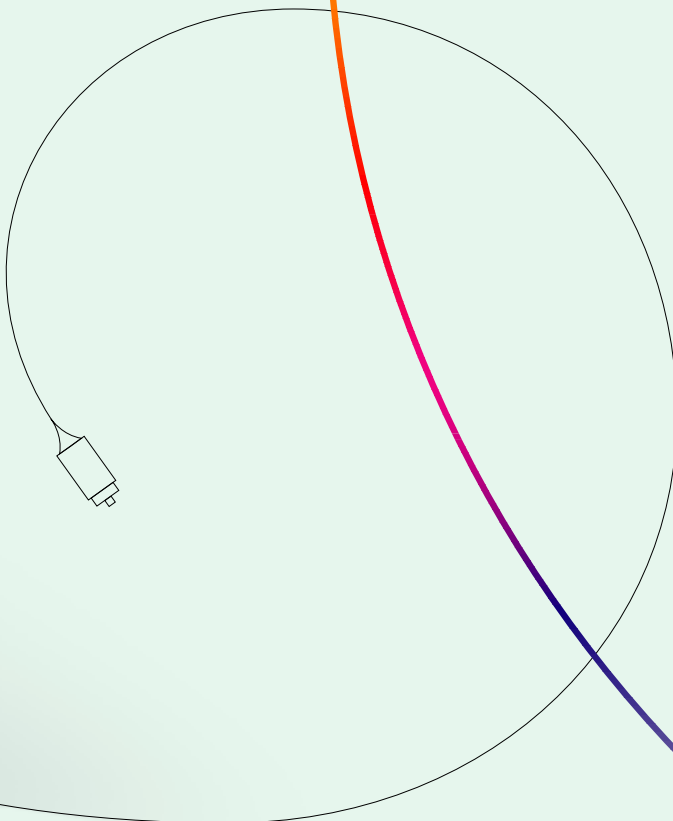




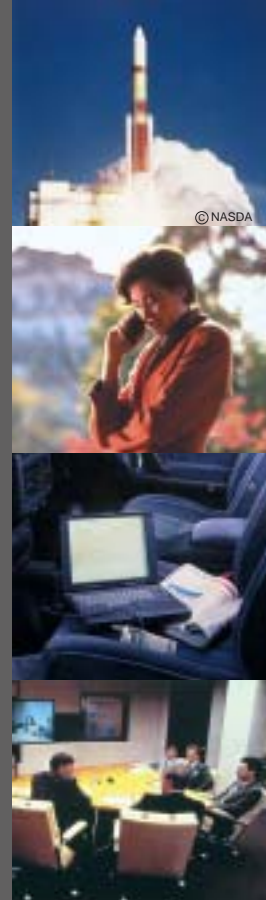
Annual  
Report  
2001

Year ended  
March 31, 2001

Japan Aviation Electronics Industry, Limited



Since its founding in 1953, Japan Aviation Electronics Industry, Limited (the "Company") has been engaged in the production and sale of electronic connectors, system equipment, industrial equipment, inertial and automatic flight control systems, optoelectronic products and others. These products are sold globally for a variety of applications, from use in everyday items such as PCs, mobile communications, automobiles and VTRs to airplanes and rockets. The Company's determination to meet the diverse and complex needs of customers is affirmed in its corporate philosophy: "Explore, Create and Practice." The JAE Group consists of the Company, 18 subsidiaries (eight overseas) and one affiliated company.



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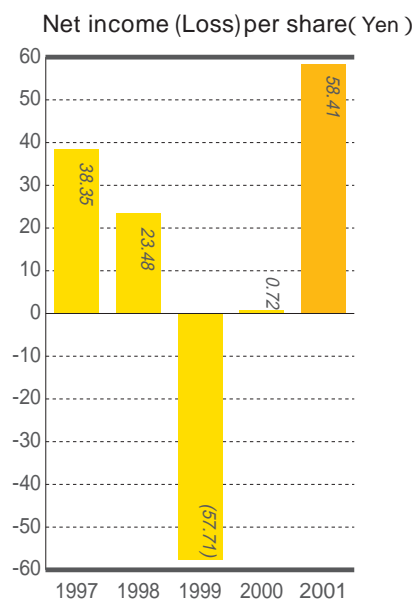
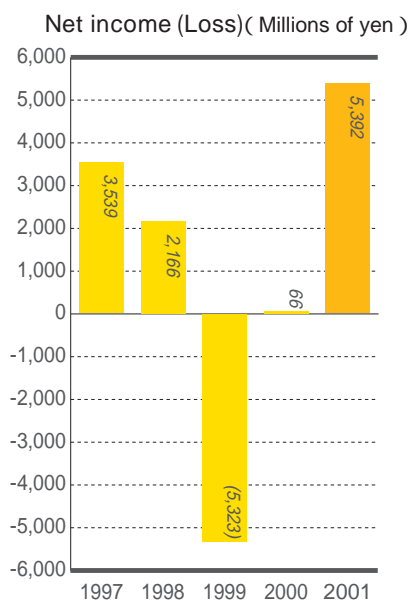
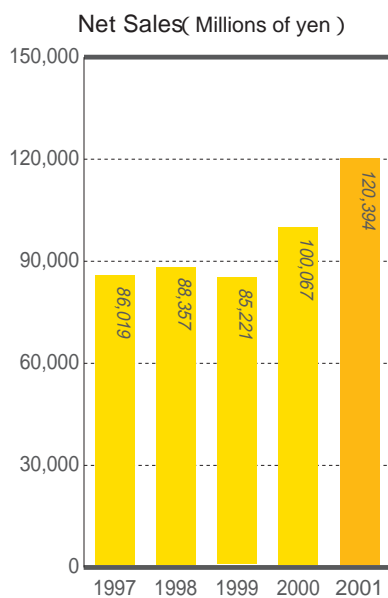
In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements.

