

Results Briefing FY2017 1H

Monday, October 30, 2017

ALPS ELECTRIC CO., LTD.

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FY2017 1H Consolidated Financial Results

1. Summary of Financial Results

[Consolidated]

[Unit: ¥ billion]

	FY2016 1H Results		FY2017							Difference		Difference		
			1Q Results		2Q Results		1H Results (Cumulative)		Effect of exchange rates vs. FY2016 1H	vs. FY2016 1H		vs. FY2017 1Q		
		%		%		%		%			%		%	
Net Sales	354.0	100.0%	189.5	100.0%	220.6	100.0%	410.1	100.0%		56.1	15.8%	31.0	16.4%	
Electronic Components	199.8	56.4%	111.9	59.1%	138.3	62.7%	250.3	61.0%	USD depreciation +9.0	50.5	25.3%	26.3	23.6%	
	Automotive market	119.0	33.6%	66.6	35.2%	68.3	31.0%	134.9	32.9%	EUR depreciation +1.1	15.8	13.3%	1.6	2.5%
	Consumer market	80.7	22.8%	45.3	23.9%	70.0	31.7%	115.4	28.1%	Other currencies +1.5 (Subtotal +11.7)	34.6	42.9%	24.7	54.5%
Automotive Infotainment	118.2	33.4%	59.0	31.2%	63.1	28.6%	122.2	29.8%	USD depreciation +3.6 EUR depreciation +0.8 (Subtotal +4.5)	4.0	3.4%	4.1	7.0%	
Logistics	29.7	8.4%	15.7	8.3%	15.9	7.2%	31.6	7.7%	-	1.8	6.3%	0.1	1.1%	
Others	6.2	1.8%	2.7	1.4%	3.1	1.5%	5.8	1.5%	-	-0.3	-5.8%	0.3	13.2%	
Operating Profit	14.0	4.0%	7.9	4.2%	22.6	10.3%	30.5	7.5%		16.5	117.9%	14.7	186.7%	
Electronic Components	9.6	4.8%	7.1	6.4%	17.7	12.8%	24.8	9.9%	USD depreciation +4.9 EUR depreciation +0.7 Other currencies -0.5 (Subtotal +5.1)	15.2	157.6%	10.5	148.1%	
	Automotive Infotainment	1.3	1.1%	0.3	0.6%	3.4	5.4%	3.7	3.1%	USD depreciation +0.4 EUR depreciation +0.3 (Subtotal +0.7)	2.4	189.9%	3.0	798.9%
	Logistics	2.3	8.0%	1.2	7.8%	1.0	6.9%	2.3	7.3%	-	-0.0	-3.2%	-0.1	-11.0%
	Others / Eliminations	0.6	-	-0.8	-	0.4	-	-0.4	-	-	-1.0	-	1.2	-
	Ordinary Profit	11.0	3.1%	7.4	3.9%	22.6	10.3%	30.0	7.3%		19.0	172.9%	15.2	205.0%
Profit Attributable to Owners of Parent	8.8	2.5%	6.3	3.3%	18.5	8.4%	24.8	6.1%		15.9	179.5%	12.2	192.8%	
USD/JPY	105.29		111.09		111.03		111.06			5.77		-0.06		
EUR/JPY	118.15		122.19		130.38		126.29			8.14		8.19		

NB: Here and subsequently amounts have been rounded down to the nearest ¥100 million.

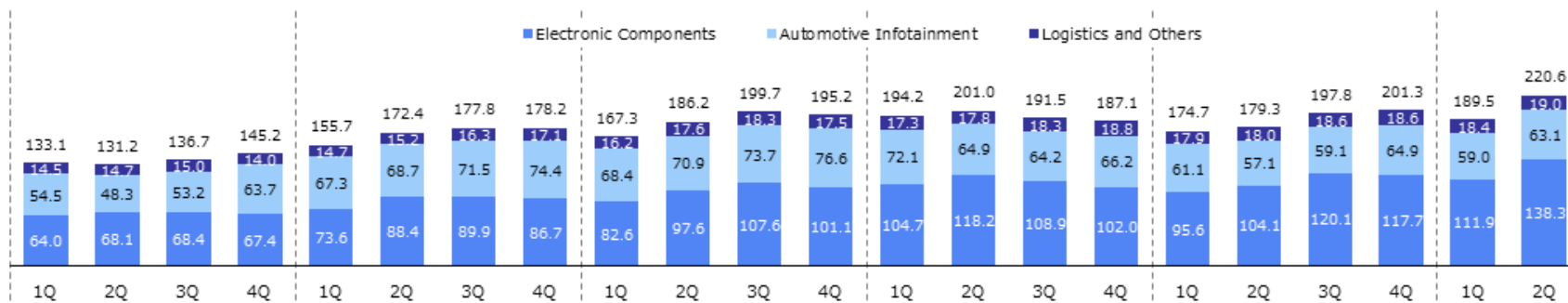
NB: Breakdown of sales shows composition, breakdown of operating profit shows operating margin.

