

# Financial Report 2008

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

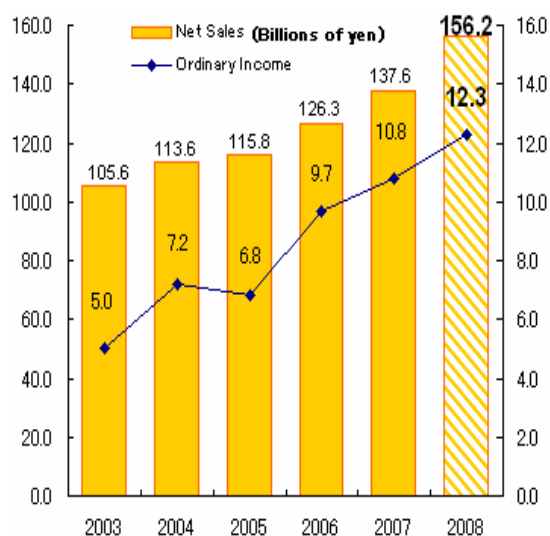
## Financial Outlook

### Ensuring a two-digit increase in revenues and also a two-digit increase in ordinary income, thereby reaching new highs in sales and profits.

In the electronics industry, with which the JAE Group is concerned, growing markets such as those of PCs, FPDs, Cellular phones, and FPD TVs, which lead the global economy, recovered all of a sudden in the first half of this fiscal year from the production adjustment in the second half of the previous fiscal year and boomed, but entered an adjustment phase again in the second half of this fiscal year. In the FPD TV market, in particular, inter-enterprise competition continued to unfold to gain supremacy, and parts companies were required to comply with severe requests for price reduction. Over the course of the year, the market demand was steady, but ever-increasing inter-enterprise competition, pressure on price reduction, soaring material prices, coupled with the appreciation of the yen against the dollar in the exchange market, required good management in difficult situations.

In these circumstances, we focused on the aforementioned growing markets, enhanced our global marketing and technological development capabilities, and met the needs of the growing markets with a line of products developed by taking advantage of our strengths. At the same time, we promoted the expansion of internal manufacturing, reinforced the in-house vertically integrated production system from raw materials to finished products, and strongly promoted measures to increase profits such as cutting costs, improve quality, and shorten lead times, in an effort to improve business results. As a result of these efforts, we managed to achieve record-breaking highs in consolidated business results in the current period, with two-digit increases in revenues and profits this fiscal year, or ¥156.2 billion in sales (114% of the previous year) and ¥12.26 billion in ordinary income (113% of the previous year), thereby reaching new highs in sales and profits. The net income in the current period reduced to ¥5.84 billion (80% of the previous year) in this fiscal year because we posted a total guaranteed amount of a little over ¥2 billion as an extraordinary loss from the standpoint of accounting for the financial situation of the voucher in preparation for fulfilling the guarantee liabilities associated with the space field operations of the aerospace business and also from the standpoint of ensuring financial strength.

We carried out and the highest level of capital investments at ¥17.8 billion mainly for promoting internal manufacturing and investments to enhance the in-house vertically integrated production system. This was self-financed capital investment, and we achieved ¥3 billion in free cash flow (FCF). In response, we are planning to increase the dividend this year by ¥1 from the previous year to ¥12.



Years ended March 31	Billions of yen			% of Previous Year	Millions of U.S.dollars
	2006	2007	2008		2008
Net sales	¥ 126.3	¥ 137.6	¥ 156.2	114%	\$ 1,562
Gross profit	31.5	33.3	36.4	110%	364
Operating income	11.02	11.75	14.40	123%	144.0
%	8.7%	8.5%	9.2%	0.7%	9.2%
Ordinary income	9.70	10.81	12.26	113%	122.6
%	7.7%	7.9%	7.8%	-0.1%	7.8%
Net income	6.26	7.34	5.84	80%	58.4
%	5.0%	5.3%	3.7%	-1.6%	3.7%

Note : U.S.dollar amounts are translated from yen, for convenience only, at the rate of 100=U.S.\$1