# Financial Highlights

Japan Aviation Electronics Industry, Limited and consolidated subsidiaries  
Years ended March 31

Years ended March 31	Millions of yen					Thousands of U.S. dollars
	1997	1998	1999	2000	2001	2001
Net sales	¥ 86,019	¥ 88,357	¥ 85,221	¥ 100,067	¥ 120,394	\$ 978,810
Income (loss) before income taxes	4,196	2,917	(5,022)	( 14)	8,584	69,786
Net income (loss)	3,539	2,166	(5,323)	66	5,392	43,834
Total assets	98,922	98,346	105,141	108,942	108,729	883,979
Shareholders' equity	32,259	33,929	28,024	30,645	35,716	290,376
	yen					U.S. dollars
Per share of common stock						
Net income (loss)	¥ 38.35	¥ 23.48	¥ (57.71)	¥ 0.72	¥ 58.41	\$ 0.47
Shareholders' equity	349.71	367.81	303.80	332.01	386.95	3.15
Return on equity(%)	11.0	6.4	(19.0)	0.2	16.2	
Return on assets(%)	3.6	2.2	(5.1)	0.1	5.0	

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥123=U.S.\$1.





*Masami Shinozaki, President*

I am pleased to report on the business and financial results of Japan Aviation Electronics Industry, Limited (the "Company") for fiscal year 2001, year ended March 31, 2001.

Looking back on our business activities, the first half of the year began with a good start. This was due mainly to IT and automobile-related areas. In the second half, however, IT-related demand slowed down considerably, forcing production cutbacks, and the business environment surrounding the Company regressed greatly.

Under such circumstances, the Company worked to improve efficiency in all areas of management. This was done by expanding orders and sales to meet rapid globalization, increasing the rate of machine operation, promoting production reform in all group companies to reduce lead time, and cutting fixed costs. As a result, business advanced, centering on connectors, and we were able to see the highest orders and sales in the Company's history, resolve cumulative losses, and restore dividends one year earlier than planned.

Consolidated business performance also proved to be the best ever, posting net sales of ¥120,394 million (120% compared to previous year), and net income of ¥5,392 million. In addition we achieved return on equity of 16.2%, free cash flow was up ¥15,216 million, interest debt was down ¥11,323 million from the previous year to ¥30,194 million, and our financial status improved overall.

Looking ahead, with the US economy slowing down, and exports from Asian countries decreasing, the business environment is expected to remain harsh. Regarding the electronics industry, in which the Company is involved in, the global market for electronics should grow further and progress in the mid to long-term forecast, thanks to the development of the network society and expansion of new business opportunities. At the same time, however, competition in the global market is also expected to increase, with more and more production centers being established in Asian countries, and the rate of technical advances continuing to accelerate.

Thus, the Company intends to get back to the basics of business management, striving to strengthen our global marketing and technical development expertise, improve customer satisfaction through enhanced productivity and quality, and reinforcing the development of human resources. With this fundamental business policy, we will continue to work to further improve and advance.

In these and all our endeavors, I ask for the continued support of our shareholders.



*Masami Shinozaki, President*



Connectors for digital display conjunction



Automotive electronics connectors



Reflex optical type touch panel



High density surface mounting printed circuit board assembly

### Connectors

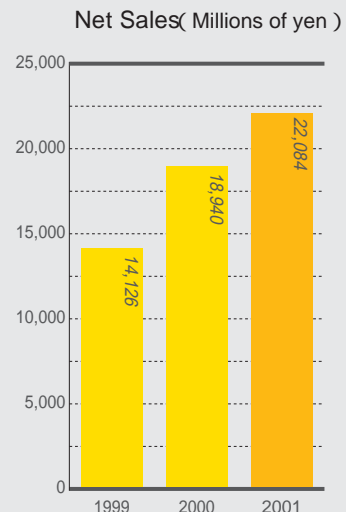
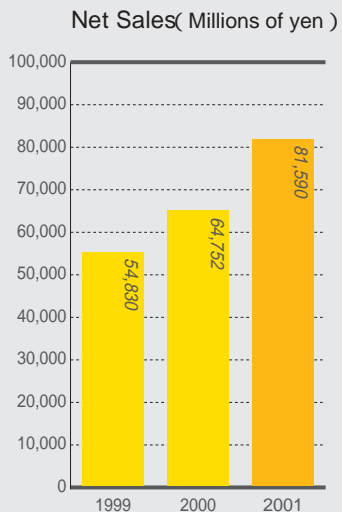
Connectors and related products are used in a wide variety of fields, from cellular phones, PCs and other IT-related equipment, FA, measuring instruments and other industrial-use equipment, to digital household appliances, car electronics, etc. With the further networking and digitalization of these types of equipment, the market for connectors and related products is expanding, proving to be a core business for JAE.

For fiscal year 2001, orders for products in this business segment amounted to ¥82,403 million (US\$669,940 thousand), up 25% compared to fiscal year 2000. Consolidated net sales increased 25% to ¥81,590 million (US\$663,332 thousand).

### System Equipment

System equipment and related products includes hand-held terminals, display equipment, panel units and other input/output devices, and high density surface mounted printed circuit board assemblies. Here too, demand is expanding with the development of our highly information-oriented society.

For fiscal year 2001, orders for products in this business segment totaled ¥22,797 million (US\$185,341 thousand), up 11% compared to fiscal year 2000. Consolidated net sales amounted to ¥22,084 million (US\$179,541 thousand), an increase of 16%.





