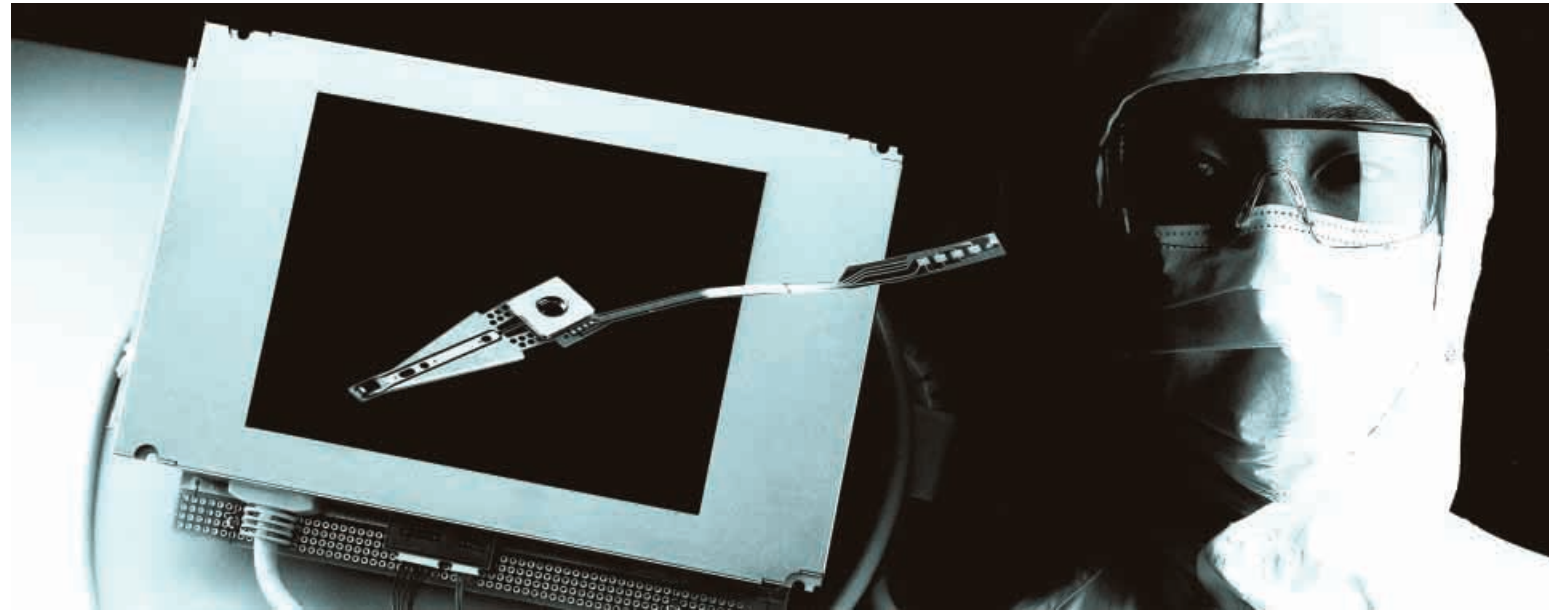


ANNUAL REPORT 1999



FOR THE YEAR

ENDED MARCH

31, 1999

ALPS

Profile & Contents

Alps Electric Co., Ltd. is a global leader in electronic components, with a worldwide production and marketing network spanning the four economic zones of North America, Europe, Asia and Japan. Alps Electric and its Group companies are focused on the development of such emerging markets as multimedia and are poised for a new phase of business expansion.

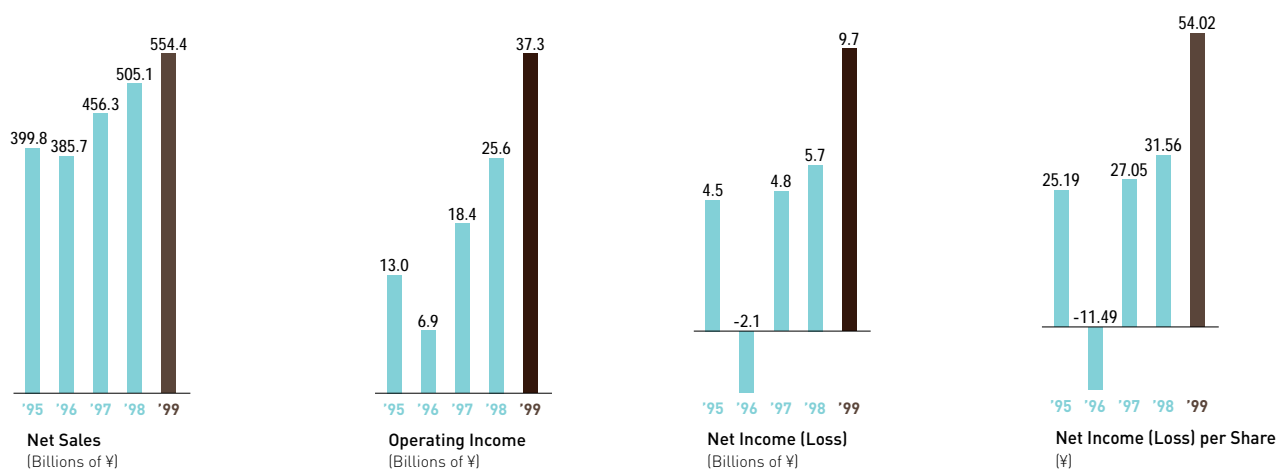
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Financial Highlights Alps Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars	Percent change
	1999	1998	1997	1999	
FOR THE YEAR:					
Net sales	¥554,446	¥505,134	¥456,338	\$4,620,383	9.8
Operating income	37,339	25,598	18,449	311,158	45.9
Income before income taxes	24,624	17,131	13,687	205,200	43.7
Income taxes	12,237	9,586	5,808	101,975	27.7
Net income	9,677	5,654	4,846	80,642	71.2
AT YEAR-END:					
Current assets	¥280,405	¥313,428	¥316,139	\$2,336,708	-10.5
Current liabilities	200,682	224,615	217,514	1,672,350	-10.7
Working capital	79,723	88,813	98,625	664,358	-10.2
Capital investment	39,973	34,810	26,625	333,108	14.8
Stockholders' equity	143,106	135,401	133,016	1,192,550	5.7
Total assets	499,639	497,904	489,876	4,163,658	0.3
AMOUNTS PER SHARE OF COMMON STOCK:					
Net income	¥ 54.02	¥ 31.56	¥ 27.05	\$0.45	71.2
Cash dividends applicable to the year	12.00	10.00	6.00	0.10	20.0
Stockholders' equity	798.99	755.83	742.53	6.66	5.7
Price earnings ratio (times)	32.65	44.10	48.22	—	-26.0
Price book value ratio (times)	2.21	1.84	1.76	—	20.1

For convenience only, the accompanying Japanese yen figures for 1999 have been translated into U.S. dollars at the rate of ¥120 to \$1, the rate prevailing on March 31, 1999.



TO OUR STOCKHOLDERS

In fiscal 1999, ended March 31, 1999, integrated Group efforts overcame the effects of a harsh operating environment, and Alps Electric Co., Ltd. again posted record-high consolidated net sales and profits. We celebrated the 50th anniversary of our founding in November 1998. It is gratifying to experience such a historical event with our employees' support and solid confidence in the Company's future growth. I would like to express my appreciation to our stockholders for their support over the years.

REVIEW OF CORPORATE PERFORMANCE IN FISCAL 1999

In fiscal 1999, consolidated net sales rose 9.8% from the previous fiscal year to ¥554,446 million (US\$4,620 million), operating income surged 45.9% to ¥37,339 million (US\$311 million) and net income soared 71.2% to ¥9,677 million (US\$81 million).

Alps Electric has recently implemented various measures to bolster its operational efficiency and productivity. We have reinforced our product development capability by concentrating management resources in strategic businesses. In marketing activities, we have become more customer-focused, moving forward with services that straddle multiple product categories. The continuous promotion of production innovation has resulted in a number of achievements in reducing costs, shortening lead times and reducing inventory levels. We have also continued to improve the efficiency of our business processes, including faster communications and greater access to information through the use of a Groupwide intranet system. As these measures produce results, we expect corporate earnings to improve considerably.

The increase in sales during fiscal 1999 was supported by several factors: expanded production and sales of magnetoresistive (MR) heads for hard disk drives (HDDs); impressive sales performance in TV game controllers; and the growth of car electronics into a new core business, reflecting our timely response to the needs of major automobile manufacturers throughout the world. Additionally, sales of other products also increased, supporting substantial growth in sales and profits for the fiscal year.

“Sales growth of new products shows the success of our program to transform our management structure.”



PURSUING CHANGE

In tandem with the breathtaking pace of progress in digital technologies, the multimedia market has expanded on a global basis while undergoing dramatic transformations. In this fast-paced business environment, Alps recognizes that it cannot maintain the status quo, but must constantly innovate to stay competitive. Our policy for fiscal 2000 therefore is to encourage change. While evaluating market trends, we are developing a dynamic management system that will create change within itself to respond to the needs of our time.

In fiscal 2000, we aim to pursue global business efficiency based on this policy. Our operations span the four zones of North America, Europe, Asia and Japan. Because of expansion and changes in the worldwide multimedia market, as well as breathtaking technological progress, cooperation between Alps Electric and its Group companies has become increasingly important. To boost Group earnings, we are conducting a global review of all business processes, from order taking to manufacturing and marketing, and ensuring compatibility with our customers' systems. At the same time, we will promote even closer cooperation through the effective use of information networks.

MR heads have already been established as a core business in our operations. By July 1999, this product will be replaced by giant MR (GMR) heads, which have a higher recording density than MR heads, in response to market needs for higher-capacity HDDs. We will also expand business for such products as voltage controlled oscillators (VCOs) for cellular phones. Furthermore, the Company aims to boost business in card connectors, aspherical glass lenses for optical communications, sensors and a variety of environmentally friendly products—from the relatively small scale at present.

GROUP MANAGEMENT

In overseas operations, efforts during the past several years to solidify our operating base are showing results, and each of our overseas subsidiaries has been making steady profits. Wuxi Alps Electronics Co., Ltd. completed the construction of a new plant to meet increased orders for MR heads and commenced assembly operations at the start of 1999. In North America, production innovation has proceeded smoothly at subsidiaries in Mexico. We have also expanded our marketing network in the region by adding two sales offices to cultivate new markets in the fields of digital communications and broadcasting. In Europe, each subsidiary has been making steady progress in building sound operations. Although Alps Electric (Ireland) Limited faced harsh conditions caused by a deteriorating market environment, it has begun the process of rebuilding its management structure.

Despite a challenging operating environment, Alpine Electronics, Inc. and Alps Transportation Systems Corp. continue to post strong performance through market differentiation based on proprietary technologies and unique services. Alpine has developed several attractive products that fulfill consumer demands, such as a leading-edge

car navigation system equipped with a digital versatile disc (DVD) player and a car audio system that integrates a minidisc (MD) and compact disc (CD) player. Alps Transportation Systems is steadily expanding business operations through its original distribution service known as "One-Channel Service" and the establishment of a global distribution structure.

IMPROVEMENT OF FINANCIAL STRUCTURE AND Y2K READINESS

Due to recent instability in the Japanese stock market and other factors, Alps Electric forecasts losses on funds in Tokkin specified money trust and on derivative transactions conducted by a special purpose company, in which Alps holds a stake. We regret any concern this may have caused our stockholders and we aim to reduce such transactions to rapidly improve the soundness of our financial structure.

With regard to the Y2K issue, by the end of June 1999 readiness measures for our in-house systems and products were nearly completed, and contingency plans are being established to deal with unforeseen problems related to the Y2K issue.


A COMPANY FRIENDLY TO PEOPLE AND NATURE

To protect the environment, we have implemented a voluntary ban on the use of various chemical substances, beginning with the elimination of chlorofluorocarbons (CFCs) in July 1993. In May 1994, we formulated an Environmental Protection Charter to clarify the direction of our policy and enhance awareness throughout the Company. The charter states, "ALPS, as a member of the global community, is committed to protecting the beauty of nature and to safeguarding our precious resources through the use of technologically advanced business practices and the efforts of its employees, in order to promote sustainable development." In addition, we have been introducing ISO 14001 international standards for environmental management systems throughout the Group. Most of our domestic business divisions have already obtained certification, as have our subsidiaries in Ireland and Taiwan. To fulfill the objective of being a company that is friendly to people and nature, we will launch an even broader range of environmental activities in the future, including the development of various environmentally friendly products.