**In the connector and system equipment line, we achieved two-digit increases in revenues of ¥119.9 billion and ¥17.8 billion, respectively, ensuring increased revenues in the three major lines including the aerospace line.**

■ **Connector Line: ¥119.9 billion sales (115% of the previous year)**

In the information equipment field, sales increased, especially those of main connectors for use with FPDs. In the communications equipment field, domestic cellular phones experienced increase in replacement demand due to new services such as "1seg" (simple digital TV), while the sales of overseas cellular phones increased, especially those of high-end models. In the digital home appliance field, the expansion of the demand for the main products for use with FPD TVs was accommodated by a line of new products, which resulted in great increase in revenues, and new products, liquid crystal backlight sockets, also contributed to the increased revenues. In the automotive electronics field, the expansion of models of main existing products for use with air-bag systems and navigation systems of Japanese manufacturers contributed to increased revenues, as well as increases due to the effects of new cars. In the industrial equipment field, equipment investment demands and update demands for Shinkansen continued strong.

For new products that led the increased revenues (at JAE, new products being defined as products that are up to three years after being developed), we set a target of 40% or greater in sales ratio. The sales of new products in fiscal year 2007 were ¥55.2 billion, 121% of the previous year, with the ratio of new products being 46%, 2% increased from the previous year.

■ **System Equipment Line: ¥17.8 billion sales (115% of the previous year)**

The system equipment line is conducted at three SBUs. For input devices, into which we put particular efforts, the development of new products using self-manufactured devices progressed, but sales decreased in this fiscal year as compared to the previous year partly because of delays in the startup of customers. For interface devices, we secured sales comparable to those of the previous year. On the contrary, for liquid crystal board assemblies, which we promote in China, we managed to meet expanding market demand, which led increase in revenues of the entire business throughout the year.

■ **Aerospace Line: ¥15.6 billion sales (100% of the previous year)**

For this business, we have global operations in two fields, public-sector-demand-led defense and space equipment field and private-sector-demand-led industrial equipment field. In the public-sector-demand-led defense and space field, we had decreased revenues because of the national budget, but in the private-sector-demand-led industrial equipment field, we met the favorable market demand for devices for use with derricks and semiconductor manufacturing equipment in Japan and overseas among, which led increase in revenues of the entire business.

■ **By region: Domestic sales: ¥81.5 billion, Overseas sales: ¥74.7 billion**

Regionally, overseas sales led our growth with 119% over the previous year. Domestic sales also grew to 109% compared to the previous year. Both domestic and overseas businesses contributed to the increased sales and profits.

Sales by Segment					
Years ended March 31	Billions of yen			% of Previous Year	Millions of U.S.dollars 2008
	2006	2007	2008		
Connectors	¥ 96.4	¥ 104	<b>¥ 119</b>	115%	<b>\$ 1,19</b>
Systems	15.2	15.5	<b>17.8</b>	115%	<b>178</b>
Aerospace	12.8	15.5	<b>15.6</b>	100%	<b>156</b>
Others	1.9	2.6	<b>2.8</b>	108%	<b>28</b>
<b>Total</b>	<b>126.3</b>	<b>137.6</b>	<b>156.1</b>	<b>114%</b>	<b>1,561</b>
Overseas	56.9	63.0	<b>74.6</b>	119%	<b>746</b>
%	45.1%	45.8%	<b>47.8</b>	2.0%	<b>47.8%</b>
Domestic	69.4	74.6	<b>81.5</b>	109%	<b>815</b>

Connector Business Segment					
Years ended March 31	Billions of yen			% of Previous Year	Millions of U.S.dollars 2008
	2006	2007	2008		
Information	¥ 29.3	¥ 29.5	<b>¥ 29.5</b>	100%	<b>\$ 295</b>
Communications	19.0	17.0	<b>20.2</b>	119%	<b>202</b>
Digital Home	11.0	16.0	<b>26.8</b>	167%	<b>268</b>
Automotive	21.1	24.0	<b>25.3</b>	106%	<b>253</b>
Industrial, etc.	16.0	17.5	<b>18.1</b>	104%	<b>181</b>
<b>Total</b>	<b>96.4</b>	<b>104.0</b>	<b>119.9</b>	<b>115%</b>	<b>1,199</b>
Overseas	47.5	50.3	<b>58.5</b>	116%	<b>585</b>
%	49.3%	48.4%	<b>48.8%</b>	0.4%	<b>48.8%</b>
Domestic	48.9	53.7	<b>61.4</b>	114%	<b>614</b>

