

Annual Report 2003

Year ended
March 31, 2003



Japan Aviation Electronics Industry, Limited

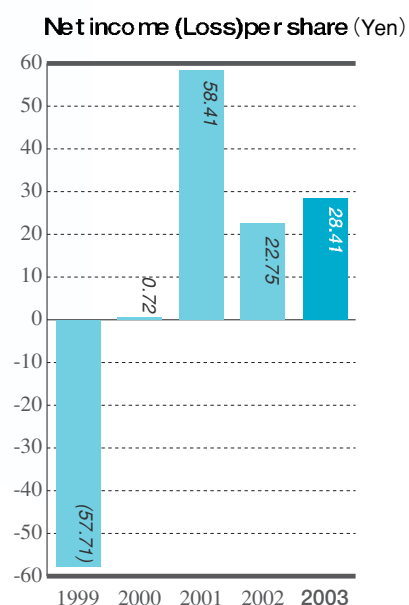
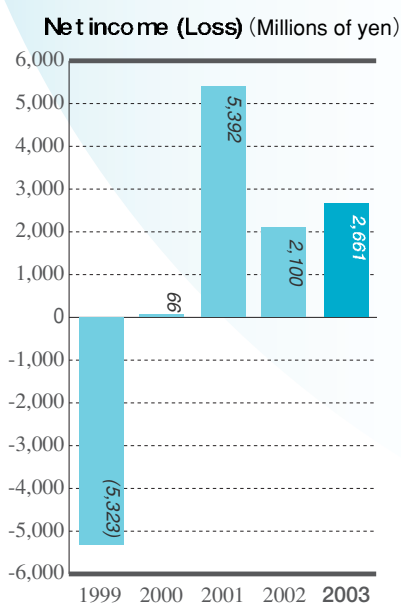
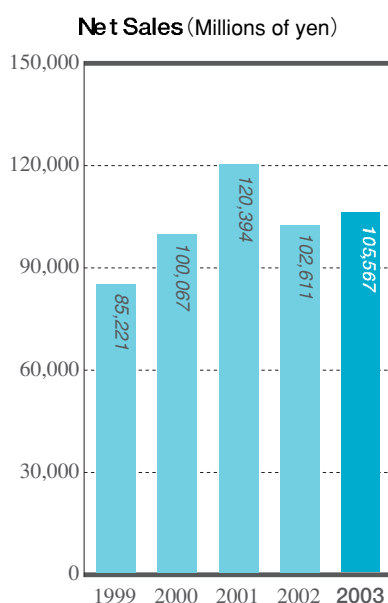
The background features a light blue sky with a sunburst effect on the left. Below the sky, there are several overlapping, semi-transparent light blue circles of varying sizes. At the bottom, there are horizontal blue lines of varying lengths and colors, creating a sense of motion or a stylized horizon.

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
	1999	2000	2001	2002	2003	2003
Net sales	¥ 85,221	¥ 100,067	¥ 120,394	¥ 102,611	¥ 105,567	\$ 879,722
Income (loss) before income taxes	(5,022)	(14)	8,584	3,753	4,961	41,338
Net income (loss)	(5,323)	66	5,392	2,100	2,661	22,177
Total assets	105,141	108,942	108,729	100,549	95,016	791,799
Shareholders' equity	28,024	30,645	35,716	37,539	38,439	320,326
Per share of common stock	yen					U.S. dollars
Net income (loss)	¥ (57.71)	¥ 0.72	¥ 58.41	¥ 22.75	¥ 28.41	\$ 0.24
Shareholders' equity	303.80	332.01	386.95	406.76	417.68	3.48
Return on equity(%)	(19.0)	0.2	16.2	5.7	7.0	
Return on assets(%)	(5.1)	0.1	5.0	2.0	2.7	

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥120=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 2003, year ended March 31, 2003.

Basic Business Policy

Since its founding, the Company has strived to contribute to society through market-driven, technology-based global business operations under the corporate philosophy: "Explore, Create, and Practice."

Our basic business policy is to provide customers around the globe with a wide range of state-of-the-art products, using accumulated full-range electronics technology. To that end, we will continue to work towards the pursuit of customer values, globalization centering on fair and clear corporate practices, and increased competitiveness through technological advances. In addition, I/O (in/out) revenue and expenditure management will be promoted to control cash flow. The "out" (sales) will be expanded while the "in" (infusion of resources) is withheld, thus improving profit, strengthening business, reforming and reinforcing financial structure, and leading to the maintenance of a sound and balanced management. In our highly advanced information society, with broadband, mobilization, and car electronics now becoming the main trend, we will actively proceed to develop technology to lead the market with new products that link directly to customer satisfaction. Corporate value will be heightened through the promotion of management reform to quickly and precisely deal with the changing times.

