Technology to Inspire Innovation

JAE

JAE Group

2007 Environmental Report

Environmental Activities of JAE

April 2006 to March 2007

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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, 2006 to March 31, 2007. The scope of this report includes the activities of Japan Aviation Electronics Industry, Ltd. and its five domestic manufacturing plants:

Japan Aviation Electronics Industry, Ltd. (JAE)
(including subsidiaries Nikko Services, Ltd., JAE Engineering, Ltd., Nikko Logistics, Ltd., and JAE Hakko, 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. Some of the information for the Forest of JAE Group is for FY 2007.

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, and members of the communities in which the JAE Group operates.

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

Forest of JAE Group

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.

It has already been three years since the JAE Group began to participate in the corporate adopt-a-forest program created by the Tokyo Development Foundation for Agriculture, Forestry and Fishery to protect forests in this headwater region. Steady planting work by our employees has run its course for the time being, and the first trees planted are now visible even from afar. The cover of this report features a photograph of the Forest of JAE Group. (More details can be found on page 8.)

Paving the Way to a Sustainable Society

In February 2007, the Intergovernmental Panel on Climate Change (IPCC) released a report asserting, as a matter of virtual scientific certainty, that warming and other rapid climate change on a global scale have been caused by man-made emissions of greenhouse gases. In response, our generation is being called upon to redouble its efforts to prevent global warming as a top priority, in order to bequeath a sustainable society to succeeding ones. We in the JAE Group began taking action on this front early on, and have made achievements surpassing the industry target (as compared to the electric/electronics industry target of a 28-percent reduction in the amount of emissions per unit of real sales relative to FY1990 by 2010, we posted a reduction of 44 percent in FY 2006). We are also promoting the sharing of information on successful approaches to spread them among all group companies.

To build a sustainable society requires continued action to reduce or eliminate use of toxic substances. The main products of our group are connectors, aerospace and related applications, optoelectronic devices, and panel units. They are used in the electronics industry and a wide range of other industries such as aerospace and automotive. We have established technology to make these products free of lead and hexavalent chromium. Our lineup is also free of toxic substances and meets the RoHS Directive in all fields except aerospace. To assure the environmental quality (i.e., lack of toxic substances) of these products demands a mechanism to guarantee that no such substances are contained in any parts procured and used, not only by us but also by our suppliers. Our group instated a pace-setting scheme of Environmental Advisor Program in the parts business to secure environmental quality throughout the supply chain in collaboration with our sources.

For companies active in the 21st century, the environment is a concern they cannot ignore. In 2004, the JAE Group declared its commitment to environmentally-minded management and established Forest of JAE Group in Tokyo's Okutama region as a symbol of this management. The forest also functions as a site of environmental education for our employees, who themselves do the planting and clearing undergrowth to maintain it. The groundwater used at our Akishima Plant comes from this region. I am convinced that our earnest desire to contribute to the community and treasure water and forests in our contact with nature is reflected in our manufacturing mindful of the global environment.

We intend to continue always putting harmony with society first and stepping up our environmental activities to pave the way for the sustainable society.

This 2007 Environmental Report summarizes the environmental activities of the JAE Group in FY2006. We welcome your frank comments and criticism on it.

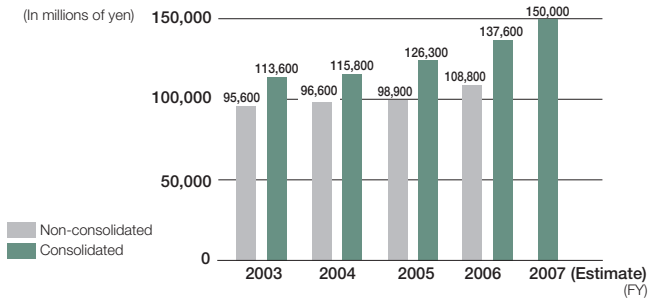
Yasutaka Akiyama
President

Corporate Data

Outline of Company

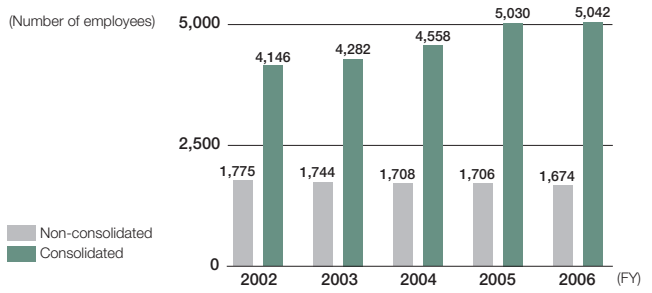
Company name	Japan Aviation Electronics Industry, Ltd.
Established	August 20, 1953
Capital	¥10.69 billion
Head Office	1-21-2 Dogenzaka, Shibuya-ku, Tokyo 150-0043, Japan Tel: (81) 3-3780-2711 Fax: (81) 3-3780-2733
Akishima Plant	3-1-1 Musashino, Akishima, Tokyo 196-8555, Japan Tel: (81) 42-549-9112 Fax: (81) 42-549-9559
Number of employees	5,042 (consolidated) / 1,674 (non-consolidated) as of March 2007
Net Sales	¥137.6 billion (consolidated) / ¥108.8 billion (non-consolidated) for FY2006
Group Companies	Japan:10 Overseas:11 (Consolidated subsidiaries: Japan:6 Overseas:9)
Website	www.jae.com

Trends in Sales

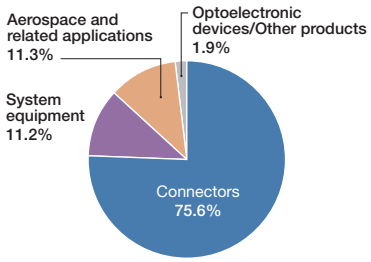


Trends in Employees

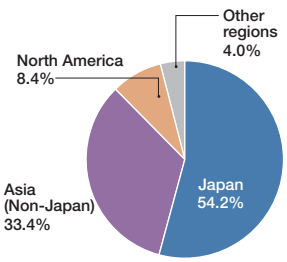
Consolidated data includes overseas subsidiaries; Employee data excludes temporary and contract employees. Employees on temporary loan are counted under their current place of employment.



Sales by Segment (FY 2006 consolidated)



Overseas Sales (FY 2006 consolidated)



History

Aug. 1953	Commenced business with the Head Office in Minato-ku, Tokyo (in Nippon Electric Co., Ltd.)
Aug. 1954	Factory built in Kawasaki-shi (at location of NEC's Tamagawa Plant)
Aug. 1955	Started manufacture of connectors under Technical License Agreement with the Cannon Electronic Co., U.S.A. (present ITT Industries)
Apr. 1961	Akishima Factory (present Akishima Plant) completed, all facilities moved from NEC's Tamagawa Plant
May 1961	Head Office moved to Shibuya-ku, Tokyo
Aug. 1961	Signed a technical assistance agreement with US based Honeywell to commence manufacturing of autoflight systems, fuel meters, liquid oxygen quantity indicators, and gyro devices and other equipment
Mar. 1977	Sales office established in North America
Jul. 1984	Manufacturing plant constructed in Asia (Taiwan)

Business Activities

Ever since JAE was established in 1953, we have been operating our business on a global scale.

Our operation has been based on our high-level technological expertise developed under the corporate philosophy: "Explore, Create, and Practice." In the process, we have provided a wide spectrum of products ranging from electronic connectors to system equipment, aerospace electronics, and optoelectronic devices to meet customer expectations.

