reforms aimed at renewed growth in order to solidify our business foundation, with basic policies emphasizing growth strategies and global-level cost structure reforms.

The JRC Group is responsible for the electronics business of Nisshinbo Holdings Inc., the parent company. Specifically, that business is handled by four companies—the three aforementioned JRC Group companies, plus New Japan Radio Co., Ltd., which specializes in semiconductor-related technologies. The three JRC Group companies share the growth strategies of Nisshinbo Holdings and will focus on reinforcing its operational foundation through business reorganization.

Progress of business structural reforms

As stated in "Regarding Implementation of Business Structural Reforms Aimed at Renewed Growth" announced in September 2012, the JRC Group is undertaking an internal business reorganization and reinforcing its Groupwide operational foundation. This entails sharing of growth strategies among JRC, Nagano JRC, and Ueda JRC. We are committed to fulfilling our mission of becoming a corporate group with top priority on safety, peace of mind, and the environment, and emphases on growth strategies and cost structure reforms on a global level. We will make a Groupwide effort to implement specific reforms at both domestic and overseas operations.

New organization reporting to the president

In order to steadily implement business structural reforms and build a robust Group organization, we established three new departments that report directly to the president. These are the Operational Reforms Department, tasked with executing structural reforms of our electronics business as a member of the Nisshinbo Holdings Group; the Biosensor Project, responsible for a project to commercialize SAW biosensors; and the Corporate R&D Strategy Department, committed to reinforcing the R&D capabilities of the Group's electronics business.

Reorganization of production system

The Mitaka Plant's manufacturing function will no longer be retained, as these are being relocated to Nagano JRC and Ueda JRC. For this reason, we reorganized our production system. Our previous system, consisting of six departments and two technical centers, now encompasses three centers—Production Management Center, Logistics Center, and Production Engineering Center—as well as the Procurement Department.

FY2014 outlook

In FY2014, ending March 31, 2015, the JRC Group expects the operating environment to remain unpredictable amid dramatically changing business conditions. In response, we will pursue business structural reforms aimed at building a robust corporate foundation that is resilient to external changes. At the same time, we will work to establish a new earnings foundation by advancing our global business, especially in the rapidly growing Asian region.

Going forward, we will concentrate our resources on overseas operations, smart-technology-related businesses, and the like in order to expand sales. We will also effectively deploy our assets, reduce fixed costs, and raise productivity, with the aim of building a solid earnings structure.

At the Groupwide level, both in Japan and overseas, we will reorganize our production and procurement system to achieve a cost performance that will prevail against global price competition. Meanwhile, we will target synergies with various Group companies and collaborations with other companies in order to tap new markets and foster new businesses in such areas as the environment and energy.

The Group's net sales bottomed out in FY2011 following the Great East Japan Earthquake. Looking at the status of orders since then, we note that the Solutions and Specialized Equipment segment is attracting healthy orders, and orders in the Marine Electronics Equipment segment are growing since hitting a trough in FY2012.

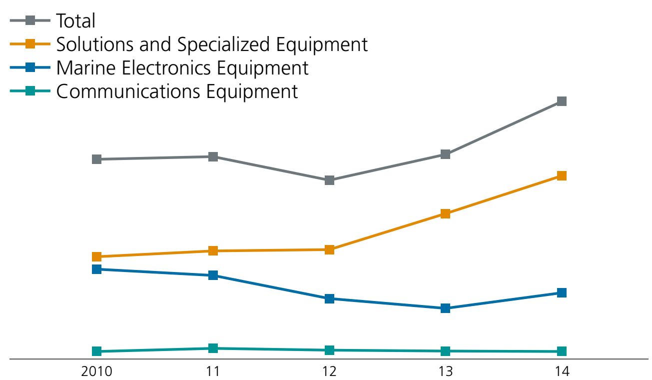
For the year, we forecast consolidated net sales of ¥125,000 million, up 10.3% from FY2013, and operating income of ¥8,000 million, up 9.8%. We also forecast a 4.97-fold jump in net income, to ¥11,500 million, owing largely to the sale of assets. These forecasts are based on assumed exchange rates of ¥105.00 per U.S. dollar and ¥140.00 per euro.

While we do not expect to pay an interim dividend, we hope to pay a year-end dividend of ¥5.00 per share.

Enhancing shareholder value

Going forward, the JRC Group will strive to establish a profitable corporate foundation that is resilient to changing business conditions while reinforcing its financial position and raising value for shareholders. To this end, we will focus on broadening our overseas business and strengthening and

Orders received



expanding businesses related to safety, peace of mind, and the environment in order to increase sales. At the same time, we will build a solid earnings structure by effectively deploying our assets, reducing fixed costs, and raising productivity.

At the Groupwide level, we will reorganize our domestic and overseas manufacturing bases so we can achieve cost performance enabling us to win against intense price competition in the global market. Meanwhile, we will target synergies with various Group companies and collaborations with other companies in order to tap new markets and foster new businesses in such areas as the environment and energy.

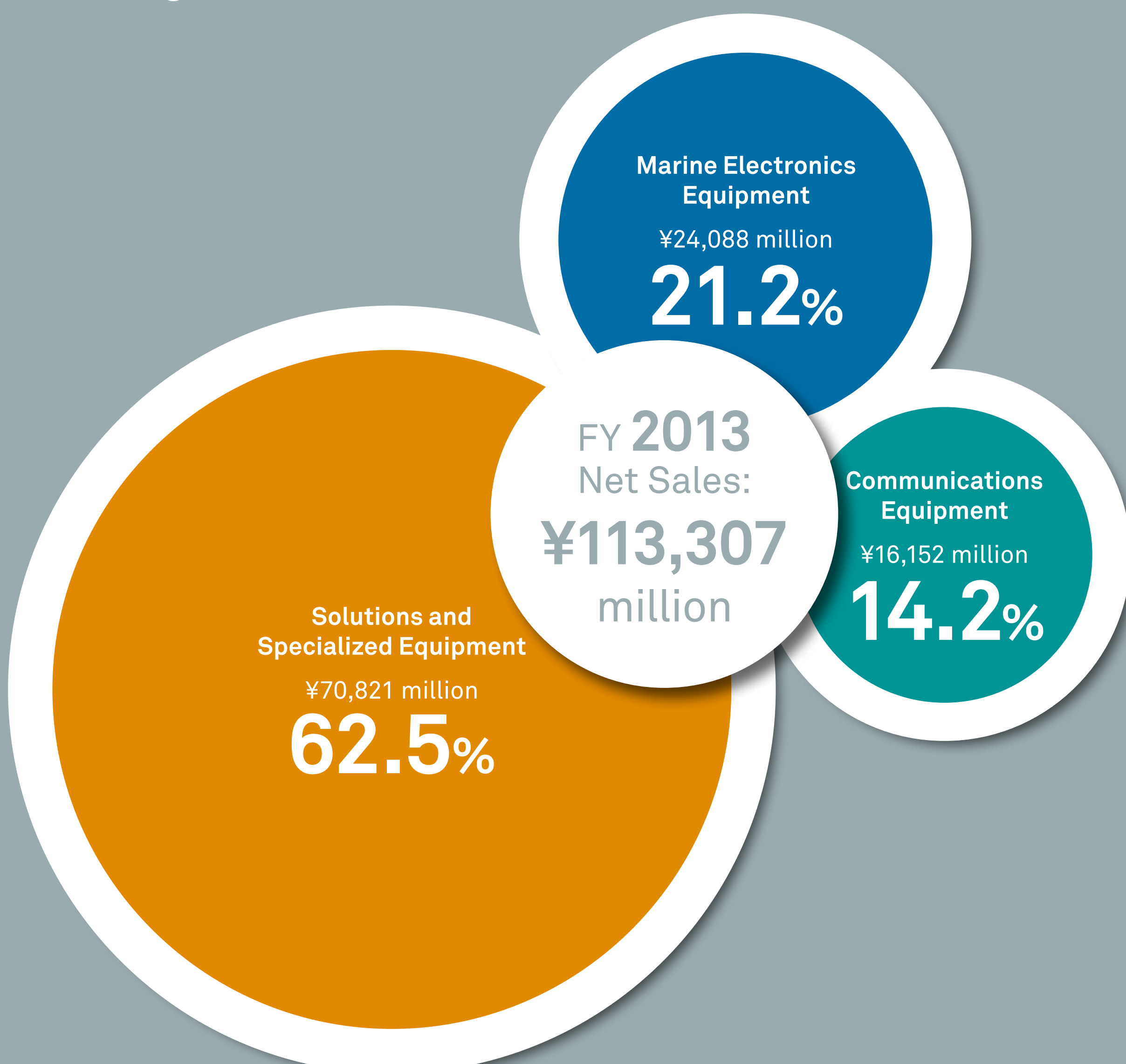
We look forward to the continued understanding and cooperation of shareholders.

July 1, 2014

Takayoshi Tsuchida
President

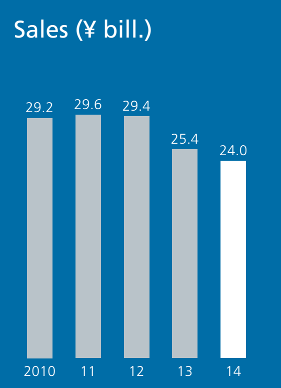
Focusing on the Wireless Communications Business

Leveraging its expertise in wireless communications technologies, the JRC Group is expanding its operations in its three main business segments—Marine Electronics Equipment, Communications Equipment, and Solutions and Specialized Equipment. We are deploying our advanced technological capabilities in each segment to achieve strong market shares. Going forward, we will strive to create a business group that is resilient to the effects of economic trends. To this end, we will further strengthen our technological prowess in each business segment, while utilizing our comprehensive solutions capabilities to foster safety, peace of mind, and environmental protection throughout the world.



Marine Electronics Equipment

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



Performance and outlook

Due to depressed conditions in the marine and shipbuilding markets, the Marine Electronics Equipment segment posted year-on-year declines in revenue and earnings for the third consecutive period. In FY2013, segment sales decreased 5.4%, to ¥24,088 million, and the segment loss was ¥1,440 million, from a segment loss of ¥845 million in FY2012.

The marine electronics equipment market began to recover moderately in the second half of the year, but sales of marine equipment, especially for new merchant vessels, declined due to an ongoing excess of vessels. In the retrofit market, as well, sales were negatively impacted as shipowners maintained a cautious approach to capital investments. Meanwhile, the markets for workboats and offshore vessels firmed on the back of progress in the marine resource development sector.

