

Consolidated Financial Results
for the First Six Months of the Fiscal Year Ending March 31, 2014
<under Japanese GAAP>

Company name: **Alpine Electronics, Inc.**
 Listing: First Section of the Tokyo Stock Exchange
 Stock code: 6816
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Scheduled date to file Quarterly Securities Report: November 13, 2013
 Scheduled date to commence dividend payments: November 29, 2013
 Preparation of supplementary material on quarterly earnings: Yes
 Holding of quarterly earnings performance review: Yes (for analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first six months of the fiscal year ending March 31, 2014
(from April 1, 2013 to September 30, 2013)

(1) Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months ended								
September 30, 2013	137,981	32.7	3,781	232.5	4,476	245.3	3,014	302.0
September 30, 2012	103,992	9.4	1,137	(63.7)	1,296	(55.3)	749	(66.1)

(Note) Comprehensive income

For the first six months ended September 30, 2013: ¥7,638 million [-%]
 For the first six months ended September 30, 2012: ¥(3,204) million [-%]

	Net income per share	Diluted net income per share
	Yen	Yen
First six months ended		
September 30, 2013	43.21	-
September 30, 2012	10.75	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
September 30, 2013	182,931	117,052	63.4	1,662.64
March 31, 2013	168,061	109,991	64.9	1,562.62

(Reference) Equity

As of September 30, 2013: ¥116,007 million
 As of March 31, 2013: ¥109,027 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2013	–	10.00	–	10.00	20.00
Fiscal year ending March 31, 2014	–	10.00			
Fiscal year ending March 31, 2014 (Forecast)			–	10.00	20.00

(Note) Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2014	270,000	21.5	7,000	203.7	8,000	86.4	5,000	186.1	71.66

(Note) Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of a specific accounting procedure for preparing consolidated quarterly financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards: None
 - b. Changes in accounting policies due to other reasons: Yes
 - c. Changes in accounting estimates: Yes
 - d. Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

As of September 30, 2013	69,784,501 shares
As of March 31, 2013	69,784,501 shares

b. Number of shares of treasury stock at the end of the period

As of September 30, 2013	11,293 shares
As of March 31, 2013	12,153 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the first six months ended September 30, 2013	69,772,963 shares
For the first six months ended September 30, 2012	69,769,516 shares

*** Indication regarding execution of quarterly review procedures**

This quarterly earnings report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly earnings report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are incomplete.

*** Proper use of earnings forecasts and other special matters**

Caution concerning forward-looking statements

- (1) Revisions have been made to the consolidated earnings forecasts announced on April 30, 2013.
- (2) The earnings forecasts are based on information currently available to the Company at the time of the release of these materials. Actual business results may differ from the forecasts due to various factors.

Method of accessing supplementary material on quarterly earnings

Supplementary material on quarterly earnings will be available on the Company's website, on Friday, November 1, 2013.

Qualitative Information Regarding Settlement of Accounts for the First Six Months

(1) Information regarding operating results

During the first six months ended September 30, 2013, the Japanese economy began in part to see bright signs, such as the depreciation of the yen and high stock prices, due to the expectations arising from the economic policies of the new administration and improved performance centered on exporting companies. While the U.S. economy is showing a recovering trend, the economic slowdown in Europe is expected to continue, although it appears to have bottomed out. Other factors including the slower pace of economic recovery in emerging countries such as China and Brazil are contributing to the sense of continued global economic uncertainty.

In the car electronics industry, in the Japanese aftermarket, there was a continuation of the absence of the replacement purchase demand for navigation systems that had followed the transition from analog to fully digital broadcasting of terrestrial television in 2011. In addition, progress was made in diversifying sales channels other than stores specializing in auto products, such as having systems installed as automobile dealer options, and share competition between rival companies intensified. The market witnessed structural changes, including a decline in the total number of new cars sold domestically following the end of eco-car purchase subsidies, while sales increased for mini-vehicles, whose installation rate for navigation systems is low. Sales in the European aftermarket faced difficult conditions due to the effects of the economic slowdown. Meanwhile, sales of new cars in North America continued to be strong, supported by such factors as replacement demand and improved consumer sentiment due to the U.S. economic recovery, and the car electronics industry benefited from the knock-on effect of the strong sales.

