

Perfecting the Art of Electronics

ALPS[®]

ANNUAL REPORT 2016

ALPS ELECTRIC CO., LTD.

Alps Philosophy

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

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

Alps Business Domain

Perfecting the Art of Electronics

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

Alps Business Approach

Pursuit of Value

We will constantly pursue new value creation

Harmony with Nature

We will seek harmony with the Earth's environment

Partnership with Customers

We will learn from customers and respond quickly to their needs

Fair Management

We will act fairly and from a global perspective

Respect for the Individual

We will draw upon the unique enthusiasm of every employee

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Editorial Policy

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

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

Company Notation

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

Coverage

Organizations

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

Period

- The report principally covers the period from April 1, 2015 to March 31, 2016 but does include some activities occurring prior to or later than this period.
- Environmental reporting covers the period from April 2015 to March 2016 for Japan, and the period from January to December 2015 for overseas.

**ESG* refers to environmental, social and governance factors, which together with financial information are considered important for evaluating corporate value. Here we summarize Alps Group initiatives relating to ESG factors.

Profile of the Alps Group

The Alps Group is a collective business entity comprising three corporate groups: the Alps Electric Group headed by Alps Electric Co., Ltd. (TSE 1st Section), primarily involved in manufacturing and sales of electronic components; the Alpine Group headed by Alpine Electronics, Inc. (TSE 1st Section), supplier of car navigation and audio systems; and the Alps Logistics Group headed by Alps Logistics Co., Ltd. (TSE 2nd Section), an integrated logistics service provider specializing in electronic components. While each group retains its own independence, together they generate synergies within their respective business segments.



Perfecting the Art of Electronics

ALPS[®]

ALPS ELECTRIC CO., LTD.

Electronic Components Segment
(TSE 1st Section)
Established: 1948
Capital: ¥38.730 billion
No. of subsidiaries: 26

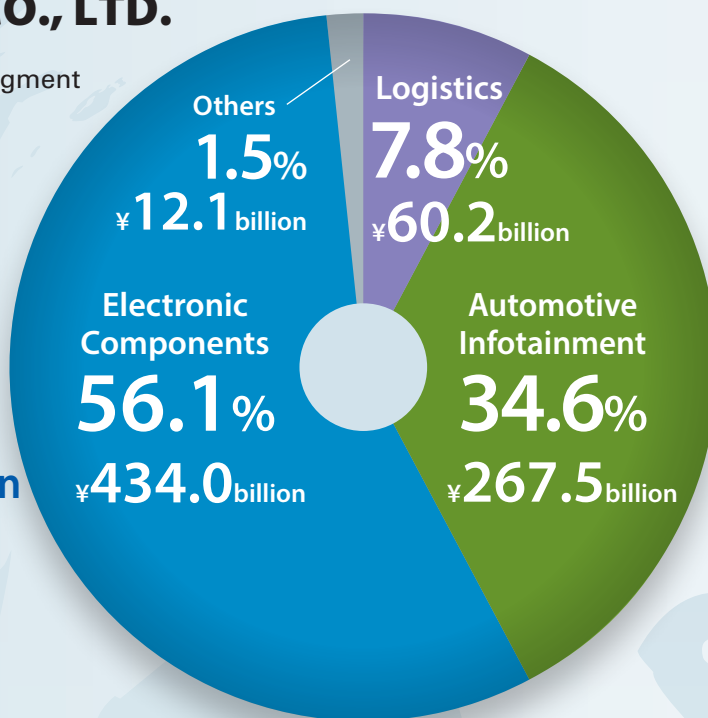
Consolidated Net Sales

¥774.0 billion



ALPS LOGISTICS CO., LTD.
ALPS LOGISTICS CO., LTD.

Logistics Segment
(TSE 2nd Section)
Established: 1964
Capital: ¥2.349 billion
No. of subsidiaries: 18



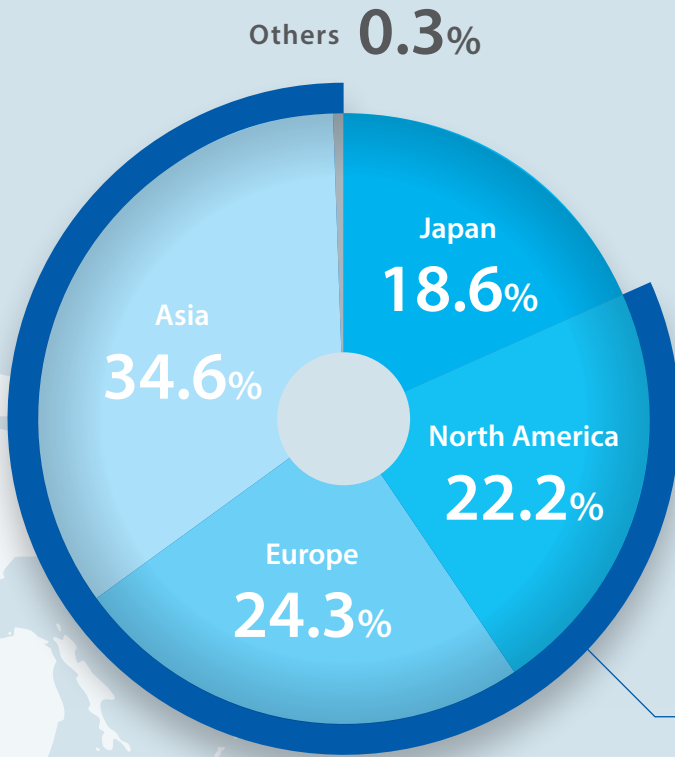
ALPINE[®]

Driving Mobile Media Innovation

Alpine Electronics, Inc.

Automotive Infotainment Segment
(TSE 1st Section)
Established: 1967
Capital: ¥25.920 billion
No. of subsidiaries: 38

(Consolidated Financial Results for the Fiscal Year Ended March 31, 2016)



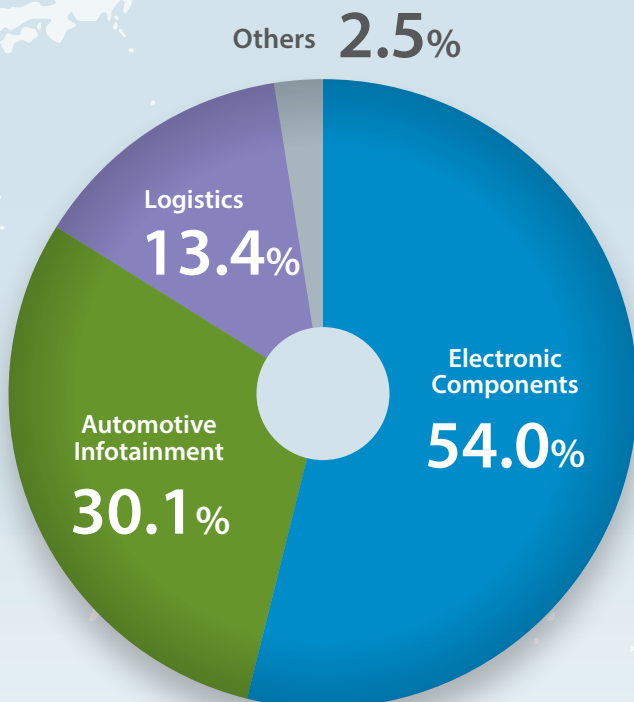
Consolidated Net Sales (by Destination)

(Billions of yen)

■ Japan	144.0
■ North America	171.7
■ Europe	187.8
■ Asia	267.6
■ Others	2.7

Overseas Sales Ratio

81.4%



Number of Employees (by Segment)

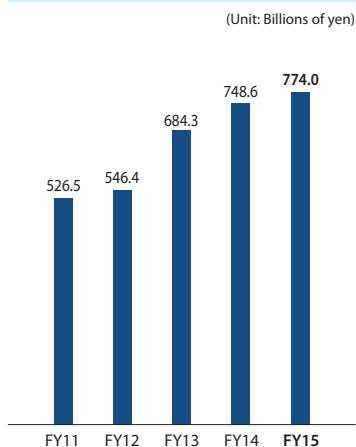
■ Electronic Components	21,387
■ Automotive Infotainment	11,908
■ Logistics	5,304
■ Others	989

Consolidated Number of Employees at Year End

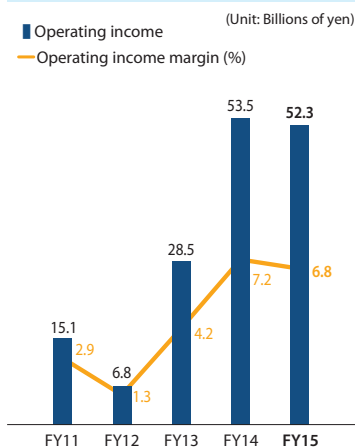
39,588

Financial and Non-Financial Highlights

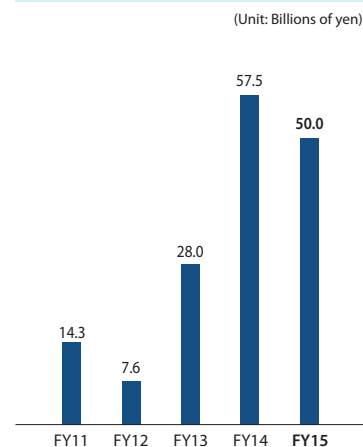
Net Sales



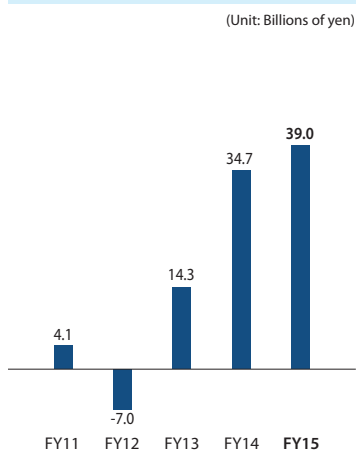
Operating Income & Operating Income Margin



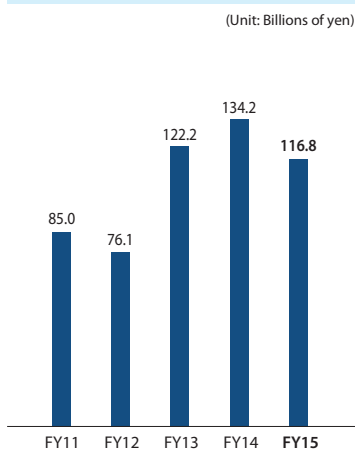
Ordinary Income



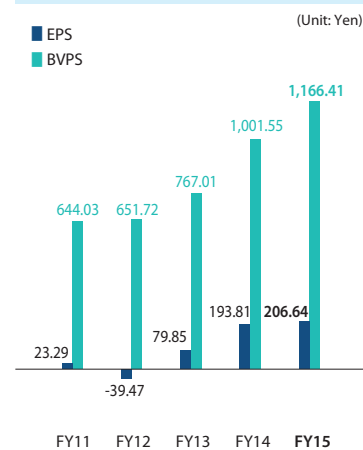
Profit (Loss) Attributable to Owners of Parent



Cash and Cash Equivalents at Year End



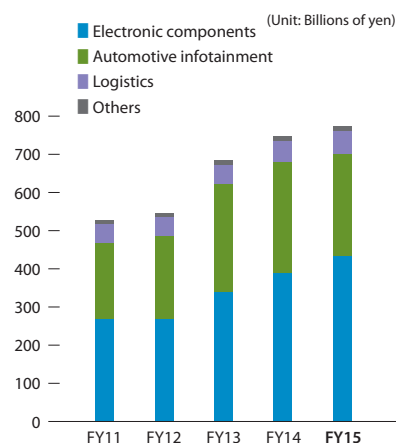
Earnings per Share/ Book Value per Share



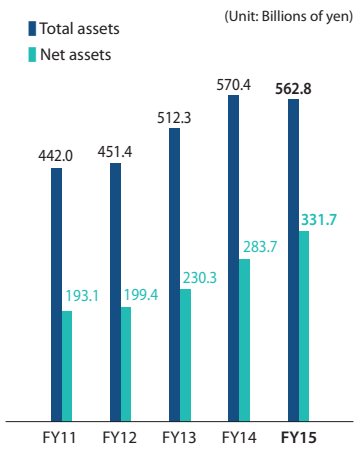
Net Sales by Business Segment

(Unit: Billions of yen)

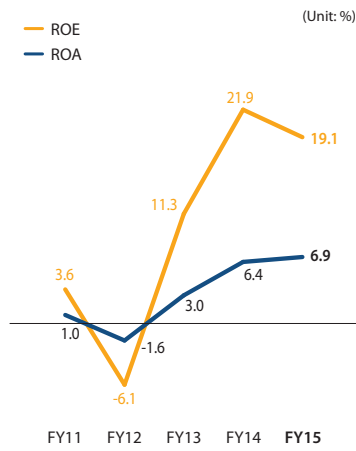
	FY11	FY12	FY13	FY14	FY15
Electronic components	268.9	268.0	338.8	389.1	434.0
Automotive market	132.4	140.0	168.4	208.4	247.5
Consumer market	136.4	128.0	170.3	180.6	186.5
Automotive infotainment	200.2	219.8	282.1	289.7	267.5
Logistics	47.9	48.5	52.2	57.0	60.2
Others	9.3	9.9	11.1	12.6	12.1



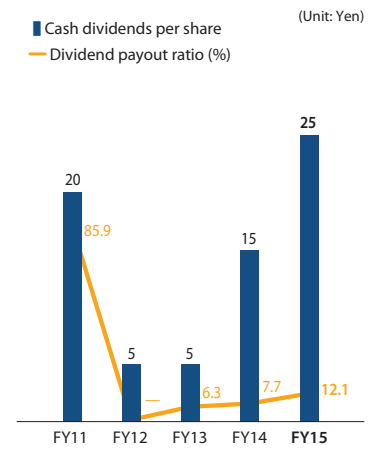
Total Assets/Net Assets



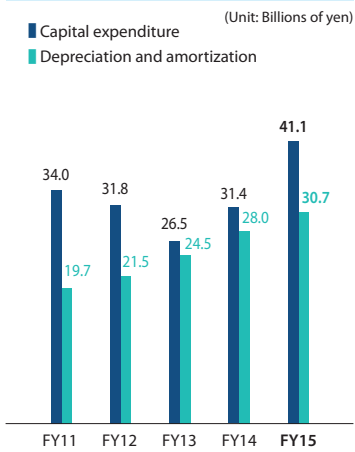
Return on Equity/ Return on Assets



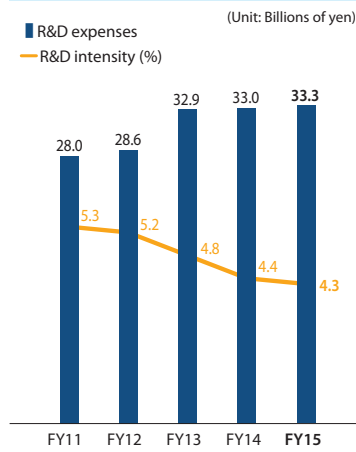
Cash Dividends per Share/ Payout Ratio



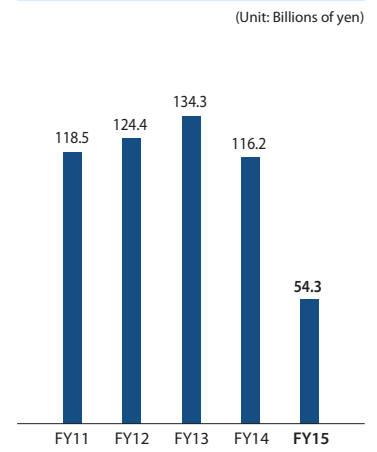
Capital Expenditure/ Depreciation and Amortization



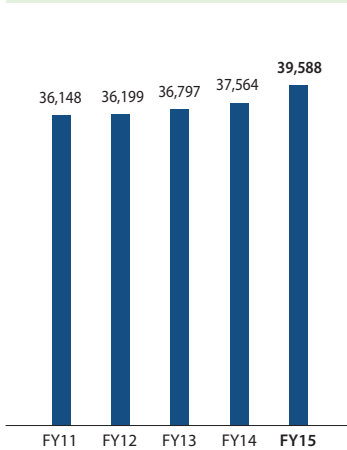
R&D Expenses/ R&D Intensity



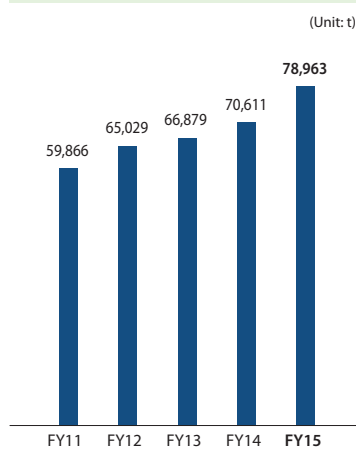
Interest-Bearing Debt



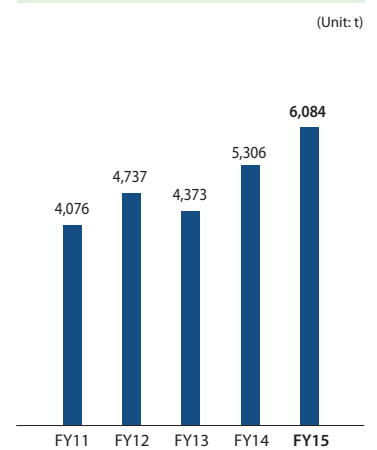
Number of Employees at Year End (Consolidated)



CO₂ Emissions (Non-Consolidated)



Amount of Waste Generated (Non-Consolidated)



Alps Electric Group Business Model

The Alps Electric Group, representing the electronic components segment, delves into the three technology domains of *human-machine interfaces (HMI)*, *SENSORING™* and *connectivity* to develop components for supply to a wide range of markets all over the world in keeping with the Alps Philosophy.

The essence of our business lies in the phrase, "Perfecting the art of electronics," referring to our commitment to creating electronic components that are *right*, performing the appropriate and proper functions within the end product; *unique*, packed with creativity and original ideas; and *green*, environmentally friendly or useful in helping to protect the environment.

