Consolidated Financial Statements for the Six-Month Period Ended September 30, 2006

November 7, 2006

Listed Company Name: Alpine Electronics, Inc.
Securities Code: 6816
(First Section, Tokyo Stock Exchange)

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Date of Board Meeting for Settlement of Accounts: November 7, 2006
Parent Company: Alps Electric Co., Ltd.
Securities Code: 6770
Percentage of Shares with Voting Rights: 40.68%
U.S. GAAP: Not applied

1. Performance for the Six-Month Period Ended September 30, 2006

(1) Consolidated Results

(Millions of yen rounded down, %)

For the period:	Net Sales (% change)	Operating Income (% change)	Ordinary Income (% change)
Six months ended September 30, 2006	126,022 (2.6)	4,558 (-20.1)	5,511 (-5.6)
Six months ended September 30, 2005	122,835 (9.4)	5,704 (1.3)	5,839 (-0.1)
Fiscal year ended March 31, 2006	253,983	9,671	10,355

(Millions of yen rounded down, %, except per share figures)

For the period:	Net Income	Net Income per Share (Yen)	Fully Diluted Net Income per Share (Yen)
Six months ended September 30, 2006	3,239 (-8.1)	46.44	—
Six months ended September 30, 2005	3,526 (-16.7)	54.99	50.87
Fiscal year ended March 31, 2006	6,175	91.71	88.35

Notes: 1. Equity in earnings of subsidiaries and affiliates accounted for by the equity method:

Six months ended September 30, 2006: ¥ 251 million
Six months ended September 30, 2005: ¥ 56 million
Fiscal year ended March 31, 2006: ¥ 459 million

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

Six months ended September 30, 2006:	69,765,862
Six months ended September 30, 2005:	64,127,202
Fiscal year ended March 31, 2006:	66,684,022

3. Changes in accounting methods: none
4. Numbers in parenthesis accompanying net sales, operating income, ordinary income and net income indicate the percentage increase/decrease from the previous corresponding period.

(2) Financial Position

(Millions of yen rounded down, except as noted)

As of:	Total Assets	Net Assets	Equity Ratio (%)	Stockholders' Equity per Share (Yen)
September 30, 2006	174,449	116,167	65.7	1,641.74
September 30, 2005	163,144	100,029	61.3	1,522.35
March 31, 2006	169,553	110,782	65.3	1,587.05

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

September 30, 2006:	69,765,662
September 30, 2005:	65,707,114
March 31, 2006:	69,766,046

2. Return on equity for the period:

Six months ended September 30, 2006:	1.9%
Six months ended September 30, 2005:	2.2%
Fiscal year ended March 31, 2006:	3.8%

(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, 2006	7,331	-6,452	-646	33,999
Six months ended September 30, 2005	149	-5,063	-645	25,297
Fiscal Year Ended March 31, 2006	12,887	-9,854	-1,537	33,206

(4) Scope of Consolidation and Application of Equity Method

Number of consolidated companies: 28

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: 1
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, 2007 (April 1, 2006 to March 31, 2007)

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
Fiscal Year Ending March 31, 2007	260,000	10,000	6,000

Reference: Projected net income per share: ¥86.00

Notes: 1. Projected operating income: ¥9,500 million

2. All projected results assume an exchange rate in the second half of US$1=¥115 and €1 = ¥145

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 2005, Alpine formulated a new corporate vision to take the Company through to 2015. Under this corporate vision, and based on its corporate philosophy of respecting individuality, creating value and contributing to society, Alpine strives to be a mobile media solutions company that creates future value. 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, actively investing in R&D and facilities to strengthen competitiveness, and retaining earnings for future business expansion on a consolidated basis.

Alpine acknowledges enforcement of the new Corporation Law and removal of restrictions relating to the payment of dividends. At this stage, the Company does not anticipate a change in its dividend policy.

(3) Reduction of Investment Unit
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 40.68% 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, with the aim to be a mobile media solutions company that creates future value by 2015, 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, cultivate new business fields, 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. At the same time, the Company will promote measures to secure unprecedented quality through Group-wide product design structural reform, in an effort to address growing market demands for quality and increased 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.

