Perfecting the Art of Electronics

ALPS

Business Report 2011

For the year ended March 31, 2011

ALPS ELECTRIC CO., LTD.

SIX-YEAR FINANCIAL SUMMARY

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2011, 2010, 2009, 2008, 2007 and 2006

Millions of yen, except for per share data

		2011	2010	2009	2008	2007	2006
For the years ended March 31:	Net sales	¥ 550,669	¥ 493,639	¥ 538,995	¥ 692,656	¥ 708,127	¥ 709,613
	(Overseas sales)	407,938	351,140	384,329	498,410	529,725	544,063
	Cost of sales	441,498	415,095	484,079	587,210	596,857	581,016
	Selling, general and administrative expenses	80,299	73,801	81,440	85,570	89,193	83,125
	Operating income (loss)	28,872	4,743	(26,524)	19,876	22,077	45,472
	Income (loss) before income taxes and minority interests	21,269	362	(57,171)	18,308	20,817	36,164
	Income taxes	5,970	53	18,035	10,560	10,536	11,689
	Net income (loss)	11,137	570	(70,064)	4,418	4,918	18,870
	Cash flows (*1)	28,055	21,793	(43,707)	38,604	40,403	52,058
	Amounts per share of common stock:						
	Net income (loss)	¥ 62.14	¥ 3.18	¥ (390.93)	¥ 24.65	¥ 27.40	¥ 103.74
	Cash dividends applicable to the year	10.00	—	10.00	20.00	20.00	20.00
As of March 31:	Current assets	¥ 268,965	¥ 246,831	¥ 212,612	¥ 289,623	¥ 321,400	¥ 317,604
	Current liabilities	152,695	145,732	154,119	148,312	184,474	203,808
	Working capital	116,270	101,099	58,493	141,311	136,926	113,796
	Long-term debt	69,134	66,396	27,643	58,841	57,308	41,561
	Total net assets	190,751	186,462	184,791	280,318	294,018	285,367
	Total assets	427,530	410,945	375,285	494,756	548,044	543,267

		2011	2010	2009	2008	2007	2006
Sales by product category:	Electronic components (*2):	¥ 296,153	¥ 274,155	¥ 291,996	¥ 391,424	¥ 396,448	¥ 412,561
		53.8%	55.5%	54.2%	56.5%	56.0%	58.1%
	Automotive business	124,934	112,522	—	—	—	—
		22.7%	22.8%	—	—	—	—
	Home, Mobile & Industry business	171,219	161,633	—	—	—	—
		31.1%	32.7%	—	—	—	—
	Audio equipment	198,359	166,199	193,226	247,544	261,274	251,128
		36.0%	33.7%	35.8%	35.7%	36.9%	35.4%
	Logistics	47,505	44,977	45,368	45,496	42,134	37,425
		8.6%	9.1%	8.4%	6.6%	5.9%	5.3%
	Other	8,652	8,308	8,405	8,192	8,271	8,499
		1.6%	1.7%	1.6%	1.2%	1.2%	1.2%
	Total	¥ 550,669	¥ 493,639	¥ 538,995	¥ 692,656	¥ 708,127	¥ 709,613
	Percentage of sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(*1) "Cash flows" for the year ended March 31, 2006 is calculated by subtracting "cash dividends paid" and "bonuses to directors" from the total of "net income" and "depreciation and amortization."
"Cash flows" for the years ended March 31, 2011, 2010, 2009, 2008 and 2007 is calculated by subtracting "cash dividends paid" from the total of "net income or loss" and "depreciation and amortization."

(*2) The Company began disclosing the breakdown of sales of Electronic components by two categories for the year ended March 31, 2010.

Management's Discussion and Analysis of Operating Results

1. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Consolidated financial statements for the Alps Group (the Company and its consolidated subsidiaries) are prepared in conformity with accounting principles generally accepted in Japan.

In the preparation of these consolidated financial statements, it was necessary to use estimates that are affected by the values of assets, liabilities, income and expenses for the reporting period. These estimates are based on rational consideration of past performance and various primary causes. Actual results may differ as a result of the uncertainties inherent in these estimates.

Management's Discussion and Analysis of Operating Results

2. ANALYSIS OF OPERATING PERFORMANCE DURING THE FISCAL YEAR UNDER REVIEW

(1) Overview

During the fiscal year under review, the global economy moved toward recovery, albeit gradually, buoyed by robust demand from emerging markets—notably China—and other Asian countries. In Japan, despite concerns about the economic impact of excessive yen appreciation, growing overseas demand supported the economy by boosting exports and production. The electronics industry experienced an increase in demand, centering on emerging markets, which pushed up demand for the electronic components used in digital products. At the same time, although rates of growth differed by country, overall automobile production volume grew stably, resulting in firm demand for automobile-related products, such as automotive electronics and navigation systems.

As a result, during the fiscal year under review the Alps Group posted consolidated net sales of ¥550.6 billion, up 11.6% year on year. Operating income surged 508.7%, to ¥28.8 billion, and ordinary income amounted to ¥23.1 billion—up sharply from the ¥1.6 billion posted in the preceding fiscal year. Net income grew to ¥11.1 billion, from ¥0.5 billion in the preceding term. During the fiscal year under review, average exchange rates were ¥85.72 to the U.S. dollar and ¥113.12 to the euro. This represents yen appreciation of ¥7.13 and ¥18.03 against these respective currencies.

(2) Sales

Net sales during the year came to ¥550.6 billion, up ¥57.0 billion, or 11.6%, from the preceding fiscal year.

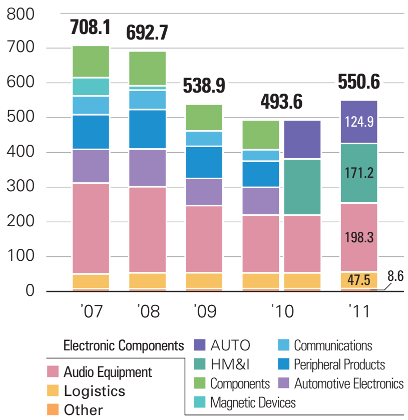
Sales in the electronic components segment were up ¥21.9 billion, or 8.0%, from the preceding fiscal year, to ¥296.1 billion. In the audio equipment business, sales came to ¥198.3 billion, up ¥32.1 billion, or 19.4%, year on year. In the logistics segment, meanwhile, sales grew ¥2.5 billion, or 5.6%, from the preceding fiscal year, to ¥47.5 billion.

(3) Operating Income

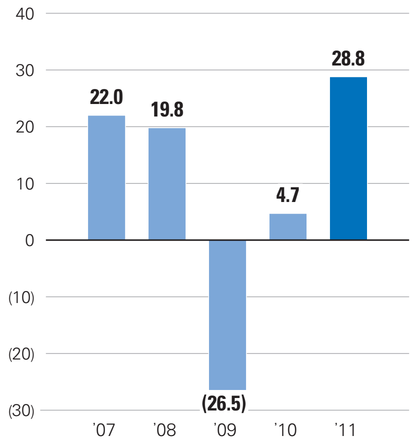
The Group posted operating income of ¥28.8 billion, representing a year-on-year rise of ¥24.1 billion, or 508.7%. The overall effect on the Alps Group of the yen's appreciation against the U.S. dollar and the euro had a ¥6.1 billion negative impact on income.

Aside from the effect of exchange rate fluctuations, Alps mounted a groupwide effort to expand sales and hold down fixed costs, which resulted in year-on-year income increases for all segments. Increases in operating income amounted to ¥16.3 billion in the electronic components segment, ¥13.2 billion in the audio equipment business and ¥0.5 billion in the logistics business.

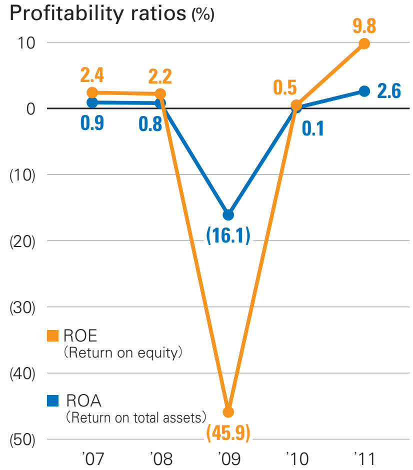
Sales by product category (Billions of ¥)



Operating Income (Billions of ¥)



Profitability ratios (%)



Business Segments

i. Electronic Components

The electronics industry experienced an increase in demand, centering on emerging markets, which pushed up demand for the electronic components used in digital products. At the same time, although rates of growth differed by country, overall automobile production volume grew stably, resulting in firm demand for automobile-related products, such as automotive electronics and navigation systems.

In this climate, in our mainstay electronic components segment we made a full-fledged effort to progress with the measures outlined in our sixth medium-term management plan, which is in its first year. The plan sets the medium- to long-term target of restructuring our product lineup. Aggressive efforts to boost sales of new products contributed to performance on the sales front. In manufacturing, we worked to lower the variable cost ratio and rationalize fixed costs, thereby improving cost of sales. These efforts contributed to increased income.

As part of the structural reforms commenced in April 2009, we pared down our reporting segments from four to three. From the fiscal under review we have omitted reporting on the MMP division, which has no external sales.

Results by division are described below.

Business Segments

i. Electronic Components

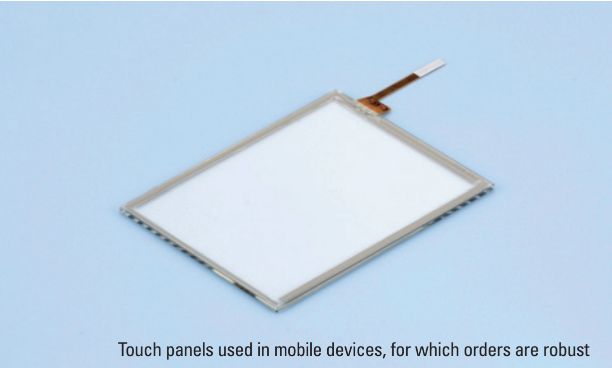
AUTO (Automotive) Division

Multifunctional switches finding growing on-board application

In the automobile-related markets that are the focus for this division, government initiatives to support car purchases came to an end. As a result, unit sales in Europe fell, but in Japan and the United States, as well as in China, India and other emerging markets sales generally trended steadily upward. In this operating environment, the division's sales of automotive electronics and components increased for luxury automobiles—historically an area of strength for us—as well as for such components for compact and mid-sized automobiles.

As a result, sales in this segment climbed 11.0% year on year, to ¥124.9 billion.

HM&I (Home, Mobile & Industry) Division



Touch panels used in mobile devices, for which orders are robust

In the consumer market, the main focus for this division, concerns mounted about the impact of European economic instability and exchange rates, as well sharply escalating prices on raw materials. From the beginning of the year, however, production rebounded sharply. Of particular note were ongoing production increases by manufacturers of notebook PCs, thin-film televisions and mobile phones.
This trend underpinned sales in the HM&I Division, which manufactures key components for these digital products, notably switches, encoders, touch panels and connectors, as well as communication modules.

Consequently, sales in this division came to ¥171.2 billion, up 5.9% year on year.

Owing to the above-mentioned factors, overall sales for the electronic components segment came to ¥296.1 billion, up 8.0% from the preceding term. Operating income amounted to ¥13.0 billion, up from ¥0.4 billion in the preceding fiscal year.

