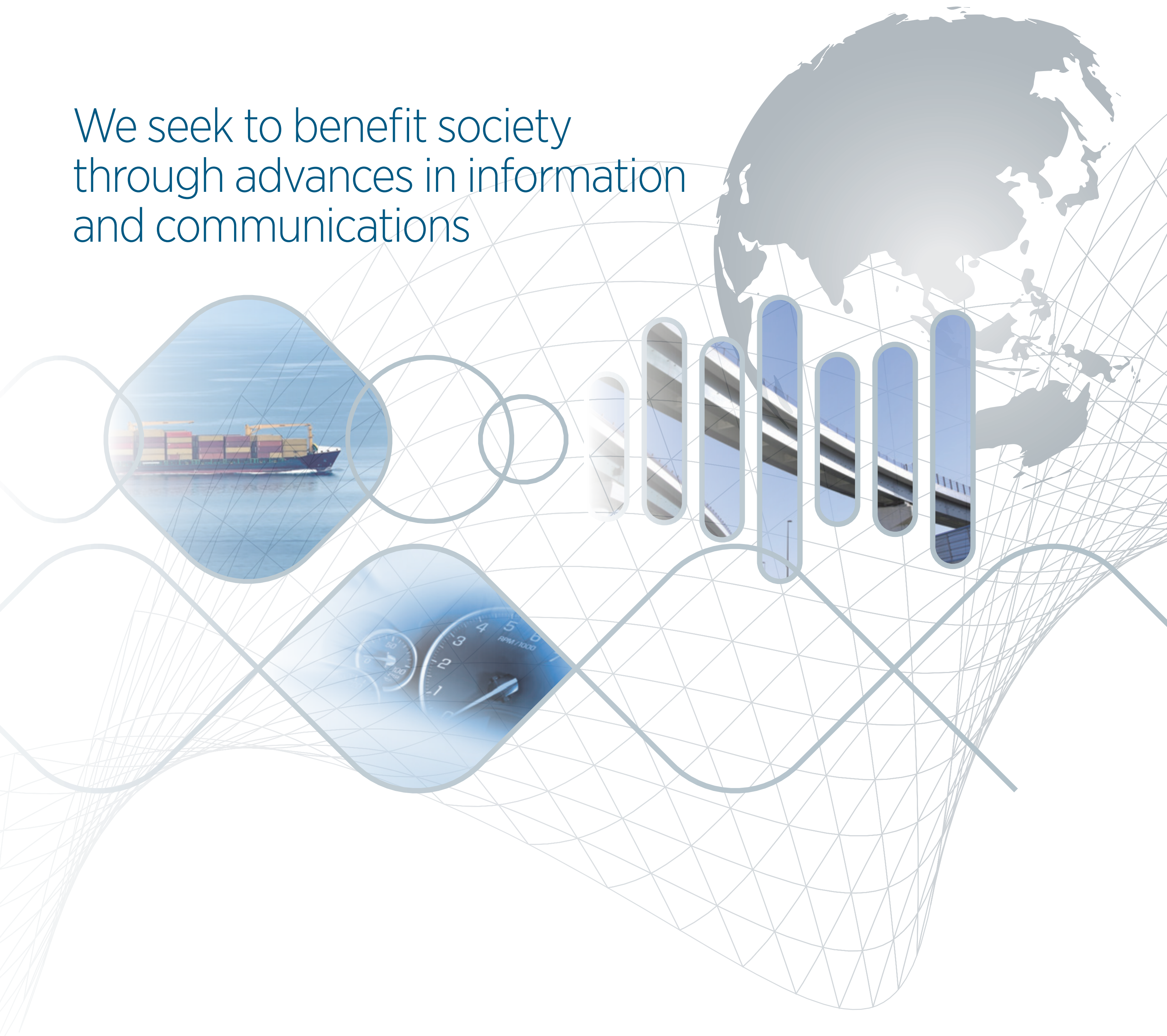
Annual Report 2015

For the year ended March 31, 2015

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

JRC and Principal Consolidated Subsidiaries

Japan Radio Co., Ltd. (JRC)

- Alphatron Marine Beheer B.V.
- JRC (HK) Limited
- JRC Shanghai Co., Ltd.
- JRC do Brasil Empreendimentos Electrônicos Ltda.
- JRC Tokki Co., Ltd.
- Japan Radio Glass Co., Ltd.
- JRC Engineering Co., Ltd.
- Sasebo Japan Radio Co., Ltd.
- JRC System Services 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.

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.

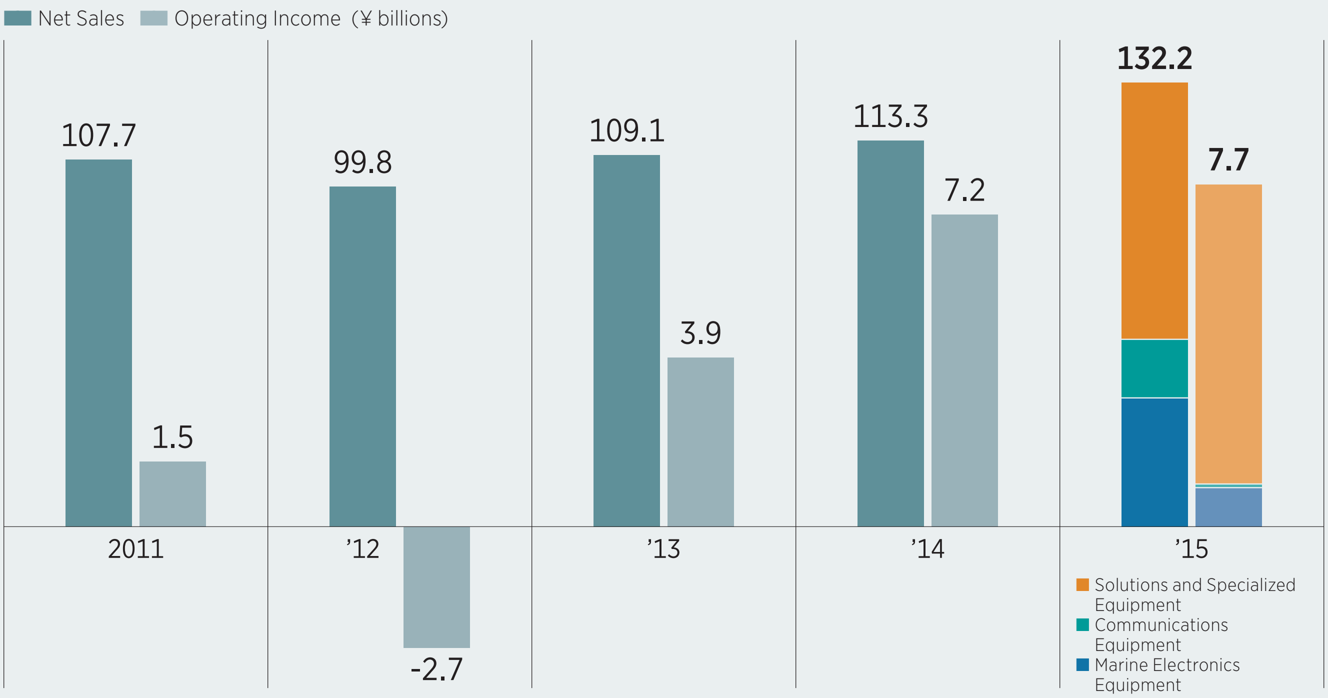
Business Highlights

Consolidated Highlights

In FY2014, ended March 31, 2015, the JRC Group reported its highest consolidated net sales figure since FY2007, owing to year-on-year sales increases for all three major business segments: Marine Electronics Equipment, Communications Equipment, and Solutions and Specialized Equipment.

In October 2015, JRC celebrates 100 years of operations. With our new organization enhanced through business structural reforms, we will build a "new JRC" that delivers sustained growth and progress in the future.

Net Sales / Operating Income



Financial Position

Equity Ratio	Equity Per Share	ROE	D/E Ratio (times)
49.4%	¥511.96	24.1%	0.09
+6.9 point	+45.4%	+19.4 points	-0.03 times

As we approach the final stages of our business structural reforms, we will innovate all aspects of our organization—including development, production, distribution, and sales—to implement growth strategies that will push the Group forward.

Business environment and performance

In FY2014, ended March 31, 2015, the world economy generally remained in a state of uncertainty. The U.S. economy maintained a recovery tone, and Europe showed signs of an upturn despite inconsistencies among individual nations. However, growth in China and emerging nations slowed, while plummeting crude oil prices and other factors added to the uncertainty.

In Japan, the economy sustained a moderate recovery tone, benefiting from government economic stimulus measures and monetary easing by the Bank of Japan. This was despite the aftermath of a rush in demand ahead of the consumption tax hike. Also, the weak yen caused the prices of imported raw materials and foodstuffs to surge, casting a further shadow over the economy.

Under these circumstances, the JRC Group pursued proactive sales activities aimed at boosting revenue. We also strove to generate sustained earnings and build an operational foundation for renewed growth. In addition, we worked hard to reinforce the overall electronics business of Nisshinbo Holdings Inc., our parent company. To this end, we enacted business structural reforms aimed at renewed growth, with basic policies emphasizing growth strategies and global-level cost structural reforms.


Advanced Technology Center (Nagano)


Solutions and Specialized Equipment Plant (Nagano)

Highlights

In the year under review, the Group sought to implement cost structural reforms to build a solid position for future growth in the global market. As part of this initiative, we relocated our core production and technological development functions from the Mitaka Plant to Nagano Prefecture. In December 2014, we completed construction of Advanced Technology Center to serve as the design and engineering nucleus of the three companies in the JRC Group. In March 2015, we completed construction of a new plant for our Solutions and Specialized Equipment business that will be the core of our production system. At present, we are relocating equipment and personnel related to these completions. In addition, we are currently building a facility in Kawagoe City, Saitama Prefecture, that will centralize our system engineering and design and engineering functions.

Seeking to expand our overseas marine electronics equipment business, we will collaborate with Nagano Japan Radio Co., Ltd., a JRC Group company, to build a production system and strengthen price-competitiveness. We also launched new strategic products, including a maritime bridge system developed jointly with Alphatron Marine Beheer B.V. (AMB), which became a consolidated subsidiary in December 2013, while reorganizing and reinforcing our sales and service systems.

Growth strategies

- Expand overseas business
- Broaden “smart” businesses

Cost structure reforms

- Relocate Mitaka Plant
- Establish domestic and overseas production bases
- Sell Mitaka and Saitama properties and reduce workforce

Target renewed growth
as a corporate group that proposes and offers safe, reliable, and environmentally friendly solutions globally

During the year, we sold part of the land and buildings of the Mitaka Plant, which had become idle due to relocation of its operations.

The aforementioned measures, part of our business structural reforms, are proceeding as planned as we lay the groundwork for renewed future growth. Going forward, the JRC Group, serving as the electronics business arm of the Nisshinbo Holdings Group, will further strengthen added value and reinforce its operational foundation.

Future growth strategies

Going forward, the Group will advance its operations by proposing and offering safe, reliable, environmentally friendly solutions on a global scale. To this end, we will expedite our two growth strategies—expand overseas business and broaden "smart" businesses—under our new organization built through global cost structural reforms.