4) Amid an operating environment characterized by diverse corporate activity risk, and demands for greater focus on risk management and compliance, Alpine is working to establish an organized structure headed by its CSR Committee and taking steps to bolster risk and information management.

3. BUSINESS RESULTS AND FINANCIAL POSITION

Business Results

In the global economy during the first half of the fiscal year ending March 31, 2007, the United States economy experienced steady overall conditions. Despite concerns surrounding the impact of persistently high crude oil prices, the general economy was supported by firm personal consumption. In Europe, economic conditions continued a recovery path buoyed primarily by export-centered companies, while China enjoyed ongoing high rates of growth fueled by expansion in the automobile industry and its role as a prominent export base. On the domestic front, the Japanese economy was supported by the underlying strength of its personal consumption. This was attributed to continued high levels of capital investment and improvement in employment conditions.

Buffeted by the high level of gasoline prices, sales of large sports utility vehicles (SUVs) declined substantially. Despite these difficult conditions, the automobile industry benefited from strong demand for fuel-efficient small and medium new cars. In the mobile media industry, the growing trend toward the installation of integrated car navigation, audio, visual and information equipment as a standard feature in new cars contributed to business with automobile manufacturers. While this trend created a slump in the after-market, scales for portable navigation equipment in Europe and the United States expanded rapidly. Furthermore, in the car electronics industry, sales of products compatible with new media such as iPod, satellite, terrestrial digital and “one-seg” broadcasting were firm.

Against this backdrop, Alpine continued its proactive approach toward research and development of new products, while at the same time implementing ongoing measures to reform its earnings and cost structures.

Accounting for the aforementioned factors, consolidated net sales for the six-month period ended September 30, 2006 were ¥126.0 billion, an increase of 2.6% compared with the corresponding period of the previous fiscal year. On the earnings front, operating income declined 20.1% year on year to ¥4.5 billion. Ordinary income fell 5.6% to ¥5.5 billion, while net income decreased 8.1% to ¥3.2 billion.

On a non-consolidated basis, net sales for the period under review amounted to ¥97.1 billion, up 2.8% compared with the corresponding period of the previous fiscal year. Operating income dropped 60.1% year on year to ¥0.8 billion reflecting the increase in research and development expenditure. Ordinary income declined 15.3% to ¥3.3 billion and net income fell 18.7% to ¥2.2 billion.

Segment information by type of business is summarized as follows.

Audio Products

In the Audio Products segment, Alpine’s iPod-compatible CD players received considerable acclaim due to their quality sound and operability in the after-market. As a result, sales were robust throughout the period.

In addition, sales of digital sound speakers and amplifiers were firm reflecting the growing trend toward digital audio equipment. Impacted by a slump in the overall market, however, sales in the after-market declined year on year.

In the market for audio systems for automobile manufacturers, sales to Japanese manufacturers overseas remained strong. In Europe, however, sales declined, as the market experienced a model changeover in CD players.

Accounting for these factors, consolidated sales in the Audio Products segment edged down 1.8% compared with the corresponding period of the previous fiscal year to ¥62.9 billion.

Information and Communication Equipment

In the Information and Communication Equipment segment, sales expanded in the after-market in Japan for rear-seat entertainment systems as demand for high-quality, large screen terrestrial digital broadcasts and DVD viewing grew.

Overseas, the Company released its portable navigation Blackbird system, which together with other new products as well as AV systems contributed to strong sales in North America.

Impacted by the high level of gasoline prices, sales of large-size automobiles declined. This contributed to a drop in car navigation systems and integrated information and communication equipment in this area. Despite difficult conditions, sales remained robust for equipment installed in fuel-efficient compact vehicles.

As a results, consolidated sales in the Information and Communication Equipment segment climbed 7.4% year on year to ¥63.1 billion.

Financial Position

(a) Assets, Liabilities and Net Assets

Total assets stood at ¥174.4 billion as of September 30, 2006, an increase of ¥4.8 billion as of the end of the previous fiscal year. Net assets totaled ¥116.1 billion, up ¥3.7 billion from total minority interests and stockholders' equity as of March 31, 2006. As a result, the stockholders' equity ratio was 66.6%. Current assets rose ¥2.2 billion, which included a ¥4.0 billion increase in inventories. Fixed assets climbed ¥2.6 billion and comprised a ¥1.2 billion increase in intangible fixed assets and a ¥0.8 billion increase in investment in securities.

