ALPS

ANNUAL REPORT 2001

FOR THE YEAR ENDED MARCH 31, 2001

PROFILE & CONTENTS

The core companies of the Alps Group are Alps Electric Co., Ltd., one of Japan's foremost general manufacturers of electronic components; Alpine Electronics, Inc., a general manufacturer of such mobile multimedia equipment as car audio and car navigation systems; and Alps Logistics Co., Ltd., a general distribution company specializing in electronic components.

As of March 31, 2001, the Alps Group included 74 consolidated and affiliated companies in Japan and overseas. Alps harnesses its comprehensive powers as a group to carry out truly global business development.

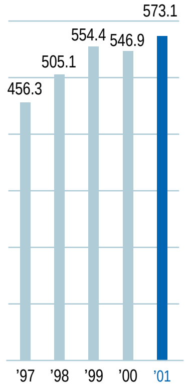
FINANCIAL HIGHLIGHTS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2001, 2000 and 1999

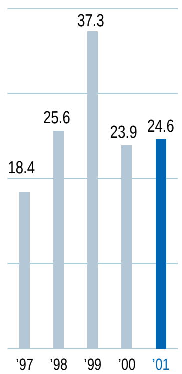
	Millions of yen			Thousands of U.S. dollars (Note)	Percent change
	2001	2000	1999	2001	
FOR THE YEAR:					
Net sales	¥573,064	¥546,941	¥554,446	$4,625,214	4.8
Operating income	24,554	23,871	37,339	198,176	2.9
Income (loss) before income taxes	24,931	(10,133)	24,624	201,219	-346.0
Income taxes	4,210	8,351	12,237	33,979	-49.6
Net income (loss)	18,111	(20,611)	9,677	146,175	-187.9
Capital expenditures	31,403	35,337	39,973	253,454	-11.1
AT YEAR-END:					
Current assets	¥289,283	¥308,258	¥280,405	$2,334,809	-6.2
Current liabilities	230,288	223,033	200,682	1,858,661	3.3
Working capital	58,995	85,225	79,723	476,148	-30.8
Stockholders' equity	131,901	122,485	143,106	1,064,575	7.7
Total assets	479,032	499,836	499,639	3,866,278	-4.2

	Yen			U.S. dollars	Percent change
	2001	2000	1999	2001	
AMOUNTS PER SHARE OF COMMON STOCK:					
Net income (loss)	¥100.21	¥(114.41)	¥ 54.02	$0.81	-187.6
Cash dividends applicable to the year	12.00	10.00	12.00	0.10	20.0
Stockholders' equity	729.84	679.72	798.99	5.89	7.4
Price earnings ratio (times)	12.25	—	32.65	—	—
Price book value ratio (times)	1.68	3.14	2.21	—	-46.5

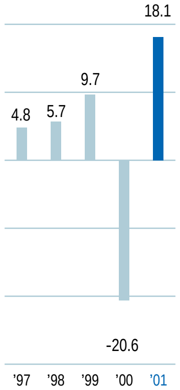
Note: For convenience only, the accompanying Japanese yen amounts for 2001 have been translated into U.S.dollars at the rate of ¥123.9 to $1.00, the exchange rate prevailing on March 31, 2001.



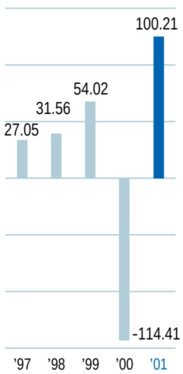
NET SALES
(Billions of ¥)



OPERATING INCOME
(Billions of ¥)



NET INCOME (LOSS)
(Billions of ¥)



NET INCOME (LOSS) PER SHARE (¥)

To Our Stockholders

CONSOLIDATED RESULTS

In fiscal 2001, ended March 31, 2001, Alps recorded a 4.8% increase in consolidated net sales to ¥573,064 million (US$4,625 million). Operating income rose 2.9% to ¥24,554 million (US$198 million) and net income was ¥18,111 million (US$146 million).

The fiscal year in review was marked by considerable volatility, as robust conditions in the first half gave way to a sudden and sharp deterioration in the second half. To face these conditions, we worked to strengthen our internal corporate system through measures that included thorough management of inventories and intense cost reductions. As a result of these efforts, and helped in part by the weakness of the yen, we finished the fiscal year ahead of our initial projections.

By product type, giant magnetoresistive (GMR) heads for hard disk drives (HDDs) suffered a significant decline in orders, owing to dampening demand for PCs following an economic slowdown in the United States, and a decline in orders arising from unexpected acceleration in the pace of technological developments. As a result, sales of products related to magnetic devices declined, and sales of products related to computer peripherals were down from the previous fiscal year on account of lower printer sales. However, in products related to communications and broadcasting, Alps saw growth in sales of components for mobile phones and BS digital broadcasting. In products related to computer peripherals, we recorded substantial increases in sales of color liquid crystal displays (LCDs) for mobile information terminals (such as personal digital assistants, or PDAs) and mobile phones. In car electronics products, we achieved growth in sales to automobile manufacturers in Japan and overseas. In audio equipment, sales of car audio systems have remained brisk predominately in the European and American markets, while sales grew in North America for systems products in car navigation systems predominately for DVDs. The designated market for automobile manufacturers was also robust. In logistics and others, the domestic distribution business recorded significant sales growth from the reacquisition of new clients via distribution proposals and expansion of the scope of contract work, and the international distribution and marketing of logistics materials also expanded.

BUSINESS DEVELOPMENT OVERSEAS

Alps has worked extensively to build and strengthen its overseas affiliates. Going forward, we plan to bolster

MASATAKA KATAOKA
President

each of our existing bases, while boosting the efficiency of the network they form.

At Dalian Alps Electronics Co., Ltd., we decided to construct a new plant to expand the products that Dalian Alps produces and strengthen its components processing. Construction is scheduled for completion at the end of December 2001. To respond to an expanding market for mobile phones in China, we began production of voltage-controlled oscillators (VCOs) for mobile phones at Shanghai Alps Electronics Co., Ltd. At Ningbo Alps Electronics Co., Ltd., construction of a new plant begun in January 2000 was completed in May 2001. While production currently centers on audio heads, we aim to expand the line for audiovisual magnetic heads at this mainstay plant to include digital head production.

At Alps Electric (USA), Inc., the Company was involved in a number of efforts aimed at restructuring its business activities in North America over the past several years. As part of these efforts, Alps Electric Manufacturing Mexico, S.A. de C.V. terminated production of TV/VCR tuners and keyboards. Tuner production will be transferred to Alps Electric (Malaysia) Sdn. Bhd. and Alps Electric Korea Co., Ltd, while keyboard production will be shifted to Tianjin Alps Electronics Co., Ltd. Future efforts will involve enhancing the capabilities of Alps Electric (USA), Inc. as a technological development base while bolstering the company's marketing activities.

Faced with a trend among set manufacturers to shift production bases into central Europe, in March 2001 Alps Electric (Scotland) Limited (a subsidiary of Alps Electric (UK) Limited) transferred its production of TV/VCR tuners, radio-frequency (RF) modulators and communications and broadcasting equipment components to Alps Electric Czech, s.r.o. We aim to use this move as a platform for bolstering production capabilities at this subsidiary.

GOALS FOR THE CURRENT FISCAL YEAR

Fiscal 2001 marks the second year of our third medium-term management plan. While adhering to the overall format of the plan, we decided to complete further preparations centered on the industrial devices market as well

as aggressively pursue business expansion particularly in infrastructure-related businesses to respond more effectively to severe changes in the market environment.

We plan to invest efforts in expanding sales for such strategic products as aspheric molded glass lenses and laser modules for optical communication in infrastructure-related businesses. However, plans also call for adapting such existing component products as switches and potentiometers to infrastructure-related equipment and devices to aggressively develop the market. In developing new products, we aim to make continued efforts that keep a lookout for future market and technological trends to make Alps products the de facto standard in society while expanding sales.

In adapting to the digital network markets, which is the targeted market in our third medium-term management plan, aside from the aforementioned optical-related products, Alps will invest management resources in such strategic products as GMR heads, micro mobile photo printers for digital cameras, fully reflective color LCDs for mobile phones, RF modules for on-board electronic toll collection (ETC) systems, and a module for use with Bluetooth™. In May 2001, Alps' series of Bluetooth™ modules acquired certification for Bluetooth 1.1 specifications, the world's first for modules with Class 1 output.

In addition to more effectively promoting these measures, we will redouble efforts to focus management resources, as exemplified by the transfer of production at overseas bases mentioned earlier. In April 2001, Alps raised the Kakuda Plant, which manufactures optical-related products in Miyagi Prefecture, to division status thus creating the Optoelectronics Division. Furthermore, in October 2000, we integrated the Mechatronic Devices Division 1 and the Mechatronic Devices Division 2 to form the Mechatronic Devices Division. Quickly combining the strengths of each division and integrating redundant business processes, we have already begun to see synergies from this reorganization.

As digitization progresses in the electronics industry, we are confident that opportunities will arise for greater business expansion. However, as has been evident with mobile phones, the more new functions are added to digital equipment, the harder they become for many users to operate. Digital products will likely begin to make headway in society once they have become user-friendly by employing intuitive controls and easy handling. When we begin to realize those kinds of user-friendly equipment, a wealth of new business opportunities will arise for Alps products.

At subsidiary Alpine, we plan to strengthen our software development to better respond to increasing advancement in mobile multimedia products, where we expect to see significant growth in the market. We continue to invest in research and development toward the creation of cutting-edge products, including integrated systems and automotive information and communications equipment. At the same time, Alpine is moving ahead with efforts to strengthen its global information network, which we believe will result in shortened lead times, reduced inventories and other positive effects that come from more rapid management and heightened efficiency. And we will continue our efforts to strengthen management through production and administrative innovations.

At Alps Logistics, we will continue to bring our general distribution technologies and expertise in specialized fields to bear in promoting aggressive product development and through marketing activities that respond to supply chain management (SCM) needs.

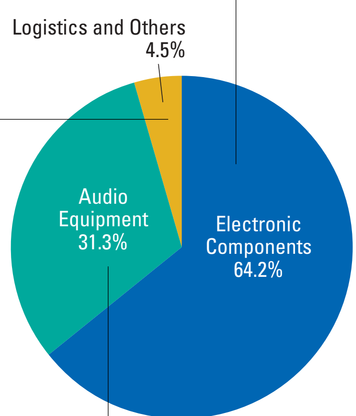
Alps celebrated its 50th year in 1998, and that year has been defined as the second founding of the Company. Now in the opening years of the 21st century, we want to strongly reemphasize the idea that "Alps' mission begins with manufacturing." That start comes from technology and product quality, and the base that makes these a reality: staff development. If we can create workplaces where employees feel at ease and are able to use their personal aptitudes as much as possible, they will respond to user requests with a high level of professionalism, which is sure to lead to growth in our sales and earnings. The current operating environment is exceedingly severe. However, we are going to progress as a single entity to enter a new stage of excellence.

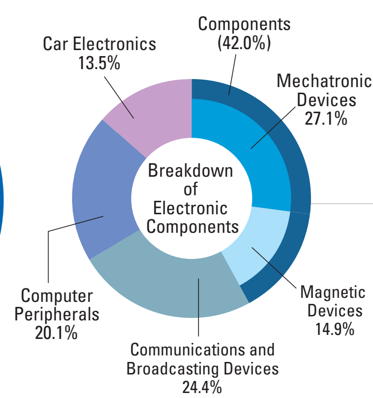
We offer our sincerest thanks to our stockholders and ask for their continued support as we move forward in the current fiscal year.

July 2001

MASATAKA KATAOKA
President

Electronic Components





Components

Communications and Broadcasting Devices

Computer Peripherals

Car Electronics

Audio Equipment

Logistics and Others

KEY PRODUCTS	BUSINESS OUTLINE AND TOPICS
MECHATRONIC DEVICES • Switches • Potentiometers • Sensors • Connectors • Aspherical molded glass lenses for optical communication **MAGNETIC DEVICES** • GMR heads for HDDs • Magnetic heads for audio equipment and VCRs	**MECHATRONIC DEVICES** • This segment is one of Alps' core businesses, and carries a wide lineup of products such as switches and potentiometers. • Promising products include connectors for PC cards in notebook computers and connectors for IC cards used in electronic commerce. • Alps' aspherical molded glass lenses for optical communication boast 70% market share in the industry for this product, and are essential devices in high-speed communications networks. **MAGNETIC DEVICES** • This segment's GMR heads for HDDs are winning high regard for advanced technological features that enable higher recording density.
• Voltage controlled oscillators (VCOs) • Bluetooth™ modules • Transceiver units for cordless phones and PHS • BS and CS converters for digital broadcasting • FM/AM tuners	• Plans call for the creation of RF products through circuit design technology and high-precision mounting technology. • VCOs have gained a high reputation for enabling more advanced functions, more compact dimensions and lighter weight. • Inquiries have been overwhelming for the Bluetooth™ module, which has gained the first certification as a general-use module.
• Small and medium-sized super twisted nematic (STN) LCDs • Game controllers • Photo printers • Direct thermal printers • Keyboards for notebook PCs	• Fully reflective LCDs for mobile phones are receiving favorable attention. • Plans call for the development of the world's smallest high-definition card-sized photo printer.
• Automobile control switches • Door/sheet modules • Steering modules • Remote keyless entry systems • Clock springs for air bag systems	• Sales are brisk for door modules and steering modules that employ multiplex (MPX) technology. Alps plans to launch the Haptic Commander, which employs force-feedback technology. • Plans call for development of a passive-type remote keyless entry system.

