

2016

**CSR Data Book**

## Message from the President

We want to be a company that can achieve sustained growth

Alps Electric, the company we are today, was founded in November 1948 as Kataoka Electric in what is now Yukigayaotsuka, Tokyo, the site of the current Alps Headquarters. Throughout our 68-year history, we have diligently pursued our own unique style of monozukuri (loosely translated as “manufacturing” but encompassing all aspects of product creation) based on a stance of devoting to electronic components.

Our corporate philosophy, too, calls for the creation, through monozukuri, of “new value that satisfies stakeholders and is friendly to the Earth.” It is an idea adopted early on as reflected in the following excerpt from the Alps Precepts (Founding Spirit), established on the occasion of the company’s 10th anniversary in 1958.

### Societal Contribution

We shall create top-quality products, always remembering to contribute to society.

In order to fulfill this commitment and stay true to our intentions, maintained from the founding period to the present day, we work tirelessly at “perfecting the art of electronics.”

The “art of electronics” refers to products manifesting an excellent balance between the traits right, unique and green— besides a refined appearance, products must perform the desired function with outstanding quality while having little impact on the environment. It is the essence of Alps Electric’s approach to monozukuri.

Today’s digital devices are constantly evolving and the field where we do business is ever-changing, marking a big shift away from the consumer devices market, revolving around home appliances, and embracing domains such as automobiles, where use of electronics is growing; mobile devices, as typified by smartphones; energy saving; and healthcare. The scale of business, too, is expanding onto the global stage.

Alps Electric, by pursuing a new style of monozukuri for the next generation based on fresh ideas while accomplishing further fusion and advancement of proprietary technologies accumulated over the years, is looking to create new value that brings comfort to and enriches the lives of people all over the world while caring for the environment.



President

*T. Kuriyama*

## Fiscal 2015 earnings were our highest ever

Alps Electric's 7th Mid-Term Business Plan, covering the three-year period from fiscal 2013, has come to an end.

Looking even further back, the theme of the 6th Mid-Term Business Plan from fiscal 2010, in the immediate wake of the global financial crisis, was breaking out of negative earnings territory and fighting for survival as a corporation. The whole company united on exhaustive efforts to restructure costs and lower the break-even point.

During that time, we came up against more than a few predicaments—the Japanese currency reaching super-high levels with the U.S. dollar in the 70 yen range; Europe's worsening debt crisis; the Great East Japan Earthquake; and flooding in Thailand. Even so, the entire workforce banded together and we overcame them.

Under the 7th Mid-Term Business Plan, we aimed to make Alps Electric strong again by lifting sales back up to where they were prior to the global financial crisis and improving our finances, which had taken a big hit, to a similar level.

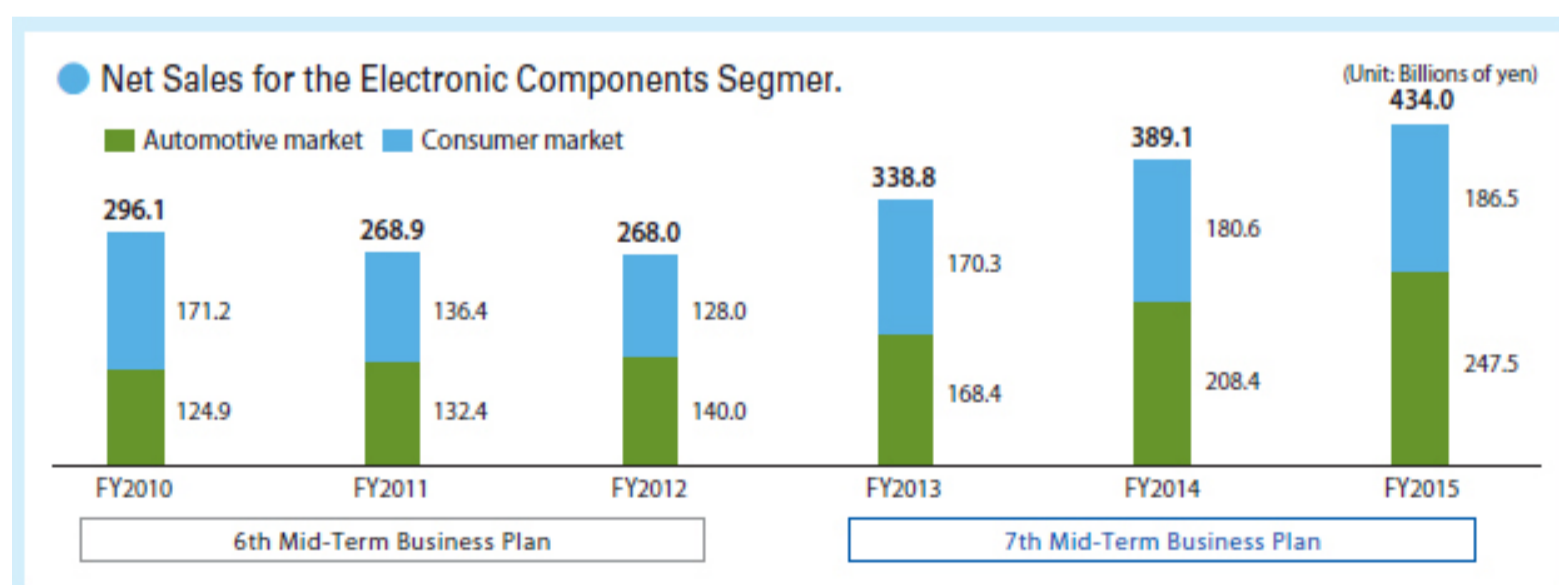
With "Get the Business all together" as one of our business policies, we set specific targets: ¥200 billion sales in the automotive business (Auto 2000) and ¥100 billion sales in smartphone-related business (Smartphone 1000).

In the market, innovation of automotive technology progressed, as illustrated by driver assistance features, and the spread of smartphones moved into full swing with the arrival of hugely popular models. Recovery of the world economy became more pronounced, particularly in the United States and Germany, while in Japan the government's program of "Abenomics" succeeded in weakening the yen and pushing up share prices. This started showing through in a boost to corporate earnings.

Alps Electric's earnings recovered steadily as a result and we even managed to achieve Auto 2000 and Smartphone 1000 targets in fiscal 2014, a year ahead of schedule. Then in fiscal 2015, the final year of the 7th Mid-Term Business Plan, we posted record-high net sales and net income attributable to parent company shareholders in consolidated earnings for the year. In the electronic components segment, too, we set new net sales and operating income records. Additionally, our equity ratio and interest-bearing debt recovered to almost pre-Lehman levels.

However, issues have surfaced. Our strong performance, when calmly evaluated, has depended on the smartphone market and the exchange rate boost. There is no room for complacency by any means.

Having enjoyed sustained high growth, the smartphone market is already beginning to mature, its growth slowing. And the yen, having remained weak for around three years, is now on an upward trend, with political unease, particularly in Europe, also playing a part. These and other factors make for an increasingly uncertain outlook and we are painfully aware of the need to stay alert.



## Alps Electric kicks off its 8th Mid-Term Business Plan

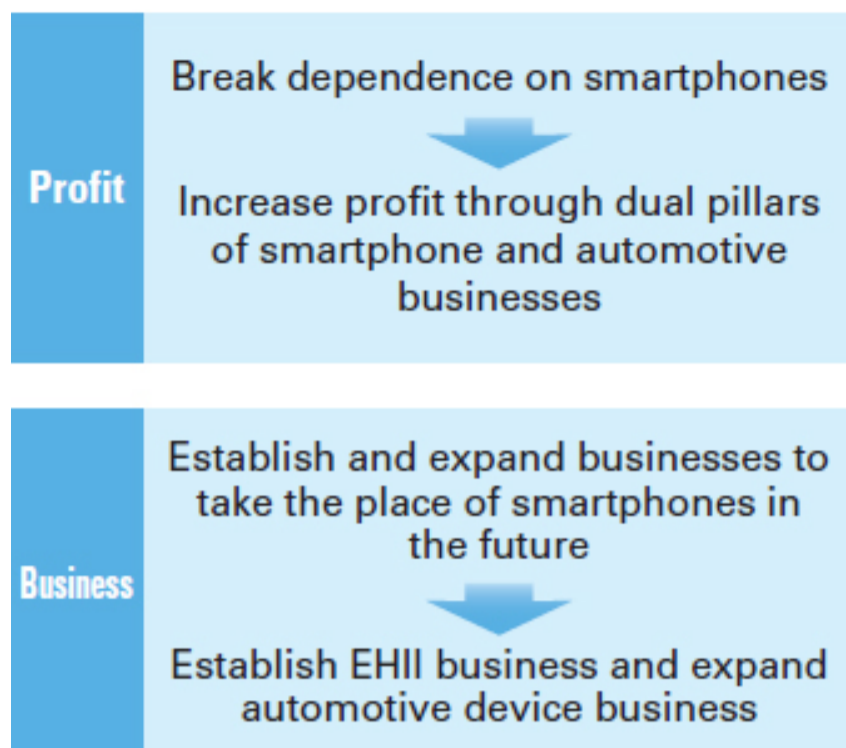
Our vision under the 8th Mid-Term Business Plan is to become “a company that can achieve sustained growth.” We will pursue initiatives that bring about even greater advancement as a corporation.

Profit-wise, we look to stabilize and expand earnings by further strengthening automotive business profitability so that we have “dual pillars” of profit in the smartphone-related and automotive markets. However, smartphone-related product sales and profit are expected to decline three to four years from now. A key question we need to address as we set out to become a company that can achieve sustained growth is: how do we keep growing despite a contracting smartphone market?

As part of this, in order to maintain business scale, it will be vital to establish and expand businesses that can take the place of smartphones. Besides expanding automotive device business, we aim to develop and firmly establish businesses in new markets.

In terms of new product development, we will move quickly to introduce new products to the three core markets targeted in the 8th Mid-Term Business Plan by enriching and fusing three technologies— human-machine interfaces (HMI), providing links between people and devices; SENSORING™, for determining the status or condition of people and devices; and connectivity, for sharing all kinds of information.

### ● Vision



EHII: Energy, healthcare, industry and IoT

## Churn out “First 1” and “Number 1” products in the three core markets

The three core markets under our 8th Mid-Term Business Plan are automotive, mobile and EHII (energy, healthcare, industry and IoT).

Our mid-term targets for the electronic components segment are ¥500 billion net sales and a 10% operating margin, expressed as “GT510.”

In regard to the business portfolio, we aim for ¥300 billion sales to the automotive market (Auto 3000) and ¥200 billion sales to the mobile market (Mobile 2000). We will also build foundations and strengthen sales promotion activities aimed at achieving ¥60 billion sales in EHII market (EHII 600) during the subsequent 9th Mid-Term Business Plan.

In the automotive market, automakers are currently directing efforts into three themes: safety and peace of mind, comfort, and the environment. Development is underway in each area and progress is being made in application of electronics to vehicles to help enable features.

Alps Electric’s automotive business is growing steadily as a result and currently accounts for more than 50% of sales. The product lineup is broad and consists of automotive modules, combining a number of devices, and automotive devices on their own.

Automotive modules comprise primarily HMI products for realizing a comfortable feel during operation of systems inside the vehicle cockpit while also satisfying needs for safety and peace of mind with intuitive control. Looking ahead, we will develop new products by fusing original SENSORING™ and connectivity technologies, at the same time incorporating software and other expertise.

In the automotive devices domain, we will direct efforts into development of communication devices essential for enabling much-talked-about advanced driver assistance systems (ADAS) and autonomous driving. We will also advance development of various types of sensors that make a contribution to the environment.

In the mobile market, “post-smartphone” development has gathered momentum. Now that wearable computers like smartwatches and smartglasses have started to appear and market scope is gradually expanding, Alps Electric has broadened its target market from smartphones to mobile devices.

Seeking to retain and build on our position as primary supplier established through smartphone-related business, we plan to introduce a wide range of products for items like wearable computers and drones—use of which is rising—as well as virtual reality (VR) devices that are now available for the home. Our offerings include input devices, sensors, actuators, and Alps Electric’s originally developed HAPTIC™\*-related devices.

In EHII market, the Internet of Things (IoT) is drawing the attention of the business world. This business model of collecting information from sensors and other devices and turning that big data into new value and new activities using the Internet has hidden potential to really transform society. It is even being called the “fourth industrial revolution.”

Sensors and communication modules are key devices for IoT and Alps Electric was quick to develop and introduce to the market IoT Smart Modules fusing the two technology domains of SENSORING™ and connectivity. We are gradually getting results in the other businesses, too, targeting the energy savings, healthcare and industrial equipment markets and we will persist with efforts to make inroads into these domains using IoT as an entry point.

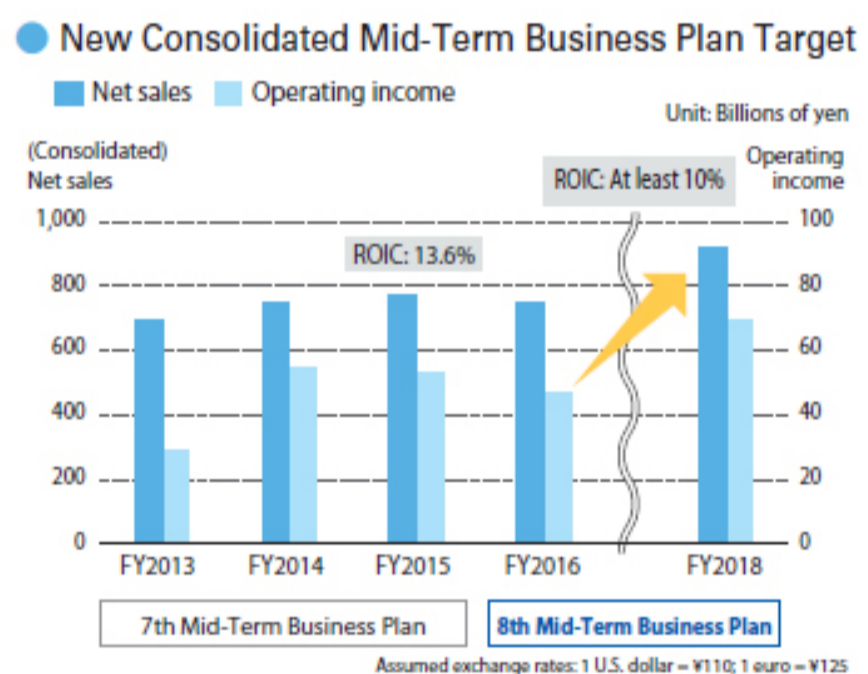
In addition, we intend to pick up the pace of business even more by expanding collaboration with other companies, open innovation and other initiatives and thereby churn out more and more “First 1” and “Number 1” products.

\*HAPTIC is a registered trademark of Alps Electric.

## ROIC as a new management indicator

Regarding financial performance, we have introduced a return on invested capital (ROIC) target for Alps Electric on a consolidated basis. Considered an accurate judge of a corporation’s real strength, ROIC is a measure of how efficiently a company generates profit from funds invested into its main business. Consolidated ROIC for fiscal 2015 was 13.6%. Under the 8th Mid-Term Business Plan, too, our aim is to maintain at least 10% ROIC.

We also plan to invest more than we did last year into research and development and into production facilities in anticipation of significant progress in the future.



## 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. A

dividend of ¥15 per share (revised upward by ¥5) was paid from surplus for the year ended March 31, 2016, in line with the above policy and an overall judgment taking into account such factors as trends in financial performance, our current financial position and shareholders' dividend expectations.

For the year ending March 31, 2017, total dividends of ¥30 per share are planned, consisting of a ¥15 interim dividend and a ¥15 year-end dividend.

### ● Dividends

Year ended March 31, 2016

**Year-end dividend (paid June 24, 2016): ¥15.00**

(Revised up ¥5 to ¥15 from ¥10, previously announced on Jan. 27, 2016)

Year ending March 31, 2017

**Interim dividend (late November 2016): ¥15.00**

## Transition to a company with an audit and supervisory committee

Alps Electric's 83rd ordinary general meeting of shareholders in June 2016 approved and adopted a proposal to switch from a "company with an audit and supervisory board" to a "company with an audit and supervisory committee," thereby changing the form of corporate governance.

In order to further bolster corporate governance and ensure transparency, in keeping with last year's revisions to Japan's Companies Act and introduction of the Corporate Governance Code, we have done away with audit and supervisory board members with no voting rights, instead creating directors with voting rights who are also members of an audit and supervisory committee.

As a result, Alps Electric's management team now consists of 12 directors in charge of running the company and conducting business affairs, and five directors (including three outside directors) who are audit and supervisory committee members. As we continue to strive for even better corporate governance, we will work to achieve balance between, and maximize, benefits to shareholders and all other stakeholders.

## Three "Hards" as a code of conduct and harnessing the "believe in people" philosophy

Last year and the year before, a number of our Chinese affiliates celebrated their 20th anniversaries, marking the milestone with ceremonies and other commemorations. Guided by a policy of "start small, grow tall," with expatriates from Japan and local personnel working together, bases which started out as temporary plants have grown into global production centers possessing the latest production technologies. Attending the elaborate yet "homemade" celebrations put on by local employees, I sensed very strongly how Alps Electric's unique culture—Alps culture, or "Alps-ism"—has been embraced by overseas affiliates, too, and has become a source of energy for the company.

