Perfecting the Art of Electronics
ALPS

Securities Code : 6770

Business Report 2013

For the year ended March 31, 2013

ALPS ELECTRIC CO., LTD.

SIX-YEAR FINANCIAL SUMMARY

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2013, 2012, 2011, 2010, 2009, and 2008

Millions of yen, except for per share data

		2013	2012	2011	2010	2009	2008
For the years ended March 31:	Net sales	¥ 546,423	¥ 526,501	¥ 550,669	¥ 493,639	¥ 538,995	¥ 692,656
	(Overseas sales)	420,219	387,541	407,938	351,140	384,329	498,410
	Cost of sales	458,576	432,589	441,498	415,095	484,079	587,210
	Selling, general and administrative expenses	80,996	78,741	80,299	73,801	81,440	85,570
	Operating income (loss)	6,851	15,171	28,872	4,743	(26,524)	19,876
	Income (loss) before income taxes and minority interests	4,896	15,629	21,269	362	(57,171)	18,308
	Income taxes	10,456	8,331	5,970	53	18,035	10,560
	Net (loss) income	(7,075)	4,175	11,137	570	(70,064)	4,418
	Cash flows (*1)	11,808	20,350	28,055	21,793	(43,707)	38,604
	Amounts per share of common stock:						
	Net (loss) income	¥ (39.47)	¥ 23.29	¥ 62.14	¥ 3.18	¥ (390.93)	¥ 24.65
	Cash dividends applicable to the year	5.00	20.00	20.00	—	10.00	20.00
As of March 31:	Current assets	¥ 273,152	¥ 275,710	¥ 268,965	¥ 246,831	¥ 212,612	¥ 289,623
	Current liabilities	166,645	206,312	152,695	145,732	154,119	148,312
	Working capital (*2):	106,507	69,398	116,270	101,099	58,493	141,311
	Long-term debt	66,107	26,377	69,134	66,396	27,643	58,841
	Total net assets	199,410	193,138	190,751	186,462	184,791	280,318
	Total assets	451,416	442,052	427,530	410,945	375,285	494,756
Sales by reportable segment:	Electronic components (*3):	¥ 268,086	¥ 268,917	¥ 296,153	¥ 274,155	¥ 291,996	¥ 391,424
		49.1%	51.1%	53.8%	55.5%	54.2%	56.5%
	Automotive market	140,013	132,486	124,934	112,522	—	—
		25.6%	25.2%	22.7%	22.8%	—	—
	Consumer market	128,073	136,431	171,219	161,633	—	—
		23.5 %	25.9%	31.1%	32.7%	—	—
	Automotive Infotainment	219,852	200,248	198,359	166,199	193,226	247,544
		40.2%	38.0%	36.0%	33.7%	35.8%	35.7%
	Logistics	48,554	47,999	47,505	44,977	45,368	45,496
		8.9%	9.1%	8.6%	9.1%	8.4%	6.6%
	Other	9,931	9,337	8,652	8,308	8,405	8,192
		1.8%	1.8%	1.6%	1.7%	1.6%	1.2%
	Total	¥ 546,423	¥ 526,501	¥ 550,669	¥ 493,639	¥ 538,995	¥ 692,656
	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" and "bonuses to directors" from the total of "net income (loss)" and "depreciation and amortization."
(*2) "Working capital" is calculated by subtracting "current liabilities" from "current assets."
(*3) The Company began disclosing the breakdown of sales of the Electronic components segment by two categories of Automotive market and Consumer market from the year ended March 31, 2013.

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

In terms of the global economy during the fiscal year under review, Europe experienced negative growth caused by the worsening of the government debt crisis, while the US underwent a gentle recovery as signs of improvements in the labor and housing environments were seen. The downturn in the European economy caused a ripple effect, and as a result the economic growth rate in the emerging economies declined, particularly in China and India. While the Japanese economy suffered as a result of a large reduction in exports and higher than expected yen appreciation coupled with the slowdown in economies overseas, the economic outlook began to look brighter from the second half of the fiscal year, supported by the implementation of new policy measures and adjustments in the high yen.

Against this backdrop, during the fiscal year under review the Alps Group posted net sales of ¥546.4 billion, up 3.8% from the previous fiscal year. Operating income fell 54.8%, to ¥6.8 billion and ordinary income dropped 46.6%, to ¥7.6 billion. A net loss of ¥7.0 billion (compared to net income of ¥4.1 billion recorded during the previous fiscal year) was posted as a result of a loss on sales and retirement of noncurrent assets and an impairment loss recorded for the purpose of consolidating and reducing poorly performing products and reducing excess production capacity.

During the fiscal year under review, average exchange rates were ¥83.10 to the U.S. dollar and ¥107.14 to the euro. This respectively represents yen depreciation of ¥4.02 and yen appreciation of ¥1.84 against these currencies compared to the previous fiscal year.

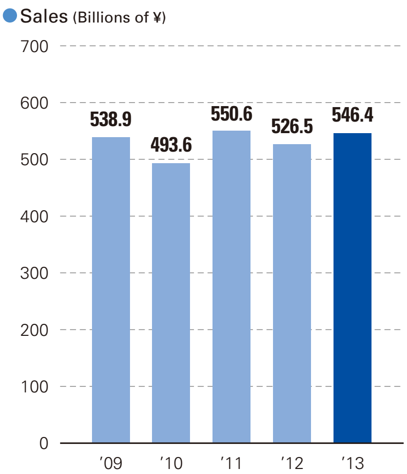
(2) Sales

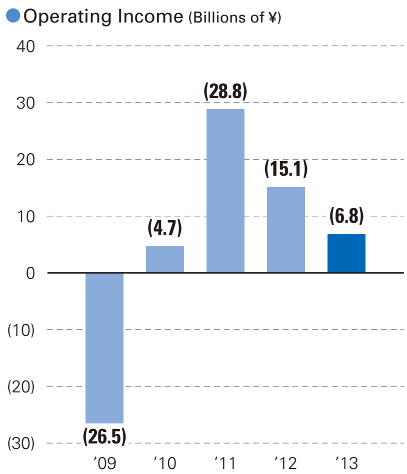
Net sales during the year came to ¥546.4 billion, up ¥19.9 billion, or 3.8%, from the previous fiscal year. Sales in the electronic components segment were down ¥0.8 billion, or 0.3%, to ¥268.0 billion. In the automotive infotainment business, sales came to ¥219.8 billion, up ¥19.6 billion, or 9.8%, year on year. In the logistics segment, meanwhile, sales grew ¥0.5 billion, or 1.2%, to ¥48.5 billion.

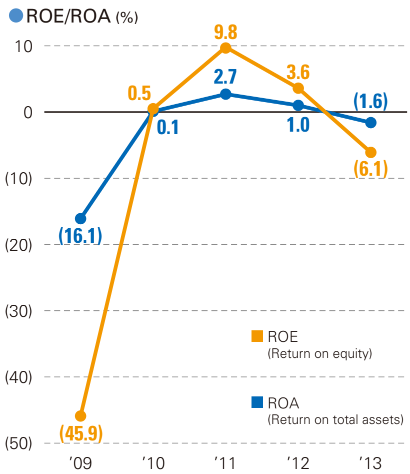
Although the yen was higher against the euro compared to the previous fiscal year, the depreciation of the yen against the U.S. dollar had the effect of increasing net sales by ¥12.3 billion during the year.

(3) Operating Income

The Group recorded operating income of ¥6.8 billion, representing a year-on-year decrease of ¥8.3 billion, or 54.8%. The overall effect on the Alps Group of currency rates was to increase income by ¥2.0 billion.







Business Segments

i. Electronic Components

In the electronics industry, growth in the demand for electronic components for use in televisions, personal computers, digital cameras, audio equipment, and other digital consumer equipment was sluggish, owing to the decelerating global economy, combined with the increase of manufacturers in emerging markets.
As a result, both sales and income were less than initial forecasts, despite the recent trend of correction in the high yen.

Results by division are described below.

