Annual Report 2013

For the year ended March 31, 2013

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)

(Headquarters/Mitaka Plant, Main Office, Four Overseas Branch Offices, Six Overseas Rep. Offices and the following nine subsidiaries)

- JRC (HK) Limited
- JRC Shanghai Co., Ltd.
- JRC do Brasil Empreendimentos Electronicos Ltda.
- JRC Tokki Co., Ltd.
- JRC Engineering Co., Ltd.
- Japan Radio Glass 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.

JRC Group Highlights

In FY2012, ended March 2013, the JRC Group reported year-on-year increases in consolidated net sales and operating income—for the first time in five years and three years, respectively. To ensure steady Groupwide business growth into the future, we are implementing a restructuring of unprecedented size while reinforcing our operational foundation.

Consolidated Performance Highlights

Net Sales
¥109.1
billion
+9.3%

Operating Income
¥3.9
billion
+¥6.7 billion

Total Assets
¥105.5
billion
+11.1%

Total Equity
¥50.9
billion
+23.0%

ROE
30.2%
+34.5
points

D/E Ratio (times)
0.06
times

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

Reinforcing our Groupwide operational foundation

As stated in “Regarding Implementation of Business Structural Reforms Aimed at Renewed Growth” announced on September 20, 2012, the JRC Group has begun reinforcing its Groupwide operational foundation. Measures include sharing growth strategies and reorganizing the operations of the three electronics companies under the umbrella of Nisshinbo Holdings Inc.: Japan Radio Co., Ltd. (JRC), Nagano Japan Radio Co., Ltd., and Ueda Japan Radio Co., Ltd.

At JRC, we have set “implementation of growth strategies” and “cost structural reforms on a global level” as our basic policies. To this end, we are seeking to rebuild a robust operational foundation aimed at securing sustained profits and achieving renewed growth. Measures currently under consideration and/or implementation include relocation of production away from the Mitaka Plant, establishment of overseas production operations, reduction of personnel, and sale of Mitaka Plant and Saitama Plant properties.

To give a progress update, in March 2013 we acquired a business-use property from Nagano Japan Radio Co., Ltd., with the aim of relocating our production and technological development functions from the Mitaka Plant to Nagano City. We are now making preparations to build a state-of-the-art technical center on the new site that will serve as the core technological development facility for the three electronics companies. In August 2013, we acquired additional land and buildings from Nagano Japan Radio and are now getting ready to construct a new plant as part of our production relocation plan.

In addition, JRC has taken an equity stake in Shenzhen NJRC Technology Co., Ltd., based in Shenzhen City, Guangdong Province, China. (That company is a wholly owned subsidiary of Nagano Japan Radio Company (HK) Ltd.) We have since initiated an overseas production joint venture and, moreover, have commenced full-scale production of JRC’s marine equipment. Going forward, we will expand and upgrade the lineup of products made at Shenzhen NJRC Technology, which will serve as a key production base for the three electronics companies.

In other highlights, JRC reduced its personnel through a voluntary early retirement campaign. Here, our aim was to create an optimal personnel system matched to our various reforms, which include relocation of production away from the Mitaka Plant and establishing overseas production operations.

The JRC Group is working to transform itself into a global business by entrenching the business structural reforms outlined above.

Priority on safety, reliability, and the environment

The JRC Group is currently formulating growth strategies that fully utilize its distinctive strengths and will make the Group resilient to the impact of economic trends. At the core of this effort is our commitment to reinforcing businesses related to safety, reliability, and the environment. In addition, we will strive to expand our overseas operations and strengthen our information provision services, while pursuing business alliances and collaborative arrangements. At the same time, we will step up investments necessary for future growth.

LONG-TERM GOALS

Sustainable growth and development

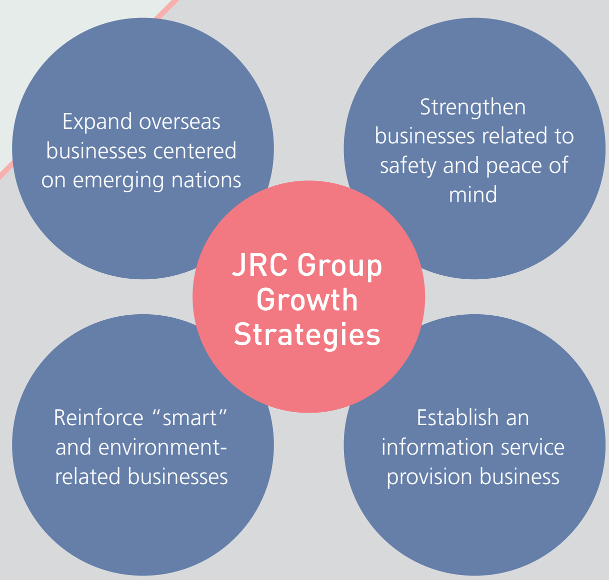
We will contribute to society by focusing on businesses related to safety, reliability, and the environment

In addition, we will work on a Groupwide basis to reorganize our domestic and overseas production operations and globalize our procurement activities as we build a corporate organization that can prevail against price competition in global markets. By also maximizing synergies among Group companies, we will focus on tapping new markets related to the environment, energy, and the like while fostering new businesses.

Looking ahead, we will build a robust earnings structure by effectively utilizing assets, cutting fixed costs, and enhancing productivity. In order to reinforce our cash-flow-oriented management approach and generate new cash flows, moreover, we will rigorously pursue various measures. These include reducing interest-bearing debt and inventories, swiftly collecting accounts receivable, and embracing a "selection and concentration" policy for our investment activities.

Net Sales Target
¥140.0 bill.

FY2017



FY2012

Net Sales:
¥109.1 bill.

Business Environment and Performance

In FY2012, ended March 31, 2013, the world economy remained in a state of unpredictability. Despite some signs of a turnaround in the U.S. economy accompanying growth in personal consumption, the debt crisis in Europe continued unabated, while emerging economies, hitherto drivers of world economic expansion, experienced a slowdown in growth. Similarly in Japan, the economy posted moderate recovery in first half of the year, buoyed by restoration-related demand following the Great East Japan Earthquake, but conditions remained challenging, impacted by such factors as the strong yen and deflation. In the second half of the period, however, the domestic economy showed signs of recovery, bolstered by optimistic expectations about financial measures implemented after the change of government at calendar year-end, as well as depreciation of the yen, which simulated the share market.

Under these circumstances, the JRC Group pursued proactive business initiatives aimed at stemming declines in net sales. As stated in "Regarding Implementation of Business Structural Reforms Aimed at Renewed Growth" announced on September 20, 2012, we also began reinforcing our Groupwide operational foundation. Measures include sharing growth strategies and reorganizing the operations of the three electronics companies under the umbrella of Nisshinbo Holdings Inc.: Japan Radio Co., Ltd. (JRC), Nagano Japan Radio Co., Ltd., and Ueda Japan Radio Co., Ltd.

For the year, the JRC Group reported consolidated net sales of ¥109,158 million ($1,160.6 million), up 9.3% from the previous year. This was attributable to increased year-on-year sales of the Communications Equipment segment and the Solutions and Specialized Equipment segment, which compensated for a decline in sales of the Marine Electronics Equipment segment.

Thanks to revenue growth and a decrease in expenses, operating income totaled ¥3,919 million ($41.6 million), a ¥6,710 million improvement compared with an operating loss of ¥2,791 million in the previous year. Among extraordinary income items, there was a ¥6,045 million ($64.2 million) gain on sale of property, plant and equipment and a ¥231 million ($2.4 million) gain on sale of investment securities. Among extraordinary losses, there were impairment losses of ¥153 million ($1.6 million). As a result, the Group reported net income of ¥9,245 million ($98.3 million), an ¥11,089 million improvement from a net loss of ¥1,844 million in the previous year.

Management Policy and Vision

The JRC Group has impressive technological expertise and comprehensive capabilities based on information and communications technologies amassed over the years. Our basic management policy is to contribute to the realization of a prosperous society by deploying our intelligence and creative resources to deliver new levels of value. At the same time, we will use our new management strategies to target sustained business development.

In addition, we will foster social progress by drawing on our abundant technologies, knowledge, and experience in the information and communications field built up since our foundation.