2. Net Sales and Operating Profit: Quarterly Change

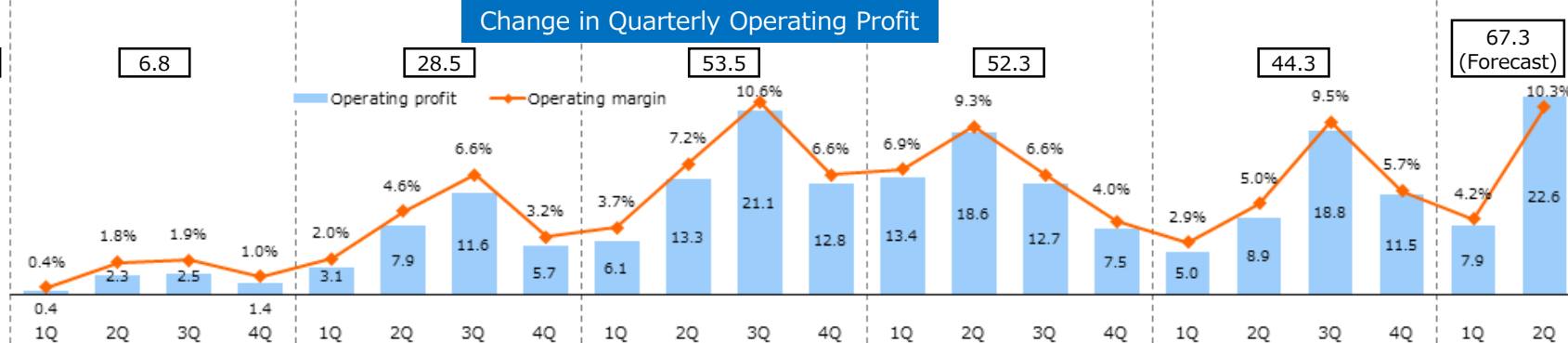
[Consolidated]

[Unit: ¥ billion]

Change in Quarterly Net Sales



Change in Quarterly Operating Profit



Annual total

6.8

28.5

53.5

52.3

44.3

67.3
(Forecast)

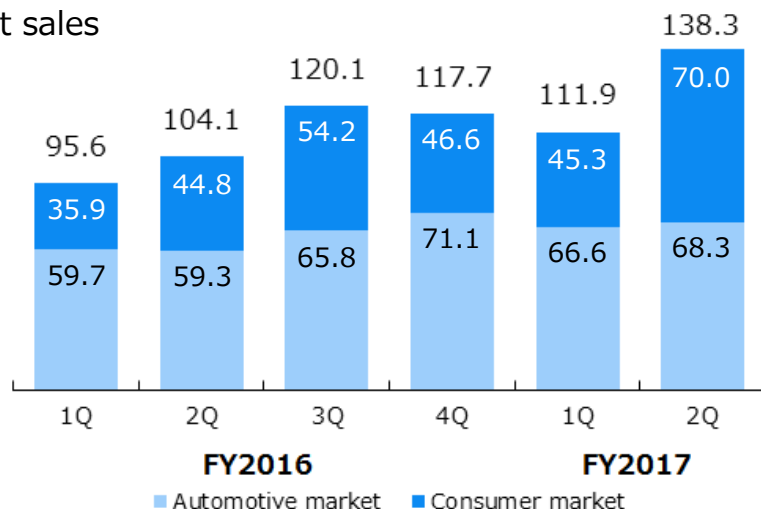
	FY2012				FY2013				FY2014				FY2015				FY2016				FY2017	
USD/JPY	80.20	78.62	81.17	92.42	98.76	98.95	100.46	102.78	102.16	103.92	114.54	119.09	121.36	122.23	121.50	115.48	108.14	102.43	109.30	113.64	111.09	111.03
EUR/JPY	102.91	98.36	105.25	122.04	128.95	131.05	136.69	140.79	140.07	137.76	143.07	134.18	134.16	135.98	132.95	127.23	122.02	114.28	117.78	121.08	122.19	130.38