Mid/long-term Business Strategy

The Company, conforming to its basic business policy, will proceed with the following strategy:

Accelerating Globalization

Globalization of the market is accelerating faster than ever, with Japanese companies shifting their emphasis overseas and the world becoming more and more information oriented. Our commitment therefore, will be towards business management from a global standpoint, and the pursuit of customer values. Marketing and production will be further globalized to provide top-

quality products on a timely basis.

Presently, we are especially expanding the production and sales system in Asian regions in order to better meet customer needs, strengthen cost competitiveness, and increase overseas production and sales.

Challenging New Fields and Projects

To meet a rapidly changing market, we will strive to invent new products, methods, and technology. This will be done, to develop innovative and high value content products that will earn a competitive edge and expand orders and sales.

Pursuing Efficiency

In areas such as production, distribution, quality, and material acquisition we will pursue overall efficiency to improve customer satisfaction.

Overall distribution reform (F·Fmovement: Fresh factory·Fresh logistics), and production reform will be promoted on a global basis.

A variety of QC approaches will be implemented to enhance quality control in a comprehensive manner toward improvement of customer satisfaction.

Material acquisition will be enforced by strengthening the acquisition system and improving efficiency.

With our integrated information system (J/I system) as the mainstay, the use of information technology in all aspects of business will be increased, and a revision in the business process will be promoted to achieve greater effectiveness in investments.

Utilizing Manpower and Enhancing Manpower Training

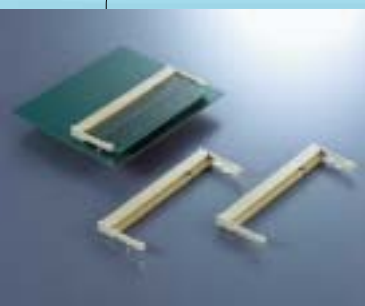
With valuable personnel as an important base for competitiveness, we will enhance manpower training.

We will also promote, together with our group companies, the effective use and "flow-style" utilization of manpower. This will be done to improve productivity and to develop a strong business structure effective against market changes.

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



Masami Shinozaki, President



Connector for Memory Module



Connector for Smart Card (ETC)



Operation Switch Assemblies for Digital Still Cameras

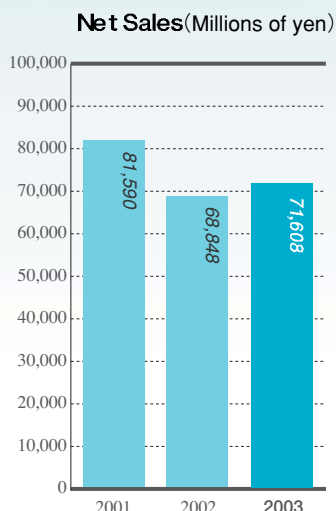


USB Reader-Writer for Small Memory Cards

Connectors

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

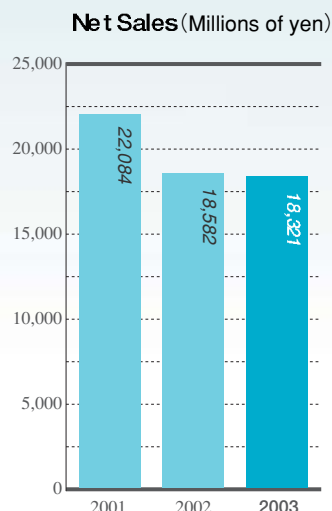
For fiscal year 2003, orders for products in this business segment amounted to ¥72,426 million (US\$603,551 thousand), 106% of fiscal year 2002's result. Consolidated net sales were 104% of the previous year at ¥71,608 million (US\$596,732 thousand).



System Equipment

System equipment and related products include the following three product lines: input devices such as low-profile multi-functional switches and switch modules using those switches; human to machine interface equipment such as display equipment for automotive, industrial, and medical use, and various operating panel units; and high-density mounting equipment such as PCB assemblies for LCDs and LCD modules. Here too, demand is expanding with the development of this information intensive age.

For fiscal year 2003, orders for products in this business segment totaled ¥17,642 million (US\$147,017 thousand), amounting to 102% of fiscal year 2002's figure. Consolidated net sales amounted to ¥18,321 million (US\$152,676 thousand), 99% of the previous year.





