Perfecting the Art of Electronics

ALPS®

ANNUAL REPORT 2015

ALPS ELECTRIC CO., LTD.

Alps Philosophy

Alps creates new value that satisfies stakeholders and is friendly to the Earth

The Alps Electric Group's approach to *monozukuri* (encompassing all aspects of product creation) is summed up in the phrase, “perfecting the art of electronics,” meaning we create products that are *right*, *unique* and *green*. By perfecting the art of electronics in its products, the Alps Electric Group will pursue new value and enhance its own presence and corporate value, adding comfort to and enriching the lifestyles of people everywhere.

Alps Business Domain

Perfecting the Art of Electronics

— User-friendly communication and relationships between people and media —

Alps Business Approach

Pursuit of Value	We will constantly pursue new value creation
Harmony with Nature	We will seek harmony with the Earth's environment
Partnership with Customers	We will learn from customers and respond quickly to their needs
Fair Management	We will act fairly and from a global perspective
Respect for the Individual	We will draw upon the unique enthusiasm of every employee

ALPS ANNUAL REPORT 2015

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Editorial Policy

Up to reporting for fiscal 2012 (year ended March 31, 2013), the Alps Electric Group published the *Business Report (Annual Report)* and online CSR and environmental information separately. From reporting for fiscal 2013 (year ended March 31, 2014), these have been integrated as an *Annual Report* covering both financial and non-financial perspectives.

The Alps Electric Group recognizes the importance of promoting awareness about the activities of the Group among all our stakeholders by readily disclosing information about business plans and results, policy on CSR-based management, environmental preservation initiatives and other areas. For that reason, we view this report as a vital communication tool.

Company Notation

Alps Electric: The single Japanese business entity, Alps Electric Co., Ltd.
Alps Group: Alps Electric Co., Ltd. and all its consolidated companies in Japan and overseas
Alps Electric Group: The electronic components segment of the Alps Group

Coverage

Organizations

The report covers the entire Alps Electric Group worldwide, although coverage may vary for different activities.

Period

- The report principally covers the period from April 1, 2014 to March 31, 2015 but does include some activities occurring prior to or later than this period.
- Environmental reporting covers the period from April 2014 to March 2015 for Japan, and the period from January to December 2014 for overseas.

Published August 2015

Profile of the Alps Electric Group

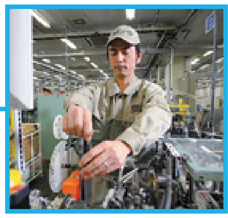
Facilitating user-friendly communication and relationships between people and media

The Alps Electric Group has developed, manufactured and marketed around 40,000 types of electronic component. Supplied to around 2,000 corporate customers worldwide, these high-value electronic components enable user-friendly communication and relationships between people and media.


Marketing & Planning


Development & Design


Production Engineering


Manufacturing


Quality Assurance

Original technologies of the Alps Electric Group create new value in diverse product domains

HMI
Input devices enabling smooth operation of smaller, thinner, integrated and multifunctional electronics

Sensor
Sensor devices that accurately detect even the smallest changes within diverse control and sensing applications

Connectivity
Memory card connectors, data communication modules and other devices and modules forming suitable data and device links

Business Domain

Alps Electric assists and enriches lifestyles by perfecting the art of electronics in its products

Automotive

Provision of custom products, including control panels and steering modules, for specific vehicle models, as well as switches and other components compatible with any vehicle

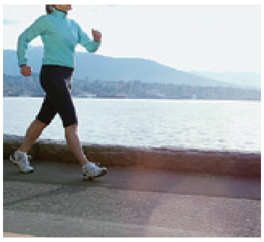
Environment & Energy

Serving the growing environment and energy markets with current sensors enabling visualization of power usage and sensors measuring parameters such as temperature, illuminance and CO_2 levels in indoor and outdoor environments. These can be combined with communication modules essential for xEMS to build smart networks.

Home & Mobile

Provision of switches, potentiometers, sensors and other components through to multi-input devices like touch panels and GlidePoint™ for integration into digital appliances, including smartphones and tablets

Healthcare



Light, temperature and humidity sensors accurately detect environmental changes to assist health maintenance, for example by helping to prevent heat disorders. Switches, card connectors and other components achieving excellent size efficiency support the evolution of healthcare equipment.

Forming partnerships with customers worldwide via a global network

The Alps Electric Group has R&D, production and sales bases located in Japan and across the globe—in the Americas, Europe, Southeast Asia, India, Greater China and Korea. Wherever Alps Electric operates, we contribute to electronics industry growth, building relationships of trust with customers and local communities.

◆Americas

ALPS ELECTRIC (NORTH AMERICA), INC.
(Core company for North America—Manufacturing/sales)

ALPS DE MEXICO S. DE R.L. DE C.V. (Sales)

CIRQUE CORPORATION (Development/design)

ALCOM ELECTRONICOS DE MEXICO, S.A. DE C.V. (Manufacturing)

◆Europe

ALPS ELECTRIC EUROPE GmbH (Manufacturing/sales)

ALPS ELECTRIC (IRELAND) LIMITED (Manufacturing/sales)

ALPS ELECTRIC CZECH, s.r.o. (Manufacturing/sales)

◆Greater China · Korea

ALPS (CHINA) CO., LTD. (Core company for China—Sales)

ALPS (SHANGHAI) INTERNATIONAL TRADING CO., LTD. (Sales)

ALPS COMMUNICATION DEVICES TECHNOLOGY (SHANGHAI) CO., LTD. (Product design and related activities)

DALIAN ALPS ELECTRONICS CO., LTD. (Manufacturing/sales)

DANDONG ALPS ELECTRONICS CO., LTD. (Manufacturing/sales)

TIANJIN ALPS ELECTRONICS CO., LTD. (Manufacturing/sales)

NINGBO ALPS ELECTRONICS CO., LTD. (Manufacturing/sales)

WUXI ALPS ELECTRONICS CO., LTD. (Manufacturing/sales)

ALPS ELECTRONICS HONG KONG LTD. (Manufacturing/sales)

DONGGUAN ALPS ELECTRONICS CO., LTD. (Manufacturing/sales)

ALPS ELECTRONICS TAIWAN CO., LTD. (Sales)

ALPS ELECTRIC KOREA CO., LTD. (Manufacturing/sales)

◆Southeast Asia · India

ALPS ELECTRIC (S) PTE. LTD. (Singapore) (Sales)

ALPS ELECTRIC (MALAYSIA) SDN. BHD. (Manufacturing/sales)

ALPS ELECTRIC (THAILAND) CO., LTD. (Sales)

ALPS ELECTRIC (INDIA) PRIVATE LIMITED (Sales)

◆Japan

ALPS HEADQUARTERS

SENDAI R&D CENTER

FURUKAWA PLANT

WAKUYA PLANT

KAKUDA PLANT

KITAHARA PLANT

NAGAOKA PLANT

ONAHAMA PLANT

TAIRA PLANT

Sales Offices:

- KANSAI BRANCH • IWAKI OFFICE • UTSUNOMIYA OFFICE
- ATSUGI OFFICE • HAMAMATSU OFFICE • NAGOYA OFFICE
- HIROSHIMA OFFICE • FUKUOKA OFFICE • SUZUKA OFFICE

ALPS GREEN DEVICES CO., LTD.
(Development/manufacturing/sales)

KURIKOMA ELECTRONICS CO., LTD. (Manufacturing/sales)

◆ISO9001 ◆ISO/TS16949 ◆ISO14001

Message from the President

Using fresh ideas to pursue a new style of *monozukuri* for the next generation and create new value

Alps Electric will seek additional corporate value and sustainable growth by speeding up preparations for a new age with foundations in proprietary methods of product creation and a unique corporate culture.

President ALPS ELECTRIC CO., LTD. Toshihiro Kuriyama

Exploring and perfecting the art of electronics in three areas —Human-Machine Interfaces, Sensors and Connectivity

Alps Electric celebrated a milestone year in 2014. It was 50 years since we first set up a plant in the Tohoku region and 50 years since the company's renaming.

In 1964, the Tokyo Olympics and the launch of the Tokaido Shinkansen high-speed railway had Japan bubbling with excitement and it was that year the then Kataoka Electric opened a plant in the city of Furukawa (now Osaki), Miyagi Prefecture. The company has engaged in community-oriented business activities ever since, establishing many production and R&D bases in the region, primarily in Miyagi and Fukushima Prefectures. The intentions behind our move into Tohoku and our ties to people in the community even form the basis of our philosophy for overseas expansion—being of service to the country and setting down roots.

Then in December that year, the company made a fresh start under a new name, taking "Alps" from the brand Kataoka Electric had adopted right at the beginning with ambitions for international success.

The Alps Philosophy is to create "new value that satisfies stakeholders and is friendly to the Earth" through *monozukuri* (encompassing all aspects of product creation) and our efforts to achieve this by "perfecting the art of electronics" are ongoing.

The "art of electronics" refers to products which manifest an excellent balance between the traits *right*, *unique* and *green*—besides a refined appearance, products must perform the desired function with high quality while having little impact on the environment. It is the essence of Alps Electric's approach to *monozukuri*, based upon the devotion to components we have maintained throughout our history.

Alps Electric's 7th Mid-Term Business Plan for the three years from fiscal 2013 prescribes deeper exploration and strengthening in three areas—Human-Machine Interfaces (HMI), which provide links between people and devices; Sensors, which determine the condition of people and devices; and Connectivity, for sharing all kinds of information.

Today's digital devices continue to evolve. And with automotive technology innovation, such as autonomous driving and driver assistance, as well as increasing use of electronics in energy-saving, infrastructure and healthcare applications, the scope of opportunities for the electronics industry to which we belong is expanding. Alps Electric, too, by pursuing a new style of *monozukuri* for the next generation based on fresh ideas, fusing the latest technologies with proprietary technologies built up over the years, is looking to create new value that adds comfort to and enriches the lifestyles of people all over the world while caring for the environment.

Achievement of 7th Mid-Term Business Plan targets one year early

Production in the global electronics industry increased around 10% in value year-on-year during fiscal 2014 (year ended March 31, 2015) despite a patchy world economy characterized by slowing growth in China, polarization of economic conditions in Europe and brisk economic activity in the United States.

In the automobile sector, the premium car market centered on North America was steady, and the smartphone sector grew due to such factors as the launch of major new products by leading manufacturers and the emergence of Chinese manufacturers.

Amid this environment, the Alps Group, revolving around Alps Electric, Alpine Electronics and Alps Logistics, posted new record highs for net sales, operating income, ordinary income and net income in consolidated financial results for fiscal 2014, the effects of correction of the strong yen also contributing.

The Alps Group's global electronic components segment is largely divided into the automotive and consumer markets.

In the automotive market, sales of control and input modules like electronic shifters, which contribute to higher vehicle fuel efficiency, increased in fiscal 2014, as did sales of switches, sensors and other components. Continual efforts undertaken globally to bolster sales networks, enhance quality and make cost improvements also helped us achieve, one year early, our 7th Mid-Term Business Plan fiscal 2015 target of ¥200 billion sales to the automotive market.

In the consumer market, we introduced a new smartphone camera actuator with a built-in optical image stabilization function. And like the automotive business, we managed to achieve our 7th Mid-Term Business Plan target of ¥100 billion sales to the smartphone market one year early due in part to a steady performance by switches and various other components.

The above resulted in net sales of ¥389.1 billion (14.8% year-on-year increase) and an all-time high operating income of ¥36.5 billion (161.2% increase) for the entire electronic components segment.

The automotive infotainment segment is covered by Alps Electric subsidiary Alpine Electronics. In the aftermarket, the core car navigation system business performed well internationally, while display audio products for the OEM market were strong in North America and China. Net sales came to an all-time high of ¥289.7 billion. Operating income was ¥11.5 billion.

In the logistics segment overseen by Alps Electric subsidiary Alps Logistics, strength in the main target market, the electronic components sector, led to an increase of freight volume. Efforts were also made to raise the productivity of each of the transportation, warehousing and forwarding businesses. As a result, net sales for the segment were an all-time high ¥57.0 billion. Operating income came to ¥4.4 billion.

Final year of the 7th Mid-Term Business Plan: Aiming even higher through aggressive development and capital investment

Fiscal 2015 (year ending March 31, 2016) is the final year of the 7th Mid-Term Business Plan period which began in April 2013. We have made steady progress over the past two years, achieving our initial numerical targets. But the business environment remains volatile and we mustn't get carried away. The entire workforce will strive to raise productivity while maintaining vigilance and crisis awareness.

Retaining the business policies put forward under the Mid-Term Plan, we have set our sights even higher this year. As well as strengthening activities targeting the key automotive, smartphone and new—environment and energy, and healthcare—markets, we will step up activities leading toward the 8th Mid-Term Business Plan.

Automotive market business is forecast to remain relatively firm for the next two to three years since we align our activities with automakers' development cycles. For that reason, we will look beyond that time frame this year, focusing on various technological innovation, new product development and presentations to customers.

Application of electronics is now increasingly important in an automobile industry currently embracing three key concepts: safety and peace of mind, comfort, and the environment. We will therefore pursue development of new products in the fields of Human-Machine Interfaces (HMI), namely control and input devices around the driver's seat; Sensors, which contribute to high fuel efficiency and safe operation; and Connectivity, linking vehicles to a wide range of devices or networks.

We are also developing a next-generation integrated cockpit combining these products with Alpine's infotainment systems. Collaboration with Alpine on making presentations to automakers will be taken to a whole new level.

The smartphone market is still in the midst of rapid technological advancement and industry transformation. Alps Electric is advancing development of the next generation of actuators for sophisticated cameras while also working toward full-scale mass production of new high-performance sensors and curved touch panels in order to expand business.

To support the development and mass production of these next-generation products, we will continue aggressive capital investment in fiscal 2015, at the same time pushing ahead with initiatives to achieve speedy business operations and strengthen risk management.

As for new markets centering on industrial equipment, such as the environment and energy, and healthcare markets, Alps Green Devices' range of offerings that contribute to energy savings is gradually starting to bear fruit. We will additionally stimulate development of various new products employing connectivity and sensor technologies, eyeing even the topical Internet of Things (IoT) for linking diverse items via networks.

Although the business cycle of these new markets is the same or longer than the automotive market, and therefore it will be a while before they make a major contribution to earnings, we are going to pick up the pace of development by actively pursuing alliances and partnerships with companies possessing the required know-how.

Sincerity, Challenge, Solidarity —a foundation for ongoing growth

Alps culture as an asset

Alps Electric's unique corporate culture—Alps culture, or "Alps-ism"— is a valuable asset we have built up through more than 60 years of business activities.

Alps culture is extremely difficult to put into words and its documentation is even avoided to prevent too narrow an interpretation. I have added my own interpretation, however, to one phrase shared and applied as a code of conduct for many years by all employees—Work Hard, Study Hard, Play Hard.

Work Hard : Sincerity. We have a culture of approaching all our stakeholders and even our jobs wholeheartedly, with sincerity and in earnest, at all times. This comes across in our commitment to quality in the work we do and our seeing matters through to their completion.

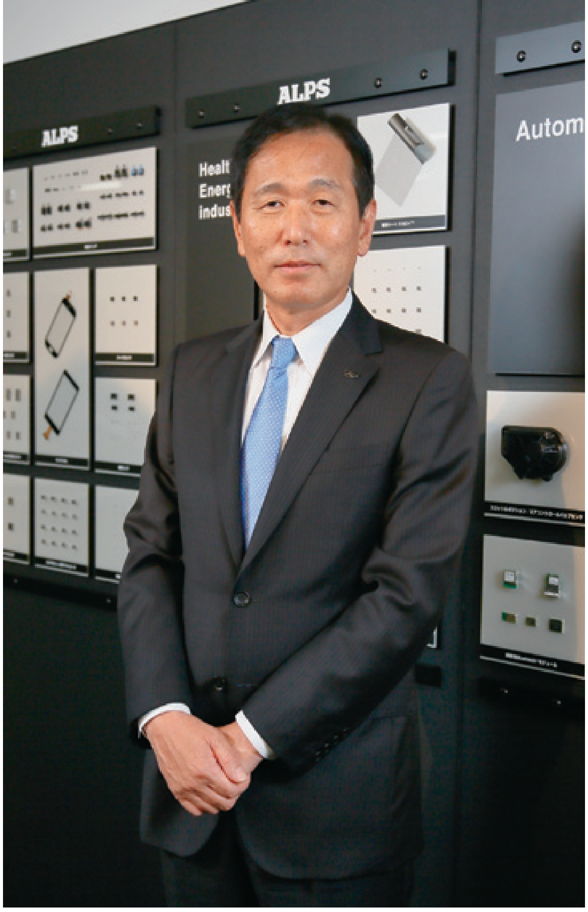
Study Hard : Challenge. As demonstrated by the many products we have created to date using new technologies, we have a culture of trying new things. Such challenges require profound learning and repeating the study–challenge cycle leads to personal growth of individuals.

Play Hard : Solidarity. Our teamwork and togetherness, of which we can be proud, is very powerful. Under the motto of "One Alps," together we have managed to overcome extremely tough conditions in recent years, for example during the global financial crisis stemming from the Lehman Brothers collapse, the 2011 Great East Japan Earthquake, and the super-strong yen. By praising each other's efforts and showing appreciation for work well done, we generate energy for the next leap forward.

We need to build upon our very own asset of Alps culture, viewing it as advantage, so that we may grow into an even stronger corporate group.

Dividend policy

Striking a balance between three elements—returns to shareholders; funds for R&D and capital investment to support business expansion and enhanced competitiveness; and internal reserves—has always been our basic policy on payment of dividends, as determined looking at financial results for the electronic components segment. Under the 7th Mid-Term Business Plan we have been focusing on getting back to our financial position prior to the "Lehman Shock" and building the strength to withstand any unforeseen economic crisis in the future.



Corporate governance initiatives

To sustainably produce items of excellent quality, we need in place the right processes and frameworks. Likewise, to be able to fulfill our responsibilities to society as a corporation, we need sound corporate governance frameworks. With this in mind, the Alps Group has established the following basic policy on corporate governance: we will realize 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.

A new "Corporate Governance Code" came into effect in Japan this year stipulating many additional guidelines. Checking the provisions against our current framework, there are a number of issues we need to work on. Addressing issues with sincerity and a positive approach, we will make efforts to strengthen governance further.

"Believing in people" is a universal corporate philosophy we have always followed since we view people as the foundation of business. We are a company that places importance on ethical policies, and beliefs we have held since the time of our founding, such as respect for the individual and prosperity alongside society, live on today in the five statements of the Alps Business Approach.

In an electronics industry that continues to change and evolve on a global scale, I hope that our persistent dedication to "perfecting the art of electronics," generating as much value as possible, will lead to new value and cheer for stakeholders.

Our efforts to achieve sound development and growth of the Alps Group continue.

I look forward to your ongoing support and encouragement for these endeavors.

August 2015

T. Kuriyama

7th Mid-Term Business Plan (FY2013 – FY2015)

The Alps Electric Group's 7th Mid-Term Business Plan covers fiscal years 2013 to 2015, the three-year period through to March 31, 2016. Financial results for the second year of the plan (ended March 31, 2015) finished well above the initial plan and official targets announced at the beginning of the year were achieved. We also managed to attain, one year early, our 7th Mid-Term Business Plan targets of *¥200 billion sales to the automotive market* and *¥100 billion sales to the smartphone market*.

In the 12 months to March 31, 2016, we will move quickly to promote both new and existing products while aiming for further business expansion, for example through new product development looking ahead to a new age, productivity improvements at all global bases, and specific initiatives targeting new markets.

Below is an outline of the 7th Mid-Term Business Plan introducing targets and initiatives related to four priority themes, along with overall planned and actual figures.

●Action Plan

Number 1 First 1 and Be Proactive

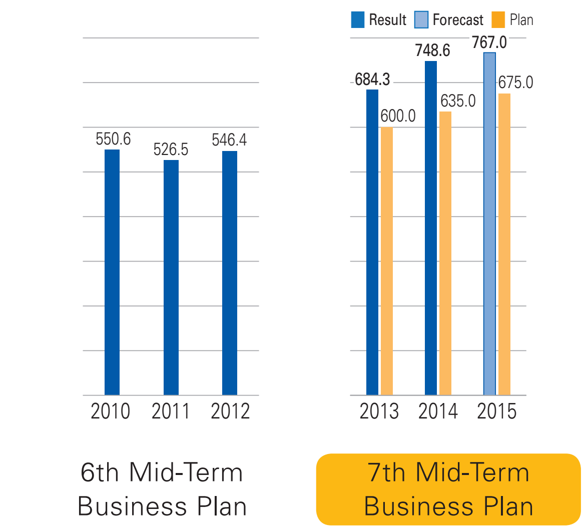
The Alps Electric Group's unique style of *monozukuri* (encompassing all aspects of product creation) allows us to stay attuned to the market and respond quickly to its diverse needs, and by refining our approach we will keep putting forward superior, innovative products.

●Priority Themes

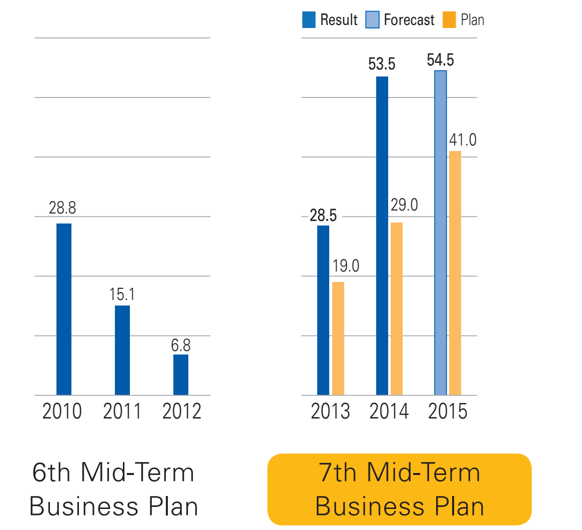
	Target	Initiatives
1	Achieve ¥200 billion sales to the automotive market	1. Advance sales strategies targeting individual customers 2. Expand market share for existing products 3. Create new products
2	Achieve ¥100 billion sales to the smartphone market	1. Increase sales to major smartphone manufacturers 2. Strengthen promotion to Chinese and Taiwanese manufacturers
3	Establish businesses in new markets	1. Establish environment and energy business 2. Accelerate healthcare business
4	Strengthen core technology and product competitiveness	1. Enrich human-machine interface technology 2. Expand sensor variety 3. Expand connectivity-oriented business

●Progress of the 7th Mid-Term Business Plan

Consolidated Net Sales (Unit: Billions of yen)



Consolidated Operating Income (Unit: Billions of yen)



Pressing ahead with production innovation and development of manufacturing processes for a new age to realize a strong Alps Electric

Alps Electric manufactures at 21 locations in nine countries. The Production Headquarters, responsible for the process of actually making products that embody the "art of electronics," realizes fast, high-quality and stable supply of products to many different customers operating around the world. It seeks to fine-tune this world-leading production capability while strengthening efforts to enhance earnings power.

Shuji Takamura

Managing Director
ALPS ELECTRIC CO., LTD.
General Manager, Production Headquarters
General Manager, Production Innovation

Superior ideas and products stem from manufacturing

In this day and age, Japanese manufacturers are essentially required to do business on the world stage, but the way they go about it varies. Some choose to pursue R&D in Japan and locate production overseas, though the recent correction of the strong yen has given a boost to moves to bring production back to Japan.

Alps Electric has consistently located development and manufacturing functions in Japan based on the views that superior ideas and products come about precisely because manufacturing takes place nearby, and that close involvement between production operations and engineering and development functions are beneficial to human resources development. Today we still view our Japanese production bases as "mother" plants which lead the way, engaging in sophisticated production of new products.

Raising productivity through wide-ranging initiatives in manufacturing

Alps Electric is making a company-wide effort to raise productivity in order to retain manufacturing in Japan. Besides sustained day-to-day improvement activities involving total elimination of wastefulness, such as through additional material yield improvements, and work efficiency enhancements, we are directing efforts into three areas: production automation, switching between multiple products on production lines, and raising facility utilization rates. In smartphone camera actuator operations, we have realized stable, high-quality, high-precision production using automated machinery. Along with the achievements of various improvement activities, these efforts have made a major contribution to profits of the company as a whole.

Meanwhile, we are establishing global supply structures for different products, setting up production bases in China, Korea, Southeast Asia, India, Mexico and Europe in keeping with the "made in market" idea of undertaking production activities in regions where our markets are located. Recently the pace of business has picked up, necessitating quick transitions to commercial production. Technical support, too, needs to be provided promptly by personnel based locally, not dispatched from Japan as in the past. We are therefore working to deploy production technologies, production equipment and know-how developed in Japan at our global production bases.

Key company-wide initiatives we are pursuing vigorously right now are front-loading—the involvement of production departments from the design stage—and automated machinery design that makes use of IT and digital technology. These efforts will bring all elements of the product creation process, from upstream to downstream, together and lead to more tangible, company-wide productivity improvements, for example in the form of speedy design, production, and quality and cost improvements.

Looking ahead, we will continue pursuing a wide range of dynamic initiatives within manufacturing operations and achieve strengthening of global production structures for sustaining sales growth, a key measure under the 7th Mid-Term Business Plan.

Global development of "Monozukuri" personnel

For Alps Electric, a manufacturer devoted to components, to be able to continually supply consistently good products regardless of the customer or market, each individual employee needs to be a true professional. We could say the development of true professionals (manufacturing personnel) who can contribute to production operations around the world is the origin of Alps Electric's manufacturing activities.

To pass on to future generations the various kinds of manufacturing knowledge and know-how we have accumulated, we established the Monozukuri Master Training Center in Osaki, Miyagi Prefecture. The center, which even has officially recognized "contemporary master craftsmen" on its staff, develops educational materials and training programs based on original know-how, thereby contributing to higher standards and consistency of manufacturing processes at production bases worldwide.

One manufacturing personnel development program we are particularly focused on is training related to Total Industrial Engineering (TIE) for developing human resources who can carry out unconventional production and improvement activities on their own. A key feature of the program is that it even covers the post-completion assessment of effects from application in the workplace. Positive effects of the program, which is implemented for employees from around the world, include an employee of a Chinese subsidiary setting up a TIE committee in China as a link between Chinese production bases. Similar activities have begun in Europe, too, and thus networks for proactive activity are growing.

Production innovation must lead to earnings innovation

Alps Electric commenced "production innovation" activity in the mid-1990s as an initiative to be pursued by production functions, with productivity improvements among the objectives. But in 2009, following the global financial crisis, we implemented structural reforms that led to company-wide efforts to change our way of thinking so the company could become stronger. Innovation activities, so far limited to manufacturing improvements, were overhauled.

Production innovation means management innovation, which in turn means earnings innovation. Production innovation never fails to increase profits. With this mentality, we stepped up our innovation activities to involve not only production functions, but also engineering, sales…the whole company. We are now advancing initiatives for building a strong Alps Electric.

By persisting with improvement activities as well as global efforts to establish manufacturing processes for a new age that capture the latest wave of technical innovation, we remain continually committed to the manufacture of products embodying the "art of electronics."