I look forward to the continued support of our stockholders, customers and business associates as we position Alps for sustainable growth.

July 1999

Masataka Kataoka, President



FROM MR TO GIANT MR HEADS

KEY DEVICES FOR HIGH-CAPACITY DISK DRIVES

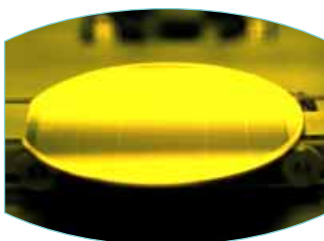
The storage capacity of hard disk drives (HDDs) is continually increasing as personal computers (PCs) need to handle enormous amounts of data, including still images, video and audio. MR heads, based on the application of magnetoresistive (MR) elements, are key devices for realizing larger capacity through high recording density.

Alps Electric is a comprehensive producer of magnetic heads, including those for audio-visual equipment and PCs, and is one of the few companies able to supply MR heads on a global basis. The strengths of Alps products are rooted in such proprietary technologies as magnetic material fabrication, precision processing and magnetic recording. Our magnetic heads have earned high customer acclaim for performance and quality—while generating increased orders. In fiscal 1999, in response to growing demand we completed a manufacturing network of four bases and commenced assembly operations at Wuxi Alps Electronics Co., Ltd. in China to dramatically expand monthly production capacity to 10 million units.

At the same time, we have been developing giant MR (GMR) heads, the next generation of MR heads. Although conventional mass-produced MR heads have a recording density of 2 gigabits per square inch, Alps has developed GMR heads with a recording density of 5 gigabits per square inch, the highest level in the industry. Having gained strong recognition among customers for these products, we commenced mass production in March 1999. As there has recently been a remarkable increase in demand for GMR heads, we have accelerated production plans and aim to fully convert MR head production to GMR head production by the end of July 1999. And we continue to push the envelope in the development of second-generation GMR heads, with the unprecedented recording density of 10 gigabits per square inch.



01 GMR head

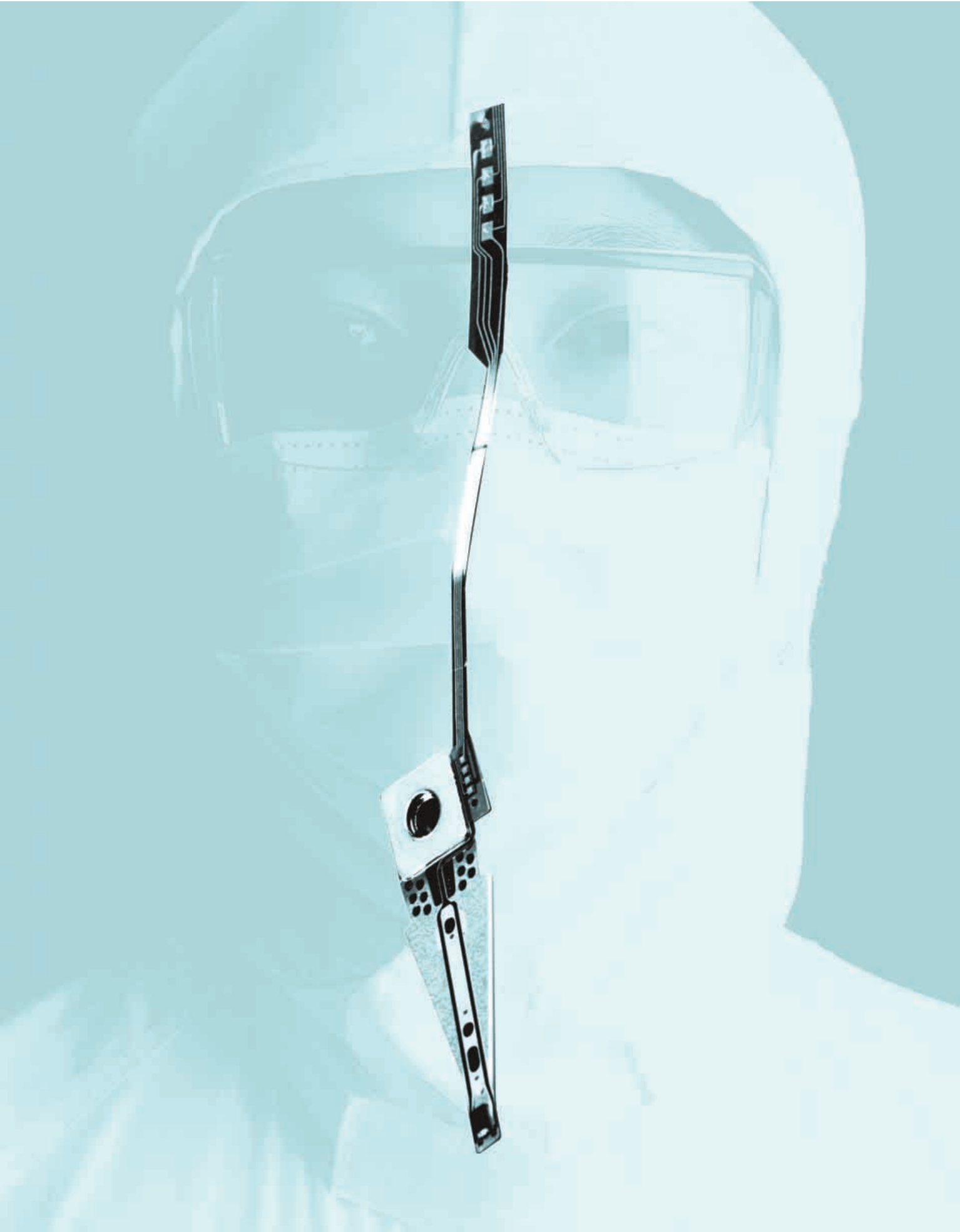


02 Pattern-forming process for MR heads



03 MR head assembly plant at Wuxi Alps Electronics in China

From MR to GMR heads, Alps' exclusive technologies support increased capacity of hard disk drives.



TECHNOLOGY FOR THE 21ST CENTURY

ULTRACLEAN TECHNOLOGY

The reduction of impurities and resulting contamination in thin-film processes to a level close to zero would maximize material properties and allow the development of revolutionary products. Ultraclean technology (UCT) is designed to realize such an ideal process—to render thoroughly clean production, to reduce surface impurities to a level that leaves the original material characteristics unaffected, to completely control the process parameters and to maintain the production process in an ultraclean environment.

Alps Electric has taken steps to establish its own UCT in conjunction with the design and development of amorphous silicon thin-film transistor (TFT) liquid crystal displays (LCDs) at Frontec, Inc., a joint venture with LG Electronics Inc. In this process, we have developed environmentally friendly cleaning technology by analyzing the cleaning properties, while devising a method to effectively eliminate static electricity, a major impediment to the production of TFT-LCDs. Further, by creating advanced film-forming technology, we have succeeded in maximizing the properties of materials, resulting in the successful development of 6-inch TFT-LCDs with 2.36 million dots. While production is presently on an experimental basis only, this new type of electronic display has been welcomed as totally different from conventional LCDs with applications from high-definition television cameras to brain surgery equipment. Based on these achievements, we are cultivating UCT as a core technology for the 21st century. By developing applications in various business fields, we aim to develop attractive products that are clearly distinguishable from the competition.



01 UCT-applied equipment for the production of amorphous silicon TFT-LCDs

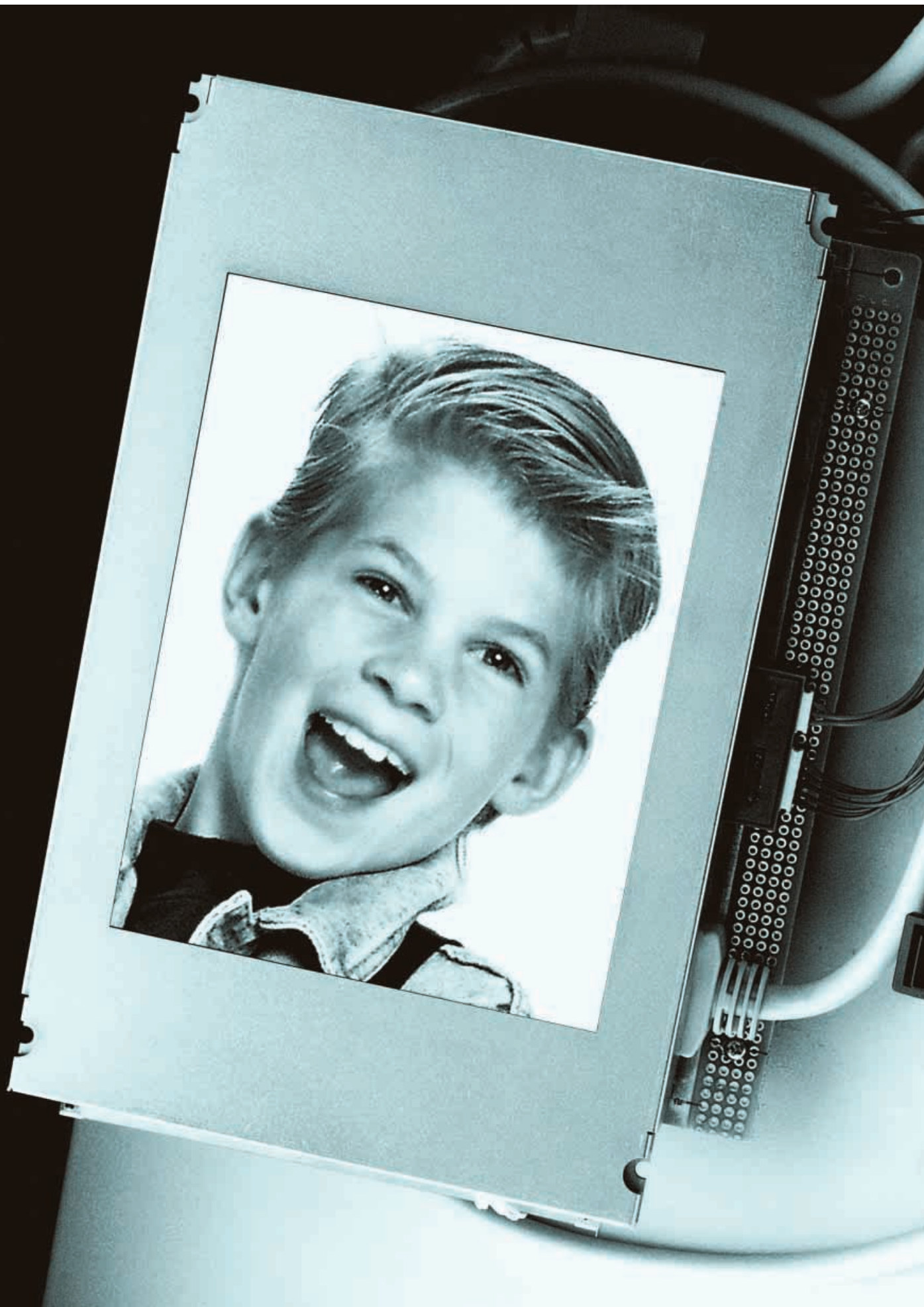


02 Amorphous silicon TFT-LCD



03 With a high-resolution display, even minute letters on a map can be reproduced clearly.

We are cultivating UCT as a core technology for the 21st century.



FRIENDLY TO PEOPLE & NATURE

TO CONSERVE THE ENVIRONMENT

In April 1989, Alps Electric established the Working Group for Elimination of Chlorofluorocarbons (later renamed the Working Group for Protecting the Ozone Layer) and began Companywide efforts to conserve the environment. Subsequently, we broadened the range of activities to include energy conservation and the reduction of waste and harmful substances, as well as action to protect the environment from the product development and design stage. We also expanded measures to introduce the ISO 14001 International Standards on Environmental Management Systems established by the International Organization for Standardization (ISO).

These activities yielded results, and in July 1993, Alps completely banned the use of chlorofluorocarbons (CFCs). This was followed by a total ban on the use of trichloroethane in October that year and a complete ban on the internal use of brominated flame retardants in December. Moreover, by the end of fiscal 1999, all of our domestic Divisions except one, as well as our overseas subsidiaries Alps Electric (Ireland) Limited and Forward Electronics Co., Ltd. in Taiwan, had gained ISO 14001 certification. We aim to obtain certification for the entire Alps Group in the future.

