



2. Average number of shares outstanding during the period (consolidated):
 

Six months ended September 30, 2005:	64,127,202
Six months ended September 30, 2004:	60,833,022
Fiscal year ended March 31, 2005:	60,887,392
3. Changes in accounting methods: none
4. Numbers in parenthesis accompanying net sales, operating income, ordinary income and net income indicate percentage increase/decrease from the previous corresponding period.

## (2) Financial Position

(Millions of yen rounded down, except as noted)

As of:	Total Assets	Stockholders' Equity	Equity Ratio (%)	Stockholders' Equity per Share (Yen)
September 30, 2005	163,144	100,029	61.3	1,522.35
September 30, 2004	153,806	85,317	55.5	1,401.82
March 31, 2005	156,506	88,829	56.7	1,446.99

Notes: 1. Number of shares outstanding (consolidated) as of:

September 30, 2005:	65,707,114
September 30, 2004:	60,861,912
March 31, 2005:	61,333,718

2. Return on equity for the period:

Six months ended September 30, 2005:	2.2%
Six months ended September 30, 2004:	2.8%
Fiscal year ended March 31, 2005:	5.1%

## (3) Cash Flows

(Millions of yen rounded down)

For the period:	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
Six months ended September 30, 2005	149	-5,063	-645	25,297
Six months ended September 30, 2004	3,509	-4,558	-807	27,208
Fiscal Year Ended March 31, 2005	12,472	-9,243	-1,615	30,476

## (4) Scope of Consolidation and Application of Equity Method

Number of consolidated companies: 27

Number of non-consolidated subsidiaries accounted for under equity method: 0

Number of affiliates accounted for under equity method: 1

(5) Changes in Scope of Consolidation and Application of the Equity Method

1. Newly consolidated companies: 2
2. Excluded consolidated companies: 0
3. Newly included under equity method: 0
4. Excluded under equity method: 0

**2. Projections for the Fiscal Year Ending March 31, 2006  
(April 1, 2005 to March 31, 2006)**

(Millions of yen rounded down)

(Millions of yen)	Net Sales	Ordinary Income	Net Income
Fiscal Year Ending March 31, 2006	240,000	10,000	6,000

Reference: Projected net income per share: ¥85.98

- Notes:
1. Projected operating income: ¥10,000 million
  2. All projected results assume an exchange rate in the second half of US\$1=¥110 and €1 = ¥135
  3. Projections are based on the assumption that all convertible bonds have been converted to common stock.

The aforementioned projections are based on management's assumptions and beliefs in light of the information currently available to it and accordingly involve risks and uncertainties that may cause actual results to differ materially from forecasts.

## **2. MANAGEMENT POLICY**

### **(1) Basic Business Concept**

In its corporate vision, Alpine strives to be a mobile media solutions company that creates future value based on its corporate philosophy of respecting individuality, creating value and contributing to society. With car audio and IT devices as its mainstay businesses, Alpine is working to enhance corporate value by boldly taking up the challenge of creating new value with its accumulated core technologies.

### **(2) Dividend Policy**

Alpine has positioned the return of profits to shareholders as a primary management issue. The Company strives to provide stable and improved dividends to its shareholders based on its fundamental policy of determining cash dividends from a balanced consideration of returning value to shareholders, investing in R&D and facilities to strengthen competitiveness, and retaining earnings for future business expansion on a consolidated basis.

### **(3) Reduction of Investment Units**

From the standpoint of increasing liquidity in the market and encouraging participation by a wider range of investors, beginning April 1, 2002, the number of shares per unit was reduced from 1,000 to 100.

### **(4) Benchmarks and Quantitative Targets**

With an emphasis on the consolidated performance of Group companies both in Japan and overseas, the Company aims to raise consolidated profit and pursue cash flow management. Alpine also aims to raise return on assets (ROA) to more than 5% by improving its net profit ratio and asset turnover, and taking measures to cut inventory assets and interest-bearing debt.

### **(5) Policy Regarding Group Companies**

The Company's largest stockholder is Alps Electric Co., Ltd. owning 43.17% of shares outstanding (including holdings of Alp's subsidiaries). Alpine purchases a portion of its parts and materials from Alps, and engages in personnel exchanges and cooperative R&D with the Group. Alpine intends to use this relationship to further strengthen its product development capabilities.

### **(6) Mid-Term Management Strategy and Issues Facing the Company**

In the car electronics industry, demand is increasing for audio equipment that connects with the latest digital devices, adding intensity to price competition among rival companies.

In information communications equipment, a growing percentage of new automobiles are incorporating integrated audio, visual and information equipment as a standard feature. Moreover, automakers are becoming more demanding in terms of product quality, prices and delivery schedules as global competition heats up.

In response, in an aim to be a mobile media solutions company that creates future value, Alpine is formulating mid-term management policies that emphasize creativity, passion and challenge in the manufacturing process, and strive to create industry-leading products under a low cost structure.

To achieve these mid-term management policies, Alpine is promoting measures based on the following strategies in order to expand corporate value, strengthen operations and enhance earnings.

1) Alpine aims to establish a business foundation by promoting the development of advanced technologies and large-scale system products while further polishing its core technologies through aggressive R&D

investment in the information communications equipment market, which is expanding in scale.

2) Alpine aims to strengthen price competitiveness by promoting a fully integrated production structure from local component procurement to component processing and finished product at its global manufacturing bases, while striving to improve its product mix in response to intensifying price competition.