Business Segments

ii. Audio Equipment

Proactively showing new products at the Beijing Motor Show

In the audio equipment business (operated by Alpine Electronics, Inc., which is listed on the First Section of the Tokyo Stock Exchange), the Company strove to boost sales by introducing new-model navigation systems and strengthening product appeal by proposing "model-specific car-life solutions." Moreover, we exhibited at the Beijing Motor Show, in an effort to bolster sales in China's expanding automobile market. This move had several positive effects: it drove awareness of the Alpine brand, and moved us down a path of steady business expansion by delivering our first products to local automakers. Although affected to some degree by yen appreciation and a tighter demand/supply balance on in-car display panels, which caused parts and materials costs to rise, we redoubled efforts to maintain corporate soundness and improve operating performance through our "CHALLENGE 30 Plus" program of corporate reforms.

Owing to these factors, audio equipment segment sales grew 19.4%, to ¥198.3 billion. Operating income was also up sharply, to ¥11.1 billion, compared with ¥0.2 billion in the preceding fiscal year.

iii. Logistics

Proving high-quality logistics services

Moving toward a rebound in shipments of electronic components, Alps' logistics business (operated by Alps Logistics Co., Ltd., which is listed on the Second Section of the Tokyo Stock Exchange), endeavored to expand its cargo handling volume by strengthening its global network and reinforcing its bases of operations in Japan. By leveraging our new transport system, we aim to ensure "undisputed quality," enhance transport efficiency, make progress in rationalizing our operations and raise the quality of our business. Our execution of these measures, coupled with the recovery of the electronic components market, resulted in year-on-year increases in both sales and operating income.

Logistics business sales rose 5.6% from the preceding fiscal year, to ¥47.5 billion, and operating income climbed 9.8%, to ¥3.8 billion.

(4) Ordinary Income

The Company posted ordinary income of ¥23.1 billion, up ¥21.4 billion from the previous fiscal year's figure of ¥1.6 billion. The primary contributor was higher operating income, although other expenses also rose as a result of higher foreign exchange losses, fueled by yen appreciation.

(5) Income before Income Taxes

Income before income taxes was ¥21.2 billion, up ¥20.9 billion from the preceding fiscal year's figure of ¥0.3 billion. Higher ordinary income was the principal reason for this improvement. The Company also posted higher extraordinary income, owing to ¥2.1 billion in gains from changes in equity of affiliated companies. Extraordinary losses also grew, however, owing to the posting of a ¥3.5 billion loss on disaster accompanying the Great East Japan Earthquake.

(6) Income Taxes

Income taxes for the fiscal year under review were ¥5.9 billion, compared with zero during the preceding fiscal year. The main reasons for this rise were increased earnings by overseas Group companies and a decrease in deferred tax assets.

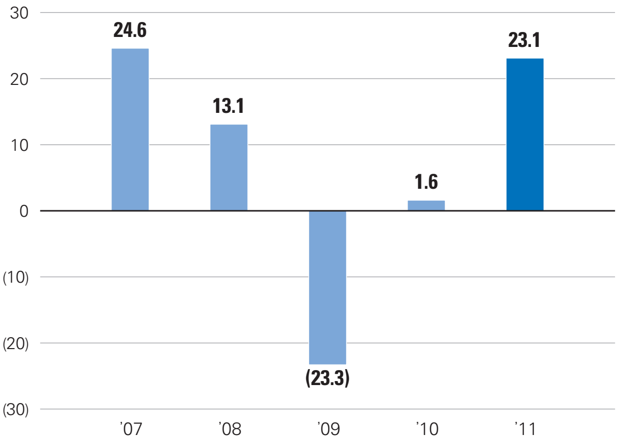
(7) Minority Interests in Net Income of Consolidated Subsidiaries

Minority interests in net income of consolidated subsidiaries was a positive ¥4.1 billion during the fiscal year under review, compared with a negative ¥0.2 billion during the preceding fiscal year.
This situation was due primarily to earnings increases attributable to minority interests of Alpine Electronics, Inc., and Alps Logistics Co., Ltd.

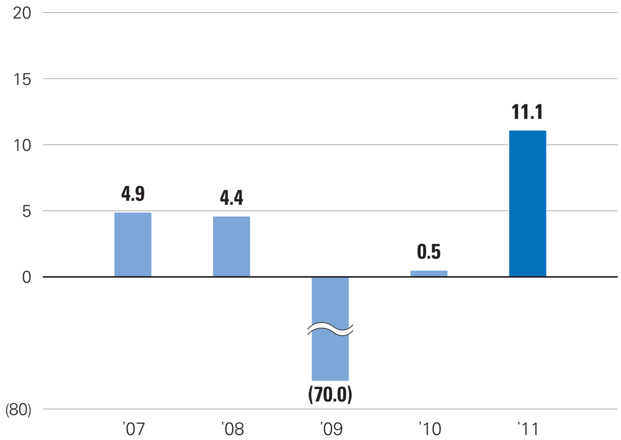
(8) Net Income (Loss)

During the year, net income came to ¥11.1 billion, a ¥10.5 billion increase from the ¥0.5 billion posted in the preceding fiscal year. Net income per share improved to ¥62.14, from ¥3.18 in the previous year.

Ordinary Income (Billions of ¥)



Net Income (Loss) (Billions of ¥)



3. LIQUIDITY AND SOURCES OF FUNDS

(1) Cash Flows

Cash flows from operating activities

Net cash provided by operating activities came to ¥28.5 billion, compared with ¥28.9 billion in the previous fiscal year. Major sources of cash were ¥21.2 billion in income before income taxes, ¥18.7 billion in depreciation and amortization and an ¥18.7 billion increase in notes and accounts payable. Main uses of cash included a ¥7.8 billion increase in notes and accounts receivable and a ¥10.9 billion increase in inventories.

Cash flows from investing activities

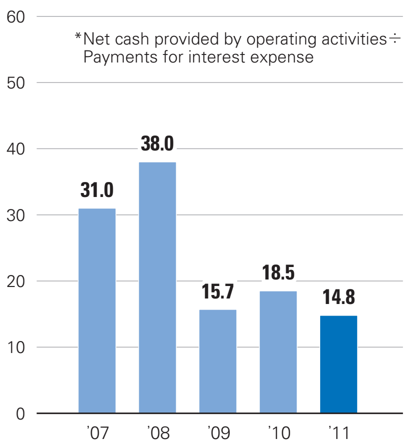
Net cash used in investing activities during the year under review amounted to ¥20.9 billion, compared with ¥19.5 billion in the preceding fiscal year. The main use of cash was purchases of tangible and intangible fixed assets of ¥22.2 billion, mainly in the electronic components segment.

Cash flows from financing activities

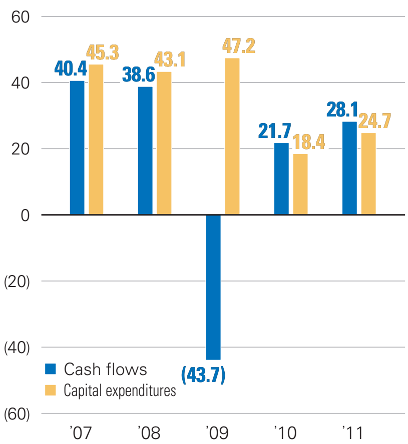
During the fiscal year under review, net cash provided by investing activities came to ¥5.1 billion, compared with ¥12.1 billion provided by these activities in the preceding fiscal year. The main source of cash was ¥26.8 billion in proceeds from long-term debt. The primary use of cash was ¥19.6 billion for the repayment of long-term debt.

As a result of these activities and the impact of exchange rate changes on the yen conversions of cash and cash equivalents of overseas subsidiaries, cash and cash equivalents increased ¥9.7 billion, to ¥98.4 billion as of the end of the fiscal year under review.

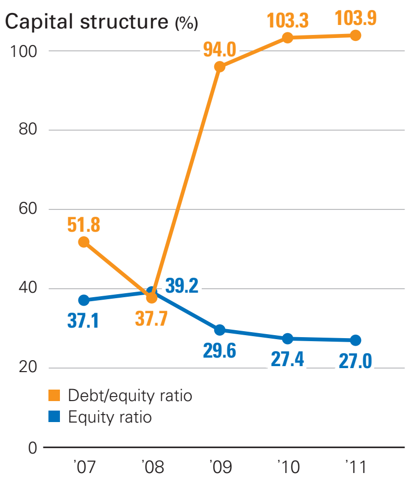
Interest coverage (Times)



Cash flows and capital expenditures (Billions of ¥)



Capital structure (%)



(2) Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year were ¥427.5 billion, up ¥16.5 billion from one year earlier.

Owing to such factors as the rise in cash and cash equivalents and higher inventories, current assets as of March 31, 2011, were ¥268.9 billion, ¥22.1 billion higher than one year earlier.

Fixed assets amounted to ¥158.5 billion, down ¥5.5 billion, attributable mainly to the revaluation of investment securities.

Current liabilities at the end of the fiscal year were ¥152.6 billion, up ¥6.9 billion year on year, owing to such factors as an increase in accrued bonuses and the recording of a provision for loss on disaster.

Non-current liabilities were up ¥5.3 billion year on year, to ¥84.0 billion, owing to such factors as an increase in long-term debt.

Business and Other Risks

The following risks pertain to business and accounting conditions and may have a material impact on investors' decisions.
In addition, forward-looking statements contained within this document are based on judgments made at the end of the consolidated fiscal year under review.

1. EFFECT OF WORLD MARKET CONDITIONS

The Alps Group (the Company and consolidated subsidiaries) relies principally on markets outside of Japan, with overseas net sales accounting for 74.1% of the Company's total net sales for the year ended March 31, 2011. As such, any economic slowdown in the U.S., European and/or Asian markets involving a decline in consumer demand and/or corporate spending will adversely impact the Company's business, financial condition and results of operations.

In particular, as most of the Company's products are components to be sold to manufacturers of end products, the level of their production, which may experience fluctuations caused by consumer demand and corporate spending, has a significant effect on the Company's business.

There can be no assurance that the Company's business, financial condition and results of operations will not be affected by adverse economic conditions or decreases in the production levels of its customers.

2. COMPETITION

Given its wide range of products and the breadth of its international operations, the Company competes with various manufacturers. While the Company intends to continue to work to satisfy customers through developing new products, providing high-quality products and enhancing its global network, the Company does anticipate increased market competition and therefore there can be no assurance that the Company will be able to maintain its market share, owing to potential losses of orders, or its competitive edge.

3. CUSTOMER NEEDS AND THE INTRODUCTION OF NEW TECHNOLOGIES

The markets in which the Company operates are subject to rapidly changing technology, changes in customers' needs and the frequent introduction of new products and services, with the development of new technologies, products, and services often making existing products or services obsolete or unmarketable, or significantly reducing their prices within a relatively short time frame. The Company may not be successful in identifying new technologies or in developing new products in response to technological changes or changes in customers' requirements. Failure to anticipate or respond rapidly to advances or changes in technology and failure to adapt the Company's products to customer needs or to introduce new products in a timely manner could adversely affect the Company's business, operating results and financial condition.