Expand overseas business

- Strengthen alliance with AMB by making it a consolidated subsidiary, in order to expand overseas marine electronics equipment business
- Expand overseas solutions business with a focus on Southeast Asia as a growth market — Attract orders mainly for marine and vessel traffic management system (VTMS) and meteorological radar systems
- Target increased orders for disaster prevention services overseas

Broaden "smart" businesses

- Promote businesses that support enhanced energy efficiency and vehicle operation and establish information services business in the marine and terrestrial traffic fields
- Increase sales of wireless disaster prevention systems to prefectural and municipal governments by proposing systems that are strongly resistant to natural disasters
- Launch portal site business related to marine electronics equipment

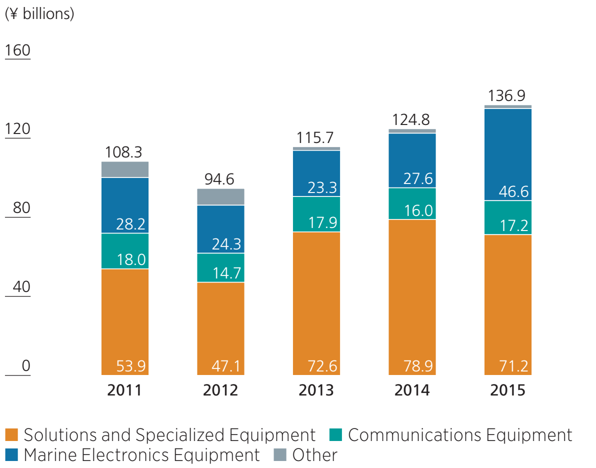
Financial performance

In the year under review, the JRC Group enjoyed improved conditions in its various businesses and stepped up initiatives aimed at increasing sales in each business segment. As a result, we posted year-on-year sales growth for all business segments, especially Solutions and Specialized Equipment. We also benefited from the full-year contribution of AMB, which became a consolidated subsidiary in the previous fiscal year, as well as foreign exchange and other factors.

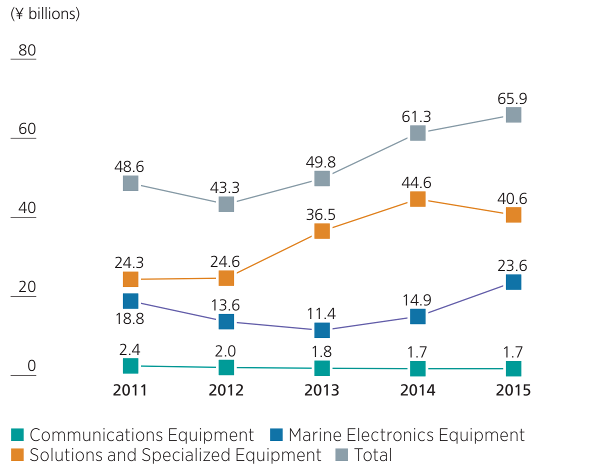
As a result, consolidated net sales amounted to ¥132,252 million ($1,100.5 million), up 16.7% from the previous year. This was our highest net sales figure since the year ended March 2007.

Despite the rise in revenue, operating income growth was limited to 5.9%, for a total of ¥7,713 million ($64.1 million), due to increases in one-time expenses associated with our business structural reforms. However, net income surged 520.7%, to ¥14,342 million ($119.3 million), due mainly to a gain on sale of property, plant and equipment.

Orders received in the year



Year-end balance of orders



The year-end balance of orders for our three main business segments was ¥65.9 billion ($548.3 million), up 7.5% from a year earlier, buoyed by the aforementioned consolidation of AMB, which boosted the Marine Electronics Equipment business.

Future challenges

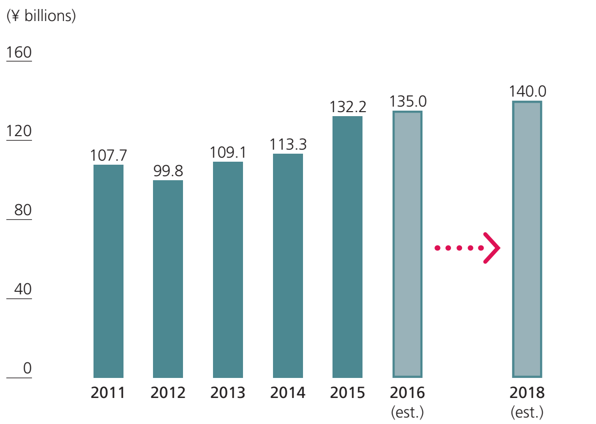
Amid dramatically changing economic conditions in Japan and overseas, the outlook for the JRC Group's operating environment remains unclear. In response, we will pursue reforms aimed at building a corporate organization that is profitable and also strongly resilient to changing conditions. Seeking to establish a new income foundation, we will also transform ourselves into a global business structure targeting growth markets in Southeast Asia and emerging nations.

To this end, we will strive to bolster sales by concentrating managerial resources on overseas operations and businesses related to safety and peace of mind. At the same time, we will build a robust earnings structure through effective asset deployment, reduced fixed costs, and improved productivity. In addition, we will reorganize our Groupwide production bases and promote overseas production and procurement, in order to deliver a cost performance enabling us to win against price competition in the global market. We will also focus on tapping new markets and fostering new businesses in such areas as the environment and energy, by maximizing synergies between Group members and collaborating with other companies.

FY2015 outlook

For the year ending March 2016, we forecast a 2.1% year-on-year increase in consolidated net sales, to ¥135,000 million, a 9.2% decline in operating income, to ¥7,000 million, and a 75.6% fall in net income, to ¥3,500 million. This major decrease in net income will be due to the absence of a gain on sales of land and other fixed

Consolidated net sales forecast



assets posted in the year under review. These forecasts are based on assumed exchange rates of ¥115.00 per U.S. dollar and ¥130.00 per euro.

Over the medium term, we are targeting consolidated net sales of ¥140,000 million and an operating margin of 8.0% in the year ending March 2018. We will also emphasize cash-flow-oriented management, reductions in interest-bearing debt and inventories, and swift collection of receivables.

Basic policy on profit distribution

The distribution of profits to shareholders is one of the Company's top management priorities. Our basic policy is to pay stable and continuous dividends from a long-term perspective, while paying attention to strengthening our performance, earnings, and operational foundation.

Our fundamental policy is to distribute surpluses semiannually in the form of interim and year-end dividends. Under Article 459-1 of the Companies Act, the Board of Directors may declare dividends as prescribed in the Company's articles of incorporation. On May 8, 2015, the Board of Directors declared a year-end cash dividend of ¥5.00 per share for the year under review.

Our policy is effectively deploy internal reserves to implement business structural reforms and make capital investments and R&D expenditures targeting business growth over the medium and long terms, with the aim of delivering improved Groupwide performances.

Enhancing corporate value

JRC celebrates 100 years of operations in October 2015. With our new organization enhanced through business structural reforms, we will build a "new JRC" that delivers sustained growth and progress in the future.

The "new JRC" is committed to providing products and services that contribute to safety, peace of mind, and the environment in the global market. In this way, we will create an organization that is recognized by people worldwide. Unafraid of change, we will also foster a corporate culture brimming with the spirit of challenge.

Going forward, the JRC Group will strive to enhance corporate value by establishing a profitable organization that is resilient to changing conditions while strengthening its financial position. We will also continue striving to enhance corporate governance in order to ensure management transparency and fairness.

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

July 1, 2015

Takayoshi Tsuchida
Representative Director and President

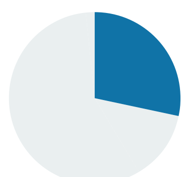
Focusing on the Wireless Communications Business

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 specialist expertise in each segment to achieve strong market shares.

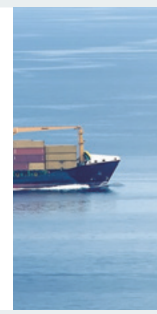
Marine Electronics Equipment

¥37,883 million

28.6%



- Inmarsat satellite ship earth stations
- Ship communications equipment
- Marine radar
- Electronic chart display systems (ECDIS)
- Integrated bridge systems
- VHF radiotelephone equipment
- Automatic Identification System (AIS)
- Voyage data recorder (VDR)
- Fishing devices (radars, fish finder, sonar, etc.)



Communications Equipment

¥17,242 million

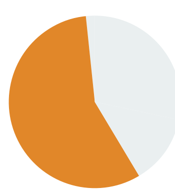
13.0%

- ITS equipment
- GPS modules/chips
- PHS (Personal Handy-Phone System) terminals
- Professional mobile digital radios
- Remote optical repeater/mobile backhaul equipment
- Non-destructive testing equipment

Solutions and Specialized Equipment

¥75,197 million

56.9%



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

Others

¥1,930 million

1.5%

Net Sales

¥132,252 million

Marine Electronics Equipment

Performance and Outlook

The Marine Electronics Equipment segment posted a year-on-year increase in sales thanks to growth in orders stemming from vibrant demand in the new-vessel shipbuilding industry, as well as the inclusion of AMB in consolidation. In the retrofit market, as well, sales were up thanks to heightened need for ship navigation safety and strong capital investment sentiment among shipowners. As a result, segment sales jumped 57.3% year on year, to ¥37,883 million.

In FY2015, we will target increased sales in the merchant shipbuilding market, which is recovering, and expand sales of strategic products, including bridge systems developed jointly with AMB. In the retrofit market, as well, we will work hard to stimulate new demand while addressing demand related to enactment of new regulations.

Overseas, where marine resource development continues to advance, we will strengthen collaboration with AMB to expand our market shares for both workboats and offshore support vessels. In China, where the JRC Group has established a new manufacturing facility, we will enhance price competitiveness and broaden cloud-based information services to support marine operational safety.

Through these initiatives, we forecast segment sales of ¥42,900 million in FY2015, up 13.2% year on year.

New Products and Technologies

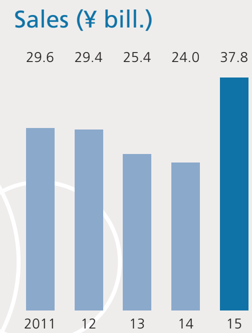
In the year under review, we developed and launched a boat speed rangefinder that uses ground-speed measurement technologies. By employing GPS satellite radio wave Doppler measurement technology, this device features improved accuracy and tracking performance, and is much easier to install than existing models. During the year, we also unveiled a new multifunction display (MFD) that will help expedite the advancement of integrated navigation systems. Features of this device include radar, an Electronic Chart Display and Information System (ECDIS), voyage information display, and an alarm management system, so it can be used to replace multiple other devices.

In FY2014, we focused particular attention on developing functions that are compatible with integrated navigation systems. We also increased information-sharing performance and compatibility by connecting multiple MFDs through a network.

Strategies for Future Growth

Going forward, we will strengthen collaboration with AMB and rebuild our overseas network. At the same time, we will work to expand our marine information services business, which helps enhance energy efficiency of vessel operation and supports safe navigation.