We are also developing products that contribute to the preservation of the environment. For example, our automobile door modules employing multiplex (MPX) technology not only enhance the functional performance of an automobile but also help to achieve a substantial reduction in the ever-increasing number of wire harnesses, thereby contributing to automobile weight reduction and improved fuel consumption. In addition, our main power switches that are operated by a remote control unit have been highly commended as products that reduce power consumption during standby mode, a recent cause for environmental concern. A variety of other environmentally friendly products include a water-level sensor for washing machines that contributes to water conservation and a recyclable ink ribbon cassette for word processors.



01 Alps developed this Cylinder Drum Washing Unit that uses water in the cleansing process.



02 This symbol indicates Alps' current action to preserve the environment.



03 Alps' water-level sensor for washing machines contributes to water and energy conservation.

We aim to obtain ISO 14001 certification for the entire Alps Group in the future.



PROGRESS AT GROUP COMPANIES

STRENGTHENING THE OPERATING BASE OF OVERSEAS SUBSIDIARIES

Alps Electric's global manufacturing network extends across North America, Europe, Asia and Japan. As we have reinforced the operating base of all overseas subsidiaries during the past few years, profitability is steadily improving.

Wuxi Alps Electronics, a base in China that originally produced switches, has begun assembly of MR heads at a new plant completed at the end of 1998 and now plans to assemble GMR heads. Tianjin Alps Electronics Co., Ltd. has also developed a manufacturing system to expand production of keyboards and TV game controllers, and its production innovation activities are steadily yielding results. In North America, we have prepared an efficient manufacturing and marketing network within the North American Free Trade Agreement (NAFTA) area by transferring our manufacturing base from the United States to Mexico. Alps Electric (USA), Inc. has also established sales offices in Hatboro, Pennsylvania, and Atlanta, Georgia, to expand its communications and broadcasting products business aimed at the cable TV and satellite broadcasting markets. Further, Alcom Electronics de Mexico has become the largest production base for car electronic components in North America after increasing production following the expansion of its plant. In Europe, we are reorganizing our manufacturing and marketing network to enhance business efficiency in the region. Finally, Alps Electric (Ireland) Limited is successfully expanding production of car electronic components, beginning with air-conditioner units, and has begun to manufacture module products after the partial transfer of their production from Alps Electric (UK) Limited and other companies.

ALPINE ELECTRONICS AND ALPS TRANSPORTATION SYSTEMS

Having built a solid position as a manufacturer of high-quality car audio systems and highly functional car navigation systems based on cutting-edge technologies, Alpine Electronics is expanding in markets around the world. With growing business in the European automobile market, it established Alpine Electronics Manufacturing of Europe Ltd. in Hungary in fiscal 1999. The establishment of this manufacturing base, chiefly for car audio equipment, is aimed at reinforcing the company's supply network and boosting its cost competitiveness. This is an important base in Europe established after Secre Alpine Electronics, S.A., and is due to begin operations in October 1999 as the company's largest manufacturing base in the European region. In addition, with the aim of bolstering its product development system amid the accelerating trend toward digitization, Alpine has established its second base through a software development subsidiary in Dalian, China, and is expanding its R&D bases in the United States and Europe.

Alps Transportation Systems is expanding its distribution bases in Japan and overseas based on its unique "One-Channel Service" integrated distribution system. In February 1999, domestic subsidiary Ryutsu Service Co., Ltd. set up a distribution center in Japan as its first independently owned facility. In that same month, a joint venture company in China received permission to establish a branch in Shanghai, and in July a subsidiary in Hong Kong will set up a joint venture company in Guangdong Province, China.

Alps Electric has established a growing presence both in and outside Japan.

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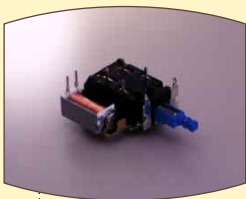
REVIEW BY BUSINESS CATEGORY

COMPONENTS	Sales ¥151,824 million	27.4% of total
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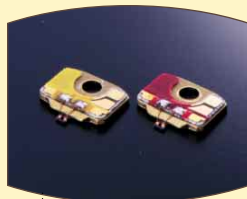
Sales in this product category increased 13.4% compared with the previous fiscal year to ¥151,824 million (US\$1,265 million).

This category comprises mechatronic devices and magnetic devices. In mechatronic devices, although potentiometers registered sales growth supported by new demand for use in amusement equipment, sales of switches declined due to falling prices and production cutbacks by audio-visual equipment manufacturers. As a result, sales of mechatronic devices decreased 0.4% to ¥88,205 million (US\$735 million). In the magnetic devices segment, magnetic heads for both audio equipment and video cassette recorders (VCRs) declined as a result of lower prices and falling exports in line with the economic downturn in the ASEAN region. However, orders for MR heads rose on the back of high customer regard for their performance and quality. As the Company expanded production capacity to keep pace with such demand, sales volume climbed steadily. Sales also rose sharply due to an increase in the number of customers and the commencement of GMR head production. Consequently, sales of magnetic devices jumped 40.5% to ¥63,619 million (US\$530 million). As GMR heads have much higher recording density than MR heads, demand for these products is soaring. Alps therefore plans to switch all of its MR head production at four domestic bases and one base in China to GMR head production in July 1999.

Note: RF devices were previously included in this product category. As of fiscal 1999, this category has been reclassified into the new Communications and Broadcasting product category.



01 Power switch for energy saving



02 Digital VCR video heads



03 Laser modules, lenses and lens modules for optical communications



04 GMR head



05 TACT switch



06 DVD mecha module



01 LNB down converters and tuners for digital broadcasting



02 Tuners and RF modulators



03 Transceiver units, VCOs and PLL synthesizer modules

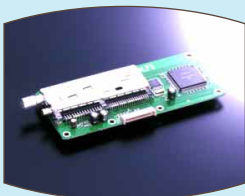
COMMUNICATIONS & BROADCASTING DEVICES	Sales ¥83,041 million	15.0% of total
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This product category recorded a 1.3% decline in sales from the previous term to ¥83,041 million (US\$692 million).

Sales of analog tuners for televisions and VCRs fell because of a drop in prices, but devices for digital satellite broadcasting equipment, such as low-noise block (LNB) down converters, recorded a strong increase, partly underpinned by demand in the United States and Europe associated with the World Cup soccer tournament. Sales of VCOs used in cellular phones also grew in response to increased orders mainly in Europe. On the other hand, sales of Code Division Multiple Access (CDMA) system cellular phone transceiver units declined, reflecting the economic downturn in South Korea and moves by cellular phone manufacturers to carry out in-house production.

LNB down converters for receiving electromagnetic waves used in digital satellite broadcasting have enjoyed a steady increase in demand in products developed to meet the needs of the European and U.S. markets. Moreover, demand for digital terrestrial television (DTTV) tuners is likely to rise because DTTV broadcasting is expected to become much more widespread in many countries. In the United Kingdom, the BBC introduced DTTV in September 1998 for the first time in the world, and this was followed by its introduction by commercial broadcasters in November that year. In response, Alps has been shipping DTTV tuners developed jointly with NDS Limited, a company specializing in digital broadcasting technology, and U.S. semiconductor manufacturer Motorola, Inc. DTTV also commenced operation in the United States in November 1998. In Japan, DTTV broadcasting is scheduled to begin in 2003 and all terrestrial broadcasting is due to be converted to digital around 2010. Consequently, Alps' tuner market promises to grow strongly over the long term.

Note: The Communications and Broadcasting category comprises products previously classified as RF devices and included in Components.



04 RF module for DTTV

COMPUTER PERIPHERALS

Sales ¥95,315 million

17.2% of total

Sales in this product category climbed 12.4% against the previous year to ¥95,315 million (US\$794 million).

Printers registered a decline in sales stemming from the contraction of the domestic word processor market and a fall in demand for older models used with PCs. Sales of floppy disk drives (FDDs) in Europe and the United States suffered from weak demand. However, amusement equipment sales soared thanks to a remarkable increase in sales of TV game controllers. Sales of input devices also benefited from a rise in orders for keyboards used with new types of desktop PCs and an increase in new customers.

Supported by the growth of communications and network usage, PCs are set to penetrate both the business and household markets at an increasing rate. Changes have also become evident in the requirements placed on PCs, including home information appliances and mobile computing. While rapidly and accurately evaluating such changes, Alps is developing products that are in tune with demand trends. For example, our Glide Point device, which performs pointing operations much like a mouse with the touch of a finger on its surface, is being incorporated as a standard "easy-input" device in recent notebook PCs. In addition, our high-quality full-color printer, which comes in a range of five body colors and is compatible with Apple Computer's popular iMac® PC, has won acclaim as a product that broadens choices available to computer users.

In the amusement field, we have endeavored to make video game controllers as easy to use as possible, which has earned these products high regard for maximizing the realism of games.



01 Thermal transfer printers



02 Keyboard, Glide Point and USB game controller



03 LCD and floppy disk drive



01 Clock springs for air bag system



02 MPX door modules



03 Sensors

CAR ELECTRONICS

Sales ¥35,459 million

6.4% of total

Sales of car electronics surged 25.3% from the previous term to ¥35,459 million (US\$295 million).

Reflecting robust automobile sales in Europe and the United States, products such as air-conditioner switches recorded an increase in sales resulting from new orders. Sales in this category were also boosted by growing demand for our door modules, which employ multiplex (MPX) technology, and new orders for steering modules, composite products that include switches and clock springs for air bag systems.

Major automobile manufacturers are expanding their operations in the global marketplace. In response to this trend, we have set up bases in North America, Europe, South Korea and Japan to ensure responsiveness and promote continued business development based on mutual cooperation. Through communications networks, these bases exchange various kinds of real-time information, including three-dimensional computer-aided design (CAD) data, and are capable of carrying out R&D, production and marketing that meets customer needs in each market where they operate. With the support of this system, this product category has posted a steady increase in sales and is growing into a core new business. Alps Electric manufactures products incorporating MPX technology, which has dramatically reduced the volume of wire harnesses in automobiles and contributed to lighter vehicles with better fuel economy. In addition to previous demand for our MPX door modules, orders for MPX steering modules have been growing. We are also making efforts to expand sales of control units for air conditioners. Alps aims to achieve further expansion of the car electronics business by continuing to offer a wide range of products that contribute to automobile comfort, safety and economy.



04 Control units

AUDIO EQUIPMENT	Sales ¥174,359 million	31.4% of total
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Alps recorded 5.2% sales growth in this category to ¥174,359 million (US\$1,453 million).

Sales of car audio products equipped with compact disc (CD) players were buoyant in North America and Europe. Car navigation systems also rose on the back of new DVD-type products launched in the domestic market and efforts to boost sales in Europe and North America.

This product category comprises the business of our subsidiary Alpine Electronics, a comprehensive manufacturer of car audio and car navigation systems. In June 1999, Alpine launched a high-precision artificial intelligence car navigation system in Japan. This system performs pinpoint searching using interactive audio input and a voice agent that predicts and notifies the driver of traffic congestion on their route. Alpine is focused on boosting its market share and plans to stimulate demand by launching 19 new car audio products in early June 1999. These include a mobile entertainment system that allows users to enjoy high-resolution images derived from DVD quality with appealing 5.1-channel Dolby surround sound in their cars and a high-end mini MD head unit/CD player system incorporating a digital harmonic enhancer (DHE) that enables playback of digital media with high-quality sound.



01 DVD car navigation system



02 Dualgap Direct Drive speakers



03 Integrated system for mobile entertainment

OTHERS	Sales ¥14,448 million	2.6% of total
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Sales in this category soared 75.4% to ¥14,448 million (US\$120 million).

This increase was supported by growth in the distribution business, as operations such as transportation and storage benefited from an increase in cargo volume for major customers and the effect of vigorous sales promotion activities.

Alps Transportation Systems offers its clients ideal logistics with the highest level of efficiency through its "One-Channel Service," which integrates processes from order taking to delivery and has gained an excellent reputation. In September 1996, Alps Transportation added Ryutsu Service, a specialist in consumer goods delivery, to its group companies. A new base was established in Shanghai in June 1999, with plans to open another in Guangdong Province in July 1999. Through these measures, the company aims to reinforce its distribution management system by increasing its global distribution bases, carrying out aggressive marketing activities and introducing new distribution equipment. It is also improving its overall operational efficiency to ensure sound management.