4. CUSTOMERS' PRODUCTION PLANS

The Company's business is directly affected by the production plans of its customers, who are generally manufacturers. Customers' production plans are subject to their demand forecasts, which vary with the cyclical and seasonal trends of consumers, the introduction of new types of products, the development of new specifications, the rate of technological progress and the introduction of new regulations.

The unpredictability of such plans and orders may affect the Company's ability to draw up its production, sales, research and development and capital expenditure plans in the medium and long term.

5. RISKS INHERENT TO OVERSEAS OPERATIONS

The Company conducts production and sales activities in the United States, Europe, China and other Asian countries. There are risks inherent to operating in these overseas markets, including unforeseen changes in laws and taxation and disadvantageous political and economic factors, as well as terrorism, war and other social disturbances. Accordingly, the occurrence of any of these conditions would interfere with the operations of the Company.

6. SUPPLY STRUCTURE FOR SPECIFIC COMPONENTS

The Company makes every effort to manufacture critical components within the Group. Some critical components, however, are supplied by external companies. Accordingly, due to natural disasters or other causes, these suppliers may be unable to provide the necessary volume of components to the Company on schedule. Such circumstances would lead to production delays and lost sales opportunities and could affect the performance and financial position of the Company.

7. FLUCTUATIONS IN OPERATING RESULTS

The Company's operating results may vary due to factors outside the Company's control. The Company's business and operating results are expected to continue to be subject to risk from the following factors: changes in general economic and business conditions, success or failure in introducing sets of products, changes in larger customers' strategies, cancellation of large orders, and other significant changes, such as the bankruptcies of major customers or the disappearance from business of large customers as the result of M&A activities carried out by other companies.

Unfavorable changes in any of the above factors could affect the Company's business, financial condition and operating results.

8. INTELLECTUAL PROPERTY

Patents and other intellectual property are an important competitive factor because of the emphasis on product innovation in the markets for a number of the Company's products. The Company relies to a large extent on technology it has developed, and it seeks to protect such technology through a combination of patents, trademarks and other intellectual property rights. Any interference in the Company's exercise of such rights could have a material adverse effect on the Company's financial condition and operating results.

In the course of its business, the Company is subject to claims by third parties alleging that the Company's products or processes infringe on their intellectual property rights. If these claims were to be successful, these claims may affect the performance and financial position of the Company.

Moreover, the Company's products incorporate intellectual property rights developed by third parties. There can be no assurance that, in the future, the owners of such patents will extend such patent rights to the Company. The Company's business could be affected by any of these developments.

9. FOREIGN EXCHANGE RISKS

The Company operates in many parts of the world and, as a result, is affected by fluctuations in foreign exchange rates. The Company's results of operations are particularly negatively affected by appreciation of the yen against the U.S. dollar and/or the euro.

The Company engages in foreign exchange hedging activities by entering into foreign exchange forward contracts and through currency options and through measures to minimize foreign exchange risks, such as through counterbalancing foreign currency obligations. However, exchange rate fluctuations may exceed the Company's expectations, and there can be no assurance that such hedging activities or measures will significantly limit the impact of movements in exchange rates on the Company's results of operations. In addition, the Company hedges against the risk of interest rate fluctuations on certain of its asset and liabilities holdings. However, interest rate fluctuations could increase the Company's interest rate burden.

10. PUBLIC LAWS AND REGULATIONS

In the countries in which it operates, the Company is subject to various government laws and regulations, including business and investment permits, as well as customs duties and other import/export regulations. These laws and regulations may restrict the business activities of the Company and lead to an increase in costs. Accordingly, these laws and regulations may affect the performance and financial position of the Company.

11. RISKS RELATING TO ENVIRONMENTAL POLLUTION

The Company takes steps to ensure implementation of environmental risk prevention measures based on the Alps Group's Environmental Charter as a part of its CSR activities. Specifically, such measures include prevention of chemical substance leakage, thorough control of effluents and emissions, and the purification of soil and groundwater. However, despite the Company's efforts to protect the environment, there can be no assurance that future environmental pollution will not arise during the course of its business activities. Accordingly, unforeseen environmental impacts may lead to an increase in costs associated with countermeasures taken and adversely affect the performance and financial position of the Company.

12. RISK RELATING TO FUND MANAGEMENT

In addition to a syndicated loan from correspondent banks, the Group has in place a syndication-method commitment line contract. However, in the event that an infringement of financial covenants of this contract occurs, the Group may be issued a claim to repay the borrowed funds in advance, which may affect its financial position.

13. NATURAL DISASTERS

The Company recognizes the risk of natural disasters such as earthquakes and thoroughly implements strategies to prevent and protect each of its domestic and overseas production facilities from being adversely affected by such catastrophes. Although the Company was able to effectively minimize adverse affects to its business during past natural disasters, in the event that it experiences any greater-than-expected natural disaster, the Company may incur substantial damages.

The Great East Japan Earthquake, which struck on March 11, 2011, presented the possibility that the risks described below could materialize, which could have a negative impact on the operating performance and financial condition of the Alps Group.

i. Restrictions on the use of or interruptions to electric power, gas, water and other infrastructure that would slow or halt operations

ii. The slowdown or halting of operations owing to an expanding area of potential radiation contamination resulting from accidents at the Fukushima Daiichi Nuclear Power Station

iii. The inability of suppliers to provide sufficient materials and other supplies, thereby restricting product shipments

14. RISKS RELATED TO IMPAIRMENT ACCOUNTING

The Alps Group owns a variety of assets to facilitate its operations. Owing to the application of impairment accounting, declines in the market values of such assets could affect future cash inflows, affecting the Alps Group's operating performance.

15. MARKET VALUE FLUCTUATION RISK ON MARKETABLE SECURITIES

Although the Alps Group does not hold marketable securities for trading purposes, all the securities that we do hold are marked to market. Consequently, stock market price fluctuations could affect the operating performance and financial condition of the Alps Group.

FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2012

Underpinned by ongoing growth in China, India and other emerging markets, the world economy is expected to recover, albeit gradually. Demand is likely to be sluggish, however, affected by political unrest in the Middle East and fiscal austerity in European countries, and the outlook in Japan remain opaque in the aftermath of the Great East Japan Earthquake. Owing to negative factors such as these, we expect the first half of the fiscal year to be difficult. Until conditions in Japan return to normality following the following the disaster-prompted confusion, to prevent disruptions in our supply chain we will redouble our vigilance in procuring parts and materials and in managing deliveries to customers. Through these efforts, we plan to get production back on track and proceed as planned with our new product introduction and sales expansion plans.

1. Electronic Components Segment

As our sixth medium-term management plan, which commenced in April 2010, enters its second year, we will proceed in our efforts to make further improvements in the electronic components segment that should result in increased sales and a realigned product portfolio. In the AUTO division, we will leverage the technological expertise we have cultivated to accelerate deployment in affordably priced models through the standardization and consolidation of parts. Concentrating meanwhile on luxury automobiles, we aim to expand sales of new modular products. In the HM&I division, we plan to move ahead steadily with plans to increase production of such components as touch panels, compact switches and sensors, to meet expected growth in the market for mobile devices. In terms of profits, we are working to achieve an operating margin of more than 7%. To this end, we will focus on new product launches, development and sales expansion. Meanwhile, we will push forward aggressively with initiatives designed to lower cost of sales on existing products, thereby boosting their profitability.

In the fiscal year ending March 31, 2012, we anticipate sales in this segment of ¥300.0 billion, up 1.3% year on year, and operating income of ¥15.0 billion, up 15.7%.

2. Audio Equipment Segment

We expect the operating environment surrounding the audio equipment segment to grow more challenging, owing to escalating raw materials costs and ongoing yen appreciation coupled with the lingering effects of the disasters in Japan. Although the direct impact of the Great East Japan Earthquake on our operations has been slight, forecasting future conditions is problematic, confounded by the potential difficulties in sourcing parts and materials from suppliers, the likelihood that electricity shortages during the summer months could affect production line operations and a possible drop in consumer purchasing propensity.

In the audio equipment segment, we forecast sales of ¥188.0 billion, a 5.2% decrease from the previous year, and operating income of ¥5.0 billion, down 55.1%.

3. Logistics Segment

We anticipate numerous uncertainties for the logistics segment in the upcoming year. In addition to customer supply chain revisions and lower utilization ratios caused by restricted electrical supply, this segment is affected by high fuel costs and shifts in personal consumption. We will work to secure sales and profits in this segment by promoting operational efficiencies as cargo volumes recover. Furthermore, we will continue with our deployment of key measures designed to generate new growth, such as expansion of our global network. We will work to commence operations in a timely manner at Alps Electric Korea Co., Ltd., which we established in March 2011, and will forge ahead with the establishment of bases to fortify our operations in inland China.

For the fiscal year ending March 31, 2012, we forecast sales of ¥45.3 billion, up 4.6% year on year, and operating income of ¥3.3 billion, down 14.1%, for the logistics segment.

Adding forecast figures for the Others segment to the above, the Alps Group forecasts the following consolidated operating results for the fiscal year ending March 31, 2012.

Net sales	¥540.0 billion (down 1.9% year on year)
Operating income	¥24.0 billion (down 16.9% year on year)*
Ordinary income	¥22.0 billion (down 5.1% year on year)
Net income	¥12.0 billion (down 7.8% year on year)

These forecasts assume exchange rates of US$1.00 = ¥80 and €1.00 = ¥120.

* After deducting operating income derived from inter-segment sales.

CONSOLIDATED BALANCE SHEETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2011 and 2010

		Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS		2011	2010	2011
Current assets:	Cash and time deposits (Notes 16 and 17)	¥ 99,031	¥ 89,287	$ 1,190,276
	Investment securities (Notes 4 and 16)	—	0	—
	Notes and accounts receivable-trade (Note 17):			
	Unconsolidated subsidiaries and affiliated companies	731	1,196	8,786
	Other	92,982	88,638	1,117,572
	Allowance for doubtful accounts	(1,179)	(874)	(14,171)
	Inventories (Note 5)	56,567	48,150	679,892
	Deferred tax assets (Note 15)	7,526	4,538	90,457
	Other current assets	13,307	15,896	159,940
	Total current assets	268,965	246,831	3,232,752
Property, plant and equipment (Note 6):	Land (Note 10)	29,511	29,952	354,699
	Buildings and structures	115,060	116,838	1,382,933
	Machinery and equipment	254,780	267,640	3,062,260
	Construction in progress	5,597	2,655	67,272
		404,948	417,085	4,867,164
	Less accumulated depreciation and impairment losses	(295,654)	(308,394)	(3,553,534)
	Property, plant and equipment, net	109,294	108,691	1,313,630
Investments and other assets:	Intangible assets, net	9,867	11,697	118,594
	Investments in and advances to unconsolidated subsidiaries and affiliated companies (Notes 4 and 17)	6,325	6,406	76,022
	Investment securities (Notes 4 and 17)	16,908	18,443	203,221
	Deferred tax assets (Note 15)	5,458	5,712	65,601
	Other assets (Note 7)	10,713	13,165	128,762
	Total investments and other assets	49,271	55,423	592,200
	Total assets	¥ 427,530	¥ 410,945	$ 5,138,582