3) Alpine is making every effort to reform its earnings and cost structure as well as improve customer satisfaction by expanding its five-point global business structure in Japan, the U.S., Europe, China and Asia in terms of sales, procurement, production and development.

## (7) Basic Policy and Measures for Corporate Governance

### 1) Basic Policy

Alpine fundamentally believes that corporate governance is essential to improving transparency in the decision-making process, and it has aggressively promoted stringent compliance activities in order to bolster the corporate structure.

Alpine is aiming to enhance the legal framework for ensuring corporate governance. The Board of Directors decides corporate business measures and oversees Directors' execution of business activities. Alpine's Auditors oversee the activities of Executive Officers. In addition, an independent auditor examines the Company's accounting practices. Alpine is striving to further improve corporate governance by strengthening, improving and adjusting effective internal controls in each layer of management. Alpine views its internal controls as a Companywide framework that covers management plans and other management processes in addition to all internal audits. By structuring elements of risk management into these internal control procedures, Alpine aims to increase their effectiveness and raise awareness of legal compliance in all business activities, thereby enhancing the overall framework.

### 2) Measures for Corporate Governance

As a means to reinforce corporate governance, Alpine employs an auditor system to ensure the soundness and improve the efficiency of management.

#### a. Directors and the Board of Directors

The Board of Directors is positioned as the organization for deliberating and deciding on basic management policies and important management matters as well as overseeing business execution. Alpine had 12 Directors as of September 30, 2005, a number conducive to flexible management. The Board of Directors meets regularly once a month and whenever necessary to make decisions on important management matters after due deliberation.

#### b. Auditors and the Board of Auditors

Auditors attend the Board of Auditors' meetings and perform audits on Directors' execution of business activities as well as on affiliated companies in Japan and overseas. The Board of Auditors receives reports, deliberates and decides on important auditing matters.

#### c. Independent Auditor

Alpine has employed the services of KPMG Azsa & Co. as its independent auditor since 1988. Auditing work is performed throughout the period with no overdue concentration of work at the period-end or other significant dates. The independent auditor is made aware of our annual plan. In addition, the independent auditor exchanges information with the Company's Internal Auditing Office and Auditors through regularly scheduled business reports and as necessary throughout the period in order to ensure a sufficient

understanding of business activities. The names of the public accountants and the number of assistants that performed audits during the period under review are outlined below.

Public accountants:

Designated employees and managing partners: Messrs. Yasuaki Takayama, Hikoe Konishi, and Satoshi Yokozawa

Number of assistants to independent auditing work:

4 certified public accountants: 2 assistants, and; 2 others

#### d. Internal Auditing Office

Alpine has established the Internal Auditing Office to perform internal audits for examining and evaluating the fairness and efficiency of business activities at the Company and its affiliates in Japan and overseas. The results of audits are regularly reported to the Board of Directors to enhance control functions and propose improvements to business processes.

#### e. Risk Management and Compliance Committee

The Risk Management and Compliance (RC) Committee drafts ethical behavior and legal compliance guidelines and is charged with both creating the Companywide legal compliance structure and educating employees on compliance issues. Through the internal auditing system, the RC Committee performs compliance audits. In addition, Alpine has established an ethical behavior hotline in an effort to enhance communication within the Company and to take proactive measures in recognizing and addressing issues.

Alpine believes that these measures will help ensure corporate governance



### **3. BUSINESS RESULTS AND FINANCIAL POSITION**

#### **Business Results**

In the global economy during the first half of the fiscal year under review, the United States enjoyed overall steady conditions despite continued high crude oil prices and the affects of natural disaster. In Europe, signs of export-led growth were offset by a downturn in personal consumption and growing fears of a slump in major European economies.

On the domestic front, the Japanese economy took an increasingly strong foothold toward economic recovery on the back of an improvement in corporate earnings and an increase in private sector capital expenditure.

In the Company's principal operating markets both in North America and Europe, sales of new cars were steady despite some disparity among manufacturers. Growth in market scale was also supported by an increase in new cars installed with information and communications equipment. Despite these positive factors, however, operating conditions remained harsh impacted by intense technology development and price competition.

Against this backdrop, sales to automobile manufacturers of information and communications equipment and in particular integrated units that combine car audio, visual and navigation features, were strong. In the after-market, however, sales were held to a nominal increase as price competition intensified in a market already contracting in scale due to increased pre-installation and dealer options.

As a result, consolidated net sales for the six-month period ended September 30, 2005 rose 9.4% compared with the corresponding period of the previous fiscal year to ¥122.8 billion. Operating income edged up 1.3% year on year to ¥5.7 billion, ordinary income edged down 0.1% ¥5.8 billion and net income fell 16.7% to ¥3.5 billion reflecting the drop in extraordinary income, specifically gain on return of pension asset previously managed on behalf of the government. On a non-consolidated basis, net sales climbed 5.8% to ¥94.5 billion. Operating income declined 16.4% to ¥2.2 billion, ordinary income fell 15.8% to ¥3.9 billion and net income decreased 33.0% year on year to ¥2.7 billion

#### **Performance by Segment**

##### ***Audio Products***

In the Audio Products segment, Alpine's iPod-compatible automotive CD players received considerable acclaim due their quality sound and operability in the after-market. As a result, sales in Japan, the U.S. and Europe were strong. In addition, the Company also began to reap the benefits of efforts to build a large-scale volume-retailer network in North America. Despite a shrinking market, sales increased 5.0% year on year.