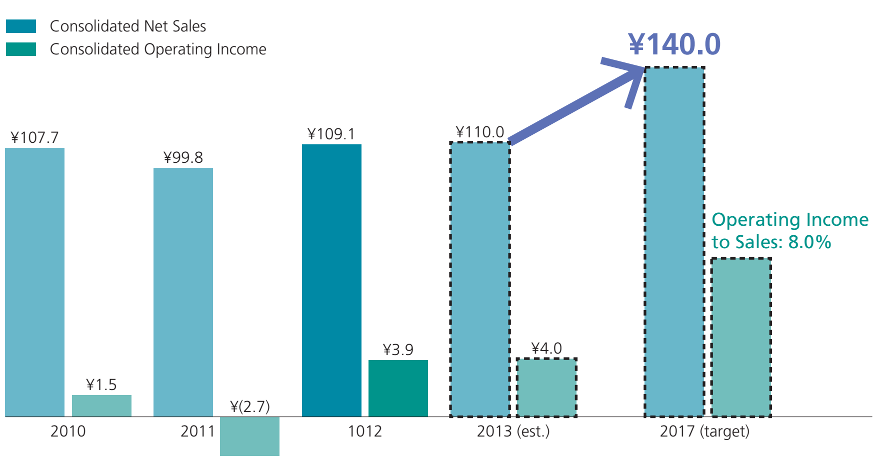
FY2013 Outlook

In FY2013, ending March 31, 2014, we forecast consolidated net sales of ¥110,000 million, up 0.8% from FY2012, and operating income of ¥4,000 million, up 2.1%. These forecasts are based on assumed exchange rates of ¥95.00 per U.S. dollar and ¥125.00 per euro.

Looking further ahead, the JRC Group is targeting consolidated net sales of ¥140,000 million and an operating margin of 8.0% for FY2017, ending March 2018. We will continue implementing our business structural reforms in order to achieve these targets.

Performance Targets

(¥ billions)



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 addressing the earnings situation of the relevant fiscal year and paying attention to strengthening our performance and financial position. In FY2012, however, we decided to forego payment of a year-end dividend to better enable us to implement a voluntary early retirement plan and other measures as part of "business structural reforms aimed at renewed growth." We are currently implementing these reforms in order to secure sustained earnings and build a robust operational foundation to deliver renewed growth. In FY2013, we have decided not to pay an interim dividend in September 2013. At the present time, we are yet to reach a decision on the year-end dividend in March 2013.

With regard to the use of internal reserves, we will use these reserves effectively to strengthen capital expenditures and R&D investment, in order to implement various business structural reforms and achieve medium- and long-term business growth, with the overriding objective of reinforcing the JRC Group's overall business performance.

Enhancing Shareholder Value

Going forward, the JRC Group will pursue business structural reforms to build a profitable corporate foundation that is resilient to the changing business environment. We will also transform our operations into a global business structure in order to establish a new earnings foundation. Here, we will target newly emerging nations, centered on the fast-growing Southeast Asian region.

To this end, we will pursue revenue growth by concentrating our business resources with the aims of expanding our overseas business and strengthening and broadening businesses related to safety, reliability, and the environment. In addition to targeting increased revenue, we will build a robust earnings foundation through effective deployment of assets, reduction of fixed costs, and improvements in productivity. At the Groupwide level, we will reorganize our manufacturing bases and promote overseas production and procurement, so that 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.

July 1, 2013

T. Tsuchida

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

¥25,489 mill.

23.3%

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

Communications Equipment

¥18,046 mill.

16.5%

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

Solutions and Specialized Equipment

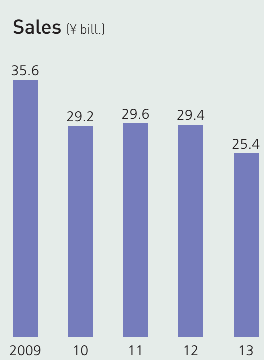
¥56,954 mill.

52.1%

- 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

FY2012
Net Sales
¥109,158 mill.

Marine Electronics Equipment



Performance and Outlook

In FY2012, ended March 31, 2013, the Marine Electronics Equipment Business segment posted a 13.6% year-on-year decrease in sales, to ¥25,489 million, and a segment loss of ¥1,058 million, compared with a ¥484 million segment loss recorded in the previous fiscal year.

This was largely due to the continued decline in marine equipment sales in the new merchant vessel market and the retrofit market seen in the previous fiscal year, stemming from a slump in capital investments by shipowners on the back of a recently deteriorating marine freight market, an excess of vessels, and falling freight charges.

In FY2013, ending March 2014, we project a further decrease in sales caused by a decline in orders. This is despite the positive impact on revenue of a weaker yen. Amid such circumstances, the JRC Group will establish a robust corporate foundation that is not easily affected by conditions in the maritime freight and shipbuilding markets. To this end, we will promote the further globalization of business activities and expand our participation in a wider range of fields not limited to the new-build market.

In Southeast Asia, in particular, we will aim to increase our share of the market for small and medium-size devices for workboats and offshore vessels, which are booming on the back of economic growth and resource development. In addition, we will strive to improve price competitiveness through production at overseas plants.

Inmarsat fleet broadband
(FBB) terminal (FB500)

Differential GPS navigator (JLR7800)

We will also enter the information service business targeting "smart" eco-friendly vessels through such services as distribution of electronic marine charts and services for remote maintenance system users.

For FY2013, ending March 2014, we project a 4.7% year-on-year decline in segment sales, to ¥24,300 million.

Our Strengths

As a manufacturer of maritime electronic equipment, the JRC Group leverages its high share of the global equipment market for new large merchant vessels to offer an abundant 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 the Singapore Office and 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. To date, we have contributed to safety at sea through a diverse range of products, including the Electronic Chart Display and Information System (ECDIS), Inmarsat Fleet Broadband equipment, and Bridge Navigational Watch Alarm Systems (BNWAS).

Strategies for Future Growth

Ocean development, including resource exploration, is expected to increase going forward. Owing to projected growth in the small and medium-sized vessel market in Southeast Asia, including workboats and offshore vessels, JRC will reinforce price competitiveness while also striving to increase its share of the market for small and medium-sized equipment.

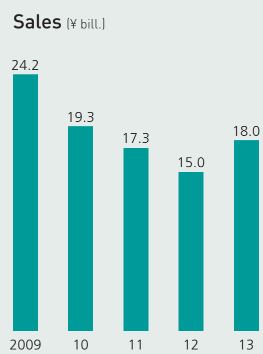
We also plan to strengthen information provision services for customers as a means of contributing to navigational safety and cost reductions. In other words, we will deliver a full range of advanced and upgraded services, including the resale of satellite communication links, online distribution of electronic maritime charts, remote maintenance systems, and meteorological and oceanographic information services.

VHF radiotelephone
(JHS-770/780)

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

Electronic chart display
and information system
(ECDIS)
(JAN-901B)

Communications Equipment



PHS handset (WX01J)

Electronic toll collection (ETC) system for motorcycles

Performance and Outlook

In the year under review, the Communications Equipment Business segment posted a 20.1% increase in sales, to ¥18,046 million. Despite recording a segment loss of ¥296 million, the figure was a significant improvement from the ¥2,818 million segment loss in the previous year.

During the year, mobile phone providers increased capital investment in communications infrastructure that can operate in blind zones, such as tunnels and underground shopping areas. There was also greater capital investment in communication infrastructure to resolve circuit congestion accompanying the proliferation of smartphones. As a result, we recorded higher sales of equipment related to these kinds of infrastructure. Both domestic and overseas sales of commercial-use radio equipment also grew.

In FY2013, we project a decline in sales stemming from the transfer of the SAW filter business to New Japan Radio Co., Ltd., in July 2012. Thanks to growth in sales of equipment for intelligent transportation systems (ITS) for the automobile industry, as well as commercial-use radio equipment for overseas markets, we project a 3.9% increase in total segment sales, to ¥18,750 million.

Professional
mobile radio

25GHz FWA
(NTG-2501)

RC Rader Handy Search NJJ-200
(smartphone can be used as display)

Our Strengths

Recently in Japan, communication speeds have become much faster, frequency bands have been restructured, and there is optimism concerning the recovery of the ITS market. Against this backdrop, the JRC Group has amassed a broad range of know-how in infrastructure equipment that supports wireless communications, ITS for automobiles, commercial-use radio equipment, and PHS terminals.

In the area of advanced ITS-related equipment, we have progressed toward the mass production of dedicated short-range communication (DSRC) units that we developed for vehicles. In commercial-use radio, we strove to expand our lineup of IP in-vehicle radio devices equipped with a mobile phone network data communications module. In communications infrastructure, we responded effectively to growth in demand for equipment to handle data traffic volumes and the installation of communications infrastructure inside tunnels and subways.

Strategies for Future Growth

In the wireless communications market, demand for IP radio equipment will continue expanding, although commoditization will make price competition increasingly challenging. In response, the JRC Group will pursue cost structure reforms and reinforce efforts directed at high-value-added wireless systems for the corporate sector. With demand for vehicle safety and security expected to increase, we will also expand our activities in this area.

Through the overseas production of commercial-use radios, as well as DSRC units for vehicles sold by mass merchandisers, we will pursue cost structure reforms that will improve our global price-competitiveness. We will also step up efforts in systems and equipment that contribute to vehicle and railway safety.

