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Alps Electric Co., Ltd.

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Securities Code: 6770, TSE 1st Section

http://www.alps.com/e/index.html

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.

With the resolution of the 83rd Ordinary General Meeting of Shareholders held on June 23, 2016, the Company made the transition from a company with audit & supervisory board to a company with audit and supervisory committee. The Audit and Supervisory Committee, independent from the Board of Directors, is expected to work closely with independent auditing firm and Internal Audit Department to strengthen its audit and supervisory functions, making it possible for the Company to strive for further enhancement in corporate governance and realization of fair and highly transparent management.

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

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

In line with the transition to a company with audit and supervisory committee, the Company will analyze and evaluate the effectiveness of the Board of Directors as a whole in consideration of the self-evaluations of Directors and the evaluation by the Audit and Supervisory Committee, and disclose a summary of the results, beginning the fiscal year ending March 2017.

[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]

(1) 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.

(2) 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.

(3) 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 (excluding Directors who are Members of Audit and Supervisory Committee)

The Company's remuneration for Inside Directors (excluding Directors who are Members of Audit and Supervisory Committee) consists of fixed remuneration, performance-based bonuses and stock compensation-type stock options.

Performance-based bonuses vary according to single-year performance (operating income, profit 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 Directors who are Members of Audit and Supervisory Committee

The Company's remuneration for Directors who are Members of Audit and Supervisory Committee consists only of fixed remuneration.

- Procedures for determining remuneration

The Company determines the remuneration for Directors (excluding Directors who are Members of Audit and Supervisory Committee) at the Board of Directors meetings, and the remuneration for Directors who are Members of Audit and Supervisory Committee at the Audit and Supervisory Committee meetings, to the extent of the total amount of remuneration approved at a General Meeting of Shareholders.

(4) Board policies and procedures in the appointment of the senior management and the nomination of candidates for Directors

- Policy for the nomination

The Company has established criteria for election of Directors so that people who have sufficient ability and qualifications to deliberate, determine and supervise relevant matters at the Board of Directors meetings in response to the delegation of business administration from shareholders are appointed 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 meetings in accordance with the above policy.

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

In nominating a candidate for Director and submitting the proposal to the General Meeting of Shareholders, 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 4.8 Effective Use of Independent Outside Directors]

Taking into consideration all stakeholders and focusing on ensuring the legal compliance, the Company's Independent Outside Director makes efforts to proactively exchange information and provide advice at the Board of Directors meetings and strengthen the management oversight through appointment and dismissal of the management, determination of remuneration, supervision over conflict of interests between the Company and the management, controlling shareholders, etc., and other important decision-making at the Board of Directors meetings. While regularly visiting the Company's business centers and carrying out information gathering, the Independent Outside Director will exchange information and opinions regularly with other Directors and employees and exercises effective supervision.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

The Company has appointed three (3) Independent Outside Directors in accordance with requirements for Outside Directors stipulated in the Companies Act, the independence standards of Tokyo Stock Exchange, Inc. as well as the Company's criteria for election of Directors including Outside Director independence criteria.

[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 Company shall have up to eighteen (18) Directors (excluding Directors who are Members of Audit and Supervisory Committee) and up to seven (7) Directors who are Members of Audit and Supervisory Committee so that substantial discussion can be ensured at the Board of Directors meetings.

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

The Company discloses positions of its officers who also serve as officers 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 officers who also serve as officers 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 Director	Outside Corporate Auditor of YKK Corporation

[Supplementary Principles 4.14.2 Policy on Training for Directors]

The Company provides opportunities for Directors to acquire and update necessary knowledge and skills so that they can fulfill their expected roles and duties. Specifically, in addition to the initial training for newly appointed Directors, the Company holds a training workshop for Directors covering topics taking into account the Company's internal and external environments twice a year to acquire knowledge and exchange opinions. Directors who are Members of Audit & Supervisory Committee make efforts to collect and share information on the audits conducted by audit and supervisory committees by joining related external organizations and other means, and attend seminars and training programs hosted by those organizations when 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 in charge of Corporate Planning 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 Representative, the Director in charge of Corporate Planning, 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 Corporate Planning 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)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	21,001,200	10.59
Japan Trustee Services Bank, Ltd. (trust account)	17,126,000	8.64
Trust & Custody Services Bank, Ltd. (securities investment trust account)	3,981,400	2.00
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	3,910,441	1.97
MITSUI LIFE INSURANCE COMPANY LIMITED	3,591,000	1.81
GOLDMAN, SACHS & CO. REG	3,152,397	1.59
BNP Paribas Securities (Japan) Limited	3,077,400	1.55
Nippon Life Insurance Company	2,750,208	1.38
Mitsui Sumitomo Insurance Company, Limited	2,517,500	1.27
STATE STREET BANK WEST CLIENT - TREATY 505234	2,460,400	1.24

