

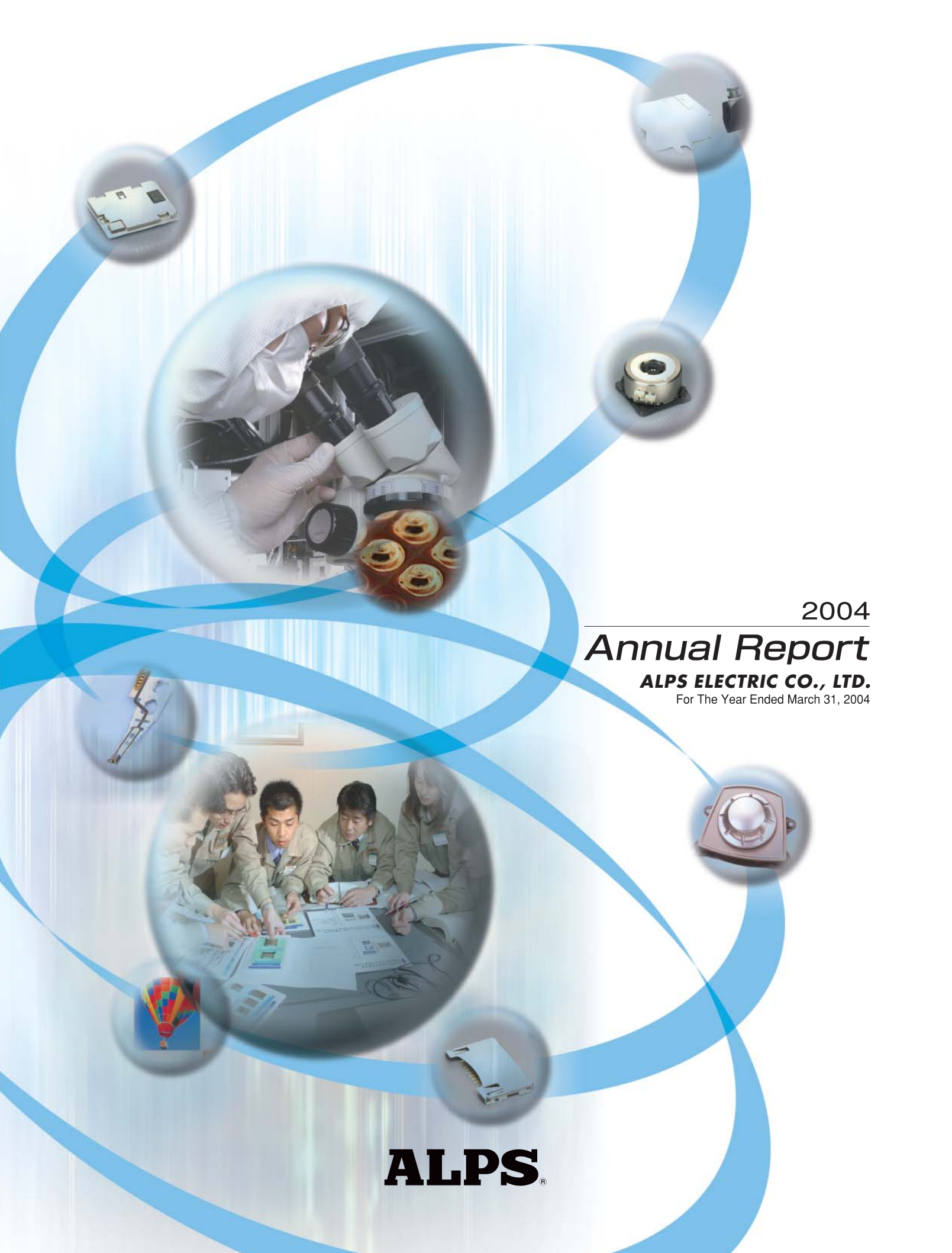
2004

Annual Report

ALPS ELECTRIC CO., LTD.

For The Year Ended March 31, 2004

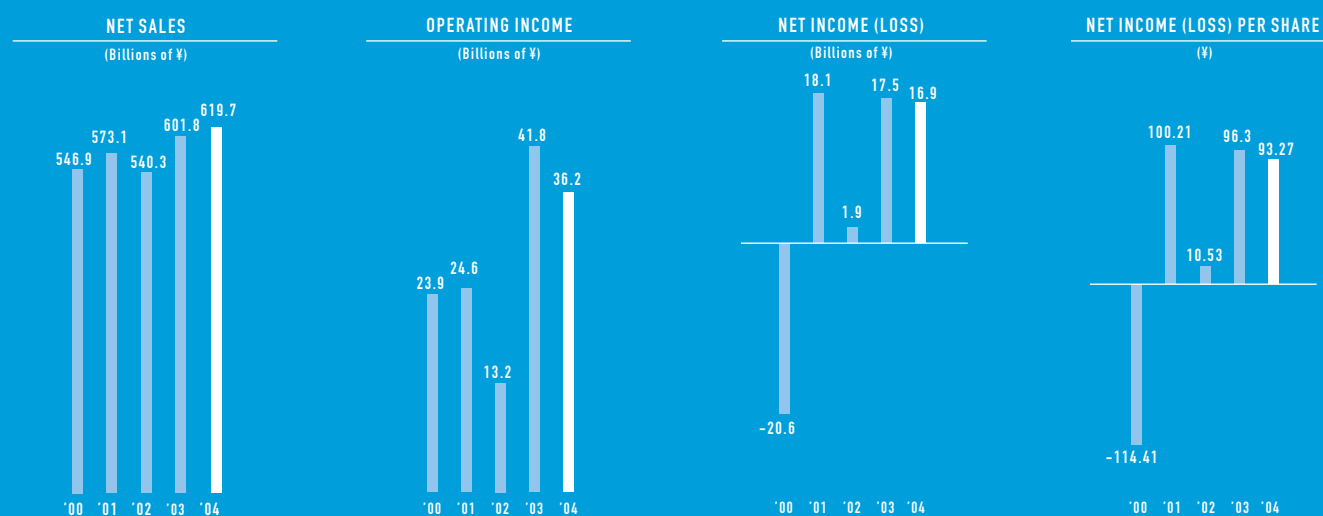
ALPS®



Financial Highlights

Years ended March 31, 2004, 2003 and 2002	Millions of yen			Thousands of U.S. dollars (Note 1)	Percent change
	2004	2003	2002	2004	
For the year:					
Net sales	¥619,676	¥601,816	¥540,268	\$5,862,592	3.0
Operating income	36,174	41,813	13,249	342,232	-13.5
Income before income taxes	33,895	35,153	8,695	320,671	-3.6
Income taxes	11,293	12,535	3,415	106,840	-9.9
Net income	16,943	17,513	1,902	160,293	-3.3
Capital expenditures	47,149	34,864	31,832	446,065	35.2
At the year end:					
Current assets	¥284,242	¥298,845	¥293,636	\$2,689,139	-4.9
Current liabilities	157,003	202,764	190,878	1,485,363	-22.6
Working capital	127,239	96,081	102,758	1,203,776	32.4
Stockholders' equity	160,000	148,881	137,513	1,513,718	7.5
Total assets	479,029	480,914	484,831	4,531,968	-0.4
Amounts per share of common stock:					
Net income	¥93.27	¥ 96.27	¥ 10.53	\$ 0.88	-3.1
Cash dividends applicable to the year	12.00	12.00	5.00	0.11	0.0
Stockholders' equity	886.08	824.17	760.96	8.38	5.2
Price earnings ratio (times)	16.40	14.79	152.42	—	10.9
Price book value ratio (times)	1.73	1.73	2.11	—	0.0

Note: For convenience only, the accompanying Japanese yen amounts for 2004 have been translated into U.S. dollars at ¥105.70 = \$1.00, the exchange rate prevailing on March 31, 2004.



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Human Media Interactive

Our goal is to build products that facilitate user-friendly communication and relationships between people and media

Alps possesses many communications technologies that will help bring ubiquitous communications to society. These cover a wide range of new types of communication which connect the people, and include broadcasting tuners, mobile phone transceivers, wireless LAN transceivers, optical networking modules, and modules for electronic toll collection. We apply our extensive, unique knowledge in analog technologies to developing new digital technologies and making products that have already earned a reputation for high quality and dependability in markets around the world.

Communication

Human Machine Interface

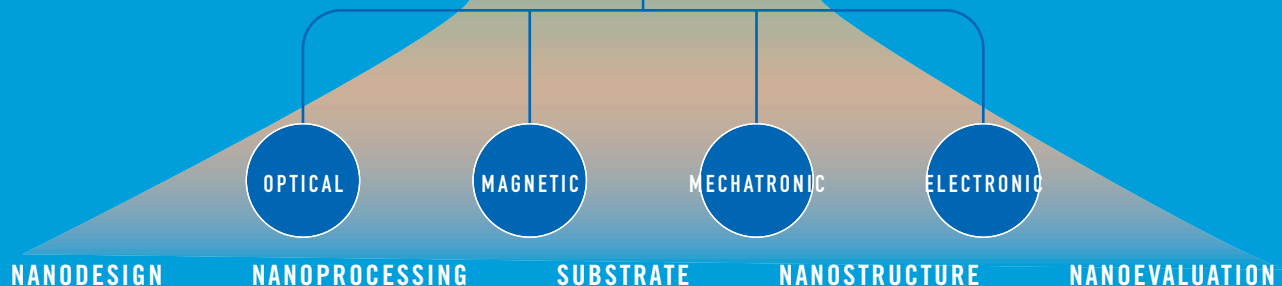
As electronic devices evolve into more multi-functional, convenient items, it will be essential to have technologies that provide devices with the ability to easily send and receive messages and do what people want. Alps pursues, for example, the feel of the click in switches, which results in better computer keyboard response, as well as electronic components to improve display and printer output. We apply years of experience in manufacturing components to producing improved input, output, and display digital devices that are easy for people to use.

Machine to Machine Interface

Inside an electronic gadget, miniature devices must operate in close connection with each other to produce the kind of output that people can use. In next-generation mobile tools, fuel cells, and other electronic paraphernalia, these internal devices must be able to read data more accurately, communicate faster, and operate with greater precision. There is a constant need for the technologies that facilitate these enhancements to be packed ever more densely and microscopically. Alps pushes the envelope of sensor, connector, and actuator, and manufactures multi-functional devices to meet new market needs.

Alps' System in Package

Our goal is unity and progress of functions



Alps' aim is to extend our core technologies by matching, merging, and integrating, primarily in the leading-edge field of nanotechnology. The "Alps' System in Package" theme is a developmental initiative to develop attractive devices with compound functions that are more advanced than conventional electronic components. To provide better human-media interfacing in an age of ubiquitous networking, we develop and manufacture products in three key areas.

MONOZUKURI— CREATING NEXT-GENERATION ELECTRONIC COMPONENTS

CONSOLIDATED RESULTS

In the fiscal year 2004, ended March 31, 2004, the US economy benefited from well-received tax reductions, and business conditions were stable—especially with regard to consumer spending. Significant foreign investment and strong consumption supported high growth in the Chinese economy. The situation began to improve in Japan as well, particularly for exporting firms, and the world economy started moving towards recovery. Use of digital devices expanded worldwide, leading to strong demand in the electronics industry. Japanese companies developed these products—digital cameras, DVD recorders, flat-panel televisions, mobile telephones with cameras, and car navigation systems—into practical, commercial devices. In addition, these products have been miniaturized, contain energy-saving features, and are multifunctional—developments for which Japanese companies are particularly renowned. It looks like Japan's manufacturing industry is finally beginning to regain its strength.

During fiscal year 2004, net sales increased 3% from the year before, to ¥619.7 billion. However, the effects of a sagging dollar caused operating income to decrease by 13.5% to ¥36.2 billion, and net income to decrease by 3.3% to ¥16.9 billion.

In the electronic components segment, sales of liquid crystal displays (LCDs) as part of its peripheral products business increased substantially, which was a result of the growing market overseas for color mobile telephone displays. Printer sales also grew, as the steep growth in domestic and overseas digital camera markets brought with it a rising demand for printing. Alps' communications business benefited from our introduction of the personal handyphone system (PHS) modules into China's rapidly expanding PHS market, and sales overseas of cable television tuners also increased. New car sales, especially in the North American market, were nearly as strong as in the previous fiscal year. This contributed to sales growth in our automotive electronics business, as did sales of



the Haptic Commander™ and other products in response to market demand for higher performance. In the components business, the AV-related market was slow in the first half, and in the second half the magnetic devices business suffered the adverse impact of a rapidly rising yen. However, both these businesses maintained sales at nearly the same levels as in the previous fiscal year.

In the audio equipment segment, Alpine increased sales to automobile manufacturers of car navigation systems, both as a result of strong new car sales and an increasing rate of factory installation in new cars in North America. On the other hand, fierce price competition in the after-market for CD players created difficult conditions, and net sales decreased accordingly.

In the logistics and other business segment, Alps Logistics has positioned itself to meet its customers' global distribution requirements by establishing a new subsidiary in Dalian, China, and expanding warehouse facilities in Shanghai. As Alps Logistics continuously strove to expand our network, there was a substantial increase in freight handled this fiscal year. As a result, net sales showed impressive growth.

BUSINESS DIRECTION AND OVERSEAS DEVELOPMENT

In fiscal year 2002, Alps began to implement structural reforms of its electronic components segment. We focused on five major business fields—components, magnetic devices, communications, peripheral products, and automotive electronics. Sales, manufacturing, and technology have been integrated to facilitate prompt reaction to market change, and Alps continues to steadily expand these five major business fields.

Regarding the direction of technological development, Alps continued to pursue “Human Media Interactive,” for user-friendly



SOCIAL RESPONSIBILITY THROUGH MONOZUKURI

While manufacturing is one of the industrial backbones in Japan, Alps strongly believes that sound growth requires a balance between primary, secondary, and tertiary industries. Globalization of business is advancing rapidly, and it is an important issue to sustain manufacturing industries in Japan.

To make this a reality, it is necessary for every employee of Alps to become technology-oriented and have an engineering mind and raise each the skill level of each employee, and to muster their wisdom and apply it to creating new businesses in Japan. It is very important to develop competitive products in the market and new products will not be created without the proposals from production line.

Through pursuit of *Monozukuri*, Alps seeks to communicate the importance and joy of the manufacturing industry to the general public, especially to the younger generation. We hope to spread the idea that the manufacturing is one of industrial mainstays.

“Monozukuri” refers to the creation of products with an emphasis on the spirit of manufacturing.

communication and relationships between people and media. We are also seeking to make progress in the three fields of nanoprocessing technology, communications technology, and human machine interface. A number of products have emerged from these activities, including front-lighting for LCDs, glass lenses for communications, electronic toll collection (ETC) systems, tire pressure monitoring systems (TPMS) and the Haptic Commander™ for automobiles.