Solutions and Specialized Equipment

Performance and Outlook

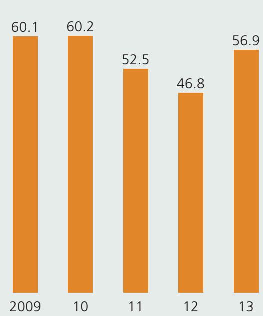
In the year under review, the Solutions and Specialized Equipment Business segment posted a 21.5% increase in sales, to ¥56,954 million. Thanks to this revenue growth, we reported segment profit of ¥5,583 million, compared with a segment loss of ¥310 million in the previous fiscal year.

The segment's strong performance was attributable to significant growth in sales of disaster-prevention radio systems to prefectural and municipal governments in the aftermath of the recent disaster in Japan. Another contributing factor was higher sales of backbone multiplex communication systems to national and local government authorities.

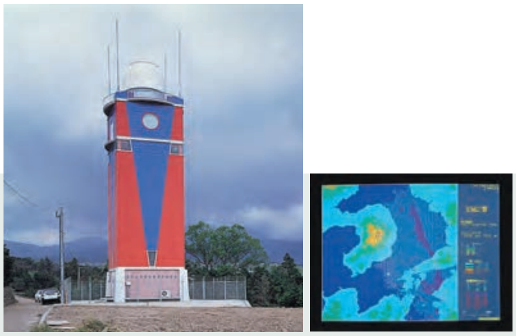
In FY2013, we look forward to continued growth in demand for disaster-prevention radio systems as they enter the replacement phase. We will focus on attracting orders for disaster-prevention systems and water and river management systems in response to an anticipated increase in public works spending, reflecting the government's emergency economic measures and growth strategies. 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 increase sales of meteorological systems and other strategic products for overseas customers.

As a result of the aforementioned measures, in FY2013 we project a 14.0% year-on-year increase in segment sales, to ¥64,900 million.

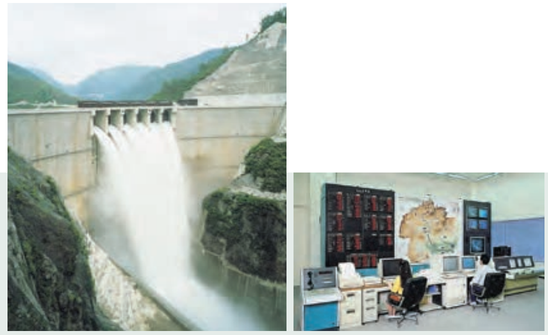
Sales (¥ bill.)



Transportable earth station



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



Integrated dam management system

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.

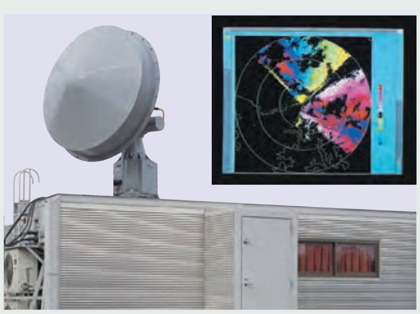
The Group develops and supplies dam management and integrated river information systems, tsunami and high tide disaster prevention systems, and other water and river management systems to prevent flooding. We also provide disaster-prevention information systems to be activated in the event of a natural disaster, meteorological radar 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 actively develop various other solutions, including road information systems, broadcasting systems, satellite communication systems, and multiplex communication 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

This segment will focus on attracting stable orders for disaster-prevention projects and water and river management projects in response to the continuation of existing large-scale disaster-prevention upgrade projects. Such orders are the result of an increase in disaster-prevention projects following the Great East Japan Earthquake and the scheduled rise in public works spending on the back of the government's emergency economic measures and growth strategies.

We will also focus on the overseas solutions business, which is expected to grow rapidly, by increasing sales of vessel navigation and harbor monitoring systems and boosting sales of meteorological systems and other strategic products for overseas markets. To this end, we will work hard to reinforce the Group's overseas sales structure, expand the network of overseas distributors, attract business partners, develop products and systems specifically for overseas markets, and strengthen our systems engineering framework.



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

A road traffic information system and a radio rebroadcast system for tunnel interiors

Environmental Approach

JRC recognizes that protecting the global environment is one of the most important common issues for all mankind, and will act in full consideration of global environmental protection in all stages of its business activities.

The Company has formulated the following basic policies, which honor the concepts of the ISO 14001 standard for environmental management systems. By following these policies, we will strive to protect the global environment and otherwise fulfill our corporate responsibility to foster sustainable social advancement.

(1) Promote multifaceted environmental protection activities based on global perspectives, in order to minimize the impact of our business activities on biodiversity
(2) Develop and sell environmentally friendly products
(3) Reduce the environmental impact of our business activities
(4) Comply with environmental and other regulations
(5) Make continuous improvements and prevent pollution
(6) Establish and regularly reassess environmental objectives and targets
(7) Communicate and publicly disclose our environmental policies

Environmental Objectives and Targets

1. Expand lineup of environmentally friendly products

- Raise the share of sales of environmentally friendly products in total net sales to 25% or higher by FY2014 (e.g., through compliance with the Type II-1101 environmental label)
- Promote compliance with the REACH Regulation*
- Continuously promote compliance with the ErP Directive**

2. Promote green procurement

- Raise the application rate of green procurement to 90% or higher by 2013 for all materials, parts, equipment, and products to be shipped
- Perform rigorous control of chemicals contained in products from subcontracting partners overseas

3. Promote measures to combat global warming

- Reduce Groupwide energy consumption (carbon dioxide equivalent emission of electric power, town gas, heavy oil, etc.) by 6.2% from 2009 figure (11,279 tons of carbon dioxide equivalent) by 2014

4. Promote the Three Rs

- Achieve a waste recycling rate of 95% or higher by FY2014

5. Comply with environmental laws and other social requirements

- Comply with standard value in laws and conditions agreed with customers

Notes:
* REACH Regulation: Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals
** ErP Directive: Directive to establish a framework for the setting of eco-design requirements for energy-related products

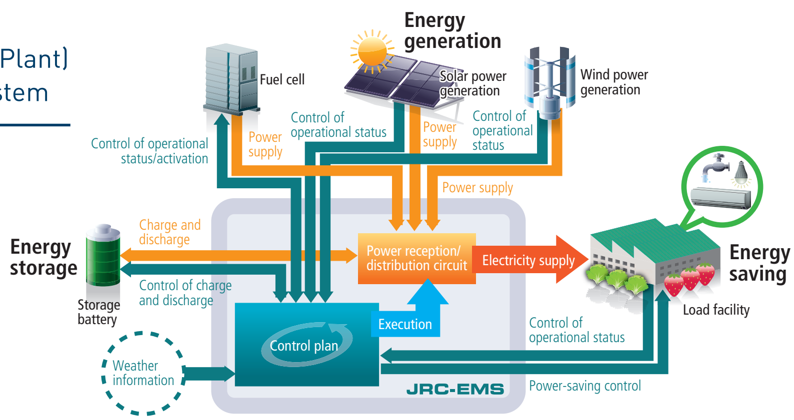
Helping build a “smart” society

In addition to the aforementioned growth strategy, which calls for the 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.

