

# Financial Report 2013

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

## Financial Outlook

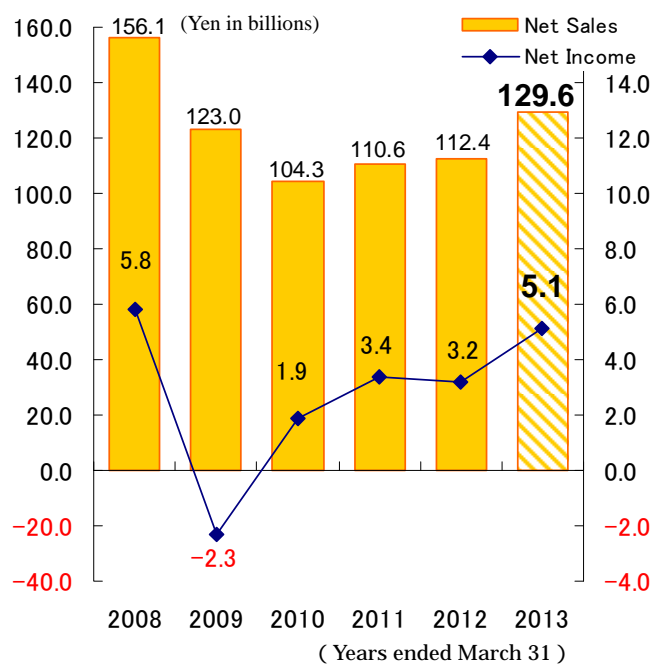
The global economy showed a sluggish recovery both in the leading industrialized nations and in emerging nations in the first half of the fiscal year due to reasons such as the exports of emerging countries affected by the resurgence of the European financial issues slowing down. In the second half, the global economy started to reflect the settling down of the European situation and the bright spots in the United States economy, thanks to the countries' expansion of monetary easing policies. The Japanese economy showed signs of touching the bottom of the economic downturn due to the recovery of stock prices and the weakening yen but was continuously plagued by economic stagnation caused by falling stock prices, yen appreciation and deflation throughout the financial year.

The electronic-related markets in which we were involved stayed firm overall, with continued growing demand in growing markets for equipment such as smartphones and tablet computers and for the automotive products demanded by the United States and ASEAN markets. Demand for notebook computers, flat-panel TVs, digital cameras and capital investment has slowed. Overall, the markets are facing difficult times.

Under the circumstances, the JAE Group strove to increase both orders and sales of connectors, which are our main products, through proactive global marketing and initiatives for developing new products, focusing on thriving markets and prospective devices. We positively injected investments in production equipment and facilities, mainly for newly developed products, and thereby stepped up the transition to in-house production and automation in order to slash costs. We also boosted the efficiency of all management aspects, improved facility utilization efficiency and curbed expenses. Through all this, we worked to improve the overall performance of the Group.

We began construction of additional factories at the major connector production bases: JAE Hirosaki, Ltd. and JAE Yamagata, Ltd. in Japan and JAE Philippines, Inc. overseas, as investments for productivity increases that are driving toward sustained growth in the future.

As a result, we achieved consolidated sales of 129.6 billion yen (15% increase from the previous year) and earned 8.6 billion yen in operating income (32% increase from the previous year), 7.74 billion yen in ordinary income (34% increase from the previous year) and 5.06 billion yen (57% increase from the previous year) in net income in the current year, thus successfully expanding revenue and profits.



Years ended March 31	Yen in billions			% of Previous Year	U.S.dollars
	2011	2012	2013 From April1,2012 to March31,2013		in millions 2013 From April1,2012 to March31,2013
Net sales	¥110.6	¥112.4	¥129.6	115%	\$1,379
Gross profit	23.3	23.5	25.6	109%	273
Operating income	6.34	6.52	8.6	132%	91.5
to sales ratio	5.7%	5.8%	6.6%	0.8%	6.6%
Ordinary income	5.56	5.77	7.74	134%	82.3
to sales ratio	5.0%	5.1%	6.0%	0.9%	6.0%
Net income	3.43	3.23	5.06	157%	53.9
to sales ratio	3.1%	2.9%	3.9%	1.0%	3.9%

Note : U.S.dollar amounts are translated from yen, for convenience only, at the rate of 94=U.S.\$1

## Sales-by-segment

### Connector Line: Sales of 109.8 billion yen (125% of the previous year)

Demand for notebook computers and flat-panel TVs has dropped due to sluggish consumer spending, and demand for capital investments in emerging countries has also weakened, which caused the products for these markets to decline in income. However, the total business of the Group enjoyed revenue growth from the previous year, capturing demand in growing markets for devices such as smartphones and tablet computers and keeping car electronics, mainly in the United States and Asian markets, as robust as ever.

