Details of Financial Statements, etc. of Alps Electric Co., Ltd. for the Most Recently Ended Fiscal Year

Business Report

(From April 1, 2017 to March 31, 2018)

1. Current Situation of the Corporate Group

(1) Progress of business operations and their results

In the global economy during fiscal year ended March 31, 2018, the United States saw corporate earnings and the employment situation remain firm as personal consumption continued to expand. In Europe, economic performance was strong overall. In addition to healthy performance in the Eurozone, stemming from a drop in the unemployment rate and robust corporate capital investment owing to higher exports, the United Kingdom experienced a gradual recovery in personal consumption. In China, the economy remained stable due to favorable exports and other factors, underpinned by public investment. In Japan, the gradual economic recovery continued amid solid corporate earnings and employment situation improvements.

An overview of our operating results for the fiscal year under review is as follows. The net sales stated below constitute sales made to external customers. Internal transactions have accordingly been eliminated with respect to sales between reportable segments, such that include sales from the Electronic Components Segment to the Automotive Infotainment Segment (supplying products) along with sales in the Logistics Segment to the Electronic Components Segment and Automotive Infotainment Segment (providing logistical services).

A. Electronic Components Segment

In the electronics industry, connected, autonomous, shared & services, and electric (CASE) development activities were vigorous in the automotive market as electrical installation needs continued to increase. With regard to smartphones in the mobile market, despite a deceleration in the strong growth of the past several years, smartphones have maintained a massive presence in this market. In the Internet of Things (IoT) market, where VR-enabled products for gaming consoles are growing, governments worldwide are calling for the utilization of such products.

Amid these developments, in the Electronic Components Segment and in the second year of the 8th Mid-Term Business Plan, demand was firm overall for control and input modules and high-frequency communications products in the automotive market. In the consumer market, demand for various products for smartphones has remained high and, despite signs of a decline at the end of the fiscal year under review, was a driver of earnings throughout the year. Meanwhile, growth in products for gaming consoles remained on track, and in the energy, healthcare, industry, and the IoT (EHII) markets, we promoted concrete proposal activities in the IoT and other markets. In addition to these factors, the yen depreciated to a greater extent than initially expected over the course of the year, driving steady growth in performance.

[Automotive market]
In the automotive market within the Electronic Components Segment, the movement toward the application of electronics in automobiles accelerated further in line with the development of autonomous vehicles, while module products such as electronic shifters and door modules, products employing high-frequency communications methods such as Bluetooth®, W-LAN, and LTE, and various automotive devices including sensors performed favorably overall.

Net sales to the automotive market for the fiscal year under review (the year ended March 31, 2018) were 283.2 billion yen, a 10.6% increase year on year.

[Consumer market]

In the consumer market within the Electronic Components Segment, in the mobile market, sales of actuators for cameras remained at a high level from the beginning of the fiscal year and, despite a trend toward deceleration at the end of the fiscal year in some areas, the full year saw a year-on-year increase, as sales of switches and other component products were also steady. HAPTIC™ maintained its strength in response to the booming gaming console market as well as to deployment efforts in various markets. In the EHII markets, we developed initiatives regarding energy with leading heavy electric and electric power companies. In the IoT market, we worked with subsidiary Alps System Integration Co., Ltd., to understand needs and uncover new demand in a variety of industries.

Net sales in the consumer market for the fiscal year under review were 230.8 billion yen, a 27.1% year-on-year increase.

The above performance resulted in net sales of 514.0 billion yen (17.4% year-on-year increase) and operating profit of 52.9 billion yen (61.4% increase) in the Electronic Components Segment overall for the fiscal year under review.

B. Automotive Infotainment Segment

In the car electronics industry, amid the acceleration in the application of electronics in automobiles, links between the automotive infotainment domain, centered on infotainment systems, and such new segments as self-driving and artificial intelligence (AI) expanded while competition intensified across a broad range of industries.

Within the Automotive Infotainment Segment operated by Alpine Electronics, Inc., the 14th Mid-Term Business Plan was formulated for the three-year period beginning in April 2017. Based on this plan, we merged domestic technology development subsidiaries to strengthen technological development capabilities and promoted efforts to improve the productivity of the three domestic manufacturing subsidiaries integrated at the beginning of the fiscal year, among other efforts, to promote structural reforms through a reorganization of the Group and build a stronger business foundation. Furthermore, to increase software performance and quality, we strengthened the capital and business alliance with C's Lab Co., Ltd., making it a subsidiary, and commenced joint development with Konica Minolta, Inc., which is aimed at the mass production of head-up displays (HUDs) utilizing 3D augmented reality (AR) technologies developed by Konica Minolta. We also began selling the Alpine Style Customize Car. In addition to the above, amid growth in sales of Alpine-brand products made specifically for vehicles in the domestic market and sales of genuine products for European automobile manufacturers in the Chinese market, a weaker yen caused the exchange rate to be more favorable than expected at the beginning of the fiscal year, resulting in performance-exceeding initial forecasts.

As a result, net sales of 267.6 billion yen (10.5% year-on-year increase) and operating profit of 13.7 billion yen (144.2% increase) were recorded in the Automotive Infotainment Segment for the fiscal year under review.

C. Logistics Segment

In the electronic components industry, the main market for the Logistics Segment, despite a slowdown in demand for smartphones from the beginning of the fiscal year, overall sales were strong due to increased production of automotive-related products and smartphones.

Based on these demand trends, Alps Logistics Co., Ltd., expanded its bases, warehouses, and networks globally; engaged in sales activities aimed at developing customers in new markets and expanding commission areas; attempted to increase freight volumes; and made an effort to increase productivity in the transportation, warehousing, and forwarding businesses. In Japan, a warehouse was constructed in the city of Funabashi, Chiba Prefecture, to respond to expected future expansion in the forwarding business. We also completed construction on a large warehouse in Kazo, Saitama Prefecture in May 2018. Overseas, we endeavored to expand warehousing capacity by reorganizing warehouses in line with business expansion in Hong Kong, we opened a branch in Chongqing, China, and established local subsidiaries in Hanoi, Vietnam, and Gurugram, just outside New Delhi, India. In North America, meanwhile, we opened a sales office in Dallas, Texas, and established our second local subsidiary in Mexico.

The above resulted in net sales of 64.6 billion yen (5.7% year-on-year increase) and operating profit of 4.9 billion yen (3.0% decrease) in the Logistics Segment for the fiscal year under review.

Accordingly, on a consolidated basis encompassing the three aforementioned business segments and others segment, ALPS ELECTRIC CO., LTD. (the “Company”) and its consolidated subsidiaries (collectively, the “Alps Group” or the “Group”) recorded net sales of 858.3 billion yen (a 13.9% year-on-year increase), operating profit of 71.9 billion yen (62.0% increase), ordinary profit of 66.7 billion yen (56.2% increase), and profit attributable to owners of parent of 47.3 billion yen (35.7% increase).

During the fiscal year under review, the average exchange rate of the Japanese yen was 110.85 yen to the US dollar and 129.70 yen to the euro. As such the yen depreciated by 2.47 yen to the US dollar, and by 10.91 yen to the euro, compared with the previous fiscal year.

(2) Capital investments and financing of the corporate group

The Alps Group made capital investment particularly geared to upgrading and rationalizing production facilities backed by aims that include handling new products, ensuring quality sufficient to satisfy customers, and reducing costs. This has involved thoroughly scrutinizing investment projects and holding off on nonessential undertakings.

With respect to the Electronic Components Segment, at our respective business locations in Japan and overseas, we have invested a total of 61.2 billion yen, amounting to 24.1 billion yen more than in the previous fiscal year, particularly in mechanical equipment and dies, largely with the aims of handling increased manufacturing of new products, rationalizing operations, and enhancing our production framework.

In the Automotive Infotainment Segment, we have invested a total of 8.6 billion yen, amounting to 0.6 billion yen more than in the previous fiscal year, with a focus on strategic investment encompassing development of new products.

In the Logistics Segment, we have invested a total of 5.5 billion yen, 3.5 billion yen more than in the previous fiscal year, particularly in buildings and vehicles with the aim of upgrading business sites and warehouses located in Japan and overseas.

As a result of the above, during the fiscal year under review, a total of 76.1 billion yen, amounting to 28.4 billion yen more than in the previous fiscal year, was invested in the Alps Group, including other investment made by subsidiaries and elimination of consolidated accounts.

The Alps Group’s working capital and capital investment funds have been procured mainly through cash flows from operating activities. As of March 31, 2018, outstanding debt was 70.4 billion yen, 7.1 billion yen higher than a year earlier, comprising 36.8 billion yen in short-term loans payable, 0.6 billion yen lower, for ensuring consistent working capital, and 33.6 billion yen in long-term loans payable, 7.7 billion yen higher, largely to ensure funds for R&D and capital investment geared to establishing a business platform for the future.

(3) Issues to address

The Alps Group operates in a business environment beset with mounting uncertainties that make it very difficult to project the outlook ahead. Nevertheless, we anticipate growing demand involving the electronic products and automotive realms going forward, amid a situation where rising demand in emerging countries acts as a driving force over the medium- to long-term, which is in addition to trends involving a shift to products that offer more in terms of high performance and multifunctionality in developed countries.

In our Electronic Components Segment we anticipate expansion going forward, particularly given rising trends in markets that include the automotive market where electronics are becoming increasingly important, the smartphone market which is buoyed by strong demand for high-performance parts despite slowing growth, and the up and coming virtual reality (VR) market. We will keep coming up with products that offer substantial competitive advantages, drawing on the three technological domains of HMI (human-machine interface), sensors and connectivity, while accordingly meeting needs with respect to such products. We will create top-ranking products by redoubling our efforts with respect to enlisting our technology, sales, and manufacturing divisions in collaborative efforts geared to speeding up development while improving productivity and quality.

In addition, with our customers extending their operations to various regions worldwide, we now face the urgent task of upgrading and establishing a more robust and flexible production framework amid a scenario of intense demand volatility over short intervals with respect to certain products. Accordingly, we are improving our production sites in Japan and overseas, while also heightening productivity of our operations, including those of the back-office divisions, and thereby bolstering our profitability. We will also work to establish business platforms in part by developing unique products and promoting collaborations and alliances with other companies, within a wide range of business formats across the expansive range of the EHII markets.

The current automobile industry has entered an era of great change, which some people say occurs once a century. Particularly, in four areas called CASE (Connected, Autonomous, Shared & Services, Electric), significant changes that are unseen in other industries are taking place, including a connection to the Internet (Connected), autonomous driving (Autonomous), sharing services (Shared & Services) and the shift to electrically driven vehicles. In addition, as epitomized by the advancement of IT companies into the automobile industry, movement of alliances beyond the framework of the automobile industry is being accelerated much more dramatically than before.

In this business segment, while the concentration of management resources into CASE will continue to be a trend in the entire automobile industry in the fiscal year ending March 31, 2019 and the following years, and suppliers of HMI (human-machine interface), etc. aren't just developing the module products; they are also being called upon to propose HMI systems for the entire vehicle. In light of this rapidly changing market environment for in-car equipment, the development of new products through the fusion of strengths of Alps Electric Co., Ltd. (the "Company") and Alpine Electronics, Inc. and the reduction of time to market are both pressing tasks. This business segment will deal with these tasks swiftly and respond to the expectations of customers by speeding up the business integration with Alpine Electronics, Inc. and steadily generating synergies.

In the Logistics Segment, we anticipate ongoing growth going forward with respect to the electronic components industry, the main target market, as a result of increasing use of electronics in various devices and cars, and also as a result of growing demand in emerging countries. On the other hand, customer requirements in terms of logistics reform are becoming increasingly sophisticated and diverse as they shift operations to optimal production sites and overseas in response to changing products and markets, and make progress in rationalizing production and sales due to pricing competition of electronic products and components.

Amid this business environment, we embarked on our 3rd Mid-Term Business Plan extending for three years beginning in the fiscal year ended March 31, 2017, with respect to the Company and its Japanese and overseas subsidiaries whose operating domain encompasses business related to electronic components. Our basic policy for the medium term has involved engaging in efforts geared to achieving consolidated net sales of 100.0 billion yen and strengthening our business foundation to prepare for making a leap to the next stage of business, by pursuing the best form of logistics for each customer and accelerating our growth on a global scale. We successfully achieved consolidated net sales of 100.0 billion yen in the fiscal year ended March 31, 2018, and established a Next Actions business policy for the fiscal year stated as "taking on sophisticated logistics QCDS challenges," continuing forward in the fiscal year ending March 31, 2019 which is the final fiscal year of the Mid-Term Business Plan. In the Logistics Segment, our medium- and short-term management plan contains target business indicators, and accordingly sets net sales and operating profit targets for individual businesses and geographic regions. As such, we will take steps to achieve these targets by implementing the PDCA (plan–do–check–act) cycle approach to management. In addition, we will work to achieve further growth on a worldwide basis in respective electronic components-related and consumer-related fields of business by promoting strategies and measures geared to achieving growth. In that regard, we have set targets in terms of our percentage of external sales (the proportion of overall sales made to entities outside the Alps Group) and our percentage of overseas sales, to act as indexes for gauging the extent to which we are achieving global growth.

In addition, our other subsidiaries will also contribute to earnings largely by adding strength to our initiatives for promoting sales to companies outside the Group.

(4) Assets and profit (loss) of the corporate group

Category		82nd fiscal year (FY2014)	83rd fiscal year (FY2015)	84th fiscal year (FY2016)	85th fiscal year (Fiscal year under review) (FY2017)
Net sales	(Millions of yen)	748,614	774,038	753,262	858,317
Operating profit	(Millions of yen)	53,534	52,327	44,373	71,907
Ordinary profit	(Millions of yen)	57,594	50,038	42,725	66,717
Profit attributable to owners of parent	(Millions of yen)	34,739	39,034	34,920	47,390
Basic earnings per share	(Yen)	193.81	206.64	178.25	241.91
Total assets	(Millions of yen)	570,482	562,856	602,961	671,799
Net assets	(Millions of yen)	283,700	331,764	361,114	415,872

(Note) Earnings per share is calculated as the average total number of issued shares during the period. Basic earnings per share are calculated based on the average total number of issued shares during the period, excluding the average number of shares of treasury shares during the period.

