



JAE Group

2005 Environmental Report

Environmental Activities of JAE

April 2004 to March 2005

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Scope of Reporting and Editing Policy

This report covers the environmental activities of the JAE Group during the period from April 1, 2004 to March 31, 2005. The scope of this report includes the activities of Japan Aviation Electronics Industry and its five domestic manufacturing plants:

Japan Aviation Electronics Industry, Ltd. (JAE)
(including subsidiaries Nikko Services, Ltd., JAE Engineering, Ltd., and Nikko Logistics, Ltd.)
JAE Hirosaki, Ltd. (HAE)
JAE Yamagata, Ltd. (YAE)
JAE Fuji, Ltd. (FAE)
JAE Shinshu, Ltd. (SAE)

Note: The activities of overseas facilities are described, although they are not included in environmental data or the like.

This report is intended for our stakeholders, including our shareholders and investors, manufacturers and other customers of the JAE Group, suppliers of parts and materials, members of the communities in which the JAE Group operates, and our employees.

The goal of our editing policy is to communicate the environmental commitments and policies of the JAE Group, and its actual activities, in a clear and concise manner.

About the Cover

JAE Group Forest

The JAE Akishima Plant, located in Akishima City, Tokyo, draws its entire water supply, including drinking water, from city-supplied underground water sources originating from the forested Okutama region of Tokyo. The JAE Group is proud to be the first corporate sponsor of the Tokyo Development Foundation for Agriculture, Forestry and Fishery's corporate adopt-a-forest program. The cover of this year's report features a photograph of the JAE Group Forest. (More details can be found on page 5)

Message from the President

The Group is United in its Commitment to Environmental Management

1. About Environmental Management

As worldwide interest in environmental issues increases, the environment has been made the theme of this year's World's Fair: Expo 2005 Aichi, Japan. The entire JAE Group is united in its commitment to achieving harmony between our business operations and environmental conservation, at times in partnership with our customers and suppliers. We are also committed to remaining a top company, contributing to society without forgetting our responsibility to local communities. In fiscal 2005, the entire group will work together to create a unified environmental-management system for all domestic affiliates.

2. JAE Group Forest

Last year, we created the JAE Group Forest in the town of Okutama, as a symbol of the JAE Group's united commitment to the environment. Our goal is to raise environmental awareness through tree planting, clearing of underbrush, and other activities. We hope that the forest will serve as a shining symbol of our efforts to achieve harmony between our business operations and environmental conservation activities.

3. Community Involvement

We are involved in our local communities in many ways, including the day-to-day lives of our employees, and hiring from the local community. Our head-office plant, located in the city of Akishima, holds round-tables with other companies with an interest in environmental issues, and we strive to give back to the community and continually improve through daily interaction.

Our main domestic production plants – HAE, YAE, and SAE – also maintain friendly relations with their local communities. As an example, YAE employees cooperate with the city of Shinjo as internal environmental auditors for the city. SAE participates in environmental-protection surveys with communities and other companies located along the Tenryu River basin.

4. Environmental Advisors

On July 1, 2006, the RoHS regulations will finally go into effect. Last year, the JAE Group established a

Group Environmental Advisor Program, which includes our overseas subsidiaries. We know that we cannot establish environmental quality without the cooperation of all companies involved with the JAE Group. With the realization that doing so is both demanded by society and our responsibility, we thus continue to provide ever stricter guidance, expanding to all overseas subsidiaries.

5. The Kyoto Protocol and Energy Conservation

This year, the Kyoto Protocol went into force. We must now commit to combating global warming as a common worldwide challenge. Each company in the JAE Group is committed to acting in keeping with the characteristics of its local communities, but this year we will enhance our activities unified by linking the experiences and knowledge of each company.

6. Conclusion

The ISO 14001 standard was amended in its 2004 edition. The past and future commitments of the JAE Group will not be greatly changed by the 2004 edition. Thus, we will continue to implement our management cycle, while improving and strengthening it.

This 2005 Environmental Report summarizes our deep commitment to achieving harmony between environmental conservation and our business activities. I hope you find it useful, and look forward to any comments or criticisms you may have.

June 2005



President
Japan Aviation Electronics Industry, Ltd.

A handwritten signature in black ink, appearing to read "M. Shingoto".

Corporate Profile

Company Outline

Company name : Japan Aviation Electronics Industry, Ltd.

Established : August 20, 1953

Capital : ¥10.69 billion

Head Office : 1-21-2 Dogenzaka, Shibuya-ku, Tokyo
150-0043, Japan
Tel: (81) 3-3780-2711
Fax: (81) 3-3780-2733

Akishima Plant : 3-1-1 Musashino, Akishima, Tokyo
196-8555, Japan
Tel: (81) 42-549-9112
Fax: (81) 42-549-9559

No. of employees : 4,558 (consolidated) / 1,708 (non-consolidated) as of March 2005

Sales : ¥115.8 billion (consolidated) / ¥96.6 billion (non-consolidated) for year ended March 2005

Group companies : Ten domestic subsidiaries, 11 overseas subsidiaries

Consolidated

subsidiaries : Six domestic companies, eight overseas companies

Website : www.jae.co.jp

Business Overview

Since its foundation, the JAE Group has supplied customers with a wide range of leading edge products, including connectors, electronic components, aviation and aerospace equipment, optoelectronic devices and system equipment. The JAE Group has developed very sophisticated technologies, based on its corporate philosophy to Explore, Create and Put into Practice.



Connectors



System Equipment



Aviation/Aerospace Equipment and Related Products

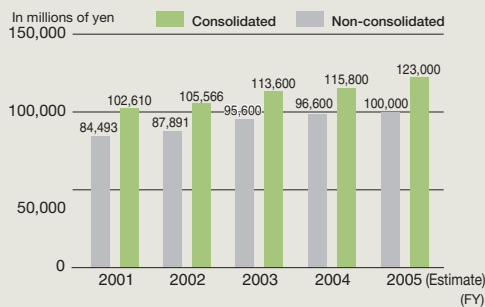


Optoelectronic Devices

For more information about our products, visit us at:

<http://www.jae.co.jp/product/index.asp>

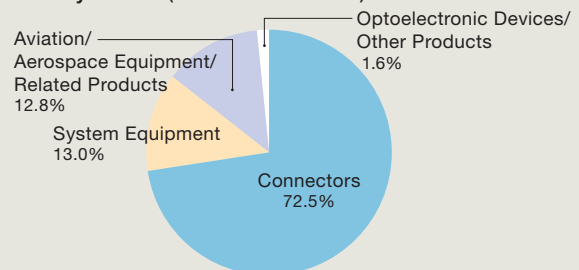
Trends in Sales



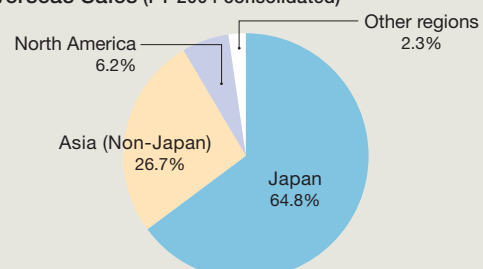
Trends in Employees



Sales by Sector (FY 2004 consolidated)



Overseas Sales (FY 2004 consolidated)



Introduction to the JAE Group 2005 Environmental Report

The 2004 fiscal year was a year of great change, with the launch of new environmental activities: The JAE Group Forest and the Group Environmental Advisor Program. Until now, many of our environmental management activities consisted of environmental conservation and inspections/auditing, and were also limited to the activities of JAE. Naturally, these more conventional activities are also important, but the greatest challenges for the electrical and electronics industries today are environmental quality and giving back to the community as part of the company's corporate social responsibility. These two new activities are concrete steps we have taken to tackle these challenges, ahead of our rivals.