Alps Philosophy

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

Alps Business Approach

Pursuit of Value

New value creation

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Partnership with Customers

What we do

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Fair Management

Stronger business foundations

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Harmony with Nature/Respect for the Individual

Upholding corporate value

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Core Technology Domains

HMI

(Human-Machine Interfaces)

Alps Electric has been producing input devices ever since its founding. We adapt to the times, developing ever smaller, thinner products and responding to needs for greater integration and multifunctionality. Maintaining elevated standards for operating feel, we constantly pursue creation of the *right* products.

SENSORING™

Alps Electric harnesses original materials, process technologies and software to create some of the finest sensing devices in the industry. We supply an extensive variety of compact, high-sensitivity sensors for the constantly evolving mobile domain, and compact current sensors compatible with large voltages for automobiles. Our ongoing development of *green* (environmentally friendly) devices contributes to the growth of smart societies via energy management systems (xEMS) and industrial equipment.

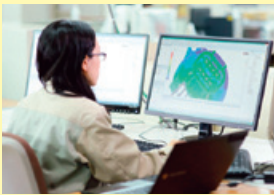
Connectivity

Alps Electric supplies a variety of data communication modules making extensive use of RF technology and software to support *Bluetooth®*, wireless LAN, LTE and other standards, as well as advancements in the automotive domain such as V2X technology. We continue to support easy, reliable access to diverse information with *unique* product varieties, including products combined with input devices and sensors.

Value Chain



Marketing & Planning



Development & Design



Production Engineering



Manufacturing



Quality Assurance

Alps Electric Products Embodying the Art of Electronics

Right

Unique

Green



Automotive



Mobile



Energy & Healthcare

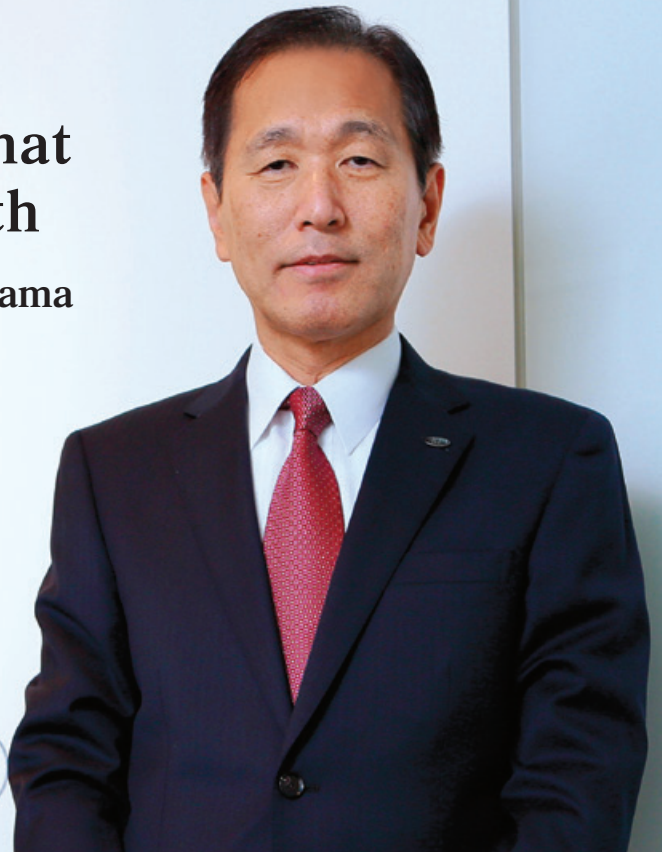


Industry & IoT

Message from the President

We want to be a company that can achieve sustained growth

President Toshihiro Kuriyama



Alps Electric, the company we are today, was founded in November 1948 as Kataoka Electric in what is now Yukigaya-otsuka, 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.

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.

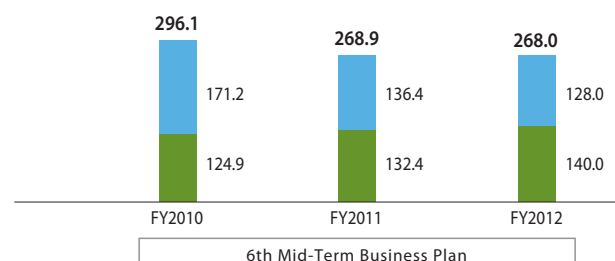
Looking even further back, the theme of the 6th Mid-Term Business Plan from fiscal 2010, in the immediate wake of the global financial crisis, was breaking out of negative earnings territory and fighting for survival as a corporation. The whole company united on exhaustive efforts to restructure costs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

● Net Sales for the Electronic Components Segment

■ Automotive market ■ Consumer market



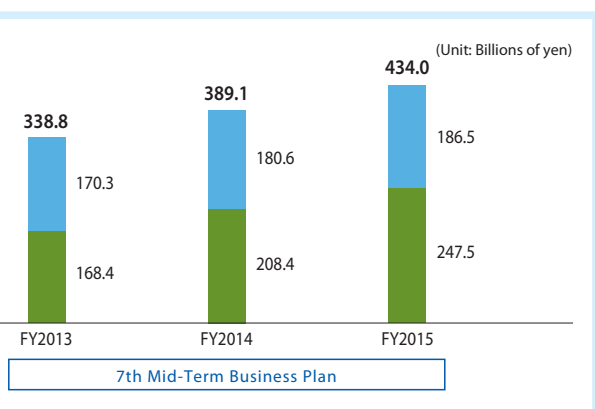
With “Get the Business all together” as one of our business policies, we set specific targets: ¥200 billion sales in the automotive business (Auto 2000) and ¥100 billion sales in smartphone-related business (Smartphone 1000).

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

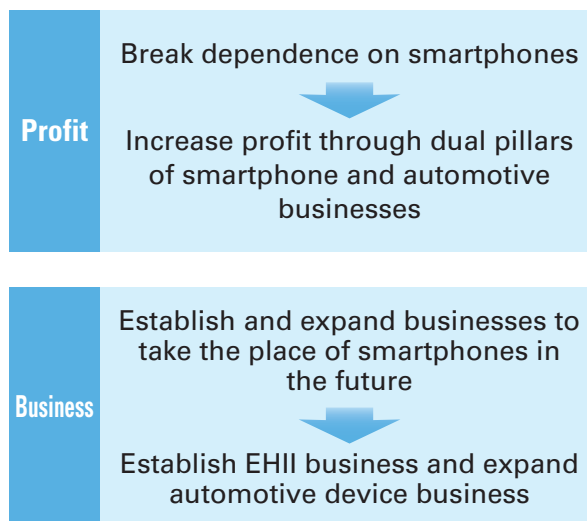
Our vision under the 8th Mid-Term Business Plan is to become “a company that can achieve sustained growth.” We will pursue initiatives that bring about even greater advancement as a corporation.

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.

*HAPTIC is a registered trademark of Alps Electric.

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.

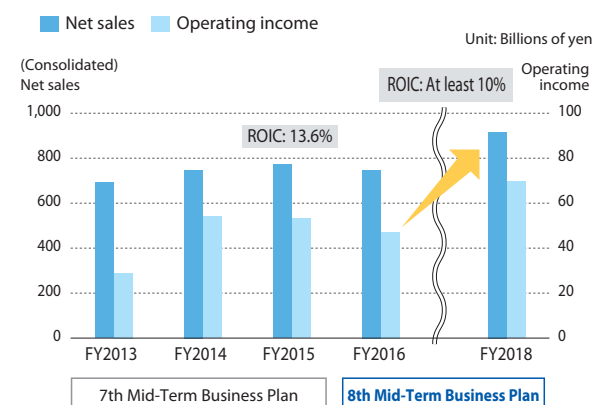
In addition, we intend to pick up the pace of business even more by expanding collaboration with other companies, open innovation and other initiatives and thereby churn out more and more “First 1” and “Number 1” products.

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.

● New Consolidated Mid-Term Business Plan Target



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.

A focus on three markets—automotive, mobile and EHII

Alps Electric has formulated its 8th Mid-Term Business Plan covering the three fiscal years starting April 2016.

Aiming to become “a company that can achieve sustained growth,” we have positioned the automotive, mobile and EHII markets (the latter possessing future growth potential) as our three priority markets.

The company aims for additional expansion by realizing “dual pillars of profit” in the automotive and mobile markets through efforts in the former to raise profitability even further, and, in the latter, ongoing creation of new products and activities to increase the number of customers. In the EHII market, we will turn each of the sectors into core businesses at an early stage by engaging with speed in new product development based on, and fusing, the three technology domains of human-machine interfaces (HMI), SENSORING™ and connectivity.

Automotive market

In the automotive module business, we will spur new product development integrating the fields of input devices, or HMI, SENSORING™ and connectivity, at the same time boosting profitability through efforts to ensure high quality and raise productivity. In the automotive devices business, we have maintained the top share among *Bluetooth*™ modules for in-vehicle connectivity. We are additionally going to focus on

connectivity with outside the vehicle in anticipation of a society where intelligent transportation systems (ITS) are widespread. To support advanced driver assistance and driving safety support systems, which aid autonomous driving, we will work to expand our lineup of products like V2X modules and GNSS modules that connect automobiles to a wide range of items using communication links.

Mobile market

The scope of this domain has been expanded to encompass not only the smartphone sector, targeted previously, but all mobile devices. We will readily introduce a variety of input devices, HAPTIC™* devices providing tactile feedback, and high-performance sensors for end products like wearable devices, virtual reality devices and drones.

EHII market

Alps Electric was quick to introduce sensor network modules for the Internet of Things (IoT) sector, which is expected to grow. We will actively advance business activities looking ahead to future expansion, for example by putting forward proposals and entering partnerships to enhance product competitiveness further, and develop the environment and energy and healthcare domains into our next mainstay businesses.

8th Mid-Term Business Plan Targets

GT510

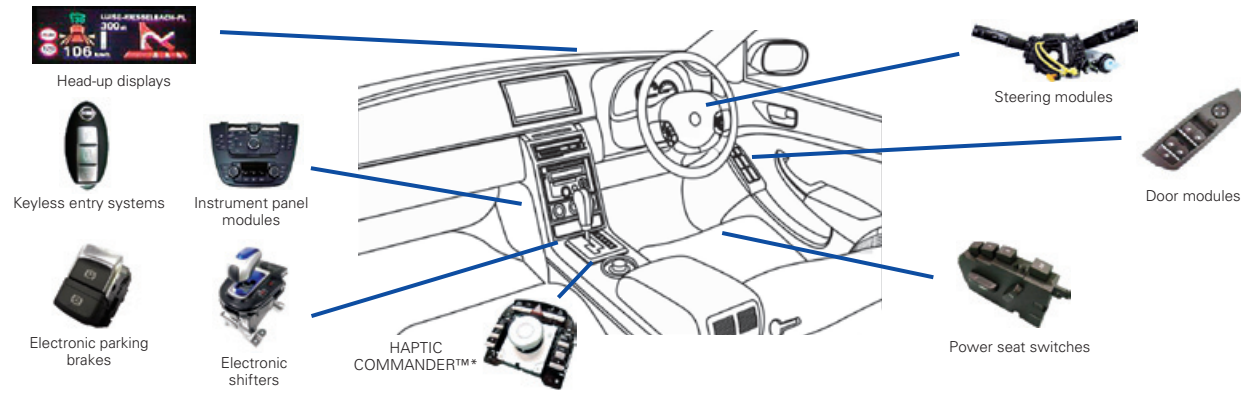
(¥500 billion sales, 10% operating income margin)

	Target	Initiatives
1	Achieve ¥300 billion sales to the automotive market	<ul style="list-style-type: none"> • Increase profit from modules • Expand the devices product lineup
2	Achieve ¥200 billion sales to the mobile market	<ul style="list-style-type: none"> • Retain and build on our position as primary supplier • Develop business targeting new mobile devices (PCs, wearable devices, virtual reality devices, drones, etc.)
3	Build a base for ¥60 billion sales to the EHII market	<ul style="list-style-type: none"> • Build foundations looking ahead to the 9th Mid-Term Business Plan • Expand sales of products with high added value • Expand open innovation through collaboration with other companies

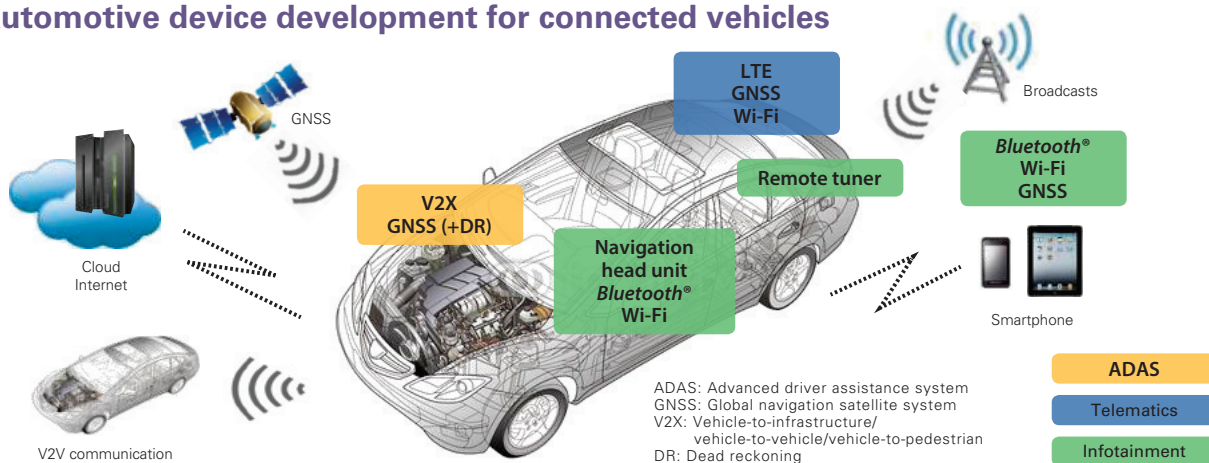
Assumed exchange rates: 1 U.S. dollar = ¥110; 1 euro = ¥125

Achieve ¥300 billion sales to the automotive market

Automotive module development integrating HMI, SENSORING™ and connectivity



Automotive device development for connected vehicles



Achieve ¥200 billion sales to the mobile market

Expand the scope from smartphones to mobile Retain and build on primary supplier position

Sensors, connectivity and input/feedback



Build a base for ¥60 billion sales to the EHI market

Expand open innovation in IoT business



*HAPTIC and HAPTIC COMMANDER are registered trademarks of Alps Electric Co., Ltd.



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.

Hiroyuki Sato

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

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 high-quality 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.

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.

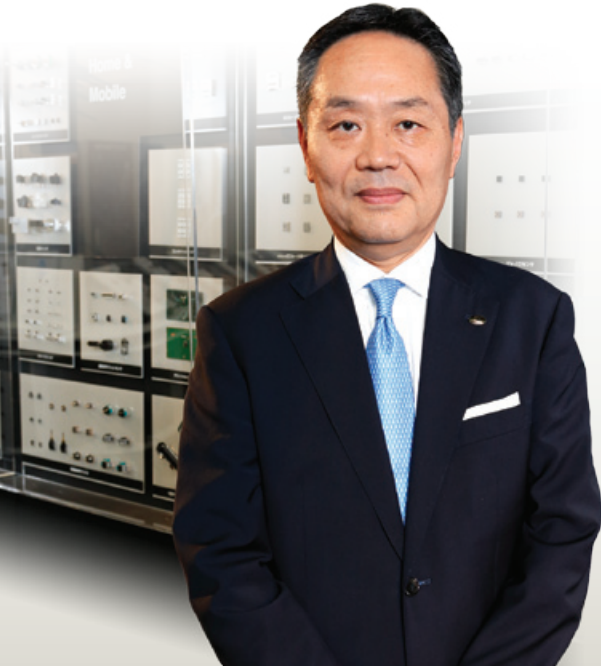
Alps Electric has also applied resistor technology, used in audio volume control for instance, to various automotive sensors, which demand high precision and durability, and has established a good track record. And we look to extend application of products like exhaust gas recirculation (EGR) valve and 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.

Takeshi Daiomaru

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

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.

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.

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).

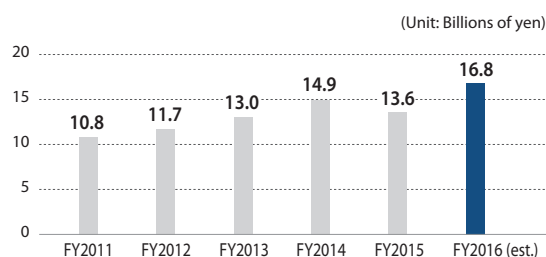
In R&D activities, we adhere to the basic policy, "Perfecting the art of electronics," and we will continue creating products with new value under the 8th Mid-Term Business Plan from fiscal 2016 by stepping up our enrichment and fusion of core technologies.

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.

R&D Expenditure (Electronic Components Segment)



Global R&D Structure



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.

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 and IoT

Alliances

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 energy-efficient 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.

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.

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

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

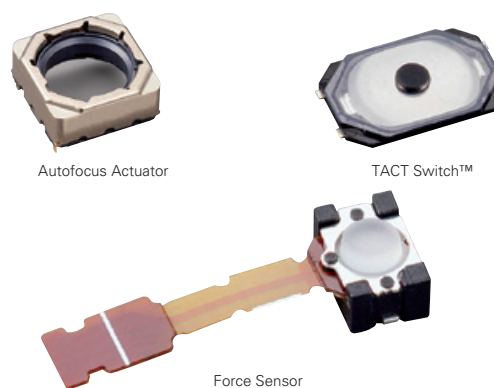
Global warming and environmental destruction are serious issues affecting the entire planet. The Alps Electric Group is developing power- and resource-efficient power conductors, sensors and communication modules, as well as modules that take advantage of the characteristics of Licalloy™, a magnetic 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.



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.

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.

