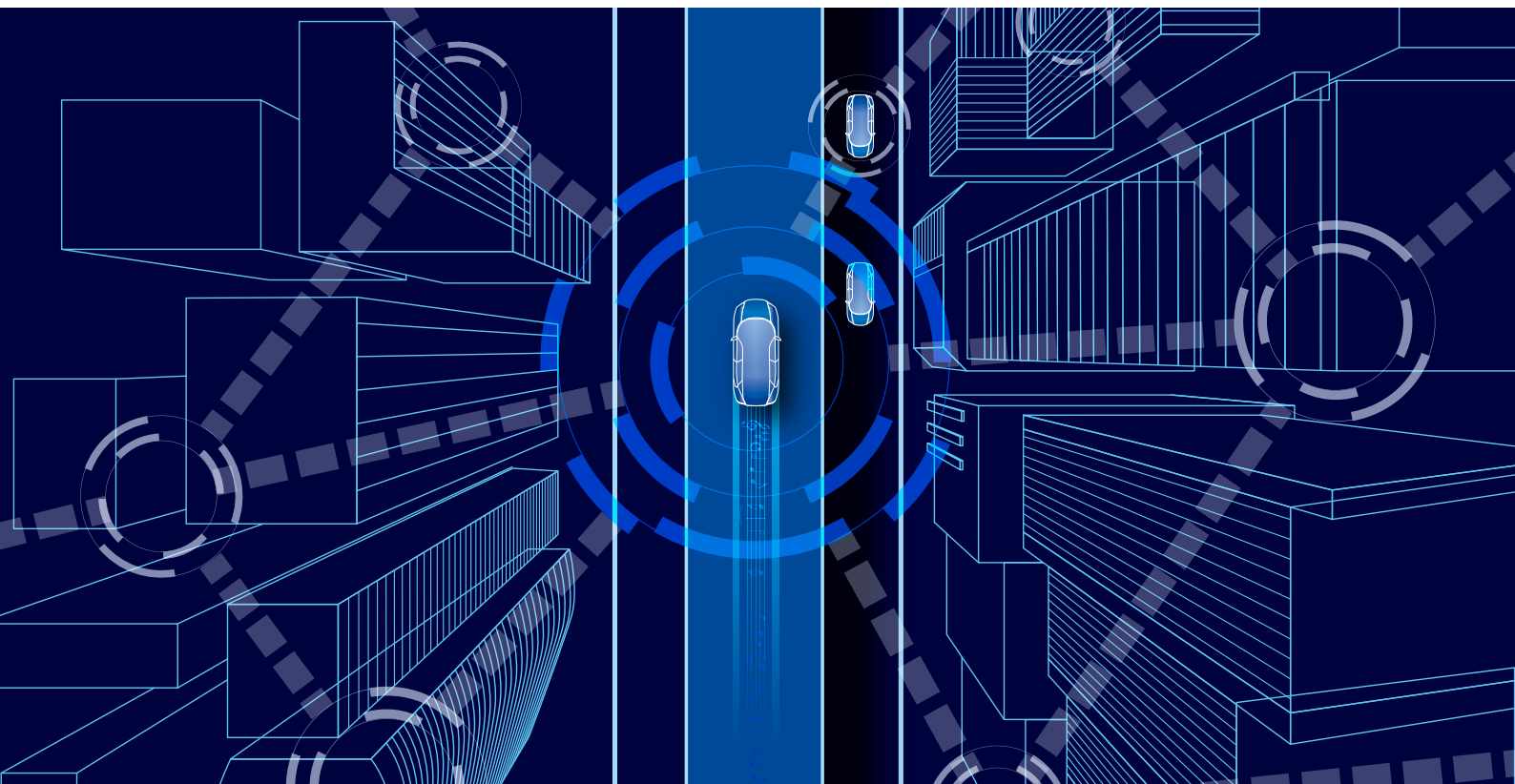


# Annual report 2018▶2019





#### Corporate Philosophy

Alpine values its members as individuals, and is committed to forming an energetic and attractive company where the quality of work is enhanced.

#### 1 Respect for Individuality

Alpine seeks to foster the pride and enthusiasm of each employee, providing the means and opportunities for growth, and encouraging relationships built on mutual trust.

#### 2 Creating Value

Alpine eagerly takes up the challenge of maintaining technical leadership in creating new values that will enhance the quality of human life.

#### 3 Contribution to Society

Alpine is committed to providing superior products and thus contributing to a fuller, richer society.

#### Conduct Guidelines

#### Creation, Passion, Challenge

We will boldly challenge ourselves to create new value and perform MONOZUKURI with passion.

#### VISION2020 Vision Statement

Alpine aims to be a Mobile Media Innovation Company that provides you with an enjoyable car lifestyle.

#### Editorial Policy

Since fiscal year 2016, Alpine has published an Annual Report that combines the annual report for financial information and the corporate profile/CSR report for business activities centering on non-financial information. We consider this report an important communication tool to provide our stakeholders with a broader understanding of our activities, and actively disclose information on our business plans, performance, CSR management policy, environmental conservation efforts, and other aspects of our business.

#### Designations Within This Report

Alpine: Refers to the non-consolidated domestic business.

Alpine Group: Refers to all consolidated companies around the world.

Alps Group: Refers to the corporate group led by Alps Electric.

#### Scope and Period Covered by Report

##### [Scope]

This report covers the Alpine Group in Japan and around the world, but the scope of individual topics may vary.

##### [Period]

• In principle, this report covers the period from April 1, 2017 to March 31, 2018, but it does include some activities from before and after that period.

• The Japanese portion of the environmental report covers the period from April 2017 to March 2018, and the overseas portion covers the period from January to December 2017.

Published in August 2018

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# We will create the car lifestyles of the next generation as a mobile media innovation company.

We offer a premium car lifestyle that exceeds customer expectations in the business domains of Audio, Visual, Navigation & Cockpit Display, Communication & Cloud Services, and Drive Assist.

### Hovering Display

**Hovering Big X 11**  
[Japan]

**AV Head Unit iLX-F309**  
[Overseas]

A large-screened solution for many vehicles for which model-specific products are not available.



### Rear Vision

**PXH12X-R-AV**  
[Japan]

Rear seat passengers can enjoy digital terrestrial broadcasts and DVDs on a large 12.8-inch screen. The unit is equipped with Plasmacluster technology that cleans the air in the vehicle.



### Amplifiers & Speakers

**X-A90V/X-S65C**  
[North America/Europe/Asia]

Our 5-channel high-fidelity digital power amp and high-resolution speakers support various systems.



## Visual



## Driving Mobile Media Innovation

### Navigation & Cockpit Display



### Car Navigation System

**X209D-OR** [North America]

A water and dustproof 9-inch navigation system, designed exclusively for the Jeep Wrangler.



### Car Navigation System

**BIG X 11** [Japan]

Our model-specific car navigation systems come with 11-inch monitors, the largest in the world.



### Car Navigation System

**X902D** [Europe]

A model-specific 9-inch navigation system designed for motorhomes.

### Communication & Cloud Service

### Smartphone App

**Odekake Concierge**

[Japan]

This app offers useful information when users are looking for ideas for places to go, such as information on locations and events, or information about the nearby area. You can also save locations and transfer them to your Alpine car navigation system.



### Drive Assist

### Rear Safety Camera System

**DAS-C01R**

[Japan]

This camera system detects approaching objects when backing up, vehicles in the driver's blind spots, and deviating from the lane, and alerts the driver with LED lights and beeping.



### Speakers

**X3-710S-AV** [Japan]

Delivering the ultimate sound with special design/tuning for the Vellfire and the Alphard, these speakers increase owner satisfaction.



### Dual-Camera Driving Recorder

**DVR-C01R**

[Japan]

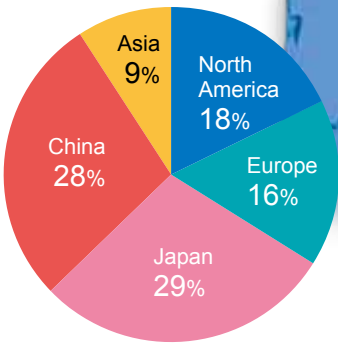
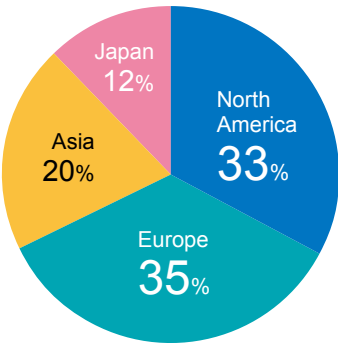
In addition to recording video out the front of the vehicle, this also detects when the vehicle ahead has begun to move, and informs the driver with a display and sound.



We work to maximize corporate value through our global sales, production, and development network.



◦ Sales Ratio by Region ◦ Ratio of Employees by Region



Audio Products Segment



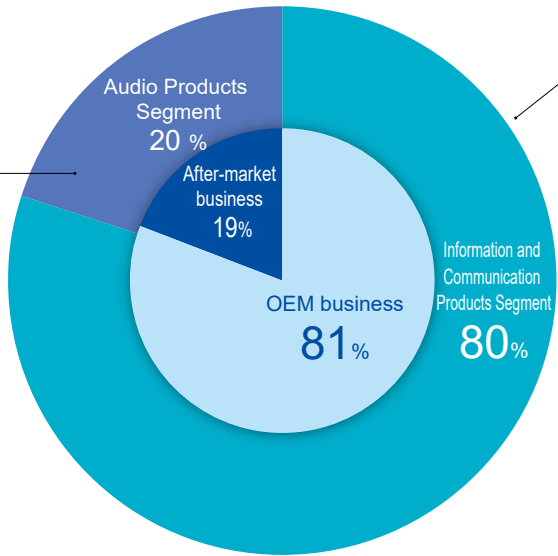
Speakers, amps, etc.

- Positive Factors**
- Expansion of sales in the after-market
  - Expansion of sales of small/lightweight/low-profile products
- Negative Factors**
- Integration with information and communication products

Sales: **54.0** billion yen 17.5% increase from previous term

Forecast for next year: 55.5 billion yen (2.8% increase from previous term)

◦ Sales Ratio by Segment/Destination



Sales: **275.2** billion yen

Information and Communication Products Segment



Navigation systems, displays, etc.

- Positive Factors**
- Expansion of sales in the after-market
  - Expansion of sales in China
- Negative Factors**
- Transitional period for orders received for display products intended for some automobile manufacturers

Sales: **221.2** billion yen 9.7% increase from previous term

Forecast for next year: 239.4 billion yen (8.2% increase from previous term)

## Evolving into a New Alpine and Working to Create Further Value

Nobuhiko Komeya  
President



In fiscal year 2017, based on the 14th Mid-Term Business Plan, with the goal of achieving VISION 2020, the corporate vision formulated for the fiscal year 2020 (net sales of 330 billion yen at a 5% operating profit ratio in fiscal year 2020), Alpine endeavored to build a more robust business foundation through initiatives such as structural reform by reorganizing our domestic engineering and production subsidiaries, and capital and business tie-ups in the fields of navigation applications and software, and on HUDs (heads-up displays). On the business side, Alpine-branded model-specific

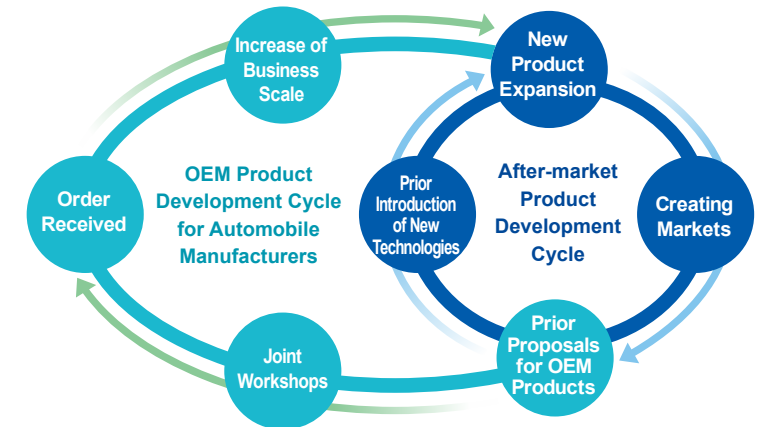
after-market products in Japan, as well as OEM products for European automobile manufacturers on the Chinese market, have both seen increased sales, and the recent trend of a weaker yen has also led to an increase in net sales. Likewise, currency exchange rates have had a beneficial effect on operating profit, as have streamlining of research and development costs and other reductions in fixed costs.

Alpine's operations are based on a two-axis business model, as both an OEM and as an after-market

brand, targeting the worldwide automobile market. The OEM market moves in three-year spans and the after-market market moves in one-year spans; by taking advantage of the multiplier effect of doing business within two market cycles, we intend to maximize the value we provide to customers within both markets.