### User Interface Solutions Line: Sales of 5.0 billion yen (49% of the previous year)

In the user interface solution line, the slumping market affected digital camera components/parts, but the performance of vehicle-mounted products remained strong, which contributed to keeping overall performance at the same level as the previous year. However, the sectors of interface devices primarily for machine tools were affected by weakening demand for capital investment and the termination of overseas liquid crystal substrate mounting operations. Consequently, income decreased from the previous year.

### Aerospace Line: Sales of 13.8 billion yen (103% of the previous year)

In the private sector, demand for domestic machinery, mainly for semiconductor manufacturing equipment, has been sluggish, while we captured government demand for defense-related products for new projects and replacements of existing products. As a result, the overall sector enjoyed an increase in revenue from the previous year.

## Sales by Business Segment

Years ended 31-Mar	Yen in billions			% of Previous Year	U.S.dollars in millions 2013
	2011	2012	2013		
Connector	85.4	87.8	<b>109.8</b>	125%	<b>\$1,168</b>
U.I.S.	12.7	10.3	<b>5</b>	49%	<b>53</b>
Aerospace	11.5	13.4	<b>13.8</b>	103%	<b>147</b>
Others	1	0.9	<b>1</b>	107%	<b>11</b>
<b>Total</b>	<b>110.6</b>	<b>112.4</b>	<b>129.6</b>	<b>115%</b>	<b>1,379</b>
Overseas	52.5	60.2	<b>79</b>	131%	<b>840</b>
%	47.5%	53.6%	<b>61.0%</b>	-	<b>61.0%</b>
Domestic	58.1	52.2	<b>50.6</b>	97%	<b>539</b>

## Connector Sales by Segment

Years ended 31-Mar	Yen in billions			% of Previous Year	U.S.dollars in millions 2013
	2011	2012	2013		
Connector	9.2	<b>8.4</b>	<b>10.8</b>	129%	<b>\$115</b>
U.I.S.	-0.6	<b>0.1</b>	<b>-0.2</b>	- %	<b>-2</b>
Aerospace	1.4	<b>2</b>	<b>1.9</b>	95%	<b>20</b>
Others	-3.7	<b>-4</b>	<b>-3.9</b>	- %	<b>-42</b>
<b>Total</b>	<b>6.3</b>	<b>6.5</b>	<b>8.6</b>	<b>132%</b>	<b>91</b>

## Operating Income by Business Segment

Years ended 31-Mar	Yen in billions			% of Previous Year	U.S.dollars in millions 2013
	2011	2012	2013		
Information	12.4	14.6	<b>10.8</b>	74%	<b>\$115</b>
Communications	17.2	22	<b>43.2</b>	197%	<b>460</b>
Digital Home	14	9	<b>6.2</b>	69%	<b>66</b>
Automotive	26.9	29.3	<b>37.6</b>	129%	<b>400</b>
Industrial, etc.	14.9	13	<b>12</b>	92%	<b>127</b>
<b>Total</b>	<b>85.4</b>	<b>87.8</b>	<b>109.8</b>	<b>125%</b>	<b>1,168</b>
Overseas	42.4	50.5	<b>74.3</b>	147%	<b>791</b>
%	49.60%	57.50%	<b>67.70%</b>	-	<b>67.70%</b>
Domestic	43	37.3	<b>35.5</b>	95%	<b>377</b>

## Management policy

### (1) JAE's basic management policy

Since its foundation, JAE has aimed to achieve appropriate profits, enhance its corporate value, and contribute to the creation of a sustainable society, under the corporate philosophy of "Explore, Create, and Practice."

