Translation

July 27, 2017

Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2018
<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:	August 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 three months of the fiscal year ending March 31, 2018 (from April 1, 2017 to June 30, 2017)

(1) Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
First three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2017	61,043	(2.3)	385	1.0	496	–	(1,270)	–
June 30, 2016	62,483	(14.9)	382	(79.8)	(777)	–	(2,061)	–

(Note) Comprehensive income

For the first three months ended June 30, 2017: ¥(1,203) million [–%]

For the first three months ended June 30, 2016: ¥(11,527) million [–%]

	Basic earnings per share	Diluted earnings per share
First three months ended	Yen	Yen
June 30, 2017	(18.42)	–
June 30, 2016	(29.91)	–

(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, 2017	200,991	143,271	70.2	2,047.52
March 31, 2017	201,857	145,328	71.1	2,080.94

(Reference) Equity

As of June 30, 2017: ¥141,180 million

As of March 31, 2017: ¥143,452 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, 2017	–	15.00	–	15.00	30.00
Fiscal year ending March 31, 2018	–				
Fiscal year ending March 31, 2018 (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, 2018 (from April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		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, 2017	120,000	(0.7)	2,100	62.5	1,700	–	(1,000)	–	(14.51)
Fiscal year ending March 31, 2018	250,000	0.9	6,500	15.8	5,600	(24.7)	800	(89.7)	11.60

(Note) Revisions to the consolidated earnings forecasts most recently announced: None

* 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: None
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 June 30, 2017	69,784,501 shares
As of March 31, 2017	69,784,501 shares

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

As of June 30, 2017	831,894 shares
As of March 31, 2017	847,284 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, 2017	68,941,531 shares
For the first three months ended June 30, 2016	68,934,959 shares

*** Quarterly earnings reports are not required to be subjected to quarterly reviews.**

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

The earnings forecasts are based on information currently available to Alpine Electronics, Inc. (the "Company") at the time of the release of these materials. Actual business results may differ from the forecasts due to various factors.

(Method of accessing supplementary material on earnings)
Supplementary material on earnings will be available on the Company's website, on Thursday, July 27, 2017.

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

(1) Information regarding operating results

In the Japanese economy during the first three months ended June 30, 2017, there was a moderate trend of recovery, and the gradual expansion of the U.S. and European economic activities continued. However, there were many causes for concern such as the instability of political trends in the U.S. and Europe, increased geopolitical risks, and economic slowdown in emerging countries, including China, and the outlook for the global economy remained uncertain.

In the car electronics industry, amid the accelerating use of electronics in cars, collaboration between the in-car IT field which centers on infotainment systems, and new fields such as autonomous driving and AI (artificial intelligence) is expanding, leading to intensified competition among companies regardless of business area or type.

Under these circumstances, the Alpine Group (the "Group") regards this fiscal year as a year to accomplish structural reforms in order to achieve VISION2020, its corporate vision targeting the 2020 fiscal year, and it has developed the "14th Medium-term Management Plan," which commenced in the fiscal year ended March 31, 2017. Based on this plan, the Group is conducting structural reforms by reorganization of the group, such as by enhancing its technological development capabilities by absorbing its domestic technological development subsidiaries and improving the productivity of the three domestic manufacturing subsidiaries that were integrated at the beginning of the fiscal year, and is promoting the establishment of a firmer business platform. Furthermore, the Company has acquired C's Lab Co., Ltd. as a subsidiary to strengthen its capital and business alliances because software performance and quality are important elements that affect a product's competitiveness. In addition, the Company has commenced sales of "Alpine Style Customized Cars" as a new business. However, sales to automotive manufacturers declined due to the effects of the end-phase of model lifecycles for orders from some automotive manufacturers.

As a result, during the first three months ended June 30, 2017, consolidated net sales decreased 2.3% compared with the corresponding period of the previous fiscal year, to ¥61.0 billion. Operating profit increased 1.0% to ¥0.3 billion, ordinary profit amounted to ¥0.4 billion (ordinary loss of ¥0.7 billion in the corresponding period of the previous fiscal year), and loss attributable to owners of parent amounted to ¥1.2 billion (loss attributable to owners of parent of ¥2.0 billion in the corresponding period of the previous fiscal year).

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

< Audio Products segment >

In the Audio Products segment, a trend of contraction continued in the audio market as a result of audio functions being combined with information and communication equipment such as navigation systems and display products in the aftermarket as well as in the OEM market. However, amid the signs of a resurgence in analog audio and attention being focused on sound quality, the Company carried out aggressive promotional activities with the aim of increasing aftermarket sales, such as by exhibiting demonstration cars fitted with sound systems at domestic exhibitions dedicated to audiovisual equipment.

