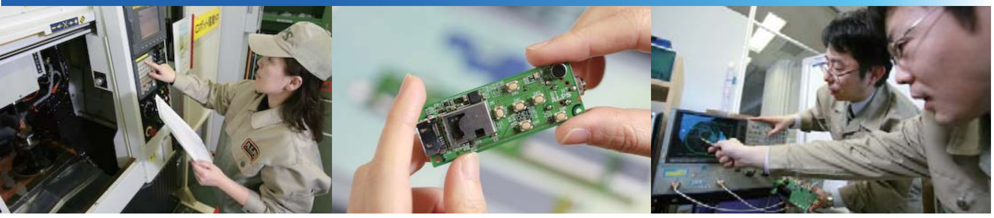
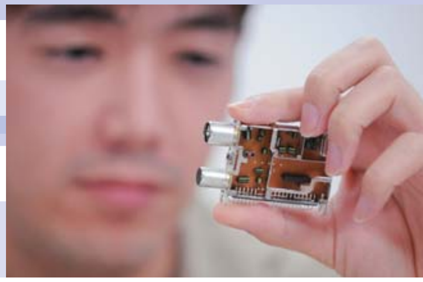
Perfecting the Art of Electronics
ALPS

Annual Report 2009



Annual Report

Profile



Since its establishment in 1948, Alps Electric Co., Ltd., as a comprehensive manufacturer of electronic components, has been providing various components which are installed into PCs, mobile phones, home appliances, and automobiles.

To answer the growing demands for new components which satisfy the digitalization of electronics devices, 'electronization' of automobiles, and more power-saving of home appliances, Alps Electric pursues the art of electronics. The art we search for is not only of sophisticated appearance, but balance of functions and prices, and consideration of power and resource savings. We will seek a harmony between an affluent electronic society and the global environment by promoting the art of electronics.

The Alps Group, comprising a network of 82 group companies all over the world, also consists of Alpine Electronics, Inc. — developer and manufacturer of car navigation and car audio systems, and Alps Logistics Co., Ltd. — provider of comprehensive logistics services.

Contents

Cautionary Note on Forecasts

Statements in this annual report with respect to Alps Electric's strategies, plans, beliefs and other statements related to future trends and performance are not historical facts, and as such involve risks and uncertainties.

Projections may differ materially from actual results due to a number of factors. Key factors that could affect actual results include, but are not limited to, general economic conditions and social trends in Alps Electric's markets as well as fluctuations in Alps Electric's relative competitiveness due to changes in demand for products provided by Alps Electric.

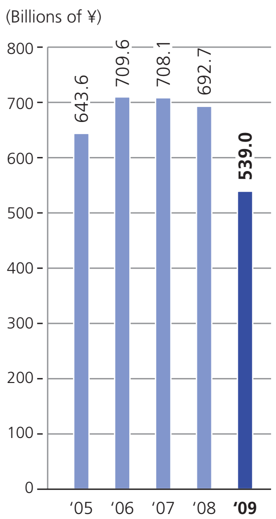
Financial Highlights

Years ended March 31, 2007, 2008 and 2009	Millions of yen 2007	Millions of yen 2008	Millions of yen 2009	Thousands of U.S. dollars (Note) 2009	Percent change
For the year:					
Net sales	¥ 708,127	¥ 692,656	**¥ 538,995**	**$5,488,747**	(22.2)%
Operating income (loss)	22,077	19,876	**(26,524)**	**(270,102)**	—
Income (loss) before income taxes	20,817	18,308	**(57,171)**	**(582,189)**	—
Income taxes	10,536	10,560	**18,035**	**183,656**	70.0
Net income (loss)	4,918	4,418	**(70,064)**	**(713,483)**	—
Capital expenditures	45,308	43,154	**47,202**	**480,672**	9.4
At the year end:					
Current assets	¥ 321,400	¥ 289,623	**¥ 212,612**	**$2,165,092**	(26.6)%
Current liabilities	184,474	148,312	**154,119**	**1,569,440**	3.9
Working capital	136,926	141,311	**58,493**	**595,652**	(58.6)
Net assets	294,018	280,318	**184,791**	**1,881,783**	(34.1)
Total assets	548,044	494,756	**375,285**	**3,821,640**	(24.1)

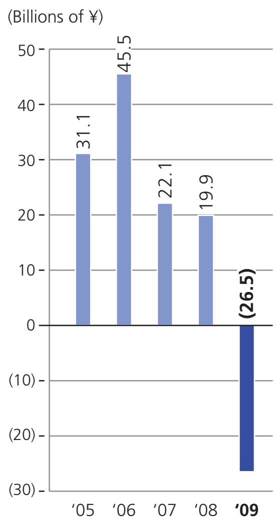
	Yen 2007	Yen 2008	Yen 2009	U.S. dollars	Percent change
Amounts per share of common stock:					
Net income (loss)	¥ 27.40	¥ 24.65	**¥ (390.93)**	**$ (3.98)**	—
Cash dividends applicable to the year	20.00	20.00	**10.00**	**0.10**	(50.0)%
Net assets (excluding minority interests)	1,135.14	1,081.63	**620.04**	**6.31**	(42.7)
Price earnings ratio (times)	50.36	39.80	**—**	**—**	—
Price book value ratio (times)	1.22	0.90	**0.99**	**—**	10.0

Note: For convenience only, the accompanying Japanese yen amounts for 2009 have been translated into U.S. dollars at ¥98.20 = $1.00, the exchange rate prevailing on March 31,2009

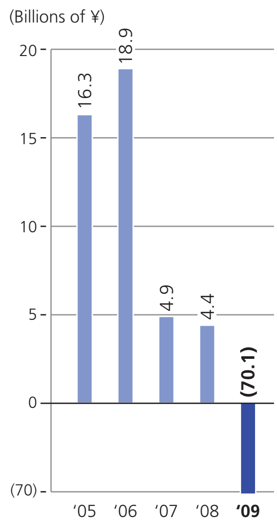
Net sales



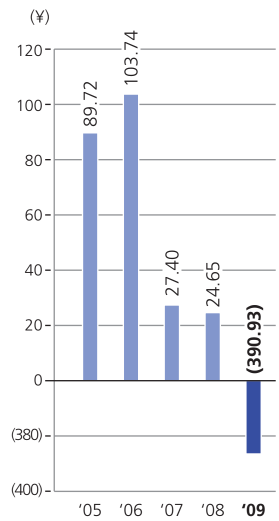
Operating income (loss)



Net income (loss)



Net income (loss) per share



Focusing on Exhaustive Cost Reductions and Order Acquisitions

The overriding factor in fiscal 2009, ended March 31, 2009, was the sudden economic downturn that struck the electronics industry in the latter half of the year. Characterized by stagnation in consumption and lulls in global sales of automobiles and such digital home appliances as mobile devices, its effects continue to exert pressure on inventories, prompting long-term adjustments.

The Alps Group has implemented progressive measures to counter the sharp fall in order volumes seen from the latter half. Measures included a review of plant and equipment investment plans, worldwide labor force restructuring and fixed cost reductions, mainly in the area of general expenses. However, the extent of the fall in sales for the fiscal year under review was far greater than we could have anticipated, leading us to post our largest-ever operating loss. Furthermore, since there was only a slim possibility of sales recovering to former levels, we had no other choice but to book an impairment loss and reverse our deferred tax assets for the same period, a period that ended in a loss on a scale greater than any we had ever experienced. This resulted in the Company's stockholders having to forego their year-end dividend payments. Please accept our deepest and sincerest apologies in this matter.

As a drastic recovery in sales seems highly unlikely in the current fiscal year, annual financial results for the current fiscal year are also expected to be in the red. We recognize that the most pressing need is to overcome this situation as quickly as possible. If we are going to achieve financial results better than those currently forecast, it is essential for us to quickly accomplish our structural reforms and implement profit recovery measures.

We began our structural reforms in April 2009. The concept was to shift from the familiar division system to a business unit system, under which we first target sales expansion by integrating sales and engineering functions to build a stronger sales organization and then implement exhaustive cost reductions by standardizing the ***Monozukuri*** process. Although the reforms have only just begun, I have seen that employees have already begun to make progress within the new streamlined organization in accordance with the Company's goals. We will continue to progress with these reforms to create a base for the future and a resilient structure in which profits can be made even during times of prolonged market stagnation.

To accelerate a recovery in demand, governments all over the world have implemented various economic stimulus packages. Japan, for example, introduced an eco-point system for the purchase of such "green" home appliances as air conditioners, refrigerators and terrestrial digital broadcasting-compatible televisions that have been designated as energy-saving products. In addition, advanced countries, including Japan, have adopted tax reduction or exemption systems applicable to purchases of or trade-ins for such environmentally friendly automobiles as hybrids and eco cars. These two systems are closely related to our industry, so we are expecting them to play a significant role in spurring demand and to serve as a catalyst in economic recovery.

Currently, incoming orders remain irregular, and all signs indicate that recovery will take some considerable time. On an optimistic note, we are witnessing growing demand for some products, including touch panels for mobile devices and tuners for flat panel display televisions. With all employees working in unison, we will do our utmost to harness this demand growth and promote initiatives for sales and profit improvements en route to a rapid business recovery.

In conclusion, I would like to thank our stockholders and investors for their understanding, continued support and encouragement.

July 2009

M. Kataoka

Masataka Kataoka, President

Masataka Kataoka,
President

Towards Sustainable Growth

A foothold to strengthen business structure → **Q2.**

Improving enterprise power through structural reform → **Q3.**

ALPS' course of action to promote growth → **Q4.**

Q1. Please tell us about the results for fiscal 2009, the year ended March 31, 2009.

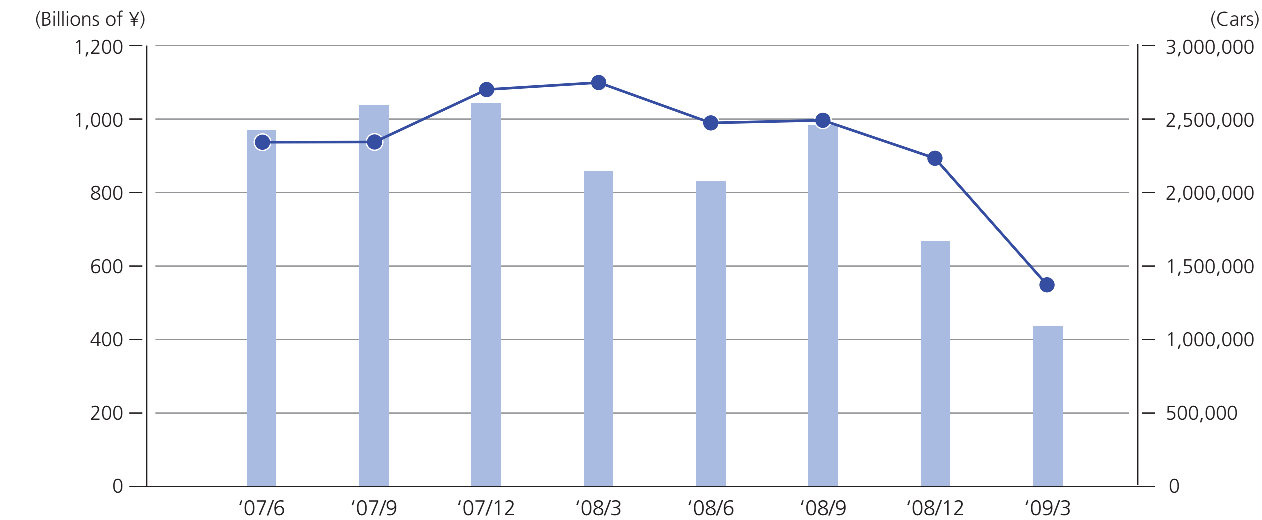
A1.

The American financial crisis has had a major impact on the real economies of countries worldwide. Profits in Japan's main industries were also put under pressure, especially in the automotive and electronic industries, where manufacturers were rapidly expanding into the global market. With 60% of Group sales coming from our audio equipment business as well as components and automotive electronics from our electronic components business, results were heavily influenced by the sudden drop in orders since last October.

In addition, the cell phone market saw a slowdown in what had been a steady increase, resulting in a downturn in our electronic components business, mainly related to such products as the Contactsheet™, switches and connectors. Despite efforts made to counter the decrease in sales by cutting fixed expenses, we had to declare an operating loss.

Due to the protracted economic downturn, we found it difficult to forecast future sales and profit conditions. Therefore, we were unable to avoid recognizing impairment losses on tangible fixed assets and had to use deferred tax assets to increase the income tax adjustment, resulting in the posting of a major loss.

Alps Group Consolidated Net Sales and Number of Passenger Cars Produced in Japan (Quarterly Basis)



	'07/6	'07/9	'07/12	'08/3	'08/6	'08/9	'08/12	'09/3
Consolidated net sales	971	1,037	1,044	859	832	983	668	436
Number of passenger cars produced*	2,335,097	2,336,567	2,692,535	2,740,200	2,466,060	2,483,840	2,226,049	1,366,456

* Source: Japan Automobile Manufactures Association, Inc.

Q2. Please tell us about the Immediate Profit Recovery Measures.

A1.

On February 4, 2009, when we announced our financial results for the third quarter of fiscal 2009 (April 1, 2008, through March 31, 2009), we also announced that we would restructure operations and cost structures. We will lower our breakeven point in order to regain profitability at the earliest possible stage.

1. Background to the Measures

We anticipate that recovery from the sudden global-scale fall in the economic climate will take some time. Although the sudden change in economic circumstances outside the Company continues to impact our business performance, the situation we are now facing cannot be totally blamed on the economy; various internal reforms to date have not delivered adequate results. We decided that fundamental changes were urgently required to strengthen the organization. Our management and employees will work together, sharing the challenges before us in order to create a basis for our future success, without sacrificing trust from our customers and markets before the structural reform measures prove their effectiveness.

2. Details of the Measures

- **Cuts in base salaries and bonuses**
  We have implemented reductions in base salaries for executives and base salaries and bonuses for managerial staff and general employees (effective for a maximum of two years). The annual profit recovery due to this measure is estimated at approximately 5 billion yen.

- **Limit capital investment, R&D investment, and general expenses**
  Due to the decrease in sales, we will limit investment-oriented expenditures. The annual profit recovery due to this measure is estimated at approximately 10 billion yen.

