

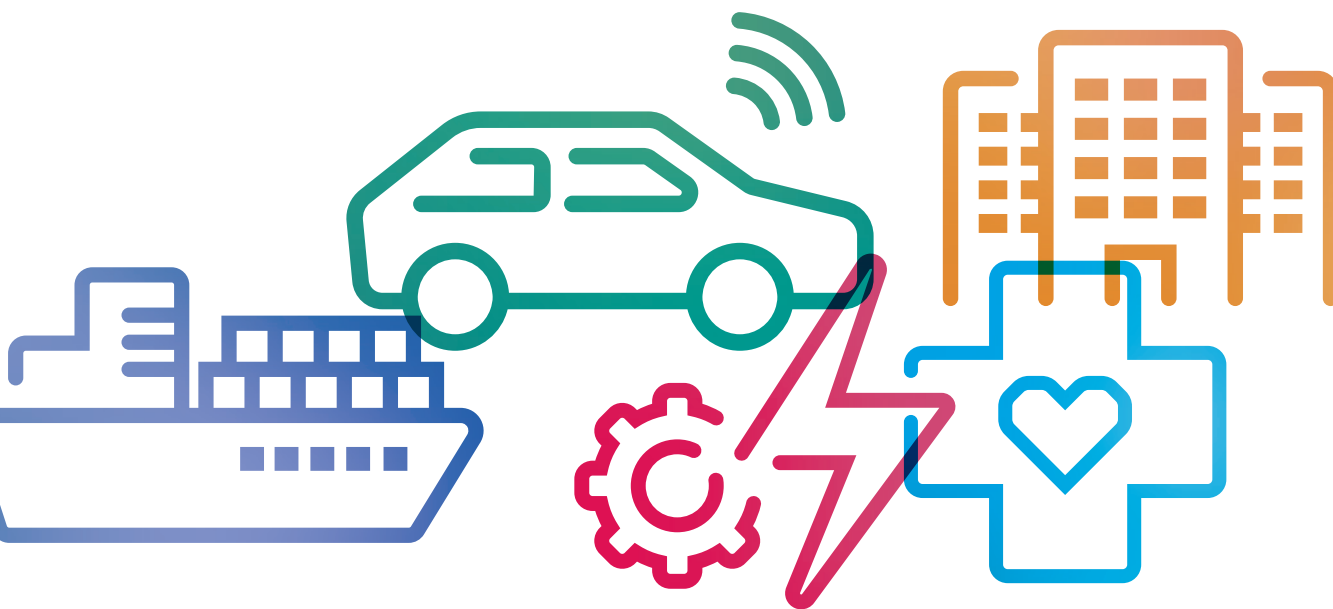


# DELIVERING INFORMATION AND INTELLIGENCE

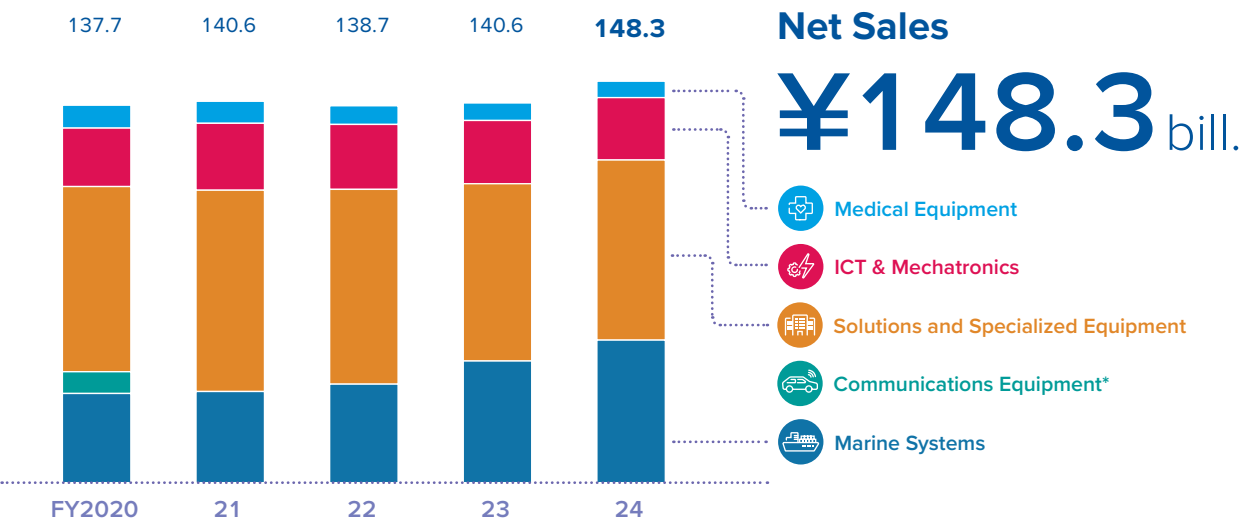
**Japan Radio Co., Ltd.**

**Financial Report 2024**

For the year ended December 31, 2024

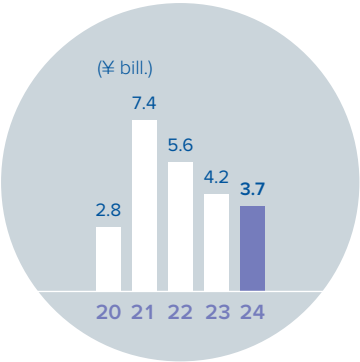


# Business Highlights

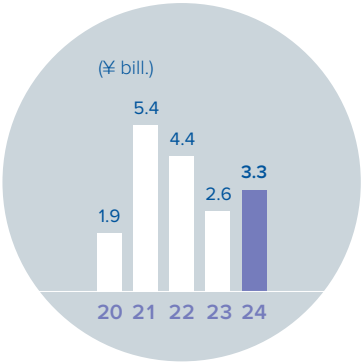


\* From FY2021, the Communications Equipment business is excluded, as this business was transferred to JRC Mobility Inc. January 1, 2021 through an absorption-type company split.

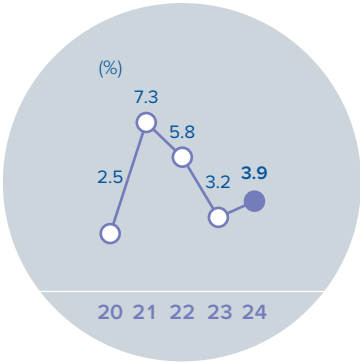
## Operating Income



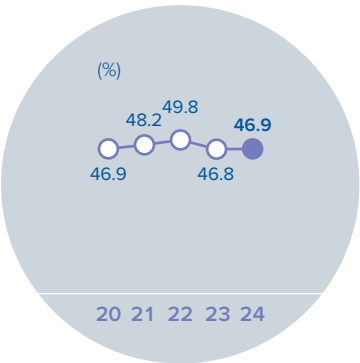
## Net Income attributable to owners of the parent



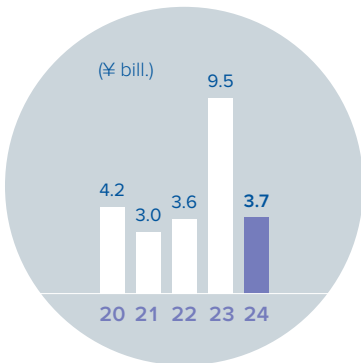
## ROE



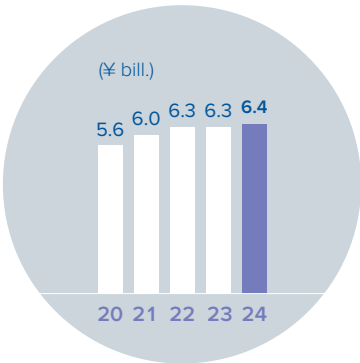
## Net Equity Ratio



## Capital Expenditure



## R&D Expenditure



# Financial Statements

Japan Radio Co., Ltd. and Consolidated Subsidiaries

## Consolidated Five-Year Term Summary

	Millions of yen					Thousands of U.S. dollars (Note)