3. Change in Breakdown of Sales by Business Segment

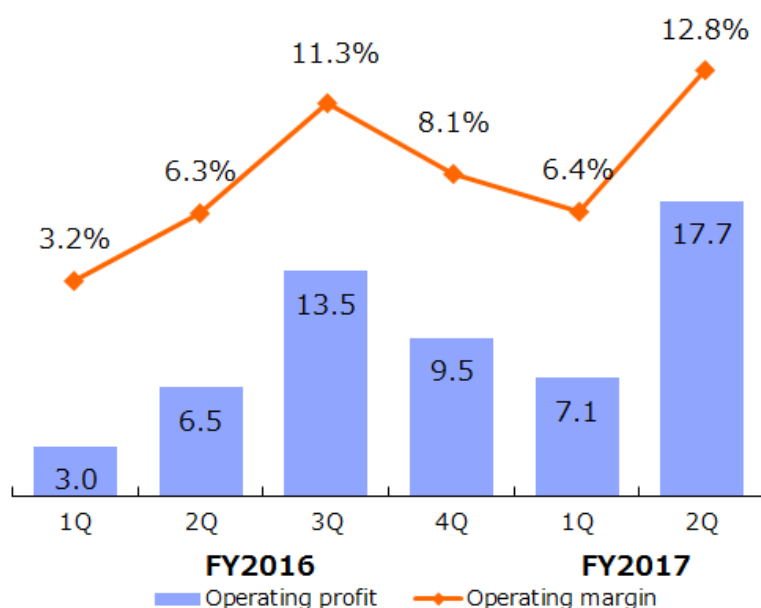
1. Electronic Components Segment

[Unit: ¥ billion]

■ Net sales



■ Operating profit



Net sales (the first half)

¥250.3 billion (up 25.3% year on year)

Automotive market: ¥134.9 billion (up 13.3%)

- Sales of devices such as switches, sensors, and communication devices increased.
- Sales of communication modules such as door modules increased. Sales of instrument panel products such as electronic shifters and keyless entry systems were also strong.

Consumer market: ¥115.4 billion (up 42.9%)

- Camera actuators for smartphones for Chinese manufacturers were weak but sales for major customers expanded, thus sales of actuators increased overall. Sales of touch panels, sensors and switches were also strong.
- Sales of HAPTIC™ for game console grew significantly.

Operating profit (the first half)

¥24.8 billion (up 157.6% year on year)

Operating margin: 9.9%

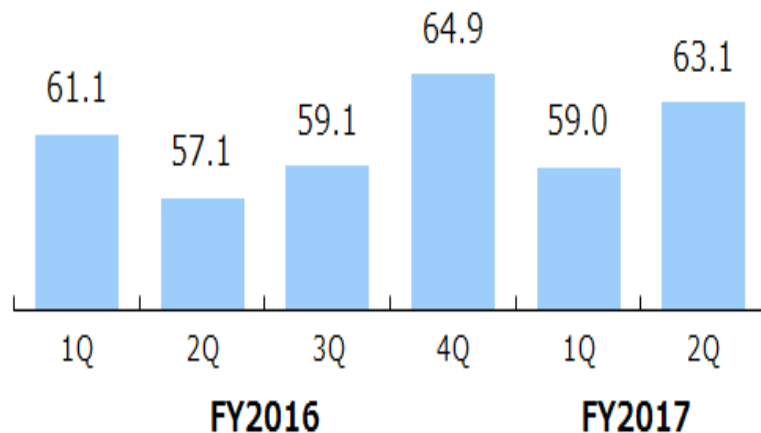
Increase in sales and effect of exchange rates

4. Change in Breakdown of Sales by Business Segment

2. Automotive Infotainment Segment (Alpine Electronics, Inc.)

[Unit: ¥ billion]

■ Net sales



Net sales (the first half)

¥122.2 billion (up 3.4% year on year)

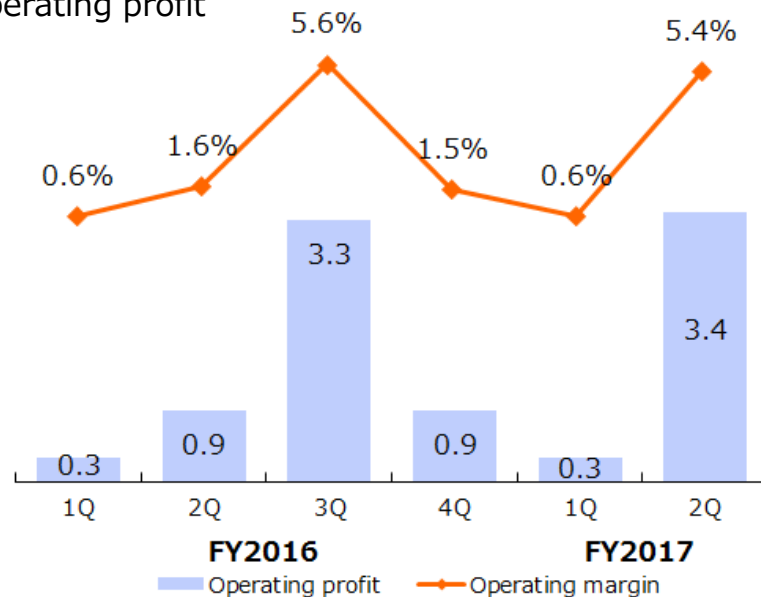
Commercial products

- Sales of audio equipment and navigation system remained steady in Japan, North America and Europe.

