Perfecting the Art of Electronics

ALPS

Consolidated Financial Statements

For the Year Ended March 31, 2017

(April 1, 2016 – March 31, 2017)

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES

ALPS ELECTRIC CO., LTD.

CONSOLIDATED BALANCE SHEET

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
ASSETS			
Current assets:			
Cash and time deposits (Notes 16 and 17)	**¥ 118,968**	¥ 117,543	**$ 1,060,415**
Notes and accounts receivable-trade (Note 17):			
Unconsolidated subsidiaries and affiliated companies	**955**	1,715	**8,512**
Other	**145,172**	121,669	**1,293,983**
Allowance for doubtful accounts	**(426)**	(395)	**(3,797)**
Inventories (Note 5)	**89,629**	87,529	**798,904**
Deferred tax assets (Note 15)	**6,618**	6,551	**58,989**
Other current assets	**18,796**	19,764	**167,537**
Total current assets	**379,713**	354,378	**3,384,553**
Property, plant and equipment (Note 6):			
Land (Note 10)	**29,580**	28,990	**263,660**
Buildings and structures (Note 11)	**130,433**	130,958	**1,162,608**
Machinery and equipment (Note 11)	**332,629**	320,328	**2,964,872**
Construction in progress	**15,513**	14,714	**138,274**
	508,156	494,991	**4,529,423**
Less accumulated depreciation and impairment losses	**(358,371)**	(350,824)	**(3,194,322)**
Property, plant and equipment, net	**149,785**	144,167	**1,335,101**
Investments and other assets:			
Intangible assets, net	**16,773**	14,217	**149,505**
Investments in unconsolidated subsidiaries and affiliated companies (Notes 4 and 17)	**20,382**	21,254	**181,674**
Investment securities (Notes 4 and 17)	**17,328**	16,155	**154,452**
Deferred tax assets (Note 15)	**11,039**	4,874	**98,396**
Net defined benefit asset	**60**	14	**535**
Other assets	**7,877**	7,793	**70,211**
Total investments and other assets	**73,461**	64,310	**654,791**
Total assets	**¥ 602,961**	¥ 562,856	**$ 5,374,463**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 6 and 17)	**¥ 35,550**	¥ 22,208	**$ 316,873**
Long-term debt due within one year (Notes 6 and 17)	**1,878**	12,708	**16,739**
Notes and accounts payable-trade (Note 17):			
Unconsolidated subsidiaries and affiliated companies	**436**	712	**3,886**
Other	**73,760**	66,707	**657,456**
Income taxes payable	**7,780**	7,063	**69,347**
Accrued expenses	**34,049**	33,856	**303,494**
Deferred tax liabilities (Note 15)	**70**	67	**624**
Other current liabilities (Notes 17 and 18)	**34,557**	35,485	**308,022**
Total current liabilities	**188,084**	178,811	**1,676,477**
Non-current liabilities:			
Long-term debt (Notes 6 and 17)	**25,843**	19,418	**230,350**
Liability for retirement benefits (Note 7)	**17,295**	20,784	**154,158**
Deferred tax liabilities (Note 15)	**4,696**	5,988	**41,858**
Other non-current liabilities	**5,926**	6,089	**52,821**
Total non-current liabilities	**53,762**	52,280	**479,205**
Total liabilities	**241,846**	231,092	**2,155,682**
Contingent liabilities (Note 8)			
Net assets (Note 9):			
Shareholders' equity:			
Common stock:			
Authorized - 500,000,000 shares			
Issued - 198,208,086 shares in 2017 and 2016	**38,730**	38,730	**345,218**
Capital surplus	**56,071**	57,248	**499,786**
Retained earnings	**172,677**	143,650	**1,539,148**
Treasury stock - 2,302,846 shares in 2017 and 2,310,443 shares in 2016	**(3,493)**	(3,505)	**(31,135)**
Total shareholders' equity	**263,985**	236,124	**2,353,017**
Accumulated other comprehensive income			
Net unrealized gains on securities	**4,479**	3,946	**39,923**
Net deferred losses on hedges	**(0)**	(2)	**(0)**
Revaluation reserve for land (Note 10)	**(506)**	(526)	**(4,510)**
Foreign currency translation adjustments	**(8,481)**	(3,518)	**(75,595)**
Retirement benefits liability adjustments	**(4,976)**	(7,528)	**(44,353)**
Total accumulated other comprehensive income(loss)	**(9,483)**	(7,628)	**(84,526)**
Subscription rights to shares (Note 22)	**248**	179	**2,211**
Non-controlling interests	**106,365**	103,088	**948,079**
Total net assets	**361,114**	331,764	**3,218,772**
Total liabilities and net assets	**¥602,961**	¥562,856	**$5,374,463**

	Yen		U.S. dollars (Note 1)
	2017	2016	**2017**
Amounts per share of common stock:			
Net assets	**¥1,299.11**	¥1,166.41	**$11.58**

See accompanying notes.

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Net sales	**¥753,262**	¥774,038	**$6,714,163**
Costs and expenses:			
Cost of sales (Note 13)	**601,711**	621,754	**5,363,321**
Selling, general and administrative expenses (Notes 12 and 13)	**107,177**	99,956	**955,317**
	708,889	721,710	**6,318,647**
Operating income	**44,373**	52,327	**395,517**
Other income (expenses):			
Interest and dividend income	**847**	873	**7,550**
Equity in earnings of affiliates	**629**	514	**5,607**
Insurance return	**395**	109	**3,521**
Interest expense	**(499)**	(1,066)	**(4,448)**
Foreign exchange gains (losses), net	**(580)**	(1,297)	**(5,170)**
Loss on pension liabilities	**(742)**	–	**(6,614)**
Loss on interruption of engineering work	**(599)**	–	**(5,339)**
Gain on sales of shares of subsidiaries and affiliated companies	**7,696**	18,450	**68,598**
Loss on valuation of investment securities	**–**	(827)	**–**
Loss on reduction of non-current assets	**(240)**	(1)	**(2,139)**
Other, net (Note 14)	**(1,778)**	(1,248)	**(15,848)**
	5,127	15,504	**45,699**
Profit before income taxes	**49,501**	67,832	**441,225**
Income taxes (Note 15):			
Current	**14,864**	18,611	**132,490**
Deferred	**(6,468)**	2,522	**(57,652)**
	8,395	21,133	**74,828**
Profit	**41,105**	46,698	**366,387**
Profit attributable to owners of parent	**34,920**	39,034	**311,258**
Non-controlling interests in earnings of consolidated subsidiaries	**6,184**	7,664	**55,121**
Profit	**41,105**	46,698	**366,387**
Other comprehensive income (Note 21)			
Net unrealized gains (losses) on securities	**1,489**	(3,277)	**13,272**
Net deferred gains (losses) on hedges	**4**	(1)	**36**
Foreign currency translation adjustments	**(6,059)**	(12,324)	**(54,007)**
Retirement benefits liability adjustments	**2,606**	(5,308)	**23,228**
Share of other comprehensive income (loss) of affiliated companies accounted for by the equity method	**(1,713)**	(2,010)	**(15,269)**
	(3,672)	(22,924)	**(32,730)**
Comprehensive income	**¥ 37,432**	¥ 23,774	**$333,648**
Comprehensive income attributable to:			
Owners of parent	**¥ 32,104**	¥ 21,817	**$286,157**
Non-controlling interests	**5,327**	1,956	**47,482**