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2011 and 2010

LIABILITIES AND NET ASSETS		Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:	Short-term loans payable (Notes 6 and 17)	¥ 31,754	¥ 35,792	$ 381,659
	Long-term debt due within one year (Notes 6 and 17)	19,059	14,211	229,074
	Notes and accounts payable-trade (Note 17):			
	Unconsolidated subsidiaries and affiliated companies	774	1,476	9,303
	Other	49,427	50,789	594,074
	Income taxes payable	2,428	3,226	29,183
	Accrued expenses	31,106	26,126	373,870
	Deferred tax liabilities (Note 15)	282	65	3,389
	Other current liabilities (Note 17)	17,865	14,047	214,724
	Total current liabilities	152,695	145,732	1,835,276
Non-current liabilities:	Long-term debt (Notes 6 and 17)	69,134	66,396	830,937
	Accrued employees' severance and pension costs (Note 7)	3,012	2,955	36,202
	Deferred tax liabilities (Note 15)	5,343	4,719	64,219
	Other non-current liabilities (Note 17)	6,595	4,681	79,267
	Total non-current liabilities	84,084	78,751	1,010,625
	Total liabilities	236,779	224,483	2,845,901
Contingent liabilities (Note 8)				
Net assets (Note 9):	Shareholders' equity:			
	Common stock:			
	Authorized - 500,000,000 shares			
	Issued - 181,559,956 shares in 2011 and 2010	23,624	23,624	283,942
	Capital surplus	45,587	45,587	547,921
	Retained earnings	69,808	60,494	839,039
	Treasury stock - 2,327,535 shares in 2011 and 2,335,649 shares in 2010	(3,528)	(3,542)	(42,404)
	Total shareholders' equity	135,491	126,163	1,628,498
	Accumulated other comprehensive income			
	Net unrealized gains on securities	3,326	4,018	39,976
	Revaluation reserve for land (Note 10)	(526)	(569)	(6,322)
	Foreign currency translation adjustments	(22,821)	(16,907)	(274,291)
	Total accumulated other comprehensive income	(20,021)	(13,458)	(240,637)
	Minority interests	75,281	73,757	904,820
	Total net assets	190,751	186,462	2,292,681
	Total liabilities and net assets	¥ 427,530	¥ 410,945	$ 5,138,582

		Yen 2011	Yen 2010	U.S. dollars (Note 1) 2011
Amounts per share of common stock:	Net assets	¥ 644.24	¥ 628.85	$ 7.74

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2011, 2010 and 2009

		Millions of yen			Thousands of U.S. dollars (Note 1)
		2011	2010	Unaudited 2009	2011
Net sales		¥ 550,669	¥ 493,639	¥ 538,995	$ 6,618,618
Costs and expenses (Note 12):	Cost of sales	441,498	415,095	484,079	5,306,467
	Selling, general and administrative expenses (Notes 11 and 12)	80,299	73,801	81,440	965,132
		521,797	488,896	565,519	6,271,599
Operating income (loss)		28,872	4,743	(26,524)	347,019
Other income (expenses):	Interest and dividend income	520	543	1,326	6,250
	Interest expense	(1,836)	(1,802)	(972)	(22,067)
	Foreign exchange (losses) gains, net	(4,011)	(1,839)	1,815	(48,209)
	Loss on disaster (Notes 21)	(3,443)	—	—	(41,382)
	Other, net (Notes 13 and 14)	1,167	(1,283)	(32,816)	14,026
		(7,603)	(4,381)	(30,647)	(91,382)
Income (loss) before income taxes and minority interests		21,269	362	(57,171)	255,637
Income taxes (Note 15):	Current	7,160	4,150	3,471	86,058
	Deferred	(1,190)	(4,097)	14,564	(14,303)
		5,970	53	18,035	71,755
Income (loss) before minority interests		15,299	309	(75,206)	183,882
Minority interests in (earnings) losses of consolidated subsidiaries		(4,162)	261	5,142	(50,024)
Net income (loss)		11,137	570	(70,064)	133,858
Minority interests in earnings (losses) of consolidated subsidiaries		4,162	(261)	—	50,024
Income before minority interests		15,299	309	—	183,882
Other comprehensive income					
Net unrealized (losses) gains on securities		(903)	3,363	—	(10,853)
Foreign currency translation adjustments		(7,867)	(1,100)	—	(94,555)
Share of other comprehensive income of affiliated companies accounted for by the equity method		(354)	(903)	—	(4,255)
		(9,124)	1,360		(109,663)
Comprehensive income (*1)		¥ 6,175	¥ 1,669	¥ —	$ 74,219
Comprehensive income attributable to					
Shareholders		¥ 3,881	¥ 788	¥ —	$ 46,647
Minority interests		2,294	881	—	27,572

(*1) Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries adopted the Accounting Standard for Presentation of Comprehensive Income (Accounting Standards Board of Japan (ASBJ) Statement No.25 issued on June 30, 2010). Since the standard requires disclosure of comparable information for the immediately preceding year only, comprehensive income for the year ended March 31, 2009 is not presented.

		Yen			U.S. dollars (Note 1)
		2011	2010	2009	2011
Amounts per share of common stock:	Net income (loss)	¥ 62.14	¥ 3.18	¥ (390.93)	$ 0.75
	Diluted net income	—	2.74	—	—
	Cash dividends applicable to the year	10.00	—	10.00	0.12

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2011, 2010 and 2009

		Millions of yen								
		Shareholders' equity				Accumulated other comprehensive income				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on securities	Revaluation reserve for land	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	181,559,956	¥ 23,624	¥ 45,587	¥ 133,450	¥ (3,551)	¥ 2,396	¥ (569)	¥ (7,083)	¥ 86,464	¥ 280,318
Net loss				(70,064)						(70,064)
Cumulative effect on prior years of changes in accounting policies applied to foreign subsidiaries				144						144
Dividends				(3,585)						(3,585)
Purchase of treasury stock					(4)					(4)
Disposal of treasury stock			(0)	(5)	14					9
Changes in items other than shareholders' equity, net						(428)		(8,799)	(12,800)	(22,027)
Balance at March 31, 2009	181,559,956	23,624	45,587	59,940	(3,541)	1,968	(569)	(15,882)	73,664	184,791
Net income				570						570
Cumulative effect on prior years of adopting a new U.S. accounting standard to foreign subsidiaries				(16)						(16)
Dividends										—
Purchase of treasury stock					(2)					(2)
Disposal of treasury stock				(0)	1					1
Changes in items other than shareholders' equity, net						2,050		(1,025)	93	1,118
Balance at March 31, 2010	181,559,956	23,624	45,587	60,494	(3,542)	4,018	(569)	(16,907)	73,757	186,462
Net income				11,137						11,137
Dividends				(1,792)						(1,792)
Purchase of treasury stock					(2)					(2)
Disposal of treasury stock				(9)	16					7
Reversal of revaluation reserve for land				(22)						(22)
Changes in items other than shareholders' equity, net						(692)	43	(5,914)	1,524	(5,039)
Balance at March 31, 2011	181,559,956	¥ 23,624	¥ 45,587	¥ 69,808	¥ (3,528)	¥ 3,326	¥ (526)	¥ (22,821)	¥ 75,281	¥ 190,751

	Thousands of U.S. dollars (Note 1)								
	Shareholders' equity				Accumulated other comprehensive income				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on securities	Revaluation reserve for land	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2010	$ 283,942	$ 547,921	$ 727,091	$ (42,572)	$ 48,293	$ (6,839)	$ (203,209)	$ 886,502	$ 2,241,129
Net income			133,858						133,858
Dividends			(21,538)						(21,538)
Purchase of treasury stock				(24)					(24)
Disposal of treasury stock			(108)	192					84
Reversal of revaluation reserve for land			(264)						(264)
Changes in items other than shareholders' equity, net					(8,317)	517	(71,082)	18,318	(60,564)
Balance at March 31, 2011	$ 283,942	$ 547,921	$ 839,039	$ (42,404)	$ 39,976	$ (6,322)	$ (274,291)	$ 904,820	$ 2,292,681

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ 21,269	¥ 362	¥ (57,171)	$ 255,637
Depreciation and amortization	18,710	21,223	29,942	224,880
Impairment loss	37	87	27,164	445
Increase (decrease) in allowance for doubtful accounts	91	(1,104)	2,848	1,094
Increase (decrease) in accrued bonuses	2,338	196	(2,863)	28,101
Increase (decrease) in accrued product warranties	1,150	515	(815)	13,822
Increase in reserve for loss on disaster	1,650	—	—	19,832
Decrease in prepaid pension costs	1,791	1,698	1,218	21,526
Increase (decrease) in accrued expenses	405	(406)	(3,940)	4,868
Interest and dividend income	(520)	(543)	(1,326)	(6,250)
Interest expense	1,836	1,802	972	22,067
Net gains on sales and disposal of fixed assets	(52)	(236)	(533)	(626)
Loss on write-down of investment securities	35	263	4,557	421
Gain on change in share of net assets of a consolidated subsidiary resulted from stock issuance by the subsidiary	(2,191)	—	—	(26,334)
(Increase) decrease in notes and accounts receivable-trade	(7,900)	(21,028)	30,605	(94,952)
(Increase) decrease in inventories	(10,966)	3,479	20,082	(131,803)
Increase (decrease) in notes and accounts payable-trade	4,379	20,224	(22,748)	52,632
Business structure improvement expenses	148	1,525	1,224	1,779
(Increase) decrease in income taxes receivable	(288)	2,731	(3,556)	(3,462)
Gain on valuation of options	—	—	(2,578)	—
Other, net	6,042	1,947	1,304	72,621
Subtotal	37,964	32,735	24,386	456,298
Interest and dividends received	843	497	1,353	10,132
Interest expense paid	(1,935)	(1,568)	(955)	(23,257)
Payments for income taxes	(8,320)	(2,694)	(9,779)	(100,000)
Net cash provided by operating activities	28,552	28,970	15,005	343,173
Cash flows from investing activities:				
Purchase of property, plant and equipment	(19,877)	(17,523)	(41,145)	(238,906)
Proceeds from sales of property, plant and equipment	1,776	1,311	941	21,346
Purchase of intangible assets	(2,340)	(2,419)	(5,144)	(28,125)
Purchase of investment securities	(37)	(51)	(685)	(445)
Proceeds from sales of investment securities	262	275	386	3,149
Payments for capital investments	(0)	(0)	(1,761)	(0)
Purchase of stocks of subsidiaries and affiliates	(127)	(44)	(789)	(1,526)
Purchase of short-term investment securities	(3,000)	—	—	(36,058)
Proceeds from sales of short-term investment securities	3,000	—	—	36,058
Other, net	(598)	(1,081)	(868)	(7,188)
Net cash used in investing activities	(20,941)	(19,532)	(49,065)	(251,695)
Cash flows from financing activities:				
Net (decrease) increase in short-term loans payable	(3,347)	(7,000)	30,673	(40,228)
Proceeds from long-term loans payable	26,837	53,587	3,353	322,560
Repayment of long-term loans payable	(19,629)	(5,568)	(851)	(235,925)
Redemption of bonds	—	(28,600)	—	—
Proceeds from stock issuance to minority shareholder of a consolidated subsidiary	3,000	—	—	36,058
Cash dividends paid	(1,792)	—	(3,584)	(21,539)
Cash dividends paid to minority shareholders	(939)	(636)	(1,201)	(11,286)
Repayments of lease obligations	(951)	(635)	(317)	(11,430)
Proceeds from sale and leaseback transactions	17	1,031	—	204
Proceeds from sales of property, plant and equipment with installment buy-back obligation	2,000	—	—	24,038
Other, net	(73)	16	(47)	(877)
Net cash provided by financing activities	5,123	12,195	28,026	61,575
Effect of exchange rate change on cash and cash equivalents	(2,960)	(1,236)	(4,820)	(35,577)
Net increase (decrease) in cash and cash equivalents	9,774	20,397	(10,854)	117,476
Cash and cash equivalents at beginning of period	88,722	68,325	79,179	1,066,370
Cash and cash equivalents at end of period (Note 16)	¥ 98,496	¥ 88,722	¥ 68,325	$ 1,183,846

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2011

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Alps Electric Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The accompanying consolidated financial statements are stated in Japanese yen. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan at the prevailing exchange rate on March 31, 2011 which was ¥83.2 to U.S. $1.00. The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollars at the above or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and substantially all of its subsidiaries (collectively, the "Companies"). All significant intercompany transactions and accounts are eliminated in consolidation.