Production Topics

Aiming for Outstanding Production Efficiency

Front-loading: Getting Involved from Product Design

Conventionally, the role of the production function has been to design efficient production lines and manufacture products based on product designs received from engineering. Alps Electric has gone a step further, currently promoting "Front-loading", whereby production departments get involved right from the product planning stage. Presenting proposals early on for part shapes and processes that will allow efficient production encourages consideration of manufacturing cost in product design and leads to fewer faults once production lines are in operation, thus helping to prevent design changes and other backtracking.

Extending this cooperation between engineering and production to sales departments, too, has generated enormous benefits, realizing even higher efficiency in all processes from order-taking to manufacturing.

Virtual Operation of Automated Machines Enables Fast Production Launches

Product cycles, such as for digital appliances and especially smartphones, are very short nowadays. It is therefore crucial that components manufacturers work not only to shorten the time it takes to design products, but also to ensure a quick progression from production line design to launch as it creates a point of differentiation with other companies.

To enable fast transitions to commercial production, Alps Electric is pursuing production line and automated machine design making use of IT and digital technology.

This specifically entails deriving requirements for automated machinery from the shape and functions of components (products) and using computers to combine them and construct a virtual production line. By operating a virtual environment, debugging is also carried out. Compared to the conventional cycle of actually assembling automated machines to operate, debug and modify repeatedly, this quickens the process dramatically. The creation of platform requirements for automated machinery, too, leads to more efficient machine design. We also have our sights on the provision of remote assistance, involving the use of image processing and sensing technologies to monitor and make improvements to automated machinery in a separate location.

Creating new value in technologies for the next generation through fusion and advancement of Alps Electric's core technologies

Alps Electric is in possession of numerous proprietary technologies—assets the company has accumulated over many years. They include mechatronics, process and materials technologies. Through fusion and advancement of these core technologies in order to further explore the possibilities of the three growth engines—Human-Machine Interfaces (HMI), Sensors and Connectivity—we will help to enrich the digital society of the near future.

Yasuo Sasao

Managing Director
ALPS ELECTRIC CO., LTD.
General Manager, Components
General Manager, Engineering Headquarters

Speeding up development in new areas

In 2009, in the wake of the global financial crisis, we overhauled our system of divisions, which tended toward individual optimization, and adopted a cross-functional headquarters-based system to speed up decision-making and generate synergies. Then in 2012 we shifted to a function-based organization and an Engineering Headquarters was established to centralize engineering and development functions.

The Engineering Headquarters was able to view Alps Electric's operations as a whole and swiftly channel resources like engineers and R&D funds into areas demanding our attention. It enabled us to accelerate development, strengthen competitiveness and carry out selection and focus of businesses more efficiently.

Human-Machine Interfaces, Sensors and Connectivity as growth engines

Alps Electric's technologies characteristically have depth and diversity, each the result of many years of research and development and the accumulation of knowledge and expertise gained through their commercialization as products.

They are the foundation for ongoing exploration of three core technology areas.

The first area is Human-Machine Interfaces (HMI). This is the domain yielding control and input products typified by the switches Alps Electric has been producing ever since its founding. Our products offering various kinds of operating feel and long operating lives, achieved using mold, contact, material and other technologies, enjoy a strong following in a wide range of markets. We also incorporate original know-how into the development of modules combining the functions of individual products, with a particular focus on the automotive market.

The second area is Sensors. In this field, we enable sensing of positional information relating to acceleration and direction, as well as air pressure, temperature, humidity, UV and even physiological data. We are advancing development of a diverse lineup of high-precision sensors based on magnetic, optical and resistor technologies, making use of other expertise relating, for example, to material application and thin film processes.

The third area, Connectivity, primarily relates to RF and other communication fields. As well as possessing know-how acquired to date through such communication device businesses as radio and TV tuners, we have established one of Japan's leading centers for electromagnetic compatibility (EMC) evaluation, equipped with anechoic chambers of varying size, at our development base at Furukawa Plant. We carry out ongoing development of communication modules for mobile devices and automobiles that comply with diverse standards.

Whereas HMI technologies link people and devices, it is expected that sensor and connectivity technologies will be increasingly used for machine-machine interfaces (MMI) that link devices. We plan to lead the way in new product creation especially in this field.

Presentation of diverse technological proposals to core markets

Through development in the three technology areas, we have managed to create a wide range of new, solution-based products for the core markets stipulated in the 7th Mid-Term Business Plan.

The automotive market is undergoing technological innovation revolving around the concepts of safety and peace of mind, comfort, and the environment. In this market, we focus on developing HMI products that enable smooth, comfortable control. In regard to safety, we are strengthening product development in the sensor field, including the areas of gaze detection and vital sign sensing. We also develop and mass-produce head-up displays and advance development of highly reliable new products employing original algorithms. In addition, we are boosting product development in the connectivity field in anticipation of an age of advanced driver assistance systems (ADAS) and connection to clouds, big data and other IT infrastructure. Not only that, we are working on application to automotive equipment of touch input technology, which consumers have become familiar with through smartphones, based on original capacitance technology.

Trends in the smartphone market are ever thinner models, low power consumption and high-resolution cameras. As well as advancing development of new products in our mainstay camera actuator business, including models with optical image stabilization, we look to serve this market with a diverse product lineup centered on the HMI domain, such as touch panel sensors enabling operation on curved surfaces, and TACT Switch™ products. For the wearable devices market, we will push ahead with development of novel proposals through collaboration involving Alps technologies and the ideas of pioneering corporations.

In new markets, plans are being made to apply energy-saving techniques and biotechnology to the Internet of Things (IoT) to help alleviate energy and food concerns. Such a development, which would lead to major transformation of the industry, would expand the market for Alps Electric's sensors and connectivity products. We will work with subsidiary Alps Green Devices in this area. For the healthcare sector, we are steadily advancing development of various next-generation physiological sensor modules while actively introducing technologies from outside the Group.

Looking to engage in further technological development in new markets, we will continue developing products through *shimidashi* (lit. seeping)—building upon or branching out from already accumulated proprietary technologies—while also pursuing faster, more efficient development activities through technical alliances with other companies.

Making a difference with "Number 1" and "First 1" products

Fiscal 2015 (year ending March 31, 2016) is the final year of Alps Electric's current three-year plan, the 7th Mid-Term Business Plan. For engineering, the year is a time to prepare for the 8th Mid-Term Business Plan period, which starts in fiscal 2016, and even further beyond in the case of the automotive business. We will therefore advance development of products that will be able to compete on the market in a few years' time, as well as technologies for the near future.

By refining proprietary technologies and making progress on fusion of wide-ranging ideas and technologies, Alps Electric will create many more "Number 1" and "First 1" products that contribute to our way of life in an increasingly digital society, as well as to the global environment.

Technology Topics

Next-Generation Premium Cockpit

In the late 1970s, having established a solid track record developing products for the consumer electronics market, the Alps Electric Group entered the automotive business just as application of electronics to automobiles was getting underway. The automotive business has grown steadily since based on a wide range of technology proposals and high quality and is now a core business accounting for more than half the sales in the electronic components segment.

The Next-Generation Premium Cockpit is our vision of a near-future cockpit, fusing together experience gained from more than 30 years developing automotive products with new digital technologies. The cockpit attracted tremendous interest at CEATEC Japan, one of the world's biggest exhibitions of IT and electronics technologies. Lavishly combining HMI, Sensor and Connectivity technologies to anticipate trends in the areas of safety and peace of mind, comfort, and the environment (energy-saving), as well as advancements resulting from increasing integration of electronics and networks, the Next-Generation Premium Cockpit presents Alps Electric's technology proposals for a mobility society of the near future.

Driver monitoring for driving safety

Monitoring the driver's gaze and physiological data, like heartbeat, helps to ensure safe driving. Gaze is detected using laser light emitted from the console. This enables a warning to be sounded when the driver is determined to be dozing off, and selection of icons from a head-up display among other possibilities. Sensors built into the seat pick up changes in the driver's condition and help to prevent accidents.

Large-screen head-up display for driving safety and comfort

Head-up displays (HUD) project necessary information onto the front window without hindering the driver's line of vision. Using an original projection method and algorithms, Alps Electric enabled projection onto a full-color 18-inch large screen around two meters in front of the driver. This ensures higher visibility, contributing to safe, comfortable driving.

Supplied by 16Lab Inc.

Multi-function control module for control safety and comfort

The center console contains a multi-function control module that combines a large touch display with a circular magnetic encoder. The module enables intuitive control of audio, HVAC and other functions incorporated into the vehicle like a smartphone, via a touch panel, and like a home appliance, with a circular knob.

Wearable device for convenient, seamless entry

This seamless entry solution allows users wearing a single ring to perform a series of processes, for example when going out, between leaving the house and boarding the vehicle—lock house door, unlock car, open car door. By connecting vehicles to a wide range of devices and networks using communication technology, we can make comfortable and convenient lifestyles a reality in the near future.

Electronic Components

In the electronics industry, consumer devices such as TVs and digital cameras were sluggish. Meanwhile, the automobile and smartphone sectors grew with demand for automobiles strong in the premium car market, particularly in the United States, and smartphone demand stimulated by the launch of new models by leading manufacturers and the presence of low-price models from Chinese manufacturers.

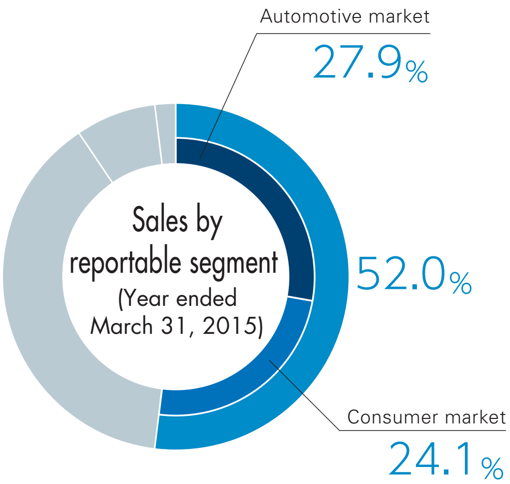
Within the electronic components segment operated by Alps Electric Co., Ltd. (TSE 1st Section), we presented a range of new product proposals for the automobile market to accommodate the latest trends emerging as a result of expanding application of electronics to vehicles. Installation of our electronic components and modules in automobiles progressed steadily. Electronic components for smartphones remained strong and aggressive efforts were made to promote sales to new markets such as the energy-saving and healthcare domains.

As a result, consolidated earnings for the year ended March 31, 2015 improved from the previous fiscal year with sales and profit growth.

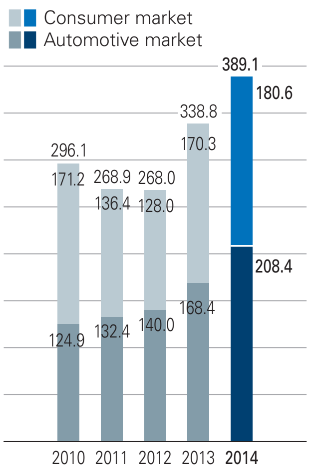
Automotive Market

In the automotive market within the electronic components segment, we developed and introduced to the market such products as a next-generation head-up display based on advanced technology and communication modules employing proprietary technologies, having ascertained the latest trends relating, for example, to V2X (vehicle to X) technology for connecting vehicles to various other devices or items using communication links. We also aggressively promoted sales of switches, sensors and a variety of input and control modules. In addition, progress was made on activities pursued jointly with automakers, with Alps Electric presenting a range of proposals from product planning and development stages. Ongoing efforts to bolster sales networks and enhance quality also contributed to a generally solid performance.

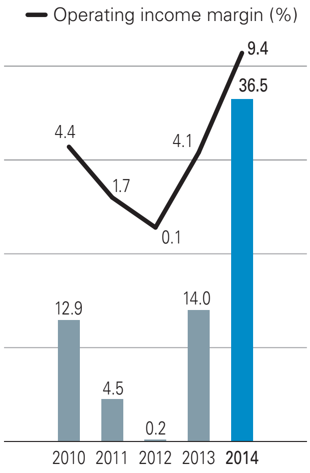
Net sales to the automotive market for the year ended March 31, 2015 were ¥208.4 billion, a 23.7% year-on-year increase.



Net Sales
(Unit: Billions of yen)



Operating Income & Operating Income Margin
(Unit: Billions of yen)



Consumer Market

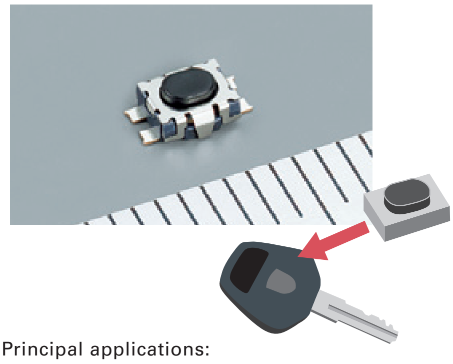
In the consumer (and others) market within the electronic components segment, the advantages of Alps Electric products paid off in the smartphone sector with camera actuators enjoying major growth and various switches also achieving a steady increase amid dramatic changes in the industry, such as the rise of Chinese manufacturers alongside strong-performing North American players. For the wearable electronics sector, which is expected to expand, we introduced proposals devised through collaboration with developers. We also advanced promotion of various devices that contribute to energy savings.

Net sales to the consumer market for the year ended March 31, 2015 were ¥180.6 billion, a 6.1% year-on-year increase.

The above performance resulted in net sales of ¥389.1 billion (14.8% year-on-year increase) and operating income of ¥36.5 billion (161.2% increase) for the entire electronic components segment.

C h e c k !

Excellent dust resistance and operating feel for smooth operation of automotive electronics



Principal applications:

Automotive keyless entry, audio and navigation systems, home appliances and PCs

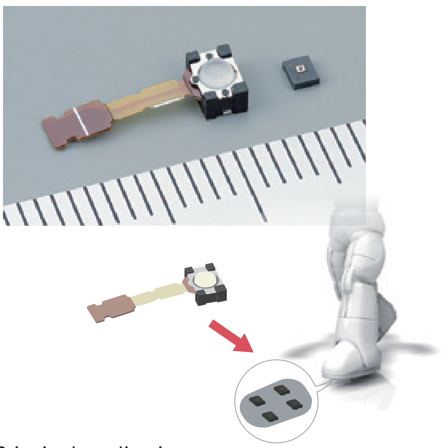
TACT Switch™ for Automotive Use

This TACT Switch™ was developed specifically for automotive applications such as keyless entry and car navigation systems.

The many switches incorporated into automobiles need to have excellent dust resistance both to support use in a tough environment and also to help prevent failure caused early on by dust and dirt infiltrating products during system assembly.

The recently added TACT Switch™ has a dust resistance rating equivalent to IP6x, the highest solid particle protection level under international standards. This was achieved by employing metal contacts whose shape and material were optimized using mechanical design and material technologies acquired over many years, as well as an original sealed contact structure. The metal contacts additionally realize an excellent operating feel. Furthermore, optimizing part materials and the internal structure has ensured high durability, making it difficult to break even when pushed sideways. The switch also has a long operating life of 200,000 cycles, twice as long as earlier models.

Industry's smallest size and high sensitivity realized with MEMS technology



Principal applications:

Input devices, industrial machinery and robots

Force Sensor

The robot market has attracted much attention in recent years and compact, highly sensitive force sensors are required for a wide variety of applications like load detection on touch or contact, as well as load balance and grip strength control.

Force sensors today are generally either semiconductor strain gauge or metallic strain gauge types, and both have issues. Semiconductor strain gauge force sensors offer high sensitivity, but are big. Metallic strain gauge force sensors, though they can be made compact, are not sensitive enough.

Alps Electric has responded to these issues by developing a semiconductor strain gauge force sensor with the industry's smallest dimensions of 2.00 × 1.60 × 0.66mm and the ability to detect loads as small as 0.01N. This was done by applying original MEMS and packaging technologies built up over the years.

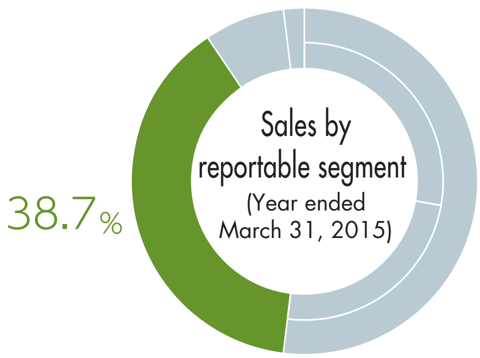
The force sensor is also available as a unit type, for example with a PC board, providing superior shock resistance and facilitating integration into end products. Application in industrial equipment and input devices is expected.

Automotive Infotainment

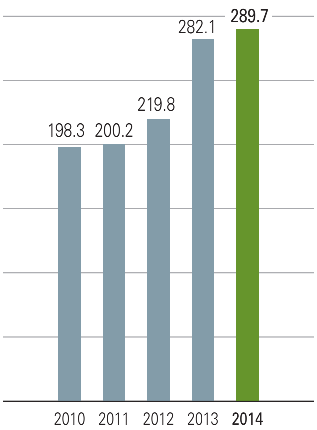
In the car electronics industry, conditions were tough as new vehicle sales in Japan slumped due to the repercussions of consumers earlier rushing to buy prior to the consumption tax hike. Overseas markets meanwhile had a positive effect on the industry with new vehicle sales remaining strong in North America and China, and demand rising for automotive infotainment systems that link to automobiles in order to enhance driving safety and security, for example with the move in the United States making rear-view visibility systems mandatory.

Within the automotive infotainment segment operated by Alpine Electronics, Inc. (TSE 1st Section), the company introduced new products—model-specific big-screen navigation systems for pickup trucks and SUVs in the North American aftermarket and for premium cars in the European aftermarket, as well as a navigation system with the world's biggest 10-inch screen for the Japanese aftermarket—and worked to differentiate its products from products of competitors. Efforts to minimize costs primarily through value engineering were also advanced. And to enhance interoperability with smartphones, Alpine has developed a display audio system compatible with Apple CarPlay. With an eye toward future profitability improvements, the company strengthened initiatives looking to raise the efficiency of R&D investment and enhance product development capabilities. This included the joint development of an automotive system platform with Fujitsu Ten Ltd. and joining the Open Automotive Alliance (OAA), which aims for development of products compatible with Google Inc.'s Android Auto®.

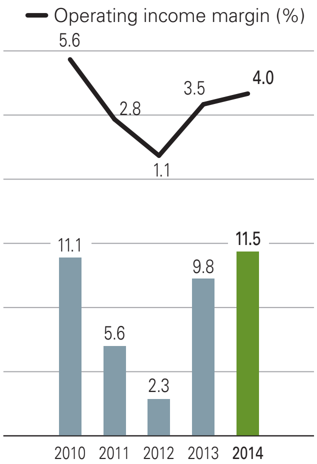
The above resulted in net sales of ¥289.7 billion (2.7% year-on-year increase) and operating income of ¥11.5 billion (17.6% increase) in the automotive infotainment segment for the fiscal year ended March 31, 2015.



Net Sales
(Unit: Billions of yen)



Operating Income & Operating Income Margin
(Unit: Billions of yen)



Check!

The latest model with speech recognition

Launch of iLX-007 with Apple CarPlay

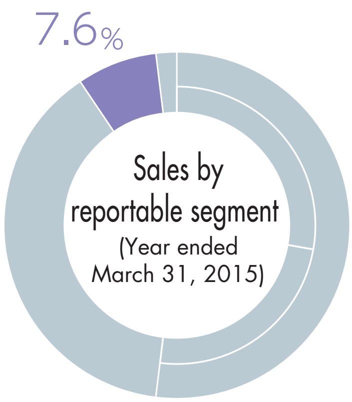
The iLX-007 is a 7-inch display audio system dedicated for use with Apple CarPlay. Using Apple CarPlay, drivers can operate iPhone call, navigation, music and email functions from inside the vehicle with greater safety via a touchscreen or Siri® voice control.

Logistics

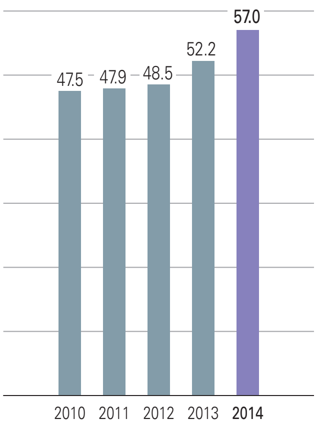
In the electronic components industry, the main market for the logistics segment operated by Alps Logistics Co., Ltd. (TSE 2nd Section), products for the automotive market continued a strong performance on the back of demand in the United States and emerging nations. The market for smartphone components also continued to expand due to the launch of new models and a rise in demand in emerging nations for models in the mid to low price range.

Within the logistics segment, Alps Logistics bolstered its global network, advanced concerted solutions-based sales activities involving teams in Japan and overseas, and made efforts to raise the productivity of each of the transportation, warehousing and forwarding businesses. The global network was strengthened by opening a new office in Korean international maritime transport hub Busan and the acquisition of an International Air Transport Association (IATA) cargo agency license. Warehousing facilities in China (Hong Kong, Dalian and Wuxi), Thailand, the United States and Mexico were expanded to accommodate an increase in freight volumes resulting from growth in overseas business. In Germany, the company started building a platform for European business by establishing its first European affiliate, Alps Logistics Europe GmbH, and starting operations there, primarily in the area of warehousing, in October 2014.

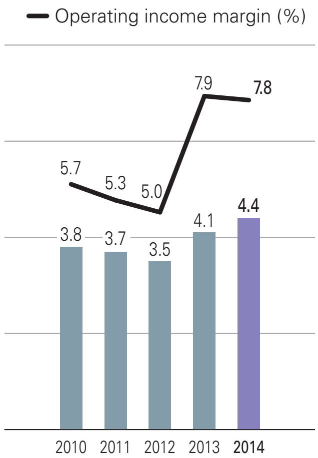
The above resulted in net sales of ¥57.0 billion (9.1% year-on-year increase) and operating income of ¥4.4 billion (7.7% increase) in the logistics segment for the fiscal year ended March 31, 2015.



Net Sales
(Unit: Billions of yen)



Operating Income & Operating Income Margin
(Unit: Billions of yen)



Check!

European distribution base starts operations

Alps Logistics Europe Established

Alps Logistics has started mainly warehousing operations at Alps Logistics Europe GmbH, its first European subsidiary recently established in Dortmund, Germany. The company will be Alps Logistics' forwarding and warehousing base for Europe. Possessing an expansive 6,644m² warehouse, the base will enable the provision of fast and reliable logistics to locations across the region.

Research & Development

The Alps Electric Group engages in all aspects of product creation, or *monozukuri*. Based in Japan, the group has spread its field of activity right across the world and together we endeavor to perfect the art of electronics through ongoing research and development relating to new products.

Basic Approach to Research & Development

Policy

In research and development activities, the Alps Electric Group adheres to the basic policy, "Perfecting the art of electronics," creating products with new value through the enrichment and fusion of core technologies.

Structure and R&D Expenditure

Development of basic and advanced technology takes place in Japan, though designs of different product varieties reflecting the needs of particular customers and markets are developed regionally. Under this format, we promote global standardization of technologies and products. We also actively engage in joint research with universities and research institutions around the world and development through partnerships with other companies.

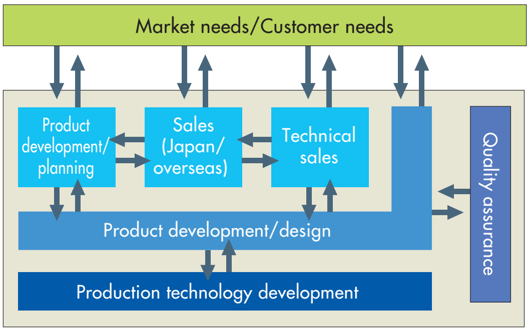
Strategy

The Alps Electric Group looks to achieve differentiation from other companies, and thereby establish competitive advantage, through the enrichment and fusion of mechatronics, process, material and design technologies built up over the years.

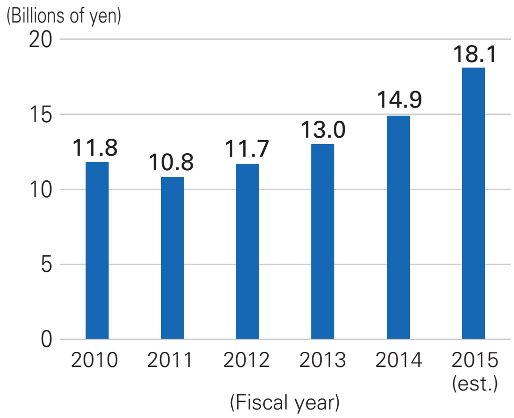
We place particular importance on developing products through *shimidashi* (lit. seeping), which involves adding new functionality to core technology and branching into new business areas, and technology "black-boxing" to make products harder to imitate.

Adhering to these concepts, we carry out development of products with the potential to enrich lives in a way that is friendly both to people and to the Earth with a focus on three growth engines—enrichment of Human-Machine Interface (HMI) technology; expansion of Sensor variety; and expansion of Connectivity-oriented business.

Responding to Customer and Market Needs



R&D Expenditure



Global R&D Structure

Alliances

The Alps Electric Group actively pursues partnerships in a number of fields in order to speed up development by bringing in new technologies from the outside and thereby promptly deliver to customers products which address the needs of the market and society.

Joint Development of High-Performance Soft Magnetic Powder with Tohoku University

Tohoku University (Miyagi Pref., Japan) and Alps Electric have successfully developed an innovative soft magnetic powder (amorphous powder) with both high saturation flux density and low core loss. Supporting larger currents, lower energy loss, and size and weight reductions, the powder is expected to be used to improve the performance and characteristics of reactors and other power module components and magnetic applications like actuators and motors.

Alliance with Genial Light Co., Ltd. for Physiological Sensor Commercialization

Genial Light and Alps Electric are pursuing development of ultra-compact, high-precision physiological sensors by fusing Genial Light's advanced light sensing technologies for medical systems with our highly reliable, high-precision production technology. The business alliance is currently taking steps toward actual commercialization.

Gyroscope Development with Qualtré, Inc.

The gyroscopes are based on bulk acoustic wave (BAW) technology and achieve outstanding immunity to extraneous stimuli. Fusing the gyroscopes with core technology possessed by Alps Electric will enable application to such uses as autonomous navigation units for the automotive field, where demand for robustness is high, and robotic body control.

Initiatives for the Development of Future Growth Engines

Strengthening of Core Technology

We view refinement and enrichment of original core technologies as most important for raising the competitiveness of our products. Core technologies of the Alps Electric Group include design technologies (mechanical, software, IC, RF, optical and capacitive), evaluation and simulation technologies, and material technology, as well as process technologies (precision processing, micro-printing, MEMS, precision molds and dies, and automated assembly) used in product manufacturing. By further exploring the possibilities of core technologies through "*shimidashi*" and fusing existing technologies with new ones, we continually create unrivaled, highly competitive products.

Areas of Focus for Core Technology Strengthening

HMI

Human-Machine Interfaces (HMI) are what link people to devices. This is an area we have pursued ever since the company's founding. Products like TACT Switch™ and GlidePoint™ were created using extensive know-how gained through the development of a wide range of input- and output-related electronic components. Today we continue our development of new materials and original technologies like precision processing in order to realize products that are easy to use and a joy to operate.