Regarding the development of our overseas operations, Alps intends to further increase overseas production, aiming for around 50% of total production. In China, Alps already has six manufacturing facilities and is now emphasizing R&D and sales. To meet the rapid growth in demand, this fiscal year we will expand three more facilities as the start of the second phase of development in China—Dalian Alps, Tianjin Alps, and a consignment manufacturing plant in Dongguan, Guangdong Province. In the past, operations at the plants in China mainly focused on assembly, but Alps is now working to raise the technological level through the establishment of integrated manufacturing systems, including the machining of molds and parts.

ACTION PLAN FOR FISCAL YEAR 2004

Our fiscal year 2004 action plan entitled “Social Responsibility Through *Monozukuri*,” includes three guidelines: *Monozukuri* nurtures individuals; *Monozukuri* yields new products; and *Monozukuri* DNA excites future generations. Alps is a *Monozukuri* company. This description reflects Alps’ determination to make a contribution to society and to the world through *Monozukuri*.

The first is “*Monozukuri* nurtures individuals.” People are required at every stage: design, manufacturing, and worldwide sales. To promote *Monozukuri* and create high-quality products, it is necessary for individuals to raise their skill level. Our philosophy is that

every employee must become technology-oriented and have an engineering mind.

By “*Monozukuri* yields new products,” we mean that proposals from the production line are an important aspect in the creation of new products. It is crucial that our R&D department listen to people on the production line, experience *Monozukuri* themselves and make every effort to visit them on a daily basis to conjure up new product ideas from the *Monozukuri* perspective.

Third and finally, “*Monozukuri* DNA excites future generations.” In recent years, a decline in interest in science and engineering has become an issue for society as a whole. One important reason is that the younger generation has few opportunities for hands-on experience, so they do not know the joys involved. At Alps, we conduct study tours of factories for employees’ families and for the general public, as well as holding handicraft classes. Through these efforts, we seek to communicate the joys of *Monozukuri* and to spread that understanding little by little.

ENVIRONMENTAL MEASURES



When Alps is considering environmental measures, we think it is important to regard ourselves as crewmen on spaceship earth, performing the important mission of ensuring that this irreplaceable planet and its beautiful natural environment is preserved for future generations.

From the product development and design stages onward, Alps keeps environmental concerns in the forefront and strives not to use materials that contain harmful substances. At the manufacturing stage, the Company strives to avoid the generation of waste through the complete utilization of materials, and at all stages looks ahead to the final disposal of the product following its useful life, with a view to ensuring that the Company’s products do not become an environmental burden. Informed by these ideas, the entire Company is engaged in the recycling of waste, through the zero emissions program and other activities.

Our “green procurement policy” is intended to reduce the levels of harmful substances in Alps’ products. As part of the policy, in October 2003 we launched an online database system containing information on harmful substances. All domestic business locations can access the database to monitor procurement. This fiscal year we upgraded this database, and overseas subsidiaries will soon have access. In response to rising environmental concerns in various countries of the world, Alps is working to protect the environment through the design and manufacture of products that contain no harmful substances.

The Olympic Games will be held in Athens this August, and we expect high demand for LCD and plasma televisions, and other electronic devices. This and other positive developments lead to a bright outlook, but we must not become complacent. At this juncture, it is necessary for us to quickly read emerging market trends, while the Company pushes for another surge in growth.

We take this opportunity to offer sincere thanks to our stockholders and ask for the continued support and encouragement from our shareholders.

June 2004


Masataka Kataoka
President

Special Feature: "ALPS SHOW 2004"



FIND!
FINE
ALPS

Alps introduced visitors to the Company's most recent programs, including the development of new multifunctional components and high-performance modules through the integration of original technologies based on Alps' new development concept, the Alps' System in Package.



"ALPS SHOW" is a biannual exhibition of the newest products and original technologies developed by Alps. Visitors eager for an advance look at Alps' trailblazing electronics components thronged the hall throughout the three days of the show.

At "ALPS SHOW 2004," advanced devices illustrating Alps' original technology were on view for three days beginning May 26, 2004. Many visitors were introduced to these new products and technologies. Approximately 8,000 people visited the show, far more than came to the last show. At the hall, we first of all prepared the zone of "Human Media Interactive," our corporate message, a reality and introduce Alps' development concept, the Alps' System in Package. Showgoers were favorably impressed by Alps' efforts to develop electronics components that meet the need for higher precision and top quality, from the micro scale to the nano scale. At a press conference held on the first day of the show, President Kataoka explained this year's action policy, "social responsibility through *Monozukuri*," and spoke on the current state of the electronics industry, Alps' business directions, and the Company's second phase of development in China.

At "ALPS SHOW 2004," there were approximately 600 individual exhibits, including 165 displays of new products. Show staff provided information to visiting technicians, who showed great interest.



Alps' microfabrication technology is widely applied to nanoscale manufacturing, which allows the development of marvelous electronic components.

Photos:
 Left: Microfabrication of molds using nanomachining
 Right: Aspherical Glass Lens



Most of visitors commented on the overwhelming hustle and bustle—and not only the opening day, as the second and final days surpassed even that. The event's immense drawing power surprisedly impressed them. The excitement of visitors to the show as they examined the new inventions filled the hall.

There were many overseas visitors too, not only from Europe and the United States, but a number from China and Korea were also seeking information of Alps' new products. While almost manufacturers have been transferring their production to China in recent years, the commercialization of miniaturized and multifunction electric components is the very field that Japanese in particular excels in. Aside from our manufacturing operation in China, we could provide visitors with a strong impression of *Monozukuri's* stance in Japan.



In response to the rising resolution of cameras mounted in mobile phones, Alps has employed its original high resolution lens and optical design expertise to develop its camera modules, which include modules with zoom and autofocus functions.

Photo: Mobile phone camera module

Addressing the needs for higher recording density and diversification of technologies in hard disk drives (HDDs), Alps introduced GMR thin-film heads that use a vertical recording system, and meet new requirements for reductions in size and improved impact resistance.

Photo: GMR thin-film heads for HDDs



In anticipation of the acceptance and growth of digital terrestrial broadcasting, the Company has developed a line of significantly miniaturized tuners. Alps has also developed the industry's smallest wireless LAN communications module, and has emphasized the development of other communications modules.

*Photos:
Left: Wireless LAN communication modules
Center: Digital terrestrial broadcast tuners
Right: RF Module for ETC system*



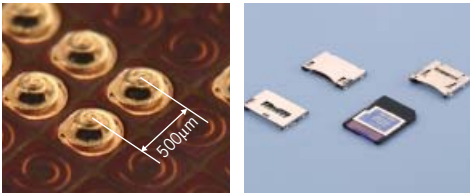
Alps' color LCDs for mobile phones equipped with the Company's proprietary high-efficiency light reflectors are highly regarded by consumers for their brightness and clarity.

*Photos:
Left: Color LCD for mobile phone
Right: Front light for liquid crystal display*



This is a lightweight printer that can be used any time, any place. It is optimized for printing photos from digital cameras, and offers high-speed printing with photographic quality.

Photo: Printer for digital cameras



Micro contacts and connectors for small memory cards, developed through the application of Alps' contact technology.

Photos:

Left: Micro contacts

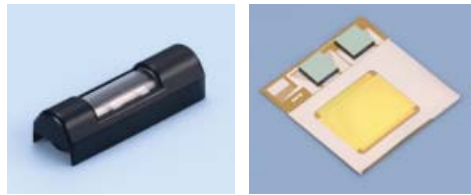
Right: Connectors for small memory cards

Addressing the need for heightened security, Alps developed miniaturized, ultra-thin fingerprint sensors. Main application is mobile devices, such as mobile phones and notebook PCs.

Photos:

Left: Optical roller type fingerprint sensor

Right: Pressure sensitive film type fingerprint sensor



Alps proposed micro valves in answer to needs for miniaturization and widespread use in fuel cells.

Photos:

Top: Micro pumps

Bottom: Micro valves



Alps' switch products offer improved operability and a better feel. The user can easily input commands and receive feedback from components using these input devices.

Photos:

Left: Contact Sheet™

Right: Strap Type Controller



New products advancing toward the realization of optimum driver comfort and automobile safety, as well as conservation of energy. Alps demonstrated X by Wire systems with original computer control system.

Photos:

Left: Batteryless tire pressure monitoring system

Right: Rotary type Haptic Commander™



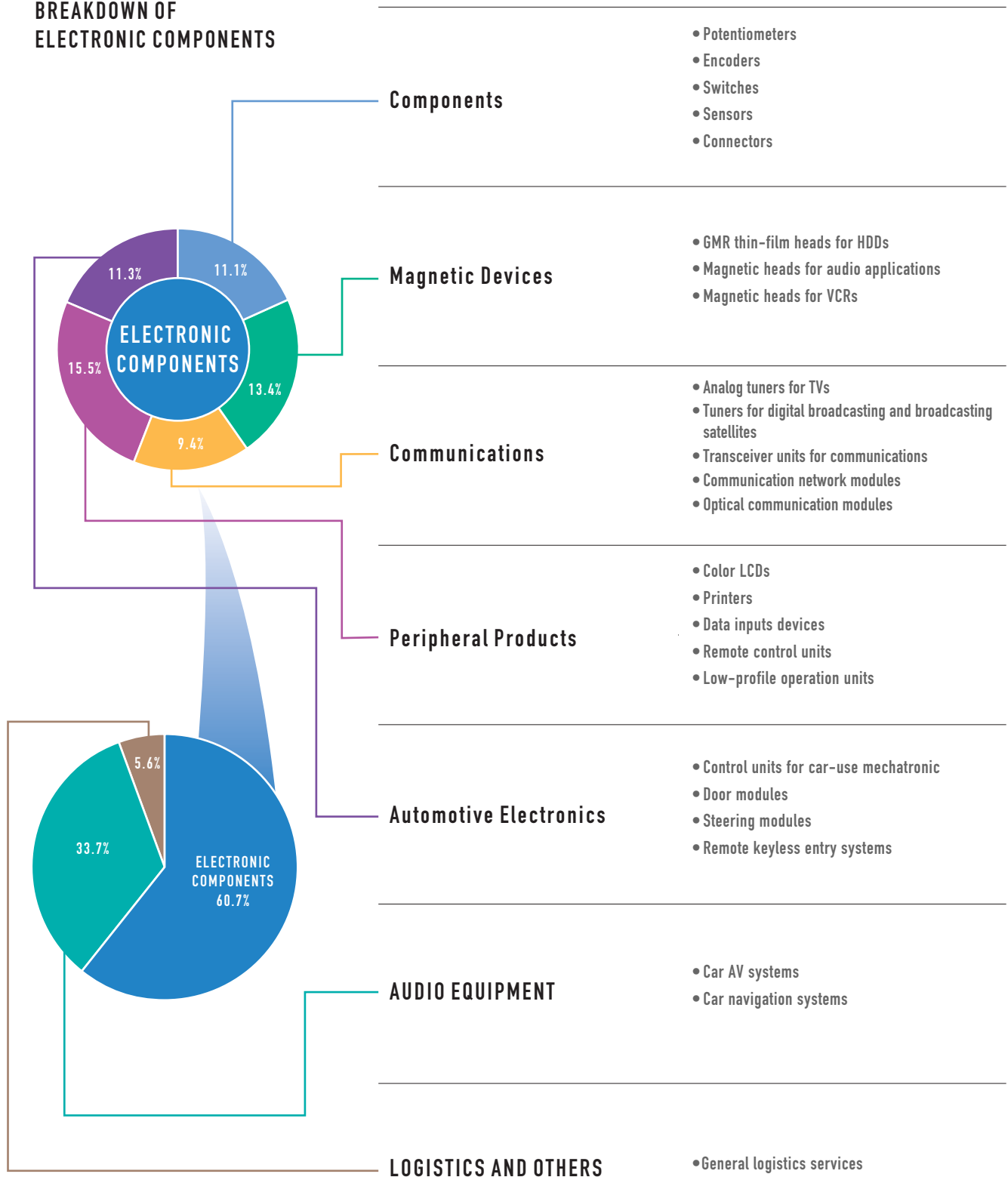
After "ALPS SHOW 2004" came to an end, we will be holding mini-shows in each customer site to introduce the Company's cutting-edge technologies for those who weren't able to visit the show.

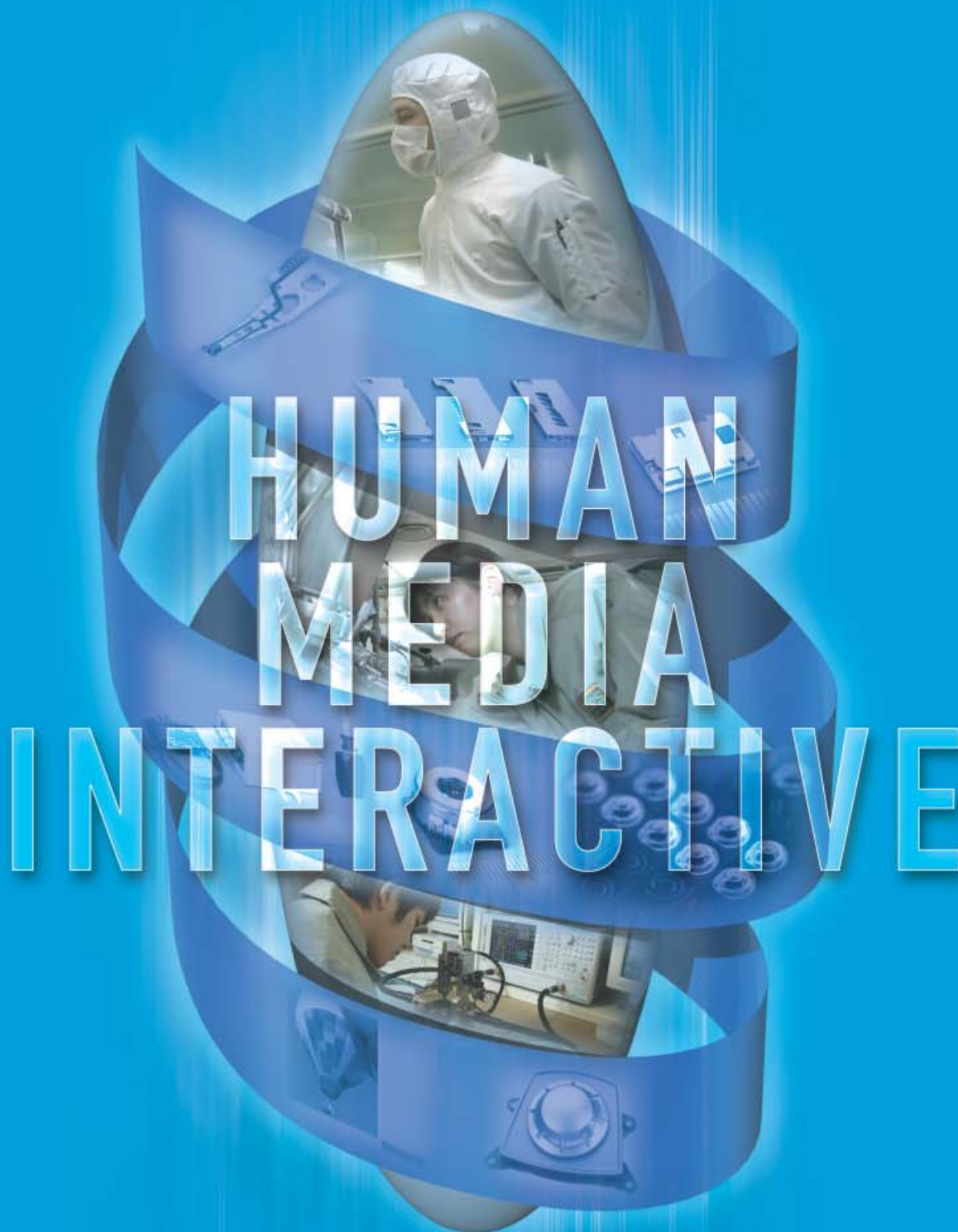
In addition, from May 31 everyone will be able to access the CYBER ALPS SHOW 2004 from our home page. This Internet presentation will capture the atmosphere of the actual ALPS SHOW 2004.

