

ALPS[®]

CSR Report
2007



CSR Report

ALPS ELECTRIC CO., LTD.

Business Summary of Alps Electric Co., Ltd.

Since its establishment in 1948, Alps Electric Co., Ltd. has been a comprehensive manufacturer of electronic components. The company purchases primary processed parts and materials from suppliers, processes them into components and component units, and sells them to assembly manufacturers. Our products are not sold directly to end-users, but since they are installed in PCs, cellular phones, home appliances, automobiles, etc., they benefit many users and society at large.

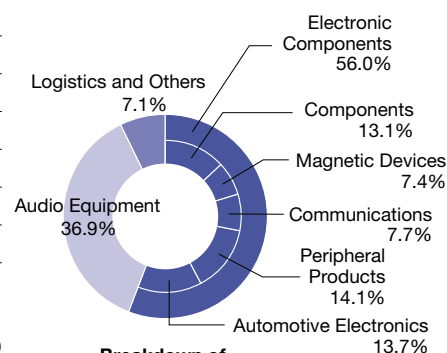
The Alps Group conducts business in three main areas: electronic components, audio equipment, and logistics. The listed parent companies for each area are Alps Electric Co., Ltd., Alpine Electronics, Inc. and Alps Logistics Co., Ltd., respectively. Alps Electric Co., Ltd. functions as headquarters of the Alps Group.

Company Data (as of end of March 2007)

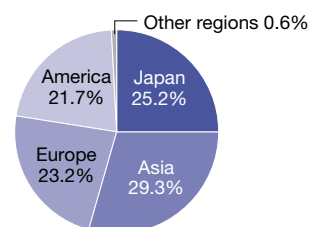
Name of Company	Alps Electric Co., Ltd.
Established	November 1, 1948
Capital	¥23,623 million
Number of Shares Issued	181,560,000
Number of Employees	6,124
Fiscal Year Ending	March 31

Financial Data (year ended March 31, 2007)

	(million yen)	
	Consolidated	Non Consolidated
Net Sales	708,126	340,803
Operating Income	22,077	-2,481
Ordinary Income	24,631	4,242
Net Income	4,918	3,451



Breakdown of Consolidated Sales



Consolidated Sales by Region

Alps Group Business Structure

A l p s G r o u p		
Electronic Components Alps Electric Group	Audio Equipment Alpine Group	Logistics Alps Logistics Group
Parent Company Alps Electric Co., Ltd. Listed on the first section of the Tokyo Stock Exchange	Parent Company Alpine Electronics, Inc. Listed on the first section of the Tokyo Stock Exchange	Parent Company Alps Logistics Co., Ltd. Listed on the second section of the Tokyo Stock Exchange
Operating Companies Japan 2 Overseas 26 Alps Electric Global	Operating Companies Japan 8 Overseas 22	Operating Companies Japan 1 Overseas 10
Administrative Companies Japan 10 Overseas 3	Administrative Companies Japan 2	Administrative Companies Overseas 1
<p>Parent companies: These companies form the core of the Alps Group.</p> <p>Operating companies: These companies fulfill important functions for the Alps Group in its electronic components, audio equipment and logistics core businesses.</p> <p>Administrative companies: These companies mainly provide services to Alps Group companies including administrative functions for parent companies.</p>		

C O N T E N T S

Editorial Policy

Alps Electric believes that “CSR is management itself.” As a corporation that is committed to retaining the confidence of our stakeholders, we develop CSR activity in parallel with our business operations. This report explains how our CSR activities are based on Alps Business Approach – Pursuit of Value, Harmony with Nature, Partnership with Customers, Fair Management, and Respect for the Individual – principles that realize the Alps Philosophy.

Fiscal 2006 was the first year for Alps Electric’s CSR initiative, and a year in which we prepared our CSR Mid-Term Plan. While this initiative has just begun, we are committed to its ongoing development and improvement. Please write to us with any feedback.

Period covered:

Fiscal 2006 (April 1, 2006 to March 31, 2007)

Organizations covered:

This report covers companies constituting Alps Electric Global (Alps Electric Co., Ltd. and 28 domestic and overseas operating companies), unless stated otherwise.

Published: June 2007

Next publication: June 2008

The GRI *Sustainability Reporting Guidelines 2002* and the Ministry of the Environment’s *Environmental Reporting Guidelines (2003 Edition)* have been referenced in editing this report.

This report is available on the following website:

<http://www.alps.com/>

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What does CSR mean?

CSR stands for Corporate Social Responsibility. The CSR concept endeavors both enterprises and society to achieve sustainable development. Under this concept, enterprises are expected to not only pursue profits and pay dividends to their shareholders, but to also perform their responsibilities as members of society for the benefit of all their stakeholders, including their employees, business partners, consumers, local communities and the international community.

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At the Alps Museum, which displays Alps' technologies and products

President

M. Kataoka

Masataka Kataoka

Alps Electric contributes to society through *monozukuri* and its people.

CSR is management itself

For a corporation to endure, in addition to earning profits and achieving business growth, it is essential to give its employees a sense of fulfillment in their work and to win the support and trust of stakeholders, such as shareholders, customers, suppliers and local residents.

The term “CSR” has become widely known only recently. However, the importance of a spirit of social contribution is clearly mentioned in the Alps Precepts and has formed the basis of our management since the founding of the company. The Alps Philosophy formulated on the company’s 50th anniversary states, “Alps creates new values that satisfy stakeholders and are friendly to the Earth.”

“Stakeholders” used in the Philosophy refers to all parties with interests in the company, for whom we have an earnest desire to satisfy. The Earth is a spaceship floating in space, and we cannot disembark nor transfer to another. The mission of its crew members is to sustain the ship through the ages to come. While striving for harmony with the environment, Alps Electric will continue to pursue new ways of coexistence between people and the Earth.

Passing on the enjoyment of *monozukuri*

Alps Electric is a manufacturing company. The starting point for manufacturers lies in making things (*monozukuri*) and I believe that our dedication to *monozukuri* is the engine for our ongoing creation of a range of proprietary technologies in the electronics industry, which harbors rapid progress of technological innovation, and where technologies continually evolve and reconfigure. Above all else, Alps Electric will continue unceasingly to pass on our corporate culture, with the value it puts on the enjoyment of and passion for *monozukuri*.

As our children will form the next generation, we also believe we have a responsibility to convey to them the fascination of manufacturing.

To stimulate their interest in *monozukuri*, children need opportunities to experience it first-hand, enabling them to discover for themselves that the process of making things is enjoyable. In following, they may become motivated to try

for themselves, and discover that making things is actually more fun than they had expected. Alps Electric continues to pass on the enjoyment of *monozukuri* to the next generation through its Monozukuri School program and other events for children.

“Perfecting the art of electronics”

Alps Electric develops components that form the foundation of electronics and supplies them to customers all over the world. Our corporate mission is to specialize in *monozukuri* and supply quality electronic parts. Outstanding electronic components must be designed to look attractive, they must achieve a balance between performance and price, they must have a long life, be easy to disassemble, and be energy- and resource-efficient. Products with these qualities embody our commitment to perfecting the art of electronics. In our search for a balance between contributing to high standards of living and preserving the global environment, “perfecting the art of electronics” is what gives meaning to our existence as a company.

Contribution through people

One of our sayings that illustrates Alps Electric’s corporate culture (Alps-ism) is “Work hard, study hard, play hard.” As part of our agenda for nurturing “people” in fiscal 2007, we will endeavor to train and educate our employees with a greater emphasis on studying hard.

I believe that globalization in our Group manifests itself in smooth communication and sharing “Alps-ism” between employees over the world. We will provide employees in the Group with opportunities to interact with others from diverse backgrounds, to enable them to understand the cultures, customs, politics, economies and religions of differing countries, to train themselves to have a broader perspective, and to improve by learning from each other.

Through these initiatives, I expect Alps Group employees to grow into people who pay careful attention to their neighbors and the global environment. And I would like to hold precious the small and ongoing contributions to society made by each and every employee.

Business Approach

Pursuit of Value

We will constantly pursue new value creation.

Through providing attractive electronic components produced by our wide array of proprietary technology and unique ideas, Alps Electric contributes to the creation of a comfortable life space where people can enjoy user-friendly electronic media. We propose new approaches to meet the diverse needs of companies.

See pages 8 to 11.

Business Approach

Harmony with Nature

We will seek harmony with the Earth's natural environment.

As a crew member of Spaceship Earth, each employee stands on the Alps Group Environmental Charter in conducting daily business seeking harmony with the global environment.

See pages 12 to 21.

The Alps Philosophy embraces a universal concept that forms the very essence of Alps Electric and its conduct. In following, the Alps Business Approach then provides five statements used as solid standards in acting to realize this Philosophy. The Alps Business Approach reveals the attitude needed in becoming aware of our stakeholder needs and our ability to reply.

Business Approach

Partnership with Customers

We will learn from customers and respond quickly to their needs.

We strive to cooperate and create solid partnerships with customers in producing quality products that satisfy their needs. We are also open to opinion from local communities.

See pages 22 to 25.



Alps Philosophy

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

Business Approach

Respect for the Individual

We will draw upon the unique enthusiasm of every employee.

We strive to establish a corporate culture where a variety of opportunities are created for each employee to take on challenges and cooperate with others in refining their individual capabilities. We value employees who work with enthusiasm, and we create working environments where employees can produce outstanding achievements.

See pages 30 to 33.

Business Approach

Fair Management

We will act fairly and from a global perspective.

We engage in fair, open and transparent management with clear-cut values that meet global standards. While contributing to the public by taking root in every country and region we operate, Alps will remain a company that is highly aware of its role in society.

See pages 26 to 29.



We are committed to developing products and technology that can adapt to the times and changes in the environment.

Our goal is to build products that facilitate user-friendly communication and relationships between people and media.

The Art of Electronics

The term “art of electronics” embraces three values that characterize Alps Electric’s products.

Right

Products manufactured based on a specific concept must satisfy user needs, and must have the right appearance at the right price, with the right functions, performance and quality.

Unique

In addition to function and performance, products must exhibit value that is unique to Alps Electric, through being creative and original.

Green

Environmental considerations must address the entire lifecycle of a product, ranging from its parts and materials, to its environmental impact upon use and recyclability.

Pursuit of Value

Contributing to Users and Society by Perfecting the Art of Electronics

By “perfecting the art of electronics,” Alps Electric is committed to developing new value that contributes to the prosperity of society, and brings convenience to the lives of people.

Electrical and electronic equipment form an indispensable part of our lives. These devices are increasingly high-performance, multi-functional and compact, and are supported by the electronic components that are incorporated inside them, which carry out a variety of functions. Alps’ electronic components are incorporated into all kinds of products, including automobiles, home appliances, cellular phones, PCs, printers, and game machines. In this way, our electronic components contribute to making users’ lives more comfortable, convenient and safer.

Components

To meet the diverse needs of the electronics industry, we supply a variety of components that function as interfaces between electronic equipment and the user, including switches, potentiometers, sensors, and connectors for memory cards. We are able to develop reliable products using in-house mechanical design, as well as in-house design and manufacture of molds and assembly machines. Our components contribute to realizing even smaller electronic devices and to improving their performance and functionality.



Top: TACT Switch™

Bottom: Connector for memory card

Magnetic Devices

We supply devices that make full use of new materials developed in-house such as amorphous and nanocrystalline alloys and their attributes. The magnetic sensors, magnetic sheets and other material application products we manufacture help to contribute to our modern society. Our products help to improve the precision and functionality of a vast range of electronics in automobiles, mobile phones, laptop computers and home appliances.



Top: High-precision magnetic sensor
Bottom: Licalloy™ magnetic sheet

Peripheral Products

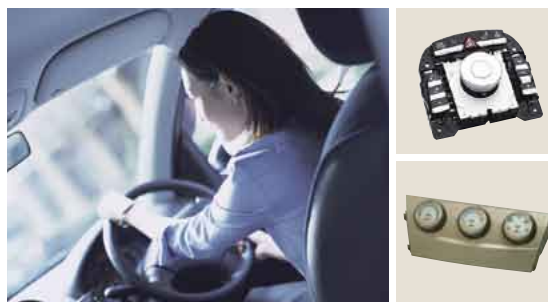
Peripheral products refer to supporting or auxiliary equipment. We produce input/output and display devices that function as the interface between equipment and user. We have developed high quality photo printers and various other devices in pursuit of the most comfortable types of user interface, including ergonomic keyboards for laptop computers, and wireless control pads for game machines – both of which have been developed after studying user sensibility.



