ALPSALPINE

Integrated Report 2020



ALPSALPINE CO., LTD.

Editorial Policy

The Alps Alpine Group recognizes the importance of promoting awareness about its activities among all of its stakeholders by readily disclosing information about business plans and results, ESG* initiatives, and other areas. For that reason, we view this *Integrated Report 2020* as a vital communication tool.

* ESG refers to environmental, social, and governance factors, which, together with financial information, are considered important for evaluating corporate value. In this report, we summarize primarily Electronic Components Segment and Automotive Infotainment Segment initiatives relating to ESG factors.

Coverage

Organizations

The report covers the entire Alps Alpine Group worldwide, although coverage may vary for different activities.

Period

- The report principally covers the period from April 1, 2019 to March 31, 2020, but does include some activities occurring prior to or later than this period.
- Environmental reporting covers the period from April 2019 to March 2020 for Japan, and the period from January to December 2019 for overseas.

Caution Concerning Forward-Looking Statements

Numerical plans, activity plans, and other forward-looking statements in this report are based on judgments reached by Alps Alpine using the information currently available. Please understand that actual performance and results may vary considerably from scenarios described in forward-looking statements due to a wide range of factors.

Published in September 2020

Explanation of Reporting Media



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Corporate Vision

We are witnessing the acceleration of globalization involving economies, the migration of people, and goods and services, as well as a once-in-a-century paradigm shift driven by a trend called CASE (connected, autonomous, shared & services, and electric). We are also in the midst of the Fourth Industrial Revolution, which embraces advancements in artificial intelligence (AI) and the Internet of Things (IoT). The increasing sophistication of communications technologies, characterized by the full-fledged proliferation of 5G, will significantly impact the way we work and live.

In November 2019, we revised our Corporate Vision with our sights set on evolving into a company that can leverage its innovative technological capabilities and product value like never before. This represents our ongoing commitment to create new value as a company, as an organization, and as individuals.

Corporate Philosophy

Alps Alpine innovates value for humans and society on a brighter planet.

Management Approach

Strive for Value	We will go all out to create new value.
Love the Planet	We will coexist with the environment as friends of the Earth.
Contribute to Society	We will do good for society and help it to flourish.
Respect the Individual	We will empower the unique energy of every employee.
Act with Integrity	We will act fairly and with integrity as global players.

Alps Alpine Business Vision

Perfecting the Art of Electronics

Corporate Philosophy

What we value the most, regardless of the level of direct impact, is protecting the Earth and bringing prosperity and happiness to people's lives. In other words, we want to create new value that satisfies stakeholders and is friendly to the Earth through our business activities. Doing so embodies the fundamental and universal mission of our business and our raison d'etre. However, such a commitment extends beyond our products to include their development and production process, as well as the continuation of efforts to create value throughout their entire value chain, including management.

Management Approach

We have set forth our five statements of the Alps Alpine Management Approach toward realizing the Corporate Philosophy. These statements embrace our commitment to pursue the creation of value, respect the environment in all facets of our business, and contribute toward the benefit and growth of society. To fulfill this promise, we must respect the individuality of each and every employee and unlock their full potential while managing our operations with a global mindset.

Alps Alpine Business Vision

Perfecting the Art of Electronics represents the value pledged by the Alps Alpine brand. "Perfecting the Art" expresses our pursuit of "Right," "Unique," and "Green" in our electronic components, automotive infotainment devices, and the software, systems, and services that contribute to their seamless operation. This pursuit embodies the unique value of Alps Alpine as well as our individuality as a company.

Right

The balance and optimality of appearance (the ambience of the product), price, function, performance, and quality to meet customer needs and convey the ideal concepts



Automotive V2X Module
Automotive V2X Module is an essential product for ADASs* as it enables wireless connection between vehicles and communications infrastructure through the use of 4G and 5G networks.

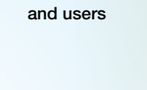
* Advanced driver-assistance systems

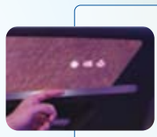
"Logistics Tracker" for Logistics Management
"Logistics Tracker" will contribute to improvements in our transportation efficiency and reductions in resource loss through its ability to be operated for over 10 years without replacing batteries and to manage tracking information both within and outside of logistics centers.



Unique

Incorporation of the uniqueness of Alps Alpine and original value that appeals to society, customers, and users





Premium HMI (Human–Machine Interface) for Next-Generation Automobiles
Premium HMI is an intuitively operable and sophisticated electrostatic solution combining highly sensitive capacitive sensing technology and decorative printing technology.

Green

Friendliness toward the environment from the perspective of not only our consideration to sustainable components but also the entire life cycle of our products, including reductions in environmental burden during their manufacturing process and their use as an end product and their recyclability

History of Alps Alpine

Since its foundation in 1948 under the name KATAOKA ELECTRIC CO., LTD., Alps Electric Co., Ltd. has been a comprehensive electronics manufacturer. Alpine Electronics, Inc. was established in 1967 as a joint venture between Alps Electric and U.S. company Motorola, Inc. and became a leader in car navigation and car audio systems.

With the adoption of our business vision, *Perfecting the Art of Electronics*, we will remain fully committed to the creation of new value that satisfies stakeholders and is friendly to the Earth.

Trends in Sales

- KATAOKA ELECTRIC CO., LTD. / Alps Electric Co., Ltd.
- ALPS-MOTOROLA INC. / Alpine Electronics, Inc.
- Alps Alpine Co., Ltd.
- Alps Logistics Co., Ltd., etc.

1948
Established in Ota-ku, Tokyo, as KATAOKA ELECTRIC CO., LTD.



1964
Changed company name to Alps Electric Co., Ltd.



1967
Alps Electric listed on the First Section of the Tokyo Stock Exchange
Established ALPS-MOTOROLA INC.

1970
Established a business division system in Alps Electric and changed internal name of ALPS-MOTOROLA to the "Iwaki Division"

1978
Changed name of ALPS-MOTOROLA to Alpine Electronics, Inc. and began selling Alpine-brand car audio systems in Japan the following year



1988
Alpine Electronics listed on the Second Section of the Tokyo Stock Exchange and became an independent company

1991
Alpine Electronics changed listing to First Section of the Tokyo Stock Exchange

1998
Established Corporate Vision on the 50th anniversary of the founding of Alps Electric. Changed business domain to "Art of Electronics"



2011
Great East Japan Earthquake struck. Despite sizable damage to facilities, production at all plants resumed within two weeks after the disaster

2019
Business integration of Alps Electric and Alpine Electronics to form Alps Alpine Co., Ltd.

The Alps Alpine Group targets consolidated net sales of ¥1 trillion by fiscal 2025.

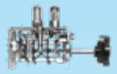
Products Created

Electronic Components Segment



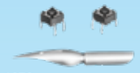
1949
Variable condenser

Components used in radio tuning were a big hit owing to not only the popularity of amateur radio building but also the special procurement boom in Japan at the time.



1954
Six-channel rotary switch television tuner

Development of the first Japanese rotary switch tuner commenced when TV broadcasts began and the product was launched after roughly a year and a half of trial-and-error testing.



1976
TACT Switches™

These products are used as an input switch for a wide range of devices, and have held the top share of the market for similar switches for many years.

TACT Switch is a registered trademark of Alps Alpine Co., Ltd.



1980
Floppy disk drives for PCs

Disc drives for floppy disks were used as recording media for PCs. The 5.25-inch floppy disk drive was used in the Apple II that took the world by storm.



1995
Magnetic heads for hard disk drives

These products, which allow for the reading and writing of data on hard disks, contributed significantly to the popularization of home computers.



2002
HAPTIC COMMANDER™

This product represented the first use of force feedback technology, which allows a wider range of tactile operating sensations, for automotive applications.

HAPTIC COMMANDER is a registered trademark of Alps Alpine Co., Ltd.



2011
Camera actuators

We provide a reliable supply of compact, high-quality actuators, which are components in smartphone cameras that control lens movement when focusing and zooming.

Automotive Infotainment Segment



1968
Cartable

ALPS-MOTOROLA's first product was a portable eight-track cassette player.



1981
Electro Gyrocator®

This product, the world's first car navigation system, was jointly developed by Honda Motor Company and Alps Electric.

Electro Gyrocator is a registered trademark of Honda Motor Co., Ltd.



1984
LV-105

The ALPINE/LUXMAN brand was created as a result of a capital tie-up with (the former) LUX.



1989
5952

This six-CD changer was the smallest of its kind at the time and was a global hit.



1990
7909 (Juba series)

The Juba series is a lineup of top-end car audio systems with each component individually designed based on home audio systems.



2010
VIE-X088 (Big-X series)

This was the first 8-inch aftermarket model created using a specially designed display and peripheral panel.



2016
X Speaker series

Through advances in components such as tremblers, magnets, and coils, Alpine Electronics' first high-resolution speakers realized improved functionality and sound quality.



2019
Launch of New Proposals Leveraging Our Business Integration Synergies

Seamless Smart Mobility Solution Cockpit

Looking ahead to the coming era of car connectivity through the evolution of 5G, Alps Alpine has proposed new products and services by integrating its core technologies in the Electronic Components Segment and Automotive Infotainment Segment.

Onboard Technology
- Recommendation Engine
- Digital keys using blockchain technology
- Premium HMI

These products were showcased at the Consumer Electronics Show (CES) in the United States and the Combined Exhibition of Advanced Technologies (CEATEC) in Japan and garnered rave reviews from those who attended.

ALPSALPINE

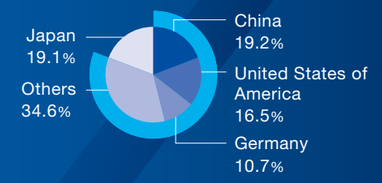
Overview of the Alps Alpine Group

(Fiscal 2019 / as of March 31, 2020)

Total Assets
¥625.5 billion

Consolidated Net Sales
¥810.5 billion

Consolidated Overseas Sales Ratio
80.9%



Number of Consolidated Employees
40,443

Global Network
110 locations in 26 countries around the world

Number of Corporate Clients
Approx. 2,000 companies

Alps Alpine Products and Their Markets

Consumer and EHII (Energy, Healthcare, Industry, and IoT) Markets

In addition to providing various components for multifunctional and high-performance digital devices, Alps Alpine actively engages in the development of modules and unit systems that facilitate the realization of digital transformation (DX).

Components


TACT Switch™ (Double Action Type)


Multi-Directional Operating Device


Rotary Sensor


Aspherical Glass Lense with Chucking Area


PC Board Mount Current Sensor


Slide Potentiometer


Encoder (Ring Type)


Pressure, Geomagnetic, Force, and Humidity Sensors


Actuator for Cameras

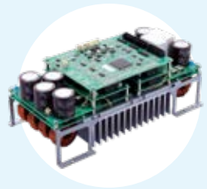

HAPTIC™ Reactor for Controllers
HAPTIC is a registered trademark of Alps Alpine Co., Ltd.

Modules


Compact Printer


Sensor Network Module


Environmental Sensor Module


Power Conversion Module

Units, Systems, and Services


Remote Monitoring System for Logistics


Worker Condition Monitoring Systems


Ground Wire Automated Tracking and Inspection Drone System

Supplied to

- Camera module manufacturers
- Display manufacturers
- Substrate module manufacturers
- OEM*1 manufacturers
- ODM*2 manufacturers
- Gaming console manufacturers
- Energy storage system manufacturers
- Optical communication device manufacturers
- Industrial device manufacturers
- Auto parts manufacturers
- Healthcare device manufacturers
- Infrastructure-related corporations, etc.

Finished Products

- Smartphones
- Tablets
- Notebook PCs
- Gaming consoles
- Compact printers
- Storage battery systems
- Servers
- Optical communication systems
- Building energy management systems (BEMSs)
- Monitoring systems
- Environmental management systems, etc.

*1 OEM: Original equipment manufacturer

*2 ODM: Original design manufacturer

Automotive Market

Leveraging its over 40 years of know-how in the development of automotive products, Alps Alpine will provide a wide range of products, ranging from components to various network-connected software, that contribute to the creation of a safe, secure, and comfortable driving experience.

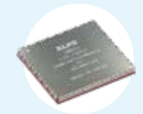
Components


TACT Switch™


Detector Switch (Waterproof)


Wireless LAN / Bluetooth® Combination Module


Automotive V2X Module

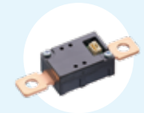

LTE Module


Stand Position Sensor


Encoder (Insulated Shaft Type)


EGR Valve Sensor


Engine Start Switch


Current Sensor

Modules


Power Window


Electronic Parking System


Intelligent Control Panel


Electric Shifter


Steering Wheel Module


OEM Sound System Speaker


Vehicle-Approaching Alert System (eSound)


Amplifier for In-Vehicle Sound System


Display


Camera / Drive Recorder

Units, Systems, and Services


Car Navigation System


Premium Sound Speaker



Smartphone App

Rear Seat Monitor

Rear-View Camera System

ALPINE STYLE Customized Car

Supplied to

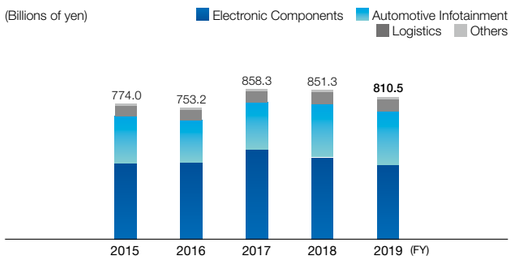
- Automakers
- Auto parts module manufacturers, etc.
- Automotive electronics manufacturers
- Automotive electronics manufacturers (for car navigation and car audio systems)
- Automotive door manufacturers (for door latches)
- Automotive safety system manufacturers (for electronic parking brakes)
- Automotive air-conditioning system manufacturers (for HVAC operations)
- Automotive system manufacturers
- Automakers
- Car dealers
- National auto accessory chain stores, etc.

Finished Products

- Automobiles
- Motorcycles, etc.

Financial and Non-Financial Highlights

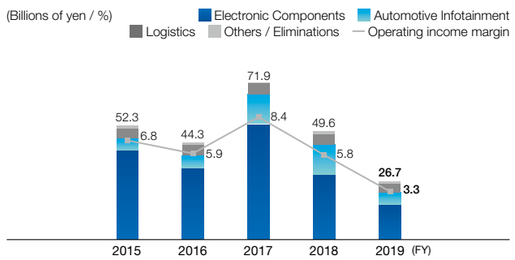
Net Sales



SUMMARY

In fiscal 2019, consolidated net sales were ¥810.5 billion (down 4.8% year on year). In the Electronic Components Segment, sales in the automotive market fell sharply and sales in the consumer market declined as well, resulting in segment sales of ¥424.7 billion (down 9.4% year on year). In the Automotive Infotainment Segment, sales of certain products to automakers were favorable, resulting in segment sales of ¥306.2 billion (up 0.9% year on year).

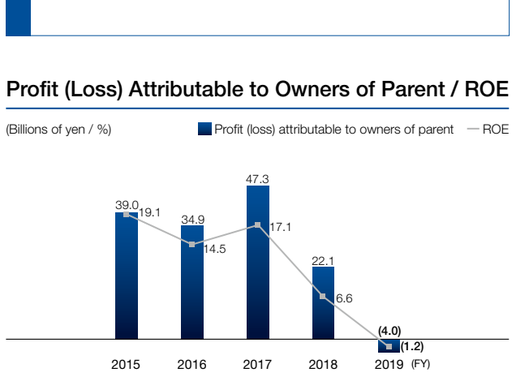
Operating Income / Operating Income Margin



SUMMARY

In fiscal 2019, consolidated operating income was ¥26.7 billion (down 46.0% year on year). In the Electronic Components Segment, operating income contracted to ¥16.1 billion (down 45.5% year on year) due to the decline in net sales from the previous fiscal year and to the spread of COVID-19, among other factors. In the Automotive Infotainment Segment, operating income plummeted to ¥5.6 billion (down 59.4% year on year) as a result of R&D expenses toward the acquisition of future orders. Accordingly, the consolidated operating income margin was 3.3% (compared with 5.8% in fiscal 2018).

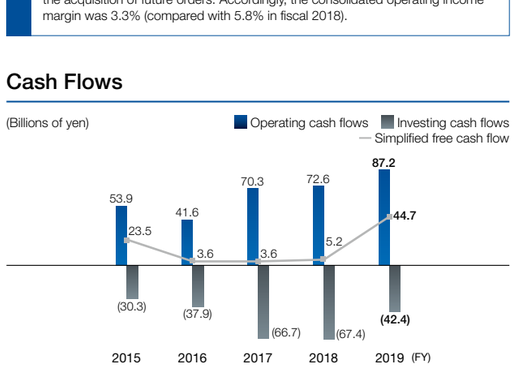
Profit (Loss) Attributable to Owners of Parent / ROE



SUMMARY

In fiscal 2019, the decline in consolidated operating income led to a consolidated loss attributable to owners of parent of ¥4.0 billion (compared with consolidated profit attributable to owners of parent of ¥22.1 billion in fiscal 2018). As a result, ROE fell to –1.2% (compared with 6.6% in fiscal 2018).

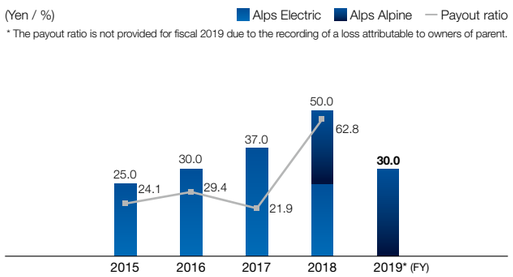
Cash Flows



SUMMARY

In fiscal 2019, net cash provided by operating activities amounted to ¥87.2 billion (up ¥14.5 billion year on year) owing to depreciation and amortization of ¥46.0 billion, income before income taxes of ¥15.5 billion, and decrease in trade notes and other receivables of ¥31.1 billion. Net cash used in investing activities decreased due to investments in production facilities for mobile products, such as smartphone components, and in research and development activities for automotive infotainment devices aimed at securing future profits.

Dividends per Share / Payout Ratio (Alps Electric / Alps Alpine)

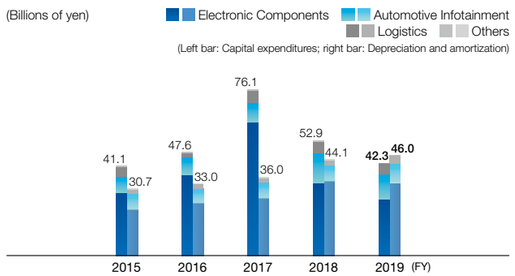


* The payout ratio is not provided for fiscal 2019 due to the recording of a loss attributable to owners of parent.

SUMMARY

In fiscal 2019, the Company paid an interim dividend of ¥20 per share and a year-end dividend of ¥10 per share, resulting in a full-year dividend of ¥30 per share (down ¥20 per share year on year). Our goal is to strike a balance between the following three goals: (1) secure a sound financial base, (2) invest in sustainable growth, and (3) improve capital efficiency.

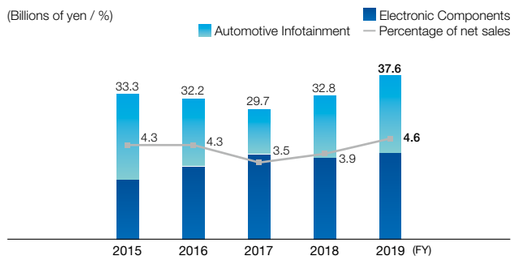
Capital Expenditures / Depreciation and Amortization



SUMMARY

In fiscal 2019, in the Electronic Components Segment, the Company invested ¥25.7 billion (compared with ¥33.2 billion in fiscal 2018), mainly in production facilities for mobile products, including smartphone components, and automotive products. On a consolidated basis, the Company invested ¥42.3 billion (compared with ¥52.9 billion in fiscal 2018). The Company maintains a sound financial position by depreciating and amortizing its assets over a short period that takes into account product life cycles.

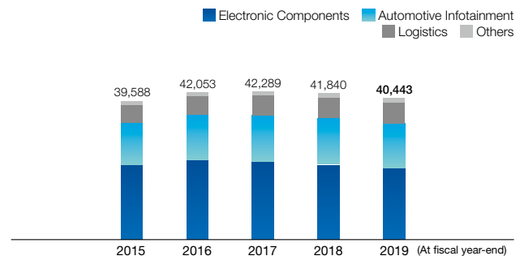
R&D Expenses / Percentage of Net Sales



SUMMARY

In fiscal 2019, R&D expenses amounted to ¥19.8 billion and ¥17.7 billion in the Electronic Components Segment and Automotive Infotainment Segment, respectively. The Company is investing ¥200.0 billion to create new businesses, such as the development of Digital Cabin products combining human machine interface (HMI), sensing, and communications technologies with system design and integration capabilities.

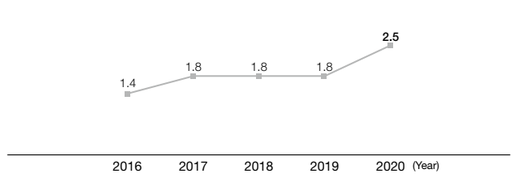
Number of Employees by Business Segment



SUMMARY

In response to the business environments of each business segment, we are increasing productivity globally and promoting the fair management of personnel.

Ratio of Women in Management Positions* (Alps Alpine Co., Ltd.)

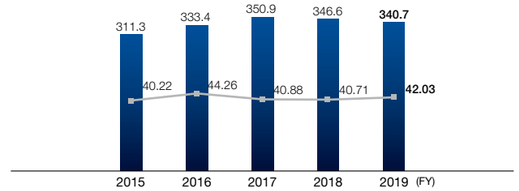


* As of April 1 of each year

SUMMARY

Alps Alpine enables a wide variety of workstyles, including reduced working hours and teleworking, and endeavors to provide an environment in which women can easily attain management positions by opening nursery schools at Company offices and other efforts. We have promoted the creation of female employee networks enabling them to share and overcome concerns pertaining to life events that impact women. We have always provided overseas work and training opportunities equally to male and female employees, with the aim of continuing to increase the ratio of women in management positions over the long term.

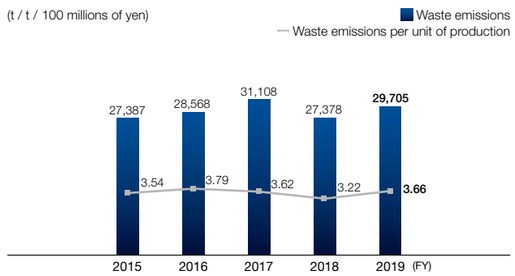
CO_2 Emissions / CO_2 Emissions per Unit of Production



SUMMARY

In fiscal 2019, CO_2 emissions declined year on year as a result of lower production. However, CO_2 emissions per unit of production increased due to the decline in CO_2 emissions being outweighed by the lower production.

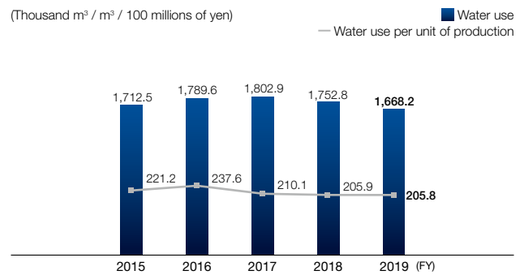
Waste Emissions / Waste Emissions per Unit of Production



SUMMARY

In fiscal 2019, waste emissions rose year on year due to the generation of disaster waste and the increased scope of tabulation. Waste emissions per unit of production also went up as a result of the higher waste emissions and lower production.

Water Use / Water Use per Unit of Production



SUMMARY

In fiscal 2019, water use decreased primarily due to the lower production, while water use per unit of production remained nearly unchanged.

Value Creation at Alps Alpine

Perfecting the Art of Electronics. At Alps Alpine, we aim to create new value that contributes to a more comfortable, better society by accurately understanding the needs of society and the market and creating a wide range of electronics, from components to modules and retail products.

Environmental Awareness

■ Government and Economy
Intensifying competition

■ Society
Heightening awareness of ESG
- Global warming / climate change
- Cooperation within the supply chain

Changes in social structure
- Developed countries: Declining birth rates and aging populations

Emerging countries: Population growth
- Urbanization and depopulation

Changes in values
- Sharing and service consumption

■ Technological Trends
Acceleration of technological innovation
- Rapid advancement of AI, the IoT, robotics, and communications technologies
- Digital transformation
- CASE

■ Business Environment
Commoditization M&As in the automotive industry
Changes in market players
- Strengthening of Asian markets and entry of tech giants

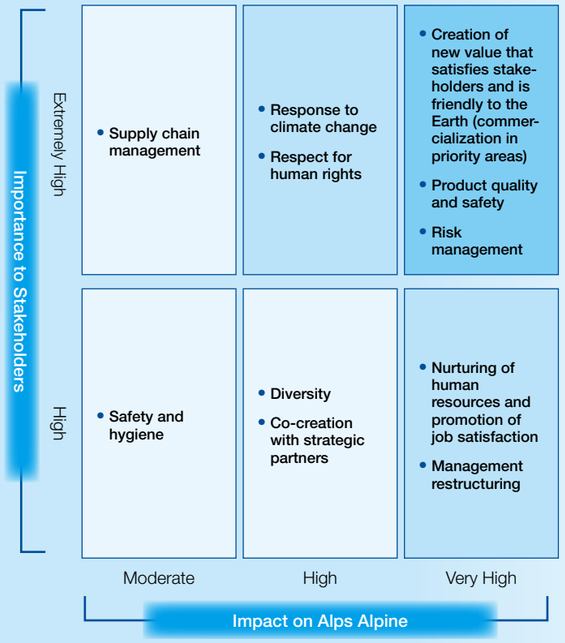
Disasters / pandemics and post-COVID-19 world

Opportunities and Risks

Opportunities
- Expansion of automotive electronic components market
- Emergence of new markets in line with technological innovation

Risks
- Rise in cost of shareholders' equity
- Lack of human resources able to adapt to changes in business environment
- Increasing sophistication and complexity in demand for product quality and safety
- Increasingly competitive business environment (deterioration of profitability)
- Expanding lineup and increasing complexity of technological development
- Heightening complexity of supply chain management
- Frequency of disasters and other critical incidents

Alps Alpine's Materiality (Material Issues)



Materiality Identification Process

STEP 1
Conduct interviews at all functional divisions as part of Companywide risk management measures. Identify opportunities and risks and assess the Company's operating environment in line with "ITC101" medium-term target.

STEP 2
Identify priority issues upon evaluating the opportunities and risks identified in Step 1 and assessing the results of engagement with institutional investors and other stakeholders.