Q3. Please tell us about the structural reforms.

A3.

We have reformed the organization by abolishing the old system of divisions and Sales & Marketing Headquarters in April 2008 and establishing new business units. While prolonged market depression is expected, the reforms are intended to secure profits in spite of the market downturn. We will pursue these reforms to ensure our strength into the future.

1. Why must we enforce the structural reforms now?

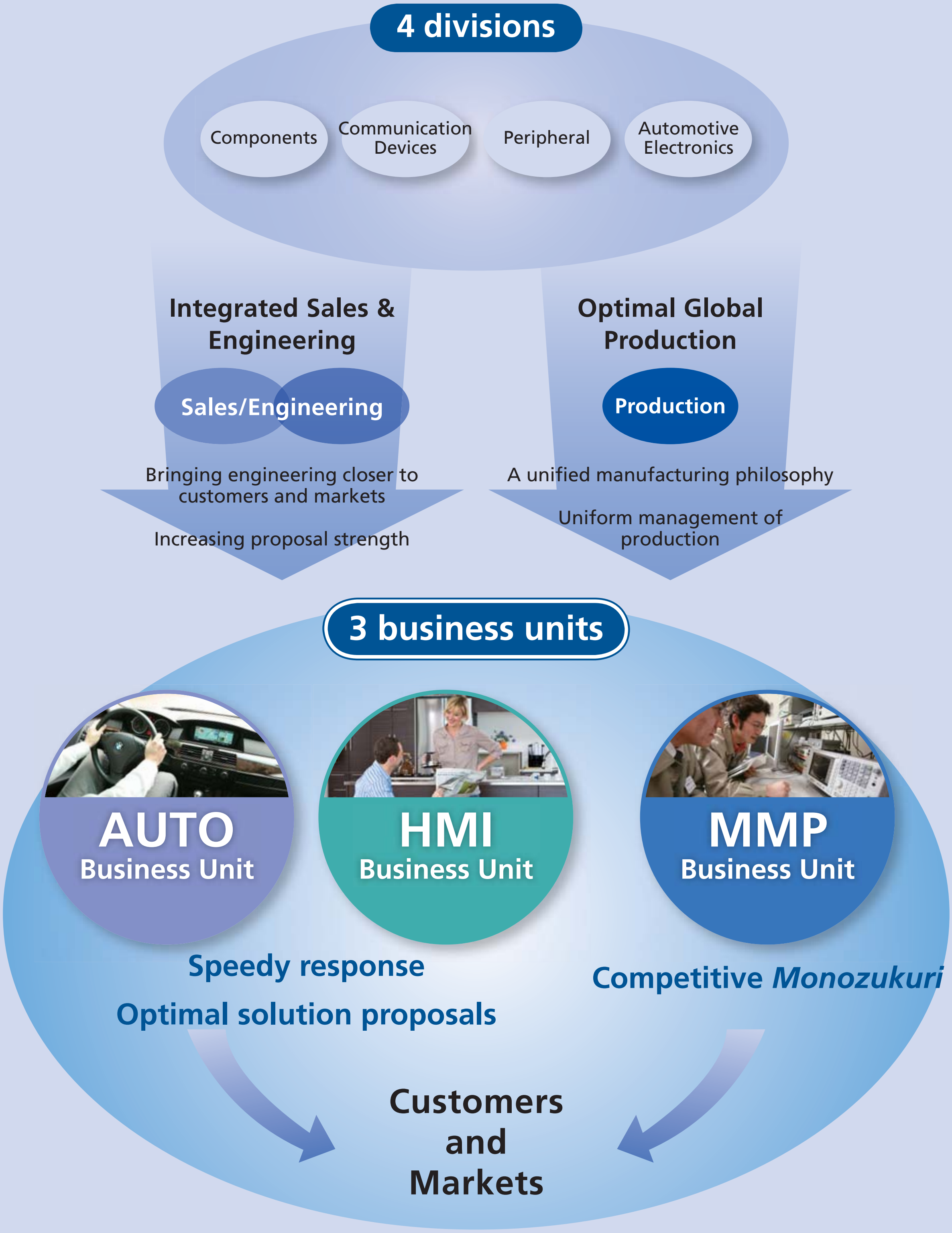
In the industrial world, it is said that "corporations that cannot keep up with the changing era will last only 30 years." We celebrated our 60th anniversary in November 2008; however, we have come to the realization that drastic reforms are required if we wish to continue in business for another 30 years. By creating a new organizational structure that will allow us to weather external environmental changes and to counter other internal issues, we will ensure our ability to release high-value-added products continuously into the market.

2. From four divisions to three business units

The Company has been restructured into three business units that represent a departure from the conventional technical and production divisions. The new AUTO*1 and HMI*2 business units combine the previous technical divisions with the former Sales & Marketing Headquarters, which had previously functioned as the sales contact front line; while the new MMP*3 Business Unit has integrated our production functions. The AUTO and HMI business units will take care of sales and development while improving our ability to expand business and increase sales. These business units will aim to increase sales and profit by developing markets and enhancing our sales/ promotion initiatives. The MMP Business Unit will consolidate domestic and offshore production functions and reinforce our ability to lower costs, a goal that each former division had worked toward independently in competition with one another.

*1 AUTO: Automotive
 2 HMI: Home, Mobile & Industry
 3 MMP: Mechatronics, Materials & Process

Business Structure



Q3. Please tell us about the structural reforms.

3. Outline of the three business units

AUTO Business Unit

By integrating sales and engineering, the AUTO Business Unit conducts product development and sales operations for the automobile market. Traditionally, we had worked on many customized model-specific control panels and steering modules. However, in addition to this we will now develop universal-type components and RF devices that can be used in any car model. These products will then be adjusted to meet specific customers' needs as we also aim to expand our customer base to secure profit, and to contribute to the evolution of the automotive industry.

< Basic Policy >

- Work with the customer to develop new technologies and products
- Advance the creation of new products from core technologies developed for the consumer market (home appliances/mobile devices)
- Promote sales and boost the competitive power of key products by utilizing our quality support system and know-how in the automotive electronics business
- Optimize and reconstruct our global production/sales organizations

HMI Business Unit

The HMI Business Unit will also integrate sales and engineering to conduct product development and sales operations to meet customer needs in the home, mobile and industrial markets. We will enhance sales and profit by boosting promotion in key product areas, consisting mainly of existing component products, while also creating and enhancing modules in which key products are embedded.

< Basic Policy >

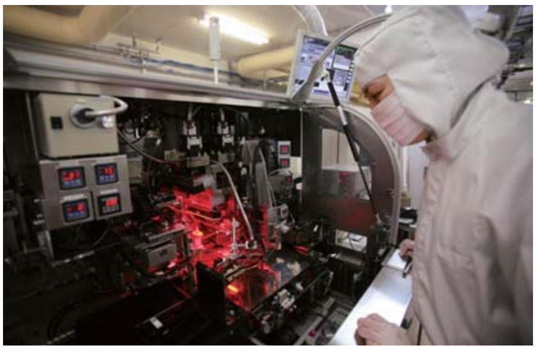
- Respond quickly to market and customer needs
- Expand sales of products for the industrial market
- Increase production capability of modules embedded with strong key products
- Maintain and increase strong global predominance to meet the needs of global customers

MMP Business Unit

By realizing solid cost performance and creating strong key products, the MMP Business Unit will support both the AUTO and HMI areas. Domestic production functions that were previously dispersed among various divisions have been integrated, allowing us to optimize lead time from order entry to delivery. In addition, we will pursue cost-competitiveness in order to strengthen the AUTO and HMI business units and recover profit earnings capacity.

< Basic Policy >

- Enhance ***Monozukuri*** based on "Mechatronics, Materials and Processes"
- Further the creation of strong key products by discovering seeds (proprietary core technology, materials and ideas) for innovation



Q4. In which direction is Alps hoping to proceed?

A4.

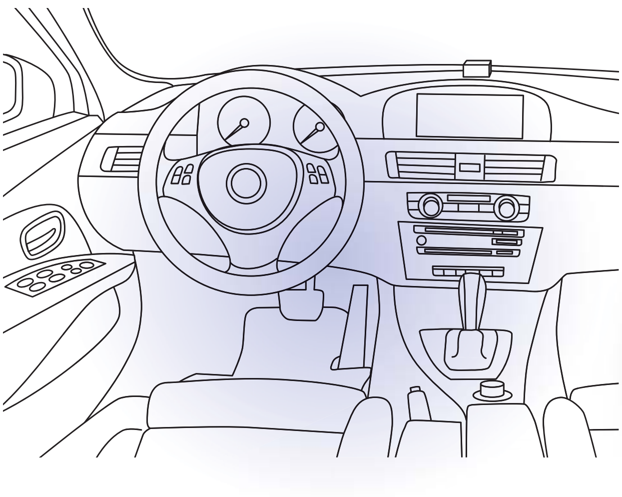
The direction that Alps is taking has not altered in any significant way. Under the new business unit structure, backed by a renewed sense of purpose and sense of urgency, we will continue to optimize our business composition, create new businesses, speed up the decision making process and improve business operation efficiency. The AUTO and HMI business units, established through the restructuring, are units with enhanced market consciousness that we expect to take an organic approach. We are confident that this new approach will aid in the creation of new products and new markets.

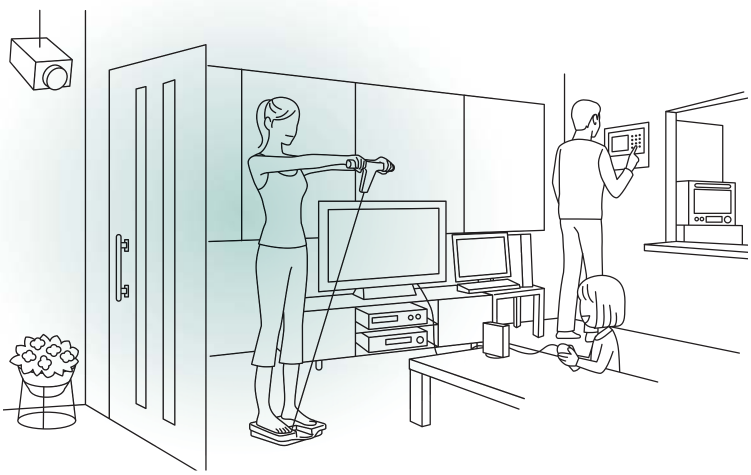
For instance, mobile divices incorporating touch panels for data input have grown in popularity in the consumer market. In fact, advanced technologies like this one have a tendency to be later adopted into automotive products. As one of the few component manufacturers that can serve both the automotive and consumer markets, we consider ourselves to have the ability to be among the first to offer automotive products adopting core technology acquired from the consumer market.

We possess a quarter-century of history in the automotive associated-business, where the degree of quality and reliability required is extremely high. We have earned the trust of automobile manufacturers by satisfying the requirements of customers. In the near future, we will also be able to apply the know-how acquired in the automotive field to such consumer products as RF devices.

In addition, the MMP Business Unit, which supports all ***Monozukuri*** processes, will utilize product information and data on customer requirements collected by the AUTO and HMI business units to reduce costs aggressively and create strong key products for release into the market.

Applying and building on each unit's business strength, we will expand our operations and continue to develop unique products.

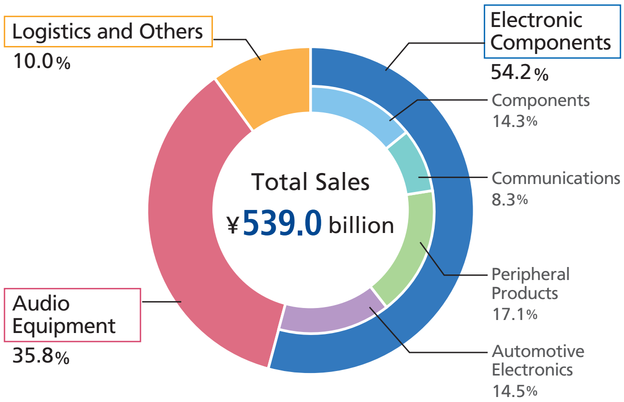




Alps Group at a Glance

In the consolidated fiscal year under review, the corporate business environment became extremely severe as the global financial crisis that had been triggered in the United States spilled over into the real economy.

Taking the opportunity presented by last September's ALPS SHOW, the Alps Group worked hard to improve sales by mounting aggressive sales expansion initiatives and combining the capabilities of its manufacturing and sales sections, to link a large number of new products and technologies to sales. Additionally, we reduced fixed costs through such measures as postponing investment in plant and equipment and reducing expenses. Despite these efforts, however, business deterioration proved unavoidable.



Sales by product category (Billions of ¥) | Main products/Business | Summary

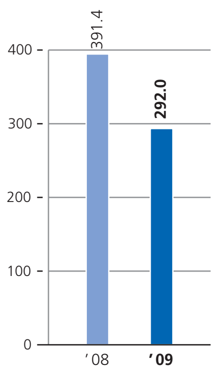
Electronic Components

Sales by Product Category

¥ 292.0 billion

Share in Total Sales

54.2%



- Components
- Communications
- Peripheral Products
- Automotive Electronics

Dwindling growth in the mobile phone market combined with stagnant sales and reduced worldwide production of automobiles to severely depress the business environment in which the Electronics Components business operates. The additional downturn in sales brought about by the global economic recession over the second half of the fiscal year under review only served to worsen our business situation.

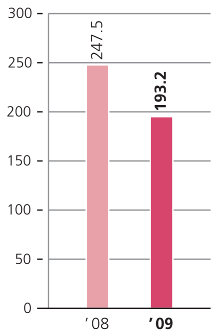
Audio Equipment

Sales by Product Category

¥ 193.2 billion

Share in Total Sales

35.8%



- Car audio systems
- Car AV systems
- Car navigation systems

Global depression in demand for new vehicles led to a huge fall in orders from automakers. In addition, after-market sales were unsteady due to stagnation in personal consumption. Sales of iPod®-compatible head units, which used to be robust, fell sharply in the second half of the fiscal year. High-quality speakers and pre-installed products for automakers slid from smooth to depressed sales. Despite attempts to expand sales through car rear seat monitors and navigation systems, which were items perceived as consumer needs, sales fell due to accelerating market recession and falling prices.