The ALPS SHOW 2004 presentation will be at <http://www3.alps.co.jp/alpsshow/topJ.html>

Alps Group at a Glance

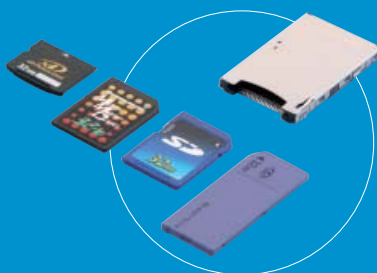
BREAKDOWN OF ELECTRONIC COMPONENTS





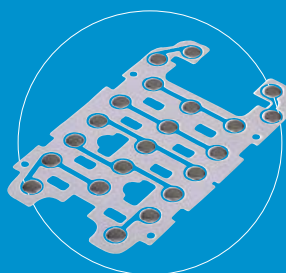
Alps is refining the technologies and concentrating on new products to implement the “Human Media Interactive” concept to facilitate user-friendly communication and relationships between people and media.

COMPONENTS



CONNECTOR FOR SMALL MEMORY CARDS

Connector compatible with Memory Stick™, SD memory cards, multimedia cards and xD-picture cards™



CONTACT SHEET™

Alps' dust-resistant contact sheet structure is proud of highly reliable performance. Low-profile design available for mobile phones



THROTTLE POSITION SENSOR (TPS)

Alps' developed resistor realizes superior temperature and wear resistance characteristics

FY2004 RESULTS

The AV-related market overall did not regain any vigor and no growth was seen in demand for game-related devices. Sales of potentiometers and switches declined in comparison with the first half of the previous fiscal year. In the second half, growth in the market for mobile phones and other digital consumer electronics brought healthy sales of switches and connectors and small memory cards, and this allowed the Company to maintain sales at almost the previous fiscal year's volume. Net sales declined 1.2%, to ¥68.8 billion.

BUSINESS OUTLINE

Alps' components business offers a broad array of mechatronic devices in a wide range of electronics markets. Each and every product



ENHANCE THE SPEED OF OUR BUSINESS OPERATIONS, RAISE CUSTOMER SATISFACTION LEVELS

incorporates original material, molding and manufacturing technologies, and each perfectly matches customer needs thanks to their high-functionality and space-saving properties.

The components business handles unique connectors for small memory card, which incorporate not only Alps' original interface and mechatronics technology for ease of use and assembly, but also high-frequency technology for noise reduction and shielding against interference. As a result of the Company's efforts, these combination-type connectors, compatible with multimedia cards, SD memory cards and Memory Stick™, are much appreciated in the digital camera and notebook PC markets.

In addition, this business offers TACT switches with the smallest mounting area in the industry for mobile device use, Contact Sheet™ for mobile phones, various potentiometers and long-life sensors for automobiles all receive high praise from clients worldwide for their high quality and reliability.

MAGNETIC DEVICES



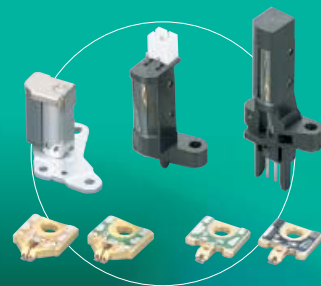
GMR THIN-FILM HEAD FOR HDDs

GMR thin-film heads achieve a high recording density for HDDs in PCs, AV equipment and portable digital devices



MAGNETIC HEADS FOR AUDIO APPLICATIONS

Alps' magnetic heads realize stable tape operation, employed for simplified set assembly process



MAGNETIC HEADS FOR VIDEO APPLICATIONS

Realize high output, low noise and long life, with state-of-the-art materials and technologies

MOVE FORWARD WITH BUSINESS STRUCTURE REFORM, LINK WITH DEVICE BUSINESS ADVANCES



FY2004 RESULTS

Sales of magnetic heads for audio and VCR equipment showed an accelerating decline as a result of the contraction within the audio market and consumers switching to DVD recorders. However, sales of giant magneto-resistive (GMR) heads increased substantially as a result of the commencement of mass production of 60 to 80 GB/3.5-inch HDDs, and of the increasing use of GMR heads for 2.5-inch HDDs in notebook personal computers. This notwithstanding, the rapid appreciation of the yen in the second half held net sales to the previous fiscal year's level. As a result, net sales eased down 0.7%, to ¥82.7 billion.

BUSINESS OUTLINE

Alps' magnetic devices business is continuously improving both its quality and efficiency with extensive knowledge of magnetic materials to provide state-of-the-art devices.

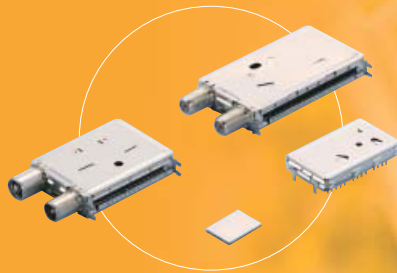
The magnetic devices business began by specializing in magnetic heads for audio applications. It has since evolved to include the development of magnetic heads for VCRs, and GMR thin-film heads for HDDs as a pillar of the Company's thin-film technology.

Alps' GMR head technologies are unsurpassed. The Company is employing its expertise in thin-film, plating, and precision processing technologies to ensure a stable supply of high-quality products for the promising HDD market.

On the other hand, demand for VCR and audio heads has tapered off, but as everyone has a library of video- and audiotapes, the Company expects a longstanding demand for these items.

Thanks to the Company's accumulated proprietary technologies, the magnetic devices business will cultivate its thin-film, precision processing and material technologies. The Company will continue to reinforce its operations with the creation of new products and magnetic heads for other applications.

TRANSFORM THE BUSINESS STRUCTURE THROUGH A NEW CONCEPT PRODUCT LINEUP



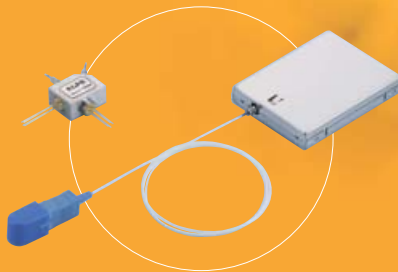
TUNERS UNIT FOR DIGITAL TERRESTRIAL BROADCASTING

Alps developed industry's smallest size tuner with internal demodulators for broadcasting systems in Japan, the U.S. and Europe



WIRELESS LAN COMMUNICATION MODULES

Downsized and slim module with Alps' original circuit design and high-density mounting technology



OPTICAL DEVICES FOR FTTH

Onu single-fiber bidirectional transceiver is realized by Alps' advanced optical technology and superior circuit design



FY2004 RESULTS

The decline in the use of voltage-controlled oscillators (VCOs) in mobile phones caused sales to wane. However, the Company's timely production of personal handyphone system (PHS) modules into the rapidly growing Chinese market allowed it to significantly expand sales. In addition, sales of tuners for cable televisions in the North America expanded. The slump in investment in the optical communications market had become quite protracted, but there was movement in demand for communications-use aspherical molded glass lenses for the Japanese fiber-to-the-home (FTTH) market. Therefore, net sales of the communication business grew 14.2%, to ¥58.1 billion.

BUSINESS OUTLINE

Alps' communication business can quickly develop next-generation global applications to meet ever-changing standards and support the developing "ubiquitous network society" in countless ways.

The Company is prepared to meet the coming demands for digital broadcasting equipment, mobile phones and wireless communication devices that enable access to the Internet from anywhere. Some of them, such as ultra tiny type IEEE802.11b and ETC modules, have been developed for mass production with Alps' proprietary RF circuitry and simulation technologies. Digital terrestrial broadcasting tuners and tuner units with demodulators compatible with standards in Japan, the U.S. and Europe are appreciated by set manufacturers as they enable simplified design.

Optoelectronics in the communication business is also expanding with the FTTH market growing as part of the e-Japan initiatives of the Japanese government. The Company has already commenced the development of optical communication products for FTTH and other network access systems. In addition, the communication business has developed camera modules for mobile phones employing the proprietary optical design and aspherical molded glass lens technologies.

Alps' communication business is significantly contributing to the construction of the information infrastructure of the future.



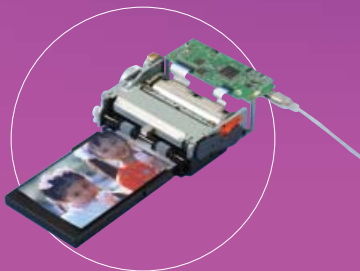


USE CORE TECHNOLOGIES TO SHAPE OUR BUSINESS BASE



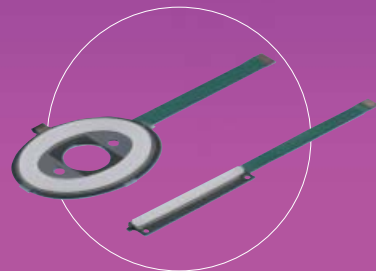
COLOR STN-LCD

Bright, clear LCDs achieved by Alps' unique reflectors for mobile phones



COMPACT PRINTER

Printers for digital cameras and mobile equipment feature a compact mechanism



FT SENSOR™

Alps' original film technology makes a reality feather-touch operations for mobile devices

PERIPHERAL PRODUCTS



FY2004 RESULTS

Sales of LCDs devices grew significantly as a result of the switch to color mobile phone displays in overseas markets, and sales of printers expanded as rapid growth in the digital camera market ramped up demand for printing. However, falling prices resulted in a drop in sales of amusement equipment and floppy disk drives for desktop personal computers. As a result, net sales in the peripheral products business grew 25.3%, to ¥96.0 billion.

BUSINESS OUTLINE

The peripheral products business is at the forefront of Alps' "Human Media Interactive" concept. The business offers an impressive lineup of high-quality displays, printers for digital cameras and various input devices with a multi-angled approach to the proportion.

Alps' color LCDs are renowned for their superior image quality and low power consumption. The LCDs are appreciated with their original reflective film, which uses unique technologies such as microscopic processing and efficiently maximizes ambient light.

For output devices, the peripheral products business offers excellent printers suited for digital cameras and mobile products that achieved high-speed printing and deliver excellent photographic quality.

The Company is developing unique input device, the FT Sensor™ etc., through its accumulated expertise in electrical capacitance, resistance and voltage technologies.

Alps continues to meet the increasing need for customization even more effectively by devising interfaces for effortless interaction between people and devices.



BECOME THE TOP FIRM IN THE BODY ELECTRONICS FIELD

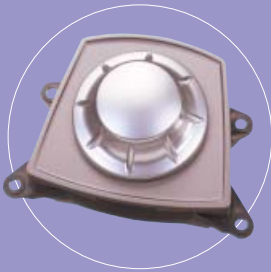
FY2004 RESULTS

New car sales, particularly in the North American market, showed stably the same levels as the previous fiscal year. Given the market conditions, the Company launched new products in response to market demands for higher performance and multifunctionality. The second half saw a precipitous rise in the value of the yen, and a drop in sales of door modules. However, sales of control panels and steering switches, as well as speciality products such as the Haptic Commander™ and passive keyless entry systems, contributed to a 2.8% increase in net sales, to ¥70.1 billion.

BUSINESS OUTLINE

Alps' automotive electronics business has strong partnerships with automobile manufacturers worldwide thanks to its wealth of

AUTOMOTIVE ELECTRONICS



HAPTIC COMMANDER™

Haptic Commander™, a car central control device, helps a driver to make multiple operations of equipment in a car and provides a tactile feedback to the driver regarding the state of operation.



PASSIVE ENTRY SYSTEM

Passive entry system can make key-free operations to lock and unlock doors and to start engine. It achieves a stable communication area by 3D antenna.



TIRE PRESSURE MONITORING SYSTEM (TPMS)

Direct tire pressure detecting system, the type of batteryless TPMS, realizes a real safety in driving a car.



Touchsense Technology™
Licensed by Immersion Corporation

expertise in electronics devices and interface systems.

With recent stability in the automobile industry and renewed activity in automotive electronics, a number of parts manufacturers are trying to enter this market. However, it will not be that easy for them. The Company has 30 years of experience in automotive product development and has nurtured a strong reputation from customers for reliability, variety, quality assurance and service.

Automotive products show rapid advances in control systems using X by Wire technology, as well as in communications systems in preparation for the Intelligent Transport System (ITS). Alps' automotive electronics business is concentrating on the Human Machine Interface that is so important for safe and comfortable driving and adopting unique Body Electronics technology to totally revolutionize how people interact with their automobiles.

Environmental Measures

FISCAL 2003 PLAN AND RESULTS

Midterm Report on the Fourth Medium-Term Voluntary Action Plan for Environmental Protection

In FY2002 Alps established its Medium-Term Voluntary Action Plan for Environmental Protection, covering the 2003 - 2005 fiscal years and applicable to its bases in Japan. This plan sets concrete, numerical targets for continuous reductions of CO₂, greenhouse gases and wastes. Alps is currently emphasizing our goal of zero-emissions, a target we expect to reach in FY2004. Besides this, as a product-related initiative, we are practicing green procurement in order to eliminate hazardous substances and thereby advance eco-friendly design.

The Fourth Medium-Term Voluntary Action Plan for Environmental Protection primarily sets targets that only apply to bases in Japan, but the Alps Group is also examining campaigns that would include overseas sites and allow our business to respond to the issues globally.

