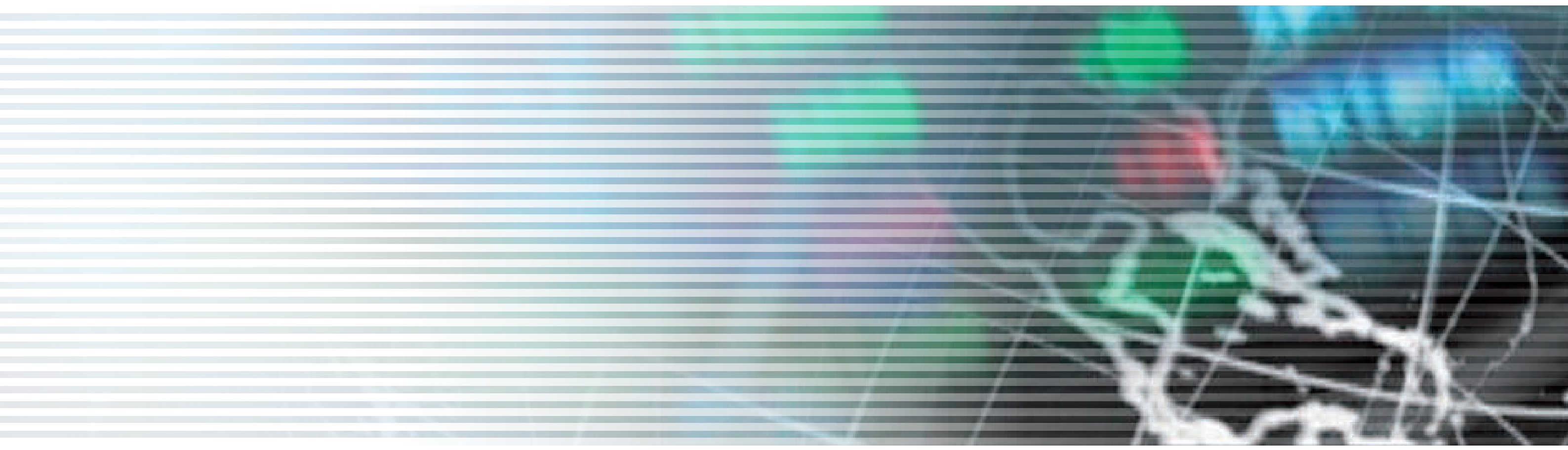
Perfecting the Art of Electronics

ALPS

Business Report 2010

For the year ended March 31, 2010



ALPS ELECTRIC CO., LTD.

SIX-YEAR FINANCIAL SUMMARY

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2010, 2009, 2008, 2007, 2006 and 2005

Millions of yen, except for per share data

		2010	2009	2008	2007	2006	2005
For the years ended March 31:	Net sales	¥ 493,639	¥ 538,995	¥ 692,656	¥ 708,127	¥ 709,613	¥ 643,631
	(Overseas sales)	351,140	384,329	498,410	529,725	544,063	479,715
	Cost of sales	415,095	484,079	587,210	596,857	581,016	529,561
	SG&A expenses	73,801	81,440	85,570	89,193	83,125	82,993
	Operating income (loss)	4,743	(26,524)	19,876	22,077	45,472	31,077
	Income (loss) before income taxes and minority interests	362	(57,171)	18,308	20,817	36,164	33,453
	Income taxes	53	18,035	10,560	10,536	11,689	11,090
	Net income (loss)	570	(70,064)	4,418	4,918	18,870	16,315
	Cash flows (*1)	21,793	(43,707)	38,604	40,403	52,058	54,940
	Amounts per share of common stock:						
	Net income (loss)	¥ 3.18	¥ (390.93)	¥ 24.65	¥ 27.40	¥ 103.74	¥ 89.72
	Cash dividends applicable to the year	—	10.00	20.00	20.00	20.00	16.00
As of March 31:	Current assets	¥ 246,831	¥ 212,612	¥ 289,623	¥ 321,400	¥ 317,604	¥ 310,868
	Current liabilities	145,732	154,119	148,312	184,474	203,808	184,968
	Working capital	101,099	58,493	141,311	136,926	113,796	125,900
	Long-term debt	66,396	27,643	58,841	57,308	41,561	74,882
	Total net assets	186,462	184,791	280,318	294,018	285,367	239,232
	Total assets	410,945	375,285	494,756	548,044	543,267	517,604
Sales by product category:	Electronic components (*2):	¥ 274,155	¥ 291,996	¥ 391,424	¥ 396,448	¥ 412,561	¥ 386,995
		55.5%	54.2%	56.5%	56.0%	58.1%	60.1%
	Automotive business	112,522	—	—	—	—	—
		22.8%	—	—	—	—	—
	Home, Mobile & Industry business	161,633	—	—	—	—	—
		32.7%	—	—	—	—	—
	Components (*3)	(85,688)	76,840	112,560	145,293	162,334	134,473
		(17.4%)	14.3%	16.2%	20.5%	22.9%	20.9%
	Communications (*3)	(33,338)	44,687	56,115	54,262	58,728	63,607
		(6.7%)	8.3%	8.1%	7.7%	8.3%	9.9%
	Peripheral products (*3)	(75,171)	92,359	113,664	99,720	110,095	119,540
		(15.2%)	17.1%	16.4%	14.1%	15.5%	18.5%
	Automotive electronics (*3)	(79,958)	78,110	109,085	97,173	81,404	69,375
		(16.2%)	14.5%	15.8%	13.7%	11.4%	10.8%
	Audio equipment	166,199	193,226	247,544	261,274	251,128	217,077
		33.7%	35.8%	35.7%	36.9%	35.4%	33.7%
	Logistics and other	53,285	53,773	53,688	50,405	45,924	39,559
		10.8%	10.0%	7.8%	7.1%	6.5%	6.2%
	Total	¥ 493,639	¥ 538,995	¥ 692,656	¥ 708,127	¥ 709,613	¥ 643,631
	Percentage of sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales by area:	Japan	¥ 184,087	¥ 182,385	¥ 235,231	¥ 251,187	¥ 251,188	¥ 231,793
		37.3%	33.8%	34.0%	35.4%	35.4%	36.0%
	North America	70,710	84,375	139,402	147,001	143,600	126,048
		14.3%	15.7%	20.1%	20.8%	20.2%	19.6%
	Europe	120,780	142,524	165,898	163,242	153,768	135,518
		24.5%	26.4%	24.0%	23.1%	21.7%	21.0%
	Asia	116,650	128,346	150,581	145,233	159,859	148,543
		23.6%	23.8%	21.7%	20.5%	22.5%	23.1%
	Other areas	1,412	1,365	1,544	1,464	1,198	1,729
		0.3%	0.3%	0.2%	0.2%	0.2%	0.3%
	Total	¥ 493,639	¥ 538,995	¥ 692,656	¥ 708,127	¥ 709,613	¥ 643,631
	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 and 2005 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, 2010, 2009, 2008 and 2007 is calculated by subtracting "cash dividends paid" from the total of "net income or loss" and "depreciation and amortization."

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

(*3) Sales of former 4 categories are disclosed as reference information for the year ended March 31, 2010.

Management's Discussion and Analysis of Operating Results

1. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

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

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

(1) Overview

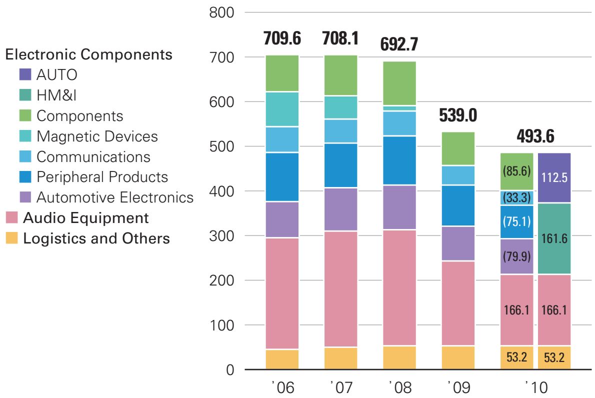
During the fiscal year under review, the operating environment showed growing signs of a gradual recovery from the recession prompted by the financial crisis two years ago. However, the employment outlook worsened, lower levels of income caused personal consumption to remain sluggish, and companies held back on capital investment owing to lackluster operating performance. Consequently, overall business conditions remained problematic.