Alps culture is a broad concept and we even avoid its documentation to prevent too narrow an interpretation. However, my own interpretation of "Three Hands" which have served as a code of conduct for us for many years, has been shared and practiced by employees worldwide.

**Work Hard: Sincerity.** Approach all stakeholders and even our jobs wholeheartedly, with sincerity and in earnest, at all times.

**Study Hard: Challenge.** Keep trying new things. This requires profound learning and repeating the study–challenge cycle leads to growth of individuals.

Play Hard: Solidarity. Under the motto of “One Alps,” we have pursued innovation through teamwork and togetherness of which we can be proud. And by praising each other for our achievements, we generate energy for the next leap forward.

“Believing in people” is a universal corporate philosophy we have always followed since we view people as the foundation of business. We place importance on an ethical culture, 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.

The world we live in never stops changing and times are even tougher in the electronics industry than before as the market environment continues to evolve with dizzying speed. It is against this backdrop that “Constructive, Proactive and Vigilant” was made the action policy of the 8th Mid-Term Business Plan, applying to all Alps Electric employees worldwide.

We go about our business activities with this policy etched into the minds of employees and management staying well aware of the difficulties.

I hope that our persistent dedication to “perfecting the art of electronics,” generating as much value as possible, will bring smiles to the faces of all our 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.

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# FOCUS 1: Director in Charge of Automotive Business

## Boosting profitability with a unique monozukuri style and productivity improvements

The Alps Electric Group strives to become a company capable of achieving sustained growth. Together we are working toward that goal, bringing about further advancement of technologies we have developed and built into automotive electronics over the years in order to create products that provide safety and peace of mind and to increase profit.

### Building relationships of trust with automakers

Automobiles are rapidly evolving. In development, automakers today place a lot of importance on environmental considerations. Not only that, they are delivering safety and peace of mind to drivers and people around them, for example by preventing collisions. And they are realizing comfort and convenience by linking vehicles to smartphones and other devices, allowing access to all kinds of information.

Enabling all these features are a wide range of electronic devices developed especially for automotive use. This is our domain.

What are people looking for in their cars? What are automakers doing in development to answer those needs? It is our job in Alps Electric's automotive business to be quick to perceive these diverse requirements, as well as the direction of technological innovation, and to present solutions. And we must do this with speed.

It is therefore very important that we maintain relationships of trust with automakers, our customers. Alps Electric has been supplying automotive products for many years now, beginning in the late 1970s with switches for around the steering wheel. In the 1980s, we jointly developed the world's first car navigation system and supplied automotive touch panels for premium models in the United States. During this time, we have been constantly trying new things together with customers, sometimes dispatching engineers. We even put forward original Alps Group technology and product solutions combining various input devices, which Alps Electric has had much success with in the consumer devices field, with automotive infotainment, primarily navigation, systems of subsidiary Alpine Electronics. Automakers have expressed high praise for these efforts and we also actively engage in opinion exchange.

In addition, the world's automakers now have sales and production centers across the globe and component manufacturers have to be able to provide a stable supply of highquality products in each region. Alps Electric has established a global framework for manufacturing, sales and engineering and our ability to deliver the same service, including fine-tuned customer support, in whichever region is a huge advantage.



Director  
General Manager  
Automotive Modules  
Deputy General Manager  
Engineering Headquarters  
**Hiroyuki Sato**



## **Aiming for profit growth in the automotive market**

To realize “dual pillars of profit” in the automotive and mobile markets as we seek to become “a company that can achieve sustained growth,” we will make efforts to raise the profitability of automotive businesses.

Alps Electric’s automotive business can be broadly divided into automotive modules and automotive devices, each with its own challenges.

In regard to automotive modules, such as instrument panels, electronic shifters and door modules, we will add value by pursuing the most comfortable operating feel and through integration and sophistication, while driving forward efforts to enable use of common materials and parts and to standardize design and development processes. We will also boost profitability by adding further impetus to productivity improvements advanced so far and by maintaining and ensuring consistent quality.

As for automotive devices, such as communication devices and sensors, there will be more need for them than ever before due to the spread of intelligent transportation systems (ITS). Armed with high quality and stable supply, advantages refined within the consumer devices domain, we will work to increase profit through further expansion of the lineup and strengthening of sales promotion activities.

And in order to lift Alps Electric’s competitiveness and bolster profitability in a time of rapid technological innovation and market transformation, it will be important to “black-box” our products. This entails creation of products that are hard to imitate because they contain various kinds of software or know-how not recognizable from the outside, including original algorithms developed in-house. Manufacturing our own production equipment and materials development are effective here and we will make an effort to employ these and other initiatives in developing products with high added value.

## **Achieving ¥300 billion sales to the automotive market**

Sales to the automotive market now account for around just over half Alps Electric’s total sales.

For the coming three years of the 8th Mid-Term Business Plan, we have a target to achieve ¥300 billion in sales to the automotive market. To accomplish this, we are going to accelerate development of new automotive modules and devices within the three technology domains of human-machine interfaces (HMI), SENSORING™ and connectivity, as well as development of next-generation products fusing these domains.

With automotive modules, we look to enable comfortable control of in-vehicle systems by applying HMI technology already successful in a number of different fields, including home appliances, game consoles and PCs. And in response to the recent trend of applying touch panel input—now familiar to consumers through smartphones—to various controls inside vehicles, we will work to develop original modules incorporating application-specific integrated circuits (ASICs) into high-precision touch panel sensors based on our capacitive technology.

In the automotive devices business, safety and peace of mind are crucial requirements for vehicles today, as I mentioned at the beginning, and RF (communication) technology for relaying traffic conditions and various other information is key to satisfying them.

Automakers are advancing development related to connected vehicles, including advanced driver assistance systems (ADAS) and V2X (vehicle to X) technology, which contributes to comfort by connecting automobiles to various elements outside the vehicle. Alps Electric uses RF technology accumulated over many years to deliver a variety of communication devices supporting these features. In recent years, we have secured the top share in the industry for Bluetooth® modules employed, say, for hands-free calls inside the vehicle cabin. Even in the area of connectivity with outside the vehicle, we have led the industry by developing cutting-edge devices, such as for V2X and global navigation satellite systems (GNSS). Building on this foundation, we will engage in our own unique style of monozukuri and thereby contribute to the ongoing evolution of a mobility society.

Alps Electric has also applied resistor technology, used in audio volume control for instance, to various automotive sensors, which demand high precision and durability, and has established a good track record. And we look to extend application of products like exhaust gas recirculation (EGR) valve and throttle position sensors, which help to minimize fuel consumption, from automobiles to motorcycles. Furthermore, we aim for more installations in environmentally friendly vehicles and will therefore develop current sensors for hybrid and electric vehicles making use of original materials and process technology, as well as software.

### **Efforts to develop dynamic engineering professionals**

“Perfecting the art of electronics” and “Spaceship Earth”— placing importance on these values passed down through the generations at Alps Electric, I want to pursue management based on unwavering judgment.

Sales are rising steadily in the automotive business and additional market growth is anticipated. It has been a very busy time for development personnel and all other departments. Even so, I will direct still more effort into developing a group of dynamic engineering professionals, lifting spirits especially among young engineers by reminding them it is they who will bring about advancement in the vehicles of tomorrow.

Coming together as the Alps Group in the form of collaboration with Alpine and cooperation with Alps Logistics is naturally important, too. Even from a business chain management (BCM) perspective, I hope to put “One Alps” into practice and channel energy into creating a company that can achieve sustained growth.

## Turning EHII into a third mainstay business

Using our front-end strengths in the SENSORING™ and connectivity fields, Alps Electric will team up with a wide range of companies to create “First 1” and “Number 1” products for diverse markets.

### Solid progress in a market covering a broad range of sectors

The EHII market we are targeting under the current 8th Mid-Term Business Plan is the aggregation of four sectors: energy, healthcare, industry and Internet of Things, or IoT.

As you can see, the EHII market is very broad and our customers, too, are truly diverse and include players in the electricity, medical and IT solutions domains.

For the energy sector, Alps Electric has so far been developing current sensors and energy storage systems in collaboration with subsidiary Alps Green Devices, which was established in 2010. Though gradual, we are getting results. And progress has been steady in other ways, too, such as the start of joint development of magnetic current sensors for smart distribution boards with a leading foreign company.

In the healthcare sector, as has already been announced, we have strengthened our business alliance with Genial Light Co., Ltd. relating to the commercialization of physiological sensor modules and are developing high-precision near-infrared spectroscopy (NIRS) sensors, making them compact and lightweight to allow wearing at all times. We are also making use of precision processing technology and expertise in achieving high precision and high quality, accumulated through the manufacture of electronic components, to develop and commercialize microfluidic devices that improve the accuracy of cell and specified disease analysis and contribute to smaller specimen testing and analytical instruments and shortening of analysis time.

In the industry sector, more and more of our products are being adopted. They are primarily components, such as switches used for controls on a wide range of industrial equipment and sensors for detecting equipment condition or operating status.

The IoT sector is relevant to all of the above domains and is expected to enjoy considerable growth. It is the focus of much attention as a potentially huge game changer in both industry and society with visions of application to energy-saving technologies and biotechnology, for example, to help address energy and food issues.

We believe Alps Electric’s SENSORING™ and connectivity products, areas where we have an advantage, could make an enormous difference at the so-called “front end” encompassing detection of the present situation of people, things and environments, through to delivery to the cloud of enormous amounts of gathered data. As a business for the future, we see big growth potential.



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

## **Use shimidashi and open innovation to gain a foothold in building a base for ¥60 billion sales to the EHII market**

In targeting these new market sectors, we will engage in shimidashi “trickle-out” product development, which involves adding new functions and branching into new business areas using core strengths in the three technology domains of human-machine interfaces (HMI), SENSORING™ and connectivity. We will also actively embrace initiatives like open innovation, including alliances and collaboration with other companies, to build up efficient and advanced development capabilities for keeping up with the speed of growth in each sector.

In the energy sector, we will use businesses that have come to fruition as a foothold for expansion in areas like high current sensors for the power supply infrastructure market and magnetic current sensors for smart distribution boards.

In the healthcare sector, wearable devices that capture data about people’s bodies to help them stay in shape are much talked about given that people are living longer and partaking in health fads.

Besides high precision, compact size and light weight are sought-after attributes in these fields and the NIRS sensor I mentioned earlier is a highly superior product which others are unable to emulate, integrating high-precision parts processing, high-density parts mounting and production technologies established by Alps Electric over the years. We look forward to growth in this business.

A national effort is also underway in Japan to extend “healthy life” expectancy in light of escalating medical fees and an aging population. Potentially useful here, and drawing attention right now as an increasingly prevalent testing format that contributes to diagnosis and preventive medicine, for example by allowing early detection and treatment before illnesses become serious, is point-of-care testing (POCT).

Picking up on this, Alps Electric has developed microfluidic chips that make it possible for medical facilities to carry out DNA testing themselves, quickly, rather than request the services of a specialist testing body like they have to do now. Here, too, we have lavishly applied proprietary precision processing technology to achieve high accuracy and quality. We are currently working to firmly establish and expand the business with sights even on modules integrating sensor technology.

In addition, we have provided development support for JINS MEME wearable devices, the world’s first eyewear providing insights into inside ourselves, created by JIN Co., Ltd.

Drawing on this experience, we will take an aggressive approach toward promising markets.

In the industry sector, we are collaborating in a national project involving companies including Vegetalia, Inc. The aim of the project is to improve the efficiency of rice paddy management and farming efficiency with a water management support system that ascertains water level, water temperature and the temperature and humidity around rice paddies using sensor units set up in the fields, then sends that data to servers. The sensor units contain Alps-developed low-power, high-performance sensors and demonstration testing is already underway.

This project employs IoT technology and within the IoT domain a broad range of customers are exploring similar business models. We are targeting those customers with our Sensor Network Module, which combines a variety of sensors with a Bluetooth® communication module in a single package. It won a Semi-Grand Prix in the green innovation category at CEATEC Japan 2015. Not only will these activities bring Alps Electric’s technological edge to the attention of more customers, through them we will identify market needs for the purpose of commercialization decisions. And we will also direct effort into sales promotion activities where the door is open for collaboration with customers.

For the entire EHII market, we have set a target to build a base for achieving ¥60 billion annual sales during the subsequent 9th Mid-Term Business Plan. Realizing this will involve establishing the right business models during the period of the current 8th Mid-Term Business Plan.

Steady progress is also being made in building the right organizational structure. This includes reassigning a portion of engineers who have gained experience in the consumer electronics domain to the EHII market and constructing a robust sales promotion structure by shifting over sales personnel, too.

## **Going global with diverse information and flexible thinking**

I sense an enormous duty to develop new business domains, carving out paths Alps has never trod before. At the same time, I feel both great commitment and delight knowing that by nurturing new businesses to bring future growth we can realize our goal of becoming “a company that can achieve sustained growth,” and that it is our job to get this done.

As director in charge, I will stand at the helm, but I want to build up close, trust-based relationships with companies we collaborate with, for example through partnerships and technical alliances, and also to think, agonize and rejoice alongside employees. I hope we can all come together as a team to develop this business.

Precisely because the EHII market represents unknown territory for Alps Electric, we will remember to engage in flexible thinking, gathering information from all quarters, even different industries. And given that this market offers great promise internationally, we will set our sights on deploying the business as part of Alps Electric’s global operations, developing it into a third mainstay business alongside the automotive and mobile markets.

## | Strengthening foundations for Alps-styled growth-oriented governance

In this, our 68th year, Alps Electric made the transition from a “company with an audit and supervisory board” to a “company with an audit and supervisory committee”. Drawing on our unique Alps culture, or “Alps-ism,” built up over the years, we are laying the foundations for a new age.

### Corporate governance at Alps Electric

Until now, Alps Electric has directed energy into establishing processes and systems for monozukuri (product creation) to enable a continual supply of products of superior quality to society. But one assumption for these business activities is that the company is “an entity that society counts on.”

Our unique corporate culture—Alps culture, or “Alps-ism”—includes the phrase, “Work Hard (sincerity), Study Hard (challenge), Play Hard (solidarity).” This can be interpreted as saying we contribute to society by interacting with it in a sincere manner while constantly learning and taking up new challenges in order to create new value, as well as taking our ties, or solidarity, with stakeholders to a new level.

In the same way that we implement Alps-ism in product creation, we seek to uphold Alps culture in fulfilling our social responsibility as a corporation. This is the basis for corporate governance at Alps Electric, or perhaps a characteristic of it.

Interacting with society in a sincere manner, in particular, is central to governance and we have made ongoing efforts to improve corporate governance in the Alps Electric Group under the banner of “fair management.”

I believe increasing the transparency of “fair management” still further, in keeping with the objectives of the Corporate Governance Code issued by the Financial Services Agency and the Tokyo Stock Exchange (TSE), and stepping up implementation of elements represented by “challenge” and “solidarity,” are precisely what society is counting on Alps Electric to do.



Director  
General Manager  
Human Resources  
Legal & Intellectual Property  
General Manager  
Export & Import Administration  
General Manager  
Administration Headquarters  
**Junichi Umehara**



### **Transition to a company with an audit and supervisory committee**

Meanwhile, revisions to Japan's Companies Act took effect last year, adding "company with an audit and supervisory committee" as a third option for organizational design alongside "company with an audit and supervisory board" and "company with nominating, audit and compensation committees." An audit and supervisory committee is an organ that carries out auditing in place of an audit and supervisory board. It is made up of at least three directors, a majority of whom must be outside directors.

There have been growing calls recently for listed companies in Japan to appoint multiple independent outside directors and the advance of business globalization, too, means that companies need to adopt organizational designs which even overseas investors will accept. In light of the law change, the Alps Electric Group decided to listen to those calls by switching to the format of a company with an audit and supervisory committee.

One objective of the company with an audit and supervisory committee format is to strengthen the function of the board of directors for supervising executives by making it easier to utilize the functions of outside directors. This point, in particular, is consistent with Alps Electric's own direction.

In pursuing fair management through our organization as a company with an audit and supervisory committee, I hope we can give even more depth to the elements of "challenge" and "solidarity."

### **More speed and growth-oriented governance with a new Board of Directors**

The board of directors is the body responsible for decisionmaking associated with the execution of a company's business affairs. The duties of the board of directors of a company with an audit and supervisory committee are: deciding matters for the execution of business affairs; supervising the execution of duties by directors; and appointing and removing representative directors.

Then there is the Corporate Governance Code, subtitled, "Seeking Sustainable Corporate Growth and Increased Corporate Value over the Mid- to Long-Term." Its objective, by strengthening internal controls, is to realize adequate discussion with priority on important management matters, speedy management decisions, improvement of corporate earnings through avoidance of unanticipated damages and losses, and higher efficiency of management. We have therefore set up within our Board of Directors a management board, for undertaking execution of business affairs with priority on managerial decision-making, and a monitoring board, for supervising executives. While striking a sound balance between the hedging and taking of risks,

we aim for a growth-oriented style of governance through rational management, based on economic rationality, and more speed.

