Perfecting the Art of Electronics

ALPS®

Business Report 2012

For the year ended March 31, 2012

ALPS ELECTRIC CO., LTD.

SIX-YEAR FINANCIAL SUMMARY

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2012, 2011, 2010, 2009, 2008, and 2007

Millions of yen, except for per share data

		2012	2011	2010	2009	2008	2007
For the years ended March 31:	Net sales	¥ 526,501	¥ 550,669	¥ 493,639	¥ 538,995	¥ 692,656	¥ 708,127
	(Overseas sales)	387,541	407,938	351,140	384,329	498,410	529,725
	Cost of sales	432,589	441,498	415,095	484,079	587,210	596,857
	Selling, general and administrative expenses	78,741	80,299	73,801	81,440	85,570	89,193
	Operating income (loss)	15,171	28,872	4,743	(26,524)	19,876	22,077
	Income (loss) before income taxes and minority interests	15,629	21,269	362	(57,171)	18,308	20,817
	Income taxes	8,331	5,970	53	18,035	10,560	10,536
	Net income (loss)	4,175	11,137	570	(70,064)	4,418	4,918
	Cash flows (*1)	20,350	28,055	21,793	(43,707)	38,604	40,403
	Amounts per share of common stock:						
	Net income (loss)	¥ 23.29	¥ 62.14	¥ 3.18	¥ (390.93)	¥ 24.65	¥ 27.40
	Cash dividends applicable to the year	20.00	20.00	—	10.00	20.00	20.00
As of March 31:	Current assets	¥ 275,710	¥ 268,965	¥ 246,831	¥ 212,612	¥ 289,623	¥ 321,400
	Current liabilities	206,312	152,695	145,732	154,119	148,312	184,474
	Working capital	69,398	116,270	101,099	58,493	141,311	136,926
	Long-term debt	26,377	69,134	66,396	27,643	58,841	57,308
	Total net assets	193,138	190,751	186,462	184,791	280,318	294,018
	Total assets	442,052	427,530	410,945	375,285	494,756	548,044
Sales by reportable segment:	Electronic components (*2):	¥ 268,917	¥ 296,153	¥ 274,155	¥ 291,996	¥ 391,424	¥ 396,448
		51.1%	53.8%	55.5%	54.2%	56.5%	56.0%
	Automotive business	132,486	124,934	112,522	—	—	—
		25.2%	22.7%	22.8%	—	—	—
	Home, Mobile & Industry business	136,431	171,219	161,633	—	—	—
		25.9%	31.1%	32.7%	—	—	—
	Audio equipment	200,248	198,359	166,199	193,226	247,544	261,274
		38.0%	36.0%	33.7%	35.8%	35.7%	36.9%
	Logistics	47,999	47,505	44,977	45,368	45,496	42,134
		9.1%	8.6%	9.1%	8.4%	6.6%	5.9%
	Other	9,337	8,652	8,308	8,405	8,192	8,271
		1.8%	1.6%	1.7%	1.6%	1.2%	1.2%
	Total	¥ 526,501	¥ 550,669	¥ 493,639	¥ 538,995	¥ 692,656	¥ 708,127
	Percentage of sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(*1) "Cash flows" 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 the Electronic components segment by two categories from 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 global economy was characterized by growing fears of recession, caused by increasing levels of European financial uncertainty compounded by a slowing pace of recovery in the U.S. economy. In the Japanese economy as well, although we had anticipated demand associated with recovery following the Great East Japan Earthquake, the economy failed to recover, owing to overseas economic uncertainty, post-war highs in the exchange value of the yen, and the impact of flooding in Thailand, among other factors. Amid these conditions, the economic outlook remains opaque.

Against this backdrop, during the year the Alps Group posted consolidated net sales of ¥526.5 billion, down 4.4% from the preceding fiscal year. Operating income fell 47.5%, to ¥15.1 billion; ordinary income dropped 38.1%, ¥14.3 billion; and net income decreased 62.5%, to ¥4.1 billion. During the fiscal year under review, average exchange rates were ¥79.08 to the U.S. dollar and ¥108.98 to the euro. This represents yen appreciation of ¥6.64 and ¥4.14 against these respective currencies.

(2) Sales

Net sales during the year came to ¥526.5 billion, down ¥24.1 billion, or 4.4%, from the preceding fiscal year.

Sales in the electronic components segment were down ¥27.2 billion, or 9.2%, to ¥268.9 billion. In the audio equipment business, sales came to ¥200.2 billion, up ¥1.8 billion, or 1.0%, year on year. In the logistics segment, meanwhile, sales grew ¥0.4 billion, or 1.0%, to ¥47.9 billion.

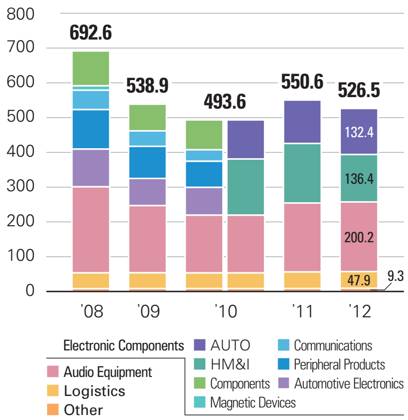
Ongoing appreciation of the yen against the U.S. dollar and the euro had the effect of reducing net sales by ¥16.1 billion during the year.

(3) Operating Income

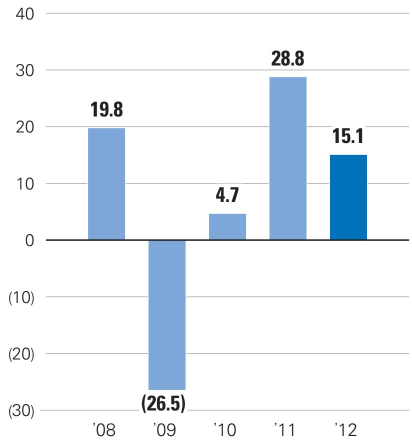
The Group recorded operating income of ¥15.1 billion, representing a year-on-year decrease of ¥13.7 billion, or 47.5%. The overall effect on the Alps Group of the yen's appreciation against the U.S. dollar and the euro was to reduce income by ¥4.2 billion.

Aside from the effects of exchange rate fluctuations, Alps mounted a groupwide effort to expand sales and hold down fixed costs. However, operating income was down year on year in all segments. Decreases in operating income amounted to ¥5.2 billion in the electronic components segment, ¥4.4 billion in the audio equipment business and ¥0.1 billion in the logistics segment.

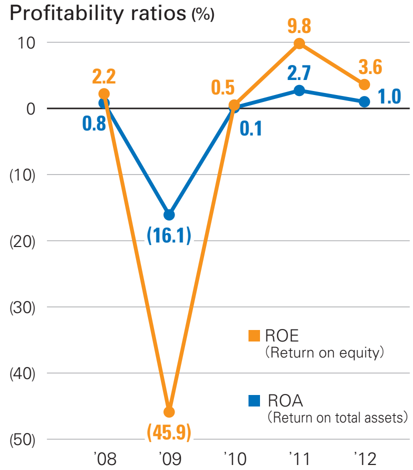
Sales by product category (Billions of ¥)



Operating Income (Billions of ¥)



Profitability ratios (%)



Business Segments

i. Electronic Components

In the electronics industry, growth in the demand for electronic components for use in televisions, personal computers and other consumer equipment was sluggish, owing to the decelerating economy, combined with the rise of manufacturers in emerging markets. Ongoing yen appreciation also affected segment performance, with sales and income both down year on year.

Results by division are described below.

AUTO (Automotive) Division

Front panel

In the automobile-related markets that are the focus for this division, flooding in Thailand affected the procurement of parts and equipment sales to some degree. However, we were able to achieve favorable increases by leveraging our global production and sales network.

Consequently, during the fiscal year under review sales in this segment climbed 6.0%, to ¥132.4 billion.

HM&I (Home, Mobile & Industry) Division

Touch panels

In the consumer market, the main focus for this division, demand for smartphones surged, but demand was lackluster for units used in household game equipment and electronic components for televisions and other digital equipment. We worked to cultivate new customers for such components as smartphone touch panels, switches and camera actuators, but owing to the combined effects of yen appreciation throughout the consumer markets and high raw materials prices, sales and profits both fell below the previous year's levels.

As a result, sales in this division during the year under review amounted to ¥136.4 billion, down 20.3% year on year.

Owing to the above-mentioned factors, overall sales for the electronic components segment came to ¥268.9 billion, down 9.2% from the preceding term. Operating income amounted to ¥4.5 billion, a 64.6% decrease.

Business Segments

ii. Audio Equipment

The BIG X, winner of the Fiscal 2011 Good Design Award

The automobile industry showed signs of recovery following the Great East Japan Earthquake, with production levels returning to normal, but the subsequent flooding in Thailand obliged automakers to revise their production plans. These conditions made it extremely difficult to secure components for our audio equipment business (operated by Alpine Electronics, Inc., which is listed on the First Section of the Tokyo Stock Exchange). Nevertheless, we put forth every effort to provide a stable supply of products, responding to market needs through the sale of high-value-added products and ongoing new product development.