(5) Principal business segments of the corporate group

The Alps Group engages in business related to four business segments: the Electronic Components, Automotive Infotainment, Logistics and Others Segments. The principal products and services of those respective business segments are listed as follows.

(As of March 31, 2018)

Business segment	Principal products	
Electronic Components	Automotive market	Instrument panel control units, door control modules, steering modules, keyless entry systems, switches, encoders, multi control devices, TACT switch™, communication modules, sensors, current sensors, potentiometers, touch input devices, connectors, aspherical glass lens, HAPTIC™ reactor, etc.
	Consumer and other markets	Actuators, switches, encoders, multi control devices, potentiometers, connectors, aspherical glass lens, touch input devices, power inductors, printers, communication modules, sensors, current sensors, TACT switch™, toroidal coil, HAPTIC™ reactor, etc.
Automotive Infotainment	Car audio products (CD players, amplifiers, audio processors, digital radios, speakers), automotive information and communications products (car navigation systems, AV systems, integrated AVN systems (car audio/visual/navigation), display products, DVD products, camera systems and other peripheral devices), other products (replacement parts and other accessories)	
Logistics	Integrated logistics services including transportation, warehousing, and forwarding, as well as materials procurement and sales	
Others	Systems development, office services, finance & leasing operations, etc.	

(6) Principal offices and plants of the corporate group

A. The Company

(As of March 31, 2018)

Head office	1-7, Yukigaya-Otsukamachi, Ota-ku, Tokyo
Branch office	KANSAI BRANCH: 3-18-14, Izumi-cho, Suita City, Osaka
Sales bases	IWAKI OFFICE (Iwaki City, Fukushima Prefecture), UTSUNOMIYA OFFICE (Utsunomiya City, Tochigi Prefecture), ATSUGI OFFICE (Atsugi City, Kanagawa Prefecture), HAMAMATSU OFFICE (Hamamatsu City, Shizuoka Prefecture), NAGOYA OFFICE (Nagoya City, Aichi Prefecture), HIROSHIMA OFFICE (Hiroshima City, Hiroshima Prefecture), FUKUOKA OFFICE (Fukuoka City, Fukuoka Prefecture)
Plants	FURUKAWA PLANT (Osaki City, Miyagi Prefecture), FURUKAWA PLANT 2 (Osaki City, Miyagi Prefecture), WAKUYA PLANT (Tohda-gun, Miyagi Prefecture), KAKUDA PLANT (Kakuda City, Miyagi Prefecture), ONAHAMA PLANT (Iwaki City, Fukushima Prefecture), TAIRA PLANT (Iwaki City, Fukushima Prefecture), NAGAOKA PLANT (Nagaoka City, Niigata Prefecture)
R&D bases	SENDAI R&D CENTER (Sendai City, Miyagi Prefecture), FURUKAWA R&D CENTER (Osaki City, Miyagi Prefecture)

B. Subsidiaries

(As of March 31, 2018)

Overseas	ALPS ELECTRIC (NORTH AMERICA), INC.	Santa Clara, U.S.A.
	ALPS ELECTRIC EUROPE GmbH	Unterschleissheim, Germany
	ALPS ELECTRIC KOREA CO., LTD.	Gwangju, Korea
	ALPS (CHINA) CO., LTD.	Beijing, P.R. of China
	NINGBO ALPS ELECTRONICS CO., LTD.	Ningbo City, Zhejiang, P.R. of China
	WUXI ALPS ELECTRONICS CO., LTD.	Wuxi City, Jiangsu, P.R. of China
	DONGGUAN ALPS ELECTRONICS CO., LTD.	Dongguan City, Guangdong, P.R. of China
	ALPINE ELECTRONICS OF AMERICA, INC.	Torrance, U.S.A.
	ALPINE ELECTRONICS MANUFACTURING OF EUROPE, LTD.	Biatorbagy, Hungary
	ALPINE ELECTRONICS (CHINA) CO., LTD.	Beijing, P.R. of China
Domestic	Alpine Electronics, Inc.	Ota-ku, Tokyo

(7) Employees (As of March 31, 2018)

A. Employees of the corporate group

Business category	Number of employees	Increase (decrease) from previous fiscal year-end
Electronic Components	22,260	Decreased by 428
Automotive Infotainment	13,175	Increased by 216
Logistics	5,710	Increased by 380
Others	1,144	Increased by 68
Total	42,289	Increased by 236

B. Employees of the Company

Number of Employees	Increase (decrease) from previous fiscal year-end	Average age	Average years of service
5,590	Increased by 2	43.1 years old	19.8 years

(Note) The number of employees represents the number of persons in employment. (Exclude individuals seconded from the Alps to outside.)

(8) Important subsidiaries (As of March 31, 2018)

Name of companies	Address	Capital stock	Main business	Ownership percentage of voting rights (%)	Relationship
ALPS ELECTRIC (NORTH AMERICA), INC.	Santa Clara, U.S.A.	Thousands of USD 36,439	Manufacture and sale of electronic products and components	100	The Company sells its components, and both entities sell the other's products. Concurrent posts held by officers, etc.: Yes
ALPS ELECTRIC EUROPE GmbH	Unterschleissheim, Germany	Thousands of EUR 5,500	Manufacture and sale of electronic products and components	100	The Company sells its components, and both entities sell the other's products. Concurrent posts held by officers, etc.: Yes
ALPS ELECTRIC KOREA CO., LTD.	Gwangju, Korea	Millions of KRW 36,000	Manufacture and sale of electronic products and components	100	The Company sells its components, and both entities sell the other's products. Also, the Company outsources product design to the entity and leases it mechanical equipment. Concurrent posts held by officers, etc.: Yes
ALPS (CHINA) CO., LTD.	Beijing, P.R. of China	Thousands of CNY 377,117	Headquarters in China, sales of electronic devices and components	100	The Company sells its products. Concurrent posts held by officers, etc.: Yes
NINGBO ALPS ELECTRONICS CO., LTD.	Ningbo City, Zhejiang, P.R. of China	Thousands of CNY 307,253	Manufacture and sale of electronic products and components	100 (100)	The Company sells its components and purchases the subsidiary's products. Also, the Company leases it mechanical equipment. Concurrent posts held by officers, etc.: Yes
WUXI ALPS ELECTRONICS CO., LTD.	Wuxi City, Jiangsu, P.R. of China	Thousands of CNY 286,096	Manufacture and sale of electronic products and components	100 (89.73)	The Company sells its components and purchases the subsidiary's products. Also, the Company leases it mechanical equipment. Concurrent posts held by officers, etc.: Yes
DONGGUAN ALPS ELECTRONICS CO., LTD.	Dongguan City, Guangdong, P.R. of China	Thousands of CNY 47,808	Manufacture and sale of electronic products and components	100 (100)	The Company sells its components and purchases the subsidiary's products. Also, the Company leases it mechanical equipment. Concurrent posts held by officers, etc.: Yes

Name of companies	Address	Capital stock	Main business	Ownership percentage of voting rights (%)	Relationship
ALPINE ELECTRONICS OF AMERICA, INC.	Torrance, U.S.A.	Thousands of USD 53,000	Sale of audio products and information & communication products	100 (100)	—
ALPINE ELECTRONICS MANUFACTURING OF EUROPE, LTD.	Biatorbagy, Hungary	Thousands of EUR 33,500	Manufacture and sale of audio products and information & communication products	100 (100)	—
ALPINE ELECTRONICS (CHINA) CO., LTD.	Beijing, P.R. of China	Thousands of CNY 823,907	Sale, development and design of audio products and information & communication products	100 (100)	—
Alpine Electronics, Inc.	Ota-ku, Tokyo	Millions of yen 25,920	Manufacture and sale of audio products and information & communication products	41.15 (0.22)	The Company sells its products and leases it office space. Concurrent posts held by officers, etc.: Yes

(Note) Figures in parentheses in the column for ownership percentage of voting rights of subsidiaries represent the indirect ownership percentage (included in the total ownership percentage).

(9) Major creditors (As of March 31, 2018)

(Millions of yen)

Creditor	Balance of borrowings
Sumitomo Mitsui Banking Corporation	17,040
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	9,874
Sumitomo Mitsui Trust Bank, Limited	8,390
Mitsubishi UFJ Trust and Banking Corporation	7,227

(Notes)
1. The status of the Company's creditors is shown above as main creditors of the Group.
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its trade name to MUFG Bank, Ltd. as of April 1, 2018.

2. Current Status of the Company

(1) Matters regarding shares (As of March 31, 2018)

A. Total number of authorized shares	500,000,000 shares
B. Total number of issued shares (excluding 2,304,021 shares of treasury shares)	195,904,065 shares
C. Number of shareholders	44,269

D. Top 10 major shareholders

Name	Number of shares owned (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	23,713	12.10
Japan Trustee Services Bank, Ltd. (trust account)	14,401	7.35
MITSUI LIFE INSURANCE COMPANY LIMITED	3,591	1.83
STATE STREET BANK WEST CLIENT - TREATY 505234	3,544	1.80
THE BANK OF NEW YORK MELLON SA/NV 10	3,434	1.75
Japan Trustee Services Bank, Ltd. (trust account 5)	3,292	1.68
Trust & Custody Services Bank, Ltd. (securities investment trust account)	3,156	1.61
THE BANK OF NEW YORK 132561	2,845	1.45
Nippon Life Insurance Company	2,750	1.40
Mitsui Sumitomo Insurance Company, Limited	2,517	1.28

(Notes)
1. The shareholding ratio is calculated after deducting treasury shares.
2. According to a statement of large-volume holdings (report on changes) filed by Nomura Securities Co., Ltd. on March 23, 2018, the three companies Nomura Securities Co., Ltd., Nomura International plc, and Nomura Asset Management Co., Ltd. collectively own 14,787,000 shares of the Company's stock (7.54% of total shares issued). However, these companies are not listed in the table above because the Company was unable to verify the actual number of shares they held as of March 31, 2018.
3. According to a statement of large-volume holdings (report on changes) filed by Sumitomo Mitsui Trust Bank, Limited on December 21, 2017, the three companies Sumitomo Mitsui Trust Bank, Limited, Sumitomo Mitsui Trust Asset Management Co., Ltd., and Nikko Asset Management Co., Ltd. collectively own 14,000,000 shares of the Company's stock (7.14% of total shares issued). However, these companies are not listed in the table above because the Company was unable to verify the actual number of shares they held as of March 31, 2018.
4. According to a statement of large-volume holdings (report on changes) filed by Mitsubishi UFJ Financial Group, Inc. on October 16, 2017, the four companies The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. collectively own 12,097,000 shares of the Company's stock (6.17% of total shares issued). However, these companies are not listed in the table above because the Company was unable to verify the actual number of shares they held as of March 31, 2018. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its trade name to MUFG Bank, Ltd. as of April 1, 2018.
5. According to a statement of large-volume holdings (report on changes) filed by Asset Management One Co., Ltd. on August 7, 2017, Asset Management One Co., Ltd. owns 11,313,000 shares of the Company's stock (5.77% of total shares issued). However, that company is not listed in the table

above because the Company was unable to verify the actual number of shares it held as of March 31, 2018.

6. According to a statement of large-volume holdings (report on changes) filed by Deutsche Securities Inc. on March 23, 2018, the three companies Deutsche Securities Inc., Deutsche Bank AG (London Branch), and Deutsche Asset Management (UK) Limited collectively own 10,235,000 shares of the Company's stock (5.22% of total shares issued). However, these companies are not listed in the table above because the Company was unable to verify the actual number of shares they held as of March 31, 2018.
7. According to a statement of large-volume holdings (report on changes) filed by Daiwa SB Investments Ltd. on May 1, 2017, Daiwa SB Investments Ltd. owns 8,800,000 shares of the Company's stock (4.49% of total shares issued). However, that company is not listed in the table above because the Company was unable to verify the actual number of shares it held as of March 31, 2018.

(2) Share acquisition rights

Share acquisition rights held by the Company's officers as of the end of the fiscal year under review

	Alps Electric Co., Ltd. First Series of Share Acquisition Rights	Alps Electric Co., Ltd. Second Series of Share Acquisition Rights
Issuance resolution date	June 20, 2014	June 19, 2015
Number of share acquisition rights	251	113
Number of holders	8 Directors (excluding Directors who are Members of Audit and Supervisory Committee and Outside Directors)	9 Directors (excluding Directors who are Members of Audit and Supervisory Committee and Outside Directors)
Class and number of shares to be issued upon exercise of share acquisition right	Common shares: 25,100 shares (100 shares per share acquisition right)	Common shares: 11,300 shares (100 shares per share acquisition right)
Amount to be paid in for share acquisition right	¥141,500 per share acquisition right (¥1,415 per share)	¥395,700 per share acquisition right (¥3,957 per share)
Value of property to be contributed upon exercise of share acquisition rights	¥100 per share acquisition right (¥1 per share)	¥100 per share acquisition right (¥1 per share)
Exercise period of share acquisition rights	July 29, 2014 to July 28, 2054	July 27, 2015 to July 26, 2055
Conditions for exercise of share acquisition rights	(Note)	(Note)

	Alps Electric Co., Ltd. Third Series of Share Acquisition Rights	Alps Electric Co., Ltd. Fourth Series of Share Acquisition Rights
Issuance resolution date	June 23, 2016	June 23, 2017
Number of share acquisition rights	239	170
Number of holders	12 Directors (excluding Directors who are Members of Audit and Supervisory Committee and Outside Directors)	12 Directors (excluding Directors who are Members of Audit and Supervisory Committee and Outside Directors)
Class and number of shares to be issued upon exercise of share acquisition right	Common shares: 23,900 shares (100 shares per share acquisition right)	Common shares: 17,000 shares (100 shares per share acquisition right)
Amount to be paid in for share acquisition right	¥201,100 per share acquisition right (¥2,011 per share)	¥305,300 per share acquisition right (¥3,053 per share)
Value of property to be contributed upon exercise of share acquisition rights	¥100 per share acquisition right (¥1 per share)	¥100 per share acquisition right (¥1 per share)
Exercise period of share acquisition rights	July 22, 2016 to July 21, 2056	July 25, 2017 to July 24, 2057
Conditions for exercise of share acquisition rights	(Note)	(Note)

(Notes)
1. A holder of the share acquisition rights may exercise his or her share acquisition rights only during the ten (10) -day period (if the tenth day is a holiday, the following business day) from the day immediately following the date on which such holder loses his or her office as director of the Company.
2. Any other conditions shall be stipulated in the relevant "share acquisition rights allotment agreement" to be entered into between the Company and each holder of the share acquisition rights.