Inclinometer package



Camera stabilizer



Optical filter

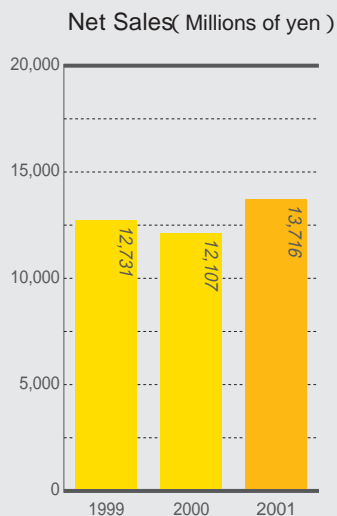


Single-mode fiber-optic cou

## Industrial Equipment, Inertial and Automatic Flight Control Systems

In this business segment, we provide products to meet governmental demand for gyros, accelerometers, inertial navigation and guidance/control systems that utilize these inertial sensors, and other airborne electronic equipment such as radar altimeters. In the industrial field, we are expanding our line to include seismic transducers for semiconductor production systems, sensors for overseas oil-drilling markets, camera stabilizers, and unmanned remote-control industrial helicopters.

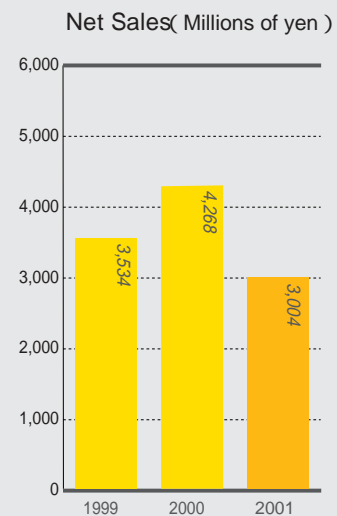
For fiscal year 2001, orders amounted to ¥12,556 million (US\$102,082 thousand), up 12% over fiscal year 2000, and consolidated net sales totaled ¥13,716 million (US\$111,513 thousand), up 13%.



## Opto Devices and Others

Opto devices include optical modulators, LD modules, optical links, optical couplers and optical filters that utilize ultra-precision coating technology, AR coating, and other optoelectronic products. With the worldwide expansion of the infrastructure market for optical communications, this business segment is expected to grow.

For fiscal year 2001, orders amounted to ¥2,920 million (US\$23,740 thousand), 77% compared to the previous year. Consolidated net sales totaled ¥3,004 million (US\$24,425 thousand), 83% of fiscal year 2000.



1) Operating Results

For fiscal year 2001, ended March 31, 2001, Japan Aviation Electronics Industry, Limited posted consolidated net sales of ¥120,394 million (US\$978,810 thousand), 120% compared to the previous year, with operating income up 90% to ¥10,614 million (US\$86,294 thousand), and income before income taxes 265% of the previous year at ¥8,783 million (US\$71,406 thousand). Net income for fiscal year 2001 was ¥5,392 million (US\$43,834 thousand), an increase of ¥5,326 million (US\$43,293 thousand) from fiscal year 2000.

Results by region were as follows. Consolidated net sales for Japan amounted to ¥93,495 million (US\$760,117 thousand), up 14% over fiscal year 2000 and operating income was ¥11,164 million (US\$90,764 thousand), up 62%. The corresponding figures for North America were ¥10,015 million (US\$81,431 thousand), up 52%, and ¥1,114 million (US\$9,062 thousand), 229% of the previous year. Consolidated net sales for Asia amounted to ¥16,884 million (US\$137,262 thousand), up 50%, and operating income was up 40% to ¥1,740 million (US\$14,151 thousand).

2) Cash Flow

Cash flows from operating activities consisted of consolidated net income before tax adjustments of ¥8,583 million (US\$69,786 thousand), depreciation of ¥607 million (US\$48,839 thousand) and decreased inventories, amounting to an increase of ¥22,149 million (US\$180,081 thousand).

Cash flows from investing activities decreased ¥6,932 million (US\$56,366 thousand), mainly due to increased investments in such facilities as automated production lines, labor-saving and other streamlining systems, and optical device production systems.

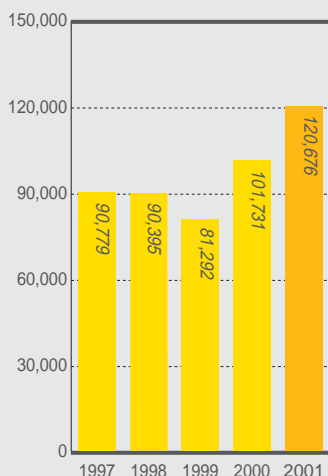
As a result, free cash flow for fiscal 2001 increased ¥14,657 million (US\$119,163 thousand) from the previous year to ¥15,216 million (US\$123,715 thousand). Cash and cash equivalents at year-end was ¥14,941 million (US\$121,479 thousand), up ¥3,660 million (US\$29,756 thousand) over the figure at the end of fiscal year 2000.

3) Outlook

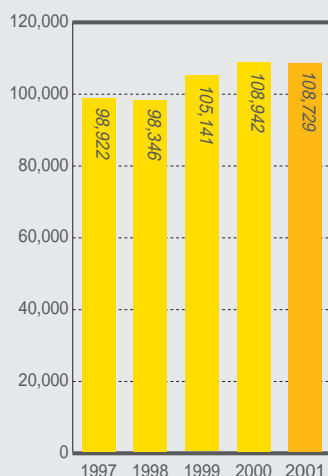
The economic forecast is not an optimistic one. The future of the U.S. economy, which has until now led the world economy,



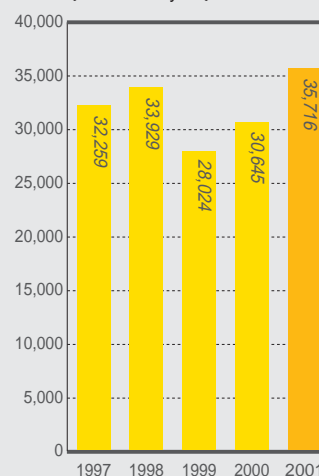
Orders (Millions of yen)



Total Assets (Millions of yen)



Shareholders' Equity (Millions of yen)



is unclear and unable to shake away the possibility of a recession. Consumer spending and private investment is still sluggish in Japan. The electronics industry, in the mid to long-term forecast, is expected to maintain a high rate of growth through IT-related demand, and this will serve to boost the economy as a whole. However, the rapid increase of production bases in Asian countries, and the accelerating rate of technological advances are just a few signs to predict that competition in the global market will become a challenge. In this growing market of rapid digitalization and IT, JAE will get back to the basics of business management, laying further emphasis on global marketing and technological development, and improving productivity and quality to enhance customer satisfaction. At the same time, we will seek to nurture human resources to lay the foundations for the future, and strive to improve business performance.