In FY2014, we do not expect the market for new merchant vessels to escape from the current situation of excess supply. However, we look forward to gradual recovery thanks to an upward trend in orders for new vessels.

For some time, we have had a collaborative relationship with Netherlands-based Alphatron Marine Beheer B.V. In December 2013, we acquired a 51% equity share of that company, making it a consolidated subsidiary. Going forward, we will continue collaboration with the aim of expanding our share of the market for small and medium-sized equipment for workboats, offshore vessels, and the like, which is showing vigor alongside advances in marine resource development. At the same time, we will strengthen price competitiveness by expanding and upgrading overseas productions.

Through these initiatives, and with the addition of the newly consolidated subsidiary, we forecast segment sales of ¥35,800 million in FY2014, up 48.6% year on year, and segment profit of ¥900 million, from a segment loss of ¥1,441 million in FY2013.

Our strengths

As a comprehensive manufacturer of wireless information and communications systems and maritime electronics equipment, the Group leverages its high share of the global equipment market for new large merchant vessels to offer a full lineup of equipment for the retrofit, workboat, offshore vessel, and small and medium-sized vessel markets as well.

With strong economic growth and marine resource development in Southeast Asia, the Group engages in consulting-based sales and service activities tailored to the region's shipowners and shipbuilding yard operators. These activities are spearheaded by JRC Shanghai Co., Ltd.

Amid the continuous updating of international rules governing maritime safety, the Group responds promptly to new demand arising from the enactment of new rules. We contribute significantly to safety at sea through our various offerings, including Inmarsat Fleet Broadband equipment, marine vessel communications equipment, marine radar systems, fishing devices, the Electronic Chart Display and Information System (ECDIS), Integrated Bridge System (IBS), and VHF radiotelephone equipment.

Alliance with Alphatron Marine

For more than 20 years, the JRC Group has enjoyed a collaborative relationship with Netherlands-based Alphatron Marine Beheer B.V., which has served as the European sales agent for the Group's marine electronics equipment. That company is particularly strong in sales and services covering equipment for high-value-added workboats, such as offshore support vessels, as well as systems integration services.

At an exhibition dedicated to marine electronics equipment held in Tokyo in April 2014, we showcased the JRC Premium Bridge, a large-scale integrated bridge system for merchant vessels developed jointly with Alphatron Marine. The JRC Premium Bridge incorporates multiple innovative 46-inch wide-display screens into the front face, allowing easy switching between diverse information platforms, such as radar, ECDIS, and Koning , and thus modernizing vessel cockpit operation.

Strategies for future growth

Increase share of new vessel and retrofits

To increase our share of the merchant shipbuilding market, we will aggressively market JRC Premium Bridge—developed jointly with Alphatron Marine, now a consolidated subsidiary—as a strategic JRC Group product. At the same time, we will step up our responses to the retrofit and after-sales service markets in order to broaden our customer base. In these ways, we will strengthen connections with our information service business and more effectively address demand for ECDIS, while establishing a reliable retrofit and after-sales service system.

Open new markets

In cooperation with Alphatron Marine, we will also promote JRC Premium Bridge in the offshore vessel support market, while rebuilding our sales and service network.

Expand information service business

Going forward, we will increase sales of information content by launching a new marine information service called J-Marine Cloud.

Specifically, we will upgrade our offerings, including the resale of satellite communications links, online distribution of electronic maritime charts, and provision of marine navigation information services. Sharing information between land and sea in this way enables visualization of vessels from land-based locations. By delivering a multitude of information content, we will support safe, reliable, "smart" vessel operational management.

In its role as a marine communications service provider, the JRC Group started delivering services for other providers in January 2013. In January 2014, we launched our electronic maritime chart sales business, featuring online distribution and updating services. By the end of 2014, we also plan to commence a marine portal site business. This will entail compiling information collected from weather-related sites and terrestrial VTS channels into a database, which we will use to provide integrated surveillance and management systems. Maritime operators can also use this information to promote energy-efficient vessel operation and devise environmental responses and piracy countermeasures.

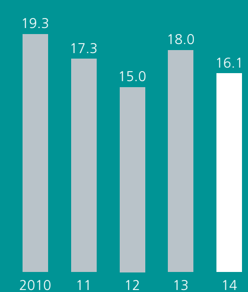
Enhance cost-competitiveness

To effectively address global price competition, the JRC Group will engage in full-fledged product development and manufacture at its Chinese operations.

Communications Equipment

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

Sales (¥ bill.)



Performance and outlook

In the year under review, the Communications Equipment segment posted a 10.6% decrease in sales, to ¥16,152 million. Reflecting efforts to cut fixed costs, however, we reported segment profit of ¥141 million, compared with a ¥492 million segment loss in the previous year.

In FY2013, we enjoyed an increase in sales of equipment for intelligent transportation systems (ITS) for the automobile industry on the back of higher demand, as well as a rise in sales of commercial-use radio equipment for overseas markets. However, the mobile phone infrastructure market was affected by reduced capital investment by mobile providers, leading to a decline in sales of equipment related to these kinds of infrastructure. Owing to cost-cutting efforts, however, we enjoyed a significant improvement in segment earnings.

In FY2104, we look forward to further growth in demand for ITS-related equipment, underpinned by a healthy automobile industry. We will work particularly hard to broaden sales to customers in the car navigation market, while developing new businesses in automobile radar and other areas. In the commercial wireless business, we will step up sales in overseas markets while striving to expand applications in the domestic market as well.

In conjunction with our business restructuring, meanwhile, we will endeavor to minimize costs by shifting production overseas.

We forecast an 8.9% year-on-year increase in segment sales, to ¥17,600 million, and a 41.8% jump in segment profit, to ¥200 million.

Our strengths

The information and communications sector has advanced significantly in recent years as communications speeds have become much faster and frequency bands have been restructured. The JRC Group has amassed a broad range of know-how in developing and supplying infrastructure equipment that supports wireless communications, as well as ITS for automobiles, commercial-use radio equipment, and PHS terminals.

In the areas of GPS receivers and other ITS-related equipment, we are promoting mass production of dedicated short-range communication (DSRC) units that we developed for sophisticated traffic scenarios. In commercial-use radio, we are expanding our lineup of IP in-vehicle radio devices equipped with a mobile phone network data communications module. In communications infrastructure, we have effectively addressed growth in demand for equipment to handle data traffic volumes and the installation of communications infrastructure in underground shopping malls, subway stations, and tunnels.

Strategies for future growth

We expect the terrestrial communications business to benefit from global expansion of the automobile market and continued growth in production volume. In the wireless communications sector, demand for commercial-use digital radio technologies that enhance vehicle safety and security is growing, especially in North America and Europe. Against this backdrop, we will target the following three strategies.

Concentrate on in-vehicle and commercial wireless equipment

The market for mobile communications equipment, including smartphones and other mobile devices, is becoming saturated. Against this background, we have identified ITS-related in-vehicle and commercial wireless equipment as growth businesses for the future, and we will concentrate resources accordingly.

With respect to in-vehicle equipment, we will seek to maintain and increase our already-high market share by launching a GPS receptor chip (GSP10) that can communicate with multiple satellites. We will also step up sales activities to encourage Japanese automakers to adopt our DSRC units, and we will target makers of imported vehicles as well. In addition, we will continue boosting sales of electronic toll collection (ETC) devices for motorcycles, in response to rising demand driven by government subsidies.

For commercial wireless equipment, we will work to expand our OEM business in overseas markets while bolstering sales of equipment for railways, test courses, and the like.

The JRC Group holds the top position in the market for GPS receptor chips used in car navigation, with a 45% share. Recently, we developed the GPS10, which can communicate with multiple satellites, including those owned by the United States, Japan, Europe, and Russia. With this new product, which is a world leader in terms of accuracy, we look forward to further raising our market share. We plan to commence shipments in April 2015.

Reform our cost structure

Under reforms of our business structure and production system, we are shifting production of in-vehicle equipment to Ueda Japan Radio Co., Ltd. Regarding the OEM business for commercial wireless equipment in overseas markets, we are considering establishment of production systems in Asia and South America.

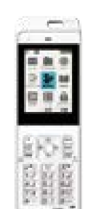
Establish new businesses

Going forward, we will seek to establish a business for radars and other in-vehicle equipment targeting the European market. We will also consider establishing sales channels for digital commercial wireless systems.

Electronic toll collection (ETC) system for motorcycles

Professional mobile radio

25GHz FWA (NTG-2501)



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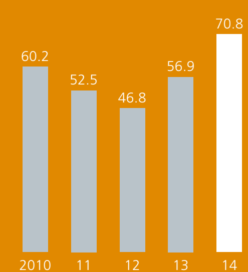
Solutions and Specialized Equipment

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

Sales (¥ bill.)



Performance and outlook

In the year under review, the Solutions and Specialized Equipment segment posted an 11.4% increase in sales, to ¥70,821 million, and a 69.4% jump in segment profit, to ¥9,055 million.

In Japan, demand in the disaster-prevention sector remained firm, leading to growth in sales of disaster-prevention and fire-prevention radio systems to prefectural and municipal governments. Thanks to increased public-sector investments, meanwhile, we reported higher sales of satellite communications systems and water and river information systems.

With further growth in the disaster-prevention business expected, we look forward to continued demand for replacing existing large-scale systems, as well as solid public works spending, reflecting the government's emergency economic measures.

In the overseas solutions business, which is projected to grow significantly, we will expand sales of maritime vessel navigation and harbor monitoring systems and work to develop infrastructure-related businesses, including for meteorological radar systems. In these ways, we will strive to broaden operations and boost revenues.

In FY2014, we project a 1.4% decrease in segment sales, to ¥69,800 million, due to a recoil in the domestic market, which expanded considerably in FY2013, and the impact of changes in shipment patterns. We also forecast a 24.8% decline in segment profit, to ¥6,800 million.

Our strengths

The JRC Group's solutions business draws on its specialist expertise in wireless communications technology to propose and provide comprehensive infrastructure systems that deliver safety and peace of mind to society in a variety of scenarios. For flood prevention, the Group's offerings include dam management and integrated river information systems, tsunami and high tide disaster prevention systems, and other water and river management systems. We also provide disaster-prevention information systems to be activated in the event of a natural disaster, meteorological information systems to assist with weather forecasting, harbor monitoring systems to ensure safe vessel navigation, and airport monitoring radars vital for airport safety. In addition, we have a broad range of other solutions, including road information systems, broadcasting systems, satellite communications systems, and multiplex communications systems.

For overseas customers, we will reinforce initiatives directed at overseas governments in addition to the solutions we supply for official development assistance (ODA) projects.