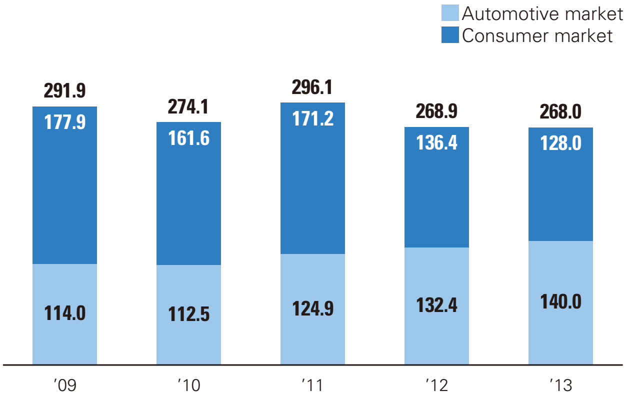
Automotive market

In the automotive markets that are the focus for this division, sales were strong overall as we leveraged our global production and sales network. Major developments in digitalization to improve automobile safety and energy efficiency are expected going forward, and accordingly we will work aggressively to expand sales by focusing on the development of original products such as sensors and high-frequency components, continuing to propose technological innovations to automotive manufacturers, and strengthening partnerships.

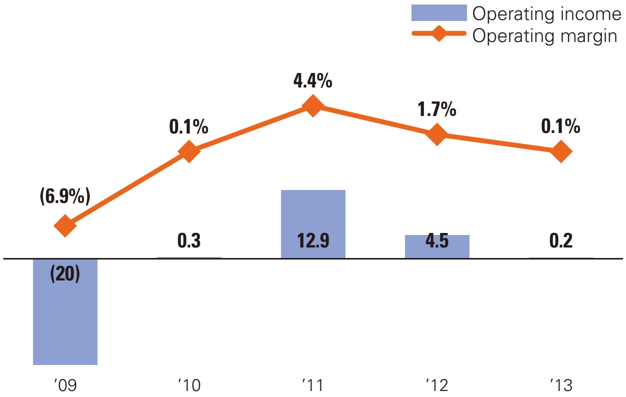
Consumer market

In the consumer markets, the main focus for this division, while the smartphone market grew dramatically, performance was lackluster for electronic components for televisions, personal computers, and other digital consumer products. Although we worked to cultivate new customers for such components as smartphone touch panels and switches, owing to changes in the plans of customers, both sales and profits fell below the previous year's levels. In consumer markets, we will implement sales promotion activities that accurately respond to the growing smartphone market while aggressively introducing new products in response to the expansion of the environmental energy market.

●Sales (Billions of ¥)

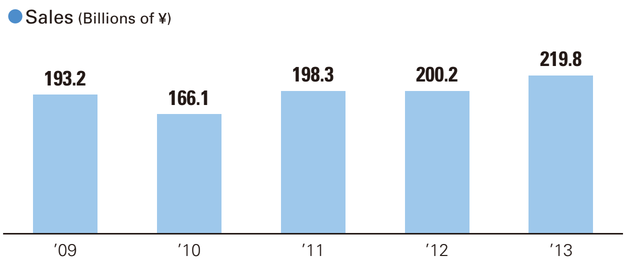


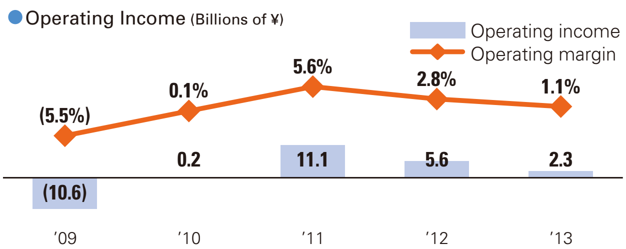
●Operating Income (Billions of ¥)



ii. Automotive Infotainment

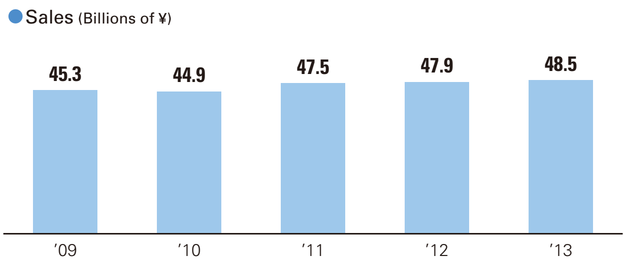
In the automotive electronics industry, due to a drop-off in digital terrestrial broadcasting replacement demand and an increase in the dealer option installment rate in the domestic market, sales of commercial car navigation systems were down. In markets overseas, price competition among competitors intensified amidst a decline in demand as a result of the slowdown in the economy.
Under these conditions, although sales to auto manufacturers increased in our automotive infotainment business (operated by Alpine Electronics, Inc., which is listed on the First Section of the Tokyo Stock Exchange) as a result of the resumption in production and sales by auto manufacturers and strong car sales in the North American market, the operating environment was difficult due to the impact of yen appreciation, the change in the sales composition of genuine parts to car manufacturers, and the pressure on earnings by increasing materials costs such as automotive displays and hard disk drives.
Note that with the change in the name of this business from the fiscal year under review, the description has been changed from “Audio Equipment” to “Automotive Infotainment.”

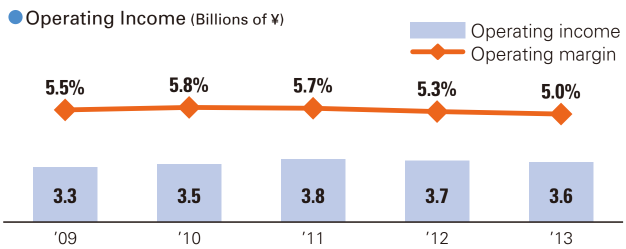




iii. Logistics

In the logistics segment (operated by Alps Logistics Co., Ltd., which is listed on the Second Section of the Tokyo Stock Exchange), we worked to strengthen our business base through proposal activities in line with the increasing needs of customers for improved logistics efficiency and consolidation, the development of new customers to expand sales in our global operations, and the pursuit of improved productivity and absolute quality in all of our operations, including transport, storage, export, and import.
In the overseas market, which has continued to grow, we enhanced our storage capabilities at warehouses opened in China and Hong Kong and strengthened our logistics network for our long-distance transport service in China’s interior. We expanded our global network and worked to increase freight volumes handled through the strengthening of Alps Logistics Korea Co., Ltd., the opening of a new warehouse at Alps Logistics (Thailand) Co., Ltd., and the expansion of warehouse floor space at locations in North America and Mexico.





(4) Ordinary Income

The Company posted ordinary income of ¥7.6 billion, down ¥6.6 billion, or 46.6%. A decline in operating income was the principal reason for this decrease.

(5) Income before Income Taxes

Income before income taxes amounted to ¥4.8 billion, down ¥10.7 billion from the ¥15.6 billion recorded in the previous fiscal year. The primary factors were the decline in ordinary income and a loss on sales and retirement of noncurrent assets and impairment loss recorded for the purpose of consolidating and reducing poorly performing products and reducing excess production capacity in the electronic components segment.

(6) Income Taxes

In the previous fiscal year, income taxes were ¥8.3 billion; this figure rose to ¥10.4 billion for the fiscal year under review. The main reasons for this increase were increases in taxes payable by overseas subsidiaries and overseas withholding tax.

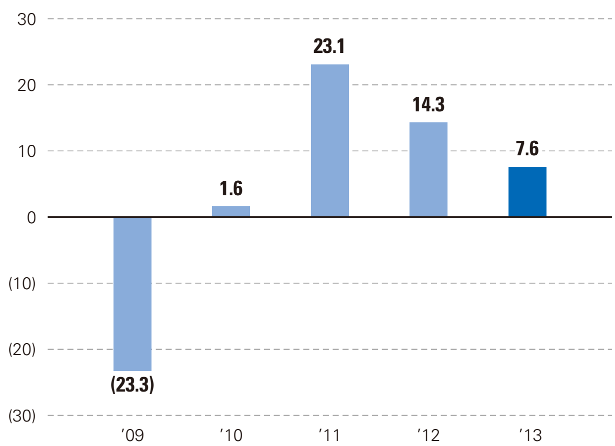
(7) Minority Interests in Net Income of Consolidated Subsidiaries

Minority interests in net income of consolidated subsidiaries were ¥1.5 billion during the fiscal year under review, compared with ¥3.1 billion during the preceding year. This difference resulted from earnings decreases attributable to minority interests of Alpine Electronics, Inc. and Alps Logistics Co., Ltd.