In the European market, sales to automobile manufacturers of 1-DIN in-dash CD changers were steady. In a market where audio systems for automobile manufacturers are increasingly integrated systems that combine audio, visual and navigation features, rather than just stand-alone products, this business division was transferred to the Information and Communication Equipment segment. As a result, sales declined 1.8% year on year.

Accounting for all these factors, consolidated sales in the Audio Products segment edged up 0.2% compared with the corresponding period of the previous fiscal year to ¥64.0 billion.

##### ***Information and Communication Equipment***

In the Information and Communication Equipment segment, Alpine strove to expand sales in the domestic after market by launching the HD55 Series, a new navigation system featuring audiovisual function. Overseas, the Company released a car navigation and audiovisual system featuring pulse-touch controls in Europe and the United States. Despite these efforts, however, the year-on-year increase in sales was held to 0.8% owing to intense price competition, changes in market structure and the growing incidence of factory installed

systems.

In addition to the rising installation rate of integrated systems and other products, sales of new cars by Alpine's principal automobile manufacturing customers in North America were strong. As a result, sales surged 23.7% year on year.

Accounting for these factors, consolidated sales in the Information and Communication Equipment segment rose 21.6% compared with the corresponding period of the previous fiscal year to ¥58.7 billion.

## **Financial Position**

### ***(a) Assets, Liabilities and Shareholders' Equity***

Total assets stood at ¥163.1 billion as of September 30, 2005, an increase of ¥6.6 billion as of the end of the previous fiscal year. Total stockholders' equity climbed ¥11.1 billion as of March 31, 2005 to ¥100.0 billion as of the interim period-end. As a result, the equity ratio rose 4.5 percentage points to 61.3%. Within total assets, current assets rose ¥2.4 billion mainly reflecting increases in notes and accounts receivable and inventories. Principal components within fixed assets were tangible fixed assets, which increased ¥0.9 billion and comprised mainly machinery and equipment, and investment securities, which rose ¥1.9 billion.

Current liabilities rose ¥1.2 billion reflecting an increase in accrued expenses. Long-term liabilities on the other hand declined ¥6.1 billion due to a drop in the balance of convertible bonds and a decrease in allowance for employees' severance and retirement benefits.

Total stockholders' equity grew ¥11.1 billion. This was the result of the continued conversion of bonds, which swelled both capital stock and legal capital surplus by ¥2.8 billion, and the increase in retained earnings after accounting for net income.

### ***(b) Cash Flows***

For the interim period under review, cash and cash equivalents, end of period, totaled ¥25.2 billion, a decrease of ¥5.1 billion, or 17.0%, compared with the previous fiscal year-end.

Net cash provided by operating activities amounted to ¥0.1 billion, a decrease of ¥3.3 billion, or 95.7%. This was mainly the result of inflows provided by net income before tax and other adjustments of ¥5.7 billion and depreciation and amortization of ¥4.1 billion, and out flows of ¥2.7 billion from an increase in notes and accounts receivable, ¥2.9 billion from an increase in inventories and ¥3.9 billion from the payment of income and other taxes.

Net cash used in investing activities was ¥5.0 billion, a decrease of ¥0.5 billion, or 11.1%, from cash used in the corresponding period of the previous fiscal year. Principal components were acquisition of tangible fixed assets of ¥4.0 billion and acquisition of intangible fixed assets of ¥1.2 billion.

Net cash used in financing activities totaled ¥0.6 billion, up ¥0.1 billion, or 20.1%, year on year. This was mainly the result of cash dividends paid of ¥0.6 billion.

As a result of these activities, free cash flow totaled cash used of ¥4.9 billion, a decrease of ¥3.8 billion. Free cash flow is calculated as the sum total of cash flows from operating activities and cash flows from investing activities.

Indicators of the Alpine Group's financial position are as follows:

	Six-month period ended September 30, 2004	Six-month period ended September 30, 2005	Fiscal year ended March 31, 2005
Stockholders' equity ratio (%)	55.5	61.3	56.7
Stockholders' equity ratio (%) (market capitalization basis)	55.8	73.8	60.5
Years to repay liabilities (years)	1.8	19.4	0.9

Interest coverage ratio (times)	42.0	2.1	70.6
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Notes:

Stockholders' equity ratio: Stockholders' equity / total assets

Stockholders' equity ratio (%) (market capitalization basis): Market capitalization / total assets

Years to repay liabilities (years): Interest-bearing debt / operating cash flow

Interest coverage ratio: Operating cash flow / interest payments

\* These indicators are calculated using the consolidated financial statements.

\* Market capitalization is calculated by multiplying the closing share price at the period-end by the number of outstanding shares at the period-end.

\* Operating cash flow uses net cash provided by operating activities on the consolidated cash flow statements. Years to repay liabilities for the interim period is calculated from operating cash flows on an annualized basis and is accordingly multiplied by two. Interest-bearing debt covers all liabilities with interest payments under the liabilities section of the consolidated balance sheets. Interest payments equal the amount of interest paid on the consolidated cash flow statements.

## Outlook

The outlook for the rest of the fiscal year under review remains uncertain as the United States, a driver of global economic growth, is impacted by persistent high crude oil prices and overheated conditions in the residential housing investment market.

In the principal industries in which Alpine operates, a slump by General Motors and Ford, two key automobile manufacturers in the United States, is expected to affect the components industry.