<i>For the years ended December 31, 2020, 2021, 2022, 2023 and 2024.</i>	2020	2021	2022	2023	2024	2024
Net sales	¥137,726	¥140,614	¥138,671	¥140,567	¥148,291	\$937,481
Operating income	2,793	7,366	5,572	4,193	3,716	23,491
Operating income ratio (%)	2.0	5.2	4.0	3.0	2.5	—
Income before income taxes	3,059	8,399	6,532	4,260	3,757	23,750
Net income attributable to owners of the parent	1,855	5,431	4,438	2,552	3,276	20,713
<i>As of December 31, 2020, 2021, 2022, 2023 and 2024</i>						
Total assets	156,592	156,368	157,443	174,481	184,373	1,165,590
Total equity	73,613	75,523	78,527	81,889	86,587	547,394
Net equity ratio (%)	46.9	48.2	49.8	46.8	46.9	—
Interest-bearing liabilities	21,351	15,449	19,512	32,254	40,282	254,660
Depreciation and Amortization	3,625	3,733	3,840	4,482	5,182	32,761
Capital expenditures	4,167	2,972	3,648	9,516	3,672	23,215
Basic net income per share (yen/U.S. dollars)	56.77	166.25	135.84	78.12	100.29	0.63
ROE (%)	2.5	7.3	5.8	3.2	3.9	—
D/E ratio (times)	0.29	0.20	0.25	0.39	0.47	—
Number of Employees	5,662	5,602	5,639	5,634	5,456	—