(3) Company officers

A. Directors (As of March 31, 2018)

Name	Position and responsibility in the Company or main occupation		Status on major concurrent holding of positions
Toshihiro Kuriyama	Director and President	(Representative Director)	
Takashi Kimoto	Senior Managing Director	General Manager, Sales & Marketing Headquarters	
Yasuo Sasao	Managing Director	Officer in charge of Component Business and General Manager, Engineering Headquarters	
Yoshitada Amagishi	Managing Director	Quality Management Executive and General Manager, Production Headquarters	
Masataka Kataoka	Director, Executive Adviser		Director, Alpine Electronics, Inc. Director, Alps Logistics Co., Ltd.
Junichi Umehara	Director	Officer in charge of Human Resource, Legal & Intellectual Property, Administration Headquarters, General Manager, Corporate Export & Import Administration and General Manager, Administration Headquarters	Chairman, Alps (China) Co., Ltd.
Hitoshi Edagawa	Director	Production Engineering Executive, Production Headquarters	
Takeshi Daiomaru	Director	Officer in charge of New Business & Consumer Module Division and Deputy General Manager, Engineering Headquarters	
Akihiko Okayasu	Director	Material Control Executive, Production Headquarters	
Tetsuhiro Saeki	Director	Deputy General Manager, Sales & Marketing Headquarters and General Manager, Global Sales & Marketing Operation and Officer in charge of Information Systems, Administration Headquarters	
Yoichiro Kega	Director	Officer in charge of Corporate Planning, Accounting and Finance, General Affairs and Environment	
Hiroyuki Sato	Director	Officer in charge of Automotive Modules and Deputy General Manager, Engineering Headquarters	
Shuji Takamura	Director (Members of Audit and Supervisory Committee)	(Full-time)	

Name	Position and responsibility in the Company or main occupation		Status on major concurrent holding of positions
Yasuhiro Fujii	Director (Members of Audit and Supervisory Committee)		
Takashi Iida	Director (Members of Audit and Supervisory Committee)	Attorney at law	Outside Audit & Supervisory Board Member, SHIMADZU CORPORATION Outside Audit & Supervisory Board Member, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
Hiroshi Akiyama	Director (Members of Audit and Supervisory Committee)	Attorney at law	Outside Corporate Auditor, YKK CORPORATION
Takuji Kuniyoshi	Director (Members of Audit and Supervisory Committee)	Certified public accountant	

(Notes)
1. Directors (Members of Audit and Supervisory Committee) Mr. Takashi Iida, Mr. Hiroshi Akiyama, and Mr. Takuji Kuniyoshi are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Director (Member of Audit and Supervisory Committee) Mr. Takuji Kuniyoshi is qualified as a Certified Public Accountant and has considerable knowledge in relation to finance and accounting.
3. The Company has appointed Director (Member of Audit and Supervisory Committee) Mr. Shuji Takamura as a full-time Member of the Audit and Supervisory Committee. The Company appointed a full-time Member of Audit and Supervisory Committee so that he will attend important in-house meetings and carry out tasks that include gathering important information and receiving reports on a daily basis.
4. The Company has designated Directors (Members of Audit and Supervisory Committee) Mr. Takashi Iida, Mr. Hiroshi Akiyama, and Mr. Takuji Kuniyoshi as independent officers as set forth by the Tokyo Stock Exchange, and has accordingly notified the Tokyo Stock Exchange in that regard.

B. Overview of liability limitation agreement

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company enters into agreements with its Directors (excluding executive Directors, etc.) limiting their liability for damages under Article 423, Paragraph 1 of the Companies Act. Accordingly, their liability for damages under the agreements is limited to the minimum amounts stipulated by laws and regulations.

C. Total amount of Directors' remuneration pertaining to the current fiscal year

Total amount of remuneration by officer classification and number of officers eligible

Amounts of Directors' remuneration are listed as follows.

Officer classification	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)			Number of officers eligible
		Base remuneration	Bonus	Stock option	
Director (excluding Members of Audit and Supervisory Committee) (Of which, Outside Directors)	525 (–)	316 (–)	157 (–)	51 (–)	12 (–)
Director (Members of Audit and Supervisory Committee) (Of which, Outside Directors)	62 (28)	62 (28)	– (–)	– (–)	5 (3)
Total (Of which, Outside Directors)	588 (28)	378 (28)	157 (–)	51 (–)	17 (3)

(Notes) 1. The amount of remuneration paid to Directors (excluding Members of Audit and Supervisory Committee) does not include employee-portion salary for Directors who also serve as an employee.

2. As of March 31, 2018, the Company has twelve (12) Directors (excluding Members of Audit and Supervisory Committee) and five (5) Directors (Members of Audit and Supervisory Committee, including three (3) Outside Directors).

3. The bonus amount is recorded as an expense in the current fiscal year.

4. The stock option amount is recorded as an expense in the current fiscal year.

D. Outside officers

(a) Status on major concurrent holding of positions of outside officers

Category	Name	Concurrent positions	Concurrent positions	Relationship with the Company
Director (Member of Audit and Supervisory Committee)	Takashi Iida	SHIMADZU CORPORATION NIPPON TELEGRAPH AND TELEPHONE CORPORATION	Outside Audit & Supervisory Board Member	There is no special relationship between the Company and Mr. Takashi Iida.
Director (Member of Audit and Supervisory Committee)	Hiroshi Akiyama	YKK CORPORATION	Outside Corporate Auditor	There is no special relationship between the Company and Mr. Hiroshi Akiyama.

(b) Main activities in the fiscal year under review

- Director (Member of Audit and Supervisory Committee) Mr. Takashi Iida attended all 12 meetings of the Board of Directors held in the fiscal year ended March 31, 2018 (attendance rate: 100%) and all 13 meetings of the Audit and Supervisory Committee (attendance rate: 100%) where he made remarks as needed from a professional perspective as an attorney at law.
- Director (Member of Audit and Supervisory Committee) Mr. Hiroshi Akiyama attended all 12 meetings of the Board of Directors held in the fiscal year ended March 31, 2018 (attendance rate: 100%) and all 13 meetings of the Audit and Supervisory Committee (attendance rate: 100%) where he made remarks as needed from a professional perspective as an attorney at law.
- Director (Member of Audit and Supervisory Committee) Mr. Takuji Kuniyoshi attended all 12 meetings of the Board of Directors held in the fiscal year ended March 31, 2018 (attendance rate: 100%) and all 13 meetings of the Audit and Supervisory Committee (attendance rate: 100%) where he made remarks as needed from a professional perspective as a certified public accountant.

(4) Matters regarding Accounting Auditor

A. Name of Accounting Auditor: Ernst & Young ShinNihon LLC

B. Remuneration etc. for Accounting Auditor

Classification	Audit fees (Millions of yen)	Non-audit fees (Millions of yen)
The Company	332	7
Consolidated subsidiaries	327	28
Total	660	36

(Notes)
1. Upon gaining access to the necessary documents and receiving reports from relevant units within the Company and the Accounting Auditor, the Audit and Supervisory Committee has checked matters and engaged in deliberations with respect to the content of the Accounting Auditor's audit plans, its performance of duties with respect to corporate auditing, and the basis for its calculation of audit fee estimates. As a result, the Audit and Supervisory Committee deems such matters appropriate and accordingly provides its consent with respect to matters such as compensation of the Accounting Auditor, in accordance with Article 399, Paragraph 1 and Paragraph 3 of the Companies Act.
2. The audit agreement does not clearly distinguish between amounts of audit fees incurred for audit services carried out pursuant to the Companies Act and those incurred for audit services carried out pursuant to the Financial Instruments and Exchange Act, nor would it be practical to do so. As such, the remuneration etc. for Accounting Auditor pertaining to the fiscal year under review represents the sum total in that regard.
3. The Company pays consideration for non-audit services that involve providing advice in relation to the International Financial Reporting Standards (IFRS).
4. The Company's portion of fees includes 240 million yen in fees incurred for audit pertaining to the consolidated financial statements in relation to Form F-4 which is filed pursuant to the U.S. Securities Act with respect to our business integration with Alpine Electronics, Inc.

C. Policies for making decisions on discharge or non-reappointment of the Accounting Auditor

The Audit and Supervisory Committee shall determine the content of proposals related to the discharge or non-reappointment of the Accounting Auditor for submission to a General Meeting of Shareholders at the committee's discretion, particularly in the event that circumstances interfere with the Accounting Auditor's performance of its duties.

In addition, the Accounting Auditor shall be discharged upon unanimous consent by the Members of Audit and Supervisory Committee if any of the items set forth in Article 340, Paragraph 1 of the Companies Act are applicable with respect to the Accounting Auditor.

D. Financial statements and other related documents of the Company's subsidiaries subject to audit by certified public accountants or audit firms other than the Company's Accounting Auditor

Among the Company's significant subsidiaries, the following 9 companies are audited (within the meaning of being audited as required by the Companies Act or the Financial Instruments and Exchange Act or the equivalent laws and regulations in other countries) by certified public accountants or audit firms (including such entities overseas with equivalent qualifications) other than the Company's Accounting Auditor.

1. ALPS ELECTRIC EUROPE GmbH
2. ALPS ELECTRIC KOREA CO., LTD.
3. ALPS (CHINA) CO., LTD.
4. NINGBO ALPS ELECTRONICS CO., LTD.
5. WUXI ALPS ELECTRONICS CO., LTD.
6. DONGGUAN ALPS ELECTRONICS CO., LTD.
7. ALPINE ELECTRONICS OF AMERICA, INC.
8. ALPINE ELECTRONICS MANUFACTURING OF EUROPE, LTD.
9. ALPINE ELECTRONICS (CHINA) CO., LTD.

(5) Systems for ensuring the appropriateness of operations and the operating status of such systems

The following section provides details on basic policy most recently resolved by the Board of Directors in relation to putting in place systems for ensuring the appropriateness of operations and an overview of the operating status of such systems.

A. Basic views on internal control system and progress of system development

Acknowledging the Founding Spirit (Alps Precepts) as the origin of Group management, the Company has established the Alps Group Management Paradigm (Alps Group Management Regulations, Alps Group Compliance Charter and Alps Group Environmental Charter) as well as its fundamental philosophy and action guidelines relating to compliance that apply to the Company and its subsidiaries. On this basis, the systems have been put in place for ensuring the appropriateness of operations as follows.

(a) System for ensuring that Directors and employees of the Company and directors and employees of its subsidiaries conform to laws and regulations and to the Articles of Incorporation

(I) To act responsibly and sensibly in the aim of fair management in keeping with the purpose of laws and regulations, social requirements and corporate ethical standards, the Company has declared a statement of fundamental compliance philosophy and action guidelines and established in-house regulations clarifying specific contents of them.

(II) The Company nominates several candidates for Outside Directors that are independent with no interests (hereinafter referred to as "Independent Outside Directors"). To deliberate and make decisions on management policy and important managerial matters at the Board of Directors meetings that Independent Outside Directors attend, and to supervise each Director's execution of duties, the Company has clearly defined specific contents and standards of matters to be resolved and reported in its rules for the Board of Directors and set criteria for election of candidates for Director so that a person who has ability and qualifications for such deliberation, decision-making and supervision is elected as Director at the General Meeting of Shareholders.

(III) To assure legal compliance of resolution of the Board of Directors, the Company has put in place a check system for legal compliance of submitted proposals.

(IV) To foster sound corporate climate, the Company provides compliance education to its Officers and employees.

(V) The Company has put in place the following structures as systems for ensuring that the performance of duties by directors and employees of its subsidiaries conforms to laws and regulations and to the Articles of Incorporation.

(i) Subsidiaries that belong to the Electronic Components Segment

The Company has put in place a system for providing guidance and management on business management of subsidiaries that belong to the Electronic Components Segment (hereinafter referred to as "Electronic Components Segment companies"). In addition, the Company supports establishment of a structure for compliance and related activities, according to the status and other factors of the Electronic Components Segment companies.

(ii) Alpine Electronics, Inc. and Alps Logistics Co., Ltd.

Alpine Electronics, Inc. and Alps Logistics Co., Ltd., which are the Company's subsidiaries and listed companies and serve as the Group's core companies of the automotive infotainment segment and the logistics segment respectively, (hereinafter referred to as "listed subsidiaries") build a structure relating to internal controls for each of groups comprising respective segments in line with the Group's philosophy and action guidelines. The Company has put in place a system that enables cooperation in establishment of internal control between the listed subsidiaries and the Group.

[Overview of operating status]

・ The Company has established the Alps Group Compliance Charter and compliance regulations, and has also established in-house regulations clarifying specific content thereof.

・ With respect to Directors, candidates for Director are nominated on the basis of criteria for election, and their election is proposed at the General Meeting of Shareholders.

・ The Board of Directors meetings were held twelve (12) times in the fiscal year under review. At those meetings, deliberations and decisions on important matters were made on the basis of the rules and bylaws for the Board of Directors that establish agenda content and standards, and reports on business execution were provided by the respective Directors. In addition, to assure legal compliance of resolutions of the Board of Directors, the Director in charge of administration and the compliance department perform preliminary checks of proposals to be submitted on the basis of regulations for preliminary checking.

・ The Company provides compliance education to Officers mainly upon their initial or subsequent appointment, and to employees both when they join the Company and on a regular basis.

・ The Company engages in managerial guidance and management of its subsidiaries on the basis of its regulations for business management of Electronic Components Segment companies, and provides support for activities relating to compliance and other such matters. In addition, the Company has been working to build appropriate internal controls. Efforts in this regard include entering into agreements relating to Alps Group administration and management with its listed subsidiaries and stipulating matters relating to Group operations and management, yet also maintaining independence of each listed company. These efforts also entail regularly holding Presidents Meetings, meetings of the Alps Group Audit and Supervisory Committee Liaison Committee and other such meetings, and taking steps to synergize and optimize the Group's management.