In addition, automobile manufacturers are expanding activities in the development of environment friendly cars. As a result, pressures are increasing to accelerate development in the electronics, information and communications industries for highly integrated modules and large-scale systems.

Under these circumstances, Alpine will redouble efforts to reinforce its lineup of new products in fiscal 2006 and to expand sales. In addition, the Group is committed to taking proactive steps in research and development and to implement measures toward earnings and cost structural reform.

Alpine is currently projecting the following figures for the fiscal year ending March 31, 2006, assuming a conversion rate of ¥110 to the U.S. dollar and ¥135 to the euro.

### 1. Consolidated earnings estimates

Net sales	¥240.0 billion	+7.7% year on year
Operating income	¥10.0 billion	-1.4% year on year
Ordinary income	¥10.0 billion	-9.6% year on year
Net income	¥6.0 billion	-24.3% year on year

### 2. Non-consolidated earnings estimates

Net sales	¥188.0 billion	+6.4% year on year
Operating income	¥4.0 billion	-15.6% year on year
Ordinary income	¥5.8 billion	-8.9% year on year
Net income	¥3.8 billion	-25.5% year on year

#### **4. BUSINESS AND OTHER RISKS**

Alpine views the following points as potential risk factors that may affect business development. Alpine bases any forward-looking statements on data current as of this report.

##### *(1) Economic Change*

Alpine develops operations globally centered on the mobile multimedia business. Alpine's products are sold on various markets around the world directly to end users and indirectly through automakers.

Accordingly, economic slowdowns in the Company's primary markets of Japan, North America, Europe and Asia could adversely affect performance and financial position.

##### *(2) Foreign Currency Exchange Rate Fluctuations*

Alpine derives approximately 80% of its net sales from overseas markets and the financial statements of its overseas subsidiaries are prepared using local currencies. As a result, Alpine is exposed to fluctuations in foreign currency exchange rates. An appreciation of the yen against other currencies, especially the US dollar and the euro, have an adverse impact on Alpine's consolidated performance. Alpine engages in foreign currency hedge transactions such as forward-exchange contracts, but sharp changes in foreign exchange rates could adversely affect the Company's performance and financial position.

##### *(3) New Product Development*

Alpine aggressively invests in R&D to develop attractive new products. In the event that new product development falls behind rapid advances in technology and changes in customer needs, however, future growth and earnings potential would decline and could adversely affect the Company's performance and financial position.

##### *(4) Price Competition*

Price competition is becoming more intense in the mobile multimedia industry in which Alpine operates. In the after-sales market, stand-alone car audio products are susceptible to price competition. Moreover, prices are likely to continue declining as automakers demand cost reductions and rival companies enter the market. Alpine is striving to improve its earnings and cost structure from a global viewpoint. Nevertheless, a decline in sales prices could adversely affect the Company's performance and financial position.

##### *(5) Risks Inherent to Advancing Overseas*

Alpine engages in production and sales activities in the US, Europe, China and other Asian countries. On conducting business in these overseas markets, Alpine is susceptible to risks including 1) unforeseen changes in laws and tax codes, 2) restrictive political and economic factors, 3) terrorism, war and other social unrest. The occurrence of any of these events could adversely affect the Company's performance and financial position.

##### *(6) Supply of Specific Components*

Alpine internally produces many of its crucial components, but some critical components are procured from outside the Group. In the event that Alpine is unable to procure the necessary volume of components as scheduled due to natural disasters or other reasons at the supplier company, production would be delayed and sales opportunities would be lost, which could adversely affect the Company's performance and financial position.

##### *(7) Demands of Corporate Customers*

Alpine's OEM business serves automakers from around the world. Alpine aims to expand sales by reforming the order-receiving process over the medium term. Automakers' demands for better quality, lower prices and shorter delivery times are increasing in response to intense global competition. Sales to corporate customers in this field are affected significantly by changes in the corporate customers' performance and procurement policies. In addition, customer requests for lower prices could adversely affect the Company's performance and financial position.

*(8) Intellectual Property*

Alpine strives to protect its technologies and R&D results through patents, trademarks and other intellectual property rights. However, intellectual property rights are not fully protected in some regions, and Alpine may not be able to effectively prevent third parties from manufacturing similar products that use Alpine's intellectual property. Moreover, Alpine's products and technologies may inadvertently infringe on the intellectual property rights of other companies in the future.

*(9) Product Defects*

Alpine manufactures various products under stringent quality management processes. However, not all products are free from defects, so there is the possibility of a product recall in the future. Although Alpine is insured against damages from product liability, there are no assurances that this insurance will cover all damages. Product defects that lead to a major recall or product liability damages would incur considerable costs and adversely affect the Company's reputation. As a result, the Company's performance and financial position could be adversely affected.

*(10) Public Laws and Regulations*

Alpine is subject to various government laws and regulations in countries where it conducts business, including business and investment permits as well as customs duties and other import/export regulations. In the event that the Company was unable to strictly follow these laws and regulations, Alpine's business activities could be restricted, leading to an increase in costs. Accordingly, these laws and regulations could adversely affect the Company's performance and financial position.

*(11) Risk of Natural Disaster*

Alpine takes thorough measures to prevent damage from natural disasters such as earthquakes, and in the past the Company has been able to minimize the impact of natural disasters on its operations. However, in the event of a major natural disaster that is more severe than predicted, there are no assurances that Alpine will be able to completely prevent or lessen the impact of power outages or other interruptions on operations.