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

Supplementary Explanation Updated

This is the status of major shareholders as of March 31, 2016. Other than the above shares, there are 2,310,443 shares of treasury shares (1.16%) 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 for 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 Supervision in Management

1. Organizational Composition and Operation

Organization Form	Company with audit and supervisory committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation Updated	25
Term of Office Stipulated in Articles of Incorporation	1 year
Chairman of the Board	President
Number of Directors Updated	17
Appointment of Outside Directors	Appointed
Number of Outside Directors Updated	3
Number of Independent Officers Designated from among Outside Directors Updated	3

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	Attorney at law								△			
Hiroshi Akiyama	Attorney at law								○			
Takuji Kuniyoshi	Certified public accountant											

* 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; and
"▲" 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 subsidiary

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

c. Executive of a fellow subsidiary company of the Company

d. 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, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director

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 of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)

i. Executive of a corporation, between which and the Company outside officers are mutually appointed (the director himself/herself only)

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

k. Other

Outside Directors' Relationship with the Company (2) **Updated**

Name	Designation as Member of Audit and Supervisory Committee	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Takashi Iida	○	○	Kowa Law Office Outside Corporate Auditor, Shimadzu Corporation Outside Audit & Supervisory Board Member, Nippon Telegraph and Telephone Corporation	Mr. Iida has been engaged, as an attorney at law, 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. Accordingly, he was appointed to enable this experience to be utilized to contribute to the Company's management. Also he does not have 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. As a result, the Company has judged that Mr. Iida possesses independence based on the Company's criteria for election of candidates for Directors including independence criteria, and designated him as Independent Officer.
Hiroshi Akiyama	○	○	Partner / Attorney at law, Yanagida & Partners Outside Corporate Auditor, YKK Corporation	Mr. Akiyama has been engaged, as an attorney at law, in legal practice for long years. The Company believes that his specialized knowledge, experience, and extensive insight can be incorporated into the Company's management. Also he does not have 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. As a result, the Company has judged that Mr. Akiyama possesses independence based on the Company's criteria for election of candidates for Directors including independence criteria, and designated him as Independent Officer.
Takuji Kuniyoshi	○	○	——	Mr. Kuniyoshi has broad-ranging knowledge accumulated through many years of international experience working as a certified public accountant at accounting firms, and the Company believes that his experience and knowledge can be incorporated into the Company's management. Also he does not have 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. As a result, the Company has judged that Mr. Kuniyoshi possesses independence based on the Company's criteria for election of candidates for Directors including independence criteria, and designated him as Independent Officer.

[Audit and Supervisory Committee]

Committee Composition and Attribute of Chairman

	Total Number of Members	Number of Full-time Members	Number of Inside Directors	Number of Outside Directors	Chairman
Audit and Supervisory Committee	5	1	2	3	Inside Director

Directors and Employees Assisting Duties of Audit and Supervisory Committee Updated	Appointed

Matters concerning the Independence of such Directors and Employees from Executive Director Updated

Assistants for Audit and Supervisory Committee Members are appointed, and a secretariat for the Audit and Supervisory Committee is established. The independence of employees performing the relevant tasks from Directors (excluding Directors who are Members of Audit and Supervisory Committee) is ensured.

Cooperation among Audit and Supervisory Committee, Independent Auditing Firm, and Internal Audit Department Updated

- Cooperation between the Audit and Supervisory Committee and independent auditing firm

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

- Cooperation between the Audit and Supervisory Committee and the Compliance & Audit Office

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

[Voluntary Committees]

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

[Independent Officers]

Number of Independent Officers	3

Matters relating to Independent Officers

Outside Officers who meet qualifications of Independent Officers are all designated as Independent Officers.