With respect to our overseas network, in Europe we will work with AMB to step up our response to ECDIS-related demand while increasing sales of voyage data recorders (VDRs). In North America, the newly established AMB subsidiary in Mexico and Houston will strive to increase sales of our Integrated Bridge System



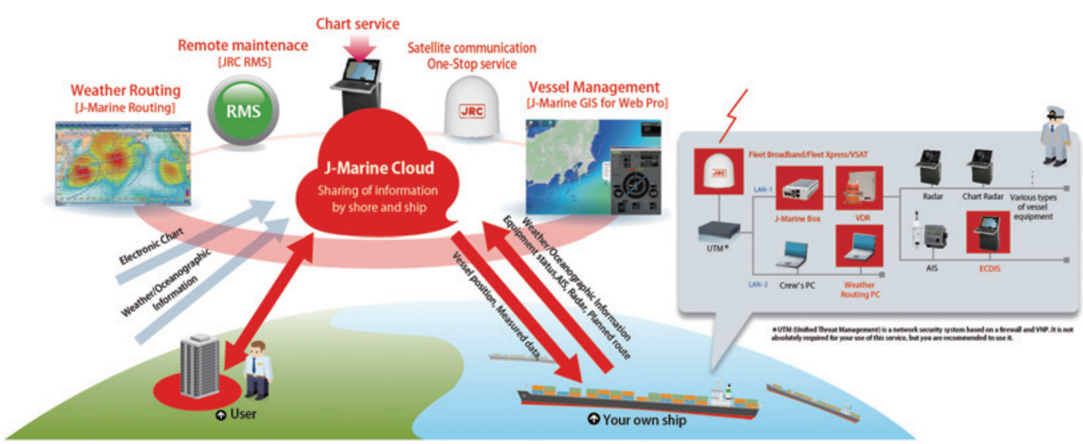
(IBS) to major oil companies. In Asia, we have merged our Singapore Office with Alphatron Marine System Pte. Ltd. (based in Singapore). Going forward, we will adopt an integrated approach to the region. For example, we will embrace demand among Asian customers for ECDIS installation, boost sales of VDRs in the retrofit market, and increase sales of our products in the fishing boat market

In the marine information services business, we will leverage our J-Marine Cloud service to expand sales of information content in such areas as resale of ship satellite communication lines and electronic charts, as well as tonnage navigation support information. We will focus on building a database of information collected from meteorological support sites and terrestrial VTS stations, enabling us to offer integrated surveillance, management, and other services. Ship operators will be able to use this information in such areas as energy-efficient and environmentally friendly vessel operation and anti-piracy measures..

New type of marine radar

New ECDIS

JRC Premium Bridge for merchant ships. Featuring a four-screen configuration, this device was developed jointly with AMB based on a JRC model.



J-Marine Cloud (marine information service)

Communications Equipment

Performance and Outlook

In the Communications Equipment segment, the JRC Group bolstered sales of in-vehicle equipment amid ongoing advancements in intelligent transportation systems (ITS) related to traffic safety efforts in Japan. We also introduced new PHS terminals. As a result, segment sales rose 6.7% year on year, to ¥17,242 million.

In FY2015, we look forward to growth in demand for ITS-related in-vehicle equipment, supported by favorable conditions in the domestic automotive industry. In this context, we will work to increase sales of equipment in the car navigation market while developing new businesses, including in-vehicle radar.

In digital commercial wireless systems, we will target increased demand both in Japan and overseas. We will also advance new businesses with focuses on safety, peace of mind, and the environment.

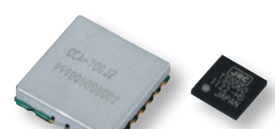
In addition, we will step up global business development while emphasizing overseas production and cost reductions.

We forecast an 5.6% year-on-year increase in segment sales, to ¥18,200 million.

New Products and Technologies

In the year under review, the JRC Group developed new products and technologies in a range of fields, including ITS, communications infrastructure, PHS, and commercial wireless systems. In the ITS area, we developed a new type of global navigation satellite system (GNSS) receiver. To ensure compatibility with new satellite positioning systems, which are growing worldwide, we added various positioning functions to the receiver, including GPS (United States), Galileo (Europe), GLONASS (Russia), and COMPASS (China). We will target increased global market share through these efforts.

In communications infrastructure, we developed a new optical transmission device for mobile phone operators for use in underground shopping malls and subway networks. This enables transmission of multiple frequencies, used by various operators, via a single device, and will also help reduce costs and broaden service coverage areas.



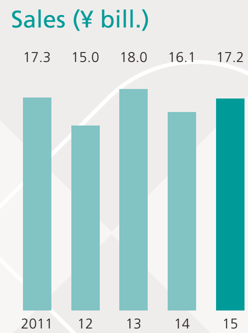
GPS receivers

In the PHS field, we developed a new model compatible with the latest extension switchboards. Its multiple functions include a new full browser, emergency bulletins, and mobile phone short messages.

In commercial wireless systems, we developed a digital wireless system for logistics management of vehicles used in steelworks yards. Converting to digital has led to improved data transmission speeds and information volume capacity.

PHS terminals

Professional mobile radio



Strategies for Future Growth

In the Communications Equipment segment, the JRC Group's future growth strategy emphasizes business advancement with focuses on safety, peace of mind, and the environment. We will give particular attention to the road transport sector, as well as railways and plants.

Recent years have seen growing needs in the road transport sector in such areas as accident prevention, traffic congestion data deployment, environmental impact reduction, and tightening environmental regulations. In this context, there have been ongoing advancements in electronic toll collection (ETC) systems, as well as the emergence of real-time road traffic information services using Vehicle Information and Communication System (VICS) technologies. Various new services have also been added since 2011, such as ITS Spot services—a combination of ETC and ITS services—which will be rolled out across expressways nationwide.

Meanwhile, the ETC2.0 Service, a more advanced traffic support system, is scheduled for introduction in 2016, featuring various new added functions and services. Demonstrating its responsibilities as a central player in this field, the JRC Group will pursue development of various in-vehicle devices and infrastructure equipment, including in-vehicle radar.

In the railway field, as well, we will seek to increase our market share for maintenance vehicle anti-collision safety systems and technologies that improve operational efficiency, and for plants we will propose wireless radar transmission systems, on-premises railway safety systems, and the like.

Electronic toll collection (ETC) system for motorcycles

New generation ETC2.0 unit

Mobile backhaul

Non-destructive testing equipment (RC radar)

Solutions and Specialized Equipment

Performance and Outlook

In the year under review, the Solutions and Specialized Equipment segment enjoyed increased sales on the back of firm demand among municipal governments to upgrade their wireless disaster prevention systems. We also worked to expand our social infrastructure business overseas, which boosted sales of vessel traffic management systems (VTMS) and meteorological radar systems. Accordingly, segment sales grew 6.2% year on year, to ¥75,197 million.

In FY2015, we forecast a downturn in new overall investments in Japan despite solid ongoing demand to upgrade existing disaster prevention systems. For this reason, we will focus on securing orders for disaster prevention and water and river management systems. Overseas, we will concentrate on expanding sales in the infrastructure business, especially in emerging nations. Key offerings here will include marine safety navigation systems, VTMS, and meteorological radar systems.

We forecast a 4.1% year-on-year decline in segment sales, to ¥72,100 million.

New Products and Technologies

In the year under review, we unveiled new technologies in information communication and meteorological radar systems in Japan, as well as disaster prevention systems overseas. In the information communication field, we developed a next-generation wireless LAN with 300Mb/s transmission speed capability. It also consumes minimal power, so it can operate in locations without electricity supply using solar cells, for example.

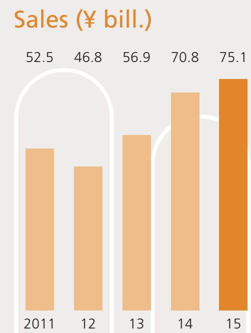
In the meteorological radar field, we developed a radar system that can monitor rainfall precisely thanks to use of the C band, which is suited to long-distance, wide-area observation. This enables highly accurate monitoring of typhoons and heavy rains, and we expect the system to be used as part of flood control measures.

In the overseas disaster prevention business, we targeted Southeast Asia, where climate change is causing many natural disasters. Specifically, we developed a system for notifying residents and providing area broadcasts of waterway level and other information using existing mobile phone networks that already proliferate in the region.

Strategies for Future Growth

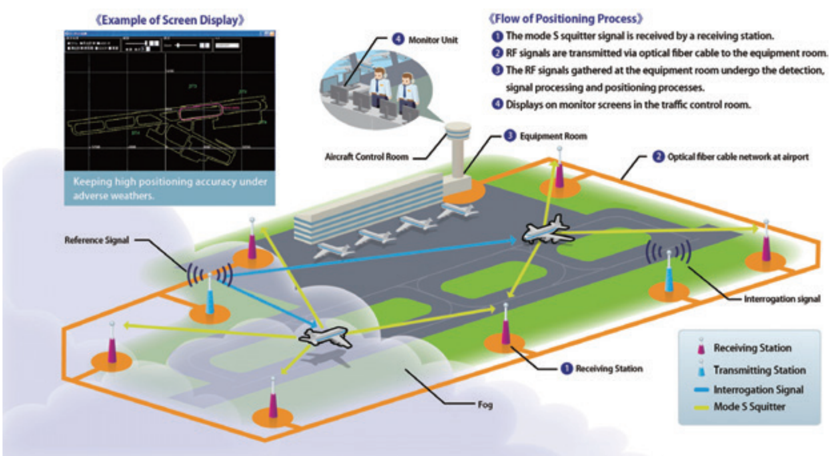
Deploying know-how amassed to date, we will emphasize development of various integrated systems in the fields of disaster prevention, harbor and gulf security, and aeronautics, mainly in Asia and emerging nations. In addition to government and ODA, we look forward to steady demand for infrastructure development in each country amid heightened concerns about safety among people in Southeast Asia.

In the disaster prevention field, in recent years we have witnessed frequent unusual weather events on a global scale. Here, we will mobilize our know-how to address the strong need for integrated flood forecasting

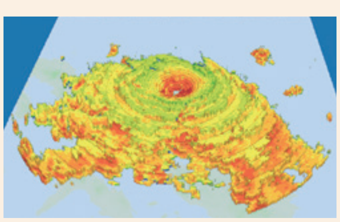


and warning systems and debris flow warning systems in conjunction with meteorological radar systems.

With respect to harbor and gulf security, integrated surveillance systems—combining radar, coastal radio, and information systems—are attracting attention. In the aeronautical field, as well, there is heightened need for integrated systems from the safety assurance standpoint, including airport meteorological radar systems, aircraft position control systems, and remote control systems. We hope to contribute to the safety of people in emerging nations by providing such integrated systems.



Aeronautics and airports: Integrated systems incorporating meteorological radar, aircraft position control systems, and remote control systems



Weather radar system that swiftly identifies unusual weather patterns

Recent years have seen the occurrence of significant disasters around the world caused by local torrential rains and the like. Reducing the impact of such disasters urgently requires early warning and swift information dissemination. In response, JRC has developed a weather radar system capable of swift, high-resolution scanning of weather patterns in 10 -30 seconds. (Previously, 3D scanning of cumulonimbus clouds, for example, required 5 -10 minutes.) We believe this will prove a powerful force in predicting the occurrence and movements of abnormal weather patterns.

Environmental Initiatives

Basic Philosophy

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

Basic Policy

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

1. Reduce impacts on biodiversity

Pursue multifaceted environmental protection activities from a whole-planet perspective, in order to reduce the impact of business activities on biodiversity.

2. Contribute by introducing environmentally conscious products

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

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

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

4. Comply with laws and regulations related to the environment

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

5. Make continuous improvement of environmental impacts and prevent pollution

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

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

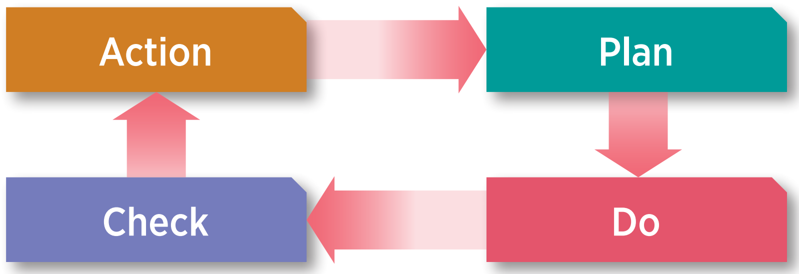
The Company establishes objectives and targets for environmental protection and reviews them periodically. The Company shall make maximum efforts to achieve such objectives and targets.