Top: Keyboard for laptop PC
Bottom: Glide Point™

Automotive Electronics

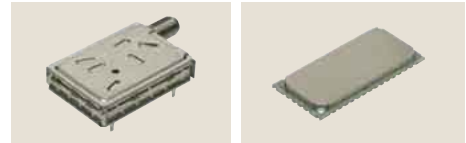
We develop and manufacture systems, modules, switches and other devices that make vehicles safer, more comfortable, and easier to operate for drivers. We contribute to a motorized society through body electronics **B**, whereby providing new devices and systems that utilize the sense of touch.



Top: Haptic Commander™
Bottom: Air conditioner control panel

Communications

In order to manufacture products that meet the needs of new communications markets, we have incorporated our proprietary technology together with experience we have gained from developing devices throughout various frequency bands since the analog era. In addition to TV tuners for digital terrestrial broadcasting, modules for communication equipment, one-segment broadcasting **A** tuners for cellular phones, and transmission and reception units, we also develop products for the optical communications market, including modules and lenses.



Left: TV tuner for digital terrestrial broadcasting
Right: Bluetooth™ module

A One-Segment Broadcasting

This is a new type of digital terrestrial broadcasting in Japan for mobile devices including cellular phones, for which broadcasting started in April 2006.

B Body Electronics

Body electronics refers to all electrical and electronic equipment operated by automobile drivers and passengers, such as steering wheels, switches, control units and keyless entry systems.

Rapid Delivery of Quality Products through Alps Electric's *Monozukuri**

*Ippatsu-Kando***

We have implemented an initiative we call *ippatsu-kando* to ensure that top priority is placed on quality during manufacturing processes.

The aim of the *ippatsu-kando* initiative is to manufacture products of consistent quality first time. In the past, all areas from development through to manufacturing departments followed a process where a prototype was made to required specifications, tested, inspected, and then modified where needed. However, we would sometimes receive complaints from customers, even with products that had been manufactured to the required specifications.

Under the *ippatsu-kando* initiative, quality is assumed to be the result of correct functionality rather than just from meeting particular specifications. The criterion is market opinion or customer feedback. Based on the Quality Function Deployment (QFD) method, we carefully study what functions are valued by the market and customers, and then propose potential new value that would be unique to our product. This proposal is translated into a technical theme at the development phase and used when designing the product, as well as in quality control and product evaluation during manufacture. All departments cooperate closely in product development, making effective use of computer-aided engineering (CAE) and three-dimensional computer-aided design (3D-CAD) during quality engineering (QE) as a way to evaluate its quality. Following our *ippatsu-kando* initiative, all departments at Alps Electric now make concerted efforts to design and manufacture products according to customer usage. As a result, we were able to half the time needed for product development and have vastly reduced the rate of product defects in fiscal 2006.

* *Monozukuri* refers to the creation of products with an emphasis on the spirit of manufacturing.

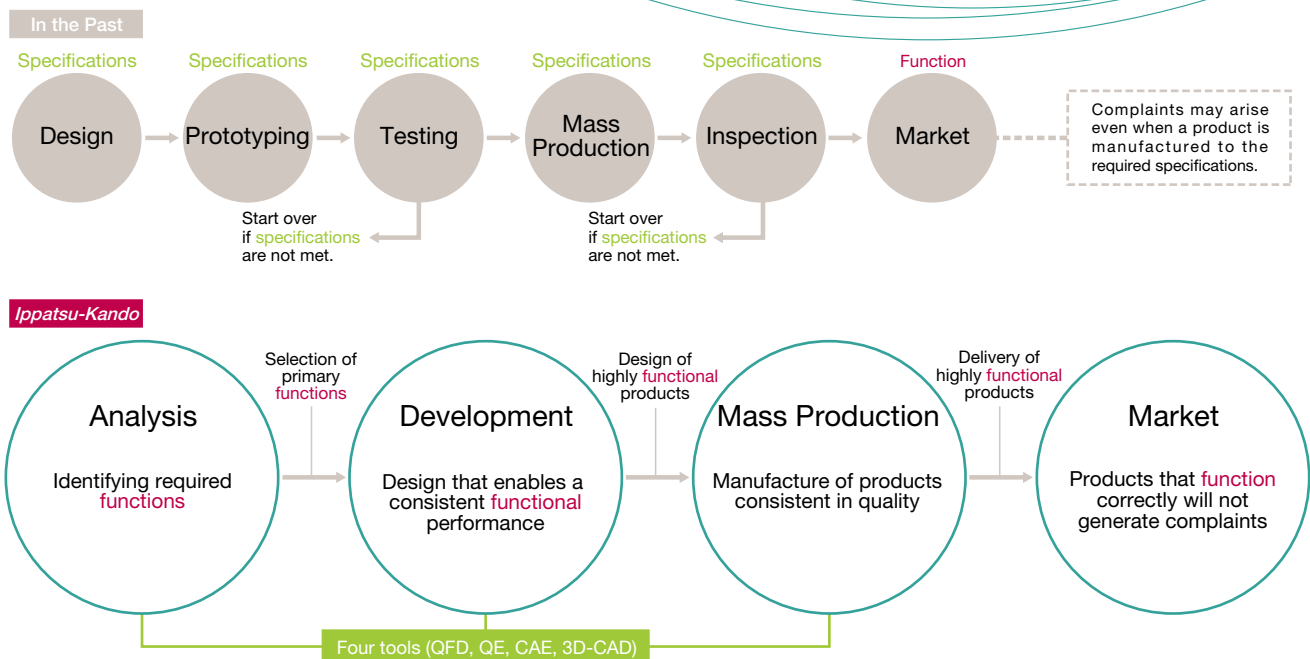
** *Ippatsu-kando* is a term devised by Alps which refers to the ability to speedily implement processes that work perfectly first time; this leads to production that does not require extensive trials.

Pursuit of Value

Creating New Value by Refining *Monozukuri*

Alps Electric's reason for being is to make new proposals based on unique and original concepts, plans and ideas that meet customer requirements. This also leads to providing customers with attractive products that exceed their expectations.

We evaluate customer needs and potential in our endeavor to create new value. At the same time we also work to establish new systems that enable rapid delivery of high-quality products. In the electronic information industry, which harbors rapid progress of technological innovation, and where technologies continually evolve and reconfigure, we are committed to developing quality products that are based on state-of-the-art technologies and are unique to Alps Electric.



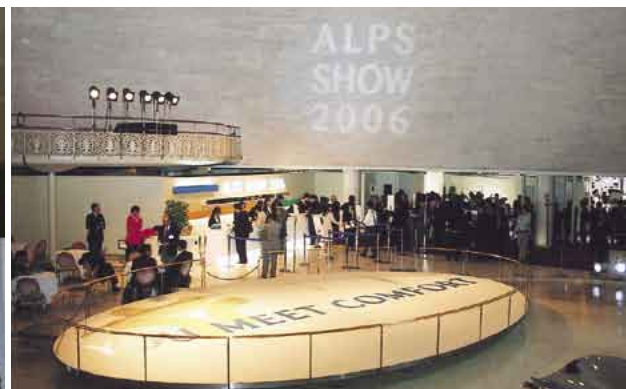
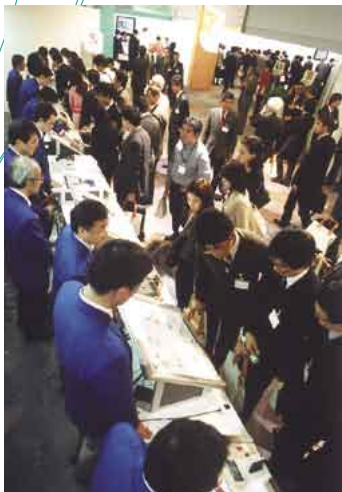
Demonstrating Alps Value

Alps Electric demonstrates products at private ALPS SHOWS, and at other general exhibitions for electronic components, including CEATEC JAPAN. We also operate a Product Demonstration Bus that tours Japan. These activities aim to provide people with opportunities to handle our products and see for themselves the value that our products and technology provide. We then use the comments made by our customers at these events to create even greater, new-improved value.

ALPS SHOW 2006

The ALPS SHOW 2006 was held at the New Takanawa Prince Hotel (Shinagawa Ward, Tokyo) for three days from May 24 to 26, 2006. This show has been held since 1966, and introduces our latest products and technologies to our stakeholders. In recent times, the show is held once every two years.

The 34th ALPS SHOW incorporated the theme “You Meet Comfort” and attracted approximately 8,000 visitors. We exhibited a variety of new products and technologies derived from developing and integrating our diverse core and proprietary technologies. At the exhibition, we also presented our environmental initiatives and our concept of “perfecting the art of electronics.” For new business creation, comments and opinions obtained from visitors to the exhibition are shared with sales, development and design departments, who analyze them from diverse perspectives and incorporate them into planning product and technological development.



VOICE | Creating a framework to stop the outflow of defective products



Ichiro Sasaki

Quality Assurance
Department,
Mechatronic Devices
Division, Japan

I have been involved in the company-wide Ryuboku Project since its establishment. “Ryuboku” refers to eliminating the release of defective products into the market. The original mission of the project was centered on Quality Assurance Departments from all divisions formulating a method to prevent the outflow of defective products.

We were confident that a method based on quality engineering would work well. However,

after further examination, we realized the method would prove meaningless unless it was actually adopted into manufacturing processes. We had to solve many problems, including costs and man-hours, before the method was adopted. However, as a result of collaboration with manufacturing and manufacturing engineering departments, we were able to achieve tangible results in terms of reducing the number of complaints

and the degree of quality loss.

It is very clear to me that the people involved in this project now have a new heightened awareness regarding quality.

We can only develop a method of product improvement once all outflows of defective products have been curbed. Our ongoing challenge is the development and manufacture of products that satisfy our customers.

The Alps Group Environmental Charter

Basic Philosophy

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.

Action Program

Placing priority on environmental preservation, we at Alps will:

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

Alps Electric believes that environmental management is one of its most important management tasks. We established an Environmental Charter in 1994 with the aim of undertaking more proactive and more preventive measures regarding environmental preservation, and created a corresponding body to implement activity throughout Japan. Since then, we have initiated a series of medium-term plans.

Now we have expanded these activities, created a global administering structure and are fully committed to implementing environmental management to fulfill our corporate responsibilities as a crew member of Spaceship Earth. This involves lowering the environmental impact of our business activities and providing society with low-impact green products. The term "green" is an essential factor in "perfecting the art of electronics."

Harmony with Nature

Global Promotion of Environmental Management

Environmental Management Structure

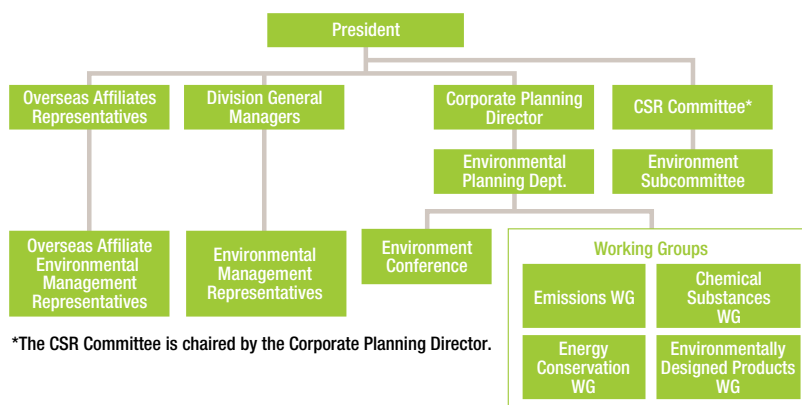
Policies regarding environmental management at Alps are discussed in the Environment Subcommittee chaired by the Senior Manager of the Environmental Planning Department and then reviewed by the CSR Committee

for approval. In Japan, the Environment Conference, made up of representatives from each division, develops the approved policies into specific measures. Overseas affiliate representatives and environmental management

representatives are responsible for implementing these specific measures in other countries.

The Environmental Planning Department has been set up under the supervision of the Corporate Planning Director to take charge of environmental management, including planning company-wide measures and collecting relevant information. The Department is also responsible for overseeing four working groups, which have been set up to examine specific issues, such as energy conservation and emissions.

Environmental Management Structure



Environmental Training Programs

To ensure environmental measures are carried out by each employee, Alps headquarters provides grade-specific training in environmental issues for new employees and managers. Employees at divisions receive training that is more specific to their jobs, and people in specialized positions

such as internal environmental auditors attend workshops for their distinctive area of work. Overseas production bases plan and carry out their own programs to provide effective training corresponding to the regulations and customs particular to each country and region.