Strategies for future growth

Since the Great East Japan Earthquake, the disaster-prevention and disaster-minimization businesses have expanded due to the government's Building National Resilience plan, while public works spending has increased, reflecting the government's emergency economic measures. Other trends include continued replacement of existing large-scale disaster-prevention systems, an increase in government-driven ODA projects, and a growing defense budget. Together, these

factors represent a favorable business environment for the JRC Group. Drawing on our track record and strengths, we will focus on the following initiatives.

Expand infrastructure businesses

The JRC Group has a solid record in providing disaster-prevention and fire-prevention systems to prefectural and municipal governments. Because such systems are becoming more advanced and digitalized, we will strive to attract replacement demand in order to expand market share. We will also target the satellite communications business, for which demand is expected to rise in the future. In addition, we will develop infrastructure-related businesses in such areas as electricity, water, and gas, where new markets are forecast to open up in the future.

Broaden solutions in emerging nations

Some emerging nations are behind the times with respect to infrastructural development related to maritime vessel navigation systems, harbor monitoring systems, meteorological radar systems, disaster-prevention systems, and the like. The JRC Group will advance its business in such nations and contribute to businesses that provide safety and peace of mind to local communities. To this end, we will foster local Group staff and build a cooperative system with local integrators.

Overseas solution business

With respect to maritime vessel navigation and harbor monitoring systems, the JRC Group developed Trihawk, a double-cycle solid state radar system, and showcased it at overseas exhibitions. We are also approaching overseas integrators and otherwise pursuing sales promotion activities.

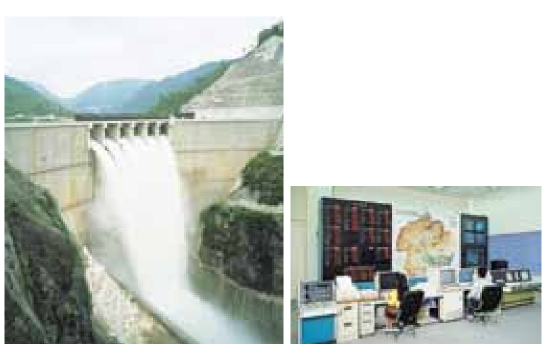
In recent years, torrential rains have caused serious damage to urban areas in various parts of the world. To minimize such damage, we developed a compact meteorological radar system capable of making highly accurate forecasts about location, time, and other factors. We will commence sales in FY2014.

Strengthen environment-related businesses

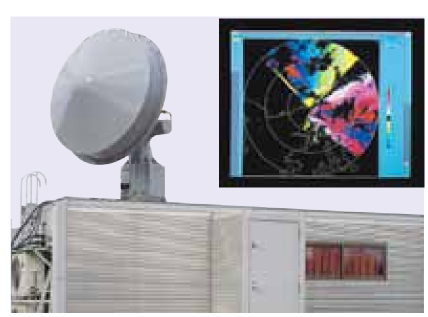
To expand our solutions business in the domestic market, we will actively participate in environmental projects, including building an independent dispersed power system using fuel cells, as well as advanced hygiene management systems.

Strengthen defense business

In alliance with Nagano JRC, we will further strengthen our technological capabilities and share strategies for project proposals.



Integrated dam management system



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

Basic Philosophy

JRC (hereinafter referred to as “the Company”) recognizes environmental protection to be one of the most important common concerns for all mankind, and will act with full consideration for environmental protection in all aspects of its business activity.

Basic Policy

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

1. Contribute by introducing environmentally conscious products

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

2. Reduce environmental impacts business activities, products, and services

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

3. Comply with laws and regulations related to the environment

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

4. Make continuous improvement of environmental impacts and prevent pollution

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

5. Establish and periodically review the objectives and targets for environmental protection

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

6. Make announcements of its environmental policy to the public

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

Helping Build a “Smart” Society

In addition to the aforementioned growth strategy, which calls for expansion of businesses underpinned by wireless communications to ensure safety and peace of mind, the JRC Group is working in collaboration with the Nisshinbo Group in the environment and energy fields and on “smart” concepts.

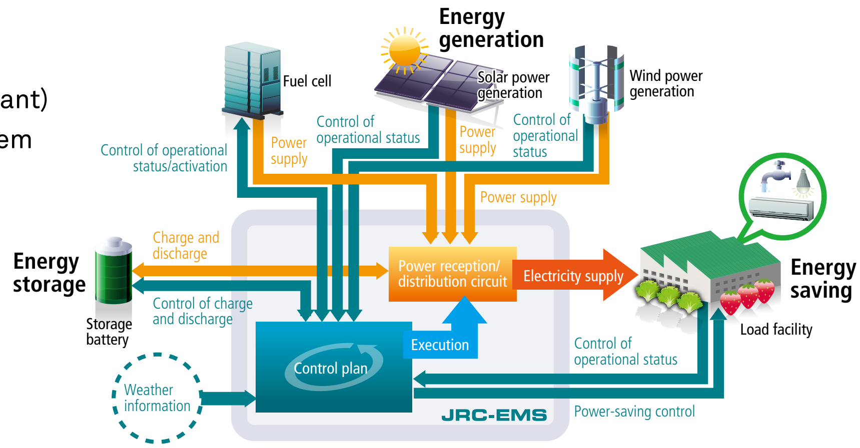
Participating in the “smart factory concept”

JRC is taking part in field trials of the “smart factory concept.” We commenced operation of our Energy Management System test facility at the “smart” factory opened in October 2012 at Nisshinbo Holdings’ Tokushima Plant. The factory is powered by clean energy sources, including a solar power system and fuel cells, and has an energy storage system that uses electric double-layer capacitors. The factory has a high-voltage direct-current power supply system that does not incur any energy loss, an issue with other systems that convert direct current to alternating current. It also uses our Energy Management System for monitoring and controlling electricity. This smart factory represents an accumulation of advanced technologies for creating, storing, and saving energy.

“Smart” factory

(Nisshinbo’s Tokushima Plant)

Energy Management System



Focusing on the “smart community business”

The JRC Group is leveraging its expertise in information and communication technology (ICT) to enter the “smart community business.” Working in collaboration with the Nisshinbo Group, we are incorporating smart technologies into our existing disaster-prevention, traffic, and vessel business segments. Our aim is to further reinforce and differentiate our businesses and contribute to society.

“Smart” disaster-prevention business

The Group contributes to the development of safe and secure communities that are resilient in the face of disaster by drawing on its disaster prevention-related technology and operational know-how amassed over many years. Today, we supply “smart” disaster-prevention systems that integrate a range of technologies, including those used in wireless network solutions, disaster-prevention information processing, high-voltage direct-current power supply systems, renewable energy systems, and energy management systems.

“Smart” transportation business

Up to now, the Group has harnessed intelligent transportation system (ITS) technologies to help improve road traffic conditions and enhance driving comfort. We will continue striving to minimize congestion and accidents while realizing safe road transportation that is also energy-efficient. To this end, we will enhance information communication functions related to vehicles through such technologies as next-generation beacons, vehicle-to-vehicle and road-to-vehicle onboard communication equipment, and quasi-millimeter radar.

“Smart” marine vessel business

In January 2013, regulations were introduced to reduce the amount of CO_2 emissions generated by international maritime traffic. The JRC Group supplies sensor technologies for vessels, including equipment that measures waves, roll, and pitch, communication terminal technology for ships that holds promise as the next generation of high-speed ship-to-shore broadband, and marine geographic information systems. In these ways, we will continue contributing to the safety, security, and energy efficiency of shipping around the world.

JRC Governance Systems

Basic Policy

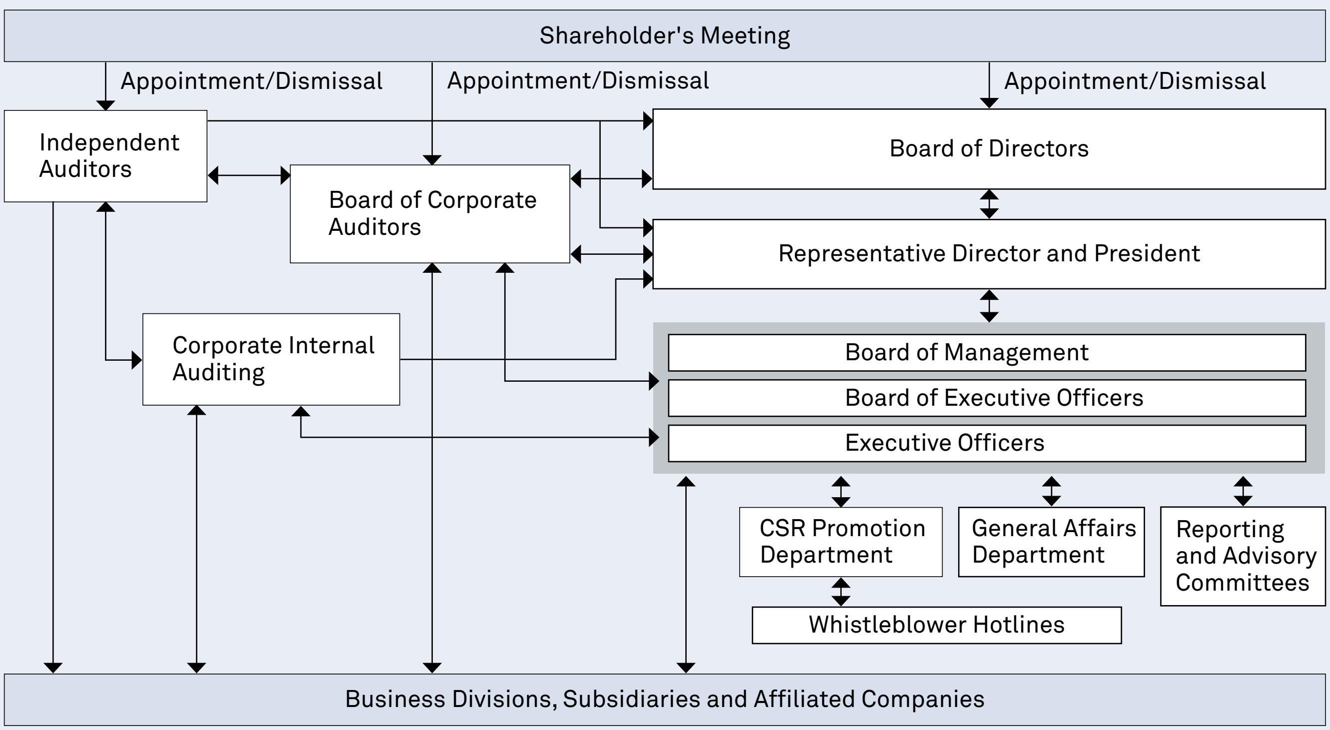
To ensure quick decision-making and management soundness and transparency, we seek to strengthen our management control system with a basic policy regarding corporate governance in an aim to enhance corporate value.