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

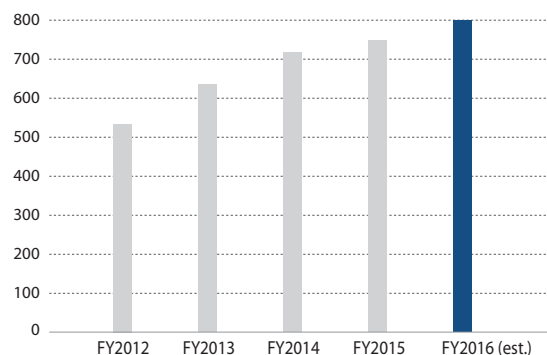
within the Alps Electric Group worldwide and we will step up efforts to strengthen cooperation with overseas affiliates and networks in each country, thereby contributing to the acquisition of assets around the world and expansion of global business.

Strengthening of Held Patents (Usable Patents)

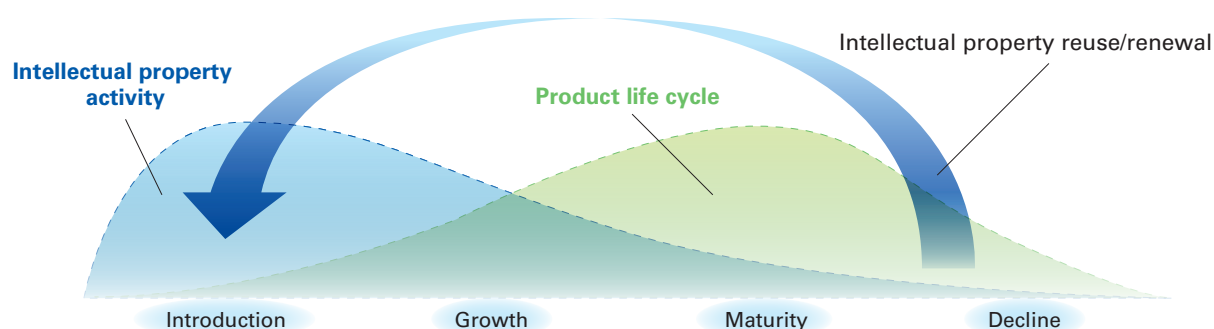
Alps Electric is making efforts to uphold the competitiveness of its products by strengthening intellectual property (applications for patents, for example) generated internally in core technology and product domains that form the foundations for sustained growth, while also teaming up with universities 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).

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.

● Number of Patent Applications Filed (Alps Electric)



● Intellectual Property Activity and the Product Life Cycle



Quality 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.

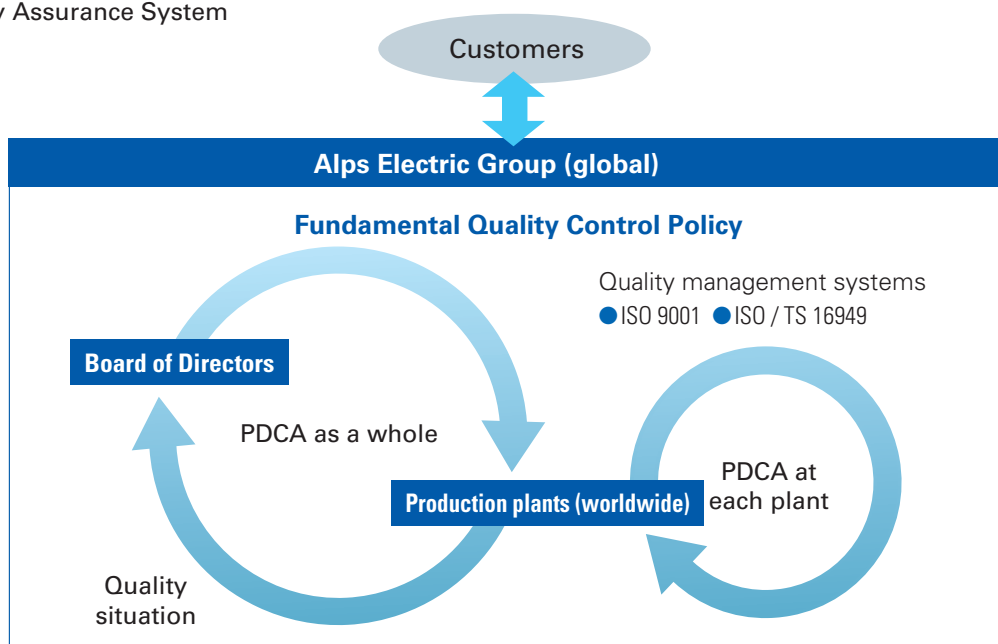
Quality Management Systems (QMS)

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.

● Quality Assurance System



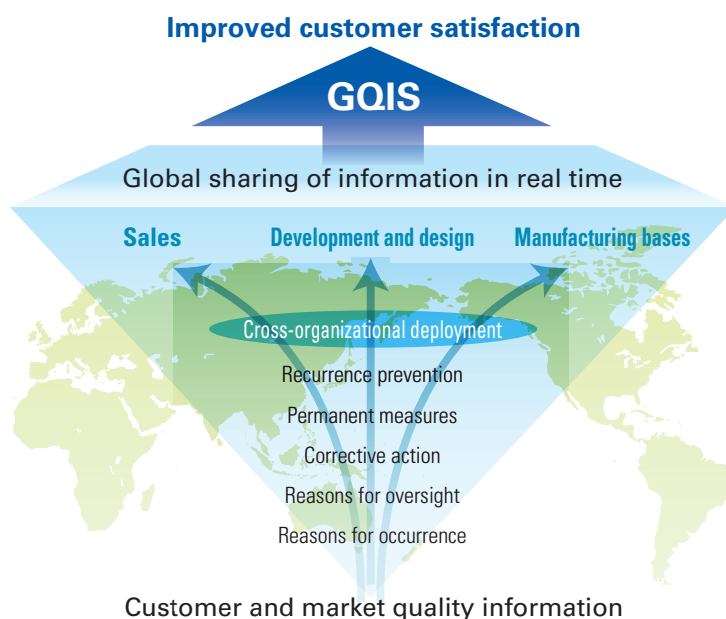
*For a list of certified facilities, see the Alps Electric website.

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.

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.)



Technical review meeting also attended by QE personnel

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.

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.

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.

Interview: Director in Charge of Corporate Governance

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.

Junichi Umehara

Director

General Manager, Human Resources, Legal & Intellectual Property

General Manager, Export & Import Administration

General Manager, Administration Headquarters

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.



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 decision-making 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.

Directors



Chairman of the Board
Masataka Kataoka



President
Toshihiro Kuriyama



Senior Managing Director
Takashi Kimoto
General Manager, Sales & Marketing Headquarters



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



Managing Director
Yoshitada Amagishi
General Manager, Quality Management
General Manager, Production Headquarters
General Manager, Production Innovation



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



Director
Hitoshi Edagawa
General Manager, Production Engineering
Production Headquarters



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



Director
Akihiko Okayasu
General Manager, Materials Control, Production Headquarters



Director
Tetsuhiro Saeki
General Manager, Information Systems
Deputy General Manager, Sales & Marketing Headquarters



Director
Yoichiro Kega
General Manager, Corporate Planning, Accounting, Finance, General Affairs and Environment



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



Director
Member of Audit and Supervisory Committee
Shuji Takamura



Director
Member of Audit and Supervisory Committee
Yasuhiro Fujii



Director
Member of Audit and Supervisory Committee (outside)
Takashi Iida
Attorney at Law



Director
Member of Audit and Supervisory Committee (outside)
Hiroshi Akiyama
Attorney at Law



Director
Member of Audit and Supervisory Committee (outside)
Takuji Kuniyoshi
Certified Public Accountant

Toward Stronger Business Foundations

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 decision-making through formulation of business plans and monitoring of performance.

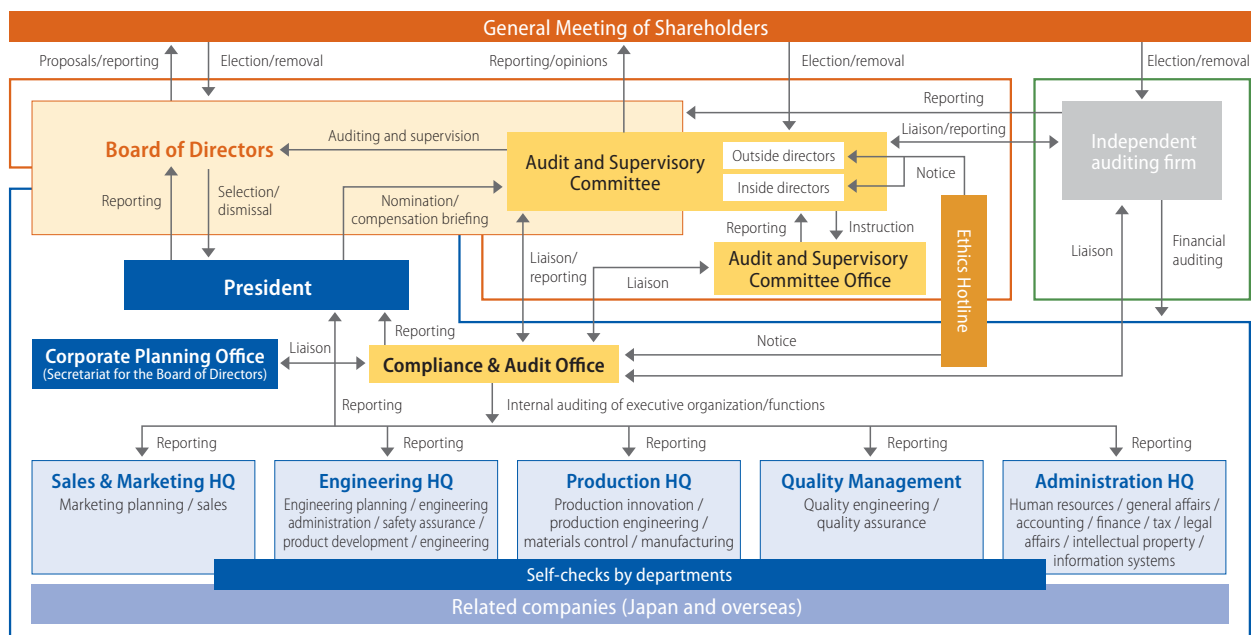
Corporate Governance Structure

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 mid-term 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 decision-making 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

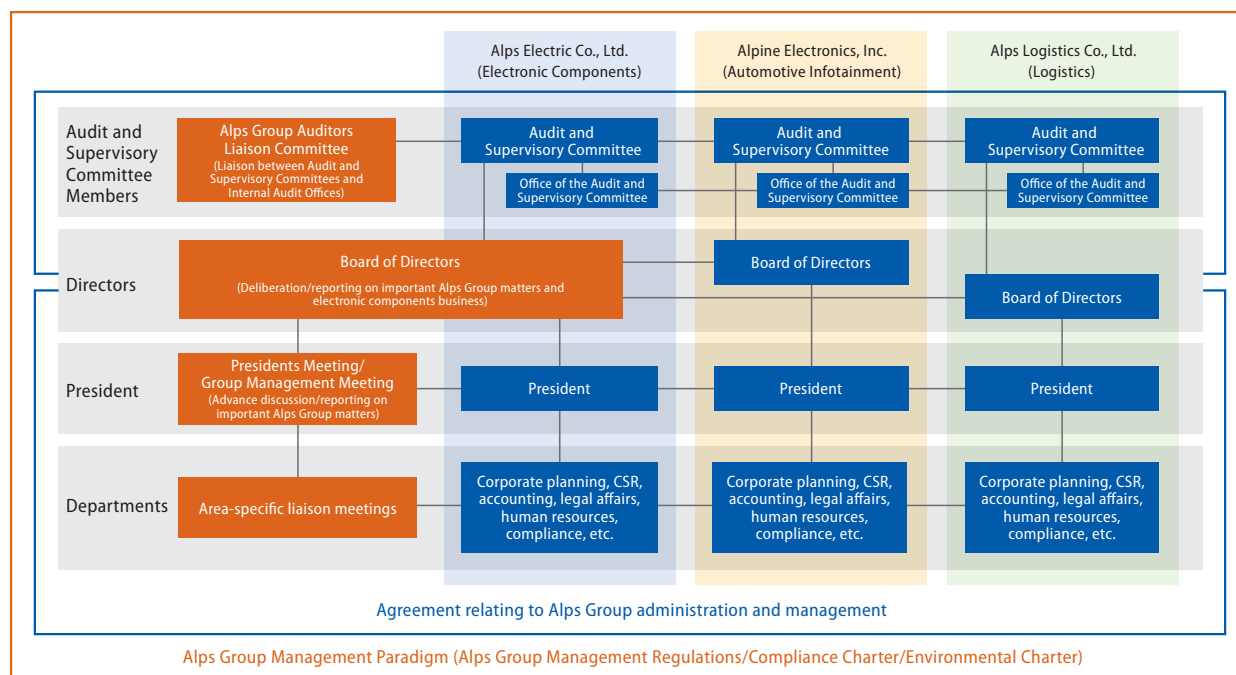
Internal Controls

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*.

http://www.alps.com/e/ir/ir_governance.html

● Alps Group Internal Controls



Compliance

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.

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

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)

Fundamental Crisis Management Policy

The Alps Electric Group recognizes the minimization of risks when crises with a potentially large impact on business actually do occur, as well as appropriate action and quick recovery, as key risk management themes. Initiatives are advanced under the following 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 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.

Information Security and Disclosure

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

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.

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.

Hiroshi Akiyama

Outside Director
Audit and Supervisory Committee Member (Outside)



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.

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.

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

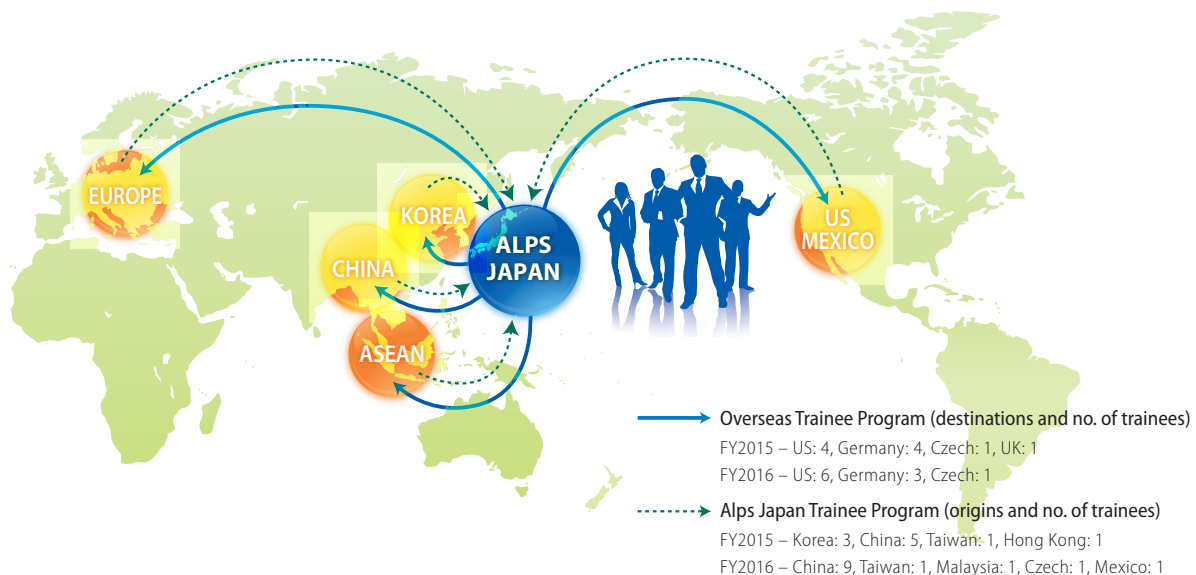
Alps Electric has established an overseas trainee program whereby young and mid-level employees are seconded to affiliates or outside organizations overseas for one year to gain experience through practical training. The aim of the program is to develop “global human resources” possessing an international 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



Diversity

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.

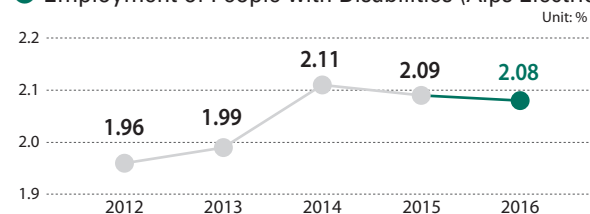
Targets of Activities Relating to the Act for Promoting Women's Active Participation in the Workforce

1. By FY2018, lift the ratio of women as a percentage of new-graduate and mid-career hires from 34% (FY2015) to at least 40%.
2. Up to FY2018, maintain the current situation where the length of service among regular employees for women (21 years) is higher than for men (20 years), and work to extend the length of service of female management track employees (10 years).

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.

● Employment of People with Disabilities (Alps Electric)



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.

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.

Work-Related Accidents and Illness (Alps Electric)

2015: 8 cases 2014: 17 cases

*No. of cases for 2015 is tabulated from August 2015 to April 2016

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.

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.

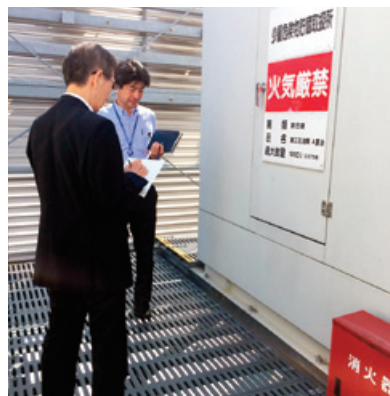
Manufacturing industry has its roots in *monozukuri* (encompassing all aspects of product creation). Passing down the wonders of *monozukuri* to the next generation is an important social responsibility for Alps Electric as a manufacturer and a task we believe will lead to electronics industry development and to the sustainable development of society.