Current liabilities rose ¥0.6 billion compared with March 31, 2006. The principal component was income taxes payable, which climbed ¥0.8 billion. Long-term liabilities also rose ¥0.4 billion mainly reflecting the increase in deferred tax liabilities.

(b) Cash Flows

As of September 30, 2006, cash and cash equivalents stood at ¥33.9 billion, an increase of ¥0.7 billion, or 2.4%, compared with the end of the previous fiscal year.

Net cash provided by operating activities totaled ¥7.3 billion, up ¥7.1 billion compared with the corresponding period of the previous fiscal year. Major cash inflows were income before income taxes and other adjustments of ¥5.2 billion, depreciation and amortization of ¥4.6 billion and decrease in notes and accounts receivables of ¥4.3 billion. Principal cash outflows comprised decrease in notes and accounts payable of ¥2.4 billion, increase in inventories of ¥3.2 billion and income and other taxes of ¥0.8 billion.

Net cash used in investing activities amounted to ¥6.4 billion, an increase of ¥1.3 billion, or 27.4%, year on year. This was mainly attributed to payments for the purchase of tangible fixed assets of ¥3.9 billion and payments for the purchase of intangible fixed assets of ¥2.2 billion.

Net cash used in financing activities was ¥0.6 billion, essentially unchanged from the six-month period ended September 30, 2005. The principal cash outflow was cash dividends paid totaling ¥0.6 billion.

As a result of these activities, free cash flows were ¥0.8 billion, a turnaround of ¥5.7 billion. Free cash flows are 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, 2005	Six-month period ended September 30, 2006	Fiscal year ended March 31, 2006
Stockholders’ equity ratio (%)	61.3	65.7	65.3
Stockholders’ equity ratio (%) (market capitalization basis)	73.8	66.2	71.6
Years to repay liabilities (years)	19.4	0.0	0.0
Interest coverage ratio (times)	2.1	145.1	95.5

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 mixed. Conditions in the United States, which have generally impacted the global economy, are expected to remain positive due to continued expansion in private-sector capital expenditure and rising stock prices. This upward trend will however be offset by concerns surrounding structural reforms undertaken by the automobile manufacturing industry, uncertainties in connection with boom conditions in the residential sector and the impact on personal consumption.

On the domestic front, the Japanese economy is expected to benefit from overall robust conditions in the digital home electronic appliance, materials and automobile industries. This upward trend will be tempered by continued intense global price competition, increased research and development expenditure as companies strive to launch new products and fierce competition among market participants.

In an effort to address the aforementioned operating environment, Alpine will expand sales in the domestic after-market by introducing a series of new products. In the second half of the fiscal year under review, the Company will further differentiate itself from competitors with the launch of Mobile Media Station X07, a car navigation system offering innovative functions. Overseas, which continues to enjoy dramatic growth in the after-market for portable navigation systems, Alpine will implement a series of sales expansion initiatives targeting the Christmas rush in North America, and release new products in Europe and China.

In the Information and Communication Equipment segment, which is forecast to experience continued market expansion, Alpine will step up research and development expenditure, while promoting greater efficiencies in its investment activities.

Alpine is currently projecting the following figures for the fiscal year ending March 31, 2007, assuming a conversion rate of ¥115 to the U.S. dollar and ¥145 to the euro.

1. Consolidated earnings estimates

Net sales	¥260.0 billion	+2.4% year on year
Audio Products	¥127.0 billion	-1.6% year on year
Information and Communication Equipment	¥133.0 billion	+6.5% year on year
Operating income	¥9.5 billion	-1.8% year on year
Ordinary income	¥10.0 billion	-3.4% year on year
Net income	¥6.0 billion	-2.8% year on year

2. Non-consolidated earnings estimates

Net sales	¥196.0 billion	+3.6% year on year
Operating income	¥4.0 billion	+78.2% year on year
Ordinary income	¥6.0 billion	+45.6% year on year
Net income	¥3.8 billion	+32.3% year on year

Note: The aforementioned forecasts are based on information available to management as of the date of this report. Readers are advised that these forecasts include a variety of risks and uncertainties.

