OFFERING CIRCULAR

Perfecting the Art of Electronics

ALPS ELECTRIC CO., LTD.

(incorporated in Japan with limited liability under the laws of Japan)

¥30,000,000,000 Zero Coupon Convertible Bonds due 2019

OFFER PRICE: 103.5 PER CENT.

The ¥30,000,000,000 Zero Coupon Convertible Bonds due 2019 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds") of Alps Electric Co., Ltd. (the "Company") will be issued in registered form in denominations of ¥10,000,000, each with a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Rights") exercisable on or after 7 April 2014 up to, and including 11 March 2019, unless previously redeemed or purchased and cancelled, to convert the Bonds, into fully-paid and non-assessable shares of common stock of the Company (the "Shares") at an initial Conversion Price (as defined in the terms and conditions of the Bonds, the "Conditions"), subject to adjustment in certain events as set out in the Conditions, of ¥1,802 per Share (the "Offering"). The Closing Price (as defined in the Conditions) of the Shares as reported on the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") on 5 March 2014, was ¥1,287 per Share.

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at 100 per cent. of their principal amount on 25 March 2019. On or after 28 April 2017, the Company may (subject to certain conditions), by giving notice to the Bondholders, acquire from the Bondholders the Bonds, in whole but not in part, held by them in exchange for the Acquisition Shares (as defined in the Conditions) and the Adjustment Amount (as defined in the Conditions), if any, to be determined in accordance with the Conditions.

On or after 25 March 2016 and prior to maturity, the Bonds may be redeemed in whole but not in part at their principal amount at the option of the Company as set out in the Conditions, provided that no such redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days (as defined in the Conditions), the last of which occurs not more than 30 days prior to the day upon which the notice of redemption is first published, is at least 130 per cent. of the Conversion Price in effect on each such Trading Day. On or after 28 April 2017, and prior to maturity, the Company may redeem all, but not some only, of the Bonds at 100 per cent. of their principal amount. The Company may also redeem the Bonds, in whole but not in part, at 100 per cent. of their principal amount if Japanese withholding taxes are imposed on payments in respect of the Bonds, as set out in the Conditions. Further, if, at any time prior to the date of the giving of the notice of redemption, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof, the Bonds may be redeemed in whole but not in part at 100 per cent. of their principal amount, at the option of the Company as set out in the Conditions. The Bonds may also be redeemed by the Company in whole but not in part in certain other limited events (including Corporate Events (as defined in the Conditions)), at the percentage of their principal amount specified in the Conditions, as set out in the Conditions.

Payments of principal, premium (if any) and any other amount due in respect of the Bonds will be made without withholding or deduction for or on account of Japanese taxes to the extent set out herein (see "Taxation—Japan").

Approval in-principle has been received for the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Bonds to the official list of the SGX-ST is not to be taken as an indication of the merits of the Company or the Bonds.

The Bonds will be represented by a global certificate (the "Global Certificate") evidencing the Bonds in registered form, which is expected to be deposited with and registered in the name of, or a nominee for, a common depositary for each of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") on or about 24 March 2014 (the "Closing Date") for the accounts of their respective accountholders. The Managers (as defined in "Subscription and Sale") expect to deliver the Bonds through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). In addition, the Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA") and may not be offered or sold within Japan or to, or for the account or benefit of, residents in Japan including corporations incorporated under the laws of Japan, unless otherwise provided under the FIEA. For a summary of certain restrictions on offers and sales of Bonds and Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights, see "Subscription and Sale".

See "Investment Considerations" for a discussion of certain factors that should be considered in connection with an investment in the Bonds.

Sole Bookrunner and Joint Lead Manager

Nomura

Joint Lead Manager

SMBC Nikko

The date of this Offering Circular is 5 March 2014.

The Company accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Company (the Company having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Company, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Company, the Group (as defined below), the Bonds and the Shares which is material in the context of the issue and offering of the Bonds, the statements contained herein relating to the Company and the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Company, the Group, the Bonds or the Shares issuable upon conversion of the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to the "Group" are to the Company and its consolidated subsidiaries and its affiliates accounted for by the equity method taken as a whole.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not contained in this Offering Circular must not be relied upon as having been authorised by the Company or the Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith at any time implies that the information contained herein is correct as of any time subsequent to the date hereof, nor does it imply that there has been no change in the affairs or the financial position of the Group since the date hereof.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company or the Managers to subscribe for, or purchase, any of the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights. The distribution of this Offering Circular and the offering of the Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights and distribution of this Offering Circular, see "Subscription and Sale".

None of the Trustee, the Principal Agent, the Custodian, the Registrar, the Custodian's Agent nor, to the fullest extent permitted by law, the Managers, accept any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Manager or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Managers, the Trustee, the Principal Agent, the Custodian, the Registrar and the Custodian's Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No action is being taken to permit a public offering of the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights or the distribution of this Offering Circular (in preliminary or final form) in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights and the circulation of documents relating thereto, in jurisdictions including the United States, Japan, Singapore, the European Economic Area (including the United Kingdom), Hong Kong and Switzerland and to persons connected therewith. See "Subscription and Sale".

The Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights have not been and will not be registered under the FIEA. Each Manager has represented and agreed that it has not, directly or indirectly, offered or sold, and shall not offer or sell, any Bonds in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and other applicable Japanese laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organised under the laws of Japan.

The Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights may not be offered or sold within the United States or to U.S. persons (as defined in Regulation S). The Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. See "Subscription and Sale".

There are restrictions on the offer and sale of the Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by any person in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with. See "Subscription and Sale".

IN CONNECTION WITH THE ISSUE OF THE BONDS, NOMURA INTERNATIONAL PLC (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise stated, references in this Offering Circular to "euro" and "€" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "U.S. dollars", "U.S.$" and "$" are to the lawful currency of the United States of America, and references to "yen" and "¥" are to Japanese yen.

In this Offering Circular, "billion" means thousand million, and where financial information is presented in millions of yen, amounts of less than one million have been rounded to the nearest one million with half a million being rounded upwards, and where financial information is presented in one hundred millions (one-tenth of a billion) of yen, amounts of less than one-tenth of a billion have been rounded to the nearest one-tenth of a billion, with five-hundredths of a billion being rounded upwards. Accordingly, the total of each column of figures may not be equal to the total of the individual items. All other figures and percentages, including operating data, have been rounded up or down (in the case of percentages, to the nearest 0.1 per cent. or to the nearest 0.01 per cent.), unless otherwise specified; however, certain percentages in tables may have been rounded otherwise than to the nearest 0.1 per cent. or 0.01 per cent., as the case may be, to make the total of the relevant column equal to 100 per cent.

The Company's financial statements are prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain material respects from generally accepted accounting principles in certain other countries. Potential investors should consult their own professional advisers for an understanding of the difference between Japanese GAAP and International Financial Reporting Standards ("IFRS"), or generally accepted accounting principles in other jurisdictions and an understanding of how those differences might affect the financial information contained herein. See "Investment Considerations—Considerations Relating to the Group and its Business—Differences in Generally Accepted Accounting Principles".

This Offering Circular contains the audited consolidated financial statements of the Company and its consolidated subsidiaries, prepared and presented in accordance with Japanese GAAP, as of 31 March 2013 and 2012 and for the three fiscal years ended 31 March 2013, and as of 31 March 2012 and 2011 and for the three fiscal years ended 31 March 2012, as indicated in the audit reports with respect thereto included herein at pages F-3 and F-33. This Offering Circular also contains the unaudited quarterly consolidated financial statements of the Company as of 31 December 2013 and for the nine-month periods ended 31 December 2013 and 2012, which have not been audited but reviewed by the Company's independent auditors, as stated in its review report included herein at page Q-3. Such unaudited quarterly consolidated financial statements have been prepared and presented in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.

In the fiscal year ended 31 March 2013, the name of the "Audio Equipment" business segment was changed to "Automotive Infotainment". Description of the segment for prior years in this Offering Circular have been restated to reflect this change in name.

Per Segment Data

In this Offering Circular, where figures for net sales are presented on a per segment basis, such figures represent the net sales to external customers, whereas where figures for segment income are presented, such figures represent the total operating income for such segment, without taking into account any inter-segment eliminations.

Construction of Certain References

Under the Companies Act of Japan (Act No. 86 of 2005, as amended) (the "Companies Act"), the Company may issue new Shares to a Bondholder (as defined in the Conditions) and/or transfer Shares that it holds as treasury stock to a Bondholder, in each case upon exercise of, or upon acquisition by the Company of, a Stock Acquisition Right. Accordingly, unless otherwise specified or the context requires, references in this Offering Circular to the issuance of Shares shall be read as including both the issuance of new Shares and the transfer of Shares held by the Company as treasury stock and the words "issue", "issued", "issuance" and "issuable" shall be construed accordingly. In addition, references to the word "acquired" used in conjunction with the Shares (other than where the references are to the acquisition of the Bonds at the option of the Company pursuant to Condition 7.2) shall be read as including both the words "issued" and "transferred", and the word "acquisition" shall be construed accordingly.

FORWARD-LOOKING STATEMENTS

Many of the statements included in this Offering Circular contain forward-looking statements and information identified by the use of terminology such as “may”, “might”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “project”, “believe” or similar phrases. The Company bases these statements on beliefs as well as assumptions made using information currently available to the Company. As these statements reflect the Company’s current views concerning future events, these statements involve risks, uncertainties and assumptions. The Company’s or the Group’s actual future performance could differ materially from these forward-looking statements. Important factors that could cause actual results to differ from the Company’s expectations include those risks identified in “Investment Considerations” and the factors discussed in “Recent Business” and “Business”, as well as other matters not yet known to the Company or not currently considered material to the Group by the Company. The Company does not undertake to review or revise this document or any forward-looking statements contained in this document to reflect future events or circumstances. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company’s behalf are qualified in their entirety by these cautionary statements.

CONTENTS

SUMMARY INFORMATION

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the more detailed information and financial statements and the notes thereto contained elsewhere in this Offering Circular. For a discussion of certain factors that should be considered by prospective investors in connection with an investment in the Bonds, see "Investment Considerations".

ALPS ELECTRIC CO., LTD.

The Group is a leading global manufacturer of electronic devices and components, supplying a large variety of products to customers all over the world, including manufacturers of automobiles, home appliances, mobile devices and industrial machinery. One of the Company's subsidiaries, Alpine Electronics, Inc. ("Alpine Electronics"), which is listed on the First Section of the Tokyo Stock Exchange, and its group companies (together, the "Alpine Group"), are involved in the provision of automotive infotainment products including car audio, information and communication equipment, principally to automobile manufacturers, while another subsidiary of the Company, Alps Logistics Co., Ltd. ("Alps Logistics"), which is listed on the Second Section of the Tokyo Stock Exchange, and its group companies (together, the "Alps Logistics Group"), provide logistics services including transportation, storage and forwarding services, principally in respect of electronic components.

The Group's business consists of three reportable business segments, namely Electronic Components, Automotive Infotainment and Logistics:

- *Electronic Components*: This segment is involved in the development, manufacturing and marketing of a variety of electronic components. Net sales to external customers in this segment for the fiscal year ended 31 March 2013 and the nine-month period ended 31 December 2013 accounted for 49.1 per cent. and 49.8 per cent., respectively, of the Group's consolidated net sales. This segment services two principal markets, namely the automotive market, to which the Group provides electronic components for use in automobiles principally to automobile manufacturers, and the consumer market, to which the Group provides electronic components for use in digital consumer products such as smartphones, televisions, personal computers and other digital consumer products principally to electronics manufacturers.
- *Automotive Infotainment*: This segment is involved in the development, manufacturing and marketing of car audio, information and communication equipment, providing such products mainly through the Alpine Group, principally to automobile manufacturers on an original equipment manufacturer ("OEM") basis and to a lesser extent directly to consumers. Net sales to external customers in this segment for the fiscal year ended 31 March 2013 and the nine-month period ended 31 December 2013 accounted for 40.2 per cent. and 41.0 per cent., respectively, of the Group's consolidated net sales.
- *Logistics*: This segment is involved in the provision of transportation, storage and forwarding services principally in relation to electronic components, providing such services mainly through the Alps Logistics Group, to customers both in Japan and overseas. Net sales to external customers in this segment for the fiscal year ended 31 March 2013 and the nine-month period ended 31 December 2013 accounted for 8.9 per cent. and 7.7 per cent., respectively, of the Group's consolidated net sales.

The Group's other businesses not included in the reportable segments, including the development of information systems, office services, financial and leasing businesses, are reported as Other. Net sales to external customers in the Other business for the fiscal year ended 31 March 2013 and the nine-month period ended 31 December 2013 accounted for 1.8 per cent. and 1.5 per cent., respectively, of the Group's consolidated net sales.

As of 31 December 2013, the Group comprised of the Company, 84 consolidated subsidiaries and two affiliates accounted for by the equity method.

For the fiscal year ended 31 March 2013, on a consolidated basis, the Group's net sales, operating income and net loss amounted to ¥546.4 billion, ¥6.9 billion and ¥7.1 billion, respectively, and net sales in Japan, China, America, Germany and other regions as a percentage of consolidated net sales were 23.1 per cent., 18.3 per cent., 16.3 per cent., 9.8 per cent. and 32.5 per cent., respectively. For the nine-month period ended 31 December 2013, on a consolidated basis, the Group's net sales, operating income and net income amounted to ¥506.1 billion, ¥22.8 billion and ¥11.1 billion, respectively.

The Company's registered office and headquarters is located at 1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo 145-8501, Japan.

The Shares are listed on the First Section of the Tokyo Stock Exchange. The market capitalisation of the Company based on the closing price of the Shares on the Tokyo Stock Exchange on 5 March 2014 was approximately ¥233,668 million.

THE OFFERING

Issuer	Alps Electric Co., Ltd.
Securities Offered	¥30,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2019 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*).
Issue Price	101.0 per cent.
Offer Price	103.5 per cent.
Closing Date	On or about 24 March 2014.
Delivery	It is expected that the Global Certificate will be deposited with, and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg on or about the Closing Date.
Form	In registered form, evidenced by a Global Certificate. Definitive Certificates will only be available in certain limited circumstances. See "Summary of Provisions Relating to the Bonds While in Global Form".
Listing	Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as such Bonds are listed on the SGX-ST.
Lock-up	In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that none of its directors or officers or any person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreement (as defined in "Subscription and Sale") and ending on the date 90 calendar days after the Closing Date: (a) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares; (b) enter into a transaction (including a derivative transaction) that disposes, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale; (c) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility for the purpose of disposition thereof; or (d) publicly announce any intention to do any of the above,

without the prior written consent of Nomura (as defined in "Subscription and Sale") (on behalf of the Managers), other than:

(i) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights;

(ii) the grant of stock options, stock acquisition rights or warrants to employees and directors of the Company or other members of the Group, pursuant to its stock option plans (if any), and the issue or transfer of Shares upon exercise of such stock options, stock acquisition rights or warrants;

(iii) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares;

(iv) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or the stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights; and

(v) any other issue or sale of Shares required by Japanese laws and regulations.

See "Subscription and Sale".

Use of Proceeds .... The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥30 billion, and are expected to be used, with the aim of expanding sales to the automotive market and the smartphone market and establishing a business in new markets in line with the Medium-Term Business Plan (as defined in "Business—Strategy"), primarily as follows:

(i) approximately ¥10 billion by the end of March 2016, towards capital expenditure for the development of supply structures in Japan and overseas to cater for expanding sales of products for the automotive market, and for the expansion in production capability in respect of camera actuators, sensors and switches for smartphones;

(ii) approximately ¥5 billion by the end of March 2016, for R&D expenditure in respect of development of products relating to driving safety support systems for the automotive market and R&D relating to products such as next-generation actuators for the smartphone market and modules for the environmental/ energy and health care markets; and

(iii) approximately ¥15 billion for repayment of debt which matures by the end of March 2016 and for working capital.

THE BONDS

Form and Denomination........................ The Bonds are issued in registered form in the denomination of ¥10,000,000 each.

Initial Conversion Price......................... ¥1,802 per Share, subject to adjustment in certain events. See Condition 5.

Coupon .... Zero.

Exercise of Stock Acquisition Rights.... Subject to and upon compliance with the provisions of Condition 5, any holder of a Bond may exercise the Stock Acquisition Right, at any time on and after 7 April 2014 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 11 March 2019 (but in no event thereafter), to acquire fully-paid and non-assessable Shares. See Condition 5.

The Conditions provide, among other things, that the Stock Acquisition Right may not be exercised if the relevant Stock Acquisition Date (as defined in Condition 5.9.4) (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period (as defined in Condition 5.1.4).

Status .... The obligations of the Company in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

Negative Pledge...................................... So long as any of the Bonds remain outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined in Condition 2) unless the same security or such other security or guarantee as provided in Condition 2 is accorded to the relevant Bonds. See Condition 2.

Redemption at Maturity........................ Unless the Bonds have previously been redeemed or purchased and cancelled, and unless the Stock Acquisition Rights incorporated therein have previously been exercised, the Company will redeem the Bonds at 100 per cent. of their principal amount on 25 March 2019.

Acquisition of the Bonds at the Option of the Company.................................. On or after 28 April 2017, and subject to certain conditions, the Company may, but shall not be bound to, by giving notice (the "Acquisition Notice") to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), acquire from the Bondholders all, but not some only, of the Bonds outstanding on the date (the "Acquisition Option Date") fixed for such acquisition in the Acquisition Notice (being a date not less than 60 and not more than 75 days after the date that the Acquisition Notice is first given). Upon giving such notice, all such Bonds shall be deemed to be so acquired by the Company on the Acquisition Option Date (and each Bondholder will be bound to agree to such acquisition) in exchange for (i) the Acquisition Shares (as defined in Condition 7.2.1) to be issued with effect as of the Acquisition Option Date, and (ii) the

Adjustment Amount (as defined in Condition 7.2.1), if any, payable on the Acquisition Option Date, each to be determined in accordance with the Conditions. In order to effect delivery of any Acquisition Shares, Bondholders will be required to deliver a Share Settlement Notice (as defined in Condition 7.2.2) no later than the Determination Date (as defined in Condition 7.2.2).

If there are any Bonds in respect of which a duly completed Share Settlement Notice has not been delivered, the Company shall deliver all the Acquisition Shares with respect to all such Bonds without Share Settlement Notice to the Custodian's Agent on behalf of the Custodian. All the Acquisition Shares so delivered to the Custodian's Agent shall be sold by it and the net proceeds of such sale shall be paid through the Custodian to holders of the Bonds without Share Settlement Notice. See Condition 7.2.

Early Redemption—Redemption at the Option of the Company upon Increased Share Prices...................... The Company may, on or after 25 March 2016, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount, provided, however, that no such redemption may be made unless the Closing Price (as defined in Condition 3.1) of the Shares for each of the 20 consecutive Trading Days (as defined in Condition 3.1), the last of which occurs not more than 30 days prior to the date upon which the notice of such redemption is first published, is at least 130 per cent. of the Conversion Price in effect on each such Trading Day. See Condition 7.3.

Early Redemption—Redemption at the Option of the Company .... The Company may, on or after 28 April 2017 and prior to maturity, having given not less than 30 nor more than 60 days' prior notice to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount. See Condition 7.4.

Early Redemption—Redemption at the Option of the Company upon Reduced Outstanding Amounts........ The Company may, having given not less than 30 nor more than 60 days' prior irrevocable notice of redemption to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount if, at any time prior to the date of giving that notice, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof. See Condition 7.5.

Early Redemption—Redemption for Taxation Reasons............................... If the Company satisfies the Trustee, immediately prior to giving the notice to the Bondholders, that (i) the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 9) in accordance with Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 5 March 2014, and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may, at any time, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19, redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount. If, however, the outstanding principal amount of the Bonds at the time of such notice of redemption is 10 per cent. or more of the aggregate principal amount of the Bonds as of the date of issue thereof, the Bondholders will have the right to elect that their Bonds should not be redeemed and that, in respect of payments on the Bonds to be made after that date, payments will be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges. See Condition 7.6.

Early Redemption—Corporate Events .... In the case of a Corporate Event, the Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 of such Corporate Event and the anticipated effective date of such transaction and the provisions set out in Condition 6 shall apply. See Condition 6.

Upon or following the occurrence of a Corporate Event, the Company shall give not less than 14 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out in Condition 7.6 and in accordance with the provisions of Condition 7.6 on the Corporate Event Redemption Date (as defined in Condition 7.6) specified in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date (as defined in Condition 6.3) or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing (as defined in Condition 6.4.2) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1) and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a representative director stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate.

See Condition 7.7.

Early Redemption—Delisting of the Shares	In certain circumstances where a tender offer is made to holders of Shares of the Company by an Offeror (as defined in Condition 7.8.1) where, *inter alia*, the Company expresses its opinion to support such offer, the Company or the Offeror publicly announces or admits that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange (as defined in Condition 3.1), and the Offeror acquires any Shares pursuant to the offer, then the Company shall redeem all, but not some only, of the Bonds then outstanding at the redemption price each calculated in the same manner as referred to in Condition 7.7, subject to the provisions of Condition 7.8. See Condition 7.8.
Early Redemption—Squeezeout Event	Upon the occurrence of a Squeezeout Event (as defined in Condition 7.9.1), the Company shall redeem all, but not some only, of the Bonds then outstanding at the redemption price calculated in the same manner as referred to in Condition 7.7, subject to the provisions of Condition 7.9. See Condition 7.9.
Cross Default	The Bonds are subject to a cross default in respect of indebtedness for borrowed money or any guarantee and/or indemnity thereof of the Company or of any Principal Subsidiary in respect of amounts of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies). See Condition 10.3.
Taxation	All payments by the Company in respect of the Bonds will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9.
Governing Law	English law.
Jurisdiction	English courts.
International Securities Identification Number ("ISIN")	XS1042530326.
Common Code	104253032.
Trustee	BNY Mellon Corporate Trustee Services Limited.
Custodian	Sumitomo Mitsui Finance Dublin Limited.
Principal Agent	Sumitomo Mitsui Banking Corporation Europe Limited.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Custodian's Agent in Japan	Sumitomo Mitsui Banking Corporation.

INVESTMENT CONSIDERATIONS

Prior to making an investment decision, prospective investors should carefully consider, along with the other information set forth in this Offering Circular, the following considerations:

Considerations Relating to the Company and its Business

Effect of World Market Conditions

The Group relies on markets both in Japan and overseas, with overseas net sales accounting for 76.9 per cent. and 80.8 per cent. of the Group's total net sales for the fiscal year ended 31 March 2013 and the nine-month period ended 31 December 2013, respectively. As such, any economic slowdown in the U.S., European and/or Asian markets involving a decline in consumer demand and/or corporate spending, as well as any such decline in the Japanese economy, will adversely impact the Company's business, financial condition and results of operations. Although the Japanese and the U.S. economies have recently been showing some signs of improvement, the outlook in particular for the European and Asian economies, remains uncertain. In particular, as most of the Group's products are components to be sold to manufacturers of end products, the level of their production, which may experience fluctuations caused by consumer demand (including but not limited to those caused by changes in tax rates and governmental policies on subsidies) and corporate spending, has a significant effect on the Group's business. There can be no assurance that the Company's business, financial condition and results of operations will not be affected by adverse economic conditions or decreases in the production levels of its customers.

Competition

For all of its wide range of products and the breadth of its international operations, the Group competes with various manufacturers around the world. In the electronic components market, South Korean, Taiwanese and Chinese manufacturers are becoming increasingly conspicuous, in particular in respect of commoditised products, and their products are gaining competitiveness not only in terms of price but also in terms of quality. Further, certain customers in the electronic components market are increasingly manufacturing components internally, leading to less business opportunities with respect to such customers for the Group. In the Automotive Infotainment and Logistics businesses, the Group competes with many other competitors in terms of both price and quality of product or service. While the Group intends to continue to work to satisfy customers through developing new products, providing high-quality products and enhancing its global network, the Group anticipates increasing market competition and therefore there can be no assurance that the Group will be able to maintain its market share, owing to potential losses of orders, or its competitive edge. Further, the Group's profitability may be negatively affected by pricing pressures experienced due to increased competition. Any of these factors may adversely affect the Group's business, financial condition and results of operations.

Customer Needs and the Introduction of New Technologies

The markets in which the Group operates are subject to rapidly changing technology, changes in customers' needs and the frequent introduction of new products and services, with the development of new technologies, products and services, often making existing products or services obsolete or unmarketable, or significantly reducing their prices within a relatively short time frame. For example, the rapid shifting of consumer demands from mobile feature phones to smartphones and from personal computers to tablets have greatly affected the Group's consumer market targeted Electronic Components business in recent years. The Group may not be successful in identifying new technologies or in developing new products in response to technological changes or changes in customers' requirements. The Group's products may also become commoditised, which may lead to severe pricing competition. Failure to anticipate or respond rapidly to advances or changes in technology, failure to adapt the Group's products to customer needs or to introduce new products in a timely manner, or commoditisation of existing products, could adversely affect the Group's business, results of operations and financial condition.

Customers' Production Plans

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

If customers' production plans were to vary significantly from that initially anticipated, the Group may not be able to recover the research and development ("R&D") costs and capital expenditures which have been already spent in line with such expectations. The unpredictability of such plans and orders may affect the Group's ability to draw up its R&D and capital expenditure plans in the medium and long term. Any of these factors may adversely affect the Group's business, results of operations and financial condition.

Customer and Inventory Risk

The Group's operating results may vary due to factors affecting its customers which are outside the Group's control, including changes in customers' strategies and procurement policies, cancellation of large orders by customers, customers' decision not to market or to withdraw products which incorporate the Group's products, and other significant changes, such as the bankruptcies of major customers or the disappearance from the relevant market of large customers as the result of merger and acquisition ("M&A") activities carried out by other companies. Unfavourable changes in any of the above factors could lead to the Group's inventory becoming obsolete, the Group's trade receivables becoming uncollectible, and loss of business opportunities among others. Any of these factors may affect the Group's business, financial condition and results of operations.

Risks Inherent to Overseas Operations

The Group conducts production and sales activities in the United States, Europe, China and other Asian countries. Some of the countries in which the Group's businesses are based have experienced political and/or economic instability in the past or are located in parts of the world where such instability is present. The Group's global operations are subject to risks similar to those affecting its Japanese operations as well as a number of additional risks including:

- difficulties in enforcing contractual and intellectual property rights;
- impositions or increases of withholding and other taxes on remittances and other payments by subsidiaries and affiliates;
- introduction of trade barriers and changes in tariffs;
- exposure to different legal and regulatory standards;
- fluctuations in foreign currency exchange rates;
- impositions or increases of investment and other restrictions by foreign governments;
- the requirements of, and possible changes in, a wide variety of foreign laws and regulations;
- political and economic instability or slowdown and social turmoil;
- acts of terrorism, war, natural disasters, adverse weather conditions and epidemics;
- changes in the political and/or economic relationship between Japan and the countries in which the Group or its customers operate;
- unexpected events and accidents caused in particular by less developed infrastructure (such as power failures);
- industrial action, general strikes or other disruptions in working conditions; and
- difficulties associated with managing local personnel and operations, including supervision, compliance, monitoring and management control.

The occurrence of any of these conditions may interfere with the operations of the Group and adversely affect the Group's business, results of operations and financial condition.

In addition, if the overseas operations of the customers of the Group are similarly affected, this may affect such customers' demand for the Group's products and the Group's business, results of operations and financial condition may be negatively affected.

Risks Relating to Supplies and Raw Materials

The Group makes efforts to manufacture critical components within the Group. Some critical components, however, are supplied by external companies. In the event of natural disasters or due to other causes, these suppliers may be unable to provide the necessary volume of components to the Group on a timely basis. Such circumstances would lead to production delays and lost sales opportunities and could adversely affect the Group's business, results of operations and financial condition.

Further, the Group is exposed to risks relating to changes in raw material prices and demand (whether due to fluctuating exchange rates or otherwise). For example, an increase in crude oil prices would generally increase costs of transportation, as well as costs of materials used in the Group's businesses such as resin and plastics, and the Group may not always be successful in passing on such increases in raw material costs to its customers. Any such factors may adversely affect the Group's profitability, and thereby adversely affect the Group's results of operations and financial condition.

Foreign Exchange Risk

The Group operates in many parts of the world and, as a result, is affected by fluctuations in foreign exchange rates. The Group's results of operations are particularly negatively affected by appreciation of the yen against the U.S. dollar and/or the euro. Further, the Company's consolidated financial statements are presented in yen. By translating the foreign currency financial statements of the Company's foreign subsidiaries and affiliates into yen, the amounts of the Group's assets and liabilities, net assets and net sales and expenses, on a consolidated basis, are affected by the rates of exchange as at the last day of the fiscal year (in the case of assets and liabilities and net assets) and by the average rate of exchange for the relevant fiscal year (in the case of net sales and expenses), which rates are used for such translation purposes. The Group engages in foreign exchange hedging activities by entering into foreign exchange forward contracts and through currency options and through measures to reduce foreign exchange risks, such as through counterbalancing foreign currency obligations. However, exchange rate fluctuations may exceed the Group's expectations, and there can be no assurance that such hedging activities or measures will effectively limit the impact of movements in exchange rates on the Group's results of operations. Any such fluctuations in foreign exchange rates beyond the Group's expectations may materially adversely affect the Group's business, results of operations and financial condition.

Reputational Risk and Quality Control

The Group's success in the markets for its Electronic Components and Automotive Infotainment businesses depends in part on its reputation. As a manufacturer of components for consumer products, the Group is susceptible to adverse publicity regarding the quality or safety of such products. In particular, product liability or other claims challenging the quality or safety of the Group's products or those of its competitors may result in a sharp decline in sales of certain products which could adversely affect the Group's operating results. Further, any partial or complete malfunction of any of the Group's products could result in substantial losses for the Group, particularly if the Group's customers' products which contain the Group's products must be recalled; in such case, the Group may become obliged to pay substantial amounts in respect of compensation to such customers, and its reputation may also suffer. Such negative effects on the Group (both in terms of compensation and reputation) may be particularly acute if the products supplied by the Group relate to high-value products or affect safety. Even if the claims themselves are ultimately settled for non-material amounts or are found to be without merit, such adverse publicity may also nevertheless have negative effects on the Group's business. While the Group has not experienced any significant claims or adverse publicity of this nature since its establishment, there can be no assurance that such adverse publicity will not occur or that such claims will not be made in the future or as to their impact on the Group.

Intellectual Property

Patents and other intellectual properties are an important competitive factor because of the emphasis on product innovation in the markets for a number of the Group's products. The Group relies to a large extent on technology it has developed, and it seeks to protect such technology through a combination of patents, trademarks and other intellectual property rights. Any interference in the Group's exercise of such rights could have a material adverse effect on the Group's financial condition and operating results. In the course of its business, the Group is subject to claims by third parties alleging that the Group's products or processes infringe on their intellectual property rights. If these claims were to be successful, these claims may affect the performance and financial position of the Group. Moreover, the Group's products incorporate intellectual property rights developed and licensed by third parties. There can be no assurance that, in the future, the owners of such patents will extend such patent rights to the Group. The Group's business could be adversely affected by any of these developments.

Laws and Regulations

The Group's business activities are subject to the legal and regulatory regimes of each country where the Group operates, relating to corporate governance and compliance, protection of personal information, trade, antitrust, patent, product liability, environment and recycling as well as governmental permits for conducting business and making investments, taxation, laws and regulations governing the safety of electronic products, laws and regulations relating to national security between nations and export/import restrictions due to national security. Although the Group has in place internal control and compliance systems for the purpose of complying with such laws and regulations, there can be no assurance that such systems, and other efforts by the Group to promote compliance, will always succeed in ensuring compliance or in preventing deliberate misconduct by employees. Any violation of the relevant regulations could result in a mandatory suspension from certain business activities or fines and could also harm the Group's reputation. In addition, the regulatory environment in which the Group operates is subject to change and such change may lead to the Group's business being restricted or the Group having to bear increased compliance costs. The Group's costs and its business generally may be adversely affected as a result of new or revised laws or regulations or by changes in the interpretation or enforcement of existing laws and regulations. Any of these factors could have a materially adverse effect on the Group's business, financial condition results of operations.

Risks Relating to the Environment

The Group takes steps to ensure implementation of environmental risk prevention measures based on the Group's Environmental Charter as a part of its corporate social responsibility ("CSR") activities. Specifically, such measures include prevention of chemical substance leakage, thorough control of effluents and emissions, and the purification of soil and groundwater. However, despite the Group's efforts to protect the environment, there can be no assurance that future environmental pollution will not arise (or that the Group will not discover existing contamination) during the course of its business activities. Any such incidents could cause the Group to incur material clean-up costs or other damages. Accordingly, unforeseen environmental impacts may lead to an increase in costs associated with countermeasures taken and adversely affect the Group's business, financial condition results of operations.

Changes in environmental laws or regulations (or in their enforcement) affecting or limiting, for example, the Group's chemical uses, certain of its manufacturing processes, or its disposal practices, could restrict the Group's ability to operate as it is currently operating, impose additional costs or otherwise cause delays in the delivery of its products to its customers, which may lead to damaging its relationships with them. Moreover, changes in environmental, health and safety regulations could inhibit or interrupt the Group's operations, or require modifications to its facilities. Accordingly, environmental, health or safety regulatory matters may result in significant unanticipated costs or liabilities.

Funding and Interest Rates

The industries in which the Group operates are characterised by high capital expenditures and R&D costs. The Group may need to raise additional funds in the future in order to launch new products, to implement its business or R&D plans, to expand its manufacturing capabilities, to carry out its marketing programmes, to acquire complementary businesses or technologies or services or to repay debt. Such funding may be unavailable on terms favourable to the Group, or at all and, if not available when required or on acceptable terms, the Group may be unable to fund its expansion, develop or enhance its products and services, take advantage of business opportunities, or respond to competitive pressures. Any such factors may adversely affect the Group's results of operations and financial condition.

The Group has in place certain syndicated loans and syndication-method commitment line contracts, which are subject to certain financial covenants relating to the maintenance of a certain level of consolidated net assets and not recording an operating loss (on a consolidated basis and in respect of the Electronic Components segment in the case of the Company) for certain consecutive periods. If, in the future, the Group fails to meet any then effective financial covenant, then the relevant lenders may issue a claim to accelerate the relevant loans, or the syndication-method commitment lines may become unavailable, which may in turn trigger rights of the lenders of the Group's other borrowings to accelerate their lending to the Group. Any such developments may adversely affect the Group's results of operations and financial condition.

As of 31 March 2013 and 31 December 2013, the Group's interest-bearing debt amounted to ¥124.5 billion and ¥116.0 billion, respectively. A majority of such loans are yen-denominated, and the rates of interest payable on them are regularly reset. The current outlook for yen interest rates is uncertain, and interest rates, whether for yen or other currencies in which the Group's debts are denominated, may increase in the future. Increases in prevailing interest rates may have the effect of increasing interest payments by the Group and may increase the refinancing cost on maturity of the Group's debts. Although the Group hedges against the risk of interest rate fluctuations on certain of its asset and liabilities holdings, such hedging activities may not, or may only partially cover, the risks relating to interest payable by the Group, and interest rate fluctuations could increase the Group's interest rate burden. Further, any negative movements in any credit ratings obtained by the Company (whether due to factors relating to the Group or due to changes in the relevant rating agency's policies) may increase the Group's funding or refinancing costs, in particular, where the Group is involved in obtaining debt funding through the capital markets such as by issuing commercial paper or corporate bonds. Any such factors may adversely affect the Group's results of operations and financial condition.

Natural Disasters

Japan and other parts of the world where the Group operates have historically experienced, and the Group's operations are vulnerable to, earthquakes and other natural disasters, including volcanic eruptions, tidal waves, typhoons, floods, hurricanes and other extreme weather conditions, fires, infectious diseases and epidemics. In addition, other events outside the Group's control (such as deliberate acts of sabotage) or accidents (whether due to human or equipment error) could damage, cause operational interruptions or otherwise adversely affect any of the Group's manufacturing or other facilities. In the event of a major natural disaster or other uncontrollable events or accidents, the Group's facilities, particularly its production plants and R&D facilities, may experience a catastrophic loss, operations at such production sites may be halted, shipments of products may be suspended or delayed, large losses and expenses to repair or replace the facility may be incurred, a significant reduction or loss of revenues may be experienced, or other problems (such as problems relating to the Group's information network) may be caused to the Group's operations. The Group has insurance policies to cover certain potential losses at its production facilities. However, these insurance policies do not cover all types of possible losses and expenses at all facilities, and even if the relevant risks were covered, such policies may not be adequate to compensate for all losses and expenses. In particular, since the Great East Japan Earthquake, it has become more difficult and expensive to obtain earthquake insurance, and therefore the Group's earthquake insurance coverage is limited. Furthermore, the Group's business may also be adversely affected if the Group's suppliers or customers, or the distribution systems used by the Group or its suppliers, were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events.

Legal Proceedings and Litigation

The Group has established a compliance system for its business activities and makes efforts to implement this system effectively. However, as with any major business, the Group faces risks of disputes or litigation both in Japan and overseas, with or without merit, in the course of its business. If legal or regulatory proceedings were to be commenced by regulatory authorities or if lawsuits were to be filed in relation to the Group's business activities, the Group may need to spend significant management time and attention as well as costs to deal with such matters, and this, as well as any unfavourable outcomes in respect of such proceedings or lawsuits, may adversely affect the Group's business performance and financial condition. The Group is currently subject to class action suits in North America that are seeking compensation from multiple companies including the Company and a subsidiary, based on an alleged claim that competition has been limited in automotive parts transactions. The aggregate amount of the claims in accordance with local legislation has yet to be determined and at this point in time it would be difficult to reasonably predict the outcome of these lawsuits; and as such the Group has not provided any reserves in its accounts in respect of possible losses relating to such lawsuits. Any unfavourable outcomes relating to any current or future legal or regulatory proceedings or lawsuits may materially adversely affect the Group's business, reputation, results of operations and financial condition.

Business Plans and Strategies

The Company is currently pursuing its Medium-Term Business Plan, and the Alpine Group and the Alps Logistics Group are also pursuing their respective business plans and strategies. See "Business—Strategy". Certain specific quantitative and qualitative targets have been set in respect of the implementation of such business plans and strategies. The successful implementation of the Group's business plans and strategies is subject to various internal and external factors, including general economic and market conditions in which the Group operates, the level of competition, demand for the Group's products as well as those of its customers and the development of markets which the Group is targeting. There can be no assurance that the Group's business plans and strategies will be implemented successfully, that the implementation of the business plan or strategies will have its intended effect, that the assumptions underlying the plan will not differ from actual figures, that targets (whether quantitative or qualitative, and whether in the long-term or short-term) set by the Group (in the relevant business plan or elsewhere) will be met in time or at all, or that such targets and aims will not be changed in the future by the management of the relevant companies within the Group.

Risks Associated with M&A, Business Alliance and Other Activities

The Group may, when suitable opportunities arise, engage in business acquisitions, capital participations, tie-ups, joint ventures and alliances with other companies. However, there can be no assurance that such activities will achieve the desired results, that the Group will be able to recoup the value of the investments made by the Group, or that the Group will not terminate such tie-ups, alliances or other relationships. If the Group fails to successfully manage any acquired business, or otherwise fails to achieve the intended results of such activities, the Group's business, results of operations and financial condition may be adversely affected.

Risks Relating to Recruitment and Retention of Personnel

The Group's success depends upon the continued contributions of its officers and certain other employees, many of whom have many years of experience with the Group and would be difficult to replace. The Group must also attract and retain experienced and highly skilled R&D, engineering, sales and marketing, business administration and managerial personnel. Competition for qualified personnel is intense in the industry the Group is in, and the Group may not be successful in hiring and retaining these people. If the Group loses the services of its officers or its other highly qualified and experienced employees, or cannot attract and retain other qualified personnel, the Group's business could suffer through less effective management due to loss of accumulated knowledge of its business or through less successful products due to a reduced ability to design, manufacture and market its products. Further, if the Group's employees were to leave the Group to join its competitors, the Group's know-how and technology may be leaked to such competitors even if the Group attempted to protect such know-how and technology through confidentiality agreements. Any such factors may adversely affect the Group's business, results of operations and financial condition.

Impairment Accounting

The Group owns a variety of assets to facilitate its operations. Declines in the market value of such assets or future cash inflows may result in application of impairment accounting for certain facilities, which may adversely affect the Group's results of operations and financial condition.

Market Value Fluctuation Risk on Marketable Securities

Although the Group does not hold marketable securities for trading purposes, all the securities that it holds which have market prices, are marked-to-market. Consequently, stock market price fluctuations could affect the operating performance and financial condition of the Group.

Employees' Retirement Benefit Plans

Costs related to the Group's employee retirement benefit plans may increase if the fair value of its pension plan assets declines or if there is a change in the actuarial assumptions on which the calculations of the retirement benefit obligation are based, such as a change in the assumed discount rate or a decline in the expected rate of return on plan assets. In addition, the Group may be required to recognise expenses related to the recognition of previously unrecognised service costs as a result of plan amendments. Changes in the interest rate environment and other factors may also adversely affect the amount of unfunded retirement benefit obligations and the resulting annual amortisation expense. Further, changes in accounting standards and guidance relating to retirement benefits may also affect the Group's results of operations, financial condition and net assets. In particular, the application of new accounting standards to recognise actuarial gains and losses and prior service costs on the balance sheets may affect the Group's net assets and financial condition in the first year of application (being the fiscal year ending 31 March 2014) (see "Recent Business—Critical Accounting Policies, New Accounting Pronouncements and Accounting Changes, and Factors Affecting Results of Operations—New Accounting Pronouncements and Accounting Changes—Accounting Standard for Retirement Benefits").

Differences in Generally Accepted Accounting Principles

The Company's consolidated and non-consolidated financial statements are prepared and presented in accordance with Japanese GAAP, which differs in certain respects from IFRS and generally accepted accounting principles and financial reporting standards in other countries. The Company's financial statements may therefore differ from those prepared for companies outside Japan in those and other respects. This Offering Circular does not include a reconciliation of the Company's or the Group's financial statements to IFRS or to any other generally accepted accounting principles or reporting standards. There are currently discussions regarding the possible adoption of IFRS by Japanese public companies in the future. If the Company were to apply IFRS for its financial reporting, the reported financial results of the Company and/or the Group may differ materially from prior years' financial results prepared under Japanese GAAP, which may make comparisons to prior years more difficult.