Environmental Training for New Managers

As a crew member of Spaceship Earth, we maintain a balance between environmental conservation and business activities.

Overseas Production-based Facilities

	Facility	Date of Certification
Ireland	Alps Electric (Ireland) Limited	April 9, 1997
Germany	Alps Electric Europa GmbH, Dortmund Plant	July 3, 2000
Malaysia	Alps Electric (Malaysia) Sdn. Bhd., Jengka Plant	September 12, 2000
Korea	Alps Electric Korea Co., Ltd.	June 18, 2001
Mexico	Alcom Electronicos De Mexico, S.A. de C.V.	December 6, 2001
China	Wuxi Alps Electronics Co., Ltd.	March 20, 2002
China	Dalian Alps Electronics Co., Ltd.	June 14, 2002
Malaysia	Alps Electric (Malaysia) Sdn. Bhd., Nilai Plant	August 12, 2002
Czech Republic	Alps Electric Czech, s.r.o.	January 15, 2003
China	Shanghai Alps Electronics Co., Ltd.	January 6, 2004
China	Ningbo Alps Electronics Co., Ltd.	June 1, 2004
China	Tianjin Alps Electronics Co., Ltd.	December 11, 2004
United Kingdom	Alps Electric (UK) Limited	November 30, 2005
China	Dandong Alps Electronics Co., Ltd.	September 20, 2006

Legal Compliance

Being committed to full compliance with laws and regulations related to the environment, Alps Electric sets up voluntary standards that are more stringent than those legally required in each country. In fiscal 2006, Alps did not experience any environmental accidents, nor was it the subject of any environmental fines, legal actions, or complaints from local residents.

Acquisition of ISO 14001 Certification at All Production-based Facilities

For Alps, ISO 14001, the international standard for environmental management systems, is an essential tool for environmental management. In fiscal 2005, we completed acquisition of ISO 14001 certification for all of our production-based facilities—10 in Japan and 13 abroad. In 2006, Dandong Alps Electronics Co., Ltd., which started operation in China in the same year, became a new addition to the list. Certified locations perform internal environmental audits at least once a year in accordance with the ISO 14001 requirements.

Domestic Production-based Facilities

Facility	Date of Certification
Communication Devices Division, Soma Plant	August 14, 1998
Communication Devices Division, Kakuda Plant	
Automotive Products Division, Furukawa Plant	October 30, 1998
Mechatronic Devices Division, Furukawa Plant	
Mechatronic Devices Division, Wakuya Plant	
Mechatronic Devices Division, Kitahara Plant	
Business Development Headquarters, Production Engineering Development Center	November 27, 1998
Peripheral Products Division, Onahama Plant	
Peripheral Products Division, Taira Plant	December 24, 1999
Magnetic Devices Division, Nagaoka Plant	
Magnetic Devices Division, Koide Plant	March 17, 2000
Business Development Headquarters, Process Technology Development Center	

VOICE | Environmental training programs to raise employee awareness



Akio Seki

Engineering Department 3,
Magnetic Devices Division,
Japan

Since acquiring ISO 14001 certification in 1999, our division has been holding study sessions on environmental issues for employees in engineering departments. In 2000 we also began quizzing employees once a month with an environmental questionnaire entitled "Environment Spiral Up," in which they are requested to answer fill-in-the-blank questions. This questionnaire is prepared to help employees deepen their interest in the environment, enabling environmental management awareness to be established throughout the division. The March

2007 version was the 84th issue of the questionnaire, where its contents of suitable difficulty are compiled after referring to magazine and newspaper articles.

We expanded the study sessions in fiscal 2005 to include employees from the entire Magnetic Devices Division, and as of March 2007, 110 employees were in attendance. We hope to recruit attendees from other Alps Electric divisions in the future and implement these sessions at each of their facilities.

Environmental Accounting and Impact

Environmental Accounting

Alps Electric introduced its environmental accounting _A system in fiscal 2000 in accordance with the Ministry of the Environment guidelines in order to monitor its environmental costs and associated economic benefits. Fiscal 2006 saw the successful progress and completion of a phase of soil and groundwater bioremediation treatment, resulting in both environmental investments and expenditures falling below previous year levels. An increase in economic benefits in fiscal 2006 over fiscal 2005 can be attributed to a rise in profits on the sale of materials due to a sharp hike in materials prices.

Environmental Costs in Fiscal 2006 ^{*1} (Coverage: Alps Electric) Unit: million yen

Category	Main Objective	Investment ^{*2}		Costs ^{*3}	
		'05	'06	'05	'06
Operating costs	Pollution prevention Waste recycle	243.6	144.4	518.0	498.1
Upstream and downstream production costs	Green procurement Database for Chemical Substance Management	2.5	13.5	158.1	139.7
Administration costs	ISO 14001 certification maintenance	6.5	0.0	141.9	161.8
R&D costs	—	0.0	1.6	12.3	17.6
Social contribution costs	Community cleanup activities	13.6	2.5	25.3	28.0
Environmental restoration costs	Remediation of soil and groundwater	126.0	0.0	517.5	255.6
Other costs	—	0.0	0.0	0.0	0.0
Total		392.2	162.0	1,373.1	1,100.8

^{*1} Environmental costs consist of all investments and expenses incurred solely for environmental preservation purposes, and do not include partially-related expenses.

^{*2} Investment comprises capital investment and leasing expenses.

^{*3} Costs include administrative, maintenance, depreciation, and lease expenses for the current period.

Economic Benefits from Environmental Preservation

Measures in Fiscal 2006 (Coverage: Alps Electric) Unit: million yen

Category	Value	
	'05	'06
Profit on sales of materials	1,589.3	1,871.3
Cost reductions due to energy saving	48.5	84.6
Total	1,637.8	1,955.9

^{*} Economic benefits include the sale of wastes that have been separated, recycled and recovered, as well as electric, fuel and other cost savings due to energy conservation. Economic benefits do not include deemed benefits.

Material Balance of Alps Electric

INPUT

Alps Electric uses green procurement to help eliminate hazardous chemical substances from materials and components on a global level. The company also promotes energy conservation by creating awareness among employees and adopting the relevant equipment.

Electricity (ten thousand kWh)

Japan	17,162	Overseas	18,527
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Fuel (crude-oil equivalent: kl)

Japan	6,714	Overseas	1,372
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Mains and industrial water supply (t)

Japan	748,926	Overseas	1,151,696
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Groundwater (t)

Japan	1,599,982	Overseas	57,238
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Electrical & non-mechanical parts (semiconductors, etc.)

Mechanical parts (molded parts, etc.)

Raw materials (metals, plastics, etc.)

Fuel (crude-oil equivalent: kl)

Japan	1,146	Overseas figures have not been aggregated.
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Environmental Impact

Alps Electric has been providing overseas-inclusive material balance reports since fiscal 2003. However, data from overseas for certain items has taken longer to obtain due to some deficiencies in information collection procedure. Total material input and output of overseas locations have both increased due to recent production expansion, subsequently

contributing more to the material balance of Alps Electric Global as a whole. In light of this, we will continue to reduce total environmental impact by utilizing an increased range of performance data collected from our overseas locations.

Suppliers

We purchase materials and components with low environmental impact by utilizing the Alps Green Procurement System throughout all global locations.

Alps Electric Global

All domestic and overseas production-based facilities have acquired ISO 14001 certification in order to develop and manufacture products with low environmental impact. The locations are also making efforts to reduce environmental impact through green purchasing, "zero-emissions," and other activity.

Japan
(12 facilities)

Mechatronic Devices Division
Magnetic Devices Division
Communication Devices Division
Peripheral Products Division
Automotive Products Division
Others

Overseas
(14 production-based facilities)

America (1 facility)
Europe (4 facilities)
ASEAN/Korea (3 facilities)
Greater China (6 facilities)

Logistics

We have introduced modal shifts and similar activities on a global basis to reduce energy consumption in the logistics process.

Customers

We strive to reduce the environmental impact of our products, enabling reduction in energy consumption and a longer product life for our customers.

OUTPUT

We are pursuing "zero-emissions" in order to reduce waste output volumes. We are also committed to reducing the volume of chemical substances emitted into the atmosphere and to minimizing CO₂ emissions from our logistics operations.

Products

Electronic components for TVs, computers, printers, cameras, mobile phones, automobiles, etc.

Total discharge of waste (t)

Japan	9,060	Overseas	11,707
-------	-------	----------	--------

Emissions into the atmosphere (t)

Japan		Overseas figures have not been aggregated.
CO ₂	89,780	
NO _x	111	
SO _x	56	

Discharge into waters (t)

Japan	777,997	Overseas figures have not been aggregated.
-------	---------	--------------------------------------------

Emissions into the atmosphere (t)

Japan		Overseas figures have not been aggregated.
CO ₂	3,029	

A Environmental Accounting

Environmental accounting is a system used to clarify the costs of those activities that are conducted by a company in an effort to protect the environment and contribute to the creation of a sustainable society.

Effective Environmental Management

Alps Electric began implementing activity for its Fifth Medium-Term Action Plan for Environmental Preservation in fiscal 2006. The plan specifies numerical targets for reducing greenhouse gas emissions and discharged waste, as well as measures for improving chemical substance management. Our environmental management system has gained global strength as we have begun to conduct environmental briefings for our overseas affiliate representatives, and have recently established Dandong Alps Electronics, which acquired ISO 14001 certification in fiscal 2006.

With ongoing and strict management of chemical substances contained in our products, we are also preparing to perform continual life cycle assessments (LCA), which have been under trial since fiscal 2005. Despite a decline in total CO₂ emissions from our facilities in fiscal 2006, CO₂ emissions per unit of output rose due to changes in production volumes. On the contrary, we have succeeded in abolishing the use of PFC/HFC greenhouse gases from production processes, and have also reduced total waste discharge. However, as with the greenhouse gas CO₂, we have seen an increase in waste discharged per unit of output. As regards quantity of paper used and total discharge of volatile organic compounds (VOC), we have already achieved the relative targets.

Efforts to Prevent Global Warming



"Energy patrol" at Wakuya Plant of the Mechatronic Devices Division, ensuring no energy is wasted in its efforts to prevent global warming.

Efforts in Environmental Education



Our in-house magazine introduces environmental preservation activities made by employees' families in order to raise our awareness on environmental conservation.

Targets and Results for the Fifth Medium-Term Action Plan for Environmental Preservation

Objectives	
Management Develop an appropriate organizational structure to achieve effective environmental management while fostering environmental awareness among all employees	Environmental management system
	Environmental communication
	Environmental education
	Environmental accounting
Environmental initiatives through our products Reduce the environmental impact of products through environmentally conscious design and development	Design for the environment
	Reduction of hazardous substances
	Green procurement
Environmental initiatives in our plants and offices Reduce the environmental impact of production processes and office operation	Prevention of global warming
	Recycling
	Perform appropriate management of chemical substances
	Green purchasing
	Logistics
	Greening
	Social contribution activities

Action Targets (FY2006–FY2008)	FY2006 Results	FY2006 Self-evaluation
Strengthen collaboration with overseas production bases	1) Dandong Alps Electronics newly acquired ISO 14001 certification in September 2006. All 14 production-based facilities have now been certified. 2) Environmental briefings conducted for our overseas affiliate representatives (February 2007)	○ ○
1) Periodical publication of environmental reports 2) Information distribution via the Internet	1) CSR Report published (June 2006) 2) Relative information distributed via our website	○ ○
1) Promote organized environmental education 2) Promote educational activities related to the home environment	1) Implemented education for new employees and newly-appointed managers 2) Featured environmental articles in our in-house magazine	○ ○
Further environmental accounting	Aggregated costs and benefits	○
1) Promote environmentally conscious design and development 2) Perform LCA trials	1) Investigated a common process for product assessments 2) Conducted in-house research in preparation for LCA implementation	○ ○
1) Maintain non-use of banned substances (compliance) 2) Reduce environmentally hazardous substances	1) Revised chemical substances standards and strengthened our in-house management system to ensure compliance 2) Investigated alternative technologies for exempted items	○ ○
Propagate green procurement	Used the Alps Green Procurement System globally	○
1) Reduce CO ₂ emissions Reduce FY2010 CO ₂ emissions from energy consumption per unit of output by 15% of FY2004 level 2) Reduce greenhouse gas (excluding CO ₂) emissions Abolish the use of PFCs/HFCs (for production) by the end of FY2010	1) CO ₂ emissions per unit output: 53.2t/100 million yen 0.6% increase from FY2004 level (regression) 9.9% increase from FY2005 (regression) 2) Abolished the use of PFCs/HFCs for production purposes (June 2006)	△ ◎
1) Maintain and improve “zero-emissions” performance 2) Reduce total waste volumes Reduce total waste per unit of FY2008 output by 15% of FY2004 level 3) Reduce paper use Reduce FY2008 paper use by 20% of FY2004 level	1) Expanded zero-emissions activity to include domestic production subsidiaries 2) Total waste volume per unit output: 4.99t/100 million yen 1.4% increase from FY2004 level (regression) 10.0% increase from FY2005 level (regression) 3) Quantity of paper used: 89.4t 24.7% reduction from FY2004 level (improvement) 19.7% reduction from FY2005 level (improvement)	○ △ ○
1) Proper management of chemical substances Reduce contamination risk by promoting appropriate management of chemical substances at production facilities including overseas locations 2) Reduce VOC emission volumes Reduce FY2010 VOC emissions by 30% of FY2000 level	1) Assessed emergency risks, installed equipment to prevent leakage, and conducted drills 2) VOC emissions: 250t 51.5% reduction from FY2000 level (improvement) 21.0% reduction from FY2005 level (improvement)	○ ○
Promote green purchasing for office supplies and company-owned cars	Headquarters and divisions used green purchasing for office supplies	○
Promote environmentally conscious logistics	Conducted modal shift	○
Promote greening campaigns	Facilities carried out tree planting activities	○
Promote activities that contribute to the social wellbeing of local communities	Facilities conducted cleanup activities around their area	○

Self-evaluation ◎: Achieved ○: Well in progress △: Behind schedule

Earth-Friendly Product Designs

It is becoming more common in the manufacturing industry to design products that generate little environmental impact throughout all lifecycle stages. Alps Electric has been carrying out product assessments ^A for each type of product since 1995. Recently however, an increasing diversity of categories used in assessing environmental impact have made it necessary to respond with the appropriate product material and recycling methods. Correspondingly, we conduct our product assessment program in a flexible manner, allowing us timely response to any new requirements.

