Annual Report 2012
For the year ended March 31, 2012

We seek to benefit society through advances in information and communications

Japan Radio Co., Ltd.

Founded in 1915, Japan Radio Co., Ltd. has grown to become one of the leading companies in the field of wireless technology in Japan. The JRC Group includes 10 subsidiaries and 2 affiliated companies, principally engaged in the manufacture and sale of radio communications equipment and its related systems. The Group considers its mission to be contributing to the realization of a prosperous society through healthy business activities, and as such offers beneficial products and services that serve the needs of customers, as it develops its business into a name trusted throughout the world.

Management Philosophy

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

Caution with Regard to Forward-Looking Statements

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

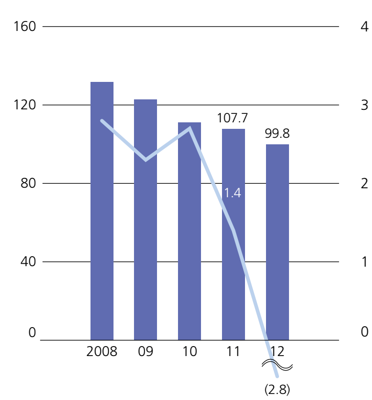
Japan Radio Co., Ltd. and consolidated subsidiaries

Consolidated Financial Highlights

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31,	2011	2012	2012
Net sales (Note 2):			
Marine electronics equipment business	¥29,593	¥29,493	$358,840
Communications equipment business	17,333	15,021	182,755
Solutions and specialized equipment business	52,483	46,892	570,533
	107,705	99,872	1,215,134
Operating income (loss)	1,551	(2,791)	(33,956)
Operating income (loss) ratio (%)	1.4	(2.8)	–
Income (loss) before income taxes and minority interests	2,226	(1,456)	(17,712)
Net income (loss)	1,921	(1,844)	(22,439)
As of March 31,			
Total assets	118,613	94,954	1,155,295
Total equity	44,821	41,413	503,867
Net equity ratio (%)	37.5	43.2	–
Interest-bearing liabilities	23,943	4,874	59,299
Depreciation	1,413	1,291	15,711
Capital expenditures	1,315	1,501	18,268
Net income (loss) per share (Yen/U.S. dollars)	13.95	(13.39)	(0.16)
ROE (%)	4.3	(4.3)	–
D/E ratio (times)	0.54	0.12	–
Employees	3,766	3,758	–

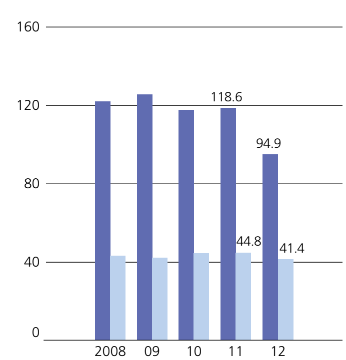
Notes: 1. U.S. dollar amounts are translated, for convenience only, at ¥82.19 = US$1.00, the rate prevailing on March 31, 2012.
2. In addition to the three business segments listed in the table, there is another small segment called "Other." However, it is omitted here because its ratio to net sales is extremely low.

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



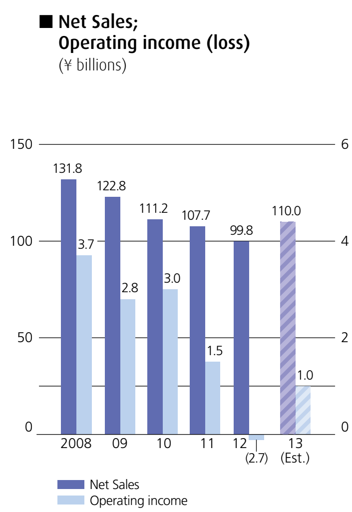
(For the years ended March 31,)
Net sales
Operating income ratio

■ **Total assets; Total equity**
(¥ billions)



(As of March 31,)
Total assets
Total equity

Message from the President



Business Environment and Performance

In FY2011, ended March 31, 2012, the JRC Group posted consolidated net sales of ¥99,872 million ($1,215 million), down 7.2%, or ¥7,833 million, from the previous year, and an operating loss of ¥2,791 million ($33.9 million), compared with operating income of ¥1,551 million in the previous year. For the year, we reported a net loss of ¥1,844 million ($22.4 million), compared with net income of ¥1,921 million in the previous year.

Throughout the year, the domestic economy was affected by electricity shortages following the Great East Japan Earthquake, which struck on March 11, 2011, and the subsequent tsunami and accident at the Fukushima Nuclear Power Plant. These events, and the additional impact of severe flooding in Thailand, caused disruption to the nation's supply chain and temporary stagnation in the domestic economy. The situation was further compounded by the financial crisis in Europe, the high value of the yen, surging crude oil prices, and concerns about economic slowdown in emerging nations. In general, therefore, conditions remained difficult for the Japanese economy. Despite the challenges, the JRC Group pursued proactive sales activities in each of its business segments.

In the Marine Electronics Equipment segment, we stepped up sales targeting builders of new, large-scale merchant vessels, centering on the shipbuilding market in China, as well as the retrofit market, and generated firm sales at a result. However, sales in the workboat and fishing boat markets declined, a situation that was further impacted by the strong yen.

In the Communications Equipment segment, we posted significant declines in sales of commercial-use radio equipment and infrastructure-related equipment, especially to overseas markets. Also, the earthquake in Japan and flooding in Thailand had a negative impact on automobile-related markets, which affected sales of equipment for intelligent transportation systems (ITS). Accordingly, the segment reported year-on-year declines in revenue and earnings.

In the Solutions and Specialized Equipment segment, there was a significant year-on-year decline in sales of broadcasting systems following the completion of installation of terrestrial digital broadcasting equipment in Japan. We also posted a major decrease in sales of disaster prevention systems, due to reviews of public works projects to address major typhoons and other natural disasters, causing postponement of order placement timetables.

JRC Growth Scenario

Basic Management Policy

The basic policy of the JRC Group is to contribute to the realization of a prosperous society by pursuing technological developments and making high-quality products underpinned by the Group's leading wireless communications business. Our aim is to advance our operations in order to become an enterprise that is highly regarded internationally. To achieve these goals, we will solidify our comprehensive strengths, including our quality assurance systems, environmental systems, risk management systems, and information security systems.

We pursue a cash-flow-oriented approach toward both operational and financial management. To this end, we work hard to generate cash flows by reducing interest-bearing debt and inventories, while swiftly collecting accounts receivable and entrenching a strict "selection and concentration" policy for our investments. In order to clarify our shareholder-driven management approach, we have set return on equity (ROE) as a key financial indicator.

Medium- and Long-Term Vision

Given the difficult business conditions of recent times, the JRC Group has been implementing business structural reforms aimed at stopping the decline in revenues and building a profitable corporate organization.

In order to boost revenue and earnings, we will strive to further expand our global market share in core businesses. In concentrating managerial resources, we will focus particular attention on domestic private-sector businesses and overseas markets. To this end, we will build an organization capable of withstanding intense price competition in the global market from the cost perspective. Specifically, we will emphasize overseas production and local procurement on a Groupwide basis, and we will build a robust earnings structure but cutting fixed costs and raising productivity. We will also focus on generating new businesses, such as those related to the environment and energy, and on tapping new markets by maximizing synergies across companies within the Group and forming external alliances.

FY2012 Outlook

In light of the European financial crisis and high-trending crude oil prices, there are concerns about economic slowdown in newly emerging nations and the strength of the yen. Accordingly, we expect business conditions to remain difficult. In Japan, as well, we envisage growing instability in the overall economy.