Corporate Governance Overview

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

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

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



Internal Auditing, Audits Performed by Corporate Auditors and Accounting Audits

• Internal Audits

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.

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

• Audits Performed by Corporate Auditors

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

• Accounting Audits

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

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

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

External Directors and External Corporate Auditors

JRC has two external directors and two external corporate auditors.

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

External director Shizuka Uzawa is a representative director and chairman of the Board of Directors of our parent company, Nisshinbo Holdings Inc. External director Nobuyuki Hagiwara is a director and executive officer of Nisshinbo Holdings Inc. Corporate auditor Takayoshi Okugawa is a director and executive officer of Nisshinbo Holdings Inc. As a result of Nisshinbo's incorporation of JRC into its cash management system, a financial relationship exists between JRC and Nisshinbo.

External corporate auditor Tsutomu Suzuki previously worked for the former Daiichi Kangyo Bank, one of the main financial institutions with which JRC had transactions. There are no particular conflicts of interest between Mr. Suzuki and Japan Radio Co., Ltd.

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

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

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

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

Risk Factors

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

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

Because a relatively high proportion of the Group's products are delivered to public entities, sales tend to be toward the second half of each fiscal year. As a result, net sales and income in the fourth quarter tend to be higher compared with other quarters.

(2) Changes in the operating environment

The business performance of the JRC Group can potentially be affected by the investment programs of public sector entities, which constitute a major source of business for the Group, as well as capital expenditures in the telecommunications industry. Changes in the global environment, including geopolitical instability in other countries and a slowdown in economic growth in developing nations, could have an impact on the Group's business performance and financial position.

(3) Exchange rate fluctuations

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

(4) Procurement

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

(5) Regulations

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

(6) 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) Disasters and Accidents

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

Financial Statements

Consolidated Five-Year Summary

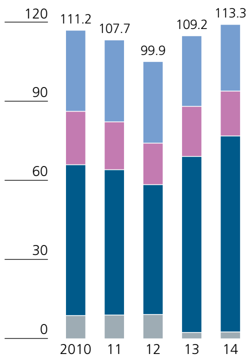
	Millions of yen					Thousands of U.S. dollars (Note)
For the years ended March 31,	2010	2011	2012	2013	2014	2014
Net sales	¥111,210	¥107,705	¥99,872	¥109,158	¥113,307	$1,100,920
Operating income (loss)	3,000	1,551	(2,791)	3,919	7,281	70,749
Operating income (loss) ratio (%)	2.7	1.4	(2.8)	3.8	6.4	–
Income (loss) before income taxes and minority interests	2,708	2,226	(1,456)	10,419	2,727	26,499
Net income (loss)	2,322	1,921	(1,844)	9,245	2,311	22,452
As of March 31,						
Total assets	117,354	118,613	94,954	105,541	113,814	1,105,851
Total equity	44,360	44,821	41,413	50,928	49,843	484,285
Net equity ratio (%)	37.5	37.5	43.2	48.0	42.6	–
Interest-bearing liabilities	24,868	23,943	4,874	3,238	5,888	57,211
Depreciation	1,578	1,413	1,291	1,746	2,098	20,383
Capital expenditures	774	1,315	1,501	1,878	2,630	25,553
Net income (loss) per share (yen/U.S. dollars)	16.86	13.95	(13.39)	67.11	16.77	0.16
ROE (%)	5.4	4.3	(4.3)	20.2	4.7	–
D/E ratio (times)	0.56	0.54	0.12	0.06	0.12	–
Employees	3,760	3,766	3,758	3,671	3,294	–

Note: U.S. dollar amounts are translated, for convenience only, at ¥102.92= US$1.00, the rate prevailing on March 31, 2014.

Contents of Financial Statements

Consolidated Financial Review

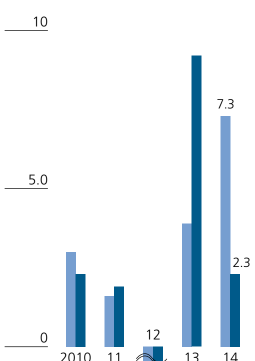
Consolidated Net Sales
(¥ billions)



(For the years ended March 31,)
- Marine Electronics Equipment
- Communications Equipment
- Solutions and Specialized Equipment
- Other

Note: Figures for the years ended March 31, 2013 and 2014 have been revised to reflect a segment reclassification.

Operating Income (Loss); Net Income (Loss)
(¥ billions)



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

Revenue and Earnings

In FY2013, ended March 31, 2014, the JRC Group reported consolidated net sales of ¥113,306 million ($1,100.9 million), up 3.8%, or ¥4,149 million, from the previous year. This was due to a year-on-year sales increase in the Solutions and Specialized Equipment segment, which benefited from healthy demand for disaster prevention systems, satellite communications systems, and water and river management systems, as well as a foreign exchange gain. By contrast, sales in the Marine Electronics Equipment segment and Communications Equipment segment declined due to weak market conditions.

The Group posted operating income of ¥7,281 million ($70.7 million), up 85.8%, or ¥3,362 million, from the previous year. In addition to the increase in net sales, this was mainly due to a foreign exchange gain and reductions in fixed costs. Despite the rise in operating income, net income fell 75.0%, to ¥2,310 million ($22.4 million). This was due to the absence of a gain on sale of property, plant and equipment (Saitama Plant property), posted in the previous year, as well as business restructuring expenses of ¥5,157 million, booked as extraordinary losses.

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—as well as the "Other" business segment. Figures for segment profit (loss) are based on operating income (loss) figures for each segment.

The Group undertook a business reclassification, effective the year in review. Segment figures for the previous fiscal year have been adjusted accordingly for comparison purposes. Under the reclassification, services provided by subsidiaries for government-related entities have been shifted from the Other segment to the Solutions and Specialized Equipment segment, and foreign exchange adjustments have been shifted from the Other segment to the relevant business segments in which such adjustments are made.

Segment Sales / Profit (Loss)

	Millions of yen				
Year ended March 31, 2014	Marine Electronics Equipment	Communications Equipment	Solutions and Specialized Equipment	Other (including reconsiderations)	Total
Sales	¥24,088	¥16,152	¥70,821	¥2,246	¥113,307
Segment profit (loss)	(1,441)	141	9,055	(391)	7,281
Year ended March 31, 2013					
Sales	¥25,489	¥18,046	¥56,954	¥8,669	¥109,158
Segment profit (loss)	(1,058)	(296)	5,583	204	3,919
Year ended March 31, 2014	Thousands of U.S. dollars				
Sales	$234,046	$156,935	$688,113	$21,826	$1,100,920
Segment profit (loss)	(13,997)	1,372	87,977	(3,796)	70,749

For the year, the Marine Electronics Equipment segment reported a 5.4% year-on-year decline in sales, to ¥24,088 million ($234.0 million), due mainly to weakness of related markets, and the segment loss grew further, to ¥1,441 million ($13.9 million). The Communications Equipment segment posted a 10.6% decrease in sales, to ¥16,152 million ($156.9 million), and a significant improvement in earnings, with segment profit of ¥141 million ($1.3 million). The Solutions and Specialized Equipment segment recorded an 11.4% increase in sales, to ¥70,821 million ($688.1 million), and a 69.4% jump in segment profit, to ¥9,055 million ($87.9 million). The Other segment—consisting of activities not included in the three business segments, as well as the operations of subsidiaries (excluding aforementioned services to government-related entities)— reported a 9.7% increase in sales, to ¥2,246 million ($21.8 million), and the segment loss grew further, to ¥391 million ($3.7 million).

Financial Position

At fiscal year-end, the Group had consolidated total assets of ¥113,814 million ($1,105.8 million), up ¥8,273 million from a year earlier. This was due mainly to a ¥3,927 million year-on-year increase in notes and accounts receivable, a ¥7,138 million rise in inventories (including semifinished products and work in progress), a ¥1,268 million increase in land, and a ¥1,707 million rise in goodwill. This contrasted with a ¥6,955 million decline in short-term loans due from parent company.

Total liabilities increased ¥9,359 million, to ¥63,971 million ($621.5 million). Main factors included a ¥3,316 million rise in notes and accounts payable, a ¥1,918 million increase in long-term debt, and a ¥15,420 million jump in net defined benefit liability, which contrasted with a ¥12,716 million decline in liability for retirement benefits.

Total equity declined ¥1,085 million, to ¥49,842 million ($484.2 million). This stemmed mainly from a –¥5,051 million cumulative adjustment related to retirement benefits. By contrast, there was a ¥2,310 million increase in retained earnings, a ¥555 million rise in net unrealized gain on available-for-sale securities, and a ¥1,041 million increase in minority interests. As a result, the equity ratio at fiscal year-end was 42.6%, down 5.4 points from a year earlier.

Effective the year under review, Alphatron Marine Beheer B.V. and its subsidiaries—with total assets of ¥4,429 million and total liabilities of ¥2,340 million—have been included in the scope of consolidation.

Cash Flows

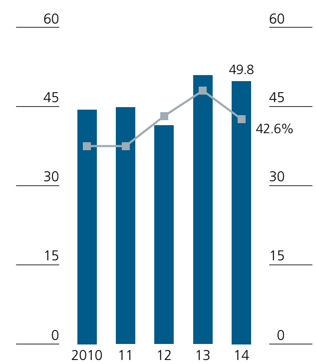
Consolidated cash and cash equivalents at fiscal year-end totaled ¥3,465 million ($33.6 million), up ¥481 million from a year earlier. This was mainly due to ¥1,390 million in net cash provided by financing activities and ¥600 million in net cash provided by investing activities, which outweighed ¥1,645 million in million in net cash used in operating activities.

For the year, net cash used in operating activities amounted to ¥1,645 million, compared with net cash provided by operating activities of ¥3,025 million in the previous year. Factors boosting cash flows included ¥2,727 million in income before income taxes and minority interests. By contrast, there was a ¥2,615 million increase in notes and accounts receivable, a ¥4,526 million increase in inventories, and a ¥4,099 million special payment for retirement benefits (part of business restructuring expenses totaling ¥5,157 million).

Net cash provided by investing activities totaled ¥600 million, compared with net cash used in investing activities of ¥1,547 million in the previous year. The main factor boosting cash flows was a ¥6,955 million net increase short-term loans (deposits made to parent company), which contrasted with ¥3,752 million in purchase of property, plant and equipment and ¥2,584 million in purchase of shares in a subsidiary associated with a change in scope of consolidation.