The consolidated business outlook for fiscal 2002 (April 1, 2001 ~ March 31, 2002) is as follows:

	Hundred millions of yen	Millions of U.S. dollars	Compared to previous year
Net sales .....	1,200	976	100%
Operating income .....	100	81	94%
Income before income taxes .....	80	65	91%
Net income .....	47	38	88%

Note : This outlook is based on our plans and expectations which we deem rational at this point, and may differ greatly from actual achievements. Some important factors to affect actual achievements are 1) changes in the economic scene; changes in demand 2) great fluctuations in the currency exchange rate. Other factors are also possible.

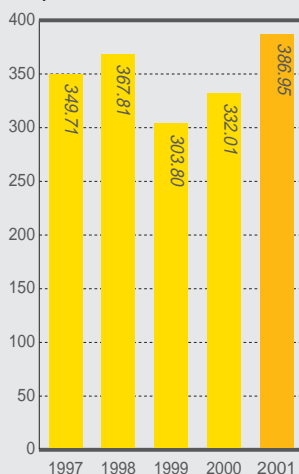
#### 4) Dividend

Since we succeeded in eliminating cumulative losses in fiscal year 2001 (year ended March 31), a term-end cash dividend of ¥2.5 per share is planned, to be resolved at the 71st regular shareholder's meeting.

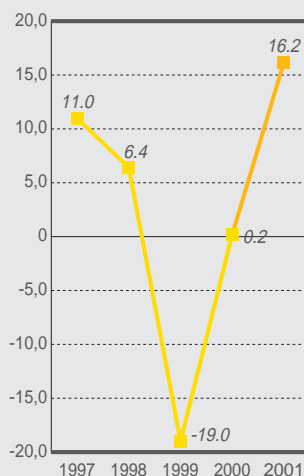
Cash dividend for fiscal year 2002 (year ending March 31) is expected to be ¥5 per share (¥2.5 interim, ¥2.5 term-end)

# 2001

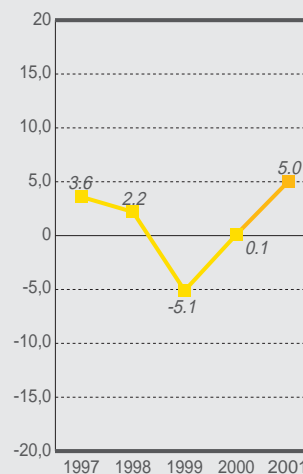
Shareholders' Equity per Share ( Yen )



Return on Equity (%)



Return on Assets (%)



## Consolidated Balance Sheets

Japan Aviation Electronics Industry, Limited and consolidated subsidiaries  
Years ended March 31

ASSETS	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
<b>Current assets:</b>			
Cash and bank deposits .....	¥ 10,947	¥ 14,836	\$ 120,622
Marketable securities(Note 10) .....	1,417	136	1,103
Notes and accounts receivable(Note 10) .....	35,426	35,310	287,072
Allowance for doubtful receivables .....	(191)	(276)	(2,241)
Inventories .....	20,058	17,644	143,449
Deferred tax asset .....	1,751	1,478	12,013
Other current assets .....	1,789	1,249	10,151
<b>Total current assets .....</b>	<b>71,197</b>	<b>70,377</b>	<b>572,169</b>
<b>Property, plant and equipment</b>			
Land .....	4,035	4,075	33,134
Buildings .....	23,341	24,109	196,006
Machinery and equipment .....	70,669	72,934	592,962
Construction in progress .....	1,705	1,219	9,908
Less: Accumulated depreciation .....	(69,430)	(70,347)	(571,931)
<b>Net property, plant and equipment .....</b>	<b>30,320</b>	<b>31,990</b>	<b>260,079</b>
<b>Investments and long-term receivables</b>			
Investments in securities(Note 10) .....	297	1,521	12,365
Investments in unconsolidated subsidiaries and affiliates(Note 10) .....	286	240	1,957
Other long-term receivables .....	695	612	4,974
<b>Total investments and long-term receivables .....</b>	<b>1,278</b>	<b>2,373</b>	<b>19,296</b>
<b>Other assets</b>			
Deferred tax asset .....	1,615	1,040	8,461
Deferred charges and other assets .....	3,404	2,949	23,974
<b>Total other assets .....</b>	<b>5,019</b>	<b>3,989</b>	<b>32,435</b>
Translation adjustments .....	1,128	-	-
<b>Total assets .....</b>	<b>108,942</b>	<b>108,729</b>	<b>883,979</b>