I was put in charge of environmental management in July 2004, but I was able to quickly understand these changes and this background. In the president's New Year's message, he made it clear that we will promote environmental management, and these new responses

Yoshiaki Ichimura
Executive Vice President
Executive Officer in Charge of
Environmental Management
Serves only as Advisor to JAE
as of the publication of this report



make that possible.

I will also mention some of our other activities, including cost-aware waste management. Our challenge now will be to expand our actions globally, including the above activities. Until now, the JAE Group Environmental Report has summarized our domestic production plants, but this fiscal year we have also provided information on our overseas facilities. I hope that this environmental report can serve to inform you of the activities of the JAE Group as a whole, and also vitalize the activities of the group.

Topics JAE Group Forest

First Tree-planting Held



In June 2004, we created a symbol of the JAE Group's environmental management along the Hikawa River, in the town of Okutama, Tokyo. Then on November 4, JAE Group employees involved in environmental activities performed the forest's first tree planting.

The day started bright and clear, and the mountains around Okutama were lined with colorful fall foliage. After a message from advisor of the board Tatsuya Sugiura (former Executive Officer in Charge of Environmental Management), the head of the Forest Division of Tokyo Norinsuisan Shinkozaidan described

the state of forests in Tokyo, and the head of the Tokyo Forest Association's Forestation Division described how the work would proceed, and gave cautions. Next, the tree planting began.

When the work began, the slope of the mountain was shaded from the sun, and it was a bit cold, but everyone had a light sheen of sweat as they planted seedlings of mountain cherries, painted maples, magnolias, and other locally native trees with beautiful flowers and leaves on the bald mountain slope. Those participating in the tree planting said they got a very real sense of an active communion with nature, as they thought of the seedlings they had planted with their own hands growing tall and strong in this natural area located deep in the mountains.

Starting in April 2005, we will have new hires do tree plantings in the springs, and clear underbrush in the summers, and in the falls have general employees perform tree plantings.



Corporate Philosophy and Environmental Policy

Since its founding, the JAE Group has actively contributed to the creation of a sustainable society, based on its corporate philosophy to Explore, Create, and Put into Practice. The JAE Group Charter of Corporate Conduct sets down basic policies for the economy, society, and the environment, as well as our specific policies for environmental commitments.

JAE Corporate Philosophy

In response to the boundless, changing needs of society, our duties are never-ending exploration and creation. Business enterprise must essentially be like the earth as it spins and revolves through the boundless universe, in the midst of incessant change.

Exploration and creation are born in an environment of freedom and independence, and raised by relentless quest and actions which vigorously transcend barriers and difficulties.

Practicing this principle and further making contributions to society- this more than anything is the goal of our business, and the source of our development.

JAE Charter of Corporate Conduct

Revised July 5, 2004

In accordance with its corporate philosophy of exploration, creativity, and practical application, the JAE Group pledges to maintain a fair profit and enhance its corporate value while striving to contribute to the creation of a sustainable society. As a good corporate citizen, the JAE Group pledges to practice regulatory compliance and fulfill its social responsibility to its stakeholders, which include customers, shareholders, investors, suppliers, and local communities.

1. Fair and honest corporate activity

In all countries and regions, the JAE Group will practice regulatory compliance and pursue its corporate activities in a fair and honest manner. The JAE Group will participate in open and free competition, while maintaining a healthy and appropriate relationship with politics and government.

2. Pursuit of customer satisfaction

The JAE Group will provide high quality products and services that are useful to society and show careful consideration for safety. Furthermore, the JAE Group will strive to promote creative and leading edge technology development, and aggressively develop new products while expanding its business into new areas.

3. Open corporate activity

The JAE Group will practice swift and accurate disclosure of necessary corporate data, in order to improve the openness of its corporate activities.

4. Balance with the environment

As a member of society, the JAE Group pledges to respect the natural environment and vigorously pursue corporate activities that are friendly to the environment. Furthermore, the JAE Group will contribute to the creation of a sustainable society and practice environmental management.

5. Balance with society

The JAE Group will recognize the diversity of countries and regions, respect culture and customs, and contribute to their development. Furthermore, the JAE Group will pursue social initiatives as a good corporate citizen.

6. Respect for human rights

In all of its corporate activities, the JAE Group will respect human rights and oppose unfair discrimination and labor practices that entail child labor or forced labor.

7. Respect for employees

The JAE Group will respect the individuality of each employee and strive to create a safe and comfortable workplace environment where employees are able to utilize their talents to the fullest.

8. Management of intellectual assets and information

The JAE Group recognizes the importance of intellectual assets and information, and will manage them in an appropriate manner.

JAE Group Environmental Policy

Revised April 1, 2005

Basic Philosophy

The JAE will contribute to the attainment of a prosperous and sustainable society by fulfilling its corporate social responsibility through environmentally friendly business activities and respect for the natural environment.

Basic Guideline

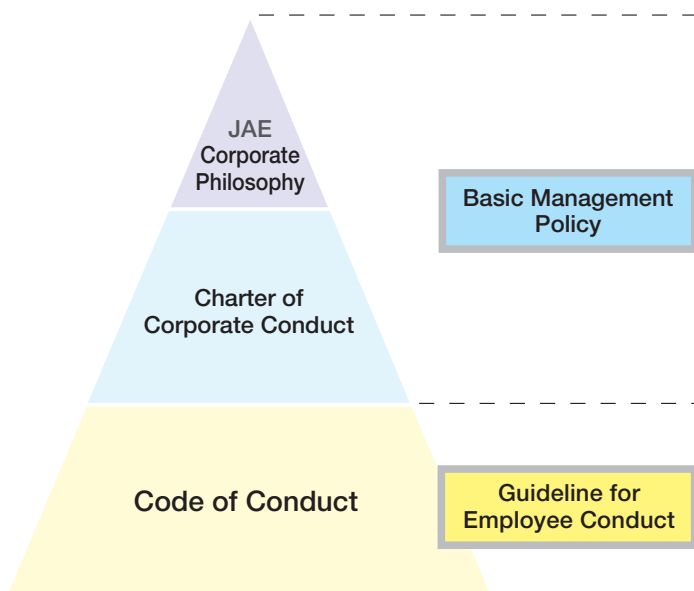
The JAE Group recognizes the significance of the 21st century as "the environmental century," and is fully aware of the environmental impact caused by procurement, development, manufacturing, sales, and logistics activities relating to electronic devices, including connectors—its main product—as well as electronic devices for avionics and aerospace, optical products, and panel units. Accordingly, we will practice environmental management according to the following policies, in order to form a sustainable society:

1. Establish environmental goals and targets, and execute plans for improvement. Furthermore, prevent pollution and continually improve environmental management activities through the periodic revision of these goals and targets, and applying a framework to them.
2. Practice full compliance with environmental laws, regulations, and treaties, and establish voluntary standards as needed. Furthermore, strive to improve efforts to conserve the environment.
3. Establish an environmental management organization and management structure headed by the Executive Officer in Charge of Environmental Management. This organization shall be responsible for ensuring that corporate regulations for environmental management are kept up to date at all times.
4. Promote green procurement, striving to reduce environmental impact at the product-design stage, and reduce the use of toxic substances. Furthermore, give top priority to 3R (reduce, reuse, and recycle) in energy/resource conservation and waste.
5. Conduct periodic internal environmental audits, and strive to improve environmental management systems.
6. Document these environmental policies, and ensure they are known by everyone working in the JAE Group. Furthermore, strive to raise environmental awareness.
7. Disclose JAE technologies for improving the environment and environmental-management data as necessary.