KEY PRODUCTS	BUSINESS OUTLINE AND TOPICS
• Car audio (CDs and MDs) • Car navigation systems • Car AV systems	• Plans call for launching integrated MD/CD car audio systems that employ audio technology and organic EL displays. • Other plans call for launching advanced multifunctional DVD car navigation systems and car DVD players.

KEY BUSINESS	BUSINESS OUTLINE AND TOPICS
• General logistics services • Systems equipment marketing and software development	• Plans call for pursuing business development and marketing activities that make use of accumulated technology and expertise in general logistics to address SCM.

With further developments made toward multimedia capability in information equipment in recent years, pursuit is under way for greater functionality in PCs and more compact dimensions and higher density in HDDs.

Giant magnetoresistive (GMR) heads have become the standard for magnetic heads employed on HDDs.

With Alps' development of a platinum-manganese (PtMn) compound for use in GMR multilayered thin films (antiferro-magnetic layers) ahead of the competition, Alps developed GMR heads and commercialized them in 1998—a new standard for the industry.

Furthermore, Alps achieved mass production of GMR heads through the industry's first next-generation manufacturing structure. The reader portion, supported by GMR heads, is the first mass-produced equipment to feature a next-generation multilayered pinned spin-filter structure—an industry first—thereby providing the industry's highest memory recording density of 15 gigabits per square inch. This year, we are pursuing commercialization of a 30–40 gigabits-per-square-inch GMR head.

The writer portion employs Hi-B materials just as in previous products, to realize a high recording density.

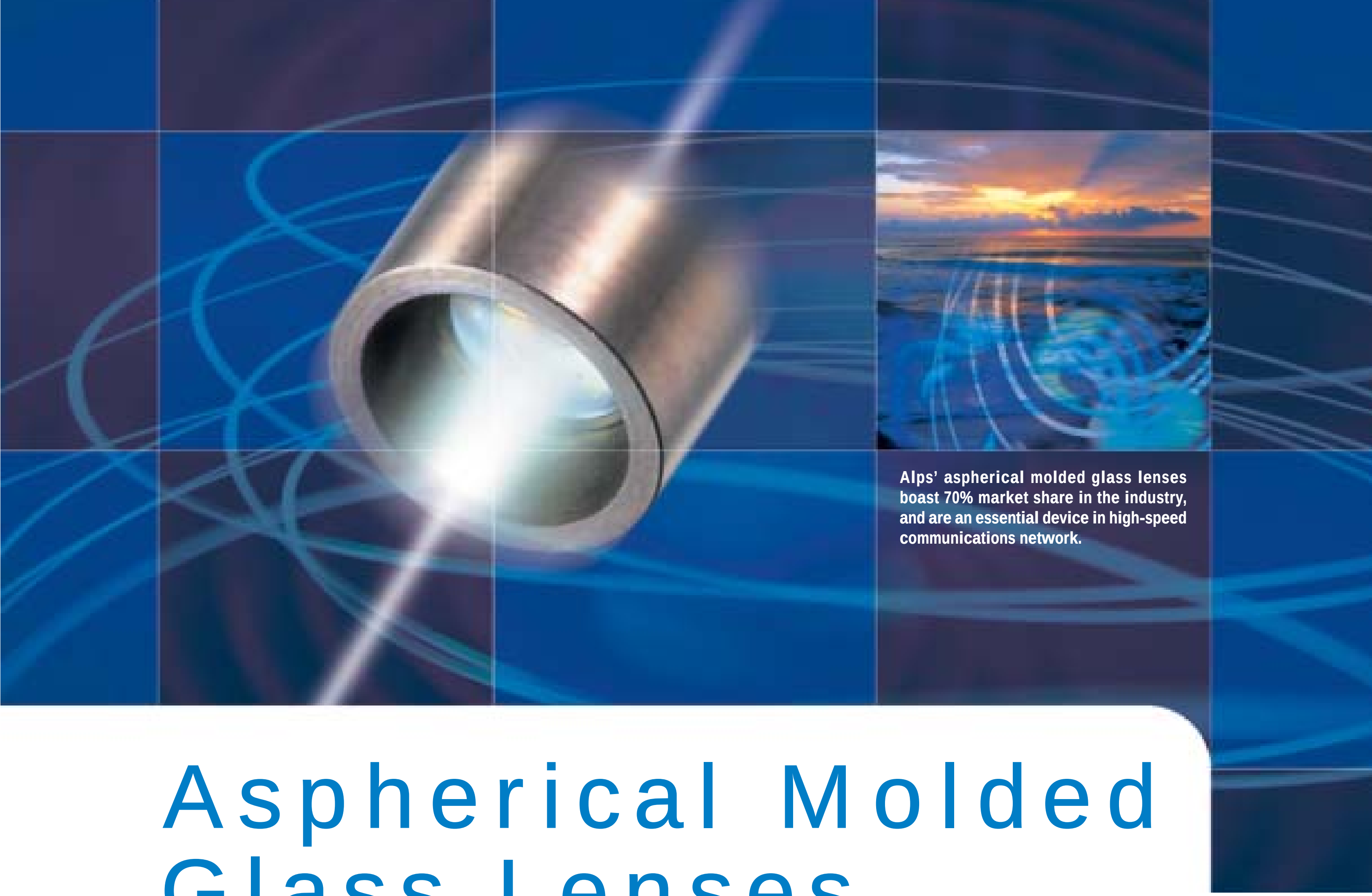
In the future, the ability and necessity of HDDs will likely grow to include set-top boxes and employ a home server as a key recording device for both PCs and information-based home appliances.

KEY FEATURES

1. Features industry's first next-generation multilayered pinned spin-filter structure among mass-produced items.
2. Raises functionality of GMR heads through Alps' proprietary PtMn compound, and provides 30-gigabits-per-square-inch recording density.
3. Enables steady supply of high-quality products based on manufacturing technologies accumulated in production of previous GMR heads.

GMR Heads

Our GMR heads have received high acclaim from customers. Based on our technological strengths, we will make every effort to develop products with higher recording density.



Alps' aspherical molded glass lenses boast 70% market share in the industry, and are an essential device in high-speed communications network.

Aspherical Molded Glass Lenses

For Optical Communication

The promising optical communications market has recorded year-on-year growth of 30% in recent years. The main market is predominately for domestic and overseas trunk lines and marine cable. Further growth is predicted in this market from coming expansion in Fiber-to-the-Home (FTTH) networks.

Although laser radiation used in optical communications provides high linearity, it cannot avoid minor diffusion of light at the ends of the fiber, making advanced lenses necessary to provide focus.

Alps succeeded in building the world's smallest aspherical molded glass lenses, measuring 1.0 mm in diameter, using proprietary precision processing technology. The limiting range is below 0.1 microns (one micron = one millionth of a millimeter), making this an extremely high-precision lens.

KEY FEATURES

1. Lens and stainless steel mount unified without use of glue.
2. Easy to install with YAG laser or by resistance welding.
3. Efficient coupling with no aberration and minimum dispersion.
4. Antireflection coating practically eliminates deterioration under high temperatures and humidity.
5. Standard and custom designs to suit laser diode specifications.

Bluetooth™ Modules

Bluetooth™ is a new short-range wireless communications standard, which was created in 1998 by a consortium of five companies: Nokia, Ericsson, IBM, Toshiba and Intel.

Today Bluetooth™ is becoming a de facto standard, with more than 2,500 companies worldwide having adopted the technology.

Bluetooth™ wireless technology enables such mobile information equipment as notebook PCs and mobile phones to transfer data at one megabyte per second on a 2.4-gighertz radio frequency (RF) without cables. The new technology is attracting attention as a way to effortlessly transmit data as far as 10 meters without navigating obstacles.

Alps developed the first Bluetooth™ modules based upon its accumulated RF technology, and obtained the word's first Bluetooth™ certification for these products in November 2000. Mass production began in December 2000. In May 2001, Alps also obtained the world's first, and currently only, Bluetooth™ 1.1 certification for its Bluetooth™ Class-1 modules, developed ahead of the competition.

Alps realized small, thin Bluetooth™ modules that incorporate an antenna, an RF circuit, and a baseband circuit based on the wireless communications standard.

KEY FEATURES

1. Compact module incorporates antenna, RF circuit and baseband circuit, contributing to shortened development time, increased production efficiency and cost reductions for set manufacturers.
2. Employs small antenna.
3. High-precision mounting technology realizes the small and thin dimensions that can be incorporated in small mobile communications devices.

Alps developed the industry's first Bluetooth™ module ahead of competition using its accumulated, proprietary technologies.

Alps' reflective color LCDs have become quite popular owing to their ability to display vivid color.

Reflective Color LCDs

Liquid crystal displays (LCDs) are used in a wide variety of devices, including PC displays, PDAs and mobile phones for their light, thin and low power consumption qualities.

The current LCD market is growing rapidly through its association with the mobile information market, and color LCDs have become the mainstay in mobile phones. Color LCDs can be classified by the light source used. One variety uses a fully reflective design to ensure adequate light through an installed reflective plate that completely reflects light from within. Another variety is semitranslucent and collects permeable light from the backlight.

Alps has developed its own proprietary reflective color LCDs. This product has an aluminum film with small dimples on a reflective plate. Each dimple is microscopic, at roughly 10 microns in diameter and a few microns in depth, and the 1-cm^2 reflective film contains from approximately 250,000 to 300,000 dimples. The film efficiently gathers external light and has improved the brightness of the LCD dramatically.

The vivid colors and whiteness displayed on the screen have made the product quite popular. The reflective color LCD was launched in the market for the first time in December 2000 as a color display for use in mobile phones.

KEY FEATURES

1. High-definition, compact LCD module.
2. Provides bright background color through optimal use of LCD panels, color filters and reflective films.
3. Brightness and color can easily be adjusted through changes in dimples on surface of reflective film, enabling quick development of LCDs that meet customer needs.

Amid advances in digitization and networking of home appliances in recent years, digital video cameras and digital still cameras have created a considerable boom.

Alps' PTMTL25 compact photo printer series was developed as a means of outputting the images on these devices. The body is card-sized, and achieves the industry's most compact dimensions with a thickness of 17.7 mm thanks to Alps' proprietary design technology.

The print method achieves camera-like quality through the employment of the thermal transfer with variable-dot method, based on Alps' technology in micro printers, which have established a reputation as high-definition personal printers. Through the use of pigmented ink, the water and light resistance are superior, and printed pictures can be saved semipermanently.

Installing this product as a digital camera printer allows the use of special card-sized paper to easily produce multiple copies on the spot.

In the future, Alps will use its accumulated proprietary technologies for mechanism design and printers to aggressively develop and provide products attuned to market needs.

KEY FEATURES

1. With industry's smallest dimensions (card-sized) and low energy consumption, product can be installed on variety of compact portable devices.
   - Provides slim dimensions of 82.5 mm (W) X 61.1 mm (D) X 17.7 mm (H) using proprietary design technology for compactness and high precision.
   - Product provides good battery life through low power consumption by averaging 4 W normally and 7.5 W during peak hours.
2. Produces high-definition pictures through thermal-transfer with variable-dot method.
3. Provides superior photographic definition based on accumulated technology in micro-dry printers without sacrificing image quality.
4. Water and light resistance are optimal, and printed pictures can be saved semipermanently.

Micro Mobile Photo Printers

Alps will adapt to digital network markets through investment in micro mobile photo printers for digital cameras.

MPX technology is a pillar in Alps' car electronics technology, combining multiple electronic signals in a single cable.

Car Electronics

One pillar of Alps' technology in car electronics is multiplex (MPX) technology, which allows the combination of multiple electronic signals in a single cable. This technology reduces the amount of wiring in cars associated with the installation of electronic controls and electronic devices, to contribute to streamlining of the manufacturing process and reduced weight of automobiles.

In addition to door modules and steering modules that employ MPX technology, Alps is pursuing development and provision of instrument panel modules that incorporate innovative functions. The Haptic Commander in particular, a device that draws on engineering founded on human sensibilities with MPX technology, is a revolutionary model that has dramatically increased user ease with such systems as air-conditioning, audio devices and navigation by employing the concepts of unidirectional control and sensitivity control in its program.

In products that use communications technology, Alps has developed the passive-type remote keyless entry system to enable users to lock, unlock and perform security checks on doors while the device is still sitting in a pocket.

KEY FEATURES

1. The Haptic Commander is a revolutionary device that considerably raises control functionality for such systems as air-conditioning, audio devices and car navigation through programmability in unidirectional and sensitivity controls.
2. Alps' passive keyless entry products make use of communications technology to enable users to lock, unlock and perform security checks on doors while the device is still in a pocket.

In the card-compatible business, Alps is pursuing development centered on PC card connectors and IC card connectors for use with such highly reliable technologies as contact and precision processing technologies, which were accumulated through experience in switches and TACT switches. These connectors have been winning respect for their superb coplanarity, supported by proprietary terminal array technology.

Alps has designated the card connector division as an important target field for business expansion, and has developed Memory Stick™ and Secure Digital (SD) Memory Card compatible connectors for this promising market.

MEMORY STICK™ COMPATIBLE SCEA SERIES CONNECTORS

The Memory Stick™ compatible SCEA Series connector ejects removable media through the push of a lever, and achieves the industry's smallest total dimensions of 50.8 mm^2 compared with similar products (as of June 2001) through proprietary mold and precision processing technologies.

Ejection has been minimized to 7.0 mm, and removal of media by hand has been made easier. Additionally, a half-lock structure is employed that prevents the uncontrolled ejection of media through the employment of gear wheels and cams. Consequently, the product can be used with confidence in various mobile data devices operated outdoors.

The media detection switch in the SCEA Series employs a sliding contact, making the product highly reliable when media is inserted or removed, and also accurately senses the presence or absence of media in the port.