STEP 3
Assign order of precedence for priority issues based on "Impact on Alps Alpine" and "Importance to Stakeholders."

Alps Alpine's Business Activities

Electronic Components Segment



* EHI: Energy, Healthcare, and Industry

Automotive Infotainment Segment



Strategies and Measures (1st Mid-Term Business Plan)

Launching of New Businesses (in High-Value-Added Fields)
- Synergies between the businesses of former Alps Electric and Alpine Electronics for further leveraging of the strengths of both companies
- Integration of HMI, sensing, and communications technologies and system design and software development

CASE + Premium HMI
- Acceleration of commercialization by developing products that integrate devices, modules, and systems

EHI and IoT
- Solution provider in the industrial machinery and infrastructure markets

Increasing of Earnings in Existing Businesses
- Lean operations achieved through management restructuring (eliminating waste and improving efficiency) and shifting management resources
- Emergence of cost synergies
- Response to improve productivity

1st Mid-Term Business Plan Targets

Cost synergies	Investments in new businesses
¥44.0billion (three-year total)	¥200.0billion

Our Goal

Innovative T-shaped Company

ITC101

- Evolution from component supplier into functional device partner
- Evolution into mobility life creator with in-house core devices

Medium- to Long-Term Business Targets (Fiscal 2025)

Consolidated Operating Income Margin
10%

Consolidated Net Sales
¥1 trillion

Value Creation













Message from the President



Toshihiro Kuriyama
Representative Director,
President & CEO

Realizing “ITC101” and Becoming as Strong as Ever by Overcoming the Trying Times

Creating Innovative New Products within the Increasingly Essential Electronics Industry

Fiscal 2020 for Alps Alpine Co., Ltd. has begun under an extremely challenging operating environment. The overseas market accounts for nearly 80% of our net sales and roughly 60% of our production activities. Therefore, the continuous spread of COVID-19 across the globe has had a significant impact on the Company. The smartphone business has been making relatively stable progress on the back of enhanced functionality of cameras, the emergence of 5G-compatible smartphones, and other factors. On the contrary, the automotive business, which accounts for two-thirds of the Company’s net sales, is expected to suffer a sharp drop in sales due to the economic downturn and the resulting lackluster automotive market in China, as well as the monumental impact of the spread of COVID-19. We believe the impact of the spread of the virus is the biggest predicament we have faced since the 2008 global financial crisis. With no signs of COVID-19 being contained in the near term and uncertainties surrounding the future of the global economy, we expect this challenging operating environment to continue for a while longer.

However, from a medium- to long-term perspective, the electronics industry’s recent trend of expanding into various sectors will continue through the further acceleration of technological innovation. The electronics industry will become increasingly important as we move forward with the arrival of CASE*—a technological paradigm shift in the automotive industry said to occur once every 100 years—and the Fourth Industrial Revolution, which will transform industries and society through the use of AI and the Internet of Things (IoT). In light of this, we continue to strive on a daily basis to generate new, innovative products as a T-shaped company that integrates its device development, built on the cultivation of proprietary technologies, with its wide range of system development capabilities, including system design.

* Connected, autonomous, shared & services, and electric

Maximizing Business Integration Synergies and Achieving “ITC101”

While the period for achieving our “ITC101” medium-term target has been postponed due to the drastically deteriorating market, the target itself remains unchanged.

In April 2020, we abolished Alps Company and Alpine Company and formed a by-function organization. By doing so, we are now able to optimally allocate our management resources across the entire Company and have put in place a system that can manage business operations in an even timelier manner, with the technology, manufacturing, quality management, and other departments uniting as a single team under the guidance of a designated officer. By employing such measures, we will look to maximize our business integration synergies.

Under our 1st Mid-Term Business Plan, we initially targeted cost reductions of ¥20.0 billion through cost synergies. However, with the anticipated temporary decline in net sales—which form the basis for realizing profits—due to COVID-19, we have stepped up our efforts in such areas as controlling fixed costs, reviewing wasted resources, and

reorganizing our global bases, while gaining the cooperation of external consultants, thereby expanding our cost reductions to ¥44.0 billion.

We are moving ahead with the proposal of Digital Cabin, a new product line featuring an in-vehicle human–machine interface that embraces security, comfort, and excitement. Digital Cabin epitomizes the strengthening of our development capabilities and product competitiveness and represents the fruits of our development synergies in CASE fields. We have already received orders for this new product line in Japan, North America, and Europe. Consequently, we project net sales of ¥150.0 billion in fiscal 2025 for new businesses across the Company, including new products for the EHII (energy, healthcare, industry, and IoT) markets. We have generated net sales totaling approximately 50% of the fiscal 2025 target as of the start of fiscal 2020, and expect to gradually make our way toward reaching this goal from around 2023.



Promoting Business Activities as a Collective Unit under the Guidance of Our Newly Formulated Corporate Vision

In November 2019, Alps Alpine formulated its Corporate Vision—comprising its Corporate Philosophy, Management Approach, and Alps Alpine Business Vision—to serve as a compass for guiding the Company forward. The Corporate Vision stems from the Founding Spirit (Alps Alpine Precepts) declared by our predecessor KATAOKA ELECTRIC CO., LTD. at the time of its founding. The precepts incorporate the intent of our predecessor to contribute to society through its business activities, such as community service and the building of trust. Since the Company's founding, we have continued to cherish this belief, which aligns with the SDGs and ESG, topics of increasing focus in recent years. We have elaborated on the precepts with the formulation of our Corporate Vision, which entails each and every one of us taking decisive action toward ultimately achieving sustainable growth of the Company as well as contributing to the development of a sustainable society.

As we proceed with our business activities amid the global spread of COVID-19, ensuring the safety of our over 40,000 employees across the globe is of the utmost importance. We have been working actively to prevent the spread of the virus by measuring the body temperature of all employees, providing masks, and adhering to the three Cs (closed spaces, crowded places, and close-contact settings). We have also expanded our current telecommuting system. Furthermore, the Company has an expansive business network covering Tokyo—the home of its headquarters—Miyagi, Fukushima, and Niigata prefectures, where its development and production bases are located, as well as 26 countries outside of Japan. However, the activation of our remote communication system has increased the pace of our workstyle reform by enhancing the speed of our work processes through the elimination of commuting time and the establishment of immediate coordination. Moreover, we will rely on the system in the case of earthquakes, typhoons, and other emergency situations for its ability to counter the risks involved with our business continuance and supply chain.

In the last decade or so, we have encountered a countless number of crises, such as the 2008 global financial crisis and the Great East Japan Earthquake, but have overcome each one by banding together toward recovery. We will prevail against COVID-19 with the same determination and continue to carry out our business activities by ensuring that this determination exists in all of our employees.

Continuing Our Pursuit of Electronics to Create New Value That Satisfies Stakeholders and Is Friendly to the Earth

As technologies and society change with the times, we must continue to evolve our pursuit of electronics, and this belief is instilled in Alps Alpine's Business Vision, *Perfecting the Art of Electronics*.

Since our founding in 1948, we have continued our relentless pursuit of electronics. At the time of our establishment, we manufactured analog products and hardware, such as switches, variable condensers, and potentiometers, and over the course of time shifted to the development of products tailored to the growth of information and car electronics technologies. In the 1990s, we transitioned from analog to digital products with the arrival of the digital era dubbed the Third Industrial Revolution. Today, in response to the needs of society, which are changing with the evolution of automobiles and automated driving, as well as the use of big data, AI, and the IoT, we provide solutions that combine hardware and software based on our unique development capabilities comprising our know-how on input and output technologies.



In light of this severe operating environment stemming from the global impact of COVID-19, we will continue to develop new, innovative products by constantly adapting to the times and maximizing our business integration synergies. We will also assemble our knowledge and experience in overcoming a range of adversities, in order to rise above this latest challenge by becoming "One Alps Alpine," which, I am convinced, will make the Company become as strong as ever.

Through the concerted efforts of all of our employees toward the achievement of our "ITC101" medium-term target and the continuous pursuit of electronics 20 and 30 years down the line, Alps Alpine will be fully committed to remaining a company that creates new value that satisfies stakeholders and is friendly to the Earth.

August 2020

T. Kuriyama

Overview and Road Map of “ITC101”

Alps Alpine aims to become an “Innovative T-shaped Company” with the medium- to long-term goal of generating a consolidated operating income margin of 10% and annual consolidated net sales of ¥1 trillion (we call this target “ITC101”) by fiscal 2025.

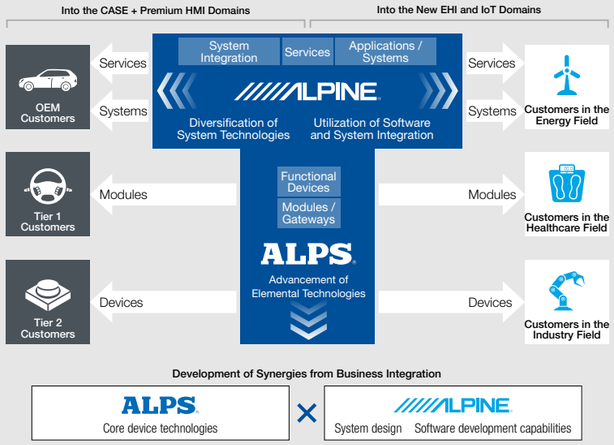
Under the Company’s 1st Mid-Term Business Plan, a three-year plan that started in April 2019, we will invest a total of roughly ¥200.0 billion over the plan’s duration and achieve cost synergies through the business integration, with the main theme of reforming the management structure to mold the Company into “One Alps Alpine.”

Our Goal

Alps Alpine moves to become an “Innovative T-shaped Company” by combining the strengths of both companies, specifically the vertical “I” of the former Alps Electric, furthering possibilities with core devices to enhance product competitiveness, and the horizontal “I” of Alpine Electronics, integrating a broad range of devices and technologies as systems.

Innovative T-shaped Company: ITC101

- Evolution from component supplier into functional device partner
- Evolution into mobility life creator with in-house core devices



Mid-Term Business Plans

1st Mid-Term Business Plan (Fiscal 2019–Fiscal 2021) Theme: Synergy Creation through Business Integration

Strategies and Measures

Management structure	Existing businesses	New businesses
• Reform management structure to promote “One Alps Alpine” • Restructure overseas locations and carry out organizational restructuring in Japan	• Make existing businesses leaner • Shift resources saved through lean transformation to new businesses • Respond to COVID-19 and execute cost restructuring	• Invest in new businesses • Accelerate commercialization

Target

- Cut costs by ¥44.0 billion through cost synergies achieved through the business integration

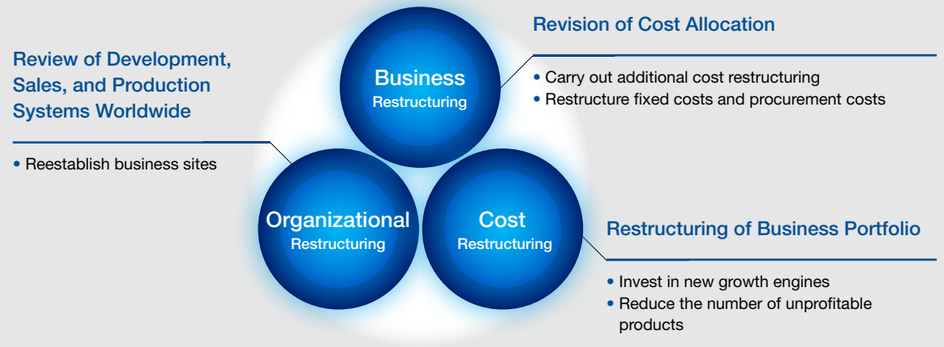
2nd Mid-Term Business Plan (Fiscal 2022–Fiscal 2025) Theme: Sales Expansion

Targets

- Achieve the “ITC101” target (consolidated operating income margin of 10% and consolidated net sales of ¥1 trillion)
- Create new businesses that generate net sales of ¥150.0 billion

Management Restructuring under 1st Mid-Term Business Plan

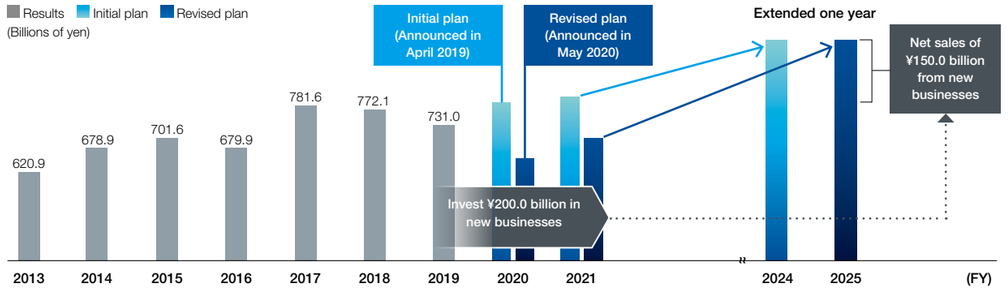
We will not only eliminate unnecessary or redundant work but also create synergistic effects, which is made possible through the business integration.



Road Map of “ITC101” Net Sales (Excluding Logistics Segment and Others)

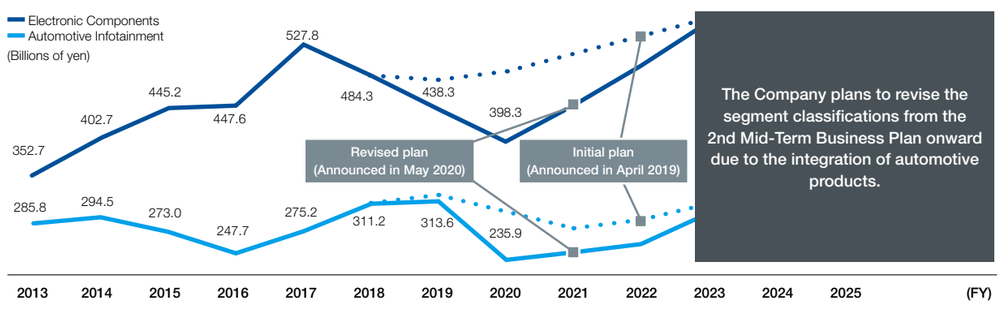
Alps Alpine

- Continue to invest in new businesses and capitalize on every business opportunity, even while addressing the impact of COVID-19
- Expand the lineup of smartphone products and Digital Cabin products from fiscal 2021 and fiscal 2023, respectively



Plan by Segment (Aggregate)

Electronic Components Segment: Full-scale expansion of smartphone products from fiscal 2021
Automotive Infotainment Segment: Sluggish sales projected until fiscal 2022, expansion of Digital Cabin products from fiscal 2023

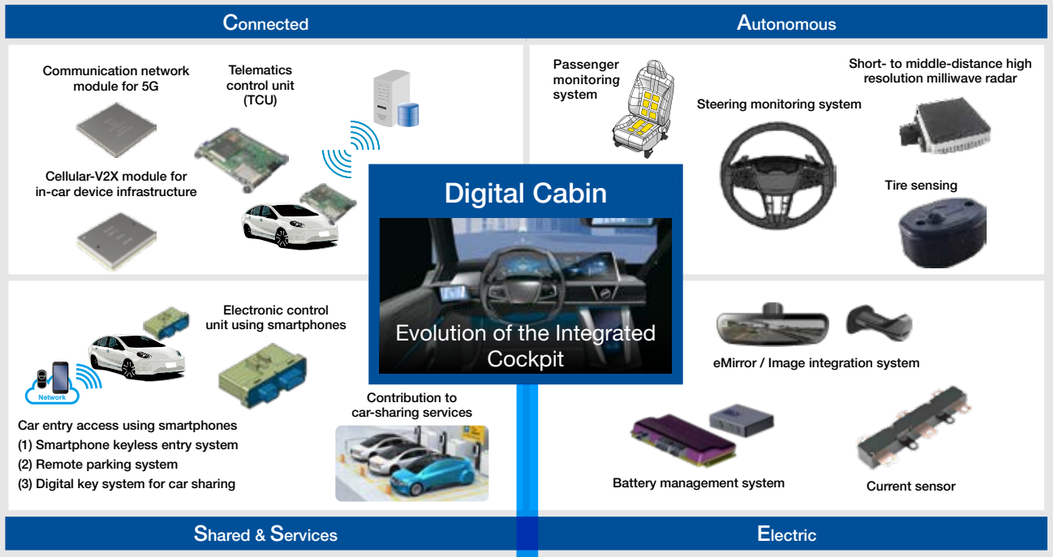


Overview and Road Map of “ITC101”

Management Restructuring under 1st Mid-Term Business Plan

Business Restructuring

Evolution of Digital Cabin Products through the Integration of HMI, Sensing, and Communications Technologies and System Design and Integration Capabilities





Organizational Restructuring

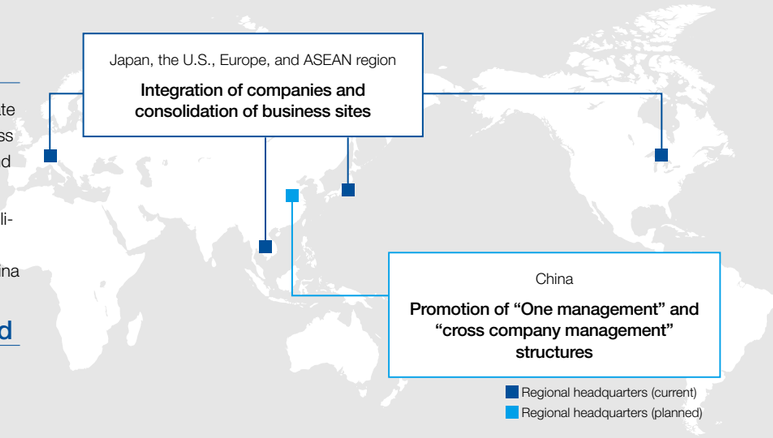
Promotion and Evolution of “One Alps Alpine”

Fiscal 2019

- Continued ongoing efforts to integrate companies and consolidate business sites in Japan, the U.S., Europe, and the ASEAN region
- Maintained ongoing efforts to consolidate business sites and promote a “One management” structure in China

Fiscal 2020 and Beyond

- Optimize production mapping for automotive businesses



Cost Restructuring

Strengthening of Corporate Structure through Cost Restructuring

Note: An external consultant was utilized in fiscal 2020—fiscal 2021 to accelerate cost restructuring.

Previous

Cost Synergies through the Business Integration

- Procurement cost reductions through centralized purchasing
- Labor cost reductions in the manufacturing process (use of robots and AI)
- Investment reductions through mutual use of resources (people and equipment) in the manufacturing process
- Reductions in quality losses
- Cost reductions through reorganization
- Cost reductions through reorganization of IT systems and business infrastructure

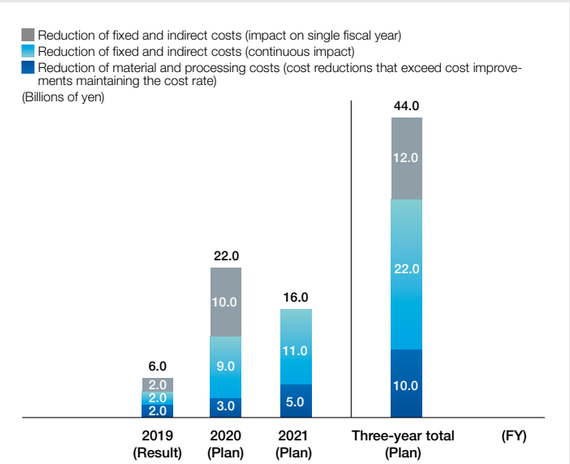
Additional

Cost Reductions through Restructuring

Short-Term Emergency Measures to Address the Impact of COVID-19

Aim for Cost Reductions of ¥44.0 billion* over Three-Year Period

* As of fiscal 2018



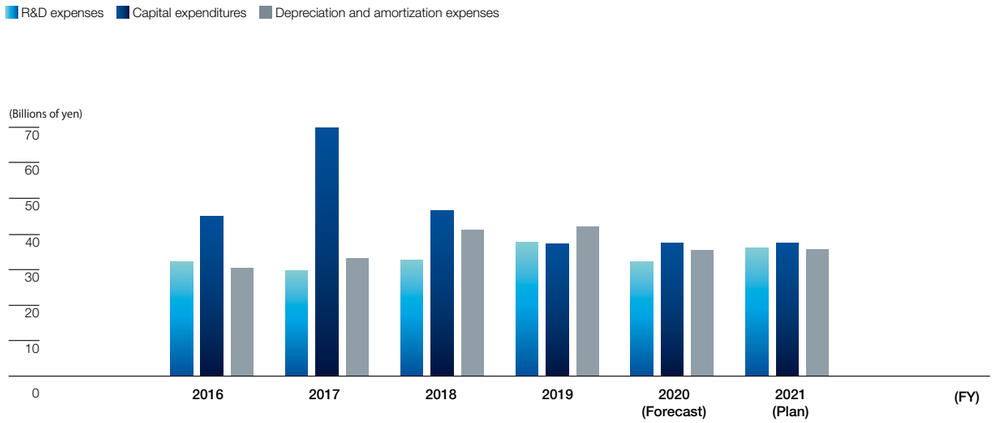
2nd Mid-Term Business Plan

We aim to increase the operating income margin by 2% each year toward the achievement of 10%.

Overview and Road Map of “ITC101”

Investment toward Future Growth

We will continue to maintain R&D expenses at a certain amount (inapplicable for fiscal 2020), minimize the amount of capital expenditures, and continue to maintain the level of depreciation and amortization expenses according to the fiscal 2020 plan.



Note: Figures for fiscal 2016–fiscal 2018 represent the combined amount of the former Alps Electric and Alpine Electronics.

Capital Policy and Shareholder Return Policy

Basic Capital Policy under Integrated Business Structure

1. Secure a strong financial base: Ensure a sound financial position that enables the Company to maintain its “A” rating from domestic credit rating agencies
2. Invest in sustainable growth: Invest a total of approximately ¥200.0 billion over the three-year period covering fiscal 2019 to fiscal 2021
3. Improve capital efficiency: Maintain ROE at a stable level of 10% or higher and work toward its improvement during the period of the 1st Mid-Term Business Plan

Shareholder Return Policy

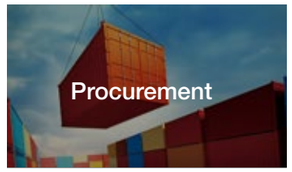
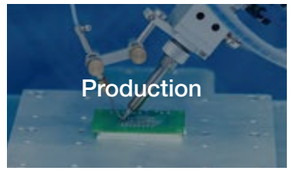
- In principle, ensure a total return ratio of 30% of consolidated net income
- Ensure a total return ratio of 50% for the three-year period covering fiscal 2019 to fiscal 2021 while also taking into account the provision of stable dividends

Growth Investments

- Fiscal 2020: Place priority on addressing the impact of COVID-19 while continuing to invest toward the future beyond its containment
- ESG environmental investment
  - Switch to 100% renewable energy for electric power used in business activities
  - Plan to invest ¥1.5 billion per year continuously over a period of 10 years, and recover over a 20-year period

Integration of Synergies along the Value Chain

With its sights set on becoming an “Innovative T-shaped Company,” Alps Alpine worked toward the creation of synergies through its business integration in fiscal 2019. We will continue our efforts to enter new markets, develop new products, and integrate production, sales, and procurement functions, in order to build a business foundation capable of generating ¥1 trillion in consolidated net sales by fiscal 2025 and become a company capable of realizing sustainable growth.

	Aims of Business Integration Synergies	Level of Progress (3-Stage Rating)	Achievements and Initiatives Going Forward
 Planning / Marketing	**Utilization of our product planning capabilities to meet wide-ranging market needs**	Level 2	By combining our key device and system integration capabilities, we launched our Digital Cabin as a solution for delivering new value to the CASE domain. We will draw on the information, we acquire from a variety of markets to continue to propose products that harness the strengths of our marketing and technologies.
 Development / Design	**System proposals provided on a global scale by experts in electronic devices**	Level 2	We engaged in the joint use of development systems and tools, which resulted in the reduction of system-related expenses in excess of our target. To continue to develop products in accordance with the needs of our existing markets, we will move ahead with the integration of development tools and optimization of development processes.
 Procurement	**Further strengthening of global suppliers’ cooperation and procurement capabilities**	Level 1	We continue to work to standardize components and their costs through our emphasis on centralized purchasing, which integrates the operational systems, functions, and bases for material procurement. Going forward, we will remain committed to our standardization efforts through the understanding and cooperation of our suppliers.
 Production	**Creation of an optimized global production system that can improve cost performance, quality, and efficiency**	Level 2	Through the standardization of production processes, we engage in the mutual use of resources and outsource production by utilizing any excess labor. We will proceed with the implementation of our global production system centered on new products in Japan, Europe, North America, and China.
 Logistics	**Collaboration with Alps Logistics to design optimized global logistics for the entire Group**	Level 3	We will continue to work toward the optimization of our global logistics system.
 Sales	**Achievement of sales growth**	Level 2	With a view to promoting our “One management” structure and realizing efficient and flexible management, in April 2020 we integrated our companies and business sites in Europe, North America, and the ASEAN region. Looking ahead, we will continue to work to benefit customers by leveraging the synergies of our two segments and improving the efficiency of our business sites.

Approach to Financial Strategy



Alps Alpine will create synergistic effects through its business integration by pressing forward with its three management restructuring plans.

Nobuhiko Komeya
Representative Director
Senior Executive Vice President
CIO (Chief Integration Synergy Officer),
Administration, ALPINE Brand

Basic Strategy

In January 2019, Alps Alpine Co., Ltd. was formed through the business integration of Alps Electric Co., Ltd. and Alpine Electronics, Inc. In April of that year, we formulated our 1st Mid-Term Business Plan and announced our "ITC101" business target of achieving both consolidated net sales of ¥1 trillion and a consolidated operating income margin of 10%. When the 1st Mid-Term Business Plan was established, we set out to achieve this target by fiscal 2024. However, due to the monumental impact of the global spread of COVID-19, we have postponed the period for achieving our "ITC101" target by one year to fiscal 2025. However, the target figures set for consolidated net sales and the consolidated operating income margin will remain unchanged.

In our quest to achieve "ITC101" and create synergies through our business integration, we have implemented the following three management restructuring plans.