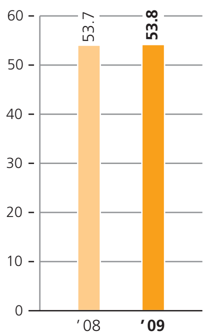
Logistics and Others

Sales by Product Category

¥ 53.8 billion

Share in Total Sales

10.0%



- General logistics services
- Group Supporting Services (13 subsidiaries)

In the Logistics business, sales expansion initiatives and responding to customer's outsourcing needs mainly in individual distribution resulted in a smooth improvement of sales in the consumer logistics area. On the other hand, the electronic parts logistics area saw a serious business situation compounded by a sharp fall in cargo handling volume. Product sales business also generated lower profits due to customers' production adjustments. Net sales in this segment, including for Other business, remained almost at the same level as last year.

Electronic Components

Sales by product category
(Billions of ¥)

Main products

Summary

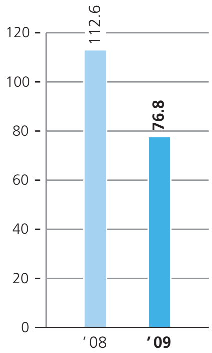
Components

Sales by Product Category

¥ **76.8** billion

Share in Total Sales

14.3%



- Switches/TACT Switches™
- Connectors
- Contactsheets™
- Variable Resistors
- Encoders
- Sensors
- Sensing Devices
- Optical Communication Devices
- Opt & Mecha Modules

Depression in the market dating back to late fiscal 2007 resulted in zero growth in compact switches, including the Contactsheet™ for mobile phones, and memory card connectors. Sales of sensors and switches for automotive use were down in line with the global cut-backs in automobile production.

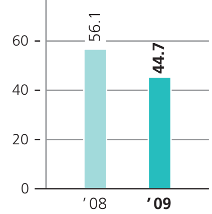
Communications

Sales by Product Category

¥ **44.7** billion

Share in Total Sales

8.3%



- Tuners
- Communiation Network Modules

The Communications business was favorable over the first half of the fiscal year under review as a result of the global spread of digital tuners. However, the sharp economic downturn over the second half dragged down sales, including those of flat panel display televisions. Sales of tuners and modular products for automotive use suffered considerable declines due to reduced automobile production, resulting in a decrease in annual sales.

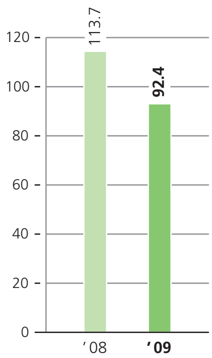
Peripheral Products

Sales by Product Category

¥ **92.4** billion

Share in Total Sales

17.1%



- Electrical Capacitance Sensors
- Keyboards
- Control Units
- Printer & Supply
- Touchpanel Devices

Sales of compact photo printers and products for consumer game machines were steady in the first half of the fiscal year but fell in the second half, resulting in an annual sales decrease. Furthermore, stagnant sales of high-end notebook PCs led to lower keyboard sales.

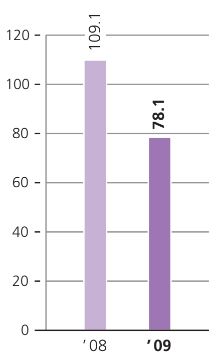
Automotive Electronics

Sales by Product Category

¥ **78.1** billion

Share in Total Sales

14.5%



- Car Instruments Panel area Products
- Car Door& Seat area Products
- Car Steering area Products
- Car Communication Products

Sales of all products in this business area suffered declines due to three factors: inflated crude oil prices and depression in consumption over the first half of the fiscal year, coupled with the unprecedented reductions in automobile production during the second half.

Consolidated Performance Forecast for the Fiscal Year Ending March 31, 2010

During the fiscal year under review, as it became clearer that the world economy was heading into a recession, sales experienced a sharp fall, particularly in automobiles and electronic products. It is expected that it will take a considerable amount of time for this situation to be rectified. Our major customers—automobile and electronics manufacturers—are themselves looking at prospects just as gloomy and are somewhat pessimistic about future order trends. Expecting this economic stagnation to be prolonged, we at Alps are exhaustively implementing a range of measures to reorganize our structure. Our consolidated performance forecast for this fiscal year is net sales of ¥463 billion, an operating loss of ¥4.5 billion and a net loss of ¥12.5 billion.

Electronic Components

For a speedy recovery from fallen profitability, we will reduce fixed costs in accordance with our Immediate Profit Recovery Measures, establishing a foundation for structural reform. We will endeavor to lower the variable cost ratio by terminating certain products and replacing them with others that feature high cost-competitiveness. We will also conduct a thorough review of our parts purchasing. This will lower the breakeven point to the level of turning a profit within a business environment where sales growth cannot be expected. Furthermore, while implementing structural reforms to reinforce our sales capabilities under a new business unit system, we will evolve our strength in ***Monozukuri*** further to build a stronger corporate structure.

Net sales in this segment are forecasted to be ¥250 billion.

Perfecting the Art of Electronics
ALPS®

Audio Equipment

Amid severe business circumstances due to stagnant consumption in an economically depressed auto industry, we will implement Immediate Profit Recovery Measures to optimize business scale and improve production efficiency to lower our breakeven point 30%. Furthermore, we will strengthen our corporate competitiveness by aggressively developing high-value-added products and creating world-first or industry-first products by utilizing our proprietary technologies.

Net sales in this segment are forecasted at ¥170 billion.

ALPINE®
Mobile Media Solutions

Logistics and Other Business

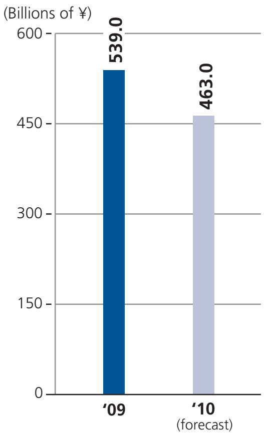
In the logistics business, we will secure and expand sales by enhancing our sales and product development abilities while pioneering new markets and improving our consignment rate among existing customers. We will also make efforts to turn a profit through further reductions in variable and fixed costs, lowering the breakeven point. We will improve our global sales organization by enhancing development of new products through the integration of domestic and overseas sales sections that we carried out this April.

Net sales in this segment, including the logistics business, are forecasted at ¥43 billion.

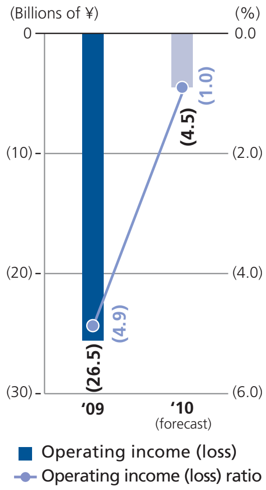
ALPS LOGISTICS CO., LTD.

Forecast

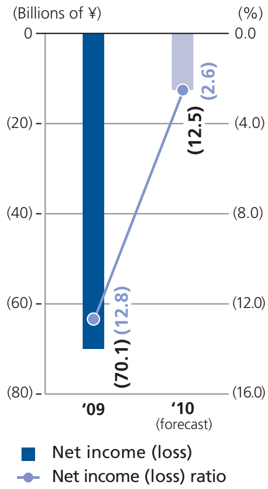
Net sales



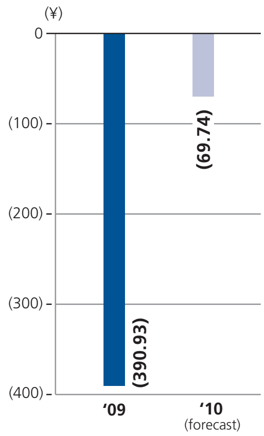
Operating income (loss)
Operating income (loss) ratio



Net income (loss)
Net income (loss) ratio



Net income (loss) per share



Six-year Financial Summary

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2009, 2008, 2007, 2006, 2005 and 2004

	Millions of yen, except for per share data					
	2009	2008	2007	2006	2005	2004
For the years ended March 31:						
Net sales	**¥538,995**	¥692,656	¥708,127	¥709,613	¥643,631	¥619,676
(Overseas sales)	**384,329**	498,410	529,725	544,063	479,715	460,641
Cost of sales	**484,079**	587,210	596,857	581,016	529,561	502,359
Selling, general and administrative expenses	**81,440**	85,570	89,193	83,125	82,993	81,143
Operating (loss) income	**(26,524)**	19,876	22,077	45,472	31,077	36,174
(Loss) income before income taxes and minority interests	**(57,171)**	18,308	20,817	36,164	33,453	33,895
Income taxes	**18,035**	10,560	10,536	11,689	11,090	11,293
Net (loss) income	**(70,064)**	4,418	4,918	18,870	16,315	16,943
Cash flows (*1)	**(43,707)**	38,604	40,403	52,058	54,940	47,321
Amounts per share of common stock:						
Net (loss) income	**¥ (390.93)**	¥ 24.65	¥ 27.40	¥ 103.74	¥ 89.72	¥ 93.27
Cash dividends applicable to the year	**10.00**	20.00	20.00	20.00	16.00	12.00
As of March 31:						
Current assets	**¥212,612**	¥289,623	¥321,400	¥317,604	¥310,868	¥284,242
Current liabilities	**154,119**	148,312	184,474	203,808	184,968	157,003
Working capital	**58,493**	141,311	136,926	113,796	125,900	127,239
Long-term debt	**27,643**	58,841	57,308	41,561	74,882	90,261
Total net assets	**184,791**	280,318	294,018	285,367	239,232	214,273
Total assets	**375,285**	494,756	548,044	543,267	517,604	479,029
Sales by product category:						
Electronic components:	**¥291,996**	¥391,424	¥396,448	¥412,561	¥386,995	¥375,746
	54.2	56.5	56.0	58.1	60.1	60.7
Components (*2)	**76,840**	112,560	145,293	162,334	134,473	151,552
	14.3	16.2	20.5	22.9	20.9	24.5
Communications	**44,687**	56,115	54,262	58,728	63,607	58,110
	8.3	8.1	7.7	8.3	9.9	9.4
Peripheral products	**92,359**	113,664	99,720	110,095	119,540	95,976
	17.1	16.4	14.1	15.5	18.5	15.5
Automotive electronics	**78,110**	109,085	97,173	81,404	69,375	70,108
	14.5	15.8	13.7	11.4	10.8	11.3
Audio equipment	**193,226**	247,544	261,274	251,128	217,077	209,005
	35.8	35.7	36.9	35.4	33.7	33.7
Logistics and other	**53,773**	53,688	50,405	45,924	39,559	34,925
	10.0	7.8	7.1	6.5	6.2	5.6
Total	**¥538,995**	¥692,656	¥708,127	¥709,613	¥643,631	¥619,676
Percentage of sales	**100.0**	100.0	100.0	100.0	100.0	100.0
Sales by area:						
Japan	**¥182,385**	¥235,231	¥251,187	¥251,188	¥231,793	¥211,405
	33.8	34.0	35.4	35.4	36.0	34.1
North America	**84,375**	139,402	147,001	143,600	126,048	124,951
	15.7	20.1	20.8	20.2	19.6	20.2
Europe	**142,524**	165,898	163,242	153,768	135,518	134,858
	26.4	24.0	23.1	21.7	21.0	21.8
Asia	**128,346**	150,581	145,233	159,859	148,543	146,509
	23.8	21.7	20.5	22.5	23.1	23.6
Other areas	**1,365**	1,544	1,464	1,198	1,729	1,953
	0.3	0.2	0.2	0.2	0.3	0.3
Total	**¥538,995**	¥692,656	¥708,127	¥709,613	¥643,631	¥619,676
Percentage of sales	**100.0**	100.0	100.0	100.0	100.0	100.0

(*1) "Cash flows" for the years ended March 31, 2006, 2005 and 2004 is calculated by subtracting "cash dividends paid" and "bonuses to directors" from the total of "net income" and "depreciation and amortization."
"Cash flows" for the years ended March 31, 2009, 2008 and 2007 is calculated by subtracting "cash dividends paid" from the total of "net loss or income" and "depreciation and amortization."
(*2) Sales figures for Magnetic Devices are integrated with Components.

Management's Discussion and Analysis of Operating Results

Future-oriented statements contained herein are based on Alps' best judgment as of the date of these financial statements (July 1, 2009)

1. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Alps' consolidated financial statements are prepared in conformity with accounting principles generally accepted in Japan.

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

(1) Evaluation of Losses on Inventories and Marketable Securities

Inventories and marketable securities without market value are generally valued at cost.

Marketable securities with market value are stated at market value. If these assets lose 50% or more of their book value, they are written off. If they lose between 30% and less than 50% of their book value, they are written off according to the possibility of recovery.

It is sometimes necessary to post losses on revaluation of inventory assets when they lose salability as a result of reduced demand or other causes, or if future market changes affect the stock of subsidiaries and render performance unstable.

(2) Deferred Tax Assets

Alps records a valuation allowance for its deferred tax assets in order to reduce what it judges to be the most likely recovered amount. In determining the recovered amount necessary for the valuation allowance, we consider future income tax and other factors.

If we determine that the total or partial amount of deferred tax assets will not be recovered in the future, the difference is recorded as a tax expense for the period. Likewise, if we determine that it is likely that the deferred tax assets will exceed the recorded net amount, tax expense is decreased for the period.

(3) Employees' Severance and Pension Costs

In order to provide retirement benefits for its employees, Alps records current and accrued employees' severance and pension costs based on its forecasts for projected benefit obligations and plan assets for the end of the fiscal year. Employees' severance and pension costs and projected benefit obligations are calculated using assumptions established by actuarial accounting principles. These assumptions include discount rates, retirement rates, death rates and resignation rates, and the expected rate of return.

Changes to these assumptions would affect future employees' severance and pension costs.

(4) Property, Plant and Equipment Held by the Alps Group

Whether or not losses need to be disposed of is determined based on "Accounting Standards to Affect Impairment of Assets."

Regarding business assets, due to worsening business conditions, decreases in the recoverable amount of book values for asset groupings that are used to manufacture products are recorded as impairment losses.

Regarding dormant assets, for items in which asset value or market value has fallen, decreases in the recoverable amount of book values are recorded as impairment losses since future applications are undecided.