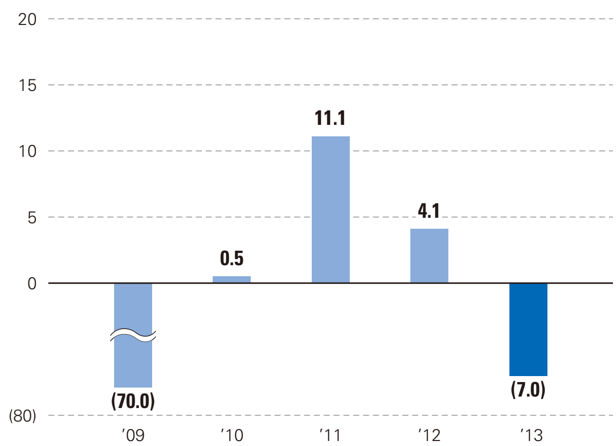
(8) Net Loss

During the year, a net loss of ¥7.0 billion was recorded, down ¥11.2 billion from the net income of ¥4.1 billion that was posted during the previous fiscal year. Net loss per share was ¥39.47, falling from net income per share of ¥23.29 in the previous 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 ¥24.8 billion, compared with ¥23.4 billion in the previous fiscal year. Major sources of cash were income before income taxes of ¥4.8 billion, depreciation and amortization of ¥21.5 billion, and a ¥10.4 billion decrease in notes and accounts receivable. Main uses of cash included a ¥16.4 billion decrease in notes and accounts payable and a ¥7.8 billion decrease in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities during the year under review amounted to ¥32.1 billion, compared with ¥29.3 billion in the previous fiscal year. The main use of cash was purchases of property, plant and equipment, and intangible assets of ¥33.1 billion, mainly in the electronic components segment.

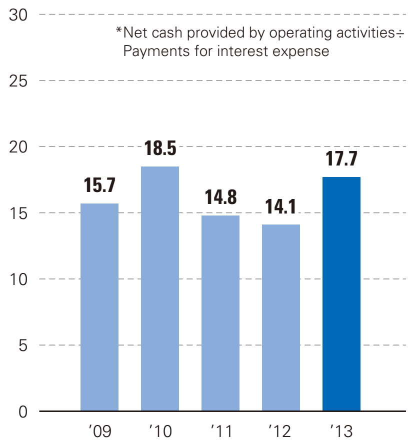
Cash flows from financing activities

During the fiscal year under review, net cash used in financing activities was ¥5.6 billion, compared with ¥6.6 billion used in the previous fiscal year. This decrease was due mainly to ¥58.6 billion in repayment of long-term loans payable and ¥2.6 billion in cash dividends paid. Proceeds from long-term loans payable provided ¥49.8 billion.

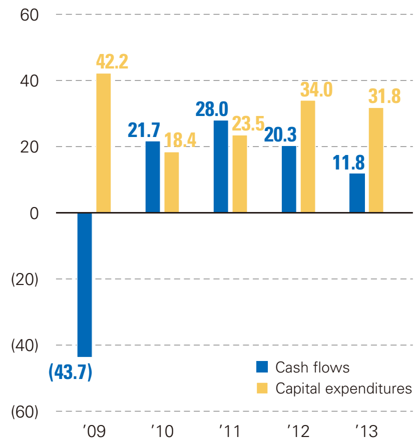
(2) Assets, Liabilities and Net Assets

Total assets at the end of the fiscal year were ¥451.4 billion, up ¥9.3 billion from one year earlier, while shareholders' equity increased ¥1.3 billion to ¥116.8 billion and the equity ratio was 25.9%.
Owing to such factors as a decrease in cash and time deposits, current assets as of March 31, 2013, were ¥273.1 billion, ¥2.5 billion lower than one year earlier.
Non-current assets amounted to ¥178.2 billion, up ¥11.9 billion, attributable mainly to increases in machinery, equipment and vehicles and investment securities.
Current liabilities at the end of the fiscal year were ¥166.6 billion, down ¥39.6 billion year on year, owing to such factors as a decrease in short-term loans and trade notes and accounts payable.
Non-current liabilities were up ¥42.7 billion year on year, to ¥85.3 billion, owing to such factors as an increase in long-term debt.

●Interest coverage (Times)

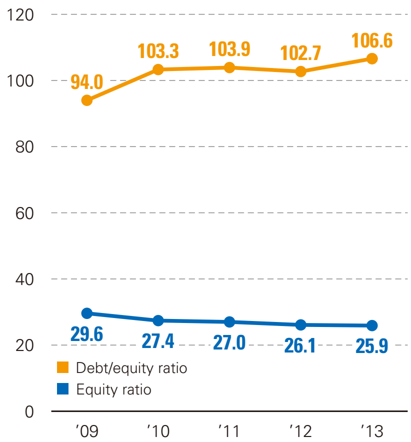


●Cash flows and capital expenditures (Billions of ¥)



*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 (%)



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 76.9% 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 highquality 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.

16. RISKS RELATING TO LEGAL PROCEEDINGS AND LITIGATION

The Alps Group has established a compliance system for its business activities and makes efforts to implement this system effectively. However, the Alps Group's performance and financial position could be adversely affected if legal proceedings were commenced by a regulatory agency or a lawsuit were filed in relation to the Alps Group's business activities. Note that there is a class action suit in the US and other countries that is seeking compensation from multiple companies including the Company and its subsidiaries in the US based on a claim that competition has been limited in automotive parts transactions. The amount of the claim in accordance with local legislation has yet to be determined and at this point in time it would be difficult to reasonably predict the outcome of this lawsuit.

FORECASTS FOR THE FISCAL YEAR ENDING MARCH 31, 2014

While conditions in the global economy are expected to remain difficult over the near term, a gradual recovery is expected from the second half of the fiscal year ending March 31, 2014. The European economy is expected to remain sluggish as time will likely be required for recovery. A gradual recovery is expected for the US economy accompanying improvements in the labor and housing environments. The emerging economies, particularly China and India, are expected to gradually recover from a temporary slowdown experienced last year and achieve high levels of growth. The Japanese economy is also expected to escape a recessionary environment from the second half of the fiscal year through the implementation of aggressive economic policies and a gradual recovery in the global economy.

(1) Electronic Components

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 create 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 results. In the consumer equipment category, we will continue to proactively 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, 2014, we anticipate sales in this segment of ¥300.0 billion, up 11.9% year on year, and operating income of ¥10.0 billion, compared to operating income of ¥0.2 billion during the previous fiscal year.

(2) Automotive Infotainment

In the automotive infotainment segment, we expect the Japanese economy to be supported by monetary easing measures and adjustments in the high yen and for the US economy to continue undergoing a gradual recovery. Meanwhile, we expect conditions for the European economy to remain difficult over the near term as the deterioration of the economy in Southern Europe leads to social instability and debt problems. Amid these conditions, we will expand our product lineup by introducing head units equipped with newly developed TuneIT App smartphone application software and our navigation systems featuring eight-inch and nine-inch screens and our "perfect fit" series, which have performed well in the Japanese market, in the North American market. To our automaker business partners, we will propose systems involving driver assistance products such as rear-view car mirrors and display products. Through these efforts we aim to provide even higher-added-value products to differentiate ourselves from our competitors in our aim to increase sales. Furthermore, we will continue measures to improve cost competitiveness in order to improve profitability.

In the automotive infotainment segment, we forecast sales of ¥239.0 billion, an 8.7% increase from the previous year, and operating income of ¥5.0 billion, up 115.1%.

(3) Logistics

In the logistics segment, we expect the Japanese economy to begin to recover as the new Abe administration executes its economic growth strategy based on the “three arrows” of monetary easing, public investment, and the implementation of a growth strategy. However, as economic conditions remain difficult in the near term, time could be needed for the recovery of freight mobility and trade cargo volume. Amid these circumstances, we will work to improve our global network and services in this segment while striving to secure and increase freight volumes handled through global sales both in Japan and overseas. By using our unique systems to increase productivity, we will continue working to improve the strength of this business.

For the fiscal year ending March 31, 2014, we forecast sales of ¥51.0 billion, a year-on-year rise of 5.0%, and operating income of ¥3.7 billion, up 3.2%, 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, 2014.

Forecasts for the fiscal year ending March 31, 2014

Net sales	¥600.0 billion (up 9.8% year on year) First-half forecast: ¥286.0 billion
Operating income	¥19.0 billion (up 177.3% year on year) First-half forecast: ¥4.5 billion
Ordinary income	¥19.3 billion (up 152.0% year on year) First-half forecast: ¥5.3 billion
Net income	¥9.5 billion (–) First-half forecast: ¥1.0 billion

These forecasts assume exchange rates of US$1.00 = ¥90 and €1.00 = ¥117.