In the electronics industry, Asian demand for home appliances and other products recovered, centering on digital products. This trend was particularly pronounced in China, where government-directed economic stimulus measures prompted an expansion in internal demand, such as replacement sales of such products as flat panel display televisions. Car subsidization policies introduced by the governments of various countries supported consumption in automotive markets, and performance by compact cars and environmentally responsive vehicles remained on a steady course. In addition, the new car markets in emerging markets expanded, with China taking the lead from the United States in unit sales.

Having posted substantial losses for the fiscal year ended March 31, 2009, the Alps Group strove to stem its losses during the year under review, managing its operations in a manner that would ensure a quick return to profitability. These efforts provided successful, with the Group posting a slight profit for the year under review.

During the fiscal year ended March 31, 2010, the Alps Group posted consolidated net sales of ¥493.6 billion, down ¥45.3 billion, or 8.4%, from the preceding fiscal year. Operating income was ¥4.7 billion, compared with an operating loss of ¥26.5 billion during the preceding fiscal year. Net income amounted to ¥0.5 billion, up from a net loss of ¥70.0 billion.

Sales by product category (Billions of ¥)



(2) Sales and Operating Income (Loss)

Net sales during the year were ¥493.6 billion, down 8.4% from the preceding fiscal year.

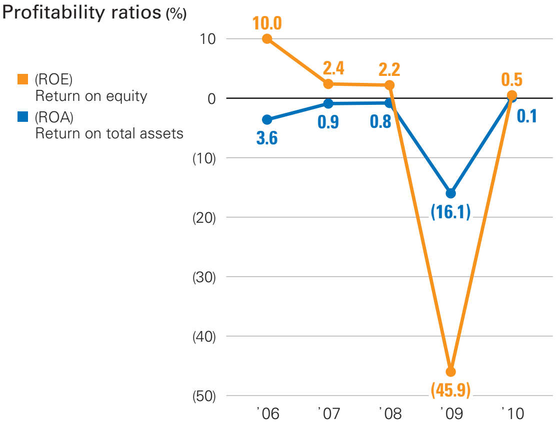
In emerging markets, demand for such products as home appliances recovered, and purchase subsidy programs supported increases in automobile unit sales. Such factors pointed to a gradual recovery in the Group's operating environment. However, in addition to significant appreciation of the yen against other currencies, sales in the audio equipment business declined as major automobile manufacturers' production levels failed to achieve a full-fledged recovery.

Sales in the electronic components segment were down 6.1%, or ¥17.8 billion, from the preceding fiscal year, to ¥274.1 billion. In the audio equipment business, sales came to ¥166.1 billion, down ¥27.1 billion, or 14.0%, from the preceding fiscal year. Sales in the logistics and others segment were ¥53.2 billion, down 0.9% year on year.

The Group posted operating income of ¥4.7 billion, a ¥31.2 billion improvement from the ¥26.5 billion operating loss recorded in the preceding fiscal year. The effect on the Alps Group of the yen's appreciation against all Asian currencies, as well as the U.S. dollar and the euro, had a ¥7.1 billion negative impact on income.

Aside from the impact of exchange rate fluctuations, groupwide efforts to reduce cost of sales by holding down fixed costs largely compensated for the decline in sales. Accordingly, during the year under review the electronic components segment delivered operating income approximately ¥25.1 billion higher than in the preceding fiscal year. Similarly, the audio equipment business generated an approximate ¥13.1 billion increase in operating income. Operating income from logistics and other business, meanwhile, was down ¥0.2 billion.

Profitability ratios (%)



Business Segments

i. Electronic Components

During the year, in addition to introducing various initiatives to boost sales with the aim of achieving improvements in sales and income, the electronic components segment sought to curtail investments and other costs. Thus, the segment introduced short-term profit recovery measures and structural reforms, while conducting far-reaching efforts to review its cost structure. As a result, the variable cost ratio improved and fixed costs declined, and cost improvements each quarter steadily enhanced the segment's financial structure. Accordingly, the segment achieved positive operating income during the fiscal year under review.

Results by division are described below.

AUTO (Automotive) Division

In the automotive industry, one of Alps' leading client groups, various countries' government initiatives to support car purchases enabled automobile manufacturers to carry out inventory adjustments, and some signs of stabilization became apparent on the production front. However, as these robust sales were limited to specific models and because of the consumer tendency toward lower-priced vehicles, the overall recovery in the demand was slight.

Measures to encourage car purchases prompted a bottoming out in unit sales and spurred replacement demand for hybrid cars and other environmentally conscious models. Increased sales of models incorporating the Company's products resulted in higher sales for this division than had been initially forecast.

The AUTO Division posted sales of ¥112.5 billion.

HM&I (Home, Mobile & Industry) Division

In Japan and other parts of Asia, the electronic component industry benefited from rising internal demand and government stimulus measures, such as an eco-point system. As a result, production of LCD televisions and home appliances was firm. New applications for the iPhone® and other smartphones, encouraged vigorous ongoing performance in certain product categories. However, overall demand failed to improve substantially, as ongoing economic doldrums and downturns in personal incomes sapped vigor from consumption.

In this environment, the division sales benefited substantially from the production of the compact touch panels used for data input on smartphones and other mobile devices. Moving into the second half, the division saw an upward shift in demand for components such as switches, connectors and sensors, as well as for television tuners. On the other hand, sales of game modules, communication network modules and compact printers declined, owing to a downturn in market demand.

As a result of these factors, sales in HM&I Division came to ¥161.6 billion.

Business Segments

i. Electronic Components

MMP (Mechatronics, Materials & Process) Division

The MMP Division, which commenced its operations as an integrated production function, conducted ongoing efforts to lower cost of sales. The division made steady progress in implementing the profit recovery measures and structural reforms introduced in April 2009. To reduce its breakeven point to a level that would make its operations profitable, the division reduced raw materials expenditures, carefully examined investment projects, undertook research on selective themes and reduced other costs. Consequently, the division succeeded in achieving its planned targets.

As this division handles production for the AUTO and HM&I Divisions, all its sales are internal.

Owing to the above-mentioned factors, overall sales for the electronic components segment came to ¥274.1 billion, down 6.1% from the preceding term. Operating income amounted to ¥0.3 billion, compared with an operating loss of ¥20.0 billion in the preceding fiscal year.

Business Segments

ii. Audio Equipment

In the audio equipment business (operated by Alpine Electronics, Inc., which is listed on the First Section of the Tokyo Stock Exchange), the Company strove to improve its operating performance by introducing new products for sale in the domestic after-market and aggressively pursued orders from automobile manufacturers. In addition, the segment implemented structural reforms involving thorough efforts to reduce fixed costs and boost the efficiency of R&D and equipment investments, as well reviewing its global manufacturing framework. As a result of efforts centered on lowering its breakeven point, operating income moved into the black in the second half of the fiscal period, allowing the segment to secure positive operating income for the full fiscal year.

With regard to sales in the general consumer market, sales in Japan were robust for the Rear Vision Navigation X08 Premium, a new navigation product that scored high marks with consumers. The segment earned market plaudits for its deployment of lines tailored specifically to individual car models. The provision of high-value-added products and services that responded to customer needs contributed to higher sales. In OEM products for automobile manufacturers, the segment saw orders recover in some areas, as automobile manufacturers completed their reductions of new car inventories to optimal levels, and the segment was aided by a gradual recovery in sales in the North American and Chinese markets sales of luxury and larger cars with high factory installation rates for navigation systems. However, as the recovery in automobile manufacturers' production levels was only slight, segment sales fell short of a full-fledged recovery.

As a result, audio equipment segment sales declined 14.0% year on year, to ¥166.1 billion. Operating income amounted to ¥0.2 billion, compared with an operating loss of ¥10.6 billion in the preceding fiscal year.

iii. Logistics and Other Business

Alps' logistics business (operated by Alps Logistics Co., Ltd., which is listed on the Second Section of the Tokyo Stock Exchange), anticipating that it would be some time before cargo handling volume recovered, pursued operations designed to strike a balance between retrenchment and growth.

