

ANNUAL REPORT 2014



Alps Philosophy

Alps creates new values that satisfies stakeholders and are friendly to the Earth

The Alps Electric Group's approach to *monozukuri* (encompassing all aspects of product creation) is summed up in the phrase, "perfecting the art of electronics." By this we mean creating products that are *right*, *unique* and *green*. By perfecting the art of electronics in its products, the Alps Electric Group will pursue new value and enhance its own presence and corporate value, adding comfort to and enriching the lifestyles of people everywhere.

Alps Business Domain

Perfecting the Art of Electronics

— User-friendly communication and relationships between people and media —

Alps Business Approach

Pursuit of Value	We will constantly pursue new value creation
Harmony with Nature	We will seek harmony with the Earth's environment
Partnership with Customers	We will learn from customers and respond quickly to their needs
Fair Management	We will act fairly and from a global perspective
Respect for the Individual	We will draw upon the unique enthusiasm of every employee



Editorial Policy

The Alps Electric Group previously published the *Business Report (Annual Report)* and online CSR and environmental information separately. From reporting for fiscal 2013 (ended March 31, 2014), these have been integrated into a new *Annual Report* covering both financial and non-financial perspectives.

The Alps Electric Group recognizes the importance of promoting awareness about the activities of the Group among all our stakeholders by readily disclosing information about business plans and results, policy on CSR-based management, environmental preservation initiatives and other areas. For that reason, we position this report as a vital communication tool.

Company Notation

Alps Electric: The single Japanese business entity, Alps Electric Co., Ltd.

Alps Group: Alps Electric Co., Ltd. and all its consolidated companies in Japan and overseas

Alps Electric Group: The electronic components segment of the Alps Group

Coverage

Organizations

The report covers the entire Alps Electric Group worldwide, although coverage may vary for different activities.

Period

● The report principally covers the period from April 1, 2013 to March 31, 2014 but does include some activities occurring prior to or later than this period.

● Environmental reporting covers the period from April 2013 to March 2014 for Japan, and the period from January to December 2013 for overseas.

Published August 2014

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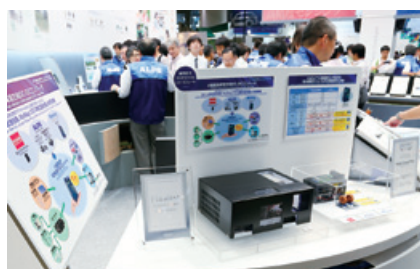
**Continually Delivering
Cutting-Edge Ideas to
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FOCUS 2

Advancing development of green devices
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*"ESG" refers to environmental, social and governance factors, which together with financial information are considered important for evaluating corporate value. Here we summarize Alps Group initiatives relating to ESG factors.

Profile of the Alps Electric Group

Facilitating user-friendly communication and relationships between people and media

The Alps Electric Group has developed, manufactured and marketed around 40,000 types of electronic component. Supplied to around 2,000 corporate customers worldwide, these high-value electronic components enable user-friendly communication and relationships between people and media.



Marketing & Planning



Development & Design



Production Engineering



Manufacturing



Quality Assurance

The Alps Electric Group's original technologies create new value in diverse product domains

HMI

Input devices enabling smooth operation of smaller, lighter, integrated and multifunctional electronics

Sensing

Sensing devices that accurately detect even the smallest changes within diverse control and sensing applications

Connectivity

Memory card connectors, data communication modules and other devices and modules forming suitable data and device links

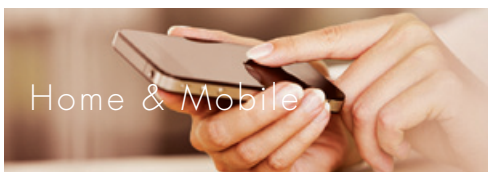
Business Domain

Alps Electric assists and enriches lifestyles by perfecting the art of electronics in its products



Automotive

Provision of custom products and modules, including control panels and steering modules, for specific vehicle models, as well as components compatible with any vehicle.



Home & Mobile

Provision of switches, potentiometers, sensors and other components through to multi-input devices like touch panels and GlidePoint™ for integration into digital appliances, including smartphones and tablets.



Environment & Energy

Serving the growing environment and energy markets with current sensors enabling visualization of power usage and sensors for measuring parameters such as temperature, illuminance and CO₂ levels in indoor and outdoor environments. These can be used in combination with communication modules essential for xEMS to build smart networks.

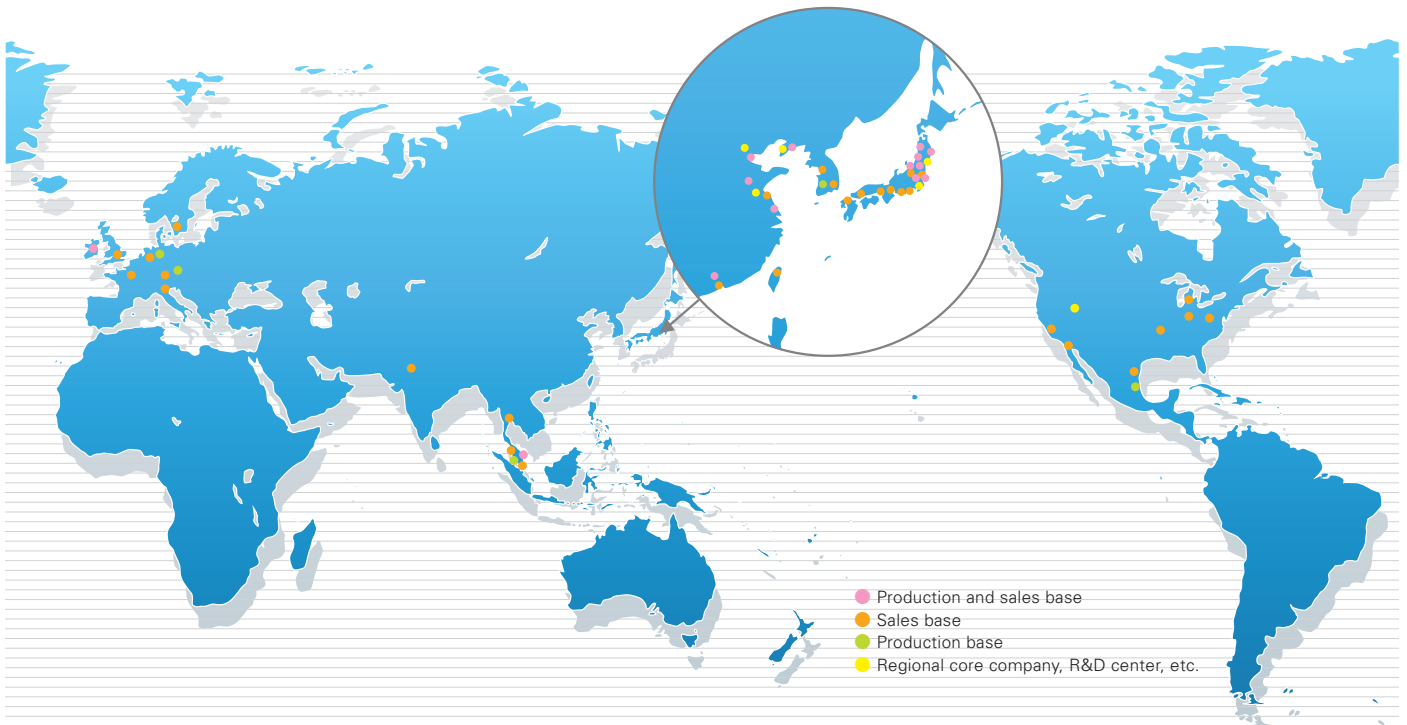


Health Care

Light, temperature, humidity and various other types of sensor for accurate detection of environmental changes to assist health maintenance, for example by helping to prevent heat disorders; and switches, card connectors and other components achieving excellent size efficiency to support the evolution of health care equipment.

Forming partnerships with customers worldwide via a global network

The Alps Electric Group has R&D, production and sales bases located in Japan and across the globe—in the Americas, Europe, Southeast Asia, India, Greater China and Korea. Wherever Alps Electric operates, we contribute to electronics industry growth, building relationships of trust with customers and local communities.



◆ Americas

- ALPS ELECTRIC (NORTH AMERICA), INC. (Core company for North America—Sales/production control) ◆
- ALPS DE MEXICO S. DE R. L. DE C.V. (Sales)
- CIRQUE CORPORATION (Development/design) ◆
- ALCOM ELECTRONICOS DE MEXICO, S.A. DE C.V. (Production) ◆◆

◆ Europe

- ALPS ELECTRIC EUROPE GmbH (Production/sales) ◆◆
- ALPS ELECTRIC (IRELAND) LIMITED (Production) ◆◆
- ALPS ELECTRIC CZECH, s.r.o. (Production) ◆◆◆

◆ Greater China • Korea

- ALPS (CHINA) CO., LTD. (Holding company for affiliates in China—Development/design/sales)
- ALPS (SHANGHAI) INTERNATIONAL TRADING CO., LTD. (Importing/sales)
- ALPS COMMUNICATION DEVICES TECHNOLOGY (SHANGHAI) CO., LTD. (Communication devices design)
- DALIAN ALPS ELECTRONICS CO., LTD. (Production/sales) ◆◆◆
- DANDONG ALPS ELECTRONICS CO., LTD. (Production/sales) ◆◆◆
- TIANJIN ALPS ELECTRONICS CO., LTD. (Production/sales) ◆◆
- NINGBO ALPS ELECTRONICS CO., LTD. (Production/sales) ◆◆◆
- WUXI ALPS ELECTRONICS CO., LTD. (Production/sales) ◆◆◆
- ALPS ELECTRONICS HONG KONG LTD. (Sales/materials procurement)
- DONGGUAN ALPS ELECTRONICS CO., LTD. (Production/sales) ◆◆
- ALPS ELECTRONICS TAIWAN CO., LTD. (Sales)
- ALPS ELECTRIC KOREA CO., LTD. (Production/sales) ◆◆◆

◆ Southeast Asia • India

- ALPS ELECTRIC (S) PTE. LTD. (Singapore)(Sales)
- ALPS ELECTRIC (MALAYSIA) SDN. BHD. (Production/sales) ◆◆◆
- ALPS ELECTRIC (THAILAND) CO., LTD. (Sales)
- ALPS ELECTRIC (INDIA) PRIVATE LIMITED (Sales)

◆ Japan

- ALPS HEADQUARTERS ◆◆◆
- SENDAI R&D CENTER ◆
- FURUKAWA PLANT ◆◆◆
- WAKUYA PLANT ◆◆◆
- KAKUDA PLANT ◆◆◆
- KITAHARA PLANT ◆
- NAGAOKA PLANT ◆◆
- ONAHAMA PLANT ◆◆
- TAIRA PLANT ◆◆

Sales Offices:

- KANSAI BRANCH • IWAKI OFFICE • UTSUNOMIYA OFFICE •
- ATSUGI OFFICE • HAMAMATSU OFFICE • NAGOYA OFFICE •
- HIROSHIMA OFFICE • FUKUOKA OFFICE

◆	ISO 9001
◆◆	ISO/TS 16949
◆◆◆	ISO 14001

Enhancing core technologies and competitiveness to support ongoing growth



Toshihiro Kuriyama
President
ALPS ELECTRIC CO., LTD.

Fiscal 2013 (year ended March 31, 2014) was the first year of Alps Electric's 7th Mid-Term Business Plan. A host of initiatives led to results well exceeding the previous year's performance with sales and profit growth in all three business segments—electronic components, automotive infotainment and logistics. We will continue our creation of innovative new technologies and products as we set out for further earnings expansion.

Q1. Please evaluate financial results for fiscal 2013 (year ended March 31, 2014) with reference to current market conditions influencing the electronic components segment.

We achieved sales and profit growth in all business segments in fiscal 2013, albeit with assistance from the currency market through correction of the high yen. In the electronic components segment, automotive market business was strong due to the recovery of automobile markets mainly in the United States and Europe. The consumer market also contributed to higher earnings as the rapid growth of the smartphone market led to a significant increase in sales of smartphone components.

The smartphone's sudden emergence has had a major impact on the market in the past few years. Having integrated the main functions of existing digital appliances like PCs, game consoles, digital cameras and even navigation systems, smartphones are now an essential item. Meanwhile, the commoditization of digital appliances continues.

Two key targets under our 7th Mid-Term Business Plan are the attainment of ¥200 billion sales to the automotive market and ¥100 billion sales to the smartphone market. In the automotive market, component and module sales have steadily increased. In the consumer market, too, substantial capital and other prior investment, primarily during fiscal 2011 and 2012, has had the desired effect. Analysis suggests these were the factors leading to earnings growth.

Sales and profit are expected to grow again in the fiscal year ending March 31, 2015 (fiscal 2014), the second year of the Mid-Term Plan, and the entire workforce is committed to initiatives that will lead to an even stronger financial performance.

Q2. Please explain conditions in each of the markets and current initiatives as they relate to the four priority themes of the 7th Mid-Term Business Plan.

1. Automotive market:

Automakers today embrace three key concepts: the environment, safety and comfort. Environmentally friendly hybrid and electric vehicles are now widely used. And to improve vehicle safety, manufacturers integrate brakes that minimize collision damage, while also advancing research into automated driving systems.

In regard to comfort, automotive systems directly controlled by drivers are undergoing a major transformation. The advent of smartphones has made touch input the norm, necessitating the additional evolution of control devices, or human-machine interfaces (HMI), inside the vehicle cabin. There is also a growing need for HMI technologies providing both safety and comfort which can be operated without affecting driving. We are responding to these needs by developing sensors for solutions such as head-up displays and gaze detection systems used to monitor the driver's condition. Readily applying advanced technologies built up in the consumer devices business, we will persist with the development and commercialization of these next-generation products.

2. Smartphone market:

The product cycle for smartphones is characteristically fast to match the speed of market changes. This is why we maintain close ties with smartphone manufacturers right from the development stage, so that we may constantly anticipate upcoming trends in our own ongoing development.

Our approach here is to focus on developing next-generation technologies, initially for the leading handset manufacturers. Technologies include actuators for next-generation cameras, high-performance geomagnetic sensors, and curved touch panels. On top of that, we will continue to advance sales promotion of standardized products targeting local manufacturers within the giant market of Greater China. By enhancing our product portfolio, we aim to expand our customer base.

3. Establish businesses in new markets:

Alps Electric is making further inroads into two new markets—environment and energy, and health care.

In the environment and energy domain, group company Alps Green Devices Co., Ltd. (AGD) offers groundbreaking products that contribute to a low-carbon, resource-efficient society. They include reactors for hybrid and electric vehicles and current sensors for application in electrical

power measurement within energy management systems (xEMS), which aim to improve the efficiency of, and optimize, energy usage. We will expand AGD business by readily introducing products to new markets with growth potential.

It will take time before this new business bears fruit. For instance, automakers generally draw up development plans three to four years in advance. In the case of home energy management systems (HEMS), new installations of solar power generation systems making use of power conditioners which employ current sensors are not frequent.

There is, however, a definite shift toward energy conservation and environmental impact reduction. We must address these issues one step at a time with ongoing initiatives.

We also develop components related to health care, some which were incorporated into the Epistemic Cockpit, a next-generation input device for automobiles exhibited at CEATEC Japan 2013. Alongside intuitive features like gaze detection and gesture input was our vital sign sensing technology, used to check the driver's condition when they sit down through non-contact monitoring of blood pressure, breathing, heartbeat and other signs. Besides monitoring health, the technology helps to prevent accidents. Alps Electric will continue applying these sensing technologies and other technical capabilities to push ahead with new product development for new markets.

4. Strengthen growth engines and core technology:

Alps Electric currently directs energy into three growth engines involving enrichment of HMI technology, expansion of sensor variety, and expansion of connectivity-oriented business.

Enrichment of HMI technology is an area pursued ever since the company's founding. We take on development of new, unique technologies based on groundbreaking product creation know-how as illustrated by TACT Switch™ products, which boast the top market share, GlidePoint™, and Haptic Commander™.

Expansion of sensor variety entails extending sensor applications beyond existing detection in electronic devices and vehicles to encompass application to social infrastructure. One example might be the installation of sensors on expressways to ascertain the level of wear as many were built during Japan's period of rapid economic growth and are now deteriorating. We will also actively promote application of existing sensing technology to new fields, widening their sphere of contribution.

Expansion of connectivity-oriented business primarily concerns automotive communication business, namely enhancing links with smartphones inside vehicles and

expanding communication links with outside the vehicle using GPS, cloud computing, V2X (i.e. V2V, V2I, etc.)* and LTE technology. Another example of connectivity is using sensors and communication modules to send information from the aforementioned social infrastructure, or data on power usage from an energy management system, to base stations. Business will be expanded through creation of these new kinds of communication module and other initiatives.

To strengthen core technology, we will build upon and advance proprietary mechatronics technologies. We will also look to “black-box” technologies through ASIC design and other aspects of custom IC development, as well as further explore possibilities with material and process technology, to differentiate our products and establish competitive advantage.

Q3. What is your dividend policy?

Striking a balance between three elements—returns to shareholders; funds for R&D and capital investment to support business expansion and enhanced competitiveness; and internal reserves—is our basic policy for sharing profits, as determined looking at consolidated financial results for the electronic components segment. A year-end dividend of ¥5 per share was paid to shareholders from surplus for the year ended March 31, 2014.

Q4. What is your approach to the three categories of non-financial information—environmental, social and governance (ESG) information—used for assessing corporate value?

Regarding the environment, seven of our eight plants and R&D centers in Japan are located in Miyagi and Fukushima prefectures, which were hard hit by the Great East Japan Earthquake of March 2011. Consequently, all of these facilities are committed to saving power, constantly aware of the need to conserve energy. Minimizing environmental impact is at the forefront of the minds of all employees engaged in product creation at our facilities.

As for the social factor, setting down roots in the community is fundamental to our business. Alps Electric has been operating in the Tohoku region, home to many of our plants, for over 50 years, and more than 40 years have gone by since we made our first foray overseas. Overseas facilities are currently being bolstered to enable local design and development, not just manufacturing. We engage in all aspects of product creation, or *monozukuri*, bearing in mind our desire to contribute to local electronics industries.

In the area of governance, deployment of overseas facilities and expanding business with customers worldwide mean we must comply with the laws of each country and region. To strengthen risk management, we direct efforts into business continuity planning (BCP) and business continuity management (BCM). We have also set about establishing a governance framework encompassing the entire Alps Group out of respect for the interests of shareholders of listed group companies, Alpine Electronics, Inc. and Alps Logistics Co., Ltd.

Q5. What is meant by “the art of electronics” in the Alps Business Domain?

The term “art of electronics” sums up Alps Electric’s approach to *monozukuri*. It refers to products that are *right*, *unique* and *green*—products which best meet the needs of customers and the market; display features characteristic of Alps; and incorporate due consideration for the environment, for example through energy and resource savings.

Electronic devices are constantly changing through technological innovation, which means our product creation activities must go on indefinitely. Alps Electric is constantly improving its technology and our efforts to perfect the art of electronics will continue.

Q6. An integrated format was adopted for this year’s report. Do you have a message for the diverse range of readers?

Alps Electric has placed importance on ethical practices and culture ever since its founding, embracing the concepts of harmony with nature and prosperity alongside society. I truly want the Alps Group to achieve sound growth and development in line with the Alps Philosophy—Alps creates new value that satisfies stakeholders and is friendly to the Earth—and the five statements of our Business Approach, which embody this philosophy, thereby bringing happiness to all stakeholders.

The Alps Group will also persist with development of products which add value to customer brands when they adopt them, leading ultimately to the satisfaction of general users.

I humbly request your ongoing support and encouragement for these endeavors.

June 2014

T. Kuriyama

*V2X (Vehicle to X): Connecting vehicles to other devices or items using communication links. X might be other vehicles, pedestrians, roadside communication infrastructure or power grids. Such communication is referred to as V2V, V2P, V2I and V2G.

The 7th Mid-Term Business Plan (FY2013 – FY2015)

The Alps Electric Group's 7th Mid-Term Business Plan covers fiscal years 2013 to 2015, the three-year period through to March 31, 2016. The first year of the plan ended in March 2014 with net sales and operating income finishing above budget levels. We target additional sales and profit growth in the 12 months to March 2015, a period that will test our true value.

Below is an outline of the 7th Mid-Term Business Plan introducing targets and initiatives related to the four priority themes, along with overall planned and actual figures.

Action Plan

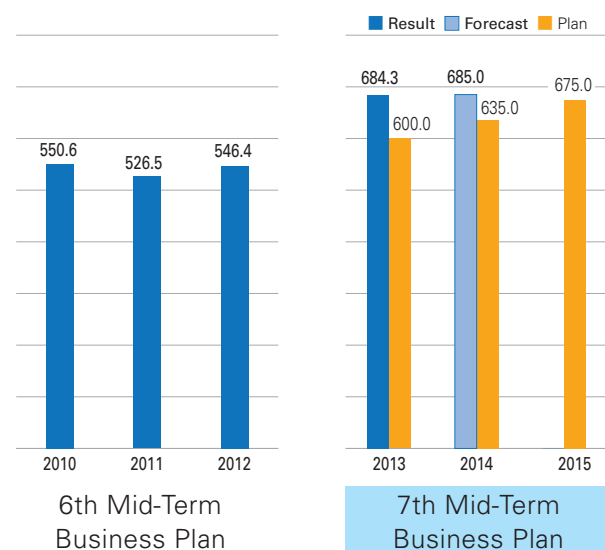
Number 1 First and Be Proactive

The Alps Electric Group's unique style of *monozukuri* (encompassing all aspects of product creation) allows us to stay attuned to the market and respond quickly to its diverse needs, and by refining our approach we will keep putting forward superior, innovative products.

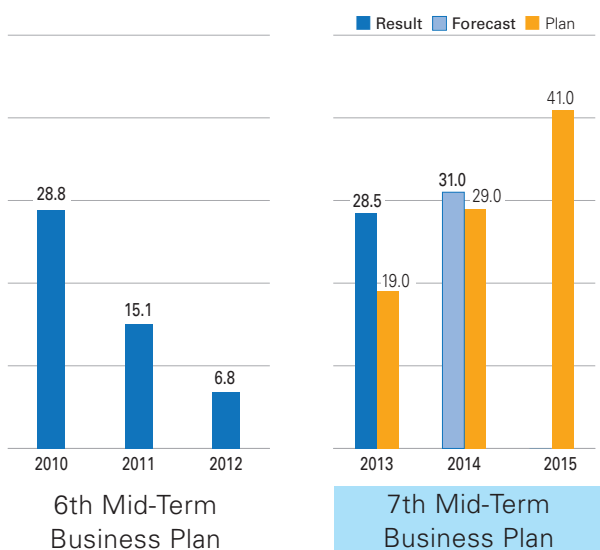
Priority Themes	
Target	Initiatives
1. Achieve ¥200 billion sales to the automotive market	<ol style="list-style-type: none"> 1. Advance sales strategies targeting individual customers 2. Expand market share for existing products 3. Create new products
2. Achieve ¥100 billion sales to the smartphone market	<ol style="list-style-type: none"> 1. Increase sales to major smartphone manufacturers 2. Strengthen promotion to Chinese and Taiwanese manufacturers
3. Establish businesses in new markets	<ol style="list-style-type: none"> 1. Establish environment and energy business 2. Accelerate health care business
4. Strengthen growth engines and core technology	<ol style="list-style-type: none"> 1. Enrich human-machine interface technology 2. Expand sensor variety 3. Expand connectivity-oriented business

Progress of the 7th Mid-Term Business Plan

Trend in Net Sales (Unit: Billions of yen)



Trend in Operating Income (Unit: Billions of yen)



Tapping the Alps Group's integrated development capabilities Continually Delivering Cutting-Edge Ideas to the Automotive Market



Connection to smartphones and the Internet. Peripheral devices for vehicle cockpits with operating styles bordering on human intuition. Automotive demand for next-generation devices is rapidly increasing. Shinji Inoue, director in charge of automotive modules business, talked to us about market conditions influencing the automotive business and the future direction of the business.

Shinji Inoue

Director, Alps Electric Co., Ltd.
General Manager,
Automotive Modules
Deputy General Manager,
Engineering Headquarters

The first year of the 7th Mid-Term Business Plan ended in March 2014. How did the automotive business perform?

In fiscal 2012 (year ended March 31, 2013), automotive business sales within the electronic components segment came to ¥140 billion, the first time the business accounted for more than 50% of the segment's sales. In the year to March 2014 (fiscal 2013), sales climbed to ¥168.4 billion, which means we are making steady progress towards attainment of ¥200 billion sales for the automotive business, a key target under the 7th Mid-Term Business Plan. We are now aiming for even higher levels of profit while being quick to pick up on global trends in the automobile market and among automakers.

Please tell us about the latest trends in the automotive market.

The market today wants "connected vehicles," a shift away from demand simply focusing on automobiles that "run, turn and stop." Besides GPS, there is demand for features enabling connectivity, including links to smartphones and the Internet (clouds). Demonstration testing of V2X technology for communicating with outside the vehicle—for example, vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) technology—is also underway.