# Consolidated Balance Sheets

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

ASSETS	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
<b>Current assets:</b>			
Cash and deposits	¥ 20,271	¥ 13,075	\$ 130,750
Notes and accounts receivable	26,776	28,351	283,512
Allowance for doubtful accounts	( 213 )	( 204 )	( 2,044 )
Short-term investment securities	—	6,510	65,100
Inventories	12,411	12,583	125,829
Deferred tax assets	1,564	1,659	16,591
Other current assets	1,416	1,186	11,865
<b>Total current assets</b>	<b>62,225</b>	<b>63,160</b>	<b>631,603</b>
<b>Property, plant and equipment:</b>			
Land	4,930	5,309	53,095
Buildings and structures	29,184	30,217	302,176
Machinery, equipment and others	81,660	89,086	890,856
Construction in progress	3,502	2,916	29,165
Less: Accumulated depreciation	( 80,428 )	( 85,576 )	( 855,763 )
<b>Net property, plant and equipment</b>	<b>38,848</b>	<b>41,952</b>	<b>419,529</b>
<b>Investments and long-term loans receivable:</b>			
Investment securities	2,411	1,672	16,723
Stocks of subsidiaries and affiliates	196	196	1,955
Long-term loans receivable	397	374	3,739
<b>Total investments and long-term loans receivable</b>	<b>3,004</b>	<b>2,242</b>	<b>22,417</b>
<b>Other assets:</b>			
Deferred tax assets	3,435	3,264	32,638
Other assets	2,871	2,624	26,237
<b>Total other assets</b>	<b>6,306</b>	<b>5,888</b>	<b>58,875</b>
<b>Total assets</b>	<b>110,383</b>	<b>113,242</b>	<b>1,132,424</b>

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
<b>Current liabilities:</b>			
Short-term loans payable	¥ 3,187	¥ 1,877	\$ 18,774
Notes and accounts payable	30,824	31,623	316,235
Accrued expenses	4,178	4,212	42,116
Income taxes payable	1,528	2,418	24,180
Deferred tax liabilities	10	—	—
Other current liabilities	1,459	1,238	12,377
<b>Total current liabilities</b>	<b>41,186</b>	<b>41,368</b>	<b>413,682</b>
<b>Noncurrent liabilities:</b>			
Long-term loans payable	1,889	1,433	14,319
Provision for retirement benefits	8,120	6,871	68,715
Deferred tax liabilities	94	89	894
Provision for loss on guarantees	—	2,089	20,894
Other noncurrent liabilities	146	341	3,408
<b>Total noncurrent liabilities</b>	<b>10,249</b>	<b>10,823</b>	<b>108,230</b>
<b>Net assets:</b>			
Capital stock			
Authorized-350,000,000 shares			
Issued 2008-92,302,608 shares	10,690	10,690	106,903
Capital surplus	14,447	14,464	144,642
Retained earnings	33,918	38,681	386,805
Less: Treasury stock			
604,555 shares in 2007 and 609,117 shares in 2008	( 559 )	( 598 )	( 5,978 )
Valuation difference on available-for-sale securities	710	146	1,462
Deferred gains or losses on hedge	0	0	1
Foreign currency translation adjustment	( 278 )	( 2,382 )	( 23,816 )
Subscription rights to shares	20	50	493
<b>Total net assets</b>	<b>58,948</b>	<b>61,051</b>	<b>610,512</b>
<b>Total liabilities and net assets</b>	<b>110,383</b>	<b>113,242</b>	<b>1,132,424</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.