[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 Updated

Details including remuneration of Directors and Audit & Supervisory Board Members in the fiscal year ended March 31, 2016 are as follows. Organizational form for the said fiscal year is a company with Audit & Supervisory Board.

- Remuneration paid to Directors and Audit & Supervisory Board Members

Fourteen (14) Directors (excluding Outside Director): ¥521 million (including ¥312 million of base remuneration, ¥153 million of bonus and ¥55 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): ¥25 million (consisting of ¥25 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 for Determining Remuneration Amounts or Calculation Methods Thereof Updated	Established

Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof

- 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 (excluding Directors who are Members of Audit and Supervisory Committee)

The Company's remuneration for Inside Directors (excluding Directors who are Members of Audit and Supervisory Committee) consists of fixed remuneration, performance-based bonuses and stock compensation-type stock options. Performance-based bonuses vary according to single-year performance (operating income, profit 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 Directors who are Members of Audit and Supervisory Committee

The Company's remuneration for Directors who are Members of Audit and Supervisory Committee consists only of fixed remuneration.

- Procedures for determining remuneration

The Company determines the remuneration for Directors (excluding Directors who are Members of Audit and Supervisory Committee) at the Board of Directors meetings, and the remuneration for Directors who are Members of Audit and Supervisory Committee at the Audit and Supervisory Committee meetings, to the extent of the total amount of remuneration approved at a General Meeting of Shareholders.

[Supporting System for Outside Directors]

To ensure appropriate and effective exercise of monitoring and overseeing of the management by Outside Directors from an independent standpoint, Corporate Planning Department and Internal Audit Department provide Outside Directors necessary materials or explanation concerning the business management. The Company also provides support to Outside Directors including offering tours of the Company's business centers, subsidiaries and trade shows so that they can deepen their understanding.

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

- Directors and Board of Directors

The Company's Board of Directors consists of twelve (12) Directors (excluding Directors who are Members of Audit and Supervisory Committee) and five (5) Directors who are Members of Audit and Supervisory Committee (including three (3) Outside Directors), and is positioned as an organ that deliberates and makes decisions on basic management policy and important managerial matters including mid-term and short-term business plans, and carries out monitoring and supervision of the execution of duties. 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 so that rational and efficient discussions can be carried out at the Board of Directors meetings.

- Audit and Supervisory Committee

The Company's Audit and Supervisory Committee, a majority of which are Outside Audit and Supervisory Committee Members, endeavors to make appropriate judgments from an objective standpoint, independent from the Board of Directors. Outside Audit and Supervisory Committee Members who have extensive experience as an attorney at law with legal expertise or as certified public accountant with accounting expert and Inside Audit & Supervisory Committee Members who are familiar with the Company's business conduct highly effective audits, cooperate with the Internal Audit Department, and provide opinions to the management at the Board of Directors meetings and other important meetings. Moreover, assistants are appointed to assist duties of Audit and Supervisory Committee, and the independence of employees performing the relevant tasks from Directors (excluding Directors who are Members of Audit and Supervisory Committee) is ensured.

- 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 the Audit and Supervisory Committee 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 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

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 Updated

At the Company, its operations are monitored and supervised by its Board of Directors, while the Audit and Supervisory Committee, 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.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Energize General Meeting of Shareholders and Smooth Exercise of Voting Rights Updated

	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 2016, a Notice of Convocation was issued on June 2. Also, from the viewpoint of early disclosure of information to shareholders, the Company disclosed the Notice of Convocation on the website of both Tokyo Stock Exchange and the Company before the issuance of the notice.
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 2016, the Ordinary General Meeting was held on June 23.
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 Enhance the Voting Environment for 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 (Translated Fully or Partially)	The Company prepares the English version of Notice of Convocation (summary) to solicit the exercise of voting rights by foreign shareholders.
Other	At a General Meeting of Shareholders, the Company holds a show displaying products before the meeting, a discussion session with shareholders (all Officers of the Company attend) after the meeting, and others.