In the domestic market, we won the Fiscal 2011 Good Design Prize, evincing high market regard for our differentiated products. Sales campaigns for the winner of this award, the BIG X, as well as Perfect Fit, contributed to robust sales. The Alpine Group was also proactive in exhibiting at overseas motor shows such as Shanghai and Frankfurt, and sought to expand its business by making technological proposals to automobile manufacturers and providing new products information.

Owing to these factors, audio equipment business sales grew 1.0%, to ¥200.2 billion. Operating income, however, fell 49.4%, to ¥5.6 billion.

iii. Logistics

Proving high-quality logistics services

The logistics segment (operated by Alps Logistics Co., Ltd., which is listed on the Second Section of the Tokyo Stock Exchange) suffered from ongoing uncertainties in its operating environment. During the year, the segment experienced supply chain disruptions as a result of the Great East Japan Earthquake, as well as electric power supply restrictions, and felt the impact of flooding in Thailand. Countering these circumstances, the segment strove to cultivate new customers and expand sales to existing customers, as well as to boost the efficiency of its operating structure to match handling volume. Meanwhile, the segment sought to enhance its global network in preparation for future growth. April 2011 marked the expansion of a warehouse at the Onahama Sales Office (Fukushima Prefecture), and in May the Company inaugurated a new warehouse at the Hokuriku Sales Office (Iwate Prefecture), both of which have now commenced operation. Overseas, Alps Electric Korea Co., Ltd., which was established in March 2011, began operations at two locations: in Gwangju and in Suwon, in the neighborhood of Seoul. In China's interior, we also established a local company and branch in Chongqing, as well as a new warehouse in Songjiang (city of Shanghai). These moves marked a steady expansion of our bases and extension of our networks.

Logistics business sales rose 1.0% during the year under review, to ¥47.9 billion, while operating income slipped 3.4%, to ¥3.7 billion.

(4) Ordinary Income

The Company posted ordinary income of ¥14.3 billion, down ¥8.8 billion, or 38.1%. A decline in operating income was the principal reason for this decrease.

(5) Income before Income Taxes

Income before income taxes amounted to ¥15.6 billion, down ¥5.6 billion from the ¥21.2 billion recorded in the preceding fiscal year. One primary factor was a downturn in ordinary income. At the same time, as the loss on disaster accompanying the Great East Japan Earthquake was ¥1.0 billion during the year under review, extraordinary losses were lower than during the preceding term.

(6) Income Taxes

In the preceding fiscal year, income taxes were ¥5.9 billion; this figure rose to ¥8.3 billion for the fiscal year under review. The main reason for this increase was a revision in the Japanese tax code, which resulted in the elimination of certain deferred tax assets.

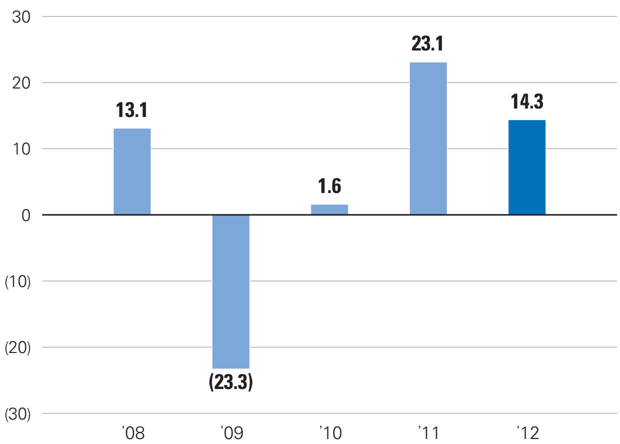
(7) Minority Interests in Net Income of Consolidated Subsidiaries

Minority interests in net income of consolidated subsidiaries were ¥3.1 billion during the fiscal year under review, compared with ¥4.1 billion during the preceding year. This difference resulted from earnings decreases attributable to minority interests of Alpine Electronics, Inc., and Alps Logistics Co., Ltd.

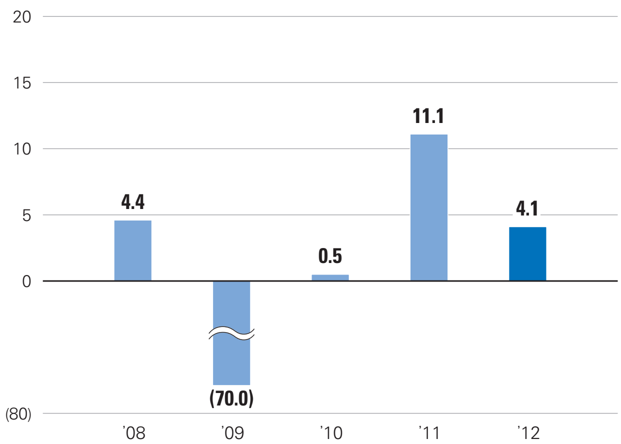
(8) Net Income

During the year, net income came to ¥4.1 billion, down ¥6.9 billion, or 62.5%. Net income per share was ¥23.29, falling from ¥62.14 in the preceding fiscal year.

Ordinary Income (Billions of ¥)



Net Income (Billions of ¥)



3. LIQUIDITY AND SOURCES OF FUNDS

(1) Cash Flows

Cash flows from operating activities

Net cash provided by operating activities came to ¥23.4 billion, compared with ¥28.5 billion in the previous fiscal year. Major sources of cash were income before income taxes of ¥15.6 billion, depreciation and amortization of ¥19.7 billion, and a ¥12.7 billion increase in notes and accounts payable. Main uses of cash included an ¥8.9 billion increase in notes and accounts receivable and a ¥12.7 billion increase in inventories.

Cash flows from investing activities

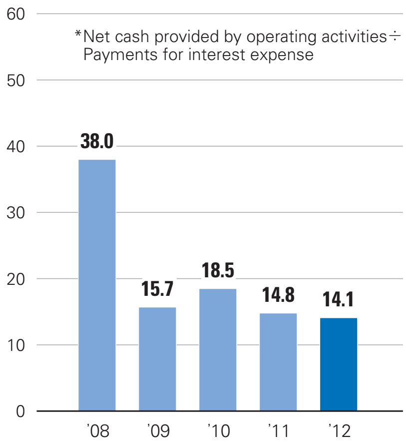
Net cash used in investing activities during the year under review amounted to ¥29.3 billion, compared with ¥20.9 billion in the preceding fiscal year. The main use of cash was purchases of tangible and intangible fixed assets of ¥30.9 billion, mainly in the electronic components segment.

Cash flows from financing activities

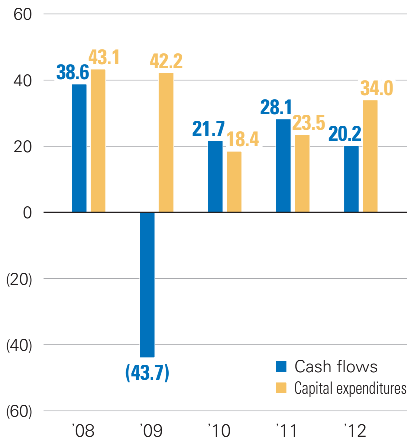
During the fiscal year under review, net cash used in financing activities was ¥6.6 billion, compared with ¥5.1 billion provided by these activities in the preceding fiscal year. This decrease was due mainly to ¥17.6 billion in repayment of long-term debt and ¥3.5 billion in cash dividends paid. Proceeds from long-term debt provided ¥13.4 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 securities, cash and cash equivalents decreased ¥13.4 billion, to ¥85.0 billion as of the end of the fiscal year under review.

Interest coverage (Times)

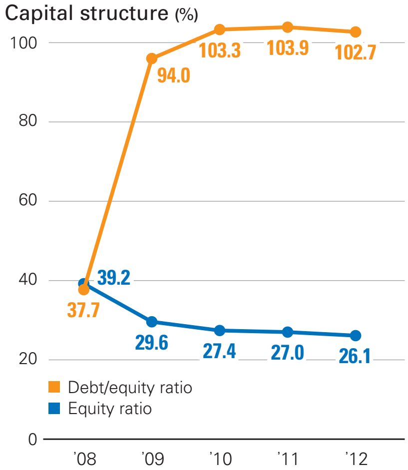


Cash flows and capital expenditures (Billions of ¥)



*Cash flows are calculated by subtracting cash dividends paid and bonuses to directors from the total of net income and depreciation and amortization.

Capital structure (%)



(2) Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year were ¥442.0 billion, up ¥14.5 billion from one year earlier.

Owing to such factors as the rise in trade notes and accounts receivable and higher inventories, current assets as of March 31, 2012, were ¥275.7 billion, ¥6.7 billion higher than one year earlier.

Fixed assets amounted to ¥166.3 billion, up ¥7.7 billion, attributable mainly to machinery and equipment and construction in progress.

Current liabilities at the end of the fiscal year were ¥206.3 billion, up ¥53.6 billion year on year, owing to such factors as higher short-term loans and trade notes and accounts payable.