Our switches, TACT Switch™, potentiometers and other traditional products are based on these original technologies and found in a diverse range of electronic equipment.

A notable trend in recent years has been the advent and evolution of touch control devices, and Alps Electric is advancing development of touch panels with curved surfaces and higher sensitivity through the application of capacitive sensing technology.

Sensors

In the Sensor field, we have developed technologies for detecting physical properties, including magnetism, geomagnetism, humidity, air pressure, force, illuminance and current. By applying these technologies to develop sensors that enable detection of slight changes in signals and deliver the best type of signal feedback for the equipment, we help to meet requirements for a wide range of electronic products.

Furthermore, we are advancing integration of such sensors into modules and systems, while also expanding application to power control and new kinds of social infrastructure, for example in the medical and healthcare domains.

We believe these sensor technologies will make a major contribution to the spread of the Internet of Things (IoT) and big data usage in the near future.

Connectivity

Connectivity is the field of realizing suitable links between devices and between data. Through many years serving the broadcasting and communication markets, Alps Electric has built up RF technologies fundamental to this domain.

Looking ahead to the creation of a transportation society that provides safety and peace of mind, rapid advancements have recently been achieved in regard to smartphone interoperability inside vehicles and data communication between vehicles and between vehicles and roadside infrastructure.

There is also significant need for connectivity technologies, including smartphones, for the creation of a new, energy-efficient society.

To accommodate these market trends, we are pursuing development of RF technologies compatible with *Bluetooth*®, wireless LAN, LTE and other specifications.

Research & Development

R&D Activities for Key Markets

Strengthening of Product Competitiveness

The Alps Electric Group introduces the right products at the right time to automotive, smartphone, energy and healthcare markets expected to grow in the future.

Automotive Market

In the automobile market, mounting calls for vehicles that deliver safety, peace of mind, comfort and environmental performance are met through the development of advanced driver assistance systems (ADAS) and technologies for environmentally friendly electric vehicles (EVs) and fuel cell vehicles (FCVs).

The Alps Electric Group carries out broad development ranging from devices such as sensors employed in engines and chassis through to modules to be controlled by people inside the vehicle cabin.

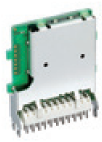
In the automotive electronics business, functional safety requirements are growing and we have adapted our organizational structure accordingly to accommodate those requirements.

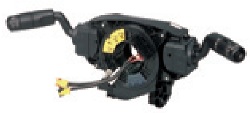
【FY2014 Product Development Example】

● *Bluetooth*®/Wireless LAN All In One Combination Module for Automotive Use

This module is ideal for wireless connections between automotive equipment, such as car navigation systems, and mobile devices. It supports both *Bluetooth*® and wireless LAN specifications. Software and an antenna are also provided, both meeting the requirements of a wide range of customers and helping to reduce the system design and testing, software development and certification workload of equipment manufacturers.

Bluetooth®/Wireless LAN
All In One Module


Bluetooth® module for automotive use


Steering combination switch module


Climate control panel


Power window switches


Steering switch


Remote keyless entry system


Tire pressure monitoring system (TPMS)


Throttle position sensor


Headlight level sensor

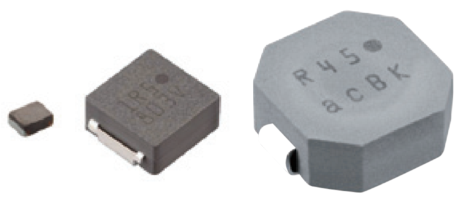
Energy

Increasing fossil fuel usage due to global economic development and concerns about nuclear power production are serious issues affecting the entire planet and contributing, for example, to global warming and environmental destruction. The Alps Electric Group will contribute to the advancement of smart cities and practical application of renewable energy through power- and resource-efficient Liqualloy™ Power Inductors, sensors and communication modules developed so far, as well as the development of modules and other products taking advantage of Liqualloy™ characteristics.

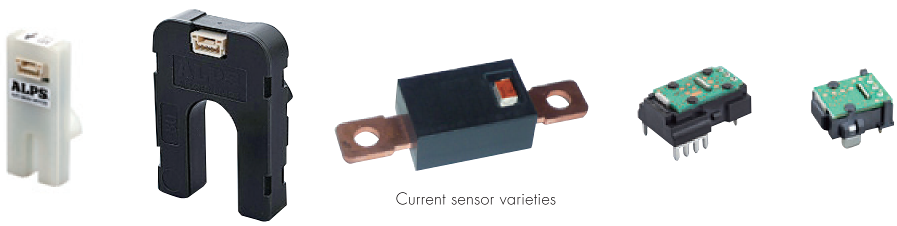
【FY2014 Product Development Example】

● "GLCLK Series" and "GLCLM Series" Liqualloy™ Chip Type Power Inductors

Liqualloy™, which is excellent at minimizing losses associated with power conversion, is used as the core material of these power inductors to help improve the power efficiency of devices as their displays become larger and their CPUs faster. Jointly developed with Tohoku University, Liqualloy™ is a magnetic material that can contribute to efficient energy conversion, enabling power efficiency improvements and extended lives of batteries.



Power inductors



Current sensor varieties

Smartphones

Smartphones have spread rapidly worldwide and we can expect the massive scale of the market to be sustained by further service area expansion, faster speeds and larger capacity. Competition is fierce, however, with new models being introduced all the time and there is a need to respond swiftly to customer requirements. The Alps Electric Group develops and produces a broad range of products for smartphones, including autofocus actuators for cameras, as well as switches, sensors, connectors and touch panels.

【FY2014 Product Development Examples】

● "ATMC1Z2 Series" Voice Coil Actuator for Autofocus Cameras

This actuator enhances the autofocus performance of smartphone cameras with increasingly high resolution. The product has been very well received by customers as we have managed to achieve stable quality and supply through original mechanical design and also automated production, for which we have mobilized our core precision processing and assembly technologies.

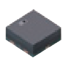
Voice coil actuators

● Compact Low-Profile Spring Contact (micro clip)

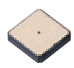
This spring contact electrically connects an internal component to a PC board inside a smartphone or wearable device. A unique double-spiral spring construction and precision processing technology realized dimensions of 1.4×1.4mm, as well as high contact reliability due to high resilience against vibration and impacts.

Spring contact

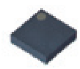
Touch panel



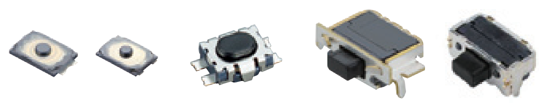
Humidity sensor



Pressure sensor



Geomagnetic sensor



TACT Switch™

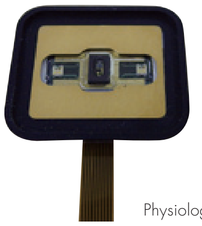
Healthcare

Needs for routine monitoring of health and environmental data for illness prevention are rising as the aging of society progresses. The Alps Electric Group develops healthcare devices that sense heartbeat, blood flow and other physiological data with high precision while also making use of connectivity (wireless communication) technology.

【FY2014 Product Development Example】

● Physiological Sensor Module

Based on advanced light sensing technology, this module simultaneously measures parameters such as heart rate, blood oxygen level and estimated blood pressure to enable monitoring of physiological data.



Physiological sensor module

Wireless environmental sensor module

Pressure sensor (MEMS type)

Humidity sensor (capacitive type)

Intellectual Property

As we are engaged in product creation, the Alps Electric Group ventures to create, protect and utilize intellectual property based on accurate knowledge and understanding so that customers will feel secure using our products and services.

Intellectual Property as Assets to Be Protected

Basic Policy

The Alps Electric Group views intellectual property activity as activity contributing to business profit through the creation, protection and utilization of intellectual property (including intellectual property rights) which leads to corporate growth and advancement. Aiming for a style of technology management directly linked to business, development and sales strategies, the mission of our intellectual property function is as follows.

Basic Policy on Intellectual Property

- Promote creation of intellectual property for Alps Electric and establish foundations for technology management
- Protect intellectual property of Alps Electric efficiently and effectively to raise the level of contribution to profit
- Utilize intellectual property of Alps Electric in business and management strategies to expand the scale of contribution to profit
- Prevent inadvertent infringement of intellectual property belonging to third parties to minimize business risk
- Promote creation of new businesses that utilize intellectual property rights and information

Initiatives for Globalization

Alps Electric's intellectual property action policy under the 7th Mid-Term Business Plan is: 1. Globalize intellectual property; 2. Manage and monetize intellectual property; and 3. Build an elite intellectual property team. Specific initiatives relating to "1. Globalize intellectual property" are introduced below.

Establishment of an Intellectual Property Management Structure

The Alps Electric Group is working to strengthen intellectual property creation and establish structures for intellectual property management at production and development bases worldwide. Moves to enhance intellectual property management in China were given a boost in fiscal 2013 and in fiscal 2014 activities in Korea were enhanced, while Europe's intellectual property support framework was restructured. These efforts are strengthening our global intellectual property activity platform with affiliates in each country serving as intellectual property management bases for their respective regions. This will contribute to the acquisition of assets and expansion of global business.

Patent Application Strategy

We file applications worldwide for patents that will contribute to the growth and advancement of the Alps Electric Group, taking into consideration not only validity checks for all inventions created, but also business models—looking, for instance, at the markets, production locations and life cycles of products the inventions will be applied to—and litigation trends.

For example, to respond to the dramatic expansion of the Chinese market, we will file applications in China for products developed in Japan, as well as actively file applications in China for products developed at our Chinese development bases to secure our rights. At the same time, we are working to strengthen our structure for intellectual property management in China that supports these activities.

Trademarks

The Alps Electric Group has established guidelines for trade name and trademark usage and makes sure everyone is aware about displaying trade names and trademarks on products to promote visual standardization and strengthen corporate identity. We are also striving to raise the value of the Alps brand representing Alps Electric and its group companies through the acquisition of, and communication about, trade names, trademarks and rights to product trademarks worldwide.

Quality & Safety Management

The Alps Electric Group views quality and safety management as paramount factors influencing the trust and satisfaction of customers and end users. We constantly strive to enhance controls and achieve further quality improvements so we can deliver products and services with which everyone will be satisfied.

Ensuring Control over Quality to Help Mitigate Risk

Quality Control Policy

The Alps Electric Group views quality as a paramount factor influencing the heart of our business activities and pursues quality improvements in line with the Fundamental Quality Control Policy.

To facilitate improvements in global quality performance, quality-related achievements and issues pertaining to products are regularly reported to the Board of Directors to be shared Group-wide rather than leave units to address issues individually.

Quality is a matter of growing interest both in Japan and overseas and the occurrence of quality problems can lead to major business risks. Under the motto, "Quality is our future," the Alps Electric Group is making concerted efforts to maintain and enhance quality and to anticipate and prevent problems before they occur.

Fundamental Quality Control Policy

Alps Electric guarantees a standard of excellence in all its products and services, satisfying customer needs.

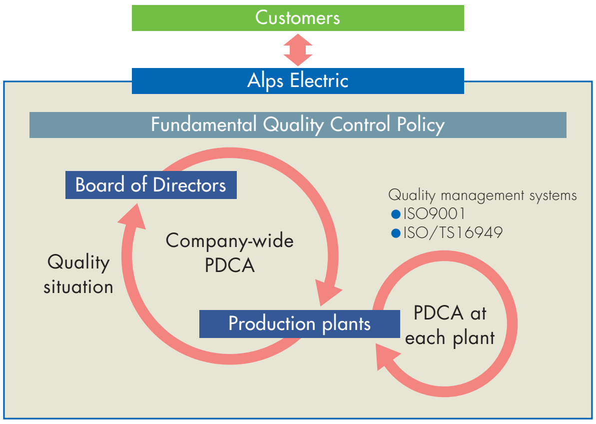
Quality Management Systems (QMS)

International standards for quality management systems (QMS) are essential for business as they demonstrate that all departments, through quality assurance, help to realize higher levels of customer satisfaction.

All production plants of the Alps Electric Group (including plants outside Japan) have acquired ISO 9001 certification. We have also finished acquiring ISO/TS 16949 certification for plants producing products for the automotive industry.

*See p.4 for a list of certified facilities.

Quality Assurance System



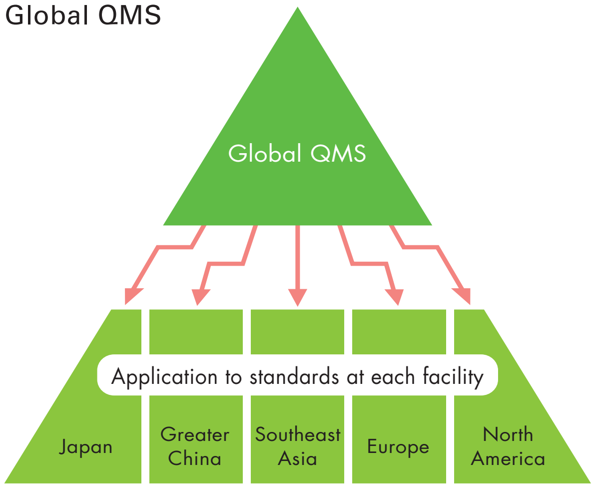
Global Standardization of QMS

Customers focus more on quality than ever before and we view globally consistent quality as a vital factor in earning the trust and satisfaction of customers.

The Alps Electric Group has been working toward collective QMS certification. Japanese domestic facilities acquired company-wide ISO 9001/TS 16949 certification in 2012 and a global QMS version covering even overseas facilities was released in April 2015.

We will make ongoing improvements to systems, ultimately aiming to establish a globally standardized system effective in preventing defects while also working to build a QMS that accommodates new business fields, such as medical devices.

Global QMS



Quality & Safety Management

Active Use of Quality Engineering (QE)

Quality problems are an enormous inconvenience to customers and have a major impact on our ability to capture and retain business. Acting only after a problem has occurred, too, especially in serious cases, may essentially be too late. Determining how to prevent quality problems before they happen is crucial.

One way the Alps Electric Group does this is through active use of quality engineering (QE).

In the design and development stage, for example, we evaluate the stability of functions and optimize design parameters, while envisaging the manner and environment in which the customer (market) will use the product, in order to improve product robustness.* In manufacturing, we apply QE concepts and methods to assessment of final product quality to enable shipment of products with little variation in characteristics.

These initiatives are undertaken at bases both in Japan and overseas.

We are also working to enhance education about QE by covering the various methods in in-house training programs so that more of our engineers learn about and deepen their knowledge of the concept and then practice it in their respective jobs. In addition, QE Case Study Presentations are regularly held as an opportunity for engineers involved in different tasks to come together and discover new ways to apply QE, adding to and enriching their knowledge.

The entire Alps Electric Group will persist with efforts to apply QE so that we can supply customers with products of a quality they will be satisfied with.

QE Case Study Presentation

*Robustness: The degree to which a supplied product can perform its intended function in any environment the customer might use it in (hot/cold, humid/dry, dusty etc.)

Failure Analysis (FA) Enhancements

When a quality defect occurs in the market or a customer's production processes, a prompt and appropriate initial response that includes checking the item in question and carrying out initial analysis is vital for reaching a quick and smooth resolution.

The Alps Electric Group is currently enhancing global services provided by failure analysis (FA) engineers primarily to customers in the automobile and smartphone industries. FA activities were set up and launched for the Greater China and Korea region in fiscal 2013 and for the Southeast Asia and India region in fiscal 2014. This means we now have FA structures in place in all the main regions—Europe, North America, Greater China and Korea, and Southeast Asia and India.

Looking ahead, we aim for further strengthening of FA activities through regional analysis of identified issues and the sharing of information between regions to build ties.

Product Safety

Chemical substances play a vital role in our ability to lead comfortable, convenient lifestyles. There is a risk, however, that chemical substances released into the atmosphere and bodies of water during our daily lives or through business activities will have unwanted effects on human health or living environments. For that reason, to provide safety assurance when using chemical substances it is essential that we manage the substances in accordance with the related information available.

The Alps Electric Group manages chemical substances in keeping with laws and regulations, maintaining in-house control standards listing chemical substances judged to have a detrimental impact on human health or living environments.

In terms of carrying out chemical substances management within the supply chain, we have formulated a set of *Green Procurement Standards* and ascertain details about chemical substances related to materials procured from suppliers to be managed on an internal system.

Procurement

The Alps Electric Group's procurement policy is to strive, with underlying sincerity, for sustainable, mutual development with suppliers by maintaining fairness and upholding relationships of cooperation and mutual trust.

Aiming for Relationships of Mutual Trust and Cooperation

Promoting Green Procurement

The Alps Electric Group engages in "green" procurement to ensure that products supplied to customers are safe and environmentally friendly. It involves procuring materials and parts containing no hazardous substances from suppliers with established management systems. Suppliers are asked to follow our *Green Procurement Standards* and are assessed through "environmental corporate evaluations" looking at their environmental efforts, as well as "material evaluations" checking that substances specifically prohibited by the Alps Electric Group are not present in materials or parts. Evaluation data is shared through the Alps Green Procurement System (Green-AXIS), accessible worldwide via the Internet.

The *Green Procurement Standards* are reviewed annually based on applicable legislative, regulatory or other changes. Annual reviews of materials and parts manufacturing bases are also carried out as part of ongoing improvements.

Our *Green Procurement Standards* are deployed globally in Japanese, English and Chinese

Response to Conflict Mineral Issues

Human rights violations by armed elements in the Democratic Republic of the Congo and neighboring countries and the intensification of conflict due to armed groups being financed through the sale of minerals obtained in these regions are major issues. In the United States, Section 1502 of the Dodd–Frank Wall Street Reform and Consumer Protection Act, which came into effect in January 2013, defines these minerals as "conflict minerals" and obligates corporations listed on American stock exchanges to disclose information related to the use of conflict minerals in their products with the ultimate goal of eradicating the use of minerals which are "financing conflict."

Alps Electric, while not obligated by the law, understands and agrees with the purpose of the law from a human rights perspective and acts based on a policy of neither purchasing nor using conflict-financing minerals sourced from the Democratic Republic of the Congo or neighboring countries.

In fiscal 2014, we completed surveys of all existing suppliers. We now look to further improve the accuracy of that data.

Response to Procurement Risk

The Alps Electric Group has set up international procurement offices (IPOs) to carry out procurement activity at production bases in Japan, China, Korea, Malaysia, Mexico, Ireland, Germany and the Czech Republic (21 locations in nine countries), as well as in Taiwan and Hong Kong. Procurement entails obtaining at the right time the required volume of materials and parts which are superior in quality, cost, delivery and environmental performance. It is therefore essential that we procure from suppliers we can trust. For that reason, we make an effort to build trust-based relationships.

The procurement supply chain is also affected by natural disasters, accidents, labor disputes, bankruptcies and other such events, with extensive repercussions for operations like procurement and logistics. The Alps Electric Group regularly updates its supply chain database and is currently establishing structures for globally centralizing information and responding with speed when procurement risks do eventuate.

Human Resources Development

The Alps Electric Group engages in business worldwide with a diverse workforce of varying nationalities, languages, cultures and customs. We believe our corporate growth and advancement stems from our employees' ongoing ability to interact freely with mutual respect and understanding and to develop into creative, independent-minded professionals.

Human Resources Development as the Basis for *Monozukuri*

Basic Policy

Viewing the development and utilization of human resources who will sustain future operations as our paramount task, the Alps Electric Group is pursuing initiatives in two main areas under the 7th Mid-Term Business Plan, which began in fiscal 2013—finding and developing professional human resources for the global organization; and ensuring suitable placement of the Group's human resources and diversity of the workforce.

Basic Policy for Human Resources Development

- Find and develop professional human resources for the global organization
- Ensure suitable placement of the Group's human resources and diversity of the workforce

Human Resources Development Initiatives

In an age of globalization and rapid change, the Alps Electric Group requires proactive human resources who can adapt to change and initiate reform. That is why we assist the self-realization of all employees by creating diverse opportunities for individuals to challenge themselves while also carrying out a variety of measures to transform the company culturally and structurally to generate even greater accomplishments.

Enhancing the Company-wide Training Framework

The development of global human resources and establishment of an organizational climate are vital for overcoming competition and achieving ongoing success in a fast-changing global market. In fiscal 2014, Alps Electric established the Company-wide Alps Education Committee comprising education officers for each function and members of the Human Resources Department. The committee works to expand and enhance training programs, including training for employees at different levels and for different functions.

Development-Oriented Rotation and Suitable Placement of the Group's Human Resources

Development-oriented rotation of human resources is carried out with the aim of promoting placement of the right people in the right posts consistent with efforts to realize the Group's business plans and growth strategies. Junior employees in their first decade of employment gain a variety of work experience in a number of different departments seeking to broaden the scope of activity and enhance the aptitude of individual employees. For mid-level employees and above an "executive candidate" stage has been established, and rotation is implemented globally and Group-wide.

Employees additionally file self-assessments reporting on career achievements, job ambitions and other aspects, such as life plans. Supervisors use self-assessments as the basis for face-to-face engagement with employees, who they assist with career design for the medium term while formulating and implementing development-oriented rotation schedules to continually provide challenging opportunities to help employees actualize their capabilities.

Overseas Trainee Program

As an initiative to help develop global human resources, Alps Electric has established an overseas trainee program whereby young and mid-level employees are seconded to affiliates or outside organizations overseas for one year to gain experience through practical training. The aim of the program is to develop "global human resources" possessing an international perspective and vitality with awareness of cultures and customs and language proficiency by having employees experience working and living overseas early on in their careers. Each year around 10 employees are sent overseas under the program, which began in fiscal 2013, with participants being sought via nomination and in-house applications.

In fiscal 2014, a total of eight trainees were seconded to the United States, Germany, Ireland and China. Ten trainees will be dispatched to the United States, Mexico, Germany, the United Kingdom and the Czech Republic in fiscal 2015.

Alps Intra-Group Transferees Program —Nurturing Future Executives of Overseas Affiliates

As a company engaging in business worldwide, it is essential that we utilize overseas human resources in management.

One element of our global strategy for human resources development is the Alps Intra-Group Transferees Program, which aims to nurture future executives of overseas affiliates. During a two-year period working in Japan, program participants—mid-level employees of overseas affiliates—learn about business operations and Alps Electric's corporate culture. As future leaders of overseas affiliates, it is hoped they will serve as a bridge between operations inside and outside Japan.

Diversity

The Alps Electric Group hires diverse human resources, regardless of nationality, gender or age. Our aim is to create work environments where people possessing diverse sets of values can work with vitality, applying their capabilities to the full.

Work Environments Where Employees Can Fully Apply Their Capabilities

Promoting Diversity and Global Human Resources Management with Global HR Policy

We are working toward global human resources management by the consolidated Alps Group as a whole based on a common global human resources policy shared by each of the Alps Electric, Alpine and Alps Logistics Groups. As global business expands, we are advancing establishment of a human resources management structure based on a global standard, which includes networking and movements of personnel between overseas affiliates and implementation of CSR procurement.

Three principles of the Global HR Policy

1. Establish and implement HR systems allowing sustainable development by all group companies
2. Establish and maintain globally optimized workforces and work content
3. Actively invest in motivated, high potential human resources and create opportunities for advancement

HR Conference with Overseas Affiliates

Alps Headquarters dispatches HR liaison officers to China, Europe and the United States where they stay in regular contact with the Human Resources Department for information and opinion exchange. For our pursuit of global human resources management, we have initiated a HR Conference to establish a direct link with local HR personnel at each base, and we will be taking steps to stimulate communication and resolve issues.

Promoting Greater Involvement of Women

Expanding opportunities for female employees has always been an important challenge for the entire Alps Electric Group. In Japan, especially, we are actively hiring women, who now account for around 30% of new-graduate recruits. As well as establishing the right working environment by enhancing programs that support balance between work and childcare or nursing care, we ensure that employees are aware of these programs and see to it that they are put into practice and their effectiveness is improved. We also use various opportunities, for example through education and training, to bring about a change in mentality among managers and even women themselves. As a result of these efforts, more female employees are achieving work-life balance and playing an active role even after they marry—the average length of service among women is more than 20 years, and more than 60%* of women are married.

*Data for employees working in Japan

A work process improvements study meeting in China

Employing Foreign Personnel—International Associates Program (IAP) and Exchange Students

The International Associates Program (IAP) recruits new graduates from overseas and employs them on two-year contracts at Alps Headquarters in Japan. Besides developing human resources who possess the ability to operate on the global stage, the program's aim is to promote internationalization and diversity internally at bases in Japan. Employing around five people annually for over 20 years, the program has had nearly 100 participants to date from the Czech Republic, Germany, Ireland, Sweden, the United Kingdom, France, the United States and Malaysia. After completion of the program, many of the participants stay on to work for the Alps Electric Group, including one employee who is still with us after more than 20 years.

In addition, foreign exchange students now account for around 10% of new-graduate hires in Japan. They receive the same new employee training as management track employees and engage in wide-ranging jobs, for example in design and development, manufacturing, sales and accounting.

Japanese language tuition for IAP participants

Occupational Safety

The Alps Electric Group puts effort into workplace environments and safety measures that allow all employees, both in Japan and overseas, to go about their jobs motivated and in good health.

Creation of Safe, Healthy Workplaces

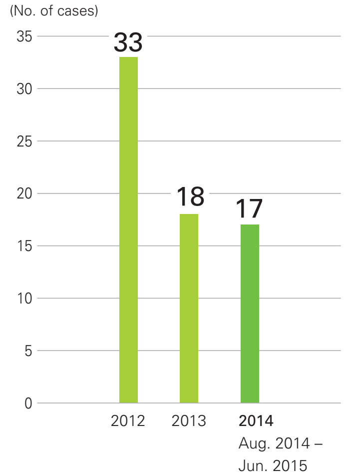
Basic Policy

The Alps Electric Group implements a host of activities in line with the policy below to ensure that employees can go about their jobs dynamically. We endeavor to improve and raise the standard of programs and workplaces allowing employees to work in safety and in good physical and mental health.

Occupational Safety Policy

- Raise employee awareness about health maintenance and improvement
- Implement and continue 2S—*seiri* (sorting), *seiton* (ordering)—activities (active workplace self-inspections)
- Raise employee safety awareness and improve the emergency response capability of Occupational Health & Safety Committee members
- Raise employee awareness about road safety

Work-Related Accidents and Illness (Japan)



*Alps Electric tabulates work-related accidents and illness for each year from August to the following July.

Lifestyle Improvement Activities at Facilities in Japan

Even though the average life span is increasing, the prevalence of lifestyle diseases, such as cancer, heart disease, stroke and diabetes, has risen in recent years and is now a major issue for society. Lifestyle diseases are closely linked to the way we lead our daily lives and the development of a healthy lifestyle, by acquiring exercise habits and improving our diet, is vital to maintenance and promotion of good health.

At locations in Japan, we have implemented and will continue activities to help improve the lifestyles of employees and thereby prevent the onset of lifestyle diseases.

● Walk Rallies Using Physical Activity Monitors

Walk rallies open to all employees are arranged to help establish and maintain good exercise habits. Methods are used to help sustain participants' motivation. For example, participants can check their and others' achievements online, as well as share information or compete with other bases. A total of around 1,000 employees now participate.