7. Make announcements of its environmental policy to the public

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

Environment-oriented management

The JRC Group has obtained ISO 14001 certification for environmental management systems at all of its domestic business operations. We also receive audits and updates on a regular basis and implement the plan-do-check-act (PDCA) cycle to develop more effective management systems.



“Smart” business development

Deploying information and communication technology (ICT) in specialist fields, the JRC Group is pursuing “smart” business development to distinguish itself from others.

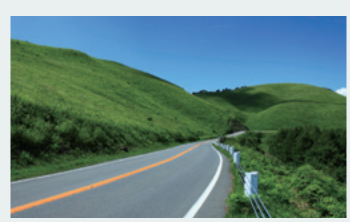
In the marine transport industry, international authorities are enacting regulations to reduce carbon dioxide emissions. In this context, the JRC Group will contribute to safety and peace of mind through its various marine-related sensor technologies, marine communication terminal technologies—which promise to play a role in next-generation high-speed broadband connecting vessels and land—and marine-use geographic information systems.

Topics

In the Marine Electronics Equipment business, we released an ECoRO-compatible electronic chart display device, which provides detailed forecasts of weather and sea conditions to customers and displays recommended routes, optimum boat speed, optimum engine speed, and the like, with the aim of helping operators lower the fuel consumption of their vessels.


JAN-2000-ECO

In its Communications Equipment Business, as well, the Group is using advances in ITS technologies to make road traffic flow more smoothly and help improve vehicle operation comfort and safety. Deploying next-generation beacons, car-to-car and road-to-car in-vehicle communications equipment, and radar technologies, we will strengthen our information and communication capabilities and help realize safe, reliable, energy-efficient road traffic flows with minimal congestion and accidents.



JRC Governance Systems

Basic Policy

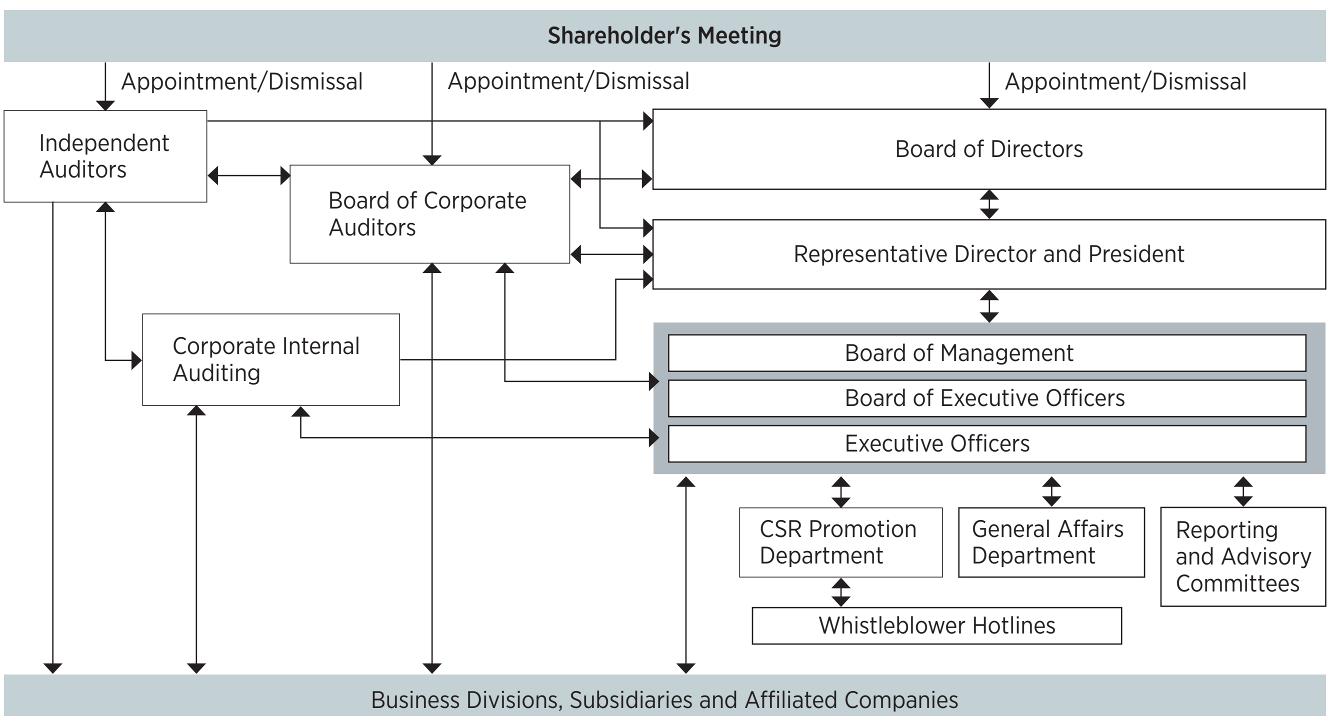
To ensure quick decision-making and management soundness and transparency, we seek to strengthen our management control system with a basic policy regarding corporate governance in an aim to enhance corporate value.

Corporate Governance Overview

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

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

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



Internal Auditing, Audits Performed by Corporate Auditors and Accounting Audits

• Internal Audits

The Corporate Internal Auditing Department, which consists of three auditing staff who conduct internal audits, is independent from business divisions and reports directly to the president. Internal auditing is conducted to oversee the soundness of assets, financial reporting and risk management. In addition, to ensure the reliability of financial reporting, the president appoints internal auditors other than those connected to the Corporate Internal Auditing Department. Furthermore, the Quality Assurance Department conducts audits related to product quality and the environment.

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

• Audits Performed by Corporate Auditors

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

• Accounting Audits

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

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

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

External Directors and External Corporate Auditors

JRC has one external director and two external corporate auditors.

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

External corporate auditor Takanori Ikeda previously worked for the Mizuho Corporate Bank, Ltd. one of the main financial institutions with which JRC had transactions. There are no particular conflicts of interest between Mr. Ikeda and Japan Radio., Ltd.

External corporate auditor Masaaki Hori previously worked Sapporo Breweries Ltd. There are no particular conflicts of interest between Mr. Hori and Japan Radio Co., Ltd. Mr. Hori is an independent officer as provided in Article 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

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

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

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

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

Risk Factors

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

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

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

(2) Changes in the operating environment

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

(3) Exchange rate fluctuations

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

(4) Procurement

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

(5) Regulations

Products provided by the Group are subject to various government regulations in each of the countries in which it operates, including business and investment license rules, as well as import and export laws and regulations concerning such areas as national security. Our products are also subject to laws and regulations governing fair trading, patents, and the environment. The Group has established internal rules and strives to educate all employees about compliance. However, unforeseen revisions to laws and regulations, as well as legal actions, 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

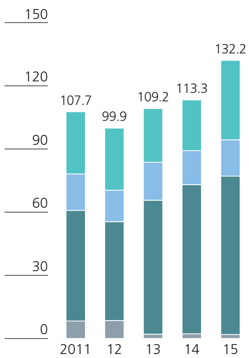
	Millions of yen					Thousands of U.S. dollars (Note)
For the years ended March 31,	2011	2012	2013	2014	2015	2015
Net sales	¥107,705	¥99,872	¥109,158	¥113,307	¥132,252	$1,100,538
Operating income (loss)	1,551	(2,791)	3,919	7,281	7,713	64,188
Operating income (loss) ratio (%)	1.4	(2.8)	3.8	6.4	5.8	–
Income (loss) before income taxes and minority interests	2,226	(1,456)	10,419	2,727	15,519	129,149
Net income (loss)	1,921	(1,844)	9,245	2,311	14,342	119,353
As of March 31,						
Total assets	118,613	94,954	105,541	113,814	142,509	1,185,902
Total equity	44,821	41,413	50,928	49,843	71,840	597,822
Net equity ratio (%)	37.5	43.2	48.0	42.6	49.4	–
Interest-bearing liabilities	23,943	4,874	3,238	5,888	6,678	55,571
Depreciation	1,413	1,291	1,746	2,098	2,932	24,402
Capital expenditures	1,315	1,501	1,878	2,630	14,950	124,407
Net income (loss) per share (yen/U.S. dollars)	13.95	(13.39)	67.11	16.77	104.13	0.86
ROE (%)	4.3	(4.3)	20.2	4.7	24.1	–
D/E ratio (times)	0.54	0.12	0.06	0.12	0.09	–
Employees	3,766	3,758	3,671	3,294	3,366	–

Note: U.S. dollar amounts are translated, for convenience only, at ¥120.17= US$1.00, the rate prevailing on March 31, 2015.

Contents of Financial Statements

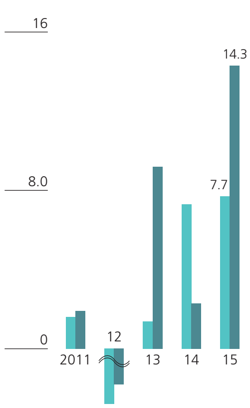
Consolidated Financial Review

Consolidated Net Sales
(¥ billions)



(For the years ended March 31,)
Marine Electronics Equipment
Communications Equipment
Solutions and Specialized Equipment
Other
Note: Figures for the year ended March 31, 2013 and thereafter reflect a segment reclassification.

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



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

Revenue and Earnings

In FY2014, ended March 31, 2015, the JRC Group reported consolidated net sales of ¥132,251 million ($1,100.5 million), up 16.7%, or ¥18,945 million, from the previous year. This was due to improved year-on-year performances across practically all of our three main businesses, which benefited from favorable business conditions and our efforts to broaden our operations. Another factor was the full-year contribution of Alphatron Marine Beheer B.V. (AMB), which became a consolidated subsidiary in the previous fiscal year.

Operating income rose 5.9%, or ¥431 million, to ¥7,713 million ($64.1 million), owing mainly to the increase in net sales. Net income surged 520.7%, to ¥12,031 million ($100.1 million). The was due mainly to an ¥8,989 million gain on sale of property, plant and equipment (versus ¥84 million in the previous year) and a huge decline in business restructuring expenses, which fell to ¥989 million (from ¥5,157 million in the previous year).

Performance by Segment

For the year, the Marine Electronics Equipment segment reported a 57.3% year-on-year increase in sales, to ¥37,883 million, and segment profit of ¥980 million (from a segment loss of ¥1,441 million in the previous year). The Communications Equipment segment posted a 6.7% rise in sales, to ¥17,242 million. Due to an increase in expenses, however, segment profit fell 80.0%, to ¥28 million. The Solutions and Specialized Equipment segment recorded a 6.2% increase in sales, to ¥75,197 million. However, segment profit declined 23.7%, to ¥6,909 million, due to changes in product composition and increased expenses. The Other segment—consisting of activities not included in the three business segments—reported a 14.1% decrease in sales, to ¥1,930 million, but the segment loss declined to ¥16 million (from ¥390 million in the previous year), owing mainly to lower expenses incurred by some subsidiaries.