Unaudited Quarterly Financial Statements

This Offering Circular contains unaudited quarterly consolidated financial statements in respect of the nine-month periods ended 31 December 2012 and 2013, which are not required to be, and have not been, audited by the Company's independent auditors. The unaudited quarterly consolidated financial statements of the Company as of 31 December 2013 and for the nine-month periods ended 31 December 2012 and 2013 included in this Offering Circular have been reviewed by the Company's independent auditors in accordance with the quarterly review standards generally accepted in Japan under the FIEA.

The unaudited quarterly consolidated financial statements contained in this Offering Circular are not wholly comparable with the annual audited consolidated financial statements contained in this Offering Circular and should not be so compared. Certain adjustments, accruals and deferrals which are made in the annual audited consolidated financial statements have been estimated or are not made in respect of such unaudited quarterly consolidated financial statements.

In addition, such unaudited quarterly consolidated financial statements may reflect seasonal factors, which do not affect other periods or the annual results to the same degree, or at all, and/or may reflect temporary economic or market trends which are not sustainable. Accordingly, the information contained in or based on such unaudited quarterly consolidated financial statements may not be indicative of the Group's consolidated annual results as at and for the fiscal year ending 31 March 2014 or for future fiscal periods.

Considerations Relating to the Bonds and the Shares

Limitations on the Timing of Exercise of Stock Acquisition Rights

Since the coming into effect of the Act on Book-Entry Transfer of Company Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended) (including regulations promulgated thereunder, the "Book-Entry Act") in January 2009, under the current rules and practices of the Japan Securities Depository Center, Inc. ("JASDEC") it will take at least three business days for the delivery of the Shares to the Bondholders after the Stock Acquisition Date. In order to avoid any JASDEC system processing errors around the record dates, the Stock Acquisition Rights have been designed under Condition 5.1.4 so that they may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period. Bondholders should therefore note in particular that exercises of Stock Acquisition Rights are restricted in the period around any record date in respect of Shares set by the Company (under the Articles of Incorporation of the Company as at the date of this Offering Circular, 31 March and 30 September in each year).

No Cash Amounts in respect of Non-unit Shares

Since the coming into effect of the Book-Entry Act, making it possible for listed shares of Japanese companies comprising less than one whole unit to be delivered through the JASDEC book-entry transfer system, JASDEC has given guidance to the effect that stock acquisition rights of Japanese companies issued since then should be structured so that exercising holders should have shares not constituting one whole unit delivered to their accounts, instead of automatically selling back such shares to the issuer of such stock acquisition rights and receiving cash amounts in respect of them. Bondholders exercising their Stock Acquisition Rights will therefore not be receiving cash amounts in respect of the Shares of less than one whole unit which would have been issuable upon such exercise, which had been paid, in the practice before the Book-Entry Act came into effect, but will be receiving those Shares themselves. Currently, the Company's Articles of Incorporation provide that one unit comprises of 100 Shares. Accordingly, the holders of Shares constituting less than one unit will need to request the Company to purchase them in accordance with the Companies Act, the rules of the JASDEC book-entry transfer system, the Company's Articles of Incorporation and the Company's Share Handling Regulations if they would like the Company to do so. The rights of holders of Shares not constituting one whole unit are limited under the Company's Articles of Incorporation, and may not be tradable on the stock exchanges on which they are listed. See "Description of the Shares and Certain Regulations—Unit Share System".

Limitations on Anti-dilution Protection for Bondholders

The Conversion Price at which the Stock Acquisition Rights may be exercised will be adjusted in certain events having a dilutive impact on the Shares, to the extent described in the Conditions. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

Trading Market for the Bonds

Prior to the issue of the Bonds, there has been no trading market for the Bonds. Although approval in-principle has been received for the listing of the Bonds on the SGX-ST, there can be no assurance that an active trading market for the Bonds will develop. Furthermore, even if such a market does develop, it may not be liquid.

Market Price of the Bonds

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. Any decline in the price of the Shares will have an adverse effect on the market price of the Bonds. Trading prices of the Bonds and Shares will be influenced by, among other things, the financial position and results of operations of the Group, including the reporting of its financial results. In addition, the market price of the Bonds is expected to be affected by any downgrade or other events negatively affecting the Company's credit rating.

Rights of Shareholders under Japanese law

The corporate affairs of the Company are governed by and in accordance with the Articles of Incorporation, Regulations of the Board of Directors and Share Handling Regulations and other related regulations thereunder of the Company, as well as the Companies Act. Legal principles relating to such matters as the validity of corporate procedures, directors' and officers' fiduciary duties (including actions that may legitimately be taken by them in respect of unsolicited takeover attempts) and liabilities, and shareholders' rights under Japanese law may be different from those that apply to companies incorporated in other jurisdictions. Holders who acquire the Shares upon exercise of the Stock Acquisition Rights may have more difficulty in asserting their rights as a shareholder than they would as a shareholder of a corporation organised in other jurisdictions. In addition, Japanese courts may not be willing to enforce judgments of non-Japanese courts against the Company which are based on non-Japanese securities laws.

Future Changes in Japanese law

Future changes to provisions relating to Stock Acquisition Rights may have mandatory effect under Japanese law. Condition 15.2 provides for amendments to be made to the Conditions relating to the Stock Acquisition Rights where those amendments are required in order to comply with mandatory provisions of Japanese law even if those amendments are materially prejudicial to the interests of Bondholders.

Forward-looking Statements

Statements in this Offering Circular with respect to the Group's plans, strategies, projected financial results and beliefs, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. These statements are based on assumptions and beliefs derived from information currently available to the Group, and as such actual results may differ, in some cases significantly, from these forward-looking statements. The Group does not undertake to release the results of any revision of forward-looking statements which may be made to reflect future events or circumstances. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, changes in world market conditions, changes in the competitive environment, the Group's ability to adapt itself to customer requirements and new technologies, fluctuations in the Group's customers' production plans, foreign exchange rate fluctuations and economic, business and market developments affecting the Group's customers. The Company cautions prospective investors in the offering not to place undue reliance on these forward-looking statements. All written and oral forward-looking statements attributable to the Company or persons acting on the Company's behalf are qualified in their entirety by these cautionary statements.

TERMS AND CONDITIONS OF THE BONDS

The following terms and conditions (the "Conditions") of the Bonds will, subject to completion and amendment, and, save for the paragraphs in italics, be endorsed on the Certificates (*as defined herein)*:

The ¥30,000,000,000 Zero Coupon Convertible Bonds due 2019 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds", which term shall, unless the context requires otherwise, include Stock Acquisition Rights (as defined below) incorporated in the Bonds) issued by Alps Electric Co., Ltd. (the "Company") are constituted by a trust deed (the "Trust Deed") dated 24 March 2014 made between the Company and BNY Mellon Corporate Trustee Services Limited (the "Trustee", which expression shall include all persons for the time being trustee or trustees appointed under the Trust Deed, as trustee for the holders of the Bonds). Each Bond is issued in the denomination of ¥10,000,000 each and a stock acquisition right (*shinkabu yoyakuken*) (the "Stock Acquisition Right"), entitling the Bondholder (as defined in Condition 1.2) to acquire fully paid and non-assessable shares of common stock of the Company (the "Shares") as described below, is incorporated in each Bond as an integral part thereof. Copies of the Trust Deed and of the agency agreement (the "Agency Agreement") dated 24 March 2014 relating to the Bonds among, *inter alios*, the Company, the Trustee, the principal agent (the "Principal Agent"), the registrar (the "Registrar") and the other agents referred to therein are available for inspection by prior written request during normal business hours at the specified office for the time being of the Trustee, being at the date of issue of the Bonds at One Canada Square, London E14 5AL, United Kingdom, and at the specified office(s) of each of the Principal Agent and the Agents (as defined below). References herein to the "Agents" shall, unless the context otherwise requires, include the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time (but excluding the Registrar).

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed. Any terms defined in the Trust Deed and not in these Conditions shall have the same meanings when used herein except where otherwise indicated.

1. Form, Denomination, Issue Price, Title, Status, Transfers of Bonds and Relationship between Bonds and Stock Acquisition Rights

1.1 *Form, Denomination and Issue Price*

The Bonds are issued in registered form in the denomination of ¥10,000,000 each and are not exchangeable for bonds with stock acquisition rights in bearer form. The issue price of the Bonds (excluding the Stock Acquisition Rights) (the "Issue Price") is 101.0 per cent. of the principal amount of the Bonds. The issue price of the Stock Acquisition Rights is zero.

A bond certificate (each, a "Certificate") will be issued in respect of each Bond. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register (the "Register") of holders of Bonds to be kept by the Registrar in accordance with Condition 1.4.1.

1.2 *Title*

Title to the Bonds will pass only by transfer and registration of title in the Register. The holder of any Bond will (except as otherwise declared by a court of competent jurisdiction or required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust, or any interest in it, or any writing on, or theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder.

In these Conditions, a "Bondholder" and (in relation to a Bond) a "holder" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

Upon issue, the Bonds will be evidenced by a global certificate (the "Global Certificate") deposited with and registered in the name of, or a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Trust Deed, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of the Bonds.

1.3 ***Status***

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 2) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 and with the exception of obligations in respect of national and local taxes and certain other statutory exceptions, equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company from time to time outstanding.

1.4 ***Transfers of Bonds***

1.4.1 *The Register*: The Company will cause to be kept at the specified office of the Registrar, and in accordance with the terms of the Agency Agreement, the Register on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers, acquisitions and redemptions of the Bonds and the exercises of Stock Acquisition Rights.

Each Bondholder shall be entitled to receive one Certificate in respect of each Bond held by such holder.

1.4.2 *Transfers*: A Bond may be transferred upon the surrender (at the specified office(s) of the Principal Agent, the Registrar or any other Agent) of the Certificate evidencing such Bond, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Company), duly completed and signed and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. No transfer of a Bond will be valid unless and until entered on the Register. Upon such transfer, a new Certificate will be issued to the transferee in respect of the Bond so transferred. All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of the Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Registrar, the Principal Agent and the Trustee. A copy of the current regulations will be made available during normal business hours by the Principal Agent or the Registrar to any Bondholder upon prior written request.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems, as described in "Summary of Provisions Relating to the Bonds While in Global Form".

1.4.3 *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 1.4.2 shall be available for delivery within five Transfer Business Days of receipt of the duly completed and signed form of transfer, and surrender of the original Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any of the Agents to whom delivery or surrender of such form of transfer and Certificate shall have been made, or if so requested in the form of transfer, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address so specified (at the Company's expense) unless such holder requests otherwise and pays in advance to the Registrar or the relevant Agent (as the case may be) the costs of such other method of delivery as agreed between such holder and the Registrar or relevant Agent and/or such insurance as it may specify. In these Conditions, "Transfer Business Day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant Agent (as the case may be).

1.4.4 *Formalities Free of Charge*: Registration of a transfer of Bonds and issuance of new Certificates shall be effected without charge by or on behalf of the Company, the Registrar or the Agents, but upon (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Agent may require); (ii) the Registrar being satisfied in its absolute discretion with the documents of title and/or the identity of the person making the application; and (iii) the Company and the Registrar or the relevant Agent being satisfied that the regulations concerning transfer of Bonds having been satisfied.

1.4.5 *No Registration of Transfer*: No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the date for redemption pursuant to Condition 7.1, 7.7, 7.8 or 7.9, (ii) during the period from and including the Determination Date (as defined in Condition 3.1) or, if earlier, the time at which a Share Settlement Notice (as defined in Condition 3.1) in respect of such Bond has been given pursuant to Condition 7.2, up to but excluding the Acquisition Option Date (as defined in Condition 3.1), (iii) after a Conversion Notice (as defined in Condition 3.1) has been given with respect to such Bond pursuant to Condition 5.9.1 (unless such Conversion Notice is withdrawn pursuant to Condition 5.9.4, in which event registration of transfer of such Bond may be made on or after the date on which such Conversion Notice is withdrawn), or (iv) after a notice of redemption has been given pursuant to Condition 7.3, 7.4, 7.5 or 7.6 (except for any Bond held by a Bondholder who has given notice to the Company pursuant to the second paragraph of Condition 7.6).

1.5 ***Relationship between Bonds and Stock Acquisition Rights***

The obligations of the Company in respect of the Bonds and the Stock Acquisition Rights incorporated therein shall arise and shall be extinguished or cease to be exercisable simultaneously subject as provided herein.

The Bonds and the Stock Acquisition Rights incorporated therein may not be transferred or dealt with separately from each other.

2. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1) will, create or permit to subsist any mortgage, charge, pledge or other security interest for the benefit of the holders of any Relevant Debt (as defined below) upon the whole or any part of the Company's or such Principal Subsidiary's property or assets, present or future, to secure (i) payment of any sum due in respect of any Relevant Debt or (ii) any payment under any guarantee of any Relevant Debt or (iii) any payment under any indemnity or other like obligation in respect of any Relevant Debt, without in any such case at the same time according or procuring to be accorded to the Bonds, (x) to the satisfaction of the Trustee or as shall be approved by an Extraordinary Resolution (as defined in Condition 3.1), the same security as is granted to or subsists in respect of such Relevant Debt or such guarantee, indemnity or other like obligation or (y) such other security or guarantee as the Trustee may in its absolute discretion deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution.

For the purposes of this Condition 2, "Relevant Debt" means any present or future indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other similar securities of any person with a stated maturity of more than one year from the creation thereof and which:

(a) either are by their terms payable, or confer a right to receive payment, in any currency other than yen, or are denominated in yen and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Japan by or with the authorisation of the Company or the relevant Principal Subsidiary; and

(b) are for the time being, or are intended to be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other similar securities market outside Japan.

3. **Definitions and Construction of References**

3.1 ***Definitions***

In these Conditions (unless the context otherwise requires):

"Account Management Institution" means an account management institution (*koza-kanri-kikan*) which is an entity entitled under the Book-Entry Act to open and maintain an account for another person or entity;

"Acquisition Notice" has the meaning provided in Condition 7.2.1;

"Acquisition Option Date" has the meaning provided in Condition 7.2.1;

"Acquisition Shares" has the meaning provided in Condition 7.2.1;

"Acquisition Share Value" has the meaning provided in Condition 7.2.1;

"Additional Amounts" has the meaning provided in Condition 9;

"Additional Shares" has the meaning provided in Condition 5.3;

"Adjustment Amount" has the meaning provided in Condition 7.2.1;

"Annual Fiscal Period" means a period commencing on 1 April and ending on 31 March of the immediately succeeding year; provided that, if the Company shall change its financial year so as to end on a date other than 31 March, "Annual Fiscal Period" shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Articles of Incorporation" means the articles of incorporation of the Company from time to time in effect;

"Asset Transfer Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the sale or transfer of all or substantially all of the assets of the Company to another entity (the "Asset Transferee"), pursuant to the terms of which the Company's obligations under the Bonds are to be transferred to or assumed by the Asset Transferee;

"Asset Transferee" has the meaning provided in the definition of Asset Transfer Event;

"Auditors" means the independent auditors for the time being of the Company or, if there shall be joint independent auditors, any one or more of such independent auditors or, if they are unable or unwilling to carry out any action requested to them, such other auditors or firm of auditors as may be appointed by the Company and promptly notified in writing to the Trustee by the Company;

"Authorised Officer" means any one of the directors or officers of the Company or the New Obligor (as the case may be) or any other person whom the Company or the New Obligor (as the case may be) shall have identified to the Trustee by notice in writing as being duly authorised to sign any document or certificate on behalf of the Company or the New Obligor (as the case may be);

"Average VWAP per Share" has the meaning provided in Condition 7.2.1;

"Bankruptcy Act" means the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended);

"Base Dividend" has the meaning provided in Condition 5.2.4;

"Board of Directors", in respect of any company, means the board of directors of such company;

"Bondholder" and "holder" have the meaning provided in Condition 1.2;

"Bonds without Share Settlement Notice" has the meaning provided in Condition 7.2.3;

"Book-Entry Act" means the Act on Book-Entry Transfer of Corporate Bonds, Shares, Etc. of Japan (Act No. 75 of 2001, as amended);

"Business Day" has the meaning provided in Condition 8.3;

"Certificate" has the meaning provided in Condition 1.1;

"Civil Rehabilitation Act" means the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended);

"Clean-up Redemption Notice" has the meaning provided in Condition 7.5;

"Closed Period" has the meaning provided in Condition 7.12;

"Closing Date" means 24 March 2014;

"Closing Price" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), for any Trading Day, the last reported selling price (regular way) of the Shares or the shares of common stock of the New Obligor (as the case may be) on the Relevant Stock Exchange on such Trading Day or, if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, the average of the closing bid and offered prices of the Shares or the shares of common stock of the New Obligor (as the case may be) for such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company or the New Obligor (as the case may be) and approved in writing by the Trustee for such purpose;

"Companies Act" means the Companies Act of Japan (Act No. 86 of 2005, as amended);

"Company's Territory" has the meaning provided in Condition 12.2;

"Consolidated Financial Statements" means, in relation to any Fiscal Period of the Company, the unaudited consolidated financial statements of the Company prepared in accordance with the Relevant GAAP or, if in respect of such Fiscal Period audited consolidated financial statements have been prepared, the audited consolidated financial statements of the Company prepared as aforesaid;

"Consolidated Subsidiary" means, in relation to a Fiscal Period of the Company, Subsidiaries consolidated in the relevant Consolidated Financial Statements;

"Conversion Notice" means the written notice required to accompany any Bonds deposited for the purposes of the exercise of the Stock Acquisition Rights, the current form of which is set out in the relevant schedule to the Agency Agreement;

"Conversion Price" has the meaning provided in Condition 5.1.3;

"Corporate Event" has the meaning provided in Condition 6.1;

"Corporate Event Effective Date" has the meaning provided in Condition 6.3;

"Corporate Event Redemption Date" has the meaning provided in Condition 7.7;

"Corporate Event Redemption Price" has the meaning provided in Condition 7.7;

"Corporate Reorganisation Act" means the Corporate Reorganisation Act of Japan (Act No. 154 of 2002, as amended);

"Corporate Split Counterparty" has the meaning provided in the definition of Corporate Split Event;

"Corporate Split Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any corporate split (*shinsetsu bunkatsu* or *kyushu bunkatsu*) in which the Company's obligations under the Bonds are to be transferred to or assumed by the corporation which is the counterparty to such corporate split (the "Corporate Split Counterparty");

"Current Market Price per Share" has the meaning provided in Condition 5.2.9;

"Custodian" means Sumitomo Mitsui Finance Dublin Limited at its specified office at La Touche House, I.F.S.C., Custom House Docks, Dublin 1, Ireland or such other custodian as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Company, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19 and shall, unless the context otherwise requires, include the nominee of the Custodian;

"Custodian's Agent" means Sumitomo Mitsui Banking Corporation at its specified office at 2-3, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-0004, Japan or such other agent of the Custodian in Japan as may from time to time be appointed, or at such other specified office as may from time to time be designated, by or on behalf of the Custodian, in each case with the prior written approval of the Trustee, and notice of whose appointment or designation has been given to the Bondholders in accordance with Condition 19;

"Delisting Redemption Date" has the meaning provided in Condition 7.8.1;

"Deposit Date" has the meaning provided in Condition 5.9.4;

"Determination Date" has the meaning provided in Condition 7.2.2;

"Due Date" has the meaning provided in Condition 9;

"Event of Default" means any of the events listed in Condition 10, which, if so required by that Condition, has been certified in writing by the Trustee to the Company in accordance with that Condition to be, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders, upon the occurrence of which the Bonds may become due and payable;

"Exercise Period" has the meaning provided in Condition 5.1.4;

"Extraordinary Dividend" has the meaning provided in Condition 5.2.4;

"Extraordinary Resolution" means a resolution passed at a meeting of the Bondholders duly convened and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than three-quarters of the votes cast thereon;

"Financial Instruments and Exchange Act" means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended);

"Fiscal Period" means, as the context may require, (i) a period commencing on 1 April and ending on 31 March of the immediately succeeding year; or (ii) three month periods each commencing on 1 April, 1 July, 1 October and 1 January; provided that, if the Company shall change its financial year so as to end on a date other than 31 March, the provisions of items (i) and (ii) above shall be deemed to be amended *mutatis mutandis* and any such change shall be promptly notified by the Company to the Trustee in writing;

"Holding Company" has the meaning provided in the definition of Holding Company Event;

"Holding Company Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for the Company to become a wholly-owned subsidiary of another corporation (the "Holding Company") by way of share exchange (*kabushiki-kokan*) or share transfer (*kabushiki-iten*);

"Independent Financial Adviser" means an independent investment bank, securities company or accounting firm of international repute appointed by the Company at its own expense and notified to the Trustee in writing or, if the Company fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser, appointed by the Trustee in accordance with Condition 18 and notified to the Company;

"Issue Price" has the meaning provided in Condition 1.1;

"Last Day Conversion Price" shall have the meaning provided in Condition 7.2.1;

"Listing" has the meaning provided in Condition 6.4.2;

"Merged Company" means the corporation formed by the relevant Merger Event or the corporation into which the Company shall have merged following a Merger Event;

"Merger Event" means the passing of a resolution at a general meeting of shareholders of the Company (or, where a resolution of a general meeting of shareholders is not required, at a meeting of the Board of Directors of the Company) for any consolidation or amalgamation (*shinsetsu gappei*) of the Company with, or merger (*kyushu gappei*) of the Company into any other corporation (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation);

"New Obligor" has the meaning provided in Condition 6.1;

"New Obligor Current Market Price per Share" has the meaning provided in Condition 6.5.3;

"New Stock Acquisition Rights" has the meaning provided in Condition 12.2;

"New Territory" has the meaning provided in Condition 12.2;

"Non-unit Shares" has the meaning provided in Condition 5.1.2;

"Number of Deliverable Shares" has the meaning provided in Condition 6.5.3;

"Number of Held Shares" has the meaning provided in Condition 6.5.3;

"Offeror" has the meaning provided in Condition 7.8.1;

"Optional Redemption Notice" has the meaning provided in Condition 7.3;

"Principal Subsidiary" means any Consolidated Subsidiary of the Company, (i) whose net sales as shown by the annual non-consolidated financial statements (or, where the Consolidated Subsidiary in question itself prepares consolidated financial statements, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the net sales of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements or (ii) whose total assets as shown by the annual non-consolidated financial statements (or, as the case may be, the annual consolidated financial statements) of such Consolidated Subsidiary used for the purposes of the latest audited annual Consolidated Financial Statements being made up, are 10 per cent. or more of the total assets of the Company and its Consolidated Subsidiaries as shown by such audited annual Consolidated Financial Statements. A certificate signed by a Representative Director or an Authorised Officer of the Company that in the Company's opinion, a Consolidated Subsidiary is or is not or was or was not at a specified date a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

"Proceedings" has the meaning provided in Condition 21.2;

"Record Date" means the date fixed by the Articles of Incorporation or otherwise specified by the Company for the purpose of determining entitlements to dividends or other distributions to, or rights of, holders of Shares; provided, however, that if the Company has fixed no such record date and the context so requires, the "Record Date" shall be construed as a reference to the date of any event in question coming into effect;

"Reference Parity" has the meanings provided in Conditions 7.7. 7.8 and 7.9;

"Register" has the meaning provided in Condition 1.1;

"Registered Account" has the meaning provided in Condition 8.1;

"Relevant Debt" has the meaning provided in Condition 2;

"Relevant GAAP" means the accounting principles which are adopted by the Company or the New Obligor (as the case may be) for the preparation of the Consolidated Financial Statements under the Financial Instruments and Exchange Act, being one of those generally accepted in Japan or the United States or International Financial Reporting Standards (as issued by the International Accounting Standards Board or, if applicable, as adopted or endorsed by the Accounting Standards Board of Japan);

"Relevant Number of Shares" has the meaning provided in Condition 5.2.4;

"Relevant Securities" has the meaning provided in Condition 5.2.8;

"Relevant Stock Exchange" means Tokyo Stock Exchange, Inc. or, if at the relevant time the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed on Tokyo Stock Exchange, Inc., the principal stock exchange or securities market in Japan on which the Shares or the shares of common stock of the New Obligor (as the case may be) are then listed or quoted or dealt in;

"Relevant VWAP Period" has the meaning provided in Condition 7.2.1;

"Representative Director" means a director of the Company (or the New Obligor, as the case may be) who is for the time being a representative director within the meaning of the Companies Act or, where applicable, a representative statutory executive officer of the Company (or the New Obligor, as the case may be) within the meaning of the Companies Act;

"Retroactive Adjustment" has the meaning provided in Condition 5.3;

"Securities" includes, without limitation, Shares, other shares, options, warrants or other rights (including stock acquisition rights) to subscribe for or purchase or acquire Shares and securities convertible into or exchangeable for Shares;

"Shareholder Determination Date" has the meaning provided in Condition 5.1.4;

"Shareholder Determination Date Restriction Period" has the meaning provided in Condition 5.1.4;

"Share Settlement Notice" has the meaning provided in Condition 7.2.2;

"Squeezeout Event" has the meaning provided in Condition 7.9.1;

"Squeezeout Redemption Date" has the meaning provided in Condition 7.9.1;

"Stock Acquisition Date" has the meaning provided in Condition 5.9.4;

"Stock Split" means any kind of stock split in relation to the Shares, including a free share distribution to the holders of Shares, a stock dividend or a sub-division of Shares;

"Subsidiary" means a company, more than 50 per cent. of the outstanding shareholders' voting rights of which is at any given time owned by the Company, by one or more other Subsidiaries or by the Company and one or more other Subsidiaries, or any other company which is otherwise considered to be controlled by the Company under the Relevant GAAP (and, for this purpose, "voting rights" means the voting power attached to stocks or shares for the election of directors, officers or trustees of such company, other than voting powers attached to stocks or shares outstanding having such power by reason of the happening of a contingency);

"Tax Redemption Date" has the meaning provided in Condition 7.6;

"Tax Redemption Notice" has the meaning provided in Condition 7.6;

"Tokyo Business Day" has the meaning provided in Condition 5.1.4;

"Trading Day" means, in respect of the Shares or the shares of common stock of the New Obligor (as the case may be), a day on which the Relevant Stock Exchange is open for business, but does not include a day on which (a) no last selling price (regular way) for the Shares or the shares of common stock of the New Obligor (as the case may be) is reported by the Relevant Stock Exchange and (b) if the Shares or the shares of common stock of the New Obligor (as the case may be) are not listed or admitted to trading on the Relevant Stock Exchange, no closing bid or offered price is furnished as provided in the definition of Closing Price;

"Transfer Business Day" has the meaning provided in Condition 1.4.3;

"VWAP" has the meaning provided in Condition 7.2.1; and

"yen" and "¥" mean Japanese yen, the lawful currency of Japan.

3.2 ***Construction of Certain References***

References to any statute or provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any ordinances, regulations, instruments or other subordinate legislation made under the relevant statute.

Except where the context requires otherwise, references to the "issue" of Shares shall include the transfer and/or delivery of Shares by the Company, whether newly issued or previously issued and held by or on behalf of the Company (and the words "issue", "issued" and "issuable" shall be construed accordingly), and references in these Conditions to the word "acquire" used in conjunction with the Shares shall be read as including both the words "issue" and "transfer", and the words "acquired" and "acquisition" shall be construed accordingly (other than where the references are to the acquisition of the Bonds pursuant to Condition 7.2). References to "delivery" used in respect of the Shares shall be read as including the transfer of Shares by way of the book-entry transfer system operated by the Japan Securities Depository Center Inc.'s system. The words "substitution" and "grant" used in relation to the exchange of the Company's obligations in respect of the Bonds for those of a New Obligor following a Corporate Event shall be read as including the necessary legal concepts for such exchange to occur under both Japanese law and English law.

The headings in these Conditions are for convenience only and shall be ignored in construing these Conditions.

4. **Default Interest**

The Bonds do not bear interest unless payment of any amount in respect of any Bond is improperly withheld or refused, in which case such unpaid amount will bear interest (both before and after judgment) from the date of default to the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Bondholders under these Conditions) at the rate of interest per annum determined by the Principal Agent as being equal to the offered rate quoted by a leading bank in the Euro-yen market selected by the Principal Agent for deposits in yen for the period of three months, as at 11:00 a.m. (London time) on the date of such default. If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

5. **Exercise of Stock Acquisition Rights**

5.1 ***Conversion Price, Exercise Period, Shares Issuable and Procedure***

5.1.1 *Stock Acquisition Rights and the Contribution of the Bond*: Subject to and upon compliance with the provisions of this Condition 5, each Bondholder is entitled to exercise the Stock Acquisition Right incorporated in each Bond held by it in accordance with and subject to these Conditions. The Bond, the Certificate in respect of which having been deposited with an Agent for exercise of the relevant Stock Acquisition Right pursuant to Condition 5.9.1, shall be deemed to be acquired by the Company as a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond as of the Stock Acquisition Date.

5.1.2 *Number of Shares*: The number of Shares to be acquired by a Bondholder exercising its Stock Acquisition Rights will be determined by dividing the aggregate principal amount of the Bonds deposited by such Bondholder at the same time upon exercise of the Stock Acquisition Rights by the Conversion Price applicable on the Stock Acquisition Date. Fractions of a Share will not be issued upon exercise of any Stock Acquisition Right and no adjustment or cash payment will be made in respect thereof. However, if two or more Stock Acquisition Rights are exercised at any one time by the same Bondholder, the number of Shares which shall be acquired upon exercise of such Stock Acquisition Rights shall be calculated on the basis of the aggregate principal amount of the Bonds in which the Stock Acquisition Rights so exercised are incorporated.

For the avoidance of doubt, if a Bondholder would receive a number of Shares ("Non-unit Shares") not constituting a unit (*tangen*) of Shares or integral multiples thereof upon exercise of the Stock Acquisition Right(s) or upon a Retroactive Adjustment, such Non-unit Shares shall be delivered to the relevant Bondholder in the same manner as the Shares constituting a whole unit of Shares, and no cash amounts shall be paid by the Company in respect of such Non-unit Shares.

As of the date of this Offering Circular, the Articles of Incorporation specify that one unit of Shares is comprised of 100 Shares.

5.1.3 *Conversion Price*: The price at which Shares shall be acquired upon exercise of the Stock Acquisition Rights (the "Conversion Price") shall initially be ¥1,802 per Share, subject to adjustment in the manner provided in Condition 5.2.

5.1.4 *Exercise Period*: Each Stock Acquisition Right may be exercised at any time in accordance with and pursuant to the other provisions of these Conditions during the period from, and including, 7 April 2014 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 11 March 2019, or:

(i) if the relevant Bond shall have been acquired by the Company pursuant to Condition 7.2 and cancelled by the Company pursuant to Condition 7.2.1, then up to the time when such Bond is so cancelled; or

(ii) if the relevant Bond shall have been called for redemption pursuant to Condition 7.3, 7.4, 7.5 or 7.6 or if the Bonds shall become due to be redeemed pursuant to Condition 7.7, 7.8 or 7.9, then up to the close of business (at the place as aforesaid) on the third Tokyo Business Day prior to the date fixed for redemption thereof (unless, in the case of such Bond being called for redemption pursuant to Condition 7.6, the relevant Bondholder has elected that such Bond shall not be redeemed); or

(iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary and cancelled by the Company pursuant to Condition 7.10, then up to the time when such Bond is so cancelled; or

(iv) if the relevant Bond shall become due and repayable pursuant to Condition 10, then up to the time when such Bond becomes so due and repayable,

provided that:

(a) in no event shall the Stock Acquisition Rights be exercised after 11 March 2019;

(b) the Stock Acquisition Rights may not be exercised for such period as may be designated by the Company, which period may not exceed 30 days, and which period shall end on a date not later than 14 days after the Corporate Event Effective Date if the Company reasonably determines that such suspension is necessary in order to consummate the relevant transaction in compliance with these Conditions (including Conditions 6.4.1, 7.8 and 7.9);

(c) in the case of acquisition pursuant to Condition 7.2, if an Acquisition Notice has been duly given by the Company, the Stock Acquisition Rights may not be exercised for the period from and including the Determination Date to and including the Acquisition Option Date; and

(d) the Stock Acquisition Rights may not be exercised during such period whereby the relevant Stock Acquisition Date (or, if the Stock Acquisition Date would not be a Tokyo Business Day, the immediately following Tokyo Business Day) would fall on a date falling within any Shareholder Determination Date Restriction Period; provided that if there is a change to the mandatory provisions of Japanese law and regulation or practice relating to the delivery of shares upon exercise of stock acquisition rights through book-entry transfer system established pursuant to the Book-Entry Act, then this Condition 5.1.4(d) and the definition of Shareholder Determination Date Restriction Period may be amended to the extent permitted by applicable law, regulation and practice by the Company to reflect such change in law, regulation or practice without the consent of the Trustee or the Bondholders and notice thereof shall be given promptly by the Company to the Bondholders in accordance with Condition 19 and to the Trustee in writing.

In these Conditions:

"Shareholder Determination Date" means (i) any Record Date, and (ii) any other date set for the purpose of determination of holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act;

"Shareholder Determination Date Restriction Period" means the period from and including the second Tokyo Business Day falling immediately prior to any Shareholder Determination Date to and including such Shareholder Determination Date (provided that if such Shareholder Determination Date falls on a date that is not a Tokyo Business Day, then the Shareholder Determination Date Restriction Period means the period from and including the third Tokyo Business Day falling immediately prior to such Shareholder Determination Date to and including the Tokyo Business Day immediately following such Shareholder Determination Date); and

"Tokyo Business Day" means any day (other than a Saturday, Sunday or a day which shall be a legal holiday in Tokyo or a day on which banking institutions in Tokyo are obliged or authorised by law or executive order to close) on which banks are open for business in Tokyo.

The Company shall give the Trustee (unless the Trustee is also the Principal Agent) and the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination and period referred to in Condition 5.1.4(b) above (together with a description of the days included in such period) at least 30 days prior to the commencement of such period.

The Company shall give the Trustee (unless the Trustee is also the Principal Agent) and the Principal Agent in writing and the Bondholders in accordance with Condition 19, a notice of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least five Tokyo Business Days prior to the commencement of such Shareholder Determination Date Restriction Period, provided that no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect.

*So long as the Bonds are evidenced by the Global Certificate, the Company will be required to give notice to the Trustee of the determination of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least two business days prior to the commencement of such Shareholder Determination Date Restriction Period (*provided that *no such notice is required where the Shareholder Determination Date Restriction Period in question relates to a Record Date that has been fixed by the Articles of Incorporation then in effect); "business day" in this paragraph means any day on which banks are open for business in Tokyo, Brussels and Luxembourg.*

As of the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31 March and 30 September. By way of example, in respect of the Record Date falling on 30 September 2014, it is currently anticipated that the Stock Acquisition Rights will not be exercisable where the Stock Acquisition Date would fall on any day from (and including) 26 September 2014 to (and including) 30 September 2014.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is hereinafter referred to as the "Exercise Period" (for the avoidance of doubt, the Exercise Period in respect of any Stock Acquisition Right may stop and restart from time to time). Upon final expiration of the Exercise Period, the Stock Acquisition Rights incorporated in the relevant Bonds will lapse and cease to be exercisable or valid for any purposes.

5.1.5 *Rights Attached to Shares Acquired upon Exercise of Stock Acquisition Rights*: Shares acquired upon exercise of the Stock Acquisition Rights shall have the same rights in all respects (including in relation to any distribution of dividends) as the Shares outstanding on the relevant Stock Acquisition Date (except for any right the Record Date for which precedes such Stock Acquisition Date and any other right excluded by mandatory provisions of applicable law).

5.2 ***Adjustments of the Conversion Price***

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

5.2.1 *Stock Split and Consolidation of Shares*: if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Conversion Price shall be appropriately adjusted so that the holder of any Bond, the Stock Acquisition Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 5.2.1, shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the coming into effect of any of the events described above had the Stock Acquisition Right in respect of such Bond been exercised immediately prior to the coming into effect of such event (or, if the Company has fixed a prior Record Date for the determination of shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such Record Date), but without prejudice to the effect of any other adjustment to the Conversion Price made with effect from the date of the coming into effect of such event (or such Record Date) or any time thereafter. An adjustment made pursuant to this Condition 5.2.1 shall become effective immediately on the relevant event becoming effective or, if a prior Record Date is fixed therefor, immediately after the Record Date; provided that, in the case of a relevant transaction which must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally effective, and which is so approved after the Record Date fixed for the determination of shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date.

If the Company shall make a Stock Split and the Record Date therefor is also:

(i) the Record Date for the issue of any rights or warrants (including stock acquisition rights) which requires an adjustment of the Conversion Price pursuant to Condition 5.2.2 or 5.2.3, or

(ii) the last date (in the place of issue) of the period during which payment may be made for any securities convertible into or exchangeable for Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.5 or 5.2.8, or

(iii) the last date (in the place of issue) of the period during which payment may be made for the issue or transfer of any Shares which requires an adjustment of the Conversion Price pursuant to Condition 5.2.6 or 5.2.8, or

(iv) the date of issue of any rights or warrants which requires an adjustment of the Conversion Price pursuant to Condition 5.2.7 or 5.2.8,

then (except where such Stock Split gives rise to a Retroactive Adjustment of the Conversion Price under this Condition 5.2.1) no adjustment of the Conversion Price in respect of such Stock Split shall be made under this Condition 5.2.1, but in lieu thereof an adjustment shall be made under Condition 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 or 5.2.8, as the case may be, by including in item "n" of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

5.2.2 *Issue to Shareholders of Rights or Warrants to Acquire Shares*: if the Company shall allot, grant, issue or offer to the holders of Shares, rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares:

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares to be allotted, issued or acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with an allotment, grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares, any such rights and/or warrants which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities*: if the Company shall grant, issue or offer to the holders of Shares rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire any securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights):

(i) at a consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) which is fixed on or prior to the Record Date mentioned below and is less than the Current Market Price per Share on such Record Date, or

(ii) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the Record Date mentioned below and is less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration,

then the Conversion Price in effect (in a case within (i) above) on the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan (in a case within (i) above) on such Record Date or (in a case within (ii) above) on the date in Japan on which the Company fixes the said consideration.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or ratio following the exercise of all such rights or warrants at the initial subscription, purchase or acquisition price.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share specified in (i) above or, as the case may be, (ii) above.

Such adjustment shall become effective (in a case within (i) above) immediately after the Record Date for the determination of shareholders entitled to receive such rights or warrants or (in a case within (ii) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the Record Date for the said determination.

If, in connection with a grant, issue or offer to the holders of Shares of rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights), any such securities convertible into or exchangeable for Shares (including bonds with stock acquisition rights) which are not subscribed for, purchased or otherwise acquired by the persons entitled thereto are offered to and/or subscribed for, purchased or otherwise acquired by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Conversion Price by reason of such offer and/or subscription, purchase or acquisition;

5.2.4 *Distribution to Shareholders of Assets (including Extraordinary Dividends)*: if the Company shall distribute to the holders of Shares (i) evidences of its indebtedness (such as bonds), (ii) shares of capital stock of the Company (other than Shares), (iii) cash or assets of the Company, or (iv) rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire shares (other than Shares) or securities of the Company (other than those rights and warrants referred to in Conditions 5.2.2 and 5.2.3), in each of the cases set out in (i) through (iv) above, excluding dividends (being "distribution of surplus" within the meaning of, and subject to the limitation on amounts prescribed by, the Companies Act) other than Extraordinary Dividends, then the Conversion Price in effect on the Record Date for the determination of shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{CMP - fmv}{CMP}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

CMP = the Current Market Price per Share on the Record Date for the determination of shareholders entitled to receive such distribution, including a distribution of an Extraordinary Dividend.

fmv = (i) in cases other than an Extraordinary Dividend, the fair market value ((a) as determined by the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account), or (b) if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in each of the cases set out in (a) and (b) above, described in a certificate of the Company signed by a Representative Director and delivered by the Company to the Trustee) of the portion of the evidences of indebtedness, shares, cash, assets, rights or warrants so distributed applicable to one Share or, (ii) in the case of an Extraordinary Dividend, the amount of such Extraordinary Dividend divided by the Relevant Number of Shares used in the calculation thereof.

Such adjustment shall become effective immediately after the Record Date for the determination of shareholders entitled to receive such distribution (including a distribution of an Extraordinary Dividend); provided, however, that (a) if such distribution must, under applicable Japanese law, be approved by a general meeting of shareholders or the Board of Directors of the Company before being legally made, and if such distribution is so approved after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given, become effective retroactively to immediately after such Record Date and (b) if the fair market value of the evidences of indebtedness, shares, cash or assets, rights or warrants so distributed cannot be determined until after the Record Date fixed for the determination of shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such Record Date.

"Extraordinary Dividend" means, in relation to an Annual Fiscal Period ending on or after the last day of the Annual Fiscal Period in which the Closing Date falls, the part of any dividend (such dividend being the historical dividend without making any retroactive adjustment resulting from Stock Splits or otherwise) in respect of any number of Shares amounting to the Relevant Number of Shares, the Record Date for which falls within such Annual Fiscal Period which, when aggregated with the amount of all other dividends the Record Date for which falls within such Annual Fiscal Period in respect of such number of Shares amounting to the Relevant Number of Shares, is in excess of the sum of (i) the Base Dividend and (ii) the amount, if any, previously determined to be an Extraordinary Dividend in respect of that Annual Fiscal Period.

"Base Dividend" means ¥110,980.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥20.

"Relevant Number of Shares" means, such number of Shares (disregarding fractions of a Share) as Bondholders would be entitled to receive in respect of each Bond deposited (were it to be so deposited) for exercise of the Stock Acquisition Right incorporated therein at the Conversion Price in effect at the Record Date in respect of the relevant dividend.