Environment

Environmental Management Systems

All the main production facilities of the Alps Electric Group in Japan and overseas have acquired ISO 14001 environmental management system certification. In fiscal 2015, 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

Medium-Term Action Plan for Environmental Preservation

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 yield¹ and material straight pass rate² 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

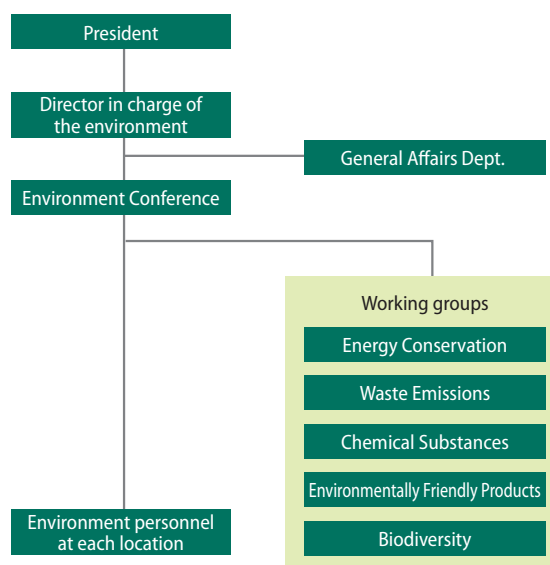
consumption per unit, activities will be continued with the scope again encompassing the entire Alps Group.

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.

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)



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.

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.



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



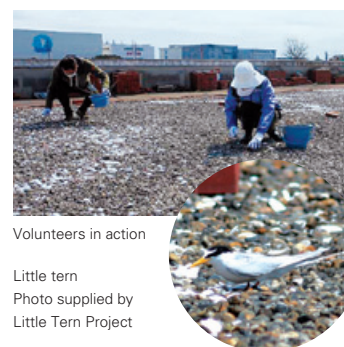
Environmental Sensor Module

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.

■ 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

Environmental Impact

The impact of operations outside Japan increases as production at overseas bases expands.

We will continue improvements to systems for collecting performance data for overseas operations and utilize that information to lower our environmental impact.

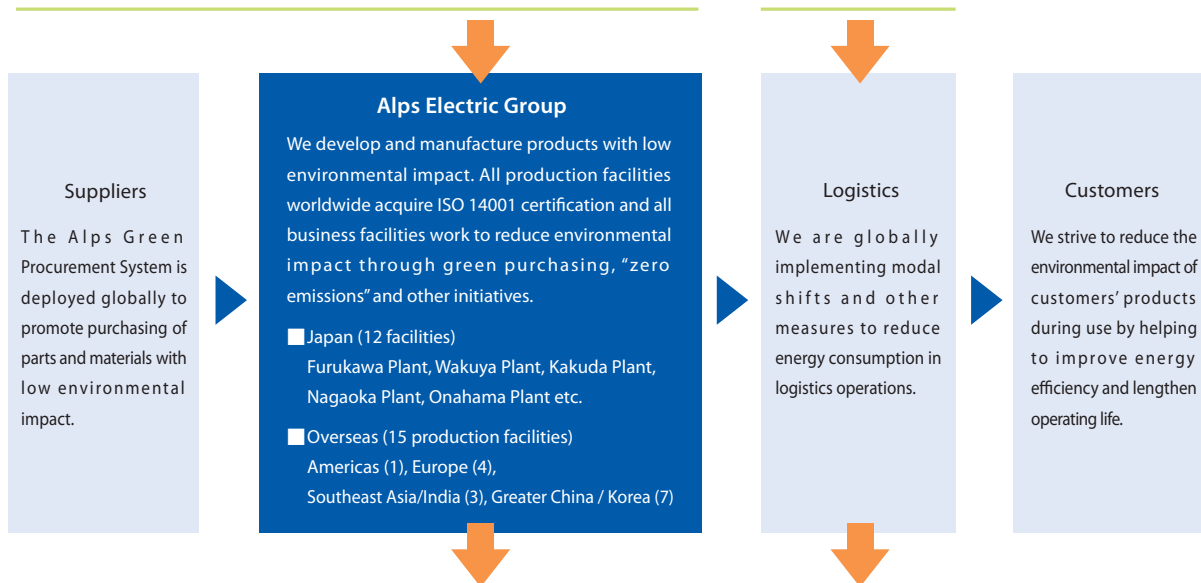
Material Balance for the Alps Electric Group (FY2015)

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.

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

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



OUTPUT

"Zero emissions" activities are pursued to reduce outputs. We also work to reduce chemical substance releases into the atmosphere and CO₂ emissions from logistics operations.

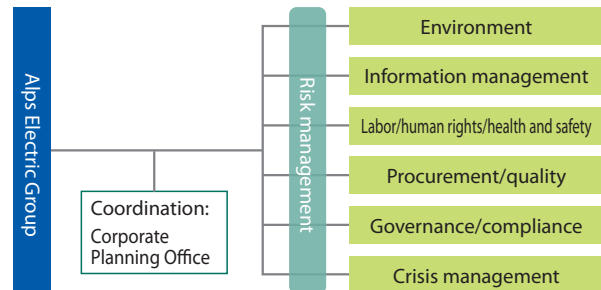
Products	Emissions into the atmosphere (t)	Emissions into the atmosphere (t)
Electronic components for notebook PCs, smartphones, car navigation systems and automobiles	Japan CO ₂ 78,963 NOx 4 SOx 4 VOC 52	Japan CO ₂ 2,257
	Overseas CO ₂ 151,234 NOx (not tabulated) SOx (not tabulated) VOC (not tabulated)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

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

<p style="text-align: center; color: yellow; font-weight: bold;">Action Policy</p> <hr style="border: 0; border-top: 1px solid white; margin: 10px 0;"/> <p style="color: white; font-weight: bold;">Independently grasp changes in the external environment and stakeholder expectations and establish foundations enabling sustainable growth</p>	Environment	<p style="font-weight: bold; color: #006666;">Advance environmental preservation activities</p> <ul style="list-style-type: none"> Ensure implementation of the 8th Medium-Term Action Plan for Environmental Preservation Make additional efforts to advance activities as the Alps Group
	Society	<p style="font-weight: bold; color: #006666;">Strengthen management in view of external standards and the external environment (human rights, occupational safety, procurement)</p>
	Governance	<p style="font-weight: bold; color: #006666;">Strengthen corporate risk countermeasures and corporate foundations</p> <ul style="list-style-type: none"> Strengthen corporate governance and internal control functions Pursue risk management as appropriate to help sustain business

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

Action Policy	Pursue CSR activity that earns stakeholder trust through sharing of even better value
<ul style="list-style-type: none"> • The Action Policy and key themes were not sufficiently shared with the relevant departments and related activities could not be advanced. ▶ 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. 	

Key Activity Themes ~ Earning the trust that we commit to through our brand ~	
<ul style="list-style-type: none"> ● Actively disclose information and meet the needs of society <ul style="list-style-type: none"> • 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 	
<ul style="list-style-type: none"> ▶ <ul style="list-style-type: none"> • 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. 	
<ul style="list-style-type: none"> ● Support the creation of a low-carbon society <ul style="list-style-type: none"> • Achieve objectives of the 7th Medium-Term Action Plan for Environmental Preservation • Advance environmental education • Create green devices 	
<ul style="list-style-type: none"> ▶ <ul style="list-style-type: none"> • 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. 	
<ul style="list-style-type: none"> ● Further strengthen risk management <ul style="list-style-type: none"> • Strengthen BCP and BCM initiatives 	
<ul style="list-style-type: none"> ▶ <ul style="list-style-type: none"> • Routine maintenance and global deployment of crisis management manuals was carried out. 	

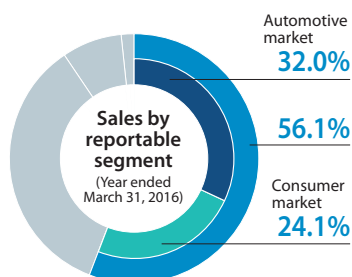
*GHG: Greenhouse gas

FINANCIAL DATA

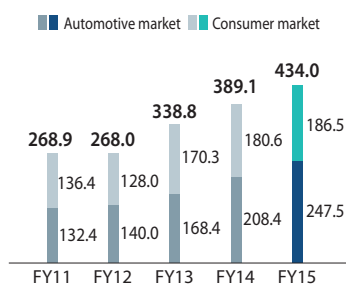
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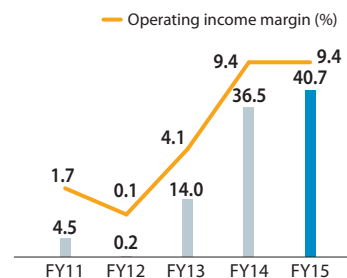
Electronic Components



Net Sales (Unit: Billions of yen)



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



In the electronics industry, the automotive market was firm on the back of brisk economic activity in the United States. In the smartphone market, high-end models from Chinese manufacturers enjoyed strong growth, but the market situation changed from the second half, for example with a number of leading manufacturers experiencing a slowdown in growth.

Within the electronic components segment, sales of products to the automotive market, especially input modules and communication modules, increased. In the smartphone sector, components enjoyed considerable growth in the first half. While some products fell off in the second half due to significant market changes, sales for the full year were higher than initially planned. In new markets, we put forward a variety of proposals for the Internet of Things (IoT) sector, which is expected to grow, and enthusiastically advanced activities including partnerships with networking companies and other parties.

As a result, consolidated earnings in the electronic components segment for the year ended March 31, 2016 improved from the previous fiscal year with record-high sales and profit.



Automotive Market

In the automotive market within the electronic components segment, electronics application is expanding at a faster pace than growth of vehicle sales as automakers accelerate development of technologies such as advanced driver assistance systems (ADAS) and eco-friendly vehicles. Alps Electric's automotive business, including electronic shifters, control and input modules and communication modules, was strong across the board.

Net sales to the automotive market for the year ended March 31, 2016 were ¥247.5 billion, an 18.7% increase year-on-year.

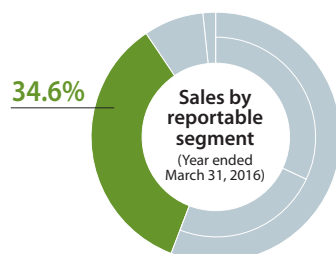
Consumer Market

In the consumer (and others) market within the electronic components segment, we made progress in the smartphone sector on expanding sales of camera actuators realizing low power consumption and high-speed focusing to Chinese manufacturers looking to enhance functionality. Sales of the same actuators to leading North American manufacturers stayed high across the full year despite falling short of the second half forecast due to changing market conditions. In new markets, we were quick to put forward proposals, enter partnerships and advance other activities targeting the IoT sector. We also enthusiastically advanced business activities looking ahead to the future, for example by investing in a new company aiming to achieve commercial application of a soft magnetic alloy together with Tohoku University.

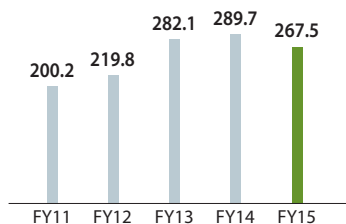
Net sales to the consumer market for the year ended March 31, 2016 were ¥186.5 billion, a 3.3% year-on-year increase.

The above performance resulted in net sales of ¥434.0 billion (11.6% year-on-year increase) and operating income of ¥40.7 billion (11.4% increase) in the entire electronic components segment for the fiscal year ended March 31, 2016.

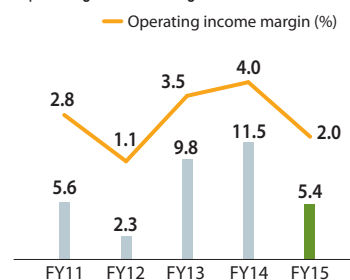
Automotive Infotainment



Net Sales (Unit: Billions of yen)



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



In the car electronics industry, the market grew as demand for infotainment systems, based on core features like navigation, increased on the back of brisk new vehicle sales in the United States, acceleration of electronics application to support higher functionality of vehicles, and integration of automotive systems and smartphones. There were, however, concerns about the impact on the industry of such factors as the automobile market slowdown in China and an emissions scandal at a European automaker.

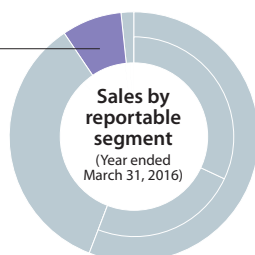
Within the automotive infotainment segment operated by Alpine Electronics, Inc. (TSE 1st Section), the company accelerated strengthening of technology proposals and development of new products, but sales of pre-installation products supplied to automakers decreased for reasons including the impact of model changeovers by manufacturers in North America and China. Operating income also fell due to deterioration of the product model mix. In the aftermarket, Alpine focused on promoting sales of sound systems in the audio products sector, calling attention to their high-quality sound, and worked to expand sales of navigation systems by introducing large-screen products tailored to specific vehicle models. Conditions were tough, however, due to the effects of economic slowdown in China and surrounding areas of Asia.

The above resulted in net sales of ¥267.5 billion (7.7% year-on-year decrease) and operating income of ¥5.4 billion (52.9% decrease) in the automotive infotainment segment for the fiscal year ended March 31, 2016.

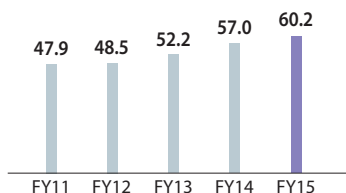


Logistics

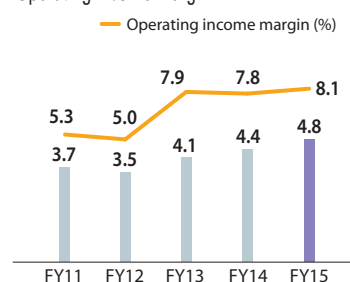
7.8%



Net Sales (Unit: Billions of yen)



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



In the electronic components industry, the main market for the logistics segment operated by Alps Logistics Co., Ltd. (TSE 2nd Section), production of products for automotive use, which performed well particularly in the United States, and products for smartphones was generally firm throughout the year. The situation in other markets, including consumer electronics and IT sectors, varied according to product, customer and region.

Within the logistics segment, Alps Logistics bolstered its global network to support expanding freight volumes, advanced concerted solutions-based sales activities involving teams in Japan and overseas, and made efforts to raise the productivity of each of the transportation, warehousing and forwarding businesses.

The above resulted in net sales of ¥60.2 billion (5.6% year-on-year increase) and operating income of ¥4.8 billion (9.0% increase) in the logistics segment for the fiscal year ended March 31, 2016.

Management's Discussion & Analysis of Operating Results

1 Analysis of Operating Results for the Fiscal Year Ended March 31, 2016

1 Overview

In the global economy during fiscal 2015 (year ended March 31, 2016), business activity was firm in the United States on the back of improvement in the employment environment and increased consumer spending. Although the situation varied from country to country, Europe experienced a moderate recovery assisted by weakening of the euro, low oil prices and other factors.

In China, however, economic slowdown became more pronounced and growth in emerging Southeast Asian nations also eased, affected by currency weakening, falling prices for resources and China's slowdown. In Japan, capital investment has increased and employment has improved, but economic recovery has come to a standstill due to sluggish growth in consumer spending from the latter half of 2015 and appreciation of the yen from early 2016.

On a consolidated basis, the Alps Group achieved net sales of ¥774.0 billion (a 3.4% year-on-year increase), operating income of ¥52.3 billion (2.3% decrease), ordinary income of ¥50.0 billion (13.1% decrease) and net income attributable to parent company shareholders of ¥39.0 billion (12.4% increase) for the fiscal year ended March 31, 2016.

Average exchange rates during the fiscal year were ¥120.14 to the U.S. dollar, and ¥132.58 to the euro, representing yen depreciation from the previous fiscal year of ¥10.21 against the dollar and ¥6.19 against the euro.

2 Net Sales

Net sales came to ¥774.0 billion, an increase of ¥25.4 billion, or 3.4%, from the previous fiscal year.

Electronic components segment sales came to ¥434.0 billion, an increase of ¥44.9 billion, or 11.6%, from the previous fiscal year. Automotive infotainment segment sales came to ¥267.5 billion, a decrease of ¥22.2 billion, or 7.7%. Logistics segment sales came to ¥60.2 billion, an increase of ¥3.1 billion, or 5.6%.

The yen appreciated against the euro compared to the previous fiscal year, but depreciated against the U.S. dollar, having the effect of increasing sales by ¥35.2 billion.

3 Operating Income

Operating income came to ¥52.3 billion, a decrease of ¥1.2 billion, or 2.3%, from the previous fiscal year. Foreign exchange movements had the effect of increasing operating income by ¥10.4 billion.



2 Forecasts for the Fiscal Year Ending March 31, 2017

In the global economy, the United States is expected to hold firm amid continued improvement in the employment environment as low and stable gasoline prices and recovery in the housing market prop up strong consumer spending. In Europe, too, economic recovery, while moderate, is expected to continue, driven by the United Kingdom and Germany, despite the various risks affecting countries in the region. There are concerns, however, about the global economic effects of the slowdown in China's economy. How the European, U.S. and Chinese economies perform could be a decisive factor for growth in emerging nations. In Japan, there are hopes for higher employment and an improvement in personal income, but the pace of economic recovery is slowing as exports and consumer spending remain sluggish.

Against this economic backdrop, the Alps Group has formulated new mid-term business plans and seeks to take full advantage of its capabilities in each of the three segments—the core electronic components segment, which aims for further profit growth; the automotive infotainment segment, which will concentrate on building a solid foundation for future business; and the logistics segment, which aims for growth by bolstering its global network. The Alps Group will also deepen ties between the segments, as well as work to improve earnings and strengthen corporate structure.

1 Electronic Components

In the electronic components segment, we have formulated the 8th Mid-Term Business Plan covering the three fiscal years starting April 2016. Using accomplishments under the 7th Mid-Term Business Plan as a foothold, we aim to become “a company that can achieve sustained growth,” positioning automotive and mobile, plus EHII (energy, healthcare, industry and IoT) as our three priority markets. We aim for additional expansion by realizing “dual pillars of profit” in the automotive and mobile markets through efforts in the former to raise profitability even further, and, in the latter, ongoing creation of new products and activities to increase the number of customers. In the EHII market, we will spur development of new products fusing three technology domains with future growth potential—human-machine interfaces (HMI), SENSORING™ and connectivity—while picking up the pace of business, for example through partnerships with other corporations. The aim is to quickly turn EHII sectors into core businesses.