Focuses of the segment's key measures, designed to maintain or increases sales and income, were to 1) reinforce the business structure, centered on raising productivity, 2) promote new and cultivate expanded sales by increasing global "One channel Service" and creating new services, and 3) maintain high-quality logistics operations by fully deploying characteristic strengths. Through intense green logistics promotion, the segment strove to offer services in line with environmental preservation efforts that help reduce the Company's CO_2 emissions and energy consumption. Through these efforts, the segment succeeded in delivering sales and operating income in line with the previous year's figures.

Although logistics operations achieved year-on-year increases in sales and income, other businesses recorded decreases in both categories. As a result, sales for the logistics and other business segment were down 0.9% year on year, to ¥53.2 billion. Operating income amounted to ¥3.7 billion, down 5.0%.

(3) Ordinary Income (Loss)

Owing primarily to higher operating income, the Company posted ¥1.6 billion in ordinary income. This figure represented a ¥24.9 billion improvement from the ¥23.3 billion ordinary loss recorded for the preceding fiscal year.

(4) Income (Loss) before Income Taxes

Income before income taxes was ¥0.3 billion, up ¥57.5 billion from the ¥57.1 billion loss in this category in the preceding fiscal year. Principal reasons for this improvement were the increase in ordinary income and lower extraordinary losses, such as impairment losses on property, plant and equipment and loss on write-down of investment securities.

(5) Income Taxes

Income taxes for the fiscal year under review were zero, compared with ¥18.0 billion during the preceding fiscal year. The main reason for this situation was an increase in income tax adjustments, including the drawdown of deferred tax assets accumulated during the preceding fiscal year.

(6) Minority Interests in Net Income of Consolidated Subsidiaries

Minority interests in net income of consolidated subsidiaries was a negative ¥0.2 billion during the fiscal year under review, compared with a negative ¥5.1 billion during the preceding fiscal year. This situation was due primarily to earnings declines attributable to minority interests of Alpine Electronics, Inc., and Alps Logistics Co., Ltd.

(7) Net Income (Loss)

During the year, net income totaled ¥0.5 billion, up ¥70.6 billion from the net loss of ¥70.0 billion recorded during the preceding fiscal year. Net income per share was ¥3.18, compared with a net loss per share of ¥390.93 in the previous fiscal year.

3. LIQUIDITY AND SOURCES OF FUNDS

(1) Cash Flows

Cash flows from operating activities

Net cash provided by operating activities rose 93.1% year on year, to ¥28.9 billion. Major sources of cash included ¥21.2 billion in depreciation and amortization, a ¥20.2 billion increase in notes and accounts payable and a ¥3.4 decrease in inventories. The primary use of cash was a ¥21.0 billion increase in notes and accounts receivable.

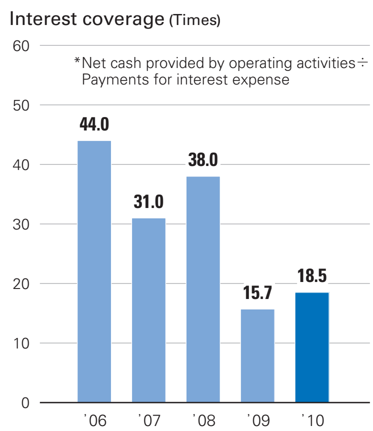
Cash flows from investing activities

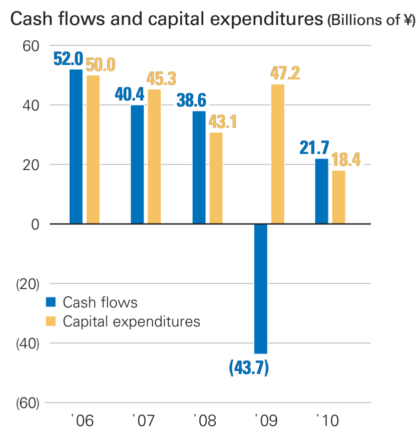
Net cash used in investing activities during the year under review amounted to ¥19.5 billion, compared with ¥49.0 billion in the preceding fiscal year. The main use of cash was purchases of tangible and intangible fixed assets of ¥19.9 billion, mainly in the electronic components segment.

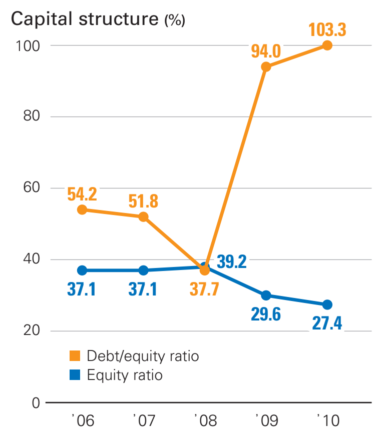
Cash flows from financing activities

During the fiscal year under review, net cash provided by investing activities came to ¥12.1 billion, 56.5% less than in the preceding fiscal year. The main source of cash was ¥53.5 billion in proceeds from long-term debt. Primary uses of cash were for a ¥7.0 net decrease in short-term loans payable, ¥5.5 billion for the repayment of long-term debt and the redemption of bonds, which used ¥28.6 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 increased ¥20.3 billion, or 29.9%, compared to the previous fiscal year-end, to ¥88.7 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 ¥410.9 billion, up ¥35.6 billion from one year earlier.

Owing to the rise in cash and cash equivalents and higher notes and accounts receivable, current assets as of March 31, 2010, were ¥246.8 billion, ¥34.2 billion higher than one year earlier.

Fixed assets amounted to ¥164.1 billion, up ¥1.4 billion, attributable to the revaluation of investment securities.

Current liabilities at the end of the fiscal year were ¥145.7 billion, down ¥8.3 billion year on year, owing to a decrease in zero-coupon convertible bonds due within one year and a increase in notes and accounts payable.

Non-current liabilities were up ¥42.3 billion year on year, to ¥78.7 billion, owing to an increase in long-term debt.

Basic Policy on Distribution of Income/Dividends in the Current and Upcoming Fiscal Years

The Company's basic policy on the distribution of income, based on consolidated operating performance in the electronic components segment, is to strike a balance among three considerations: i) the return of profits to shareholders; ii) R&D and capital investment to develop future business and reinforce competitiveness; and iii) internal reserves.

The Group began generating operating income from the second quarter of the fiscal year under review. However, as the Group was unable to deliver a sufficient amount of income for the entire fiscal year, the Company regretfully intends to forego the payment of any dividend for the fiscal year under review. However, as operating performance is expected to improve in the upcoming fiscal year, the Group forecasts the resumption of dividends, as indicated below.

Interim dividend of ¥10 and year-end dividend of ¥10, totaling ¥20 for the year (all figures on a per share basis)

Business and Other Risks

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

1. EFFECT OF WORLD MARKET CONDITIONS

The Alps Group (the Company and consolidated subsidiaries) relies principally on markets outside of Japan, with overseas net sales accounting for 71.1% of the Company's total net sales for the year ended March 31, 2010. As such, any economic slowdown in the U.S., European and/or Asian markets involving a decline in consumer demand and/or corporate spending will adversely impact the Company's business, financial condition and results of operations.

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

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

2. COMPETITION

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

3. CUSTOMER NEEDS AND THE INTRODUCTION OF NEW TECHNOLOGIES

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

4. CUSTOMERS' PRODUCTION PLANS

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

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

5. RISKS INHERENT TO OVERSEAS OPERATIONS

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

6. SUPPLY STRUCTURE FOR SPECIFIC COMPONENTS

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

7. FLUCTUATIONS IN OPERATING RESULTS

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

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

8. INTELLECTUAL PROPERTY

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

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

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

9. FOREIGN EXCHANGE RISKS

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

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

10. PUBLIC LAWS AND REGULATIONS

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

11. 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 natural disasters, 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. RISK RELATING TO FUND MANAGEMENT

In addition to a syndicated loan from correspondent banks, 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.

FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2011

1. Electronic Components Segment

In the electronic components segment, we believe that new business initiatives are essential to survival in the global marketplace. Accordingly, we will strive to deliver products that require sophisticated manufacturing facilities and that employ proprietary expertise in materials and monozukuri (manufacturing), as well as accelerating our development of products that competitors cannot easily emulate. At the same time, we will eliminate unprofitable products, working assiduously to replace them with high-value-added products. Specifically, to increase sales of switches, sensors and other components, in which we enjoy a high market share, we will redouble sales efforts targeting new markets that have not employed networks in the past. We will also take a proactive approach toward proposing modular products—which incorporate these components—to the automotive and consumer markets. On the production front, we will continue to concentrate on the structural reforms that we commenced in the fiscal year ended March 31, 2010, as we work to bolster profitability and stage a rebound in our operating performance.

In the fiscal year ending March 31, 2011, we anticipate sales in this segment of ¥286.0 billion, and operating income of ¥14.0 billion.

2. Audio Equipment Segment

Global automobile sales appear to have bottomed out, but with support systems for new car purchases drawing to a close in various countries, a backlash can be anticipated in terms of intensified competition. Furthermore, as demand expands for eco cars such as hybrid and electric vehicles and fuel-efficient compact cars, car electronics products should enjoy steady demand growth on the back of trends toward lightweight and energy-efficient vehicles.

In this operating environment, the audio equipment business will continue to adhere to its cost-containment strategies and to lower its breakeven point. In terms of products, we will differentiate ourselves from our competitors by leading the industry in developing and launching new products. Furthermore, we are aiming to boost sales of OEM products for automobile manufacturers by introducing products for small and medium-sized models, designed with cost effectiveness in mind, to cater to demand from developing nations. In particular, to gain new business in the expanding Chinese automobile market, we will carry out aggressive marketing activities toward Chinese automobile manufacturers to bolster new orders.

In the audio equipment segment, we forecast sales of ¥178.0 billion and operating income of ¥6.0 billion.

3. Logistics and Others Segment

In the logistics business, orders from mainstay clients in the electronic components sector are beginning to rebound, and economic recovery, albeit slight, appears likely to continue. In the logistics segment, we are pushing forward with activities designed to raise the quality of our business and strengthen our operations, as we work to secure cargo handling volumes amid increasingly stiff competition.

In this operating environment, we will continue to augment our bases of operation in Japan and overseas, as well as reinforcing our networks, as we work to expand our global "One Channel Service" offerings. We will also endeavor to expand sales by cultivating new customers and raising our consignment percentages from existing clients. We are working to build a system of operations that will enable us to respond flexibly to changes in cargo volumes. Continued progress on this front should aid our efforts to generate profits.

In other businesses, we will seek to contribute to sales and income by strengthening activities targeting sales outside the Alps Group.

For the fiscal year ending March 31, 2011, we forecast sales ¥56.0 billion and operating income of ¥4.3 billion for the logistics and others segment.

The Alps Group forecasts following consolidated operating results for the fiscal year ending March 31, 2011

Net sales	¥520.0 billion (up 5.3% year on year)
Operating income	¥24.0 billion (up 406.0% year on year)*
Ordinary income	¥21.5 billion
Net income	¥14.0 billion

These forecasts assume exchange rates of US$1.00 = ¥90 and €1.00 = ¥120.

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

CONSOLIDATED BALANCE SHEETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2010 and 2009

		Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS		2010	2009	2010
Current assets:	Cash and time deposits (Notes 16 and 17)	¥ 89,287	¥ 68,373	$ 960,075
	Investment securities (Notes 4 ,16 and 17)	0	0	0
	Notes and accounts receivable-trade (Note 17):			
	Unconsolidated subsidiaries and affiliated companies	1,196	863	12,860
	Other	88,638	69,414	953,097
	Allowance for doubtful accounts	(874)	(2,561)	(9,398)
	Inventories (Note 5)	48,150	52,097	517,742
	Deferred tax assets (Note 15)	4,538	2,580	48,796
	Other current assets	15,896	21,846	170,925
	Total current assets	246,831	212,612	2,654,097
Property, plant and equipment (Note 6):	Land (Note 10)	29,952	29,863	322,065
	Buildings and structures	116,838	113,761	1,256,323
	Machinery and equipment	267,640	290,140	2,877,849
	Construction in progress	2,655	3,599	28,548
		417,085	437,363	4,484,785
	Less accumulated depreciation and impairment losses	(308,394)	(326,765)	(3,316,065)
	Property, plant and equipment, net	108,691	110,598	1,168,720
Investments and other assets:	Intangible assets, net	11,697	14,102	125,774
	Investments in and advances to unconsolidated			
	subsidiaries and affiliated companies (Notes 4 and 17)	6,406	6,176	68,882
	Investment securities (Notes 4 and 17)	18,443	12,793	198,312
	Deferred tax assets (Note 15)	5,712	4,381	61,419
	Other assets (Note 7)	13,165	14,623	141,559
	Total investments and other assets	55,423	52,075	595,946
	Total assets	¥ 410,945	¥ 375,285	$ 4,418,763

See accompanying notes.

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2010 and 2009

LIABILITIES AND NET ASSETS		Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:	Short-term loans payable (Notes 6 and 17)	¥ 35,792	¥ 43,084	$ 384,860
	Long-term debt due within one year (Notes 6 and 17)	14,211	33,674	152,806
	Notes and accounts payable-trade (Note 17):			
	Unconsolidated subsidiaries and affiliated companies	1,476	552	15,871
	Other	50,789	31,980	546,118
	Income taxes payable	3,226	2,401	34,688
	Accrued expenses	26,126	26,043	280,925
	Deferred tax liabilities (Note 15)	65	162	699
	Other current liabilities	14,047	16,223	151,044
	Total current liabilities	145,732	154,119	1,567,011
Non-current liabilities:	Long-term debt (Notes 6 and 17)	66,396	27,643	713,936
	Accrued employees' severance and pension costs (Note 7)	2,955	2,577	31,774
	Deferred tax liabilities (Note 15)	4,719	2,833	50,742
	Other non-current liabilities	4,681	3,322	50,333
	Total non-current liabilities	78,751	36,375	846,785
	Total liabilities	224,483	190,494	2,413,796
Contingent liabilities (Note 8)				
Net assets (Note 9):	Shareholders' equity:			
	Common stock:			
	Authorized - 500,000,000 shares			
	Issued - 181,559,956 shares in 2010 and 2009	23,624	23,624	254,021
	Capital surplus	45,587	45,587	490,183
	Retained earnings	60,494	59,940	650,473
	Treasury stock - 2,335,649 shares in 2010 and 2,333,204 shares in 2009	(3,542)	(3,541)	(38,086)
	Total shareholders' equity	126,163	125,610	1,356,591
	Valuation, translation adjustments and other:			
	Net unrealized gains on securities	4,018	1,968	43,204
	Revaluation reserve for land (Note 10)	(569)	(569)	(6,118)
	Foreign currency translation adjustments	(16,907)	(15,882)	(181,796)
	Total valuation, translation adjustments and other	(13,458)	(14,483)	(144,710)
	Minority interests	73,757	73,664	793,086
	Total net assets	186,462	184,791	2,004,967
	Total liabilities and net assets	¥ 410,945	¥ 375,285	$ 4,418,763

		Yen 2010	Yen 2009	U.S. dollars (Note 1) 2010
Amounts per share of common stock:	Net assets	¥ 628.85	¥ 620.04	$ 6.76