### **Expectations of the Audit and Supervisory Committee and Outside Directors**

Audits by audit and supervisory board members, or kansayaku, and audits by audit and supervisory committees are quite different.

Whereas the kansayaku system was based on individual independence, with Audit & Supervisory Board members examining companies' business assets themselves, the Audit and Supervisory Committee conducts systematic audits as meeting structure. Specifically, the Audit and Supervisory Committee supervises the Board of Directors to check if internal control systems are structured and operating properly. This is done from inside the Board of Directors with Audit and Supervisory Committee members even possessing voting rights. The Audit and Supervisory Committee also performs audits, for example by liaising closely with the internal audit department and other units related to internal controls, including compliance, risk management, legal affairs, accounting and finance, to gather information and issue explicit instructions as required. There is greater necessity, therefore, to clarify organizational links with related departments than under the Audit & Supervisory Board member system.

It goes without saying that outside directors are not "insiders" and possess a composed and objective third-party perspective and we expect that the aggregate know-how from the knowledge and experience that each of them brings will benefit management of the Alps Electric Group. For that reason, too, the independence of outside directors is extremely important. If outside directors are not well informed about the situation inside the company, however, it will be hard to apply their valuable know-how. It is hoped that by going to observe operations, for example in sales, engineering and production, and even visiting overseas affiliates, they will trigger fresh discoveries from within. The Corporate Governance Code includes in the responsibilities of outside directors the "provision of advice on business policies and business improvement based on their knowledge and experience." In this area, too, we intend to really hone the system's effectiveness.

Another, even more important role is assessing the running of the Board of the Directors. I expect to see the Audit and Supervisory Committee, especially, play a leading part here and envisage that those activities will facilitate activities by outside directors and ultimately lead to a new Board of Directors format.

Please understand that the change in organizational design is a move to help realize sustained growth by the Alps Group. To make the new system work and truly effective, we will strive to practice the Alps culture of "Work Hard (sincerity), Study Hard (challenge), Play Hard (solidarity)."

Full of confidence and pride, we will keep taking up new challenges to bring about great achievements by the Alps Group.



## | Alps Business Approach

Alps Electric engages in CSR activity in line with the five statements of its 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 Electric considers CSR as business itself. Ever since our founding many years ago we have based business decisions on "societal contribution" and "building trust," which are expressions taken from our original founding precepts. Then in our 50th year after establishment, we defined our corporate philosophy as "Alps creates new value that satisfies stakeholders and is friendly to the Earth," and forged our Business Approach with five statements acting to realize this philosophy. By observing this Business Approach and integrating our social responsibilities with business activity, we are able to fulfill stakeholder expectations and pursue mankind's coexistence with the natural environment.

## | Alps Philosophy

Alps creates new values that satisfy stakeholders and are friendly to the Earth.

## | 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.
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- ▶ 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.

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## | Alps Action Guidelines

- 1 Alps people will realize new values through flexible thinking and bold actions.
- 2 Alps people will preserve the natural environment and treat precious resources with great care.
- 3 Alps people will meet customers' expectations by making decisions quickly and implementing them speedily.
- 4 Alps people will act fairly, working to adhere to world rules and to understand different cultures.
- 5 Alps people will function as teams of professionals seeking to refine their specialist skills.

## Relations with Customers

### Research & Development

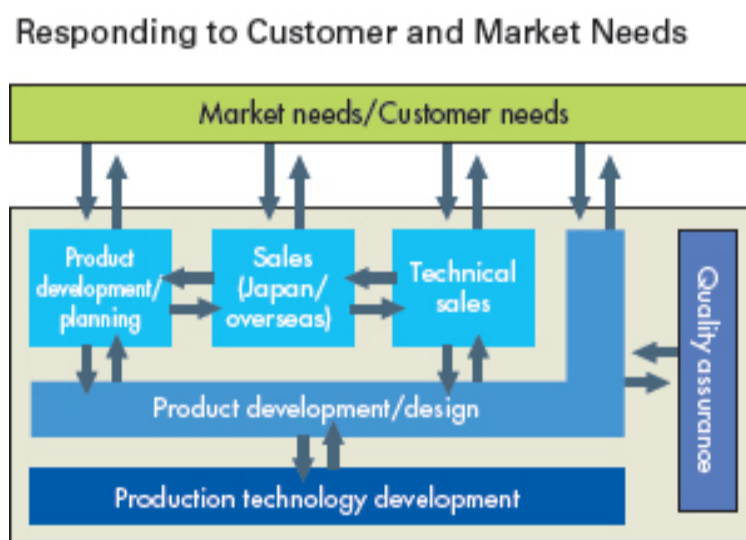
Through the advancement and fusion of technologies accumulated over the years, the Alps Electric Group carries out ongoing research and development aimed at creating products with high added value that are meaningful to society. This involves adapting to changes in the business environment, including global water, food and energy shortages brought on by population growth; development of self-driving cars aided by advances in electronics application; and the advent of the Internet of Things (IoT).

In R&D activities, we adhere to the basic policy, “Perfecting the art of electronics,” and we will continue creating products with new value under the 8th Mid-Term Business Plan from fiscal 2016 by stepping up our 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.

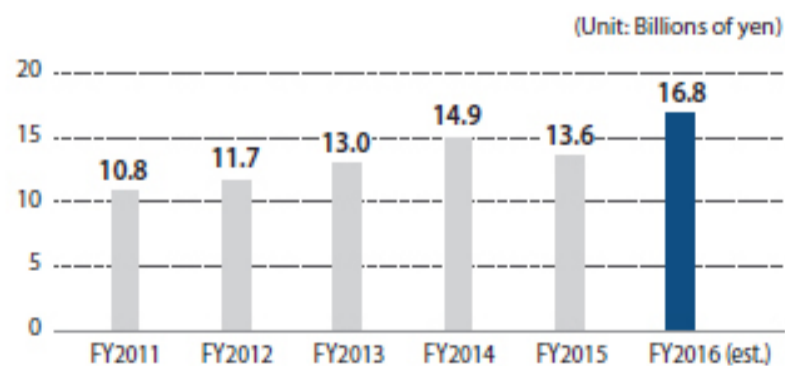
We also actively engage in joint research with universities and research institutions around the world; development through partnerships with other companies; and development through collaborative creation between the Alps Group’s electronic components and automotive infotainment segments.



### Strategy

The Alps Electric Group looks to achieve differentiation from other companies, and thereby establish competitive advantage, by creating new businesses and products that match market and customer needs. This is done through ongoing innovation entailing the enrichment and fusion of mechatronics, process, material and design technologies built up over the years.

### R&D Expenditure (Electronic Components Segment)



We place particular importance on developing products through shimidashi (“trickle-out” development), which involves continually adding new functionality to core technology and branching into new business areas while also taking environmental considerations into account, 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. We do this with a focus on three growth engines—enrichment of human-machine interface (HMI) technology; expansion of sensor variety; and expansion of connectivity-oriented business—and with aims to establish EHII\* business and expand automotive device business.

\*EHII : Energy, Healthcare, Industry, IoT

## 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.

### Investment in Tohoku Magnet Institute Co., Ltd. (TMI)

Alps Electric made an investment in new company, TMI, along with Tohoku University Venture Partners Co., Ltd. and four other companies\* with the aim of commercializing an innovative soft magnetic alloy developed by Tohoku University. The soft magnetic alloy to be manufactured and sold by TMI is an energyefficient material capable of reducing conversion-related energy loss in electrical products to between 25% and 50% compared to conventional electrical steel sheet (silicon steel sheet). Efforts are now underway to develop products applying the material.

\* Panasonic Corporation, JFE Steel Corporation, Murata Manufacturing Co., Ltd. and NEC TOKIN Corporation

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

Genial Light and Alps Electric are pursuing development of physiological sensors capable of low-restraint calculation of multiple biological data parameters by fusing Genial Light's advanced light sensing technologies for medical systems with our highly reliable, high-precision production technology. Through the alliance we are taking steps to achieve actual commercialization.

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## 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.

##### Sensing™

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.

## R&D Activities for Key Markets

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

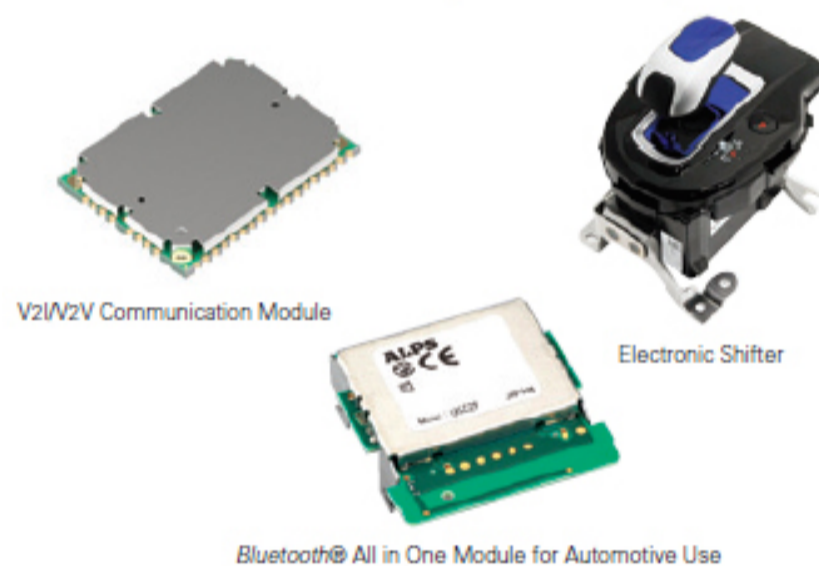
### ● Automotive

In the automobile market, there are mounting calls for vehicles that deliver safety, peace of mind, comfort and environmental performance and even companies other than automakers are pursuing development of technologies relating to advanced driver assistance systems (ADAS), in anticipation of fully autonomous vehicles, and environmentally friendly electric vehicles (EVs) and fuel cell vehicles (FCVs).

The Alps Electric Group carries out broad development to expand its lineup of sensors employed in engines and chassis, and devices for ADAS, and to create electronic shifters and other modules controlled by people inside the vehicle cabin.

In the automotive electronics business, functional safety requirements are growing and we are advancing efforts while adapting our organizational structure accordingly to accommodate those requirements.

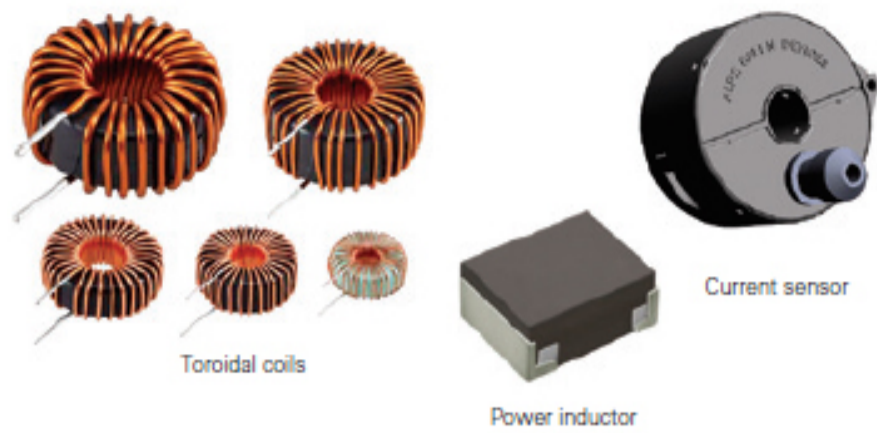
### ● FY2015 Product Development Examples



## ● Energy

Global warming and environmental destruction are serious issues affecting the entire planet. The Alps Electric Group is developing power and resource-efficient power conductors, sensors and communication modules, as well as modules that take advantage of the characteristics of Licalloy™, a magnetic material jointly developed with Tohoku University. By supplying products that enable visualization of energy use and greater efficiency in energy conversion, we will contribute to the advancement of smart cities and practical application of renewable energy.

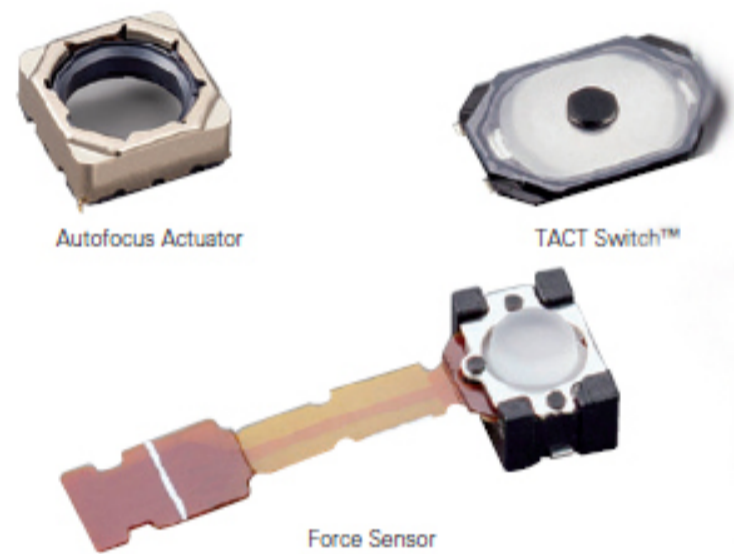
### ● FY2015 Product Development Examples



## ● Mobile

The smartphone market is expected to keep growing in size due to continued expansion of sales volume in emerging nations and models offering 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 the mobile market, including autofocus actuators for cameras, as well as switches, sensors, connectors and touch panels.

### ● FY2015 Product Development Examples



## ● Healthcare

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

## ● Internet of Things (IoT)

As a new sector expected to enjoy huge growth, we have presented a variety of proposals to the Internet of Things (IoT) market and have actively entered partnerships with parties such as networking companies.

In anticipation of IoT advancement, the Alps Electric Group will continue aggressive initiatives in new markets, for example through collaboration with other companies or local authorities, and by putting forward new application proposals relating to the environment and energy savings.



## I Relations with Customers

### Intellectual Property

The Alps Electric Group engages in product creation and therefore 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.

Viewing intellectual property-related activity as a business activity contributing to sustained growth, we aim to carry out management of technology through implementation of the intellectual property creation, protection and utilization cycle.

#### 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

#### ● Utilizing Intellectual Property to Contribute to Sustained Growth

Alps Electric's intellectual property action policy under the 8th Mid-Term Business Plan is: 1. Strengthen held patents and improve intellectual property quality; 2. Strengthen structures for intellectual property management within the Alps Electric Group worldwide; and 3. Ensure implementation of and enhance intellectual property training.

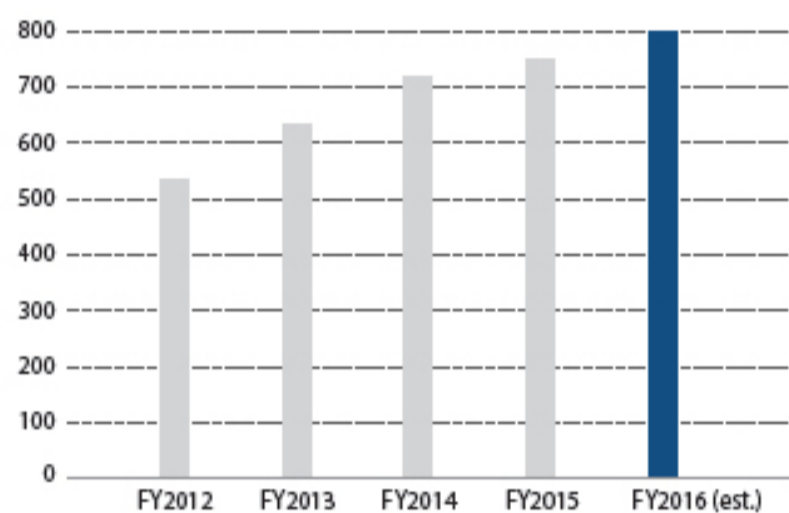
## ● Alps Electric Group Global Intellectual Property Management Structure

Alps Electric has been working to enhance intellectual property management structures in China, Korea and Europe, and to enhance intellectual property training for engineers at overseas affiliates. Japan is the control center for intellectual property management within the Alps Electric Group worldwide and we will step up efforts to strengthen cooperation with overseas affiliates and networks in each country, thereby contributing to the acquisition of assets around the world and expansion of global business.