Connectors

As your design partner, we fully utilize our strengths in development for you.

- ▶ PC board connectors
- ▶ FPC connectors
- ▶ Circular connectors
- ▶ Rectangular connectors
- ▶ Fiber optic connectors
- ▶ Connectors for a wide variety of media and memory cards
- ▶ Coaxial connectors
- ▶ Automobile electronics connectors
- ▶ Jumper coupler for vehicles
- ▶ Cable termination equipment

For further connector information, access the web page below.
http://www.jae-connector.com/en/index.cfm

System Equipment

We create human-machine interface devices that are more user-friendly.

- ▶ **Input devices**
  Metal dome switches, Two-step push switches, Cursor wheels, Operation switch assembly, Membrane resistors
- ▶ **Interface devices**
  Panel units, Teaching pendants, Optical touch panels, Touch panel monitors
- ▶ **PWB assembly for LCD**
  LCD driver PWB

Aerospace and Related Applications

We provide motion sensing and control solutions to satisfy your needs.

- ▶ **Sensors**
  Inertial sensors
  Accelerometers, Ring laser gyros, Fiber optic gyros, Angle sensors
- ▶ **Defense and space equipment**
  Inertial navigation and guidance systems, Strap-down attitude and heading reference systems, Strap-down position and azimuth/determining systems, Automatic flight control systems, SASs (stability augmentation system), Flat panel displays, Radar altimeters, Angle-of-attack transducers
- ▶ **Industrial equipment**
  Active vibration control products and linear motor for lithography systems, Sensor and sensor applied products for oil drilling industry, Camera stabilizers, LCD display for train cockpit

Opto Devices

We use a wide spectrum of components to develop high performance complex modules.

- ▶ Optical filters
- ▶ AR coating
- ▶ Optical switches
- ▶ Optical couplers
- ▶ Optical links
- ▶ Modulator modules

For further product information, access the web page to the right. ▶ **http://www.jae.co.jp/e-top/eproduct/index.asp**

Corporate Governance

JAE Group is managed in line with its corporate philosophy: "Explore, Create, and Practice". Our management is aimed at maintaining a fair profit, increasing corporate value, and contributing to the creation of a sustainable growth in society. At the same time, we are committed to complying with all laws and rules, and fulfilling our social responsibilities to our shareholders, customers, suppliers, communities, and all other stakeholders. This is what corporate governance means to us.

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 Group Charter of Corporate Behavior (Revised July 5, 2004)

Based on our corporate philosophy, "Explore, Create, and Practice", Japan Aviation Electronics (JAE) Group will continue to expand efforts to maintain a fair profit, increase corporate value, and contribute to the creation of sustainable growth in society. At the same time, as a good corporate citizen, we will abide by relevant laws and rules, and fulfill social responsibilities toward customers, stockholders and investors, business partners and other related persons in the community at large.

1. Fair and Honest Corporate Activities
   JAE Group will develop fair and honest corporate activities, observing laws and rules of the countries or regions where we conduct business based upon fair and open competition. We will also maintain sound and fair relationships with government agencies and political bodies.

2. Pursuit of Customer Satisfaction
   JAE Group will offer high quality products and services useful for society by paying careful attention to safety. We will continue to be committed to the development of innovative and creative technologies, aggressively launching new products and exploring new business areas.

3. Disclosure of Corporate Information
   JAE Group will continue to enhance the transparency of its corporate activities by conveying corporate information in a timely and cooperative manner.

4. Harmony with the Environment
   JAE Group, as a member of society, will respect the natural environment, and through environmentally friendly activities, contribute to the achievement of a recycle-oriented society and promote environmental management.

5. Harmony with Society
   JAE Group will respect customers and cultures of all regions and countries, and contribute to community development by recognizing international and regional diversity and differences. We, as a good corporate citizen, will also engage in activities that contribute to society.

6. Respect of Human Rights
   JAE Group will respect human rights in every corporate activity and not condone discrimination or the employment of child labor or forced labor in the workplace.

7. Respect for Employees' Individuality and Personality
   JAE Group will respect each employee's individuality and personality, and provide workplace environments that allow thorough development of individual capability and ensure safety and comfort.

8. Management of Intellectual Properties and Information
   JAE Group will recognize the importance of properly manage intellectual properties and information.

Corporate Governance Situation

JAE has set up administrative units for managerial decision, execution of business, and internal control, i.e., the Board of Directors with more than ten members, the management conference led by several vice presidents, and the business execution conference and executive conference composed of vice presidents and executive management.

This setup gives us the capability for prompt decision-making and agile management. We have established an auditing system composed of two full-time auditors and two part-time external auditors, and established the Internal Audit Office.

Promoting CSR Activities

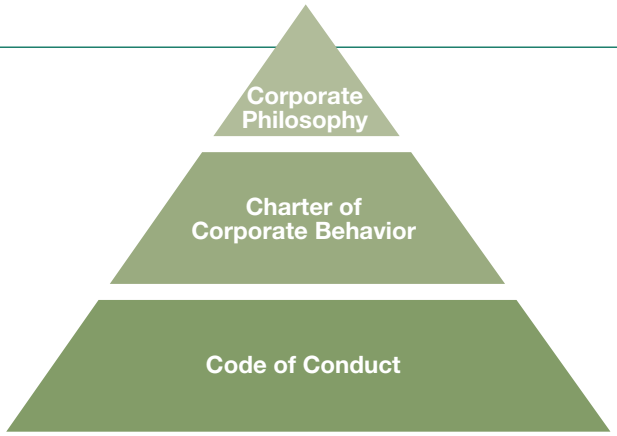
We pursue CSR activities under our Charter of Corporate Behavior. In accordance with the Charter, we established the Code of Conduct and set more concrete basic guidelines for economic, social, and environmental activities. In our corporate activities, we are keenly aware of CSR.

Promoting JAE Group Corporate Behavior

The Charter of Corporate Behavior communicates the JAE Group's basic management policy to those outside the Group. A revised version issued in July 2004 further clarifies management's stance toward corporate social responsibility practiced up until that point.

The Code of Conduct provides guidance for employee conduct in line with the basic policies specified by our Charter of Corporate Behavior.

Henceforth, by promoting JAE Group management based on this Charter and this Code of Conduct and adopting as our basic stance ethics and legal compliance and honesty in corporate activities, we will strive to enhance corporate value as a top company working in harmony with society.



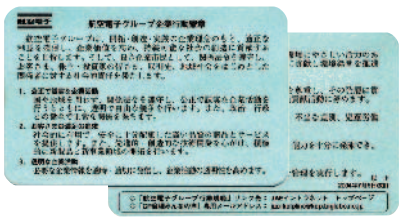
Corporate Social Responsibility to Stakeholders

By putting the corporate behavior promotion activities shown on the right into practice during daily operation, the JAE Group attempts to more thoroughly educate employees, raise awareness, and thus better live up to our social responsibilities to our stakeholders.

Social Responsibilities to Our Stakeholders

Corporate Behavior Promotion Activities

1. Distribute Charter of Corporate Behavior cards 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 Behavior card, carried by all employees

Communication Activities

Based on our Charter of Corporate Behavior, the JAE Group actively engages in activities communicating with and contributing to society to strive for harmony between corporate activities and the environment as a good corporate citizen.