● In-house Physical Activity Workshops

Physical activity workshops led by outside instructors and open to everyone are held after work. Aims are to initiate motivation to exercise and to assist health promotion.

● Health-Conscious Cafeteria Menus

We believe staying aware of dietary salt and calorie intake helps to develop a health maintenance mindset. Individual cafeterias at bases in Japan have introduced a variety of measures, such as regular provision of low-calorie menus, display of calories and salt content on menus, and use of soy sauce bottles which dispense only a little at a time.

● Body Composition and Blood Pressure Monitors

Health rooms at bases in Japan are permanently equipped with body composition and blood pressure monitors as tools allowing employees to check their health condition at any time.

Global Health & Safety Efforts

Health and safety initiatives are advanced by both Japanese and overseas bases of the Alps Electric Group. They include efforts to raise awareness about safety, ensuring compliance with work procedures, and promoting the maintenance of tidy and ordered workplaces, for example through training programs. In regard to health, we promote health maintenance and improvement, hold routine health checks, and encourage hand-washing and mouth-rinsing.

Emergency drills are also held to prepare employees for protecting themselves in the event of a sudden accident or natural disaster.

Emergency drill at Alps de Mexico

Emergency drill at Dalian Alps Electronics (China)

Environment

Alps Electric Group employees make a concerted effort to advance environmental management, aware that the Group as a whole is a member of the global community and viewing environmental issues as requiring a Group-wide approach.

Aiming for a Sustainable Environment

Advancing Environmental Management

The Alps Electric Group carries out environmental management to address environmental issues, which are viewed among the more serious management challenges. We established an Environmental Charter in 1994 and have made ongoing efforts to deliver products which help to reduce environmental impact and to lower the environmental impact of our own business activities in line with successive medium-term action plans.

We are currently working to develop these efforts further, building a global framework for concerted activities by the whole Group.

Environmental Management Structure

Policies and measures relating to environmental management are determined by the Environment Conference, comprising representatives of business locations in Japan and the director in charge of the environment as chairperson. Once finalized, policies and measures are implemented both in Japan and overseas by persons in charge and environmental management representatives at each location. As secretariat of the Environment Conference, the Environment Planning Section of the General Affairs Department falls under the supervision of the director in charge of the environment and is charged with advancing environmental management through the planning and formulation of company-wide environmental measures. Specific issues, such as global warming and waste, are meanwhile addressed through separate working groups which report to the Environment Conference.

Mitigation of Environmental Risk

The Alps Electric Group takes steps to reduce pollution of the environment by lowering the risk of environmental contamination occurring as a result of accidents or disasters.

Improvements are made to facilities. For example, underground pipelines are replaced with aboveground, double-walled pipelines, containment dikes are constructed at tanker stops, and spill sensors are installed to prevent the occurrence or escalation of environmental contamination. Patrols are also carried out to check chemical substance usage, and "emergency response plans" are formulated and tested through regular drills to ensure readiness.

"Environmental risk maps" are drawn up for each plant and updated on a regular basis. These maps are plans showing, for example, where chemical substances and waste are stored and handled. They highlight areas prone to accidents, helping to lower the risk to the environment.

Environmental Management Systems

All the main production facilities of the Alps Electric Group in Japan and overseas have acquired ISO 14001 environmental management system certification. In fiscal 2015, facilities in Japan, including locations not engaged in production, started operation of a unified system. We plan to unify ISO 14001 certification for the Alps Electric Group in Japan by the end of fiscal 2015.

The Alps Group Environmental Charter

Basic Philosophy

Alps, as a member of the global community, is committed to protecting the beauty of nature and to safeguarding our precious resources through the use of technologically advanced business practices and the efforts of its employees, in order to promote sustainable development.

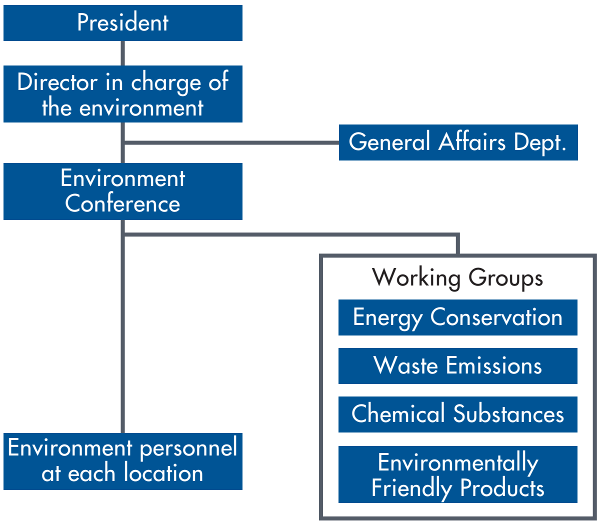
Action Program

Placing priority on environmental preservation, we at Alps will:

1. Develop products in light of environmental concerns
2. Engage in environmentally friendly production and sales
3. Conserve our natural resources
4. Reduce or eliminate waste
5. Increase recycling activities

Environmental Management Structure

(as of June 2015)



Environmental ISO audit

Alps Electric Group Profile
President's Message
Focus
Segment Info
Approach to ESG
Financial Data
Company & Stock Info

Environment

Environmental Impact

The impact of operations outside Japan increases as production at overseas bases expands.
We will continue improvements to systems for collecting performance data for overseas operations and utilize that information to lower our environmental impact.

Material Balance for the Alps Electric Group (FY 2014)

INPUT

We globally enforce green procurement and elimination of hazardous chemical substances from parts and materials. Energy conservation is pursued through new equipment, enhanced awareness and other measures.

Electricity (Unit: Million kWh)
Japan 116.9 Overseas 179.7

Fuel (Crude oil equivalent: kl)
Japan 2,135 Overseas 1,598

Municipal/industrial water supply (Unit: t)
Japan 513,806 Overseas 724,767

Groundwater (Unit: t)
Japan 65,743 Overseas 24,743

Purchased parts (semiconductors etc.)
Processed parts (molded parts etc.)
Raw materials (iron, plastic etc.)

Suppliers

The Alps Green Procurement System is deployed globally to promote purchasing of parts and materials with low environmental impact.

Alps Electric Group

We develop and manufacture products with low environmental impact. All production facilities worldwide acquire ISO 14001 certification and all business facilities work to reduce environmental impact through green purchasing, "zero emissions" and other initiatives.

- Japan (12 facilities)
  - Furukawa Plant
  - Wakuya Plant
  - Kakuda Plant
  - Nagaoka Plant
  - Onahama Plant etc.
- Overseas (15 production facilities)
  - Americas (1)
  - Europe (4)
  - Southeast Asia/Korea (3)
  - Greater China (7)

OUTPUT

"Zero emissions" activities are pursued to reduce outputs. We also work to reduce chemical substance releases into the atmosphere and CO_2 emissions from logistics operations.

Products
Electronic components for TVs, PCs, printers, cameras, mobile phones, automobiles, etc.

Total waste (Unit: t)
Japan 5,367 Overseas 11,593

Emissions into the atmosphere (Unit: t)

Japan		Overseas	
CO_2	70,611	CO_2	145,336
NOx	4	NOx	not tabulated
SOx	6	SOx	not tabulated
VOC	50	VOC	not tabulated

Emissions into water (Unit: t)
Japan 393,175 Overseas not tabulated

Fuel (Crude oil equivalent: kl)
Japan 776 Overseas not tabulated

Logistics

We are globally implementing modal shifts and other measures to reduce energy consumption in logistics operations.

Emissions into the atmosphere (Unit: t)
Japan CO_2 2,058 Overseas not tabulated

Customers

We strive to reduce the environmental impact of customers' products during use by helping to improve energy efficiency and lengthen operating life.

Energy Conservation

The Alps Group carries out energy conservation activities as a countermeasure to global warming under its 7th Medium-Term Action Plan for Environmental Preservation. Our target is to reduce energy consumption per unit by an average 1% annually up to 2020 from base year fiscal 2012.

This target applies to the Alps Group as a whole and the Alps Electric, Alpine and Alps Logistics Groups each plan and implement measures matching their particular business formats in order to attain it.

In fiscal 2014, the Alps Electric Group achieved energy savings by upgrading to the latest, high-efficiency facilities and also sought to conserve energy through operational improvements like recovering waste heat from compressors, visualizing power usage in production lines, and reducing air usage. A 23.6% reduction in energy consumption per unit (unit of output, compared to the base year) was achieved.

Further efforts will be made in fiscal 2015 to rationalize energy use centering on facility upgrades and operational improvements, the two primary approaches to energy conservation.

Saving Energy with New Pure Water System Specs

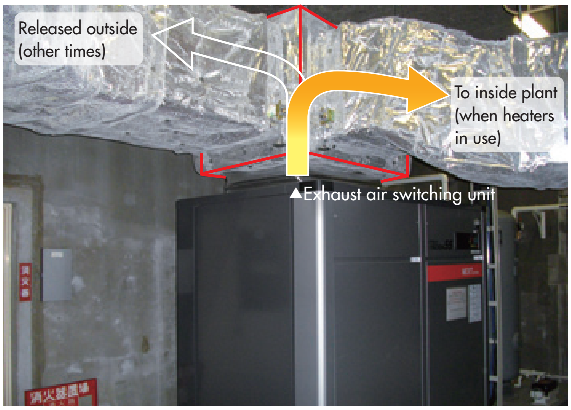
Nagaoka Plant has made changes to the specifications of its pure water manufacturing equipment in response to changes within production lines, slimming the system down to match requirements of the new lines. Specifically, the plant did away with reverse osmosis during the pure water manufacturing process and suspended feed-water heating, leading to lower energy consumption and a reduction of filter replacement costs. This measure alone achieved a 0.5% year-on-year reduction in energy usage by the entire plant.

Installation of First Photovoltaic System in China

In October 2014, Wuxi Alps Electronics (China) installed a 370kW photovoltaic system on the roof of the plant, which uses all the power generated. The plan is for the rooftop system to supply around 1% of the electricity demand for the entire plant.

Saving Energy by Recovering Compressor Heat

During maintenance of the compressor used to manufacture compressed air, Wakuya Plant took the opportunity to modify its facilities so that waste heat generated during compression could be recovered for heating. As well as making effective use of heat that would otherwise be discarded, the measures achieved annual energy savings of 10.7kl (crude oil equivalent).



Energy Conservation Working Group Launched in China

Energy savings at production facilities, sharing of information about plant maintenance, and stimulation of communication between related personnel are viewed as vital factors for promoting energy conservation. In fiscal 2014, an Energy Conservation Working Group like the one in Japan was set up and launched in China. At the first meeting, hosted by Ningbo Alps Electronics, participants shared information about distinctive initiatives implemented at each production facility. The working group looks to advance global warming countermeasures through further strengthening of ties and ongoing promotion of energy savings.

Developing with Communities

The Alps Electric Group has grown alongside local communities, maintaining a deep involvement with regions where it operates. It is therefore vital that we communicate closely with those communities. As a sound corporate citizen, the Alps Electric Group strives to invigorate local communities and strengthen ties at each business location through a wide range of unique, locally oriented activities.

As a Member of the Community

Monozukuri Workshops for Elementary and Junior High School Students

As a manufacturer, the Alps Electric Group bears an important social responsibility to pass down the wonders of *monozukuri* (encompassing all aspects of product creation) to the next generation—a task we believe will lead to electronics industry development and to the sustainable development of society. Alps Electric holds *monozukuri* workshops at facilities in Japan each year. The company's headquarters has also co-hosted the Monozukuri Science School with Tokyo's Ota Ward since November 2003 with around 1,700 children having taken part so far in 113 workshops over 11 years.

The Monozukuri Science School

Work Experience and Internships

Alps Electric facilities in Japan willingly open their doors to children and young adults to assist education about society. This includes providing interactive workplace experiences primarily for junior high and high school students as part of social studies field trips, accepting students of colleges of technology and universities on internships, and giving tours of plants to elementary school children. At overseas locations, too, we provide plant tours for government officials and students and implement short-term work experience programs for high school and university students.

Plant tour for local elementary school children

Aiming for Community-Oriented Business Activities

Facilities in Japan, besides contributing to the local community through cleanup activities, make a point of interacting with the community. For example, employee-organized summer festivals are held each year to promote interaction with employees' families and local residents.

Overseas facilities likewise partake in community cleanups and hold events. At the Detroit Office of Alps Electric North America, for example, each Christmas employees bring presents that are delivered to children in the care of local institutions.

Community cleanup by Dalian Alps Electronics (China)

Summer festival at Furukawa Plant

Participation in University Research on Dietary Modification

Alps Electric Ireland is participating in research on workplace dietary modification interventions led by University College Cork. More than 120 employees are taking part, providing monitoring data and receiving individual instruction and advice for easy selection of healthy meals from university dieticians and nutritionists.

The Alps Electric Group is exploring ways to develop sound relationships with local communities through a wide range of activities.

Summary of CSR Activities

The Alps Electric Group pursues CSR activity according to CSR mid-term plans formulated every three years.

Fiscal 2015 is the final year of the 3rd CSR Mid-Term Plan launched in fiscal 2013. We will review the current plan in its entirety and press ahead with formulation of the next plan, looking to meet the needs and requests of our various stakeholders.

The CSR Mid-Term Plan and Beyond

FY2014 Review

In fiscal 2014, we addressed the following priority themes of the CSR mid-term plan.

Priority Theme	Assessment	Achievements
Ensure compliance with electronics and automotive industry guidelines and standards for CSR action	Ongoing	● Established a framework, designating CSR leaders and CSR supporters at bases worldwide to enable timely, global sharing of information and implementation of unified measures. ● Checked in-house regulations against various guidelines and standards and started deliberation toward ensuring compliance
Achieve objectives of the 7th Medium-Term Action Plan for Environmental Preservation	Ongoing	● Numerical targets for global warming countermeasures, reduction of waste emissions, reduction of water usage and reduction of the environmental impact of logistics are expected to be achieved. ● Made generally steady progress toward achieving targets in other areas, too.
Strengthen BCP and BCM initiatives	Not achieved	● Ensured global reporting lines were in place and arranged and made known which risks to report to enable quick aggregation of risk information. ● Review of BCM to reflect changes, including changes to the business environment, was not finished.

3rd CSR Mid-Term Plan

3rd CSR Mid-Term Plan Action Policy:
Pursue CSR activity that earns stakeholder trust through sharing of even better value

Activity Themes

~ Earning the trust that we commit to through our brand ~

1. Actively disclose information and meet the needs of society
   - Actively advance disclosure of corporate information and strengthen information security
   - Set out to meet the global needs of society (relating to conflict minerals, GHG emissions disclosure, etc.)
   - Ensure compliance with electronics and automotive industry guidelines and standards for CSR action
2. Support the creation of a low-carbon society
   - Achieve objectives of the 7th Medium-Term Action Plan for Environmental Preservation
   - Advance environmental education
   - Create green devices
3. Further strengthen risk management
   - Strengthen BCP and BCM initiatives

Fair Management

As a member of modern society, the Alps Electric Group takes active measures in the areas of corporate governance, compliance, risk management and information security to enable and practice fair management.

Corporate Governance

Approach to Corporate Governance

The Alps Group defines corporate governance as the "establishment and operation of frameworks for realizing 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." Our basic approach, placing importance on maximizing benefits for shareholders and all other stakeholders, is to maximize corporate value and deliver benefits directly or indirectly to stakeholders in a balanced way, satisfying their respective interests.

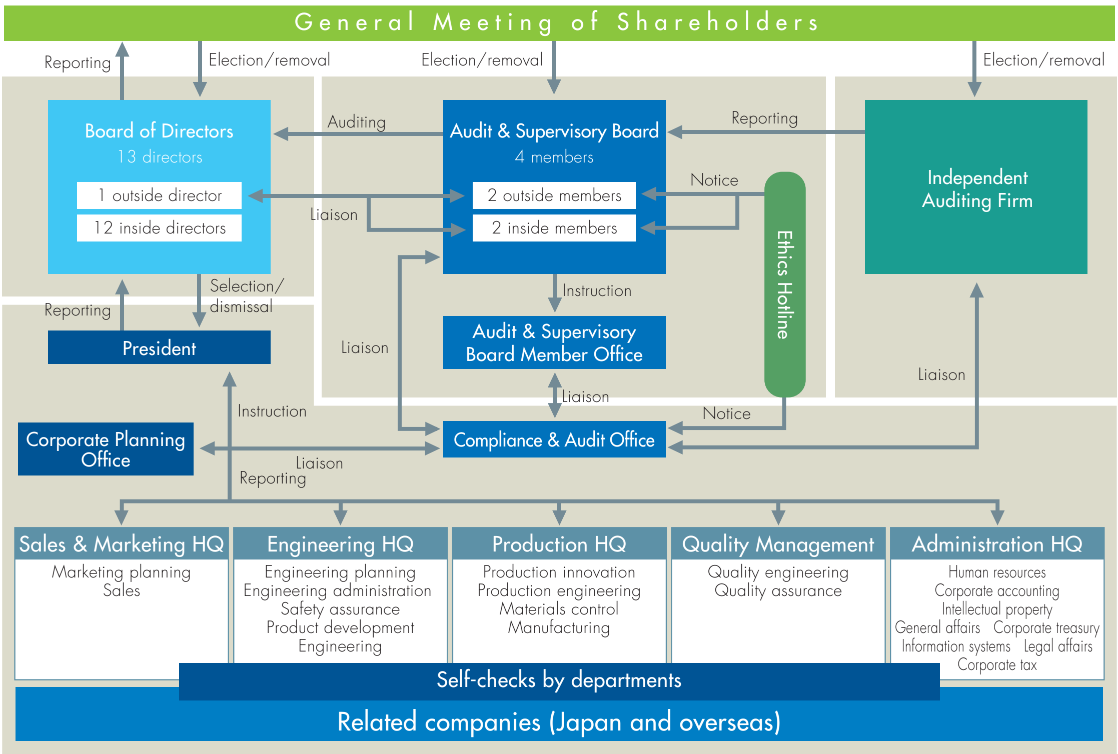
Corporate Governance Structure

In line with our basic approach to corporate governance, the Alps Group has established a structure for the Group as a whole, putting in place the Alps Group Management Paradigm comprising the Alps Group Management Regulations, Alps Group Compliance Charter and Alps Group Environmental Charter. An agreement relating to Group administration and management has also been concluded to strengthen Group ties while respecting the independence of listed subsidiaries and allowing each company to engage in business activities based on independent decision-making through formulation of business plans and monitoring of performance.

At Alps Electric, Audit & Supervisory Board members, the Internal Audit Department and independent auditing firms liaise in order to monitor and supervise the company's operations, improving management transparency and enabling fair and honest management. The Board of Directors deliberates and makes decisions on basic management policy and important managerial matters, and is strengthening monitoring and supervision of the execution of duties. For example, an outside director has been appointed to bring in the independent perspective of someone with experience and broad knowledge in a specific field, as required to fully perform the management supervisory function, and to provide checks on the legal compliance of directors' execution of duties.

In addition, Alps Electric formulates mid-term and short-term business plans based on company policy and targets. Business plans are approved by the Board of Directors after an opportunity for deliberation and information sharing at business plan meetings held twice a year with directors and Audit & Supervisory Board members of Alps Electric in attendance. Operations are implemented with progress monitored on a monthly basis, while important matters are submitted to the Board of Directors for deliberation in accordance with in-house regulations to ensure optimal utilization of management resources.

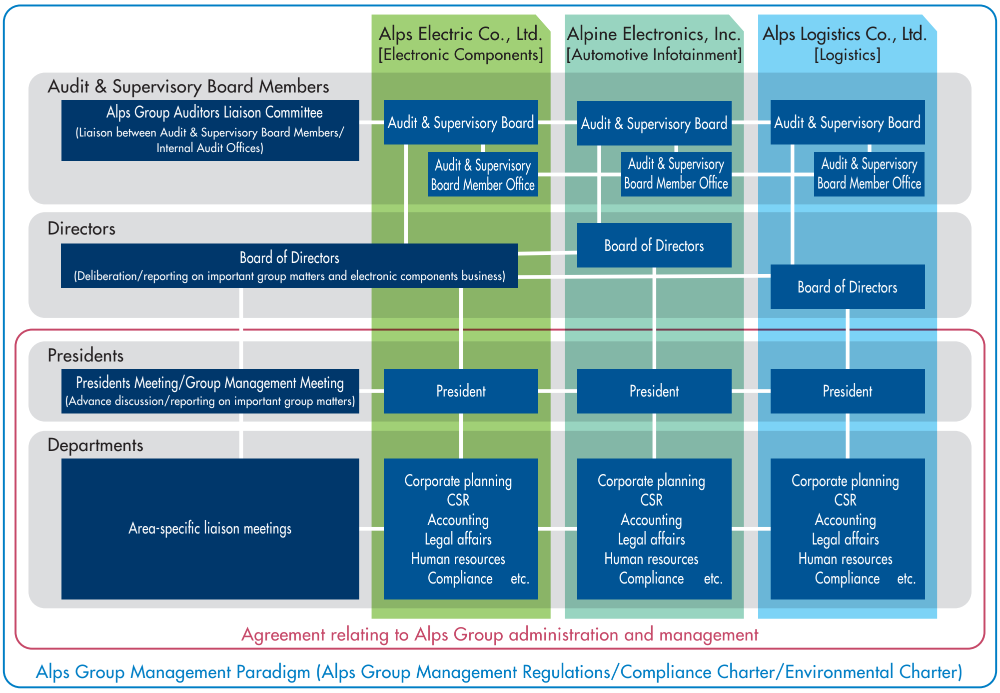
Corporate Governance at Alps Electric



Strengthening of Internal Controls

Acknowledging the Founding Spirit (Alps Precepts) as the origin of Group management, Alps Electric has established within the Alps Group Management Paradigm a fundamental philosophy and action guidelines relating to compliance that apply to the entire Alps Group, including Alps Electric and listed subsidiaries. We also maintain internal controls (systems for ensuring the appropriateness of operations) conforming to Japan's Companies Act and ordinances for enforcement of the Companies Act to make sure that Alps Electric and the Alps Group as a whole are operated efficiently and appropriately.

Alps Group Internal Controls



Board of Directors

Alps Electric's Board of Directors is positioned as an organ that deliberates and makes decisions on basic management policy and important managerial matters and carries out monitoring and supervision of the execution of duties. Alps Electric currently has 13 directors, a number allowing agile operation. The board convenes once a month for regular meetings and on other occasions as required to thoroughly deliberate on and pass resolutions on all important matters. The articles of incorporation state that directors shall be elected and removed by a resolution of a General Meeting of Shareholders passed by a majority of the votes of shareholders present, where shareholders holding one third or more of the voting rights of shareholders who are entitled to exercise their votes are present, and that cumulative voting shall not be used.

In accordance with rules and bylaws for the Board of Directors, resolution items are checked in advance from legal, accounting, tax, economic rationality and other perspectives to ensure legal compliance and reasonableness. Furthermore, a guide for submission of items to the Board of Directors has been created to clarify standard formats for document submission and main factors for deliberation.

Audit & Supervisory Board Members and Audit & Supervisory Board

Alps Electric's Audit & Supervisory Board members attend meetings of the Board of Directors, business plan meetings and other important meetings. They also audit the execution of duties by directors through regular meetings with representative directors and examination of the company's operations and status of assets. There are currently four Audit & Supervisory Board members who coordinate closely with compliance, Internal Audit and Accounting departments, as well as independent auditing firms, for example by holding regular auditing liaison meetings to exchange information, thereby ensuring effective structures for audit implementation.

The Audit & Supervisory Board hears reports on, and deliberates and makes decisions on, important matters relating to auditing. An Audit & Supervisory Board Member Office set up to assist the duties of board members, including outside members, helps to enhance agility in auditing activities.

Fair Management

Corporate Governance

Outside Director and Outside Audit & Supervisory Board Members

Alps Electric's outside director focuses on ensuring legal compliance and strives to strengthen the management oversight function of the Board of Directors through active dialogue and offering of advice. The outside director also regularly visits facilities of Alps Electric to gather information, for example through dialogue with personnel in the main departments. Outside Audit & Supervisory Board members attend meetings of the Audit & Supervisory Board and the Board of Directors, as well as other important meetings, where they provide fair and objective opinions as part of rigorous monitoring of the legal compliance and appropriateness of directors' execution of business affairs. They also work to realize effective supervision and auditing through regular exchange of information and ideas with the outside director and other Audit & Supervisory Board members.

Assistance provided by Corporate Planning Office and Audit & Supervisory Board Member Office personnel facilitates the implementation of duties by the outside director and outside Audit & Supervisory Board members.

Outside Director and Outside Audit & Supervisory Board Members of Alps Electric: Reasons for Appointment and Meeting Attendance

	Name	Independent officer	Reason for appointment	Board of Directors and Audit & Supervisory Board meeting attendance in FY2014
Outside Director	Takashi Iida	Yes	To help corporate governance function effectively, for example through provision of sound guidance and advice as a legal expert	12 out of 12 Board of Directors Meetings
Outside Audit & Supervisory Board Member	Hiroshi Akiyama	—	To improve the effectiveness of auditing activities based on extensive experience as a legal expert	11 out of 12 Board of Directors Meetings 4 out of 5 Audit & Supervisory Board Meetings
Outside Audit & Supervisory Board Member	Takuji Kuniyoshi	Yes	To improve the effectiveness of auditing activities based on knowledge and experience as a certified public account and many years of international experience	12 out of 12 Board of Directors Meetings 5 out of 5 Audit & Supervisory Board Meetings

Comment from the Outside Director

Takashi Iida

Career

- Apr 1974 Registered as a lawyer and joined Daini Tokyo Bar Association; joined Mori Sogo Law Offices (currently Mori Hamada & Matsumoto)
- Apr 1997 Executive Governor, Japan Federation of Bar Associations
- Apr 2006 President, Daini Tokyo Bar Association; Vice President, Japan Federation of Bar Associations
- Dec 2011 Left Mori Hamada & Matsumoto
- Jan 2012 Established Kowa Law Office
- Jun 2013 Outside Director, Alps Electric Co., Ltd.

Two years have passed since my appointment as outside director and I am constantly aware of the enthusiasm and vigilance at the forefront of the world economy. Based on, but not overly influenced by, my career as a practitioner of law, I believe my role is to speak out and act in consideration of all stakeholders. Since my appointment, I have made regular visits to plants to view operations and meet with the main departments. I can therefore view items submitted to meetings such as the Board of Directors with insight, rather than just from a superficial understanding. I even visit operating departments whenever the need arises in order to gather information and this is a practice I would like to continue.

One of Alps Electric's strong points is its production technology. The company makes full use of this capability to quickly set up operations for large-volume supply of components like TACT Switch™ and voice coil motors to customers and I sense this is a strength unrivaled by others. Risk management has also grown in significance. Rather than simply applying the brakes, I believe it is also important to make big, bold decisions, within permissible limits, after properly analyzing and interpreting the situation.

In the case of Alps Electric, the shift of weight to the automotive business has made quality all the more crucial. I was deeply impressed when I discovered Alps Electric's saying that "Quality is our future"; in other words, without good quality there is no future. I will continue to speak out frankly to bring about improvements in quality, which is a lifeline for components manufacturers.

To revitalize Japan, further global expansion is essential. The Alps Electric Group needs to set the trend by making even greater progress in this area. I also believe it part of my mission to call attention to the need to realize global compliance, which is vital for a global corporation.