# Consolidated Statements of Income and Retained Earning

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

Thousands of  
U.S. dollars

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Net sales	¥ 137,627	¥ 156,147	\$ 1,561,473
Cost of sales	104,347	119,708	1,197,082
Gross profit	33,280	36,439	364,391
Selling, general and administrative expenses	21,530	22,034	220,341
Operating income	11,750	14,405	144,050
Other income (expenses):			
Interest expenses	( 127 )	( 86 )	( 863 )
Interest and dividend income	316	244	2,443
Foreign exchange gains(losses)	109	( 1,360 )	( 13,600 )
Other, net	( 1,235 )	( 947 )	( 9,467 )
	( 937 )	( 2,149 )	( 21,487 )
Extraordinary loss	—	( 2,089 )	( 20,894 )
Income before income taxes	10,813	10,167	101,669
Income taxes-current	3,324	3,878	38,778
Income taxes-deferred	154	( 452 )	( 4,519 )
Net income	7,335	5,837	58,372
Retained earnings:			
Balance at beginning of the year	27,578	33,918	339,178
Add:			
Net income	7,335	5,837	58,372
Other	—	25	259
Deduct:			
Dividends from surplus	917	1,100	11,004
Bonuses to directors	78	—	—
Balance at end of the year	33,918	38,680	386,805
Net income per share	yen ¥ 79.99	¥ 63.66	U.S. dollars \$ 0.637

# Consolidated Statements of Cash Flows

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

Thousands of  
U.S. dollars

	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 10,813	¥ 10,167	\$ 101,669
Depreciation and amortization	8,385	11,221	112,212
Increase (decrease) in provision for retirement benefits	( 848 )	( 1,240 )	( 12,398 )
Increase (decrease) in provision for loss on guarantees	—	2,090	20,894
Loss on retirement of noncurrent assets	733	215	2,150
Decrease (increase) in notes and accounts receivable-trade	1,162	( 3,209 )	( 32,091 )
Decrease (increase) in inventories	78	( 727 )	( 7,273 )
Increase (decrease) in notes and accounts payable-trade	3,355	1,470	14,703
Other	( 5,654 )	( 1,649 )	( 16,485 )
<b>Net cash provided by (used in) operating activities</b>	18,024	18,338	183,381
Net cash provided by (used in) investment activities			
Purchases of property, plant and equipment	( 17,154 )	( 17,975 )	( 179,755 )
Proceeds from sale of property, plant and equipment	4,870	3,391	33,914
Purchase of investment securities	( 370 )	( 219 )	( 2,185 )
Net decrease (increase) in long-term loans receivable	28	( 21 )	( 214 )
Other	148	( 528 )	( 5,284 )
<b>Net cash provided by (used in) investment activities</b>	( 12,478 )	( 15,352 )	( 153,524 )
Net cash provided by (used in) financing activities			
Proceeds from long-term loans payable	—	1,000	10,000
Repayments of long-term loans payable	( 2,889 )	( 2,507 )	( 25,067 )
Net increase (decrease) in short-term loans payable	( 202 )	( 263 )	( 2,627 )
Cash dividends paid	( 916 )	( 1,100 )	( 11,002 )
Other	( 34 )	( 22 )	( 221 )
<b>Net cash provided by (used in) financing activities</b>	( 4,041 )	( 2,892 )	( 28,917 )
Effect of exchange rate change on cash and cash equivalents	79	( 790 )	( 7,904 )
Net increase (decrease) in cash and cash equivalents	1,584	( 696 )	( 6,964 )
Cash and cash equivalents at beginning of year	18,687	20,271	202,714
<b>Cash and cash equivalents at end of year</b>	20,271	19,575	195,750
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest expenses paid	128	79	793
Income taxes paid	4,840	2,964	29,637

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.

# 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 that have been prepared for Japanese domestic purposes in accordance with the provisions of the Financial Products Trading Law of Japan, and filed with the Ministry of Finance ("MOF") Japan, and the Tokyo Stock Exchange. Certain modifications, including presentation of the statements of net assets 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 ¥100=U.S.\$1.

## 2. Scope of consolidation

### (1) Number of consolidated subsidiaries: 15

The consolidated subsidiaries are as follows: JAE Hiroasaki, Ltd., JAE Yamagata, Ltd., JAE Fuji, Ltd., JAE Shinshu, Ltd., JAE Taiwan, Ltd., JAE Oregon, Inc., Nikko Logistics, Corp., JAE Hakko Ltd., JAE Electronics, Inc., JAE Philippines, Inc., JAE Hong Kong, Ltd., JAE Wuxi Co., Ltd., JAE Korea, Inc., JAE Wujiang Co., Ltd. and JAE Shanghai Co., Ltd.