Basic Policy

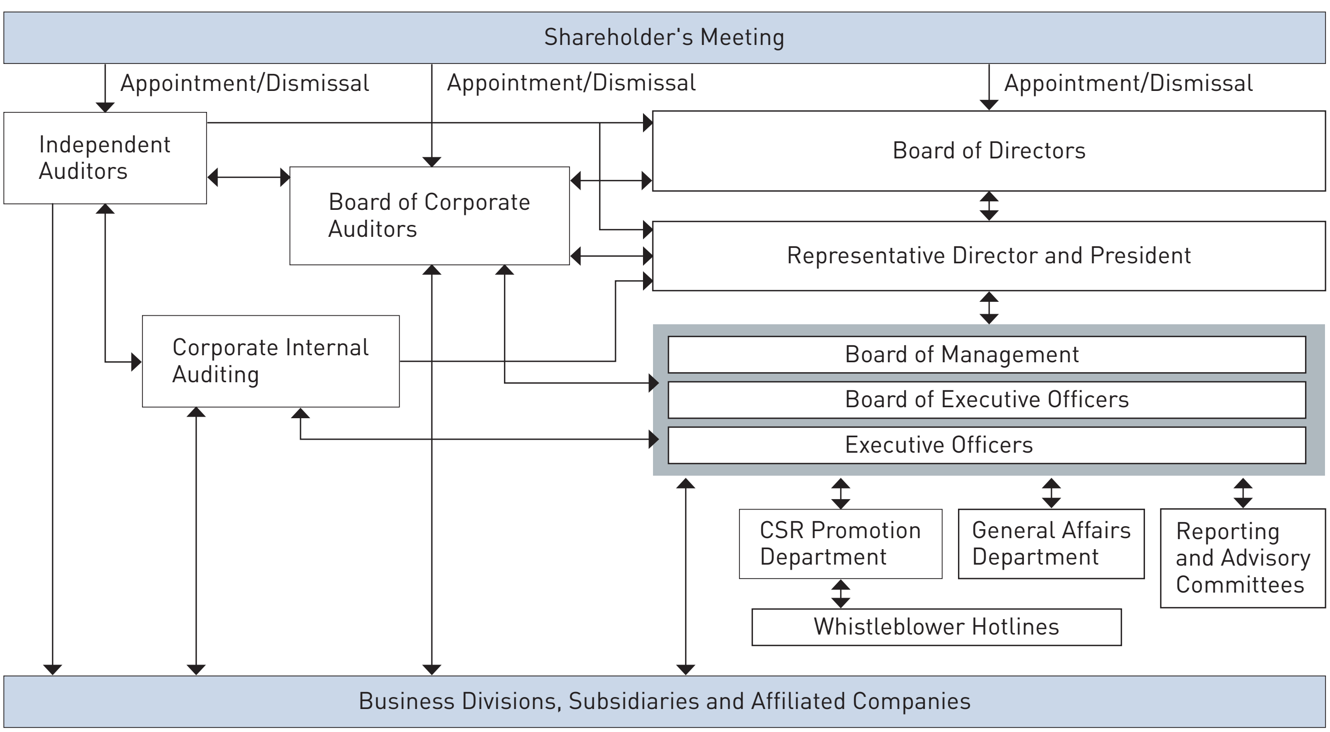
To ensure quick decision-making and management soundness and transparency, we seek to strengthen our management control system with a basic policy regarding corporate governance in an aim to enhance corporate value.

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.

• Audits Performed by Corporate Auditors

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

• Accounting Audits

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

• 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. Corporate auditor Kazunori Baba is a managing officer of our parent company, 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 JRC Group business performance, share prices, and financial position.

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

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

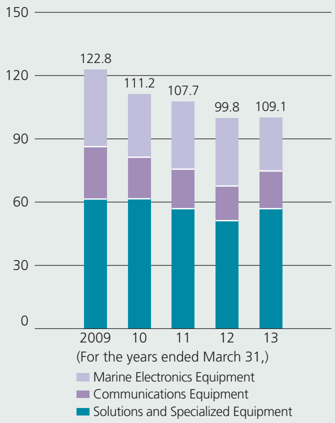
	Millions of yen					Thousands of U.S. dollars (Note)
For the years ended March 31,	2009	2010	2011	2012	2013	2013
Net sales	¥122,870	¥111,210	¥107,705	¥99,872	¥109,158	$1,160,633
Operating income (loss)	2,865	3,000	1,551	(2,791)	3,919	41,670
Operating income (loss) ratio (%)	2.3	2.7	1.4	(2.8)	3.8	–
Income (loss) before income taxes and minority interests	1,913	2,708	2,226	(1,456)	10,419	110,783
Net income (loss)	1,484	2,322	1,921	(1,844)	9,245	98,300
As of March 31,						
Total assets	125,380	117,354	118,613	94,954	105,541	1,122,180
Total equity	41,811	44,360	44,821	41,413	50,928	541,505
Net equity ratio (%)	33.1	37.5	37.5	43.2	48.0	–
Interest-bearing liabilities	32,899	24,868	23,943	4,874	3,238	34,428
Depreciation	1,772	1,578	1,413	1,291	1,746	18,561
Capital expenditures	1,480	774	1,315	1,501	1,878	19,957
Net income (loss) per share (yen/U.S. dollars)	10.77	16.86	13.95	(13.39)	67.11	0.71
ROE (%)	3.5	5.4	4.3	(4.3)	30.2	–
D/E ratio (times)	0.79	0.56	0.54	0.12	0.06	–
Employees	3,770	3,760	3,766	3,758	3,671	–

Note: U.S. dollar amounts are translated, for convenience only, at ¥94.5= US$1.00, the rate prevailing on March 31, 2013.

Contents of Financial Statements

Consolidated Financial Review

Consolidated Net Sales
(¥ billions)



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

Revenue and Earnings

In FY2012, ended March 31, 2013, the JRC Group reported consolidated net sales of ¥109,158 million ($1,160.6 million), up 9.3%, or ¥9,286 million, from the previous year. This was due to year-on-year sales increases in the Communications Equipment segment and Solutions and Specialized Equipment segment, which contrasted with lower sales in the Marine Electronics Equipment segment.

The Group posted operating income of ¥3,919 million ($41.7 million), compared with an operating loss of ¥2,791 million in the previous year. This was attributable to the increase in net sales and a decline in expenses.

Main components of other income included a ¥6,045 million gain on sale of property, plant and equipment and a ¥231 million gain on sale of investment securities. Among other expenses, there were impairment losses of ¥153 million. As a result, the Group reported net income of ¥9,245 million ($98.3 million), compared with a net loss of ¥1,844 million in the previous year.

Performance by Segment

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

For the year, the Marine Electronics Equipment segment reported a 13.6% year-on-year decline in sales, to ¥25,489 million ($271.0 million), due mainly to weakness of related markets, and the segment loss grew further, to ¥1,058 million. The Communications Equipment segment enjoyed a 20.1% increase in sales, to ¥18,046 million ($191.9 million), and a significant decline in the segment loss, to ¥296 million. The Solutions and Specialized Equipment segment recorded a 21.5% jump in sales, to ¥56,954 million ($605.6 million), and segment profit of ¥5,583 million.

Segment Sales / Segment Profit (Loss)

	Millions of yen				
Year ended March 31, 2013	Marine Electronics Equipment	Communica-tions Equipment	Solutions and Specialized Equipment	Other (including recon-siderations)	Total
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, 2012					
Sales	¥29,493	¥15,021	¥46,892	¥8,466	¥99,872
Segment profit (loss)	(484)	(2,818)	(310)	829	(2,791)
Year ended March 31, 2013	Thousands of U.S. dollars				
Sales	**$271,013**	**$191,872**	**$605,574**	**$92,174**	**$1,160,633**
Segment profit (loss)	**(11,258)**	**(3,148)**	**(59,366)**	**2,171**	**41,670**

Note: Above figures for segment sales do not include intersegment sales and/or transfers.

Effective FY2013, ending March 31, 2014, the Group has changed its method of classification for reporting segment sales and profit. Specifically, the "Other" segment, which previously was not included in the three main segments, has been reclassified as follows due to its increasing relative importance.

* The results of subsidiaries serving government entities have been transferred from "Other" to the Solutions and Specialized Equipment segment.
* Foreign exchange adjustments have been shifted from "Other" to the relevant business segments.

FY2013 forecasts for each business segment reflect the aforementioned reclassification for comparison purposes.

Financial Position

At fiscal year-end, the Group had consolidated total assets of ¥105,541 million ($1,122.2 million), up 11.1%, or ¥10,587 million, from a year earlier. This was due mainly to a ¥6,399 million year-on-year increase in notes and accounts receivable and a ¥5,739 million rise in short-term loans due from parent company, which contrasted with a ¥1,418 million decrease in products and commodities.

Total liabilities increased 2.0%, or ¥1,072 million, to ¥54,613 million ($580.7 million). Main factors included a ¥400 million rise in short-term banks loans, a ¥1,058 million increase in advances received, a ¥1,072 million increase in other current liabilities, and a ¥594 million rise in deferred tax liabilities, which contrasted with a ¥2,037 million decline in current portion of long-term debt.

Total equity grew 23.0%, or ¥9,515 million, to ¥50,928 million ($541.5 million). This stemmed mainly from a ¥9,245 million jump in retained earnings and a ¥320 million rise in net unrealized gain on available-for-sale securities. As a result, the equity ratio at fiscal year-end was 48.0%, up 4.8 points from a year earlier.

Cash Flows

Consolidated cash and cash equivalents at fiscal year-end totaled ¥2,984 million ($31.7 million), down ¥254 million from a year earlier. This was mainly due to ¥1,547 million in net cash used in investing activities and ¥1,774 million in net cash used in financing activities, which outweighed ¥3,025 million in net cash provided by operating activities.

Cash Flows from Operating Activities

For the year, net cash provided by operating activities amounted to ¥3,025 million. The main factor was a major improvement in earnings, with ¥10,419 million in income before income taxes (following a loss before income taxes in the previous year). This contrasted with a ¥6,460 million increase in notes and accounts receivable.

