Translation

July 27, 2016

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2017 <under Japanese GAAP>

Company name: **Alpine Electronics, Inc.**
Listing: First Section of the Tokyo Stock Exchange
Code number: 6816
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Scheduled date to file Quarterly Securities Report: August 5, 2016
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly earnings: Yes
Holding of quarterly earnings performance review: None

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first three months of the fiscal year ending March 31, 2017 (from April 1, 2016 to June 30, 2016)

(1) Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
First three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2016	62,483	(14.9)	382	(79.8)	(777)	–	(2,061)	–
June 30, 2015	73,440	5.5	1,892	(6.0)	2,640	35.9	1,128	36.0

(Note) Comprehensive income
For the first three months ended June 30, 2016: ¥(11,527) million [–%]
For the first three months ended June 30, 2015: ¥3,061 million [–%]

	Basic earnings per share	Diluted earnings per share
First three months ended	Yen	Yen
June 30, 2016	(29.91)	–
June 30, 2015	16.34	16.34

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2016	189,933	131,193	68.2	1,878.70
March 31, 2016	205,182	143,805	69.2	2,059.72

(Reference) Equity
As of June 30, 2016: ¥129,512 million
As of March 31, 2016: ¥141,983 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	–	15.00	–	15.00	30.00
Fiscal year ending March 31, 2017	–				
Fiscal year ending March 31, 2017 (Forecast)		15.00	–	15.00	30.00

(Note) Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months ending September 30, 2016	125,000	(10.6)	600	(83.1)	(600)	–	(2,000)	–	(29.01)
Fiscal year ending March 31, 2017	255,600	(6.4)	3,900	(28.2)	2,700	(56.2)	(900)	–	(13.06)

(Note) Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of a specific accounting procedure for preparing consolidated quarterly financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards: None
b. Changes in accounting policies due to other reasons: Yes
c. Changes in accounting estimates: None
d. Restatement of prior period financial statements after error corrections: None

(Note) For details, please refer to "(3) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections (Changes in accounting policies)" under "2. Matters Regarding Summary Information (Notes)" on page 3 of the accompanying materials.

(4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2016	69,784,501 shares
As of March 31, 2016	69,784,501 shares

b. Number of shares of treasury shares at the end of the period

As of June 30, 2016	847,008 shares
As of March 31, 2016	850,808 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the first three months ended June 30, 2016	68,934,959 shares
For the first three months ended June 30, 2015	69,057,399 shares

*** Indication regarding execution of quarterly review procedures**

This quarterly earnings report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly earnings report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

*** Proper use of earnings forecasts and other special matters**

The earnings forecasts are based on information currently available to the Company at the time of the release of these materials. Actual business results may differ from the forecasts due to various factors. For information regarding the assumptions on which earnings forecasts are based and points to note when using the earnings forecasts, please refer to "(3) Information regarding consolidated earnings forecasts and other forward-looking statements" under "1. Qualitative Information Regarding Settlement of Accounts for the First Three Months" on page 2 of the accompanying materials.

(Method of accessing supplementary material on quarterly earnings)
Supplementary material on quarterly earnings will be available on the Company's website, on Wednesday, July 27, 2016.

1. Qualitative Information Regarding Settlement of Accounts for the First Three Months

(1) Information regarding operating results

In the global economy during the first three months ended June 30, 2016, US domestic demand was firm, and in Europe, economic activity continued to recover in spite of its patchy appearance from country to country. However, concerns intensified about a possible economic downturn in emerging countries, such as China, as well as resource producing countries, due to slowing of growth in those countries. In the Japanese economy, there were signs of a moderate recovery; however, a mood of uncertainty surrounded the future outlook due to the sharp yen appreciation caused by concerns about a slowdown in overseas economies and the issues regarding the U.K.'s leaving from the EU.

In the car electronics industry, collaboration between the in-car IT field which centers on infotainment systems, and new fields such as the use of electronics in cars, vehicle automation, artificial intelligence (AI), etc. is expanding.

Under these circumstances, the Alpine Group (the "Group") regards this fiscal year as a year to implement reforms in order to build the foundation for the growth described in VISION2020, its corporate vision targeting the 2020 fiscal year. To this end, it is working to enhance its corporate standing through means such as organizational reform of the R&D division, improving efficiency of R&D investment, and promoting to lower cost prices.