One effective way to fill these needs is to divert communication technologies used for consumer devices like smartphones, tablets, notebook PCs and game consoles to the development of automotive equipment. But to do so requires consideration right from the design stage of conditions peculiar to automobiles, such as sudden changes in vibration, temperature and humidity.

Alps Electric's electronic components segment provides automotive products and the consumer device components I have mentioned. We also have an advantage in the integrated development capabilities of the Alps Group, which includes Alpine. We are therefore ready to respond to the market's needs.

Hybrid and electric vehicles are predominantly small cars and automakers have to make available as much space as possible for the battery so that vehicles can travel further, while at the same time enhancing the comfort of the cabin interior. By applying technologies

accumulated through the development of products like the Haptic Commander™, it should be possible to integrate and downsize center console functions into a single unit while retaining operability, as we do with human-machine interfaces (HMI), allowing effective use of space.

What major initiatives do you have planned to expand earnings further?

Head-up displays (HUD) are also now being installed in vehicles as a safety feature and we expect collaboration with Alpine to yield significant results in this area. Alpine has an extensive track record with car navigation systems as well as considerable experience in developing application software for those systems. Ideally, HUDs will be made bigger and possess even greater functionality. So, for example in the HMI field, we hope to build on our partnership with Alpine and make the most of their know-how.

An important aspect when developing new technology is to consider "use cases" centered on the HMI. It is now general practice to draw up proposals indicating specific scenarios for how users will use a device. In other words, a device used in a particular way has to be able to perform a particular operation. Determine the use cases at the start and the necessary criteria will present themselves. Only once you have a full list of criteria can you determine the specs that will satisfy them. Alps Electric has been a components manufacturer from the very beginning and we are good at developing technologies with foresight as to the kind of functions the end product will deliver.

How have you embraced alliances and engineer development to bring about advancement in *monozukuri*?

We developed the aforementioned Haptic Commander™ as our own original product through a license agreement with Immersion Corporation of the United States, a company possessing outstanding haptic technologies. Partnership with startups, universities or research centers with strengths in advanced technologies such as this is a very effective approach to new product development, making it vital that we globally engage in information gathering.

At Alps Electric, we have a slogan: "Create the Business (CTB), Get the Business (GTB), Maintain the Business (MTB), Get the Profit (GTP)." For the first part of this, CTB, we have set up a cross-organizational "CTB Group" connecting bases worldwide. Having perceived what automakers worldwide are looking for via our global antennas, we apply the use case approach and give form to our ideas by manufacturing a provisional cockpit, which we exhibit at shows such as our private Alps Show in Japan, and the Consumer Electronics Show (CES) in the United States. Then we take it to

automakers, seek their advice, and gradually the technology evolves. New engineers accompany those missions as one element of on-the-job training.

What is your commitment for the near term?

First of all, we should standardize development processes. This has benefits in realizing consistent quality and reducing the number

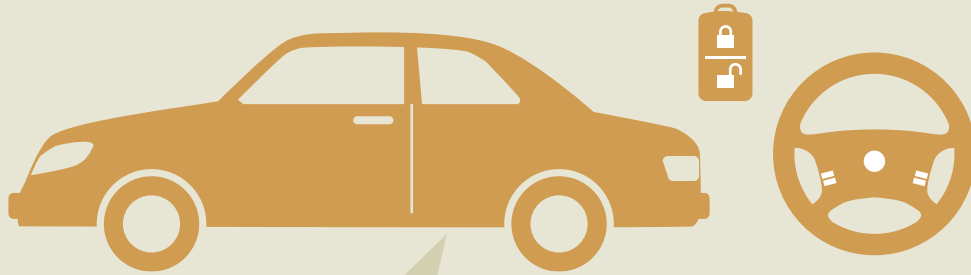
of different materials and parts. In turn, fewer part types leads to lower maintenance costs. Implementing standardization initiatives globally should enable even greater profitability improvements.

We will also continue efforts to ensure that automakers first come to Alps Electric when they have a particular product in mind but do not know how to realize it, and that Alps Electric can continually put forward cutting-edge proposals.

Electronic components of the Alps Electric Group support safety and comfort in a motorized society

The Alps Electric Group has a long history developing and supplying automotive products and led the world in the creation of products like the Electro Gyrocomp (1981)—precursor to today’s car navigation systems—and remote keyless entry systems (1991).

Applying extensive know-how acquired in the consumer devices market relating, for example, to input devices, communication technology and modules, the Alps Electric Group is helping to enhance the safety, comfort and energy efficiency of automobiles.



Epistemic Cockpit

This next-generation cockpit jointly developed with group company Alpine Electronics makes great strides in driving safety and comfort with features like touch and gesture input for enhanced in-vehicle control and convenience.



Advancing development of green devices to assist creation of a low-carbon, resource-efficient society

Business Activities of Alps Green Devices

Alps Electric Group company Alps Green Devices Co., Ltd. develops products which are friendly to the environment—a strategic product category in our cultivation of new markets. Heightened market needs have boosted the significance of green devices, and by supplying them, AGD hopes to assist the creation of a low-carbon society. Here we introduce the company's business activities.

Curbing electricity demand to address social issues

Reducing energy demand is a pressing task as the global warming threat escalates worldwide and due to issues such as Japan's power crisis, stemming from consequences of the Great East Japan Earthquake of March 2011. Energy conversion efficiency has thus become an assessment criterion for all kinds of equipment and there is growing demand for solutions addressing social needs, such as high-efficiency power supplies, power visualization and peak power reduction. This also highlights the necessity of reducing energy loss by electronic components through high conversion efficiency and fine power control.

Since its establishment in 2010, Alps Green Devices (AGD) has applied core material development, material application, and thin film process technologies to develop inductors supporting high switching

frequencies through the use of original low-loss magnetic material, and current sensors offering outstanding size efficiency and light weight.

The popularity of these devices is growing. In particular, Licalloy™ Power Inductors have the lowest loss level in the industry and maximize the efficiency of power conversion equipment like DC-DC converters, while compact current sensors are incredibly responsive and contribute to the realization of compact, lightweight power control in hybrid vehicles and energy management systems (xEMS).

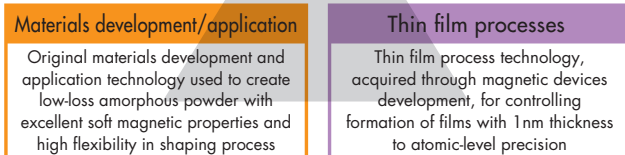
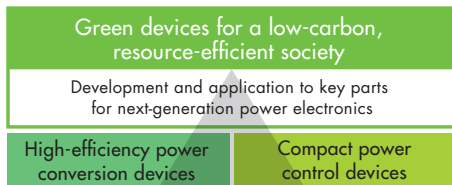
Desiring a low-carbon society where balance between the environment and energy use is achieved, AGD will continue to provide green devices as and when the market requires in order to realize compact, high-efficiency power conversion equipment suited to an energy-efficient society.

Efforts to spur further next-generation product creation

On October 22, 2013, AGD and Toho Zinc Co., Ltd. agreed to form an alliance relating to coil business. Toho Zinc mass produces Takron Coil powder core inductors and has a proven track record in end-to-end production starting with the magnetic material.

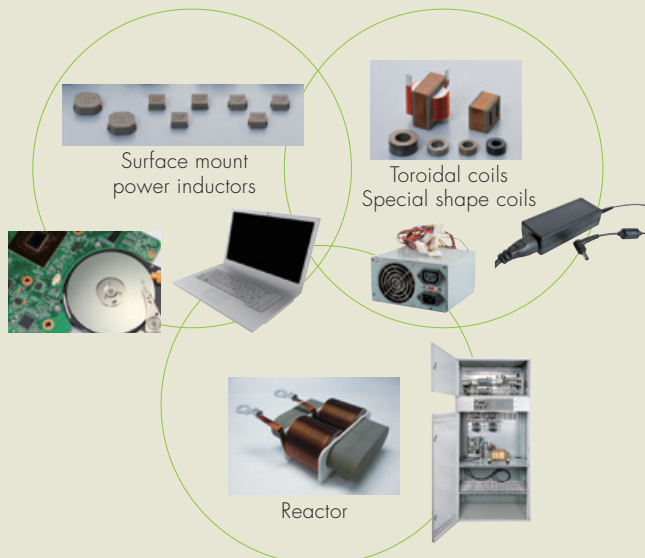
Through the alliance, the two companies look to strengthen frameworks for developing and mass producing power conversion equipment. They will develop next-generation low-loss inductors and reactors for supply to the market for power electronics, which have to support high switching frequencies.

AGD will also make use of the Alps Electric Group's sales network to establish channels for global distribution and will aim to expand business through reciprocal sales of Takron Coil and Licalloy™ products with Toho Zinc.



Main Products

● Licalloy™



● Current sensors



Assisting Creation of a Low-Carbon Society with “Number 1” and “First 1” Products



Energy conversion efficiency improvements
Energy conversion efficiency now the top assessment criterion for all devices

Support for a low-carbon, resource-efficient society

Need for smaller, lighter products
Addition of power conversion circuits/current sensing
▶ Power control in many scenarios

Motohiro Shimaoka

President
Alps Green Devices Co., Ltd.

—Please explain the current direction of Alps Green Devices (AGD) business.

With our sights set on establishing a low-carbon, resource-efficient society, AGD focuses on developing “green” products and core technologies required for next-generation power electronics. Our primary target markets are as follows.

Since the Great East Japan Earthquake of March 2011, energy management systems (xEMS) are being looked at as a way to manage energy usage by equipment according to the level of supply and demand. Home energy management systems (HEMS), in particular, can assist electricity savings by managing household power usage in detail. This requires breaker-by-breaker power measurement. Whereas current sensors are conventionally installed in the wiring, AGD’s compact current sensors can be integrated with, or embedded inside, the breaker. Our compact, highly efficient reactors, based on Licalloy™, and ultra-compact, lightweight current sensors can also help to reduce the weight of hybrid and electric vehicles, or even fuel cell vehicles under development.

Use of xEMS for smart networks in homes, offices and plants; visualization of power grids due to an increase in use of distributed renewable energy; sensor networks; and electric vehicles for a low-carbon society...our target markets offer immeasurable potential. AGD will continue moving forward with a strong desire to deliver “Number 1” and “First 1” products to these markets.

—In which areas in particular do you seek further growth?

Combining next-generation power semiconductor devices and Licalloy™ is one area. The power electronics market has reached a juncture and a transition from conventional silicon semiconductors to gallium nitride (GaN), silicon carbide (SiC) and other next-generation power semiconductor devices enabling high efficiency and high-speed switching with high currents is underway. At data centers, for example, servers consume an enormous amount of energy, necessitating power supplies and cooling systems commensurate to that level. By combining high-frequency

switching enabled by next-generation power semiconductor devices with Licalloy™ in power supplies for those facilities and devices, dramatic reductions in both size and power consumption are possible.

The new current sensors for high currents we are now developing for power distribution infrastructure is another area where AGD is truly in its element. Installation of current sensors on equipment like the transformers we see on utility poles is being examined as a way to meet needs to monitor current and flow for a stable power supply. Earlier products were too big and heavy. We are presently advancing a new concept in development and commercialization of a current sensor which makes use of an original high-sensitivity magnetic element to enable the detection of reverse power flow while realizing major weight reductions.

—Please tell us about alliances and joint development that AGD is involved in.

AGD was established with the help of an investment by the Innovation Network Corporation of Japan (INJC). The purpose was to develop compact, high-efficiency power conversion and control devices, thereby assisting the creation of a low-carbon society, through an “open innovation” approach involving broad partnership with device-related companies and research institutions. As well as continuing broad-ranging partnership with companies that take an interest in AGD’s business so that we may develop and supply products which may eventually become the world standard, we will work to brand ourselves as a manufacturer of green devices.

—Do you have a message for stakeholders?

Power inductors and current sensors have a long history and the peripheral infrastructure for these products is already in place. AGD, rather than simply offering a substitute for existing products, is finally getting results from its approach of developing products that create new value for the customer along with ideas for applications and uses which take advantage of the characteristics of individual materials and devices.

AGD’s green devices development is the first step toward the Alps Electric Group’s goal of establishing a business in the environment and energy field. We will build upon existing synergies throughout the Group as we set out to create a low-carbon, resource-efficient society.

DC-DC Converter Wins Semi-Grand Prix at CEATEC Japan 2013

In October 2013, a compact high-efficiency DC-DC converter employing a current sensor and Licalloy™ reactor won a CEATEC Award Semi-Grand Prix in the Core Technology category at the CEATEC Japan 2013 exhibition at Makuhari Messe, Chiba. Used in combination with next-generation power semiconductor devices, the Licalloy™ reactor contributes to outstanding size reductions and the ongoing evolution of power conversion equipment.



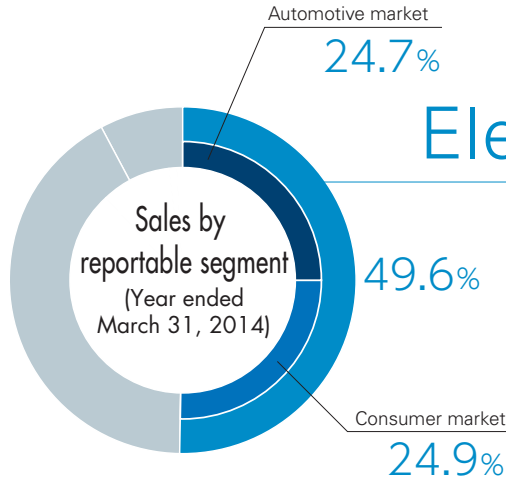
The industry’s first compact programmable DC-DC converter



Licalloy™ Toroidal Coil
Size reduced to 1/10
Weight reduced to 1/10
(compared to existing products)



Current Sensor
Size reduced to 1/3
Weight reduced to 1/3
(compared to existing products)



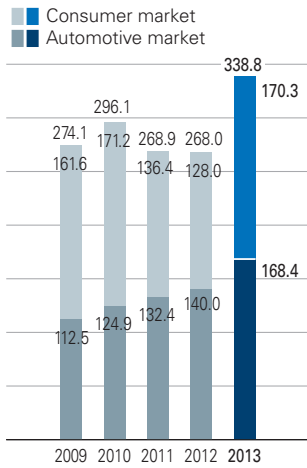
Electronic Components

In the electronics sector, installation of electronic components and modules in automobiles is progressing in an automotive market focused on safety, energy efficiency and comfort. In the consumer market, electronic components for consumer devices such as TVs, PCs and digital cameras were sluggish due to weakness in those businesses resulting from integration into smartphones of diverse features, including camera, navigation and gaming functions. Meanwhile, smartphone components enjoyed large growth due to expansion by the smartphone market.

As a result, consolidated earnings for the fiscal year ended March 31, 2014 improved from the previous year with sales and profit growth.

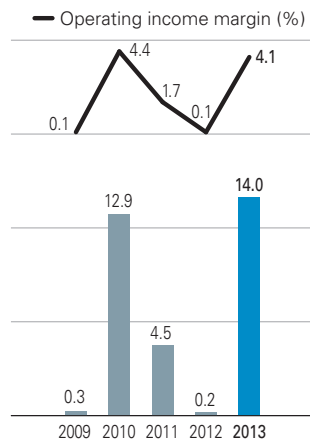
Net Sales

(Unit: Billions of yen)



Operating Income/ Operating Income Margin

(Unit: Billions of yen)



Automotive Market

In the automotive market within the electronic components segment, we enhanced human-machine interface technologies for connecting people and vehicles, directed energy into the development of original products such as switches, sensors and modules, and introduced new products to the market. Business was generally strong due to close contact maintained with automakers through ideas for technological innovation and support, and bolstering of global production and sales networks, among other factors.

Net sales to the automotive market for the year ended March 2014 were ¥168.4 billion, a 20.3% year-on-year increase.



Check!



Wireless LAN + Bluetooth®

Built-in antenna and memory help reduce the development workload Wireless Communication Module for Automotive Use

Interoperability between car audio and navigation systems and mobile devices, for example to allow playback of music on a smartphone via car audio, is currently being enhanced.

Wireless communication modules based on the Bluetooth® communication standard are the most widely used technology for this connection, which requires Bluetooth® SIG certification and certification specified in radio legislation in each country.

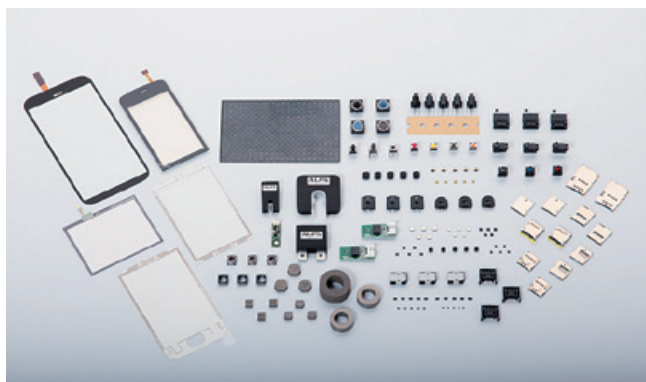
The new wireless communication module for automotive use developed by Alps Electric has a built-in antenna and a Bluetooth® protocol stack. Bluetooth® certification and local certification are therefore already acquired, allowing car audio or navigation system manufacturers to omit acquisition processes. The module also has a built-in memory which can store up to 3,000 phone book data entries and incorporates functions for managing that data. This facilitates support for hands-free phone calls and helps to reduce the development workload of equipment manufacturers. It is an All In One module incorporating a variety of functions.

Consumer Market

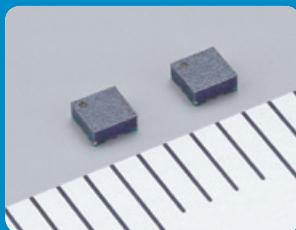
In the consumer (and others) market within the electronic components segment, both sales and profit exceeded results for the previous year as while sales of electronic components for consumer devices such as TVs, PCs and digital cameras were weak, smartphone components like switches, camera actuators and touch panels enjoyed growth.

Net sales to the consumer market for the year ended March 2014 were ¥170.3 billion, a 33.0% year-on-year increase.

The above performance resulted in net sales of ¥338.8 billion (26.4% year-on-year increase) and operating income of ¥14.0 billion (compared to ¥0.2 billion in the previous year) for the entire electronic components segment.



● Check! ●



Compact geomagnetic sensor for mobile devices

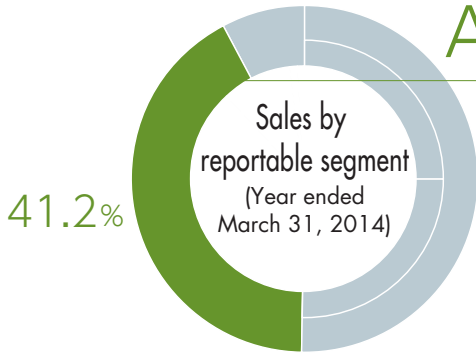
Compact GPS detection with an expanded measurement range Compact Geomagnetic Sensor for Mobile Devices

The rapid spread of smartphones comes down to the convenience that their diverse functions provide. GPS features, in particular, are used in more and more situations for map guidance and position logging. Geomagnetic sensors required to detect location have to be increasingly compact for integration into today's ever thinner, more functional smartphones and other mobile devices.

Alps Electric has responded by developing a new product with compact dimensions of 1.6 × 1.6mm, 60% smaller than earlier models. The sensor employs a compact yet physically robust LGA* package and, in terms of detecting position, achieves the industry's widest measurement range, which is two times larger than earlier models. These characteristics were made possible by applying thin film process and magnetic simulation technologies acquired by Alps over the years through magnetic head business to optimize the magnetic sensor. The product can be used to enable location detection not only in smartphones, but also in other compact devices like watches and digital cameras, as well as motion detection in game consoles.

*Land grid array (LGA): Packaging that protects electronic components from outside heat and impacts. It offers the advantages of a physically strong structure and higher power density.

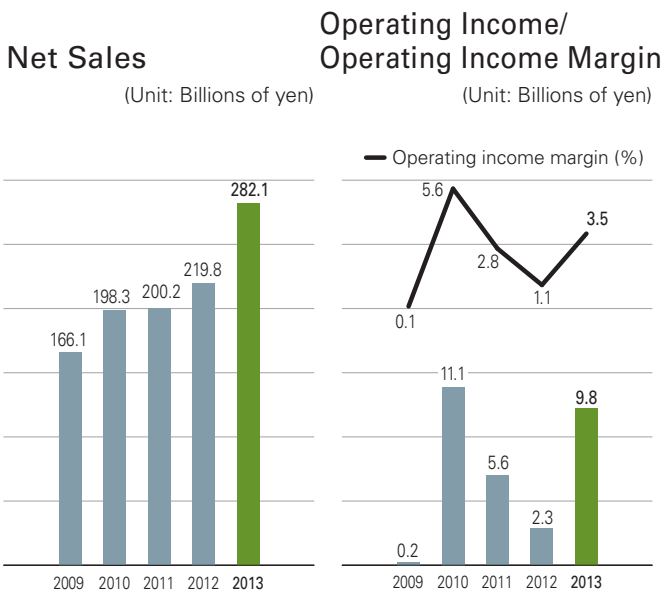
Automotive Infotainment



In the car electronics sector, competition among navigation system suppliers intensified in the Japanese aftermarket as they looked to diversify distribution routes outside the automotive supply store channel, for example through dealer-installed options. New vehicle sales turned up as consumers rushed to purchase prior to the consumption tax hike, but the market underwent major changes with new mini-vehicle sales, for which navigation system installation is low, reaching a new high. Meanwhile, new vehicle sales in the North American market were strong on the back of factors such as improved consumer spending stemming from economic recovery in the United States.

In the automotive infotainment segment, Alpine Electronics, Inc. (TSE 1st: 6816) exhibited at Auto Shanghai 2013 to raise the profile of the brand and promote its high-quality, high-functionality products, and made efforts to expand aftermarket business, for example by opening a new office in Indonesia. The company also set out to capture new business opportunities at the ITS World Congress on advanced transport systems and the Tokyo Motor Show, exhibiting advanced technologies for electric vehicles and driving safety support systems, as well as the next-generation integrated cockpit for inside vehicle cabins developed jointly with Alps Electric. In business to automakers, Alpine endeavored to win new orders by holding technology exhibits for overseas manufacturers and recommending solutions for more advanced, integrated automotive infotainment systems.

The above resulted in net sales of ¥282.1 billion (28.3% year-on-year increase) and operating income of ¥9.8 billion (322.1% increase) in the automotive infotainment segment for the fiscal year ended March 31, 2014.

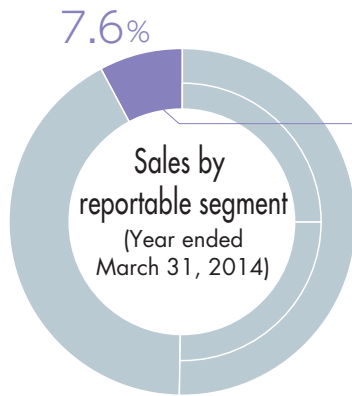


● Check! ●



Crafted for ultimate matching to individual vehicle models
Big X Series—Initiating a Market for Model-Specific Big-Screen Navigation Systems

Under conventional standards, the biggest car navigation system screens were seven inches. Alpine has realized big screens of eight inches or more by developing systems especially for the console panels where they are to be installed. The high-end Big X Premium Series has been exclusively designed for individual vehicle models through ongoing design, development and testing. Control keys are also designed to match the particular console. Alpine enables Perfect Fit systems that are integrated into the consoles of automobile brands.



Logistics

In the logistics segment operated by Alps Logistics, Co., Ltd. (TSE 2nd: 9055), the market for automotive products within the main electronic components sector was strong on the back of demand in the United States and emerging nations. Demand for products to be used in smartphones and tablets also increased.

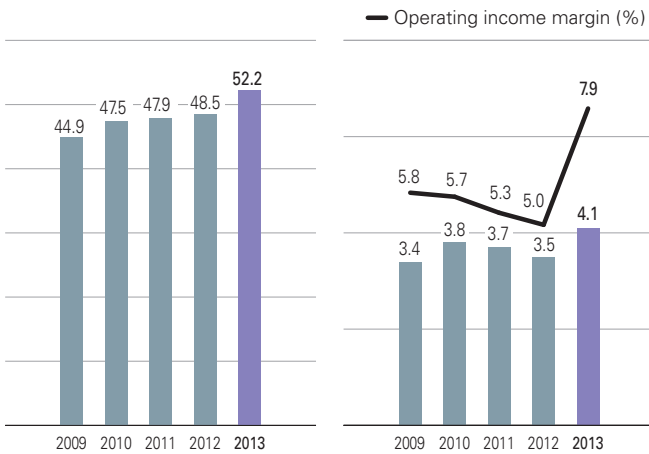
Alps Logistics worked to strengthen transportation, warehousing and forwarding businesses by expanding its global network and advancing united sales promotion efforts between teams in Japan and overseas. In China, efforts were made to expand business by bolstering logistics infrastructure, for example by opening, in East China, a branch in Taicang (Jiangsu Province), and to cope with an increase in consignment business in South China, the Shenzhen Branch (Guangdong Province). In Korea, a new warehouse was established within the industrial park at Incheon International Airport in January 2014 with the aim of strengthening forwarding operations.