01 Alps Transportation Systems

Six-Year Financial Summary Alps Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31

	In millions of yen, except per share data					
	1999	1998	1997	1996	1995	1994
FOR THE YEAR:						
Net sales	¥554,446	¥505,134	¥456,338	¥385,687	¥399,763	¥393,897
(Overseas sales)	346,115	314,312	283,315	228,576	234,339	197,432
Cost of sales	440,619	403,584	373,771	325,496	332,061	340,965
SG&A expenses	76,488	75,952	64,118	53,255	54,749	48,878
Operating income	37,339	25,598	18,449	6,936	12,953	4,054
Income (loss) before income taxes	24,624	17,131	13,687	2,271	10,112	(4,333)
Income taxes	12,237	9,586	5,808	3,563	3,681	3,470
Net income (loss)	9,677	5,654	4,846	(2,058)	4,512	(9,243)
Amounts per share of common stock:						
Net income (loss)	¥ 54.02	¥ 31.56	¥ 27.05	¥ (11.49)	¥ 25.19	¥ (51.60)
Cash dividends applicable to the year	12.00	10.00	6.00	3.00	3.00	0.00
AT YEAR-END:						
Current assets	¥280,405	¥313,428	¥316,139	¥301,248	¥290,356	¥278,580
Current liabilities	200,682	224,615	217,514	196,430	189,099	171,612
Working capital	79,723	88,813	98,625	104,818	101,257	106,968
Cash flow	37,379	28,338	25,226	18,579	23,204	10,279
Long-term debt due after one year	115,885	101,752	105,302	120,911	122,101	128,505
Stockholders' equity	143,106	135,401	133,016	129,337	131,244	127,255
Total assets	499,639	497,904	489,876	477,029	468,948	449,609
SALES BY PRODUCT CATEGORY:						
Components	¥151,824	¥133,880	¥121,984	¥116,461	¥131,125	¥128,408
	27.4	26.5	26.7	30.2	32.8	32.6
Mechatronic Devices	88,205	88,599	86,345	89,398	99,386	97,067
	15.9	17.5	18.9	23.2	24.9	24.6
Magnetic Devices	63,619	45,281	35,639	27,063	31,739	31,341
	11.5	9.0	7.8	7.0	7.9	8.0
Communications & Broadcasting Devices	83,041	84,155	72,438	53,304	52,158	52,333
	15.0	16.7	15.9	13.8	13.0	13.3
Computer Peripherals	95,315	84,824	77,522	68,253	66,583	86,570
	17.2	16.8	17.0	17.7	16.7	22.0
Car Electronics	35,459	28,310	22,653	17,875	22,427	19,028
	6.4	5.6	5.0	4.6	5.6	4.8
Audio Equipment*	174,359	165,727	153,567	—	—	—
	31.4	32.8	33.6	—	—	—
Others*	14,448	8,238	8,174	129,794	127,470	107,558
	2.6	1.6	1.8	33.7	31.9	27.3
Total	¥554,446	¥505,134	¥456,338	¥385,687	¥399,763	¥393,897
Percentage of sales	100.0	100.0	100.0	100.0	100.0	100.0
SALES BY GEOGRAPHIC AREA:						
Japan	¥208,331	¥190,822	¥173,023	¥157,111	¥165,424	¥196,465
	37.6	37.8	37.9	40.7	41.4	49.9
North America	115,441	97,132	93,471	79,377	79,758	78,592
	20.8	19.2	20.5	20.6	19.9	20.0
Europe	113,637	95,051	78,755	64,450	78,207	46,600
	20.5	18.8	17.2	16.7	19.6	11.8
Asia	110,120	113,038	103,452	78,777	72,925	66,540
	19.9	22.4	22.7	20.4	18.2	16.9
Others	6,917	9,091	7,637	5,972	3,449	5,700
	1.2	1.8	1.7	1.6	0.9	1.4
Total	¥554,446	¥505,134	¥456,338	¥385,687	¥399,763	¥393,897
Percentage of sales	100.0	100.0	100.0	100.0	100.0	100.0

* Sales of Audio Equipment were included in Others until fiscal 1996 (inclusive).

ANALYSIS OF OPERATIONS

Net Sales

Consolidated net sales for fiscal 1999 grew 9.8% to ¥554,446 million (US\$4,620 million), marking another all-time high.

(1) Electronic Components

In the Electronic Components segment, net sales rose 10.4% to ¥365,639 million (US\$3,047 million).

In the components category, sales increased sharply supported by high customer acclaim for the performance and quality of magnetoresistive (MR) heads, an expansion of production facilities and an increase in the number of customers. Potentiometers also benefited from greater demand for products used in amusement equipment. Consequently, net sales in this category advanced 13.4% to ¥151,824 million (US\$1,265 million).

Sales in the communications and broadcasting devices category were boosted by an expansion in orders for equipment used in digital satellite broadcasting and voltage controlled oscillators (VCOs) for cellular phones. However, sales of analog tuners for televisions and VCRs declined due to a drop in selling prices. Code Division Multiple Access (CDMA) system cellular phone transceiver units also posted lower sales, reflecting the economic downturn in South Korea, a major destination for shipments, and increased in-house production by cellular phone equipment manufacturers. As a result, net sales for this category fell 1.3% to ¥83,041 million (US\$692 million).

Net sales of computer peripherals jumped 12.4% to ¥95,315 million (US\$794 million). Printers and floppy disk drives recorded a decline in sales but this was offset by significant growth in TV game controllers.

In the car electronics category, production expanded steadily in Japan, Mexico and Ireland, and products employing multiplex (MPX) technology and devices such as clock springs recorded higher sales. Consequently, net sales in this category surged 25.3% to ¥35,459 million (US\$295 million).

(2) Audio Products

In the markets of Europe and North America, car audio products performed strongly, especially products incorporating CD players. Besides launching new types of car navigation systems equipped with

DVD players in the domestic market, the Company endeavored to boost sales of car navigation systems in the United States and Europe. Net sales of audio equipment accordingly rose 5.2% to ¥174,359 million (US\$1,453 million).

(3) Other

Sales in the Other segment soared 75.4% to ¥14,448 million (US\$120 million). Distribution services posted revenue growth supported by increased cargo volume for major customers, and the addition of new consolidated subsidiaries also contributed to sales in this category.

Costs and Expenses

Cost of sales was ¥440,619 million (US\$3,672 million), and cost of sales as a percentage of net sales declined 0.4 percentage point to 79.5%. Although depreciation expenses grew mainly in relation to MR head production facilities, bold Companywide efforts to reform production methods, including those by overseas subsidiaries, were effective in reducing costs.

Selling, general and administrative expenses rose 0.7% to ¥76,488 million (US\$637 million). Despite higher personnel expenses resulting from such factors as an increase in employees at consolidated subsidiary Alpine Electronics, Inc., the Company controlled advertising and promotion expenses for full-color printers for PCs.

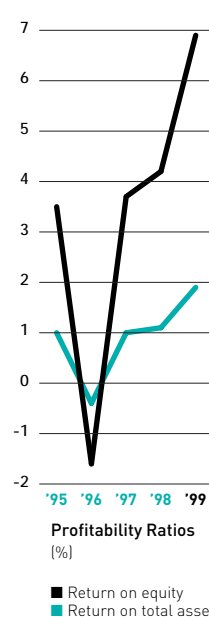
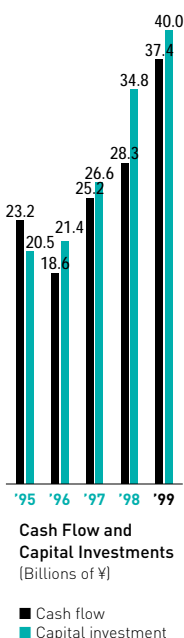
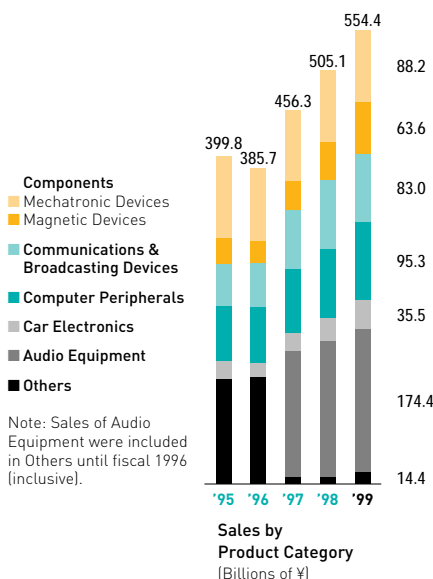
R&D expenses during the term grew 29.2% to ¥24,698 million (US\$206 million). This was equal to 4.5% of net sales, an increase of 0.7 percentage point from the previous term.

Operating Income

Operating income recorded substantial growth, up 45.9% to ¥37,339 million (US\$311 million), supported by such factors as higher sales and successful cost-cutting measures. The ratio of operating income to net sales improved 1.6 percentage points to 6.7%.

Other Income and Expenses

As the yen appreciated on foreign exchange markets from the second half of fiscal 1999, foreign exchange losses increased. In addition, interest expenses increased, reflecting charges related to the partial cancellation of derivatives transactions at a special purpose company.



Losses arising from the partial cancellation of Tokkin specified money trust (included in other—net expenses) also increased. As a result, net other expenses increased 50.2% to ¥12,715 million (US\$106 million).

Net Income

Income before income taxes rose 43.7% to ¥24,624 million (US\$205 million), and income taxes grew 27.7% to ¥12,237 million (US\$102 million). Net income consequently soared 71.2% to ¥9,677 million (US\$81 million). Net income per share was ¥54.02 (US\$0.45), an increase of ¥22.46 (US\$0.19) from the previous term.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

Total assets increased 0.3% to ¥499,639 million (US\$4,164 million).

Property, plant and equipment increased ¥10,245 million (US\$85 million), as the expansion of production capacity to meet an increase in MR head orders continued from the previous fiscal year. The Company took several steps to increase asset efficiency during the fiscal year. Inventories were reduced by ¥8,548 million (US\$71 million) and cash and time deposits were trimmed by ¥8,394 million (US\$70 million) through such means as the partial cancellation of Tokkin specified money trust and the repayment of bank borrowings. Accordingly, return on total assets (ROA) improved 0.8 point to 1.9%. In addition, marketable securities of ¥24,337 million (US\$203 million) were transferred to the investment securities account in line with a change in the purpose of ownership.

As the Company made efforts to reduce interest-bearing debt, including the repayment of an impact loan and the redemption of commercial paper, total current liabilities decreased 10.7% to ¥200,682 million (US\$1,672 million). On the other hand, long-term debt due after one year rose 13.9% to ¥115,885 million (US\$966 million). Although Euroyen straight bonds totaling ¥10,000 million (US\$83 million) were redeemed at maturity, this was more than offset by the issuance of unsecured domestic straight bonds amounting to ¥20,000 million (US\$167 million) to finance capital investment.

Total stockholders' equity grew 5.7% to ¥143,106 million (US\$1,193 million), reflecting an increase of ¥7,783 million (US\$65 million) in consolidated retained earnings. The equity ratio rose 1.4 percentage

points to 28.6% and the consolidated return on equity (ROE) improved 2.6 points to 6.8%. Equity per share of common stock increased ¥43.16 (US\$0.36) to ¥798.99 (US\$6.66).

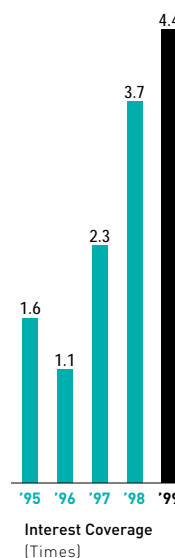
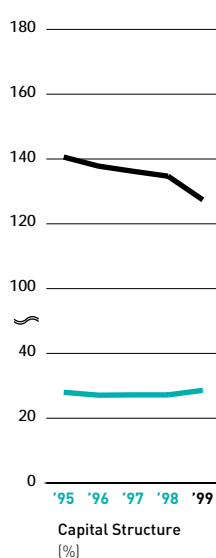
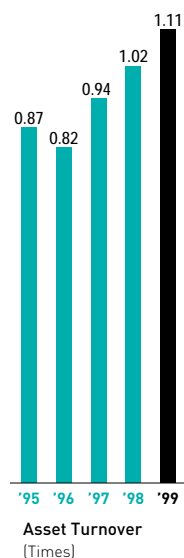
Cash Flows

In cash flows from operating activities, depreciation and amortization (of property, plant and equipment; intangible fixed assets; long-term prepaid expenses; and deferred charges) provided net cash of ¥29,563 million (US\$246 million). This was 19.6% above last fiscal year's level and mainly resulted from increased capital investment in MR head production capacity. In addition, increased cash arising from a reduction in inventories produced net cash of ¥3,561 million (US\$30 million). In aggregate, net cash provided by operating activities was ¥44,249 million (US\$369 million).