Note: U.S. dollar amounts are translated, for convenience only, at ¥158.18 =US\$1.00, the rate prevailing on December 31, 2024.

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05	Notes to Consolidated Financial Statements
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# Japan Radio Co., Ltd. and Consolidated Subsidiaries

## Consolidated Balance Sheet December 31, 2024

ASSETS	Millions of Yen	Thousands of U.S. Dollars (Note 1)	LIABILITIES AND EQUITY	Millions of Yen	Thousands of U.S. Dollars (Note 1)
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash and cash equivalents	¥ 11,167	\$ 70,594	Short-term bank loans	¥ 34,729	\$ 219,555
Receivables:			Current portion of long-term debt (Note 13)	200	1,264
Trade notes (Note 10)	5,472	34,591	Current portion of long-term lease obligations	840	5,309
Trade accounts and contract assets (Note 9)	43,003	271,864	Payables:		
Unconsolidated subsidiaries and affiliated companies	299	1,892	Trade notes (Note 10)	8,418	53,218
Allowance for doubtful accounts	(226)	(1,428)	Trade accounts	12,036	76,090
Short-term loans due from parent company	2,918	18,444	Other (Note 10)	1,701	10,754
Inventories (Note 9)	61,335	387,752	Income taxes payable	1,251	7,906
Prepaid expenses and other	5,312	33,589	Accrued expenses	4,034	25,501
			Contract liabilities	7,309	46,207
Total current assets	129,280	817,298	Provision for bonuses	627	3,962
			Provision for loss on construction contracts	325	2,055
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			Other	3,354	21,212
Land (Note 8)	6,821	43,120			
Buildings and structures (Note 6 and 8)	40,716	257,405	Total current liabilities	74,824	473,033
Machinery and equipment (Note 6)	8,304	52,496			
Furniture and fixtures (Note 6)	15,469	97,795	<b>LONG-TERM LIABILITIES:</b>		
Lease assets	1,669	10,548	Long-term debt (Note 13)	2,900	18,334
Construction in progress	406	2,570	Liability for retirement benefits	17,250	109,052
Other	5,146	32,534	Deferred tax liabilities	276	1,745
Total	78,531	496,468	Deferred tax liabilities for land revaluation (Note 7)	256	1,616
Accumulated depreciation	(48,628)	(307,426)	Long-term lease obligations	1,300	8,219
			Asset retirement obligations	440	2,785
Net property, plant and equipment	29,903	189,042	Other	540	3,412
<b>INVESTMENTS AND OTHER ASSETS:</b>			Total long-term liabilities	22,962	145,163
Investment securities (Note 13)	5,527	34,944			
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 13)	394	2,488	<b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 9)</b>		
Goodwill	1,045	6,606			
Asset for retirement benefits	7,770	49,119	<b>EQUITY (Note 12):</b>		
Deferred tax assets (Note 4)	1,452	9,180	Common stock—authorized, 43,200,000 shares; issued, 32,668,523 shares as of December 31, 2024	14,704	92,960
Other (Note 6)	9,204	58,193	Capital surplus	22,417	141,721
Allowance for doubtful accounts	(202)	(1,280)	Retained earnings	42,597	269,293
			Accumulated other comprehensive income:		
Total investments and other assets	25,190	159,250	Unrealized gain on available-for-sale securities	2,545	16,091
			Foreign currency translation adjustments	1,932	12,213
			Defined retirement benefit plans	1,984	12,544
			Revaluation reserve for land (Note 7)	227	1,434
			Total	86,406	546,256
			Noncontrolling interests	181	1,138
			Total equity	86,587	547,394
<b>TOTAL</b>	<b>¥ 184,373</b>	<b>\$ 1,165,590</b>	<b>TOTAL</b>	<b>¥ 184,373</b>	<b>\$ 1,165,590</b>

See notes to consolidated financial statements.