### (2) Number of non-consolidated subsidiaries: 6

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

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

The six non-consolidated subsidiaries 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 six non-consolidated subsidiaries and two affiliated companies 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

Since the consolidated subsidiaries, JAE Wuxi Co., Ltd., JAE Wujiang Co., Ltd. and JAE Shanghai Co., Ltd. have closing dates falling on December 31, the financial statements contained herein are based on the statements of the provisional settlement of accounts, which were performed on the consolidated closing date.

## 5. Accounting standards

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

#### 1. Securities

Held-to-maturity securities: Amortized cost method (straight-line method)

Other securities:

Listed shares: Market value method based on the market on the closing date.

(The entire difference between the acquisition cost and the market price is accounted for by the "direct-inclusion-to-net assets" method, and the cost of sales is calculated by the moving average method.)

Unlisted shares: Cost method based on the moving average method.

#### 2. Derivatives: Market value method

#### 3. Inventories: Principally the cost method based on the weighted-average method

### (2) Depreciation on major depreciable assets

Property, plant and equipment

Buildings: The Company and thirteen out of the 15 consolidated subsidiaries use the straight-line method, while the remaining two use the declining-balance method.

Items other than buildings: The Company and eight out of the 15 consolidated subsidiaries use the declining-balance method, while the remaining seven use the straight-line method.

### (3) Standards for calculating major reserves

#### 1. Allowance for doubtful accounts

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 of the specialized credits such as doubtful credits, the possibility of recovery has been considered individually, and the estimated non-recoverable amount has been accrued.

#### 2. Provision for retirement benefits

As provision for payments of employees' retirement pay, based on prospect retirement benefit obligations and plan assets at the end of the year, the amount recognized at the end of the year has been calculated. The net obligation at transition is amortized over 15 years. The prior service cost is amortized over the standard period (10 years), not exceeding the average remaining period of employment. The actuarial loss is amortized over the standard period (15 years), not exceeding the average remaining period of employment, and it's accrued from the year following its recognition

#### 3. Provision for loss on guarantees

To prepare for any losses due to the fulfillment of guarantee liabilities, we posted estimated losses by accounting for the financial situation of the voucher.

### (4) Treatment of major lease transactions

Finance lease transactions, except those in which the ownership of the leased properties is transferred to the lessees, are recorded by the accounting method used for regular lease 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, currency swap and currency option trading)

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

#### 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 and so on.

#### 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 taxes

Consumption taxes are recorded by the tax-exclusion method.

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

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

## 7. Amortization of goodwill and negative goodwill

Goodwill and negative goodwill are amortized over five years.

## 8. Funds involved in consolidated statements of cash flows

Funds (cash and cash equivalents) stated in consolidated statements of cash flows consist of cash on hand, demand deposits, and short-term investments which are redeemable within three months from the acquisition date, having high liquidity and convertibility into cash and low risk against price fluctuation.

## 9. Relating to the Consolidated Balance Sheets

Years ended March 31	Millions of yen		Thousands of
	2007	2008	U.S. dollars
Contingency liabilities	¥ 2,089	¥ —	\$ —

## 10. Relating to the Consolidated Statements of Income and Retained Earning

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
<b>(1) Selling, general and administrative expenses</b>			
Main categories and amounts			
1. Packing and transportation expenses	¥ 3,468	¥ 3,861	\$ 38,612
2. Salaries and bonuses	6,155	6,309	63,082
3. Retirement benefit expenses	548	488	4,876
4. Depreciation	225	221	2,213
<b>(2) R&amp;D expenses included in administrative expenses and current manufacturing expenses</b>			
General and administrative expenses	2,486	2,483	24,838
Current manufacturing expenses	5,900	6,008	60,081
Total	8,386	8,491	84,919

## 11. Relating to the Consolidated Statements of Cash Flows

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
Cash and deposits account	¥ 20,271	¥ 13,075	\$ 130,750
Short-term investment securities	—	6,500	65,000
Cash and cash equivalents	20,271	19,575	195,750

## 12. Pension and retirement plans

### (1) Outline of retirement schedule

The Company and its four of domestic consolidated subsidiaries have adopted the defined benefit corporate pension plan (contract type) as the defined benefit type plan. Also, one of the domestic consolidated subsidiaries has adopted the lump sum retirement benefit plan based on the retirement benefit provisions.