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2010, 2009 and 2008

		Millions of yen			Thousands of U.S. dollars (Note 1)
		2010	2009	2008	2010
Net sales		¥ 493,639	¥ 538,995	¥ 692,656	$ 5,307,946
Costs and expenses (Note 12):	Cost of sales	415,095	484,079	587,210	4,463,387
	Selling, general and administrative expenses (Note 11)	73,801	81,440	85,570	793,559
		488,896	565,519	672,780	5,256,946
Operating income (loss)		4,743	(26,524)	19,876	51,000
Other income (expenses):	Interest and dividend income	543	1,326	2,056	5,839
	Interest expense	(1,802)	(972)	(1,369)	(19,376)
	Foreign exchange (losses) gains, net	(1,839)	1,815	(7,172)	(19,774)
	Other, net (Notes 13 and 14)	(1,283)	(32,816)	4,917	(13,796)
		(4,381)	(30,647)	(1,568)	(47,107)
Income (loss) before income taxes and minority interests		362	(57,171)	18,308	3,893
Income taxes (Note 15):	Current	4,150	3,471	14,122	44,624
	Deferred	(4,097)	14,564	(3,562)	(44,054)
		53	18,035	10,560	570
Income (loss) before minority interests		309	(75,206)	7,748	3,323
Minority interests in losses (earnings) of consolidated subsidiaries		261	5,142	(3,330)	2,806
Net income (loss)		¥ 570	¥ (70,064)	¥ 4,418	$ 6,129

		Yen			U.S. dollars (Note 1)
		2010	2009	2008	2010
Amounts per share of common stock:	Net income (loss)	¥ 3.18	¥ (390.93)	¥ 24.65	$ 0.03
	Diluted net income	2.74	—	22.32	0.03
	Cash dividends applicable to the year	—	10.00	20.00	—

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2010, 2009 and 2008

		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, 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
Net income				570							570
Effect of new accounting standard in the United States on retained earnings at beginning of foreign subsidiaries				(16)							(16)
Dividends											—
Purchase of treasury stock					(2)						(2)
Disposal of treasury stock				(0)	1						1
Changes in items other than shareholders' equity, net						2,050			(1,025)	93	1,118
Balance at March 31, 2010	181,559,956	¥ 23,624	¥ 45,587	¥ 60,494	¥ (3,542)	¥ 4,018	¥ —	¥ (569)	¥ (16,907)	¥ 73,757	¥ 186,462

	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, 2009	$ 254,021	$ 490,183	$ 644,516	$ (38,075)	$ 21,161	$ —	$ (6,118)	$ (170,774)	$ 792,086	$ 1,987,000
Net income			6,129							6,129
Effect of new accounting standard in the United States on retained earnings at beginning of foreign subsidiaries			(172)							(172)
Dividends										—
Purchase of treasury stock				(22)						(22)
Disposal of treasury stock			0	11						11
Changes in items other than shareholders' equity, net					22,043			(11,022)	1,000	12,021
Balance at March 31, 2010	$ 254,021	$ 490,183	$ 650,473	$ (38,086)	$ 43,204	$ —	$ (6,118)	$ (181,796)	$ 793,086	$ 2,004,967

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
Cash flows from operating activities:				
Income (loss) before income taxes and minority interests	¥ 362	¥ (57,171)	¥ 18,308	$ 3,893
Depreciation and amortization	21,223	29,942	37,771	228,204
Impairment loss	87	27,164	20,445	935
(Decrease) increase in allowance for doubtful accounts	(1,104)	2,848	(414)	(11,871)
Increase (Decrease) in accrued bonuses	196	(2,863)	742	2,108
Increase (Decrease) in accrued product warranties	515	(815)	(694)	5,538
Decrease in prepaid pension costs	1,698	1,218	690	18,258
Decrease in accrued expenses	(406)	(3,940)	(724)	(4,366)
Interest and dividend income	(543)	(1,326)	(2,056)	(5,839)
Interest expense	1,802	972	1,369	19,376
Net (gains) losses on sales and disposal of fixed assets	(236)	(533)	562	(2,538)
Loss on write-down of investment securities	263	4,557	744	2,828
(Increase) decrease in notes and accounts receivable-trade	(21,028)	30,605	15,101	(226,108)
Decrease in inventories	3,479	20,082	1,507	37,409
Increase (decrease) in notes and accounts payable-trade	20,224	(22,748)	(4,746)	217,462
Business structure improvement expenses	1,525	1,224	—	16,398
Decrease (increase) in income taxes receivable	2,731	(3,556)	3,177	29,366
Gain on sale of patents and know-how	—	—	(27,087)	—
Gain on valuation of options	—	(2,578)	—	—
Other, net	1,947	1,304	(785)	20,936
Subtotal	32,735	24,386	63,910	351,989
Interest and dividends received	497	1,353	1,945	5,344
Interest expense paid	(1,568)	(955)	(1,400)	(16,860)
Payments for income taxes	(2,694)	(9,779)	(11,337)	(28,968)
Net cash provided by operating activities	28,970	15,005	53,118	311,505
Cash flows from investing activities:				
Purchase of property, plant and equipment	(17,523)	(41,145)	(39,099)	(188,419)
Proceeds from sales of property, plant and equipment	1,311	941	2,286	14,097
Purchase of intangible assets	(2,419)	(5,144)	(5,909)	(26,011)
Purchase of investment securities	(51)	(685)	(6,306)	(548)
Proceeds from sales of investment securities	275	386	298	2,957
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	(0)	(1,761)	(40)	(0)
Purchase of stocks of subsidiaries and affiliates	(44)	(789)	—	(473)
Other, net	(1,081)	(868)	(596)	(11,624)
Net cash used in investing activities	(19,532)	(49,065)	(15,073)	(210,021)
Cash flows from financing activities:				
Net (decrease) increase in short-term loans payable	(7,000)	30,673	(27,201)	(75,269)
Proceeds from long-term loans payable	53,587	3,353	2,578	576,204
Repayment of long-term loans payable	(5,568)	(851)	(7,205)	(59,871)
Redemption of bonds	(28,600)	—	—	(307,527)
Cash dividends paid	—	(3,584)	(3,585)	—
Cash dividends paid to minority shareholders	(636)	(1,201)	(1,489)	(6,838)
Repayments of lease obligations	(635)	(317)	—	(6,828)
Proceeds from sale and leaseback transactions	1,031	—	—	11,086
Other, net	16	(47)	(391)	172
Net cash provided by (used in) financing activities	12,195	28,026	(37,293)	131,129
Effect of exchange rate change on cash and cash equivalents	(1,236)	(4,820)	(4,421)	(13,290)
Net increase (decrease) in cash and cash equivalents	20,397	(10,854)	(3,669)	219,323
Cash and cash equivalents at beginning of period	68,325	79,179	82,751	734,677
Cash and cash equivalents at the date of merger held by the merged company	—	—	97	—
Cash and cash equivalents at end of period (Note 16)	¥ 88,722	¥ 68,325	¥ 79,179	$ 954,000

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2010

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, 2010 which was ¥93.0 to U.S.$1.00. The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollars at the above or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

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

(b) Equity method

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

(c) Cash equivalents

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

(d) Investment securities

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

(e) Allowance for doubtful accounts

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

(f) Inventories

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

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

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

The estimated useful lives are summarized as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(i) Leased assets

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

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

(j) Foreign currency translation

Foreign currency transactions

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

Foreign currency financial statements

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

(k) Accrued employees' bonuses

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

(l) Accrued directors' bonuses

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

(m) Accrued warranty costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 (mainly 15 or 16 years).
Prior service cost is being amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (1 year except for certain domestic consolidated subsidiaries for which it ranges from 4 to 13 years).

(p) Accrued directors' severance costs

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

(q) Allowance for environmental preservation costs

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

(r) Basis for revenue recognition on finance leases

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

(s) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(t) 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 zshares 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.

(u) Derivative financial instruments

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

Changes in the fair value of derivatives

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

Interest rate swap agreements

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

(v) Accounting for consumption taxes

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

(w) Reclassifications

Certain prior-year amounts have been reclassified to conform to the 2010 presentation.

3. ACCOUNTING CHANGES

(a) Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)

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

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

(b) 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.

(c) 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.

(d) 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.

3. ACCOUNTING CHANGES

(e) 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.

(f) 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.

(g) 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 21. SEGMENT INFORMATION.