CONSOLIDATED BALANCE SHEETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2013 and 2012

		Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS		2013	2012	2013
Current assets:	Cash and time deposits (Notes 16 and 17)	¥ 76,687	¥ 85,588	$ 814,952
	Notes and accounts receivable-trade (Note 17):			
	Unconsolidated subsidiaries and affiliated companies	903	1,282	9,596
	Other	101,335	99,855	1,076,886
	Allowance for doubtful accounts	(504)	(548)	(5,356)
	Inventories (Note 5)	74,338	69,123	789,989
	Deferred tax assets (Note 15)	4,975	6,749	52,869
	Other current assets	15,418	13,661	163,848
	Total current assets	273,152	275,710	2,902,784
Property, plant and equipment (Note 6):	Land (Note 10)	28,813	29,105	306,196
	Buildings and structures	122,911	118,218	1,306,174
	Machinery and equipment	287,599	267,641	3,056,312
	Construction in progress	6,215	8,448	66,047
		445,538	423,412	4,734,729
	Less accumulated depreciation and impairment losses	(316,276)	(302,442)	(3,361,063)
	Property, plant and equipment, net	129,262	120,970	1,373,666
Investments and other assets:	Intangible assets, net	11,818	9,385	125,590
	Investments in and advances to unconsolidated subsidiaries and affiliated companies (Notes 4 and 17)	7,471	6,615	79,394
	Investment securities (Notes 4 and 17)	19,366	16,703	205,802
	Deferred tax assets (Note 15)	4,475	4,462	47,556
	Other assets (Note 7)	5,872	8,207	62,402
	Total investments and other assets	49,002	45,372	520,744
	Total assets	¥ 451,416	¥ 442,052	$ 4,797,194

See accompanying notes.

LIABILITIES AND NET ASSETS		Millions of yen 2013	2012	Thousands of U.S. dollars (Note 1) 2013
Current liabilities:	Short-term loans payable (Notes 6 and 17)	¥ 47,880	¥ 34,512	$ 508,820
	Long-term debt due within one year (Notes 6 and 17)	10,482	57,621	111,392
	Notes and accounts payable-trade (Note 17):			
	Unconsolidated subsidiaries and affiliated companies	646	1,054	6,865
	Other	55,161	60,879	586,196
	Income taxes payable	3,369	2,757	35,802
	Accrued expenses	31,356	29,967	333,220
	Deferred tax liabilities (Note 15)	247	200	2,625
	Other current liabilities (Note 17 and 18)	17,504	19,322	186,015
	Total current liabilities	166,645	206,312	1,770,935
Non-current liabilities:	Long-term debt (Notes 6 and 17)	66,107	26,377	702,519
	Accrued employees' severance and pension costs (Note 7)	3,916	3,130	41,615
	Deferred tax liabilities (Note 15)	6,553	5,555	69,639
	Other non-current liabilities	8,785	7,540	93,358
	Total non-current liabilities	85,361	42,602	907,131
	Total liabilities	252,006	248,914	2,678,066
Contingent liabilities (Note 8)				
Net assets (Note 9):	Shareholders' equity:			
	Common stock:			
	Authorized - 500,000,000 shares			
	Issued - 181,559,956 shares in 2013 and 2012	23,624	23,624	251,052
	Capital surplus	45,587	45,587	484,452
	Retained earnings	60,622	70,391	644,230
	Treasury stock - 2,315,851 shares in 2013 and 2,320,486 shares in 2012	(3,507)	(3,516)	(37,269)
	Total shareholders' equity	126,326	136,086	1,342,465
	Accumulated other comprehensive income			
	Net unrealized gains on securities	4,539	3,477	48,236
	Net deferred gains (losses) on hedges	8	(3)	85
	Revaluation reserve for land (Note 10)	(526)	(526)	(5,590)
	Foreign currency translation adjustments	(13,529)	(23,599)	(143,773)
	Total accumulated other comprehensive income	(9,508)	(20,651)	(101,042)
	Minority interests	82,592	77,703	877,705
	Total net assets	199,410	193,138	2,119,128
	Total liabilities and net assets	¥ 451,416	¥ 442,052	$ 4,797,194

		Yen 2013	2012	U.S. dollars (Note 1) 2013
Amounts per share of common stock:	Net assets	¥ 651.72	¥ 644.03	$ 6.93

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2013, 2012 and 2011

		Millions of yen			Thousands of U.S. dollars (Note 1)
		2013	2012	2011	2013
Net sales		¥ 546,423	¥ 526,501	¥ 550,669	$ 5,806,833
Costs and expenses:	Cost of sales (Note 12)	458,576	432,589	441,498	4,873,284
	Selling, general and administrative expenses (Notes 11 and 12)	80,996	78,741	80,299	860,743
		539,572	511,330	521,797	5,734,027
Operating income		6,851	15,171	28,872	72,806
Other income (expenses):	Interest and dividend income	623	594	520	6,621
	Interest expense	(1,239)	(1,632)	(1,836)	(13,167)
	Foreign exchange gains (losses), net	866	355	(4,011)	9,203
	Other, net (Notes 13 and 14)	(2,205)	1,141	(2,276)	(23,433)
		(1,955)	458	(7,603)	(20,776)
Income before income taxes and minority interests		4,896	15,629	21,269	52,030
Income taxes (Note 15):	Current	8,126	6,013	7,160	86,355
	Deferred	2,330	2,318	(1,190)	24,761
		10,456	8,331	5,970	111,116
(Loss) income before minority interests		(5,560)	7,298	15,299	(59,086)
Minority interests in (earnings) losses of consolidated subsidiaries		(1,515)	(3,123)	(4,162)	(16,100)
Net (loss) income		(7,075)	4,175	11,137	(75,186)
Minority interests in earnings (losses) of consolidated subsidiaries		1,515	3,123	4,162	16,100
(Loss) income before minority interests		(5,560)	7,298	15,299	(59,086)
Other comprehensive income (Note 21)					
Net unrealized gains (losses) on securities		1,707	445	(903)	18,140
Net deferred gains (losses) on hedges		26	(7)	—	276
Foreign currency translation adjustments		13,533	(860)	(7,867)	143,815
Share of other comprehensive income of affiliated companies accounted for by the equity method		(131)	(756)	(354)	(1,392)
		15,135	(1,178)	(9,124)	160,839
Comprehensive income		¥ 9,575	¥ 6,120	¥ 6,175	$ 101,753
Comprehensive income attributable to:					
Shareholders of the parent		¥ 3,473	¥ 3,093	¥ 3,881	$ 36,907
Minority interests		6,102	3,027	2,294	64,846

		Yen			U.S. dollars (Note 1)
		2013	2012	2011	2013
Amounts per share of common stock:	Net income	¥ (39.47)	¥ 23.29	¥ 62.14	$ (0.42)
	Diluted net income	—	—	—	—
	Cash dividends applicable to the year	5.00	20.00	20.00	0.05

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2013, 2012 and 2011

		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 gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Minority interests	Total net assets
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
Net income				(7,075)							(7,075)
Dividends				(2,689)							(2,689)
Purchase of treasury stock					(0)						(0)
Disposal of treasury stock				(5)	9						4
Changes in items other than shareholders' equity, net						1,062	11		10,070	4,889	16,032
Balance at March 31, 2013	181,559,956	¥ 23,624	¥ 45,587	¥ 60,622	¥ (3,507)	¥ 4,539	¥ 8	¥ (526)	¥ (13,529)	¥ 82,592	¥ 199,410

	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 gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2012	$ 251,052	$ 484,452	$ 748,044	$ (37,364)	$ 36,950	$ (32)	$ (5,590)	$ (250,786)	$ 825,749	$ 2,052,475
Net income			(75,186)							(75,186)
Dividends			(28,576)							(28,576)
Purchase of treasury stock				(0)						(0)
Disposal of treasury stock			(52)	95						43
Changes in items other than shareholders' equity, net					11,286	117		107,013	51,956	170,372
Balance at March 31, 2013	$ 251,052	$ 484,452	$ 644,230	$ (37,269)	$ 48,236	$ 85	$ (5,590)	$ (143,773)	$ 877,705	$ 2,119,128