## ● Strengthening of Held Patents (Usable Patents)

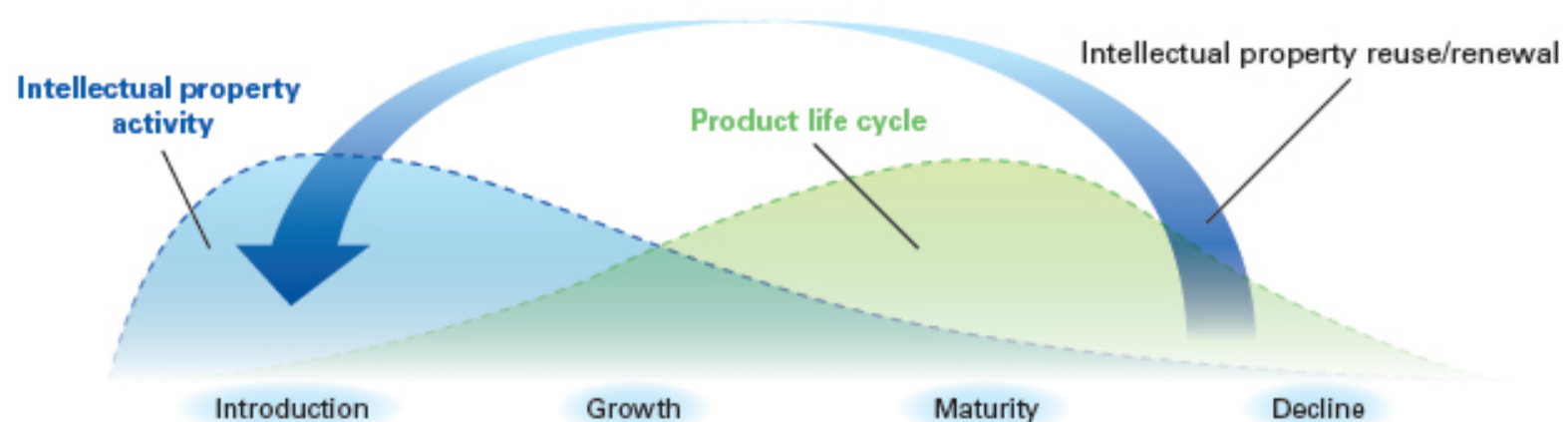
Alps Electric is making efforts to uphold the competitiveness of its products by strengthening intellectual property (applications for patents, for example) generated internally in core technology and product domains that form the foundations for sustained growth, while also teaming up with universities and corporations in joint development and alliances to enable early adoption of new technologies and bolster the stock of intellectual property assets available for use. Strengthening efforts related to patent applications in Japan and overseas are ongoing and in fiscal 2016 we plan to file 800 applications (approx. 50% more than in fiscal 2012).

● Number of Patent Applications Filed (Alps Electric)



Aiming to use intellectual property in ways matching the life cycles of products, we also direct effort into measures such as sale of unused company patents and purchasing of patents for future use. Besides expanding our stock of intellectual property relevant to the introduction or growth stages of the product life cycle, we reuse maturity- or decline-stage intellectual property within growth domains, thus aligning intellectual property activity with our business.

## ● Intellectual Property Activity and the Product Life Cycle



## I Relations with Customers

### Quality & Safety Management

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.

Both in Japan and overseas, 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 improve quality and to anticipate and prevent problems before they occur.

#### ● The Fundamental Quality Control Policy and the Mid-Term Business Plan

Alps Electric continues to guarantee a standard of excellence in all its products and services to satisfy customer needs. Under the 8th Mid-Term Business Plan, we will work to realize globally consistent quality by eliminating variations in structures and competence from product to product and between production bases, and by achieving a high level of quality stability.

#### Fundamental Quality Control Policy

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

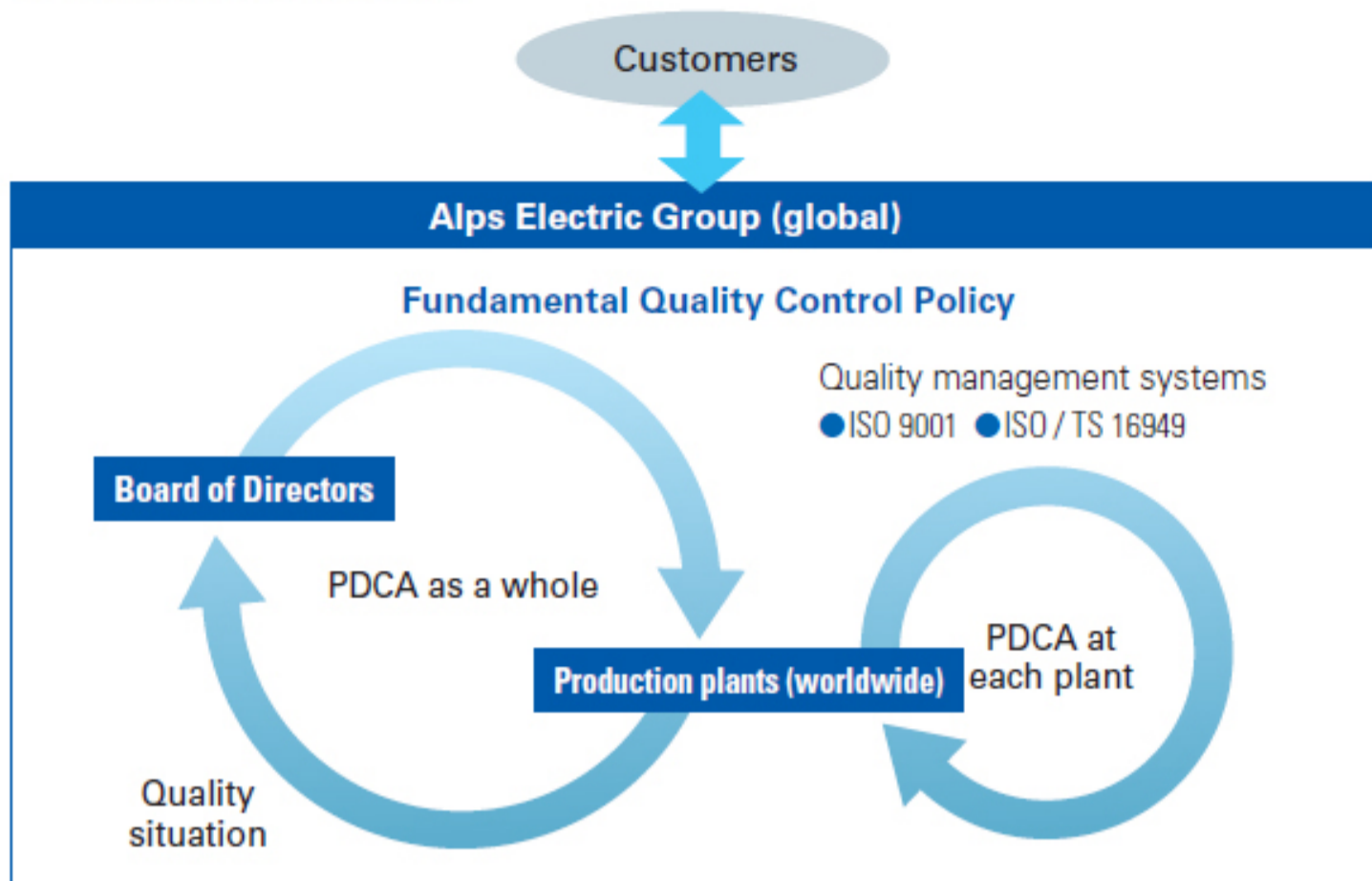
#### ● Quality Management Systems (QMS)

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. In addition, we have been implementing a standardized QMS both in Japan and overseas since April 2015 as one measure aimed at realizing globally consistent quality.

\*For a list of certified facilities, see the Alps Electric website.

● Quality Assurance System



● Global Quality Information System (GQIS)

The Global Quality Information System (GQIS) allows global sharing of quality-related information to enable containment (prevention) of problems through swift improvements right across the organization. The system makes it possible to share quality information from customers or the market with bases worldwide and that information is used to promptly carry out cause analysis and take action. Measures and improvements implemented are subsequently turned into permanent measures and made key check points in recurrence prevention and next-generation model development.

The GQIS was initially launched in Japan in 2001. A revamped system with improved analysis functions and more powerful search and tracking features went online globally in April 2016. We plan to use the system in tandem, and interlinked with, engineering systems to improve quality even further.



## ● Active Use of Quality Engineering (QE)

Quality problems, when they occur, lead to not only loss of trust, but also huge adverse effects on earnings and subsequent efforts to capture and maintain business. Defect issues we hear about today, typified by vehicle recalls, have a potentially extensive scope due to the globalization of business and changing business models, including the use of common parts. Sometimes problems have major implications for society. If that happens, it is already too late. Determining how to prevent quality problems before they occur is therefore crucial.



Technical review meeting also attended by QE personnel

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

In the development and design stage, for example, we evaluate the stability of functions and optimize design parameters, while envisaging the manner and environmental conditions 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 engineer training programs so that more of our engineering personnel learn about and deepen their knowledge of the concept and then practice it in their respective jobs. In specific scenarios, QE personnel join in to aid solutions to a wide range of issues. And to improve the effectiveness of QE, QE personnel continually refine their expertise through interaction with outside parties, such as the Quality Engineering Society.

We will step up efforts to prevent quality problems by utilizing QE right from development and design so that we can supply customers with products of a quality they will be satisfied with.

\*Robustness: The degree to which a supplied product can perform its intended function under the various conditions customers might use it (methods of use, treatment, hot, humid, dusty, or other kinds of environments, etc.)

## ● Ensuring Functional Safety of Automotive Products

Safety requirements for products incorporated into vehicles are mounting due to expanding application of electronics to automobiles and the spread of technologies like sophisticated driver assistance systems and autonomous driving systems. The ISO 26262 functional safety standard specifically for automobiles was issued in November 2011.

To ensure delivery to customers of safe, dependable products, the Alps Electric Group was quick to establish commercialization processes and systems conforming to ISO 26262 and has already successfully developed numerous products compliant with the functional safety standard for automakers at home and abroad.

We aim to foster a safety culture where all employees involved with automotive products put safety first in their decision-making and actions. Related activities are pursued in line with a Corporate policy in “Functional safety guide”.

A management review of safety-related activities takes the form of regular, comprehensive examination of activities by the Board of Directors. This is linked to ongoing improvement activities at the company-wide level through formulation and implementation of annual action policies and priority measures.

### Corporate policy in “Functional safety guide”

**Every person in charge of automotive products have common sense on the value of safety culture and take responsibility of organizational activities.**

## Environmental Preservation

### 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.

#### 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》

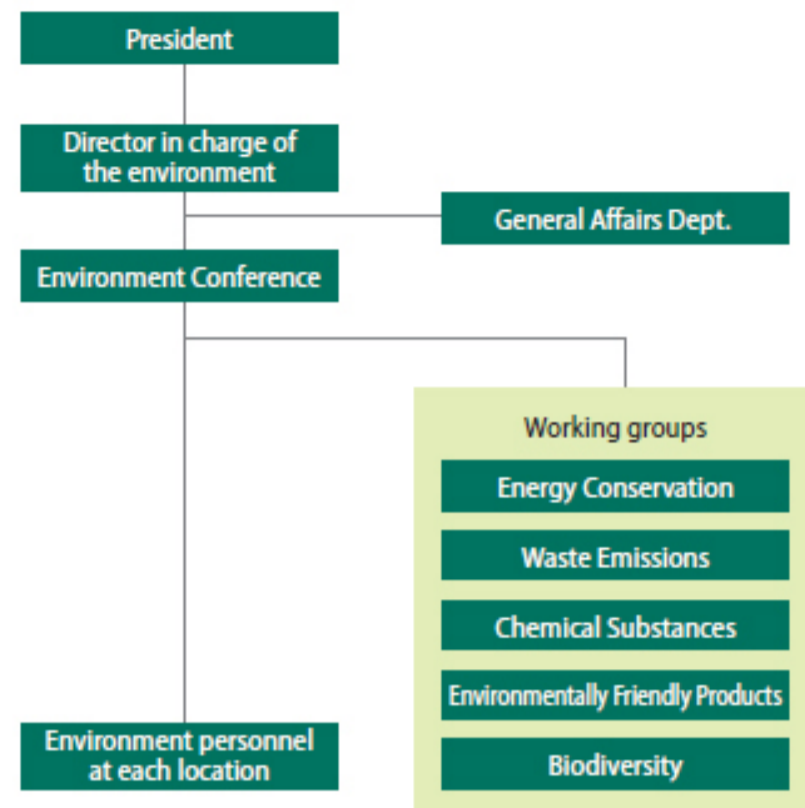
Placing priority on environmental preservation, we at Alps will:

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

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.

### ● Environmental Management Structure (as of June 2016)



## ● 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, ISO 14001 certification for the Alps Electric Group in Japan was unified with the launch of an integrated environmental management system covering all domestic facilities, including locations not engaged in production. This enables us to carry out environmental management more as a Group rather than through the activities of individual bases as in the past.



Environmental ISO audit



《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.

《Environmental Policy》

1. We will continually improve our environmental management system to prevent pollution.
2. Comply with environment-related laws and regulations as well as other requirements to which we agree.
3. Promote measures against global warming.
4. Make effective use of resources.
5. Properly manage chemicals and reduce emissions to the environment.
6. Develop, manufacture and sell products that are in harmony with the environment.

● **Environmental Education**

Alps Headquarters conducts environmental training for new recruits and new managers according to their qualification grades. Employees at each plant also receive environmental training specific to their jobs, and technical training such as the program for internal environmental auditors. Overseas production facilities implement their own programs to provide effective training that corresponds to local regulations and customs.



Environmental training for new managers

## Environmental Preservation

### Medium-Term Action Plan for Environmental Preservation

The Alps Electric Group implements global warming countermeasures and other environmental preservation activities based on a medium-term action plan for environmental preservation formulated every three years.

Under the 7th Medium-Term Action Plan for Environmental Preservation to fiscal 2015, activities were advanced with the scope of some targets, such as improvement of energy consumption per unit, extended to the entire Alps Group. Except for a number of parameters, we generally managed to achieve targets (mainly numerical targets) under the plan.

The Alps Electric Group is currently pursuing global warming countermeasures and other environmental preservation activities in line with the 8th Medium-Term Action Plan for Environmental Preservation from fiscal 2016.

As a manufacturer we have added elements to the 8th Medium-Term Action Plan that will let us contribute more to environmental preservation even in the areas of manufacturing and product development; namely, improvement of material yield<sup>1</sup> and material straight pass rate<sup>2</sup> to enable effective utilization of resources, and aggressive sales of environmentally friendly products. In regard to targets set under the 7th Medium-Term Action Plan, such as improving energy consumption per unit, activities will be continued with the scope again encompassing the entire Alps Group.

\*1: Material yield:

The value (theoretical value) reached by dividing the amount of raw materials constituting a product by the amount of raw materials needed to manufacture the product. The closer the value is to 1 the better. An important consideration is working out how to reduce the amount of items such as metal offcuts and plastic runners through innovation in product design and mold or die specifications.

\*2: Material straight pass rate:

The value reached by dividing the amount of raw materials theoretically needed by the amount of raw materials actually used in the process. The closer the value is to 1 the better. Important tasks here include reducing the amount of defects within the manufacturing process and reducing losses during switching of production batches.

## ● 8th Medium-Term Action Plan for Environmental Preservation

Area of Initiatives	Target	Scope of Application
Global warming countermeasures at business facilities	Improve energy consumption per unit by an average 1% each year to 2020	Alps Group (*1)
Global warming countermeasures in logistics	Improve energy consumption per unit related to product logistics in Japan by 1% each year to FY2018	Alps Electric
Reduction of total waste emissions	Improve total waste emissions per unit by 1% each year to FY2018	Alps Group
Effective utilization of resources in design and manufacturing	(1) Improve material yield (2) Improve the material straight pass rate	Alps Electric Global (*2)
Reduction of water usage	Improve water (municipal/industrial water supply) usage by 1% each year to FY2018	Alps Electric Global
Sales promotion of environmentally friendly products	Advance sales promotion activities for environmentally friendly products	Alps Electric
Promotion of biodiversity conservation activities	Promotion of biodiversity conservation activities	Alps Electric

\*1. Alps Group: Alps Electric, Alpine, Alps Logistics and their related companies

\*2. Alps Electric Global: Alps Electric and electronic components segment production subsidiaries in Japan and overseas

## ● Seventh Medium-Term Action Plan for Environmental Preservation

Area of Initiatives	Target	Scope of Application	Self-evaluation
Global warming countermeasures (energy management)	Improve energy consumption per unit (average 1% annually to 2020)	Alps Group (*1)	○
Reduction of total waste emissions	Improve total waste emissions per unit (1% each year to FY2015)	Alps Group	○
Reduction of water usage	Improve water usage per unit (1% each year to FY2015)	Alps Electric Global (*2)	○
Reduction of the environmental impact of logistics	Improve energy consumption per unit related to product logistics in Japan (1% each year to FY2015)	Alps Electric	○
	Ascertain energy consumption for product logistics overseas (by FY2014)	Alps Electric, Alps Logistics	×
Action on global warming through products	Look into introduction of environmental contribution visualization	Alps Electric	○
	Achieve compliance with GHG Protocol Scope 3	Alps Electric	○
Promotion of biodiversity conservation activities	Promote and continue company-wide biodiversity conservation activities	Alps Electric	○
	Carry out awareness activities at each base and for individuals	Alps Electric	○
Environmental management systems	Look into and implement environmental management system integration in Japan	Alps Electric	○
Promotion of environmental education	Promote awareness activities for individuals and households	Alps Electric	○
	Look into and implement environmental education globally	Alps Electric Global	×
Sharing of Alps Group environmental data	Carry out sharing of environment-related data within the Alps Group	Alps Group	○

Self-evaluation ○ : Achieved △ : Partly achieved × : Unachieved

\*1. Alps Group: Alps Electric, Alpine, Alps Logistics and their related companies

\*2. Alps Electric Global: Alps Electric and electronic components segment production subsidiaries in Japan and overseas

## | Environmental Preservation

### Environmental Impact

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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 (FY2015)

**INPUT**

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

<b>Electricity</b> (Mwh)	<b>Municipal/Industrial water supply</b> (t)	<b>Fuel</b> (Crude oil equivalent: kl)
Japan <b>124,490</b>	Japan <b>619,570</b>	Japan <b>851</b>
Overseas <b>189,941</b>	Overseas <b>731,498</b>	Overseas (not tabulated)
<b>Fuel</b> (Crude oil equivalent: kl)	<b>Groundwater</b> (t)	
Japan <b>2,278</b>	Japan <b>51,155</b>	
Overseas <b>966</b>	Overseas <b>35,608</b>	

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/India (3), Greater China / Korea (7)

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

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

**OUTPUT**

"Zero emissions" activities are pursued to reduce outputs. We also work to reduce chemical substance releases into the atmosphere and CO<sub>2</sub> emissions from logistics operations.

