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Alps Electric Co., Ltd.
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The corporate governance of Alps Electric Co., Ltd. (the "Company") is described below.

I. Basic Views on Corporate Governance, Corporate Attributes, Capital Structure, and Other Basic Information

1. Basic Views Updated

The Group defines corporate governance as the "establishment and operation of frameworks for realizing efficient and appropriate decision-making and execution of business affairs by senior management, prompt reporting of outcomes to stakeholders, and sound, efficient and transparent business administration, for the purpose of heightening corporate value." Its basic approach, placing importance on maximizing benefits for shareholders and all other stakeholders, is to maximize corporate value and deliver benefits directly or indirectly to stakeholders in a balanced way, satisfying their respective interests.

To improve the effectiveness of corporate governance, the Company is considering shifting to a company with audit & supervisory committee from the next fiscal year and continues to discuss and examine how to increase the transparency through involvement in procedures for appointment and determination of remuneration of Directors by Outside Directors, etc. and the appropriate role of the monitoring and supervisory function for the business management.

[Reasons for Non-compliance with the Principles of the Japan's Corporate Governance Code] Updated

[Principle 4.8 Effective Use of Independent Directors]

While the Company has already appointed one Independent Outside Director, it is currently selecting a right person for the post to have more than one Independent Outside Director. At the Ordinary General Meeting of Shareholders to be held in June 2016, the Company will suggest at least two candidates for Independent Outside Director.

[Supplementary Principles 4.11.3 Analysis and evaluation of effectiveness of the Board of Directors as a whole]

The Company will periodically analyze and evaluate the effectiveness of the Board of Directors as a whole in consideration of the self-evaluations of Directors and disclose the results.

[Disclosure Based on the Principles of the Japan's Corporate Governance Code] Updated

[Principle 1.4 Cross-Shareholdings]

1. Policy on cross-shareholdings

The Company does not have cross-shareholdings in principle, except in cases where cross-shareholdings are deemed to lead to improvement of the Company's corporate value in the medium- to long-term, including cases of execution of the Company's business strategy and strategic partnership for the purpose of strengthening relationships with business partners. The Company decides whether to continue cross-shareholdings after confirming the mid- to long-term economic rationality through periodic examination.

2. Standards for exercising the voting rights as to cross-shareholdings

The Company exercises the voting rights as to cross-shareholdings after considering the content of the proposal and determining whether the exercise will lead to an increase in the value of stock of the company with which the Company has cross-shareholdings as well as in the Company's corporate value in the medium- to long-term.

[Principle 1.7 Related Party Transactions]

The Company stipulates in the bylaws for the Board of Directors that when the Company or its related company has transactions with a Director or a company virtually controlled by a director, approval of the Board of Directors for the transaction is required. For other related party transactions, it is also stipulated in the bylaws for the Board of Directors that approval of the Board of Directors is required for any transaction that is worth a large

amount or that has a considerable impact on the company's management and credibility.

[Principle 3.1 Full Disclosure]

i) Company objectives (e.g., business principles), business strategies and business plans

The Company has disclosed its corporate philosophy, business strategies, and mid-term and short-term business plans on its website (http://www.alps.com/e/csr/), or in materials for briefings on earnings announcement (http://www.alps.com/e/ir/) and annual reports (http://www.alps.com/e/ir/ir_annual.html), etc.

ii) Basic views and guidelines on corporate governance based on each of the principles of the Code

The Company has disclosed its basic views and guidelines on corporate governance on its website (http://www.alps.com/e/csr/message/index.html), or in "I-1. Basic Views" of this report, annual reports, etc.

iii) Board policies and procedures in determining the remuneration of the senior management and directors

- Policy for determining the remuneration

Under the remuneration structure focusing on linkage with performance in the short term and the medium- to long-term, the Company stimulates actions of directors for increasing corporate performance and the share price to the maximum extent in order to lastingly improve the Group-wide corporate value. Specifically, the composition of remuneration is as follows:

a) Remuneration for Inside Directors

The Company's remuneration for Inside Directors consists of fixed remuneration, performance-based bonuses and stock compensation-type stock options.

Performance-based bonuses vary according to single-year performance (operating income, net income and others). Stock compensation-type stock options are granted as compensation linked to medium- to long-term performance at the number of stocks calculated based on the value at the time of grant, according to the amount of stock option remuneration that is specified for each position. Since these stock options have an effect equivalent to substantial provision of the Company's own stock, not only the merit of an increase in the price of the Company's stock but also the risk of a decrease in the stock price is shared with shareholders under this system.

b) Remuneration for Outside Directors and Audit & Supervisory Board Members

The Company's remuneration for Outside Directors and Audit & Supervisory Board Members consists only of fixed remuneration.

- Procedures for determining remuneration

The Company determines remuneration at the Board of Directors to the extent of the total amount of remuneration approved at a General Meeting of Shareholders.

iv) Board policies and procedures in the appointment of the senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members candidates

- Policy for the nomination

The Company has established standards for appointing Directors so that a person who has sufficient ability and qualifications to deliberate, determine and supervise relevant matters at the Board of Directors in response to the delegation of business administration from shareholders as Directors. Its policy for the appointment is to choose a person who has strong ability to make management decision, foresight, insight and other capacities as well as respect for legal compliance and high ethical standards and is capable of fulfilling duties and responsibilities of a Director, as a candidate for Director.

- Procedures for the nomination

A candidate for Director is determined at the Board of Directors in accordance with the above policy.

v) Explanations with respect to the individual appointments and nominations based on iv).