	Yen		U.S. dollars (Note 1)
	2017	2016	**2017**
Amounts per share of common stock:			
Basic profit attributable to owners of parent per share	**¥178.25**	¥206.64	**$1.59**
Diluted profit attributable to owners of parent per share	**178.20**	197.73	**1.59**
Cash dividends applicable to the year	**30.00**	25.00	**0.27**

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2017 and 2016

Millions of yen

	Number of shares of common stock	Shareholders' equity			
		Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 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)
Cumulative effects of changes in accounting policy				**4**	
Restated balance		**38,730**	**57,248**	**143,655**	**(3,505)**
Conversion of convertible bonds					
Dividends				**(5,877)**	
Profit attributable to owners of parent				**34,920**	
Purchase of treasury stock					**(3)**
Disposal of treasury stock			**6**		**15**
Change of scope of equity method				**(1)**	
Reversal of revaluation reserve for land				**(19)**	
Change in treasury shares of parent arising from transactions with non-controlling shareholders			**(1,184)**		
Changes in items other than shareholders' equity, net					
Balance at March 31, 2017	**198,208,086**	**¥38,730**	**¥56,071**	**¥172,677**	**¥ (3,493)**

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	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			
Balance at April 1, 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
Cumulative effects of changes in accounting policy							**8**	**13**
Restated balance	**3,946**	**(2)**	**(526)**	**(3,518)**	**(7,528)**	**179**	**103,097**	**331,777**
Conversion of convertible bonds								**–**
Dividends								**(5,877)**
Profit attributable to owners of parent								**34,920**
Purchase of treasury stock								**(3)**
Disposal of treasury stock								**21**
Change of scope of equity method								**(1)**
Reversal of revaluation reserve for land								**(19)**
Change in treasury shares of parent arising from transactions with non-controlling shareholders								**(1,184)**
Changes in items other than shareholders' equity, net	**533**	**1**	**20**	**(4,962)**	**2,551**	**68**	**3,267**	**1,480**
Balance at March 31, 2017	**¥ 4,479**	**¥(0)**	**¥(506)**	**¥ (8,481)**	**¥(4,976)**	**¥248**	**¥106,365**	**¥361,114**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2017 and 2016

Thousands of U.S. dollars (Note 1)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2016	$345,218	$510,277	$1,280,417	$(31,242)
Cumulative effects of changes in accounting policy			**36**	
Restated balance	**345,218**	**510,277**	**1,280,462**	**(31,242)**
Conversion of convertible bonds				
Dividends			**(52,384)**	
Profit attributable to owners of parent			**311,258**	
Purchase of treasury stock				**(27)**
Disposal of treasury stock		**53**		**134**
Change of scope of equity method			**(9)**	
Reversal of revaluation reserve for land			**(169)**	
Change in treasury shares of parent arising from transactions with non-controlling shareholders		**(10,554)**		
Changes in items other than shareholders' equity, net				
Balance at March 31, 2017	**$345,218**	**$499,786**	**$1,539,148**	**$(31,135)**

	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, 2016	$35,172	$(18)	$(4,688)	$(31,358)	$(67,100)	$1,596	$918,870	$2,957,162
Cumulative effects of changes in accounting policy							**71**	**116**
Restated balance	**35,172**	**(18)**	**(4,688)**	**(31,358)**	**(67,100)**	**1,596**	**918,950**	**2,957,278**
Conversion of convertible bonds								**–**
Dividends								**(52,384)**
Profit attributable to owners of parent								**311,258**
Purchase of treasury stock								**(27)**
Disposal of treasury stock								**187**
Change of scope of equity method								**(9)**
Reversal of revaluation reserve for land								**(169)**
Change in treasury shares of parent arising from transactions with non-controlling shareholders								**(10,554)**
Changes in items other than shareholders' equity, net	**4,751**	**9**	**178**	**(44,229)**	**22,738**	**606**	**29,120**	**13,192**
Balance at March 31, 2017	**$39,923**	**$(0)**	**$(4,510)**	**$(75,595)**	**$(44,353)**	**$2,211**	**$948,079**	**$3,218,772**

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

ALPS ELECTRIC CO., LTD. AND CONSOLIDATED SUBSIDIARIES
For the years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	**2017**
Cash flows from operating activities:			
Profit before income taxes	**¥ 49,501**	¥ 67,832	**$ 441,225**
Depreciation and amortization	**33,076**	30,725	**294,821**
Decrease in liability for retirement benefits	**(3,070)**	(329)	**(27,364)**
Gain on sales of shares of subsidiaries and affiliated companies	**(7,696)**	(18,450)	**(68,598)**
Increase in notes and accounts receivable-trade	**(27,944)**	(4,202)	**(249,077)**
Increase in inventories	**(4,468)**	(7,047)	**(39,825)**
Increase in notes and accounts payable - trade	**9,571**	8,817	**85,311**
Other, net	**6,506**	(3,028)	**57,991**
Subtotal	**55,476**	74,318	**494,483**
Interest and dividends received	**926**	1,114	**8,254**
Interest paid	**(509)**	(1,069)	**(4,537)**
Income taxes paid	**(14,289)**	(20,405)	**(127,364)**
Net cash provided by operating activities	**41,603**	53,958	**370,826**
Cash flows from investing activities:			
Purchase of property, plant and equipment	**(41,087)**	(31,440)	**(366,227)**
Purchase of intangible assets	**(6,394)**	(4,296)	**(56,993)**
Proceeds from sales of investment securities	**2,669**	2	**23,790**
Proceeds from sales of shares of subsidiaries and affiliated companies	**9,398**	20,940	**83,769**
Payments for investments in capital	**(1,683)**	(14,056)	**(15,001)**
Other, net	**(883)**	(1,532)	**(7,871)**
Net cash used in investing activities	**(37,981)**	(30,383)	**(338,542)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	**14,406**	(3,409)	**128,407**
Proceeds from long-term loans payable	**8,350**	17,500	**74,427**
Repayment of long-term loans payable	**(12,704)**	(42,654)	**(113,236)**
Cash dividends paid	**(5,877)**	(3,713)	**(52,384)**
Dividends paid to non-controlling interests	**(1,948)**	(2,132)	**(17,363)**
Repayments of lease obligations	**(1,134)**	(1,509)	**(10,108)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(1,250)**	(190)	**(11,142)**
Other, net	**(150)**	(230)	**(1,337)**
Net cash used in financing activities	**(309)**	(36,340)	**(2,754)**
Effect of exchange rate change on cash and cash equivalents	**(2,163)**	(4,814)	**(19,280)**
Net increase (decrease) in cash and cash equivalents	**1,148**	(17,580)	**10,233**
Cash and cash equivalents at beginning of year	**116,843**	134,298	**1,041,474**
Increase in cash and cash equivalents resulting from change in the scope of consolidation	**–**	125	**–**
Cash and cash equivalents at end of year (Note 16)	**¥117,991**	¥116,843	**$1,051,707**