Activities Contributing to Society

● Participating in the Susan G. Komen Breast Cancer Foundation's charity event for research funding (JAE Electronics)

JAE Electronics participated in the "Susan G. Komen Race for the Cure" charity race that is held to raise medical research funding for the Susan G. Komen Breast Cancer Foundation. Over 15,000 people participated and $2 million in donations were contributed.

Susan G. Komen Race

● Support for a Tualatin Crawfish Festival (JAE Oregon)

For more than 15 years, JAE Oregon has been participating in a crawfish festival hosted by the Tualatin Chamber of Commerce and Industry, and is widely known in the community for its support. For the community, the festival is the biggest event of the year and goes on for three days.

Tualatin Crawfish Festival

● Family day (health check-up, JAE Philippines)

Doctors and Philippines Red Cross members were invited to conduct health check-ups and distribute medicine for the improvement of the welfare of employees' families and local community members.

Family day

Family day

● Cleaning of plant grounds and vicinity (JAE Group companies)

JAE Group employees take part in activities to clean up plant grounds and delitter in the vicinity.

Cleaning of plant grounds (FAE)

Cleaning of plant grounds (YAE)

Delittering in the vicinity (JAE Wuxi)

Delittering in the vicinity (JAE Wujiang)

Activities to Reduce Environmental Load Overseas

Certain activities to reduce environmental load at JAE Group companies overseas are profiled below.

JAE Taiwan

Toward its goal of raising its ratio of resource recovery from waste by more than 5% relative to FY2005, JAE Taiwan tightened sorting and managed to heighten the ratio by more than 6%.

It is also trying to make its products lead-free, and completed the switch to lead alternatives for 236 of the 286 subject items. For the remaining 50, it is postponing order and production activities until the switch can be completed.

JAE Oregon

JAE Oregon is achieving results in its efforts to lighten environmental load by reducing levels of sludge and waste liquid from the plating process, and wastewater and other waste from its plant.

Program screen of the wastewater control system

EMS board displaying information on environmental activities, improvement, and 5S measures to employees

Topics

Forest of JAE Group

In June 2004, the JAE Group symbolized its commitment to environmental management by establishing the Forest of JAE Group in Tokyo's Okutama region.

Besides *Prunus jamasakura* (Mountain Cherries), *Acer mono* (Painted Maple), *Magnolia kobus*, and others to provide seasonal color, group employees are planting Japanese cypress, *Quercus serrata*, Japanese zelkova, Japanese horse chestnut, Japanese walnut, and others that are native to the Okutama forest to provide food for small animals.

They finished planting the targeted approximately 3,500 seedlings in the spring of 2006, and the work over the next few years will consist mainly of Clearing undergrowth and other maintenance activities.

Thus far, an extended total of about 270 group employees have worked in the Forest of JAE Group. The program has given them a firsthand experience of the importance of protecting nature and the difficulty of forest work.

We plan to use the Forest of JAE Group as a site for raising the environmental awareness of group employees together with the local Okutama government and other bodies concerned and for protecting the forest and conserving it as a watershed.

Deer damage measures

There is a growing population of deer in Okutama, where the Forest of JAE Group is located, and the neighboring Ome city.

Damage by deer formerly occurred mainly on the northern side of the Tama River, but is now increasingly surfacing on the southern side as well.

The growing number of deer means that more seedlings and saplings as well as underbrush are being eaten by them in forests, whether planted or natural. Some zones that had been newly planted after clearing lay barren due to foraging by deer, which do not give the trees a chance to grow.

Because there are signs of deer in the Forest of JAE Group too, our employees have attached nets to each seedling they plant as a preventive measure.

Definition

- **Clearing undergrowth**
  For the first few years, weeds and other plants surrounding the seedling rob it of sunlight, impeding its growth. In the summertime, when weeds grow especially quickly, clearing such undergrowth so that it cannot interfere with the young tree's growth is thus highly important to maintaining the forest.

Issuing this Environmental Report

Masato Shimamura, Executive Officer in charge of Environmental Management, JAE Group

In FY2005, the JAE Group established a multisite system for integration of ISO14001 certifications among domestic subsidiaries, but some sales offices were outside its scope. In FY2006, we brought these offices into this scope and erected a management system covering all activities, including sales, of all domestic subsidiaries. I think this made the year a milestone one.

FY2006 was also one of challenge for our industry owing to the implementation of the EU RoHS Directive in July and a Chinese version in March 2007. From early on, each group divisions, including those of overseas subsidiaries, took concerted action to construct schemes for procurement, production, and shipment of parts free of toxic substances and mechanisms to prevent any foreign matter from getting inside. We are also promptly coping with the obligation for information relay under the Chinese RoHS. Please see other sections of this report for more information on our activities.

In June 2006, I was appointed Executive Officer in Charge of Environmental Management. Realizing the importance of response to global warming, higher prices for shrinking resources, increased industrial waste, and other issues in recent years, I have directed corresponding activities, which are built right into the management system. In FY2007, I intend to continue with activities that are closely connected to our business operations and based on mitigating environmental load as well as efforts to heighten the environmental awareness of each employee.

These days, people are pointing to the need to manage risks from the standpoint of environmental management. In addition to compliance with laws and rules, the JAE Group focuses on prompt detection of latent risks and proper action to prevent them from actualizing. I am determined to further step up our environmental activities.

Masato Shimamura
Senior Vice President

JAE Group Environmental Policy

Basic Philosophy

The JAE Group 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 load 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 legal requirements related to the environment and agreements made by the JAE Group, 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 load at the product-design stage, and reduce the use of toxic substances. Furthermore, give top priority to 3R (reduce, reuse, and recycle) in preventing global warming, resource conservation and waste reduction.
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.

This environmental policy shall be disclosed to interests outside the Company upon request.

April 2, 2007

Masato Shimamura
Executive Officer in charge of Environmental Management
JAE Group

Environmental Management System

**The JAE Group promotes its daily environmental conservation activities with an environmental management system constructed in compliance with the ISO 14001 standard.
All domestic and overseas production sites have completed the certification process.**

Environmental Management System Status

● Promotion System

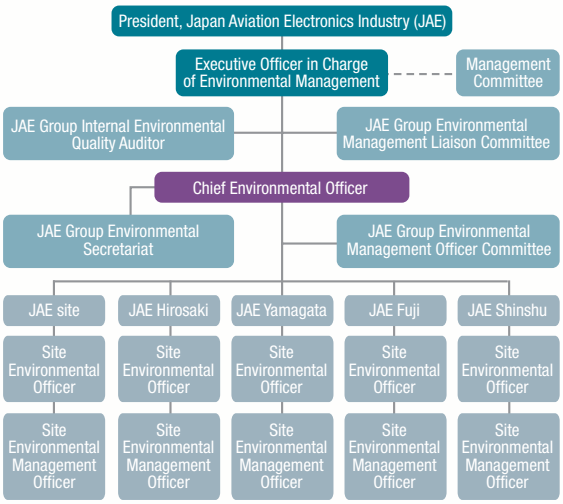
The JAE Group environmental management system for promoting environmental management activities throughout the group consists of the JAE Group Environmental Management Liaison Committee and Environmental Management Committees at the individual sites.

The JAE Group Environmental Management Liaison Committee, a decision-making body made up of the JAE Executive Officer in Charge of Environmental Management, the JAE Manager of Production Support and Environmental Planning Division, and the Presidents of domestic production subsidiaries, sets forth policy and plans for the JAE Group as a whole and deliberates other matters.