In nominating a candidate for Director or Audit & Supervisory Board members and submitting the proposal to the Board of Directors, the Company discloses individual reasons for nomination of the candidate in "Reference Document," "Notice of Convocation of the General Meeting of Shareholders."

[Supplementary Principles 4.1.1 Scope of the Matters Delegated to the Management]

In addition to matters requiring resolution of the Board of Directors that are stipulated in laws and regulations and the articles of incorporation, the management policy, medium-term and short-term business plans and other important matters regarding the business management are also judged and determined at a meeting of the Board of Directors in accordance with standards for items, amount, etc. The Company stipulates the standards for submission of matters and scope of matters delegated to each Director in the rules and bylaws for the Board of Directors.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

Currently, the Company makes judgments in accordance by standards based on the rules of Tokyo Stock Exchange, Inc. to appoint Independent Outside Directors.

[Supplementary Principles 4.11.1 Views on the Appropriate Balance between Knowledge, Experience and Skills of the Board of Directors as a whole and Diversity and Appropriate Board Size]

The Company ensures diversity in the balance between knowledge, experience and skills by appointing a person who has strong ability to make management decision, foresight, insight and other capacities as well as respect for legal compliance and high ethical standards and is capable of fulfilling duties and responsibilities of a Director in response to the delegation of business administration from shareholders as Director, a person who is able to control fields including development, design, manufacture, sale and management necessary for the Company's business as Director executing business affairs, and a person who has expertise and is able to fulfill a supervising function to encourage medium- to long-term growth as Outside Director. As for the board size, it is stipulated in the articles of incorporation that the Board of Directors consists of not more than 18 members so that substantial discussion can be ensured at the Board of Directors.

[Supplementary Principles 4.11.2 Positions in Cases where Directors also Serve as Executives at Other Listed Companies]

The Company discloses positions of its directors who also serve as executives at other listed companies in the Notice of Convocation of the General Meeting of Shareholders, securities reports, annual reports, corporate governance reports, etc. The current positions of the Company's directors who also serve as executives at other listed companies are as follows:

Masataka Kataoka, Chairman of the Board	Director of Alpine Electronics, Inc.
	Director of Alps Logistics Co., Ltd.
Takashi Iida, Outside Director	Outside Corporate Auditor of Shimadzu Corporation
	Outside Audit & Supervisory Board Member of Nippon Telegraph and Telephone Corporation
Hiroshi Akiyama, Outside Audit & Supervisory Board Member	Outside Corporate Auditor of YKK Corporation

[Supplementary Principles 4.14.2 Policy on Training for Directors and Auditors]

The Company provides opportunities for Directors and Audit & Supervisory Board Members to acquire and update necessary knowledge and skills so that they can fulfill their expected roles and duties. Specifically, the Company holds a training workshop for Directors covering topics taking into account internal and external environments twice a year to acquire knowledge and exchange opinions.

Audit & Supervisory Board Members make efforts to collect and share information on auditor's audits by joining related external organizations and other means, and attend seminars and training programs hosted by those organization where needed.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

(1) Organizational structures aimed at promoting constructive dialogue with shareholders

In an effort to enhance strategic communication of information, the Director and General Manager for the Administration Headquarters, and the Corporate Planning Office assume a key role of the IR function. In addition, the Company has established the system for collecting information promptly and exhaustively in-house and examines whether to disclose important corporate information and the content and period of such disclosure based on relevant regulations and rules of securities exchanges.

For dialogues (management meetings) with shareholders, the Director in charge of IR, top management and others engage in such dialogue according to the requests and interests of shareholders, while the Corporate Planning Office acts as the contact point.

(2) Opportunities for dialogue aside from individual meetings

The Company strives to promote opportunities for direct dialogue between the management and market participants or shareholders through briefings on earnings announcement, "ALPS REPORT" bulletin issued on a quarterly basis, regular visits to overseas investors by the top management and Directors in charge, briefings arranged during biennial "ALPS SHOW" and plant tours to foster positive and interactive dialogue.

(3) Appropriate and effective feedback in the company

Information obtained through dialogue with shareholders, etc. is periodically reported by the Director in charge of IR to the top management and the Board of Directors.

(4) Policy for controlling insider information

In accordance with the rules for restrictions on insider trading, the Company strives to manage insider information including dialogue (management meetings) with shareholders and prevent internal and external leakage of information.

2. Capital Structure

Foreign shareholding ratio	30% or more

[Status of Major Shareholders] Updated

Name	Number of Shares Owned (Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	26,121,700	13.43
Japan Trustee Services Bank, Ltd. (trust account)	20,864,000	10.73
Trust & Custody Services Bank, Ltd. (securities investment trust account)	4,123,200	2.12
THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	3,650,599	1.88
MITSUI LIFE INSURANCE COMPANY LIMITED	3,591,000	1.85
STATE STREET BANK AND TRUST COMPANY	3,287,168	1.69
EUROCLEAR BANK S. A. / N. V.	3,277,608	1.69
Nippon Life Insurance Company	2,750,208	1.41
Mitsui Sumitomo Insurance Company, Limited	2,517,500	1.29
JP MORGAN CHASE BANK 380634	2,450,480	1.26

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation Updated

This is the status of major shareholders as of September 30, 2015. Other than the above shares, there are 2,309,557 shares of treasury shares (1.19%) held by the Company.