SD MEMORY CARD COMPATIBLE SCDA SERIES CONNECTORS

The SD Memory Card is the size of a postage stamp and features sophisticated security functions for the development of a digital infrastructure.

The SCDA Series is a connector for use with SD Memory Cards. Owing to its thin 2.8-mm-thick design achieved through mold and precision processing technologies, the series improves upon the compactness and freedom of design for a variety of such set devices as mobile data terminals.

The media ejection structure enables easy handling with its "push-push" function to eject media. The series also employs a half-lock structure that prevents the uncontrolled ejection of media through use of a blade spring.

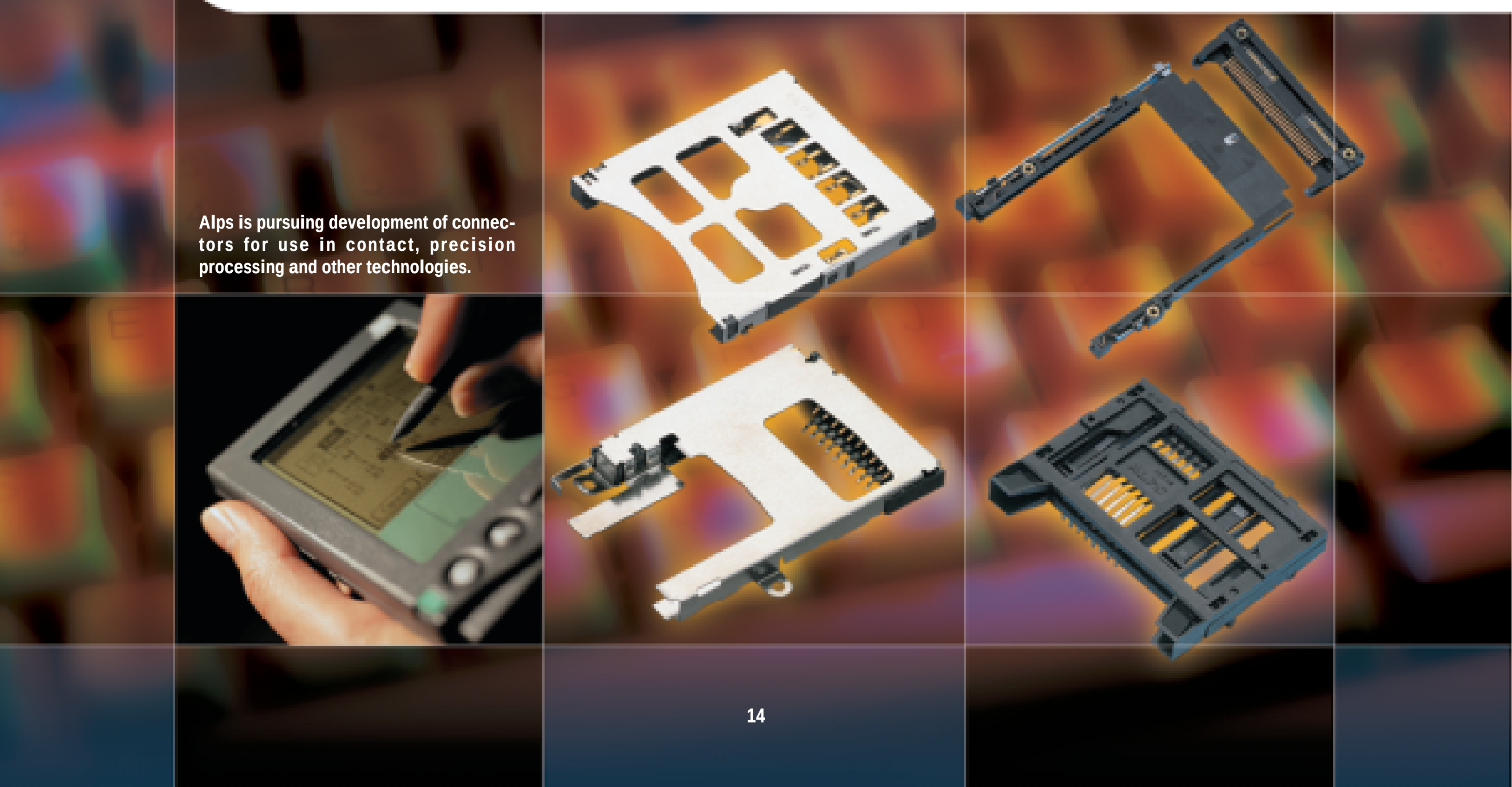
To ensure high reliability, a sliding contact is employed in switches for media detection and switches for light protection detection.

The installation design is of the surface-mounting variety, and is used as a reverse mount for installation on the surface of the base.

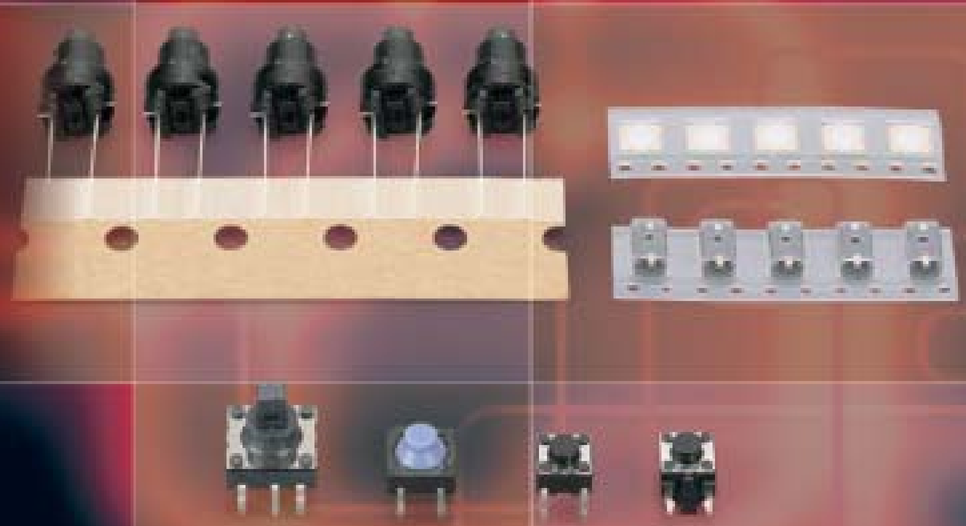
With these two connectors, Alps is advancing compactness, ensuring media safety and achieving excellent reliability in media detection based on its accumulated expertise in a wide range of technologies.

In the future, Alps plans to pursue development using these proprietary technologies as a base for further advancement in media-ejection structures, starting with lever ejection and push-push ejection and progressing to standard-mount and reverse-mount structures.

Connectors



Alps is pursuing development of connectors for use in contact, precision processing and other technologies.



Alps aims to pursue development of thinner, more compact switches that do not sacrifice functionality.

TACT Switches

TACT switches enable two-way circuit switching in electronic devices, employ clear tactile feedback (a "click" function) during operation, and are used widely in switches for signal input of devices.

Alps' TACT switches come in several varieties and hold a high market share.

In recent years, further progress has been made in reducing size and increasing thinness for such compact portable devices as mobile phones, and the need is rising for installable switches that are surface-mountable, compact and thin without hampering functionality. Alps has already begun mass production of newly developed products that meet customer needs.

FOUR-DIRECTIONAL CENTER-PUSH MULTIFUNCTIONAL SKRH SERIES TACT SWITCHES

PDAs are providing an expanded array of such functions as address and schedule management, word processing and spreadsheets in a compact, light frame. As witnessed by improvements in communications functions, IT equipment has recently become increasingly multifunctional to cope with the various developments in downloadable services for music and games.

The increased complexity of various input controls for terminals as a result of this greater multifunctionality has created a need for input devices with better space conservation and that enable intuitive, fast operation.

The new product is a multifunctional TACT switch that provides a variety of control functions in one package, including four-directional stem movement and a center-push switch to restore the stem to its center position.

Alps reduced the surface-mounting area by 53%, compared with previous models, to measure 7.5 mm (W) x 7.35 mm (D), and achieved the industry's shortest body height (including stem) of 1.8 mm.

SKRE SERIES COMPACT SIDE-PUSH SURFACE-MOUNTED TACT SWITCHES

Alps developed the side-push surface-mounted TACT switch in response to market needs. The new product is the industry's smallest, with dimensions of 3.9 mm (W) x 3.55 mm (D) x 1.5 mm (H), making it nearly half the size of previous models.

As a side-push switch, it is possible to place the control button on the side of the machine and not compromise the design of multifunctional mobile phones. And with durability of more than 100,000 cycles, the new product can be used as the main control switch on such equipment as digital cameras.

Alps raised environmental concerns to a Companywide issue in 1994 through the establishment of its First Medium-Term Voluntary Action Plan, and has been creating Medium-Term Voluntary Action Plans at three-year intervals. To crown its fiftieth year of business, Alps revised its corporate credo in 1998 to include the directive, “Alps creates new values that satisfy stakeholders and are friendly to the earth,” thereby establishing measures for the environment as a pressing management priority.

Alps achieved the goals set forth in its Second Medium-Term Voluntary Action Plan, revised in April 1997, and has been operating under its Third Medium-Term Voluntary Action Plan since April 2000.

In the global development of Alps’ environmental management system, Alps obtained ISO 14001 certification for the Dortmund Plant of Alps Electric Europe GmbH in July 2000, and the Jengka Plant of Alps Electric (Malaysia) Sdn. Bhd. in September 2000. To continue these successes, Alps aims to acquire certification for Alps Electric Korea Co., Ltd. and Wuxi Alps Co., Ltd. in the fiscal year ending March 31, 2002.

As of April 2001, Alps began its Companywide zero-emissions activities in all domestic divisions, including headquarters, to reduce waste levels. Zero-emissions activities entail activities that recycle waste produced by plants and that completely eliminate waste at final treatment sites. Plans call for complete elimination of waste at all divisions by March 2005. The RF Devices Division in Fukushima Prefecture, where activities are underway in preparation for Companywide expansion, has achieved a recycling rate of 97% as a result of fine sorting of different types of raw materials in line with established recycling methods, and aims to attain a rate of 99% in the fiscal year ending March 31, 2002.

Progress in Third Medium-Term Voluntary Action Plan

Action Target (April 2000—March 2003)		Progress (April 2000—March 2001)
Prevention of Global Warming	Reduce energy consumption in period ending March 2003 to 2% of levels for period ended March 1999 (Production plateau units)	1.95% reduction
	Reduce waste in period ending March 2003 to 40% of levels for period ended March 1999 (Production plateau units)	30.6% reduction
Reduction of Waste	Improve recycling ratio for period ending March 2003 to 84%	Improvement to 81.7%
Introduction of Environmental Management System	Pursue acquisition of ISO 14001 certification for overseas manufacturing bases	Acquisition for two bases

In measures to prevent global warming, while introducing such equipment as high-efficiency chillers, and ice storage, air-conditioning and solar-power systems, Alps is also revitalizing efforts to study the more efficient joint use of energy between manufacturing divisions and facility management divisions.

These lead-free rotary sensors use silver-plated connectors and thermal-resistant resin materials

In management of chemical substances produced in the manufacturing process, we created the “Chemical Substances Reduction Voluntary Plan” and worked to determine and reduce the use of substances that Alps resolved to ban or monitor. In March 2001, Alps eliminated the use of organochlorine compounds. Also, to prevent environmental pollution from chemical substances, Alps is carrying out such activities as moving underground piping above ground, preparing emergency materials and conducting drills.

Measures are also being taken to completely remove lead in all Alps products as a step toward reducing harmful substances. In 1998, Alps formed a Companywide organization to work individually with each division to reduce the presence of lead in products. Alps has already successfully eliminated lead in electrode plating in certain products, and is now preparing to implement the same reforms in soldered connections for various electronic components.

Since Alps considers public disclosure an essential Company activity, it publishes its progress with environmental matters in a wide variety of formats, including an environmental report and an Internet Web page.