Accelerometer



Camera Stabilizer



Optical Coatings

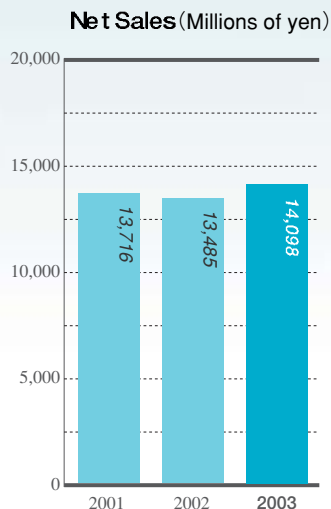


Optical Coupler

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. The main products for the industrial market are seismic transducers for semiconductor production systems, sensors for overseas oil-drilling market, camera stabilizers, and unmanned industrial helicopters.

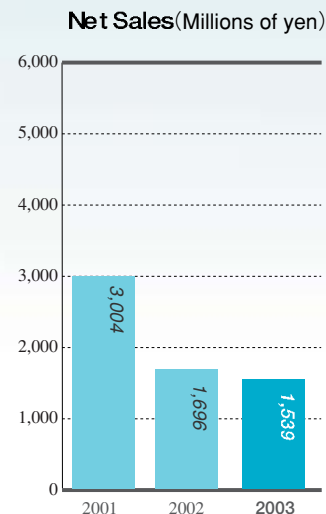
For fiscal year 2003, orders amounted to ¥15,728 million (US\$131,069 thousand), up 11% over fiscal year 2002, and consolidated net sales totaled ¥14,098 million (US\$117,486 thousand), 105% of the previous year.



Opto Devices and Others

Opto devices include optical filters and AR coatings that utilize ultra-precision coating technology, and optical electronics products such as optical couplers and optical links and modules. With the progress of broadband, this business segment is expected to grow.

For fiscal year 2003, orders amounted to ¥1,523 million (US\$12,690 thousand), 94% compared to the previous year. Consolidated net sales totaled ¥1,539 million (US\$12,829 thousand), 91% of fiscal year 2002.



2002

1) Operating Results

For fiscal year 2003, ending March 31, 2003, Japan Aviation Electronics Industry, Limited posted consolidated net sales of ¥105,567 million (US\$879,722 thousand), 103% compared to the previous year, with operating income 126% of fiscal year 2002 at ¥6,592 million (US\$54,934 thousand), and income before income taxes 132% of the previous year at ¥4,961 million (US\$41,338 thousand). Net income for fiscal year 2003 was ¥2,661 million (US\$22,177 thousand), an increase of ¥561 million (US\$4,677 thousand) from fiscal year 2002.

Results by region were as follows: Consolidated net sales for Japan amounted to ¥78,824 million (US\$656,863 thousand), 104% of fiscal year 2002 and operating income was ¥7,260 million (US\$60,503 thousand), 124% of the previous year. The corresponding figures for North America were ¥8,428 million (US\$70,230 thousand), 103% of fiscal year 2002, and ¥514 million (US\$4,282 thousand), 72% of the previous year. Consolidated net sales for Asia amounted to ¥18,315 million (US\$152,629 thousand), just the same as fiscal year 2002, and operating income was ¥1,570 million (US\$13,083 thousand), 82% of the previous year.

2) Cash Flow

Consolidated cash flow from operating activities amounted to an increase of ¥16,679 million (US\$138,993 thousand). The corresponding figures from investing activities and financing activities were a decrease of ¥7,257 million (US\$60,472 thousand) and a decrease of ¥10,358 million (US\$86,316 thousand) respectively. Cash and cash equivalents at year end was ¥17,068 million (US\$142,236 thousand).

For the next fiscal year, we will continue to try to further increase operating activities' cash flow by increasing profit, minimizing receivables and inventories, and to promote efficiency of assets.

The trend of cash flow indexes of JAE group is as follows.