3. Corporate Attributes

Listed Stock Market and Market Section	First Section of Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net sales (consolidated) for the Previous Fiscal year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Special Circumstances Which May Have Material Impact on Corporate Governance

In line with its basic approach to corporate governance, the Group has established a structure for the Group as a whole, putting in place the Alps Group Management Paradigm comprising the Alps Group Management Regulations, Alps Group Compliance Charter and Alps Group Environmental Charter. An agreement relating to Group administration and management has also been concluded to strengthen Group ties while respecting the independence of Alpine Electronics, Inc. and Alps Logistics Co., Ltd. that are listed subsidiaries and allowing each of them to engage in business activities based on independent decision-making through formulation of business plans and monitoring of performance. In addition, the Group has built a structure for the Group as a whole that ensures the independence of subsidiaries including listed companies and the appropriateness of business practices.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization form	Company with Audit & Supervisory Board

[Directors]

Maximum number of Directors stipulated in Articles of Incorporation	18
Term of office stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	13
Appointment of Outside Directors	Appointed
Number of Outside Directors	1
Number of Independent Directors Designated from among Outside Directors	1

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Takashi Iida	Lawyer								△			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiaries

b. Executive or non-executive director of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/audit & supervisory board members are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary explanation of the relationship	Reason for the appointment of the Outside Director (including the reason for the designation as Independent Director, if the person has been designated as Independent Director)
Takashi Iida	○	Kowa Law Office Outside Corporate Auditor, Shimadzu Corporation Outside Audit & Supervisory Board Member, Nippon Telegraph and Telephone Corporation Mr. Iida worked for Mori Hamada & Matsumoto until December 2011. Although the Company has taken legal advice from the law firm under the advisory agreement, etc., the Company does not believe that this transaction may influence the decision of shareholders and investors, in the light of the size and nature of the transaction.	(Reason for the appointment of the Outside Director) Mr. Iida has been engaged, as a lawyer, in legal practices for long years and has considerable experience and a track record in legal circles including experience of servicing as Vice President of the Japan Federation of Bar Associations. Therefore, the Company thinks that he can exercise appropriate supervision of the operation of the Board of Directors and Directors' execution of business affairs from an independent standpoint. (Reason for the designation as Independent Director) The Company has not set standards or a policy on independence from the company for appointing Outside Directors. However, the Company has designated Mr. Iida as independent director, since he satisfies the requirements for independent director set by the Tokyo Stock Exchange.

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Not Established

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Independent Auditing Firm, and Internal Audit Department

- Cooperation between Audit & Supervisory Board Members and independent auditing firm

Audit & Supervisory Board Members deepen mutual cooperation by the requesting independent auditing firm to attend meetings of the Audit & Supervisory Board, auditing liaison meetings and other meetings to receive accounting audit reports and exchange information in a timely manner.

- Cooperation between Audit & Supervisory Board Members and the Compliance & Audit Office

Audit & Supervisory Board Members receive reports on activity plans from the Compliance & Audit Office and provide advice on selection of audit topics and others. The Alps Group regularly convenes the Alps Group Auditors Liaison Committee to share audit information.

Appointment of Outside Audit & Supervisory Board Members	Appointed

Number of Outside Audit & Supervisory Board Members	2
Number of Independent Auditors Designated from among Outside Audit & Supervisory Board Members	1

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hiroshi Akiyama	Lawyer										○			
Takuji Kuniyoshi	Certified public accountant													

* Categories for "Relationship with the Company"

* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;
"△" when the audit & supervisory board member fell under the category in the past

* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;
"▲" when a close relative of the audit & supervisory board member fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Executive or non-executive director of a parent company of the Company

d. Audit & supervisory board member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)

k. Executive of a company, between which and the Company outside directors/audit & supervisory board members are mutually appointed (the audit & supervisory board member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)

m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reason for the appointment of the Outside Audit & Supervisory Board Members (including the reason for the designation as Independent Auditor, if the person has been designated as Independent Auditor)
Hiroshi Akiyama	—	Yanagida & Partners, Partner / Lawyer YKK Corporation, Outside Corporate Auditor	(Reason for the appointment of the Outside Audit & Supervisory Board Members) The Company thinks that Mr. Akiyama, who is qualified as a lawyer and has considerable legal knowledge, can perform an appropriate audit including effective audit of legal compliance. He does not any personal relationship, capital relationship or transactional relationship that may cause a conflict of interest with general shareholders with the Company, and other interests in the Company.
Takuji Kuniyoshi	○		(Reason for the appointment of the Outside Audit & Supervisory Board Members) The Company thinks that Mr. Kuniyoshi can perform an appropriate audit including effective audit of legal compliance by reflecting his years of international experience in an accounting firm, his expertise and experience accumulated as certified public accountant and his broad insight in auditing of the Company. (Reason for the designation as Independent Auditor) The Company has not set standards or a policy on independence from the company for appointing Outside Audit & Supervisory Board Members. However, the Company has designated Mr. Kuniyoshi as Independent Auditor, since he satisfies the requirements for Independent Auditor set by the Tokyo Stock Exchange.

[Independent Directors/Auditors]

Number of Independent Directors/Auditors	2

Matters relating to Independent Directors/Auditors

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[Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked Remuneration and Stock Options

Supplementary Explanation

The remuneration system for Directors is as provided in "[Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" below.

Recipients of Stock Options	Inside Directors

Supplementary Explanation

Details of stock options are as provided in "[Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" below.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

Details of Directors' remuneration, etc. and Audit & Supervisory Board Members in the fiscal year ended March 31, 2015 are as follows:

- Remuneration paid to Directors and Audit & Supervisory Board Members

Twelve (12) Directors (excluding one Outside Director): ¥466 million (including ¥274 million of base remuneration, ¥142 million of bonus and ¥49 million of stock options)

One (1) Outside Director: ¥8 million (consisting of ¥8 million of base remuneration)

Two (2) Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members): ¥31 million (consisting of ¥31 million of base remuneration)

Two (2) Outside Audit & Supervisory Board Members: ¥9 million (consisting of ¥9 million of base remuneration)

(Note) The amount of remuneration paid does not include employee-portion salary for Directors who also serve as employee.