<b>Products</b>	<b>Emissions into the atmosphere</b> (t)	<b>Emissions into the atmosphere</b> (t)
Electronic components for notebook PCs, smartphones, car navigation systems and automobiles	Japan CO <sub>2</sub> <b>78,963</b> NOx <b>4</b> SOx <b>4</b> VOC <b>52</b>	Japan CO <sub>2</sub> <b>2,257</b>
	Overseas CO <sub>2</sub> <b>151,234</b> NOx (not tabulated) SOx (not tabulated) VOC (not tabulated)	Overseas (not tabulated)
<b>Waste</b> (t)	<b>Emissions into water</b> (t)	
Japan <b>6,084</b>	Japan <b>477,673</b>	
Overseas <b>11,869</b>	Overseas (not tabulated)	

## | Environmental Preservation

### Mitigation of Environmental Risks

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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.

## ● Chemical Substances-Appropriate Use and Release Control

Alps Electric ensures appropriate use of chemical substances by regulating the use of substances in products and processes through the Alps Environmentally Hazardous Substance Control Standard.

PRTR Substance Survey Results (Coverage: Alps Electric)

Unit : (t)

Substance	Volume Used		Volume Emitted				Volume Transferred			
			Air		Water		Sewage		Transferred to Subcontractors	
	'14	'15	'14	'15	'14	'15	'14	'15	'14	'15
2-aminoethanol	2.8	2.3	0.0	0.0	0.0	0.0	2.8	2.3	0.0	0.0
Ethylbenzene	1.0	1.2	0.5	0.6	0.0	0.0	0.0	0.0	0.5	0.6
Ferric chloride	20.5	15.8	0.0	0.0	0.0	0.0	0.0	0.0	18.4	14.2
Xylene	8.3	2.4	1.4	1.6	0.0	0.0	0.0	0.0	0.4	0.5
Silver and its water-soluble compounds	7.9	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3
Inorganic cyanide compounds	3.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dimethylacetamide	1.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	1.0	2.1
1,2,4-trimethylbenzene	7.3	9.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Toluene	24.6	21.0	16.4	14.3	0.0	0.0	0.0	0.0	8.1	6.6
Lead	1.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nickel	3.9	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.3
Nickel compounds	3.1	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2
Water-soluble salts of peroxodisulfuric acid	21.8	30.7	0.0	0.0	0.0	0.0	0.0	0.0	21.8	27.3
Methylnaphthalene	13.6	23.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0

\* The above data includes data for production subsidiaries in Japan.

\* The Pollutant Release and Transfer Register (PRTR) Law was established in 1999 in Japan to encourage businesses to independently manage chemical substances by quantifying releases into the environment. Businesses file reports on releases of specified chemical substances and the central government tabulates and publishes the data.



## | Environmental Preservation

### Earth-Friendly Product Design

#### Proper Use and Management of Chemical Substances

The Alps Electric Group uses chemical substances during the production of items which meet society's needs. Many chemical substances, however, have a detrimental impact on the environment or human health if used or managed in the wrong way. For that reason, proper management of chemicals and avoiding the use of substances with a large environmental impact are important elements of business.

The Alps Electric Group fulfills its corporate duty to reduce environmental impact through the creation of management standards and proper management of the storage, use and release of chemical substances used in production in keeping with laws and regulations.

#### Enabling Provision of Safe, Environmentally Friendly Products

Countries worldwide have been introducing and strengthening restrictions on chemical substance content in products in recent years and we need to be able to promptly communicate related information.

The Alps Electric Group has formulated a set of Green Procurement Standards and adheres to the standards when purchasing materials in order to eliminate the use of hazardous substances from all processes—from materials and parts procurement to assembly and shipping—and to ensure that products do not contain hazardous substances. We also conduct “environmental corporate evaluations” of materials suppliers whereby we assess their environmental efforts, and prioritize business with suppliers operating with sufficient consideration toward environmental protection.

#### ● **Product Assessments During Development**

The Alps Electric Group implements product assessments to evaluate the environmental impact of products during the development and design stage, thereby contributing to the development of many environmentally friendly products. For example, product assessments are geared toward finding designs that support biodiversity conservation because they are smaller, thinner and lighter and therefore use fewer resources; promoting green procurement of materials; and reducing environmental impact by providing products that are easy to dismantle or break down. We also address global warming by reducing power consumption during manufacturing and improving the efficiency of processes.

## Environmental Preservation

### Energy Conservation

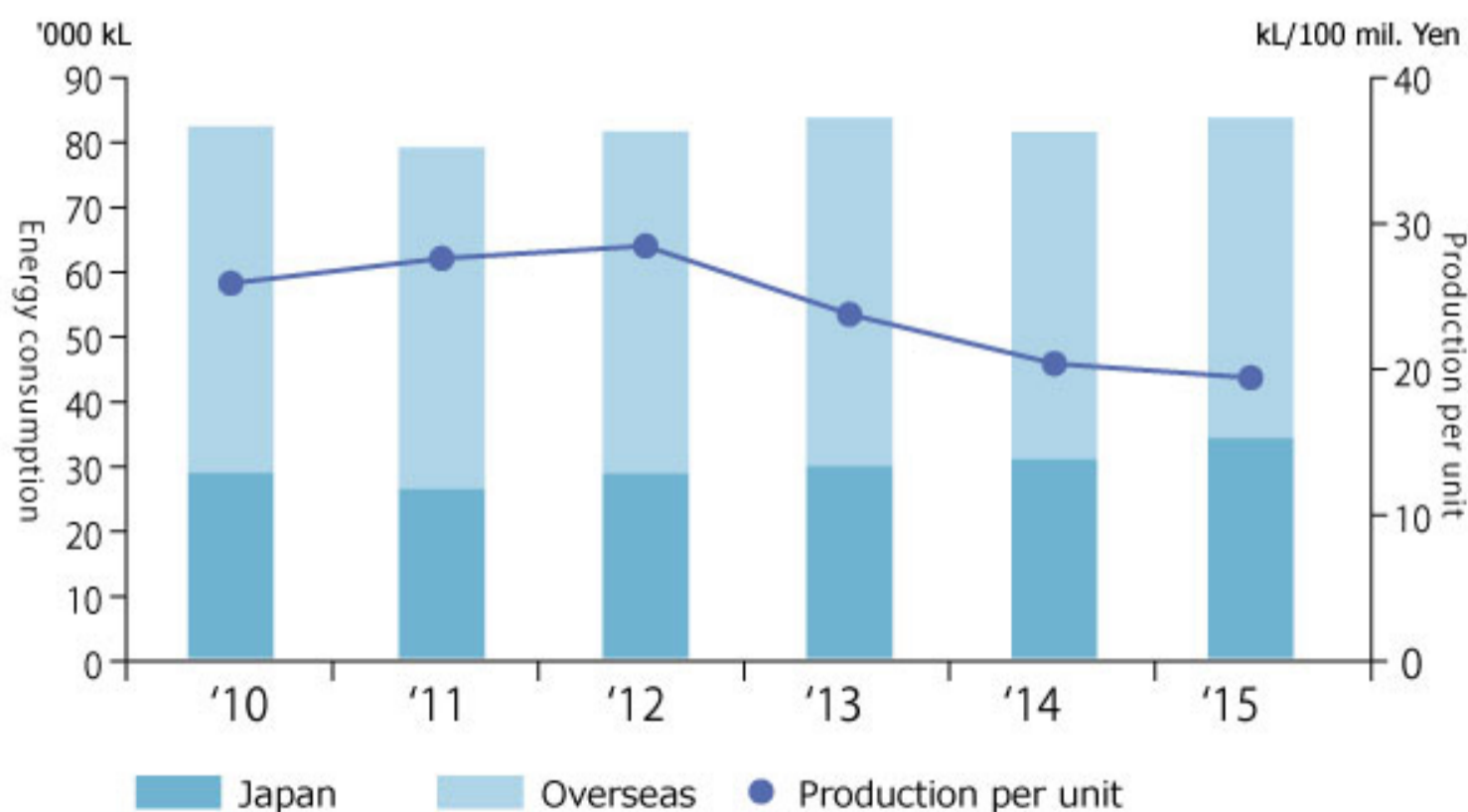
The Alps Group carries out energy conservation activities as a countermeasure to global warming under its 8th Medium-Term Action Plan for Environmental Preservation. Our target is to reduce energy consumption per unit by an average 1% annually up to 2020 from base year fiscal 2012.

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

In fiscal 2015, Alps Electric achieved energy savings by upgrading to high-efficiency facilities and also sought to conserve energy through operational improvements like improving the energy efficiency of production facilities, optimizing operation of utilities, and remedying air leaks from compressed air systems. A 24.8% reduction in energy consumption per unit (unit of output, compared to the base year) was achieved.

Further efforts will be made in fiscal 2016 to rationalize energy use centering on introduction of high-efficiency facilities and operational improvements, the two primary approaches to energy conservation.

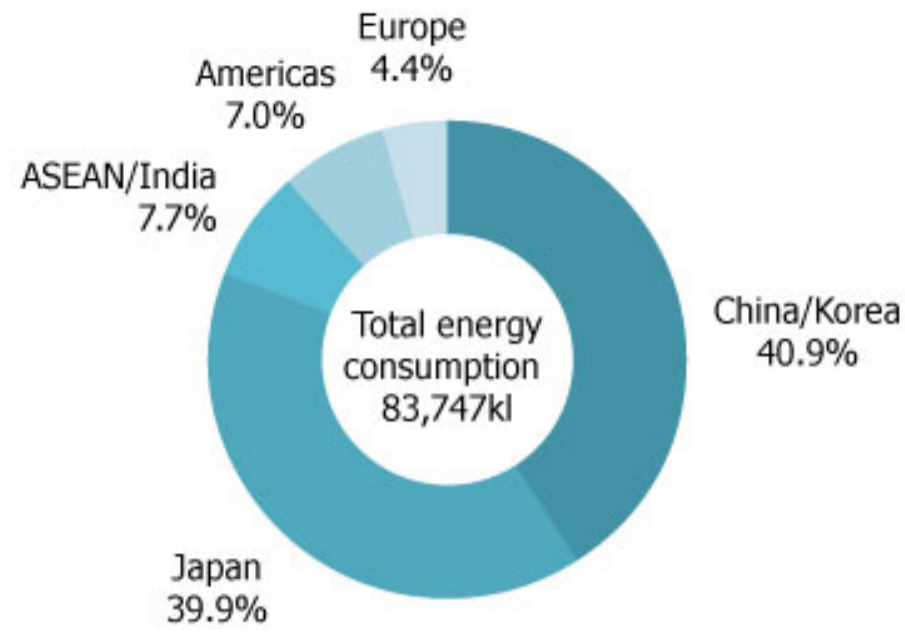
Energy Consumption (Crude Oil Equivalent) (coverage: Alps Electric Global)



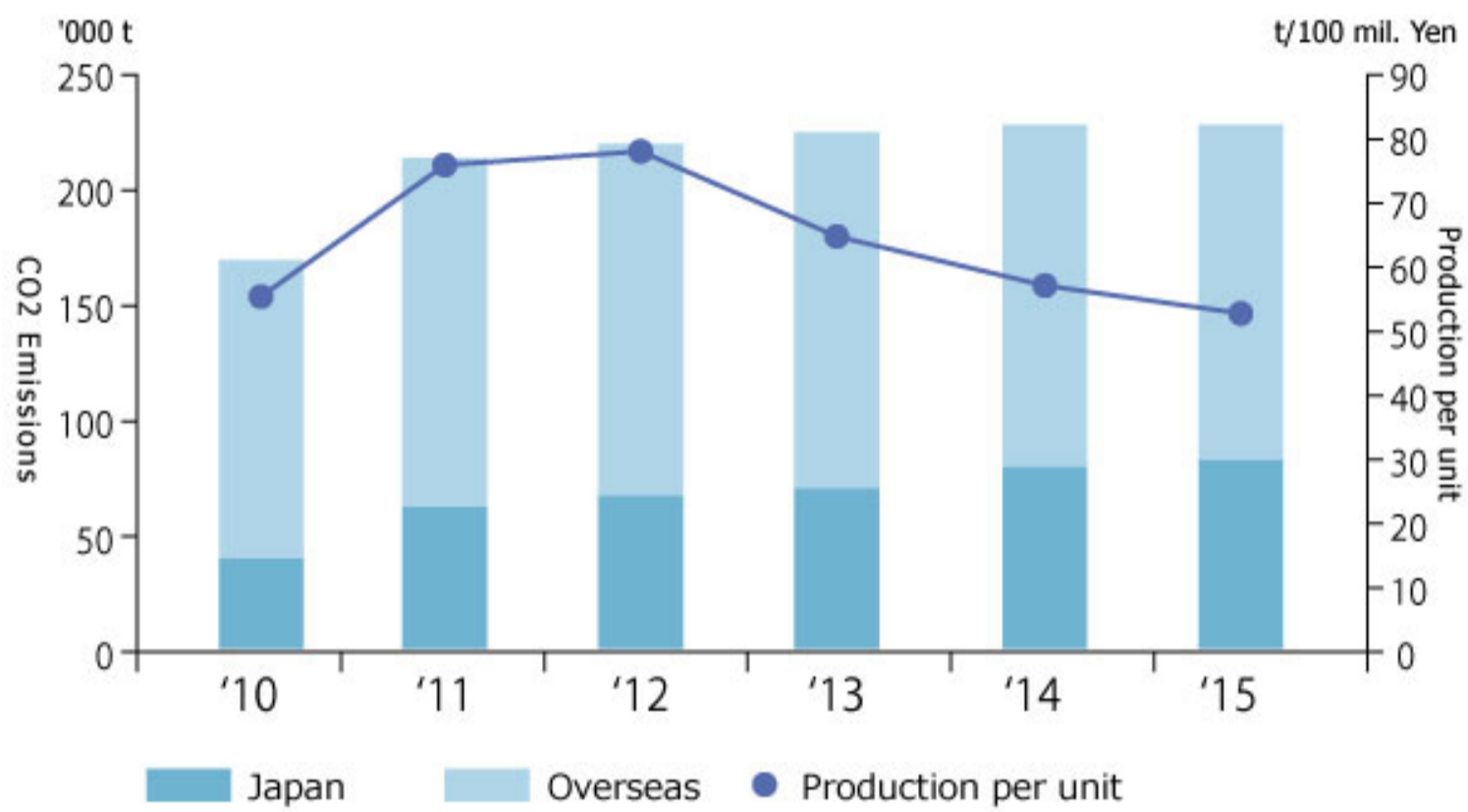
\*1 Energy consumption (crude oil equivalent): Electricity, fuel and other energy consumption

\*2 Per unit of output: Energy consumption divided by output value

## Energy Consumption (Crude Oil Equivalent) (Alps Erectric Global)

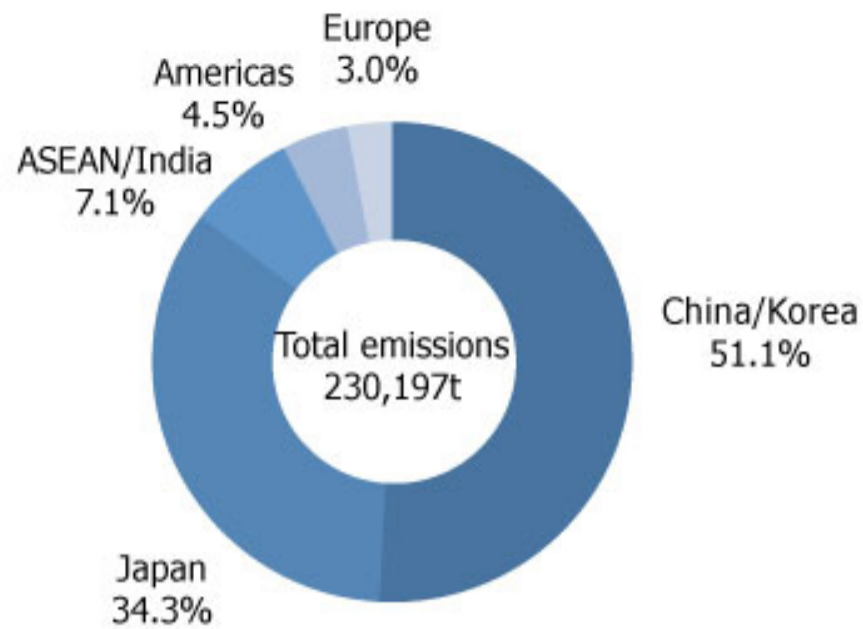


## CO2 Emission (coverage: Alps Erectric Global)



\* Per unit of output: CO2 emissions divided by output value

## CO2 Emissions (Alps Electric Global) FY2015



### Saving Energy by Switching Fuels

Kakuda Plant upgraded its air conditioning systems, switching from existing absorption cooling systems that run on fuel oil to electric, high-efficiency air-cooled modular chillers. Despite boosting cooling capacity by around 30% in order to meet the current air conditioning load requirement, the plant reduced annual energy usage (crude oil equivalent) by 57.1kl, representing energy savings of around 32%.