The table below sums up results of activities in FY2003 and our self-assessment of them.

The Fourth Medium-Term Voluntary Action Plan for Environmental Protection and FY2003 results

Objective		Action target (FY2003-FY2005)
Management Develop an appropriate organizational structure and foster environmental awareness in each employee to achieve effective environmental management.	Environmental Management System	1. Acquirement of ISO 14001 certification at overseas bases 2. Promotion of information exchange with overseas operations
	Environmental communication (External)	1. Periodical publication of environmental reports 2. Information distributions on the website
	Environmental education	Enhancement of environmental education programs for managers/engineers
	Environmental accounting	Establishment of environmental accounting
Environmental initiatives through our products Reduce the environmental load with environmentally conscious development and engineering.	Design for environment	1. Promotion of environmentally conscious engineering and development 2. Development of chemical substance database
	Reduction of hazardous substances	1. Complete elimination of banned substances Completely eliminate the use of lead, cadmium and hexavalent chromium by the end of 2004 2. Reduction of restricted substances
	Green procurement	Prioritizing purchases from environmentally conscious business partners
Environmental initiatives in our plants and offices Reduce the environmental load in the production process and office operation.	Prevention of global warming	1. Reduction of CO ₂ emissions Reduce FY2005 CO ₂ emissions from energy consumption per unit of output ^(Note 1) by 20% from FY2001 level 2. Reduction of greenhouse gas (aside from CO ₂) emissions Reduce the use of PFCs and HFCs ^(Note 2) at the end of FY2010 by 60% from FY1998 level
	Recycling	1. Complete achievement of zero-emissions Completely achieve zero-emissions by FY2004 2. Reduction of total amount of waste Reduce the amount of waste per unit of output ^(Note 1) in FY2005 by 20% from FY2001 level
	Management and reduction of chemical substances	1. Management of chemical substances Reduce the risk of contamination by promoting appropriate management of chemical substances 2. Complete elimination of ozone-layer depleting substances Completely eliminate the use of HCFCs ^(Note 3) by the end of 2003
	Green purchasing	Promotion of green purchasing for office supplies and company-owned cars
	Logistics	Promotion of environmentally conscious logistics
	Social service activities	Promotion of activities in society supporting environmental protection

Notes: 1. Amount per unit of output: A value found by dividing the amount of CO₂ emissions or waste emissions by the value of production

2. PFCs and HFCs: Perfluorocarbons and Hydrofluorocarbons

3. HCFCs: Hydrochlorofluorocarbons

4. GWP: Global Warming Potential. Index describing the relative warming of a unit mass of a greenhouse gas in comparison to the same mass of CO₂.

5. Fiscal years identified on pages 22 through 24 are for the years ended March 31 of the following year.

Progress Report on the Fourth Medium-Term Voluntary Action Plan for Environmental Protection

Progress toward meeting the targets of the Fourth Medium-Term Voluntary Action Plan for Environmental Protection is good overall, but Alps is behind schedule on a few items.

Alps began its efforts to earn ISO 14001 certification in 1995, and presently we have earned it at all sites except three overseas bases. We anticipate that these bases will be certified by FY2005.

Alps is assessing its suppliers as green procurement sources to meet its goal of eco-friendly design, and is constantly updating and expanding its Database for Chemical Substance Management. We are removing the substances targeted for elimination in 2004 from each of our products, one by one.

In the past year, we have chalked up some dramatic achievements in our program to help prevent global warming, not only thanks to the efforts made

by our divisions, but also as a benefit of expanded production and of the cool summer in 2003. In just the first year of the medium-term plan, we nearly reached our target for FY2005. We are striving to make further efficiency improvements so that we can fully reach our goals in FY2004 and FY2005.

Under the zero-emissions category, our overall recycling rate suffered a temporary setback when expanded production at some plants led to a greater amount of wastewater, which had to be treated by outside services.

Alps reached its goal of eliminating HCFCs in 2003 by switching to alternatives. We were also able to reach our FY2010 reduction targets for PFCs and HFCs.

We will step up our efforts not only for the targets where ALPS is behind schedule but also for those we have nearly accomplished.

	Results of activities in FY2003	FY2003 self-evaluation
	1. One overseas base newly acquired ISO 14001 certification Shanghai Alps Electronics (January 2004) 2. Head office staff visited and used e-mail to exchange information with production bases in Asia (China, Korea, Malaysia)	B B
	1. Environmental Report published (June 2003) 2. Information distributions on the website	B B
	Held chemical control study sessions (Japan, Asia, Europe)	B
	Aggregated costs and effects. Ran trial evaluation on overall environmental performance	B
	1. Continued performing product assessment 2. Began using the Database for Chemical Substance Management (October 2003)	B B
	Worked towards this goal for each product	B
	Performed evaluations on vendors. Gave training sessions to concerned departments overseas	B
	1. CO ₂ emissions per unit output: 39.3t/100 million yen 20.0% reduction from FY2001 level (progress) 19.4% reduction from FY2002 level (progress) 2. PFCs/HFCs Purchases (GWP ^(Note 4) conversion bases) per unit output: 36,145t 61.3% reduction from FY1998 level (progress) 20.4% reduction from FY2002 level (progress)	B A
	1. Waste recycling rate: 82.0% 2.7% reduction from FY2002 level (fallback) 2. Waste emissions per unit output: 4.76t/100 million yen 4.0% reduction from FY2001 level (progress) 0.9% reduction from FY2002 level (progress)	C C
	1. Learned emergency risks, installed equipment to prevent leaks and gave training 2. HCFCs Purchases: 43t 55.1% reduction from FY2002 level. (progress) Completely eliminated usage in December 2003	B A
	Prepared for green purchasing of office supplies in head office area	C
	Reduced hazardous substances in packaging materials. Made shipping systems more efficient	B
	Performed cleanups around various work sites	B

Self-evaluation
A: Achieved
B: Efforts proceeding well
C: Efforts behind schedule

ISO 14001 and Environmental Audits

Alps believes that the Environmental Management System specifications of ISO 14001 are a crucial tool and is endeavoring to earn this certification group-wide. All of our divisions in Japan, including our Process Technology Development Center, have completed the certification process. Our affiliates overseas are also earning certification one after another; so far 10 have done so in all. Alps expects all of its overseas production bases to have earned certification by FY2005.

Additionally, our certified bases perform internal environmental audits one or two times a year in keeping with ISO 14001 regulations.

ISO 14001 certification status listing

Target bases: 20 Certified bases: 17 Percent certified: 85%

	Business division	Registration date	Business areas
Japan	Communication Devices Division	August 14, 1998	Development and production of communications and broadcasting products
	Mechatronic Devices Division	October 30, 1998	Development and production of mechatronic components and devices
	Automotive Products Division		Development and production of automotive electronics
	Production Engineering Development Center		Production technology development, esp. die design and production, superprecision processing technology and advanced mounting technology
	Peripheral Products Division	November 27, 1998	Development and production of input, output and display devices
	Magnetic Devices Division	December 24, 1999	Development and production of magnetic recording heads
	Process Technology Development Center	March 17, 2000	R&D on new technology and new materials based on established process technologies
Overseas	Alps Electric (Ireland) Limited	April 9, 1997	Production of automotive electronics
	Alps Electric Europa GmbH Dortmund Plant	July 3, 2000	Production of component products, automotive electronics and display devices
	Alps Electric (Malaysia) Sdn. Bhd. Jengka Plant	September 12, 2000	Production of broadcasting products and input devices
	Alps Electric Korea Co., Ltd.	June 18, 2001	Production of automotive electronics, communications/broadcasting products, input devices and magnetic recording heads
	Alcom Electronics De Mexico, S.A. de C.V.	December 6, 2001	Production of automotive electronics
	Wuxi Alps Electronics Co., Ltd.	March 20, 2002	Production of component products and magnetic recording heads
	Dalian Alps Electronics Co., Ltd.	June 14, 2002	Production of component products and automotive electronics
	Alps Electric (Malaysia) Sdn. Bhd. Nilai Plant	August 12, 2002	Production of component products, magnetic recording heads and input devices
	Alps Electric Czech, s.r.o.	January 15, 2003	Production of broadcasting products and input devices
	Shanghai Alps Electronics Co., Ltd.	January 6, 2004	Production of communications/broadcasting products

Environmental Accounting

Alps introduced our environmental accounting ^{Note1} system in 2000 following the guidelines of the Ministry of the Environment to monitor our environmental costs and associated economic benefits.

Both the investment expenditure and cost expenditure portions of FY2003's environmental costs ^{Note2} rose. These increases stemmed from the replacement of equipment, the adoption of new methods for cleaning soil and groundwater, the introduction of the Database for Chemical Substance Management and other expenses.

The economic benefits ^{Note3} derived in FY2003 were greater than those of FY2002 as environmental protection activities developed and business activities expanded.

Notes: 1. Environmental accounting covers only Alps Electric Co., Ltd. in Japan, and not the Group as a whole.

2. Environmental costs are the total of all investments and costs whose chief purpose is protection of the environment. The total of each such investment or cost is used; the total is not allocated between environmental purposes and other purposes.

3. Economic benefits include sales of wastes that have been separated, recovered and recycled, and electric, fuel and other cost savings resulting from energy conservation. Economic benefits do not include expected effects, e.g. increases in sales resulting from making products lead-free.

Environment Costs in FY2003

(Unit: Millions of yen)

Classification	Main Objective	Environment costs	
		Investment ^{Note1} (FY2002)	Cost ^{Note2} (FY2002)
Operation costs	Pollution prevention, waste product recycling	164.2 (102.1)	531.0 (547.5)
Upstream and downstream production costs	Green Procurement, supply chain management	15.1 (35.9)	270.8 (22.4)
Management activities costs	ISO 14001-certified maintenance	0.3 (0.1)	160.1 (150.7)
R&D costs	Developing lead-free products	0.0 (0.0)	22.2 (36.5)
Social activity costs	Community cleanup activities	0.0 (0.0)	17.4 (9.8)
Cost of rehabilitating environmental damage	Groundwater remediation	66.3 (1.6)	190.2 (169.8)
Others	—	0.0 (0.0)	0.0 (0.0)
Total	—	245.8 (139.8)	1191.6 (936.8)

Notes: 1. Investment includes both capital investment and total leasing expenses.

2. Costs include maintenance and administration costs, depreciation and amortization costs, and lease costs for relevant fiscal year.

Economic Benefits of Environmental Protection Measures in FY2003

(Unit: Millions of yen)

Classification	Value (FY 2002)
Profit on sales of resources with monetary value	1239.4 (863.0)
Cost reduction as a result of energy saving	41.3 (26.8)
Total	1280.7 (889.8)

Consolidated Subsidiaries

ALPINE



Established in 1967, Alpine Electronics, Inc. is a mobile electronics manufacturer. Core businesses include automotive audio, information and communications devices (car navigation and AV systems).

In the fiscal year ended March 31, 2004, the automotive electronics industry witnessed the installation of information and communications technology in auto interiors rapidly becoming more widespread. Increasingly, integrated automotive AV and navigation systems are supplanting yesterday's separate car audio components and information and communications devices are being used to control basic automobile functions, so the scope of the market is expanding.

At the same time, competition in technology development and pricing continues to worsen. Retail prices for car audio equipment have fallen more than 20%, and automobile makers' demands for cost reductions and quality enhancements are growing ever more strident. Price reductions by competitors have further degraded the business environment.

Operating under such circumstances, Alpine continued to improve its revenue and cost structure, and invested in R&D directed at the development of automotive information and communications devices. The burgeoning Chinese automobile market is expected to expand even further, and in preparation for this Alpine has established the Alpine China Development Center to broaden the base of its design and development capabilities.

Taicang Alpine Electronics Co., Ltd. commenced operations in October, and is working to strengthen Alpine's price competitiveness.

Alpine has formulated its ninth mid-term business plan, scheduled for implementation in 2006. Fundamental policies are to "Create the Business" (CTB), accelerate global structural reform, and to create exciting products, markets, and winning costs. Goals include becoming the leading company in mobile media, implementing global cash-flow management, and achieving consolidated net sales of ¥240.0 billion and ROA of 5% in the fiscal year ending March 31, 2006, at the same time strengthening its management structure and improving earnings.

ALPS LOGISTICS



Established in 1964, Alps Logistics Co., Ltd. is an integrator that provides specialized distribution services grounded in supply chain management (SCM) expertise. The company's customers are primarily manufacturers of electronics components and electronic equipment. In response to global distribution needs, Alps Logistics offers high-quality distribution services as it strengthens and expands its network of domestic and overseas logistics bases.

In the consumer logistics field, a business environment marked by logistics restructuring by customers to meet changing consumer needs and growing outsourcing demand, the company's services utilize its expanding network of logistics bases and its continually advancing logistics processes and transportation technologies.

During the fiscal year ended March 31, 2004, Alps Logistics worked to meet the global distribution needs of its customers by expanding warehouse facilities at Alps Logistics (Shanghai), and by the establishment and construction of warehouse facilities for Dalian Alps Teda Logistics Co., Ltd. The Alps Logistics presence in eastern China currently comprises three branches and one sales office. Also in the consumer logistics field, the construction of the Kisai Distribution Center's Warehouse B, a three-temperature zone (ambient, chilled and frozen) distribution facility, was completed in November and has commenced operations.

The shift of manufacturing facilities to China continues to accelerate, and China is also becoming the center of activity in the logistics and distribution sector. SCM promises reduced inventories, shortened lead times and lower distribution costs, and the need to rationalize distribution operations employing SCM is rising in tandem with stiffening competition among firms in the distribution industry.

In the environment surrounding the electronics components distribution business, Alps Logistics functions as an integrator specialized in the distribution of electronics components, pursuing a policy of expanding the scope of its operations. Providing integrated, customer-centered logistics services, the company is building a global distribution system.