*(12) Lawsuits*

On January 21, 2003, a lawsuit was brought against Alpine in the Tokyo District Court. The plaintiff of the lawsuit is seeking damages for infringement on the plaintiff's patents by Alpine's navigation equipment. On March 30, 2005, the Tokyo District Court dismissed the plaintiff's lawsuit for damages. The plaintiff filed an appeal to the decision on April 8, 2005. While the court has yet to reach a decision on the appeal, at this time the lawsuit is unlikely to have a material effect on the Company's performance or financial position.

## Consolidated Balance Sheets

(Millions of yen, %)

	September 30, 2004	% of Total	September 30, 2005	% of Total	March 31, 2005	% of Total	Increase / Decrease
<b>ASSETS</b>							
<b>Current Assets:</b>	<b>105,984</b>	<b>68.9</b>	<b>107,795</b>	<b>66.1</b>	<b>105,371</b>	<b>67.3</b>	<b>2,423</b>
Cash and time deposits	27,790		25,369		30,565		-5,195
Notes and accounts receivable	34,155		38,679		35,108		3,570
Finished goods	23,534		25,840		23,063		2,776
Raw materials	8,386		6,150		5,634		516
Goods in process	2,483		2,082		1,574		507
Inventories	262		317		426		-108
Deferred tax assets	3,438		3,401		3,571		-169
Other current assets	6,704		6,723		6,114		608
Allowance for doubtful receivables	-770		-771		-689		-81
<b>Fixed Assets:</b>	<b>47,822</b>	<b>31.1</b>	<b>55,349</b>	<b>33.9</b>	<b>51,135</b>	<b>32.7</b>	<b>4,214</b>
<b>Tangible Fixed Assets:</b>	<b>24,575</b>	<b>16.0</b>	<b>26,514</b>	<b>16.3</b>	<b>25,543</b>	<b>16.3</b>	<b>971</b>
Buildings and structures	19,903		21,016		20,277		739
Less: accumulated depreciation	10,936		11,843		11,306		537
Machinery and equipment	8,967		9,173		8,971		2,114
Less: accumulated depreciation	11,367		13,803		11,688		1,066
Fixtures and fittings	5,620		6,741		5,692		987
Less: accumulated depreciation	38,505		40,848		39,860		1,257
Land	5,163		5,703		5,972		40
Construction in progress	4,803		4,852		4,812		-49
Intangible Fixed Assets	21		45		95		
<b>Intangible Fixed Assets</b>	<b>4,762</b>	<b>3.1</b>	<b>5,276</b>	<b>3.2</b>	<b>4,812</b>	<b>3.1</b>	<b>464</b>
<b>Investments and Other Assets:</b>	<b>18,483</b>	<b>12.0</b>	<b>23,558</b>	<b>14.4</b>	<b>20,779</b>	<b>13.3</b>	<b>2,778</b>
Investment in securities	12,436		15,205		13,275		1,930
Deferred tax assets	419		179		364		-184
Other investments	5,756		8,316		7,278		1,038
Allowance for doubtful receivables	-128		-143		-138		-5
<b>Total Assets</b>	<b>153,806</b>	<b>100.0</b>	<b>163,144</b>	<b>100.0</b>	<b>156,506</b>	<b>100.0</b>	<b>6,638</b>

(Millions of yen, %)

	September 30, 2004	% of Total	September 30, 2005	% of Total	March 31, 2005	% of Total	Increase / Decrease
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>	<b>52,656</b>	<b>34.2</b>	<b>52,087</b>	<b>31.9</b>	<b>50,825</b>	<b>32.5</b>	<b>1,262</b>
Notes and accounts payable	32,221		30,781		30,188		592
Bank loans (Note 1)	651		420		417		2
Income taxes payable	2,594		1,645		3,094		-1,449
Accrued expenses	7,620		9,161		7,684		1,477
Deferred taxes	120		134		132		2
Allowance for employee bonuses	1,756		1,779		1,659		120
Provision for product warranties	3,166		3,927		3,506		421
Other current liabilities	4,522		4,237		4,143		94
<b>Long-Term Liabilities:</b>	<b>14,759</b>	<b>9.6</b>	<b>9,625</b>	<b>5.9</b>	<b>15,807</b>	<b>10.1</b>	<b>-6,181</b>
Convertible bonds	11,759		5,369		11,136		-5,767
Long-term debt due after one year (Note 1)	11				6		-6
Deferred taxes	1,211		2,015		1,628		387
Allowance for employees' severance and retirement benefits	1,056		652		2,284		-1,632
Directors' severance and retirement benefits	520		581		561		19
Other long-term liabilities	198		1,007		189		817
<b>Total Liabilities</b>	<b>67,415</b>	<b>43.8</b>	<b>61,713</b>	<b>37.8</b>	<b>66,633</b>	<b>42.6</b>	<b>-4,919</b>
<b>MINORITY INTERESTS</b>							
<b>Minority Interests</b>	<b>1,073</b>	<b>0.7</b>	<b>1,401</b>	<b>0.9</b>	<b>1,044</b>	<b>0.7</b>	<b>357</b>

(Millions of yen, %)