(b) Structure for storage and management of information on execution of duties by the Company's Directors and report of matters regarding execution of duties by its subsidiaries' directors, etc. to the Company

(I) The Company has stipulated basic matters on document control in the in-house regulations, and appropriately records, stores, and manages information related to the execution of duties by Directors.

(II) The Company has put in place the reporting system for report of matters regarding execution of duties by its subsidiaries' directors, etc. to the Company, taking into account each company's role, function and other factors.

[Overview of Operating Status]

- The Company has established the rules and bylaws for the Board of Directors clarifying matters such as preparation and storage of minutes of meetings and other operations of the Board of Directors, etc. It also manages information on the basis of regulations it has established which include its document management regulations, information management regulations, and confidential information management regulations. Moreover, each of the Company's subsidiaries report to the Company with respect to matters such as the status of their business execution on the basis of regulations for business management of Electronic Components Segment companies, and the listed subsidiaries report to the Company with respect to such matters largely on the basis of agreements relating to administration and management.

(c) Rules and other structures for managing risks of loss of the Company and its subsidiaries

(I) To manage risks of the Group as a whole integrally and share information, the Company has established in-house regulations on risk management and put in place the structure for management and reporting on various risks.

(II) The Company has put in place the structure for prior deliberation with and reporting to the Company on certain risks relating to its subsidiaries. For the Electronic Components Segment companies, the Company makes each company have in place the system in accordance with the Company's regulations on risk management and provides necessary support to them according to their situation. For listed subsidiaries, a system has been put in place in each subsidiary and its group in consideration of risks relating to execution of business affairs, while the Company has in place a system that enables cooperation with listed subsidiaries.

[Overview of operating status]

- The Company has established crisis management regulations and other regulations under its risk management policies, and accordingly maintains and operates management and reporting systems relating to risks that could substantially affect business management as a consequence of disasters, accidents and operational factors.
- The Company maintains a risk management framework with respect to its subsidiaries, geared to the size and type of business of each entity. The Electronic Components Segment companies discuss with the Company on matters relating to risk, and report such matters to the Company, on the basis of regulations for business management of Electronic Components Segment companies. Moreover, with respect to its listed subsidiaries, the Company facilitates cooperation within the Group by regularly holding Presidents Meetings, meetings of the Alps Group Audit and Supervisory Committee Liaison Committee, and other such meetings.

(d) Structure for ensuring effective execution of duties by Directors of the Company and directors of its subsidiaries

(I) The Company has adopted a business assignment system in addition to function-based headquarters, clarified where responsibility lies by assigning a Director in charge to each business and established a structure that ensures appropriate and effective execution of duties.

(II) The Company deliberates and makes decisions on a mid-term and short-term business plan at the Board of Directors meeting, and each Director acts to achieve objectives set in the plan and reports the progress at the Board of Directors meeting.

(III) The Company has established classification for operational management of subsidiaries based on the Group-wide basic policy and strategy and established a structure for ensuring effective execution of business affairs in consideration of this classification. The Company has in place a system for providing guidance on business management and operations and monitoring performance according to each company's situation for the Electronic Components Segment companies, and a system for ensuring cooperation while receiving report on business conditions to check on the progress for listed subsidiaries.

[Overview of operating status]

- The Company has structured operations along functional lines in areas such as sales & marketing, engineering, production, administration and quality management. It has also set up a business assignment system arranged by business in the areas of components, automotive modules, and new business & consumer modules, and has accordingly clarified lines of responsibility by assigning Directors to be in charge of the respective areas of business.
- The Company establishes a mid-term business plan once every three years and a short-term business plan every year, and in that regard deliberates and makes decisions in the Board of Directors meetings. The Company holds business plan meetings semi-annually with respect to those plans in order to track progress of the plans and conduct reviews. Moreover at the Board of Directors meetings, the respective Directors in charge deliver monthly reports on progress being made with respect to the plans in their areas of responsibility.
- With respect to the Electronic Components Segment companies, the Company has assigned Directors in charge of the respective entities, to provide guidance and supervision geared to ensuring that business is executed effectively in accordance with the size and type of business of each subsidiary. As for listed subsidiaries, the Company's Board of Directors receives reports from the presidents of each company on the status of its operations, checks the progress thereof, and facilitates managerial cooperation through Presidents Meetings.

(e) Other structures for ensuring the appropriateness of operations in the corporate group consisting of the Company and its subsidiaries

(I) The Company has established a fundamental philosophy and action guidelines relating to the Group's compliance that apply to the Company and its subsidiaries and shares them within the Group as common values.

(II) The Company has set appropriate standards for pricing of intra-group transactions.

(III) To ensure prevention, early discovery and correction of violation of corporate ethical standards, in-house regulations and laws and regulations, the Company has put in place an internal reporting system (Ethics Hotline) (hereinafter referred to as the "Ethics Hotline") and makes the contact point for reporting known regularly in the Company and its subsidiaries.

(IV) The Company's Internal Audit Department conducts an audit of overall activities relating to business management and businesses of the Company and the Electronic Components Segment companies and reports results of the internal audit to the Board of Directors as well as the Audit and Supervisory Committee and Accounting Auditor. For listed subsidiaries, the internal audit department of each company performs an audit of the company and its group and cooperates with the Company's Internal Audit Department where needed.

(V) The Company's Audit and Supervisory Committee makes efforts to communicate and exchange information with directors and audit & supervisory board members, etc. of the Company's subsidiaries and receive a report on businesses from those subsidiaries where needed.

[Overview of operating status]

- The Company has established the Alps Group Compliance Charter which is used throughout the entire Group. Intra-group transactions are carried out in an appropriate manner, with those involving Electronic Components Segment companies conducted using a Group company pricing standard, and those involving listed subsidiaries conducted on the basis of agreements relating to Alps Group administration and management.
- The Company has put in place its Ethics Hotline, and also makes its contact points for reporting known through the monthly company newsletter, in-house portal websites, and through other such means. The Director in charge of administration checks on the status of Ethics Hotline operations, and reports such matters to the Board of Directors semi-annually.
- The Company holds Alps Group Ethics Hotline Liaison Meetings semi-annually, in order to discuss and share with the listed subsidiaries on matters such as the status of Ethics Hotline operations and issues to be faced.
- In addition to carrying out internal audits of the Company's manufacturing and sales locations on the basis of medium-term and annual internal audit plans, the Internal Audit Department also performed audits on the management and use of public grants, audits on trading business operations, and internal audits of overseas affiliates in the Electronic Components Segment. Moreover, information management audits performed on a global basis in the Electronic Components Segment were conducted in coordination with information systems departments. Results of internal audits are reported to the Board of Directors and the Audit and Supervisory Committee, immediately after having concluded such audits.
- With respect to the listed subsidiaries, internal audits of the respective companies and such segment companies are carried out by the internal audit departments of the respective companies, and details are shared on the status of each company, and challenges thereof, in meetings of the Alps Group Audit and Supervisory Committee Liaison Committee and other such forums.
- The Company's Audit and Supervisory Committee Members regularly hold interviews with presidents and others of the Japanese subsidiaries. Moreover, they hold interviews with presidents and others of overseas subsidiaries when conducting on-site audits, and engage in interviews and exchange information by making use of business plan meetings and other such forums.

(f) Matter regarding employees who assist duties of the Audit and Supervisory Committee

The Company has set up a department assisting duties of the Audit and Supervisory Committee and appointed dedicated staff (hereinafter referred to as "support staff for the Audit and Supervisory Committee").

[Overview of operating status]

- The Company has set up the Audit and Supervisory Committee Office which acts as a department that assists in performing the duties of the Audit and Supervisory Committee, and accordingly dedicated support staff for the Audit and Supervisory Committee have been appointed to that office.

(g) Matter regarding ensuring independence of the Company's support staff for the Audit and Supervisory Committee from Directors and effectiveness of instructions for the support staff

(I) Support staff for the Audit and Supervisory Committee shall not assume other functions and shall follow directions and orders solely from the Company's Audit and Supervisory Committee.

(II) The Company makes a personnel change and conducts performance review for support staff for the Audit and Supervisory Committee with full-time Audit and Supervisory Committee Members' agreement.

[Overview of operating status]

・ At the Company, the support staff for the Audit and Supervisory Committee follow directions and orders of the Audit and Supervisory Committee, without concurrently assuming other functions. Meanwhile, personnel changes and performance reviews are carried out upon gaining agreement of full-time Audit and Supervisory Committee Members.

(h) Structure for reporting by the Company's Directors and employees to its Audit and Supervisory Committee

(I) The Company has in place the structure for reporting on any serious internal misconduct or any important matter that may cause significant damage on the Company by Directors to the Audit and Supervisory Committee.

(II) The Company has in place the structure that enables employees to directly or indirectly report any serious internal misconduct or any important matter that may cause significant damage on the Company to the Audit and Supervisory Committee through reporting to the Ethics Hotline contact point.

[Overview of operating status]

・ The Company has created an environment conducive to enabling Directors to report matters any time to the Audit and Supervisory Committee should a Director discover or otherwise become aware of any serious internal misconduct or any important matter that could cause significant damage on the Company. The Company has also put in place a structure that makes it possible for employees to report to the Ethics Hotline and to seek consultation thereof. Moreover, the Company accordingly operates it and makes its presence known. The hotline acts as a point of contact for access to the full-time Audit and Supervisory Committee Members, Audit and Supervisory Committee Members who are Outside Directors, and the manager in charge of the compliance department, should an employee discover or otherwise become aware of any serious internal misconduct or an important matter that could cause significant damage to the Company.

(i) Structure for reporting by directors, audit & supervisory board members, employees, etc. of the Company's subsidiaries or a person who received a report from any of them to the Company's Audit and Supervisory Committee

(I) The Company has in place the structure for reporting on its subsidiary's serious internal misconduct or any important matter that may cause significant damage on the subsidiary by the subsidiary's directors and audit & supervisory board members directly or through the Company's Director in charge, etc. to the Company's Audit and Supervisory Committee.

(II) The Company has in place the structure that enables employees of the Company's subsidiaries to report directly or indirectly to the Company's Audit and Supervisory Committee through reporting to the Ethics Hotline contact point.

[Overview of operating status]

・ The Company has put in place its Ethics Hotline which acts as a point of contact for access to the Company's full-time Audit and Supervisory Committee Members, Audit and Supervisory Committee Members who are Outside Directors, and the manager in charge of the compliance department, and accordingly operates it and makes its presence known. The hotline acts as a structure that makes it possible for directors and audit & supervisory board members of Japanese subsidiaries (excluding listed subsidiaries) and employees thereof to report matters to the Company's Audit and Supervisory Committee with respect to the subsidiary's serious internal misconduct or any important matter that may cause significant damage on the subsidiary.

・ The Company has put in place internal reporting structures in its major overseas subsidiaries, and provides guidance to such employees so that they can use these structures. Moreover, the Ethics Hotline secretariat regularly monitors the status of such operations, and reports results of such monitoring to the Company's Director in charge of administration, full-time Audit and Supervisory Committee Members, and Audit and Supervisory Committee Members who are Outside Directors.

(j) Structure for ensuring that a person who reported to the Audit and Supervisory Committee is not treated unfavorably for the report

The Company has stipulated in in-house regulations that it is prohibited to treat a Director, employee or other person of the Company and a director, audit & supervisory board member, employee or other person of its subsidiaries unfavorably because he or she reported to the Audit and Supervisory Committee.

[Overview of operating status]

・ The Company's Ethics Hotline regulations prohibit the unfavorable treatment of a Director, employee or any other person of the Company and a director, audit & supervisory board member (excluding those of listed subsidiaries), employee or any other person of its subsidiaries, on the grounds that he or she has reported to the Ethics Hotline.

(k) Policies regarding procedures for advance payment or reimbursement of expenses arising in conjunction with the execution of duties by the Company's Audit and Supervisory Committee Members (limited to those expenses incurred in relation to execution of the Audit and Supervisory Committee's duties) and other policies for processing expenses and obligations arising with respect to execution of such duties

If an Audit and Supervisory Committee Member asks the Company for the expenses arising in conjunction with the execution of his or her duties, the Company shall appropriately process such expenses or obligations in accordance with Article 399-2, Paragraph 4 of the Companies Act.

[Overview of operating status]

・ Budgets to cover expenses for audits performed by Audit and Supervisory Committee Members are secured on the basis of audit plans, and reimbursement of such expenses is provided based on request made by an Audit and Supervisory Committee Member of expenses actually incurred. In the fiscal year under review, there were no requests received from Audit and Supervisory Committee Members with respect to expenses incurred for urgent or extraordinary matters.

(l) Other structure for ensuring that the audit by the Audit and Supervisory Committee is conducted effectively

(I) Audit and Supervisory Committee Members may have meetings with Directors and executive-level employees regularly and as needed, for example by attending important in-house meetings such as business plan meetings.

(II) The Audit and Supervisory Committee may have meetings regularly and as needed to ensure close cooperation with the Internal Audit Department and Accounting Auditor.

(III) The Audit and Supervisory Committee may use external experts if it is necessary in performing an audit.

[Overview of operating status]

・ The Audit and Supervisory Committee Members have meetings with Directors and executive-level employees regularly and as needed, in addition to attending important meetings such as the Board of Directors meetings and business plan meetings.

・ The Audit and Supervisory Committee Members meet with the Internal Audit Department and the Accounting Auditor at meetings held regularly and as needed such as the Alps Group Audit and Supervisory Committee Liaison Committee and meetings to report audit results, and share information and issues in that regard.

・ The auditing standards of the Audit and Supervisory Committee clearly state that external experts may be used.

(m) Structure for ensuring the appropriateness of financial reporting

The Company shall check the establishment and enforcement of internal control through self-inspection and evaluation by an independent department, and disclose the effectiveness of internal control on reliability of financial reporting in the internal control report.

B. Basic views on eliminating anti-social forces and progress of related efforts

The Group adheres to its policy of having no relation with anti-social forces and groups that pose a threat to order or safety in civil society and steadfastly refusing any request from such forces and groups.