Revision and Implementation of the JAE Charter of Corporate Conduct and Code of Conduct

Last year, we revised the JAE Charter of Corporate Conduct, which declares our basic management policy, and our Code of Conduct, which states our guidelines for employee conduct. This further clarified our management stance with regard to corporate social responsibility

(CSR), which we have long practiced. Based on the revised charter and code, we at the JAE Group are committed to becoming a more balanced company through group management based on a stance of ethics, legal compliance, and honesty.



JAE Charter of Corporate Conduct (Excerpt)

In accordance with its corporate philosophy of exploration, creativity, and practical application, the JAE Group pledges to maintain a fair profit and enhance its corporate value while striving to contribute to the creation of a sustainable society. As a good corporate citizen, the JAE Group pledges to practice regulatory compliance and fulfill its social responsibility to its stakeholders, which include customers, shareholders, investors, suppliers, and local communities.

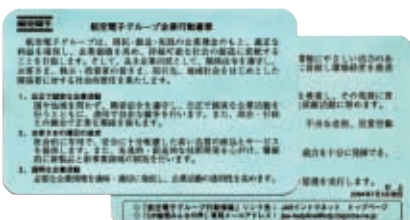
1. Fair and honest corporate activity
2. Pursuit of customer satisfaction
3. Open corporate activity
4. Balance with the environment
5. Balance with society
6. Respect for human rights
7. Respect for employees
8. Management of intellectual assets and information

Revised July 5, 2004
See our Website for the full text (<http://www.jae.co.jp>)

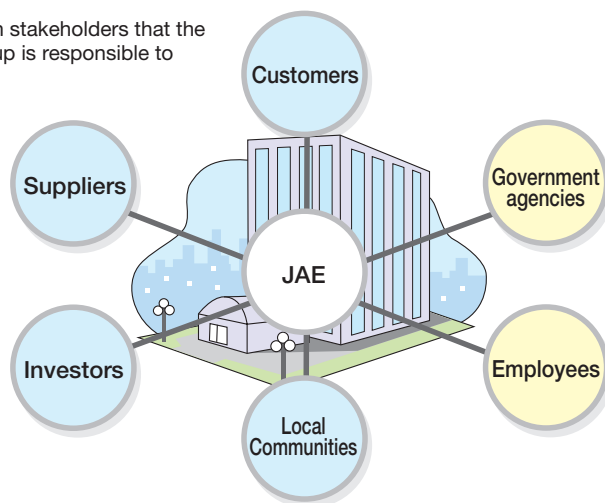
Specifically, we will put the following company actions into daily practice, ensure that all employees know of them and raise their awareness of them, in order to fulfill our responsibilities to all our stakeholders.

1. Distribute a Charter of Corporate Conduct card to all employees.
2. Designate a “Legal Compliance Day” each year in July, and ensure it is observed by all employees on the authority of top management.
3. Periodically distribute case sheets and ethics emails to achieve wide employee understanding.
4. Periodically provide training to employees via e-Learning.
5. Create a “CP Ethics” help line, enabling employees to seek counseling or report problems, while at the same time preventing scandals.

Charter of Corporate Conduct cards to be carried by employees



The main stakeholders that the JAE group is responsible to



Our Environmental Management System Today

The JAE Group has built an environmental management system in accordance with the ISO 14001 standard, and works every day to conserve the environment. We set environmental initiatives and goals based on societal trends and our group businesses, and act throughout the year to achieve targets and plans set according to those goals. We then evaluate the results of those activities, and revise them as we work continually to improve our system.

Framework for Environmental Management

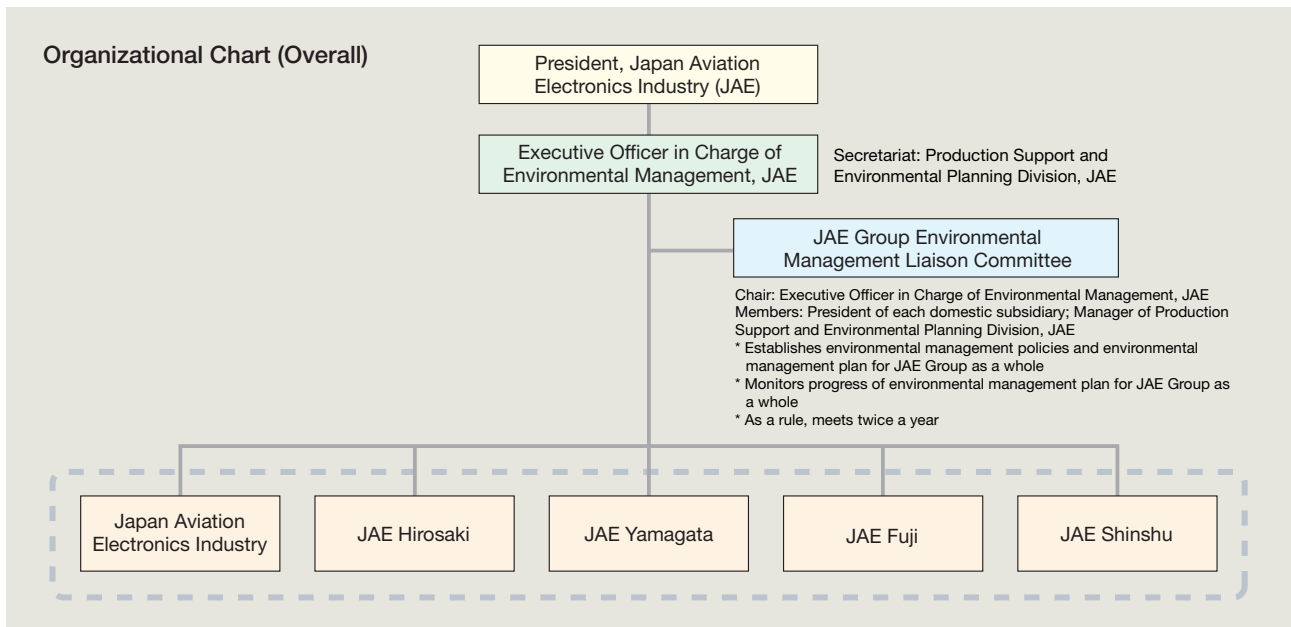
The environmental management framework of the JAE Group consists of a JAE Group Environmental Management Liaison Committee, whose mission is promoting environmental management activities for the group as a whole, and Environmental Management Committees at each of our sites.

The JAE Group Environmental Management Liaison Committee is formed by the JAE Executive Officer in Charge of Environmental Management, the manager of JAE's Production Support and Environmental Planning Division, and the presidents of each domestic subsidiary. The committee's duties include the discussion of initia-

tives and plans for the JAE Group as a whole.

The Environmental Management Committees of each site are the operational centers of the environmental management system. The check environmental management plans and their progress, determine environmental goals and targets, and discuss important environmental topics and the like.