The Environmental Management Committees of each site are the centers for day-to-day operation of the environmental management system. They monitor achievement status for the environmental management plan, decide specific environmental targets and objectives, and deliberate important environmental issues and other matters.

They entrust the formulation of specific target values and measures to specialized subcommittees formed to investigate a particular environmental issue.

Overall Organizational Chart



ISO 14001 Certification Status

● Domestic Sites

Since the JAE Akishima Plant first acquired ISO 14001 certification in August 1998, coverage has expanded year by year. Now all production sites have certification, and we have brought in Sales Divisions and staff company wide as well.

FY2005 marked the shift to a multisite system covering all the group's domestic sites. FY2006 completed a multisite system incorporating the few sales company regional sites left over to truly cover all group operations within Japan.

■ After August 2005

Group Company	Certification Date	Certification Body	Certification Number
JAE	Aug. 7, 1998 (renewed August 26, 2005)	JQA	JQA-EMO198
JAE Hirosaki			
JAE Yamagata			
JAE Fuji			
JAE Shinshu			

JAE includes its subsidiaries, Nikko Services, Ltd., JAE Engineering, Ltd., Nikko Logistics, Ltd., and JAE Hakko.

● Overseas Sites

Our overseas sites are equally aggressive in promoting certification. All overseas production sites have completed the certification process.

Site	Certification Date	Certification Body	Certification Number
JAE Taiwan	Mar. 22, 2001	Bureau of Standards, Meteorology and Inspection (BSMI), Ministry of Economic Affairs Taiwan, R.O.C.	5E5E001-01
JAE Oregon	Aug. 20, 2003	Underwriters Laboratories Inc. (UL)	A12142
JAE Philippines	Jan. 30, 2003	TUV Management Service GmbH	1210415177 TMS
JAE Wuxi	Nov. 24, 2005	SGS Societe Generale de Surveillance SA	CH05/0838
JAE Wujiang	Oct. 22, 2003	SGS Societe Generale de Surveillance SA	CH03/0920
JAE Hong Kong	Sep. 2, 2004	SGS United Kingdom Ltd	GB04/62758

Note: JAE Wuxi had to be recertified in FY2005 because the certification body changed. Its original acquisition date was Oct. 29, 2002.

Environmental Education

Employees receive education on the environment when they join the Company, are promoted to supervisor, team leader, or middle management. This education is aimed at raising their awareness of the need to conserve the global environment and comply with related laws and rules in their respective positions. We are also providing such education in the context of training for distributors. Besides presenting general information on the environment, we deepen their understanding of the group environmental activities.

In preparation for the future, we must have the adequate personnel necessary for environmental risks. We are therefore systematically encouraging our employees to participate in external seminars to acquire the necessary qualifications.

For employees engaged in plating or other work with a high environmental load, we furnish specialized education in matters including response to emergencies and are striving to lower risks.

We have instated the positions of Internal Environmental Quality Auditor and environmental advisor, and make appointments to them at each site and division in the entire group. We also provide them with education aimed at assuring environmental quality up to the RoHS Directive and maintaining or increasing the level of internal environmental audits.

Environmental Audits

The JAE Group integrated environmental management system underwent its second regular ISO14001 inspection since its integrated certification in August 2005, internal environmental audits on both the site-specific and group bases, internal audits of group environmental quality, and inspections equivalent to second-party inspections.

● Inspection Results

Although there were two points requiring improvement in the previous regular ISO14001 inspection in FY2005, there were no such points in the second, which found that our environmental management system was being properly operated and that the advisable improvements had been made.

The group internal environmental audit is conducted once a year on the executive officer in charge of environmental management, chief environmental officer, and all sites. The results provide footing for prompt corrective measures that are deployed throughout the group to prevent recurrence. They are also reported to the executive officer, who has them reflected in revisions of the management system.

■ Regular ISO 14001 Inspections in FY2006

Site	Strong Points	Citations		
		Category A	Category B	Opportunities for Improvement
JAE Group	0	0	0	26

■ Internal Audits in FY2006

Category	Strong Points	Citations		
		Non-complying	Borderline	Requests
Site environmental audit	1	2	33	25
Group environmental audit	2	2	32	40
Group environmental quality audit	3	0	14	21

The JAE Group also underwent a mutual audit performed by the NEC Affiliates Environmental Operations Exchange Committee. This is considered a second-party audit.

■ Results of NEC Affiliates Environmental Operations Exchange Committee FY2006 Mutual Audit at JAE Akishima Plant, same as the last year

	Evaluation Results		
	Good Points	Immediate Issues	Future Issues
Preliminary questionnaire and on-site inspection	5	5	11

Compliance with Environmental Regulations

These last few years have seen many corporate scandals both at home and abroad, causing newspapers and other media to take up the cry for corporate social responsibility (CSR), calling for companies to comply with both ethics and laws and to conduct their business activities fairly and honestly.

The JAE Group was an early leader in making regulatory compliance a key goal, promoting the construction and application of an in-house corporate ethics system.

It has also kept close watch on trends in regulations concerning the environment and promoted activities to prevent values exceeding regulation standards, failure to perform mandated tasks, and other risk factors and, in parallel, held training sessions to minimize the damage of any accidents that should happen to arise.

● Voluntary Standards for Air and Water Emissions

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

Our in-house standards are approximately 80% the ones specified by law.

● Compliance Audits by NEC

FY2006's audits, at JAE Akishima Plant, JAE Fuji and JAE Shinshu, of compliance with laws related to health, safety, and environmental issues revealed several areas requiring improvement, however, we have already implemented remedial measures in every area.

● Violations etc. in FY2006

In FY2006, there were no environment-related fines, suits, or other such actions against the JAE Group. In the Akishima Plant, the routine employee measurements of domestic wastewater found pH levels above the standard on several occasions. Studies revealed that the main cause was ammonia derived from decomposition of raw sewage by enzymes, and countermeasures were taken.

Similarly, measurements taken by the Hirosaki municipal authorities on 3 October 2006 found that the nitrogen concentration of wastewater at JAE Hirosaki came to 400 milligrams per liter, higher than the standard of 380 milligrams. Right after receiving the notification, the office launched a study to determine the cause, and has already taken measure to prevent recurrence.

Eco-friendly Products

Product development at the JAE Group concentrates not only on the traditional big three considerations of quality, cost, and delivery, but adds a fourth, the environment. This page gives examples of environmentally aware products.

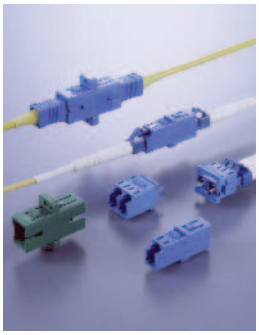
Examples of Eco-friendly Products

We incorporate environmental awareness into our products. Here we give examples of products incorporating such consideration for the environment.

Connectors FO-EX series of adaptors that can be divided

- RoHS-compliant
- Dividable structures for easy cleaning
- Glue- and weld-free structures
- No need for panel-mounted components

1. We use ordinary molded materials that comply with the RoHS Directive and do not contain any prohibited substances.
2. Separation of the front and rear housings makes it easy to clean the ferrule terminal surfaces of the plugs on the inside and shortens the time required for maintenance.
3. Unlike conventional optical adaptors, the products are made without gluing and welding. They therefore do not have to be heated for hardening, and save energy.
4. The products have a latch for attachment to panels and do not need metal components for this purpose.



