

Consolidated Financial Results
for the First Nine 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: February 12, 2015
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly earnings: None
 Holding of quarterly earnings performance review: None

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

1. Consolidated performance for the first nine months of the fiscal year ending March 31, 2015
(from April 1, 2014 to December 31, 2014)

(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 nine months ended								
December 31, 2014	216,667	2.9	8,357	7.2	11,777	21.0	8,629	27.1
December 31, 2013	210,467	33.3	7,798	358.3	9,734	260.4	6,790	494.4

(Note) Comprehensive income

For the first nine months ended December 31, 2014: ¥16,691 million [(4.1)%]

For the first nine months ended December 31, 2013: ¥17,398 million [417.3%]

	Net income per share	Diluted net income per share
	Yen	Yen
First nine months ended		
December 31, 2014	124.55	124.52
December 31, 2013	97.33	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2014	209,292	139,106	65.7	1,987.67
March 31, 2014	190,694	125,218	65.1	1,778.00

(Reference) Equity

As of December 31, 2014: ¥137,557 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)				20.00	30.00

(Note) Revisions to the forecasts of cash dividends most recently announced: Yes

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	290,000	1.4	11,000	12.1	14,500	23.3	12,500	35.4	180.47

(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 December 31, 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 December 31, 2014	579,085 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 nine months ended December 31, 2014	69,281,228 shares
For the first nine months ended December 31, 2013	69,773,255 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

1. Revisions have been made to the consolidated earnings forecasts announced on October 31, 2014.
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. For information regarding the assumptions on which earnings forecasts are based and points to note when using the earnings forecasts, please refer to “(3) Information regarding consolidated earnings forecasts and other forward-looking statements” under “1. Qualitative Information Regarding Settlement of Accounts for the First Nine Months” on page 2 of the accompanying materials.

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

(1) Information regarding operating results

In the global economy during the first nine months ended December 31, 2014, the US experienced solid corporate earnings and consumer sentiment as economic activity followed a clearer path of recovery. The outlook remained uncertain in Europe, however, owing to geopolitical factors and uncertainty in the political situation. Meanwhile, emerging countries such as China and Brazil experienced stagnation largely due to slowdowns in economic growth rates and currency instability. In Japan, the economy followed a trend of gradual recovery on the back of improved earnings by exporting companies despite rises in imported raw material prices due to the sharp yen depreciation since summer.

Conditions in the car electronics industry were difficult due to the impact of a decline since April 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 nine months ended December 31, 2014, consolidated net sales increased 2.9% compared with the corresponding period of the previous fiscal year, to ¥216.6 billion. Operating income increased 7.2% to ¥8.3 billion, ordinary income increased 21.0% to ¥11.7 billion, and net income amounted to ¥8.6 billion, an increase of 27.1%.

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, sales remained generally level 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 7.0% compared with the corresponding period of the previous fiscal year, to ¥48.3 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. Sales growth was boosted from positive feedback concerning the premium experience and impressive functionality from customers who had installed the system. 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 6.2% compared with the corresponding period of the previous fiscal year, to ¥168.3 billion.

(2) Information regarding financial position

Total assets stood at ¥209.2 billion as of December 31, 2014, an increase of ¥18.5 billion compared with the end of the previous fiscal year (March 31, 2014) due mainly to a ¥7.0 billion increase in cash and deposits, a ¥7.4 billion increase in inventories, a ¥2.1 billion increase in other under current assets, and a ¥1.8 billion increase in property, plant and equipment.

Total liabilities increased ¥4.7 billion compared with the end of the previous fiscal year to ¥70.1 billion due mainly to a ¥2.9 billion increase in accrued expenses, a ¥1.0 billion increase in income taxes payable, a ¥0.9 billion increase in provision for product warranties, a ¥0.3 billion increase in net defined benefit liability and a ¥0.5 billion decrease in notes and accounts payable - trade.

Net assets increased ¥13.8 billion compared with the end of the previous fiscal year to ¥139.1 billion due mainly to a ¥6.4 billion increase in retained earnings, a ¥0.7 billion decrease from purchase of treasury shares, and a ¥7.5 billion increase in foreign currency translation adjustment.

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

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

Please refer to the “Notice of Revisions to Consolidated Earnings Forecasts and Dividend Forecasts” released today (January 30, 2015).

The exchange rates assumed for the last three months ending March 31, 2015, are US\$1 = ¥115 and €1 = ¥135.

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

Net sales	¥290.0 billion	(up 1.4% year on year)
Operating income	¥11.0 billion	(up 12.1% year on year)
Ordinary income	¥14.5 billion	(up 23.3% year on year)
Net income	¥12.5 billion	(up 35.4% 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 the beginning of the first nine months ended December 31, 2014.

