Translation

January 30, 2018

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2018 <under Japanese GAAP>

Company name: **Alpine Electronics, Inc.**
Listing: First Section of the Tokyo Stock Exchange
Code number: 6816
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Scheduled date to file Quarterly Securities Report: February 8, 2018
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly earnings: Yes
Holding of quarterly earnings performance review: None

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

1. Consolidated performance for the first nine months of the fiscal year ending March 31, 2018 (from April 1, 2017 to December 31, 2017)

(1) Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
First nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2017	197,512	8.9	9,272	100.4	9,023	28.1	5,747	(27.9)
December 31, 2016	181,390	(11.7)	4,627	7.2	7,045	45.3	7,967	(28.6)

(Note) Comprehensive income
For the first nine months ended December 31, 2017: ¥11,443 million [285.6%]
For the first nine months ended December 31, 2016: ¥2,967 million [(68.4)%]

	Basic earnings per share	Diluted earnings per share
First nine months ended	Yen	Yen
December 31, 2017	83.37	83.28
December 31, 2016	115.57	115.48

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2017	217,318	154,844	70.2	2,212.22
March 31, 2017	201,857	145,328	71.1	2,080.94

(Reference) Equity
As of December 31, 2017: ¥152,535 million
As of March 31, 2017: ¥143,452 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	–	15.00	–	15.00	30.00
Fiscal year ending March 31, 2018	–	15.00	–		
Fiscal year ending March 31, 2018 (Forecast)				15.00	30.00

(Note) Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2018	270,000	9.0	11,000	96.0	10,200	37.1	6,000	(22.7)	87.02

(Note) Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of a specific accounting procedure for preparing consolidated quarterly financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards: None
b. Changes in accounting policies due to other reasons: None
c. Changes in accounting estimates: None
d. Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common shares)

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

As of December 31, 2017	69,784,501 shares
As of March 31, 2017	69,784,501 shares

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

As of December 31, 2017	832,135 shares
As of March 31, 2017	847,284 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the first nine months ended December 31, 2017	68,948,272 shares
For the first nine months ended December 31, 2016	68,936,593 shares

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

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

The earnings forecasts are based on information currently available to Alpine Electronics, Inc. (the “Company”) at the time of the release of these materials. Actual business results may differ from the forecasts due to various factors. For information regarding the assumptions on which earnings forecasts are based and points to note when using the earnings forecasts, please refer to “(3) Information regarding consolidated earnings forecasts and other forward-looking statements” under “1. Qualitative Information Regarding Settlement of Accounts for the First Nine Months” on page 2 of the accompanying materials.

(Method of accessing supplementary material on quarterly earnings)
Effective from Tuesday, January 30, 2018, supplementary material on quarterly earnings is available on the Company’s website.

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

(1) Information regarding operating results

In the Japanese economy during the first nine months ended December 31, 2017, there was a moderate trend of recovery, and the gradual expansion of the U.S. and European economic activities continued. However, the outlook for the global economy remained uncertain owing to the policy direction of the new administration in the U.S., as well as rising geopolitical risks in the Far East.

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

Under these circumstances, the Alpine Group (the “Group”) regards this fiscal year as a year to accomplish structural reforms in order to achieve VISION2020, its corporate vision targeting the 2020 fiscal year, and it has developed the “14th Medium-term Management Plan,” which commenced in the fiscal year ended March 31, 2017. Based on this plan, the Group has enhanced its technological development capabilities by absorbing its domestic technological development subsidiaries and the Company has acquired C’s Lab Co., Ltd. as a subsidiary to strengthen its capital and business alliances because software performance and quality are important elements that affect a product’s competitiveness. In addition, with the aim of achieving volume production of a HUD (head-up display) utilizing 3D AR (augmented reality) technology developed by Konica Minolta, Inc., we began joint development with that company. Furthermore, the Group has worked to construct a more robust business platform and has been moving ahead to reorganize the group through structural reforms, such as by improving productivity at the three domestic manufacturing subsidiaries that were integrated at the beginning of the fiscal year. On the business front, as a means of realizing the enjoyable car lifestyle demanded by users, the Company has commenced a new business consisting of sales of “Alpine Style Customized Cars.” In addition to implementing these measures, the Group recorded growth in sales of products tailored to specific vehicle models under the Alpine brand in the domestic aftermarket, and in OEM sales to European automotive manufacturers in China, which, together with a contribution from yen depreciation, led to an increase in net sales. Also, operating profit, in addition to benefiting from higher sales, posted an increase as a result of efforts to reduce non-current expenses, such as by streamlining R&D.

As a result, during the first nine months ended December 31, 2017, consolidated net sales increased 8.9% compared with the corresponding period of the previous fiscal year, to ¥197.5 billion. Operating profit increased 100.4% to ¥9.2 billion, ordinary profit increased 28.1% to ¥9.0 billion, and profit attributable to owners of parent decreased 27.9% to ¥5.7 billion.