There were thirteen (13) Directors (including one Outside Director) and four (4) Audit & Supervisory Board Members (including two (2) Outside Audit & Supervisory Board Members) at the end of the current fiscal year.

Policy on Determining Remuneration Amounts and Calculation Methods Updated	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

- Policy on determining remuneration

Under the remuneration structure focusing on linkage with performance in the short term and the medium- to long-term, the Company stimulates actions of directors for increasing corporate performance and the share price to the maximum extent in order to lastingly improve the Group-wide corporate value.

Specifically, the composition of remuneration is as follows:

a) Remuneration for Inside Directors

The Company's remuneration for Inside Directors consists of fixed remuneration, performance-based bonuses and stock compensation-type stock options.

Performance-based bonuses vary according to single-year performance (operating income, net income and others). Stock compensation-type stock options are granted as compensation linked to medium- to long-term performance at the number of stocks calculated based on the value at the time of grant,

according to the amount of stock option remuneration that is specified for each position. Since these stock options have an effect equivalent to substantial provision of the Company's own stock, not only the merit of an increase in the price of the Company's stock but also the risk of a decrease in the stock price is shared with shareholders under this system.

b) Remuneration for Outside Directors and Audit & Supervisory Board Members

The Company's remuneration for Outside Directors and Audit & Supervisory Board Members consists only of fixed remuneration.

- Procedures for determining remuneration

The Company determines remuneration at the Board of Directors to the extent of the total amount of remuneration approved at a General Meeting of Shareholders.

[Supporting System for Outside Directors and/or Outside Audit & Supervisory Board Members]

When a meeting of the Board of Directors is held, the secretariat of the Board of Directors distributes materials to Outside Directors beforehand, explain the background, purpose and content of proposals in advance and answers questions so that they can make appropriate judgments. In addition, the Company works to share information through liaison meetings, etc. The Company also provides support to Outside Directors and/or Outside Audit & Supervisory Board Members including offering tours of the Company's plants, subsidiaries and trade shows so that they can deepen their understanding.

The Company has set up the Audit & Supervisory Board Member Office as a body assisting the duties of Audit & Supervisory Board Members including Outside Members.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

- Directors and Board of Directors

The Board of Directors is positioned as an organ that deliberates and makes decisions on basic management policy and important managerial matters and carries out monitoring and supervision of the execution of duties. The Company currently has 13 Directors, a number allowing agile operation. The board convenes once a month for regular meetings and on other occasions at required to thoroughly deliberate on and pass resolutions on all important matters. The articles of incorporation state that Directors shall be elected and removed by a resolution of a General Meeting of Shareholders passed by a majority of the votes of shareholders present, where shareholders holding one third or more of the voting rights of shareholders who are entitled to exercise their votes are present, and that cumulative voting shall not be used.

In accordance with rules and bylaws for the Board of Directors, resolution items are checked in advance from legal, accounting, tax, economic rationality and other perspectives to ensure legal compliance and reasonableness. Furthermore, a guide for submission of items to the Board of Directors has been created to clarify standard formats for document submission and main factors for deliberation.

- Audit & Supervisory Board Members and Audit & Supervisory Board

Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings. They also audit the execution of duties by Directors through examination of the Company's operations and status of assets. The Audit & Supervisory Board hears reports on, and deliberates and makes decisions on, important matters relating to auditing. An Audit & Supervisory Board Member Office set up to assist the duties of Board Members, including Outside Members, helps to enhance agility in auditing activities.

Audit & Supervisory Board Members coordinate closely with compliance, Internal Audit and Accounting Departments, as well as independent auditing firm, for example by holding regular auditing liaison meetings to exchange information, thereby ensuring effective structures for audit implementation.

- Independent auditing firm

The Company has appointed Ernst & Young ShinNihon LLC as its independent auditing firm. The independent auditing firm deepens mutual cooperation by exchanging information with the Internal Audit Department and Audit & Supervisory Board Members in a timely manner where needed.

- Compliance & Audit Office

The Company has set up the Compliance & Audit Office as a body under the direct control of the President. In the internal audit area, the Compliance & Audit Office tests and evaluates effectiveness and efficiency of operations through internal auditing of the Company and domestic and overseas related companies that belong to the electronic components segment. It also works to enhance the checking function and provide suggestions for business improvements, for example by reporting audit results to the Board of Directors.

For Alpine Electronics, Inc. and Alps Logistics Co., Ltd., which are listed subsidiaries and serve as the Group's core companies of the automotive infotainment segment and the logistics segment respectively, audit

information such as implementation of internal audit and challenges are shared at the Alps Group Auditors Liaison Committee and on other occasions.

In the compliance area, the Compliance & Audit Office works to promote establishment and operation of systems for ensuring the appropriateness of operations to comply with corporate ethical standards, laws and regulations, social norms and in-house regulations, while aiming for business management ensuring legal compliance in cooperation with internal related departments including the Corporate Planning Office and the Legal Affairs, the Human Resources and the General Affairs Departments.

- Business plan meetings

The Company formulates mid-term and short-term business plans based on company policy and targets. Business plans are approved by the Board of Directors after an opportunity for deliberation and information sharing at business plan meetings held twice a year with Directors and Audit & Supervisory Board Members of the Company in attendance. Operations are implemented with progress monitored on a monthly basis, while important matters are submitted to the Board of Directors for deliberation in accordance with in-house regulations to ensure optimal utilization of management resources.