Non-current liabilities were down ¥41.4 billion year on year, to ¥42.6 billion, owing to such factors as a decrease in long-term debt.

Business and Other Risks

The following risks pertain to business and accounting conditions and may have a material impact on investors' decisions.

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

1. EFFECT OF WORLD MARKET CONDITIONS

The Alps Group (the Company and consolidated subsidiaries) relies principally on markets outside of Japan, with overseas net sales accounting for 73.6% of the Company's total net sales for the year ended March 31, 2011. As such, any economic slowdown in the U.S., European and/or Asian markets involving a decline in consumer demand and/or corporate spending will adversely impact the Company's business, financial condition and results of operations.

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

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

2. COMPETITION

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

3. CUSTOMER NEEDS AND THE INTRODUCTION OF NEW TECHNOLOGIES

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

4. CUSTOMERS' PRODUCTION PLANS

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

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

5. RISKS INHERENT TO OVERSEAS OPERATIONS

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

6. SUPPLY STRUCTURE FOR SPECIFIC COMPONENTS

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

7. FLUCTUATIONS IN OPERATING RESULTS

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

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

8. INTELLECTUAL PROPERTY

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

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

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

9. FOREIGN EXCHANGE RISKS

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

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

10. PUBLIC LAWS AND REGULATIONS

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

11. RISKS RELATING TO ENVIRONMENTAL POLLUTION

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

12. RISK RELATING TO FUND MANAGEMENT

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

13. NATURAL DISASTERS

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

14. RISKS RELATED TO IMPAIRMENT ACCOUNTING

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

15. MARKET VALUE FLUCTUATION RISK ON MARKETABLE SECURITIES

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

FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2013

Uncertainty about the outlook for the global economy continues to mount, as the European financial crisis remains unresolved and economic activity throughout the world is decelerating. Although the Japanese economy had been expected to benefit from recovery-fueled demand following the Great East Japan Earthquake, the economy is failing to recover, owing to such factors as overseas economic uncertainty, post-war highs in the exchange value of the yen, and the impact of flooding in Thailand. As a result, the economic outlook remains unclear.

1. Electronic Components Segment

In April 2012, we reorganized the divisions in the electronic components segment, strengthening their individual functions, owing to an increased awareness of the need to anticipate market demands by creating products that are the first and only ones of their type in the market. At the core of this reorganization was the integration of the technology departments that had been located within our operating divisions into a single technology division, aimed at reinforcing our strength in development. We have also established a sales division, which will focus on enhancing the segment's sales activities, and a production division, which will cultivate manufacturing expertise. This division will back up the technology division by transforming the new technologies and materials it creates into new products and connecting them with viable businesses. In the consumer equipment category, we will continue proactively to introduce new products centering on smartphones, which are slated for growth, and bolster our sales activities. In automotive parts, we expect digitization to increase, owing to ongoing trends toward automobile safety and energy efficiency. As we expect this trend to continue, we will concentrate on the development of proprietary products, such as sensors and high-frequency parts.

In the fiscal year ending March 31, 2013, we anticipate sales in this segment of ¥288.0 billion, up 7.1% year on year, and operating income of ¥12.0 billion, up 161.4%.

2. Audio Equipment Segment

We expect that conditions will remain problematic for the audio equipment business, owing to ongoing uncertainty in economic conditions. In the automobile sector, we anticipate continued growth.
In addition to North American market recovery, sales in Japan should benefit from the resurgence of the eco-car subsidy system and post-earthquake recovery-related demand.

Amid these conditions, we expect to boost sales in the North American market for our navigation systems featuring eight-inch screens and our "perfect fit" series. We will also concentrate on expanding sales of smartphone-linked in-car information systems.
To our automaker business partners, we will propose new technologies involving "driver assistance products," which support driver safety and sense of security through such products as on-board cameras and displays. In addition to accelerating our efforts to provide products and services that meet customer needs more precisely, we will work to reduce costs, reinforce our management foundation and boost management efficiency.

In the audio equipment segment, we forecast sales of ¥218.0 billion, an 8.9% increase from the previous year, and operating income of ¥6.0 billion, up 6.5%.

3. Logistics Segment

In the logistics segment, we expect the Japanese economy to benefit from a certain amount of recovery fueled by public-sector investment toward disaster recovery. However, a number of risks remain that could sap economic activity. These include ongoing uncertainty concerning the European financial situation, high crude oil prices, electric power shortages in Japan during the summer months and ongoing historically high rates of yen appreciation.

Amid these circumstances, this segment will leverage its global network and unique, high-quality logistics services, concentrate on proposal-based activities to meet customer needs, and continue to cultivate demand from new customers and increase sales to existing customers. By maintaining an unwavering focus on quality and by using systems to increase productivity, we will continue working to boost the efficiency of individual businesses and raise quality to the next level.

For the fiscal year ending March 31, 2013, we forecast sales of ¥49.4 billion, a year-on-year rise of 2.9%, and operating income of ¥4.0 billion, up 7.8%, for the logistics segment.

Adding forecasts for the Others segment to the above, the Alps Group forecasts the following consolidated operating results for the fiscal year ending March 31, 2013.

Net sales	¥565.0 billion (up 7.3% year on year)
Operating income	¥22.0 billion (up 45.0% year on year)
Ordinary income	¥19.0 billion (up 32.5% year on year)
Net income	¥10.5 billion (up 151.5% year on year)

These forecasts assume exchange rates of US$1.00 = ¥80 and €1.00 = ¥105.

CONSOLIDATED BALANCE SHEETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2012 and 2011

		Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS		2012	2011	2012
Current assets:	Cash and time deposits (Notes 16 and 17)	¥ 85,588	¥ 99,031	$ 1,041,217
	Notes and accounts receivable-trade (Note 17):			
	Unconsolidated subsidiaries and affiliated companies	1,282	731	15,596
	Other	99,855	92,982	1,214,781
	Allowance for doubtful accounts	(548)	(1,179)	(6,667)
	Inventories (Note 5)	69,123	56,567	840,912
	Deferred tax assets (Note 15)	6,749	7,526	82,105
	Other current assets	13,661	13,307	166,192
	Total current assets	275,710	268,965	3,354,136
Property, plant and equipment (Note 6):	Land (Note 10)	29,105	29,511	354,075
	Buildings and structures	118,218	115,060	1,438,175
	Machinery and equipment	267,641	254,780	3,255,974
	Construction in progress	8,448	5,597	102,774
		423,412	404,948	5,150,998
	Less accumulated depreciation and impairment losses	(302,442)	(295,654)	(3,679,343)
	Property, plant and equipment, net	120,970	109,294	1,471,655
Investments and other assets:	Intangible assets, net	9,385	9,867	114,173
	Investments in and advances to unconsolidated subsidiaries and affiliated companies (Notes 4 and 17)	6,615	6,325	80,474
	Investment securities (Notes 4 and 17)	16,703	16,908	203,200
	Deferred tax assets (Note 15)	4,462	5,458	54,282
	Other assets (Note 7)	8,207	10,713	99,842
	Total investments and other assets	45,372	49,271	551,971
	Total assets	¥ 442,052	¥ 427,530	$ 5,377,762

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2012 and 2011

LIABILITIES AND NET ASSETS		Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
Current liabilities:	Short-term loans payable (Notes 6 and 17)	¥ 34,512	¥ 31,754	$ 419,854
	Long-term debt due within one year (Notes 6 and 17)	57,621	19,059	700,985
	Notes and accounts payable-trade (Note 17):			
	Unconsolidated subsidiaries and affiliated companies	1,054	774	12,822
	Other	60,879	49,427	740,621
	Income taxes payable	2,757	2,428	33,540
	Accrued expenses	29,967	31,106	364,562
	Deferred tax liabilities (Note 15)	200	282	2,433
	Other current liabilities (Note 17)	19,322	17,865	235,061
	Total current liabilities	206,312	152,695	2,509,878
Non-current liabilities:	Long-term debt (Notes 6 and 17)	26,377	69,134	320,888
	Accrued employees' severance and pension costs (Note 7)	3,130	3,012	38,078
	Deferred tax liabilities (Note 15)	5,555	5,343	67,579
	Other non-current liabilities (Note 17)	7,540	6,595	91,728
	Total non-current liabilities	42,602	84,084	518,273
	Total liabilities	248,914	236,779	3,028,151
Contingent liabilities (Note 8)				
Net assets (Note 9):	Shareholders' equity:			
	Common stock:			
	Authorized - 500,000,000 shares			
	Issued - 181,559,956 shares in 2012 and 2011	23,624	23,624	287,397
	Capital surplus	45,587	45,587	554,586
	Retained earnings	70,391	69,808	856,338
	Treasury stock - 2,320,486 shares in 2012 and 2,327,535 shares in 2011	(3,516)	(3,528)	(42,774)
	Total shareholders' equity	136,086	135,491	1,655,547
	Accumulated other comprehensive income			
	Net unrealized gains on securities	3,477	3,326	42,299
	Net deferred losses on hedges	(3)	—	(36)
	Revaluation reserve for land (Note 10)	(526)	(526)	(6,399)
	Foreign currency translation adjustments	(23,599)	(22,821)	(287,092)
	Total accumulated other comprehensive income	(20,651)	(20,021)	(251,228)
	Minority interests	77,703	75,281	945,292
	Total net assets	193,138	190,751	2,349,611
	Total liabilities and net assets	¥ 442,052	¥ 427,530	$ 5,377,762