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, 2017, which was ¥112.19 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 statement 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 on or after March 31, 1998 and facilities attached to buildings and other non-building structures purchased on or after March 31, 2016 is computed by the straight-line method by certain 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 2 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, currency swaps, currency options and coupon swaps designated as hedges of recognized assets or liabilities are recognized in earnings and losses. Changes in the fair value of these derivatives which are designated as hedges of forecasted transactions are deferred until the corresponding hedged transactions are recognized in earnings and losses.

Interest rate swap agreements

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

(u) Accounting for consumption taxes

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

(v) Adoption of consolidated taxation system

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

(w) Reclassifications

Certain prior-year amounts have been reclassified to conform to the 2017 presentation.

3. ACCOUNTING CHANGES

[Disclosure for the year ended March 31, 2017]

(1) Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets

Certain of the Company's domestic consolidated subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 26, March 28, 2016) (hereinafter, the "Recoverability Implementation Guidance") from the beginning of the fiscal year ended March 31, 2017 and partially revised the accounting method for assessing the recoverability of deferred tax assets. The Recoverability Implementation Guidance has been applied in accordance with the transitional treatment set forth in Article 49 (4) of said guidance. The differences between (i) the amounts of deferred tax assets and deferred tax liabilities when the corresponding provisions stipulated in Items 1 to 3 of Article 49 (3) of the Recoverability Implementation Guidance were applied as of April 1, 2016, and (ii) the amounts of deferred tax assets and deferred tax liabilities recognized as of March 31, 2016, were recorded as adjustments to retained earnings as of April 1, 2016. As a result, deferred tax assets, retained earnings, and non-controlling interests increased by ¥13 million ($116 thousand), ¥4 million ($36 thousand) and ¥8 million ($71 thousand), respectively, as of April 1, 2016. As a result, the beginning balance of retained earnings and non-controlling interests as of April 1, 2016 increased by ¥4 million ($36 thousand) and ¥8 million ($71 thousand), respectively, as shown in the consolidated statement of changes in net assets.

(2) Application of Practical Solution on a change in depreciation method due to Tax Reform 2016

Certain of the Company's domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method. The effect on the consolidated financial statements as a result of these changes was immaterial for the fiscal year ended March 31, 2017.

Also, the effect of these changes on segment information for the fiscal year ended March 31, 2017 was immaterial. Therefore, its disclosure is omitted.

(3) Capitalizing in-house production costs for embedded software

Certain of the Company's consolidated subsidiaries have been expensing in-house production costs for embedded software as incurred, but from the fiscal year ended March 31, 2017, they have changed the method of recording them and now recognize such costs as intangible fixed assets.

In automotive infotainment, along with the acceleration of computerization due to the higher functionality of automobiles, system expansion and an increase in embedded software due to the integration of automotive device and smart-phone functions, etc., the demand from automobile manufacturers has shifted from individual product development by region to the standardized product development on a global basis. In addition to continuing to strengthen product development capabilities for which the Company applies and develops unique technologies, while taking advantage of outsourcing development and alliances with other companies in recent years, the Company needs to respond urgently to system expansion and the increase in embedded software development. It is expected that this trend will strengthen further in the future.

Under these circumstances, as of January 1, 2016, the automotive infotainment reorganized its development department mainly at Alpine Co., Ltd. and clarified the software development process. In addition, in February 2016, a review of system operations commenced to determine man-hours required in the development process. As a result, it became possible to precisely determine the in-house production cost of embedded software from April 2016. Regarding software production expenses for embedded software, although all expenses were previously recognized as incurred, the method was changed whereby expenses for production activities that improve or strengthen the product master function or purchased software are recognized as intangible fixed assets and expensed according to sales.

As a result of this change, operating income, ordinary income and profit before income taxes for the year ended March 31, 2017 increased by ¥808 million ($7,202 thousand), respectively. In addition, net assets per share, basic profit attributable to owners of per share and diluted profit attributable to owners of per share increased by ¥4.13, respectively. As retroactive application of this accounting change to previous years is deemed extremely difficult, it has not been applied retroactively.

The impact on segment information is described in the relevant section.

(4) Change in useful lives

Effective from the year ended March 31, 2017, the Company and certain of its consolidated subsidiaries have changed their useful lives of machinery, dies and tooling as a result of a review in conjunction with the implementation a medium-term management plan following a change in the business environment, for mainly smartphones, and an increase in the impact of certain customers and markets on the Company and its consolidated subsidiaries. This change reflects more accurate useful lives by considering cycles of products and actual utilization patterns of fixed assets.

As a result, operating income and profit before income taxes decreased by ¥2,643 million ($23,558 thousand), respectively, for the year ended March 31, 2017.

The impact on segment information is described in the relevant section.

4. INVESTMENT SECURITIES

Securities classified as other securities at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2017			2017		
	Fair value	Cost	Unrealized gains (losses)	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:						
Equity securities	**¥15,869**	**¥3,864**	**¥12,004**	**$141,448**	**$34,442**	**$106,997**
Securities for which cost exceeds fair value:						
Equity securities	**77**	**111**	**(34)**	**686**	**989**	**(303)**
Total	**¥15,946**	**¥3,976**	**¥11,970**	**$142,134**	**$35,440**	**$106,694**

	Millions of yen		
	2016		
	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:			
Equity securities	¥13,937	¥3,851	¥10,086
Securities for which cost exceeds fair value:			
Equity securities	1,537	1,815	(278)
Total	¥15,474	¥5,667	¥ 9,807

Note: Unlisted stocks and other at March 31, 2017 and 2016 in the amounts of ¥1,350 million ($12,033 thousand) and ¥629 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, 2017 and 2016 were ¥2,661 million ($23,719 thousand) and ¥2 million, respectively.

Gross realized gains and losses for the year ended March 31, 2017 were ¥901 million ($8,031 thousand) and ¥15 million ($134 thousand), respectively. Gross realized gains and losses for the year ended March 31, 2016 were ¥0 million and nil.

The impairment losses of nil and ¥827 million on securities for the years ended March 31, 2017 and 2016 were recorded for non-marketable equity securities at nil and ¥827 million; for the shares of companies that have business relationships with the Company at nil and ¥0 million, respectively.