2. IR Activities Updated

	Supplementary Explanations	Explanation 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 Corporate Planning during the show and answers individual questions so that shareholders understand the Company more deeply.	Yes

	Supplementary Explanations	Explanation 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	The Representative and the Director in charge of Corporate Planning 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 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 Updated

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in In-house Regulations, etc.	The Company stipulates respect for the position of stakeholders and contribution to the society in management guidelines, charters, and other various regulations, etc., 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. The Company pursues CSR activity according to CSR mid-term plans formulated every three years. Fiscal 2016 is the first year of the 4th CSR Mid-Term Plan (Fiscal 2016 though Fiscal 2018). In this mid-term plan, an action policy as a pillar of the plan has been formulated by consolidating important issues recognized in respective departments related to CSR activities. In addition, sub-action policies by ESG (Environment, Social, and Governance) have been set up for this mid-term plan. The 4th CSR Mid-Term Plan Action Policies are as follows. ＜4th CSR Mid-Term Plan＞ Develop basis that makes sustainable growth possible while proactively taking into accounts changes in external environment as well as expectation of stakeholders Environment: Promote global environmental preservation activities Reliably implement Eighth Medium-Term Action Plan for Environmental Preservation Promote further activities as the Alps Group Social: Strengthen the management with consideration of external standards or external environment (human rights, workplace safety, and procurement) Governance: Reinforce corporate risk countermeasure and corporate foundation Enhance corporate governance structure and internal control system Promote proper risk management to support business These activities are disclosed on the Company's website and annual reports. In addition, the Company provides proper information to stakeholders through a variety of communicational activities such as trade shows and information session. (CSR initiatives: http://www.alps.com/e/csr/)

Formulation of Policies for Information Provision to Stakeholders	In each of operational rules, the disclosure in a timely and appropriate manner is prescribed as a policy regarding information provision to stakeholders.
Other	As for promoting greater involvement of women, the Company strives to support for career development for women in career-track positions, by ways of assigning duties and providing opportunities of education and trainings equally between men and women, eliminating overtime, implementing initiatives towards diversification of working arrangement. Although the percentage of female managers is 1.6% as of April 2016, the Company will continue to work on the above measures so that the number of female manager candidates will increase.

IV. Matters Related to Internal Control System

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

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 that the performance of duties by Directors and employees of the Company and directors and employees of its subsidiaries conforms to laws and regulations and to 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) The Company nominates several candidates for Outside Directors that are independent with no interests (hereinafter referred to as "Independent Outside Directors"). To deliberate and make decisions on management policy and important managerial matters at the Board of Directors meetings that Independent Outside Directors attend, and to 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 elected 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 foster sound corporate climate, the Company provides compliance education to its Officers.

   (5) The Company has put in place the following structures as systems for ensuring that the performance of duties by directors and employees of its subsidiaries conforms to laws and regulations and to 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 stipulated basic matters on document control in the in-house regulations, and appropriately records, stores, and manages information related to the execution of duties by Directors.

   (2) 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 the Group's 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 and Supervisory Committee 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 and Supervisory Committee makes 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 the Audit and Supervisory Committee

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

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

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

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

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

(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 the Audit and Supervisory Committee.

(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 the Audit and Supervisory Committee 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 and Supervisory Committee

(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 and Supervisory Committee.

(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 and Supervisory Committee through reporting to the Ethics Hotline contact point.

10. Structure for ensuring that a person who reported to the Audit and Supervisory Committee is not treated unfavorably for the report

The Company has stipulated in in-house regulations that it is prohibited to treat a Director, Audit and Supervisory Committee 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 the Audit and Supervisory Committee.

11. Policies regarding procedures for advance payment or reimbursement of expenses arising in conjunction with the execution of duties by the Company's Audit and Supervisory Committee Members (limited to those expenses incurred in relation to execution of the Audit and Supervisory Committee's duties) and other policies for processing expenses and obligations arising with respect to execution of such duties

If the Audit and Supervisory Committee asks the Company for the expenses arising in conjunction with the execution of its duties, the Company shall appropriately process such expenses or obligations in accordance with Article 399-2, Paragraph 4 of the Companies Act.

12. Other structure for ensuring that the audit by the Audit and Supervisory Committee is conducted effectively

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

(2) The Audit and Supervisory Committee may have meetings regularly and as needed to ensure close cooperation with the Internal Audit Department and independent auditing firm.

(3) The Audit and Supervisory Committee 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 in charge of Corporate Planning 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 Director in charge of Corporate Accounting reports the progress and definitive results on a quarterly basis to the Board of Directors.