Management Restructuring



Business Restructuring

Restructuring of business portfolio centered on investment in new growth engines and the disposal of unprofitable products

- Shift to lean business operations and allocate management resources to new businesses; accelerate commercialization in new businesses through selection and concentration

Organizational Restructuring

Review of global development, sales, and production systems through the reestablishment of business sites in Japan and overseas

- Promote "One Alps Alpine," consolidate business sites, and implement "One management" structure

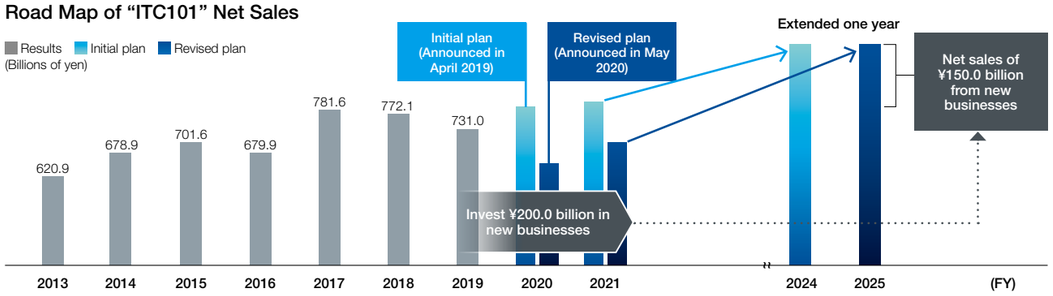
Cost Restructuring

Reduction of costs through restructuring, implementation of short-term emergency measures in response to COVID-19, and continuation of existing efforts

- Restructure costs by reducing fixed and indirect costs and material and processing costs during the period of the 1st Mid-Term Business Plan and by implementing measures toward realizing sustainable results over the short, medium, and long terms.

We will move ahead with the abovementioned restructuring plans to enhance net sales by means of generating ¥150.0 billion in net sales from new businesses and to reduce fixed costs by way of ¥44.0 billion in cost reductions over three years. In so doing, we will increase the operating income margin by 2% per year toward the achievement of our "ITC101" target of 10%.

Road Map of "ITC101" Net Sales



Stress Testing

The impact of COVID-19 on economies across the globe is considered to greatly exceed that of the global financial crisis of 2008. Alps Alpine has also felt the significance of this impact on its business activities worldwide and understands that addressing this issue is of the utmost priority. With this in mind, we conducted a stress test for the establishment of our business targets for this fiscal year under the assumption that market and consumer demand will plummet over the long term.

More specifically, we estimated the amount of capital that will be required to continue moving ahead with our existing plan for product development and with our investments toward the establishment of new businesses. This estimate was based on the assumptions that the automotive market will see a 35% drop in new car sales and that non-automotive markets will suffer a 25% decline in demand for a period of one year.

Even in light of such emergency situations, we are proceeding with the measures necessary to secure adequate capital, which include the ensuring of sufficient liquidity in order to maintain the stable operation of our business toward achieving our medium-term business targets.

Basic Capital Policy

At Alps Alpine, we adhere to the following three capital policies.

1 Securing a Strong Financial Base

The Company will establish a robust financial base and preserve and improve its financial position to a level where it can maintain its "A" rating from domestic credit rating agencies and address such unforeseen circumstances as COVID-19 and the global financial crisis, which have a drastic influence on the economy, as well as the Great East Japan Earthquake in 2011 and other natural disasters.

2 Investing in Sustainable Growth

The Company will maintain its policy of investing a total of ¥200.0 billion over the three-year period of the 1st Mid-Term Business Plan for the expansion of the EHII business as well as CASE, Digital Cabin, and other automotive products, in order to achieve its "ITC101" business target.

3 Improving Capital Efficiency

While providing returns to shareholders through share buybacks and other means and continuing to invest in sustainable growth, the Company will raise the level of its balance sheet soundness by reducing interest-bearing debt, ensuring adequate liquidity, and maintaining appropriate inventory levels. In terms of ROE, despite its dramatic decline due to the spread of COVID-19, we will continue with our policy of achieving ROE of 10% or more.

Policy on Shareholder Returns and Total Return Ratio

In regard to shareholder returns, which consist of share buybacks and the payment of dividends to shareholders, we will adhere to our basic policy of maintaining a balance between ongoing investment in sustainable growth and improvement in capital efficiency, while ensuring a total return ratio of 30% of consolidated net income. Additionally, over the three-year period covering fiscal 2019 to fiscal 2021, we will target a total return ratio of 50% while bearing in mind the provision of stable dividends.

In accordance with this policy, in the fiscal year ended March 31, 2020, Alps Alpine paid full-year dividends of ¥30 per share and carried out share buybacks totaling ¥3.2 billion.

Growth and ESG Investments

While investing ¥200.0 billion in growth over the course of three years toward the achievement of "ITC101," Alps Alpine has directed its investment focus to material issues that will play a significant role in the enhancement of its corporate value over an even longer term. Accordingly, we have decided to carry out ¥15.0 billion in environmental investments over a period of 10 years to address the globally urgent issue of climate change.

Going forward, we will pursue an optimal balance between our materiality and our Mid-Term Business Plan by investing toward the resolution of issues over the long term, thereby creating sustainable corporate value.

Achievement of Sustainable Growth and Further Enhancement of Dialogue with Stakeholders

In 2019, we issued our first Integrated Report. Since then, we have received a wealth of input from stakeholders. We at Alps Alpine sincerely value the opinions of all of our stakeholders and will continue to enhance our dialogue therewith in our aim to realize sustainable growth.

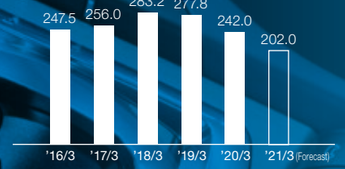
Review of Business Segments

Electronic Components Segment Automotive Market

By further strengthening the automotive product technologies that we have long cultivated, we will pursue the development of new products that provide safety and peace of mind in an effort to bolster profitability.

Segment Strengths
- Core device (HMI, sensors, and telecommunications) technologies
- HMI input product technologies
- Wide range of markets and customer channels

Net Sales
(Billions of yen)



Share of Net Sales
(Fiscal 2019)



Business Environment and Review of Fiscal 2019

In the Electronic Components Segment of the automotive market, we moved ahead with proposals tailored to next-generation technologies, such as touch-input modules, for our initiatives in CASE (connected, autonomous, shared & services, and electric) and with proposals regarding comfortable onboard input devices in preparation for the coming age of automated driving. However, the impacts on our production and sales of the disruption to our supply chain due to COVID-19 and of our measures to control its spread at our plants in China since February 2020 have continued to expand. While we gradually resumed operations at these plants thereafter, the virus spread even further into Europe, the United States, and Asia at around the same time. Since March, our customers have been shutting down operations at their plants in these regions, including in Japan, as a result of the measures imposed by the respective governments to mitigate the spread of COVID-19. Consequently, the automotive market recorded unfavorable results across the globe.

Business Strategies Aimed at Reaching the Targets in the 1st Mid-Term Business Plan

We are proposing new CASE products and services and accelerating development of system modules for the Premium Human–Machine Interface (HMI) platform, which will allow for easy operation and create a comfortable onboard vehicle environment. We will also proceed with the development of new high-value-added devices that set us apart from the competition.

In the auto industry, we are witnessing a once-in-a-century paradigm shift centered on CASE. In response to this trend, we are developing an array of sensors and devices as well as a wide range of modules that differentiate our cockpits, interior designs, and driving operating systems from those of our competitors.

Automotive Modules

We develop products by utilizing our HMI and sensing technologies that connect people and devices, with the aim of creating an onboard vehicle environment that offers greater safety, security, and comfort. In order to improve the operability of our products, such as small electronic shifters, automotive air conditioners, and audio equipment, we will move forward with the development of HAPTIC™ Reactor vibrational feedback devices, touchpads, and electrostatic steering wheel switches. We are also forging ahead with the development of ultrashort-range, milliwave radar systems, which function as a vehicle's eyes and detect people, vehicles, and obstacles in front of the car, thereby helping prevent collisions. In addition to modularizing these systems and increasing their functionality, we are applying ergonomic knowledge gained through joint research with universities and research institutions to create systems that are comfortable to use and easy to operate, and thereby improve our added value.

Automotive Devices

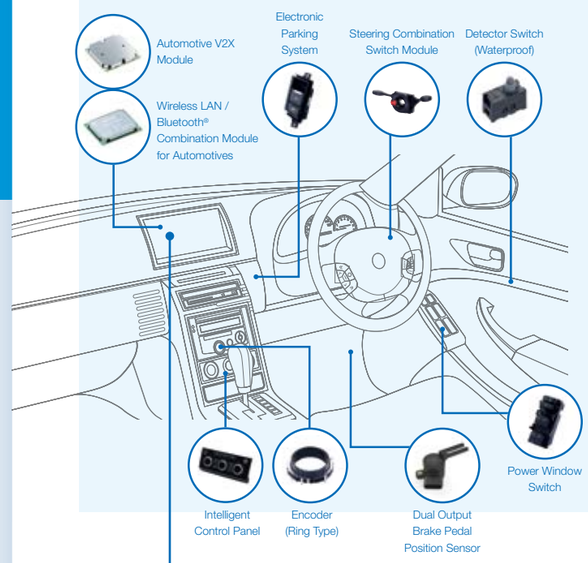
With the goal of enhancing the sophistication of Active Safety technology, which facilitates automated driving, we have proceeded with the development of C-V2X (Cellular based Vehicle to X), a driving-assistance technology that will be initially released in China. We are currently laying the groundwork for its launch in fiscal 2020. In terms of steering sensors, a critical component of automated driving, we are currently carrying out the development of steering hands-off sensors featuring our proprietary electrostatic technology, as well as of milliwave sensing devices based on radio frequency (RF) technology (detection of passengers, obstacles, and motions). Looking ahead to the actualization of these devices, we are accelerating our initiatives in safe driving-assistance technology by incorporating into electric mirrors our aforementioned sensors and the image processing technology cultivated through the development of our displays.

As for the connected domain, we are centering our attention on the mass production of smartphone entry systems featuring enhanced security and digital key technology, which will become essential for cars in the future.

We are seeing more cases of adoption of our mass-produced electric sensors, an essential component for the shift to electric vehicles, due to their expanding product lineup offering higher electrical voltage, multiphase capabilities, compactness, and high precision. In the HMI domain, which represents one of our strengths, we are pressing ahead with the development of new electrostatic and HAPTIC™ devices that offer exceptional design and comfort, in addition to our creation of products for CASE.

Technology & Products Story

"Helping Realize Safe and Comfortable Mobility by Leveraging Our Long-Cultivated Input–Output Technology"



Alps Alpine engages in the development, manufacture, and sale of a countless number of products that facilitate the shift to electric vehicles, encompassing everything from switches, sensors, and other components to remote keyless entry systems, air-conditioning panels, electronic shifters, and other module units. In the area of CASE, which epitomizes our efforts in automated driving, we have been focusing on Seamless Smart Mobility Solutions, which fuse our long-cultivated input and communications technologies with the output technologies of the Automotive Infotainment Segment. Through the provision of touch-input interfaces featuring highly sensitive electrostatic sensors, HAPTIC™ and its variety of interactive feedback, data communication modules that seamlessly connect the interior and exterior of automobiles, and Zone Sound, which allows passengers to get a personal audio experience, we will provide not only the driver but all passengers with a user experience in which they can enjoy mobility in a safe, secure, and comfortable manner.

We will aggressively develop new technologies in accordance with various standards and regulations, including those of the Euro New Car Assessment Programme (NCAP), by continuing to integrate our software design technology with the system development capabilities of the Automotive Infotainment Segment.

Topical Product



HAPTIC™ Reactor Heavy Type

HAPTIC™ Reactors, which provide users with a variety of realistic tactile experiences through vibrations, have been adopted in over 100 million game and virtual-reality (VR) controllers and other units. Newly developed based on this extensive track record, the HAPTIC™ Reactor Heavy Type became the world's first haptic device to be adopted in automobiles. This device contributes to enhancing the certainty of touch-input operations.

Next Innovation

Short-Range Sensing Technology Utilizing Milliwave Radar

Recently, there have been a number of automobile-related issues, including traffic accidents, resulting from drivers mistakenly stepping on the gas pedal as well as children and pets being left behind in a vehicle. Moreover, we are seeing an increasing global trend toward enhanced safety, such as in Europe, which has implemented the Euro NCAP, which examines automobile safety in terms of the protection of passengers and pedestrians, child safety features, and safety support functions. At Alps Alpine, we have begun developing unique solutions in the form of automobile peripheral detection systems and in-vehicle monitoring systems utilizing milliwave radar while complying with the various standards and regulations. Among these solutions is a technology that enables kick sensors, which facilitate the automatic opening and closing of doors and tailgates, to function properly even in the rain and cold climates, which was often not possible with the traditional electrostatic detection system. This technology is garnering a lot of attention from OEM manufacturers.



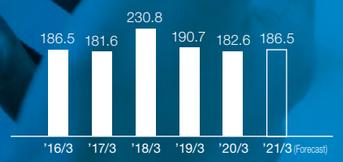
Review of Business Segments

Electronic Components Segment Consumer Market

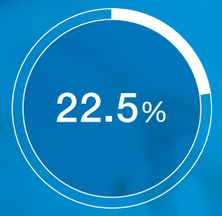
We will steadily pursue opportunities to incorporate new demand by promptly supplying products that meet customer needs.

Segment Strengths
- Product development capabilities that leverage core technologies
- Advanced production technologies
- Global manufacturing capabilities

Net Sales
(Billions of yen)



Share of Net Sales
(Fiscal 2019)



Business Environment and Review of Fiscal 2019

In the consumer market, the shutdown of operations at our plants in China, which produce a range of products for smartphones, extended past the start of Chinese New Year and had a significant impact on our production. In light of this, we continued to acquire new customers for camera actuators and touch panels for smartphones and promoted their sales.

However, our overall sales fared unfavorably due to the impact of COVID-19, despite achieving brisk results in certain products. In the areas of EHII, we rolled out such initiatives as the adoption of our "Logistics Tracker," which utilizes the Internet of Things (IoT), on the product delivery pallets of AGC Inc. for the first time in Japan.

Business Strategies Aimed at Reaching the Targets in the 1st Mid-Term Business Plan

We feel it is important to contribute to reducing the weight and improving the slimness and compactness, operability, convenience, energy efficiency, and high-speed and large-volume capabilities of devices in the mobile market, including smartphones, notebook PCs, and compact printers, as well as in the EHII markets. We are therefore conducting R&D in a wide range of fields, from new materials to devices and modular products.

Mobile Market

In the smartphone market, which continues to see colossal demand, we will direct even more attention to the development of operational input products, such as waterproof and dustproof switches, and TACT Switches™. In order to meet the needs of the market, including increased functionality, reduced power consumption, and thinner profiles of camera modules, we are also focusing on the development of optical image stabilization camera actuators, foldable touch-panel sensors for what are expected to be the next generation of touch panels, and low-noise and low-power consumption geomagnetic sensors. We are also developing decorative printing methods compatible with thermal transfer printing technology to increase the added value of smartphones.

In the games market, we will address its needs for longer operating life and improved tactility through the development of HMI products for controller switches, such as joysticks, and double-axis vibrational HAPTIC™ Reactor Hybrid Tough Type products that provide users with a realistic tactile experience.

EHII Markets

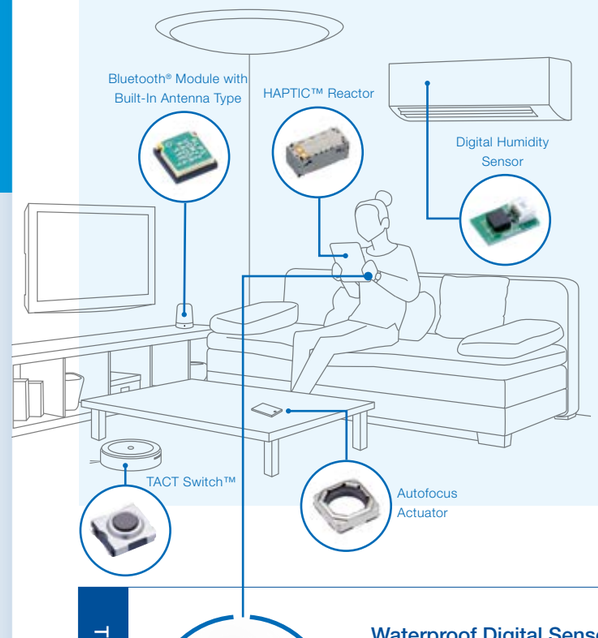
Since the Japanese government proposed the creation of a "Super Smart Society" (also known as "Society 5.0") through the use of information and communication technology (ICT), revolutionary projects using big data technologies have been expanding rapidly in many developed countries, including Japan. Markets based on this idea have begun to take shape in such fields as industry, infrastructure, logistics, and wearable devices, while the importance of IT and electronics is rising.

In the field of energy, after we began mass-producing electric current sensors used in smart circuit breakers with a major overseas company, we also commenced the production of home storage battery systems. We continue to develop businesses in the energy efficiency field, pursuing technologies that realize compactness and high efficiency based on products using our proprietary Liqualloy™ soft magnetic amorphous alloy.

In the IoT field, we have developed the world's smallest sensor network module, as well as providing a development kit for users to build an IoT environment in a simple manner. We are seeing the increasing adoption of logistics management systems, which allow managers to access real-time information on the position and condition of packages, and of worker protection systems, which are based on proof-of-concept testing conducted at manufacturing plants. By attaching various types of sensors to the helmets of workers, thereby providing environmental information as well as information on the biometrics and activities of workers, the worker protection systems are able to detect the unstable condition of workers and promptly identify and respond in the case of a work-related accident. In all of these business fields, to establish a business infrastructure in a timely manner, the Alps Alpine Group will integrate hardware technology, which represents a strength of its Electronic Components Segment, with the service business framework of its Automotive Infotainment Segment to develop solution-oriented businesses through the provision of high-value-added, highly differentiated products.

Technology & Products Story

"Leveraging Core Technologies to Provide Solutions to New Markets"



In recent years, we have seen the increasing sophistication of digital technologies and communications infrastructure and the rising use of artificial intelligence (AI) and the IoT. The big data accumulated from such technologies is being utilized in the creation of new workstyles and lifestyles as our operating environment advances on to a new stage. Accordingly, Alps Alpine is focusing on the proposal of solutions to new markets—such as energy, healthcare, industry, and the IoT—in addition to its existing markets of digital consumer electronics, IT devices, and smartphones, by developing an array of products based on its core technologies.

As IoT technology becomes more prevalent in society, we will develop products that take advantage of the Company's strengths, two of which are small, lightweight, energy-efficient sensors and wireless communication devices. We will also promote open innovation to provide services utilizing 5G and cloud computing and move forward with development in new business fields, such as production systems, social infrastructure, and logistics networks.

Topical Product



Waterproof Digital Sensor (Released in August 2019)

By attaching it to smart watches and other wearable devices, this waterproof digital sensor can be used in both low-pressure environments at altitudes of up to 9,000 meters and high-pressure conditions underwater up to a depth of 10 meters, enabling measurement in both open air and water with a single sensor. Due to their unique water-resistant design, these sensors are used not only in daily activities, such as commutes to work or school, but also in leisure activities, including hiking and diving.

Next Innovation

Proposal of New Hygiene-Focused Touchless Control Panel

We have transitioned to a world in which information is inputted not through the use of a switch, as was the case in the past, but instead through touch panels on various devices, including smartphones, car navigation systems, consumer electronics, and security devices. In an effort to conserve labor and achieve greater efficiency, interactions between customers and staff at restaurants when ordering are being replaced by the entry of orders via touch-panel devices. Meanwhile, the use of touch panels has brought about hygiene-related concerns in regard to not knowing who has touched the panel and its unsanitariness. The touchless control panel proposed by Alps Alpine will offer the benefits of ordinary touch panels while reducing such hygiene-related concerns to enable users to operate the device safely and with peace of mind.



Introductory video of touchless control panel

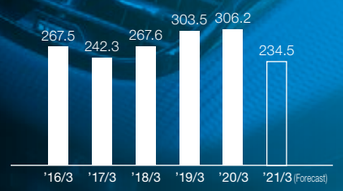
Review of Business Segments

Automotive Infotainment Segment

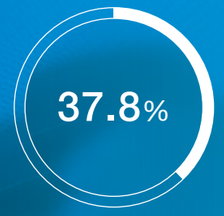
We integrate our cutting-edge technologies to supply onboard automotive systems for the safe, secure, and comfortable automobile society of the future.

Segment Strengths
- System design and software development capabilities
- HMI output product technologies
- B-to-C services business

Net Sales
(Billions of yen)



Share of Net Sales
(Fiscal 2019)



Business Environment and Review of Fiscal 2019

In the automotive industry, we suffered a decline in sales volume due to deteriorating sales of new vehicles in the world's largest market of China, the trade dispute between the United States and China, and other factors. In addition, the sales volume in the European and U.S. markets decreased over the previous year and, accordingly, the automotive market experienced harsh conditions overall. Moreover, we saw intensifying competition among companies in diverse fields, such as IT and telecommunications, for the utilization of 5G next-generation mobile communication standards on connected cars and automated driving.

In this environment, the Automotive Infotainment Segment sought to achieve business integration synergies as early as possible by focusing on developing new products that link display products with the sensors of the Electronic Components Segment and on realizing practical applications for its industrial drone system, which employs the GPS technology of navigation systems and sensor and image processing technologies. Further, leveraging our technology in the development of audio speakers, we have begun developing a vehicle-approaching alert system that warns pedestrians of vehicles nearby. In addition, we sought to strengthen our Mobility-as-a-Service (MaaS) business through a business alliance with IT company FreeBit Co., Ltd. for the development of a digital key for use in car-sharing services based on blockchain technology and for the management of information on connected cars.

Business Strategies Aimed at Reaching the Targets in the 1st Mid-Term Business Plan

In the Automotive Infotainment Segment, in response to the rapid adoption of CASE technologies, we are creating appealing products by strengthening development of the Premium HMI platform, which provides drivers and passengers with inspirational onboard spaces through the integration of the Electronic Components Segment's sensing device and telecommunications device technologies and the Automotive Infotainment Segment's software technologies.

In the information and telecommunications device business, through the delivery of unique products and systems that connect people to cars, we will propose distinctive Seamless Smart Mobility Solutions that combine a variety of functions and services. These include the reservation of car-sharing services and vehicle entry through the use of smartphones functioning as the key; Recommend Engine, which identifies and recommends the ideal route to the driver; Driver Monitoring, which offers a relaxing atmosphere during automated driving; Premium HMI, which enhances the sophistication and comfort of the interior; and Exit Support, which assists passengers in getting out of the vehicle.

In the audio equipment business, we will leverage our capital and business alliance with Faital S.p.A. to further deepen our commitment to high-quality sound in the Alpine-brand business and in our business supplying products to automakers, as well as accelerating development of even more attractive products, including the further enhancement of our premium domain. We aim to provide universal value to our customers in the form of premium sound, such as our tuning technology utilizing AI and noise control technologies, which are critical to the realization of comfortable onboard spaces in the age of automated driving.

In the new business domain, we will work to develop practical applications for our industrial drone system employing the GPS technology of navigation systems and sensor and image processing technologies and to strengthen our MaaS business through the acquisition of shares in and our business alliance with IT company FreeBit, with the aims of developing a digital key for use in car-sharing services based on blockchain technology and managing information on connected cars.

Technology & Products Story

"Developing Unique Products and Services That Connect People to Cars Built on Our "Emotion in Mobility" Business Vision"



In light of our shift from creating traditional value centered on goods to creating value based on experiences, including services, the Automotive Infotainment Segment has adopted "Emotion in Mobility" as its business vision and will pursue the provision of services that deliver peace of mind, comfort, and excitement to the driver and passengers and the creation of sophisticated onboard spaces based on the development of unique products that connect people to cars. In the connected service domain, we are devoting our efforts to the development of a digital key, which allows for the comprehensive use of a variety of services, and Recommend Engine, which enhances driving convenience, as we seek to provide solutions for all stages of the driving process, from entering to exiting a vehicle without being bound by time or location. Furthermore, we are releasing a diverse lineup of new products in the four categories of sound, display, information & entertainment, and ALPINE brand. Moreover, we were awarded the 2020 Longseller Award by the *Nikkan Jidosha Shimbun* (a national automotive newspaper) for our Big X Series, a large-screen car navigation and audio-visual device that has been highly rated by users over the years.

Topical Product



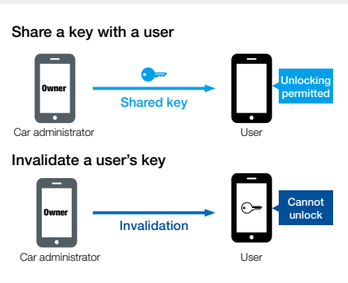
Vehicle-Approaching Alert System

In accordance with the international standards and laws of Europe, all electric and hybrid vehicles must now be equipped with a vehicle-approaching alert device. Alps Alpine has thus developed a system that reenacts the sound of a real engine and complies with the European standards by drawing on its accumulated know-how in the development of audio products. This vehicle-approaching alert system is contributing to improvements in safe driving.

Next Innovation

Digital Keys Utilizing Blockchain Technology

In response to the increasing prevalence of car sharing, one element of CASE, Alps Alpine is working to develop digital keys utilizing blockchain technology. This technology will allow drivers to operate vehicles by using their smartphone, such as locking and unlocking car doors and starting the engine with their smartphone, instead of via a physical key. For instance, digital keys are a fundamental technology for enhancing the convenience of both users and car-sharing businesses in the field of MaaS, as they function as a temporary key for the inspection of vehicles upon their return and for the payment of parking fees.



Sustainability Management

Alps Alpine's Approach to Sustainability

At Alps Alpine, we aspire to help realize a sustainable society and enhance corporate value by fulfilling the Alps Alpine Philosophy of creating new value that satisfies stakeholders and is friendly to the Earth.

In addition, we have established "strive for value," "love the planet," "contribute to society," "respect the individual," and "act with integrity" as the five statements of the Alps Alpine Business Approach, which embody the values we must adhere to when engaging in business activities. In an effort to strengthen the awareness of and more deeply instill this spirit and approach, we have specified the basic conduct and behavior expected of all of our companies and employees in the Alps Alpine Group Code of Ethics and deployed them to Group bases across the globe. We also conduct training sessions on a regular basis to increase awareness of the Alps Alpine Business Approach among all of our employees.