Under these circumstances, Alpine exhibited at the Shanghai Motor Show in China, and broadened the appeal of the Alpine brand and its high-quality, highly functional items, and sought to further expand its business. In addition, Alpine worked to expand its aftermarket business, for example by establishing a representative office in Indonesia, where the automobile market is expected to grow remarkably. In its original equipment manufacturer (OEM) business, Alpine held technology exhibitions for its overseas automaker customers, and endeavored to gain new orders by proposing complex and advanced in-car IT products. In Detroit, the heart of the North American auto industry, Alpine moved its sales base into the ALPS ELECTRIC CO., LTD. offices, strengthening collaboration with ALPS ELECTRIC's automotive segment. Against a backdrop of favorable new car demand in the North American market, Alpine expanded capacity at its production base in Mexico, established Alpine Customer Service (USA), Inc. in the United States, developed its systems for repair and other after-sales services for in-car IT products, in which use of electronics is accelerating, and endeavored to improve quality. In order to lower cost prices Alpine collaborated with partner component makers to improve earning power by using value engineering (VE) to reform product cost structure and decreasing the number of components, among other measures.

As a result, during the first six months ended September 30, 2013, consolidated net sales increased 32.7% compared with the corresponding period of the previous fiscal year, to ¥137.9 billion. Operating income increased 232.5% to ¥3.7 billion, ordinary income increased 245.3% to ¥4.4 billion, and net income amounted to ¥3.0 billion, an increase of 302.0%.

Segment information is summarized below. Sales figures indicate sales to outside customers.

< Audio Products segment >

In the Audio Products segment, Alpine launched a CD player equipped with the high-definition Rich Display onto the North American aftermarket and worked to strengthen sales through sound system sales promotions. Meanwhile, in the European aftermarket, Alpine focused on expanding sales of entry-model CD players equipped with Bluetooth function and CD players equipped with high-value-added functions compatible with smartphone applications, which have been well received by the market. However, fierce price competition with rival companies combined with the effects of flagging market conditions, causing sales to remain at the same level.

In the OEM market, sales increased in association with the robust sales of audio products adopted for the new cars that Japanese automakers began selling in North America from September 2012 and sound systems for the U.S. automakers.

Accordingly, segment sales increased 17.3% compared with the corresponding period of the previous fiscal year, to ¥34.7 billion.

< Information and Communication Products segment >

Amid the increasing severity of sales competition with rival companies in the domestic aftermarket, the Information and Communication Products segment promoted business tailored to specific car models and continued to focus on expanding sales of the "BIG X" series of large-screen navigation systems. In particular,

Alpine endeavored to ascertain the needs of all passengers as well as drivers and to distinguish itself from competitors, launching new products with stronger appeal for families. In addition, Alpine continued to promote sales activities to automobile dealers in addition to stores specializing in auto products and worked to expand and upgrade its sales network, but sales decreased under the impact of the decrease in new car sales in Japan.

In the OEM market, there was a rise in the proportion of new cars built by Japanese automakers in the North American market that are equipped with hybrid products with displays featuring navigation functions at their cores, and sales of the car models equipped with these products also increased. Furthermore, as in North America and China, sales continued to be robust in European luxury automakers' new cars equipped with our products, Alpine's sales increased.

Owing to these factors, sales in this segment grew 38.8% compared with the corresponding period of the previous fiscal year, to ¥103.1 billion.

(2) Information regarding financial position

1) Assets, liabilities and net assets

Total assets stood at ¥182.9 billion as of September 30, 2013, an increase of ¥14.8 billion compared with the end of the previous fiscal year (March 31, 2013). Primary factors behind this change were an ¥8.0 billion increase in cash and deposits, a ¥1.6 billion increase in inventories, a ¥1.5 billion increase in property, plant and equipment, and a ¥2.2 billion increase in investment securities.

Total liabilities increased ¥7.8 billion from March 31, 2013, to ¥65.8 billion due to such factors as a ¥5.9 billion increase in notes and accounts payable-trade, a ¥0.2 billion decrease in short-term loans payable, a ¥1.4 billion increase in accrued expenses, and a ¥0.4 billion increase in provision for product warranties.

Compared with the end of the previous fiscal year, net assets increased ¥7.0 billion to ¥117.0 billion due to a ¥4.1 billion increase in foreign currency translation adjustment and a ¥2.4 billion increase in retained earnings.

Consequently, equity ratio decreased 1.5 percentage points from March 31, 2013, to 63.4%.

2) Cash flows

Cash and cash equivalents (hereinafter "cash") as of September 30, 2013 were ¥42.0 billion, an ¥8.0 billion increase from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥12.0 billion (¥4.7 billion was used in the corresponding period of the previous fiscal year). Major sources of cash were income before income taxes and minority interests amounting to ¥4.8 billion, depreciation and amortization totaling ¥2.9 billion, a ¥1.1 billion decrease in notes and accounts receivable-trade, a ¥2.9 billion increase in notes and accounts payable-trade. The principal use of cash was income taxes paid of ¥1.6 billion.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥4.9 billion (¥8.0 billion was used in the corresponding period of the previous fiscal year). Principal uses of cash were ¥3.5 billion for the purchase of property, plant and equipment and ¥1.6 billion for payments of loans receivable.