4. INVESTMENT SECURITIES

Securities classified as other securities at March 31, 2010 and 2009 are summarized as follows:

		Millions of yen			Thousands of U.S. dollars		
		2010			2010		
		Fair value	Cost	Unrealized gains (losses)	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:	Equity securities	¥ 17,432	¥ 5,561	¥ 11,871	$ 187,441	$ 59,796	$ 127,645
Securities for which cost exceeds fair value:	Equity securities	189	307	(118)	2,032	3,301	(1,269)
Total		¥ 17,621	¥ 5,868	¥ 11,753	$ 189,473	$ 63,097	$ 126,376

		Millions of yen		
		2009		
		Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:	Equity securities	¥ 9,413	¥ 3,158	¥ 6,255
Securities for which cost exceeds fair value:	Equity securities	2,567	6,572	(4,005)
Total		¥ 11,980	¥ 9,730	¥ 2,250

(Note) Unlisted stocks and other at March 31, 2010 and 2009 in the amounts of ¥822 million ($8,839 thousand) and ¥813 million, respectively, have been excluded from other securities listed above because it is extremely difficult to determine the fair value.

Proceeds from sales of securities classified as other securities for the years ended March 31, 2010, 2009 and 2008 were ¥275 million ($2,957 thousand), ¥386 million and ¥298 million, respectively. Gross realized gains and losses for the year ended March 31, 2010 were ¥243 million ($2,613 thousand) and ¥2 million ($22 thousand), respectively. Gross realized gains and losses for the year ended March 31, 2009 were ¥285 million and ¥56 million, respectively. Gross realized gains and losses for the year ended March 31, 2008 were ¥60 million and ¥0 million, respectively.

The impairment losses of ¥263 million ($2,828 thousand), ¥4,557 million and ¥744 million on securities for the years ended March 31, 2010, 2009 and 2008 were recorded for non-marketable equity securities at ¥12 million ($129 thousand), ¥3,847 million and ¥252 million, respectively, and for unconsolidated subsidiaries and affiliated companies at ¥251 million ($2,699 thousand), ¥710 million and ¥492 million, respectively.

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

5. INVENTORIES

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished products	¥ 28,934	¥ 31,428	$ 311,118
Work in process	7,634	8,739	82,086
Raw materials and supplies	11,582	11,930	124,538
	¥ 48,150	¥ 52,097	$ 517,742

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

Short-term loans payable consisted primarily of overdrafts with banks at interest rates ranging from 0.87% to 2.14% and 0.67% to 2.62% at March 31, 2010 and 2009, respectively.

Long-term debt at March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans principally from banks and insurance companies due through 2020 at interest rates ranging from 1.81% to 4.10% and 1.04% to 6.19% at March 31, 2010 and 2009, respectively	¥ 80,607	¥ 32,654	$ 866,742
Zero coupon convertible bonds due 2010	—	28,663	—
	80,607	61,317	866,742
Less amounts due within one year	14,211	33,674	152,806
	¥ 66,396	¥ 27,643	$ 713,936

At March 31, 2010 and 2009, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Property, plant and equipment, at net book value	¥ 6,002	¥ 5,675	$ 64,538

The aggregate annual maturities of long-term debt subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 14,211	$ 152,806
2012	19,086	205,226
2013	41,390	445,054
2014	3,271	35,172
2015	1,922	20,667
2016 and thereafter	727	7,817
Total	¥ 80,607	$ 866,742

7. EMPLOYEES' SEVERANCE AND PENSION COSTS

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

The following table sets forth the funded and accrued status of the defined benefit pension plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2010 and 2009 for the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥ (58,533)	¥ (57,256)	$ (629,387)
Plan assets at fair value	49,432	48,042	531,527
Funded status	(9,101)	(9,214)	(97,860)
Unrecognized actuarial net loss	12,817	14,978	137,817
Unrecognized prior service cost	(32)	(41)	(344)
Amounts recognized in the consolidated balance sheets, net	3,684	5,723	39,613
Prepaid pension cost	6,639	8,300	71,387
Accrued employees' severance and pension costs	¥ (2,955)	¥ (2,577)	$ (31,774)

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, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service cost	¥ 2,392	¥ 2,336	¥ 2,390	$ 25,720
Interest cost	1,440	1,465	1,300	15,484
Expected return on plan assets	(1,234)	(1,402)	(1,402)	(13,269)
Amortization of actuarial loss	1,653	1,329	842	17,774
Amortization of prior service cost	(8)	(8)	(8)	(86)
Additional accrued severance cost	721	5	220	7,753
Other	804	786	855	8,646
Total	¥ 5,768	¥ 4,511	¥ 4,179	$ 62,022

7. EMPLOYEES' SEVERANCE AND PENSION COSTS

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2010, 2009 and 2008 were as follows:

	2010	2009	2008
Discount rates	Mainly 2.5%	Mainly 2.5%	1.0% - 2.5%
Expected rates of return on plan assets	Mainly 2.5%	Mainly 2.5%	2.0% - 2.5%

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

(1) Funded status

Japan Travel Agents Employees Pension Funds

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2009	As of March 31, 2008	As of March 31, 2009
Pension assets	¥ 17,352	¥ 25,865	$ 186,581
Pension liabilities	24,781	24,228	266,463
Funded status	¥ (7,429)	¥ (1,363)	$ (79,882)

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

	As of March 31, 2009	As of March 31, 2008
Japan Travel Agents Employees Pension Funds	0.55%	0.52%

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 ¥68 million ($731 thousand) at March 31, 2010.

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥52,000 million ($559,140 thousand) with financial institutions at March 31, 2010. The outstanding loans payable amounted to ¥5,000 million ($53,764 thousand), and therefore, the unused balances amounted to ¥47,000 million ($505,376 thousand) under the credit facilities as of March 31, 2010.

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, 2010 and 2009 by ¥1,230 million ($13,226 thousand) and ¥1,131 million, respectively.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Salaries	¥ 25,431	¥ 26,588	¥ 29,023	$ 273,452
Employees' bonuses	2,230	1,889	1,812	23,978
Employees' severance and pension costs	1,354	995	1,147	14,559
Provision for doubtful accounts	98	2,888	157	1,054
Warranty costs	1,122	268	541	12,065
Commission expenses	6,983	7,125	7,250	75,086
Research and development expenses	10,844	10,446	10,151	116,602

Since the structural reforms of the Company and its subsidiaries have made it possible for dividing the activities of research and development and product warranty from the manufacturing activity, costs for research and development and product warranty activities of the Company and certain of its overseas consolidated subsidiaries have been included in general and administrative expenses instead of cost of sales since April 1, 2009.

As a result of this change, cost of sales decreased by ¥12,113 million ($130,247 thousand) and general and administrative expenses increased by the same amount for the year ended March 31, 2010.

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and general and administrative expenses were ¥27,843 million ($299,387 thousand), ¥40,304 million and ¥42,256 million for the years ended March 31, 2010, 2009 and 2008, respectively.

13. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statements of operations for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Loss on sale and disposal of fixed assets	¥ (791)	¥ (1,162)	¥ (1,705)	$ (8,505)
Gain on sale of fixed assets	1,027	1,696	1,143	11,043
Gain on sale of investment securities	243	285	60	2,613
Write-offs of investment securities	(263)	(4,557)	(744)	(2,828)
Equity in earnings of affiliated companies	551	463	425	5,924
Impairment losses on fixed assets	(87)	(27,164)	(20,445)	(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	—	—
Business structure improvement expenses	(1,525)	(1,224)	—	(16,398)
Loss on valuation of inventories	—	(3,446)	—	—
Commission fee	(833)	(97)	(60)	(8,957)
Reversal of allowance for doubtful accounts	616	78	220	6,624
Warranty costs for prior periods	(434)	—	—	(4,667)
Other	213	(266)	(148)	2,290
	¥ (1,283)	¥ (32,816)	¥ 4,917	$ (13,796)

14. IMPAIRMENT LOSSES ON FIXED ASSETS

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

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

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

Asset group	Asset type	Location	Millions of yen 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

(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
(Note 5) Japan and China

14. IMPAIRMENT LOSSES ON FIXED ASSETS

With respect to assets categorized in Automotive electronics business group, Peripheral products business for home group, Peripheral products business for mobile devices group, Printer business group, Communications business group, HDD heads business group, AV-head business group and LCD business group, the Companies reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses of ¥26,787 million and ¥19,926 million for the years ended March 31, 2009 and 2008 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, for machinery and equipment at ¥15,717 million, for land at ¥296 million, for lease assets at ¥1 million, for construction in progress at ¥4,321 million, for intangible assets, net at ¥1,044 million, for other assets at ¥140 million and for accumulated impairment loss on leased assets at ¥17 million. The 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 rates used in calculating discounted future cash flows for the years ended March 31, 2009 and 2008 were 4.6% and 5.4% 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 and ¥519 million for the years ended March 31, 2009 and 2008 respectively, as other expenses.