2 Automotive Infotainment

In the automotive infotainment segment, we have positioned fiscal 2016 as a period for strengthening business foundations in preparation for significant progress from fiscal 2017 onwards and will be aiming to raise efficiency of R&D investment through the establishment of platforms. In the audio products business, effort will be made to expand sales of sound systems that were well received as OEM products for automakers, and to increase orders of speakers by drawing attention to the added value of slim, lightweight models designed with vehicle fuel economy and environmental performance in mind. In the information and communication equipment business, we will strive to expand sales of large-screen navigation systems tailored to specific vehicle models rolled out in U.S. and European aftermarkets with the aim of cultivating fresh demand, while continuing to concentrate on pick-up

trucks and SUVs in the United States, where vehicle sales remain brisk. In the Japanese aftermarket, we aim to expand sales by introducing a new navigation system with the largest screen in the industry.

3 Logistics

In the logistics segment, growth of business in the electronic components industry, the main target market, is expected to continue due to increasing application of electronics in automobiles and expanding demand in emerging nations for products such as mobile devices. However, customers require logistics reforms that are increasingly complex and diverse as they adapt to product and market changes by producing in the most suitable locations and shifting operations overseas and as they increase efficiency to cope with price competition for electronic components. In this segment, we will continue efforts to capture and expand freight volumes by strengthening our network and other aspects of logistics infrastructure and advancing global solutions-based sales activities. We will also work to strengthen the health of the business, for example through productivity improvements.

Consolidated Forecasts for the Fiscal Year Ending March 31, 2017

(Unit: Billions of yen)

	Six months ending Sept. 30, 2016	Twelve months ending Mar. 31, 2017	YoY
Net sales	369.0	757.0	-2.2%
Operating income	15.0	46.5	-11.1%
Ordinary income	15.0	46.0	-8.1%
Profit attributable to owners of parent	10.0	32.0	-18.0%

The above forecasts assume the following exchange rates:

1 U.S. dollar = ¥110

1 euro = ¥125

Management's Discussion & Analysis of Operating Results

3 Liquidity and Sources of Funds

1 Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities during fiscal 2015 (year ended March 31, 2016) came to ¥53.9 billion, compared to ¥65.1 billion provided during the previous fiscal year. This was mainly attributable to income before income taxes and minority interests of ¥67.8 billion, depreciation and amortization of ¥30.7 billion, and an ¥8.8 billion increase in accounts payable, offset by ¥20.4 billion of income taxes paid, an ¥18.4 billion gain on sales of shares of subsidiaries and associates, and a ¥7.0 billion increase in inventories.

Cash Flows from Investing Activities

Net cash used in investing activities came to ¥30.3 billion, compared to ¥29.7 billion used during the previous fiscal year. This was mainly attributable to ¥20.9 billion provided by proceeds from sales of shares of subsidiaries and associates, offset by ¥35.7 billion used for purchases of property, plant and equipment and intangible assets, and ¥14.0 billion in payments for investments in capital.

Cash Flows from Financing Activities

Net cash used in financing activities came to ¥36.3 billion, compared to ¥27.9 billion used during the previous fiscal year. This was mainly attributable to ¥17.5 billion provided by proceeds from long-term loans payable, offset by ¥42.6 billion used for repayment of long-term loans payable, ¥3.7 billion in cash dividends paid, a ¥3.4 billion net decrease in short-term loans payable, and ¥2.1 billion used for dividends paid to non-controlling interests.

These activities, the effects of exchange rate fluctuations on the yen value of cash and cash equivalents held by

overseas subsidiaries, and other factors resulted in a ¥17.4 billion net decrease in cash and cash equivalents from the end of the previous fiscal year. Cash and cash equivalents at the end of fiscal 2015 (year ended March 31, 2016) were ¥116.8 billion.

2 Assets, Liabilities and Net Assets

Total assets at the end of fiscal 2015 (year ended March 31, 2016) were ¥562.8 billion, a decrease of ¥7.6 billion from the end of the previous fiscal year. Equity capital increased ¥48.9 billion to ¥228.4 billion due to increases in capital stock and capital surplus resulting from progress of conversion to shares of convertible bond-type bonds with subscription rights and due to an increase in retained earnings. The equity ratio was 40.6%.

Current assets were ¥354.3 billion, an ¥18.3 billion decrease due in part to decreases in cash and time deposits and notes and accounts receivable.

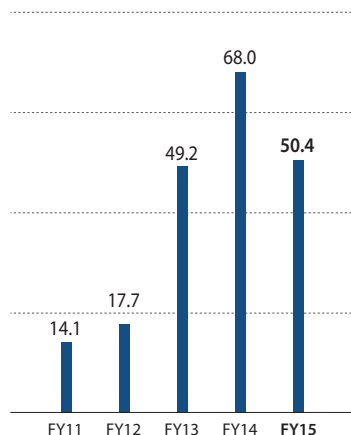
Non-current assets were ¥208.4 billion, a ¥10.7 billion increase due in part to increases in investments in capital and construction in progress, and to a decrease in investment securities.

Current liabilities were ¥178.8 billion, a ¥33.8 billion decrease due to factors including a decrease in short-term loans payable.

Non-current liabilities were ¥52.2 billion, a ¥21.8 billion decrease due to factors including increases in long-term debt and retirement benefit liability, and a decrease in convertible bond-type bonds with subscription rights to shares.

Interest Coverage Ratio

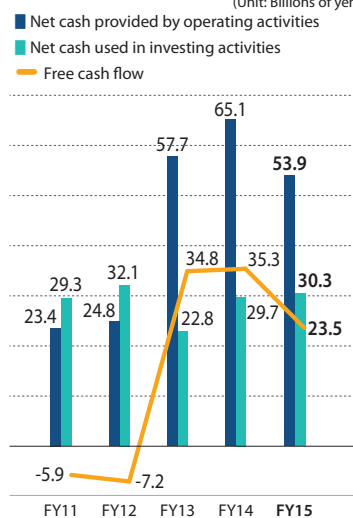
(Unit: Times)



*Net cash provided by operating activities ÷ Interest paid

Cash Flows

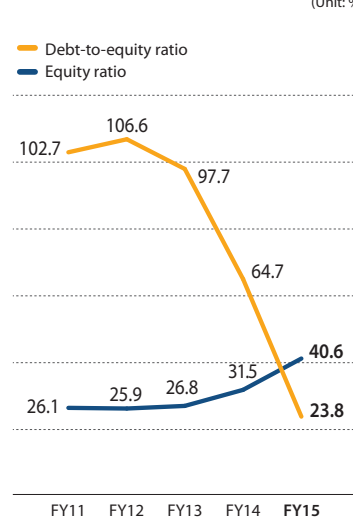
(Unit: Billions of yen)



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

Capital Structure

(Unit: %)



4 Business and Other Risks

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

Forward-looking statements are based on judgments made at the end of the fiscal year ended March 31, 2016.

1 Economic Conditions

The Alps Group (Alps Electric and its consolidated subsidiaries) operates a global business centered on the electronic components segment, with overseas markets accounting for 81.4% of sales in fiscal 2015 (year ended March 31, 2016). As most of the Alps Group's products are sold to manufacturers, customers' production levels, which may be influenced by economic trends, have a major impact on the business of the Alps Group. The Alps Group will therefore be influenced directly or indirectly by economic conditions in markets across Japan, Europe, the United States and Asia, and economic fluctuations in those markets have the potential to impact the results of operations and financial condition of the Alps Group.

2 Competition

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

3 Customer Needs and Introduction of New Technology

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

4 Customers' Production Plans

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

5 Underlying Risks Relating to Overseas Business and Operations

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

6 Supply Structures for Certain Parts

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

Management's Discussion & Analysis of Operating Results

7 Fluctuation in Results of Operations

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

8 Intellectual Property

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

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

9 Foreign Exchange and Interest Rate Risks

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

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

10 Public Regulations

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

11 Environmental Contamination Risks

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

12 Funding Risks

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

13 Disaster Risk

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

14 Risks Related to Impairment Accounting

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

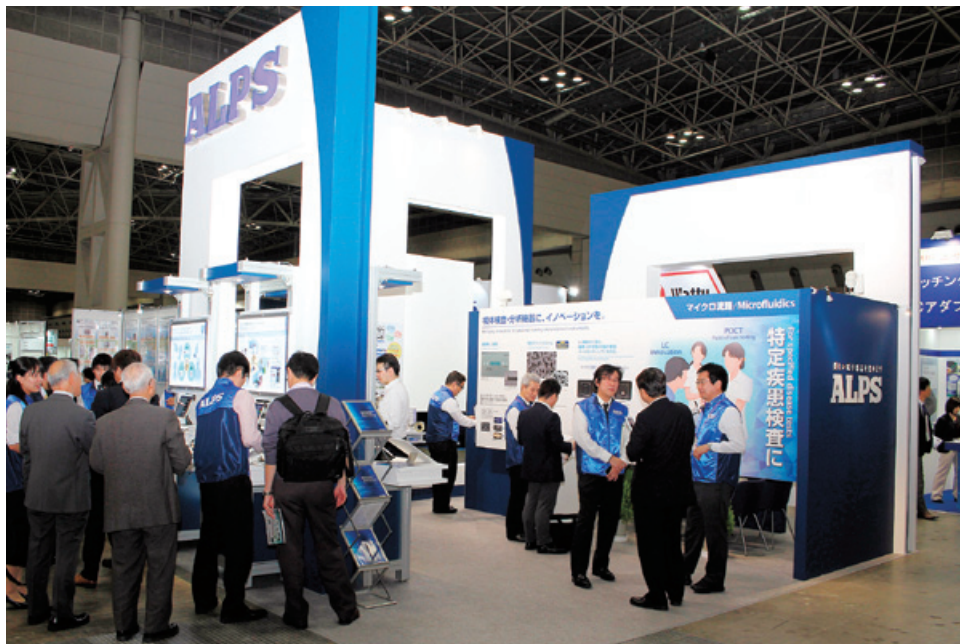
15 Risk of Fluctuations in Prices of Marketable Securities

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

16 Risks Relating to Legal Proceedings and Lawsuits

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

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



CONSOLIDATED BALANCE SHEET

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2016 and 2015

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Current assets:			
Cash and time deposits (Notes 15 and 16)	¥ 117,543	¥ 134,783	\$ 1,043,158
Notes and accounts receivable-trade (Note 16):			
Unconsolidated subsidiaries and affiliated companies	1,715	1,162	15,220
Other	121,669	126,375	1,079,775
Allowance for doubtful accounts	(395)	(527)	(3,506)
Inventories (Note 5)	87,529	85,352	776,793
Deferred tax assets (Note 14)	6,551	7,149	58,138
Other current assets	19,764	18,467	175,399
Total current assets	354,378	372,762	3,144,995
Property, plant and equipment (Note 6):			
Land (Note 10)	28,990	29,117	257,277
Buildings and structures	130,958	131,167	1,162,212
Machinery and equipment	320,328	325,269	2,842,812
Construction in progress	14,714	7,323	130,582
	494,991	492,878	4,392,891
Less accumulated depreciation and impairment losses	(350,824)	(351,936)	(3,113,454)
Property, plant and equipment, net	144,167	140,942	1,279,437
Investments and other assets:			
Intangible assets, net	14,217	13,069	126,171
Investments in unconsolidated subsidiaries and affiliated companies (Notes 4 and 16)	21,254	9,391	188,623
Investment securities (Notes 4 and 16)	16,155	21,865	143,371
Deferred tax assets (Note 14)	4,874	5,340	43,255
Net defined benefit asset	14	50	124
Other assets	7,793	7,060	69,160
Total investments and other assets	64,310	56,777	570,731
Total assets	¥ 562,856	¥ 570,482	\$ 4,995,172

See accompanying notes.

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2016	2015	2016	
Net sales	¥ 774,038	¥ 748,614	\$ 6,869,347	
Costs and expenses:				
Cost of sales (Note 12)	621,754	593,788	5,517,874	
Selling, general and administrative expenses (Notes 11 and 12)	99,956	101,291	887,078	
	721,710	695,080	6,404,952	
Operating income	52,327	53,534	464,386	
Other income (expenses):				
Interest and dividend income	873	912	7,748	
Interest expense	(1,066)	(937)	(9,460)	
Foreign exchange gains (losses), net	(1,297)	4,106	(11,510)	
Gain on sales of shares of subsidiaries and affiliated companies	18,450	–	163,738	
Loss on valuation of investment securities	(827)	(87)	(7,339)	
Impairment loss	(122)	(1,602)	(1,083)	
Loss on settlement of retirement benefit plan	–	(2,383)	–	
Other, net (Note 13)	(504)	812	(4,473)	
	15,504	820	137,593	
Profit before income taxes	67,832	54,354	601,988	
Income taxes (Note 14):				
Current	18,611	14,735	165,167	
Deferred	2,522	(3,458)	22,382	
	21,133	11,277	187,549	
Profit	46,698	43,077	414,430	
Profit attributable to owners of parent	39,034	34,739	346,415	
Non-controlling interests in earnings of consolidated subsidiaries	7,664	8,337	68,016	
Profit	46,698	43,077	414,430	
Other comprehensive income (Note 20)				
Net unrealized gains (losses) on securities	(3,277)	1,856	(29,082)	
Net deferred losses on hedges	(1)	(3)	(9)	
Foreign currency translation adjustments	(12,324)	14,302	(109,372)	
Retirement benefits liability adjustments	(5,308)	411	(47,107)	
Share of other comprehensive income (loss) of affiliated companies accounted for by the equity method	(2,010)	488	(17,838)	
	(22,924)	17,054	(203,443)	
Comprehensive income	¥ 23,774	¥ 60,131	\$ 210,987	
Comprehensive income attributable to:				
Owners of parent	¥ 21,817	¥ 46,374	\$ 193,619	
Non-controlling interests	1,956	13,757	17,359	

	Yen		U.S. dollars (Note 1)	
	2016	2015	2016	
Amounts per share of common stock:				
Basic profit attributable to owner of parent per share	¥ 206.64	¥ 193.81	\$ 1.83	
Diluted profit attributable to owner of parent per share	197.73	177.12	1.75	
Cash dividends applicable to the year	25.00	15.00	0.22	

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2016 and 2015

	Millions of yen				
	Number of shares of common stock	Shareholders' equity			
		Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2014	181,559,956	¥ 23,623	¥ 42,229	¥ 78,339	¥ (3,505)
Cumulative effects of changes in accounting policy				(2,955)	
Restated balance		23,623	42,229	75,383	(3,505)
Conversion of convertible bonds					
Dividends				(1,792)	
Profit attributable to owners of parent				34,739	
Purchase of treasury stock					(7)
Disposal of treasury stock			(0)		5
Change in treasury shares of parent arising from transactions with non-controlling shareholders					
Changes in items other than shareholders' equity, net					
Balance at March 31, 2015	181,559,956	23,623	42,228	108,330	(3,506)
Cumulative effects of changes in accounting policy					
Restated balance		23,623	42,228	108,330	(3,506)
Conversion of convertible bonds	16,648,130	15,106	15,106		
Dividends				(3,713)	
Profit attributable to owners of parent				39,034	
Purchase of treasury stock					(9)
Disposal of treasury stock			2		10
Change in treasury shares of parent arising from transactions with non-controlling shareholders			(88)		
Changes in items other than shareholders' equity, net					
Balance at March 31, 2016	198,208,086	¥ 38,730	¥ 57,248	¥ 143,650	¥ (3,505)

	Millions of yen								
	Accumulated other comprehensive income								Total net assets
	Net unrealized gains on securities	Net deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Subscription rights to shares	Non-controlling interests		
Balance at April 1, 2014	¥ 4,353	¥ -	¥ (526)	¥ (3,823)	¥ (3,207)	¥ -	¥ 92,897	¥ 230,380	
Cumulative effects of changes in accounting policy							(256)	(3,212)	
Restated balance	4,353	-	(526)	(3,823)	(3,207)	-	92,641	227,167	
Conversion of convertible bonds								-	
Dividends								(1,792)	
Profit attributable to owners of parent								34,739	
Purchase of treasury stock								(7)	
Disposal of treasury stock								5	
Change in treasury shares of parent arising from transactions with non-controlling shareholders								-	
Changes in items other than shareholders' equity, net	1,102	(1)	-	10,671	277	97	11,438	23,587	
Balance at March 31, 2015	5,455	(1)	(526)	6,847	(2,929)	97	104,079	283,700	
Cumulative effects of changes in accounting policy								-	
Restated balance	5,455	(1)	(526)	6,847	(2,929)	97	104,079	283,700	
Conversion of convertible bonds								30,213	
Dividends								(3,713)	
Profit attributable to owners of parent								39,034	
Purchase of treasury stock								(9)	
Disposal of treasury stock								13	
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(88)	
Changes in items other than shareholders' equity, net	(1,509)	(0)	-	(10,366)	(4,598)	82	(991)	(17,384)	
Balance at March 31, 2016	¥ 3,946	¥ (2)	¥ (526)	¥ (3,518)	¥ (7,528)	¥ 179	¥ 103,088	¥ 331,764	

	Thousands of U.S. dollars (Note 1)			
	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2015	\$ 209,647	\$ 374,760	\$ 961,395	\$ (31,115)
Cumulative effects of changes in accounting policy				
Restated balance	209,647	374,760	961,395	(31,115)
Conversion of convertible bonds	134,061	134,061		
Dividends			(32,952)	
Profit attributable to owners of parent			346,415	
Purchase of treasury stock				(80)
Disposal of treasury stock		18		89
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(781)		
Changes in items other than shareholders' equity, net				
Balance at March 31, 2016	\$ 343,717	\$ 508,058	\$ 1,274,849	\$ (31,106)

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Net unrealized gains on securities	Net deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at March 31, 2015	\$ 48,411	\$ -	\$ (4,668)	\$ 60,765	\$ (25,994)	\$ 861	\$ 923,669	\$ 2,517,749
Cumulative effects of changes in accounting policy								-
Restated balance	48,411	(9)	(4,668)	60,765	(25,994)	861	923,669	2,517,749
Conversion of convertible bonds								268,131
Dividends								(32,952)
Profit attributable to owners of parent								346,415
Purchase of treasury stock								(80)
Disposal of treasury stock								115
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(781)
Changes in items other than shareholders' equity, net	(13,392)	(0)	-	(91,995)	(40,806)	728	(8,795)	(154,278)
Balance at March 31, 2016	\$ 35,020	\$ (18)	\$ (4,668)	\$ (31,221)	\$ (66,809)	\$ 1,589	\$ 914,874	\$ 2,944,302