(b) Equity method

Investments in affiliated companies are accounted for by the equity method.

(c) Cash equivalents

In preparing the accompanying consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Investment securities

The Company classifies investment securities other than those in subsidiaries and affiliates into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized gain or loss, net of income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost.
Cost of securities sold is determined by the moving average method.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on collection. The allowance consists of the estimated uncollectible amounts with respect to specific receivables plus a percentage based on historical credit losses.

(f) Inventories

Inventories held by the Company, its domestic consolidated subsidiaries and its foreign consolidated subsidiaries in Asia are principally stated at the lower of average cost or net selling value. Inventories held by its foreign consolidated subsidiaries in the United States and Europe are stated at the lower of moving average cost or market.

(g) Property, plant and equipment and depreciation (excluding leased assets)

Property, plant and equipment is stated at cost.
The Company and its foreign consolidated subsidiaries compute depreciation of property, plant and equipment by the straight-line method over the estimated useful lives of the respective assets, while its domestic consolidated subsidiaries apply the declining-balance method, except with respect to certain buildings, at rates based on their respective estimated useful lives. Depreciation of buildings purchased after March 31, 1998 is computed by the straight-line method by the domestic consolidated subsidiaries.

The estimated useful lives are summarized as follows:

Buildings and structures	2 - 80 years
Machinery and equipment	1 - 25 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(h) Intangible assets and amortization (excluding leased assets)

Intangible assets consist of software and goodwill. Goodwill means the net excess of the acquisition cost of the Company's investments in consolidated subsidiaries over the fair value of the net assets of those companies and is amortized by the straight-line method over a period of 5 years. Software for internal use is amortized by the straight-line method over its estimated useful lives ranging from 3 to 5 years. Software for sale to the market is amortized at the greater of either the amount based on sales in the year, as a proportion of total estimated sales, or the amount calculated on a straight-line basis over the remaining salable period.

(i) Leased assets

Assets held under finance leases, those leases which transfer the ownership of the leased assets to the lessees, are depreciated by the same method as used for other property, plant and equipment.

Assets held under finance leases, except those leases which transfer the ownership of the leased assets to the lessees, are depreciated by the straight-line method over their useful lives, which are the same as the term of the lease. Finance leases entered into on or before March 31, 2008 which do not transfer the ownership of the leased assets to the lessees, are accounted for as operating leases.

(j) Foreign currency translation

Foreign currency transactions

All receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Foreign currency financial statements

The assets and liabilities of the foreign consolidated subsidiaries are translated into Japanese yen at current exchange rates prevailing at the balance sheet date. Revenue and expense accounts are translated at the average exchange rates prevailing during the year. Foreign currency translation adjustments are included in net assets.

(k) Accrued employees' bonuses

Accrued employees' bonuses at the balance sheet date are based on an estimate of the amounts to be paid as bonuses by the Company and certain of its consolidated subsidiaries for services rendered by employees by that date.

(l) Accrued directors' bonuses

Accrued directors' bonuses at the balance sheet date are based on an estimate of the amounts to be paid as bonuses by the Company and certain of its consolidated subsidiaries for services rendered by directors by that date.

(m) Accrued warranty costs

The Company provides accrued warranty costs for any specific claims on goods sold. Certain subsidiaries provide accrued warranty costs for goods sold based on historical experience of actual warranty claims.

(n) Reserve for losses on purchases of inventories

The Company provides reserve for losses on purchases of inventories at an amount sufficient to cover possible losses on open purchase orders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(o) Accrued employees' severance and pension costs

The Company and certain of its domestic and foreign consolidated subsidiaries accrue employees' severance and pension costs at an amount calculated based on the projected benefit obligation and the fair value of plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. Actuarial gain or loss is amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (mainly 15 or 16 years). Prior service cost is being amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (1 year except for certain domestic consolidated subsidiaries for which it ranges from 4 to 13 years).

(p) Accrued directors' severance costs

The Company and its domestic consolidated subsidiaries provide accrued directors' severance costs based on their internal corporate policies.

(q) Allowance for environmental preservation costs

Allowance for environmental preservation costs is provided at the estimated amount needed to restore certain land from soil pollution and to dispose of polluted soil and poisonous material.

(r) Reserve for loss on disaster

Reserve for loss on disaster is provided at an estimated amount to be paid in the next fiscal year for the removal and the restoration of assets damaged by the Great East Japan Earthquake.

(s) Basis for revenue recognition on finance leases

With respect to finance leases for which the ownership of the leased assets is not transferred to the lessees, the Company, as a lessor, recognizes sales at the amount of lease income and cost of sales at the amount of lease income less interest at the time the Company receives the lease fee.

(t) Income taxes

Deferred tax assets and liabilities are recorded based on the temporary differences between the tax bases of assets and liabilities and their reported amounts in the accompanying consolidated financial statements using the enacted tax rates in effect for the years in which the temporary differences are expected to reverse. Deferred tax assets are also recognized for the estimated future tax effects attributable to tax loss carryforwards. A valuation allowance is recorded to reduce deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized.

(u) Amounts per share of common stock

Basic net income per share is computed based on the net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

Net assets per share are computed based on the net assets excluding minority interests and the number of common stock outstanding at the year end.

Cash dividends per share of common stock reflect the actual amounts declared for each of the fiscal years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(v) Derivative financial instruments

In the normal course of business, the Company and certain of its consolidated subsidiaries enter into various derivative transactions to manage their exposure to risks arising from fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries generally recognize all derivatives in the balance sheet at fair value.

Changes in the fair value of derivatives

Changes in the fair value of forward foreign exchange contracts, currency swaps, currency options and coupon swaps designated as hedges of recognized assets or liabilities are recognized in earnings and losses. Changes in the fair value of these derivatives which are designated as hedges of forecasted transactions are deferred until the corresponding hedged transactions are recognized in earnings and losses.

Interest rate swap agreements

Interest rate swap agreements are not recognized at fair value if the agreements meet the criteria for application of the exceptional treatment for the recognition of derivatives at fair value.
The differentials to be paid or received relating to the interest rate swap agreements are recognized as interest over the life of each of the agreements.

(w) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(x) Adoption of consolidated taxation system

The Company and certain of its consolidated subsidiaries have received approval from the Commissioner of the National Tax Agency of Japan to adopt the consolidated taxation system effective the year ending March 31, 2012. From the year ended March 31, 2011, accounting treatment and presentation regarding deferred taxes have been based on the Practical Solution on Tax Effect Accounting under the Consolidated Taxation System (Part 1) (Practical Issues Task Force (PITF) No.5), and the Practical Solution on Tax Effect Accounting under the Consolidated Taxation System (Part 2) (PITF No.7), under the assumption that the Company would adopt the consolidated taxation system.

(y) Reclassifications

Certain prior-year amounts have been reclassified to conform to the 2011 presentation.

3. ACCOUNTING CHANGES

(a) Accounting standard for equity method of accounting for investments

Effective the year ended March 31, 2011, the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16 issued on March 10, 2008) and the Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No.24 issued on March 10, 2008) were applied.

There was no impact on income before income taxes and minority interests for the year ended March 31, 2011 as a result of the adoption of this standard.

(b) Accounting standard for asset retirement obligations

Effective the year ended March 31, 2011, the Accounting Standard for Asset Retirement Obligations (ASBJ Statement No.18 issued on March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (Guidance No.21 issued on March 31, 2008) were applied.

There was no impact on operating income and income before income taxes and minority interests for the year ended March 31, 2011 as a result of the adoption of this standard.

(c) Accounting standard for business combinations and other accounting standards

Effective the year ended March 31, 2011, the following standards issued on December 26, 2008 were applied.

- Accounting Standard for Business Combinations (ASBJ Statement No.21)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22)
- Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No.23)
- Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7 (Revised 2008))
- Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16 (Revised 2008))
- Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 (Revised 2008)).

(d) Accounting standard for presentation of comprehensive income

Effective the year ended March 31, 2011, the Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25 issued on June 30, 2010) was applied.

(e) Partial amendments to accounting standard for retirement benefits (Part 3)

Effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries adopted the Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19 issued on July 31, 2008).

There was no impact on operating income and income before income taxes and minority interests for the year ended March 31, 2010 as a result of the adoption of this standard.

3. ACCOUNTING CHANGES

(f) Accounting standard for measurement of inventories

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the Accounting Standard for Measurement of Inventories (ASBJ Statement No.9 issued on July 5, 2006). Under this standard, inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

As a result of the adoption of this standard, operating loss and loss before income taxes and minority interests increased by ¥118 million and ¥3,564 million, respectively, for the year ended March 31, 2009 from the corresponding amounts which would have been recorded under the previous method.

(g) Accounting standard for lease transactions

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted the Accounting Standard for Lease Transactions (ASBJ Statement No.13 issued on March 30, 2007, which revised the previous accounting standard for lease transactions issued on June 17, 1993). Under the revised standard, the Company and its domestic consolidated subsidiaries changed their accounting method for finance lease transactions with no transfer of ownership from the previous one in which finance leases are accounted for as operating lease transactions to the revised one in which all finance lease transactions are capitalized, recognizing leased assets and lease obligations in the balance sheet. However, for lease transactions with no transfer of ownership entered into on or before March 31, 2008 with the Company or its domestic consolidated subsidiaries as the lessees, the previous accounting method is used.

The effect of the change on net loss was immaterial for the year ended March 31, 2009 as a result of the adoption of this standard.

(h) Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

Effective the year ended March 31, 2009, the Company adopted the Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (PITF No.18 issued on May 17, 2006).

The effect of the change on net loss was immaterial for the year ended March 31, 2009 as a result of the adoption of this standard.

3. ACCOUNTING CHANGES

(i) Change in useful life

Effective the year ended March 31, 2011, the Company and certain of its domestic and overseas consolidated subsidiaries have changed their useful lives of machinery from 4-7 years to 4-9 years because it became clear that, except for certain items, machinery has utilization periods longer than conventional useful lives as a result of reviewing the actual useful lives for prior years with the development of a mid-term plan.

As a result of this change, depreciation decreased by ¥1,696 million ($20,385 thousand) compared with what would have been recorded under the previous useful lives, and operating income, and income before income taxes and minority interests each increased by ¥1,211 million ($14,555 thousand) for the year ended March 31, 2011.