The impairment losses of ¥377 million on idle assets for the year ended March 31, 2009 were for buildings at ¥345 million and for other assets at ¥32 million. 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. 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%, 40.5% and 40.3% for the years ended March 31, 2010, 2009 and 2008, respectively.

The following table summarizes the reconciliations between the statutory tax rates and the Company's effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2010 and 2008. A reconciliation between the statutory tax rate and the Company's effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2009 is not presented because the Company recorded loss before income taxes and minority interests.

	2010	2008
Statutory tax rates	40.5%	40.3%
Change in valuation allowance	256.3	13.3
Prior years' income taxes	—	2.4
Lower tax rates at foreign subsidiaries	(554.1)	(0.3)
Tax credit on R&D costs and other	—	(6.1)
Non-deductible expenses	212.7	2.9
Other	59.2	5.2
Effective tax rates	14.6%	57.7%

15. INCOME TAXES

The significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Tax loss carryforwards	¥ 26,501	¥ 18,071	$ 284,957
Accrued employees' severance and pension costs	884	663	9,505
Intercompany profit	3,926	3,974	42,215
Write-offs of inventories	1,394	1,494	14,989
Depreciation	13,196	17,836	141,892
Accrued employees' bonuses	2,373	2,158	25,516
Write-offs of investment securities	2,246	2,297	24,151
Accrued warranty costs	873	857	9,387
Accrued expenses	497	695	5,344
Other	5,735	6,285	61,668
Gross deferred tax assets	57,625	54,330	619,624
Valuation allowance	(40,160)	(39,233)	(431,828)
Less deferred tax liabilities in the same tax jurisdiction	(7,215)	(8,136)	(77,581)
Total deferred tax assets	10,250	6,961	110,215
Deferred tax liabilities:			
Unrealized gain on investment securities	4,387	2,158	47,172
Prepaid pension cost	2,301	3,392	24,742
Reserve for advanced depreciation of noncurrent assets	—	1,496	—
Reserve for special account for advanced depreciation of noncurrent assets	—	282	—
Accelerated depreciation of property, plant and equipment	56	365	602
Investment in an affiliated company	—	905	—
Unappropriated retained earnings of foreign subsidiaries	1,530	1,691	16,452
Other	3,725	842	40,054
Gross deferred tax liabilities	11,999	11,131	129,022
Less deferred tax assets in the same tax jurisdiction	(7,215)	(8,136)	(77,581)
Total deferred tax liabilities	4,784	2,995	51,441
Net deferred tax assets	¥ 5,466	¥ 3,966	$ 58,774

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, 2010 and 2009 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and time deposits	¥ 89,287	¥ 68,373	$ 960,075
Investment securities	0	0	0
Subtotal	89,287	68,373	960,075
Less: Time deposits with a maturity of more than three months when purchased	(647)	(469)	(6,957)
Add: Repurchase agreement maturing within three months	82	421	882
Cash and cash equivalents	¥ 88,722	¥ 68,325	$ 954,000

17. FINANCIAL INSTRUMENTS

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

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

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

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

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

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

(3) Risk management for financial instruments

(a) Monitoring of credit risk

(the risk that customers or counterparties may default)

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

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

17. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

17. FINANCIAL INSTRUMENTS

Estimated Fair Value of Financial Instruments

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

		Millions of yen			Thousands of U.S. dollars		
		2010			2010		
		Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Assets:	Cash and time deposits	¥ 89,287	¥ 89,287	¥ —	$ 960,075	$ 960,075	$ —
	Notes and accounts receivable-trade	89,834	89,834	—	965,957	965,957	—
	Investment securities (current assets)	0	0	—	0	0	—
	Investment securities	17,621	17,621	—	189,473	189,473	—
Total assets		¥ 196,742	¥ 196,742	¥ —	$ 2,115,505	$ 2,115,505	$ —
Liabilities:	Notes and accounts payable-trade	¥ 52,265	¥ 52,265	¥ —	$ 561,989	$ 561,989	$ —
	Short-term loans payable	35,792	35,792	—	384,860	384,860	—
	Long-term debt due within one year	14,211	14,211	—	152,806	152,806	—
	Long-term debt	66,396	66,939	543	713,936	719,775	5,839
Total liabilities		¥ 168,664	¥ 169,207	¥ 543	$ 1,813,591	$ 1,819,430	$ 5,839
Derivatives*		¥ 403	¥ 403	¥ —	$ 4,333	$ 4,333	$ —

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

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

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

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

(b) Investment securities

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

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

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

(d) Long-term debt

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

(e) Derivatives

Please refer to Note 18 DERIVATIVE FINANCIAL INSTRUMENTS.

17. FINANCIAL INSTRUMENTS

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

	Millions of yen		Thousands of U.S. dollars	
		2010		2010
		Carrying value		Carrying value
Investment in unconsolidated subsidiaries and affiliated companies	¥	6,197	$	66,634
Unlisted stocks and other included in investment securities	¥	822	$	8,839

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

Note 3: Redemption schedule for receivables and marketable securities with maturities at March 31, 2010

		Millions of yen		Thousands of U.S. dollars	
			2010		2010
Due in one year or less	Cash and time deposits	¥	89,287	$	960,075
	Notes and accounts receivable-trade		89,834		965,957
Total		¥	179,121	$	1,926,032

Note 4: The redemption schedule for long-term debt is disclosed in Note 6 SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT. The aggregate annual maturities of finance lease obligations subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars	
2011	¥	748	$	8,043
2012		684		7,355
2013		476		5,118
2014		204		2,194
2015		182		1,957
2016 and thereafter		67		720
Total	¥	2,361	$	25,387

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2010 and 2009, to which hedge accounting has not been applied, are summarized as follows:

		Millions of yen			Thousands of U.S. dollars		
		2010			2010		
		Notional amounts	Estimated fair value	Unrealized gains (losses)	Notional amounts	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:							
Sell:	U.S. dollars	¥ 6,290	¥ (127)	¥ (127)	$ 67,634	$ (1,366)	$ (1,366)
	Euro	4,754	34	34	51,118	366	366
Currency option contracts:							
Sell:	Call-Euro	¥ 4,115	¥ —	¥ —	$ 44,247	$ —	$ —
Buy:	Put-Euro	¥ 2,058	¥ 496	¥ 496	$ 22,129	$ 5,333	$ 5,333

		Millions of yen		
		2009		
		Notional amounts	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Sell:	U.S. dollars	¥ 4,634	¥ 4,875	¥ (241)
	Euro	7,206	5,711	1,495
Buy:	U.S. dollars	¥ 520	¥ 520	¥ 0
	Euro	727	727	(0)
Currency option contracts:				
Sell:	Call-Euro	¥ 24,690	¥ 582	¥ (125)
Buy:	Put-Euro	¥ 12,345	¥ 3,409	¥ 2,703

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. DERIVATIVE FINANCIAL INSTRUMENTS

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

	Millions of yen		Thousands of U.S. dollars	
	2010		2010	
	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Interest-rate swap which meet specific criteria:				
Interest-rate swap agreement:				
Pay / fixed and receive / floating				
Long-term debt	¥ 8,799	¥ —	$ 94,613	$ —

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

19. LEASES

As lessee:

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

The following pro forma amounts represent the acquisition costs, accumulated depreciation/impairment and net book value of the leased assets at March 31, 2010 and 2009, 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
	2010	2009	2010
Acquisition costs of machinery and equipment	¥ 558	¥ 1,326	$ 6,000
Accumulated depreciation of machinery and equipment	516	1,128	5,548
Accumulated impairment of machinery and equipment	—	15	—
Net book value	¥ 42	¥ 183	$ 452

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2010 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 32	$ 344
2012 and thereafter	10	108
	¥ 42	$ 452

There is no accumulated impairment loss on leased assets as of March 31, 2010 for finance leases accounted for as operating leases.