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

5. INVENTORIES

Inventories at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Finished products	**¥55,109**	¥55,671	**$491,211**
Work in process	**10,963**	9,325	**97,718**
Raw materials and supplies	**23,556**	22,531	**209,965**
	¥89,629	¥87,529	**$798,904**

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, 2017, and 2016, respectively:

Millions of yen		Thousands of U.S. dollars
2017	2016	**2017**
¥421	¥1,480	**$3,753**

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

Average interest rates for short-term loans payable, consisting primarily of overdrafts with banks, were 0.99% and 0.87% at March 31, 2017 and 2016, respectively.

Long-term debt at March 31, 2017 and 2016 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Loans principally from banks and insurance companies due over 1 year at average interest rates of 0.27% and 0.40% at March 31, 2017 and 2016, respectively	**¥25,843**	¥19,418	**$230,350**
Loans principally from banks and insurance companies due within 1 year at average interest rates of 0.92% and 0.88% at March 31, 2017 and 2016, respectively	**1,878**	12,708	**16,739**
	¥27,722	¥32,126	**$247,099**

At March 31, 2017 and 2016, the following assets were pledged as collateral for bank loans and long-term debt:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Land	**¥1,389**	¥1,406	**$12,381**
Building and structures	**1,856**	2,037	**16,543**
Total	**¥3,246**	¥3,443	**$28,933**

At March 31, 2017 and 2016, such collateral secured the following obligations:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Long-term debt due within one year	**¥166**	¥232	**$1,480**
Long-term debt	**157**	323	**1,399**
Total	**¥323**	¥556	**$2,879**

The aggregate annual maturities of long-term debt subsequent to March 31, 2017 and 2016 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending	**2017**	**2017**
2018	**¥ 1,878**	**$ 16,739**
2019	**213**	**1,899**
2020	**1,129**	**10,063**
2021	**23,500**	**209,466**
2022	**1,000**	**8,913**
2023 and thereafter	**–**	**–**
Total	**¥27,722**	**$247,099**

	Millions of yen
Year ending	2016
2017	¥12,708
2018	1,760
2019	96
2020	60
2021	17,500
2022 and thereafter	–
Total	¥32,126

7. RETIREMENT BENEFITS

The Company and certain consolidated subsidiaries have defined benefit plans, including a multi-employer corporate pension plan, a defined benefit corporate pension plan and lump-sum payment plans.

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, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Retirement benefit obligation, beginning balance	**¥74,718**	¥75,342	**$665,995**
Service cost	**3,239**	2,971	**28,871**
Interest cost	**404**	409	**3,601**
Actuarial gain or loss	**128**	315	**1,141**
Retirement benefits paid	**(8,502)**	(3,684)	**(75,782)**
Other	**499**	(636)	**4,448**
Retirement benefit obligation, ending balance	**¥70,487**	¥74,718	**$628,282**

(2) The changes in plan assets for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Plan assets, beginning balance	**¥53,947**	¥59,021	**$480,854**
Expected return on plan assets	**1,983**	2,184	**17,675**
Actuarial gain or loss	**174**	(5,981)	**1,551**
Employer contributions	**2,199**	2,333	**19,601**
Retirement benefits paid	**(5,118)**	(3,213)	**(45,619)**
Other	**65**	(396)	**579**
Plan assets, ending balance	**¥53,253**	¥53,947	**$474,668**

(3) The amounts recognized in the consolidated balance sheet as of March 31, 2017 and 2016 consist of:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Funded retirement benefit obligations	**¥ 67,678**	¥ 72,081	**$ 603,244**
Plan assets at fair value	**(53,253)**	(53,947)	**(474,668)**
Funded status	**14,425**	18,133	**128,577**
Unfunded retirement benefit obligations	**2,809**	2,636	**25,038**
Liability in the balance sheet, net	**¥ 17,234**	¥ 20,770	**$ 153,614**
Liability for retirement benefits	**¥ 17,295**	¥ 20,784	**$ 154,158**
Asset for retirement benefit	**(60)**	(14)	**(535)**
Liability in the balance sheet, net	**¥ 17,234**	¥ 20,770	**$ 153,614**

(4) The amounts recognized in the consolidated statement of income for the years ended March 31, 2017 and 2016 consist of:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service cost	**¥ 3,239**	¥ 2,971	**$ 28,871**
Interest cost	**404**	409	**3,601**
Expected return on plan assets	**(1,983)**	(2,184)	**(17,675)**
Amortization of actuarial loss	**745**	1,362	**6,641**
Amortization of prior service cost	**0**	0	**0**
Other	**79**	83	**704**
Periodic pension cost for defined benefit plan	**¥ 2,486**	¥ 2,643	**$ 22,159**

* In addition to the above-mentioned retirement benefit expenses, loss on pension liabilities of ¥742 million ($6,614 thousand) was recorded as other expenses for the year ended March 31, 2017.

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Prior service cost	**¥ (0)**	¥ (0)	**$ (0)**
Actuarial gain and loss	**(791)**	4,935	**(7,051)**
Total	**¥(792)**	¥4,934	**$(7,059)**

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrecognized prior service cost	**¥ 5**	¥ 6	**¥ 45**
Unrecognized actuarial losses	**6,866**	7,594	**61,200**
Total	**¥6,872**	¥7,601	**¥61,253**

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2016 comprised the following:

	2017	2016
Bonds	**30.0%**	26.4%
Stocks	**28.8%**	15.3%
Insurance	**8.6%**	8.2%
Cash and cash equivalents	**6.9%**	22.9%
Alternative (*)	**25.6%**	26.5%
Other	**0.1%**	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, 2017 and 2016 are as follows:

	2017	2016
Discount rate	**Mainly 0.5%**	Mainly 0.5%
Expected rate of return on plan assets	**Mainly 4.0%**	Mainly 4.0%
Estimated rate of salary increase	**Mainly 2.1%**	Mainly 2.2%

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.

One of the Company's certain of domestic 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, 2017 and 2016 is summarized as follows:

(1) Funded status

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Pension assets	**¥6,564**	¥27,095	**$58,508**
Pension liabilities	**5,036**	28,770	**44,888**
Funded status	**¥1,527**	¥ (1,675)	**$13,611**

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

2017	2016
0.72%	0.61%

Defined contribution plans

The amounts paid to the defined contribution plans for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Defined contribution plan payment	**¥927**	¥924	**$8,263**

8. CONTINGENT LIABILITIES

The Company was contingently liable as guarantor for loans of other companies and employees in the aggregate amounts of ¥0 million ($0 thousand) and ¥4 million at March 31, 2017 and 2016, respectively.

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥40,000 million ($356,538 thousand at March 31, 2017) with financial institutions at March 31, 2017 and 2016. The outstanding loans payable amounted to ¥4,000 million ($35,654 thousand) and nil at March 31, 2017 and 2016, respectively. The unused balances amounted to ¥36,000 million ($320,884 thousand) and ¥40,000 million under these credit facilities, at March 31, 2017 and 2016, respectively.