Under these circumstances, the JRC Group, placing top priority on achieving recovery in revenue and earnings, will strive to attract steady orders in disaster prevention-related businesses, where demand growth is expected, and in the communications infrastructure business, to meet expanding communications traffic. At the same time, we will work aggressively to create new businesses and tap private-sector demand and new customers overseas. In addition, we will

Medium- and Long-term Vision: Business Structural Reform

Core Business

> Expanding Global Share in Each Segments
> Expanding Business Fields to Private Sectors
> Expanding Business to Overseas
> Establish Low-cost Structure

+

New Business Generation

> Environmental, Energy, and Other Fields

New Business Generation

> Technical Synergies Across Group and External Alliances
> Restructuring Financial Position

Establish Profitable Organization

- World Leading Group in Wireless Communication Business Fields
- Re-establish High Corporate Value

concentrate resources on areas slated for future growth and implement cost structure reforms by enhancing business efficiency of both the design and production processes.

In FY2012, ending March 31, 2013, we forecast consolidated net sales of ¥110,000 million, up 10.1% from FY2011, and operating income of ¥1,000 million.

Basic Policy on Profit Distribution

The distribution of profits to shareholders is one of the Company's top management priorities. Our policy is to pay stable dividends from a long-term perspective, as well as strengthen our performance and financial position. In the year under review, however, we regret that we will forego payment of dividends due to the difficult earnings environment.

In FY2012, we have decided not to pay an interim dividend in September 2012. At the present time, we are yet to reach a decision on the year-end dividend in March 2013.

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

Enhancing Shareholder Value

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

In addition, the Group will target renewed business advancement by effectively deploying R&D expenditures and building solid financial foundation, reflecting the top priority we place on returning profits to shareholders. Seeking to lower our breakeven point, we will build a low-cost operating structure and reduce the variable cost ratio by enhancing business efficiency and cutting expenses. In order to slash costs and thus win against price competition in the global market, we will unite as a Group to enhance our earnings structure by promoting overseas production and procurement, lowering fixed costs, and raising productivity.

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

July 1, 2012

T. Tsuchida

Takayoshi Tsuchida
President

Review of Operations

Focusing on the Wireless Communications Business

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

JRC Group business segment

Marine Electronics Equipment

¥ **29.4** billion **29.5**%

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

Communications Equipment

¥ **15.0** billion **15.0**%

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

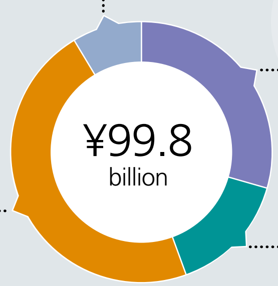
Solutions and Specialized Equipment

¥ **46.8** billion **46.9**%

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

Other

¥ 8.4 billion 8.4%

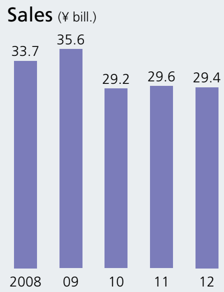


Marine Electronics Equipment

Solutions and Specialized Equipment

Communications Equipment

Marine Electronics Equipment Business



Business Environment and Performance

In FY2011, ended March 31, 2012, the Marine Electronics Equipment business segment posted a 0.3% year-on-year decrease in sales, to ¥29,493 million ($358.8 million), and an operating loss of ¥484 million ($5.8 million), compared with operating income of ¥1,035 million in the previous fiscal year.

During the year, the markets for new merchant vessels in China and South Korea were firm, as was demand for vessel retrofits. However, the workboat and fishing boat markets contracted. This, together with the impact of the strong yen, caused segment revenue and earnings to decline.

Priority Initiatives

In the year under review, shipbuilding yards in various nations faced increasing difficulties in attracting orders, due to excess capacity in the new merchant vessel market. Accordingly, shipbuilding yards reported significant year-on-year declines in work volume. The situation in the retrofit market was also very challenging amid deteriorating profitability of shipping companies faced with falling freight charges. In response, the JRC Group worked hard to increase its market share in equipment for new vessels. At the same time, we sought to address special demand arising from changes in rules. In the retrofit market, we stepped up sales of various products, including our Electronic Chart Display and Information System (ECDIS), Inmarsat FBB, and Bridge Navigational Watch Alarm Systems (BNWAS). With respect to workboats and small and medium-sized vessels, we identified Southeast Asia as a priority business region. For this reason, we established our Singapore Office, which has been


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


VHF radiotelephone (JHS-770/780)


Differential GPS navigator (JLR7800)

pursuing sales with close regional ties aimed mainly at local ship operators and shipbuilding yards.

Future Initiatives

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

We will place particular emphasis on stepping up sales and service activities in Southeast Asia, spearheaded by the Singapore Office, and in China, centering on JRC Shanghai Co., Ltd. Both operations will work to develop equipment and expand sales channels in ways that best suit their respective regions.

In response to global price competition, we will continue launching lower-cost models onto the market while adopting shared platforms and increasing overseas production and procurement. In these and other ways, we will strive hard to reform our cost structure.

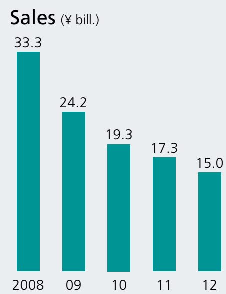
As a manufacturer with expertise in a wide range of maritime electronic equipment used in all sorts of vessels, the Group will continue making a valuable contribution to navigational safety and the advancement of communications equipment.

Through the aforementioned measures, in FY2012, ending March 2013, we project a 0.3% year-on-year increase in sales of the Marine Electronics Equipment segment, to ¥29,600 million, and an ¥800 million rise in operating income, to ¥300 million.


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


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

Communications Equipment Business



PHS handset (WX01J)

Electronic toll collection (ETC) system for motorcycles

Business Environment and Performance

In FY2011, the Communications Equipment segment posted a 13.3% decline in sales, to ¥15,021 million ($182.7 million), and an operating loss of ¥2,818 million ($34.2 million), compared with an operating loss of ¥1,515 million in the previous fiscal year.

The main reasons for the revenue decrease were significant declines in sales of commercial-use radio equipment and infrastructure-related equipment to overseas markets. Other factors included the impact of the earthquake in Japan and flooding in Thailand on automobile-related markets, which affected sales of equipment for intelligent transportation systems (ITS).

Priority Initiatives

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

In the priority area of ITS, we made progress toward mass production of dedicated short-range communication (DSRC) units for vehicles and new models of GPS devices. In commercial-use radio, we cultivated new customers in the domestic railway and transportation sectors, and extended our product lineup targeting overseas markets. In the communication infrastructure area, for the domestic market we developed communication infrastructure for use in

Professional mobile radio

WiMAX base station

25GHz FWA (NTG-2501)

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

tunnels, such as for the subway networks in Japan's large metropolitan areas. For overseas markets, we developed commercial-use RRH equipment compatible with the Long Term Evolution (LTE) standard, and we released a fixed wireless access (FWA) device for backhaul systems. We also upgraded our systems with smaller cells that can be used in blind zones.

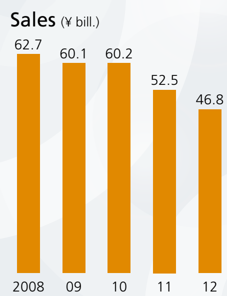
In the growth area of communications modules, the Group targeted sales expansion through a one-stop wireless solutions business that draws on the expertise of field application engineers. Products included wireless LAN modules compatible with authentication required by overseas markets, a WiMAX module capable of withstanding harsh environments, and other products that combine several modules. We also developed new applications and markets for GPS devices for applications other than car navigation systems, including for use in digital cameras, data terminals, as well as an in-vehicle drive recorder. In addition, we focused on developing strategic products that are globally competitive from the perspectives of performance and price.

Future Initiatives

Going forward, the JRC Group will seek to broaden its customer base in anticipation of a recovery in demand for ITS-related equipment amid a turnaround in the automobile industry. We will also expand sales routes aimed at markets other than car navigation, such as construction machinery, and at overseas markets. In commercial-use radio, we will strive to boost revenue through sales and marketing activities centered on radio equipment for North American customers and on equipment for railway systems. In the communications infrastructure area, we will address sharply rising demand for equipment that can operate in blind zones and data traffic management systems amid expansion of service area coverage and proliferation of smartphones. Specifically, we will switch the focus of our business to these types of products. In communication modules, we will target smart grids that organically control such components as OA equipment, industrial equipment, in-vehicle devices, and production systems.