		Yen 2012	Yen 2011	U.S. dollars (Note 1) 2012
Amounts per share of common stock:	Net assets	¥ 644.03	¥ 644.24	$ 7.83

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2012, 2011 and 2010

		Millions of yen			Thousands of U.S. dollars (Note 1)
		2012	2011	2010	2012
Net sales		¥ 526,501	¥ 550,669	¥ 493,639	$ 6,405,122
Costs and expenses:	Cost of sales (Note 12)	432,589	441,498	415,095	5,262,640
	Selling, general and administrative expenses (Notes 11 and 12)	78,741	80,299	73,801	957,920
		511,330	521,797	488,896	6,220,560
Operating income		15,171	28,872	4,743	184,562
Other income (expenses):	Interest and dividend income	594	520	543	7,226
	Interest expense	(1,632)	(1,836)	(1,802)	(19,854)
	Foreign exchange gains (losses), net	355	(4,011)	(1,839)	4,319
	Loss on disaster (Notes 21)	(1,033)	(3,443)	—	(12,567)
	Other, net (Notes 13 and 14)	2,174	1,167	(1,283)	26,448
		458	(7,603)	(4,381)	5,572
Income before income taxes and minority interests		15,629	21,269	362	190,134
Income taxes (Note 15):	Current	6,013	7,160	4,150	73,151
	Deferred	2,318	(1,190)	(4,097)	28,199
		8,331	5,970	53	101,350
Income before minority interests		7,298	15,299	309	88,784
Minority interests in (earnings) losses of consolidated subsidiaries		(3,123)	(4,162)	261	(37,993)
Net income		4,175	11,137	570	50,791
Minority interests in earnings (losses) of consolidated subsidiaries		3,123	4,162	(261)	37,993
Income before minority interests		7,298	15,299	309	88,784
Other comprehensive income (Note 22)					
Net unrealized gains (losses) on securities		445	(903)	3,363	5,413
Net deferred losses on hedges		(7)	—	—	(85)
Foreign currency translation adjustments		(860)	(7,867)	(1,100)	(10,462)
Share of other comprehensive income of affiliated companies accounted for by the equity method		(756)	(354)	(903)	(9,197)
		(1,178)	(9,124)	1,360	(14,331)
Comprehensive income		¥ 6,120	¥ 6,175	¥ 1,669	$ 74,453
Comprehensive income attributable to:					
Shareholders of the parent		¥ 3,093	¥ 3,881	¥ 788	$ 37,628
Minority interests		3,027	2,294	881	36,825

		Yen			U.S. dollars (Note 1)
		2012	2011	2010	2012
Amounts per share of common stock:	Net income	¥ 23.29	¥ 62.14	¥ 3.18	$ 0.28
	Diluted net income	—	—	2.74	—
	Cash dividends applicable to the year	20.00	20.00	—	0.24

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2012, 2011 and 2010

		Millions of yen									
		Shareholders' equity				Accumulated other comprehensive income					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on securities	Net deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2009	181,559,956	¥ 23,624	¥ 45,587	¥ 59,940	¥ (3,541)	¥ 1,968	—	¥ (569)	¥ (15,882)	¥ 73,664	¥ 184,791
Net income				570							570
Cumulative effect on prior years of adopting a new U.S. accounting standard to foreign subsidiaries				(16)							(16)
Dividends											—
Purchase of treasury stock					(2)						(2)
Disposal of treasury stock				(0)	1						1
Changes in items other than shareholders' equity, net						2,050			(1,025)	93	1,118
Balance at March 31, 2010	181,559,956	23,624	45,587	60,494	(3,542)	4,018	—	(569)	(16,907)	73,757	186,462
Net income				11,137							11,137
Dividends				(1,792)							(1,792)
Purchase of treasury stock					(2)						(2)
Disposal of treasury stock				(9)	16						7
Reversal of revaluation reserve for land				(22)							(22)
Changes in items other than shareholders' equity, net						(692)		43	(5,914)	1,524	(5,039)
Balance at March 31, 2011	181,559,956	23,624	45,587	69,808	(3,528)	3,326	—	(526)	(22,821)	75,281	190,751
Net income				4,175							4,175
Dividends				(3,585)							(3,585)
Purchase of treasury stock					(1)						(1)
Disposal of treasury stock				(7)	13						6
Changes in items other than shareholders' equity, net						151	(3)		(778)	2,422	1,792
Balance at March 31, 2012	**181,559,956**	**¥ 23,624**	**¥ 45,587**	**¥ 70,391**	**¥ (3,516)**	**¥ 3,477**	**¥ (3)**	**¥ (526)**	**¥ (23,599)**	**¥ 77,703**	**¥ 193,138**

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity				Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on securities	Net deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2011	$ 287,397	$ 554,586	$ 849,245	$ (42,920)	$ 40,462	—	$ (6,399)	$ (277,627)	$ 915,827	$ 2,320,571
Net income			50,791							50,791
Dividends			(43,613)							(43,613)
Purchase of treasury stock				(12)						(12)
Disposal of treasury stock			(85)	158						73
Changes in items other than shareholders' equity, net					1,837	(36)		(9,465)	29,465	21,801
Balance at March 31, 2012	**$ 287,397**	**$ 554,586**	**$ 856,338**	**$ (42,774)**	**$ 42,299**	**$ (36)**	**$ (6,399)**	**$ (287,092)**	**$ 945,292**	**$ 2,349,611**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 15,629	¥ 21,269	¥ 362	$ 190,134
Depreciation and amortization	19,760	18,710	21,223	240,389
Impairment losses	463	38	87	5,633
(Decrease) increase in reserve for loss on disaster	(1,573)	1,650	—	(19,136)
Decrease in prepaid pension costs	2,154	1,791	1,698	26,204
Interest and dividend income	(594)	(520)	(543)	(7,226)
Interest expense	1,632	1,836	1,802	19,854
Increase in notes and accounts receivable-trade	(8,996)	(7,900)	(21,028)	(109,440)
(Increase) decrease in inventories	(12,744)	(10,966)	3,479	(155,036)
Increase in notes and accounts payable-trade	12,762	4,379	20,224	155,255
Other, net	1,725	7,677	5,431	20,985
Subtotal	30,218	37,964	32,735	367,616
Interest and dividends received	608	843	497	7,396
Interest paid	(1,664)	(1,935)	(1,568)	(20,243)
Income taxes paid	(5,736)	(8,320)	(2,694)	(69,781)
Net cash provided by operating activities	23,426	28,552	28,970	284,988
Cash flows from investing activities:				
Purchase of property, plant and equipment	(27,617)	(19,877)	(17,523)	(335,973)
Proceeds from sales of property, plant and equipment	1,454	1,776	1,311	17,689
Purchase of intangible assets	(3,297)	(2,340)	(2,419)	(40,110)
Purchase of short-term investment securities	—	(3,000)	—	—
Proceeds from sales of short-term investment securities	—	3,000	—	—
Other, net	102	(500)	(901)	1,241
Net cash used in investing activities	(29,358)	(20,941)	(19,532)	(357,153)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans payable	2,109	(3,347)	(7,000)	25,657
Proceeds from long-term loans payable	13,401	26,837	53,587	163,029
Repayment of long-term loans payable	(17,618)	(19,629)	(5,568)	(214,331)
Redemption of bonds	—	—	(28,600)	—
Proceeds from stock issuance to minority shareholder of a consolidated subsidiary	1,500	3,000	—	18,248
Cash dividends paid	(3,585)	(1,792)	—	(43,613)
Cash dividends paid to minority shareholders	(1,353)	(939)	(636)	(16,460)
Proceeds from sales of property, plant and equipment with installment buy-back obligation	—	2,000	—	—
Other, net	(1,145)	(1,007)	412	(13,929)
Net cash (used in) provided by financing activities	(6,691)	5,123	12,195	(81,399)
Effect of exchange rate change on cash and cash equivalents	(868)	(2,960)	(1,236)	(10,560)
Net (decrease) increase in cash and cash equivalents	(13,491)	9,774	20,397	(164,124)
Cash and cash equivalents at beginning of period	98,496	88,722	68,325	1,198,248
Cash and cash equivalents at end of period (Note 16)	¥ 85,005	¥ 98,496	¥ 88,722	$ 1,034,124

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2012

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, 2012, which was ¥82.20 to U.S. $1.00. The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollars at the above or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

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

(b) Equity method

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

(c) Cash equivalents

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

(d) Investment securities

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

(e) Allowance for doubtful accounts

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

(f) Inventories

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

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

Property, plant and equipment is stated at cost.
The Company and its 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	2 - 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, which transfer the ownership of the leased assets to the lessees, are depreciated by the same method as used for their own property, plant and equipment.