5.2.5 *Issue to Non-shareholders of Convertible/Exchangeable Securities*: if the Company shall issue any securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights (other than the Bonds or in any of the circumstances described in Conditions 5.2.2 and 5.2.3), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue of such convertible or exchangeable securities shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of such convertible or exchangeable securities.

n = the number of Shares to be acquired upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of such convertible or exchangeable securities;

5.2.6 *Issue of Shares*: if the Company shall issue or transfer any Shares (other than Shares issued or transferred (i) on conversion or exchange of any convertible or exchangeable securities (including the Bonds) allotted, granted, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered by the Company, (iii) to the extent permitted by the Articles of Incorporation, to any holder of Non-unit Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute a full one unit, (iv) in any of the circumstances described in Conditions 5.2.1, 5.2.2 and 5.2.3, (v) to shareholders of any corporation which merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such exchange or (vi) to any corporation or to shareholders of any corporation which transfers its business to the Company following the split of such corporation's business (*kyushu bunkatsu*)), and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the last day of the period during which payment may be made in respect of the issue or transfer of such Shares, but excluding the number of Shares, if any, contained in the definition of "n" immediately below, but only to the extent that such Shares are then issued and outstanding.

n = the number of Shares being issued or transferred as aforesaid.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the last day (in the place of issue) of the period during which payment may be made in respect of the issue or transfer of such Shares;

5.2.7 *Issue to Non-shareholders of Rights or Warrants to Acquire Shares or Convertible/ Exchangeable Securities*: if the Company shall grant, issue or offer any rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights or in any of the circumstances described in Conditions 5.2.2, 5.2.3, 5.2.4 and 5.2.5) and the consideration per Share receivable by the Company (determined as provided in Condition 5.2.10) shall be less than the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the grant, issue or offer of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting), then the Conversion Price in effect on the date of the grant, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

$$NCP = OCP \times \frac{N + v}{N + n}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the date of the issue of such rights or warrants.

n = the number of Shares to be acquired on exercise of all such rights or warrants at the initial subscription, purchase or acquisition price, or upon conversion or exchange of all such convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of all such rights or warrants.

v = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 5.2.10) would purchase at such Current Market Price per Share.

Such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the place of the issue of such rights or warrants;

5.2.8 *Combined Adjustment*: if the Company shall issue or transfer (as the case may be) securities of a type falling within Condition 5.2.5, 5.2.6 or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto and the date of issue or transfer of such securities or, if applicable, the last day of the period during which payment may be made in respect thereof (in each case, referred to as the "relevant date") is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 5.2.5, 5.2.6 and/or 5.2.7 which otherwise require an adjustment to the Conversion Price pursuant thereto (all such securities being hereafter referred to as "Relevant Securities"), then any adjustment of the Conversion Price shall not be made separately under each such Condition but in one calculation in accordance with the following formula:

$$NCP = OCP \times \frac{N + v1 + v2 + v3}{N + n1 + n2 + n3}$$

where:

NCP = the Conversion Price after such adjustment.

OCP = the Conversion Price before such adjustment.

N = the number of Shares outstanding (having regard to Condition 5.2.11) at the close of business in Japan on the relevant date but excluding the number of Shares contained in the definition of "n2" below to the extent that such Shares are then issued and outstanding.

n1 = the number of Shares to be acquired upon conversion or exchange of any convertible or exchangeable securities (included within the Relevant Securities) at the initial conversion or exchange price or rate.

n2 = the number of any Shares (included within the Relevant Securities) being issued or transferred.

n3 = the number of Shares to be acquired on exercise of any rights or warrants (included within the Relevant Securities) at the initial subscription, purchase or acquisition price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following the exercise of such rights or warrants.

v1 = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v2 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of such Shares (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue or transfer of such Shares is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

v3 = the number of Shares which the aggregate consideration receivable by the Company for the issue or transfer of the total number of Shares to be acquired on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 5.2.10) would purchase at the Current Market Price per Share on the date in Japan on which the Company fixes the said consideration (or, if the issue of such rights or warrants is subject to approval by a general meeting of shareholders, on the date in Japan on which the Board of Directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of issue which is the relevant date.

5.2.9 *Current Market Price per Share*: for the purpose of these Conditions, "Current Market Price per Share" on any date shall be deemed to be the average of the daily Closing Prices of the Shares for the 30 consecutive Trading Days commencing 45 Trading Days before such date.

If, during the said 45 Trading Day period or any period thereafter up to but excluding the date as of which the adjustment of the Conversion Price in question shall be effected, any event (other than the event which requires the adjustment in question) shall occur which gives rise to a separate adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of this Condition 5.2, the Current Market Price per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall deem to be appropriate and fair in order to compensate for the effect of such event;

5.2.10 *Consideration per Share*: for the purposes of any calculation of the consideration per Share receivable pursuant to Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the following provisions shall be applicable:

(i) in the case of the issue or transfer of Shares for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions or any expenses paid or incurred by or on behalf of the Company for any underwriting of the issue or transfer or otherwise in connection therewith;

(ii) in the case of the issue or transfer of Shares for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair value thereof as determined by the Company in consultation with an Independent Financial Adviser or, if pursuant to applicable Japanese law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof. Such determination shall be final and binding on the Company, the Trustee and the Bondholders;

(iii) (a) in the case of the issue by the Company of securities convertible into or exchangeable for Shares, including bonds with stock acquisition rights, the aggregate consideration receivable by the Company shall be deemed to be the consideration for any such securities plus the additional consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange of such securities at the initial conversion or exchange price or rate, and (b) in the case of the issue of rights or warrants, including stock acquisition rights, to subscribe for, purchase or otherwise acquire securities convertible into or exchangeable for Shares, the aggregate consideration receivable by the Company shall be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise thereof at the initial subscription, purchase or acquisition price and (if applicable) upon the following conversion or exchange of such securities at the initial conversion or exchange price or rate. The consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such conversion or exchange at the initial conversion or exchange price or rate (if applicable) following the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above);

(iv) in the case of the grant, issue or offer of rights or warrants (including stock acquisition rights) entitling holders to subscribe for, purchase or otherwise acquire Shares, the aggregate consideration receivable by the Company shall be deemed to be the consideration (if any) received by the Company for any such rights or warrants plus the additional consideration to be received by the Company upon (and assuming) the exercise of such rights or warrants at the initial subscription, purchase or acquisition price (the consideration in each case to be determined in the same manner as provided in sub-paragraphs (i) and (ii) above), and the consideration per Share receivable by the Company shall be such aggregate consideration divided by the number of Shares to be acquired upon (and assuming) such exercise at the initial subscription, purchase or acquisition price; and

(v) if any consideration referred to in the foregoing provisions of this Condition 5.2.10 is receivable in a currency other than yen, such consideration shall, in any case where there is a fixed rate of exchange between yen and the relevant currency provided for the purposes of the issue of such Shares or the conversion or exchange of such securities or the exercise of such rights or warrants, be translated into yen for the purposes of this Condition 5.2.10 at such fixed rate of exchange and shall, in all other cases, be so translated at the mean of the exchange rate quotations (being quotations for the cross rate through U.S. dollars if no direct rate is quoted) by a leading bank in Japan for buying and selling spot units of the relevant currency by telegraphic transfer against yen on the date as at which such consideration is required to be calculated;

5.2.11 *Later Adjustments*: if, at the time of computing an adjustment (the "later adjustment") of the Conversion Price pursuant to any of Conditions 5.2.2 to 5.2.8 (both inclusive), the Conversion Price already incorporates an adjustment made (or taken into account pursuant to the proviso to Condition 5.6) to reflect the issue or transfer of such Shares, or the issue of rights or warrants (including stock acquisition rights) to subscribe for, purchase or otherwise acquire such Shares or other securities convertible into or exchangeable for such Shares, but such Shares are not outstanding at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such Shares shall be deemed to be outstanding for the purposes of making such computation to the extent that the number of the Shares so deemed to be outstanding exceeds the actual number of Shares in issue as a result thereof at the time of making such computation. For the purposes of determining the number of Shares outstanding in Conditions 5.2.2, 5.2.3, 5.2.5, 5.2.6, 5.2.7 and 5.2.8, the Shares held by the Company as treasury stock on the relevant date shall be deemed not to be outstanding;

5.2.12 *Meaning of "Fixed"*: any reference in this Condition 5.2 to the date on which the consideration is "fixed" shall be construed as a reference to the first day on which such consideration in a cash amount can be ascertained, where the consideration is originally expressed by reference to a formula and not then ascertainable in a cash amount;

5.2.13 *Other Events*: if the Company determines at its sole discretion that a downward adjustment should be made to the Conversion Price as a result of one or more events or circumstances not otherwise referred to in this Condition 5.2, the Company shall, at its own expense, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and, if the adjustment would result in a reduction in the Conversion Price, the date on which such adjustment should take effect and, upon such determination, such downward adjustment (if any) shall be made and shall take effect in accordance with such determination; and

5.2.14 *Modification to Operation of Adjustment Provisions*: notwithstanding the foregoing, where the circumstances giving rise to any adjustment pursuant to this Condition 5.2 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of other circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 5.2 as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result.

5.3 ***Retroactive Adjustments***

If the Stock Acquisition Date in relation to a Stock Acquisition Right shall be on or after a date with effect from which an adjustment to the Conversion Price takes retroactive effect pursuant to any of the provisions of Condition 5.2 and the relevant Stock Acquisition Date falls on a date before the relevant adjustment becomes effective under Condition 5.2 (such adjustment, a "Retroactive Adjustment"), the Company shall procure that the provisions of Condition 5.9.5 shall be applied, *mutatis mutandis*, to such number of Shares ("Additional Shares") as is equal to the excess of the number of Shares which would have been acquired upon exercise of such Stock Acquisition Right if the relevant Retroactive Adjustment had been given effect as of the said Stock Acquisition Date over the number of Shares previously acquired pursuant to such exercise, and in such event and in respect of such Additional Shares, references in Condition 5.9.5 to the Stock Acquisition Date shall be deemed to refer to the date upon which such Retroactive Adjustment is first reflected in the Conversion Price.

5.4 ***Limitation on Reduction of Conversion Price***

Notwithstanding the provisions of this Condition 5, the Conversion Price will not be reduced as a result of any adjustment made hereunder to such an extent that, under applicable law then in effect, the Stock Acquisition Rights may not be permitted to be exercised at such lower Conversion Price into legally issued, fully paid and non-assessable Shares.

5.5 ***Employee Share Schemes***

Notwithstanding the provisions of this Condition 5, no adjustment will be made to the Conversion Price where Shares or other Securities are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors or directors (including directors holding or formerly holding executive office or the personal service company of any such person) of the Company or any of its Subsidiaries or affiliates, their spouses or relatives, or any associated companies of any such person, or to any trustee or trustees for the benefit of any such person, in any such case, pursuant to any employees' or executives' share or option scheme.

5.6 ***Minimum Adjustments***

No adjustment of the Conversion Price shall be required unless such adjustment would result in an increase or decrease in such Conversion Price of at least ¥1 provided that any adjustment which by reason of this Condition 5.6 is not required to be made shall be carried forward and taken into account (as if such adjustment were made at the time when it would be made but for the provisions of this Condition 5.6) in any subsequent adjustment.

5.7 ***Calculations***

All calculations (including, without limitation, calculations of the Conversion Price and the Current Market Price per Share) under this Condition 5 shall be made to the nearest one-tenth of a yen with five one-hundredths or more of a yen to be considered a full tenth. None of the Trustee, the Registrar, the Principal Agent or the other Agents shall be under any duty to determine, calculate or verify the adjusted Conversion Price or to monitor or make enquiries as to whether any adjustment is required to be made and will not be responsible or liable in any respect to Bondholders for any loss arising from any failure by it to do so.

5.8 ***Notification of Adjustments***

Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly notify the Trustee, the Principal Agent, the other Agents, the Custodian and the Custodian's Agent in writing setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment and the effective date thereof, and shall promptly give notice to the Bondholders in accordance with Condition 19 stating that the Conversion Price has been adjusted and setting forth the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

5.9 ***Procedure for Conversion***

5.9.1 *Conversion Notice*: To exercise a Stock Acquisition Right, the exercising Bondholder shall complete, sign and deposit at the specified office of an Agent at its own expense during normal business hours of the Agent with which the deposit is being made a Conversion Notice, in the form obtainable from any Agent, together with the Certificate evidencing the relevant Bond. No Stock Acquisition Right may be exercised in part only.

5.9.2 *Custodian and Custodian's Agent*: The initial Custodian and its initial specified office are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with at least 30 days' written notice to vary or terminate the appointment of the Custodian and to appoint another Custodian; provided that there shall always be a Custodian, being a non-resident of Japan and having a specified office outside Japan. Notice of any such termination or appointment and of any changes in the specified office of the Custodian will be given to the Bondholders in accordance with Condition 19. The Custodian has, pursuant to the Agency Agreement, initially appointed Sumitomo Mitsui Banking Corporation as the Custodian's Agent at its initial specified office set out at the end of these Conditions and may, with the prior written approval of the Trustee, alter such appointment at any time. The Company shall give notice to the Bondholders in accordance with Condition 19 of any change in the Custodian's Agent and/or its specified office. The Custodian shall have no liability to Bondholders for any loss suffered by them as a result of any failure on the part of the Custodian's Agent to perform its functions pursuant to these Conditions and the Agency Agreement, nor shall the Custodian have any obligation to perform those functions should the Custodian's Agent not do so.

The Custodian shall not be liable for monitoring or supervising the performance by the Custodian's Agent of such functions. The Contracts (Rights of Third Parties) Act 1999 applies to this Condition 5.9.2 for the benefit of the Custodian.

5.9.3 *Conditions Precedent*: As conditions precedent to the exercise of the Stock Acquisition Right, the Bondholder must pay to the relevant Agent pursuant to this Condition 5.9.3 (or make arrangements satisfactory to such Agent or its delegate for the payment of) all stamp, issue, registration or other similar taxes and duties (if any), together with any incidental expenses in connection therewith, arising on such exercise in the country in which the Stock Acquisition Right is to be exercised or payable in any jurisdiction consequent upon the issue or delivery of Shares to or to the order of a person other than the exercising Bondholder (if any) together with an amount sufficient to pay the expenses of delivery pursuant to Condition 5.9.5(ii). The Agent will not be bound to make any payments until the Agent has received the full amount of such taxes and duties due and payable in respect of the Bonds, the Stock Acquisition Rights in respect of which are being exercised, or other arrangements satisfactory to the Agent have been made. The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued or transferred) must provide the relevant Agent with details of the relevant tax authorities to which such Agent must pay moneys received from the Bondholder for payment of taxes and duties. The payment of such moneys received from the Bondholders to the relevant tax authority will be made at the risk and expense of the Bondholder exercising the relevant Stock Acquisition Rights and such Bondholder will be required to submit any necessary duly completed and signed documents that may be required by the Agent in order to effect the payment of such moneys. The Agent shall be entitled to assume without duty to enquire and without liability that any information provided by the Bondholder exercising the relevant Stock Acquisition Rights in connection with any such amounts payable and as to the details of the relevant tax authorities to which the Agent must pay moneys received in settlement of the taxes and duties payable pursuant to this Condition 5.9.3 is true, accurate and complete. The Bondholders (and, if applicable, the person other than the Bondholders to whom the Shares are to be delivered) shall, upon exercising the relevant Stock Acquisition Rights, be deemed to have consented to the Agent disclosing otherwise confidential information for the purposes of the Agent's carrying out the duties herein. Such Agent is under no obligation to determine whether a Bondholder is liable to pay any taxes, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) arising upon exercise of any Stock Acquisition Rights.

For the avoidance of doubt, the exercising Bondholder shall bear any costs and expenses which relate to the account at the Account Management Institution into which it receives the Shares acquired upon the exercise of the Stock Acquisition Right pursuant to Condition 5.9.5(i). Except as aforesaid, the Company will pay the expenses arising on the acquisition of Shares upon exercise of the Stock Acquisition Rights and all charges of the Agents in connection therewith (including all costs, charges and expenses incurred by any delegate).

5.9.4 *Deposit Date and Stock Acquisition Date*: The date on which the Certificate evidencing any Bond and the Conversion Notice relating thereto are deposited with an Agent, or on which all conditions precedent to the exercise of the relevant Stock Acquisition Right are fulfilled, whichever shall be later, is hereinafter referred to as the "Deposit Date" applicable to such Bond. The request for exercise of the Stock Acquisition Right shall be deemed to have been made, and accordingly the exercise of the Stock Acquisition Right and the delivery of the Certificate will become effective, at 23:59 hours (London time) on the Deposit Date applicable to the relevant Bond (and the next calendar day, being the calendar day in Japan on which such time in London falls, is herein referred to as the "Stock Acquisition Date" applicable to such Bond). A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company.

If delivery of the Conversion Notice is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

At any time when the relevant Bond(s) is/are evidenced by the Global Certificate, the exercising Bondholder must deposit the Conversion Notice in the manner aforesaid with any Agent, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. With effect from the relevant Stock Acquisition Date, Euroclear or Clearstream, Luxembourg, as the case may be, shall debit the Bondholder's account with the number of the Bond(s) the Stock Acquisition Right(s) incorporated in which has/have been exercised and the Register shall be amended accordingly.

5.9.5 *Delivery of Shares*: The Company shall procure that the relevant Agent shall, with effect as of the Stock Acquisition Date, endorse the Conversion Notice on behalf of the Custodian. With effect from the Stock Acquisition Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), the Company shall deem the Custodian or its nominee to have become the holder of record of the number of Shares to be acquired upon such exercise of the Stock Acquisition Right (disregarding any fraction of a Share resulting from such exercise, and also disregarding any Retroactive Adjustment of the Conversion Price prior to the time when such Retroactive Adjustment is first reflected in the Conversion Price).

Thereafter, subject to any applicable limitations then imposed by Japanese law, regulation or practice, or the Articles of Incorporation:

(i) in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, as soon as practicable and in any event within 14 days after the Stock Acquisition Date, the Company shall issue and deliver the relevant Shares to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution) and the Custodian's Agent shall transfer the relevant Shares to or to the order of the exercising Bondholder at such account maintained with an Account Management Institution in Japan as specified in the relevant Conversion Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the exercising Bondholder in the relevant Conversion Notice is inaccurate, incomplete or insufficient for the purpose of such transfer); and

(ii) as soon as practicable, the Company shall deliver to the Custodian's Agent, securities (other than Shares), property or cash required to be delivered upon such exercise of the Stock Acquisition Rights, if any, and the Custodian's Agent shall, according to the request made in the relevant Conversion Notice, either:

    (a) as soon as practicable, and in any event within 14 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid) deliver or cause to be delivered to the order of the person named for that purpose in the relevant Conversion Notice at the specified office in Japan for the time being of the Custodian's Agent, any such securities (other than Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof; or

(b) as soon as practicable, and in any event within 21 days after the Stock Acquisition Date (unless the Company fails to make delivery thereof to the Custodian's Agent as aforesaid), despatch or cause to be despatched to, or to the order of the person named for that purpose in the relevant Conversion Notice and at the place in Japan (not being the specified office in Japan for the time being of the Custodian's Agent) and in the manner specified in the relevant Conversion Notice (the expense and risk of despatch at any such place being that of the exercising Bondholder), any such securities (other than Shares), property or cash required to be delivered on exercise and such assignments and other documents (if any) as may be required by law to effect the transfer thereof;

provided, however, that if such securities (other than Shares) are subject to the book-entry transfer system established pursuant to the Book-Entry Act, such delivery or despatch will be implemented in accordance therewith.

5.9.6 *Amount of Stated Capital and Additional Paid-in Capital*: With effect as of the Stock Acquisition Date, one-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital.

6. Certain Corporate Events

6.1 *Corporate Events*

In the case of a proposal for:

(i) any Merger Event; or

(ii) any Asset Transfer Event; or

(iii) any Corporate Split Event; or

(iv) any Holding Company Event; or

(v) the passing of a resolution at a general meeting of shareholders of the Company (or, where such a resolution is not required, at a meeting of the Board of Directors of the Company) for any other corporate reorganisation procedure then provided for under Japanese law (the passing of any such resolution and any Merger Event, any Asset Transfer Event, any Corporate Split Event and any Holding Company Event being together referred to in these Conditions as a "Corporate Event") pursuant to which the obligations under the Bonds and/or the Stock Acquisition Rights are proposed to be transferred to or assumed by another entity (such other entity and any Merged Company, any Asset Transferee, any Corporate Split Counterparty and any Holding Company being together referred to as a "New Obligor"),

the following provisions of this Condition 6 shall apply.

6.2 *Notice of Proposal*

The Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 of a proposed Corporate Event at the same time as it gives notice to the holders of Shares (or, if no such notice is required, or if a public announcement of such proposed Corporate Event is made on a date earlier than the date of such notice, promptly after the first public announcement of such proposed Corporate Event) and, as soon as practicable thereafter, of its proposals in relation to the Bonds (including the Stock Acquisition Rights). Such notice shall specify the anticipated Corporate Event Effective Date. If those proposals and/or that date have not been determined, the notice shall state that fact.

6.3 ***Notice of Passing of Resolution***

Upon the occurrence of a Corporate Event, the Company shall forthwith give a further notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 of that fact, the Company's proposals in relation to the Bonds (including the Stock Acquisition Rights) and the anticipated effective date of the transaction, and, if such anticipated effective date or proposals are changed or fixed, a further notice to such effect shall be given in the same manner. The effective date of the transaction contemplated by the relevant Corporate Event is referred to herein as its "Corporate Event Effective Date".

6.4 ***Transfer of Obligations Following a Corporate Event***

6.4.1 *Transfer*: If a Corporate Event occurs and

(i) it is legally possible under the then applicable laws (taking into account the then official or judicial interpretation or application of such laws) to effect substitution of the New Obligor for the Company and the grant of the New Stock Acquisition Rights in such a manner as set out in Conditions 6.5 and 12.2;

(ii) a practical structure for such substitution and grant has been or can be established; and

(iii) such substitution and grant can be consummated without the Company or the New Obligor incurring costs or expenses (including taxes) which are in the opinion of the Company unreasonable in the context of the entire transaction,

then the Company shall use its best endeavours to cause the New Obligor to be substituted as the principal obligor under the Bonds and the Trust Deed pursuant to Condition 12.2 and the Trust Deed and for the grant of the New Stock Acquisition Rights in relation to the Bonds in place of the Stock Acquisition Rights in the manner described in Condition 6.5. Such substitution and grant shall take effect on the relevant Corporate Event Effective Date, or, in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, as soon as practicable on or after, but in any event no later than 14 days after, the relevant Corporate Event Effective Date.

6.4.2 *Listing*: In connection with the substitution and grant described in Condition 6.4.1, the Company shall also use its best endeavours to ensure that the shares of common stock of the New Obligor will be listed on any stock exchange in Japan or be quoted or dealt in on any securities market in Japan (such listing, quotation and dealing being hereinafter collectively referred to as "Listing") on the relevant Corporate Event Effective Date.

6.4.3 *Condition*: The obligations of the Company pursuant to this Condition 6.4 shall not apply if the Company delivers a certificate to the Trustee pursuant to Condition 7.7(iv).

6.5 ***New Stock Acquisition Rights***

At the time of the substitution of (or assumption by) the New Obligor as principal obligor under Condition 12.2 and the Trust Deed, New Stock Acquisition Rights will be granted, in place of the Stock Acquisition Rights, to the Bondholders by the New Obligor, in accordance with the following terms:

6.5.1 *Number of the New Stock Acquisition Rights to be Granted*: The number of New Stock Acquisition Rights to be granted will be equal to the number of the Stock Acquisition Rights incorporated in the Bonds outstanding immediately prior to the relevant Corporate Event Effective Date;

6.5.2 *Class of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: Upon exercise of the New Stock Acquisition Rights, shares of common stock of the New Obligor shall be issued or transferred;

6.5.3 *Number of Shares to be Issued or Transferred upon Exercise of the New Stock Acquisition Rights*: The number of shares of the New Obligor to be issued or transferred upon exercise of the New Stock Acquisition Rights shall be determined by reference to these Conditions taking into account the terms of the transaction contemplated under the relevant Corporate Event, and

(i) in the case of a Merger Event or a Holding Company Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right would upon its exercise immediately after the Corporate Event Effective Date receive the number of shares of common stock of the New Obligor (the "Number of Deliverable Shares") receivable upon the relevant Corporate Event by a holder of the number of Shares (such number being the "Number of Held Shares") which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately prior to the relevant Corporate Event Effective Date. If securities (other than shares of common stock of the New Obligor) or other property shall be delivered to such holder of the Number of Held Shares upon the taking effect of the Merger Event or the Holding Company Event (as the case may be), such number of shares of common stock of the New Obligor shall form part of the Number of Deliverable Shares as shall be calculated by dividing the fair market value of such securities or properties delivered to such holder of the Number of Held Shares by the New Obligor Current Market Price per Share, such fair market value to be determined by the Company, provided that in determining such fair market value, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of the Independent Financial Adviser; or

(ii) in the case of any other Corporate Event, the conversion price for the New Stock Acquisition Rights shall be such that the holder of a New Stock Acquisition Right shall upon its exercise immediately after the Corporate Event Effective Date receive an equivalent economic interest to be determined by the Company as that which would have been received by a holder of the number of Shares which a holder of a Stock Acquisition Right would have received had such Stock Acquisition Right been exercised immediately before the relevant Corporate Event Effective Date, provided that, in determining such equivalent economic interest, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

For the purpose of this Condition 6, the "New Obligor Current Market Price per Share" means (i) the average of the daily Closing Prices of the shares of common stock of the New Obligor for the 30 consecutive Trading Days commencing 45 Trading Days immediately before the relevant Corporate Event Effective Date, or (ii) if such market price shall not be available, such price as is determined by the Company, provided that in determining such price, the Company shall, at its own expense, consult with an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser.

The conversion price for the New Stock Acquisition Rights shall be subject to adjustment which shall be as nearly equivalent as may be practicable to the adjustments provided in Condition 5.2;

6.5.4 *Description of the Asset to be Contributed upon Exercise of the New Stock Acquisition Rights and the Amount or the Calculation Method Thereof*: Upon exercise of each New Stock Acquisition Right, the relevant Bond shall be deemed to be acquired by the New Obligor as a capital contribution in kind by the relevant Bondholder at the price equal to the principal amount of the Bond;

6.5.5 *Exercise Period of the New Stock Acquisition Rights*: The New Stock Acquisition Rights may be exercised at any time during the period from, and including, the later of the relevant Corporate Event Effective Date or the date of implementation of the scheme described in Condition 6.4.1 up to, and including, the last day of the Exercise Period of the Stock Acquisition Rights;

6.5.6 *Other Conditions for the Exercise of the New Stock Acquisition Rights*: No New Stock Acquisition Right may be exercised in part;

6.5.7 *Acquisition at the Option of the New Obligor*: The New Stock Acquisition Rights together with the Bonds may be acquired by the New Obligor substantially in the same manner as described in Condition 7.2.

6.5.8 *Amount of Stated Capital and Additional Paid-in Capital*: As of the date on which the exercise of a New Stock Acquisition Right becomes effective, one-half of the "maximum capital and other increase amount" as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of such exercise (with any fraction of less than one yen being rounded up) shall be accounted for as stated capital, and the rest of such amount shall be accounted for as additional paid-in capital; and

6.5.9 *Others*: Fractions of a share of common stock of the New Obligor will not be issued upon exercise of the New Stock Acquisition Rights and no adjustment or cash payment will be made in respect thereof. The holder of each bond assumed (by way of substitution or otherwise only for the purposes of Japanese law), or bond provided, by the New Obligor may not transfer such bond separately from the New Stock Acquisition Rights. In cases where such restriction on transfer of the bond would not be effective under the then applicable law, a stock acquisition right incorporated in a bond equivalent to the Bond may be issued to the holder of each Bond outstanding immediately prior to the Corporate Event Effective Date in place of the Stock Acquisition Right and the Bond.

6.6 ***No Statutory Put Rights***

Each Bondholder by accepting or acquiring any Bond agrees that its remedies if a Corporate Event or a Squeezeout Event occurs shall not include any statutory rights provided by Japanese law to require the Company to repurchase such Bond at fair market value, such rights being waived to the fullest extent permitted by applicable law.

6.7 ***Subsequent Corporate Events***

The above provisions of this Condition 6 shall apply in the same way to any subsequent Corporate Events.

7. Redemption, Acquisition, Purchase and Cancellation

7.1 ***Final Maturity***

Unless the Bonds have previously been redeemed, acquired or purchased and cancelled, or become due and repayable, and unless the Stock Acquisition Rights incorporated therein have previously been exercised (in each case as provided in these Conditions), the Company will redeem the Bonds at 100 per cent. of their principal amount on 25 March 2019. The Bonds may not be redeemed at the option of the Company other than in accordance with this Condition 7.

7.2 ***Acquisition at the Option of the Company***

7.2.1 *Acquisition Notice*: On or after 28 April 2017, and subject to the Shares being listed on the Relevant Stock Exchange, the Company may, but shall not be bound to, acquire from the Bondholders all, but not some only, of the Bonds then outstanding on the Acquisition Option Date (as defined below); provided that such option to acquire the outstanding Bonds may not be exercised by the Company if an Event of Default has occurred. To exercise such option to acquire the outstanding Bonds, the Company shall give notice of such acquisition (the "Acquisition Notice") (which notice shall be irrevocable) to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, specifying the date fixed for such acquisition (the "Acquisition Option Date"), which shall be a date not less than 60 and not more than 75 days after the date that the Acquisition Notice is first given; and upon giving such notice, all such Bonds shall be deemed to be so acquired by the Company on the Acquisition Option Date. Each Bondholder by accepting or acquiring any Bond agrees that such Bond shall be so acquired by the Company on the Acquisition Option Date (whether or not a Share Settlement Notice is delivered as required by Condition 7.2.2).

Subject to Conditions 7.2.2 and 7.2.3, the Company shall, as consideration for the Bonds (including the Stock Acquisition Rights) so acquired by the Company:

(i) issue the Acquisition Shares to the Bondholders and shall deem the Custodian or its nominee to have become the holder of record thereof, with effect as of the Acquisition Option Date (or as soon as practicable thereafter under Japanese law, regulation and practice relating to the delivery of shares and the register of shareholders), and

(ii) pay to the Bondholders in the same manner as provided in Condition 8, the Adjustment Amount on the Acquisition Option Date.

Immediately prior to giving the Acquisition Notice (but on the same day as the giving of such Acquisition Notice), the Company shall provide the Trustee with a certificate by a Representative Director or an Authorised Officer certifying to the effect that, as at the date thereof, no Event of Default or, no condition, omission, act or event which, upon giving of notice and/or lapse of time and/or the issue of a certificate could constitute an Event of Default, has occurred. The Trustee may rely absolutely without liability to the Bondholders or any other person on such certificate as to the absence of any Event of Default or, any condition, omission, act or event which, upon giving of notice and/or lapse of time and/or the issue of a certificate could constitute an Event of Default, on such date.

Any expenses or taxes incurred in connection with the acquisition of the Bonds by the Company and the delivery of the Acquisition Shares or the Adjustment Amount pursuant to this Condition 7.2 shall be borne by the Company.

Bonds that have been so acquired by the Company shall be cancelled upon acquisition in accordance with these Conditions, and all Certificates in respect of Bonds so cancelled shall be promptly forwarded to the Principal Agent for cancellation.

In these Conditions:

"Acquisition Shares" means such number of Shares per Bond calculated by dividing (i) the principal amount of the Bond by (ii) the Last Day Conversion Price, provided that fractions of a Share shall be disregarded and no adjustment or cash payment will be made in respect thereof, provided further that, if during the period from but excluding the last day of the Relevant VWAP Period to but excluding the Acquisition Option Date any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the Acquisition Option Date) to the Conversion Price under the provisions of Condition 5.2, the Acquisition Shares, as determined above, shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser);

"Acquisition Share Value" means the yen amount per Bond comprising the product of the number of the Acquisition Shares deliverable per Bond multiplied by the Average VWAP per Share;

"Adjustment Amount" means such yen amount per Bond, if any (subject to a minimum of ¥0, and rounded down to the nearest yen) calculated in accordance with the formula below:

$AA = PA - SV$

where:

AA = Adjustment Amount in respect of such Bond;

PA = 100 per cent. of the principal amount of such Bond; and

SV = the Acquisition Share Value of such Bond;

"Average VWAP per Share" means the average of the Volume Weighted Average Prices ("VWAP") of the Shares reported by the Relevant Stock Exchange on each of the Trading Days during the Relevant VWAP Period. If on any Trading Day, VWAP of the Shares is not reported by, nor otherwise available from, the Relevant Stock Exchange, or VWAP reported by the Relevant Stock Exchange is manifestly incorrect, the average trading prices of the Shares using a volume weighted method on the Relevant Stock Exchange on such Trading Day as furnished by any trading participant of the Relevant Stock Exchange selected from time to time by the Company in its sole discretion (acting in a commercially reasonable manner) shall be deemed to be VWAP on such Trading Day. If during the Relevant VWAP Period any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after the last day of the Relevant VWAP Period) to the Conversion Price under the provisions of Condition 5.2, the Average VWAP per Share as determined above shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser shall consider appropriate and fair (taking fully into account the advice of such Independent Financial Adviser) in order to compensate for the effect of such event;

"Last Day Conversion Price" means the Conversion Price in effect on the last day of the Relevant VWAP Period; and

"Relevant VWAP Period" means the 20 consecutive Trading Days beginning on the 5th Trading Day from, but excluding, the date on which the Company gives the Acquisition Notice to the Bondholders in accordance with Condition 19.

All calculations with respect to the Acquisition Share Value and the Average VWAP per Share shall be made to the nearest one-tenths of one yen, with five one-hundredths or more of a yen to be considered a full tenth.

7.2.2 *Share Settlement Notice*: In order to obtain delivery of the Acquisition Shares (if any) pursuant to this Condition 7.2, each Bondholder must deliver to the specified office of an Agent, no later than the Determination Date, a duly completed share settlement notice (a "Share Settlement Notice") substantially in the form set out in the Agency Agreement (a copy of which may be obtained from the specified office of any Agent) with respect to the Bonds held by such Bondholder, together with the relevant Certificates for the relevant Bonds held by it and to which the Share Settlement Notice relates. A Share Settlement Notice shall be irrevocable once delivered.

Delivery of the Acquisition Shares by or on behalf of the Company pursuant to this Condition 7.2 will be made on or as soon as practicable after the Acquisition Option Date in accordance with the book-entry transfer system established pursuant to the Book-Entry Act, to the Custodian or its nominee at the account maintained with the Custodian's Agent (as an Account Management Institution), and the Custodian's Agent will transfer the relevant Acquisition Shares to or to the order of the relevant Bondholders at such account maintained with an Account Management Institution in Japan as specified in the relevant Share Settlement Notice (unless the Company fails to make delivery thereof to the relevant account at the Custodian's Agent as aforesaid or such instruction given by the relevant Bondholder in the relevant Share Settlement Notice is inaccurate, incomplete or insufficient for the purposes of such transfer). The provisions of Condition 5.1.5 shall apply with any necessary changes to the Acquisition Shares with references to the Stock Acquisition Date therein being construed as references to the Acquisition Option Date.

Any determination as to whether a Share Settlement Notice has been properly completed and delivered as provided in these Conditions shall be made by the Principal Agent in its sole discretion and shall be conclusive and binding on the relevant Bondholders, the Company and the Trustee.

A Share Settlement Notice may be delivered by a holder with respect to one or more Bonds. To the extent that a Share Settlement Notice is delivered with respect to more than one Bond, the number of Acquisition Shares to be delivered pursuant to this Condition 7.2 shall be calculated on the basis of the aggregate number of Bonds referred to in such Share Settlement Notice.

In these Conditions, "Determination Date" means the date falling 14 calendar days prior to the Acquisition Option Date.

7.2.3 *Sale of Shares*: If, on the day immediately following the Determination Date, there are any Bonds ("Bonds without Share Settlement Notice") in respect of which a duly completed Share Settlement Notice has not been received by an Agent on or prior to the Determination Date, the following provisions shall apply in respect of such Bonds without Share Settlement Notice:

(i) the Company shall deliver or cause to be delivered all the Acquisition Shares deliverable with respect to all such Bonds without Share Settlement Notice to the Custodian's Agent on behalf of the Custodian on or as soon as possible after the Acquisition Option Date whereupon all such Acquisition Shares shall be deemed to be delivered and paid to the relevant Bondholders;

(ii) all the Acquisition Shares so delivered pursuant to Condition 7.2.3(i) shall be sold (whether in one or more lots) by the Custodian's Agent, acting on behalf and by order of the Custodian (subject to any limitations then imposed by Japanese law and any necessary consents being obtained), and (subject to the deduction by the Custodian's Agent of any amount which shall be payable in respect of any liability of the Custodian or the Custodian's Agent to taxation and the payment of any capital, stamp, issue or registration duties (if any) and any fees or costs incurred by the Custodian or the Custodian's Agent in connection with the allotment and sale thereof) the net proceeds thereof shall be paid by the Custodian's Agent to the Custodian (or any Agent if so instructed by the Custodian) for distribution to holders of the Bonds without Share Settlement Notice in the same manner as provided in Condition 8 (save that no presentation and surrender of the relevant Certificates are required) in proportion to the numbers of the Bonds without Share Settlement Notice held by them.

For the avoidance of doubt, calculations with respect to the number of Acquisition Shares and the Adjustment Amount (if any) with regard to the Bonds without Share Settlement Notice to be deemed to be delivered and paid pursuant to Condition 7.2.3(i) shall be made on the basis of the aggregate number of all such Bonds without Share Settlement Notice (and not on the basis of the number of Bonds held by the relevant Bondholders or on a per Bond basis).

In undertaking the sale of any Acquisition Shares pursuant to this Condition 7.2.3, the Custodian may, following consultation with the Company, appoint an independent investment bank, securities company, financial institution, broker or accountancy firm of international repute to advise the Custodian as to the manner and/or timing of any such sale (or on such other matters as the Custodian shall deem appropriate in connection therewith) and shall be entitled to act, without liability, on the advice thereof. The fees of any such appointment and advice shall be paid by the Company.

None of the Company, the Trustee, the Custodian, the Custodian's Agent, the Registrar or any Agent shall have any liability to any Bondholder for the timing of any such sale (including if no such sale can be made), the price at which the Acquisition Shares are sold, or for any loss suffered by any Bondholder as a result of the same. None of the Company, the Trustee, the Custodian, Custodian's Agent, the Registrar or any Agent shall have any liability to any Bondholder (i) for any loss suffered by Bondholders as a result of any failure by the Custodian's Agent to effect any such sale or to pay over the net proceeds of the sale to the Custodian (or any Agent if instructed by the Custodian), and for distribution to holders of Bonds without Share Settlement Notice or (ii) for monitoring or supervising the performance by the Custodian's Agent of its functions pursuant to this Condition 7.2. The Contracts (Rights of Third Parties) Act 1999 shall apply in favour of the Custodian and the Custodian's Agent in relation to Condition 7.2.

The payment of the net proceeds of the sale of any Acquisition Shares shall satisfy the obligation with respect to the delivery of the Acquisition Shares. Each Bondholder by accepting or acquiring any Bond shall be deemed to agree to any such sale and manner of sale thereof by the Custodian's Agent, and such sale and transfer shall be binding on all Bondholders.

7.2.4 *Acquisition Notice Void*: Notwithstanding the provisions of Condition 7.2.1, if the Shares are not listed on the Relevant Stock Exchange on the Acquisition Option Date, the Acquisition Notice shall be treated as null and void and the relevant Bonds will be redeemed, subject as provided herein, for cash in accordance with the provisions of Condition 7 other than this Condition 7.2 and payment in respect thereof shall be made in accordance with Condition 8.

If the Company becomes aware, after the Acquisition Notice having been given, that the Shares will not be listed on the Relevant Stock Exchange on the Acquisition Option Date (other than in the circumstances set out in Condition 7.8 in which case the provisions of Condition 7.8 shall apply), the Company shall give notice of the nullification of the Acquisition Notice to the Bondholders in accordance with Condition 19 forthwith upon becoming so aware.

In addition, if an Event of Default occurs at any time after the giving of the Acquisition Notice but before the Acquisition Option Date, then the Acquisition Notice shall, unless the Bonds have already been acquired on the Acquisition Option Date, become null and void and the provisions of Condition 10 will apply.

7.2.5 *Exercise of Stock Acquisition Rights*: The Company's right to acquire the Bonds in the manner set forth in this Condition 7.2 does not affect a Bondholder's right to exercise its Stock Acquisition Rights hereunder during the Exercise Period. For the avoidance of doubt, the Stock Acquisition Rights may not be exercised for the period from and including the Determination Date to and including the Acquisition Option Date.

7.3 ***Redemption at the Option of the Company upon Increased Share Prices***

At any time on or after 25 March 2016, the Company may, but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Optional Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for such redemption, provided, however, that no such redemption may be made unless the Closing Price of the Shares for each of the 20 consecutive Trading Days, the last of which occurs not more than 30 days prior to the date upon which the Optional Redemption Notice is first published, is at least 130 per cent. of the Conversion Price in effect on each such Trading Day (taking into account any Retroactive Adjustment not then reflected in the Conversion Price).

7.4 ***Redemption at the Option of the Company***

On or after 28 April 2017, and prior to maturity, the Company may, having given not less than 30 nor more than 60 days' prior notice to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount.

7.5 ***Redemption at the Option of the Company upon Reduced Outstanding Amounts***

The Company may, but shall not be bound to, having given not less than 30 nor more than 60 days' prior notice (the "Clean-up Redemption Notice") to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for such redemption in the Clean-up Redemption Notice, if at any time prior to the date upon which the Clean-up Redemption Notice is given, the outstanding principal amount of the Bonds is less than 10 per cent. of the aggregate principal amount of the Bonds as of the date of issue thereof.

7.6 ***Redemption for Taxation Reasons***

The Company may, but shall not be bound to, at any time, having given not less than 30 nor more than 60 days' prior notice (the "Tax Redemption Notice") to the Trustee and (unless the

Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19 (which notice shall be irrevocable), redeem all, but not some only, of the Bonds then outstanding at 100 per cent. of their principal amount on the date fixed for redemption in the Tax Redemption Notice (the "Tax Redemption Date"), if the Company satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice (i) that it has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 5 March 2014, and (ii) that such obligation cannot be avoided by the Company taking reasonable measures available to it; provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice, the Company shall deliver to the Trustee a certificate signed by a Representative Director or an Authorised Officer, stating that the Company has or will become obliged to pay Additional Amounts as a result of such change or amendment and that the obligation referred to in (i) above cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on the Bondholders. Upon the giving of the Tax Redemption Notice to the Bondholders, the Company shall be bound to redeem the Bonds then outstanding at 100 per cent. of their principal amount on the Tax Redemption Date.

