

July 27, 2018

Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2019
<under Japanese GAAP>

Company name: **Alpine Electronics, Inc.**
 Listing: First Section of the Tokyo Stock Exchange
 Code number: 6816
 URL: <http://www.alpine.com/e/investor/>
 Representative: Nobuhiko Komeya, President
 Inquiries: Toshinori Kobayashi, Director, Administration
 TEL: +81-3-5499-8111 (from overseas)

Scheduled date to file Quarterly Securities Report: August 6, 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 three months of the fiscal year ending March 31, 2019
(from April 1, 2018 to June 30, 2018)

(1) Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First three months ended June 30, 2018	73,460	20.3	4,008	938.9	3,719	649.6	2,286	—
June 30, 2017	61,043	(2.3)	385	1.0	496	—	(1,270)	—

(Note) Comprehensive income

For the first three months ended June 30, 2018: ¥983 million [—%]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First three months ended June 30, 2018	33.15	33.12
June 30, 2017	(18.42)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2018	219,403	156,054	70.1	2,229.87
March 31, 2018	218,126	156,104	70.5	2,231.76

(Reference) Equity

As of June 30, 2018: ¥153,791 million

As of March 31, 2018: ¥153,883 million

(Note) The Alpine Group (the “Group”) has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. The results for the fiscal year ended March 31, 2018 are those after retrospective application.

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, 2018	–	15.00	–	15.00	30.00
Fiscal year ending March 31, 2019	–				
Fiscal year ending March 31, 2019 (Forecast)		15.00	–	15.00	30.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First six months ending September 30, 2018	147,000	16.4	6,000	58.5	5,300	37.4	4,000	66.4	58.01
Fiscal year ending March 31, 2019	295,000	7.2	13,000	(5.4)	12,000	(12.2)	10,000	7.2	145.03

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

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of a specific accounting procedure for preparing consolidated quarterly financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement of prior period financial statements after error corrections: None

- (4) Number of issued shares (common shares)

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

As of June 30, 2018	69,784,501 shares
As of March 31, 2018	69,784,501 shares

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

As of June 30, 2018	814,861 shares
As of March 31, 2018	832,241 shares

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

For the first three months ended June 30, 2018	68,957,241 shares
For the first three months ended June 30, 2017	68,941,531 shares

* **Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

* Proper use of earnings forecasts and other special matters

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

(Method of accessing supplementary material on quarterly earnings)

Effective from Friday, July 27, 2018, supplementary material on earnings is available on the Company’s website.

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

(1) Information regarding operating results

In the global economy during the first three months ended June 30, 2018, despite concerns regarding trade friction with Europe and China stemming from protectionist trade policies in the U.S. have been mounting, the U.S. economy has held firm against a backdrop of an improving jobs environment and robust consumer spending, and Europe has also held to a moderate trend of recovery. The Japanese economy has also maintained a path of moderate recovery, despite concerns fueled by factors such as rising gasoline costs and increasing prices of food products.

The automobile industry has entered an era of great change, which some people say occurs once a century. Particularly, in four areas called CASE (Connected, Autonomous, Shared & Services, Electric Vehicle), significant changes that are unseen in other industries are taking place, including a constant connection to the Internet (Connected), autonomous driving (Autonomous), car-sharing services (Shared & Services) and the shift to electrically driven vehicles owing to the widespread use of hybrid cars and electric vehicles (Electric Vehicle). Amid the accelerating use of electronics in cars, in the car electronics industry, 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 Group plans the business integration with Alps Electric Co., Ltd. (scheduled to be completed by the end of December 2018) in order to respond to CASE, a new trend within the automobile industry. The Group will work on fusing the Company's software technology with Alps Electric's sensing device and communication device technologies, for further enhancing the development of HMI (human machine interface), which offers both driver and passenger a richer space and experience, through business integration. Furthermore, the Company has been working to strengthen its approach to the Chinese automotive market amid likely expansion in the markets for electric vehicles and car-sharing services. To that end, the Company has been promoting efforts geared to achieving growth with our sights set on becoming an enterprise offering total solutions for in-car information systems, in part by carrying out a capital increase in equity method associate Neusoft Reach Automotive Technology (Shanghai) Co., Ltd.

In terms of business performance, both net sales and profit exceeded those achieved in the corresponding period of the previous fiscal year. The increases are a result of having promoted reductions in production costs and other expenses, in addition to having maintained strong sales of navigation systems to European luxury automotive manufacturers continuing from the previous fiscal year.

As a result, during the first three months ended June 30, 2018, consolidated net sales increased 20.3% compared with the corresponding period of the previous fiscal year, to ¥73.4 billion. Operating profit increased 938.9% to ¥4.0 billion, ordinary profit increased 649.6% to ¥3.7 billion, and profit attributable to owners of parent amounted to ¥2.2 billion (loss attributable to owners of parent of ¥1.2 billion in the corresponding period of the previous fiscal year).