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

(j) Foreign currency translation

Foreign currency transactions

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

Foreign currency financial statements

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

(k) Accrued employees' bonuses

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

(l) Accrued directors' bonuses

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

(m) Accrued product warranties

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(n) Reserve for losses on purchases of inventories

Reserve for losses on purchases of inventories is provided at an amount sufficient to cover possible losses on open purchase orders.

(o) Accrued employees' severance and pension costs

The Company accrues employees' severance and pension costs at an amount calculated based on the projected benefit obligation and the fair value of plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. Actuarial gain or loss is amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (mainly 14 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 certain domestic consolidated subsidiaries that apply a period of 13 years).

(p) Accrued directors' severance costs

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

(q) Allowance for environmental preservation costs

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

(r) Reserve for loss on disaster

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

(s) Basis for revenue recognition on finance leases

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

(t) Income taxes

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

(u) Amounts per share of common stock

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(v) Derivative financial instruments

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

Changes in the fair value of derivatives

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

Interest rate swap agreements

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

(w) Accounting for consumption taxes

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

(x) Adoption of consolidated taxation system

Effective the year ended March 31, 2012, the Company and certain of its consolidated subsidiaries have adopted the consolidated taxation system.

(y) Reclassifications

Certain prior-year amounts have been reclassified to conform to the 2012 presentation.

3. CHANGES IN ACCOUNTING ESTIMATE AND SUPPLEMENTAL INFORMATION

(a) Change in accounting estimate

Accrued product warranties

Effective the year ended March 31, 2012, for sales not subject to accrual for specific warranty claims, the Company records an accrual for product warranties estimated based on the ratio of historical product warranties incurred against net sales in the corresponding fiscal years. Prior to the change, the Company provided an accrual for specific warranty claims only. The change in accounting estimate is due to the fact that relevant information has become available since the year ended March 31, 2012 due to the Company's enhancement of related managerial functions.

As a result of this change in accounting estimate, operating income and income before income taxes and minority interests decreased by ¥90 million ($1,095 thousand) and ¥723 million ($8,796 thousand), respectively, for the year ended March 31, 2012 from the corresponding amounts that would have been recorded based on the previous estimate.

(b) Supplemental information

Accounting Standard for Accounting Changes and Error Corrections

"Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No.24, issued December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, issued December 4, 2009) have been applied for accounting changes and corrections of prior period errors which are made after the beginning of the year ended March 31, 2012.

4. INVESTMENT SECURITIES

Securities classified as other securities at March 31, 2012 and 2011 are summarized as follows:

		Millions of yen			Thousands of U.S. dollars		
		2012			2012		
		Fair value	Cost	Unrealized gains (losses)	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:	Equity securities	¥ 15,591	¥ 5,286	¥ 10,305	$ 189,672	$ 64,307	$ 125,365
Securities for which cost exceeds fair value:	Equity securities	510	654	(144)	6,204	7,956	(1,752)
Total		¥ 16,101	¥ 5,940	¥ 10,161	$ 195,876	$ 72,263	$ 123,613

		Millions of yen		
		2011		
		Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:	Equity securities	¥ 15,891	¥ 5,513	¥ 10,378
Securities for which cost exceeds fair value:	Equity securities	291	391	(100)
Total		¥ 16,182	¥ 5,904	¥ 10,278

(Note) Unlisted stocks and other at March 31, 2012 and 2011 in the amounts of ¥602 million ($7,324 thousand) and ¥726 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, 2012, 2011 and 2010 were ¥29 million ($353 thousand), ¥259 million and ¥275 million, respectively.

Gross realized gains and losses for the year ended March 31, 2012 were ¥28 million ($341 thousand) and nil, respectively. Gross realized gains and losses for the year ended March 31, 2011 were ¥161 million and ¥9 million, respectively. Gross realized gains and losses for the year ended March 31, 2010 were ¥243 million and ¥2 million, respectively.

The impairment losses of ¥101 million ($1,229 thousand), ¥35 million and ¥263 million on securities for the years ended March 31, 2012, 2011 and 2010 were recorded for non-marketable equity securities at ¥35 million ($426 thousand), ¥13 million and ¥12 million, respectively; foreign marketable equity securities at ¥28 million ($341 thousand), ¥0 and nil, respectively; for unconsolidated subsidiaries and affiliated companies at ¥21 million ($255 thousand), nil, and ¥251 million, respectively; for the shares of companies that have business relationships with the Company at ¥17 million ($207 thousand), ¥0 million and nil, respectively; and foreign non-marketable equity securities at nil, ¥22 million and nil, 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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished products	¥ 41,612	¥ 33,172	$ 506,229
Work in process	10,819	8,688	131,618
Raw materials and supplies	16,692	14,707	203,065
	¥ 69,123	¥ 56,567	$ 840,912

Inventories are stated at the lower of cost or market. The following loss on valuation of inventories is included in the cost of sales for the years ended March 31, 2012, 2011 and 2010, respectively:

Millions of yen			Thousands of U.S. dollars
2012	2011	2010	2012
¥ 270	¥ (747)	¥ (2,318)	$ 3,285

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

Average interest rates for short-term loans payable, consisting primarily of overdrafts with banks, were 1.03% and 1.19% at March 31, 2012 and 2011, respectively.

Long-term debt at March 31, 2012 and 2011 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans principally from banks and insurance companies due over 1 year at average interest rates of 1.00% and 1.52% at March 31, 2012 and 2011, respectively	¥ 26,377	¥ 69,134	$ 320,888
Loans principally from banks and insurance companies due within 1 year at average interest rates of 1.67% and 1.79% at March 31, 2012 and 2011, respectively	57,621	19,059	700,985
	¥ 83,998	¥ 88,193	$ 1,021,873

At March 31, 2012 and 2011, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Land	¥ 2,750	¥ 2,965	$ 33,455
Building and structures	3,009	3,010	36,606
Total	¥ 5,759	¥ 5,975	$ 70,061

At March 31, 2012 and 2011, such collateral secured the following obligations:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Long-term debt due within one year	¥ 418	¥ 381	$ 5,085
Long-term debt	1,488	1,906	18,102

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 57,621	$ 700,985
2014	9,542	116,083
2015	13,298	161,776
2016	1,280	15,572
2017	1,922	23,382
2018 and thereafter	335	4,075
Total	¥ 83,998	$ 1,021,873

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 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, 2012 and 2011 for the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥ (62,202)	¥ (56,308)	$ (756,715)
Plan assets at fair value	46,313	46,356	563,418
Funded status	(15,889)	(9,952)	(193,297)
Unrecognized actuarial net loss	15,453	11,790	187,993
Unrecognized prior service cost	0	(2)	0
Amounts recognized in the consolidated balance sheets, net	(436)	1,836	(5,304)
Prepaid pension cost	2,694	4,848	32,774
Accrued employees' severance and pension costs	¥ (3,130)	¥ (3,012)	$ (38,078)

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, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Service cost	¥ 2,612	¥ 2,357	¥ 2,392	$ 31,776
Interest cost	1,292	1,315	1,440	15,718
Expected return on plan assets	(1,031)	(1,144)	(1,234)	(12,543)
Amortization of actuarial loss	1,740	1,637	1,653	21,168
Amortization of prior service cost	(3)	(6)	(8)	(36)
Additional accrued severance cost	12	38	721	146
Settlement loss on certain pension plans	—	667	—	—
Other	799	785	804	9,720
Total	¥ 5,421	¥ 5,649	¥ 5,768	$ 65,949

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2012, 2011 and 2010 were as follows:

	2012	2011	2010
Discount rates	Mainly 1.6%	Mainly 2.5%	Mainly 2.5%
Expected rates of return on plan assets	Mainly 2.4%	Mainly 2.5%	Mainly 2.5%

7. EMPLOYEES' SEVERANCE AND PENSION COSTS

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

(1) Funded status

Japan Travel Agents Employees Pension Funds

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2011	As of March 31, 2010	As of March 31, 2011
Pension assets	¥ 19,023	¥ 19,426	$ 231,423
Pension liabilities	(23,657)	(23,409)	(287,798)
Funded status	¥ (4,634)	¥ (3,983)	$ (56,375)

(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, 2011	As of March 31, 2010
Japan Travel Agents Employees Pension Funds	0.56%	0.57%

8. CONTINGENT LIABILITIES

The Company was contingently liable as guarantors for loans of other companies and employees in the aggregate amount of ¥27 million ($328 thousand) and 39 million at March 31, 2012 and 2011, respectively.

Certain subsidiaries of the Company participate in a pension scheme in the UK. In case these subsidiaries withdraw from the scheme, a liability under UK pension law (Section 75) will be incurred, which was estimated at £8,619 thousand (¥1,132 million ($13,771 thousand)) and £6,876 thousand (¥921 million) at March 31, 2012 and 2011, respectively.

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥34,600 million ($420,925 thousand) and ¥51,600 million with financial institution at March 31, 2012 and 2011, respectively. The outstanding loans payable amounted to ¥821 million ($9,988 thousand) and nil, and the unused balances amounted to ¥33,779 million ($410,937 thousand) and ¥51,600 million under these credit facilities, at March 31, 2012 and 2011.