In North America, having already added to warehousing facilities in Reynosa, Mexico, the company expanded warehousing space at its facility in McAllen, Texas. By capturing strong automotive demand, freight volumes increased.

The above resulted in net sales of ¥52.2 billion (7.7% year-on-year increase) and operating income of ¥4.1 billion (15.4% increase) in the logistics segment for the fiscal year ended March 31, 2014.

Net Sales
(Unit: Billions of yen)

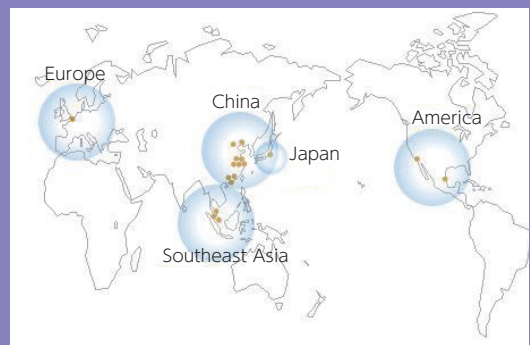
**Operating Income/
Operating Income Margin**
(Unit: Billions of yen)



● Check! ●

A global logistics platform for customers' procurement and production activities

Alps Logistics has built up a powerful logistics network consistent with routes traveled by electronic components both in Japan and around the world, in China, Southeast Asia, North America and Europe. Whether delivering to an overseas destination from a Japanese plant, a Japanese destination from an overseas plant, or even an overseas destination from an overseas plant, Alps Logistics is a trustworthy partner for companies wishing to expand their global business.



The Alps Electric Group has been following a basic policy, “Perfecting the art of electronics,” in research and development activities ever since its founding.

Our two major R&D domains serve the automotive and smartphone markets. In addition, we are also focusing on the energy and health care fields.

Development Examples

The Alps Electric Group responds to a rapidly changing market and reflects the needs of the market in its product development activities. Placing particular focus on *shimidashi* (seeing) and “black-boxing” of technologies, we aim to be Number 1 in the market with our integrated technological capabilities.

Shimidashi refers to the development of products as an extension of technology the company already possesses. It enables expansion of the market by branching into areas on the periphery of existing markets or by adding functionality. Because the products stem from mature core technology, the workload is smaller, leading to faster development.

Technology black-boxing, on the other hand, is the creation of products with structures and shapes which cannot be easily imitated. It is a way to capture overwhelming advantage in the market. Use of algorithms and IC packaging are examples of black-boxing methods. Another method we believe is effective is black-boxing of the manufacturing process itself, for example by making equipment in-house or developing the materials.

Product Development Example 1
Shimidashi Development

Waterproof Phone Jack Connector

The Waterproof Phone Jack Connector is an example of *shimidashi* development, whereby technologies used for existing products are applied elsewhere. Possessing precision metal processing technologies, Alps Electric has been producing connectors for mobile phones and smartphones for many years. By combining the company’s precision processing technology with waterproofing technologies applied, for example, to automobiles, we developed a connector meeting requests for a product with resistance to water.

Conventional jack connector (not waterproof)	Alps Electric phone jack connector (waterproof)
<p>⟨Normal phone jack connector⟩ Water leaks through connector</p>	<p>⟨Waterproof phone jack connector⟩ Water does not leak</p>
<p>With conventional jack connectors, water would penetrate into the phone through the jack.</p>	<p>With a waterproof jack connector, water does not penetrate into the phone through the jack.</p>

Product Development Example 2
Technology Black-Boxing

UGZZC-G Series Bluetooth® Module with Antenna for Automotive Use

The Bluetooth® All In One Module with Antenna for Automotive Use is an example of technology black-boxing. The product integrates not only the necessary hardware for wireless communication, including an antenna, but also software, such as a communication protocol, as well as echo cancellation and noise reduction features realizing high quality sound inside the vehicle cabin. This helps to improve quality not as a single part, but at the system level, and to shorten the amount of time the customer spends on developing the end product.

Alps Electric supplies products which have been verified in advance through testing to ensure interoperability between differing devices. This helps to reduce the workload in testing of the final product.

We manage to retain a high market share due to the popularity of our unrivalled original technology and service.

Global R&D Activities

The Alps Electric Group is globalizing its product development activities as our customers expand globally. Efforts to enhance overseas R&D functions will continue so that we are able to respond to the needs of customers in countries and regions worldwide.

However, we believe Japan will continue to initiate product creation through technological innovation. Our R&D headquarters remains in Japan. Concept development, as well as R&D related to advanced technologies are undertaken in Japan, Europe and the United States with standardization in product design. Meanwhile, local engineering functions at bases close to the manufacturing facilities of customers will be used to expand development activities required to responding to local requirements, for example by expanding product portfolios.

In 2013, R&D centers were opened in Wuxi, China, and Korea as part of efforts to strengthen local R&D activities in Asia and Southeast Asia—areas enjoying significant growth in recent years. In addition to existing facilities in Shanghai, Dalian and Malaysia, the centers bring the number of R&D bases in Asia to five.



Alliances Between Industry, Academia and Government

The Alps Electric Group is currently collaborating on joint research relating to 17 themes with 13 universities and two research institutions.

To develop new products, we sometimes require new technologies from the outside of our core technology domain. For that reason, and also to speed up development, technologies have to be brought in from the outside. We believe that the mutually complementary format of industry-academia collaboration, whereby our corporate needs match seeds of research at universities, can stimulate development and allow us to promptly deliver to the world products addressing the needs of customers and society.

The Alps Electric Group even actively engages in collaboration with local governments with an aim to vitalize communities through product and system development. In fiscal 2013, for example, Alps Electric carried out verification testing of a wireless network system for people living alone in communities as part of a Ministry of Internal Affairs and Communications project to promote community development through ICT, advanced together with the city of Osaki, Miyagi Prefecture. By pushing ahead with development based on the results, with an eye to practical application, we believe we can contribute through business to the resolution of issues faced by local bodies in Japan.

Perfecting the Art of Electronics in Product Creation

Automotive



For the automotive market, we focus on development of modules with high added value in the human-machine interfaces (HMI) and connectivity (communication) fields.

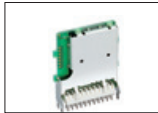
Advantages over other companies are the ability to apply experience acquired through HMI development for consumer devices, as well as the ability to develop modules through partnership with group company Alpine. Besides individual automotive components, our automotive product lineup includes a large number of modules incorporating those components. We have the ability to put forward integrated solutions through joint module development between Alpine, a company with strengths in output devices like car navigation systems, and Alps Electric, which excels in components for input and communication.



Map lamp switches



Steering combination switch module



Bluetooth® module for automotive use



Haptic Commander™

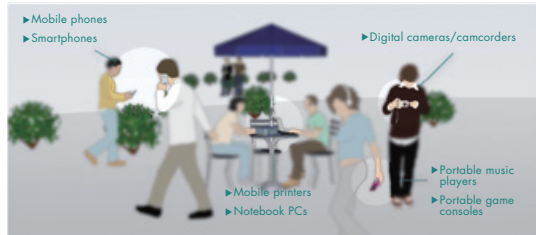


Throttle position sensor



Remote keyless entry system

Mobile



Besides Japanese, European and American manufacturers, we develop products matching the needs of local manufacturers in the Greater China area with our sights on making further inroads into that market. As the Chinese market matures, end users want higher-performance, higher-quality products and local manufacturers are demanding higher standards from the components they use.

The Alps Electric Group is advancing development of camera autofocus actuators, an area of technological advantage, as well as other products like switches and touch panels.



TACT Switch™ (Side Push)



Geomagnetic sensor



Touch panel



Power inductor (chip type)

Energy & Health Care



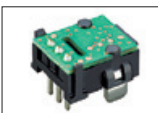
As new areas of business, the Alps Electric Group is directing effort into the energy-related and health care domains. We engage in broad product development for these markets from materials to components and modules.

In the energy-related domain, we aim for further evolution of the resource- and power-efficient communication modules and sensors we have developed to date and promote solutions combining sensors and communication modules in smart networks.

In the health care domain, we apply technologies in three areas where the Alps Electric Group excels—HMI, sensing and connectivity. For example, sensors can be used for preventing heat disorders and other health maintenance and management by detecting changes in environmental parameters such as light, temperature and humidity. Our ever smaller, thinner switches, connectors and other components will support the evolution of health care equipment.



Humidity sensor



Current sensor



Wireless LAN module



Wireless environmental sensor module

The Alps Electric Group views quality and safety management as paramount factors influencing the trust and satisfaction of customers and end users. We constantly strive to enhance controls and achieve further quality improvements so we can deliver products and services with which everyone will be satisfied.

Quality Control Policy

Quality management systems are established, implemented and continually improved under annual quality policies established for each fiscal year in line with the Fundamental Quality Control Policy. To facilitate improvements in global quality performance, quality-related achievements and issues pertaining to products are regularly reported to the Board of Directors to be shared Group-wide rather than leave units to address issues individually.

Fundamental Quality Control Policy

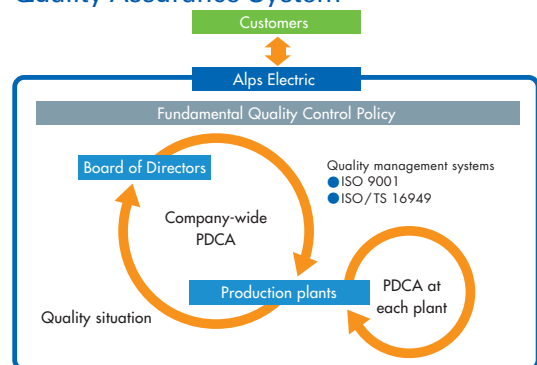
Alps Electric guarantees a standard of excellence in all its products and services, satisfying customer needs.

Quality Management Systems

International standards for quality management systems are essential for business as they demonstrate that all departments, through quality assurance, help to realize higher levels of customer satisfaction. All production plants of the Alps Electric Group (including plants outside Japan) had acquired ISO 9001 certification by fiscal 2005. Plants producing products for the automotive industry have additionally acquired ISO/TS 16949 certification. Together we will strive for further improvements to our quality management systems.

*Visit the Alps Electric website for a list of certified facilities.

Quality Assurance System



Innovative Quality Improvements

The Alps Electric Group implements a variety of initiatives to bring about innovative quality improvements.

1 Active Use of Quality Engineering (QE)

Quality defects not only lead to loss of customer trust, but also have a major impact on the ability to capture and retain business.

Enhancing the quality of products on the market while preventing output of defective products is key to winning trust. One way we do this is use of quality engineering (QE).

The entire Alps Electric Group is working to adopt QE, particularly in application to design quality improvements (In) and defect prevention (Out).

In the design and development stage, we are expanding application of functionality evaluation methods with a focus on the manner of use by the customer (the market) in order to improve product robustness.*

To prevent any outflow of defects, we have adopted systems that use QE to judge or evaluate the instability of product functions, and we are expanding application of those systems.

*Robustness: The degree to which a supplied product can perform its intended function in any environment the customer might use it in (hot/cold, humid/dry, dusty etc.)

2 Global Standardization of Operations

Through standardization of operations performed worldwide, the Alps Electric Group aims to improve operational efficiency and enhance its service to customers by ensuring quality.

Globally Unified QMS

Quality management systems (QMS) were previously established at each production base and implemented individually. However, establishment of a unified QMS became essential given efforts to strengthen the function-based organization. Alps Electric acquired company-wide ISO 9001/TS 16949 certification in 2012.

A move to unify QMS from a global perspective began in 2013 in response to louder calls for a unified system from overseas bases and customers. The unified QMS was released in June 2014.

Improvements to the system will be ongoing as we ultimately aim to establish a standardized system that is effective in preventing defects.

Strengthening of Failure Analysis (FA)

In the United States and Europe, the Alps Electric Group has made efforts to enhance services provided by failure analysis (FA) engineers primarily to automotive customers. In the Greater China region, FA activity restructuring has become an urgent task as the growing number of smartphone manufacturers is expanding the scope and diversity of requirements from individual customers and for individual products.

In December 2013, we set up the China FA Center in Shanghai to coordinate customer- and region-based FA strategy formulation, bolstering of FA systems and FA personnel training in Greater China.

During fiscal 2014, we plan to establish an FA framework for Southeast Asia and India, primarily for automotive customers.

Proper Management of Environmentally Hazardous Substances

● Proper Use and Management of Chemical Substances

The Alps Electric Group uses chemical substances during the production of items which meet society's needs. Many chemical substances, however, have a detrimental impact on the environment or human health if used or managed in the wrong way. For that reason, proper management of chemicals and avoiding the use of substances with a large environmental impact are important elements of business.

The Alps Electric Group fulfills its corporate duty to reduce environmental impact through the creation of management standards and proper management of the storage, use and release of chemical substances used in production in keeping with laws and regulations.

● Enabling Provision of Safe, Environmentally Friendly Products

Scopes of application of the Stockholm Convention on Persistent Organic Pollutants (POPs),¹ the EU Directive on the restriction of certain hazardous substances (RoHS Directive)² and other restrictions on chemical substance content in products have been changed or expanded in recent years and we need to be able to respond promptly to those changes.

The Alps Electric Group has formulated a set of *Green Procurement Standards* and adheres to the standards when purchasing materials in order to eliminate the use of hazardous substances from all processes—from materials and parts procurement to assembly and shipping—and to ensure that products do not contain hazardous substances. We also conduct "environmental corporate evaluations" of materials suppliers whereby we assess their environmental efforts, and prioritize business with suppliers operating with sufficient consideration toward environmental protection.

1. Stockholm Convention on Persistent Organic Pollutants: A treaty banning or restricting the production, use and trade of persistent organic pollutants (POPs)

2. RoHS Directive: Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment

Product Assessments During Development

The Alps Electric Group implements product assessments to evaluate the environmental impact of products during the development and design stage, thereby contributing to the development of many environmentally friendly products. For example, product assessments are geared toward finding designs that support biodiversity conservation because they are smaller, thinner and lighter and therefore use fewer resources; promoting green procurement of materials; and reducing environmental impact by providing products that are easy to dismantle or break down. We also address global warming by reducing power consumption during manufacturing and improving the efficiency of processes.

Cooperation with suppliers in areas such as quality, delivery, price, environmental conservation and corporate social responsibility is vital for meeting customer requirements. The Alps Electric Group works continually to strengthen ties with suppliers and fulfill responsibilities within the supply chain in line with its Purchasing Approach and Purchasing Policies.



Our Green Procurement Standards are deployed globally in Japanese, English and Chinese

Basic Policy on Purchasing Activities

Purchasing Approach	Purchasing Policies
<p>With underlying sincerity and whilst maintaining fairness and integrity, our purchasing procedures uphold relationships of confidence, cooperation and mutual trust with suppliers.</p>	<ol style="list-style-type: none"> 1. Compliance with Legislative and Social Standards Adherence to the legislative and social standards (in areas such as human rights, labor, health, safety and the natural environment) apparent in countries and regions of operation 2. Green Procurement Maintenance of sufficient management systems that enable procurement of environmentally friendly materials that contribute to energy and resource conservation and do not contain hazardous substances 3. Stable Availability Identification of potential risks in order to provide a stable supply route in terms of quality, lead times, price and environmental factors 4. Continual Improvement Nurturing continual improvement in quality, lead times, price and technological aspects 5. Valuing Partnerships Creation of win-win relationships by utilizing mutual strengths 6. Utilizing Information Technology Increasing operations efficiency and reducing lead times and mutual risk by sharing information using information technology

Promoting Green Procurement

The Alps Electric Group engages in “green” procurement to ensure that products supplied to customers are safe and environmentally friendly. It involves procuring materials and parts containing no hazardous substances from suppliers with established management systems. Suppliers are asked to follow our *Green Procurement Standards* and are assessed through “environmental corporate evaluations” looking at their own environmental efforts, as well as “material evaluations” checking that substances specifically prohibited by the Alps Electric Group are not present in materials or parts. Evaluation data is shared through the Alps Green Procurement System, accessible worldwide via the Internet.

The *Green Procurement Standards* and *Green Procurement Standards Appendix* are reviewed annually to reflect applicable legislative, regulatory or other changes.

Response to Conflict Mineral Issues

Human rights violations by armed elements in the Democratic Republic of the Congo and neighboring countries¹ and the intensification of conflict due to armed groups being financed through the sale of minerals obtained in these regions are major issues. In the United States, Section 1502 of the Dodd–Frank Wall Street Reform and Consumer Protection Act, which came into effect in January 2013, defines these minerals as “conflict minerals”² and obligates corporations listed on American stock exchanges to disclose information related to the use of conflict minerals in their products with the ultimate goal of eradicating the use of minerals which are “financing conflict.”

Alps Electric, while not obligated by the law, understands and agrees with the purpose of the law from a human rights perspective and acts based on a policy of neither purchasing nor using conflict-financing minerals sourced from the Democratic Republic of the Congo or neighboring countries.

In fiscal 2013, we checked for use of such minerals in new or existing products with the help of suppliers and responded to related surveys conducted by customers. Our target for fiscal 2014 is to complete surveys on use of such minerals and we will look to improve the reliability of collected data.

1. South Sudan, Uganda, Rwanda, Burundi, Tanzania, Zambia, Angola, Republic of the Congo and the Central African Republic
2. Columbite-tantalite (coltan), cassiterite, gold, wolframite, or their derivatives (tantalum, tin, gold and tungsten)

Alps Electric engages in business worldwide with a diverse workforce of varying nationalities, languages, cultures, customs and gender. Our strength as a corporation stems from our employees' ability to interact freely with mutual respect and understanding and to develop into creative, independent-minded professionals.

Human Resources Development Initiatives

In an age of globalization and rapid change, Alps Electric requires *proactive* human resources who can adapt to change and initiate reform. That is why we assist the self-realization of all employees by providing diverse challenges while also carrying out a variety of measures to transform the company culturally and structurally to generate even greater accomplishments.

● Developing Human Resources through the HR Development Conference

The Human Resources Development Conference, comprising all company directors, was set up in 2013 to promote the development and utilization of human resources as a way of contributing to the growth and advancement of global business. The mission of the conference, under a basic principle of "showing an interest and investing in people," is to (1) find and develop professional human resources for the global organization, and (2) enable appropriate pay and benefit levels and suitable placement of the Group's human resources. Efforts are focused mainly on enhancing the company-wide training framework, promoting overseas trainee programs, formulating and implementing development-oriented rotation schedules, establishing a succession planning framework, and stimulating activity by both veteran and young employees.

● Enhancing the Company-wide Training Framework

The development of global human resources and establishment of an organizational climate are vital for overcoming competition and achieving ongoing success in a fast-changing global market. In 2014, Alps Electric established the Company-wide Alps Education Committee comprising education officers for each function and members of the Human Resources Department. The committee works to enhance training for employees at different levels and for different functions.

Training Programs

Category	Description	Main programs
Directors	To share knowledge about major issues for Group management and find resolutions	•Seminar for directors of the three listed companies
Prospective executives	For select capable, motivated employees, to enable ongoing, systematic development of future executives	•Prospective executives training •Cross-industrial exchange
Level-specific	To foster awareness of duties/skills demanded of each position/qualification and facilitate practice	•Senior manager training •Advanced manager training •New manager training •Basic management training
Function-specific	To learn knowledge and skills required for duties of different jobs/positions	•Engineer development training •Monozukuri innovation training (TIE)
Issue-specific	To foster awareness about corporate social responsibility and other issues based on company/workplace needs, and to cultivate knowledge and adaptability that society demands	•Training for expatriates •CSR education •Compliance education •Project leadership training
Assessment	To assess competency required to perform duties and formulate education plans	•Assessment-based training for promotion to senior manager •Assessment-based human skills training
Career development support	To give employees an opportunity to review their careers by taking stock of their skills and competencies and designing career and life plans	•Career design support seminar •Life plan design support seminar
Instructors	To develop instructors and coaches for training programs	•Coach training for junior employee programs

● Overseas Trainee Program

As an initiative to help develop global human resources, Alps Electric has in place an overseas trainee program whereby young and mid-level employees are seconded to affiliates or outside organizations overseas for one year to gain experience through practical training. The aim of the program is to develop "global human resources" who possess an international perspective and vitality with awareness of cultures and customs and language proficiency by having employees experience working and living overseas early on in their careers. Participants are sought via nomination and in-house applications with trainees selected through screening and interviews. Trainees set targets and training plans in the areas of work experience, language study and living, keep track of training progress, and give a final presentation on completion of the program.

Of around 30 people who applied for the program in fiscal 2014, eight trainees will be dispatched to the United States, Mexico, Germany, Ireland and China.

● Development-Oriented Rotation

Development-oriented rotation of human resources is carried out with the aim of promoting placement of the right people in the right posts consistent with efforts to realize company-wide business plans and growth strategies. There are two types of rotation: rotation for junior and mid-level employees, seeking to broaden the scope of activity and enhance the aptitude of individual employees through a variety of work experience in a number of different departments; and rotation for employees of mid-level and above, including managers, aiming to unearth and build upon individual strengths, helping them make a greater contribution to the running of the company.

Employees additionally file self-assessments reporting on career achievements, job ambitions and other aspects, such as life plans. Supervisors use self-assessments as the basis for face-to-face engagement with employees, as a way to enhance communication and assist career design over the medium term, while formulating and advancing development-oriented rotation schedules to continually provide challenging opportunities to help employees actualize their capabilities.

● Alps Intra-Group Transferees Program—Nurturing Future Executives of Overseas Affiliates

One element of our global human resources development strategy is the Alps Intra-Group Transferees Program, which aims to nurture future executives of overseas affiliates. Program participants—mid-level employees to senior managers hired locally by affiliates—work in Japan for two years to learn about the unique aspects of Alps culture. As future leaders of overseas affiliates, it is hoped they will serve as a bridge between operations inside and outside Japan.

By the end of fiscal 2013, 26 employees from overseas had come to Japan on the program.

Diversity

The Alps Group hires diverse human resources, regardless of nationality, gender or age. Our aim is to create work environments where people possessing different sets of values can work with vitality, applying their capabilities to the full. A variety of initiatives are underway. For example, to promote greater involvement of women, we readily take on female employees, and we are working to enhance programs and change mentalities within the group. In regard to the employment of people of foreign nationality, we make an effort to place the right people in the right positions.

● Promoting Greater Involvement of Women

Expanding opportunities for female employees remains an important challenge for the entire Alps Group, which readily hires women. Besides establishing the right working environment, by enhancing programs that support balance between work and childcare or nursing, we ensure that employees are aware of these programs and see to it that they are put into practice and their effectiveness is improved. We also tap various opportunities, for example through education and training, to bring about a change in mentality among managers and even women themselves. Following these efforts, women remain with the company for an average 22.4 years, 64.7% of women are married, and more women are achieving work-life balance and playing an active role even after they marry.



Female employees in a project to carve out a new market

● Employing Foreign Personnel—International Associates Program (IAP) and Exchange Students

The International Associates Program (IAP) recruits new graduates from overseas and employs them on two-year contracts at Alps Headquarters in Japan. Besides developing human resources who possess the ability to operate on the global stage, the program's aim is to promote internationalization and diversity internally at bases in Japan. Employing around five people annually for over 20 years, the program has had a total of 94 participants to date from the Czech Republic, Germany, the United States, Ireland, Malaysia, France, the United Kingdom and Sweden.

After completion of the program, many of the participants stay on to work for the Alps Electric Group, including an employee who is still with us after 20 years. In 2003, we additionally started employing foreign exchange students on graduation from Japanese universities. So far 24 people from countries including China, Korea, Malaysia and Indonesia have been employed through this system and placed in workplaces after receiving the same new employee training as management track employees. Employees of foreign nationality engage in wide-ranging jobs, from design and development to sales engineering and accounting.

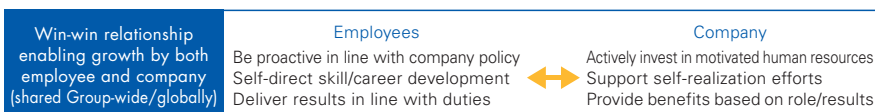
● Employing People with Disabilities

Alps Electric strives to expand employment and improve workplace environments, placing importance on the ability of able-bodied and disabled people to work side-by-side with mutual acceptance. We have been setting company-wide targets for employment of disabled people since 2006 in line with the Japanese Act on Employment Promotion etc. of Persons with Disabilities. We are currently working toward a disabled persons employment ratio of 2.11% for fiscal 2014, which is above the statutory rate. Besides raising the employment ratio, we will continue efforts to create workplaces that allow disabled employees to fully utilize their capabilities.

2012	2013	2014
1.96%	1.99%	2.11%

● Promoting Diversity with Global HR Policy

Human resources management within the Alps Group is undertaken based on a common policy applying to the entire Group. By globally sharing standards on the values we look for in our people, we work globally as "One Alps," while respecting diversity, to develop and utilize Group resources.



Three principles of the Global HR Policy

1. Establish and implement HR systems allowing sustainable development by all group companies
2. Establish and maintain globally optimized workforces and work content
3. Actively invest in motivated, high-potential human resources and create opportunities for advancement

● Liaison Meetings with Overseas Affiliates

HR liaison officers are dispatched from Alps Headquarters to each region—Asia, China, the United States and Europe. Liaison officers and the Human Resources Department regularly engage in information and opinion exchange to share issues and ensure smooth implementation of HR strategies.