SIX-YEAR FINANCIAL SUMMARY

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2001, 2000, 1999, 1998, 1997 and 1996

	Millions of yen, except per share data					
	2001	2000	1999	1998	1997	1996
FOR THE YEAR:						
Net sales	¥573,064	¥546,941	¥554,446	¥505,134	¥456,338	¥385,687
(Overseas sales)	373,883	338,136	346,115	314,312	283,315	228,576
Cost of sales	476,910	449,456	440,619	403,584	373,771	325,496
SG&A expenses	71,600	73,614	76,488	75,952	64,118	53,255
Operating income	24,554	23,871	37,339	25,598	18,449	6,936
Income (loss) before income taxes	24,931	(10,133)	24,624	17,131	13,687	2,271
Income taxes	4,210	8,351	12,237	9,586	5,808	3,563
Net income (loss)	18,111	(20,611)	9,677	5,654	4,846	(2,058)
Cash flows (*)	46,860	11,467	37,379	28,338	25,226	18,579
Amounts per share of common stock:						
Net income (loss)	¥ 100.21	¥ (114.41)	¥ 54.02	¥ 31.56	¥ 27.05	¥ (11.49)
Cash dividends applicable to the year	12.00	10.00	12.00	10.00	6.00	3.00
AT YEAR-END:						
Current assets	¥289,283	¥308,258	¥280,405	¥313,428	¥316,139	¥301,248
Current liabilities	230,288	223,033	200,682	224,615	217,514	196,430
Working capital	58,995	85,225	79,723	88,813	98,625	104,818
Long-term debt due after one year	54,789	108,818	115,885	101,752	105,302	120,911
Stockholders' equity	131,901	122,485	143,106	135,401	133,016	129,337
Total assets	479,032	499,836	499,639	497,904	489,876	477,029
SALES BY PRODUCT CATEGORY:						
Components	¥154,299	¥155,601	¥151,824	¥133,880	¥121,984	¥116,461
	26.9	28.4	27.4	26.5	26.7	30.2
Mechatronic Devices	99,516	92,018	88,205	88,599	86,345	89,398
	17.4	16.8	15.9	17.5	18.9	23.2
Magnetic Devices	54,783	63,583	63,619	45,281	35,639	27,063
	9.5	11.6	11.5	9.0	7.8	7.0
Communications & Broadcasting Devices	89,737	81,427	83,041	84,155	72,438	53,304
	15.7	14.9	15.0	16.7	15.9	13.8
Computer Peripherals	73,711	78,522	95,315	84,824	77,522	68,253
	12.9	14.4	17.2	16.8	17.0	17.7
Car Electronics	49,848	42,117	35,459	28,310	22,653	17,875
	8.7	7.7	6.4	5.6	5.0	4.6
Audio Equipment (**)	179,663	168,833	174,359	165,727	153,567	_
	31.3	30.9	31.4	32.8	33.6	_
Logistics and Others (**)	25,806	20,441	14,448	8,238	8,174	129,794
	4.5	3.7	2.6	1.6	1.8	33.7
Total	¥573,064	¥546,941	¥554,446	¥505,134	¥456,338	¥385,687
Percentage of sales	100.0	100.0	100.0	100.0	100.0	100.0
SALES BY DESTINATION:						
Japan	¥199,181	¥208,805	¥208,331	¥190,822	¥173,023	¥157,111
	34.8	38.2	37.6	37.8	37.9	40.7
North America	129,880	118,671	115,441	97,132	93,471	79,377
	22.7	21.7	20.8	19.2	20.5	20.6
Europe	112,569	110,445	113,637	95,051	78,755	64,450
	19.6	20.2	20.5	18.8	17.2	16.7
Asia	124,436	106,072	110,120	113,038	103,452	78,777
	21.7	19.4	19.9	22.4	22.7	20.4
Others	6,998	2,948	6,917	9,091	7,637	5,972
	1.2	0.5	1.2	1.8	1.7	1.6
Total	¥573,064	¥546,941	¥554,446	¥505,134	¥456,338	¥385,687
Percentage of sales	100.0	100.0	100.0	100.0	100.0	100.0

* "Cash flows" is calculated by subtracting "cash dividends paid" and "bonuses to directors" from the total of "net income (loss)" and "depreciation and amortization".

** Sales of "audio equipment" were included in "logistics and others" until fiscal 1996 (inclusive).

ANALYSIS OF OPERATIONS

Net Sales

In fiscal 2001, consolidated net sales rose 4.8% to ¥573,064 million (US$4,625 million).

(1) Electronic Components

In the electronic components segment, net sales were up 2.8% to ¥367,595 million (US$2,967 million).

Components

In the mechatronic devices category, sales increased for switches and card connectors for PCs. Demand expanded for aspherical molded glass lenses used in optical communications equipment in the U.S. market. As a result, sales of mechatronic devices rose 8.1% to ¥99,516 million (US$803 million).

In the magnetic devices category, demand for GMR heads declined on account of lower PC sales in the slowing U.S. economy from the end of the year, despite an increase in production in the first half of fiscal 2001. As a result, sales of magnetic devices decreased 13.8% to ¥54,783 million (US$442 million).

As a consequence, sales in the components category, comprising mechatronic devices and magnetic devices, were down 0.8% to ¥154,299 million (US$1,245 million).

Communications and Broadcasting Devices

Although demand for analog tuners and FM tuners declined compared with the previous fiscal year, sales of digital-broadcasting-related products grew substantially on the back of strong demand for down-converters for BS digital broadcasting. In the communications field, demand for VCOs for mobile phones climbed, and sales were bolstered by the acquisition of a new order for cordless transmission units.

As a result, sales of communications and broadcasting devices advanced 10.2% to ¥89,737 million (US$724 million).

Computer Peripherals

Sales of LCDs grew considerably, spurred by higher demand for color LCDs used in PDAs. In addition, from the second half of fiscal 2001, shipments expanded for new reflective color LCDs used in mobile phones, driving total LCD sales up nearly three times compared with the previous fiscal year.

Amusement equipment sales were roughly the same as the previous fiscal year. Printer sales were down due to weak demand for printers for word processors and full-color printers for PCs.

Consequently, sales of computer peripherals decreased 6.1% to ¥73,711 million (US$595 million).

Car Electronics

Sales of remote keyless entry systems were robust, and demand for door modules grew in line with advancements in the use of electronics and the modularization of components in automobiles.

As a result, sales of car electronics climbed 18.4% to ¥49,848 million (US$402 million).

(2) Audio Equipment

Car audio system sales remained strong due to continued expansion in demand for CD products in Europe and the United States. Sales of car navigation systems with DVD players increased in North America. Car navigation systems, car audio systems and all-in-one audiovisual products for automobile manufacturers also sold well.

As a result, sales of audio equipment rose 6.4% to ¥179,663 million (US$1,450 million).

(3) Logistics and Others

Logistics operations posted an increase in sales from the acquisition of new customers and expansion of the consignment business.

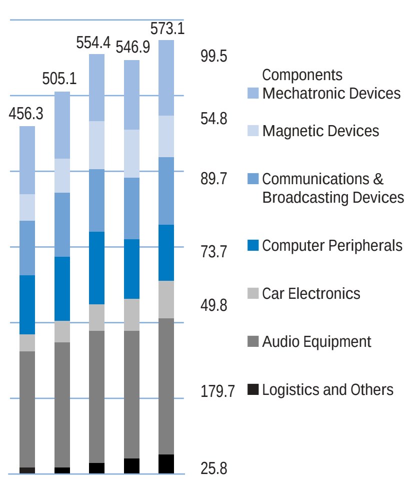
Other operations also registered higher sales due to the addition of a new consolidated subsidiary. As a consequence, sales of logistics and others advanced 26.2% to ¥25,806 million (US$208 million).

Costs and Expenses

Cost of sales was ¥476,910 million (US$3,849 million) and the cost of sales ratio increased 1.0 percentage point to 83.2%. Selling, general and administrative (SG&A) expenses declined 2.7% to ¥71,600 million (US$578 million) to represent 12.5% of net sales, an improvement of 1.0 percentage point from the previous fiscal year. R&D expenses increased 5.3% to ¥24,698 million (US$199 million), representing 4.3% of net sales.

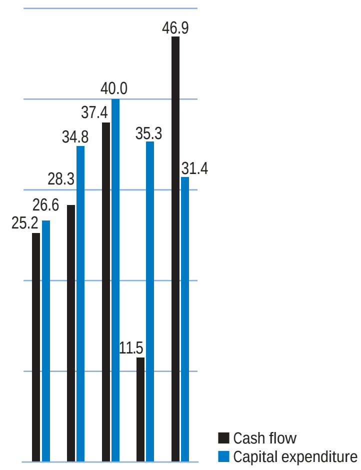
Operating Income

Although operating income rose 2.9% to ¥24,554 million (US$198 million), the ratio of operating income to net sales

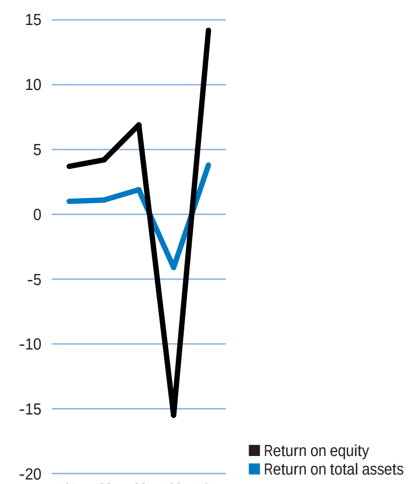


SALES BY PRODUCT CATEGORY
(Billions of ¥)

Note: Sales of Audio Equipment were included in Logistics and Others until fiscal 1996 (inclusive).



CASH FLOW AND CAPITAL EXPENDITURE
(Billions of ¥)



PROFITABILITY RATIOS
(%)

declined 0.1 percentage point to 4.3%. The primary factors behind this decrease were lower income due to the strong yen, and a worsening in the cost of sales ratio despite a decrease in SG&A expenses primarily due to a reduction in advertising outlays.

Other Income (Expenses)
Net other income of ¥377 million (US$3 million) was recorded, compared with net other expense of ¥34,004 million in the previous fiscal year. The main reason behind this was other—net income of ¥2,234 million (US$18 million) compared with other—net expenses of ¥30,019 million in the previous fiscal year.

Net other income resulted from a decrease of ¥23,795 million in loss on devaluation of investment securities, other, a decrease of ¥14,209 million in loss on devaluation of Tokkin specified money trust and net exchange gains, despite a decrease of ¥17,407 million in gains on sales of investment securities, other (see Note 7 to consolidated financial statements for more details).

Net Income
Income before income taxes was ¥24,931 million (US$201 million) compared with loss before income taxes of ¥10,133 million in the previous fiscal year, and income taxes fell 49.6% to ¥4,210 million (US$34 million).

As a result, net income of ¥18,111 million (US$146 million) was posted, compared with a net loss of ¥20,611 million in the previous fiscal year. Net income per share was ¥100.21 (US$0.81) compared with net loss per share of ¥114.41 in the previous fiscal year.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition
Total assets were ¥479,032 million (US$3,866 million).

Cash and time deposits decreased ¥41,094 million (US$332 million) to ¥34,664 million (US$280 million) due to the execution of loan guarantees for a subsidiary, the repayment of debt and the repositioning of specified money trust in the financial statements.

Inventories rose ¥17,389 million (US$140 million) to ¥93,114 million (US$752 million), owing to expanded production of amusement equipment and LCDs, as well as an increase in inventories for audio equipment.

Total current liabilities grew ¥7,255 million (US$59 million) to ¥230,288 million (US$1,859 million). Although notes and accounts payable, trade, declined ¥9,869 million (US$80 million) and accrued income taxes decreased ¥9,521 million (US$77 million), long-term debt due within one year increased ¥30,148 million (US$243 million) as a result of long-term debt coming due.

Long-term debt due after one year decreased ¥54,029 million (US$436 million) to ¥54,789 million (US$442 million) on account of repayments and debt coming due within one year.

Total stockholders' equity increased ¥9,416 million (US$76 million) to ¥131,901 million (US$1,065 million), owing to an increase in retained earnings of ¥16,011 million (US$129 million), despite the repositioning of foreign currency translation adjustments of ¥9,264 million (US$75 million). Consequently, return on equity (ROE) was 14.2% and return on assets (ROA) was 3.7%. Equity per share of common stock increased ¥50.12 (US$0.40) to ¥729.84 (US$5.89).

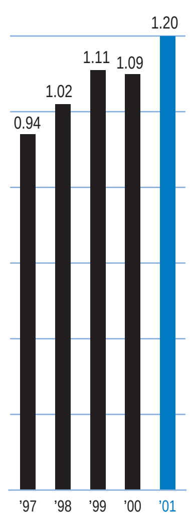
Cash Flows
Net cash provided by operating activities amounted to ¥6,020 million (US$49 million). Although there were a decrease in notes and accounts payable of ¥20,150 million (US$163 million), an increase in inventories of ¥14,830 million (US$120 million) and payments for income taxes of ¥19,409 million (US$157 million), income before income taxes of ¥24,931 million (US$201 million) and depreciation and amortization of ¥31,694 million (US$256 million) contributed to positive cash flows.

Net cash used in investing activities totaled ¥20,916 million (US$169 million). Primary factors comprised proceeds from sale of investment securities, other, of ¥8,603 million (US$69 million), proceeds from sale of Tokkin specified money trust of ¥2,284 million (US$18 million) and payments for purchases of property, plant and equipment of ¥30,795 million (US$249 million).

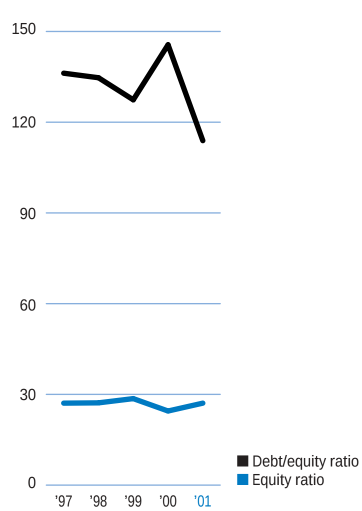
As a consequence, free cash flow was a negative ¥14,896 million (US$120 million).

Net cash used in financing activities totaled ¥27,226 million (US$220 million). Uses of cash included net decrease in short-term borrowings of ¥8,393 million (US$68 million) and repayment of long-term debt of ¥17,817 million (US$144 million).

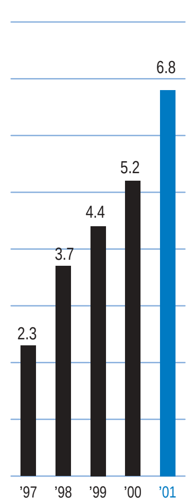
As a result of these activities, the net decrease in cash and cash equivalents was ¥40,907 million (US$330 million) and cash and cash equivalents at end of year decreased 43.5% to ¥51,488 million (US$416 million).