There has been a paradigm shift in the automobile market, where Alpine conducts business activities, caused by a new trend known as CASE (Connected, Autonomous, Shared & Services, Electric Vehicles). As technological innovations and competition between companies develop, transcending the boundaries of types of businesses or industries, new relationships are about to be created between people and mobility and between society and mobility. Amidst this transition, Alpine has kept a close eye on the global market, and has been actively working on technological developments and businesses ready for CASE. Last year, in order to adapt to severe environmental changes and to continue growth on a mid-to-long-term basis, we announced plans for a business integration with Alps Electric Co., Ltd., our parent company, and we are working to prepare for the January 2019 launch of Alps Alpine Co., Ltd. We are currently discussing systems and business strategies, in order to allow the new corporation to operate at full speed from the start.

This business integration is expected to bring about various synergistic effects in our business activities, allowing us to strengthen our business structure through mutual exploitation of operating resources like development resources and intellectual property, as well as streamlining back-office operations. Within the automotive business domain, the combination of Alpine's system technology and software technology with Alps Electric's input devices, sensing devices, and communications devices will enhance our ability to offer the HMI (human-machine interface) systems demanded for the cars of the future. This will enable us to meet at a high level the advanced needs of automotive makers worldwide, who are the customers of our OEM business.



For new business domains, we aim to create new business models by utilizing the unique technologies that Alpine has accumulated in the audio products segment and the information and communication products segment, and utilizing our experience as a brand-name after-market business around the world, for the broad market that Alps Electric commands through its customer channels.

Amidst the market innovation of the fourth industrial revolution, brought about by AI and big data, we strive to be a value-creating corporate group that continues to contribute to people's lifestyles through electronics and communication, with a focus on our electronic components business and our automotive infotainment business.

Under consolidated accounting, the Alps Group's scale as a corporate group exceeds sales of 850 billion yen. Moving forward, we plan to make it easier to utilize the rich operating resources possessed by Alpine and Alps Electric, as well as to substantially speed up decision-making, in order to further accelerate our growth, operating our business with the goal of reaching sales of 1 trillion yen under consolidated accounting. We will continue to work on improving corporate value through efforts toward ESG (environment, social, and governance) and further strengthening our ties to our stakeholders. We thank you very much for your understanding and support.

August 2018



## We expect net sales of 295 billion yen and operating profit of 13 billion yen.

As the outlook for the world economy remains obscure, due to factors such as the policy trends of Europe and North America, movements in financial and capital markets, and geopolitical risks, the car electronics industry is expected to experience continued difficult business conditions due to factors such as technological innovations and intensifying competition between companies.

Under these circumstances, in order to respond to the new automotive industry trend CASE (Connected, Autonomous,

Shared & Services, Electric Vehicles), the Alpine Group is integrating Alps Electric's sensing device and communication device technology with Alpine's software technology, working to develop HMIs (human-machine interfaces) that excite both drivers and passengers while they travel, in order to offer on-board information equipment system total solutions. From a business perspective, we are working on the following efforts.

### Business Environment

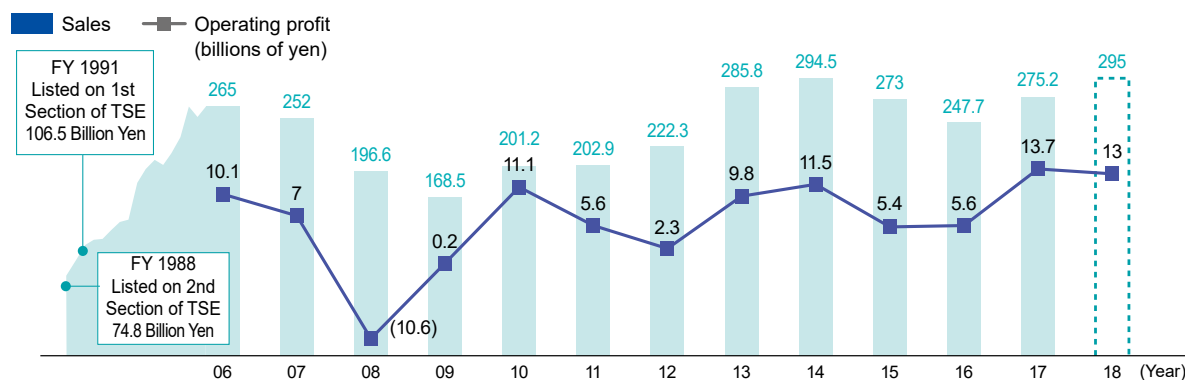
Looking ahead to the time of major change coming in the automotive industry, automobile manufacturers and mega-suppliers are taking an all-around approach to CASE (Connected, Autonomous, Shared & Services, Electric vehicles), which will be the key to this revolution.

### Priority Items

- Creating unique business scenarios using our synergy with Alps Electric, which we can use to our advantage
- Responding to CASE

## Aim for net sales of 295 billion yen and operating profit of 13 billion yen in fiscal year 2018.

### Changes in Sales and Operating Profit



### Audio Products Segment

We endeavor to expand the sales of sound systems that have been highly rated as OEM products for automobile manufacturers, as well as working to increase orders for slim, lightweight speakers and amps designed with automobile fuel economy and environmental performance in mind, and compact and lightweight speaker products that are highly adaptable to changes in vehicle interior designs.

### Information and Communication Products Segment

For the Japanese after-market, we concentrate our efforts on the sales expansion of hovering-type large-screen navigation systems developed for models in which large-screen navigation systems had previously been unable to be installed, as well as working to increase sales of customized cars that feature a

special interior design and special exterior parts.

In the American after-market, we are working to expand sales of AV head units compatible with Apple CarPlay™ and Android Auto™. In Europe, where we offer OEM products for automobile manufacturers, we are working to increase the number of models of vehicles, and the percentage of individual vehicles, equipped with our navigation and display products. However, we expect that, while sales should increase for OEM products for European automobile manufacturers, marginal profit ratio will likely worsen due to model mix and other factors, and operating profit will likely be reduced due to factors such as active investments in research and development for the future.

\* Apple CarPlay™ is a trademark of Apple Inc. registered in the U.S. and other countries.  
Android Auto™ is a trademark of Google Inc. registered in the U.S. and other countries.

## We provide seamless car lifestyle solutions.

At Alpine, we use the technologies to offer high-quality audio and video experiences that we have developed over the past fifty years as a base, transcending both time (before boarding, while driving, and at the destination) and place (home, car, and office) in order to offer seamless, safe, and pleasant car lifestyle solutions. We continue to work to develop high-quality HMIs that enable drivers and passengers to easily

operate in-cockpit systems and devices, and that appeal to all five senses to bring pleasure through driving and audiovisual entertainment. In addition, we strive to offer further-evolved car lifestyles by integrating the unique technologies we have accumulated over the years with technologies in new domains. Below are some of the main technology themes that we are focused on at Alpine.



### Cockpit Display

We offer diverse displays for next-generation cockpits, including center displays, instrument panels, heads-up displays, and more, alongside easy-to-use input devices for the equipment inside the cockpit.

### Sound

We will work on ways for the front and back seats to enjoy different audio outputs, ways to minimize vibrations and road noise during driving, and more, in order to provide more pleasant sound reproduction, and will continue to bring about the world's best in-car audio quality.

### Communication

Telematics, which allows us to receive a wide range of information services (traffic information, news, etc.) in real time through communications equipment built into cars, has become widespread. In addition, by connecting cars to one another and to terrestrial infrastructure, it becomes possible to control and prevent traffic congestion, among other contributions to a more eco-friendly motorized society.

### Body Electronics

As car operation transitions from mechanical systems to electronic systems, we leverage the Alps Group's body electronics technology to create equipment and systems that more readily recognize human intent and express it to the car.

### AI/Cloud

Alongside the advent of truly autonomous driving, cars will be progressively more controlled by AI (Artificial Intelligence). In order to ensure safer and more comfortable driving, we are working to enable AI and cloud systems to use the image data collected by on-board cameras.

### Car Computing

The cars of the future will perform vast amounts of information processing. Based on the technologies we have cultivated through car navigation systems, Alpine will approach next-generation onboard computers from various perspectives, including hardware, software, and information security.

## Alpine is planning a business integration with Alps Electric.

In January 2019, Alpine and Alps Electric are scheduled to integrate their management.

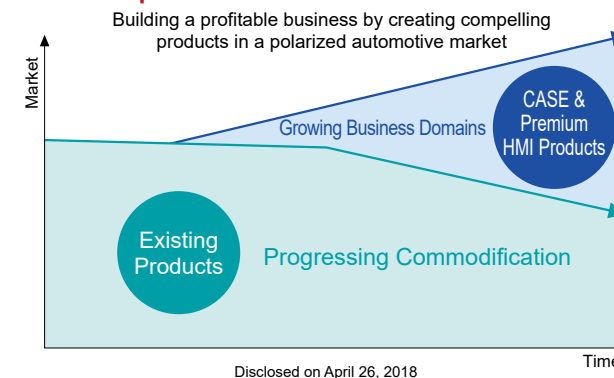
The automotive industry is on the cusp of a major revolution: CASE (Connected, Autonomous, Shared & Services, Electric Vehicles).

In the EHII (Energy, Healthcare, Industry, IoT) market, diverse customers and business models are expected to develop. In this revolutionary period of upheaval, a management integration with Alps Electric will allow us to take advantage of both companies' strengths — Alps Electric's core device expertise cultivated through electronic components (a "vertical I-shaped company") and Alpine's extensive device and technology expertise for building systems (a "horizontal I-shaped company") — to come together into an innovative T-shaped company. Upon becoming a "T-shaped" company, our goal by the second post-integration Mid-Term Business Plan (ITC101) is to achieve sales of 1 trillion yen and a 10% operating profit ratio, with a focus on the new automotive domains

of CASE and Premium HMIs on the automobile market, as well as on the domain of EHII (which is expected to play a major role in society), in order to contribute to society and to build a business with sustainable growth.

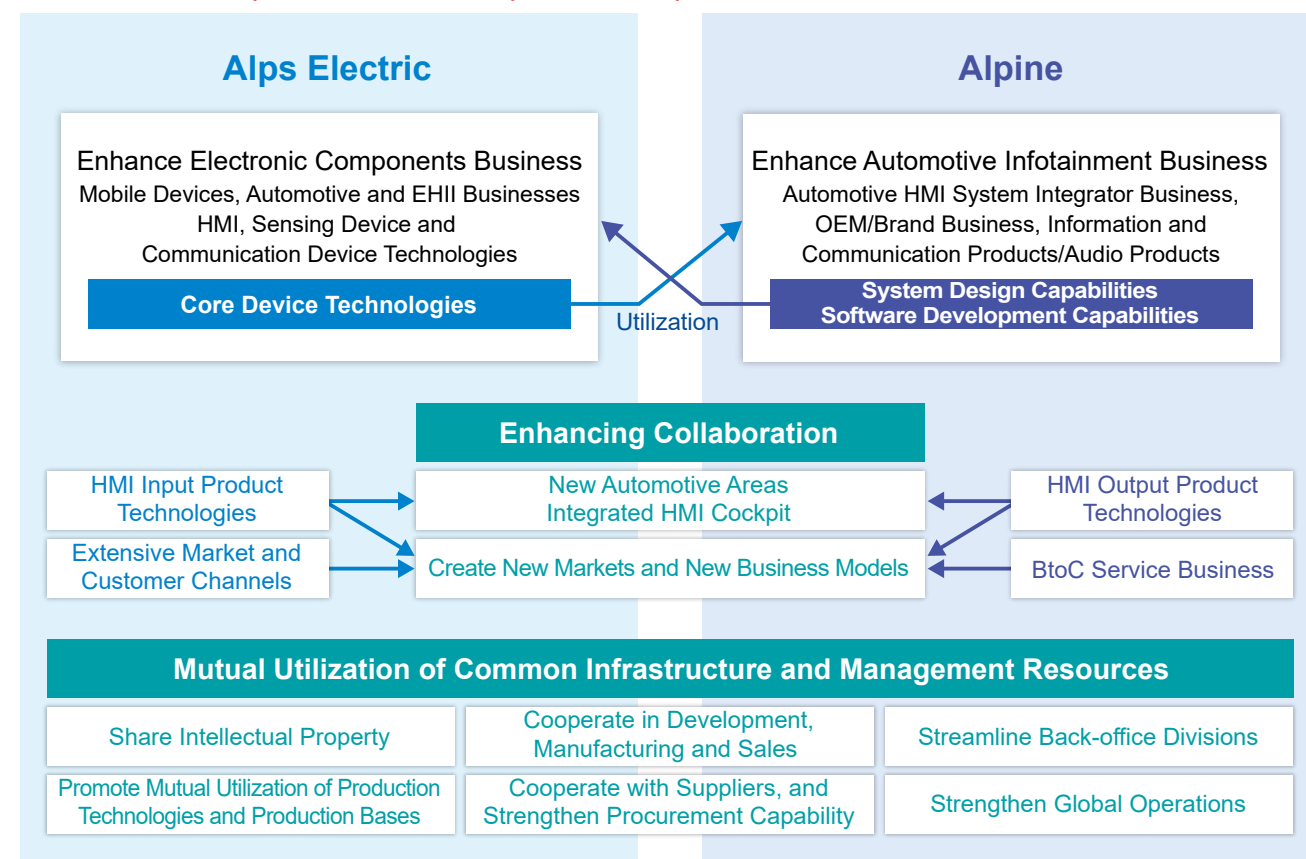
### • Creating New Automotive Business through Consolidated Synergy

#### Strengthening Collaboration between Alpine and Alps Electric in Automotive Business



### • Effect of Business Integration

**Group Growth Strategy: Transform Itself into a Sustainable Value-Creating Corporate Group to Become a Corporate Group with Net Sales of One Trillion Yen**



### • Business Expansion into the CASE + Premium HMI Domains

Combining Alpine's system integration expertise and Alps Electric's functional device enrichment expertise to evolve into a company that meets customers' diverse needs.