# Japan Radio Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Income Year Ended December 31, 2024

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
NET SALES (Notes 3 and 4)	¥ 148,291	\$ 937,481
COST OF SALES (Notes 5 and 11)	<u>112,351</u>	<u>710,273</u>
Gross profit	35,940	227,208
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	<u>32,224</u>	<u>203,717</u>
Operating income	<u>3,716</u>	<u>23,491</u>
OTHER INCOME (EXPENSES):		
Interest and dividend income	315	1,992
Interest expense	(412)	(2,605)
Foreign exchange gain—net	708	4,473
Equity in earnings of unconsolidated subsidiaries and associated companies	68	429
Gain on sale of investment securities	139	880
Impairment losses (Note 6)	(256)	(1,618)
Loss on liquidation of subsidiaries and associates (Note 14)	(757)	(4,784)
Other—net	<u>236</u>	<u>1,492</u>
Other income—net	<u>41</u>	<u>259</u>
INCOME BEFORE INCOME TAXES	<u>3,757</u>	<u>23,750</u>
INCOME TAXES:		
Current	1,387	8,766
Deferred	<u>(943)</u>	<u>(5,963)</u>
Total income taxes	<u>444</u>	<u>2,803</u>
NET INCOME	3,313	20,947
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	<u>37</u>	<u>234</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ 3,276</u>	<u>\$ 20,713</u>
	<u>Yen</u>	<u>U.S. Dollars (Note 1)</u>
PER SHARE OF COMMON STOCK (Note 2r):		
Basic net income	¥100.29	\$ 0.63
Cash dividends applicable to the year	52.22	0.33

See notes to consolidated financial statements.

# Japan Radio Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statement of Changes in Equity Year Ended December 31, 2024

	Thousands Number of Shares of Common Stock Outstanding	Millions of Yen									
		Accumulated Other Comprehensive Income									
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Revaluation Reserve for Land	Total	Noncontrolling Interests	Total Equity
BALANCE, JANUARY 1, 2024	32,669	¥14,704	¥22,417	¥39,869	¥1,904	¥1,381	¥1,210	¥227	¥81,712	¥177	¥81,889
Net income attributable to owners of the parent				3,276					3,276		3,276
Cash dividends, ¥16.77 per share				(548)					(548)		(548)
Net change in the year					641	551	774		1,966	4	1,970
BALANCE, DECEMBER 31, 2024	32,669	¥14,704	¥22,417	¥42,597	¥2,545	¥1,932	¥1,984	¥227	¥86,406	¥181	¥86,587

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income				Total	Noncontrolling Interests	Total Equity
				Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Revaluation Reserve for Land			
BALANCE, JANUARY 1, 2024	\$ 92,960	\$ 141,721	\$ 252,044	\$ 12,038	\$ 8,733	\$ 7,647	\$ 1,434	\$ 516,577	\$ 1,120	\$ 517,697
Net income attributable to owners of the parent			20,713					20,713		20,713
Cash dividends, \$0.11 per share			(3,464)					(3,464)		(3,464)
Net change in the year				4,053	3,480	4,897		12,430	18	12,448
BALANCE, DECEMBER 31, 2024	<u>\$ 92,960</u>	<u>\$ 141,721</u>	<u>\$ 269,293</u>	<u>\$ 16,091</u>	<u>\$ 12,213</u>	<u>\$ 12,544</u>	<u>\$ 1,434</u>	<u>\$ 546,256</u>	<u>\$ 1,138</u>	<u>\$ 547,394</u>

See notes to consolidated financial statements.

# Japan Radio Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements Year Ended December 31, 2024

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### 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by Japan Radio Co., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") in accordance with the provisions set forth in the Companies Act of Japan and applicable regulations and in accordance with accounting principles generally accepted in Japan. The information provided in the notes to the consolidated financial statements is limited to that required by the Companies Act of Japan and applicable regulations.

Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein.

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.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which 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 ¥158.18 to \$1, the approximate rate of exchange at December 31, 2024. 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 December 31, 2024, include the accounts of the Company and its 31 significant subsidiaries.

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

Investment in one unconsolidated subsidiary is accounted for by the equity method.

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

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary company at the date of acquisition. Goodwill is reported in the balance sheet and is amortized using the straight-line method over seven years.

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

The cost of finished products and semifinished products is determined by the specific identification method or the average cost method.

The cost of work in process is determined by the specific identification method.