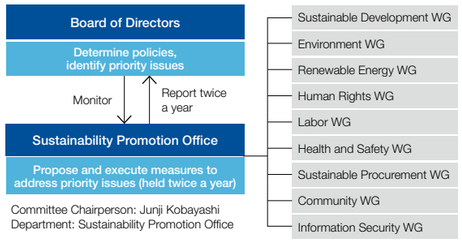
Key Elements of the Alps Alpine Group Code of Ethics

Strive for Value	• New value creation • Safety assurance and customer protection • High-quality products and services • Accurate and relevant information on products and services • Good faith in inquiries and after-sales service • Fast and appropriate response to incidents • Compliance with international standards
Love the Planet	• Environmentally friendly business activities • Compliance with environmental laws and regulations • Compliance with international standards
Contribute to Society	• Community and regional contributions through business • Coexistence with society and the local community • Safe business activities
Respect the Individual	• Mutual understanding • Human resource development • Independence of the individual
Act with Integrity	• No forced or child labor • No inhumane treatment • No discrimination • Corruption prevention and restriction of political donations • Fair competition • No improper advantage • No abuse of dominance • Respect for intellectual property • Information security • Privacy respect and protection • Timely and appropriate information disclosure • Conformance with trade controls • Payment of taxes • No insider trading • No conflict of interest • Emergency response • Appropriate pay and working hours • Occupational health and safety, etc.

Sustainability Promotion Structure

At Alps Alpine, the Board of Directors decides on policies regarding sustainability and identifies issues of priority. The Sustainability Promotion Committee plans and executes measures to address the issues identified and reports the status of their progress at Board of Directors' meetings, which are held twice a year.

The Sustainability Promotion Committee, which consists of nine working groups (WGs), each with its own theme, conducts discussions every six months toward the resolution of issues. The WGs are revised in accordance with changes in the internal and external business environment. The Renewable Energy WG was established in 2020, while the Guidelines WG was dissolved in 2019 due to the establishment of the Alps Alpine Group Code of Ethics.



Sustainability Topics on the Agenda at Fiscal 2019 Management Meetings

Management Meeting	Date	Topic	Category
Board of Directors' meeting	Apr. 2019	Medium-term sustainability policy, priority issues matrix (materiality)	Resolution
Board of Directors' meeting	Apr. 2019	Report on sustainability initiatives and incidents disclosed to Ethics Hotline	Report
Board of Directors' meeting	Oct. 2019	Formulation of Corporate Vision	Resolution
Board of Directors' meeting	Nov. 2019	Report on sustainability initiatives (report on initiatives of the Sustainability Committee and incidents disclosed to Ethics Hotline	Report
Executive training	Nov. 2019	ESG management (Instructor: CSR representative from another company)	Training
Board of Directors' meeting	Dec. 2019	Revised Group Management Regulations and formulated Group Code of Ethics	Resolution
Board of Directors' meeting	Jan. 2020	Policy on fiscal 2020 sustainability initiatives	Preliminary deliberation
Board of Directors' meeting	Feb. 2020	Policy on fiscal 2020 sustainability initiatives and their targets	Resolution
Executive training	Feb. 2020	Climate change and trend toward renewable energy credits	Training

Initiatives to Achieve Sustainability

At Alps Alpine, we identify issues that are material to our entire operations and address issues that may impact the environment, society, and our various stakeholders. Please refer to pages 32–37 for details on our main initiatives.

Product Quality and Safety



We believe that the creation of superior and highly safe products raises customer satisfaction and leads to greater trust in Alps Alpine, which is why we consider it to be of utmost priority in our operations. In addition to constructing a quality maintenance system for our product development and manufacturing processes, we have adopted a variety of measures to improve product quality and safety.

Response to Climate Change



Global environmental issues, such as global warming and abnormal weather events, seem to be reported in the news every day. The Alps Alpine Group regards global environmental issues to be important management issues as well and carefully considers the effects that its business operations have on the environment. Accordingly, the Group is also developing various initiatives related to energy conservation, chemical substance management, waste reduction, and biodiversity.

Supply Chain Management



We focus on establishing trusting and collaborative relationships with our suppliers that are based on sincerity. When procuring materials and parts, we consider safety, the environment, and society and aim for sustainable development and growth throughout the supply chain.

Nurturing of Human Resources and Promotion of Job Satisfaction



"Believe in people." This is our philosophy regarding human resources. We actively support employees who desire to take on challenges and personal development, and we work to enhance initiatives and create environments that encourage employees to grow into creative and independent professionals.

Respect for Human Rights and Diversity



We strive to realize a workplace environment in which people with diverse values are able to fully demonstrate their individuality and strengths, while complying with the laws and regulations of each country and region, as well as human rights-related international standards, such as the prohibition of forced labor, inhumane conduct, and discrimination.

Initiatives to Achieve Sustainability

Product Quality and Safety

Fundamental Quality Control Policy and Medium-Term Business Plan

Alps Alpine will deliver outstanding products and services that satisfy its customers. The Fundamental Quality Control Policy in the 1st Mid-Term Business Plan states, "We must perfect our craftsmanship and earn even more trust from our customers." In order to realize this goal, we must make Companywide efforts to improve not only production quality but also improve design and component quality assurance, which are essential to achieving high-quality production.

Global Quality Information Management System

The Alps Alpine Group's Global Quality Information Management System makes possible global sharing of quality information, allowing the Group to make swift improvements and promote measures undertaken, thereby preventing defects. This system allows us to use information from customers and quality information in the market on a global scale to quickly diagnose problems and implement solutions. Measures taken and improvements made are also adopted as standard practice, thereby preventing the recurrence of defects and spotlighting important areas of focus in the development of future product models.

Functional Safety of Automotive Products

The electrification of automobiles continues to occur at an increasingly high rate. At the same time, safety requirements for products incorporated into vehicles are mounting due to the spread of technologies such as driver-assistance systems and autonomous driving systems. To ensure delivery to customers of safe, dependable products, the Alps Alpine Group was quick to establish commercialization processes and systems conforming to ISO 26262 (which went into effect in November 2011) and has already developed numerous products compliant with the functional safety standard for automakers at home and abroad.

We aim to establish and foster a culture of safety so that employees involved in automotive products put safety first in their decision-making and actions. Related activities are pursued in accordance with our functional safety guide.

We regularly conduct comprehensive and reflective evaluations of our safety activities as management reviews within the Board of Directors. We also formulate and implement annual action policies and priority measures. Through these efforts, we carry out continuous improvement activities on a Companywide basis.

Corporate Policy in Functional Safety Guide

Every person in charge of automotive products has common sense on the value of safety culture and takes responsibility of organizational activities.

Response to Climate Change

Alps Alpine has declared its support for the Task Force on Climate-related Financial Disclosures (TCFD) and conducts scenario analyses in line with the disclosed items. We will analyze the risks and opportunities associated with climate change and reflect these in our business strategies with the aim of realizing sustainable growth and formulating an appropriate risk response.

Governance

Alps Alpine regards addressing climate change as one of the material issues for its operations. The Sustainability Promotion Committee and the Environmental Promotion Committee convene on a regular basis and report on the status of progress on issues and plans to the Board of Directors.

Moreover, for issues that may have a significant impact on our business, we hold discussions on policies and response measures at Board of Directors' and other management meetings.

▶ Governance Structure for Climate Change-Related Issues

Meeting	Role	Frequency
Board of Directors' meeting (Chairperson: President & CEO Toshihiro Kuriyama)	Determine climate change and other sustainability-related policies Determine climate change and other sustainability-related priority issues Monitor measures against climate change	Report twice a year Conduct timely discussions on issues
Sustainability Promotion Committee (Chairperson: Vice President Junji Kobayashi)	Implement measures to address climate change and other sustainability-related issues and report on the status of their progress and present recommendations in this regard to the Board of Directors	Held twice a year
Environmental Promotion Committee (Chairperson: Senior Executive Vice President Nobuhiko Komeya)	Implement measures in response to climate change (assess and manage risks and opportunities)	Held twice a year

Risk Management

At Alps Alpine, we believe it is imperative that we ascertain the degree of impact and the significance of the risks we face regarding our operations and propose measures in response to such risks from a medium- to long-term perspective, in order to realize sustainable growth and enhance corporate value.

Specifically, doing so entails first identifying the risks relevant to our operations and then conducting interviews with each functional department to assess their impact on Alps Alpine as a whole. The information acquired through these interviews and the needs of stakeholders identified via dialogues are compiled by the Sustainability Promotion Office, which then assesses both the risks and opportunities presented to our business. The results of the assessment are presented for approval to the Board of Directors in the form of issues that must be addressed (materiality) by the Company. Through our evaluation of the Company's risk management, we have identified "response to climate change" as an issue within our materiality (please refer to P.10). We are looking to implement concrete measures under the guidance of the Sustainability Promotion Office and through the creation of a cross-sectional task force team encompassing the relevant administrative and production departments.

Strategy

We identified the risks and opportunities presented by climate change for the Alps Alpine Group and assessed their impact on its operations.

▶ Assessment of Significance of Risks

		Risks and Opportunities	Impact on Our Operations	Assessment
Risks	**Physical risks**	**Intensification of abnormal weather (disruption to supply chain, discontinuance of operations)**	• **Impact on earnings** from damages incurred at the Company's disaster-stricken locations • **Sales decline** due to discontinuance of raw material procurement at production plants • **Sales contraction** owing to discontinuance of product supply resulting from halt to operations at production plants • **Impact on earnings** from contract-related fines incurred through inability to meet delivery schedules	Low
	Transition risks	**Implementation of carbon pricing**	• **Direct increases in energy costs** from taxation on fuel and rise in electricity prices • **Increased costs** (incl. capital expenditures) associated with efforts to reduce CO_2 emissions • **Impact on earnings** from higher costs for procuring raw materials	Medium
		Targets and policies for carbon emission reduction in each country	• **Impact on earnings from higher costs and capital investments** associated with greater need among customers and industry organizations for renewable energy and carbon neutrality as a result of the introduction of European Green Deal and new laws and regulations	Medium
		Shift in consumer behavior	• **Impact on earnings from loss of business opportunities** stemming from inability to meet the needs of customers for renewable energy and carbon neutrality	High
Opportunities	**Resource efficiency**	**Reduction of costs through energy-saving initiatives**	• **Reduction of energy use** through engagement in energy-saving initiatives at offices and production plants	Low
	Market	**Entry into new markets**	• **Greater business opportunities within existing business domains for products in new categories** stemming from new demand in response to climate change • **Acquisition of new customers and increase in sales** through entry into new markets with emerging demand for the use of Company technologies • **Opportunities to increase sales** by addressing needs for new products in line with market changes (proliferation of electric vehicles, CASE, etc.)	Medium

The implementation of carbon pricing in response to transition risks, compliance with new laws and regulations, the introduction of energy-saving initiatives, shifts in consumer behavior, and entry into new markets will have a significant financial impact on our operations.

Initiatives to Achieve Sustainability

Definition of Scenario

Based on the following data for scenarios of 4℃ or more and of less than 2℃, we conducted scenario analyses for 2030 and 2050 of the material risks and opportunities associated with climate change, estimated their financial impact on our business, and carried out qualitative assessments.

4℃ World

Estimated Financial Impact: Net Sales of 0.3%–0.5%

Social Trend

Initiatives toward the realization of a low-carbon and decarbonized society will be limited to certain regions and industries and will entail higher physical risks. Government subsidies for new technologies will also be limited and the cost reductions owing to the use of renewable energy will not be adequate enough to promote the shift to the use of such energy.

Impact on Strategies and Our Course of Action

"ITC101," our current business target, does not warrant any change. We will generate renewable energy in-house for certain areas of our operations in an effort to reinforce our business continuity plan (BCP) in anticipation of physical risks. We will also look to mitigate reputational risks by proactively disclosing information and engaging in dialogue with stakeholders.

Reference Data
IPCC: RCP8.5
IEA WEO: Stated Policies scenario (STEPS)
IEA ETP: Reference Technology scenario (RTS)

2℃ World

Estimated Financial Impact: Net Sales of 1.0%–1.5%

Social Trend

Initiatives toward the realization of a decarbonized society will be proactively carried out at companies and within societies and countries worldwide. Through government subsidies, research institutes and companies will advance their R&D in new technologies while the prices of products and services utilizing our current energy-saving technologies and renewable energy technologies will fall in step with their rising popularity. Further, we will see an increase in the market value of our products and technologies that contribute to improved energy efficiency as well as an equivalent level of growth in their relevant markets.

Impact on Strategies and Our Course of Action

While the "ITC101" target itself does not warrant any change, we must revise our resource allocation and step up the growth of our business in technologies and products that help mitigate climate change, such as through improvements in energy efficiency. Moreover, we will generate renewable energy in-house for certain areas of our operations and look to completely adopt the use of such energy for our entire operations.

Reference Data
IPCC: RCP2.6
IEA WEO: Sustainable Development scenario (SDS)
IEA ETP: Beyond 2℃ scenario (B2DS)

Indicators and Targets

Based on the scenario analyses, while the long-term target (for fiscal 2050) set forth in the 1st Medium-Term Action Plan for Environmental Preservation, formulated in fiscal 2019, does not warrant any change, we have come to realize that revisions need to be made to our medium-term target (for fiscal 2030) and will look to do so through the Environmental Promotion Committee going forward.

To realize our long-term target (for fiscal 2050), we will shift to the 100% use of renewable energy for our entire operations.

Target Reduce Greenhouse Gas Emissions by 80% in Fiscal 2050 over Fiscal 2013 Levels

Response Going Forward

Fiscal 2020	Fiscal 2021 and Beyond
We will formulate a specific action plan geared toward stepping up investments in energy saving and facilitating the use of renewable energy with an eye on achieving the fiscal 2030 target.	We will implement the plan proposed in fiscal 2020. We will also aim to reach our targets while constantly reviewing the risks and opportunities presented to our business by bearing in mind the changes taking place in our operating environment.

Supply Chain Management

Responsible Mineral Procurement

At Alps Alpine, our core policy from the standpoint of corporate social responsibility (CSR) is to refrain from engaging in procurement activities that contribute to child labor and other forms of human rights infringement, environmental destruction, and illegal acts, fraud, and other types of antisocial and inhumane behavior.

The Company has designated tin, tantalum, tungsten, gold, and cobalt as high-risk minerals among those produced in conflict zones and regions suspected of antisocial and inhumane behavior.

Moreover, in order to fully ensure compliance with this policy, the Company conducts its due diligence when procuring high-risk minerals and requests its suppliers for their cooperation on the following matters.

Requests to Suppliers

- Provide information on refineries producing high-risk minerals
- Procure from refineries that do not engage in severe forms of human rights infringement and high-risk conflict minerals

Further, the Company conducts its due diligence in accordance with the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*.

Self-Assessments

Alps Alpine engages in procurement activities around the world. We strive to promote CSR not only through our own business activities but also throughout the entire supply chain by adhering, together with our suppliers, to the Guidance for Responsible Business Conduct of the Japan Electronics and Information Technology Industries Association (JEITA). From fiscal 2017 to fiscal 2019, we conducted self-assessments with 271 major domestic suppliers, of which 99.6% have responded as of August 2020.

Communication with Suppliers

Alps Alpine is working to strengthen its partnerships with suppliers through mutual existence and prosperity based on shared trust. We hold policy briefings and financial results briefings across the globe to report on our production and sales status, explain our purchasing policy, and recognize suppliers that help improve our quality control, delivery management, and raw material costs. In addition, at these briefings we ask suppliers for their cooperation in regard to the management of procurement risks. Based on its belief that sustainable procurement would not be possible without the cooperation of all of its suppliers, the Company will continue to devote its attention to enhancing its relationships with suppliers.

Nurturing of Human Resources and Promotion of Job Satisfaction

Human Resource Cultivation Policy

The Alps Alpine Group values employee self-development achieved through work and other efforts in the workplace. We conduct on-the-job training (OJT) so that employees can fulfill career plans they created for themselves. This OJT is linked with evaluations, placement, and skills development and we implement it in pursuit of comprehensive and long-term employee development. Employees can feel their own development when they interact with many people through their work, learn from and teach those people, and realize achievements. At the same time, we offer employees various opportunities to develop their skills in accordance with their current stages of development. Such opportunities include training and education geared toward skills and knowledge acquisition and personal development support measures. By enhancing both practical (work) and theoretical (skills development measures) approaches, we facilitate the development of professional individuals and growth of organizations.

Development of Skills through Educational and Training Programs

The training programs at Alps Alpine are categorized into three types: level-specific training, topic-based training, and function-based training. In fiscal 2019, 654 people participated in the level-specific training sessions totaling 768 hours.

- Level-specific training: Ensure awareness of managers, mid-level employees, and young employees of their respective roles and of the conduct expected of them as members of the organization
- Topic-based training: Provide the knowledge and skills necessary for meeting the needs of the operating environment, such as adaptability to diverse cultures and CSR education, and strengthen basic capabilities for promoting business in order to expedite the pace of global business development
- Function-based training: Provide the fundamental knowledge and skills necessary for each department through the guidance of in-house instructors

Initiatives to Achieve Sustainability

A Rewarding Workplace Environment

At Alps Alpine, we believe in the importance of creating a rewarding workplace environment. Therefore, we make every possible effort to ensure the health and well-being of our employees and that they are able to work in a safe and comfortable environment by complying with the laws and customs of each country regarding work hours. In fiscal 2019, we stepped up the implementation of our flextime system in Japan, enabling greater flexibility in workstyles and reducing overtime work by 14.3% over the previous fiscal year.

In terms of compensation and welfare, we take into account the regional and industry standards and competitiveness of the labor markets in each country as well as our performance, and conduct a range of initiatives that facilitate the growth of each employee, such as financial support toward the development of our next generation of employees and housing allowances.

• Annual Rate of Turnover (Alps Alpine Co., Ltd.)

Fiscal 2017	Fiscal 2018	Fiscal 2019
3.7%	4.6%	3.6%

• Skills Development Training

	Fiscal 2018	Fiscal 2019
Average training hours per employee	20.03	19.78
Average training days per employee	2.3	2.5

Safety and Hygiene

Workplace Safety Management System

At the Alps Alpine Group, we have introduced the OHSAS* 18001 and ISO 45001 international occupational health and safety management system standards, and we have been acquiring certifications at our manufacturing bases and other locations. Based on these standards, we continuously work to reduce and manage health and safety risks through risk assessment and strive to comply with laws and regulations. As of July 2020, 56.0% of our production facilities had acquired these certifications.

* OHSAS: Occupational Health and Safety Assessment Series

Measures against Workplace Accidents

At Alps Alpine, we are committed to completely preventing the occurrence of major accidents (fatal accidents).

• Number of Workplace Accidents (Alps Alpine Co., Ltd.)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Accidents	6	16	14	15	14
Severity rate	0.009	0.009	0.016	0.016	0.004
Avg. severity rate of manufacturing sector	0.06	0.07	0.08	0.10	0.10

• Rate of Lost Work Time Due to Accidents (Alps Alpine Co., Ltd.)

Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
0.63	1.17	1.72	1.38	1.08

Respect for Human Rights

The Alps Alpine Group has formulated its Code of Ethics in accordance with the Alps Alpine Philosophy.

The Alps Alpine Group Code of Ethics stipulates that forced and child labor, inhumane treatment, and discrimination of any form must be prohibited. In order to prevent the occurrence of such unethical behavior, we hold training sessions for all of our employees and directors worldwide and conduct due diligence at each facility. In addition to tackling our own issues, we work to address human rights issues along our entire supply chain.

Human Rights Due Diligence

Alps Alpine conducts self-assessments on labor and human rights throughout its global network based on the Responsible Business Alliance (RBA) Code of Conduct. In fiscal 2019, self-assessments were carried out at 31 locations. We have implemented corrective measures for the issues identified through the assessment.

Measures against Human Rights Issues along the Supply Chain

In line with its commitment to address human rights issues throughout the entire supply chain, Alps Alpine has requested its suppliers to comply with the obligations specified within its CSR Promotion Guidebook for Suppliers, which include the prohibition of child and forced labor, such as acts of slavery and human trafficking.

Diversity

At Alps Alpine, we are committed to establishing a workplace environment in which people with diverse values are able to fully demonstrate their individuality and strengths, regardless of race, religion, nationality, gender, age, sexual orientation, or disability.

Empowerment of Women

Alps Alpine actively recruits women for its new graduate positions, including engineers.

In addition, we are working to change the mindset of our management and female employees by implementing educational and training programs and creating a pleasant workplace environment in which employees can balance their work with childcare or nursing care.

In fiscal 2019, we introduced new initiatives, such as a cross-industrial exchange meeting to build external networks and identify role models.

• Average Length of Service for Male and Female Employees*1 (Alps Alpine Co., Ltd.)

	2018	2019	2020
Male	19 yrs, 10 mths	19 yrs, 7 mths	19 yrs, 5 mths
Female	18 yrs, 9 mths	18 yrs, 9 mths	18 yrs, 8 mths
Overall	19 yrs, 7 mths	19 yrs, 5 mths	19 yrs, 3 mths

*1 According to our analyses, the decrease in average length of service is due to increases in the numbers of retirees and new hires. As of April 1 of each year.

• Number of Men and Women in Management Positions and Ratio of Women in Management Positions*2 (Alps Alpine Co., Ltd.)

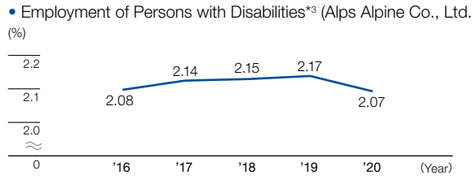
	2017	2018	2019	2020
Men in management positions (number)	539	546	534	500
Women in management positions (number)	10	10	10	13
Women in management positions (ratio)	1.8%	1.8%	1.8%	2.5%

*2 As of April 1 of each year

Employment of People with Disabilities

At Alps Alpine, we are devoted to establishing a workplace environment in which all employees can work vigorously and demonstrate their full potential, regardless of whether or not they have a disability. Our employment of people with disabilities declined slightly in fiscal 2020 due to the change in employee composition resulting from the business integration. However, we will continue to improve our workplace environments and expand employment opportunities for people with disabilities, and thereby meet statutory employment requirements.

• Employment of Persons with Disabilities*3 (Alps Alpine Co., Ltd.)



*3 As of June 1 of each year

Employment of Overseas Personnel—International Associates Program

The International Associates Program (IAP) employs new graduates from overseas on two-year contracts to work at Alps Alpine's offices in Japan. Employing around five people annually for over 20 years, the program has had nearly 100 participants to date from countries in Europe, North America, and Asia. After completion of the program, many participants stay on to work for the Alps Alpine Group, including one employee who is still with us after more than 20 years.

In addition, former foreign exchange students now account for around 10% of the new graduates hired in Japan. These persons engage in wide-ranging jobs, for example, in design and development, manufacturing, sales, and accounting. In fiscal 2019, we hired 5 new employees.