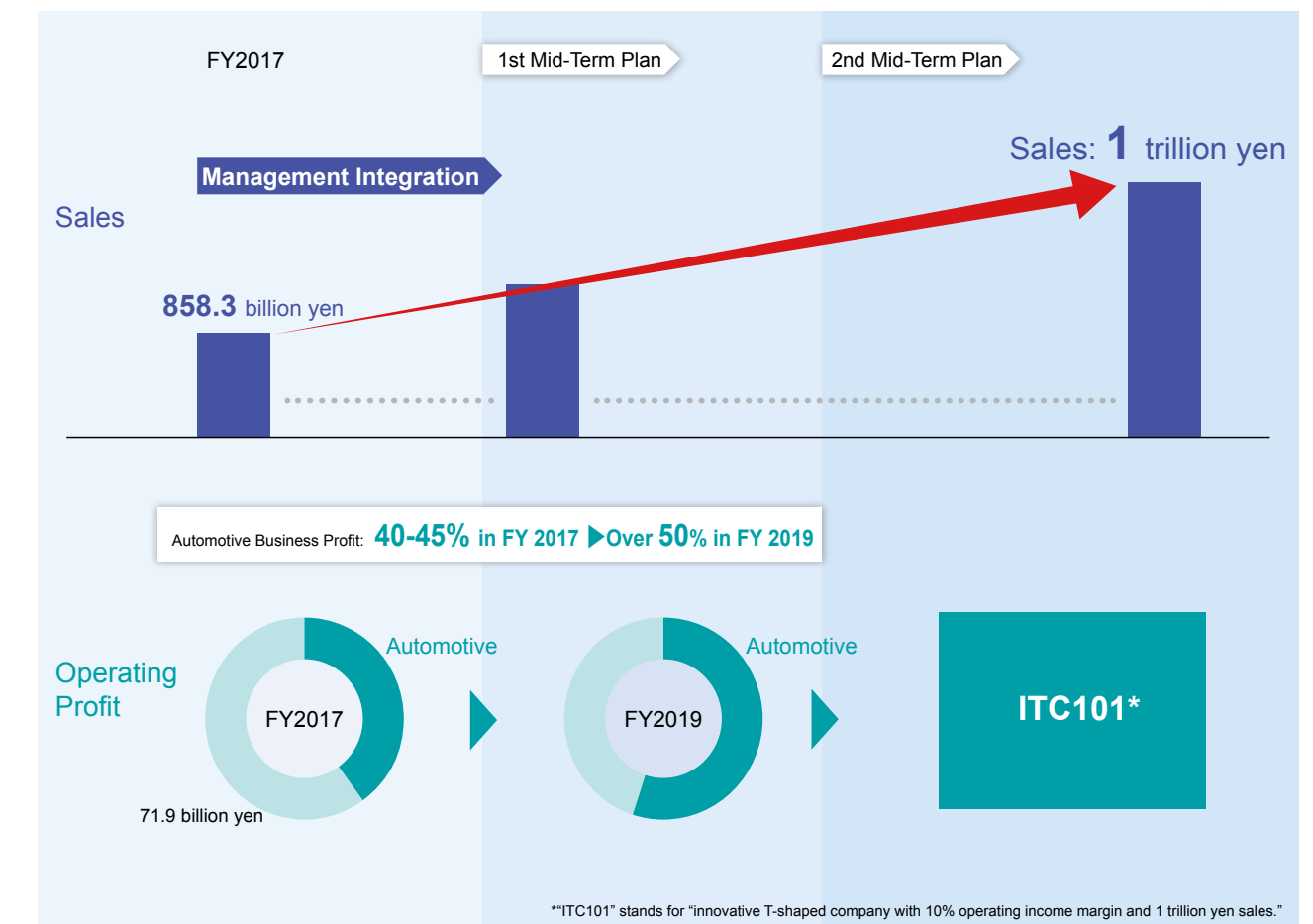
#### Evolution into a T-Shaped Company



### • ITC101 — Post-Integration Medium- to Long-Term Target

In markets that will play a major role in society, our target is to contribute to society and to achieve sustainable growth.

Disclosed on April 26, 2018





## Alpine's CSR consists of the very activities that embody our corporate philosophy.

### Basic Approach

At Alpine, we consider CSR to be the very activities that embody our corporate philosophy. The corporate philosophy of Alpine is something that has unchanging value for our future, and our corporate vision is shared with all employees as a means to achieve our philosophy, prompting everyone to work on a daily basis toward CSR. In addition, in order to perform CSR activities from a global perspective, we have established our unique CSR guidelines based on ISO26000 standards, and we continue working on these activities. At Alpine, we believe that our entire staff's efforts to promote CSR activities for the entire value chain will serve to establish a base for our mid-to-long-term growth, as well as fulfilling our social responsibility. We will continue to work on improving CSR activities that embody our corporate philosophy.

#### Alpine's CSR Guidelines



### Materiality Issues

Alpine has identified CSR materiality from fiscal year 2015 to be reflected in our CSR activities. For the specification of material issues, we performed evaluations from the perspectives of both stakeholder interest and priority for Alpine. In addition to reflecting our internal CSR Committee's opinions, we also received opinions from external experts. Since the original definition in fiscal year 2015, stakeholders' expectations have constantly changed, and sustainability-related efforts, such as the UN's SDGs (sustainable development goals), have become more active worldwide. Amidst this, we revised our materiality in fiscal year 2017, and likewise furthered considerations regarding clarifications of both concrete efforts to be made and goals.

#### Materiality Matrix



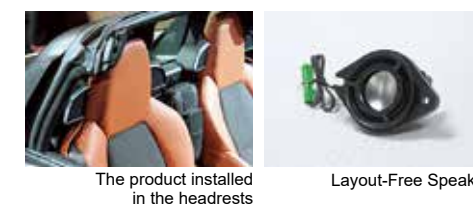
## We work in coordination with the local community and various partners with the goal of compatibility between social value and corporate value.

### Research and Development

We are working on research and development with a focus on 2025 and beyond, centered on car-related trends like connectivity, autonomous driving, car-sharing, and the transition to electric vehicles. We pursue products like sound systems, infotainment systems, and cockpit displays that realize Alpine's unique "HMI that resonate with all five senses," with the goal of products and services that make customers want to drive by offering a comfortable time and space, not just for cars, but all mobility users. In addition, we are taking an active approach toward the latest information processing fields, such as big data and AI (artificial intelligence), which are said to bring about reform for the automobile industry's business models and people's lifestyles.

### Design with Concern for the Environment

In addition to the development of our Layout-Free Speakers, which can be installed anywhere inside a vehicle thanks to their reduced size and weight, we are working to develop new materials that achieve high sound quality, reduced weight, and high heat resistance all at the same time. We are working to commercialize speaker diaphragms made of carbon-fiber-reinforced thermoplastics (CFRTP), materials that are expected as an alternative technology to reduce weight of aircrafts and automobiles.



### Alliances

#### Collaboration with Companies in Cutting-Edge Fields

We are working together with various leading companies, with the aim of evolving existing business domains and enabling new ones. We are working with Toshiba Digital Solutions Corporation to develop a drone system combining automatic tracking technology and high-accuracy positioning technology. We are also working with Konica Minolta, Inc. on the development of elemental technologies that will utilize 3D AR (augmented reality) to bring about next-generation HMIs with an eye toward the autonomous driving era. Combining HUDs (heads-up displays) and 3D AR, we aim to create a comfortable driving environment that displays information in easy-to-see places according to the changes in drivers' line of sight and driving speed, providing drivers with a sense of security.

#### Cooperation with Alps Electric

We have been working to bring about a safer and more comfortable motorized society in coordination with Alps Electric. By combining Alps Electric's years of expertise in the input field, such as their HAPTIC® products and capacitive touch panels, with Alpine's expertise in the output field, such as our navigation-centered infotainment products, we can create advanced HMIs (human-machine interfaces). Furthermore, we expect that connectivity technologies and products, like Bluetooth®, LTE, and V2X, will increase synergy between the two companies, contributing to autonomous driving in the future.

#### Expansion into the Chinese Mobility Market

We have had a cooperative relationship with Neusoft for over 20 years, and, in 2015, we established a new company with them to expand our automotive business in China. Utilizing Neusoft's software technology abilities, which they have developed deeply through their work as a global IT solution company, as well as their network established in China, we are working to build a business through technologies and services that could contribute to a next-generation smart mobility society, centering on connectivity, autonomous driving, car-sharing, and the transition to electric vehicles. China is the world's largest automobile market, and we have already initiated EV battery-related businesses and cloud (car-sharing) services in China.



Car-sharing Service in China



We strive toward responsible procurement activities.

Green Procurement

Global environmental preservation requires broad approaches not only by manufacturers, but also by the suppliers of parts and materials. At Alpine, we have established Green Procurement Standards, and promote procurement with consideration for the environment. In fiscal year 2017, we issued the Supply-Chain CSR Development Guidebook to expand our CSR activities among our suppliers, and conducted a fact-finding survey with regard to about 350 items, with the aim of promoting supply-chain-wide CSR efforts.

Addressing Procurement Risks

Alpine has six manufacturing bases worldwide. Their supply chains are subject to the risk of natural disasters, accidents, labor disputes, bankruptcies, and other issues that can have wide-ranging effects. We perform surveys on the final manufacturing locations for materials and parts procured, and the information is centrally managed to allow us to address the identified procurement risks in a timely fashion. In fiscal year 2017, we further expanded the scope of our surveys on purchased parts and materials both inside and outside Japan, surveying 9,250 parts from 888 companies.

Communication with Suppliers

At Alpine, we value coexistence and co-prosperity through trusting relationships, and are working to strengthen partnerships with our suppliers. We hold briefing sessions throughout the world to explain the current state of production and sales as well as announcing our material procurement policy, and commend suppliers who have contributed to quality, delivery date management, and cost

improvements, in order to deepen communication.

Status of 2017 Briefing Sessions

	Japan	China	North America	Europe
Number of Trading Partners Attending	112 Companies	75 Companies	78 Companies	68 Companies
Number of Individuals Attending	217 Companies	184 Companies	136 Companies	111 Companies

Conflict Minerals

Warring factions in the Democratic Republic of the Congo and neighboring countries (9 countries including the Republic of Rwanda) violate human rights through the use of child and forced labor to mine tin, gold and other minerals used in the production of minor metals, and profits from the sale of these minerals are used to fund the purchase of weapons and widen conflict in ways that have a global impact. The US Act on Financial Regulatory Reform defines these minerals as "conflict minerals,"<sup>1</sup> and companies listed on US stock exchanges are required to disclose information to prevent the use of conflict minerals in their products. From the standpoint of respecting human rights, Alpine understands and agrees with the intent of the law and partners with group companies, suppliers and JEITA to promote efforts aimed at pursuing responsible approaches to material procurement. In 2017, we once again surveyed the state of handling of conflict minerals by suppliers, with responses received from all target suppliers.

Note 1: Columbite–tantalite, tin, gold, wolframite and other derivatives (tantalum, tungsten)

We strive to provide a safe and healthy working environment.

Promotion of the Occupational Health and Safety Management System

At the Alpine Group, we have introduced the OHSAS 18001\* international occupational health and safety management system standard, and we have been acquiring certification at our manufacturing bases and other locations. Based on this system, we continuously work to reduce and manage health and safety risks through risk assessment, and work to comply with laws and regulations.

\*OHSAS: Occupational Health and Safety Assessment Series

State of OHSAS 18001 Certification Acquisition

Target Establishment	Certification Date
Alcom Electronicos de Mexico, S.A.de C.V.	Dec. 17, 2016
Alpine Electronics Manufacturing of Europe, Ltd.	Mar. 20, 2017
Dalian Alpine Electronics Co., Ltd.	Dec. 28, 2016
Taichang Alpine Electronics Co., Ltd.	Sep. 15, 2017
Alpine Electronics, Inc. (Headquarters)	Planned for 2018
Alpine Manufacturing, Inc.	Planned for 2018

We make a concerted effort to advance environmentally-friendly company management at all our domestic and overseas bases.