	2000	2001	2002	2003
Ratio of shareholders' equity (%)	28.1	32.8	37.3	40.5
Ratio of shareholders' equity at market value (%)	54.3	53.7	47.1	52.9
Years of debt redemption	9.1	1.4	2.1	1.0
Interest coverage ratio	6.4	31.8	23.8	43.6

Note : Ratio of shareholders' equity: Shareholders' equity/Total assets

Ratio of shareholders' equity at market value:

Shareholders' equity at market value/Total assets

Years of debt redemption: Liabilities with interest/Operating cash flow

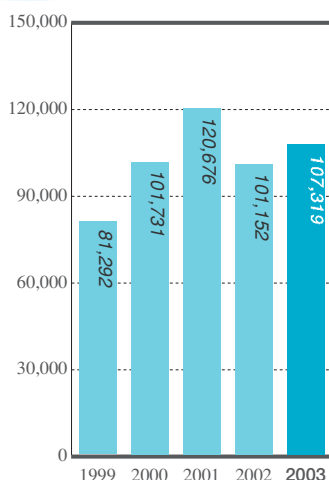
Interest coverage ratio: Operating cash flow/Interest payment

1. Each index is calculated based on the consolidated financial figures.

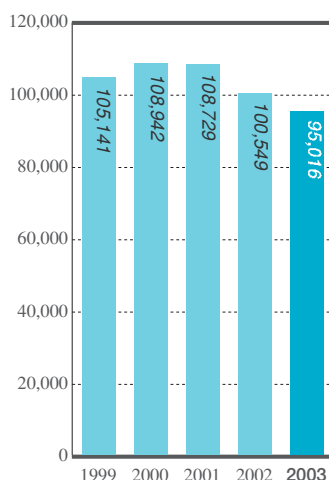
2. Cash flow from operating activities is used.

Liabilities with interest include all the liabilities needed to pay interest, among liabilities posted on the consolidated balance sheet.

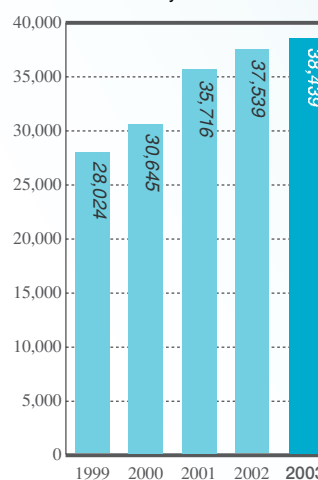
Orders (Millions of yen)



Total Assets (Millions of yen)



Shareholders' Equity (Millions of yen)



2003

3) Outlook

For future economic trend, there is an expectation that the world economy is heading for recovery because of quick termination of the Iraq War, but the outlook of the U.S. economy is still unclear. Under the circumstances, it is difficult to forecast the trend of the world economy at present. Meanwhile, it is likely that China will continuously expand its role as the world's mass production center, and increase its role as a consumer marketplace.

In the changing and uncertain business environment, JAE will commit, to further increase customer satisfaction through the use of basic business management and by strengthening its global marketing and technological development capability, and implementing all the approaches for quality assurance. By these actions, we will expand global business and put it on the road to growth. At the same time, in order to secure profits, JAE will promote cost reduction through effective material procurement activities and production innovations. Further, to realize these goals, we will reinforce our manpower and proceed with business process reform utilizing IT. Thus, JAE will commit to make profits and improve assets efficiency.

The consolidated business outlook for fiscal year 2004 (April 1, 2003–March 31, 2004) is as follows:

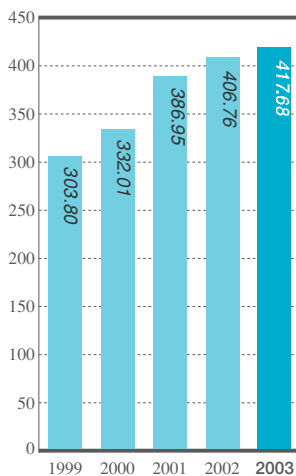
	Hundred millions of yen	Millions of U.S. dollars	Compared to previous year
Net sales	1,155	963	109%
Operating income	84	70	127%
Income before income taxes	60	50	121%
Net income	38	32	143%

Note : 1. This outlook is based on our plans and expectations which we deem appropriate at this point, and may differ greatly from actual achievements. Some important factors that may 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.
 2. U.S.dollar amounts are translated from yen at the rate of ¥120=U.S.\$1

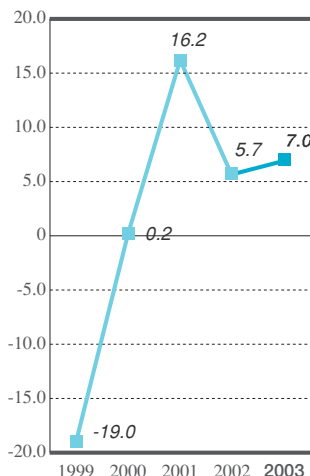
4) Dividend

Cash dividend for fiscal year 2003 (year ended March 31, 2003), based on the basic policy concerning distribution of profit, is expected to be ¥5 per share (including ¥2.5 interim).