In FY2012, we forecast ¥20,200 million in segment sales, an increase of 34.4%, year-on year , by ¥5,200 million. In other words, we expect segment sales to recover to the level recorded in FY2009.

Solutions and Specialized Equipment Business



Transportable earth station

Live broadcast equipment and TTL equipment for the broadcasting industry

Business Environment and Performance

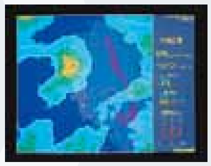
In the year under review, the Solutions and Specialized Equipment segment recorded a 10.6% decrease in sales, to ¥46,892 million ($570.5 million), and an operating loss of ¥310 million ($3.7 million), compared with operating income of ¥2,103 million in the previous fiscal year.

In this segment, there was a significant year-on-year decline in sales of broadcasting systems following the completion of installation of terrestrial digital broadcasting equipment in Japan. We also posted a major decrease in sales of disaster prevention systems to prefectural and municipal governments, as they reviewed public works projects to address major typhoons and other natural disasters, causing postponement of order placement timetables.

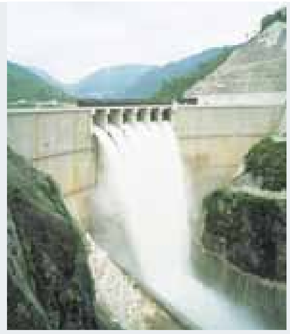
Priority Initiatives

In the Group's domestic public sector business, there were concerns that government budget cuts may negatively affect the number of projects and cost amounts. Nevertheless, demand for disaster-prevention measures is increasing due to heightened awareness about disaster prevention. Going forward, we expect growth in demand for public disaster-prevention radio systems, which are entering the replacement phase, as well as for more sophisticated and more accurate meteorological radar systems to enable detection of abnormal weather patterns and formulation of countermeasures as early as possible. In response, the Group sought to attract higher orders by actively developing its solutions business, which draws on its specialist expertise in wireless communications technology.

For private sector customers, we began supplying our HVDC power supply systems to data centers and established

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




Integrated dam management system

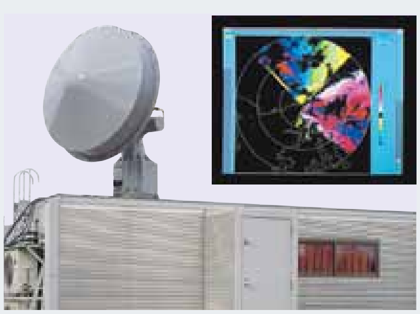
a mass production system. We also held trials of our sensor network system and our "1-seg" independent broadcast system, with the aim of expanding our customer base to encompass private corporations. In these activities, we targeted our sales activities at customers in the environmental, agricultural, security, and service sectors.

In addition to official development assistance (ODA) projects, we stepped up our own initiatives directed at overseas governments. For example, we responded to natural disasters that occurred in various Southeast Asian nations through the aggressive development of various infrastructure development businesses. These include water and river management systems, disaster-prevention information systems, meteorological information systems, earthquake and tsunami information reception systems, and volcano monitoring systems. We also strove to expand orders for our wide range of systems, including VTMS-related equipment, by strengthening collaboration with prominent overseas partner companies and utilizing solid-state radar to differentiate our products.

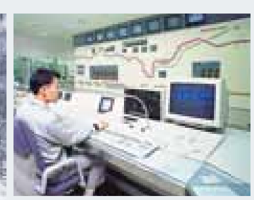
Future Initiatives

To address the impact of the Great East Japan Earthquake in 2011, the national government is prioritizing disaster recovery and nationwide disaster prevention in its budget allocations. Meanwhile, schedules are in place to digitize the nation's fire-fighting radio systems and modernize its prefectural disaster prevention systems. Accordingly, we are focusing on attracting stable orders in these businesses. In the private sector and overseas, we will seek to boost sales by strengthening the functionality of our marine vessel navigation and harbor monitoring systems. This is in response to advances being made in the environmental and energy business, centering on HVDC systems, and in the establishment of infrastructure in Southeast Asia. Our aim is to address increasing demand for construction of data centers to meet the spread of cloud computing and address the need for reduced energy consumption.

As a result of the aforementioned initiatives, in FY2012 we project an 11.1%, year-on-year increase, by ¥5,200 million, in segment sales, to ¥52,100 million.



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

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

JRC Governance Systems

Basic Policy

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

Corporate Governance Overview

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

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

Internal Auditing, Audits Performed by Corporate Auditors and Accounting Audits

- **Internal Audits**

  We established the Corporate Internal Auditing, 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. Furthermore, the Quality Assurance Department conducts audits related to product quality and the environment.

- **Audits Performed by Corporate Auditors**

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

- **Accounting Audits**

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

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

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

External Directors and Corporate Auditors

We have two external directors: Noboru Matsuda (an attorney) and Takashi Iwashita (Senior Advisor of Nisshinbo Holdings Inc., one of JRC's largest shareholders). We also have two external auditors: Kazunori Baba (Managing Officer of Nisshinbo Holdings Inc.) and Tsutomu Suzuki (formerly a corporate auditor of Mizuho Asset Management Co., Ltd.).

Environmental Initiatives

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

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

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

1. Expansion of environmentally conscious products

a. To raise the application rate of environmentally conscious products (products in compliance to the Type II-1101 environmental label) to 100% by 2013 in regard to such products newly and independently designed.
b. To promote compliance with the REACH Regulation*.
c. To continuously promote compliance with the ErP Directive**.

2. Promotion of green procurement

a. To raise the application rate of green procurement to 90% or higher by 2013 about all materials, parts, equipment and products to be shipped.
b. To perform thorough control for chemicals contained in products from subcontracting partners overseas.

3. Promotion of measures against global warming

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

4. Promotion of Three Rs

To maintain Zero Emission***.

5. Compliance with environmental laws and other social requirements

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

Notes:
* REACH Regulation: Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals
** ErP Directive: Directive to establish a framework for the setting of ecodesign requirements for energy-related products
*** Zero Emission: waste recycling rate of 99.0% or higher (total rate of Mitaka and Saitama Plants)

Developing Environmentally Friendly Products

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

Risk Factors

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

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

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

(2) Demand trends

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

(3) Exchange rate fluctuations

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

(4) Interest rate fluctuations

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

(5) Availability of parts

Due to various circumstances, such as changing economic conditions and the advent of natural disasters, the JRC Group could potentially face difficulty in procuring parts. For example, sharp economic growth in certain regions and a surge in the popularity of certain products, as well as major natural disasters or power outages, may reveal limitations in the supply capacity of parts manufacturers and cause problems with delivery times. Such factors have the potential to affect the Group's shipment schedule, while sharp increases in parts' prices could have an adverse impact on profitability.