These efforts resulted in a complete end to fuel oil use and also helped to reduce air pollution caused by combustion and to avoid the risk of a fuel oil spillage.

## Environmental Preservation

### Reducing Waste

Since fiscal 2001, Alps Electric has implemented a “zero-emissions” (\*1) campaign aimed at recycling all waste from offices and production plants. This target was successfully achieved by the end of fiscal 2004 at all divisions in Japan.

Alps Electric is working to reduce waste in line with targets established under the 7th Medium-Term Action Plan for Environmental Preservation.

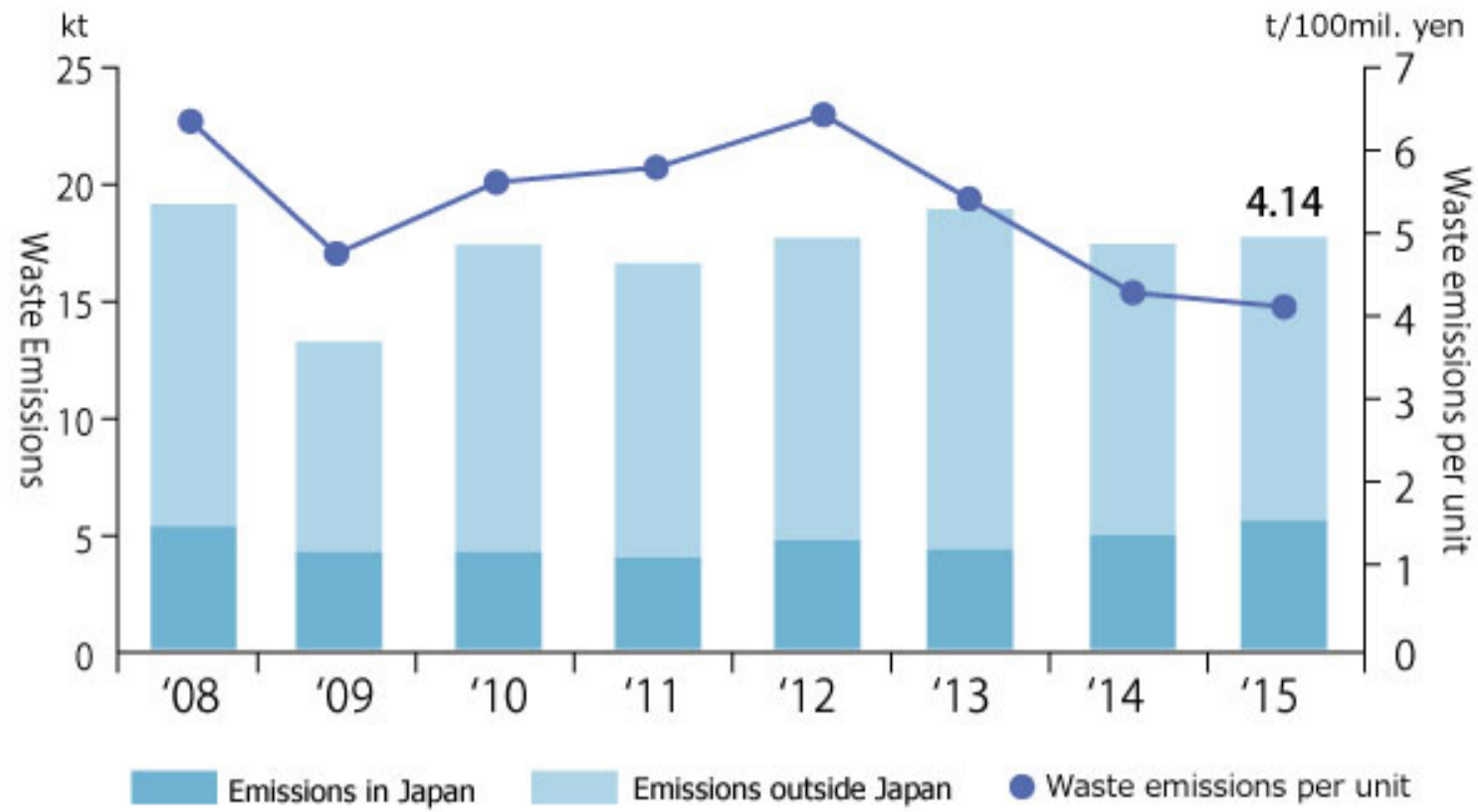
(\*1) Zero-emissions: A recycling-oriented social system involving elimination of all kinds of waste by effectively recycling them into raw materials and other useful purposes; advocated by the United Nations University in 1994.

#### ● Environment Minister’s Award for Recycling Activities

Alps Electric Korea won a Korean Environment Minister’s Award for 2015 as an outstanding place of business in the area of resource recycling activities. The award recognizes Alps Electric Korea’s persistent activities, including in-house recycling of waste plastic and solvents, and conversion of general waste into solid fuel.

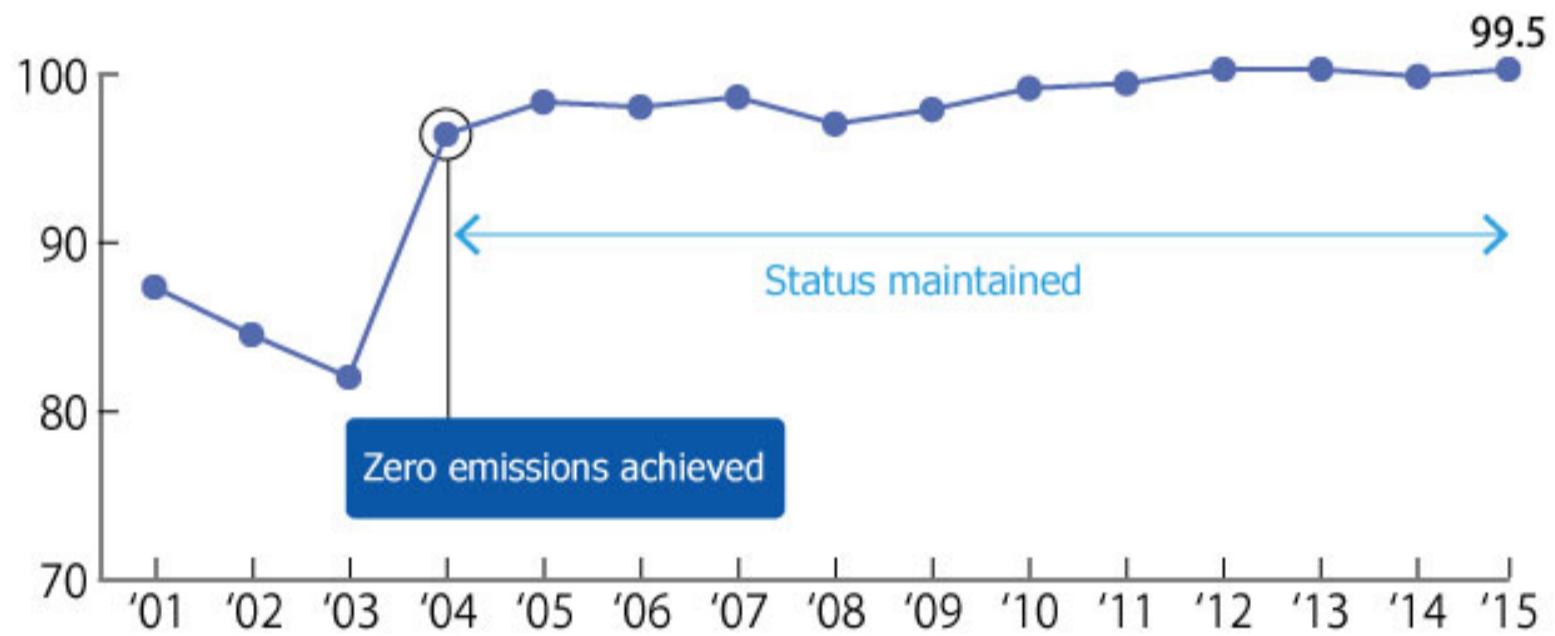


## Total Waste Emissions (Coverage: Electronic components segment)



- \*1 Total waste emissions: The total amount of emissions from the company of unrequired waste and sold items
- \*2 Waste emissions per unit: Total waste emissions divided by the value of production (Japan and overseas)

## Recycling Rate (%) (Coverage: Alps Electric Co., Ltd.)



- \*Recycling rate: The volume of waste recycled as a percentage of total waste emissions

## Environmental Preservation

### Biodiversity

The Alps Electric Group addresses biodiversity from two angles—business and social contribution.

In our business, we develop sensor modules for environmental monitoring. Social contribution activities include support for “Morino Chonai-Kai” (Forest Neighborhood Association) activities contributing to the development of healthy forests through the promotion of forest thinning and effective utilization of thinnings run by environmental NPO Office Chonai-kai; and continued assistance for a campaign to regenerate forest destroyed as a result of the Great East Japan Earthquake and tsunami in 2011 along the coastline of Natori, Miyagi Prefecture. We also participate in volunteer activities for biodiversity protection.

#### ● Environmental Sensor Module Development

The Alps Electric Group has developed an IoT-compatible sensor module combining compact, low-power, low-voltage sensors with a communication module. The sensor module is able to capture temperature, humidity, air pressure, ambient light and other data from the surrounding environment and has a feature for transmitting captured data using wireless communication. It is hoped the technology will contribute to biodiversity protection as it could potentially lead to more effective application of agrichemicals and fertilizers in rice paddies and on arable land.



Environmental Sensor Module

#### ● Little Tern Nesting Ground Improvement Project Participation

NPO Little Tern Project, Tokyo’s Bureau of Sewerage and Ota Ward are jointly advancing an environmental improvement project at the Morigasaki Water Reclamation Center in Ota Ward, Tokyo, near Alps Electric’s head office, where little terns, a migratory bird listed as vulnerable in Japan, build nests. Employees of not only Alps Electric, but also group companies Alps Logistics and Alps Business Creation, as well as their families, have participated in the project as volunteers.



Volunteers in action

Little tern  
Photo supplied by  
Little Tern Project



## I Relations with Employees

### Human Resources Development

Our approach to human resources is “believing in people.” In a workforce representing diverse cultures and sets of values, we implement measures promoting the ongoing development of employees into creative, independent-minded professionals.

#### ● Employee Systems

In March 2016, Alps Electric put into action a number of measures aiming to make use of diverse human resources, lift motivation, nurture professionals and establish systems enabling full application and development of employees’ skills. This has included easing restrictions on holding more than one job, expanding application of the reduced working hours program and introducing a system for working from home with certain conditions.

#### ● Human Resources Development Initiatives

##### Development-Oriented Rotation and Career Development Support

Alps Electric carries out development-oriented rotation as a method of developing human resources through their jobs. Allowing employees to gain experience in a number of different jobs and departments expands their scope of duties and encourages them to acquire broad vision, a heightened perspective and a flexible mind.

Employees additionally file self-assessments reporting on their career so far, as well as future job ambitions and other aspects, such as life plans. Each year, supervisors and employees discuss career design for the medium term and the actualization of employees’ capabilities is supported, for example through training, rotation and in their jobs.

##### Overseas Trainee Program—Developing 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.

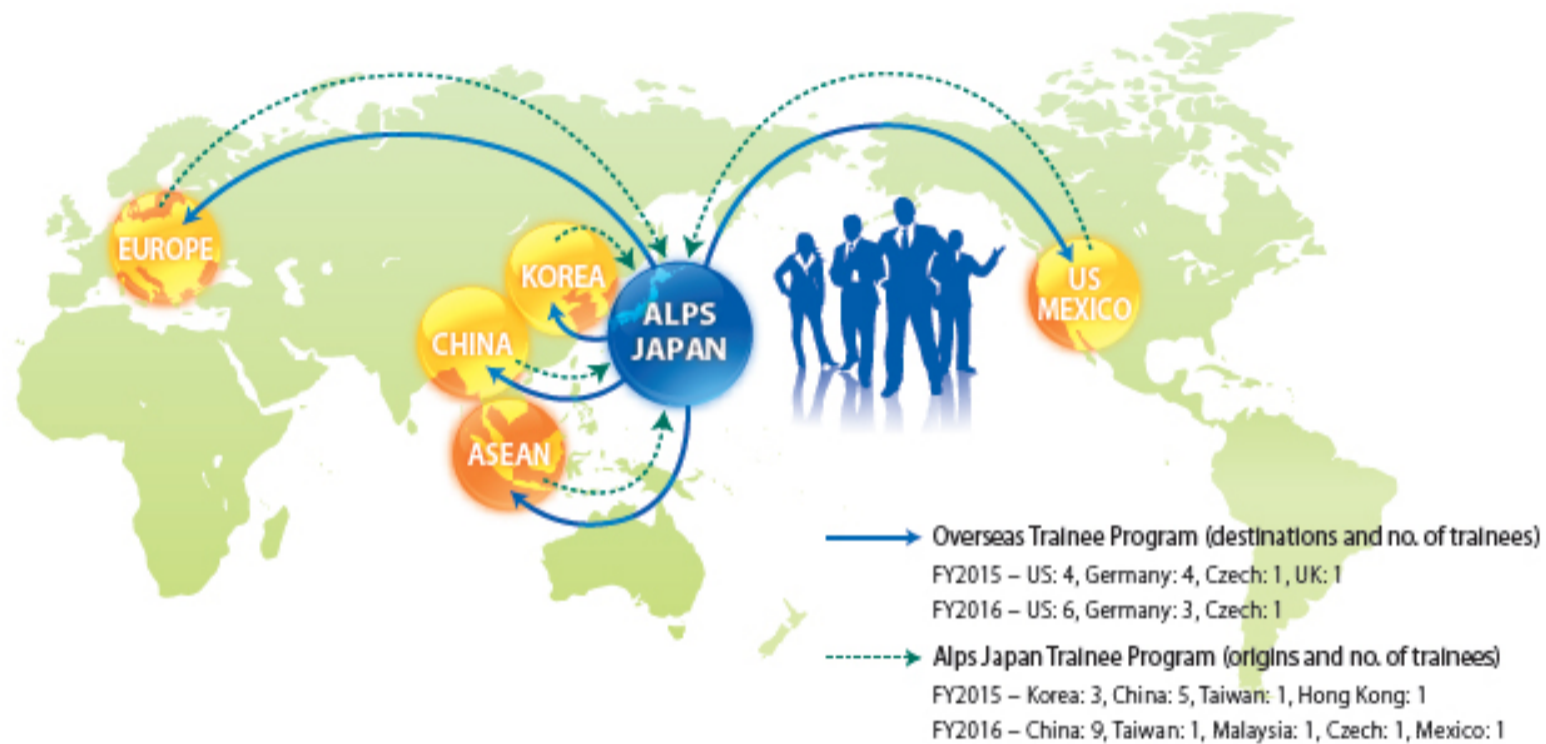


## Alps Japan Trainee Program —Nurturing Future Overseas Affiliate Executives

As one element of our global strategy for human resources development, the Alps Electric Group runs the Alps Japan Trainee Program, which aims to nurture future executives of overseas affiliates. Through a one-year period working and doing practical training in Japan, trainees learn about business operations and Alps Electric's corporate culture. As future overseas affiliate executives, it is hoped they will serve as a bridge between Japan and overseas locations.



Seminar on accepting Alps Japan Trainees



## | Relations with Employees

### 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**

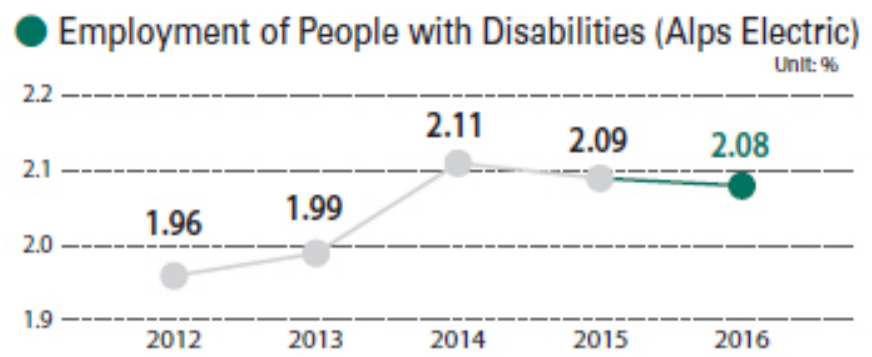
#### **Promoting Greater Involvement of Women**

Having long viewed expanding involvement of female employees as an important challenge, the Alps Electric Group provides equal opportunities for men and women, for example in overseas assignments and trainee programs.