Six-Year Financial Summary

Years ended March 31, 2004, 2003, 2002, 2001, 2000 and 1999

	Millions of yen, except per share data					
	2004	2003	2002	2001	2000	1999
For the year:						
Net sales	¥619,676	¥601,816	¥540,268	¥573,064	¥546,941	¥554,446
(Overseas sales)	460,641	439,387	382,252	373,883	338,136	346,115
Cost of sales	502,359	477,995	451,210	476,910	449,456	440,619
SG&A expenses	81,143	82,008	75,809	71,600	73,614	76,488
Operating income	36,174	41,813	13,249	24,554	23,871	37,339
Income (loss) before income taxes	33,895	35,153	8,695	24,931	(10,133)	24,624
Income taxes	11,293	12,535	3,415	4,210	8,351	12,237
Net income (loss)	16,943	17,513	1,902	18,111	(20,611)	9,677
Cash flows (*)	47,321	45,466	33,197	46,860	11,467	37,379
Amounts per share of common stock:						
Net income (loss)	¥ 93.27	¥ 96.27	¥ 10.53	¥ 100.21	¥(114.41)	¥ 54.02
Cash dividends applicable to the year	12.00	12.00	5.00	12.00	10.00	12.00
At the year end:						
Current assets	¥284,242	¥298,845	¥293,636	¥289,283	¥308,258	¥280,405
Current liabilities	157,003	202,764	190,878	230,288	223,033	200,682
Working capital	127,239	96,081	102,758	58,995	85,225	79,723
Long-term debt due after one year	90,261	62,415	87,851	54,789	108,818	115,885
Stockholders' equity	160,000	148,881	137,513	131,901	122,485	143,106
Total assets	479,029	480,914	484,831	479,032	499,836	499,639
Sales by product category:						
Electric components:	¥375,746	¥348,688	¥317,342	¥367,595	¥357,667	¥365,639
	60.7	57.9	58.7	64.2	65.4	66.0
Components	68,804	69,667	68,090 (**)	99,516	92,018	88,205
	11.1	11.6	12.6	17.4	16.8	15.9
Magnetic devices	82,748	83,317	46,288	54,783	63,583	63,619
	13.4	13.8	8.6	9.5	11.6	11.5
Communications	58,110	50,892	65,101	89,737	81,427	83,041
	9.4	8.5	12.0	15.7	14.9	15.0
Peripheral products	95,976	76,596	75,826 (**)	73,711	78,522	95,315
	15.5	12.7	14.0	12.9	14.4	17.2
Automotive electronics	70,108	68,216	62,037	49,848	42,117	35,459
	11.3	11.3	11.5	8.7	7.7	6.4
Audio equipment	209,005	221,439	194,845	179,663	168,833	174,359
	33.7	36.8	36.1	31.3	30.9	31.4
Logistics and others	34,925	31,689	28,081	25,806	20,441	14,448
	5.6	5.3	5.2	4.5	3.7	2.6
Total	¥619,676	¥601,816	¥540,268	¥573,064	¥546,941	¥554,446
Percentage of sales	100.0	100.0	100.0	100.0	100.0	100.0
Sales by destination:						
Japan	¥211,405	¥197,989	¥195,587	¥199,181	¥208,805	¥208,331
	34.1	32.9	32.5	34.8	38.2	37.6
North America	124,951	136,833	133,446	129,880	118,671	115,441
	20.2	22.8	22.2	22.7	21.7	20.8
Europe	134,858	133,737	121,170	112,569	110,445	113,637
	21.8	22.2	20.1	19.6	20.2	20.5
Asia	146,509	131,309	87,847	124,436	106,072	110,120
	23.6	21.8	14.6	21.7	19.4	19.9
Others	1,953	1,948	2,218	6,998	2,948	6,917
	0.3	0.3	0.4	1.2	0.5	1.2
Total	¥619,676	¥601,816	¥540,268	¥573,064	¥546,941	¥554,446
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".

**These are results of recategorization in which the Company reclassified the net sales of the mechatronic device sub-segment and of the peripheral products sub-segment for the year ended March 31, 2002.

Management's Discussion and Analysis of Operating Results

Future-oriented statements contained herein are based on Alps' best judgment as of the date of these financial statements (June 29, 2004).

1. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Alps Electric's consolidated financial statements are prepared in conformity with accounting principles and practices generally accepted and applied in Japan.

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

Alps considers that the following significant policies have had a great impact on the preparation of these consolidated financial statements.

(1) Evaluation of losses on inventories and marketable securities

Inventories and marketable securities without market value are generally valued at cost method. Marketable securities with market value are stated at market value. If these assets lose 50% or more of their book value, they are written off. If they lose between 30% and less than 50% of their book value, they are written off according to the possibility of recovery.

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

(2) Deferred income taxes

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

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

(3) Employees' severance and retirement benefits

In order to provide retirement benefits for its employees, the Alps Group records retirement benefit expenses and employees' severance and retirement benefits, based on its forecasts for retirement benefit allowances and pension assets for the end of the fiscal year. Retirement benefit expenses and liabilities are calculated using assumptions established by mathematical accounting principles. These assumptions include discount rates, retirement rates, death rates and resignation rates, and the expected rate of return.

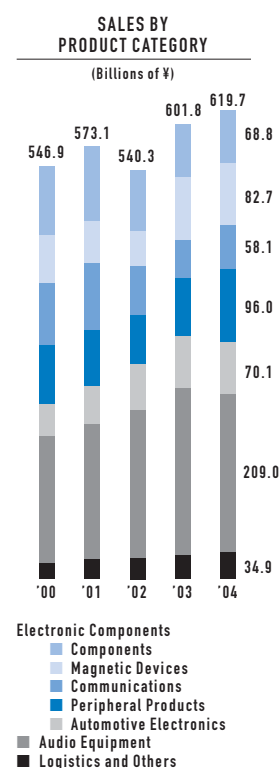
Changes to these assumptions would affect future employees' severance and retirement benefits.

2. PERFORMANCE

(1) Overview

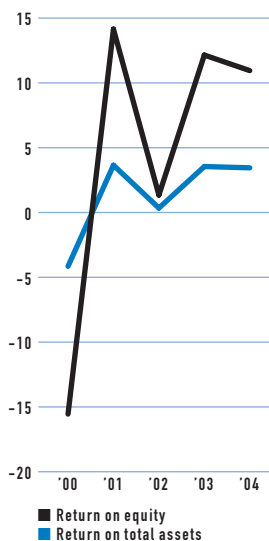
The international economy showed underlying signs of a recovery during fiscal 2004, ended March 31, 2004. This was fueled by brisk business conditions in the U.S., the result of tax relief and low interest rates, and by the continued expansion of the Chinese economy. Optimistic signs were seen in Japan's domestic economy as well, including an upturn in capital investment and exports.

In the electronics industry, which witnessed an overall return to optimism, sales of digital consumer electronics products such as digital cameras, flat panel televisions, and DVD recorders showed steady growth. Together with this, demand expanded in connection with the increasing use of electronics in automobiles.



PROFITABILITY RATIOS

(%)



In this business environment, Alps' consolidated net sales rose 3.0%, or ¥17.9 billion, to ¥619.7 billion. Operating income, however, declined 13.5%, or ¥5.6 billion, to ¥36.2 billion, and net income edged down 3.3%, or ¥0.6 billion, to ¥16.9 billion.

(2) Consolidated net sales

Consolidated net sales rose 3.0%, or ¥17.9 billion, to ¥619.7 billion. Breaking this down by segment, net sales in the electronic components segment rose 7.8%, or ¥27.1 billion, to ¥375.7 billion. Within the electronic components segment, See "Five Business Domain for Electronic Component" as already mentioned for more detail.

Net sales of the Alpine audio equipment segment sank 5.6%, or ¥12.4 billion, to ¥209.0 billion, due to intense price competition in the retail market for CD players and other audio equipment. In the information and communications devices field, sales of car navigation systems to North American automakers were solid and the installation ratio rose.

In the logistics and others segment, net sales grew 10.2%, or ¥3.2 billion, to ¥34.9 billion. Alps Logistics moved forward with the enhancement of operations in its distribution business, at the same time expanding its forwarding operations and strengthening its business structure. To respond to customers' global distribution needs, Alps Logistics has established a new subsidiary in Dalian, China and has expanded its warehouse facilities in Shanghai. Through continuous efforts to expand facilities and its network, the Company increased the volume of freight handled, thereby achieving significant growth in this segment's net sales.

(3) Operating income

Operating income declined 13.5% to ¥36.2 billion. The fall of the dollar against the yen had a significant influence on this figure.

By segment, operating income in the electronic components segment dropped 22.2% to ¥18.6 billion, and in the audio equipment segment edged down 8.0% to ¥11.3 billion. In the logistics and others segment, though, operating income grew 22.4% to ¥5.7 billion. In addition, ¥0.5 billion in inter-segment transactions was posted for fiscal 2004.

(4) Other income (expense)

Other expense decreased 65.8% to ¥2.3 billion. The main reason behind this was a decrease in other, net in other expense to ¥1.7 billion. Other, net resulted from amortization of prior service cost of ¥5.6 billion.

(5) Income before income taxes

For the reason explained above, income before income taxes declined 3.6% to ¥33.9 billion. The cause is same as already explained.

(6) Income taxes

The effective income tax rate, at 33.3% of income before income taxes, was virtually unchanged from last fiscal year's 35.7%.

(7) Minority interests in income of consolidated subsidiaries

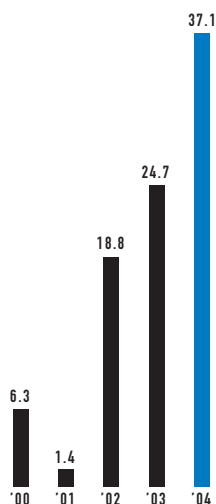
Minority interests in income of consolidated subsidiaries, primarily the Company's minority interests in the income of Alpine and Alps Logistics, increased from last fiscal year's ¥5.1 billion to ¥5.7 billion in the fiscal year under review.

(8) Net income

Net income declined from ¥17.5 billion in fiscal 2003 to ¥16.9 billion. Net income per share dropped from ¥96.27 to ¥93.27. Diluted net income per share was ¥85.91.

INTEREST COVERAGE

(Times)



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

3. LIQUIDITY AND SOURCES OF FUNDS

(1) Cash flows

Net cash provided by operating activities contracted by 3.8%, or ¥1.9 billion, to ¥49.0 billion. Although an increase in cash resulted from higher depreciation expenses and a reduction of inventories in the audio equipment segment, this decline in cash flows was caused by a decline in income before income taxes, an increase in trade receivables resulting from the expansion of sales in the electronic components segment, and an increase in income taxes paid.

Net cash used in investing activities increased 20.8%, or ¥7.1 billion, to ¥41.2 billion. This was chiefly in connection with the acquisition of tangible fixed assets, mainly in the electronic components segment.

Net cash used in financing activities grew 1.6%, or ¥0.2 billion, to ¥15.6 billion. Principal factors included the application of income from the issue of convertible bonds with warrants to the repayment of long-term debt in the electronic components segment, and related redemption of corporate bonds and repayment of borrowings.

These activities and the effect of the changing currency exchange rate on the yen value of cash and cash equivalents at overseas subsidiaries caused cash and cash equivalents at the end of the year to fall 13.8%, or ¥10.5 billion, to ¥65.6 billion.

(2) Assets, liabilities and stockholders' equity

Total assets at the end of the fiscal year were ¥479.0 billion, down ¥1.9 billion from a year earlier. Stockholders' equity grew ¥11.1 billion to ¥160.0 billion, and the shareholders' equity ratio rose 2.4 percentage points to 33.4%.

Current assets declined ¥14.6 billion from the end of the previous fiscal year, to ¥284.2 billion. The redemption of corporate bonds and the repayment of borrowings resulted in a decline in cash and deposits, and deferred income taxes also contracted.

Property, plant and equipment were ¥147.2 billion, ¥8.5 billion higher than a year earlier. This was primarily the result of decreasing of less accumulated depreciation.

Current liabilities at the end of the fiscal year had contracted by ¥45.8 billion, to ¥157.0 billion. Principal factors were a ¥20.9 billion reduction from long-term debt due within one year and a ¥19.3 billion reduction from bank loans.

Long-term debt expanded by ¥27.8 billion to ¥90.3 billion, chiefly as a result of a ¥30.0 billion issue of convertible bonds with warrants.

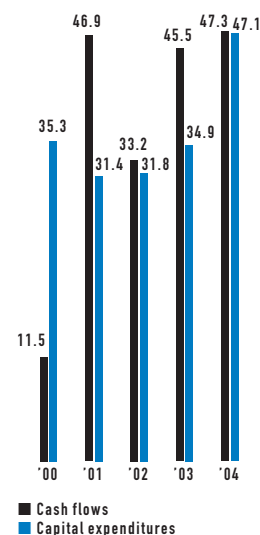
From a point of financial indices, return on equity (ROE) was 11.0% and return on assets (ROA) was 3.5%. Equity per share of common stock advanced ¥824.17 to ¥886.08 and debt / equity ratio was 80.8%, interest coverage was 37.1 times at their best levels in the past five years.

(3) Financial policy and funding requirements

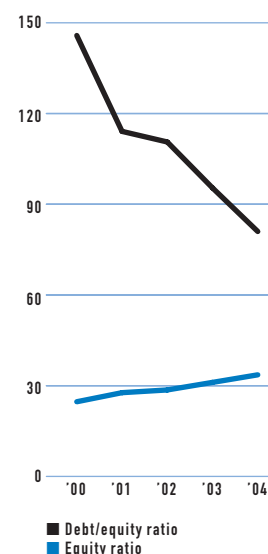
To strengthen its financial position, Alps is increasing profitability by improving its business portfolio, enhancing management efficiency through reducing inventories and other measures, while working to reduce interest-bearing liabilities.

In the electronic components segment's core activities, the Company is stepping up efforts to broaden and strengthen lateral ties between segments in the important automotive electronics market. In addition, the Company is strengthening and expanding business capabilities in China, in anticipation of predicted market expansion. These activities go beyond manufacturing and sales to the establishment of a technical support system.