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities:			
Profit before income taxes	¥ 67,832	¥ 54,354	\$ 601,988
Depreciation and amortization	30,725	28,010	272,675
Increase (decrease) in liability for retirement benefits	(329)	3,463	(2,920)
Increase (decrease) in accrued expenses	(2,139)	1,684	(18,983)
Interest expense	1,066	937	9,460
Equity in earnings of affiliated companies	(514)	(264)	(4,562)
Gain on sales of shares of subsidiaries and affiliated companies	(18,450)	–	(163,738)
Increase in notes and accounts receivable-trade	(4,202)	(3,315)	(37,291)
Increase in inventories	(7,047)	(6,456)	(62,540)
Increase (decrease) in notes and accounts payable - trade	8,817	(4,449)	78,248
Other, net	(1,439)	942	(12,771)
Subtotal	74,318	74,907	659,549
Interest and dividends received	1,114	1,280	9,886
Interest paid	(1,069)	(957)	(9,487)
Income taxes paid	(20,405)	(10,119)	(181,088)
Net cash provided by operating activities	53,958	65,111	478,860
Cash flows from investing activities:			
Payments into time deposits	(1,011)	(625)	(8,972)
Purchase of property, plant and equipment	(31,440)	(27,094)	(279,020)
Purchase of intangible assets	(4,296)	(3,466)	(38,126)
Proceeds from sales of shares of subsidiaries and affiliated companies	20,940	–	185,836
Payments for investments in capital	(14,056)	–	(124,743)
Other, net	(519)	1,414	(4,606)
Net cash used in investing activities	(30,383)	(29,772)	(269,640)
Cash flows from financing activities:			
Net decrease in short-term loans payable	(3,409)	(8,961)	(30,254)
Proceeds from long-term loans payable	17,500	1,300	155,307
Repayment of long-term loans payable	(42,654)	(15,568)	(378,541)
Cash dividends paid	(3,713)	(1,792)	(32,952)
Dividends paid to non-controlling interests	(2,132)	(1,689)	(18,921)
Repayments of lease obligations	(1,509)	(1,896)	(13,392)
Other, net	(421)	657	(3,736)
Net cash used in financing activities	(36,340)	(27,951)	(322,506)
Effect of exchange rate change on cash and cash equivalents	(4,814)	4,673	(42,723)
Net increase (decrease) in cash and cash equivalents	(17,580)	12,060	(156,017)
Cash and cash equivalents at beginning of year	134,298	122,237	1,191,853
Increase in cash and cash equivalents resulting from change in the scope of consolidation	125	–	1,109
Cash and cash equivalents at end of year (Note 15)	¥ 116,843	¥ 134,298	\$ 1,036,945

See accompanying notes.

Notes to Consolidated Financial Statements

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The accompanying consolidated financial statements are stated in Japanese yen. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan at the prevailing exchange rate on March 31, 2016, which was ¥112.68 to U.S. \$1.00.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

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

(b) Equity method

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

(c) Cash equivalents

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

(d) Investment securities

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

(e) Allowance for doubtful accounts

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

(f) Inventories

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

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

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

The estimated useful lives are summarized as follows:

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

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

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

(i) Leased assets

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

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

(j) Foreign currency translation

Foreign currency transactions

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

Foreign currency financial statements

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

(k) Accrued employees' bonuses

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

(l) Accrued directors' bonuses

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

(m) Accrued product warranties

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

(n) Retirement benefits

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

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

Actuarial gain or loss is amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (mainly from 12 to 15 years) from the fiscal year following the respective fiscal year of recognition. Prior service cost is amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (1 year, except certain domestic consolidated subsidiaries that apply a period of 13 years).

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

(o) Accrued directors' severance costs

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

(p) Allowance for environmental preservation costs

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

(q) Basis for revenue recognition on finance leases

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

(r) Income taxes

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

(s) Amounts per share of common stock

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

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

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

(t) Derivative financial instruments

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

Changes in the fair value of derivatives

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

Interest rate swap agreements

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

(u) Accounting for consumption taxes

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

(v) Adoption of consolidated taxation system

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

(w) Reclassifications

Certain prior-year amounts have been reclassified to conform to the 2016 presentation.

(x) Accounting standards issued but not yet effective

On May 17, 2016, the Accounting Standards Board of Japan (ASBJ) issued “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26).

(1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accountants Audit Committee Report No.66 “Audit Treatment on Determining the Recoverability of Deferred Tax Assets,” whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

- Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
- Category requirements for (Category 2) and (Category 3)
- Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)
- Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
- Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

(2) Schedule date of adoption

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised implementation guidance

The Company is currently evaluating the effect of adopting this revised implementation guidance in its consolidated financial statements.

3. ACCOUNTING CHANGES

(1) Application of accounting standards for business combinations

The Company and its domestic consolidated subsidiaries adopted “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. from the fiscal year ended March 31, 2016. With the application of such standards, the Company adopted the method of posting as capital surplus the difference resulting from changes in equity with respect to subsidiaries in which it retains control, and that of recognizing acquisition-related costs as expenditures incurred for corresponding the fiscal year. For business combinations implemented from April 1, 2015, when the acquisition costs calculated by provisional accounting treatment are to be revised, this revision affects the consolidated financial statements for fiscal year in which the business combination occurs. In addition, the presentation method of net income was amended, and the reference to “minority interests” was changed to “non-controlling interests.” These changes in presentation method have been applied retroactively, and the consolidated financial statements of the previous fiscal year were restated.

Cash flow related to an acquisition by the Company of a subsidiary’s shares, where such acquisition would not change the scope of consolidation, is included in “Cash Flows from Financing Activities.”

“Accounting Standard for Business Combinations” and related matters were applied in accordance with the transitional treatment specified in Section 58-2(4) of “Accounting Standard for Business Combinations,” Section 44-5(4) of “Revised Accounting Standard for Consolidated Financial Statements,” and Section 57-4(4) of “Revised Accounting Standard for Business Divestitures,” and the Company applied these accounting standards effective the beginning of the fiscal year ended

March 31, 2016.

As a result of this change, capital surplus as of March 31, 2016 decreased by ¥88 million (\$781 thousand), while the impact on profit or loss was immaterial for the year ended March 31, 2016.

Also, the impact on segment information was immaterial for the year ended March 31, 2016, therefore the disclosure is omitted.

(2) Change in amortization period of actuarial gain or loss

At certain of the Company’s domestic consolidated subsidiaries the actuarial gain or loss on the net defined benefit liability had previously been amortized over a period of 16 years, however, the average remaining years of service of the employees fell below it, and therefore, actuarial gain or loss is now amortized over a period of 12 years from the fiscal year ended March 31, 2016. As a result of this change, operating income, ordinary income and income before income taxes and non-controlling interests decreased by ¥273 million (\$2,423 thousand), respectively, for the year ended March 31, 2016.

4. INVESTMENT SECURITIES

Securities classified as other securities at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2016			2016		
	Fair value	Cost	Unrealized gains (losses)	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost: Equity securities	¥ 13,937	¥ 3,851	¥ 10,086	\$ 123,687	\$ 34,176	\$ 89,510
Securities for which cost exceeds fair value: Equity securities	1,537	1,815	(278)	13,640	16,108	(2,467)
Total	¥ 15,474	¥ 5,667	¥ 9,807	\$ 137,327	\$ 50,293	\$ 87,034

	Millions of yen		
	2015		
	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost: Equity securities	¥ 20,327	¥ 5,535	¥ 14,791
Securities for which cost exceeds fair value: Equity securities	76	109	(32)
Total	¥ 20,404	¥ 5,645	¥ 14,759

Note: Unlisted stocks and other at March 31, 2016 and 2015 in the amounts of ¥629 million (\$5,582 thousand) and ¥1,459 million, respectively, have been excluded from other securities listed above because it is extremely difficult to determine the fair value.

Proceeds from sales of securities classified as other securities for the years ended March 31, 2016 and 2015 were ¥2 million (\$18 thousand) and nil, respectively.

Gross realized gains and losses for the year ended March 31, 2016 were ¥0 million (\$0 thousand) and nil, respectively. Both of gross realized gains and losses for the year ended March 31, 2015 were nil.

The impairment losses of ¥827 million (\$7,339 thousand) and ¥87 million on securities for the years ended March 31, 2016 and 2015 were recorded for non-marketable equity securities at ¥827 million (\$7,339 thousand) and ¥87 million; for the shares of companies that have business relationships with the Company at ¥0 million (\$0 thousand) and nil, respectively.

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

5. INVENTORIES

Inventories at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Finished products	¥ 55,671	¥ 54,610	\$ 494,063
Work in process	9,325	8,889	82,756
Raw materials and supplies	22,531	21,852	199,956
	¥ 87,529	¥ 85,352	\$ 776,793

Inventories are stated at the lower of cost or market. The following loss on valuation of inventories is included in the cost of sales for the years ended March 31, 2016, and 2015, respectively:

Millions of yen		Thousands of U.S. dollars
2016	2015	2016
¥ 1,480	¥ 54	\$ 13,135

6. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Average interest rates for short-term loans payable, consisting primarily of overdrafts with banks, were 0.87% and 0.93% at March 31, 2016 and 2015, respectively.

Long-term debt at March 31, 2016 and 2015 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans principally from banks and insurance companies due over 1 year at average interest rates of 0.40% and 0.91% at March 31, 2016 and 2015, respectively	¥ 19,418	¥ 14,836	\$ 172,329
Convertible bond-type bonds with share subscription rights due through 2019	–	30,238	–
Loans principally from banks and insurance companies due within 1 year at average interest rates of 0.88% and 0.77% at March 31, 2016 and 2015, respectively	12,708	42,646	112,780
	¥ 32,126	¥ 87,721	\$ 285,108

At March 31, 2016 and 2015, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Land	¥ 1,406	¥ 1,407	\$ 12,478
Building and structures	2,037	2,181	18,078
Total	¥ 3,443	¥ 3,588	\$ 30,556

At March 31, 2016 and 2015, such collateral secured the following obligations:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Long-term debt due within one year	¥ 232	¥ 312	\$ 2,059
Long-term debt	323	554	2,867
Total	¥ 556	¥ 866	\$ 4,934

The aggregate annual maturities of long-term debt subsequent to March 31, 2016 and 2015 are summarized as follows:

Year ending	Millions of yen		Thousands of U.S. dollars	
		2016		2016
2017	¥	12,708	\$	112,780
2018		1,760		15,619
2019		96		852
2020		60		532
2021		17,500		155,307
2022 and thereafter		-		-
Total	¥	32,126	\$	285,108

Year ending	Millions of yen	
	2015	
2016	¥	42,646
2017		12,904
2018		1,775
2019		30,096
2020		60
2021 and thereafter		-
Total	¥	87,482

7. RETIREMENT BENEFITS

The Company and certain consolidated subsidiaries have defined benefit plans, including a defined benefit corporate pension plan, lump-sum payment plans, and also some domestic consolidated subsidiaries which participate in a multi-employer pension plan migrated from an employee pension fund to a corporate pension fund in October 2015.

According to the Company's rules, employees may, in the event of involuntary retirement, be entitled to additional payments of retirement benefits, which are not reflected in the actuarial calculation of the projected benefit obligations.

The Company and certain of its consolidated subsidiaries have defined contribution pension plans. In addition, a foreign consolidated subsidiary has a public pension plan.

Defined benefit plans

(1) The changes in the retirement benefit obligation for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligation, beginning balance	¥ 75,342	¥ 62,633	\$ 668,637
Cumulative effect of change in accounting policy	–	3,222	–
Beginning balance as restated	75,342	65,855	668,637
Service cost	2,971	2,652	26,367
Interest cost	409	1,059	3,630
Actuarial gain or loss	315	6,774	2,796
Retirement benefits paid	(3,684)	(3,767)	(32,694)
Other	(636)	204	(5,644)
Increase by loss on settlement of retirement benefit plan	–	2,562	–
Retirement benefit obligation, ending balance	¥ 74,718	¥ 75,342	\$ 663,099

(2) The changes in plan assets for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Plan assets, beginning balance	¥ 59,021	¥ 52,914	\$ 523,793
Expected return on plan assets	2,184	1,401	19,382
Actuarial gain or loss	(5,981)	5,013	(53,080)
Employer contributions	2,333	2,466	20,705
Retirement benefits paid	(3,213)	(3,079)	(28,514)
Other	(396)	304	(3,514)
Plan assets, ending balance	¥ 53,947	¥ 59,021	\$ 478,763

(3) The amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2015 consist of:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligations	¥ 72,081	¥ 72,812	\$ 639,696
Plan assets at fair value	(53,947)	(59,021)	(478,763)
Funded status	18,133	13,791	160,925
Unfunded retirement benefit obligations	2,636	2,529	23,394
Liability in the balance sheet, net	¥ 20,770	¥ 16,320	\$ 184,327
Liability for retirement benefits	¥ 20,784	¥ 16,371	\$ 184,452
Asset for retirement benefit	(14)	(50)	(124)
Liability in the balance sheet, net	¥ 20,770	¥ 16,320	\$ 184,327

(4) The amounts recognized in the consolidated statements of income for the years ended March 31, 2016 and 2015 consist of :

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 2,971	¥ 2,652	\$ 26,367
Interest cost	409	1,059	3,630
Expected return on plan assets	(2,184)	(1,401)	(19,382)
Amortization of actuarial loss	1,362	1,632	12,087
Amortization of prior service cost	0	(2)	0
Other	83	86	737
Periodic pension cost for defined benefit plan	2,643	4,026	23,456
Loss on settlement of retirement benefit plan	–	2,383	–
Total	¥ 2,643	¥ 6,410	\$ 23,456

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Prior service cost	¥ (0)	¥ 2	\$ (0)
Net actuarial losses	4,935	128	43,797
Total	¥ 4,934	¥ 131	\$ 43,788

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	
Unrecognized prior service cost	¥ 6	¥ 7	\$ 53	
Unrecognized actuarial losses	7,594	3,368	67,394	
Total	¥ 7,601	¥ 3,375	\$ 67,457	

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 comprised the following:

	2016	2015
Bonds	26.4%	28.4%
Stocks	15.3%	30.4%
Insurance	8.2%	8.4%
Cash and cash equivalents	22.9%	5.5%
Alternative (*)	26.5%	26.6%
Other	0.7%	0.7%
Total	100.0%	100.0%

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

(8) The principal actuarial assumptions used in accounting for the defined benefit plans for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015
Discount rate	Mainly 0.5%	Mainly 0.5%
Expected rate of return on plan assets	Mainly 4.0%	Mainly 2.5%
Estimated rate of salary increase	Mainly 2.2%	Mainly 2.4%

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

Multi-employer plans

One of the Company's certain of domestic consolidated subsidiaries migrated from an employee pension fund plan to a corporate pension fund, as of October 1, 2015, since the domestic consolidated subsidiary received approval from the Minister of Health, Labour and Welfare, for an exemption from the obligation to pay for future benefits under the substitutional portion of an employee pension fund plan on April 11, 2014, and for past benefits on October 1, 2015. The impact as a result of this change on profit or loss was immaterial for the year ended March 31, 2016.

The Company's consolidated subsidiary participates in a multi-employer defined benefit pension plan and recognizes as net pension cost the related required contributions for the period. Information regarding the multi-employer pension plan for the years ended March 31, 2016 and 2015 is summarized as follows:

(1) Funded status

Japan Travel Agents Employees Pension Funds

	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	
Pension assets	¥ 27,095	¥ 24,110	\$ 240,460	
Pension liabilities	28,770	25,972	255,325	
Funded status	¥ (1,675)	¥ (1,862)	\$ (14,865)	

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

2016	2015
0.61%	0.58%

Defined contribution plans

The amounts paid to the defined contribution plans for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	
Defined contribution plan payment	¥ 924	¥ 854	\$ 8,200	

8. CONTINGENT LIABILITIES

The Company was contingently liable as guarantor for loans of other companies and employees in the aggregate amount of ¥4 million (\$35 thousand) and ¥9 million at March 31, 2016 and 2015, respectively.

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥40,000 million (\$354,988 thousand at March 31, 2016) with financial institutions at March 31, 2016 and 2015. The outstanding loans payable amounted to nil and the unused balances amounted to ¥40,000 million (\$354,988 thousand at March 31, 2016) under these credit facilities, at March 31, 2016 and 2015.

9. NET ASSETS

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

Shares in Issue and Outstanding and Treasury Stock

The total number and periodic changes in the number of shares in issue and the total number and periodic changes in the number of shares of treasury stock for the years ended March 31, 2016 and 2015 are summarized as follows:

	Shares in Issue and Outstanding (Thousand)	Treasury Stock (Thousand)
Number of shares at March 31, 2014	181,559	2,315
Increase in number of shares	–	3
Decrease in number of shares	–	3
Number of shares at March 31, 2015	181,559	2,314
Increase in number of shares	16,648	2
Decrease in number of shares	–	7
Number of shares at March 31, 2016	198,208	2,310

During the year ended March 31, 2016, the increase of 16,648 thousand shares of shares in issue and outstanding was due to the conversion of convertible bonds. The increase of 2 thousand shares of treasury stock was due to the purchase of odd-lot shares. The decrease of 5 thousand shares of treasury stock was due to the exercising of stock subscription rights are exercised, the decrease of 2 thousand shares of treasury stock was due to the sales of shares to employees.