(Cash flows from financing activities)

Net cash used in financing activities was ¥0.7 billion (¥1.4 billion was used in the corresponding period of the previous fiscal year). Cash dividends paid of ¥0.6 billion was the main factor.

Due to these factors, the free cash flows increased by ¥7.0 billion. Free cash flows are the sum of cash flows from operating activities and cash flows from investing activities.

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

Please refer to the “Notice of Differences between Consolidated Earnings Forecasts and Actual Financial Results for First Six Months of Fiscal Year Ending March 31, 2014, and Revisions to Full-Year Consolidated Earnings Forecasts” released today (October 31, 2013).

< Consolidated earnings forecasts for the fiscal year ending March 31, 2014 >

Net sales	¥270.0 billion	(up 21.5% year on year)
Operating income	¥7.0 billion	(up 203.7% year on year)
Ordinary income	¥8.0 billion	(up 86.4% year on year)
Net income	¥5.0 billion	(up 186.1% year on year)

Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	34,070	42,108
Notes and accounts receivable-trade	38,207	38,683
Merchandise and finished goods	21,141	22,383
Work in process	1,013	978
Raw materials and supplies	7,161	7,598
Deferred tax assets	2,018	2,344
Other	9,912	10,443
Allowance for doubtful accounts	(214)	(287)
Total current assets	113,311	124,252
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	24,380	24,888
Accumulated depreciation	(15,817)	(16,221)
Buildings and structures, net	8,562	8,667
Machinery, equipment and vehicles	20,023	20,918
Accumulated depreciation	(14,165)	(14,751)
Machinery, equipment and vehicles, net	5,857	6,166
Tools, furniture, fixtures and dies	51,777	50,288
Accumulated depreciation	(47,646)	(45,501)
Tools, furniture, fixtures and dies, net	4,130	4,787
Land	4,896	4,939
Lease assets	146	201
Accumulated depreciation	(54)	(86)
Lease assets, net	92	114
Construction in progress	405	866
Total property, plant and equipment	23,944	25,542
Intangible assets	2,438	2,229
Investments and other assets		
Investment securities	25,864	28,102
Deferred tax assets	274	280
Other	2,287	2,536
Allowance for doubtful accounts	(58)	(12)
Total investments and other assets	28,367	30,906
Total noncurrent assets	54,750	58,678
Total assets	168,061	182,931

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	27,629	33,601
Short-term loans payable	239	–
Accrued expenses	9,690	11,112
Income taxes payable	1,064	1,618
Deferred tax liabilities	117	8
Provision for bonuses	1,839	1,935
Provision for directors' bonuses	47	19
Provision for product warranties	4,810	5,212
Other	3,587	3,148
Total current liabilities	49,026	56,657
Noncurrent liabilities		
Deferred tax liabilities	5,478	5,715
Provision for retirement benefits	1,292	1,365
Provision for directors' retirement benefits	677	326
Other	1,597	1,815
Total noncurrent liabilities	9,044	9,222
Total liabilities	58,070	65,879
Net assets		
Shareholders' equity		
Capital stock	25,920	25,920
Capital surplus	24,905	24,905
Retained earnings	55,320	57,757
Treasury stock	(17)	(16)
Total shareholders' equity	106,129	108,567
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,434	6,871
Deferred gains or losses on hedges	19	2
Revaluation reserve for land	(1,310)	(1,310)
Foreign currency translation adjustment	(2,245)	1,877
Total accumulated other comprehensive income	2,897	7,440
Minority interests	963	1,045
Total net assets	109,991	117,052
Total liabilities and net assets	168,061	182,931

(2) Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	First six months ended September 30, 2012	First six months ended September 30, 2013
Net sales	103,992	137,981
Cost of sales	88,568	115,380
Gross profit	15,424	22,600
Selling, general and administrative expenses	14,287	18,819
Operating income	1,137	3,781
Non-operating income		
Interest income	97	83
Dividends income	187	199
Equity in earnings of affiliates	434	460
Insurance income for inventory extinguishment	–	111
Other	171	156
Total non-operating income	890	1,011
Non-operating expenses		
Interest expenses	56	11
Foreign exchange losses	461	54
Commission fee	61	30
Sales discounts	56	34
Loss on inventory extinguishment	–	102
Other	96	82
Total non-operating expenses	732	316
Ordinary income	1,296	4,476
Extraordinary income		
Gain on sales of noncurrent assets	14	23
Gain on sales of investment securities	0	–
Compensation income	1,181	491
Income of earthquake recovery subsidy	84	–
Other	21	–
Total extraordinary income	1,301	514
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	31	93
Loss on valuation of investment securities	0	–
Loss on disaster	6	–
Provision of allowance for doubtful accounts	45	–
Other	–	0
Total extraordinary losses	83	93
Income before income taxes and minority interests	2,513	4,897
Income taxes-current	1,103	2,179
Income taxes-deferred	652	(358)
Total income taxes	1,755	1,821
Income before minority interests	757	3,076
Minority interests in income	7	61
Net income	749	3,014
Minority interests in income	7	61