Segment Sales / Profit (Loss)

	Millions of yen				
Year ended March 31, 2015	Marine Electronics Equipment	Communica-tions Equipment	Solutions and Specialized Equipment	Other (including recon-siderations)	Total
Sales	¥37,883	¥17,242	¥75,197	¥1,930	¥132,252
Segment profit (loss)	980	28	6,909	(16)	7,901
Year ended March 31, 2014					
Sales	¥24,088	¥16,152	¥70,821	¥2,246	¥113,307
Segment profit (loss)	(1,441)	141	9,055	(391)	7,281
Year ended March 31, 2015	Thousands of U.S. dollars				
Sales	$315,248	$143,479	$625,753	$16,058	$1,100,538
Segment profit (loss)	8,152	236	57,494	(134)	65,748

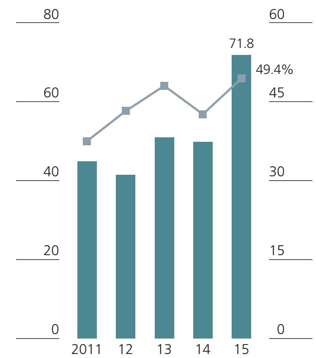
Financial Position

At fiscal year-end, the Group had consolidated total assets of ¥142,509 million ($1,185.9 million), up 25.2%, or ¥28,695 million, from a year earlier. This was due mainly to a ¥5,637 million year-on-year increase in notes and accounts receivable, a ¥3,987 million rise in inventories (including semifinished products and work in progress), a ¥1,576 million increase in short-term loans due from parent company, a ¥1,330 million rise in deferred tax assets, a ¥9,283 million increase in buildings and structures, a ¥1,229 million rise in land, and a ¥3,195 million rise in asset for retirement benefits.

Total liabilities increased 10.4%, or ¥6,698 million, to ¥70,669 million ($588.0 million). Main factors included a ¥3,255 million rise in notes and accounts payable, a ¥2,560 million increase in accrued income taxes, and a ¥3,305 million rise in other current liabilities. This contrasted with a ¥3,244 million decline in liability for retirement benefits.

Total equity jumped 44.1%, or ¥21,997 million, to ¥71,840 million ($597.8 million). This stemmed mainly from a ¥17,356 million increase in retained earnings and a ¥3,909 million improvement in cumulative adjustment related to retirement benefits. As a result, the equity ratio at fiscal year-end was 49.5%, up 6.9 points from a year earlier.

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



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

Cash Flows

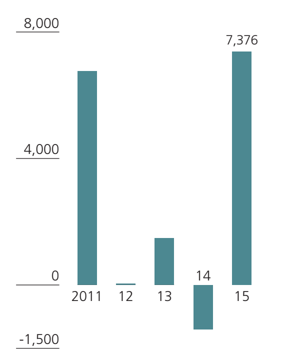
Consolidated cash and cash equivalents at fiscal year-end totaled ¥3,787 million ($31.5 million), up ¥321 million from a year earlier. This was mainly due to ¥3,522 million in net cash provided by operating activities and ¥455 million in net cash provided by financing activities, which contrasted with ¥3,853 million in net cash used in investing activities. Other factors included ¥86 million in foreign currency translation adjustments on cash and cash equivalents and a ¥113 million increase in cash due to consolidation of AMB.

For the year, net cash provided by operating activities amounted to ¥3,522 million, compared with used in operating activities of ¥1,646 million in the previous year. Factors boosting cash flows included ¥15,519 million in income before income taxes and minority interests (a 5.7-fold increase over the previous year). This contrasted with a ¥5,445 million increase in notes and accounts receivable and a ¥4,010 million increase in inventories.

Net cash used in investing activities totaled ¥3,583 million, compared with net cash provided by investing activities of ¥600 million in the previous year. The main factor boosting cash flows was ¥8,981 million in proceeds from sales of property, plant and equipment. This contrasted with ¥11,126 million in purchase of property, plant and equipment and a ¥1,576 million net increase short-term loans (deposits made to parent company).

Net cash provided by financing activities was ¥455 million, from ¥1,390 million in the previous year. This was despite an ¥801 million net change (increase) in short-term bank loans.

Free Cash Flow
(¥ millions)



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

Funding Requirements

In FY2014, the JRC Group made total capital expenditures of ¥14,950 million. Going forward, we expect to purchase property, plant and equipment, especially in the wireless communications equipment business. To ensure efficient procurement of funds for working capital, JRC has been incorporated into the cash management system (CMS) of Nisshinbo Holdings Inc.

Consolidated Balance Sheet

March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 18)	¥ 3,787	¥ 3,465	$ 31,512
Short-term investments (Notes 4 and 18)	353	529	2,938
Receivables (Note 3):			
Trade notes (Note 18)	3,511	2,878	29,217
Trade accounts (Note 18)	57,442	52,503	478,004
Unconsolidated subsidiaries and affiliated companies (Note 18)	295	273	2,451
Other	641	700	5,332
Allowance for doubtful accounts	(192)	(185)	(1,595)
Short-term loans due from parent company (Note 18)	1,576		13,113
Inventories (Note 5)	34,253	30,265	285,035
Deferred tax assets (Note 12)	1,653	323	13,757
Prepaid expenses and other	1,713	970	14,265
Total current assets	105,032	91,721	874,029
PROPERTY, PLANT AND EQUIPMENT:			
Land	4,847	3,618	40,338
Buildings and structures	25,241	23,861	210,048
Machinery and equipment (Note 6)	3,958	4,356	32,930
Furniture and fixtures (Note 6)	14,291	14,674	118,919
Lease assets	277	288	2,305
Construction in progress	1,149	1,188	9,561
Total	49,763	47,985	414,101
Accumulated depreciation	(28,402)	(38,126)	(236,341)
Net property, plant and equipment	21,361	9,859	177,760
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 18)	4,983	4,283	41,466
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 18)	3,414	3,351	28,410
Goodwill (Note 22)	1,508	1,707	12,545
Asset for retirement benefits	3,590	394	29,872
Deferred tax assets (Note 12)	830	982	6,909
Other assets (Note 6)	3,660	3,302	30,463
Allowance for doubtful accounts	(1,869)	(1,785)	(15,552)
Total investments and other assets	16,116	12,234	134,113
TOTAL	¥142,509	¥113,814	$1,185,902

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 18)	¥ 3,235	¥ 2,401	$ 26,919
Current portion of long-term debt (Notes 7 and 18)		35	
Current portion of long-term lease obligations	84	87	703
Payables:			
Trade notes (Note 18)	456	676	3,798
Trade accounts (Note 18)	25,953	23,431	215,967
Unconsolidated subsidiaries and affiliated companies (Notes 18 and 21)	5,220	4,267	43,440
Other	5,185	1,437	43,149
Income taxes payable	2,887	326	24,025
Accrued expenses	2,374	1,923	19,753
Advances received	4,168	3,781	34,684
Other	3,740	4,585	31,123
Total current liabilities	53,302	42,949	443,561
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 18)	3,000	3,000	24,965
Liability for retirement benefits (Note 9)	12,176	15,420	101,321
Deferred tax liabilities (Note 12)	287	984	2,390
Long-term lease obligations	160	162	1,329
Provision for environmental measures	79	93	661
Asset retirement obligations (Note 10)	449	330	3,740
Other	1,216	1,033	10,113
Total long-term liabilities	17,367	21,022	144,519
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 20)			
EQUITY (Note 11):			
Common stock—authorized, 216,000,000 shares; issued, 137,976,690 shares in 2015 and 2014	14,704	14,704	122,363
Capital surplus	16,505	16,505	137,344
Retained earnings	38,627	21,271	321,440
Treasury stock—at cost, 240,906 shares in 2015 and 235,726 shares in 2014	(76)	(74)	(631)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	1,681	1,076	13,991
Foreign currency translation adjustments	216	48	1,793
Defined retirement benefit plans	(1,142)	(5,051)	(9,505)
Total	70,515	48,479	586,795
Minority interests	1,325	1,364	11,027
Total equity	71,840	49,843	597,822
TOTAL	¥142,509	¥113,814	$1,185,902

Consolidated Statement of Income

Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES	¥132,252	¥113,307	$1,100,538
COST OF SALES (Notes 9, 13 and 21)	102,975	89,756	856,908
Gross profit	29,277	23,551	243,630
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9, 13 and 14)	21,564	16,270	179,442
Operating income	7,713	7,281	64,188
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 21)	147	142	1,222
Interest expense (Note 21)	(112)	(64)	(935)
Foreign exchange gain—net	43	548	354
Gain on sales of investment securities	77		641
Equity in earnings (losses) of affiliated companies	264	(17)	2,196
Impairment losses (Note 6)	(115)	(200)	(955)
Gain on sale of land for the Mitaka Plant	8,911		74,154
Gain on sale of property	48	84	398
Business structure improvement expenses (Note 15)	(990)	(5,157)	(8,237)
Loss on revision of retirement benefit plan	(286)		(2,380)
Other—net (Note 16)	(181)	110	(1,497)
Other income (expenses)—net	7,806	(4,554)	64,961
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	15,519	2,727	129,149
INCOME TAXES (Note 12):			
Current	3,012	337	25,068
Deferred	(2,078)	72	(17,295)
Total income taxes	934	409	7,773
NET INCOME BEFORE MINORITY INTERESTS	14,585	2,318	121,376
MINORITY INTERESTS IN NET INCOME	243	7	2,023
NET INCOME	¥ 14,342	¥ 2,311	$ 119,353

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2u):			
Basic net income	¥ 104.13	¥ 16.77	$ 0.87
Cash dividends applicable to the year			

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥14,585	¥2,318	$121,376
OTHER COMPREHENSIVE INCOME (Note 17):			
Unrealized gain on available-for-sale securities	597	550	4,972
Foreign currency translation adjustments	186	59	1,551
Remeasurements of defined benefits plans (net of tax)	3,875		32,243
Share of other comprehensive income in associates	47	6	388
Total other comprehensive income	4,705	615	39,154
COMPREHENSIVE INCOME	¥19,290	¥2,933	$160,530
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥19,025	¥2,926	$158,323
Minority interests	265	7	2,207

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2015

	Thousands	Millions of Yen									
						Accumulated Other Comprehensive Income					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	137,748	¥14,704	¥16,505	¥18,960	¥(71)	¥ 520	¥(11)		¥50,607	¥ 321	¥50,928
Net income				2,311					2,311		2,311
Purchase of treasury stock	(7)				(3)				(3)		(3)
Net change in the year						556	59	¥(5,051)	(4,436)	1,043	(3,393)
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	137,741	14,704	16,505	21,271	(74)	1,076	48	(5,051)	48,479	1,364	49,843
Cumulative effect of accounting change				3,036					3,036		3,036
BALANCE, APRIL 1, 2014 (as restated)	137,741	14,704	16,505	24,307	(74)	1,076	48	(5,051)	51,515	1,364	52,879
Net income				14,342					14,342		14,342
Purchase of treasury stock	(5)				(2)				(2)		(2)
Change of scope of consolidation				(22)					(22)		(22)
Net change in the year						605	168	3,909	4,682	(39)	4,643
BALANCE, MARCH 31, 2015	137,736	¥14,704	¥16,505	¥38,627	¥(76)	¥1,681	¥216	¥(1,142)	¥70,515	¥1,325	¥71,840

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$122,363	$137,344	$177,004	$(614)	$ 8,958	$ 403	$(42,035)	$403,423	$11,344	$414,767
Cumulative effect of accounting change			25,266					25,266		25,266
BALANCE, APRIL 1, 2014 (as restated)	122,363	137,344	202,270	(614)	8,958	403	(42,035)	428,689	11,344	440,033
Net income			119,353					119,353		119,353
Purchase of treasury stock				(17)				(17)		(17)
Change of scope of consolidation			(183)					(183)		(183)
Net change in the year					5,033	1,390	32,530	38,953	(317)	38,636
BALANCE, MARCH 31, 2015	$122,363	$137,344	$321,440	$(631)	$13,991	$1,793	$ (9,505)	$586,795	$11,027	$597,822