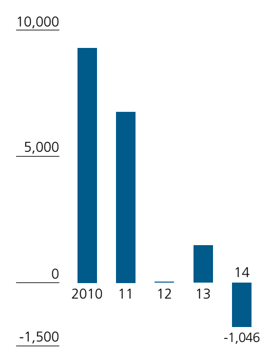
Net cash provided by financing activities was ¥1,390 million, compared with net cash used in financing activities of ¥1,774 million in the previous year. The main factor was ¥3,000 million in proceeds from long-term borrowings, which contrasted with a ¥424 million net change (decrease) in short-term bank loans and ¥1,081 million in repayments of long-term debt.

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



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

Free Cash Flow
(¥ millions)



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

Consolidated Balance Sheet

March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 19)	¥ 3,465	¥ 2,984	$ 33,668
Short-term investments (Notes 5 and 19)	529	490	5,140
Receivables (Note 4):			
Trade notes (Note 19)	2,878	2,674	27,967
Trade accounts (Note 19)	52,503	48,782	510,136
Unconsolidated subsidiaries and affiliated companies (Note 19)	273	200	2,652
Other	700	554	6,795
Allowance for doubtful accounts	(185)	(249)	(1,794)
Short-term loans due from parent company (Note 19)		6,955	
Inventories (Note 6)	30,265	23,126	294,063
Deferred tax assets (Note 13)	323	237	3,140
Prepaid expenses and other	970	593	9,420
Total current assets	91,721	86,346	891,187
PROPERTY, PLANT AND EQUIPMENT (Note 8):			
Land	3,618	2,349	35,153
Buildings and structures (Note 7)	23,861	23,384	231,840
Machinery and equipment (Note 7)	4,356	7,022	42,327
Furniture and fixtures (Note 7)	14,674	14,776	142,580
Lease assets	288	309	2,799
Construction in progress	1,188	36	11,538
Total	47,985	47,876	466,237
Accumulated depreciation	(38,126)	(39,574)	(370,442)
Net property, plant and equipment	9,859	8,302	95,795
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 19)	4,283	3,467	41,618
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 19)	3,351	3,409	32,556
Goodwill (Note 23)	1,707		16,590
Asset for retirement benefits	394		3,827
Deferred tax assets (Note 13)	982	1,159	9,538
Other assets (Note 7)	3,302	4,492	32,084
Allowance for doubtful accounts	(1,785)	(1,634)	(17,344)
Total investments and other assets	12,234	10,893	118,869
TOTAL	¥113,814	¥105,541	$1,105,851

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 8 and 19)	¥ 2,401	¥ 1,650	$ 23,325
Current portion of long-term debt (Notes 8 and 19)	35	1,081	343
Current portion of long-term lease obligations	87	100	842
Payables:			
Trade notes (Note 19)	676	686	6,564
Trade accounts (Note 19)	23,431	20,424	227,667
Unconsolidated subsidiaries and affiliated companies (Notes 19 and 22)	4,267	3,948	41,456
Other	1,437	1,202	13,959
Income taxes payable	326	628	3,169
Accrued expenses	1,923	2,122	18,689
Advances received	3,781	2,960	36,741
Other	4,585	4,830	44,550
Total current liabilities	42,949	39,631	417,305
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 19)	3,000	35	29,149
Liability for retirement benefits (Note 10)	15,420	12,717	149,829
Deferred tax liabilities (Note 13)	984	691	9,560
Long-term lease obligations	162	217	1,569
Provision for environmental measures	93	259	904
Asset retirement obligations (Note 11)	330	331	3,207
Other	1,033	732	10,043
Total long-term liabilities	21,022	14,982	204,261
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 9 and 21)			
EQUITY (Note 12):			
Common stock—authorized, 216,000,000 shares; issued, 137,976,690 shares in 2014 and 2013	14,704	14,704	142,872
Capital surplus	16,505	16,505	160,364
Retained earnings	21,271	18,960	206,671
Treasury stock—at cost, 235,726 shares in 2014 and 228,041 shares in 2013	(74)	(71)	(718)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,076	520	10,459
Foreign currency translation adjustments	48	(11)	471
Defined retirement benefit plans	(5,051)		(49,080)
Total	48,479	50,607	471,039
Minority interests	1,364	321	13,246
Total equity	49,843	50,928	484,285
TOTAL	¥113,814	¥105,541	$1,105,851

Consolidated Statement of Income

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES	¥113,307	¥109,158	$1,100,920
COST OF SALES (Notes 10, 14 and 22)	89,756	89,420	872,088
Gross profit	23,551	19,738	228,832
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 10, 14 and 15)	16,270	15,819	158,083
Operating income	7,281	3,919	70,749
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 22)	142	119	1,380
Interest expense (Note 22)	(64)	(96)	(620)
Foreign exchange gain—net	548	167	5,323
Gain on sales of investment securities (Note 22)		231	
Equity in earnings (losses) of affiliated companies	(17)	288	(168)
Impairment losses (Note 7)	(200)	(153)	(1,945)
Gain on sale of land and building for the Saitama Plant		5,996	
Gain on sale of property	84	49	818
Business structure improvement expenses (Note 16)	(5,157)		(50,111)
Other—net (Note 17)	110	(101)	1,073
Other income (expenses)—net	(4,554)	6,500	(44,250)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	2,727	10,419	26,499
INCOME TAXES (Note 13):			
Current	337	622	3,271
Deferred	72	540	704
Total income taxes	409	1,162	3,975
NET INCOME BEFORE MINORITY INTERESTS	2,318	9,257	22,524
MINORITY INTERESTS IN NET INCOME	7	12	72
NET INCOME	¥ 2,311	¥ 9,245	$ 22,452

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2u):			
Basic net income	¥ 16.77	¥ 67.11	$ 0.16
Cash dividends applicable to the year			

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥2,318	¥9,257	$22,524
OTHER COMPREHENSIVE INCOME (Note 18):			
Unrealized gain on available-for-sale securities	550	316	5,342
Foreign currency translation adjustments	59	10	578
Share of other comprehensive income in associates	6	4	55
Total other comprehensive income	615	330	5,975
COMPREHENSIVE INCOME	¥2,933	¥9,587	$28,499
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥2,926	¥9,575	$28,431
Minority interests	7	12	68

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2014

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	137,754	¥14,704	¥16,505	¥ 9,715	¥(70)	¥ 200	¥(21)		¥41,033	¥ 380	¥41,413
Net income				9,245					9,245		9,245
Purchase of treasury stock	(6)				(1)				(1)		(1)
Net change in the year						320	10		330	(59)	271
BALANCE, MARCH 31, 2013	137,748	14,704	16,505	18,960	(71)	520	(11)		50,607	321	50,928
Net income				2,311					2,311		2,311
Purchase of treasury stock	(7)				(3)				(3)		(3)
Net change in the year						556	59	¥(5,051)	(4,436)	1,043	(3,393)
BALANCE, MARCH 31, 2014	**137,741**	**¥14,704**	**¥16,505**	**¥21,271**	**¥(74)**	**¥1,076**	**¥ 48**	**¥(5,051)**	**¥48,479**	**¥1,364**	**¥49,843**

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$142,872	$160,364	$184,219	$(692)	$ 5,057	$(107)		$491,713	$ 3,122	$494,835
Net income			22,452					22,452		22,452
Purchase of treasury stock				(26)				(26)		(26)
Net change in the year					5,402	578	$(49,080)	(43,100)	10,124	(32,976)
BALANCE, MARCH 31, 2014	**$142,872**	**$160,364**	**$206,671**	**$(718)**	**$10,459**	**$ 471**	**$(49,080)**	**$471,039**	**$13,246**	**$484,285**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 2,727	¥ 10,419	$ 26,499
Adjustments for:			
Business structure improvement expenses	5,157		50,111
Income taxes—paid	(733)	(325)	(7,126)
Depreciation and amortization	2,098	1,746	20,383
Impairment loss	200	153	1,945
Gain on sales of property, plant and equipment	(30)	(6,032)	(295)
Gain on sales of investment securities		(231)	
Equity in earnings (losses) of affiliated companies	17	(288)	168
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(2,616)	(6,460)	(25,415)
(Increase) decrease in inventories	(4,526)	1,276	(43,980)
Decrease in interest and dividends receivable	45	31	435
Increase (decrease) in notes and accounts payable	2,544	(432)	24,722
Decrease in interest payable	(2)	(8)	(20)
(Decrease) increase in liability for retirement benefits	(11,366)	620	(110,433)
Increase in net defined benefit liability	10,694		103,907
Increase in allowance for doubtful receivables	173	140	1,681
Payments for extra retirement payments	(4,099)		(39,829)
Increase in advances received	821	1,058	7,976
Other—net	(2,750)	1,358	(26,719)
Total adjustments	(4,373)	(7,394)	(42,489)
Net cash provided by (used in) operating activities	(1,646)	3,025	(15,990)
INVESTING ACTIVITIES:			
Purchase of short-term investments	(520)	(373)	(5,052)
Proceeds from sales of short-term investment	330	413	3,206
Purchase of property, plant and equipment	(3,752)	(1,768)	(36,459)
Proceeds from sales of property, plant and equipment	156	6,447	1,514
Purchase of investment securities	(7)	(7)	(67)
Proceeds from sales of investment securities		261	
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	(2,585)		(25,116)
Net changes in short-term loan	6,955	(5,739)	67,579
Other—net	23	(781)	228
Net cash provided by (used in) investing activities	600	(1,547)	5,833
FINANCING ACTIVITIES:			
Net change in short-term bank loans	(425)	400	(4,126)
Proceeds from long-term debt	3,000		29,149
Repayments of long-term debt	(1,081)	(2,037)	(10,503)
Cash dividends	(3)	(7)	(27)
Other—net	(101)	(130)	(983)
Net cash provided by (used in) financing activities	1,390	(1,774)	13,510
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	137	42	1,324
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	481	(254)	4,677
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,984	3,238	28,991
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,465	¥ 2,984	$ 33,668

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2014

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. 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 at and for the year ended March 31, 2014, include the accounts of the Company and its 15 (8 in 2013) 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 2 unconsolidated subsidiaries (2 in 2013) and 3 affiliated companies (3 in 2013) 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. *Business Combinations*—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

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

The Company acquired 51% of the net assets of Alphatron Marine Beheer B.V. on December 31, 2013, and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over 7 years.

The amount of goodwill is a provisional amount as the purchase price allocation has not been finalized.