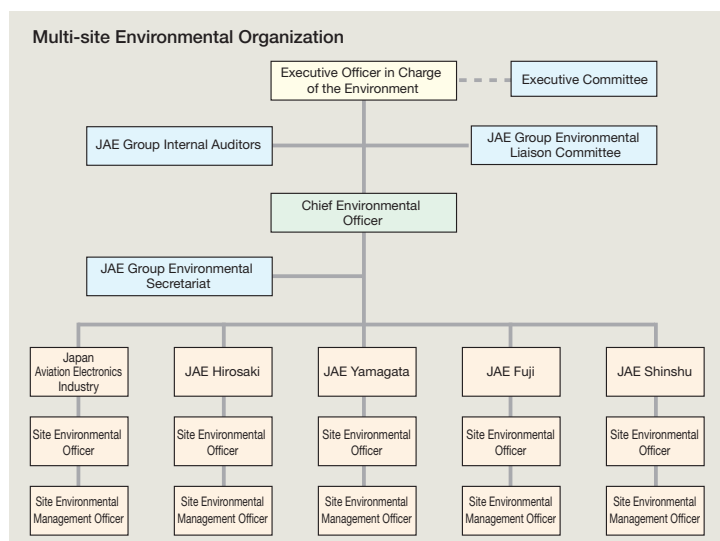
The Environmental Management Committees set up subcommittees for each topic, in order to specifically examine target values and measures for key environmental topics. In this way, the subcommittees support the Environmental Management Committees.



Changing to a Multi-site Environmental System

Until now, our domestic manufacturing subsidiaries have obtained ISO 14001 certification separately, but in July 2005, we will integrate the environmental management system for the JAE Group. Doing this will have the following benefits:

1. Creating a single system for the entire group will clarify our commitments to environmental management.
2. It will raise the bar for the environmental management system within the group.
3. It will enable the system to be run more efficiently through the lateral deployment of both good and bad aspects between sites.



Environmental Education

We actively provide environmental education to our employees. Employees are given environmental education upon entering the company, and upon promotion to supervisor, team leader, or manager. The goal of environmental education is to raise awareness of global environmental conservation, and the need for compliance with environmental regulations. Additionally, in order to reduce risk, persons responsible for processes with a high environmental impact, such as plating, are given specialized training in accident prevention and emergency measures. Additionally, environmental advisors (see page 15) and other people whose jobs are deeply involved with the environment receive ongoing education.

We also actively involve our employees in outside workshops and seminars, in order to obtain public certifications and improve their knowledge of the environment.



Environmental education at JAE Taiwan

ISO 14001 Certification

In FY 2000, we completed ISO 14001 certification for all domestic manufacturing plants, and then in FY 2003, our JAE Akishima Plant expanded the scope of its environmental activities to include sales and logistics as well as production, including our Head Office (company-wide staff and sales divisions) and logistics subsidiaries under the scope of its registration.

We are currently aiming to expand the scope of our registration to include regional sales offices, and switch to a multi-site Group environmental management system. We are planning to add each local sales office to our environmental management system starting January 2005, and undergo inspection for certification in July 2005.

Site	Date of Certification	Certification Body	Certification No.
Akishima Plant, Japan Aviation Electronics	Aug. 7, 1998 (Updated Jul. 2004)	JQA	JQA-EM0198
JAE Hiroasaki	Dec. 24, 1999 (Updated Dec. 2004)	JQA	JQA-EM0658
JAE Yamagata	Nov. 12, 1999 (Updated Nov. 2004)	JQA	JQA-EM0588
JAE Fuji	Feb. 10, 2000 (Updated Feb. 2004)	JQA	JQA-EM0713
JAE Shinshu	Feb. 10, 2000 (Updated Feb. 2004)	JQA	JQA-EM0771

JQA: Japan Quality Assurance Organization

Overseas Certification

We are actively pursuing ISO 14001 certification for our overseas group companies. As of October 2003, of all our overseas plants have acquired certification.

Site	Date of Certification	Certification Body	Certification No.
JAE Taiwan	Mar. 22, 2001	Bureau of Standards, Meteorology and Inspection, Taiwanese Ministry of Economic Affairs	5E5E001-01
JAE Philippines	Jan. 30, 2003	TUV Management Service GmbH	1210415177 TMS
JAE Wuxi	Oct. 29, 2002	DNFCertification B.V., Netherlands	0126-2003-AE-RGC-RvA
JAE Wujiang	Oct. 22, 2003	SGS Societe Generale de Surveillance SA	CH03/0920
JAE Oregon	Aug. 20, 2003	Underwriters Laboratories Inc. (UL)	A12142

Environmental Audits

The JAE Group monitors its environmental management activities via the following environmental audits.

Third-party audits: ISO 14001 audits performed by a qualified certifying body (periodic audits and renewal audits)

Internal audits: Audits used to monitor environmental management activities for each management working group

The results of audits performed in FY 2004 are shown below.

ISO 14001 Inspections in FY 2004

Site Inspected	Strong Points	Other Findings		
		Category A	Category B	Areas for Improvement
Japan Aviation Electronics Industry	2	0	0	21
JAE Hiroasaki	1	0	0	6
JAE Yamagata	0	0	0	5
JAE Fuji	0	0	0	5
JAE Shinshu	1	0	0	6

Internal Audits in FY 2004

Site Audited	Strong Points	Other Findings		
		Nonperforming Items	Items to be Monitored	Requests for Corrective Action
Japan Aviation Electronics Industry	16	0	23	32
JAE Hiroasaki	6	0	0	15
JAE Yamagata	5	6	11	26
JAE Fuji	0	0	7	11
JAE Shinshu	4	3	0	17

Remedial actions have been taken for all findings.

In addition, the JAE Akishima Plant underwent a mutual audit performed by the NEC Affiliates Environmental Operations Exchange Committee. Since many of the members of this committee have supplier-customer relationships, the mutual environmental audit is categorized as a second-party audit.

FY 2004 Mutual Environmental Audit Results

Findings	Audit of Preliminary Survey Forms	On-site Inspection Results
Positive areas	7	4
Areas for improvement	0	0
Outstanding issues and requests	6	5

Environmental Management Systems Today

Regulatory Compliance

Over the past several years, a large number of major enterprises in Japan and internationally has been rocked by scandals. Meanwhile, newspapers and other mass media have increasingly focused on corporate social responsibility (CSR). Corporations are expected to act ethically, comply with laws and regulations, take their stakeholders into account, and conduct fair and honest business dealings.

Regulatory compliance has long been a key focus of the JAE Group. We have established an internal system for corporate ethics, and emphasize the need for compliance among our employees. We continually survey trends in environmental regulations, and act to avoid exceeding regulatory standards or failing to meet legally mandated obligations.

● Voluntary Standards for Air and Water Emissions

- Air Pollution Control Law
- Water Pollution Control Law
- Sewerage law
- Local municipal ordinances

● Compliance Audits by NEC

The JAE Group was not audited in FY 2004. JAE Yamagata is scheduled to be audited in FY 2005.



Compliance Audit by NEC

● Violations in FY 2004

- In FY 2004, we were not levied any environment-related fines, and had no environment-related lawsuits brought against us or the like.
- We unfortunately had one case of exceeding a regulatory standard in our periodic internal measurements. We reported the incident immediately to the competent authorities, and set about pinpointing the cause and taking measures to remedy it. Since then, we have obtained extremely good measurements.