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

Stock subscription rights

The total number and periodic changes in the number of stock subscription rights for the year ended March 31, 2016 are summarized as follows:

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

Company name	ALPS ELECTRIC CO., LTD.
Class of stock	Common stock
Number of shares at March 31, 2015	16,648,168
Increase in number of shares	-
Decrease in number of shares	16,648,168
Number of shares at March 31, 2016	-
Ending balance at March 31, 2016 (Millions of yen)	-

(2) Stock subscription rights of stock options

Company name	ALPS ELECTRIC CO., LTD.	ALPINE ELECTRONICS, INC.	ALPS LOGISTICS CO., LTD.
Class of stock	-	-	-
Number of shares at March 31, 2015	-	-	-
Increase in number of shares	-	-	-
Decrease in number of shares	-	-	-
Number of shares at March 31, 2016	-	-	-
Ending balance at March 31, 2016 (Millions of yen)	¥ 97	¥ 54	¥ 26

Dividends

The following appropriations of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2016, was approved at the ordinary general meeting of shareholders on June 23, 2016 and will go into effect on June 24, 2016:

	Millions of yen	Thousands of U.S. dollars
Cash dividends to be approved on June 23, 2016 (¥15.00 = \$0.1 per share)	¥ 2,938	\$ 26,074

The following appropriations of cash dividends to shareholders of common stock were approved at the ordinary general meeting of shareholders held on June 19, 2015 and at the meeting of the Board of Directors held on October 29, 2015 and were paid to shareholders of record as of March 31, 2015 and September 30, 2015, respectively, during the year ended March 31, 2016:

	Millions of yen
Cash dividends approved on June 19, 2015 (¥10.00 Per share)	¥ 1,792
Cash dividends approved on October 29, 2015 (¥10.00 per share)	¥ 1,921

10. REVALUATION OF LAND

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

The excesses of the carrying value of this land after the revaluation over its fair value as of March 31, 2016 and 2015 were ¥1,270 million (\$11,271 thousand) and ¥1,273 million, respectively.

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Salaries	¥ 37,735	¥ 36,485	\$ 334,886
Research and development expenses	12,478	14,156	110,738
Commission expenses	5,969	9,371	52,973
Employees' bonuses	4,217	4,152	37,425
Warranty costs	2,253	2,211	19,995
Retirement benefit expense	1,157	1,598	10,268

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and general and administrative expenses were ¥33,336 million (\$295,847 thousand) and ¥33,035 million for the years ended March 31, 2016 and 2015, respectively.

13. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statements of income and comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of
	2016	2015	U.S. dollars
Equity in earnings of affiliated companies	¥ 514	¥ 264	\$ 4,562
Commission fee	(313)	(357)	(2,778)
Depreciation of idle assets	(376)	(184)	(3,337)
Loss on legal claims	(326)	–	(2,893)
Gain on sale of fixed assets	232	207	2,059
Compensation income	315	512	2,796
Subsidy income	318	724	2,822
Gain on change in share of net assets of a consolidated subsidiary resulting from stock issuance by the subsidiary	158	1	1,402
Loss on sale and disposal of fixed assets	(392)	(654)	(3,479)
Other	(635)	298	(5,635)
	¥ (504)	¥ 812	\$ (4,473)

14. INCOME TAXES

The Company is subject to a number of taxes in Japan based on income, which, in the aggregate, resulted in statutory tax rates of approximately 32.8% and 35.4% for the years ended March 31, 2016 and 2015, respectively.

The following table summarizes the reconciliations between the statutory tax rates and the Company's effective tax rates reflected in the accompanying consolidated statements of income and comprehensive income for the years ended March 31, 2016 and 2015:

	2016	2015
Statutory tax rates	32.8%	35.4%
Non-deductible expenses	1.3	3.7
Change in valuation allowance	4.9	(13.0)
Lower tax rates at foreign subsidiaries	(6.5)	(6.6)
Capita levy on inhabitant tax	0.2	0.2
Effect of tax rate change	0.7	0.8
Other	(2.2)	0.4
Effective tax rates	31.2%	20.7%

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of
	2016	2015	U.S. dollars
Deferred tax assets:			
Accrued employees' bonuses	¥ 2,718	¥ 3,189	\$ 24,121
Accrued warranty costs	1,056	1,058	9,372
Allowance for doubtful accounts	895	894	7,943
Income taxes payable	352	386	3,124
Accrued expenses	1,040	1,215	9,230
Liability for retirement benefit	5,059	4,393	44,897
Depreciation	8,912	8,706	79,091
Impairment losses for land	1,331	847	11,812
Accounts payable-directors' severance costs	295	370	2,618
Intercompany profit	4,672	4,456	41,463
Write-offs of investment securities	1,968	1,814	17,465
Write-offs of inventories	1,336	1,407	11,857
Tax loss carryforwards	15,255	16,568	135,383
Other	5,037	6,446	44,702
Gross deferred tax assets	49,926	51,749	443,078
Valuation allowance	(33,344)	(32,216)	(295,918)
Less deferred tax liabilities in the same tax jurisdiction	(5,156)	(7,043)	(45,758)
Total deferred tax assets	11,426	12,490	101,402
Deferred tax liabilities:			
Unrealized gain on investment securities	(2,702)	(4,394)	(23,979)
Undistributed retained earnings of foreign subsidiaries	(3,215)	(2,451)	(28,532)
Gain on change in equity resulting from capital increase through third-party share issuance of subsidiaries	(1,281)	(1,281)	(11,368)
Undistributed retained earnings of affiliated company accounted for by the equity method	(2,088)	(2,455)	(18,530)
Other	(1,926)	(2,028)	(17,093)
Gross deferred tax liabilities	(11,212)	(12,609)	(99,503)
Less deferred tax assets in the same tax jurisdiction	5,156	7,043	45,758
Total deferred tax liabilities	(6,056)	(5,566)	(53,745)
Net deferred tax assets	¥ 5,370	¥ 6,923	\$ 47,657

The “Act to Partially Revise the Income Tax Act and Others” (Act No. 15 of 2016) and the “Act to Partially Revise of the Local Tax Act and Others” (Act No. 13 of 2016) were promulgated on March 29, 2016. As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 32.1% to 30.7% for the temporary differences expected to be realized or settled in the years beginning April 1, 2016 and 2017, and 30.4% for the temporary differences expected to be realized or settled from April 1, 2018.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥133 million (\$1,180 thousand) and increase income taxes-deferred by ¥277 million (\$2,458 thousand) and net unrealized gains on securities by ¥147 million (\$1,305 thousand), and also, decrease retirement benefits liability adjustments by ¥3 million (\$27 thousand) as of and for the year ended March 31, 2016.

In addition, effective from fiscal years beginning on or after April, 2016, the use of tax loss carryforwards

will be limited to the equivalent of 60% of taxable income before deducting tax loss carryforwards, from fiscal years beginning on or after April 1, 2017, the use of tax loss carryforwards will be limited to the equivalent of 55% of taxable income and from fiscal years beginning on or after April 1, 2018, the use of tax loss carryforwards will be limited to the equivalent of 50% of taxable income before deducting tax loss carryforwards. As a result, deferred tax assets decreased by ¥27 million (\$240 thousand) and income taxes-deferred increased by ¥27 million (\$240 thousand) as of and for the year ended March 31, 2016.

15. CASH AND CASH EQUIVALENTS

A reconciliation between cash and time deposits in the accompanying consolidated balance sheets, and cash and cash equivalents in the accompanying statements of cash flows at March 31, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and time deposits	¥ 117,543	¥ 134,783	\$ 1,043,158
Less:			
Time deposits with a maturity of more than three months when purchased	(699)	(484)	(6,203)
Cash and cash equivalents	¥ 116,843	¥ 134,298	\$ 1,036,945

Supplemental Disclosure of Non-Cash Transactions

Information on the convertible bonds during the years ended March 31, 2016 and 2015 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Increase in common stock due to conversion of convertible bonds	¥ 15,106	–	\$ 134,061
Increase in capital surplus due to conversion of convertible bonds	¥ 15,106	–	\$ 134,061
Decrease in bonds due to conversion of convertible bonds	¥ 30,213	–	\$ 268,131

The Company recorded assets and corresponding obligations for finance lease transactions amounting to ¥664 million (\$5,893 thousand) and ¥469 million for the years ended March 31, 2016 and 2015, respectively.

16. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

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

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2016 and 2015, their estimated fair value and unrealized gains are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

		Millions of yen			Thousands of U.S. dollars		
		2016			2016		
		Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:	Cash and time deposits	¥ 117,543	¥ 117,543	¥ -	\$ 1,043,158	\$ 1,043,158	\$ -
	Notes and accounts receivable-trade	123,384	123,384	-	1,094,995	1,094,995	-
	Investment securities	21,797	34,309	12,512	193,442	304,482	111,040
Total assets		¥ 262,726	¥ 275,238	¥ 12,512	\$ 2,331,612	\$ 2,442,652	\$ 111,040
Liabilities:	Notes and accounts payable-trade	¥ 67,420	¥ 67,420	¥ -	\$ 598,332	\$ 598,332	\$ -
	Short-term loans payable	22,208	22,208	-	197,089	197,089	-
	Long-term debt due within one year	12,708	12,708	-	112,780	112,780	-
	Convertible bonds with subscription rights to shares	-	-	-	-	-	-
	Long-term debt	19,418	19,487	69	172,329	172,941	612
Total liabilities		¥ 121,755	¥ 121,825	¥ 69	\$ 1,080,538	\$ 1,081,159	\$ 612
Derivatives*		¥ (701)	¥ (701)	¥ -	\$ (6,221)	\$ (6,221)	\$ -

		Millions of yen		
		2015		
		Carrying value	Estimated fair value	Difference
Assets:	Cash and time deposits	¥ 134,783	¥ 134,783	¥ -
	Notes and accounts receivable-trade	127,537	127,537	-
	Investment securities	29,276	65,164	35,888
Total assets		¥ 291,597	¥ 327,485	¥ 35,888
Liabilities:	Notes and accounts payable-trade	¥ 66,259	¥ 66,259	¥ -
	Short-term loans payable	28,479	28,479	-
	Long-term debt due within one year	42,646	42,646	-
	Convertible bonds with subscription rights to shares	30,238	48,637	18,398
	Long-term debt	14,836	14,953	117
Total liabilities		¥ 182,460	¥ 200,976	¥ 18,515
Derivatives*		¥ (213)	¥ (213)	¥ -

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

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

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

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

(b) Investment securities

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

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

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

(d) Convertible bonds with subscription rights to shares

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

(e) Long-term debt

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

(f) Derivatives

Please refer to Note 18 DERIVATIVE FINANCIAL INSTRUMENTS.

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
	Carrying Value	Carrying Value	Carrying value
Investment in unlisted stocks, unconsolidated subsidiaries, affiliated companies and others	¥ 1,182	¥ 1,965	\$ 10,490

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

Note 3: Redemption schedule for receivables and marketable securities with maturities at March 31, 2016 and 2015

		Millions of yen		Thousands of U.S. dollars
		2016	2015	2016
Due in one year or less	Cash and time deposits	¥ 117,543	¥ 134,783	\$ 1,043,158
	Notes and accounts receivable-trade	123,384	127,537	1,094,995
Total		¥ 240,928	¥ 262,321	\$ 2,138,161

Note 4: The redemption schedule for long-term debt is disclosed in Note 6. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT. The aggregate annual maturities of finance lease obligations subsequent to March 31, 2016 and 2015 are summarized as follows:

Year ending	Millions of yen		Thousands of U.S. dollars	
		2016		2016
2016	¥	–	\$	–
2017		1,069		9,487
2018		557		4,943
2019		275		2,441
2020		150		1,331
2021		91		808
2022 and thereafter		1,053		9,345
Total	¥	3,197	\$	28,372

Year ending	Millions of yen	
		2015
2016	¥	1,533
2017		954
2018		353
2019		170
2020		103
2021 and thereafter		1,130
–		–
Total	¥	4,244

17. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2016 and 2015, to which hedge accounting has not been applied, are summarized as follows:

			Millions of yen			Thousands of U.S. dollars		
			2016			2016		
			Notional amounts	Estimated fair value	Unrealized gains	Notional amounts	Estimated fair value	Unrealized gains
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 22,469	¥ 662	¥ 662	\$ 199,405	\$ 5,875	\$ 5,875
		Euro	7,959	44	44	70,634	390	390

			Millions of yen		
			2015		
			Notional amounts	Estimated fair value	Unrealized losses
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 19,989	¥ (165)	¥ (165)
		Euro	7,354	(44)	(44)

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

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2016 and 2015, to which hedge accounting has been applied primarily to accounts receivables are summarized as follows:

			Millions of yen				Thousands of U.S. dollars	
			2016		2015		2016	
			Notional amounts	Estimated fair value	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ -	¥ -	¥ 239	¥ (0)	\$ -	\$ -
		Euro	887	(5)	518	(3)	7,872	(44)

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

There was no interest-rate swaps transaction which meets specific criteria for hedge accounting for the year ended March 31, 2016.

	Millions of yen	
	2015	
	Notional amounts	Estimated fair value
Interest-rate swaps which meet specific criteria:		
Interest-rate swap agreement:		
Pay / fixed and receive / floating		
Short-term debt	¥ 500	Note

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

18. LEASES

As lessee:

The Company's future minimum lease payments subsequent to March 31, 2016 and 2015 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
		2016		2016
2017	¥	1,766	\$	15,673
2018 and thereafter		3,517		31,212
	¥	5,283	\$	46,885

	Millions of yen	
	2015	
2016	¥	1,631
2017 and thereafter		4,419
	¥	6,050

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2016	2015	2016	
Lease receivables	¥ 1,101	¥ 675	\$ 9,771	
Interest portion of lease receivables	(83)	(54)	(737)	
Investment in lease assets	¥ 1,017	¥ 621	\$ 9,026	

The collection schedules of lease receivables related to investment in lease assets at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
		2016		2016
2017	¥	354	\$	3,142
2018		302		2,680
2019		209		1,855
2020		112		994
2021		60		532
2022 and thereafter		62		550
	¥	1,101	\$	9,771

	Millions of yen	
	2015	
2016	¥	193
2017		185
2018		135
2019		74
2020		48
2021 and thereafter		37
	¥	675

The Company's future minimum lease receivables subsequent to March 31, 2016 and 2015 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
		2016		2016
2017	¥	18	\$	160
2018 and thereafter		38		337
	¥	57	\$	506

	Millions of yen	
	2015	
2016	¥	10
2017 and thereafter		15
	¥	25

19. RELATED PARTY TRANSACTIONS

There were no transactions of the Company with a related party for the years ended March 31, 2016 and 2015.

20. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments as amounts reclassified to profit for the years ended March 31, 2016 and 2015, which were recognized in other comprehensive income for the years ended March 31, 2016 and 2015, and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2015.

	Millions of yen		Thousands of
	2016	2015	U.S. dollars
Net unrealized gains (losses) on securities:			2016
Amount arising during the year	¥ (5,879)	¥ 2,020	\$ (52,174)
Reclassification adjustments	827	87	7,339
Net unrealized gains (losses) on securities before tax effect	(5,052)	2,108	(44,835)
Tax effect	1,774	(252)	15,744
Net unrealized gains (losses) on securities	(3,277)	1,856	(29,082)
Net deferred gains (losses) on hedges:			
Amount arising during the year	39	5	346
Reclassification adjustments	(41)	(9)	(364)
Net deferred gains (losses) on hedges before tax effect	(1)	(3)	(9)
Tax effect	-	-	-
Net deferred gains (losses) on hedges	(1)	(3)	(9)
Foreign currency translation adjustments:			
Amount arising during the year	(12,324)	14,302	(109,372)
Retirement benefits liability adjustments:			
Amount arising during the year	(6,297)	(1,487)	(55,884)
Reclassification adjustments	1,363	1,489	12,096
Retirement benefits liability adjustments before tax effect	(4,934)	1	(43,788)
Tax effect	(374)	409	(3,319)
Retirement benefits liability adjustments	(5,308)	411	(47,107)
Share other comprehensive income (loss) of affiliated companies accounted for by the equity method:			
Amount arising during the year	(2,010)	488	(17,838)
Other comprehensive income (loss)	¥ (22,924)	¥ 17,054	\$ (203,443)

21. STOCK OPTIONS

(1) Stock option expenses were recognized for the years ended March 31, 2016 and 2015 as follows:

	Millions of yen	Thousands of U.S. dollars	Millions of yen
	2016	2016	2015
Selling, general and administrative expenses	¥ 94	\$ 834	¥ 97

(2) Outline of stock options and changes

(i) Outline of stock options

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

Company name	ALPS ELECTRIC CO., LTD.*1	ALPINE ELECTRONICS, INC.*1	ALPS LOGISTICS CO., LTD.**2
Grantees	Total 12 Directors of the Company (Excluding outside directors)	Total 9 Directors of subsidiaries (Excluding outside directors and part time directors)	Total 7 Directors of subsidiaries (Excluding outside directors and part time directors)
Type and number of shares to be issued upon the exercise of the stock subscription rights	34,800 shares of common stock	22,700 shares of common stock	32,400 shares of common stock
Grant date	July 28, 2014	August 5, 2014	July 23, 2014
Conditions for vesting	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 20, 2014	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 19, 2014	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 18, 2014
Required service period	None	None	None
Exercise period	From July 29, 2014 to July 28, 2054	From August 6, 2014 to August 5, 2054	From July 24, 2014 to July 23, 2054

*1 The number of shares is shown.

*2 Shares, exercise price and average stock price at exercise have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2016.

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

Company name	ALPS ELECTRIC CO., LTD.*1	ALPINE ELECTRONICS, INC.*1	ALPS LOGISTICS CO., LTD.**2
Grantees	Total 12 Directors of the Company (Excluding outside directors)	Total 10 Directors of subsidiaries (Excluding outside directors and part time directors)	Total 6 Directors of subsidiaries (Excluding outside directors and part time directors)
Type and number of shares to be issued upon the exercise of the stock subscription rights	14,100 shares of common stock	13,600 shares of common stock	18,000 shares of common stock
Grant date	July 24, 2015	August 4, 2015	July 22, 2015
Conditions for vesting	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 19, 2015	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 18, 2015	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 17, 2015
Required service period	None	None	None
Exercise period	From July 27, 2015 to July 26, 2055	From August 5, 2015 to August 4, 2055	From July 23, 2015 to July 22, 2055

*1 The number of shares is shown.

*2 Shares, exercise price and average stock price at exercise have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2016.