(6) Legal restrictions

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

(7) Product quality

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

(8) Natural disasters

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

Japan Radio Co., Ltd. and consolidated subsidiaries

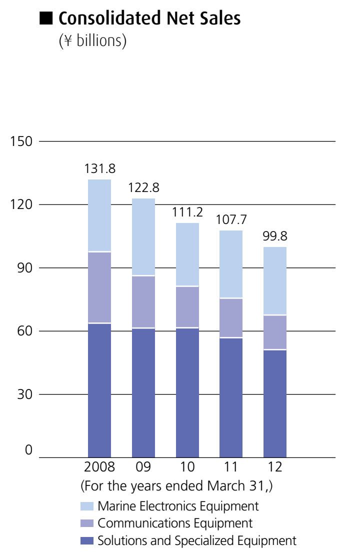
Financial Statements

Consolidated Five-Year Summary

	Millions of yen					Thousands of U.S. dollars (Note)
For the years ended March 31,	2008	2009	2010	2011	2012	2012
Net sales	¥131,829	¥122,870	¥111,210	¥107,705	¥99,872	$1,215,134
Operating income (loss)	3,724	2,865	3,000	1,551	(2,791)	(33,956)
Operating income (loss) ratio (%)	2.8	2.3	2.7	1.4	(2.8)	–
Income (loss) before income taxes and minority interests	3,707	1,913	2,708	2,226	(1,456)	(17,712)
Net income (loss)	3,377	1,484	2,322	1,921	(1,844)	(22,439)
As of March 31,						
Total assets	121,503	125,380	117,354	118,613	94,954	1,155,295
Total equity	43,127	41,811	44,360	44,821	41,413	503,867
Net equity ratio (%)	35.2	33.1	37.5	37.5	43.2	–
Interest-bearing liabilities	21,342	32,899	24,868	23,943	4,874	59,299
Depreciation	1,833	1,772	1,578	1,413	1,291	15,711
Capital expenditures	1,519	1,480	774	1,315	1,501	18,268
Net income (loss) per share (Yen/U.S. dollars)	24.50	10.77	16.86	13.95	(13.39)	(0.16)
ROE (%)	7.9	3.5	5.4	4.3	(4.3)	–
D/E ratio (times)	0.50	0.79	0.56	0.54	0.12	–
Employees	3,751	3,770	3,760	3,766	3,758	–

Note: U.S. dollar amounts are translated, for convenience only, at ¥82.19= US$1.00, the rate prevailing on March 31, 2012.

Consolidated Financial Review



Revenue and Earnings

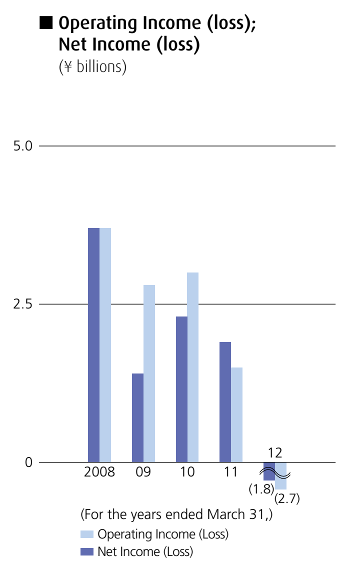
In the FY2011, ended March 31, 2012, the JRC Group reported consolidated net sales of ¥99,872 million ($1,215 million), down 7.2%, or ¥7,833 million, from the previous year. This was due to year-on-year sales declines in all segments, namely, Marine Electronics Equipment, Communications Equipment, and Solutions and Specialized Equipment.

The Group posted an operating loss of ¥2,791 million ($33.9 million), due primarily to the year-on-year fall in consolidated net sales. Main components of other income included a ¥1,176 million gain on sale of property, plant and equipment and an ¥891 million gain on sale of investment securities. Among other expenses, there was an impairment loss of ¥654 million. The Group reported a net loss for the year of ¥1,844 million ($22.4 million).

Performance by Segment

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

For the year, the Marine Electronics Equipment segment reported a 0.3% year-on-year decrease in sales, to ¥29,493 million ($358.8 million), and a segment loss of ¥484 million ($5.8 million). The Communications Equipment segment posted a 13.3% decline in sales, to ¥15,021 million ($182.7 million), and a segment loss of ¥2,818 million ($34.2 million). The Solutions and Specialized Equipment segment recorded a 10.6% decrease in sales, to ¥46,892 million ($570.5 million), and a segment loss of ¥310 million ($3.7 million).



Segment Sales / Segment Profits (loss)

	Millions of yen				
Year ended March 31, 2012	Marine Electronics Equipment	Communications Equipment	Solutions and Specialized Equipment	Other (including re-considerations)	Total
Sales	¥29,493	¥15,021	¥46,892	¥8,466	¥99,872
Segment profits (loss)	(484)	(2,818)	(310)	829	(2,783)
Year ended March 31, 2011					
Sales	¥29,593	¥17,333	¥52,483	¥8,296	¥107,705
Segment profits (loss)	1,035	(1,515)	2,103	(72)	1,551
Year ended March 31, 2012	Thousands of U.S. dollars				
Sales	$358,840	$182,755	$570,533	$103,006	$1,215,134
Segment profits (loss)	(5,884)	(34,287)	(3,776)	10,089	(33,956)

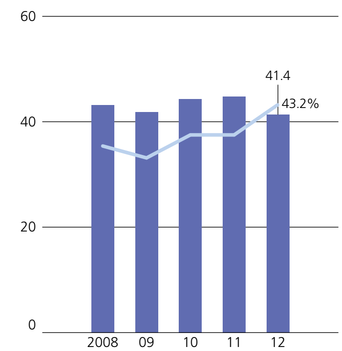
Financial Position

At fiscal year-end, the Group had consolidated total assets of ¥94,954 million ($1,155.2 million), down 19.9%, or ¥23,659 million, from a year earlier. This decline stemmed mainly from a ¥19,821 million year-on-year decrease in cash and cash equivalents, to ¥3,238 million.

Total liabilities fell 27.4%, or ¥20,251 million, to ¥53,541 million ($651.4 million). Main factors included a ¥418 million decline in notes and accounts payable, to ¥22,458 million, a ¥16,715 million decrease in current portion of long-term debt, to ¥2,048 million, and a ¥1,837 million decline in long-term debt, to ¥1,105 million.

Equity was down 7.6%, or ¥3,408 million, to ¥41,413 million ($503.8 million). This stemmed mainly from a ¥2,533 million decline in retained earnings and an ¥884 million decrease in net unrealized gain on available-for-sale securities. As a result, the equity ratio at fiscal year-end was 43.6%, up 5.9 points from a year earlier.

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



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

Cash Flows

Consolidated cash and cash equivalents at fiscal year-end totaled ¥3,238 million ($39.4 million), down 85.9%, or ¥19,821 million, from a year earlier. This was mainly due ¥1,189 million in net cash used in operating activities and ¥19,825 million in net cash used in financing activities, which outweighed ¥1,222 million in net cash provided by investing activities.

Cash Flows from Operating Activities

For the year, net cash used in operating activities amounted to ¥1,189 million, compared with ¥5,197 million in net cash provided by operating activities in the previous fiscal year. Main factors included a ¥1,456 million loss before income taxes (compared with ¥2,226 million income before income taxes in the previous year), as well as a ¥1,578 million decrease in notes and accounts payable. These contrasted with a ¥242 million decrease in inventories and an ¥827 million decrease in notes and accounts receivable.

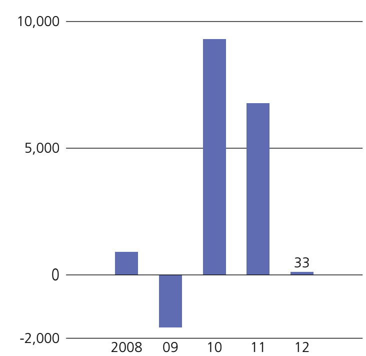
Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥1,222 million, compared with ¥1,562 million in net cash used in investment activities in the previous fiscal year. Main factors contributing to cash flows included ¥2,598 million in proceeds from sale of investment securities and ¥1,155 million in proceeds from sale of property, plant and equipment. These contrasted with ¥1,076 million in purchase of property, plant and equipment, as well as a ¥1,216 million net increase in short-term investments due to deposits paid to the parent company.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥19,825 million, compared with ¥1,392 million in the previous fiscal year. Main factors included ¥18,752 million in repayments of long-term debt and ¥686 million in cash dividends.