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2013, 2012 and 2011

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 4,896	¥ 15,629	¥ 21,269	$ 52,030
Depreciation and amortization	21,572	19,760	18,710	229,245
Impairment losses	3,640	463	37	38,682
Decrease in prepaid pension costs	2,202	2,154	1,791	23,401
Interest and dividend income	(623)	(594)	(520)	(6,621)
Interest expense	1,239	1,632	1,836	13,167
Decrease (increase) in notes and accounts receivable-trade	10,411	(8,996)	(7,900)	110,638
Decrease (increase) in inventories	2,344	(12,744)	(10,966)	24,910
(Decrease) increase in notes and accounts payable-trade	(16,415)	12,762	4,379	(174,442)
Other, net	4,133	152	9,328	43,921
Subtotal	33,399	30,218	37,964	354,931
Interest and dividends received	627	608	843	6,663
Interest paid	(1,397)	(1,664)	(1,935)	(14,846)
Income taxes paid	(7,823)	(5,736)	(8,320)	(83,135)
Net cash provided by operating activities	24,806	23,426	28,552	263,613
Cash flows from investing activities:				
Purchase of property, plant and equipment	(29,101)	(27,617)	(19,877)	(309,256)
Proceeds from sales of property, plant and equipment	1,752	1,454	1,776	18,618
Purchase of intangible assets	(4,052)	(3,297)	(2,340)	(43,061)
Purchase of short-term investment securities	—	—	(3,000)	—
Proceeds from sales of short-term investment securities	—	—	3,000	—
Other, net	(701)	102	(500)	(7,449)
Net cash used in investing activities	(32,102)	(29,358)	(20,941)	(341,148)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans payable	8,574	2,109	(3,347)	91,116
Proceeds from long-term loans payable	49,835	13,401	26,837	529,596
Repayment of long-term loans payable	(58,609)	(17,618)	(19,629)	(622,837)
Cash dividends paid	(2,689)	(3,585)	(1,792)	(28,576)
Cash dividends paid to minority shareholders	(1,346)	(1,353)	(939)	(14,304)
Repayments of lease obligations	(1,146)	(838)	(951)	(12,179)
Other, net	(273)	1,193	4,944	(2,901)
Net cash (used in) provided by financing activities	(5,654)	(6,691)	5,123	(60,085)
Effect of exchange rate change on cash and cash equivalents	4,082	(868)	(2,960)	43,379
Net (decrease) increase in cash and cash equivalents	(8,868)	(13,491)	9,774	(94,241)
Cash and cash equivalents at beginning of period	85,005	98,496	88,722	903,348
Cash and cash equivalents at end of period (Note 16)	¥ 76,137	¥ 85,005	¥ 98,496	$ 809,107

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2013

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, 2013, which was ¥94.10 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	1 - 20 years

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

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

(i) Leased assets

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

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

(j) Foreign currency translation

Foreign currency transactions

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

Foreign currency financial statements

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

(k) Accrued employees' bonuses

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

(l) Accrued directors' bonuses

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

(m)Accrued product warranties

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

(n) 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 from 14 to 16 years). Prior service cost is being amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (1 year, except certain domestic consolidated subsidiaries that apply a period of 13 years).

(o) Accrued directors' severance costs

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

(p) Allowance for environmental preservation costs

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

(q) Basis for revenue recognition on finance leases

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

(r) Income taxes

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

(s) Amounts per share of common stock

Basic net income per share is computed based on the net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during the year.
Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.
Net assets per share are computed based on the net assets excluding minority interests and the number of common stock outstanding at the year end.
Cash dividends per share of common stock reflect the actual amounts declared for each of the fiscal years.

(t) Derivative financial instruments

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

Changes in the fair value of derivatives

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

Interest rate swap agreements

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

(u) Accounting for consumption taxes

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

(v) Adoption of consolidated taxation system

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

(w) Reclassifications

Certain prior-year amounts have been reclassified to conform to the 2013 presentation.

(x) Standards issued but not yet effective

[Disclosure for the year ended March 31, 2013]
On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009. The major changes are as follows:

(1) Treatment in the balance sheet – Actuarial gains and losses and prior service cost that have yet to be recognized in profit or loss shall be recognized within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) Treatment in the statement of income and the statement of comprehensive income - Actuarial gains and losses and prior service cost that arose in the current period and have yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and prior service cost that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This standard and related guidance are effective as of the end of fiscal years beginning on or after April 1, 2013. The Company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

3. ACCOUNTING CHANGES

[Disclosure for the year ended March 31, 2013]
In accordance with an amendment to the Corporation Tax Law effective April 1, 2012, certain of the Company’s domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012, other than certain buildings, to reflect the methods prescribed in the amended Corporation Tax Law. The previously applied 250% declining –balance method was changed to the 200% declining-balance method. The impact on earnings was immaterial for the year ended March 31, 2013 as a result of this change.

4. INVESTMENT SECURITIES

Securities classified as other securities at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2013			2013		
	Fair value	Cost	Unrealized gains (losses)	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost: Equity securities	¥ 18,470	¥ 5,551	¥ 12,919	$ 196,280	$ 58,990	$ 137,290
Securities for which cost exceeds fair value: Equity securitie	268	333	(65)	2,848	3,538	(690)
Total	¥ 18,738	¥ 5,884	¥ 12,854	$ 199,128	$ 62,528	$ 136,600

	Millions of yen		
	2012		
	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost: Equity securities	¥ 15,591	¥ 5,286	¥ 10,305
Securities for which cost exceeds fair value: Equity securities	510	654	(144)
Total	¥ 16,101	¥ 5,940	¥ 10,161

Note: Unlisted stocks and other at March 31, 2013 and 2012 in the amounts of ¥628 million ($6,674 thousand) and ¥602 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, 2013, 2012 and 2011 were ¥26 million ($276 thousand), ¥29 million and ¥259 million, respectively.

Gross realized gains and losses for the year ended March 31, 2013 were ¥8 million ($85 thousand) and ¥1 million ($11 thousand), respectively. Gross realized gains and losses for the year ended March 31, 2012 were ¥28 million and nil, respectively. Gross realized gains and losses for the year ended March 31, 2011 were ¥161 million and ¥9 million, respectively.

The impairment losses of ¥272 million ($2,891 thousand), ¥101 million and ¥35 million on securities for the years ended March 31, 2013, 2012 and 2011 were recorded for non-marketable equity securities at ¥0 million ($0 thousand), ¥35 million and ¥13 million, respectively; foreign marketable equity securities at nil, ¥28 million and ¥0 million, respectively; for unconsolidated subsidiaries and affiliated companies at nil, ¥21 million, and nil, respectively; for the shares of companies that have business relationships with the Company at ¥0 million ($0 thousand), ¥17 million and ¥0 million, respectively; and foreign non-marketable equity securities at nil, nil and ¥22 million, respectively; for subsidiaries and affiliated companies at ¥271 million ($2,880 thousand), nil 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, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Finished products	¥ 43,885	¥ 41,612	$ 466,365
Work in process	11,170	10,819	118,704
Raw materials and supplies	19,283	16,692	204,920
	¥ 74,338	¥ 69,123	$ 789,989

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, 2013, 2012 and 2011, respectively:

Millions of yen			Thousands of U.S. dollars
2013	2012	2011	2013
¥ (85)	¥ 270	¥ (747)	$ (903)

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

Average interest rates for short-term loans payable, consisting primarily of overdrafts with banks, were 0.97% and 1.03% at March 31, 2013 and 2012, respectively.