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

Note that, the Company announced plans for business integration with Alps Electric Co., Ltd., with a view to hastening the realization of group synergies. In order to respond to new trends within the automobile industry, such as autonomous driving, EV (electric vehicles), connected cars, and sharing, the two companies will work on fusing Alps Electric’s sensing device and communication device technologies with the Company’s software technology, with the goal of offering both driver and passenger a richer space and experience, and developing the optimal HMI (human machine interface).

< Audio Products segment >

In the Audio Products segment, a trend of contraction continued in the audio market as a result of audio functions being combined with information and communication equipment such as navigation systems and display products in the aftermarket as well as in the OEM market. However, amid the signs of a resurgence in analog audio and attention being focused on sound quality, the Company carried out aggressive promotional activities with the aim of increasing aftermarket sales, such as by exhibiting demonstration cars fitted with sound systems at domestic exhibitions dedicated to audiovisual equipment “OTOTEN -AUDIO･VISUAL FESTIVAL2017-.”

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

Accordingly, segment sales increased 21.0% compared with the corresponding period of the previous fiscal year, to ¥39.3 billion.

< Information and Communication Products segment >

In the Information and Communication Products segment, the “Big-X series” of large-screen navigation systems that was launched in the domestic aftermarket continued to record favorable sales, and in addition to taking steps to gain new users by exhibiting at the 45th Tokyo Motor Show 2017, we made efforts to strengthen the Alpine brand. We also focused on activities to win orders for “Alpine Style Customized Cars,” which are equipped with system products built around navigation systems, as well as high-quality vehicle interiors.

Moreover, as a result of launching new products in the U.S. and European aftermarkets tailored to specific vehicle models, sales were firm.

In the OEM market, due to the effect of the end-phase of model lifecycles for orders, there was a decline in sales to some automotive manufacturers of certain display products that are becoming standard equipment for luxury vehicle models. However, sales of navigation systems to European luxury automotive manufacturers in China were favorable and sales increased as a result.

Accordingly, segment sales increased 6.2% compared with the corresponding period of the previous fiscal year, to ¥158.1 billion.

(2) Information regarding financial position

Total assets stood at ¥217.3 billion as of December 31, 2017, an increase of ¥15.4 billion compared with the end of the previous fiscal year (March 31, 2017) due mainly to a ¥1.9 billion increase in notes and accounts receivable - trade, a ¥4.7 billion increase in inventories, a ¥4.8 billion increase in other current assets, a ¥1.3 billion increase in property, plant and equipment, and a ¥2.8 billion increase in investment securities.

Total liabilities increased ¥5.9 billion compared with the end of the previous fiscal year to ¥62.4 billion due mainly to a ¥3.1 billion increase in notes and accounts payable - trade, a ¥1.4 billion increase in accrued expenses, a ¥0.2 billion increase in deferred tax liabilities (long-term), and a ¥1.0 billion increase in net defined benefit liability.

Net assets increased ¥9.5 billion compared with the end of the previous fiscal year to ¥154.8 billion due mainly to a ¥3.6 billion increase in retained earnings, a ¥1.3 billion increase in valuation difference on available-for-sale securities, a ¥3.9 billion increase in foreign currency translation adjustment, and a ¥0.4 billion increase in non-controlling interests.

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

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

For consolidated earnings forecasts, please refer to the news release “Notice of Revisions to Full-Year Earnings Forecasts for Fiscal Year Ending March 31, 2018” announced today (January 30, 2018).

The exchange rates assumed for the fourth quarter ending March 31, 2018 are US$1 = ¥108 and €1 = ¥127.

< Consolidated full-year earnings forecasts for the fiscal year ending March 31, 2018 >

Net sales	¥270.0 billion	(up 9.0% year on year)
Operating profit	¥11.0 billion	(up 96.0% year on year)
Ordinary profit	¥10.2 billion	(up 37.1% year on year)
Profit attributable to owners of parent	¥6.0 billion	(down 22.7 % year on year)

2. Consolidated Quarterly Financial Statements and Significant Notes Thereto

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	53,309	53,123
Notes and accounts receivable - trade	39,429	41,351
Merchandise and finished goods	18,310	19,533
Work in process	737	1,111
Raw materials and supplies	6,591	9,773
Deferred tax assets	1,197	1,537
Other	8,894	13,699
Allowance for doubtful accounts	(139)	(223)
Total current assets	128,330	139,907
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,360	27,261
Accumulated depreciation	(18,378)	(19,179)
Buildings and structures, net	7,981	8,082
Machinery, equipment and vehicles	23,937	25,345
Accumulated depreciation	(17,939)	(19,106)
Machinery, equipment and vehicles, net	5,997	6,238
Tools, furniture, fixtures and dies	52,271	54,348
Accumulated depreciation	(46,592)	(48,546)
Tools, furniture, fixtures and dies, net	5,679	5,801
Land	4,863	4,907
Leased assets	199	230
Accumulated depreciation	(86)	(95)
Leased assets, net	112	134
Construction in progress	1,459	2,322
Total property, plant and equipment	26,095	27,487
Intangible assets	4,457	5,002
Investments and other assets		
Investment securities	25,199	28,041
Investments in capital	13,881	12,305
Net defined benefit asset	60	45
Deferred tax assets	679	641
Other	3,158	3,893
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	42,974	44,921
Total non-current assets	73,527	77,411
Total assets	201,857	217,318