Notwithstanding the foregoing, if the Company shall have given a Tax Redemption Notice, and if the outstanding principal amount of the Bonds at the time when such Tax Redemption Notice is given is 10 per cent. or more of the aggregate principal amount of the Bonds as of the date of issue thereof, each holder of the Bonds will have the right to elect, and the Tax Redemption Notice shall state that such Bondholder will have the right to elect, that its Bonds should not be redeemed and that the provisions set forth in Condition 9 shall not apply in respect of payment of any amount to be made in respect of the Bonds which will fall after the Tax Redemption Date and payment of all amounts due on such Bonds thereafter shall be made subject to the withholding of, or deduction for or on account of, Japanese taxes, duties, assessments and governmental charges referred to in Condition 9. Such right of the Bondholder shall be exercised by the Bondholder giving notice to the Company in the form (for the time being current) obtainable from any Agent no later than 20 days prior to the Tax Redemption Date.

7.7 ***Corporate Event Redemption***

Upon or following the occurrence of a Corporate Event, the Company shall give not less than 14 Tokyo Business Days' prior notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and the Bondholders in accordance with Condition 19 to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) determined by reference to the table set out below and in accordance with the provisions of this Condition 7.7 (the "Corporate Event Redemption Price"), together with all Additional Amounts due on the Bonds (if any), on the date (the "Corporate Event Redemption Date") specified for redemption in such notice (such Corporate Event Redemption Date shall be a date falling on or prior to the relevant Corporate Event Effective Date or, if such Corporate Event Effective Date occurs earlier than the 14th Tokyo Business Day from the date of occurrence of the Corporate Event, such Corporate Event Redemption Date shall be the 14th Tokyo Business Day from the date of the notice of such redemption, which notice shall be given as soon as practicable after the date of occurrence of the Corporate Event) if any of the following conditions is satisfied:

(i) it is not legally possible under the then applicable laws (taking into account the then official or judicial interpretation of such laws) to effect a scheme provided for by Condition 6.4.1; or

(ii) it is legally possible as aforesaid but, despite the Company using its best endeavours, the Company cannot effect such a scheme in compliance with Condition 6.4.1; or

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2, on (a) the date of occurrence of the relevant Corporate Event or (b) the 25th day prior to the relevant Corporate Event Effective Date, whichever occurs later, (x) no Listing has been obtained for the shares of common stock of the New Obligor, and (y) no confirmation has been obtained by the New Obligor from any stock exchange in Japan or the governing body of any securities market in Japan that such Listing will be obtained on or prior to such Corporate Event Effective Date; or

(iv) the Company has delivered to the Trustee, on or prior to the date of occurrence of the relevant Corporate Event, a certificate signed by a Representative Director stating that the Company does not currently anticipate that a Listing will be obtained or maintained for the shares of common stock of the New Obligor on the relevant Corporate Event Effective Date for any reason stated in such certificate. The Trustee and the Bondholders shall be entitled to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.7.

Any notice of redemption given under this Condition 7.7 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice even if (in the case of Condition 7.7(iii) or 7.7(iv) above) a Listing for the shares of common stock of the New Obligor is subsequently obtained.

If the Corporate Event Redemption Date falls on or prior to 11 March 2019, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event Redemption Date	Reference Parity (Percentage)													
	60.00	**70.00**	**80.00**	**90.00**	**100.00**	**110.00**	**120.00**	**130.00**	**140.00**	**150.00**	**160.00**	**170.00**	**180.00**	**190.00**
24 March 2014	99.37	102.92	107.32	112.51	118.43	124.94	131.99	139.57	147.49	155.79	164.39	173.25	182.34	191.60
24 March 2015	98.73	101.62	105.43	110.15	115.74	122.06	129.04	136.71	144.78	153.32	162.21	171.39	180.81	190.40
24 March 2016	97.84	99.88	102.93	107.00	112.02	117.71	123.80	130.62	140.00	150.00	160.00	170.00	180.00	190.00
24 March 2017	97.75	98.43	99.48	101.51	105.59	112.16	120.62	130.02	140.00	150.00	160.00	170.00	180.00	190.00
24 March 2018	98.60	98.98	99.63	100.60	103.89	110.85	120.03	130.00	140.00	150.00	160.00	170.00	180.00	190.00
11 March 2019	100.00	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00	160.00	170.00	180.00	190.00

In the above table:

"Reference Parity" means:

(i) if the consideration payable to holders of the Shares in connection with the relevant Corporate Event consists of cash only, the amount of such cash per Share divided by the Conversion Price in effect on the date of occurrence of the relevant Corporate Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; and

(ii) in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days commencing on the Trading Day immediately following:

    (a) the date on which the terms and conditions of the relevant Corporate Event (including the consideration payable or deliverable to holders of the Shares in connection therewith) are approved at a meeting of the Board of Directors of the Company, as required under the Companies Act; or

    (b) (if the terms and conditions of the relevant Corporate Event are announced to the public later than that date) the date of such public announcement,

    divided by the Conversion Price in effect on the last day of such five consecutive Trading Day period (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

If the Reference Parity or Corporate Event Redemption Date does not appear in the above table, and:

(x) if the Reference Parity falls between two numbers in the first row of the above table and/ or the Corporate Event Redemption Date falls between two dates in the above table, then the Corporate Event Redemption Price shall be determined by straight-line interpolation between such two numbers and/or two dates, on the basis of a 365-day year, as the case may be, with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth;

(y) if the Reference Parity is higher than the number in the far right column in the first row of the above table, the Reference Parity shall be deemed to be equal to that number; and

(z) if the Reference Parity is less than the number set forth in the far left column in the first row of the above table, the Corporate Event Redemption Price shall be 100.00 per cent.

If the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.7, is less than 100.00 per cent., the Corporate Event Redemption Price shall be 100.00 per cent. Conversely, if the Corporate Event Redemption Price, as determined by reference to the above table and in accordance with the above provisions of this Condition 7.7, is more than 190.00 per cent., the Corporate Event Redemption Price shall be 190.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 12 March 2019 to (and including) 24 March 2019, the Corporate Event Redemption Price shall be 100.00 per cent.

7.8 ***Redemption on Delisting of the Shares***

7.8.1 *Offers and Redemption*: If:

(i) any offer is made by a party or parties (the "Offeror") other than the Company in accordance with the Financial Instruments and Exchange Act to all holders of Shares (or all such holders other than the Offeror and/or any company controlled by the Offeror and/or persons associated or acting in concert with the Offeror) to acquire all or a portion of the Shares;

(ii) the Company expresses its opinion to support such offer in accordance with the Financial Instruments and Exchange Act;

(iii) the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces or admits, that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or may be disqualified from such listing, quotation or dealing, as a result of the acquisition of Shares pursuant to the offer (unless the Company or the Offeror publicly expresses its intention to use its best endeavours to continue such listing, quotation or dealing after such acquisition); and

(iv) the Offeror acquires any Shares pursuant to the offer,

then the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date of acquisition of those Shares pursuant to the offer, to redeem all, but not some only, of the Bonds then outstanding at the redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the "Delisting Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice). The Trustee may assume until it has received actual written notice from the Company to the contrary that the Offeror has not so acquired any Shares.

7.8.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.8 shall be calculated in the same manner as provided in Condition 7.7, except that references to the Corporate Event Redemption Date shall be replaced by the Delisting Redemption Date and the Reference Parity shall mean, if the offer price consists of cash only, the offer price in effect on the last day of the offer divided by the Conversion Price in effect on the same day (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the last day of the offer divided by the Conversion Price in effect on the last day of the offer (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment to take effect on or after such date) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.7 shall apply to the above redemption price without any adjustment.

7.8.3 *Offer Followed by Corporate Event or Squeezeout Event*: Notwithstanding the above provisions of this Condition 7.8, if the Company or the Offeror states in the relevant tender offer registration statement or any amendment thereto, or otherwise publicly announces, that it intends to effect a Corporate Event or a Squeezeout Event after the date of acquisition of any Shares pursuant to the offer, then the Company's obligation to redeem the Bonds under this Condition 7.8 shall not apply (but, for the avoidance of doubt, the provisions of Condition 6 and Condition 7.7 or 7.9, as the case may be, shall be applicable to such Corporate Event or Squeezeout Event, as the case may be) unless such Corporate Event or Squeezeout Event does not occur within 60 days after the date of such acquisition, in which case the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the last day of such 60-day period, to redeem all, but not some only, of the Bonds then outstanding at the redemption price set out in Condition 7.8.2 (for the avoidance of doubt, the Reference Parity applicable to such redemption being equal to the Reference Parity that would have been applicable had the Bonds been redeemed under Condition 7.8.1 without being subject to the provisions of this Condition 7.8.3), together with all Additional Amounts due on the Bonds (if any), on the date (for the avoidance of doubt, the Delisting Redemption Date applicable to such redemption being such date) specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice).

7.8.4 *Irrevocable Notice*: Any notice of redemption given under this Condition 7.8 shall be irrevocable and the Company shall be bound to redeem the Bonds in accordance with such notice.

7.8.5 *Notice to Bondholders*: Upon the occurrence of:

(a) any of the events set out in (i) through (iv) of Condition 7.8.1; or

(b) any of the events set out in Condition 7.8.3 which results in the cancellation or revival of the Company's obligation to redeem the Bonds,

the Company shall as soon as practicable give notice thereof to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

7.8.6 *Condition*: If the Company becomes obliged to redeem the Bonds pursuant to both this Condition 7.8 and either Condition 7.7 or 7.9, as the case may be, the procedure pursuant to Condition 7.7 or 7.9, as the case may be, shall apply.

7.9 *Squeezeout Redemption*

7.9.1 *Redemption*: Upon the occurrence of a Squeezeout Event, the Company shall give notice to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19, as soon as practicable but within 14 days after the date on which the Squeezeout Event occurs, to redeem all, but not some only, of the Bonds then outstanding at a redemption price (expressed as a percentage of the principal amount of the Bonds) calculated in accordance with the provisions below, together with all Additional Amounts due on the Bonds (if any), on the date (the "Squeezeout Redemption Date") specified for redemption in such notice (which shall be a date falling not earlier than 14 Tokyo Business Days, nor later than 30 Tokyo Business Days, from the date of such notice and in any event before the effective date of the acquisition of the Shares with respect to the Squeezeout Event).

"Squeezeout Event" means the passing of a resolution at a general meeting of shareholders of the Company approving its acquisition of all of the outstanding Shares in exchange for a consideration, following the outstanding Shares being transformed into callable shares (*zenbushutokujoko tsuki shuruikabushiki*) by way of an amendment to the Articles of Incorporation, such as for the purpose of making the Company a wholly-owned subsidiary of another corporation.

7.9.2 *Redemption Price*: The redemption price applicable to the redemption under this Condition 7.9 shall be calculated in the same manner as provided in Condition 7.7, except that references to the Corporate Event Redemption Date shall be replaced by the Squeezeout Redemption Date and the Reference Parity shall mean, if the assets to be delivered to the holders of Shares consist of cash only (or if the holders of Shares which are being squeezed out are to effectively receive cash only in respect of such Shares), the cash amount which the holder of a Share would receive in exchange for Shares to be transferred as a result of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage) and, in all other cases, the average of the Closing Prices of the Shares for the five consecutive Trading Days ending on the date of the Squeezeout Event divided by the Conversion Price in effect on the date of the Squeezeout Event (expressed as a percentage), with any fractional percentage of less than one-hundredth being rounded to the nearest one-hundredth with five one-thousandths or more to be considered a full one-hundredth; provided that if, during the said five consecutive Trading Day period, any event shall occur which gives rise to an adjustment (excluding a Retroactive Adjustment becoming effective during such period, where the event requiring such Retroactive Adjustment takes place after such period) to the Conversion Price under the provisions of Condition 5.2, the Reference Parity so determined shall be adjusted in such manner and to such extent as the Company in consultation with an Independent Financial Adviser (whose advice the Company will take fully into account) shall determine to be appropriate and fair in order to compensate for the effect of such event.

For the avoidance of doubt, the last paragraph of Condition 7.7 shall apply to the above redemption price without any adjustment.

7.10 *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Company and/or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise. Such Bonds may, at the option of the Company or the relevant Subsidiary, be held or resold. The Bonds so purchased, while held by or on behalf of the Company or any of its Subsidiaries, shall not entitle the Bondholder to vote at any meeting of Bondholders and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders or for the purposes of these Conditions. Bonds that have been purchased by the Company may, at the option of the Company, be cancelled. Bonds that have been purchased by any Subsidiary may, at the option of such Subsidiary, be delivered to the Company for cancellation.

7.11 ***Cancellation***

All Bonds which are redeemed or with respect to which the Stock Acquisition Rights have been exercised shall forthwith be cancelled and such Bonds may not be reissued or resold. All Certificates in respect of Bonds so cancelled and Certificates in respect of Bonds purchased and cancelled pursuant to Condition 7.10 shall be forwarded to the Principal Agent for cancellation.

7.12 ***Notice of Redemption***

All notices to Bondholders given by or on behalf of the Company pursuant to this Condition 7 will specify the Conversion Price as of the date of the relevant notice, the Closing Price of the Shares as of the latest practicable date prior to the publication of the relevant notice, the applicable date fixed for redemption and the redemption price of the Bonds, the last day on which the Stock Acquisition Rights may be exercised and the aggregate principal amount of the Bonds outstanding as of the latest practicable date prior to the publication of the relevant notice. No notice of redemption given under Condition 7.3, 7.4, 7.5 or 7.6 shall be effective if it specifies a date for redemption which falls during a period (a "Closed Period") in which Stock Acquisition Rights may not be exercised pursuant to Condition 5.1.4(b) or within 15 days following the last day of a Closed Period.

7.13 ***Priorities Among Redemption and Acquisition Provisions***

If any notice of redemption or acquisition is given by the Company pursuant to any of Condition 7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 7.8 or 7.9, no other notice may be, or as the case may be, required to be, given pursuant to any other of such Conditions, subject as provided in Condition 7.8.3 and except for such Bonds so elected by the relevant Bondholder not to be redeemed pursuant to Condition 7.6 and subject to Condition 7.2.4.

If (a) the Company becomes obliged to give notice of redemption pursuant to Condition 7.7 or 7.9, or (b) the events set out in (i) to (iv) of Condition 7.8.1 occur, then a notice pursuant to Condition 7.2, 7.3, 7.4, 7.5 or 7.6 may not subsequently be given.

7.14 ***Calculations***

Other than in such cases as specifically stated herein (if any), the Trustee, the Registrar, the Principal Agent and the other Agents are not liable to determine or calculate the Reference Parity, any redemption amount or price under these Conditions (howsoever expressed or defined) or to make any other calculations required to be made under these Conditions, and shall have no responsibility to verify or monitor such calculation.

8. Payments

8.1 ***Method of Payment***

Payments in respect of principal, default interest (if any) and premium (if any) will be made against presentation and (if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent. Such payments will be made by transfer to its Registered Account subject in all cases to any fiscal or other laws and regulations applicable thereto but without prejudice to the provisions of Condition 9. Save as provided in Condition 9, payments will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment and the Company will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. If an amount which is due in respect of the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

"Registered Account" means a yen account maintained by the payee with a bank in Japan, details of which appear on the Register at the close of business on the sixth Transfer Business Day before the due date of payment.

8.2 ***Agents***

The initial Principal Agent and the Registrar and their respective initial specified offices are set out at the end of these Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time with at least 30 days' written notice to vary or terminate the appointment of the Principal Agent, the Registrar or any other Agent and to appoint other or further Agents, provided that it will at all times maintain (i) a Principal Agent; (ii) a Registrar; (iii) an Agent having a specified office in Singapore, so long as the Bonds are listed on the Singapore Exchange Securities Trading Limited and the rules of that exchange so require; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) an Agent with a specified office in a European Union member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment and of any changes in the specified offices of the Principal Agent, the Registrar or any other Agent will be given to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent in writing and to the Bondholders in accordance with Condition 19.

8.3 ***Payments on Business Days***

If the due date for payment of any amount in respect of any Bond is not a Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following Business Day and no other payment will be made as a consequence of the day on which the relevant Bond may be presented for payment under this Condition 8.3 falling after the due date. "Business Day" means any day on which banks are open for business in the place of the specified office of the Agent at which (where required) the Certificate is presented for payment and (in the case of payment by transfer to a Registered Account as referred to in Condition 8.1) on which dealings in foreign currency may be carried on both in Tokyo and in such place.

9. **Taxation**

All payments by the Company in respect of the Bonds, subject to Condition 7.6, will be made without withholding of, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision or any authority thereof or therein having power to tax unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. If such withholding or deduction is so required, the Company will pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts received by the Bondholders after such withholding or deduction shall equal the amounts which would have been receivable in respect of the Bonds in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Bond:

(i) held by or on behalf of a Bondholder (a) who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation, or (b) who fails to comply with the Japanese tax law requirements in respect of the exemption from such withholding or deduction, or (c) who is otherwise subject to such taxes, duties, assessments or governmental charges by reason of its being connected with Japan (including carrying on a business or maintaining a permanent establishment in Japan) otherwise than by reason only of the holding of any Bond or enforcement of rights thereunder or the receipt of payment in respect of any Bond;

(ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date except to the extent that the holder thereof would have been entitled to such Additional Amounts on presenting the Certificate in respect of such Bond for payment as of the expiry of such 30-day period;

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the Certificate in respect of such Bond to another Agent in a European Union member state.

If the Company becomes obliged to pay Additional Amounts in accordance with this Condition 9, then it will have the right to redeem the Bonds, subject to the right of the Bondholders to retain the Bonds without entitlement to such Additional Amounts in accordance with Condition 7.5.

In these Conditions, the "Due Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Bondholders in accordance with Condition 19.

Any reference in these Conditions and the Trust Deed to principal, premium (if any) or default interest in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 9 or any undertakings or covenants given in addition thereto or in substitution therefor pursuant to the Trust Deed.

10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice in writing to the Company that the Bonds are due and repayable on the occurrence of any of the following events:

10.1 ***Non-payment***

The Company defaults in the payment of the principal of any of the Bonds under Condition 7.6 as and when the same shall become due and payable, and such default is not remedied within 14 days; or

10.2 ***Breach of Obligations***

The Company defaults in the performance or observance of any covenant, condition or provision contained in the Trust Deed or in the Bonds and on its part to be performed or observed (other than the covenant to pay the principal of any of the Bonds), which default is, in the opinion of the Trustee, incapable of remedy, or if, in the opinion of the Trustee, capable of remedy, is not remedied within 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring such default to be remedied; or

10.3 ***Cross Default on Indebtedness***

The obligation to repay any indebtedness for money borrowed by the Company or any Principal Subsidiary and having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is accelerated or capable of being accelerated prior to its stated maturity as a result of a default in respect of the terms thereof, or any such indebtedness due (on demand or otherwise) having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10) is not paid when due (whether on demand (if applicable) or at the expiration of any grace period as originally provided (if applicable)); or

10.4 ***Cross Default on Guarantee/Indemnity***

The Company or any Principal Subsidiary fails to pay or otherwise defaults in making any payment due under any guarantee and/or any indemnity given by it in respect of any obligation or indebtedness for money borrowed having an aggregate outstanding principal amount of at least ¥1,000,000,000 (or its equivalent in any other currency or currencies as determined in accordance with this Condition 10); or

10.5 ***Initiation of Insolvency Proceedings***

Proceedings shall have been initiated against the Company or any Principal Subsidiary seeking with respect to the Company or such Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction and such proceedings shall not have been discharged or stayed within a period of 60 days; or

10.6 ***Decree of Insolvency/Dissolution***

A final decree or order is made or issued by a court of competent jurisdiction adjudicating the Company or any Principal Subsidiary bankrupt or insolvent, or approving a petition seeking with respect to the Company or any Principal Subsidiary a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction or a final decree or order is made or issued by a court of competent jurisdiction for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or any Principal Subsidiary or of all or any material (in the opinion of the Trustee) part of the property of any of them, or for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary in its bankruptcy or insolvency; or

10.7 ***Resolution for Dissolution***

A resolution is passed for the winding-up, dissolution or liquidation of the Company or any Principal Subsidiary except:

10.7.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds will be redeemed pursuant to Condition 7.7, 7.8 or 7.9 prior to the date or proposed date of such winding-up, dissolution or liquidation; or

10.7.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.7.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.8 ***Institution of Insolvency Proceedings***

The Company or any Principal Subsidiary institutes proceedings seeking with respect to itself adjudication of bankruptcy or seeking with respect to itself a decree of commencement of bankruptcy, reorganisation, rehabilitation or special liquidation procedures or adjustment under the Bankruptcy Act, the Corporate Reorganisation Act, the Civil Rehabilitation Act, the Companies Act or any other similar applicable law of Japan or any other jurisdiction, or consents to the institution of any such proceedings, or consents to, or acquiesces in, the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or any material (in the opinion of the Trustee) part of its property, or makes a general assignment for the benefit of its creditors; or

10.9 ***Stop Payment***

The Company or any Principal Subsidiary stops payment (within the meaning of the Bankruptcy Act or any applicable law of any other jurisdiction); or

10.10 ***Cessation of Business***

The Company or any Principal Subsidiary ceases, or through an official action of its Board of Directors threatens to cease to carry on business, except:

10.10.1 in the case of the Company, in connection with or in pursuance of a merger, consolidation, amalgamation, reorganisation or reconstruction (including the Company becoming, or becoming a subsidiary of, a holding company) upon which:

(a) the continuing corporation or the corporation formed thereby effectively assumes (as a matter of English law) the entire obligations of the Company under the Trust Deed and the Bonds (and Condition 6.4 is satisfied); or

(b) the Bonds will be redeemed pursuant to Condition 7.7, 7.8 or 7.9 prior to the date or proposed date of such cessation of business; or

10.10.2 in the case of a Principal Subsidiary, where the undertaking, business and assets of such Principal Subsidiary are transferred or are otherwise vested in, or the proceeds of sale are received by, the Company or any other Subsidiary of the Company or the Holding Company, in any such case, in proportion to the ownership interest held by the Company, such other Subsidiary or Holding Company (as the case may be) in the relevant Principal Subsidiary; or

10.10.3 in any case, where the terms have previously been approved by the Trustee in writing or by an Extraordinary Resolution; or

10.11 ***Encumbrancer***

Any encumbrancer takes possession of the whole or any material (in the opinion of the Trustee) part of the assets or undertakings of the Company or any Principal Subsidiary or a distress, execution or other similar process is levied or enforced upon or sued out against the whole or any material (in the opinion of the Trustee) part of the assets of the Company or any Principal Subsidiary and is not removed, discharged or paid out within 60 days or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned having taken appropriate legal advice upon which the Trustee shall be entitled to rely absolutely;

and, in the case of any of the events described in Conditions 10.2, 10.3, 10.4 and 10.11, and (if the events relate only to a Principal Subsidiary) Conditions 10.5, 10.6, 10.7, 10.8, 10.9 and 10.10, the Trustee shall have certified in writing to the Company that the event is, in its opinion, materially prejudicial to the interests of the Bondholders. The Trustee in forming such an opinion, or making any determination under this Condition 10, may exercise all or any of its rights, powers and discretions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

For the purposes of Conditions 10.3 and 10.4, any indebtedness which is in a currency other than Japanese yen may be translated into Japanese yen at the spot rate for the sale of relevant currency against the purchase of Japanese yen quoted by any leading bank selected by the Trustee at its absolute discretion on any day when the Trustee requests such a quotation for such purpose.

Upon any such notice being given to the Company, the Bonds shall immediately become due and repayable at 100 per cent. of their principal amount (together with premium, if any, and default interest) as provided in the Trust Deed.

11. Undertakings

11.1 *Undertakings with Respect to the Stock Acquisition Rights*

While any Stock Acquisition Rights are, or are capable of being, exercisable, the Company will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the opinion of the Trustee, it is not materially prejudicial to the interests of the Bondholders to give such approval:

11.1.1 *Shares*: issue, register and deliver Shares upon exercise of Stock Acquisition Rights in accordance with these Conditions, and keep available free from pre-emptive or other rights for the purpose of effecting the exercise of the Stock Acquisition Rights such number of its Shares (whether authorised and unissued or in issue and held in treasury) as would be required to be acquired upon exercise of all of the Stock Acquisition Rights outstanding from time to time and will ensure that all Shares delivered upon exercise of the Stock Acquisition Rights pursuant to these Conditions will be duly and validly issued and fully-paid and non-assessable;

11.1.2 *Transfers*: not close its register of shareholders or take any action which prevents the transfer of its Shares generally unless, under Japanese law and the Articles of Incorporation as then in effect, the Stock Acquisition Rights may be exercised legally for Shares and the Shares issued upon exercise, may (subject to any limitation imposed by law) be transferred (as between transferor and transferee although not as against the Company) at all times while such action is effective, nor take any action which prevents exercise of the Stock Acquisition Rights or the issue or transfer of Shares in respect thereof, except as permitted under Condition 5.1.4;

11.1.3 *Financial Year and Record Date*: give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 as soon as practicable after it effects any change in its financial year or in the Record Date (including the setting of new Record Dates) for the payment of any cash dividend;

11.1.4 *Listing*: use its best endeavours to obtain and maintain the listing, quotation or dealing in on the Relevant Stock Exchange for the Shares or, if it is unable to do so having used such best endeavours, use its best endeavours to obtain and maintain the listing, quotation or dealing in of the Shares on such other stock exchange or securities market in Japan as the Company may from time to time reasonably determine and give notice of the identity of such stock exchange or securities market to the Bondholders in accordance with Condition 19; provided that:

(i) so long as the Company is not in breach of its obligations under Condition 6 in the case of any Corporate Event where the obligations under the Bonds and/or Stock Acquisition Rights are proposed to be transferred to or assumed by a New Obligor, then the Shares may be delisted with effect from the date falling no earlier than 30 days prior to the relevant Corporate Event Effective Date or such earlier date as may be determined by the Relevant Stock Exchange and (unless shares of common stock of the New Obligor are then listed or quoted or dealt in on any stock exchange or securities market) the Company shall use its best endeavours to cause the obtaining of a listing, quotation or dealing in of the shares of common stock of the New Obligor on any stock exchange or securities market in Japan;

(ii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.7 or Condition 7.8 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from (x) delivering a certificate to the Trustee, as provided in Condition 7.7(iv), or (y) taking any action provided in items (ii) and (iii) of Condition 7.8.1); and

(iii) the Company's obligations under this Condition 11.1.4 shall not apply if the Bonds are to be redeemed under Condition 7.9 (for the avoidance of doubt, the provisions of this Condition 11.1.4 shall not prevent the Company from, among other things, proposing an amendment to the Articles of Incorporation for transforming the Shares into callable shares (*zenbushutokujoko tsuki* *shuruikabushiki*), or announcing or admitting that the Shares may cease to be listed, quoted or dealt in on the Relevant Stock Exchange or be disqualified from such listing, quotation or dealing as a result of the acquisition of Shares pursuant to a Squeezeout Event);

11.1.5 *Other Securities*: procure that no securities of the Company convertible into, or exchangeable for, by their terms, Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), converted into or exchanged for Shares and that no rights or warrants to subscribe for, purchase or otherwise acquire Shares are, without the prior written consent of the Trustee (and in compliance with the conditions attached to such consent, if any), exercised otherwise than, in each case, in accordance with the terms of issue thereof (for the avoidance of doubt, such terms may be amended as a result of any change in or bringing into force of Japanese law, including but not limited to certain tax qualification requirements relating to incentive stock options);

11.1.6 *Capital*: not create or issue any class of share capital other than Shares, without giving notice to the Trustee in writing and to the Bondholders in accordance with Condition 19, at least 14 days prior to the date of such creation or issue;

11.1.7 *Conversion Price Adjustments*: not take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would (but for the provisions of Condition 5.4) be decreased to such an extent that the Shares to be acquired on exercise of the Stock Acquisition Right could not, under any applicable law then in effect, be legally issued as fully-paid and non-assessable;

11.1.8 *Corporate Event*: if a Corporate Event occurs, use its best endeavours to obtain all consents which may be necessary or appropriate under Japanese law to enable the relevant company to give effect to the relevant arrangement, and to take all other action, as required by Condition 6 in a timely manner (unless, for the avoidance of doubt, the Bonds will be redeemed pursuant to Condition 7.7 or 7.8); and

11.1.9 *Consents*: obtain and maintain all consents, clearances, approvals, authorisations, orders, registrations or qualifications (if any) required to be obtained or maintained by the Company on exercise of the Stock Acquisition Rights.

The Trust Deed contains certain other undertakings in relation to the Bonds and the Stock Acquisition Rights.

11.2 ***Charges***

Except as otherwise provided in Condition 5.9, the Company will pay all charges of the Trustee, the Principal Agent, the other Agents, the Registrar, the Custodian and the Custodian's Agent (including the cost of SWIFT message, fax or telex notices by the Trustee or the Agents to the Principal Agent, the Company or the Custodian's Agent and by the Custodian to the Company or the Custodian's Agent) and all issue, transfer and other similar taxes payable with respect to the deposit of Bonds pursuant to Condition 5.9.3, and the issue and delivery of Shares and the delivery of any other securities, property or cash pursuant to Condition 5.9.5 following such deposit.

12. **Substitution**

12.1 ***Substitution other than under a Corporate Event***

The Trustee may, without the consent of the Bondholders, agree with the Company to the substitution in place of the Company (or any previous substitute under this Condition 12) as the principal obligor under the Bonds and the Trust Deed of any Subsidiary of the Company subject to (i) the Bonds continuing to be convertible into Shares as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, and (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders.

Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 19. When determining, pursuant to this Condition 12.1, whether a circumstance is materially prejudicial to the interests of the Bondholders, the Trustee may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

Further conditions to such substitution are set out in the Trust Deed.

12.2 ***Substitution under a Corporate Event***

Prior to a Corporate Event Effective Date the Trustee may, if so requested by the Company, agree with the Company, without the consent of Bondholders, to the substitution in place of the Company of the New Obligor subject to a trust deed supplemental to the Trust Deed (which shall include the provisions described below), providing that the Company's obligations under the Bonds and the Trust Deed shall be assumed by the New Obligor by way of substitution (which, for the purposes of Japanese law, may be deemed to be a transfer or assumption of such obligations to or by the New Obligor), and that the New Obligor shall grant stock acquisition rights (the "New Stock Acquisition Rights") to all holders of the Bonds then outstanding, in place of the Stock Acquisition Rights incorporated in the Bonds held by them, being executed on or prior to the relevant Corporate Event Effective Date or (in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date) within 14 days after the relevant Corporate Event Effective Date. The Trustee may enter into such supplemental trust deed without consent of Bondholders only if:

(i) under such supplemental trust deed, the New Obligor agrees, in form, manner and substance satisfactory to the Trustee, to be bound by the Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) with effect (as specified in this Condition 12.2) as if the New Obligor had been named in the Trust Deed and the Bonds as the principal obligor in place of the Company and providing that the holders of the Bonds then outstanding shall be granted New Stock Acquisition Rights;

(ii) except in the case of a Merger Event, pursuant to such supplemental trust deed the Company guarantees, in a form and manner satisfactory to the Trustee, the payment obligations of the New Obligor under the Trust Deed and the Bonds with effect as specified in this Condition 12.2, provided that no such guarantee will be required if the Company determines and has delivered to the Trustee no later than 10 calendar days prior to the relevant Corporate Event Effective Date a certificate of the Company signed by a Representative Director of the Company that, as of the Corporate Event Effective Date, any rating which would be assigned to the New Obligor's long-term, unsecured and unsubordinated debt is unlikely to be lower than the rating then currently assigned to the Company's long-term, unsecured and unsubordinated debt. In making this determination, the Company shall consult an Independent Financial Adviser and shall take fully into account the advice of such Independent Financial Adviser;

(iii) if the New Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the "New Territory") other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Company is subject generally (the "Company's Territory"), the New Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for, or addition to, in relation to the New Obligor, references in Condition 9 to the Company's Territory of references to the New Territory whereupon the Trust Deed and the Bonds will be read accordingly, and corresponding amendments shall be made to Condition 7.6 in relation to payment of Additional Amounts by the New Obligor (and/ or the guarantor, if any);

(iv) a Representative Director of the New Obligor certifies that it will be solvent immediately after such substitution, and the Trustee shall not have regard to the New Obligor's financial condition, profits or prospects or compare them with those of the Company;

(v) the Company shall have certified (by a certificate of a Representative Director) to the Trustee that the New Stock Acquisition Rights satisfy the provisions of Condition 6.5;

(vi) the Company and the New Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and

(vii) such substitution and grant of New Stock Acquisition Rights become effective on the Corporate Event Effective Date (or in the case of a Merger Event, a Holding Company Event or a Corporate Split Event where the Merged Company, the Holding Company or the Corporate Split Counterparty (as the case may be) is established on or immediately after the relevant Corporate Event Effective Date, within 14 days after the relevant Corporate Event Effective Date).

12.3 ***Release of Obligations***

An agreement by the Trustee pursuant to Condition 12.2 will (except in respect of any guarantee under Condition 12.2(ii)), if so expressed, release the Company (or a previous substitute) from any or all of its obligations under the Trust Deed and the Bonds.

12.4 ***Deemed Amendment***

On completion of the formalities set out in Condition 12.2, the New Obligor will be deemed to be named in the Trust Deed and the Bonds as the principal obligor in place of the Company (or of any previous substitute) and the Trust Deed and the Bonds will be deemed to be amended as necessary to give effect to the substitution. In particular and without limitation:

(i) the terms "Stock Acquisition Rights" and "Shares" shall, where the context so requires, include the New Stock Acquisition Rights and shares of common stock to be issued by the New Obligor; and

(ii) references to the Company in Condition 10, in the definition of Principal Subsidiary and in the Trust Deed shall also include any guarantor pursuant to Condition 12.2(ii) except where the context requires otherwise.

13. Prescription

Each Bond will become void unless presented for payment within the period of 10 years from the Due Date for the payment thereof.

14. Replacement of Certificates

Should any Certificate be lost, stolen, destroyed, mutilated or defaced, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Company or an Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. Meetings of Bondholders; Modification and Waiver

15.1 ***Meetings of Bondholders***

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of a modification of any provision of these Conditions or of the Trust Deed. The quorum for any such meeting convened to consider any matter requiring an Extraordinary Resolution shall be two or more persons holding or representing not less than 50 per cent. in principal amount of the Bonds for the time being outstanding, or for any adjourned meeting two or more persons being or representing Bondholders (whatever the principal amount of Bonds held or represented) except that at any meeting the business of which includes the modification of certain provisions of the Bonds or of the Trust Deed (including, *inter alia*, modifying the date of maturity of the Bonds, reducing or cancelling the principal amount of, or any premium payable in respect of, the Bonds, modifying the method or basis of calculating the rate or amount of default interest in respect of the Bonds, altering the currency of payment of the Bonds or (to the extent permitted by applicable law) abrogating or modifying any Stock Acquisition Right), the necessary quorum for passing an Extraordinary Resolution shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 50 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

Notwithstanding the above provisions, any resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a meeting of such Bondholders duly convened and held in accordance with the provisions contained in the Conditions and in the Trust Deed. Any resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Bondholders.

15.2 ***Modification and Waiver***

The Trustee may, without the consent of the Bondholders, agree to any modification (except as aforesaid and as set out in the Trust Deed) of the Trust Deed or the Bonds (including these Conditions) or to any waiver or authorisation of any breach or potential breach by the Company of the provisions of the Trust Deed or the Bonds which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders or to any modification of the Trust Deed or the Bonds (including these Conditions) which is, in the opinion of the Trustee, of a formal, minor or technical nature or which is made to correct a manifest error or is necessary in order to comply with mandatory provisions of Japanese law or pursuant to Condition 6 or 12. Any such modification, waiver or authorisation shall be binding on the Bondholders and shall (unless the Trustee agrees otherwise) be notified to the Bondholders in accordance with Condition 19 as soon as practicable thereafter. The Trustee in forming any such opinion or making any determination may exercise all or any of its rights, powers and directions vested in it under and in accordance with the Trust Deed and applicable law, including but not limited to obtaining and relying on such directions from the Bondholders and/or expert advice as it considers appropriate and relying thereon without any responsibility for delay occasioned for so doing.

If there is a change to the mandatory provisions of (i) Japanese law which in the reasonable opinion of the Company after obtaining advice from legal advisers (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed to the Company and the Trustee of legal advisers of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Conditions 1.1, 1.5, 5, 6, 7.7 and/or 7.9 or (ii) the Financial Instruments and Exchange Act which in the reasonable opinion of the Company (evidenced by (a) a certificate of a Representative Director or an Authorised Officer, and (b) an opinion addressed to the Company and the Trustee of legal advisers of recognised standing to the effect that such change has occurred) would make it necessary to amend and/or supplement the provisions of Condition 7.8, the relevant Conditions shall be amended and/or supplemented to reflect that change by means of a trust deed supplemental to the Trust Deed. The Trustee (unless in its sole opinion such supplemental trust deed imposes obligations, responsibilities or liabilities on it which are greater than those it has as Trustee under the Trust Deed) shall be obliged (subject to being indemnified and/or secured and/or prefunded by the Company to its satisfaction) to enter into such supplemental trust deed (in a form satisfactory to it) to effect such change (even if, in the opinion of the Trustee, that change may be materially prejudicial to the interests of the Bondholders) without the consent of the Bondholders, but the Trustee shall have no responsibility or liability to any person for so doing.

The Company shall forthwith give notice to the Bondholders following the execution of any such supplemental trust deed in accordance with Condition 19.

15.3 ***Entitlement of the Trustee***

In connection with the exercise of its functions (including but not limited to those referred to in these Conditions), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

15.4 ***Authority to the Trustee***

To the fullest extent permitted by applicable law, by accepting the Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action before a Japanese court on behalf of and in the name of the Bondholder which the Trustee considers to be necessary or desirable in the interests of the Bondholders. The Trustee shall not be bound to take any such action unless (a) so directed by an Extraordinary Resolution or so requested in writing by holders of at least one-quarter in principal amount of Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction, and shall incur no liability in taking or refraining from taking such action. The Trustee shall not take any action on behalf of a Bondholder in respect of the statutory rights referred to in Condition 6.6, such rights having been irrevocably waived by the Bondholder to the fullest extent permitted by applicable law.

15.5 ***Directions from Bondholders***

Notwithstanding anything to the contrary in the Trust Deed, these Conditions or the Agency Agreement, whenever the Trustee is required or entitled by the terms of the Trust Deed or the Conditions or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or prefunded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

16. **Enforcement**

At any time after the Bonds shall have become due and repayable, the Trustee may, at its absolute discretion and without further notice, take such proceedings, actions or steps against the Company as it may think fit to enforce repayment of the Bonds, together with accrued default interest, if any, pursuant to Condition 4 and to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings, actions or steps unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails to do so within 30 days of such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure shall be continuing.

17. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings, actions or steps to enforce the provisions of the Trust Deed or the terms of the Bonds and to be paid its costs and expenses in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Company or any person or body corporate associated with the Company without accounting for any profit resulting therefrom.

The Trustee may rely without liability to Bondholders or any other person on any certificate or report prepared by the Auditors or any Independent Financial Adviser or other expert pursuant to these Conditions and/or the Trust Deed, whether or not addressed to the Trustee and whether or not the liability of the Auditors, Independent Financial Adviser or such expert (as the case may be) in respect thereof is limited by a monetary (or any other) cap or otherwise, and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under these Conditions and/or the Trust Deed; and any such certificate or report shall be conclusive and binding on the Company, the Trustee, and the Bondholders.

18. Independent Financial Adviser

If any doubt shall arise as to the appropriate adjustment to the Conversion Price or in relation to any other matter which is reserved in these Conditions for a decision of an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price or other matter shall be conclusive and binding on the Company, the Trustee and the Bondholders in the absence of manifest error.

If the Company shall fail to appoint an Independent Financial Adviser when required to do so and such failure continues for a reasonable period (as determined by the Trustee in its absolute discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such Independent Financial Adviser, the Trustee shall have the power, but shall not be obligated, to make such appointment in its absolute discretion.

19. Notices

All notices to the Bondholders will be valid if mailed to them at their respective addresses in the Register and published in a leading newspaper having general circulation in London (which is expected to be the Financial Times). If publication in any of such newspapers is not (in the opinion of the Trustee) practicable, notices will be given in such other newspaper or newspapers as the Company, with the approval of the Trustee, shall determine. Such notices shall be deemed to have been given on the later of (i) the date of their publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required and (ii) the seventh day after being so mailed.

So long as the Bonds are evidenced by the Global Certificate and such Bonds are held on behalf of a clearing system, notices to Bondholders shall be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for mailing and publication required by the Conditions.

20. Contracts (Rights of Third Parties) Act 1999

Except as provided herein, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

21. Governing Law and Submission to Jurisdiction

21.1 *Governing Law*

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds (including any non-contractual obligation arising out of or in connection with the Trust Deed and the Bonds) ("Proceedings") may be brought in such courts. The Company has in the Trust Deed submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission has been made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

21.3 ***Agent for Service of Process***

The Company has irrevocably appointed TMF Corporate Services Limited, whose office is at present at 6 St. Andrew Street, 5th Floor, London EC4A 3AE, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason TMF Corporate Services Limited ceases to be able to act as such or no longer has an address in England, the Company irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder (as defined in the Conditions) of the Bonds in respect of which the Global Certificate is issued shall (unless the Global Certificate evidences only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each Bond in respect of which the Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to Bonds in respect of which the Global Certificate is issued to attend and speak (but not vote) at a meeting of Bondholders on appropriate proof of his identity.

Exercise of Stock Acquisition Rights

Subject to the requirements of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved in writing by the Trustee (an “Alternative Clearing System”), the Stock Acquisition Right incorporated in a Bond in respect of which the Global Certificate is issued may be exercised by the presentation to, or to the order of, any Agent of one or more Conversion Notices duly completed by, or on behalf of, an accountholder in such system with an entitlement to such Bonds. Deposit of the Global Certificate with an Agent together with the relevant Conversion Notice shall not be required. The exercise of the Stock Acquisition Right shall be notified by the Agent to the Registrar and the holder of the Global Certificate.