ASSET TURNOVER
(Times)



CAPITAL STRUCTURE
(%)



INTEREST COVERAGE
(Times)

CONSOLIDATED BALANCE SHEETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2001	2000	2001
CURRENT ASSETS:			
Cash and time deposits	¥ 34,664	¥ 75,758	$ 279,774
Investment securities (Note 3)	17,584	29,149	141,921
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliated companies	3,058	2,845	24,681
Trade	101,289	91,238	817,506
Allowance for doubtful accounts	(933)	(1,003)	(7,530)
Inventories (Note 4)	93,114	75,725	751,525
Deferred income taxes (Note 9)	9,834	13,802	79,370
Other current assets	30,673	20,744	247,562
Total current assets	289,283	308,258	2,334,809
PROPERTY, PLANT AND EQUIPMENT, AT COST (Note 5)**:**			
Land	31,282	30,762	252,478
Buildings and structures	101,372	95,674	818,176
Machinery and equipment	265,763	248,501	2,144,980
Construction in progress	3,410	4,235	27,522
	401,827	379,172	3,243,156
Less accumulated depreciation	(258,840)	(239,403)	(2,089,104)
	142,987	139,769	1,154,052
INVESTMENTS AND ADVANCES:			
Investments in and advances to unconsolidated subsidiaries and affiliated companies	8,637	9,187	69,709
Investment securities, other (Note 3)	13,340	6,459	107,667
Other investments	4,433	11,154	35,779
Total investments and advances	26,410	26,800	213,155
DEFERRED INCOME TAXES (Note 9)	12,315	4,808	99,395
OTHER ASSETS	8,037	5,351	64,867
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	—	14,850	—
	¥479,032	¥499,836	$3,866,278

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars (Note 1) 2001
CURRENT LIABILITIES:			
Bank loans (Note 5)	¥ 41,334	¥ 45,542	$ 333,608
Long-term debt due within one year (Note 5)	54,119	23,971	436,796
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliated companies	1,020	1,335	8,232
Trade	81,055	90,924	654,197
Accrued income taxes	5,431	14,952	43,834
Accrued expenses	28,246	26,933	227,974
Deferred income taxes (Note 9)	269	267	2,171
Other current liabilities	18,814	19,109	151,849
Total current liabilities	230,288	223,033	1,858,661
LONG-TERM DEBT DUE AFTER ONE YEAR (Note 5)	54,789	108,818	442,203
EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS (Note 8)	11,273	6,782	90,985
DEFERRED INCOME TAXES (Note 9)	2,521	879	20,347
OTHER LONG-TERM LIABILITIES	3,553	1,377	28,676
MINORITY INTERESTS	44,707	36,462	360,831
CONTINGENT LIABILITIES (Note 10)			
STOCKHOLDERS' EQUITY (Note 6):			
Common stock, ¥50 par value:			
Authorized—500,000,000 shares			
Issued—180,727,015 shares and 180,724,743 shares in 2001 and 2000, respectively	22,913	22,911	184,931
Additional paid-in capital	44,876	44,874	362,195
Retained earnings	70,713	54,702	570,726
Unrealized gain on investment securities	2,664	—	21,501
Foreign currency translation adjustments	(9,264)	—	(74,770)
	131,902	122,487	1,064,583
Less treasury stock, at cost—527 shares in 2001, 1,412 shares in 2000	(1)	(2)	(8)
Total stockholders' equity	131,901	122,485	1,064,575
	¥479,032	¥499,836	$3,866,278

CONSOLIDATED STATEMENTS OF OPERATIONS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2001, 2000 and 1999

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2001	2000	1999	2001
NET SALES (Note 14)	¥573,064	¥546,941	¥554,446	$4,625,214
COSTS AND EXPENSES (Note 14) :				
Cost of sales	476,910	449,456	440,619	3,849,153
Selling, general and administrative	71,600	73,614	76,488	577,885
	548,510	523,070	517,107	4,427,038
OPERATING INCOME (Note 14)	24,554	23,871	37,339	198,176
OTHER INCOME (EXPENSES):				
Interest and dividend income	1,717	1,553	2,775	13,858
Interest expense	(3,851)	(4,932)	(9,017)	(31,082)
Equity in earnings (losses) of affiliated companies	277	(606)	205	2,236
Other, net (Note 7)	2,234	(30,019)	(6,678)	18,031
	377	(34,004)	(12,715)	3,043
INCOME (LOSS) BEFORE INCOME TAXES	24,931	(10,133)	24,624	201,219
INCOME TAXES (Note 9):				
Current	9,592	18,556	12,057	77,417
Deferred	(5,382)	(10,205)	180	(43,438)
	4,210	8,351	12,237	33,979
INCOME (LOSS) BEFORE MINORITY INTERESTS	20,721	(18,484)	12,387	167,240
MINORITY INTERESTS IN INCOME OF CONSOLIDATED SUBSIDIARIES	(2,610)	(2,127)	(2,710)	(21,065)
NET INCOME (LOSS)	¥ 18,111	¥ (20,611)	¥ 9,677	$ 146,175

	Yen			U.S. dollars (Note 1)
	2001	2000	1999	2001
AMOUNTS PER SHARE OF COMMON STOCK:				
Net income (loss)	¥100.21	¥(114.41)	¥54.02	$0.81
Diluted net income	93.12	—	50.89	0.75
Cash dividends applicable to the year	12.00	10.00	12.00	0.10

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2001, 2000 and 1999

		Millions of yen		
	Shares of common stock	Common stock	Additional paid-in capital	Retained earnings
BALANCE AT MARCH 31, 1998	179,157,929	¥21,187	¥43,844	¥70,387
Increase due to inclusion of consolidated subsidiaries				7
Cumulative effect of adopting deferred income tax accounting				(18)
Increase due to inclusion of companies accounted for by the equity method				1
Net income				9,677
Cash dividends paid (¥10.00 per share)				(1,791)
Bonuses to directors				(70)
Shares issued upon conversion of convertible debentures	1,363	2	2	
Other				(23)
BALANCE AT MARCH 31, 1999	179,159,292	21,189	43,846	78,170
Decrease due to inclusion of consolidated subsidiaries				(2,210)
Cumulative effect of adopting deferred income tax accounting				63
Decrease due to exclusion of companies accounted for by the equity method				(709)
Net loss				(20,611)
Cash dividends paid (¥7.00 per share)				(1,254)
Bonuses to directors				(76)
Shares issued upon conversion of convertible debentures	1,565,451	1,722	1,722	
Transfer from additional paid-in capital of prior year constructive gain on sale of subsidiary's securities			(694)	694
Constructive gain from capital increase of affiliated company				666
Other				(31)
BALANCE AT MARCH 31, 2000	180,724,743	22,911	44,874	54,702
Increase due to inclusion of consolidated subsidiaries				851
Net income				18,111
Cash dividends paid (¥16.00 per share)				(2,892)
Bonuses to directors				(53)
Shares issued upon conversion of convertible debentures	2,272	2	2	
Other				(6)
BALANCE AT MARCH 31, 2001	180,727,015	¥22,913	¥44,876	¥70,713

	Thousands of U.S. dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
BALANCE AT MARCH 31, 2000	$184,915	$362,179	$441,501
Increase due to inclusion of consolidated subsidiaries			6,868
Net income			146,175
Cash dividends paid ($0.13 per share)			(23,341)
Bonuses to directors			(428)
Shares issued upon conversion of convertible debentures	16	16	
Other			(49)
BALANCE AT MARCH 31, 2001	$184,931	$362,195	$570,726

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Years ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2001	2000	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income (loss) before income taxes	¥ 24,931	¥ (10,133)	$ 201,219
Depreciation and amortization	31,694	33,408	255,803
Amortization of goodwill	(231)	(353)	(1,864)
(Decrease) increase in allowance for bad debts	(454)	966	(3,664)
Increase in allowanace for employees' sererance and retirement benefits	5,430	1,527	43,826
Increase in allowanace for directors' retirement benefits	1,364	413	11,009
(Decrease) increase in allowance for guarantees	(3,102)	5,436	(25,036)
Interest and dividend income	(1,717)	(1,553)	(13,858)
Interest expense	3,851	4,932	31,082
Equity in (earnings) losses of affiliated companies	(277)	606	(2,236)
Gain on sale of property, plant and equipment	(80)	(1,129)	(646)
Loss on sale and disposal of property, plant and equipment	1,391	1,140	11,227
Gain on sale of investment securities, other	(1,388)	(21,762)	(11,203)
Devaluation loss on investment securities, other	161	23,956	1,299
Loss on Tokkin specified money trust	449	16,340	3,624
Increase in notes and accounts receivable	(146)	(5,815)	(1,178)
Increase in inventories	(14,830)	(8,808)	(119,693)
(Decrease) increase in notes and accounts payable	(20,150)	8,905	(162,631)
Other, net	887	1,769	7,159
Subtotal	27,783	49,845	224,239
Proceeds from interest and dividend income	2,350	1,415	18,967
Payments for interest expense	(4,191)	(5,493)	(33,826)
Payments for special repair costs	(229)	—	(1,848)
Payments for compensation for employees' transfers	(284)	—	(2,292)
Payments for income taxes	(19,409)	(11,038)	(156,651)
Net cash provided by operating activities	6,020	34,729	48,589
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investment securities	355	4,693	2,865
Payments for purchases of property, plant and equipment	(30,795)	(33,284)	(248,547)
Proceeds from sale of property, plant and equipment	662	4,222	5,343
Payments for purchases of intangible assets	(2,112)	(2,957)	(17,046)
Payments for purchases of investment securities, other	(734)	(1,080)	(5,924)
Proceeds from sale of investment securities, other	8,603	49,268	69,435
Proceeds from sale of Tokkin specified money trust	2,284	5,971	18,434
Other	821	697	6,626
Net cash (used in) provided by investing activities	(20,916)	27,530	(168,814)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net decrease in short-term borrowings	(8,393)	(705)	(67,740)
Proceeds from issuance of long-term debt	2,294	1,450	18,515
Repayment of long-term debt	(17,817)	(21,734)	(143,802)
Cash dividends paid	(2,892)	(1,254)	(23,341)
Cash dividends paid to minority interests	(564)	(533)	(4,552)
Other	146	48	1,178
Net cash used in financing activities	(27,226)	(22,728)	(219,742)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,215	(1,104)	9,806
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(40,907)	38,427	(330,161)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	91,052	52,190	734,883
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM INCLUSION IN CONSOLIDATION	1,343	435	10,839
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 12)	¥ 51,488	¥ 91,052	$ 415,561

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
Year ended March 31, 1999

	Millions of yen
	1999
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	¥ 9,677
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	29,563
Loss on disposal of property, plant and equipment	1,842
Loss on sale of investment securities	59
Devaluation loss on investment securities	2,518
Equity in earnings of affiliated companies	(205)
Other	4,933
Changes in assets and liabilities, net:	
Increase in notes and accounts receivable	(4,816)
Decrease in inventories	3,561
Decrease in notes and accounts payable	(2,872)
Increase in accrued expenses	7
Decrease in other current liabilities	(404)
Other, net	386
Net cash provided by operating activities	44,249
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of property, plant and equipment	1,282
Capital expenditures	(39,973)
Payments for purchases of investment securities	(2,558)
Proceeds from sale of investment securities, other	3,965
Payments for purchases of investment securities, other	(3,292)
Increase in short-term loans receivable	(117)
Other	2,803
Net cash used in investing activities	(37,890)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Decrease in short-term borrowings	(699)
Decrease in commercial paper	(8,900)
Repayment of long-term debt	(26,868)
Proceeds from issuance of long-term debt	27,216
Cash dividends paid	(1,791)
Other	(972)
Net cash used in financing activities	(12,014)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND TIME DEPOSITS	(3,365)
INCREASE IN CASH RESULTING FROM CHANGES IN THE NUMBER OF CONSOLIDATED SUBSIDIARIES	626
NET DECREASE IN CASH AND TIME DEPOSITS	(8,394)
CASH AND TIME DEPOSITS AT BEGINNING OF YEAR	74,885
CASH AND TIME DEPOSITS AT END OF YEAR	¥ 66,491
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	¥ 9,285
Income taxes	11,930

See accompanying notes.

1. Basis of consolidated financial statements

Alps Electric Co., Ltd. (the "Company"), a Japanese corporation, and its domestic consolidated subsidiaries maintain their books of account and prepare their financial statements in Japanese yen in conformity with accounting principles and practices generally accepted and applied in Japan, and its foreign consolidated subsidiaries in conformity with accounting principles generally accepted in their respective countries of domicile. The accompanying consolidated financial statements have been prepared from the accounts maintained by the Company and its domestic consolidated subsidiaries in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in 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 consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The Company prepared consolidated statements of cash flows for the years ended March 31, 2001 and 2000 as required by and in accordance with "Accounting Standards for Consolidated Statements of Cash Flows" effective the year ended March 31, 2000. The consolidated statement of cash flows for the year ended March 31, 1999, which was not customarily prepared in Japan and not required to be filed with Ministry of Finance prior to the year ended March 31, 2000, has been prepared for the purpose of inclusion in the consolidated financial statements in a form familiar to readers outside Japan. Significant differences between the consolidated statements of cash flows for the years ended March 31, 2001 and 2000 and that for the year ended March 31, 1999 include the use of cash and cash equivalents and income (loss) before income taxes in 2001 and 2000 instead of cash and time deposits and net income in 1999, and the disclosure in cash flows from operating activities of interest expense, interest and dividend income and proceeds from interest and dividend income in 2001 and 2000. The consolidated statement of cash flows for the year ended March 31, 1999 has not been restated to conform to "Accounting Standards for Consolidated Statements of Cash Flows."

The 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, 2001, which was ¥123.90 to U.S.$1.00. The translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollar amounts at the above or any other rate of exchange.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and substantially all 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 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

Prior to the year ended March 31, 2001, marketable securities had been valued principally at the lower of cost or market, cost being determined by the moving average method, and investment securities other than marketable securities had been stated at cost determined by the moving average method.