CASH FLOWS AND
CAPITAL EXPENDITURES
(Billions of ¥)



CAPITAL STRUCTURE
(%)



Consolidated Balance Sheets

March 31, 2004 and 2003

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Current assets:			
Cash and time deposits (Note 13)	¥ 65,996	¥ 76,757	\$ 624,371
Investment securities (Note 3)	117	164	1,107
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliated companies	181	192	1,712
Trade	106,876	101,959	1,011,126
Allowance for doubtful accounts	(1,472)	(1,873)	(13,926)
Inventories (Note 4)	78,614	82,265	743,746
Deferred income taxes (Note 9)	12,204	17,305	115,459
Other current assets	21,726	22,076	205,544
Total current assets	284,242	298,845	2,689,139
Property, plant and equipment (Note 5):			
Land	30,353	30,322	287,162
Buildings and structures	104,693	107,239	990,473
Machinery and equipment	238,023	278,754	2,251,873
Construction in progress	3,514	3,481	33,245
	376,583	419,796	3,562,753
Less accumulated depreciation	(229,421)	(281,142)	(2,170,492)
	147,162	138,654	1,392,261
Investments and advances:			
Investments in and advances to unconsolidated subsidiaries and affiliated companies	6,930	7,833	65,563
Investment securities, other (Note 3)	13,302	10,244	125,847
Other investments	4,896	4,331	46,320
Total investments and advances	25,128	22,408	237,730
Deferred income taxes (Note 9)	7,820	7,169	73,983
Deferred income taxes on land revaluation (Note 9 and 10)	564	564	5,336
Other assets	14,113	13,274	133,519
	¥ 479,029	¥ 480,914	\$ 4,531,968

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Current liabilities:			
Bank loans (Note 5)	¥ 31,110	¥ 50,417	\$ 294,324
Long-term debt due within one year (Note 5)	7,967	28,890	75,374
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliated companies	352	181	3,330
Trade	64,495	70,695	610,170
Accrued income taxes	3,914	6,205	37,029
Accrued expenses	32,770	33,251	310,028
Deferred income taxes (Note 9)	242	1,933	2,289
Other current liabilities	16,153	11,192	152,819
Total current liabilities	157,003	202,764	1,485,363
Long-term debt due after one year (Note 5)	90,261	62,415	853,936
Employees' severance and retirement benefits (Note 8)	12,145	12,401	114,901
Deferred income taxes (Note 9)	2,828	1,723	26,755
Other long-term liabilities	2,558	2,396	24,201
Minority interests	54,234	50,334	513,094
Contingent liabilities (Note 11)			
Stockholders' equity (Note 6):			
Common stock:			
Authorized—500,000,000 shares			
Issued—180,727,015 shares in 2004 and 2003	22,913	22,913	216,774
Additional paid-in capital	44,876	44,876	424,560
Retained earnings	102,685	88,035	971,476
Land revaluation reserve (Note 10)	(387)	(387)	(3,661)
Unrealized gains on investment securities	2,838	1,807	26,850
Foreign currency translation adjustments	(12,518)	(8,031)	(118,430)
	160,407	149,213	1,517,569
Less treasury stock, at cost—278,425 shares in 2004: 234,366 shares in 2003	(407)	(332)	(3,851)
Total stockholders' equity	160,000	148,881	1,513,718
	¥ 479,029	¥ 480,914	\$ 4,531,968

Consolidated Statements of Income

Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
Net sales	¥ 619,676	¥ 601,816	¥ 540,268	\$ 5,862,592
Costs and expenses:				
Cost of sales	502,359	477,995	451,210	4,752,687
Selling, general and administrative	81,143	82,008	75,809	767,673
	583,502	560,003	527,019	5,520,360
Operating income	36,174	41,813	13,249	342,232
Other income (expense):				
Interest and dividend income	591	813	1,193	5,591
Interest expense	(1,282)	(1,962)	(3,090)	(12,129)
Equity in earnings of affiliated companies	115	155	12	1,088
Other, net (Note 7)	(1,703)	(5,666)	(2,669)	(16,111)
	(2,279)	(6,660)	(4,554)	(21,561)
Income before income taxes	33,895	35,153	8,695	320,671
Income taxes (Note 9):				
Current	8,699	10,348	6,590	82,299
Deferred	2,594	2,187	(3,175)	24,541
	11,293	12,535	3,415	106,840
Income before minority interests	22,602	22,618	5,280	213,831
Minority interests in income of consolidated subsidiaries	(5,659)	(5,105)	(3,378)	(53,538)
Net income	¥ 16,943	¥ 17,513	¥ 1,902	\$ 160,293

	Yen			U.S. dollars (Note 1)
	2004	2003	2002	2004
Amounts per share of common stock:				
Net income	¥93.27	¥96.27	¥10.53	\$0.88
Diluted net income	85.91	—	—	0.81
Cash dividends applicable to the year	12.00	12.00	5.00	0.11

See accompanying notes.

Consolidated Statements of Stockholders' Equity

Years ended March 31, 2004, 2003 and 2002

	Millions of yen						
	Shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Land revaluation reserve	Unrealized gains on investment securities	Foreign currency translation adjustments
Balance at March 31, 2001	180,727,015	¥22,913	¥44,876	¥ 70,713	¥ —	¥2,664	¥ (9,264)
Increase due to inclusion of consolidated subsidiaries				1,162			
Net income				1,902			
Cash dividends paid (¥6.00 per share)				(1,084)			
Bonuses to directors				(111)			
Revaluation of land					(378)		
Shares issued upon conversion of convertible debentures							
Change in unrealized gain on investment securities						341	
Change in foreign currency translation adjustments							3,808
Other				(12)			
Balance at March 31, 2002	180,727,015	22,913	44,876	72,570	(378)	3,005	(5,456)
Net income				17,513			
Cash dividends paid (¥11.00 per share)				(1,987)			
Bonuses to directors				(59)			
Effect of tax rate change on land revaluation					(9)		
Change in unrealized gain on investment securities						(1,198)	
Change in foreign currency translation adjustments							(2,575)
Other				(2)			
Balance at March 31, 2003	180,727,015	22,913	44,876	88,035	(387)	1,807	(8,031)
Net income				16,943			
Cash dividends paid (¥12.00 per share)				(2,166)			
Bonuses to directors				(125)			
Change in unrealized gain on investment securities						1,031	
Change in foreign currency translation adjustments							(4,487)
Other				(2)			
Balance at March 31, 2004	180,727,015	¥22,913	¥44,876	¥102,685	¥(387)	¥2,838	¥(12,518)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Additional paid-in capital	Retained earnings	Land revaluation reserve	Unrealized gains on investment securities	Foreign currency translation adjustments	
Balance at March 31, 2003	\$216,774	\$424,560	\$832,876	\$(3,661)	\$17,096	\$(75,979)	
Net income			160,293				
Cash dividends paid (\$0.11 per share)			(20,492)				
Bonuses to directors			(1,183)				
Change in unrealized gain on investment securities					9,754		
Change in foreign currency translation adjustments						(42,451)	
Other			(18)				
Balance at March 31, 2004	\$216,774	\$424,560	\$971,476	\$(3,661)	\$26,850	\$(118,430)	

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended March 31, 2004, 2003 and 2002

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2004	2003	2002	2004
Cash flows from operating activities:				
Income before income taxes	¥ 33,895	¥ 35,153	¥ 8,695	\$ 320,671
Depreciation and amortization	32,669	29,999	32,490	309,073
Amortization of goodwill	(176)	(339)	(286)	(1,665)
Decrease in allowance for bad debts	(663)	(253)	(29)	(6,272)
(Decrease) increase in allowance for employees' severance and retirement benefits	(247)	(661)	1,771	(2,337)
(Decrease) increase in allowance for directors' retirement benefits	(323)	(600)	410	(3,056)
Decrease in allowance for guarantees	—	—	(481)	0
Interest and dividend income	(591)	(813)	(1,193)	(5,591)
Interest expense	1,282	1,962	3,090	12,129
Equity in earnings of affiliated companies	(115)	(155)	(12)	(1,088)
Gain on sale of property, plant and equipment	(167)	(462)	(205)	(1,580)
Loss on sale and disposal of property, plant and equipment	1,539	1,455	1,741	14,560
Gain on sale of investment securities, other	(479)	(119)	(299)	(4,532)
Write-offs of investment securities, other	248	538	467	2,346
Restructuring cost	—	—	8,697	—
(Increase) decrease in notes and accounts receivable	(11,301)	(5,840)	12,499	(106,916)
(Increase) decrease in inventories	856	(3,075)	14,881	8,098
Increase (decrease) in notes and accounts payable	3,438	4,548	(14,236)	32,526
Other, net	817	(855)	(611)	7,730
Subtotal	60,682	60,483	67,389	574,096
Proceeds from interest and dividend income	589	1,013	1,755	5,572
Payments for interest expense	(1,319)	(2,059)	(3,101)	(12,479)
Payments for income taxes	(10,969)	(8,506)	(7,697)	(103,775)
Net cash provided by operating activities	48,983	50,931	58,346	463,414
Cash flows from investing activities:				
Payments for purchases of property, plant and equipment	(38,420)	(30,598)	(31,257)	(363,482)
Proceeds from sale of property, plant and equipment	659	934	556	6,235
Payments for purchases of intangible assets	(4,326)	(2,984)	(3,093)	(40,927)
Payments for purchases of investment securities, other	(840)	(430)	(777)	(7,947)
Proceeds from sale of investment securities, other	5,302	244	286	50,161
Proceeds from sale of specified money in trust ("Tokkin")	—	—	395	—
Payments for purchase of a consolidated subsidiary	—	(1,615)	—	—
Payments for investment in a affiliated company	(4,199)	—	—	(39,726)
Other	576	313	(1,003)	5,450
Net cash used in investing activities	(41,248)	(34,136)	(34,893)	(390,236)
Cash flows from financing activities:				
Net increase (decrease) in short-term borrowings	(20,021)	7,421	(1,617)	(189,413)
Proceeds from issuance of long-term debt	5,996	8,693	57,363	56,727
Repayment of long-term debt	(8,951)	(28,202)	(55,340)	(84,683)
Proceeds from issuance of convertible bonds	30,450	—	—	288,079
Redemption of domestic bonds	(20,000)	—	—	(189,215)
Cash dividends paid	(2,166)	(1,987)	(1,084)	(20,492)
Cash dividends paid to minority interests	(988)	(837)	(723)	(9,347)
Other	36	(493)	(659)	341
Net cash used in financing activities	(15,644)	(15,405)	(2,060)	(148,003)
Effect of exchange rate changes on cash and cash equivalents	(2,574)	(1,918)	2,852	(24,352)
Net increase (decrease) in cash and cash equivalents	(10,483)	(528)	24,245	(99,177)
Cash and cash equivalents at beginning of year	76,080	76,608	51,488	719,773
Increase in cash and cash equivalents resulting from inclusion in consolidation	—	—	875	—
Cash and cash equivalents at end of year (Note 13)	¥ 65,597	¥ 76,080	¥ 76,608	\$ 620,596

See accompanying notes.

Notes to Consolidated Financial Statements

March 31, 2004

1. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition,

the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

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, 2004, which was ¥105.7 to U.S.\$1.00. The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollar 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 of its subsidiaries (collectively, the "Companies"). All significant intercompany transactions and accounts are eliminated in consolidation.

(b) Equity method

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

(c) Cash equivalents

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

(d) Investment securities

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

(e) Allowance for doubtful accounts

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

(f) Inventories

Inventories held by the Company, its domestic consolidated subsidiaries and its foreign consolidated subsidiaries in Asia are principally stated at 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 apply the straight-line method over the estimated useful lives of the respective assets. 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	2–15 years
Equipment	1–25 years

(h) Foreign currency translation

Foreign currency transaction

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

Foreign currency financial statements

The assets and liabilities of the foreign consolidated subsidiaries are translated into Japanese yen at 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 prevailing during the year. Foreign currency translation adjustments are included in stockholders' equity and minority interests in consolidated subsidiaries.

(i) Accrued employees' bonuses

Accrued employees' bonuses at the balance sheet dates 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) Accrued warranty costs

Certain subsidiaries provide accrued warranty costs based on historical experience of actual warranty claims.

(k) Employees' severance and retirement benefits

The Company and its domestic consolidated subsidiaries 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. 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 or thirteen years which is the average remaining years of service of the employees.

(l) Accrued directors' retirement benefits

The Company and its domestic consolidated subsidiaries provide accrued directors' retirement benefits based on their internal corporate policy.

(m) 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.

(n) 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.

(o) Bonuses to directors

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

(p) Amounts per share of common stock

Until the year ended March 31, 2002, basic net income per share was computed based on the net income reported in the consolidated statements of income and the weighted average number of shares of common stock outstanding during each year, and diluted net income per share was computed based on the net income reported and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the

conversion of convertible bonds. Amounts per share of net assets were computed based on the net assets reported in the consolidated balance sheets and the number of shares of common stock outstanding at each balance sheet date.

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share. In accordance with the new accounting standard, basic net income per share is computed based on the net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

Cash dividends per share of common stock reflect the actual amounts declared for each of the fiscal years ended March 31.

(q) Derivative financial instruments

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

Forward foreign exchange contracts

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

Interest rate swap agreements

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

(r) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2004 presentation. These changes had no impact on previously reported results of operations or stockholders' equity.

3. INVESTMENT SECURITIES

Marketable securities classified as other securities at March 31, 2004 and 2003 were summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2004		Unrealized gains (losses)	2004		Unrealized gains (losses)
Cost	Fair value	Cost		Fair value		
Securities for which fair value exceeds cost:						
Equity securities	¥3,504	¥11,286	¥ 7,782	\$33,150	\$106,774	\$ 73,624
Securities for which cost exceeds fair value:						
Equity securities	251	211	(40)	2,375	1,996	(379)
Total	¥3,755	¥11,497	¥ 7,742	\$35,525	\$108,770	\$ 73,245

	Millions of yen		
	2003		
	Cost	Fair value	Unrealized gains (losses)
Securities for which fair value exceeds cost:			
(1) Equity securities	¥3,130	¥8,249	¥ 5,119
(2) Debt securities:			
Government bonds	7	7	0
Subtotal	3,137	8,256	5,119
Securities for which cost exceeds fair value:			
(1) Equity securities	¥ 234	¥ 222	¥ (12)
(2) Other	35	35	—
Subtotal	269	257	(12)
Total	¥3,406	¥8,513	¥ 5,107

Proceeds from sales of securities classified as other securities totaled ¥114 million (\$1,079 thousand), ¥244 million and ¥286 million for the years ended March 31, 2004, 2003 and 2002, respectively. Gross realized gains were ¥103 million (\$974 thousand) for the year ended March 31, 2004. Gross realized gains and losses were ¥90 million and ¥2 million, respectively, for the year ended March 31, 2003, and gross realized gains were ¥222 million for the year ended March 31, 2002.

Significant components of securities recorded at cost at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Other securities:			
Non-marketable equity securities	¥1,800	¥1,670	\$17,029
Government bonds	0	0	0
Non-marketable foreign bonds	4	103	38
Other	118	122	1,117
Subsidiaries' and affiliates' stocks:			
Unconsolidated subsidiaries and affiliated companies	2,218	6,994	20,984
Total	¥4,140	¥8,889	\$39,167

The redemption schedule for securities classified as other securities at March 31, 2003 is summarized as follows:

	Millions of yen		
	2003		
	Due within one year or less	Due after one year through five years	Due after five years or more
Government bonds	¥ 7	¥ —	¥ —
Total	¥ 7	¥ —	¥ —

4. INVENTORIES

Inventories at March 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Finished products	¥39,811	¥44,389	\$376,641
Work in process	18,675	20,622	176,679
Raw materials and supplies	20,128	17,254	190,426
Total	¥78,614	¥82,265	\$743,746

5. BANK LOANS AND LONG-TERM DEBT

Bank loans consisted primarily of overdrafts with banks at interest rates ranging from 0.39% to 4.43% and 0.45% to 5.54% at March 31, 2004 and 2003, respectively.

