Translation

October 31, 2014

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2015 <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, 2014
Scheduled date to commence dividend payments: November 28, 2014
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, 2015 (from April 1, 2014 to September 30, 2014)

(1) Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
First six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2014	141,630	2.6	4,529	19.8	5,754	28.6	4,207	39.6
September 30, 2013	137,981	32.7	3,781	232.5	4,476	245.3	3,014	302.0

(Note) Comprehensive income
For the first six months ended September 30, 2014: ¥6,815 million [(10.8)%]
For the first six months ended September 30, 2013: ¥7,638 million [–%]

	Net income per share	Diluted net income per share
First six months ended	Yen	Yen
September 30, 2014	60.69	60.69
September 30, 2013	43.21	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2014	195,869	129,906	65.7	1,858.13
March 31, 2014	190,694	125,218	65.1	1,778.00

(Reference) Equity
As of September 30, 2014: ¥128,592 million
As of March 31, 2014: ¥124,059 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, 2014	–	10.00	–	15.00	25.00
Fiscal year ending March 31, 2015	–	10.00			
Fiscal year ending March 31, 2015 (Forecast)			–	15.00	25.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(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, 2015	284,000	(0.7)	9,500	(3.2)	11,000	(6.5)	8,500	(7.9)	122.62

(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: Yes
   b. Changes in accounting policies due to other reasons: None
   c. Changes in accounting estimates: None
   d. Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common shares)
   a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2014	69,784,501 shares
As of March 31, 2014	69,784,501 shares

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

As of September 30, 2014	578,955 shares
As of March 31, 2014	9,633 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, 2014	69,317,844 shares
For the first six months ended September 30, 2013	69,772,963 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**

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.

1. Qualitative Information Regarding Settlement of Accounts for the First Six Months

(1) Information regarding operating results

In the global economy during the first six months ended September 30, 2014, although the U.S. economy followed a firm recovery track, the economy in Europe was unable to dispel a sense of economic uncertainty due to geopolitical and other factors despite showing a gradual economic upturn. Meanwhile, emerging countries such as China and Brazil experienced stagnation largely due to slowdowns in economic growth rates and currency instability.

The economy in Japan was observed to be following a trend of gradual recovery as seen by such factors as improved revenue of exporting companies, boosted by the weak yen, and the robust stock market. However, signs of weakness were also seen, such as the effect of the consumption tax hike and the rise in resource prices.

Conditions in the car electronics industry were difficult due to the impact of a decline in domestic sales of new cars in a pullback from the additional demand generated prior to the consumption tax hike. Outside Japan, on the other hand, the industry benefited from favorable factors including continued strength in sales of new cars in North America and China, and increased demand for in-car IT products integrated with vehicles for improved driving reliability and safety because of the enactment of a law in the U.S. mandating installation of rearview camera systems, among other factors.

Under these circumstances, the Alpine Group has developed a display audio system that is compatible with Apple's CarPlay® system to strengthen linkage with smartphones. Also, the Group strengthened its efforts to enhance R&D investment efficiency and improve its product development capabilities for the purpose of future profitability. Efforts in this area include jointly developing an in-car platform with FUJITSU TEN LIMITED, a company in the same industry, and becoming a member of the Open Automotive Alliance (OAA), an alliance committed to developing products compatible with Google's Android Auto® (Android for use in vehicles). In sales activities, the Group made efforts to restructure its European and U.S. aftermarket business by launching new products including large-screen navigation systems tailored to specific models of pick-up truck and SUV vehicle models for the North American aftermarket, and luxury vehicle models for the European aftermarket. The Group also worked to set itself apart from rival companies through the new launch to the domestic aftermarket of a navigation system with a large, 10-inch screen, the largest of its type in the world. In addition, the Group carried out efforts, centered on value engineering (VE), to lower the cost price.

As a result, during the first six months ended September 30, 2014, consolidated net sales increased 2.6% compared with the corresponding period of the previous fiscal year, to ¥141.6 billion. Operating income increased 19.8% to ¥4.5 billion, ordinary income increased 28.6% to ¥5.7 billion, and net income amounted to ¥4.2 billion, an increase of 39.6%.

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

< Audio Products segment >

In the Audio Products segment, Alpine worked to strengthen sales of CD players equipped with the high-definition Rich Display and high-value-added functions compatible with smartphone applications, and entry-models equipped with Bluetooth function in the Japanese, U.S. and European aftermarkets. Nevertheless, sales remained weak.