As a result of this change, as of the beginning of the first nine months ended December 31, 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 nine months ended December 31, 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 December 31, 2014
Assets		
Current assets		
Cash and deposits	46,698	53,722
Notes and accounts receivable - trade	41,029	39,142
Merchandise and finished goods	21,115	25,650
Work in process	1,036	1,291
Raw materials and supplies	6,878	9,575
Deferred tax assets	3,008	3,582
Other	9,238	11,437
Allowance for doubtful accounts	(378)	(251)
Total current assets	128,628	144,150
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,306	27,468
Accumulated depreciation	(16,664)	(17,827)
Buildings and structures, net	8,642	9,641
Machinery, equipment and vehicles	22,103	25,366
Accumulated depreciation	(15,842)	(18,420)
Machinery, equipment and vehicles, net	6,260	6,946
Tools, furniture, fixtures and dies	51,347	53,016
Accumulated depreciation	(45,933)	(47,032)
Tools, furniture, fixtures and dies, net	5,413	5,983
Land	4,988	5,084
Leased assets	214	226
Accumulated depreciation	(92)	(68)
Leased assets, net	122	158
Construction in progress	1,482	967
Total property, plant and equipment	26,909	28,781
Intangible assets	2,359	2,557
Investments and other assets		
Investment securities	29,493	30,027
Net defined benefit asset	11	32
Deferred tax assets	485	578
Other	2,820	3,177
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	32,797	33,803
Total non-current assets	62,066	65,142
Total assets	190,694	209,292

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	30,926	30,409
Accrued expenses	10,386	13,303
Income taxes payable	1,757	2,767
Deferred tax liabilities	16	1
Provision for bonuses	2,107	1,374
Provision for directors' bonuses	45	50
Provision for product warranties	6,132	7,064
Other	4,238	4,829
Total current liabilities	55,610	59,803
Non-current liabilities		
Deferred tax liabilities	5,836	5,872
Net defined benefit liability	1,892	2,250
Provision for directors' retirement benefits	353	59
Other	1,783	2,199
Total non-current liabilities	9,865	10,382
Total liabilities	65,475	70,185
Net assets		
Shareholders' equity		
Capital stock	25,920	25,920
Capital surplus	24,905	24,905
Retained earnings	63,272	69,760
Treasury shares	(13)	(713)
Total shareholders' equity	114,085	119,873
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,629	6,601
Deferred gains or losses on hedges	-	(11)
Revaluation reserve for land	(1,310)	(1,310)
Foreign currency translation adjustment	5,554	13,152
Remeasurements of defined benefit plans	(899)	(748)
Total accumulated other comprehensive income	9,974	17,683
Subscription rights to shares	-	32
Minority interests	1,158	1,516
Total net assets	125,218	139,106
Total liabilities and net assets	190,694	209,292

(2) Consolidated quarterly statements of (comprehensive) income

(Millions of yen)

	First nine months ended December 31, 2013	First nine months ended December 31, 2014
Net sales	210,467	216,667
Cost of sales	174,295	178,770
Gross profit	36,172	37,896
Selling, general and administrative expenses	28,373	29,538
Operating income	7,798	8,357
Non-operating income		
Interest income	144	176
Dividend income	289	387
Foreign exchange gains	666	2,296
Share of profit of entities accounted for using equity method	698	555
Insurance income for inventory extinguishment	111	–
Other	355	317
Total non-operating income	2,265	3,734
Non-operating expenses		
Interest expenses	13	10
Commission fee	74	49
Sales discounts	112	109
Loss on inventory extinguishment	102	–
Other	26	145
Total non-operating expenses	329	314
Ordinary income	9,734	11,777
Extraordinary income		
Gain on sales of non-current assets	40	61
Gain on liquidation of investment securities	–	52
Compensation income	491	–
Subsidy income	215	–
Other	25	12
Total extraordinary income	772	126
Extraordinary losses		
Loss on sales and retirement of non-current assets	134	47
Other	0	–
Total extraordinary losses	134	47
Income before income taxes and minority interests	10,372	11,856
Income taxes - current	3,203	3,443
Income taxes - deferred	260	(362)
Total income taxes	3,463	3,080
Income before minority interests	6,908	8,775
Minority interests in income	117	146
Net income	6,790	8,629
Minority interests in income	117	146

(Millions of yen)

	First nine months ended December 31, 2013	First nine months ended December 31, 2014
Income before minority interests	6,908	8,775
Other comprehensive income		
Valuation difference on available-for-sale securities	1,845	(16)
Deferred gains or losses on hedges	(34)	(11)
Foreign currency translation adjustment	7,055	7,507
Remeasurements of defined benefit plans, net of tax	–	148
Share of other comprehensive income of entities accounted for using equity method	1,624	287
Total other comprehensive income	10,489	7,915
Comprehensive income	17,398	16,691
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,192	16,338
Comprehensive income attributable to minority interests	205	352

(3) 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 (¥699 million) in accordance with a resolution at a meeting of the Board of Directors on April 30, 2014. As a result, treasury shares increased ¥699 million during the first nine months ended December 31, 2014, bringing the amount of treasury shares to ¥713 million as of December 31, 2014.

(Segment information)

Segment information

1) First nine months ended December 31, 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	52,015	158,451	210,467	–	210,467
Internal sales or transfer among segments	544	158	702	(702)	–
Total	52,560	158,610	211,170	(702)	210,467
Segment profit (operating income)	2,253	9,059	11,312	(3,514)	7,798

Notes: 1. The adjustment of negative ¥3,514 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 nine months ended December 31, 2013 increased in comparison with the previous method; the Audio Products segment profit increased by ¥82 million and the Information and Communication Products segment profit increased by ¥213 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 nine months ended December 31, 2013 increased in comparison with the previous method; the Audio Products segment profit increased by ¥41 million and the Information and Communication Products segment profit increased by ¥108 million.

2) First nine months ended December 31, 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	48,354	168,312	216,667	–	216,667
Internal sales or transfer among segments	544	149	693	(693)	–
Total	48,898	168,461	217,360	(693)	216,667
Segment profit (operating income)	2,377	9,645	12,023	(3,665)	8,357

Note: The adjustment of negative ¥3,665 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.