The Alps Electric Group implements a host of activities in line with the policy below to ensure that employees can go about their jobs dynamically. Our aim is to create programs and workplaces allowing employees to work in safety and in good physical and mental health.

Occupational Safety Policy

- Raise employee awareness about health maintenance and improvement
- Implement and continue 2S—*seiri* (sorting), *seiton* (ordering)—activities (active workplace self-inspections)
- Raise employee safety awareness and improve the emergency response capability of Occupational Health & Safety Committee members
- Raise employee awareness about road safety

Improving Lifestyles

As a health management initiative, Alps Electric has introduced activities to help improve the lifestyles of employees and thereby prevent the future onset of lifestyle-related diseases. These activities are being continued in fiscal 2014.

● Walk Rallies Using Physical Activity Monitors

Walk rallies are arranged to promote continued physical activity. Sharing of achievements helps to sustain participants' motivation to exercise.

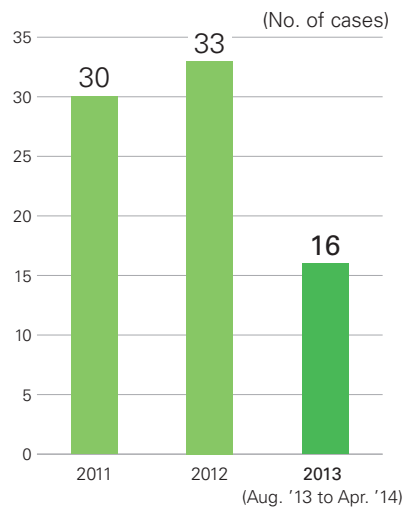
● Support for Activities via Online Communities

Learning about efforts and achievements of other community members raises health maintenance awareness.

● In-house Physical Activity Workshops

Physical activity workshops, open to everyone, are held after work. Aims are to create opportunities to start exercising and to raise health awareness.

Work-Related Accidents and Illness



*Alps Electric tabulates work-related accidents and illness for each year from August to the following July.

● Body Composition/Blood Pressure Monitors

Health rooms at bases in Japan are equipped with body composition and blood pressure monitors, allowing employees to keep track of their physical condition at any time.

● Health-Conscious Cafeteria Menus

Cafeteria menus are developed to help promote awareness about health maintenance through care, for example, toward salt and calorie intake.

Global Health and Safety Efforts

Alps Electric Group bases both in Japan and overseas carry out initiatives to raise awareness about safety, ensure compliance with work procedures, and promote the maintenance of tidy and ordered workplaces. In regard to health, we promote health maintenance and improvement, hold routine health checks, and encourage hand-washing, mouth-rinsing and general cleanliness. Emergency drills are held to help employees protect themselves in the event of a sudden accident or natural disaster. All Alps Electric Group bases implement initiatives related to health and safety as they are issues that affect us all.



Evacuation drill at Alps Electric Malaysia

The Alps Electric Group views environmental preservation as one of the more important management themes to address as we carry out our business activities. In 1994, we established our Environmental Charter to promote proactive, preventive environmental preservation activities and company-wide environmental initiatives have been advanced in line with successive medium-term action plans.

Those efforts have since expanded and we are making progress on building a global framework for environmental efforts, ensuring that our products are environmentally friendly, one of the core values we pursue in “perfecting the art of electronics,” and lowering the environmental impact of our business activities.

The Alps Group Environmental Charter	
<p>Basic Philosophy</p> <p>Alps, as a member of the global community, is committed to protecting the beauty of nature and to safeguarding our precious resources through the use of technologically advanced business practices and the efforts of its employees, in order to promote sustainable development.</p>	<p>Action Program</p> <p>Placing priority on environmental preservation, we at Alps will:</p> <ol style="list-style-type: none"> 1. Develop products in light of environmental concerns 2. Engage in environmentally friendly production and sales 3. Conserve our natural resources 4. Reduce or eliminate waste 5. Increase recycling activities

Environmental Management Systems

All production facilities of the Alps Electric Group in Japan and overseas have had their environmental management systems certified. Certified sites perform internal environmental audits at least once a year in line with the ISO 14001 standard.

Environmental preservation activities in fiscal 2013 were advanced under independent plans formulated at each site based on the 7th Medium-Term Action Plan for Environmental Preservation.

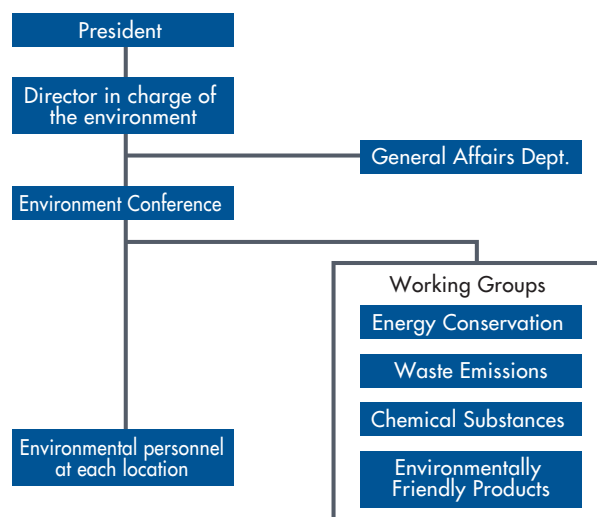


A third-party audit

Environmental Management Structure

Policies and measures relating to environmental management are determined by the Environment Conference, comprising representatives of business locations in Japan and the director in charge of the environment (chair). Once finalized, policies and measures are implemented both in Japan and overseas by persons in charge and environmental management representatives of each location. As secretariat of the Environment Conference, the Environment Planning Section of the General Affairs Department falls under the supervision of the director in charge of the environment and is charged with advancing environmental management through the planning and formulation of company-wide environmental measures. Working groups reporting to the Environment Conference have also been established to examine specific issues, such as global warming and waste emissions.

Environmental Management Structure (as of March 2014)



Environmental Accounting

The Alps Electric Group introduced environmental accounting* for monitoring environmental costs and economic benefits in fiscal 2000 based on Ministry of the Environment guidelines.

*Environmental accounting: An accounting-style method for clarifying a company's expenditure on efforts to improve its environmental performance and contribute to the creation of a sustainable society.

FY2013 Environmental Costs (Coverage: Alps Electric Co., Ltd.)

(Unit: Millions of yen)

Category	Main activities	Investment		Cost	
		2012	2013	2012	2013
Business area cost	Pollution prevention; global warming prevention	354.8	92.9	249.7	331.4
Upstream/downstream cost	Green procurement; database for chemical substance management	0.0	0.0	78.7	68.4
Administration cost	ISO 14001 certification maintenance	0.0	0.0	97.1	82.2
R&D cost	—	0.0	0.0	0.3	0.2
Social activity cost	Community cleanup activities	0.0	0.0	4.8	4.1
Environmental remediation cost	Soil and groundwater remediation	0.0	0.0	3.4	1.5
Other cost	—	0.0	0.0	0.0	0.0
Total		354.8	92.9	434.0	487.7

1. Environmental costs include all investments and costs for activities undertaken for the main purpose of environmental preservation. Aggregation by allocation is not applied.

2. Investment amounts are the sum total of capital investment and lease expenses.

3. Cost amounts are the sum total of administrative, maintenance, depreciation, and lease expenses for the current period.

FY2013 Economic Benefit from Environmental Preservation Activities

(Coverage: Alps Electric Co., Ltd.)

(Unit: Millions of yen)

Category	Investment	
	2012	2013
Revenue from sale of products	552.4	925.8
Expense saving due to energy conservation	31.6	54.5
Total	584.0	980.3

*Economic benefit includes revenue from the sale of emitted items recycled through sorting and recovery processes, and electricity, fuel and other expense savings resulting from energy conservation. It does not include deemed benefits.

Chemical Substances – Appropriate Use and Release Control

Alps Electric ensures appropriate use of chemical substances by regulating the use of substances in products and processes through the Alps Environmentally Hazardous Substance Control Standard.

PRTR Substance Survey Results (Coverage: Alps Electric Co., Ltd.)

(Unit: t)

Substance	Volume used		Volume released				Volume transferred			
			To atmosphere		To water		To sewerage		To waste contractors	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Xylene	6.9	6.8	3.7	0.7	0.0	0.0	0.0	0.0	0.3	0.4
Silver and its water-soluble compounds	5.0	4.3	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Inorganic cyanide compounds	2.7	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dimethylacetamide	1.1	1.1	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.1
1,2,4-trimethylbenzene	7.4	7.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.7
Toluene	19.9	28.1	17.2	20.7	0.0	0.0	0.0	0.0	2.7	7.4
Lead	1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nickel	3.3	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Nickel compounds	2.8	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water-soluble salts of peroxodisulfuric acid	11.5	19.1	0.0	0.0	0.0	0.0	0.0	0.0	11.5	19.1
Methylnaphthalene	15.2	12.9	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0

*The above data includes data for production subsidiaries in Japan.

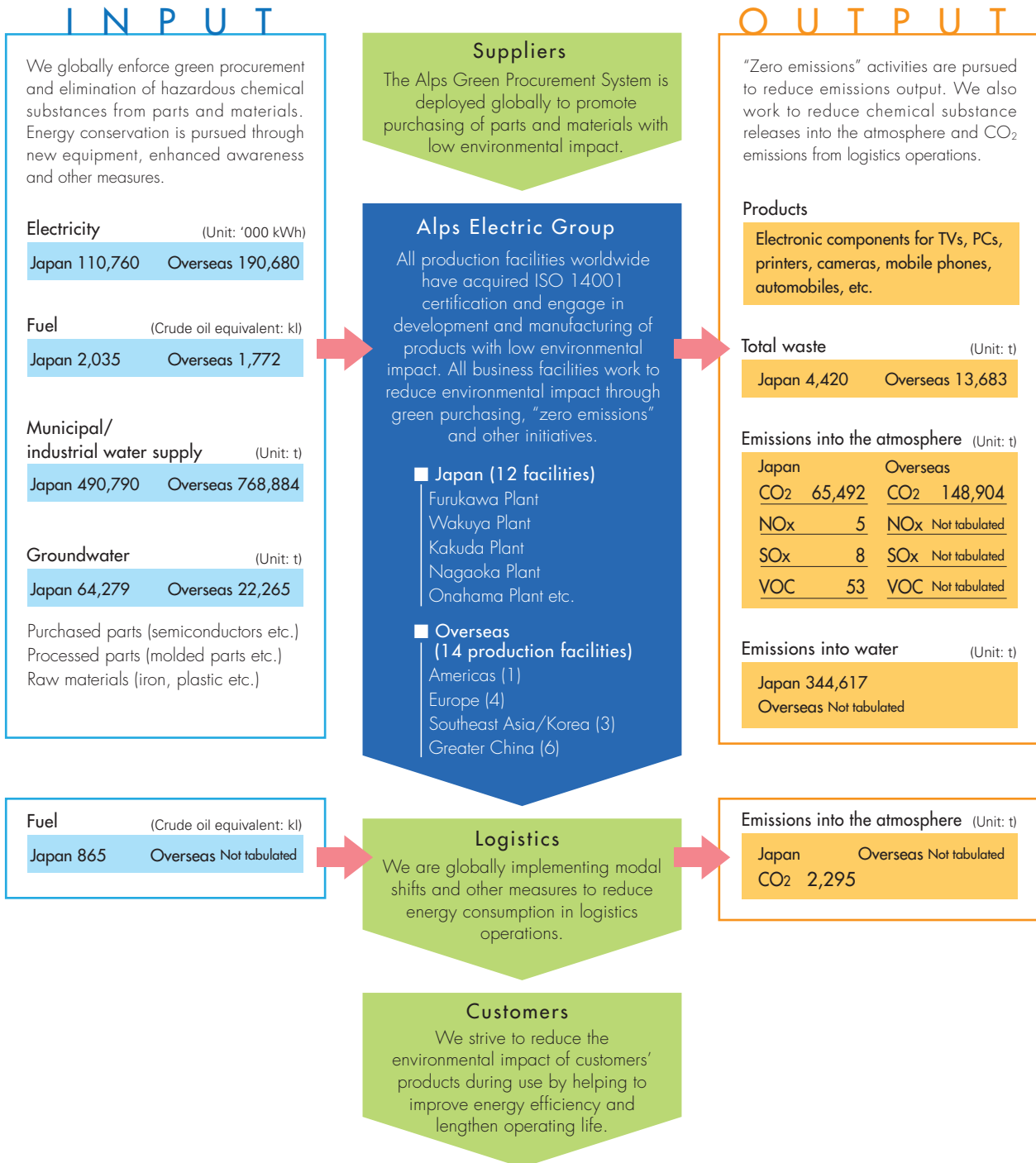
*The Pollutant Release and Transfer Register (PRTR) Law was established in 1999 in Japan to encourage businesses to independently manage chemical substances by quantifying releases into the environment. Businesses file reports on releases of specified chemical substances and the central government tabulates and publishes the data.

Environmental Impact

Inputs and outputs are increasing as production outside Japan expands. Overseas operations account for a growing portion of the Alps Electric Group's environmental impact.

We must therefore improve systems for collecting performance data for overseas operations so that data can be utilized to lower our overall environmental impact.

Material Balance for the Alps Electric Group



Mitigation of Environmental Risk

Alps Electric takes steps to lower the risk of environmental contamination occurring as a result of unforeseen accidents or disasters.

“Environmental risk maps” are drawn up for each plant and updated on a regular basis. These maps specify on plant plans where chemical substances and waste are handled. Areas prone to accidents are highlighted alongside information about risks which have actualized in the past. Sharing this information helps to lower the risk to the environment.

Risk is also mitigated through improvements to facilities, such as replacement of underground pipelines with aboveground, double-walled pipelines, construction of containment dikes at tanker stops, and installation of spill sensors, while “emergency response plans” are formulated and tested through regular drills to ensure readiness.

Energy Conservation

The Alps Electric Group carries out energy conservation activities as a countermeasure to global warming under its 7th Medium-Term Action Plan for Environmental Preservation. Our target is to reduce energy consumption per unit by an average 1% annually up to 2020 from base year fiscal 2012.

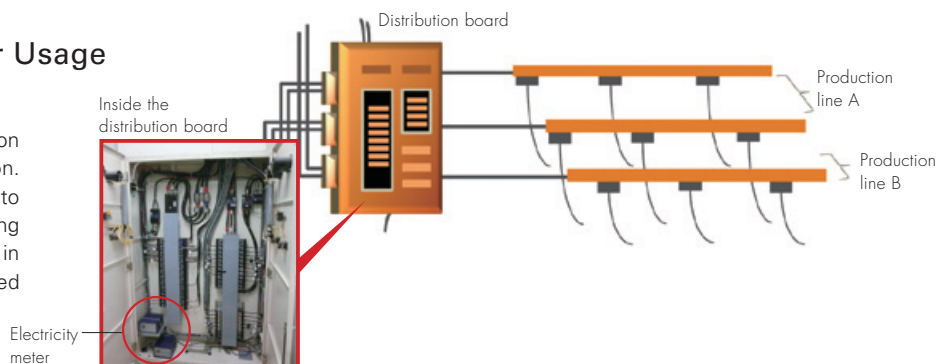
This target applies to the Alps Group as a whole and the groups of Alps Electric, Alpine Electronics and Alps Logistics are each planning and implementing measures which match their particular business formats in order to attain it.

In fiscal 2013, the Alps Electric Group achieved energy savings by upgrading to the latest, high-efficiency facilities and also sought to conserve energy through operational improvements like recovering waste heat from compressors, visualizing power usage in production lines, and strengthening air leak patrols. A 4.1% reduction in energy consumption per unit (unit of output) was achieved.

Efforts to rationalize energy use centering on two primary approaches to energy conservation—facility upgrades and operational improvements, continue in fiscal 2014.

● Visualization of Power Usage in Production Lines

Kakuda Plant has enabled visualization of power usage in assembly inspection. Visualization of individual lines led to improvements in energy usage during production off-time. A 9.7% reduction in power consumption was achieved within the targeted lines.



● Strengthening of Air Leak Patrols Using an Ultrasonic Air Leak Detector

At Onahama Plant, patrols of compressed air piping and systems for air leaks were strengthened and repairs were made, leading to a 5-6% reduction in power usage by related equipment. Pinpointing air leaks while systems were running had been complicated, but use of an ultrasonic detector makes this easier. At times, more than 10 leaks have been discovered per patrol (one hour).



Patrols at Onahama Plant

● LED Lighting Introduced at Plant

All lights (approx. 6,000) at the plant of Dalian Alps Electronics (China) were replaced with LED lighting, helping to reduce power usage for lighting by around 60%.

Before: 36W fluorescent lamps + 8W rectifiers

After: 18W LED lamps



LED lighting at Dalian Alps Electronics

The Alps Electric Group has grown alongside local communities, maintaining a deep involvement with regions in which it operates. It is therefore vital that we communicate closely with the community and local residents. As a sound corporate citizen, the Alps Electric Group strives to invigorate local communities and strengthen ties at each business location through a wide range of unique, locally oriented activities.

● Monozukuri Workshops for Elementary and Junior High School Students

Manufacturing begins with *monozukuri*. Passing down the wonders of *monozukuri* (encompassing all aspects of product creation) to the next generation is an important social responsibility for Alps Electric as a manufacturer and a task we believe will lead to electronics industry development and to the sustainable development of society. Alps Electric's headquarters has co-hosted the Monozukuri Science School with Tokyo's Ota Ward since November 2003. More than 1,500 children have taken part to date in over 100 workshops during the past decade.



The Monozukuri Science School was launched in 2003

● Work Experience and Internships

Alps Electric willingly opens its doors to children and young adults to assist education about society. This includes providing interactive workplace experiences primarily for junior high and high school students as part of social studies field trips, and accepting students of colleges of technology and universities on internships. At overseas locations, we provide plant tours for government officials and students and implement short-term work experience programs for high school and university students.



Plant tour for local high school students (Wakuya Plant)

● Interaction with Communities

Facilities in Japan, besides community cleanup activities, hold employee-organized summer festivals to promote interaction with employees' families and local residents.

Overseas facilities likewise invite families of employees to company events and strive to enhance the community-oriented nature of business operations, for example through participation in cleanup campaigns and other local activities.



Cleanup activities in the vicinity of Wakuya Plant



Employees of Onahama Plant cleaning up a beach

● Disaster Management Cooperation Agreement with Wakuya Town

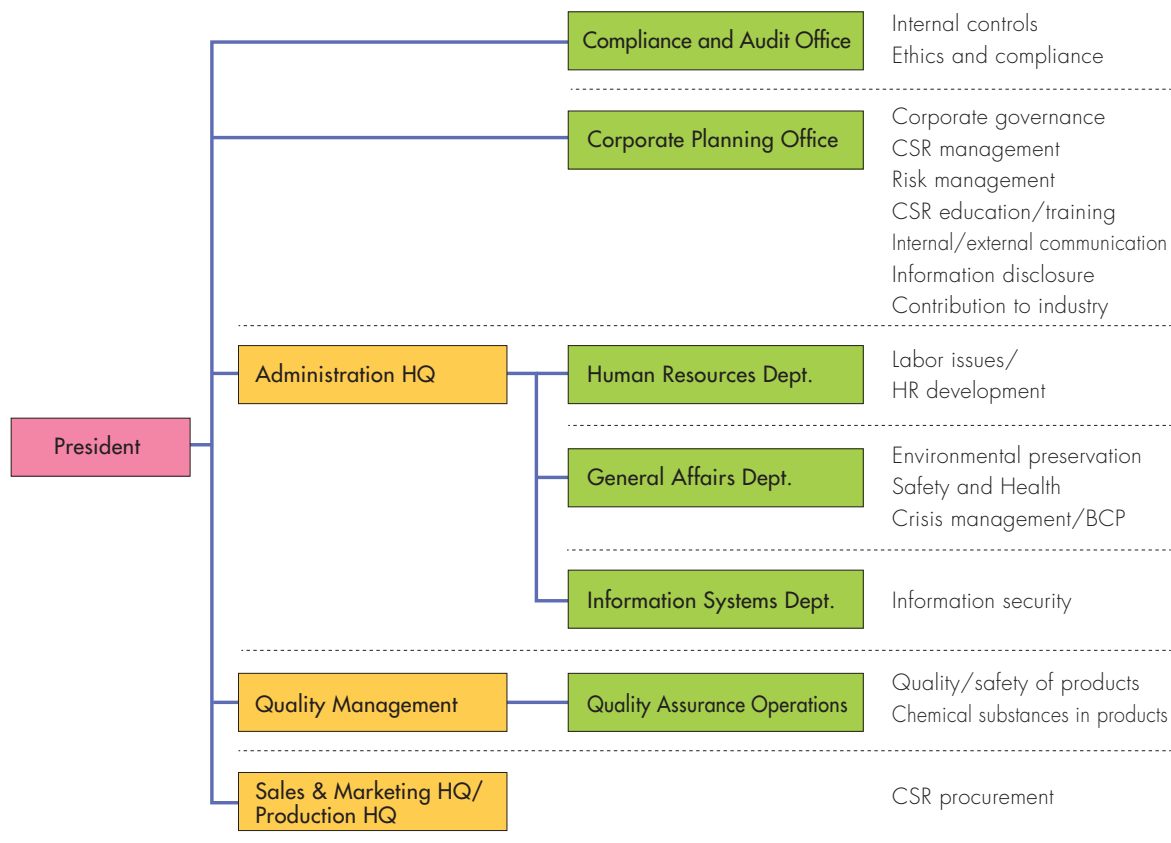
Alps Electric additionally incorporates the safety of the community into its contribution activities. Wakuya Plant has entered an agreement with the town of Wakuya to open up part of the plant's office wing as an evacuation center in times of heavy rainfall and flooding due to the particular nature of local rivers in this region of Miyagi Prefecture.

The Alps Electric Group views corporate social responsibility and its fulfillment as closely linked to business activity and therefore believes that CSR activity must be pursued through business operations. Ongoing efforts to integrate business and CSR activity are currently being advanced in line with the 3rd CSR Mid-Term Plan, launched in April 2013.

CSR Management Structure

CSR activity within the Alps Electric Group was previously coordinated by the Administration Headquarters' CSR Department. In April 2014, a unit set up within the Corporate Planning Office, which is directly supervised by the president, took over this function. The unit teams up with departments in charge of areas such as the environment, human resources and procurement to promote CSR activities across the entire Alps Electric Group.

Reports on CSR activity are routinely submitted to the Board of Directors and structures are in place for making recommendations on important matters.



Group CSR Activity

The Alps Group advocates a CSR mentality in its *Alps Group Management Regulations* and strives as a group to fulfill its responsibilities to society.

The Alps Group's CSR Action Policy calls for each group company to take full advantage of group synergies in pursuing CSR activities that enable sharing of even better value with stakeholders. The Alps Group thus cooperates and communicates on activities while placing value on the unique nature of each company.

Alps Group Management



Summary of CSR Activities

The Alps Electric Group has been formulating a CSR mid-term plan every three years since 2006 and pursues CSR activity accordingly. Activity is currently advanced under the 3rd CSR Mid-Term Plan, launched in April 2013.

Key themes to be addressed in each fiscal year are selected from themes under the current CSR Mid-Term Plan through consideration of factors such as changes in the external environment and results from the previous year.

FY2014 Priority Themes

- Ensure compliance with electronics and automotive industry guidelines and standards for CSR action
- Achieve objectives of the 7th Medium-Term Action Plan for Environmental Preservation
- Strengthen BCP and BCM initiatives

FY2013 Review

Priority Theme	Result	
Actively advance disclosure of corporate information and strengthen information security	Ongoing	<ul style="list-style-type: none"> ● Decided to issue a report on activities for fiscal 2013 in the form of an annual report (financial report) with the addition of non-financial information to provide a clearer integrated overview of corporate activities. The report was issued in June 2014. ● Strengthened information security by changing the in-house email system.
Set out to meet the global needs of society (relating to conflict minerals, GHG emissions disclosure, etc.)	Ongoing	<ul style="list-style-type: none"> ● Completed establishment of an internal framework for responding to conflict minerals surveys. ● Achieved compliance with GHG Protocol Scope 3.
Strengthen BCP and BCM initiatives	Not achieved	<ul style="list-style-type: none"> ● Reviewed crisis management manuals of domestic and overseas bases. At the same time, customized manuals to reflect circumstances in countries and regions where bases are located. ● Review of BCM to reflect environmental changes, including changes to the business environment, was not finished. Strengthening of BCP and BCM initiatives will remain a priority theme for fiscal 2014.

3rd CSR Mid-Term Plan

3rd CSR Mid-Term Plan Action Policy:
Pursue CSR activity that earns stakeholder trust through sharing of even better value

Activity Themes

~ **Earning the trust that we commit to through our brand** ~

- 1. Actively disclose information and meet the needs of society**
 - Actively advance disclosure of corporate information and strengthen information security
 - Set out to meet the global needs of society (relating to conflict minerals, GHG emissions disclosure, etc.)
 - Ensure compliance with electronics and automotive industry guidelines and standards for CSR action
- 2. Support the creation of a low-carbon society**
 - Achieve objectives of the 7th Medium-Term Action Plan for Environmental Preservation
 - Advance environmental education
 - Create green devices
- 3. Further strengthen risk management**
 - Strengthen BCP and BCM initiatives

The Alps Electric Group strives to fulfill its corporate social responsibility through fair and sound business management, taking a sincere approach to matters such as compliance and corporate governance.