Compliance

Basic Approach to Compliance

As parent of the Alps Group, Alps Electric established the Alps Group Compliance Charter as one element of the Alps Group Management Paradigm, a statement of fundamental compliance philosophy and six action guidelines shared by the entire Group.

We also appeal to all organizations and employees within the Alps Group to make an effort at all times to act responsibly and sensibly in line with the Alps Group Compliance Charter, aiming for fair management in keeping with the purpose of the law, social requirements and corporate ethical standards. Here we believe it is important to go beyond the formalities of observing laws and rules and take appropriate action proactively having acquired an understanding of why those laws and rules are necessary—their purpose and significance.

Furthermore, the core companies of each business segment (electronic components: Alps Electric; automotive infotainment: Alpine Electronics; logistics: Alps Logistics) globally deploy within those segments specific measures based on the Compliance Charter and consistent with their respective business domains, such as the establishment of "systems for ensuring the appropriateness of operations" and necessary in-house rules and regulations.

Alps Group Compliance Charter

Fundamental Philosophy

As a member of the global community, Alps is committed to displaying fairness in its corporate activities, as well as to taking responsible and sensible action, in order that Alps may continue to develop with society while making a valuable social contribution.

Action Guidelines

1. Alps will abide by laws and ordinances that govern its business and will ensure sensible behavior to avoid involvement in antisocial acts.
2. Alps will respect foreign cultures and customs and will contribute to local community development.
3. Alps will aim for maximum product safety and quality while engaging in fair trade and competition with other companies and maintaining strong ties with authorities.
4. Alps will disclose information fairly to shareholders and other stakeholders.
5. Alps will provide a safe and user-friendly workplace and will respect the character and individuality of employees.
6. Alps will endeavor to manage and use society's assets, including goods, money and information, in a suitable manner without displaying behavior that could be of disadvantage to society.

Initiatives at Alps Electric

As the core company of the electronic components segment, Alps Electric has established a set of compliance regulations based on the Alps Group Compliance Charter and globally deploys specific measures within the segment.

The deployment of measures goes beyond developing and introducing rules and systems. Importance is placed on ensuring that those rules and systems function properly and effectively by encouraging individual employees, who actually engage in the activities, to take proactive action based on a proper understanding of the importance of compliance.

Specifically, internal controls are established and implemented to ensure that management and operations of the company are carried out appropriately; departments carry out self-checks (monitoring) of their activities; and the internal audit department carries out internal audits of the activities and operations of company departments, overseas affiliates and other subsidiaries.

To ensure early discovery and correction of misconduct or other compliance incidents, persons in charge of facilities in Japan and overseas affiliates are obliged to report any incidents when they occur to the corporate planning and compliance departments. An internal reporting system (Ethics Hotline) is also in place for responding to cases where reaching a resolution through organizational lines is complicated. Taking into account national and regional variations in law and the need for an agile response to incident reports, Ethics Hotlines have been set up at Alps Electric and the main overseas affiliates.

In addition, we keep up efforts to raise awareness among employees, for example through in-house compliance education and dissemination of compliance information via in-house communications.

Fair Management

Risk Management

Risk Management Approach

The Alps Electric Group recognizes prevention of risks which may have a potentially large impact on business, as well as appropriate action and quick recovery when they do occur, as key risk management themes. Initiatives are advanced under the policy below.

Risk Management Policy

- We will place top priority on ensuring the safety of employees, all people on company premises (including visitors, related company employees, on-site subcontractors and temp staff) and families of employees.
- We will continue business activities as long as we can, and do everything we can to maintain the supply of products and provision of services to customers.
- We will endeavor to preserve both tangible and intangible company assets and make efforts to minimize damage using the most suitable methods.
- We will demonstrate responsible conduct, take quick and appropriate action, and strive to restore operations when risks do eventuate in order to earn the trust of customers, shareholders and all other stakeholders.

Crisis Management Manuals

Alps Electric maintains a Group-wide crisis management manual, updating it as required. Each Alps Electric Group facility in Japan also maintains its own individual crisis management manual based on the Group-wide manual. A central crisis management secretariat for the Group monitors the status of manual creation and maintenance.

Comprehensive Emergency Drills

Within the Alps Electric Group, each facility holds regular comprehensive emergency drills to ensure disaster preparedness. For the drills, we secure optimal evacuation routes for employees, confirm flows and carry out firefighting and other exercises while liaising with the local fire department and other community functions. At the same time, we work to heighten awareness about disaster prevention.

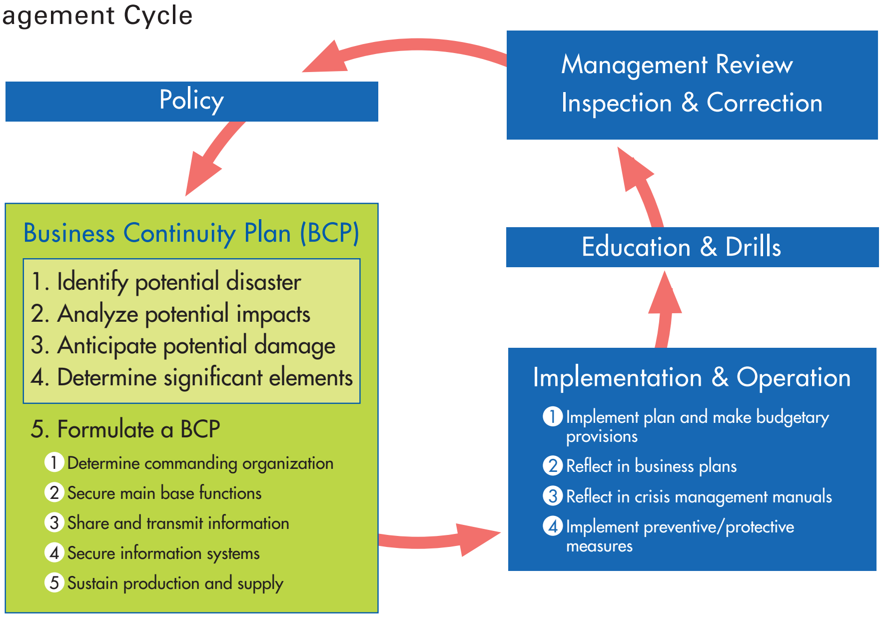
Satellite Phones

Facilities in Japan are always equipped with satellite phones as a means of communicating between facilities in the event of disruption to infrastructure (e.g. phone lines down, Internet service suspended due to blackouts) in times of emergency.

Safety Confirmation System

Domestic affiliated companies Alps Business Creation Co., Ltd., Alps Finance Service Corp., Alps Travel Service Co., Ltd. and Alps System Integration Co., Ltd. are included in Alps Electric's safety confirmation system for Alps Headquarters, enabling an integrated system for confirming the safety of personnel. Drills are regularly carried out. Alps Group companies Alpine Electronics and Alps Logistics each employ similar systems of their own, ensuring safety confirmation frameworks are in place for group companies in Japan.

Risk Management Cycle



Information Security

Policy on Information Management

The Alps Electric Group recognizes it has a social responsibility to rigorously manage customer and supplier information (including private information about individuals) as classified information together with its own information. As basic policies, we maintain that we will not inappropriately disclose information to parties outside the company; that we will not use information for non-business purposes; and that, except in special circumstances, we forbid information being taken outside the company.

These basic policies are included in a set of information management regulations that apply to all electronic components segment companies in Japan and overseas and are made known to the entire workforce from directors down to regular employees.

Information Management Initiatives

Besides establishing regulations related to information security, we devise security enhancement measures and training plans and deploy them company-wide through coordination with information officers in individual departments.

As a control on information management policy, information management audits of individual departments are conducted every year to confirm the status and progress of education plans and improvement measures. In particular, operation, maintenance and trouble response activities of systems departments have been added as an auditing parameter and we are strengthening initiatives to prevent falsification of information and to maintain environments allowing utilization of information for business at the right time.

Information Disclosure

Basic Approach to Information Disclosure

For shareholders and investors, Alps Electric discloses information including financial results, annual security reports and other documents as required in accordance with laws and regulations. Through timely and appropriate information disclosure, we maintain fair and transparent management.

Disclosed information is immediately posted to our website, which serves as a window for ongoing communication about new products and the latest news about business activities.

For shareholders, we endeavor to promote understanding of the company's business activities through the *Alps Report*, a bulletin issued four times a year in conjunction with quarterly financial results which, besides reporting on business, introduces new products and technologies.

Aiming to engage in greater communication with the capital market, efforts are made to enhance opportunities for face-to-face dialogue between management and market participants. In addition to briefings on each earnings announcement for analysts, institutional investors and the press, and regular visits to overseas investors by company directors, we arrange briefings during the biennial Alps Show as well as plant tours (on occasion).

Briefing for analysts at ALPS SHOW 2014

Plant tour for analysts (Furukawa Plant EMC Center)

(Inside Furukawa Plant)

Directors & Auditors

Directors

Chairman of the Board
Masataka Kataoka

President
Toshihiro Kuriyama

Managing Director
Shuji Takamura
General Manager, Production Headquarters
General Manager, Production Innovation

Managing Director
Takashi Kimoto
General Manager, Sales & Marketing Headquarters

Managing Director
Seishi Kai
General Manager, Administration Headquarters

Managing Director
Yasuo Sasao
General Manager, Components
General Manager, Engineering Headquarters

Director
Junichi Umehara
HR, Legal & Intellectual Property Administration Headquarters
General Manager, Export & Import Administration

Director
Yoshitada Amagishi
General Manager, Quality Management
Material Control, Production Headquarters

Director
Hitoshi Edagawa
General Manager
Production Engineering, Production Headquarters

Director
Shinji Inoue
General Manager, Automotive Modules
Deputy General Manager, Engineering Headquarters

Director
Takeshi Daiomaru
General Manager, New Business & Consumer Modules
Deputy General Manager, Engineering Headquarters

Director
Akihiko Okayasu
General Manager, China Operations

Outside Director
Takashi Iida
Attorney at law

Audit & Supervisory Board Members

Audit & Supervisory Board Member
Yasuhiro Fujii

Audit & Supervisory Board Member
Yozo Yasuoka

Outside Audit & Supervisory Board Member
Hiroshi Akiyama
Attorney at Law

Outside Audit & Supervisory Board Member
Takuji Kuniyoshi
Certified Public Accountant

FINANCIAL DATA

FINANCIAL DATA

Financial and Non-Financial Highlights

Financial Data (Consolidated)

(Unit: Billions of yen)

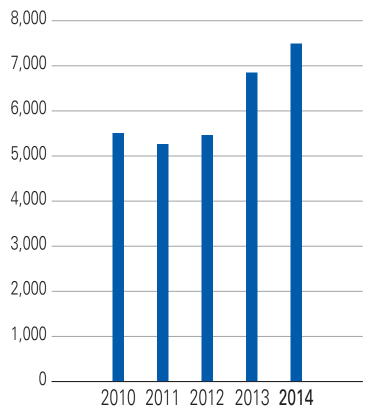
Fiscal Year	2010	2011	2012	2013	2014
Net sales	550.6	526.5	546.4	684.3	**748.6**
Selling, general and administrative expenses	80.2	78.7	80.9	97.7	**101.2**
Operating income	28.8	15.1	6.8	28.5	**53.5**
Ordinary income	23.1	14.3	7.6	28.0	**57.5**
Net income	11.1	4.1	-7.0	14.3	**34.7**
Cash flows from operating activities	28.5	23.4	24.8	57.7	**65.1**
Cash flows from investing activities	-20.9	-29.3	-32.1	-22.8	**-29.7**
Cash flows from financing activities	5.1	-6.6	-5.6	4.9	**-27.9**
Cash and cash equivalents at end of period	98.4	85.0	76.1	122.2	**134.2**
At Year-End					
Total assets	427.5	442.0	451.4	512.3	**570.4**
Net assets	190.7	193.1	199.4	230.3	**283.7**
Per Share Data					
Net income (Yen)	62.14	23.29	-39.47	79.85	**193.81**
Cash dividends (Yen)	20.00	20.00	5.00	5.00	**15.00**
Other Indexes					
Equity ratio (%)	27.0	26.1	25.9	26.8	**31.5**
Return on assets [ROA] (%)	2.7	1.0	-1.6	3.0	**6.4**
Return on equity [ROE] (%)	9.8	3.6	-6.1	11.3	**21.9**
Debt to equity ratio (%)	103.9	102.7	106.6	97.7	**64.7**
Interest coverage ratio (Times)	14.8	14.1	17.7	49.2	**68.0**
Capital expenditures	23.5	34.0	31.8	26.5	**31.4**
Depreciation and amortization	18.7	19.7	21.5	24.5	**28.0**
R&D expenses	28.1	28.0	28.6	32.9	**33.0**
Net Sales by Business Segment					
Electronic components	296.1	268.9	268.0	338.8	**389.1**
Automotive market	124.9	132.4	140.0	168.4	**208.4**
Consumer market	171.2	136.4	128.0	170.3	**180.6**
Automotive infotainment	198.3	200.2	219.8	282.1	**289.7**
Logistics	47.5	47.9	48.5	52.2	**57.0**

Non-Financial Data (Non-consolidated, except number of employees)

	2010	2011	2012	2013	2014
Number of employees	38,547	36,148	36,199	36,797	**37,564**
CO_2 emissions (t)	41,382	59,866	65,029	66,879	**70,611**
Amount of waste generated (t)	4,098	4,076	4,737	4,373	**5,306**

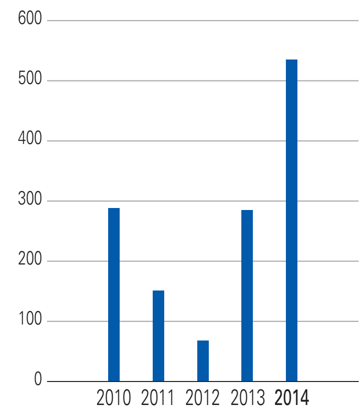
Net sales

(Unit: Billions of yen)



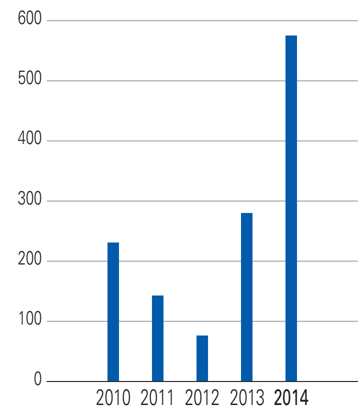
Operating income

(Unit: Billions of yen)



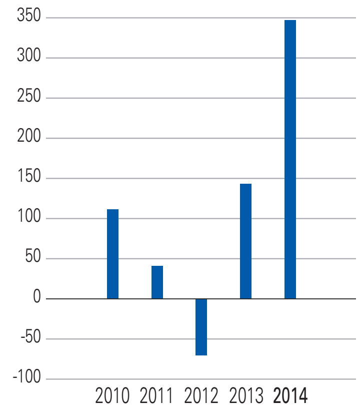
Ordinary income

(Unit: Billions of yen)



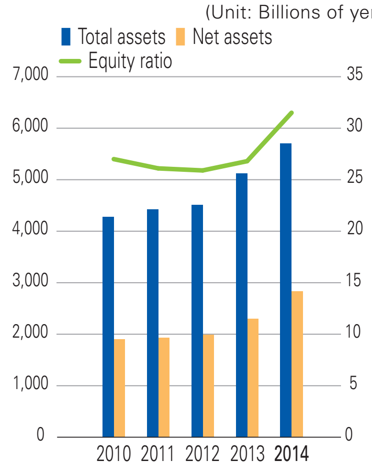
Net income

(Unit: Billions of yen)



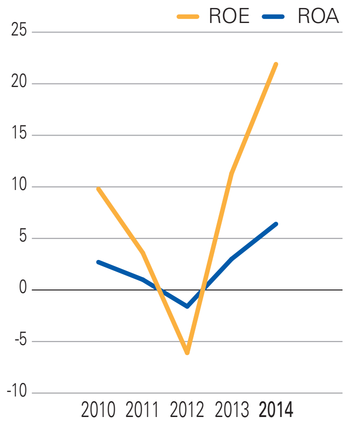
Total assets/ Net assets/ Equity ratio

(Unit: Billions of yen)



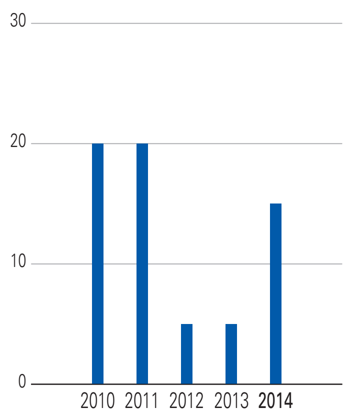
ROE/ROA

(Unit: %)

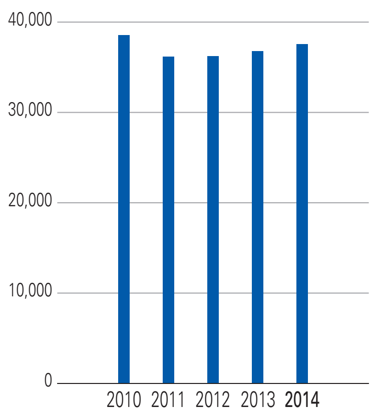


Cash dividends per share

(Unit: Yen)

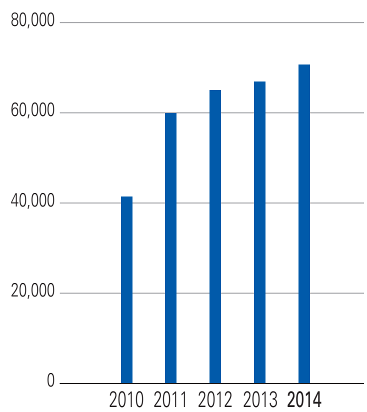


Number of employees



CO_2 emissions

(Unit: t)



Management's Discussion & Analysis of Operating Results

1. Analysis of Operating Results for the Fiscal Year Ended March 31, 2015

(1) Overview

In the global economy during fiscal 2014 (year ended March 31, 2015), economic activity expanded moderately in the United States with improvement in the employment environment. Elsewhere, Europe was polarized with the United Kingdom and Germany displaying strength while some regions experienced stagnation caused by geopolitical risks and other factors. Economic growth eased in China and slowed in other emerging nations, too. Japan began a moderate economic recovery in autumn 2014 as corporate profits, particularly among exporters, improved on the back of a weaker yen and as the negative repercussions of consumers earlier rushing to buy prior to the consumption tax rise gradually subsided.

On a consolidated basis, the Alps Group achieved net sales of ¥748.6 billion (a 9.4% year-on-year increase), operating income of ¥53.5 billion (87.6% increase), ordinary income of ¥57.5 billion (105.0% increase) and net income of ¥34.7 billion (142.7% increase) for the fiscal year ended March 31, 2015.

Average exchange rates during the fiscal year were ¥109.93 to the U.S. dollar, and ¥138.77 to the euro, representing yen depreciation from the previous fiscal year of ¥9.69 and ¥4.40 against the dollar and euro respectively.

(2) Net Sales

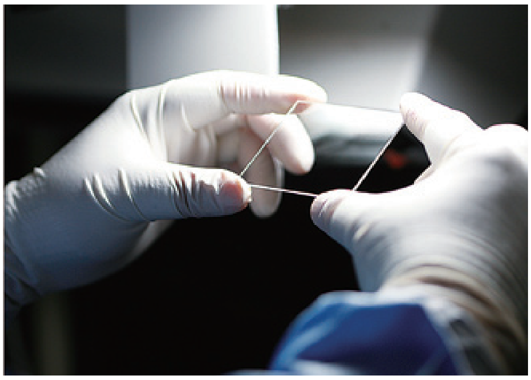
Net sales came to ¥748.6 billion, an increase of ¥64.2 billion, or 9.4%, from the previous fiscal year.

Electronic components segment sales came to ¥389.1 billion, an increase of ¥50.3 billion, or 14.8%. Automotive infotainment segment sales came to ¥289.7 billion, an increase of ¥7.6 billion, or 2.7%. Logistics segment sales came to ¥57.0 billion, an increase of ¥4.7 billion, or 9.1%.

Depreciation of the yen against both the U.S. dollar and the euro from the previous fiscal year had the effect of increasing sales by ¥42.3 billion.

(3) Operating Income

Operating income came to ¥53.5 billion, an increase of ¥25.0 billion, or 87.6%, from the previous fiscal year. Foreign exchange movements had the effect of increasing operating income by ¥11.5 billion.



2. Forecasts for the Fiscal Year Ending March 31, 2016

In the global economy, the United States is predicted to remain firm, supported by improvements in employment and income environments and spurred by falling crude oil prices. In Europe, there are concerns that the Ukraine crisis and deterioration of the Russian economy will have adverse effects on the economies of neighboring eurozone nations, leading to a slowdown in the pace of economic recovery. China, faced by a wide range of structural issues, is not expected to maintain earlier levels of growth with a moderate slowdown anticipated. In emerging nations, despite the expectation of generally stable growth, that growth is forecast to be slow. In Japan, as corporate profits continue to expand, it is hoped an improvement in personal income resulting from higher wages and higher employment will trigger a positive economic cycle and the current economic recovery will be sustained.

The Alps Group will make aggressive efforts to develop both existing and new markets and capture new customers, as well as work to improve earnings further and strengthen the company's structure.

(1) Electronic Components

In the electronic components segment, we will spur on creation of new products that are the best or the first on the market and advance a variety of initiatives toward attainment of earnings targets for fiscal 2015 (year ending March 31, 2016), the final year of the 7th Mid-Term Business Plan.

Technological development will be advanced in three focal areas—human-machine interfaces, sensors and connectivity. We will work to build up growth engines and expand automotive business, for example through the development of new products for the next generation making use of technological synergies, and development of V2X (vehicle to X) modules for various forms of vehicle connectivity. In production, we will aim for further productivity improvements both in Japan and overseas and global production balance, as well as advance efforts to reform cost structure.

Progressing with these plans, in the automotive market we will place additional focus on sales promotion for components and various modules while looking to raise profitability by pursuing greater efficiencies in design and development. In the smartphone market, where innovation and market changes are fast, we will advance business activities with speed while maintaining our technological advantage. In new markets—energy-saving, industry and healthcare—Alps Electric will team up with group company Alps Green Devices to introduce new products incorporating original technologies, complementing a lineup of devices developed through the consumer business.

(2) Automotive Infotainment

The automotive infotainment segment is expected to benefit in the United States from strong pickup truck and SUV sales and mandatory rear-view visibility systems. In Japan, however, new vehicle sales are forecast to stay sluggish.

Amid these circumstances, we will make additional efforts to provide products and services that match the needs of customers while pursuing development of products with enhanced quality and functions. We will also work to achieve greater efficiency, for example through cost reductions, and aim to strengthen business foundations and raise corporate value.

(3) Logistics

In the logistics segment, growth of business in the electronic components industry, the main target market, is expected to continue due to increasing application of electronics in automobiles and expanding demand in emerging nations. However, customers need to advance increasingly complex and diverse reforms, improving adaptability to product and market changes by producing in the most suitable location and shifting operations overseas, and increasing efficiency to cope with price competition for electronic components.

Amid these conditions, we will continue efforts to capture and expand freight volumes by enhancing our network and other aspects of logistics infrastructure, improving service and solutions capabilities, and engaging in global sales activities through cooperation among both domestic and overseas bases. We will also work to further strengthen the health of the business, for example through productivity improvements in each logistics domain.

Consolidated earnings forecasts for the Alps Group, after adding forecasts for other segments, are as follows.

Consolidated Forecasts for the Fiscal Year Ending March 31, 2016

(Unit: Billions of yen)

	Six months ending Sept. 30, 2015	Twelve months ending Mar. 31, 2016	YoY
Net sales	378.0	767.0	+2.5%
Operating income	24.0	54.5	+1.8%
Ordinary income	23.5	54.5	–5.4%
Net income	15.0	36.5	+5.1%

The above forecasts assume the following exchange rates:

1 U.S. dollar = ¥115

1 euro = ¥125

3. Liquidity and Sources of Funds

(1) Cash Flows

① Cash Flows from Operating Activities

Net cash provided by operating activities during fiscal 2014 (year ended March 31, 2015) came to ¥65.1 billion, compared to ¥57.7 billion for the previous fiscal year. This was mainly attributable to income before income taxes and minority interests of ¥54.3 billion and depreciation and amortization of ¥28.0 billion, offset by ¥10.1 billion of income taxes paid and a ¥6.4 billion increase in inventories.

② Cash Flows from Investing Activities

Net cash used in investing activities came to ¥29.7 billion, compared to ¥22.8 billion for the previous fiscal year. This was mainly attributable to ¥30.5 billion used for purchases of property, plant and equipment and intangible assets primarily in the electronic components segment.

③ Cash Flows from Financing Activities

Net cash used in financing activities came to ¥27.9 billion, compared to ¥4.9 billion in net cash provided the previous fiscal year. This was attributable to a ¥8.9 billion net decrease in short-term loans payable and ¥15.5 billion used for repayment of long-term loans payable.

These activities, the effects of exchange rate fluctuations on the yen value of cash and cash equivalents held by overseas subsidiaries, and other factors resulted in a ¥12.0 billion net increase in cash and cash equivalents from the end of the previous fiscal year. Cash and cash equivalents at the end of fiscal 2014 (year ended March 31, 2015) were ¥134.2 billion.

(2) Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2014 (year ended March 31, 2015) were ¥570.4 billion, an increase of ¥58.1 billion from the end of the previous fiscal year.

Current assets were ¥372.7 billion, a ¥45.3 billion increase due in part to increases in cash and time deposits, notes and accounts receivable, and inventories.

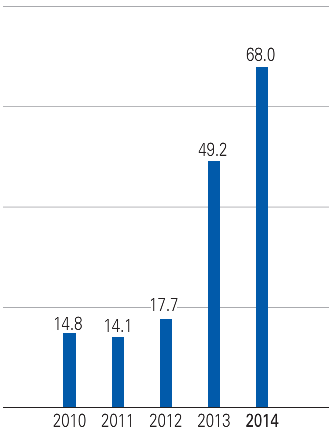
Non-current assets were ¥197.7 billion, a ¥12.7 billion increase due in part to increases in machinery, equipment and vehicles; tools, furniture, fixtures and dies; and investment securities.

Current liabilities were ¥212.6 billion, a ¥41.5 billion increase due to factors including increases in notes and accounts payable, short-term loans payable, accrued expenses, and income taxes payable.

Non-current liabilities were ¥74.0 billion, a ¥36.7 billion decrease due to factors including a decrease in long-term debt and an increase in retirement benefit liability.