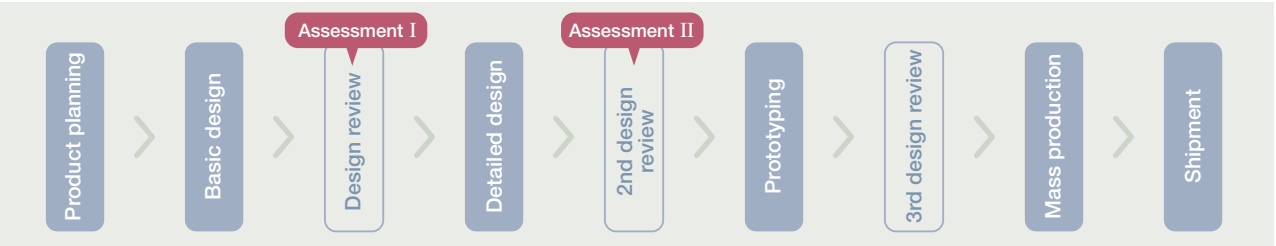
Eco-friendly Design

In approaching product design and new production processes, we make assessments in the environmental aspect and take action out of concern for the environment in all processes from design to production and shipment.

● Product Assessment

At the stage of product development and design, we pre-assess items considering such as resource- and energy-saving and recycling.

In examining designs, the assessment by the division assigned to product development (Assessment I) is followed by another to make objective assessments (Assessment II) to decide whether the work should proceed to the next phase.

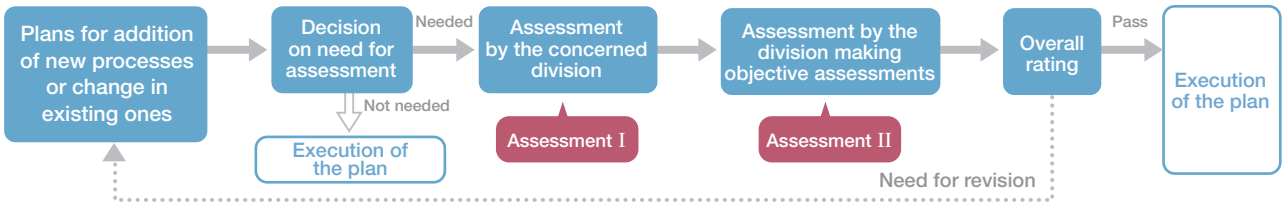


■ Examples of assessment items

Downsizing	Recycle	Ease of disassembly and treatment	Safety and environmental security	Ease of recovery and transportation
Longer service life	Power conservation	Packaging and crating	Provision of information	Protection of intellectual property rights

● Assessment of Production Methods

To lower the environmental load of manufacturing processes, we make pre-assessments of it when adding new processes or changing existing ones.



Setting Targets and Evaluating Results

In August 2005 we integrated the JAE Group's domestic environmental management systems into a single multisite one that builds upon those systems by setting targets and objectives for the entire JAE Group while giving consideration to unique initiatives implemented at each site.

Overview of FY2006 Activities

In FY2006, we focused on approaches to four of our environmental objectives, i.e., measures to counter global warming, recycling molding scraps into valuable resources, eco-friendly design, and reduction of environmental load by reducing defect ratio. Although progress was delayed on some of these tasks in the first half, it was smooth in the second half at all sites, which met their targets for all of these tasks.

Activity	Objective	Target	Results	Evaluation
Countermeasures against global warming	Reduce use of energy (power, A-grade heavy oil, kerosene, LPG) and water: reduction in terms of CO_2 equivalent relative to FY2004	Reduction by 776.14 t-CO_2	Reduction by 1,409.52 t-CO_2	○
Recycle molding scraps into valuable resources	Recycle molding scraps into valuable resources relative to the second half of FY2005	Recycling ratio of at least 11%	Recycling ratio of 22.76%	○
Eco-friendly design	Design eco-friendly products, equipment, and tools	At least 19 assessments/ year for products and processes	25 assessments	○
	Design for lower levels of resource and energy consumption in development of new modified products and derivatives	Down 5% from existing levels	Down over 14%	○
	Reduce use of molding materials by designing new molds smaller	Decrease by 3.13 tons	Decrease by 7.37 tons	○
Reduce environmental load by reducing defect ratio	Reduce the defect ratio for the subject items relative to FY2005 to reduce waste (HAE site)	Decrease by 6% in waste due to less defects	Decrease by 6%	○
	Reduce the defect ratio for the subject items relative to FY2005 to reduce CO_2 emissions (YAE site)	Decrease by 0.15 t-CO_2 due to less defects	Decrease by 0.32 t-CO_2	○
	Increase the yield ratio relative to FY2005 to save resources (FAE site)	Resource savings of at least 78 kg due to a higher yield	Resource savings of 132.8 kg	○
	Reduce the amount of plastic and metal scrap in production (Aerospace Division)	Plastic scrap: ≤ 1,754 kg Metal scrap: ≤ 970 kg	Plastic scrap: 1,691 kg Metal scrap: 690 kg	○
	Reduce waste (System Equipment Division)	Decrease by 5%	Decrease by 6.9%	○

Future Efforts

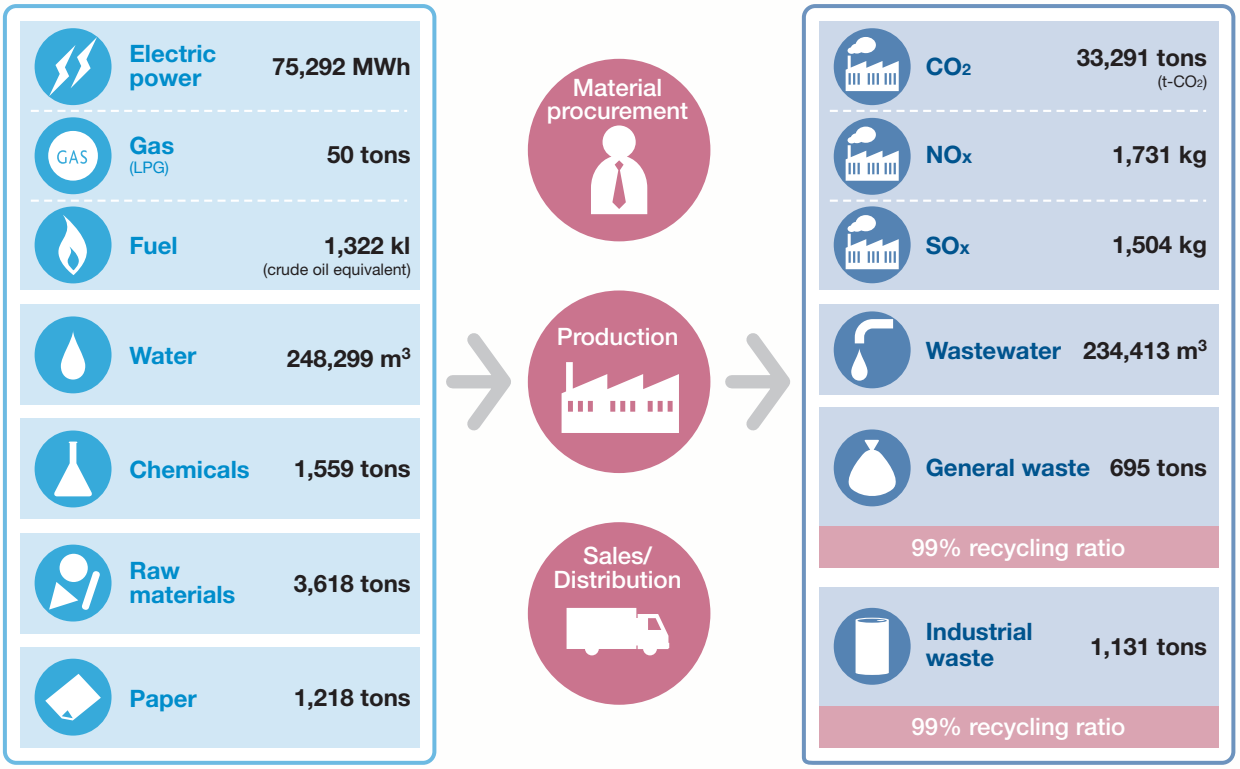
We have set the following shared environmental objectives for the group in FY2007.