Promotion of Environmental Management

Alps and Alpine Group management is focused on addressing environmental issues that are viewed as being among the more serious management challenges. We established our Environmental Policy and Mid-term Plan based on the Alps Group Environmental Charter, and have established an Environmental Management Committee, to work on the provision of environmentally friendly products, performing environmentally friendly business activities, and establishing a global environmental management structure with a comprehensive approach taken by all group companies.

Use of Renewable Resources

Through the improvement of the structure and materials of our products and packaging, we are working on effective utilization of resources. For example, by making the packaging more compact on a product for an automobile manufacturer, we were able to increase the number of units packed per carton from 20 to 32, making transport load much more efficient, as well as conserving materials used. Furthermore, we are making efforts to reuse shipping pallets, reducing the amount of scrap wood produced when disposing of pallets.

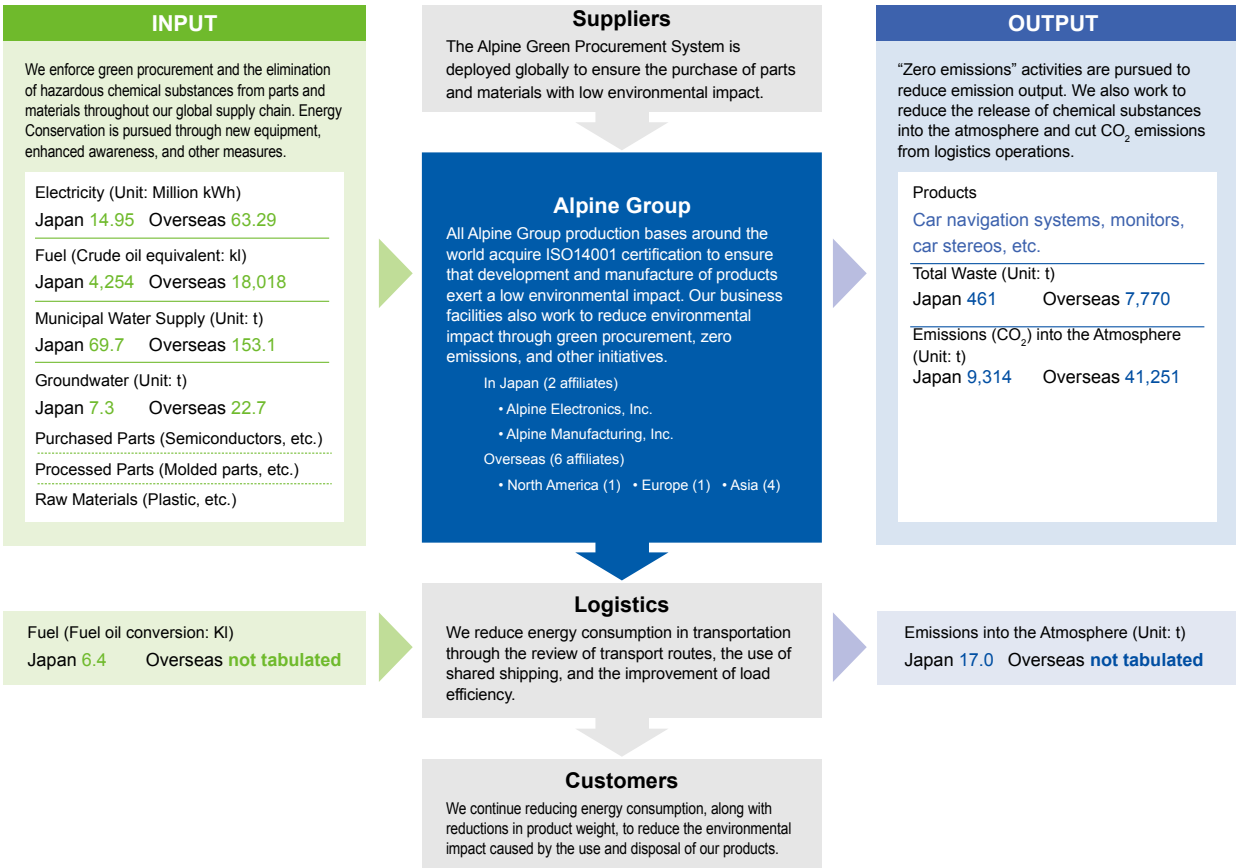
Mitigation of Climate Change Impact

The Alps and Alpine Groups have set a goal of improving energy consumption rates by an average of 1% a year by 2020, through reductions of electric power usage, effective use of heat, and other efforts at each of our business facilities. In the Fukushima Protocol Global Warming Prevention Project, organized by Fukushima Prefecture, Alpine Manufacturing has been awarded the grand prize in the manufacturing category two years in a row, in addition to other activities that aim to help us build a leading presence in the local community.

Prevention of Pollution

We use chemicals in our manufacturing processes, but many of these chemicals can have a detrimental impact on the environment or human health if misused or mismanaged. As a result, we consider it our responsibility to work to reduce our use of chemicals that can have major effects on the environment or the human body, as well as to use them under a proper management system. At Alpine, we strive for thorough management of the storage, use, and release of the chemicals used in our manufacturing activities.

Environmental Impact (FY 2017)





## By participating in the local community, we aim to contribute to its development.

### Educational Support for Children

Partnering with Iwaki City, Fukushima, we cooperate on the Model Project for the Promotion of Saturday Learning, which follows the Saturday Educational Activities Promotion Project initiated by the Ministry of Education, Culture, Sports, Science, and Technology. We agree with the goal of providing children with more enriching and meaningful Saturdays by promoting Saturday educational activities through public-private partnership; since August of 2016, we have offered Saturday lessons for local elementary school children on the themes of manufacturing and science.



Saturday Lesson

### Support for Sporting Events

Alpine has supported the Iwaki Sunshine Marathon — a sporting event considered a symbol of the city's recovery from the Great East Japan Earthquake — every year since the event began. The ninth annual marathon was held in February 2018, where about 170 of our employees volunteered to assist the event or participated as runners to contribute to increasing the appeal of Iwaki City. In addition, we offered some of our products as additional prizes for the race winners.



The 9th Annual Iwaki Sunshine Marathon

### Continuing Charity Activities

Every December, our American office collects toys and gives them as Christmas presents to underprivileged children and families, through the firefighters and police officers of the city of Torrance, where the office is located. The Hungarian office also donates shoeboxes containing toys and sweets, as Christmas presents for children.



Collected Christmas Presents

### Creating a Rich Local Environment

At Alpine Group, we engage in afforestation and environmental clean-up activities to contribute to rich local environments, based on the unique local needs and characteristics of each of our bases worldwide. In November 2017, our Thai office engaged in coral planting activities in order to help natural regrowth of coral and to conserve the ocean environment.



Participants in the Coral Planting Activities

### Contribution to Human Resources Development

In June 2017, Alpine Electronics (China) Co., Ltd. and Northeastern University (Shenyang, China) held a signing ceremony for their Mutual Agreement on Internships. Taking advantage of the university's longer break periods, Alpine plans to accept students at our research facility in Dalian, and provide various types of work training.



Signing Ceremony

### Reconstruction Support and Building Ties with the Community

In March 2018, the Iwaki Headquarters employee cafeteria offered menu items drawn from the award-winning entries in a recipe contest (main dish and sweets categories), which was held for high school students for the purposes of helping revitalize the local economy through local production for local consumption, promoting food safety after the Great East Japan Earthquake, and more. The students enjoyed seeing their recipes served, and enjoyed seeing lunchtime at our cafeteria.



Recipe Contest Grand Prix Winners Served at Our Cafeteria

## We work to improve organizational and corporate climate so our diversity can help the company's growth.

### Improving the Working Environment So All Employees Can Exercise Their Specialties

At Alpine, our staff features diversity across nationalities, races, ages, genders, and religions, and we work to create a workplace that allows them to use their skills to the fullest. We consider our employees' diversity to be one of our strengths: in order to help everyone grow and play an active role, once a year we hold a Human Resource Development Conference, where we discuss employees' career plans, education policies, and more. With respect to the employment and expansion of the

work fields of women, we have created an action plan, and have been working on various initiatives, following the enforcement of the Act on Promotion of Women's Participation and Advancement in the Workplace on April 1, 2016. As a result, we have achieved the target ratio of full-time female employees (20%) as of April 2018, which originally was planned to be achieved by fiscal year 2020. We continue accelerating our efforts toward further active involvement of female employees.

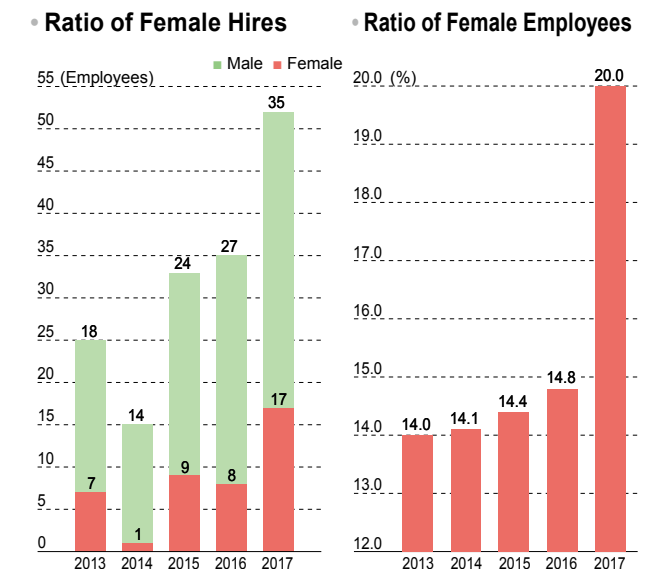
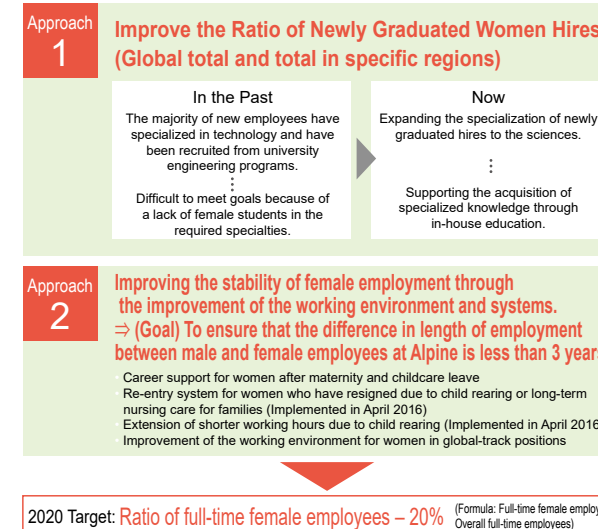
#### Internal Project to Think about Work Reform from Women's Points of View

In December of 2016, we established the HANA\* Project, based on the concept of "Creating a Better Work Environment from Women's Points of View." The members of this project, consisting of female employees in their 20s to their 40s, share work-related concerns and opinions on topics like career development and child rearing, with the goal of changing everyone's way of thinking and solving problems for everyone.

\*Abbreviation of "Happiness of All is Next Alpine."



#### Plan of Action for Supporting Women's Empowerment in the Workplace



### Global Human Resource Cultivation

Alpine dispatches entry and mid-level employees to overseas subsidiaries and other organizations for a period of one year, with the aim of cultivating talent through on-the-job training. This system was established to cultivate employees with a global perspective and the ability to take action that reflects an understanding of culture and customs, and improve language proficiency through actual work and life experience. In fiscal year 2017, we dispatched three employees to the United States. In fiscal year 2018, we plan to dispatch a total of five employees to multiple countries.

### Hiring of, and Active Roles Played by, Foreign Human Resources

We have implemented our International Associates Program (IAP), which hires new graduates from overseas as contract workers at our headquarters in Japan. In its inaugural year, fiscal year 2017, we hired two people. Even after the IAP period ends, employees hired under this program can continue to work at the Alpine Group, and are expected to play active roles in a variety of fields, such as development, design, production, or sales, based on both personal aptitude and personal preference.



## To ensure efficient, sound, and transparent management, Alpine works hard to strengthen our corporate governance structure.

### Basic Approach to Corporate Governance

Alpine manufactures automotive infotainment systems and equipment as a member of the Alps Group led by Alpine's parent company, Alps Electric Co., Ltd. The Alps Group defines corporate governance as the "establishment and operation of frameworks for the realization of efficient and appropriate decision-making and execution of duties by senior management, prompt reporting of outcomes to stakeholders, and sound, efficient and transparent business administration for the purpose of heightening corporate value." We place importance on the sustainable development of shareholders and all other stakeholders, and the maximization of their mid-to-long-term benefits; therefore, our basic approach involves the maximization of corporate value and the delivery of benefits directly or indirectly to stakeholders in a balanced way to satisfy their respective interests.