	September 30, 2004	% of Total	September 30, 2005	% of Total	March 31, 2005	% of Total	Increase / Decrease
<b>STOCKHOLDERS' EQUITY</b>							
Capital stock	20,048	13.0	23,243	14.3	20,360	13.0	2,883
Capital surplus	19,033	12.4	22,228	13.6	19,345	12.4	2,883
Retained earnings	44,221	28.8	50,231	30.8	47,274	30.2	2,957
Revaluation adjustment, real estate	-1,394	-0.9	-1,394	-0.9	-1,394	-0.9	
Valuation adjustment, other marketable securities	4,282	2.8	6,071	3.7	4,612	2.9	1,458
Foreign currency translation adjustment	-857	-0.6	-329	-0.2	-1,350	-0.9	1,020
Treasury stock	-16	-0.0	-21	-0.0	-18	-0.0	-3
<b>Total Stockholders' Equity</b>	<b>85,317</b>	<b>55.5</b>	<b>100,029</b>	<b>61.3</b>	<b>88,829</b>	<b>56.7</b>	<b>11,199</b>
<b>Total Liabilities, Minority Interests and Stockholders' Equity</b>	<b>153,806</b>	<b>100.0</b>	<b>163,144</b>	<b>100.0</b>	<b>156,506</b>	<b>100.0</b>	<b>6,638</b>

## Consolidated Statements of Income

(Millions of yen, %)

	April 1, 2004 to September 30, 2004	% of Total	April 1, 2005 to September 30, 2005	% of Total	Increase/ Decrease	April 1, 2004 to March 31, 2005	% of Total
<b>Net Sales</b>	112,236	100.0	122,835	100.0	10,598	222,779	100.0
<b>Cost of Sales</b>	86,831	77.4	97,286	79.2	10,455	171,987	77.2
<b>Gross Profit</b>	<b>25,405</b>	<b>22.6</b>	<b>25,548</b>	<b>20.8</b>	<b>143</b>	<b>50,792</b>	<b>22.8</b>
<b>Selling, General and Administrative Expenses (Note 1)</b>	19,772	17.6	19,844	16.2	71	40,643	18.2
<b>Operating Income</b>	<b>5,633</b>	<b>5.0</b>	<b>5,704</b>	<b>4.6</b>	<b>71</b>	<b>10,148</b>	<b>4.6</b>
<b>Other Income:</b>							
Interest income	36		33			70	
Dividend income	62		103			225	
Foreign exchange gain	593		217			354	
Equity in earnings of affiliated companies	—		56			852	
Other—net	404		343			811	
Total	1,096	1.0	755	0.6	-340	2,314	1.0
<b>Other Expenses:</b>							
Interest expense	87		68			181	
Equity in loss of affiliated companies	26		—			—	
Sales discounts	—		234			279	
Loss on adjustment of customer molds	—		103			241	
Other non-operating expenses	771		213			699	
Total	885	0.8	619	0.5	-265	1,401	0.6

(Millions of yen, %)

	April 1, 2004 to September 30, 2004	% of Total	April 1, 2005 to September 30, 2005	% of Total	Increase/ Decrease	April 1, 2004 to March 31, 2005	% of Total
<b>Ordinary Income</b>	5,843	5.2	5,839	4.7	-4	11,060	5.0
<b>Extraordinary Income:</b>							
Gain on sale of investment securities	—		45			—	
Disaster insurance payment received	—		106			499	
Gain on return of pension asset previously managed on behalf of the government	1,091		9			1,091	
Other extraordinary income	10		12			25	
Total	1,101	1.0	174	0.2	-927	1,615	0.7
<b>Extraordinary Losses:</b>							
Loss on sale and disposal of fixed assets (Note 2)	52		55			171	
Loss on devaluation of investment in securities	—		158			4	
Directors' severance bonuses	16		—			16	
Loss on liquidation of affiliated companies	—		72			—	
Other extraordinary losses	3		—			200	
Total	72	0.1	286	0.2	213	392	0.2
<b>Income before Income Taxes</b>	6,872	6.1	5,727	4.7	-1,145	12,284	5.5
<b>Income Taxes</b>	2,589		1,582			4,093	
<b>Deferred Taxes</b>	-28		493			161	
Total	2,560	2.3	2,076	1.7	-484	4,255	1.9
<b>Minority Interests in Net Income of Consolidated Subsidiaries</b>	80	0.0	124	0.1	44	95	0.0
<b>Net Income</b>	4,231	3.8	3,526	2.9	-704	7,932	3.6

## Consolidated Statements of Cash Flows

(Millions of yen)

	April 1, 2004 to September 30, 2004	April 1, 2005 to September 30, 2005	April 1, 2004 to March 31, 2005
<b>Cash Flows from Operating Activities:</b>			
Net income before tax and other adjustments	6,872	5,727	12,284
Depreciation and amortization	3,788	4,160	7,331
(Decrease) Increase in employees' severance and retirement benefits	-770	-1,630	455
Increase in provision for directors' severance bonus	41	19	82
Interest and dividend income	-98	-137	-295
Interest expense	87	70	181
Equity in earnings (loss) of affiliated companies	26	-56	-852
Loss on sale of tangible fixed assets	30	16	53
Decrease (Increase) in notes and accounts receivable	1,413	-2,772	257
Increase in inventories	-5,803	-2,990	-2,037
Increase (Decrease) in notes and accounts payable	602	-292	-1,072
Gain on sales of investments in securities	—	-103	—
(Increase) Decrease in consumption tax payable	-12	-287	164
Increase in provision for product warranties	180	346	550
Directors' severance bonuses	16	—	16
Other—net	-1,347	1,755	-1,773
<b>Total</b>	<b>5,026</b>	<b>3,823</b>	<b>15,344</b>
Interest and dividends received	100	338	374
Interest paid	-83	-70	-176
Income and other taxes	-1,401	-3,942	-2,938
Payment of directors' severance bonuses	-131	—	-131
<b>Net Cash Provided by Operating Activities</b>	<b>3,509</b>	<b>149</b>	<b>12,472</b>