Consolidated Balance Sheets

(Millions of yen, %)

	Sept. 30, 2005		% of Total	Sept. 30, 2006		% of Total	Mar. 31, 2006		% of Total	Increase / (Decrease)
ASSETS										
Ⅰ **Current Assets:**										
1 Cash and time deposits		25,369			34,222			33,410		811
2 Notes and accounts receivable		38,679			36,682			39,957		(3,274)
3 Finished goods		25,840			23,632			21,141		2,491
4 Raw materials		6,150			6,830			5,617		1,213
5 Goods in process		2,082			1,614			1,399		215
6 Inventories		317			506			391		114
7 Deferred tax assets		3,401			3,528			3,057		470
8 Other current assets		6,723			6,163			5,779		383
Allowance for doubtful receivables		(771)			(979)			(845)		(133)
Total current assets		107,795	66.1		112,203	64.3		109,910	64.8	2,292
Ⅱ **Fixed Assets:**										
1 **Tangible Fixed Assets:**										
(1) Buildings and structures	21,016			21,077			20,746			
Less: accumulated depreciation	(11,843)	9,173		(12,093)	8,984		(11,598)	9,147		(163)
(2) Machinery and equipment	13,803			16,205			15,027			
Less: accumulated depreciation	(7,061)	6,741		(8,586)	7,619		(7,650)	7,377		242
(3) Fixtures and fittings	40,848			43,901			42,548			
Less: accumulated depreciation	(35,145)	5,703		(37,656)	6,244		(36,482)	6,066		178
(4) Land		4,852			4,957			4,939		17
(5) Construction in progress		45			302			115		187
Total tangible fixed assets		26,514	16.3		28,108	16.1		27,647	16.3	461
2 **Intangible Fixed Assets**		5,276	3.2		6,751	3.9		5,502	3.3	1,249
3 **Investment and Other Assets:**										
(1) Investment in securities		15,205			17,848			17,034		813
(2) Deferred tax assets		179			196			182		14
(3) Other investments		8,316			9,395			9,332		63
Allowance for doubtful receivables		(143)			(55)			(55)		0
Total investment and other assets		23,558	14.4		27,385	15.7		26,493	15.6	892
Total fixed assets		55,349	33.9		62,246	35.7		59,642	35.2	2,603
Total Assets		163,144	100.0		174,449	100.0		169,553	100.0	4,896

	Sept. 30, 2005	% of Total	Sept. 30, 2006	% of Total	Mar. 31, 2006	% of Total	Increase / (Decrease)
LIABILITIES							
Ⅰ **Current Liabilities:**							
1 Notes and accounts payable	30,781		28,036		29,226		(1,190)
2 Bank loans	420		375		270		105
3 Income taxes payable	1,645		2,168		1,290		878
4 Accrued expenses	9,161		9,564		9,357		206
5 Deferred tax liabilities	134		111		174		(62)
6 Allowance for employee bonuses	1,779		1,930		1,757		172
7 Allowance for directors' bonuses	—		31		—		31
8 Provision for product warranties	3,927		5,168		4,645		522
9 Provision for facility use cancellation	—		—		43		(43)
10 Other current liabilities	4,237		5,438		5,406		31
Total current liabilities	52,087	31.9	52,824	30.3	52,172	30.8	652
Ⅱ **Long-Term Liabilities:**							
1 Convertible bonds	5,369		—		—		—
2 Deferred tax liabilities	2,015		3,242		2,700		542
3 Allowance for employees' severance and retirement benefits	652		603		588		14
4 Directors' severance and retirement benefits	581		660		614		45
5 Other long-term liabilities	1,007		950		1,100		(150)
Total long-term liabilities	9,625	5.9	5,457	3.1	5,003	2.9	453
Total liabilities	61,713	37.8	58,282	33.4	57,176	33.7	1,105
MINORITY INTERESTS							
Minority Interests	1,401	0.9	—	—	1,594	1.0	—
STOCKHOLDERS' EQUITY							
Ⅰ Capital stock	23,243	14.3	—	—	25,920	15.3	—
Ⅱ Additional paid-in capital	22,228	13.6	—	—	24,905	14.7	—
Ⅲ Retained earnings	50,231	30.8	—	—	52,213	30.8	—
Ⅳ Land revaluation adjustment	(1,394)	(0.9)	—	—	(1,394)	(0.9)	—
Ⅴ Valuation adjustment, other marketable securities	6,071	3.7	—	—	7,124	4.2	—
Ⅵ Foreign currency translation adjustment	(329)	(0.2)	—	—	2,039	1.2	—
Ⅶ Treasury stock	(21)	(0.0)	—	—	(27)	(0.0)	—
Total stockholders' equity	100,029	61.3	—	—	110,782	65.3	—
Total Liabilities, Minority Interests and Stockholders' Equity	163,144	100.0	—	—	169,553	100.0	—