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

< Audio Products segment >

In the Audio Products segment, a trend of contraction continued in the existing 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. Amid that challenging environment, the Company has been aiming to increase sales in the Chinese aftermarket, the world's largest automobile market. To that end, it has been aggressively promoting the Alpine brand in part by exhibiting demonstration cars fitted with sound systems at the "15th Beijing International Automotive Exhibition." The Company also took steps to gain new users by exhibiting at "OTOTEN - AUDIO VISUAL FESTIVAL 2018 -," the largest domestic exhibition dedicated to audiovisual equipment, and providing high-quality premium sound systems.

Furthermore, in the OEM market, the Company focused on increasing orders for slim-line and lightweight speakers that aid in reducing 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 5.7% compared with the corresponding period of the previous fiscal year, to ¥14.0 billion.

< Information and Communication Products segment >

In the Information and Communication Products segment, the Company worked to increase sales in the domestic aftermarket which has involved launching floating-type large-screen navigation systems, new products developed for vehicle models that are hard to equip with large-screen navigation systems. The Company also worked on expansion of sales for "Alpine Style Customized Cars," which are equipped with system products built around navigation systems, as well as high-quality vehicle interiors. In addition, the Group has been taking steps to reach new user demographics by launching new floating-type products that are compatible with Apple

CarPlay and Android Auto for the U.S. aftermarket.

In the OEM market, sales of navigation systems to European luxury automotive manufacturers and display products were favorable.

Accordingly, segment sales increased 24.4% compared with the corresponding period of the previous fiscal year, to ¥59.4 billion.

* 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.

(2) Information regarding financial position

Total assets stood at ¥219.4 billion as of June 30, 2018, an increase of ¥1.2 billion compared with the end of the previous fiscal year (March 31, 2018) due mainly to a ¥2.1 billion decrease in cash and deposits, a ¥0.7 billion increase in notes and accounts receivable - trade, a ¥1.4 billion increase in inventories, a 0.5 billion decrease in other current assets, a ¥1.8 billion decrease in investment securities, a ¥2.7 billion increase in investments in capital, and a ¥0.8 billion increase in deferred tax assets.

Total liabilities increased ¥1.3 billion compared with the end of the previous fiscal year to ¥63.3 billion due mainly to a ¥2.0 billion increase in notes and accounts payable - trade, a ¥0.5 billion decrease in accrued expenses, a ¥1.2 billion decrease in provision for bonuses, a ¥0.3 billion increase in provision for product warranties, a ¥1.0 billion increase in other current liabilities, a ¥0.3 billion increase in deferred tax liabilities, and a ¥0.5 billion decrease in net defined benefit liability.

Net assets decreased ¥0.0 billion compared with the end of the previous fiscal year to ¥156.0 billion due mainly to a ¥1.2 billion increase in retained earnings, a ¥1.1 billion decrease in valuation difference on available-for-sale securities, a ¥0.7 billion decrease in foreign currency translation adjustment, and a ¥0.5 billion increase in remeasurements of defined benefit plans.

Consequently, equity ratio decreased 0.4 percentage points from March 31, 2018, to 70.1%.

The Group has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. The Group retrospectively applies the aforementioned accounting changes to perform comparative analysis of the financial position.

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

There are no changes to the first six months and full-year consolidated forecasts announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2018,” dated April 26, 2018.

2. Consolidated Quarterly Financial Statements and Significant Notes Thereto

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	53,789	51,594
Notes and accounts receivable - trade	44,759	45,487
Merchandise and finished goods	18,423	18,154
Work in process	1,369	1,167
Raw materials and supplies	8,009	9,968
Other	14,537	13,975
Allowance for doubtful accounts	(263)	(307)
Total current assets	140,626	140,041
Non-current assets		
Property, plant and equipment		
Buildings and structures	27,029	27,154
Accumulated depreciation	(19,151)	(19,335)
Buildings and structures, net	7,877	7,818
Machinery, equipment and vehicles	25,106	25,783
Accumulated depreciation	(18,985)	(19,278)
Machinery, equipment and vehicles, net	6,121	6,505
Tools, furniture, fixtures and dies	54,808	54,183
Accumulated depreciation	(48,629)	(48,160)
Tools, furniture, fixtures and dies, net	6,178	6,022
Land	4,623	4,661
Leased assets	221	211
Accumulated depreciation	(94)	(85)
Leased assets, net	126	125
Construction in progress	1,775	1,881
Total property, plant and equipment	26,703	27,015
Intangible assets	5,288	5,467
Investments and other assets		
Investment securities	28,545	26,712
Investments in capital	11,810	14,557
Net defined benefit asset	31	31
Deferred tax assets	1,226	2,083
Other	3,899	3,502
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	45,506	46,879
Total non-current assets	77,499	79,362
Total assets	218,126	219,403