Governance

Directors (As of June 24, 2020)



Toshihiro Kuriyama
Representative Director
President & CEO

Apr. 1980	Joined Alps Electric Co., Ltd. (currently Alps Alpine Co., Ltd.)
Jun. 2004	Director
Apr. 2007	General Manager, Business Development Headquarters
Apr. 2009	General Manager, Engineering Headquarters Engineering & Quality Management Executive
Oct. 2009	Officer in charge of Component Products Business, MMP Division
Jun. 2011	Managing Director
Apr. 2012	General Manager, Engineering Headquarters
Jun. 2012	President, Chairman of the Board of Directors
Jan. 2019	Representative Director, President & CEO (present) ALPS COO
Jun. 2019	CEO (present)



Nobuhiko Komeya
Representative Director
Senior Executive Vice President
CIO (Chief Integration Synergy Officer), Administration, ALPINE Brand

Apr. 1981	Joined Alps Electric Co., Ltd. (currently Alps Alpine Co., Ltd.)
Mar. 2000	Director & President, Alps Electric (UK) Limited
Jun. 2004	Director, Alps Electric Co., Ltd.
Jun. 2009	Managing Director, in charge of Material Control, MMP Division
Jun. 2012	Senior Managing Director, General Manager, Administration Headquarters
Jun. 2015	Senior Managing Director, Alpine Electronics, Inc. Head of Administration (of Alpine Electronics)
Jun. 2016	President of Alpine Electronics (present)
Jan. 2019	Representative Director, Senior Executive Vice President (present) ALPINE-COO
Jun. 2019	Representative Director, Senior Executive Vice President, CIO, ALPINE COO
Apr. 2020	Representative Director, Senior Executive Vice President, CIO, ALPINE Brand
Jun. 2020	Representative Director, Senior Executive Vice President, CIO, Administration, ALPINE Brand (present)



Takashi Kimoto
Director
Executive Vice President
CSO, Automotive Sales & Marketing

Apr. 1981	Joined Alps Electric Co., Ltd. (currently Alps Alpine Co., Ltd.)
Jun. 2008	Director
Apr. 2009	General Manager, Automotive Division
Apr. 2010	European and American Business Executive
Apr. 2012	General Manager, Sales & Marketing Headquarters
Jun. 2012	Managing Director
Jun. 2016	Senior Managing Director
Jan. 2019	Director, Executive Vice President (present) CSO, ALPS-Sales & Marketing
Apr. 2019	Director, Executive Vice President and CSO, ALPS-Electronic Components Sales & Marketing
Apr. 2020	Director, Executive Vice President and CSO, Electronic Components Sales & Marketing
Jun. 2020	Director, Executive Vice President and CSO, Automotive Sales & Marketing (present)



Yasuo Sasao
Director
Senior Vice President
CTO, Engineering

Apr. 1983	Joined Alps Electric Co., Ltd. (currently Alps Alpine Co., Ltd.)
Jan. 2009	Deputy General Manager, Component Products Business Division
Apr. 2009	Deputy Officer in charge of Component Products Business, MMP Division
Jun. 2010	Director
Apr. 2012	General Manager, Component, Engineering Headquarters
Apr. 2013	Officer in charge of Component Business and Deputy General Manager, Engineering Headquarters
Jun. 2014	Officer in charge of Component Business and General Manager, Engineering Headquarters
Jun. 2015	Managing Director
Jun. 2018	Managing Director, Officer in charge of New Component Business and General Manager, Engineering Headquarters
Jan. 2019	Senior Vice President, CTO, ALPS-New Components and ALPS-Engineering
Jun. 2019	Director, Senior Vice President (present) CTO, ALPS-New Business and ALPS-Engineering
Apr. 2020	Director, Senior Vice President, CTO, Engineering (present)



Koichi Endo
Director
Senior Vice President
Deputy CTO,
New Business and Engineering

Apr. 1986	Joined Alpine Electronics, Inc.
Jun. 2010	Director Head of Product Development
Jun. 2015	Deputy Head of Engineering & Development
Jan. 2016	Head of Advanced Development
Jun. 2016	Managing Director Head of Engineering & Development
Jan. 2019	Director, Senior Vice President (present) Deputy CTO, ALPINE-Research & Development and ALPINE-Engineering
Jun. 2019	Director, Senior Vice President, Deputy CTO, ALPINE-Research & Development and ALPINE-Engineering
Apr. 2020	Director, Senior Vice President, Deputy CTO, New Business and Engineering (present)



Tetsuhiro Saeki
Director
Senior Vice President
CMO,
Information Systems and Production

Apr. 1983	Joined Alps Electric Co., Ltd. (currently Alps Alpine Co., Ltd.)
Apr. 2003	Managing Director, Alps Electric Czech, s.r.o.
Mar. 2013	General Manager, Procurement Division, Production Headquarters
Jun. 2014	General Manager, Global Sales & Marketing Operations, Sales & Marketing Headquarters
Jun. 2016	Director, Officer in charge of Information Systems, Deputy General Manager, Sales & Marketing Headquarters
Jan. 2019	Executive Officer, Officer in charge of Information Systems, Deputy General Manager, ALPS-Sales & Marketing
Apr. 2019	Executive Officer, Officer in charge of Information Systems, Deputy General Manager, ALPS-Electronic Components Sales & Marketing
Jun. 2019	Senior Vice President, CMO, Information Systems, ALPS-Production Headquarters, ALPS-Components Production
Apr. 2020	Senior Vice President, CMO, Information Systems and Production (present)
Jun. 2020	Director, Senior Vice President (present)



Naofumi Fujie
Director (Outside)

Apr. 1977	Joined Aisin Seiki Co., Ltd.
Jan. 2002	General Manager, Vehicle System Engineering Department
Jun. 2005	Managing Officer
Jun. 2008	Senior Managing Director
Jun. 2012	Director, Senior Managing Officer
Jun. 2014	Representative Director, Executive Vice President
Jun. 2020	Outside Director (present)



Noriko Oki
Director (Outside)

Apr. 1982	Joined Chase Manhattan Bank (currently JPMorgan Chase Bank)
Apr. 1988	Joined Morgan Stanley Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) Equity Research Division
Dec. 2001	Managing Director
Oct. 2004	Senior Advisor, Investment Banking Division
Jun. 2020	Outside Director (present)



Junichi Umehara
Director
Audit and Supervisory Committee Member

Mar. 1987	Joined Alps Electric Co., Ltd. (currently Alps Alpine Co., Ltd.)
Sep. 2004	Deputy Officer in charge of Legal & Intellectual Property and Deputy Officer in charge of Corporate Export & Import Administration
Jun. 2006	Director
Jul. 2006	Officer in charge of Legal & Intellectual Property General Manager, Corporate Export & Import Administration
Apr. 2009	Deputy General Manager, Administration Headquarters Deputy General Manager, Engineering Headquarters Officer in charge of Intellectual Property
Jun. 2011	Officer in charge of Legal & Intellectual Property
Apr. 2012	Officer in charge of Legal & Intellectual Property, Administration Headquarters
Jul. 2015	Officer in charge of Human Resources, Legal & Intellectual Property
Jun. 2016	General Manager, Administration Headquarters
Jun. 2018	Director (Audit and Supervisory Committee Member) (present)



Toshinori Kobayashi
Director
Audit and Supervisory Committee Member

Aug. 1997	Joined Alpine Electronics, Inc.
Jun. 2010	Director Head of Marketing & Sales
Jun. 2015	Head of American and European Operations
Jun. 2017	Head of European Operations
May 2018	Head of Administration
Jan. 2019	Executive Officer, Officer in charge of Accounting and Finance (of Alps Alpine Co., Ltd.)
Apr. 2019	Executive Officer, Officer in charge of Corporate Planning, Accounting, and Finance
Jun. 2020	Director (Audit and Supervisory Committee Member) (present)



Takashi Iida
Director
Audit and Supervisory Committee Member (Outside)

Apr. 1974	Registered as an attorney Joined Mori Sogo Law Offices (currently Mori Hamada & Matsumoto)
Apr. 1997	Executive Governor, Japan Federation of Bar Associations
Apr. 2006	President, Daini Tokyo Bar Association Vice President, Japan Federation of Bar Associations
Jan. 2012	Opened Kowa Law Office (present)
Jun. 2012	Outside Corporate Auditor, Shimadzu Corporation
Jun. 2013	Outside Corporate Auditor, JAFCO Co., Ltd. Outside Director of the Company
Jun. 2014	Outside Audit & Supervisory Board Member, NIPPON TELEGRAPH AND TELEPHONE CORPORATION (present)
Oct. 2015	Deputy Chairman, Gender Equality Bureau Cabinet Office Promotion and Liaison Committee
Jun. 2016	Director (Audit and Supervisory Committee Member) (present)



Kazuya Nakaya
Director
Audit and Supervisory Committee Member (Outside)

Apr. 1984	Joined Matsushita Kotobuki Electronics Industries, Ltd. (currently PHC Corporation)
Jun. 2006	Director and General Manager, Device Industry Business Group, Panasonic Shikoku Electronics Co., Ltd. (currently PHC Corporation)
Jun. 2008	Representative Director, Managing Director in charge of Device Business
Jun. 2009	Representative Director, Managing Director in charge of Healthcare Business and Business Development
Jun. 2012	Representative Director, Senior Managing Officer in charge of Corporate Planning, Public Relations and Company-wide Operations, Panasonic Healthcare Co., Ltd. (currently PHC Corporation)
Apr. 2014	Representative Director, Senior Managing Officer, Chief Technology Officer (resigned in September 2015)
Oct. 2015	Advisor, Healthcare Business Division, KONICA MINOLTA, INC.
Jun. 2016	Outside Member of the Board, Sharp Corporation
Jun. 2018	Director (Audit and Supervisory Committee Member) (present)



Yoko Toyoshi
Director
Audit and Supervisory Committee Member (Outside)

Apr. 1981	Joined The Bank of Fukuoka, Ltd.
Oct. 1989	Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC)
Dec. 1990	Joined Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)
Jul. 2008	Appointed Partner, Deloitte Touche Tohmatsu
Jul. 2013	Certified Public Accountants and Audit Oversight Board, Financial Services Agency Appointed Chief Certified Public Accountant Audit Inspector
Jul. 2016	Partner, Deloitte Touche Tohmatsu LLC
Jun. 2018	Director (Audit and Supervisory Committee Member) (present)
Mar. 2020	Outside Audit & Supervisory Board Member, Kokuyo Co., Ltd. (present)



Yuko Gomi
Director
Audit and Supervisory Committee Member (Outside)

Apr. 1999	Registered as an attorney Joined T. Kunihiro Law Office (currently T. Kunihiro & Co. Attorneys-at-Law)
Jan. 2012	Appointed as Partner (present)
Jul. 2012	Councilor, The Foundation for the Promotion of Industrial Science (present)
Jul. 2013	Member of Information Security Advisory Board, Japan Coast Guard (present)
Sep. 2013	Legal Advisor to the Legal Compliance Office, General Affairs Division, Minister's Secretariat, Cabinet Office (part time) (present)
Jun. 2018	Outside Corporate Auditor, NIPPON GAS CO., LTD. (present)
May 2019	Outside Audit and Supervisory Board Member, Lawson, Inc. (present)
Jun. 2019	Director (Audit and Supervisory Committee Member) (present)

Governance

Vice Presidents (As of June 24, 2020)



Yoji Kawarada
Senior Vice President
CPO and Material Control



Hiroyuki Sato
Vice President
Automotive Module Business and Engineering



Hideo Izumi
Vice President
Device Business and Engineering



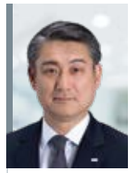
Koji Ishibashi
Vice President
Display & Sound Business and Engineering



Yasushi Motokawa
Vice President
Automotive Sales & Marketing



Satoshi Kodaira
Vice President
CQO and Quality



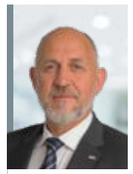
Kazutoshi Ogamoto
Vice President
Automotive Module Business and Production



Hiroshi Yamagami
Vice President
Components Business and Engineering



Yoshikatsu Watanabe
Vice President
Infotainment Business and Engineering



Wilfried Baumann
Vice President
European Business



Hiroaki Kiba
Vice President
Electronic Components Sales & Marketing



Junji Kobayashi
Vice President
Corporate Planning

Note: Vice presidents who serve concurrently as directors are not listed above.

Corporate Governance

Approach to Corporate Governance

The Alps Alpine 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." The Group's basic approach, placing importance on maximizing benefits for shareholders and all other stakeholders, is to realize sustainable growth and maximize medium- to long-term corporate value, in addition to delivering benefits directly or indirectly to stakeholders in a balanced way, thereby satisfying their respective interests.

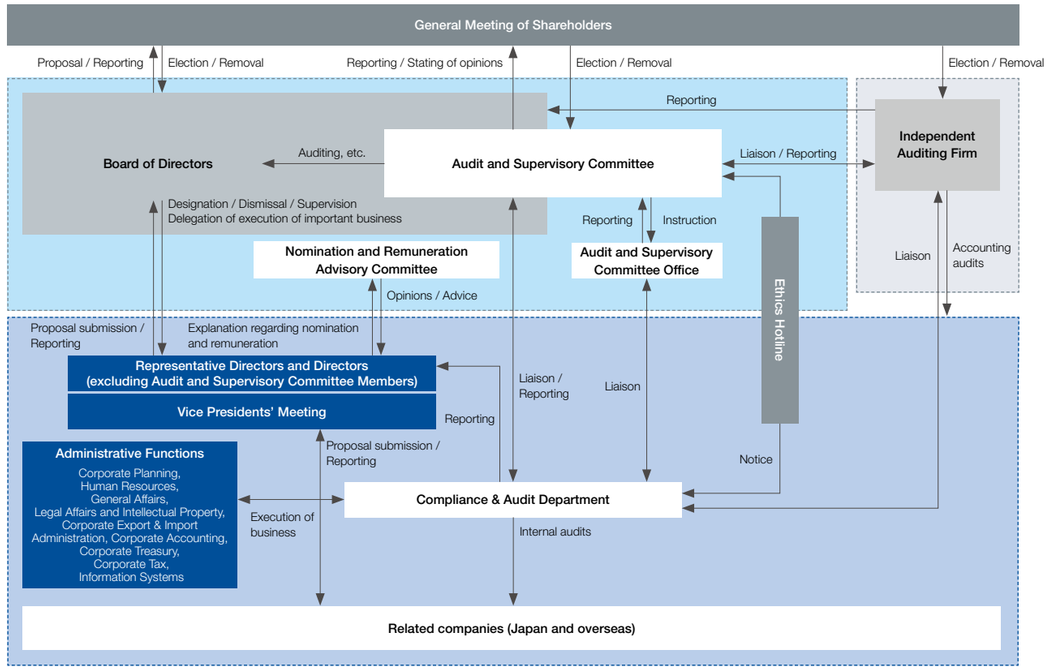
Furthermore, in order to fulfill its responsibilities to stakeholders, including shareholders, customers, local communities, and employees, and realize effective corporate governance as a business entity, Alps Alpine has established "Alps Alpine Co., Ltd. Corporate Governance Policies" and disclosed the policies on the Company's website.

www.alpsalpine.com/e/ir/index.html

Corporate Governance Structure

Alps Alpine has adopted a company with an audit and supervisory committee system as its organizational design under the Companies Act. Independent of executives, the Audit and Supervisory Committee bolsters auditing and supervisory functions while closely coordinating with an independent auditing firm and the internal audit department, thereby further strengthening corporate governance and enabling fair and highly transparent business administration.

Corporate Governance at Alps Alpine



Explanatory notes: Monitoring Accounting audits Operation

Board of Directors' and Vice Presidents' Meetings

The Company's Board of Directors consists of eight (8) directors (excluding directors who are members of the Audit and Supervisory Committee, two (2) of whom are outside directors) and six (6) directors who are members of the Audit and Supervisory Committee (including four (4) outside directors). Outside directors account for more than one-third of the Board of Directors. The Board of Directors deliberates and makes decisions on basic management policy and important management matters, including short- and medium-term business plans, and facilitates the delegation of duties regarding decision-making on the execution of important duties to executive directors. The Company has positioned the Board of Directors as an organ that carries out audit and supervision of the execution of business, thereby strengthening the monitoring function.

In addition, the Company has adopted a vice president system,

Governance

in which chief officers have been appointed for such individual functions as sales, technology, production, materials, quality, and management, and the directors tasked with making important decisions on the execution of business by the Board of Directors provide instruction and guidance to the chief officers and vice presidents responsible, so that the execution of business can be performed effectively in accordance with the business type and size of the Company and subsidiary. In addition to the by-function organization, the vice presidents responsible have been appointed to each business area and business unit, and discussions and deliberations are held at Vice Presidents' and other meetings, where they engage in prompt and accurate decision-making and the execution of business.

Furthermore, the company system was abolished as of April 1, 2020, and by forming a matrix-type organization based on function and responsible business areas and units, the Company will look to further optimize its management resources and maximize its overall synergies.

The Board convenes once a month for regular meetings and on other occasions as required to thoroughly deliberate and pass resolutions on all important matters. Matters to be resolved are checked in advance from legal affairs, accounting, tax, economic rationality, and other perspectives to ensure legal compliance and reasonableness of resolutions of the Board of Directors, in accordance with the rules and bylaws for the Board of Directors. Moreover, the Company formulates short- and medium-term business plans based on Company policy. Business plans are deliberated and resolved 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 the rules and bylaws for the Board of Directors to ensure optimal utilization of management resources.

Since introducing outside directors in 2013, the Company has promoted corporate governance reforms including the transition to a company with an audit and supervisory committee system, the formulation of its Corporate Governance Policies, revisions to the director remuneration system, including retirement benefits, and evaluations of the effectiveness of the Board of Directors. In addition to these improvements, to coincide with the establishment of Alps Alpine Co., Ltd. in January 2019, the Company introduced its vice president system, thereby assembling a framework that separates management supervision from business execution and enhances management maneuverability. To strengthen the Board of Directors and its monitoring activities, in June 2020 the Company increased the number of outside directors to six members, including three female directors. By doing so, the Company has increased independent and objective perspectives to secure shareholder profits and is working to realize sustainable growth and create value over the medium to long term.

In fiscal 2019, the Board of Directors' meeting attendance rate for each director was as follows.

Director	Number of meetings attended / Number of meetings held	Attendance rate
Toshihiro Kuriyama	12/12	100%
Nobuhiko Komeya	12/12	100%
Takashi Kimoto	12/12	100%
Koichi Endo	12/12	100%
Yoichiro Kega	2/2	100%
Satoshi Kinoshita*	12/12	100%
Yasuo Sasao	10/10	100%
Junichi Umehara	12/12	100%
Shinji Maeda	12/12	100%
Takashi Iida*	12/12	100%
Kazuya Nakaya*	12/12	100%
Satoko Hasegawa*	2/2	100%
Yoko Toyoshi*	12/12	100%
Yuko Gomi*	10/10	100%

* Outside director

Evaluation of the Effectiveness of the Board of Directors

Objectives

The Company has established the Corporate Governance Policies for fulfilling its responsibilities to stakeholders, including shareholders, customers, employees, and the local community, as well as for implementing effective corporate governance with the objectives of sustainable growth and medium- to long-term improvement in its corporate value. Based on this, we conduct an evaluation on the effectiveness of the Board of Directors each year, with the goal of further improving the function of the Board of Directors.

The results of the evaluation of the effectiveness of the Board of Directors for fiscal 2019 are as follows.

Summary of the Fiscal 2019 Evaluation Results of the Effectiveness of the Board of Directors

1. Method of Analysis and Evaluation

A non-anonymous questionnaire regarding the size, structure, operation, and deliberations of the Board of Directors, communication among directors, support systems, and the nomination and remuneration of directors, etc., was conducted of all members of the Board of Directors, and the directors performed self-evaluations, as well as giving their opinions. The Audit and Supervisory Committee, including outside directors, and the vice presidents responsible for management analyzed the results, organized issues, and reported to the Board of Directors, which verified and deliberated on the results.

2. Summary of Analysis and Evaluation Results

For fiscal 2019, the Board of Directors confirmed that the increase in the ratio of outside directors under the new system after the business integration of Alps Electric Co., Ltd. and Alpine Electronics, Inc. in January 2019 contributed to the enhancement of corporate governance and that the newly established Nomination and Remuneration Advisory Committee was operating properly.

On the other hand, issues were clarified with respect to securing more time for prior examination of materials, discussion on the overall direction of corporate strategy and mid-term business plans, leadership in the ongoing creation of synergies through business integration, and leadership in the implementation of the 1st Mid-Term Business Plan, specific opinions and suggestions for further improvement and reform were received, and the Board of Directors verified and discussed them.

3. Future Action

In response to these evaluation results and opinions, the Company will work on further improvement and reform by giving priority to the issues clarified, and will implement effective corporate governance with the objectives of sustainable growth and medium- to long-term improvement in the corporate value of the Company.

Audit and Supervisory Committee

The Audit and Supervisory Committee, which consists of six members, including four outside directors, audits the execution of duties of directors from an objective standpoint independent of that of the Board of Directors through attendance at important meetings, checking of important documents, and interviews with the representative directors, other directors, vice presidents, and employees. The audits are carried out through the collective efforts of four outside Audit and Supervisory Committee members—who have experience as corporate managers, extensive legal expertise as attorneys at law, and accounting expertise as certified public accountants—and two inside Audit and Supervisory Committee members—who are familiar with the Company's business. Through the cooperation of the internal audit department, the Audit and Supervisory Committee endeavors to provide opinions to management at Board of Directors' meetings and other important meetings.

The two inside Audit and Supervisory Committee members are both full-time members and attend important in-house meetings and carry out such tasks as gathering valuable information, receiving reports on a daily basis, and sharing such information with the four part-time outside Audit and Supervisory Committee members.

The committee convenes regularly once a month and on other occasions as required. In fiscal 2019, the attendance rate for the Audit and Supervisory Committee meeting was as follows.

Audit and Supervisory Committee member	Number of meetings attended / Number of meetings held	Attendance rate
Junichi Umehara	16/16	100%
Shinji Maeda	16/16	100%
Takashi Iida*	16/16	100%
Satoko Hasegawa*	4/4	100%
Kazuya Nakaya*	16/16	100%
Yoko Toyoshi*	16/16	100%
Yuko Gomi*	11/12	92%

* Outside director

Outside Directors

Alps Alpine appoints outside directors based on their wealth of experience and extensive insight as experts on business management, law, and accounting from an objective perspective to offer advice on and conduct oversight of Company management. Outside directors also work to realize effective supervision by regularly visiting facilities of Alps Alpine to gather information and engage in information and opinion exchange with other directors, vice presidents, and employees. The appointment of outside directors is determined based on Company standards for the selection of director candidates, including criteria for independence, and outside directors, with their consent, are designated as independent directors with their appointment as independent directors being notified to Tokyo Stock Exchange, Inc.

Name	Reason for appointment	Status on major concurrent holding of positions
Naofumi Fujie	Based on his extensive experience and wide-ranging knowledge accumulated through working in the technological development division of an automotive business over many years, the Company deems him an appropriate person for helping the Company realize steady growth.	
Noriko Oki	Based on her extensive experience and wide-ranging knowledge accumulated as a securities analyst over many years in the financial industry, the Company deems her an appropriate person for helping the Company realize steady growth.	
Takashi Iida	Based on his many years of work as a lawyer and extensive experience and wide-ranging knowledge in the legal profession, the Company deems him an appropriate person for helping improve its management.	Outside Audit & Supervisory Board Member, NIPPON TELEGRAPH AND TELEPHONE CORPORATION
Kazuya Nakaya	Based on his specialized knowledge and experience and wide-ranging know-how accumulated as a business practitioner over many years, the Company deems him an appropriate person for helping the Company realize steady growth.	
Yoko Toyoshi	Based on her accounting audit experience gained from working at accounting firms over many years and her specialized knowledge and experience and wide-ranging know-how accumulated as a certified public accountant, the Company deems her an appropriate person for improving its management.	Outside Audit & Supervisory Board Member, Kokuyo Co., Ltd.
Yuko Gomi	Based on her many years of work as a lawyer, her service as a member of expert committees at government-related institutions, her role as an outside director at other companies, and her specialized knowledge and extensive insight, the Company deems her an appropriate person for improving its management.	Outside Corporate Auditor, NIPPON GAS CO., LTD. Outside Audit and Supervisory Board Member, Lawson, Inc.

Director Remuneration System

Under the remuneration system focusing on linkage with performance in the short term and performance over the medium to long term, the Company incentivizes actions of directors for increasing corporate performance and the share price to the maximum extent in order to achieve sustainable improvements in the Group's corporate value. Specifically, the composition of remuneration is as follows:

Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof

- Policy for Determining Remuneration

a) Remuneration for inside directors (excluding Audit and Supervisory Committee members)

The Company's remuneration for inside directors (excluding Audit and Supervisory Committee members) consists of fixed remuneration, performance-based bonuses, and restricted shares. Performance-based bonuses place emphasis on the link to short-term performance and vary between a range of 0% to 200% according to single-year performance (operating income margin and profit attributable to owners of parent). Restricted shares are granted as remuneration linked to medium- to long-term performance, ensuring that both the merits of an increase in the price of the Company's stock and the risks of a decrease in the stock price are shared with shareholders under this system.

Governance

b) Remuneration for outside directors and directors who are members of the Audit and Supervisory Committee

The Company's remuneration for outside directors and directors who are members of the 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 the Audit and Supervisory Committee) at Board of Directors' meetings, and decides on the remuneration for directors who are members of the Audit and Supervisory Committee at Audit and Supervisory Committee meetings, to the extent of the total amount of remuneration approved at the General Meeting of Shareholders. In order to enhance the objectivity and transparency of remuneration and strengthen corporate governance, the amount of remuneration for directors (excluding directors who are members of the Audit and Supervisory Committee) is determined at Board of Directors' meetings upon consideration by the Nomination and Remuneration Advisory Committee, of which six of its 10 directors who are members of the Audit and Supervisory Committee are outside directors.

In fiscal 2019, director remuneration was as follows.

Director Remuneration in Fiscal 2019

Classification	Total value of remuneration (Millions of yen)	Total remuneration by type (Millions of yen)			Number of applicable officers (People)
		Fixed remuneration	Bonuses	Restricted shares	
Directors (excluding Audit and Supervisory Committee members)	200	128	33	38	7
(of whom, outside directors)	(9)	(9)	(—)	(—)	(1)
Directors (Audit and Supervisory Committee members)	65	65	—	—	7
(of whom, outside directors)	(41)	(41)	(—)	(—)	(5)
Total	265	193	33	38	14
(of whom, outside directors)	(50)	(50)	(—)	(—)	(6)

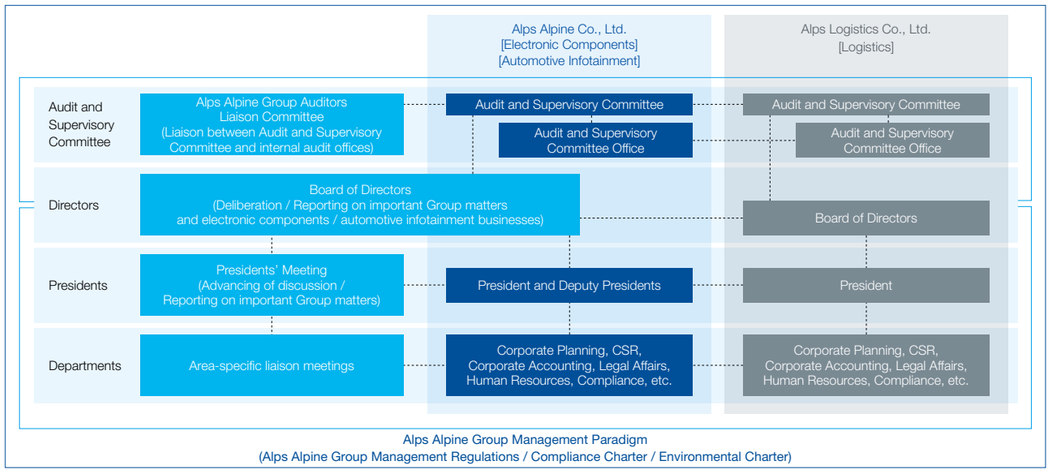
Notes: 1. The amount of remuneration for directors (excluding Audit and Supervisory Committee members) does not include an employee-portion salary for directors who also serve as an employee.
2. As of March 31, 2020, there were six directors (excluding Audit and Supervisory Committee members), of whom one was an outside director, and six directors (Audit and Supervisory Committee members), of whom four were outside directors.
3. For bonuses, the amount is recorded as costs in fiscal 2019.

Internal Controls

Acknowledging the Founding Spirit (Alps Alpine Precepts) as the origin of Group management, Alps Alpine has established within the Alps Alpine Group Management Paradigm (Alps Alpine Philosophy / Alps Alpine Business Approach / Alps Alpine Group Management Regulations) a fundamental philosophy and action guidelines relating to compliance and environmental conservation by Alps Alpine that apply to Alps Alpine and listed subsidiaries. We also maintain internal controls (systems for ensuring the appropriateness of operations) conforming to the Companies Act of Japan and ordinances for enforcement of the act to make sure that the Group as a whole is operated efficiently and appropriately. For basic policies and an overview of the operational status of internal control systems, please view the "Matters Related to Internal Control Systems" section of our Corporate Governance Report.

https://www.alpsalpine.com/e/ir/governance.html

Alps Alpine Group Internal Control Structure



Compliance

Basic Approach to Compliance

The Alps Alpine Group has established the Alps Alpine Group Code of Ethics as one element of the Alps Alpine Group Management Paradigm.

We also appeal to all organizations and employees within the Alps Alpine Group to make an effort at all times to act responsibly and sensibly, aiming for fair management in keeping with the purpose of the law, social requirements, and corporate ethical standards. In this regard, we believe it is important to go beyond the formalities of observing laws and rules and take appropriate action proactively having acquired an understanding of why those laws and rules are necessary—their purpose and significance.

Furthermore, the core companies of each business segment (Electronic Components and Automotive Infotainment: Alps Alpine; Logistics: Alps Logistics) globally deploy within each of those segments specific measures consistent with their respective business domains, such as the establishment of "systems for ensuring the appropriateness of operations" and necessary in-house rules and regulations.

Measures

As the core company of the Electronic Components and the Automotive Infotainment segments, Alps Alpine strives to act responsibly and sensibly, aiming for fair management in keeping with the purpose of the law, social requirements, and corporate ethical standards. In view of this, the Company has declared its fundamental philosophy and action guidelines for compliance and established internal regulations that clarify their specific content, and globally deploys specific measures in each segment.