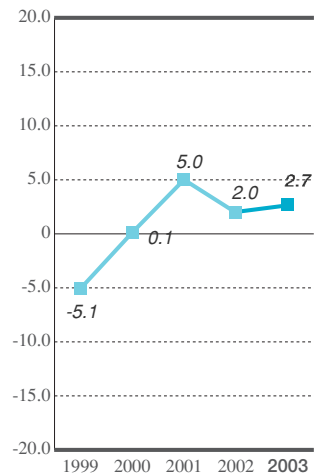
Shareholders' Equity per Share (Yen)



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
	2002	2003	2003
Current assets:			
Cash and bank deposits	¥ 13,920	¥ 16,908	\$ 140,903
Marketable securities	64	174	1,450
Notes and accounts receivable	28,427	24,018	200,153
Allowance for doubtful receivables	(300)	(206)	(1,718)
Inventories	13,965	13,764	114,697
Deferred tax asset	1,837	1,377	11,477
Other current assets	5,440	1,302	10,847
Total current assets	63,353	57,337	477,809
Property, plant and equipment			
Land	4,349	4,313	35,947
Buildings	24,389	24,258	202,153
Machinery and equipment	72,154	72,432	603,598
Construction in progress	992	1,319	10,989
Less: Accumulated depreciation	(71,342)	(71,794)	(598,286)
Net property, plant and equipment	30,542	30,528	254,401
Investments and long-term receivables			
Investments in securities	922	749	6,238
Investments in unconsolidated subsidiaries and affiliates	564	566	4,717
Other long-term receivables	634	528	4,401
Total investments and long-term receivables	2,120	1,843	15,356
Other assets			
Deferred tax asset	1,659	2,677	22,310
Deferred charges and other assets	2,875	2,631	21,923
Total other assets	4,534	5,308	44,233
Total assets	100,549	95,016	791,799

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
	2002	2003	2003
Current liabilities:			
Short-term bank loans	¥ 21,664	¥ 10,710	\$ 89,251
Current portion of long-term debt	2,130	2,053	17,109
Notes and accounts payable	19,881	21,898	182,484
Accrued expenses	3,379	3,487	29,061
Accrued income taxes	1,869	1,792	14,931
Other current liabilities	990	1,357	11,311
Total current liabilities	49,913	41,297	344,147
Long-term liabilities:			
Long-term debt, less current portion	2,907	4,151	34,592
Liability for severance benefits	9,572	10,099	84,159
Deferred tax liability	90	139	1,159
Other long-term liabilities	-	296	2,461
Total long-term liabilities	12,569	14,685	122,371
Minority interest	528	595	4,955
Shareholders' equity:			
Common stock,			
Authorized-200,000,000 shares			
Issued 2003-92,302,608 shares	10,690	10,690	89,086
Additional paid-in capital	14,431	14,431	120,262
Net unrealized holding gains on securities	13	(52)	(435)
Translation adjustments	(103)	(1,048)	(8,737)
Retained earnings	12,514	14,669	122,244
Less: Treasury common stock, at cost			
14,795 shares in 2002 and 380,767 shares in 2003	(6)	(251)	(2,094)
Total shareholders' equity	37,539	38,439	320,326
Total liabilities and shareholders' equity	100,549	95,016	791,799

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
	2002	2003	2003
Net sales	¥ 102,611	¥ 105,567	\$ 879,722
Cost of sales	78,358	79,806	665,049
Gross profit	24,253	25,761	214,673
Selling, general and administrative expenses (Note 11)	19,010	19,169	159,739
Operating income	5,243	6,592	54,934
Other income (expenses):			
Interest expenses	(540)	(380)	(3,165)
Interest and dividend income	305	312	2,598
Foreign exchange gain (loss)	317	(315)	(2,628)
Other, net	(1,572)	(1,248)	(10,401)
	(1,490)	(1,631)	(13,596)
Income before income taxes	3,753	4,961	41,338
Income taxes	2,443	2,793	23,277
Income taxes adjustment	(812)	(574)	(4,788)
Minority interest	22	81	672
Net income	2,100	2,661	22,177
Retained earnings:			
Balance at beginning of the year	10,916	12,514	104,284
Add:			
Net income	2,100	2,661	22,177
Deduct:			
Cash dividends paid	462	461	3,842
Bonuses to directors and statutory auditors	40	45	375
Balance at end of the year	12,514	14,669	122,244
	yen		U.S. dollars
Net income per share	¥ 22.75	¥ 28.41	\$ 0.24