Furthermore, in the OEM market, the Company focused on increasing orders for slim-line and lightweight speakers that aid in the vehicle's fuel consumption and environmental footprint, and its lightweight and compact "free layout speakers" that improve freedom of placement in order to adapt to changes in the vehicle's interior design, in addition to speakers and amplifiers that offer realistically reproduced high-quality audio tailored to luxury vehicle models with exceptionally quiet cabins.

Accordingly, segment sales increased 15.9% compared with the corresponding period of the previous fiscal year, to ¥13.2 billion.

< Information and Communication Products segment >

In the Information and Communication Products segment, the Company continued to market the "Big-X series" of large-screen navigation systems for minivans, achieve high-quality coordination including in-vehicle interiors, and receive favorable orders for customized cars fitted with system products centered on navigations systems in the domestic aftermarket. Furthermore, sales for businesses tailored to specific vehicle models in the U.S. and Europe aftermarkets were firm.

In the OEM market, sales declined due to the effects of the end-phase of model lifecycles for orders as sales to some automotive manufacturers declined for display products that are becoming standard equipment for luxury vehicle models.

Accordingly, segment sales decreased 6.4% compared with the corresponding period of the previous fiscal year, to ¥47.7 billion.

(2) Information regarding financial position

Total assets stood at ¥200.9 billion as of June 30, 2017, a decrease of ¥0.8 billion compared with the end of the previous fiscal year (March 31, 2017) due mainly to a ¥2.6 billion decrease in notes and accounts receivable - trade, a ¥1.0 billion increase in inventories, a ¥1.4 billion increase in other current assets, a ¥0.4 billion increase in property, plant and equipment, and a ¥1.1 billion decrease in investment securities.

Total liabilities increased ¥1.1 billion compared with the end of the previous fiscal year to ¥57.7 billion due mainly to a ¥1.2 billion increase in notes and accounts payable - trade, a ¥0.5 billion decrease in accrued expenses, a ¥0.9 billion decrease in provision for bonuses, a ¥0.5 billion increase in other current liabilities, a ¥0.3 billion decrease in deferred tax liabilities (long-term), and a ¥1.0 billion increase in net defined benefit liability.

Net assets decreased ¥2.0 billion compared with the end of the previous fiscal year to ¥143.2 billion due mainly to a ¥2.3 billion decrease in retained earnings, a ¥0.6 billion decrease in valuation difference on available-for-sale securities, a ¥0.6 billion increase in foreign currency translation adjustment, and a ¥0.2 billion increase in non-controlling interests.

Consequently, equity ratio decreased 0.9 percentage points from March 31, 2017, to 70.2%.

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

There are no changes to the first six months and full-year consolidated forecasts announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2017," dated April 27, 2017.

2. Consolidated Quarterly Financial Statements and Significant Notes Thereto

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	53,309	53,334
Notes and accounts receivable - trade	39,429	36,819
Merchandise and finished goods	18,310	17,248
Work in process	737	942
Raw materials and supplies	6,591	8,452
Deferred tax assets	1,197	1,143
Other	8,894	10,351
Allowance for doubtful accounts	(139)	(151)
Total current assets	128,330	128,140
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,360	26,707
Accumulated depreciation	(18,378)	(18,680)
Buildings and structures, net	7,981	8,026
Machinery, equipment and vehicles	23,937	24,362
Accumulated depreciation	(17,939)	(18,339)
Machinery, equipment and vehicles, net	5,997	6,023
Tools, furniture, fixtures and dies	52,271	52,824
Accumulated depreciation	(46,592)	(47,340)
Tools, furniture, fixtures and dies, net	5,679	5,483
Land	4,863	4,883
Leased assets	199	216
Accumulated depreciation	(86)	(90)
Leased assets, net	112	125
Construction in progress	1,459	1,957
Total property, plant and equipment	26,095	26,500
Intangible assets	4,457	4,748
Investments and other assets		
Investment securities	25,199	24,049
Investments in capital	13,881	13,143
Net defined benefit asset	60	28
Deferred tax assets	679	745
Other	3,158	3,642
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	42,974	41,602
Total non-current assets	73,527	72,851
Total assets	201,857	200,991