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

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

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

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

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

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

e. ***Marketable and Investment Securities***—Marketable and investment securities are classified and accounted for, depending on management's intent, as available-for-sale securities, which are not classified as either trading securities or held to maturity debt securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of equity.

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

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

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

g. ***Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured 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.

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

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

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

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

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

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2w).

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

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, asset for retirement benefits of ¥394 million ($3,827 thousand) and liability for retirement benefits of ¥15,420 million ($149,829 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥5,051 million ($49,080 thousand). In addition, net assets per share decreased by ¥36.67 ($0.36) for the year ended March 31, 2014.

In October 2013, certain consolidated subsidiary transferred its part of unfunded retirement benefit plan and defined benefit pension plan to the defined contribution pension plan. The transfer is accounted for in accordance with the "Guidance on Accounting Standard for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1).

The effect of this transfer was to increase income before income taxes and minority interests by ¥105 million ($1,020 thousand).

k. 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 and related to the cleanup of soil in land.

l. Asset Retirement Obligations—In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and 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 in 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.

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

n. 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.

o. 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.

Under the previous accounting standard, finance leases that were 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 by recognizing 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 continue 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.

p. *Construction Contracts*—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

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

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

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

Differences arising from such translation 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.

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

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

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

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

u. *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 as there were no securities with a dilutive effect.

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

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

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

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

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

(4) Corrections of prior-period errors
When an error in prior-period financial statements is discovered, those statements are restated.

w. New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major change is as follows:
Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

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

The Company expects to apply the above from April 1, 2014. The effects of applying the revised accounting standard are estimated as follows:
Retained earnings as of April 1, 2014, would be decreased by ¥3,265 million ($31,727 thousand).

3. SUPPLEMENTAL CASH FLOW INFORMATION

The Company acquired Alphatron Marine Beheer B.V. during the year ended March 31, 2014. The assets and liabilities at the acquisition date and reconciliation from acquisition cost to net cash used in the acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Current assets	¥ 4,217	$ 40,976
Fixed assets	213	2,065
Goodwill	1,707	16,590
Current liabilities	(2,340)	(22,740)
Minority interests	(1,039)	(10,099)
Foreign currency translation adjustments	5	54
Acquisition cost of shares	2,763	26,846
Cash and cash equivalents of consolidated subsidiary	178	1,730
Net cash used in the acquisition	¥ 2,585	$ 25,116

4. CONSTRUCTION CONTRACTS

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2014 and 2013, net of amounts settled, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Costs and estimated earnings	¥10,563	¥ 3,462	$102,631
Amounts settled	(5,417)	(1,786)	(52,631)
Net	¥ 5,146	¥ 1,676	$ 50,000

5. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Short-term investments:			
Time deposits	**¥ 520**	¥ 330	**$ 5,052**
Debt securities	**9**		**88**
Government and corporate bonds		160	
Total	**¥ 529**	¥ 490	**$ 5,140**
Investment securities:			
Equity securities	**¥4,101**	¥3,292	**$39,852**
Debt securities	**3**	12	**29**
Other	**179**	163	**1,737**
Total	**¥4,283**	¥3,467	**$41,618**

The carrying amounts and aggregate fair values of securities classified as available-for-sale, which are partially included in short-term investments and investment securities, at March 31, 2014 and 2013, were as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**¥2,201**	**¥1,626**	**¥ 9**	**¥3,818**
Debt securities	**12**			**12**
Other	**145**	**33**		**178**
March 31, 2013				
Securities classified as available-for-sale:				
Equity securities	¥2,228	¥ 849	¥69	¥3,008
Debt securities	12			12
Other	306	18		324

	Thousands of U.S. Dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	**$21,381**	**$15,803**	**$90**	**$37,094**
Debt securities	**117**			**117**
Other	**1,411**	**325**		**1,736**

Securities classified as available-for-sale whose fair value is not readily determinable at March 31, 2014 and 2013, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Securities classified as available-for-sale— Equity securities	**¥284**	¥284	**$2,757**

6. INVENTORIES

Inventories at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Finished products, semifinished products and merchandise	¥ 6,190	¥ 4,607	$ 60,138
Work in process	20,223	15,598	196,494
Raw materials and supplies	3,852	2,921	37,431
Total	¥30,265	¥23,126	$294,063

7. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment at March 31, 2014 and 2013, and recognized impairment losses as follows:

Year Ended March 31, 2014

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

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥ 26	$ 250
Furniture and fixture	174	1,695
Total	¥200	$1,945

Year Ended March 31, 2013

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

	Millions of Yen
Type:	
Building and structures	¥ 48
Machinery and equipment	13
Furniture and fixture	89
Software	3
Total	¥153

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

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

Short-term bank loans at March 31, 2014 and 2013, consisted of notes to banks and bank overdrafts.

The weighted-average interest rates for short-term bank loans at March 31, 2014 and 2013, were 1.99% and 0.63%, respectively.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loans from banks, due serially to 2017 with interest rates ranging from 0.6% to 1.1% (in 2014) and from 1.0% to 1.9% (in 2013):			
Collateralized	¥ 25	¥ 166	$ 246
Unsecured	3,010	950	29,246
Total	3,035	1,116	29,492
Less current portion	(35)	(1,081)	(343)
Long-term debt, less current portion	¥3,000	¥ 35	$29,149

Annual maturities of long-term debt outstanding at March 31, 2014, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 35	$ 343
2017	3,000	29,149
Total	¥3,035	$29,492

The carrying amounts of assets pledged as collateral for long-term debt totaling ¥25 million ($246 thousand) at March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥331	$3,219

9. CREDIT FACILITY AGREEMENT

Certain subsidiaries have concluded a credit facility agreement with a local bank for procurement of working capital. The portion of the credit line that had not been exercised under this agreement as of March 31, 2014, was as follows:

Year Ended March 31, 2014	Millions of Yen	Thousands of U.S. Dollars
Total loan agreement limits	¥1,088	$10,570
Loan executions	(416)	(4,046)
Net	¥ 672	$ 6,524

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

10. RETIREMENT AND PENSION PLANS

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

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

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

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥48,436	$470,623
Current service cost	1,644	15,974
Interest cost	434	4,221
Actuarial gains	(814)	(7,916)
Benefits paid	(7,765)	(75,449)
Others	(844)	(8,203)
Balance at end of year	¥41,091	$399,250

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥26,930	$261,661
Expected return on plan assets	236	2,298
Actuarial gains	2,201	21,382
Contributions from the employer	760	7,384
Benefits paid	(4,063)	(39,477)
Balance at end of year	¥26,064	$253,248

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

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 28,817	$ 280,000
Plan assets	(26,064)	(253,249)
	2,753	26,751
Unfunded defined benefit obligation	12,273	119,250
Net liability arising from defined benefit obligation	¥ 15,026	$ 146,001

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥15,420	$149,828
Asset for retirement benefits	(394)	(3,827)
Net liability arising from defined benefit obligation	¥15,026	$146,001

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥1,644	$15,974
Interest cost	434	4,221
Expected return on plan assets	(236)	(2,298)
Amortization of prior service cost	(333)	(3,233)
Recognized actuarial losses	1,538	14,948
Amortization of transitional obligation	286	2,774
Net periodic benefit costs	¥3,333	$32,386

(5) Accumulated other comprehensive income of defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ 845	$ 8,209
Unrecognized actuarial losses	(5,548)	(53,904)
Unrecognized transitional obligation	(271)	(2,635)
Total	¥(4,974)	$(48,330)

(6) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

Debt investments	36.1%
Equity investments	29.6
Cash and cash equivalents	16.3
Others	18.0
Total	100.0%

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

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

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.0%–1.2%
Expected rate of return on plan assets	0.0%–1.0%

Year Ended March 31, 2013

The liability for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 48,437
Fair value of plan assets	(26,930)
Unrecognized transitional obligation	(657)
Unrecognized actuarial loss	(11,373)
Unrecognized prior service cost	1,454
Prepaid pension cost	1,786
Net liability	¥ 12,717

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	¥1,641
Interest cost	856
Expected return on plan assets	(459)
Amortization of prior service cost	(388)
Recognized actuarial loss	1,577
Amortization of transitional obligation	329
Net periodic benefit costs	¥3,556

Assumptions used for the year ended March 31, 2013, are set forth as follows:

Discount rate	1.0%–1.2%
Expected rate of return on plan assets	0.0%–2.0%
Amortization period of prior service cost	14–15 years
Recognition period of actuarial gain/loss	10–14 years
Amortization period of transitional obligation	15 years

11. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Balance at beginning of year	¥331	¥344	$3,217
Reduction associated with settlement of asset retirement obligations	(1)		(10)
Others		(13)	
Balance at end of year	¥330	¥331	$3,207

12. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an audit & supervisory board members, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account 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.

13. 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 38.0% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards which result in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Net current deferred tax assets—			
Current deferred tax assets:			
Accrued bonuses	¥ 1,086	¥ 1,152	$ 10,555
Enterprise taxes payable	57	74	549
Inventories	1,182	1,562	11,486
Unrealized gains	27	11	261
Social security insurance on accrued bonuses	161	163	1,564
Reserve for product defect compensation	168	219	1,635
Other	207	117	2,008
Valuation allowance	(2,565)	(3,061)	(24,918)
Net current deferred tax assets	¥ 323	¥ 237	$ 3,140
Net noncurrent deferred tax assets—			
Noncurrent deferred tax assets:			
Liability for retirement benefits	¥ 369	¥ 636	$ 3,582
Tax loss carryforwards		2	
Unrealized gains	626	632	6,080
Other	160	67	1,557
Valuation allowance	(173)	(178)	(1,681)
Net noncurrent deferred tax assets	¥ 982	¥ 1,159	$ 9,538
Net noncurrent deferred tax liabilities:			
Noncurrent deferred tax assets:			
Allowance for doubtful accounts	¥ 646	¥ 603	$ 6,273
Liability for retirement benefits	4,992	3,302	48,502
Tax loss carryforwards	696	1,181	6,763
Software	1,730	2,080	16,816
Investment securities	642	629	6,234
Property, plant and equipment	886	425	8,613
Asset retirement obligations	117	118	1,141
Other	136	164	1,320
Valuation allowance	(8,477)	(7,100)	(82,364)
Total	1,368	1,402	13,298
Noncurrent deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	557	268	5,408
Reserve for advance depreciation of noncurrent assets	500	259	4,863
Reserve for special account for advance depreciation of noncurrent assets	1,295	1,566	12,587
Total	2,352	2,093	22,858
Net noncurrent deferred tax liabilities	¥ 984	¥ 691	$ 9,560

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2014, with the corresponding figures for 2013, is as follows:

	2014	2013
Normal effective statutory tax rate	38.0%	38.0%
Earnings not taxable and expenses not deductible for income tax purposes	0.8	0.2
Change in valuation allowance	(27.0)	(25.5)
Effect from the tax rate change	0.8	
Per capita portion of inhabitants tax	2.5	0.6
Equity in earnings of affiliated companies	0.2	(1.1)
Other—net	(0.3)	(1.0)
Actual effective tax rate	15.0%	11.2%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38% to 35%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥20 million ($204 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥20 million ($204 thousand).