Payments

Payments in respect of Bonds evidenced by the Global Certificate shall be made against presentation of or, if no further payment falls to be made in respect of such Bonds, against presentation and surrender of, the Global Certificate to or to the order of the Principal Agent or such other Agent as shall have been notified to the Bondholders for this purpose.

All payments in respect of Bonds evidenced by the Global Certificate will be made to, or to the order of the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment. For the purposes of this paragraph, “Clearing System Business Day” means Monday to Friday inclusive, excluding 25 December and 1 January in each year.

For the purpose of any payments made in respect of the Global Certificate, the relevant place of presentation shall be disregarded in the definition of “Business Day” as set out in Condition 8.3.

Notices

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg or any Alternative Clearing System, notices required to be given to the Bondholders shall be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, for communication by it to entitled accountholders in substitution for publication and mailing as required by the Conditions. Such notices shall be deemed to have been given in accordance with the Conditions on the date of delivery to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System.

Transfers

Transfers of interests in the Bonds in respect of which the Global Certificate is issued shall be effected through the records of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, as the case may be, and their respective direct and indirect participants.

Prescription

Claims against the Company for payment in respect of principal and premium (if any) and any other amounts due in respect of the Bonds evidenced by the Global Certificate shall become void unless made within a period of 10 years from the appropriate Due Date (as defined in the Conditions).

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may, to the extent it considers appropriate to do so in the circumstances, have regard to and rely upon any information made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements to the relevant Bonds evidenced by the Global Certificate, and may consider such interests as if such accountholders were the holder of the relevant Bonds.

Cancellation

Cancellation of any Bond evidenced by the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the Register and the endorsement (for information only) of the Global Certificate by the Principal Agent.

Acquisition of Bonds at the Option of the Company

If the Company exercises its option to acquire Bonds under Condition 7.2, subject to the requirements of Euroclear and Clearstream, Luxembourg or any Alternative Clearing System, a Share Settlement Notice may be duly completed by, or on behalf of, an accountholder in such system with an entitlement to the relevant Bonds. Deposit of the Global Certificate with the Principal Agent shall not be required.

Early Redemption by the Company

The options and obligations of the Company to redeem the Bonds prior to maturity provided for in Conditions 7.3, 7.4, 7.5, 7.6, 7.7, 7.8 and 7.9 shall be exercised or performed by the Company giving notice (as applicable) to the Trustee, the Principal Agent and the Bondholders within the time limits relating thereto set out in and containing the information required of the Company in accordance with the relevant Condition in accordance with the paragraph entitled "Notices" above.

Election of Bondholders

The election option of the Bondholders provided for in Condition 7.6 may be exercised by the holder of the Bonds evidenced by the Global Certificate by giving notice to the Principal Agent within the time limits relating thereto set out in that Condition and otherwise in accordance with the procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System (as the case may be) in the form acceptable thereto from time to time.

Enforcement

For purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which the Global Certificate is issued, each person who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg or Alternative Clearing System as the holder of a particular principal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or Alternative Clearing System) as to the principal amount of Bonds in respect of which the Global Certificate is issued standing to the account of any person shall be conclusive and binding for all purposes) shall be recognised as the holder of such principal amount of Bonds.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥30 billion, and are expected to be used, with the aim of expanding sales to the automotive market and the smartphone market and establishing a business in new markets in line with the Medium-Term Business Plan, primarily as follows:

(i) approximately ¥10 billion by the end of March 2016, towards capital expenditure for the development of supply structures in Japan and overseas to cater for expanding sales of products for the automotive market, and for the expansion in production capability in respect of camera actuators, sensors and switches for smartphones;

(ii) approximately ¥5 billion by the end of March 2016, for R&D expenditure in respect of development of products relating to driving safety support systems for the automotive market and R&D relating to products such as next-generation actuators for the smartphone market and modules for the environmental/energy and health care markets; and

(iii) approximately ¥15 billion for repayment of debt which matures by the end of March 2016 and for working capital.

ALPS ELECTRIC CO., LTD.

The Group is a leading global manufacturer of electronic devices and components, supplying a large variety of products to customers all over the world, including manufacturers of automobiles, home appliances, mobile devices and industrial machinery. The Alpine Group is involved in the provision of automotive infotainment products including car audio, information and communication equipment, principally to automobile manufacturers, while the Alps Logistics Group provides logistics services including transportation, storage and forwarding services, principally in respect of electronic components.

The Group's business consists of three reportable business segments, namely Electronic Components, Automotive Infotainment and Logistics:

- *Electronic Components*: This segment is involved in the development, manufacturing and marketing of a variety of electronic components. This segment services two principal markets, namely the automotive market, to which the Group provides electronic components for use in automobiles principally to automobile manufacturers, and the consumer market, to which the Group provides electronic components for use in digital consumer products such as smartphones, televisions, personal computers and other digital consumer products principally to electronics manufacturers.
- *Automotive Infotainment*: This segment is involved in the development, manufacturing and marketing of car audio, information and communication equipment, providing such products mainly through the Alpine Group, principally to automobile manufacturers on an OEM basis and to a lesser extent directly to consumers.
- *Logistics*: This segment is involved in the provision of transportation, storage and forwarding services principally in relation to electronic components, providing such services mainly through the Alps Logistics Group, to customers both in Japan and overseas.

The Group's other businesses not included in the reportable segments, including the development of information systems, office services, financial and leasing businesses, are reported as Other.

As of 31 December 2013, the Group comprised of the Company, 84 consolidated subsidiaries and two affiliates accounted for by the equity method.

Selected Consolidated Financial Information

The following selected consolidated financial information should be read in conjunction with the Group's audited annual consolidated financial statements and related notes, the Group's unaudited quarterly consolidated financial statements and related notes, and "Recent Business" included elsewhere in this Offering Circular. The consolidated statements of income data for the fiscal years ended 31 March 2011, 2012 and 2013 and the consolidated balance sheet data as of 31 March 2011, 2012 and 2013 are extracted without material adjustment from the audited annual consolidated financial statements of the Group included elsewhere in this Offering Circular. The consolidated statements of income data for the nine-month periods ended 31 December 2012 and 2013 and the consolidated balance sheet data as of 31 December 2013 are extracted without material adjustment from the unaudited quarterly consolidated financial statements of the Group included elsewhere in this Offering Circular.

The Group's consolidated financial statements have been prepared and presented in accordance with Japanese GAAP, which differ in certain respects from IFRS. The historical results are not necessarily indicative of results to be expected for future periods.

	Fiscal Year Ended/As of 31 March			(Unaudited) Nine-Month Period Ended/ As of 31 December	
	2011	2012	2013	2012	2013
	(Millions of yen, except per Share data and percentages)				
Statements of Income Data					
Net sales	¥ 550,669	¥ 526,501	¥ 546,423	¥ 401,183	¥ 506,097
Of which, overseas sales	407,938	387,541	420,218		
Cost of sales	441,498	432,589	458,576	335,622	410,475
Selling, general and administrative expenses	80,299	78,741	80,996	60,154	72,809
Operating income	28,872	15,171	6,851	5,407	22,813
Income before income taxes and minority interests	21,269	15,629	4,896	6,865	26,308
Income taxes	5,970	8,331	10,456	9,546	10,407
Net income (loss)	11,137	4,175	(7,075)	(3,956)	11,117
Amounts per Share (in yen):					
Net income (loss) per Share	¥ 62.14	¥ 23.29	¥ (39.47)	¥ (22.07)	¥ 62.02
Cash dividends per Share applicable to the period	20.00	20.00	5.00	5.00	–
Balance Sheet Data(1)					
Current assets	¥ 268,965	¥ 275,710	¥ 273,152	–	¥ 313,494
Current liabilities	152,695	206,312	166,645	–	188,437
Working capital(2)	116,270	69,398	106,507	–	125,057
Long-term debt	69,134	26,377	66,107	–	57,084
Total net assets	190,751	193,138	199,410	–	234,584
Total assets	427,530	442,052	451,416	–	501,955
Sales by Reportable Segment (in millions of yen) and Percentage of Total Sales (per cent.)					
Electronic Components(3)	¥ 296,153	¥ 268,917	¥ 268,086	¥ 200,666	¥ 252,078
	53.8%	51.1%	49.1%	50.0%	49.8%
Of which, Automotive market	124,934	132,486	140,013	101,303	120,390
	22.7%	25.2%	25.6%	25.2%	23.8%
Of which, Consumer market	171,219	136,431	128,073	99,361	131,687
	31.1%	25.9%	23.5%	24.8%	26.0%
Automotive Infotainment	198,359	200,248	219,852	156,120	207,702
	36.0%	38.0%	40.2%	38.9%	41.0%
Logistics	47,505	47,999	48,554	36,909	38,888
	8.6%	9.1%	8.9%	9.2%	7.7%
Other	8,652	9,337	9,931	7,488	7,429
	1.6%	1.8%	1.8%	1.9%	1.5%
Total	550,669	526,501	546,423	401,183	506,097
Percentage of consolidated net sales	100.0%	100.0%	100.0%	100.0%	100.0%

Notes:

(1) Balance sheet data as of 31 December 2012 has not been included in the above table, as such data are not included in the unaudited quarterly consolidated financial statements of the Company included elsewhere in this Offering Circular.

(2) Working capital is calculated by subtracting current liabilities from current assets.

(3) The Company began disclosing the breakdown of sales of the Electronic Components segment by the two categories of automotive market and consumer market from the fiscal year ended 31 March 2013. Figures in respect of prior years and periods have been restated to conform to such presentation.

RECENT BUSINESS

The following discussion and analysis of the Group's financial condition and results of operations should be read with "Selected Consolidated Financial Information" and the audited consolidated financial statements for the fiscal years ended 31 March 2011, 2012 and 2013 and the unaudited consolidated financial statements as of 31 December 2013 and for the nine-month periods ended 31 December 2012 and 2013, as well as the notes to such consolidated financial statements appearing elsewhere in this Offering Circular. These consolidated financial statements have been prepared in accordance with Japanese GAAP.

Overview

The Group is a leading global manufacturer of electronic devices and components, supplying a large variety of products to customers all over the world, including manufacturers of automobiles, home appliances, mobile devices and industrial machinery. The Alpine Group is involved in the provision of automotive infotainment products including car audio, information and communication equipment, principally to automobile manufacturers, while the Alps Logistics Group provides logistics services including transportation, storage and forwarding services, principally in respect of electronic components.

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

As of 31 December 2013, the Group comprised of the Company, 84 consolidated subsidiaries and two affiliates accounted for by the equity method.

Critical Accounting Policies, New Accounting Pronouncements and Accounting Changes, and Factors Affecting Results of Operations

Critical Accounting Policies

Valuation of Inventories and Securities

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

Valuation losses are recognised in respect of securities whose fair values at the period-end have fallen by more than 50 per cent. of the book value, and in respect of securities with market values whose values at the period-end have fallen by 30 per cent. or more but less than 50 per cent. but whose market values are deemed to be unrecoverable.

Valuation losses may be recognised in respect of inventories which become obsolete due to declines in future demand from customers, or in respect of securities where the relevant issuers' business performance deteriorates due to factors such as economic fluctuations.

Deferred Tax Assets

Deferred tax assets are recorded only to the extent that such assets are considered realisable. The realisability of deferred tax assets is determined based on factors such as future taxable income. When it is determined that all or part of deferred tax assets are not realisable, the Group recognises a reduction of deferred tax assets in the period in which such determination is made, and records it as a tax expense. Likewise, when it is determined that deferred tax assets are realisable in excess of the recorded amount, the Group recognises an increase of deferred tax assets in the period in which such determination is made, and reduces its tax expense.

Accrued Product Warranties

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

Employees' Severance and Pension Costs

In order to prepare for employees' retirement benefits, the Group accrues employees' severance and pension costs at an amount calculated based on the projected benefit obligation and the fair value of plan assets as adjusted for unrecognised actuarial gain or loss and unrecognised prior service cost.

Employees' severance and pension costs and liabilities are calculated based on certain key actuarial assumptions and expected long-term rate of return on plan assets. These assumptions include the discount rate, retirement rate, death rate, withdrawal rate and promotion rate. Differences in actual experience or changes in assumptions may affect the Group's employees' severance and pension costs and liabilities in the future.

Impairment of Fixed Assets

In accordance with the applicable accounting policies relating to the impairment of fixed assets, the Group determines the necessity or otherwise of impairment in respect of fixed assets held by the Group. With regard to business assets, the Group reduces the book value of asset groups to their recoverable amounts where, for example, the business environment of the relevant product deteriorates, and recognises such impairment losses as other expenses. With respect to idle assets, assets leased to others and assets scheduled for disposal, whose fair value declined or whose future use had not been determined, the Group reduces the book value of those assets to their respective recoverable amounts and recognises such impairment losses as other expenses.

New Accounting Pronouncements and Accounting Changes

Accounting Standard for Retirement Benefits

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

- *Treatment in the balance sheet*: Actuarial gains and losses and prior service cost that have yet to be recognised in profit or loss shall be recognised within net assets (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus of the funded status shall be recognised as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
- *Treatment in the statement of income and the statement of comprehensive income*: Actuarial gains and losses and prior service cost that arose in the current period and have yet to be recognised in profit or loss shall be included in other comprehensive income and actuarial gains and losses and prior service cost that were recognised in other comprehensive income in prior periods and then recognised in profit or loss in the current period shall be treated as reclassification adjustments.

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

Accrued Product Warranties

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

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

Depreciation Method

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

Change in Depreciation Method

Effective from the year ending 31 March 2014, some of the Company's domestic consolidated subsidiaries have changed their depreciation method from the declining balance method to the straight-line method. This change is as a result of improvements to the fixed assets management systems in some subsidiaries which made it possible to collect more accurate data of actual fixed assets usage.

The result of updated analysis showed that the straight-line method could reflect the actual figure of using fixed assets because the company has many general-purpose equipments and use them for various products for long periods stably.

As a result of this change, operating income and income before income taxes and minority interests increased by ¥310 million each, for the nine-month period ended 31 December 2013.

Change in Useful Life

Effective from the year ending 31 March 2014, the Company and certain of its domestic and foreign consolidated subsidiaries have changed their useful lives of machinery and tooling as a result of re-estimate upon the adoption of the Medium-Term Business Plan and the change of depreciation method explained above.

This change reflects more accurate useful lives by considering changes of business conditions, actual physical economical useful lives, life cycles of products and technology innovation cycles.

As a result of this change, operating income and income before income taxes and minority interests increased by ¥439 million each, for the nine-month period ended 31 December 2013.

Other Factors Affecting Results of Operations

Foreign Exchange Rate Fluctuations

The Group operates in many parts of the world and, as a result, is affected by fluctuations in foreign exchange rates. The Group's results of operations are particularly negatively affected by appreciation of the yen against the U.S. dollar and/or the euro. The Group engages in foreign exchange hedging activities by entering into foreign exchange forward contracts and through currency options and through measures to reduce foreign exchange risks, such as through counterbalancing foreign currency obligations. However, exchange rate fluctuations may exceed the Group's expectations, and may in such cases materially affect the Group's results of operations.

Consolidated Results for the Fiscal Year Ended 31 March 2013 Compared to the Fiscal Year Ended 31 March 2012

Overview

In terms of the global economy during the fiscal year ended 31 March 2013, Europe experienced negative growth caused by the worsening of the government debt crisis, while the U.S. underwent a gentle recovery as signs of improvements in the labour and housing environments were seen. The downturn in the European economy caused a ripple effect, and as a result the economic growth rate in the emerging economies declined, particularly in China and India. While the Japanese economy suffered as a result of a large reduction in exports and higher than expected yen appreciation coupled with the slowdown in economies overseas, the economic outlook began to look brighter from the second half of the fiscal year, supported by the implementation in Japan of new policy measures and adjustments in the high yen.

During the fiscal year ended 31 March 2013, average exchange rates were ¥83.10 to the U.S. dollar and ¥107.14 to the euro. This represented, respectively, a yen depreciation of ¥4.02 and a yen appreciation of ¥1.84 against these currencies compared to the previous fiscal year.

Results

Net Sales

Net sales for the fiscal year ended 31 March 2013 increased by ¥19.9 billion, or 3.8 per cent., to ¥546.4 billion, compared to ¥526.5 billion for the fiscal year ended 31 March 2012. Net sales in the Electronic Components segment decreased by ¥0.8 billion, or 0.3 per cent., to ¥268.1 billion for the fiscal year ended 31 March 2013 compared to ¥268.9 billion for the previous fiscal year. In the Automotive Infotainment business, net sales for the fiscal year ended 31 March 2013 increased by ¥19.6 billion, or 9.8 per cent., to ¥219.9 billion, compared to ¥200.2 billion for the previous fiscal year. In the Logistics segment, meanwhile, net sales for the fiscal year ended 31 March 2013 increased by ¥0.6 billion, or 1.2 per cent., to ¥48.6 billion, compared to ¥48.0 billion for the previous fiscal year. Although the yen was higher against the euro in the fiscal year ended 31 March 2013 compared to the previous fiscal year, the depreciation of the yen against the U.S. dollar had the effect of increasing net sales by ¥12.3 billion during the fiscal year.

Cost of Sales

Cost of sales for the fiscal year ended 31 March 2013 increased by ¥26.0 billion, or 6.0 per cent., to ¥458.6 billion, compared to ¥432.6 billion for the fiscal year ended 31 March 2012. This principally reflected an increase in cost of sales particularly in relation to the Alpine Group. Gross profit margin (being gross profit (net sales minus cost of sales) as a percentage of net sales) decreased from 17.8 per cent. for the fiscal year ended 31 March 2012 to 16.1 per cent. for the fiscal year ended 31 March 2013.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal year ended 31 March 2013 increased by ¥2.3 billion, or 2.9 per cent., to ¥81.0 billion, compared to ¥78.7 billion for the fiscal year ended 31 March 2012. This principally reflected increases in salaries and R&D expenses, set off to a certain extent by a decrease in commission expenses.

Operating Income

As a result of the above, the Group recorded an operating income of ¥6.9 billion in the fiscal year ended 31 March 2013, a decrease of ¥8.3 billion, or 54.8 per cent., compared to ¥15.2 billion for the fiscal year ended 31 March 2012. The overall effect on the Group of currency rates during the fiscal year ended 31 March 2013 was to increase income by ¥2.0 billion.

Other Income (Expenses)

Other expenses, net for the fiscal year ended 31 March 2013 amounted to ¥2.0 billion, as compared to other income, net of ¥0.5 billion recorded in the fiscal year ended 31 March 2012. This principally reflected increases in loss on sale and disposal of fixed assets and impairment losses on fixed assets recorded for the purpose of consolidating and reducing poorly performing products and reducing excess production capacity in the Electronic Components segment, set off to a certain extent by fluctuations in other items such as an increase in compensation income in relation to the Great East Japan Earthquake and the recording of a one-off gain on change in share of net assets of a consolidated subsidiary resulting from the stock issuance by the relevant subsidiary of the Company, in the fiscal year ended 31 March 2012.

Income Before Income Taxes and Minority Interests

As a result of the above, income before income taxes for the fiscal year ended 31 March 2013 amounted to ¥4.9 billion, down ¥10.7 billion from the ¥15.6 billion recorded in the previous fiscal year.

Income Taxes

Income taxes for the fiscal year ended 31 March 2013 increased by ¥2.1 billion, or 25.5 per cent., to ¥10.5 billion, compared to ¥8.3 billion for the fiscal year ended 31 March 2012. The main reasons for this increase were increases in taxes payable by overseas subsidiaries of the Company and overseas withholding tax.

Minority Interests in Net Income of Consolidated Subsidiaries

Minority interests in net income of consolidated subsidiaries for the fiscal year ended 31 March 2013 were ¥1.5 billion, compared with ¥3.1 billion for the previous fiscal year. This difference resulted from earnings decreases attributable to minority interests of Alpine Electronics and Alps Logistics.

Net (Loss) Income

As a result of the above, the Group recorded a net loss of ¥7.1 billion in the fiscal year ended 31 March 2013, compared to a net income of ¥4.2 billion that was posted in the previous fiscal year. Net loss per Share for the fiscal year ended 31 March 2013 was ¥39.47, falling from net income per Share of ¥23.29 in the previous fiscal year.

Results by Business Segment

Electronic Components

In the electronics industry, during the fiscal year ended 31 March 2013, growth in the demand for electronic components for use in televisions, personal computers, digital cameras, audio equipment, and other digital consumer equipment was sluggish, owing to the decelerating global economy, combined with the increase of manufacturers in emerging markets. As a result, both sales and income were less than initially anticipated by the Company, despite some trend of correction of the high yen.

Net sales in the Electronic Components segment for the fiscal year ended 31 March 2013 decreased by ¥0.8 billion, or 0.3 per cent., to ¥268.1 billion, compared to ¥268.9 billion for the fiscal year ended 31 March 2012. Segment income for the fiscal year ended 31 March 2013 decreased by ¥4.4 billion, or 95.1 per cent., to ¥0.2 billion, compared to ¥4.6 billion for the previous fiscal year. Operating margin for the fiscal year ended 31 March 2013 decreased by 1.6 percentage points to 0.1 per cent., compared to 1.7 per cent. for the fiscal year ended 31 March 2012. The decrease was primarily due to the impact of sluggish sales of products for television sets and personal computers, as well as a decrease in sales of some products for smartphones due to changes in the production plans of certain of the Group's customers.

Results by markets are described below.

Automotive Market

In respect of the automotive market, sales for the fiscal year ended 31 March 2013 were strong overall as the Group leveraged on its global production and sales network. Net sales relating to the market for the fiscal year ended 31 March 2013 increased by ¥7.5 billion, or 5.7 per cent., to ¥140.0 billion, compared to ¥132.5 billion for the fiscal year ended 31 March 2012. Sales of products such as instrument panels, door modules, communications modules grew steadily due to promotion of sales to automobile manufacturers.

Consumer Market

In respect of the consumer market, while the smartphone market grew dramatically in the fiscal year ended 31 March 2013, performance was lacklustre for electronic components for televisions, personal computers, and other digital consumer products. Although the Group worked to cultivate new customers for such components as smartphone touch panels and switches, owing to changes in the plans of customers, both sales and profits fell below the previous year's levels. Net sales relating to the market for the fiscal year ended 31 March 2013 decreased by ¥8.4 billion, or 6.1 per cent., to ¥128.1 billion, compared ¥136.4 billion for the fiscal year ended 31 March 2012. While sales of camera actuators and switches for smartphones expanded, sales of other consumer market products were sluggish.

Automotive Infotainment

In the automotive electronics industry in the fiscal year ended 31 March 2013, due to a drop-off in digital terrestrial broadcasting replacement demand and an increase in the dealer option instalment rate in the domestic market, sales of commercial car navigation systems were down. In markets overseas, price competition among competitors intensified amidst a decline in demand as a result of the slowdown in the economy. Under these conditions, although sales to auto manufacturers increased in the Group's Automotive Infotainment business (operated by Alpine Electronics, which is listed on the First Section of the Tokyo Stock Exchange) as a result of the resumption in production and sales by auto manufacturers and strong car sales in the North American market, the operating environment was difficult due to the impact of yen appreciation, the change in the sales composition of genuine parts to car manufacturers, and the pressure on earnings by increasing materials costs such as automotive displays and hard disk drives.

Net sales for the Automotive Infotainment segment for the fiscal year ended 31 March 2013 increased by ¥19.6 billion, or 9.8 per cent., to ¥219.9 billion, compared to ¥200.2 billion for the fiscal year ended 31 March 2012. Sales of automobiles in the North American market were strong, leading to sales growth in genuine products for automakers. Segment income for the fiscal year ended 31 March 2013 decreased by ¥3.3 billion, or 58.7 per cent., to ¥2.3 billion, compared to ¥5.6 billion for the fiscal year ended 31 March 2012. Operating margin for the fiscal year ended 31 March 2013 amounted to 1.0 per cent., a decrease of 1.8 percentage points from 2.8 per cent. for fiscal year ended 31 March 2012. The decrease was primarily due to the change in the sales composition of genuine products for automakers and the cost of parts for in-car display, hard disk drives and others which put pressure on income.

Logistics

In the fiscal year ended 31 March 2013, in the Logistics segment (operated by Alps Logistics, which is listed on the Second Section of the Tokyo Stock Exchange), the Group worked to strengthen its business base through proposal activities in line with the increasing needs of customers for improved logistics efficiency and consolidation, the development of new customers to expand sales in its global operations, and the pursuit of improved productivity and absolute quality in all of its operations, including transport, storage, export, and import. In the overseas market, which has continued to grow, the Group enhanced its storage capabilities at warehouses opened in China and Hong Kong and strengthened its logistics network for its long-distance transport service in China's interior. The Group expanded its global network and worked to increase freight volumes handled through the strengthening of Alps Logistics Korea Co., Ltd., the opening of a new warehouse at Alps Logistics (Thailand) Co., Ltd., and the expansion of warehouse floor space at locations in North America and Mexico.

Net sales for the Logistics segment for the fiscal year ended 31 March 2013 increased by ¥0.6 billion, or 1.2 per cent., to ¥48.6 billion, compared to ¥48.0 billion for the fiscal year ended 31 March 2012. Segment income for the fiscal year ended 31 March 2013 decreased by ¥0.1 billion, or 3.3 per cent., to ¥3.6 billion, compared to ¥3.7 billion for the fiscal year ended 31 March 2012.

Consolidated Results for the Nine-Month Period Ended 31 December 2013 Compared to the Nine-Month Period Ended 31 December 2012

Overview

In terms of the global economy during the nine-month period ended 31 December 2013, the U.S. underwent a gentle recovery as signs of improvements in the labour environment led to a steady increase in consumer spending, while Europe saw concerns about the revival of its debt crisis abate and started showing some signs of economic improvement. The Japanese economy continued to see improvements, against a background of improved export environment and implementation of policy measures.

Results

Net Sales

Net sales for the nine-month period ended 31 December 2013 increased by ¥104.9 billion, or 26.2 per cent., to ¥506.1 billion, from to ¥401.2 billion for the nine-month period ended 31 December 2012. Net sales in the Electronic Components segment for the nine-month period ended 31 December 2013 increased by ¥51.4 billion, or 25.6 per cent., to ¥252.1 billion compared to ¥200.7 billion for the nine-month period ended 31 December 2012. In the Automotive Infotainment business, net sales for the nine-month period ended 31 December 2013 increased by ¥51.6 billion, or 33.0 per cent., to ¥207.7 billion, compared to ¥156.1 billion for the nine-month period ended 31 December 2012. In the Logistics segment, meanwhile, net sales for the nine-month period ended 31 December 2013 increased by ¥2.0 billion, or 5.4 per cent., to ¥38.9 billion compared to ¥36.9 billion for the nine-month period ended 31 December 2012.

Cost of Sales

Cost of sales for the nine-month period ended 31 December 2013 increased by ¥74.9 billion, or 22.3 per cent., to ¥410.5 billion, compared to ¥335.6 billion for the nine-month period ended 31 December 2012. This principally reflected increase in net sales. Gross profit margin increased from 16.3 per cent. for the nine-month period ended 31 December 2012 to 18.9 per cent. for the nine-month period ended 31 December 2013, principally reflecting improvements in gross profit margins at the Company and Alpine Electronics.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine-month period ended 31 December 2013 increased by ¥12.7 billion, or 21.0 per cent., to ¥72.8 billion, compared to ¥60.2 billion for the nine-month period ended 31 December 2012. This principally reflected increases in salaries and commission expenses.

Operating Income

As a result of the above, the Group's operating income for the nine-month period ended 31 December 2013 increased by ¥17.4 billion, or 321.9 per cent., to ¥22.8 billion, compared to ¥5.4 billion for the nine-month period ended 31 December 2012.

Other Income (Expenses)

Other income, net for the nine-month period ended 31 December 2013 increased by ¥2.0 billion, or 139.7 per cent., to ¥3.5 billion, compared to ¥1.5 billion for the nine-month period ended 31 December 2012. This principally reflected increases in subsidy income and foreign exchange gains, net.

Income Before Income Taxes and Minority Interests

As a result of the above, income before income taxes for the nine-month period ended 31 December 2013 increased by ¥19.4 billion, or 283.2 per cent., to ¥26.3 billion, compared to ¥6.9 billion for the nine-month period ended 31 December 2012.

Income Taxes

Income taxes for nine-month period ended 31 December 2013 increased by ¥0.9 billion, or 9.0 per cent., to ¥10.4 billion, compared to ¥9.5 billion for the nine-month period ended 31 December 2012. The main reason for this increase was the increase in taxable income.

Minority Interests in Net Income of Consolidated Subsidiaries

Minority interests in net income of consolidated subsidiaries for the nine-month period ended 31 December 2013 increased by ¥3.5 billion, or 275.2 per cent., to ¥4.8 billion, compared to ¥1.3 billion for the nine-month period ended 31 December 2012. This principally reflected the increase in net income of Alpine Electronics.

Net (Loss) Income

As a result of the above, the Group recorded a net income of ¥11.1 billion in the nine-month period ended 31 December 2013, compared to a net loss of ¥4.0 billion that was posted in the nine-month period ended 31 December 2012.

Results by Business Segment

Electronic Components

In the electronics industry, during the nine-month period ended 31 December 2013, increased usage of electronic components and modules in the automotive market continued. In the consumer market, as many functions such as camera and navigation functions were included in smartphones, sales of products such as televisions, personal computers and digital cameras were sluggish leading to sluggish growth of sales of electronic components for use in such products, but as the smartphone market increased rapidly, sales of electronic components for use therein also rose rapidly. As a result, the segment saw increases in both sales and income as compared to the same period in the previous year.

Net sales in the Electronic Components segment for the nine-month period ended 31 December 2013 increased by ¥51.4 billion, or 25.6 per cent., to ¥252.1 billion, compared to ¥200.7 billion for the nine-month period ended 31 December 2012. Segment income for the nine-month period ended 31 December 2013 amounted to ¥11.3 billion, compared to a segment loss of ¥0.1 billion recorded in the nine-month period ended 31 December 2012. Operating margin for the nine-month period ended 31 December 2013 amounted to 4.3 per cent., reflecting improvement in income from products for automotive market and improved income from touch panels resulting from the increase in their sales.

Results by markets are described below.

Automotive Market

In respect of the automotive market, the Group focused on development of distinctive products including human-machine interface products such as sensors, and continued to present technical innovation suggestions to automotive manufacturers as well as strengthening its support systems. In addition, as the Group leveraged on its global production and sales network to introduce new products, results for the nine-month period ended 31 December 2013 was generally positive.

Net sales relating to the market for the nine-month period ended 31 December 2013 increased by ¥19.1 billion, or 18.8 per cent., to ¥120.4 billion, compared to ¥101.3 billion for the nine-month period ended 31 December 2012. Sales were steady, including beneficial effects of the foreign exchange rates. In particular, sales of communications modules grew.

Consumer Market

In respect of the consumer market, net sales for the nine-month period ended 31 December 2013 increased by ¥32.3 billion, or 32.5 per cent., to ¥131.7 billion, compared to ¥99.4 billion for the nine-month period ended 31 December 2012. Although sales of electronic components for use in consumer products such as televisions, personal computers and digital cameras were sluggish, sales of products for smartphones such as switches, actuators for cameras and touch panel components increased, leading to an increase in both sales and profits in the nine-month period ended 31 December 2013 compared to the same period in the previous fiscal year.

Automotive Infotainment

In the automotive electronics industry in the nine-month period ended 31 December 2013, competition with regard to car navigation systems grew in the domestic market as sales channels continued to diversify in addition to specialist auto-part shops, including sales of such systems as options at car dealerships. In Europe, sales were sluggish due to the continued sluggishness of the economy, while in the U.S., as new car sales increased due to increase in consumer spending backed by an improvement in the economy, this had a beneficial effect on the Group's business in the area.

Under these conditions, in the Group's Automotive Infotainment business (operated by Alpine Electronics), the Group worked to increase business through measures such as taking part in the Shanghai Motor Show, appealing the Alpine brand as well as the high quality and high functionality of its products, and opening a representative office in Indonesia. The Group also worked to gain new business opportunities through measures such as introducing leading-edge technologies dealing with electric vehicles and safe driving assistance systems, as well as next-generation in-auto integrated cockpits, at the Intelligent Transport System world forum and the Tokyo Motor Show. For businesses targeting the automotive manufacturers, the Group held technology fairs targeting overseas automotive manufacturers, to promote the increasingly complex and sophisticated automotive-related products with a view to gaining new business.

Net sales in the Automotive Infotainment segment for the nine-month period ended 31 December 2013 increased by ¥51.6 billion, or 33.0 per cent., to ¥207.7 billion, compared to ¥156.1 billion for the nine-month period ended 31 December 2012. Segment income for the nine-month period ended 31 December 2013 increased by ¥6.1 billion, or 350.8 per cent., to ¥7.8 billion, compared to ¥1.7 billion for the nine-month period ended 31 December 2012. Operating margin for the nine-month period ended 31 December 2013 amounted to 3.7 per cent., as compared to 1.1 per cent. for the nine-month period ended 31 December 2012, reflecting improvements due to a change in composition of products and a decrease in cost of sales.

Logistics

In the Logistics segment, in the nine-month period ended 31 December 2013, the Group's business targeting its principal customers in the electronic components market grew steadily, in particular in relation to automotive-related products, backed by an improvement in the U.S. economy. In addition, demand in the smartphone and tablet markets expanded despite a temporary adjustment. The Group worked to further improve its global networks and promoted integrated marketing of domestic and overseas businesses, at the same time as strengthening each of the transportation, warehousing and export businesses. The Group established two new branches in China and expanded its warehouse in Mexico and the United States to increase the volume of freight handled, in particular in the automotive-related demand which was growing steadily.

Net sales in the Logistics segment for the nine-month period ended 31 December 2013 increased by ¥2.0 billion, or 5.4 per cent., to ¥38.9 billion, compared ¥36.9 billion for the nine-month period ended 31 December 2012. Segment income for the nine-month period ended 31 December 2013 increased by ¥0.2 billion, or 6.9 per cent., to ¥3.2 billion, compared to ¥3.0 billion for the nine-month period ended 31 December 2012.

Financial Condition

Consolidated Balance Sheet as of 31 March 2013 Compared to Consolidated Balance Sheet as of 31 March 2012

Total assets as of 31 March 2013 increased by ¥9.4 billion, or 2.1 per cent. to ¥451.4 billion, compared to ¥442.1 billion as of 31 March 2012, while total net assets as of 31 March 2013 increased by ¥6.3 billion, or 3.2 per cent., to ¥199.4 billion, compared to ¥193.1 billion as of 31 March 2012. The equity ratio (being total net assets less minority interests, as a percentage of total assets) as of 31 March 2013 was 25.9 per cent., compared to 26.1 per cent. as of 31 March 2012. Owing to such factors as a decrease in cash and time deposits, current assets as of 31 March 2013 decreased by ¥2.6 billion, or 0.9 per cent., to ¥273.2 billion, compared to ¥275.7 billion as of 31 March 2012. Property, plant and equipment, net as of 31 March 2013 increased by ¥8.3 billion, or 6.9 per cent., to ¥129.3 billion, compared to ¥121.0 billion as of 31 March 2012, such increase being attributable mainly to increases in buildings and structures and machinery and equipment. Total investments and other assets as of 31 March 2013 increased by ¥3.6 billion, or 8.0 per cent., to ¥49.0 billion, compared to ¥45.4 billion as of 31 March 2012, attributable mainly an increase in investment securities.

Current liabilities as of 31 March 2013 decreased by ¥39.7 billion, or 19.2 per cent., to ¥166.6 billion as of 31 March 2013, compared to ¥206.3 billion as of 31 March 2012, owing to such factors as a decrease in short-term loans and trade notes and accounts payable. Non-current liabilities as of 31 March 2013 increased by ¥42.8 billion, or 100.4 per cent., to ¥85.4 billion, compared to ¥42.6 billion as of 31 March 2012, owing to such factors as an increase in long-term debt.

Consolidated Balance Sheet as of 31 December 2013 Compared to Consolidated Balance Sheet as of 31 March 2013

Total assets as of 31 December 2013 increased by ¥50.5 billion, or 11.2 per cent., to ¥502.0 billion, compared to ¥451.4 billion as of 31 March 2013, while total net assets as of 31 December 2013 increased by ¥35.2 billion, or 17.6 per cent. to ¥234.6 billion, compared to ¥199.4 billion as of 31 March 2013. The equity ratio (being total net assets less minority interests, as a percentage of total assets) was 28.0 per cent. as of 31 December 2013, compared to 25.9 per cent. as of 31 March 2013. Owing to such factors as an increase in cash and time deposits, trade and notes receivable, accounts receivable and inventory, current assets as of 31 December 2013 increased by ¥40.3 billion, or 14.8 per cent., to ¥313.5 billion, compared to ¥273.2 billion as of 31 March 2013. Property, plant and equipment, net as of 31 December 2013 increased by ¥6.8 billion, or 5.3 per cent., to ¥136.1 billion, compared to ¥129.3 billion as of 31 March 2013, such increase being attributable mainly to increases in buildings and structures and machinery and equipment. Total investments and other assets as of 31 December 2013 increased by ¥3.4 billion, or 6.9 per cent., to ¥52.4 billion, compared to ¥49.0 billion as of 31 March 2012, attributable mainly an increase in investment securities.

Current liabilities as of 31 December increased by ¥21.8 billion, or 13.1 per cent., 2013 to ¥188.4 billion, compared to ¥166.6 billion as of 31 March 2013, owing to such factors as an increase in trade notes and accounts payable, taxes payable and increase in provision for product warranties, set off to a certain extent by decrease in provision for bonuses. Non-current liabilities as of 31 December 2013 decreased by ¥6.4 billion, or 7.5 per cent., to ¥78.9 billion, compared to ¥85.4 billion as of 31 March 2013, owing to such factors as a decrease in long-term debt, set off to a certain extent by increase in deferred tax liabilities and provision for pension payments.

Liquidity and Capital Resources

Cash Flows for the Fiscal Year Ended 31 March 2013 Compared to the Fiscal Year Ended 31 March 2012

Net cash provided by operating activities for the fiscal year ended 31 March 2013 came to ¥24.8 billion, compared with ¥23.4 billion in the previous fiscal year. Major sources of cash for the fiscal year ended 31 March 2013 were income before income taxes of ¥4.8 billion, depreciation and amortisation of ¥21.6 billion, and a ¥10.4 billion decrease in notes and accounts receivable. Main uses of cash included a ¥16.4 billion decrease in notes and accounts payable and a ¥7.8 billion decrease in income taxes paid.

Net cash used in investing activities during the fiscal year ended 31 March 2013 amounted to ¥32.1 billion, compared with ¥29.4 billion in the previous fiscal year. The main use of cash for the fiscal year ended 31 March 2013 was purchases of property, plant and equipment, and intangible assets of ¥33.2 billion, mainly in the Electronic Components segment.

During the fiscal year ended 31 March 2013, net cash used in financing activities was ¥5.7 billion, compared with ¥6.7 billion used in the previous fiscal year. This decrease was due mainly to ¥58.6 billion in repayment of long-term loans payable and ¥2.7 billion in cash dividends paid. Proceeds from long-term loans payable provided ¥49.8 billion.

As a result, cash and cash equivalents as of 31 March 2013 amounted to ¥76.1 billion, compared to ¥85.0 billion as of 31 March 2012.

Funding

As of 31 March 2013, the Group's interest-bearing debt amounted to ¥124.5 billion compared to ¥118.5 billion as of 31 March 2012. As of 31 December 2013, the Group's interest-bearing debt amounted to ¥116.0 billion.

Short-term loans payable as of 31 March 2013 amounted to ¥47.9 billion, an increase of 38.7 per cent. from ¥34.5 billion as of 31 March 2012. Long-term debt due within one year as of 31 March 2013 amounted to ¥10.5 billion, a decrease of 81.8 per cent. from ¥57.6 billion as of 31 March 2012, and long-term debt (less current portion) as of 31 March 2013 amounted to ¥66.1 billion, an increase of 150.6 per cent. from ¥26.4 billion as of 31 March 2012.

Short-term loans payable as of 31 December 2013 amounted to ¥39.0 billion, a decrease of 18.6 per cent. from ¥47.9 billion as of 31 March 2013. Long-term debt due within one year as of 31 December 2013 amounted to ¥19.9 billion, an increase of 89.9 per cent. from ¥10.5 billion as of 31 March 2013, and long-term debt (less current portion) as of 31 December 2013 amounted to ¥57.1 billion, a decrease of 13.6 per cent. from ¥66.1 billion as of 31 March 2013.

The Group generally derives the funds it requires for its operations from cash flow from operations and borrowings from financial institutions. As is customary in Japan, domestic short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees, as appropriate) with respect to present and future indebtedness will be given at the request of a lending bank under certain circumstances, and that the bank shall have the right, as the obligations become due or in the event of default, to offset any cash deposited against such obligations. Further, the Company and Alpine Electronics have outstanding syndicated loans which are subject to financial covenants relating to maintenance of a certain level of consolidated net assets and not recording an operating loss (on a consolidated basis and in respect of the Electronic Components business in the case of the Company) for certain consecutive periods. The Group also has certain borrowings overseas. In addition, as of 31 March 2013, the Group had commitment lines with certain financial institutions in the aggregate amount of ¥45.0 billion, of which ¥5.5 billion had been drawn. Such commitment lines are also subject to certain financial covenants.

Capital Expenditure

The following table sets out information with respect to the Group's capital expenditures for the periods indicated by business segment on an accrual basis:

	Year ended 31 March		
	2011	**2012**	**2013**
	(Millions of yen)		
Electronic Components	¥16,671	¥24,510	¥23,846
Automotive Infotainment	4,882	5,328	6,719
Logistics	1,327	5,564	1,624
Other	709	751	602
Adjustments	(44)	(2,128)	(958)
Total capital expenditure	¥23,545	¥34,025	¥31,833

The Group's capital expenditure is generally funded by internally generated funds and borrowings.