Genuine products for automakers

- Sales of audio equipment for European and U.S. automakers were strong.
- Sales of navigation system for European automakers for Chinese market increased.

■ Operating profit



Operating profit (the first half)

¥3.7 billion (up 189.9% year on year)

Operating margin: 3.1%

Increase in sales and streamlining of product development

5. Amount of Effect from Exchange Rates

[Unit: ¥ billion/month/per ¥1]

		USD	EUR
Consolidated	Net sales	0.38	0.05
	Operating profit	0.11	0.02
Electronic components segment	Net sales	0.27	0.03
	Operating profit	0.11	0.02

NB: The above amounts for the USD effect include other currencies linked to the USD (eg.: HKD, CNY).

6. Summary of Balance Sheet

[Consolidated]

[Unit: ¥ billion]

	FY2016		FY2017 2Q		Change
		%		%	
Assets					
I. Current Assets	379.7	63.0%	418.0	62.7%	38.3
Cash and deposits	118.9	19.7%	116.4	17.5%	-2.5
Notes and accounts receivable - trade	146.1	24.2%	168.1	25.2%	22.0
Inventories	89.6	14.9%	102.6	15.4%	13.0
II. Non-current Assets	223.2	37.0%	249.0	37.3%	25.8
Property, plant and equipment	149.7	24.8%	173.1	25.9%	23.3
Intangible assets	16.7	2.8%	17.6	2.6%	0.9
Investment and other assets	56.6	9.4%	58.3	8.7%	1.6
Total Assets	602.9	100.0%	667.1	100.0%	64.1
Liabilities					
I. Current Liabilities	188.0	31.2%	216.4	32.4%	28.3
Notes and accounts payable - trade	74.1	12.3%	83.7	12.6%	9.5
Short-term loans payable	37.4	6.2%	47.6	7.1%	10.1
II. Non-current Liabilities	53.7	8.9%	59.3	8.9%	5.6
Long-term loans payable	25.8	4.3%	31.2	4.7%	5.3
Total Liabilities	241.8	40.1%	275.8	41.4%	34.0
Net Assets					
Total Net Assets	361.1	59.9%	391.2	58.6%	30.1
Total Liabilities and Net Assets	602.9	100.0%	667.1	100.0%	64.1

Inventories

¥102.6 billion

(up ¥13.0 billion from previous year-end)

Electronic components segment: up ¥10.1 billion
(includes +¥1.7 billion in exchange rate effect)

Automotive infotainment segment: up ¥2.5 billion
(includes +¥1.2 billion in exchange rate effect)

Property, plant and equipment

¥173.1 billion

(up ¥23.3 billion from previous year-end)

Electronic components segment: up ¥20.1 billion
(includes +¥1.8 billion in exchange rate effect)

Automotive infotainment segment: up ¥1.1 billion
(includes +¥0.6 billion in exchange rate effect)

Net assets

¥391.2 billion

(up ¥30.1 billion from previous year-end)

Retained earnings: up ¥21.9 billion

Equity ratio

42.1% (previous year-end: 42.2%)

FY2017 Consolidated Financial Results Forecast

1. FY2017 Financial Results Forecast

[Consolidated]

[Unit: ¥ billion]