We adopted life cycle assessments (LCA) in fiscal 2005, where the environmental impacts of products at every stage of their life cycle (from procurement of parts, production, transportation,

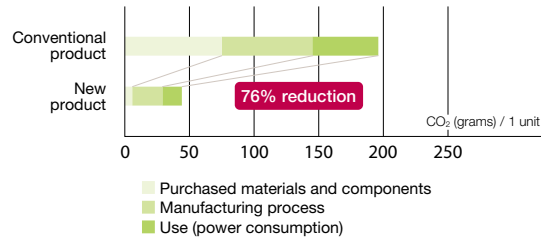
and final use, etc.) are identified, evaluated, and given an overall rating. At Alps Electric, this evaluation item is limited to CO₂ emissions.

Connector for microSD™ Card

While improving the insertion/ejection mechanism, and adding a new card detection function, this product's size has been reduced, resulting in a major decrease of material and energy used in manufacturing.



CO₂ Emissions Reduction



Harmony with Nature

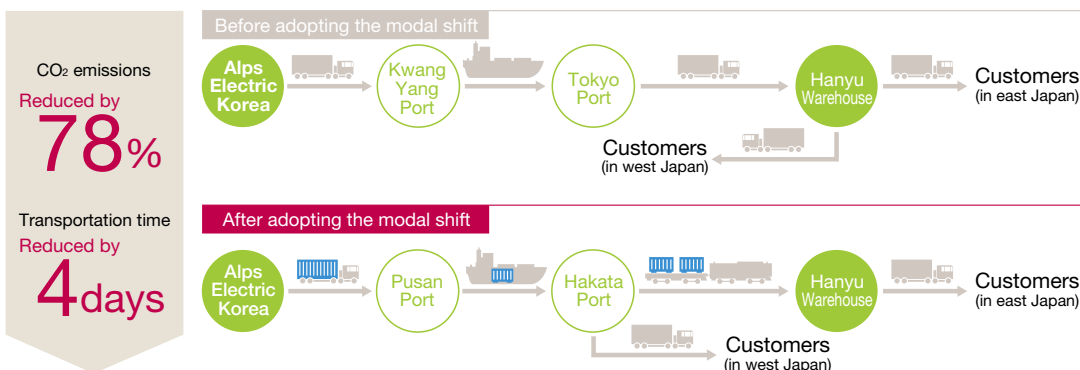
Manufacturing Products with Low Environmental Impact

Earth-Friendly Logistics

In cooperation with Alps Logistics, a core company of the Alps Group, we have succeeded in reducing the environmental impact generated from the logistics process. For example, we have improved transportation efficiency by standardizing shipping packaging, and have saved energy and reduced waste by using returnable and reusable containers, and have discontinued the use of wrapping film previously used to prevent stacked loads from falling.

Modal Shift

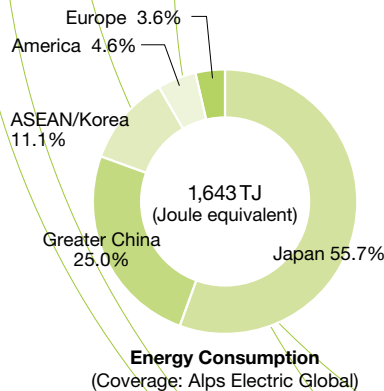
In October 2006, we adopted a modal shift ^B in delivering automotive components manufactured by Alps Electric Korea to customers in Japan. We substituted rail transportation and Japan Railways containers for road transportation, which has resulted in a significant reduction in CO₂ emissions. Transportation time has also been reduced due to this initiative as the same container is used throughout the shipping process.



Before adopting the modal shift, products from Korea to Tokyo were transported by container ship, and then delivered by truck to customers across Japan. After introducing the modal shift however, products are now shipped from Korea to Hakata, and then delivered by railway to Tokyo, and by truck to customers in west Japan. We have also modified the means of sea transportation from container ship to ferry, which operate more frequently. In addition, total shipping times have been reduced by using the same container throughout the process, allowing less time spent on reloading.

Harmony with Nature

Preventing Global Warming



Global warming prevention requires a reduction not only in CO₂-producing energy consumption, but also in emissions of other greenhouse gases.

Alps Electric has established a target to reduce CO₂ emissions per unit of output in fiscal 2010 by 15% of fiscal 2004 levels. To achieve this, we have replaced some production equipment with energy saving models, and conduct regular “energy patrols,” which also heighten awareness about saving energy. We had aimed to discontinue using PFCs and HFCs in the production process by the end of fiscal 2010, but had already achieved this objective by June 2006.



Insulation cover for drying-furnace (at Tianjin Alps Electronics, China)

A Product Assessment

An assessment process where the environmental impact of a product is assessed during its development stages, and methods to reduce the impacts are then identified and incorporated into its production.

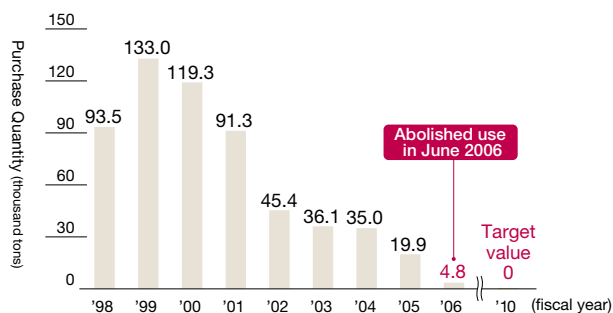
B Modal Shift

This refers to a transportation shift from truck to ship or rail, resulting in less CO₂ emissions while enabling mass transportation at the same time.

C PFC/HFC

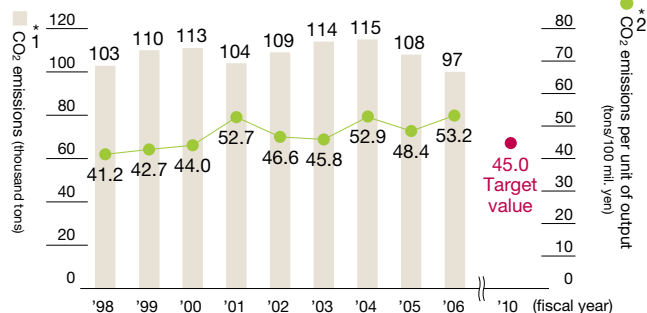
Perfluorocarbon (PFC): This chemical is used in the etching process for semiconductors and other purposes. Although the quantity of PFC used is small, its greenhouse effect is very potent.
Hydrofluorocarbon (HFC): An alternative to chloro-fluorocarbon.

Purchased Volume of PFCs (GWP* equivalent)
(Coverage: Alps Electric)



* GWP: Global Warming Potential. Index describing the relative warming by a unit mass of a greenhouse gas in comparison to the same mass of CO₂.

CO₂ Emissions
(Coverage: Alps Electric)



*1 CO₂ emissions include those from subcontracted plants.

*2 CO₂ emissions per unit of output: Total CO₂ emissions divided by the total value of production.

* Figures per unit of output in this report differ from those appearing in last year's report as we have revised our method for calculating "unit of output."

Regional Initiatives

Japan Communication Devices Division
—Kakuda Plant

We discontinued generating our own power which was inefficient, and began to buy power. We expect to reduce energy-related CO₂ emissions by 3,000 tons a year. In addition, we eliminated the use of PFCs in the production process by switching to water solvents.

Japan Mechatronic Devices Division
—Wakuya Plant

We conduct “energy patrols” on non-operating days every second month. During these patrols, we examine whether any equipment still consumes power whilst not in operation or in standby mode. We also check for any air leakages that may be wasting power. These patrols aim to eliminate waste and to raise awareness about energy saving.

Greater China Tianjin Alps Electronics

We use insulation covers for drying-furnaces in order to reduce heat emissions, therefore reducing the load on the air-conditioning system. In fiscal 2006, we used insulation covers on a limited number of drying-furnaces on a trial basis, but now plan to use covers for the other drying-furnaces too.

Harmony with Nature

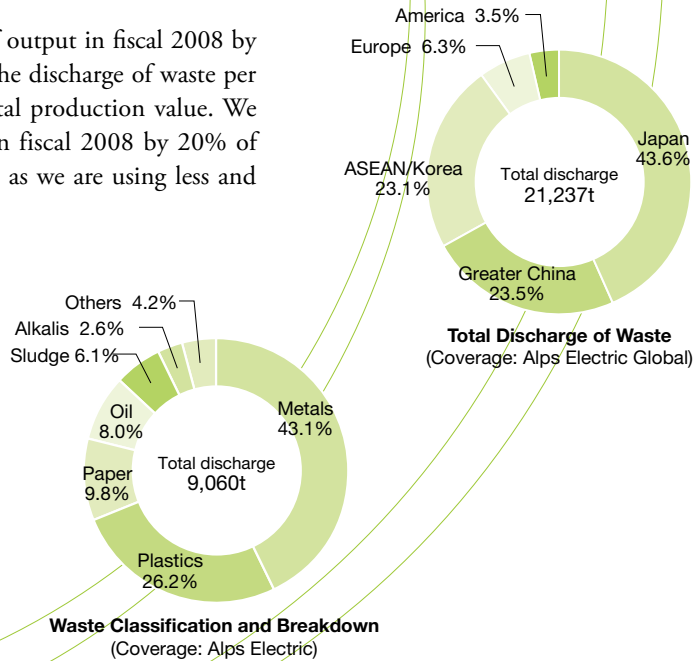
Reducing Waste

Alps Electric implemented a “zero-emissions” initiative and successfully achieved its goal of recycling all waste by the end of fiscal 2004. This initiative covers all waste, including ordinary waste from offices and canteens, but excludes products containing material for resale.

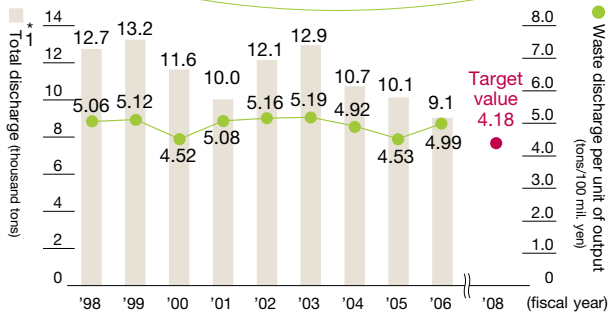
We aim to reduce the discharge of waste per unit of output in fiscal 2008 by 15% of fiscal 2004 levels. In fiscal 2006, however, the discharge of waste per unit of output increased due to a fluctuation in total production value. We also target a reduction in quantity of paper used in fiscal 2008 by 20% of fiscal 2004 levels, and results are already being seen as we are using less and less paper.