Long-term debt at March 31, 2013 and 2012 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans principally from banks and insurance companies due over 1 year at average interest rates of 0.80% and 1.00% at March 31, 2013 and 2012, respectively	¥ 66,107	¥ 26,377	$ 702,519
Loans principally from banks and insurance companies due within 1 year at average interest rates of 1.24% and 1.67% at March 31, 2013 and 2012, respectively	10,482	57,621	111,392
	¥ 76,589	¥ 83,998	$ 813,911

At March 31, 2013 and 2012, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Land	¥ 2,054	¥ 3,009	$ 21,828
Building and structures	2,464	2,750	26,185
Total	¥ 4,518	¥ 5,759	$ 48,013

At March 31, 2013 and 2012, such collateral secured the following obligations:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Long-term debt due within one year	¥ 433	¥ 418	$ 4,601
Long-term debt	1,222	1,488	12,986

The aggregate annual maturities of long-term debt subsequent to March 31, 2013 and 2012 are summarized as follows:

Year ending March 31, 2013	Millions of yen	Thousands of U.S. dollars
2014	¥ 10,482	$ 111,392
2015	14,510	154,198
2016	42,858	455,452
2017	7,906	84,017
2018	676	7,184
2019 and thereafter	157	1,668
Total	¥ 76,589	$ 813,911

Year ending March 31, 2012	Millions of yen
2013	¥ 57,621
2014	9,542
2015	13,298
2016	1,280
2017	1,922
2018 and thereafter	335
Total	¥ 83,998

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, 2013 and 2012 for the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥ (63,992)	¥ (62,202)	$ (680,043)
Plan assets at fair value	50,370	46,313	535,282
Funded status	(13,622)	(15,889)	(144,761)
Unrecognized actuarial net loss	10,197	15,453	108,363
Unrecognized prior service cost	3	0	32
Amounts recognized in the consolidated balance sheets, net	(3,422)	(436)	(36,366)
Prepaid pension cost	494	2,694	5,249
Accrued employees' severance and pension costs	¥ (3,916)	¥ (3,130)	$ (41,615)

Certain of the Company's consolidated subsidiaries have adopted the simplified method in calculating their projected benefit obligation as set forth in the accounting standard applicable to retirement benefits.
The components of retirement benefits expenses for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Service cost	¥ 2,799	¥ 2,612	¥ 2,357	$ 29,745
Interest cost	921	1,292	1,315	9,787
Expected return on plan assets	(816)	(1,031)	(1,144)	(8,672)
Amortization of actuarial loss	2,214	1,740	1,637	23,528
Amortization of prior service cost	116	(3)	(6)	1,233
Additional accrued severance cost	107	12	38	1,137
Settlement loss on certain pension plans	—	—	667	—
Other	797	799	785	8,470
Total	¥ 6,138	¥ 5,421	¥ 5,649	$ 65,228

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2013, 2012 and 2011 were as follows:

	2013	2012	2011
Discount rates	Mainly 1.6%	Mainly 1.6%	Mainly 2.5%
Expected rates of return on plan assets	Mainly 1.9%	Mainly 2.4%	Mainly 2.5%

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, 2012	As of March 31, 2011	As of March 31, 2012
Pension assets	¥ 19,132	¥ 19,023	$ 203,315
Pension liabilities	(24,181)	(23,657)	(256,971)
Funded status	¥ (5,049)	¥ (4,634)	$ (53,656)

(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, 2012	As of March 31, 2011
Japan Travel Agents Employees Pension Funds	0.53%	0.56%

8. CONTINGENT LIABILITIES

The Company was contingently liable as guarantor for loans of other companies and employees in the aggregate amount of ¥18 million ($191 thousand) and ¥27 million at March 31, 2013 and 2012, 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 £12,095 thousand (¥1,732 million ($18,406 thousand)) and £8,619 thousand (¥1,132 million) at March 31, 2013 and 2012, respectively.

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥45,000 million ($478,215 thousand) and ¥34,600 million with financial institutions at March 31, 2013 and 2012, respectively. The outstanding loans payable amounted to ¥5,500 million ($58,448 thousand) and ¥821 million, and the unused balances amounted to ¥39,500 million ($419,766 thousand) and ¥33,779 million under these credit facilities, at March 31, 2013 and 2012, respectively.

9. NET ASSETS

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

Shares in Issue and Outstanding and Treasury Stock

The total number and periodic changes in the number of shares in issue and the total number and periodic changes in the number of shares of treasury stock for the years ended March 31, 2013 and 2012 are summarized as follows:

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

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

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.

Dividends

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

	Millions of yen		Thousands of U.S. dollars	
Cash dividends approved on June 22, 2012 (¥10.00 = $0.11 per share)	¥	1,792	$	19,044
Cash dividends approved on October 31, 2012 (¥5.00 = $0.05 per share)	¥	896	$	9,522

The appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2013 is nil.

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 record as of March 31, 2011 and September 30, 2011, respectively, during the year ended March 31, 2012:

	Millions of yen	
Cash dividends approved on June 24, 2011 (¥10.00 = $0.12 Per share)	¥	1,792
Cash dividends approved on October 31, 2011 (¥10.00 = $0.12 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, 2013 and 2012 were ¥1,345 million ($14,293 thousand) and ¥1,301 million, respectively.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Salaries	¥ 28,660	¥ 27,366	¥ 26,400	$ 304,570
Employees' bonuses	3,528	3,771	3,443	37,492
Employees' severance and pension costs	1,873	1,960	1,391	19,904
Warranty costs	876	1,137	2,668	9,309
Commission expenses	5,627	6,889	6,427	59,798
Research and development expenses	12,135	10,914	12,362	128,959

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and general and administrative expenses were ¥28,675 million ($304,729 thousand), ¥28,099 million and ¥28,124 million for the years ended March 31, 2013, 2012 and 2011, 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, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Loss on sale and disposal of fixed assets	¥ (1,733)	¥ (368)	¥ (748)	$ (18,417)
Gain on sale of fixed assets	1,021	598	800	10,850
Gain on sale of investment securities	8	28	161	85
Write-offs of investment securities	1	(101)	(35)	11
Insurance premiums refunded	—	332	87	—
Equity in earnings of affiliated companies	406	309	385	4,314
Provision for product warranties	—	(633)	—	—
Insurance compensation due from disaster	—	607	—	—
Litigation settlement	—	(310)	(457)	—
Compensation income	1,181	245	—	12,550
Subsidy income	508	280	—	5,399
Subsidies for disaster reconstruction	167	1,077	—	1,775
Loss on settlement of certain pension plans	—	—	(667)	—
Impairment losses on fixed assets	(3,640)	(463)	(38)	(38,682)
Loss on disaster	(18)	(1,033)	(3,443)	(191)
Gain on change in share of net assets of a consolidated subsidiary resulted from stock issuance by the subsidiary	—	754	2,191	—
Business structure improvement expenses	(45)	(53)	(148)	(478)
Commission fee	(406)	(445)	(842)	(4,315)
Reversal of allowance for doubtful accounts	—	—	194	—
Cumulative effect on prior years of adopting the accounting standard for asset retirement obligations	—	—	(92)	—
Other	345	317	376	3,666
	¥ (2,205)	¥ 1,141	¥ (2,276)	$ (23,433)

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, 2013 as follows:

			Millions of yen	Thousands of U.S. dollars
Location	Use	Asset type	2013	2013
China	Assets for Electronic components business	Buildings, Machinery & equipment, construction in progress, tools, furniture, fixtures etc.	¥ 1,729	$ 18,374
	Scheduled disposal assets	Machinery & equipment and dies etc.	538	5,717
Japan	Assets for Electronic components business	Machinery & equipment, tools, furniture, fixtures and dies etc.	385	4,091
	Assets for Logistics business	Buildings etc.	4	43
	Scheduled disposal assets	Machinery & equipment and dies etc.	361	3,836
	Assets leased to others	Land and Buildings	63	670
	Idle assets	Land	1	11
Malaysia	Assets for Electronic components business	Buildings, Machinery & Equipment	377	4,006
Korea	Assets for Electronic components business	Buildings, Machinery & Equipment etc.	110	1,169
Czech Republic	Assets for Electronic components business	Land Buildings, Machinery & Equipment etc.	70	744
	Scheduled disposal assets	Machinery & Equipment etc.	0	0
U.S.A.	Assets for Electronic components business	Machinery & Equipment etc.	2	21
Total			¥ 3,640	$ 38,682

With respect to assets included in assets for the Electronic components business and the Logistics business, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.
The recoverable amounts were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.5 – 4.2%.
With respect to idle assets, assets leased to others and scheduled disposal assets, whose fair value declined or whose future use had not been determined, the Company reduced the book value of those assets to their respective recoverable amounts and recognized impairment losses as other expenses.
The recoverable amounts of idle assets were determined at net realizable value computed based on asset value under property tax.
The recoverable amounts of assets leased to others were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.5%.
As for scheduled disposal assets, memorandum value was used for determining the recoverable value.