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

(1) Overview

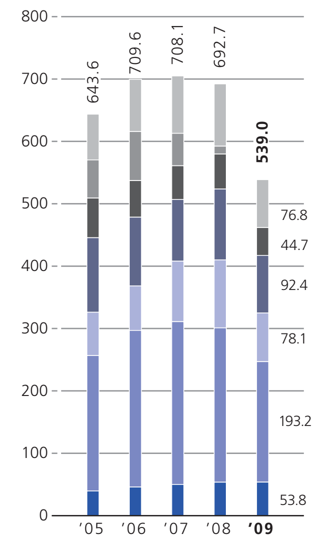
The financial crisis that began in the United States in mid-September adversely affected the global economy during the fiscal year under review, significantly impacting the real economies of countries worldwide. In addition, crude oil prices fell after reaching a new peak, leading to a gradual stabilization of raw material prices. However, the high valuation of the yen against all other currencies remained, particularly from the second half of the period under review onward. Consequently, the operating environment—including sluggish consumer spending and falling stock prices due to the economic recession—became extremely severe, leading to a noticeable deterioration of performance for many leading companies.

The electronics industry was impacted by a slowdown in the mobile phone market—which had been steadily expanding—as well as sluggish sales and production cutbacks for automobiles worldwide. This deteriorating operating environment has led to extremely severe business conditions, particularly since the onset of the global recession in the second half of the fiscal year under review.

Amid these circumstances, the Alps Group used the opening of the ALPS SHOW in September 2008 as an opportunity to undertake aggressive sales promotion activities that link producers and retailers in order to steadily tie together sales of a multitude of new products and technologies. Through these measures, the Group has been striving to expand sales and secure orders. In addition, despite implementing such reductions in fixed costs as controlling capital expenditures and curtailing overhead costs to respond to the rapid deterioration of the operating environment, the Group could not avoid a downturn in business performance, which has led to very severe results. In order to overcome this situation, the Group announced the implementation of its Immediate Profit Recovery Measures and structural reforms in February 2009.

Within this business environment, the Alps Group's consolidated net sales decreased ¥153.7 billion (22.2% year on year) to ¥539.0 billion. Operating losses amounted to ¥26.5 billion (operating income for the previous fiscal year

Sales by product category
(Billions of ¥)



stood at ¥19.8 billion) and net losses were ¥70.0 billion (compared with net income of ¥4.4 billion). Thus, earnings showed an overall decline.

(2) Business Segments

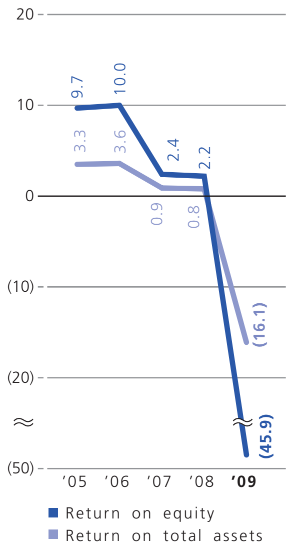
Electronic Components Segment

The electronic components segment faced a severe operating environment, impacted by a slowdown in the mobile phone market—which had been steadily expanding—as well as curtailed production due to sluggish sales of automobiles worldwide. This situation became more critical as a result of the further deterioration in the operating environment in the wake of the global recession from the second half of the fiscal year. Consequently, previously announced forecasts for the year under review were revised downward and the Company announced the implementation of its Immediate Profit Recovery Measures and structural reforms.

Against this backdrop, Alps aimed to make inroads to the market by aggressively carrying out sales activities and efforts to secure orders in the fields of car electronics, portable devices and consumer electronics. However, owing to the cessation of Alps' hard disk drive (HDD) head operations, the magnetic devices business recorded a significant drop in sales, offsetting sales increases in each of the other four businesses of this segment and resulting in an overall decrease in segment sales.

Compared to the previous fiscal year, sales in the electronic components segment dropped 25.4% to ¥292.0 billion, while operating losses stood at ¥20.0 billion. Performance results by business product category within this segment are as follows.

Profitability ratios
(%)



• *Components*

Beginning with Contactsheet™ for mobile phones, sales of such products as compact switches and memory card connectors remained flat due to market sluggishness from the beginning of the previous year. Furthermore, sales of car sensors, switches and other related products declined as a result of decreased automobile production worldwide. Please note that sales in the magnetic devices business are included in the components business for the fiscal year under review.

As a result, sales in the components business stood at ¥76.8 billion, a decrease of 31.7% compared with the previous fiscal year.

• *Communications*

Generational product shifts owing to the diffusion of digital broadcasting supported the global spread of mainstay digital tuner products. In conjunction with measures undertaken by Alps, sales remained healthy in the first half of the fiscal year under review. However, sales of AV products, including flat-screen TVs, slackened due to the impact of the rapid economic slowdown during the latter half. Consequently, full-year sales were down.

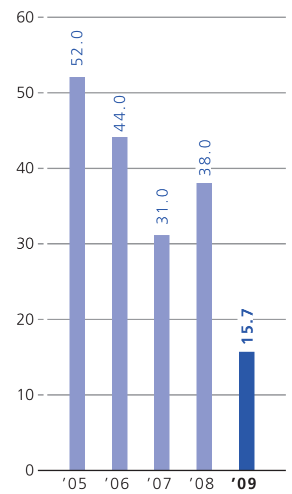
As a result, sales in the communications business totaled ¥44.6 billion, down 20.4% compared with the previous fiscal year.

• *Peripheral Products*

As with other businesses, sales of Alps' mainstay compact photo printers and consumer gaming devices have fallen since October 2008, despite strong sales in the first half of the fiscal year under review. In addition, sales of high-priced notebook PCs were blunted and remained stagnant due to robust sales of lower-cost models. Consequently, sales of keyboards for notebook PCs and other related products decreased.

As a result, sales in the peripheral products business amounted to ¥92.3 billion, an 18.7% decrease year on year.

Interest coverage
(Times)



*Net cash provided by operating activities÷ Payments for interest expense

• *Automotive Electronics*

Sales of automotive electronics products fell across-the-board. This is attributable to a rapid decline in the number of automobiles sold—particularly in North America's full-size vehicle market—as a result of drops in consumer spending in response to high crude oil prices in the first half of the fiscal year under review and the economic recession. Coupled with this was a profound curtailment in production by carmakers in Europe and Japan during the second half of the period under review.

As a result, sales in the automotive electronics business decreased 28.4% to ¥78.1 billion year on year.

• *Audio Equipment Segment*

An overview of the audio equipment segment (operated by Alpine Electronics, Inc.) is as follows.

During the fiscal year under review, sales and production in the automotive industry rapidly fell on a global scale, leading to an unprecedented crisis. The car electronics industry experienced a dramatic drop in orders for pre-installed products marketed to carmakers due to declining new car demand worldwide. In addition, sales trends in commercial markets remained severe as a result of sluggish consumer spending in light of future uncertainties.

The audio equipment segment experienced rapid declines in sales in the second half of the fiscal year under review due to sluggish markets and intensifying price competition brought about by the economic recession, despite robust sales of the innovative and well-designed "iPod®" Direct Link digital media head unit in Japanese, American and European commercial markets. In addition, domestic sales of high-quality speakers, which had been in high demand among domestic minivan owners, rapidly entered into difficulties from the latter half of the fiscal year under review. Orders for such pre-installed products as CD audio systems for carmakers fell significantly in the second half of the fiscal year under review due to the impact of adjustments in the production of compact automobiles. In the information and communication devices business, the Group introduced Rear Vision, which accurately meets consumer needs related to viewing terrestrial digital broadcasts and DVDs from the rear car seat. In addition, Rear Vision Navigation—a product that integrates next-generation car navigation systems to better meet consumer lifestyle needs—was displayed at various venues to expand sales to minivan owners. However, in addition to the deterioration of global markets, sales fell due to the spread of portable navigation devices (PND), which have been rapidly decreasing in price. Sales of pre-installed products for carmakers in the mainstay North American market experienced drops in sales related to navigation and visual merchandise, which boast a high installation rate in luxury and full-size automobiles, due to a decline in sales of these types of vehicles. At the same time, despite steady sales of large system merchandise for European carmakers, orders decreased in tandem with cutbacks in production from the second half of the fiscal year under review onward.

As a result of the above, sales in the audio equipment segment decreased 21.9% to ¥193.2 billion, while operating losses totaled ¥10.6 billion (operating income stood at ¥7.0 billion during the previous fiscal year).

• Logistics and Others Segment

Alps' logistics business, which is operated by Alps Logistics Co., Ltd., has experienced a significant drop in cargo handling volume, leading to an extremely difficult business environment. This is attributable to a rapid decline in demand for electronics components from the mainstay electronics distribution industry and subsequent decline in production of such components. Handling cargo in such areas as food products—an area relatively unaffected by economic fluctuations—the consumer logistics business showed a steady increase in sales, primarily for individual distribution services, based on sales promotion activities focusing on responsiveness to customer outsourcing needs. In addition, material and device sales experienced earnings reductions as a result of customer production adjustments which led to decreased demand for material distribution services. Earnings decreased due to such factors as a decline in business efficiency that accompanied a decline in cargo handling volume, a drop in contract prices from intensifying competition, high fuel costs in the first half of the fiscal year under review and a rise in personnel expenses brought about by a shortage of labor.

As a result, sales in the logistics and others segment edged up 0.2% year on year to ¥53.8 billion. Operating income decreased 38.2% to ¥4.0 billion.

(3) Operating Income (Loss)

Operating income (loss) amounted to an operating loss of ¥26.5 billion, a turnaround of ¥46.4 billion (operating income in the previous fiscal year was ¥19.9 billion). One reason for this was the high rate of the yen against all Asian currencies, as well as the U.S. dollar and euro, which resulted in an approximately ¥10.0 billion decrease in earnings.

While excluding the impact of exchange rates, earnings in the electronic components segment decreased approximately ¥21.7 billion year on year. Earnings in the audio equipment segment and logistics and other business segment fell approximately ¥12.3 billion and ¥2.4 billion year on year, respectively, due to steep drops in sales.

(4) Ordinary Income (Loss)

Ordinary income (loss) amounted to an ordinary loss of ¥23.3 billion, declining ¥36.4 billion (ordinary income for the previous fiscal year was ¥13.1 billion) primarily due to the drop in operating income.

(5) Income (Loss) before Income Taxes

Income before income taxes amounted to a loss of ¥57.2 billion, an overall decrease of ¥75.5 billion (income before income taxes for the previous fiscal year was ¥18.3 billion). The change was primarily due to a drop in ordinary income and an increase in extraordinary losses resulting from rises in impairment losses for property, plant and equipment. A reduction in extraordinary profits from patent and other intellectual property rights transfers recorded during the previous fiscal year was also a primary factor in the loss.

(6) Income Taxes

Despite lower income taxes due to decreased earnings, income tax adjustments increased because of write offs on deferred income tax assets and other factors. Consequently, income taxes totaled ¥18.0 billion, a 70.8% rise compared to the previous fiscal year.

(7) Minority Interests in Net Income of Consolidated Subsidiaries

Minority interests in net income of consolidated subsidiaries posted a loss of ¥5.1 billion for the fiscal year under review—compared with a profit of ¥3.3 billion during the previous fiscal year—due to earnings declines primarily attributable to minority interests of Alpine Electronics, Inc. and Alps Logistics Co., Ltd.

(8) Net Income (Loss)

The Company recorded a ¥74.5 billion reversal in net income to post a net loss of ¥70.1 billion in the fiscal year under review (net income for the previous fiscal year was ¥4.4 billion). Net loss per share was ¥390.93 (net income per share stood at ¥24.65 during the previous fiscal year).

3. LIQUIDITY AND SOURCES OF FUNDS

(1) Cash Flows

Cash and cash equivalents at the end of the year were down ¥10.9 billion compared with the previous fiscal year, to ¥68.3 billion.

• Cash flows from operating activities

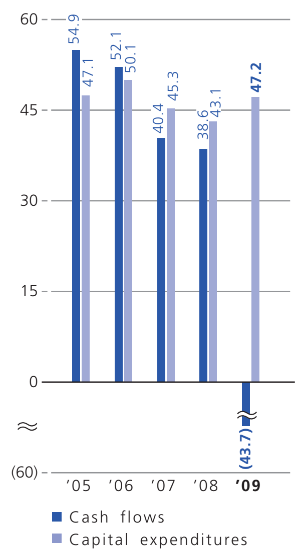
Net cash provided by operating activities fell 71.8% year on year to ¥15.0 billion. Factors largely attributable to this were an increase in funds due to a ¥30.6 billion drop in notes and accounts receivable, depreciation and amortization of ¥29.9 billion and an impairment loss of ¥27.2 billion. In addition, losses before income taxes totaled ¥57.2 billion and notes and accounts payable decreased ¥22.7 billion.

• Cash flows from investing activities

In the fiscal year under review, net cash used in investing activities rose to ¥49.1 billion (up from ¥15.1 billion in the same period of the previous fiscal year). This was primarily caused by payments for purchases of tangible and intangible fixed assets amounting to ¥46.3 billion, mainly in the electronic components segment.

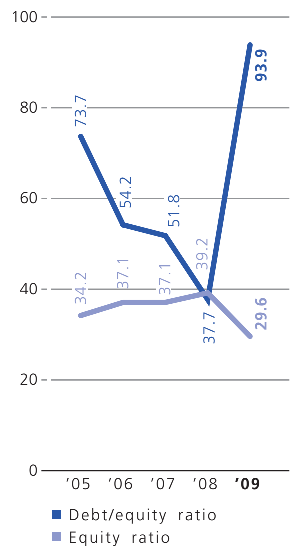
Cash flows and capital expenditures

(Billions of ¥)



Capital structure

(%)



• *Cash flows from financing activities*

Net cash provided by financing activities rose to ¥28.0 billion (up from ¥37.3 billion used in financing activities in the same period of the previous fiscal year). The principal underlying factors included a net increase in short-term borrowings of ¥30.7 billion. As a result of these activities and the impact of exchange rate changes on the yen conversions of cash and cash equivalents of overseas subsidiaries, cash and cash equivalents decreased ¥10.9 billion (13.7%) compared to the previous fiscal year end to ¥68.3 billion as of the end of the fiscal year under review.

(2) Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year were ¥375.3 billion, down ¥119.5 billion from the previous fiscal year-end.

Current assets and inventories dropped ¥77.0 billion compared with the previous fiscal year-end to ¥212.6 billion.

Fixed assets amounted to ¥162.7 billion, a decrease of ¥42.5 billion from the previous fiscal year-end, due to the recording of impairment losses.

