Translation

October 28, 2016

Consolidated Financial Results
for the First Six 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
URL:	http://www.alpine.com/e/investor/
Representative:	Nobuhiko Komeya, President
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Scheduled date to file Quarterly Securities Report:	November 10, 2016
Scheduled date to commence dividend payments:	November 30, 2016
Preparation of supplementary material on quarterly earnings:	Yes
Holding of quarterly earnings performance review:	Yes (for analysts and institutional investors)

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

1. Consolidated performance for the first six months of the fiscal year ending March 31, 2017 (from April 1, 2016 to September 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 six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2016	120,870	(13.5)	1,292	(63.6)	(113)	–	(2,106)	–
September 30, 2015	139,757	(1.3)	3,550	(21.6)	3,845	(33.2)	11,405	171.1

(Note) Comprehensive income
For the first six months ended September 30, 2016: ¥(14,372) million [–%]
For the first six months ended September 30, 2015: ¥9,553 million [40.2%]

	Basic earnings per share	Diluted earnings per share
First six months ended	Yen	Yen
September 30, 2016	(30.56)	–
September 30, 2015	165.30	165.24

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2016	182,079	128,299	69.6	1,837.36
March 31, 2016	205,182	143,805	69.2	2,059.72

(Reference) Equity
As of September 30, 2016: ¥126,662 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	–	15.00			
Fiscal year ending March 31, 2017 (Forecast)			–	–	–

(Note) Revisions to the forecasts of cash dividends most recently announced: Yes

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
Fiscal year ending March 31, 2017	236,500	(13.4)	2,300	(57.7)	800	(87.0)	(2,500)	–	(36.27)

(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

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

As of September 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 September 30, 2016	847,088 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 six months ended September 30, 2016	68,936,203 shares
For the first six months ended September 30, 2015	68,995,149 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 Six 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 Monday, October 31, 2016, when the quarterly earnings performance review will be held for analysts and institutional investors.

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

(1) Information regarding operating results

In the global economy during the first six months ended September 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 increased uncertainty in overseas economies, such as fluctuations in exchange rates, caused by the issues arising from the U.K.'s leaving from the EU and speculation concerning U.S. monetary policy, as well as risks in European financial and capital markets.

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 and it leads competition to be intensified regardless of business area or type.

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. Moreover, the Company has commenced development of next-generation in-car systems in collaboration with IBM Japan, Ltd., in preparation for self-driving cars becoming common place. Furthermore, the Company has worked to strengthen its business platforms, such as by entering a strategic alliance with TOSHIBA CORPORATION, in order to create new businesses that utilize compact unmanned aerial vehicles, drones, and apply the position control technology fostered through the development of car navigation systems. Nevertheless net sales declined due to worsening of external conditions, such as abrupt short-term fluctuations in exchange rates; also, there was deterioration in the product model mix. As a result, there was a year on year decrease in sales and profit.

As a result, during the first six months ended September 30, 2016, consolidated net sales decreased 13.5% compared with the corresponding period of the previous fiscal year, to ¥120.8 billion. Operating income decreased 63.6% to ¥1.2 billion, ordinary loss amounted to ¥0.1 billion and loss attributable to owners of parent amounted to ¥2.1 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, segment sales overall were impacted by a harsh business environment for the aftermarket as well as the OEM market.

Accordingly, segment sales decreased 22.4% compared with the corresponding period of the previous fiscal year, to ¥21.4 billion.

< Information and Communication Products segment >

In the Information and Communication Products segment, the Company worked to create differentiation from rival companies 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, particularly drivers in their child-rearing years, total systems including rear monitors and front cameras, etc. Furthermore, the Company commenced sales of new products that are compatible with Apple's CarPlay and 9-inch screen in-dash systems in the U.S. aftermarket. However, time was required for businesses tailored to specific vehicle models to develop new commercial distribution routes in the U.S. and Europe aftermarkets, causing sales to be impacted by a harsh business environment. 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 11.3% compared with the corresponding period of the previous fiscal year, to ¥99.4 billion.

(2) Information regarding financial position

(i) Assets, liabilities and net assets

Total assets stood at ¥182.0 billion as of September 30, 2016, a decrease of ¥23.1 billion compared with the end of the previous fiscal year (March 31, 2016) due mainly to a ¥4.7 billion decrease in cash and deposits, a ¥4.2 billion decrease in notes and accounts receivable - trade, a ¥3.1 billion decrease in inventories, a ¥4.3 billion decrease in other current assets, a ¥2.2 billion decrease in property, plant and equipment, a ¥1.3 billion increase in intangible assets, a ¥1.6 billion decrease in investment securities, and a ¥3.8 billion decrease in investments in capital.

Total liabilities decreased ¥7.5 billion compared with the end of the previous fiscal year to ¥53.7 billion due mainly to a ¥4.9 billion decrease in notes and accounts payable - trade, a ¥0.7 billion decrease in provision for product warranties, a ¥1.4 billion decrease in other current liabilities, and a ¥0.2 billion decrease in deferred tax liabilities (long-term).