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

			Millions of yen
Location	Use	Asset type	2012
Japan	Scheduled disposal assets	Buildings	¥ 74
		Machinery and equipment	13
		Software	242
Japan	Assets leased to others	Land	63
		Buildings	16
Japan	Assets for Logistics business	Buildings and Structures	54
Japan	Idle assets	Land	1
Total			¥ 463

With respect to assets included in assets for the Logistics business, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.
The recoverable amounts were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.4%.
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 statutory tax rates of approximately 37.8%, 40.5% and 40.5% for the years ended March 31, 2013, 2012 and 2011, respectively.

The following table summarizes the reconciliations between the statutory tax rate and the Company's effective tax rates reflected in the accompanying consolidated statements of income and comprehensive income for the years ended March 31, 2013, 2012 and 2011:

	2013	2012	2011
Statutory tax rate	37.8%	40.5%	40.5%
Change in valuation allowance	157.6	7.4	(5.1)
Lower tax rates at foreign subsidiaries	(23.1)	(4.6)	(6.8)
Non-deductible expenses	30.6	6.3	9.4
Non-taxable income	(14.5)	(0.3)	(10)
Capita levy on inhabitant tax	2.9	0.9	0.6
Effect of tax rate change	4.4	2.3	—
Withholding tax on services rendered	9.3	—	—
Other	8.6	0.8	(0.5)
Effective tax rates	213.6%	53.3%	28.1%

The significant components of deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Tax loss carryforwards	¥ 28,336	¥ 22,344	$ 301,126
Accrued employees' severance and pension costs	1,002	932	10,648
Intercompany profit	3,862	3,776	41,041
Write-offs of inventories	1,128	967	11,987
Depreciation	9,113	9,762	96,844
Accrued employees' bonuses	2,961	3,060	31,467
Write-offs of investment securities	2,159	2,168	22,944
Accrued warranty costs	818	841	8,693
Accrued expenses	781	869	8,300
Other	6,686	5,759	71,052
Gross deferred tax assets	56,846	50,478	604,102
Valuation allowance	(43,634)	(35,402)	(463,699)
Less deferred tax liabilities in the same tax jurisdiction	(3,762)	(3,865)	(39,978)
Total deferred tax assets	9,450	11,211	100,425
Deferred tax liabilities:			
Unrealized gain on investment securities	(4,232)	(3,287)	(44,973)
Prepaid pension cost	(137)	(855)	(1,456)
Undistributed retained earnings of foreign subsidiaries	(1,362)	(1,172)	(14,474)
Gain on change in share of net assets of a consolidated subsidiary resulted from stock issuance by the subsidiary	(1,153)	(1,154)	(12,253)
Undistributed retained earnings of affiliated company accounted for by the equity method	(1,989)	(1,670)	(21,137)
Other	(1,689)	(1,482)	(17,949)
Gross deferred tax liabilities	(10,562)	(9,620)	(112,242)
Less deferred tax assets in the same tax jurisdiction	3,762	3,865	39,978
Total deferred tax liabilities	(6,800)	(5,755)	(72,264)
Net deferred tax assets	¥ 2,650	¥ 5,456	$ 28,161

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, 2013 and 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and time deposits	¥ 76,687	¥ 85,588	$ 814,952
Less: Time deposits with a maturity of more than three months when purchased	(550)	(583)	(5,845)
Cash and cash equivalents	¥ 76,137	¥ 85,005	$ 809,107

Supplemental Disclosure of Non-Cash Transactions

The Company recorded assets and corresponding obligations for finance lease transactions amounting to ¥2,633 million ($27,981 thousand), ¥2,059 million and ¥408 million during the years ended March 31, 2013, 2012 and 2011, respectively.

17. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

Short-term debt and Long-term debt are taken out principally for the purpose of making capital investments.

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

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

Information regarding the method of hedge accounting, hedging instruments and hedged items is found in summary of significant accounting policies in Note 2.

(3) Risk management for financial instruments

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

In accordance with the internal policies for managing credit risk of the Group arising from receivables, the related Sales Department manager monitors credit worthiness of main customers, and the Credit Control Department assesses the financial situation periodically. In addition, the Group is making efforts to identify and mitigate risks of bad debts.
The Group believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

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

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts and currency swaps to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Group may also enter into interest rate swap transactions.
For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.
In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions. Monthly reports including actual transaction data are submitted to the Board of Directors for their review.

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

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

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

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

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2013 and 2012, their estimated fair value and unrealized gains are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

		Millions of yen			Thousands of U.S. dollars		
		2013			2013		
		Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:	Cash and time deposits	¥ 76,687	¥ 76,687	¥ —	$ 814,952	$ 814,952	$ —
	Notes and accounts receivable-trade	102,238	102,238	—	1,086,482	1,086,482	—
	Investment securities	25,445	31,236	5,791	270,404	331,945	61,541
Total assets		¥ 204,370	¥ 210,161	¥ 5,791	$ 2,171,838	$ 2,233,379	$ 61,541
Liabilities:	Notes and accounts payable-trade	¥ 55,807	¥ 55,807	¥ —	$ 593,061	$ 593,061	$ —
	Short-term loans payable	47,880	47,880	—	508,820	508,820	—
	Long-term debt due within one year	10,482	10,482	—	111,392	111,392	—
	Long-term debt	66,107	66,809	702	702,519	709,979	7,460
Total liabilities		¥ 180,276	¥ 180,978	¥ 702	$ 1,915,792	$ 1,923,252	$ 7,460
Derivatives*		¥ (216)	¥ (216)	¥ —	$ (2,295)	$ (2,295)	$ —

		Millions of yen		
		2012		
		Carrying value	Estimated fair value	Difference
Assets:	Cash and time deposits	¥ 85,588	¥ 85,588	¥ —
	Notes and accounts receivable-trade	101,137	101,137	—
	Investment securities	21,994	26,544	4,550
Total assets		¥ 208,719	¥ 213,269	¥ 4,550
Liabilities:	Notes and accounts payable-trade	¥ 61,933	¥ 61,933	¥ —
	Short-term loans payable	34,512	34,512	—
	Long-term debt due within one year	57,621	57,621	—
	Long-term debt	26,377	26,577	200
Total liabilities		¥ 180,443	¥ 180,643	¥ 200
Derivatives*		¥ (410)	¥ (410)	¥ —

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

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

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

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

(b) Investment securities

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

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

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

(d) Long-term debt

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

(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
	2013	2012	2013
	Carrying value	Carrying value	Carrying value
Investment in unconsolidated subsidiaries and affiliated companies	¥ 764	¥ 722	$ 8,119
Unlisted stocks and other included in investment securities	¥ 628	¥ 602	$ 6,673

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, 2013 and 2012

		Millions of yen		Thousands of U.S. dollars
		2013	2012	2013
Due in one year or less	Cash and time deposits	¥ 76,687	¥ 85,588	$ 814,952
	Notes and accounts receivable-trade	102,238	101,137	1,086,482
Total		¥ 178,925	¥ 186,725	$ 1,901,434

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, 2013 and 2012 are summarized as follows:

Year ending March 31, 2013	Millions of yen		Thousands of U.S. dollars	
2014	¥	1,075	$	11,424
2015		1,114		11,838
2016		606		6,440
2017		262		2,784
2018		184		1,955
2019 and thereafter		1,322		14,049
Total	¥	4,563	$	48,490

Year ending March 31, 2012	Millions of yen	
2013	¥	690
2014		455
2015		342
2016		139
2017		91
2018 and thereafter		1,334
Total	¥	3,051

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, 2013 and 2012, to which hedge accounting has not been applied, are summarized as follows:

			Millions of yen			Thousands of U.S. dollars		
			2013			2013		
			Notional amounts	Estimated fair value	Unrealized losses	Notional amounts	Estimated fair value	Unrealized losses
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 13,320	¥ (213)	¥ (213)	$ 141,552	$ (2,263)	$ (2,263)
		Euro	7,219	(22)	(22)	76,716	(234)	(234)

			Millions of yen		
			2012		
			Notional amounts	Estimated fair value	Unrealized losses
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 13,789	¥ (215)	¥ (215)
		Euro	6,978	(184)	(184)

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

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2013 and 2012, to which hedge accounting has been applied primarily to accounts receivables, are summarized as follows:

			Millions of yen				Thousands of U.S. dollars	
			2013		2012		2013	
			Notional amounts	Estimated fair value	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 663	¥ 5	¥ 1,187	¥ (3)	$ 7,046	$ 53
		Euro	617	14	1,843	(8)	6,557	149

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

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
	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	¥ 2,525	¥ Note	¥ 5,113	¥ Note	$ 26,833	$ 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, 2013 and 2012, 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
		2013	2012	2013
Machinery and equipment	Acquisition costs	¥ 28	¥ 42	$ 298
	Accumulated depreciation	27	38	287
	Accumulated impairment	—	—	—
Net book value		¥ 1	¥ 4	$ 11

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2013 and 2012 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2013	2013
2014	¥ 1	$ 11
2015 and thereafter	—	—
	¥ 1	$ 11

	Millions of yen
	2012
2013	¥ 4
2014 and thereafter	0
	¥ 4

There is no accumulated impairment loss on leased assets as of March 31, 2013 for finance leases accounted for as operating leases.