Effective the year ended March 31, 2009, certain of the Company's domestic consolidated subsidiaries have changed their useful lives of machinery with an amendment of the Corporation Tax Law. The effect of the change on net loss was immaterial for the year ended March 31, 2009.

4. INVESTMENT SECURITIES

Securities classified as other securities at March 31, 2011 and 2010 are summarized as follows:

		Millions of yen			Thousands of U.S. dollars		
		2011			2011		
		Fair value	Cost	Unrealized gains (losses)	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:	Equity securities	¥ 15,891	¥ 5,513	¥ 10,378	$ 190,998	$ 66,262	$ 124,736
Securities for which cost exceeds fair value:	Equity securities	291	391	(100)	3,498	4,700	(1,202)
Total		¥ 16,182	¥ 5,904	¥ 10,278	$ 194,496	$ 70,962	$ 123,534

		Millions of yen		
		2010		
		Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:	Equity securities	¥ 17,432	¥ 5,561	¥ 11,871
Securities for which cost exceeds fair value:	Equity securities	189	307	(118)
Total		¥ 17,621	¥ 5,868	¥ 11,753

(Note) Unlisted stocks and other at March 31, 2011 and 2010 in the amounts of ¥726 million ($8,725 thousand) and ¥822 million, respectively, have been excluded from other securities listed above because it is extremely difficult to determine the fair value.

Proceeds from sales of securities classified as other securities for the years ended March 31, 2011, 2010 and 2009 were ¥259 million ($3,113 thousand), ¥275 million and ¥386 million, respectively. Gross realized gains and losses for the year ended March 31, 2011 were ¥161 million ($1,935 thousand) and ¥9 million ($108 thousand), respectively. Gross realized gains and losses for the year ended March 31, 2010 were ¥243 million and ¥2 million, respectively. Gross realized gains and losses for the year ended March 31, 2009 were ¥285 million and ¥56 million, respectively.

The impairment losses of ¥35 million ($421 thousand), ¥263 million and ¥4,557 million on securities for the years ended March 31, 2011, 2010 and 2009 were recorded for foreign non-marketable equity securities at ¥22 million ($264 thousand), nil and ¥305 million, respectively; and for non-marketable equity securities at ¥13 million ($156 thousand), ¥12 million and ¥36 million, respectively; for the shares of companies that have business relationships with the Company at ¥0 million ($0 thousand), nil and ¥3,836 million, respectively; for foreign marketable equity securities at ¥0 million ($0 thousand), nil and ¥10 million, respectively; and for unconsolidated subsidiaries and affiliated companies at nil, and ¥251 million, ¥370 million, respectively.

As for securities whose fair values at the year end are less than 50% of the acquisition costs, or are more than 50% but less than 70% and deemed to be unrecoverable, the impairment losses are recognized.

5. INVENTORIES

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Finished products	¥ 33,172	¥ 28,934	$ 398,702
Work in process	8,688	7,634	104,423
Raw materials and supplies	14,707	11,582	176,767
	¥ 56,567	¥ 48,150	$ 679,892

6. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable consisted primarily of overdrafts with banks at interest rates ranging from 0.69% to 3.56% and 0.87% to 2.14% at March 31, 2011 and 2010, respectively.

Long-term debt at March 31, 2011 and 2010 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans principally from banks and insurance companies due through 2020 at interest rates ranging from 0.07% to 3.00% and 1.81% to 4.10% at March 31, 2011 and 2010, respectively	¥ 88,193	¥ 80,607	$ 1,060,011
	88,193	80,607	1,060,011
Less amounts due within one year	(19,059)	(14,211)	(229,074)
	¥ 69,134	¥ 66,396	$ 830,937

At March 31, 2011 and 2010, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Property, plant and equipment, at net book value	¥ 5,975	¥ 6,002	$ 71,815

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 19,059	$ 229,074
2013	56,110	674,399
2014	9,517	114,387
2015	2,074	24,928
2016	877	10,541
2017 and thereafter	556	6,682
Total	¥ 88,193	$ 1,060,011

7. EMPLOYEES' SEVERANCE AND PENSION COSTS

The Company and certain of its domestic consolidated subsidiaries have defined benefit plans, i.e., welfare pension fund plan, defined benefit pension plan, tax-qualified pension plans and lump-sum payment plans. Under these defined benefit plans, employees are generally entitled to lump-sum payments and/or annuity payments, the amounts of which are determined by reference to their basic salary, length of service, and the conditions under which termination occurs. Certain of the foreign consolidated subsidiaries have defined contribution pension plans. In addition, a foreign consolidated subsidiary has a public pension plan.

The following table sets forth the funded and accrued status of the defined benefit pension plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2011 and 2010 for the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ (56,308)	¥ (58,533)	$ (676,779)
Plan assets at fair value	46,356	49,432	557,163
Funded status	(9,952)	(9,101)	(119,616)
Unrecognized actuarial net loss	11,790	12,817	141,707
Unrecognized prior service cost	(2)	(32)	(24)
Amounts recognized in the consolidated balance sheets, net	1,836	3,684	22,067
Prepaid pension cost	4,848	6,639	58,269
Accrued employees' severance and pension costs	¥ (3,012)	¥ (2,955)	$ (36,202)

Certain of the Company's consolidated subsidiaries have adopted the simplified method in calculating their projected benefit obligation as set forth in the accounting standard applicable to retirement benefits.

The components of retirement benefits expenses for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Service cost	¥ 2,357	¥ 2,392	¥ 2,336	$ 28,329
Interest cost	1,315	1,440	1,456	15,805
Expected return on plan assets	(1,144)	(1,234)	(1,402)	(13,750)
Amortization of actuarial loss	1,637	1,653	1,329	19,676
Amortization of prior service cost	(6)	(8)	(8)	(72)
Additional accrued severance cost	38	721	5	457
Settlement loss on certain pension plans	667	—	—	8,017
Other	785	804	786	9,435
Total	¥ 5,649	¥ 5,768	¥ 4,511	$ 67,897

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Discount rate	Mainly 2.5%	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%	Mainly 2.5%

7. EMPLOYEES' SEVERANCE AND PENSION COSTS

A consolidated subsidiary of the Company participates in multi-employer defined benefit pension plan and recognizes as net pension cost the related required contributions for the period. Information regarding the multi-employer pension plan is summarized as follows:

(1) Funded status

Japan Travel Agents Employees Pension Funds

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2010	As of March 31, 2009	As of March 31, 2010
Pension assets	¥ 19,426	¥ 17,352	$ 233,485
Pension liabilities	23,409	24,781	281,358
Funded status	¥ (3,983)	¥ (7,429)	$ (47,873)

(2) Number of participants of the multi-employer pension plan who are employees of the Company's consolidated subsidiary as a percentage of total participants of such plan

	As of March 31, 2010	As of March 31, 2009
Japan Travel Agents Employees Pension Funds	0.57%	0.55%

8. CONTINGENT LIABILITIES

The Company and certain of its consolidated subsidiaries were contingently liable as guarantors for loans of other companies and employees in the aggregate amount of ¥39 million ($469 thousand) at March 31, 2011.

When part of a UK subsidiary withdraws from the current pension scheme, a debt under application of the UK pension law (Section 75) is generated. The debt amount has not yet been determinable at this moment. Assuming the UK pension law (Section 75) was actually applied to the subsidiary in December 2010, the debt generated at that time was ¥921 million ($11,070 thousand).

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥51,600 million ($620,192 thousand) with certain financial institutions for the year ended March 31, 2011. The related outstanding loans payable amounted to nil as the credit facilities remained unused in the full amount as of March 31, 2011.

9. NET ASSETS

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the stockholders, or by the Board of Directors if certain conditions are met.

10. REVALUATION OF LAND

On March 31, 2002, a domestic consolidated subsidiary revalued its land held for business purposes in accordance with the "Law on Land Revaluation." The method followed for this land revaluation was determined in accordance with the "Enforcement Act Concerning Land Revaluation." Differences arising from the land revaluation have been accounted for as revaluation reserve for land under net assets.

The excess of the carrying value of this land after the revaluation over its fair value as of March 31, 2010 was ¥1,230 million. That as of March 31, 2011 cannot be presented because its fair value as of March 31, 2011 cannot be determined due to the Great East Japan Earthquake. The excess of the carrying value of this land after the revaluation as of March 31, 2011 over its fair value as of March 31, 2010 was ¥1,201 million ($14,435 thousand).

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Salaries	¥ 26,400	¥ 25,431	¥ 26,588	$ 317,308
Employees' bonuses	3,443	2,230	1,889	41,382
Employees' severance and pension costs	1,391	1,354	995	16,719
Provision for doubtful accounts	522	98	2,888	6,274
Warranty costs	2,668	1,122	268	32,067
Commission expenses	6,427	6,983	7,125	77,248
Research and development expenses	12,362	10,844	10,446	148,582

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and general and administrative expenses were ¥28,124 million ($338,029 thousand), ¥27,843 million and ¥40,304 million for the years ended March 31, 2011, 2010 and 2009, respectively.

13. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statements of comprehensive income for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Loss on sale and disposal of fixed assets	¥ (748)	¥ (791)	¥ (1,162)	$ (8,990)
Gain on sale of fixed assets	800	1,027	1,696	9,616
Gain on sale of investment securities	161	243	285	1,935
Write-offs of investment securities	(35)	(263)	(4,557)	(421)
Equity in earnings of affiliated companies	385	551	463	4,627
Settlement loss on certain pension plans	(667)	—	—	(8,017)
Impairment losses on fixed assets	(37)	(87)	(27,164)	(445)
Gain on change in share of net assets of a consolidated subsidiary resulted from stock issuance by the subsidiary	2,191	—	—	26,334
Gain on valuation of options	—	—	2,578	—
Business structure improvement expenses	(148)	(1,525)	(1,224)	(1,779)
Cumulative effect on prior years of adopting the accounting standard for measurement of inventories	—	—	(3,446)	—
Commission fee	(842)	(833)	(97)	(10,120)
Reversal of allowance for doubtful accounts	194	616	78	2,332
Warranty costs for prior periods	—	(434)	—	—
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations	(92)	—	—	(1,106)
Other	5	213	(266)	60
	¥ 1,167	¥ (1,283)	¥ (32,816)	$ (14,026)

14. IMPAIRMENT LOSSES ON FIXED ASSETS

To adopt the accounting treatment for the impairment of fixed assets, the Companies determined asset groups based on the categories used for their managerial accounting considering the relevance of product categories and production processes. With respect to idle assets and leased assets, each asset is treated as an individual unit when applying the accounting treatment for impairment of fixed assets because cash inflows and outflows can be measured at the asset.