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements for the years ended March 31, 2010, 2009 and 2008 totaled ¥121 million ($1,301 thousand), ¥299 million and ¥383 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, 2010, 2009 and 2008 amounted to ¥121 million ($1,301 thousand), ¥299 million and ¥383 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.

19. LEASES

The Company's future minimum lease payments subsequent to March 31, 2010 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 1,079	$ 11,602
2012 and thereafter	2,381	25,602
	¥ 3,460	$ 37,204

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Lease receivables	¥ 938	¥ 1,096	$ 10,086
Estimated residual value	—	4	—
Interest portion of lease receivables	(87)	(107)	(935)
Investment in lease assets	¥ 851	¥ 993	$ 9,151

The collection schedule of lease receivables related to investment in lease assets at March 31, 2010 is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 303	$ 3,258
2012	237	2,548
2013	157	1,688
2014	91	979
2015	61	656
2016 and thereafter	89	957

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.

19. 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, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Acquisition costs of machinery and equipment	¥ 4	¥ 4	$ 44
Accumulated depreciation of machinery and equipment	2	2	22
Net book value	¥ 2	¥ 2	$ 22

The future minimum lease income subsequent to March 31, 2010 under finance leases accounted for as operating leases is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 1	$ 11
2012 and thereafter	1	11
	¥ 2	$ 22

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, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Lease income	¥ 1	¥ 33	¥ 413	$ 11
Depreciation/amortization	¥ 1	¥ 6	¥ 345	$ 11
Interest portion of lease income	¥ 0	¥ 2	¥ 49	$ 0

The Company's future minimum lease receivables subsequent to March 31, 2010 for non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 11	$ 119
2012 and thereafter	3	32
	¥ 14	$ 151

20. 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 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
	2009
Purchase of subsidiary shares	¥ 13

The transfer price of the shares was determined based on net assets of the subsidiary at March 31, 2008.

21. 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, 2010, 2009 and 2008 is summarized as follows:

		Millions of yen				
Year ended March 31, 2010		Electronic components	Audio equipment	Logistics and other	Eliminations	Consolidated
Net sales	External customers	¥ 274,155	¥ 166,199	¥ 53,285	¥ —	¥ 493,639
	Inter-segment sales and transfers	7,097	2,387	22,815	(32,299)	—
Subtotal		281,252	168,586	76,100	(32,299)	493,639
Costs and expenses		280,856	168,359	72,315	(32,634)	488,896
Operating income		¥ 396	¥ 227	¥ 3,785	¥ 335	¥ 4,743
Total assets		¥ 226,276	¥ 153,428	¥ 80,684	¥ (49,443)	¥ 410,945
Depreciation and amortization		¥ 10,771	¥ 8,352	¥ 2,239	¥ (139)	¥ 21,223
Capital expenditures		¥ 11,914	¥ 4,379	¥ 2,508	¥ (321)	¥ 18,480
Year ended March 31, 2009						
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
Year ended March 31, 2008						
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

		Thousands of U.S. dollars				
Year ended March 31, 2010		Electronic components	Audio equipment	Logistics and other	Eliminations	Consolidated
Net sales	External customers	$ 2,947,903	$ 1,787,086	$ 572,957	$ —	$ 5,307,946
	Inter-segment sales and transfers	76,312	25,667	245,323	(347,302)	—
Subtotal		3,024,215	1,812,753	818,280	(347,302)	5,307,946
Costs and expenses		3,019,957	1,810,312	777,581	(350,904)	5,256,946
Operating income		$ 4,258	$ 2,441	$ 40,699	$ 3,602	$ 51,000
Total assets		$ 2,433,075	$ 1,649,763	$ 867,570	$ (531,645)	$ 4,418,763
Depreciation and amortization		$ 115,817	$ 89,806	$ 24,075	$ (1,494)	$ 228,204
Capital expenditures		$ 128,108	$ 47,086	$ 26,968	$ (3,452)	$ 198,710

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

(1) In connection with Note 3(b), 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, to decrease operating loss by ¥31 million and to decrease operating income by ¥17 million, respectively.

21. SEGMENT INFORMATION

Geographical segments

The geographic segment information of the Companies for the years ended March 31, 2010, 2009 and 2008 is summarized as follows:

		Millions of yen						
Year ended March 31, 2010		Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales	External customers	¥ 184,087	¥ 70,710	¥ 120,780	¥ 116,650	¥ 1,412	¥ —	¥ 493,639
	Inter-segment sales and transfers	228,410	753	35,582	109,454	0	(374,199)	—
Subtotal		412,497	71,463	156,362	226,104	1,412	(374,199)	493,639
Costs and expenses		419,817	69,601	151,608	215,684	1,258	(369,072)	488,896
Operating (loss) income		¥ (7,320)	¥ 1,862	¥ 4,754	¥ 10,420	¥ 154	¥ (5,127)	¥ 4,743
Total assets		¥ 312,509	¥ 30,560	¥ 59,834	¥ 119,516	¥ 675	¥ (112,149)	¥ 410,945
Year ended March 31, 2009								
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								
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

		Thousands of U.S. dollars						
Year ended March 31, 2010		Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales	External customers	$ 1,979,430	$ 760,322	$ 1,298,710	$ 1,254,301	$ 15,183	$ —	$ 5,307,946
	Inter-segment sales and transfers	2,456,022	8,097	382,602	1,176,925	0	(4,023,646)	—
Subtotal		4,435,452	768,419	1,681,312	2,431,226	15,183	(4,023,646)	5,307,946
Costs and expenses		4,514,162	748,397	1,630,194	2,319,183	13,527	(3,968,517)	5,256,946
Operating (loss) income		$ (78,710)	$ 20,022	$ 51,118	$ 112,043	$ 1,656	$ (55,129)	$ 51,000
Total assets		$ 3,360,312	$ 328,602	$ 643,376	$ 1,285,118	$ 7,258	$ (1,205,903)	$ 4,418,763

*The effects of the changes in accounting policies and procedures on the segment information were as follows:
(1) In connection with Note 3(b), the effect of the change on "Japan" and "Asia" for the year ended March 31, 2009 was to increase operating loss by ¥108 million and to decrease operating income by ¥9 million.

21. SEGMENT INFORMATION

Overseas sales

Overseas sales of the Companies by geographic area for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen				
Year ended March 31, 2010	North America	Europe	Asia	Other areas	Total
Overseas sales	¥ 75,182	¥ 124,095	¥ 148,283	¥ 3,580	¥ 351,140
Net sales					¥ 493,639
Percentage of overseas sales	15%	25%	30%	1%	71%
Year ended March 31, 2009					
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					
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%

	Thousands of U.S. dollars				
Year ended March 31, 2010	North America	Europe	Asia	Other areas	Total
Overseas sales	$ 808,408	$ 1,334,355	$ 1,594,441	$ 38,495	$ 3,775,699
Net sales					$ 5,307,946
Percentage of overseas sales	15%	25%	30%	1%	71%

22. SIGNIFICANT SUBSEQUENT EVENTS

Based on the joint venture agreement concluded between the Company and Innovation Network Corporation of Japan ("INCJ") on March 31, 2010, Alps Green Devices Co., Ltd. (the "New Company") was established by means of an incorporation-type company split, and the New Company allotted 3,529 shares of common stock to INCJ through an increase in capital by way of a private placement of shares on May 17, 2010. As a result, the Company and INCJ hold 73.9% and 26.1% of shares of New Company, respectively, and the Company will recognize the gain on change in equity of ¥2.1 billion for the year ending March 31, 2011.

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1191
Fax: +81 3 3503 1277

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, 2010 and 2009, 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, 2010, 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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, 2010

Perfecting the Art of Electronics

ALPS®

ALPS ELECTRIC CO., LTD.
Corporate Communication Group, CSR Dept.

1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo, 145-8501, JAPAN
Tel: +81(3)5499-8026
Fax: +81(3)3726-9797
E-mail: irgroup@jp.alps.com
http://www.alps.com/