In the operation of our business, we adhere to a basic policy of expanding our operations globally based on the JAE Group Charter for Corporate Behavior while conducting consolidated management, as well as management that gives priority to cash flow.

### (2) Medium- and long-term management strategies

In order to achieve sustainable growth, the JAE Group established the five-year periods from fiscal 1999 to 2003 and from fiscal 2004 to 2008 as, respectively, our "First Phase of Management

Restructuring” and “Second Phase of Management Restructuring,” and has developed business with the objective to establish a fiscal structure that will dominate the competition in the 21<sup>st</sup> century and to make the leap to becoming a highly profitable company.

We regard the current five-year period from fiscal 2009 to 2013 as our “Third Phase of Management Restructuring,” and have established the following medium-term financial targets (on a consolidated basis) aiming to become a highly profitable company through new growth.

- At least 150 billion yen in sales
- At least 8% in ordinary income ratio

With these goals in mind, the JAE Group is expanding global activities in the three business sectors of the Connector Line, User Interface Solutions Line, and Aerospace Line, based on the following four major policies.

(i) Strengthening of global marketing and technology development capacities

The JAE Group will aim to capture, on a global scale, demand in growing markets for devices such as smartphones and car electronics, and in new markets such as smart grids, to reinforce partnerships with top companies in these industries around the world, and to strengthen technology development capacities to respond to such demands in a timely manner, and will develop strong products precisely tailored to market needs with the overall objective of achieving sustainable growth.

(ii) Strengthening of manufacturing competitiveness

The JAE Group will proactively initiate quality innovation aimed at strengthening manufacturing competitiveness and achieving the target of “zero complaints” from customers based on the manufacturing principle of “Cost Reduction, Quality, and Shorter Lead Times” through the two-pronged approach of technological innovation focused on efforts for in-house manufacturing and production innovation activities dubbed “Innovation 235,” which are implemented across the Group.

We actively invest capital concentrated on the Connector Line in order to enable technology improvements and reduction of costs, and strive to further improve production efficiency through acceleration of processing for each operation, including molding and stamping, automation and labor saving. Overseas, the JAE Group will endeavor to enhance the automated production ratio in a manner similar to domestic strategies in order to deal with the soaring labor costs in the Asian region.

(iii) Priority on human development (gathering and developing human resources)

The JAE Group will work to gather and develop human resources necessary to pursue Group strategies for continuous promotion of multi-player and global and organized succession of technologies and skills from the following perspectives: achievement and maintenance of competitiveness in global markets, a structural reorganization to enable flexible response to the changing market environment and to improve profits, and policies to deal with the declining birthrates and the aging of the population in the future.

(iv) Promotion of environmental management

The JAE Group strives to enhance the awareness of Group employees through projects such as the “Forest of JAE Group” created in the Okutama district of Tokyo, which is a symbol of environmental management. The Group also fulfills its social responsibility through proactive environmental initiatives, such as green procurement, compliance with the RoHS (Restriction of Hazardous Substances) Directive and the REACH (Registration, Authorization and Restriction of Chemicals) Regulation, environmental design, participation in the Challenge 25 Campaign, etc.

**(3) Issues that JAE must address**

Against the backdrop of the increasingly harsh economic environment surrounding the JAE Group, we are striving to adapt to changes, and are promoting sustainable management improvements aiming to increase our corporate value. In the near term, we will address the issues outlined below, and will vigorously push forward with efforts to improve business performance.

1. Continued efforts to establish dual standards, to capture global emerging trends on new markets, and to expand business lines
2. Enhancement of global marketing and technology development capacities and incorporating them in the company slogan

The JAE Group will apply its slogan “Technology to Inspire Innovation” (meaning that technologies developed by JAE open new doors for creative product development by our customers) in order to promote sustainable development of new products and their horizontal development and thus increase profits.

3. The JAE Group will promote manufacturing improvement through the two-pronged approach of technological innovation focused on efforts for in-house manufacturing and production innovation, and will strive to increase profitability by slashing costs, reduction of lead times and achieving quality based on a synergy effect that utilizes active construction of plants and investment to reinforce the general machinery lineup.