In cash flows from investing activities, cash inflow was ¥8,050 million (US\$67 million), mainly proceeds from sale of securities and proceeds from sale of property, plant and equipment. However, cash outflow from capital expenditures, mainly directed at boosting production capacity at manufacturing facilities for MR heads, was ¥39,973 million (US\$333 million), and other cash outflows, including investments in unconsolidated subsidiaries, was ¥5,967 million (US\$50 million). Consequently, net cash used in investing activities was ¥37,890 million (US\$316 million).

Of cash flows from financing activities, net cash of ¥27,216 million (US\$227 million) was provided mainly by the issuance of domestic straight bonds and long-term borrowings. Net cash used, including the redemption of Euroyen bonds and commercial paper and the repayment of long- and short-term borrowings, totaled ¥39,230 million (US\$327 million). In aggregate, net cash used in financing activities was ¥12,014 million (US\$100 million).

As a result of these activities, and following the effect of exchange rate changes on cash and the increase in cash resulting from changes in the number of consolidated subsidiaries, net cash and time deposits decreased ¥8,394 million (US\$70 million). Cash and time deposits at the end of the fiscal year declined 11.2% to ¥66,491 million (US\$554 million).



■ Debt/equity ratio
■ Equity ratio

Consolidated Balance Sheets Alps Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 1999 and 1998

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
CURRENT ASSETS:			
Cash and time deposits	¥ 66,491	¥ 74,885	\$ 554,092
Marketable securities (Note 3)	25,125	48,352	209,375
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliated companies	3,051	2,549	25,425
Trade	89,509	84,337	745,908
Allowance for doubtful accounts	(1,364)	(1,204)	(11,367)
Inventories (Note 4)	73,130	81,678	609,417
Other current assets	24,463	22,831	203,858
Total current assets	280,405	313,428	2,336,708
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	30,140	26,782	251,167
Buildings and structures	94,346	89,247	786,217
Machinery and equipment	227,658	216,059	1,897,150
Construction in progress	4,349	5,168	36,242
	356,493	337,256	2,970,776
Less accumulated depreciation	(220,502)	(211,510)	(1,837,517)
	135,991	125,746	1,133,259
INVESTMENTS AND ADVANCES:			
Investments in and advances to unconsolidated subsidiaries and affiliated companies	11,510	10,737	95,917
Investment securities (Note 3)	34,422	13,119	286,850
Other investments	22,243	23,058	185,358
Total investments and advances	68,175	46,914	568,125
OTHER ASSETS (INCLUDING DEFERRED CHARGES)	5,833	9,246	48,608
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	9,235	2,570	76,958
	¥ 499,639	¥ 497,904	\$ 4,163,658

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	1999	1998	1999
CURRENT LIABILITIES:			
Bank loans (Note 5)	¥ 53,597	¥ 54,494	\$ 446,642
Long-term debt due within one year (Note 5)	12,853	26,118	107,108
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliated companies	1,443	1,714	12,025
Trade	85,080	86,248	709,000
Accrued income taxes	7,565	7,031	63,042
Accrued expenses	27,288	26,959	227,400
Other current liabilities	12,856	22,051	107,133
Total current liabilities	200,682	224,615	1,672,350
LONG-TERM DEBT DUE AFTER ONE YEAR (Note 5)	115,885	101,752	965,708
EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS	4,852	3,853	40,433
OTHER LONG-TERM LIABILITIES	1,049	1,040	8,742
MINORITY INTERESTS	34,065	31,243	283,875
CONTINGENT LIABILITIES (Note 9)			
STOCKHOLDERS' EQUITY (Note 6):			
Common stock, par value ¥50 per share:			
Authorized—500,000,000 shares			
Issued—179,159,292 shares and 179,157,929 shares			
as of March 31, 1999 and 1998, respectively	21,189	21,187	176,575
Additional paid-in capital	43,846	43,844	365,384
Retained earnings	78,170	70,387	651,416
	143,205	135,418	1,193,375
Less treasury stock, at cost	(99)	(17)	(825)
Total stockholders' equity	143,106	135,401	1,192,550
	¥499,639	¥497,904	\$4,163,658

Consolidated Statements of Operations Alps Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	1998	1997	1999
NET SALES (Note 11)	¥554,446	¥505,134	¥456,338	\$4,620,383
COSTS AND EXPENSES (Note 11):				
Cost of sales	440,619	403,584	373,771	3,671,825
Selling, general and administrative	76,488	75,952	64,118	637,400
	517,107	479,536	437,889	4,309,225
OPERATING INCOME (Note 11)	37,339	25,598	18,449	311,158
OTHER INCOME (EXPENSES):				
Interest and dividend income	2,775	3,130	4,126	23,125
Interest expense	(9,017)	(7,833)	(9,724)	(75,142)
Equity in earnings of affiliated companies	205	404	113	1,708
Other—net (Note 7)	(6,678)	(4,168)	723	(55,649)
	(12,715)	(8,467)	(4,762)	(105,958)
INCOME BEFORE INCOME TAXES	24,624	17,131	13,687	205,200
INCOME TAXES (Note 8):				
Current	12,057	9,666	6,738	100,475
Deferred	180	(80)	(930)	1,500
	12,237	9,586	5,808	101,975
	12,387	7,545	7,879	103,225
MINORITY INTERESTS IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(2,710)	(1,891)	(3,033)	(22,583)
NET INCOME	¥ 9,677	¥ 5,654	¥ 4,846	\$ 80,642

	Yen			U.S. dollars (Note 1)
	1999	1998	1997	1999
AMOUNTS PER SHARE OF COMMON STOCK:				
Net income	¥54.02	¥31.56	¥27.05	\$0.45
Diluted net income	50.89	30.23	26.20	0.42
Cash dividends applicable to the year	12.00	10.00	6.00	0.10

See accompanying notes.

Consolidated Statements of Stockholders' Equity Alps Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 1999, 1998 and 1997

	Millions of yen			
	Shares of common stock	Common stock	Additional paid-in capital	Retained earnings
BALANCE AT MARCH 31, 1996	179,135,202	¥21,162	¥43,819	¥64,376
Increase due to additions of consolidated subsidiaries				121
Decrease due to change in equity companies				(753)
Net income				4,846
Cash dividends paid (¥3.00 per share)				(537)
Bonuses to directors				(38)
Shares issued upon conversion of convertible debentures	22,727	25	25	
Other				(5)
BALANCE AT MARCH 31, 1997	179,157,929	21,187	43,844	68,010
Increase due to additions of consolidated subsidiaries				10
Increase due to addition of an equity company				132
Net income				5,654
Cash dividends paid (¥11.00 per share)				(1,970)
Bonuses to directors				(68)
Reversal of prior year profit on sale of land				(1,366)
Other				(15)
BALANCE AT MARCH 31, 1998	179,157,929	21,187	43,844	70,387
Increase due to additions of consolidated subsidiaries				7
Increase due to addition of an equity company				1
Net income				9,677
Cash dividends paid (¥10.00 per share)				(1,791)
Bonuses to directors				(70)
Shares issued upon conversion of convertible debentures	1,363	2	2	
Other				(41)
BALANCE AT MARCH 31, 1999	179,159,292	¥21,189	¥43,846	¥78,170

	Thousands of U.S. dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
BALANCE AT MARCH 31, 1998	\$176,558	\$365,367	\$586,558
Increase due to additions of consolidated subsidiaries			58
Increase due to addition of an equity company			8
Net income			80,642
Cash dividends paid (\$0.08 per share)			(14,925)
Bonuses to directors			(583)
Shares issued upon conversion of convertible debentures	17	17	
Other			(342)
BALANCE AT MARCH 31, 1999	\$176,575	\$365,384	\$651,416

See accompanying notes.

Consolidated Statements of Cash Flows Alps Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 1999, 1998 and 1997

	Millions of yen			Thousands of U.S. dollars (Note 1)
	1999	1998	1997	1999
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	¥ 9,677	¥ 5,654	¥ 4,846	\$ 80,642
Adjustments to reconcile net income to cash provided by operating activities:				
Depreciation and amortization	29,563	24,722	20,955	246,358
Loss on disposal of property, plant and equipment	1,842	814	986	15,350
Loss (gain) on sale of securities	59	(914)	(439)	492
Devaluation loss on securities at the lower of cost or market	2,518	3,338	2,910	20,983
Equity in earnings of affiliated companies	(205)	(404)	(113)	(1,708)
Other	4,933	3,157	6,336	41,108
Change in assets and liabilities—net:				
Increase in notes and accounts receivable	(4,816)	(2,616)	(12,980)	(40,133)
Decrease (increase) in inventories	3,561	(7,159)	(1,737)	29,675
Increase (decrease) in notes and accounts payable	(2,872)	7,270	10,380	(23,933)
Increase in accrued expenses	7	419	4,767	58
Increase (decrease) in other current liabilities	(404)	2,885	1,124	(3,367)
Other—net	386	(341)	(2,526)	3,217
Net cash provided by operating activities	44,249	36,825	34,509	368,742
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of property, plant and equipment	1,282	1,043	3,796	10,683
Capital expenditures	(39,973)	(34,810)	(26,625)	(333,108)
Proceeds from sale (payments for purchases) of securities	(2,558)	(3,684)	5,873	(21,317)
Proceeds from sale of investment securities	3,965	134	3,987	33,042
Payments for purchases of investment securities	(3,292)	(2,450)	(7,074)	(27,433)
Decrease (increase) in short-term loans receivable	(117)	7,819	128	(975)
Other	2,803	70	2,240	23,358
Net cash used in investing activities	(37,890)	(31,878)	(17,675)	(315,750)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings	(699)	(4,878)	2,801	(5,825)
Decrease in commercial paper	(8,900)	(10,100)	(15,000)	(74,167)
Repayments of long-term debt	(26,868)	(20,595)	(2,810)	(223,900)
Proceeds from issuance of long-term debt	27,216	25,689	4,465	226,800
Proceeds from issuance of subsidiaries' shares	0	—	200	0
Cash dividends paid	(1,791)	(1,970)	(537)	(14,925)
Other	(972)	(886)	(926)	(8,100)
Net cash used in financing activities	(12,014)	(12,740)	(11,807)	(100,117)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(3,365)	2,127	2,075	(28,042)
INCREASE IN CASH RESULTING FROM CHANGES IN THE NUMBER OF CONSOLIDATED SUBSIDIARIES	626	1,069	533	5,217
NET INCREASE (DECREASE) IN CASH AND TIME DEPOSITS	(8,394)	(4,597)	7,635	(69,950)
CASH AND TIME DEPOSITS AT BEGINNING OF YEAR	74,885	79,482	71,847	624,042
CASH AND TIME DEPOSITS AT END OF YEAR	¥ 66,491	¥ 74,885	¥ 79,482	\$ 554,092
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest	¥ 9,285	¥ 7,540	¥ 9,201	\$ 77,375
Income taxes	11,930	7,176	6,207	99,417

See accompanying notes.

1. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

The Company, a Japanese corporation, maintains its records and prepares its financial statements in Japanese yen in conformity with accounting principles and practices generally accepted in Japan, which are different from accounting and disclosure requirements of the International Accounting Standard. The foreign subsidiaries' financial statements are prepared in conformity with accounting principles generally accepted in respective countries of domicile. The accompanying consolidated financial statements have been translated from the financial statements that are prepared for Japanese domestic purposes in accordance with the provisions of the Securities and Exchange Law of Japan and filed with the Ministry of Finance ("MOF") of Japan. Certain modifications, including presentation of the consolidated statements of stockhold-

ers' equity and cash flows, have been made in the accompanying financial statements to facilitate understanding by readers outside Japan. Such statements are not customarily prepared in Japan and are not required to be filed with MOF.