In each of the fiscal years ended 31 March 2011, 2012 and 2013, the Group's capital expenditure in the Electronic Components segment principally related to the development of new products, streamlining and increasing production, capital expenditure in the Automotive Infotainment segment principally related to capital expenditure by the Alpine Group with the aim of developing new products, promoting production innovation and further improving quality, and capital expenditure in the Logistics segment principally related to capital expenditure by the Alps Logistics Group in expanding, maintaining and streamlining its operations.

CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated capitalisation and indebtedness of the Company as of 31 December 2013, which has been extracted without material adjustment from the Company's unaudited quarterly consolidated financial statements as of the same date, and as adjusted to give effect to the issue of the Bonds:

	(Unaudited) As of 31 December 2013	
	Actual	As adjusted
	(Millions of yen)	
Short-term debt[2]:		
Short-term debt	¥ 38,994	¥ 38,994
Current portion of long-term debt	19,906	19,906
Total short-term debt.	58,900	58,900
Long-term debt[3]:		
Long-term debt	57,084	57,084
The Bonds now being issued.	–	30,000
Total long-term debt	57,084	87,084
Net assets:		
Shareholders' equity:		
Common stock, no par value:		
Authorised: 500,000,000 Shares		
Issued: 181,559,956 Shares	23,624	23,624
Capital surplus	42,230	42,230
Retained earnings	75,144	75,144
Treasury stock (2,317,256 Shares), at cost	(3,508)	(3,508)
Total shareholders' equity	137,490	137,490
Accumulated other comprehensive income:		
Net unrealised gains on securities	5,346	5,346
Net deferred gains (losses) on hedges	(6)	(6)
Revaluation reserve for land	(526)	(526)
Foreign currency translation adjustments	(1,531)	(1,531)
Total accumulated other comprehensive income	3,283	3,283
Minority interests	93,811	93,811
Total net assets	234,584	234,584
Total capitalisation and indebtedness[6]	¥350,568	¥ 380,568

Notes:

(1) The above table should be read in conjunction with the consolidated financial statements of the Company contained herein.

(2) As of 31 December 2013, ¥0.4 billion of the Group's short-term debt was secured and ¥0 of the Group's short-term debt was guaranteed.

(3) As of 31 December 2013, ¥1.4 billion of the Group's long-term debt was secured and ¥0 of the Group's long-term debt was guaranteed.

(4) As of 31 December 2013, the Group had a total of ¥2.1 billion of contingent liabilities in respect of guarantees for loans of other companies and employees and certain contingent pension liabilities in respect of certain subsidiaries of the Company which participate in a pension scheme in the United Kingdom. See Note 3 to the unaudited quarterly consolidated financial statements of the Company included elsewhere in this Offering Circular.

(5) All of the issued Shares are fully-paid and non-assessable.

(6) Total capitalisation and indebtedness is a total of total short-term debt, total long-term debt and total net assets.

(7) There has been no material change in the Company's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 31 December 2013.

INFORMATION CONCERNING THE SHARES

Changes in Issued Share Capital

The Company has an authorised share capital of 500,000,000 Shares, of which 181,559,956 Shares were in issue as of 31 December 2013. The following table shows the changes in the issued share capital of the Company as of the dates indicated below:

Date/Period	Type of Issue	Number of Shares Issued	Total Number of Shares in Issue
1 April 2005 to 31 March 2006	Conversion of convertible bonds	832,941	181,559,956

As of 31 December 2013, there has been no change in issued share capital of the Company since 31 March 2006.

Dividends

Under the Articles of Incorporation of the Company, year-end dividends and interim dividends may be distributed to the Company's shareholders and pledges of record as of 31 March and 30 September in each year, respectively, in proportion to the number of Shares held by each shareholder, following approval by the Board of Directors. The payment of dividends will also be subject to other factors, including legal restrictions with respect to the payment of dividends. See "Description of the Shares and Certain Regulations—Distributions of Surplus".

The following table sets out the dividends paid by the Company to its shareholders of record as of the dates indicated:

Date	Dividends per Share
	(Yen)
31 March 2009	¥ –
30 September 2009	10.00
31 March 2010	–
30 September 2010	–
31 March 2011	10.00
30 September 2011	10.00
31 March 2012	10.00
30 September 2012	5.00
31 March 2013	–
30 September 2013	–

The Company's basic policy with regard to distribution of surplus balances the three elements of (i) returns to shareholders, (ii) R&D and capital expenditures required for future business development and strengthening competitiveness, and (iii) retaining internal funds, based on the consolidated results in the Electronic Components segment.

Japanese Stock Market and Price Range of the Shares

The Shares are listed on the First Section of the Tokyo Stock Exchange.

The Tokyo Stock Exchange is the principal stock exchange in Japan. The most widely followed price index of stocks listed on the Tokyo Stock Exchange is the Nikkei Stock Average, an index of 225 selected stocks listed on its First Section computed by Nikkei Inc., a private corporation. In addition, the Tokyo Stock Exchange publishes the Tokyo Stock Price Index ("TOPIX"), an index of the market value of all stocks traded on its First Section.

The following table shows the highest and lowest reported sales prices of the Shares on the Tokyo Stock Exchange, and the highs and lows of the daily closing Nikkei Stock Average and the closing level of TOPIX for the periods indicated, all as reported by the Tokyo Stock Exchange and Nikkei Inc.:

	Price per Share		Nikkei Stock Average		TOPIX	
Calendar Year	**High**	**Low**	**High**	**Low**	**High**	**Low**
	(Yen)		(Yen)		(Points)	
2009	¥ 691	¥ 249	10,639.71	7,054.98	975.59	700.93
2010	953	487	11,339.30	8,824.06	998.90	803.12
2011	1,158	471	10,857.53	8,160.01	974.63	706.08
2012:						
First quarter	773	513	10,255.15	8,378.36	872.42	725.24
Second quarter	763	540	10,109.87	8,295.63	856.05	695.51
Third quarter	570	398	9,232.21	8,365.90	778.70	706.46
Fourth quarter	557	347	10,395.18	8,534.12	859.80	713.95
2013:						
First quarter	687	460	12,635.69	10,486.99	1,058.10	871.88
Second quarter	857	544	15,627.26	12,003.43	1,276.03	991.34
Third quarter	839	686	14,808.50	13,338.46	1,222.72	1,106.05
Fourth quarter	1,229	732	16,291.31	13,853.32	1,302.29	1,147.58
2014:						
First quarter (until 5 March 2014)	1,441	1,125	16,121.45	14,008.47	1,306.23	1,139.27

On 5 March 2014, the reported closing price of the Shares on the Tokyo Stock Exchange was ¥1,287 per Share. The closing Nikkei Stock Average and TOPIX on the same date were ¥14,897.63 and 1,212.90, respectively.

Principal Shareholders and Distribution of Shares

As of 30 September 2013, the 10 largest shareholders of record and the number and percentage of Shares held by them were as follows:

Shareholder	**Number of Shares Held**	**Percentage of Total Shares in Issue**
	(Thousands)	(Per cent.)
Japan Trustee Services Bank, Ltd. (trust account)[(1)]	18,134	9.99
The Master Trust Bank of Japan, Ltd. (trust account)[(1)]	17,785	9.80
Toshiba Corporation	4,075	2.25
Japan Trustee Services Bank, Ltd. (trust account 9)[(1)]	3,895	2.15
Mitsui Sumitomo Insurance Co., Ltd.	3,596	1.98
Mitsui Life Insurance Company (standing proxy: Japan Trustee Services Bank, Ltd.)	3,591	1.97
Nippon Life Insurance Company	3,100	1.71
Trust & Custody Services Bank, Ltd. (securities investment trust account)[(1)]	2,676	1.47
JPMorgan Securities Japan Co., Ltd.	2,363	1.30
Alps Electric Co., Ltd.	2,316	1.27
Total	61,531	33.89%

Notes:

(1) Held by such holders in their trust accounts.

(2) The FIEA requires any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent. of the total issued voting Shares to file a report concerning such shareholdings with the director general of a competent Local Finance Bureau, and also requires such person to file a similar report concerning one per cent. or more changes in such substantial shareholdings or any changes in material matters set out in the reports previously filed (see "Description of the Shares and Certain Regulations—Reporting of Substantial Shareholders"). The Company had received the following reports by 30 September 2013, which may not be reflected in the above table:

- A report relating to a change in shareholding filed on 19 September 2013 by Mitsubishi UFJ Financial Group, Inc., informing of the ownership by four of its affiliates of 10,812 thousand Shares as of 9 September 2013. The Company was however unable to confirm the beneficial ownership thereof, and therefore such holding is not set out in the above table.
- A report relating to a change in shareholding filed on 20 September 2013 by Sumitomo Mitsui Trust Bank, Limited, informing of the ownership by it and two joint holders of 14,739 thousand Shares as of 13 September 2013. The Company was however unable to confirm the beneficial ownership thereof, and therefore such holding is not set out in the above table.

As of 5 March 2014, the Company has received copies of the following reports since 30 September 2013:

- A report relating to a change in shareholding filed on 21 November 2013 by Sumitomo Mitsui Trust Bank, Limited, informing of the ownership by it and two joint holders of 16,822 thousand Shares as of 15 November 2013.

- A report relating to a change in shareholding filed on 16 December 2013 by Mitsubishi UFJ Financial Group, Inc., informing of the ownership by four of its affiliates of 8,967 thousand Shares as of 9 December 2013.
- A report relating to a change in shareholding filed on 19 December 2013 by Sumitomo Mitsui Trust Bank, Limited, informing of the ownership by it and two joint holders of 17,091 thousand Shares as of 13 December 2013.
- A report relating to a change in shareholding filed on 7 January 2014 by Daiwa SB Investments Ltd., informing of its ownership of 8,713 thousand Shares as of 30 December 2013.
- A report relating to substantial shareholdings filed on 3 February 2014 by Mitsubishi UFJ Financial Group, Inc., informing of the ownership by four of its affiliates of 9,916 thousand Shares as of 27 January 2014.
- A report relating to substantial shareholdings filed on 7 February 2014 by Nomura Securities Co., Ltd., informing of the ownership by it and two joint holders of 9,316 thousand Shares as of 31 January 2014.

(3) Except as stated above, the Company is not aware of any change in the information provided above.

The ownership distribution of the Shares by category of shareholders of record of the Company as of 30 September 2013 was as follows:

Category	**Number of Shareholders**	**Number of Shares Held**	**Percentage of Total Shares in Issue**
		(Thousands)	**(Per cent.)**
Japanese financial institutions.	52	70,571	38.9%
Japanese financial instruments and exchange operators	59	8,390	4.6
Other Japanese corporations	368	12,184	6.7
Foreign corporations and others (including foreign individuals)	282	43,709	24.1
Japanese individuals	29,973	44,388	24.4
Treasury stock and other[1]	2	2,317	1.3
Total	30,736	181,559	100.0%

Note:

(1) Includes treasury stock held by the Company and Shares registered in the name of Japan Securities Depository Center, Inc.

As of 31 March 2013, the Directors and Audit & Supervisory Board Members of the Company together held 1,004 thousand Shares, or 0.06 per cent. of the total issued and outstanding Shares.

As of the date of this Offering Circular, the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

BUSINESS

Overview and History

The Group is a leading global manufacturer of electronic devices and components, supplying a large variety of products to customers all over the world, including automobile, home appliance, mobile device and industrial machinery manufacturers. The Alpine Group is involved in the provision of automotive infotainment products including car audio, information and communication equipment, principally to automobile manufacturers, while the Alps Logistics Group provides logistics services including transportation, storage and forwarding services, principally in respect of electronic components.

On 1 November 1948, the Company was incorporated as a rotary switch manufacturer. In the 1950s, the Group started to develop, manufacture and sell communications devices; in the 1960s it expanded its product lines into magnetic devices; in the 1970s it entered into the automotive products businesses; and in the 1980s it commenced manufacturing peripheral products. The Company's Shares were listed on the over-the-counter market in Tokyo in April 1961, and such listing was moved to the Second Section of the Tokyo Stock Exchange later that year. The Shares have been listed on the First Section of the Tokyo Stock Exchange since 1967. In 1967, the Group commenced the manufacture and sale of audio equipment through a joint venture company, which in 1978 became a wholly-owned subsidiary of the Company and changed its name to Alpine Electronics, Inc. Since 1988, the shares of Alpine Electronics have been listed on the Second Section of the Tokyo Stock Exchange and since 1992 on the First Section of the Tokyo Stock Exchange. In 1967, the Group commenced logistic services by investing in another distribution company which in 1987, became Alps Logistics Co., Ltd. Since 1995 the shares of Alps Logistics have been listed on the Second Section of the Tokyo Stock Exchange.

As of 31 December 2013, the Group comprised of the Company, 84 consolidated subsidiaries and two affiliates accounted for by the equity method.

For the fiscal year ended 31 March 2013, on a consolidated basis, the Group's net sales, operating income and net loss amounted to ¥546.4 billion, ¥6.9 billion and ¥7.1 billion, respectively, and net sales in Japan, China, America, Germany and other regions as a percentage of consolidated net sales were 23.1 per cent., 18.3 per cent., 16.3 per cent., 9.8 per cent. and 32.5 per cent., respectively. For the nine-month period ended 30 September 2013, on a consolidated basis, the Group's net sales, operating income and net income amounted to ¥506.1 billion, ¥22.8 billion and ¥11.1 billion, respectively.

The Company's registered office and headquarters is located at 1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo 145-8501, Japan.

The Shares are listed on the First Section of the Tokyo Stock Exchange. The market capitalisation of the Company based on the closing price of the Shares on the Tokyo Stock Exchange on 5 March 2014 was approximately ¥233,668 million.

Strategy

The Group's corporate philosophy is to create new values that satisfy stakeholders and are friendly to the Earth. The Group's vision is based on five business approaches, namely:

- *Pursuit of value*: the Group strives to pursue creation of new value constantly, through leveraging on its technologies to offer attractive new products and maintaining strong relationships with customers.
- *Harmony with nature*: the Group works to maintain a balance between environmental conservation and its business activities.
- *Partnership with customers*: the Group aims to form strong partnerships with stakeholders (including customers and suppliers) based on face-to-face communication.
- *Fair management*: the Group strives to engage in fair and honest management, thereby increasing corporate value and earning the trust of stakeholders around the world.
- *Respect for the individual*: the Group works to create interactive workplaces and opportunities for individuals to challenge themselves while pursuing proactive roles within the Group.

Based on the above corporate philosophy and business approaches, the Company is currently pursuing its "7th Medium-Term Business plan" (the "Medium-Term Business Plan") in respect of the Group's Electronic

Components business, covering the three fiscal years ending 31 March 2016. In addition, Alpine Electronics and Alps Logistics, as listed companies, are pursuing their own strategies with regard to the businesses of the Alpine Group and the Alps Logistics Group, respectively.

The Company's 7th Medium-Term Business Plan

The basic policy of the Group's Electronic Components business is summed up in the phrase, "perfecting the art of electronics". By this, the Company means creating products that are right (products that are light, compact, made with highly sophisticated technology and achieve the right balance in terms of appearance, price, function, performance and quality), unique (products that display the Company's creativity and originality), and green (products that exhibit environmental consideration over their entire lifecycle, including in their recyclability and energy efficiency when used in final consumer products). Apart from a refined appearance, products should be of high quality and perform the desired function while having little impact on the environment because they are energy- and resource-efficient. Under the "customer-in" perspective, the Company gets involved in the production process early in the development stage, building close relationships with electronic manufacturers—the customers—to make sure that the most appropriate electronic components are available to the customers at all times. Further, by staying attuned to the market and strengthening the Company's distinctive "*monozukuri*" (product creation) style which enables it to respond quickly to the diverse needs of the customers, the Company aims to continue to offer unique, innovative and superior products to the market.

Pursuant to the Medium-Term Business Plan, the Company intends to achieve increased sales to the automotive market and the smartphone market, and establish a business in new markets (environmental, energy and health care markets), as well as to strengthen its core technology and product capabilities and rationalise fixed costs. The following are strategic measures which the Group is taking with regard to its Electronic Components business:

Achieving increased sales to the automotive market

The digitisation of automotive equipment is accelerating rapidly, and the Group believes that the automotive market will continue to be a strong growth area for the Group as it can apply the technologies which it has developed in its Electronic Components business in respect of the consumer market such as the smartphone market to the automotive market as well. The Group is therefore pursuing the following strategies in this area:

Promoting customer-targeted marketing strategies

In order to meet the increasing needs of customers for modularisation of products and to become their strategic partner, the Group is working to strengthen its global customer support (in Japan, Europe, U.S. and emerging countries), as well as to strengthen its global production and supply structure.

Expanding the Group's market share of existing products, and creating new products

Through expanding its market share of existing products and creating new products which meet the increasing needs of digitisation, the Group intends to increase its sales to the automotive market. With regard to automotive manufacturers, the Group intends to work actively to propose next-generation products to existing customers, including human-machine interface products, connectivity integrated products and cockpit products, making joint proposals with Alpine Electronics where appropriate. The Group also believes that digitisation will also spread its effect to the motorcycle market, and intends to propose new products in respect thereof.

Achieving increased sales to the smartphone market

The Group believes that smartphones will continue their penetration to the population and that new product needs will continue to increase. The Group has been working to strengthen its products for the smartphone market since the fiscal year ended 31 March 2012, and the Group intends to further expand sales in this market by responding meticulously to the diverse needs of leading smartphone manufacturers. In this regard, the Group is pursuing the following strategies:

Expanding sales to leading smartphone manufacturers

With a view to expanding its sales to globally leading smartphone manufacturers, the Group is implementing a "customer-in" marketing strategy. In particular, the Group intends to respond to changes in the speed of customer requests by reinforcing local sales forces and engineering staff with a view to building prompt localised decision-making structures. Examples of measures it is taking or intends to take include the development of actuators for next-generation smartphones, development of new-type sensors (including development of smart sensors and increasing the variety of sensors available), and provision of touch panel solutions (such as developing thinner touch panels) which meet the needs of customers.

Boosting promotion of sales to Chinese and Taiwanese manufacturers

The Group expects there to be further growth potential in the market of Chinese and Taiwanese smartphone manufacturers, and has seen growth in sales of the Group's smartphone-related products such as camera actuators, touch panels, switches and sensors in this field. The Group intends to further strengthen relationships with Chinese and Taiwanese smartphone manufacturers with a view to expanding sales of key parts as well as to promoting sales of component products.

Other strategic measures

Other strategic measures for expanding the Group's sales to the smartphone market include enhancing the product line-up and accelerating the development of new sensors through measures such as strengthening its partnership with Qualtré, Inc. ("Qualtré") and mCube, Inc. ("mCube") in the U.S.

Establishing business in new markets

Based on the Group's strengths in input, sensor and connectivity technology, the Group intends to offer its products to new markets which are expected to grow, including the environmental/energy market and the health care market. Going forward, leveraging on its relationship with Qualtré and mCube, the Group intends to package sensors with other products such as software and communication modules with a view to meeting the sensing needs of markets such as industrial equipment manufacturers and health care equipment manufacturers, in addition to increasing sales in the smartphone market.

Establishing an environmental/energy business

Domestic interest in renewable energy and energy saving, which had already been significant, has heightened in the aftermath of the nuclear disaster following the Great East Japan Earthquake in March 2011. Against such background, the Group is working to establish an environmental/energy business by creating new products through integrating its core technologies such as sensor and communication module technology. The Group is also accelerating its energy saving business, having established the Company's consolidated subsidiary, Alps Green Devices Co., Ltd. ("Alps Green Devices") in 2010, including the development of very small, light and high-precision current sensors.

Accelerating the development of the Group's health care business

Taking into account the market trend of reducing medical costs even in a more health-conscious and ageing society, the Group intends to create new products for the health care market through combining its core technologies such as sensor, Wi-Fi and contactless switch technology.

Strengthening core technology and product capabilities

With a view to expanding its sales in the automotive, smartphone and new markets, the Group intends to strengthen its core technology and product capabilities in each of those areas.

Strengthening the Group's product capabilities

The Group intends to further strengthen its technologies in relation to matters such as human-machine interface, sensors and connectivity, with a view to further improving its product capabilities.

Strengthening core technology

Through advancement of mechatronics which combine machinery with electronic engineering, and black-boxisation of technology, the Group intends to establish its competitiveness as against its business competitors.

Strengthening overseas R&D

The Group intends to further strengthen its overseas R&D capabilities, including development of advanced input products in North America, development of advanced in-car products in Europe and strengthening product design capabilities in China and South Korea. In Japan, the Group intends to strengthen the development of elemental technologies and new products.

Operations

The Group's operations comprise three reportable segments, namely Electronic Components, Automotive Infotainment and Logistics, and other businesses not included in the reportable segments (including the development of information systems, office services, financial and leasing businesses) are included in Other. The following tables give certain details on the Group's net sales to external customers, broken down by segment for each of the periods indicated:

	Fiscal Year Ended 31 March					
	2011		2012		2013	
Segment	**Sales**	**Proportion**	**Sales**	**Proportion**	**Sales**	**Proportion**
	(Millions of yen)	**(Per cent.)**	**(Millions of yen)**	**(Per cent.)**	**(Millions of yen)**	**(Per cent.)**
Electronic Component	¥296,153	53.8%	¥268,917	51.1%	¥268,086	49.1%
Automotive Infotainment	198,359	36.0	200,248	38.0	219,852	40.2
Logistics	47,505	8.6	47,999	9.1	48,554	8.9
Other	8,652	1.6	9,337	1.8	9,931	1.8
Total consolidated net sales	¥550,669	100.0%	¥526,501	100.0%	¥546,423	100.0%

	(Unaudited) Nine-Month Period Ended 31 December			
	2012		2013	
Segment	**Sales**	**Proportion**	**Sales**	**Proportion**
	(Millions of yen)	**(Per cent.)**	**(Millions of yen)**	**(Per cent.)**
Electronic Component	¥200,666	50.0%	¥252,078	49.8%
Automotive Infotainment	156,120	38.9	207,702	41.0
Logistics	36,909	9.2	38,888	7.7
Other	7,488	1.9	7,429	1.5
Total consolidated net sales	¥401,183	100.0%	¥506,097	100.0%

Electronic Components

This segment is involved in the development, manufacturing and marketing of a variety of electronic components. This segment services two principal markets, namely the automotive market, to which the Group provides electronic components for use in automobiles principally to automobile manufacturers, and the consumer market, to which the Group provides electronic components for use in digital consumer products such as smartphones, televisions, personal computers and other digital consumer products, principally to electronics manufacturers.

The following tables give certain details on the Group's net sales to external customers in the Electronic Components segment, broken down by market for each of the periods indicated:

	Fiscal Year Ended 31 March					
	2011		2012		2013	
Market	**Sales**	**Proportion**	**Sales**	**Proportion**	**Sales**	**Proportion**
	(Millions of yen)	**(Per cent.)**	**(Millions of yen)**	**(Per cent.)**	**(Millions of yen)**	**(Per cent.)**
Automotive	¥124,934	42.2%	¥132,486	49.3%	¥140,013	52.2%
Consumer	171,219	57.8	136,431	50.7	128,073	47.8
Total Electronic Component segment sales to external customers	¥296,153	100.0%	¥268,917	100.0%	¥268,086	100.0%

Market	(Unaudited) Nine-Month Period Ended 31 December 2012 Sales	Proportion	2013 Sales	Proportion
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Automotive	¥101,303	50.5%	¥120,390	47.8%
Consumer	99,361	49.5	131,687	52.2
Total Electronic Component segment sales to external customers	¥200,666	100.0%	¥252,078	100.0%

Products offered in this segment include the following:

- *Sensors*. The sensors offered by the Group support a wide range of control and detection needs through creation of new sensing ability, and include magnetic sensors, which realise diverse motion and position detection; geomagnetic sensors, offering small and thin designs and high azimuth accuracy; humidity sensors, with high-precision detection of 0 per cent. to 100 per cent. relative humidity; compact and low-profile pressure sensors; and resistive position sensors, including linear type resistive position sensors contributing to product size and weight reductions, and rotary type resistive position sensors catering to diverse position detection needs.

- *Potentiometers*. The Group's potentiometer line-up includes rotary potentiometers (such as metal shaft potentiometers, insulated shaft potentiometers, knob operating type potentiometers and ring type devices), as well as slide potentiometers.

- *Power inductors*. The Group's power inductors offer low loss and low heat-generating properties, which improve equipment power efficiency. The Company's consolidated subsidiary Alps Green Devices offer high efficiency and low heat type power inductors and high efficiency and large current type power inductors.

- *TACT Switches™*. TACT Switches™ are tactile switches offered by the Group, including snap-in type TACT Switches™, which are available in diverse variations of parameters like size, operating force, travel and feel; surface mount type TACT Switches™, which are available in a large variety of sizes and features; and radial type TACT Switches™, including round terminal and dust- and waterproof types.

- *Communication modules*. The Group's communication modules include wireless-LAN modules, Bluetooth® modules and wireless LAN/Bluetooth® combination modules for automotive use, useful for linking automotive infotainment systems and smartphones.

- *Tuners*. The Group offers a wide variety of tuners for various purposes, from digital terrestrial and analogue broadcasting, cable television and AM/FM tuners, including tuners for mobile devices and tuners for automotives.

- *Switches*. The Group provides a wide variety of switches in terms of product applications (including automotive use) and operating methods. The Group's offers detector switches (including compact type detector switches, general-purpose type detector switches, multi-direction control type detector switches, medium-size type detector switches, connector terminal type detector switches and waterproof type detector switches), slide switches (including compact type slide switches, recoil type slide switches and other slide switches), push switches (including horizontal type push switches, vertical type push switches and push-push type push switches), rotary switches (including vertical type rotary switches and horizontal type rotary switches), power switches (including push type power switches, rocker type power switches, slide type power switches and knob operating type potentiometers), dual-in line package type switches and Contactsheet™.

- *Aspherical glass lens*. The Group offers lenses for backbone optical communications and lenses for visible light.

- *Magnetic sheets Liqualloy™*. The Group's Magnetic sheets Liqualloy™ are effective for noise suppression in circuits and improving signals affected by metals. The Group offers magnetic sheets for EMI (electro-magnetic interference) and magnetic sheets for RFID (radio frequency identification).

- *Encoders*. The Group offers a diverse variety of encoders to choose from based on operability and user-friendliness, including absolute type encoders, incremental type encoders, magnetic type encoders and ring type encoders.
- *Connectors*. The Group's connectors include connectors for secure digital ("SD") memory cards, connectors for microSD™ cards, connectors for subscriber identity module ("SIM") cards, connectors for micro-SIM cards and combination connectors.
- *Multi control devices*. Suitable for a diverse range of equipment with comfortable multi-directional operation and superior space-saving, the Group's multi control devices include potentiometer type multi control devices and switch type multi control devices.

In the automotive market, major developments in digitalisation to improve automobile safety and energy efficiency are expected going forward, and accordingly the Group is working aggressively to expand sales by focusing on the development of original products such as sensors and high-frequency components, continuing to propose technological innovations to automotive manufacturers, and strengthening relationships with them. The Group's principal customers in the automotive market are automotive and automotive parts manufacturers.

In the consumer market, the Group is working to implement sales promotion activities that accurately respond to the growing smartphone market while aggressively introducing new products in response to the expansion of the environmental energy market. The Group's principal customers in the consumer market are smartphone and tablet manufacturers as well as other electronic equipment manufacturers.

Automotive Infotainment

This segment is involved in the development, manufacturing and marketing of car audio, information and communication equipment, providing such products mainly through the Alpine Group, principally to automobile manufacturers on an OEM basis and to a lesser extent directly to consumers.

Alpine Electronics was incorporated in 1967 as a joint venture company and became a wholly-owned subsidiary of the Company in 1978. Since its foundation in 1967, the Alpine Group has been one of the leading automotive multimedia manufacturers. The shares of Alpine Electronics were listed on the Second Section of the Tokyo Stock Exchange in 1988 and on the First Section of the Tokyo Stock Exchange in 1992. As of 31 December 2013, the Alpine Group was comprised of Alpine Electronics, 34 consolidated subsidiaries and one affiliate accounted for by the equity method.

The Alpine Group develops, manufactures and sells car audio and information and communication products in major markets around the world, principally on an OEM basis to automobile manufacturers, and to a lesser extent directly to consumers. The Group's offering of car audio and information and communication products include audio-visual head units and head units (including compact disk and DVD receivers), Bluetooth® receivers and mech-less in-dash application receivers, television tuners, rear-seat entertainment systems, audio processors, sound systems which combine high-quality speakers, amplifiers and/or subwoofers, cameras and car navigation systems.

In the automotive acoustic systems domain, the Alpine Group pursues, together with its dedication to premium sound, improvements in the vehicles' fuel efficiency in its product development, and has achieved dramatic downsizing and weight reductions in its products in the acoustic devices domain. In the automotive information and communication systems domain, the Alpine Group focuses highly on compatibility of its products to Intelligent Transport Systems and adaptation to electric vehicles with a view to contributing to a safer, more convenient and exciting automotive society.

Logistics

This segment is involved in the provision of transportation, storage and forwarding services principally in relation to electronic components, providing such services mainly through the Alps Logistics Group, to customers both in Japan and overseas. Utilising the expertise obtained by the Group in its Electronic Components business, the Alps Logistics Group specialises in freight handling of electronic components, including transportation, storage and delivery of electronic components. The Alps Logistics Group has logistics bases total of two in Japan, seven in China, three in ASEAN countries, one in Europe and two in the Americas. The Group is involved in logistics contracts with over 1,800 electronic components companies in Japan, and provides services tailored specifically to the logistics needs of its customers.

Alps Logistics Co., Ltd. was incorporated in 1964 and its shares have been listed on the Second Section of the Tokyo Stock Exchange since 1995. As of 31 December 2013, the Alps Logistics Group was comprised of Alps Logistics and 16 consolidated subsidiaries.

Other

The Group's Other businesses comprise businesses not included in the reportable segments, including the development of information systems, office services, and financial and leasing businesses.

Sources of Supply

The Group uses various kinds of raw materials including plastics, silver, steel and tin. The principal components purchased by the Group are integrated circuits ("ICs"), transistors, diode and printed circuit boards. The Group purchases these raw materials and parts directly from manufacturers or through agents. The Group believes that it is not dependent on any single third party supplier for its procurement. The Group has not experienced any material difficulties in obtaining supplies in recent years, and does not currently anticipate any such difficulty in the foreseeable future. Singapore, Taiwan and Hong Kong are the central overseas procurement centres for arranging the Group's overseas procurement.

Manufacturing

As of 31 December 2013, the Group had ten manufacturing plants in Japan and 18 overseas. The Group has its manufacturing plants located in its three major markets, Japan, Asia, the U.S. and Europe with a view to providing prompt supply to its manufacturing customers and responding to such customers' needs.

See "—Property and Equipment" for further details relating to the Group's principal manufacturing facilities.

Environment

The Group, as a member of the global community, is committed to protecting the beauty of nature and to safeguarding the world's precious resources through the use of technologically advanced business practices and the efforts of its employees, in order to promote sustainable development. Placing priority on environmental preservation, the Group works to (i) develop products in light of environmental concerns, (ii) engage in environmentally friendly production and sales, (iii) conserve natural resources, (iv) reduce or eliminate waste, and (v) increase recycling activities.

The Group recognises that ISO 14001, the international standard for environmental management systems, is an important criterion in environmental management. All of the Group's domestic and overseas production facilities have acquired ISO 14001 certification, and every certified location performs internal environmental audits at least once a year in accordance with the ISO 14001 standards.

Property and Equipment

The following table sets out certain information relating to the Company's principal property and equipment by property as of 31 March 2013:

Name of Property	Location	Business Segment to Which the Property Relates	Description of the Property	Book Value(1) Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Land(2)	Total
				(Millions of yen)				
Furukawa factory	Miyagi, Japan	Electronic Components	Manufacturing facilities, principally for components	¥ 3,297	¥ 9,050	¥ 1,824	¥ 5,184 (357)	¥ 19,357
Headquarters, Kansai Branch and others	Tokyo, Japan and Osaka, Japan	Electronic Components	Headquarters and branch facilities	6,357	48	614	7,792 (26)	14,813
Nagaoka factory	Niigata, Japan	Electronic Components	Manufacturing facilities, principally for touch panels	389	5,841	288	1,426 (84)	7,945
Sendai Development Centre	Miyagi, Japan	Electronic Components	R&D facilities	953	224	62	1,286 (36)	2,526

Notes:
(1) Book value is the book value of tangible fixed assets, and does not include buildings in progress.
(2) Figures in parentheses are land areas owned in square metres.

The following table sets out certain information relating to the principal property and equipment of the Company's domestic subsidiaries by property as of 31 March 2013:

Name of Subsidiary	Name of Property	Location	Business Segment to Which the Property Relates	Description of the Property	Book Value(1) Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Land(2)	Total
					(Millions of yen)				
Alpine Electronics	Iwaki Head-quarters	Fukushima, Japan	Automotive Infotainment	Manufacturing facilities, R&D facilities and other	¥ 2,748	¥ 347	¥ 1,524	¥ 3,288 (318)	¥ 7,909
Alps Logistics	Yokohama Office	Kanagawa, Japan	Logistics	Logistics facilities	1,026	6	19	7,543 (40)	8,595
Alps Logistics	Narita Office	Chiba, Japan	Logistics	Logistics facilities	1,392	27	9	307 (11) [0]	1,736
Alps Logistics	Osaka Office	Osaka, Japan	Logistics	Logistics facilities	237	8	5	1,071 (8)	1,323

Notes:
(1) Book value is the book value of tangible fixed assets, and does not include buildings in progress.
(2) Figures in round parentheses are land areas owned in square metres, while figures in square parentheses are land areas leased from parties other than the Company and its consolidated subsidiaries.

The following table sets out certain information relating to the principal property and equipment of the Company's overseas subsidiaries by property as of 31 March 2013:

Name of Subsidiary	Name of Property	Location	Business Segment to Which the Property Relates	Description of the Property	Book Value[(1)] Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Land[(2)]	Total
					(Millions of yen)				
Wuxi Alps Electronics Co., Ltd.	Headquarters factory	China	Electronic Components	Manufacturing facilities, principally for switches	¥ 1,572	¥ 7,743	¥ 1,101	¥ – [59]	¥10,417
Ningbo Alps Electronics Co., ltd.	Headquarters factory	China	Electronic Components	Manufacturing facilities, principally for touch panels	1,295	3,678	75	– [62]	5,049
Dalian Alps Electronics Col, Ltd.	Headquarters factory	China	Electronic Components	Manufacturing facilities, principally for volume controls and other automotive components	920	2,764	1,105	– [107]	4,791
Alps Electric Korea Co., Ltd.	Headquarters factory	South Korea	Electronic Components	Manufacturing facilities, principally for automotive components	1,486	1,174	257	446 (48)	3,365
Alps Electric (Malaysia) Sdn.Bhd.	Headquarters factory	Malaysia	Electronic Components	Manufacturing facilities, principally for switches and automotive components	416	1,724	332	– [190]	2,473
Alpine Electronics Manufacturing of Europe, Ltd.	Headquarters factory	Hungary	Automotive Infotainment	Manufacturing facilities	1,413	619	514	305 (129)	2,852
Dalian Alpine Electronics Co., Ltd.[(3)]	Headquarters factory	China	Automotive Infotainment	Manufacturing facilities	403	1,570	861	–	2,834
Taicang Alpine Electronics Co., Ltd.	Headquarters factory	China	Automotive Infotainment	Manufacturing facilities	1,144	653	239	– [82]	2,037

Notes:

(1) Book value is the book value of tangible fixed assets, and does not include buildings in progress.

(2) Figures in round parentheses are land areas owned in square metres, while figures in square parentheses are land areas leased from parties other than the Company and its consolidated subsidiaries.

(3) 62 thousand square metres of the land has been leased from Alpine Electronics (China) Co., Ltd.

Distribution, Sales and Marketing

The sales channels in the Electronic Components segment are regionally based, with sales companies responsible for sales activities in the relevant regions. The Group's sales activities in the segment principally take place through such sales companies, although a certain amount of sales activities (in respect of customers to which the Group cannot make direct sales) are conducted through sales agents. As the Group's electronic component products require detailed technical knowledge, the Group believes it is important to work together with any such agents when conducting its sale activities through such agents. The Group's customers in this segment include automobile and automotive part manufacturers in respect of the automotive market, and electronics manufacturers in respect of the consumer market.

In the Automotive Infotainment segment, OEM products are sold directly to automobile manufacturers, while sales channels for consumer products include automotive supply shops and automobile dealers. The Group also conduct a certain amount of sales activities through agents.

In the Logistics segment, the Group generally conducts direct sales activities.

The following table sets out a geographic breakdown of the Group's net sales based on the location of the customers and the percentage in the Group's consolidated net sales for the periods indicated:

	Fiscal Year Ended 31 March					
	2011		2012		2013	
	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales	Net Sales to External Customers	Percentage of Consolidated Net Sales
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Japan	¥ 142,731	25.9%	¥ 138,960	26.4%	¥ 126,205	23.1%
China	121,498	22.1	106,255	20.2	99,791	18.3
America	75,552	13.7	74,741	14.2	89,233	16.3
Germany	69,260	12.6	55,293	10.5	53,771	9.8
Other	141,628	25.7	151,252	28.7	177,423	32.5
Total consolidated net sales	¥ 550,669	100.0%	¥ 526,501	100.0%	¥ 546,423	100.0%

Research and Development

In the Electronic Components segment, the Group's R&D structure includes eight product technology divisions responsible for R&D relating to component products, four product technology divisions responsible for R&D relating to module products for the automotive market, three product technology divisions responsible for R&D relating to module products for the consumer market, two development divisions responsible for new businesses, and two technology divisions responsible for basic technological development. Principal achievements of R&D in this segment in recent years include commercialisation of voice coil motors ("VCMs") for smartphone camera autofocus, development of thin film sensors (geomagnetic, acceleration and digital humidity sensors), developing and expanding the variety of automotive use Bluetooth® modules offered, developing automotive head-up display and expanding the electrostatic touch panel business. For the fiscal year ended 31 March 2013, the Group's R&D expenses (included in consolidated cost of sales) relating to the Electronic Components segment amounted to ¥11.7 billion.

In the Automotive Infotainment segment, the Group has R&D facilities for development of car navigation, display and audio businesses, centred in Japan and also located in China, North America and Germany. As part of its advanced R&D process, the Alpine Group performs simulations on computers at the design stage and conducts tests of actual products at its Evaluation Centre. At this Centre, the Alpine Group conducts rigorous tests as well as precise and sophisticated analyses in six different areas (including anti-vibration and light simulation), which make up the engineering concerns that are distinctive to car electronics. The resulting data is accumulated and fed back to the design, development and production processes. This enables the Alpine Group to create products that satisfy the high standards of stability and reliability in performance that are required by its customers. Principal achievements of R&D in this segment in recent years include development of composite products integrating navigation, visual and sound systems, displays, speakers and amplifiers. For the fiscal year ended 31 March 2013, the Group's R&D expenses (included in consolidated cost of sales) relating to the Automotive Infotainment segment amounted to ¥16.9 billion.

In the other businesses, the Group is involved in software and internet-related development activities, principally through Alps System Integration Co., Ltd. For the fiscal year ended 31 March 2013, the Group's R&D expenses (included in consolidated cost of sales) relating to the Other segment amounted to ¥0.0 billion.

The following table shows certain information relating to the Group's R&D expenses for the periods indicated:

	Fiscal Year Ended 31 March		
	2011	2012	2013
	(Millions of yen / Per cent.)		
Total R&D expenses[(1)]	¥28,124	¥28,099	¥28,675
Percentage of consolidated net sales	5.1%	5.3%	5.2%

Note:

(1) These are R&D expenses included in consolidated cost of sales and general and administrative expenses.

For the nine-month period ended 31 December 2013, the Group's R&D expenses included in consolidated cost of sales and general and administrative expenses amounted to ¥23.7 billion.

Going forward, the Group currently intends to focus on projects such as those relating to energy and health care businesses and development of high-frequency communication modules (including working together with the Company's subsidiary in China, Alps Communication Devices Technology (Shanghai) Co., Ltd., in respect of software development) in the Electronic Components segment, and on cloud-related R&D and development of integrated cockpits in the Automotive Infotainment segment.

Intellectual Property

Patents and other intellectual properties are an important competitive factor for the Group because of the emphasis on product innovation in the markets for a number of the Group's products. The Group relies to a large extent on technology it has developed, and it seeks to protect such technology through a combination of patents, trademarks and other intellectual property rights.

The Group maintains many licences to use Japanese and foreign patents. In some cases, such licences are included in technical assistance agreements and cross license agreements with licensors that cover a wide range of technology products and components. The Group has granted licences to, and entered into technical assistance agreements with, various Japanese and foreign companies. In some instances, cross-licences of their respective patents are entered into between the parties.

While the Company considers that, in the aggregate, the Group's intellectual property rights are important to the Group's business, it does not believe any one of them or any group of them to be of such importance that their expiration would materially affect the Group's business. The Company considers that the Group has good relations with its major licensors and has not experienced material difficulties in renewing licences.

Competition

The markets in which the Group operates are highly competitive and characterised by rapidly changing technologies. For all of its wide range of products and the breadth of its international operations, the Group competes with various manufacturers around the world. In the electronic components market, South Korean, Taiwanese and Chinese manufacturers are becoming increasingly conspicuous, in particular in respect of commoditised products, and their products are gaining competitiveness not only in terms of price but also in terms of quality. Further, certain customers in the electronic components market are increasingly manufacturing components internally, leading to less business opportunities with respect to such customers for the Group. In the Automotive Infotainment and Logistics businesses, the Group competes with many other competitors in terms of both price and quality of product or service. While the Group intends to continue to work to satisfy customers through developing new products, providing high-quality products and enhancing its global network, the Group anticipates competition to continue to increase.

Regulation

The Company's business activities are subject to various governmental regulations in countries in which it operates, including regulations relating to business and investment approvals, consumer protection including product liabilities and safety measures, personal information protection, export regulations including those related to tariffs, antitrust, intellectual property, taxation, foreign exchange controls and environmental and recycling requirements. In addition, the Group is engaged in some regulated businesses. For example, in relation to the Group's logistics business in Japan, the Group is required to obtain approvals and permissions under applicable laws including the Cargo Automobile Transportation Business Act of Japan (Act No. 83 of 1989, as amended) and the Cargo Using Transportation Business Act of Japan (Act No. 82 of 1989, as amended).