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, 2017 and 2016 are summarized as follows:

	Shares in Issue and Outstanding (Thousand)	Treasury Stock (Thousand)
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
Increase in number of shares	–	2
Decrease in number of shares	–	9
Number of shares at March 31, 2017	**198,208**	**2,302**

During the year ended March 31, 2017, the increase of 2 thousand shares of treasury stock was due to the purchase of odd-lot shares. The decrease of 7 thousand shares of treasury stock was due to the exercising of stock subscription rights, the decrease of 2 thousand shares of treasury stock was due to the sales of shares to employees.

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, the decrease of 2 thousand shares of treasury stock was due 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, 2017 are summarized as follows:

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, 2016	–	–	–
Increase in number of shares	–	–	–
Decrease in number of shares	–	–	–
Number of shares at March 31, 2017	–	–	–
Ending balance at March 31, 2017 (Millions of yen)	¥128	¥83	¥36

Dividends

The following appropriations of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2017, was approved at the ordinary general meeting of shareholders on June 23, 2017 and will go into effect on June 26, 2017:

	Millions of yen	Thousands of U.S. dollars
Cash dividends to be approved on June 23, 2017 (¥15.00 = $0.1 per share)	¥2,938	$26,188

The following appropriations of cash dividends to shareholders of common stock were approved at the ordinary general meeting of shareholders held on June 23, 2016 and at the meeting of the Board of Directors held on October 28, 2016 and were paid to shareholders of record as of March 31, 2016 and September 30, 2016, respectively, during the year ended March 31, 2017:

	Millions of yen
Cash dividends approved on June 23, 2016 (¥15.00 per share)	¥2,938
Cash dividends approved on October 28, 2016 (¥15.00 per share)	¥2,938

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 (non-controlling interests in net assets section for non-controlling portion) under net assets.

The excesses of the carrying value of this land after the revaluation over its fair value as of March 31, 2017 and 2016 were ¥1,231 million ($10,972 thousand) and ¥1,270 million, respectively.

11. REDUCTION ENTRY

The amount of the reduction entry and accumulated reduction entry for tangible fixed assets deducted from the acquisition cost of tangible fixed assets due to government subsidies, etc. are as follows:

	Millions of yen		Thousands of U.S. dollars
Reduction entry for the years ended March 31, 2017 and 2016	**2017**	2016	**2017**
Building and structures	**¥232**	¥–	**$2,068**
Machinery and equipment	**9**	–	**80**
Total	**¥242**	¥–	**$2,157**

	Millions of yen		Thousands of U.S. dollars
Accumulated reduction entry as of March 31, 2017 and 2016	**2017**	2016	**2017**
Building and structures	**¥272**	¥39	**$2,424**
Machinery and equipment	**35**	25	**312**
Total	**¥307**	¥65	**$2,736**

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Salaries	**¥36,470**	¥37,735	**$325,074**
Research and development expenses	**16,067**	12,478	**143,212**
Commission expenses	**10,798**	5,969	**96,247**
Employees' bonuses	**4,285**	4,217	**38,194**
Warranty costs	**1,648**	2,253	**14,689**
Retirement benefit expense	**1,288**	1,157	**11,481**

13. 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.

14. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statement of income and comprehensive income for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Depreciation of idle assets	**¥ (340)**	¥ (376)	**$ (3,031)**
Loss on legal claims	**(398)**	(326)	**(3,548)**
Gain on sale of fixed assets	**178**	232	**1,587**
Subsidy income	**296**	318	**2,638**
Gain on change in share of net assets of a consolidated subsidiary resulting from stock issuance by the subsidiary	**–**	158	**–**
Loss on sale and disposal of fixed assets	**(1,113)**	(392)	**(9,921)**
Loss on change in share of net assets of a consolidated subsidiary resulting from stock issuance by the subsidiary	**(700)**	–	**(6,239)**
Other	**299**	(863)	**2,665**
	¥(1,778)	¥(1,248)	**$(15,848)**

15. INCOME TAXES

The Company is subject to a number of taxes in Japan based on income, which, in the aggregate, resulted in statutory tax rates of approximately 30.6% and 32.8% for the years ended March 31, 2017 and 2016, respectively.

The following table summarizes the reconciliations between the statutory tax rates and the Company's effective tax rates reflected in the accompanying consolidated statement of income and comprehensive income for the years ended March 31, 2017 and 2016:

	2017	2016
Statutory tax rates	**30.6%**	32.8%
Non-deductible expenses	**1.8**	1.3
Change in valuation allowance	**(7.4)**	4.9
Lower tax rates at foreign subsidiaries	**(4.1)**	(6.5)
Effect of merger with subsidiaries	**(2.6)**	–
Capita levy on inhabitant tax	**0.3**	0.2
Effect of tax rate change	**0.1**	0.7
Other	**(1.7)**	(2.2)
Effective tax rates	**17.0%**	31.2%

The significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Accrued employees' bonuses	**¥ 2,931**	¥ 2,718	**$ 26,125**
Accrued warranty costs	**942**	1,056	**8,396**
Allowance for doubtful accounts	**944**	895	**8,414**
Income taxes payable	**409**	352	**3,646**
Accrued expenses	**1,192**	1,040	**10,625**
Liability for retirement benefit	**4,708**	5,059	**41,965**
Depreciation	**9,898**	8,912	**88,225**
Impairment losses for land	**1,287**	1,331	**11,472**
Accounts payable-directors' severance costs	**285**	295	**2,540**
Intercompany profit	**4,645**	4,672	**41,403**
Write-offs of investment securities	**806**	1,968	**7,184**
Write-offs of inventories	**1,426**	1,336	**12,711**
Tax loss carryforwards	**12,021**	15,255	**107,149**
Other	**6,715**	5,037	**59,854**
Gross deferred tax assets	**48,209**	49,926	**429,709**
Valuation allowance	**(26,216)**	(33,344)	**(233,675)**
Less deferred tax liabilities in the same tax jurisdiction	**(4,335)**	(5,156)	**(38,640)**
Total deferred tax assets	**17,658**	11,426	**157,394**
Deferred tax liabilities:			
Unrealized gain on investment securities	**(3,337)**	(2,702)	**(29,744)**
Undistributed retained earnings of foreign subsidiaries	**(3,350)**	(3,215)	**(29,860)**
Gain on change in equity resulting from capital increase through third-party share issuance of subsidiaries	**–**	(1,281)	**–**
Undistributed retained earnings of affiliated company accounted for by the equity method	**(1,357)**	(2,088)	**(12,096)**
Other	**(1,059)**	(1,926)	**(9,439)**
Gross deferred tax liabilities	**(9,103)**	(11,212)	**(81,139)**
Less deferred tax assets in the same tax jurisdiction	**4,335**	5,156	**38,640**
Total deferred tax liabilities	**(4,768)**	(6,056)	**(42,499)**
Net deferred tax assets	**¥ 12,890**	¥ 5,370	**$ 114,894**

Associated with the enactment on November 18, 2016 of the "Act for Partial Amendment of the Partial Amendment of the Consumption Tax Act and Others for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 85 of 2016) and of the "Act for Partial Amendment of the Partial Amendment of the Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 86 of 2016), the effective date of raising the consumption tax rate to 10% has been postponed from April 1, 2017 to October 1, 2019, and the abolition of the local corporation special tax, the accompanying restoration of the corporate enterprise tax, and changes in statutory tax rates of the local corporation tax and corporate inhabitant tax have been postponed from fiscal years beginning on or after April 1, 2017 to fiscal years beginning on or after October 1, 2019.