Success in recycling 98.6% of waste by separating it thoroughly (Onahama Plant, Japan)

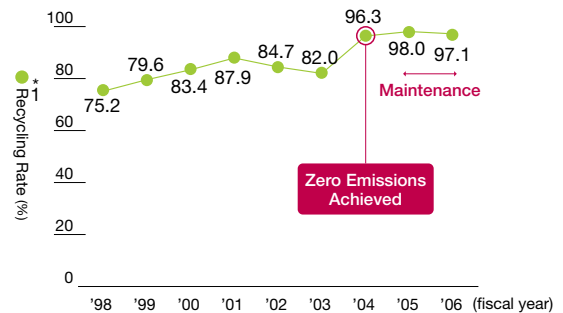


Waste Discharge (Coverage: Alps Electric)



*1 Total discharge: Total of materials for resale and unwanted waste discharged externally.
*2 Waste discharge per unit of output: Total discharge of waste divided by total production value.
* Figures per unit of output in this report differ from those appearing in last year's report as we have revised our method for calculating "unit of output."

Recycling Rates (Coverage: Alps Electric)



*1 Recycling rate: Recycled quantity over total waste discharge.
* The remaining 2.9% that is excluded from zero emissions is mostly general waste, including sludge from septic tanks.

Regional Initiatives

Japan Communication Devices Division
—Kakuda Plant

We recycle all waste generated from offices and production processes. We also recycle used food packages and paper waste into recycled plastic fuels (RPFs). In addition, we have been recycling used oil from canteens into vehicle fuel since fiscal 2005.

Greater China Tianjin Alps Electronics

Employees are required to separate waste appropriately. Education is provided for this purpose and in-house patrols are conducted. We have introduced “paperless” activities, including the distribution of documents via electronic file rather than hard copy. These efforts to reduce waste are in line with Alps' *mottainai* concept.

Europe Alps Electric Czech

We have attached photos to waste collection boxes to enable proper separation of waste. We have installed a crusher to compress papers and cardboard boxes that are generated in large quantities – around 115 tons per year. In addition, we use crushers to compress PET bottles and cans that come from our canteen.

Harmony with Nature

Minimizing Environmental Risk

Our environmental management system facilitates countermeasures that minimize pollution risks in the event of crises such as accidents and disasters. Risk maps for each plant have been prepared to address pollution risk due to chemicals. Facilities and workplaces that handle chemical substances have been clearly identified and recorded, along with previous crises.

We are currently using anaerobic bioremediation to treat polluted soil and groundwater caused by organochlorine compounds discovered at some domestic plants in 1999. The pollutant concentrations continue to decline gradually.

Reducing Discharge of Chemical Substances

To prevent environmental pollution due to leakage of chemical substances, we implement a range of measures that include formulating emergency response plans, and replacing underground pipelines with aboveground, double-walled pipelines. We also take a range of measures to reduce VOC emissions into the atmosphere, including switching from chemical paints to water-based paints, improving the management of paints, and using cleaning apparatus for print masks. Our target is to reduce VOC emissions by 30% of 2000 figures by 2010. In fiscal 2006, we were able to reduce VOC emissions by 51.5% over the 2000 figures.

Our use of lead and its compounds has actually increased, but this is due to a rise in manufacture of products that utilize these substances, which are controlled by the PRTR Law.



Active carbon tower to absorb VOCs (Alps Electric Korea)

A Zero-Emissions

This is a system to create a recycling-oriented society by eliminating discharge of all kinds of waste and using them effectively as raw materials. This initiative was advocated by the United Nations University in 1994.

B VOC

Volatile Organic Compounds are organic compounds that easily vaporize into the atmosphere at normal temperatures under normal atmospheric pressure. They are used, for example, in paints and for cleaning parts. It is known that once discharged into the atmosphere and exposed to sunlight, they undergo a chemical transformation where hazardous substances are generated. Japan's Air Pollution Control Act revised in 2004 regulates VOC emissions.

C PRTR Law

The Pollutant Release and Transfer Register Law was established in 1999 in Japan to encourage business entities to voluntarily manage chemical substances by quantifying the substances they have emitted into the atmosphere. Business entities are required to submit a report on emissions of specified chemical substances, which is used by the central government to publish overall emission levels for the specified substances.

PRTR Substance Survey Results (Coverage: Alps Electric)

Substance	Volume Used		Volume Emitted				Volume Transferred				Unit: t
			Air		Water		Sewage		Transferred to Subcontractors		
			'05	'06	'05	'06	'05	'06	'05	'06	
Inorganic cyanide compounds	6.1	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	
Nickel	6.5	6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.4	
Nickel compounds	5.8	5.2	0.0	0.0	0.0	0.0	0.0	0.0	2.3	1.8	
Silver and its water-soluble compounds	9.1	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	
Lead and its compounds	0.1	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	
Ethylene glycol	6.3	4.2	0.0	0.0	0.0	0.0	0.0	0.0	6.3	4.2	
Xylene	1.1	1.0	0.5	0.4	0.0	0.0	0.0	0.0	0.7	0.6	
Toluene	11.2	11.0	4.6	4.6	0.0	0.0	0.0	0.0	6.6	6.4	

* Data include domestic production subsidiaries.

Regional Initiatives

Japan Mechatronic Devices Division —Furukawa Plant

We discontinued using an incinerator that had previously been used for incinerating spent plating solution. As a result, dioxin emissions have been eliminated, and noise level standards have simultaneously been satisfied.

Japan Peripheral Products Division —Onahama Plant

We were able to reduce VOC emissions by 61% of fiscal 2004 levels due to the introduction of cleaning apparatus for printing plates that had previously been cleaned manually, along with the adoption of automated cleaning apparatus for print masks, etc. Introduction of this equipment has also led to a reduction in the quantity of paper wipes used for cleaning.

Korea Alps Electric Korea

VOCs generate offensive odors during the painting process, and we remove these compounds by absorbing them in an active carbon tower. As a result, we have reduced total hydrocarbon concentration (THC) from more than 50ppm to 43ppm.

Delivering the Art of Electronics to Customers

“ALPS SHOW in Customer”

We visit customer locations to present our “ALPS SHOW in Customer” so distant clients can see the new products and technologies we exhibit at ALPS SHOWs (refer to page 11). Based on “Partnership with Customers” from the Alps Business Approach, the “ALPS SHOW in Customer” provides our domestic and overseas customers with an opportunity to appreciate the overall value of Alps Electric. It also provides us with an opportunity to accurately assess customer needs by communicating with staff members who we usually do not meet during routine sales activity.

We then utilize this information in developing new products. We held “ALPS SHOW in Customer” at approximately 40 locations around Japan and the world within the six month period following ALPS SHOW 2006. It was visited by more than 10,000 customers in total, each company possessing its own set of needs and requirements for products and technologies. We are committed to improving satisfaction by providing sophisticated products that take full account of customers’ particular markets and regional characteristics.

Partnership with

We work to enhance partnership with customers, suppliers, the industry, local communities, and other stakeholders surrounding Alps Electric.

Partnership with Customers

In Pursuit of Market and

Alps Electric’s products are incorporated into the commodities of assembly manufacturers, who are our customers, before being sold to consumers. Our products and technologies therefore contribute to enhancing the value of our customers’ commodities. However, in order to provide outstanding components to customers, it is imperative that we collaborate with the electronics industry itself, and with our suppliers of raw materials and parts.

Based on “specializing in electronic components,” a concept on which priority has been placed since Alps Electric’s founding, we work to enhance partnerships not only with our customers, but also with the entire industry and supply chain, aiming for a growth to be shared by all.

Communicating with Suppliers

In addition to quality, cost, and environmental consideration, Alps Electric realizes that other fields in CSR have become increasingly important in recent years, and as a member of the supply chain, will continue to cultivate a mutual understanding with suppliers to maintain a “win-win” relationship.

CSR in the Supply Chain

Alps Electric participated in a JEITA^B working group formed to compile the *Supply-Chain CSR Deployment Guidebook*, which includes a common check sheet that can be used by companies in the electronics industry. We aim to enhance mutual understanding between companies by coordinating priority CSR issues such as the environment, product quality, human rights, and safety of workers throughout the supply chain.

Promoting Green Procurement

Locations around the world utilize the Internet in implementing the Alps Green Procurement System, which involves distributing our *Green Procurement Standard* to suppliers, and managing subsequent supplier and parts evaluation.

Reducing Total Inventory

Since May 2006, we have been operating the On-Demand Delivery System (ODDESY), an order management system, in collaboration with those suppliers who agree to long-term partnerships with us. This system contributes to the quick sharing of information on market demands and allows both parties to take rapid action, therefore enabling reduction in total inventory as required inventory is known at hand.

Management of Chemical Substances Contained in Products

Hazardous chemical substances are eliminated from our products at the design phase. In conjunction, we also possess a global management system that eliminates such substances from all stages such as materials/parts procurement and final processing/delivery. All suppliers are requested to provide information on chemical substances contained in the materials and parts they deliver, and this information is retained in our database. From a compliance perspective, we were able to eliminate all substances listed in the

RoHS Directive ^A by the end of 2004. In addition, we also advance new initiatives to comply with related laws and regulations before they come into effect. We also respond accordingly to requests from our customers.



Apparatus for simplified analysis is used to examine material at all our production-based plants around the world.

h Customers

Industry Growth

Contributing to the Growth of the Industry

To fulfill our aim of contributing to the growth of the electronics industry as a whole, Alps Electric is an Executive Board Member of JEITA, sitting on the Policy and Strategy Board, the Electronic Components Board, the Environment Committee, and the Technical Standardization Committee. In this way we contribute to solving common problems and establishing standards throughout the industry. Moreover, we also contribute to technological innovation and passing down technological knowledge by participating in approximately 200 external organizations and committees, including the Communications and Information Network Association of Japan (CIAJ) and around 60 academic societies.



Presenting Alps' CSR activities at a Council for Better Corporate Citizenship (CBCC) seminar

A RoHS Directive

The Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive prohibits the use of certain hazardous chemical substances in computers, telecommunications equipment, home appliances, etc. in the European Union (EU). The six chemical substances prohibited by the Directive are lead, hexavalent chrome, mercury, cadmium, PBB and PBDE (brominated flame-retardants).

B JEITA

The Japan Electronics and Information Technology Industries Association is an industry organization seeking overall growth in the electronics and information technology industry.

VOICE | Creating an environment that enables quick response



Hiroyuki Kusaka
Quality Engineering
Department,
Alps Electric Headquarters

I believe that winning customer confidence requires responding quickly to their requests for information regarding quality. Alps uses a Global Quality Information System (GQIS), an intranet system for registering customer inquiries and requests received via sales departments. We also register the corresponding responses prepared by domestic and overseas production-based facilities into this system.

Since drawings and image data can also be registered into the GQIS, it facilitates material exchange of real information. The system displays delivery dates and inquiry progress, and allows all our bases throughout the world to access and view this information. We endeavor to improve response to customer inquiries by quantifying technical and response speed evaluations received by both customers and our sales

departments.

I am engaged in analyzing inquiry trends and in ongoing improvement of response action. With placing customer satisfaction as first priority, I'm also constantly involved in making improvements to the system itself, in particular, finding ways to simplify the system and making it easier for the user.

Using Our Expertise to Contribute to Society and the World

As a corporate citizen, we intend to make use of our proprietary technologies and expertise in instigating a range of activities that ensure we grow in harmony with society. While taking root in local communities, our offices and production sites promote local industry and enhance communication with residents. We consider it very important to pass down and cultivate skill and expertise to those who will develop next-generation technologies for the benefit of the international community.

Nurturing Human Resources and Next-Generation *Monozukuri*

Tripartite Consortium of Academic, Business, and Government Circles

Alps Electric participates in the “Tripartite Consortium of Academic, Business, and Government Circles” whose aim, through development of both technology and human resources, is to revitalize the Tohoku region of Japan where most of our plants are located. As regards technological development and in collaboration with Iwate University, Yamagata University and local enterprises, we are involved in creating a system that reduces lead times from development through to mass production. This Consortium project is based on using digital manufacturing under the theme “Development of Production Technology for Sophisticated Materials and Components for Next-Generation Intelligent Home Appliances and Automobiles.” Our Technical Master Training Center also participates in the Core Production Personnel Development Project, which is developing a training system regarding metal molds. The Training Center also receives trainees from local enterprises as part of its contribution to nurturing future human resources. Alps Electric and Iwate University have established a cooperative relationship through a number of educational activities, including Alps’ provision of lecturers for the university’s Faculty of Engineering course on Quality Engineering. In

addition, we have commissioned Iwate University to validate training systems that have been developed by our Technical Master Training Center.