Moreover, further development of the Group's health care business, which is one of the areas of focus under the Medium-Term Business Plan (see "Business—Strategy"), may result in the Group being required to obtain approval or permission under the Pharmaceutical Affair Act of Japan (Act No. 145 of 1960, as amended) in the future.

Insurance

The Group maintains a range of insurance policies which the Company believes are adequate for the conduct of its businesses and the value of its properties and assets. The insurance policies cover certain liability risks, including product liability, personal injury, death and property damage and damages caused by business suspension in relation to certain products. The insurance policies also cover damage from certain natural disasters, but only to a limited extent particularly in respect of damage from earthquakes. Since the Great East Japan Earthquake, it has become more difficult and expensive to obtain earthquake insurance.

Legal Proceedings

The Group is, from time to time, involved in various legal proceedings (including those relating to infringement of patents, licences or other intellectual properties) in the ordinary course of its business.

The Group is currently subject to class action suits in North America that are seeking compensation from multiple companies including the Company and a subsidiary, based on an alleged claim that competition has been limited in automotive parts transactions. The aggregate amount of the claims in accordance with local legislation has yet to be determined and at this point in time it would be difficult to reasonably predict the outcome of these lawsuits; and as such the Group has not provided any reserves in its accounts in respect of possible losses relating to such lawsuits.

Other than the class action suits stated above, the Group is not currently involved in any litigation or other legal proceedings that it believes, if determined adversely to the Group, would individually or in the aggregate have a material adverse effect on the Group's business, results of operations or financial condition.

MANAGEMENT AND EMPLOYEES

Management

The Company's Board of Directors carries the ultimate responsibility for the management and administration of the affairs of the Company. The Company's Articles of Incorporation provide for not more than 18 Directors. Directors are elected at a general meeting of shareholders. The normal term of office of any Director expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within two years after such Director's appointment, although they may serve any number of consecutive terms. The Board of Directors elects from among its members one or more Representative Directors, who have the authority individually to represent the Company and out of whom, a president is elected. The Board of Directors may elect a Chairman of the Board, a Vice Chairman and a President, and one or more Vice Presidents, Senior Managing Directors and Managing Directors from among its members.

The Articles of Incorporation of the Company also provide for not more than four Audit & Supervisory Board Members, who are elected at a general meeting of shareholders. The normal term of office of any Audit & Supervisory Board Member expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within four years after such Audit & Supervisory Board Member's appointment, although they may serve any number of consecutive terms. Under Japanese laws, the Audit & Supervisory Board Members are not required to be certified public accountants, and may not at the same time be directors or employees of the Company or any of its subsidiaries. In addition, at least half of the Audit & Supervisory Board Members are required to be outside Audit & Supervisory Board Members who have never been directors or employees of the Company or of any of its subsidiaries. The Audit & Supervisory Board Members form the Audit & Supervisory Board. Audit & Supervisory Board Members have the duties of supervising the administration by the Directors of the Company's affairs and of examining the financial statements and business reports of the Company to be submitted by the Representative Director to the general meetings of shareholders and of reporting their opinions thereon to the shareholders. They are required to attend meetings of the Board of Directors in general and to express their opinions when or if necessary at such meetings but they are not entitled to vote. In addition, they are required to elect from among themselves at least one Standing Audit & Supervisory Board Members. Audit & Supervisory Board Members also have a statutory duty to provide their report to the Audit & Supervisory Board, which must prepare and submit its auditing report to the relevant Director. The Audit & Supervisory Board will also determine matters relating to the duties of the Audit & Supervisory Board Members, such as audit policy and methods of investigation of the affairs and assets of the Company. In addition, under the Securities Listing Regulations of the Tokyo Stock Exchange, listed companies in Japan, including the Company, are required to have at least one independent officer. Such independent officer is required under the regulations to be an outside director (as defined under the Companies Act) or outside Audit & Supervisory Board Member who is unlikely to have conflicts of interest with the shareholders of the relevant company.

In addition to Audit & Supervisory Board Members, the Company must appoint by a resolution of a general meeting of shareholders independent certified public accountants as an Accounting Auditor, who have the statutory duties of examining the financial statements to be submitted by the Representative Director to the general meetings of shareholders and reporting thereon to the relevant Audit & Supervisory Board Members and the relevant Directors. Currently, the Company's Accounting Auditor is Ernst & Young ShinNihon LLC.

The Company's Directors and Audit & Supervisory Board Members as of the date of this Offering Circular are set out in the table below:

Name	Title
Masataka Kataoka	Chairman and Representative Director
Toshihiro Kuriyama	President and Representative Director
Nobuhiko Komeya	Senior Managing Director
Shuji Takamura	Managing Director
Takashi Kimoto	Managing Director
Takashi Iida(1)	Director
Motohiro Shimaoka	Director
Junichi Umehara	Director
Yoshitada Amagishi	Director
Yasuo Sasao	Director
Hitoshi Edagawa	Director
Shinji Inoue	Director

Name	Title
Yozo Yasuoka	Audit & Supervisory Board Member
Yasuhiro Fujii	Audit & Supervisory Board Member
Hiroshi Akiyama(2)	Audit & Supervisory Board Member
Takuji Kuniyoshi(2)	Audit & Supervisory Board Member

Notes:
(1) Outside Directors under the Companies Act.
(2) Outside Audit & Supervisory Board Member under the Companies Act.

All the Directors of the Company, other than the Outside Directors, are engaged in the business of the Company on a full-time basis.

The business address for the Company's Directors and Audit & Supervisory Board Members is 1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo 145-8501, Japan.

The aggregate remuneration of the Directors, the Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) and outside Audit & Supervisory Board Members (together) for the fiscal year ended 31 March 2013 paid to by the Company was ¥448 million, ¥33 million and ¥9 million, respectively.

As of 31 March 2013, no Director of the Company had an interest in any transaction which was unusual in its nature or conditions or significant to the Group's business which was effected by the Company. As of 31 March 2013, there were no outstanding loans granted by any company of the Group to the Company's Directors nor any guarantees provided by any company of the Group for the benefit of any of the Directors of the Company.

Employees

The Group had 36,199 full-time employees as of 31 March 2013, and for the fiscal year ended 31 March 2013, the Group had an average of 5,070 part-time employees. The following table sets out the number of full-time employees of the Group according to reporting segments as of the dates indicated:

	As of 31 March		
	2011	2012	2013
Electronic Components	22,522	19,760	19,600
Automotive Infotainment	10,835	11,058	11,107
Logistics	4,386	4,542	4,683
Other	804	788	809
Total	38,547	36,148	36,199

The Company considers the Group's labour relations to be good. Neither the Company's nor its major Japanese subsidiaries' employees are organised into labour unions, although some have an organisation which represents employees for negotiation of various labour issues with the relevant company. Employees of certain of the Company's Japanese and overseas subsidiaries are organised into labour unions.

Stock Option Plans

The Company does not currently operate any stock option plans.

SUBSIDIARIES AND AFFILIATES

As of 31 December 2013, the Group comprised of the Company, 84 consolidated subsidiaries and two affiliates accounted for by the equity method.

The following table sets out certain information as of 31 March 2013 with respect to the Company's principal subsidiaries:

Subsidiary	Location	Principal Business	Percentage of Voting Rights Directly or Indirectly Held by the Company[(1)]	Paid-in Capital[(2)]	
			(Per cent.)	(Millions)	
Alpine Electronics, Inc.[(2)]	Tokyo, Japan	Manufacturing and sale of car audio and information and communication equipment	40.66 (0.22)	¥	25,920
Alps Logistics Co., Ltd.[(3)]	Kanagawa, Japan	Electronic component logistics and sales of components	48.93 (2.24)	¥	2,349
Alps Green Devices Co., Ltd.	Tokyo, Japan	Development, manufacturing and sale of electronic equipment and components	64.60%	¥	2,579
Alps Electric (North America), Inc.	Campbell, U.S.A.	Manufacturing and sale of electronic equipment and components	100.00	U.S.$	36.439
Cirque Corporation	Salt Lake City, U.S.A.	Development and design of electronic equipment and components	100.00	U.S.$	0.038
Alps Electric Europe GmbH	Dusseldorf, Germany	Manufacturing and sale of electronic equipment and components	100.00	EUR	5.500
Alps Electric (Ireland) Limited	Cork, Ireland	Manufacturing and sale of electronic equipment and components	100.00	EUR	4.295
Alps Electric Czech, s.r.o.	Boskovice, Czech Republic	Manufacturing and sale of electronic equipment and components	100.00	CZK	365.630
Alps Electric Korea Co., Ltd.	Gwangju, South Korea	Manufacturing and sale of electronic equipment and components	100.00	KRW	36,000
Alps Electric (S) Pte. Ltd.	Singapore	Sale of electronic equipment and components	100.00	U.S.$	0.460
Alps Electric (Malaysia) Sdn. Bhd.	Nilai, Malaysia	Manufacturing and sale of electronic equipment and components	100.00	MYR	51.809
Alps Electric (Thailand) Co., Ltd.	Bangkok, Thailand	Sale of electronic equipment and components	100.00 (100.00)	THB	100
Alps Electric (India) Private Limited	Gurugaon, India	Sale of electronic equipment and components	100.00 (0.98)	INR	49.990

Subsidiary	Location	Principal Business	Percentage of Voting Rights Directly or Indirectly Held by the Company[1]	Paid-in Capital[2]	
			(Per cent.)	(Millions)	
Alps (China) Co., Ltd.	Beijing, China	China headquarters, sale of electronic equipment and components	100.00	CNY	377.117
Alps Shanghai International Trading Co., Ltd.	Shanghai, China	Sale of electronic equipment and components	100.00 (100.00)	CNY	1.655
Alps Communication Devices Technology (Shanghai) Co., Ltd.	Shanghai, China	Design of electronic equipment and components and related businesses	100.00	CNY	16.553
Dalian Alps Electronics Co., Ltd.	Dalian, China	Manufacturing and sale of electronic equipment and components	100.00	CNY	139.507
Dandong Alps Electronics Co., Ltd.	Dandong, China	Manufacturing and sale of electronic equipment and components	100.00	CNY	24.504
Tianjin Alps Electronics Co., Ltd.	Tianjin, China	Manufacturing and sale of electronic equipment and components	100.00	CNY	141.128
Ningbo Alps Electronics Co., Ltd.	Ningbo, China	Manufacturing and sale of electronic equipment and components	100.00	CNY	278.537
Wuxi Alps Electronics Co., Ltd.	Wuxi, China	Manufacturing and sale of electronic equipment and components	100.00	CNY	208.879
Alps Electronics Hong Kong Ltd.	Hong Kong	Manufacturing and sale of electronic equipment and components	100.00	HKD	60
Dongguan Alps Electronics Co., Ltd.	Dongguan, China	Manufacturing and sale of electronic equipment and components	100.00	CNY	47.808
Alps Electronics Taiwan Co., Ltd.	Taipei, Taiwan	Sale of electronic equipment and components	100.00	TWD	8
Kurikoma Electronics Co., Ltd.	Miyagi, Japan	Manufacturing and sale of electronic equipment and components	100.00	¥	25

Notes:
(1) Figures in parentheses denote indirect holding.
(2) A company listed on the First Section of the Tokyo Stock Exchange; it is treated as a subsidiary of the Company (despite the Company's holding of voting rights being less than 50 per cent.) due to the Company's effective control.

(3) A company listed on the Second Section of the Tokyo Stock Exchange; it is treated as a subsidiary of the Company (despite the Company's holding of voting rights being less than 50 per cent.) due to the Company's effective control.

(4) In the above table, U.S.$ stands for U.S. dollar, EUR stands for euro, CZK stands for Czech koruna, KRW stands for South Korean won, MYR stands for Malaysian ringgit, THB stands for Thai baht, INR stands for Indian rupee, CNY stands for Chinese yuan, HKD stands for Hong Kong dollar, and TWD stands for Taiwanese dollar.

The Company respects the independence of its listed subsidiaries, Alpine Electronics and Alps Logistics, and those subsidiaries conduct their businesses under independent managerial judgements, establishing their own respective management plans and performance management systems. As of 31 December 2013, Alpine Electronics had 34 consolidated subsidiaries and one affiliate accounted for by the equity method. As of 31 December 2013, Alps Logistics had 16 consolidated subsidiaries.

DESCRIPTION OF THE SHARES AND CERTAIN REGULATIONS

Set out below is certain information concerning the Shares, including brief summaries of certain provisions of the Company's Articles of Incorporation and Share Handling Regulations and of the Companies Act relating to joint stock corporations (*kabushiki kaisha*), and certain related legislation, all as currently in effect at the date of this Offering Circular.

General

All issued Shares are fully-paid and non-assessable, and are in registered form.

On 5 January 2009, a new central clearing system for shares of Japanese listed companies was established pursuant to the Book-Entry Act, and the shares of all Japanese companies listed on any Japanese stock exchange, including the Shares, became subject to this new system. On the same day, all existing share certificates for such shares became null and void. At present, JASDEC is the only institution that is designated by the relevant authorities as a clearing house which is permitted to engage in the clearing operations of shares of Japanese listed companies under the Book-Entry Act. Under the new clearing system, in order for any person to hold, sell or otherwise dispose of shares of Japanese listed companies, they must have an account at an account managing institution unless such person has an account at JASDEC. "Account managing institutions" are financial instruments traders (being securities firms), banks, trust companies and certain other financial institutions which meet the requirements prescribed by the Book-Entry Act, and only those financial institutions that meet further stringent requirements of the Book-Entry Act can open accounts directly at JASDEC. For the purpose of the description under this section, the Company assumes that the relevant person has no account at JASDEC.

Under the Book-Entry Act, any transfer of shares is effected through book entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account at an account managing institution. The holder of an account at an account managing institution is presumed to be the legal owner of the shares held in such account.

Under the Companies Act, in order to assert shareholders' rights against the Company, a transferee must have his or her name and address registered in the Company's register of shareholders, except in limited circumstances. Under the new clearing system, such registration is generally made upon an all shareholders notice from JASDEC. For this purpose, shareholders are required to file their names and addresses with the Company's transfer agent through the account managing institution and JASDEC. See "—Record Date" below for more information.

Non-resident shareholders are required to appoint a standing proxy in Japan or provide a mailing address in Japan. Each such shareholder must give notice of his or her standing proxy or a mailing address to the relevant account managing institution. Such notice will be forwarded to the Company's transfer agent through JASDEC. Japanese securities firms and commercial banks customarily act as standing proxy and provide related services for standard fees.

The transfer agent of the Company is Mitsubishi UFJ Trust and Banking Corporation.

Distributions of Surplus

General

Under the Companies Act, distributions of cash or other assets by joint stock corporations to their shareholders, so called "dividends", are referred to as "distributions of surplus". The Company may make distributions of surplus to its shareholders any number of times per fiscal year, subject to certain limitations described in "—Restriction on Distributions of Surplus".

The Companies Act requires a distribution of surplus to be authorised in principle by a resolution of a general meeting of shareholders. However, a distribution of surplus may also be made pursuant to a resolution of the Board of Directors but only if all the requirements described in (a) to (c) below are met:

(a) the Company's Articles of Incorporation provide that the Board of Directors has the authority to decide to make distributions of surplus;

(b) the normal term of office of each Director of the Company terminates on or prior to the date of conclusion of the ordinary general meeting of shareholders relating to the last year ending within the period of one year from the election of such Director; and

(c) the Company's non-consolidated annual financial statements and certain documents for the latest fiscal year present fairly its assets and profit or loss, as required by ordinances of the Ministry of Justice.

At present, the requirement described in (a) and (b) above are not met. Nevertheless, the Company may make distributions of surplus in cash as an interim dividend to its shareholders by a resolution of the Board of Directors once per fiscal year under the Company's Articles of Incorporation and the Companies Act.

Under the Company's Articles of Incorporation, a year-end dividend may be distributed to shareholders of record as at 31 March of each year and pursuant to a resolution of the Board of Directors, an interim dividend may be distributed to shareholders of record as at 30 September of each year. The Company is not obliged to pay any dividends in cash unclaimed for a period of three years after the date on which they first became payable.

Distributions of surplus may be made in cash or (except for distributions as an interim dividend and cases where shareholders are granted the right to require the Company to make such distributions in cash instead of in kind, upon approval of a general meeting of shareholders) in kind in proportion to the number of Shares held by each shareholder. A resolution of the Board of Directors or a general meeting of shareholders authorising a distribution of surplus must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of such assets to shareholders, and the effective date of the distribution. If a distribution of surplus is to be made in kind, the Company may, pursuant to a resolution of the Board of Directors, grant a right to its shareholders to require the Company to make such distribution in cash instead of in kind. If no such right is granted to shareholders, the relevant distribution of surplus must be approved by a special resolution of a general meeting of shareholders (see "—Voting Rights" with respect to a "special resolution").

In Japan, the ex-dividend date and the record date for dividends precede the date of determination of the amount of the dividends to be paid. The price of the Shares goes ex-dividend generally on the second business day prior to the record date.

Restriction on Distributions of Surplus

When the Company makes a distribution of surplus, it must, until the sum of its additional paid-in capital and legal reserve reaches one-quarter of its stated capital, set aside in its additional paid-in capital and/or legal reserve the smaller of (i) an amount equal to one-tenth of the amount of surplus so distributed or (ii) an amount equal to one-quarter of its stated capital less the sum of its additional paid-in capital and legal reserve as at the date of such distribution in accordance with an ordinance of the Ministry of Justice.

The amount of surplus at any given time must be calculated in accordance with the following formula:

$$A + B + C + D - (E + F + G)$$

In the above formula:

"A" = the total amount of other capital surplus and other retained earnings, as each such amount appears on the Company's non-consolidated balance sheet as at the end of the last fiscal year;

"B" = (if the Company has disposed of its treasury stock after the end of the last fiscal year) the amount of the consideration for such treasury stock received by the Company less the book value thereof;

"C" = (if the Company has reduced its stated capital after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to additional paid-in capital or legal reserve (if any);

"D" = (if the Company has reduced its additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction less the portion thereof that has been transferred to stated capital (if any);

"E" = (if the Company has cancelled its treasury stock after the end of the last fiscal year) the book value of such treasury stock;

"F" = (if the Company has distributed surplus to its shareholders after the end of the last fiscal year) the total book value of the surplus so distributed; and

“G” = certain other amounts set forth in ordinances of the Ministry of Justice, including (if the Company has reduced surplus and increased its stated capital, additional paid-in capital or legal reserve after the end of the last fiscal year) the amount of such reduction and (if the Company has distributed surplus to its shareholders after the end of the last fiscal year) the amount set aside in its additional paid-in capital or legal reserve (if any) as required by ordinances of the Ministry of Justice.

The aggregate book value of surplus distributed by the Company may not exceed a prescribed distributable amount (the “Distributable Amount”), as calculated on the effective date of such distribution. The Distributable Amount shall, at any given time, be equal to the amount of surplus less the aggregate of the following:

(a) the book value of the Company’s treasury stock, as at the effective date of distributions;

(b) the amount of consideration for the Company’s treasury stock disposed of by it after the end of the last fiscal year; and

(c) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one half of goodwill and the deferred assets exceeds the total of stated capital, additional paid-in capital and legal reserve, each such amount being that appearing on the non-consolidated balance sheet of the Company as at the end of the last fiscal year) all or certain part of such exceeding amount as calculated in accordance with the ordinances of the Ministry of Justice.

If the Company has, at its option, become a company with respect to which consolidated balance sheets should also be taken into consideration in the calculation of the Distributable Amount (*renketsu haito kisei tekiyo kaisha*), it will be required to further deduct from the amount of surplus the excess amount, if any, of (x) the total amount of shareholders’ equity appearing on its non-consolidated balance sheet as at the end of the last fiscal year and certain other amounts set forth by an ordinance of the Ministry of Justice over (y) the total amount of shareholders’ equity and certain other amounts set forth by an ordinance of the Ministry of Justice appearing on its consolidated balance sheet as at the end of the last fiscal year.

If the Company has prepared temporary financial statements (*rinji keisan shorui*) as described below, and if such temporary financial statements have been approved by the Board of Directors or (if so required by the Companies Act) by a general meeting of shareholders, then the Distributable Amount must be adjusted to take into account the amount of profit or loss, and the amount of consideration for the Company’s treasury stock disposed of by it, during the period in respect of which such temporary financial statements have been prepared. The Company may prepare non-consolidated temporary financial statements consisting of a balance sheet as at any date subsequent to the end of the last fiscal year and an income statement for the period from the first day of the current fiscal year to the date of such balance sheet. Temporary financial statements prepared by the Company must be reviewed by its Audit & Supervisory Board Members and independent auditors, and approved by the Board of Directors and a general meeting of shareholders, as required by the Companies Act and ordinances of the Ministry of Justice.

Capital and Reserves

When the Company issues new Shares, the entire amount of money or other assets paid or contributed by subscribers for such Shares is required to be accounted for as stated capital, although the Company may account for an amount not exceeding one-half of the amount of such subscription money or other assets as additional paid-in capital by a resolution of the Board of Directors.

The Company may reduce its additional paid-in capital or legal reserve generally by a resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as stated capital. On the other hand, the Company may reduce its stated capital generally by a special resolution of a general meeting of shareholders and, if so decided by the same resolution, may account for the whole or any part of the amount of such reduction as additional paid-in capital. In addition, the Company may reduce its surplus and increase either (i) its stated capital or (ii) additional paid-in capital and/or legal reserve by the same amount, in either case, by a resolution of a general meeting of shareholders.

Stock Splits

The Company may at any time split the issued Shares into a greater number of Shares by a resolution of its Board of Directors. When a stock split is to be made, so long as the only type of the Company’s outstanding stock is its common stock, it may increase the number of authorised shares to the extent that the ratio of such increase in authorised shares does not exceed the ratio of such stock split by amending its Articles of Incorporation, which amendment may be made without approval by shareholders.

Before a stock split, the Company must give public notice of the stock split, specifying the record date therefor, not less than two weeks prior to such record date. Under the rules relating to the new clearing system, the Company must also inform JASDEC of certain matters regarding a stock split promptly after a resolution of its Board of Directors determining such stock split. On the effective date of the stock split, the numbers of Shares recorded in all accounts held by holders of Shares at account managing institutions or JASDEC will be increased in accordance with the applicable ratio.

Unit Share System

The Company's Articles of Incorporation provide that 100 Shares constitute one "unit". Its Board of Directors is permitted to reduce the number of Shares that will constitute a unit or abolish the unit share system entirely by amending its Articles of Incorporation without approval by shareholders, while a special resolution of a general meeting of shareholders is required to increase the number of Shares that will constitute a unit. The number of Shares constituting a unit may not exceed the lesser of 1,000 or 0.5 per cent. of the total number of issued Shares.

Under the unit share system, a shareholder has one vote for each unit of Shares held by it, except as stated in "—Voting Rights". Shares constituting less than one unit will carry no voting rights and be excluded for the purposes of calculating the quorum for voting purposes. Moreover, holders of Shares constituting less than one unit will have no other shareholder rights if the Company's Articles of Incorporation so provide, except that such holders may not be deprived of certain rights specified in the Companies Act or an ordinance of the Ministry of Justice, including the right to receive distributions of surplus.

Holders of Shares constituting less than one unit may at any time request the Company to purchase Shares held by them. Also, the Company's Articles of Incorporation provides that holders of Shares constituting less than one unit may request the Company to sell the holder such number of Shares for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one unit of Shares. Such purchase or sale of Shares will be effected at the last trading price of the Shares on the relevant stock exchange on the day such request is made (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter). The request for such purchase or sale may not be withdrawn without the Company's consent.

General Meetings of Shareholders

The ordinary general meeting of shareholders of the Company is usually held in June each year. In addition, the Company may hold an extraordinary general meeting of shareholders whenever necessary. Notice of a general meeting of shareholders stating, among others, the place, time and purpose thereof must be given to each shareholder having voting rights (or, in the case of a non-resident shareholder, to its standing proxy or mailing address in Japan) at least two weeks prior to the date set for the meeting. The record date for an ordinary general meeting of shareholders is 31 March of each year.

Any shareholder holding at least 300 voting rights or one per cent. of the total number of voting rights for six months or longer may propose a matter to be considered at a general meeting of shareholders by submitting a request to a Representative Director at least eight weeks prior to the date of such meeting. If the Company's Articles of Incorporation so provide, any of the minimum percentages, time periods and number of voting rights necessary for exercising the minority shareholder rights described above may be decreased or shortened.

Voting Rights

A holder of Shares constituting one or more units is, in principle, entitled to one voting right for each unit of Shares. However, in general, neither the Company nor any corporate or certain other entity, where one-quarter or more of the total voting rights are directly or indirectly held by the Company, has voting rights in respect of Shares held by the Company or such entity.

Except as otherwise provided by law or in the Company's Articles of Incorporation, a resolution can be adopted at a general meeting of shareholders by the holder of a majority of the total number of voting rights represented at the meeting. The Company's Articles of Incorporation provide that the quorum for election of its Directors and Audit & Supervisory Board Members is one-third of the total number of voting rights. The Company's shareholders are not entitled to cumulative voting in the election of its Directors. The shareholders may exercise their voting rights in writing or through proxies, provided that the proxies are, in general, also shareholders who have voting rights.

The Companies Act provides that certain important matters shall be approved by a "special resolution" of a general meeting of shareholders. Under the Company's Articles of Incorporation, the quorum for a special resolution is one-third of the total number of voting rights and the approval of at least two-thirds of the voting rights represented at the meeting is required for adopting a special resolution. Such important matters include:

(i) purchase of Shares by the Company from a specific shareholder other than the Company's subsidiary;

(ii) consolidation of Shares;

(iii) issuance or transfer of new Shares or existing Shares held by the Company as treasury stock to persons other than the shareholders at a "specially favourable" price;

(iv) issuance of stock acquisition rights (including those incorporated in bonds with stock acquisition rights) to persons other than the shareholders under "specially favourable" conditions;

(v) removal of any of the Audit & Supervisory Board Members of the Company;

(vi) exemption from a portion of liability of the Directors, Audit & Supervisory Board Members or independent auditors of the Company;

(vii) distribution of surplus in kind with respect to which shareholders are not granted the right to require the Company to make distribution in cash instead of in kind;

(viii) reduction of stated capital;

(ix) amendment to the Company's Articles of Incorporation;

(x) transfer of the whole or a substantial part of the Company's business;

(xi) taking over of the whole of the business of another company;

(xii) merger;

(xiii) corporate split;

(xiv) establishment of a parent and wholly-owned subsidiary relationship by way of a share transfer (*kabushiki-iten*) or share exchange (*kabushiki-kokan*);

(xv) consolidation; and

(xvi) dissolution.

However, under the Companies Act, no shareholder approval, whether by an ordinary resolution or a special resolution at a general meeting of shareholders, is required for any matter described in (viii) to (xiv) above, and such matter may be decided by the Board of Directors, if it satisfies certain criteria prescribed by the Companies Act.

Liquidation Rights

In the event of the liquidation of the Company, any assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among holders of Shares in proportion to the respective number of Shares that they hold.

Subscription Rights

Holders of Shares have no pre-emptive rights. Authorised but unissued Shares may be issued at such times and upon such terms as the Board of Directors determines, subject to the limitations as to the issuance of new Shares at a "specially favourable" price mentioned in "—Voting Rights". The Board of Directors may, however, determine that shareholders be given subscription rights to new Shares, in which case they must be given on uniform terms to all holders of Shares as at a record date of which not less than two weeks' prior public notice must be given. Each of the shareholders to whom such rights are given must also be given at least two weeks' prior notice of the date on which such rights expire.

Stock Acquisition Rights

The Company may issue stock acquisition rights (*shinkabu yoyakuken*). Holders of stock acquisition rights are entitled to acquire Shares from the Company, upon payment of the applicable exercise price, and subject to other terms and conditions thereof. The Company may also issue bonds with stock acquisition rights (*shinkabu yoyakuken-tsuki shasai*). The issuance of stock acquisition rights and bonds with stock acquisition rights may be authorised by the Board of Directors unless it is made under "specially favourable" conditions, as described in "—Voting Rights".

Reports to Shareholders

The Company furnishes to its shareholders notices of shareholders' meetings, annual business reports, including financial statements, and notices of resolutions adopted at the shareholders' meetings, all of which are in Japanese. The Company may, if it so chooses, send such notices and reports by an electronic method, such as e-mail, to those shareholders who have approved such method.

Pursuant to the Company's Articles of Incorporation, public notice given by the Company shall be published by an electronic method; provided, however, that such notice shall be given by publication in the Official Gazette if the method of electronically publishing notices is not available due to any technical problems or other unavoidable circumstances.

Record Date

As mentioned above, 31 March is the record date for the payment of year-end dividends and the determination of shareholders entitled to vote at the ordinary general meeting of shareholders, and 30 September is the record date for the payment of interim dividends.

In addition, by a resolution of the Board of Directors and after giving at least two weeks' prior public notice, the Company may at any time set a record date for determining the shareholders entitled to certain rights pertaining to Shares.

Under the rules relating to the new clearing system, the Company is required to give notice of each record date to JASDEC promptly after the resolution of the Board of Directors of the Company determining such record date. JASDEC is required to promptly give the Company notice of the names and addresses of holders of Shares, the numbers of Shares held by them and other relevant information as at such record date.

Acquisition of Shares by the Company

The Company may acquire Shares (i) by soliciting all its shareholders to offer to sell Shares held by them (in this case, certain terms of such acquisition, including the total number of Shares to be purchased and the total amount of consideration, shall be set by an ordinary resolution of a general meeting of shareholders in advance, and such acquisition shall be executed pursuant to a resolution of the Board of Directors); (ii) from a specific shareholder other than any of the Company's subsidiaries (pursuant to a special resolution of a general meeting of shareholders); (iii) from any of the Company's subsidiaries (pursuant to a resolution of the Board of Directors) or (iv) by way of purchase on any Japanese stock exchange on which the Shares are listed or by way of tender offer (in either case pursuant to an ordinary resolution of a general meeting of shareholders or a resolution of the Board of Directors). In the case of (ii) above, any other shareholder may make a request to the Company that such other shareholder be included as a seller in the proposed purchase, provided that no such right will be available if the purchase price or any other consideration to be received by the relevant specific shareholder will not exceed the higher of (x) the last trading price of the Shares on the relevant stock exchange on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted (or, if there is no trading in the Shares on the stock exchange or if the stock exchange is not open on such day, the price at which the Shares are first traded on such stock exchange thereafter) or (y) if the Shares are subject to a tender offer on the day immediately preceding the date on which the resolution mentioned in (ii) above was adopted, the price of the Shares under the agreement with respect to such tender offer on such day.

The total amount of the purchase price of Shares may not exceed the Distributable Amount, as described in "—Distributions of Surplus—Restriction on Distributions of Surplus".

The Company may hold the Shares acquired in compliance with the provisions of the Companies Act, and may generally dispose of or cancel such Shares by a resolution of the Board of Directors.

Disposal of Shares by the Company held by Shareholders whose Location is Unknown

The Company is not required to send notices to a shareholder if delivery of notices to such shareholder fails continuously for five years or more at his or her address registered in the Company's register of shareholders or otherwise notified to the Company.

In the above case, if the relevant shareholder to whom delivery of notices has failed also fails to receive distributions of surplus on the Shares continuously for five years or more at his or her address registered in the Company's register of shareholders or otherwise notified to the Company, then the Company may in general dispose of such Shares at their then market price and hold or deposit the proceeds of such disposition on behalf of the relevant shareholder.

Reporting of Substantial Shareholders

The FIEA and its related regulations require any person who has become, beneficially and solely or jointly, a holder of more than 5 per cent. of the total issued shares of capital stock of a company listed on any Japanese stock exchange to file a report concerning such shareholdings with the director of the relevant Local Finance Bureau of the Ministry of Finance of Japan within five business days. With certain exceptions, a similar report must also be filed in respect of any subsequent change of 1 per cent. or more in the holding or of any change in material matters set out in reports previously filed. For this purpose, shares issuable to such person upon his or her exchange of exchangeable securities, conversion of convertible securities or exercise of warrants or stock acquisition rights (including those incorporated in bonds with stock acquisition rights) are taken into account in determining both the number of shares held by such holder and the issuer's total issued share capital. Any report so filed will be made available for public inspection. Copies of each report must also be furnished to the issuer of the shares. Reports are required to be filed through the Electronic Disclosure for Investors' Network, known as the EDINET system.

TAXATION

Japan

The following is a summary of the principal Japanese tax consequences to Bondholders and owners of Shares, acquired upon the exercise of the Stock Acquisition Rights incorporated in the Bonds or delivered upon the acquisition of the Bonds by the Company as consideration therefor, who are non-resident individuals or non-Japanese corporations, in either case having no permanent establishment in Japan ("non-resident Holders").

The statements regarding Japanese tax laws set out below are based on the laws in force as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after that date.

This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the Bonds and Shares acquired upon exercise of the Stock Acquisition Rights incorporated in the Bonds or delivered upon the acquisition of the Bonds by the Company as consideration therefor, including, specifically, the tax consequences under Japanese law, the laws of the jurisdiction of which they are resident, and any tax treaty between Japan and their country of residence, by consulting their own tax advisers.

Bonds

Receipts of premium (if any) upon redemption of the Bonds are subject to Japanese income tax (including corporate income tax) but are not subject to any withholding tax. If the recipient is a resident or a corporation of a country with which Japan has an income tax treaty, Japanese tax treatment may be modified by any applicable provisions of such income tax treaty. Bondholders are advised to consult with their legal, accounting or other professional advisers as to the applicable tax treatment.

Gains derived from the sale of Bonds, outside Japan by a non-resident Holder thereof, are, in general, not subject to Japanese income tax. Exercise of the Stock Acquisition Rights is not a taxable event in general.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual, who has acquired Bonds as legatee, heir or donee even if the individual is not a Japanese resident.

Shares

Generally, a non-resident Holder of Shares is subject to Japanese withholding tax on dividends paid by the Company.

The rate of Japanese withholding tax applicable to dividends paid by the Company to a non-resident Holder of Shares is 20.42 per cent. on or before 31 December 2037 and 20 per cent. thereafter, subject to any applicable income tax treaty. However, with respect to dividends paid by the Company to any non-resident Holders of Shares, except for any individual shareholder who holds 3 per cent. or more of the total issued Shares, the said 20.42 per cent. or 20 per cent. withholding tax rate is reduced to (i) 15.315 per cent. for dividends due and payable on or after 1 January 2014 but on or before 31 December 2037 and (ii) 15 per cent. for dividends due and payable thereafter.

Gains derived from the sale of Shares, outside Japan, by a non-resident Holder thereof, are, in general, not subject to Japanese income tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired Shares as legatee, heir or donee even if the individual is not a Japanese resident.

Others

Proposed Financial Transactions Tax

The European Commission has published a proposal for a Directive for a common financial transactions tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Subscription Agreement

Pursuant to a subscription agreement dated 5 March 2014 in respect of the Bonds (the "Subscription Agreement") between the Company on the one hand and Nomura International plc ("Nomura") and SMBC Nikko Capital Markets Limited (together, the "Managers") on the other, the Managers have agreed with the Company, subject to the satisfaction of certain conditions, severally but not jointly, to purchase the aggregate principal amount of the Bonds as indicated in the table below at the issue price (the "Issue Price") of 101.0 per cent. of the principal amount of the Bonds and to offer the Bonds at the Offer Price as stated on the cover page of this Offering Circular (the "Offer Price").

Managers	Aggregate Principal Amount of the Bonds
Nomura International plc	¥25,500,000,000
SMBC Nikko Capital Markets Limited	4,500,000,000
Total	¥30,000,000,000

No selling concession or combined management and underwriting commission will be payable by the Company with respect to the offering of the Bonds. The difference between the Offer Price and the Issue Price will be retained by the Managers.

The Company has agreed to pay certain costs in connection with the issue and offering of the Bonds. The Managers are entitled to be released and discharged from their obligations under the Subscription Agreement or to terminate the Subscription Agreement in certain circumstances prior to payment to the Company as set out therein. The Company has agreed to indemnify the Managers against certain liabilities in connection with the issue and offering of the Bonds.

Lock-up Arrangements

In connection with the issue and offering of the Bonds, the Company has agreed that it will not, and will procure that none of its directors or officers or any person acting on the direction of the Company will, for a period beginning on the date of the Subscription Agreement and ending on the date 90 calendar days after the Closing Date:

(a) issue, offer, pledge, lend, sell, contract to sell, sell or grant any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant (including stock acquisition rights) to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, any Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for, or that constitutes the right to receive, Shares or any other capital stock of the Company or any securities convertible into or exercisable or exchangeable for Shares;

(b) enter into a transaction (including a derivative transaction) that disposes, in whole or in part, directly or indirectly, ownership (or any economic consequences thereof) of Shares or any other capital stock of the Company, or that has an effect on the market in the Shares similar to that of a sale;

(c) deposit any Shares (or any securities convertible into or exercisable or exchangeable for Shares or any other capital stock of the Company or which carry rights to subscribe or purchase Shares or any other capital stock of the Company) in any depositary receipt facility for the purpose of disposition thereof; or

(d) publicly announce any intention to do any of the above,

without the prior written consent of Nomura (on behalf of the Managers), other than:

(i) the issue and sale by the Company of the Bonds or the issue or transfer of Shares upon exercise of the Stock Acquisition Rights;

(ii) the grant of stock options, stock acquisition rights or warrants to employees and directors of the Company or other members of the Group, pursuant to its stock option plans (if any), and the issue or transfer of Shares upon exercise of such stock options, stock acquisition rights or warrants;

(iii) the sale of Shares by the Company to any holder of Shares constituting less than one unit for the purpose of making such holder's holding, when added to the Shares held by such holder, constitute one full unit of Shares;

(iv) the issue of Shares by the Company as a result of any stock split or the *pro rata* allocation of Shares or the stock acquisition rights to holders of Shares without any consideration and the issue or transfer of Shares upon exercise of such stock acquisition rights; and

(v) any other issue or sale of Shares required by Japanese laws and regulations.

Selling Restrictions

United States

Neither the Bonds nor the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights offered herein have been or will be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Neither the Bonds nor the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights offered herein have been or will be registered under the Securities Act or may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has not offered or sold and will not offer or sell the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights (i) as part of their distribution, at any time or (ii) otherwise, until 40 days after the later of the commencement of the Offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and only in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds and the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or the Shares issuable upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Bonds which are the subject of the Offering contemplated by this Offering Circular to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of Nomura (on behalf of the Managers); or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described therein. The Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this document nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds or the Shares to be issued upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds or the Shares to be issued upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights in, from or otherwise involving the United Kingdom.

Japan

The Bonds have not been and will not be registered under the FIEA. Accordingly, each Manager has represented and agreed that, in connection with the initial offering of the Bonds, it has not, directly or indirectly, offered or sold and shall not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the account or benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA") and accordingly, the Bonds may not be offered or sold, nor may the Bonds be the subject of an invitation for subscription or purchase, nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Bonds are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferrable within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than 200,000 Singapore dollars (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

(2) where no consideration is given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulation 2005 of Singapore.

Hong Kong

Each Manager has represented and agreed that:

(a) the Bonds and the Shares to be acquired upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights may not be offered or sold by means of any document other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO") and any rules made under the SFO, or (b) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) (the "Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) no advertisement, invitation or document relating to the Bonds or the Shares to be acquired upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Bonds and Shares to be acquired upon exercise of, or upon acquisition by the Company of, the Stock Acquisition Rights which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under the SFO.

General

Neither the Company nor any of the Managers represents that the Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating such sales.

Other Relationships

Certain of the Managers or their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

In connection with the Offering, any Manager may purchase the Bonds for its or their own account and may for its or their own account enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps or other derivatives relating to the Bonds and/or the Shares and/or other securities of the Company or its subsidiaries or affiliates and/or components of such Bonds and/or Shares and/or other securities, at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). As a result of such transactions any of the Managers may hold long or short positions in the Bonds and/or the Shares and/or derivatives relating thereto. No disclosure will be made of any such positions.

Certain of the Managers or their affiliates have in the past provided, are currently providing and may in the future provide, investment and commercial banking, underwriting, advisory and other services to the Company and its subsidiaries and affiliates for which they have received, expect to receive or may receive (as the case may be) customary compensation. Interests may evolve out of these transactions that could potentially conflict with the interests of a purchaser of the Bonds.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The International Security Identification Number (ISIN) is XS1042530326 and the Common Code is 104253032.

2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 6770.

3. Approval in-principle has been received for the listing of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive Certificates. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

4. The Company has obtained all necessary consents, approvals and authorisations in Japan, if any, in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a resolution dated 5 March 2014 of the Board of Directors of the Company.

5. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group and no material adverse change in the prospects of the Group since 31 March 2013.

6. Save as disclosed in this Offering Circular, neither the Company nor any other member of the Group is, or has been involved in, any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or the profitability of the Group nor is the Company aware that any such proceedings are pending or threatened.

7. Copies of the latest annual report of the Company including the audited consolidated annual financial statements in English, and the Company's latest unaudited consolidated annual and quarterly financial information in English (being English translations of such financial information contained in the Company's published *Kessan tanshin* (results announcements)) may be obtained, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified offices of each of the Agents during normal business hours, so long as any of the Bonds is outstanding.

8. The consolidated financial statements of the Company and its consolidated subsidiaries as of 31 March 2013 and 2012 and for the three fiscal years ended 31 March 2013, and the consolidated financial statements of the Company and its consolidated subsidiaries as of 31 March 2012 and 2011 and for the three fiscal years ended 31 March 2012, each included in this Offering Circular, have been audited by Ernst & Young ShinNihon LLC, the Company's independent auditors, as stated in their audit reports appearing herein.

9. The quarterly consolidated balance sheet of the Company and its consolidated subsidiaries as of 31 December 2013, and the related quarterly consolidated statements of income and comprehensive income for the nine-month periods ended 31 December 2013 and 2012, included in this Offering Circular, have been reviewed by Ernst & Young ShinNihon LLC, the Company's independent auditors, as stated in their review report appearing herein.