- Corporate Planning Office

As a body under the direct control of the President, the Corporate Planning Office drives managerial planning and cross-functionally promotes various activities with public relations, IR and CSR promotion functions centralized to the office. The Corporate Planning Office also cooperates closely with related departments to promote effective CSR activities while strengthening efforts to appropriately disclose information.

3. Reasons for Adoption of Current Corporate Governance System

At the Company, its operations are monitored and supervised by its Board of Directors, while the Audit & Supervisory Board, independent from the Board of Directors, has responsibility for the monitoring and supervision in close cooperation with the independent auditing firm and the Internal Audit Department. The Company has appointed Outside Directors who are required to provide checks on the legal compliance of Directors' execution of duties.

The Company, which is engaged in the electronic components business, has a function-based organizational structure. Due to strong interconnectedness and highly specialized nature of the functions, it ensures quick and appropriate decision-making and execution of duties through mutual exchange of opinions by Directors who are familiar with each business including directors in charge. The Company believes that clarifying each Director's managerial accountability and mutually supervising the execution of duties enhance the supervisory function. The Company continues to discuss and examine the appropriate role of the monitoring and supervisory function for the business management while also paying attention to trends in laws and regulations, etc.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary explanations
Early Notification of General Meeting of Shareholders	The Company issues a Notice of Convocation at least three weeks before the date of the General Meeting of Shareholder, which is earlier than the statutory deadline. In 2015, a convocation notice was issued on May 29.
Scheduling Ordinary General Meeting of Shareholders Avoiding the Peak Day	The Company avoids conflicts with shareholders meetings of other companies in scheduling an Ordinary General Meeting of Shareholders so that more shareholders can attend the meeting. In 2015, the Ordinary General Meeting was held on June 19.
Allowing Electronic or Magnetic Exercise of Voting Rights	The Company allows the exercise of voting rights via the Internet.
Participation in Electronic Voting Platform and other efforts to improve the environment surrounding the exercise of voting rights by institutional investors	The Company has adopted the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.
Providing Notice of Convocation in English (Fully or Partially)	The Company prepares the English version of convocation notice (summary) to solicit the exercise of voting rights by foreign shareholders.
Other	In operating a General Meeting of Shareholders, the Company holds a show displaying products before the meeting, a discussion session with shareholders (all Directors and Audit & Supervisory Board Members of the Company attend) after the meeting, and others.

2. IR Activities

	Supplementary Explanations	Explanation given by representative
Preparation and Publication of Disclosure Policy	In accordance with relevant regulations and rules of securities exchanges, whether to disclose the important corporate information and the content, timing of such disclosure and others are examined under the leadership of the Corporate Planning Office. The Company has established the system for collecting information promptly and exhaustively in-house.	
Regular Investor Briefings for Individual Investors	The Company holds the biennial Alps Show where new technologies and products are introduced to clients, and invites individual shareholders to the show to showcase new technologies and products and efforts of the Company and other group companies. The Company arranges briefings for shareholders given by the Director in charge of IR during the show and answers individual questions so that shareholders understand the Company more deeply.	None

	Supplementary Explanations	Explanation given by representative
Regular Investor Briefings for Analysts and Institutional Investors	The Director in charge and the IR department explain financial results at annual and quarterly briefings on earnings announcement. Each briefing is held on the very day of announcement of the earnings summary. In addition, the Company invites analysts and institutional investors to the Alps Show and arranges plant tours.	Yes
Regular Investor Briefings for Overseas Investors	Directors in charge visit each overseas institutional investor a few times a year.	Yes
Posting of IR Materials on Website	A webpage for IR information (http://www.alps.com/e/ir/) has been set up within the Company's website. Timely disclosure information, materials for briefings on earnings announcement and bulletins for shareholders (Alps Report) as well as the IR-related schedule can be found on the webpage.	
Establishment of Department and/or Manager in Charge of IR	In an effort to enhance strategic communication of information, the Corporate Planning Office assumes the IR function.	
Other	The Company issues and sends a bulletin for shareholders to them quarterly. The content of the bulletin is also available on the Company's website so that people other than shareholders can read it.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
In-house Regulations, etc. stipulated for Respecting the Position of Stakeholders	The Alps Group Compliance Charter and a set of compliance regulations respect the position of stakeholders and advocate laws and regulations as well as a commitment to carrying out sensible business activities in order to realize the Company's philosophy "Alps creates new value that satisfies stakeholders and is friendly to the Earth."
Implementation of Environmental Activities, CSR activities, etc.	Based on its philosophy, the Company works on environmental preservation and CSR activities. Details on these activities and the implementation status are presented on its website, etc.
Formulation of Policies on Information Provision to Stakeholders	Under the mid-term plan action policy of "Pursue CSR activity that earns stakeholder trust through sharing of even better value" set in the 3rd CSR Mid-Term Plan, the Company appropriately provides information to stakeholders through a variety of communication activities.
Other	The Company has appointed a person in charge of CSR at all bases including overseas locations and put in place the system for promoting CSR-related communications and activities on a global scale.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and Progress of System Development

Acknowledging the Founding Spirit (Alps Precepts) as the origin of Group management, the Company has established the Alps Group Management Paradigm (Alps Group Management Regulations, Alps Group Compliance Charter and Alps Group Environmental Charter) as well as its fundamental philosophy and action guidelines relating to compliance that apply to the Company and its subsidiaries. In line with this principle, the Company has put in place systems for ensuring the appropriateness of operations. The basic policy is as follows:

1. System for ensuring compliance by Directors and employees of the Company and directors and employees of its subsidiaries with laws and regulations and the articles of incorporation

   1) To act responsibly and sensibly in the aim of fair management in keeping with the purpose of laws and regulations, social requirements and corporate ethical standards, the Company has declared a statement of fundamental compliance philosophy and action guidelines and established in-house regulations clarifying specific contents of them.