The Companies recognized impairment losses on the asset groups for the year ended March 31, 2009 as follows:

			Millions of yen
Asset group	Asset type	Location	2009
Automotive electronics business	Machinery, construction in progress, etc.	(Note 1)	¥ 13,027
Peripheral products business for home	Buildings, machinery, etc.	(Note 2)	6,403
Peripheral products business for mobile devices	Machinery, construction in progress, etc.	Japan	1,111
Printer business	Buildings, machinery, etc.	(Note 3)	381
Communication business	Machinery, tools, etc.	(Note 4)	5,835
HDD heads business	Buildings and machinery	China	30
Idle assets	Buildings, land, etc.	Japan	377
Total			¥ 27,164

(Note 1) Japan, Germany, South Korea, Hong Kong, China, U.S.A, the Czech Republic and Ireland
(Note 2) Japan, Germany, South Korea, Hong Kong, Malaysia, China and the Czech Republic
(Note 3) Japan, Hong Kong and the Czech Republic
(Note 4) Japan, South Korea, Hong Kong, China, Malaysia and the Czech Republic

With respect to assets categorized in Automotive electronics business group, Peripheral products business for home group, Peripheral products business for mobile devices group, Printer business group, Communications business group, HDD heads business group, AV-head business group and LCD business group, the Companies reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses of ¥26,787 million, as other expenses because the business environment deteriorated mainly due to the related market shrinkage. The impairment losses were recorded for buildings at ¥5,251 million, for machinery and equipment at ¥15,717 million, for land at ¥296 million, for lease assets at ¥1 million, for construction in progress at ¥4,321 million, for intangible assets, net at ¥1,044 million, for other assets at ¥140 million and for accumulated impairment loss on leased assets at ¥17 million. The rate used in calculating discounted future cash flows was 4.6%.

With respect to the idle assets whose fair value declined, since the future use of those assets had not been determined, the Companies reduced the book value of those assets to their respective recoverable amounts and recognized impairment losses of ¥377 million, as other expenses.

The impairment losses of ¥377 million on idle assets were for buildings at ¥345 million and for other assets at ¥32 million. Net realizable value computed based on property tax value was used for determining the recoverable value of the idle assets.

15. INCOME TAXES

The Company is subject to a number of taxes in Japan based on income, which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% for the years ended March 31, 2011, 2010 and 2009.

The following table summarizes the reconciliations between the statutory tax rate and the Company's effective tax rates reflected in the accompanying consolidated statements of comprehensive income for the years ended March 31, 2011 and 2010. A reconciliation between the statutory tax rate and the Company's effective tax rate reflected in the accompanying consolidated statement of comprehensive income for the year ended March 31, 2009 is not presented because the Company recorded loss before income taxes and minority interests.

	2011	2010
Statutory tax rate	40.5%	40.5%
Change in valuation allowance	(5.1)	256.3
Lower tax rates at foreign subsidiaries	(6.8)	(554.1)
Non-deductible expenses	9.4	212.7
Non-taxable income	(10.0)	—
Other	0.1	59.2
Effective tax rates	28.1%	14.6%

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Tax loss carryforwards	¥ 25,889	¥ 26,501	$ 311,166
Accrued employees' severance and pension costs	951	884	11,430
Intercompany profit	3,839	3,926	46,142
Write-offs of inventories	998	1,394	11,995
Depreciation	11,452	13,196	137,644
Accrued employees' bonuses	3,356	2,373	40,337
Write-offs of investment securities	2,572	2,246	30,913
Accrued warranty costs	923	873	11,094
Accrued expenses	656	497	7,885
Other	6,485	5,735	77,944
Gross deferred tax assets	57,121	57,625	686,550
Valuation allowance	(39,074)	(40,160)	(469,639)
Less deferred tax liabilities in the same tax jurisdiction	(5,063)	(7,215)	(60,853)
Total deferred tax assets	12,984	10,250	156,058
Deferred tax liabilities:			
Unrealized gain on investment securities	(3,803)	(4,387)	(45,709)
Prepaid pension cost	(1,644)	(2,301)	(19,760)
Accelerated depreciation of property, plant and equipment	(0)	(56)	(0)
Undistributed retained earnings of foreign subsidiaries	(955)	(1,530)	(11,478)
Other	(4,286)	(3,725)	(51,514)
Gross deferred tax liabilities	(10,688)	(11,999)	(128,461)
Less deferred tax assets in the same tax jurisdiction	5,063	7,215	60,853
Total deferred tax liabilities	(5,625)	(4,784)	(67,608)
Net deferred tax assets	¥ 7,359	¥ 5,466	$ 88,450

16. CASH AND CASH EQUIVALENTS

A reconciliation between cash and time deposits in the accompanying consolidated balance sheets, and cash and cash equivalents in the accompanying statements of cash flows at March 31, 2011 and 2010 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Cash and time deposits	¥ 99,031	¥ 89,287	$ 1,190,276
Investment securities	—	0	—
Subtotal	99,031	89,287	1,190,276
Less: Time deposits with a maturity of more than three months when purchased	(535)	(647)	(6,430)
Add: Repurchase agreement maturing within three months	—	82	—
Cash and cash equivalents	¥ 98,496	¥ 88,722	$ 1,183,846

17. FINANCIAL INSTRUMENTS

Effective the year ended March 31, 2010, the Company adopted the Accounting Standard for Financial Instruments (ASBJ Statement No.10 issued on March 10, 2008).

Overview

(1) Policy for financial instruments

In consideration of plans for capital investment mainly in manufacturing, marketing and sales of electric devices, the Company and its consolidated subsidiaries (collectively, the "Group") raise funds through bank borrowings. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term capital through bank borrowings. The Group uses derivatives for the purpose of reducing risk and does not enter into derivative transactions for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies, net of trade payables denominated in the same currencies are hedged by forward foreign exchange contracts and currency swaps.

Marketable securities and investment securities are exposed to market risk. Those securities are mainly composed of shares of common stock of other companies with which the Group has business relationships.

Substantially all trade payables—trade notes and accounts payable—have payment due dates within four months.

Long-term debt is taken out principally for the purpose of making capital investments.

To reduce the risk of long-term debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

Regarding derivatives, the Group enters into forward foreign exchange contracts and currency swap transactions to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies.

Information regarding the method of hedge accounting, hedging instruments and hedged items and hedging policy is found in Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

17. FINANCIAL INSTRUMENTS

(3) Risk management for financial instruments

(a) Monitoring of credit risk
(the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Group arising from receivables, related Sales Department manager monitors credit worthiness of their main customers, and the Credit Control Department assesses the financial situation periodically. In addition, the Group is making efforts to identify and mitigate risks of bad debts.

The Group believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

(b) Monitoring of market risks
(the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts and currency swaps to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Group may also enter into interest rate swap transactions.

For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions. Monthly reports including actual transaction data are submitted to the Board of Directors for their review.

(c) Monitoring of liquidity risk
(the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on the business plan, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 18 DERIVATIVE FINANCIAL INSTRUMENTS are not necessarily indicative of the actual market risk involved in derivative transactions.

17. FINANCIAL INSTRUMENTS

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2011 and 2010 and unrealized gains (losses) are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

		Millions of yen			Thousands of U.S. dollars		
		2011			2011		
		Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Assets:	Cash and time deposits	¥ 99,031	¥ 99,031	¥ —	$ 1,190,276	$ 1,190,276	$ —
	Notes and accounts receivable-trade	93,713	93,713	—	1,126,358	1,126,358	—
	Investment securities	21,717	31,463	9,747	261,022	378,161	117,151
Total assets		¥ 214,461	¥ 224,207	¥ 9,747	$ 2,577,656	$ 2,694,795	$ 117,151
Liabilities:	Notes and accounts payable-trade	¥ 50,201	¥ 50,201	¥ —	$ 603,377	$ 603,377	$ —
	Short-term loans payable	31,754	31,754	—	381,659	381,659	—
	Long-term debt due within one year	19,059	19,059	—	229,074	229,074	—
	Long-term debt	69,134	70,133	999	830,937	842,945	12,007
Total liabilities		¥ 170,148	¥ 171,147	¥ 999	$ 2,045,047	$ 2,057,055	$ 12,007
Derivatives*		¥ (413)	¥ (413)	¥ —	$ (4,964)	$ (4,964)	$ —

		Millions of yen		
		2010		
		Carrying value	Estimated fair value	Unrealized gain (loss)
Assets:	Cash and time deposits	¥ 89,287	¥ 89,287	¥ —
	Notes and accounts receivable-trade	89,834	89,834	—
	Investment securities	17,621	17,621	—
Total assets		¥ 196,742	¥ 196,742	¥ —
Liabilities:	Notes and accounts payable-trade	¥ 52,265	¥ 52,265	¥ —
	Short-term loans payable	35,792	35,792	—
	Long-term debt due within one year	14,211	14,211	—
	Long-term debt	66,396	66,939	543
Total liabilities		¥ 168,664	¥ 169,207	¥ 543
Derivatives*		¥ 403	¥ 403	¥ —

*The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing a net liability position.

17. FINANCIAL INSTRUMENTS

Note1: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

(a) Cash and time deposits, and notes and accounts receivable-trade

Since these items are settled in a short period of time, their carrying value approximates fair value.

(b) Investment securities

The fair value of the investment securities is based on quoted market price. For information on securities classified by holding purpose, please refer to Note 4 INVESTMENT SECURITIES.

(c) Notes and accounts payable-trade, short-term loans payable and long-term debt due within one year

Since these items are settled in a short period of time, their carrying value approximates fair value.

(d) Long-term debt

The fair value of each long-term debt instrument is based on the present value of the total of principal and interest discounted by the interest rate that would be applied if similar new borrowings or lease agreements were entered into.

(e) Derivatives

Please refer to Note 18 DERIVATIVE FINANCIAL INSTRUMENTS.

Note 2: Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
	Carrying value	Carrying value	Carrying value
Investment in unconsolidated subsidiaries and affiliated companies	¥ 582	¥ 6,197	$ 6,995
Unlisted stocks and other included in investment securities	¥ 725	¥ 822	$ 8,714

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table which presents the estimated fair value of financial instruments.

Note 3: Redemption schedule for receivables and marketable securities with maturities at March 31, 2011

		Millions of yen		Thousands of U.S. dollars
		2011	2010	2011
Due in one year or less	Cash and time deposits	¥ 99,031	¥ 89,287	$ 1,190,276
	Notes and accounts receivable-trade	93,713	89,834	1,126,358
Total		¥ 192,744	¥ 179,121	$ 2,316,634

17. FINANCIAL INSTRUMENTS

Note 4: The redemption schedule for long-term debt is disclosed in Note 6 SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT. The aggregate annual maturities of finance lease obligations subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 744	$ 8,942
2013	762	9,159
2014	156	1,875
2015	105	1,262
2016	48	577
2017 and thereafter	24	288
Total	¥ 1,839	$ 22,103

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Company and certain of its consolidated subsidiaries have entered into forward foreign exchange contracts, currency option contracts, currency swap agreements and coupon swap agreements with banks to hedge transactions and balances denominated in foreign currencies. In addition, to hedge their exposure to fluctuations in interest rates, the Company and certain of its consolidated subsidiaries have entered into interest rate swap agreements to effectively change the floating rates on the principal balance of their debt to fixed interest rates.

These derivative transactions are utilized solely for hedging purposes under the Company's internal control rules and are subject to oversight by the Board of Directors. The Company does not anticipate any credit loss from nonperformance by the counterparties to the forward foreign exchange contracts and interest rate swap agreements.