Furthermore, on the growth front, Alpine Electronics, Inc. (the "Company") exhibited at motor shows in China, which is the world's largest automobile market where it presented its solutions tailored to specific vehicle models, revolving around navigation systems and premium sound systems. In addition, the Company will aim at expansion of sales by rolling out high value added new models, in the domestic and overseas aftermarket. Furthermore, the Company has focused on activities to receive new orders through proposals of technologies, such as the safe driving support system that utilizes a rear camera and was co-developed with domestic car manufacturers. Although the Company implemented measures based on these growth strategies, the effect of currency fluctuations was great, which led to a year on year decrease in sales and profit.

As a result, during the first three months ended June 30, 2016, consolidated net sales decreased 14.9% compared with the corresponding period of the previous fiscal year, to ¥62.4 billion. Operating income decreased 79.8% to ¥0.3 billion, ordinary loss amounted to ¥0.7 billion and loss attributable to owners of parent amounted to ¥2.0 billion.

Segment information is summarized below. Sales figures indicate sales to outside customers.

< Audio Products segment >

In the Audio Products segment, although there was a trend toward a decline in sales to the aftermarket as well as to the OEM market as a result of audio functions being combined with information and communication equipment such as navigation systems and display products, the Company focused on sales expansion by conducting promotion activities for sound systems to the aftermarket, etc. Furthermore, in the OEM market, the Company focused on increasing orders for slim-line and lightweight speakers aid in vehicle's fuel consumption and environmental footprint, in addition to speakers and amplifiers that offer realistically reproduced high-quality audio tailored to luxury vehicle models with exceptionally quiet cabins. However, a harsh business environment in aftermarket as well as to the OEM market continued for the segment overall.

Accordingly, segment sales decreased 18.8% compared with the corresponding period of the previous fiscal year, to ¥11.4 billion.

< Information and Communication Products segment >

In the Information and Communication Products segment, the Company worked to create differentiation by launching the Big X series of new 11-inch large-screen navigation systems in the domestic aftermarket, in which competition has intensified for large-screen navigation systems for minivans, as well as proposing to customers, total systems including rear monitors and front cameras, etc. Furthermore, the Company commenced sales of new products that is compatible with Apple's CarPlay and 9-inch screen in-dash systems in the U.S. aftermarket. However, the market environment was harsh both in Japan and overseas, which led to a decline in sales. In the OEM market, sales were robust for display products aimed at European automakers, which experienced favourable sales of new cars. However, sales decreased due to the continuation of the effects of model changeovers for some models produced by Japanese automakers from the latter half of the previous fiscal year.

Accordingly, segment sales decreased 14.0% compared with the corresponding period of the previous fiscal year, to ¥51.0 billion.

(2) Information regarding financial position

Total assets stood at ¥189.9 billion as of June 30, 2016, a decrease of ¥15.2 billion compared with the end of the previous fiscal year (March 31, 2016) due mainly to a ¥2.5 billion decrease in cash and deposits, a ¥3.3 billion decrease in notes and accounts receivable - trade, a ¥1.4 billion decrease in inventories, a ¥2.7 billion decrease in other current assets, a ¥1.9 billion decrease in property, plant and equipment, a ¥1.6 billion decrease in investment securities, and a ¥2.1 billion decrease in investments in capital.

Total liabilities decreased ¥2.6 billion compared with the end of the previous fiscal year to ¥58.7 billion due mainly to a ¥0.3 billion decrease in notes and accounts payable - trade, a ¥0.8 billion decrease in provision for bonuses, a ¥0.5 billion decrease in provision for product warranties, a ¥0.8 billion decrease in other current liabilities, and a ¥0.5 billion decrease in deferred tax liabilities (long-term).

Net assets decreased ¥12.6 billion compared with the end of the previous fiscal year to ¥131.1 billion due mainly to a ¥3.0 billion decrease in retained earnings, a ¥2.6 billion decrease in valuation difference on available-for-sale securities, a ¥6.8 billion decrease in foreign currency translation adjustment.

Consequently, equity ratio decreased 1.0 percentage points from March 31, 2016, to 68.2%.

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

For consolidated earnings forecasts, please refer to the news release “Notice of Revisions to Earnings Forecasts for First Six Months and Full Year of Fiscal Year Ending March 31, 2017” announced today (July 27, 2016).

The exchange rates assumed for the second quarter ending September 30, 2016, are US$1 = ¥105 and €1 = ¥115.