Notes : These consolidated financial statements are prepared in conformity with accounting principles generally accepted in Japan, applied on a consistent basis and presented in a form commonly used in the United States.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
<b>Current liabilities:</b>			
Short-term bank loans .....	¥ 29,263	¥ 20,936	\$ 170,211
Current portion of long-term debt .....	3,615	4,110	33,413
Notes and accounts payable .....	22,978	26,909	218,772
Accrued expenses .....	3,113	3,634	29,546
Accrued income taxes .....	454	1,308	10,640
Deferred tax liability .....	0	9	72
Other current liabilities .....	1,221	1,196	9,722
<b>Total current liabilities</b> .....	<b>60,644</b>	<b>58,102</b>	<b>472,376</b>
<b>Long-term liabilities:</b>			
Long-term debt, less current portion .....	8,639	5,149	41,858
Liability for severance benefits .....	8,488	9,125	74,189
Deferred tax liability .....	113	113	918
Other long-term liabilities .....	0	-	-
<b>Total long-term liabilities</b> .....	<b>17,240</b>	<b>14,387</b>	<b>116,965</b>
Minority interest .....	413	524	4,262
<b>Shareholders' equity:</b>			
Common stock, par value ¥50 per share			
Authorized-200,000,000 shares			
Issued 2001-92,302,608 shares .....	10,690	10,690	86,913
Additional paid - in capital .....	14,431	14,431	117,329
Net unrealized holding gains on securities .....	-	187	1,523
Translation adjustments .....	-	(507)	(4,129)
Retained earnings .....	5,524	10,916	88,745
Less: Treasury common stock, at cost			
725 shares in 2000 and 971 shares in 2001 .....	(0)	(1)	(5)
<b>Total shareholders' equity</b> .....	<b>30,645</b>	<b>35,716</b>	<b>290,376</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>108,942</b>	<b>108,729</b>	<b>883,979</b>

# Consolidated Statements of Income and Retained Earnings

Japan Aviation Electronics Industry, Limited and consolidated subsidiaries  
Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Net sales .....	¥ 100,067	¥ 120,394	\$ 978,810
Cost of sales .....	77,303	90,342	734,485
Gross profit .....	22,764	30,052	244,325
Selling, general and administrative expenses (Note 11) .....	17,168	19,438	158,031
Operating income .....	5,596	10,614	86,294
Other income (expenses):			
Interest expenses .....	(726)	(713)	(5,800)
Interest and dividend income .....	189	199	1,617
Foreign exchange gain (loss) .....	(576)	542	4,410
Other, net .....	(1,172)	(1,859)	(15,115)
	(2,285)	(1,831)	(14,888)
Extraordinary gain (loss) .....	(3,325)	(199)	(1,620)
Income (loss) before income taxes .....	(14)	8,584	69,786
Income taxes .....	724	2,324	18,895
Income taxes adjustment .....	(853)	759	6,174
Minority interest .....	49	109	883
Net income .....	66	5,392	43,834
Retained earnings:			
Balance at beginning of the year .....	2,979	5,524	44,911
Deferred tax adjustment of the prior year .....	2,390	-	-
Add:			
Increase due to newly consolidated subsidiary .....	89	-	-
Net income .....	66	5,392	43,834
Deduct:			
Cash dividends paid .....	-	-	-
Bonuses to directors and statutory auditors .....	-	-	-
Decrease due to newly consolidated subsidiary .....	-	-	-
Balance at end of the year .....	5,524	10,916	88,745
	yen		U.S. dollars
Net income per share .....	¥ 0.72	¥ 58.41	\$ 0.47

# Consolidated Statements of Cash Flows

Japan Aviation Electronics Industry, Limited and consolidated subsidiaries  
Years ended March 31

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
<b>Cash flows from operating activities</b>			
Income (loss) before income taxes .....	¥ (14)	¥ 8,584	\$ 69,786
Depreciation .....	5,517	6,007	48,839
Loss on disposal of property plant and equipment .....	259	501	4,070
Provision for retirement benefits .....	160	637	5,181
Prior year adjustment loss .....	3,325	-	-
Over requisition paid .....	(7,745)	-	-
(Increase) decrease in notes and accounts receivable .....	(408)	499	4,055
(Increase) decrease in inventories .....	1,404	2,697	21,926
Increase (decrease) in notes and accounts payable .....	2,560	3,458	28,117
Other .....	(492)	(233)	(1,893)
Net cash provided by operating activities .....	4,566	22,150	180,081
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment .....	(7,259)	(10,799)	(87,799)
Proceeds from sale of property, plant and equipment .....	3,270	3,693	30,026
Proceeds from sale of marketable securities .....	382	110	898
Decrease in time deposits .....	34	8	66
Net decrease in long-term loans receivable .....	90	50	410
Other .....	(524)	5	33
Net cash used in investing activities .....	(4,007)	(6,933)	(56,366)
<b>Cash flows from financing activities</b>			
Proceeds from long-term debt .....	5,236	50	407
Repayments of long-term debt .....	(3,278)	(3,646)	(29,644)
Increase (decrease) in short-term debt .....	157	(7,882)	(64,076)
Dividends paid .....	(12)	(14)	(115)
Other .....	(0)	(0)	(1)
Net cash provided by financing activities .....	2,103	(11,492)	(93,429)
Effect of exchange rate changes on cash and cash equivalents .....	55	(64)	(523)
Net increase in cash and cash equivalents .....	2,717	3,661	29,763
Cash and cash equivalents at beginning of year .....	8,339	11,281	91,716
Net increase in cash and cash equivalents from new consolidation .....	225	-	-
Cash and cash equivalents at end of year .....	11,281	14,942	121,479
<b>Supplemental disclosure of cash flow information</b>			
Cash paid during the year for:			
Interest .....	714	697	5,668
Income taxes .....	364	1,459	11,865

# Notes to Consolidated Financial Statements

Japan Aviation Electronics Industry, Limited and consolidated subsidiaries  
Years ended March 31

## 1. Basis of presenting consolidated financial statements

Japan Aviation Electronics Industry, Limited (the "Company"), a Japanese corporation and its domestic subsidiaries maintain their records and prepare financial statements in Japanese yen in conformity with accounting principles generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. Its overseas subsidiaries prepare their financial statements in conformity with accounting principles generally accepted in respective domicile countries.