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
	2002	2003	2003
Cash flows from operating activities			
Income (loss) before income taxes	¥ 3,753	¥ 4,961	\$ 41,338
Depreciation	6,449	6,002	50,015
Loss on disposal of property plant and equipment	444	355	2,959
Provision for retirement benefits	447	527	4,391
(Increase) decrease in notes and accounts receivable	7,411	4,655	38,793
(Increase) decrease in inventories	3,764	35	294
Increase (decrease) in notes and accounts payable	(7,092)	2,660	22,168
Other	(2,180)	(2,516)	(20,965)
Net cash provided by operating activities	12,996	16,679	138,993
Cash flows from investing activities			
Purchases of property, plant and equipment	(7,901)	(9,075)	(75,626)
Proceeds from sale of property, plant and equipment	2,620	2,464	20,530
Decrease in time deposits	3	14	115
Net decrease in long-term loans receivable	2	48	404
Other	(773)	(708)	(5,895)
Net cash used in investing activities	(6,049)	(7,257)	(60,472)
Cash flows from financing activities			
Proceeds from long-term debt	-	3,725	31,043
Repayments of long-term debt	(3,733)	(2,483)	(20,688)
Increase (decrease) in short-term debt	213	(10,889)	(90,745)
Dividends paid	(470)	(466)	(3,887)
Other	(6)	(245)	(2,039)
Net cash provided by financing activities	(3,996)	(10,358)	(86,316)
Effect of exchange rate changes on cash and cash equivalents	63	(158)	(1,320)
Net increase (decrease) in cash and cash equivalents	3,014	(1,094)	(9,115)
Cash and cash equivalents at beginning of year	14,942	17,956	149,637
Increase in cash and cash equivalents from newly consolidated subsidiary	-	206	1,714
Cash and cash equivalents at end of year	17,956	17,068	142,236
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest	546	383	3,189
Income taxes	1,897	2,841	23,671

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 that 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 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 ¥120=U.S.\$1.

2. Scope of consolidation

(1) Number of consolidated subsidiaries:12

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., JAE Wuxi Co., Ltd.

JAE Wuxi Co., Ltd. has been included as a consolidated subsidiary beginning this consolidated financial year due to its increased importance in the consolidated financial statements.

(2) Number of non-consolidated subsidiaries:8

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., JAE Wujiang Co., Ltd.

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

The eight 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 eight 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 business closing date of JAE Wuxi Co., Ltd. among the consolidated subsidiaries is December 31, 2002. The consolidated financial statements used the financial statements as of that date for JAE Wuxi Co., Ltd. Between the period from its closing date to the consolidated business closing date, there is no major transaction that should be incorporated into the consolidated financial statements.

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 ten of the 12 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 12 consolidated subsidiaries use the declining-balance method, while the remaining five 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. Allowance for doubtful receivables

As provision against losses from bad debts, bad debts reserve has been calculated in accordance with past records of bad debts in the case of general credits. In cases where bad debts are feared and other specialized credits, the potential for recovery have been considered individually, and the estimated non-recoverable sum has been allocated.

2. Liability for severance benefits

As provision for payments of employees' severance pay, based on severance and pension benefit obligations at the end of the year, the sum recognized at the end of the year has been calculated. The margin arising from a change in the accounting standard is evenly divided over a 15-year period.

Regarding the margin due to mathematical calculation, a fixed rate method will be applied over a standard period (15 years) not exceeding the average remaining period of employment, to be applied from the year following its recognition.

(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 lessee, 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

In addition, forward exchange contract and currency swap is applied in cases meeting the necessary requirements.

2. Hedge method and transactions

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

Hedged transaction: A part of debts due to variable interest rate and current foreign currency assets and liabilities.

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, or cash flows, and the sum total of price fluctuation involving hedge methods, or cash flows.