At the same time, we aim to achieve sustainability of our corporate activities, directing efforts into risk management, strengthening of information security, and fair and appropriate information disclosure.

Compliance

To achieve fair management, the Alps Group makes a constant effort to ensure compliance; in other words, to act fairly in accordance with the purpose of the law, social requirements and corporate ethical standards. It is important here to do more than simply go through the formalities of observing laws and rules. We must commit to taking appropriate action of our own accord based on an accurate understanding of why those laws and rules are necessary—their purpose and significance.

The Alps Group Compliance Charter was established from this perspective as a clear statement of the fundamental compliance philosophy shared by the entire Alps Group. The core companies of each business segment (automotive infotainment: Alpine Electronics; logistics: Alps Logistics) globally deploy specific measures based on the Compliance Charter within the contexts of their respective business domains.

● Compliance Initiatives at Alps Electric

As the core company of the electronic components segment, Alps Electric has established a more specific compliance policy.

This initiative goes beyond developing and introducing rules and systems. Importance is placed on ensuring that those rules and systems function properly and effectively by encouraging individual employees, who actually engage in operations, to commit to taking action of their own accord based on a clear understanding of the importance of compliance.

Specifically, we make ongoing efforts to maintain internal controls ensuring that the company is managed and operations are executed legally and appropriately; to monitor the activities of company departments and related companies through internal audits; to ensure early discovery and correction of unlawful activities, misconduct or other compliance infringements through operation of an internal reporting system (Ethics Hotline); and to raise awareness among employees, for example by disseminating compliance information through training and in-house communications.

Alps Group Compliance Charter

Fundamental Philosophy

As a member of the global community, Alps is committed to displaying fairness in its corporate activities, as well as to taking responsible and sensible action, in order that Alps may continue to develop with society while making a valuable social contribution.

Action Guidelines

1. Alps will abide by laws and ordinances that govern its business and will ensure sensible behavior to avoid involvement in antisocial acts.
2. Alps will respect foreign cultures and customs and will contribute to local community development.
3. Alps will aim for maximum product safety and quality while engaging in fair trade and competition with other companies and maintaining strong ties with authorities.
4. Alps will disclose information fairly to shareholders and other stakeholders.
5. Alps will provide a safe and user-friendly workplace and will respect the character and individuality of employees.
6. Alps will endeavor to manage and use company assets, including goods, money and information, in a suitable manner without displaying behavior that could be of disadvantage to the company.

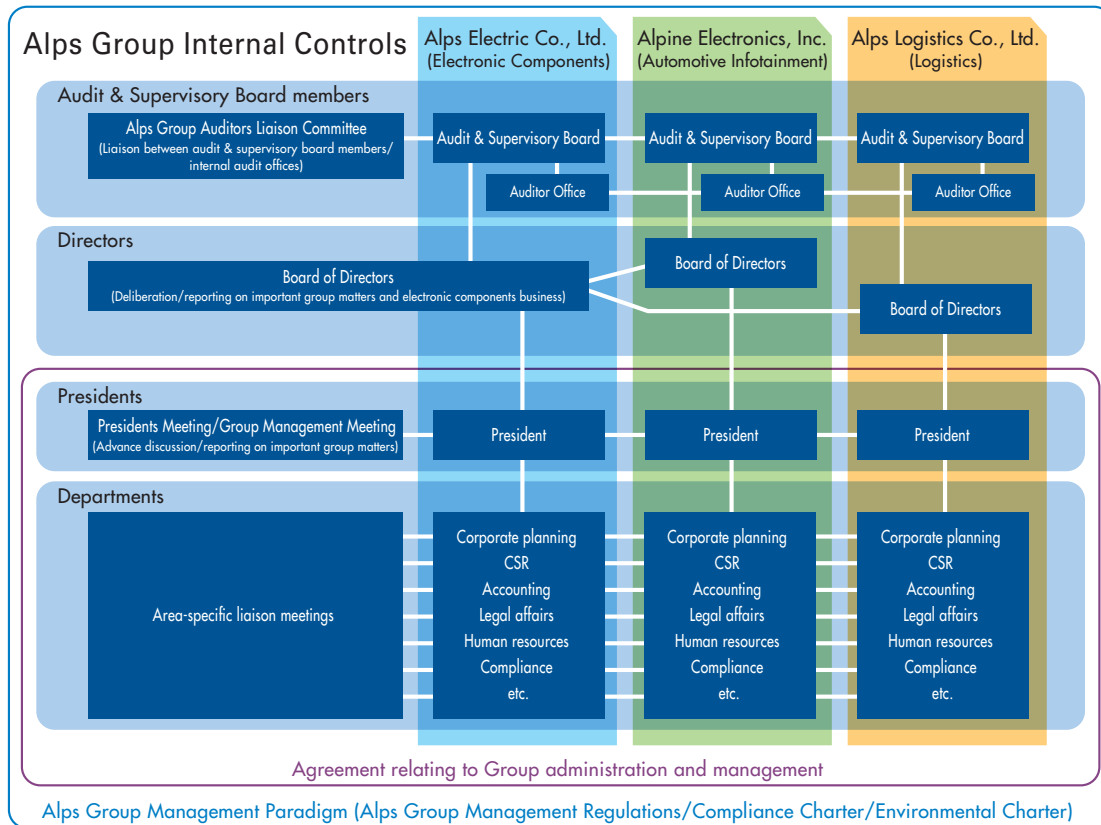
Corporate Governance

● Approach to Corporate Governance

The Alps Electric Group defines corporate governance as the “establishment and operation of frameworks for realizing efficient and appropriate decision-making and execution of duties by senior management, prompt reporting of outcomes to stakeholders, and sound, efficient and transparent business administration, for the purpose of heightening corporate value.” Our basic approach, placing importance on maximizing benefits for shareholders and all other stakeholders, is to maximize corporate value and deliver benefits directly or indirectly to stakeholders in a balanced way, satisfying their respective interests.

Fulfillment of our public and social responsibilities (CSR) is also important. Viewing the Alps Precepts, which embody our Founding Spirit, as the origin of Group management and CSR initiatives, we seek to develop and strengthen corporate governance by ensuring soundness of management and greater efficiency.

A corporate governance framework for the entire Alps Group was established in line with this approach—the Alps Group Management Paradigm comprising the Alps Group Management Regulations, Alps Group Compliance Charter and Alps Group Environmental Charter. An agreement relating to Group administration and management has also been concluded to respect the independence of listed subsidiaries and allow each company to engage in business activities based on independent decision-making through formulation of business plans and monitoring of performance.

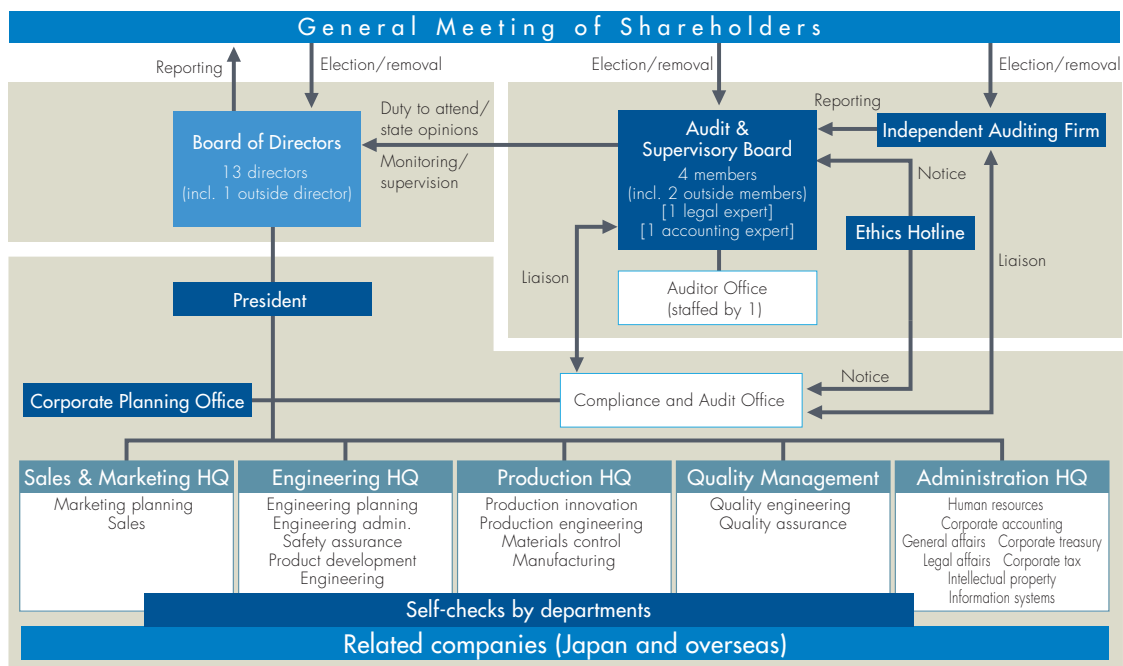


● Corporate Governance Structure

Alps Electric's Audit & Supervisory Board, internal audit department and independent auditing firms liaise in order to monitor and supervise the company's operations, enabling fair and honest management and therefore ever-improving corporate value. The Board of Directors deliberates and makes decisions on basic management policy and important managerial matters, and is strengthening monitoring and supervision of the execution of duties. An independent outside director has been appointed to the board since 2013 to bring in the independent perspective of someone with experience and broad knowledge in a specific field, as required to fully perform the management supervisory function. Meanwhile, ongoing improvements to management capability are sought through systems intended to strengthen internal controls; for example, structures for reviewing standards on item submission to the Board of Directors, and screening of items prior to discussion or reporting in meetings of the Board of Directors by requiring corporate staff to examine legal compliance and conduct financial assessments.

Alps Electric additionally formulates mid-term business plans based on company policy and targets. A structure is in place whereby mid-term plans are approved by the Board of Directors after an opportunity for sharing information and deliberation in a budget meeting. Plans are implemented with progress monitored on a monthly basis, while important matters are submitted to the Board of Directors for deliberation in accordance with in-house regulations to ensure optimal utilization of management resources.

*Each year, an *Internal Control Report* relating to financial reporting is submitted to the Prime Minister in line with the Japanese Financial Instruments and Exchange Act (J-SOX). In the year ended March 31, 2014, internal controls over financial reporting were deemed effective.



● Board of Directors

Alps Electric's Board of Directors is positioned as an organ that deliberates and makes decisions on basic management policy and important managerial matters and carries out monitoring and supervision of the execution of duties. While the company's articles of incorporation stipulate a maximum of 18 directors, there are currently 13, a number allowing agile operation. The board convenes once a month for regular meetings, and on other occasions as required, to thoroughly deliberate and pass resolutions on all important matters. The articles of incorporation state that directors shall be elected and removed by a resolution of a meeting of shareholders passed by a majority of the votes of shareholders present, where shareholders holding one third or more of the voting rights of shareholders who are entitled to exercise their votes are present, and that cumulative voting shall not be used.

In accordance with rules and bylaws for the Board of Directors, all important matters are submitted to the board for deliberation, and resolution items are checked in advance from legal, accounting, tax, economic rationality and other perspectives to ensure legal compliance and reasonableness. Furthermore, a guide for submission of items to the Board of Directors has been created to clarify standard formats for document submission and main factors for deliberation.

● Audit & Supervisory Board

Audit & Supervisory Board members attend meetings of the Board of Directors, business plan meetings and other important meetings. They also audit the execution of duties by directors through regular meetings with representative directors and examination of the company's operations and status of assets. There are currently four Audit & Supervisory Board members, who coordinate closely with compliance, internal audit and accounting departments, as well as independent auditing firms, for example by holding regular auditing liaison meetings to exchange information, thereby ensuring effective structures for audit implementation.

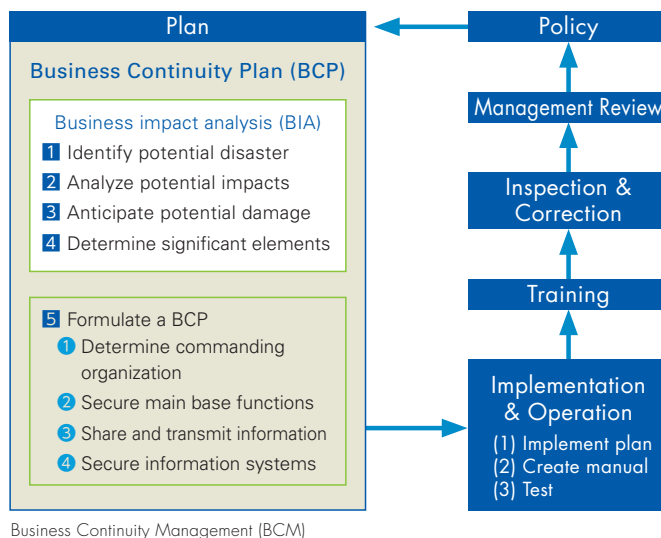
The Audit & Supervisory Board hears reports, and deliberates and makes decisions on important matters relating to auditing. An Auditor Office set up to assist the duties of board members, including outside members, helps to enhance agility in auditing activities.

Risk Management

The Alps Electric Group recognizes prevention of risks which may have a potentially large impact on business, as well as appropriate action and quick recovery when they do occur, as key risk management themes. Initiatives are advanced under the policy below.

● Risk Management Policy

1. We will place top priority on ensuring the safety of employees, all people on company premises (including visitors, related company employees, on-site subcontractors and temp staff) and families of employees.
2. We will continue business activities as long as we can, and do everything we can to maintain the supply of products and provision of services to customers.
3. We will endeavor to preserve both tangible and intangible company assets and make efforts to minimize damage using the most suitable methods.
4. We will demonstrate responsible conduct, take quick and appropriate action, and strive to restore operations when risks do eventuate in order to earn the trust of customers, shareholders and all other stakeholders.



● Regular Updating of Crisis Management Manuals

Alps Electric routinely reviews its Group-wide crisis management manual and updates the manual as required whenever changes are made to overseas affiliate representatives or crisis management personnel.

Individual crisis management manuals are also being created for each domestic or overseas base of the Alps Electric Group.

In fiscal 2013, progress was made on creating crisis management manuals for overseas affiliates based on the Group-wide manual, and monitoring of the status of manual creation at each base by the central crisis management secretariat was enabled.

● Safety Confirmation System Expansion

Domestic affiliated companies Alps Business Creation Co., Ltd., Alps Finance Service Corp., Alps Travel Service Co., Ltd. and Alps System Integration Co., Ltd. have been included in Alps Electric's safety confirmation system at Alps Headquarters, enabling a comprehensive system for confirming the safety of personnel. Alps Group companies Alpine Electronics and Alps Logistics employ similar systems of their own and progress has been made on introducing systems to other group companies in Japan.

● Stocking of Emergency Supplies for HQ Area Branches and Offices

Systems for ensuring safety in times of disaster are being established. One provision involves Alps Electric keeping track of emergency supplies and sending supplies out to branches and sales offices to correct any imbalance of supplies at those bases. Specifically, stocks of items such as emergency food, drinking water, portable toilets, flashlights, candles, lighters, megaphones, radios, blankets and wet wipes are held in quantities depending on the number of employees.

Information Security

Information leakage, loss and falsification—problems associated with information networks—have the potential to damage a company's business foundations. To enable stable operation of its information systems, the Alps Electric Group is building up its information security infrastructure and advancing initiatives to address these issues.

As well as establishing regulations related to information security, security enhancement measures and training plans are drawn up and deployed company-wide through coordination with information officers in individual departments.

● Basic Policy on Information Management

The Alps Electric Group recognizes it has a social responsibility to rigorously manage customer and supplier information (including private information about individuals) as classified information together with its own information. As basic policies, we maintain that we will not inappropriately disclose information to parties outside the company; that we will not use information for non-business purposes; and that, except in special circumstances, we forbid information being taken outside the company. These basic policies are included in a set of information management regulations that apply to all electronic components segment companies in Japan and overseas and are made known to the entire workforce from directors down to regular employees.

Information Disclosure

● Fair and Appropriate Information Disclosure

Alps Electric appropriately discloses information including financial results, annual security reports and other documents as required in accordance with laws and regulations. Disclosed information is immediately posted to our website, which serves as a window for ongoing communication about new products and the latest news about business activities. For shareholders, the *Alps Report* is issued four times a year in conjunction with quarterly financial results. As well as reporting on earnings, this bulletin provides straightforward explanations about new products and technologies.



The investor relations section of the company website



The *Alps Report* for shareholders

Directors



Chairman of the Board
Masataka Kataoka



President
Toshihiro Kuriyama



Senior Managing Director
Nobuhiko Komeya
General Manager,
Administration Headquarters



Managing Director
Shuji Takamura
General Manager, Production
Headquarters
China Planning
Production Innovation



Managing Director
Takashi Kimoto
General Manager,
Sales & Marketing
Headquarters



Outside Director
Takashi Iida



Director
Motohiro Shimaoka
President, Alps Green Devices
Co., Ltd.



Director
Junichi Umehara
Administration Headquarters
Legal & Intellectual Property
General Manager, Export &
Import Administration



Director
Yoshitada Amagishi
General Manager, Quality
Management
Material Control, Production
Headquarters



Director
Yasuo Sasao
General Manager, Components
General Manager, Engineering
Headquarters



Director
Hitoshi Edagawa
General Manager, Production
Engineering, Production
Headquarters



Director
Shinji Inoue
General Manager, Automotive
Modules
Deputy General Manager,
Engineering Headquarters



Director
Takeshi Daiomaru
General Manager, New
Business & Consumer Modules
Deputy General Manager,
Engineering Headquarters

Audit & Supervisory Board Members



Audit & Supervisory Board
Member
Yasuhiro Fujii



Outside Audit &
Supervisory Board Member
Hiroshi Akiyama
Attorney at Law



Outside Audit &
Supervisory Board Member
Takuji Kuniyoshi
Certified Public Accountant



Audit & Supervisory Board
Member
Yozo Yasuoka

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In the Financial Data section, "Alps Group" refers to Alps Electric Co., Ltd. and its consolidated subsidiaries.

Financial and Non-Financial Highlights

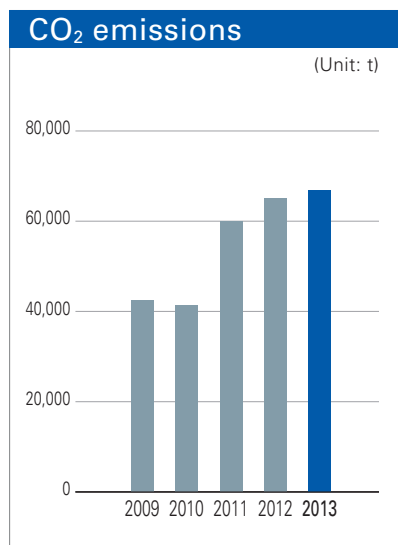
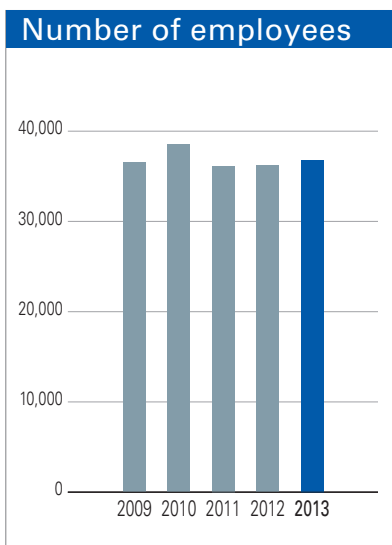
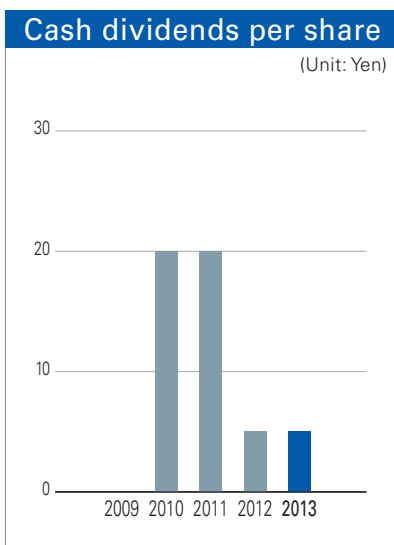
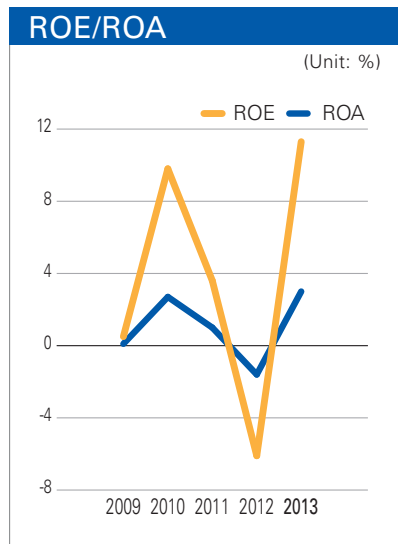
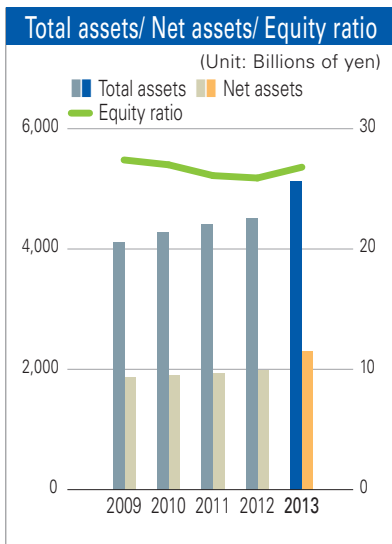
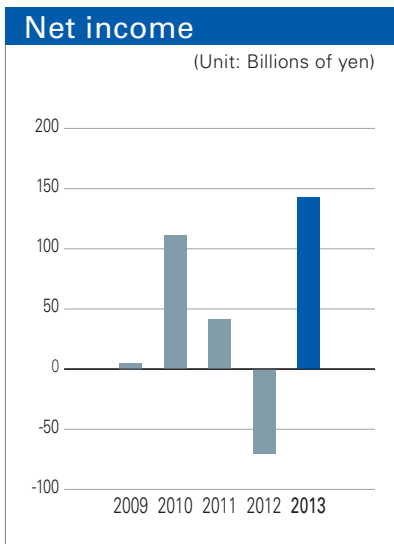
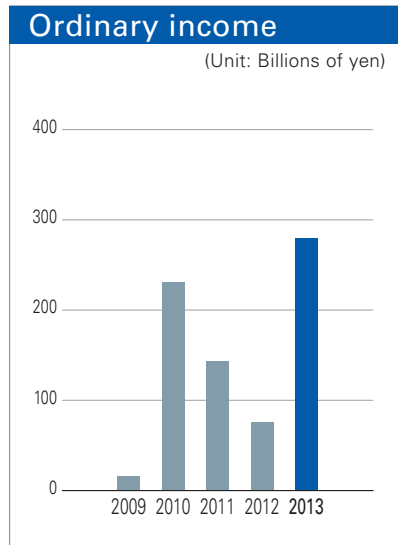
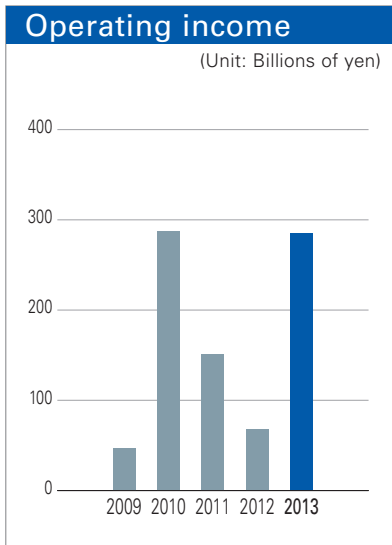
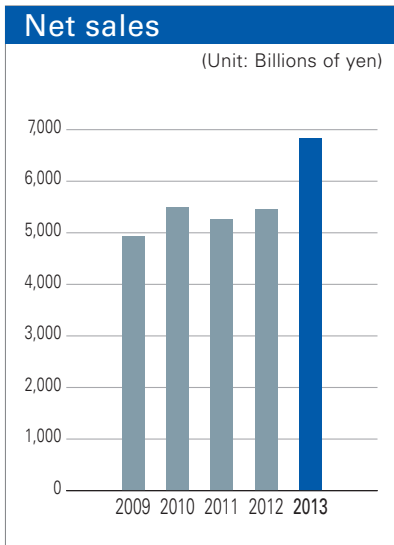
Financial Data (Consolidated)

(Unit: Billions of yen)

Fiscal Year	2009	2010	2011	2012	2013
Net sales	493.6	550.6	526.5	546.4	684.3
Selling, general and administrative expenses	73.8	80.2	78.7	80.9	97.7
Operating income	4.7	28.8	15.1	6.8	28.5
Ordinary income	1.6	23.1	14.3	7.6	28.0
Net income	0.5	11.1	4.1	-7.0	14.3
Cash flows from operating activities	28.9	28.5	23.4	24.8	57.7
Cash flows from investing activities	-19.5	-20.9	-29.3	-32.1	-22.8
Cash flows from financing activities	12.1	5.1	-6.6	-5.6	4.9
Cash and cash equivalents at end of period	88.7	98.4	85.0	76.1	122.2
At Year-End					
Total assets	410.9	427.5	442.0	451.4	512.3
Net assets	186.4	190.7	193.1	199.4	230.3
Per Share Data					
Net income (Yen)	3.18	62.14	23.29	-39.47	79.85
Cash dividends (Yen)	0.00	20.00	20.00	5.00	5.00
Other Indexes					
Equity ratio (%)	27.4	27.0	26.1	25.9	26.8
Return on assets [ROA] (%)	0.1	2.7	1.0	-1.6	3.0
Return on equity [ROE] (%)	0.5	9.8	3.6	-6.1	11.3
Debt to equity ratio (%)	103.3	103.9	102.7	106.6	97.7
Interest coverage ratio (Times)	18.5	14.8	14.1	17.7	49.2
Capital expenditures	18.4	23.5	34.0	31.8	26.5
Depreciation and amortization	21.2	18.7	19.7	21.5	24.5
R&D expenses	27.8	28.1	28.0	28.6	32.9
Net Sales by Business Segment					
Electronic components	274.1	296.1	268.9	268.0	338.8
Automotive market	112.5	124.9	132.4	140.0	168.4
Consumer market	161.6	171.2	136.4	128.0	170.3
Automotive infotainment	166.1	198.3	200.2	219.8	282.1
Logistics	44.9	47.5	47.9	48.5	52.2

Non-Financial Data (Non-consolidated, except number of employees)

	2009	2010	2011	2012	2013
Number of employees	36,520	38,547	36,148	36,199	36,797
CO ₂ emissions (t)	42,390	41,382	59,866	65,029	66,879
Amount of waste generated (t)	4,248	4,098	4,076	4,737	4,373



Management's Discussion and Analysis of Operating Results

1. Analysis of Operating Performance during the Fiscal Year under Review

(1) Overview

In the global economy during fiscal 2013 (year ended March 31, 2014), a mild recovery continued in the United States, Europe and China. Consumer spending was strong in the United States, while concerns about a resurgence of the debt crisis persisting in Europe from the previous fiscal year abated from around midway through last year. China's economy had been showing signs of slowing down, but exports picked up due to government economic stimulus measures. Other emerging nations, however, achieved little growth, due in part to a reduction of quantitative easing in the U.S. In Japan, a program of policies brought about a quick recovery with share prices rising and correction of the high yen.