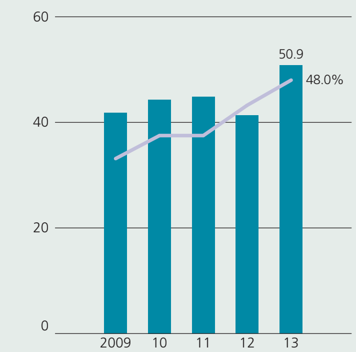
Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥1,547 million. Main factors included a ¥5,739 million net change in short-term loans (deposits made to parent company) and ¥1,768 million in purchase of property, plant and equipment, which contrasted with ¥6,447 million in proceeds from sales of property, plant and equipment.

Cash Flows from Financing Activities

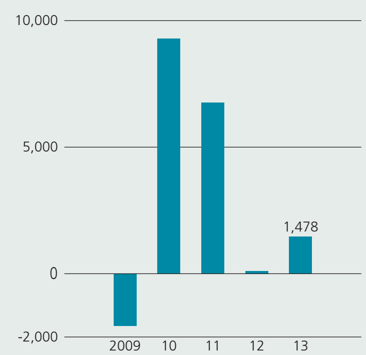
Net cash used in financing activities was ¥1,774 million. The main factor was ¥2,037 million in repayments of long-term debt, which contrasted with a ¥400 million net change (increase) in short-term bank loans.

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



(As of March 31,)
* 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, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	¥ 2,984	¥ 3,238	$ 31,725
Short-term investments (Notes 4 and 17)	490	532	5,210
Receivables (Note 3):			
Trade notes (Note 17)	2,674	3,049	28,427
Trade accounts (Note 17)	48,782	41,890	518,682
Unconsolidated subsidiaries and affiliated companies (Note 17)	200	339	2,132
Other	554	475	5,895
Allowance for doubtful accounts	(249)	(224)	(2,646)
Short-term loans due from parent company (Note 17)	6,955	1,216	73,952
Inventories (Note 5)	23,126	24,389	245,892
Deferred tax assets (Note 11)	237	317	2,515
Prepaid expenses and other	593	880	6,302
Total current assets	86,346	76,101	918,086
PROPERTY, PLANT AND EQUIPMENT (Note 7):			
Land	2,349	1,956	24,979
Buildings and structures (Note 6)	23,384	26,424	248,632
Machinery and equipment (Note 6)	7,022	8,993	74,660
Furniture and fixtures (Note 6)	14,776	16,053	157,107
Lease assets	309	266	3,289
Construction in progress	36	14	386
Total	47,876	53,706	509,053
Accumulated depreciation	(39,574)	(44,726)	(420,780)
Net property, plant and equipment	8,302	8,980	88,273
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 17)	3,467	3,015	36,863
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 17)	3,409	2,470	36,241
Deferred tax assets (Note 11)	1,159	1,200	12,324
Other assets (Note 6)	4,492	4,767	47,764
Allowance for doubtful accounts	(1,634)	(1,579)	(17,371)
Total investments and other assets	10,893	9,873	115,821
TOTAL	¥105,541	¥ 94,954	$1,122,180

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 17)	¥ 1,650	¥ 1,250	$ 17,544
Current portion of long-term debt (Notes 7 and 17)	1,081	2,048	11,494
Current portion of long-term lease obligations (Note 16)	100	79	1,063
Payables:			
Trade notes (Note 17)	686	838	7,290
Trade accounts (Note 17)	20,424	21,620	217,161
Unconsolidated subsidiaries and affiliated companies (Notes 17 and 20)	3,948	3,025	41,973
Other	1,202	722	12,778
Income taxes payable	628	296	6,681
Accrued expenses	2,122	2,056	22,563
Advances received	2,960	1,902	31,479
Other	4,830	4,471	51,354
Total current liabilities	39,631	38,307	421,380
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 17)	35	1,105	375
Liability for retirement benefits (Note 8)	12,717	12,662	135,213
Deferred tax liabilities (Note 11)	691	97	7,349
Long-term lease obligations (Note 16)	217	145	2,307
Provision for environmental measures	259	231	2,755
Asset retirement obligations (Note 9)	331	344	3,520
Other	732	650	7,776
Total long-term liabilities	14,982	15,234	159,295
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16 and 19)			
EQUITY (Note 10):			
Common stock—authorized, 216,000,000 shares; issued, 137,976,690 shares in 2013 and 2012	14,704	14,704	156,346
Capital surplus	16,505	16,505	175,488
Retained earnings	18,960	9,715	201,594
Treasury stock—at cost, 228,041 shares in 2013 and 222,373 shares in 2012	(71)	(70)	(757)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	520	200	5,535
Foreign currency translation adjustments	(11)	(21)	(117)
Total	50,607	41,033	538,089
Minority interests	321	380	3,416
Total equity	50,928	41,413	541,505
TOTAL	¥105,541	¥94,954	$1,122,180

Consolidated Statement of Income

Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES	¥109,158	¥99,872	$1,160,633
COST OF SALES (Notes 8, 12, 16 and 20)	89,420	85,562	950,770
Gross profit	19,738	14,310	209,863
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 12, 13 and 16)	15,819	17,101	168,193
Operating income (loss)	3,919	(2,791)	41,670
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 20)	119	247	1,269
Interest expense	(96)	(374)	(1,025)
Foreign exchange gain (loss)—net	167	(235)	1,774
Gain on sales of investment securities (Notes 4 and 20)	231	891	2,454
Equity in earnings of affiliated companies	288	313	3,062
Impairment losses (Note 6)	(153)	(654)	(1,622)
Gain on sale of land and building for the Saitama Plant	5,996		63,756
Gain on sale of machinery and equipment for the surface acoustic wave filter business	49		519
Gain on sale of land and building for company-owned house		1,176	
Other—net (Note 14)	(101)	(29)	(1,074)
Other income—net	6,500	1,335	69,113
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	10,419	(1,456)	110,783
INCOME TAXES (Note 11):			
Current	622	287	6,610
Deferred	540	80	5,746
Total income taxes	1,162	367	12,356
NET INCOME (LOSS) BEFORE MINORITY INTERESTS	9,257	(1,823)	98,427
MINORITY INTERESTS IN NET INCOME	12	21	127
NET INCOME (LOSS)	¥ 9,245	¥ (1,844)	$ 98,300

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2t):			
Basic net income (loss)	¥ 67.11	¥ (13.39)	$ 0.71
Cash dividends applicable to the year		5.00	

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME (LOSS) BEFORE MINORITY INTERESTS	¥9,257	¥(1,823)	$ 98,427
OTHER COMPREHENSIVE INCOME (LOSS) (Note 15):			
Unrealized gain (loss) on available-for-sale securities	316	(879)	3,365
Foreign currency translation adjustments	10	(11)	108
Share of other comprehensive income in associates	4	(3)	38
Total other comprehensive income (loss)	330	(893)	3,511
COMPREHENSIVE INCOME (LOSS)	¥9,587	¥(2,716)	$101,938
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the parent	¥9,575	¥(2,738)	$101,812
Minority interests	12	22	126

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2013

	Thousands	Millions of Yen								
						Accumulated Other Comprehensive Income				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2011	137,760	¥14,704	¥16,505	¥12,248	¥(69)	¥1,084	¥(10)	¥44,462	¥359	¥44,821
Net loss				(1,844)				(1,844)		(1,844)
Cash dividends, ¥5 per share				(689)				(689)		(689)
Purchase of treasury stock	(6)				(1)			(1)		(1)
Net change in the year						(884)	(11)	(895)	21	(874)
BALANCE, MARCH 31, 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

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2012	$156,346	$175,488	$103,294	$(745)	$2,130	$(225)	$436,288	$4,040	$440,328
Net income			98,300				98,300		98,300
Purchase of treasury stock				(12)			(12)		(12)
Net change in the year					3,405	108	3,513	(624)	2,889
BALANCE, MARCH 31, 2013	$156,346	$175,488	$201,594	$(757)	$5,535	$(117)	$538,089	$3,416	$541,505