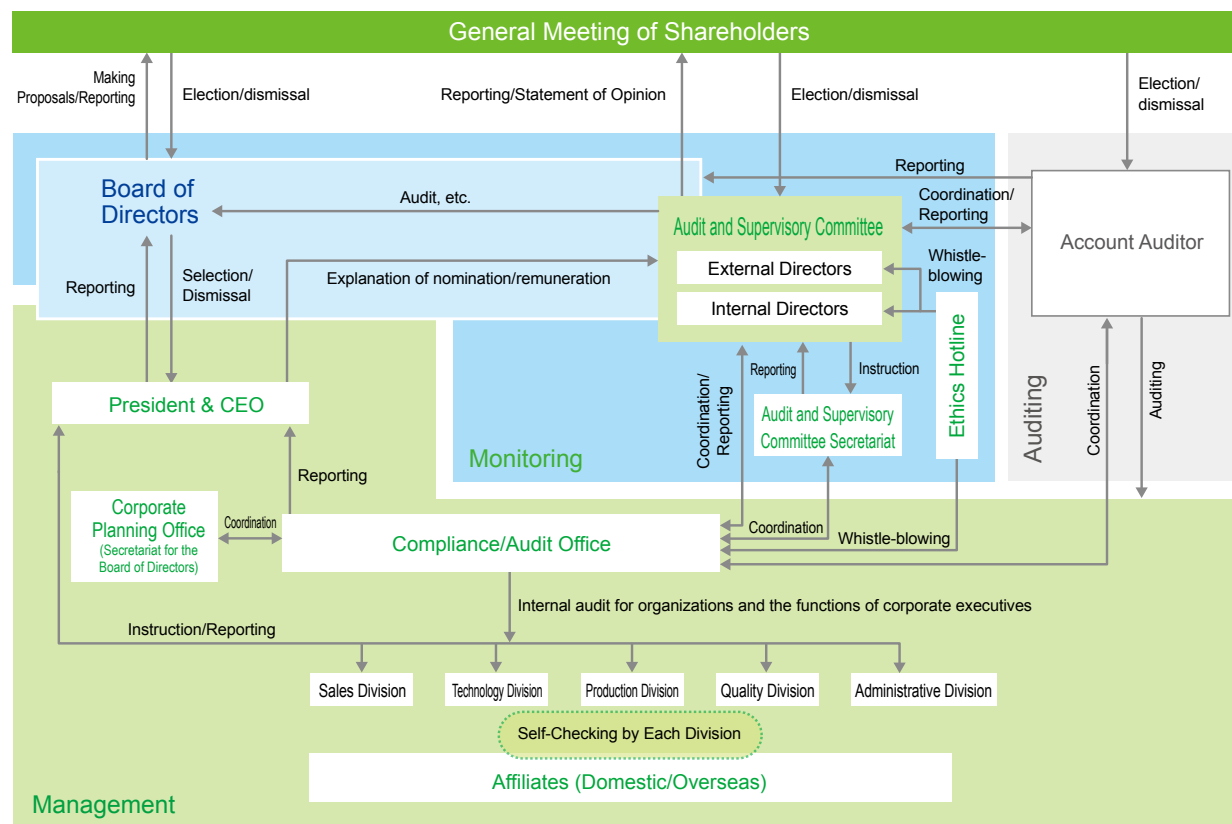
We also have established the Alpine Corporate Governance Policy to facilitate our ability to realize effective corporate governance and fulfill our responsibilities to all of our stakeholders: shareholders, customers, local communities, and employees. We work on the fulfillment and improvement of this policy, and the smooth operation under the governance structure, including the Audit and Supervisory Committee, in our mid-term business plan. Visit the following web page for more information about the Alpine Corporate Governance Policy.

[https://www.alpine.com/j/investor/information/pdf/governance\\_policy\\_16.pdf](https://www.alpine.com/j/investor/information/pdf/governance_policy_16.pdf)

### Corporate Governance Structure

We have adopted the structure of a company with an audit and supervisory committee for corporate governance pursuant to the Companies Act of Japan. Through the enhancement of auditing and supervising functions in close cooperation with accounting auditors and

the Internal Audit Division, the Audit and Supervisory Committee, which is independent from the persons who execute the business, further strengthens our corporate governance structure, and improves the soundness and transparency of our corporate management.



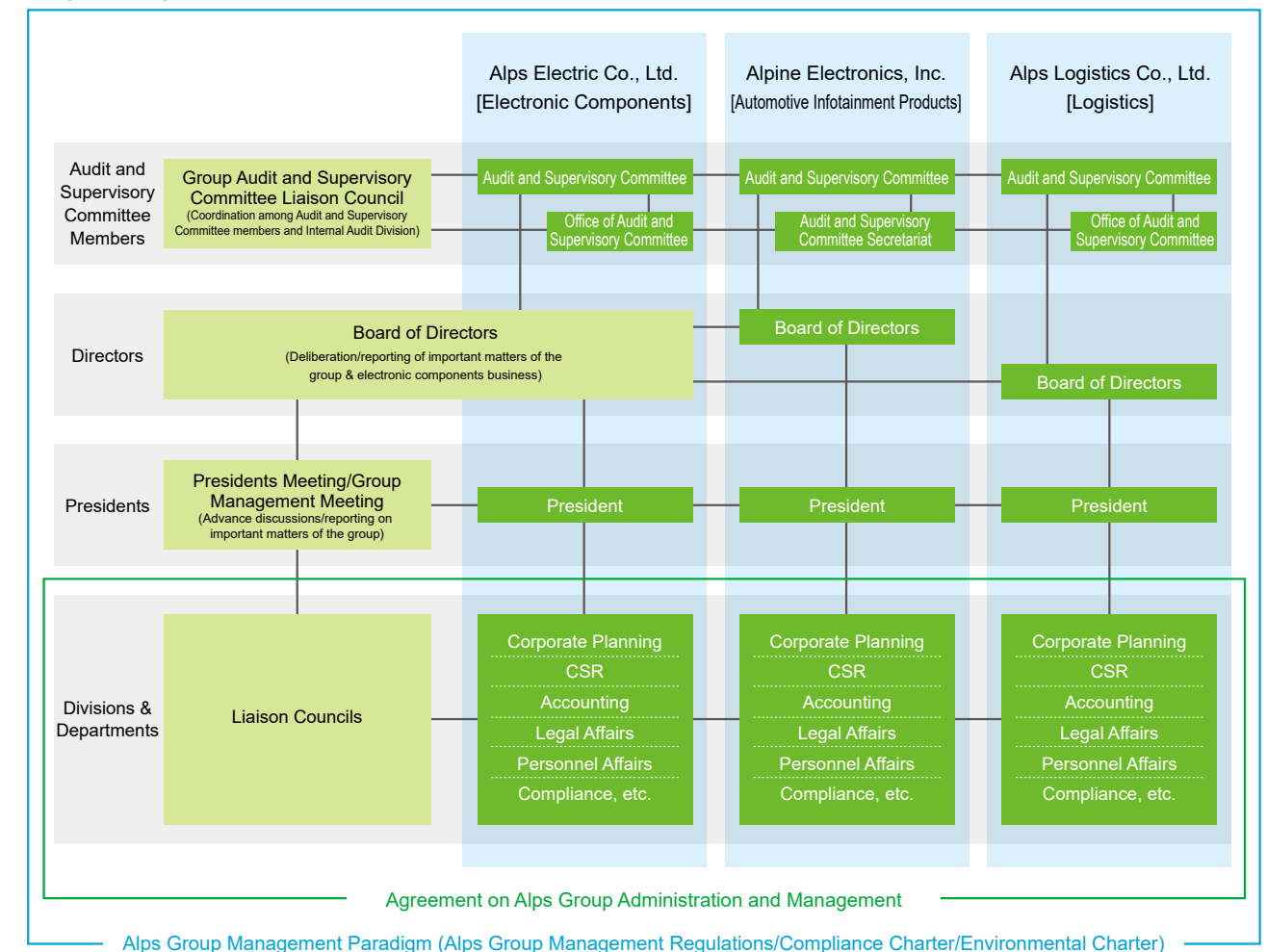
### Internal Control

As a member of the Alps Group, Alpine places a priority on following the founding principles of the Alps Group led by Alps Electric Co., Ltd. We established our basic philosophy and conduct guidelines for compliance in accordance with the Alps Group management regulations, and promote compliance throughout the company and our subsidiaries. In addition, we continue developing our internal control system and structures to secure proper business management in accordance

with the Companies Act and the Ordinance on Enforcement of the Companies Act, and conduct proper and effective business in all Alpine Group companies. Please read "Internal Control System" in our Corporate Governance Report for more detail on the structures of our internal control system.

<https://www.alpine.com/e/investor/library/governance.html>

### Alps Group Internal Control Structure



### Board of Directors & Board of Directors Meeting

The Alpine Board of Directors, which is composed of 10 directors (excluding Audit and Supervisory Committee members) and 5 directors who are Audit and Supervisory Committee members (4 are external directors), discusses and makes decisions about important matters regarding the Alpine Basic Business Policy and Mid-term Business Plan, and audit and monitor the business performance. The Board of Directors makes decisions about all important matters through discussion at monthly meetings and extraordinary general meetings, which are held as necessary. In accordance with rules and bylaws

governing the Board of the Directors, matters that require a resolution of the Board of the Directors are examined in advance for legal, accounting, tax and economic soundness to ensure compliance and rationality. The articles of incorporation specify that directors shall be elected and removed by resolution passed at a General Shareholders Meeting by a majority vote of shareholders who are in attendance and whose number holds one third or more of the voting rights of shareholders entitled to the exercise thereof, and that cumulative voting shall not be employed.

Audit and Supervisory Committee

The majority of the Alpine Audit and Supervisory Committee members, including the chairperson, are external Audit and Supervisory Committee members, allowing the committee to make objective judgments while acting independently of the persons who execute the business. The external members, consisting of two lawyers, a certified public accountant, and a corporate executive (who joined in June of 2018), work with an internal member, who is a full-time employee familiar with the company's business, to perform audits of the

company's operations with a high level of effectiveness. The Committee also provides advice to the company's top management at meetings of the Board of Directors and other important meetings, in cooperation with the Internal Audit Division. Assistants for the Audit and Supervisory Committee shall be assigned, and their independence from the Board of Directors (excluding those who are the members of the Audit and Supervisory Committee) shall be secured.

External Directors

Alpine has appointed four External Directors to enhance the functions of the Board of Directors. Each External Director focuses on ensuring legal compliance in business administration and, bearing all stakeholders in mind, strives to strengthen supervisory functions over the company's operation through active dialogue and advice on the selection and dismissal of top management; remuneration; supervision on conflicts of interest among the company, top management,

controlling shareholders, and other parties; and other important matters at the Board of Directors meetings. Alpine appoints external directors in accordance with its standards for the nomination of directors, including the Alpine Standards for Independence. In addition, we designate these individuals as independent corporate directors upon consent, and report such to the Tokyo Stock Exchange.

Evaluation of the Effectiveness of the Board of Directors

With the aim of improving the soundness, transparency, efficiency, and mobility of our execution of duties, Alpine is working to strengthen our corporate governance structure. As part of this effort, we have performed evaluations of the effectiveness of our Board of Directors, starting in fiscal year 2016. The summary of the evaluation results for fiscal year 2017 is as follows:

1. Method for Analysis and Evaluation

Members of the Board of Directors each responded to a questionnaire with their name signed, evaluating and commenting on topics such as the composition of the Board of Directors, administration, items deliberated, communication among directors, and the support system. These results were analyzed by our Audit and Supervisory Committee (including external directors) and by administration directors. After the issues were organized, a report was given at the Board of Directors meeting, and we performed verification and held a discussion.

2. Summary of Results of Analysis and Evaluation

The results revealed the sufficiency and rationality of the discussion, deliberation, and management in fiscal year 2017, ascertaining the effectiveness of our Board of Directors. However, issues have become prominent concerning the efficiency of the preparation procedure for the deliberations at the meetings of the Board of Directors, the diversity of members of the Board of Directors, the quality of the materials used in the Board of Directors' meetings, and other aspects.

3. Courses of Action and Other Plans for the Future

Based on the above results, we will conduct studies looking ahead to the management integration with Alps Electric Co., Ltd. planned for 2019. We will also share the opinions and evaluations of the Board of Directors in order to develop a more unified business attitude, and will utilize them both for the company's governance and to create corporate value.

We are committed to thorough compliance with respect to laws, social norms, and ethics.

Compliance Structure

In accordance with the Alps Group Compliance Charter, Alpine has incorporated basic rules into the Alpine Ethical and Legal Compliance Policy, which has been rolled out to all group companies, to ensure that employees act fairly and appropriately as members of society.