9. NET ASSETS

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

Shares in Issue and Outstanding and Treasury Stock

The total number and periodic changes in the number of shares in issue and the total number and periodic changes in the number of shares of treasury stock for the years ended March 31, 2012 and 2011 are summarized as follows:

	Shares in Issue and Outstanding (Thousand)	Treasury Stock (Thousand)
Number of shares at March 31, 2010	181,559	2,335
Increase in number of shares	—	2
Decrease in number of shares	—	10
Number of shares at March 31, 2011	181,559	2,327
Increase in number of shares	—	1
Decrease in number of shares	—	8
Number of shares at March 31, 2012	181,559	2,320

During the year ended March 31, 2012, the increase of 1 thousand shares of treasury stock was due to the purchase of odd-lot shares. The decrease of 8 thousand shares of treasury stock was due to the sales to the employees.

During the year ended March 31, 2011, the increase of 2 thousand shares of treasury stock was due to the purchase of odd-lot shares. The decrease of 10 thousand shares of treasury stock was due to the sales to the employees.

Dividends

The following appropriations of cash dividends to shareholders of common stock were approved at the ordinary general meeting of shareholders held on June 24, 2011 and at the meeting of the Board of Directors held on October 31, 2011 and were paid to shareholders of records as of March 31, 2011 and September 30, 2012, respectively, during the year ended March 31, 2012:

	Millions of yen	Thousands of U.S. dollars
Cash dividends approved on June 24, 2011 (¥10.00 = $0.12 per share)	¥ 1,792	$ 21,800
Cash dividends approved on October 31, 2011 (¥10.00 = $0.12 per share)	¥ 1,792	$ 21,800

9. NET ASSETS

The following appropriations of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2012, will be approved at the ordinary general meeting of shareholders on June 22, 2012 and will go into effect on June 25, 2012:

	Millions of yen	Thousands of U.S. dollars
Cash dividends to be approved on June 22, 2012 (¥10.00 = $0.12 per share)	¥ 1,792	$ 21,800

The following appropriations of cash dividends to shareholders of common stock were approved at the meeting of the Board of Directors held on November 19, 2010 and were paid to shareholders of records as of September 30, 2010, during the year ended March 31, 2011:

	Millions of yen
Cash dividends approved on November 19, 2010 (¥10.00 per share)	¥ 1,792

10. REVALUATION OF LAND

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

The excesses of the carrying value of this land after the revaluation over its fair value as of March 31, 2012 and 2011 were ¥1,301 million ($15,827 thousand) and ¥1,201 million, respectively.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Salaries	¥ 27,366	¥ 26,400	¥ 25,431	$ 332,920
Employees’ bonuses	3,771	3,443	2,230	45,876
Employees’ severance and pension costs	1,960	1,391	1,354	23,844
Provision for doubtful accounts	(503)	522	98	(6,119)
Warranty costs	1,137	2,668	1,122	13,832
Commission expenses	6,889	6,427	6,983	83,808
Research and development expenses	10,914	12,362	10,844	132,774

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and general and administrative expenses were ¥28,099 million ($341,837 thousand), ¥28,124 million and ¥27,843 million for the years ended March 31, 2012, 2011 and 2010, respectively.

13. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statements of income and comprehensive income for the years ended March 31, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Loss on sale and disposal of fixed assets	¥ (368)	¥ (748)	¥ (791)	$ (4,477)
Gain on sale of fixed assets	598	800	1,027	7,275
Gain on sale of investment securities	28	161	243	341
Write-offs of investment securities	(101)	(35)	(263)	(1,229)
Insurance premiums refunded	332	87	135	4,039
Equity in earnings of affiliated companies	309	385	551	3,759
Provision for product warranties	(633)	—	—	(7,701)
Insurance compensation due from disaster	607	—	—	7,385
Litigation settlement	(310)	(457)	(187)	(3,771)
Subsidies for disaster reconstruction	1,077	—	—	13,102
Loss on settlement of certain pension plans	—	(667)	—	—
Impairment losses on fixed assets	(463)	(38)	(87)	(5,633)
Gain on change in share of net assets of a consolidated subsidiary resulted from stock issuance by the subsidiary	754	2,191	—	9,173
Business structure improvement expenses	(53)	(148)	(1,525)	(645)
Commission fee	(445)	(842)	(833)	(5,414)
Reversal of allowance for doubtful accounts	—	194	616	—
Warranty costs for prior periods	—	—	(434)	—
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations	—	(92)	—	—
Other	842	376	265	10,244
	¥ 2,174	¥ 1,167	¥ (1,283)	$ 26,448

14. IMPAIRMENT LOSSES ON FIXED ASSETS

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

The Company recognized impairment losses on the asset groups for the year ended March 31, 2012 as follows:

			Millions of yen	Thousands of U.S. dollars
Location	Asset group	Asset type	2012	2012
Japan	Scheduled disposal assets	Buildings	¥ 74	$ 900
		Machinery and equipment	13	158
		Software	242	2,944
Japan	Assets leased to others	Land	63	767
		Buildings	16	195
Japan	Logistics segment	Buildings and Structures	54	657
Japan	Idle assets	Land	1	12
Total			¥ 463	$ 5,633

With respect to assets included in the Logistics segment, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.
The recoverable amounts were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.4%.

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

The recoverable amounts of idle assets were determined at net realizable value computed based on asset value under property tax.
The recoverable amounts of assets leased to others were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.9%.
As for scheduled disposal assets, memorandum value was used for determining the recoverable value.

15. INCOME TAXES

The Company is subject to a number of taxes in Japan based on income, which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% for the years ended March 31, 2012, 2011 and 2010.

The following table summarizes the reconciliations between the statutory tax rate and the Company's effective tax rates reflected in the accompanying consolidated statements of income and comprehensive income for the years ended March 31, 2012, 2011 and 2010.

	2012	2011	2010
Statutory tax rate	40.5%	40.5%	40.5%
Change in valuation allowance	7.4	(5.1)	256.3
Lower tax rates at foreign subsidiaries	(4.6)	(6.8)	(554.1)
Non-deductible expenses	6.3	9.4	212.7
Non-taxable income	(0.3)	(10.0)	—
Capita levy on inhabitant tax	0.9	0.6	36.0
Effect of tax rate change	2.3	—	—
Other	0.8	(0.5)	23.2
Effective tax rates	53.3%	28.1%	14.6%

The significant components of deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Tax loss carryforwards	¥ 22,344	¥ 25,889	$ 271,825
Accrued employees' severance and pension costs	932	951	11,338
Intercompany profit	3,776	3,839	45,937
Write-offs of inventories	967	998	11,764
Depreciation	9,762	11,425	118,759
Accrued employees' bonuses	3,060	3,356	37,226
Write-offs of investment securities	2,168	2,572	26,375
Accrued warranty costs	841	923	10,231
Accrued expenses	869	656	10,572
Other	5,759	6,512	70,061
Gross deferred tax assets	50,478	57,121	614,088
Valuation allowance	(35,402)	(39,074)	(430,681)
Less deferred tax liabilities in the same tax jurisdiction	(3,865)	(5,063)	(47,020)
Total deferred tax assets	11,211	12,984	136,387
Deferred tax liabilities:			
Unrealized gain on investment securities	(3,287)	(3,803)	(39,988)
Prepaid pension cost	(855)	(1,644)	(10,401)
Accelerated depreciation of property, plant and equipment	(0)	(0)	(0)
Undistributed retained earnings of foreign subsidiaries	(1,172)	(955)	(14,258)
Gain on change in share of net assets of a consolidated subsidiary resulted from stock issuance by the subsidiary	(1,154)	(887)	(14,039)
Undistributed retained earnings of affiliated company accounted for by the equity method	(1,670)	(1,306)	(20,316)
Other	(1,482)	(2,093)	(18,030)
Gross deferred tax liabilities	(9,620)	(10,688)	(117,032)
Less deferred tax assets in the same tax jurisdiction	3,865	5,063	47,020
Total deferred tax liabilities	(5,755)	(5,625)	(70,012)
Net deferred tax assets	¥ 5,456	¥ 7,359	$ 66,375

15. INCOME TAXES

Following the promulgation of the “Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures” (Act No.114, 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No.117, 2011) on December 2, 2011, the corporate income tax rate will be lowered and a special restoration surtax will be imposed from fiscal years beginning on or after April 1, 2012. As a result, the domestic statutory tax rates to calculate deferred tax assets and liabilities will be reduced from the current 40.5% to 37.8% for temporary differences expected to reverse and tax loss carryforwards expected to be utilized in the fiscal years beginning April 1, 2012 through April 1, 2014, and 35.4% for temporary differences expected to reverse and tax loss carryforwards expected to be utilized in the fiscal year beginning on or after April 1, 2015. As a result of these changes in the tax rate, deferred tax liabilities (net of deferred tax assets) decreased by ¥115 million ($1,399 thousand), deferred income taxes, net unrealized gain on securities and net deferred losses on hedges increased by ¥363 million ($4,416 thousand), ¥478 million ($5,815 thousand) and ¥0 million ($0 thousand), respectively as of and for the year ended March 31, 2012 compared with the amounts that would have been recorded under the previous tax regulations.