In new-graduate recruitment, Alps Electric actively hires women, even in engineering positions. We also seek to bring about a change in mentality among managers and even women themselves, for example by establishing the right working environments through enhancement of programs that support balance between work and childcare or nursing care, and by implementing education and training. 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.

## ● Employing People with Disabilities

Alps Electric is working to establish environments where all employees, with or without disabilities, can work with vitality, applying their capabilities to the full. We have maintained a disabled persons employment ratio above the statutory rate continuously since 2012.



## ● Employing Foreign Personnel—International Associates Program (IAP)

The International Associates Program (IAP) recruits new graduates from overseas and employs them on two-year contracts at Alps Headquarters in Japan. Employing around five people annually for over 20 years, the program has had nearly 100 participants to date from countries in Europe, North America and Asia. After completion of the program, many 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 engage in wide-ranging jobs, for example in design and development, manufacturing, sales and accounting.

## Relations with Employees

### Occupational Safety

Creation of workplaces where employees can work in safety, in good health and dynamically. We view this as another source of corporate value.

### Creation of Safe, Healthy Workplaces

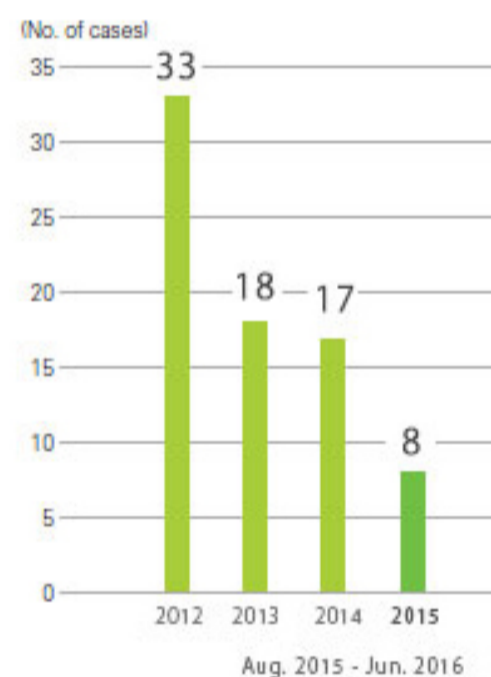
#### Basic Policy

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)



### 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

Alps Electric held walk rallies using physical activity monitors at all bases in Japan to encourage employees to develop and maintain good exercise habits. Clever ways were devised to keep participants motivated. For example, participants could compare their step counts against others' and bases could compete against each other on their total step counts. A total of around 1,000 employees took part in two walk rallies during fiscal 2015.

## Health-Conscious Cafeteria Menus (Kenko Shokudo)

Alps Electric's cafeterias innovate with menus to assist the health maintenance of individuals through awareness of salt and calorie intake from regular meals. At Alps Headquarters, measures include provision of "Kenko Shokudo" health-conscious meals of 800 kilocalories or less, smaller rice bowls, and provision of side dishes containing nutrients that employees might particularly lack.

## 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)

## Relations with Suppliers

### Procurement

The Alps Electric Group maintains fairness in its dealings with suppliers and builds relationships of cooperation and mutual trust based on underlying sincerity.

Our procurement policy is to help bring about sustainable development with attention to safety and environmental concerns.

### 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 Minerals

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 intentionally avoids employing as materials in its products conflict minerals that are used to finance armed forces from the Democratic Republic of the Congo or neighboring countries who engage in inhumane conduct.

In fiscal 2015, we held study sessions for engineers to promote awareness about conflict minerals and to communicate the company's stance on and response to conflict minerals. The experience will be used to ensure that the conflict minerals issue is taken into account right from the development stage.

## ● 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, the Czech Republic and India (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 supply chain is also affected by natural disasters, accidents, labor disputes, bankruptcies and other occurrences, with extensive repercussions for not only procurement activities, but also operations like logistics. The Alps Electric Group regularly updates its supply chain database and is currently establishing structures for globally centralizing information and responding in a timely manner when procurement risks do eventuate.

During fiscal 2015, Alps Electric's approach to procurement risk was explained to suppliers at a business policy briefing. Responding to such risks is not possible without the support of suppliers and we will continue efforts to strengthen that cooperation further.

## | Fair Management

As a member of modern society, the Alps Electric Group aims to strengthen foundations for enabling and practicing fair management by implementing active measures in the areas of corporate governance, compliance, risk management and information security.

### 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.

In line with this 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, Alpine Electronics and Alps Logistics, and allowing each company to engage in business activities based on independent decisionmaking through formulation of business plans and monitoring of performance.

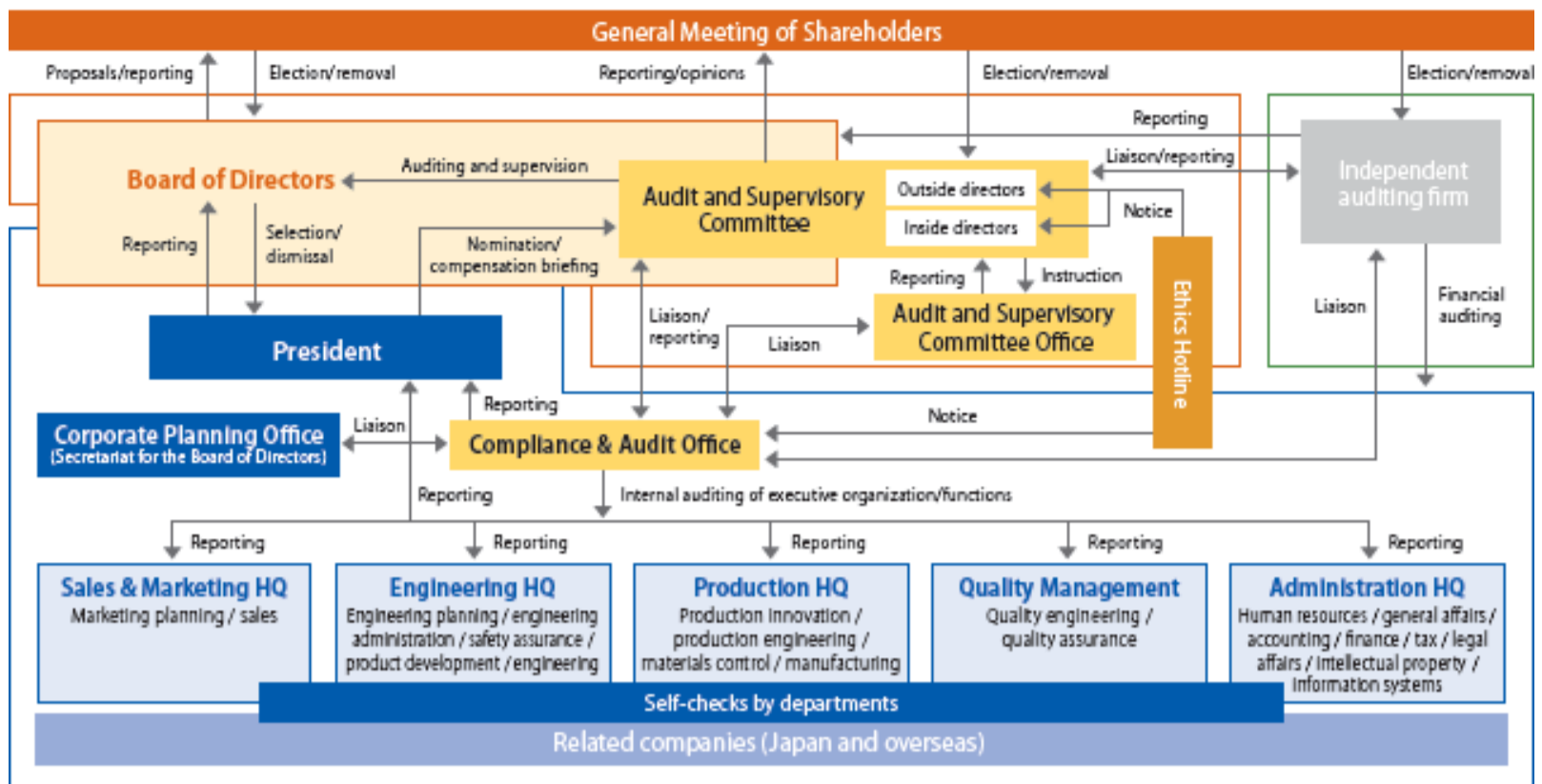
#### ● Corporate Governance Structure

Alps Electric made the transition from a “company with an audit and supervisory board” to a “company with an audit and supervisory committee” following approval at the 83rd Ordinary General Meeting of Shareholders on June 23, 2016. Independent of the Board of Directors, the Audit and Supervisory Committee will bolster auditing and supervision functions while closely coordinating with independent auditing firms and the internal audit department, thereby further strengthening corporate governance and enabling fair and highly transparent business administration.

The company also established the Alps Electric Corporate Governance Policy both in order to ensure fulfillment of our responsibilities to shareholders, customers, communities, employees and other stakeholders, and to enable a workable style of corporate governance. In a re-examination of Alps Electric’s approach to governance in light of the transition to a company with an audit and supervisory committee, the policy was formulated as the grounds for a growth-oriented style of governance for the purpose of achieving sustained growth and increased corporate value over the mid- to long-term. Under the 8th Mid-Term Business Plan launched this fiscal year, we will entrench and build on the policy, set in place new structures for the company, including the Audit and Supervisory Committee, and ensure smooth implementation.



## ● Corporate Governance at Alps Electric



## ● Board of Directors

Alps Electric's Board of Directors consists of 12 directors (not including Audit and Supervisory Committee members) and five directors (including three outside directors) who are Audit and Supervisory Committee members. It is positioned as an organ that deliberates and makes decisions on basic management policy, important managerial matters, such as short- and midterm business plans, and carries out monitoring and supervision of the execution of duties. 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 Board of Directors is operated in accordance with related rules and bylaws. 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, helping to realize rational and efficient discussion in Board of Directors meetings.

## ● Audit and Supervisory Committee

Alps Electric's Audit and Supervisory Committee comprises three outside committee members and two inside members. With a majority of members coming from outside the company, the committee endeavors to make suitable judgments from an objective standpoint independent of the Board of Directors. Outside committee members, possessing extensive experience as attorneys (legal specialists) or certified public accountants (accounting specialists), and inside committee members, including one full-time member, familiar with the company's business carry out audits with high efficacy. And while liaising with the internal audit department, they offer opinions to management at meetings of the Board of Directors and other important meetings. Furthermore, persons are assigned to assist the duties of the Audit and Supervisory Committee and it is ensured that employees who engage in these duties (not including directors who are committee members) are independent of the Board of Directors.

## ● Outside Directors

Alps Electric has appointed three outside directors. Outside directors focus on ensuring legal compliance in business administration and, bearing all stakeholders in mind, strive to strengthen supervision of business administration by actively offering opinions and advice in meetings of the Board of Directors and through supervision of the election, removal and compensation of management personnel as well as conflicts of interest between the company and management personnel, controlling shareholders and other parties, plus other decisionmaking by the Board of Directors on important matters. They also work to realize effective supervision by regularly visiting facilities of Alps Electric to gather information and engage in information and opinion exchange with other directors and employees.

Appointment of outside directors is determined based on company standards for selection of director candidates, including criteria for independence, and outside directors, with their consent, are designated independent directors with their appointment as independent directors being notified to Tokyo Stock Exchange, Inc.

Name	A&S Comm. member	Independent director	Reason for appointment	Other main positions currently held
Takashi Iida	Yes	Yes	To receive sound guidance and advice for management of the company based on his extensive experience and achievements in the judicial world as a lawyer	Outside Corporate Auditor, Shimadzu Corporation Outside Audit & Supervisory Board Member, Nippon Telegraph and Telephone Corporation
Hiroshi Akiyama	Yes	Yes	To employ in the management of the company his expert knowledge and experience and broad insight accumulated as a lawyer	Outside Corporate Auditor, YKK Corporation
Takuji Kuniyoshi	Yes	Yes	To employ in the management of the company his international experience gained in accounting firms and broad knowledge accumulated as a certified public accountant	

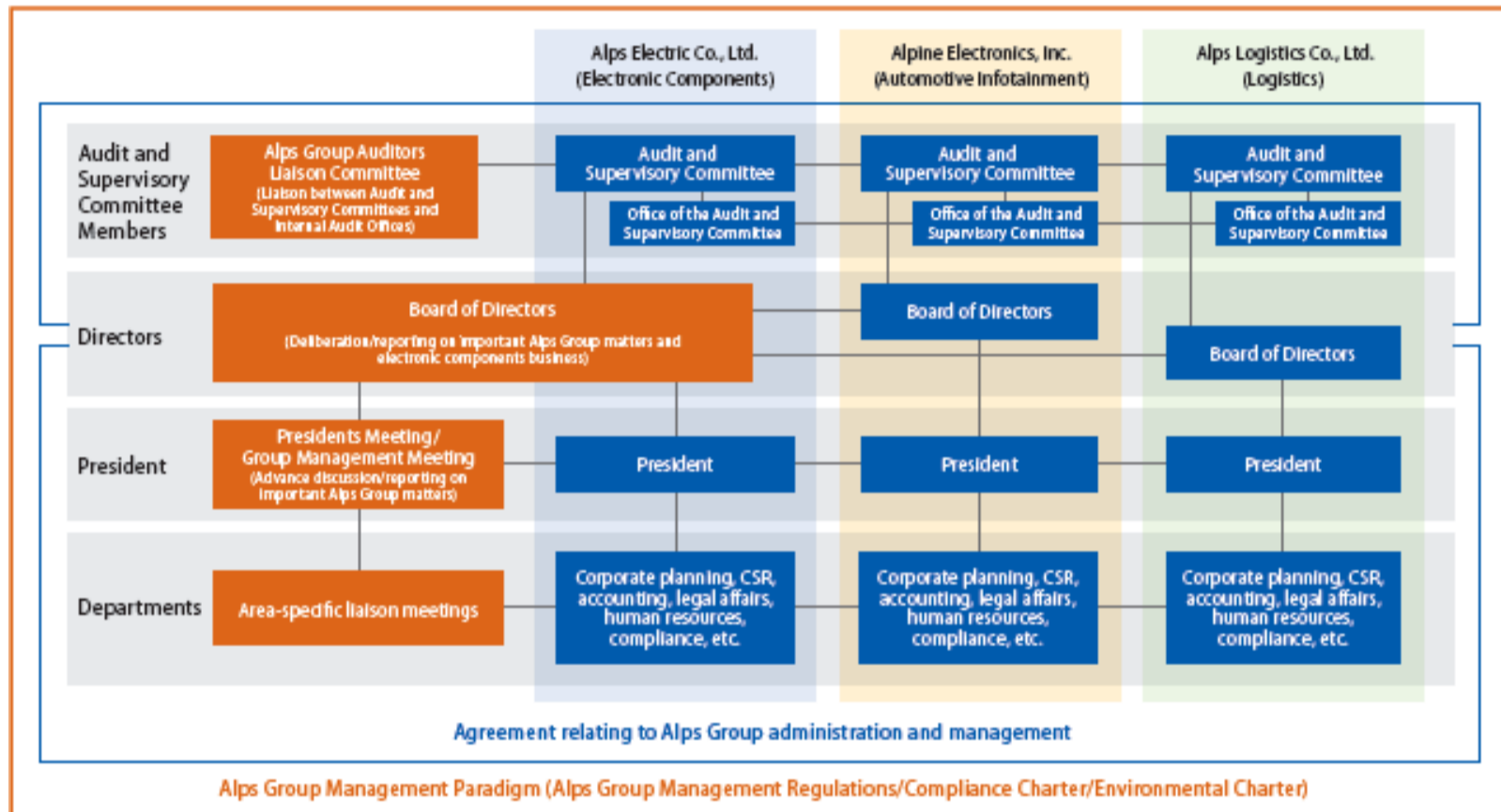
### ※Outside Director and Outside Audit & Supervisory Board Member Activity During FY2015

Name	Role	Board of Directors meeting attendance	Audit & Supervisory Board meeting attendance	Auditors Liaison Committee meeting attendance
Takashi Iida	Outside Director	12/12	-	-
Hiroshi Akiyama	Outside Audit & Supervisory Board Member	12/12	5/5	10/10
Takuji Kuniyoshi	Outside Audit & Supervisory Board Member	12/12	5/5	10/10

## ● 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 by Alps Electric 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. For more detailed information on the structure of internal control systems, please view the “Matters Related to Internal Control System” section of our Corporate Governance Report.

### ● Alps Group Internal Controls



Alps Group Internal Controls

## Outside Director Comment

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### Making the Most of Alps Culture

Lawyer Hiroshi Akiyama was appointed an outside director and member of the newly established Audit and Supervisory Committee in June 2016. We talked to him about Alps Electric's approach to strengthening corporate governance within the new organizational system.