At March 31, 2014, the Company and certain subsidiaries have net operating loss carryforwards aggregating approximately ¥1,910 million ($18,555 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
2021	¥1,910	$18,555
Total	¥1,910	$18,555

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,601 million ($44,709 thousand) and ¥4,794 million for the years ended March 31, 2014 and 2013, respectively.

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Provision for doubtful accounts	¥ 26	¥ 14	$ 254
Salaries	6,553	6,807	63,675
Provision for retirement benefits	943	991	9,166
Depreciation	357	289	3,468
Rent	745	691	7,236
Research and development costs	2,588	2,047	25,150
Other	5,058	4,980	49,134
Total	¥16,270	¥15,819	$158,083

16. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

Business structure improvement expenses accounted for in the consolidated statement of Income consist of the following:

Year Ended March 31, 2014	Millions of Yen	Thousands of U.S. Dollars
A premium on retirement benefits resulting from voluntary retirement	¥4,042	$39,275
Loss on partial termination of the retirement benefit plans by mass retirement	356	3,454
Transfer cost of production equipment	506	4,917
Other	253	2,465
Total	¥5,157	$50,111

17. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loss on disposals of property, plant and equipment	¥ (55)	¥ (80)	$ (537)
Loss on devaluation of investment securities	(35)	(4)	(338)
Other income (expenses)—net	200	(17)	1,948
Total	¥110	¥(101)	$1,073

18. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities:			
Gain arising during the year	¥ 818	¥ 492	$ 7,952
Reclassification adjustments to profit	35		338
Total	853	492	8,290
Foreign currency translation adjustments:			
Adjustments arising during the year	59	10	578
Amount before income tax effect	912	502	8,868
Income tax effect	(303)	(176)	(2,948)
Total	609	326	5,920
Share of other comprehensive income in associates—Income arising during the year	6	4	55
Total other comprehensive income	¥ 615	¥ 330	$ 5,975

19. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

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

Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 20 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. Please see Note 20 for the details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts at March 31, 2014.

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

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

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

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

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted price in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 20 for the details on fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 3,465	¥ 3,465	
Short-term investments	529	529	
Receivables:			
Trade notes	2,878	2,878	
Trade accounts	52,503	52,503	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	83	83	
Investment securities	3,999	3,999	
Investment in affiliated companies	674	1,094	¥420
Total	¥64,131	¥64,551	¥420
Short-term bank loans	¥ 2,401	¥ 2,401	
Payables:			
Trade notes	676	676	
Trade accounts	23,431	23,431	
Unconsolidated subsidiaries and affiliated companies	4,267	4,267	
Long-term debt (including current portion of long-term debt)	3,035	3,034	¥ (1)
Total	¥33,810	¥33,809	¥ (1)
March 31, 2013			
Cash and cash equivalents	¥ 2,984	¥ 2,984	
Short-term investments	490	490	
Receivables:			
Trade notes	2,674	2,674	
Trade accounts	48,782	48,782	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	81	81	
Short-term loans due from parent company	6,955	6,955	
Investment securities	3,183	3,183	
Investment in affiliated companies	1,200	1,220	¥ 20
Total	¥66,349	¥66,369	¥ 20
Short-term bank loans	¥ 1,650	¥ 1,650	
Payables:			
Trade notes	686	686	
Trade accounts	20,424	20,424	
Unconsolidated subsidiaries and affiliated companies	3,948	3,948	
Long-term debt (including current portion of long-term debt)	1,116	1,124	¥ 8
Total	¥27,824	¥27,832	¥ 8

	Thousands of U.S. Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 33,668	$ 33,668	
Short-term investments	5,140	5,140	
Receivables:			
Trade notes	27,967	27,967	
Trade accounts	510,136	510,136	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	805	805	
Investment securities	38,860	38,860	
Investment in affiliated companies	6,548	10,631	$4,083
Total	$623,124	$627,207	$4,083
Short-term bank loans	$ 23,325	$ 23,325	
Payables:			
Trade notes	6,564	6,564	
Trade accounts	227,667	227,667	
Unconsolidated subsidiaries and affiliated companies	41,456	41,456	
Long-term debt (including current portion of long-term debt)	29,492	29,477	$ (15)
Total	$328,504	$328,489	$ (15)

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

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

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

Investment Securities and Investment in Affiliated Companies
The fair values of investment securities and investment in affiliated companies are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities and investment in affiliated companies by classification is included in Note 5.

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

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

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

Derivatives
Fair value information for derivatives is included in Note 20.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Investment securities in equity instruments that do not have a quoted market price in an active market	**¥ 284**	¥ 284	**$ 2,758**
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	**2,492**	2,055	**24,218**
Total	**¥2,776**	¥2,339	**$26,976**

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

	Millions of Yen	
March 31, 2014	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	**¥ 3,465**	
Short-term investments	**529**	
Receivables:		
Trade notes	**2,877**	**¥1**
Trade accounts	**52,503**	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	**83**	
Investment securities—Available-for-sale securities with contractual maturities		**3**
Total	**¥59,457**	**¥4**

	Millions of Yen	
March 31, 2013	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	¥2,984	
Short-term investments	490	
Receivables:		
Trade notes	2,669	¥ 5
Trade accounts	48,782	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	81	
Investment securities—Available-for-sale securities with contractual maturities		12
Total	¥55,006	¥17

	Thousands of U.S. Dollars	
March 31, 2014	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	**$ 33,668**	
Short-term investments	**5,140**	
Receivables:		
Trade notes	**27,967**	**$ 5**
Trade accounts	**510,136**	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	**805**	
Investment securities—Available-for-sale securities with contractual maturities		**29**
Total	**$577,716**	**$34**

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

20. DERIVATIVES

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

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

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

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

As a result of repayment of long-term debt, there were no derivative transactions to which hedge accounting is applied at March 31, 2014.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2013

		Millions of Yen		
March 31, 2013	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥500		¥(4)

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

21. CONTINGENT LIABILITIES

At March 31, 2014 and 2013, the Company is contingently liable for guarantees of bank loans amounting to ¥11 million ($107 thousand) and ¥20 million, respectively.

22. RELATED PARTY TRANSACTIONS

(1) Parent Company

The Company's transactions with Nisshinbo Holdings Inc., the parent company, for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Interest income	**¥56**	¥40	**$547**
Interest expense	**(1)**		**(7)**

The Company's balance due from Nisshinbo Holdings Inc. at March 31, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Short-term loans due from parent company		¥6,955	
Short-term loans borrowed from parent company	**¥25**		**$246**

(2) Affiliated Company

The Company's transaction with Ueda Japan Radio Co., Ltd., an affiliated company, for the years ended March 31, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Purchases	¥6,236	¥5,522	$60,595

The Company's balance due to Ueda Japan Radio Co., Ltd. at March 31, 2014 and 2013, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Notes and accounts payables	¥2,294	¥2,404	$22,291

23. BUSINESS COMBINATIONS

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

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

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

The Company accounted for this business combination by the purchase method of accounting.

The acquisition cost was ¥2,763 million ($26,846 thousand) in cash in accordance with the Asset Purchase Agreement dated December 31, 2013.

The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Goodwill recorded in connection with the acquisition totaled ¥1,707 million ($16,591 thousand) and is reported within Marine electronics equipment segment.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥4,217	$40,976
Fixed assets	213	2,065
Total assets acquired	¥4,430	$43,041
Current liabilities	¥2,340	$22,740
Total liabilities assumed	¥2,340	$22,740

If this business combination had been completed as of April 1, 2013, the beginning of the current fiscal year, the unaudited condensed pro forma consolidated financial statement of income for the year ended March 31, 2014, would be as follows:

	Millions of Yen	Thousands of U.S. Dollars
	(unaudited)	(unaudited)
Sales	¥6,973	$67,751
Operating income	282	2,743
Income before income taxes and minority interests	237	2,299
Net income	(42)	(410)

24. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of three segments: Marine electronics equipment, Communications equipment, and Solutions and Specialized equipment. Marine electronics equipment consists of Inmarsat, GMDSS, marine radars, fishing, ECDIS, navigation systems, VHF radiotelephones, etc. Communications equipment consists of GPS receivers, PHS handsets, digital commercial-radios, linear power amplifiers, measuring equipment for digital mobile communications, etc. Solutions and Specialized equipment consists of disaster prevention information systems, water and river management systems, meteorological information systems, road/traffic management systems, landslide monitoring systems, broadcasting equipment, special equipment, equipment and maintenance works of JRC Tokki Co., Ltd., Sasebo Japan Radio Co., Ltd., and JRC System Service Co., Ltd.

Effective April 1, 2013, the Group changed the classification of the specialized equipment business of certain consolidated subsidiaries to "Solution and Specialized equipment" which had been included under "Other." Segment information for the year ended March 31, 2013, is presented under the new method.

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

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

(Change in Measurement of Profit or Loss on Business Segment)

The Group changed its method of allocating expenses in the year ended March 31, 2014, to reflect the results of business segments in a more precise manner. Further, the effects of shortening the useful lives of buildings and structures installed in the Mitaka Manufacturing Factory from the third quarter of the year ended March 31, 2013, are allocated to each segment from the year ended March 31, 2014, instead of being included in "Adjustments" under segment profit (loss).

Segment information for the year ended March 31, 2013, is presented under the new method.