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥10,419	¥ (1,456)	$110,783
Adjustments for:			
Income taxes—paid	(325)	(236)	(3,460)
Depreciation and amortization	1,746	1,291	18,561
Impairment loss	153	654	1,622
Gain on sales of property, plant and equipment	(6,032)	(1,176)	(64,138)
Gain on sales of investment securities	(231)	(891)	(2,454)
Equity in earnings of affiliated companies	(288)	(313)	(3,062)
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable	(6,460)	827	(68,690)
Decrease in inventories	1,276	242	13,564
Decrease in interest and dividends receivable	31	21	336
Decrease in notes and accounts payable	(432)	(1,578)	(4,593)
Decrease in interest payable	(8)	(26)	(84)
Increase in liability for retirement benefits	620	663	6,591
Increase in allowance for doubtful receivables	140	42	1,490
Increase (decrease) in advances received	1,058	(339)	11,254
Other—net	1,358	1,086	14,446
Total adjustments	(7,394)	267	(78,617)
Net cash provided by (used in) operating activities	3,025	(1,189)	32,166
INVESTING ACTIVITIES:			
Purchase of short-term investments	(373)	(370)	(3,969)
Proceeds from sales of short-term investment	413	402	4,395
Purchase of property, plant and equipment	(1,768)	(1,076)	(18,796)
Proceeds from sales of property, plant and equipment	6,447	1,155	68,553
Purchase of investment securities	(7)	(7)	(72)
Proceeds from sales of investment securities	261	2,598	2,771
Net changes in short-term loan	(5,739)	(1,216)	(61,026)
Other—net	(781)	(264)	(8,310)
Net cash (used in) provided by investing activities	(1,547)	1,222	(16,454)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	400	(520)	4,253
Proceeds from long-term debt		200	
Repayments of long-term debt	(2,037)	(18,752)	(21,663)
Cash dividends	(7)	(686)	(73)
Other—net	(130)	(67)	(1,387)
Net cash used in financing activities	(1,774)	(19,825)	(18,870)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	42	(29)	450
NET DECREASE IN CASH AND CASH EQUIVALENTS	(254)	(19,821)	(2,708)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,238	23,059	34,433
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 2,984	¥ 3,238	$ 31,725

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2013

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 2012 consolidated financial statements to conform to the classifications used in 2013.

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 ¥94.05 to $1, the approximate rate of exchange at March 31, 2013. 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, 2013, include the accounts of the Company and its 8 (8 in 2012) 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 2012) and 3 affiliated companies (2 in 2012) are accounted for by the equity method.

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

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

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

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

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

The cost of finished products, 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.

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

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

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

e. *Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation is computed by the 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.

(Change in Accounting Policy)
Prior to April 1, 2012, the Company and its domestic consolidated subsidiaries had previously used the declining-balance method for depreciation of property, plant and equipment except for buildings acquired after April 1, 1998,

and lease assets. Effective April 1, 2012, the Company changed to the straight-line method. Based on the manufacturing transfer performed as part of the restructuring of the business that would make facility utilization more stable, this change was made in order to allocate costs appropriately and to standardize the policy with that of the parent company, Nisshinbo Holdings Inc.

As a result of this change, compared to the previous method, operating income and income before income taxes and minority interests have increased ¥83 million ($887 thousand) during fiscal year ended March 31, 2013.

(Change in Accounting Estimate)
The Company had changed the useful lives for buildings and structures, located in Mitaka and Saitama, to the remaining useful lives of the asset during the fiscal year ended March 31, 2013 as part of the restructuring of the business such as reconstruction of the production base for both domestic and foreign countries.

As a result of this change, compared to the previous methods, operating income, income before income taxes and minority interests have decreased ¥557 million ($5,924 thousand), respectively.

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

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

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

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

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

The Company had an unfunded retirement benefit plan for directors and audit & supervisory board members. Effective June 28, 2007, the Company terminated this retirement plan. Certain subsidiaries still had an unfunded severance benefit plan for their directors and audit & supervisory board members, which are provided at the amount that would be required if all directors and audit & supervisory board members retired at the balance sheet date. Certain remaining subsidiaries terminated their plans in the fiscal year ended March 31, 2013.

j. ***Provision for Environmental Measures***—The provision for environmental measures is estimated and recorded to provide for future potential costs, such as costs related to disposal of PCB based on related legal requirements and related to the cleanup of soil in land.

k. ***Asset Retirement Obligations***—In March 2008, the Accounting Standards Board of Japan ("ASBJ") published the accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value 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.

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

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

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

Under the previous accounting standard, finance leases 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.

o. Construction Contracts—In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts." Under this 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.

p. 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.

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

r. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate 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.

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

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated 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.

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

Diluted net income per share is not disclosed due to no securities with a dilutive effect.

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

u. *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.

v. *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 followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) *Treatment in the balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

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

(b) Treatment in the consolidated statement of income and the consolidated statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives 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 shall be 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.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, 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 expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013, and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. CONSTRUCTION CONTRACTS

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2013 and 2012, net of amounts settled, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Costs and estimated earnings	¥ 3,462	¥1,858	$ 36,809
Amounts settled	(1,786)	(696)	(18,991)
Net	¥ 1,676	¥1,162	$ 17,818

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Short-term investments:			
Time deposits	¥ 330	¥ 370	$ 3,509
Debt securities		2	
Government and corporate bonds	160	160	1,701
Total	¥ 490	¥ 532	$ 5,210
Investment securities:			
Equity securities	¥3,292	¥2,826	$34,998
Debt securities	12	12	128
Other	163	177	1,737
Total	¥3,467	¥3,015	$36,863

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, 2013 and 2012, were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥2,228	¥849	¥ 69	¥3,008
Debt securities	12			12
Other	306	18		324
March 31, 2012				
Securities classified as available-for-sale:				
Equity securities	¥2,221	¥568	¥264	¥2,525
Debt securities	14			14
Other	305	2		307

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$23,695	$9,024	$738	$31,981
Debt securities	127			127
Other	3,257	193		3,450

Securities classified as available-for-sale whose fair value is not readily determinable at March 31, 2013 and 2012, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Securities classified as available-for-sale—Equity securities	¥284	¥331	$3,018

Proceeds from sales of available-for-sale securities for the years ended March 31, 2013 and 2012, were ¥261 million ($2,771 thousand) and ¥2,598 million, respectively. As computed on the moving-average cost basis, gross realized gains on these sales were ¥231 million ($2,454 thousand) and ¥891 million for the years ended March 31, 2013 and 2012, respectively.

5. INVENTORIES

Inventories at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Finished products, semifinished products and merchandise	¥ 4,607	¥ 6,025	$ 48,984
Work in process	15,598	15,224	165,854
Raw materials and supplies	2,921	3,140	31,054
Total	¥23,126	¥24,389	$245,892

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment at March 31, 2013 and 2012, and recognized impairment losses, as follows:

Year Ended March 31, 2013

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

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Building and structures	¥ 48	$ 510
Machinery and equipment	13	139
Furniture and fixture	89	946
Software	3	27
Total	¥153	$1,622

Year Ended March 31, 2012

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

	Millions of Yen
Type:	
Furniture and fixture	¥1
Software	1
Total	¥2

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

	Millions of Yen
Type—Furniture and fixture	¥32

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

	Millions of Yen
Type:	
Machinery and equipment	¥297
Furniture and fixture	297
Software	26
Total	¥620

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

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

Short-term bank loans at March 31, 2013 and 2012, consisted of notes to banks and bank overdrafts.

The weighted-average interest rates for short-term bank loans at March 31, 2013 and 2012, were 0.63% and 1.28%, respectively.

Long-term debt at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Loans from banks, due serially to 2015 with interest rates ranging from 1.0% to 1.9% (in 2013) and from 1.0% to 2.9% (in 2012):			
Collateralized	¥ 166	¥ 363	$ 1,768
Unsecured	950	2,790	10,101
Total	1,116	3,153	11,869
Less current portion	(1,081)	(2,048)	(11,494)
Long-term debt, less current portion	¥ 35	¥ 1,105	$ 375

Annual maturities of long-term debt outstanding at March 31, 2013, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥1,081	$11,494
2015	35	375
Total	¥1,116	$11,869

The carrying amounts of assets pledged as collateral for long-term debt totaling ¥166 million ($1,768 thousand) at March 31, 2013, were as follows:

	Millions of yen	Thousands of U.S. Dollars
Property, plant and equipment—net of accumulated depreciation	¥348	$3,701

8. 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 liability for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥ 48,437	¥ 43,262	$ 515,008
Fair value of plan assets	(26,930)	(24,453)	(286,338)
Unrecognized transitional obligation	(657)	(985)	(6,986)
Unrecognized actuarial loss	(11,373)	(9,292)	(120,927)
Unrecognized prior service cost	1,454	1,842	15,467
Prepaid pension cost	1,786	2,121	18,989
Net liability	¥ 12,717	¥ 12,495	$ 135,213

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥1,641	¥1,538	$17,443
Interest cost	856	865	9,105
Expected return on plan assets	(459)	(457)	(4,881)
Amortization of prior service cost	(388)	(388)	(4,121)
Recognized actuarial loss	1,577	1,533	16,766
Amortization of transitional obligation	329	329	3,493
Net periodic benefit costs	¥3,556	¥3,420	$37,805

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows:

	2013	2012
Discount rate	1.0%–1.2%	2.0%
Expected rate of return on plan assets	0.0%–2.0%	0.0%–2.0%
Amortization period of prior service cost	14–15 years	14–15 years
Recognition period of actuarial gain/loss	10–14 years	10–14 years
Amortization period of transitional obligation	15 years	15 years