Long-term debt at March 31, 2004 and 2003 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Loans principally from banks and insurance companies due through 2018 at interest rates ranging from 0.00% to 5.00% and 0.00% to 6.00% at March 31, 2004 and 2003, respectively	¥46,423	¥49,472	\$439,196
Zero coupon convertible bonds due 2010	30,000	—	283,823
2.1% domestic bonds due 2003	—	20,000	—
1.07% domestic bonds due 2007	10,000	10,000	94,607
0.0% domestic convertible debentures bond of consolidated subsidiary due 2007	11,805	11,833	111,684
	98,228	91,305	929,310
Less amounts due within one year	7,967	28,890	75,374
	¥90,261	¥62,415	\$853,936

At March 31, 2004 and 2003, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Property, plant and equipment, at book value	¥8,079	¥6,184	\$76,433

The aggregate annual maturities of long-term debt subsequent to March 31, 2004 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥ 7,967	\$ 75,374
2006	13,152	124,428
2007	36,120	341,721
2008	7,936	75,080
2009	575	5,440
2010 and thereafter	32,478	307,267
Total	¥98,228	\$439,196

6. STOCKHOLDERS' EQUITY

Under the Commercial Code of Japan (the "Code"), at least 50% of the issue price of new shares 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. The Code provides that an amount equal to at least 10% of the amount to be disbursed as a distribution of earnings be appropriated to the legal reserve until the total of such reserve and additional paid-in capital account equals 25% of the common stock account. The Code also provides that, to the

extent that the sum of additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of the excess (if any) is available for appropriations by resolution of the stockholders.

In accordance with the Code, the appropriation of retained earnings for the year ended March 31, 2004 will be proposed for approval at the annual general meeting of the stockholders to be held on June 29, 2004, and will subsequently be recorded in the Company's statutory books of account.

7. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statements of income for the years ended March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Loss on disposal of property, plant and equipment	¥(1,539)	¥(1,455)	¥(1,741)	\$(14,560)
Reversal of allowance for guarantees	—	—	481	—
Reversal of allowance for doubtful accounts	296	1,041	379	2,800
Prior years' licensing royalty	(96)	(628)	358	(908)
Gain on sales of investment securities, other	479	119	222	4,532
Write-off of investment securities, other	(247)	(538)	(467)	(2,337)
Write-off of inventories	—	(445)	(358)	—
Directors' retirement benefits	(126)	(549)	—	(1,192)
Exchange gain (loss), net	(5,204)	(4,305)	1,970	(49,234)
Write-off of specified money in trust ("Tokkin")	(1,154)	—	—	(10,918)
Amortization of prior service cost	5,560	—	—	52,602
Settlement of lawsuit	—	(161)	6,505	—
Restructuring charges	(1,130)	—	(9,433)	(10,691)
Other	1,458	1,255	(585)	13,793
	¥(1,703)	¥(5,666)	¥(2,669)	\$(16,111)

8. EMPLOYEES' SEVERANCE AND RETIREMENT BENEFITS

The Company and its consolidated subsidiaries have defined benefit pension plans, i.e., Employees' Pension Fund plans ("EPFs"), comprising of a substitutional portion related to the government-sponsored benefit and a corporate portion related to employer-sponsored benefit, tax-qualified pension plans and lump-sum retirement plans, covering substantially all employees. Under these defined benefit pension plans, employees are generally 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 termination occurs. Certain of the foreign consolidated subsidiaries have defined contribution plans.

On April 15, 2003, the Company received an approval from the Japanese government to transfer the future benefit obligations related to the substitutional portion. The government-specified portion of the plan asset was estimated to be ¥33,061 million as of March 31, 2004. Had the Company completed to transfer to the Japanese government of the substitutional portion of the benefit obligation and the related plan asset on March 31, 2004, a gain of ¥9,663 million would be recorded.

The following table sets forth the funded and accrued status of the defined benefit pension plans, and the amounts recognized in the consolidated balance sheets at March 31, 2004 and 2003 for the Company and its consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Retirement benefit obligation	¥(127,164)	¥(127,795)	\$(1,203,065)
Plan assets at fair value	77,404	67,713	732,299
Unfunded retirement benefit obligation	(49,760)	(60,082)	(470,766)
Unrecognized actuarial loss	37,761	47,864	357,246
Unrecognized prior service cost	(68)	(74)	(643)
Amounts recognized in the consolidated balance sheets, net	(12,067)	(12,292)	(114,163)
Prepaid pension cost	78	109	738
Employees' severance and retirement benefits	¥ (12,145)	¥ (12,401)	\$ (114,901)

Substitutional portion of EPFs related to the government-sponsored benefit has been included in the amounts shown in the above table. 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 years ended March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Service cost	¥ 3,104	¥ 5,081	¥ 6,023	\$ 29,366
Interest cost	3,016	3,347	3,588	28,534
Expected return on plan assets	(1,683)	(2,121)	(2,626)	(15,922)
Amortization of actuarial loss	3,492	2,955	1,699	33,037
Amortization of prior service cost	(5,566)	(5,519)	(1,983)	(52,658)
Additional retirement allowance	12	17	5,702	113
Other	225	206	118	2,128
Total	¥ 2,600	¥ 3,966	¥ 12,521	\$ 24,598

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2004, 2003 and 2002 were as follows:

	2004	2003	2002
Discount rates	2.5%	2.5%	2.5% (3.0% at the beginning of the year)
Expected return on plan assets	2.5%	2.5%	3.0%

9. INCOME TAXES

The Company is subject to a number of taxes in Japan based on income, which, in the aggregate, results in a statutory rate of approximately 41.5% for the years ended March 31, 2004, 2003 and 2002.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2004, 2003 and 2002:

	2004	2003	2002
Statutory tax rate	41.5%	41.5%	41.5%
Change in valuation allowance	(1.6)	(3.3)	—
Tax credit on R&D costs and other	(2.0)	—	—
Subsidiaries' net operating losses	—	—	5.4
Lower tax rate at foreign subsidiaries	(3.7)	(3.4)	(9.4)
Other	(0.9)	0.9	1.8
Effective tax rates	33.3%	35.7%	39.3%

The significant components of deferred tax assets and liabilities at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Net operating loss carryforwards	¥ 1,044	¥ 8,915	\$ 9,877
Employees' severance and retirement benefits	4,625	3,650	43,756
Elimination of unrealized gain	3,014	3,134	28,515
Write-off of specified money in trust ("Tokkin")	2,918	2,380	27,606
Depreciation	4,151	3,172	39,272
Accrued employees' bonuses	3,035	2,006	28,713
Write-off of investment securities	1,066	1,163	10,085
Allowance for guarantees	849	868	8,032
Land revaluation reserve	564	564	5,336
Foreign tax credit	2,128	915	20,132
Other	4,613	6,059	43,643
Total deferred tax assets	28,007	32,826	264,967
Valuation allowance	(3,420)	(4,758)	(32,356)
Net of deferred tax liabilities in the same tax jurisdiction	(3,999)	(3,030)	(37,833)
Deferred tax assets, net	20,588	25,038	194,778
Deferred tax liabilities:			
Unrealized gain on investment securities	3,139	2,078	29,697
Tax deductible reserve	651	864	6,159
Loss on investment in limited partnership	664	667	6,282
Accelerated depreciation of tangible fixed assets	345	262	3,264
Unrealized loss on consolidation	130	130	1,230
Unappropriated retained earnings of foreign subsidiaries and affiliated company	324	881	3,065
Revaluation of subsidiary on consolidation	512	640	4,844
Other	1,304	1,164	12,336
Total deferred tax liabilities	7,069	6,686	66,877
Net of deferred tax assets in the same tax jurisdiction	(3,999)	(3,030)	(37,833)
Net deferred tax liabilities	3,070	3,656	29,044
Net deferred tax assets	¥ 17,518	¥ 21,382	\$ 165,734

10. REVALUATION OF LAND

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

under stockholders' equity, net of tax effect, and allocation to minority interests.

The difference between the carrying value of this land after the revaluation and its fair value as of March 31, 2004 and 2003 were ¥386 million (\$3,652 thousand) and ¥246 million, respectively.

11. CONTINGENT LIABILITIES

The Company was contingently liable for trade accounts receivable transferred to banks in the amounts of ¥7,067 million (\$66,859 thousand) and ¥13,680 million at March 31, 2004 and 2003, respectively.

The Company and certain of its consolidated subsidiaries were contingently liable as guarantors for loans of other companies and employees in the aggregate amount of ¥610 million (\$5,771 thou-

sand) and ¥792 million at March 31, 2004 and 2003, respectively.

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥24,500 million (\$231,788 thousand) with financial institutes. The loans payable outstanding was zero, and therefore, the unused balances were ¥24,500 million (\$231,788 thousand) under the credit facilities as of March 31, 2004.

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

These derivative transactions are utilized solely for hedging

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

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2004 and 2003 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2004	2004	2004	2004	2004	2004
	Notional	Fair value	Unrealized gains (losses)	Notional	Fair value	Unrealized gains (losses)
Forward foreign exchange contracts:						
Sell:						
U.S. dollars	¥32,197	¥31,570	¥627	\$304,607	\$298,675	\$5,932
Euro	5,073	4,863	210	47,994	46,007	1,987
Buy:						
U.S. dollars	38	37	(1)	359	350	(9)
Euro	325	325	(0)	3,075	3,074	(1)
Yen	1	1	(0)	9	9	(0)
Foreign currency swaps:						
Receipt-Euro						
Payment-STG £	585	583	(2)	5,534	5,516	(18)
Coupon swap:						
Receipt-Malaysia ringgit						
Payment-U.S. dollars	1,691	1,691	0	15,998	15,998	0
				Millions of yen		
				2003		
				Notional	Fair value	Unrealized gains (losses)
Forward foreign exchange contracts:						
Sell:						
U.S. dollars				¥20,430	¥20,640	¥(210)
Euro				2,156	2,176	(20)
Buy:						
U.S. dollars				31	31	(0)
Yen				2	2	(0)
Foreign currency swap:						
Receipt-Euro						
Payment-STG £				950	959	9
Receipt-Yen						
Payment-Euro				238	237	(1)

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

13. 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, 2004 and 2003 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Cash and time deposits	¥65,996	¥76,757	\$624,371
Investment securities	117	164	1,107
Total	66,113	76,921	625,478
Less:			
Time deposits with a maturity of more than three months when purchased	(703)	(884)	(6,651)
Investment securities with a maturity within one year	(90)	(101)	(851)
Add:			
Repurchase agreement with period within three months	277	144	2,620
Cash and cash equivalents	¥65,597	¥76,080	\$620,596

14. LEASES

As lessees:

The Company and certain of its consolidated subsidiaries lease certain machinery, vehicles, equipment, tools and other assets. These lease agreements have been accounted for as operating leases.

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2004 and 2003, which would have been reflected in the consolidated balance sheets if these agreements had been accounted for as financing leases.

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Acquisition costs of machinery and vehicles	¥2,732	¥2,564	\$25,847
Accumulated depreciation of machinery and vehicles	1,422	1,354	13,453
Net book value	¥1,310	¥1,210	\$12,394
Acquisition costs of equipment and tools	¥ 941	¥1,334	\$ 8,903
Accumulated depreciation of equipment and tools	556	734	5,260
Net book value	¥ 385	¥ 600	\$ 3,643
Acquisition costs of other assets	¥ 69	¥ 277	\$ 653
Accumulated depreciation of other assets	32	173	303
Net book value	¥ 37	¥ 104	\$ 350

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2004 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥ 653	\$ 6,178
2006 and thereafter	1,079	10,208
	¥1,732	\$16,386

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements totaled ¥744 million (\$7,039 thousand), ¥1,034 million and ¥1,343 million for the years ended March 31, 2004, 2003 and 2002, respectively. The pro forma depreciation of the assets leased under finance leases accounted for as operating leases for the years

ended March 31, 2004, 2003 and 2002 amounted to ¥744 million (\$7,039 thousand), ¥1,034 million and ¥1,343 million, respectively.

The Company's future minimum lease payments subsequent to March 31, 2004 under non-cancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥549	\$5,194
2006 and thereafter	416	3,936
	¥965	\$9,130

As lessor:

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

The following amounts represent 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, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Acquisition costs of machinery and vehicles	¥2,580	¥2,606	\$24,409
Accumulated depreciation of machinery and vehicles	1,927	1,944	18,231
Net book value	¥ 653	¥ 662	\$ 6,178
Acquisition costs of equipment and tools	¥ 624	¥ 798	\$ 5,904
Accumulated depreciation of equipment and tools	468	632	4,428
Net book value	¥ 156	¥ 166	\$ 1,476

The future minimum lease income subsequent to March 31, 2004 under finance leases accounted for as operating leases is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥262	\$2,479
2006 and thereafter	489	4,626
	¥751	\$7,105

Lease income, depreciation and interest portion of lease income on finance leases accounted for as operating leases for the years ended March 31, 2004, 2003 and 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2004	2003	2002	2004
Lease income	¥352	¥441	¥601	\$3,330
Depreciation	274	337	440	2,592
Interest portion of lease income	46	62	89	435

15. SEGMENT INFORMATION

Business segments

The Companies are primarily engaged in the manufacturing and sales of (1) electronic components, (2) audio equipment, and (3)

logistics and others. The business segment information of the Companies for the years ended March 31, 2004, 2003 and 2002 is summarized as follows:

Year ended March 31, 2004	Millions of yen				Consolidated
	Electronic components	Audio equipment	Logistics and others	Eliminations	
Net sales					
Outside customers	¥375,746	¥209,005	¥34,925	¥ —	¥619,676
Inter-segment sales and transfers	6,406	4,015	27,264	(37,685)	—
Total	382,152	213,020	62,189	(37,685)	619,676
Costs and expenses	363,548	201,700	56,463	(38,209)	583,502
Operating income	18,604	11,320	5,726	524	36,174
Identifiable assets	310,520	145,127	65,311	(41,929)	479,029
Depreciation and amortization	23,985	6,481	2,283	(80)	32,669
Capital expenditures	30,763	8,895	7,494	(3)	47,149

Year ended March 31, 2003	Millions of yen				Consolidated
	Electronic components	Audio equipment	Logistics and others	Eliminations	
Net sales					
Outside customers	¥348,688	¥221,439	¥31,689	¥ —	¥601,816
Inter-segment sales and transfers	5,792	929	25,303	(32,024)	—
Total	354,480	222,368	56,992	(32,024)	601,816
Costs and expenses	330,551	210,061	52,315	(32,924)	560,003
Operating income	23,929	12,307	4,677	900	41,813
Identifiable assets	314,241	150,230	57,411	(40,968)	480,914
Depreciation and amortization	22,417	5,723	1,931	(72)	29,999
Capital expenditures	23,925	8,218	2,721	—	34,864