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

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

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

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

- d. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation is computed by the straight-line method. The range of useful lives is from 10 to 50 years for buildings and structures and from 7 to 8 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.
- e. 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 as 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.
- f. Stock and Bond Issue Costs**—Stock and bond issue costs are charged to income as incurred.
- g. 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.
- h. Retirement and Pension Plans**—The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Other consolidated subsidiaries have unfunded retirement benefit plans.

The Company and certain consolidated subsidiaries accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10–11 years, within the average remaining service period. Past service costs are amortized on a straight-line basis over 15 years, within the average remaining service period.

- i. Provision for Bonuses**—The provision for bonuses is estimated and recorded to provide for the payment of employee bonuses.
- j. Provision for Loss on Construction Contracts**—The provision for loss on construction contracts is provided for an estimated amount of probable losses to be incurred in future years.



- k. Asset Retirement Obligations**—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.
- l. 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.
- m. Revenue Recognition and Cost of Sales**—The Group recognizes revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for satisfying performance obligations to transfer the goods or services promised in contracts with customers. The main performance obligations for each product line and when such obligations are satisfied are as follows:

(1) *Sales of merchandise and finished goods*

The Group manufactures and sells wireless communication equipment. In principle, revenue is recognized when performance obligations are satisfied at the time products are delivered to customers or upon customer acceptance. For merchandise and finished goods that require installation work and the installation work is treated as a separate performance obligation from sales of merchandise and finished goods, the transaction price is allocated between the identified performance obligations based on the stand-alone selling price. (For export sales, revenue is recognized at a point in time when title, and risk and rewards of ownership have transferred to the customer in accordance with trade terms stipulated by International Commercial Terms.)

In addition, for transactions when the Group purchases raw materials from a customer and sells them back after processing them, the Group does not recognize the raw materials purchased as inventories. This is because the Group does not obtain control of the raw materials, thus, revenue recognition is only for the processing fees on a net basis.

(2) *Construction and manufacturing contracts*

The Group enters into construction or manufacturing contracts with its customers. For transactions when the Group determines that its performance obligations in such contracts are satisfied over time, revenue is recognized based on the progress in satisfying the performance obligations. Progress is primarily measured based on the ratio of the cumulative costs incurred by the end of the fiscal year against the total estimated costs for each contract. In other cases, revenue is recognized at a point in time when performance obligations are satisfied upon construction completion.

(3) *Maintenance, inspection and repair service*

The Group provides maintenance, inspection, and repair services to its customers. For transactions when the Group determines that its performance obligations in such contracts are satisfied over time, revenue is recognized based on the progress in satisfying the performance obligations. Progress is measured based on the ratio of the actual elapsed period as of the end of the fiscal year against the total period. In other cases, revenue is recognized when the delivery of the services is completed as the performance obligations are satisfied at a point in time.

- n. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.
- o. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward currency contracts and options.
- p. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate at the balance sheet date except for equity, which is translated at the historical rate.

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

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

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

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

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

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

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

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

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

- s. **Adoption of Group Tax Sharing System**—The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system. Accounting treatment of corporate and local corporate income tax or accounting treatment and disclosure of relevant tax effect accounting are conducted in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Accounting Standards Board of Japan Practical Issues Task Force No. 42, August 12, 2021).

### 3. REVENUE RECOGNITION

#### (1) *Disaggregation of Revenue*

The Group is engaged in marine systems, solution and specialized equipment, ICT and mechatronics, medical equipment, and other businesses. The types of goods or services for each business are wireless communications equipment and maintenance, inspection, and repair works.

Revenue for each business is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Marine systems	¥51,414	\$ 325,033
Solution and specialized equipment	63,815	403,430
ICT and mechatronics	22,076	139,563
Medical equipment	5,843	36,941
Other businesses	5,143	32,514

#### (2) *Basic Information to Understand Revenue*

Refer to Note 2m, "Revenue Recognition and Cost of Sales."

#### (3) *Revenue Allocated to Remaining Performance Obligations*

The total transaction price allocated to the remaining performance obligations as of December 31, 2024, is ¥150,033 million (\$948,496 thousand) and the Group expects to recognize the amount as revenue over one to three years.

### 4. SIGNIFICANT ACCOUNTING ESTIMATES

#### *Revenue Recognition by Method of Revenue Recognized Over Time*

##### (1) *Carrying amount*

	Millions of Yen	Thousands of U.S. Dollars
Net sales	¥17,918	\$ 113,275

##### (2) *Information on the significant accounting estimate*

Revenue recognition on the progress in satisfying the performance obligations is calculated based on the ratio of the cumulative costs incurred by the end of the fiscal year against the total estimated costs for each contract. The total estimated costs are considered based on project specifications, actual incurred costs in previous similar projects, and the complexity of the projects. In addition, there is a possibility that the estimated costs may be changed due to changes in specifications required by the customers after the beginning of the project. Changes in the estimate may lead to a significant impact on future financial statements.