The effect of these changes on the consolidated financial statements for the fiscal year ended March 31, 2017 is immaterial.

16. CASH AND CASH EQUIVALENTS

A reconciliation between cash and time deposits in the accompanying consolidated balance sheet, and cash and cash equivalents in the accompanying statement of cash flows at March 31, 2017 and 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Cash and time deposits	**¥118,968**	¥117,543	**$1,060,415**
Less:			
Time deposits with a maturity of more than three months when purchased	**(976)**	(699)	**(8,700)**
Cash and cash equivalents	**¥117,991**	¥116,843	**$1,051,707**

Supplemental Disclosure of Non-Cash Transactions

Information on the convertible bonds during the years ended March 31, 2017 and 2016 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Increase in common stock due to conversion of convertible bonds	**–**	¥15,106	**–**
Increase in capital surplus due to conversion of convertible bonds	**–**	¥15,106	**–**
Decrease in bonds due to conversion of convertible bonds	**–**	¥30,213	**–**

The Company recorded assets and corresponding obligations for finance lease transactions amounting to ¥662 million ($5,901 thousand) and ¥664 million for the years ended March 31, 2017 and 2016, respectively.

17. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

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

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

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

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

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2017 and 2016, 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		
		2017			2017		
		Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:	Cash and time deposits	**¥118,968**	**¥118,968**	**¥ –**	**$1,060,415**	**$1,060,415**	**$ –**
	Notes and accounts receivable-trade	**146,128**	**146,128**	**–**	**1,302,505**	**1,302,505**	**–**
	Investment securities	**21,348**	**29,834**	**8,486**	**190,284**	**265,924**	**75,640**
Total assets		**¥286,445**	**¥294,931**	**¥8,486**	**$2,553,213**	**$2,628,853**	**$75,640**
Liabilities:	Notes and accounts payable-trade	**¥ 74,197**	**¥ 74,197**	**¥ –**	**$ 661,351**	**$ 661,351**	**$ –**
	Short-term loans payable	**35,550**	**35,550**	**–**	**316,873**	**316,873**	**–**
	Long-term debt due within one year	**1,878**	**1,878**	**–**	**16,739**	**16,739**	**–**
	Long-term debt	**25,843**	**25,890**	**47**	**230,350**	**230,769**	**419**
Total liabilities		**¥137,469**	**¥137,517**	**¥ 47**	**$1,225,323**	**$1,225,751**	**$ 419**
Derivatives*		**¥ (204)**	**¥ (204)**	**¥ –**	**$ (1,818)**	**$ (1,818)**	**$ –**

		Millions of yen		
		2016		
		Carrying value	Estimated fair value	Difference
Assets:	Cash and time deposits	¥117,543	¥117,543	¥ –
	Notes and accounts receivable-trade	123,384	123,384	–
	Investment securities	21,797	34,309	12,512
Total assets		¥262,726	¥275,238	¥12,512
Liabilities:	Notes and accounts payable-trade	¥ 67,420	¥ 67,420	¥ –
	Short-term loans payable	22,208	22,208	–
	Long-term debt due within one year	12,708	12,708	–
	Long-term debt	19,418	19,487	69
Total liabilities		¥121,755	¥121,825	¥ 69
Derivatives*		¥ (701)	¥ (701)	¥ –

*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) 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.

(e) 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
	2017	2016	**2017**
	Carrying value		Carrying value
Investment in unlisted stocks, unconsolidated subsidiaries, affiliated companies and others	**¥1,965**	¥1,182	**$17,515**

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, 2017 and 2016

		Millions of yen		Thousands of U.S. dollars
		2017	2016	**2017**
Due in one year or less	Cash and time deposits	**¥118,968**	¥117,543	**$1,060,415**
	Notes and accounts receivable-trade	**146,128**	123,384	**1,302,505**
Total		**¥265,096**	¥240,928	**$2,362,920**

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, 2017 and 2016 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending	2017	2017
2017	¥ –	$ –
2018	711	6,337
2019	478	4,261
2020	255	2,273
2021	124	1,105
2022	91	811
2023 and thereafter	1,007	8,976
Total	¥2,670	$23,799

	Millions of yen
Year ending	2016
2017	¥1,069
2018	557
2019	275
2020	150
2021	91
2022 and thereafter	1,053
–	–
Total	¥3,197

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2017 and 2016, to which hedge accounting has not been applied, are summarized as follows:

			Millions of yen			Thousands of U.S. dollars		
			2017			**2017**		
			Notional amounts	Estimated fair value	Unrealized gains	Notional amounts	Estimated fair value	Unrealized gains
Forward foreign exchange contracts:	Sell:	U.S. dollars	**¥18,492**	**¥154**	**¥154**	**$164,828**	**$1,373**	**$1,373**
		Euro	**7,600**	**50**	**50**	**67,742**	**446**	**446**

			Millions of yen		
			2016		
			Notional amounts	Estimated fair value	Unrealized losses
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥22,469	¥662	¥662
		Euro	7,959	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, 2017 and 2016, to which hedge accounting has been applied primarily to accounts receivables are summarized as follows:

			Millions of yen				Thousands of U.S. dollars	
			2017		2016		**2017**	
			Notional amounts	Estimated fair value	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Forward foreign exchange contracts:	Sell:	Euro	**¥1,077**	**¥(0)**	¥887	¥(5)	**$9,600**	**$(0)**

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 years ended March 31, 2017 and 2016.