Internship Program

We run an internship program to expand the potential of engineers and create high levels of expertise. This program doesn’t offer a simple opportunity for work experience, but aims to develop problem-solving skills required on-site and accepts only highly-motivated students who seek practical training. It provides a broad range of themes and encourages students to apply their academic knowledge to practical *monozukuri*. Students from technical colleges train for two weeks, while university and post-graduate students train for three weeks to five months, depending on the course. In fiscal 2006, we accepted a total of 29 interns, including 14 students from technical colleges and nine from universities and graduate schools.



Learning important skills through the curriculum

VOICE | From internship participants



Yusuke Fujiyama
Faculty of Engineering,
Nagaoka University of
Technology, Japan

I wanted to have some actual work experience before going on to graduate school, so I applied for the internship program offered by the Magnetic Devices Division. After being involved in work on quality improvement, reducing materials costs, and developing process technology for that purpose, I discovered that a workplace needs to plan several months in advance. Before beginning the internship, I thought the four-month period for which I would train, was quite long, but I soon realized that four months was only a very short time in reality. The practical training enabled me to learn the importance of planning and communication between different departments, and developed my sense of responsibility.



Weiwei Liu
IT Business Management
Department,
Neusoft Institute of
Information Technology,
China

I took part in a four-month internship beginning January 2007. I had wanted to study in Japan before, and the program gave me a great opportunity to learn about many things including state-of-the-art technology for software module design, the flow of business operations, corporate culture, and the diligence of people in Japan. I would like to introduce the best elements of Japan to people in China, and I would like to get involved in friendly exchanges between Japan and China for the development of the two countries.

Passing on Technology to All

Technical Master Training Center

We founded the Technical Master Training Center, complete with accommodation facilities in Miyagi Prefecture in 1999 to apply an organized approach in passing on technical skills and knowledge. Since then, the Center has provided not only employees of Alps, but technicians from cooperative companies too with an opportunity to develop on-site skill and independence. The Center has also successfully trained a total 103 technicians from our overseas production-based facilities, in its pursuit of passing on technical mastery. Trainees stay for three to six months, where they master mold and tooling technology, and learn about our *monozukuri* concept.

In order to maintain the Alps Electric brand, overseas affiliates must have the same technical skills and *monozukuri* concept as bases in Japan. This is especially true with mold and tooling core technology. The Technical Master Training Center plays a very important role in creating the foundation needed to maintain technological capability of the entire Alps Group.



Top: A trainee from China listens carefully to advice during training
Bottom: Learning new skills with the help of an accomplished workman

Locally Based Social Contribution

At our bases all over the world, Alps Electric strives to add vitality to local communities and enhance cooperation with them. We pursue distinctive activities that have taken root in each community including welfare projects, cleanup programs, and summer festivals to promote interaction between employees and local residents. We also continue to cultivate future generations by providing plant tours and work experience, as we pass on the marvels of *monozukuri*.

Passing *Monozukuri* on to Future Generations

(Alps Electric Headquarters)

Since fiscal 2003, we have supported the Monozukuri Science School with the Board of Education of Ota Ward, Tokyo to pass down the marvels and delights of *monozukuri* to children. Elementary and middle school students are given the opportunity to learn how to use tools and experience the pleasure of *monozukuri* by making mechanisms such as IC radios and rubber band-powered model airplanes. This School has been attended by approximately 450 elementary and middle school students in total over four years up to fiscal 2006.



An employee gives instructions on how to assemble a shovel dozer

Cleanup Program: "One River for One Company" and "One Mountain for One Company"

(Alps Electric Korea)

Since March 2006, Alps Electric Korea has conducted cleanup activities under the slogans: "One River for One Company" (Yeongsangang River) and "One Mountain for One Company" (YongJin Mountain). This project has been carried out by employees voluntarily, and is significant in the fact that a company has taken the initiative for the community. Efforts are being made to continue this project in an organized manner, increase the number of volunteering employees, and extend the areas covered.



Volunteering employees in cleanup program

Contributions to Local Schools and Universities

(Alps Electric (Ireland))

Alps Electric (Ireland) provides local students with opportunities to participate in plant tours and practical experience programs with the aim of fostering personnel who will be able to work with the spirit of *monozukuri* in the future. We hope these tours and programs help them to understand our pursuit of quality and our corporate culture and its respect for the individual, as they experience *monozukuri* for themselves.



Local students who participated in a plant tour

Fair Management

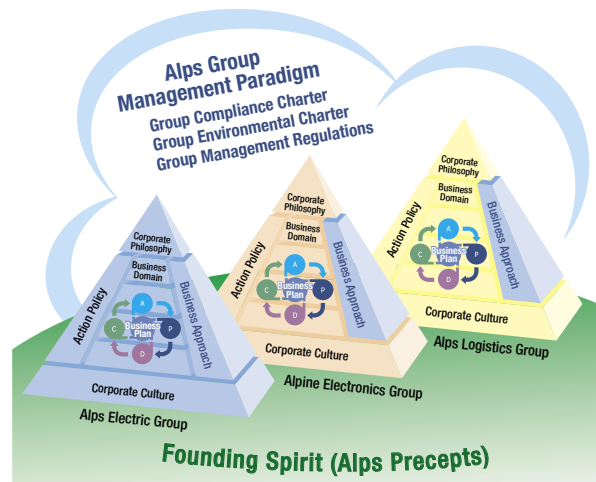
As we believe a corporation belongs to its stakeholders and the whole of society, we engage in fair, open and transparent management with clear-cut values that meet global standards.

Fair Management

Structures and Frameworks for Dependable Management

Alps Group Management Philosophy

With our founding spirit (Alps Precepts) as the foundation of Group management and our CSR initiatives, we at the Alps Group established the Alps Group Management Paradigm in May 2006, comprising the Group Compliance Charter, the Group Environmental Charter, and the Group Management Regulations. While acknowledging the autonomous nature of Group companies, the Alps Group aims to take advantage of their close collaboration and collective strengths. We will work to improve enterprise value as a whole and contribute to societies by creating new values that satisfy stakeholders and are friendly to the earth.



Alps Group Management Concept

VOICE | Innovation through making business processes visible



Yuichi Matsuo
Business Process Visibility Project,
Alps Electric Headquarters

With the Financial Instruments and Exchange Law coming into effect in Japan last year, company management is obliged from fiscal 2008 to evaluate its internal controls over financial reporting, and to disclose the results of the evaluation in the form of a report. The Business Process Visualization Project that I am involved in is aimed at creating internal controls unique to Alps Electric. Through making processes, rules and risks visible,

we are committed to establishing effective internal controls over financial reporting, and to innovation of business procedures in the future. Five working groups in Japan have commissioned a system for document creation, and we have just begun the first phase for establishing internal controls for financial reporting.

My role in the project includes defining the scope of evaluation, developing standards for enforcing

internal controls, and examining the documents produced.

The project will also be implemented at our overseas affiliates, and I want to ensure that innovations in business procedure will become a permanent feature of Alps Electric's corporate culture.

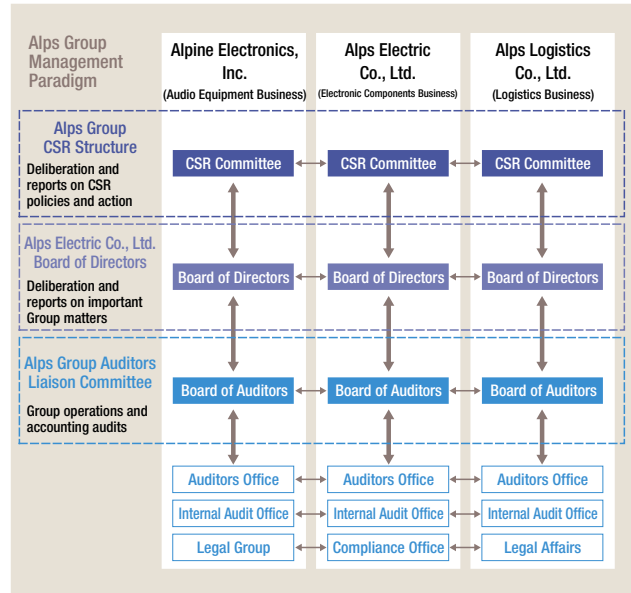
Alps Group CSR and Internal Controls

With fiscal 2006 as the first year for Alps Electric's CSR initiative, a CSR Committee was established and CSR Officers were appointed at each business location in Japan and overseas. As Alps Electric also serves as the headquarters for the entire Alps Group, CSR Committees were subsequently established at Alpine Electronics and Alps Logistics, both of which are parent companies of their respective businesses within the Alps Group. In so doing, the Alps Group has developed a structure for promoting Group-wide CSR initiatives. In cooperation with Group companies and related departments, we endeavor to comply with new company law requirements of 2006 and are developing an internal controls system covering the Group, along with Group-wide CSR activity.

As stipulated in Group regulations, the Board of Directors at Alps Electric deliberates and reports on important matters concerning Group companies. While the Compliance Office and Legal Department examine their legality, the Corporate Accounting Department assesses financial and investment performance. This arrangement is designed to facilitate swifter and more precise deliberation and decision-making. In fiscal 2006, resolution standards in the Board of Directors rules and bylaws were revised to tighten internal controls, and new CSR-related rules were also established.

Furthermore, the Group Auditors Liaison Committee meets on a regular basis in order to strengthen collaboration among auditors and to share audited information.

We will continue to promote sound and efficient corporate activity, fulfilling our public and social mission as a Group.



Alps Group's Internal Controls and CSR Promotion Structure

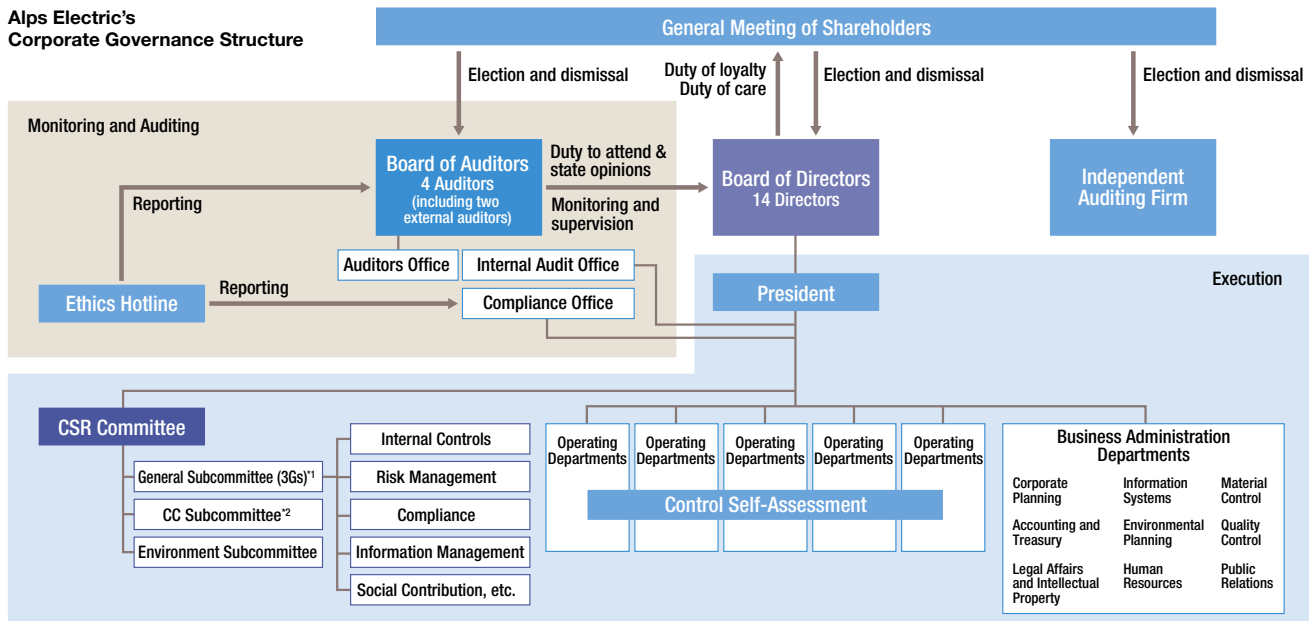
Upgrading and Enhancing Alps Group Governance

Alps Group defines corporate governance as “the design and operation of a framework that achieves sound, efficient and transparent management by motivating top management to be committed to appropriate and efficient decision-making and business execution, and prompt reporting of outcomes to stakeholders in order to increase corporate value.” Placing top priority on maximizing benefits for shareholders and all

other stakeholders, the framework is based on objectives that maximize corporate value, satisfy stakeholder interests in a balanced manner and return profits directly or indirectly to stakeholders.