The Group has set up a body that controls handling of anti-social forces and groups in the Human Resources and General Affairs Departments and has put in place a structure for cooperation with relevant internal departments and external specialized agencies including the police. To respond to unreasonable demands, the Group also provides education that includes carrying out in-house training for departments dealing with such matters.

(6) Policy for determining dividend payment from surplus

The Company has adopted a basic policy of determining the distribution of its profits based on the consolidated financial results of the electronic components segment, with consideration placed on striking a balance among the three elements: (1) returns to shareholders, (2) funds for R&D and capital investment to support business expansion and enhanced competitiveness, and (3) internal reserves.

The Articles of Incorporation stipulate matters regarding distributions of surplus each fiscal year. Accordingly, dividends are to be paid twice annually in the form of an interim dividend, whose record date is the final day of the respective second quarter, and a year-end dividend. Meanwhile, the interim dividend as well as the year-end dividend may be paid upon respective resolution of the Board of Directors acting as the decision-making body. However, decisions on year-end dividends shall generally be referred to a General Meeting of Shareholders for the time being.

For the fiscal year under review, the Company intends to pay out an annual dividend amounting to 37 yen per share, consisting of an interim dividend of 17 yen per share and a year-end dividend of 20 yen per share. The dividend amount has been determined based on the aforementioned basic policy, upon taking into consideration trends in business performance, enhancement of financial standing and shareholder expectations with respect to dividends. As a result, the dividend payout ratio (non-consolidated) amounts to 21.9% for the fiscal year under review.

Dividend payment from surplus pertaining to the fiscal year under review is as follows.

Date of resolution	Total amount of dividend (Millions of yen)	Dividend per share (Yen)
October 30, 2017 Resolutions of the Board of Directors	3,330	17.00
June 22, 2018 Resolution of the Ordinary General Meeting of Shareholders (scheduled)	3,918	20.00

Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Account title	Amount	
Assets		
I. Current assets		
1. Cash and time deposits		121,554
2. Notes and accounts receivable-trade		160,107
3. Merchandise and finished goods		59,693
4. Work in process		11,496
5. Raw materials and supplies		24,936
6. Deferred tax assets		9,641
7. Other current assets		22,955
Allowance for doubtful accounts		(436)
Total current assets		409,948
II. Non-current assets		
1. Property, plant and equipment		
(1) Buildings and structures	134,447	
Less accumulated depreciation and impairment losses	(95,739)	38,708
(2) Machinery, equipment and vehicles	232,870	
Less accumulated depreciation and impairment losses	(163,616)	69,254
(3) Tools, furniture, fixtures and dies	136,845	
Less accumulated depreciation and impairment losses	(116,956)	19,888
(4) Land		30,574
(5) Construction in progress		27,465
Property, plant and equipment, net		185,891
2. Intangible assets, net		18,572
3. Investments and other assets		
(1) Investment securities		25,261
(2) Deferred tax assets		9,752
(3) Net defined benefit asset		46
(4) Other		25,048
Allowance for doubtful accounts		(2,722)
Total investments and other assets		57,386
Total non-current assets		261,850
Total assets		**671,799**

Account title	Amount	
Liabilities		
I. Current liabilities		
1. Notes and accounts payable-trade		73,764
2. Short-term loans payable		36,810
3. Accrued expenses		18,151
4. Income taxes payable		7,602
5. Deferred tax liabilities		81
6. Accrued employees' bonuses		11,991
7. Accrued directors' bonuses		259
8. Accrued product warranties		6,960
9. Other provision		253
10. Other current liabilities		41,867
Total current liabilities		197,742
II. Non-current liabilities		
1. Long-term debt		33,610
2. Deferred tax liabilities		4,489
3. Liability for retirement benefits		14,262
4. Accrued directors' severance costs		223
5. Allowance for environmental preservation costs		590
6. Other non-current liabilities		5,008
Total non-current liabilities		58,184
Total liabilities		**255,926**
Net assets		
I. Shareholders' equity		
1. Capital stock		38,730
2. Capital surplus		56,065
3. Retained earnings		213,790
4. Treasury shares		(3,497)
Total shareholders' equity		305,088
II. Accumulated other comprehensive income		
1. Net unrealized gains on securities		4,734
2. Net deferred losses on hedges		(0)
3. Revaluation reserve for land		(505)
4. Foreign currency translation adjustments		(5,339)
5. Retirement benefits liability adjustments		(2,800)
Total accumulated other comprehensive income (loss)		(3,912)
III. Share acquisition rights		333
IV. Non-controlling interests		114,362
Total net assets		**415,872**
Total liabilities and net assets		**671,799**

(Note) Amounts of less than one million yen have been omitted.

Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account title	Amount	
I Net sales		858,317
II Cost of sales		669,721
Gross profit		**188,596**
III Selling, general and administrative expenses		116,688
Operating profit		**71,907**
IV Non-operating income		
1. Interest income	560	
2. Dividend income	426	
3. Gain on sales of mold	347	
4. Subsidy income	309	
5. Miscellaneous income	853	2,497
V Non-operating expenses		
1. Interest expense	768	
2. Foreign exchange losses	3,064	
3. Equity in losses of affiliates	25	
4. Commission fee	2,354	
5. Miscellaneous expenses	1,474	7,687
Ordinary profit		**66,717**
VI Extraordinary income		
1. Gain on sales of non-current assets	366	
2. Gain on change in equity	147	
3. Other	98	612
VII Extraordinary losses		
1. Loss on sales and retirement of non-current assets	880	
2. Impairment loss	275	
3. Loss on valuation of investment securities	767	
4. Other	182	2,107
Profit before income taxes		**65,222**
Income taxes - current	13,350	
Income taxes - deferred	(3,059)	10,291
Profit		54,931
Profit attributable to non-controlling interests		7,541
Profit attributable to owners of parent		**47,390**

(Note) Amounts of less than one million yen have been omitted.

(Reference Information)

[Consolidated Statement of Income and Comprehensive Income] (Non-audited)

(From April 1, 2017 to March 31, 2018)

	(Millions of yen)
Net sales	858,317
Cost of sales	669,721
Gross profit	188,596
Selling, general and administrative expenses	116,688
Operating profit	71,907
Non-operating income	
Interest income	560
Dividend income	426
Gain on sales of mold	347
Subsidy income	309
Miscellaneous income	853
Total non-operating income	2,497
Non-operating expenses	
Interest expense	768
Foreign exchange losses	3,064
Equity in losses of affiliates	25
Commission fee	2,354
Miscellaneous expenses	1,474
Total non-operating expenses	7,687
Ordinary profit	66,717
Extraordinary income	
Gain on sales of non-current assets	366
Gain on change in equity	147
Other	98
Total extraordinary income	612
Extraordinary losses	
Loss on sales and retirement of non-current assets	880
Impairment loss	275
Loss on valuation of investment securities	767
Other	182
Total extraordinary losses	2,107
Profit before income taxes	65,222
Income taxes - current	13,350
Income taxes - deferred	(3,059)
Total income taxes	10,291
Profit	54,931
Profit attributable to owners of parent	47,390
Profit attributable to non-controlling interests	7,541
Other comprehensive income	
Net unrealized gains on securities	1,176
Net deferred losses on hedges	(1)
Foreign currency translation adjustments	4,010
Retirement benefits liability adjustments	2,696
Share of other comprehensive income (loss) of affiliated companies accounted for by the equity method	(36)
Total other comprehensive income	7,845
Comprehensive income	62,776
Comprehensive income attributable to:	
Owners of parent	52,971
Non-controlling interests	9,805

(Note) Amounts of less than one million yen have been omitted.

Consolidated Statement of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2017	38,730	56,071	172,677	(3,493)	263,985
Changes of items during period					
Dividends			(6,268)		(6,268)
Profit attributable to owners of parent			47,390		47,390
Purchase of treasury shares				(3)	(3)
Reversal of revaluation reserve for land			(8)		(8)
Change in ownership interest of parent due to transactions with non-controlling interests		(5)			(5)
Changes in items other than shareholders' equity, net					
Total changes of items during period	–	(5)	41,112	(3)	41,103
Balance at March 31, 2018	38,730	56,065	213,790	(3,497)	305,088

	Accumulated other comprehensive income						Share acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on securities	Net deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income (loss)			
Balance at April 1, 2017	4,479	(0)	(506)	(8,481)	(4,976)	(9,483)	248	106,365	361,114
Changes of items during period									
Dividends									(6,268)
Profit attributable to owners of parent									47,390
Purchase of treasury shares									(3)
Reversal of revaluation reserve for land									(8)
Change in ownership interest of parent due to transactions with non-controlling interests									(5)
Changes in items other than shareholders' equity, net	255	(0)	0	3,141	2,176	5,571	85	7,997	13,654
Total changes of items during period	255	(0)	0	3,141	2,176	5,571	85	7,997	54,757
Balance at March 31, 2018	4,734	(0)	(505)	(5,339)	(2,800)	(3,912)	333	114,362	415,872

(Note) Amounts of less than one million yen have been omitted.

Notes to Consolidated Financial Statements

Significant matters forming the basis of preparing consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 86

Principal subsidiaries are as provided in "1. Current Situation of the Corporate Group, (8) Important subsidiaries" of "Business Report."

From the fiscal year ended March 31, 2018, four companies including ALPS LOGISTICS MEXICO EXPRESS, S.A. DE C.V., ALPS LOGISTICS INDIA PRIVATE LIMITED and ALPS LOGISTICS VIETNAM CO., LTD. have been included in the scope of consolidation since they were newly established, and C's Lab Co., Ltd. has been included in the scope of consolidation because of additional acquisition of its shares.

Because ALPINE GIKEN, INC. ceased to exist due to an absorption-type merger with ALPINE ELECTRONICS, INC., a consolidated subsidiary, being the surviving company, and ALPINE TECHNOLOGY MANUFACTURING, INC. and ALPINE PRECISION INC. ceased to exist due to an absorption-type merger with ALPINE MANUFACTURING, INC., a consolidated subsidiary, being the surviving company, they have been excluded from the scope of consolidation.

(2) Unconsolidated subsidiaries

There are four unconsolidated subsidiaries including ALPINE DO BRASIL LTDA. Since all these subsidiaries are small in terms of total assets, net sales, profit (the Company's interests in their respective amounts) and retained earnings (the Company's interests in their respective amounts) and do not have any significant effects on consolidated financial statements on the whole, they have been excluded from the scope of consolidation.

2. Application of the equity method

(1) Number of affiliated companies accounted for by the equity method: 5

(Affiliated companies accounted for by the equity method)

NEUSOFT XIKANG ALPS (SHENYANG) TECHNOLOGY CO., LTD.

Device & System Platform Development Center Co., Ltd.

NEUSOFT CORPORATION

NEUSOFT REACH AUTOMOTIVE TECHNOLOGY (SHANGHAI) CO., LTD.

DALIAN NEUSOFT HOLDINGS CO., LTD.

In the fiscal year under review, SHENYANG XIKANG ALPS TECHNOLOGIES CO., LTD., an affiliated company accounted for by the equity method, changed its company name to NEUSOFT XIKANG ALPS (SHENYANG) TECHNOLOGY CO., LTD.

Of affiliated companies accounted for by the equity method, for companies whose balance sheet date is different from the consolidated balance sheet date, their financial statements for each fiscal year were used, and adjustments necessary for consolidation were made with regard to any significant transactions occurred during a period between their balance sheet dates and the consolidated balance sheet date.

(2) Subsidiaries and affiliated companies not accounted for by the equity method

There are four unconsolidated subsidiaries not accounted for by the equity method including ALPINE DO BRASIL LTDA., and five affiliated companies not accounted for by the equity method. Since all these subsidiaries and affiliated companies are small in terms of profit (the Company's interests in their respective amounts) and retained earnings (the Company's interests in their respective amounts) and do not have any significant effects on consolidated financial statements on the whole, they have been excluded from the application of the equity method.

3. Fiscal year-end of consolidated subsidiaries

The balance sheet date of 52 of 86 consolidated subsidiaries is the same as the consolidated balance date. The balance sheet date of 34 consolidated subsidiaries is December 31. Of the 34 consolidated subsidiaries whose balance sheet date is December 31, for 10 companies that belong to the Electronic Components Segment, six companies that belong to the Automotive Infotainment Segment and one company that belongs to the Others Segment, their financial statements based on the provisional settlement of accounts as of the consolidated balance sheet, which were prepared in conformity to the regular settlement of accounts, were used in the preparation of consolidated financial statements.

For other consolidated subsidiaries whose balance sheet date is different from the consolidated balance sheet date, their financial statements for each fiscal year were used and adjustments necessary for consolidation were made with regard to any significant transactions occurred during a period between their balance sheet dates and the consolidated balance sheet date.

4. Accounting policies

(1) Valuation basis and method for significant assets

(i) Securities

Other securities

Securities with fair value

Stated at fair value based on market prices, etc. on the balance sheet date.
(Net unrealized gains or losses are stated as a component of net assets and the cost of securities sold is calculated applying the moving-average method.)

Securities without fair value

Stated at cost determined by the moving-average method.

(ii) Derivatives

Stated at fair value.

(iii) Inventories

The Company and its domestic consolidated subsidiaries principally state inventories at cost determined by the gross average method (for values on the balance sheet, the carrying values are written down based on decreased profitability), while its foreign consolidated subsidiaries in Asia mainly state inventories at the lower of cost or market determined by the gross average method, and its foreign consolidated subsidiaries in the United States and Europe mainly state inventories at the lower of cost or market determined by the moving-average method.

(2) Depreciation and amortization of significant depreciable and amortizable assets

(i) Property, plant and equipment (excluding leased assets)

Mainly depreciated by the straight-line method. Certain domestic consolidated subsidiaries apply the declining-balance method; however, buildings (excluding facilities attached to buildings) purchased on or after April 1, 1998 and facilities attached to buildings and other non-building structures purchased on or after April 1, 2016 are depreciated by the straight-line method.

The estimated useful lives are summarized as follows:

Buildings and structures: 2-80 years

Machinery, equipment and vehicles: 1-17 years

Tools, furniture, fixtures and dies: 1-20 years

(ii) Intangible assets (excluding leased assets)

Amortized by the straight-line method.