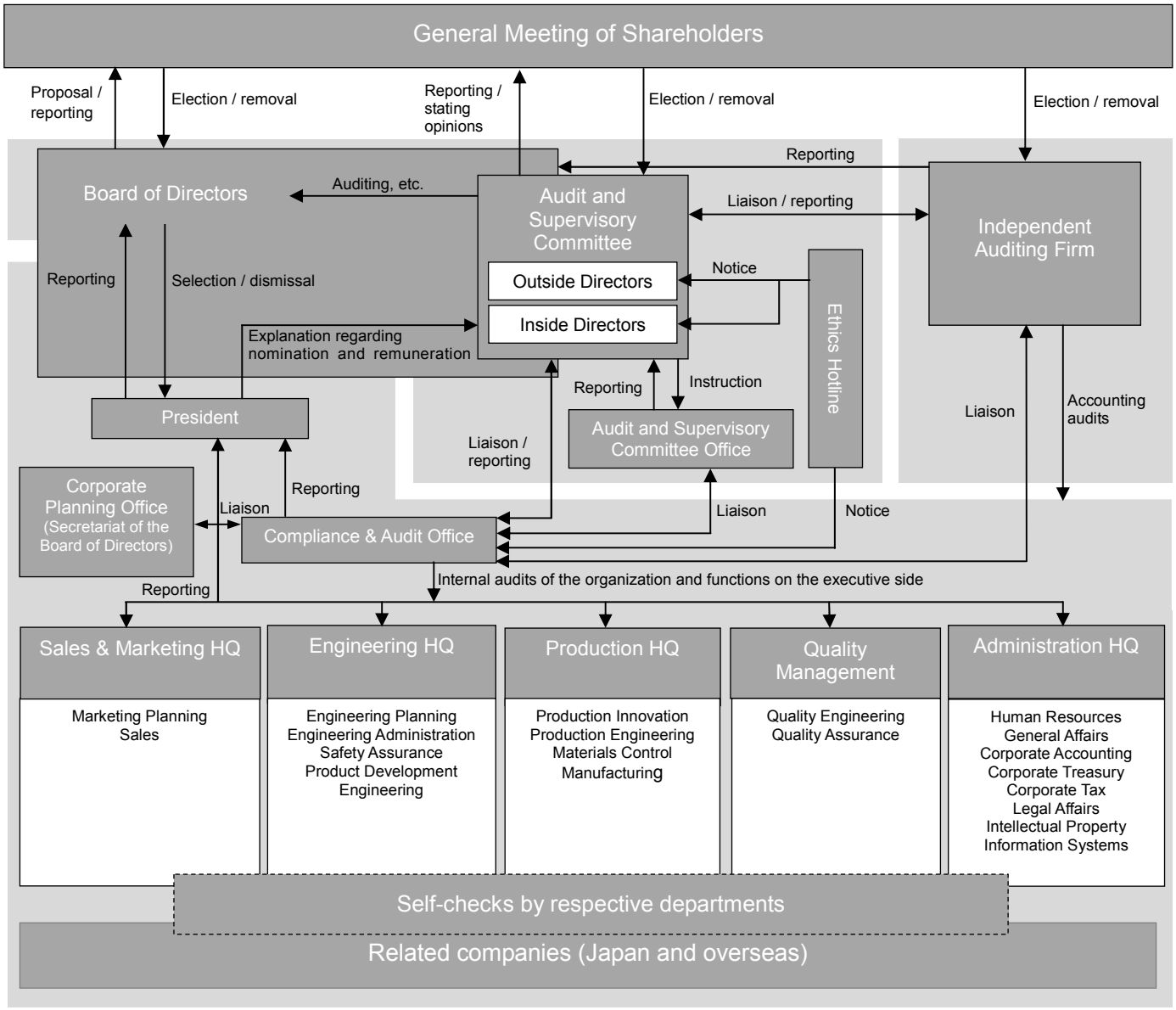
2. Establishment of procedures for timely disclosure

(1) Corporate information discussed at the Board of Directors meetings, of which the importance is assessed by the Director in charge of Corporate Planning, is disclosed in accordance with timely disclosure rules.