Environmental Objective	Plan	Sites
Countermeasures against global warming	Reduce power, fuel, water, and other energy usage (in CO_2 equivalents)	JAE, HAE, YAE, FAE, SAE
Reduce use of materials	Reduce use of molding materials, metal materials, reel materials, and gold	JAE, HAE, YAE, FAE, SAE
Reduce waste volumes	Reduce industrial waste by recycling plastic scrap (molding, trays, sticks, embossed items, etc.) into valuable resources, and reduce purchase of packaging materials by promoting reuse	JAE, HAE, SAE
Practice green procurement	Check environmental quality at suppliers	JAE, HAE, YAE, FAE, SAE
Reduce environmental load by promoting eco-friendly design	Reduce atmospheric emissions of VOC, downsize molds in new designs, check the environmental aspect of products in development, and reflect findings in design	JAE, YAE, FAE
Reduce environmental load by reducing defect ratio	Reduce CO_2 emissions, waste, and mold materials by reducing defect ratio	JAE, HAE, YAE, FAE, SAE

Overview of Environmental Load

The following mass balance sheet compares, for the JAE Group's domestic sites, the resources and energy going in and the environmental load arising from our business activities.

Material Flow



INPUT

Electric power	Power purchased from power utilities for plant operations
Gas	LPG used for energy
Fuel	Heavy oils and kerosene used for energy
Water	Tap water and groundwater
Chemicals	Regulated chemicals, including designated control substances, poisonous and deleterious substances, toxic substances, organic solvents, and specialty gases
Raw materials	Metals and plastics used as raw materials for production
Paper	Copier and packaging (wrapping/cardboard, etc.) paper used at plants

OUTPUT

CO_2	Carbon dioxide generated from electric power, gas, and fuel use
NO_x	Nitrogen oxide generated from gas and fuel use
SO_x	Sulfur oxide generated from fuel use
Wastewater	Industrial and domestic wastewater from plants
General waste	Non-industrial waste generated from business activities
Industrial waste	Waste generated from business activities stipulated by Japan's Waste Management and Public Cleaning Law

Activities to Reduce Environmental Load Overseas

Certain activities to reduce environmental load at JAE Group companies overseas are profiled below.

JAE Wuxi

JAE Wuxi has set goals and targets for conserving energy and water, reducing waste, recycling, and eliminating use of toxic substances. It is taking positive action to these ends, including display of slogans calling for conservation of energy and water, total elimination of PVC use (in May 2006), and check of procured materials for toxic substances with XRF analyzers.

Display of a slogan for energy conservation - 1

Display of a slogan for energy conservation - 2

Towards Better Environmental Quality

Trends in Overseas Laws and Rules

Various laws and rules have been put into effect to control product and component content of chemical substances. Specific examples include the effectuation of the ELV Directive in July 2003 and RoHS Directive in July 2006 in Europe, the J-MOSS in July 2006 in Japan, and the Chinese RoHS Directive in March 2007 in China. There is a trend toward similar legislation in Korea, Australia, and Argentina. As such, the movement to control such substances is spreading around the world.

The JAE Group achieved compliance with the European RoHS Directive in December 2005. We managed to meet the Chinese RoHS Directive, which have a broader scope, by taking measures upon a sharing of information with JEITA and related companies.

The REACH program, which will go into effect in July 2007, requires control of anywhere from 1,500 to 2,000 chemical substances. We are working to obtain full information before this time, and intend to take proper action for it.

Response to Customer Needs

● Production system

Upon effectuation of the RoHS Directive in FY2006, we proposed RoHS-compliant alternatives to our customers and completed the switch to them.

● Auditing of environmental quality by customers

In FY2006, the environmental quality of our products was audited by LG, Philips, LCD, Pioneer, and Canon, and passed these audits in every case.

The observations made in these audits were shared throughout the group and will help us better our setup for environmental quality.

● Compliance with the Chinese RoHS Directive

The Chinese RoHS Directive extends to molds and production facilities not covered by the European one, and so requires additional studies to ascertain their contents of chemical substances. With the help of our suppliers, we were able to comply with it.

For other products and components, we have added a yes/no indication of contents based on data previously obtained, and are complying with the obligation for information relay in the Chinese RoHS Directive.

Towards Better In-House Systems

● Internal Environmental Quality Audits

Aside from the internal environmental audits stipulated by ISO 14001, we began making internal audits with a focus on control of hazardous substances in FY2004. In FY2006, we made it mandatory for our internal environmental auditors to obtain group environmental advisor qualifications and implemented fuller audits with the assistance of our Quality Assurance Dept.

● Effective Use of XRF Analyzer

We have been taking measurements with X-ray fluorescence (XRF) analyzers since FY2004 to confirm that our products and components do not contain any substances prohibited by the RoHS Directive. In FY2006, we added two units in Japan and two outside the country, for a total of four.

We intend to build a system for effective use of the analyzer data throughout the group.

Effective Use of XRF Analyzer

Environmental Quality Checks of Suppliers

● Certification of Environmental Advisors

In April 2004, we established the scheme for certifying environmental advisors to be in charge of confirming the environmental quality at suppliers. Only personnel who receive the prescribed education and pass the qualifying exam can become such advisors.

In FY2006, we made it mandatory for our internal environmental quality auditor to obtain environmental advisor qualifications, and consequently ended up certifying an additional 66 advisors, consisting of 56 in Japan and 10 overseas. As of 31 March 2007, we had 186 advisors in Japan and 50 in other countries, for a total of 236.

● Environmental Quality Checks of Suppliers

In FY2006, we made an update check of suppliers whose environmental quality had been checked in FY2004, and worked to establish a setup encompassing suppliers. We also made checks for secondary suppliers in charge of five processes important to environmental quality (i.e., molding, painting, printing, plating, and harness wiring). We are going to continue this policy in FY2007.

Identification of environmental quality

Countermeasures against global warming and resource conservation

Because it presents a major challenge to the very survival of the human race, global warming is the subject of various countermeasures on a worldwide scale. Our group is striving to curtail their CO_2 emissions by increasing their productivity and making more effective use of power and fuel.

Countermeasures against Global Warming

In FY2006, CO_2 emissions in the group were 6.7% higher than in FY2005. This rise derived mainly from increased production and plant expansion. We have nevertheless already met the unified target of the voluntary action plan (in the electric/electronics industry) advocated by the Japan Business Federation, i.e., a 28% reduction relative to FY1990 in the average emissions per unit of real sales by 2010.