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2011 and 2010, to which hedge accounting has not been applied, are summarized as follows:

			Millions of yen			Thousands of U.S. dollars		
			2011			2011		
			Notional amounts	Estimated fair value	Unrealized gains (losses)	Notional amounts	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 9,832	¥ (103)	¥ (103)	$ 118,173	$ (1,238)	$ (1,238)
		Euro	7,237	(310)	(310)	86,983	(3,726)	(3,726)

			Millions of yen		
			2010		
			Notional amounts	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 6,290	¥ (127)	¥ (127)
		Euro	4,754	34	34
Currency option contracts:	Sell:	Call-Euro	¥ 4,115	¥ —	¥ —
	Buy:	Put-Euro	¥ 2,058	¥ 496	¥ 496

Note: With regard to interest rate swap agreements, the notional amounts and the estimated fair value have been excluded since hedge accounting has been applied.
Option premiums are not given and received because all currency option contracts are zero cost option contracts.

The notional amounts and estimated fair value of interest rate swaps that meet the criteria for the exceptional treatment at March 31, 2011 and 2010, to which hedge accounting has not been applied, are summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		2011	
	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Interest-rate swaps which meet specific criteria:						
Interest-rate swap agreement:						
Pay / fixed and receive / floating						
Long-term debt	¥ 6,581	¥ —	¥ 8,799	¥ —	$ 79,099	$ —

Note: Since interest rate swaps for long-term debt meeting specific criteria for hedge accounting are accounted for as part of long-term debt, fair value of the interest swaps are measured and included as part of the long-term debt.

19. LEASES

As lessee:

The Company and certain of its consolidated subsidiaries lease certain machinery and equipment. These lease agreements are finance leases but have been accounted for as operating leases as permitted if the lease transactions began on or before March 31, 2008 under accounting principles generally accepted in Japan.

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation/impairment and net book value of the leased assets at March 31, 2011 and 2010, which would have been reflected in the accompanying consolidated balance sheets if these agreements had been accounted for as finance leases:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition costs of machinery and equipment	¥ 104	¥ 558	$ 1,250
Accumulated depreciation of machinery and equipment	94	516	1,130
Accumulated impairment of machinery and equipment	—	—	—
Net book value	¥ 10	¥ 42	$ 120

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2011 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 6	$ 72
2013 and thereafter	4	48
	¥ 10	$ 120

There is no accumulated impairment loss on leased assets as of March 31, 2011 for finance leases accounted for as operating leases.

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements for the years ended March 31, 2011, 2010 and 2009 totaled ¥31 million ($373 thousand), ¥121 million and ¥299 million, respectively. The *pro forma* depreciation/amortization of the assets leased under finance leases accounted for as operating leases for the years ended March 31, 2011, 2010 and 2009 amounted to ¥31 million ($373 thousand), ¥121 million and ¥299 million, respectively. The *pro forma* impairment of the assets leased under finance leases accounted for as operating leases for the year ended March 31, 2009 amounted to ¥15 million.

19. LEASES

The Company's future minimum lease payments subsequent to March 31, 2011 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 1,112	$ 13,353
2013 and thereafter	2,063	24,796
	¥ 3,175	$ 38,149

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease receivables	¥ 698	¥ 938	$ 8,389
Estimated residual value	3	—	36
Interest portion of lease receivables	(63)	(87)	(757)
Investment in lease assets	¥ 638	¥ 851	$ 7,668

The collection schedule of lease receivables related to investment in lease assets at March 31, 2011 is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 255	$ 3,065
2013	171	2,055
2014	100	1,202
2015	69	829
2016	52	625
2017 and thereafter	51	613

19. LEASES

Certain domestic consolidated subsidiaries of the Company entered into lease agreements to lease machinery and equipment on or before March 31, 2008. Under the revised accounting standard, for lease transactions with no transfer of ownership commencing on or before March 31, 2008, it is permitted to account for the finance leases as operating leases.

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the lease assets under finance leases accounted for as operating leases at March 31, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Acquisition costs of machinery and equipment	¥ 4	¥ 4	$ 48
Accumulated depreciation of machinery and equipment	3	2	36
Net book value	¥ 1	¥ 2	$ 12

The future minimum lease income subsequent to March 31, 2011 under finance leases accounted for as operating leases is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 1	$ 12
2013 and thereafter	—	—
	¥ 1	$ 12

Lease income, depreciation/amortization and the interest portion of lease income for finance leases accounted for as operating leases for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Lease income	¥ 1	¥ 1	¥ 33	$ 12
Depreciation/amortization	¥ 1	¥ 1	¥ 6	$ 12
Interest portion of lease income	¥ 0	¥ 0	¥ 2	$ 0

The Company's future minimum lease receivables subsequent to March 31, 2011 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 12	$ 144
2013 and thereafter	1	12
	¥ 13	$ 156

20. RELATED PARTY TRANSACTIONS

Transactions of the Company with related parties for the year ended March 31, 2011 were as follows:

Directors and their close relatives:

Masataka Kataoka		Millions of yen	Thousands of U.S. dollars
Purchase of residential land and building	Transaction amount	¥ 282	$ 3,389
Receipt of donation	Transaction amount	¥ 100	$ 1,202

Tomoko Ishiguro		Millions of yen	Thousands of U.S. dollars
Purchase of residential land and building	Transaction amount	¥ 188	$ 2,260

Masataka Kataoka is president of the Company and directly owns 0.50% of its shares. Tomoko Ishiguro is a relative of Mr. Kataoka and directly owns 0.02% of the Company's shares. The purpose of this transaction is to establish a new memorial hall. In the above table, the transaction amounts exclude consumption taxes. Transaction conditions are decided considering appraisal values. The donation will be used to help establish the new hall.

21. LOSS ON DISASTER

Loss on disaster represents loss caused by the Great East Japan Earthquake and consists of labor cost and depreciation in the period factories were closed down in the amount of ¥1,208 million ($14,519 thousand), repair expenses of ¥1,634 million ($19,639 thousand), loss on inventories of ¥274 million ($3,293 thousand), loss on fixed assets of ¥76 million ($914 thousand) and others of ¥251 million ($3,017 thousand).

22. BUSINESS COMBINATIONS

Year ended March 31, 2011
Transaction under common control

1.Outline of business combination

(1) Type and nature of business

Type of business: Power supply inductor business and current sensor business

Nature of business: Development, manufacture and sales of parts, semi-finished products and materials used for power conversion devices, power control devices, and electric measurement equipment

(2) Effective date of the business combination

May 17, 2010

(3) The legal structure of the business combination

The business combination was accomplished utilizing an incorporation-type corporate split with the Company as the corporate parent and Alps Green Devices Co., Ltd. as the newly established subsidiary.

2. Outline of the accounting treatment

The transaction was treated as a common control transaction pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No.21 issued on December 26, 2008) and the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Guidance No.10 issued on December 26, 2008).

23. SEGMENT INFORMATION

Business segments

The Companies are engaged in the manufacturing and sales of (1) electronic components, (2) audio equipment, (3) logistics, and (4) other. The business segment information of the Companies for the years ended March 31, 2011, 2010 and 2009 is summarized as follows:

		Millions of yen					
Year ended March 31, 2011		Electronic components	Audio equipment	Logistics	Other	Eliminations	Consolidated
Net sales	External customers	¥ 296,153	¥ 198,359	¥ 47,505	¥ 8,652	¥ —	¥ 550,669
	Inter-segment sales and transfers	7,522	2,898	19,398	8,579	(38,397)	—
	Subtotal	303,675	201,257	66,903	17,231	(38,397)	550,669
Operating income		¥ 12,966	¥ 11,141	¥ 3,841	¥ 444	¥ 480	¥ 28,872
Total assets		¥ 242,861	¥ 153,495	¥ 52,167	¥ 31,252	¥ (52,245)	¥ 427,530
Total liabilities		¥ 162,041	¥ 54,850	¥ 19,679	¥ 25,503	¥ (25,294)	¥ 236,779
Depreciation and amortization		¥ 9,127	¥ 7,442	¥ 1,714	¥ 571	¥ (144)	¥ 18,710
Capital expenditures		¥ 16,671	¥ 4,882	¥ 1,327	¥ 709	¥ (44)	¥ 23,545
Year ended March 31, 2010							
Net sales	External customers	¥ 274,155	¥ 166,199	¥ 44,977	¥ 8,308	¥ —	¥ 493,639
	Inter-segment sales and transfers	7,097	2,387	15,830	7,432	(32,746)	—
	Subtotal	281,252	168,586	60,807	15,740	(32,746)	493,639
Operating income		¥ 396	¥ 227	¥ 3,497	¥ 294	¥ 329	¥ 4,743
Total assets		¥ 226,276	¥ 153,428	¥ 52,269	¥ 30,482	¥ (51,510)	¥ 410,945
Total liabilities		¥ 149,148	¥ 56,513	¥ 20,388	¥ 22,780	¥ (24,346)	¥ 224,483
Depreciation and amortization		¥ 10,771	¥ 8,352	¥ 1,639	¥ 600	¥ (139)	¥ 21,223
Capital expenditures		¥ 11,914	¥ 4,379	¥ 2,074	¥ 434	¥ (321)	¥ 18,480
Year ended March 31, 2009							
Net sales	External customers	¥ 291,996	¥ 193,226	¥ 45,368	¥ 8,405	¥ —	¥ 538,995
	Inter-segment sales and transfers	5,952	3,441	15,409	11,106	(35,908)	—
	Subtotal	297,948	196,667	60,777	19,511	(35,908)	538,995
Operating (loss) income		¥ (20,062)	¥ (10,645)	¥ 3,321	¥ 671	¥ 191	¥ (26,524)
Total assets		¥ 213,941	¥ 132,422	¥ 46,527	¥ 27,065	¥ (44,670)	¥ 375,285
Total liabilities		¥ 137,705	¥ 35,671	¥ 16,115	¥ 18,551	¥ (17,548)	¥ 190,494
Depreciation and amortization		¥ 17,283	¥ 10,336	¥ 1,781	¥ 632	¥ (90)	¥ 29,942
Capital expenditures		¥ 34,363	¥ 10,160	¥ 2,359	¥ 713	¥ (393)	¥ 47,202

		Thousands of U.S. dollars					
Year ended March 31, 2011		Electronic components	Audio equipment	Logistics	Other	Eliminations	Consolidated
Net sales	External customers	$ 3,559,531	$ 2,384,123	$ 570,974	$ 103,990	$ —	$ 6,618,618
	Inter-segment sales and transfers	90,409	34,831	233,149	103,113	(461,502)	—
	Subtotal	3,649,940	2,418,954	804,123	207,103	(461,502)	6,618,618
Operating income		$ 155,841	$ 133,906	$ 46,166	$ 5,337	$ 5,769	$ 347,019
Total assets		$ 2,919,003	$ 1,844,892	$ 627,007	$ 375,625	$ (627,945)	$ 5,138,582
Total Liabilities		$ 1,947,608	$ 659,255	$ 236,526	$ 306,526	$ (304,014)	$ 2,845,901
Depreciation and amortization		$ 109,700	$ 89,447	$ 20,601	$ 6,863	$ (1,731)	$ 224,880
Capital expenditures		$ 200,373	$ 58,678	$ 15,949	$ 8,522	$ (529)	$ 282,993

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Report of Independent Auditors

The Board of Directors
Alps Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of Alps Electric Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of comprehensive income for the years then ended, and the consolidated statements of changes in net assets, and cash flows for each of the three years in the period ended March 31, 2011, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, the consolidated results of their operations for the years then ended, and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

June 17, 2011

Perfecting the Art of Electronics

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