		FY2016 Results		FY2017						Difference vs. FY2016		Difference vs. FY2017 1H (A-B)	
				1H Results (B)		2H Forecast (A)		FY2017 Forecast					
			%		%		%		%		%		%
Net Sales		753.2	100.0%	410.1	100.0%	410.6	100.0%	820.7	100.0%	67.4	9.0%	0.4	0.1%
	Electronic Components	437.6	58.1%	250.3	61.0%	243.0	59.2%	493.3	60.1%	55.6	12.7%	-7.3	-2.9%
	Automotive market	256.0	34.0%	134.9	32.9%	137.0	33.4%	271.9	33.1%	15.8	6.2%	2.0	1.5%
	Consumer market	181.6	24.1%	115.4	28.1%	106.0	25.8%	221.4	27.0%	39.7	21.9%	-9.4	-8.2%
	Automotive Infotainment	242.3	32.2%	122.2	29.8%	129.6	31.6%	251.9	30.7%	9.5	4.0%	7.3	6.0%
	Logistics	61.1	8.1%	31.6	7.7%	31.3	7.6%	63.0	7.7%	1.8	3.0%	-0.3	-1.1%
	Others	12.1	1.6%	5.8	1.5%	6.6	1.6%	12.4	1.5%	0.2	2.2%	0.7	12.3%
Operating Profit		44.3	5.9%	30.5	7.5%	36.8	9.0%	67.3	8.2%	22.9	51.7%	6.2	20.4%
	Electronic Components	32.8	7.5%	24.8	9.9%	28.0	11.5%	52.8	10.7%	19.9	61.0%	3.1	12.5%
	Automotive Infotainment	5.6	2.3%	3.7	3.1%	5.2	4.0%	9.0	3.6%	3.3	60.0%	1.4	37.5%
	Logistics	5.0	8.3%	2.3	7.3%	2.8	8.9%	5.2	8.3%	0.1	2.3%	0.4	21.0%
	Others / Eliminations	0.8	-	-0.4	-	0.7	-	0.3	-	-0.5	-	1.1	-
Ordinary Profit		42.7	5.7%	30.0	7.3%	34.4	8.4%	64.5	7.9%	21.7	51.0%	4.3	14.5%
Profit Attributable to Owners of Parent		34.9	4.6%	24.8	6.1%	24.1	5.9%	49.0	6.0%	14.0	40.3%	-0.7	-3.0%

USD/JPY	108.38	111.06	108.00	109.53
EUR/JPY	118.79	126.29	127.00	126.65

Capital Expenditure	47.6	38.3	21.9	60.3
Depreciation Expenses	33.0	15.6	22.4	38.0
R&D Expenses	32.2	14.4	18.9	33.3

NB: Here and subsequently amounts have been rounded down to the nearest ¥100 million.

NB: Breakdown of sales shows composition, breakdown of operating profit shows operating margin.

FY2017

Interim Dividends (scheduled in November 30, 2017)
¥17.00 per share

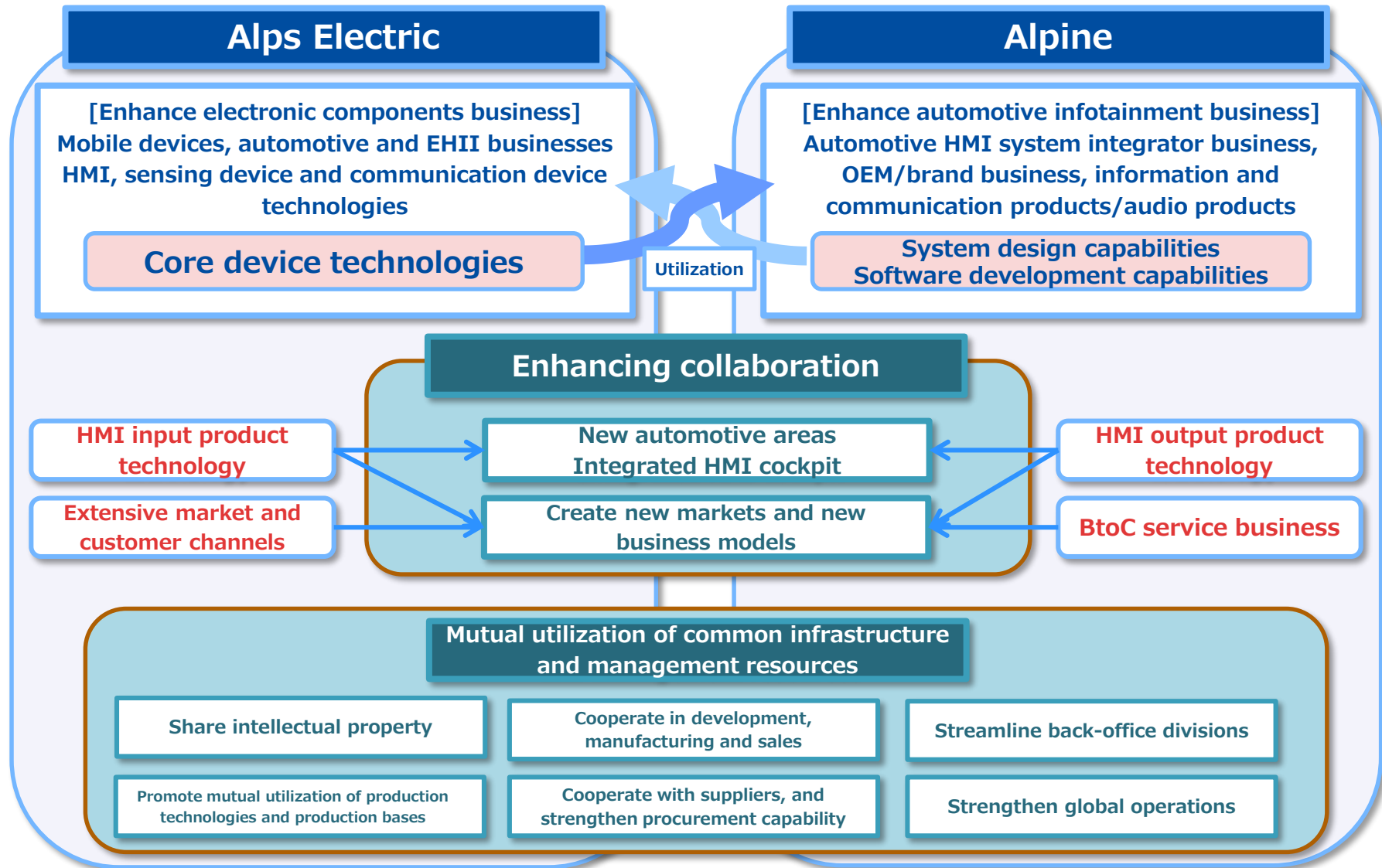
Year-end Dividends (scheduled in late June 2018)
¥17.00 per share