Interest Coverage Ratio

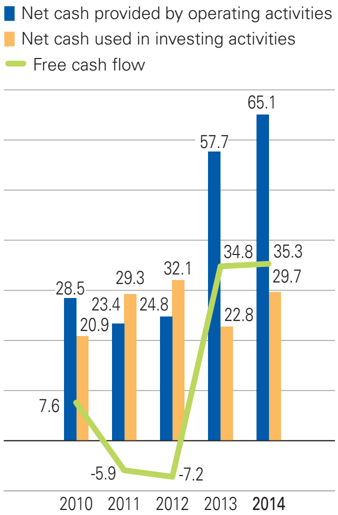
(Unit: times)



*Net cash provided by operating activities ÷ Interest paid

Cash Flows

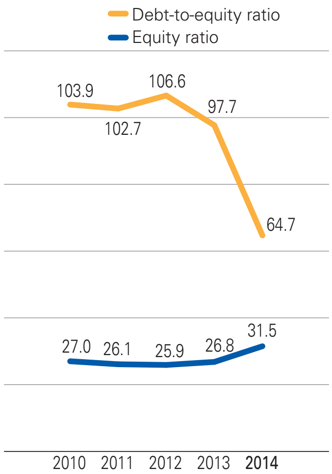
(Unit: Billions of yen)



*Free cash flow = Net cash provided by operating activities + Net cash used in investing activities

Capital Structure

(Unit: %)



4. Business and Other Risks

Risks pertaining to the status of operations and accounting of the Alps Group which could have a major impact on investors' decisions are outlined below.

Forward-looking statements are based on judgments made at the end of the fiscal year ended March 31, 2015.

(1) Economic Conditions

The Alps Group (Alps Electric and its consolidated subsidiaries) operates a global business centered on the electronic components segment, with overseas markets accounting for 81.5% of sales in fiscal 2014 (year ended March 31, 2015). As most of the Alps Group's products are sold to manufacturers, customers' production levels, which may be influenced by economic trends, have a major impact on the business of the Alps Group. The Alps Group will therefore be influenced directly or indirectly by economic conditions in markets across Japan, Europe, the United States and Asia, and economic fluctuations in those markets have the potential to impact the results of operations and financial condition of the Alps Group.

(2) Competition

The Alps Group is exposed to intense competition from other companies in the electronic components segment and all other areas of business. Although the Alps Group makes efforts to satisfy customers by introducing new products, supplying products of a high quality, and enhancing and expanding its global network, market competition is expected to intensify further. This creates potential for unforeseen situations such as failure to win orders having an adverse effect on the Alps Group's results of operations and financial condition.

(3) Customer Needs and Introduction of New Technology

The pace of innovation is fast in businesses engaged in by the Alps Group. Customers' requirements change often and new products and services are frequently introduced. There are times when the development of new technologies, products and services quickly leads to obsolescence of existing products and services, affecting their competitiveness or causing prices to fall dramatically. The Alps Group therefore actively advances development of new technologies and products, but there is no guarantee that the results will lead to advantage in the market. Inability to adapt quickly to rapid innovation or anticipated innovation, or inability to introduce new products to meet customer needs, could have an adverse effect on the Alps Group's results of operations and financial condition.

(4) Customers' Production Plans

The majority of the Alps Group's customers are manufacturers and as such its business is directly affected by customers' production plans. Customers' production plans are in turn influenced by factors such as cyclical and seasonal trends in consumer spending, introduction of new products, forecasts of demand for new specifications and standards, and the speed of technological innovation. These uncertainties have the potential to adversely affect medium- to long-term R&D activities and capital investment plan formulation of the Alps Group.

(5) Underlying Risks Relating to Overseas Business and Operations

Many of the Alps Group's production and sales activities are undertaken in the United States, Europe and Asia, including China. Engaging in business for overseas markets and operating in overseas locations come with inherent risks, including unexpected changes to legal and tax systems, disadvantageous political or economic factors, and terrorism, war or other social disturbances. Such eventualities therefore have the potential to interfere with the Alps Group's execution of business affairs.

(6) Supply Structures for Certain Parts

The Alps Group makes an effort to manufacture critical parts within the Group, but some critical parts are sourced from companies outside the Group. An eventuality in which a supplier is unable to fill orders for parts in quantities required by the Alps Group due, for example, to a natural disaster may lead to a production delay or the loss of sales opportunities and could adversely affect the results of operations and financial condition of the Alps Group.

(7) Fluctuation in Results of Operations

Results of operations of the Alps Group may vary due to factors outside the Group's control. Such factors may include changes in general economic and business conditions, the success or failure of commercialization of new end products, changes to product strategies of major customers, cancellation of large orders, bankruptcy of major customers, and the disappearance of major customers through merger or acquisition. Unfavorable changes concerning any of these factors could adversely affect the results of operations and financial condition of the Alps Group.

(8) Intellectual Property

Patents and other types of intellectual property are key factors in the competitiveness of Alps Group products because of the emphasis placed on technological innovation in many of the markets we serve. The Alps Group generally employs technology developed by the Group and seeks to protect that technology by acquiring, and in cases asserting, patents, trademarks and other intellectual property rights. However, there is no guarantee that there will be no impediments to the Alps Group's assertion of intellectual property rights, and it is possible that allegations of infringement of other companies' intellectual property rights will be made against the Alps Group.

The Alps Group counters claims filed against it for allegedly infringing intellectual property rights. However, if the Alps Group ends up paying damages as part of a legal settlement reached as a result of the proceedings, this would potentially have an adverse effect on the results of operations and financial condition of the Alps Group. Furthermore, licenses to use the intellectual property of other companies are obtained for some Alps Group products, but there is no guarantee that the owners of those rights will continue to grant licenses to the Alps Group into the future. Eventualities unfavorable to the Alps Group could adversely affect its results of operations and financial condition.

(9) Foreign Exchange and Interest Rate Risks

The Alps Group engages in a global business and as such is exposed to the effects of exchange rate fluctuations. For instance, appreciation of the Japanese yen against a foreign currency, particularly the U.S. dollar or the euro, could have a negative impact on the Alps Group's results of operations. The Alps Group tries to minimize the effect of foreign exchange fluctuations by hedging risk using forward contracts or options and by offsetting foreign-currency denominated assets and liabilities. However, in situations where exchange rate fluctuations well exceed expectations, there is no guarantee that the impact on the Alps Group's results of operations can be mitigated.

The Alps Group also has assets and liabilities that come with interest rate fluctuation risk. While this is partly hedged through interest rate swaps, interest rate fluctuations can potentially lead to a higher interest burden.

(10) Public Regulations

The Alps Group is subject to wide-ranging government controls, laws and regulations in countries where it operates, including business and investment permit requirements, customs duties and other import/export regulations. These regulations may restrict the business activities of the Alps Group, leading to higher costs. Accordingly, these regulations have the potential to adversely affect the results of operations and financial condition of the Alps Group.

(11) Environmental Contamination Risks

The Alps Group implements measures to mitigate environmental risks in line with the Alps Group Environmental Charter as part of its CSR activities. Specific measures include prevention of chemical substance leaks, thorough wastewater and emissions management, and purification of soil and groundwater at domestic business locations. However, there is no guarantee that environmental contamination will not occur in the future during the course of business activities. The occurrence or discovery of such an unforeseen event would generate costs associated with countermeasures and potentially lead to deterioration of the Alps Group's results of operations and financial condition.

(12) Funding Risks

The Alps Group has entered syndicated loan and syndicated committed credit line agreements with its banks. However, any violation of financial covenants in these agreements might result in requests for repayment of borrowed funds to be brought forward, potentially affecting the Alps Group's financial condition.

(13) Disaster Risk

The Alps Group ensures thorough implementation of measures for preventing or mitigating damage caused by earthquakes or other disasters at production bases in Japan and overseas and in the past has effectively minimized the impact of disasters on operations. However, major disasters exceeding expectations could have a substantial impact on operations.

(14) Risks Related to Impairment Accounting

The Alps Group owns a wide range of assets for use in its operations. There is a risk that these assets will have to undergo impairment accounting due to a decline in market value or the state of future cash inflows, potentially having an effect on the Alps Group's results of operations.

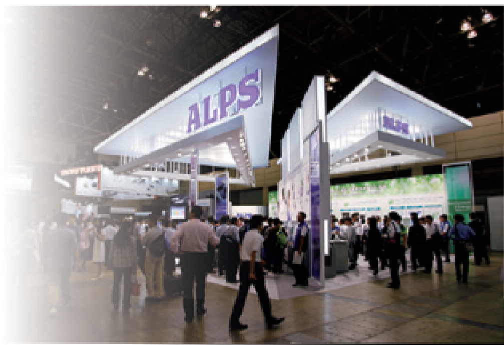
(15) Risk of Fluctuations in Prices of Marketable Securities

Although the Alps Group does not hold marketable securities for trading purposes, all securities we do hold which have a market value are marked to market value. Price fluctuations on stock markets could therefore affect the results of operations and financial condition of the Alps Group.

(16) Risks Relating to Legal Proceedings and Lawsuits

The Alps Group has established and implements compliance systems for its business activities. However, the Alps Group's results of operations and financial condition could be adversely affected if legal proceedings were initiated by a regulatory authority due to a violation of law, or if legal action were to be taken, in relation to the activities of the Alps Group.

In the United States and other countries, a class action lawsuit has been filed against multiple companies including Alps Electric and its U.S. subsidiaries seeking damages based on the claim that competition was restricted in automotive parts transactions. The size of the claim has yet to be determined in accordance with local legislation and at this time it is difficult to reasonably predict the outcome of the lawsuit.



CONSOLIDATED BALANCE SHEET

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2015**	2014	**2015**
Current assets:			
Cash and time deposits (Notes 16 and 17)	¥ **134,783**	¥ 122,738	$ **1,121,603**
Notes and accounts receivable-trade (Note 17):			
Unconsolidated subsidiaries and affiliated companies	**1,162**	934	**9,670**
Other	**126,375**	110,194	**1,051,635**
Allowance for doubtful accounts	**(527)**	(658)	**(4,385)**
Inventories (Note 5)	**85,352**	73,124	**710,260**
Deferred tax assets (Note 15)	**7,149**	5,309	**59,491**
Other current assets	**18,467**	15,767	**153,674**
Total current assets	**372,762**	327,411	**3,101,956**
Property, plant and equipment (Note 6):			
Land (Note 10)	**29,117**	29,004	**242,298**
Buildings and structures	**131,167**	126,675	**1,091,512**
Machinery and equipment	**325,269**	297,515	**2,706,740**
Construction in progress	**7,323**	7,847	**60,939**
	492,878	461,041	**4,101,506**
Less accumulated depreciation and impairment losses	**(351,936)**	(327,262)	**(2,928,651)**
Property, plant and equipment, net	**140,942**	133,779	**1,172,855**
Investments and other assets:			
Intangible assets, net	**13,069**	12,482	**108,754**
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Notes 4 and 17)	**9,391**	8,595	**78,148**
Investment securities (Notes 4 and 17)	**21,865**	19,246	**181,951**
Deferred tax assets (Note 15)	**5,340**	4,697	**44,437**
Other assets	**7,110**	6,151	**59,166**
Total investments and other assets	**56,777**	51,174	**472,472**
Total assets	¥ **570,482**	¥ 512,365	$ **4,747,291**

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Short-term loans payable (Notes 6 and 17)	¥ 28,479	¥ 33,983	$ 236,989
Long-term debt due within one year (Notes 6 and 17)	42,646	14,998	354,881
Notes and accounts payable-trade (Note 17):			
Unconsolidated subsidiaries and affiliated companies	786	796	6,541
Other	65,472	60,410	544,828
Income taxes payable	9,342	4,104	77,740
Accrued expenses	37,144	33,604	309,095
Deferred tax liabilities (Note 15)	64	124	533
Other current liabilities (Notes 17 and 18)	28,763	23,111	239,353
Total current liabilities	212,699	171,133	1,769,984
Non-current liabilities:			
Long-term debt (Notes 6 and 17)	45,075	85,383	375,094
Liability for retirement benefits (Note 7)	16,371	9,719	136,232
Deferred tax liabilities (Note 15)	5,502	7,129	45,785
Other non-current liabilities	7,134	8,619	59,366
Total non-current liabilities	74,083	110,851	616,485
Total liabilities	286,782	281,985	2,386,469
Contingent liabilities (Note 8)			
Net assets (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized - 500,000,000 shares			
Issued - 181,559,956 shares in 2015 and 2014	23,623	23,623	196,580
Capital surplus	42,228	42,229	351,402
Retained earnings	108,330	78,339	901,473
Treasury stock - 2,314,850 shares in 2015 and 2,315,272 shares in 2014	(3,506)	(3,505)	(29,175)
Total shareholders' equity	170,675	140,686	1,420,280
Accumulated other comprehensive income			
Net unrealized gains on securities	5,455	4,353	45,394
Net deferred losses on hedges	(1)	–	(8)
Revaluation reserve for land (Note 10)	(526)	(526)	(4,377)
Retirement benefits liability adjustments	(2,929)	(3,207)	(24,374)
Foreign currency translation adjustments	6,847	(3,823)	56,978
Total accumulated other comprehensive income	8,846	(3,203)	73,612
Subscription rights to shares (Note 22)	97	–	807
Minority interests	104,079	92,897	866,098
Total net assets	283,700	230,380	2,360,822
Total liabilities and net assets	¥ 570,482	¥ 512,365	$ 4,747,291

	Yen 2015	Yen 2014	U.S. dollars (Note 1) 2015
Amounts per share of common stock:			
Net assets	¥ 1,001.55	¥ 767.01	$ 8.33

See accompanying notes.

Alps Electric Group Profile
President's Message
Focus
Segment Info
Approach to ESG
Financial Data
Company & Stock Info

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net sales	¥ **748,614**	¥ 684,362	$ **6,229,625**
Costs and expenses:			
Cost of sales (Note 12)	**593,788**	558,097	**4,941,233**
Selling, general and administrative expenses (Notes 11 and 12)	**101,291**	97,736	**842,898**
	695,080	655,833	**5,784,139**
Operating income	**53,534**	28,528	**445,486**
Other income (expenses):			
Interest and dividend income	**912**	684	**7,589**
Interest expense	**(937)**	(1,146)	**(7,797)**
Foreign exchange gains (losses), net	**4,106**	(167)	**34,168**
Impairment loss (Note 14)	**(1,602)**	(197)	**(13,331)**
Loss on settlement of retirement benefit plan	**(2,383)**	–	**(19,830)**
Other, net (Note 13)	**724**	3,543	**6,025**
	820	2,716	**6,824**
Income before income taxes and minority interests	**54,354**	31,245	**452,309**
Income taxes (Note 15):			
Current	**14,735**	10,546	**122,618**
Deferred	**(3,458)**	252	**(28,776)**
	11,277	10,799	**93,842**
Income before minority interests	**43,077**	20,445	**358,467**
Minority interests in earnings of consolidated subsidiaries	**(8,337)**	(6,133)	**(69,377)**
Net income	**34,739**	14,311	**289,082**
Minority interests in earnings of consolidated subsidiaries	**8,337**	6,133	**69,377**
Income before minority interests	**43,077**	20,445	**358,467**
Other comprehensive income (Note 21)			
Net unrealized gains (losses) on securities	**1,856**	(93)	**15,445**
Net deferred losses on hedges	**(3)**	(19)	**(25)**
Foreign currency translation adjustments	**14,302**	12,928	**119,015**
Retirement benefits liability adjustments	**411**	–	**3,420**
Share of other comprehensive income of affiliated companies accounted for by the equity method	**488**	780	**4,061**
	17,054	13,596	**141,916**
Comprehensive income	¥ **60,131**	¥ 34,042	$ **500,383**
Comprehensive income attributable to:			
Shareholders of the parent	¥ **46,374**	¥ 23,801	$ **385,903**
Minority interests	**13,757**	10,240	**114,479**

	Yen		U.S. dollars (Note 1)
	2015	2014	**2015**
Amounts per share of common stock:			
Net income	¥ **193.81**	¥ 79.85	$ **1.61**
Diluted net income	**177.12**	79.68	**1.47**
Cash dividends applicable to the year	**15.00**	5.00	**0.12**

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2015 and 2014

		Millions of yen			
		Shareholders' equity			
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2013	181,559,956	23,623	45,586	60,622	(3,507)
Net income				14,311	
Change in the scope of consolidation				48	
Purchase of treasury stock					(1)
Disposal of treasury stock			(1)		3
Appropriation of capital surplus			(3,355)	3,355	
Changes in items other than shareholders' equity, net					
Balance at March 31, 2014	181,559,956	23,623	42,229	78,339	(3,505)
Cumulative effects of changes in accounting policy				(2,955)	
Restated balance		23,623	42,229	75,383	(3,505)
Dividends				(1,792)	
Net income				34,739	
Purchase of treasury stock					(7)
Disposal of treasury stock			(0)		5
Changes in items other than shareholders' equity, net					
Balance at March 31, 2015	181,559,956	¥ 23,623	¥ 42,228	¥ 108,330	¥ (3,506)

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Retirement benefits liability adjustments	Foreign currency translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2013	4,539	7	(526)	–	(13,529)	–	82,592	199,410
Net income								14,311
Change in the scope of consolidation								48
Purchase of treasury stock								(1)
Disposal of treasury stock								1
Appropriation of capital surplus								–
Changes in items other than shareholders' equity, net	(185)	(7)		(3,207)	9,705	–	10,305	16,609
Balance at March 31, 2014	4,353	–	(526)	(3,207)	(3,823)	–	92,897	230,380
Cumulative effects of changes in accounting policy							(256)	(3,212)
Restated balance	4,353	–	(526)	(3,207)	(3,823)	–	92,641	227,167
Dividends								(1,792)
Net income								34,739
Purchase of treasury stock								(7)
Disposal of treasury stock								5
Changes in items other than shareholders' equity, net	1,102	(1)		277	10,671	97	11,438	25,587
Balance at March 31, 2015	¥ 5,455	¥ (1)	¥ (526)	¥ (2,929)	¥ 6,847	¥ 97	¥ 104,079	¥ 283,700

	Thousands of U.S. dollars (Note 1)			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2014	$ 196,580	$ 351,411	$ 651,901	$ (29,167)
Cumulative effects of changes in accounting policy			(24,590)	
Restated balance	196,580	351,411	627,303	(29,167)
Dividends			(14,912)	
Net income			289,082	
Purchase of treasury stock				(58)
Disposal of treasury stock		(0)		42
Changes in items other than shareholders' equity, net				
Balance at March 31, 2015	$ 196,580	$ 351,402	$ 901,473	$ (29,175)

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Revaluation reserve for land	Retirement benefits liability adjustments	Foreign currency translation adjustments	Subscription rights to shares	Minority interests	Total net assets
Balance at March 31, 2014	$ 36,224	–	$ (4,377)	$ (26,687)	$ (31,813)	–	$ 773,047	$ 1,917,117
Cumulative effects of changes in accounting policy							(2,130)	(26,729)
Restated balance	36,224	–	(4,377)	(26,687)	(31,813)	–	770,916	1,890,380
Dividends								(14,912)
Net income								289,082
Purchase of treasury stock								(58)
Disposal of treasury stock								42
Changes in items other than shareholders' equity, net	9,170	(8)		2,305	88,799	807	95,182	212,923
Balance at March 31, 2015	$ 45,394	$ (8)	$ (4,377)	$ (24,374)	$ 56,978	$ 807	$ 866,098	$ 2,360,822

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ **54,354**	¥ 31,245	$ **452,309**
Depreciation and amortization	**28,010**	24,527	**233,086**
Impairment losses	**1,602**	197	**13,331**
Increase in liability for retirement benefit	**3,463**	5,683	**28,818**
(Decrease) in provision for directors' retirement benefits	**(1,133)**	(540)	**(9,428)**
Increase (decrease) in accrued expenses	**1,684**	(1,568)	**14,013**
Interest and dividend income	**(912)**	(684)	**(7,589)**
Interest expense	**937**	1,146	**7,797**
Decrease (increase) in notes and accounts receivable-trade	**(3,315)**	2,947	**(27,586)**
Decrease (increase) in inventories	**(6,456)**	7,626	**(53,724)**
(Decrease) in notes and accounts payable-trade	**(4,449)**	(5,517)	**(37,023)**
Other, net	**1,122**	2,087	**9,337**
Subtotal	**74,907**	67,151	**623,342**
Interest and dividends received	**1,280**	1,164	**10,652**
Interest paid	**(957)**	(1,173)	**(7,964)**
Income taxes paid	**(10,119)**	(9,438)	**(84,206)**
Net cash provided by operating activities	**65,111**	57,703	**541,824**
Cash flows from investing activities:			
Purchase of property, plant and equipment	**(27,094)**	(20,961)	**(225,464)**
Purchase of intangible assets	**(3,466)**	(3,364)	**(28,842)**
Other, net	**789**	1,512	**6,566**
Net cash used in investing activities	**(29,772)**	(22,813)	**(247,749)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**(8,961)**	(16,700)	**(74,569)**
Proceeds from long-term loans payable	**1,300**	3,854	**10,818**
Repayment of long-term loans payable	**(15,568)**	(11,093)	**(129,550)**
Proceeds from issuance of bonds	**–**	30,300	**–**
Cash dividends paid	**(1,792)**	–	**(14,912)**
Cash dividends paid to minority shareholders	**(1,689)**	(825)	**(14,055)**
Repayments of lease obligations	**(1,896)**	(1,504)	**(15,778)**
Other, net	**657**	963	**5,467**
Net cash provided by (used in) financing activities	**(27,951)**	4,994	**(232,595)**
Effect of exchange rate change on cash and cash equivalents	**4,673**	6,004	**38,887**
Net increase in cash and cash equivalents	**12,060**	45,888	**100,358**
Cash and cash equivalents at beginning of year	**122,237**	76,137	**1,017,201**
Increase in cash and cash equivalents resulting from change in the scope of consolidation	**–**	212	**–**
Cash and cash equivalents at end of year (Note 16)	¥ **134,298**	¥ 122,237	$ **1,117,567**

See accompanying notes.

Notes to Consolidated Financial Statements

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Alps Electric Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The accompanying consolidated financial statements are stated in Japanese yen. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan at the prevailing exchange rate on March 31, 2015, which was ¥120.17 to U.S. $1.00.

The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollars at the above or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and substantially all of its subsidiaries. All significant intercompany transactions and accounts are eliminated in consolidation.

(b) Equity method

Investments in affiliated companies are accounted for by the equity method.

(c) Cash equivalents

In preparing the accompanying consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Investment securities

Investment securities other than those in subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized gain or loss, net of income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on collection. The allowance consists of the estimated uncollectible amounts with respect to specific receivables plus a percentage based on historical credit losses.

(f) Inventories

Inventories held by the Company, its domestic consolidated subsidiaries and its foreign consolidated subsidiaries in Asia are principally stated at the lower of average cost or net selling value. Inventories held by its foreign consolidated subsidiaries in the United States and Europe are stated at the lower of moving average cost or market.

(g) Property, plant and equipment and depreciation (excluding leased assets)

Property, plant and equipment is stated at cost. The Company and its consolidated subsidiaries compute depreciation of property, plant and equipment by the straight-line method mainly over the estimated useful lives of the respective assets. Certain domestic consolidated subsidiaries apply the declining-balance method, except with respect to certain buildings, at rates based on their respective estimated useful lives. Depreciation of buildings purchased after March 31, 1998 is computed by the straight-line method by the domestic consolidated subsidiaries.

The estimated useful lives are summarized as follows:

Buildings and structures	2 - 80 years
Machinery and equipment	1 - 20 years

(h) Intangible assets and amortization (excluding leased assets)

Intangible assets consist of software and goodwill. Goodwill means the net excess of the acquisition cost of the Company's investments in consolidated subsidiaries over the fair value of the net assets of those companies and is amortized by the straight-line method over a period of 5 years. Software for internal use is amortized by the straight-line method over its estimated useful lives ranging from 3 to 10 years. Software for sale to the market is amortized at the greater of either the amount based on sales in the year, as a proportion of total estimated sales, or the amount calculated on a straight-line basis over the remaining salable period.

(i) Leased assets

Assets held under finance leases, which transfer the ownership of the leased assets to the lessees, are depreciated by the same method as used for their own property, plant and equipment.

Assets held under finance leases, except those leases which transfer the ownership of the leased assets to the lessees, are depreciated by the straight-line method over their useful lives, which are the same as the term of the lease.

(j) Foreign currency translation

Foreign currency transactions

All receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Foreign currency financial statements

The assets and liabilities of the foreign consolidated subsidiaries are translated into Japanese yen at current exchange rates prevailing at the balance sheet date. Revenue and expense accounts are translated at the average exchange rates prevailing during the year. Foreign currency translation adjustments are included in net assets.

(k) Accrued employees' bonuses

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

(l) Accrued directors' bonuses

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

(m) Accrued product warranties

Accrued product warranties are recognized for specific claims on goods sold. In addition, for sales not subject to accrual for specific warranty claims, accrual for product warranties are estimated based on historical experience of the ratio of warranty claims incurred against net sales in the corresponding fiscal year.

(n) Retirement benefits

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date.

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (mainly from 14 to 16 years). Prior service cost is amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (1 year, except certain domestic consolidated subsidiaries that apply a period of 13 years).

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

(o) Accrued directors' severance costs

Certain domestic consolidated subsidiaries provide accrued directors' severance cost based on their internal corporate policies.

(p) Allowance for environmental preservation costs

Allowance for environmental preservation costs is provided at the estimated amount needed to restore certain land from soil pollution and to dispose of polluted soil and poisonous material.

(q) Basis for revenue recognition on finance leases

With respect to finance leases for which the ownership of the leased assets is not transferred to the lessees, the Company, as a lessor, recognizes sales at the amount of lease income and cost of sales at the amount of lease income less interest at the time the Company receives the lease fee.

(r) Income taxes

Deferred tax assets and liabilities are recorded based on the temporary differences between the tax bases of assets and liabilities and their reported amounts in the accompanying consolidated financial statements using the enacted tax rates in effect for the years in which the temporary differences are expected to reverse. Deferred tax assets are also recognized for the estimated future tax effects attributable to tax loss carryforwards. A valuation allowance is recorded to reduce deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized.

(s) Amounts per share of common stock

Basic net income per share is computed based on the net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during the year. Diluted net income per share is computed based on the net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and minority interests and the number of shares of common stock outstanding at the year end.

Cash dividends per share of common stock reflect the actual amounts declared for each of the fiscal years.

(t) Derivative financial instruments

In the normal course of business, the Company enters into various derivative transactions to manage their exposure to risks arising from fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries generally recognize all derivatives in the balance sheet at fair value.

Changes in the fair value of derivatives

Changes in the fair value of forward foreign exchange contracts, currency swaps, currency options and coupon swaps designated as hedges of recognized assets or liabilities are recognized in earnings and losses. Changes in the fair value of these derivatives which are designated as hedges of forecasted transactions are deferred until the corresponding hedged transactions are recognized in earnings and losses.

Interest rate swap agreements

Interest rate swap agreements are not recognized at fair value if the agreements meet the criteria for application of the exceptional treatment for the recognition of derivatives at fair value. The differentials to be paid or received relating to the interest rate swap agreements are recognized as interest over the life of each of the agreements.

(u) Accounting for consumption taxes

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

(v) Adoption of consolidated taxation system

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

(w) Reclassifications

Certain prior-year amounts have been reclassified to conform to the 2015 presentation.

3. ACCOUNTING CHANGES

(1) CHANGE OF ACCOUNTING POLICY

Application of accounting standards for retirement benefits

The Company and its domestic subsidiaries adopted Section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012) and the main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of March 26, 2015) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed to use a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Section 37 of Accounting Standard for Retirement Benefits.