19. LEASES

As lessee:

The Company's future minimum lease payments subsequent to March 31, 2017 and 2016 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	**2017**
2018	**¥1,643**	**$14,645**
2019 and thereafter	**2,683**	**23,915**
	¥4,327	**$38,568**

	Millions of yen
	2016
2017	¥1,766
2018 and hereafter	3,517
	¥5,283

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Lease receivables	**¥1,165**	¥1,101	**$10,384**
Interest portion of lease receivables	**(75)**	(83)	**(669)**
Investment in lease assets	**¥1,090**	¥1,017	**$ 9,716**

The collection schedules of lease receivables related to investment in lease assets at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	**2017**
2018	**¥ 407**	**$ 3,628**
2019	**317**	**2,826**
2020	**213**	**1,899**
2021	**111**	**989**
2022	**74**	**660**
2023 and thereafter	**41**	**365**
	¥1,165	**$10,384**

	Millions of yen
	2016
2017	¥ 354
2018	302
2019	209
2020	112
2021	60
2022 and thereafter	62
	¥1,101

The Company's future minimum lease receivables subsequent to March 31, 2017 and 2016 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	**2017**
2018	**¥23**	**$205**
2019 and thereafter	**46**	**410**
	¥69	**$615**

	Millions of yen
	2016
2017	¥18
2018 and hereafter	38
	¥57

20. RELATED PARTY TRANSACTIONS

There were no transactions of the Company with a related party for the years ended March 31, 2017 and 2016.

21. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments as amounts reclassified to profit for the years ended March 31, 2017 and 2016, which were recognized in other comprehensive income for the years ended March 31, 2017 and 2016, and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2017 and 2016.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net unrealized gains (losses) on securities:			
Amount arising during the year	**¥ 2,909**	¥ (5,879)	**$ 25,929**
Reclassification adjustments	**(758)**	827	**(6,756)**
Net unrealized gains (losses) on securities before tax effect	**2,151**	(5,052)	**19,173**
Tax effect	**(661)**	1,774	**(5,892)**
Net unrealized gains (losses) on securities	**1,489**	(3,277)	**13,272**
Net deferred gains (losses) on hedges:			
Amount arising during the year	**(4)**	39	**(36)**
Reclassification adjustments	**8**	(41)	**71**
Net deferred gains (losses) on hedges before tax effect	**4**	(1)	**36**
Tax effect	**–**	–	**–**
Net deferred gains (losses) on hedges	**4**	(1)	**36**
Foreign currency translation adjustments:			
Amount arising during the year	**(6,059)**	(12,324)	**(54,007)**
Retirement benefits liability adjustments:			
Amount arising during the year	**46**	(6,297)	**410**
Reclassification adjustments	**746**	1,363	**6,649**
Retirement benefits liability adjustments before tax effect	**792**	(4,934)	**7,059**
Tax effect	**1,813**	(374)	**16,160**
Retirement benefits liability adjustments	**2,606**	(5,308)	**23,228**
Share other comprehensive income (loss) of affiliated companies accounted for by the equity method:			
Amount arising during the year	**(1,713)**	(2,010)	**(15,269)**
Other comprehensive income (loss)	**¥(3,672)**	¥(22,924)	**$(32,730)**

22. STOCK OPTIONS

(1) Stock option expenses were recognized for the years ended March 31, 2017 and 2016 as follows:

	Millions of yen	Thousands of U.S. dollars	Millions of yen
	2017	**2017**	2016
Selling, general and administrative expenses	**¥99**	**$882**	¥94

(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. *1*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 the two-for-one stock split on 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. *1*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 the two-for-one stock split on April 1, 2016.

Third 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. *1*2
Grantees	Total 12 Directors (Excluding outside directors and audit and supervisory committee members)	Total 10 Directors of subsidiaries (Excluding outside directors, audit and supervisory committee members, and non-executive directors)	Total 6 Directors of subsidiaries (Excluding outside directors, audit and supervisory committee members, and non-executive directors)
Type and number of shares to be issued upon the exercise of the stock subscription rights	23,900 shares of common stock	35,600 shares of common stock	33,100 shares of common stock
Grant date	July 21, 2016	July 19, 2016	July 15, 2016
Conditions for vesting	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 23, 2016	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 22, 2016	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 21, 2016
Required service period	None	None	None
Exercise period	From July 22, 2016 to July 21, 2056	From July 20, 2016 to July 19, 2056	From July 16, 2016 to July 15, 2056

*1 The number of shares is shown.

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

(ii) Movements in stock options (in shares) for the year ended March 31, 2017 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, 2016	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding as of March 31, 2017	–	–	–
Vested			
As of March 31, 2016	29,700	20,400	27,400
Vested	–	–	–
Exercised	4,600	2,500	9,400
Forfeited	–	–	–
Outstanding as of March 31, 2017	25,100	17,900	18,000

*1 Shares, exercise price and average stock price at exercise have been restated, as appropriate, to reflect the two-for-one stock split on 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 2016	–	–	–
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding as of March 31, 2017	–	–	–
Vested			
As of March 31 2016	14,100	13,600	18,000
Vested	–	–	–
Exercised	2,800	1,300	2,800
Forfeited	–	–	–
Outstanding as of March 31, 2017	11,300	12,300	15,200

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

Third 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, 2016	–	–	–
Granted	23,900	35,600	33,100
Forfeited	–	–	–
Vested	23,900	35,600	33,100
Outstanding as of March 31, 2017	–	–	–
Vested			
As of March 31, 2016	–	–	–
Vested	23,900	35,600	33,100
Exercised	–	–	–
Forfeited	–	–	–
Outstanding as of March 31, 2017	23,900	35,600	33,100

*1 Shares, exercise price and average stock price at exercise have been restated, as appropriate, to reflect the two-for-one stock split on 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	¥ 1,969	¥ 1,119	¥ 531
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 the two-for-one stock split on 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
Exercise price	¥1 per share	¥1 per share	¥1 per share
Average stock price upon exercise	¥ 1,948	¥ 1,119	¥ 531
Fair value at grant date	¥ 3,957	¥ 1,909	¥ 734

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

Third 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	–	–	–
Fair value at grant date	¥ 2,011	¥ 968	¥ 500

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

(3) Estimation of fair value of stock options

The fair value of the Third 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, 2017 is calculated as follows:

(i) Estimation method

The Black-Scholes Model

(ii) Assumptions used in calculations

Third 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	47.042%*1	42.221%*2	21.439%*3
Estimated remaining outstanding period	4.45 years*4	3.59 years*5	3.40 years*5
Expected dividend	¥25 per share*6	¥30 per share*6	¥17.5 per share*7
Risk-free interest rate*8	(0.332)%	(0.333)%	(0.332)%

*1: The expected volatility is based on actual share prices during 4.45 years from February 21, 2012 to July 21, 2016.
*2: The expected volatility is based on actual share prices during 3.59 years from December 18, 2012 to July 19, 2016.
*3: The expected volatility is based on actual share prices during 3.40 years from February 15, 2013 to July 15, 2016.
*4: Estimated remaining outstanding period is determined by deducting the average tenure of incumbent directors (excluding audit and supervisory committee members) 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 audit and supervisory committee members, and non-executive 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, 2016.
*7: Based on the expected annual dividend amount for the year ended March 31, 2017.
*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.