Current liabilities at the end of the fiscal year were up ¥5.8 billion year on year to ¥154.1 billion, primarily due to an increases in both short-term debt and zero coupon convertible bonds due within the fiscal year as well as a decrease in notes and accounts payable.

Non-current liabilities were down ¥29.8 billion year on year to ¥36.4 billion, chiefly as a result of transfers of the current portion of zero coupon convertible bonds.

Business and Other Risks

The following risks pertain to business and accounting conditions and may have a material impact on investors' decisions. Forward-looking statements are based on information available as of July 1, 2009.

In addition, forward-looking statements contained within this document are based on judgments made at the end of the consolidated fiscal year under review.

1. EFFECT OF WORLD MARKET CONDITIONS

The Alps Group (the Company and consolidated subsidiaries) relies principally on markets outside of Japan, with overseas net sales accounting for 71.3% of the Company's total net sales for the year ended March 31, 2009. As such, any economic slowdown in the U.S., European and/or Asian markets involving a decline in consumer demand and/or corporate spending will adversely impact the Company's business, financial condition and results of operations.

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

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

2. COMPETITION

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

3. CUSTOMER NEEDS AND THE FREQUENT INTRODUCTION OF NEW TECHNOLOGIES

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

4. CUSTOMERS' PRODUCTION PLANS

The Company's business is directly affected by the production plans of its customers, who are generally manufacturers of consumer products. Customers' production plans are subject to their demand forecasts, which vary with the cyclical and seasonal trends of consumers, the introduction of new lines and types of products, the development of new specifications, the rate of technological progress, the start of in-house manufacturing of their own product components and the introduction of new regulations, as well as general economic conditions and other factors.

The unpredictability of such plans and orders may make it difficult for the Company to draw up its production, sales, research and development and capital expenditure plans in the medium and long term.

5. RISKS INHERENT TO OVERSEAS OPERATIONS

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

6. SUPPLY STRUCTURE FOR SPECIFIC COMPONENTS

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

7. FLUCTUATIONS IN OPERATING RESULTS

The Company's operating results have varied in the past and may fluctuate from year to year in the future due to a number of factors, many of which are outside the Company's control. The Company's business and operating results are expected to continue to be subject to risk from the following factors: changes in general economic and business conditions, success or failure in introducing new products, changes in larger customers' strategies, cancellation of large orders, and other significant changes, such as the disappearance of large customers caused by M&A activities carried out by other companies.

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

8. INTELLECTUAL PROPERTY

Patents and other intellectual property are an important competitive factor because of the emphasis on product innovation in the markets for a number of the Company's products, many of which are subject to frequent technological innovations. The Company relies to a large extent on technology it has developed, and it seeks to protect such technology through a combination of patents, trademarks and other intellectual property rights. Although the Company is not aware of any significant, actual or potential, impairment of, or adverse claim to its intellectual property rights, any interference in the Company's exercise of such rights could have a material adverse effect on the Company's financial condition and operating results.

In the course of its business, the Company is subject to claims by third parties alleging that the Company's products or processes infringe on their intellectual property rights. If these claims were to be successful, the Company might incur substantial licensing or settlement costs, and there is a risk that the Company may not be able to obtain a license at a reasonable cost. Furthermore, the Company may need to engage in costly and time-consuming legal action in order to enforce its intellectual property rights, protect its trade secrets, determine the validity and scope of the property rights of others or defend against claims of infringement.

Moreover, the Company's products incorporate intellectual property rights developed by third parties. The Company maintains many licenses to use Japanese and foreign patents. There can be no assurance that, in the future, the owners of such patents will continue to maintain their patents or extend such patent rights to the Company on the same basis as at the present, or at all. The Company's business could be adversely affected by any of these developments.

9. FOREIGN EXCHANGE RISKS

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

The Company engages in foreign exchange hedging activities by entering into foreign exchange forward contracts and takes measures to minimize foreign exchange risks, while taking steps to minimize the effect of counterbalancing and other measures related to obligations and liabilities denominated in foreign currencies and currency exchange fluctuations. However, there can be no assurance that such hedging activities or measures will significantly limit the impact of movements in exchange rates on the Company's results of operations. In addition, these fluctuations can affect the Japanese yen value of the Company's investments in overseas subsidiaries and affiliates and monetary assets and liabilities arising from business transactions in foreign currencies. Despite the Company's measures to reduce or hedge against foreign currency exchange risks, foreign exchange rate fluctuations may harm its business, financial condition and results of operations.

10. PUBLIC LAWS AND REGULATIONS

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

11. NATURAL DISASTERS

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

12. RISKS RELATING TO ENVIRONMENTAL POLLUTION

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

13. RISKS RELATING TO FUND MANAGEMENT

In order to secure the funds necessary for repaying zero coupon convertible bonds amounting to ¥28.6 billion, which will reach maturity on March 31, 2010, the Alps Group borrowed ¥30.9 billion on April 7, 2009 based on syndicate loan contracts concluded with a correspondent bank on March 31, 2009. In addition to the aforementioned syndicate loan, the Group entered into a syndication-method commitment line contract. However, in the event that an infringement of financial covenants of this contract occurs, the Group may be issued a claim to repay the borrowed funds in advance, which may affect its financial position.

Consolidated Balance Sheets

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2009**	2008	**2009**
Current assets:			
Cash and time deposits (Note 16)	**¥ 68,373**	¥ 78,826	**$ 696,263**
Investment securities (Notes 4 and 16)	**0**	31	**0**
Notes and accounts receivable—trade:			
Unconsolidated subsidiaries and affiliated companies	**863**	1,316	**8,788**
Other	**69,414**	109,962	**706,864**
Allowance for doubtful accounts	**(2,561)**	(1,742)	**(26,079)**
Inventories (Note 5)	**52,097**	72,526	**530,519**
Deferred tax assets (Note 15)	**2,580**	8,703	**26,273**
Other current assets	**21,846**	20,001	**222,464**
Total current assets	**212,612**	289,623	**2,165,092**
Property, plant and equipment (Note 6)**:**			
Land (Note 10)	**29,863**	28,804	**304,104**
Buildings and structures	**113,761**	111,103	**1,158,462**
Machinery and equipment	**290,140**	304,608	**2,954,582**
Construction in progress	**3,599**	7,484	**36,650**
	437,363	451,999	**4,453,798**
Less accumulated depreciation and impairment losses	**(326,765)**	(313,042)	**(3,327,545)**
Property, plant and equipment, net	**110,598**	138,957	**1,126,253**
Investments and other assets:			
Intangible assets, net	**14,102**	15,169	**143,605**
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 4)	**6,176**	6,646	**62,892**
Investment securities (Note 4)	**12,793**	18,515	**130,275**
Deferred tax assets (Note 15)	**4,381**	10,030	**44,613**
Other assets (Note 7)	**14,623**	15,816	**148,910**
Total investments and other assets	**52,075**	66,176	**530,295**
Total assets	**¥ 375,285**	¥ 494,756	**$ 3,821,640**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 1) 2009
Current liabilities:			
Short-term loans payable (Note 6)	¥ 43,084	¥ 13,403	$ 438,737
Long-term debt due within one year (Note 6)	33,674	843	342,912
Notes and accounts payable—trade:			
Unconsolidated subsidiaries and affiliated companies	552	1,690	5,621
Other	31,980	62,230	325,662
Income taxes payable	2,401	8,754	24,450
Accrued expenses	26,043	35,332	265,204
Deferred tax liabilities (Note 15)	162	362	1,650
Other current liabilities	16,223	25,698	165,204
Total current liabilities	154,119	148,312	1,569,440
Non-current liabilities:			
Long-term debt (Note 6)	27,643	58,841	281,497
Accrued employees' severance and pension costs (Note 7)	2,577	2,676	26,242
Deferred tax liabilities (Note 15)	2,833	1,607	28,849
Other non-current liabilities	3,322	3,002	33,829
Total non-current liabilities	36,375	66,126	370,417
Total liabilities	190,494	214,438	1,939,857
Contingent liabilities (Note 8)			
Net assets (Notes 3 and 9)**:**			
Shareholders' equity:			
Common stock:			
Authorized—500,000,000 shares			
Issued—181,559,956 shares in 2009 and 2008	23,624	23,624	240,570
Capital surplus	45,587	45,587	464,226
Retained earnings	59,940	133,450	610,387
Treasury stock—2,333,204 shares in 2009 and 2,336,566 shares in 2008	(3,541)	(3,551)	(36,059)
Total shareholders' equity	125,610	199,110	1,279,124
Valuation, translation adjustments and other:			
Net unrealized gains on securities	1,968	2,396	20,041
Revaluation reserve for land (Note 10)	(569)	(569)	(5,794)
Foreign currency translation adjustments	(15,882)	(7,083)	(161,731)
Total valuation, translation adjustments and other	(14,483)	(5,256)	(147,484)
Minority interests	73,664	86,464	750,143
Total net assets	184,791	280,318	1,881,783
Total liabilities and net assets	¥375,285	¥494,756	$3,821,640

	Yen 2009	2008	U.S. dollars (Note 1) 2009
Amounts per share of common stock:			
Net assets	¥ 620.04	¥1,081.63	$ 6.31

See accompanying notes.

Consolidated Statements of Operations

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Net sales	**¥538,995**	¥692,656	¥708,127	**$5,488,747**
Costs and expenses (Note 12):				
Cost of sales	**484,079**	587,210	596,857	**4,929,521**
Selling, general and administrative expenses (Note 11)	**81,440**	85,570	89,193	**829,328**
	565,519	672,780	686,050	**5,758,849**
Operating (loss) income	**(26,524)**	19,876	22,077	**(270,102)**
Other income (expenses):				
Interest and dividend income	**1,326**	2,056	1,876	**13,503**
Interest expense	**(972)**	(1,369)	(1,616)	**(9,898)**
Foreign exchange gains (losses), net	**1,815**	(7,172)	647	**18,483**
Other, net (Notes 13 and 14)	**(32,816)**	4,917	(2,167)	**(334,175)**
	(30,647)	(1,568)	(1,260)	**(312,087)**
(Loss) income before income taxes and minority interests	**(57,171)**	18,308	20,817	**(582,189)**
Income taxes (Note 15):				
Current	**3,471**	14,122	8,288	**35,346**
Deferred	**14,564**	(3,562)	2,248	**148,310**
	18,035	10,560	10,536	**183,656**
(Loss) income before minority interests	**(75,206)**	7,748	10,281	**(765,845)**
Minority interests in losses (earnings) of consolidated subsidiaries	**5,142**	(3,330)	(5,363)	**52,362**
Net (loss) income	**¥ (70,064)**	¥ 4,418	¥ 4,918	**$ (713,483)**

	Yen			U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Amounts per share of common stock:				
Net (loss) income	**¥ (390.93)**	¥ 24.65	¥ 27.40	**$ (3.98)**
Diluted net income	**—**	22.32	24.84	**—**
Cash dividends applicable to the year	**10.00**	20.00	20.00	**0.10**

See accompanying notes.

Consolidated Statements of Changes In Net Assets

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2009, 2008 and 2007

		Millions of yen									
		Shareholders' equity				Valuation, translation adjustments and other					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on securities	Net deferred gains on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	181,559,956	¥23,624	¥45,587	¥131,310	¥ (540)	¥ 4,863	¥ 5	¥(569)	¥ (2,525)	¥ 83,612	¥285,367
Increase due to inclusion of consolidated subsidiaries				147							147
Net income				4,918							4,918
Dividends				(3,604)							(3,604)
Bonuses to directors				(124)							(124)
Increase in earnings due to change in ownership interest of an affiliated company accounted for by the equity method				208							208
Purchase of treasury stock					(3,006)						(3,006)
Changes in items other than shareholders' equity, net						(338)			3,507	6,957	10,126
Other			(0)	(10)	1		(5)				(14)
Balance at March 31, 2007	181,559,956	23,624	45,587	132,845	(3,545)	4,525	0	(569)	982	90,569	294,018
Net income				4,418							4,418
Dividends				(3,585)							(3,585)
Decrease in earnings due to change in ownership interest of an affiliated company accounted for by the equity method				(248)							(248)
Purchase of treasury stock					(6)						(6)
Changes in items other than shareholders' equity, net						(2,129)			(8,065)	(4,105)	(14,299)
Other			(0)	20	0		(0)				20
Balance at March 31, 2008	181,559,956	23,624	45,587	133,450	(3,551)	2,396	—	(569)	(7,083)	86,464	280,318
Net loss				**(70,064)**							**(70,064)**
Effect of changes in accounting policies applied to foreign subsidiaries				**144**							**144**
Dividends				**(3,585)**							**(3,585)**
Purchase of treasury stock					**(4)**						**(4)**
Disposal of treasury stock			**(0)**	**(5)**	**14**						**9**
Changes in items other than shareholders' equity, net						**(428)**			**(8,799)**	**(12,800)**	**(22,027)**
Balance at March 31, 2009	**181,559,956**	**¥23,624**	**¥45,587**	**¥ 59,940**	**¥(3,541)**	**¥ 1,968**	**¥ —**	**¥(569)**	**¥(15,882)**	**¥ 73,664**	**¥184,791**

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity				Valuation, translation adjustments and other					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on securities	Net deferred gains on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2008	$240,570	$464,226	$1,358,962	$(36,161)	$24,399	$ —	$(5,794)	$ (72,128)	$ 880,489	$2,854,563
Net loss			**(713,483)**							**(713,483)**
Effect of changes in accounting policies applied to foreign subsidiaries			**1,466**							**1,466**
Dividends			**(36,507)**							**(36,507)**
Purchase of treasury stock				**(41)**						**(41)**
Disposal of treasury stock		**(0)**	**(51)**	**143**						**92**
Changes in items other than shareholders' equity, net					**(4,358)**			**(89,603)**	**(130,346)**	**(224,307)**
Balance at March 31, 2009	**$240,570**	**$464,226**	**$ 610,387**	**$(36,059)**	**$20,041**	**$ —**	**$(5,794)**	**$(161,731)**	**$ 750,143**	**$1,881,783**

See accompanying notes.