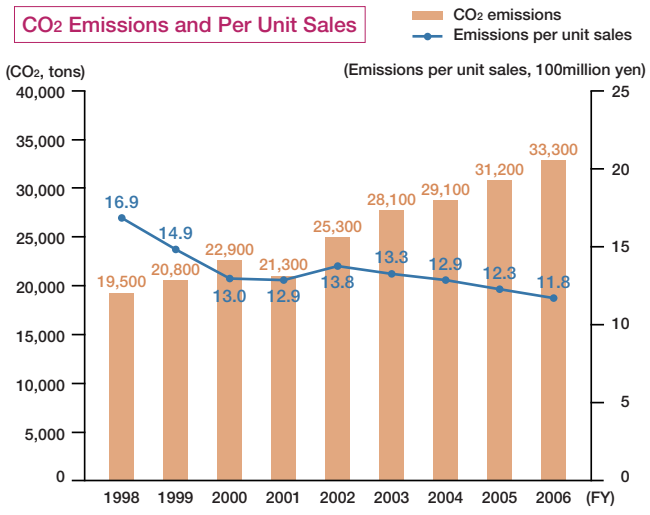
In FY2006, emissions from energy use decreased by the equivalent of 768 t-CO_2 due to a variety of steps. These include the switch to all-electric kitchen facilities along with relocation of the cafeteria (JAE), change in the air compressor control system (JAE), application of an insulation coating to the plant roof (JAE), switch to a cyclic drying model for plating lines (HAE), reduction of required air volume by installation of a stationary air blower (HAE), reduction of air conditioner power consumption in summer by sprinkling water on plant roof and windows (FAE), and revision of nighttime compressor operation (SAE).

We also instructed all group companies in Japan to follow “cool biz” and “warm biz” programs and reduce standby power by using power strips as an anti-warming approach any employee can take.

In FY2007, we continue to post prevention of global warming as a top priority. To this end, we are encouraging all sites to increase their productivity and spread application of successful measures to reinforce efforts on this front.

* Average CO_2 emissions per unit of real sales = CO_2 emissions divided by real sales
Real sales is an indicator adjusted for the steep drop in prices in the electrical/electronics industry, and is obtained by dividing the sales by the Bank of Japan’s domestic corporate goods price index (in the field of electrical equipment).
Real sales = sales divided by the domestic corporate goods price index (electrical equipment)

CO_2 Emissions and Per Unit Sales



Conserving Paper with BPR Methods

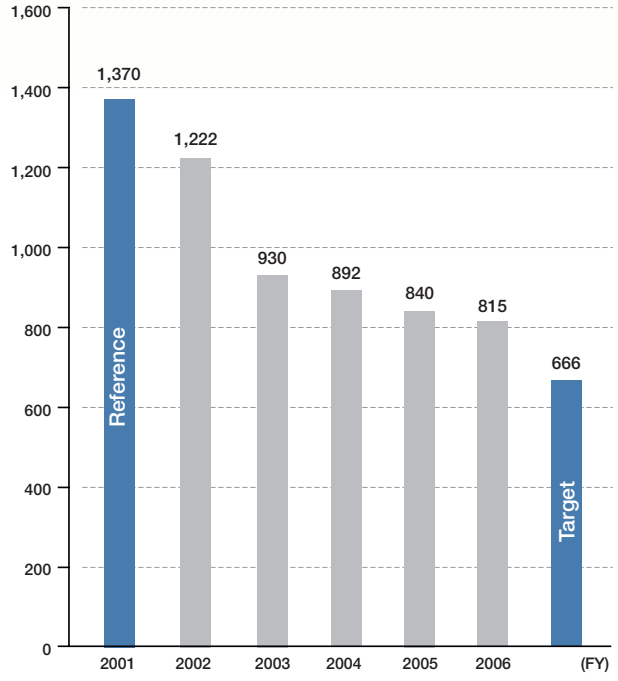
The JAE Group is in the process of reforming its paper-based operations with activities aimed at pooling data and thus making operations more efficient. Specific measures include introducing scanners for converting paper-based data into electronic format, promoting the creative reuse, expanding the activities among all divisions, and holding paperless conferences. We are promoting the use of electronic data as is, without hard copy, in operations throughout the entire group.

The original objective was to reduce paper usage by at least 30% from FY2001 levels, but we were able to achieve our final objective earlier than planned with a JAE Group total reduction of 32.1% by FY2003. From FY2004, therefore, our activities have as their goal a reduction of 50% from FY2001 levels.

The work flow system introduced in the second half of FY2005 enabled attainment of this objective in certain months of FY2006, but the yearly average was 40.5%.

Paper Usage

(1000 sheets per month)
Paper usage figures (vertical axis) represent monthly averages.



Definition ● **BPR** Business Process Reengineering, an approach to boosting operational efficiency by analyzing and then optimizing operation contents and operation flow.

Management of Chemical Substances and PRTR Data

To manage risks associated with chemical substances, we make suitable appointments of the managers stipulated by law and qualified personnel with consideration of division and age. In each division, rigorous management is led by personnel appointed to be chemical substance managers, chemical substance controllers, and chemical substance handlers. In preparation for emergencies, we clearly indicate the parties to notify, including concerned divisions on the grounds, and also conduct drills.

Management of Chemical Substances

A new chemical substance or new equipment to be introduced, construction works, waste volumes, and other changes require an environmental safety assessment, our in-house pre-assessment system. For chemical substances, we have prepared an ad hoc Chemical substance safety management form for entry of requisite information on items including transport, storage, handling, and disposal. We use this form in inspecting chemical substances, which cannot be purchased unless they pass this inspection and are registered.

The flowchart below outlines the pre-assessment process for a new chemical substance.

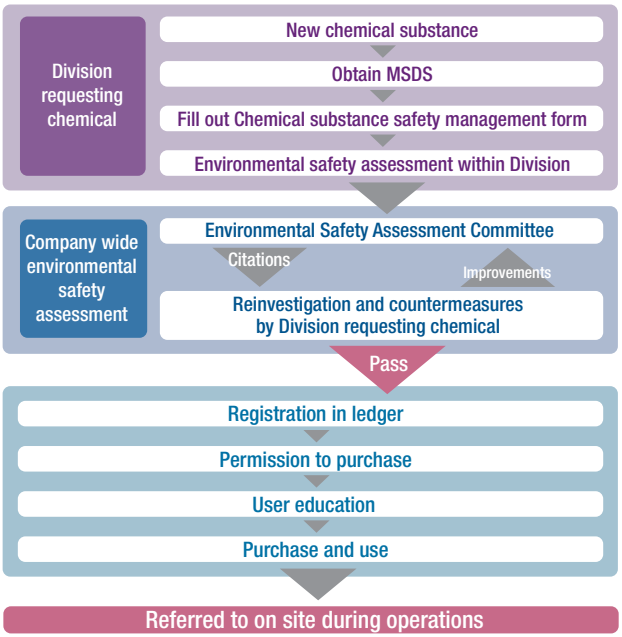
The following table presents data for chemical substance registration in FY2006. We inspect and register many substances for R&D and process improvement, but also review and discontinue use of many that are no longer needed. As a result, there has not been much change in the total number. We are also updating information on the aforementioned form for substances already registered. In FY2006, such updates were made for 205 substances.

The following table summarizes Chemical substance safety management form registered in FY2006.

■ JAE Akishima Plant

Number registered at the end of FY2005	2,083
Discontinued	125
New	91
Number registered at the end of FY2006	2,049
Number of distinct chemical substances registered at the end of FY2006	1,597

■ Pre-assessment Flowchart for New Chemical Substances



PRTR Data

The amount of PRTR-designated chemical substances handled by our domestic production companies is changing under the influence of factors such as production increase and process transfer. The list of substances covered by PRTR reports has been expanded to include hydrogen fluoride and its water-soluble salts at SAE, and antimony and its compounds at YAE. Nickel compounds were also covered at JAE in FY2006, as they were in FY2003, because the volume only slightly topped 0.5 tons.