Alpine Ethical Guidelines (Alpine's 10 Commandments)

Person	Personal Information	Disclosure of personal information is prohibited.
	Ban on Discrimination	Violent force and language, sexual harassment, and discrimination are prohibited.
Object	Product Safety	Give due consideration to the safety and quality of products.
	Environmental Awareness	Give due consideration to the natural environment.
Property	Corporate Property	Personal use of corporate property is prohibited.
	Intellectual Property	Violation of intellectual property of other organizations is prohibited.
Information	Corporate Secrets	Personal use of or disclosure of corporate secrets is prohibited.
	Ban on Insider Trading	Dealing of the company's stock by the employees before disclosure of corporate information is prohibited.
Trading	Fair Trade	Comply with antitrust legislation and every law and rule.
	Donations and Reception	Receiving donations and reception beyond a reasonable extent is prohibited.

Ethics Hotline

Alpine has an internal whistleblowing system for all employees in Japan. Called the "Ethics Hotline," employees can call for consultation on issues related to ethically questionable and illegal behavior. Furthermore, Alpine has initiated similar consultation systems, including the Ethics Hotline, at our major overseas bases in a manner suitable to the conditions in each country.

Compliance Education

At Alpine, the legal affairs departments at each corporate center in Japan, the United States, Europe and China provide compliance education programs according to regional characteristics. Education is provided according to the rank and job of each employee, and the topics include human rights, harassment, engineering ethics, protection of confidential information, and antitrust legislation.

Alpine strives to ensure the sustainability and reliability of our corporate activities.

Business Continuity Management

We have established a business continuity plan (BCP) that keeps pace with environmental changes in order to ensure the safety of our employees and their families, and minimize the impact on our customers in the event of an emergency situation. The plan is always subject to review for strengthened collaboration with group companies, expansion of the scope of the BCP, establishment of an information supply framework for times of disaster, and other improvements.

Information Security

The European Union's General Data Protection Regulation (EU GDPR) came into force in May 2018. In response to this, Alpine has established a new management structure with respect to the handling of personal information in Europe. We have set up global guidelines to protect privacy and to strengthen cybersecurity.

Alpine Fire Brigade

Iwaki Headquarters set up the Alpine Fire Brigade as a fire defense organization for self-protection according to the requirement for large-scale properties under the Fire Service Act. The Fire Brigade is made up of employees and conducts periodical training (fire drills, use of fire extinguishers and AED, etc.) twice monthly to prepare for initial firefighting operations, emergency evacuation and aid in time of disaster. Our overseas facilities also have their own fire brigades to prevent and prepare for disasters.



Fire evacuation drill



We offer an overview of our CSR activities below (policies, structure, and fiscal year 2017 activities).

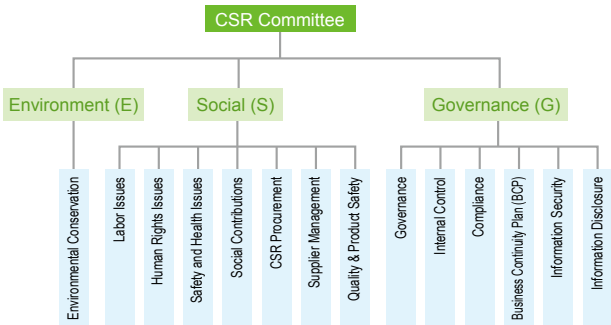
CSR Action Policies for Fiscal Year 2018

The Alps and Alpine Groups have formulated our action policies as given below, by taking into consideration, analyzing, and summarizing the degree of importance for the groups, changes in external environments, and other factors. In addition to the overall policy, we have established separate policies for the environment, social, and governance (ESG) categories.

Action Policy	
We shall perceive changes in external environments and expectations from stakeholders in responsible ways, and build a foundation for sustainable growth.	
Policies by Category	
Environment	Promotion of activities to conserve the global environment
Social	Strengthening of management in view of external standards and external environments (Human rights, labor safety, procurement)
Governance	Strengthening of corporate risk countermeasures and business foundations

CSR Promotion Structure

Alpine reorganized its CSR Committee in 2017 to a promotion structure that allows us to address CSR issues from more project-based viewpoints. The committee is composed of 14 divisions for different subjects, which promote their individual activities, placing importance on the provision of value to society, and sustainable company growth. The CSR Committee performs quarterly checks on the progress of the subjects, and reports the results at the Board of Directors meetings.



2017 Summary

Category	Main Activities	
General	Materiality Revisions	Based on external requirement analysis and discussions by the CSR committee, we revised our materiality.
	Global CSR Structure	We stationed personnel in charge of CSR at each of our affiliate bases, and we worked to grasp global external requirements and legal requirements, and to address them.
	CSR Committee	The promotion structure was changed from eight subcommittees to fourteen divisions, in order to work on CSR activities from more project-based viewpoints.
Environment	Greenhouse Gas Reduction	Target: 1% reduction compared to the previous year in terms of emissions intensity Result: 6.5% reduction (target achieved) Introduction of standardized tools allowed us to grasp our global greenhouse gas emissions amount.
	Biological Diversity	We conducted biological diversity surveys near our headquarters, and confirmed the wild growth of a rare indigenous species, the dogtooth violet.
	Energy Conservation Activities	We conducted lower luminance lighting campaigns and converted lighting to LEDs. We also implemented periodic energy conservation patrols.
Social	Labor Safety	Four production bases acquired OHSAS 18001 Occupational Health and Safety Management System certification. We began studies for acquiring certification at our headquarters and our domestic production bases (certification acquisition planned for fiscal year 2018).
	Quality & Product Safety	We worked to address the change of standard to IATF16949.
	Supplier Survey	We distributed CSR guidebooks for suppliers, and implemented self-reported surveys based on these.
	Social Contributions	We accepted interns for the Fukushima Prefecture Hamadori "Glocal" Human Resource Development Project.
Governance	Work-Life Balance Committee	We launched an internal project, and started investigating concrete measures, based on keywords like "flexible," "reliable," and "challenge."
	Effectiveness of the Board of Directors	We implemented solutions to issues, based on the evaluation of the effectiveness of the Board of Directors.
	Information Security	Compliance with EU General Data Protection Regulation (GDPR)

We offer an analytical overview of our operating results and financial conditions for the fiscal year ending March 2018 below.

Analysis of Operating Results for the Fiscal Year Ending March 2018

1) General Situation

During this consolidated fiscal year, the Japanese economy showed a gradual recovery trend, and the United States and Europe saw continued moderate economic expansion. However, due to the policy trends of the new U.S. administration, the increase in geopolitical risks in the Far East, and other factors, the outlook for the world economy remained uncertain.

As for the car electronics industry, with the acceleration of the electronification of automobiles, the growth of a synergistic relationship between the field of on-board information equipment, which centers on infotainment systems, and new fields, including autonomous driving and artificial intelligence (AI), has intensified inter-corporate competition, transcending boundaries between different types of businesses or industries. Against this backdrop, the Alpine Group has defined fiscal year 2017 as the year for finalizing our structural reform to achieve

the targets of VISION 2020, the corporate vision formulated for fiscal year 2020, and has established the 14th Mid-Term Business Plan covering a period from fiscal year 2017. We carried out an organizational reform of the research and development department, enhanced tie-ups, and implemented joint development with other companies. In addition, we promoted structural reform by restructuring the group to build a more robust business foundation.

2) Sales and Profit

Consolidated sales were 275.2 billion yen (11.1% increase from previous term), operating income was 13.7 billion yen (145.0% increase from previous term), ordinary income was 13.6 billion yen (83.8% increase from previous term), and profit attributable to owners of parent was 9.3 billion yen (20.2% increase from previous term).

Outlook for the Next Term

As the outlook for the world economy remains obscure, due to factors such as the policy trends of Europe and North America, movements in financial and capital markets, and geopolitical risks, the car electronics industry is expected to experience continued difficult business conditions due to factors such as technological innovations and intensifying competition between companies.

Under these circumstances, in order to respond to the new automotive industry trend CASE (Connected, Autonomous, Shared & Services, Electric Vehicles), the Alpine Group is working toward a planned management integration with Alps Electric. By integrating Alps Electric's sensing device and communication device technology with Alpine's software technology, we will work to develop HMIs (human-machine interfaces) that excite both drivers and passengers while they travel, in order to offer on-board information equipment system total solutions. From a business perspective, we are working on the following efforts.

efforts on the sales expansion of hovering-type large-screen navigation systems developed for models in which large-screen navigation systems had previously been unable to be installed, as well as working to increase sales of customized cars that feature a special interior design and special exterior parts. In the American after-market, we are working to expand sales of AV head units compatible with Apple CarPlay™ and Android Auto™.

In Europe, where we offer OEM products for automobile manufacturers, we are working to increase the number of models of vehicles, and the percentage of individual vehicles, equipped with our navigation and display products.

The consolidated earnings outlook for the next term, taking into account the matters that can be anticipated at the present moment, is forecasted as follows:

Consolidated Earnings Outlook (Unit: Hundred millions of yen)

	First half	Second half	Full year	From previous term
Sales	1,470	1,480	2,950	7.2% increase
Operating income	60	70	130	5.4% decrease
Ordinary income	53	67	120	12.2% decrease
Profit attributable to owners of parent	40	60	100	7.2% increase

1) Audio Products Segment

We endeavor to expand the sales of sound systems that have been highly rated as OEM products for automobile manufacturers, as well as working to increase orders for slim, lightweight speakers and amps designed with automobile fuel economy and environmental performance in mind, and compact and lightweight speaker products that are highly adaptable to changes in vehicle interior designs.

2) Information and Communication Products Segment

For the Japanese after-market, we concentrate our

Analysis of Operating Results for the Fiscal Year Ending March 2018

1) Cash Flows

(Cash flows from operating activities)

Net cash provided by operating activities increased 13.8 billion yen (compared to a 3.4 billion yen increase the previous year). This increase was primarily due to 12.1 billion yen in profit before income taxes, 7.0 billion yen in depreciation, a 1.9 billion yen increase in notes and accounts payable, and a 1.2 billion yen increase in accrued expenses, which were offset by a 3.6 billion yen increase in notes and accounts receivable, a 1.4 billion yen increase in inventories, and 3.2 billion yen of income taxes paid.

(Cash flows from investing activities)

Net cash provided by investing activities decreased 12.3 billion yen (compared to a 3.4 billion yen increase the previous year). This decrease was primarily due to a 6.3 billion yen purchase of property, plant, and equipment; a 2.0 billion yen purchase of intangible assets; and 4.2 billion yen in payments of loans receivable.

(Cash flows from financing activities)

Net cash provided by financing activities decreased 2.2 billion yen (compared to a 2.2 billion yen decrease the previous year). This decrease was primarily due to 2.0 billion yen used for cash dividends paid.

As a result, there was a 1.5 billion yen increase in free cash flow (compared to a 6.9 billion yen increase the previous year). Free cash flow is the total of cash flows from operating activities and cash flows from investing activities.

2) Assets, Liabilities and Net Assets

Total assets as of the end of this consolidated fiscal year were 219.6 billion yen, an increase of 17.7 billion yen year on year. This was primarily due to a 0.4 billion yen increase in cash and deposits; a 5.3 billion yen increase in notes and accounts receivable; a 2.1 billion yen increase in inventories; a 0.9 billion yen increase in deferred tax assets (short term); a 5.6 billion yen increase in other current assets; a 0.6 billion yen increase in property, plant, and equipment; a 0.8 billion yen increase in intangible assets; and a 1.8 billion yen increase in investments and other assets.

Liabilities increased 6.9 billion yen year on year to 63.5 billion yen. This was primarily due to a 2.6 billion yen increase in notes and accounts payable, a 1.6 billion yen increase in accrued expenses, a 0.5 billion yen increase in income taxes payable, a 0.4 billion yen increase in provision for bonuses, a 0.5 billion yen increase in provision for product warranties, a 1.1 billion yen increase in other current liabilities, and a 0.2 billion yen increase in net defined benefit liability.

Net assets increased 10.7 billion yen year on year to 156.1 billion yen. This was primarily due to a 7.2 billion yen increase in retained earnings, a 0.3 billion yen increase in valuation difference on available-for-sale securities, a 1.9 billion yen increase in foreign currency translation adjustment, a 0.8 billion yen increase in remeasurements of defined benefit plans, and a 0.3 billion yen increase in non-controlling interests. As a result, the capital adequacy ratio decreased 1.0 points year on year to 70.1%.

5) Potential Risks in Overseas Operations

Many of the Alpine Group's production and sales operations are performed in the United States, Europe, China, and other Asian countries. These operations in the overseas markets potentially involve various risks, including: 1. Unexpected changes in laws or taxation systems, 2. Unfavorable factors of politics or economy, and 3. Terrorism, wars, or other social disorder. Any of these events could cause a severe impact on the performance of our group's business.

6) Supply System for Specific Parts

The Alpine Group strives to produce critical parts within the group; however, some critical parts are supplied by companies outside the group. In the event that such a company becomes unable to supply the parts in the required quantity as scheduled, due to a disaster or other reason(s), we may suffer a delay in production, lost sales opportunities, or other losses, leading to an adverse impact on the performance and financial conditions of our group.