Consolidated Statements of Cash Flows

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Cash flows from operating activities:				
(Loss) income before income taxes and minority interests	**¥(57,171)**	¥ 18,308	¥ 20,817	**$(582,189)**
Depreciation and amortization	**29,942**	37,771	39,213	**304,908**
Impairment loss	**27,164**	20,445	2,945	**276,619**
Increase (decrease) in allowance for doubtful accounts	**2,848**	(414)	44	**29,002**
(Decrease) increase in accrued bonuses	**(2,863)**	742	(795)	**(29,155)**
(Decrease) increase in accrued product warranties	**(815)**	(694)	728	**(8,299)**
Decrease in prepaid pension costs	**1,218**	690	910	**12,403**
Decrease in accrued expenses	**(3,940)**	(724)	(970)	**(40,122)**
Interest and dividend income	**(1,326)**	(2,056)	(1,876)	**(13,503)**
Interest expense	**972**	1,369	1,616	**9,898**
Net (gains) losses on sales and disposal of fixed assets	**(533)**	562	1,523	**(5,428)**
Loss on write-down of investment securities	**4,557**	744	537	**46,405**
Decrease (increase) in notes and accounts receivable—trade	**30,605**	15,101	(6,008)	**311,660**
Decrease in inventories	**20,082**	1,507	8,746	**204,501**
(Decrease) increase in notes and accounts payable—trade	**(22,748)**	(4,746)	744	**(231,650)**
(Increase) decrease in income taxes receivable	**(3,556)**	3,177	(3,177)	**(36,212)**
Gain on sale of patents and know-how	**—**	(27,087)	—	**—**
Gain on valuation of options	**(2,578)**	—	—	**(26,253)**
Other, net	**2,528**	(785)	(6,594)	**25,745**
Subtotal	**24,386**	63,910	58,403	**248,330**
Interest and dividends received	**1,353**	1,945	1,916	**13,778**
Interest expense paid	**(955)**	(1,400)	(1,581)	**(9,725)**
Payments for income taxes	**(9,779)**	(11,337)	(9,798)	**(99,583)**
Net cash provided by operating activities	**15,005**	53,118	48,940	**152,800**
Cash flows from investing activities:				
Purchase of property, plant and equipment	**(41,145)**	(39,099)	(40,568)	**(418,992)**
Proceeds from sales of property, plant and equipment	**941**	2,286	1,556	**9,582**
Purchase of intangible assets	**(5,144)**	(5,909)	(5,837)	**(52,383)**
Purchase of investment securities	**(685)**	(6,306)	(575)	**(6,976)**
Proceeds from sales of investment securities	**386**	298	969	**3,931**
Proceeds from advances received for sale of property, plant and equipment	**—**	7,150	—	**—**
Proceeds from sale of patents and know-how	**—**	27,143	—	**—**
Payments for capital investments	**(1,761)**	(40)	(64)	**(17,933)**
Purchase of stocks of subsidiaries and affiliates	**(789)**	—	—	**(8,035)**
Other, net	**(868)**	(596)	1,349	**(8,838)**
Net cash used in investing activities	**(49,065)**	(15,073)	(43,170)	**(499,644)**
Cash flows from financing activities:				
Net increase (decrease) in short-term loans payable	**30,673**	(27,201)	(4,132)	**312,352**
Proceeds from long-term loans payable	**3,353**	2,578	23,200	**34,145**
Repayment of long-term loans payable	**(851)**	(7,205)	(13,740)	**(8,666)**
Redemption of bonds	**—**	—	(10,063)	**—**
Cash dividends paid	**(3,584)**	(3,585)	(3,604)	**(36,497)**
Cash dividends paid to minority shareholders	**(1,201)**	(1,489)	(1,684)	**(12,230)**
Purchase of treasury stock	**—**	—	(3,006)	**—**
Other, net	**(364)**	(391)	34	**(3,707)**
Net cash provided by (used in) financing activities	**28,026**	(37,293)	(12,995)	**285,397**
Effect of exchange rate change on cash and cash equivalents	**(4,820)**	(4,421)	2,248	**(49,082)**
Net decrease in cash and cash equivalents	**(10,854)**	(3,669)	(4,977)	**(110,529)**
Cash and cash equivalents at beginning of period	**79,179**	82,751	87,538	**806,303**
Increase in cash and cash equivalents from newly consolidated subsidiary	**—**	—	163	**—**
Cash and cash equivalents at the date of merger held by the merged company	**—**	97	27	**—**
Cash and cash equivalents at end of period (Note 16)	**¥ 68,325**	¥ 79,179	¥ 82,751	**$ 695,774**

See accompanying notes.

Notes to Consolidated Financial Statements March 31, 2009

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

The accompanying consolidated financial statements are stated in Japanese yen. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan at the prevailing exchange rate on March 31, 2009 which was ¥98.2 to U.S.$1.00. The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollars at the above or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

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

(b) Equity method

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

(c) Cash equivalents

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

(d) Investment securities

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

(e) Allowance for doubtful accounts

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

(f) Inventories

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

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

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

The estimated useful lives are summarized as follows:

Buildings and structures	2 – 60 years
Machinery and equipment	1 – 20 years

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

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

(i) Leased assets

Assets held under finance leases, except those leases which transfer the ownership of the leased assets to the lessees, are amortized by the straight-line method over their useful lives, which are the same as the term of the lease. Finance leases entered into before March 31, 2008, which transfer the ownership of the leased assets to the lessees, are accounted for as operating leases.

(j) Foreign currency translation

Foreign currency transactions

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

Foreign currency financial statements

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

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

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

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

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

(o) Accrued employees' severance and pension costs
The Company and certain of its domestic and foreign consolidated subsidiaries accrue employees' severance and pension costs at an amount calculated based on the projected benefit obligation and the fair value of plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. Actuarial gain or loss is amortized by the straight-line method over the average remaining years of service of the eligible employees (ranging from 13 to 17 years except for one domestic consolidated subsidiary for which it is 4 years). Prior service cost is being amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (1 year except for certain domestic consolidated subsidiaries for which it ranges from 4 to 13 years).

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

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

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

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

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

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

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

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

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

(u) Other significant items
Accounting for consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

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

(v) Reclassifications
Certain prior-year amounts have been reclassified to conform to the 2009 presentation.

3. ACCOUNTING CHANGES

(a) Accounting standard for measurement of inventories
Effective the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan (ASBJ) Statement No. 9 issued on July 5, 2006). Under this standard, inventories held for sale in the ordinary course of business

are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

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

(b) Accounting standard for lease transactions

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

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

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

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

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

(d) Change in useful life

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

Effective the fiscal year ended March 31, 2007, certain of the Company's foreign consolidated subsidiaries changed their useful lives of machinery from "6 to 10 years" to "4 to 7 years" as a result of their reconsideration of the useful lives of machinery and the establishment of a new accounting management system.

As a result, depreciation expense increased by ¥395 million, and operating income and income before income taxes and minority interests decreased by ¥257 million and ¥381 million, respectively, for the year ended March 31, 2007.

(e) Change in residual value

Effective the fiscal year ended March 31, 2007, certain of the Company's foreign consolidated subsidiaries changed their estimates of residual value of property, plant and equipment from 10% of acquisition cost to their respective memorandum value, as a result of their reconsideration of the residual value and the establishment of a new accounting management system.

As a result, depreciation expense increased by ¥561 million, and operating income and income before income taxes and minority interests decreased by ¥198 million and ¥551 million, respectively, for the year ended March 31, 2007.

(f) Accounting standard for directors' bonuses

Effective the fiscal year ended March 31, 2007, the Company and its domestic consolidated subsidiaries adopted Accounting Standard for Directors' Bonuses (Accounting Standards Board of Japan (ASBJ) Statement No. 4 issued on November 29, 2005). Under this standard, directors' bonuses are expensed as incurred and included in selling, general and administrative expenses, whereas the Company and its domestic consolidated subsidiaries previously accounted for them as a deduction of retained earnings.

As a result of the adoption of this standard, operating income and income before income taxes and minority interests both decreased by ¥161 million for the year ended March 31, 2007 from the corresponding amounts which would have been recorded under the previous method.

(g) Change in presentation of sale of tooling

Effective the fiscal year ended March 31, 2007, the Company and certain of its consolidated subsidiaries changed the presentation of sale of tooling in the consolidated statements of operations from recording the related net gain or loss amounts in other income (expenses) to recording the related gross amounts in net sales and cost of sales because of a recent increase in such transactions and the establishment of a new accounting management system.

As a result, net sales, cost of sales and operating income increased by ¥6,248 million, ¥5,633 million and ¥615 million, respectively, whereas there was no effect on income before income taxes and minority interests for the year ended March 31, 2007.

(h) Change in depreciation method applicable to tangible fixed assets

Effective the fiscal year ended March 31, 2008, the Company's domestic consolidated subsidiaries have changed their depreciation method based on an amendment to the Corporation Tax Law for tangible assets acquired on or after April 1, 2007. The effect of the change on income was immaterial for the year ended March 31, 2008.

(i) Change in depreciation of the residual value of tangible fixed assets purchased before April 1, 2007

The Company's domestic consolidated subsidiaries have recorded assets acquired before April 1, 2007 based on the previous depreciation method. Following an amendment to the Corporation Tax Law, when the assets have been depreciated to their respective residual value, which is 5% of acquisition cost under the tax law, the residual value is equally depreciated over a period of five years. The effect of the change on income was immaterial for the year ended March 31, 2008.

The effects of the above accounting changes on segment information are described in 20. SEGMENT INFORMATION.

4. INVESTMENT SECURITIES

Marketable securities classified as other securities at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2009			2009		
	Cost	Fair value	Unrealized gains (losses)	Cost	Fair value	Unrealized gains (losses)
Securities for which fair value exceeds cost:						
Equity securities	**¥3,158**	**¥ 9,413**	**¥ 6,255**	**$32,159**	**$ 95,855**	**$ 63,696**
Securities for which cost exceeds fair value:						
Equity securities	**6,572**	**2,567**	**(4,005)**	**66,925**	**26,141**	**(40,784)**
Total	**¥9,730**	**¥11,980**	**¥ 2,250**	**$99,084**	**$121,996**	**$ 22,912**

	Millions of yen		
	2008		
	Cost	Fair value	Unrealized gains (losses)
Securities for which fair value exceeds cost:			
Equity securities	¥3,403	¥12,365	¥8,962
Securities for which cost exceeds fair value:			
Equity securities	6,356	5,382	(974)
Total	¥9,759	¥17,747	¥7,988

Proceeds from sales of securities classified as other securities for the years ended March 31, 2009, 2008 and 2007 were ¥386 million ($3,931 thousand), ¥298 million and ¥969 million, respectively. Gross realized gains and losses for the year ended March 31, 2009 were ¥285 million ($2,902 thousand) and ¥56 million ($570 thousand), respectively. Gross realized gains and losses for the year ended March 31, 2008 were ¥60 million and ¥0 million, respectively. Gross realized gains and losses for the year ended March 31, 2007 were ¥919 million and ¥0 million, respectively.

Significant components of securities recorded at cost at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Other securities:			
Non-marketable equity securities	**¥ 718**	¥ 669	**$ 7,312**
Government bonds	**—**	0	**—**
Other	**95**	130	**967**
Subsidiaries' and affiliates' stocks:			
Unconsolidated subsidiaries and affiliated companies	**5,967**	6,419	**60,764**
Total	**¥6,780**	¥7,218	**$69,043**

The redemption schedule of securities classified as other securities with maturity dates at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Investment fund:			
Due in one year or less	**¥—**	¥ 31	**$—**
Total	**¥—**	¥ 31	**$—**

5. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finished products	**¥31,428**	¥41,665	**$320,040**
Work in process	**8,739**	11,760	**88,992**
Raw materials and supplies	**11,930**	19,101	**121,487**
	¥52,097	¥72,526	**$530,519**

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

Short-term loans payable consisted primarily of overdrafts with banks at interest rates ranging from 0.67% to 2.62% and 1.24% to 5.19% at March 31, 2009 and 2008, respectively.

Long-term debt at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loans principally from banks and insurance companies due through 2019 at interest rates ranging from 1.04% to 6.19% and 1.23% to 6.19% at March 31, 2009 and 2008, respectively	**¥32,654**	¥30,958	**$332,526**
Zero coupon convertible bonds due 2010	**28,663**	28,726	**291,884**
	61,317	59,684	**624,410**
Less amounts due within one year	**33,674**	843	**342,913**
	¥27,643	¥58,841	**$281,497**

At March 31, 2009 and 2008, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Property, plant and equipment, at net book value	**¥5,675**	¥5,868	**$57,791**

The aggregate annual maturities of long-term debt subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	**¥33,674**	**$342,913**
2011	**11,597**	**118,096**
2012	**13,218**	**134,603**
2013	**1,592**	**16,212**
2014	**450**	**4,582**
2015 and thereafter	**786**	**8,004**
Total	**¥61,317**	**$624,410**

7. EMPLOYEES' SEVERANCE AND PENSION COSTS

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

The following table sets forth the funded and accrued status of the defined benefit pension plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2009 and 2008 for the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Projected benefit obligation	**¥(57,256)**	¥(55,553)	**$(583,055)**
Plan assets at fair value	**48,042**	51,593	**489,226**
Funded status	**(9,214)**	(3,960)	**(93,829)**
Unrecognized actuarial net loss	**14,978**	11,101	**152,525**
Unrecognized prior service cost	**(41)**	(47)	**(417)**
Amounts recognized in the consolidated balance sheets, net	**5,723**	7,094	**58,279**
Prepaid pension cost	**8,300**	9,770	**84,521**
Accrued employees' severance and pensions costs	**¥ (2,577)**	¥ (2,676)	**$ (26,242)**

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

The components of retirement benefits expenses for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Service cost	**¥ 2,336**	¥ 2,390	¥ 2,334	**$ 23,788**
Interest cost	**1,465**	1,300	1,263	**14,919**
Expected return on plan assets	**(1,402)**	(1,420)	(1,351)	**(14,277)**
Amortization of actuarial loss	**1,329**	842	925	**13,534**
Amortization of prior service cost	**(8)**	(8)	(6)	**(81)**
Additional accrued severance cost	**5**	220	54	**51**
Other	**786**	855	859	**8,003**
Subtotal	**4,511**	4,179	4,078	**45,937**
Expenses for the change from the simplified method to the standard method	**—**	—	27	**—**
Total	**¥ 4,511**	¥ 4,179	¥ 4,105	**$ 45,937**

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Discount rates	**Mainly 2.5%**	1.0%–2.5%	1.0%–2.5%
Expected rates of return on plan assets	**Mainly 2.5%**	2.0%–2.5%	2.0%–2.5%

Certain of the Company's consolidated subsidiaries participate in multi-employer defined benefit pension plans and recognize as net pension cost the related required contributions for the period. Information regarding the multi-employer pension plans is summarized as follows:

(1) Funded status

Japan Travel Agents Employees Pension Funds

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2008	As of March 31, 2007	As of March 31, 2008
Pension assets	¥25,865	¥25,976	$232,841
Pension liabilities	24,228	22,733	246,721
(Deficit) surplus	¥ (1,363)	¥ 3,243	$ (13,880)

Other multi-employer pension plan

	Millions of yen
	As of March 31, 2008
Pension assets	¥ 2,361
Pension liabilities	2,677
Deficit	¥ (316)

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

	Millions of yen	
	As of March 31, 2008	As of March 31, 2007
Japan Travel Agents Employees Pension Funds	0.52%	0.55%

	As of March 31, 2008
Other multi-employer pension plan	87.13%

8. CONTINGENT LIABILITIES

The Company and certain of its consolidated subsidiaries were contingently liable as guarantors for loans of other companies and employees in the aggregate amount of ¥120 million ($1,222 thousand) at March 31, 2009.