Amid this global economic backdrop, the Alps Group achieved net sales of ¥684.3 billion (a 25.2% year-on-year increase), operating income of ¥28.5 billion (316.4% increase), ordinary income of ¥28.0 billion (266.7% increase) and net income of ¥14.3 billion (compared to a ¥7.0 billion net loss for the previous fiscal year) on a consolidated basis for the fiscal year ended March 31, 2014.

Average exchange rates during the fiscal year were ¥100.24 to the U.S. dollar, and ¥134.37 to the euro, representing yen depreciation from the previous fiscal year of ¥17.14 and ¥27.23 against the dollar and euro respectively.

(2) Net Sales

Net sales came to ¥684.3 billion, an increase of ¥137.9 billion, or 25.2%, from the previous fiscal year.

Electronic components segment sales came to ¥338.8 billion, an increase of ¥70.7 billion, or 26.4%. Automotive infotainment segment sales came to ¥282.1 billion, an increase of ¥62.2 billion, or 28.3%. Logistics segment sales came to ¥52.2 billion, an increase of ¥3.7 billion, or 7.7%.

Depreciation of the yen against both the U.S. dollar and the euro from the previous fiscal year had the effect of increasing sales by ¥81.0 billion.

(3) Operating Income

Operating income came to ¥28.5 billion, an increase of ¥21.6 billion, or 316.4%, from the previous fiscal year. Foreign exchange movements had the effect of increasing operating income by ¥16.4 billion.



2. Forecasts for the Fiscal Year Ending March 31, 2015

We anticipate recovery in the global economy to gather momentum. In the U.S. economy, a mild recovery is expected to accompany improvements in employment and housing. Weaknesses remain in the European economy due, for example, to issues surrounding government debt, but the region's economy as a whole is forecast to improve as sustained progress in Germany propels a recovery. China and other economies are expected to remain steady despite signs of slowdown. In Japan, upward momentum is forecast to become more pronounced due to strong anticipation of effects from aggressive measures to boost the economy.

The Alps Group will continue aggressive efforts to develop new customers and new markets and work to improve profitability and strengthen the company's structure.

(1) Electronic Components

In the electronic components segment, we will spur on creation of new products that are the best or the first on the market and advance a variety of initiatives toward attainment of earnings targets for the second year of the 7th Mid-Term Business Plan, fiscal 2014 (year ending March 31, 2015). Technological development will be advanced in three focal areas—human-machine interfaces, sensors and connectivity. We will work to build up growth engines through development of new technologies centering on the environment and energy fields, further expansion of automotive business, and development of V2X modules for various forms of vehicle connectivity. In production, we will work to strengthen manufacturing in Japan and achieve global production balance, as well as reform cost structure through front-loading.

Progressing with these plans, in the automotive market we will continue to focus on sales promotion for electronic components and modules while looking to improve profitability through greater standardization. In the smartphone market, where innovation and market changes are fast, we will act with speed while maintaining our technological advantage. We will also introduce to new markets, such as the energy-saving, industry and healthcare markets, components developed initially for the consumer devices market, as well as new products based on original technologies developed in partnership with group company Alps Green Devices Co., Ltd.

The Alps Group forecasts net sales of ¥350 billion (a 3.3% year-on-year increase) and operating income of ¥18 billion (28.5% increase) in the electronic components segment.

(2) Automotive Infotainment

The automotive infotainment segment has been boosted by an official decision to make rear-view cameras mandatory for vehicles in the U.S. However, vehicle sales in Japan are expected to fall due to the repercussions of consumers

rushing to purchase prior to the consumption tax hike and there are concerns about the impact this will have on the automotive infotainment sector.

Amid these circumstances, we will look to differentiate our products from products of competitors by incorporating high added value, as well as engage in activities to strengthen cost competitiveness.

The Alps Group forecasts net sales of ¥271 billion (a 3.9% year-on-year decrease) and operating income of ¥8 billion (18.5% decrease) in the automotive infotainment segment.

(3) Logistics

In the logistics segment, growth of business in the electronic components sector, the main target market, is expected to continue due to increasing application of electronics in automobiles and expanding demand in emerging nations. But customers need to advance increasingly complex and diverse reforms, improving adaptability to product and market changes by producing in the most suitable location and shifting operations overseas, and increasing efficiency to cope with price competition for electronic components.

Amid these conditions in a segment centered on logistics for electronic components, we will advance a basic policy of utilizing logistics value to accelerate global growth. We will make efforts to achieve global growth by expanding our global network and logistics infrastructure, developing an original portfolio of services, increasing customers through sales promotion to new and existing channels, and branching into markets outside the electronic components sector.

The Alps Group forecasts net sales of ¥54 billion (a 3.3% year-on-year increase) and operating income of ¥4 billion (3.4% decrease) in the logistics segment.

Consolidated earnings forecasts for the Alps Group, after adding forecasts for other segments, are as follows.

Consolidated Forecasts for the Fiscal Year Ending March 31, 2015

(Unit: Billions of yen)

	Six months ending Sept. 30, 2014	Twelve months ending Mar. 31, 2015	YoY
Net sales	335.5	685.0	+0.1%
Operating income	13.5	31.0	+8.7%
Ordinary income	13.0	29.0	+3.2%
Net income	7.0	17.0	+18.8%

The above forecasts assume the following exchange rates:

1 U.S. dollar = ¥100

1 euro = ¥135

Management's Discussion and Analysis of Operating Results

3. Liquidity and Sources of Funds

(1) Cash Flows

① Cash Flows from Operating Activities

Net cash provided by operating activities during fiscal 2013 (year ended March 31, 2014) came to ¥57.7 billion, compared to ¥24.8 billion for the previous fiscal year.

This was mainly attributable to income before income taxes and minority interests of ¥31.2 billion, depreciation and amortization of ¥24.5 billion, and a ¥7.6 billion decrease in inventories, offset by ¥9.4 billion of income taxes paid.

② Cash Flows from Investing Activities

Net cash used in investing activities came to ¥22.8 billion, compared to ¥32.1 billion for the previous fiscal year.

This was mainly attributable to ¥24.3 billion used for purchases of property, plant and equipment and intangible assets primarily in the electronic components segment.

③ Cash Flows from Financing Activities

Net cash provided by financing activities came to ¥4.9 billion, compared to ¥5.6 billion in net cash used the previous fiscal year.

This was mainly attributable to ¥30.3 billion of cash provided by proceeds from issuance of bonds, offset by a ¥16.7 billion net decrease in short-term loans payable and ¥11.0 billion used for repayment of long-term loans payable.

(2) Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2013 (year ended March 31, 2014) were ¥512.3 billion, an increase of ¥60.9 billion from the previous fiscal year.

Current assets were ¥327.4 billion, a ¥54.2 billion increase due in part to increases in cash and time deposits and notes and accounts receivable, and a decrease in inventories.

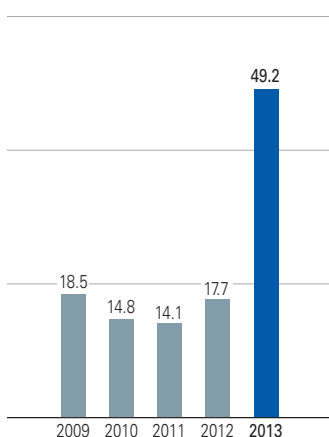
Non-current assets were ¥184.9 billion, a ¥6.6 billion increase due in part to increases in tools, furniture, fixtures and dies, and construction in progress.

Current liabilities were ¥171.1 billion, a ¥4.4 billion increase due to factors including an increase in notes and accounts payable and a decrease in short-term loans payable.

Non-current liabilities were ¥110.8 billion, a ¥25.4 billion increase due to factors including increases in convertible bonds and liabilities relating to employee retirement benefits, and a decrease in long-term debt.

Interest coverage ratio

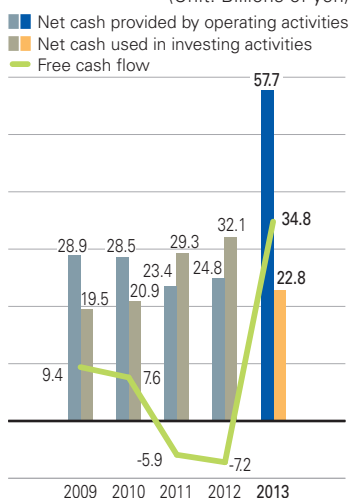
(Unit: Times)



*Net cash provided by operating activities ÷ Interest paid

Cash flows

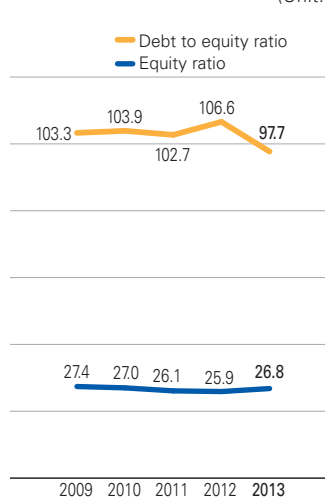
(Unit: Billions of yen)



*Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

Capital structure

(Unit: %)



4. Business and Other Risks

Risks pertaining to the status of operations and accounting of the Alps Group which could have a major impact on investors' decisions are outlined below.

Forward-looking statements are based on judgments made at the end of the fiscal year ended March 31, 2014.

(1) Economic Conditions

The Alps Group (Alps Electric and its consolidated subsidiaries) operates a global business centered on the electronic components segment, with overseas markets accounting for 80.7% of sales in fiscal 2013 (year ended March 31, 2014). As most of the Alps Group's products are sold to manufacturers, customers' production levels, which may be influenced by economic trends, have a major impact on the business of the Alps Group. The Alps Group will therefore be influenced directly or indirectly by economic conditions in markets across Japan, Europe, the United States and Asia, and economic fluctuations in those markets have the potential to impact the results of operations and financial condition of the Alps Group.

(2) Competition

The Alps Group is exposed to intense competition from other companies in the electronic components segment and all other areas of business. Although the Alps Group makes efforts to satisfy customers by introducing new products, supplying products of a high quality, and enhancing and expanding its global network, market competition is expected to intensify further. This creates potential for unforeseen situations such as failure to win orders having an adverse effect on the Alps Group's results of operations and financial condition.

(3) Customer Needs and Introduction of New Technology

The pace of innovation is fast in businesses engaged in by the Alps Group. Customers' requirements change often and new products and services are frequently introduced. There are times when the development of new technologies, products and services quickly leads to obsolescence of existing products and services, affecting their competitiveness or causing prices to fall dramatically. The Alps Group therefore advances development of new technologies and products, but there is no guarantee that the results will lead to advantage in the market. Inability to adapt quickly to rapid innovation or anticipated innovation, or inability to introduce new products to meet customer needs, could have an adverse effect on the Alps Group's results of operations and financial condition.

(4) Customers' Production Plans

The majority of the Alps Group's customers are manufacturers and as such its business is directly affected by customers' production plans. Customers' production plans are in turn influenced by factors such as cyclical and seasonal trends in consumer spending, introduction of new products, forecasts of demand for new specifications and standards, and the speed of technological innovation. These uncertainties have the potential to adversely affect medium- to long-term R&D activities and capital investment plan formulation of the Alps Group.

(5) Underlying Risks Relating to Overseas Business and Operations

Many of the Alps Group's production and sales activities are undertaken in the U.S., Europe and Asia, including China. Engaging in business for overseas markets and operating in overseas locations come with inherent risks, including unexpected changes to legal and tax systems, disadvantageous political or economic factors, and terrorism, war or other social disturbances. Such eventualities therefore have the potential to interfere with the Alps Group's execution of business affairs.

(6) Supply Structures for Certain Parts

The Alps Group makes an effort to manufacture critical parts within the Group, but some critical parts are sourced from companies outside the Group. An eventuality in which a supplier is unable to fill orders for parts in quantities required by the Alps Group due, for example, to a natural disaster may lead to a production delay or the loss of sales opportunities and could adversely affect the results of operations and financial condition of the Alps Group.

(7) Fluctuation in Results of Operations

Results of operations of the Alps Group may vary due to factors outside the Group's control. Such factors may include changes in general economic and business conditions, the success or failure of commercialization of new end products, changes to product strategies of major customers, cancellation of large orders, bankruptcy of major customers, and the disappearance of major customers through merger or acquisition. Unfavorable changes concerning any of these factors could adversely affect the results of operations and financial condition of the Alps Group.

Management's Discussion and Analysis of Operating Results

(8) Intellectual Property

Patents and other types of intellectual property are key factors in the competitiveness of Alps Group products because of the emphasis placed on technological innovation in many of the markets we serve. The Alps Group generally employs technology developed by the Group and seeks to protect that technology by acquiring, and in cases asserting, patents, trademarks and other intellectual property rights. However, there is no guarantee that there will be no impediments to the Alps Group's assertion of intellectual property rights, and it is possible that allegations of infringement of other companies' intellectual property rights will be made against the Alps Group.

The Alps Group is countering those claims filed against it for allegedly infringing intellectual property rights. However, if the Alps Group ends up paying damages as part of a legal settlement reached as a result of the proceedings, this would potentially have an adverse effect on the results of operations and financial condition of the Alps Group. Furthermore, licenses to use the intellectual property of other companies are obtained for some Alps Group products, but there is no guarantee that the owners of those rights will continue to grant licenses to the Alps Group into the future. Eventualities unfavorable to the Alps Group could adversely affect its results of operations and financial condition.

(9) Foreign Exchange and Interest Rate Risks

The Alps Group engages in a global business and as such is exposed to the effects of exchange rate fluctuations. For instance, appreciation of the Japanese yen against a foreign currency, particularly the U.S. dollar or the euro, could have a negative impact on the Alps Group's earnings. The Alps Group tries to minimize the effect of foreign exchange fluctuations by hedging risk using forward contracts or options and by offsetting foreign-currency denominated assets and liabilities. However, in situations where exchange rate fluctuations well exceed expectations, there is no guarantee that the impact on the Alps Group's results of operations can be mitigated.

The Alps Group also has assets and liabilities that come with interest rate fluctuation risk. While this is partly hedged, interest rate fluctuations can potentially lead to a higher interest burden.

(10) Public Regulations

The Alps Group is subject to wide-ranging government controls, laws and regulations in countries where it operates, including business and investment permit requirements, customs duties and other import/export regulations. These regulations may restrict the business activities of the Alps Group, leading to higher costs. Accordingly, these regulations have the potential to adversely affect the results of operations and financial condition of the Alps Group.

(11) Environmental Contamination Risks

The Alps Group implements measures to mitigate environmental risks in line with the Alps Group Environmental Charter as part of its CSR activities. Specific measures include prevention of chemical substance leaks, thorough wastewater and emissions management, and purification of soil and groundwater at domestic business locations. However, there is no guarantee that environmental contamination will not occur in the future during the course of business activities. The occurrence or discovery of such an unforeseen event would generate costs associated with countermeasures and potentially lead to deterioration of the Alps Group's results of operations and financial condition.

(12) Funding Risks

The Alps Group has entered syndicated loan and syndicated committed credit line agreements with its banks. However, any violation of financial covenants in these agreements might result in requests for repayment of borrowed funds to be brought forward, potentially affecting the Alps Group's financial condition.

(13) Disaster Risk

The Alps Group ensures thorough implementation of measures for preventing or mitigating damage caused by earthquakes or other disasters at production bases in Japan and overseas and in the past has effectively minimized the impact of disasters on operations. However, major disasters exceeding expectations could have a substantial impact on operations.

(14) Risks Related to Impairment Accounting

The Alps Group owns a wide range of assets for use in its operations. There is a risk that these assets will have to undergo impairment accounting due to a decline in market value or the state of future cash inflows, potentially having an effect on the Alps Group's results of operations.

(15) Risk of Fluctuations in Prices of Marketable Securities

Although the Alps Group does not hold marketable securities for trading purposes, all securities we do hold which have a market value are marked to market value. Price fluctuations on stock markets could therefore affect the results of operations and financial condition of the Alps Group.

(16) Risks Relating to Legal Proceedings and Lawsuits

The Alps Group has established and implements compliance systems for its business activities. However, the Alps Group's results of operations and financial condition could be adversely affected if legal proceedings were initiated by a regulatory authority due to a violation of law, or if legal action were to be taken, in relation to the activities of the Alps Group.

In the U.S. and other countries, a class action lawsuit has been filed against multiple companies including Alps Electric and its subsidiaries in the U.S. seeking damages based on the claim that competition was restricted in automotive parts transactions. The size of the claim has yet to be determined in accordance with local legislation and at this time it is difficult to reasonably predict the outcome of the lawsuit.



CONSOLIDATED BALANCE SHEETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2014 and 2013

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current assets:			
Cash and time deposits (Notes 16 and 17)	¥ 122,738	¥ 76,687	\$ 1,192,557
Notes and accounts receivable-trade (Note 17):			
Unconsolidated subsidiaries and affiliated companies	934	903	9,075
Other	110,194	101,335	1,070,676
Allowance for doubtful accounts	(658)	(504)	(6,393)
Inventories (Note 5)	73,124	74,338	710,494
Deferred tax assets (Note 15)	5,309	4,974	51,584
Other current assets	15,767	15,417	153,197
Total current assets	327,411	273,151	3,181,218
Property, plant and equipment (Note 6):			
Land (Note 10)	29,004	28,812	281,811
Buildings and structures	126,675	122,910	1,230,810
Machinery and equipment	297,515	287,600	2,890,740
Construction in progress	7,847	6,214	76,244
	461,041	445,537	4,479,606
Less accumulated depreciation and impairment losses	(327,262)	(316,275)	(3,179,771)
Property, plant and equipment, net	133,779	129,262	1,299,835
Investments and other assets:			
Intangible assets, net	12,482	11,818	121,279
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Notes 4 and 17)	8,595	7,470	83,511
Investment securities (Notes 4 and 17)	19,246	19,366	187,000
Deferred tax assets (Note 15)	4,697	4,474	45,637
Other assets	6,151	5,872	59,765
Total investments and other assets	51,174	49,002	497,221
Total assets	¥ 512,365	¥ 451,416	\$ 4,978,284

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current liabilities:			
Short-term loans payable (Notes 6 and 17)	¥ 33,983	¥ 47,879	\$ 330,188
Long-term debt due within one year (Notes 6 and 17)	14,998	10,481	145,725
Notes and accounts payable-trade (Note 17):			
Unconsolidated subsidiaries and affiliated companies	796	646	7,734
Other	60,410	55,160	586,961
Income taxes payable	4,104	3,368	39,876
Accrued expenses	33,604	31,355	326,506
Deferred tax liabilities (Note 15)	124	247	1,205
Other current liabilities (Note 17 and 18)	23,111	17,504	224,553
Total current liabilities	171,133	166,644	1,662,777
Non-current liabilities:			
Long-term debt (Notes 6 and 17)	85,383	66,106	829,606
Accrued employees' severance and pension costs (Note 7)	–	3,915	–
Liability for retirement benefit (Note 7)	9,719	–	94,433
Deferred tax liabilities (Note 15)	7,129	6,553	69,267
Other non-current liabilities	8,619	8,785	83,745
Total non-current liabilities	110,851	85,361	1,077,060
Total liabilities	281,985	252,005	2,739,846
Contingent liabilities (Note 8)			
Net assets (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized – 500,000,000 shares			
Issued – 181,559,956 shares in 2014 and 2013	23,623	23,623	229,528
Capital surplus	42,229	45,586	410,309
Retained earnings	78,339	60,622	761,164
Treasury stock – 2,315,272 shares in 2014 and 2,315,851 shares in 2013	(3,505)	(3,507)	(34,056)
Total shareholders' equity	140,686	126,325	1,366,945
Accumulated other comprehensive income			
Net unrealized gains on securities	4,353	4,539	42,295
Net deferred gains (losses) on hedges	–	7	–
Revaluation reserve for land (Note 10)	(526)	(526)	(5,111)
Retirement benefits liability adjustments	(3,207)	–	(31,160)
Foreign currency translation adjustments	(3,823)	(13,529)	(37,145)
Total accumulated other comprehensive income	(3,203)	(9,508)	(31,121)
Minority interests	92,897	82,592	902,614
Total net assets	230,380	199,410	2,238,438
Total liabilities and net assets	¥ 512,365	¥ 451,416	\$ 4,978,284
Amounts per share of common stock:			
Net assets	¥ 767.01	¥ 651.72	\$ 7.45

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2014	2013	2014	
Net sales	¥ 684,362	¥ 546,423	\$	6,649,456
Costs and expenses:				
Cost of sales (Note 12)	558,097	458,576		5,422,629
Selling, general and administrative expenses (Notes 11 and 12)	97,736	80,996		949,631
	655,833	539,572		6,372,260
Operating income	28,528	6,851		277,186
Other income (expenses):				
Interest and dividend income	684	622		6,646
Interest expense	(1,146)	(1,238)		(11,135)
Foreign exchange gains (losses), net	(167)	865		(1,623)
Other, net (Notes 13 and 14)	3,346	(2,204)		32,511
	2,716	(1,954)		26,389
Income before income taxes and minority interests	31,245	4,896		303,585
Income taxes (Note 15):				
Current	10,546	8,126		102,468
Deferred	252	2,329		2,449
	10,799	10,455		104,926
(Loss) income before minority interests	20,445	(5,559)		198,649
Minority interests in (earnings) losses of consolidated subsidiaries	(6,133)	(1,514)		(59,590)
Net (loss) income	14,311	(7,074)		139,050
Minority interests in earnings (losses) of consolidated subsidiaries	6,133	1,514		59,590
(Loss) income before minority interests	20,445	(5,559)		198,649
Other comprehensive income (Note 21)				
Net unrealized gains (losses) on securities	(93)	1,706		(904)
Net deferred gains (losses) on hedges	(19)	25		(185)
Foreign currency translation adjustments	12,928	13,533		125,612
Share of other comprehensive income of affiliated companies accounted for by the equity method	780	(131)		7,579
	13,596	15,134		132,103
Comprehensive income	¥ 34,042	¥ 9,575	\$	330,762
Comprehensive income attributable to:				
Shareholders of the parent	¥ 23,801	¥ 3,472	\$	231,257
Minority interests	10,240	6,102		99,495

	Yen		U.S. dollars (Note 1)	
	2014	2013	2014	
Amounts per share of common stock:				
Net income	¥ 79.85	¥ (39.47)	\$	0.78
Diluted net income	79.68	–		0.77
Cash dividends applicable to the year	5.00	5.00		0.05