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 15,519	¥ 2,727	$129,149
Adjustments for:			
Business structure improvement expenses	990	5,157	8,237
Income taxes—paid	(466)	(733)	(3,876)
Depreciation and amortization	2,932	2,098	24,402
Impairment loss	115	200	955
Gain on sales of property, plant and equipment	(8,935)	(30)	(74,354)
Gain on sales of investment securities	(77)		(641)
Equity in earnings (losses) of affiliated companies	(264)	17	(2,196)
Amortization of goodwill	241		2,002
Gain on bargain purchase	(80)		(666)
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(5,445)	(2,616)	(45,307)
Increase in inventories	(4,010)	(4,526)	(33,372)
Decrease in interest and dividends receivable	23	45	188
Increase in notes and accounts payable	3,179	2,544	26,454
Decrease in interest payable	(1)	(2)	(5)
Decrease in liability for retirement benefits		(11,366)	
Increase in net defined benefit liability	697	10,694	5,801
Increase in allowance for doubtful receivables	109	173	903
Payments for extra retirement payments	(179)	(4,099)	(1,486)
Increase in advances received	377	821	3,135
Other—net	(1,203)	(2,750)	(10,013)
Total adjustments	(11,997)	(4,373)	(99,839)
Net cash provided by (used in) operating activities	3,522	(1,646)	29,310
INVESTING ACTIVITIES:			
Purchase of short-term investments	(320)	(520)	(2,663)
Proceeds from sales of short-term investment	490	330	4,078
Purchase of property, plant and equipment	(11,126)	(3,752)	(92,583)
Proceeds from sales of property, plant and equipment	8,981	156	74,737
Purchase of investment securities	(9)	(7)	(72)
Proceeds from sales of investment securities	181		1,503
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(2,585)	
Net changes in short-term loan	(1,576)	6,955	(13,113)
Other—net	(475)	23	(3,955)
Net cash provided by (used in) investing activities	(3,854)	600	(32,068)
FINANCING ACTIVITIES:			
Net change in short-term bank loans	801	(425)	6,666
Proceeds from long-term debt		3,000	
Repayments of long-term debt	(35)	(1,081)	(294)
Cash dividends	(76)	(3)	(632)
Repayments to minority shareholders	(148)		(1,234)
Other—net	(87)	(101)	(716)
Net cash provided by financing activities	455	1,390	3,790
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	86	137	707
NET INCREASE IN CASH AND CASH EQUIVALENTS	209	481	1,739
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	113		938
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,465	2,984	28,835
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,787	¥ 3,465	$ 31,512

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2015

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 ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥120.17 to $1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation*—The consolidated financial statements as of March 31, 2015, include the accounts of the Company and its 17 (15 in 2014) significant subsidiaries (together, the "Group").

Under the control and influence concepts, 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 1 unconsolidated subsidiary (2 in 2014) and 3 affiliated companies (3 in 2014) are accounted for by the equity method.

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

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

b. *Business Combinations*—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

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

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

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

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

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

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

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

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

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

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

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

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

(Change in Accounting Estimate)

The Company changed the useful lives for a part of buildings and structures located in Mitaka to the remaining useful lives of the asset during the fiscal year ended March 31, 2015, due to the fact that the Company sold a part of the land in Mitaka. As a result of this change, compared to the previous methods, operating income and income before income taxes and minority interests have each decreased by ¥338 million ($2,810 thousand).

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

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

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

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

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

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

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period are treated as reclassification adjustments (see Note 17).

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

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all 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 and certain consolidated subsidiaries applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, increased by ¥3,036 million ($25,266 thousand), and operating income and income before income taxes and minority interests for the year ended March 31, 2015, decreased by ¥120 million ($998 thousand). In addition, basic net assets per share for the year ended March 31, 2015, increased by ¥22.04 ($0.18).

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

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

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

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

o. ***Leases***—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

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

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

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

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

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

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

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

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

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

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

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

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

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

Diluted net income per share is not disclosed as there were no securities with a dilutive effect.

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

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

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

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

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

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

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, 2015 and 2014, net of amounts settled, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Costs and estimated earnings	**¥17,207**	¥10,563	**$143,185**
Amounts settled	**(8,390)**	(5,417)	**(69,813)**
Net	**¥ 8,817**	¥ 5,146	**$ 73,372**

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Short-term investments:			
Time deposits	**¥ 350**	¥ 520	**$ 2,913**
Debt securities	**3**	9	**25**
Total	**¥ 353**	¥ 529	**$ 2,938**

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Investment securities:			
Equity securities	**¥4,859**	¥4,101	**$40,433**
Debt securities		3	
Other	**124**	179	**1,033**
Total	**¥4,983**	¥4,283	**$41,466**

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, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥2,208	¥2,391	¥2	¥4,597
Debt securities	3			3
Other	64	60		124
March 31, 2014				
Securities classified as available-for-sale:				
Equity securities	¥2,201	¥1,626	¥9	¥3,818
Debt securities	12			12
Other	145	33		178

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$18,377	$19,897	$17	$38,257
Debt securities	25			25
Other	534	499		1,033

Securities classified as available-for-sale whose fair value is not readily determinable at March 31, 2015 and 2014, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Securities classified as available-for-sale:			
Equity securities	¥261	¥284	$2,176

5. INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Finished products, semifinished products and merchandise	¥ 9,254	¥ 6,190	$ 77,009
Work in process	20,231	20,223	168,350
Raw materials and supplies	4,768	3,852	39,676
Total	¥34,253	¥30,265	$285,035

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment at March 31, 2015 and 2014, and recognized impairment losses as follows:

Year Ended March 31, 2015

Location: Mitaka City, Tokyo

Asset use: Assets for Communications Equipment Division

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥ 30	$253
Furniture and fixture	81	671
Other assets	4	31
Total	¥115	$955

Year Ended March 31, 2014

Location: Mitaka City, Tokyo

Asset use: Assets for Communications Equipment Division

	Millions of Yen
Type:	
Machinery and equipment	¥ 26
Furniture and fixture	174
Total	¥200

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, 2015 and 2014, consisted of notes to banks and bank overdrafts.

The weighted-average interest rates for short-term bank loans at March 31, 2015 and 2014, were 0.88% and 1.99%, respectively.

Long-term debt at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Loans from banks, due serially to 2017 with interest rates at 0.9% (in 2015) and ranging from 0.6% to 1.1% (in 2014):			
Collateralized		¥ 25	
Unsecured	¥3,000	3,010	$24,965
Total	3,000	3,035	24,965
Less current portion		(35)	
Long-term debt, less current portion	¥3,000	¥3,000	$24,965

Annual maturities of long-term debt outstanding at March 31, 2015, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥3,000	$24,965
Total	¥3,000	$24,965

8. CREDIT FACILITY AGREEMENT

Certain subsidiaries have concluded a credit facility agreement with a local bank for procurement of working capital. The portion of the credit line that had not been exercised under this agreement as of March 31, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Total loan agreement limits	¥1,099	¥1,088	$ 9,146
Loan executions	(512)	(416)	(4,262)
Net	¥ 587	¥ 672	$ 4,884

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

9. RETIREMENT AND PENSION PLANS

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

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

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

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥41,091	¥48,436	$341,939
Cumulative effect of accounting change	(3,324)		(27,659)
Balance at beginning of year (as restated)	37,767	48,436	314,280
Current service cost	1,489	1,644	12,391
Interest cost	307	434	2,556
Actuarial gains	(118)	(814)	(981)
Benefits paid	(1,986)	(7,765)	(16,531)
Effect of transfer to defined contribution pension plan	(6,285)		(52,303)
Others	4	(844)	35
Balance at end of year	¥31,178	¥41,091	$259,447

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥26,064	¥26,930	$216,896
Expected return on plan assets	549	236	4,567
Actuarial gains	1,954	2,201	16,260
Contributions from the employer	645	760	5,365
Benefits paid	(1,423)	(4,063)	(11,839)
Effect of transfer to defined contribution pension plan	(5,197)		(43,251)
Balance at end of year	¥22,592	¥26,064	$187,998

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Defined benefit obligation	¥ 19,002	¥ 28,817	$ 158,126
Plan assets	(22,592)	(26,064)	(187,998)
Total	(3,590)	2,753	(29,872)
Unfunded defined benefit obligation	12,176	12,273	101,321
Net liability arising from defined benefit obligation	¥ 8,586	¥ 15,026	$ 71,449

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥12,176	¥15,420	$101,321
Asset for retirement benefits	(3,590)	(394)	(29,872)
Net liability arising from defined benefit obligation	¥ 8,586	¥15,026	$ 71,449

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥1,489	¥1,644	$12,391
Interest cost	307	434	2,556
Expected return on plan assets	(549)	(236)	(4,567)
Amortization of prior service cost	(277)	(333)	(2,311)
Recognized actuarial losses	1,189	1,538	9,891
Amortization of transitional obligation	262	286	2,183
Net periodic benefit costs	¥2,421	¥3,333	$20,143

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the year ended March 31, 2015

	Millions of Yen	Thousands of U.S. Dollars
Prior service cost	¥ (406)	$ (3,375)
Actuarial gains	3,923	32,644
Others	271	2,257
Total	¥3,788	$31,526

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 439	¥ 845	$ 3,655
Unrecognized actuarial losses	(1,625)	(5,548)	(13,522)
Unrecognized transitional obligation		(271)	
Total	¥(1,186)	¥(4,974)	$ (9,867)

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	48.9%	36.1%
Equity investments	32.2	29.6
Cash and cash equivalents	4.2	16.3
Others	14.7	18.0
Total	100.0%	100.0%

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

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

(8) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	0.9%–1.0%	1.0%–1.2%
Expected rate of return on plan assets	0.0%–2.5%	0.0%–1.0%

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 330	¥331	$2,746
Additional provisions associated with the acquisition of property, plant and equipment	230		1,918
Reduction associated with settlement of asset retirement obligations	(111)	(1)	(924)
Balance at end of year	¥ 449	¥330	$3,740

11. 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 being prescribed as one year rather than the normal two-year 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 charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity 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 a 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.