The financial statements are stated in Japanese yen. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers, using the prevailing exchange rate at March 31, 1999, which was ¥120 to U.S.\$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements included the accounts of the Company and its 54 subsidiaries in 1999, 51 subsidiaries in 1998, and 44 subsidiaries in 1997.

(b) Equity method

Investments in seven significant affiliated companies (20% to 50% owned) in 1999 and five in 1998 are accounted for by the equity method.

(c) Marketable securities and investment in securities

Listed securities are principally accounted for at the lower of cost or market. Other securities are stated at cost. The cost of securities is determined by the moving average method.

Effective April 1, 1998, the Company records recoveries of write-downs of securities in accordance with a revision in the Corporation Tax Law. There was no effect on net income resulting from adopting this accounting policy.

(d) Allowance for doubtful accounts

The allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. It consists of the estimated uncollectible amount with respect to specific items and a maximum amount deductible for tax purposes.

(e) Inventories

Inventories held by the Company, its domestic consolidated subsidiaries and overseas consolidated subsidiaries in Asia, are principally stated at cost determined by the weighted average method.

Inventories held by consolidated subsidiaries in the United States and Europe are stated at the lower of moving average cost or market.

(f) Property, plant and equipment, and depreciation

Property, plant and equipment is stated at cost. Depreciation is computed using the declining-balance method at rates based on

estimated useful lives by the Company and its domestic consolidated subsidiaries, and computed principally using the straight-line method at rates based on estimated useful lives by its overseas consolidated subsidiaries.

Depreciation of buildings, purchased on and after April 1, 1998, is computed using the straight-line method by the Company and its domestic subsidiaries, because of the amendment to the Corporation Tax Law of Japan. The effect of this change was to decrease depreciation by ¥43 million (\$358 thousand) and to increase operating income and income before income taxes each by ¥38 million (\$317 thousand).

Also, useful lives, which are designated by the Corporation Tax Law of Japan, have been shortened at the same time. The effect of the change in accounting estimate resulted in an increase of ¥241 million (\$2,008 thousand) in depreciation cost and a decrease of ¥225 million (\$1,875 thousand) in both operating profit and income before income taxes.

Also, effective April 1, 1998, the Company and a domestic consolidated subsidiary adopted the policy to depreciate certain of their manufacturing equipment based on their economic useful lives. This resulted in an increase of ¥43 million (\$358 thousand) in depreciation cost and a decrease of ¥36 million (\$300 thousand) in both operating profit and income before income taxes.

Estimated useful lives are as follows:

Buildings and structures—	2–60 years
Machinery—	2–13 years
Equipment—	2–20 years

(g) Deferred charges

Research and development expenses with respect to the development of specific new products are capitalized as deferred charges and amortized over five years on a straight-line basis in accordance with the Commercial Code of Japan.

(h) Foreign currency translation

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. Long-term receivables and payables

denominated in foreign currencies are translated at historical exchange rates, except that the long-term debt covered with forward exchange contracts are translated at the contracted forward rate.

Financial statements of overseas consolidated subsidiaries are translated into Japanese yen using the year-end rate for assets and liabilities, except that investments in and advances to unconsolidated subsidiaries and affiliated companies are translated at the historical rates, and using the historical rates for retained earnings. The average exchange rate for the year is used for translation of income and expenses.

(i) Employees' bonus allowances

Liabilities for employees' bonus allowances are provided based on the estimate of the amounts to be paid in the future by the Company, and certain of its domestic consolidated subsidiaries and overseas consolidated subsidiaries based on the accrual basis at the balance sheet date.

Sixteen domestic consolidated subsidiaries, which previously provided liabilities for employees' bonus allowances in accordance with the Corporation Tax Law, adopted the method to provide employees' bonus allowances based on the accrual basis at March 31, 1999. The effect of the change was to decrease operating income and income before income taxes by ¥166 million (\$1,383 thousand).

(j) Employees' severance and retirement benefits

The Company, its domestic consolidated subsidiaries and part of its overseas consolidated subsidiaries, have unfunded lump-sum benefit and funded pension plans covering all employees. Under the terms of the plans, eligible employees are entitled, upon reaching mandatory retirement age or earlier voluntary severance, to severance payments based on the length of service, base salary at the time of retirement and cause of retirement. Employees' severance and retirement benefits are accrued for the amount sufficient to cover the liability which would be required if all eligible employees voluntarily retired at the balance sheet date, less the portion covered by the outside funds.

Eleven domestic consolidated subsidiaries, which previously provided employees' severance and retirement benefits in accordance with the Corporation Tax Law at 40% of the amount required had all eligible employees voluntarily retired at the balance sheet date, adopted the policy to accrue 100% of such required amount at March 31, 1999. The effect of the change was to decrease operating income and income before income taxes by ¥11 million (\$92 thousand) and ¥130 million (\$1,083 thousand), respectively.

For a domestic consolidated subsidiary, prior service cost with respect to the noncontributory tax-qualified pension plan had been recognized on a cash basis. However, effective from the year ended March 31, 1999, the liability for the prior service cost is provided on an accrual basis instead of a cash basis. All prior service cost was fully provided with one-time charge to income as other expense (other—net) in the year ended March 31, 1999. The effect of the change was to decrease income before income taxes by ¥115 million (\$958 thousand).

(k) Provision for retirement benefits for directors

Effective from the year ended March 31, 1999, some domestic consolidated subsidiaries accrued the liabilities for the retirement benefits for directors based on the bylaws. The portion of the

retirement benefits accrued with respect to this financial year amounting to ¥110 million (\$917 thousand) is included in selling, general and administrative expenses, and the portion for the prior years is amortized as other expense (other—net) over one year to three years including this year.

The effect of the change was to decrease operating income and income before income taxes by ¥110 million (\$917 thousand) and ¥425 million (\$3,542 thousand), respectively.

(l) Certain lease transactions

Financial leases, except for those leases for which the ownership of the leased assets is considered to be transferred to the lessees, are accounted for as operating leases.

(m) Income taxes

Income taxes are provided for amounts currently payable for each period based on taxable income. Deferred income taxes are recognized for temporary differences arising from elimination of inter-company profit.

(n) Research and development costs

The research and development costs of the specific new products are capitalized as a deferred asset and amortized over five years on a straight-line basis in accordance with the Commercial Code of Japan.

Other research and development costs are charged to income when incurred and included in costs and expenses.

(o) Bonuses to directors

Bonuses to directors, which are subject to stockholders' approval at the annual stockholders' meeting under the Commercial Code of Japan, are accounted for as an appropriation of retained earnings.

(p) Amounts per share of common stock

Computations of net income per share of common stock are based on the weighted average number of shares outstanding during each fiscal year.

Diluted net income per share is computed based on the weighted average number of common stock and contingent issuance of common stock from convertible debentures.

Cash dividends per share represent actual amounts applicable to the respective year.

(q) Stockholders' equity

Previously, legal reserve was presented as a separate component of the stockholders' equity. However, due to the revision in the Regulations concerning Terminology, Forms and Preparation Method of the Consolidated Financial Statements (the "Regulations") effective from the year ended March 31, 1999, legal reserve is included in retained earnings in the consolidated financial statements for 1999. The accompanying consolidated financial statements for the years ended March 31, 1998 were reclassified to conform to the 1999 presentation.

(r) Equity in earnings of affiliated companies

Due to the revision in the Regulations, equity in earnings of affiliated companies is included in other income for the year ended March 31, 1999. It was previously presented between income taxes

and net income. The accompanying consolidated statements of income for the years ended March 31, 1997 and 1998 were reclassified to conform to the 1999 presentation.

(s) Reclassifications

Certain prior year amounts have been reclassified to conform to 1999 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. MARKETABLE SECURITIES

Book value of quoted equity securities included in marketable securities (current) and investment securities (non-current), and

their aggregate market values at March 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Book value:			
Current	¥ 42	¥25,075	\$ 350
Non-current	28,914	4,835	240,950
	¥28,956	¥29,910	\$241,300
Aggregate market value:			
Current	¥ 42	¥32,793	\$ 350
Non-current	46,355	11,983	386,292
	¥46,397	¥44,776	\$386,642

During the year ended March 31, 1999, the Company and its domestic consolidated subsidiaries transferred some of the marketable securities amounting to ¥24,337 million (\$202,808 thousand) to the investment securities following the change in the purpose of

owning those securities.

Cash and time deposits include losses from revaluation of Tokkin specified money trust in the amount of ¥10,559 million (\$87,992 thousand).

4. INVENTORIES

Inventories at March 31, 1999 and 1998 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Finished products	¥37,018	¥39,967	\$308,484
Work in process	21,565	23,729	179,708
Raw materials and supplies	14,547	17,982	121,225
	¥73,130	¥81,678	\$609,417

5. BANK LOANS AND LONG-TERM DEBT

Bank loans generally consisted of 90-day notes payable to banks with interest rates ranging from 0.55% to 8.45%, at March 31, 1999.

Long-term debt at March 31, 1999 and 1998 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Secured:			
Loans principally from banks and insurance companies due through 2013 with interest rates ranging from 0.00% to 7.41%	¥ 49,467	¥ 58,588	\$ 412,225
Unsecured:			
2.0% domestic convertible debentures due 2002	45,387	45,390	378,225
7.0% Euroyen straight bonds due 1999	—	10,000	—
7.0% Euroyen straight bonds due 2000	10,000	10,000	83,333
2.8% domestic convertible debentures due 2001 of a consolidated subsidiary	3,884	3,892	32,367
2.1% domestic straight bonds due 2003	20,000	—	166,666
	128,738	127,870	1,072,816
Less amount due within one year	12,853	26,118	107,108
	¥115,885	¥101,752	\$ 965,708

The indentures covering the 2.0% domestic convertible debentures provide, among other conditions, for (1) conversion of the debentures at the current conversion price per share of ¥2,200 (\$18.33) into shares of common stock (Note 6); (2) redemption at the option of the Company commencing in April 1998, at prices ranging from 103% to 100% of the principal amounts; and (3)

restriction of cash dividends which places a limitation on the payment of cash dividends which relates to earnings of the Company determined in accordance with Japanese accounting practices (Note 6).

At March 31, 1999, the following assets were pledged as collateral for long-term secured debt:

	Millions of yen	Thousands of U.S. dollars
	1999	1999
Property, plant and equipment, at book value	¥15,074	\$125,617
Shares of a consolidated subsidiary, at market value	3,910	32,583

The annual maturities of long-term debt at March 31, 1999 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2000	¥12,853	\$107,108
2001	16,108	134,233
2002	53,245	443,708
2003	39,959	332,992
2004	1,687	14,058
2005 and thereafter	4,887	40,725

6. STOCKHOLDERS' EQUITY

At the current conversion price, 20,630 thousand shares of common stock were issuable at March 31, 1999 upon full conversion of the 2.0% domestic convertible debentures.

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares, with a minimum of the par value thereof, is required to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital.

After giving effect to the restrictions contained in the indentures

as described in Note 5 and other restrictions, retained earnings available for cash dividends amounted to ¥30,362 million (\$253,017 thousand) at March 31, 1999.

Based on special regulation of Article 3 of the Code concerning retirement of a company's own shares, the Company's Article of Incorporation has been revised to authorize the Company to acquire its own shares, up to 1,790 million shares, by resolution of the Board of Directors and by a change to retained earnings, after June 26, 1998.

Under the Article of Incorporation, the Company may issue 100 million shares of preferred stock.

7. OTHER INCOME (EXPENSES)

Other income (expenses): Other—net for the years ended March 31, 1999, 1998 and 1997 was as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	1998	1997	1999
Losses on disposal of property, plant and equipment	¥(1,605)	¥ (814)	¥ (986)	\$(13,375)
Unrealized loss on securities	(2,518)	(3,338)	(2,910)	(20,983)
Exchange gains (losses)	(1,569)	(329)	3,527	(13,075)
Other	(986)	313	1,092	(8,216)
	¥(6,678)	¥(4,168)	¥ 723	\$(55,649)

8. INCOME TAXES

Income taxes consist of corporation tax, enterprise tax and inhabitant taxes. The aggregate standard effective tax rate was approximately 46% for the years ended March 31, 1999, and 51% for 1998 and 1997. The actual effective tax rates were approximately 49% for the year ended March 31, 1999, 58% for 1998 and 43% for 1997.

The actual effective tax rate differed from the aggregate standard effective tax rate primarily due to temporary differences.