Date	Site	Overview
Jun. 28, 2004	Akishima Plant, Japan	Aviation Electronics Periodic internal measurements showed a concentration of cyanide in our wastewater of 1.2 mg/L, exceeding the Akishima City standard of 1.0 mg/L. We pinpointed the cause, and took corrective measures including repairs to our facilities and a gage to continually measure cyanide concentration. We reported measurements from the time of the incident and after corrective measures were complete to the City of Akishima. Concentrations currently remain near the detection threshold.

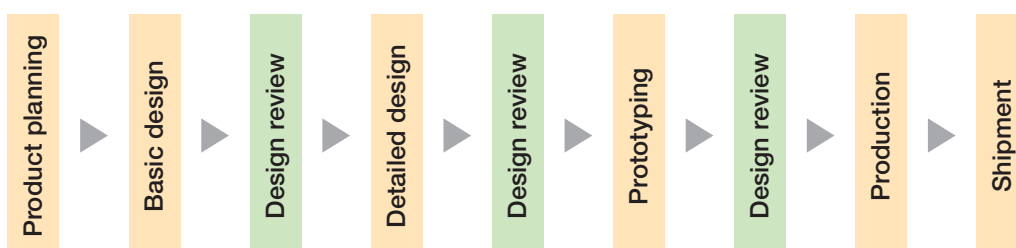
Research and Development of Environmental Design

In accordance with our environmental policies, we place priority on development and practices that take the environment into account from the product-design stage. In terms of environmental quality in particular, we add regulations to ensure the removal of toxic substances.

● Product Assessments

We perform product assessment during the design-review stages in order to minimize the environmental impact of our products in terms of resources, energy,

recycling and safety, from the development and design stage to production, sale, use, and disposal.



● Elimination of Lead and Other Hazardous Chemicals

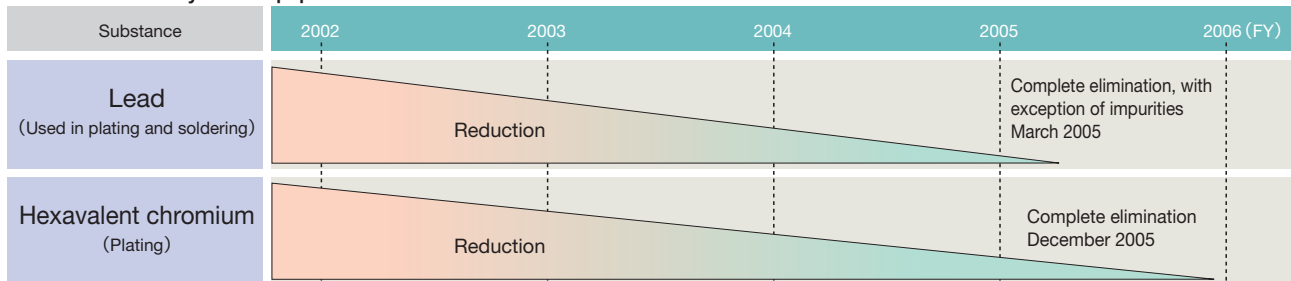
Since FY 2001, all new connectors developed by the JAE Group have been lead-free. We worked to completely phase out products containing lead by the end of FY 2004, and by December 2004 completely eliminated lead from all products except FFC/FPC connectors. We pushed back the phase-out date for FFC/FPC connectors due to whisker issues, but completed the phase-out by March 2005 (we also produce products using lead upon customer request).

We will now monitor generally purchased parts for lead as impurities until end-June 2005, and based on those results, will make a lead-free declaration.

Additionally, the graph below shows our progress toward compliance with the substances designated by the RoHS Directive. We are switching to alternative substances in order to reduce environmental impact, while giving top priority to customer demands, with a constant eye on technology trends.

Roadmap for Elimination of Hazardous Substances Designated by RoHS Directive

Connectors and System Equipment



Mercury, PBBs, PBDEs: Not used in accordance with ban on usage Cadmium: Banned except for designated imported plating products

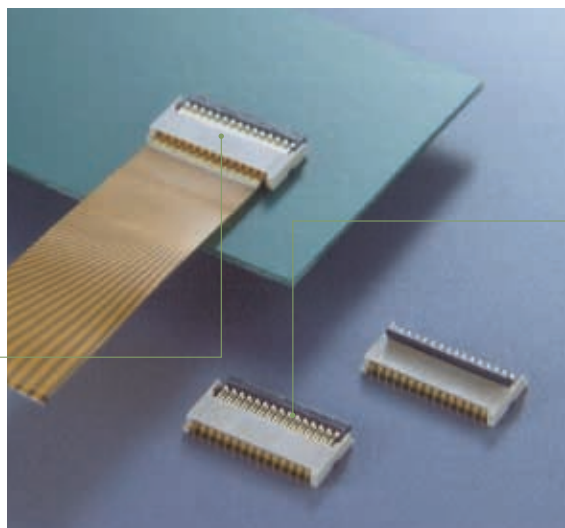
* WEEE: Waste Electrical and Electric Equipment
 * RoHS: Restriction of the use of certain Hazardous Substances in electrical and electronic equipment

Product Commitments (Examples of Environmentally Aware Products)

We are working to make each of our products more environmentally aware. Here we showcase our environmentally aware connectors.

FPC connector: FB5 series
 (Lead-free and RoHS compliant connectors)

- 1. Lead-free product (Complies with RoHS Directive)
- 2. Measures to prevent solder wicking
- 3. Auto-mount type



- 2. Measures are taken to prevent solder wicking in the connector. Excessive wicking is prevented during mounting, helping to prevent solder spatter on contacts and conserve resources.

- 1. Lead-free plating is used at the connector's solder joints, enabling lead-free mounting. Additionally, no substances banned by the RoHS Directive are used.

- 3. Auto-mounting by means of emboss tapping is available. (Conserves resources and energy via standardization and increased production efficiency)

Goal Setting and Results of Actions

The JAE Group assesses the effects of environmental initiatives implemented at each site, and sets goals and targets for each site based on the results of these assessments, as well as external trends.

Overview of FY 2004 Activities

In FY 2004, we set goals and targets for each of our sites, with a focus on reducing electricity usage, achieving zero waste, using resources effectively, and eliminating lead and chromium from our products.

Although we did not achieve all of our goals and targets, we feel that our overall results were favorable, in light of our more ambitious targets and increased production levels.

Site	Result	Indices
Japan Aviation Electronics Industry	8	7 achieved; 1 failed by a slight margin
JAE Hirosaki	16	16 achieved
JAE Yamagata	3	2 achieved; 1 failed by a slight margin
JAE Fuji	9	8 achieved; 1 failed by a slight margin
JAE Shinshu	4	2 achieved; 2 failed by a slight margin

Future Environmental Goals and Targets

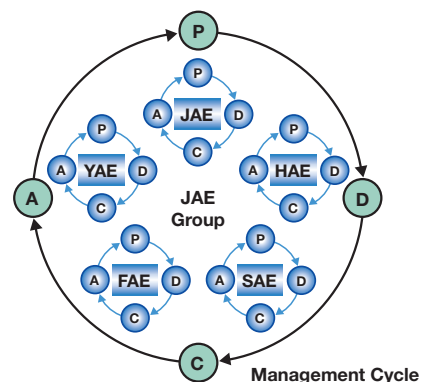
Until now, each of our subsidiary companies has set independent environmental goals and targets, in accordance with the growth of its environmental management system. Initially, many of these goals and targets were common across companies, making it possible to set group-wide goals and targets as well. The goals and targets of each company, however, have become increasingly dissimilar, due to a shift of focus toward maintaining zero waste and reducing chemical usage. Gradually, the goals and targets of each company have grown more distinct, and their commonality has decreased.