Business Integration with Alpine (Excerpt)

1. Effect of Business Integration

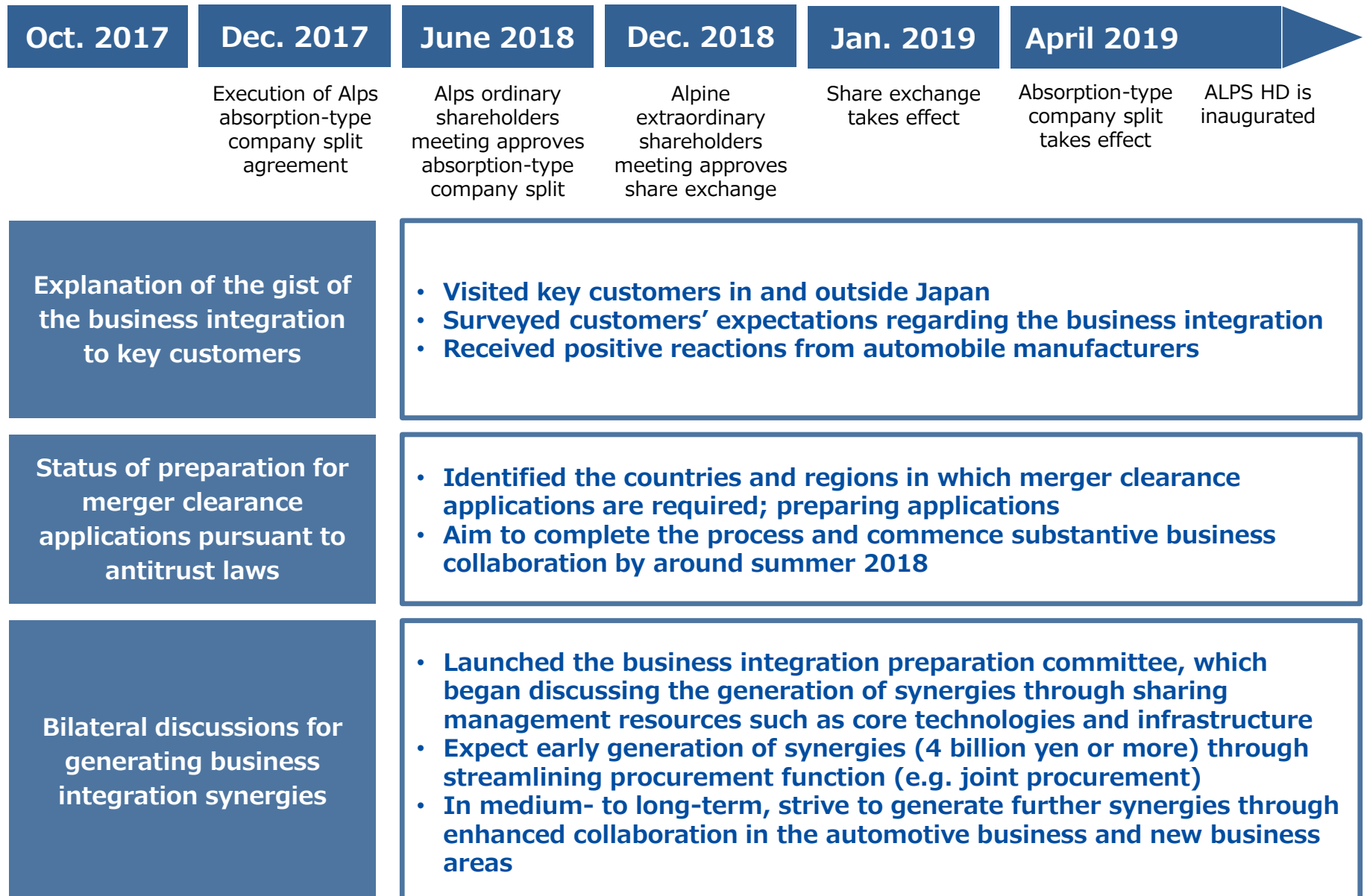
Disclosed July 27, 2017

Group's growth strategy: Transform itself into a sustainable value creating corporate group to become a corporate group with net sales of one trillion yen