■ **Free Cash Flow**
(¥ millions)



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

Japan Radio Co., Ltd. and consolidated subsidiaries

Consolidated Balance Sheets

March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	¥ 3,238	¥ 23,059	$ 39,402
Short-term investments (Notes 4 and 17)	532	562	6,473
Receivables (Notes 3 and 17):			
Trade notes	3,049	2,816	37,094
Trade accounts	41,890	43,030	509,675
Unconsolidated subsidiaries and affiliated companies	339	271	4,126
Other	475	258	5,784
Allowance for doubtful accounts	(224)	(207)	(2,721)
Short-term loans to parent company (Note 17)	1,216		14,791
Inventories (Note 5)	24,389	24,632	296,740
Deferred tax assets (Note 11)	317	320	3,856
Prepaid expenses and other	880	1,177	10,701
Total current assets	¥ 76,101	¥ 95,918	$ 925,921
PROPERTY, PLANT AND EQUIPMENT (Notes 6 and 7):			
Land	1,956	1,964	23,794
Buildings and structures	26,424	26,095	321,500
Machinery and equipment	8,993	9,229	109,419
Furniture and fixtures	16,053	16,868	195,318
Lease assets	266	218	3,241
Construction in progress	14	33	168
Total	53,706	54,407	653,440
Accumulated depreciation	(44,726)	(44,983)	(544,180)
Net property, plant and equipment	8,980	9,424	109,260
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 17)	3,015	6,264	36,686
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 17)	2,470	2,231	30,050
Deferred tax assets (Note 11)	1,200	1,262	14,595
Other assets (Note 6)	4,767	5,089	57,996
Allowance for doubtful accounts	(1,579)	(1,575)	(19,213)
Total investments and other assets	9,873	13,271	120,114
TOTAL	¥ 94,954	¥118,613	$1,155,295

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Notes 7 and 17)	¥ 1,250	¥ 1,770	$ 15,209
Current portion of long-term debt (Notes 7 and 17)	2,048	18,763	24,923
Payables (Note 17):			
Trade notes	838	843	10,194
Trade accounts	21,620	22,033	263,047
Unconsolidated subsidiaries and affiliated companies (Note 20)	3,025	4,187	36,802
Other	722	620	8,788
Income taxes payable	296	257	3,595
Accrued expenses	2,056	2,122	25,017
Advances received	1,902	2,242	23,143
Lease obligations (Note 16)	79	65	965
Other	4,471	3,498	54,395
Total current liabilities	¥38,307	¥56,400	$ 466,078
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 17)	1,105	2,942	13,448
Liability for retirement benefits (Note 8)	12,662	12,340	154,060
Deferred tax liabilities (Note 11)	97	721	1,177
Lease obligations (Note 16)	145	163	1,764
Provision for environmental measures	231	231	2,806
Asset retirement obligations (Note 9)	344	353	4,189
Other	650	642	7,906
Total long-term liabilities	15,234	17,392	185,350
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 16 and 19)			
EQUITY (Note 10):			
Common stock—authorized, 216,000,000 shares; issued, 137,976,690 shares in 2012 and 2011	14,704	14,704	178,907
Capital surplus	16,505	16,505	200,811
Retained earnings	9,715	12,248	118,199
Treasury stock—at cost, 222,373 shares in 2012 and 216,826 shares in 2011	(70)	(69)	(853)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	200	1,084	2,437
Foreign currency translation adjustments	(21)	(10)	(257)
Total	41,033	44,462	499,244
Minority interests	380	359	4,623
Total equity	41,413	44,821	503,867
TOTAL	¥94,954	¥118,613	$1,155,295

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Operations

Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET SALES	¥99,872	¥107,705	$1,215,134
COST OF SALES (Notes 8, 12, 16 and 20)	85,562	89,568	1,041,028
Gross profit	14,310	18,137	174,106
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
(Notes 8, 12, 13 and 16)	17,101	16,586	208,062
Operating (loss) income	(2,791)	1,551	(33,956)
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 20)	247	212	3,011
Interest expense	(374)	(426)	(4,545)
Foreign exchange loss—net	(235)	(435)	(2,859)
Gain on sales of investment securities (Notes 4 and 20)	891	1,964	10,840
Equity in earnings of affiliated companies	313	248	3,803
Impairment losses (Note 6)	(654)	(61)	(7,955)
Gain on sales of property, plant and equipment	1,176		14,304
Loss on sales of investment securities		(236)	
Loss on adjustment for changes in accounting standard for asset retirement obligations		(369)	
Losses from a natural disaster (Note 14a)		(146)	
Other—net (Note 14b)	(29)	(76)	(355)
Other income—net	1,335	675	16,244
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(1,456)	2,226	(17,712)
INCOME TAXES (Note 11):			
Current	287	310	3,496
Deferred	80	(32)	977
Total income taxes	367	278	4,473
NET (LOSS) INCOME BEFORE MINORITY INTERESTS	(1,823)	1,948	(22,185)
MINORITY INTERESTS IN NET INCOME	21	27	254
NET (LOSS) INCOME	¥ (1,844)	¥ 1,921	$ (22,439)

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2t):			
Basic net (loss) income	¥ (13.39)	¥ 13.95	$ (0.16)
Cash dividends applicable to the year	5.00	3.00	0.06

See notes to consolidated financial statements.

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
NET (LOSS) INCOME BEFORE MINORITY INTERESTS	¥(1,823)	¥ 1,948	$(22,185)
OTHER COMPREHENSIVE LOSS (Note 15):			
Unrealized loss on available-for-sale securities	(879)	(1,054)	(10,699)
Foreign currency translation adjustments	(11)	(12)	(133)
Share of other comprehensive income in associates	(3)	(3)	(31)
Total other comprehensive loss	(893)	(1,069)	(10,863)
COMPREHENSIVE (LOSS) INCOME	¥(2,716)	¥ 879	$(33,048)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥(2,738)	¥ 852	$(33,320)
Minority interests	22	27	272

See notes to consolidated financial statements.

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended March 31, 2012 and 2011

	Thousands	Millions of Yen								
						Accumulated Other Comprehensive Income				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	137,773	¥14,704	¥16,505	¥10,740	¥(66)	¥2,140	¥ 2	¥44,025	¥335	¥44,360
Net income				1,921				1,921		1,921
Cash dividends, ¥3 per share				(413)				(413)		(413)
Purchase of treasury stock	(13)				(3)			(3)		(3)
Net change in the year						(1,056)	(12)	(1,068)	24	(1,044)
BALANCE, MARCH 31, 2011	137,760	14,704	16,505	12,248	(69)	1,084	(10)	44,462	359	44,821
Net loss				(1,844)				(1,844)		(1,844)
Cash dividends, ¥5 per share				(689)				(689)		(689)
Purchase of treasury stock	(6)				(1)			(1)		(1)
Net change in the year						(884)	(11)	(895)	21	(874)
BALANCE, MARCH 31, 2012	137,754	¥14,704	¥16,505	¥9,715	¥(70)	¥200	¥(21)	¥41,033	¥380	¥41,413

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2011	$178,907	$200,811	$149,019	$(838)	$13,186	$(124)	$540,961	$4,377	$545,338
Net loss			(22,439)				(22,439)		(22,439)
Cash dividends, $0.06 per share			(8,381)				(8,381)		(8,381)
Purchase of treasury stock				(15)			(15)		(15)
Net change in the year					(10,749)	(133)	(10,882)	246	(10,636)
BALANCE, MARCH 31, 2012	$178,907	$200,811	$118,199	$(853)	$2,437	$(257)	$499,244	$4,623	$503,867

See notes to consolidated financial statements.