In the OEM market, there was only a slight increase in sales overall despite continued strength in sales of new cars in North American and Chinese markets, and a growth in sales of high-quality sound systems with amplifiers and speakers at their cores for cars in the U.S.

Accordingly, segment sales decreased 4.8% compared with the corresponding period of the previous fiscal year, to ¥33.1 billion.

< Information and Communication Products segment >

In the Information and Communication Products segment, Alpine launched and strove to market a new product range consisting of large-screen navigation systems tailored to specific vehicle models in the European and North American aftermarkets. In addition, Alpine launched a navigation system with a large, 10-inch screen, the largest of its type in the world to the domestic aftermarket, which features a wide-area map display and impressive images. Despite concerns of the impact from the sales decline following the consumption tax hike, sales growth was boosted from positive feedback concerning the premium experience and impressive functionality from customers who had installed the system. In overseas aftermarkets, new products of large-screen navigation systems tailored to specific vehicle models were also launched in the European and North American markets, and efforts to expand sales led to sales growth. In the OEM market, there were strong sales of European luxury cars in the North American and Chinese markets and growth in sales of hybrid displays installed in new cars. Overall OEM market sales only showed a slight increase, however, owing to the impact of model changeovers for some products.

Accordingly, sales in this segment grew 5.2% compared with the corresponding period of the previous fiscal year, to ¥108.5 billion.

(2) Information regarding financial position

1) Assets, liabilities and net assets

Total assets stood at ¥195.8 billion as of September 30, 2014, an increase of ¥5.1 billion compared with the end of the previous fiscal year (March 31, 2014). Primary factors behind this change were a ¥1.0 billion increase in cash and deposits, a ¥2.5 billion increase in inventories, a ¥1.3 billion increase in other under current assets, and a ¥0.7 billion increase in property, plant and equipment.

Total liabilities increased ¥0.4 billion compared with the end of the previous fiscal year to ¥65.9 billion due to such factors as a ¥0.4 billion increase in accrued expenses, a ¥0.5 billion increase in provision for product warranties, a ¥0.3 billion increase in net defined benefit liability and a ¥0.8 billion decrease in notes and accounts payable - trade.

Net assets increased ¥4.6 billion compared with the end of the previous fiscal year to ¥129.9 billion due to a ¥2.7 billion increase in retained earnings, a ¥0.7 billion decrease from purchase of treasury shares, a ¥1.8 billion increase in foreign currency translation adjustment, and a ¥0.5 billion increase in valuation difference on available-for-sale securities.

Consequently, equity ratio increased 0.6 percentage points from March 31, 2014, to 65.7%.

2) Cash flows

Cash and cash equivalents as of September 30, 2014 were ¥47.7 billion, a ¥1.0 billion increase from the end of the previous fiscal year (an ¥8.0 billion increase in the corresponding period of the previous fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥5.2 billion (¥12.0 billion was provided in the corresponding period of the previous fiscal year). Major sources of cash were income before income taxes and minority interests amounting to ¥5.8 billion, depreciation totaling ¥3.0 billion and a ¥2.5 billion decrease in notes and accounts receivable - trade. The principal uses of cash were a ¥1.2 billion increase in inventories, a ¥2.3 billion decrease in notes and accounts payable - trade and income taxes paid of ¥2.0 billion.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥3.8 billion (¥4.9 billion was used in the corresponding period of the previous fiscal year). Principal uses of cash were ¥3.4 billion for purchase of property, plant and equipment and ¥0.7 billion for payments of loans receivable, while a factor increasing cash was ¥0.6 billion in collection of loans receivable.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1.7 billion (¥0.7 billion was used in the corresponding period of the previous fiscal year). Principal uses of cash were cash dividends paid of ¥1.0 billion and ¥0.7 billion of purchase of treasury shares.

Due to these factors, the free cash flows increased by ¥1.4 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 Revisions to Earnings Forecasts” released today (October 31, 2014).

The exchange rates assumed for the last six months ending March 31, 2015, are US$1 = ¥105.00 and €1 = ¥135.00.