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥50,000 million ($509,165 thousand) with financial institutions at March 31, 2009. The outstanding loans payable amounted to ¥24,000 million ($244,399 thousand), and therefore, the unused balances amounted to ¥26,000 million ($264,766 thousand) under the credit facilities as of March 31, 2009.

9. NET ASSETS

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

10. REVALUATION OF LAND

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

The carrying value of this land after the revaluation exceeded its fair value as of March 31, 2009 and 2008 by ¥1,131 million ($11,517 thousand) and ¥1,063 million, respectively.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Salaries	**¥26,588**	¥29,023	¥28,224	**$270,754**
Employees' bonuses	**1,889**	1,812	1,708	**19,236**
Directors' bonuses	**43**	164	118	**438**
Employees' severance and pension costs	**995**	1,147	1,183	**10,132**
Directors' severance costs	**221**	260	286	**2,251**
Provision for doubtful accounts	**2,888**	157	346	**29,409**
Warranty costs	**268**	541	1,469	**2,729**
Commission expenses	**7,125**	7,250	8,021	**72,556**
Research and development expenses	**10,446**	10,151	9,986	**106,375**

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and general and administrative expenses were ¥40,304 million ($410,428 thousand), ¥42,256 million and ¥46,804 million for the years ended March 31, 2009, 2008 and 2007, respectively.

13. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statements of operations for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Loss on sale and disposal of fixed assets	**¥ (1,162)**	¥ (1,705)	¥(1,782)	**$ (11,833)**
Gain on sale of fixed assets	**1,696**	1,143	259	**17,271**
Gain on sale of investment securities	**285**	60	919	**2,902**
Write-offs of investment securities	**(4,557)**	(744)	(537)	**(46,405)**
Equity in earnings of affiliated companies	**463**	425	274	**4,715**
Insurance revenue due resulting from disasters	**—**	—	172	**—**
Extraordinary depreciation	**—**	—	(477)	**—**
Impairment losses on fixed assets	**(27,164)**	(20,445)	(2,945)	**(276,619)**
Sales discounts	**—**	—	(334)	**—**
Royalty income	**—**	—	2,000	**—**
Product warranty expense	**—**	—	(935)	**—**
Gain on sale of patents and know-how	**—**	27,087	—	**—**
Loss on withdrawal from a business	**—**	(916)	—	**—**
Gain on valuation of options	**2,578**	—	—	**26,253**
Business structure improvement expenses	**(1,224)**	—	—	**(12,464)**
Loss on valuation of inventories	**(3,446)**	—	—	**(35,092)**
Other	**(285)**	12	1,219	**(2,903)**
	¥ (32,816)	¥ 4,917	¥ (2,167)	**$(334,175)**

14. IMPAIRMENT LOSSES ON FIXED ASSETS

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

The Companies recognized impairment losses on the asset groups for the years ended March 31, 2009, 2008 and 2007 as follows:

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

			Millions of yen
Asset group	Asset type	Location	2008
AV-Head business	Buildings	Japan	¥ 0
LCD business	Machinery, land, etc.	Japan	140
Communications business	Buildings, machinery, etc.	(Note 4)	1,792
HDD heads business	Buildings, machinery, etc.	(Note 5)	16,428
Printer business	Buildings, machinery, etc.	(Note 3)	1,566
Idle assets	Buildings and land	Japan	519
Total			¥20,445

Asset group	Asset type	Location	Millions of yen 2007
AV-Head business	Buildings, machinery, etc.	(Note 5)	¥ 43
LCD business	Buildings, machinery, etc.	(Note 5)	228
Communications business	Buildings, machinery, etc.	(Note 4)	2,620
Idle assets	Buildings, etc.	Japan	54
Total			¥2,945

Asset group	Asset type	Location	Thousands of U.S. dollars 2009
Automotive electronics business	Machinery, construction in progress, etc.	(Note 1)	**$132,657**
Peripheral products business for the home	Buildings, machinery, etc.	(Note 2)	**65,204**
Peripheral products business for mobile devices	Machinery, construction in progress, etc.	Japan	**11,314**
Printer business	Buildings, machinery, etc.	(Note 3)	**3,880**
Communication business	Machinery, tools, etc.	(Note 4)	**59,420**
HDD heads business	Buildings and machinery	China	**305**
Idle assets	Buildings, land, etc.	Japan	**3,839**
Total			**$276,619**

(Note 1) Japan, Germany, South Korea, Hong Kong, China, U.S.A, the Czech Republic and Ireland
(Note 2) Japan, Germany, South Korea, Hong Kong, Malaysia, China and the Czech Republic
(Note 3) Japan, Hong Kong and the Czech Republic
(Note 4) Japan, South Korea, Hong Kong, China, Malaysia and the Czech Republic
Japan, China, South Korea, Malaysia and the Czech Republic for the year ended March 31, 2008 and for the year ended March 31, 2007
(Note 5) Japan and China

With respect to assets categorized in Automotive electronics business group, Peripheral products business for the home group, Peripheral products business for mobile devices group, Printer business group, Communications business group, HDD heads business group, AV-Head business group and LCD business group, the Companies reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses of ¥26,787 million ($272,780 thousand), ¥19,926 million and ¥2,891 million for the years ended March 31, 2009, 2008 and 2007, respectively, as other expenses because the business environment deteriorated mainly due to the related market shrinkage. The impairment losses for the year ended March 31, 2009 were recorded for buildings at ¥5,251 million ($53,473 thousand), for machinery and equipment at ¥15,717 million ($160,051 thousand), for land at ¥296 million ($3,014 thousand), for lease assets at ¥1 million ($10 thousand), for construction in progress at ¥4,321 million ($44,002 thousand), for intangible assets, net at ¥1,044 million ($10,631 thousand), for other assets at ¥140 million ($1,426 thousand) and for accumulated impairment loss on leased assets at ¥17 million ($173 thousand). The impairment losses for the year ended March 31, 2008 were recorded for buildings at ¥8,570 million, for machinery and equipment at ¥10,794 million, for land at ¥202 million, for construction in progress at ¥65 million, for intangible assets, net at ¥270 million and for other assets at ¥25 million. The impairment losses for the year ended March 31, 2007 were recorded for buildings at ¥714 million, for machinery at ¥1,537 million and for other assets at ¥640 million. The rates used in calculating discounted future cash flows for the years ended March 31, 2009, 2008 and 2007 were 4.6%, 5.4% and 5.1%, respectively.

With respect to the idle assets whose fair value declined, since the future use of those assets has not yet been determined, the Companies reduced the book value of those assets to their respective recoverable amounts and recognized impairment losses of ¥377 million ($3,839 thousand), ¥519 million and ¥54 million for the years ended March 31, 2009, 2008 and 2007, respectively, as other expenses.

The impairment losses of ¥377 million ($3,839 thousand) on idle assets for the year ended March 31, 2009 were for buildings at ¥345 million ($3,513 thousand) and for other assets at ¥32 million ($326 thousand). The impairment losses of ¥519 million on idle assets for the year ended March 31, 2008 were for buildings at ¥516 million and for land at ¥3 million. The impairment losses of ¥54 million on idle assets for the year ended March 31, 2007 were for buildings at ¥39 million, for land at ¥15 million and for other assets at ¥0 million. Net realizable value computed based on property tax value was used for determining the recoverable value of the idle assets.

15. INCOME TAXES

The Company is subject to a number of taxes in Japan based on income, which, in the aggregate, resulted in a statutory tax rate of approximately 40.5%, 40.3% and 40.3% for the years ended March 31, 2009, 2008, and 2007, respectively.

The following table summarizes the reconciliations between the statutory tax rate and the Company's effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2008 and 2007.

A reconciliation between the statutory tax rate and the Company's effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2009 is not presented because the Company recorded loss before income taxes and minority interests.

	2008	2007
Statutory tax rate	40.3%	40.3%
Change in valuation allowance	13.3	10.5
Prior years' income taxes	2.4	4.3
Lower tax rates at foreign subsidiaries	(0.3)	(7.4)
Tax credit on R&D costs and other	(6.1)	(2.1)
Non-deductible expenses	2.9	2.2
Other	5.2	2.8
Effective tax rates	57.7%	50.6%

The significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Tax loss carryforwards	**¥ 18,071**	¥ 935	**$ 184,022**
Accrued employees' severance and pension costs	**663**	792	**6,752**
Intercompany profit	**3,974**	5,082	**40,468**
Write-offs of inventories	**1,494**	851	**15,214**
Depreciation	**17,836**	14,534	**181,629**
Accrued employees' bonuses	**2,158**	3,243	**21,976**
Write-offs of investment securities	**2,297**	1,118	**23,391**
Accrued warranty costs	**857**	1,054	**8,727**
Accrued expenses	**695**	845	**7,077**
Other	**6,285**	5,770	**64,002**
Gross deferred tax assets	**54,330**	34,224	**553,258**
Valuation allowance	**(39,233)**	(7,330)	**(399,521)**
Less deferred tax liabilities in the same tax jurisdiction	**(8,136)**	(8,161)	**(82,851)**
Total deferred tax assets	**6,961**	18,733	**70,886**
Deferred tax liabilities:			
Unrealized gain on investment securities	**2,158**	3,072	**21,976**
Prepaid pension cost	**3,392**	2,698	**34,542**
Reserve for advanced depreciation of noncurrent assets	**1,496**	—	**15,234**
Reserve for special account for advanced depreciation of noncurrent assets	**282**	1,764	**2,872**
Accelerated depreciation of property, plant and equipment	**365**	376	**3,717**
Investment in an affiliated company	**905**	979	**9,216**
Unappropriated retained earnings of foreign subsidiaries	**1,691**	443	**17,220**
Other	**842**	798	**8,573**
Gross deferred tax liabilities	**11,131**	10,130	**113,350**
Less deferred tax assets in the same tax jurisdiction	**(8,136)**	(8,161)	**(82,851)**
Total deferred tax liabilities	**2,995**	1,969	**30,499**
Net deferred tax assets	**¥ 3,966**	¥16,764	**$ 40,387**

16. CASH AND CASH EQUIVALENTS

A reconciliation between cash and time deposits in the accompanying consolidated balance sheets, and cash and cash equivalents in the accompanying statements of cash flows at March 31, 2009 and 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and time deposits	**¥68,373**	¥78,826	**$696,263**
Investment securities	**0**	31	**0**
Subtotal	**68,373**	78,857	**696,263**
Less:			
Time deposits with a maturity of more than three months when purchased	**(469)**	(456)	**(4,776)**
CD with a maturity of more than three months when purchased	**—**	(31)	**—**
Add:			
Repurchase agreement maturing within three months	**421**	809	**4,287**
Cash and cash equivalents	**¥68,325**	¥79,179	**$695,774**

17. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2009			**2009**		
	Notional amounts	Estimated fair value	Unrealized gains (losses)	Notional amounts	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:						
Sell:						
U.S. dollars	**¥ 4,634**	**¥4,875**	**¥ (241)**	**$ 47,190**	**$49,644**	**$ (2,454)**
Euro	**7,206**	**5,711**	**1,495**	**73,381**	**58,157**	**15,224**
Buy:						
U.S. dollars	**¥ 520**	**¥ 520**	**¥ 0**	**$ 5,295**	**$ 5,295**	**$ 0**
Euro	**727**	**727**	**(0)**	**7,403**	**7,403**	**(0)**
Currency option contracts:						
Sell:						
Call—Euro	**¥24,690**	**¥ 582**	**¥ (125)**	**$251,426**	**$ 5,927**	**$ (1,273)**
Buy:						
Put—Euro	**¥12,345**	**¥3,409**	**¥2,703**	**$125,713**	**$34,715**	**$27,525**

	Millions of yen		
	2008		
	Notional amounts	Estimated fair value	Unrealized gains
Forward foreign exchange contracts:			
Sell:			
U.S. dollars	¥10,157	¥9,979	¥ 178
Euro	5,906	5,890	16

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

18. LEASES

As lessee:

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

The following pro forma amounts represent the acquisition costs, accumulated depreciation/impairment and net book value of the leased assets at March 31, 2009 and 2008, which would have been reflected in the accompanying consolidated balance sheets if these agreements had been accounted for as finance leases:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Acquisition costs of machinery and equipment	**¥1,326**	¥1,621	**$13,503**
Accumulated depreciation of machinery and equipment	**1,128**	1,121	**11,486**
Accumulated impairment of machinery and equipment	**15**	—	**153**
Net book value	**¥ 183**	¥ 500	**$ 1,864**

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2009 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	**¥157**	**$1,599**
2011 and thereafter	**41**	**417**
	¥198	**$2,016**

Accumulated impairment loss on leased assets as of March 31, 2009 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
Accumulated impairment loss on leased assets	**¥15**	**$153**

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements for the years ended March 31, 2009, 2008 and 2007 totaled ¥299 million ($3,045 thousand), ¥383 million and ¥438 million, respectively. The pro forma depreciation/amortization of the assets leased under finance leases accounted for as operating leases for the years ended March 31, 2009, 2008 and 2007 amounted to ¥299 million ($3,045 thousand), ¥383 million and ¥438 million, respectively. The pro forma impairment of the assets leased under finance leases accounted for as operating leases for the years ended March 31, 2009 amounted to ¥15 million ($153 thousand).