# Consolidated Balance Sheets

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

Assets	Yen in millions		U.S. dollars
	2012	2013	in thousands
	As of March 31	As of March 31	As of March 31
<b>Current assets:</b>			
Cash and deposits	¥ 24,517	¥ 14,792	\$ 157,366
Notes and accounts receivable	26,336	27,402	291,516
Short-term investment securities	-	10	106
Inventories	9,756	11,345	120,694
Deferred tax assets	2,014	1,484	15,787
Other current assets	884	1,042	11,092
Allowance for doubtful accounts	( 33 )	( 35 )	( 374 )
<b>Total current assets</b>	<b>63,475</b>	<b>56,041</b>	<b>596,188</b>
<b>Property, plant and equipment:</b>			
Land	5,264	5,297	56,360
Buildings and structures	37,524	38,204	406,434
Machinery, equipment and others	103,058	123,359	1,312,339
Construction in progress	4,379	5,689	60,521
Less: Accumulated depreciation and impairment loss	( 106,331 )	( 115,910 )	( 1,233,093 )
<b>Net property, plant and equipment</b>	<b>43,894</b>	<b>56,640</b>	<b>602,562</b>
<b>Investments and long-term loans receivable:</b>			
Investment securities	1,442	1,980	21,065
Stocks of subsidiaries and affiliates	201	1,081	11,506
Long-term loans receivable	232	654	6,959
<b>Total investments and long-term loans receivable</b>	<b>1,876</b>	<b>3,715</b>	<b>39,531</b>
<b>Other assets:</b>			
Deferred tax assets	2,890	2,463	26,204
Other assets	3,099	2,943	31,317
Allowance for doubtful accounts	( 135 )	( 135 )	( 1,440 )
<b>Total other assets</b>	<b>5,854</b>	<b>5,271</b>	<b>56,081</b>
<b>Total assets</b>	<b>115,101</b>	<b>121,670</b>	<b>1,294,364</b>

Liabilities and net assets	Yen in millions		U.S. dollars
	2012	2013	in thousands
	As of March 31	As of March 31	As of March 31
<b>Current liabilities:</b>			
Short-term loans payable	¥ 6,616	¥ 8,972	\$ 95,452
Notes and accounts payable	24,493	24,842	264,282
Accrued expenses	3,815	4,091	43,522
Income taxes payable	1,007	694	7,387
Other current liabilities	1,925	3,951	42,040
<b>Total current liabilities</b>	<b>37,858</b>	<b>42,552</b>	<b>452,685</b>
<b>Noncurrent liabilities:</b>			
Long-term loans payable	10,588	6,211	66,075
Provision for retirement benefits	4,959	4,494	47,808
Long-term accounts payable-other	163	133	1,422
Other noncurrent liabilities	153	174	1,853
<b>Total noncurrent liabilities</b>	<b>15,865</b>	<b>11,013</b>	<b>117,159</b>
<b>Net assets:</b>			
<b>Capital stock</b>			
At March 31, 2012 - Shares authorized: 350,000,000, shares issued: 92,302,608	10,690		
At March 31, 2013 - Shares authorized: 350,000,000, shares issued: 92,302,608		10,690	113,726
Capital surplus	14,439	14,439	153,616
Retained earnings	41,760	45,917	488,484
<b>Less: Treasury stock</b>			
At March 31, 2012 - 1,710,400 shares	( 1,231 )		
At March 31, 2013 - 1,709,754 shares		( 1,230 )	( 13,092 )
Valuation difference on available-for-sale securities	256	607	6,465
Foreign currency translation adjustment	( 4,637 )	( 2,401 )	( 25,542 )
Subscription rights to shares	100	80	860
<b>Total net assets</b>	<b>61,377</b>	<b>68,104</b>	<b>724,518</b>
<b>Total liabilities and net assets</b>	<b>115,101</b>	<b>121,670</b>	<b>1,294,364</b>
<b>Net assets per share</b>			
	yen		U.S. dollars
	¥ 676.41	¥ 750.87	\$ 7.988

Notes : U.S.dollar amounts are translated from yen, for convenience only, at the rate of 94=U.S.\$1