As a result, the liability for retirement benefits increased by ¥3,222 million ($26,812 thousand) and retained earnings decreased by ¥2,955 million ($24,590 thousand) at April 1, 2014, while the impact on earnings was immaterial for the year ended March 31, 2015 as a result of this change.

Also, net assets per share at March 31, 2015 decreased by ¥16.31 ($0.14), while the impact on basic net income per share and diluted net income per share was immaterial for the year ended March 31, 2015.

(2) ADDITIONAL INFORMATION

Termination of directors' retirement benefit plan

The Company and its domestic subsidiaries terminated director's retirement benefit plan at the close of the General Shareholders Meeting held on June 20, 2014. The Company and its domestic subsidiaries will make a payment to the current directors, upon retirement, based on the term of office through the day of its termination.

As a result, the Company and its domestic subsidiaries reversed accrued directors severance costs and recorded unpaid portion of ¥1,119 million ($ 9,312 thousand) as other non-current liabilities as of March 31, 2015.

4. INVESTMENT SECURITIES

Securities classified as other securities at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2015			**2015**		
	Fair value	Cost	Unrealized gains (losses)	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost: Equity securities	**¥ 20,327**	**¥ 5,535**	**¥ 14,791**	**$ 169,152**	**$ 46,060**	**$ 123,084**
Securities for which cost exceeds fair value: Equity securities	**76**	**109**	**(32)**	**632**	**907**	**(266)**
Total	**¥ 20,404**	**¥ 5,645**	**¥ 14,759**	**$ 169,793**	**$ 46,975**	**$ 122,818**

	Millions of yen		
	2014		
	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost: Equity securities	¥ 18,111	¥ 5,317	¥ 12,793
Securities for which cost exceeds fair value: Equity securities	200	312	(111)
Total	¥ 18,312	¥ 5,630	¥ 12,681

Note: Unlisted stocks and other at March 31, 2015 and 2014 in the amounts of ¥1,459 million ($12,141 thousand) and ¥934 million, respectively, have been excluded from other securities listed above because it is extremely difficult to determine the fair value.

Proceeds from sales of securities classified as other securities for the years ended March 31, 2015 and 2014 were nil and ¥944 million, respectively.

Both of gross realized gains and losses for the year ended March 31, 2015 were nil. Gross realized gains and losses for the year ended March 31, 2014 were ¥567 million and ¥38 million, respectively.

The impairment losses of ¥87 million ($724 thousand) and ¥19 million on securities for the years ended March 31, 2015 and 2014 were recorded for non-marketable equity securities at ¥87 million ($724 thousand) and ¥19 million, respectively.

As for securities whose fair values at the year end are less than 70% of the acquisition costs deemed to be unrecoverable, the impairment losses are recognized in principle.

5. INVENTORIES

Inventories at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Finished products	**¥ 54,610**	¥ 46,882	**$ 454,440**
Work in process	**8,889**	7,402	**73,970**
Raw materials and supplies	**21,852**	18,839	**181,842**
	¥ 85,352	¥ 73,124	**$ 710,260**

Inventories are stated at the lower of cost or market. The following loss on valuation of inventories is included in the cost of sales for the years ended March 31, 2015, and 2014, respectively:

Millions of yen		Thousands of U.S. dollars
2015	2014	**2015**
¥ 54	¥ 1,638	**$ 449**

Alps Electric Group Profile
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6. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Average interest rates for short-term loans payable, consisting primarily of overdrafts with banks, were 0.93% and 0.99% at March 31, 2015 and 2014, respectively.

Long-term debt at March 31, 2015 and 2014 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans principally from banks and insurance companies due over 1 year at average interest rates of 0.91% and 0.78% at March 31, 2015 and 2014, respectively	¥ **14,836**	¥ 55,084	$ **123,458**
Convertible bond-type bonds with share subscription rights due through 2019	**30,238**	30,298	**251,627**
Loans principally from banks and insurance companies due within 1 year at average interest rates of 0.77% and 0.99% at March 31, 2015 and 2014, respectively	**42,646**	14,998	**354,881**
	¥ **87,721**	¥ 100,381	$ **729,974**

At March 31, 2015 and 2014, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Land	¥ **1,407**	¥ 2,056	$ **11,708**
Building and structures	**2,181**	2,319	**18,149**
Total	¥ **3,588**	¥ 4,375	$ **29,858**

At March 31, 2015 and 2014, such collateral secured the following obligations:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Long-term debt due within one year	¥ **312**	¥ 362	$ **2,596**
Long-term debt	**554**	864	**4,610**

The aggregate annual maturities of long-term debt subsequent to March 31, 2015 and 2014 are summarized as follows:

Year ending	Millions of yen	Thousands of U.S. dollars
2016	¥ **42,646**	$ **354,881**
2017	**12,904**	**107,381**
2018	**1,775**	**14,771**
2019	**30,096**	**250,445**
2020	**60**	**499**
2021 and thereafter	**–**	**–**
Total	¥ **87,482**	$ **727,985**

Year ending	Millions of yen
2015	¥ 14,998
2016	50,929
2017	3,186
2018	811
2019	30,096
2020 and thereafter	60
Total	¥ 100,082

7. RETIREMENT BENEFITS

The Company and certain of its domestic consolidated subsidiaries also have defined benefit pension plans. The primary defined benefit pension plans are the welfare pension plans, corporate pension funds, and lump-sum payment plans. Under these defined benefit plans, employees are generally entitled to lump-sum payments and/or annuity payments, the amounts of which are determined based upon years of service, compensation at the time of retirement and the conditions under which termination occurs. The Company and certain of its consolidated subsidiaries have defined contribution pension plans. In addition, a foreign consolidated subsidiary has a public pension plan.

In the current year, certain consolidated subsidiaries have begun withdrawal procedures from the defined benefit pension plans. As a result, estimated settlement loss of ¥2,383 million ($19,830 thousand) was recognized as "Loss on settlement loss of retirement benefit plan."

Defined benefit plans

(1) The changes in the retirement benefit obligation for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Retirement benefit obligation, beginning balance	**¥ 62,633**	¥ 64,307	**$ 521,203**
Cumulative effect of change in accounting policy	**3,222**	–	**26,812**
Beginning balance as restated	**65,855**	64,307	**548,015**
Service cost	**2,652**	2,671	**22,069**
Interest cost	**1,059**	1,117	**8,813**
Actuarial gain or loss	**6,774**	(972)	**56,370**
Retirement benefits paid	**(3,767)**	(3,359)	**(31,347)**
Other	**204**	(1,130)	**1,698**
Increase by loss on settlement of retirement benefit plan	**2,562**	–	**21,320**
Retirement benefit obligation, ending balance	**¥ 75,342**	¥ 62,633	**$ 626,962**

(2) The changes in plan assets for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Plan assets, beginning balance	**¥ 52,914**	¥ 50,370	**$ 440,326**
Expected return on plan assets	**1,401**	1,065	**11,658**
Actuarial gain	**5,013**	3,232	**41,716**
Employer contributions	**2,466**	1,869	**20,521**
Retirement benefits paid	**(3,079)**	(2,898)	**(25,622)**
Other	**304**	(724)	**2,530**
Plan assets, ending balance	**¥ 59,021**	¥ 52,914	**$ 491,146**

(3) The amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2014 consist of:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Funded retirement benefit obligations	**¥ 72,812**	¥ 59,877	**$ 605,908**
Plan assets at fair value	**(59,021)**	(52,914)	**(491,146)**
Funded status	**13,791**	6,963	**114,762**
Unfunded retirement benefit obligations	**2,529**	2,755	**21,045**
Liability in the balance sheet, net	**¥ 16,320**	¥ 9,719	**$ 135,808**
Liability for retirement benefits	**¥ 16,371**	¥ 9,719	**$ $136,232**
Asset for retirement benefit	**(50)**	–	**(416)**
Liability in the balance sheet, net	**¥ 16,320**	¥ 9,719	**$ 135,808**

(4) The amounts recognized in the consolidated statements of income for the years ended March 31, 2015 and 2014 consist of :

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥ 2,652**	¥ 2,671	**$ 22,069**
Interest cost	**1,059**	1,117	**8,813**
Expected return on plan assets		(1,065)	**(11,658)**
Amortization of actuarial loss	**1,632**	2,011	**13,581**
Amortization of prior service cost	**(2)**	(2)	**(17)**
Other	**86**	221	**716**
Periodic pension cost for defined benefit plan	**4,026**	4,953	**33,503**
Loss on settlement of retirement benefit plan	**2,383**	–	**19,830**
Total	**¥ 6,410**	¥ 4,953	**$ 53,341**

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Prior service cost	**¥ 2**	¥ –	**$ 17**
Net actuarial losses	**128**	–	**1,065**
Total	**¥ 131**	¥ –	**$ 1,090**

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrecognized prior service cost	**¥ 7**	¥ 5	**$ 58**
Unrecognized actuarial losses	**3,368**	3,239	**28,027**
Total	**¥ 3,375**	¥ 3,244	**$ 28,085**

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 comprised the following:

	2015	2014
Bonds	**28.4%**	29.9%
Stocks	**30.4%**	41.9%
Insurance	**8.4%**	9.0%
Cash and cash equivalents	**5.5%**	3.9%
Alternative (*)	**26.6%**	14.9%
Other	**0.7%**	0.4%
Total	**100.0%**	100.0%

*Alternative included investments in funds of hedge funds and multi assets.

(8) The principal actuarial assumptions used in accounting for the defined benefit plans for the years ended March 31, 2015 and 2014 are as follows:

	2015	2014
Discount rate	**Mainly 0.5%**	Mainly 1.6%
Expected rate of return on plan assets	**Mainly 2.5%**	Mainly 2.1%
Estimated rate of salary increase	**Mainly 2.4%**	Mainly 2.6%

The expected rate of return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

Multi-employer plans

A consolidated subsidiary of the Company participates in a multi-employer defined benefit pension plan and recognizes as net pension cost the related required contributions for the period. Information regarding the multi-employer pension plan for the years ended March 31, 2015 and 2014 are summarized as follows:

(1) Funded status

Japan Travel Agents Employees Pension Funds

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Pension assets	¥ **24,110**	¥ 21,636	$ **200,632**
Pension liabilities	**25,972**	25,527	**216,127**
Funded status	¥ **(1,862)**	¥ (3,891)	$ **(15,495)**

(2) Number of employees of the Company's consolidated subsidiary participating in the multi-employer pension plan as a percentage of total participants in the plan

	2015	2014
Japan Travel Agents Employees Pension Funds	**0.58%**	0.55%

Defined contribution plans

The amounts paid to the defined contribution plans for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Defined contribution plan payment	¥ **854**	¥ 827	$ **7,107**

8. CONTINGENT LIABILITIES

The Company was contingently liable as guarantor for loans of other companies and employees in the aggregate amount of ¥9 million ($75 thousand) and ¥13 million at March 31, 2015 and 2014, respectively.

Certain subsidiaries of the Company participate in a pension fund in the UK. In case these subsidiaries withdraw from the pension fund, a liability under UK pension law (Section 75) will be incurred, which was estimated at £8,799 thousand (¥1,507 million) at March 31, 2014. During the year ended March 31, 2015, these subsidiaries have begun withdrawal procedures from the pension fund and recognized loss on settlement of retirement benefit.

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥40,000 million ($332,862 thousand at March 31, 2015) with financial institutions at March 31, 2015 and 2014. The outstanding loans payable amounted to nil and the unused balances amounted to ¥40,000 million ($332,862 thousand at March 31, 2015) under these credit facilities, at March 31, 2015 and 2014.

9. NET ASSETS

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the stockholders, or by the Board of Directors if certain conditions are met.

Shares in Issue and Outstanding and Treasury Stock

The total number and periodic changes in the number of shares in issue and the total number and periodic changes in the number of shares of treasury stock for the years ended March 31, 2015 and 2014 are summarized as follows:

	Shares in Issue and Outstanding (Thousand)	Treasury Stock (Thousand)
Number of shares at March 31, 2013	181,559	2,315
Increase in number of shares	–	1
Decrease in number of shares	–	2
Number of shares at March 31, 2014	181,559	2,315
Increase in number of shares	–	3
Decrease in number of shares	–	3
Number of shares at March 31, 2015	**181,559**	**2,314**

During the year ended March 31, 2015, the increase of 3 thousand shares of treasury stock was due to the purchase of odd-lot shares. The decrease of 3 thousand shares of treasury stock was due mainly to the sales to the employees.

During the year ended March 31, 2014, the increase of 1 thousand shares of treasury stock was due to the purchase of odd-lot shares. The decrease of 2 thousand shares of treasury stock was due to the sales to the employees.

Stock subscription rights

The total number and periodic changes in the number of stock subscription rights for the year ended March 31, 2015 are summarized as follows:

(1) Zero coupon convertible bonds due 2019 (bonds with stock subscription rights) issued on March 24, 2014

Company name	ALPS ELECTRIC CO., LTD.
Class of stock	Common stock
Number of shares at March 31, 2014	16,648,168
Increase in number of shares	–
Decrease in number of shares	–
Number of shares at March 31, 2015	16,648,168
Ending balance at March 31, 2015 (Millions of yen)	–

(2) Stock subscription rights of stock options

Company name	ALPS ELECTRIC CO., LTD.	ALPINE ELECTRONICS, INC.	ALPS LOGISTICS CO., LTD.
Class of stock	–	–	–
Number of shares at March 31, 2014	–	–	–
Increase in number of shares	–	–	–
Decrease in number of shares	–	–	–
Number of shares at March 31, 2015	–	–	–
Ending balance at March 31, 2015 (Millions of yen)	¥ 49	¥ 32	¥ 16

The number of shares represents the maximum number of shares assuming all stock subscription rights are exercised.

Dividends

The following appropriations of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2015, was approved at the ordinary general meeting of shareholders on June 19, 2015 and will go into effect on June 22, 2015:

	Millions of yen	Thousands of U.S. dollars
Cash dividends to be approved on June 19, 2015 (¥10.00 = $0.1 per share)	¥ 1,792	$ 14,912

The following appropriations of cash dividends to shareholders of common stock were approved at the ordinary general meeting of shareholders held on June 20, 2014 and at the meeting of the Board of Directors held on October 31, 2014 and were paid to shareholders of record as of March 31, 2014 and September 30, 2014, respectively, during the year ended March 31, 2015:

	Millions of yen
Cash dividends approved on June 20, 2014 (¥5.00 per share)	¥ 896
Cash dividends approved on October 31, 2014 (¥5.00 per share)	¥ 896

10. REVALUATION OF LAND

On March 31, 2002, a domestic consolidated subsidiary revalued its land held for business purposes in accordance with the "Law on Land Revaluation." The method followed for this land revaluation was determined in accordance with the "Enforcement Act Concerning Land Revaluation." Differences arising from the land revaluation have been accounted for as revaluation reserve for land (minority interests in net assets section for minority portion) under net assets.

The excesses of the carrying value of this land after the revaluation over its fair value as of March 31, 2015 and 2014 were ¥1,273 million ($10,593 thousand) and ¥1,345 million, respectively.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Salaries	¥ **36,485**	¥ 35,508	$ **303,612**
Research and development expenses	**14,156**	13,033	**117,800**
Commission expenses	**9,371**	8,573	**77,981**
Employees' bonuses	**4,152**	3,418	**34,551**
Warranty costs	**2,211**	3,002	**18,399**
Retirement benefit expense	**1,598**	1,992	**13,298**

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and general and administrative expenses were ¥33,035 million ($274,902 thousand) and ¥32,987 million for the years ended March 31, 2015 and 2014, respectively.

13. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statements of income and comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Insurance revenue from loss on inventories	**¥ –**	¥ 403	**$ –**
Equity in earnings of affiliated companies	**264**	395	**2,197**
Loss on inventories	**–**	(351)	**–**
Commission fee	**(357)**	(399)	**(2,971)**
Gain on sale of fixed assets	**207**	147	**1,723**
Gain on sale of investment securities	**–**	567	**–**
Compensation income	**512**	991	**4,261**
Subsidy income	**724**	1,820	**6,025**
Gain on change in share of net assets of a consolidated subsidiary resulting from stock issuance by the subsidiary	**1**	361	**8**
Loss on sale and disposal of fixed assets	**(654)**	(429)	**(5,442)**
Loss on change in share of net assets of a consolidated subsidiary resulting from stock issuance by the subsidiary	**–**	(115)	**–**
Other	**26**	152	**216**
	¥ 724	¥ 3,543	**$ 6,025**

14. IMPAIRMENT LOSSES ON FIXED ASSETS

To adopt the accounting treatment for the impairment of fixed assets, the Company determined asset groups based on the categories used for their managerial accounting considering the relevance of product categories and production processes. With respect to idle assets, assets leased to others and scheduled disposal assets, each asset is treated as an individual unit when applying the accounting treatment for impairment of fixed assets because cash inflows and outflows can be measured at the asset.

The Company recognized impairment losses on the asset groups for the year ended March 31, 2015 as follows:

			Millions of yen	Thousands of U.S. dollars
Location	Use	Asset type	2015	2015
China	Scheduled disposal assets	Machinery & equipment, tools, furniture, fixtures and dies	¥ 838	$ 6,973
Japan	Assets for Electronic components business	Machinery & equipment, tools, furniture and fixtures etc.	667	5,550
	Scheduled disposal assets	Machinery & equipment tools, furniture and fixtures	67	558
	Idle assets	Land	0	0
Malaysia	Scheduled disposal assets	Machinery & equipment	27	225
Total			¥ 1,602	$ 13,331

With respect to assets included in assets for the Electronic components business, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 3.8%.

With respect to idle assets and scheduled disposal assets, whose fair value declined or whose future use had not been determined, the Company reduced the book value of those assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts of idle assets were determined at net realizable value computed based on asset value under property tax.

The recoverable amount of scheduled disposal assets was estimated as zero based on the plan for disposal.

The Company recognized impairment losses on the asset groups for the year ended March 31, 2014 as follows:

Location	Use	Asset type	Millions of yen 2014
Japan	Assets for Logistics business	Buildings etc.	¥ 18
	Assets for Other business	Buildings etc.	44
	Scheduled disposal assets	Buildings, machinery & equipment, vehicles, tools, furniture and fixtures etc.	88
	Assets leased to others	Land and Buildings	45
	Idle assets	Land	0
Total			¥ 197

With respect to assets included in assets for the Logistics business and the Other business, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.6%.

With respect to idle assets, assets leased to others and scheduled disposal assets, whose fair value declined or whose future use had not been determined, the Company reduced the book value of those assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts of idle assets were determined at net realizable value computed based on asset value under property tax.

The recoverable amounts of assets leased to others were determined at higher of net realizable value computed based on asset value under property tax or value-in-use computed as future cash flow discounted by 2.3%.

The recoverable amount of scheduled disposal assets was estimated as zero based on the plan for disposal.

15. INCOME TAXES

The Company is subject to a number of taxes in Japan based on income, which, in the aggregate, resulted in statutory tax rates of approximately 35.4% and 37.8% for the years ended March 31, 2015 and 2014, respectively.

The following table summarizes the reconciliations between the statutory tax rates and the Company's effective tax rates reflected in the accompanying consolidated statements of income and comprehensive income for the years ended March 31, 2015 and 2014:

	2015	2014
Statutory tax rates	**35.4%**	37.8%
Non-deductible expenses	**3.7**	4.1
Change in valuation allowance	**(13.0)**	(9.5)
Lower tax rates at foreign subsidiaries	**(6.6)**	(4.1)
Capita levy on inhabitant tax	**0.2**	0.5
Effect of tax rate change	**0.8**	0.7
Other	**0.4**	5.1
Effective tax rates	**20.7%**	34.6%

The significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Accrued employees' bonuses	¥ 3,189	¥ 3,104	$ 26,537
Accrued warranty costs	1,058	1,094	8,804
Allowance for doubtful accounts	894	755	7,439
Income taxes payable	386	294	3,212
Accrued expenses	1,215	955	10,111
Liability for retirement benefit	4,393	3,210	36,557
Depreciation	8,706	7,962	72,447
Impairment losses for land	847	865	7,048
Accrued directors' severance costs	370	–	3,079
Intercompany profit	4,456	3,997	37,081
Write-offs of investment securities	1,814	2,028	15,095
Write-offs of inventories	1,407	1,313	11,708
Tax loss carryforwards	16,568	26,179	137,871
Other	6,446	4,786	53,641
Gross deferred tax assets	51,749	56,542	430,632
Valuation allowance	(32,216)	(42,343)	(268,087)
Less deferred tax liabilities in the same tax jurisdiction	(7,043)	(4,192)	(58,609)
Total deferred tax assets	12,490	10,007	103,936
Deferred tax liabilities:			
Unrealized gain on investment securities	(4,394)	(4,145)	(36,565)
Undistributed retained earnings of foreign subsidiaries	(2,451)	(1,827)	(20,396)
Gain on change in equity resulting from capital increase through third-party share issuance of subsidiaries	(1,281)	(1,281)	(10,660)
Undistributed retained earnings of affiliated company accounted for by the equity method	(2,455)	(2,353)	(20,429)
Other	(2,028)	(1,840)	(16,876)
Gross deferred tax liabilities	(12,609)	(11,446)	(104,926)
Less deferred tax assets in the same tax jurisdiction	7,043	4,192	58,609
Total deferred tax liabilities	(5,566)	(7,254)	(46,318)
Net deferred tax assets	¥ 6,923	¥ 2,753	$ 57,610

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.4% to 32.9% and 32.1% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥163 million ($1,356 thousand) and retirement benefits liability adjustments by ¥46 million ($383 thousand), and increase deferred taxes by ¥599 million ($4,985 thousand) and net unrealized gains on securities by ¥482 million ($4,011 thousand) as of and for the year ended March 31, 2015.

16. CASH AND CASH EQUIVALENTS

A reconciliation between cash and time deposits in the accompanying consolidated balance sheets, and cash and cash equivalents in the accompanying statements of cash flows at March 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and time deposits	**¥ 134,783**	¥ 122,738	**$ 1,121,603**
Less:			
Time deposits with a maturity of more than three months when purchased	**(484)**	(500)	**(4,028)**
Cash and cash equivalents	**¥ 134,298**	¥ 122,237	**$ 1,117,567**

Supplemental Disclosure of Non-Cash Transactions

The Company recorded assets and corresponding obligations for finance lease transactions amounting to ¥469 million ($3,903 thousand) and ¥2,489 million for the years ended March 31, 2015 and 2014, respectively.

17. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

In consideration of plans for capital investment mainly in manufacturing, marketing and sales of electric devices, the Company and its consolidated subsidiaries (collectively, the "Group") raise funds through bank borrowings. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term capital through bank borrowings. The Group uses derivatives for the purpose of reducing risk and does not enter into derivative transactions for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies, net of trade payables denominated in the same currencies are hedged by forward foreign exchange contracts and currency swaps.

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

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

Short-term debt and long-term debt are taken out principally for the purpose of making capital investments.

To reduce the risk of long-term debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

Regarding derivatives, the Group enters into forward foreign exchange contracts and currency swap transactions to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies.

Information regarding the method of hedge accounting, hedging instruments and hedged items is found in summary of significant accounting policies in Note 2.

(3) Risk management for financial instruments

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

In accordance with the internal policies for managing credit risk of the Group arising from receivables, the related Sales Department manager monitors credit worthiness of main customers, and the Credit Control Department assesses the financial situation periodically. In addition, the Group is making efforts to identify and mitigate risks of bad debts.

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

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

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts and currency swaps to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Group may also enter into interest rate swap transactions.

For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions. Monthly reports including actual transaction data are submitted to the Board of Directors for their review.

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

Based on the business plan, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

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

The fair value of financial instruments is based on their quoted market price, if available.

When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 18. DERIVATIVE FINANCIAL INSTRUMENTS are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2015 and 2014, their estimated fair value and unrealized gains are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

		Millions of yen			Thousands of U.S. dollars		
		2015			2015		
		Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:	Cash and time deposits	¥ 134,783	¥ 134,783	¥ –	$1,121,603	$1,121,603	$ –
	Notes and accounts receivable-trade	127,537	127,537	–	1,061,305	1,061305	–
	Investment securities	29,276	65,164	35,888	243,622	542,265	298,644
Total assets		¥ 291,597	¥ 327,485	¥ 35,888	$2,426,537	$2,725,181	$ 298,644
Liabilities:	Notes and accounts payable-trade	¥ 66,259	¥ 66,259	¥ –	$ 551,377	$ 551,377	$ –
	Short-term loans payable	28,479	28,479	–	236,989	236,989	–
	Long-term debt due within one year	42,646	42,646	–	354,881	354,881	–
	Convertible bonds with subscription rights to shares	30,238	48,637	18,398	251,627	404,735	153,100
	Long-term debt	14,836	14,953	117	123,458	124,432	974
Total liabilities		¥ 182,460	¥ 200,976	¥ 18,515	$1,518,349	$1,672,431	$ 154,073
Derivatives*		¥ (213)	¥ (213)	¥ –	$ (1,772)	$ (1,772)	$ –

		Millions of yen		
		2014		
		Carrying value	Estimated fair value	Difference
Assets:	Cash and time deposits	¥ 122,738	¥ 122,738	¥ –
	Notes and accounts receivable-trade	111,129	111,129	–
	Investment securities	26,366	36,324	9,957
Total assets		¥ 260,234	¥ 270,912	¥ 9,957
Liabilities:	Notes and accounts payable-trade	¥ 61,206	¥ 61,206	¥ –
	Short-term loans payable	33,983	33,983	–
	Long-term debt due within one year	14,998	14,998	–
	Convertible bonds with subscription rights to shares	30,298	32,235	1,936
	Long-term debt	55,084	55,416	331
Total liabilities		¥ 195,571	¥ 197,839	¥ 2,268
Derivatives*		¥ (80)	¥ (80)	¥ –

*The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing a net liability position.

Note 1: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

(a) Cash and time deposits, and notes and accounts receivable-trade

Since these items are settled in a short period of time, their carrying value approximates fair value.

(b) Investment securities

The fair value of the investment securities is based on quoted market price. For information on securities classified by holding purpose, please refer to Note 4. INVESTMENT SECURITIES.

(c) Notes and accounts payable-trade, short-term loans payable and long-term debt due within one year

Since these items are settled in a short period of time, their carrying value approximates fair value.

(d) Convertible bonds with subscription rights to shares

The fair value of convertible bonds with subscription rights to shares is based on quoted market price at the fiscal year end.

(e) Long-term debt

The fair value of each long-term debt instrument is based on the present value of the total of principal and interest discounted by the interest rate that would be applied if similar new loans were entered into.

(f) Derivatives

Please refer to Note 18 DERIVATIVE FINANCIAL INSTRUMENTS.

Note 2: Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
	Carrying Value	Carrying Value	Carrying value
Investment in unlisted stocks, unconsolidated subsidiaries, affiliated companies and others	¥ **1,965**	¥ 1,440	$ **16,352**

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table presenting the estimated fair value of financial instruments.