Effective April 1, 2000, the Company adopted a new accounting standard for financial instruments which requires the Company to classify investments in securities into three categories: trading, held-to-maturity or other securities. Under the new standard, 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, directly included in stockholders' equity. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

As of April 1, 2000, the Company and its consolidated subsidiaries assessed their classification of investments in securities and determined that no change in the classification of investments was required in securities in applying the new accounting standard for financial instruments.

The adoption of the new accounting standard for financial instruments relating to securities increased operating income and income before income taxes by ¥75 million ($605 thousand) for the year ended March 31, 2001.

(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 amount with respect to specific receivables plus a percentage based on historical credit losses. Prior to the year ended March 31, 2001, the maximum amount deductible for Japanese income tax purposes was provided by the Company and its domestic consolidated subsidiaries instead of an amount based on historical experience. This change in calculation of the allowance for doubtful accounts was made in accordance with a new accounting standard for financial instruments. Adoption of the new accounting standard for financial instruments relating to the allowance for doubtful accounts increased operating income by ¥14 million ($113 thousand) and income before income taxes by ¥190 million ($1,533 thousand) for the year ended March 31, 2001.

(f) Inventories

Inventories held by the Company, its domestic consolidated subsidiaries and its foreign consolidated subsidiaries in Asia are principally stated at cost determined by the weighted average method. 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

Property, plant and equipment is stated at cost. The Company and its domestic consolidated subsidiaries compute depreciation of property, plant and equipment, except for certain buildings, by the declining-balance method at rates based on their estimated useful lives, while its foreign consolidated subsidiaries follow the straight-line method over the estimated useful lives.

Depreciation of buildings purchased after March 31, 1998 is computed by the straight-line method by the Company and its domestic consolidated subsidiaries.

The estimated useful lives are summarized as follows:

Buildings and structures	2–60 years
Machinery	2–13 years
Equipment	2–20 years

(h) Foreign currency translation

Foreign currency transaction

Prior to the year ended March 31, 2001, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Long-term receivables and payables denominated in foreign currencies were translated at their historical exchange rates, except that long-term debt hedged with forward foreign exchange contracts was translated at the contracted forward rate.

Effective April 1, 2000, the Company adopted a new accounting standard for foreign currency translation, which requires all receivables and payables denominated in foreign currencies to be translated into Japanese yen at the exchange rate prevailing at the balance sheet date. The adoption of this new accounting standard for foreign currency translation had no effect on the consolidated financial position or results of operations.

Foreign currency financial statements

The assets and liabilities of the foreign consolidated subsidiaries are translated into Japanese yen at the rates of exchange prevailing at the balance sheet date, except for investments in and advances to unconsolidated subsidiaries and affiliated companies which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average exchange rate during the year. In accordance with a new accounting standard for foreign currency translation adopted effective the year ended March 31, 2001, the Company has included foreign currency translation adjustments in stockholders' equity and minority interests in consolidated subsidiaries. Prior to the year ended March 31, 2001, foreign currency translation adjustments were included in assets or liabilities. The consolidated balance sheet at March 31, 2000, however, has not been restated.

(i) Accrued employees' bonuses

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

(j) Employees' severance and retirement benefits

Prior to the year ended March 31, 2001, employees' severance and retirement benefits were accrued at an amount sufficient to cover the liability which would be required to be paid if all eligible employees voluntarily retired at the balance sheet date, less the amounts expected to be covered by outside funds.

Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for retirement benefits, which requires the Company and its domestic consolidated subsidiaries to accrue employees' severance and retirement benefits at an amount calculated based on the retirement benefit obligation and the fair value of the plan assets as adjusted for the unrecognized net retirement benefit obligation at transition, unrecognized actuarial gain or loss and unrecognized prior service cost. The Company expensed a net retirement benefit obligation at transition of ¥5,022 million ($40,533 thousand) for the year ended March 31, 2001. Actuarial gain or loss is amortized by the straight-line method over the average remaining years of service of the employees. Prior service cost is being amortized by the straight-line method over one year.

The adoption of this new standard for retirement benefits decreased income before income taxes by ¥4,544 million ($36,675 thousand) for the year ended March 31, 2001.

(k) Accrued directors' retirement benefits

The Company and its domestic consolidated subsidiaries provide accrued directors' retirement benefits based on their internal corporate policy. In the years ended March 31, 2001 and 1999, the Company and certain of its domestic consolidated subsidiaries changed their method of accounting for directors' retirement benefits from a cash basis to an accrual basis. The Company and certain of its domestic consolidated subsidiaries established an internal policy for directors' retirement benefits, under which the amount of the directors' retirement benefits will increase in proportion to the length of service of the directors. The Company believes this change provides a better matching of costs and revenues over the period of service and results in an improvement in the financial condition.

The portion of the accrual relating to the current year has been included in selling, general and administrative expenses. The corresponding portions for the years ended March 31, 2001 and 1999 totaled ¥173 million ($1,396 thousand) and ¥110 million, respectively. For the year ended March 31, 2001, the portion of the accrual related to prior years, which amounted to ¥1,011 ($8,160 thousand), has been expensed and is included in other, net. For the year ended March 31, 1999, this portion was deferred and is being amortized over one to three years.

This change decreased operating income and income before income taxes by ¥174 million ($1,404 thousand) and ¥1,184 million ($9,556 thousand), respectively, for the year ended March 31, 2001. This change also decreased operating income and income before income taxes by ¥110 million and ¥425 million, respectively, for the year ended March 31, 1999.

(l) Leases

Finance leases, except for those leases for which the ownership of the leased assets is transferred to the lessees, are accounted for as operating leases.

(m) Income taxes

Effective April 1, 1999 or 1998, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for income taxes. Deferred tax assets and liabilities are determined based on the financial statements and the tax bases of the assets and liabilities using the enacted tax rates in effect for the year in which the temporary differences are expected to reverse. Deferred tax assets are also recognized for the estimated future tax effects attributable to operating 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.

(n) Bonuses to directors

Bonuses to directors, which are subject to stockholders' approval at the annual stockholders' meeting, are accounted for as an appropriation of retained earnings.

(o) Amounts per share of common stock

Net income (loss) per share of common stock is computed based on the weighted average number of shares outstanding during the year.

Diluted net income per share of common stock is computed based on the weighted average number of shares of common stock and the contingent issuance of common stock upon the conversion of convertible debentures.

Cash dividends per share of common stock represent the actual amount applicable to each respective year.

(p) Derivative financial instruments

In the normal course of business, the Company and certain of its consolidated subsidiaries enter into various derivative transactions to manage exposure to risk arising from fluctuations in foreign currency exchange rates and interest rates. Effective April 1, 2000, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for financial instruments including derivatives. The new accounting standard requires the Company and its domestic consolidated subsidiaries to recognize all derivatives in the balance sheet at fair value with certain exceptions. Derivatives which do not qualify as hedges must be adjusted to fair value and recognized in earnings. If the derivative is a hedge, any change in its fair value is deferred until the hedged item is recognized in earnings. The effect of the adoption of this new accounting standard for derivatives was to increase income before income taxes by ¥147 million ($1,186 thousand) for the year ended March 31, 2001.

Forward foreign exchange contracts

A forward foreign exchange contract is recognized in the balance sheet at fair value. Any change in the fair value of a forward foreign exchange contract designated as a hedge of a recognized asset or liability is recognized in earnings. Any change in the fair value of a forward foreign exchange contract hedging a forecasted transaction is deferred until the transaction is recognized in earnings.

Interest rate swap agreements

If the interest rate swap agreement meets the exception for the recognition of a derivative at fair value, under the new accounting standard for financial instruments, the interest rate swap agreement is not recognized at fair value. The differential to be paid or received relating to the interest rate swap agreement is recognized in interest over the life of the agreement.

(q) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2001 presentation. These changes had no impact on previously reported results of operations or stockholders' equity.

3. INVESTMENT SECURITIES

Information regarding marketable securities classified as other securities at March 31, 2001 is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Cost	Fair value	Unrealized gain (loss)	Cost	Fair value	Unrealized gain (loss)
Securities whose fair value exceeds their cost:						
(1) Equity securities	¥3,424	¥11,471	¥8,047	$27,635	$ 92,583	$64,948
(2) Debt securities:						
Government bonds	7	7	—	56	56	—
Corporate bonds	6	6	—	48	48	—
Other	1,030	1,030	—	8,313	8,313	—
Subtotal	4,467	12,514	8,047	36,052	101,000	64,948
Securities whose cost exceeds fair value:						
(1) Equity securities	¥ 339	¥ 264	¥ (75)	$2,736	$ 2,131	$ (605)
(2) Debt securities:						
Corporate bonds	1	1	—	8	8	—
Subtotal	340	265	(75)	2,744	2,139	(605)
Total	¥4,807	¥12,779	¥7,972	$38,796	$103,139	$64,343

Proceeds from sales of securities classified as other securities totaled ¥7,771 million ($62,720 thousand), with gross realized gain of ¥1,393 million ($11,243 thousand) and gross realized loss of ¥55 million ($444 thousand) for the year ended March 31, 2001.

Securities recorded at cost at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Other securities:		
Non-marketable equity securities		
(except for equity securities listed on the over-the-counter market)	¥ 1,585	$ 12,793
MMF·FFF	5,221	42,139
Domestic CDs	11,000	88,781
Other	339	2,736
Subsidiaries' and affiliates' stocks		
Unconsolidated subsidiaries and affiliated companies	7,615	61,461
Total	¥25,760	$207,910

The redemption schedule for securities classified as other securities is summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	Due within one year or less	Due after one year through five years	Due after five years or more	Due within one year or less	Due after one year through five years	Due after five years or more
Government bonds	¥—	¥ 7	¥—	$ —	$56	$—
Corporate bonds	4	3	—	32	24	—
Other debt securities	50	—	—	404	—	—
Total	¥54	¥10	¥—	$436	$80	$—

The cost and related fair value of current and non-current marketable securities at March 31, 2000 were as follows:

	Millions of yen		
	Cost	Fair value	Net unrealized gain
Current:			
Equity securities	¥ 1	¥ 1	¥ 0
Debt securities	72	75	3
Other	98	99	1
Subtotal	171	175	4
Non-current:			
Equity securities	5,085	12,036	6,951
Total	¥5,256	¥12,211	¥6,955

4. Inventories

Inventories at March 31, 2001 and 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Finished products	¥48,027	¥36,152	$387,627
Work in process	24,264	22,526	195,835
Raw materials and supplies	20,823	17,047	168,063
	¥93,114	¥75,725	$751,525

5. Bank loans and long-term debt

Bank loans consisted primarily of overdrafts with banks at interest rates ranging from 0.15% to 7.57% and 0.10% to 9.25% at March 31, 2001 and 2000, respectively.

Long-term debt at March 31, 2001 and 2000 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Secured:			
Loans principally from banks and insurance companies due through 2017 at interest rates ranging from 0.00% to 5.43% and 0.00% to 7.41% at March 31, 2001 and 2000, respectively.	¥ 46,970	¥ 68,332	$379,096
Unsecured:			
2.0% domestic convertible debentures due 2002	41,938	41,943	338,483
2.8% domestic convertible debentures due 2001 of a consolidated subsidiary due 2001	—	2,514	—
2.1% domestic straight bonds due 2003	20,000	20,000	161,420
	108,908	132,789	878,999
Less amounts due within one year	54,119	23,971	436,796
	¥ 54,789	¥108,818	$442,203

The indentures covering the 2.0% domestic convertible debentures provide, among other conditions, for (1) conversion of the debentures into shares of common stock at the current conversion price per share of ¥2,200 ($17.76); (2) redemption at the option of the Company commencing in April 1998 at prices ranging from 102% to 100% of the principal amounts; and (3) a restriction on the payment of cash dividends which limits the amount of the dividends based on the earnings of the Company in accordance with Japanese accounting practices.

At March 31, 2001, the following assets were pledged as collateral for long-term secured debt:

	Millions of yen	Thousands of U.S. dollars
	2001	2001
Property, plant and equipment, at book value	¥7,021	$56,667
Shares of a consolidated subsidiary, at market value	3,904	31,509

The aggregate annual maturities of long-term debt subsequent to March 31, 2001 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2002	¥54,119	$436,796
2003	22,970	185,391
2004	24,698	199,338
2005	1,834	14,802
2006	2,020	16,304
2007 and thereafter	3,267	26,368
Total	¥108,908	$878,999

6. Stockholders' Equity

Under the Commercial Code, at least 50% of the issue price of new shares, with a minimum equal to their par value, is required to be designated as common stock. The portion which is not transferred to common stock is determined by resolution of the Board of Directors. Proceeds not transferred to common stock are credited to additional paid-in capital. Under the Commercial Code, at least 10% of cash dividends and other cash appropriations of retained earnings must be transferred to the legal reserve until the reserve equals 25% of common stock. The reserve is not available for dividends but may be used to reduce a deficit by resolution of the stockholders or may be capitalized by resolution of the Board of Directors. The legal reserve is included in retained earnings.

At the current conversion price, 19,063 thousand shares of common stock were issuable at March 31, 2001 upon full conversion of the 2.0% domestic convertible debentures.

After giving effect to the restrictions stipulated in the terms of the indentures and other restrictions, retained earnings available for distribution as dividends amounted to ¥36,310 million ($293,059 thousand) at March 31, 2001, subject to the stockholders' approval. This amount was calculated based on the nonconsolidated financial statements of the Company and in accordance with the Commercial Code.

Under the Articles of Incorporation, the Company may issue 100 million shares of preferred stock.