7) Requirements of Customer Companies

The Alpine Group's OEM business is targeted at automobile manufacturers throughout the world, and, in the medium term, we aim to further expand sales through structural reform in terms of order reception. These automobile manufacturers are becoming increasingly demanding for high quality, low costs, and short delivery times to survive amid global competition. Sales in this field are greatly influenced by the circumstances surrounding customer companies, such as their performance and changes in their procurement policies, and price reductions to meet customer demands may cause an adverse impact on the performance and financial conditions of our group.

8) Intellectual Property

The Alpine Group strives to protect the results of our technological research and development, as well as other efforts, through patents, trademarks, and other intellectual property rights. However, protection through intellectual property rights can be insufficient in some areas, and we may not be able to effectively prevent the use of our group's intellectual property by a third party to produce similar products. In addition, our group's future products or technology may be claimed to infringe upon other companies' intellectual property rights.

9) Product Imperfections

The Alpine Group produces various products in accordance with strict quality control standards. Nevertheless, there is no guarantee that all products are free from defects and recalls in future. Additionally, although we have a product liability insurance policy, there is no guarantee that this insurance will sufficiently cover the final cost of any damage. Any product defect leading to a large-scale recall or product liability claim could

severely impact our group's value, as well as entailing considerable cost, and may cause an adverse impact on the performance and financial conditions of our group.

10) Public Regulations

The Alpine Group is subject to the various government regulations and legal restrictions of each country where we operate business, such as business and investment approvals and import and export regulations, including tariffs. Inability to abide by these regulations may restrict our business activities and lead to increased costs, causing an adverse impact on the performance and financial conditions of our group.

11) Disaster Risks

The Alpine Group takes all possible measures to prepare against disasters, including earthquakes; however, an unexpectedly large-scale disaster, causing a power failure or other interrupting conditions, may adversely affect the performance and financial conditions of our group.

12) Risks Related to Environmental Pollution

The Alpine Group implements measures to mitigate environmental risks, as part of our CSR activities under the Alps Group Environmental Charter. Our specific activities include purification of soil and ground water at our domestic and overseas facilities, prevention of chemical substance leakage, and strict control of drainage and exhaust. However, there is no guarantee that our future business activities will not cause environmental pollution that is currently unknown. In the event that such an unexpected situation occurs or becomes evident, the expenditures for the countermeasures may lead to a deterioration of the operating results and financial conditions of our group.

13) Risks of Fluctuations in Market Prices of Securities

The Alpine Group does not hold securities for trading purposes; however, because all securities with market prices are subject to fair value assessment, changes in market prices in stock markets may affect the performance and financial conditions of our group.

14) Risks Related to Legal Proceedings and Lawsuits

The Alpine Group strives to implement the compliance system that we have established regarding our business activities. Nevertheless, in the event that legal proceedings have been initiated or a lawsuit has been filed by a regulatory authority on suspicion of violating a law in relation to our group's activities, the result may affect the performance and financial conditions of our group.

Business and Other Risks

1) Economic Fluctuations

The Alpine Group operates its business on a global scale, with a focus on the mobile multimedia business. Our group's products are sold around the world in various markets, whether directly or indirectly through automobile manufacturers. Accordingly, the performance and financial conditions of our group may be adversely affected by economic fluctuations attributable to political and economic conditions, natural disasters, environmental issues, or other factors, in any of the main markets, including Japan, North America, Europe, and Asia.

2) Foreign Exchange Risks

Overseas sales account for 88.4% of the Alpine Group's sales. In addition, the financial statements of our foreign subsidiaries are prepared on a local currency basis. Therefore, our group is subject to the influence of fluctuations in exchange rates. Generally speaking, the appreciation of the yen against foreign currencies, particularly the dollar and the euro, causes an adverse impact on our group's performance. We are hedging against exchange rate changes through forward exchange contract and other means; however, sharp exchange rate fluctuations or other factors

may adversely affect the performance and financial conditions of our group.

3) New Product Development

The Alpine Group continues active investment in research and development, in order to develop attractive new products. However, rapid technological progress and changes in customer needs may hinder the expected process of new product development, which may impair future growth and profitability, causing an adverse impact on the performance and financial conditions of our group.

4) Price Competition

Price competition is heating up in the mobile multimedia industry, which the Alpine Group belongs to, causing price declines in the after-market. In addition, further price drops are expected in the future due to demands from automobile manufacturers for cost reduction, successive entry of competitors, and other reasons. We continue working on structural reforms in terms of cost and profitability from global perspectives; however, these sales price drops may cause an adverse impact on the performance and financial conditions of our group.



(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	53,309	53,789
Notes and accounts receivable - trade	39,429	44,759
Merchandise and finished goods	18,310	18,423
Work in process	737	1,369
Raw materials and supplies	6,591	8,009
Deferred tax assets	1,197	2,181
Other	8,894	14,537
Allowance for doubtful accounts	(139)	(263)
<b>Total current assets</b>	<b>128,330</b>	<b>142,808</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	26,360	27,029
Accumulated depreciation	(18,378)	(19,151)
Buildings and structures, net	7,981	7,877
Machinery, equipment and vehicles	23,937	25,106
Accumulated depreciation	(17,939)	(18,985)
Machinery, equipment and vehicles, net	5,997	6,121
Tools, furniture, fixtures and dies	52,271	54,808
Accumulated depreciation	(46,592)	(48,629)
Tools, furniture, fixture and dies, net	5,679	6,178
Land	4,863	4,623
Leased assets	199	221
Accumulated depreciation	(86)	(94)
Leased assets, net	112	126
Construction in progress	1,459	1,775
<b>Total property, plant and equipment</b>	<b>26,095</b>	<b>26,703</b>
<b>Intangible assets</b>	<b>4,457</b>	<b>5,288</b>
<b>Investments and other assets</b>		
Investment securities	25,199	28,545
Investments in capital	13,881	11,810
Net defined benefit asset	60	31
Deferred tax assets	679	541
Other	3,158	3,899
Allowance for doubtful accounts	(6)	(7)
<b>Total investments and other assets</b>	<b>42,974</b>	<b>44,822</b>
<b>Total non-current assets</b>	<b>73,527</b>	<b>76,814</b>
<b>Total assets</b>	<b>201,857</b>	<b>219,623</b>

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>(Liabilities)</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	24,079	26,778
Accrued expenses	9,033	10,641
Income taxes payable	944	1,528
Deferred tax liabilities	0	24
Provision for bonuses	2,211	2,641
Provision for directors' bonuses	55	90
Provision for product warranties	4,841	5,429
Other	5,538	6,659
<b>Total current liabilities</b>	<b>46,705</b>	<b>53,792</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	4,548	4,350
Net defined benefit liability	3,410	3,681
Provision for directors' retirement benefits	70	53
Other	1,794	1,640
<b>Total non-current liabilities</b>	<b>9,823</b>	<b>9,725</b>
<b>Total liabilities</b>	<b>56,529</b>	<b>63,518</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>		
Capital stock	25,920	25,920
Capital surplus	24,903	24,903
Retained earnings	87,758	95,011
Treasury shares	(1,401)	(1,377)
<b>Total shareholders' equity</b>	<b>137,180</b>	<b>144,458</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	7,338	7,681
Deferred gains or losses on hedges	(0)	(2)
Revaluation reserve for land	(1,261)	(1,261)
Foreign currency translation adjustment	1,908	3,862
Remeasurements of defined benefit plans	(1,713)	(854)
<b>Total accumulated other comprehensive income</b>	<b>6,272</b>	<b>9,424</b>
<b>Subscription rights to shares</b>	<b>83</b>	<b>97</b>
<b>Non-controlling interests</b>	<b>1,791</b>	<b>2,124</b>
<b>Total net assets</b>	<b>145,328</b>	<b>156,104</b>
<b>Total liabilities and net assets</b>	<b>201,857</b>	<b>219,623</b>

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	247,751	275,281
Cost of sales	205,495	219,968
Gross profit	42,256	55,312
Selling, general and administrative expenses	36,644	41,564
Operating income	5,612	13,748
Non-operating income		
Interest income	272	300
Dividend income	487	505
Share of profit of entities accounted for using equity method	1,594	—
Profit on cash settlements	152	347
Other	325	380
Total non-operating income	2,832	1,533
Non-operating expenses		
Interest expenses	19	19
Foreign exchange losses	507	85
Sales discounts	100	109
Commission fee	65	984
Overseas withholding tax	203	321
Share of loss of entities accounted for using equity method	—	14
Other	108	77
Total non-operating expenses	1,005	1,612
Ordinary income	7,439	13,669
Extraordinary income		
Gain on sales of non-current assets	64	73
Gain on step acquisitions	—	42
Gain on change in equity	—	147
Gain on sales of investment securities	127	—
Gain on sales of shares of subsidiaries and associates	6,268	—
Compensation income	25	—
Total extraordinary income	6,485	263
Extraordinary losses		
Loss on sales and retirement of non-current assets	68	68
Loss on valuation of investment securities	—	140
Loss on change in equity	700	—
Impairment loss	—	275
Business structure improvement expenses	25	1,262
Total extraordinary losses	793	1,747
Profit before income taxes	13,131	12,185
Income taxes - current	5,797	3,984
Income taxes - deferred	(560)	(1,390)
Total income taxes	5,237	2,593
Profit	7,894	9,592
(Profit attributable to)		
Profit attributable to owners of parent	7,760	9,326
Profit attributable to non-controlling interests	134	265
Other comprehensive income		
Valuation difference on available-for-sale securities	887	1,094
Deferred gains or losses on hedges	4	(1)
Foreign currency translation adjustment	(2,058)	1,286
Remeasurements of defined benefit plans, net of tax	91	857
Share of other comprehensive income of entities accounted for using equity method	(3,146)	(124)
Total other comprehensive income	(4,221)	3,111
Comprehensive income	3,672	12,703
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,533	12,479
Comprehensive income attributable to non-controlling interests	138	224

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	13,131	12,185
Depreciation	6,417	7,034
Increase (decrease) in net defined benefit liability	(91)	(754)
Increase (decrease) in accrued expenses	698	1,279
Interest and dividend income	(760)	(805)
Interest expenses	19	19
Share of (profit) loss of entities accounted for using equity method	(1,594)	14
Loss (gain) on sales of property, plant and equipment	(30)	(36)
Loss (gain) on sales of shares of subsidiaries and associates	(6,268)	—
Decrease (increase) in notes and accounts receivable - trade	(4,539)	(3,658)
Decrease (increase) in inventories	3,238	(1,446)
Increase (decrease) in notes and accounts payable - trade	(1,079)	1,991
Increase (decrease) in provision for product warranties	(585)	508
Impairment loss	—	275
Loss (gain) on step acquisitions	—	(42)
Business structure improvement expenses	25	1,262
Other, net	24	(1,684)
Subtotal	8,604	16,144
Interest and dividend income received	809	962
Interest expenses paid	(19)	(19)
Income taxes paid	(5,949)	(3,232)
Income taxes refund	34	31
Net cash provided by (used in) operating activities	3,478	13,886
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,924)	(6,366)
Proceeds from sales of property, plant and equipment	226	179
Purchase of intangible assets	(2,932)	(2,005)
Payments of loans receivable	(2,240)	(4,212)
Proceeds from sales of shares of subsidiaries and associates	9,398	—
Payments for investments in capital	(1,683)	—
Collection of loans receivable	5,430	56
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	16
Other, net	168	(24)
Net cash provided by (used in) investing activities	3,441	(12,357)
Cash flows from financing activities		
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(2,067)	(2,069)
Dividends paid to non-controlling interests	(64)	(74)
Other, net	(94)	(58)
Net cash provided by (used in) financing activities	(2,227)	(2,202)
Effect of exchange rate change on cash and cash equivalents	(665)	1,124
Net increase (decrease) in cash and cash equivalents	4,026	450
Cash and cash equivalents at beginning of period	49,282	53,309
Cash and cash equivalents at end of period	53,309	53,759



Fiscal year ended March 31, 2017 (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	25,920	24,905	82,115	(1,407)	131,534
Changes of items during period					
Dividends of surplus			(2,068)		(2,068)
Profit attributable to owners of parent			7,760		7,760
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(0)		6	6
Transfer of loss on disposal of treasury shares		0	(0)		—
Change in ownership interest of parent due to transactions with non-controlling interests		(2)			(2)
Reversal of revaluation reserve for land			(49)		(49)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(2)	5,642	5	5,646
Balance at end of current period	25,920	24,903	87,758	(1,401)	137,180