(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
	2002	2003	2003
(1) Assets offered as collateral			
1. Factory foundation	6,375	6,104	50,868
2. Land	1,693	1,693	14,106
3. Buildings and structures	812	777	6,472
4. Investment securities	65	39	328
(2) Contingency liabilities	827	2,103	17,523

11. Relating to the Consolidated Statements of Income and Retained Earnings

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
(1) Selling, general and administrative expenses			
Main categories and amounts			
1. Packing and shipping charges	2,258	2,583	21,527
2. Salaries and bonuses	5,694	5,429	45,241
3. Provision of reserve for retirement allowance	791	748	6,233
4. Depreciation	314	360	3,002
(2) Administrative expenses, and R&D expenses included in current manufacturing expenses			
Administrative expenses	3,044	2,848	23,731
Current manufacturing expenses	3,904	3,998	33,318
Total	6,948	6,846	57,049

12. Relating to the Consolidated Statements of Cash Flows

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Cash and deposits account	13,920	16,908	140,903
Time deposits with deposit period of over 3 months	(28)	(14)	(117)
Money management funds etc. included in securities account	64	174	1,450
Head company's CMS reserve	4,000	-	-
Cash and cash equivalents	17,956	17,068	142,236

13. Pension and severance plans

(1) Outline of retirement schedule

The Company and five 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 three domestic subsidiaries also have qualified pension plans.

The one domestic subsidiary shifts from the qualified pension plan to the Small and Medium Enterprise retirement allowance mutual aid system.

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
(2) Relating to severance benefit obligations			
1. Severance benefit obligations	(23,988)	(24,701)	(205,839)
2. Plan assets	5,371	5,348	44,568
3. Unrecognized margin arising from mathematical calculations	2,205	2,954	24,616
4. Unprocessed cost in recognized margin arising from the change in accounting standards	6,840	6,300	52,496
5. Liability for severance benefits	(9,572)	(10,099)	(84,159)

Affected amounts caused by shifting from the qualified pension plan to the Small and Medium Enterprise retirement allowance mutual aid system are as follows.

1. Decrease in severance benefit obligations	-	151	1,255
2. Unprocessed cost in recognized margin arising from the change in accounting standards	-	(16)	(131)
3. Plan assets	-	(131)	(1,095)
4. Decrease in liability for severance benefits	-	4	29

Also, the transferred assets to the Small and Medium Enterprise retirement allowance mutual aid system is ¥44 million and the entire amount has transferred at the time of shift.

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
(3) Relating to severance benefit cost			
1. Service cost	1,231	1,232	10,265
2. Interest cost	686	681	5,676
3. Expected return	(139)	(150)	(1,247)
4. Margin due to mathematical calculations	169	150	1,249
5. Margin arising from the change in accounting standards	541	525	4,375
6. Others	-	10	81
7. Severance benefit cost	2,488	2,448	20,399

Years ended March 31	2002	2003
(4) Relating to severance benefit obligation basic matters		
1. Discount rate	3.0%	2.5%
2. Expected rate of return	3.0%	2.5%
3. Distribution of expected severance benefit	Fixed amount over determined period	Fixed amount over determined period
4. Years dealing with margin due to mathematical calculations	15 years	15 years
5. Years dealing with margin from the change in accounting standards	In principal, 15 years	In principal, 15 years

14. Leasing arrangements

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

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
	2002	2003	2003
Acquisition cost equivalent	9,922	9,911	82,593
Accumulated depreciation equivalent	(5,201)	(5,082)	(42,348)
Term-end balance equivalent	4,721	4,829	40,245

2. Year-end balance of rents payable

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Due within one year	2,152	2,236	18,631
Due after one year	2,683	2,712	22,602
Total	4,835	4,948	41,233

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

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Lease payments	2,704	2,584	21,531
Depreciation expense equivalent	2,481	2,411	20,090
Interest rate equivalent	185	148	1,231