Effective April 1, 1998, certain of the domestic subsidiaries adopted the new accounting standard, which recognizes tax effects of temporary differences between the carrying amounts of assets

and liabilities for tax and financial reporting. Prior years' financial statements have not been restated. The cumulative effect of adopting the new accounting standard is ¥17 million (\$142 thousand), which was directly added to (or subtracted from) the retained

earnings brought forward from March 31, 1998. The effect for the year ended March 31, 1999, was to increase net income by ¥17 million (\$142 thousand).

9. CONTINGENT LIABILITIES

The Company was contingently liable as an endorser of notes discounted with banks in the amount of ¥147 million (\$1,225 thousand) and as an assignor of trade accounts receivable to a bank in the amount of ¥3,431 million (\$28,592 thousand) at March 31, 1999.

The Company and its consolidated subsidiaries were contingently liable as guarantors for loans of affiliated companies, other companies and employees in the amount of ¥10,940 million (\$91,167

thousand) at March 31, 1999.

The Company is contingently liable as guarantor under agreements with a special purpose company. The agreements provide that if and when this special purpose company cannot compensate for the losses incurred in a swap transaction, then the Company shall be liable for such losses in full amount. The loss incurred at March 31, 1999 was ¥8,371 million (\$69,758 thousand).

10. LEASE INFORMATION

The Company and consolidated subsidiaries lease certain machinery, vehicles, equipment, tools and other assets.

At March 31, 1999, the fair representing value of the leased prop-

erty, accumulated depreciation and estimated residual book value under finance leases which do not transfer ownership to lessees were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Fair representing value of machinery and vehicles	¥5,438	¥5,438	\$45,317
Accumulated depreciation of machinery and vehicles	2,612	2,612	21,767
Estimated net book value	2,831	2,831	23,592
Fair representing value of equipment and tools	4,329	4,329	36,075
Accumulated depreciation of equipment and tools	2,230	2,230	18,583
Estimated net book value	2,103	2,103	17,525
Fair representing value of other assets	1,270	1,270	10,583
Accumulated depreciation of other assets	705	705	5,875
Estimated net book value	¥ 565	¥ 565	\$ 4,708

The future minimum lease payment including interest expense under finance lease at March 31, 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Current	¥1,957	¥1,983	\$16,308
Non-current	3,542	3,935	29,517
	¥5,499	¥5,918	\$45,825

Such financial lease payment of the Company and consolidated subsidiaries amount to ¥2,314 million (\$19,283 thousand) and ¥2,277 million for the years ended March 31, 1999 and 1998, respectively. The future minimum rental payments under noncancellable operating leases at March 31, 1999 were follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Current	¥327	¥412	\$2,725
Non-current	327	564	2,725
	¥654	¥976	\$5,450

11. SEGMENT INFORMATION

The Company's primary business activities include (1) electronic components, (2) audio products and (3) other. A summary of net sales, costs and expenses, and operating income by segment of

business activities for the years ended March 31, 1999, 1998 and 1997 is as follows:

	Millions of yen				
	Electronic components	Audio products	Other	Elimination	Consolidated
1999					
Net sales					
Outside customers	¥365,639	¥174,359	¥14,448	¥ —	¥554,446
Within consolidated group	5,956	1,952	12,418	(20,326)	—
Total	371,595	176,311	26,866	(20,326)	554,446
Costs and expenses	346,300	168,858	24,216	(22,267)	517,107
Operating income	¥ 25,295	¥ 7,453	¥ 2,650	¥ 1,941	¥ 37,339
Identifiable assets	¥380,010	¥118,339	¥25,840	¥(24,550)	¥499,639
Depreciation and amortization	¥ 23,608	¥ 5,351	¥ 604	¥ —	¥ 29,563
Capital expenditures	¥ 33,132	¥ 5,008	¥ 1,843	¥ (10)	¥ 39,973
1998					
Net sales					
Outside customers	¥331,169	¥165,727	¥ 8,238	¥ —	¥505,134
Within consolidated group	6,744	2,418	10,945	(20,107)	—
Total	337,913	168,145	19,183	(20,107)	505,134
Costs and expenses	321,347	162,185	17,445	(21,441)	479,563
Operating income	¥ 16,566	¥ 5,960	¥ 1,738	¥ 1,334	¥ 25,598
Identifiable assets	¥388,685	¥111,341	¥21,053	¥(23,175)	¥497,904
Depreciation and amortization	¥ 19,549	¥ 4,725	¥ 448	¥ —	¥ 24,722
Capital expenditures	¥ 26,855	¥ 6,836	¥ 1,119	¥ —	¥ 34,810
1997					
Net sales					
Outside customers	¥294,597	¥153,567	¥ 8,174	¥ —	¥456,338
Within consolidated group	6,480	1,799	11,226	(19,505)	—
Total	301,077	155,366	19,400	(19,505)	456,338
Costs and expenses	292,140	147,145	18,330	(19,726)	437,889
Operating income	¥ 8,937	¥ 8,221	¥ 1,070	¥ 221	¥ 18,449
Identifiable assets	¥383,851	¥108,029	¥20,277	¥(22,281)	¥489,876
Depreciation and amortization	¥ 16,192	¥ 4,347	¥ 416	¥ —	¥ 20,955
Capital expenditures	¥ 18,373	¥ 7,309	¥ 1,038	¥ (95)	¥ 26,625
	Thousands of U.S. dollars				
	Electronic components	Audio products	Other	Elimination	Consolidated
1999					
Net sales					
Outside customers	\$3,046,991	\$1,452,992	\$120,400	\$ —	\$4,620,383
Within consolidated group	49,633	16,267	103,483	(169,383)	—
Total	3,096,624	1,469,259	223,883	(169,383)	4,620,383
Costs and expenses	2,885,833	1,407,150	201,800	(185,558)	4,309,225
Operating income	\$ 210,791	\$ 62,109	\$ 22,083	\$ 16,175	\$ 311,158
Identifiable assets	\$3,166,750	\$ 986,158	\$215,333	\$(204,583)	\$4,163,658
Depreciation and amortization	\$ 196,733	\$ 44,592	\$ 5,033	\$ —	\$ 246,358
Capital expenditures	\$ 276,100	\$ 41,733	\$ 15,358	\$ (83)	\$ 333,108

* The effect of the changes in accounting policies and procedures on the segment information is as follows:

- (1) As explained in Note 2 (f), starting this financial year, the Company adopted its own estimated useful lives for part of its manufacturing equipment. The effects of the change in "electronic components" were decreases of ¥37 million (\$308 thousand) in operating income and ¥44 million (\$367 thousand) in identifiable assets, respectively, and an increase of ¥44 million (\$367 thousand) in depreciation and amortization.
- (2) As explained in Note 2 (i), starting this financial year, liabilities for employees' bonus allowances are provided based on the estimated amount to be paid. The effect of change was to decrease operating income of "audio products" by ¥54 million (\$450 thousand) and operating income of "other" by ¥113 million (\$942 thousand), respectively.
- (3) As explained in Note 2 (j), at March 31, 1999, eleven domestic subsidiaries changed the policy and provided employees' severance and retirement benefits at 100% of the amount required had all eligible employees voluntarily retired at the balance sheet date. The effect of change was to decrease operating income of "audio products" by ¥12 million (\$100 thousand) and operating income of "other" by ¥0 million (\$0 thousand), respectively.
- (4) As explained in Note 2 (k), effective from the year ended March 31, 1999, some domestic consolidated subsidiaries accrued the liabilities for the retirement benefits for directors based on the bylaws. The effect of change was to decrease operating income of "audio products" by ¥94 million (\$783 thousand) and operating income of "other" by ¥16 million (\$133 thousand), respectively.
- (5) As explained in Note 2 (f), depreciation of buildings purchased on and after April 1, 1998 is computed using the straight-line method by the Company and its domestic subsidiaries, following the amendment to the Corporation Tax Law of Japan. Also, useful lives, which are designated by the Corporation Tax Law of Japan, have been shortened at the same time. The effects of the change on "electronic components" were increases of ¥1,216 million (\$10,113 thousand) in operating income and ¥127 million (\$1,058 thousand) in depreciation and amortization, respectively, and a decrease of ¥127 million (\$1,058 thousand) in identifiable assets. The effects of the change on "audio products" were increases of ¥390 million (\$3,250 thousand) in operating income and ¥51 million (\$425 thousand) in depreciation and amortization, respectively, and a decrease of ¥51 million (\$425 thousand) in identifiable assets. The effects of the change on "other" were increases of ¥260 million (\$2,167 thousand) in operating income and ¥20 million (\$167 thousand) in depreciation and amortization, respectively, and a decrease of ¥20 million (\$167 thousand) in identifiable assets.

Geographic area information with respect to net sales, costs and expenses, operating income and identifiable assets for the years ended March 31, 1999, 1998 and 1997 was as follows:

	Millions of yen						
1999	Japan	North America	Europe	Asia	Other area	Elimination	Consolidated
Net sales							
Outside customers	¥271,008	¥111,547	¥107,713	¥ 62,111	¥2,067	¥ —	¥554,446
Within consolidated group	196,826	3,544	5,220	69,994	3	(275,587)	—
Total	467,834	115,091	112,933	132,105	2,070	(275,587)	554,446
Costs and expenses	432,980	113,038	111,167	128,254	2,225	(270,557)	517,107
Operating income	¥ 34,854	¥ 2,053	¥ 1,766	¥ 3,851	¥ (155)	¥ (5,030)	¥ 37,339
Identifiable assets	¥451,821	¥ 45,083	¥ 43,706	¥ 60,167	¥ 772	¥(101,910)	¥499,639
1998							
Net sales							
Outside customers	¥249,464	¥ 97,623	¥89,593	¥ 65,300	¥3,154	¥ —	¥505,134
Within consolidated group	174,803	3,028	2,542	71,838	—	(252,211)	—
Total	424,267	100,651	92,135	137,138	3,154	(252,211)	505,134
Costs and expenses	397,143	101,291	91,849	132,409	3,212	(246,368)	479,536
Operating income	¥ 27,124	¥ (640)	¥ 286	¥ 4,729	¥ (58)	¥ (5,843)	¥ 25,598
Identifiable assets	¥437,641	¥ 46,679	¥44,399	¥ 59,758	¥1,451	¥ (92,024)	¥497,904
1997							
Net sales							
Outside customers	¥238,770	—	—	—	¥217,568	¥ —	¥456,338
Within consolidated group	90,423	—	—	—	33,514	(123,937)	—
Total	329,193	—	—	—	251,082	(123,937)	456,338
Costs and expenses	307,948	—	—	—	247,385	(117,444)	437,889
Operating income	¥ 21,245	—	—	—	¥ 3,697	¥ (6,493)	¥ 18,449
Identifiable assets	¥415,011	—	—	—	¥131,504	¥ (56,639)	¥489,876
	Thousands of U.S. dollars						
1999	Japan	North America	Europe	Asia	Other area	Elimination	Consolidated
Net sales							
Outside customers	\$2,258,400	\$929,558	\$897,608	\$ 517,592	\$17,225	\$ —	\$4,620,383
Within consolidated group	1,640,217	29,533	43,500	583,283	25	(2,296,558)	—
Total	3,898,617	959,091	941,108	1,100,875	17,250	(2,296,558)	4,620,383
Costs and expenses	3,608,167	941,983	926,392	1,068,783	18,542	(2,254,642)	4,309,225
Operating income	\$ 290,450	\$ 17,108	\$ 14,716	\$ 32,092	\$ (1,292)	\$ (41,916)	\$ 311,158
Identifiable assets	\$3,765,175	\$375,692	\$364,217	\$ 501,392	\$ 6,433	\$ (849,251)	\$4,163,658

* In 1997, the relevant regulations of the segment information disclosure did not require geographic breakdown information about areas other than Japan.