< Consolidated full-year earnings forecasts for the fiscal year ending March 31, 2017 >

Net sales	¥255.6 billion	(down 6.4% year on year)
Operating income	¥3.9 billion	(down 28.2% year on year)
Ordinary income	¥2.7 billion	(down 56.2% year on year)
Profit attributable to owners of parent	¥(0.9) billion	(–)

2. Matters Regarding Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

No items to report

(2) Application of a specific accounting procedure for preparing consolidated quarterly financial statements

No items to report

(3) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections

(Changes in accounting policies)

(Recognition of internal production costs for embedded software as assets)

The Company and its consolidated subsidiaries previously recognized software production costs for embedded software as expenses as incurred; however, this has changed from the first quarter ended June 30, 2016, and said production costs are now recognized as intangible assets.

With regard to the Group's audio and in-car IT products, there has been an enlargement of systems and increases in embedded software due to factors such as the acceleration of use of electronics in cars accompanying the enhanced functionalization in cars and the fusion of functions between in-car equipment and smartphones, while the demands of automakers have shifted from the development of individual products for each region to the development of globally uniform products. The Company recognizes the importance to not only continue to enhance its product development capabilities, which it has carried out up until now in order to apply and develop its own unique technology, but also the recent needs to respond swiftly to enlargement of systems and increases in embedded software while utilizing externally commissioned development and joining in alliances with other companies. The Company expects such trends to continue to strengthen.

Against this backdrop structural changes were made, mainly to the Company's development division, as of January 1, 2016, and the software development process was made more transparent. In addition, in February 2016, a review of the operation of the system to track the man-hours utilized in the development process was begun. As a result, since April 2016, it has been possible to precisely track the internal production costs of embedded software. Because of this, although the entire software production costs for embedded software previously recognized as expenses as incurred, the accounting treatment has now changed to a method of recognizing the cost of production activities relating to improvements and enhancements of the functions of product masters or purchased software as intangible assets, and recognizing expenses in accordance with sales thereof.

As a result of this change, compared with the figures based on the previous method, operating income increased by ¥399 million and ordinary loss and loss before income taxes each decreased by ¥399 million for the first three months ended June 30, 2016. Furthermore, because of the extreme difficulty in applying this change in accounting policy retroactively to previous fiscal years, it has not been retroactively applied to the previous fiscal year and prior years.

(4) Additional information

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the first quarter ended June 30, 2016, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	49,282	46,749
Notes and accounts receivable - trade	36,742	33,364
Merchandise and finished goods	20,885	20,101
Work in process	1,003	789
Raw materials and supplies	8,236	7,781
Deferred tax assets	1,168	1,035
Other	13,323	10,530
Allowance for doubtful accounts	(260)	(238)
Total current assets	130,382	120,115
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,863	25,820
Accumulated depreciation	(18,106)	(17,703)
Buildings and structures, net	8,756	8,116
Machinery, equipment and vehicles	24,109	22,491
Accumulated depreciation	(17,833)	(16,711)
Machinery, equipment and vehicles, net	6,275	5,779
Tools, furniture, fixtures and dies	52,954	51,511
Accumulated depreciation	(46,793)	(46,010)
Tools, furniture, fixtures and dies, net	6,160	5,501
Land	4,946	4,866
Leased assets	189	173
Accumulated depreciation	(71)	(66)
Leased assets, net	117	107
Construction in progress	1,150	1,102
Total property, plant and equipment	27,408	25,474
Intangible assets	2,668	3,503
Investments and other assets		
Investment securities	25,343	23,723
Investments in capital	16,246	14,090
Net defined benefit asset	14	–
Deferred tax assets	702	651
Other	2,423	2,380
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	44,724	40,839
Total non-current assets	74,800	69,817
Total assets	205,182	189,933

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,088	26,729
Accrued expenses	8,553	9,266
Income taxes payable	893	1,063
Provision for bonuses	2,027	1,130
Provision for directors' bonuses	42	7
Provision for product warranties	5,617	5,073
Other	6,737	5,867
Total current liabilities	50,961	49,137
Non-current liabilities		
Deferred tax liabilities	4,697	4,163
Net defined benefit liability	3,590	3,498
Provision for directors' retirement benefits	55	44
Other	2,073	1,896
Total non-current liabilities	10,416	9,602
Total liabilities	61,377	58,740
Net assets		
Shareholders' equity		
Capital stock	25,920	25,920
Capital surplus	24,905	24,903
Retained earnings	82,115	79,019
Treasury shares	(1,407)	(1,401)
Total shareholders' equity	131,534	128,442
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,653	5,034
Deferred gains or losses on hedges	(5)	23
Revaluation reserve for land	(1,310)	(1,310)
Foreign currency translation adjustment	5,914	(897)
Remeasurements of defined benefit plans	(1,803)	(1,778)
Total accumulated other comprehensive income	10,449	1,070
Subscription rights to shares	54	48
Non-controlling interests	1,766	1,631
Total net assets	143,805	131,193
Total liabilities and net assets	205,182	189,933