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 35.6% and 38% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Net current deferred tax assets:			
Current deferred tax assets:			
Accrued bonuses	¥ 971	¥ 1,086	$ 8,082
Enterprise taxes payable	141	57	1,176
Inventories	995	1,182	8,278
Unrealized gains	109	27	908
Social security insurance on accrued bonuses	147	161	1,221
Reserve for product defect compensation	18	168	147
Other	497	207	4,136
Valuation allowance	(1,225)	(2,565)	(10,191)
Net current deferred tax assets	¥ 1,653	¥ 323	$ 13,757
Net noncurrent deferred tax assets:			
Noncurrent deferred tax assets:			
Liability for retirement benefits	¥ 307	¥369	$ 2,555
Unrealized gains	626	626	5,208
Other	26	160	220
Valuation allowance	(129)	(173)	(1,074)
Net noncurrent deferred tax assets	¥ 830	¥ 982	$ 6,909
Net noncurrent deferred tax liabilities:			
Noncurrent deferred tax assets:			
Allowance for doubtful accounts	¥ 627	¥ 646	$ 5,214
Liability for retirement benefits	4,161	4,992	34,628
Tax loss carryforwards		696	
Software	1,471	1,730	12,239
Investment securities	579	642	4,814
Property, plant and equipment	706	886	5,879
Asset retirement obligations	71	117	589
Other	118	136	990
Valuation allowance	(3,923)	(8,477)	(32,646)
Total	3,810	1,368	31,707
Noncurrent deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	790	557	6,575
Reserve for advance depreciation of noncurrent assets	2,195	500	18,272
Reserve for special account for advance depreciation of noncurrent assets	1,112	1,295	9,250
Total	4,097	2,352	34,097
Net noncurrent deferred tax liabilities	¥ 287	¥ 984	$ 2,390

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Earnings not taxable and expenses not deductible for income tax purposes	0.5	0.8
Change in valuation allowance	(28.8)	(27.0)
Effect of changes in the tax rate	0.8	0.8
Per capita portion of inhabitants tax	0.5	2.5
Equity in earnings of affiliated companies	(0.8)	0.2
Other—net	(1.8)	(0.3)
Actual effective tax rate	6.0%	15.0%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, from approximately 35.6% to 33.1%, and for the fiscal year beginning on or after April 1, 2016, from approximately 35.6% to 32.3%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥52 million ($435 thousand) and defined retirement benefit plans by ¥4 million ($33 thousand), and increase unrealized gain on available-for-sale securities by ¥81 million ($673 thousand) in the consolidated balance sheet as of March 31, 2015, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥129 million ($1,075 thousand).

At March 31, 2015, certain subsidiaries have net operating loss carryforwards aggregating approximately ¥602 million ($5,009 thousand) which are available to be offset against taxable income of 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
2023	¥ 89	$ 737
2024	513	4,272
Total	¥602	$5,009

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,351 million ($44,525 thousand) and ¥4,601 million for the years ended March 31, 2015 and 2014, respectively.

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Provision for doubtful accounts	¥ 19	¥ 26	$ 159
Salaries	8,097	6,553	67,380
Provision for retirement benefits	796	943	6,621
Depreciation	655	357	5,454
Rent	1,163	745	9,678
Amortization of goodwill	241		2,002
Research and development costs	3,711	2,588	30,883
Other	6,882	5,058	57,265
Total	¥21,564	¥16,270	$179,442

15. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

Business structure improvement expenses for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Premium on retirement benefits resulting from voluntary retirement	¥241	¥4,042	$2,006
Loss on partial termination of the retirement benefit plans by mass retirement		356	
Transfer cost of production equipment	566	506	4,713
Other	183	253	1,518
Total	¥990	¥5,157	$8,237

16. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Loss on disposals of property, plant and equipment	¥(152)	¥ (55)	$(1,264)
Loss on devaluation of investment securities		(35)	
Other income (expenses)—net	(29)	200	(233)
Total	¥(181)	¥110	$(1,497)

17. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gain arising during the year	¥ 800	¥ 818	$ 6,654
Reclassification adjustments to profit	1	35	7
Total	801	853	6,661
Foreign currency translation adjustments—Adjustments arising during the year	186	59	1,551
Defined retirement benefit plans:			
Adjustments arising during the year	2,072		17,242
Reclassification adjustments to profit or loss	1,716		14,284
Total	3,788		31,526
Amount before income tax effect	4,775	912	39,738
Income tax effect	(117)	(303)	(972)
Total	4,658	609	38,766
Share of other comprehensive income in associates—Income arising during the year	47	6	388
Total other comprehensive income	¥4,705	¥ 615	$39,154

18. 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 consolidated 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 19 for more details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. Please see Note 19 for the details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts at March 31, 2015.

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

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

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

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

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments
Fair values of financial instruments are based on quoted price in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Please see Note 19 for the details on fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 3,787	¥ 3,787	
Short-term investments	353	353	
Receivables:			
Trade notes	3,511	3,511	
Trade accounts	57,442	57,442	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	149	149	
Short-term loans due from parent company	1,576	1,576	
Investment securities	4,722	4,722	
Investment in affiliated companies	792	2,168	¥1,376
Total	¥72,332	¥73,708	¥1,376
Short-term bank loans	¥ 3,235	¥ 3,235	
Payables:			
Trade notes	456	456	
Trade accounts	25,953	25,953	
Unconsolidated subsidiaries and affiliated companies	5,220	5,220	
Long-term debt	3,000	3,004	¥ 4
Total	¥37,864	¥37,868	¥ 4
March 31, 2014			
Cash and cash equivalents	¥ 3,465	¥ 3,465	
Short-term investments	529	529	
Receivables:			
Trade notes	2,878	2,878	
Trade accounts	52,503	52,503	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	83	83	
Investment securities	3,999	3,999	
Investment in affiliated companies	674	1,094	¥ 420
Total	¥64,131	¥64,551	¥ 420
Short-term bank loans	¥ 2,401	¥ 2,401	
Payables:			
Trade notes	676	676	
Trade accounts	23,431	23,431	
Unconsolidated subsidiaries and affiliated companies	4,267	4,267	
Long-term debt (including current portion of long-term debt)	3,035	3,034	¥ (1)
Total	¥33,810	¥33,809	¥ (1)

March 31, 2015	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 31,512	$ 31,512	
Short-term investments	2,938	2,938	
Receivables:			
Trade notes	29,217	29,217	
Trade accounts	478,004	478,004	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	1,240	1,240	
Short-term loans due from parent company	13,113	13,113	
Investment securities	39,290	39,290	
Investment in affiliated companies	6,598	18,049	$11,451
Total	$601,912	$613,363	$11,451
Short-term bank loans	$ 26,919	$ 26,919	
Payables:			
Trade notes	3,798	3,798	
Trade accounts	215,967	215,967	
Unconsolidated subsidiaries and affiliated companies	43,440	43,440	
Long-term debt	24,965	24,996	$ 31
Total	$315,089	$315,120	$ 31

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

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

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

Investment Securities and Investment in Affiliated Companies
The fair values of investment securities and investment in affiliated companies are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for investment securities and investment in affiliated companies by classification is included in Note 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 19.

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Investment securities in equity instruments that do not have a quoted market price in an active market	¥ 261	¥ 284	$ 2,176
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	2,341	2,492	19,478
Total	¥2,602	¥2,776	$21,654

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

	Millions of Yen	
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	¥ 3,787	
Short-term investments	353	
Receivables:		
Trade notes	3,511	
Trade accounts	57,442	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	149	
Total	¥65,242	

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

	Thousands of U.S. Dollars	
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 5 Years
Cash and cash equivalents	$ 31,512	
Short-term investments	2,938	
Receivables:		
Trade notes	29,217	
Trade accounts	478,004	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	1,239	
Total	$542,910	

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

19. DERIVATIVES

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

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

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

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

As a result of repayment of long-term debt, there were no derivative transactions to which hedge accounting is applied at March 31, 2015 and 2014.

20. CONTINGENT LIABILITIES

At March 31, 2015 and 2014, the Company is contingently liable for guarantees of bank loans amounting to ¥8 million ($66 thousand) and ¥11 million, respectively.

On November 18, 2014, the Company was investigated by the Japan Fair Trade Commission on suspected infringement of The Antimonopoly Act in connection with the bids for Digital Radios/solution for fire and emergency medical services. Since the investigation is still in process, the impact on the Company's consolidated financial position cannot be estimated.

21. RELATED PARTY TRANSACTIONS

(1) Parent Company

The Company's transactions with Nisshinbo Holdings Inc., the parent company, for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Interest income	**¥38**	¥56	**$313**
Interest expense	**(1)**	(1)	**(8)**

The Company's balances due from Nisshinbo Holdings Inc. at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Short-term loans due from parent company	**¥1,576**		**$13,113**
Short-term loans borrowed from parent company		¥25	

(2) Affiliated Company

The Company's transactions with Ueda Japan Radio Co., Ltd., an affiliated company, for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Purchases	**¥9,604**	¥6,236	**$79,922**

The Company's balance due to Ueda Japan Radio Co., Ltd. at March 31, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Notes and accounts payables	**¥3,496**	¥2,294	**$29,092**

22. BUSINESS COMBINATIONS

The distribution of costs of the Alphatron Marine Beheer B.V. acquisition in the previous fiscal year was not finalized in that fiscal year. As a result, costs were subject to provisional accounting treatment based on reasonable estimates. The distribution of acquisition costs was finalized this consolidated fiscal year, and the amounts of goodwill were not revised.

23. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Company's board of directors' meeting held on May 8, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥ 5 ($ 0.04) per share	¥689	$5,731

24. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of three segments: Marine electronics equipment, Communications equipment, and Solutions and Specialized equipment. Marine electronics equipment consists of marine radars, electronic chart displays, vessel communications equipment, maritime satellite communications equipment, integrated bridge systems, VHF radiotelephone equipment and fishing devices, including sales of Alphatron Marine Beheer B.V., JRC Marinfonet Co., Ltd., and JRC Shanghai Co., Ltd. Communications equipment consists of ITS in-vehicle equipment, GPS receivers, professional mobile radios, personal handy-phone system (PHS) terminals, optical transmission equipment/communication amplifiers, non-destructive inspection equipment, wireless LAN, etc. Solutions and Specialized equipment consists of regional and municipal disaster prevention systems, water and river management systems, aviation and meteorological systems, vessel traffic management system (VTS), road information systems, landslide warning systems, simulator systems, broadcasting systems, and equipment and maintenance works of JRC Tokki Co., Ltd., Sasebo Japan Radio Co., Ltd., and JRC System Service Co., Ltd.

From this fiscal year, the newly consolidated companies, Alphatron Marine Beheer B.V., JRC Marinfonet Co., Ltd., and JRC Shanghai Co., Ltd. are included in Marine electronics equipment.

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

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

(Change in Accounting Policy)

Concerning retirement and pension plans, the Company and certain consolidated subsidiaries changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, which has an impact on each reportable segment as well.

The impact of this change on the profit or loss of each reportable segment is insignificant.

(Change in Accounting Estimate)

The Company changed the useful lives for a part of buildings and structures located in Mitaka to the remaining useful lives of the asset during the fiscal year ended March 31, 2015, due to the fact that the Company sold a part of the land in Mitaka. As a result of this change, operating income decreased by ¥87 million ($720 thousand) in Marine electronics equipment, ¥43 million ($362 thousand) in Communications equipment, and ¥208 million ($1,728 thousand) in Solutions and Specialized equipment.