The accompanying consolidated financial statements are basically an English version of those which have been prepared for Japanese domestic purposes in accordance with the provisions of the Securities and Exchange Law of Japan, and filed with the Ministry of Finance ("MOF") in Japan, and the Tokyo Stock Exchange. Certain modifications, including presentation of the statements of shareholders' equity and the cash flows have been made in the accompanying financial statements to facilitate understanding by readers outside Japan.

The consolidated statement of cash flows for 1999 has been prepared for the purpose of inclusion in the accompanying consolidated financial statements even though such a statement was not customarily prepared in Japan and not required to be filed with MOF at that time. Consolidated statements of cash flows for 2001 and 2000 are prepared in accordance with the "Standards for Preparation of Consolidated Cash Flow Statements" effective in 2000.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers and have been calculated at the rate of ¥123=U.S.\$1.

## 2. Scope of consolidation

### (1) Number of consolidated subsidiaries:11

The consolidated subsidiaries are as follows: JAE Hirosaki, Ltd., JAE Yamagata, Ltd., JAE Fuji, Ltd., JAE Shinshu, Ltd., JAE Taiwan, Ltd., JAE Oregon, Inc., Nikko Logistics, Corp., Hakkodengyo Co., Ltd., JAE Electronics, Inc., JAE Philippines, Inc., JAE Hong Kong, Ltd.

### (2) Number of non-consolidated subsidiaries:7

The non-consolidated subsidiaries are as follows: JAE Engineering, Ltd., JAE Services, Ltd., JAE Foods, Ltd., Hirosaki Hakko Co., Ltd., JAE Singapore Pte Ltd., JAE Korea, Inc., JAE Europe, Ltd.

### (3) Reason for exclusion of non-consolidated companies from scope of consolidation

The seven non-consolidated companies were excluded from the scope of consolidation because they are all small in terms of their total assets, turnover, profit and surplus, and would have no significant overall impact on the consolidated financial statements.

## 3. Application of equity method

The impact of the seven non-consolidated companies and one affiliated company on the consolidated profit and consolidated surplus is slight, and overall they are of minor importance. Investments in said companies have therefore been valued according to the cost method rather than the equity method.

## 4. Business years of consolidated subsidiaries

The closing date of the business year for each consolidated subsidiary is the same as the date of consolidated settlement.

## 5. Accounting standards

### (1) Standards and methods for valuing major assets

#### 1. Marketable securities

Listed shares: Market value method based on the market on the date of settlement

(As evaluation of them, net unrealized holding gain on securities classified in shareholding's equity.)

Other securities: Cost method based on moving averages

#### 2. Derivatives: Market value method

#### 3. Inventories: Principally the cost method based on the LIFO principle

### (2) Depreciation on major depreciable assets

#### Property, plant and equipment

Buildings: The Company and nine of the 11 consolidated subsidiaries use the straight-line method, while the remaining two use the declining-balance method.

Items other than buildings: The Company and seven out of the 11 consolidated subsidiaries use the declining-balance method, while the remaining four use the straight-line method

Petty sum depreciable assets: The Company and six of the consolidated subsidiaries are governed by blanket uniform depreciation over three years

(3) Standards for calculating major reserves

1. Bad debts reserve

Calculated as provision against losses from bad debts in accordance with the stipulations of the Corporation Tax Law, as the limit (statutory inclusion rate) defined by said law

2. Retirement allowance reserve

Calculated as provision for payments of employees' severance pay, based on severance and pension benefit obligations at the end of the year. Regarding the recognized variance arising from a change in the accounting standard, the cost is evenly amortized over a 15-year period.

(4) Treatment of major lease transactions

All finance lease transactions, other than those where it is recognized that title to the leased property passes to the lessor, are governed by accounting procedures in accordance with the methods for normal rental transactions.

(5) Treatment of major hedge accounts

1. Hedge accounting

Deferred treatment. Interest rate swap is applied, however, in cases meeting the necessary requirements

2. Hedge method and transactions

Hedge method: derivatives (interest rate swap and forward exchange contract)

Hedged transaction: Debts due to variable interest rate and foreign currency bonds

3. Hedge policy

It is our policy not to conduct speculative transactions. Derivatives are used to avoid risks from interest rate fluctuations on debts, and exchange rate fluctuations on foreign currency transactions.

4. Evaluation of hedge effectiveness

Effectiveness is assessed by rate analysis of the sum total of price fluctuation involving hedged transactions, and the sum total of price fluctuation involving hedge methods.

(6) Treatment of consumption tax, etc.

Tax excluded method

6. Evaluation of the assets and liabilities of the consolidated subsidiaries

Assets and liabilities of the consolidated subsidiaries are evaluated by the fair market value method.

7. Consolidated adjustment accounts

Consolidated adjustment accounts are governed by blanket uniform depreciation over five years. The account has been redeemed by the beginning of the consolidated fiscal year.

8. Distribution of net profit

Consolidated statements of retained earnings are compiled, based on the distribution of net profit determined during the consolidated fiscal year.

9. Funds involved in consolidated statements of cash flows

Funds (cash and cash equivalents) stated in consolidated statements of cash flows are cash on hand, demand deposits, and short-term investments that will meet their term of redemption within three months of acquisition, are high in liquidity, easily converted into cash, and are low in risk against fluctuating cost

10. Relating to the Consolidated Balance Sheets

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
(1) Assets offered as collateral			
1. Factory foundation	6,958	6,653	54,092
2. Land	1,693	1,693	13,762
3. Buildings and structures	877	847	6,889
4. Marketable securities	52	-	-
5. Investment securities	49	168	1,365
(2) Discounts on notes receivable	50	49	398
(3) Contingency liabilities	112	107	873