(Millions of yen)

	First six months ended September 30, 2012	First six months ended September 30, 2013
Income before minority interests	757	3,076
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,751)	431
Deferred gains or losses on hedges	17	(17)
Foreign currency translation adjustment	(2,288)	2,477
Share of other comprehensive income of associates accounted for using equity method	59	1,669
Total other comprehensive income	(3,962)	4,562
Comprehensive income	(3,204)	7,638
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(3,168)	7,557
Comprehensive income attributable to minority interests	(36)	81

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	First six months ended September 30, 2012	First six months ended September 30, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,513	4,897
Depreciation and amortization	2,897	2,904
Decrease (increase) in notes and accounts receivable-trade	3,863	1,172
Decrease (increase) in inventories	(6,932)	133
Increase (decrease) in notes and accounts payable-trade	(4,456)	2,932
Other, net	(1,469)	379
Subtotal	(3,584)	12,420
Interest and dividends income received	281	776
Interest expenses paid	(56)	(12)
Income taxes paid	(1,396)	(1,654)
Income taxes refund	11	477
Net cash provided by (used in) operating activities	(4,744)	12,008
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(3,140)	(3,550)
Proceeds from sales of property, plant and equipment	19	39
Purchase of intangible assets	(265)	(251)
Purchase of investment securities	(2)	(2)
Proceeds from sales of investment securities	0	-
Payments of loans receivable	(5,219)	(1,602)
Collection of loans receivable	732	1,004
Other, net	(194)	(579)
Net cash provided by (used in) investing activities	(8,069)	(4,942)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	42	-
Repayment of long-term loans payable	(800)	-
Cash dividends paid	(697)	(696)
Proceeds from stock issuance to minority shareholders	37	-
Other, net	(11)	(22)
Net cash provided by (used in) financing activities	(1,428)	(719)
Effect of exchange rate change on cash and cash equivalents	(1,200)	1,481
Net increase (decrease) in cash and cash equivalents	(15,443)	7,827
Cash and cash equivalents at beginning of period	43,947	34,052
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	212
Cash and cash equivalents at end of period	28,504	42,091

(4) Notes to consolidated quarterly financial statements

(Notes on premise of going concern)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

No items to report

(Segment information)

1) First six months ended September 30, 2012

Information concerning net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment			Adjustment (Note)	Amount on consolidated quarterly financial statements
	Audio Products segment	Information and Communication Products segment	Total		
Sales					
Sales to outside customers	29,661	74,331	103,992	–	103,992
Internal sales or transfer among segments	372	128	500	(500)	–
Total	30,033	74,459	104,493	(500)	103,992
Segment profit (operating income)	381	3,183	3,565	(2,428)	1,137

Note: The adjustment of negative ¥2,428 million to segment profit represents corporate expenses not allocated to reportable segments. The corporate expenses are principally costs related to the administration division and part of the development division that are not attributable to the segments.

2) First six months ended September 30, 2013

Information concerning net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment			Adjustment (Note)	Amount on consolidated quarterly financial statements
	Audio Products segment	Information and Communication Products segment	Total		
Sales					
Sales to outside customers	34,789	103,191	137,981	–	137,981
Internal sales or transfer among segments	368	105	474	(474)	–
Total	35,157	103,297	138,455	(474)	137,981
Segment profit (operating income)	769	5,355	6,124	(2,343)	3,781

Notes: 1. The adjustment of negative ¥2,343 million to segment profit represents corporate expenses not allocated to reportable segments. The corporate expenses are principally costs related to the administration division and part of the development division that are not attributable to the segments.

2. Previously, Alpine and its consolidated subsidiaries in Japan adopted the declining-balance method for the depreciation method of property, plant and equipment, but this has been changed to the straight-line method from the first quarter of the current fiscal year. In accordance with this change, segment profit (operating income) for the first six months ended September 30, 2013 increased in comparison with the previous method; the Audio Products segment profit increased by ¥52 million and the Information and Communication Products segment profit increased by ¥136 million.
3. Alpine and its consolidated subsidiaries have changed the useful lives of dies, from the first quarter of the current fiscal year. In accordance with this change, segment profit (operating income) for the first six months ended September 30, 2013 increased in comparison with the previous method; the Audio Products segment profit increased by ¥25 million and the Information and Communication Products segment profit increased by ¥48 million.