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

	Millions of Yen							
	2015							
	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	¥37,883	¥17,242	¥75,197	¥130,322	¥1,930	¥132,252		¥132,252
Intersegment sales or transfers	4,061		1,664	5,725	5,426	11,151	¥(11,151)	
Total	¥41,944	¥17,242	¥76,861	¥136,047	¥7,356	¥143,403	¥(11,151)	¥132,252
Segment profit (loss)	¥ 980	¥ 28	¥ 6,909	¥ 7,917	¥ (16)	¥ 7,901	¥ (188)	¥ 7,713
Segment assets	30,146	9,252	58,758	98,156	2,668	100,824	41,685	142,509
Other:								
Depreciation	274		421	695	31	726	2,206	2,932
Increase in property, plant and equipment and intangible assets	528	113	462	1,103	84	1,187	13,763	14,950

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

	Thousands of U.S. Dollars							
	2015							
	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	$315,248	$143,479	$625,753	$1,084,480	$16,058	$1,100,538		$1,100,538
Intersegment sales or transfers	33,793		13,847	47,640	45,157	92,797	$(92,797)	
Total	$349,041	$143,479	$639,600	$1,132,120	$61,215	$1,193,335	$(92,797)	$1,100,538
Segment profit (loss)	$ 8,152	$ 236	$ 57,494	$ 65,882	$ (134)	$ 65,748	$ (1,560)	$ 64,188
Segment assets	250,858	76,994	488,957	816,809	22,203	839,012	346,890	1,185,902
Other:								
Depreciation	2,280		3,502	5,782	262	6,044	18,358	24,402
Increase in property, plant and equipment and intangible assets	4,393	940	3,846	9,179	700	9,879	114,530	124,409

Notes:

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

(b) Reconciliations

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

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

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

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

(4) Geographical Information

	Millions of Yen					
	2015					
	Japan	Asia	Europe	North America	Other	Total
Sales	**¥98,410**	**¥10,297**	**¥13,386**	**¥3,893**	**¥6,266**	**¥132,252**

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

	Thousands of U.S. Dollars					
	2015					
	Japan	Asia	Europe	North America	Other	Total
Sales	**$818,923**	**$85,688**	**$111,389**	**$32,395**	**$52,143**	**$1,100,538**

Sales are classified by country or region based on the location of customers.

(5) Impairment Losses of Assets by Reportable Segment

Impairment losses of assets by reportable segment for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen					
	2015					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Impairment losses of assets		¥115				¥115

	Millions of Yen					
	2014					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Impairment losses of assets		¥200				¥200

	Thousands of U.S. Dollars					
	2015					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Impairment losses of assets		$955				$955

(6) Amortization and Balance of Goodwill by Reportable Segment

Amortization and balance of goodwill by reportable segment for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen					
	2015					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	¥ 241					¥ 241
Goodwill at March 31, 2015	1,508					1,508

	Millions of Yen					
	2014					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill						
Goodwill at March 31, 2014	¥1,707					¥1,707

	Thousands of U.S. Dollars					
	2015					
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Other	Elimination/ Corporate	Total
Amortization of goodwill	$ 2,002					$ 2,002
Goodwill at March 31, 2015	12,545					12,545

(7) Gain on Bargain Purchase by Reportable Segment

Gain on bargain purchase recorded in connection with the purchase of treasury stock of Sasebo Japan Radio Co., Ltd. totaling ¥80 million ($666 thousand) was reported within Solutions and Specialized equipment for the year ended March 31, 2015.

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan
Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp

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, 2015, 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, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 24, 2015

Member of
Deloitte Touche Tohmatsu Limited

JRC Organization

(as of April 1, 2015)

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

- Corporate Internal Auditing
- **Management Strategy**
  - Corporate Planning Department
  - CSR Promotion Department
  - Legal & Intellectual Property Department
  - IT Promotion Department
  - Operational Development Department
  - MONOZUKURI (manufacturing) Strategy Department
- **General Affairs**
  - General Affairs Department
  - Human Resources Department
  - Accounting & Financial Department
  - Facilities Administration Department
- **Research and Development**
  - Corporate R&D Strategy Department
  - Research and Development Department
- Biosensor Project
- **Technology**
  - Technical Development Department
  - Product Design Department
  - Mechanical Design Department
  - Engineering Administration Department
- **Production**
  - Production Integration Center
  - Production Engineering Center
  - Logistics Center
- **Procurement**
  - Procurement Department
- **Quality Assurance**
  - Quality Assurance Promotion Department
  - Quality Assurance Department /Communications Equipment
  - Quality Assurance Department /Marine Electronics
  - Quality Assurance Department/Solution Business
- **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
    - International Business Promotion Department
    - Solution Business Department
      - Manila Branch
    - Solution Engineering Department
    - System Integration Department
    - Global Information Engineering 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
  - Hokkaido Regional Branch
  - Tohoku Regional Branch
  - Hokuriku Branch
  - Chubu Regional Branch
  - Kansai Regional Branch
  - Chugoku Branch
  - Kyushu Regional Branch

Directory
(as of Sept. 30, 2015)

Japan Radio Co., Ltd.

Main Office
NAKANO CENTRAL PARK EAST
4-10-1, Nakano, Nakano-ku,
Tokyo 164-8570, Japan
Phone: +81-3-6832-1721
Fax: +81-3-6832-1844

Mitaka Plant
1-1, Shimorenjaku 5-chome, Mitaka, Tokyo 181-8510, Japan
Phone: +81-422-45-9111
Fax: +81-422-45-9110
Telex: 2822-351

Overseas Branch Offices

Seattle Branch
1011 SW Klickitat Way, Suite 201B Seattle, WA 98134, U.S.A.
Phone: +1-206-654-5644 Fax: +1-206-654-7030
URL: http//www.jrcamerica.com/

Amsterdam Branch
Capronilaan 33-35, 1119 NP, Schiphol-Rijk, The Netherlands
Phone: +31-20-653-0934 Fax: +31-20-653-1801
URL: http://www.jrceurope.com

Greece Branch
223, Syngrou Avenue & 2, Tralleon Street, 171 21 Nea Smyrni, Athens, Greece
Phone: +30-210-9355061, 9355661 Fax: +30-210-9355611

Manila Branch
Unit 603, Liberty Center 104 H.V. Dela, Costa Street, Salcedo Village, Makati City, Manila, Philippines
Phone: +63-2-886-4185 (or 884-8767) Fax:+63-2-844-6812

Overseas Representative Offices

Jakarta Office
Wisma Keiai, 8thFloor, Jalan Jenderal Sudirman Kav.3,
Jakarta 10220, Indonesia
Phone: +62-21-573-5765 Fax:+62-21-573-5691

Taipei Office
2F No. 106, ChienKuo North Road, Section 2,
Taipei, Taiwan, R.O.C.
Phone: +886-2-2571-3100 Fax:+886-2-2571-2999

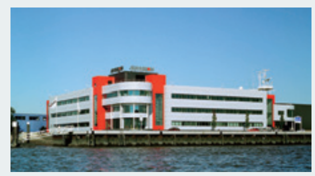
Singapore Office
c/o Alphatron Marine System Pte Ltd.
59S Tuas South Avenue 1,
Ho Lee Industrial Development, Singapore 637418, Republic of Singapore
Phone: +65-6863-0335/+65-6376-2354
Fax: +65-6863-3305

Hanoi Office
Hanoi Tung Shing Square, Unit 1002, 10th floor 2 Ngo Quyen Street, Hanoi, Viet Nam
Phone: +84-4-3936-2500 Fax: +84-4-3936-2498
URL: http://www.jrc.com.vn/

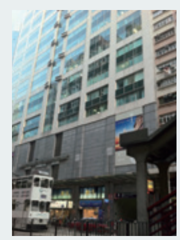
New York Office
1099 Wall Street West Suite141, Lyndhurst, NJ 07071, U.S.A.
Phone: +1-201-242-1882 Fax: +1-201-242-1885

Subsidiaries

Alphatron Marine Beheer B.V.
Schaardijk 23 Harbour 115
3063 NH Rotterdam
The Netherlands
Phone: +31-10-453-4000
Fax: +31-10-452-9214

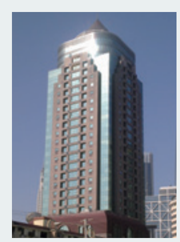


URL: http://www.alphatronmarine.com/



JRC (HK) Limited
Unit 2013, Level 20, Landmark North, 39
Lung Sum Ave., Sheung Shui, N.T.,
Honk Kong
Phone: +852-2707-9170
Fax: +852-2707-9226

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



JRC do Brasil Empreendimentos Eletrônicos Ltda.
Av. Almirante Barroso, 63-S/309
CEP 20031-003, Rio de Janeiro,
RJ, Brasil
Phone: +55-21-2220-8121
Fax: +55-21-2240-6324
URL: http://www.jrcbrasil.com.br

JRC Tokki Co., Ltd.

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

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

Japan Radio Glass Co., Ltd.

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

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

JRC Engineering Co., Ltd.

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

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

JRC Marinfonet Co., Ltd.

Business:
Maintenance and repair of marine electronics equipment; provision of information communication services

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

Sasebo Japan Radio Co., Ltd.

Business:
Inspection and repair of vessel onboard equipment

Head office and factory:
339-39, Kuroishi, Kozasa-cho, Sasebo, Nagasaki 857-0401, Japan
Phone: +81-956-68-3202

JRC System Services Co., Ltd.

Business:
Installation and maintenance of wireless communications equipment

Head office and factory:
1-4-28, Dojima-hama, Osaka 530-0004, Japan
Phone: +81-6-6344-5358

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

Shenzhen NJRC Technology Co., Ltd.

Business:
Manufacture and distribution of AC adapters, electric and control equipment, mechatronics and marine electronics equipment.

Head office and factory:
1&2 Block, 21 ZhongTai Road, 2nd Industrial Zone, LouCun Community, GongMing, GuangMing New District, Shenzhen, China
Phone: +86-755-2798-0394

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

Investor Information

(as of March 31, 2015)

Corporate Data

Japan Radio Co., Ltd.
Established:
December, 1915
Paid-in Capital:
¥14,704 million ($122,363 thousand)
Number of Shares Issued:
137,976,690 shares
Number of Shareholders:
6,287
Stock Listing:
Tokyo Stock Exchange,
First Section (Code: 6751)
Employees:
2,251 (Consolidated: 3,366)
General Meeting of Shareholders:
Convened annually in June

Board of Directors, Corporate Auditors and Executive Officers

(as of June 24, 2015)

Representative Director and Chairman
Yoshihito Onda

Representative Director and President
Takayoshi Tsuchida

Directors and Managing Executive Officers
Shuichi Gotoh
Atsunori Sasaki
Yasuhiko Hara

Directors and Executive Officers:
Tadaaki Yokoi
Kenji Ara
Tomohiro Waki

Directors:
Shizuka Uzawa
Nobuyuki Hagiwara

Outside Director:
Hideo Iida

Standing Corporate Auditors:
Takashi Ujino
Tatsuya Kobayashi

Standing Outside Corporate Auditor
Takanori Ikeda

Outside Corporate Auditor
Masaaki Hori

Executive Officers:
Kazuaki Uchino
Mitsugu Yokota
Ken Koarai
Takaaki Kojima
Takahiro Onuma
Toshiyuki Okamura
Takayuki Komiya
Ryo Takahashi
Kenji Kato

Major Shareholders

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Holdings Inc.	88,713	64.2
JRC Business Partner Ownership	3,760	2.72
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,260	1.6
JRC Employee Ownership	2,106	1.5
Japan Trustee Services Bank of Japan, Ltd. (Trust Account)	1,505	1.0
Japan Trustee Services Bank of Japan, Ltd. (Trust Account 4)	869	0.6
Northern Trust Co. (AVFC) Re U.S. Tax Exempted Pension Funds SEC Lending	639	0.4
Japan Trustee Services Bank of Japan, Ltd. (Trust Account 9)	587	0.4
Japan Trustee Services Bank of Japan, Ltd. (Trust Account 2)	532	0.3
Northern Trust Co. (AVFC) Re US 10PCT Clients Lending	530	0.3

* Treasury stock: 240,906 shares

Shareholder Type

	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals	Individuals and others	Total
Number of Shareholders	25	28	225	93	5,916	6,287
Number of Shares Held (Thousand)	15,223	392	91,122	5,410	25,378	137,525
Percentage of Total Shares Issued	11.07	0.29	66.26	3.93	18.45	100.00

* Trading unit of common stock: 1,000 shares

Japan Radio Co., Ltd.

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