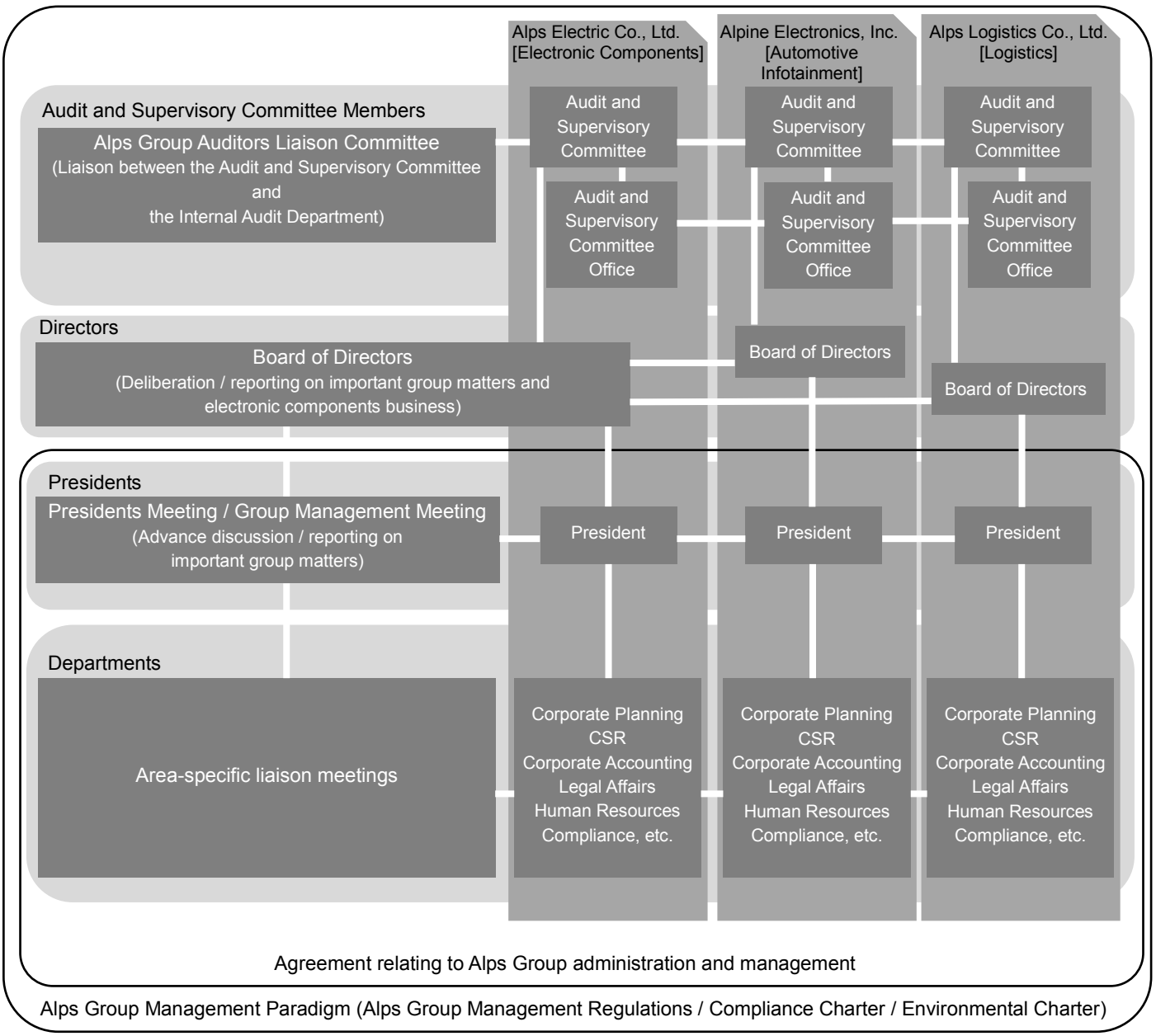
(2) Corporate information produced internally and externally, of which the importance is assessed through discussions by the Director in charge of Corporate Planning and the Director (or responsible person) in charge of the department in which the information was produced, is disclosed in accordance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

(3) Financial closing information, which is shared with the Corporate Planning Office after being reported by the Director in charge of Corporate Accounting to the Board of Directors, is disclosed in accordance with timely disclosure rules. This corporate information is reported to all Directors 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