7. Other Income (Expenses)

The components of "Other, net" in "Other income (expenses)" for the years ended March 31, 2001, 2000 and 1999 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	2001
Losses on disposal of property, plant and equipment	¥(1,311)	¥ (11)	¥(1,605)	$(10,581)
Reversal of allowance for guarantees	3,102	—	—	25,036
Provision for allowance for guarantees	—	(5,436)	—	—
Loss on devaluation of on Tokkin specified money trust	—	(14,209)	—	—
Gains (losses) on sales of investment securities, other	1,337	18,744	(18)	10,791
Loss on devaluation of investment securities, other	(161)	(23,956)	(2,518)	(1,299)
Prior years' directors' retirement benefits	(1,073)	—	—	(8,660)
Exchange gains (losses), net	7,494	(1,737)	(1,569)	60,484
Amortization of net retirement benefit obligation at transition	(5,022)	—	—	(40,533)
Other	(2,132)	(3,414)	(968)	(17,207)
	¥ 2,234	¥(30,019)	¥(6,678)	$ 18,031

8. Employees' Severance and Retirement Benefits

The Company and its consolidated subsidiaries have defined benefit pension plans, i.e., welfare pension plans, tax-qualified pension plans and lump-sum retirement plans, covering substantially all their employees, who are entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salary, length of service, and the conditions under which the termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheet at March 31, 2001 for the Company's and its consolidated subsidiaries' defined benefit pension plans:

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation	¥(122,276)	$(986,893)
Plan assets at fair value	87,815	708,757
Unfunded retirement benefit obligation	(34,461)	(278,136)
Unrecognized actuarial loss	25,257	203,850
Unrecognized prior service cost	(1,982)	(15,997)
Amounts recognized in the consolidated balance sheet, net	(11,186)	(90,283)
Prepaid pension cost	87	702
Employees' severance and retirement benefits	¥ (11,273)	$ (90,985)

The government welfare pension benefit plan has been included in the amounts shown in the above table. In the year ended March 31, 2001, the Company and certain of its consolidated subsidiaries amended their welfare pension plans for a reduction of the benefit ratio, resulting in the recognition of prior service cost (a reduction of their obligation).

Certain of the consolidated subsidiaries have adopted the conventional method in calculating their retirement benefit obligation as set forth in the accounting standard for retirement benefits.

The components of retirement benefit expenses for the year ended March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥4,068	$32,833
Interest cost	3,686	29,750
Expected return on plan assets	(3,335)	(26,917)
Amortization of net retirement obligation at transition	5,022	40,533
Other	90	726
Total	¥9,531	$76,925

The assumptions used in accounting for the pension plans for the year ended March 31, 2001 were as follows:

Discount rates: 3.0% (3.5% at the beginning of the year)
Expected return on plan assets: 3.5%

9. Income Taxes

The Company is subject to a number of taxes in Japan based on income, which, in the aggregate, resulted in a statutory rate of approximately 41.5% for the years ended March 31, 2001 and 2000.

The following summarizes the significant differences between the statutory tax rate and the Company's effective tax rates reflected in the consolidated statements of operations for the years ended March 31, 2001 and 2000:

	2001	2000
Statutory tax rate	41.5 %	41.5 %
Change in valuation allowance	(25.0)	—
Loss on investments in unconsolidated subsidiaries and affiliated companies	(5.4)	(9.9)
Income taxes for prior years	3.0	—
Subsidiaries' net operating losses	3.3	(113.5)
Other	(0.5)	(0.5)
Effective tax rates	16.9 %	(82.4)%

The significant components of deferred tax assets and liabilities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Deferred tax assets:			
Net operating loss carryforward	¥12,763	¥ —	$103,010
Provision for employees' severance and retirement benefits	3,855	1,705	31,114
Elimination of unrealized gain	3,216	3,236	25,956
Loss on devaluation of Tokkin specified money trust	2,674	5,489	21,582
Depreciation	2,580	2,158	20,823
Accrued employees' bonuses	1,708	972	13,785
Loss on devaluation of investment securities	1,487	899	12,002
Provision for allowance for guarantees	969	2,258	7,821
Other	4,106	3,938	33,140
Total deferred tax assets	33,358	20,655	269,233
Valuation allowance	(7,453)	—	(60,153)
Net of deferred tax liabilities in the same tax jurisdiction	(3,756)	(2,045)	(30,315)
Deferred tax assets, net	22,149	18,610	178,765
Deferred tax liabilities:			
Unrealized gains on investment securities	3,336	—	26,925
Tax deductible reserve	1,528	1,806	12,333
Loss on investment in limited partnership at a consolidated subsidiary	507	314	4,092
Accelerated depreciation of tangible fixed assets at a consolidated subsidiary	256	157	2,066
Unrealized losses on consolidation	212	194	1,711
Other	707	720	5,706
Total deferred tax liabilities	6,546	3,191	52,833
Net of deferred tax assets in the same tax jurisdiction	(3,756)	(2,045)	(30,315)
Net deferred tax liabilities	2,790	1,146	22,518
Net deferred tax assets	¥19,359	¥17,464	$156,247

10. Contingent liabilities

The Company was contingently liable for trade accounts receivable transferred to a bank in amount of ¥13,776 million ($111,186 thousand) and ¥4,680 million at March 31, 2001 and 2000, respectively.

The Company and certain of its consolidated subsidiaries were contingently liable as guarantors for loans of affiliated companies, other companies and employees in the aggregate amount of ¥1,311 million ($10,581 thousand) and ¥1,658 million at March 31, 2001 and 2000, respectively.

11. Derivative financial instruments

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

These derivative transactions are utilized solely for hedging purposes under the Company's internal control rules and are subject to supervision 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 transactions outstanding at March 31, 2001 and 2000 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2001			2001		
	Notional	Fair value	Unrealized gain (loss)	Notional	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell:						
U.S. dollars	¥22,120	¥23,099	¥(979)	$178,531	$186,433	$(7,902)
Euro	6,283	6,626	(343)	50,710	53,479	(2,769)
Buy:						
U.S. dollars	1,374	1,403	(29)	11,090	11,324	(234)
Euro	66	66	0	533	533	0

Note: With regard to interest rate swap agreements, the notional amounts and the estimated fair value have been excluded since hedge accounting has been applied.

	Millions of yen		
	2000		
	Notional	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
U.S. dollars	¥5,212	¥5,173	¥ 39
Deutsche marks	180	183	(3)
Sterling pounds	228	222	6
Euro	3,234	3,275	(41)
Singapore dollars	31	31	0
Buy:			
U.S. dollars	504	407	7
Interest rate swap agreements	3,590	(114)	(114)

12. Cash and Cash Equivalents

A reconciliation between cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the statements of cash flows at March 31, 2001 and 2000 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Cash and time deposits	¥34,664	¥ 75,758	$279,774
Investment securities	17,584	29,149	141,921
Total	52,248	104,907	421,695
Less:			
Time deposits with a maturity of more than three months when purchased	710	705	5,730
Tokkin specified money trust	—	12,577	—
Securities with a maturity exceeding three months when purchased	50	573	404
Cash and cash equivalents	¥51,488	¥ 91,052	$415,561

Non-cash transactions

For the year ended March 31, 2001, as a result of the conversion of debentures amounting to ¥5 million ($40 thousand), common stock and additional paid-in capital increased by ¥2.5 million ($20 thousand) and ¥2.5 million ($20 thousand), respectively.

For the year ended March 31, 2000, as a result of the conversion of debentures amounting to ¥4,814 million, common stock and additional paid-in capital of the Company increased by ¥1,722 million and ¥1,722 million, respectively, and the minority interest in the subsidiary increased by ¥1,370 million.

13. Leases

As lessees:

The Company and certain of its consolidated subsidiaries lease certain machinery, vehicles, equipment, tools and other assets.

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2001 and 2000, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Acquisition costs of machinery and vehicles	¥5,166	¥5,643	$41,695
Accumulated depreciation of machinery and vehicles	2,522	3,043	20,355
Net book value	2,644	2,600	21,340
Acquisition costs of equipment and tools	3,179	3,564	25,658
Accumulated depreciation of equipment and tools	2,190	1,998	17,676
Net book value	989	1,566	7,982
Acquisition costs of other assets	812	1,372	6,554
Accumulated depreciation of other assets	522	711	4,213
Net book value	¥ 290	¥ 661	$ 2,341

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2001 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2001	2001
2002	¥1,549	$12,502
2003 and thereafter	2,375	19,169
	¥3,924	$31,671

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements totaled ¥1,973 million ($15,924 thousand), ¥2,072 million and ¥2,314 million for the years ended March 31, 2001, 2000 and 1999, respectively. The pro forma depreciation of the assets leased under finance leases accounted for as operating leases for the years ended March 31, 2001, 2000 and 1999 amounted to ¥1,973 million ($15,924 thousand), ¥2,072 million and ¥2,314 million, respectively.

Future minimum lease payments subsequent to March 31, 2001 on non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2001	2001
2002	¥395	$3,188
2003 and thereafter	382	3,083
	¥777	$6,271

As lessor:
A domestic subsidiary leases certain machinery, vehicles, equipment and tools.

The following amounts represented the acquisition costs, accumulated depreciation and the net book value of the leased assets under finance leases accounted for as operating leases at March 31, 2001 and 2000:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Acquisition costs of machinery and vehicles	¥3,544	¥4,347	$28,604
Accumulated depreciation of machinery and vehicles	2,470	3,060	19,935
Net book value	1,074	1,287	8,669
Acquisition costs of equipment and tools	1,636	3,070	13,204
Accumulated depreciation of equipment and tools	1,269	2,294	10,242
Net book value	¥ 367	¥ 776	$ 2,962

The future minimum lease income (including the interest portion thereon) subsequent to March 31, 2001 on finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2001	2001
2002	¥ 540	$ 4,358
2003 and thereafter	948	7,651
	¥1,488	$12,009

Lease income (including the interest portion thereon) and depreciation on finance leases accounted for as operating leases for the years ended March 31, 2001, 2000 and 1999 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2001	2000	1999	2001
Lease income	¥849	¥1,063	¥—	$6,852
Depreciation	620	957	—	5,004

14. Segment Information

The Company and its consolidated subsidiaries (together, the "Companies") are primarily engaged in the manufacture and sales of (1) electronic components, (2) audio equipment, and (3) logistics and others. The business segment information of the Companies for the years ended March 31, 2001, 2000 and 1999 is summarized as follows:

	Millions of yen				
Year ended March 31, 2001	Electronic components	Audio equipment	Logistics and others	Eliminations	Consolidated
Net sales					
Outside customers	¥367,595	¥179,663	¥25,806	¥ —	¥573,064
Inter-segment sales and transfer	7,187	1,952	23,727	(32,866)	—
Total	374,782	181,615	49,533	(32,866)	573,064
Costs and expenses	358,732	177,170	45,868	(33,260)	548,510
Operating income	¥ 16,050	¥ 4,445	¥ 3,665	¥ 394	¥ 24,554
Identifiable assets	¥353,698	¥127,772	¥50,528	¥(52,966)	¥479,032
Depreciation and amortization	¥ 24,442	¥ 5,385	¥ 1,939	¥ (72)	¥ 31,694
Capital expenditures	¥ 23,886	¥ 6,307	¥ 1,582	¥ (372)	¥ 31,403
Year ended March 31, 2000					
Net sales					
Outside customers	¥357,667	¥168,833	¥20,441	¥ —	¥546,941
Inter-segment sales and transfers	6,085	2,251	15,367	(23,703)	—
Total	363,752	171,084	35,808	(23,703)	546,941
Costs and expenses	349,990	164,786	32,636	(24,342)	523,070
Operating income	¥ 13,762	¥ 6,298	¥ 3,172	¥ 639	¥ 23,871
Identifiable assets	¥375,229	¥121,694	¥41,316	¥(38,403)	¥499,836
Depreciation and amortization	¥ 25,952	¥ 5,338	¥ 2,118	¥ 0	¥ 33,408
Capital expenditures	¥ 26,976	¥ 5,607	¥ 2,756	¥ (2)	¥ 35,337
Year ended March 31, 1999					
Net sales					
Outside customers	¥365,639	¥174,359	¥14,448	¥ —	¥554,446
Inter-segment sales and transfers	5,956	1,952	12,418	(20,326)	—
Total	371,595	176,311	26,866	(20,326)	554,446
Costs and expenses	346,300	168,858	24,216	(22,267)	517,107
Operating income	¥ 25,295	¥ 7,453	¥ 2,650	¥ 1,941	¥ 37,339
Identifiable assets	¥380,010	¥118,339	¥25,840	¥(24,550)	¥499,639
Depreciation and amortization	¥ 23,608	¥ 5,351	¥ 604	¥ —	¥ 29,563
Capital expenditures	¥ 33,132	¥ 5,008	¥ 1,843	¥ (10)	¥ 39,973

	Thousands of U.S. dollars				
Year ended March 31, 2001	Electronic components	Audio equipment	Logistics and others	Eliminations	Consolidated
Net sales					
Outside customers	$2,966,868	$1,450,065	$208,281	$ —	$4,625,214
Inter-segment sales and transfer	58,006	15,755	191,501	(265,262)	—
Total	3,024,874	1,465,820	399,782	(265,262)	4,625,214
Costs and expenses	2,895,334	1,429,944	370,202	(268,442)	4,427,038
Operating income	$ 129,540	$ 35,876	$ 29,580	$ 3,180	$ 198,176
Identifiable assets	$2,854,705	$1,031,251	$407,812	$(427,490)	$3,866,278
Depreciation and amortization	$ 197,272	$ 43,462	$ 15,650	$ (581)	$ 255,803
Capital expenditures	$ 192,784	$ 50,904	$ 12,768	$ (3,002)	$ 253,454

Note: The effects of the changes in accounting policies and procedures on the business segment information are as follows:

In connection with Note 2 (k), the change in accounting for directors' retirement benefits decreased operating income of "Audio equipment" and "Logistics and others" by ¥167 million ($1,348 thousand) and ¥6 million ($48 thousand), respectively, for the year ended March 31, 2001. This change decreased operating income of "Audio equipment" and "Logistics and others" by ¥94 million and ¥16 million, respectively, for the year ended March 31, 1999.