Moreover one of the domestic consolidated subsidiaries has adopted the smaller enterprise retirement allowance mutual aid plan as its defined contribution plan.

Years ended March 31	Millions of yen		Thousands of U.S. dollars
	2007	2008	2008
<b>(2) Relating to retirement benefit obligation</b>			
1. Retirement benefit obligation	¥ (24,124)	¥ (23,895)	\$ (238,953)
2. Plan assets	13,948	12,951	129,511
3. Unrecognized prior service cost	(1,917)	(1,693)	(16,932)
4. Unrecognized actuarial loss	(227)	2,091	20,912
5. Unrecognized net obligation at transition	4,200	3,675	36,747
6. Provision for retirement benefits	(8,120)	(6,871)	(68,715)
<b>(3) Relating to retirement benefit expenses</b>			
1. Service cost	1,124	1,063	10,626
2. Interest cost	579	584	5,841
3. Expected return on plan assets	(289)	(550)	(5,496)
4. Amortization of prior service cost	(224)	(224)	(2,235)
5. Amortization of actuarial loss	100	53	532
6. Amortization of net obligation at transition	525	525	5,250
7. Others	6	7	73
8. Retirement benefit expenses	1,821	1,459	14,590
<b>(4) Relating to retirement benefit obligation basic matters</b>			
1. Discount rate		2.5%	2.5%
2. Expected rate of return on plan assets		2.5%	4.0%
3. Distribution of expected retirement benefit	Fixed amount over determined period		Fixed amount over determined period
4. Amortization period for prior service cost		10 years	10 years
5. Amortization period for actuarial loss		15 years	15 years
6. Amortization period for net obligation at transition	In principal, 15 years		In principal, 15 years

### 13. Leasing arrangements

Notes regarding finance lease transactions, other than those which 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
	2007	2008	U.S. dollars
Acquisition cost equivalent	¥ 14,520	¥ 14,470	\$ 144,710
Accumulated depreciation equivalent	(6,603)	(6,899)	(68,991)
Term-end balance equivalent	7,917	7,571	75,719
<b>(2) Year-end balance of lease payable</b>			
Acquisition cost equivalent	¥ 3,079	¥ 3,193	\$ 31,936
Accumulated depreciation equivalent	4,933	4,499	44,993
Term-end balance equivalent	8,012	7,692	76,929
<b>(3) Lease payments, depreciation expense equivalent, and interest rate equivalent</b>			
Lease payments	¥ 3,468	¥ 3,871	\$ 38,715
Depreciation expense equivalent	3,328	3,660	36,609
Interest rate equivalent	135	171	1,714

#### (4) Calculation of depreciation expense equivalent

Straight-line method, with the lease term as the useful life, 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 allocation.

### 14. Accounting changes

(Method of depreciation on tangible fixed assets)

In this consolidated accounting year and after, due to the revision of the corporation tax law, for those tangible fixed assets acquired on and after April 1, 2007, we have changed to the method of depreciation in accordance with the revised corporation tax law. Because of this change, the operating income, the ordinary income, and the net income before taxes and other adjustments are lower by ¥863 million respectively than they would be calculated with the method used in the previous consolidated accounting year.

(Additional information)

In this consolidated accounting year and after, for those tangible fixed assets acquired on and before March 31, 2007, we have changed to the method of depreciating the difference between the 5% of the acquisition cost and the memorandum value into equal annual parts for five years starting with the consolidated accounting year following the year when 5% of the acquisition cost is reached. Because of this change, the operating income, the recurring profit, and the net income before taxes and other adjustments are lower by ¥252 million respectively than they would be calculated with the method used in the previous consolidated accounting year.