# Consolidated Statements of Income and Retained Earnings

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

U.S. dollars  
in thousands

	Yen in millions		U.S. dollars
	2012	2013	2013
Net sales	¥ 112,360	¥ 129,600	\$ 1,378,731
Cost of sales	88,910	103,951	1,105,871
Gross profit	23,450	25,648	272,860
Selling, general and administrative expenses	16,930	17,047	181,360
Operating income	6,519	8,600	91,499
Other income (expenses):			
Interest expenses	( 121 )	( 109 )	( 1,163 )
Interest and dividends income	170	281	2,996
Foreign exchange gains (losses)	( 621 )	( 401 )	( 4,268 )
Other, net	( 179 )	( 632 )	( 6,731 )
	( 751 )	( 861 )	( 9,166 )
Ordinary income	5,768	7,739	82,332
Extraordinary loss	110	-	-
Income before income taxes	5,657	7,739	82,332
Income taxes-current	1,822	1,809	19,254
Income taxes-deferred	603	866	9,213
Net income	3,232	5,063	53,865
Retained earnings:			
Balance at beginning of the year	39,433	41,760	444,256
Add:			
Net income	3,232	5,063	53,865
Deduct:			
Dividends from surplus	905	905	9,637
Balance at end of the year	41,760	45,917	488,484
Net income per share	¥ 35.68	¥ 55.89	\$ 0.595

# Consolidated Statements of Cash Flows

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

U.S. dollars  
in thousands

	Yen in millions		U.S. dollars
	2012	2013	2013
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 5,657	¥ 7,739	\$ 82,332
Depreciation and amortization	11,638	14,693	156,313
Increase (decrease) in provision for retirement benefits	( 398 )	( 492 )	( 5,243 )
Loss on retirement of noncurrent assets	258	687	7,311
Decrease (increase) in notes and accounts receivable-trade	( 1,082 )	( 317 )	( 3,382 )
Decrease (increase) in inventories	88	( 1,214 )	( 12,924 )
Increase (decrease) in notes and accounts payable-trade	313	( 173 )	( 1,848 )
Other, net	( 845 )	( 303 )	( 3,229 )
<b>Net cash provided by (used in) operating activities</b>	<b>15,630</b>	<b>20,616</b>	<b>219,328</b>
Net cash provided by (used in) investing activities			
Proceeds from withdrawal of time deposits	65	102	1,094
Payments into time deposits	( 45 )	( 64 )	( 685 )
Purchases of property, plant and equipment	( 13,370 )	( 26,477 )	( 281,674 )
Proceeds from sales of property, plant and equipment	21	71	756
Purchase of investment securities	( 33 )	( 882 )	( 9,390 )
Other, net	( 670 )	( 890 )	( 9,468 )
<b>Net cash provided by (used in) investing activities</b>	<b>( 14,032 )</b>	<b>( 28,140 )</b>	<b>( 299,367 )</b>
Net cash provided by (used in) financing activities			
Proceeds from long-term loans payable	7,000	-	-
Repayment of long-term loans payable	( 3,188 )	( 4,534 )	( 48,237 )
Increase (decrease) in short-term loans payable	0	2,499	26,591
Cash dividends paid	( 905 )	( 905 )	( 9,637 )
Other, net	( 1 )	0	10
<b>Net cash provided by (used in) financing activities</b>	<b>2,904</b>	<b>( 2,939 )</b>	<b>( 31,272 )</b>
Effect of exchange rate change on cash and cash equivalents	( 26 )	769	8,181
Net increase (decrease) in cash and cash equivalents	4,475	( 9,694 )	( 103,129 )
Cash and cash equivalents at beginning of period	19,996	24,471	260,334
<b>Cash and cash equivalents at end of period</b>	<b>24,471</b>	<b>14,777</b>	<b>157,205</b>
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest expenses paid	121	125	1,336
Income taxes paid	1,620	2,154	22,923

Notes : U.S.dollar amounts are translated from yen, for convenience only, at the rate of 94=U.S.\$1

# 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.

Overseas consolidated subsidiaries prepare financial statements in accordance with either Accounting Standards generally accepted in the United States of America or International Financial Reporting Standards.