Amidst these circumstances, we are also expanding our BPR activities beyond the scope of ISO 14001 certification. Additionally, in FY 2004 we created an independent Environmental Advisor Program, led by our Akishima Plant, and our subsidiary companies joined together with the JAE Group in promoting green procurement.

In addition, the JAE Group also faces challenges as a group for combating global warming. Against this

backdrop, in July 2005 we will integrate the management systems of our domestic manufacturing subsidiaries “which had been pursuing ISO 14001 certification individually” into a single JAE Group Environmental Management System.

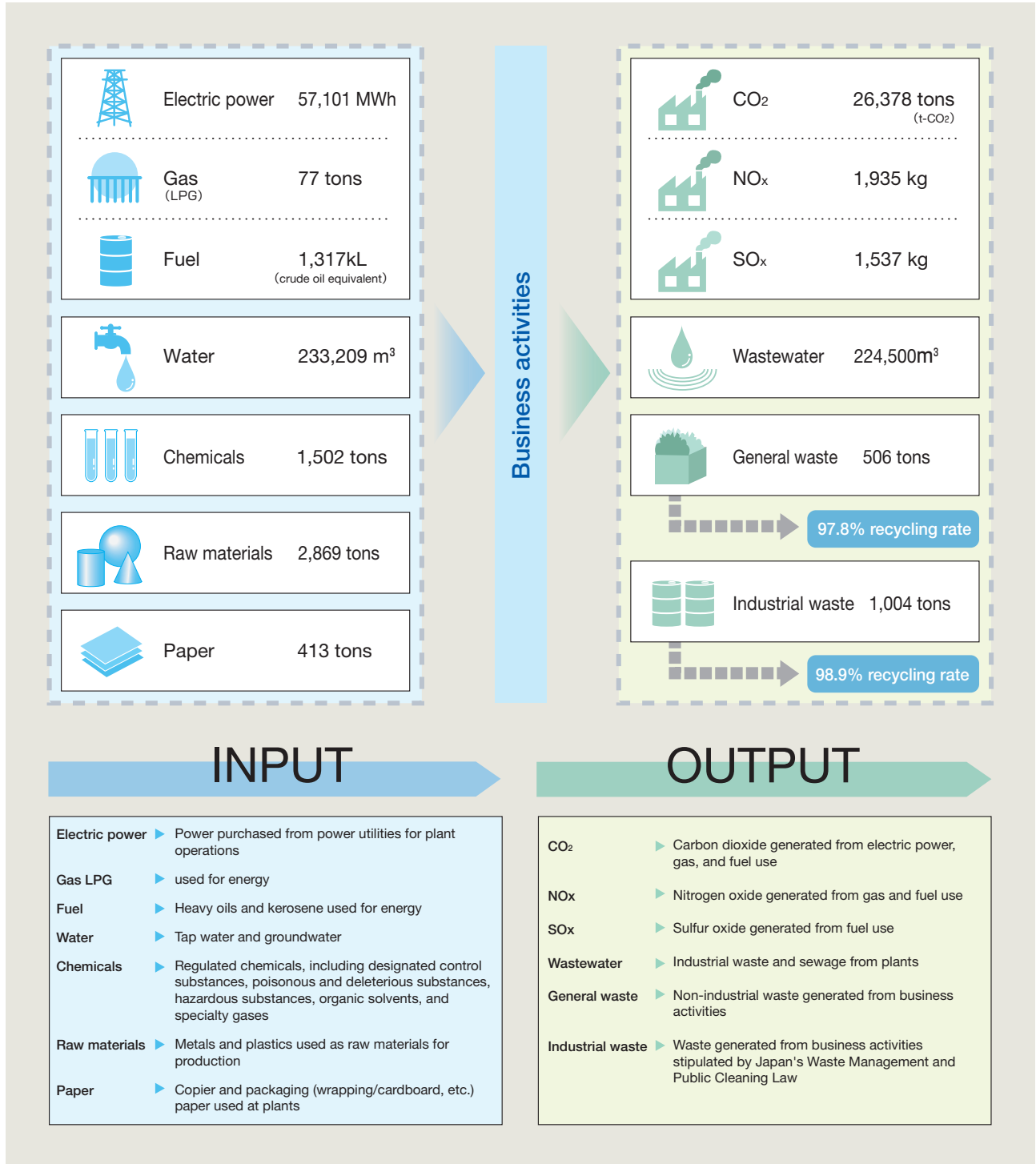
Starting in FY 2005, we will add a PDCA cycle to each company, while respecting its independence, and begin setting goals and targets for the JAE Group as a whole.



Overview of Environmental Impact

The figure below expresses the resources input into our business activities, and the environmental impact generated by those activities, as a mass balance sheet.

Mass Balance Sheet



Commitments in FY 2004

● Environmental Advisors

We certified a total of 136 new advisors: 104 in Japan, and 32 abroad. In China and Taiwan in particular, we have certified a number of employees as advisors other than personnel assigned from Japan. In FY 2005, we will similarly train advisors in the Philippines and the United States as well. In Japan, our 10th year of advisor education was carried out in June, and 30 new advisors were certified.



Advisor Certificate

● Supplier Monitoring

In FY 2004, we visited more than 200 suppliers, and confirmed their environmental quality control systems. We also partnered with our domestic subsidiaries to visit overseas suppliers as well.

In FY 2005, we plan to monitor all suppliers subject to green procurement. We also plan to re-confirm suppliers we confirmed in FY 2003, reflecting the latest trends.



JAE-Wuxi briefing



Overseas advisor education



Supplier monitoring

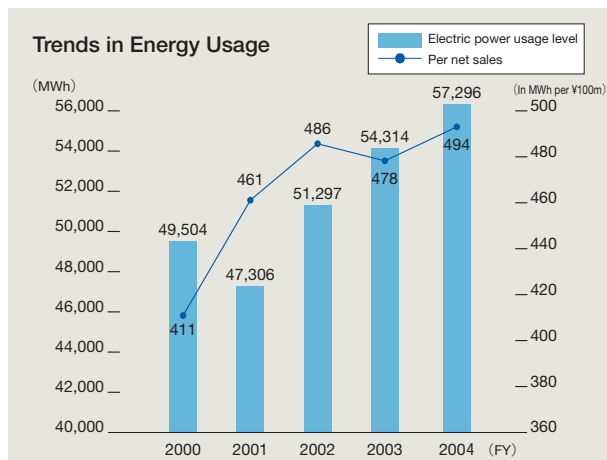
Actions to Conserve Resources and Energy Environmental Performance

The warming effect caused by rising levels of greenhouse gases has been blamed for changing global weather patterns and other changes having a significant impact on the earth's ecosystem and human society. The companies of the JAE Group are striving to reduce their electric-power consumption and improve their production efficiency in order to reduce carbon-dioxide emissions. We have also embarked on a business-process reengineering (BPR) effort to conserve paper resources and make our businesses more efficient.