In addition, certain consolidated subsidiaries had severance payment plans for directors and audit & supervisory board members. The liabilities for retirement benefits to directors and audit & supervisory board members were nil and ¥167 million at March 31, 2013 and 2012, respectively. In the year ended March 31, 2013, certain remaining consolidated subsidiaries terminated their severance payment plans for directors and audit & supervisory board members.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	¥344	¥353	$3,661
Reduction associated with meeting asset retirement obligations		(9)	
Others	(13)		(141)
Balance at end of year	¥331	¥344	$3,520

10. EQUITY

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

a. Dividends

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

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38.0% and 40.7% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which result in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
NET CURRENT DEFERRED TAX ASSETS—			
CURRENT DEFERRED TAX ASSETS:			
Accrued bonuses	¥ 1,152	¥ 1,026	$ 12,245
Enterprise taxes payable	74	35	791
Inventories	1,562	1,978	16,609
Unrealized gains	11	30	115
Social security insurance on accrued bonuses	163	142	1,738
Reserve for product defect compensation	219	300	2,329
Other	117	60	1,238
Valuation allowance	(3,061)	(3,254)	(32,550)
Net current deferred tax assets	¥ 237	¥ 317	$ 2,515
NET NONCURRENT DEFERRED TAX ASSETS—			
NONCURRENT DEFERRED TAX ASSETS:			
Liability for retirement benefits	¥ 636	¥ 568	$ 6,759
Tax loss carryforwards	2	1	21
Unrealized gains	632	632	6,718
Other	67	84	717
Valuation allowance	(178)	(85)	(1,891)
Net noncurrent deferred tax assets	¥ 1,159	¥ 1,200	$ 12,324
NET NONCURRENT DEFERRED TAX LIABILITIES:			
NONCURRENT DEFERRED TAX ASSETS:			
Allowance for doubtful accounts	¥ 603	¥ 531	$ 6,412
Liability for retirement benefits	3,302	3,170	35,111
Tax loss carryforwards	1,181	2,563	12,559
Software	2,080	2,343	22,119
Investment securities	629	648	6,690
Property, plant and equipment	425	364	4,524
Asset retirement obligations	118	123	1,253
Other	164	185	1,733
Valuation allowance	(7,100)	(9,583)	(75,497)
Total	1,402	344	14,904
NONCURRENT DEFERRED TAX LIABILITIES:			
Net unrealized gains on available-for-sale securities	268	97	2,853
Reserve for advance depreciation of noncurrent assets	259	109	2,752
Reserve for special account for advance depreciation of noncurrent assets	1,566	235	16,648
Total	2,093	441	22,253
Net noncurrent deferred tax liabilities	¥ 691	¥ 97	$ 7,349

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, 2013, with the corresponding figures for 2012, is as follows:

	2013	2012
Normal effective statutory tax rate	38.0%	40.7%
Earnings not taxable and expenses not deductible for income tax purposes	0.2	33.5
Change in valuation allowance	(25.5)	(97.9)
Effect from the tax rate change		(5.6)
Per capita portion of inhabitants tax	0.6	(4.8)
Equity in earnings of affiliated companies	(1.1)	8.7
Other—net	(1.0)	0.1
Actual effective tax rate	(11.2)%	(25.3)%

At March 31, 2013, the Company and certain subsidiaries have net operating loss carryforwards aggregating approximately ¥2,997 million ($31,871 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
2019	¥ 4	$ 44
2021	2,989	31,779
2022	4	48
Total	¥2,997	$31,871

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥4,794 million ($50,969 thousand) and ¥6,050 million for the years ended March 31, 2013 and 2012, respectively.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Provision for doubtful accounts	¥ 14	¥ 43	$ 147
Salaries	6,807	7,177	72,380
Provision for retirement benefits	991	1,074	10,533
Depreciation	289	186	3,072
Rent	691	700	7,347
Research and development costs	2,047	3,159	21,760
Other	4,980	4,762	52,954
Total	¥15,819	¥17,101	$168,193

14. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Loss on disposals of property, plant and equipment	¥ (80)	¥(44)	$ (848)
Loss on devaluation of investment securities	(4)	(22)	(40)
Other (expenses) income—net	(17)	37	(186)
Total	¥(101)	¥(29)	$(1,074)

15. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ 492	¥ (620)	$ 5,224
Reclassification adjustments to profit		(891)	
Total	492	(1,511)	5,224
Foreign currency translation adjustments:			
Adjustments arising during the year	10	(11)	108
Amount before income tax effect	502	(1,522)	5,332
Income tax effect	(176)	632	(1,859)
Total	326	(890)	3,473
Share of other comprehensive income in associates—Income (loss) arising during the year	4	(3)	38
Total other comprehensive income (loss)	¥ 330	¥ (893)	$ 3,511

16. LEASES

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

Total rental expenses including lease payments for the years ended March 31, 2013 and 2012, were ¥45 million ($483 thousand) and ¥135 million, respectively.

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

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥22	¥1	¥44	¥4	$238	$10
Due after one year	3		25	1	30	5
Total	¥25	¥1	¥69	¥5	$268	$15

17. 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 18 for more detail about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

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

The maximum credit risk exposure of financial assets is limited to their carrying amounts at March 31, 2013.

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

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

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

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

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

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

(a) Fair value of financial instruments

March 31, 2013	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
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

March 31, 2012	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 3,238	¥ 3,238	
Short-term investments	532	532	
Receivables:			
Trade notes	3,049	3,049	
Trade accounts	41,890	41,890	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	198	198	
Short-term loans due from parent company	1,216	1,216	
Investment securities	2,684	2,684	
Investment in affiliated companies	1,036	1,162	¥126
Total	¥53,843	¥53,969	¥126
Short-term bank loans	¥ 1,250	¥ 1,250	
Payables:			
Trade notes	838	838	
Trade accounts	21,620	21,620	
Unconsolidated subsidiaries and affiliated companies	3,025	3,025	
Long-term debt (including current portion of long-term debt)	3,153	3,188	¥ 35
Total	¥29,886	¥29,921	¥ 35

March 31, 2013	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 31,725	$ 31,725	
Short-term investments	5,210	5,210	
Receivables:			
Trade notes	28,427	28,427	
Trade accounts	518,682	518,682	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	864	864	
Short-term loans due from parent company	73,952	73,952	
Investment securities	33,845	33,845	
Investment in affiliated companies	12,761	12,973	$212
Total	$705,466	$705,678	$212
Short-term bank loans	$ 17,544	$ 17,544	
Payables:			
Trade notes	7,290	7,290	
Trade accounts	217,161	217,161	
Unconsolidated subsidiaries and affiliated companies	41,973	41,973	
Long-term debt (including current portion of long-term debt)	11,869	11,957	$ 88
Total	$295,837	$295,925	$ 88

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

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

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

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

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

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

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

Derivatives
Fair value information for derivatives is included in Note 18.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Investment securities in equity instruments that do not have a quoted market price in an active market	¥ 284	¥ 331	$ 3,018
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	2,055	1,434	21,844
Total	¥2,339	¥1,765	$24,862

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

	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

	Millions of Yen	
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	¥ 3,238	
Short-term investments	532	
Receivables:		
Trade notes	3,048	¥ 1
Trade accounts	41,890	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	198	
Investment securities—Available-for-sale securities with contractual maturities		12
Total	¥48,906	¥13

March 31, 2013	Thousands of U.S. Dollars Due in 1 Year or Less	Thousands of U.S. Dollars Due after 1 Year through 5 Years
Cash and cash equivalents	$ 31,725	
Short-term investments	5,210	
Receivables:		
Trade notes	28,374	$ 53
Trade accounts	518,682	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	864	
Investment securities—Available-for-sale securities with contractual maturities		128
Total	$584,855	$181

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

18. DERIVATIVES

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

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

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

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

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2013 and 2012

		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)
March 31, 2012				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥1,000	¥500	¥(11)

		Thousands of U.S. Dollars		
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	$5,316		$(41)

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

19. CONTINGENT LIABILITIES

At March 31, 2013 and 2012, the Company is contingently liable for guarantees of bank loans amounted to ¥20 million ($212 thousand) and ¥28 million, respectively.

20. RELATED PARTY TRANSACTIONS

(1) Parent Company

The Company's transactions with Nisshinbo Holdings Inc., the parent company, for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Interest income	¥40	¥ 122	$424
Proceed from sale of parent company's shares		2,585	
Gain on sale of parent company's shares		889	

The Company's balance due from Nisshinbo Holdings Inc., at March 31, 2013 and 2012, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Short-term loans due from parent company	¥6,955	¥1,216	$73,952

(2) Affiliated Company

The Company's transaction with Ueda Japan Radio Co., Ltd., an affiliated company, for the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Purchases	¥5,522	¥5,392	$58,712

The Company's balance due to Ueda Japan Radio Co., Ltd. at March 31, 2013 and 2012, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Notes and accounts payables	¥2,404	¥1,867	$25,563

21. 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, etc.