(Millions of yen)

	April 1, 2004 to September 30, 2004	April 1, 2005 to September 30, 2005	April 1, 2004 to March 31, 2005
<b>Cash Flows from Investing Activities:</b>			
Payment for tangible fixed assets	-3,366	-4,032	-7,949
Proceeds from sale of tangible fixed assets	22	113	72
Payment for intangible fixed assets	-921	-1,264	-1,397
Proceeds from sale of investment securities	—	111	0
Payment for increase in capital	—	—	-209
Payment for loan lending	-198	-85	-279
Collection of loans receivable	207	144	336
Other—net	-302	-50	181
<b>Net Cash Used in Investing Activities</b>	<b>-4,558</b>	<b>-5,063</b>	<b>-9,243</b>
<b>Cash Flows from Financing Activities:</b>			
(Net Decrease) Net Increase in short-term borrowings	-135	8	-329
Repayments of long-term debt	-6	-6	-10
Cash dividends paid	-608	-613	-1,216
Cash dividends paid to minority interests	-56	-30	-56
Other—net	-0	-3	-2
<b>Net Cash Used in Financing Activities</b>	<b>-807</b>	<b>-645</b>	<b>-1,615</b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>519</b>	<b>201</b>	<b>318</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>-1,336</b>	<b>-5,357</b>	<b>1,931</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>28,359</b>	<b>30,476</b>	<b>28,359</b>
<b>Net increase in Cash Equivalents in Accordance with Newly Consolidated Subsidiaries</b>	<b>185</b>	<b>179</b>	<b>185</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>27,208</b>	<b>25,297</b>	<b>30,476</b>

## Segment Information

## 1) Information by Business Segment

**(April 1, 2004 to September 30, 2004)**

(Millions of yen)

	Audio Products Business	Information and Communication Equipment Business	Total	Elimination and/or Corporate	Consolidated
Sales and Operating Income					
Net Sales:					
Outside customers	63,914	48,321	112,236	—	112,236
Within consolidated group	738	237	975	-975	—
<b>Total</b>	<b>64,653</b>	<b>48,559</b>	<b>113,212</b>	<b>-975</b>	<b>112,236</b>
Costs and Expenses	57,089	45,584	102,674	3,929	106,603
Operating Income	7,564	2,974	10,538	-4,905	5,633

**(April 1, 2005 to September 30, 2005)**

(Millions of yen)

	Audio Products Business	Information and Communication Equipment Business	Total	Elimination and/or Corporate	Consolidated
Sales and Operating Income					
Net Sales:					
Outside customers	64,073	58,761	122,835	—	122,835
Within consolidated group	338	771	1,110	-1,110	—
<b>Total</b>	<b>64,411</b>	<b>59,533</b>	<b>123,945</b>	<b>-1,110</b>	<b>122,835</b>
Costs and Expenses	58,506	55,773	114,280	2,850	117,131
Operating Income	5,905	3,759	9,665	-3,961	5,704

**(April 1, 2005 to March 31, 2005)**

(Millions of yen)

	Audio Products Business	Information and Communication Equipment Business	Total	Elimination and/or Corporate	Consolidated
Sales and Operating Income					
Net Sales:					
Outside customers	122,964	99,814	222,779	—	222,779
Within consolidated group	1,566	438	2,004	-2,004	—
<b>Total</b>	<b>124,530</b>	<b>100,253</b>	<b>224,784</b>	<b>-2,004</b>	<b>222,779</b>
Costs and Expenses	111,719	92,856	204,576	8,054	212,631
Operating Income	12,811	7,396	20,208	-10,059	10,148

Notes:

1. Business segments are based on internal administrative segmentation.

2. The Company's primary business activities include:
  - (1) The audio products business, which consists of car audio systems and audio accessories, etc.
  - (2) The information and communication equipment business, which consists of car communications, electronic components and imaging unit components
3. Unallocated costs and expenses included in elimination and/or corporate comprise mainly corporate administrative and research and development costs. Such costs were:
  - (1) ¥4,905 million in the period ended September 30, 2004
  - (2) ¥3,961 million in the period ended September 30, 2005
  - (3) ¥10,059 million in the fiscal year ended March 31, 2005

## 2) Geographic Area Information

**(April 1, 2004 to September 30, 2004)**

(Millions of yen)

	Japan	North America	Europe	Other Areas	Total	Elimination and/or Corporate	Consolidated
Sales and Operating Income							
Net Sales:							
Outside customers	26,245	40,575	42,734	2,681	112,236	—	112,236
Within consolidated group	67,201	482	12,749	14,517	94,950	-94,950	—
<b>Total</b>	<b>93,447</b>	<b>41,057</b>	<b>55,483</b>	<b>17,198</b>	<b>207,187</b>	<b>-94,950</b>	<b>112,236</b>
Costs and Expenses	84,720	40,101	54,542	17,209	196,574	-89,970	106,603
Operating Income (Loss)	8,727	955	941	-10	10,613	-4,980	5,633