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2014 and 2013

	Millions of yen				
	Number of shares of common stock	Shareholders' equity			
		Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2012	181,559,956	23,623	45,586	70,391	(3,515)
Net loss				(7,074)	
Dividends				(2,688)	
Purchase of treasury stock					(0)
Disposal of treasury stock				(5)	9
Changes in items other than shareholders' equity, net					
Balance at March 31, 2013	181,559,956	23,623	45,586	60,622	(3,507)
Net income				14,311	
Change in the scope of consolidation				48	
Purchase of treasury stock					(1)
Disposal of treasury stock			(1)		3
Appropriation of capital surplus			(3,355)	3,355	
Changes in items other than shareholders' equity, net					
Balance at March 31, 2014	181,559,956	¥ 23,623	¥ 42,229	¥ 78,339	¥ (3,505)

	Millions of yen						
	Accumulated other comprehensive income						Total net assets
	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Retirement benefits liability adjustments	Foreign currency translation adjustments	Minority interests	
Balance at March 31, 2012	3,476	(2)	(526)	–	(23,599)	77,702	193,137
Net loss							(7,074)
Dividends							(2,688)
Purchase of treasury stock							(0)
Disposal of treasury stock							3
Changes in items other than shareholders' equity, net	1,062	10			10,069	4,889	16,032
Balance at March 31, 2013	4,539	7	(526)	–	(13,529)	82,592	199,410
Net income							14,311
Change in the scope of consolidation							48
Purchase of treasury stock							(1)
Disposal of treasury stock							1
Appropriation of capital surplus							–
Changes in items other than shareholders' equity, net	(185)	(7)		(3,207)	9,705	10,305	16,609
Balance at March 31, 2014	¥ 4,353	¥ –	¥ (526)	¥ (3,207)	¥ (3,823)	¥ 92,897	¥ 230,380

	Thousands of U.S. dollars (Note 1)			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2013	\$ 229,528	\$ 442,927	\$ 589,021	\$ (34,075)
Net income			139,050	
Change of scope of consolidation			466	
Purchase of treasury stock				(10)
Disposal of treasury stock		(10)		29
Appropriation of capital surplus		(32,598)	32,598	
Changes in items other than shareholders' equity, net				
Balance at March 31, 2014	\$ 229,528	\$ 410,309	\$ 761,164	\$ (34,056)

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Retirement benefits liability adjustments	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2013	\$ 44,102	\$ 68	\$ (5,111)	–	\$ (131,452)	\$ 802,487	\$1,937,524
Net income							139,050
Change of scope of consolidation							466
Purchase of treasury stock							(10)
Disposal of treasury stock							10
Appropriation of capital surplus							–
Changes in items other than shareholders' equity, net	(1,798)	(68)		(31,160)	94,297	100,126	161,378
Balance at March 31, 2014	\$ 42,295	\$ –	\$ (5,111)	\$ (31,160)	\$ (37,145)	\$ 902,614	\$2,238,438

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 31,245	¥ 4,896	\$ 303,585
Depreciation and amortization	24,527	21,572	238,311
Impairment losses	197	3,639	1,914
Increase (decrease) in accrued bonuses	1,023	(482)	9,940
Increase (decrease) in accrued employees' severance and pension costs	(4,035)	719	(39,205)
Increase (decrease) in liability for retirement benefit	9,719	–	94,433
Increase (decrease) in accrued expenses	(1,568)	771	(15,235)
Interest and dividend income	(684)	(622)	(6,646)
Interest expense	1,146	1,238	11,135
Decrease (increase) in notes and accounts receivable-trade	2,947	10,410	28,634
Decrease (increase) in inventories	7,626	2,343	74,096
(Decrease) increase in notes and accounts payable-trade	(5,517)	(16,415)	(53,605)
Other, net	523	5,327	5,082
Subtotal	67,151	33,399	652,458
Interest and dividends received	1,164	626	11,310
Interest paid	(1,173)	(1,397)	(11,397)
Income taxes paid	(9,438)	(7,822)	(91,702)
Net cash provided by operating activities	57,703	24,805	560,659
Cash flows from investing activities:			
Purchase of property, plant and equipment	(20,961)	(29,101)	(203,663)
Proceeds from sales of property, plant and equipment	1,077	1,752	10,464
Purchase of intangible assets	(3,364)	(4,052)	(32,686)
Other, net	434	(700)	4,217
Net cash used in investing activities	(22,813)	(32,101)	(221,658)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(16,700)	8,574	(162,262)
Proceeds from long-term loans payable	3,854	49,834	37,447
Repayment of long-term loans payable	(11,093)	(58,609)	(107,783)
Proceeds from issuance of bonds	30,300	–	294,403
Proceeds from minority shareholders	1,749	380	16,994
Repayments of lease obligations	(1,504)	(1,145)	(14,613)
Other, net	(1,611)	(4,688)	(15,653)
Net cash provided by (used in) financing activities	4,994	(5,654)	48,523
Effect of exchange rate change on cash and cash equivalents	6,004	4,082	58,337
Net (decrease) increase in cash and cash equivalents	45,888	(8,867)	445,861
Cash and cash equivalents at beginning of period	76,137	85,004	739,769
Increase (decrease) in cash and cash equivalents resulting from change in the scope of consolidation	212	–	2,060
Cash and cash equivalents at end of period (Note 16)	¥ 122,237	¥ 76,137	\$ 1,187,689

See accompanying notes.

Notes to Consolidated Financial Statements

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES

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.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

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, 2014, which was ¥102.92 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. 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

Investment securities other than those in subsidiaries and affiliates are classified 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 consolidated subsidiaries compute depreciation of property, plant and equipment by the straight-line method mainly over the estimated useful lives of the respective assets. Certain 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 - 20 years

**(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 10 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, which transfer the ownership of the leased assets to the lessees, are depreciated by the same method as used for their own 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 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 for services rendered by directors by that date.

(m) Accrued product warranties

Accrued product warranties are recognized for specific claims on goods sold. In addition, for sales not subject to accrual for specific warranty claims, accrual for product warranties are estimated based on historical experience of the ratio of warranty claims incurred against net sales in the corresponding fiscal year.

(n) Retirement benefits

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheets date.

The retirement benefit obligation for employees is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

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 from 14 to 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 certain domestic consolidated subsidiaries that apply a period of 13 years).

(o) Accrued directors' severance costs

Accrued directors' severance cost is provided based on their internal corporate policies.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) Derivative financial instruments

In the normal course of business, the Company enters 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.

(u) Accounting for consumption taxes

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

(v) Adoption of consolidated taxation system

The Company and certain of its consolidated subsidiaries have adopted the consolidated taxation system.

(w) Reclassifications

Certain prior-year amounts have been reclassified to conform to the 2014 presentation.

(x) Standards issued but not yet effective

On May 17, 2012, the ASBJ issued “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

(1) Overview

The standard provides guidance for the accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs, and enhancement of disclosures taking into consideration improvements to financial reporting and international trends.

(2) Scheduled date of adoption

The revised accounting standard and guidance were adopted as of the end of the fiscal year ended March 31, 2014. However, revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015.

(3) Impact of adopting revised accounting standard and guidance

The company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

3. ACCOUNTING CHANGES

(1) Change in depreciation method

Effective for the year ended March 31, 2014, the Company's some domestic consolidated subsidiaries have changed their depreciation method from the declining balance method to the straight-line method.

As a result of improvements of the fixed assets management systems in some domestic subsidiaries, it made it possible to collect more accurate data of actual fixed assets usage.

The result of updated analysis showed straight-line method could reflect actual figure of using fixed assets because the company has many general-purpose equipments and use them for various products for long period stably. As a result, operating income and income before income taxes and minority interests increased by ¥434 million (\$4,217 thousand) each, for the year ended March 31, 2014.

(2) Change in accounting standards for retirement benefits

The Company adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 of May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance) as of the end of the year ended March 31, 2014. These accounting standards require entities to apply a revised methods for recording the retirement benefit obligation, after deducting plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting standard for Retirement Benefits, based on the provisional treatment set out in Section 37 of the Standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income. As a result of this change,

net defined benefit liability was recognized in the amount of ¥9,719 million (\$94,433 thousand) and accumulated other comprehensive income decreased by ¥3,207 million (\$31,160 thousand) as of March 31, 2014. In addition, net assets per share decreased by ¥17.89 (\$0.17).

(3) Change in useful life

Effective for the year ended March 31, 2014, the Company and certain of its domestic and foreign consolidated subsidiaries have changed their useful lives of machinery and tooling as a result of re-estimate upon adoption of Medium-Term Business plan and change of depreciation method explained above.

This change reflects more accurate useful lives by considering change of business conditions, actual physical economical useful lives, life cycles of products and technology innovation cycles.

As a result, operating income and income before income taxes and minority interests increased by ¥641 million (\$6,228 thousand) each, for the year ended March 31, 2014.

4. INVESTMENT SECURITIES

Securities classified as other securities at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Fair value	Cost	Unrealized gains (losses)	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost: Equity securities	¥ 18,111	¥ 5,317	¥ 12,793	\$ 175,972	\$ 51,661	\$ 124,300
Securities for which cost exceeds fair value: Equity securities	200	312	(111)	1,943	3,031	(1,079)
Total	¥ 18,312	¥ 5,630	¥ 12,681	\$ 177,925	\$ 54,703	\$ 123,212

	Millions of yen		
	2013		
	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost: Equity securities	¥ 18,469	¥ 5,550	¥ 12,919
Securities for which cost exceeds fair value: Equity securities	268	333	(65)
Total	¥ 18,738	¥ 5,884	¥ 12,853

Note: Unlisted stocks and other at March 31, 2014 and 2013 in the amounts of ¥934 million (\$9,075 thousand) and ¥628 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, 2014 and 2013 were ¥944 million (\$9,172 thousand) and ¥25 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.

Gross realized gains and losses for the year ended March 31, 2014 were ¥567 million (\$5,509 thousand) and ¥38 million (\$369 thousand), respectively. Gross realized gains and losses for the year ended March 31, 2013 were ¥7 million and ¥1 million, respectively.

The impairment losses of ¥19 million (\$185 thousand) and ¥271 million on securities for the years ended March 31, 2014 and 2013 were recorded for non-marketable equity securities at ¥19 million (\$185 thousand) and ¥0 million, respectively; for the shares of companies that have business relationships with the Company at nil and ¥0 million, respectively; for subsidiaries and affiliated companies at nil and ¥271 million, respectively.

5. INVENTORIES

Inventories at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Finished products	¥ 46,882	¥ 43,885	\$ 455,519
Work in process	7,402	11,169	71,920
Raw materials and supplies	18,839	19,283	183,045
	¥ 73,124	¥ 74,338	\$ 710,494

Inventories are stated at the lower of cost or market. The following loss on valuation of inventories is included in the cost of sales for the years ended March 31, 2014, and 2013, respectively:

Millions of yen		Thousands of U.S. dollars
2014	2013	2014
¥ 1,638	¥ (84)	\$ 15,915

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

Average interest rates for short-term loans payable, consisting primarily of overdrafts with banks, were 0.99% and 0.97% at March 31, 2014 and 2013, respectively.

Long-term debt at March 31, 2014 and 2013 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans principally from banks and insurance companies due over 1 year at average interest rates of 0.78% and 0.80% at March 31, 2014 and 2013, respectively	¥ 55,084	¥ 66,106	\$ 535,212
Convertible bond-type bonds with share subscription rights due through 2019	30,298	–	294,384
Loans principally from banks and insurance companies due within 1 year at average interest rates of 0.99% and 1.24% at March 31, 2014 and 2013, respectively	14,998	10,481	145,725
	¥ 100,381	¥ 76,588	\$ 975,330

At March 31, 2014 and 2013, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Land	¥ 2,056	¥ 2,054	\$ 19,977
Building and structures	2,319	2,463	22,532
Total	¥ 4,375	¥ 4,518	\$ 42,509

At March 31, 2014 and 2013, such collateral secured the following obligations:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Long-term debt due within one year	¥ 362	¥ 432	\$ 3,517
Long-term debt	864	1,221	8,395

The aggregate annual maturities of long-term debt subsequent to March 31, 2014 and 2013 are summarized as follows:

Year ending	Millions of yen	Thousands of U.S. dollars
2015	¥ 14,998	\$ 145,725
2016	50,929	494,841
2017	3,186	30,956
2018	811	7,880
2019	30,096	292,421
2020 and thereafter	60	583
Total	¥ 100,082	\$ 972,425

Year ending	Millions of yen
2014	¥ 10,481
2015	14,509
2016	42,857
2017	7,905
2018	676
2019 and thereafter	157
Total	¥ 76,588

7. RETIREMENT BENEFIT

The Company and certain of its domestic consolidated subsidiaries have defined benefit pension plans. The primary defined benefit pension plans are the corporate pension funds, welfare 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 based upon years of services, compensation at the time of severance 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.

Defined benefit pension plans

(1) The changes in the retirement benefit obligation for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligation at April 1, 2013	¥ 64,307	\$ 624,825
Service cost	2,671	25,952
Interest cost	1,117	10,853
Actuarial loss	(972)	(9,444)
Retirement benefits paid	(3,359)	(32,637)
Other	(1,130)	(10,979)
Retirement benefit obligation at March 31, 2014	¥ 62,633	\$ 608,560

(2) The changes in plan assets for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at April 1, 2013	¥ 50,370	\$ 489,409
Expected return on plan assets	1,065	10,348
Actuarial loss	3,232	31,403
Employer contributions	1,869	18,160
Retirement benefits paid	(2,898)	(28,158)
Other	(724)	(7,035)
Plan assets at March 31, 2014	¥ 52,914	\$ 514,127

(3) The amounts recognized in the consolidated balance sheet as of March 31, 2014 consist of:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligation	¥ 59,877	\$ 581,782
Plan assets at fair value	(52,914)	(514,127)
Funded status	6,963	67,654
Unfunded retirement benefit obligation	2,755	26,768
Liability for retirement benefit, net	¥ 9,719	\$ 94,433

(4) The amounts recognized in the consolidated income statement consist of:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 2,671	\$ 25,952
Interest cost	1,117	10,853
Expected return on plan assets	(1,065)	(10,348)
Amortization of actuarial loss	2,011	19,539
Amortization of prior service cost	(2)	(19)
Other	221	2,147
Retirement benefit expense	¥ 4,953	\$ 48,125

(5) Unrecognized prior service cost and unrecognized actuarial loss included in other comprehensive income (before tax effect) for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service cost	¥ 5	\$ 49
Unrecognized actuarial loss	3,239	31,471
Total	¥ 3,244	\$ 31,520

(6) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 were as follows:

Bonds	29.9%
Stocks	41.9%
Insurance	9.0%
Cash and cash equivalents	3.9%
Other	15.3%
Total	100.0%

(7) The principal actuarial assumptions used in accounting for the defined benefit pension plans for the year ended March 31, 2014 were as follows:

	2014
Discount rate	Mainly 1.6%
Expected rate of return on plan assets	Mainly 2.1%

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 sheet at March 31, 2013 for the Company and its consolidated subsidiaries:

	Millions of yen	
	2013	
Retirement benefit obligation	¥	(63,992)
Fair value of plan assets		50,370
Funded status		(13,622)
Unrecognized net actuarial loss		10,197
Unrecognized prior service cost		2
Amounts recognized in the consolidated balance sheet, net		(3,422)
Prepaid pension cost		493
Accrued employees' severance and pension costs	¥	(3,915)

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, 2013 were as follows:

	Millions of yen	
	2013	
Service cost	¥	2,799
Interest cost		921
Expected return on plan assets		(816)
Amortization of actuarial loss		2,213
Amortization of prior service cost		116
Additional accrued severance cost		107
Other		797
Total	¥	6,139

The assumptions used in accounting for the defined benefit pension plans for the year ended March 31, 2013 were as follows:

	2013
Discount rate	Mainly 1.6%
Expected rate of return on plan assets	Mainly 1.9%

Multi-employer plans

A consolidated subsidiary of the Company participates in a 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
	As of March 31, 2014	As of March 31, 2013	U.S. dollars
Pension assets	¥ 21,636	¥ 19,132	\$ 210,222
Pension liabilities	(25,527)	(24,181)	(248,028)
Funded status	¥ (3,891)	¥ (5,049)	\$ (37,806)

(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, 2014	As of March 31, 2013
Japan Travel Agents Employees Pension Funds	0.55%	0.53%

Defined contribution plans

The amount paid to the defined contribution plans for the year ended March 31, 2014 was as follows:

	Millions of yen	Thousands of
	2014	U.S. dollars
Defined contribution plan payments	¥ 827	\$ 8,035

8. CONTINGENT LIABILITIES

The Company was contingently liable as guarantor for loans of other companies and employees in the aggregate amount of ¥13 million (\$126 thousand) and ¥18 million at March 31, 2014 and 2013, respectively.

Certain subsidiaries of the Company participate in a pension scheme in the UK. In case these subsidiaries withdraw from the scheme, a liability under UK pension law (Section 75) will be incurred, which was estimated at £8,799 thousand (¥1,507 million (\$14,642 thousand)) and £12,095 thousand (¥1,731 million) at March 31, 2014 and 2013, respectively.

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥40,000 million (\$388,651 thousand) and ¥45,000 million with financial institutions at March 31, 2014 and 2013, respectively. The outstanding loans payable amounted to nil and ¥5,500 million, and the unused balances amounted to ¥40,000 million (\$388,651 thousand) and ¥39,500 million under these credit facilities, at March 31, 2014 and 2013, respectively.

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.

Shares in Issue and Outstanding and Treasury Stock

The total number and periodic changes in the number of shares in issue and the total number and periodic changes in the number of shares of treasury stock for the years ended March 31, 2014 and 2013 are summarized as follows:

	Shares in Issue and Outstanding (Thousand)	Treasury Stock (Thousand)
Number of shares at March 31, 2012	181,559	2,320
Increase in number of shares	-	1
Decrease in number of shares	-	6
Number of shares at March 31, 2013	181,559	2,315
Increase in number of shares	-	1
Decrease in number of shares	-	2
Number of shares at March 31, 2014	181,559	2,315

During the year ended March 31, 2014, the increase of 1 thousand shares of treasury stock was due to the purchase of odd-lot shares. The decrease of 2 thousand shares of treasury stock was due mainly to the sales to the employees.

During the year ended March 31, 2013, the increase of 1 thousand shares of treasury stock was due to the purchase of odd-lot shares. The decrease of 6 thousand shares of treasury stock was due to the sales to the employees.

Share subscription rights

The total number and periodic changes in the number of share subscription rights for the year ended March 31, 2014 are summarized as follows:

Item	Zero coupon convertible bonds due through 2019 (bonds with share subscription rights) issued on March 24, 2014	Common stock
Class of stock		
Number of shares at March 31, 2013		–
Increase in number of shares		16,648,168
Decrease in number of shares		–
Number of shares at March 31, 2014		16,648,168

The number of shares represents the maximum number of shares assuming all share subscription rights are exercised.

Dividends

The following appropriations of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2014, was approved at the ordinary general meeting of shareholders on June 20, 2014 and will go into effect on June 23, 2014:

	Millions of yen	Thousands of U.S. dollars
Cash dividends to be approved on June 20, 2014 (¥5.00 = \$0.05 per share)	¥ 896	\$ 8,706

The following appropriations of cash dividends to shareholders of common stock were approved at the ordinary general meeting of shareholders held on June 22, 2012 and at the meeting of the Board of Directors held on October 31, 2012 and were paid to shareholders of record as of March 31, 2012 and September 30, 2012, respectively, during the year ended March 31, 2013:

	Millions of yen
Cash dividends approved on June 22, 2012 (¥10.00 Per share)	¥ 1,792
Cash dividends approved on October 31, 2012 (¥5.00 per share)	¥ 896

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 (minority interests in net assets section for minority portion) under net assets.

The excesses of the carrying value of this land after the revaluation over its fair value as of March 31, 2014 and 2013 were both ¥1,345 million (\$13,068 thousand).

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of
	2014	2013	U.S. dollars
Salaries	¥ 35,508	¥ 28,659	\$ 345,006
Research and development expenses	13,033	12,135	126,632
Commission expenses	8,573	5,627	83,298
Employees' bonuses	3,418	3,528	33,210
Warranty costs	3,002	876	29,168
Retirement benefit expense	1,992	1,872	19,355

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and general and administrative expenses were ¥32,987 million (\$320,511 thousand) and ¥28,674 million for the years ended March 31, 2014 and 2013, respectively.

13. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statements of income and comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of
	2014	2013	U.S. dollars
Insurance revenue from loss on inventories	¥ 403	¥ -	\$ 3,916
Equity in earnings of affiliated companies	395	406	3,838
Loss on inventories	(351)	-	(3,410)
Commission fee	(399)	(405)	(3,877)
Gain on sale of fixed assets	147	1,021	1,428
Gain on sale of investment securities	567	-	5,509
Compensation income	991	1,181	9,629
Subsidy income	1,820	179	17,684
Gain on change in share of net assets of a consolidated subsidiary resulting from stock issuance by the subsidiary	361	-	3,508
Loss on sale and disposal of fixed assets	(429)	(1,732)	(4,168)
Impairment losses on fixed assets	(197)	(3,639)	(1,914)
Loss on change in share of net assets of a consolidated subsidiary resulting from stock issuance by the subsidiary	(115)	(60)	(1,117)
Other	152	845	1,477
	¥ 3,346	¥ (2,204)	\$ 32,511

14. IMPAIRMENT LOSSES ON FIXED ASSETS

To adopt the accounting treatment for the impairment of fixed assets, the Company 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, assets leased to others and scheduled disposal 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 Company recognized impairment losses on the asset groups for the year ended March 31, 2014 as follows:

Location	Use	Asset type	Thousands of U.S. dollars	
			Millions of yen	2014
Japan	Assets for Logistics business	Buildings etc.	¥ 18	\$ 175
	Assets for Other business	Buildings etc.	44	428
	Scheduled disposal assets	Buildings, Machinery & equipment , vehicles, tools, furniture and fixtures etc.	88	855
	Assets leased to others	Land and Buildings	45	437
	Idle assets	Land	0	0
Total			¥ 197	\$ 1,914

With respect to assets included in assets for the Logistics business and the Other business, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses. The recoverable amounts were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.6%.

With respect to idle assets, assets leased to others and scheduled disposal assets, whose fair value declined or whose future use had not been determined, the Company reduced the book value of those assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts of idle assets were determined at net realizable value computed based on asset value under property tax.

The recoverable amounts of assets leased to others were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.3%.

The recoverable amount of scheduled disposal assets was estimated as zero based on the plan for disposal.

The Company recognized impairment losses on the asset groups for the year ended March 31, 2013 as follows:

Location	Use	Asset type	Millions of yen	
				2013
China	Assets for Electronic components business	Buildings, Machinery & equipment, construction in progress, tools, furniture, fixtures etc.	¥	1,728
	Scheduled disposal assets	Machinery & equipment and dies etc.		537
Japan	Assets for Electronic components business	Machinery & equipment, tools, furniture, fixtures and dies etc.		384
	Assets for Logistics business	Buildings etc.		3
	Scheduled disposal assets	Machinery & equipment and dies etc.		361
	Assets leased to others	Land and Buildings		63
	Idle assets	Land		1
Malaysia	Assets for Electronic components business	Buildings, Machinery & Equipment		377
Korea	Assets for Electronic components business	Buildings, Machinery & Equipment etc.		110
Czech Republic	Assets for Electronic components business	Land Buildings, Machinery & Equipment etc.		70
	Scheduled disposal assets	Machinery & Equipment etc.		0
U.S.A.	Assets for Electronic components business	Machinery & Equipment etc.		1
Total			¥	3,639

With respect to assets included in assets for the Electronic components business and the Logistics business, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.5 – 4.2%.

With respect to idle assets, assets leased to others and scheduled disposal assets, whose fair value declined or whose future use had not been determined, the Company reduced the book value of those assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts of idle assets were determined at net realizable value computed based on asset value under property tax.

The recoverable amounts of assets leased to others were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.5%.

As for scheduled disposal assets, memorandum value was used for determining the recoverable value.

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 37.8% for the years ended March 31, 2014 and 2013, respectively.