Reducing Energy Usage

● Electric Power

In FY 2004, the JAE Group's power consumption increased by 5.5% year-on-year, to 57,296 MWh. The increase in usage was mainly due to increased production levels, but increased use of air conditioning due to the unusually hot summer was also a major factor. In FY 2005, our Akishima Plant will use power monitors to reduce power usage, with a focus on reducing standby power. We will also reduce energy consumption by deploying shared service (ESCO) to our domestic manufacturing subsidiaries.



Plants Designated by the Energy Conservation Law*

Type	Plant Name
Class-I Designated Electricity Management Factory (Usage for fiscal year 12 million MWh or more)	Akishima Plant, Japan Aviation Electronics JAE Hiroasaki
Class-I Designated Electricity Management Factory (Usage for fiscal year 6 million MWh or more)	JAE Yamagata

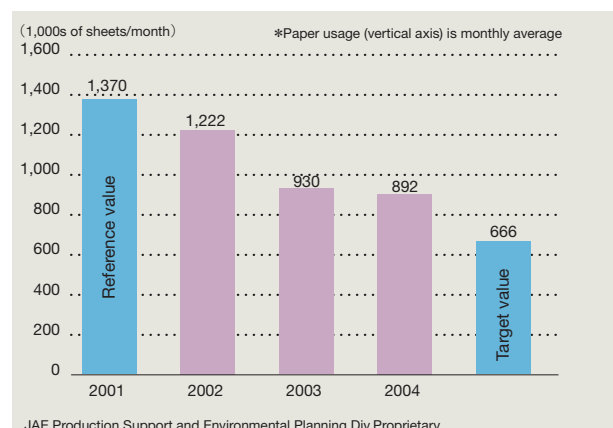
*Official name: Low Concerning the Rational Use of Energy

Business Process Reengineering Actions and Results

Companies are expected to reduce their paper usage, in order to reduce waste and conserve resources. In addition to these goals, another goal of the JAE Group's actions is to work more efficiently by improving processes using paper and sharing information. Specifically, we introduce digital multifunctional printers and digitize paper-based information, and provide education on their use, laterally deploy activities to each department, hold paperless conferences, and the like. Thus, the group as a whole is building a framework in which processes can use information in digital form, without the need for a hard copy at any point.

Our initial standard in FY 2001 was a 30% reduction or greater from a reference level, and we were able to quickly exceed our final goal, achieving a 32.1% reduction in paper use in real terms (total for JAE Group). In FY 2004, we set a new target of reducing usage by 50% from reference levels. Although some departments achieved this target, our overall reduction was just 35% from the reference level.

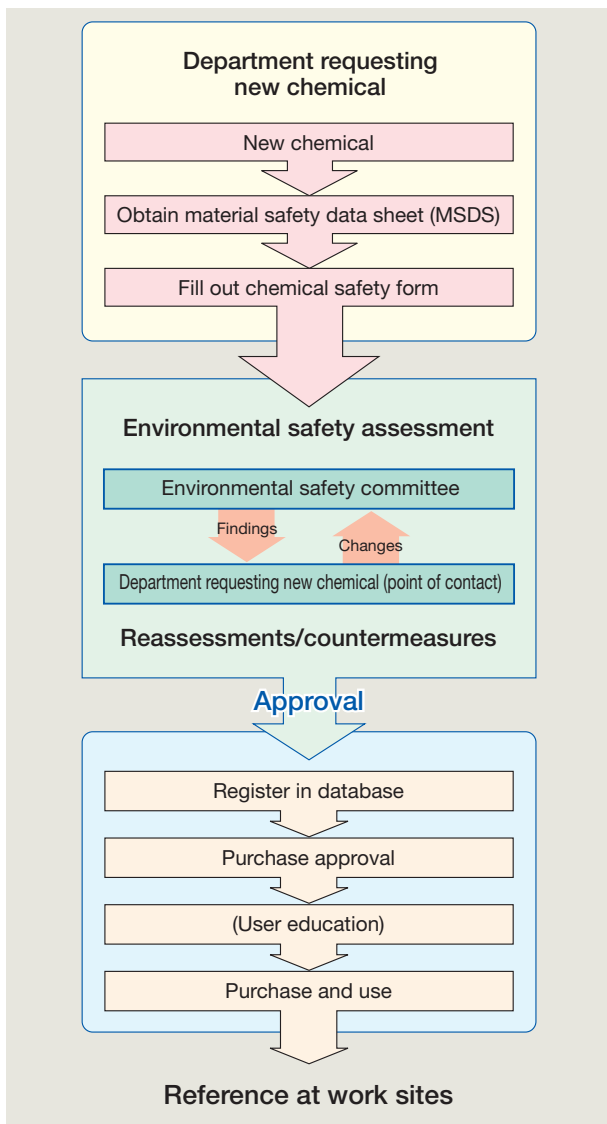
In the future, in addition to maximizing process improvements, we will examine means of global optimization in order to make processes more efficient at the group-wide level. Specifically, we plan to create a workflow between departments and group companies that can be executed entirely in electronic format, and in order to accomplish this we will improve our work processes, as well as perform it through a framework in which all decision-making processes, from partial authorization to consensus-based final authorization, can be conducted entirely in electronic form.



Within each division, the company appoints individuals who are responsible for strictly managing the use of chemicals. Notification rules ensure that relevant divisions on the site are notified in the event of an emergency.

Management of Chemical Substances

The flowchart below describes the pre-assessment process for new chemicals. The JAE Group uses its own chemical safety forms, which must be filled out with data from the material safety data sheet (MSDS) and other information prescribed by company regulations. This must be filled out for new chemical substances, after which the chemical substance must undergo an environmental safety audit. The safety form is placed near the worksite, together with the MSDS, and employees use it in order to handle chemicals properly from use to disposal.



Pollutant Release and Transfer Register (PRTR) Data

Only two of our domestic manufacturing subsidiaries handle chemicals subject to PRTR reporting. The table below shows the amounts handled and reporting history for the group as a whole.

In FY 2002, reporting was only required if the amount of a class-I designated chemical was 5 tons or greater, and so only two substances were subject to reporting. In FY 2003, however, the level was reduced to 1 ton or greater, and so the number of subject substances increased. In FY 2004, we reduced the number of substances subject to reporting through reduction efforts.

Antimony is used together with bromide flame retardants. Efforts by JAE sites to reduce the use of bromide flame retardants have yielded the results shown in the table. Although it is not subject to reporting, the table also shows our levels of lead handled. The table shows that our efforts to eliminate lead from our products has reduced the levels handled.

The increase found in inorganic cyanide compounds is also partially due to the elimination of lead, and the increase in hydrogen fluoride and its water-soluble salts is due to increased production levels. Both could be said to be due to changes in production format.