The deployment of measures goes beyond developing and introducing rules and systems. Importance is placed on ensuring that those rules and systems are being managed properly and effectively by encouraging individual employees, who actually engage in the activities, to take proactive action based on a proper understanding of the importance of compliance.

Specifically, internal controls are established and implemented to ensure that management of Company and Group operations is carried out appropriately; that departments carry out self-evaluations (monitoring) of their own activities; and that the internal audit department carries out internal audits of the activities and operations of various departments, overseas affiliates, and other subsidiaries. For example, in regard to the management and use of grants and subsidies received from public agencies in Japan, Alps Alpine has established a set of regulations related to the management and use of such grants and subsidies and put in place a Companywide management structure with the president and vice president as the chief officer in charge and the managing vice president as supervising officer. Within each headquarters, where there are structures in place for promoting compliance, the compliance promotion representative for the headquarters—the head of the planning department—assigns compliance promotion officers and ensures that grants and subsidies are managed and used within the organization according to the regulations. Each compliance promotion representative also regularly checks up on the use of grants and subsidies Companywide and reports to the supervising officer and the chief officer in charge.

To ensure early discovery and correction of misconduct or other compliance incidents, the persons in charge of facilities in Japan and at overseas affiliates are obliged to report any incidents when they occur to relevant Alps Alpine vice presidents and managing vice presidents as well as to the corporate planning and compliance departments.

Tax Policy

The Alps Alpine Group acts in keeping with its philosophy to "create value for people and the planet through close cooperation between its Group companies while maintaining their independence and autonomy and to contribute to society while increasing corporate value." The Group pursues a corporate policy with a stated aim to "strive for fair management from a global perspective," which is achieved by strictly enforcing observance of the law, its corporate policies, societal customs, and good business ethics with the cooperation of all Group employees.

In regard to our tax processes, our core principle is to fulfill our societal obligation to pay all taxes due in accordance with local tax laws, as well as not implementing any transactions or strategies for the principal purpose of reducing our tax liabilities.

1. Tax Governance

Responsibility over Alps Alpine's tax governance lies with the accounting officers of the Company, whom the tax department reports to concerning tax reporting and management issues. Actual tax procedures are performed by the local tax departments that manage and report on tax matters. Further, the Company regularly reports to the Board of Directors regarding the status of foreign and domestic corporate tax payments. Equally, accounting officers report tax issues such as tax audits and examinations to the Board of Directors on a case-by-case basis. For highly technical issues, such as transfer pricing audits, the Alps Alpine Group is assisted by external advisors.

2. Tax Planning

As the Company expands around the globe, in order to maximize value for its shareholders, it utilizes various favorable tax regimes in different jurisdictions, including the U.K. However, we do not do so with the intention of violating the purpose of any laws or engaging in tax avoidance.

3. Tax Risks

Decisions involving tax matters are made taking into consideration relevant tax risks and potential benefits to the specific facts and circumstances. Each case is therefore considered individually based on a conservative approach, without reference to any predetermined quantitative criteria or standards.

4. Tax Monitoring

In regard to the tax position in the various countries we operate in, our subsidiaries regularly report to the Alps Alpine tax department and accounting officers on issues regarding the completion of tax returns, tax examinations and audits, and tax reform, of which the tax department is continuously monitoring.

Additionally, we have external tax advisors assisting in some particularly complex and specific tax compliance issues, such as transfer pricing compliance in the various countries we operate in.

Governance

Whistle-Blowing System

The Alps Alpine Group has established and operates a whistle-blowing system (Ethics Hotlines), which is independent of management in charge of business divisions, for use when issue resolution through organizational lines is complicated in the event that legal, internal rule, or compliance violations occur (including all types of harassment). Ethics Hotlines have been set up at the Company and its major affiliates.

Alps Alpine has established Ethics Hotline regulations, appointing one full-time Audit and Supervisory Committee member, one outside Audit and Supervisory Committee member, and the head of the compliance department as contact points for the Ethics Hotlines. These regulations also stipulate the confidentiality of reports and ensure the anonymity and protection of those making reports.

Contact information for these reporting contact points is always available in the Company newsletter and on the Ethics Hotline page of the Company's website, as well as in all training sessions in an attempt to promote awareness.

Additionally, when the Ethics Hotlines receive a report, it does so in accordance with the rules stipulated in the aforementioned Ethics Hotline regulations. In particular, in consideration of maintaining confidentiality and ensuring the anonymity with regard to the reporting party, investigations are conducted and, if reported activities are confirmed to be true, appropriate measures are taken. In the past, there where cases in which the reporting of occupational health and safety violations and harassment to the Ethics Hotlines led to an opportunity to promptly rectify or prevent compliance violations.

Global Implementation of Compliance and CSR Training

To improve understanding and awareness regarding compliance and CSR, Alps Alpine conducts compliance and CSR training programs at its domestic and overseas facilities and related subsidiaries.

The 2020 training program centered on the details of the Alps Alpine Group Code of Ethics, which stipulate the ways in which Group companies and employees are expected to act in order to realize the Corporate Vision, which was revised in 2019, and the Alps Alpine Philosophy and the Alps Alpine Business Approach, which embody the values shared by the entire Alps Alpine Group.

Additionally, details of the Group Code of Ethics are available on Alps Alpine's corporate website.

Anticorruption Initiatives

The Alps Alpine Group Code of Ethics define the scope of the giving and receiving of entertainment gifts among clients, business partners, and public officials as well as prohibitions on conflicts of interest, embezzlement, and misappropriation. Through compliance and CSR training, the Company is offering ongoing education to remind everyone to be aware of the prohibitions on embezzlement, misappropriation, entertainment, and gifts.

These problems are compliance violations, which means that employees who have knowledge of these activities can report them using the Ethics Hotlines.

If such activities occur, the vice president in charge will conduct an investigation (in the event the incident is reported to the Ethics Hotlines, the response will be provided by the Ethics Hotlines, which are independent of the executive department) and, if true, handle the issue appropriately to prevent recurrence and report to the Board of Directors. Employees engaged in the reported acts of corruption will be subject to disciplinary actions based on internal regulations.

Risk Management

Approach to Risk Management

Alps Alpine's business environment is subject to a variety of risks stemming from business globalization, technological advancements, market changes, and other factors. In order to realize sustainable growth and enhance its corporate value, the Company understands the importance of ascertaining the level of impact and significance of such risks on its operations and of planning and executing countermeasures over the medium to long term.

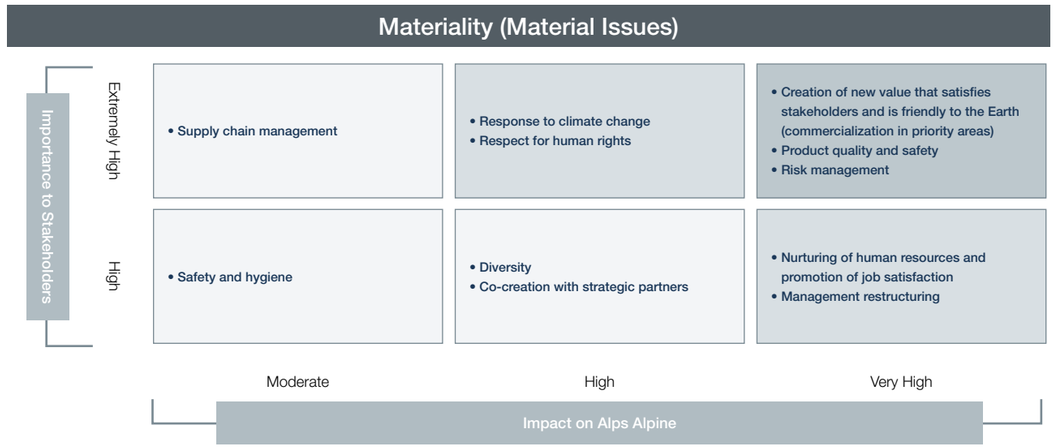
Alps Alpine identifies risks that are relevant to its operations and conducts interviews with each headquarters based on the risks identified. The information obtained from these interviews is verified from both risk and opportunity standpoints by the Sustainability Promotion Office. The results of these verifications are presented for approval to the Board of Directors as issues to be addressed (material issues) by the Company.

The following risks have the potential to impact the Company's operations.

Macro environment	Sovereign and political risk, economic risk, social and cultural risk, environmental preservation risk, and legal and regulatory risk
Business environment	Market risk, user risk, competitive risk, and technological and business model risk
Business and entity	Business model risk, business portfolio risk, resource allocation risk, organizational risk, and supply chain risk
Management resources	Human resource risk, product and facility risk, capital risk, technological risk, information risk, system risk, and credibility and brand risk

Alps Alpine will continue to assess the level of significance and impact of these risks on its operations and revise them accordingly.

Materiality



Crisis Management

In addition to fires, natural disasters, such as earthquakes and heavy rains, and infectious diseases have a significant impact on a corporation's operations and management as well as on its supply chain. To prepare for such crises, the Alps Alpine Group is promoting measures to realize a prompt recovery in its operations and minimize damage.

To enable prompt responses in the event of a crisis, the Group has prepared a crisis management manual and updates the contents thereof as required. Based on this manual, the Group is also preparing a crisis management manual for each facility in Japan and overseas tailored to the specific characteristics of their operations.

Crisis Management Policy (Excerpts from the Crisis Management Manual)

- We will place top priority on ensuring the safety of employees, all people on Company premises (including visitors, related Company employees, on-site subcontractors, and temporary staff), and the families of employees.
- We will continue business activities and do everything we can to maintain the supply of products and provision of services to customers.
- We will endeavor to preserve both tangible and intangible Company assets and make efforts to minimize damage using the most suitable methods.
- We will demonstrate responsible conduct, take quick and appropriate action, and strive to restore operations when risks do eventuate in order to earn the trust of customers, shareholders, and all other stakeholders.

Information Security

Within the Alps Alpine Group, the information systems department heads activities for establishing regulations related to information security as well as the rollout of measures to strengthen in this regard and the holding of employee training on such measures, in addition to engaging in secure information management worldwide through coordination with information officers at each department.

Moreover, in order to confirm the status of information management policies and make improvements, each year the Company assesses the results and issues pertaining to information management and training by conducting information management audits at each department. The information systems department also examines the status of operation, maintenance, and corrective measures of information and security systems for business audits, as well as preventing the leakage and falsification of information, maintaining the stable operation of information systems, and ensuring that the Company is well equipped to combat cyberattacks and other threats that are becoming increasingly sophisticated as of late.

Furthermore, the Company has introduced new regulations and guidelines in response to the heightening awareness of privacy protection in recent years and the resulting enactment and amendment of various laws (the Revised Act on the Protection of Personal Information, the General Data Protection Regulation (EU law on data protection), and the California Consumer Privacy Act (CCPA)).

Governance

Message from an Outside Director

Promoting Change and Action through the Active Sharing of Opinions toward Achieving "ITC101" and Greater Corporate Value



Yoko Toyoshi
Outside Director
Audit and Supervisory Committee Member

Focus of Attention as an Outside Director

Enhancing a company's corporate value is said to be the most prominent role of a director. A company's corporate value is what determines whether that company is deemed necessary by society or, namely, all of its stakeholders. In order to enhance its corporate value, the Company must continue to evolve its management philosophy, which has been passed on since its inception, and openly adapt to changes in society. It must also face reality with courage, create a bright future, and nurture its human resources who will carry on its tradition in the years ahead, and ensuring that this occurs is the role of each director. I am convinced that a strong and reputable company, due to past successes, is at risk of seeing its culture become rigid and losing sight of the changes taking place in its external environment. Accordingly, I strongly feel that an outside director must constantly take the initiative to express differing views whenever necessary, be willing to voice his or her opinions at times on matters that may be construed as irrational by inside directors, and encourage the company in question to take action upon compiling its ideas. In order to realize this, however, outside directors must be passionate about that company and a relationship of trust must exist among all directors.

Looking back on my two years as an outside director, I feel that I have been given every opportunity to express my opinions and ask questions at Board of Directors' meetings. However, the matters I want to convey and their intentions are not always agreed upon by the other directors and vice versa, and therefore I must take it upon myself to resolve this issue. Deliberating and consulting on all of the necessary items at Board meetings is a significantly difficult task. Nonetheless, I will continue to be attentive to the voices of the other directors, fully comprehend the content of discussions, and choose my words carefully by remaining humble and persistent when expressing my opinions to the other directors.

Toward the Achievement of "ITC101"

Alps Alpine is underpinned by its Electronic Components Segment and Automotive Infotainment Segment, which serve as the pillars of the Company. While the impact of COVID-19, which began spreading worldwide in early 2020, is monumental, the Company's operating environment was already undergoing drastic changes by that time due to AI, digital transformation, and the IoT. Although the Company has been addressing such changes through various efforts thus far, I believe it will be pressed to accelerate the pace of its responses, decide which businesses to sustain going forward, and carry out new strategic investments.

The "ITC101" medium-term target was formulated based on such an environment. The Company must work to achieve this target not by prolonging its efforts that have led to past successes but by pursuing solutions to address the needs of society in line with the further shift in value spurred by COVID-19, thereby being deemed a truly necessary company. When I think about the Company's previous management philosophy and new Corporate Vision, which perfectly capture the essence of ESG, I hope the achievement of "ITC101" will be the culmination of all of the hard work put in by each and every director since the inception of the management philosophy. Further, I would like to see the employees at Alps Alpine come to identify with the management philosophy as well.

My Expectations for Alps Alpine

In January 2019, Alps Electric Co., Ltd. and Alpine Electronics, Inc. integrated to form Alps Alpine. I was appointed a director who is a member of the Audit and Supervisory Committee at the General Meeting of Shareholders held in June 2018. While the corporate cultures of Alps Electric and Alpine Electronics were quite similar, they were both independently listed companies that were naturally different in certain ways. One of the important matters on the agenda at that meeting was how the two companies were going to be integrated substantively and how their synergies were going to be leveraged in a timely manner. In particular, because fiscal 2019 was going to be an important year in terms of getting off to a flying start as the newly created Alps Alpine, all of the Company's directors worked unstintingly to create synergies in the form of not 1 + 1 = 2, but rather 1 + 1 = 3 or 4, by engaging in a series of discussions with a sense of urgency at Board of Directors' meetings.

The Company is moving steadily ahead with projects that create new products by merging the areas of strength of each company. I look forward to seeing the Company generate new products that are unlike what we have seen thus far, and uncover them to the world as Alps Alpine advances forward to its next stage.

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Summary of Key Management Indicators

Consolidated Fiscal Years Started April 1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
For the Fiscal Year: [Millions of yen]											
Net sales	493,639	550,668	526,500	546,423	684,362	748,614	774,038	753,262	858,317	851,332	**810,570**
Cost of sales	415,095	441,497	432,589	458,576	558,097	593,788	621,754	601,711	669,721	689,337	**670,700**
Gross profit	78,543	109,170	93,911	87,847	126,265	154,825	152,284	151,551	188,596	161,995	**139,870**
Selling, general and administrative expenses	73,800	80,299	78,740	80,996	97,736	101,291	99,956	107,177	116,688	112,353	**113,074**
Operating income	4,742	28,871	15,171	6,851	28,528	53,534	52,327	44,373	71,907	49,641	**26,795**
Operating income margin: [%]	1.0	5.2	2.9	1.3	4.2	7.2	6.8	5.9	8.4	5.8	**3.3**
Ordinary income	1,676	23,174	14,335	7,659	28,090	57,594	50,038	42,725	66,717	43,605	**18,646**
Profit (loss) attributable to owners of parent	570	11,136	4,175	(7,074)	14,311	34,739	39,034	34,920	47,390	22,114	**(4,009)**
Depreciation and amortization	21,223	18,710	19,759	21,572	24,527	28,010	30,725	33,076	36,004	44,188	**46,057**
R&D expenses	27,843	28,124	28,098	28,674	32,987	33,035	33,336	32,279	29,799	32,886	**37,667**
Capital expenditures	18,480	23,544	34,024	31,833	26,570	31,416	41,190	47,657	76,154	52,928	**42,362**
Operating cash flows	28,970	28,552	23,426	24,805	57,703	65,111	53,958	41,603	70,387	72,671	**87,210**
Investing cash flows	(19,532)	(20,941)	(29,358)	(32,101)	(22,813)	(29,772)	(30,383)	(37,981)	(66,722)	(67,405)	**(42,419)**
Financing cash flows	12,195	5,122	(6,691)	(5,654)	4,994	(27,951)	(36,340)	(309)	(2,957)	(6,910)	**(31,601)**
Cash and cash equivalents at fiscal year-end	88,722	98,495	85,004	76,137	122,237	134,298	116,843	117,991	120,778	118,318	**128,217**
Simplified free cash flow*1	9,437	7,610	(5,931)	(7,296)	34,889	35,339	23,574	3,621	3,665	5,266	**44,791**
At Fiscal Year-End: [Millions of yen]											
Total assets	410,945	427,529	442,052	451,416	512,365	570,482	562,856	602,961	669,874	675,717	**625,542**
Equity	112,705	115,469	115,434	116,817	137,482	179,522	228,496	254,501	301,176	365,346	**324,464**
Interest-bearing debt	116,399	119,947	118,510	124,468	134,364	116,200	54,335	63,272	70,420	108,816	**99,870**
Per Share Data: [Yen]											
Earnings per share (EPS)	3.18	62.14	23.29	(39.47)	79.85	193.81	206.64	178.25	241.91	110.19	**(19.53)**
Diluted EPS	2.74	–	–	–	79.68	177.12	197.73	178.20	241.82	110.14	**–**
Book value per share (BPS)	628.85	644.24	644.03	651.72	767.01	1,001.55	1,166.41	1,299.11	1,537.37	1,731.36	**1,587.06**
Dividends per share (DPS)	0.00	20.00	20.00	5.00	5.00	15.00	25.00	30.00	37.00	50.00	**30.00**
Major Indicators: [%]											
Equity ratio	27.4	27.0	26.1	25.9	26.8	31.5	40.6	42.2	45.0	54.1	**51.9**
Debt-to-equity ratio*2	103.3	103.9	102.7	106.6	97.7	64.7	23.8	24.9	23.4	29.8	**30.8**
Interest coverage ratio*3: [Times]	18.5	14.8	14.1	17.7	49.2	68.0	50.4	81.6	91.2	58.7	**66.4**
Return on assets (ROA)*4	0.1	2.7	1.0	(1.6)	3.0	6.4	6.9	6.0	7.4	3.3	**(0.6)**
Return on equity (ROE)*5	0.5	9.8	3.6	(6.1)	11.3	21.9	19.1	14.5	17.1	6.6	**(1.2)**
Average exchange rates											
USD / JPY: [Yen]	92.85	85.72	79.08	83.10	100.24	109.93	120.14	108.38	110.85	110.91	**108.74**
EUR / JPY: [Yen]	131.15	113.12	108.98	107.14	134.37	138.77	132.58	118.79	129.70	128.41	**120.82**
Other											
Total number of issued shares*6: [Thousand shares]	181,559	181,559	181,559	181,559	181,559	181,559	198,208	198,208	198,208	219,281	**219,281**

*1 Simplified free cash flow = Operating cash flows + Investing cash flows
*2 Debt-to-equity ratio = Interest-bearing debt / Equity
*3 Interest coverage ratio = Operating cash flows / Interest expenses paid
*4 Return on assets (ROA) = Profit attributable to owners of parent / Average total assets
*5 Return on equity (ROE) = Profit attributable to owners of parent / Average equity
*6 The total number of issued shares includes treasury shares.

Performance by Business Segment

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
For the Fiscal Year: [Millions of yen]											
Net Sales											
Electronic Components	274,154	296,152	268,916	268,085	338,811	389,120	434,072	437,676	514,031	468,605	**424,709**
Automotive Infotainment	166,199	198,359	200,248	219,852	282,115	289,783	267,541	242,306	267,638	303,593	**306,299**
Logistics	44,977	47,505	47,999	48,554	52,282	57,062	60,251	61,150	64,666	66,888	**66,872**
Others	8,307	8,651	9,336	9,930	11,154	12,648	12,173	12,128	11,981	12,244	**12,688**
Operating Income											
Electronic Components	395	12,966	4,590	227	14,012	36,595	40,780	32,803	52,929	29,607	**16,124**
Automotive Infotainment	226	11,140	5,634	2,324	9,813	11,537	5,434	5,623	13,735	13,921	**5,655**
Logistics	3,496	3,840	3,709	3,586	4,140	4,457	4,857	5,083	4,932	4,722	**4,118**
Others	294	443	472	412	584	898	1,233	884	1,701	1,430	**1,202**

Consolidated Financial Statements

Consolidated Balance Sheet

Alps Alpine Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
ASSETS			
Current assets:			
Cash and deposits (Notes 16 and 17)	**¥ 129,598**	¥ 122,079	**$ 1,190,830**
Trade notes and accounts receivable (Note 17):			
Unconsolidated subsidiaries and affiliated companies	**313**	1,393	**2,876**
Others	**119,290**	155,482	**1,096,113**
Allowance for doubtful accounts	**(252)**	(320)	**(2,316)**
Inventories (Note 4)	**100,473**	95,835	**923,211**
Others	**19,763**	28,434	**181,595**
Total current assets	**369,187**	402,905	**3,392,327**
Non-current assets:			
Property, plant and equipment (Note 5):			
Land (Note 9)	**30,404**	30,899	**279,371**
Buildings and structures (Note 10)	**152,279**	146,174	**1,399,237**
Machinery and equipment (Note 10)	**391,926**	388,767	**3,601,268**
Construction in progress	**15,368**	13,949	**141,211**
Subtotal	**589,980**	579,791	**5,421,116**
Accumulated depreciation and impairment losses	**(412,114)**	(392,144)	**(3,786,768)**
Total property, plant and equipment, net	**177,865**	187,646	**1,634,338**
Intangible assets, net	**28,259**	23,248	**259,662**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies (Notes 3 and 17)	**140**	22,641	**1,286**
Investment securities (Notes 3 and 17)	**30,845**	14,560	**283,424**
Deferred tax assets (Note 15)	**6,960**	16,600	**63,953**
Net defined benefit asset	**12**	61	**110**
Others	**12,271**	8,053	**112,754**
Total investments and other assets	**50,230**	61,917	**461,546**
Total non-current assets	**78,489**	85,165	**721,207**
Total assets	**¥ 625,542**	¥ 675,717	**$ 5,747,882**

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 5 and 17)	**¥ 28,020**	¥ 28,870	**$ 257,466**
Long-term borrowings due within one year (Notes 5 and 17)	**28,177**	9,375	**258,908**
Trade notes and accounts payable (Note 17):			
Unconsolidated subsidiaries and affiliated companies	**11**	414	**101**
Others	**61,769**	69,181	**567,573**
Accrued income taxes	**4,096**	4,689	**37,637**
Accrued expenses	**36,648**	37,724	**336,745**
Others (Notes 17 and 18)	**39,314**	37,773	**361,242**
Total current liabilities	**198,038**	188,029	**1,819,700**
Non-current liabilities:			
Long-term borrowings (Notes 5 and 17)	**43,672**	70,570	**401,286**
Defined benefit liabilities (Note 6)	**18,828**	14,739	**173,004**
Deferred tax liabilities (Note 15)	**2,333**	1,038	**21,437**
Others	**7,052**	5,977	**64,798**
Total non-current liabilities	**71,887**	92,326	**660,544**
Total liabilities	**269,926**	280,356	**2,480,254**
Contingent liabilities (Note 7)			
Net assets (Note 8):			
Shareholders equity:			
Common stock:			
Authorized – 500,000,000 shares			
Issued – 219,281,450 shares in 2020 and 219,281,450 shares in 2019	**38,730**	38,730	**355,876**
Capital surplus	**126,544**	126,561	**1,162,768**
Retained earnings	**206,491**	227,078	**1,897,372**
Treasury stock – 14,837,907 shares in 2020 and 8,264,481 shares in 2019	**(32,233)**	(18,283)	**(296,178)**
Total shareholders' equity	**339,533**	374,086	**3,119,847**
Accumulated other comprehensive income			
Unrealized gains on securities	**13,435**	3,194	**123,449**
Deferred gains or losses on hedges	**(0)**	12	**(0)**
Revaluation reserve for land (Note 9)	**(496)**	(496)	**(4,558)**
Foreign currency translation adjustments	**(18,214)**	(7,628)	**(167,362)**
Remeasurements of defined benefit plans	**(9,792)**	(3,822)	**(89,975)**
Total accumulated other comprehensive income (loss)	**(15,068)**	(8,740)	**(138,454)**
Subscription rights to shares (Note 22)	**278**	361	**2,554**
Non-controlling interests	**30,872**	29,652	**283,672**
Total net assets	**355,615**	395,360	**3,267,619**
Total liabilities and net assets	**¥625,542**	¥675,717	**$5,747,882**

	Yen		U.S. dollars (Note 1)
	2020	2019	2020
Amounts per share of common stock:			
Net assets	**¥1,587.06**	¥1,731.36	**$14.58**

See accompanying notes.

Consolidated Statement of Income and Comprehensive Income

Alps Alpine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	**2020**
Net sales	**¥810,570**	¥851,332	**$7,448,038**
Costs and expenses:			
Cost of sales (Note 12)	**670,700**	689,337	**6,162,823**
Selling, general and administrative expenses (Notes 11 and 12)	**113,074**	112,353	**1,038,997**
	783,774	801,690	**7,201,819**
Operating income	**26,795**	49,641	**246,210**
Other income (expenses):			
Interest and dividend income	**1,307**	1,186	**12,010**
Subsidy income	**1,380**	471	**12,680**
Interest expense	**(1,298)**	(1,297)	**(11,927)**
Foreign exchange losses	**(3,655)**	(2,082)	**(33,584)**
Share of loss of entities accounted for using equity method	**(3,166)**	(1,584)	**(29,091)**
Commission fee	**(1,625)**	(2,586)	**(14,932)**
Impairment loss (Note 14)	**(2,688)**	(1,839)	**(24,699)**
Others (Note 13)	**(1,481)**	(719)	**(13,608)**
	(11,226)	(8,452)	**(103,152)**
Income before income taxes	**15,568**	41,189	**143,049**
Income taxes (Note 15):			
Current income taxes	**10,375**	10,890	**95,332**
Deferred income taxes	**7,591**	1,124	**69,751**
	17,966	12,014	**165,083**
Net income	**(2,398)**	29,174	**(22,034)**
Net income attributable to owners of parent	**(4,009)**	22,114	**(36,837)**
Non-controlling interests in earnings of consolidated subsidiaries	**1,610**	7,059	**14,794**
Net income	**(2,398)**	29,174	**(22,034)**
Other comprehensive income (Note 21)			
Unrealized gains (losses) on securities	**9,367**	(2,689)	**86,070**
Deferred gains (losses) on hedges	**—**	1	**—**
Foreign currency translation adjustments	**(9,665)**	(3,162)	**(88,808)**
Remeasurements of defined benefit plans	**(5,982)**	(628)	**(54,966)**
Share of other comprehensive income of investments accounted for using the equity method	**(1,008)**	(1,230)	**(9,262)**
Total other comprehensive income	**(7,288)**	(7,708)	**(66,967)**
Total comprehensive income	**¥ (9,686)**	¥ 21,465	**$ (89,001)**
Comprehensive income attributable to:			
Owners of parent	**¥ (10,671)**	¥ 18,123	**$ (98,052)**
Non-controlling interests	**985**	3,341	**9,051**

	Yen		U.S. dollars (Note 1)
	2020	2019	**2020**
Amounts per share of common stock:			
Basic profit attributable to owners of parent per share	**¥(19.53)**	¥110.19	**$(0.18)**
Diluted profit attributable to owners of parent per share	**—**	110.14	**—**
Cash dividends applicable to the year	**30.00**	50.00	**0.28**

See accompanying notes.