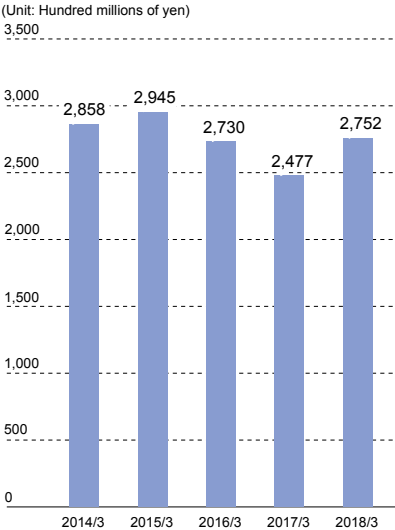
	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	7,653	(5)	(1,310)	5,914	(1,803)	10,449	54	1,766	143,805
Changes of items during period									
Dividends of surplus									(2,068)
Profit attributable to owners of parent									7,760
Purchase of treasury shares									(0)
Disposal of treasury shares									6
Transfer of loss on disposal of treasury shares									—
Change in ownership interest of parent due to transactions with non-controlling interests								(48)	(50)
Reversal of revaluation reserve for land			49			49			—
Net changes of items other than shareholders' equity	(314)	4	—	(4,005)	89	(4,226)	28	73	(4,123)
Total changes of items during period	(314)	4	49	(4,005)	89	(4,177)	28	25	1,523
Balance at end of current period	7,338	(0)	(1,261)	1,908	(1,713)	6,272	83	1,791	145,328

Fiscal year ended March 31, 2018 (Millions of yen)

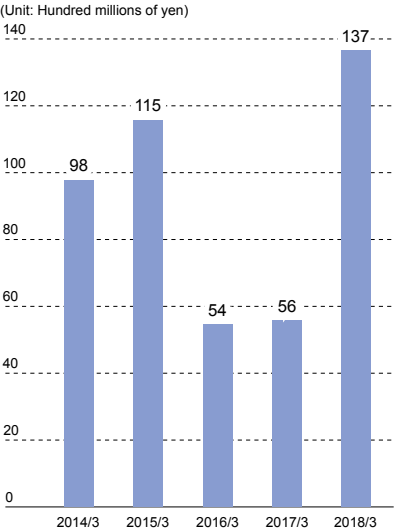
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	25,920	24,903	87,758	(1,401)	137,180
Changes of items during period					
Dividends of surplus			(2,068)		(2,068)
Profit attributable to owners of parent			9,326		9,326
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(5)		25	20
Transfer of loss on disposal of treasury shares		5	(5)		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	7,253	24	7,277
Balance at end of current period	25,920	24,903	95,011	(1,377)	144,458

	Accumulated other comprehensive income						Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	7,338	(0)	(1,261)	1,908	(1,713)	6,272	83	1,791	145,328
Changes of items during period									
Dividends of surplus									(2,068)
Profit attributable to owners of parent									9,326
Purchase of treasury shares									(0)
Disposal of treasury shares									20
Transfer of loss on disposal of treasury shares									—
Net changes of items other than shareholders' equity	342	(1)	—	1,953	858	3,152	14	332	3,499
Total changes of items during period	342	(1)	—	1,953	858	3,152	14	332	10,776
Balance at end of current period	7,681	(2)	(1,261)	3,862	(854)	9,424	97	2,124	156,104

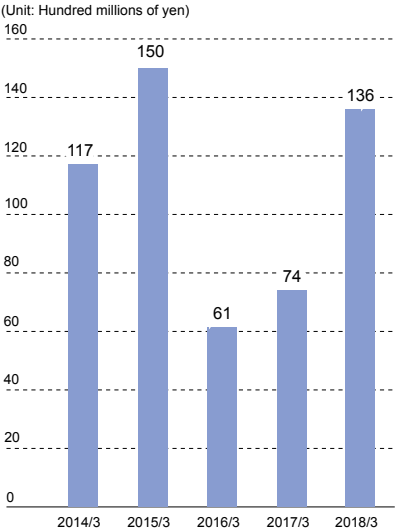
Sales



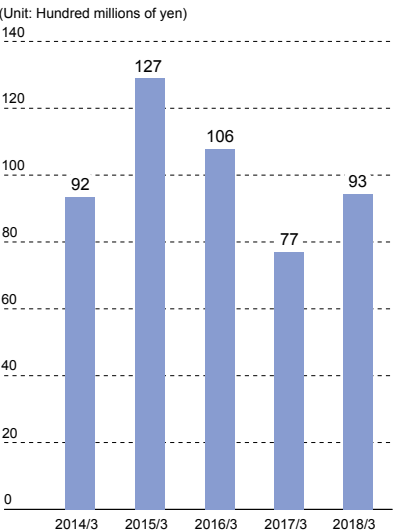
Operating Profit



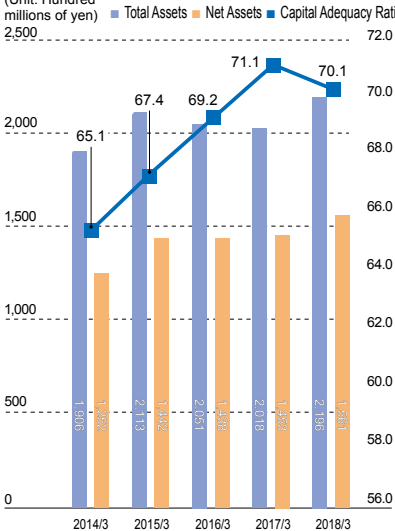
Ordinary Profit



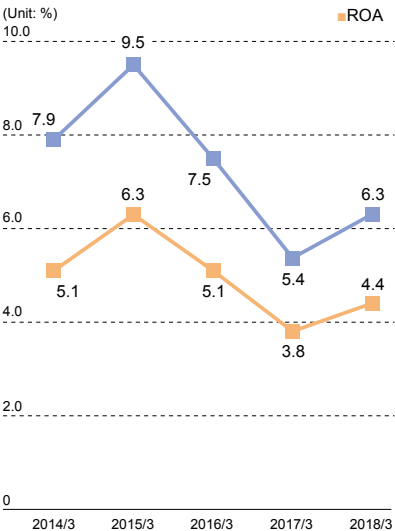
Net Income Attributable to Parent Company Shareholders



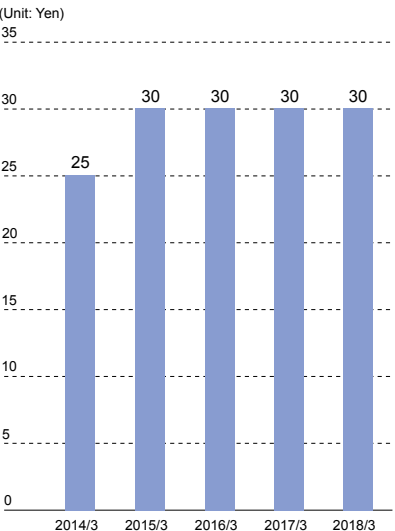
Total Assets/Net Assets/ Capital Adequacy Ratio



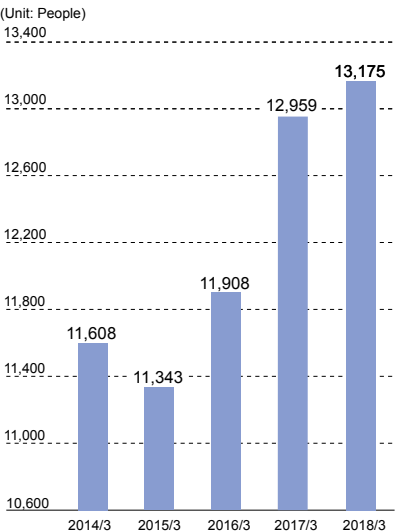
ROE/ROA



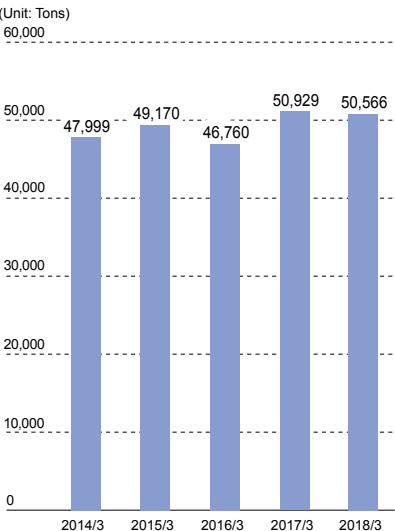
Dividend per Share



Number of Employees



CO<sub>2</sub> Emissions



Outline (as of June 2018)

Corporate Name	ALPINE ELECTRONICS, INC.
Headquarters	1-7 Yukigaya-otsukamachi, Ota-ku, Tokyo, 145-0067 Tel: +81-3-5499-8111 (main line)
Iwaki	20-1 Yoshima Industrial Park, Iwaki City, Fukushima 970-1192 Tel: +81-246-36-4111 (main line)
Date of Establishment	May, 1967
Common Stock	160,000,000 shares
Total Issued Stocks	68,952,260 shares (832,241 treasury shares not included)
Paid-in Capital	¥25,920 million
Number of Employees (Consolidated)	13,175 (total from 32 consolidated companies)
Domestic Subsidiaries / Domestic Affiliates	ALPINE ELECTRONICS MARKETING, INC. ALPINE MANUFACTURING, INC. ALPINE INFORMATION SYSTEM, INC. ALPINE BUSINESS SERVICE, INC. ALPINE CUSTOMERS SERVICE CO., LTD. C'S LAB CO., LTD. Two others
Overseas Subsidiaries / Overseas Affiliates	ALPINE ELECTRONICS OF AMERICA, INC. ALPINE ELECTRONICS (EUROPE) GmbH ALPINE ELECTRONICS (CHINA) CO., LTD. ALPINE ELECTRONICS OF ASIA PACIFIC CO., LTD. 29 others

Major Shareholders (as of March 31, 2018)

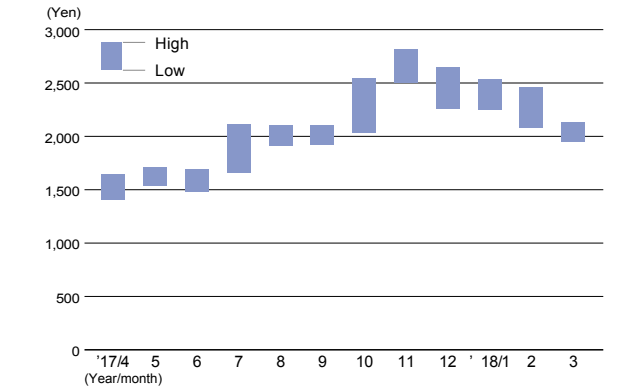
Rank	Name	Number of shares held (thousands of shares)	Percentage of shares held (%)
1	ALPS ELECTRIC CO., LTD.	28,215	40.92
2	OASIS INVESTMENTS II MASTER FUND LTD.	3,687	5.35
3	GOLDMAN, SACHS & CO. REG	3,326	4.82
4	DEUTSCHE BANK AG LONDON GPF CLIENT OMNIFULL TAX 613	2,538	3.68
5	DB AG LONDON PB-ELLIOTT INTERNATIONAL, L.P. 667	2,002	2.90
6	THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	1,672	2.43
7	MSCO CUSTOMER SECURITIES	1,420	2.06
8	JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	1,318	1.91
9	MLI FOR CLIENT GENERAL NON TREATY-PB	1,140	1.65
10	NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,029	1.49

Note: Percentage of shares held excludes treasury shares.

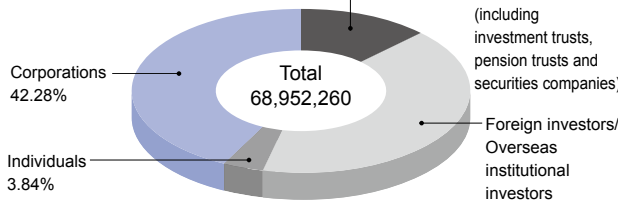
Committee Members (as of June 2018)

Name	Position and Responsibility/Primary Role	
Nobuhiko Komeya	President	
Koichi Endo	Managing Director	Engineering & Development
Yoji Kawarada	Managing Director	Manufacturing & Materials Control
Toshinori Kobayashi	Director	Administration
Shuji Taguchi	Director	Quality Assurance
Yasuhiro Ikeuchi	Director	European Operations
Shinji Inoue	Director	Marketing & Sales
Koji Ishibashi	Director	Product Design
Yasushi Motokawa	Director	Chinese Operations
Masataka Kataoka	Director	Executive Adviser, Alps Electric Co., Ltd.
Shinji Maeda	Director Member of Audit and Supervisory Committee	(Full-time)
Hideo Kojima	Director Member of Audit and Supervisory Committee	(External) Certified Public Accountant
Satoko Hasegawa (Niiya)	Director Member of Audit and Supervisory Committee	(External) Lawyer
Naoki Yanagida	Director Member of Audit and Supervisory Committee	(External) Lawyer
Satoshi Kinoshita	Director Member of Audit and Supervisory Committee	(External) President & CEO, Tunggaloy Corporation

Trend in Stock Price



Share Distribution by Owner







## ALPINE ELECTRONICS, INC.

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