	Sept. 30, 2005	% of Total	Sept. 30, 2006	% of Total	Mar. 31, 2006	% of Total	Increase / (Decrease)
NET ASSETS							
Ⅰ **Stockholders' Capital**							
1 Capital stock	—	—	25,920	14.8	—	—	—
2 Capital surplus	—	—	24,905	14.3	—	—	—
3 Retained earnings	—	—	55,055	31.6	—	—	—
4 Treasury stock	—	—	(27)	(0.0)	—	—	—
Total stockholders' capital	—	—	105,854	60.7	—	—	—
Ⅱ **Valuation and Conversions**							
1 Valuation adjustment, other marketable securities	—	—	7,500	4.3	—	—	—
2 Land revaluation adjustment	—	—	(1,394)	(0.8)	—	—	—
3 Foreign currency translation adjustment	—	—	2,576	1.5	—	—	—
Total valuation and conversions	—	—	8,682	5.0	—	—	—
Ⅲ **Minority Interests**	—	—	1,630	0.9	—	—	—
Total net assets	—	—	116,167	66.6	—	—	—
Total Liabilities and Net Assets	—	—	174,449	100.0	—	—	—

Consolidated Statements of Income

(Millions of yen, %)

	Apr. 1, 2005 to Sept. 30, 2005		% of Total	Apr. 1, 2006 to Sept. 30, 2006		% of Total	Increase / (Decrease)	Apr. 1, 2005 to Mar. 31, 2006		% of Total
Ⅰ **Net Sales**		122,835	100.0		126,022	100.0	3,187		253,983	100.0
Ⅱ **Cost of Sales**		97,286	79.2		100,727	79.9	3,441		203,174	80.0
Gross Profit		25,548	20.8		25,294	20.1	(253)		50,808	20.0
Ⅲ **Selling, General and Administrative Expenses**		19,844	16.2		20,735	16.5	891		41,137	16.2
Operating Income		5,704	4.6		4,558	3.6	(1,145)		9,671	3.8
Ⅳ **Other Income:**										
1 Interest income	33			128				119		
2 Dividend income	103			249				197		
3 Foreign exchange gain	217			460				322		
4 Equity in earnings of affiliated companies	56			251				459		
5 Other—net	343	755	0.7	226	1,315	1.1	560	602	1,701	0.7
Ⅴ **Other Expenses:**										
1 Interest expense	68			50				130		
2 Sales discounts	234			211				424		
3 Loss on adjustment of customer molds	103			35				122		
4 Other	213	619	0.5	65	363	0.3	(256)	339	1,016	0.4
Ordinary income		5,839	4.8		5,511	4.4	(328)		10,355	4.1
Ⅵ **Extraordinary Income:**										
1 Gain on sales of fixed assets	—			5				—		
2 Gain on sales of investment in securities	45			—				45		
3 Disaster insurance payment received	106			—				108		
4 Gain on return of pension assets previously managed on behalf of the government	9			—				9		
5 Other	12	174	0.1	—	5	0.0	(168)	314	479	0.2
Ⅶ **Extraordinary Losses:**										
1 Loss on sale and disposal of fixed assets	55			61				315		
2 Loss on devaluation of investment in securities	158			119				158		
3 Loss on liquidation of affiliated companies	72			—				85		
4 Previous period's royalty payments	—			117				—		
5 Other	—	286	0.2	15	312	0.3	26	123	683	0.3