Software for internal use is amortized by the straight-line method over its estimated useful lives ranging from 2 to 10 years. Software for sale to the market is amortized at the greater of either the amount based on sales in the year, as a proportion of total estimated sales, or the amount calculated on a straight-line basis over the remaining salable period.

(iii) Leased assets

Assets held under finance leases, which transfer the ownership of the leased assets to the lessees

Depreciated by the same method as used for their own property, plant and equipment.

Assets held under finance leases, except those leases which transfer the ownership of the leased assets to the lessees

Depreciated by the straight-line method over their useful lives, which are the same as the term of the lease, and assuming no residual value.

(3) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To cover possible credit losses on accounts receivable or loans, an allowance for doubtful accounts is provided in the amount deemed uncollectible, which is calculated on the basis of historical default rates for normal claims, or on the basis of individual assessments for specific claims on obligors threatened with bankruptcy.

(ii) Accrued employees' bonuses

Accrued employees' bonuses at the balance sheet date are based on an estimate of the amounts to be paid as bonuses for services rendered by employees by that date.

(iii) Accrued directors' bonuses

Accrued directors' bonuses at the balance sheet date are based on an estimate of the amounts to be paid as bonuses for services rendered by directors by that date.

(iv) Accrued product warranties

To prepare for incurrence of expenses for claims received or payment for after-sale services on goods sold, accrued product warranties are recorded at the amount estimated individually for such expenses to be incurred that can be estimated individually, and at the estimated amount based on the historical rate of incurrence to net sales for the expenses that cannot be estimated individually.

(v) Accrued directors' severance costs

Certain domestic consolidated subsidiaries provide accrued directors' severance costs at the amount required at the end of the fiscal year based on their internal rules in order to prepare for payment of directors' retirement benefits.

(vi) Allowance for environmental preservation costs

To provide for costs incurred through environmental preservation measures, including those to restore certain land from soil pollution and to dispose of polluted soil and poisonous material, the estimated amount of future obligations is recorded as an allowance for environmental preservation costs.

(4) Basis for recognition of significant revenues and expenses

Basis for revenue recognition on finance leases

The Company, as a lessor, recognizes sales at the amount of lease income and cost of sales at the amount of lease income less interest at the time the Company receives the lease fee.

(5) Accounting policy for significant foreign currency translation

Foreign currency monetary receivables and payables are translated into Japanese yen at spot exchange rates prevailing at the consolidated balance sheet date, and translation adjustments are accounted for as profit or loss. Assets and liabilities of foreign subsidiaries, etc. are translated into Japanese yen at spot exchange rates prevailing at their balance sheet dates and revenue and expenses are translated into Japanese yen at the average exchange rates during the period, and translation adjustments are included in foreign currency translation adjustments and non-controlling interests in net assets.

(6) Significant hedge accounting method

(i) Hedge accounting method

Hedge accounting is conducted by deferral hedge accounting.

However, exceptional treatment, "*tokurei-shori*," is applied for interest rate swaps that are qualified for such treatment.

(ii) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Forward foreign exchange contracts	Receivables and payables denominated in foreign currencies, etc.
Currency options	Receivables and payables denominated in foreign currencies, etc.
Interest rate swaps	Variable-rate debts

(iii) Hedging policy

Forward foreign exchange contracts and currency option transactions are conducted for the purpose of avoiding the exchange fluctuation risk for foreign currency transactions, and the transaction amount is limited to the extent of the amount of receivables and payables denominated in foreign currencies in possession and the amount to be sold or purchased.

Interest rate swap transactions are conducted for the purpose of avoiding the risk of increases in interest rates for existing variable-rate debts.

(iv) Method of assessing hedge effectiveness

For forward foreign exchange contracts, hedge effectiveness is assessed by analyzing the ratio between each hedged item and the related hedging instrument based on the respective accumulated fluctuations caused by exchange rates.

For interest rate swap transactions, hedge effectiveness is assessed by analyzing the ratio between each hedged item and related hedging instrument based on the respective accumulated fluctuations caused by interest rates. When interest rate swaps are determined to be qualified for exceptional treatment, this determination is substituted for the assessment of effectiveness.

(v) Other risk management method related to hedge accounting

No item to report.

(7) Accounting policy for retirement benefits

To prepare for payment of retirement benefits to employees, the amount of retirement benefit obligation less plan assets is recorded based on the estimated amount at the end of the fiscal year under review.

In the calculation of retirement benefit obligation, the Company and certain consolidated subsidiaries attribute the estimated amount of retirement benefits to the period up to the end of the fiscal year under review by the benefit formula method.

Prior service cost is amortized by the straight-line method over a certain period within the average remaining years of service of the eligible employees when it was incurred (one year, except certain domestic consolidated subsidiaries that apply a period of 13 years).

Actuarial gain or loss is amortized by the straight-line method over the average remaining years of service of the eligible employees when it was incurred (mainly from 12 to 15 years) from the fiscal year following the respective fiscal year of incurrence.

Unrecognized actuarial gains and losses and unrecognized prior service cost are recorded in net assets, adjusted for tax effects, as retirement benefits liability adjustments in accumulated other comprehensive income.

(8) Amortization method and period of goodwill

Goodwill is amortized over five years on a straight-line basis.

(9) Other significant matters forming the basis of preparing consolidated financial statements

(i) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(ii) Adoption of consolidated taxation system

The Company and certain consolidated subsidiaries have adopted the consolidated taxation system.

New Accounting Standards Not Yet Applied

- "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, revised on February 16, 2018)
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, revised on February 16, 2018)

(1) Overview

When the practical guidelines on tax effect accounting issued by the Japanese Institute of Certified Public Accountants (JICPA) were transferred to the ASBJ, the ASBJ made necessary changes mentioned below to the practical guidelines while maintaining the basic framework and issued the "Implementation Guidance on Tax Effect Accounting" and the other above.

(Major changes to accounting treatments)

- Treatment of taxable temporary differences pertaining to shares of subsidiaries, etc. in non-consolidated financial statements
- Treatment of recoverability of deferred tax assets for an entity classified as type 1

(2) Scheduled date of application

These ASBJ guidances will be applied from the beginning of the fiscal year ending March 31, 2019.

(3) Effects of application of the accounting standards

The effect of applying the "Implementation Guidance on Tax Effect Accounting" and the other above on the consolidated financial statements is currently under evaluation.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued on March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed a comprehensive accounting standard on revenue recognition and issued "Revenue from Contracts with Customers" in May 2014 (IASB's IFRS 15 and FASB's Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

(2) Scheduled date of application

These ASBJ statement and guidance will be applied from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of application of the accounting standards

The effect of applying the "Accounting Standard for Revenue Recognition" and its guidance on the consolidated financial statements is currently under evaluation.

Changes in Presentation

(Consolidated Statement of Income)

(1) Gain on sales of mold

"Gain on sales of mold," which was included in "miscellaneous income" under non-operating income in the previous fiscal year, was separately presented in the fiscal year under review, because its materiality increased.

In the previous fiscal year, 152 million yen was included in "miscellaneous income" under non-operating income.

(2) Subsidy income

"Subsidy income," which was included in "miscellaneous income" under non-operating income in the previous fiscal year, was separately presented in the fiscal year under review, because its materiality increased.

In the previous fiscal year, 296 million yen was included in "miscellaneous income" under non-operating income.

(3) Insurance return

"Insurance return," which was separately presented under non-operating income in the previous fiscal year, was included in "miscellaneous income" under non-operating income in the fiscal year under review due to its immateriality.

(4) Commission fee

"Commission fee," which was included in "miscellaneous expenses" under non-operating expenses in the previous fiscal year, was separately presented in the fiscal year under review, because its materiality increased.

In the previous fiscal year, 349 million yen was included in "miscellaneous expenses" under non-operating expenses.

(5) Impairment loss

"Impairment loss," which was included in "other" under extraordinary losses in the previous fiscal year, was separately presented in the fiscal year under review, because its materiality increased.

In the previous fiscal year, 164 million yen was included in "other" under extraordinary losses.

(6) Loss on reduction of non-current assets

"Loss on reduction of non-current assets," which was separately presented under extraordinary losses in the previous fiscal year, was included in "other" under extraordinary losses due to its immateriality.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral

	(Millions of yen)
Buildings and structures	1,733
Land	1,389
Corresponding liabilities	
Long-term debt	60
Short-term loans payable	96
(Long-term debt due within one year)	

2. Goodwill

In the fiscal year under review, "goodwill" was included in "intangible assets" since the amount was not more than 1% of the total amount of assets.

3. Revaluation of land

On March 31, 2002, certain domestic consolidated subsidiaries revalued their land held for business purposes in accordance with the Act on Revaluation of Land (Act No. 34, promulgated on March 31, 1998).

Revaluation differences were recorded as "revaluation reserve for land" ("non-controlling interests" for non-controlling portion) under net assets in accordance with the Act for Partial Amendment of the Act on Revaluation of Land (Act No. 24, promulgated on March 31, 1999).

- Method of revaluation:

  Calculation method for revaluation is based on assessed value of fixed assets tax stipulated in Article 341, Item 10 of the Local Tax Act (Act No. 226 of 1950) as defined in Article 2, Item 3 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119, promulgated on March 31, 1998).

- Date of revaluation:

  March 31, 2002

- The difference between the fair value of land that was revalued at the end of the fiscal year and carrying value after revaluation:

  (971) million yen

4. Loan commitments (as the borrower)

The Company and certain consolidated subsidiaries have entered into loan commitment agreements with eight financial institutions to secure liquidity and efficiently raise working capital.

The balance of unexecuted loans payable and others related to loan commitments at the end of the fiscal year under review are as follows:

	(Millions of yen)
Total amount of loan commitments	40,000
Loans payable outstanding	900
Balance of unexecuted loans payable	39,100

Notes to Consolidated Statement of Changes in Net Assets

1. Class and total number of issued shares and class and number of treasury shares

	Number of shares as of April 1, 2017 (Thousands of shares)	Increase during the fiscal year (Thousands of shares)	Decrease during the fiscal year (Thousands of shares)	Number of shares as of March 31, 2018 (Thousands of shares)
Issued shares Common shares	198,208	–	–	198,208
Total	198,208	–	–	198,208
Treasury shares Common shares (Note)	2,302	1	–	2,304
Total	2,302	1	–	2,304

(Note) The increase of 1 thousand shares in the number of common shares in treasury shares is due to purchase of shares less than one unit.

2. Dividends of surplus

(1) Dividends paid

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 23, 2017 Ordinary General Meeting of Shareholders	Common shares	2,938	15.00	March 31, 2017	June 26, 2017
October 30, 2017 Board of Directors meeting	Common shares	3,330	17.00	September 30, 2017	November 30, 2017

(2) Dividends for which record date is in the fiscal year under review with effective date in the following fiscal year

(Scheduled date of resolution)	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
June 22, 2018 Ordinary General Meeting of Shareholders	Common shares	Retained earnings	3,918	20.00	March 31, 2018	June 25, 2018

(3) Class and number of shares to be issued upon exercise of the share acquisition rights at the end of the fiscal year under review (excluding those for which the exercise period has not started)

Common shares: 77,300 shares

Notes to Financial Instruments

1. Status of financial instruments

(1) Policy for financial instruments

In consideration of plans for capital investment mainly in manufacturing, marketing and sales of electric devices, the Group raises necessary funds mainly through bank borrowings. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term working capital through bank borrowings. The Group uses derivatives for the purpose of avoiding risks described below and does not enter into derivative transactions for speculative or trading purposes.

(2) Types of financial instruments and related risk

Operating receivables – notes and accounts receivable-trade – are exposed to credit risk in relation to customers. In addition, the Group's operating receivables denominated in foreign currencies arising from overseas operations are exposed to foreign exchange fluctuation risk. In principle, the foreign currency exchange risks deriving from the operating receivables denominated in foreign currencies, net of operating payables denominated in the same currencies are hedged by forward foreign exchange contracts and currency options.

Marketable securities and investment securities are exposed to market risk. Those securities are mainly composed of shares of other companies with which the Group has business relationships.

Substantially all operating payables – notes and accounts payable-trade – have payment due dates within four months.

Borrowings are taken out principally for the purpose of making capital investments. Among such borrowings, the Group's borrowings bearing interest at variable rates are exposed to the interest rate risk. To reduce the risk of the variable-rate portion of long-term debt, the Group utilizes derivative transactions (interest rate swap transactions) as a hedging instrument.

Derivative transactions consist of forward foreign exchange contracts and currency option transactions to reduce the foreign currency exchange risk arising from the operating receivables and payables denominated in foreign currencies, and interest rate swap transactions to reduce the risk of fluctuations in interest paid on borrowings. For hedging instruments and hedged items, hedging policy, method of assessing hedge effectiveness, etc., please refer to "4. Accounting policies, (6) Significant hedge accounting method" in "Significant matters forming the basis of preparing consolidated financial statements" above.

(3) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

For operating receivables, at the Company, the sales department manager manages orders received from customers and balance of credit limit for receivables, and credit control department monitors the financial position of main customers periodically to early detect and mitigate any potential bad debt, in accordance with the regulations for customer credit control. Consolidated subsidiaries also conduct the management process similar to that of the Company.

The Group believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

(ii) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For operating receivables and payables denominated in foreign currencies, in principle, the Company uses forward foreign exchange contracts to hedge the foreign currency exchange risk identified by currency for each month. In addition, the Company utilizes interest rate swap transactions in order to mitigate the interest rate risk for borrowings.

For marketable securities and investment securities, the Company periodically monitors the fair values of such financial instruments and the financial position of the issuers and continuously reviews holdings taking into account market conditions and relationships with the issuers.
In the execution and management of derivative transactions, the division in charge of each derivative transaction conducts and manages the transaction in accordance with the management regulations, which set forth transaction policies and transaction authority, with approval of the person authorized to approve. Actual transaction data are reported to the Board of Directors.

Consolidated subsidiaries also conduct the management process similar to that of the Company.