Consolidated Statement of Changes in Net Assets

Alps Alpine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

Millions of yen

		Shareholders' equity			
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2018	198,208,086	¥38,730	¥ 56,065	¥213,790	¥ (3,497)
Dividends				(8,815)	
Net income (loss) attributable to owners of parent				22,114	
Purchase of treasury stock					(17,704)
Disposal of treasury stock			17		33
Reversal of revaluation reserve for land				(11)	
Share exchange			70,515		2,884
Changes in the fiscal year of consolidated subsidiaries					
Change of scope of equity method					
Change in shares of parent arising from transactions with non-controlling shareholders			(36)		
Changes in items other than shareholders' equity, net					
Balance at March 31, 2019	219,281,450	38,730	126,561	227,078	(18,283)
Dividends				**(9,368)**	
Net income (loss) attributable to owners of parent				**(4,009)**	
Purchase of treasury stock					**(14,106)**
Disposal of treasury stock			**(11)**		**157**
Reversal of revaluation reserve for land					
Share exchange					
Changes in the fiscal year of consolidated subsidiaries				**13**	
Change of scope of equity method				**(7,222)**	
Change in shares of parent arising from transactions with non-controlling shareholders			**(6)**		
Changes in items other than shareholders' equity, net					
Balance at March 31, 2020	**219,281,450**	**¥38,730**	**¥126,544**	**¥206,491**	**¥(32,233)**

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized gains on securities	Net deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments			
Balance at April 1, 2018	¥ 4,734	¥ (0)	¥(505)	¥ (5,339)	¥(2,800)	¥333	¥114,362	¥415,872
Dividends								(8,815)
Net income (loss) attributable to owners of parent								22,114
Purchase of treasury stock								(17,704)
Disposal of treasury stock								51
Reversal of revaluation reserve for land								(11)
Share exchange								73,400
Changes in the fiscal year of consolidated subsidiaries								—
Change of scope of equity method								—
Change in shares of parent arising from transactions with non-controlling shareholders								(36)
Changes in items other than shareholders' equity, net	(1,540)	13	9	(2,289)	(1,021)	28	(84,709)	(89,509)
Balance at March 31, 2019	3,194	12	(496)	(7,628)	(3,822)	361	29,652	395,360
Dividends								**(9,368)**
Net income (loss) attributable to owners of parent								**(4,009)**
Purchase of treasury stock								**(14,106)**
Disposal of treasury stock								**145**
Reversal of revaluation reserve for land								**—**
Share exchange								**—**
Changes in the fiscal year of consolidated subsidiaries								**13**
Change of scope of equity method								**(7,222)**
Change in shares of parent arising from transactions with non-controlling shareholders								**(6)**
Changes in items other than shareholders' equity, net	**10,240**	**(12)**	**—**	**(10,585)**	**(5,970)**	**(82)**	**1,219**	**(5,191)**
Balance at March 31, 2020	**¥13,435**	**¥ —**	**¥(496)**	**¥(18,214)**	**¥(9,792)**	**¥278**	**¥ 30,872**	**¥355,615**

Consolidated Statement of Changes in Net Assets

Alps Alpine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

Thousands of U.S. dollars (Note 1)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2019	$355,876	$1,162,924	$2,086,539	$(167,996)
Dividends			**(86,079)**	
Net income (loss) attributable to owners of parent			**(36,837)**	
Purchase of treasury stock				**(129,615)**
Disposal of treasury stock		**(101)**		**1,443**
Reversal of revaluation reserve for land				
Share exchange				
Changes in the fiscal year of consolidated subsidiaries			**119**	
Change of scope of equity method			**(66,360)**	
Change in shares of parent arising from transactions with non-controlling shareholders		**(55)**		
Changes in items other than shareholders' equity, net				
Balance at March 31, 2020	**$355,876**	**$1,162,768**	**$1,897,372**	**$(296,178)**

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized gains on securities	Net deferred losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Retirement benefits liability adjustments			
Balance at March 31, 2019	$ 29,349	$ (0)	$(4,558)	$ (70,091)	$(35,119)	$3,317	$272,462	$3,632,822
Dividends								**(86,079)**
Net income (loss) attributable to owners of parent								**(36,837)**
Purchase of treasury stock								**(129,615)**
Disposal of treasury stock								**1,332**
Reversal of revaluation reserve for land								**—**
Share exchange								**119**
Changes in the fiscal year of consolidated subsidiaries								**(66,360)**
Change of scope of equity method								**(55)**
Change in shares of parent arising from transactions with non-controlling shareholders								
Changes in items other than shareholders' equity, net	**94,092**	**(110)**		**(97,262)**	**(54,856)**	**(753)**	**11,201**	**(47,698)**
Balance at March 31, 2020	**$123,449**	**$ (0)**	**$(4,558)**	**$(167,362)**	**$(89,975)**	**$2,554**	**$283,672**	**$3,267,619**

See accompanying notes.

Consolidated Statement of Cash Flows

Alps Alpine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Cash flows from operating activities:			
Income before income taxes	**¥ 15,568**	¥ 41,189	**$ 143,049**
Depreciation and amortization	**46,057**	44,188	**423,201**
Impairment losses	**2,688**	1,839	**24,699**
Increase in accrued product warranties	**1,256**	1,901	**11,541**
Increase (decrease) in accrued expenses	**(1,249)**	123	**(11,477)**
Interest and dividend income	**(1,307)**	(1,186)	**(12,010)**
Interest expense	**1,298**	1,297	**11,927**
Share of loss of entities accounted for using equity method	**3,166**	1,584	**29,091**
Gain on sales of noncurrent assets	**(1,946)**	(544)	**(17,881)**
Insurance income for loss on disaster	**(2,772)**	—	**(25,471)**
Loss on write-down of investment securities	**1,149**	251	**10,558**
Loss on realization of foreign currency translation adjustments	**1,282**	—	**11,780**
Loss on disaster	**1,989**	—	**18,276**
Increase (decrease) in trade notes and other receivables	**31,102**	1,457	**285,785**
Increase in inventories	**(4,087)**	(912)	**(37,554)**
Increase (decrease) in trade notes and other payables	**(2,881)**	4,739	**(26,472)**
Others	**2,903**	(7,596)	**26,675**
Subtotal	**94,216**	88,332	**865,717**
Interest and dividend received	**1,190**	1,386	**10,934**
Interest paid	**(1,313)**	(1,237)	**(12,065)**
Insurance proceeds on disaster	**2,772**	—	**25,471**
Income taxes paid	**(9,655)**	(15,810)	**(88,716)**
Net cash provided by operating activities	**87,210**	72,671	**801,342**
Cash flows from investing activities:			
Increase in time deposits	**(3,031)**	(4,700)	**(27,851)**
Proceeds from withdrawal of time deposits	**5,202**	1,690	**47,799**
Acquisition of property, plant and equipment	**(32,653)**	(52,348)	**(300,037)**
Proceeds from sales of property, plant and equipment	**2,565**	1,153	**23,569**
Acquisition of intangible assets	**(7,997)**	(8,546)	**(73,482)**
Purchase of investment securities	**(2,786)**	(61)	**(25,600)**
Purchase of shares of affiliated companies	**—**	(1,296)	**—**
Purchase of ownership interests of subsidiaries in change in scope of consolidation	**(3,561)**	(439)	**(32,721)**
Others	**(156)**	(2,855)	**(1,433)**
Net cash used in investing activities	**(42,419)**	(67,405)	**(389,773)**
Cash flows from financing activities:			
Net decrease in short-term loans payable	**231**	(4,200)	**2,123**
Proceeds from long-term loans payable	**1,000**	46,052	**9,189**
Repayment of long-term loans payable	**(8,865)**	(3,155)	**(81,457)**
Purchase of treasury stock	**(12,362)**	(17,521)	**(113,590)**
Contribution to money in trust for purchase of treasury stock	**—**	(1,989)	**—**
Cash dividends paid	**(9,368)**	(8,815)	**(86,079)**
Cash dividends paid to non-controlling interests	**(793)**	(6,035)	**(7,287)**
Repayments of lease obligations	**(1,267)**	(646)	**(11,642)**
Others	**(175)**	(10,598)	**(1,608)**
Net cash used in financing activities	**(31,601)**	(6,910)	**(290,370)**
Effect of exchange rate change on cash and cash equivalents	**(4,070)**	(815)	**(37,398)**
Net increase (decrease) in cash and cash equivalents	**9,119**	(2,460)	**83,791**
Cash and cash equivalents at beginning of year	**118,318**	120,778	**1,087,182**
Net increase in cash and equivalent resulting from changes in closing date of consolidated subsidiaries	**778**	—	**7,149**
Cash and cash equivalents at end of year (Note 16)	**¥128,217**	¥118,318	**$1,178,140**

See accompanying notes.

Notes to Consolidated Financial Statements

Alps Alpine Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Alps Alpine Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The accompanying consolidated financial statements are stated in Japanese yen. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan at the prevailing exchange rate on March 31, 2020, which was ¥108.83 to U.S. $1.00.

The translation should not be construed as a representation that the Japanese yen could be converted into U.S. dollars at the above or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and substantially all of its subsidiaries. All significant intercompany transactions and accounts are eliminated in consolidation.

(b) Equity method

Investments in affiliated companies are accounted for by the equity method.

(c) Cash equivalents

In preparing the accompanying consolidated statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Investment securities

Investment securities other than those in subsidiaries and affiliated companies are classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized gain or loss, net of income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on collection. The allowance consists of the estimated uncollectible amounts with respect to specific receivables plus a percentage based on historical credit losses.

(f) Inventories

Inventories held by the Company, its domestic consolidated subsidiaries and its foreign consolidated subsidiaries in Asia are principally stated at the lower of average cost or net realizable value. Inventories held by its foreign consolidated subsidiaries in the United States and Europe are stated at the lower of moving average cost or net realizable value.

(g) Property, plant and equipment and depreciation (excluding leased assets)

Property, plant and equipment is stated at cost. The Company and its consolidated subsidiaries compute depreciation of property, plant and equipment mainly by the straight-line method over the estimated useful lives of the respective assets. Certain domestic consolidated subsidiaries apply the declining-balance method, except with respect to certain buildings, at rates based on their respective estimated useful lives. Depreciation of buildings purchased on or after April 1, 1998 and facilities attached to buildings and other non-building structures purchased on or after April 1, 2016 is computed by the straight-line method.

The estimated useful lives are summarized as follows:

Buildings and structures	2 – 80 years
Machinery and equipment	1 – 20 years

(h) Intangible assets and amortization (excluding leased assets)

Intangible assets consist of software and goodwill. Goodwill means the net excess of the acquisition cost of the Company's investments in consolidated subsidiaries over the fair value of the net assets of those companies and is amortized by the straight-line method over a period of 5 years. Software for internal use is amortized by the straight-line method over its estimated useful lives ranging from 2 to 10 years. Software for sale to the market is amortized at the greater of either the amount based on sales in the year, as a proportion of total estimated sales, or the amount calculated on a straight-line basis over the remaining salable period.

(i) Leased assets

Assets held under finance leases, which transfer the ownership of the leased assets to the lessees, are depreciated by the same method as used for their own property, plant and equipment.

Assets held under finance leases, except those leases which transfer the ownership of the leased assets to the lessees, are depreciated by the straight-line method over their useful lives, which are the same as the term of the lease.

(j) Foreign currency translation

Foreign currency transactions

All financial assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Foreign currency financial statements

The assets and liabilities of the foreign consolidated subsidiaries are translated into Japanese yen at current exchange rates prevailing at the balance sheet date. Revenue and expense accounts are translated at the average exchange rates prevailing during the year. Foreign currency translation adjustments are included in net assets.

(k) Accrued employees' bonuses

Accrued employees' bonuses at the balance sheet date are based on an estimate of the amounts to be paid as bonuses for services rendered by employees by that date.

(l) Accrued directors' bonuses

Accrued directors' bonuses at the balance sheet date are based on an estimate of the amounts to be paid as bonuses for services rendered by directors by that date.

(m) Accrued product warranties

Accrued product warranties are recognized for specific claims on goods sold. In addition, for sales not subject to accrual for specific warranty claims, accrual for product warranties are estimated based on historical experience of the ratio of warranty claims incurred against net sales in the corresponding fiscal year.

(n) Retirement benefits

Accrued retirement benefits and prepaid pension cost for employees have been recorded mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date.

The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Actuarial gain or loss is amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (mainly from 12 to 15 years) from the fiscal year following the respective fiscal year of recognition. Prior service cost is amortized by the straight-line method over a period within the average remaining years of service of the eligible employees (1 year, except certain domestic consolidated subsidiaries that apply a period of 13 years).

Unrecognized actual gains and losses and unrecognized prior service cost are recorded in net assets, adjusted for tax effects as remeasurements of defined benefit plans in accumulated other comprehensive income.

(o) Accrued directors' severance costs

Certain domestic consolidated subsidiaries provide accrued directors' severance cost based on their internal corporate policies.

(p) Allowance for environmental preservation costs

Allowance for environmental preservation costs is provided at the estimated amount needed to restore certain land from soil pollution and to dispose of polluted soil and poisonous material.

(q) Basis for revenue recognition on finance leases

With respect to finance leases for which the ownership of the leased assets is not transferred to the lessees, the Company, as a lessor, recognizes sales at the amount of lease income and cost of sales at the amount of lease income less interest at the time the Company receives the lease fee.

(r) Income taxes

Deferred tax assets and liabilities are recorded based on the temporary differences between the tax bases of assets and liabilities and their reported amounts in the accompanying consolidated financial statements using the enacted tax rates in effect for the years in which the temporary differences are expected to reverse. Deferred tax assets are also recognized for the estimated future tax effects attributable to tax loss carryforwards. A valuation allowance is recorded to reduce deferred tax assets if it is more likely than not that some or all of the deferred tax assets will not be realized.

(s) Amounts per share of common stock

Basic net income per share is computed based on the net income attributable to owners of parent and the weighted average number of shares outstanding during the year. Diluted net income per share is computed based on the net income attributable to owners of parent and the weighted average number of shares outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

Net assets per share are computed based on the net assets excluding share subscription rights and non-controlling interests and the number of shares of common stock outstanding at the year end.

Cash dividends per share of common stock reflect the actual amounts declared for each of the fiscal years.

(t) Derivative financial instruments

In the normal course of business, the Company and its consolidated subsidiaries enter into various derivative transactions to manage their exposure to risks arising from fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries generally recognize all derivatives in the balance sheet at fair value.

Changes in the fair value of derivatives

Changes in the fair value of forward foreign exchange contracts, currency swaps, currency options and coupon swaps designated as hedges of recognized assets or liabilities are recognized in earnings and losses. Changes in the fair value of these derivatives which are designated as hedges of forecasted transactions are deferred until the corresponding hedged transactions are recognized in earnings and losses.

Interest rate swap agreements

Interest rate swap agreements are not recognized at fair value if the agreements meet the criteria for application of the exceptional treatment for the recognition of derivatives at fair value. The differentials to be paid or received relating to the interest rate swap agreements are recognized as interest over the life of each of the agreements.

(u) Accounting for consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(v) Adoption of consolidated taxation system

The Company and certain of its consolidated subsidiaries have adopted the consolidated taxation system.

As for the items subject to the transition to the group tax sharing system established under the "Act on Partial Revision of the Income Tax Act, etc." (Act No.8 of 2020), as well as the items reviewed under the non-consolidated taxation system in conjunction with the transition to the group tax sharing system, the provisions of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan "ASBJ") Guidance No. 28, issued on February 16, 2018) are not adopted in accordance with the treatment under Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No.39, issued on March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act before the revision.

(w) Reclassifications

Certain prior-year amounts have been reclassified to conform to the current year's presentation.

(x) Accounting standards issued but not yet effective

[Disclosure for the year ended March 31, 2022]

Accounting Standard and Implementation Guidance on Revenue Recognition

On March 31, 2020, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30).

(1) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of adoption

The Company adopts the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on its consolidated financial statements.

[Disclosure for the year ended March 31, 2020]

Accounting Standard for Fair Value Measurement and Related Implementation Guidance

On July 4, 2019, the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Fair Value Measurement " (ASBJ Statement No. 30), and "Implementation Guidance on Accounting Standard for Fair Value Measurement " (ASBJ Guidance No. 31), along with related updates to "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9), and "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10).

(1) Overview

The ASBJ has developed an "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively, the "Fair Value Measurement Standard"), which provide guidance for fair value measurement in order to improve comparability with internationally recognized accounting standards. The Fair Value Measurement Standard is applied with respect to the fair value of the following items;

- Financial instruments defined in "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes defined in "Accounting Standard for Measurement of Inventories"

(2) Scheduled date of adoption

The Company adopts the accounting standards and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of adoption of revised accounting standard and related implementation guidance

The Company is currently evaluating the effect of the adoption of the accounting standards and related implementation guidance on its consolidated financial statements.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

On March 31, 2020, the ASBJ issued the revised "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No.24)

(1) Overview

This accounting standard has been released to provide an outline of the applicable accounting principles and procedures in cases where directly relevant accounting standards are not available.

(2) Scheduled date of adoption

The Company adopts the accounting standard from the end of the fiscal year ending March 31, 2021.

Accounting Standard for Disclosure of Accounting Estimates

On March 31, 2020, the ASBJ issued the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No.31)

(1) Overview

This accounting standard has been released to provide guidance on disclosure of information that deepens the understanding of users of the financial statements about estimates that embody a risk of a significant impact on the financial statements of the following accounting period.

(2) Scheduled date of adoption

The Company adopts the accounting standard from the end of the fiscal year ending March 31, 2021.

3. INVESTMENT SECURITIES

Securities classified as other securities at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2020			2020		
	Fair value	Cost	Unrealized gains (losses)	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:						
Equity securities	**¥28,114**	**¥5,115**	**¥22,998**	**$258,330**	**$47,000**	**$211,320**
Securities for which cost exceeds fair value:						
Equity securities	**1,804**	**2,787**	**(983)**	**16,576**	**25,609**	**(9,032)**
Total	**¥29,918**	**¥7,903**	**¥22,015**	**$274,906**	**$72,618**	**$202,288**

	Millions of yen		
	2019		
	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:			
Equity securities	¥13,722	¥3,573	¥10,149
Securities for which cost exceeds fair value:			
Equity securities	76	115	(39)
Total	¥13,799	¥3,688	¥10,110

Note: Non-marketable securities and other at March 31, 2020 and 2019 in the amounts of ¥920 million ($8,454 thousand) and ¥761 million, respectively, have been excluded from the above table because it is extremely difficult to determine the fair value.

Proceeds from sales of securities classified as other securities for the years ended March 31, 2020 and 2019 were ¥369 million ($3,391 thousand) and ¥885 million, respectively.

Gross realized gains and losses for the year ended March 31, 2020 were ¥229 million ($2,104 thousand) and ¥4 million ($37 thousand), respectively. Gross realized gains and losses for the year ended March 31, 2019 were ¥554 million and ¥0 million, respectively.

The impairment losses of ¥1,149 million ($10,558 thousand) and ¥251 million on securities for the years ended March 31, 2020 and 2019 were recorded for non-marketable equity securities at ¥246 million ($2,260 thousand) and ¥249 million; for the shares of companies that have business relationships with the Company at ¥902 million ($8,288 thousand) and ¥1 million, respectively.

As for securities whose fair values at the year end are less than 70% of the acquisition costs deemed to be unrecoverable, the impairment losses are recognized in principle.

4. INVENTORIES

Inventories at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Merchandise and finished goods	**¥ 63,061**	¥58,314	**$579,445**
Work in process	**11,344**	10,574	**104,236**
Raw materials and supplies	**26,067**	26,946	**239,520**
	¥100,473	¥95,835	**$923,211**

The following (gain) loss on valuation of inventories is included in the cost of sales for the years ended March 31, 2020 and 2019, respectively:

Millions of yen		Thousands of U.S. dollars
2020	2019	2020
¥(722)	¥39	**$(6,634)**

5. SHORT-TERM BORROWINGS AND LONG-TERM BORROWINGS

Average interest rates for short-term borrowings, consisting primarily of overdrafts with banks, were 1.31% and 2.08% at March 31, 2020 and 2019, respectively.

Long-term borrowings at March 31, 2020 and 2019 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Loans principally from banks and insurance companies due over 1 year at average interest rates of 0.27% and 0.44% at March 31, 2020 and 2019, respectively	**¥43,672**	¥70,570	**$401,286**
Loans principally from banks and insurance companies due within 1 year at average interest rates of 0.62% and 2.95% at March 31, 2020 and 2019, respectively	**28,177**	9,375	**258,908**
	¥71,850	¥79,946	**$660,204**

At March 31, 2020 and 2019, the following assets were pledged as collateral for bank loans and long-term borrowings:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Buildings and structures	**¥—**	¥1,610	**$—**
Land	**—**	1,389	**—**
Total	**¥—**	¥3,000	**$—**

At March 31, 2020 and 2019, such collateral secured the following obligations:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Long-term borrowings due within one year	**¥—**	¥60	**$—**
Long-term borrowings	**—**	—	**—**
Total	**¥—**	¥60	**$—**

The aggregate annual maturities of long-term borrowings subsequent to March 31, 2020 and 2019 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending	2020	2020
2020	**¥28,177**	**$258,908**
2021	**1,617**	**14,858**
2022	**12,055**	**110,769**
2023	**30,000**	**275,659**
2024	**—**	**—**
2025 and thereafter	**—**	**—**
Total	**¥71,850**	**$660,204**

	Millions of yen
Year ending	2019
2019	¥ 9,375
2020	28,070
2021	1,500
2022	11,000
2023	30,000
2024 and thereafter	—
Total	¥79,946

6. RETIREMENT BENEFITS

The Company and certain consolidated subsidiaries have defined benefit plans, including a multi-employer corporate pension plan, a defined benefit corporate pension plan and lump-sum payment plans.

According to the Company's rules, employees may, in the event of involuntary retirement, be entitled to additional payments of retirement benefits, which are not reflected in the actuarial calculation of the projected benefit obligations.

The Company and certain of its consolidated subsidiaries have defined contribution pension plans.

In addition, a foreign consolidated subsidiary has a public pension plan.

Defined benefit plans

(1) The changes in the defined benefit liabilities for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Defined benefit liabilities, beginning balance	**¥68,608**	¥70,767	**$630,414**
Service cost	**2,918**	2,550	**26,812**
Interest cost	**428**	488	**3,933**
Actuarial gain or loss	**1,225**	(1,444)	**11,256**
Retirement benefits paid	**(4,683)**	(3,670)	**(43,030)**
Other	**(213)**	(82)	**(1,957)**
Defined benefit liabilities, ending balance	**¥68,284**	¥68,608	**$627,437**

(2) The changes in plan assets for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Plan assets, beginning balance	**¥53,930**	¥56,551	**$495,544**
Expected return on plan assets	**2,060**	2,195	**18,929**
Actuarial gain or loss	**(3,892)**	(3,345)	**(35,762)**
Employer contributions	**1,762**	2,189	**16,190**
Retirement benefits paid	**(4,106)**	(3,584)	**(37,729)**
Other	**(285)**	(75)	**(2,619)**
Plan assets, ending balance	**¥49,468**	¥53,930	**$454,544**

(3) The amounts recognized in the consolidated balance sheet as of March 31, 2020 and 2019 consist of:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Funded defined benefit liabilities	**¥ 65,055**	¥ 65,288	**$ 597,767**
Plan assets at fair value	**(49,468)**	(53,930)	**(454,544)**
Funded status	**15,587**	11,357	**143,223**
Unfunded defined benefit liabilities	**3,228**	3,320	**29,661**
Liability in the balance sheet, net	**¥ 18,815**	¥ 14,678	**$ 172,884**
Defined benefit liabilities	**¥ 18,828**	¥ 14,739	**$ 173,004**
Asset for retirement benefit	**(12)**	(61)	**(110)**
Liability in the balance sheet, net	**18,815**	14,678	**172,884**

(4) The amounts recognized in the consolidated statement of income for the years ended March 31, 2020 and 2019 consist of:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Service cost	**¥ 2,918**	¥ 2,550	**$ 26,812**
Interest cost	**428**	488	**3,933**
Expected return on plan assets	**(2,060)**	(2,195)	**(18,929)**
Amortization of actuarial loss	**797**	609	**7,323**
Amortization of prior service cost	**0**	0	**0**
Other	**128**	71	**1,176**
Periodic pension cost for defined benefit plan	**¥ 2,213**	¥ 1,526	**$ 20,334**

(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Prior service cost	**¥ (0)**	¥ (0)	**$ (0)**
Actuarial gain and loss	**4,320**	1,291	**39,695**
Total	**¥4,319**	¥1,290	**$39,686**

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	**2020**
Unrecognized prior service cost	**¥ 3**	¥ 4	**$ 28**
Unrecognized actuarial losses	**9,946**	5,610	**91,390**
Total	**¥9,949**	¥5,614	**$91,418**

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2019 comprised the following:

	2020	2019
Bonds	**42.9%**	35.9%
Stocks	**29.1%**	36.7%
Insurance	**15.4%**	4.7%
Cash and cash equivalents	**4.6%**	6.7%
Alternative (*)	**7.8%**	16.0%
Other	**0.2%**	0.1%
Total	**100.0%**	100.0%

* Alternative included investments in funds of hedge funds and multi assets.