**(April 1, 2005 to September 30, 2005)**

(Millions of yen)

	Japan	North America	Europe	Asia	Other Areas	Total	Elimination and/or Corporate	Consolidated
Sales and Operating Income								
Net Sales:								
Outside customers	23,919	46,126	48,920	3,269	599	122,835	—	122,835
Within consolidated group	74,218	919	12,489	21,154	2	108,784	-108,784	—
<b>Total</b>	<b>98,137</b>	<b>47,046</b>	<b>61,409</b>	<b>24,424</b>	<b>601</b>	<b>231,619</b>	<b>-108,784</b>	<b>122,835</b>
Costs and Expenses	91,687	45,595	60,211	23,733	606	221,834	-104,703	117,131
Operating Income (Loss)	6,450	1,450	1,197	691	-4	9,785	-4,081	5,704

**(April 1, 2004 to March 31, 2005)**

(Millions of yen)

	Japan	North America	Europe	Other Areas	Total	Elimination and/or Corporate	Consolidated
Sales and Operating Income							
Net Sales:							
Outside customers	52,182	82,692	83,625	4,279	222,779	—	222,779
Within consolidated group	130,633	1,332	26,053	30,898	188,916	-188,916	—
<b>Total</b>	<b>182,815</b>	<b>84,024</b>	<b>109,678</b>	<b>35,177</b>	<b>411,696</b>	<b>-188,916</b>	<b>222,779</b>
Costs and Expenses	167,296	82,079	107,700	34,650	391,727	-179,096	212,631
Operating Income	15,518	1,944	1,978	526	19,968	-9,820	10,148

## Notes:

1. Differentiation between countries and regions is based on geographic proximity.
2. Major countries and regions are:
  - 1) North America: The United States of America and Canada
  - 2) Europe: Germany, France, the United Kingdom, Italy and Spain
  - 3) Asia: Singapore, China and Thailand
  - 4) Other Areas: Australia
3. Unallocated costs and expenses included in elimination and/or corporate comprise mainly corporate administrative and research and development costs. Such costs were:
  - (1) ¥4,905 million in the period ended September 30, 2004
  - (2) ¥3,961 million in the period ended September 30, 2005
  - (3) ¥10,059 million in the fiscal year ended March 31, 2005
4. Change in segment classification by geographic area  
 In the period ended September 30, 2004 and the fiscal year ended March 31, 2005, Asia was included in Other Areas. In the period under review, however, sales to Asia exceeded 10% as a proportion of total net sales. Accordingly, Asia has been identified as a separate geographical area. Geographic area information for the period ended September 30, 2004 and the fiscal year ended March 31, 2005 restated in accordance with geographic area information for the period ended September 30, 2005 is as follows:

**(April 1, 2004 to September 30, 2004)**

(Millions of yen)

	Japan	North America	Europe	Asia	Other Areas	Total	Elimination and/or Corporate	Consolidated
Sales and Operating Income								
Net Sales:								
Outside customers	26,245	40,575	42,734	2,059	622	112,236	—	112,236
Within consolidated group	67,201	482	12,749	14,513	3	94,950	-94,950	—
Total	93,447	41,057	55,483	16,572	626	207,187	-94,950	112,236
Costs and Expenses	84,720	40,101	54,542	16,603	605	196,574	-89,970	106,603
Operating Income (Loss)	8,727	955	941	-30	20	10,613	-4,980	5,633

**(April 1, 2004 to March 31, 2005)**

(Millions of yen)

	Japan	North America	Europe	Asia	Other Areas	Total	Elimination and/or Corporate	Consolidated
Sales and Operating Income								
Net Sales:								
Outside customers	52,182	82,692	83,625	2,986	1,293	222,779	—	222,779
Within consolidated group	130,633	1,332	26,053	30,894	3	188,916	-188,916	—
Total	182,815	84,024	109,678	33,880	1,297	411,696	-188,916	222,779
Costs and Expenses	167,296	82,079	107,700	33,376	1,274	391,727	-179,096	212,631
Operating Income	15,518	1,944	1,978	504	22	19,968	-9,820	10,148

## Overseas Sales

**(April 1, 2004 to September 30, 2004)**

(Millions of yen)

	North America	Europe	Other Areas	Total
Overseas Sales	39,958	45,032	6,252	91,242
Consolidated Sales				112,236
Ratio of Overseas Sales (%)	35.6	40.1	5.6	81.3

**(April 1, 2005 to September 30, 2005)**

(Millions of yen)

	North America	Europe	Other Areas	Total
Overseas Sales	45,299	49,066	9,147	103,513
Consolidated Sales				122,835
Ratio of Overseas Sales (%)	36.9	39.9	7.4	84.3

**(April 1, 2004 to March 31, 2005)**

(Millions of yen)

	North America	Europe	Other Areas	Total
Overseas Sales	81,426	87,653	11,747	180,828
Consolidated Sales				222,779
Ratio of Overseas Sales (%)	36.6	39.3	5.3	81.2

Notes:

1. Differentiation between countries and regions is based on geographic proximity.
2. Major countries and regions are as follows:
  - (1) North America: The United States of America and Canada
  - (2) Europe: Germany, France, the United Kingdom, Italy, Spain and Sweden
  - (3) Other Areas: Australia, China and Thailand
3. Overseas sales are sales of the Company and its consolidated subsidiaries outside Japan.