Japan Radio Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
(Loss) income before income taxes and minority interests	¥ (1,456)	¥ 2,226	$ (17,712)
Adjustments for:			
Income taxes—paid	(236)	(353)	(2,873)
Depreciation and amortization	1,291	1,413	15,711
Impairment loss	654	61	7,955
Gain on sales of property, plant and equipment	(1,176)		(14,304)
Gain on sales of investment securities	(891)	(1,728)	(10,840)
Equity in earnings of affiliated companies	(313)	(248)	(3,803)
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	827	2,594	10,060
Decrease (increase) in inventories	242	(1,449)	2,945
Decrease in interest and dividends receivable	21	28	261
(Decrease) increase in notes and accounts payable	(1,578)	2,477	(19,199)
Decrease in interest payable	(26)	(2)	(315)
Increase in liability for retirement benefits	663	520	8,062
Increase (decrease) in allowance for doubtful receivables	42	(49)	504
Other—net	747	(293)	9,077
Total adjustments	267	2,971	3,241
Net cash (used in) provided by operating activities	(1,189)	5,197	(14,471)
INVESTING ACTIVITIES:			
Purchase of short-term investments	(370)	(112)	(4,502)
Proceeds from sale of short-term investment	402	80	4,896
Purchase of property, plant and equipment	(1,076)	(722)	(13,095)
Proceeds from sales of property, plant and equipment (Note 20)	1,155		14,054
Purchase of investment securities	(7)	(18)	(80)
Proceeds from sale of investment securities	2,598	2,461	31,609
Net changes in short-term loan	(1,216)		(14,791)
Other—net	(264)	(127)	(3,220)
Net cash provided by investing activities	1,222	1,562	14,871
FINANCING ACTIVITIES:			
Net change in short-term bank loans	(520)	320	(6,327)
Proceeds from long-term debt	200		2,433
Repayments of long-term debt	(18,752)	(1,243)	(228,148)
Cash dividends	(686)	(414)	(8,349)
Other—net	(67)	(55)	(814)
Net cash used in financing activities	(19,825)	(1,392)	(241,205)
	¥(19,792)	¥ 5,367	$(240,805)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(29)	(168)	(351)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,821)	5,199	(241,156)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,059	17,860	280,558
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 3,238	¥ 23,059	$ 39,402

See notes to consolidated financial statements..

Notes to Consolidated Financial Statements

Years Ended March 31, 2012 and 2011

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 conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012. Prior to April 1, 2011, the impairment loss of ¥61 million was included in the other—net in the other income (expenses) section of the consolidated statement of operations. The amount of ¥654 million ($7,955 thousand) is now disclosed separately in the other income (expenses) section of the consolidated statement of operations for the year ended March 31, 2012 due to the reason that its materiality has increased.

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 ¥82.19 to $1, the approximate rate of exchange at March 31, 2012. 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 and for the year ended March 31, 2012, include the accounts of the Company and its 8 (8 in 2011) significant subsidiaries (together, the "Group").

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

Investments in 2 unconsolidated subsidiaries (3 in 2011) and 2 affiliated companies (2 in 2011) are accounted for by the equity method.

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

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

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

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

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

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

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

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

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

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

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

e. Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation of the Company and its domestic consolidated subsidiaries is computed by the declining-balance method except for buildings acquired after April 1, 1998 and lease assets under 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

All other leases are accounted for as operating leases.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. CONSTRUCTION CONTRACTS

Costs and estimated earnings recognized with respect to construction contracts which are accounted for by the percentage-of-completion method at March 31, 2012 and 2011, net of amounts settled, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Costs and estimated earnings	¥1,858	¥5,894	$22,608
Amounts settled	(696)	(3,811)	(8,468)
Net	¥1,162	¥2,083	$14,140

4. SHORT-TERM INVESTMENTS AND INVESTMENT SECURITIES

Short-term investments and investment securities as of March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Short-term investments:			
Time deposits	¥ 370	¥ 402	$ 4,502
Debt securities	2		24
Government and corporate bonds	160	160	1,947
Total	¥ 532	¥ 562	$ 6,473
Investment securities:			
Equity securities	¥2,826	¥6,062	$34,384
Debt securities	12	14	146
Other	177	188	2,156
Total	¥3,015	¥6,264	$36,686

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, 2012 and 2011, were as follows:

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	¥2,221	¥ 568	¥264	¥2,525
Debt securities	14			14
Other	305	2		307
March 31, 2011				
Securities classified as available-for-sale:				
Equity securities	¥3,921	¥2,058	¥240	¥5,739
Debt securities	14			14
Other	305			305

	Thousands of U.S. Dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:				
Equity securities	$27,021	$6,918	$3,217	$30,722
Debt securities	170			170
Other	3,712	23		3,735

Securities classified as available-for-sale whose fair value is not readily determinable as of March 31, 2012 and 2011, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Securities classified as available-for-sale:			
Equity securities	¥331	¥366	$4,030

Proceeds from sales of available-for-sale securities for the years ended March 31, 2012 and 2011, were ¥2,598 million ($31,609 thousand) and ¥2,461 million, respectively. As computed on the moving-average cost basis, gross realized gains on these sales were ¥891 million ($10,840 thousand) for the year ended March 31, 2012, and gross realized gains and losses on these sales were ¥1,964 million and ¥236 million, respectively, for the year ended March 31, 2011.

5. INVENTORIES

Inventories at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Finished products, semifinished products and merchandise	¥ 6,025	¥ 6,212	$ 73,305
Work in process	15,224	15,092	185,226
Raw materials and supplies	3,140	3,328	38,209
Total	¥24,389	¥24,632	$296,740

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2012 and 2011, and recognized impairment losses, as follows:

Year Ended March 31, 2012

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

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Furniture and fixture	¥1	$13
Software	1	11
Total	¥2	$24

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

	Millions of Yen	Thousands of U.S. Dollars
Type—Furniture and fixture	¥32	$386

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

	Millions of Yen	Thousands of U.S. Dollars
Type:		
Machinery and equipment	¥297	$3,617
Furniture and fixture	297	3,612
Software	26	316
Total	¥620	$7,545

Year Ended March 31, 2011

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

	Millions of Yen
Type—Furniture and fixture	¥2

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

	Millions of Yen
Type:	
Machinery and equipment	¥ 6
Furniture and fixture	49
Software	4
Total	¥59

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

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

Short-term bank loans at March 31, 2012 and 2011, consisted of notes to banks and bank overdrafts.

The weighted-average annual interest rates for short-term bank loans for the years ended March 31, 2012 and 2011, were 1.28% and 1.33%, respectively.

Long-term debt at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans from banks, due serially to 2015 with interest rates ranging from 1.0% to 2.9% (in 2012) and from 1.2% to 2.9% (in 2011):			
Collateralized	¥ 363	¥ 405	$ 4,425
Unsecured	2,790	21,300	33,946
Total	3,153	21,705	38,371
Less current portion	(2,048)	(18,763)	(24,923)
Long-term debt, less current portion	¥ 1,105	¥ 2,942	$ 13,448

Annual maturities of long-term debt outstanding at March 31, 2012, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥2,048	$24,923
2014	1,070	13,019
2015	35	429
Total	¥3,153	$38,371

The carrying amounts of assets pledged as collateral for long-term debt of totaling ¥363 million ($4,425 thousand) at March 31, 2012 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
Property, plant and equipment— net of accumulated depreciation	¥367	$4,463

8. RETIREMENT AND PENSION PLANS

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

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

The liability for employees' retirement benefits at March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥ 43,262	¥ 43,523	$ 526,369
Fair value of plan assets	(24,453)	(24,287)	(297,516)
Unrecognized transitional obligation	(985)	(1,314)	(11,990)
Unrecognized actuarial loss	(9,292)	(10,416)	(113,063)
Unrecognized prior service cost	1,842	2,230	22,414
Prepaid pension cost	2,121	2,431	25,812
Net liability	¥ 12,495	¥ 12,167	$ 152,026

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥1,538	¥1,537	$18,708
Interest cost	865	871	10,526
Expected return on plan assets	(457)	(621)	(5,563)
Amortization of prior service cost	(388)	(388)	(4,716)
Recognized actuarial loss	1,533	1,485	18,658
Amortization of transitional obligation	329	329	3,997
Net periodic benefit costs	¥3,420	¥3,213	$41,610

Assumptions used for the years ended March 31, 2012 and 2011, were set forth as follows:

	2012	2011
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0.0%–2.0%	0.0%–2.7%
Amortization period of prior service cost	14–15 years	14–15 years
Recognition period of actuarial gain/loss	10–14 years	10–14 years
Amortization period of transitional obligation	15 years	15 years

In addition, the Company and certain consolidated subsidiaries have severance payment plans for directors and corporate auditors. The liabilities for retirement benefits to directors and corporate auditors were ¥167 million ($2,034 thousand) and ¥173 million at March 31, 2012 and 2011, respectively.

9. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Balance at beginning of year	¥353	¥352	$4,291
Additional provisions associated with the acquisition of property, plant and equipment		1	
Reduction associated with meeting asset retirement obligations	(9)		(102)
Balance at end of year	¥344	¥353	$4,189

10. EQUITY

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

a. Dividends

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

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

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

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and loss carryforwards which result in deferred tax assets and liabilities at March 31, 2012 and 2011, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Net current deferred tax assets—Current deferred tax assets:			
Accrued bonuses	¥ 1,026	¥ 1,105	$ 12,488
Enterprise taxes payable	35	41	424
Inventories	1,978	2,161	24,072
Unrealized gains	30	33	363
Social security insurance on accrued bonuses	142	153	1,734
Reserve for product defect compensation	300	50	3,645
Other	60	106	720
Valuation allowance	(3,254)	(3,329)	(39,590)
Net current deferred tax assets	¥ 317	¥ 320	$ 3,856
Net noncurrent deferred tax assets—Noncurrent deferred tax assets:			
Liability for retirement benefits	¥ 568	¥ 642	$ 6,916
Tax loss carryforwards	1	17	12
Unrealized gains	632	632	7,688
Other	84	95	1,021
Valuation allowance	(85)	(124)	(1,042)
Net noncurrent deferred tax assets	¥ 1,200	¥ 1,262	$ 14,595
Net noncurrent deferred tax liabilities—Noncurrent deferred tax assets:			
Allowance for doubtful accounts	¥ 531	¥ 585	$ 6,456
Liability for retirement benefits	3,170	3,358	38,564
Tax loss carryforwards	2,563	1,399	31,178
Software	2,343	2,817	28,512
Investment securities	648	829	7,887
Property, plant and equipment	364	167	4,427
Asset retirement obligations	123	144	1,491
Other	185	210	2,261
Valuation allowance	(9,583)	(9,509)	(116,591)
Total	344		4,185
Noncurrent deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	97	721	1,177
Reserve for advance depreciation of noncurrent assets	109		1,327
Reserve for special account for advance depreciation of noncurrent assets	235		2,858
Total	441	721	5,362
Net noncurrent deferred tax liabilities	¥ 97	¥ 721	$ 1,177

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the year ended March 31, 2012 with the corresponding figures for 2011, is as follows:

	2012	2011
Normal effective statutory tax rate	40.7%	40.7%
Earnings not taxable and expenses not deductible for income tax purposes	33.5	0.2
Change in valuation allowance	(97.9)	(27.2)
Effect from the tax rate change	(5.6)	
Per capita portion of inhabitants tax	(4.8)	2.8
Equity in earnings of affiliated companies	8.7	(4.5)
Other—net	0.1	0.5
Actual effective tax rate	(25.3)%	12.5%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% afterwards. The effect of this change was to decrease deferred taxes by ¥66 million ($799 thousand) and to increase unrealized gain on available-for-sale securities by ¥15 million ($189 thousand) in the consolidated balance sheet as of March 31, 2012 and to increase income taxes—deferred by ¥81 million ($988 thousand) in the consolidated statement of operations for the year then ended.

At March 31, 2012, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥6,748 million ($82,098 thousand) which are available to be offset against taxable income of the Company and such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥3,439	$41,840
2017	4	51
2021	3,305	40,207
Total	¥6,748	$82,098

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥6,050 million ($73,611 thousand) and ¥6,108 million for the years ended March 31, 2012 and 2011, respectively.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Provision for doubtful accounts	¥ 43	¥ 8	$ 517
Salaries	7,177	7,367	87,326
Provision for retirement benefits	1,074	1,040	13,063
Depreciation	186	203	2,261
Rent	700	737	8,515
Research and development costs	3,159	2,582	38,439
Other	4,762	4,649	57,941
Total	¥17,101	¥16,586	$208,062

14. OTHER INCOME (EXPENSES)—NET

a. Losses from a natural disaster

The Company and certain domestic subsidiaries recognized losses from a natural disaster of ¥146 million consisting of ¥50 million for restoration of facilities and ¥43 million for disposal of inventories damaged as a result of the Great East Japan Earthquake.

b. Other income (expenses)—net for the years ended March 31, 2012 and 2011, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loss on retirement of property, plant and equipment	¥(44)	¥ (37)	$(530)
Loss on valuation of investment securities	(22)	(104)	(270)
Other income—net	37	65	445
Total	¥(29)	¥ (76)	$(355)

15. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the year ended March 31, 2012, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Unrealized loss on available-for-sale securities:		
Loss arising during the year	¥ (620)	$ (7,551)
Reclassification adjustments to profit	(891)	(10,840)
Total	(1,511)	(18,391)
Foreign currency translation adjustments:		
Adjustments arising during the year	(11)	(133)
Amount before income tax effect	(1,522)	(18,524)
Income tax effect	632	7,692
Total	(890)	(10,832)
Share of other comprehensive income in associates—Loss arising during the year	(3)	(31)
Total other comprehensive loss	¥ (893)	$ (10,863)

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

16. LEASES

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

Total rental expenses including lease payments for the years ended March 31, 2012 and 2011, were ¥135 million ($1,643 thousand) and ¥253 million, respectively.

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

	Millions of Yen				Thousands of U.S. Dollars	
	2012		2011		2012	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Due within one year	¥44	¥4	¥130	¥ 5	$532	$45
Due after one year	25	1	68	5	304	18
Total	¥69	¥5	¥198	¥10	$836	$63

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

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied the ASBJ Statement No. 13 effective April 1, 2008, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, such as acquisition cost, accumulated depreciation, accumulated impairment loss, depreciation expense, interest expense, and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen						
	2012			2011			
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Other	Total
Acquisition cost	¥140	¥126	¥266	¥257	¥381	¥112	¥750
Accumulated depreciation	137	111	248	239	317	100	656
Accumulated impairment loss		8	8		7		7
Net leased property	¥ 3	¥ 7	¥ 10	¥ 18	¥ 57	¥ 12	¥ 87

	Thousands of U.S. Dollars		
	2012		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$1,700	$1,532	$3,232
Accumulated depreciation	1,668	1,349	3,017
Accumulated impairment loss		92	92
Net leased property	$ 32	$ 91	$ 123

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Depreciation expense	¥120	¥225	$1,458
Interest expense	2	8	31
Total	¥122	¥233	$1,489
Reversal of allowance for impairment loss on leased property	¥ 0	¥ 2	$ 5

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

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

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

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

(3) Risk Management for Financial Instruments

Credit risk management

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

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2012.

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

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

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

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

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

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

(a) Fair value of financial instruments

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

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

	Thousands of U.S. Dollars		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$ 39,402	$ 39,402	
Short-term investments	6,473	6,473	
Receivables:			
Trade notes	37,094	37,094	
Trade accounts	509,675	509,675	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	2,409	2,409	
Short-term loans to parent company	14,791	14,791	
Investment securities	32,656	32,656	
Investment in affiliated companies	12,609	14,137	$1,528
Total	$655,109	$656,637	$1,528
Short-term bank loans	$ 15,209	$ 15,209	
Payables:			
Trade notes	10,194	10,194	
Trade accounts	263,047	263,047	
Unconsolidated subsidiaries and affiliated companies	36,802	36,802	
Long-term debt (including current portion of long-term debt)	38,371	38,791	$420
Total	$363,623	$364,043	$420

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 to Parent Company
The carrying values of short-term loans to parent company approximate fair value because of their short maturities.