Net assets decreased ¥15.5 billion compared with the end of the previous fiscal year to ¥128.2 billion due mainly to a ¥3.1 billion decrease in retained earnings, a ¥1.8 billion decrease in valuation difference on available-for-sale securities, a ¥10.3 billion decrease in foreign currency translation adjustment.

Consequently, equity ratio increased 0.4 percentage points from March 31, 2016, to 69.6%.

(ii) Cash flows

Cash and cash equivalents as of September 30, 2016 were ¥44.5 billion, a ¥4.7 billion decrease from the end of the previous fiscal year (a ¥15.4 billion increase in the corresponding period of the previous fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥1.9 billion (¥1.5 billion was provided in the corresponding period of the previous fiscal year). Contributing factors were recording of ¥0.089 billion for loss before income taxes and ¥3.1 billion for depreciation, a ¥0.6 billion decrease in notes and accounts receivable - trade, and a ¥0.6 billion increase in accrued expenses, despite a ¥0.6 billion decrease in notes and accounts payable - trade and income taxes paid of ¥1.4 billion.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥1.7 billion (¥15.8 billion was provided in the corresponding period of the previous fiscal year). Principal uses of cash were ¥2.3 billion for purchase of property, plant and equipment, ¥1.8 billion for purchase of intangible assets and ¥2.0 billion for payments of loans receivable, while factors increasing cash were ¥4.4 billion of collection of loans receivable.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥1.1 billion (¥1.7 billion was used in the corresponding period of the previous fiscal year). Principal use of cash was cash dividends paid of ¥1.0 billion.

Due to these factors, the free cash flows increased by ¥0.2 billion. Free cash flows are the sum of cash flows from operating activities and cash flows from investing activities.

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

For consolidated earnings forecasts, please refer to the news release "Notice of Differences between Earnings Forecasts and Actual Financial Results for First Six Months of Fiscal Year Ending March 31, 2017, and Revisions to Full-Year Earnings Forecasts and Dividend Forecasts" announced today (October 28, 2016).

The exchange rates assumed during and after the third quarter ending December 31, 2016 are US$1 = ¥100 and €1 = ¥110.

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

Net sales	¥236.5 billion	(down 13.4% year on year)
Operating income	¥2.3 billion	(down 57.7% year on year)
Ordinary income	¥0.8 billion	(down 87.0% year on year)
Loss attributable to owners of parent	¥2.5 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 ¥638 million and ordinary loss and loss before income taxes each decreased by ¥638 million for the first six months ended September 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 September 30, 2016
Assets		
Current assets		
Cash and deposits	49,282	44,506
Notes and accounts receivable - trade	36,742	32,482
Merchandise and finished goods	20,885	19,446
Work in process	1,003	600
Raw materials and supplies	8,236	6,922
Deferred tax assets	1,168	1,103
Other	13,323	8,962
Allowance for doubtful accounts	(260)	(142)
Total current assets	130,382	113,881
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,863	25,704
Accumulated depreciation	(18,106)	(17,783)
Buildings and structures, net	8,756	7,921
Machinery, equipment and vehicles	24,109	22,260
Accumulated depreciation	(17,833)	(16,736)
Machinery, equipment and vehicles, net	6,275	5,524
Tools, furniture, fixtures and dies	52,954	51,401
Accumulated depreciation	(46,793)	(45,990)
Tools, furniture, fixtures and dies, net	6,160	5,411
Land	4,946	4,855
Leased assets	189	177
Accumulated depreciation	(71)	(75)
Leased assets, net	117	102
Construction in progress	1,150	1,375
Total property, plant and equipment	27,408	25,190
Intangible assets	2,668	4,060
Investments and other assets		
Investment securities	25,343	23,724
Investments in capital	16,246	12,385
Net defined benefit asset	14	1
Deferred tax assets	702	658
Other	2,423	2,184
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	44,724	38,947
Total non-current assets	74,800	68,198
Total assets	205,182	182,079

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,088	22,141
Accrued expenses	8,553	8,605
Income taxes payable	893	1,100
Deferred tax liabilities	–	16
Provision for bonuses	2,027	1,983
Provision for directors' bonuses	42	9
Provision for product warranties	5,617	4,883
Other	6,737	5,269
Total current liabilities	50,961	44,010
Non-current liabilities		
Deferred tax liabilities	4,697	4,456
Net defined benefit liability	3,590	3,432
Provision for directors' retirement benefits	55	47
Other	2,073	1,833
Total non-current liabilities	10,416	9,769
Total liabilities	61,377	53,779
Net assets		
Shareholders' equity		
Capital stock	25,920	25,920
Capital surplus	24,905	24,903
Retained earnings	82,115	78,975
Treasury shares	(1,407)	(1,401)
Total shareholders' equity	131,534	128,397
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,653	5,802
Deferred gains or losses on hedges	(5)	(8)
Revaluation reserve for land	(1,310)	(1,310)
Foreign currency translation adjustment	5,914	(4,463)
Remeasurements of defined benefit plans	(1,803)	(1,754)
Total accumulated other comprehensive income	10,449	(1,734)
Subscription rights to shares	54	66
Non-controlling interests	1,766	1,570
Total net assets	143,805	128,299
Total liabilities and net assets	205,182	182,079