   2) To deliberate and make decisions on management policy and important managerial matters at the Board of Directors meeting that Outside Directors and Outside Audit & Supervisory Board Members that are independent with no interests attend, and supervise each Director's execution of duties, the Company has clearly defined specific contents and standards of matters to be resolved and reported in its rules for the Board of Directors and set criteria for choosing candidates for Director so that a person who has ability and qualifications for such deliberation, decision-making and supervision is appointed as director at the General Meeting of Shareholders.

   3) To assure legal compliance of resolution of the Board of Directors, the Company has put in place a check system for legal compliance of submitted proposals.

   4) To ensure effectiveness of audits for legal compliance of Directors' execution of duties, the Company has set criteria for choosing candidates for Audit & Supervisory Board Member so that a person who has ability and qualifications to perform such audits is appointed as Audit & Supervisory Board Member at the General Meeting of Shareholders.

   5) To foster sound corporate climate, the Company provides compliance education to its Directors, Audit & Supervisory Board Members and employees.

   6) The Company has put in place the following structures as systems that ensure compliance by directors and employees of its subsidiaries with laws and regulations and the articles of incorporation.

      (a) Subsidiaries that belong to the electronic components segment

      The Company has put in place a system for providing guidance and management on business management of subsidiaries that belong to the electronic components segment (hereinafter referred to as "electronic components segment companies"). In addition, the Company supports establishment of a structure for compliance and related activities, according to the status and other factors of the electronic components segment companies.

      (b) Alpine Electronics, Inc. and Alps Logistics Co., Ltd.

      Alpine Electronics, Inc. and Alps Logistics Co., Ltd., which are the Company's subsidiaries and listed companies and serve as the Group's core companies of the automotive infotainment segment and the logistics segment respectively, (hereinafter referred to as "listed subsidiaries") build a structure relating to internal controls for each of groups comprising respective segments in line with the Group's philosophy and action guidelines. The Company has put in place a system that enables cooperation in establishment of internal control between the listed subsidiaries and the Group.

2. Structure for storage and management of information on execution of duties by the Company's Directors and report of matters regarding execution of duties by its subsidiaries' directors, etc. to the Company

   1) The Company has established in-house regulations clarifying handling of information on process leading to decision-making of the Board of Directors and execution based on the decisions.

   2) The Company has stipulated information stored by each department, storage methods, access authorities and other matters in in-house regulations and developed the environment relating to storage of information, etc.

   3) The Company has put in place the reporting system for report of matters regarding execution of duties by its subsidiaries' directors, etc. to the Company, taking into account each company's role, function and other factors.

3. Regulations and other structures for managing risks of loss of the Company and its subsidiaries

   1) To manage risks of the Group as a whole integrally and share information, the Company has established in-house regulations on risk management and put in place the structure for management and reporting on various risks.

   2) The Company has put in place the structure for prior deliberation with and reporting to the Company on certain risks relating to its subsidiaries. For the electronic components segment companies, the Company makes each company have in place the system in accordance with the Company's regulations on risk

management and provides necessary support to them according to their situation. For listed subsidiaries, a system has been put in place in each subsidiary and its group in consideration of risks relating to execution of business affairs, while the Company has in place a system that enables cooperation with listed subsidiaries.

4. Structure for ensuring effective execution of duties by Directors of the Company and directors of its subsidiaries

   1) The Company has adopted a business assignment system in addition to function-based headquarters, clarified where responsibility lies by assigning a Director in charge to each business and established a structure that ensures appropriate and effective execution of duties.

   2) The Company deliberates and decides a mid-term and short-term business plan at the Board of Directors meeting, and each Director acts to achieve objectives set in the plan and reports the progress at the Board of Directors meeting.

   3) The Company has established classification for operational management of subsidiaries based on the Group-wide basic policy and strategy and established a structure for ensuring effective execution of business affairs in consideration of this classification. The Company has in place a system for providing guidance on business management and operations and monitoring performance according to each company's situation for the electronic components segment companies, and a system for ensuring cooperation while receiving report on business conditions to check on the progress for listed subsidiaries.

5. Other structures for ensuring the appropriateness of operations in the corporate group consisting of the Company and its subsidiaries

   1) The Company has established a fundamental philosophy and action guidelines relating to compliance that apply to the Company and its subsidiaries and shares them within the Group as common values.

   2) The Company has set appropriate standards for pricing of intra-group transactions.

   3) To ensure prevention, early discovery and correction of violation of corporate ethical standards, in-house regulations and laws and regulations, the Company has put in place an internal reporting system (Ethics Hotline) (hereinafter referred to as the "Ethics Hotline") and makes the contact point for reporting known regularly in the Company and its subsidiaries.

   4) The Company's Internal Audit Department conducts an audit of overall activities relating to business management and businesses of the Company and the electronic components segment companies and reports results of the internal audit to the Board of Directors as well as the Audit & Supervisory Board and independent auditing firm. For listed subsidiaries, the internal audit department of each company performs an audit of the company and its group and cooperates with the Company's Internal Audit Department where needed.

   5) The Company's Audit & Supervisory Board Members make efforts to communicate and exchange information with directors and audit & supervisory board members, etc. of the Company's subsidiaries and receive a report on businesses from those subsidiaries where needed.