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, 2012 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and time deposits	¥ 85,588	¥ 99,031	$ 1,041,217
Less: Time deposits with a maturity of more than three months when purchased	(583)	(535)	(7,093)
Cash and cash equivalents	¥ 85,005	¥ 98,496	$ 1,034,124

Supplemental Disclosure of Non-Cash Transactions

The Company recorded assets and corresponding obligations for finance lease transactions amounting to ¥2,059 million ($25,049 thousand), ¥408 million and ¥268 million during the years ended March 31, 2012, 2011 and 2010, respectively.

17. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

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 is found in summary of significant accounting policies in Note 2.

17. FINANCIAL INSTRUMENTS

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

17. FINANCIAL INSTRUMENTS

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2012 and 2011 and unrealized gains are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

		Millions of yen			Thousands of U.S. dollars		
		2012			2012		
		Carrying value	Estimated fair value	Unrealized gain	Carrying value	Estimated fair value	Unrealized gain
Assets:	Cash and time deposits	¥ 85,588	¥ 85,588	¥ —	$ 1,041,217	$ 1,041,217	$ —
	Notes and accounts receivable-trade	101,137	101,137	—	1,230,377	1,230,377	—
	Investment securities	21,994	26,544	4,550	267,567	322,919	55,352
Total assets		¥ 208,719	¥ 213,269	¥ 4,550	$ 2,539,161	$ 2,594,513	$ 55,352
Liabilities:	Notes and accounts payable-trade	¥ 61,933	¥ 61,933	¥ —	$ 753,443	$ 753,443	$ —
	Short-term loans payable	34,512	34,512	—	419,854	419,854	—
	Long-term debt due within one year	57,621	57,621	—	700,985	700,985	—
	Long-term debt	26,377	26,577	200	320,888	323,321	2,433
Total liabilities		¥ 180,443	¥ 180,643	¥ 200	$ 2,195,170	$ 2,197,603	$ 2,433
Derivatives*		¥ (410)	¥ (410)	¥ —	$ (4,988)	$ (4,988)	$ —

		Millions of yen		
		2011		
		Carrying value	Estimated fair value	Unrealized gain
Assets:	Cash and time deposits	¥ 99,031	¥ 99,031	¥ —
	Notes and accounts receivable-trade	93,713	93,713	—
	Investment securities	21,717	31,463	9,746
Total assets		¥ 214,461	¥ 224,207	¥ 9,746
Liabilities:	Notes and accounts payable-trade	¥ 50,201	¥ 50,201	¥ —
	Short-term loans payable	31,754	31,754	—
	Long-term debt due within one year	19,059	19,059	—
	Long-term debt	69,134	70,133	999
Total liabilities		¥ 170,148	¥ 171,147	¥ 999
Derivatives*		¥ (413)	¥ (413)	¥ —

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

17. FINANCIAL INSTRUMENTS

Note 1: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

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

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

(b) Investment securities

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

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

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

(d) Long-term debt

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

(e) Derivatives

Please refer to Note 18 DERIVATIVE FINANCIAL INSTRUMENTS.

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Carrying value	Carrying value	Carrying value
Investment in unconsolidated subsidiaries and affiliated companies	¥ 562	¥ 582	$ 6,837
Unlisted stocks and other included in investment securities	¥ 602	¥ 725	$ 7,324

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

Note 3: Redemption schedule for receivables and marketable securities with maturities at March 31, 2012 and 2011

		Millions of yen		Thousands of U.S. dollars
		2012	2011	2012
Due in one year or less	Cash and time deposits	¥ 85,588	¥ 99,031	$ 1,041,217
	Notes and accounts receivable-trade	101,137	93,713	1,230,377
Total		¥ 186,725	¥ 192,744	$ 2,271,594

17. FINANCIAL INSTRUMENTS

Note 4: The redemption schedule for long-term debt is disclosed in Note 6. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT. The aggregate annual maturities of finance lease obligations subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 690	$ 8,394
2014	455	5,535
2015	342	4,161
2016	139	1,691
2017	91	1,107
2018 and thereafter	1,334	16,229
Total	¥ 3,051	$ 37,117

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has 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 its exposure to fluctuations in interest rates, the Company has entered into interest rate swap agreements to effectively change the floating rates on the principal balance of its debt to fixed interest rates.

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

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2012 and 2011, to which hedge accounting has not been applied, are summarized as follows:

			Millions of yen			Thousands of U.S. dollars		
			2012			2012		
			Notional amounts	Estimated fair value	Unrealized losses	Notional amounts	Estimated fair value	Unrealized losses
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 13,789	¥ (215)	¥ (215)	$ 167,749	$ (2,616)	$ (2,616)
		Euro	6,978	(185)	(185)	84,891	(2,251)	(2,251)

			Millions of yen		
			2011		
			Notional amounts	Estimated fair value	Unrealized losses
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 9,832	¥ (103)	¥ (103)
		Euro	7,237	(310)	(310)

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2012 and 2011, to which hedge accounting has been applied, are summarized as follows:

			Millions of yen				Thousands of U.S. dollars	
			2012		2011		2012	
			Notional amounts	Estimated fair value	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 1,187	¥ (3)	¥ —	¥ —	$ 14,440	$ (36)
		Euro	1,843	(8)	—	—	22,421	(97)

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

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Interest-rate swaps which meet specific criteria:						
Interest-rate swap agreement:						
Pay / fixed and receive / floating						
Long-term debt	¥ 5,113	¥ Note	¥ 6,581	¥ Note	$ 62,202	$ Note

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

19. LEASES

As lessee:

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

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2012 and 2011, 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
		2012	2011	2012
Machinery and equipment	Acquisition costs	¥ 42	¥ 104	$ 511
	Accumulated depreciation	38	94	462
	Accumulated impairment	—	—	—
Net book value		¥ 4	¥ 10	$ 49

19. LEASES

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2012 and 2011 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
2013	¥ 4	$ 49
2014 and thereafter	0	0
	¥ 4	$ 49

	Millions of yen
	2011
2012	¥ 6
2013 and thereafter	4
	¥ 10

There is no accumulated impairment loss on leased assets as of March 31, 2012 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, 2012, 2011 and 2010 totaled ¥6 million ($73 thousand), ¥31 million and ¥121 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, 2012, 2011 and 2010 amounted to ¥6 million ($73 thousand), ¥31 million and ¥121 million, respectively.

The Company's future minimum lease payments subsequent to March 31, 2012 and 2011 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
2013	¥ 1,324	$ 16,107
2014 and thereafter	3,862	46,983
	¥ 5,186	$ 63,090

	Millions of yen
	2011
2012	¥ 1,112
2013 and thereafter	2,063
	¥ 3,175

19. LEASES

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease receivables	¥ 548	¥ 698	$ 6,667
Estimated residual value	2	3	24
Interest portion of lease receivables	(50)	(63)	(608)
Investment in lease assets	¥ 500	¥ 638	$ 6,083

The collection schedules of lease receivables related to investment in lease assets at March 31, 2012 and 2011 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
2013	¥ 192	$ 2,336
2014	121	1,472
2015	90	1,095
2016	68	827
2017	42	511
2018 and thereafter	35	426
	¥ 548	$ 6,667

	Millions of yen
	2011
2012	¥ 255
2013	171
2014	100
2015	69
2016	52
2017 and thereafter	51
	¥ 698

Certain domestic consolidated subsidiaries of the Company entered into lease agreements to lease machinery and equipment on or before March 31, 2008. Under the accounting standard, it is permitted to account for as operating leases the finance leases commencing on or before March 31, 2008 which do not transfer ownership of the leased assets to the lessee.

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, 2012 and 2011:

		Millions of yen		Thousands of U.S. dollars
		2012	2011	2012
Machinery and equipment	Acquisition costs	¥ 4	¥ 4	$ 49
	Accumulated depreciation	4	3	49
Net book value		¥ —	¥ 1	$ —

19. LEASES

The future minimum lease income subsequent to March 31, 2012 under finance leases accounted for as operating leases is nil.

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, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Lease income	¥ 1	¥ 1	¥ 1	$ 12
Depreciation/amortization	¥ 0	¥ 1	¥ 1	$ 0
Interest portion of lease income	¥ 0	¥ 0	¥ 0	$ 0

The Company's future minimum lease receivables subsequent to March 31, 2012 and 2011 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
2013	¥ 10	$ 122
2014 and thereafter	0	0
	¥ 10	$ 122

	Millions of yen
	2011
2012	¥ 12
2013 and thereafter	1
	¥ 13

20. RELATED PARTY TRANSACTIONS

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

Directors and their close relatives:

Masataka Kataoka		Millions of yen
Purchase of residential land and building	Transaction amount	¥ 282
Receipt of donation	Transaction amount	¥ 100

Tomoko Ishiguro		Millions of yen
Purchase of residential land and building	Transaction amount	¥ 188

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

There were no transactions of the Company with a related party for the year ended March 31, 2012.