(2) Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	First six months ended September 30, 2015	First six months ended September 30, 2016
Net sales	139,757	120,870
Cost of sales	117,840	102,379
Gross profit	21,916	18,491
Selling, general and administrative expenses	18,366	17,198
Operating income	3,550	1,292
Non-operating income		
Interest income	136	91
Dividend income	206	182
Share of profit of entities accounted for using equity method	272	331
Other	329	146
Total non-operating income	944	751
Non-operating expenses		
Interest expenses	332	10
Foreign exchange losses	149	1,871
Sales discounts	85	56
Commission fee	32	32
Overseas withholding tax	–	102
Other	49	84
Total non-operating expenses	649	2,158
Ordinary income (loss)	3,845	(113)
Extraordinary income		
Gain on sales of non-current assets	11	40
Gain on sales of shares of subsidiaries and associates	15,620	–
Other	5	–
Total extraordinary income	15,637	40
Extraordinary losses		
Loss on sales and retirement of non-current assets	8	16
Total extraordinary losses	8	16
Profit (loss) before income taxes	19,474	(89)
Income taxes - current	6,947	1,908
Income taxes - deferred	1,021	15
Total income taxes	7,969	1,923
Profit (loss)	11,505	(2,013)
Profit attributable to		
Profit (loss) attributable to owners of parent	11,405	(2,106)
Profit attributable to non-controlling interests	99	93

(Millions of yen)

	First six months ended September 30, 2015	First six months ended September 30, 2016
Other comprehensive income		
Valuation difference on available-for-sale securities	(940)	(605)
Deferred gains or losses on hedges	(2)	(3)
Foreign currency translation adjustment	(4)	(7,019)
Remeasurements of defined benefit plans, net of tax	173	48
Share of other comprehensive income of entities accounted for using equity method	(1,176)	(4,779)
Total other comprehensive income	(1,951)	(12,359)
Comprehensive income	9,553	(14,372)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,539	(14,290)
Comprehensive income attributable to non-controlling interests	14	(82)

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	First six months ended September 30, 2015	First six months ended September 30, 2016
Cash flows from operating activities		
Profit (loss) before income taxes	19,474	(89)
Depreciation	3,606	3,175
Increase (decrease) in accrued expenses	(2,100)	693
Loss (gain) on sales of shares of subsidiaries and associates	(15,620)	–
Decrease (increase) in notes and accounts receivable - trade	7,613	625
Decrease (increase) in inventories	(4,593)	0
Increase (decrease) in notes and accounts payable - trade	(2,711)	(646)
Other, net	(2,380)	(770)
Subtotal	3,287	2,988
Interest and dividend income received	591	469
Interest expenses paid	(11)	(11)
Income taxes paid	(2,340)	(1,488)
Income taxes refund	36	26
Net cash provided by (used in) operating activities	1,563	1,986
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,642)	(2,327)
Proceeds from sales of property, plant and equipment	36	51
Purchase of intangible assets	(442)	(1,885)
Purchase of investment securities	(22)	–
Proceeds from sales of shares of subsidiaries and associates	20,569	–
Payments of loans receivable	(679)	(2,022)
Collection of loans receivable	282	4,463
Other, net	(201)	(19)
Net cash provided by (used in) investing activities	15,899	(1,740)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	400	–
Cash dividends paid	(1,383)	(1,033)
Purchase of treasury shares	(700)	(0)
Dividends paid to non-controlling interests	(50)	(64)
Other, net	(33)	(73)
Net cash provided by (used in) financing activities	(1,767)	(1,171)
Effect of exchange rate change on cash and cash equivalents	(250)	(3,850)
Net increase (decrease) in cash and cash equivalents	15,444	(4,776)
Cash and cash equivalents at beginning of period	56,130	49,282
Cash and cash equivalents at end of period	71,575	44,506

(4) 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 six months ended September 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	27,594	112,162	139,757	–	139,757
Internal sales or transfer among segments	389	100	489	(489)	–
Total	27,984	112,263	140,247	(489)	139,757
Segment profit (operating income)	1,847	4,427	6,275	(2,725)	3,550

Note: The adjustment of negative ¥2,725 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 six months ended September 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	21,404	99,465	120,870	–	120,870
Internal sales or transfer among segments	374	79	453	(453)	–
Total	21,778	99,545	121,324	(453)	120,870
Segment profit (operating income) (Note 2)	451	3,269	3,720	(2,427)	1,292

Notes: 1. The adjustment of negative ¥2,427 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 six months ended September 30, 2016 increased; the Audio Products segment profit increased by ¥102 million and the Information and Communication Products segment profit increased by ¥536 million.