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, 2017 and 2016 is summarized as follows:

Year ended March 31, 2017	Millions of yen							
	Reportable segments							
	Electronic components (Note 4)	Automotive Infotainment (Note 5)	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	**¥437,676**	**¥242,306**	**¥61,150**	**¥741,134**	**¥12,128**	**¥753,262**	**¥ –**	**¥753,262**
Inter-segment sales and transfers	**10,019**	**5,445**	**38,098**	**53,562**	**13,254**	**66,816**	**(66,816)**	**–**
Total	**447,696**	**247,751**	**99,249**	**794,697**	**25,382**	**820,079**	**(66,816)**	**753,262**
Segment income	**32,803**	**5,623**	**5,083**	**43,510**	**884**	**44,395**	**(21)**	**44,373**
Segment assets	**362,322**	**201,274**	**73,147**	**636,744**	**33,927**	**670,672**	**(67,711)**	**602,961**
Segment liabilities	**169,706**	**56,255**	**26,249**	**252,211**	**27,933**	**280,144**	**(38,298)**	**241,846**
Other items								
Depreciation	**24,139**	**6,417**	**2,127**	**32,684**	**381**	**33,066**	**10**	**33,076**
Increase in tangible and intangible fixed assets	**37,063**	**7,978**	**2,071**	**47,114**	**493**	**47,607**	**50**	**47,657**

Year ended March 31, 2016	Millions of yen							
	Reportable segments							
	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	¥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

Year ended March 31, 2017	Thousands of U.S. dollars							
	Reportable segments							
	Electronic components (Note 4)	Automotive Infotainment (Note 5)	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	**$3,901,203**	**$2,159,783**	**$545,057**	**$6,606,061**	**$108,102**	**$6,714,163**	**$ –**	**$6,714,163**
Inter-segment sales and transfers	**89,304**	**48,534**	**339,585**	**477,422**	**118,139**	**595,561**	**(595,561)**	**–**
Total	**3,990,516**	**2,208,316**	**884,651**	**7,083,492**	**226,241**	**7,309,733**	**(595,561)**	**6,714,163**
Segment income	**292,388**	**50,120**	**45,307**	**387,824**	**7,879**	**395,713**	**(187)**	**395,517**
Segment assets	**3,229,539**	**1,794,046**	**651,992**	**5,675,586**	**302,407**	**5,978,002**	**(603,539)**	**5,374,463**
Segment liabilities	**1,512,666**	**501,426**	**233,969**	**2,248,070**	**248,979**	**2,497,050**	**(341,367)**	**2,155,682**
Other items								
Depreciation	**215,162**	**57,198**	**18,959**	**291,327**	**3,396**	**294,732**	**89**	**294,821**
Increase in tangible and intangible fixed assets	**330,359**	**71,112**	**18,460**	**419,948**	**4,394**	**424,343**	**446**	**424,788**

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, the Company and certain of its consolidated subsidiaries have changed their useful lives of machinery, dies and tooling as a result of a review in conjunction with the implementation a medium-term management following a change in the business environment, for mainly smartphones, and an increase in the impact of certain customers and markets on the Company and its consolidated subsidiaries. This change reflects more accurate useful lives by considering cycles of products and actual utilization patterns of fixed assets. As a result, operating income and profit before income taxes decreased by ¥2,643 million ($23,558 thousand), respectively, for the year ended March 31, 2017.
5. As described in Note 3. ACCOUNTING CHANGES, certain of the Company's consolidated subsidiaries have been expensing in-house production costs for embedded software expensesat as incurred, but from the fiscal year ended March 31, 2017, they have changed the method of recording them and now recognize such costs as intangible fixed assets. As a result of this change, operating income, ordinary income and profit before income taxes for the year ended March 31, 2017 increased by ¥808 million ($7,202 thousand), respectively. As retroactive application of this accounting change to previous years is deemed extremely difficult, it has not been applied retroactively.

Related information

1.Geographical information

(1) Net sales

Millions of yen					
Year ended March 31, 2017					
Japan	America	China	Germany	Other	Total
¥152,336	**¥134,989**	**¥115,834**	**¥73,336**	**¥276,766**	**¥753,262**

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

Thousands of U.S. dollars					
Year ended March 31, 2017					
Japan	America	China	Germany	Other	Total
$1,357,839	**$1,203,218**	**$1,032,481**	**$653,677**	**$2,466,940**	**$6,714,163**

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

(2) Property, plant and equipment

Millions of yen			
As of March 31, 2017			
Japan	China	Other	Total
¥94,894	**¥26,538**	**¥28,352**	**¥149,785**

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

Thousands of U.S. dollars			
As of March 31, 2017			
Japan	China	Other	Total
$845,833	**$236,545**	**$252,714**	**$1,335,101**

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, 2017 and 2016.

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, 2017 and 2016.

24. PER SHARE INFORMATION

Per share information as of and for the years ended March 31, 2017 and 2016 is as follows:

	yen		U.S. dollars
	2017	2016	**2017**
Net assets per share	**¥1,299.11**	¥1,166.41	**$11.58**
Profit attributable to owners of parent per share			
Basic	**178.25**	206.64	**1.59**
Diluted	**178.20**	197.73	**1.59**

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

	Millions of yen, except share data		Thousands of U.S. dollars
	2017	2016	**2017**
Total net assets	**¥361,114**	¥331,764	**$3,218,772**
Amounts deducted from total net assets:	**106,613**	103,268	**950,290**
Subscription rights	**248**	179	**2,211**
Non-controlling interests	**106,365**	103,088	**948,079**
Net assets attributable to common stock	**254,501**	228,496	**2,268,482**
Number of common stock used in calculation of net assets per share (Thousand shares)	**195,905**	195,897	**195,905**

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
	2017	2016	**2017**
Basis for calculation of profit attributable to owners of parent per share			
Profit attributable to owners of parent	**¥ 34,920**	¥ 39,034	**$311,258**
Amounts not attributable to common stock	**–**	–	**–**
Profit attributable to owners of parent regarding common stock	**34,920**	39,034	**311,258**
Average number of shares outstanding during the year (Thousand shares)	**195,904**	188,899	**195,904**
Adjustments on profit attributable to owners of parent:	**–**	(16)	**–**
Bond interest	**–**	(16)	**–**
Increase in number of shares of common stock (Thousand shares) :	**55**	8,426	**55**
Convertible bond-type bonds with share subscription rights	**–**	8,384	**–**
Stock subscription rights	**55**	41	**55**
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	**–**	–	**–**

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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Independent Auditor's Report

The Board of Directors
Alps Electric Co., Ltd.

We have audited the accompanying consolidated financial statements of Alps Electric Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 16, 2017
Tokyo, Japan

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ALPS ELECTRIC CO., LTD.

Inquiries about this report:
Corporate Planning Office
ALPS ELECTRIC CO., LTD.
1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo 145-8501, Japan
TEL: +81-3-3726-1211
WEBSITE: http://www.alps.com/e/