	Apr. 1, 2005 to Sept. 30, 2005		% of Total	Apr. 1, 2006 to Sept. 30, 2006		% of Total	Increase / (Decrease)	Apr. 1, 2005 to Mar. 31, 2006		% of Total
Income before Income Taxes		5,727	4.7		5,204	4.1	(522)		10,151	4.0
Income taxes	1,812			2,270				3,880		
Income tax refund	230			167				236		
Income tax adjustments	493	2,076	1.7	(212)	1,889	1.5	(186)	62	3,705	1.5
Minority Interests in Net Income of Consolidated Subsidiaries		124	0.1		74	0.0	(49)		270	0.1
Net Income		3,526	2.9		3,239	2.6	(286)		6,175	2.4

Consolidated Statements of Changes in Stockholders' Capital

(Millions of yen)

	Stockholders' Capital				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Stockholders' Capital
Balance as of March 31, 2006	25,920	24,905	52,213	(27)	103,012
Increase (decrease) during the six months ended September 30, 2006					
Cash dividends (Note)			(697)		(697)
Directors' bonuses (Note)			(60)		(60)
Net income			3,239		3,239
Increase attributed to the increase in consolidated subsidiaries			227		227
Increase attributed to the merger of consolidated and non-consolidated subsidiaries			134		134
Acquisition of treasury stock				(0)	(0)
Retirement of treasury stock		0		0	0
Other			(1)		(1)
Net changes in items excluding stockholders' capital during the period					
Total increase (decrease) during the six months ended September 30, 2006	—	—	2,842	(0)	2,841
Balance as of September 30, 2006	25,920	24,905	55,055	(27)	105,854

	Valuation and Conversions				Minority Interests	Total Net Assets
	Valuation Adjustment, Other Marketable Securities	Land Revaluation Adjustment	Foreign Currency Translation Adjustment	Total Valuation and Conversions		
Balance as of March 31, 2006	7,124	(1,394)	2,039	7,769	1,594	112,376
Increase (decrease) during the six months ended September 30, 2006						
Cash dividends (Note)						(697)
Directors' bonuses (Note)						(60)
Net income						3,239
Increase attributed to the increase in consolidated subsidiaries						227
Increase attributed to the merger of consolidated and non-consolidated subsidiaries						134
Acquisition of treasury stock						(0)
Retirement of treasury stock						0
Other						(1)
Net changes in items excluding stockholders' capital during the period	375		537	912	36	948
Total increase during the six months ended September 30, 2006	375	—	537	912	36	3,790
Balance as of September 30, 2006	7,500	(1,394)	2,576	8,682	1,630	116,167

Note: Appropriation of retained earnings approved at the Annual General Meeting of Stockholders held in June 2006.

Consolidated Statements of Cash Flows

(Millions of yen)