(iii) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on the business plan, at the Company, the finance department prepares and updates cash flow plans on a timely basis, and maintains liquidity in hand to manage liquidity risk. Consolidated subsidiaries also conduct the management process similar to that of the Company.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Because calculation of the fair value reflects variable factors, the value may change when different preconditions and other assumptions are used.

2. Fair values of financial instruments

Carrying value in the consolidated balance sheet, fair value, and the difference between them as of March 31, 2018 are as shown below.

(Millions of yen)

	Carrying value in the consolidated balance sheet (*)	Fair value (*)	Difference
(1) Cash and time deposits	121,554	121,554	–
(2) Notes and accounts receivable-trade	160,107	160,107	–
(3) Investment securities (*1)	23,845	28,723	4,878
(4) Notes and accounts payable-trade	(73,764)	(73,764)	–
(5) Short-term loans payable (*2)	(36,810)	(36,810)	–
(6) Long-term debt	(33,610)	(33,527)	(83)
Derivative transactions (*3)	678	678	–

(*) Amounts recorded as liabilities are shown in parentheses.

(Notes) Fair value measurement of financial instruments and notes on securities and derivative transactions
(1) Cash and time deposits, (2) Notes and accounts receivable-trade
Since these items are settled in a short period of time, their carrying value approximates fair value.
(3) Investment securities
With regard to these fair values, the fair value of shares is based on their quoted market price as at the balance sheet date.

(4) Notes and accounts payable-trade, (5) Short-term loans payable
Since these items are settled in a short period of time, their carrying value approximates fair value.

(6) Long-term debt
The fair value is calculated based on the present value of the total of principal and interest discounted by the interest rate that would be applied if similar new loans were entered into.

(*1) Since unlisted shares, shares of unconsolidated subsidiaries, shares of affiliated companies and others (amount recorded in the consolidated balance sheet: 1,416 million yen) have no quoted market price and it is deemed extremely difficult to determine their fair value, these instruments are not included in investment securities.

(*2) Because interest rate swaps to which exceptional treatment is applied are accounted for as an integral part of short-term loans payable that are hedged items, their fair value is included in fair value of the short-term loans payable.

(*3) Net receivables and payables arising from forward foreign exchange contracts are presented on a net basis. If the total of such receivables and payables results in net payables, the amount is shown in parentheses.

Per Share Information

	(Yen)
1. Net assets per share	1,537.37
2. Basic earnings per share	241.91
3. Diluted earnings per share	241.82

(Note) 1. Basis for calculation of net assets per share is as follows.

Total net assets (Millions of yen)	415,872
Amount deducted from total net assets (Millions of yen)	114,695
(Share acquisition rights (Millions of yen))	(333)
(Non-controlling interests (Millions of yen))	(114,362)
Net assets at the end of fiscal year attributable to common shares (Millions of yen)	301,176
Number of common shares used in calculation of net assets per share (Thousands of shares)	195,904

(Note) 2. Basis for calculation of basic earnings per share and diluted earnings per share is as follows.

Basic earnings per share	
Profit attributable to owners of parent (Millions of yen)	47,390
Amount not attributable to common shareholders (Millions of yen)	–
Profit attributable to owners of parent regarding common shares (Millions of yen)	47,390
Average number of shares outstanding during the fiscal year (Thousands of shares)	195,904
Diluted earnings per share	
Adjustments on profit attributable to owners of parent (Millions of yen)	–
Increase in number of common shares (Thousands of shares)	73
(Share acquisition rights (Thousands of shares))	(73)
Description of dilutive securities which were not included in the calculation of diluted earnings per share as they have no dilutive effects	–

Non-Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Account title	Amount	Account title	Amount
Assets		**Liabilities**	
I. Current assets		**I. Current liabilities**	
1. Cash and time deposits	25,550	1. Accounts payable - trade	48,820
2. Notes receivable - trade	897	2. Short-term loans payable	24,848
3. Accounts receivable - trade	88,751	3. Lease obligations	119
4. Merchandise and finished goods	15,543	4. Accounts payable - other	26,932
5. Work in process	5,371	5. Accrued expenses	4,556
6. Raw materials and supplies	5,333	6. Income taxes payable	2,284
7. Advance payments - trade	31	7. Advances received	312
8. Prepaid expenses	1,505	8. Deposits received	212
9. Deferred tax assets	5,556	9. Accrued employees' bonuses	5,859
10. Accounts receivable - other	9,616	10. Accrued directors' bonuses	156
11. Short-term loans receivable from subsidiaries and associates	15,095	11. Accrued product warranties	1,469
		12. Provision for losses on inventories	296
12. Other current assets	1,070	13. Other current liabilities	139
Allowance for doubtful accounts	(73)	Total current liabilities	116,009
Total current assets	174,249		
II. Non-current assets		**II. Non-current liabilities**	
1. Property, plant and equipment		1. Long-term debt	25,000
(1) Buildings	10,197	2. Lease obligations	77
(2) Structures	785	3. Long-term accounts payable - other	627
(3) Machinery and equipment	27,344	4. Provision for retirement benefits	4,345
(4) Vehicles	67	5. Allowance for environmental preservation costs	590
(5) Tools, furniture and fixtures	2,656		
(6) Dies	2,911	6. Asset retirement obligations	308
(7) Land	17,255	7. Other non-current liabilities	89
(8) Construction in progress	15,852	Total non-current liabilities	31,038
Property, plant and equipment, net	77,070	**Total liabilities**	**147,047**
2. Intangible assets		**Net assets**	
(1) Patent right	92	**I. Shareholders' equity**	
(2) Leasehold right	236	1. Capital stock	38,730
(3) Software	10,483	2. Capital surplus	
(4) Telephone subscription right	42	Legal capital surplus	53,830
(5) Right of using facilities	0	Other capital surplus	3,514
Intangible assets, net	10,855	Total capital surplus	57,344
3. Investments and other assets		3. Retained earnings	
(1) Investment securities	2,627	Other retained earnings	
(2) Shares of subsidiaries and associates	39,854	Retained earnings brought forward	79,737
		Total other retained earnings	79,737
(3) Investments in capital	12	Total retained earnings	79,737
(4) Investments in capital of subsidiaries and associates	11,187	4. Treasury shares	(3,497)
		Total shareholders' equity	172,314
(5) Long-term loans receivable from employees	99	**II. Valuation and translation adjustments**	
		Net unrealized gains on securities	819
(6) Claims provable in rehabilitation	2,606	Total valuation and translation adjustments	819
(7) Long-term prepaid expenses	484		
(8) Prepaid pension cost	151	**III. Share acquisition rights**	180
(9) Guarantee deposits	67		
(10) Deferred tax assets	3,669		
(11) Other	60		
Allowance for doubtful accounts	(2,634)		
Total investments and other assets	58,187		
Total non-current assets	146,113	**Total net assets**	**173,315**
Total assets	**320,362**	**Total liabilities and net assets**	**320,362**

(Note) Amounts of less than one million yen have been omitted.

Non-Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

Account title	Amount	
I Net sales		462,158
II Cost of sales		377,510
Gross profit		**84,648**
III Selling, general and administrative expenses		54,967
Operating profit		**29,680**
IV Non-operating income		
1. Dividend income	6,331	
2. Miscellaneous income	910	7,242
V Non-operating expenses		
1. Foreign exchange losses	1,880	
2. Commission fee	1,177	
3. Miscellaneous expenses	851	3,909
Ordinary profit		**33,013**
VI Extraordinary income		
1. Gain on sales of non-current assets	260	
2. Other	1	261
VII Extraordinary losses		
1. Loss on sales and retirement of non-current assets	597	
2. Loss on valuation of investment securities	627	
3. Other	252	1,477
Profit before income taxes		**31,797**
Income taxes - current	1,703	
Income taxes - deferred	(2,990)	(1,287)
Profit		**33,084**

(Note) Amounts of less than one million yen have been omitted.

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2017	38,730	53,830	3,514	57,344	52,921	52,921	(3,493)	145,502
Changes of items during period								
Dividends					(6,268)	(6,268)		(6,268)
Profit					33,084	33,084		33,084
Purchase of treasury shares							(3)	(3)
Changes in items other than shareholders' equity, net								
Total changes of items during period	–	–	–	–	26,815	26,815	(3)	26,812
Balance at March 31, 2018	38,730	53,830	3,514	57,344	79,737	79,737	(3,497)	172,314

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Net unrealized gains on securities	Total valuation and translation adjustments		
Balance at April 1, 2017	544	544	128	146,175
Changes of items during period				
Dividends				(6,268)
Profit				33,084
Purchase of treasury shares				(3)
Changes in items other than shareholders' equity, net	275	275	51	327
Total changes of items during period	275	275	51	27,139
Balance at March 31, 2018	819	819	180	173,315

(Note) Amounts of less than one million yen have been omitted.

Notes to Non-Consolidated Financial Statements

Significant accounting policies

1. Valuation basis and method for securities
   (1) Shares of subsidiaries and affiliated companies
   Stated at cost determined by the moving-average method.
   (2) Other securities
   Securities with fair value
   Stated at fair value based on market prices, etc. on the balance sheet date.
   (Net unrealized gains or losses are stated as a component of net assets and the cost of securities sold is calculated applying the moving-average method.)
   Securities without fair value
   Stated at cost determined by the moving-average method.

2. Valuation basis and method for derivatives
   Stated at fair value.

3. Valuation basis and method for inventories
   (1) Merchandise and finished goods, work in process and raw materials
   Stated at cost determined by the gross average method.
   (For values on the balance sheet, the carrying values are written down based on decreased profitability.)
   (2) Supplies
   Stated at cost determined by the last purchase cost method.
   (For values on the balance sheet, the carrying values are written down based on decreased profitability.)

4. Depreciation and amortization of non-current assets
   (1) Property, plant and equipment (excluding leased assets)
   Depreciated by the straight-line method. The estimated useful lives are summarized as follows:
   Buildings: 3-50 years
   Machinery and equipment: 1-9 years
   Tools, furniture and fixtures: 1-15 years
   Dies: 1-5 years
   (2) Intangible assets (excluding leased assets)
   Amortized by the straight-line method. Software for internal use is amortized by the straight-line method over its estimated useful lives ranging from 5 to 10 years. Software for sale to the market is amortized at the greater of either the amount based on sales in the year, as a proportion of total estimated sales, or the amount calculated on a straight-line basis over the remaining salable period.

(3) Leased assets

Finance leases, which transfer the ownership of the leased assets to the lessees

Depreciated by the same method as used for their own property, plant and equipment.

Finance leases, except those leases which transfer the ownership of the leased assets to the lessees

Depreciated by the straight-line method over their useful lives, which are the same as the term of the lease, and assuming no residual value.

(4) Long-term prepaid expenses

Amortized by the straight-line method.

5. Accounting policy for foreign currency translation

Foreign currency monetary receivables and payables are translated into Japanese yen at spot exchange rates prevailing at the balance sheet date, and translation adjustments are accounted for as profit or loss.

6. Accounting policy for provisions

(1) Allowance for doubtful accounts

To cover possible credit losses on accounts receivable or loans, an allowance for doubtful accounts is provided in the amount deemed uncollectible, which is calculated on the basis of historical default rates for normal claims, or on the basis of individual assessments for specific claims on obligors threatened with bankruptcy.

(2) Accrued employees' bonuses

Accrued employees' bonuses at the balance sheet date are based on an estimate of the amounts to be paid as bonuses for services rendered by employees by that date.

(3) Accrued directors' bonuses

Accrued directors' bonuses at the balance sheet date are based on an estimate of the amounts to be paid as bonuses for services rendered by directors by that date.

(4) Accrued product warranties

To prepare for incurrence of expenses for claims received on goods sold, accrued product warranties are recorded at the individually estimated amount of the expenses to be incurred.

For expenses for product warranties of which the individually estimated amount is not recorded, the estimated amount of the expenses to be incurred is recorded based on the historical rate of incurrence to net sales.

(5) Provisions for losses on inventories

To prepare for losses occurring due to the Company's purchase of inventories held by suppliers, a provision is set aside at the estimated amount of losses to be borne by the Company.

(6) Provision for retirement benefits

To prepare for payment of retirement benefits to employees, provision for retirement benefits are recorded based on the estimated amount of retirement benefit obligation and plan assets at the end of the fiscal year under review.

In the calculation of retirement benefit obligation, the estimated amount of retirement benefits is attributed to the period up to the end of the fiscal year under review by the benefit formula method.

Actuarial gain or loss is amortized by the straight-line method over the average remaining years of service of the eligible employees when it was incurred (14 to 15 years) from the fiscal year following the respective fiscal year of incurrence.

Because for some retirement pension plans, provision for retirement benefits resulted in a debit balance at the end of the fiscal year under review, the balance was recorded as prepaid pension cost.

(7) Allowance for environmental preservation costs

To provide for costs incurred through environmental preservation measures, including those to restore certain land from soil pollution and to dispose of polluted soil and poisonous material, the estimated amount of future obligations is recorded as an allowance for environmental preservation costs.

7. Hedge accounting method

(1) Hedge accounting method

Hedge accounting is conducted by deferral hedge accounting. However, exceptional treatment is applied for interest rate swaps that are qualified for such treatment.

(2) Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Forward foreign exchange contracts	Receivables and payables denominated in foreign currencies, etc.
Currency options	Receivables and payables denominated in foreign currencies, etc.
Interest rate swaps	Variable-rate debts

(3) Hedging policy

Forward foreign exchange contracts and currency option transactions are conducted for the purpose of avoiding the exchange fluctuation risk for foreign currency transactions, and the transaction amount is limited to the extent of the amount of receivables and payables denominated in foreign currencies in possession and the amount to be sold or purchased.

Interest rate swap transactions are conducted for the purpose of avoiding the risk of increases in interest rates for existing variable-rate debts.

(4) Method of assessing hedge effectiveness

For forward foreign exchange contracts, hedge effectiveness is assessed by analyzing the ratio between each hedged item and the related hedging instrument based on the respective accumulated fluctuations caused by exchange rates.

For interest rate swap transactions, hedge effectiveness is assessed by analyzing the ratio between each hedged item and related hedging instrument based on the respective accumulated fluctuations caused by interest rates. When interest rate swaps are determined to be qualified for exceptional treatment, this determination is substituted for the judgment of effectiveness.