I was recently appointed an outside director and Audit and Supervisory Committee member of Alps Electric. To touch on my views about the "company with an audit and supervisory committee" format and outside directors, I think it is important that Alps Electric initially adopts a style that it deems realistic for the company, as opposed to the mentality that companies with an audit and supervisory committee have to be a particular way. As for my

responsibilities, a big one is to soundly perform my monitoring function. Basically, I don't think it differs too much from that of an outside Audit &

Supervisory Board member. As an independent

director, I view independence as like saying, "Even if I quit, even if I'm dismissed, I'll still have food on the table." In other words, I can fulfill my duties without softening my stance of saying what needs to be said with confidence. Directors, because they are involved in the company's decision-making, ideally ought to have a detailed understanding of businesses and products, but I would not come close to an "inside" director on that front. In regard to Alps Electric, however, I believe I have a generally good idea about who does what, and in what way, through my involvement with shareholders' meetings and various other matters as a lawyer, and from the mood inside the company, and it is my opinion that having this kind of intuition is more important than any vague reasoning or data. Whether or not I discover any anomalies will come down, I imagine, to whether or not I sense them as such.

Japanese corporations are currently being asked to strengthen governance, but I fear that strengthening alone, controlling everything, will lead to companies losing their dynamism and self-initiative. Some might think this contradicts what I said about fulfilling my monitoring function, but I am trying to point out that if we see what we need to see and correctly gauge the situation when a decision is required, then to put it bluntly, we can step back from everything else. However, I doubt it will ever be as simple as that because determining what we need to see is so complex. The capabilities of the monitoring party are another consideration, but more than anything, we are not going to get anywhere unless we actually can see things. The key theme here is visualization. How does information reach senior management? How is information shared? Who is in charge? How were decisions made and who made them? What discussions took place? And so on. In any case, even though I am from the outside, I feel more a part of Alps Electric since becoming a director.



Outside Director  
Audit and Supervisory  
Committee Member (Outside)  
**Hiroshi Akiyama**

Director training carried out jointly by the Alps Group is in my opinion one of Alps Electric's best initiatives. It is a chance for directors themselves to review how they approach matters and it helps to maintain cross-organizational links within the Alps Group. While getting too close to other directors is not a good thing, it is important to appropriately observe one another's good and bad points. With those ties established, scandals shouldn't occur. For directors to be able to fulfill their duty of care, the right environment has to be created and maintained, and the same applies to subsidiaries. I believe the way that all Alps Group directors consider matters together will lead to improvement of Group governance up ahead.

Alps Electric uses the expression "Alps-ism" to refer to proud aspects of Alps culture and employees do indeed come across as cheerful and easygoing. I truly hope that, while remaining vigilant, the company retains this atmosphere and I want to help ensure that. At Alps Electric, there is a culture, a philosophy, of going hard even when it is time to play. Everyone loves festivities and a wide range of in-house events are held. I look forward to telling people that I am an outside director and Audit and Supervisory Committee member of such a company—a company so rare in this day and age.

## | Fair Management

### 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.

#### ● Measures

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.

#### 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.

Specifically, internal controls are established and implemented to ensure that management of the company and Group operations are carried out appropriately; that departments carry out self-checks (monitoring) of their own activities; and that the internal audit department carries out internal audits of the activities and operations of company departments, overseas affiliates and other subsidiaries. For example, in regard to the management and use of grants and subsidies received from public agencies, we have established a set of regulations relating to the management and use of such grants and subsidies and put in place a company-wide management structure with the president as chief officer in charge and the general manager of the Administration Headquarters as supervising officer. Within each headquarters, where there are structures in place for promoting compliance, the compliance promotion representative for the headquarters—head of the planning department—assigns compliance promotion officers and ensures that grants and subsidies are managed and used within the organization according to the regulations. Each compliance promotion representative also regularly checks up on the use of grants and subsidies within their headquarters and reports to the supervising officer and the internal audit department. The internal audit department regularly checks up on the use of grants and subsidies company-wide and reports to the supervising officer and the chief officer in charge.

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.

## ● Internal Reporting System

The Alps Electric Group has in place an internal reporting system (Ethics Hotline) for responding to problems 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 in Japan and the main overseas affiliates.

In-house regulations provide for operation of the internal reporting system and expressly call for the anonymity of reporting to be ensured and the protection of reporting individuals.

## ● Global Implementation of Compliance and CSR Training

The Alps Electric Group has commenced annual compliance and CSR training, which is implemented globally.

The training not only provides a general outline of compliance and CSR, but also covers topics such as bribery, proper accounting procedures, information management, and the prohibition of harassment and discrimination, with the objective of ensuring full awareness of these issues.

In fiscal 2015, the inaugural training program was implemented at Alps Electric and affiliates in China (incl. Hong Kong and Taiwan). In fiscal 2016, the same program will be extended to subsidiaries in Japan and overseas affiliates in areas other than China, and a second training program will be planned and implemented.



Compliance and CSR training at Furukawa Plant

## Fair Management

### Risk Management

#### ● Approach to Risk Management

Risks are diversifying due to business globalization and advancements in information and communication technology and it is vital that we avert risks affecting our future and that we anticipate dangers and losses which could potentially occur and take steps to avoid them or, if they cannot be avoided, minimize the damage caused. And given recent debate about the value that corporations bring to society, we need to strengthen management and operational foundations that support legal compliance and appropriateness of management and the execution of business affairs. It is also essential that, even in times of economic stagnation and low growth, we carry out growth-oriented management with risks thoroughly managed. The Alps Electric Group views risk management as the basis for a style of management and business operations that enables sustained business growth and enhanced corporate value over the mid to long term; in other words, a foundation for growth-oriented management.



#### ● Risk Maps

Under the jurisdiction of the director in charge of administration, corporate departments—including corporate planning, legal affairs, human resources, general affairs, accounting, export and import administration, and compliance—and operating departments—such as engineering, manufacturing and sales—deliberate on functions and roles relating to risk management, establish risk management structures and prepare “risk maps” based on crisis management regulations and in accordance with the 8th Mid- Term Business Plan. This specifically entails categorizing risks and then, principally once a year, evaluating risks from the perspectives of potential impact, potential for eventuation, and status of risk management measure implementation. Evaluation results are used to update risk maps on which risk management activities are subsequently based.

#### Main Risk Factors

External risks	Political, economic and social risks; business risks (e.g. supplier, monetary, M&A, competition risks); and natural disaster and accident risks
	Strategy management risks (marketing/development, resource, financial, labor risks)
Internal risks	Internal incident, accident or illegal activity risks (legal/compliance, criminal intent/crime, negligence, accident/breakdown risks)
	Business and business process risks (product, environmental, inadequate business process risks)



## 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 Regulations and Manuals

Alps Electric identifies risks that need to be managed in a set of Group-wide crisis management regulations and maintains crisis management manuals depending on the significance of the risk, updating them as required. Each Alps Electric Group facility in Japan also maintains its own individual crisis management manuals based on the Group-wide manuals. A central crisis management secretariat for the Group monitors the status of manual creation and maintenance.

### ● Comprehensive Emergency Drills

Each facility within the Alps Electric Group 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.

## | Fair Management

### 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 Security

Within the Alps Electric Group, the information systems department heads activities for establishing regulations related to information security, devising security enhancement measures and training plans, and deploying them both in Japan and globally 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. Operation, maintenance and trouble response activities of systems departments are also audited and we are advancing efforts to prevent falsification of information and maintain environments allowing utilization of information for business at the right time, along with measures to counter new threats such as targeted attacks.

# Information Disclosure

## Basic Approach to Information Disclosure

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

As methods of disclosure, we immediately post the information to our websites and also provide ongoing communication about new products, the latest on business activities and other matters.

From an investor relations perspective, we recognize the importance of providing clear explanations and sufficient information about business plans and business policy. We will continue efforts to enhance face-to-face dialogue between Alps Electric's senior management and stakeholders such as shareholders, institutional investors and analysts at earnings briefings and other events.

The Alps Electric Group strives to fulfill its duty to provide clear explanations to stakeholders and to earn their trust and praise through two-way communication, building long-term trust-based relationships.

## Communication with Stakeholders

### ● Communication with Shareholders, Investors and Analysts

The Alps Electric Group provides information that stakeholders need through various forms of communication. We also want to make use of objective feedback from stakeholders to bring about business improvements.

Besides the Alps Electric website and the Alps Report quarterly bulletin for shareholders, we aim for even greater communication with the capital market by holding briefings on each earnings announcement for analysts, institutional investors and the press, and by creating regular opportunities for meetings between company directors and investors.

Furthermore, we implement briefings during our biennial exhibition, the Alps Show, and tours of plants (on occasion). Efforts are being made to enhance opportunities for communication to foster deeper understanding not only about our financial situation, but also product development and other aspects of Alps Electric's business.



During fiscal 2015, a tour of Nagaoka Plant was organized for analysts, with 43 people taking part.

### ● Communication with Customers

The Alps Electric Group actively participates in a variety of trade shows in order to engage in communication with as many customers as possible. In fiscal 2015, we exhibited at a total of eight trade shows in Japan, China and the United States. In addition to the electronics and automotive shows we traditionally join, we also exhibited at fairs in areas new to Alps Electric, such as the medical and electrical construction fields.

Besides trade show participation, we also arrange "mini shows" on customer premises. Some 53 mini shows were held in Japan and overseas during fiscal 2015.

We will persist with activities like these as we are eager to build trust-based relationships with a large number of customers all over the world.



The Alps Electric booth at CEATEC Japan, the country's largest IT and electronics technologies trade show

## ● Communication with Local Communities

Every year, we hold “monozukuri workshops” at bases in Japan. The company’s head office, in particular, has co-hosted the Monozukuri Science School with Tokyo’s Ota Ward since November 2003 with around 1,860 children having taken part so far in 123 workshops over 12 years.

Manufacturing industry has its roots in monozukuri (encompassing all aspects of product creation). Passing down the wonders of monozukuri to the next generation is an important social

responsibility for Alps Electric as a manufacturer and a task we believe will lead to electronics industry development and to the sustainable development of society.

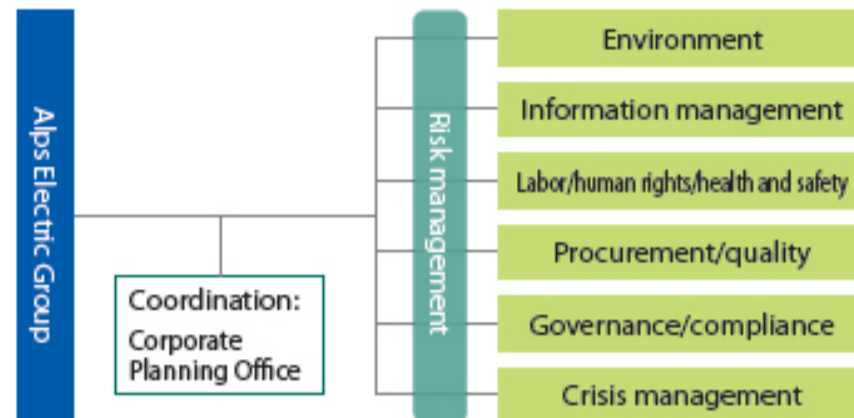


## CSR Management

### ● CSR Activity Promotion Structure

CSR activity of the Alps Electric Group is carried out proactively by individual departments. The Corporate Planning Office is responsible for summarizing the results of departmental activities and outstanding themes and reporting every quarter to the Board of Directors.

From fiscal 2016, outstanding CSR themes will be treated as risks to the company's business and structures will be put in place for monitoring them accordingly.

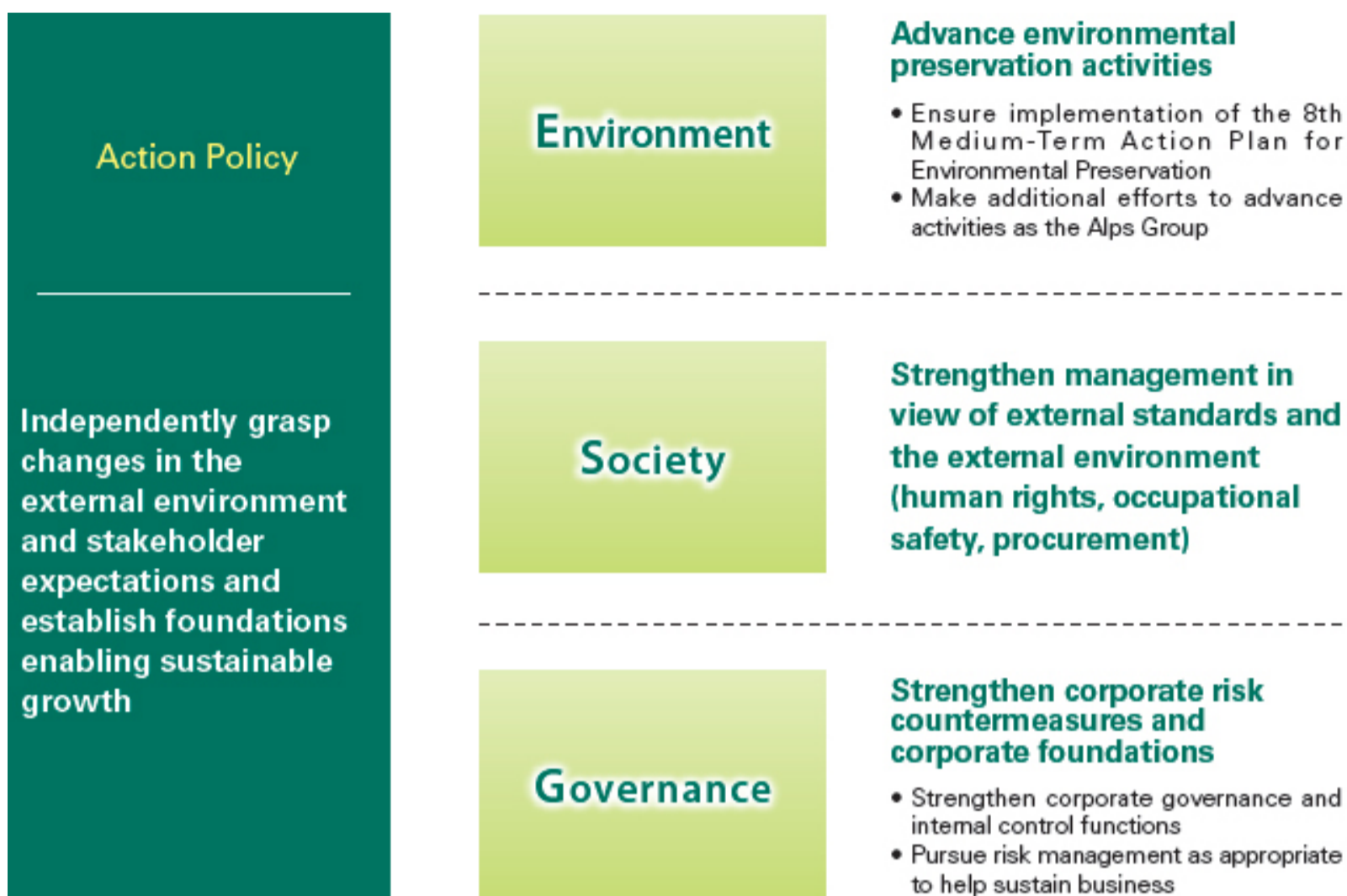


### ● Formulation of CSR Mid-Term Plans

The Alps Electric Group advances CSR activity according to mid-term plans established every three years. The 4th CSR Mid-Term Plan (FY2016 – 2018) was launched in April 2016.

Prior to formulation of the 4th CSR Mid-Term Plan, the method of formulation was reviewed. Departments currently involved in activities relating to CSR themes identified by the Alps Electric Group came together to pool and consolidate their respective issues after considering and examining factors such as their importance from the company's point of view and changes in the external environment. And in addition to an overall policy, policies were also set for each of the ESG categories: environment, society and governance.

● Alps Electric Group 4th CSR Mid-Term Plan



● Review of the 3rd CSR Mid-Term Plan (FY2013 – 2015)

<p>Action Policy</p> <p>Pursue CSR activity that earns stakeholder trust through sharing of even better value</p>
<ul style="list-style-type: none"> <li>• The Action Policy and key themes were not sufficiently shared with the relevant departments and related activities could not be advanced.</li> <li>• For the sharing of even better value, we commenced global implementation of compliance and CSR training. In fiscal 2015, training was completed for employees on annual salaries in Japan and CSR leaders in China. The training will be successively introduced to other overseas locations and internally within departments from fiscal 2016. The program will be deployed as annual training under the 4th CSR Mid-Term Plan, too.</li> </ul>

## Key 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

- A structure for responding to conflict minerals surveys involving purchasing, sales and CSR departments was established.
- An annual report containing financial and non-financial information has been created and made available since fiscal 2014.
- In terms of conformance with EICC and other outside CSR standards, internal regulations were reviewed primarily at bases subject to audits. Global advancement of initiatives for achieving conformance with outside standards is recognized as an outstanding theme.

### **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

- Alps Electric acquired unified ISO 14001 certification in January 2016.
- Energy conservation activities were advanced in China and further efforts were made to expand energy conservation activities.

### **3. Further strengthen risk management**

- Strengthen BCP and BCM initiatives

- Routine maintenance and global deployment of crisis management manuals was carried out.

※GHG : Green House Gas