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

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

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

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

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

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

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investment securities in equity instruments that do not have a quoted market price in an active market	¥ 331	¥ 366	$ 4,030
Investments in and advances to unconsolidated subsidiaries and affiliated companies in equity instruments that do not have a quoted market price in an active market	1,434	1,343	17,441
Total	¥1,765	¥1,709	$21,471

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

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

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

March 31, 2012	Thousands of U.S. Dollars Due in 1 Year or Less	 Due after 1 Year through 5 Years
Cash and cash equivalents	$ 39,402	
Short-term investments	6,473	
Receivables:		
Trade notes	37,087	$ 7
Trade accounts	509,675	
Unconsolidated subsidiaries and affiliated companies (notes and accounts)	2,409	
Investment securities—Available-for-sale securities with contractual maturities		146
Total	$595,046	$153

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

18. DERIVATIVES

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

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

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

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

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2012 and 2011

		Millions of Yen		
March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥1,000	¥ 500	¥ (11)
March 31, 2011				
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	¥10,688	¥1,000	¥(100)

		Thousands of U.S. Dollars		
March 31, 2012	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps (fixed rate payment, floating rate receipt)	Long-term debt	$12,167	$6,083	$(132)

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

19. CONTINGENT LIABILITIES

At March 31, 2012 and 2011, the Company is contingently liable for guarantees of bank loans amounted to ¥28 million ($345 thousand) and ¥36 million, respectively.

20. RELATED PARTY TRANSACTIONS

(1) Parent Company

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

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Loan	¥12,907	$157,034
Interest income	122	1,486
Proceed from sale of parent company's shares	2,585	31,449
Gain on proceed from sale of parent company's shares	889	10,821

The Company did not have transactions with the parent company as noted above for the year ended March 31, 2011.

(2) Affiliated Company

The Company's transaction with Ueda Japan Radio Co., Ltd., an affiliated company, for the years ended March 31, 2012 and 2011, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Purchases	¥5,392	¥6,176	$65,607

The Company's balance due to Ueda Japan Radio Co., Ltd. at March 31, 2012 and 2011 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Notes and accounts payables	¥1,867	¥2,168	$22,711

21. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

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

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

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

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

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

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

	Thousands of U.S. Dollars							
	2012							
	Reportable Segment							
	Marine Electronics Equipment	Communi-cations Equipment	Solutions and Specialized Equipment	Total	Other (Note (a))	Total	Reconci-liations (Note (b))	Consoli-dated (Note (c))
Sales:								
Sales to external customers	$358,840	$182,755	$570,533	$1,112,128	$103,006	$1,215,134		$1,215,134
Intersegment sales or transfers	18	28	569	615	75,441	76,056	$(76,056)	
Total	$358,858	$182,783	$571,102	$1,112,743	$178,447	$1,291,190	$(76,056)	$1,215,134
Segment profit (loss)	$ (5,884)	$(34,287)	$ (3,776)	$ (43,947)	$ 10,089	$ (33,858)	$ (98)	$ (33,956)
Segment assets	196,772	138,158	425,172	760,102	123,185	883,287	272,008	1,155,295
Other:								
Depreciation	1,636	2,165	1,190	4,991	2,741	7,732	7,979	15,711
Increase in property, plant and equipment and intangible assets	1,626	4,287	4,968	10,881	3,142	14,023	4,244	18,267

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

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

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

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

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

(4) Geographical Information

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

	Millions of Yen					
	2011					
	Japan	Asia	Europe	North America	Other	Total
Sales	¥77,429	¥10,682	¥8,154	¥4,713	¥6,727	¥107,705

	Thousands of U.S. Dollars					
	2012					
	Japan	Asia	Europe	North America	Other	Total
Sales	$894,500	$122,776	$84,839	$42,173	$70,846	$1,215,134

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Japan Radio Co., Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of operations, 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 conformity 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 conformity 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 consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity 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 conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 25, 2012

Member of
Deloitte Touche Tohmatsu Limited

JRC Organization

(as of June 27, 2012)

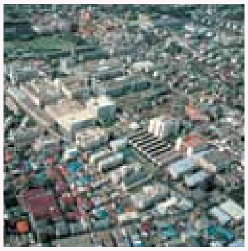
- Board of Directors
  - Chairman
    - President
      - Board of Management
      - Board of Executive Officers
      - Corporate Internal Auditing
      - Management Strategy
        - Corporate Planning Department
        - CSR Promotion Department
        - Legal & Intellectual Property Department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

Directory

(as of July 30, 2012)

Japan Radio Co., Ltd.

Headquarters/Mitaka Plant



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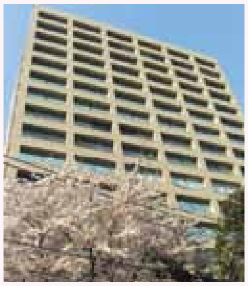

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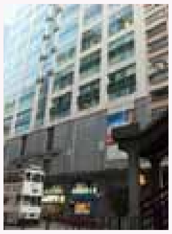

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Phone: +852-2707-9170
Fax: +852-2707-9226

JRC Shanghai Co., Ltd.

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

JRC do Brasil Empreendimentos Eletrônicos Ltda.

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

JRC Tokki Co., Ltd.

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

Head office and factory:
3-2-1, Shinyoshida-higashi, Kohoku-ku, Yokohama, Kanagawa 223-8572, Japan
Phone: +81-45-547-8572

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

Employees: 335

JRC Engineering Co., Ltd.

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

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

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

Employees: 151

Japan Radio Glass Co., Ltd.

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

Head office and factory:
1-8, Fukuoka 2-chome, Fujimino, Saitama 356-0011, Japan
Phone: +81-49-264-4411

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

Employees: 66

Musashino Electronics Co., Ltd.

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

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

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

Employees: 166

Sougou Business Service Co., Ltd.

Business:
Distribution management of electronic equipment

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

Employees: 126

Affiliated Companies

Nagano Japan Radio Co., Ltd.

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

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

URL: http://www.njrc.jp

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

Ueda Japan Radio Co., Ltd.

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

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

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

Employees: 660

Investor Information

(as of March 31, 2012)

Corporate Data

Japan Radio Co., Ltd.

Established:
December, 1915

Paid-in Capital:
¥14,704 million ($178,907 thousand)

Number of Shares Issued:
137,976,690 shares

Number of Shareholders:
8,187

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

Employees:
2,841

General Meeting of Shareholders:
Convened annually in late June

Board of Directors, Corporate Auditors and Executive Officers

(as of June 27, 2012)

Representative Director and Chairman
Yoshihito Onda

Representative Director and President
Takayoshi Tsuchida

Director and Managing Executive Officers
Shuichi Gotoh
Hironori Sakamoto
Atsunori Sasaki

Directors and Executive Officers:
Tatsuro Masamura
Yasuhiko Hara

Directors:
Noboru Matsuda
Takashi Iwashita
Tomoshi Maruyama

Standing Corporate Auditors:
Masayuki Doi
Takashi Ujino
Tsutomu Suzuki

Corporate Auditor
Kazunori Baba

Executive Officers:
Michiaki Hyodoh
Tamiho Shinya
Tomohiro Waki
Syoji Kubota
Satoshi Nakamura
Kazuaki Uchino
Mitsugu Yokota
Ken Koarai
Tadaaki Yokoi

Major Shareholders

Name	Number of shares held (thousands)	Shares (%)
Nisshinbo Holdings Inc.	88,713	64.29
JRC Business Partner Ownership	4,135	2.99
JRC Employee Ownership	3,091	2.24
Japan Trustee Services Bank, Ltd. (Trust Account)	2,954	2.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,670	1.21
Japan Trustee Services Bank, Ltd. (Trust Account No. 9)	1,100	0.79
Japan Trustee Services Bank, Ltd. (Trust Account No. 1)	624	0.45
The Chase Manhattan Bank N.A. London S.L. Omnibus Account	549	0.39
Japan Trustee Services Bank, Ltd. (Trust Account No. 6)	452	0.32
Japan Trustee Services Bank, Ltd. (Trust Account No. 2)	380	0.27
Total	103,669	75.13

Shareholder Type

	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals	Individuals and others	Total
Number of Shareholders	29	41	264	75	7,778	8,187
Number of Shares Held	10,013	1,107	91,094	2,933	32,339	137,486
Percentage of Total Shares Issued	7.28	0.81	66.26	2.13	23.52	100.00

Notes: Trading unit of common stock: 1,000 shares
Odd-lot stock: 490,690 shares

Japan Radio Co., Ltd.

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