## **Recoverability of Deferred Tax Assets**

### **(1) Carrying amount**

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Deferred tax assets	¥ 1,452	\$ 9,180

### **(2) Information on the significant accounting estimate**

Deferred tax assets are recognized by the estimated timing and amount of taxable income based on future business plans. In the preparation of our business plans, Sales are estimated based on actual orders received, market demand, growth potential, and other factors. Operating expenses are estimated based on past results and changes in research and development expenses, capital expenditures, etc. In addition, there is a possibility that the current estimate may be affected by uncertain future economic conditions. In case that the timing and amount of taxable income differ from the estimate, it may lead to a significant impact on the balance of deferred tax assets in our future financial statements.

## **5. INVENTORIES**

Write-downs of inventories for the year ended December 31, 2024, were recognized in the following account:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Cost of sales	¥1,245	\$ 7,871

## **6. LONG-LIVED ASSETS**

The Group reviewed its long-lived assets for impairment at December 31, 2024, and recognized impairment losses as follows:

### Year Ended December 31, 2024

Location: Fujimino City, Saitama

Asset use: Assets for the Other Business Division

Reason: Due to the difficulty of maintaining positive cash flows in the operation

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Type:		
Furniture and fixtures	¥ 26	\$ 165
Total	<u>¥ 26</u>	<u>\$ 165</u>

Location: Sanyo-Onoda City, Yamaguchi

Asset use: Manufacturing facilities

Reason: Total cash flows were expected to decline as a result of weak business performance

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Type:		
Buildings and structures	¥ 1	\$ 3
Machinery and equipment	211	1,332
Furniture and fixtures	18	114
Other	<u>          </u>	<u>4</u>
Total	<u>¥230</u>	<u>\$1,453</u>

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

## 7. LAND REVALUATION

Nagano Japan Radio Co., Ltd., a consolidated subsidiary, revaluated its land used for business activities in accordance with the "Law of Land Revaluation" on March 31, 2002. The difference between the revalued amount and the book value is recorded within "Revaluation reserve for land" in equity after deducting the related deferred tax liability.

The fair value as of December 31, 2024, declined by ¥996 million (\$6,299 thousand) compared to the book value after the revaluation.

## 8. PLEDGED ASSETS

As of December 31, 2024, the following assets were pledged as collateral for short-term loans and long-term debt of the Group:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Land	¥ 34	\$ 212
Buildings and structures	<u>161</u>	<u>1,022</u>
Total	<u>¥195</u>	<u>\$1,234</u>

There are no liabilities corresponding to the above assets pledged as collateral as of December 31, 2024.

## 9. CREDIT FACILITY AGREEMENT

Certain subsidiaries have concluded a credit facility agreement with a local bank for procurement of working capital. The portion of the credit line that had not been exercised under this agreement as of December 31, 2024, was as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Total loan agreement limits	¥907	\$5,734
Loan executions	<u>          </u>	<u>          </u>
Net	<u>¥907</u>	<u>\$5,734</u>

For this facility, the following have been as collateral:

- Rights of pledge for the inventory of Alphatron Marine Beheer B.V.
- Possessory pledge for all Dutch receivables

## 10. NOTES MATURING AS OF THE END OF THE FISCAL YEAR

As the end of this fiscal year, December 31, 2024, was a bank holiday, the trade notes maturing on the balance sheet date of the period in the following amounts were included.

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Receivables:		
Trade notes	¥ 646	\$ 4,084
Payables:		
Trade notes	1,506	9,523
Other	30	193

## 11. PROVISION FOR LOSS ON CONSTRUCTION CONTRACTS

Provision for losses on construction contracts included in cost of sales for the year ended December 31, 2024, was as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Cost of sales	¥ 325	\$ 2,055

## 12. EQUITY

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

### **a. Dividends**

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having Audit & Supervisory Board members, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company does not meet 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 charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

**c. *Treasury Stock and Treasury Stock Acquisition Rights***

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

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

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

### 13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### (1) *Group Policy for Financial Instruments*

The Group uses financial instruments, mainly long-term debt including bank loans, based on its business plan. Cash surpluses, if any, are invested in low-risk financial assets. Short-term bank loans are used to fund ongoing operations. Derivatives are not used 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, trade accounts and contract assets, 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, trade accounts, etc. 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 five years after the consolidated balance sheet date and a part of such bank loans is exposed to market risks from changes in variable interest rates.