2. Progress on the Business Integration

Disclosed October 30, 2017



Alps Electric Co., Ltd. ("Alps") may file a registration statement on Form F-4 ("Form F-4") with the U.S. Securities and Exchange Commission (the "SEC") in connection with the possible share exchange with Alpine Electronics, Inc. ("Alpine"). The Form F-4 (if filed) will contain a prospectus and other documents. If a Form F-4 is filed and declared effective, the prospectus contained in the Form F-4 will be mailed to U.S. shareholders of Alpine prior to the shareholders' meeting at which the share exchange will be voted upon. The Form F-4 and prospectus (if a Form F-4 is filed) will contain important information about Alps, Alpine, the share exchange and related matters. U.S. shareholders of Alpine are urged to read the Form F-4, the prospectus and other documents that may be filed with the SEC in connection with the share exchange carefully before they make any decision at the shareholders' meeting with respect to the share exchange. Any documents filed with the SEC in connection with the share exchange will be made available when filed, free of charge, on the SEC's website at www.sec.gov. In addition, upon request, the documents will be mailed to shareholders for free of charge. To make a request, please refer to the following contact information.

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Department
Telephone: +81-3-5499-4391 (IR Direct)

This document includes “forward-looking statements” that reflect the plans and expectations of Alps and Alpine in relation to, and the benefits resulting from, their business integration described above. To the extent that statements in this document do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of Alps and Alpine in light of the information currently available to them, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the actual results, performance, achievements or financial position of one or both of the companies (or the integrated group) to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements.

The companies undertake no obligation to publicly update any forward-looking statements after the date of this document. Investors are advised to consult any further disclosures by the companies (or the integrated group) in their subsequent domestic filings in Japan and filings with the U.S. Securities and Exchange Commission.

The risks, uncertainties and other factors referred to above include, but are not limited to:

- (1) economic and business conditions in and outside Japan;
- (2) changes in demand for and material prices of automobiles, smart phones and consumer electrical equipment and machines, which are the main markets of the Companies’ products, and changes in exchange rates;
- (3) changes in the competitive landscape, including the changes in the competition environment and the relationship with major customers;
- (4) further intensified competition in the electronic components business, automotive infotainment business and logistics business;
- (5) increased instability of the supply system of certain important components;
- (6) change in the product strategies or other similar matters, cancellation of a large-quantity order, or bankruptcy, of the major customers;
- (7) costs and expenses, as well as adverse impact to the group’s reputation, resulting from any product defects;
- (8) suspension of licenses provided by other companies of material intellectual property rights;
- (9) changes in interest rates on loans and other indebtedness of the companies, as well as changes in financial markets;
- (10) adverse impact to liquidity due to acceleration of indebtedness;
- (11) changes in the value of assets (including pension assets) such as securities and investment securities;
- (12) changes in laws and regulations (including environmental regulations) relating to the companies’ business activities;
- (13) increases in tariffs, imposition of import controls and other developments in the companies’ main overseas markets;
- (14) unfavorable political factors, terrorism, war and other social disorder;
- (15) interruptions in or restrictions on business activities due to natural disasters, accidents and other causes;
- (16) environmental pollution countermeasures costs;
- (17) violation of laws or regulations, or the filing of a lawsuit;
- (18) the companies being unable to complete the business integration due to reasons such as the companies are not able to implement the necessary procedures including approval of the agreement with regard to the business integration by the shareholders’ meetings of the companies, and any other reasons;
- (19) delays in the review process by the relevant competition law authorities or the clearance of the relevant competition law authorities’ or other necessary approvals’ being unable to be obtained; and
- (20) inability or difficulty of realizing synergies or added values by the business integration by the integrated group.

The business results forecasts and future predictions included in these materials are based on the judgment of the Company at the time of preparation of the materials, and are inherently subject to risks and uncertainties. As a result, actual business results and outcomes may differ significantly due to a variety of factors.

Consolidated Financial Results FY2017 1H (April 2017 – September 2017)

Basic Data

October 2017

Alps Electric Co., Ltd.