The Company's future minimum lease payments subsequent to March 31, 2009 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	**¥ 814**	**$ 8,289**
2011 and thereafter	**871**	**8,870**
	¥1,685	**$17,159**

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Lease receivables	**¥1,096**	¥ —	**$11,161**
Estimated residual value	**4**	—	**41**
Interest portion of lease receivables	**(107)**	—	**(1,090)**
Investment in lease assets	**¥ 993**	¥ —	**$10,112**

The collection schedule of lease receivables related to investment in lease assets at March 31, 2009 is summarized as follows:.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	**¥340**	**$3,462**
2011	**279**	**2,841**
2012	**212**	**2,159**
2013	**124**	**1,263**
2014	**60**	**611**
2015 and thereafter	**81**	**825**

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

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the lease assets under finance leases accounted for as operating leases at March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Acquisition costs of buildings and structures	**¥—**	¥ 15	**$—**
Accumulated depreciation of buildings and structures	**—**	6	**—**
Net book value	**¥—**	¥ 9	**$—**
Acquisition costs of machinery and equipment	**¥ 4**	¥2,952	**$41**
Accumulated depreciation of machinery and equipment	**2**	1,904	**20**
Net book value	**¥ 2**	¥1,048	**$21**

The future minimum lease income subsequent to March 31, 2009 under finance leases accounted for as operating leases is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	**¥1**	**$10**
2011 and thereafter	**3**	**31**
	¥4	**$41**

Lease income, depreciation/amortization and the interest portion of lease income for finance leases accounted for as operating leases for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Lease income	**¥33**	¥413	¥368	**$336**
Depreciation/amortization	**¥ 6**	¥345	¥295	**$ 61**
Interest portion of lease income	**¥ 2**	¥ 49	¥ 47	**$ 20**

The Company's future minimum lease receivables subsequent to March 31, 2009 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	**¥10**	**$102**
2011 and thereafter	**8**	**81**
	¥18	**$183**

19. RELATED PARTY TRANSACTIONS

Effective the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted Accounting Standard for Related Party Disclosures and related guidance (Accounting Standards Board of Japan (ASBJ) Statement No. 11 issued on October 17, 2006). Under this standard, important directors of consolidated subsidiaries are newly included in the scope of the related party information to be disclosed.

Transactions of Company with related parties for the year ended March 31, 2009 were as follows:

Mr. Masataka Kataoka is president of the Company and directly owns 0.45% of the shares of the Company.

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Purchase of subsidiary shares	¥ 13	$132

The transfer of the subsidiary's shares was made to unify the ownership of the shares to the Company. The transfer price of the shares from Mr. Kataoka to the Company was determined based on net assets of the subsidiary at March 31, 2008.

20. SEGMENT INFORMATION

Business segments

The Companies are primarily engaged in the manufacturing and sales of (1) electronic components, (2) audio equipment, and (3) logistics and other. The business segment information of the Companies for the years ended March 31, 2009, 2008 and 2007 is summarized as follows:

	Millions of yen				
Year ended March 31, 2009	Electronic components	Audio equipment	Logistics and other	Eliminations	Consolidated
Net sales					
External customers	¥291,996	¥193,226	¥53,773	¥ —	¥538,995
Inter-segment sales and transfers	5,952	3,441	26,094	(35,487)	—
Subtotal	297,948	196,667	79,867	(35,487)	538,995
Costs and expenses	318,010	207,312	75,885	(35,688)	565,519
Operating (loss) income	¥ (20,062)	¥ (10,645)	¥ 3,982	¥ 201	¥ (26,524)
Total assets	¥213,941	¥132,422	¥71,932	¥(43,010)	¥375,285
Depreciation and amortization	¥ 17,283	¥ 10,336	¥ 2,413	¥ (90)	¥ 29,942
Impairment losses on fixed assets	¥ 27,137	¥ —	¥ 27	¥ —	¥ 27,164
Capital expenditures	¥ 34,363	¥ 10,160	¥ 3,072	¥ (393)	¥ 47,202

	Millions of yen				
Year ended March 31, 2008	Electronic components	Audio equipment	Logistics and other	Eliminations	Consolidated
Net sales					
External customers	¥391,424	¥247,544	¥53,688	¥ —	¥692,656
Inter-segment sales and transfers	7,693	4,528	30,022	(42,243)	—
Subtotal	399,117	252,072	83,710	(42,243)	692,656
Costs and expenses	392,799	245,060	77,271	(42,350)	672,780
Operating income	¥ 6,318	¥ 7,012	¥ 6,439	¥ 107	¥ 19,876
Total assets	¥294,834	¥167,785	¥79,072	¥(46,935)	¥494,756
Depreciation and amortization	¥ 24,488	¥ 10,655	¥ 2,712	¥ (84)	¥ 37,771
Impairment losses on fixed assets	¥ 20,445	¥ —	¥ —	¥ —	¥ 20,445
Capital expenditures	¥ 26,350	¥ 13,673	¥ 3,297	¥ (166)	¥ 43,154

	Millions of yen				
Year ended March 31, 2007	Electronic components	Audio equipment	Logistics and other	Eliminations	Consolidated
Net sales					
External customers	¥396,448	¥261,274	¥50,405	¥ —	¥708,127
Inter-segment sales and transfers	6,733	3,781	31,397	(41,911)	—
Subtotal	403,181	265,055	81,802	(41,911)	708,127
Costs and expenses	397,916	254,945	75,394	(42,205)	686,050
Operating income	¥ 5,265	¥ 10,110	¥ 6,408	¥ 294	¥ 22,077
Total assets	¥334,101	¥181,185	¥82,168	¥(49,410)	¥548,044
Depreciation and amortization	¥ 27,256	¥ 9,326	¥ 2,756	¥ (125)	¥ 39,213
Impairment losses on fixed assets	¥ 2,945	¥ —	¥ —	¥ —	¥ 2,945
Capital expenditures	¥ 29,526	¥ 12,620	¥ 8,932	¥ (5,770)	¥ 45,308

Year ended March 31, 2009	Thousands of U.S. dollars Electronic components	Audio equipment	Logistics and other	Eliminations	Consolidated
Net sales					
External customers	$2,973,483	$1,967,678	$547,586	$ —	$5,488,747
Inter-segment sales and transfers	60,611	35,041	265,723	(361,375)	—
Subtotal	3,034,094	2,002,719	813,309	(361,375)	5,488,747
Costs and expenses	3,238,391	2,111,120	772,760	(363,422)	5,758,849
Operating (loss) income	$ (204,297)	$ (108,401)	$ 40,549	$ 2,047	$ (270,102)
Total assets	$2,178,626	$1,348,493	$732,505	$(437,984)	$3,821,640
Depreciation and amortization	$ 175,998	$ 105,255	$ 24,572	$ (917)	$ 304,908
Impairment losses on fixed assets	$ 276,344	$ —	$ 275	$ —	$ 276,619
Capital expenditures	$ 349,929	$ 103,462	$ 31,283	$ (4,002)	$ 480,672

* The effects of the changes in accounting policies and procedures on segment information were as follows:
(1) In connection with Note 3(a), the effect of the change on "electronic components", "audio equipment" and "logistics and other" for the year ended March 31, 2009 was to increase operating loss by ¥131 million ($1,334 thousand), to decrease operating loss by ¥31 million ($315 thousand) and to decrease operating income by ¥17 million ($173 thousand), respectively.
(2) In connection with Note 3(d), the effect of the change on "electronic components" for the year ended March 31, 2007 was to decrease operating income by ¥257 million.
(3) In connection with Note 3(e), the effect of the change on "electronic components" for the year ended March 31, 2007 was to decrease operating income by ¥198 million.
(4) In connection with Note 3(f), the effect of the change for the year ended March 31, 2007 was to decrease operating income of "electronics components" by ¥42 million, of "audio equipment" by ¥63 million and of "logistics and other" by ¥56 million, respectively.
(5) In connection with Note 3(g), the effect of the change on "electronics components" for the year ended March 31, 2007 was to increase net sales, costs and expenses and operating income by ¥6,248 million, ¥5,633 million and ¥615 million, respectively.

Geographical segments

The geographic segment information of the Companies for the years ended March 31, 2009, 2008 and 2007 is summarized as follows:

Year ended March 31, 2009	Millions of yen Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales							
External customers	¥182,385	¥84,375	¥142,524	¥128,346	¥1,365	¥ —	¥538,995
Inter-segment sales and transfers	262,041	1,631	41,483	126,092	21	(431,268)	—
Subtotal	444,426	86,006	184,007	254,438	1,386	(431,268)	538,995
Costs and expenses	475,133	88,157	182,749	246,653	1,314	(428,487)	565,519
Operating (loss) income	¥ (30,707)	¥ (2,151)	¥ 1,258	¥ 7,785	¥ 72	¥ (2,781)	¥ (26,524)
Total assets	¥292,373	¥25,636	¥ 48,926	¥102,446	¥ 419	¥ (94,515)	¥375,285

Year ended March 31, 2008	Millions of yen Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales							
External customers	¥235,231	¥139,402	¥165,898	¥150,581	¥1,544	¥ —	¥692,656
Inter-segment sales and transfers	334,896	2,816	50,977	150,164	0	(538,853)	—
Subtotal	570,127	142,218	216,875	300,745	1,544	(538,853)	692,656
Costs and expenses	560,848	140,090	213,417	288,834	1,461	(531,870)	672,780
Operating income	¥ 9,279	¥ 2,128	¥ 3,458	¥ 11,911	¥ 83	¥ (6,983)	¥ 19,876
Total assets	¥378,438	¥ 42,965	¥ 74,726	¥129,074	¥ 620	¥(131,067)	¥494,756

Year ended March 31, 2007	Millions of yen Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales							
External customers	¥251,187	¥147,001	¥163,242	¥145,233	¥1,464	¥ —	¥708,127
Inter-segment sales and transfers	336,373	2,172	44,404	143,847	2	(526,798)	—
Subtotal	587,560	149,173	207,646	289,080	1,466	(526,798)	708,127
Costs and expenses	573,054	146,600	205,147	278,347	1,430	(518,528)	686,050
Operating income	¥ 14,506	¥ 2,573	¥ 2,499	¥ 10,733	¥ 36	¥ (8,270)	¥ 22,077
Total assets	¥411,352	¥ 51,835	¥ 75,052	¥141,663	¥ 518	¥(132,376)	¥548,044

Year ended March 31, 2009	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales							
External customers	$1,857,281	$859,216	$1,451,364	$1,306,986	$13,900	$ —	$5,488,747
Inter-segment sales and transfers	2,668,442	16,609	422,434	1,284,032	214	(4,391,731)	—
Subtotal	4,525,723	875,825	1,873,798	2,591,018	14,114	(4,391,731)	5,488,747
Costs and expenses	4,838,422	897,729	1,860,987	2,511,741	13,381	(4,363,411)	5,758,849
Operating (loss) income	$ (312,699)	$ (21,904)	$ 12,811	$ 79,277	$ 733	$ (28,320)	$ (270,102)
Total assets	$2,977,322	$261,059	$ 498,228	$1,043,238	$ 4,267	$ (962,474)	$3,821,640

* The effects of the changes in accounting policies and procedures on the segment information were as follows:
(1) In connection with Note 3(a), the effect of the change on "Japan" and "Asia" for the year ended March 31, 2009 was to increase operating loss by ¥108 million ($1,100 thousand) and to decrease operating income by ¥9 million ($92 thousand).
(2) In connection with Note 3(d), the effect of the change on "Asia" for the year ended March 31, 2007 was to decrease operating income by ¥257 million.
(3) In connection with Note 3(e), the effect of the change on "Asia" for the year ended March 31, 2007 was to decrease operating income by ¥198 million.
(4) In connection with Note 3(f), the effect of the change on "Japan" for the year ended March 31, 2007 was to decrease operating income by ¥161 million.
(5) In connection with Note 3(g), the effect of the change on geographical segments for the year ended March 31, 2007 was as follows:

	Millions of yen						
	Japan	North America	Europe	Asia	Other area	Eliminations	Consolidated
Net sales increase	¥2,190	¥1,645	¥2,160	¥253	¥—	¥ —	¥6,248
Costs and expenses increase	1,712	1,748	2,059	66	—	48	5,633
Operating income increase (decrease)	478	(103)	101	187	—	(48)	615

Overseas sales

Overseas sales of the Companies by geographic area for the years ended March 31, 2009, 2008 and 2007 were as follows:

Year ended March 31, 2009	Millions of yen				
	North America	Europe	Asia	Other areas	Total
Overseas sales	¥86,760	¥144,955	¥149,476	¥3,138	¥384,329
Net sales					¥538,995
Percentage of overseas sales (%)	16%	27%	28%	0%	71%

Year ended March 31, 2008	Millions of yen				
	North America	Europe	Asia	Other areas	Total
Overseas sales	¥141,239	¥166,032	¥186,812	¥4,327	¥498,410
Net sales					¥692,656
Percentage of overseas sales (%)	20%	24%	27%	1%	72%

Year ended March 31, 2007	Millions of yen				
	North America	Europe	Asia	Other areas	Total
Overseas sales	¥153,473	¥164,564	¥207,274	¥4,414	¥529,725
Net sales					¥708,127
Percentage of overseas sales (%)	22%	23%	29%	1%	75%

Year ended March 31, 2009	Thousands of U.S. dollars				
	North America	Europe	Asia	Other areas	Total
Overseas sales	$883,503	$1,476,120	$1,522,159	$31,955	$3,913,737
Net sales					$5,488,747
Percentage of overseas sales (%)	16%	27%	28%	0%	71%

* The effect of the changes in accounting policies and procedures on the segment information was as follows:
(1) In connection with Note 3(g), the effect of the change for the year ended March 31, 2007 was to increase net sales of "North America" by ¥1,645 million, of "Europe" by ¥2,160 million and of "Asia" by ¥253 million.

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Report of Independent Auditors

The Board of Directors
Alps Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of Alps Electric Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

Supplementary Information

As described in Note 3 (a) to the consolidated financial statements, effective the fiscal year ended March 31, 2009, the Company and its domestic consolidated subsidiaries adopted Accounting Standard for Measurement of Inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC

June 17, 2009

Perfecting the Art of Electronics

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