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

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

(Change in Accounting Policy)

Prior to April 1, 2012, the Company and its domestic consolidated subsidiaries had previously used the declining-balance method for depreciation of property, plant, and equipment except for buildings acquired after April 1, 1998, and lease assets. Effective April 1, 2012, the Company changed to the straight-line method. Based on the manufacturing transfer performed as part of the restructuring of the business that would make facility utilization more stable, this change was made in order to allocate costs more appropriately and to standardize the policy with that of the parent company, Nisshinbo Holdings Inc.

As a result of this change, compared to the previous method, segment loss on Marine electronics equipment has decreased by ¥30 million ($323 thousand), segment profit on Solutions and Specialized equipment has increased by ¥70 million ($746 thousand) and segment profit on other has decreased by ¥16 million ($172 thousand).

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

	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	¥25,489	¥18,046	¥56,954	¥100,489	¥ 8,669	¥109,158		¥109,158
Intersegment sales or transfers	1	1	53	55	6,282	6,337	¥ (6,337)	
Total	¥25,490	¥18,047	¥57,007	¥100,544	¥14,951	¥115,495	¥ (6,337)	¥109,158
Segment (loss) profit	¥ (1,058)	¥ (296)	¥ 5,583	¥ 4,229	¥ 204	¥ 4,433	¥ (514)	¥ 3,919
Segment assets	15,399	11,803	40,424	67,626	10,453	78,079	27,462	105,541
Other:								
Depreciation	134		178	312	236	548	1,198	1,746
Increase in property, plant and equipment and intangible assets	106	104	220	430	391	821	1,057	1,878

	Millions of Yen							
	2012							
	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	¥29,493	¥15,021	¥46,892	¥91,406	¥ 8,466	¥ 99,872		¥99,872
Intersegment sales or transfers	2	2	46	50	6,201	6,251	¥ (6,251)	
Total	¥29,495	¥15,023	¥46,938	¥91,456	¥14,667	¥106,123	¥ (6,251)	¥99,872
Segment (loss) profit	¥ (484)	¥ (2,818)	¥ (310)	¥ (3,612)	¥ 829	¥ (2,783)	¥ (8)	¥ (2,791)
Segment assets	16,173	11,355	34,945	62,473	10,125	72,598	22,356	94,954
Other:								
Depreciation	134	178	98	410	225	635	656	1,291
Increase in property, plant and equipment and intangible assets	134	352	408	894	258	1,152	349	1,501

	Thousands of U.S. Dollars							
	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	$271,013	$191,872	$605,574	$1,068,459	$ 92,174	$1,160,633		$1,160,633
Intersegment sales or transfers	14	13	565	592	66,790	67,382	$ (67,382)	
Total	$271,027	$191,885	$606,139	$1,069,051	$158,964	$1,228,015	$ (67,382)	$1,160,633
Segment (loss) profit	$ (11,258)	$ (3,148)	$ 59,366	$ 44,960	$ 2,171	$ 47,131	$ (5,461)	$ 41,670
Segment assets	163,735	125,493	429,820	719,048	111,143	830,191	291,989	1,122,180
Other:								
Depreciation	1,428		1,889	3,317	2,507	5,824	12,737	18,561
Increase in property, plant and equipment and intangible assets	1,119	1,108	2,342	4,569	4,161	8,730	11,234	19,964

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 and increase in depreciation from change in accounting estimates.

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

	Millions of Yen					
	2012					
	Japan	Asia	Europe	North America	Other	Total
Sales	¥73,519	¥10,091	¥6,973	¥3,466	¥5,823	¥99,872

	Thousands of U.S. Dollars					
	2013					
	Japan	Asia	Europe	North America	Other	Total
Sales	$941,606	$74,850	$53,007	$40,642	$50,528	$1,160,633

22. SUBSEQUENT EVENT

The Company initiated a voluntary early retirement program to employees in order to implement structural the business reforms aimed at renewed growth as follows:

(1) Number of employees to be extended the offer
650

(2) Favorable treatment
An extra retirement benefit is to be paid in addition to the regular retirement benefit. In addition, the Company will provide employees with reemployment support.

(3) Offering period
May 17, 2013–May 31, 2013

(4) Retirement date
June 28, 2013, September 30, 2013, and December 27, 2013

(5) Result of offering
495

(6) Effect of consolidated statement of income
The cost to implement this program will total approximately ¥4,600 million ($48,910 thousand), and will increase extraordinary losses for the year ending March 31, 2014.

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, 2013, 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, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 22, Japan Radio Co., Ltd. initiated a voluntary early retirement program on May 17, 2013. The offer was closed on May 31, 2013, at which time 495 participants had accepted the offer. Our opinion is not qualified in respect of this matter.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 25, 2013

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(as of July 30, 2013)

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JRC Engineering Co., Ltd.

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

Head office and factory:
c/o Japan Radio Co., Ltd.
1-1, Shimorenjaku 5-chome,
Mitaka, Tokyo 181-0013, Japan
Phone: +81-422-45-9661

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

Employees: 151

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

Employees: 66

Musashino Electronics Co., Ltd.

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

Head office and factory:
1-33, Shimorenjaku 8-chome,
Mitaka, Tokyo 181-0013, Japan
Phone: +81-422-47-6341

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

Employees: 166

Sougou Business Service Co., Ltd.

Business:
Distribution management of electronic equipment

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

Employees: 126

Affiliated Companies

Nagano Japan Radio Co., Ltd.

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

Head office and factory:
1163, Inasato-machi, Nagano,
Nagano 381-2288, Japan
Phone: +81-26-285-1111

URL: http://www.njrc.jp

Employees: 842(non-consolidated) / 2,480(consolidated)

Ueda Japan Radio Co., Ltd.

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

Head office and factory:
10-19, Fumiiri 2-chome, Ueda,
Nagano 386-8608, Japan
Phone : +81-268-26-2112

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

Employees: 660

54 JRC Organization

(as of Oct 1, 2013)

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

President

- Corporate Internal Auditing
- Redeployment Promotion 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
- **Technology**
  - Product Design Department
  - Mechanical Design Department
  - Engineering Administration 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 Department
  - Procurement Department
  - Communications Products Production Department
  - Marine Electronics Production Department
  - Solution Systems Production Department
  - Production Engineering Department
  - Machining Center
  - Printed Circuit Board Center

Investor Information

(as of March 31, 2013)

Corporate Data

Japan Radio Co., Ltd.

Established:
December, 1915

Paid-in Capital:
¥14,704 million ($156,346 thousand)

Number of Shares Issued:
137,976,690 shares

Number of Shareholders:
7,508

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

Employees:
2,777

General Meeting of Shareholders:
Convened annually in late June

Board of Directors, Corporate Auditors and Executive Officers

(as of June 27, 2013)

Representative Director and Chairman
Yoshihito Onda

Representative Director and President
Takayoshi Tsuchida

Directors and Managing Executive Officers
Shuichi Gotoh
Atsunori Sasaki

Directors and Executive Officers:
Tatsuro Masamura
Yasuhiko Hara
Tadaaki Yokoi

Directors:
Noboru Matsuda
Shizuka Uzawa
Tomoshi Maruyama

Standing Corporate Auditors:
Masayuki Doi
Takashi Ujino
Tsutomu Suzuki

Corporate Auditor
Kazunori Baba

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

Major Shareholders

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Holdings Inc.	88,713	64.29
JRC Business Partner Ownership	4,234	3.06
JRC Employee Ownership	2,960	2.14
Japan Trustee Services Bank, Ltd. (Trust Account)	1,920	1.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,766	1.27
Bank of New York GGM Client Account JPRD ISG (FE-AC)	1,384	1.00
RBC ISB A/C DUB NON RESIDENT/DOMESTIC RATE	1,000	0.72
Japan Trustee Services Bank, Ltd.	746	0.54
JP Morgan Chase Bank 385181	648	0.46
NOMURA PB NOMINIEES LIMITED OMNIBUS-MARGIN (CASHPB)	533	0.38
Total	103,905	75.30

Shareholder Type

	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals	Individuals and others	Total
Number of Shareholders	27	27	250	89	7,115	7,508
Number of Shares Held	8,106	940	91,130	6,610	30,716	137,502
Percentage of Total Shares Issued	5.89	0.68	66.28	4.81	22.34	100.00

Notes: Trading unit of common stock: 1,000 shares
Odd-lot stock: 474,690 shares

JRC Japan Radio Co., Ltd.

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