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,778	28,862
Accrued expenses	10,641	10,065
Income taxes payable	1,528	1,533
Provision for bonuses	2,641	1,399
Provision for directors' bonuses	90	20
Provision for product warranties	5,429	5,789
Other	6,659	7,687
Total current liabilities	53,768	55,358
Non-current liabilities		
Deferred tax liabilities	2,877	3,255
Net defined benefit liability	3,681	3,132
Provision for directors' retirement benefits	53	50
Other	1,640	1,553
Total non-current liabilities	8,252	7,991
Total liabilities	62,021	63,349
Net assets		
Shareholders' equity		
Capital stock	25,920	25,920
Capital surplus	24,903	24,903
Retained earnings	95,011	96,258
Treasury shares	(1,377)	(1,348)
Total shareholders' equity	144,458	145,734
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,681	6,547
Deferred gains or losses on hedges	(2)	(10)
Revaluation reserve for land	(1,261)	(1,261)
Foreign currency translation adjustment	3,862	3,127
Remeasurements of defined benefit plans	(854)	(346)
Total accumulated other comprehensive income	9,424	8,056
Share acquisition rights	97	73
Non-controlling interests	2,124	2,189
Total net assets	156,104	156,054
Total liabilities and net assets	218,126	219,403

(2) Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	First three months ended June 30, 2017	First three months ended June 30, 2018
Net sales	61,043	73,460
Cost of sales	51,855	58,649
Gross profit	9,188	14,810
Selling, general and administrative expenses	8,802	10,802
Operating profit	385	4,008
Non-operating income		
Interest income	67	87
Dividend income	113	119
Foreign exchange gains	137	2
Gain on settlement of receivables on tooling	167	—
Other	57	58
Total non-operating income	543	268
Non-operating expenses		
Interest expenses	1	14
Sales discounts	27	29
Commission fee	146	220
Share of loss of entities accounted for using equity method	144	169
Loss on settlement of receivables on tooling	—	104
Other	112	18
Total non-operating expenses	432	556
Ordinary profit	496	3,719
Extraordinary income		
Gain on sales of non-current assets	15	16
Gain on step acquisitions	42	—
Gain on change in equity	—	9
Total extraordinary income	58	25
Extraordinary losses		
Loss on sales and retirement of non-current assets	2	20
Business structure improvement expenses	1,169	—
Total extraordinary losses	1,172	20
Profit (loss) before income taxes	(617)	3,725
Income taxes - current	588	1,416
Income taxes - deferred	15	(19)
Total income taxes	604	1,397
Profit (loss)	(1,221)	2,327
Profit attributable to		
Profit (loss) attributable to owners of parent	(1,270)	2,286
Profit attributable to non-controlling interests	48	41
Other comprehensive income		
Valuation difference on available-for-sale securities	(600)	(1,036)
Deferred gains or losses on hedges	(42)	(7)
Foreign currency translation adjustment	1,305	(193)
Remeasurements of defined benefit plans, net of tax	38	508
Share of other comprehensive income of entities accounted for using equity method	(682)	(614)
Total other comprehensive income	17	(1,344)
Comprehensive income	(1,203)	983
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,258)	918
Comprehensive income attributable to non-controlling interests	54	65

(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

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

(Segment information)

1) First three months ended June 30, 2017

Information concerning sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment			Adjustment (Note)	Amount on consolidated quarterly financial statements
	Audio Products segment	Information and Communication Products segment	Total		
Sales					
Sales to outside customers	13,277	47,765	61,043	—	61,043
Internal sales or transfer among segments	198	42	241	(241)	—
Total	13,476	47,808	61,285	(241)	61,043
Segment profit (operating profit)	352	1,403	1,756	(1,370)	385

Note: The adjustment of negative ¥1,370 million to segment profit represents corporate expenses not allocated to reportable segments. The corporate expenses are principally costs related to the administration division and part of the development division that are not attributable to the segments.

2) First three months ended June 30, 2018

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	14,038	59,421	73,460	—	73,460
Internal sales or transfer among segments	161	39	200	(200)	—
Total	14,199	59,461	73,661	(200)	73,460
Segment profit (operating profit)	1,042	4,379	5,422	(1,414)	4,008

Note: The adjustment of negative ¥1,414 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.

3. Supplementary Information

Execution of the Basic Agreement on the Business Collaboration

The Company and Alps Electric Co., Ltd. authorized to carry out the business collaboration at each of the company's Board of Directors' meeting on July 27, 2018. For more details, please refer to "Notice Regarding the Execution of the Basic Agreement on the Business Collaboration between Alps Electric Co., Ltd. and Alpine Electronics, Inc." announced today.