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,079	25,288
Accrued expenses	9,033	8,495
Income taxes payable	944	973
Deferred tax liabilities	0	6
Provision for bonuses	2,211	1,236
Provision for directors' bonuses	55	9
Provision for product warranties	4,841	5,134
Other	5,538	6,051
Total current liabilities	46,705	47,196
Non-current liabilities		
Deferred tax liabilities	4,548	4,239
Net defined benefit liability	3,410	4,492
Provision for directors' retirement benefits	70	47
Other	1,794	1,743
Total non-current liabilities	9,823	10,523
Total liabilities	56,529	57,720
Net assets		
Shareholders' equity		
Capital stock	25,920	25,920
Capital surplus	24,903	24,903
Retained earnings	87,758	85,449
Treasury shares	(1,401)	(1,376)
Total shareholders' equity	137,180	134,896
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,338	6,688
Deferred gains or losses on hedges	(0)	(42)
Revaluation reserve for land	(1,261)	(1,261)
Foreign currency translation adjustment	1,908	2,574
Remeasurements of defined benefit plans	(1,713)	(1,675)
Total accumulated other comprehensive income	6,272	6,283
Subscription rights to shares	83	63
Non-controlling interests	1,791	2,028
Total net assets	145,328	143,271
Total liabilities and net assets	201,857	200,991

(2) Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	First three months ended June 30, 2016	First three months ended June 30, 2017
Net sales	62,483	61,043
Cost of sales	52,735	51,855
Gross profit	9,747	9,188
Selling, general and administrative expenses	9,365	8,802
Operating profit	382	385
Non-operating income		
Interest income	54	67
Dividend income	102	113
Foreign exchange gains	–	137
Share of profit of entities accounted for using equity method	556	–
Gain on settlement of receivables on tooling	16	167
Other	37	57
Total non-operating income	768	543
Non-operating expenses		
Interest expenses	2	1
Foreign exchange losses	1,778	–
Sales discounts	31	27
Commission fee	16	146
Overseas withholding tax	74	97
Share of loss of entities accounted for using equity method	–	144
Other	23	15
Total non-operating expenses	1,927	432
Ordinary profit (loss)	(777)	496
Extraordinary income		
Gain on sales of non-current assets	5	15
Gain on step acquisitions	–	42
Total extraordinary income	5	58
Extraordinary losses		
Loss on sales and retirement of non-current assets	10	2
Business structure improvement expenses	–	1,169
Total extraordinary losses	10	1,172
Loss before income taxes	(782)	(617)
Income taxes - current	1,072	588
Income taxes - deferred	140	15
Total income taxes	1,213	604
Loss	(1,995)	(1,221)
Profit attributable to		
Loss attributable to owners of parent	(2,061)	(1,270)
Profit attributable to non-controlling interests	66	48
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,397)	(600)
Deferred gains or losses on hedges	28	(42)
Foreign currency translation adjustment	(6,078)	1,305
Remeasurements of defined benefit plans, net of tax	24	38
Share of other comprehensive income of entities accounted for using equity method	(2,109)	(682)
Total other comprehensive income	(9,532)	17
Comprehensive income	(11,527)	(1,203)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(11,440)	(1,258)
Comprehensive income attributable to non-controlling interests	(86)	54

(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)

1) First three months ended June 30, 2016

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	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 profit)	173	1,506	1,680	(1,297)	382

Note: 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) First three months ended June 30, 2017

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	13,277	47,765	61,043	–	61,043
Internal sales or transfer among segments	198	42	241	(241)	–
Total	13,476	47,808	61,285	(241)	61,043
Segment profit (operating profit)	352	1,403	1,756	(1,370)	385

Note: The adjustment of negative ¥1,370 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.

(Significant subsequent events)

Share exchange agreement involving Alps Electric Co., Ltd. making the Company a wholly owned subsidiary

1. Form, method, schedule, etc.

The Company resolved for the Company to become a wholly owned subsidiary of Alps Electric Co., Ltd. ("Alps Electric") at the meeting of the Board of Directors held on July 27, 2017, and concluded an agreement concerning a share exchange through which Alps Electric will be the wholly owning parent company and the Company will become the wholly owned subsidiary (the "Share Exchange").