* The effect of the changes in accounting policies and procedures on the segment information is as follows:

- (1) As explained in Note 2 (f), starting this financial year, the Company adopted its own estimated useful lives for part of its manufacturing equipment. The effects of the change in "Japan" were decreases of ¥37 million (\$308 thousand) in operating income and ¥43 million (\$358 thousand) in identifiable assets, respectively, and an increase of ¥43 million (\$358 thousand) in depreciation and amortization.
- (2) As explained in Note 2 (i), starting this financial year, liabilities for employees' bonus allowances provided based on the estimated amount to be paid. The effect of change was to decrease operating income of "Japan" by ¥167 million (\$1,392 thousand).
- (3) As explained in Note 2 (j), at March 31, 1999, eleven domestic subsidiaries changed the policy and provided employees' severance and retirement benefits at 100% of the amount required had all eligible employees voluntarily retired at the balance sheet date. The effect of change was to decrease operating income of "Japan" by ¥12 million (\$100 thousand).
- (4) As explained in Note 2 (k), effective from the year ended March 31, 1999, some domestic consolidated subsidiaries accrued the liabilities for the retirement benefits for directors based on the bylaws. The effect of change was to decrease operating income of "Japan" by ¥110 million (\$917 thousand).
- (5) As explained in Note 2 (f), depreciation of buildings, purchased on and after April 1, 1998, is computed using the straight-line method by the Company and its domestic subsidiaries, following the amendment to the Corporation Tax Law of Japan. Also, useful lives, which are designated by the Corporation Tax Law of Japan, have been shortened at the same time. The effects of the changes on "Japan" were decreases of ¥1,866 million (\$15,550 thousand) in operating income and ¥198 million (\$1,650 thousand) in depreciation and amortization, respectively, and an increase of ¥198 million (\$1,650 thousand) in identifiable assets.

Overseas sales by geographic area in 1999 and 1998 were as follows:

1999	Millions of yen				
	North America	Europe	Asia	Other area	Total
I Overseas sales	¥115,441	¥113,637	¥ 110,120	¥6,917	¥346,115
II Consolidated sales					¥554,446
III Ratio of overseas sales (%)	21%	20%	20%	1%	62%
<hr/>					
1998	North America	Europe	Asia	Other area	Total
I Overseas sales	¥97,132	¥95,051	¥ 113,038	¥9,091	¥314,312
II Consolidated sales					¥505,134
III Ratio of overseas sales (%)	19%	19%	22%	2%	62%

1999	Thousands of U.S. dollars				
	North America	Europe	Asia	Other area	Total
I Overseas sales	\$962,008	\$946,975	\$917,667	\$57,642	\$2,884,292
II Consolidated sales					\$4,620,383
III Ratio of overseas sales (%)	21%	20%	20%	1%	62%

Total overseas sales in 1997 were ¥283,315 million.

12. SUBSEQUENT EVENTS

On June 29, 1999, the stockholders of the Company approved payment of a year-end cash dividend of ¥7.00 (\$0.06) per share or a total of ¥1,253 million (\$10,442 thousand) to stockholders of record at March 31, 1999.

The Company has decided, based on the director's meeting held on May 20, 1999, to review and dispose of some investments in the year ending March 31, 2000.

The Company invested a part of the funds in Tokkin specified money trust. Also, a special purpose company, in which the Company invested, has entered into derivatives transactions. However, amid the stagnant economic conditions, the value of the investment in Tokkin specified money trust has been significantly reduced. Furthermore, there is a high probability that the risk of loss associated with the derivatives transactions will be shifted to the Company based on the agreements.

Therefore, the Company has decided to take the following mea-

asures in the year ending March 31, 2000 in order to improve the financial conditions.

- (1) Liquidate Tokkin specified money trust and provide for losses estimated for such trust not liquidated at the balance sheet date.
- (2) Provide for the estimated losses that the Company is required to bear based on the losses sustained in the derivatives transactions entered into by the special purpose company.

While the measures referred to above are expected to have significant impact on the consolidated financial position and the consolidated results of operations, it is difficult to estimate the impact at this time due to the volatility in the market. A current report explaining the above was submitted on May 20, 1999, and an amended current report will be submitted as soon as the estimate of the losses is determined.

Report of Independent Public Accountants

To the Stockholders and the Board of Directors of ALPS ELECTRIC CO., LTD.;

We have audited the accompanying consolidated balance sheet of ALPS ELECTRIC CO., LTD. (a Japanese corporation) and subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1999, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of ALPS ELECTRIC CO., LTD. and subsidiaries as of March 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1999 in conformity with accounting principles generally accepted in Japan consistently applied during the periods, except for the changes made as of April 1, 1998, in the method of accounting for employees' bonus allowances referred to in Note 2 (i), employees' severance and retirement benefits referred to in Note 2 (j), prior service costs referred to in Note 2 (j), and provision for retirement benefits for directors referred to in Note 2 (k), with which we concur.

As discussed in Note 12, on May 20, 1999, the Company made a decision to review and dispose of some investments in the year ending March 31, 2000, and the decision would significantly impact the consolidated financial positions and the consolidated results of their operations for that year.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.



(Member Firm of Andersen worldwide SC)

Tokyo, Japan
June 29, 1999

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditor's report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

Alps Group Companies

CONSOLIDATED SUBSIDIARIES

JAPAN

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Alps Transportation Systems Corp.
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AKC Co., Ltd.
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3-10 Yoshima Kogyo-danchi,
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Alpine Precision, Inc.
48-1 Akai Aza Tanmachi, Taira,
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Alpine Chu-Shikoku, Inc.
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Fax: (0862) 44-0840

Alpine Kyushu, Inc.
1-12-22 Isoda, Hakata-ku,
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Phone: (092) 513-1070
Fax: (092) 513-2104

Alpine Kanshin, Inc.
3-16-6, Midoricho Takasaki City,
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Phone: (0273) 61-5813
Fax: (0273) 63-3952

Alpine Kinki Sales, Inc.
4-57 Nakamozu-cho, Sakai City,
Osaka Pref. 591-8023
Phone: (0722) 58-8111
Fax: (0722) 58-8114

Alpine Information System, Inc.
14-1 Yoshima Kogyo-danchi, Iwaki City,
Fukushima Pref. 970-1144
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Fax: (0246) 36-7579

Alpine Giken, Inc.
3-10 Yoshima Kogyo-danchi, Iwaki City,
Fukushima Pref. 970-1144
Phone: (0246) 36-0304
Fax: (0246) 36-4617

Alpine Business Service Co., Ltd.
20-1 Yoshima Kogyo-danchi, Iwaki City,
Fukushima Pref. 970-1144
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Fax: (0246) 36-9140

ASIA

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970-1, Jangduk-dong, Kwangsan-gu,
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Fax: 65 (220) 7479

Alps Asia Pte. Ltd.
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Alps Electric (Malaysia) Sdn. Bhd.
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Fax: 86 (10) 64107414

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Fax: 86 (574) 7505592

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Fax: 86 (510) 5211311

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Phone: 86 (22) 27516691
Fax: 86 (22) 27510086

Alpine Electronics Asia Pte. Ltd.
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Fax: 65 (226) 1523

Alpine Electronics (China) Co., Ltd.
No. 227, Chaoyangmenwai Ave., Beijing,
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Fax: 86 (10) 65991531

Dan Dong Alpine Electronics, Inc.
No. 14 Guozhen Road, Dandong
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Phone: 86 (415) 616-7836
Fax: 86 (415) 616-7835

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Fax: 86 (411) 768-3380

NORTH AMERICA

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Phone: 1 (408) 432-6000
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Alps Electric (USA), Inc.
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California 95134-1898, U.S.A.
Phone: 1 (408) 432-6000
Fax: 1 (408) 432-6035

Alps Automotive, Inc.
1500 Atlantic Boulevard, Auburn Hills,
Michigan 48326, U.S.A.
Phone: 1 (248) 391-9950
Fax: 1 (248) 391-2500

**Alps Electric Manufacturing Mexico,
S.A. de C.V.**
Ave. De Las Misiones Este No. 145,
Parque Industrial "Las Californias",
Carret. San Luis, Km. 10.5, Mexicali, B.C.
C.P. 21600, Mexico
Phone: 52 (65) 61-77-77
Fax: 52 (65) 61-47-54

Alpine Electronics of America, Inc.
19145 Gramercy Place, Torrance,
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Fax: 1 (310) 533-0369

**Alpine Electronics Manufacturing of
America, Inc.**
421 North Emerson Avenue, P.O. Box
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887-2415

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Fax: 1 (905) 475-9146

EUROPE

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Alps Nordic AB
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Fax: 46 (8) 6275311

Alpine Electronics (Europe) GmbH
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Alpine Electronics GmbH
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Fax: 49 (2102) 445321

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II, B.P. 50016, 95945 Roissy, C.D.G.
Cedex, France
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Fax: 33 (1) 4863-2581

Alpine Italia S.p.A.
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Naviglio, Italy
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Alpine Electronics de España, S.A.
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01013 Vitoria-Apdo. 133, Spain
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Fax: 34 (945) 283461

OCEANIA

**Alpine Electronics of Australia Pty.
Limited**
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Fax: 613 (9769) 0011

AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD

JAPAN

Frontec, Inc.

ASIA

Forward Electronics Co., Ltd.
Shanghai Alps Electronics Co., Ltd.
Shenyang Neu-Alpine Software Co.,
Ltd.

EUROPE

Secre Alpine Electronics, S.A.

PRINCIPAL SUBSIDIARIES AND AFFILIATED COMPANIES

JAPAN

Alps Credit Co., Ltd.
Makoto Kosan Co., Ltd.
Alps System Integration Co., Ltd.
Alps Business Creation Co., Ltd.

ASIA

Alps Electronics Taiwan Co., Ltd.
Alps Malaysia (S) Pte. Ltd.

SOUTH AMERICA

Alps do Brasil Indústria e Comércio
Limitada

Note: The Company operates a network of 77 subsidiaries, including 54 consolidated entities, as well as 27 affiliates that include seven companies accounted for by the equity method.

Directors & Auditors



Katsutaro Kataoka
Chairman



Masataka Kataoka
President



Shigeo Matsubara
Senior Managing Director
General Manager,
Corporate Planning
and Corporate
Accounting



Shunya Sunaga
Managing Director
General Manager,
Sales and Marketing



Isao Tanimoto
Managing Director
General Manager,
Mechatronic Devices
Division 1 and 2



Hirokuni Tanabe
Managing Director
General Manager,
Magnetic Devices
Division, Production
Innovation and
International
Operation

Directors

Kentaro Kutsuzawa
Seizo Ishiguro
Tetsuhiro Kiyono
Koji Hotta
Yoichi Yasuma
Kazuya Yoshikoshi
Tasuku Chiba
Yozo Yasuoka
Hirotohi Okamura
Koichi Yamazaki

Auditors

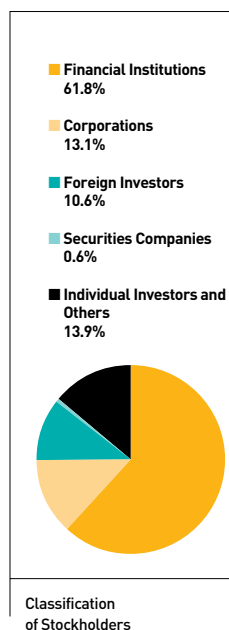
Yoshiaki Ichiyama
Akira Yoneda
Mitsunori Narisako
Satoshi Kawai

(As of June 29, 1999)

Corporate Data

Principal Stockholders

	Percentage of total shares outstanding
Sumitomo Trust and Banking Co., Ltd. (Trust account)	5.5%
The Sakura Bank, Limited	5.0%
The Bank of Tokyo-Mitsubishi, Limited	4.9%
The Mitsubishi Trust and Banking Corporation (Trust account)	3.6%
Mitsui Mutual Life Insurance Company	3.3%



ALPS ELECTRIC CO., LTD.

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Domestic Business Units, Divisions and Sales Branches

Mechatronic Devices Division 1
Mechatronic Devices Division 2
Magnetic Devices Division
RF Devices Division
System Devices Division
Peripheral Products Division
Car Electronics Division
Sales and Marketing
Kansai Branch
Kumagaya Branch

Overseas Branch

Hong Kong Branch

Domestic Sales Offices: 15

Overseas Office

Taipei Representative Office

Date of Establishment

November 1, 1948

Paid-in Capital

¥21,188 million (US\$177 million)

Number of Employees

29,652, including the 3,115 employees
of the companies accounted for by the
equity method (As of March 31, 1999)

Common Stock

Authorized: 500,000,000 shares
Issued: 179,159,292 shares
Number of Stockholders: 14,125

Preferred Stock

Authorized: 100,000,000 shares

Stock Exchange Listings

Tokyo Stock Exchange
Osaka Securities Exchange
Nagoya Stock Exchange

Transfer Agent for Common Stock

The Chuo Trust & Banking Co., Ltd.
7-1, Kyobashi 1-chome, Chuo-ku,
Tokyo 104-8345, Japan