Year ended March 31, 2002	Millions of yen				
	Electronic components	Audio equipment	Logistics and others	Eliminations	Consolidated
Net sales					
Outside customers	¥317,342	¥194,845	¥28,081	¥ —	¥540,268
Inter-segment sales and transfers	5,838	1,247	21,613	(28,698)	—
Total	323,180	196,092	49,694	(28,698)	540,268
Costs and expenses	321,144	189,070	46,313	(29,508)	527,019
Operating income	2,036	7,022	3,381	810	13,249
Identifiable assets	313,658	147,412	53,069	(29,308)	484,831
Depreciation and amortization	25,132	5,552	1,878	(72)	32,490
Capital expenditures	22,059	6,808	2,965	(0)	31,832

Year ended March 31, 2004	Thousands of U.S. dollars				
	Electronic components	Audio equipment	Logistics and others	Eliminations	Consolidated
Net sales					
Outside customers	\$3,554,834	\$1,977,342	\$330,416	\$ —	\$5,862,592
Inter-segment sales and transfers	60,605	37,985	257,938	(356,528)	—
Total	3,615,439	2,015,327	588,354	(356,528)	5,862,592
Costs and expenses	3,439,432	1,908,231	534,182	(361,485)	5,520,360
Operating income	176,007	107,096	54,172	4,957	342,232
Identifiable assets	2,937,748	1,373,009	617,890	(396,679)	4,531,968
Depreciation and amortization	226,916	61,315	21,599	(757)	309,073
Capital expenditures	291,041	84,153	70,899	(28)	446,065

Geographical segments

The geographic segment information of the Companies for the years ended March 31, 2004, 2003 and 2002 was summarized as follows:

Year ended March 31, 2004	Millions of yen						
	Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales							
Outside customers	¥211,405	¥124,951	¥134,858	¥146,509	¥1,953	¥ —	¥619,676
Inter-segment sales and transfers	286,763	1,168	29,366	100,992	4	(418,293)	—
Total	498,168	126,119	164,224	247,501	1,957	(418,293)	619,676
Costs and expenses	464,346	124,051	162,464	240,814	1,899	(410,072)	583,502
Operating income	33,822	2,068	1,760	6,687	58	(8,221)	36,174
Identifiable assets	406,228	45,567	57,996	108,392	1,127	(140,281)	479,029

Year ended March 31, 2003	Millions of yen						
	Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales							
Outside customers	¥197,989	¥136,833	¥133,737	¥131,309	¥1,948	¥ —	¥601,816
Inter-segment sales and transfers	242,317	968	23,493	93,153	7	(359,938)	—
Total	440,306	137,801	157,230	224,462	1,955	(359,938)	601,816
Costs and expenses	399,433	134,016	156,118	217,845	1,879	(349,288)	560,003
Operating income	40,873	3,785	1,112	6,617	76	(10,650)	41,813
Identifiable assets	391,297	49,198	56,002	74,481	1,180	(91,244)	480,914

Year ended March 31, 2002	Millions of yen						
	Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales							
Outside customers	¥195,587	¥133,446	¥121,170	¥ 87,847	¥2,218	¥ —	¥540,268
Inter-segment sales and transfers	223,154	822	19,200	82,013	7	(325,196)	—
Total	418,741	134,268	140,370	169,860	2,225	(325,196)	540,268
Costs and expenses	406,534	132,590	139,848	164,309	2,145	(318,407)	527,019
Operating income	12,207	1,678	522	5,551	80	(6,789)	13,249
Identifiable assets	379,818	51,733	53,599	89,019	1,385	(90,723)	484,831

Year ended March 31, 2004	Thousands of U.S. dollars						
	Japan	North America	Europe	Asia	Other areas	Eliminations	Consolidated
Net sales							
Outside customers	\$2,000,047	\$1,182,129	\$1,275,856	\$1,386,083	\$18,477	\$ —	\$5,862,592
Inter-segment sales and transfer	2,712,990	11,050	277,824	955,459	37	(3,957,360)	—
Total	4,713,037	1,193,179	1,553,680	2,341,542	18,514	(3,957,360)	5,862,592
Costs and expenses	4,393,056	1,173,614	1,537,029	2,278,278	17,966	(3,879,583)	5,520,360
Operating income	319,981	19,565	16,651	63,264	548	(77,777)	342,232
Identifiable assets	3,843,217	431,097	548,685	1,025,468	10,662	(1,327,161)	4,531,968

Overseas sales

Overseas sales of the Companies by geographic area for the years ended March 31, 2004, 2003 and 2002 were as follows:

Year ended March 31, 2004	Millions of yen				
	North America	Europe	Asia	Other areas	Total
Overseas sales	¥129,657	¥140,990	¥184,377	¥5,617	¥460,641
Net sales					¥619,676
Ratio of overseas sales (%)	21%	23%	29%	1%	74%

Year ended March 31, 2003	Millions of yen				
	North America	Europe	Asia	Other areas	Total
Overseas sales	¥134,309	¥135,342	¥164,553	¥5,183	¥439,387
Net sales					¥601,816
Ratio of overseas sales (%)	22%	23%	27%	1%	73%

Year ended March 31, 2002	Millions of yen				
	North America	Europe	Asia	Other areas	Total
Overseas sales	¥131,759	¥121,767	¥123,029	¥5,697	¥382,252
Net sales					¥540,268
Ratio of overseas sales (%)	24%	23%	23%	1%	71%

Year ended March 31, 2004	Thousands of U.S. dollars				
	North America	Europe	Asia	Other areas	Total
Overseas sales	\$1,226,651	\$1,333,869	\$1,744,342	\$53,141	\$4,358,003
Net sales					\$5,862,592
Ratio of overseas sales (%)	21%	23%	29%	1%	74%

16. SUBSEQUENT EVENT

Appropriations of retained earnings for the year ended March 31, 2004 were duly approved at the annual general meeting of the stockholders held on June 29, 2004 as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends ¥6 (\$0.06) per share	¥1,083	\$10,246
Bonuses to directors	40	378



■ **Certified Public Accountants**
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C.P.O. Box 1196, Tokyo 100-8641

■ Phone: 03 3503-1191
Fax: 03 3503-1277

Report of Independent Auditors

The Board of Directors
Alps Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of Alps Electric Co., Ltd. (the “Company”) and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the three years in the period ended March 31, 2004, all expressed in Japanese yen. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and consolidated subsidiaries at March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2004, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 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.

June 29, 2004

Directors & Auditors

(As of June 29, 2004)



Masataka Kataoka
President



Isao Tanimoto
Senior Managing Director
General Manager,
Business Development
Headquarters and Quality Control



Kazuya Yoshikoshi
Managing Director
General Manager,
Automotive Products
Division



Takahide Sato
Managing Director
General Manager,
Corporate Planning



Hideharu Kogashira
Managing Director
General Manager,
China Planning and
Mechatronic Devices
Division



Yoza Yasuoka
Managing Director
General Manager,
Sales and Marketing
Headquarters

DIRECTORS

Seizo Ishiguro
Koji Hotta
Hirotoshi Okamura
Koichi Yamazaki
Katsumi Tobita
Yasuhiro Fujii
Seishi Kai
Toshihiro Kuriyama
Nobuhiko Komeya

AUDITORS

Akira Yoneda
Mitsunori Narisako
Akira Takenouchi
Takeo Tominaga

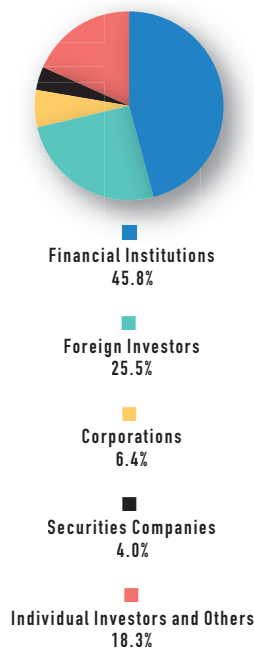
Corporate Data

PRINCIPAL STOCKHOLDERS

(As of March 31, 2004)

	Percentage of total shares outstanding
Japan Trustee Services Bank, Ltd. (Trust account)	11.6%
The Master Trust Bank of Japan, Ltd. (Trust account)	9.5%
Nippon Life Insurance Company.....	2.7%
Mitsui Sumitomo Insurance Co., Ltd.	2.3%
Mitsui Life Insurance Co., Ltd.....	2.0%

CLASSIFICATION OF STOCKHOLDERS



ALPS ELECTRIC CO., LTD.

(As of June 29, 2004)

Head Office/Sales and Marketing
1-7, Yukigaya-otsuka-cho, Ota-ku, Tokyo
145-8501, Japan

Phone: +81 (3) 3726-1211

Fax: +81 (3) 3728-1741

BUSINESS DEVELOPMENT HEADQUARTERS

Process Technology Development Center
Production Engineering Development Center
Technical Master Training Center

BUSINESS DIVISIONS

Mechatronic Devices Division
Magnetic Devices Division
Communication Devices Division
Peripheral Products Division
Automotive Products Division

DATE OF ESTABLISHMENT

November 1, 1948

PAID-IN CAPITAL

¥22,913 million (US\$216.8 million)

NUMBER OF EMPLOYEES

32,586 (As of March 31, 2004)

COMMON STOCK

Authorized: 500,000,000 shares
Issued: 180,727,015 shares
Number of Stockholders: 19,019
(As of March 31, 2004)

STOCK EXCHANGE LISTING

Tokyo Stock Exchange

TRANSFER AGENT FOR COMMON STOCK

The Mitsubishi Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
100-8212, Japan

Alps Web Site
<http://www.alps.com>

Outline of Global Network



6 ALPS ELECTRIC EUROPA GMBH

European manufacturing and sales base with offices in Düsseldorf, Munich and Paris

HEAD OFFICE: Hansaallee 203, D-40549, Düsseldorf, Germany
Phone: +49 (211) 59770 Fax: +49 (211) 5977146



11 ALPS ELECTRIC CZECH, S.R.O.

Manufacture of tuners and keyboards for PCs

HEAD OFFICE: Drevarska 17, Boskovice 680 01, Czech Republic
Phone: +420 (516) 490111 Fax: +420 (516) 455980



10 ALPS ELECTRIC (IRELAND) LIMITED

Manufacture of automotive products at two plants in Ireland

HEAD OFFICE & PLANT: Clara Road, Millstreet Town, County Cork, Ireland
Phone: +353 (29) 70677 Fax: +353 (29) 70603



15 ALPS (CHINA) CO., LTD.

An investment company in China that manages financing for production companies in China and supports sales activities

HEAD OFFICE: Nan Yin Bldg., Rm. 2508, No. 2 Dong San Huan Bei Lu, Chaoyang District, Beijing, P.R. of China
Phone: +86 (10) 64107411 Fax: +86 (10) 64107414



21 WUXI ALPS ELECTRONICS CO., LTD.

Manufacture and sale of such mechatronic devices as switches, as well as magnetic heads for computers

HEAD OFFICE & PLANT: Lot No.135/136, Wuxi-Singapore Industrial Park, Wuxi, Jiangsu, P.R. of China
Phone: +86 (510) 5281211 Fax: +86 (510) 5280311



18 DALIAN ALPS ELECTRONICS CO., LTD.

Manufacture and sale of potentiometers, sensors, automotive products at new plant completed in 2002

HEAD OFFICE & PLANT: No. 6 Hanzheng Road, Jinzhou, Economic Development Zone, Dalian, P.R. of China
Phone: +86 (411) 7687110 Fax: +86 (411) 7693171





Manufacturing & Sales base
Sales base

① ALPS ELECTRIC HEAD OFFICE

ALPS ELECTRIC 'NORTH AMERICA'

③ ALPS ELECTRIC 'USA'

④ ALPS AUTOMOTIVE

ALCOM ELECTRONICOS DE MEXICO

ALPS ELECTRIC EUROPA

⑦ ALPS NORDIC

ALPS ELECTRIC 'UK'

ALPS ELECTRIC
TECHNOLOGY CENTER 'UK'

ALPS ELECTRIC 'IRELAND'

ALPS ELECTRIC CZECH

⑫ ALPS ELECTRIC 'S'

ALPS ELECTRIC 'MALAYSIA'

ALPS ELECTRIC KOREA

ALPS 'CHINA'

⑯ ALPS 'SHANGHAI'

INTERNATIONAL TRADING

ALPS COMMUNICATION DEVICES

TECHNOLOGY 'SHANGHAI'

DALIAN ALPS ELECTRONICS

NINGBO ALPS ELECTRONICS

SHANGHAI ALPS ELECTRONICS

WUXI ALPS ELECTRONICS

TIANJIN ALPS ELECTRONICS

ALPS ELECTRONICS HONG KONG

⑳ ALPS ELECTRONICS TAIWAN

Manufacturing base
Holding company, R&D center, etc.



② ③ ALPS ELECTRIC (NORTH AMERICA), INC./
ALPS ELECTRIC (USA), INC.

Headquarters in San Jose, California; Conducts umbrella control over business in North America as a marketing development and sales base

HEAD OFFICE: 30 Las Colinas Lane, San Jose, California 95119-122, U.S.A.

Phone: +1 (408) 361-6400 Fax: +1 (408) 226-7301



④ ALPS AUTOMOTIVE, INC.

Headquarters in Detroit, Michigan; manufacture and sale of automotive products; sales offices in Ohio and Indiana

HEAD OFFICE: 1500 Atlantic Boulevard, Auburn Hills, Michigan 48326, U.S.A.

Phone: +1 (248) 391-9950 Fax: +1 (248) 391-2500



⑤ ALCOM ELECTRONICOS DE MEXICO, S.A. DE C.V.

Originally established as a manufacturing base of Alpine, this subsidiary has served Alps since 1995 as a production base for automotive products

HEAD OFFICE: Ave. De Las Misiones Este No. 145, Parque Industrial "Las Californias", Carret. San Luis, Km. 10.5,

Mexicali, B.C. C.P. 21600, Mexico

Phone: +52 (65) 61-77-77 Fax: +52 (65) 61-47-54



⑫ ALPS ELECTRIC (S), PTE. LTD.

Sale of various electronic components throughout the ASEAN region

HEAD OFFICE: 10 Anson Road, #29-15, International Plaza, Singapore 079903

Phone: +65-62262933 Fax: +65-62207479



⑬ ALPS ELECTRIC (MALAYSIA) SDN. BHD.

Manufacture and sale of various electronic components; operates two plants in Malaysia

HEAD OFFICE & PLANT: Nilai Industrial Estate, Locked Bag No. 3, Nilai Post Office, 71809 Nilai, Negeri Sembilan Darul Khusus, Malaysia

Phone: +60 (6) 7991515 Fax: +60 (6) 7991654



⑭ ALPS ELECTRIC KOREA CO., LTD.

Manufacture and sale of various electronic components at its comprehensive production facilities that include mold fabrication processes

HEAD OFFICE & PLANT: 970-1, Jangduk-dong,

Gwangsan-gu, Kwangju-City, 506-251, Republic of Korea

Phone: +82 (62) 950-2114 Fax: +82 (62) 951-9722