6. Matter regarding employees who assist duties of Audit & Supervisory Board Members

   The Company has set up a department assisting duties of Audit & Supervisory Board Members and assigned dedicated staff (hereinafter referred to as "support staff for Audit & Supervisory Board Members").

7. Matter regarding ensuring independence of the Company's support staff for Audit & Supervisory Board Members from Directors and effectiveness of instructions for the support staff

   1) Support staff for Audit & Supervisory Board Members shall not assume other functions and shall follow directions and orders solely from the Company's Audit & Supervisory Board Members.

   2) The Company makes a personnel change and conducts performance review for support staff for Audit & Supervisory Board Members with full-time Audit & Supervisory Board members' agreement.

8. Structure for reporting by the Company's Directors and employees to its Audit & Supervisory Board Members

   1) The Company has in place the structure for reporting on any serious internal misconduct or any important matter that may cause significant damage on the Company by Directors to Audit & Supervisory Board Members.

   2) The Company has in place the structure that enables employees to directly or indirectly report any serious internal misconduct or any important matter that may cause significant damage on the Company to Audit & Supervisory Board Members through reporting to the Ethics Hotline contact point.

9. Structure for reporting by directors, audit & supervisory board members, employees, etc. of the Company's subsidiaries or a person who received a report from any of them to the Company's Audit & Supervisory Board Members

   1) The Company has in place the structure for reporting on its subsidiary's serious internal misconduct or any important matter that may cause significant damage on the subsidiary by the subsidiary's directors and audit & supervisory board members directly or through the Company's Director in charge, etc. to the Company's Audit & Supervisory Board Members.

2) The Company has in place the structure that enables employees of the Company's subsidiaries to report directly or indirectly to the Company's Audit & Supervisory Board Members through reporting to the Ethics Hotline contact point.

10. Structure for ensuring that a person who reported to Audit & Supervisory Board Members is not treated unfavorably for the report

The Company has stipulated in in-house regulations that it is prohibited to treat a Director, Audit & Supervisory Board Member, employee or other person of the Company and a director, audit & supervisory board member, employee or other person of its subsidiaries unfavorably because he or she reported to Audit & Supervisory Board Members.

11. Procedures for advance payment or reimbursement of expenses incurred in association with execution of duties of the Company's Audit & Supervisory Board Members and other such execution of duties

1) For expenses for auditing of Audit & Supervisory Board Members, the Company secures the appropriate amount of budget based on an audit plan developed at the Audit & Supervisory Board and makes an advance payment or reimbursement of actually paid expenses.

2) For expenses paid urgently or incidentally by an Audit & Supervisory Board Member, the Company makes an advance payment or reimbursement at his or her request.

12. Other structure for ensuring that Audit & Supervisory Board Members' audit is conducted effectively

1) Audit & Supervisory Board Members may have meetings with Directors and executive-level employees regularly and as needed, for example by attending important in-house meetings such as the Board of Directors meetings and budget deliberation meetings, etc.

2) Audit & Supervisory Board Members may have meetings regularly and as needed to ensure close cooperation with the Internal Audit Department and independent auditing firm.

3) Audit & Supervisory Board Members may use external experts if it is necessary in performing an audit.

13. Structure for ensuring the appropriateness of financial reporting

The Company checks the establishment and enforcement of internal control through self-inspection and evaluation by an independent department, and discloses the effectiveness of internal control on reliability of financial reporting in the internal control report.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts

The Group adheres to its policy of having no relation with anti-social forces and groups that pose a threat to order or safety in civil society and steadfastly refusing any request from such forces and groups. The Group has set up a body that controls handling of anti-social forces and groups in the Human Resources and General Affairs Departments and put in place a structure for cooperation with relevant internal departments and external specialized agencies including the police. To respond to unreasonable demands, education is provided through in-house training.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	Not adopted

Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System

- Overview of the timely disclosure system

1. Establishment of a body responsible for disclosure

   1) The Director and General Manager for the Administration Headquarters is responsible for handling information in timely disclosure, and the Corporate Planning Office is in charge of inquiries on timely disclosure rules.

   2) For corporate information produced in and out of the Group including subsidiaries, each department in the Administration Headquarters endeavors to collect facts from the department managing the information and shares them in the Administration Headquarters.

   3) For corporate information on financial results, the Accounting Department reports the progress and definitive results on a quarterly basis to the Board of Directors.