11. Relating to the Consolidated Statements of Income and Retained Earnings	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Years ended March 31			
(1) Selling, general and administrative expenses			
Main categories and amounts			
1. Packing and shipping charges	1,744	2,321	18,873
2. Salaries and bonuses	5,542	5,734	46,615
3. Provision of reserve for retirement allowance	601	759	6,173
4. Depreciation	246	285	2,320
(2) Administrative expenses, and R&D expenses included in current manufacturing expenses			
Administrative expenses	2,537	3,096	25,173
Current manufacturing expenses	2,851	3,378	27,465
Total	5,388	6,474	52,638

12. Relating to the Consolidated Statements of Cash Flows	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Years ended March 31			
Cash and deposits account	10,947	14,836	120,622
Time deposits with deposit period of over 3 months	(37)	(30)	(246)
Money management funds etc. included in securities account	371	136	1,103
Cash and cash equivalents	11,281	14,942	121,479

### 13. Pension and severance plans

#### (1) Outline of retirement schedule

The Company and six domestic subsidiaries have severance indemnity plans under which employees who meet eligibility requirements of the retirement regulations are entitled to lump-sum severance indemnities. The Company and four domestic subsidiaries also have qualified pension plans

Years ended March 31	Millions of yen	Thousands of U.S. dollars
	2001	2001
(2) Relating to severance benefit obligations		
1. Severance benefit obligations	(22,026)	(179,070)
2. Plan assets	5,004	40,680
3. Unrecognized variance arising from mathematical calculations	516	4,195
4. Unprocessed cost in recognized variance arising from a change in accounting standard	7381	60,006
5. Liability for severance benefits	(9,125)	(74,189)

Years ended March 31	Millions of yen	Thousands of U.S. dollars
	2001	2001
(3) Relating to severance benefit cost		
1. Service cost	1,096	8,911
2. Interest cost	717	5,833
3. Expected return	(171)	(1,394)
4. Unprocessed cost in recognized variance arising from a change in accounting standard	546	4,440
5. Severance benefit cost	2,188	17,790

#### (4) Relating to severance benefit obligation accounting standard

1. Discount rate		3.5%
2. Expected rate of return		3.5%
3. Distribution of expected severance benefit	Fixed amount over determined period	
4. Years dealing with variance from mathematical calculations		15 years
5. Years dealing with margin from change in accounting standard		In principal, 15 years

### 14. Additional information

#### Accounting of severance benefit

The accounting standard for severance benefit ("Judgment regarding the establishment of an accounting standard for severance benefit" Business Accounting Deliberation Council, June 16, 1998) has been applied, starting this consolidated fiscal year.

Due to this change, the severance benefit cost is up ¥771 million, and current profit and income before income tax adjustment is down ¥766 million, compared to accounting by the conventional method.

Severance salary allotment, heretofore noted, is included in the severance benefit allotment.

#### Accounting of financial instruments

The accounting standard for financial instruments ("Judgment regarding the establishment of an accounting standard for financial instruments" Business Accounting Deliberation Council, January 22, 1999) has been applied, starting this consolidated fiscal year.

Due to this change, current profit and income before income tax adjustment is down ¥68 million, compared to accounting by the conventional method.

The holding purpose of securities retained at the beginning of the fiscal period have been studied, and securities that reach maturity within one year as well as securities bearing the same characteristics as deposits have been listed as current assets. All other securities have been listed as investment securities. As a result, securities have decreased ¥911 million, and investment securities have increased the same amount.

#### Accounting of foreign currency-based transactions

The accounting standard for foreign currency-based transactions ("Judgment regarding the revision of foreign currency-based transaction accounting standard" Business Accounting Deliberation Council, October 22, 1999) has been applied, starting this consolidated fiscal year. The effect of this change on income and losses is slight.

"Exchange conversion adjustment account", listed as "assets" in the previous consolidated fiscal year, is listed as "capitals" due to a revision in the consolidated financial statement code.

## 15. Notes

### Leasing arrangements

Notes regarding finance lease transactions, other than those where it is recognized that title to the leased property passes to the lessor:

#### 1. Acquisition cost equivalent, accumulated depreciation equivalent, and term-end balance equivalent of the leased property

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Acquisition cost equivalent .....	8,272	9,746	79,237
Accumulated depreciation equivalent .....	(3,702)	(4,599)	(37,392)
Term-end balance equivalent .....	4,570	5,147	41,845

#### 2. Year-end balance of rents payable

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Due within one year .....	1,894	2,152	17,495
Due after one year .....	2,761	3,104	25,240
Total .....	4,655	5,256	42,735

#### 3. Lease payments, depreciation expense equivalent, and interest rate equivalent

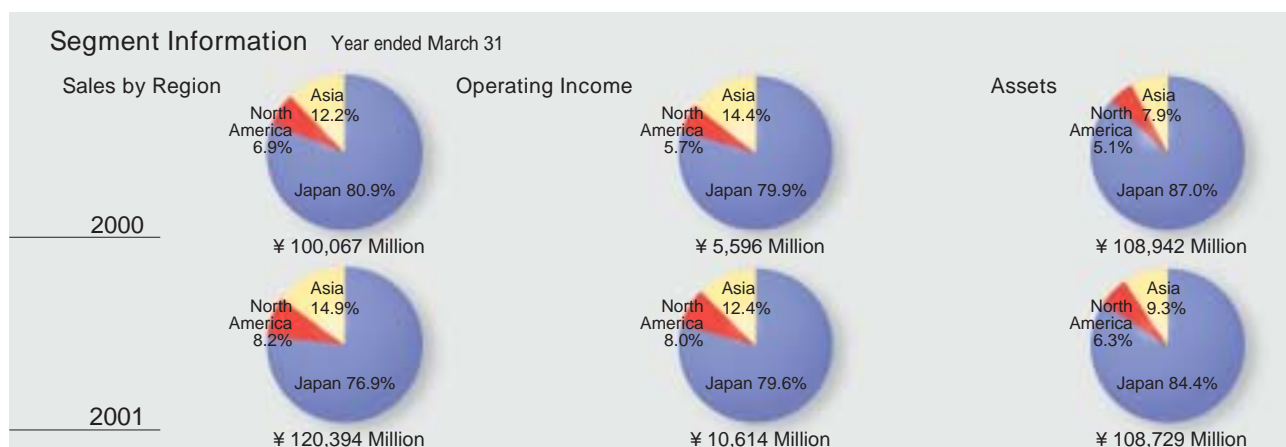
Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Lease payments .....	2,156	2,475	20,123
Depreciation expense equivalent .....	2,009	2,306	18,744
Interest rate equivalent .....	155	187	1,522

#### 4. Calculation of depreciation expense equivalent

Straight-line method, with the lease term as the number of durable years, and the residual value at zero.