21. LOSS ON DISASTER

Loss on disaster represents loss caused by the Great East Japan Earthquake and its aftershocks mainly in the Tohoku region.
A breakdown of loss on disaster for the years ended March 31, 2012 and 2011 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Repair expenses	¥ 589	¥ 1,634	$ 7,165
Relief donations	156	29	1,898
Labor cost and depreciation in the period operations were suspended at factories	57	1,208	693
Loss on fixed assets	36	76	438
Loss on inventories	18	274	219
Others	177	222	2,154
	¥ 1,033	¥ 3,443	$ 12,567

22. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments as amounts reclassified to net income for the year ended March 31, 2012 which were recognized in other comprehensive income for the year ended on or before March 31, 2012, and tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012.

	Millions of yen	Thousands of U.S. dollars
Net unrealized gains (losses) on securities:		
Amount arising during the year	¥ (106)	$ (1,290)
Reclassification adjustments	43	523
Net unrealized gains (losses) on securities before tax effect	(63)	(767)
Tax effect	508	6,180
Net unrealized gains (losses) on securities	445	5,413
Net deferred gains (losses) on hedges:		
Amount arising during the year	163	1,983
Reclassification adjustments	(174)	(2,117)
Net deferred gains (losses) on hedges before tax effect	(11)	(134)
Tax effect	4	49
Net deferred gains (losses) on hedges	(7)	(85)
Foreign currency translation adjustments:		
Amount arising during the year	(1,096)	(13,333)
Reclassification adjustments	236	2,871
Foreign currency translation adjustments before tax effect	(860)	(10,462)
Tax effect	—	—
Foreign currency translation adjustments	(860)	(10,462)
Share of other comprehensive income of affiliated companies accounted for by the equity method:		
Amount arising during the year	(756)	(9,197)
Other comprehensive income	(1,178)	(14,331)

23. SEGMENT INFORMATION

Business segments

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

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

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

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

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

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

Reportable segment information of the Company for the years ended March 31, 2012, 2011 and 2010 is summarized as follows:

23. SEGMENT INFORMATION

		Millions of yen							
		Reportable segments							
Year ended March 31, 2012		Electronic components	Audio equipment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales	External customers	¥ 268,917	¥ 200,248	¥ 47,999	¥ 517,164	¥ 9,337	¥ 526,501	¥ —	¥ 526,501
	Inter-segment sales and transfers	9,617	2,658	22,249	34,524	10,613	45,137	(45,137)	—
	Total	278,534	202,906	70,248	551,688	19,950	571,638	(45,137)	526,501
Segment income		4,590	5,634	3,710	13,934	472	14,406	765	15,171
Segment assets		249,751	167,075	56,542	473,368	30,841	504,209	(62,157)	442,052
Segment liabilities		167,061	65,386	22,782	255,229	26,398	281,627	(32,713)	248,914
Other items									
Depreciation		10,835	6,740	1,818	19,393	499	19,892	(132)	19,760
Increase in tangible and intangible fixed assets		24,510	5,328	5,564	35,402	751	36,153	(2,128)	34,025
Year ended March 31, 2011									
Net sales	External customers	¥ 296,153	¥ 198,359	¥ 47,505	¥ 542,017	¥ 8,652	¥ 550,669	¥ —	¥ 550,669
	Inter-segment sales and transfers	7,522	2,898	19,398	29,818	8,579	38,397	(38,397)	—
	Total	303,675	201,257	66,903	571,835	17,231	589,066	(38,397)	550,669
Segment income		12,966	11,141	3,841	27,948	444	28,392	480	28,872
Segment assets		242,861	153,495	52,167	448,523	31,252	479,775	(52,245)	427,530
Segment liabilities		162,041	54,850	19,679	236,570	25,503	262,073	(25,294)	236,779
Other items									
Depreciation		9,127	7,442	1,714	18,283	571	18,854	(144)	18,710
Increase in tangible and intangible fixed assets		16,671	4,882	1,327	22,880	709	23,589	(44)	23,545
Year ended March 31, 2010									
Net sales	External customers	¥ 274,155	¥ 166,199	¥ 44,977	¥ 485,331	¥ 8,308	¥ 493,639	¥ —	¥ 493,639
	Inter-segment sales and transfers	7,097	2,387	15,830	25,314	7,432	32,746	(32,746)	—
	Total	281,252	168,586	60,807	510,645	15,740	526,385	(32,746)	493,639
Segment income		396	227	3,497	4,120	294	4,414	329	4,743
Segment assets		226,276	153,428	52,269	431,973	30,482	462,455	(51,510)	410,945
Segment liabilities		149,148	56,513	20,388	226,049	22,780	248,829	(24,346)	224,483
Other items									
Depreciation		10,771	8,352	1,639	20,762	600	21,362	(139)	21,223
Increase in tangible and intangible fixed assets		11,914	4,379	2,074	18,367	434	18,801	(321)	18,480

		Thousands of U.S. dollars							
		Reportable segments							
Year ended March 31, 2012		Electronic components	Audio equipment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales	External customers	$ 3,271,496	$ 2,436,107	$ 583,930	$ 6,291,533	$ 113,589	$ 6,405,122	$ —	$ 6,405,122
	Inter-segment sales and transfers	116,995	32,336	270,669	420,000	129,112	549,112	(549,112)	—
	Total	3,388,491	2,468,443	854,599	6,711,533	242,701	6,954,234	(549,112)	6,405,122
Segment income		55,839	68,540	45,134	169,513	5,742	175,255	9,307	184,562
Segment assets		3,038,333	2,032,543	687,859	5,758,735	375,195	6,133,930	(756,168)	5,377,762
Segment liabilities		2,032,372	795,450	277,153	3,104,975	321,144	3,426,119	(397,968)	3,028,151
Other items									
Depreciation		131,813	81,995	22,117	235,925	6,070	241,995	(1,606)	240,389
Increase in tangible and intangible fixed assets		298,175	64,817	67,689	430,681	9,136	439,817	(25,888)	413,929

Note 1: "Other" includes business segments not included in the reportable segments, and includes the development of information systems, office services, financial and leasing businesses.
Note 2: "Adjustments" of segment income, segments assets, and liabilities include the elimination of inter-segment profit and loss.
Note 3: Segment income is reconciled with operating income in the consolidated financial statements.

23. SEGMENT INFORMATION

Related information

1.Geographical information

(1) Net sales

Millions of yen					
Year ended March 31, 2012					
Japan	China	America	Germany	Other	Total
¥ 138,960	¥ 106,255	¥ 74,741	¥ 55,293	¥ 151,252	¥ 526,501

Millions of yen					
Year ended March 31, 2011					
Japan	China	America	Germany	Other	Total
¥ 142,731	¥ 121,498	¥ 75,552	¥ 69,260	¥ 141,628	¥ 550,669

Thousands of U.S. dollars					
Year ended March 31, 2012					
Japan	China	America	Germany	Other	Total
$ 1,690,511	$ 1,292,640	$ 909,258	$ 672,664	$ 1,840,049	$ 6,405,122

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

(2) Information related to property, plant and equipment

Millions of yen			
Year ended March 31, 2012			
Japan	China	Other	Total
¥ 83,712	¥ 24,031	¥ 13,227	¥ 120,970

Millions of yen			
Year ended March 31, 2011			
Japan	China	Other	Total
¥ 76,376	¥ 20,760	¥ 12,158	¥ 109,294

Thousands of U.S. dollars			
Year ended March 31, 2012			
Japan	China	Other	Total
$ 1,018,394	$ 292,348	$ 160,913	$ 1,471,655

2.Information on major customer

This information is not required to be disclosed because net sales to any customer are less than 10% of the net sales on the consolidated statements of income and comprehensive income for the years ended March 31, 2012 and 2011.

23. SEGMENT INFORMATION

Impairment loss on property, plant and equipment by reportable segment

Impairment loss on property, plant and equipment by reportable segment for the years ended March 31, 2012 and 2011 was summarized as follows:

Millions of yen					
Year ended March 31, 2012					
Electronic components	Audio equipment	Logistics	Other (Note)	Eliminations	Total
¥ 76	¥ 200	¥ 54	¥ 133	—	¥ 463

Note: "Other" includes financial and leasing businesses.

Millions of yen					
Year ended March 31, 2011					
Electronic components	Audio equipment	Logistics	Other (Note)	Eliminations	Total
¥ 1	—	¥ 16	¥ 21	—	¥ 38

Note: "Other" includes development of information systems, financial and leasing businesses.

Thousands of U.S. dollars					
Year ended March 31, 2012					
Electronic components	Audio equipment	Logistics	Other	Eliminations	Total
$ 925	$ 2,433	$ 657	$ 1,618	—	$ 5,633

Amortization and balance of goodwill by reportable segment

Since their monetary significance is low, the related disclosure is omitted.

Gain on negative goodwill by reportable segment

There were no gain on negative goodwill for the years ended March 31, 2012 and 2011.

ERNST & YOUNG

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

Independent Auditor's Report

The Board of Directors
Alps Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Alps Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 15, 2012
Tokyo, Japan

Perfecting the Art of Electronics

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/