Translation

January 27, 2017

Consolidated Financial Results for the First Nine 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
Inquiries:	Hitoshi Kajiwara, Managing Director, Administration TEL: +81-3-3494-1101 (from overseas)

Scheduled date to file Quarterly Securities Report:	February 7, 2017
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 nine months of the fiscal year ending March 31, 2017 (from April 1, 2016 to December 31, 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 nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2016	181,390	(11.7)	4,627	7.2	7,045	45.3	7,967	(28.6)
December 31, 2015	205,446	(5.2)	4,317	(48.3)	4,847	(58.8)	11,164	29.4

(Note) Comprehensive income

For the first nine months ended December 31, 2016: ¥2,967 million [(68.4)%]

For the first nine months ended December 31, 2015: ¥9,385 million [(43.8)%]

	Basic earnings per share	Diluted earnings per share
First nine months ended	Yen	Yen
December 31, 2016	115.57	115.48
December 31, 2015	161.87	161.80

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2016	205,052	144,623	69.6	2,069.78
March 31, 2016	205,182	143,805	69.2	2,059.72

(Reference) Equity

As of December 31, 2016: ¥142,685 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)				15.00	30.00

(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	245,000	(10.3)	4,600	(15.4)	5,900	(4.4)	6,500	(39.2)	94.29

(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 December 31, 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 December 31, 2016	847,168 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 nine months ended December 31, 2016	68,936,593 shares
For the first nine months ended December 31, 2015	68,974,375 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 Nine 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 Friday, January 27, 2017.

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

(1) Information regarding operating results

In the global economy during the first nine months ended December 31, 2016, US domestic demand was firm, and in Europe, economic activity continued to recover in spite of patchy performance from country to country. Meanwhile, 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 the effects of the United States presidential elections, 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 and artificial intelligence (AI) 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 aimed at expansion of sales by rolling out high value added new models, in the domestic and overseas aftermarket. In addition, with the EV (Electric Vehicle) market rapidly expanding in China, the Company implemented a capital increase in an entity accounted for using equity method, which has been focusing on EV-related business such as development of next-generation battery control systems, in working to strengthen its development functions. Moreover, the Company has made a strategic move to the future growth, such as by commencing development of next-generation in-car systems in collaboration with IBM Japan, Ltd., in preparation for self-driving cars becoming common place, and by entering a strategic business 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. In addition, the Company has worked to strengthen its business platforms by promoting efforts for reorganization of its production system, in preparation for business integration of domestic manufacturing subsidiaries in April 2017.

Nevertheless net sales declined due to worsening of external conditions, such as abrupt short-term fluctuations in exchange rates. Meanwhile, operating income increased slightly, mainly due to curtailed non-current expenses.

As a result, during the first nine months ended December 31, 2016, consolidated net sales decreased 11.7% compared with the corresponding period of the previous fiscal year, to ¥181.3 billion. Operating income increased 7.2% to ¥4.6 billion, and ordinary income increased 45.3% to ¥7.0 billion, due to an increase in share of profit of entities accounted for using equity method. Profit attributable to owners of parent decreased 28.6% to ¥7.9 billion, owing to a decrease in gain on sales of shares of subsidiaries and associates that was recorded under extraordinary income.

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 20.1% compared with the corresponding period of the previous fiscal year, to ¥32.5 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 total systems including rear monitors and front cameras to customers, particularly drivers in their child-rearing years. In addition, through alliances with car sharing companies, the Company installed system products in minivans, aiming at acquiring new purchasers. Furthermore, the Company commenced sales of new products that are compatible with Apple CarPlay® and 9-inch screen in-dash systems in the U.S. aftermarket. Although sales for the domestic aftermarket were robust due to these measures implemented, 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 for the aftermarket to be impacted by a harsh business environment. In the OEM market, sales decreased because sales for display products aimed at European automakers, which were robust during the first half of the fiscal year, decreased in the third quarter while the effects of model changeovers for some models produced by Japanese automakers continued.

Accordingly, segment sales decreased 9.6% compared with the corresponding period of the previous fiscal year, to ¥148.8 billion.

(2) Information regarding financial position

Total assets stood at ¥205.0 billion as of December 31, 2016, a decrease of ¥0.1 billion compared with the end of the previous fiscal year (March 31, 2016) due mainly to a ¥7.1 billion increase in cash and deposits, a ¥3.8 billion decrease in other current assets, a ¥0.9 billion decrease in property, plant and equipment, a ¥1.5 billion increase in intangible assets, a ¥0.9 billion decrease in investment securities, and a ¥3.1 billion decrease in investments in capital.

Total liabilities decreased ¥0.9 billion compared with the end of the previous fiscal year to ¥60.4 billion due mainly to a ¥2.0 billion decrease in notes and accounts payable - trade, a ¥2.9 billion increase in income taxes payable, a ¥0.7 billion decrease in provision for bonuses, and a ¥1.1 billion decrease in other current liabilities.

Net assets increased ¥0.8 billion compared with the end of the previous fiscal year to ¥144.6 billion due mainly to a ¥5.8 billion increase in retained earnings, a ¥0.4 billion decrease in valuation difference on available-for-sale securities, a ¥4.8 billion decrease in foreign currency translation adjustment.

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

(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 Consolidated Earnings Forecasts and Dividend Forecasts” announced today (January 27, 2017).

The exchange rates assumed during the fourth quarter ending March 31, 2017 are US$1 = ¥110 and €1 = ¥117.