Derivatives include forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables.

#### (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.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as at December 31, 2024.

##### *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 planned to be hedged principally by forward foreign currency contracts. In addition, when foreign currency trade receivables and payables are expected from forecasted transactions, forward foreign currency contracts are planned to be used under the limited contract term of half a year.

Interest rate swaps are planned to be 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 positions 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 transactions and balances with customers is made, and transaction data is 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 through commitment lines with major financial institutions.

#### **(4) Fair Values of Financial Instruments**

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead.

##### *(a) Fair values of financial instruments*

<u>December 31, 2024</u>	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Investment securities	<u>¥4,484</u>	<u>¥4,484</u>	<u>—</u>
Total	<u>¥4,484</u>	<u>¥4,484</u>	<u>—</u>
Long-term debt (including current portion of long-term debt)	<u>¥3,100</u>	<u>¥3,082</u>	<u>¥(18)</u>
Total	<u>¥3,100</u>	<u>¥3,082</u>	<u>¥(18)</u>
<u>December 31, 2024</u>	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Investment securities	<u>\$28,349</u>	<u>\$28,349</u>	<u>—</u>
Total	<u>\$28,349</u>	<u>\$28,349</u>	<u>—</u>
Long-term debt (including current portion of long-term debt)	<u>\$19,598</u>	<u>\$19,485</u>	<u>\$(113)</u>
Total	<u>\$19,598</u>	<u>\$19,485</u>	<u>\$(113)</u>

The fair values of cash and deposits are not disclosed. In addition, the fair values of receivables, short-term loan receivable, short-term bank loan, payables, income taxes payable and contract liabilities are not disclosed because they are settled in the short term and their fair values approximate their book values.

##### *(b) Financial instruments whose fair values cannot be reliably determined*

<u>December 31, 2024</u>	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥1,043	\$ 6,595
Investments in and advances to unconsolidated subsidiaries and affiliated companies that do not have a quoted market price in an active market	<u>394</u>	<u>2,488</u>
Total	<u>¥1,437</u>	<u>\$ 9,083</u>

**(5) Financial Instruments Categorized by Fair Value Hierarchy**

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the fair value measurement, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

*(a) Financial instruments measured at fair value*

<u>December 31, 2024</u>	<u>Millions of Yen</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities—				
Available-for-sale securities—stocks	<u>¥4,484</u>	<u>          </u>	<u>          </u>	<u>¥4,484</u>
Total	<u>¥4,484</u>	<u>          </u>	<u>          </u>	<u>¥4,484</u>

<u>December 31, 2024</u>	<u>Thousands of U.S. Dollars</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities—				
Available-for-sale securities—stocks	<u>\$28,349</u>	<u>          </u>	<u>          </u>	<u>\$28,349</u>
Total	<u>\$28,349</u>	<u>          </u>	<u>          </u>	<u>\$28,349</u>

*(b) Financial instruments not measured at fair value*

<u>December 31, 2024</u>	<u>Millions of Yen</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Long-term debt (including current portion of the long-term debt)	<u>          </u>	<u>¥3,082</u>	<u>          </u>	<u>¥3,082</u>
Total	<u>          </u>	<u>¥3,082</u>	<u>          </u>	<u>¥3,082</u>

<u>December 31, 2024</u>	<u>Thousands of U.S. Dollars</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Long-term debt (including current portion of the long-term debt)	<u>          </u>	<u>\$19,485</u>	<u>          </u>	<u>\$19,485</u>
Total	<u>          </u>	<u>\$19,485</u>	<u>          </u>	<u>\$19,485</u>

Listed stocks are valued based on quoted prices. Since listed stocks are traded in active markets, their fair values are categorized as Level 1.

The fair values of long-term debt (including current portion of the long-term debt) with fixed interest rate are measured by using the present values based on discounting the sum of principals and interests at the assumed borrowing rate in the case of new similar borrowing. The carrying amounts of those with variable interest rates approximate fair value because the variable interest rates reflect market rates in a short period of time. The fair values of those long-term debt are categorized as Level 2.

#### 14. LOSS ON LIQUIDATION OF SUBSIDIARIES AND ASSOCIATES

The Company recognized liquidation losses through a resolution to dissolve its consolidated companies, Shenzhen NJRC Technology Co., Ltd. and Nagano Japan Radio Co., (HK) Ltd.