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,079	27,199
Accrued expenses	9,033	10,503
Income taxes payable	944	985
Deferred tax liabilities	0	132
Provision for bonuses	2,211	1,503
Provision for directors' bonuses	55	54
Provision for product warranties	4,841	5,622
Other	5,538	5,503
Total current liabilities	46,705	51,506
Non-current liabilities		
Deferred tax liabilities	4,548	4,784
Net defined benefit liability	3,410	4,443
Provision for directors' retirement benefits	70	52
Other	1,794	1,687
Total non-current liabilities	9,823	10,968
Total liabilities	56,529	62,474
Net assets		
Shareholders' equity		
Capital stock	25,920	25,920
Capital surplus	24,903	24,903
Retained earnings	87,758	91,432
Treasury shares	(1,401)	(1,376)
Total shareholders' equity	137,180	140,879
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,338	8,704
Deferred gains or losses on hedges	(0)	(4)
Revaluation reserve for land	(1,261)	(1,261)
Foreign currency translation adjustment	1,908	5,816
Remeasurements of defined benefit plans	(1,713)	(1,599)
Total accumulated other comprehensive income	6,272	11,655
Subscription rights to shares	83	97
Non-controlling interests	1,791	2,211
Total net assets	145,328	154,844
Total liabilities and net assets	201,857	217,318

(2) Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	First nine months ended December 31, 2016	First nine months ended December 31, 2017
Net sales	181,390	197,512
Cost of sales	150,209	158,043
Gross profit	31,181	39,469
Selling, general and administrative expenses	26,553	30,197
Operating profit	4,627	9,272
Non-operating income		
Interest income	120	210
Dividend income	288	309
Foreign exchange gains	–	546
Share of profit of entities accounted for using equity method	2,127	–
Gain on settlement of receivables on tooling	30	384
Other	278	296
Total non-operating income	2,845	1,747
Non-operating expenses		
Interest expenses	11	35
Foreign exchange losses	15	–
Sales discounts	74	75
Commission fee	49	666
Overseas withholding tax	179	269
Share of loss of entities accounted for using equity method	–	905
Other	96	43
Total non-operating expenses	427	1,996
Ordinary profit	7,045	9,023
Extraordinary income		
Gain on sales of non-current assets	49	53
Gain on step acquisitions	–	42
Gain on sales of investment securities	127	–
Gain on sales of shares of subsidiaries and associates	6,268	–
Other	6	3
Total extraordinary income	6,451	100
Extraordinary losses		
Loss on sales and retirement of non-current assets	26	65
Business structure improvement expenses	–	1,254
Total extraordinary losses	26	1,319
Profit before income taxes	13,470	7,804
Income taxes - current	4,960	2,376
Income taxes - deferred	379	(580)
Total income taxes	5,340	1,796
Profit	8,130	6,007
Profit attributable to		
Profit attributable to owners of parent	7,967	5,747
Profit attributable to non-controlling interests	163	259

(Millions of yen)

	First nine months ended December 31, 2016	First nine months ended December 31, 2017
Other comprehensive income		
Valuation difference on available-for-sale securities	880	1,748
Deferred gains or losses on hedges	1	(3)
Foreign currency translation adjustment	(170)	3,758
Remeasurements of defined benefit plans, net of tax	72	114
Share of other comprehensive income of entities accounted for using equity method	(5,947)	(182)
Total other comprehensive income	(5,163)	5,435
Comprehensive income	2,967	11,443
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,766	11,131
Comprehensive income attributable to non-controlling interests	201	311

(3) Notes to consolidated quarterly financial statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

No items to report

(Segment information)

1) First nine months ended December 31, 2016

Information concerning sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment			Adjustment (Note)	Amount on consolidated quarterly financial statements
	Audio Products segment	Information and Communication Products segment	Total		
Sales					
Sales to outside customers	32,505	148,885	181,390	–	181,390
Internal sales or transfer among segments	552	122	675	(675)	–
Total	33,057	149,007	182,065	(675)	181,390
Segment profit (operating profit)	1,394	6,979	8,373	(3,746)	4,627

Note: The adjustment of negative ¥3,746 million to segment profit represents corporate expenses not allocated to reportable segments. The corporate expenses are principally costs related to the administration division and part of the development division that are not attributable to the segments.

2) First nine months ended December 31, 2017

Information concerning sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment			Adjustment (Note)	Amount on consolidated quarterly financial statements
	Audio Products segment	Information and Communication Products segment	Total		
Sales					
Sales to outside customers	39,336	158,176	197,512	–	197,512
Internal sales or transfer among segments	562	137	700	(700)	–
Total	39,899	158,313	198,213	(700)	197,512
Segment profit (operating profit)	1,929	11,919	13,848	(4,576)	9,272

Note: The adjustment of negative ¥4,576 million to segment profit represents corporate expenses not allocated to reportable segments. The corporate expenses are principally costs related to the administration division and part of the development division that are not attributable to the segments.