The geographic segment information of the Companies for the years ended March 31, 2001, 2000 and 1999 is summarized as follows:

	Millions of yen						
Year ended March 31, 2001	Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales							
Outside customers	¥258,743	¥131,889	¥107,133	¥ 74,405	¥894	¥ —	¥573,064
Inter-segment sales and transfers	224,031	1,678	10,031	78,530	0	(314,270)	—
Total	482,774	133,567	117,164	152,935	894	(314,270)	573,064
Costs and expenses	455,961	133,404	116,661	149,204	931	(307,651)	548,510
Operating income (loss)	¥ 26,813	¥ 163	¥ 503	¥ 3,731	¥ (37)	¥ (6,619)	¥ 24,554
Identifiable assets	¥408,169	¥ 51,769	¥ 51,270	¥ 75,123	¥362	¥(107,661)	¥479,032
Year ended March 31, 2000							
Net sales							
Outside customers	¥263,905	¥114,085	¥105,600	¥ 62,118	¥1,233	¥ —	¥546,941
Inter-segment sales and transfers	195,838	2,993	5,130	64,131	0	(268,092)	—
Total	459,743	117,078	110,730	126,249	1,233	(268,092)	546,941
Costs and expenses	435,282	114,970	109,325	124,442	1,302	(262,251)	523,070
Operating income (loss)	¥ 24,461	¥ 2,108	¥ 1,405	¥ 1,807	¥ (69)	¥ (5,841)	¥ 23,871
Identifiable assets	¥454,638	¥ 46,040	¥ 45,897	¥ 61,857	¥ 489	¥(109,085)	¥499,836
Year ended March 31, 1999							
Net sales							
Outside customers	¥271,008	¥111,547	¥107,713	¥ 62,111	¥2,067	¥ —	¥554,446
Inter-segment sales and transfers	196,826	3,544	5,220	69,994	3	(275,587)	—
Total	467,834	115,091	112,933	132,105	2,070	(275,587)	554,446
Costs and expenses	432,980	113,038	111,167	128,254	2,225	(270,557)	517,107
Operating income (loss)	¥ 34,854	¥ 2,053	¥ 1,766	¥ 3,851	¥ (155)	¥ (5,030)	¥ 37,339
Identifiable assets	¥451,821	¥ 45,083	¥ 43,706	¥ 60,167	¥ 772	¥(101,910)	¥499,639

	Thousands of U.S.dollars						
Year ended March 31, 2001	Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales							
Outside customers	$ 2,088,321	$1,064,480	$864,673	$ 600,525	$7,215	$ —	$4,625,214
Inter-segment sales and transfer	1,808,160	13,543	80,960	633,818	0	(2,536,481)	—
Total	3,896,481	1,078,023	945,633	1,234,343	7,215	(2,536,481)	4,625,214
Costs and expenses	3,680,073	1,076,707	941,573	1,204,230	7,514	(2,483,059)	4,427,038
Operating income (loss)	$ 216,408	$ 1,316	$ 4,060	$ 30,113	$ (299)	$ (53,422)	$ 198,176
Identifiable assets	$ 3,294,342	$ 417,829	$413,801	$ 606,320	$2,921	$ (868,935)	$3,866,278

Note: The effects of the changes in accounting policies and procedures on geographic segment information were as follows:
In connection with Note 2 (k), the change in accounting for directors' retirement benefits decreased operating income of "Japan" by ¥174 million ($1,404 thousand) and ¥110 million for the years ended March 31, 2001 and 1999, respectively.

Overseas sales of the Companies by geographic area for the years ended March 31, 2001, 2000 and 1999 were as follows :

	Millions of yen				
Year ended March 31, 2001	North America	Europe	Asia	Other areas	Total
I Overseas sales	¥129,880	¥112,569	¥124,436	¥6,998	¥373,883
II Net sales					¥573,064
III Ratio of overseas sales (%)	23%	19%	22%	1%	65%
Year ended March 31, 2000	North America	Europe	Asia	Other areas	Total
I Overseas sales	¥118,671	¥110,445	¥106,071	¥2,949	¥338,136
II Net sales					¥546,941
III Ratio of overseas sales (%)	22%	20%	19%	1%	62%
Year ended March 31, 1999					
I Overseas sales	¥115,441	¥113,637	¥110,120	¥6,917	¥346,115
II Net sales					¥554,446
III Ratio of overseas sales (%)	21%	20%	20%	1%	62%

	Thousands of U.S.dollars				
Year ended March 31, 2001	North America	Europe	Asia	Other areas	Total
I Overseas sales	$1,048,265	$908,547	$1,004,326	$56,481	$3,017,619
II Net sales					$4,625,214
III Ratio of overseas sales (%)	23%	19%	22%	1%	65%

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Alps Electric Co., Ltd.

We have audited the consolidated balance sheet of Alps Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, all expressed in Japanese yen. Our audit was made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated balance sheet of Alps Electric Co., Ltd. and consolidated subsidiaries as of March 31, 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended March 31, 2000, were audited by other auditors whose report dated June 30, 2000 expressed an unqualified opinion on those statements.

In our opinion, the accompanying consolidated financial statements, expressed in Japanese yen, present fairly the consolidated financial position of Alps Electric Co., Ltd. and consolidated subsidiaries at March 31, 2001, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis except for the change in accounting for directors' retirement benefits as described in Note 2 to the consolidated financial statements.

As described in Note 2 to the consolidated financial statements, Alps Electric Co., Ltd. has adopted new accounting standards for employees' retirement benefits, financial instruments and foreign currency translation in the preparation of its consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Century Ota Showa & Co.

June 28, 2001

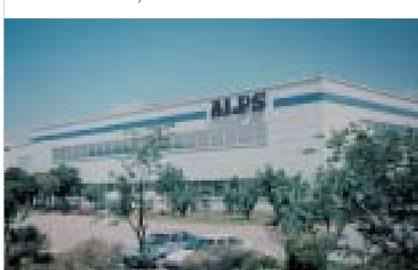
See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Alps Electric Co., Ltd. and its consolidated subsidiaries under Japanese accounting principles and practices.

OUTLINE OF GLOBAL NETWORK

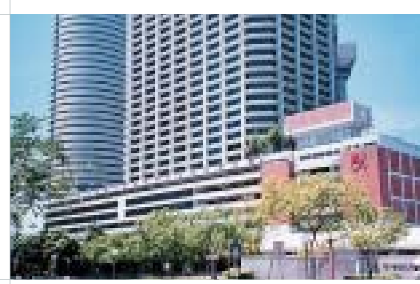
⑨ Alps Electric Europa
European manufacturing and sales base with offices in Düsseldorf, München and Paris.
Products: TACT Switches, Cylinder Units, LCD Modules, Magnetic Heads for VCRs

⑪ Alps Electric (UK)
Manufacture and sale of broadcasting devices for Japanese manufacturers in Europe and local manufacturers.
Products: TV/VCR Tuners, Tuner Units

⑬ Alps Electric (Ireland)
Manufacture of car electronics products at two plants in Ireland.
Products: Car Electronics Devices (Heater Control Panels, Modules with Multiplex Systems, Headlamp Switches)



⑮ Alps Electric Korea
Manufacture and sale of various electronic components at its comprehensive production facilities that include mold fabrication processes.
Products: Car Electronics Devices, TV/VCR Tuners, Voltage Controlled Oscillators, Magnetic Heads for VCRs, Small Power Supply Units, Low-profile Operation Panels, Amusement Products



17 Alps Electric (S)
Sale of various electronic components throughout the ASEAN region.

⑳ Alps Electric (Malaysia)
Manufacture and sale of various electronic components; holds two plants in Malaysia; the largest production corporation in the Group with more than 7,000 employees.
Products: Switches, TACT Switches, Potentiometers, Encoders, Remote Control Units, TV/VCR Tuners, FM/AM Tuners, Floppy Disk Drives, Magnetic Heads for VCRs, Cylinder Units, GLIDEPOINT®, LCD Modules

- Manufacturing and Sales Base
- Manufacturing Base
- Sales Base
- Holding Company, R&D Center, etc.

1 Alps Electric Head Office

2 Alps Electric (North America)
3 Alps Electric (USA)
4 Alps Automotive
5 Alcom Automotive
6 Alcom Electronicos de Mexico
7 Alps do Brasil Indústria e Comércio
8 Alps da Amazonia

9 Alps Electric Europa
10 Alps Nordic
11 Alps Electric (UK)
12 Alps Electric Technology Center (UK)
13 Alps Electric (Ireland)
14 Alps Electric Czech

15 Alps Electric Korea
16 Alps Electronics Taiwan
17 Alps Electric (S)
18 Alps Malaysia (S)
19 Alps Asia
20 Alps Electric (Malaysia)
21 Alps Electronics Hong Kong
22 Alps (China)
23 Dalian Alps Electronics
24 Ningbo Alps Electronics
25 Shanghai Alps Electronics
26 Wuxi Alps Electronics
27 Tianjin Alps Electronics

3 Alps Electric (USA)
Headquarters in San Jose, California; sale of computer peripherals, communications and broadcasting devices as well as components.

4 Alps Automotive
Headquarters in Detroit, Michigan; manufacture and sale of car electronics products; sales offices in Ohio and Indiana.

6 Alcom Electronicos de Mexico
Originally established as a manufacturing base of Alpine Electronics, Inc., this subsidiary has served Alps since 1995 as a production base of car electronics products.
Products: Car Electronics Devices (Power Window Switches, Remote Keyless Entry Systems, Clock Springs for Air Bag Systems, etc.)

22 Alps (China)
An investment company in China that manages financing for production companies in China and supports sales activities.

24 Ningbo Alps Electronics
Manufacture and sale of magnetic heads for audio equipment and VCRs as a production base for magnetic heads for consumer electronics.
Products: Magnetic Heads for Audio Applications, Magnetic Heads for VCRs

26 Wuxi Alps Electronics
Manufacture and sale of such mechatronic devices as switches, as well as magnetic heads for computer.
Products: Switches, TACT Switches, Magnetic Heads for FDD, Magnetic Heads for HDDs

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AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD

ASIA

Shenyang Neu-Alpine Software, Co., Ltd.

EUROPE

Secre Alpine Electronics, S.A.

PRINCIPAL SUBSIDIARIES AND AFFILIATED COMPANIES

ASIA

Alps Electronics Taiwan Co., Ltd.

SOUTH AMERICA

Alps do Brasil Indústria e Comércio Limitada

Note: The Company operates a network of 91 subsidiaries, including 72 consolidated entities and an entity accounted for by the equity method, as well as 19 affiliates that include 2 companies accounted for by the equity method.

Katsutaro Kataoka
Chairman

Masataka Kataoka
President

Shigeo Matsubara
Senior Managing Director
General Manager, Corporate Planning and Corporate Finance

Shunya Sunaga
Managing Director
General Manager, Sales and Marketing

Isao Tanimoto
Managing Director
General Manager, Production Engineering and Quality Assurance

Hirokuni Tanabe
Managing Director
General Manager, Production and Magnetic Devices Division

Directors
Kentaro Kutsuzawa
Seizo Ishiguro
Tetsuhiro Kiyono
Koji Hotta
Yoichi Yasuma
Kazuya Yoshikoshi
Yozo Yasuoka
Hirotoshi Okamura
Koichi Yamazaki
Hideharu Kougashira
Takahide Sato

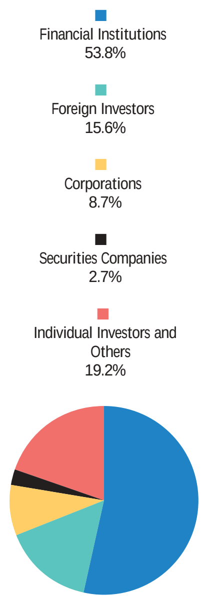
Auditors
Akira Yoneda
Sadao Kunichika
Mitsunori Narisako
Satoshi Kawai

(As of June 28, 2001)

(As of March 31, 2001)

Principal Stockholders

	Percentage of total shares outstanding
Japan Trustee Services Bank, Ltd. (Trust account)	8.15%
The Mitsubishi Trust and Banking Corporation (Trust account)	4.94%
The Sakura Bank, Limited	3.53%
The Bank of Tokyo-Mitsubishi, Limited	3.25%
Nippon Life Insurance Company	2.84%



Classification of Stockholders

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Domestic Business Units, Divisions and Sales Branches
Mechatronic Devices Division
Magnetic Devices Division
RF Devices Division
System Devices Division
Peripheral Products Division
Car Electronics Division
Sales and Marketing
Kansai Branch

Overseas Branch
Hong Kong Branch

Domestic Sales Offices: 15

Overseas Office
Taipei Representative Office

Date of Establishment
November 1, 1948

Paid-in Capital
¥22,913 million (US$184.9 million)

Number of Employees
34,309, including the 2,852 employees of the companies accounted for by the equity method

Common Stock
Authorized: 500,000,000 shares
Issued: 180,727,015 shares
Number of Stockholders: 19,732

Preferred Stock
Authorized: 100,000,000 shares

Stock Exchange Listings
Tokyo Stock Exchange
Osaka Securities Exchange
Nagoya Stock Exchange

Transfer Agent for Common Stock
The Chuo Mitsui Trust & Banking Co., Ltd.
33-1, Shiba 3-chome, Minato-ku, Tokyo
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Alps Web Site
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ALPS ELECTRIC CO., LTD.

PRINTED IN JAPAN