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 Instruments and Exchange Law of Japan, and filed with the Ministry of Finance 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 ¥94=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: 10

The non-consolidated subsidiaries are as follows: JAE Business Support, Ltd., JAE Foods, Ltd., Hiroasaki Hakko Co., Ltd., Meiyu - Giken Co., Ltd., Meiyu - Techtron Co., Ltd., Meiyu Automation Corporation, JAE Singapore Pte Ltd., JAE Europe, Ltd., JAE Tijuana, S. A. de C. V. and JAE Dongguan Service Co., Ltd.

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

The 10 non-consolidated subsidiaries were excluded from the scope of consolidation because they are all small in terms of their total assets, net sales, net income and retained earnings, and would have no significant overall impact on the consolidated financial statements.

## 3. Application of equity method

The impact of the 10 non-consolidated subsidiaries and 2 affiliated companies on the consolidated net income and consolidated retained earnings 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: Lower of cost or market method for valuation

Mainly weighted average method for costing

**(2) Depreciation on major depreciable assets**

Property, plant and equipment

Buildings: The Company and 13 out of the 15 consolidated subsidiaries use the straight line method, while the remaining 2 use the declining balance method.

Items other than buildings: The Company and 8 out of the 15 consolidated subsidiaries use the declining balance method, while the remaining 7 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 mainly 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 (mainly 15 years), not exceeding the average remaining period of employment, and it's accrued from the year following its recognition.

**(4) 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.

**(5) 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 3 months from the acquisition date, having high liquidity and convertibility into cash and low risk against price fluctuation.

**(6) Treatment of consumption taxes**

Consumption taxes are recorded by the tax exclusion method.

## 6. Relating to the Consolidated Statements of Income and Retained Earnings

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2012	2013	2013
<b>(1) Selling, general and administrative expenses</b>			
Main categories and amounts			
1. Packing and transportation expenses	¥ 2,530	¥ 2,684	\$ 28,563
2. Salaries and bonuses	5,462	5,472	58,223
3. Retirement benefit expenses	570	594	6,324
4. Depreciation	180	177	1,883
<b>(2) R&amp;D expenses included in administrative expenses and current manufacturing expenses</b>			
General and administrative expenses	1,566	1,492	15,872
Current manufacturing expenses	5,851	6,904	73,451
Total	7,417	8,396	89,324

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

As of March 31	Yen in millions		U.S.dollars in thousands
	2012	2013	2013
Cash and deposits account	¥ 24,517	¥ 14,792	\$ 157,366
Time deposits that exceeds three months	(45)	(15)	(161)
Cash and cash equivalents	24,471	14,777	157,205

## 8. Pension and retirement plans

### (1) Outline of retirement schedule

JAE and some of our consolidated subsidiaries adopt a defined-benefit corporate pension plan.

Other consolidated subsidiaries adopt a lump-sum retirement benefit plan or a defined-contribution plan.

Years ended March 31	Yen in millions		U.S.dollars in thousands
	2012	2013	2013
<b>(2) Relating to retirement benefit obligation</b>			
1. Retirement benefit obligation	¥ (26,586)	¥ (26,396)	\$ (280,817)
2. Plan assets	16,099	19,087	203,062
3. Unrecognized prior service cost	(799)	(575)	(6,123)
4. Unrecognized actuarial loss	4,752	2,367	25,188
5. Unrecognized net obligation at transition	1,574	1,049	11,169
6. Prepaid pension cost	-	(27)	(288)
7. Provision for retirement benefits	(4,959)	(4,494)	(47,808)
<b>(3) Relating to retirement benefit expenses</b>			
1. Service cost	1,109	1,127	11,995
2. Interest cost	574	472	5,031
3. Expected return on plan assets	(368)	(383)	(4,084)
4. Amortization of prior service cost	(223)	(223)	(2,377)
5. Amortization of actuarial loss	329	457	4,862
6. Amortization of net obligation at transition	524	524	5,584
7. Others	53	57	616
8. Retirement benefit expenses	2,001	2,033	21,628
<b>(4) Relating to retirement benefit obligation basic matters</b>			
1. Discount rate	Mainly, 1.8%		Mainly, 1.8%
2. Expected rate of return on plan assets	Mainly, 2.5%		Mainly, 2.5%
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	Mainly, 15 years		Mainly, 15 years
6. Amortization period for net obligation at transition	Mainly, 15 years		Mainly, 15 years