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 income and comprehensive income for the years ended March 31, 2014 and 2013:

	2014	2013
Statutory tax rate	37.8%	37.8%
Non-deductible expenses	4.1	30.6
Non-taxable income	(1.1)	(14.5)
Change in valuation allowance	(9.5)	157.6
Lower tax rates at foreign subsidiaries	(4.1)	(23.1)
Capita levy on inhabitant tax	0.5	2.9
Effect of tax rate change	0.7	4.4
Withholding tax on services rendered	–	9.3
Other	6.2	8.6
Effective tax rates	34.6%	213.6%

The significant components of deferred tax assets and liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Accrued employees' bonuses	¥ 3,104	¥ 2,961	\$ 30,159
Accrued warranty costs	1,094	817	10,630
Allowance for doubtful accounts	755	610	7,336
Income taxes payable	294	439	2,857
Accrued expenses	955	780	9,279
Accrued employees' severance and pension costs	–	1,001	–
Liability for defined benefit	3,210	–	31,189
Depreciation	7,962	9,112	77,361
Impairment losses for land	865	881	8,405
Accrued directors' severance costs	508	730	4,936
Intercompany profit	3,997	3,862	38,836
Write-offs of investment securities	2,028	2,158	19,705
Write-offs of inventories	1,313	1,128	12,757
Tax loss carryforwards	26,179	28,335	254,363
Other	4,278	4,032	41,566
Gross deferred tax assets	56,542	56,846	549,378
Valuation allowance	(42,343)	(43,635)	(411,417)
Less deferred tax liabilities in the same tax jurisdiction	(4,192)	(3,762)	(40,731)
Total deferred tax assets	10,007	9,449	97,231
Deferred tax liabilities:			
Unrealized gain on investment securities	(4,145)	(4,232)	(40,274)
Prepaid pension cost	–	(137)	–
Undistributed retained earnings of foreign subsidiaries	(1,827)	(1,361)	(17,752)
Gain on change in equity resulting from capital increase through third-party share issuance of subsidiaries	(1,281)	(1,153)	(12,447)
Undistributed retained earnings of affiliated company accounted for by the equity method	(2,353)	(1,989)	(22,862)
Other	(1,840)	(1,690)	(17,878)
Gross deferred tax liabilities	(11,446)	(10,562)	(111,213)
Less deferred tax assets in the same tax jurisdiction	4,192	3,762	40,731
Total deferred tax liabilities	(7,254)	(6,800)	(70,482)
Net deferred tax assets	¥ 2,753	¥ 2,649	\$ 26,749

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. In addition, the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 4 of 2014) and the “Act for Partial Amendment of the local Corporate Tax Act, etc.” (Act No. 11 of 2014) were promulgated on March 31, 2014, and the Company is subject to the amended Local Corporate Tax effective for fiscal years beginning on or after April 1, 2015.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 37.8% to 35.4% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥261 million (\$2,536 thousand) and increase deferred taxes by ¥261 million (\$2,536 thousand) as of and for the year ended March 31, 2014.

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, 2014 and 2013 is as follows:

	Millions of yen		Thousands of
	2014	2013	U.S. dollars
Cash and time deposits	¥ 122,738	¥ 76,687	\$ 1,192,557
Less:			
Time deposits with a maturity of more than three months when purchased	(500)	(549)	(4,858)
Cash and cash equivalents	¥ 122,237	¥ 76,137	\$ 1,187,689

Supplemental Disclosure of Non-Cash Transactions

The Company recorded assets and corresponding obligations for finance lease transactions amounting to ¥2,489 million (\$24,184 thousand) and ¥2,632 million during the years ended March 31, 2014 and 2013, respectively.

17. FINANCIAL INSTRUMENTS

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.

Short-term debt and long-term debt are 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 is found in summary of significant accounting policies in Note 2.

(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, the related Sales Department manager monitors credit worthiness of 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.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2014 and 2013, their estimated fair value and unrealized gains 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		
		2014			2014		
		Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:	Cash and time deposits	¥ 122,738	¥ 122,738	¥ -	\$ 1,192,557	\$ 1,192,557	\$ -
	Notes and accounts receivable-trade	111,129	111,129	-	1,079,761	1,079,761	-
	Investment securities	26,366	36,324	9,957	256,180	352,934	96,745
Total assets		¥ 260,234	¥ 270,192	¥ 9,957	\$ 2,528,508	\$ 2,625,262	\$ 96,745
Liabilities:	Notes and accounts payable-trade	¥ 61,206	¥ 61,206	¥ -	\$ 594,695	\$ 594,695	\$ -
	Short-term loans payable	33,983	33,983	-	330,188	330,188	-
	Long-term debt due within one year	14,998	14,998	-	145,725	145,725	-
	Convertible bonds with share subscription rights	30,298	32,235	1,936	294,384	313,204	18,811
	Long-term debt	55,084	55,416	331	535,212	538,438	3,216
Total liabilities		¥ 195,571	¥ 197,839	¥ 2,268	\$ 1,900,223	\$ 1,922,260	\$ 22,037
Derivatives*		¥ (80)	¥ (80)	¥ -	\$ (777)	\$ (777)	\$ -

		Millions of yen		
		2013		
		Carrying value	Estimated fair value	Difference
Assets:	Cash and time deposits	¥ 76,687	¥ 76,687	¥ -
	Notes and accounts receivable-trade	102,238	102,238	-
	Investment securities	25,445	31,236	5,790
Total assets		¥ 204,370	¥ 210,161	¥ 5,790
Liabilities:	Notes and accounts payable-trade	¥ 55,806	¥ 55,806	¥ -
	Short-term loans payable	47,879	47,879	-
	Long-term debt due within one year	10,481	10,481	-
	Long-term debt	66,106	66,808	701
Total liabilities		¥ 180,275	¥ 180,977	¥ 701
Derivatives*		¥ (215)	¥ (215)	¥ -

*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.

Note 1: 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) Convertible bonds with share subscription rights

The fair value of convertible bonds with subscription rights to shares is based on quoted market price at the fiscal year end.

(e) 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 loans were entered into.

(f) 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
	2014	2013	2014
	Carrying value	Carrying value	Carrying value
Investment in unconsolidated subsidiaries and affiliated companies	¥ 541	¥ 764	\$ 5,257
Unlisted stocks and other included in investment securities	¥ 934	¥ 628	\$ 9,075

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 presenting the estimated fair value of financial instruments.

Note 3: Redemption schedule for receivables and marketable securities with maturities at March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due in one year or less			
Cash and time deposits	¥ 122,738	¥ 76,687	\$ 1,192,557
Notes and accounts receivable-trade	111,129	102,238	1,079,761
Total	¥ 233,867	¥ 178,925	\$ 2,272,318

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, 2014 and 2013 are summarized as follows:

Year ending	Millions of yen	Thousands of U.S. dollars
2015	¥ 1,667	\$ 16,197
2016	1,374	13,350
2017	861	8,366
2018	327	3,177
2019	192	1,866
2020 and thereafter	1,225	11,902
Total	¥ 5,648	\$ 54,878

Year ending	Millions of yen
2014	¥ 1,074
2015	1,114
2016	605
2017	262
2018	183
2019 and thereafter	1,321
Total	¥ 4,562

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into forward foreign exchange contracts with banks to hedge transactions and balances denominated in foreign currencies. In addition, to hedge its exposure to fluctuations in interest rates, the Company has entered into interest rate swap agreements to effectively change the floating rates on the principal balance of its 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, 2014 and 2013, to which hedge accounting has not been applied, are summarized as follows:

			Millions of yen			Thousands of U.S. dollars		
			2014			2014		
			Notional amounts	Estimated fair value	Unrealized losses	Notional amounts	Estimated fair value	Unrealized losses
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 16,656	¥ (18)	¥ (18)	\$ 161,834	\$ (175)	\$ (175)
		Euro	8,430	(61)	(61)	81,908	(593)	(593)

			Millions of yen		
			2013		
			Notional amounts	Estimated fair value	Unrealized losses
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 13,319	¥ (212)	¥ (212)
		Euro	7,218	(22)	(22)

Note: Estimated fair values are computed on quotes from financial institutions.

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2014 and 2013, to which hedge accounting has been applied primarily to accounts receivables, are summarized as follows:

			Millions of yen				Thousands of U.S. dollars	
			2014		2013		2014	
			Notional amounts	Estimated fair value	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ -	¥ -	¥ 663	¥ 5	\$ -	\$ -
		Euro	-	-	617	13	-	-

Note: Estimated fair values are computed on quotes from financial institutions.

			Millions of yen				Thousands of U.S. dollars	
			2014		2013		2014	
			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								
			¥ 1,225	Note	¥ 2,525	Note	\$ 11,902	Note

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 leases 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 and net book value of the leased assets at March 31, 2014 and 2013, 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	
		2014	2013	2014	
Machinery and equipment	Acquisition costs	¥	–	¥ 27	\$ –
	Accumulated depreciation		–	26	–
	Accumulated impairment		–	–	–
Net book value		¥	–	¥ 0	\$ –

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2014 and 2013 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
2015	¥ –	\$ –
2016 and thereafter	–	–
	¥ –	\$ –

	Millions of yen
	2013
2014	¥ 0
2015 and thereafter	–
	¥ 0

There is no accumulated impairment loss on leased assets as of March 31, 2014 and 2013 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, 2014, and 2013 totaled nil, and ¥3 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, 2014, and 2013 amounted to nil, and ¥3 million, respectively.

The Company's future minimum lease payments subsequent to March 31, 2014 and 2013 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
		2014		2014
2014	¥	1,399	\$	13,593
2015 and thereafter		4,342		42,188
	¥	5,742	\$	55,791

	Millions of yen	
		2013
2013	¥	1,428
2014 and thereafter		3,685
	¥	5,114

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	
Lease receivables	¥ 733	¥ 747	\$ 7,122	
Estimated residual value	–	0	–	
Interest portion of lease receivables	(60)	(64)	(583)	
Investment in lease assets	¥ 673	¥ 683	\$ 6,539	

The collection schedules of lease receivables related to investment in lease assets at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
		2014		2014
2015	¥	241	\$	2,342
2016		162		1,574
2017		147		1,428
2018		97		942
2019		45		437
2020 and thereafter		39		379
	¥	733	\$	7,122

	Millions of yen	
	2013	
2014	¥	229
2015		199
2016		120
2017		90
2018		62
2019 and thereafter		45
	¥	747

The Company's future minimum lease receivables subsequent to March 31, 2014 and 2013 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
		2014		2014
2015	¥	12	\$	117
2016 and thereafter		11		107
	¥	24	\$	233

	Millions of yen	
	2013	
2014	¥	12
2015 and thereafter		11
	¥	14

20. RELATED PARTY TRANSACTIONS

There were no transactions of the Company with a related party for the years ended March 31, 2014 and 2013.

21. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments as amounts reclassified to net income for the years ended March 31, 2014 and 2013, which were recognized in other comprehensive income for the years ended March 31, 2014 and 2013, and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gains (losses) on securities:			
Amount arising during the year	¥ 403	¥ 2,659	\$ 3,916
Reclassification adjustments	(548)	(5)	(5,325)
Net unrealized gains (losses) on securities before tax effect	(145)	2,654	(1,409)
Tax effect	51	(947)	496
Net unrealized gains (losses) on securities	(93)	1,706	(904)
Net deferred gains (losses) on hedges:			
Amount arising during the year	(39)	(0)	(379)
Reclassification adjustments	20	30	194
Net deferred gains (losses) on hedges before tax effect	(19)	29	(185)
Tax effect	–	(4)	–
Net deferred gains (losses) on hedges	(19)	25	(185)
Foreign currency translation adjustments:			
Amount arising during the year	12,928	13,533	125,612
Reclassification adjustments	–	–	–
Foreign currency translation adjustments before tax effect	12,928	13,533	125,612
Tax effect	–	–	–
Foreign currency translation adjustments	12,928	13,533	125,612
Share of other comprehensive income of affiliated companies accounted for by the equity method:			
Amount arising during the year	780	(131)	7,579
Other comprehensive income	¥ 13,596	¥ 15,134	\$ 132,103

22. SUBSEQUENT EVENT

Termination of directors' retirement benefit plan and introduction of stock-based compensation plan.

On May 29, 2014, the Company's Board of Directors approved to agenda a proposal for the termination of the directors' retirement benefit plan and present the amount and specific details of new share subscription rights as stock options to directors (excluding external directors) at the General Meeting of shareholders scheduled on June 20, 2014.

23. SEGMENT INFORMATION

Business segments

The operating segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and assess performance.

The Company organizes group companies based on products and services and implements business activities based on its comprehensive strategies.

The reportable segments are classified by products and services taking into account the commonality of the types of products and markets. The three reportable segments of the Companies are “Electronic components,” “Automotive Infotainment,” and “Logistics”.

The “Electronic components” business involves the development, manufacturing and marketing of a variety of electronic components. The “Automotive Infotainment” business involves the development, manufacturing, and marketing of audio, information and communication equipment. The “Logistics” business involves the provision of transportation, storage and forwarding services.

The accounting policies of the segments are substantially the same as those described in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Segment income of the reportable segments is based on operating income. Inter-segment sales and transfers are determined on the basis of actual transactions.

Reportable segment information of the Company for the years ended March 31, 2014 and 2013 is summarized as follows:

Year ended March 31, 2014	Millions of yen							
	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Electronic components	Automotive Infotainment	Logistics	Total				
Net sales								
External customers	¥ 338,811	¥ 282,115	¥ 52,282	¥ 673,208	¥ 11,154	¥ 684,362	¥ -	¥ 684,362
Inter-segment sales and transfers	13,916	3,769	26,560	44,245	10,384	54,630	(54,630)	-
Total	352,727	285,884	78,842	717,454	21,538	738,992	(54,630)	684,362
Segment income	14,012	9,813	4,140	27,966	584	28,551	(22)	28,528
Segment assets	294,673	190,380	62,490	547,544	30,108	577,652	(65,287)	512,365
Segment liabilities	201,505	65,329	22,205	289,041	25,617	314,659	(32,674)	281,985
Other items								
Depreciation	15,913	6,100	1,994	24,009	567	24,576	(49)	24,527
Increase in tangible and intangible fixed assets	16,671	8,193	1,506	26,371	550	26,922	(351)	26,570

Year ended March 31, 2013	Millions of yen							
	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Electronic components	Automotive Infotainment	Logistics	Total				
Net sales								
External customers	¥ 268,085	¥ 219,852	¥ 48,554	¥ 536,492	¥ 9,930	¥ 546,423	¥ -	¥ 546,423
Inter-segment sales and transfers	11,920	2,457	22,875	37,253	10,814	48,068	(48,068)	-
Total	280,006	222,309	71,429	573,745	20,745	594,491	(48,068)	546,423
Segment income	227	2,324	3,586	6,139	412	6,551	299	6,851
Segment assets	256,221	167,740	58,213	482,174	32,723	514,898	(63,482)	451,416
Segment liabilities	177,156	57,890	21,556	256,604	28,249	284,853	(32,847)	252,005
Other items								
Depreciation	13,003	6,106	1,919	21,030	593	21,624	(52)	21,572
Increase in tangible and intangible fixed assets	23,845	6,719	1,624	32,189	602	32,791	(958)	31,833

Year ended March 31, 2014	Thousands of U.S. dollars							
	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Electronic components	Automotive Infotainment	Logistics	Total				
Net sales								
External customers	\$ 3,291,984	\$ 2,741,110	\$ 507,987	\$ 6,541,080	\$ 108,375	\$ 6,649,456	\$ -	\$ 6,649,456
Inter-segment sales and transfers	135,212	36,621	258,065	429,897	100,894	530,801	(530,801)	-
Total	3,427,196	2,777,730	766,051	6,970,987	209,269	7,180,257	(530,801)	6,649,456
Segment income	136,145	95,346	40,225	271,726	5,674	277,410	(214)	277,186
Segment assets	2,863,127	1,849,786	607,171	5,320,093	292,538	5,612,631	(634,347)	4,978,284
Segment liabilities	1,957,880	634,755	215,750	2,808,405	248,902	3,057,316	(317,470)	2,739,846
Other items								
Depreciation	154,615	59,269	19,374	233,278	5,509	238,787	(476)	238,311
Increase in tangible and intangible fixed assets	161,980	79,606	14,633	256,228	5,344	261,582	(3,410)	258,162

Notes:

1. "Other" includes business segments not included in the reportable segments, and includes the development of information systems, office services, financial and leasing businesses.
2. "Adjustments" of segment income, segments assets, and liabilities include the elimination of inter-segment profit and loss.
3. Segment income is reconciled with operating income in the consolidated financial statements.
4. As described in Note 3. ACCOUNTING CHANGES, effective for the year ended March 31, 2014, the Company's some domestic consolidated subsidiaries have changed their depreciation method from declining balance method to the straight-line method. As a result, Segment income increased by ¥415 million (\$ 4,032 thousand) in the "Automotive infotainment" business and by ¥19 million (\$ 185 thousand) in "Other" business, for the year ended March 31, 2014.
5. As described in Note 3. ACCOUNTING CHANGES, effective for the year ended March 31, 2014, the Company and certain of its domestic and foreign consolidated subsidiaries have changed their useful lives of machinery and tooling as a result of re-estimate upon adoption of Medium-Term Business plan and change of depreciation method explained above. As a result, Segment income increased by ¥389 million (\$ 3,780 thousand) in the "Electronic components" business and by ¥252 million (\$ 2,449 thousand) in the "Automotive infotainment" business.

Related information

1. Geographical information

(1) Net sales

Millions of yen					
Year ended March 31, 2014					
Japan	America	China	Germany	Other	Total
¥ 131,915	¥ 130,831	¥ 106,804	¥ 77,992	¥ 236,819	¥ 684,362

Millions of yen					
Year ended March 31, 2013					
Japan	China	America	Germany	Other	Total
¥ 126,204	¥ 99,790	¥ 89,232	¥ 53,771	¥ 177,422	¥ 546,423

Thousands of U.S. dollars					
Year ended March 31, 2014					
Japan	America	China	Germany	Other	Total
\$ 1,281,724	\$ 1,271,191	\$ 1,037,738	\$ 757,792	\$ 2,301,001	\$ 6,649,456

Note: Net sales information above is based on customer location.

(2) Information related to property, plant and equipment

Millions of yen			
As of March 31, 2014			
Japan	China	Other	Total
¥ 80,503	¥ 31,768	¥ 21,508	¥ 133,779

Millions of yen			
As of March 31, 2013			
Japan	China	Other	Total
¥ 82,310	¥ 29,564	¥ 17,387	¥ 129,262

Thousands of U.S. dollars			
As of March 31, 2014			
Japan	China	Other	Total
\$ 782,190	\$ 308,667	\$ 208,978	\$ 1,299,835

2. Information on major customers

This information is not required to be disclosed because net sales to any customer are less than 10% of the net sales on the consolidated statements of income and comprehensive income for the years ended March 31, 2014 and 2013.

Impairment loss on property, plant and equipment by reportable segment

Impairment loss on property, plant and equipment by reportable segment for the years ended March 31, 2014 and 2013 was summarized as follows:

Millions of yen					
Year ended March 31, 2014					
Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total
¥ 88	¥ –	¥ 18	¥ 90	¥ –	¥ 197

Notes: "Other" includes financial, leasing businesses.

Millions of yen					
Year ended March 31, 2013					
Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total
¥ 3,554	¥ –	¥ 3	¥ 81	¥ –	¥ 3,639

Notes: "Other" includes financial, leasing and servicing businesses.

Thousands of U.S. dollars					
Year ended March 31, 2014					
Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total
\$ 855	\$ –	\$ 175	\$ 874	\$ –	\$ 1,914

Amortization and balance of goodwill by reportable segment

As the amounts are immaterial, the related disclosure is omitted.

Gain on negative goodwill by reportable segment

There was no gain on negative goodwill for the years ended March 31, 2014 and 2013.

Independent Auditor's Report

The Board of Directors
Alps Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Alps Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.



June 13, 2014
Tokyo, Japan

Company & Stock Information (As of March 31, 2014)

Corporate Facts

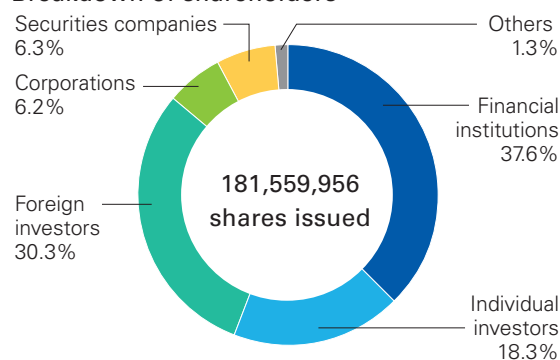
Name	Alps Electric Co., Ltd.
Headquarters	1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo 145-8501, Japan TEL: +81-3-3726-1211
Website	http://www.alps.com
President	Toshihiro Kuriyama
Established	November 1, 1948
Capital stock	¥23.623 billion
Employees	36,797 (consolidated) 5,433 (non-consolidated)
Facilities	R&D/design Japan: 3 Overseas: 5 (3 countries) Production Japan: 7 Overseas: 14 (8 countries) Sales 50 (14 countries)



Stock Information

No. of authorized shares	500,000,000
No. of issued shares	181,559,956
No. of shareholders	28,428
Stock listing	Tokyo Stock Exchange First Section (Code: 6770)
Share registrar	Mitsubishi UFJ Trust and Banking Corporation

Breakdown of shareholders



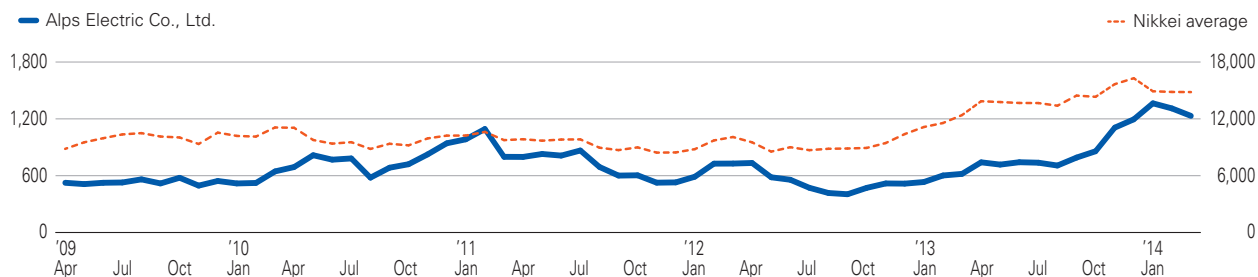
*"Others" refers to shares held by Alps Electric Co., Ltd. and unclaimed shares stored by the Japan Securities Depository Center, Inc.
*"Individual investors" refers to shares held by individuals and Alps Electric's employee shareholding association.

Top 10 Shareholders

Name	No. of shares (thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	20,127	11.09
Japan Trustee Services Bank, Ltd. (trust account)	16,690	9.19
Toshiba Corporation	4,075	2.24
Mitsui Sumitomo Insurance Company, Ltd.	3,596	1.98
Mitsui Life Insurance Company Ltd.	3,591	1.98
BNP Paribas Securities (Japan) Ltd.	3,495	1.93
Nippon Life Insurance Company	3,100	1.71
The Bank of New York, Non-Treaty JASDEC Account	3,080	1.70
Trust & Custody Services Bank, Ltd. (securities investment trust account)	2,818	1.55
MSCO Customer Securities	2,560	1.41

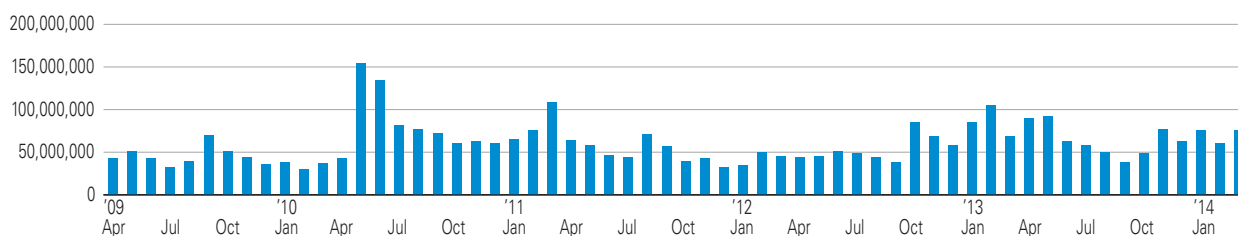
Share Price

(Unit: Yen)

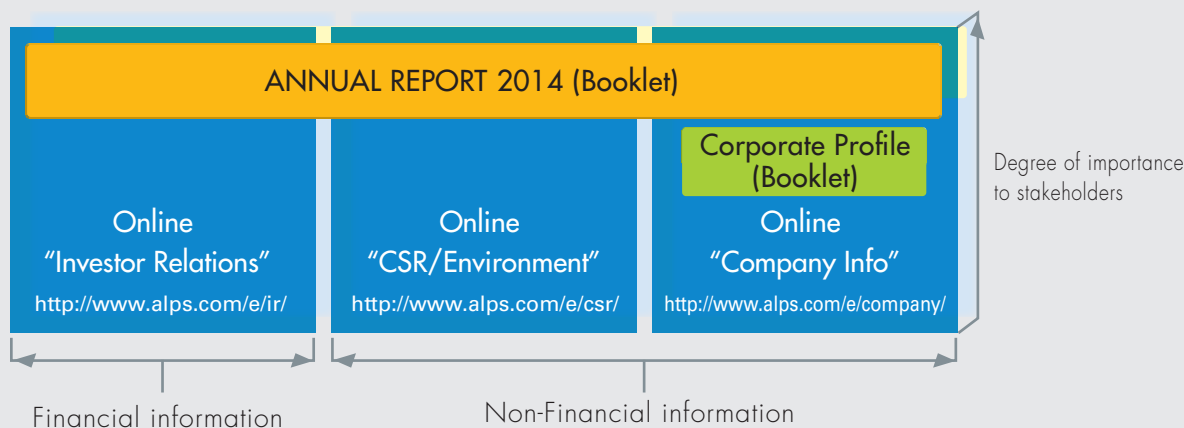


Trading Volume

(Unit: Shares)



Explanation of Reporting Media



Caution Concerning Forward-Looking Statements

Numerical plans, activity plans and other forward-looking statements in this report are based on judgments reached by Alps Electric using the information currently available. Please understand that actual performance and results may vary considerably from scenarios described in forward-looking statements due to a wide range of factors.



ALPS ELECTRIC CO., LTD.

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