10. Except to the extent provided in Condition 6, the Conditions do not provide for participating rights in the event of a take-over of the Company.

11. The Trustee is entitled under the Trust Deed to rely on reports and certificates addressed and/or delivered to it by the independent auditors to the Company whether or not the same are subject to any limitation on the liability of the independent auditors to the Company and whether by reference to a monetary cap or otherwise.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

The Board of Directors
Alps Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Alps Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2013, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their consolidated financial performance and cash flows for each of the three years in the period ended March 31, 2013, in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

/s/ Ernst & Young ShinNihon LLC
June 14, 2013
Tokyo, Japan

CONSOLIDATED BALANCE SHEETS

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

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

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

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

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

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

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

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

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

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

		Millions of yen									
		Shareholders' equity				Accumulated other comprehensive income					
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2010	181,559,956	¥ 23,624	¥45,587	¥ 60,494	¥ (3,542)	¥ 4,018	–	¥ (569)	¥ (16,907)	¥ 73,757	¥186,462
Net income				11,137							11,137
Dividends				(1,792)							(1,792)
Purchase of treasury stock					(2)						(2)
Disposal of treasury stock				(9)	16						7
Reversal of revaluation reserve for land				(22)							(22)
Changes in items other than shareholders' equity, net						(692)		43	(5,914)	1,524	(5,039)
Balance at March 31, 2011	181,559,956	23,624	45,587	69,808	(3,528)	3,326	–	(526)	(22,821)	75,281	190,751
Net income				4,175							4,175
Dividends				(3,585)							(3,585)
Purchase of treasury stock					(1)						(1)
Disposal of treasury stock				(7)	13						6
Changes in items other than shareholders' equity, net						151	(3)		(778)	2,422	1,792
Balance at March 31, 2012	181,559,956	23,624	45,587	70,391	(3,516)	3,477	(3)	(526)	(23,599)	77,703	193,138
Net income				**(7,075)**							**(7,075)**
Dividends				**(2,689)**							**(2,689)**
Purchase of treasury stock					**(0)**						**(0)**
Disposal of treasury stock				**(5)**	**9**						**4**
Changes in items other than shareholders' equity, net						**1,062**	**11**		**10,070**	**4,889**	**16,032**
Balance at March 31, 2013	**181,559,956**	**¥ 23,624**	**¥45,587**	**¥ 60,622**	**¥ (3,507)**	**¥ 4,539**	**¥ 8**	**¥ (526)**	**¥ (13,529)**	**¥ 82,592**	**¥199,410**

	Thousands of U.S. dollars (Note 1)									
	Shareholders' equity				Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Minority interests	Total net assets
Balance at March 31, 2012	$251,052	$484,452	$748,044	$(37,364)	$ 36,950	$ (32)	$ (5,590)	$ (250,786)	$825,749	$2,052,475
Net income			**(75,186)**							**(75,186)**
Dividends			**(28,576)**							**(28,576)**
Purchase of treasury stock				**(0)**						**(0)**
Disposal of treasury stock			**(52)**	**95**						**43**
Changes in items other than shareholders' equity, net					**11,286**	**117**		**107,013**	**51,956**	**170,372**
Balance at March 31, 2013	**$251,052**	**$484,452**	**$644,230**	**$(37,269)**	**$ 48,236**	**$ 85**	**$ (5,590)**	**$ (143,773)**	**$877,705**	**$2,119,128**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The accompanying consolidated financial statements are stated in Japanese yen. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan at the prevailing exchange rate on March 31, 2013, which was ¥94.10 to U.S. $1.00.

The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollars at the above or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

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

(b) Equity method

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

(c) Cash equivalents

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

(d) Investment securities

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

(e) Allowance for doubtful accounts

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

(f) Inventories

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

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

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

The estimated useful lives are summarized as follows:

Buildings and structures	2 - 80 years
Machinery and equipment	1 - 20 years

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

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

(i) Leased assets

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

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

(j) Foreign currency translation

Foreign currency transactions

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

Foreign currency financial statements

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

(k) Accrued employees' bonuses

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

(l) Accrued directors' bonuses

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

(m) Accrued product warranties

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

(n) Accrued employees' severance and pension costs

The Company accrues employees' severance and pension costs at an amount calculated based on the projected benefit obligation and the fair value of plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. Actuarial gain or loss is amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (mainly from 14 to 16 years). Prior service cost is being amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (1 year, except certain domestic consolidated subsidiaries that apply a period of 13 years).

(o) Accrued directors' severance costs

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

(p) Allowance for environmental preservation costs

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

(q) Basis for revenue recognition on finance leases

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

(r) Income taxes

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

(s) Amounts per share of common stock

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

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

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

(t) Derivative financial instruments

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

Changes in the fair value of derivatives

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

Interest rate swap agreements

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

(u) Accounting for consumption taxes

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

(v) Adoption of consolidated taxation system

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

(w) Reclassifications

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

(x) Standards issued but not yet effective

Disclosure for the year ended March 31, 2013

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

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

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

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

3. ACCOUNTING CHANGES

Disclosure for the year ended March 31, 2013

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

4. INVESTMENT SECURITIES

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

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

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

Note: Unlisted stocks and other at March 31, 2013 and 2012 in the amounts of ¥628 million ($6,674 thousand) and ¥602 million, respectively, have been excluded from other securities listed above because it is extremely difficult to determine the fair value.

Proceeds from sales of securities classified as other securities for the years ended March 31, 2013, 2012 and 2011 were ¥26 million ($276 thousand), ¥29 million and ¥259 million, respectively.

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

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

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

5. INVENTORIES

Inventories at March 31, 2013 and 2012 consisted of the following:

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

Inventories are stated at the lower of cost or market. The following loss on valuation of inventories is included in the cost of sales for the years ended March 31, 2013, 2012 and 2011, respectively:

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

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

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

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

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

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

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

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

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

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

At March 31, 2013:

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

At March 31, 2012:

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

7. EMPLOYEES' SEVERANCE AND PENSION COSTS

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

The following table sets forth the funded and accrued status of the defined benefit pension plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2013 and 2012 for the Company and its consolidated subsidiaries:

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

Certain of the Company's consolidated subsidiaries have adopted the simplified method in calculating their projected benefit obligation as set forth in the accounting standard applicable to retirement benefits.

The components of retirement benefits expenses for the years ended March 31, 2013, 2012 and 2011 were as follows:

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

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

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

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

(1) Funded status

Japan Travel Agents Employees Pension Funds

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

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

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

8. CONTINGENT LIABILITIES

The Company was contingently liable as guarantor for loans of other companies and employees in the aggregate amount of ¥18 million ($191 thousand) and ¥27 million at March 31, 2013 and 2012, respectively.

Certain subsidiaries of the Company participate in a pension scheme in the UK. In case these subsidiaries withdraw from the scheme, a liability under UK pension law (Section 75) will be incurred, which was estimated at £12,095 thousand (¥1,732 million ($18,406 thousand)) and £8,619 thousand (¥1,132 million) at March 31, 2013 and 2012, respectively.

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

9. NET ASSETS

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

Shares in Issue and Outstanding and Treasury Stock

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

	Shares in Issue and Outstanding (Thousand)	Treasury Stock (Thousand)
Number of shares at March 31, 2011	181,559	2,327
Increase in number of shares	–	1
Decrease in number of shares	–	8
Number of shares at March 31, 2012	181,559	2,320
Increase in number of shares	–	1
Decrease in number of shares	–	6
Number of shares at March 31, 2013	**181,559**	**2,315**

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

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

Dividends

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

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

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

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

	Millions of yen
Cash dividends approved on June 24, 2011 (¥10.00 = $0.12 Per share)	¥ 1,792
Cash dividends approved on October 31, 2011 (¥10.00 = $0.12 per share)	¥ 1,792

10. REVALUATION OF LAND

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

The excesses of the carrying value of this land after the revaluation over its fair value as of March 31, 2013 and 2012 were ¥1,345 million ($14,293 thousand) and ¥1,301 million, respectively.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

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

12. RESEARCH AND DEVELOPMENT EXPENSES

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

13. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statements of income and comprehensive income for the years ended March 31, 2013, 2012 and 2011 were as follows:

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

14. IMPAIRMENT LOSSES ON FIXED ASSETS

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

The Company recognized impairment losses on the asset groups for the year ended March 31, 2013 as follows:

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

With respect to assets included in assets for the Electronic components business and the Logistics business, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.5 – 4.2%.

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

The recoverable amounts of idle assets were determined at net realizable value computed based on asset value under property tax.

The recoverable amounts of assets leased to others were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.5%.

As for scheduled disposal assets, memorandum value was used for determining the recoverable value.

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

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

With respect to assets included in assets for the Logistics business, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.4%.

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

The recoverable amounts of idle assets were determined at net realizable value computed based on asset value under property tax.

The recoverable amounts of assets leased to others were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.9%.

As for scheduled disposal assets, memorandum value was used for determining the recoverable value.

15. INCOME TAXES

The Company is subject to a number of taxes in Japan based on income, which, in the aggregate, resulted in statutory tax rates of approximately 37.8%, 40.5% and 40.5% for the years ended March 31, 2013, 2012 and 2011, respectively.

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

	2013	2012	2011
Statutory tax rate	**37.8%**	40.5%	40.5%
Change in valuation allowance	**157.6**	7.4	(5.1)
Lower tax rates at foreign subsidiaries	**(23.1)**	(4.6)	(6.8)
Non-deductible expenses	**30.6**	6.3	9.4
Non-taxable income	**(14.5)**	(0.3)	(10.0)
Capita levy on inhabitant tax	**2.9**	0.9	0.6
Effect of tax rate change	**4.4**	2.3	–
Withholding tax on services rendered	**9.3**	–	–
Other	**8.6**	0.8	(0.5)
Effective tax rates	**213.6%**	53.3%	28.1%

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

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

16. CASH AND CASH EQUIVALENTS

A reconciliation between cash and time deposits in the accompanying consolidated balance sheets, and cash and cash equivalents in the accompanying statements of cash flows at March 31, 2013 and 2012 is as follows:

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

Supplemental Disclosure of Non-Cash Transactions

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

17. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

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

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

The fair value of financial instruments is based on their quoted market price, if available.

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

Estimated Fair Value of Financial Instruments

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

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

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

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

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

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

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

(b) Investment securities

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

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

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

(d) Long-term debt

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

(e) Derivatives

Please refer to Note 18 DERIVATIVE FINANCIAL INSTRUMENTS.

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
	Carrying value	Carrying value	Carrying value
Investment in unconsolidated subsidiaries and affiliated companies	**¥ 764**	¥ 722	**$ 8,119**
Unlisted stocks and other included in investment securities	**¥ 628**	¥ 602	**$ 6,673**

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

Note 3: Redemption schedule for receivables and marketable securities with maturities at March 31, 2013 and 2012

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

Note 4: The redemption schedule for long-term debt is disclosed in Note 6. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT. The aggregate annual maturities of finance lease obligations subsequent to March 31, 2013 and 2012 are summarized as follows:

At March 31, 2013:

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

At March 31, 2012:

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2013 and 2012, to which hedge accounting has not been applied, are summarized as follows:

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

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

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

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

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

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

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		**2013**	
	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Interest-rate swaps which meet specific criteria:						
Interest-rate swap agreement:						
Pay / fixed and receive / floating						
Long-term debt	**¥2,525**	Note	¥5,113	Note	**$26,833**	Note

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

19. LEASES

As lessee:

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

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2013 and 2012, which would have been reflected in the accompanying consolidated balance sheets if these agreements had been accounted for as finance leases:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Machinery and equipment			
Acquisition costs	**¥ 28**	¥ 42	**$ 298**
Accumulated depreciation	**27**	38	**287**
Accumulated impairment	**–**	–	**–**
Net book value	**¥ 1**	¥ 4	**$ 11**

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

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

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

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

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements for the years ended March 31, 2013, 2012 and 2011 totaled ¥4 million ($43 thousand), ¥6 million and ¥31 million, respectively. The *pro forma* depreciation/amortization of the assets leased under finance leases accounted for as operating leases for the years ended March 31, 2013, 2012 and 2011 amounted to ¥4 million ($43 thousand), ¥6 million and ¥31 million, respectively.

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

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

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

As lessor:

Investment in lease assets consisted of the following:

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

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

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

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

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

Lease income, depreciation/amortization and the interest portion of lease income for finance leases accounted for as operating leases for the years ended March 31, 2013, 2012 and 2011 were as follows:

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

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

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

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

20. RELATED PARTY TRANSACTIONS

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

21. OTHER COMPREHENSIVE INCOME

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

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

22. SEGMENT INFORMATION

Business segments

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

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

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

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

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

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

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

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

	Millions of yen							
	Reportable segments							
Year ended March 31, 2012	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	¥ 268,917	¥ 200,248	¥ 47,999	¥517,164	¥ 9,337	¥526,501	¥ –	¥ 526,501
Inter-segment sales and transfers	9,617	2,658	22,249	34,524	10,613	45,137	(45,137)	–
Total	278,534	202,906	70,248	551,688	19,950	571,638	(45,137)	526,501
Segment income	4,590	5,634	3,710	13,934	472	14,406	765	15,171
Segment assets	249,751	167,075	56,542	473,368	30,841	504,209	(62,157)	442,052
Segment liabilities	167,061	65,386	22,782	255,229	26,398	281,627	(32,713)	248,914
Other items								
Depreciation	10,835	6,740	1,818	19,393	499	19,892	(132)	19,760
Increase in tangible and intangible fixed assets	24,510	5,328	5,564	35,402	751	36,153	(2,128)	34,025

	Millions of yen							
	Reportable segments							
Year ended March 31, 2011	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	¥ 296,153	¥ 198,359	¥ 47,505	¥542,017	¥ 8,652	¥550,669	¥ –	¥ 550,669
Inter-segment sales and transfers	7,522	2,898	19,398	29,818	8,579	38,397	(38,397)	–
Total	303,675	201,257	66,903	571,835	17,231	589,066	(38,397)	550,669
Segment income	12,966	11,141	3,841	27,948	444	28,392	480	28,872
Segment assets	242,861	153,495	52,167	448,523	31,252	479,775	(52,245)	427,530
Segment liabilities	162,041	54,850	19,679	236,570	25,503	262,073	(25,294)	236,779
Other items								
Depreciation	9,127	7,442	1,714	18,283	571	18,854	(144)	18,710
Increase in tangible and intangible fixed assets	16,671	4,882	1,327	22,880	709	23,589	(44)	23,545

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

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

Related information

1. Geographical information

(1) Net sales

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

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

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

Thousands of U.S. dollars					
Year ended March 31, 2013					
Japan	China	America	Germany	Other	Total
$ 1,341,180	**$ 1,060,478**	**$ 948,278**	**$ 571,424**	**$ 1,885,473**	**$ 5,806,833**

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

(2) Information related to property, plant and equipment

Millions of yen			
Year ended March 31, 2013			
Japan	China	Other	Total
¥ 82,311	**¥ 29,564**	**¥ 17,387**	**¥ 129,262**

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

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

Thousands of U.S. dollars			
Year ended March 31, 2013			
Japan	China	Other	Total
$ 874,718	**$ 314,176**	**$ 184,772**	**$ 1,373,666**

2. Information on major customer

This information is not required to be disclosed because net sales to any customer are less than 10% of the net sales on the consolidated statements of income and comprehensive income for the years ended March 31, 2013, 2012 and 2011.

Impairment loss on property, plant and equipment by reportable segment

Impairment loss on property, plant and equipment by reportable segment for the years ended March 31, 2013,2012 and 2011 was summarized as follows:

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

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

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

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

Millions of yen					
Year ended March 31, 2011					
Electronic components	Automotive Infotainment	Logistics	Other (Note)	Eliminations	Total
¥ 1	**–**	**¥ 16**	**¥ 21**	**–**	**¥ 38**

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

Thousands of U.S. dollars					
Year ended March 31, 2013					
Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total
$ 37,779	**$ –**	**$ 43**	**$ 860**	**–**	**$ 38,682**

Amortization and balance of goodwill by reportable segment

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

Gain on negative goodwill by reportable segment

There were no gain on negative goodwill for the years ended March 31, 2013, 2012 and 2011.

Independent Auditor's Report

The Board of Directors
Alps Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Alps Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2012, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their consolidated financial performance and cash flows for each of the three years in the period ended March 31, 2012, in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

/s/ Ernst & Young ShinNihon LLC
June 15, 2012
Tokyo, Japan

CONSOLIDATED BALANCE SHEETS

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

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

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

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

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

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

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

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

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

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

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

Millions of yen

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

Thousands of U.S. dollars (Note 1)

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

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The accompanying consolidated financial statements are stated in Japanese yen. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan at the prevailing exchange rate on March 31, 2012, which was ¥82.20 to U.S. $1.00. The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollars at the above or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

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

(b) Equity method

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

(c) Cash equivalents

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

(d) Investment securities

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

(e) Allowance for doubtful accounts

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

(f) Inventories

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

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

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

The estimated useful lives are summarized as follows:

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

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

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

(i) Leased assets

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

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

(j) Foreign currency translation

Foreign currency transactions

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

Foreign currency financial statements

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

(k) Accrued employees' bonuses

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

(l) Accrued directors' bonuses

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

(m) Accrued product warranties

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

(n) Reserve for losses on purchases of inventories

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

(o) Accrued employees' severance and pension costs

The Company accrues employees' severance and pension costs at an amount calculated based on the projected benefit obligation and the fair value of plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. Actuarial gain or loss is amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (mainly 14 or 16 years). Prior service cost is being amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (1 year, except certain domestic consolidated subsidiaries that apply a period of 13 years).

(p) Accrued directors' severance costs

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

(q) Allowance for environmental preservation costs

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

(r) Reserve for loss on disaster

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

(s) Basis for revenue recognition on finance leases

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

(t) Income taxes

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

(u) Amounts per share of common stock

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

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

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

(v) Derivative financial instruments

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

Changes in the fair value of derivatives

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

Interest rate swap agreements

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

(w) Accounting for consumption taxes

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

(x) Adoption of consolidated taxation system

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

(y) Reclassifications

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

3. CHANGE IN ACCOUNTING ESTIMATE AND SUPPLEMENTAL INFORMATION

(a) Change in accounting estimate

Accrued product warranties

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

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

(b) Supplemental information

Accounting Standard for Accounting Changes and Error Corrections

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

4. INVESTMENT SECURITIES

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

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

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

Note: Unlisted stocks and other at March 31, 2012 and 2011 in the amounts of ¥602 million ($7,324 thousand) and ¥726 million, respectively, have been excluded from other securities listed above because it is extremely difficult to determine the fair value.

Proceeds from sales of securities classified as other securities for the years ended March 31, 2012, 2011 and 2010 were ¥29 million ($353 thousand), ¥259 million and ¥275 million, respectively.

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

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

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

5. INVENTORIES

Inventories at March 31, 2012 and 2011 consisted of the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

7. EMPLOYEES' SEVERANCE AND PENSION COSTS

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

The following table sets forth the funded and accrued status of the defined benefit pension plans, and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2012 and 2011 for the Company and its consolidated subsidiaries:

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

Certain of the Company's consolidated subsidiaries have adopted the simplified method in calculating their projected benefit obligation as set forth in the accounting standard applicable to retirement benefits.

The components of retirement benefits expenses for the years ended March 31, 2012, 2011 and 2010 were as follows:

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

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

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

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

(1) Funded status

Japan Travel Agents Employees Pension Funds

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

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

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

8. CONTINGENT LIABILITIES

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

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

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

9. NET ASSETS

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

Shares in Issue and Outstanding and Treasury Stock

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

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

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

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

Dividends

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

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

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

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

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

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

10. REVALUATION OF LAND

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

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

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

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

12. RESEARCH AND DEVELOPMENT EXPENSES

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

13. OTHER INCOME (EXPENSES)

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

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

14. IMPAIRMENT LOSSES ON FIXED ASSETS

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

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

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

With respect to assets included in the Logistics segment, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.4%.

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

The recoverable amounts of idle assets were determined at net realizable value computed based on asset value under property tax.

The recoverable amounts of assets leased to others were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.9%.

As for scheduled disposal assets, memorandum value was used for determining the recoverable value.

15. INCOME TAXES

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

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

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

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

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

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

16. CASH AND CASH EQUIVALENTS

A reconciliation between cash and time deposits in the accompanying consolidated balance sheets, and cash and cash equivalents in the accompanying statements of cash flows at March 31, 2012 and 2011 is as follows:

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

Supplemental Disclosure of Non-Cash Transactions

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

17. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

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

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

Estimated Fair Value of Financial Instruments

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

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

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

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

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

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

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

(b) Investment securities

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

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

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

(d) Long-term debt

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

(e) Derivatives

Please refer to Note 18 DERIVATIVE FINANCIAL INSTRUMENTS.

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

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

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

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

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

Note4: The redemption schedule for long-term debt is disclosed in Note 6. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT. The aggregate annual maturities of finance lease obligations subsequent to March 31, 2012 are summarized as follows:

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

19. LEASES

As lessee:

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

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2012 and 2011, which would have been reflected in the accompanying consolidated balance sheets if these agreements had been accounted for as finance leases:

	Millions of yen		*Thousands of U.S. dollars*
	2012	2011	**2012**
Machinery and equipment			
Acquisition costs	**¥ 42**	¥ 104	**$ 511**
Accumulated depreciation	**38**	94	**462**
Accumulated impairment	**–**	–	**–**
Net book value	**¥ 4**	¥ 10	**$ 49**

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

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

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

There is no accumulated impairment loss on leased assets as of March 31, 2012 for finance leases accounted for as operating leases.

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements for the years ended March 31, 2012, 2011 and 2010 totaled ¥6 million ($73 thousand), ¥31 million and ¥121 million, respectively. The *pro forma* depreciation/amortization of the assets leased under finance leases accounted for as operating leases for the years ended March 31, 2012, 2011 and 2010 amounted to ¥6 million ($73 thousand), ¥31 million and ¥121 million, respectively.

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

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

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

As lessor:

Investment in lease assets consisted of the following:

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

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

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

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

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

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the lease assets under finance leases accounted for as operating leases at March 31, 2012 and 2011:

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

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

Lease income, depreciation/amortization and the interest portion of lease income for finance leases accounted for as operating leases for the years ended March 31, 2012, 2011 and 2010 were as follows:

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

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

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

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

20. RELATED PARTY TRANSACTIONS

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

Directors and their close relatives:

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

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

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

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

21. LOSS ON DISASTER

Loss on disaster represents loss caused by the Great East Japan Earthquake and its aftershocks mainly in the Tohoku region.

A breakdown of loss on disaster for the years ended March 31, 2012 and 2011 is as follows:

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

22. OTHER COMPREHENSIVE INCOME

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

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

23. SEGMENT INFORMATION

Business segments

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

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

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

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

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

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

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

	Millions of yen							
	Reportable segments							
Year ended March 31, 2012	Electronic components	Audio equipment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	**¥ 268,917**	**¥ 200,248**	**¥ 47,999**	**¥517,164**	**¥ 9,337**	**¥526,501**	**¥ –**	**¥ 526,501**
Inter-segment sales and transfers	**9,617**	**2,658**	**22,249**	**34,524**	**10,613**	**45,137**	**(45,137)**	**–**
Total	**278,534**	**202,906**	**70,248**	**551,688**	**19,950**	**571,638**	**(45,137)**	**526,501**
Segment income	**4,590**	**5,634**	**3,710**	**13,934**	**472**	**14,406**	**765**	**15,171**
Segment assets	**249,751**	**167,075**	**56,542**	**473,368**	**30,841**	**504,209**	**(62,157)**	**442,052**
Segment liabilities	**167,061**	**65,386**	**22,782**	**255,229**	**26,398**	**281,627**	**(32,713)**	**248,914**
Other items								
Depreciation	**10,835**	**6,740**	**1,818**	**19,393**	**499**	**19,892**	**(132)**	**19,760**
Increase in tangible and intangible fixed assets	**24,510**	**5,328**	**5,564**	**35,402**	**751**	**36,153**	**(2,128)**	**34,025**

	Millions of yen							
	Reportable segments							
Year ended March 31, 2011	Electronic components	Audio equipment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	¥ 296,153	¥ 198,359	¥ 47,505	¥542,017	¥ 8,652	¥550,669	¥ –	¥ 550,669
Inter-segment sales and transfers	7,522	2,898	19,398	29,818	8,579	38,397	(38,397)	–
Total	303,675	201,257	66,903	571,835	17,231	589,066	(38,397)	550,669
Segment income	12,966	11,141	3,841	27,948	444	28,392	480	28,872
Segment assets	242,861	153,495	52,167	448,523	31,252	479,775	(52,245)	427,530
Segment liabilities	162,041	54,850	19,679	236,570	25,503	262,073	(25,294)	236,779
Other items								
Depreciation	9,127	7,442	1,714	18,283	571	18,854	(144)	18,710
Increase in tangible and intangible fixed assets	16,671	4,882	1,327	22,880	709	23,589	(44)	23,545

Year ended March 31, 2010	Millions of yen							
	Reportable segments							
	Electronic components	Audio equipment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	¥ 274,155	¥ 166,199	¥ 44,977	¥485,331	¥ 8,308	¥493,639	¥ –	¥ 493,639
Inter-segment sales and transfers	7,097	2,387	15,830	25,314	7,432	32,746	(32,746)	–
Total	281,252	168,586	60,807	510,645	15,740	526,385	(32,746)	493,639
Segment income	396	227	3,497	4,120	294	4,414	329	4,743
Segment assets	226,276	153,428	52,269	431,973	30,482	462,455	(51,510)	410,945
Segment liabilities	149,148	56,513	20,388	226,049	22,780	248,829	(24,346)	224,483
Other items								
Depreciation	10,771	8,352	1,639	20,762	600	21,362	(139)	21,223
Increase in tangible and intangible fixed assets	11,914	4,379	2,074	18,367	434	18,801	(321)	18,480

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

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

Related information

1.Geographical information

(1) Net sales

Millions of yen

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

Millions of yen

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

Thousands of U.S. dollars

Year ended March 31, 2012					
Japan	China	America	Germany	Other	Total
$ 1,690,511	**$ 1,292,640**	**$ 909,258**	**$ 672,664**	**$ 1,840,049**	**$ 6,405,122**

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

(2) Information related to property, plant and equipment

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

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

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

2.Information on major customer

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

Impairment loss on property, plant and equipment by reportable segment

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

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

Note: “Other” includes financial and leasing businesses.

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

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

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

Amortization and balance of goodwill by reportable segment

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

Gain on negative goodwill by reportable segment

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

INDEX TO THE UNAUDITED QUARTERLY CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Quarterly Review Report

The Board of Directors
Alps Electric Co., Ltd.

We have reviewed the accompanying quarterly consolidated financial statements of Alps Electric Co., Ltd. and its consolidated subsidiaries, which comprise the quarterly consolidated balance sheet as at December 31, 2013, and the quarterly consolidated statements of income and comprehensive income for the nine-month periods ended December 31, 2013 and 2012, and the related notes.

Management's Responsibility for the Quarterly Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review. We conducted our review in accordance with review standards for quarterly financial statements generally accepted in Japan.

A review of quarterly consolidated financial statements consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.

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

Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and its consolidated subsidiaries as at December 31, 2013, and their consolidated financial performance for the nine-month periods ended December 31, 2013 and 2012, in conformity with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Convenience Translation

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

/s/ Ernst & Young ShinNihon LLC
February 13, 2014
Tokyo, Japan

CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	December 31, 2013	**March 31, 2013**	**December 31, 2013**
ASSETS			
Current assets:			
Cash and time deposits	¥ **88,855**	¥ 76,687	$ **843,107**
Notes and accounts receivable-trade:			
Unconsolidated subsidiaries and affiliated companies	**989**	903	**9,384**
Other	**118,100**	101,335	**1,120,600**
Allowance for doubtful accounts	**(616)**	(504)	**(5,845)**
Inventories	**86,184**	74,338	**817,763**
Deferred tax assets	**3,046**	4,975	**28,902**
Other current assets	**16,936**	15,418	**160,698**
Total current assets	**313,494**	273,152	**2,974,609**
Property, plant and equipment:			
Land	**29,096**	28,813	**276,079**
Buildings and structures	**127,343**	122,911	**1,208,302**
Machinery and equipment	**303,810**	287,599	**2,882,722**
Construction in progress	**6,328**	6,215	**60,044**
	466,577	445,538	**4,427,147**
Less accumulated depreciation and impairment losses	**(330,513)**	(316,276)	**(3,136,095)**
Property, plant and equipment, net	**136,064**	129,262	**1,291,052**
Investments and other assets:			
Intangible assets, net	**12,180**	11,818	**115,571**
Investments in and advances to unconsolidated subsidiaries and affiliated companies	**6,154**	7,471	**58,393**
Investment securities	**24,316**	19,366	**230,724**
Deferred tax assets	**3,679**	4,475	**34,908**
Other assets	**6,068**	5,872	**57,576**
Total investments and other assets	**52,397**	49,002	**497,172**
Total assets	¥ **501,955**	¥ 451,416	$ **4,762,833**

See accompanying notes.

CONSOLIDATED BALANCE SHEETS (Unaudited)

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of December 31, 2013 and March 31, 2013
(Continued)

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	December 31, 2013	**March 31, 2013**	**December 31, 2013**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable	**¥ 38,994**	¥ 47,880	**$ 369,997**
Long-term debt due within one year	**19,906**	10,482	**188,879**
Notes and accounts payable-trade			
Unconsolidated subsidiaries and affiliated companies	**782**	646	**7,420**
Other	**69,225**	55,161	**656,846**
Income taxes payable	4,672	3,369	44,331
Accrued expenses	31,834	31,356	302,059
Deferred tax liabilities	144	247	1,366
Other current liabilities	22,880	17,504	217,099
Total current liabilities	**188,437**	166,645	**1,787,997**
Non-current liabilities:			
Long-term debt	**57,084**	66,107	**541,645**
Accrued employees' severance and pension costs	**5,628**	3,916	**53,402**
Deferred tax liabilities	**7,677**	6,553	**72,844**
Other non-current liabilities	**8,545**	8,785	**81,079**
Total non-current liabilities	**78,934**	85,361	**748,970**
Total liabilities	**267,371**	252,006	**2,536,967**
Contingent liabilities (Note 3)			
Net assets (Note 5):			
Shareholders' equity:			
Common stock:			
Authorized—500,000,000 shares			
Issued— 181,559,956 shares in 2013	**23,624**	23,624	**224,158**
Capital surplus	**42,230**	45,587	**400,702**
Retained earnings	**75,144**	60,622	**713,009**
Treasury stock—2,317,256 shares in December 2013 and 2,315,851 shares in March 2013	**(3,508)**	(3,507)	**(33,286)**
Total shareholders' equity	**137,490**	126,326	**1,304,583**
Accumulated other comprehensive income			
Net unrealized gains on securities	**5,346**	4,539	**50,726**
Net deferred losses on hedges	**(6)**	8	**(57)**
Revaluation reserve for land	**(526)**	(526)	**(4,991)**
Foreign currency translation adjustments	**(1,531)**	(13,529)	**(14,527)**
Total accumulated other comprehensive income	**3,283**	(9,508)	**31,151**
Minority interests	**93,811**	82,592	**890,132**
Total net assets	**234,584**	199,410	**2,225,866**
Total liabilities and net assets	**¥ 501,955**	¥451,416	**$ 4,762,833**

	Yen		*U.S. dollars (Note 1)*
	December 31, 2013	**March 31, 2013**	**December 31, 2013**
Amounts per share of common stock:			
Net assets	**¥ 785.37**	¥ 651.72	**$ 7.45**

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the nine-month periods ended December 31, 2013 and 2012

	Millions of yen		*Thousands of U.S. dollars (Note 1)*
	2013	**2012**	**2013**
Net sales	**¥506,097**	¥401,183	**$ 4,802,135**
Costs and expenses:			
Cost of sales	**410,475**	335,622	**3,894,819**
Selling, general and administrative expenses	**72,809**	60,154	**690,852**
	483,284	395,776	**4,585,671**
Operating income	**22,813**	5,407	**216,464**
Other income (expenses):			
Interest and dividend income	**537**	487	**5,095**
Interest expense	**(863)**	(931)	**(8,189)**
Foreign exchange gains net	**453**	11	**4,298**
Other, net (Note 6)	**3,368**	1,891	**31,957**
	3,495	1,458	**33,161**
Income before income taxes and minority interests	**26,308**	6,865	**249,625**
Income taxes:			
Current	**7,308**	5,062	**69,342**
Deferred	**3,099**	4,484	**29,405**
	10,407	9,546	**98,747**
(Loss) income before minority interests	**15,901**	(2,681)	**150,878**
Minority interests in (earnings) losses of consolidated subsidiaries	**(4,784)**	(1,275)	**(45,393)**
Net (loss) income	**11,117**	(3,956)	**105,485**
Minority interests in earnings (losses) of consolidated subsidiaries	**4,784**	1,275	**45,393**
(Loss) income before minority interests	**15,901**	(2,681)	**150,878**
Other comprehensive income			
Net unrealized gains (losses) on securities	**1,893**	(223)	**17,962**
Net deferred losses on hedges	**(35)**	(91)	**(332)**
Foreign currency translation adjustments	**16,366**	5,530	**155,290**
Share of other comprehensive income of affiliated companies accounted for by the equity method	**521**	(408)	**4,943**
	18,745	4,808	**177,863**
Comprehensive income	**¥ 34,646**	¥ 2,127	**$ 328,741**
Comprehensive income attributable to:			
Shareholders of the parent	**¥ 23,493**	¥ (558)	**$ 222,915**
Minority interests	**11,153**	2,685	**105,826**

	Yen		*U.S. dollars (Note 1)*
	2013	**2012**	**2013**
Amounts per share of common stock:			
Net income	**¥ 62.02**	¥ (22.07)	**$ 0.59**
Diluted net income	**–**	–	**–**
Cash dividends applicable to the year	**0.00**	5.00	**0.00**

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The accompanying consolidated financial statements are stated in Japanese yen. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan at the prevailing exchange rate on December 31, 2013, which was ¥105.39 to U.S.$1.00.

The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollars at the above or any other rate of exchange.

2. ACCOUNTING CHANGES

(a) CHANGE OF ACCOUNTING POLICY AND ESTIMATE

Change in depreciation method

Effective for the year ending March 31, 2014, the Company's some domestic consolidated subsidiaries have changed their depreciation method from the declining balance method to the straight-line method.

As a result of improvements to the fixed assets management systems in some subsidiaries made it possible to collect more accurate data of actual fixed assets usage.

The result of updated analysis showed straight-line method could reflect actual figure of using fixed assets because the company has many general-purpose equipments and use them for various products for long period stably. As a result, operating income and income before income taxes and minority interests increased by ¥310 million ($2,941 thousand) each, for the nine-month period ended December 31, 2013.

Change in useful life

Effective for the year ending March 31, 2014, the Company and certain of its domestic and foreign consolidated subsidiaries have changed their useful lives of machinery and tooling as a result of re-estimate upon adoption of Medium-Term Business plan and change of depreciation method explained above.

This change reflects more accurate useful lives by considering change of business conditions, actual physical economical useful lives, life cycles of products and technology innovation cycles.

As a result, operating income and income before income taxes and minority interests increased by ¥439 million ($4,165 thousand) each, for the nine-month period ended December 31, 2013.

3. CONTINGENT LIABILITIES

The Company was contingently liable as guarantor for loans of employees in the aggregate amount of ¥14 million ($133 thousand) and ¥18 million at December 31 and March 31, 2013, respectively.

Certain subsidiaries of the Company participate in a pension scheme in the UK. In case these subsidiaries withdraw from the scheme, a liability under UK pension law (Section 75) will be incurred, which was estimated at £12,095 thousand (¥2,102 million ($19,945 thousand)) and £12,095 thousand (¥1,732 million) at December 31 and March 31, 2013, respectively.

4. CASH FLOWS

We did not make consolidated statements of cash flows for the nine-month ended December 31, 2013. Depreciation and Amortization of goodwill for the nine-month period ended December 31, 2013 and 2012 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	2013
Depreciation	¥18,073	¥16,211	$ 171,487
Amortization of goodwill	169	165	1,604

5. NET ASSETS

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

Dividends

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

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

The appropriation of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the nine-month period ended December 31, 2013, is nil.

Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The 80th general meeting of shareholders on June 21, 2013 duly approved a resolution for the reduction of capital reserve of ¥6,863 million ($65,120 thousand) and the transfer of the same amount to other capital surplus in accordance with Article 448-(1) of the Company Act.

The general meeting of shareholders also duly approved a resolution for the transfer of other capital surplus of ¥3,355 million ($31,834 thousand) to retained earnings in accordance with Article 452 of the Company act.

As a result, capital surplus decreased by ¥3,355 million ($31,834 thousand) and retained earnings increased by ¥3,355 million ($31,834 thousand).

6. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statements of income and comprehensive income for the nine-month period ended December 31, 2013 and 2012 were as follows:

	Millions of yen		*Thousands of U.S. dollars*
	2013	2012	2013
Subsidy income (Note 1)	¥1,820	¥ 130	$ 17,268
Compensation income (Note 2)	992	1,181	9,413
Insurance proceeds from disasters	389	–	3,691
Gain on change in share of net assets of a consolidated subsidiary resulted from stock issuance by the subsidiary	362	–	3,435
Equity in earnings of affiliated companies	264	249	2,505
Gain on sale of fixed assets	92	656	873
Loss or damage of inventory due resulting from disasters	(352)	–	(3,340)
Commission fee	(301)	(311)	(2,856)
Loss on sale and disposal of fixed assets	(277)	(180)	(2,628)
Loss on change in share of net assets of a consolidated subsidiary resulted from stock issuance by the subsidiary	(115)	–	(1,091)
Other	494	166	4,687
	¥3,368	¥1,891	$ 31,957

Notes:

1. Subsidy income

   The Company and certain of its domestic consolidated subsidiaries posted total ¥1,820 million ($ 17,269 thousand) of Subsidy incomes from the government for the nine-month period ended December 31, 2013.

2. Compensation income

   The company's some domestic consolidated subsidiaries posted ¥1,181million ($ 11,206 thousand) as a compensation for their damages caused by Fukushima nuclear power accidents, which was paid by Tokyo Electric Power Company (TEPCO) for the nine–month period ended December 31, 2012.
   The Company and certain of its domestic consolidated subsidiaries posted ¥992 million ($ 9,413 thousand) for the nine–month period ended December 31, 2013 as the same reason mentioned above.

7. SEGMENT INFORMATION

(a) Business segments

Reportable segment information of the Company for the nine-month period ended December 31, 2013 and 2012 is summarized as follows:

	Millions of yen							
	Reportable segments							
As of December 31, 2013	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	**¥ 252,078**	**¥ 207,702**	**¥ 38,888**	**¥ 498,668**	**¥ 7,429**	**¥ 506,097**	**¥ –**	**¥ 506,097**
Inter-segment sales and transfers	**10,187**	**2,766**	**19,986**	**32,939**	**7,759**	**40,698**	**(40,698)**	**–**
Total	**262,265**	**210,468**	**58,874**	**531,607**	**15,188**	**546,795**	**(40,698)**	**506,097**
Segment income (Note 4, 5)	**11,320**	**7,807**	**3,237**	**22,364**	**390**	**22,754**	**59**	**22,813**

	Millions of yen							
	Reportable segments							
As of December 31, 2012	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	**¥ 200,666**	**¥ 156,120**	**¥ 36,909**	**¥ 393,695**	**¥ 7,488**	**¥ 401,183**	**¥ –**	**¥ 401,183**
Inter-segment sales and transfers	**9,627**	**1,736**	**17,507**	**28,870**	**8,279**	**37,149**	**(37,149)**	**–**
Total	**210,293**	**157,856**	**54,416**	**422,565**	**15,767**	**438,332**	**(37,149)**	**401,183**
Segment income (loss)	**(82)**	**1,732**	**3,029**	**4,678**	**523**	**5,201**	**205**	**5,407**

As of December 31, 2013	Thousands of U.S. dollars							
	Reportable segments							
	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	**$ 2,391,859**	**$ 1,970,794**	**$ 368,991**	**$ 4,731,644**	**$ 70,491**	**$ 4,802,135**	**$ –**	**$ 4,802,135**
Inter-segment sales and transfers	**96,660**	**26,246**	**189,638**	**312,544**	**73,622**	**386,166**	**(386,166)**	**–**
Total	**2,488,519**	**1,997,040**	**558,629**	**5,044,188**	**144,113**	**5,188,301**	**(386,166)**	**4,802,135**
Segment income (Note 4, 5)	**107,411**	**74,077**	**30,714**	**212,202**	**3,701**	**215,903**	**561**	**216,464**

Notes:

1. "Other" includes business segments not included in the reportable segments, and includes the development of information systems, office services, financial and leasing businesses.
2. "Adjustments" of segment income, segments assets, and liabilities include the elimination of inter-segment profit and loss.
3. Segment income is reconciled with operating income in the consolidated financial statements.
4. Change in depreciation method.
   Effective for the year ending March 31, 2014, the Company's some domestic consolidated subsidiaries have changed their depreciation method from the declining balance method to the straight-line method. As a result, segment income of Automotive Infotainment increased by ¥296 million ($2,809 thousand), and segment income of Other increased by ¥14 million ($133 thousand) for the nine-month period ended December 31, 2013.
5. Change in useful life
   Effective for the year ending March 31, 2014, the Company and certain of its domestic and foreign consolidated subsidiaries have changed their useful lives of machinery and tooling as a result of the re-estimation of Medium-Term Business plan and change of depreciation method explained above.
   As a result, segment income of Electronic components increased by ¥288 million ($2,733 thousand), and segment income of Automotive Infotainment increased by ¥150 million ($1,423 thousand) for the nine-month period ended December 31, 2013.

(b) Impairment loss on property, plant and equipment by reportable segment

Impairment loss on property, plant and equipment by reportable segment for the nine-month period ended December 31, 2013 and 2012 was summarized as follows:

Millions of yen

As of December 31, 2013

Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total

Nil

Millions of yen

As of December 31, 2012

Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total
¥ 371	¥ –	¥ –	¥ –	–	¥ 371

Thousands of U.S. dollars

As of December 31, 2013

Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total

Nil

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