(ii) Movements in stock options (in shares) for the year ended March 31, 2016 were as follows:**(a) Number of stock options (in shares)**

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

Company name	ALPS ELECTRIC CO., LTD.	ALPINE ELECTRONICS, INC.	ALPS LOGISTICS CO., LTD.*1
Non-vested			
As of March 31, 2015	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding as of March 31, 2016	–	–	–
Vested			
As of March 31, 2015	34,800	22,700	32,400
Vested	–	–	–
Exercised	5,100	2,300	5,000
Forfeited	–	–	–
Outstanding as of March 31, 2016	29,700	20,400	27,400

*1 Shares, exercise price and average stock price at exercise have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2016.

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

Company name	ALPS ELECTRIC CO., LTD.	ALPINE ELECTRONICS, INC.	ALPS LOGISTICS CO., LTD.*1
Non-vested			
As of March 31, 2015	–	–	–
Granted	14,100	13,600	18,000
Forfeited	–	–	–
Vested	14,100	13,600	18,000
Outstanding as of March 31, 2016	–	–	–
Vested			
As of March 31, 2015	–	–	–
Vested	14,100	13,600	18,000
Exercised	–	–	–
Forfeited	–	–	–
Outstanding as of March 31, 2016	14,100	13,600	18,000

*1 Shares, exercise price and average stock price at exercise have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2016.

(b) Price information

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

Company name	ALPS ELECTRIC CO., LTD.	ALPINE ELECTRONICS, INC.	ALPS LOGISTICS CO., LTD.*1
Exercise price	¥ 1 per share	¥ 1 per share	¥ 1 per share
Average stock price upon exercise	¥ 3,595	¥ 2,456	¥ 741
Fair value at grant date	¥ 1,415	¥ 1,417	¥ 498

*1 Shares, exercise price and average stock price at exercise have been restated, as appropriate, to reflect a two-for-one stock split effected April 1, 2016.

(3) Estimation of fair value of stock options

The fair value of the First Series of Stock Subscription Rights of ALPS ELECTRIC CO., LTD., ALPINE ELECTRONICS, INC. and ALPS LOGISTICS CO., LTD. granted in the year ended March 31, 2016 is calculated as follows:

(i) Estimation method

The Black-Scholes Model

(ii) Assumptions used in calculations

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

Company name	ALPS ELECTRIC CO., LTD.	ALPINE ELECTRONICS, INC.	ALPS LOGISTICS CO., LTD.
Volatility of stock price	44.881%*1	35.922%*2	19.637%*3
Estimated remaining outstanding period	4.5 years*4	4.1 years*5	2.5 years*5
Expected dividend	¥15 per share*6	¥30 per share*6	¥35 per share*7
Risk-free interest rate*8	0.080%	0.040%	0.010%

*1: The expected volatility is based on actual share prices during 4.5 years from January 24, 2011 to July 24, 2015.

*2: The expected volatility is based on actual share prices during 4.1 years from June 28, 2011 to August 4, 2015.

*3: The expected volatility is based on actual share prices during 2.5 years from January 22, 2013 to July 22, 2015.

*4: Estimated remaining outstanding period is determined by deducting the average tenure of incumbent directors (excluding outside directors) from the average tenure of the retired directors in the past 20 years.

*5: Estimated remaining outstanding period is determined by deducting the average tenure of incumbent directors (excluding outside director and part time directors) from the average tenure of the retired directors in the past 20 years.

*6: Based on actual year-end dividend for the year ended March 31, 2015.

*7: Based on the expected annual dividend amount for the year ended March 31, 2016.

*8: Japanese government bond yield applicable to the estimated remaining outstanding period of the stock options.

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

22. BUSINESS COMBINATION

Common control transaction etc.

Additional acquisition of a subsidiary's equity

1. Outline of the transaction

- (1) Name and business description of the combined entity
Name: ALPS LOGISTICS (GUANGDONG) CO., LTD.
Business description: Logistics
- (2) Date of the transaction
April 1, 2015 (The deemed acquisition date)
- (3) Legal form of the business combination
Equity acquisition for a cash consideration
- (4) Name of the combined entity after the transaction
There is no change.
- (5) Other matters with regard the transaction
To reinforce group management by obtaining full ownership

2. Outline of the accounting treatment

The transaction was treated as a transaction under common control with non-controlling shareholders in accordance with the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013) and the "Revised Implementation Guidance on Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013).

3. Consideration paid for additional acquisition of a subsidiary's equity

Acquisition cost and details

Cash and deposits:	¥190 million (\$1,686 thousand)
Acquisition cost:	¥190 million (\$1,686 thousand)

4. Change in the Company's equity as a result of transactions with non-controlling shareholders

- (1) Main reason for the change in capital surplus
Additional acquisition of a subsidiary's equity
- (2) Decrease in capital surplus as a result of transactions with non-controlling shareholders
¥45 million (\$399 thousand)

23. SEGMENT INFORMATION

Business segments

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

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

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

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

The accounting policies of the segments are substantially the same as those described in Note 2.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

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

Reportable segment information of the Company for the years ended March 31, 2016 and 2015 is summarized as follows:

Millions of yen

Year ended March 31, 2016	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Electronic components	Automotive Infotainment (Note 4)	Logistics	Total				
Net sales								
External customers	¥ 434,072	¥ 267,541	¥ 60,251	¥ 761,864	¥ 12,173	¥ 774,038	¥ -	¥ 774,038
Inter-segment sales and transfers	11,186	5,515	33,567	50,269	13,012	63,281	(63,281)	-
Total	445,258	273,056	93,818	812,134	25,185	837,319	(63,281)	774,038
Segment income	40,780	5,434	4,857	51,072	1,233	52,306	21	52,327
Segment assets	326,802	204,780	68,615	600,199	32,429	632,629	(69,772)	562,856
Segment liabilities	156,707	61,163	23,636	241,508	27,205	268,714	(37,621)	231,092
Other items								
Depreciation	21,039	7,240	2,022	30,302	417	30,720	5	30,725
Increase in tangible and intangible fixed assets	28,999	7,494	4,214	40,708	528	41,237	(46)	41,190

Millions of yen

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

Thousands of U.S. dollars

Year ended March 31, 2016	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Electronic components	Automotive Infotainment (Note 4)	Logistics	Total				
Net sales								
External customers	\$ 3,852,254	\$ 2,374,343	\$ 534,709	\$ 6,761,306	\$ 108,032	\$ 6,869,347	\$ -	\$ 6,869,347
Inter-segment sales and transfers	99,272	48,944	297,897	446,122	115,477	561,599	(561,599)	-
Total	3,951,526	2,423,287	832,606	7,207,437	223,509	7,430,946	(561,599)	6,869,347
Segment income	361,910	48,225	43,104	453,248	10,942	464,200	186	464,386
Segment assets	2,900,266	1,817,359	608,937	5,326,580	287,797	5,614,386	(619,205)	4,995,172
Segment liabilities	1,390,726	542,803	209,762	2,143,308	241,436	2,384,753	(333,875)	2,050,870
Other items								
Depreciation	186,715	64,253	17,945	268,921	3,701	272,630	44	272,675
Increase in tangible and intangible fixed assets	257,357	66,507	37,398	361,271	4,686	365,966	(408)	365,548

Notes:

1. "Other" includes business segments not included in the reportable segments, and includes the development of information systems, office services, financial and leasing businesses.
2. "Adjustments" of segment income, segments assets, and liabilities include the elimination of inter-segment profit and loss.
3. Segment income is reconciled with operating income in the consolidated financial statements.
4. As described in Note 3. ACCOUNTING CHANGES, for the accounting for retirement benefits at some consolidated subsidiaries, actuarial gains and losses, which were previously amortized over 16 years, are now amortized over 12 years, due to a decrease in the employees' average remaining years of service.
As a result, segment income decreased by ¥273 million (\$2,423 thousand) in the Automotive Infotainment segment.

Related information

1. Geographical information

(1) Net sales

Millions of yen					
Year ended March 31, 2016					
America	Japan	China	Germany	Other	Total
¥ 153,435	¥ 144,006	¥ 118,934	¥ 76,655	¥ 281,006	¥ 774,038

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

Thousands of U.S. dollars					
Year ended March 31, 2016					
America	Japan	China	Germany	Other	Total
\$ 1,361,688	\$ 1,278,009	\$ 1,055,502	\$ 680,289	\$ 2,493,841	\$ 6,869,347

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

(2) Property, plant and equipment

Millions of yen			
As of March 31, 2016			
Japan	China	Other	Total
¥ 86,929	¥ 30,985	¥ 26,252	¥ 144,167

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

Thousands of U.S. dollars			
As of March 31, 2016			
Japan	China	Other	Total
\$ 771,468	\$ 274,982	\$ 232,978	\$ 1,279,437

2. Information on major customers

This information is not required to be disclosed because net sales to any customer were less than 10% of the net sales on the consolidated statements of income and comprehensive income for the years ended March 31, 2016 and 2015.

Impairment loss on property, plant and equipment by reportable segment

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

Amortization and balance of goodwill by reportable segment

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

Gain on negative goodwill by reportable segment

There was no gain on negative goodwill for the years ended March 31, 2016 and 2015.

24. PER SHARE INFORMATION

Per share information as of and for the years ended March 31, 2016 and 2015 is as follows:

	yen		U.S. dollars
	2016	2015	2016
Net assets per share	¥ 1,166.41	¥ 1,001.55	\$ 10.35
Profit attributable to owners of parent per share			
Basic	206.64	193.81	1.83
Diluted	197.73	177.12	1.75

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

	Millions of yen, except share data		Thousands of U.S. dollars, except share data
	2016	2015	2016
Total net assets	¥ 331,764	¥ 283,700	\$ 2,944,302
Amounts deducted from total net assets:	103,268	104,177	916,471
Subscription rights	179	97	1,589
Non-controlling interests	103,088	104,079	914,874
Net assets attributable to common stock	228,496	179,522	2,027,831
Number of common stock used in calculation of net assets per share (Thousand shares)	195,897	179,245	195,897

Basis for calculation of profit attributable to owners of parent per share is as follows:

	Millions of yen, except share data		Thousands of U.S. dollars, except share data
	2016	2015	2016
Basis for calculation of profit attributable to owners of parent per share			
Profit attributable to owners of parent	¥ 39,034	¥ 34,739	\$ 346,415
Amounts not attributable to common stock	-	-	-
Profit attributable to owners of parent regarding common stock	39,034	34,739	346,415
Average number of shares outstanding during the year (Thousand shares)	188,899	179,245	188,899
Adjustments on profit attributable to owners of parent:	(16)	(38)	(142)
Bond interest	(16)	(38)	(142)
Increase in number of shares of common stock (Thousand shares) :	8,426	16,674	8,426
Convertible bond-type bonds with share subscription rights	8,384	16,648	8,384
Stock subscription rights	41	26	41
Description of dilutive securities which were not included in the calculation of diluted net income per share of common stock as they have no dilutive effects	-	-	-

Independent Auditor's Report

The Board of Directors
Alps Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Alps Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Alps Electric Co., Ltd. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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



June 16, 2016
Tokyo, Japan

Company & Stock Information (As of March 31, 2016)

Corporate Data

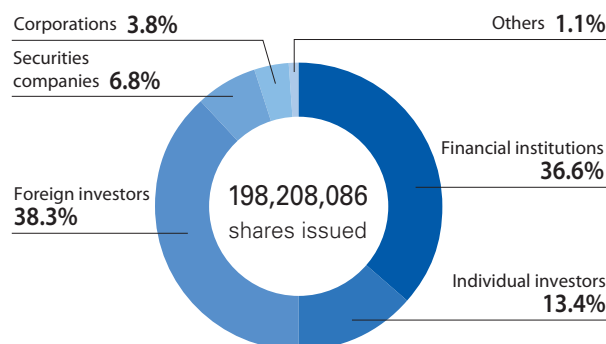
Name	ALPS ELECTRIC CO., LTD.	
Headquarters	1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo 145-8501, Japan TEL: +81-3-3726-1211	
Website	http://www.alps.com/e/	
President	Toshihiro Kuriyama	
Established	November 1, 1948	
Capital stock	¥38.730 billion	
Employees	39,588 (consolidated) 5,328 (non-consolidated)	
Facilities	R&D/design	Japan: 3 Overseas: 5 (3 countries)
	Production	Japan: 7 Overseas: 14 (8 countries)
	Sales	48 (16 countries)



Stock Information

No. of authorized shares	500,000,000
No. of issued shares	198,208,086
No. of shareholders	40,947
Stock listing	Tokyo Stock Exchange First Section (Code: 6770)
Share registrar	Mitsubishi UFJ Trust and Banking Corporation

Breakdown of Shareholders



*"Others" refers to shares held by Alps Electric Co., Ltd. and unclaimed shares stored by the Japan Securities Depository Center, Inc.

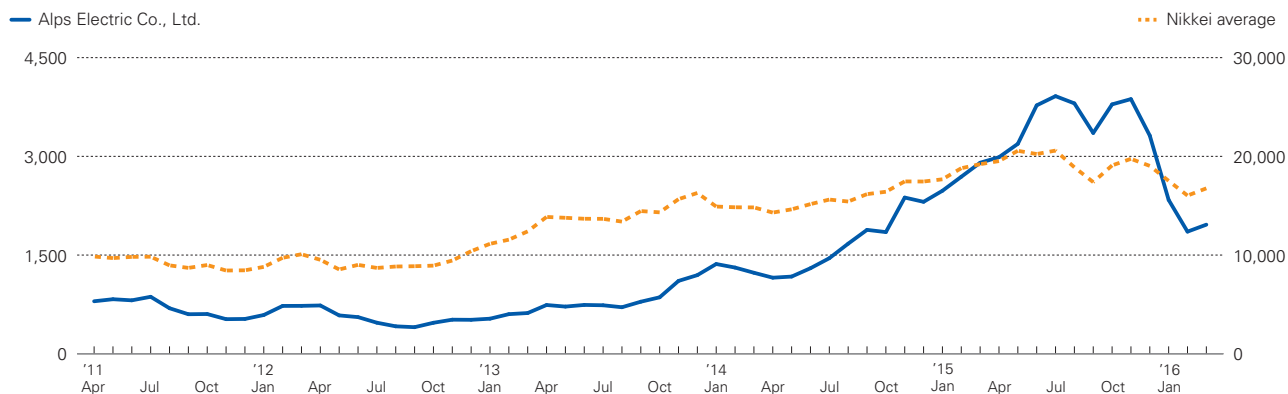
*"Individual investors" refers to shares held by individuals and Alps Electric's employee shareholding association.

Top 10 Shareholders

Name	No. of shares (thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	21,001	10.60
Japan Trustee Services Bank, Ltd. (Trust account)	17,126	8.64
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	3,981	2.01
Chase Manhattan Bank GTS Clients Account Escrow	3,910	1.97
Mitsui Life Insurance Company Limited	3,591	1.81
Goldman, Sachs & Co. REG	3,152	1.59
BNP Paribas Securities (Japan) Limited	3,077	1.55
Nippon Life Insurance Company	2,750	1.39
Mitsui Sumitomo Insurance Company, Limited	2,517	1.27
State Street Bank West Client - Treaty	2,460	1.24

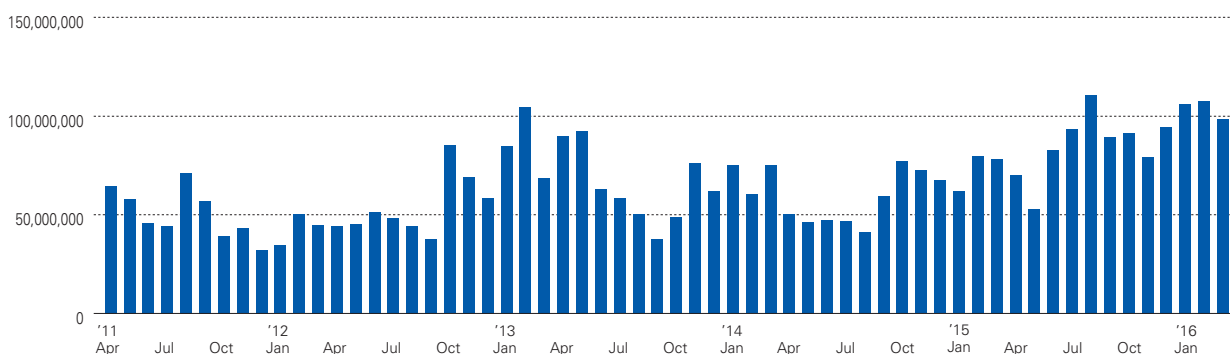
Share Price

(Unit: Yen)

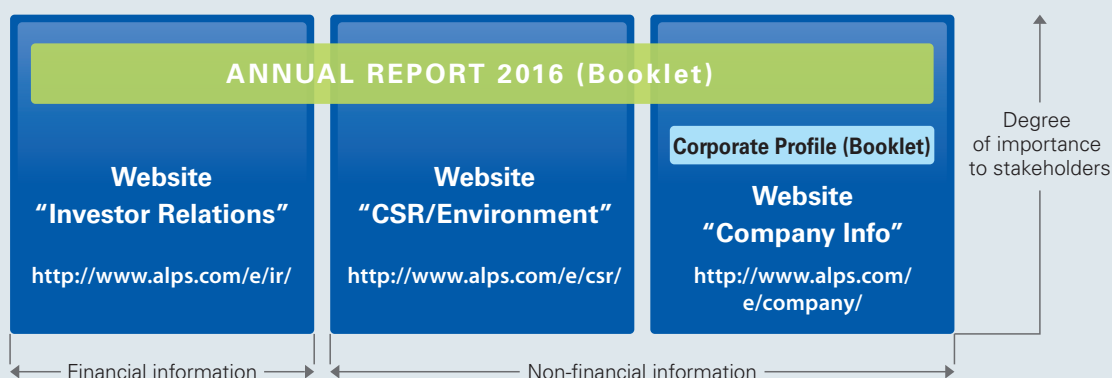


Trading Volume

(Unit: Shares)



Explanation of Reporting Media



Caution Concerning Forward-Looking Statements

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



ALPS ELECTRIC CO., LTD.

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