Based on these principles, the Alps Group seeks to develop and strengthen its corporate governance by ensuring sound and efficient management through a corporate auditor system.

Alps Electric's Corporate Governance Structure



*1 3Gs: Group & Global Governance *2 CC: Corporate Communication

Initiatives in Compliance

It is impossible to “create new values that satisfy stakeholders and are friendly to the earth” without management based on compliance **A**, which prevents any illegal and unfair practices. Alps upholds fair conduct at the heart of its corporate policies.

Alps Electric has established a global structure where the Headquarters Compliance Office and Compliance Officers **B** assigned to seven global locations work together to enforce compliance. Internal reporting systems (ethics hotlines) were set up in North America and Korea over 2005 and 2006, and we are now examining appropriate reporting systems for the Greater China, ASEAN and European regions.

Educational programs for compliance at Alps Electric include regular workshops for new employees and

managers. In addition, an anonymous questionnaire on compliance issues was conducted for employees, where the company then clarified its response to opinions on the intranet. In fiscal 2007, we will introduce an e-learning course, helping to promote a Group-wide educational structure.

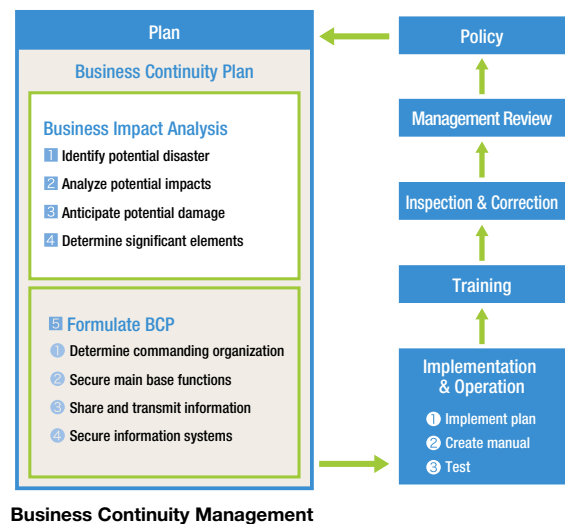
Alps Group Compliance Charter

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.

Initiatives in Risk Management

One important managerial issue at Alps Electric is risk management from the perspective of Business Continuity Management (BCM). Using Business Impact Analysis (BIA) methodology, we identify risks that may disrupt operations such as earthquakes, fires, and other internal or external factors, then examine potential property damage and opportunity loss. Based on this analysis, we identify risks that necessitate priority measures, then develop preventive strategies, safeguards and recovery strategies to compile a comprehensive Business Continuity Plan (BCP), which minimizes impact and interruptions to business. BCP effectiveness is analyzed using BIA regularly, completing the plan-do-check-act (PDCA) cycle.



VOICE | Committed to establishing a compliance structure



Karen Hymes
Compliance Officer,
Alps Electric
(North America)

My role as General Counsel is to ensure Alps operates in compliance with the laws and regulations of the United States. I also serve as the chief guardian of Alps Electric (North America)'s Code of Conduct and Ethics. In furtherance of these goals, I implemented Alps North America's ethics policy to address confidentiality, fraud and conflicts of interest in 2004 and established the ethics hotline in 2005. In 2006, Alps North America established its compliance policies on contractual

issues, antitrust, customs/export control, the environment, and intellectual property.

Alps is committed to conducting business in full compliance with the highest ethical and business standards. I am committed to enforcing those standards.

Initiatives in Information Management

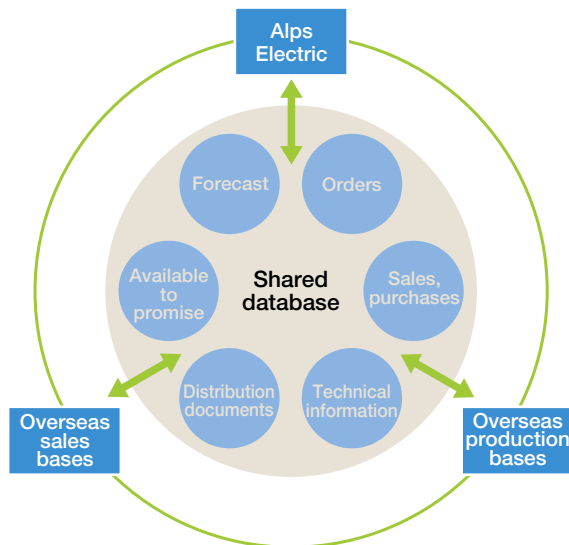
Alps aims to further utilize information technology, and develop a more rigid structure for information management by reinforcing information security, and enhancing our global IT infrastructure.

Reinforcing Information Security

In fiscal 2006, a solution to prevent information leaks was installed at all domestic bases. "Document Security" involves robust security measures that encrypt documents, prevent external transfer of information, and restrict data use, which all help to prevent classified information from leaking to external bodies. In fiscal 2007, this system will be installed at all Alps Electric Global bases.

Enhancing Our Global IT Infrastructure

Since June 2006, Alps Electric has operated CAMPS, a global system for real-time exchange and sharing of information among all Alps Electric Global bases. This system has enabled all bases to share and adopt standardized business procedures, enabling efficient response to customers' needs, and improvements in business procedure quality and visibility.



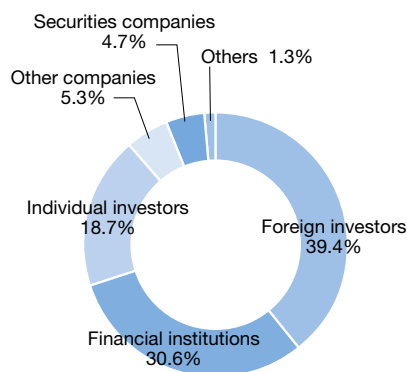
CAMPS – the Alps Global System

The Connected ALPS Multi Production System (CAMPS) is a business infrastructure that gives greater customer convenience, enhances Alps Electric's total operational efficiency, and is capable of keeping pace with business expansion. This system enables domestic and overseas bases to perform global information exchange and sharing in real time.

Communicating with Shareholders and Investors

Alps believes in prompt, accurate and fair disclosure of information to our shareholders and investors in a timely and appropriate manner via our dedicated investor relations department. We publish the *Alps Report* and *Annual Report* with a view to keeping shareholders and investors fully informed of the company's financial conditions, corporate policies and activity. We also provide institutional investors and financial analysts accurate investment information at our full-year and half-year corporate result briefings. In an effort to provide overseas institutional investors with accurate information, we visit their offices to give similar briefings. In December 2006, we visited 11 companies in four countries (Singapore, UAE, UK and USA). Beginning 2007, Alps now provides its shareholders the option to exercise their voting rights online.

Ownership by type of investor



Major shareholders

Japan Trustee Services Bank, Ltd. (Trust account)	6.82%
The Master Trust Bank of Japan, Ltd. (Trust account)	5.76%
Mitsui Sumitomo Insurance Co., Ltd.	2.30%
Mitsui Life Insurance Company Limited	1.97%
Nippon Life Insurance Company	1.90%

*As of March 31, 2007

A Compliance

Conducting corporate activity in accordance with laws, regulations, social ethics and norms. Compliance requires a framework to ensure corporate ethics, which involves internal rules and manuals for business procedures.

B Compliance Officer

A person responsible for compliance within a company. A Compliance Officer may set up organizations such as a compliance committee, which would serve as a framework for enforcing compliance.

Respect for the Individual

Alps strives to create programs and working environments that enable employees to interact freely, and achieve outstanding results.

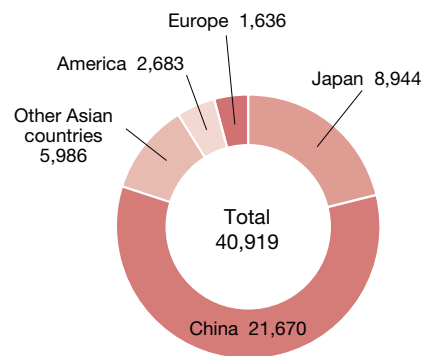


Respect for the Individual

A Workplace Where Every Employee Potential and Individuality

As Alps Electric's operations have expanded throughout the world, we are constantly seeking to improve the working environments of all locations constituting Alps Electric Global, whilst giving due consideration to the different cultures and customs of the countries and regions concerned.

We believe that respecting individuality gives rise to a vibrant company, and our emphasis is placed on creating opportunities for all employees to take on exciting challenges that hone their professional and communication skills beyond regional boundaries. We value employees who work with enthusiasm and we strive to create a working environment where employees can produce outstanding achievements. We are also committed to establishing fair evaluation and remuneration systems commensurate with employees' efforts. Our philosophy is based around "believing in people," a universal principle that has been cherished since the founding of the company, and that enables us to move towards a workplace where employees can work with passion.



Number of Alps employees by region
(as of April 1, 2007 – Alps Electric Global)

* Figures include regular employees, fixed-term employees, temporary employees and in-house contract employees.

Individual

ALPS WORLD 2006

ALPS WORLD 2006, a sporting event for Group employees, was held in Japan on October 28 at the Makuhari Messe (Chiba Prefecture). After six months of practice and preparation, the event created a great sense of unity among the more than 3,000 Alps Group employees, including 330 from overseas affiliates, who played exciting games

of football, jump-rope and mock cavalry battles. Employees from overseas were also able to visit divisions in Japan, and participate in other such programs. The event was successful in providing a great opportunity for employees to interact, and to deepen their understanding of the Alps Group.



Voices of ALPS WORLD participants

Vera Jordanova
Alps Electric
Czech



After participating in ALPS WORLD, I realized that Alps Czech and Alps Electric have a common spirit and that I was a member of the big Alps Group family. This enabled me to understand what global communication really is.

Mohtar bin Mohamed Kasim
Alps Electric
(Malaysia)



We joined as one unity and worked together to achieve our best for the team through sharing ideas with the Alps "Work hard, study hard, play hard" spirit. I believe the experience will lead to a sense of unity and harmony at the workplace.

Ryan Richards
Alps Electric
(North America)



I met with many Alps Group employees from all around the world, who were all willing to share their thoughts and experiences amid a very friendly atmosphere. It made me feel that I was a part of not only Alps North America, but the much larger organization of the Alps Group.

Yan Chen
Wuxi Alps
Electronics
(China)



Having participated in ALPS WORLD, I realized that the Group comprises working employees from all over the globe. It was a great experience to be able to interact with Group employees from different countries that I had never met before.

Can Display

Global Employment of Human Resources

As our business operations go global, the arena for our employees has also widened. Alps Electric established the Global Human Resources Department in July 2006 to build a global infrastructure for the development and employment of human resources. In October 2006, we launched the Alps Work Experience Program with the aim of nurturing next-generation managerial personnel, as part of our global human resources development program for future executives of overseas affiliates. Program participants work in Japan for two years, where they learn about "Alps-ism" – the unique corporate culture of Alps that is essential for corporate leaders. In fiscal 2006, six employees were selected from our overseas affiliates to come to Japan.

VOICE | Aspirations for a vibrant Alps Korea

As part of the Alps Work Experience Program, I transferred from Alps Electric Korea in October 2006, to work at the Automotive Products Division of Alps Electric in Japan. At first, I was worried that I would not be able to overcome the differences in language and culture, and the different sense of values regarding history and society. However, the company has a policy of changing the system wherever possible to respect the feelings of workers from overseas. Thanks to this, I have been able to work quite comfortably in Japan. When I complete the two-year assignment and return to Korea, I want to spread "Alps-ism" – a single Alps spirit going beyond differences in language and culture – and help build a vibrant Alps Korea.



Soo-Yeon Lee
Engineering Team 1,
Alps Electric Korea

Programs to Help Individuals Maximize Their Capabilities

Education and Training Programs

Alps Electric offers education programs that are position-specific and task-specific, in addition to training for each echelon of employment from new recruits to middle management and executives. These programs aim to capture the unique individuality of each employee and to develop their potential even further. We also offer a number of programs to encourage employees to develop their own skills voluntarily. These include a qualification incentive system and partial coverage of the cost of taking correspondence courses.