2. Background and purpose, etc.

Due to the drastic expansion of its operations, Alps Electric's management resources have been tight. Also, having enjoyed sustained high growth, the smartphone market is now experiencing a slowdown in growth due to maturation of the market and the risk of commoditization. These and other factors make for an increasingly uncertain outlook. In addition to the above, given the trend toward the Internet of Things (IoT), it has become increasingly difficult for Alps Electric to secure additional value with single hardware products. In such a business environment, in order to ensure sustainable growth of Alps Electric, it needs to achieve balanced growth in its automotive business, smartphone-related business and other businesses by maintaining the growth of the smartphone-related business and managing business risks by preparing for a slowdown in growth due to maturation of the market and commoditization as well as establishing and expanding businesses that can take the place of smartphones. Therefore, the important challenges of Alps Electric are, by providing high added value through development of functional module products integrated with software in addition to its existing core technologies, (i) in the automotive market, where technical innovation in connection with new trends such as autonomous driving, connected cars, EV and sharing, as well as intensified competition, are occurring, to further expand its businesses and improve profitability by strengthening its ability to propose solutions employing both hardware and software and (ii) to stabilize and increase revenues by establishing new business in such markets as EHII (Energy, Healthcare, Industry, and IoT).

On the other hand, in regard to the Company, business risks resulting from overemphasis on the businesses targeting automobile manufacturers and overseas markets have become apparent. Moreover, the automotive infotainment market has been polarized into highly functional system products for ADAS (advanced driver-assistance systems) and other automobile systems on the one hand and commodity products linked to smartphones on the other because the trend of automobiles becoming information terminals, as well as advances in technologies such as ADAS and autonomous driving are rapidly progressing, as well as because the services available on smartphones are expanding. Consequently, the market and customer demands are shifting towards collaboration with safety functions that utilize input devices, sensing devices and others, as well as implementation of the connected car technologies that utilize data communication modules. Under such circumstances, the Company believes that its business environment will significantly change from a past hardware-oriented business to a comprehensive car-oriented service business. In order to adapt to such changes and maintain continuous growth, the Company believes that its important challenges are as follows: in existing business areas, the Company has to improve profitability through maintaining and utilizing its strengths in the brand business and audio products, finding new customers by utilizing development assets and streamlining business activities; and in new business areas, the Company needs to work on the integration of core devices such as sensing devices and communication devices with software, create unique and high-value products that use HMI (human machine interface) as a core business domain, and enhance its ability to propose solutions to markets and customers, with the aim of expanding its cockpit-related business and connected car-related business.

In addition to the above, amid the increased electrification of automobiles in recent years, the business areas of Alps Electric and the Company (the “Companies”) in the automotive business have been coming closer and the Companies have greater need to collaborate with each other. Accordingly, it is a pressing issue for the Companies to resolve operational restrictions, which arise due to the nature of the Companies as independent listed companies, to their mutual cooperation in the areas of development, manufacturing and sales as well as sharing intellectual property, licenses, knowhow and other similar assets, while at the same time to realize more effective communication with customers.

The Companies believe that, in order to tackle these business challenges, it is vital, in addition to sharing management resources such as the Companies’ human resources and technologies, to exercise more efficient and agile management as the Alps Electric group as a whole, by growing the respective businesses of the Companies based on their prompt and agile decision making. As a measure to do so, the Companies will move to a holding company structure. Under the holding company that will have a group strategy function, the Companies will work on full-scale cooperation, such as strengthening of their ability as a group to propose solutions and conduct sales vis-a-vis their customers, development of employees through personnel exchanges across businesses, such as engineers and sales personnel, and use of Alps Electric’s fund-raising capability, network and monozukuri capability. The Companies believe that, coupled with other measures, such as promotion of mutual use of production bases, streamlining of back-office departments through infrastructure sharing, cooperation with suppliers through joint procurement of parts, strengthening of the procurement capacity, and reinforcement of global operations, the above measures can maximize the synergy effects on business of the entire Alps Electric group.

Amid market innovation brought about by the fourth industrial revolution, by conducting the business integration, Alps Electric and the Company aim to keep contributing to people’s lives in the areas of electronics and communication by focusing on the electronic components business and the automotive infotainment business, and to significantly transform itself into a sustainable value creating corporate group to become a corporate group with sales of one trillion yen. In addition, the Companies will endeavor to further enhance corporate governance to help maximize value for all stakeholders on a global basis.

For details, please refer to the “Notice Regarding Business Integration between Alps Electric Co., Ltd. and Alpine Electronics, Inc. (Execution of Share Exchange Agreement between Alps Electric Co., Ltd. and Alpine Electronics, Inc. (Simplified Share Exchange), Reorganization into a Holding Company Structure through the Company Split of Alps Electric Co., Ltd., Change of Company Name and Partial Amendments to the Articles of Incorporation of Alps Electric Co., Ltd.),” announced on July 27, 2017.