< Consolidated earnings forecasts for the fiscal year ending March 31, 2015 >

Net sales	¥284.0 billion	(down 0.7% year on year)
Operating income	¥9.5 billion	(down 3.2% year on year)
Ordinary income	¥11.0 billion	(down 6.5% year on year)
Net income	¥8.5 billion	(down 7.9% year on year)

2. Matters Regarding Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

No items to report

(2) Application of a specific accounting procedure for preparing consolidated quarterly financial statements

No items to report

(3) Changes in accounting policies, changes in accounting estimates and restatement of prior period financial statements after error corrections

Changes in accounting policies

(Application of Accounting Standard for Retirement Benefits and its Guidance)

For the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012), the Company has applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits from the first quarter ended June 30, 2014, and reviewed the determination of retirement benefit obligations and current service cost. Accordingly, the Company changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis as well as amended the determination method of the discount rate from that based on the remaining working lives to a single weighted average discount rate.

Application of the Accounting Standard for Retirement Benefits and its Guidance is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits. In accordance with such measures, the effect of the change in the determination of retirement benefit obligations and current service cost has been added to or deducted from retained earnings as of July 1, 2014.

As a result of this change, as of July 1, 2014, net defined benefit liability increased ¥402 million, and retained earnings decreased ¥402 million. The effect of these changes on profit or loss for the first six months ended September 30, 2014 is immaterial.

(4) Additional information

(Abolition of retirement allowances for Directors)

Effective the conclusion of the Ordinary General Shareholders' Meeting held on June 19, 2014 ("the General Shareholders' Meeting"), the Company abolished the retirement allowances for Directors.

In accordance with this action, final retirement allowances will be paid to the Directors who are continuing to serve as Directors after the conclusion of the General Shareholders' Meeting for their services until the conclusion of the General Shareholders' Meeting, when each Director retires.

Thus, as a result of the above, since the first quarter ended June 30, 2014, an amount payable of ¥269 million in final retirement allowances is included in "Other" under non-current liabilities as long-term accounts payable following a reversal performed on the Company's "Provision for directors' retirement benefits."

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	46,698	47,784
Notes and accounts receivable - trade	41,029	39,828
Merchandise and finished goods	21,115	22,797
Work in process	1,036	1,009
Raw materials and supplies	6,878	7,784
Deferred tax assets	3,008	3,041
Other	9,238	10,570
Allowance for doubtful accounts	(378)	(235)
Total current assets	128,628	132,581
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,306	26,521
Accumulated depreciation	(16,664)	(17,219)
Buildings and structures, net	8,642	9,302
Machinery, equipment and vehicles	22,103	23,633
Accumulated depreciation	(15,842)	(16,818)
Machinery, equipment and vehicles, net	6,260	6,814
Tools, furniture, fixtures and dies	51,347	51,674
Accumulated depreciation	(45,933)	(45,924)
Tools, furniture, fixtures and dies, net	5,413	5,749
Land	4,988	5,012
Leased assets	214	211
Accumulated depreciation	(92)	(74)
Leased assets, net	122	136
Construction in progress	1,482	688
Total property, plant and equipment	26,909	27,704
Intangible assets	2,359	2,500
Investments and other assets		
Investment securities	29,493	29,518
Net defined benefit asset	11	11
Deferred tax assets	485	606
Other	2,820	2,959
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	32,797	33,083
Total non-current assets	62,066	63,287
Total assets	190,694	195,869

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	30,926	30,108
Accrued expenses	10,386	10,836
Income taxes payable	1,757	1,602
Deferred tax liabilities	16	–
Provision for bonuses	2,107	2,161
Provision for directors’ bonuses	45	33
Provision for product warranties	6,132	6,662
Other	4,238	4,050
Total current liabilities	55,610	55,455
Non-current liabilities		
Deferred tax liabilities	5,836	6,130
Net defined benefit liability	1,892	2,268
Provision for directors’ retirement benefits	353	56
Other	1,783	2,050
Total non-current liabilities	9,865	10,506
Total liabilities	65,475	65,962
Net assets		
Shareholders’ equity		
Capital stock	25,920	25,920
Capital surplus	24,905	24,905
Retained earnings	63,272	66,030
Treasury shares	(13)	(712)
Total shareholders’ equity	114,085	116,144
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,629	7,160
Deferred gains or losses on hedges	–	(0)
Revaluation reserve for land	(1,310)	(1,310)
Foreign currency translation adjustment	5,554	7,399
Remeasurements of defined benefit plans	(899)	(799)
Total accumulated other comprehensive income	9,974	12,448
Subscription rights to shares	–	16
Minority interests	1,158	1,298
Total net assets	125,218	129,906
Total liabilities and net assets	190,694	195,869