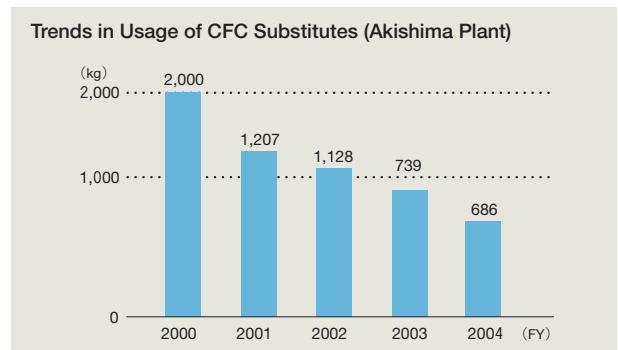
Trends in Volumes of PRTR-Designated Substances In tons

Fiscal Year	FY 2004	FY 2003	FY 2002
Antimony and its compounds	★3.7	★★5.6	7.7
Inorganic cyanide compounds	★2.1	1.3	1.3
Hexavalent chromium compounds	★0.76	★0.77	0.5
Nickel	★6.5	★6.7	★6.0
Nickel compounds	★2.1	★★2.2	★2.1
Hydrogen fluoride and its water-soluble salts	★2.8	★2.3	2.3
Lead and its compounds	0.23	0.58	0.78

★ : Subject to PRTR reporting (when handled by multiple sites, the corresponding figure is shown)
 In FY 2002, the class-I designated chemical substance level was 5 tons or more

● Preventing Ozone Depletion

In 1993, the JAE Group eliminated its use of trichloroethylene and CFCs after these substances were banned from production by the Montreal Accord. We are currently installing equipment to replace CFC substitutes, whose use is authorized, with alternative cleaning agents that have less environmental impact.



Reducing the Environmental Impact of Logistics Environmental Performance ■

Using the value-stream map (VSM) philosophy, we are working to change ways of thinking at our worksites, and eliminate waste in conveyance, storage, and lot production that until now have been considered a matter of course. Here we showcase the reforms we have made to our logistics through the F/F approach, which has been highly effective at reducing environmental impact.

Logistics Reform through the F/F Approach

FY 2004 was the third year of our F/F approach. In this year, we eliminated regional logistics centers in Osaka, Yokohama, and elsewhere, and accelerated direct distribution to our customers via our Nikko Logistics Center (NLC). This has required improvements to shipping efficiency, and improvements to the shipping floor in particular, but it has enabled us to greatly reduce

● Reduction and Recycling of Packaging Materials

Stick carriers and plastic trays are used as the inner packaging of our products. Through collaboration with our customers, we are reusing these to an increasing degree. Last year, we reused 910,000 stick carriers and 117,000 plastic trays, and we expect these levels to rise in the future as well. Some items could not be reused because they failed to meet standards; we were able to recycle 100% of these items as building materials and

our environmental impact by reducing the number of trips made by our trucks, and reducing the use of forklifts for loading cargo.

Meanwhile, we are working to achieve the same effect in our overseas logistics, by using shipping companies that do not pass through intermediate warehouses.

other materials, including PVC. Reusing and recycling these items incurs collection, cleanup, and other costs, but we are confident that it will provide great dividends in the future in terms of reducing environmental impact.

We are currently looking into ways to reduce our use of paperboard “tissue boxes,” reuse disposal cardboard boxes, and reuse plastic rails.

Reducing Waste Environmental Performance Environmental Performance ■

Through our zero-waste initiatives, we are shifting from recycling to “reduce and reuse” as means of reducing industrial waste.

Measures to Reduce Waste

In FY 2002, we achieved zero waste. In the future, we will work to maintain this, while practicing the following:

1. Improve recycling quality (from thermal recycling to material recycling)
 2. Promote reuse
 3. Reduce the amount of waste produced
- ※ The JAE Group defines “zero waste” as a recycling rate of 99% or greater.

● Improving the quality of recycling

The injection molding of connectors produces sprue and runners (PBT resin). Due to problems with mixing with other types of plastic, until now we have thermally recycled this as fuel. Through thorough separation, however, we have been able to recycle this as a raw material. Meanwhile, we are working to reduce the generation of sprue and runners through improvements to our mold design.

● Promoting reuse

We import parts from our overseas manufacturing plants using wooden pallets. We had been disposing of used pallets as general business waste, but we have signed an agreement with a shipping company that will reuse these for us, enabling the effective use of resources.

Additionally, we had been disposing of old computers as industrial waste, and a disposal company would then disassemble the old PCs and recycle them. Now, however, we have signed a contract with a company that will reuse the computers, helping in our efforts to reduce the generation of waste.

● Benefits of introducing food-waste processors

In FY 2002, our Akishima Plant installed a food-waste treatment facility, and it remains in use to this day. Through various improvements, however, we have steadily reduced the amount of scraps and other food waste produced by our cafeteria and dormitory, making a great contribution to our reduction efforts. These efforts have also had financial benefits, by reducing costs through innovative training.

● Move to electronic industrial-waste manifests

Processing manifests electronically makes it more efficient to manage industrial-waste disposal companies, collect and monitor control forms, create reports relating to industrial waste, and collect and analyze statistics on industrial waste. At the same time, it allows us to gain a better grasp of problem areas, and see areas for improvement.

Environmental Accounting Data

We have adopted environmental accounting, in order to clarify the cost/benefit relationship of our environmental activities. Here we summarize our accounts in terms of environmental investment, environmental costs, and gains on the sale of reusable materials and the like.

(in thousands of yen)

Category	Description	Amount
FY 2004 investments	Investments for equipment used for lead-free and chromium-free initiatives, equipment for plating wastewater treatment, etc.	48,060
FY 2004 R&D costs	R&D labor cost incurred for lead-free and chromium-free initiatives, etc.	34,640
Gains on sale of reusable materials, etc	Sales of scrap metal	156,461

FY 2004 Accounting Standards

Scope Domestic manufacturing facilities of the JAE Group (Japan Aviation Electronics Industry Akishima Plant and our four domestic manufacturing subsidiaries)

Note: Japan Aviation Electronics Industry Akishima Plant includes Nikko

Period April 1st, 2004 to March 31st, 2005

Unit Thousands of yen (rounded to nearest thousand yen)

Overseas Activities

The overseas subsidiaries of the JAE Group are also working actively on environmental issues. All our overseas manufacturing subsidiaries have acquired ISO 14001 certification, and are working to reduce the environmental impact of their business activities, as well as getting involved in their local communities through volunteering. Below we showcase the activities of our overseas subsidiaries.

JAE Oregon

JAE Oregon employees participated in two events hosted by a local non-profit organization, SOLV (Stop Oregon Litter and Vandalism). The first event, "Down by the Riverside," involved removal of invasive plant species alongside the Tualatin River. The second event, the Oregon Beach Cleanup, involved picking up trash from the beach.

JAE Oregon publishes a quarterly newsletter, which always includes an environmental article. In addition, the company bulletin board, e-mail and intranet also are used to communicate environmental information to all employees.



The Columbia River (of which the Tualatin River is a tributary)

JAE Philippines

JAE Philippines is committed in taking an active role in the clean and green system, not just company wide but also in its community. JAE Philippines is fully committed to conservation, recycling and re-using resources.

On November 12, 2004, the ground-breaking of Gen. Trias Seeding Bank was held. This is a joint project made by all Gateway Locators including JAE Philippines promoting Environmental Tree Planting.



Tree planting

JAE Wuxi

Employees participated in a blossom-viewing party held in the Wuxi National Hi-tech Industrial Zone, in which JAE Wuxi's plant is located. Through the party, we increased our involvement with the local community, including a donation of school supplies collected through voluntary contributions by employees attending the party.



Blossom-viewing party in Wuxi

JAE Wujang

Employees participate in cleanups around the plant, in order to achieve the management goals of environmental conservation, regulatory compliance, and partnership with the local community.



Cleanup in Wujang



Inquiry

Japan Aviation Electronics Industry, Ltd
Production Support and Environmental Planning Division

3-1-1 Musashino, Akishima, Tokyo 196-8555, Japan
Tel: (81) 42-549-9131 Fax: (81) 42-549-9570 <http://www.jae.co.jp>
Contact: Takayoshi Mitake