8. Accounting policy for retirement benefits

The accounting method for unsettled accounts of unrecognized actuarial gains and losses, unrecognized prior service cost and effects of changes in accounting standards for retirement benefits is different from the accounting method for these items in the consolidated financial statements.

9. Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

Changes in Presentation

(Non-Consolidated Statement of Income)

(1) "Depreciation of inactive non-current assets," which was separately presented under non-operating expenses in the previous fiscal year, was included in "miscellaneous expenses" under non-operating expenses in the fiscal year under review due to its immateriality.

(2) "Foreign exchange losses," which was included in "miscellaneous expenses" under non-operating expenses in the previous fiscal year, was separately presented in the fiscal year under review, because its materiality increased.

In the previous fiscal year, 118 million yen was included in "miscellaneous expenses" under non-operating expenses.

(3) "Commission fee," which was included in "miscellaneous expenses" under non-operating expenses in the previous fiscal year, was separately presented in the fiscal year under review, because its materiality increased.

In the previous fiscal year, 252 million yen was included in "miscellaneous expenses" under non-operating expenses.

(4) "Gain on sales of investment securities," which was separately presented under extraordinary income in the previous fiscal year, was included in "other" under extraordinary income in the fiscal year under review due to its immateriality.

(5) "Gain on sales of non-current assets," which was included in "other" under extraordinary income in the previous fiscal year, was separately presented in the fiscal year under review, because its materiality increased.

In the previous fiscal year, 88 million yen was included in "other" under extraordinary income.

(6) "Loss on valuation of investment securities," which was included in "other" under extraordinary losses in the previous fiscal year, was separately presented in the fiscal year under review, because its materiality increased.

In the previous fiscal year, 0 million yen was included in "other" under extraordinary losses.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation of property, plant and equipment 171,438 million yen

   Accumulated depreciation includes accumulated impairment losses of property, plant and equipment.

2. Guarantee of obligation

   Guarantee of obligation has been provided for a tenancy agreement and a land lease agreement of the following subsidiaries and associates.

Guarantee recipient	Amount (Millions of yen)	Details
ALPS BUSINESS CREATION CO., LTD.	3	Joint and several guarantee for a tenancy agreement
ALPS LOGISTICS CO., LTD.	73	Debt guarantee for a land lease agreement
Total	76	

3. Monetary receivables from and monetary payables to subsidiaries and associates

	(Millions of yen)
Short-term monetary receivables	71,246
Short-term monetary payables	51,824

4. Loan commitment line agreements (as the borrower)

   The Company has entered into loan commitment agreements with five banks with which the Company deals, to secure liquidity and efficiently raise working capital.

   The balance of unexecuted loans payable and others related to loan commitments at the end of the fiscal year under review are as follows:

	(Millions of yen)
Total amount of loan commitments	30,000
Loans payable outstanding	900
Balance of unexecuted loans payable	29,100

Notes to Non-Consolidated Statement of Income

1. Amounts of transactions with subsidiaries and associates

	(Millions of yen)
(1) Net sales	345,266
(2) Operating expenses (Total amount of cost of sales and selling, general and administrative expenses)	233,377
(3) Transactions other than operating transactions	6,618

Notes to Non-Consolidated Statement of Changes in Net Assets

Class and number of treasury shares

	Number of shares as of April 1, 2017 (Thousands of shares)	Increase during the fiscal year (Thousands of shares)	Decrease during the fiscal year (Thousands of shares)	Number of shares as of March 31, 2018 (Thousands of shares)
Treasury shares Common shares (Note)	2,302	1	–	2,304
Total	2,302	1	–	2,304

(Note) The increase of 1 thousand shares in the number of common shares in treasury shares is due to purchase of shares less than one unit.

Tax Effect Accounting

1. The significant components of deferred tax assets and liabilities

(Deferred tax assets)

	(Millions of yen)
Accrued employees' bonuses	1,781
Accrued expenses	742
Loss on valuation of investment securities	480
Depreciation	4,504
Impairment losses for land	669
Loss on valuation of shares of subsidiaries and associates	3,169
Accounts payable-directors' severance costs	190
Loss on valuation of inventories	624
Tax loss carryforwards	3,471
Allowance for doubtful accounts	814
Other	4,066
Deferred tax assets subtotal	20,515
Valuation allowance	(10,837)
Total deferred tax assets	9,677
(Deferred tax liabilities)	
Prepaid pension cost	(46)
Valuation difference on available-for-sale securities	(358)
Other	(47)
Total deferred tax liabilities	(451)
Deferred tax assets, net	9,225

2. The reconciliation between the statutory tax rate and the effective income tax rate after applying tax effect accounting

	(%)
Statutory tax rate	30.7
(Adjustment)	
Decrease in valuation allowance	(22.9)
Items to be excluded from gross revenue, such as dividends income	(5.8)
Items to be regarded as taxable expenses, such as entertainment expenses	0.3
Tax credit	(4.8)
Other	(1.5)
Ratio of income tax burden after the application of tax effect accounting	(4.0)

Notes on Non-current Assets Used by the Company under Lease Transactions

Operating lease transactions (As lessee)

Future lease payments as of March 31, 2018

	(Millions of yen)
Within one year	286
Due after one year	29

Related Party Transactions

Transactions with subsidiaries

Type	Name of companies	Ownership (owned) percentage of voting rights, etc.	Relationship	Transactions	Transacted amounts (Millions of yen) (Notes) 1,2	Account title	Fiscal year-end balance (Millions of yen) (Note) 1
Subsidiaries	ALPS ELECTRIC (NORTH AMERICA), INC.	100.0% directly (own)	Directors concurrently serving	Sales of electronic components	29,723	Accounts receivable - trade	6,238
	ALPS ELECTRIC EUROPE GmbH	100.0% directly (own)	Directors concurrently serving	Sales of electronic components	79,589	Accounts receivable - trade	12,915
				Lending of funds	4,112	Short-term loans receivable from subsidiaries and associates	4,046
	ALPS ELECTRIC KOREA CO., LTD.	100.0% directly (own)	Directors concurrently serving	Sales of electronic components	75,784	Accounts receivable - trade	7,952
	ALPS (CHINA) CO., LTD.	100.0% directly (own)	Directors concurrently serving	Sales of electronic components	44,678	Accounts receivable - trade	5,987
				Lending of funds	3,330	Short-term loans receivable from subsidiaries and associates	7,861
	ALPS (SHANGHAI) INTERNATIONAL TRADING CO., LTD.	100.0% indirectly (own)	Directors concurrently serving	Sales of electronic components	13,524	Accounts receivable - trade	3,328
	DALIAN ALPS ELECTRONICS CO., LTD.	100.0% indirectly (own)	Directors concurrently serving	Purchase of parts and products	29,078	Accounts payable - trade	4,813
	WUXI ALPS ELECTRONICS CO., LTD.	10.27% directly (own) 89.73% indirectly (own)	Directors concurrently serving	Purchase of parts and products	56,164	Accounts payable - trade	4,287
	DONGGUAN ALPS ELECTRONICS CO., LTD.	100.0% indirectly (own)	Directors concurrently serving	Purchase of parts and products	32,403	Accounts payable - trade	4,508
	ALPS ELECTRONICS TAIWAN CO., LTD.	100.0% directly (own)	Directors concurrently serving	Sales of electronic components	23,969	Accounts receivable - trade	3,447

The transaction terms and conditions and the transaction terms and conditions decision policy

(Notes)
1. In the above table, the transacted amounts do not include consumption tax, etc. and the fiscal year-end balance includes consumption tax, etc.
2. The price and other transaction terms and conditions are determined through price negotiations, taking into account prevailing market prices and conditions.

Per Share Information

	(Yen)
1. Net assets per share	883.77
2. Basic earnings per share	168.88
3. Diluted earnings per share	168.82

(Note) 1. Basis for calculation of net assets per share is as follows.

Total net assets (Millions of yen)	173,315
Amount deducted from total net assets (Millions of yen)	180
(Share acquisition rights (Millions of yen))	(180)
Net assets at the end of fiscal year attributable to common shares (Millions of yen)	173,134
Number of common shares used in calculation of net assets per share (Thousands of shares)	195,904

(Note) 2. Basis for calculation of basic earnings per share and diluted earnings per share is as follows.

Basic earnings per share	
Profit (Millions of yen)	33,084
Amount not attributable to common shareholders (Millions of yen)	–
Profit regarding common shares (Millions of yen)	33,084
Average number of shares outstanding during the fiscal year (Thousands of shares)	195,904
Diluted earnings per share	
Adjustments on profit (Millions of yen)	–
Increase in number of common shares (Thousands of shares)	73
(Share acquisition rights (Thousands of shares))	(73)
Description of dilutive securities which were not included in the calculation of diluted earnings per share as they have no dilutive effects	–

THE AUDIT REPORT OF INDEPENDENT AUDITORS CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Report of Independent Auditors

May 16, 2018

The Board of Directors
ALPS ELECTRIC CO., LTD.

Ernst & Young ShinNihon LLC

Designated and Engagement Partner
Certified public accountant Hirofumi Harashina Seal

Designated and Engagement Partner
Certified public accountant Noriyasu Hanafuji Seal

Designated and Engagement Partner
Certified public accountant Junichiro Tsuruta Seal

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to consolidated financial statements of ALPS ELECTRIC CO., LTD. (the "Company") applicable to the 85th fiscal year from April 1, 2017 through March 31, 2018.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group, which consisted of ALPS ELECTRIC CO., LTD. and consolidated subsidiaries, applicable to the 85th fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

THE AUDIT REPORT OF INDEPENDENT AUDITORS
CONCERNING THE NON-CONSOLIDATED FINANCIAL STATEMENTS

Audit Report of Independent Auditors

May 16, 2018

The Board of Directors
ALPS ELECTRIC CO., LTD.

Ernst & Young ShinNihon LLC

Designated and Engagement Partner
Certified public accountant Hirofumi Harashina Seal

Designated and Engagement Partner
Certified public accountant Noriyasu Hanafuji Seal

Designated and Engagement Partner
Certified public accountant Junichiro Tsuruta Seal

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, the notes to non-consolidated financial statements and the related supplementary schedules of ALPS ELECTRIC CO., LTD. (the "Company") applicable to the 85th fiscal year from April 1, 2017 through March 31, 2018.

Management's Responsibility for the Non-Consolidated Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of ALPS ELECTRIC CO., LTD. applicable to the 85th fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Audit Report of the Audit and Supervisory Committee

AUDIT REPORT

The Audit and Supervisory Committee of the Company has audited the Directors' execution of their duties during the 85th fiscal year, from April 1, 2017, to March 31, 2018. The Committee hereby reports the methods and results of the audit as follows:

1. Methods of the Audit and Details Thereof

The Audit and Supervisory Committee received reports regularly from Directors, employees, etc. on the resolutions of the Board of Directors concerning the matters listed in Article 399-13, Paragraph 1, Items (i) (b) and (i) (c) of the Companies Act as well as the development and operation status of the system that has been put in place based on said resolutions (internal control system), requested explanation as necessary, expressed its opinion, and carried out audits according to the following methods of (1) and (2).

The Committee also received reports from Directors, etc. and Ernst & Young ShinNihon LLC on the status of the evaluation and audit of internal controls over financial reporting, and requested explanation as necessary.

(1) In accordance with the audit policy, assigned duties and other rules established by the Audit and Supervisory Committee, the Audit and Supervisory Committee, in cooperation with the company's internal control department, attended the important meetings; received reports from Directors and employees on the execution of their duties, requested explanation as necessary, inspected important documents of management's decision making and other documents; and investigated the status of the business operations and properties at the head office and other main places of business. Regarding the Company's subsidiaries, the Audit and Supervisory Committee sought to facilitate communication and exchange information with directors, audit & supervisory board members and others of the Company's subsidiaries and, as necessary, received reports from these subsidiaries on the status of their businesses.

(2) The Audit and Supervisory Committee monitored and examined whether the accounting auditor maintained its independence and carried out its audits in an appropriate manner, received reports from the accounting auditor on the status of the execution of its duties, requested explanation as necessary. Furthermore, the Audit and Supervisory Committee received a notification from the accounting auditor that it is taking steps to improve the "system for ensuring appropriate execution of duties" (matters specified in the items under Article 131 of the Company Accounting Ordinance) in accordance with the "Quality Control Standards Relating to Auditing" (October 28, 2005, Business Accounting Council) and other standards, and requested explanations as necessary.

Based on the foregoing methods, the Audit and Supervisory Committee examined the Business Report and the related supplementary schedules for the fiscal year under review, non-consolidated financial statements for the same fiscal year (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements) and the related supplementary schedules as well as consolidated financial statements for the same fiscal year (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements).

2. Results of audit:

(1) Result of audit of the Business Report, etc.

In our opinion:

1) the Business Report and the related supplementary schedules fairly represent the conditions of the Company in accordance with laws and regulations and with the Company's Articles of Incorporation;

2) with respect to the Directors' execution of their duties, there are no fraudulent acts or material facts of violation of laws and regulations or of the Company's Articles of Incorporation; and

3) the contents of the resolutions of the Board of Directors regarding internal control systems are appropriate. Furthermore, there are no matters that we should point out regarding the contents of the Business Report and Directors' execution of their duties related to internal control systems, including internal control systems over financial reporting.

(2) Result of audit of the non-consolidated financial statements and the related supplementary schedules
In our opinion, the methods and results of the audit conducted by the accounting auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Result of audit of the consolidated financial statements
In our opinion, the methods and results of the audit conducted by the accounting auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 24, 2018

The Audit and Supervisory Committee
ALPS ELECTRIC CO., LTD.

Full-time Member of Audit and Supervisory Committee
Shuji Takamura Seal

Member of Audit and Supervisory Committee
Yasuhiro Fujii Seal

Member of Audit and Supervisory Committee
Takashi Iida Seal

Member of Audit and Supervisory Committee
Hiroshi Akiyama Seal

Member of Audit and Supervisory Committee
Takuji Kuniyoshi Seal

(Note)
Audit and Supervisory Committee members Mr. Takashi Iida, Mr. Hiroshi Akiyama and Mr. Takuji Kuniyoshi are outside directors as defined in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

End