Note 3: Redemption schedule for receivables and marketable securities with maturities at March 31, 2015 and 2014

		Millions of yen		Thousands of U.S. dollars
		2015	2014	**2015**
Due in one year or less	Cash and time deposits	¥ **134,783**	¥ 122,738	$ **1,121,603**
	Notes and accounts receivable-trade	**127,537**	111,129	**1,061,305**
Total		¥ **262,321**	¥ 233,867	$ **2,182,916**

Note 4: The redemption schedule for long-term debt is disclosed in Note 6. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT. The aggregate annual maturities of finance lease obligations subsequent to March 31, 2015 and 2014 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending	2015	2015
2016	¥ 1,533	$ 12,757
2017	954	7,939
2018	353	2,938
2019	170	1,415
2020	103	857
2021 and thereafter	1,130	9,403
Total	¥ 4,244	$ 35,317

	Millions of yen
Year ending	2014
2015	¥ 1,667
2016	1,374
2017	861
2018	327
2019	192
2020 and thereafter	1,225
Total	¥ 5,648

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into forward foreign exchange contracts with banks to hedge transactions and balances denominated in foreign currencies. In addition, to hedge its exposure to fluctuations in interest rates, the Company has entered into interest rate swap agreements to effectively change the floating rates on the principal balance of its debt to fixed interest rates.

These derivative transactions are utilized solely for hedging purposes under the Company's internal control rules and are subject to oversight by the Board of Directors. The Company does not anticipate any credit loss from nonperformance by the counterparties to the forward foreign exchange contracts and interest rate swap agreements.

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2015 and 2014, to which hedge accounting has not been applied, are summarized as follows:

			Millions of yen			Thousands of U.S. dollars		
			2015			**2015**		
			Notional amounts	Estimated fair value	Unrealized losses	Notional amounts	Estimated fair value	Unrealized losses
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ **19,989**	¥ **(165)**	¥ **(165)**	$ **166,339**	$ **(1,373)**	$ **(1,373)**
		Euro	**7,354**	**(44)**	**(44)**	**61,197**	**(366)**	**(366)**

			Millions of yen		
			2014		
			Notional amounts	Estimated fair value	Unrealized losses
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 16,656	¥ (18)	¥ (18)
		Euro	8,430	(61)	(61)

Note: Estimated fair values are computed on quotes from financial institutions.

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2015 and 2014, to which hedge accounting has been applied primarily to accounts receivables are summarized as follows:

			Millions of yen				Thousands of U.S. dollars	
			2015		2014		**2015**	
			Notional amounts	Estimated fair value	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ **239**	¥ **(0)**	¥ –	¥ –	$ **1,989**	$ **(0)**
		Euro	¥ **518**	¥ **(3)**	–	–	**4,311**	**(25)**

Note: Estimated fair values are computed on quotes from financial institutions.

	Millions of yen		Thousands of U.S. dollars	
	2015		**2015**	
	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Interest-rate swaps which meet specific criteria:				
Interest-rate swap agreement:				
Pay / fixed and receive / floating				
Short-term debt	¥ **500**	Note	$ **4,161**	Note

Note: Since interest rate swaps for short-term debt meeting specific criteria for hedge accounting are accounted for as part of short-term debt, fair value of the interest swaps are measured and included as part of the short-term debt.

	Millions of yen	
	2014	
	Notional amounts	Estimated fair value
Interest-rate swaps which meet specific criteria:		
Interest-rate swap agreement:		
Pay / fixed and receive / floating		
Long-term debt	¥ 1,225	Note

Note: Since interest rate swaps for long-term debt meeting specific criteria for hedge accounting are accounted for as part of long-term debt, fair value of the interest swaps are measured and included as part of the long-term debt.

19. LEASES

As lessee:

The Company's future minimum lease payments subsequent to March 31, 2015 and 2014 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
2015	**¥ 1,631**	**$ 13,572**
2016 and thereafter	**4,419**	**36,773**
	¥ 6,050	**$ 50,345**

	Millions of yen
	2014
2014	¥ 1,399
2015 and thereafter	4,342
	¥ 5,742

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Lease receivables	**¥ 675**	¥ 733	**$ 5,617**
Estimated residual value	**–**	–	**–**
Interest portion of lease receivables	**(54)**	(60)	**(449)**
Investment in lease assets	**¥ 621**	¥ 673	**$ 5,168**

The collection schedules of lease receivables related to investment in lease assets at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
2016	¥ **193**	$ **1,606**
2017	**185**	**1,539**
2018	**135**	**1,123**
2019	**74**	**616**
2020	**48**	**399**
2021 and thereafter	**37**	**308**
	¥ **675**	$ **5,617**

	Millions of yen
	2014
2015	¥ 241
2016	162
2017	147
2018	97
2019	45
2020 and thereafter	39
	¥ 733

The Company's future minimum lease receivables subsequent to March 31, 2015 and 2014 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
2016	¥ **10**	$ **83**
2017 and thereafter	**15**	**125**
	¥ **25**	$ **208**

	Millions of yen
	2014
2015	¥ 12
2016 and thereafter	11
	¥ 24

20. RELATED PARTY TRANSACTIONS

There were no transactions of the Company with a related party for the years ended March 31, 2015 and 2014.

21. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments as amounts reclassified to net income for the years ended March 31, 2015 and 2014, which were recognized in other comprehensive income for the years ended March 31, 2015 and 2014, and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gains (losses) on securities:			
Amount arising during the year	¥ 2,020	¥ 403	$ 16,810
Reclassification adjustments	87	(548)	724
Net unrealized gains (losses) on securities before tax effect	2,108	(145)	17,542
Tax effect	(252)	51	(2,097)
Net unrealized gains (losses) on securities	1,856	(93)	15,445
Net deferred gains (losses) on hedges:			
Amount arising during the year	5	(39)	42
Reclassification adjustments	(9)	20	(75)
Net deferred gains (losses) on hedges before tax effect	(3)	(19)	(25)
Tax effect	–	–	–
Net deferred gains (losses) on hedges	(3)	(19)	(25)
Foreign currency translation adjustments:			
Amount arising during the year	14,302	12,928	119,015
Retirement benefits liability adjustments:			
Amount arising during the year	(1,487)	–	(12,374)
Reclassification adjustments	1,489	–	12,391
Retirement benefits liability adjustments before tax effect	1	–	8
Tax effect	409	–	3,404
Retirement benefits liability adjustments	411	–	3,420
Share other comprehensive income of affiliated companies accounted for by the equity method:			
Amount arising during the year	488	780	4,061
Other comprehensive income	¥ 17,054	¥ 13,596	$ 141,916

22. STOCK OPTIONS

(1) Stock option expenses were recognized for the year ended March 31, 2015 as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Selling, general and administrative expenses	**¥ 97**	**$ 807**

(2) Outline of stock options and changes

(i) Outline of stock options

First Series of Stock Subscription Rights (Stock compensation-type stock options)

Company name	ALPS ELECTRIC CO., LTD.	ALPINE ELECTRONICS, INC.	ALPS LOGISTICS CO., LTD.
Grantees	Total 12 Directors of the Company (Excluding outside directors)	Total 9 Directors of subsidiaries (Excluding outside directors and part time directors)	Total 7 Directors of subsidiaries (Excluding outside directors and part time directors)
Type and number of shares to be issued upon the exercise of the stock subscription rights*1	34,800 shares of common stock	22,700 shares of common stock	16,200 shares of common stock
Grant date	July 28, 2014	August 5, 2014	July 23, 2014
Conditions for vesting	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 20, 2014	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 19, 2014	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 18, 2014
Required service period	None	None	None
Exercise period	From July 29, 2014 to July 28, 2054	From August 6, 2014 to August 5, 2054	From July 24, 2014 to July 23, 2054

*1 The number of shares is shown.

(ii) Movements in stock options (in shares) for the year ended March 31, 2015 were as follows:

(a) Number of stock options (in shares)

First Series of Stock Subscription Rights (Stock compensation-type stock options)

Company name	ALPS ELECTRIC CO., LTD.	ALPINE ELECTRONICS, INC.	ALPS LOGISTICS CO., LTD.
Non-vested			
As of March 31, 2014	–	–	–
Granted	34,800	22,700	16,200
Forfeited	–	–	–
Vested	34,800	22,700	16,200
Outstanding as of March 31, 2015	–	–	–
Vested			
As of March 31, 2014	–	–	–
Vested	34,800	22,700	16,200
Exercised	–	–	–
Forfeited	–	–	–
Outstanding as of March 31, 2015	34,800	22,700	16,200

Note: The number of shares is shown.

(b) Price information

First Series of Stock Subscription Rights (Stock compensation-type stock options)

Company name	ALPS ELECTRIC CO., LTD.	ALPINE ELECTRONICS, INC.	ALPS LOGISTICS CO., LTD.
Exercise price	¥ 1 per share	¥ 1 per share	¥ 1 per share
Average stock price upon exercise	–	–	–
Fair value at grant date	¥ 1,415	¥ 1,417	¥ 996

(3) Estimation of fair value of stock options

The fair value of the First Series of Stock Subscription Rights of ALPS ELECTRIC CO., LTD., ALPINE ELECTRONICS, INC. and ALPS LOGISTICS CO., LTD. granted in for the year ended March 31, 2015 is calculated as follows:

(i) Estimation method

The Black-Scholes Model

(ii) Assumptions used in calculations

First Series of Stock Subscription Rights (Stock compensation-type stock options)

Company name	ALPS ELECTRIC CO., LTD.	ALPINE ELECTRONICS, INC.	ALPS LOGISTICS CO., LTD.
Volatility of stock price	46.992% *1	37.615% *2	16.577% *3
Estimated remaining outstanding period	3.5 years *4	4.5 years *5	3.2 years *5
Expected dividend *6	¥5 per share	¥25 per share	¥35 per share
Risk-free interest rate *7	0.082%	0.135%	0.082%

*1: The expected volatility is based on actual share prices during 3.5 years from January 28, 2011 to July 28, 2014.
*2: The expected volatility is based on actual share prices during 4.5 years from February 8, 2010 to August 5, 2014.
*3: The expected volatility is based on actual share prices during 3.2 years from April 20, 2011 to July 23, 2014.
*4: Estimated remaining outstanding period is determined by deducting the average tenure of incumbent directors (excluding outside directors) from the average tenure of the retired directors in the past 20 years.
*5: Estimated remaining outstanding period is determined by deducting the average tenure of incumbent directors (excluding outside director and part time directors) from the average tenure of the retired directors in the past 20 years.
*6: Based on actual year-end dividend for the year ended March 31, 2014.
*7: Japanese government bond yield applicable to the estimated remaining outstanding period of the stock options.

(4) Estimated number of stock options actually forfeited is reflected because the number of stock options that will be forfeited in the future cannot be readily estimated.

23. SEGMENT INFORMATION

Business segments

The operating segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and assess performance.

The Company organizes group companies based on products and services and implements business activities based on its comprehensive strategies.

The reportable segments are classified by products and services taking into account the commonality of the types of products and markets. The three reportable segments of the Companies are “Electronic components,” “Automotive Infotainment,” and “Logistics”.

The “Electronic components” business involves the development, manufacturing and marketing of a variety of electronic components. The “Automotive Infotainment” business involves the development, manufacturing, and marketing of audio, information and communication equipment. The “Logistics” business involves the provision of transportation, storage and forwarding services.

The accounting policies of the segments are substantially the same as those described in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Segment income of the reportable segments is based on operating income. Inter-segment sales and transfers are determined on the basis of actual transactions.

Reportable segment information of the Company for the years ended March 31, 2015 and 2014 is summarized as follows:

Year ended March 31, 2015	Millions of yen							
	Reportable segments							
	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	**¥ 389,120**	**¥ 289,783**	**¥ 57,062**	**¥ 735,966**	**¥ 12,648**	**¥ 748,614**	**¥ –**	**¥ 748,614**
Inter-segment sales and transfers	**13,595**	**4,777**	**28,766**	**47,138**	**12,622**	**59,761**	**(59,761)**	**–**
Total	**402,715**	**294,560**	**85,828**	**783,104**	**25,270**	**808,375**	**(59,761)**	**748,614**
Segment income	**36,595**	**11,537**	**4,457**	**52,590**	**898**	**53,489**	**44**	**53,534**
Segment assets	**330,027**	**210,744**	**67,121**	**607,893**	**27,903**	**635,796**	**(65,313)**	**570,482**
Segment liabilities	**204,650**	**66,821**	**23,754**	**295,225**	**23,134**	**318,360**	**(31,577)**	**286,782**
Other items								
Depreciation	**18,853**	**6,682**	**1,954**	**27,490**	**516**	**28,006**	**3**	**28,010**
Increase in tangible and intangible fixed assets	**22,210**	**7,496**	**1,696**	**31,403**	**395**	**31,798**	**(381)**	**31,416**

Year ended March 31, 2014	Millions of yen							
	Reportable segments							
	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	¥ 338,811	¥ 282,115	¥ 52,282	¥ 673,208	¥ 11,154	¥ 684,362	¥ –	¥ 684,362
Inter-segment sales and transfers	13,916	3,769	26,560	44,245	10,384	54,630	(54,630)	–
Total	352,727	285,884	78,842	717,454	21,538	738,992	(54,630)	684,362
Segment income	14,012	9,813	4,140	27,966	584	28,551	(22)	28,528
Segment assets	294,673	190,380	62,490	547,544	30,108	577,652	(65,287)	512,365
Segment liabilities	201,505	65,329	22,205	289,041	25,617	314,659	(32,674)	281,985
Other items								
Depreciation	15,913	6,100	1,994	24,009	567	24,576	(49)	24,527
Increase in tangible and intangible fixed assets	16,671	8,193	1,506	26,371	550	26,922	(351)	26,570

Year ended March 31, 2015	Thousands of U.S. dollars							
	Reportable segments							
	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	**$ 3,238,079**	**$ 2,411,442**	**$ 474,844**	**$ 6,124,374**	**$ 105,251**	**$ 6,229,625**	**$ –**	**$ 6,229,625**
Inter-segment sales and transfers	**113,131**	**39,752**	**239,378**	**392,261**	**105,035**	**497,304**	**(497,304)**	**–**
Total	**3,351,211**	**2,451,194**	**714,222**	**6,516,635**	**210,285**	**6,726,929**	**(497,304)**	**6,229,625**
Segment income	**304,527**	**96,006**	**37,089**	**437,630**	**7,473**	**445,111**	**366**	**445,486**
Segment assets	**2,746,334**	**1,753,716**	**558,550**	**5,058,609**	**232,196**	**5,290,805**	**(543,505)**	**4,747,291**
Segment liabilities	**1,703,004**	**556,054**	**197,670**	**2,456,728**	**192,511**	**2,649,247**	**(262,769)**	**2,386,469**
Other items								
Depreciation	**156,886**	**55,605**	**16,260**	**228,759**	**4,294**	**233,053**	**25**	**233,086**
Increase in tangible and intangible fixed assets	**184,822**	**62,378**	**14,113**	**261,321**	**3,287**	**264,608**	**(3,171)**	**261,430**

Notes:
1. "Other" includes business segments not included in the reportable segments, and includes the development of information systems, office services, financial and leasing businesses.
2. "Adjustments" of segment income, segments assets, and liabilities include the elimination of inter-segment profit and loss.
3. Segment income is reconciled with operating income in the consolidated financial statements.

Related information

1. Geographical information
(1) Net sales

Millions of yen					
Year ended March 31, 2015					
America	Japan	China	Germany	Other	Total
¥ 148,353	**¥ 138,303**	**¥ 119,163**	**¥ 82,394**	**¥ 260,399**	**¥ 748,614**

Millions of yen					
Year ended March 31, 2014					
Japan	America	China	Germany	Other	Total
¥ 131,915	¥ 130,831	¥ 106,804	¥ 77,992	¥ 236,819	¥ 684,362

Thousands of U.S. dollars					
Year ended March 31, 2015					
America	Japan	China	Germany	Other	Total
$ 1,234,526	**$ 1,150,895**	**$ 991,620**	**$ 685,645**	**$ 2,166,922**	**$ 6,229,625**

Note: Net sales information above is based on customer location.

(2) Information related to property, plant and equipment

Millions of yen			
As of March 31, 2015			
Japan	China	Other	Total
¥ 82,125	**¥ 33,272**	**¥ 25,544**	**¥ 140,942**

Millions of yen			
As of March 31, 2014			
Japan	China	Other	Total
¥ 80,503	¥ 31,768	¥ 21,508	¥ 133,779

Thousands of U.S. dollars			
As of March 31, 2015			
Japan	China	Other	Total
$ 683,407	**$ 276,874**	**$ 212,566**	**$ 1,172,855**

2. Information on major customers

This information is not required to be disclosed because net sales to any customer are less than 10% of the net sales on the consolidated statements of income and comprehensive income for the years ended March 31, 2015 and 2014.

Impairment loss on property, plant and equipment by reportable segment

Impairment loss on property, plant and equipment by reportable segment for the years ended March 31, 2015 and 2014 is summarized as follows:

Millions of yen					
Year ended March 31, 2015					
Electronic components	Automotive infotainment	Logistics	Other	Eliminations	Total
¥ 1,596	**¥ –**	**¥ –**	**¥ 6**	**¥ –**	**¥ 1,602**

Notes: "Other" includes financial, leasing and servicing businesses.

Millions of yen					
Year ended March 31, 2014					
Electronic components	Automotive infotainment	Logistics	Other	Eliminations	Total
¥ 88	¥ –	¥ 18	¥ 90	¥ –	¥ 197

Notes: "Other" includes financial, leasing and servicing businesses.

Thousands of U.S. dollars					
Year ended March 31, 2015					
Electronic components	Automotive infotainment	Logistics	Other	Eliminations	Total
$ 13,281	**$ –**	**$ –**	**$ 50**	**$ –**	**$ 13,331**

Amortization and balance of goodwill by reportable segment

As the amounts are immaterial, the related disclosure is omitted.

Gain on negative goodwill by reportable segment

There is no gain on negative goodwill for the years ended March 31, 2015 and 2014.

24. PER SHARE INFORMATION

Per share information as of and for the years ended March 31, 2015 and 2014 is as follows:

	yen		U.S. dollars
	2015	2014	**2015**
Net assets per share	**¥ 1,001.55**	¥ 767.01	**$ 8.33**
Net income per share			
Basic	**193.81**	79.85	**1.61**
Diluted	**177.12**	79.68	**1.47**

Basis for calculation of net assets per share is as follows:

	Millions of yen, except share data		Thousands of U.S. dollars, except share data
	2015	2014	**2015**
Total net assets	**¥ 283,700**	¥ 230,380	**$ 2,360,822**
Amounts deducted from total net assets:	**104,177**	92,897	**866,914**
Subscription rights	**97**	–	**807**
Minority interests	**104,079**	92,897	**866,098**
Net assets attributable to common stock	**179,522**	137,482	**1,493,900**
Number of common stock used in calculation of net assets per share (Thousand shares)	**179,245**	179,244	**179,245**

Basis for calculation of net income per share is as follows:

	Millions of yen, except share data		Thousands of U.S. dollars, except share data
	2015	2014	**2015**
Basis for calculation of net income per share			
Net income	**¥ 34,739**	¥ 14,311	**$ 289,082**
Net income not attributable to common stock	**–**	–	**–**
Net income attributable to common stock	**34,739**	14,311	**289,082**
Average number of shares outstanding during the year (Thousand shares)	**179,245**	179,240	**179,245**
Adjustments to net income:	**(38)**	(0)	**(316)**
Bond interest	**(38)**	(0)	**(316)**
Increased number of shares of common stock (Thousand shares) :	**16,674**	364	**16,674**
Convertible bond-type bonds with share subscription rights	**16,648**	364	**16,648**
Stock Subscription Rights	**26**	–	**26**
Description of dilutive securities which were not included in the calculation of diluted net income per share of common stock as they have no dilutive effects	**–**	–	**–**

Building a better working world

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Independent Auditor's Report

The Board of Directors
Alps Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Alps Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 12, 2015
Tokyo, Japan

Company & Stock Information (As of March 31, 2015)

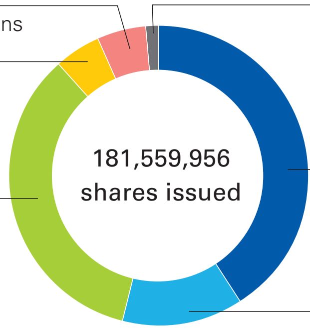
Corporate Facts

Name	ALPS ELECTRIC CO., LTD.
Headquarters	1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo 145-8501, Japan TEL: +81-3-3726-1211
Website	http://www.alps.com/e/
President	Toshihiro Kuriyama
Established	November 1, 1948
Capital stock	¥23.623 billion
Employees	37,564 (consolidated) 5,323 (non-consolidated)
Facilities	R&D/design: Japan: 3; Overseas: 5 (3 countries) Production: Japan: 7; Overseas: 14 (8 countries) Sales: 46 (15 countries)

Stock Information

No. of authorized shares	500,000,000
No. of issued shares	181,559,956
No. of shareholders	28,261
Stock listing	Tokyo Stock Exchange First Section (Code: 6770)
Share registrar	Mitsubishi UFJ Trust and Banking Corporation

Breakdown of Shareholders

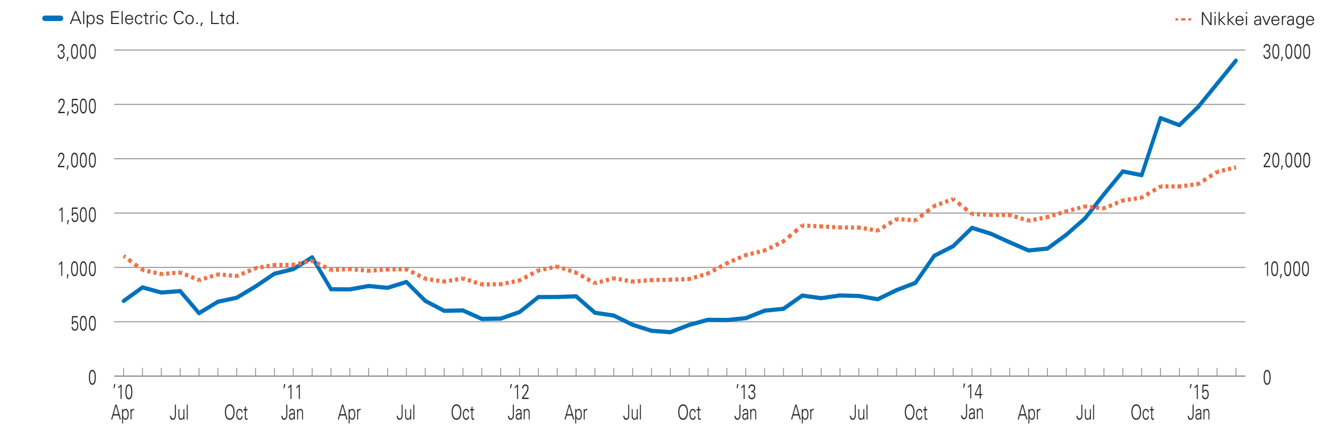


* "Others" refers to shares held by Alps Electric Co., Ltd. and unclaimed shares stored by the Japan Securities Depository Center, Inc.
* "Individual investors" refers to shares held by individuals and Alps Electric's employee shareholding association.

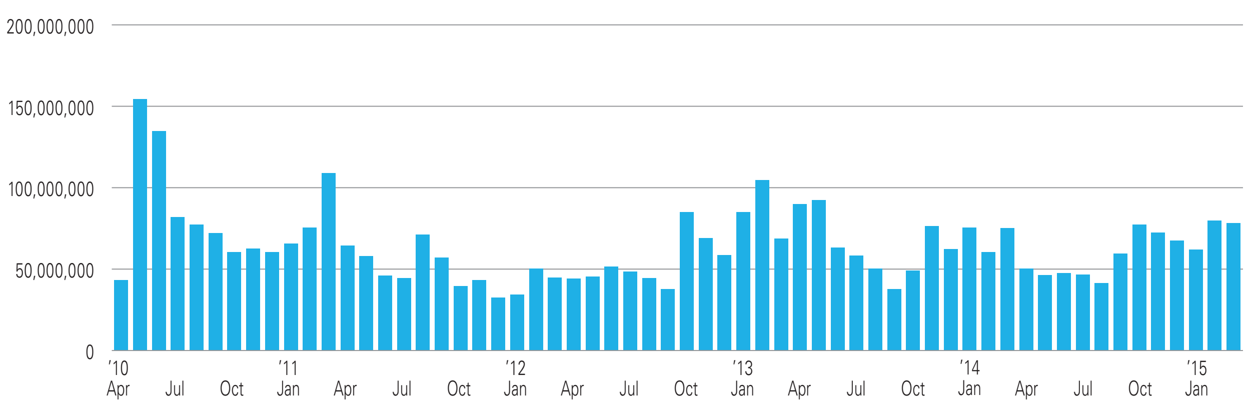
Top 10 Shareholders

Name	No. of shares (thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	20,847	11.48
Japan Trustee Services Bank, Ltd. (Trust account)	20,383	11.23
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	4,356	2.40
Mitsui Sumitomo Insurance Company, Limited	3,596	1.98
Mitsui Life Insurance Company Limited	3,591	1.98
BNP Paribas Securities (Japan) Limited	3,200	1.76
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	3,158	1.74
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	3,090	1.70
Nippon Life Insurance Company	2,750	1.51
TOSHIBA CORPORATION	2,037	1.12

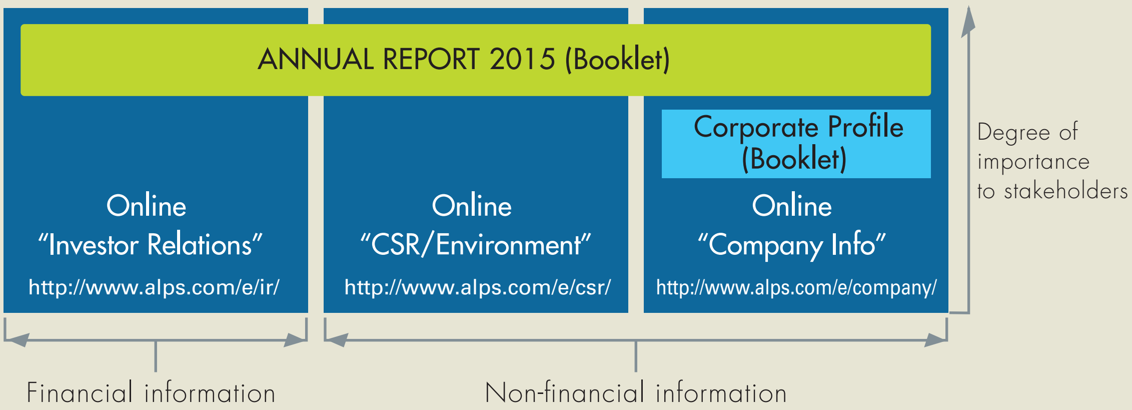
Share Price (Unit: Yen)



Trading Volume (Unit: Shares)



Explanation of Reporting Media



Caution Concerning Forward-Looking Statements

Numerical plans, activity plans and other forward-looking statements in this report are based on judgments reached by Alps Electric using the information currently available. Please understand that actual performance and results may vary considerably from scenarios described in forward-looking statements due to a wide range of factors.

Perfecting the Art of Electronics

ALPS

ALPS ELECTRIC CO., LTD.

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