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

	Millions of Yen							
	2014							
	Reportable Segment							
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Total	Other (Note (a))	Total	Reconciliations (Note (b))	Consolidated (Note (c))
Sales:								
Sales to external customers	**¥24,088**	**¥16,152**	**¥70,821**	**¥111,061**	**¥2,246**	**¥113,307**		**¥113,307**
Intersegment sales or transfers	**1**	**1**	**1,460**	**1,462**	**5,276**	**6,738**	**¥ (6,738)**	
Total	**¥24,089**	**¥16,153**	**¥72,281**	**¥112,523**	**¥7,522**	**¥120,045**	**¥ (6,738)**	**¥113,307**
Segment (loss) profit	**¥ (1,441)**	**¥ 141**	**¥ 9,055**	**¥ 7,755**	**¥ (391)**	**¥ 7,364**	**¥ (83)**	**¥ 7,281**
Segment assets	**21,968**	**10,383**	**56,379**	**88,730**	**2,790**	**91,520**	**22,294**	**113,814**
Other:								
Depreciation	**103**		**335**	**438**	**57**	**495**	**1,603**	**2,098**
Increase in property, plant and equipment and intangible assets	**156**	**200**	**458**	**814**	**87**	**901**	**1,729**	**2,630**

	Millions of Yen							
	2013							
	Reportable Segment							
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Total	Other (Note (a))	Total	Reconciliations (Note (b))	Consolidated (Note (c))
Sales:								
Sales to external customers	¥25,452	¥18,057	¥63,601	¥107,110	¥2,048	¥109,158		¥109,158
Intersegment sales or transfers	2	1	1,468	1,471	4,866	6,337	¥(6,337)	
Total	¥25,454	¥18,058	¥65,069	¥108,581	¥6,914	¥115,495	¥(6,337)	¥109,158
Segment (loss) profit	¥ (845)	¥ (493)	¥ 5,346	¥ 4,008	¥ (133)	¥ 3,875	¥ 44	¥ 3,919
Segment assets	15,399	11,803	47,034	74,236	3,973	78,209	27,332	105,541
Other:								
Depreciation	134		323	457	91	548	1,198	1,746
Increase in property, plant and equipment and intangible assets	106	104	496	706	115	821	1,057	1,878

	Thousands of U.S. Dollars							
	2014							
	Reportable Segment							
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Total	Other (Note (a))	Total	Reconciliations (Note (b))	Consolidated (Note (c))
Sales:								
Sales to external customers	**$234,046**	**$156,935**	**$688,113**	**$1,079,094**	**$21,826**	**$1,100,920**		**$1,100,920**
Intersegment sales or transfers	**8**	**12**	**14,181**	**14,201**	**51,269**	**65,470**	**$ (65,470)**	
Total	**$234,054**	**$156,947**	**$702,294**	**$1,093,295**	**$73,095**	**$1,166,390**	**$ (65,470)**	**$1,100,920**
Segment (loss) profit	**$ (13,997)**	**$ 1,372**	**$ 87,977**	**$ 75,352**	**$ (3,796)**	**$ 71,556**	**$ (807)**	**$ 70,749**
Segment assets	**213,444**	**100,882**	**547,798**	**862,124**	**27,111**	**889,235**	**216,616**	**1,105,851**
Other:								
Depreciation	**1,004**		**3,251**	**4,255**	**559**	**4,814**	**15,568**	**20,382**
Increase in property, plant and equipment and intangible assets	**1,516**	**1,945**	**4,456**	**7,917**	**842**	**8,759**	**16,799**	**25,558**

Notes:

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

(b) Reconciliations

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

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

(4) Geographical Information

	Millions of Yen					
	2014					
	Japan	Asia	Europe	North America	Other	Total
Sales	**¥93,980**	**¥5,773**	**¥5,336**	**¥4,009**	**¥4,209**	**¥113,307**

	Millions of Yen					
	2013					
	Japan	Asia	Europe	North America	Other	Total
Sales	¥88,558	¥7,040	¥4,985	¥3,822	¥4,753	¥109,158

	Thousands of U.S. Dollars					
	2014					
	Japan	Asia	Europe	North America	Other	Total
Sales	**$913,131**	**$56,087**	**$51,849**	**$38,954**	**$40,899**	**$1,100,920**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Japan Radio Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Radio Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 25, 2014

Member of
Deloitte Touche Tohmatsu Limited

Directory

(as of Sept. 30, 2014)

Japan Radio Co., Ltd.

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Fax: +81-422-45-9110
Telex: 2822-351

Overseas Branch Offices

Seattle Branch

1011 SW Klickitat Way, Suite 201B Seattle, WA 98134, U.S.A.
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Greece Branch

223, Syngrou Avenue & 2, Tralleon Street, 171 21 Nea Smyrni, Athens, Greece
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Manila Branch

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Singapore Office

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59S Tuas South Avenue 1,
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Phone: +65-6863-0335/+65-6376-2354
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Phone: +84-4-3936-2500 Fax: +84-4-3936-2498
URL: http://www.jrc.com.vn/

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Subsidiaries

Alphatron Marine Beheer B.V.

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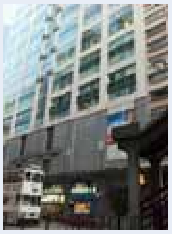
JRC (HK) Limited

Suite 1108, 11F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
Phone: +852-2707-9170
Fax: +852-2707-9226



JRC Shanghai Co., Ltd.

19F/C, Yonghua Bldg. 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

Japan Radio Glass Co., Ltd.
Business:
Manufacture and sale of glassware for outdoor lamps, mercury-vapor lamps, electron tubes, physicochemical apparatus, tableware and other glass tubes

Head office and factory:
1-8, Fukuoka 2-chome, Fujimino, Saitama 356-0011, Japan
Phone: +81-49-264-4411
URL: http://www.jrg.co.jp

JRC Engineering Co., Ltd.
Business:
Software development and engineering for information and data processing systems using general-purpose computers, mini-computers and microcomputers

Head office and factory:
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

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

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

JRC Marinfonet Co., Ltd.
Business:
Maintenance of marine electronics equipment

Head office:
1-18-7, Osaki, Shinagawa-ku, Tokyo 141-0032, Japan
Phone: +81-3-5434-5611
URL: http://www2.jrc-marinfonet.com/

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

Ueda Japan Radio Co., Ltd.
Business:
Manufacture of VHF radio equipment, radio receivers, measuring instruments, and electromedical equipment, etc.

Head office and factory:
10-19, Fumiiri 2-chome, Ueda, Nagano 386-8608, Japan
Phone : +81-268-26-2112
URL: http://www.ujrc.co.jp

JRC Organization

(as of April 1, 2014)

- Board of Directors
  - Chairman
    - President
      - Board of Management
      - Board of Executive Officers
      - Corporate Internal Auditing
      - Redeployment Promotion Department
      - Operational Reforms Department
      - Management Strategy
        - Corporate Planning Department
        - CSR Promotion Department
        - Legal & Intellectual Property Department
        - IT Promotion Department
        - Innovation Promotion Department
      - General Affairs
        - General Affairs Department
        - Human Resources Department
        - Accounting & Financial Department
      - Business Operation
        - Business Management Department
        - Communications Products Division
          - Business Planning Department
          - Business Department
          - Engineering Department
        - Marine Electronics Division
          - Business Planning Department
          - Marine Electronics Business Department
            - Seattle Branch
            - Amsterdam Branch
            - Greece Branch
          - Marine Electronics Engineering Department
          - Marine Service Department
        - Solution Business Division
          - Business Planning Department
          - Solution Business Department
            - Hokkaido Regional Branch
            - Tohoku Regional Branch
            - Hokuriku Branch
            - Chubu Regional Branch
            - Kansai Regional Branch
            - Chugoku Branch
            - Kyushu Regional Branch
            - Manila Branch
          - Solution Engineering Department
          - Global Information Engineering Department
          - System Integration Department
          - Field Engineering Department
        - Defense Systems Division
          - Defense Systems Production Management Department
          - Defense Systems Sales Department
          - Defense Systems Engineering Department
          - Defense Systems Production Department
          - Defense Systems Quality Assurance Department
      - Biosensor Project
      - Technology
        - Product Design Department
        - Mechanical Design Department
        - Engineering Administration Department
      - Corporate R&D Strategy Department
      - Laboratory
      - Quality Assurance
        - Quality Assurance Promotion Department
        - Quality Assurance Department/Communications Equipment
        - Quality Assurance Department/Marine Electronics
        - Quality Assurance Department/Solution Business
      - Production
        - Production Management Center
        - Logistics Center
        - Production Engineering Center
        - Procurement Department
- Board of Corporate Auditors

Investor Information

(as of March 31, 2014)

Corporate Data

Japan Radio Co., Ltd.

Established:
December, 1915

Paid-in Capital:
¥14,704 million ($142,872 thousand)

Number of Shares Issued:
137,976,690 shares

Number of Shareholders:
8,042

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

Employees:
2,243 (Consolidated: 3,294)

General Meeting of Shareholders:
Convened annually in June

Board of Directors, Corporate Auditors and Executive Officers

(as of June 25, 2014)

Representative Director and Chairman
Yoshihito Onda

Representative Director and President
Takayoshi Tsuchida

Directors and Managing Executive Officers
Shuichi Gotoh
Atsunori Sasaki
Yasuhiko Hara

Directors and Executive Officers:
Tatsuro Masamura
Tadaaki Yokoi
Kenji Ara

Outside Directors:
Noboru Matsuda
Shizuka Uzawa
Nobuyuki Hagiwara

Standing Corporate Auditors:
Takashi Ujino
Tatsuya Kobayashi

Standing Outside Corporate Auditor
Tsutomu Suzuki

Outside Corporate Auditor
Takayoshi Okugawa

Executive Officers:
Tomohiro Waki
Satoshi Nakamura
Kazuaki Uchino
Mitsugu Yokota
Ken Koarai
Takaaki Kojima
Takahiro Onuma
Toshiyuki Okamura
Takayuki Komiyama

Major Shareholders

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Holdings Inc.	88,713	64.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,256	3.81
Japan Trustee Services Bank of Japan, Ltd. (Trust Account)	4,209	3.05
JRC Business Partner Ownership	3,896	2.82
JRC Employee Ownership	2,308	1.67
Japan Trustee Services Bank of Japan, Ltd. (Trust Account 4)	947	0.68
Japan Trustee Services Bank of Japan, Ltd. (Trust Account 9)	717	0.52
Trust & Custody Services Bank, Ltd. (Pension/Tokkin Account)	520	0.37
Nomura PB Nominiees Limited Omnibus-Margin (CASHPB)	519	0.37
Japan Trustee Services Bank of Japan, Ltd. (Trust Account 3)	513	0.37

* Treasury stock: 235,726 shares

Shareholder Type

	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals	Individuals and others	Total
Number of Shareholders	25	30	265	99	7,623	8,042
Number of Shares Held (Thousand)	15,223	394	91,391	5,420	25,546	137,976
Percentage of Total Shares Issued	11.03	0.29	66.24	3.93	18.52	100.00

* Trading unit of common stock: 1,000 shares

JRC Japan Radio Co., Ltd.

VEGETABLE OIL INK

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