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements for the years ended March 31, 2013, 2012 and 2011 totaled ¥4 million ($43 thousand), ¥6 million and ¥31 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, 2013, 2012 and 2011 amounted to ¥4 million ($43 thousand), ¥6 million and ¥31 million, respectively.

The Company's future minimum lease payments subsequent to March 31, 2013 and 2012 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2013	2013
2014	¥ 1,429	$ 15,186
2015 and thereafter	3,686	39,171
	¥ 5,115	$ 54,357

	Millions of yen
	2012
2013	¥ 1,324
2014 and thereafter	3,862
	¥ 5,186

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease receivables	¥ 748	¥ 548	$ 7,949
Estimated residual value	1	2	11
Interest portion of lease receivables	(65)	(50)	(691)
Investment in lease assets	¥ 684	¥ 500	$ 7,269

The collection schedules of lease receivables related to investment in lease assets at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2013	2013
2014	¥ 229	$ 2,433
2015	199	2,115
2016	121	1,286
2017	91	967
2018	62	659
2019 and thereafter	46	489
	¥ 748	$ 7,949

	Millions of yen
	2012
2013	¥ 192
2014	121
2015	90
2016	68
2017	42
2018 and thereafter	35
	¥ 548

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.

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, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Lease income	¥ —	¥ 1	¥ 1	$ —
Depreciation/amortization	¥ —	¥ 0	¥ 1	$ —
Interest portion of lease income	¥ —	¥ 0	¥ 0	$ —

The Company’s future minimum lease receivables subsequent to March 31, 2013 and 2012 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
		2013		2013
2014	¥	13	$	138
2015 and thereafter		11		117
	¥	24	$	255

	Millions of yen	
		2012
2013	¥	10
2014 and thereafter		0
	¥	10

20. RELATED PARTY TRANSACTIONS

There were no transactions of the Company with a related party for the years ended March 31, 2013 and 2012.

21. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments as amounts reclassified to net income for the years ended March 31, 2013 and 2012, which were recognized in other comprehensive income for the years ended March 31, 2013 and 2012, and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized gains (losses) on securities:			
Amount arising during the year	¥ 2,660	¥ (106)	$ 28,268
Reclassification adjustments	(6)	43	(64)
Net unrealized gains (losses) on securities before tax effect	2,654	(63)	28,204
Tax effect	(947)	508	(10,064)
Net unrealized gains (losses) on securities	1,707	445	18,140
Net deferred gains (losses) on hedges:			
Amount arising during the year	(0)	163	(0)
Reclassification adjustments	30	(174)	319
Net deferred gains (losses) on hedges before tax effect	30	(11)	319
Tax effect	(4)	4	(43)
Net deferred gains (losses) on hedges	26	(7)	276
Foreign currency translation adjustments:			
Amount arising during the year	13,533	(1,096)	143,815
Reclassification adjustments	—	236	—
Foreign currency translation adjustments before tax effect	13,533	(860)	143,815
Tax effect	—	—	—
Foreign currency translation adjustments	13,533	(860)	143,815
Share other comprehensive income of affiliated companies accounted for by the equity method:			
Amount arising during the year	(131)	(756)	(1,392)
Other comprehensive income	¥ 15,135	¥ (1,178)	$ 160,839

22. SEGMENT INFORMATION

Business segments

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

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

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

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

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

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

Reportable segment information of the Company for the years ended March 31, 2013, 2012 and 2011 is summarized as follows:

Year ended March 31, 2013		Electronic components	Automotive Infotainment (Note 4)	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
		Millions of yen							
		Reportable segments							
Net sales	External customers	¥ 268,086	¥ 219,852	¥ 48,554	¥ 536,492	¥ 9,931	¥ 546,423	¥ —	¥ 546,423
	Inter-segment sales and transfers	11,920	2,457	22,876	37,253	10,815	48,068	(48,068)	—
	Total	280,006	222,309	71,430	573,745	20,746	594,491	(48,068)	546,423
Segment income		227	2,325	3,587	6,139	413	6,552	299	6,851
Segment assets		256,221	167,741	58,213	482,175	32,724	514,899	(63,483)	451,416
Segment liabilities		177,157	57,890	21,557	256,604	28,250	284,854	(32,848)	252,006
Other items									
Depreciation		13,004	6,107	1,919	21,030	594	21,624	(52)	21,572
Increase in tangible and intangible fixed assets		23,846	6,719	1,624	32,189	602	32,791	(958)	31,833

Year ended March 31, 2012		Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
		Millions of yen							
		Reportable segments							
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		Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
		Millions of yen							
		Reportable segments							
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, 2013		Electronic components	Automotive Infotainment (Note 4)	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
		Thousands of U.S. dollars							
		Reportable segments							
Net sales	External customers	$ 2,848,948	$ 2,336,365	$ 515,983	$ 5,701,296	$ 105,537	$ 5,806,833	$ —	$ 5,806,833
	Inter-segment sales and transfers	126,674	26,110	243,103	395,887	114,931	510,818	(510,818)	—
	Total	2,975,622	2,362,475	759,086	6,097,183	220,468	6,317,651	(510,818)	5,806,833
Segment income		2,412	24,708	38,119	65,239	4,389	69,628	3,178	72,806
Segment assets		2,722,859	1,782,582	618,629	5,124,070	347,758	5,471,828	(674,634)	4,797,194
Segment liabilities		1,882,646	615,197	229,086	2,726,929	300,212	3,027,141	(349,075)	2,678,066
Other items									
Depreciation		138,194	64,899	20,393	223,486	6,312	229,798	(553)	229,245
Increase in tangible and intangible fixed assets		253,411	71,403	17,258	342,072	6,398	348,470	(10,181)	338,289

Notes:
1. "Other" includes business segments not included in the reportable segments, and includes the development of information systems, office services, financial and leasing businesses.
2. "Adjustments" of segment income, segments assets, and liabilities include the elimination of inter-segment profit and loss.
3. Segment income is reconciled with operating income in the consolidated financial statements.
4. The reportable segment "Audio Equipment" was renamed "Automotive Infotainment" during the year ended March 31, 2013.

Related information

1. Geographical information
(1) Net sales

Millions of yen					
Year ended March 31, 2013					
Japan	China	America	Germany	Other	Total
¥ 126,205	¥ 99,791	¥ 89,233	¥ 53,771	¥ 177,423	¥ 546,423

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, 2013					
Japan	China	America	Germany	Other	Total
$ 1,341,180	$ 1,060,478	$ 948,278	$ 571,424	$ 1,885,473	$ 5,806,833

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, 2013			
Japan	China	Other	Total
¥ 82,311	¥ 29,564	¥ 17,387	¥ 129,262

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, 2013			
Japan	China	Other	Total
$ 874,718	$ 314,176	$ 184,772	$ 1,373,666

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, 2013, 2012 and 2011.

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, 2013,2012 and 2011 was summarized as follows:

Millions of yen					
Year ended March 31, 2013					
Electronic components	Automotive Infotainment (Note 2)	Logistics	Other (Note 1)	Eliminations	Total
¥ 3,555	¥ —	¥ 4	¥ 81	—	¥ 3,640

Notes:
1. "Other" includes financial and leasing businesses.
2. The reportable segment "Audio Equipment" was renamed "Automotive Infotainment" during the year ended March 31, 2013.

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

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

Millions of yen					
Year ended March 31, 2011					
Electronic components	Automotive Infotainment	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, 2013					
Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total
$ 37,779	$ —	$ 43	$ 860	—	$ 38,682

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, 2013, 2012 and 2011.

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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, 2013, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2013, 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 14, 2013
Tokyo, Japan

Perfecting the Art of Electronics

ALPS®

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