#### 5. Calculation of interest rate equivalent

The margin between the sum total of lease payments and the acquisition cost equivalent of the leased property is deemed interest expense, and the interest rule is applied for its allotment.



Note : 1. The countries and regions are segmented based on geographic proximity

2. Principal countries within regions: (1) North America: United States (2) Asia: Taiwan, The Philippines, China (Hong Kong)

# Corporate Data

## Outline of Company

### Established

January 19, 1953

### Capital

¥ 10.69 billion

### Sales

¥ 120.4 billion( Consolidated )/ ¥ 99.5 billion [fiscal year 2000]

### Number of employees

4,100( Consolidated )/ 1,800 [Mar. 2001]

### Office and plant

#### Head Office

Tel: +81-3-3780-2711 Fax: +81-3-3780-2733

http://www.jae.co.jp

Connector Sales Promotion Div.

Product Marketing Div.

Connector 1st , 2nd and 3rd Sales Div.

Tel: +81-3-3780-2717 Fax: +81-3-3770-3869

Opto Device Div.

Tel: +81-3-3780-2879 Fax: +81-3-3780-2946

System Equipment Sales Div.

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Aerospace Sales Div.

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1st and 2nd International Operations Div.

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#### Akishima Plant

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## Board of Directors and Auditors

### President

Masami Shinozaki

### Senior Executive Vice President

Hideo Iino

### Executive Vice President

Nobuhiro Miyake

### Senior Vice Presidents

Michihiko Ito

Tatsuya Sugiura

Akira Takahashi

Masao Asakura

Hajime Masunari

### Associate Senior Vice Presidents

Gunji Mitsuhashi

Yasuaki Aruga

Yoshiaki Ichimura

Keishi Kobayashi

Mikio Ogawa

Yasutaka Akiyama

### Statutory Auditors

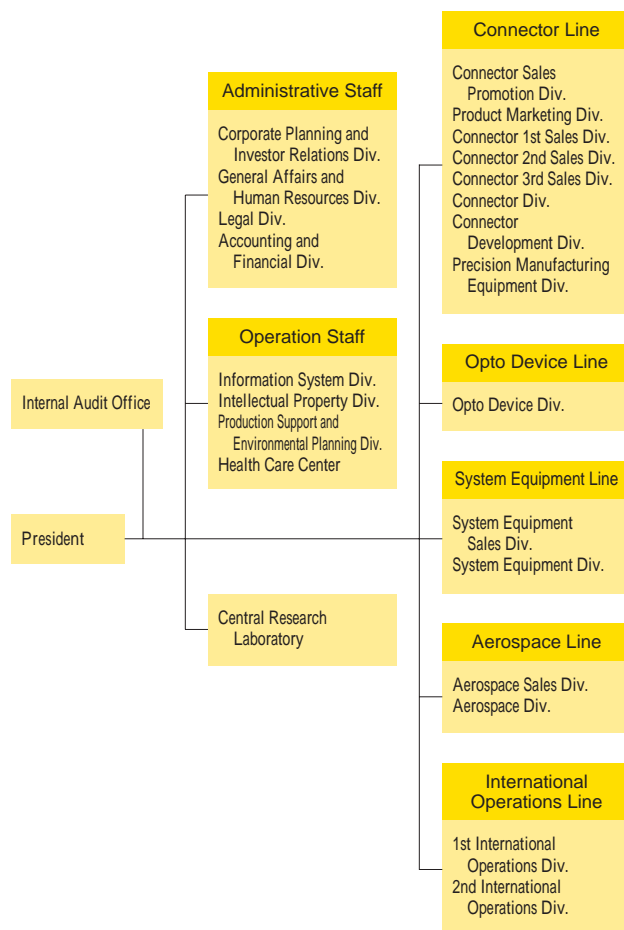
Kinya Yoshioka

Kiyotake Nishido

Shigeo Matsumoto

Masayuki Komura

## Organization



## Main Products

### Connectors

PC board connectors, circular connectors, rectangular connectors, fiber optic connectors, sockets for IC/LSI package, PC card connectors, coaxial connectors, automotive electronics connectors, jumper coupler for vehicles, cable termination equipment

### System equipment

Display equipment, panel units, touch panels, system connectors, high density surface mounting printed circuit board assemblies, LCD module assembly, lighted push button switches, DIP switches, key lock switches, electromagnetic relays, circuit breakers

### Opto Devices

Electro-absorption modulator modules, LD modules, optical links, optical couplers, optical filter, AR coating

### Aerospace and related applications

Inertial navigation and guidance systems, strap-down attitude and heading reference systems, strap-down position and azimuth/determining systems, automatic flight control systems, SASs ( stability augmentation system ), flat panel displays, radar altimeters, fiber optic gyros, ring laser gyros, angle-of-attack transducers, accelerometers, active vibration control products for lithography systems, sensor and sensor applied products for oil drilling industry, camera stabilizers, unmanned remote control industrial helicopters, electrostatic capacitance type LNG level measuring and warning systems

## Global Network

### Japan

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Marketing

Others



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