The European RoHS Directive went into effect in July 2006, and the share of RoHS-compliant connectors rose from 75% in FY2005 to 90% in FY2006 (non-compliant ones are made in response to customer requests). As a result, the amount of hexavalent chromium and lead used in the group as a whole is far below 1 ton and steadily decreasing. For nickel, the influence of production increase and the switch to in-house processes has been held to a fairly low level. Antimony usage has declined since the decrease in brominated flame retardants, but this decrease has leveled off, and the amount is increasing along with the aforementioned production increase and process transfer.

■ Trends in Volumes of PRTR-Designated Substances (In tons)

Fiscal	2006	2005	2004	2003
Antimony and its compounds	★★3.5	★2.18	★3.7	★★5.6
Inorganic cyanide compounds	★2.6	★1.50	★2.1	1.3
Hexavalent chromium compounds	0.17	0.274	★0.76	★0.77
Nickel	★6.8	★6.913	★6.50	★6.7
Nickel compounds	★2.8	★1.899	★2.1	★★2.2
Hydrogen fluoride and its water-soluble salts	★★4.2	★2.088	★3.0	★2.5
Lead and its compounds	0.11	0.051	0.4	0.88

★ Subject to PRTR reporting
(when handled by multiple sites, the corresponding figure is shown)

Definition

● PRTR

Pollutant Release and Transfer Register. This system represents an attempt to have operators quantize the release of toxic substances, including ones that do not have known effects on human beings, to the environment and take other measures promoting improvement of chemical substance management to ward off environmental degradation. This register was established under the provisions of the Japanese Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof.

Zero Emissions

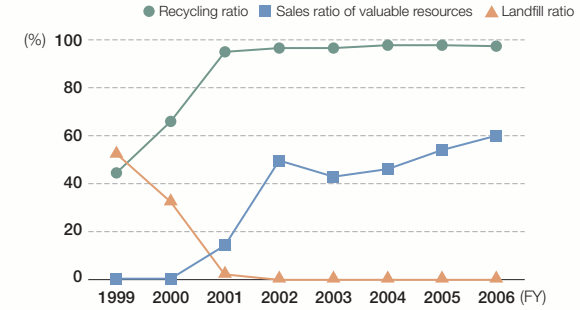
For waste, besides complying with the Fundamental Law for Establishing a Sound Material-Cycle Society and maintaining zero emissions, we are pursuing material recycling by rigorous presorting of scrap plastic and metal. Our aim is both to reduce environmental load and to lower costs by selling valuable resources.

Sales of Valuable Resources

As of the end of FY2006, we have sold about 60% of all our waste output as valuable resources. We took aim at maintenance of zero emissions in FY2000, and attained a recycling ratio of 95% in FY2001, 99% in FY2004, and over 99% in succeeding years.

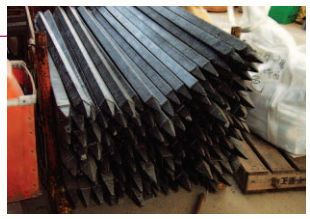
The JAE Group defines zero emissions as attaining a recycling ratio of 99% and higher for all waste other than accepted for incineration under local ordinances.

■ Trends in the waste treatment



Scrap Plastic

In FY2005, we began to sell the scrap sprues and runners derived from connector injection molding as valuable resources. Akishima Plant converted 100% of this scrap into valuable ones and sold them in FY2006. We are going to sort in finer categories and work to increase the VA level of scrap plastic.



Scrap Metal

Connectors contain more than 20 types of metal formed by stamping. We sort all of the scrap derived from stamping, for material recycling and sales.

Newspapers, Magazines, and Other Wastepaper

We attained the ratio of 99% material recycling and converting waste into valuable resources for cardboard in FY2005, and achieved the same for old newspapers, magazines, and other wastepaper in the second half of FY2006.

Proper Treatment

When consigning treatment to other businesses, the JAE Group checks their suitability in respect of licenses, sites, and other matters, regardless of the type of waste (industrial, general, or valuable).

Even after confirming that arrangements are proper, we make regular on-site checks to ascertain the treatment facts.

Eco-friendly Logistic Systems

Adopting the Value Stream Map (VSM) philosophy in our improvement activities has changed ways of thinking at our sites. Transporting, warehousing, and mass-producing items is now a target of our activities to eliminate wastefulness.

Improving Logistic Systems

The JAE Group is aggressively promoting the improvement of our logistic systems both in Japan and overseas. Improving logistic systems boosting truck loading ratios, reviewing distribution routes, and other efforts to make delivery more efficient have not only had the effect of cutting logistic systems costs, but, on the environment front, also promises to greatly reduce the environmental load as well by conserving energy by reducing fuel usage, cutting down on the air pollution represented by particulates, NOx, SOx, and other toxic components in truck exhaust, and reducing the greenhouse gas (CO_2) emissions from burning fuel.

● Optimal Transport Network

Handling logistics for the JAE Group, Nikko Logistics Corp (NLC) analyzes transport efficiency in each region and optimizes costs and times. For example, by paying attention to destination areas and travel times, it is making efforts to reduce the total number of truck trips by having all loads put in a single truck as far as possible, and preventing extra trips by flexibly modifying certain regular service routes. As in FY2005, it continued to make direct deliveries to help reduce environmental load in FY2006.

● Reduction and Reuse of Packaging Resources

We are promoting the reduced usage, and reuse, of stick carriers and trays. In FY2006, we used 1.23 million stick carriers, 320,000 interior packaging materials (soft and semihard trays), and 42,000 delivery boxes.

● Responsibilities in the Amended Energy Conservation Law as a Cargo Shipper

In April 2006, the Law concerning the Rational Use of Energy (the Energy Conservation Law) imposed a new obligation on shippers: companies with a shipment of 30 million ton-kilometers (cargo weight x transport distance) or more per year must prepare plans to improve efficiency and make regular reports. In the JAE Group, JAE has the biggest shipment volume, but shipped 3.68 million ton-kilometers in FY2006, and therefore did not come under the obligation. Nevertheless, we shall continue with our vigorous steps to lower environmental load by improving logistical efficiency.

Definition

● Value Stream Map Value stream maps are tools for eliminating waste. They show the current status and ideal future status for the entire flow (of objects and information) in the process of production, from transformation of raw materials into products to delivery to the customer.

Environmental Accounting

Environmental Accounting Data

The JAE Group adopted environmental accounting in FY2002. Quantitatively comparing the cost of our environmental activities with their effects helps us ensure their efficiency.

Totals for FY2006

● Investments and R&D costs

Unit: 1000 yen

Item	Breakdown	Cost
Total investments for the period	Compliance with the EU RoHS Directive, introducing other equipment, investment in plating waste water treatment facilities, etc.	148,420
Total R&D costs for the period	Compliance with the EU RoHS Directive, other R&D man-hours, etc.	17,530

Statistics sources : JAE Group domestic production sites
Adapted guideline : Environmental Accounting Guideline issued by Ministry of the Environment
Target period : April 1, 2006 to March 31, 2007
Monetary criteria : ▲ All sums are rounded off to the nearest 10,000 yen.

Inquiry

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