	Apr. 1, 2005 to Sept. 30, 2005	Apr. 1, 2006 to Sept. 30, 2006	Apr. 1, 2005 to Mar. 31, 2006
Ⅰ **Cash Flows from Operating Activities**			
1 Income before income taxes and other adjustments	5,727	5,204	10,151
2 Depreciation and amortization	4,160	4,625	8,615
3 Decrease in allowance for employees' severance and retirement benefits	(1,630)	(2)	(1,699)
4 Increase in directors' severance and retirement benefits	19	24	52
5 Interest and dividend income	(137)	(377)	(316)
6 Interest expense	68	50	133
7 Equity in losses of affiliated companies	(56)	(251)	(459)
8 Loss on sales of tangible fixed assets	16	3	113
9 (Increase) decrease in notes and accounts receivable	(2,772)	4,306	(2,788)
10 (Increase) decrease in inventories	(2,990)	(3,272)	3,778
11 Decrease in note and accounts payable	(292)	(2,428)	(3,356)
12 Gain on sale of investment in securities	(103)	—	(397)
13 Increase in consumption tax payable	(287)	(49)	(148)
14 Increase in provision for product warranties	346	407	900
15 Other—net	1,757	(400)	3,857
Subtotal	3,823	7,840	18,435
16 Interest and dividends received	338	379	511
17 Interest paid	(70)	(50)	(135)
18 Income and other taxes	(3,942)	(837)	(5,925)
Net Cash Provided by Operating Activities	149	7,331	12,887
Ⅱ **Cash Flows from Investing Activities**			
1 Payments for the purchase of tangible fixed assets	(4,032)	(3,961)	(8,487)
2 Proceeds from the sale of tangible fixed assets	113	13	566
3 Payments for the purchase of intangible fixed assets	(1,264)	(2,253)	(2,418)
4 Proceeds from the sale of investment in securities	111	—	111
5 Increase in capital investments	—	—	(131)
6 Increase in loans receivable	(85)	(22)	(172)
7 Proceeds from the recovery of loans receivable	144	20	253
8 Other—net	(50)	(250)	422
Net Cash Used in Investing Activities	(5,063)	(6,452)	(9,854)
Ⅲ **Cash Flows from Financing Activities**			
1 Net increase (decrease) in bank loans	8	79	(189)
2 Repayment of long-term loans	(6)	(6)	(13)
3 Cash dividends paid	(613)	(697)	(1,270)
4 Cash dividends paid to minority stockholders	(30)	(80)	(40)
5 Proceeds from payments by minority stockholders	—	59	—
6 Other—net	(3)	(0)	(24)
Net Cash Used in Financing Activities	(645)	(646)	(1,537)
Ⅳ Effect of exchange rate changes on cash and cash equivalents	201	370	1,056
Ⅴ Net (decrease) increase in cash and cash equivalents	(5,357)	603	2,551
Ⅵ Cash and cash equivalents at the beginning of the period	30,476	33,206	30,476

	Apr. 1, 2005 to Sept. 30, 2005	Apr. 1, 2006 to Sept. 30, 2006	Apr. 1, 2005 to Mar. 31, 2006
Ⅶ Increase in cash and cash equivalents due to the inclusion of newly consolidated subsidiaries	179	162	179
Ⅷ Increase in cash and cash equivalents due to the merger of consolidated and non-consolidated subsidiaries	—	26	—
Ⅸ Cash and cash equivalents at the end of the period	25,297	33,999	33,206

Segment Information

1) Information by Business Segment

(April 1, 2005 to September 30, 2005)

(Millions of yen)

	Audio Products	Information and Communication Equipment	Total	Elimination and/or Corporate	Consolidated
Net Sales:					
Outside customers	64,073	58,761	122,835	—	122,835
Within consolidated group	338	771	1,110	(1,110)	—
Total	64,411	59,533	123,945	(1,110)	122,835
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, 2006 to September 30, 2006)

(Millions of yen)

	Audio Products	Information and Communication Equipment	Total	Elimination and/or Corporate	Consolidated
Net Sales:					
Outside customers	62,906	63,116	126,022	—	126,022
Within consolidated group	381	183	565	(565)	—
Total	63,287	63,299	126,587	(565)	126,022
Costs and Expenses	58,457	59,426	117,883	3,579	121,463
Operating Income	4,830	3,873	8,703	(4,144)	4,558

(April 1, 2005 to March 31, 2006)

(Millions of yen)

	Audio Products	Information and Communication Equipment	Total	Elimination and/or Corporate	Consolidated
Net Sales:					
Outside customers	129,075	124,907	253,983	—	253,983
Within consolidated group	667	1,464	2,131	(2,131)	—
Total	129,742	126,371	256,114	(2,131)	253,983
Costs and Expenses	119,999	118,638	238,638	5,673	244,311
Operating Income	9,742	7,732	17,475	(7,804)	9,671

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) ¥3,961 million in the period ended September 30, 2005
(2) ¥4,144 million in the period ended September 30, 2006
(3) ¥7,804 million in the fiscal year ended March 31, 2006