1. Outline

(Unit : 100 million Yen)

	FY2016					FY2017			
	1 Q	2 Q	3 Q	4 Q	Total	1 Q	2 Q	1 H	Total (Est)
Net Sales	1,747	1,793	1,978	2,013	7,532	1,895	2,206	4,101	8,207
Domestic	344	379	390	408	1,523	379	384	764	-
Overseas	1,402	1,413	1,587	1,605	6,009	1,515	1,821	3,336	-
Operating Income	50	89	188	115	443	79	226	305	673
Ordinary Income	31	78	214	102	427	74	226	300	645
Profit attributable to owners of parent	26	62	193	67	349	63	185	248	490

2. Net Sales (by segments)

(Unit : 100 million Yen)

	FY2016					FY2017			
	1 Q	2 Q	3 Q	4 Q	Total	1 Q	2 Q	1 H	Total (Est)
Electronic Components	956	1,041	1,201	1,177	4,376	1,119	1,383	2,503	4,933
Automotive market	597	593	658	711	2,560	666	683	1,349	2,719
Consumer market	359	448	542	466	1,816	453	700	1,154	2,214
Automotive Infotainment	611	571	591	649	2,423	590	631	1,222	2,519
Logistics	146	150	157	156	611	157	159	316	630
Others	32	29	29	29	121	27	31	58	124
Total	1,747	1,793	1,978	2,013	7,532	1,895	2,206	4,101	8,207

3. Operating Income

(Unit : 100 million Yen)

	FY2016					FY2017			
	1 Q	2 Q	3 Q	4 Q	Total	1 Q	2 Q	1 H	Total (Est)
Electronic Components	30	65	135	95	328	71	177	248	528
Automotive Infotainment	3	9	33	9	56	3	34	37	90
Logistics	11	12	15	11	50	12	10	23	52
Others / Eliminations	4	2	3	-1	8	-8	4	-4	3
Total	50	89	188	115	443	79	226	305	673

4. Capital Expenditures

(Unit : 100 million Yen)

	FY2016					FY2017			
	1 Q	2 Q	3 Q	4 Q	Total	1 Q	2 Q	1 H	Total (Est)
Electronic Components	115	97	64	93	370	139	166	305	470
Automotive Infotainment	21	20	13	23	79	20	21	41	81
Logistics	3	3	6	6	20	16	16	32	46
Others	1	1	1	1	4	1	1	3	4
Eliminations	-0	0	0	0	0	0	0	0	0
Total	142	122	87	124	476	177	205	383	603

(Ref.) Estimate booked on the basis of order forecast including lease.

5. Depreciation Expenses

(Unit : 100 million Yen)

	FY2016					FY2017			
	1 Q	2 Q	3 Q	4 Q	Total	1 Q	2 Q	1 H	Total (Est)
Electronic Components	60	58	60	61	241	48	61	109	283
Automotive Infotainment	15	15	15	16	64	16	17	33	70
Logistics	5	5	5	5	21	5	5	10	21
Others	1	0	0	0	3	1	0	2	4
Eliminations	0	0	0	0	0	0	0	0	0
Total	82	80	82	85	330	71	84	156	380

6. R & D Expenses

(Unit : 100 million Yen)

	FY2016					FY2017			
	1 Q	2 Q	3 Q	4 Q	Total	1 Q	2 Q	1 H	Total (Est)
Electronic Components	35	38	38	55	167	51	50	102	195
Automotive Infotainment	44	41	24	42	154	27	14	41	137
Logistics	-	-	-	-	-	-	-	-	-
Others	0	0	0	0	0	0	0	0	0
Total	81	80	63	97	322	79	64	144	333

7. Inventories

(Unit : 100 million Yen)

	2016/6	2016/9	2016/12	2017/3		2017/6	2017/9
Electronic Components	550	551	631	618		696	719
Automotive Infotainment	286	269	303	256		266	282
Logistics	17	17	17	19		20	21
Others	3	3	2	2		2	2
Eliminations	-0	-0	-0	-0		-0	-0
Total	858	843	954	896		985	1,026

8. Employees

(Unit : Person)

	2016/6	2016/9	2016/12	2017/3		2017/6	2017/9
Electronic Components	21,729	22,061	21,926	22,688		22,612	22,407
Automotive Infotainment	12,107	12,093	12,177	12,959		13,369	13,640
Logistics	5,365	5,376	5,407	5,330		5,464	5,513
Others	1,019	1,045	1,054	1,076		1,103	1,128
Total	40,220	40,575	40,564	42,053		42,548	42,688
(Non Consolidated)	5,537	5,498	5,628	5,588		5,728	5,659

(Ref.) The number of employees represents the number of persons in employment.

(Exclude individuals seconded from the Alps to outside.)