#### 15. BUSINESS COMBINATION

##### ***Business Combination through Equity Acquisition***

Alphatron Marine Beheer B.V., the subsidiary of the Company, acquired 100% of equity of ARGONICS GmbH on November 28, 2024.

##### ***a. Overview of the Transaction***

###### (1) Name and business parties of the acquired company

Name: ARGONICS GmbH and its subsidiary, ARGONAV GmbH  
Business: Manufacture and sale of marine equipment

###### (2) Purpose of the business combination

The Company has set a direction to accelerate technological development to expand its digital business, develop automatic navigation systems, realize manned autonomous navigation, and deploy data services in the marine systems field. ARGONICS GmbH possesses full control and sensor fusion technologies, which are essential base technologies for automatic vessel operation.

ARGONICS GmbH and the Company will continue to cooperate in the research and development of elemental technologies for automatic navigation and bringing them to market, as well as the development of new business models utilizing digital technologies.

###### (3) Date of the business combination

November 28, 2024

###### (4) Legal form of the business combination

Equity acquisition in consideration for cash

###### (5) Company name following the business combination

No change

###### (6) Acquired voting rights ratio

Before the acquisition	0.0%
Acquisition on November 28, 2024	100.0%
After the acquisition	100.0%

###### (7) Basis for determining the acquirer

It is based on the fact that Alphatron Marine Beheer B.V. acquired 100% of voting rights by means of equity acquisition in consideration for cash.

**b. Period of Financial Performance of the Acquired Company Included in the Consolidated Financial Statements**

The financial performance of the acquired company was not included in the current consolidated fiscal statements because the acquisition date was the end of the current consolidated fiscal year.

**c. Acquisition Cost of the Acquired Company and Related Details of Each Class of Consideration**

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Consideration for acquisition for cash	<u>¥1,114</u>	<u>\$7,045</u>
Acquisition cost	<u>¥1,114</u>	<u>\$7,045</u>

**d. Major Acquisition-Related Costs**

The major acquisition-related cost were advisory fees, etc. ¥ 69 million (\$ 436 thousand.)

**e. Amount of Goodwill Recognized, Reasons for the Goodwill Recognition, and the Method and Period of Amortization**

(1) Amount of goodwill recognized

The amount of goodwill recognized was ¥ 1,032 million (\$ 6,523 thousand). The company applied provisional accounting treatment because allocation of acquisition costs had not been completed at the end of the current consolidated fiscal year.

(2) Reason for the goodwill recognition

The goodwill arose in relation to the anticipated future profit.

(3) Method and period of amortization

Goodwill will be amortized using the straight-line method over its effective period. The amortization period is to be determined based on the result of allocation of the acquisition costs.

**f. Amount and Major Breakdown of Acquired Assets and Assumed Liabilities on the Date of the Business Combination**

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Current assets	¥ 146	\$ 923
Property, plant and equipment	<u>13</u>	<u>84</u>
Total	<u>¥ 159</u>	<u>\$1,007</u>
Current liabilities	¥ 37	\$ 237
Long-term liabilities	<u>          </u>	<u>          </u>
Total	<u>¥ 37</u>	<u>\$ 237</u>

***g. Allocation of the Acquisition Costs***

As of the end of the current consolidated fiscal year, the specification of identifiable assets and liabilities and the calculation of their fair values at the date of business combination have not been completed. Therefore, the allocation of the acquisition costs has not been finalized. The Company has made a provisional accounting treatment based on reasonable information available at that time.

**16. SUBSEQUENT EVENT**

***Appropriation of Retained Earnings***

The following appropriation of retained earnings for the year ended December 31, 2024, was approved at the shareholders' meeting of the Company held on March 26, 2025:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Year-end cash dividends, ¥52.22 (\$0.33) per share	¥1,706	\$10,785

\* \* \* \* \*

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Japan Radio Co., Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of December 31, 2024, and the consolidated statement of income and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024, and its consolidated financial performance for the year then ended in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan.

### Convenience Translation

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

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

As explained in Note 1 to the consolidated financial statements, the information provided in the notes to the consolidated financial statements is limited to that required by the Companies Act of Japan and applicable regulations. Statements of comprehensive income and cash flows are not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, are not presented herein. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. Audit & Supervisory Board members are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Audit & Supervisory Board Members for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Companies Act of Japan and applicable regulations and 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Deloitte Touche Tohmatsu LLC*

May 9, 2025





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