(2) Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	First three months ended June 30, 2015	First three months ended June 30, 2016
Net sales	73,440	62,483
Cost of sales	61,786	52,735
Gross profit	11,654	9,747
Selling, general and administrative expenses	9,761	9,365
Operating income	1,892	382
Non-operating income		
Interest income	59	54
Dividend income	126	102
Foreign exchange gains	447	–
Share of profit of entities accounted for using equity method	69	556
Other	143	54
Total non-operating income	846	768
Non-operating expenses		
Interest expenses	3	2
Foreign exchange losses	–	1,778
Sales discounts	43	31
Commission fee	16	16
Overseas withholding tax	–	74
Other	35	23
Total non-operating expenses	98	1,927
Ordinary income (loss)	2,640	(777)
Extraordinary income		
Gain on sales of non-current assets	9	5
Other	5	–
Total extraordinary income	14	5
Extraordinary losses		
Loss on sales and retirement of non-current assets	3	10
Total extraordinary losses	3	10
Profit (loss) before income taxes	2,650	(782)
Income taxes - current	1,050	1,072
Income taxes - deferred	401	140
Total income taxes	1,451	1,213
Profit (loss)	1,199	(1,995)
Profit attributable to		
Profit (loss) attributable to owners of parent	1,128	(2,061)
Profit attributable to non-controlling interests	70	66

(Millions of yen)

	First three months ended June 30, 2015	First three months ended June 30, 2016
Other comprehensive income		
Valuation difference on available-for-sale securities	166	(1,397)
Deferred gains or losses on hedges	15	28
Foreign currency translation adjustment	1,604	(6,078)
Remeasurements of defined benefit plans, net of tax	86	24
Share of other comprehensive income of entities accounted for using equity method	(11)	(2,109)
Total other comprehensive income	1,862	(9,532)
Comprehensive income	3,061	(11,527)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,985	(11,440)
Comprehensive income attributable to non-controlling interests	76	(86)

(3) Notes to consolidated quarterly financial statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

No items to report

(Segment information)

Segment information

1) First three months ended June 30, 2015

Information concerning sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment			Adjustment (Note)	Amount on consolidated quarterly financial statements
	Audio Products segment	Information and Communication Products segment	Total		
Sales					
Sales to outside customers	14,121	59,319	73,440	–	73,440
Internal sales or transfer among segments	196	47	244	(244)	–
Total	14,318	59,366	73,685	(244)	73,440
Segment profit (operating income)	800	2,337	3,137	(1,245)	1,892

Note: The adjustment of negative ¥1,245 million to segment profit represents corporate expenses not allocated to reportable segments. The corporate expenses are principally costs related to the administration division and part of the development division that are not attributable to the segments.

2) First three months ended June 30, 2016

Information concerning sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment			Adjustment (Note 1)	Amount on consolidated quarterly financial statements
	Audio Products segment	Information and Communication Products segment	Total		
Sales					
Sales to outside customers	11,459	51,023	62,483	–	62,483
Internal sales or transfer among segments	200	39	239	(239)	–
Total	11,660	51,062	62,723	(239)	62,483
Segment profit (operating income) (Note 2)	173	1,506	1,680	(1,297)	382

Notes: 1. The adjustment of negative ¥1,297 million to segment profit represents corporate expenses not allocated to reportable segments. The corporate expenses are principally costs related to the administration division and part of the development division that are not attributable to the segments.

2. As described in "Changes in accounting policies", the Company and its consolidated subsidiaries previously recognized software production costs for embedded software as expenses as incurred; however, this has changed from the first quarter ended June 30, 2016, and said production costs are now recognized as intangible assets.

As a result of this change, compared with the figures based on the previous method, segment profit (operating income) for the first three months ended June 30, 2016 increased; the Audio Products segment profit increased by ¥54 million and the Information and Communication Products segment profit increased by ¥344 million.