(2) Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	First six months ended September 30, 2013	First six months ended September 30, 2014
Net sales	137,981	141,630
Cost of sales	115,380	117,517
Gross profit	22,600	24,112
Selling, general and administrative expenses	18,819	19,583
Operating income	3,781	4,529
Non-operating income		
Interest income	83	107
Dividend income	199	201
Foreign exchange gains	–	543
Share of profit of entities accounted for using equity method	460	345
Insurance income for inventory extinguishment	111	–
Other	156	199
Total non-operating income	1,011	1,397
Non-operating expenses		
Interest expenses	11	8
Foreign exchange losses	54	–
Commission fee	30	32
Sales discounts	34	66
Loss on inventory extinguishment	102	–
Other	82	64
Total non-operating expenses	316	171
Ordinary income	4,476	5,754
Extraordinary income		
Gain on sales of non-current assets	23	18
Gain on liquidation of investment securities	–	52
Compensation income	491	–
Other	–	6
Total extraordinary income	514	76
Extraordinary losses		
Loss on sales and retirement of non-current assets	93	22
Other	0	–
Total extraordinary losses	93	22
Income before income taxes and minority interests	4,897	5,808
Income taxes - current	2,179	1,585
Income taxes - deferred	(358)	(43)
Total income taxes	1,821	1,541
Income before minority interests	3,076	4,266
Minority interests in income	61	59
Net income	3,014	4,207
Minority interests in income	61	59

(Millions of yen)

	First six months ended September 30, 2013	First six months ended September 30, 2014
Income before minority interests	3,076	4,266
Other comprehensive income		
Valuation difference on available-for-sale securities	431	529
Deferred gains or losses on hedges	(17)	(0)
Foreign currency translation adjustment	2,477	2,771
Remeasurements of defined benefit plans, net of tax	–	97
Share of other comprehensive income of entities accounted for using equity method	1,669	(849)
Total other comprehensive income	4,562	2,548
Comprehensive income	7,638	6,815
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,557	6,681
Comprehensive income attributable to minority interests	81	133

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	First six months ended September 30, 2013	First six months ended September 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	4,897	5,808
Depreciation	2,904	3,004
Decrease (increase) in notes and accounts receivable - trade	1,172	2,513
Decrease (increase) in inventories	133	(1,279)
Increase (decrease) in notes and accounts payable - trade	2,932	(2,342)
Other, net	379	(1,168)
Subtotal	12,420	6,536
Interest and dividend income received	776	648
Interest expenses paid	(12)	(8)
Income taxes paid	(1,654)	(2,005)
Income taxes refund	477	118
Net cash provided by (used in) operating activities	12,008	5,289
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,550)	(3,465)
Proceeds from sales of property, plant and equipment	39	73
Purchase of intangible assets	(251)	(458)
Purchase of investment securities	(2)	(8)
Payments of loans receivable	(1,602)	(711)
Collection of loans receivable	1,004	670
Other, net	(579)	35
Net cash provided by (used in) investing activities	(4,942)	(3,864)
Cash flows from financing activities		
Cash dividends paid	(696)	(1,046)
Purchase of treasury shares	(0)	(700)
Proceeds from share issuance to minority shareholders	–	38
Cash dividends paid to minority shareholders	–	(34)
Other, net	(22)	(33)
Net cash provided by (used in) financing activities	(719)	(1,775)
Effect of exchange rate change on cash and cash equivalents	1,481	1,437
Net increase (decrease) in cash and cash equivalents	7,827	1,086
Cash and cash equivalents at beginning of period	34,052	46,680
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	212	–
Cash and cash equivalents at end of period	42,091	47,766

(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)

The Company purchased 570,100 treasury shares in accordance with a resolution at a meeting of the Board of Directors on April 30, 2014. As a result, treasury shares increased ¥698 million during the first six months ended September 30, 2014, bringing the amount of treasury shares to ¥712 million as of September 30, 2014.

(Segment information)

Segment information

1) 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.

2) First six months ended September 30, 2014

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	33,103	108,527	141,630	–	141,630
Internal sales or transfer among segments	356	104	460	(460)	–
Total	33,459	108,631	142,090	(460)	141,630
Segment profit (operating income)	1,296	5,659	6,956	(2,426)	4,529

Note: The adjustment of negative ¥2,426 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.