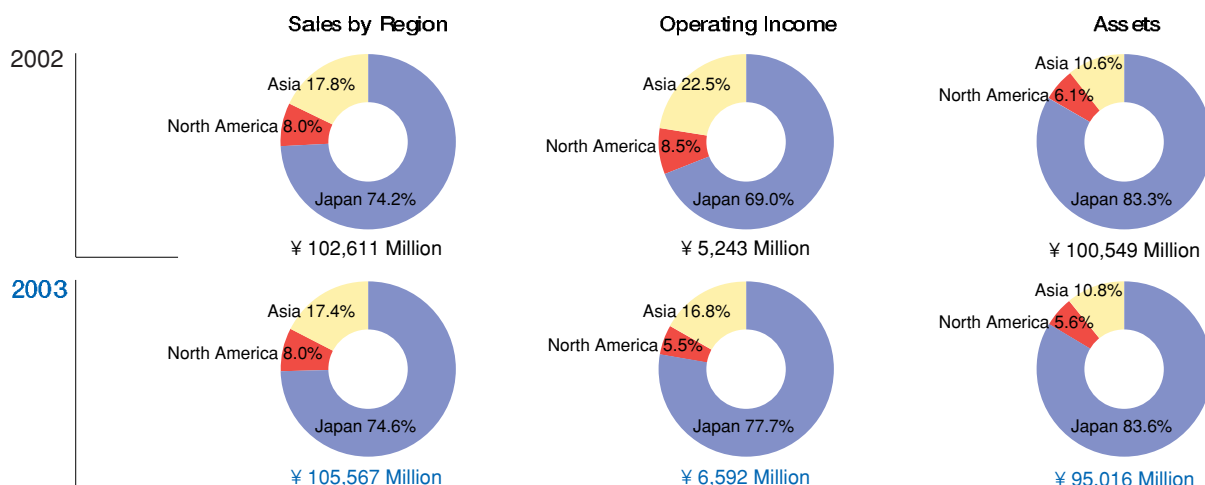
4. Calculation of depreciation expense equivalent

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.

Segment Information Year ended March 31



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

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

Outline of Company

Established

August 20, 1953

Capital

¥10.69 billion

Sales

¥105.6 billion (Consolidated)

[Year ended March 31, 2003]

Number of employees

4,100 (Consolidated) [Mar. 2003]

Office and plant

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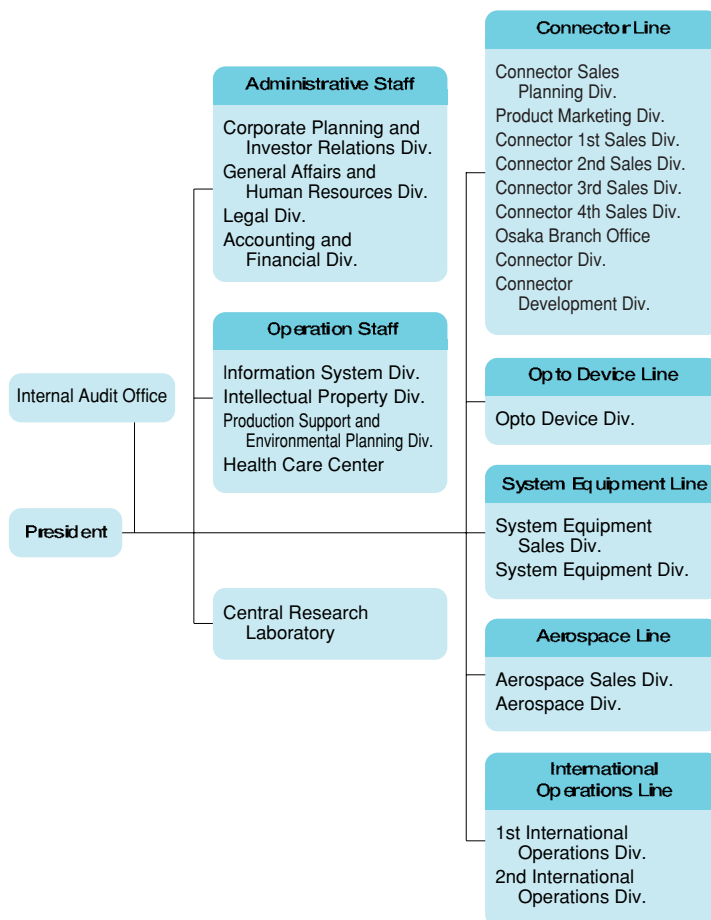
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Hajime Masunari

Yasuaki Aruga

Associate Senior Vice Presidents

Yoshiaki Ichimura

Keishi Kobayashi

Mikio Ogawa

Yasutaka Akiyama

Kiyoshi Hasegawa

Kazutami Horie

Statutory Auditors

Michihiko Ito

Akira Takahashi

Kenji Usui

Masayuki Komura

Main Products

● **Connectors**

PC board connectors, circular connectors, rectangular connectors, fiber optic connectors, FPC connectors, connectors for a wide variety of media and memory cards, 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, Onboard Multifunctional Operation switches, lighted push button switches, DIP switches, tactile push switches, electromagnetic relays, circuit breakers

● **Opto Devices**

Optical filter, AR coating, optical couplers, optical links·modulator modules, Si optical bench

● **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, LCD display for train cockpit

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