Main Training Programs

Training by echelon

Board Directors	For Board Directors of the three parent companies to study practical management of the Group through discussion of common managerial challenges
Prospective executives	To study practical management innovation through case studies and action learning
Newly-assigned managers	To improve ability in using and developing resources effectively and efficiently in order to achieve department objectives
Mid-level employees	To cultivate leadership and a proactive approach to improving the workplace

Internationally-focused training

Employees bound for overseas affiliates	To provide relevant information to employees helping them to settle into their new overseas posts, and enabling them to study management skills suited to the local environment
Language education	To acquire elementary and intermediate English and Chinese language skills

Position-specific training

IE ¹ and QC ² training	To acquire knowledge about operations improvement that is essential for manufacture, manufacture engineering, and quality control
Quality engineering training	To learn parameter design, implementation techniques, and testing methods regarding quality – essential for production/development design and manufacturing departments
Basic engineering training	To learn the basic engineering skills necessary for newly-employed engineers assigned to divisions
TWI training ³	To learn supervision and other skills necessary for supervisors and leaders

¹ IE: Industrial Engineering

² QC: Quality Control

³ TWI: Training Within Industry for Supervisors

Training at Universities and Research Institutes

Alps Electric dispatches employees to universities and research institutes in Japan and abroad so that they can study technologies and gain knowledge related to their jobs. Since this program commenced in 1986, 69 employees have been dispatched to domestic institutions, and some of them have earned doctoral degrees. In addition, a total of 21 employees have been dispatched to institutes overseas, including Dalian and Boston.

Individuals with Disabilities

In agreement with the aims of the Law for Employment Promotion of the Disabled, Alps Electric set company-wide objectives in fiscal 2006 and made it a policy to implement the corresponding plan within the next three years. In comparison to our current employment rate of 1.51%, we have set objectives at 1.68% for fiscal 2007, 1.84% for fiscal 2008 and 2.03% for 2009. Alps Electric plans to achieve the legally required rate of at least 1.8% within three years.

Providing Information to Our Global Employees

Alps Global Community

The Alps Global Community, an information site on our intranet, has been made available to Alps employees working at overseas affiliates since November 2005. Some articles from *Alps*, an in-house magazine circulated in Japan, are translated into English and posted onto this intranet site. These include articles about development, management, and corporate activity in Japan, Alps products and technologies, and articles from overseas affiliates as well. To share our corporate culture globally, the memoirs of the late Katsutaro Kataoka, founder of Alps Electric, are also available on this intranet site, revealing stories about Alps since the time of its foundation.



Alps Global Community

Respect for the Individual

Creating a Healthy Working Environment Where Employees Can Work Safely

Occupational Health and Safety Management

Alps Electric believes that a healthy working environment where employees can work safely is fundamental to becoming a satisfying workplace. We have independent and systematic standards in governing the safety, health and hygiene of our employees.

We carry out a range of diverse activities such as safety, hygiene/health education and practical training to increase employees' knowledge, along with workplace patrols that monitor and rectify dangerous areas. We also have health rooms, industrial physicians and counselors available for employees to see whenever needed, creating an environment that encourages preventive steps against health problems. Globally, our overseas affiliates also endeavor to make the workplace safe and comfortable according to local laws and regulations.



An industrial physician makes his rounds of the workplace

Improving the Work-Life Balance

In concert with the Law for Measures to Support the Development of the Next Generation, Alps evolved a corresponding action plan in April 2005 to create a working environment in which workers were able to balance their work with child-rearing. The number of years employees can use our "reduced working hours" program was extended, and a new type of leave for child-rearing was introduced. Alps has also created an intranet site where employees can acquire information about work-life balance programs that are available both externally and within the company.

Disaster Prevention

Alps Electric Global has established a risk management structure at each location to improve risk control. In-house firefighting teams have been set up and conduct drills to prepare for possible disasters such as earthquakes or fires. At Alps Headquarters, an annual firefighting demonstration and review, a traditional Japanese event, is held to maintain conduct discipline.



Fire-fighting patrol at Alps Czech carries out a disaster exercise

VOICE | Making use of available programs to balance my work with raising my children



Harumi Santo
Production Strategy Office,
Alps Electric Headquarters

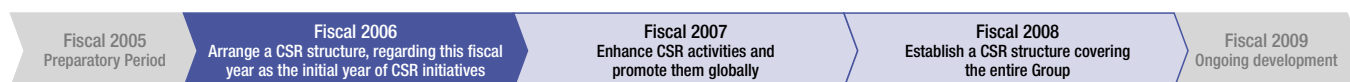
I am involved in editing the Production Innovation Headline News, and other duties related to sharing and promoting production innovation information on a company-wide basis. The longer my length of service, the more responsible my job becomes. I hope to continue to work after I have a baby, so I decided to make

use of the maternity leave and child-rearing leave programs. Although I was worrying whether I would be able to work again after being away from the office for such a long time, I was assured that I would be able to return to my current workplace, which means that I don't need to worry about starting something new.

Because of a new extension to the number of years we can use the "reduced working hours" program, I want to use this in finding a good balance between my work and raising my children.

Alps Electric Global – CSR Mid-Term Plan

Basic Policy for the CSR Mid-Term Plan of the Alps Group



Alps Electric Global – CSR Mid-Term Plan (Targets and Results for the Period from Fiscal 2006 to Fiscal 2008)

CSR Mid-Term Plan (Goals for Fiscal 2008)		Results for Fiscal 2006
Management Goals		
	Reorganize the RC Committee into a CSR Committee, made up of three subcommittees: a General Subcommittee (3Gs), a CC Subcommittee and an Environment Subcommittee, and establish a secretariat for CSR promotion.	Reorganized the RC Committee into the Subcommittee (3Gs), the CC Subcommittee Corporate Planning Office, acting as the
	Appoint a CSR Representative and CSR Officer at each business location in Japan and overseas, and establish a Group and global CSR management system.	Appointed a CSR Representative and a CSR CSR management system (October 2006).
	Plan and promote educational and developmental programs for CSR to be incorporated into the daily lives of every employee.	Conducted an internal survey about the in-house magazine, explaining the basics awareness.
Social Goals (for Stakeholders)		
Customers	Establish a Group CSR system that enables flexible and prompt response to increased and diverse CSR needs and procurement requirements from customers; and establish a concurrent framework for accurate response to external CSR surveys and audits.	Some business locations established a CSR complete system has not yet been
	Enable responses to a wide range of questions from customers concerning the PDCA performance of our CSR system in the electronic components business.	We have performance data in areas such as data on human rights, labor and social
Suppliers	Create a guidebook for CSR infiltration.	Created supplier survey rules and the <i>Alps Guidebook</i> issued by JEITA.
	Encourage CSR of suppliers through ascertaining their performance according to the above guidebook.	Identified suppliers to be surveyed and 2007.
Shareholders/Investors	Provide clear and substantial PR and information disclosure services to shareholders and investors in Japan and overseas.	In addition to conventional activities in fiscal Singapore, and the United Arab Emirates.
Company Members and their Families	Ascertain actual working conditions at overseas business locations, and establish appropriate personnel management standards.	A project is underway to establish personnel use the same standards.
	Examine working environments of our domestic cooperating company employees and establish rules to maintain conditions.	Involve cooperating company employees in personnel management systems for some
Society	Ascertain how global business locations are communicating with local communities.	Conducted an in-house survey on CSR
	Set policies and goals for each business location, and implement them.	Analyzed the results of the survey, identified
	Communicate Alp's CSR initiatives to all our stakeholders.	Issued the 2006 CSR Report and created a stakeholders.
Industry/ Financial Community	Contribute to the continuous development of CSR activities conducted by the electronic components industry.	Participated in JEITA projects, including one Promote the Shared Use of Information
Public Organizations	Contribute to continuous development of CSR through cooperation with public organizations.	Supported the Monozukuri School under the pass on the enjoyment of <i>monozukuri</i> to program aimed at university students who
Environmental Targets		
	Establish a global environmental management system.	Established an environmental management
	Familiarize our personnel in the electronic components business area with the Fifth Medium-Term Action Plan for Environmental Preservation, and establish and implement plans for each business location accordingly.	For details, refer to the Fifth Medium-Term

Alps Electric regards fiscal 2006 as the first year of its CSR initiatives. Individual bases and departments had already been active in areas now regarded as CSR activity, however, and these activities had helped to form our CSR Mid-Term Plan. This plan is executed by incorporating it into Alps Electric's 5th Mid-Term Business Plan (fiscal 2006 – fiscal 2008). The pre-existing Risk Management & Compliance (RC) Committee was reformed into the CSR Committee in April 2006, and a new department

named the CSR Group was established under the Corporate Planning Office at headquarters in order to progress with CSR initiatives. In October 2006, we established a global CSR structure by appointing a CSR Representative and CSR Officer at each business location in Japan and overseas.

While trying to formulate our CSR Mid-Term Plan, we found that headquarters did not have an organized system to monitor CSR activity carried out by overseas bases. We then proceeded to conduct an

internal CSR survey of domestic and overseas locations. Based on the results of this survey, we identified issues specific to each location and evaluated their significance. Priority themes and targets were then set for fiscal 2007, which were subsequently incorporated into the Fiscal 2007 Business Plan for each of these locations.

By integrating our CSR activities with our business direction, we are determined to gain the confidence of all our stakeholders.

(April 1, 2006 – March 31, 2007)	Self-evaluation	Action Targets for Fiscal 2007 (April 1, 2007 – March 31, 2008)
CSR Committee comprising three subcommittees in April 2006 – the General and the Environment Subcommittee. Created the CSR Group within the secretariat of the CSR Committee.	◎	<ul style="list-style-type: none"> Establish a system to collect CSR performance data. Establish a self-check function (or a monitoring system).
Officer at each business location in Japan and overseas, establishing a global	◎	<ul style="list-style-type: none"> Global promotion of CSR activities through the issue of CSR News (in Japanese and English).
2006 CSR Report to collect opinion from employees. Featured an article in our of CSR and introducing CSR activities by some employees, enhancing	○	<ul style="list-style-type: none"> Establish a multi-level CSR education program. Conduct regular seminars using e-learning etc.
framework based on the results of external CSR surveys and audits, but a established on a global basis.	○	<ul style="list-style-type: none"> Develop a database of CSR activities of all our business locations. Establish guidelines for responding to CSR surveys. Educate on, and build awareness of, CSR activities in sales departments that liaise with customers.
environment, quality and safety, but we do not yet have enough performance contribution. More data collection is needed in the future.	△	<ul style="list-style-type: none"> Establish a CSR system that covers overseas business locations in addition to domestic ones.
<i>CSR Guidebook</i> in compliance with the <i>Supply-Chain CSR Deployment</i>	◎	—
completed preparatory work to begin surveying during the first half of fiscal	◎	<ul style="list-style-type: none"> Determine the time frame for conducting supplier surveys after monitoring the moves of assembly manufacturers.
2006, we visited foreign investors in the United States, the United Kingdom,	○	<ul style="list-style-type: none"> Conduct a survey of shareholders to improve the Alps Report, our newsletter for shareholders. Improve the current website (the IR page) to make it easier to understand. Enable shareholders to exercise their voting rights via the Internet.
management guidelines for global business locations so that individual sites	○	<ul style="list-style-type: none"> Establish personnel management guidelines for global business locations and begin to apply them.
morning assemblies to share policies and information. Have ascertained cooperating companies.	△	<ul style="list-style-type: none"> Determine items for a labor environment survey, and start to survey companies.
activities at each global business location.	◎	<ul style="list-style-type: none"> Develop a database of the CSR activities conducted by each business location. Use the webpage to display CSR activities conducted by each business location.
issues, and established corporate policies and targets.	◎	<ul style="list-style-type: none"> Integrate CSR targets and measures for the company as a whole and for each domestic or overseas business location into the Fiscal 2007 Business Plan.
page on our website featuring CSR activities in order to inform our	◎	<ul style="list-style-type: none"> Continue to issue and improve CSR reports. Improve the website (the CSR page). Use the website etc. to introduce the CSR activities conducted by each domestic or overseas business location.
to create the <i>Supply-Chain CSR Deployment Guidebook</i> and the Project to Concerning Parts and the Environment.	○	<ul style="list-style-type: none"> Continue to address problems common to the electronics industry through participation in various JEITA boards and committees.
co-sponsorship of administrative and educational organizations in order to future generations. Assisted in practical training of a teacher development want to become teachers.	◎	<ul style="list-style-type: none"> Enhance program content by creating new approaches (providing instructors, etc.).
system in Japan.	○	<ul style="list-style-type: none"> Establish a global environmental management system.
Action Plan for Environmental Preservation (pages 16-17).	—	<ul style="list-style-type: none"> Establish an environmental risk management system.

Self-evaluation ◎: Achieved ○: Well in progress △: Behind schedule



Friendly to people, Friendly to nature.

ALPS®

Environmental Symbol

The environmental symbol shown in the upper left of this back cover expresses the three elements—air, water and earth. This symbol was selected from many submissions from Alps members.

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We look forward to any comments and feedback you may have.