4. Changes in accounting policy: The Company adopted the Accounting Standard for Directors' Bonus (Accounting Standard Board of Japan Statement No. 4 issued on November 29, 2005) during the six-month period ended September 30, 2006. When compared with the previous accounting policy, operating expenses included in eliminations and/or corporate increased by ¥31 million, while operating income declined by the same amount.
5. Change in the classification of products according to business segment: In an effort to better reflect the nature of each business segment according to its products, the Company has reallocated DVD audio products from the Information and Communication Business segment to the Audio Products Business segment from the interim period ended September 30, 2006. Business segment information for the six-month period ended September 30, 2005 and the fiscal year ended March 31, 2006 restated in line with this revised product classification is as follows:

(April 1, 2005 to September 30, 2005)

(Millions of yen)

	Audio Products	Information and Communication Equipment	Total	Elimination and/or Corporate	Consolidated
Net Sales:					
Outside customers	64,073	58,761	122,835	—	122,835
Within consolidated group	338	771	1,110	(1,110)	—
Total	64,411	59,533	123,945	(1,110)	122,835
Costs and Expenses	59,142	55,138	114,280	2,850	117,131
Operating Income	5,269	4,395	9,665	(3,961)	5,704

(April 1, 2005 to March 31, 2006)

(Millions of yen)

	Audio Products	Information and Communication Equipment	Total	Elimination and/or Corporate	Consolidated
Net Sales:					
Outside customers	129,075	124,907	253,983	—	253,983
Within consolidated group	667	1,464	2,131	(2,131)	—
Total	129,742	126,371	256,114	(2,131)	253,983
Costs and Expenses	121,484	117,154	238,638	5,673	244,311
Operating Income	8,258	9,217	17,475	(7,804)	9,671

2) Geographic Area Information

(April 1, 2005 to September 30, 2005)

(Millions of yen)

	Japan	North America	Europe	Asia	Other Areas	Total	Elimination and/or Corporate	Consolidated
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)	—
Total	98,137	47,046	61,409	24,424	601	231,619	(108,784)	122,835
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, 2006 to September 30, 2006)

(Millions of yen)

	Japan	North America	Europe	Asia	Other Areas	Total	Elimination and/or Corporate	Consolidated
Net Sales:								
Outside customers	23,390	47,026	49,444	5,409	750	126,022	—	126,022
Within consolidated group	77,938	879	16,040	23,671	1	118,531	(118,531)	—
Total	101,329	47,906	65,485	29,081	751	244,554	(118,531)	126,022
Costs and Expenses	95,990	46,638	64,249	27,557	726	235,163	(113,700)	121,463
Operating Income	5,338	1,267	1,235	1,523	25	9,390	(4,831)	4,558

(April 1, 2005 to March 31, 2006)

(Millions of yen)

	Japan	North America	Europe	Asia	Other Areas	Total	Elimination and/or Corporate	Consolidated
Net Sales:								
Outside customers	48,627	97,655	99,456	7,044	1,198	253,983	—	253,983
Within consolidated group	147,877	1,769	25,427	42,704	2	217,780	(217,780)	—
Total	196,505	99,425	124,883	49,748	1,200	471,763	(217,780)	253,983
Costs and Expenses	185,854	96,775	122,758	48,411	1,212	455,012	(210,700)	244,311
Operating Income (Loss)	10,651	2,649	2,125	1,337	(11)	16,751	(7,080)	9,671

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) ¥3,961 million in the period ended September 30, 2005

2) ¥4,144 million in the period ended September 30, 2006
3) ¥7,804 million in the fiscal year ended March 31, 2006

4. Changes in accounting policy: The Company adopted the Accounting Standard for Directors' Bonus (Accounting Standard Board of Japan Statement No. 4 issued on November 29, 2005) during the six-month period ended September 30, 2006. When compared with the previous accounting policy, operating expenses included in Japan increased by ¥31 million, while operating income declined by the same amount.

Overseas Sales

(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, 2006 to September 30, 2006)

(Millions of yen)

	North America	Europe	Other Areas	Total
Overseas Sales	46,568	49,474	12,061	108,104
Consolidated Sales				126,022
Ratio of Overseas Sales (%)	37.0	39.3	9.6	85.8

(April 1, 2005 to March 31, 2006)

(Millions of yen)

	North America	Europe	Other Areas	Total
Overseas Sales	96,230	99,649	19,401	215,281
Consolidated Sales				253,983
Ratio of Overseas Sales (%)	37.9	39.2	7.6	84.8

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.