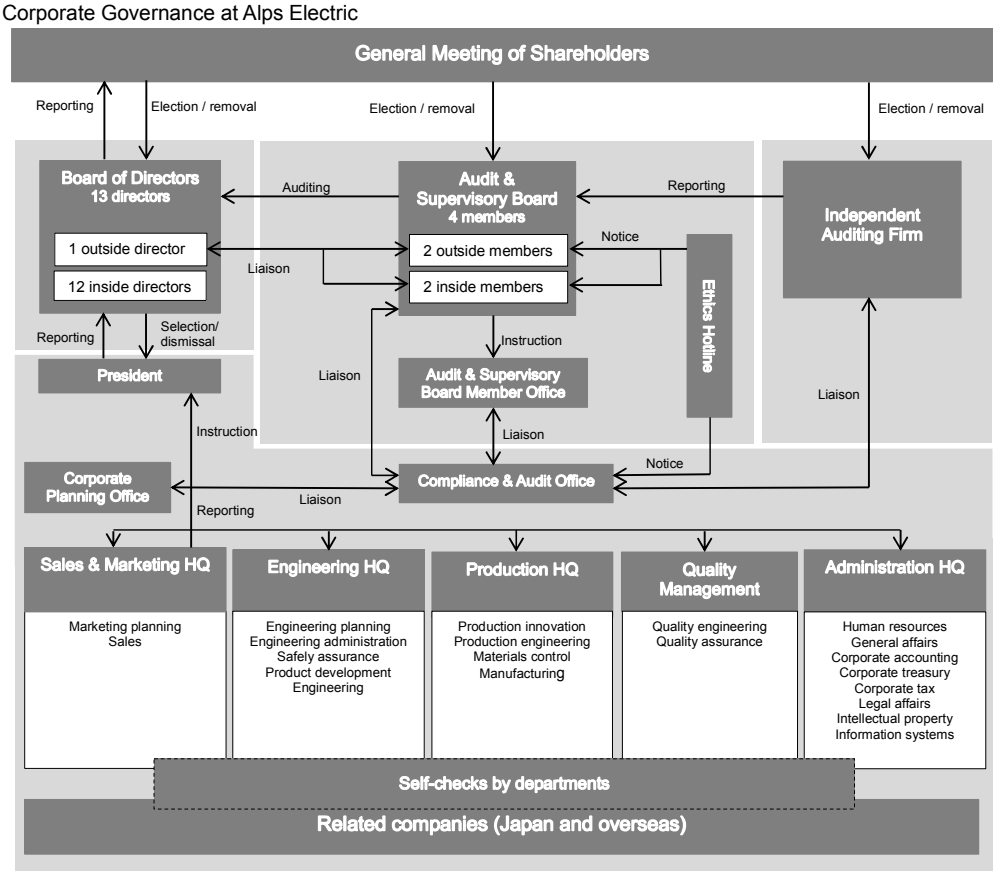
2. Establishment of procedures for timely disclosure

   1) Corporate information discussed at the Board of Directors, of which the importance is assessed by the Director and General Manager for the Administration Headquarters, is disclosed in accordance with timely disclosure rules.

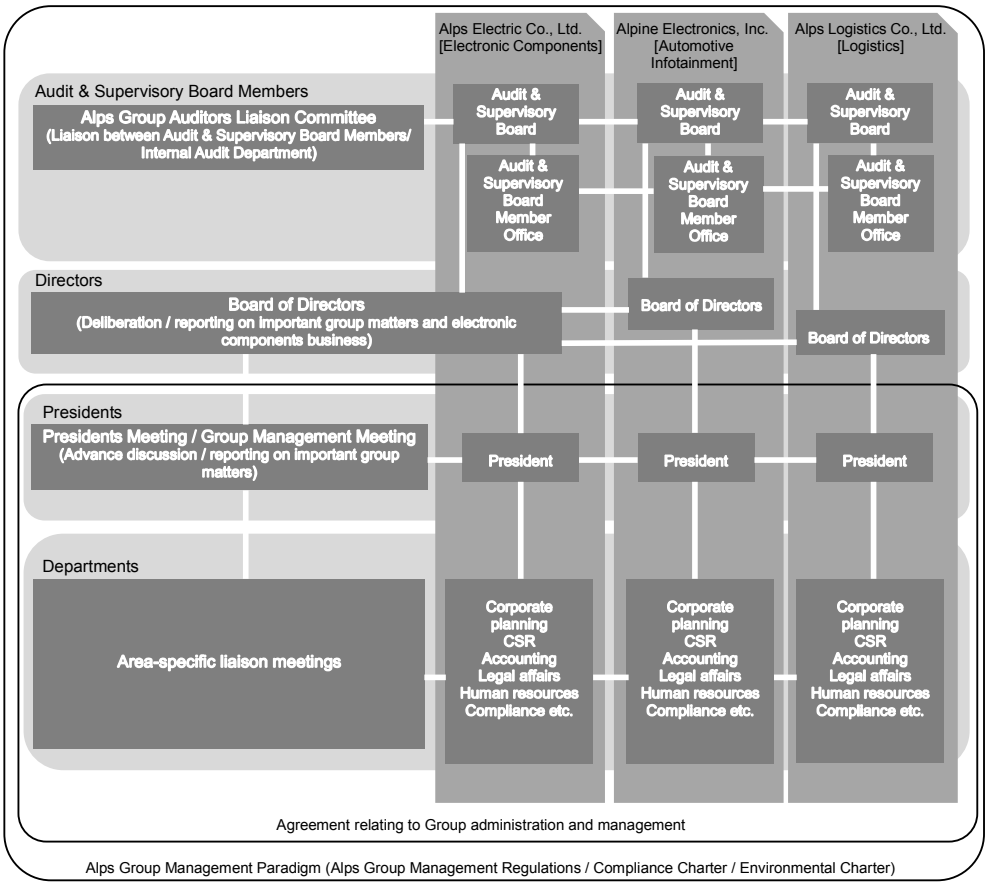
   2) Corporate information produced internally and externally, of which the importance is assessed through discussions by the Director and General Manager for the Administration Headquarters and the Director (or responsible person) in charge of the department in which the information was produced, is disclosed in accordance with timely disclosure rules.

   3) Financial closing information, which is shared with the Corporate Planning Office after being reported by the Director responsible for the Corporate Accounting Department to the Board of Directors, is disclosed in accordance with timely disclosure rules. This corporate information is reported to all Directors, Audit & Supervisory Board Members and persons in charge, etc. of consolidated companies by email simultaneously with being made public, and the Company also prepares to swiftly disclose the information on its website.

Corporate Governance at Alps Electric



Alps Group Internal Controls



[In-house structure for timely disclosure]