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

Net sales	¥245.0 billion	(down 10.3% year on year)
Operating income	¥4.6 billion	(down 15.4% year on year)
Ordinary income	¥5.9 billion	(down 4.4% year on year)
Profit attributable to owners of parent	¥6.5 billion	(down 39.2% year on year)

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)

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, ordinary income and profit before income taxes each increased by ¥750 million for the first nine months ended December 31, 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 December 31, 2016
Assets		
Current assets		
Cash and deposits	49,282	56,471
Notes and accounts receivable - trade	36,742	36,586
Merchandise and finished goods	20,885	21,087
Work in process	1,003	697
Raw materials and supplies	8,236	8,544
Deferred tax assets	1,168	1,055
Other	13,323	9,467
Allowance for doubtful accounts	(260)	(169)
Total current assets	130,382	133,741
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,863	26,851
Accumulated depreciation	(18,106)	(18,535)
Buildings and structures, net	8,756	8,316
Machinery, equipment and vehicles	24,109	24,111
Accumulated depreciation	(17,833)	(18,105)
Machinery, equipment and vehicles, net	6,275	6,005
Tools, furniture, fixtures and dies	52,954	52,416
Accumulated depreciation	(46,793)	(46,960)
Tools, furniture, fixtures and dies, net	6,160	5,455
Land	4,946	4,971
Leased assets	189	199
Accumulated depreciation	(71)	(85)
Leased assets, net	117	113
Construction in progress	1,150	1,597
Total property, plant and equipment	27,408	26,459
Intangible assets	2,668	4,240
Investments and other assets		
Investment securities	25,343	24,431
Investments in capital	16,246	13,111
Net defined benefit asset	14	62
Deferred tax assets	702	728
Other	2,423	2,281
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	44,724	40,610
Total non-current assets	74,800	71,310
Total assets	205,182	205,052

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,088	25,040
Accrued expenses	8,553	8,336
Income taxes payable	893	3,888
Deferred tax liabilities	–	348
Provision for bonuses	2,027	1,302
Provision for directors' bonuses	42	32
Provision for product warranties	5,617	5,471
Other	6,737	5,597
Total current liabilities	50,961	50,017
Non-current liabilities		
Deferred tax liabilities	4,697	5,016
Net defined benefit liability	3,590	3,404
Provision for directors' retirement benefits	55	49
Other	2,073	1,940
Total non-current liabilities	10,416	10,411
Total liabilities	61,377	60,429
Net assets		
Shareholders' equity		
Capital stock	25,920	25,920
Capital surplus	24,905	24,903
Retained earnings	82,115	88,014
Treasury shares	(1,407)	(1,401)
Total shareholders' equity	131,534	137,437
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,653	7,206
Deferred gains or losses on hedges	(5)	(3)
Revaluation reserve for land	(1,310)	(1,310)
Foreign currency translation adjustment	5,914	1,086
Remeasurements of defined benefit plans	(1,803)	(1,730)
Total accumulated other comprehensive income	10,449	5,248
Subscription rights to shares	54	83
Non-controlling interests	1,766	1,854
Total net assets	143,805	144,623
Total liabilities and net assets	205,182	205,052

(2) Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	First nine months ended December 31, 2015	First nine months ended December 31, 2016
Net sales	205,446	181,390
Cost of sales	173,943	150,209
Gross profit	31,503	31,181
Selling, general and administrative expenses	27,185	26,553
Operating income	4,317	4,627
Non-operating income		
Interest income	237	120
Dividend income	316	288
Share of profit of entities accounted for using equity method	395	2,127
Other	448	308
Total non-operating income	1,398	2,845
Non-operating expenses		
Interest expenses	355	11
Foreign exchange losses	291	15
Sales discounts	112	74
Commission fee	49	49
Overseas withholding tax	–	179
Other	59	96
Total non-operating expenses	868	427
Ordinary income	4,847	7,045
Extraordinary income		
Gain on sales of non-current assets	38	49
Gain on sales of investment securities	–	127
Gain on sales of shares of subsidiaries and associates	15,620	6,268
Other	10	6
Total extraordinary income	15,669	6,451
Extraordinary losses		
Loss on sales and retirement of non-current assets	39	26
Total extraordinary losses	39	26
Profit before income taxes	20,477	13,470
Income taxes - current	7,389	4,960
Income taxes - deferred	1,737	379
Total income taxes	9,127	5,340
Profit	11,350	8,130
Profit attributable to		
Profit attributable to owners of parent	11,164	7,967
Profit attributable to non-controlling interests	185	163

(Millions of yen)

	First nine months ended December 31, 2015	First nine months ended December 31, 2016
Other comprehensive income		
Valuation difference on available-for-sale securities	162	842
Deferred gains or losses on hedges	1	1
Foreign currency translation adjustment	(784)	(2,960)
Remeasurements of defined benefit plans, net of tax	260	72
Share of other comprehensive income of entities accounted for using equity method	(1,604)	(3,119)
Total other comprehensive income	(1,964)	(5,163)
Comprehensive income	9,385	2,967
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,264	2,766
Comprehensive income attributable to non-controlling interests	121	201

(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 nine months ended December 31, 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	40,674	164,772	205,446	–	205,446
Internal sales or transfer among segments	586	156	742	(742)	–
Total	41,260	164,928	206,189	(742)	205,446
Segment profit (operating income)	2,202	5,766	7,968	(3,651)	4,317

Note: The adjustment of negative ¥3,651 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 nine months ended December 31, 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	32,505	148,885	181,390	–	181,390
Internal sales or transfer among segments	552	122	675	(675)	–
Total	33,057	149,007	182,065	(675)	181,390
Segment profit (operating income) (Note 2)	1,394	6,979	8,373	(3,746)	4,627

Notes: 1. The adjustment of negative ¥3,746 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 nine months ended December 31, 2016 increased; the Audio Products segment profit increased by ¥116 million and the Information and Communication Products segment profit increased by ¥633 million.