(8) The principal actuarial assumptions used in accounting for the defined benefit plans for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate	**Mainly 0.5%**	Mainly 0.5%
Expected rate of return on plan assets	**Mainly 4.0%**	Mainly 4.0%
Estimated rate of salary increase	**Mainly 1.9%**	Mainly 2.0%

The expected rate of return on plan assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

Multi-employer plans

One of the Company's domestic consolidated subsidiaries participates in a multi-employer defined benefit pension plan and recognizes as net pension cost the related required contributions for the period. Information regarding the multi-employer pension plan for the years ended March 31, 2020 and 2019 is summarized as follows:

(1) Funded status

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Pension assets	**¥7,393**	¥7,399	**$67,932**
Pension liabilities	**5,040**	5,046	**46,311**
Funded status	**¥2,352**	¥2,352	**$21,612**

(2) Number of employees of the Company's consolidated subsidiary participating in the multi-employer pension plan as a percentage of total participants in the plan

2020	2019
0.99%	0.85%

Defined contribution plans

The amounts paid to the defined contribution plans for the years ended March 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Defined contribution plan payment	**¥824**	¥998	**$7,571**

7. CONTINGENT LIABILITIES

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥40,000 million ($367,546 thousand at March 31, 2020) with financial institutions at March 31, 2020 and 2019. The outstanding loans payable amounting to nil at March 31, 2020 and 2019, respectively. The unused balances amounting to ¥40,000 million ($367,546 thousand) at March 31, 2020 and 2019, respectively.

The Company was contingently liable as guarantor for loans of NEUSOFT REACH AUTOMOTIVE TECHNOLOGY (SHENYANG) CO., LTD., which is outside of its consolidated subsidiaries, in the aggregate amount of ¥2,980 million ($27,382 thousand) and nil at March 31, 2020 and 2019, respectively.

8. NET ASSETS

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the stockholders, or by the Board of Directors if certain conditions are met.

Shares in Issue and Outstanding and Treasury Stock

The total number and periodic changes in the number of shares in issue and the total number and periodic changes in the number of shares of treasury stock for the years ended March 31, 2020 and 2019 are summarized as follows:

	Shares in Issue and Outstanding (Thousand)	Treasury Stock (Thousand)
Number of shares at March 31, 2018	198,208	2,304
Increase in number of shares	21,073	7,882
Decrease in number of shares	—	1,922
Number of shares at March 31, 2019	219,281	8,264
Increase in number of shares	—	6,644
Decrease in number of shares	—	70
Number of shares at March 31, 2020	**219,281**	**14,837**

During the year ended March 31, 2020, the increase of 6,644 thousand shares of treasury stock consists of the repurchase of 6,639 thousand shares under the share buyback program and the purchase of 4 thousand shares of odd-shares.

The decrease of 70 thousand shares of treasury stock consists of the disposal of 42 thousand shares of treasury stock as granting restricted shares and the exercise of stock options rights of 28 thousand shares.

During the year ended March 31, 2019, the increase of 21,073 thousand shares of shares in issue and outstanding was due to the issue of shares in connection with the share exchange. The increase of 7,882 thousand shares of treasury stock consists of the repurchase of 7,772 thousand shares under the share buyback program, the allocation of 104 thousand shares of ALPINE shares held by affiliated companies in connection with the share exchange, the purchase of 4 thousand shares of odd-shares and the purchase of 0 thousand shares of odd-shares in connection with the share exchange.

The decrease of 1,922 thousand shares of treasury stock consists of the disposal of 1,900 thousand shares of treasury stock in connection with share exchange and the exercise of stock options rights of 22 thousand shares.

Stock subscription rights

The total number and periodic changes in the number of stock subscription rights for the year ended March 31, 2020 are summarized as follows:

Stock subscription rights of stock options

Company name	ALPS ALPINE CO., LTD.	ALPS LOGISTICS CO., LTD.
Class of stock	—	—
Number of shares at March 31, 2019	—	—
Increase in number of shares	—	—
Decrease in number of shares	—	—
Number of shares at March 31, 2020	—	—
Ending balance at March 31, 2020 (Millions of yen)	¥225	¥53

Dividends

The following appropriations of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2020, was approved at the ordinary general meeting of shareholders on June 24, 2020 and will go into effect on June 25, 2020:

	Millions of yen	Thousands of U.S. dollars
Cash dividends to be approved on June 24, 2020 (¥10.00 = $0.09 per share)	¥2,044	$18,782

The following appropriations of cash dividends to shareholders of common stock were approved at the ordinary general meeting of shareholders held on June 21, 2019 and at the meeting of the Board of Directors held on October 30, 2019 and were paid to shareholders of record as of March 31, 2019 and September 30, 2019, respectively, during the year ended March 31, 2020:

	Millions of yen
Cash dividends approved on June 21, 2019 (¥25.00 per share)	¥5,275
Cash dividends approved on October 30, 2019 (¥20.00 per share)	¥4,093

9. REVALUATION OF LAND

On March 31, 2002, a domestic consolidated subsidiary revalued its land held for business purposes in accordance with the "Law on Land Revaluation." The method followed for this land revaluation was determined in accordance with the "Enforcement Act Concerning Land Revaluation." Differences arising from the land revaluation have been accounted for as revaluation reserve for land (non-controlling interests in net assets section for non-controlling portion) under net assets.

The excesses of the carrying value of this land after the revaluation over its fair value as of March 31, 2020 and 2019 were ¥972 million ($8,931 thousand) and ¥972 million, respectively.

10. REDUCTION ENTRY

The amount of the reduction entry for the years ended March 31, 2020 and 2019 and accumulated reduction entry as of March 31, 2020 and 2019 for tangible fixed assets deducted from the acquisition cost of tangible fixed assets due to government subsidies, etc. are as follows:

Reduction entry for the years ended March 31, 2020 and 2019	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Buildings and structures	¥ 2	¥6	$18
Machinery and equipment	7	1	64
Tools, furniture and fixtures	—	0	—
Total	¥10	¥8	$92

Accumulated reduction entry as of March 31, 2020 and 2019	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Buildings and structures	¥294	¥291	$2,701
Machinery and equipment	42	34	386
Tools, furniture and fixtures	0	0	0
Total	¥337	¥326	$3,097

11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Salaries	¥36,380	¥37,436	$334,283
Research and development expenses	21,721	18,900	199,587
Commission expenses	11,598	11,257	106,570
Employees' bonuses	4,568	4,551	41,974
Warranty costs	3,692	3,723	33,924
Retirement benefit expense	988	829	9,078

12. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and general and administrative expenses were ¥37,667 million ($346,109 thousand) and ¥32,886 million for the years ended March 31, 2020 and 2019, respectively.

13. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statement of income and comprehensive income for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Gain on sale of fixed assets	¥ 1,946	¥ 544	$ 17,881
Insurance compensation due to disaster	2,772	—	25,471
Write-offs of investment securities	(1,149)	(251)	(10,558)
Loss on disaster	(1,989)	—	(18,276)
Loss on valuation of investments in affiliated companies	(933)	—	(8,573)
Loss on reversal of foreign currency translation adjustments	(1,282)	—	(11,780)
Other	(845)	(1,012)	(7,764)
	¥(1,481)	¥ (719)	$(13,608)

14. IMPAIRMENT LOSSES ON FIXED ASSETS

In accordance with the accounting treatment for the impairment of fixed assets, the Company determined asset groups based on the categories used for managerial accounting considering the relevance of product categories and production processes. With respect to idle assets, leased assets and scheduled disposal assets, each asset is treated as an individual unit when applying the accounting treatment for impairment of fixed assets because cash inflows and outflows can be measured at the asset level.

The Company recognized impairment losses on the following asset groups during the year ended March 31, 2020:

Location	Use	Asset type	Millions of yen	Thousands of U.S. dollars
			2020	2020
Japan	Scheduled disposal assets	Machinery & equipment etc.	¥1,393	$12,800
	Assets for Electronic components business	Machinery & equipment etc.	1,133	10,411
	Idle assets	Land	0	0
China	Assets for Logistics business	Buildings and structures etc.	160	1,470
Total			¥2,688	$24,699

With respect to assets included in assets for the Electronic components business and the Logistics business, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts were determined at the value-in-use computed as future cash flow discounted mainly at a rate of 6.39%.

With respect to idle assets and scheduled disposal assets, whose fair value declined or whose future use had not been determined, the Company reduced the book value of those assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts of scheduled disposal assets were estimated as sales value based on the plan for disposal and other scheduled disposal assets were determined as zero.

The recoverable amounts of idle assets were determined at net realizable value computed based on asset value recognized under property tax appraised values.

The Company recognized impairment losses on the following asset groups during the year ended March 31, 2019.

			Millions of yen
Location	Use	Asset type	2019
Japan	Scheduled disposal assets	Construction in progress etc.	¥1,583
	Idle assets	Land	0
Hong Kong	Assets for Logistics business	Buildings and structures etc.	255
Total			¥1,839

With respect to assets included in assets for the Logistics business, because the business environment deteriorated mainly due to a market contraction, the Company reduced the book value of these assets to their respective recoverable amounts and recognized impairment losses as other expenses.

With respect to idle assets and scheduled disposal assets, whose fair value declined or whose future use had not been determined, the Company reduced the book value of those assets to their respective recoverable amounts and recognized impairment losses as other expenses.

The recoverable amounts of scheduled disposal assets were estimated as sales value based on the plan for disposal and other scheduled disposal assets were determined as zero.

The recoverable amounts of idle assets were determined at net realizable value computed based on asset value recognized under property tax appraised values.

15. INCOME TAXES

The Company is subject to a number of taxes in Japan based on income, which, in the aggregate, resulted in a statutory tax rate of approximately 30.4% for the years ended March 31, 2020 and 2019, respectively.

The following table summarizes the reconciliations between the statutory tax rates and the Company's effective tax rates reflected in the accompanying consolidated statement of income and comprehensive income for the years ended March 31, 2020 and 2019:

	2020	2019
Statutory tax rates	**30.4%**	30.4%
Lower tax rates at foreign subsidiaries	**(16.3)**	(5.4)
Change in valuation allowance	**88.4**	(3.3)
Retained profit of overseas subsidiaries	**6.1**	4.7
Non-deductible expenses	**4.9**	1.2
Other	**1.9**	1.6
Effective tax rates	**115.4%**	29.2%

The significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Accrued employees' bonuses	**¥ 2,707**	¥ 2,834	**$ 24,874**
Accrued warranty costs	**1,219**	1,158	**11,201**
Allowance for doubtful accounts	**190**	296	**1,746**
Accrued income taxes	**242**	225	**2,224**
Accrued expenses	**1,342**	929	**12,331**
Liability for retirement benefit	**2,622**	4,390	**24,093**
Tax effect on investments, etc. of subsidiary scheduled to be liquidated	**—**	1,265	**—**
Depreciation	**10,728**	9,989	**98,576**
Impairment losses for land	**705**	974	**6,478**
Intercompany profit	**3,896**	4,065	**35,799**
Write-offs of investment securities	**1,014**	730	**9,317**
Write-offs of inventories	**1,585**	1,908	**14,564**
Tax loss carryforwards	**15,808**	8,916	**145,254**
Other	**5,469**	4,897	**50,253**
Gross deferred tax assets	**47,527**	42,576	**436,709**
Valuation allowance for tax loss carryforwards (Note 1)	**(15,336)**	(6,490)	**(140,917)**
Valuation allowance for deductible temporary differences	**(13,488)**	(10,385)	**(123,936)**
Total valuation allowance	**(28,824)**	(16,875)	**(264,853)**
Less deferred tax liabilities in the same tax jurisdiction	**(11,743)**	(9,100)	**(107,902)**
Total deferred tax assets	**6,960**	16,600	**63,953**
Deferred tax liabilities:			
Unrealized gain on investment securities	**(6,576)**	(3,180)	**(60,425)**
Undistributed retained earnings of foreign subsidiaries	**(5,537)**	(5,081)	**(50,878)**
Undistributed retained earnings of affiliated company accounted for by the equity method	**—**	(737)	**—**
Other	**(1,964)**	(1,140)	**(18,046)**
Gross deferred tax liabilities	**(14,077)**	(10,138)	**(129,349)**
Less deferred tax assets in the same tax jurisdiction	**11,743**	9,100	**107,902**
Total deferred tax liabilities	**(2,333)**	(1,038)	**(21,437)**
Net deferred tax assets	**¥ 4,626**	¥ 15,562	**$ 42,507**

Note 1:

	Millions of yen						
	2020						
	Due in one year or less	Due after one years through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards (a)	**¥ 71**	**¥3,358**	**¥ 109**	**¥ 59**	**¥ 2,741**	**¥ 9,470**	**¥ 15,808**
Valuation allowance	**(52)**	**(3,262)**	**(109)**	**(59)**	**(2,516)**	**(9,338)**	**(15,336)**
Deferred tax assets	**¥ 19**	**¥ 96**	**—**	**—**	**¥ 225**	**¥ 131**	**¥ 471** (b)

	Thousands of U.S. dollars						
	2020						
	Due in one year or less	Due after one years through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards (a)	$ 652	$ 30,855	$ 1,002	$ 542	$ 25,186	$ 87,016	$ 145,254
Valuation allowance	(478)	(29,973)	(1,002)	(542)	(23,119)	(85,804)	(140,917)
Deferred tax assets	$ 175	$ 882	—	—	$ 2,067	$ 1,204	$ 4,328 (b)

(a) The amount is determined by multiplying the corresponding tax loss carryforwards by the effective statutory tax rate.
(b) Deferred tax assets of ¥471 million ($4,328 thousand) were recorded for tax loss carryforwards of ¥15,808 million ($145,254 thousand). Deferred tax assets associated with tax loss carryforwards are considered to be recoverable based on estimated future taxable income.

16. CASH AND CASH EQUIVALENTS

A reconciliation between cash and deposits in the accompanying consolidated balance sheets, and cash and cash equivalents in the accompanying statements of cash flows at March 31, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥129,598	¥122,079	$1,190,830
Less:			
Time deposits with a maturity of more than three months when purchased	(1,380)	(3,761)	(12,680)
Cash and cash equivalents	¥128,217	¥118,318	$1,178,140

Main breakdown of assets and liabilities of the company that became new consolidated subsidiaries through the acquisition of shares Assets and liabilities of the company that became new consolidated subsidiaries through the acquisition of shares for the year ended March 31, 2019 is immaterial.

The Company acquired shares of FAITAL S.p.A, two of its subsidiaries, and ZHAOPU ELECTRONICS (SHANGHAI) INC., and consolidated these subsidiaries for the year ended March 31, 2020.

The breakdown of assets and liabilities of these subsidiaries when they became consolidated, and the reconciliation between the stock acquisition price and expenditure for acquisition of equity interest are as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Current assets	¥ 4,153	$ 38,160
Property, plant and equipment	6,917	63,558
Goodwill	1,143	10,503
Current liabilities	(2,364)	(21,722)
Non-current liabilities	(1,348)	(12,386)
Gain on negative goodwill	(45)	(413)
Foreign currency translation adjustments	10	92
Non-controlling interests	(918)	(8,435)
Stock of second-tier subsidiaries	(1,913)	(17,578)
Stock acquisition price	5,635	51,778
Stock acquisition price until acquisition of control	(1,044)	(9,593)
Loss on step acquisition	38	349
Cash and cash equivalents of newly consolidated subsidiaries	(1,067)	(9,804)
Net deduction: Expenditure for acquisition of equity interest in a subsidiary resulting in change in scope of consolidation	¥(3,561)	$ 32,721

Supplemental Disclosure of Non-Cash Transactions

The Company recorded assets and corresponding obligations for finance lease transactions amounting to ¥1,940 million ($17,826 thousand) and ¥1,295 million for the years ended March 31, 2020 and 2019, respectively.

17. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

In consideration of plans for capital investment mainly in manufacturing, marketing and sales of electric devices, the Company and its consolidated subsidiaries (collectively, the "Group") raise funds through bank borrowings. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term capital through bank borrowings. The Group uses derivatives for the purpose of reducing risk and does not enter into derivative transactions for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables—trade notes and accounts receivable—are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies, net of trade payables denominated in the same currencies are hedged by forward foreign exchange contracts and currency swaps.

Marketable securities and investment securities are exposed to market risk. Those securities are mainly composed of shares of common stock of other companies with which the Group has business relationships.

Substantially all trade payables—trade notes and accounts payable—have payment due dates within four months.

Short-term borrowings and long-term borrowings are taken out principally for the purpose of making capital investments.

To reduce the risk of long-term borrowings bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

Regarding derivatives, the Group enters into forward foreign exchange contracts and currency swap transactions to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies.

Information regarding the method of hedge accounting, hedging instruments and hedged items is found in summary of significant accounting policies in Note 2.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Group arising from receivables, the related Sales Department manager monitors credit worthiness of main customers, and the Credit Control Department assesses the financial situation periodically. In addition, the Group is making efforts to identify and mitigate risks of bad debts.

The Group believes that the credit risk of derivatives is insignificant as it enters into derivative transactions only with financial institutions which have a sound credit profile.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts and currency swaps to hedge such risk. In order to mitigate the interest rate risk for loans payable bearing interest at variable rates, the Group may also enter into interest rate swap transactions.

For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained taking into account their fair values and relationships with the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions. Monthly reports including actual transaction data are submitted to the Board of Directors for their review.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on the business plan, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available.

When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 18. DERIVATIVE FINANCIAL INSTRUMENTS are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2020 and 2019, their estimated fair value and unrealized gains are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

		Millions of yen			Thousands of U.S. dollars		
		2020			2020		
		Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:	Cash and deposits	**¥129,598**	**¥129,598**	**¥ —**	**$1,190,830**	**$1,190,830**	**$ —**
	Trade notes and accounts receivable	**119,604**	**119,064**	**—**	**1,098,998**	**1,098,998**	**—**
	Investment securities	**29,918**	**29,918**	**—**	**274,906**	**274,906**	**—**
Total assets		**¥279,121**	**¥279,121**	**—**	**$2,564,743**	**$2,564,743**	**—**
Liabilities:	Trade notes and accounts payable	**¥ 61,781**	**¥ 61,781**	**¥ —**	**$ 567,684**	**$ 567,684**	**$ —**
	Short-term borrowings	**28,020**	**28,020**	**—**	**257,466**	**257,466**	**—**
	Long-term borrowings due within one year	**28,177**	**28,177**	**—**	**258,908**	**258,908**	**—**
	Long-term borrowings	**43,672**	**43,736**	**64**	**401,286**	**401,874**	**588**
Total liabilities		**¥161,652**	**¥161,716**	**¥64**	**$1,485,362**	**$1,485,951**	**$588**
Derivatives*		**¥ (108)**	**¥ (108)**	**¥ —**	**$ (992)**	**$ (992)**	**$ —**

		Millions of yen		
		2019		
		Carrying value	Estimated fair value	Difference
Assets:	Cash and deposits	¥122,079	¥122,079	¥ —
	Trade notes and accounts receivable	156,875	156,875	—
	Investment securities	25,165	37,625	12,460
Total assets		¥304,120	¥316,581	¥12,460
Liabilities:	Trade notes and accounts payable	¥ 69,596	¥ 69,596	¥ —
	Short-term borrowings	28,870	28,870	—
	Long-term borrowings due within one year	9,375	9,375	—
	Long-term borrowings	70,570	70,340	(230)
Total liabilities		¥178,412	¥178,182	¥ (230)
Derivatives*		¥ (123)	¥ (123)	¥ —

* The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing a net liability position.

Note 1: Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

(a) Cash and deposits, and trade notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

(b) Investment securities

The fair value of the investment securities is based on quoted market price. For information on securities classified by holding purpose, please refer to Note 3. INVESTMENT SECURITIES.

(c) Trade notes and accounts payable, short-term borrowings and long-term borrowings due within one year

Since these items are settled in a short period of time, their carrying value approximates fair value.

(d) Long-term borrowings

The fair value of each long-term borrowings instrument is based on the present value of the total of principal and interest discounted by the interest rate that would be applied if similar new loans were entered into.

(e) Derivatives

Please refer to Note 18 DERIVATIVE FINANCIAL INSTRUMENTS.

Note 2: Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
	Carrying value		Carrying value
Investment in unlisted stocks, unconsolidated subsidiaries, affiliated companies and others	**¥1,067**	¥2,055	**$9,804**

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table presenting the estimated fair value of financial instruments.

Note 3: Redemption schedule for receivables and marketable securities with maturities at March 31, 2020 and 2019

		Millions of yen		Thousands of U.S. dollars
		2020	2019	2020
Due in one year or less	Cash and deposits	**¥129,598**	¥122,079	**$1,190,830**
	Trade notes and accounts receivable	**119,604**	156,875	**1,098,998**
Total		**¥249,202**	¥278,955	**$2,289,828**

Note 4: The redemption schedule for long-term borrowings is disclosed in Note 5. SHORT-TERM BORROWINGS AND LONG-TERM BORROWINGS. The aggregate annual maturities of finance lease obligations subsequent to March 31, 2020 and 2019 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending	2020	2020
2020	**¥1,405**	**$12,910**
2021	**1,161**	**10,668**
2022	**550**	**5,054**
2023	**461**	**4,236**
2024	**415**	**3,813**
2025 and thereafter	**1,112**	**10,218**
Total	**¥5,107**	**$46,926**

	Millions of yen
Year ending	2019
2019	¥ 546
2020	432
2021	304
2022	268
2023	265
2024 and thereafter	1,252
Total	¥3,071

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into forward foreign exchange contracts with banks to hedge transactions and balances denominated in foreign currencies. In addition, to hedge its exposure to fluctuations in interest rates, the Company has entered into interest rate swap agreements to effectively change the floating rates on the principal balance of its debt to fixed interest rates.

These derivative transactions are utilized solely for hedging purposes under the Company's internal control rules and are subject to oversight by the Board of Directors. The Company does not anticipate any credit loss from nonperformance by the counterparties to the forward foreign exchange contracts and interest rate swap agreements.

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2020 and 2019, to which hedge accounting has not been applied, are summarized as follows:

			Millions of yen			Thousands of U.S. dollars		
			2020			2020		
			Notional amounts	Estimated fair value	Unrealized gains (losses)	Notional amounts	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:	Sell:	U.S. dollars	**¥28,239**	**¥(136)**	**¥(136)**	**$259,478**	**$(1,250)**	**$(1,250)**
		Euro	**5,284**	**28**	**28**	**48,553**	**257**	**257**

			Millions of yen		
			2019		
			Notional amounts	Estimated fair value	Unrealized gains
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥14,971	¥(156)	¥(156)
		Euro	6,014	34	34

Note: Estimated fair values are computed on quotes from financial institutions.

The notional amounts and estimated fair value of the derivative instruments outstanding at March 31, 2020 and 2019, to which hedge accounting has been applied primarily to accounts receivables are summarized as follows:

			Millions of yen				Thousands of U.S. dollars	
			2020		2019		2020	
			Notional amounts	Estimated fair value	Notional amounts	Estimated fair value	Notional amounts	Estimated fair value
Forward foreign exchange contracts:	Sell:	U.S. dollars	**—**	**—**	¥329	¥(0)	**—**	**—**
		Euro	**—**	**—**	—	—	**—**	**—**

Note: Estimated fair values are computed on quotes from financial institutions.

There were no interest-rate swap transactions which meet specific criteria for hedge accounting for the years ended March 31, 2020 and 2019.

19. LEASES

As lessee:

The Company's future minimum lease payments subsequent to March 31, 2020 and 2019 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
2020	**¥1,969**	**$18,092**
2021 and thereafter	**4,565**	**41,946**
	¥6,535	**$60,048**

	Millions of yen
	2019
2019	¥2,376
2020 and thereafter	5,512
	¥7,888

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Lease receivables	**¥657**	¥675	**$6,037**
Interest portion of lease receivables	**(42)**	(43)	**(386)**
Investment in lease assets	**¥614**	¥631	**$5,642**

The collection schedules of lease receivables at March 31, 2020 and 2019 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
2021	**¥ 486**	**$ 4,466**
2022	**450**	**4,135**
2023	**282**	**2,591**
2024	**157**	**1,443**
2025	**83**	**763**
2026 and thereafter	**33**	**303**
	¥1,494	**$13,728**

	Millions of yen
	2019
2020	¥ 497
2021	398
2022	361
2023	193
2024	67
2025 and thereafter	45
	¥1,563

The Company's future minimum lease receivables subsequent to March 31, 2020 and 2019 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
2021	**¥40**	**$368**
2022 and thereafter	**58**	**533**
	¥99	**$910**

	Millions of yen
	2019
2020	¥ 39
2021 and thereafter	69
	¥109

20. RELATED PARTY TRANSACTIONS

The Company has related party transactions with unconsolidated subsidiaries and affiliated companies and directors. The corresponding balance as of March 31, 2020 and the amounts of these transactions for the year then ended are summarized as follows:

There were no transactions to disclose involving the Company and a related party for the year ended March 31, 2019.

Related Party	Transaction	Millions of yen		Thousands of U.S. dollars
		2020	2019	2020
Toshihiro Kuriyama	Disposal of treasury stock as restricted stock compensation	**¥14**	¥ —	**$129**

Note: 1. The transaction with a related party represents a contribution in kind of a monetary receivable associated with shares with restriction on transfer.

21. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments as amounts reclassified to profit for the years ended March 31, 2020 and 2019, which were recognized in other comprehensive income for the years ended March 31, 2020 and 2019, and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrealized gains (losses) on securities:			
Amount arising during the year	**¥ 11,874**	¥(3,259)	**$109,106**
Reclassification adjustments	**678**	(513)	**6,230**
Unrealized gains (losses) on securities before tax effect	**12,552**	(3,773)	**115,336**
Tax effect	**(3,185)**	1,084	**(29,266)**
Unrealized gains (losses) on securities	**9,367**	(2,689)	**86,070**
Deferred gains or losses on hedges:			
Amount arising during the year	**(40)**	(49)	**(368)**
Reclassification adjustments	**41**	50	**377**
Deferred gains or losses on hedges before tax effect	**0**	1	**0**
Tax effect	**—**	0	**—**
Deferred gains or losses on hedges	**0**	1	**0**
Foreign currency translation adjustments:			
Amount arising during the year	**(10,558)**	(3,162)	**(97,014)**
Reclassification adjustments	**1,282**	—	**11,780**
Foreign currency translation adjustments before tax effect	**(9,275)**	(3,162)	**(85,225)**
Tax effect	**(389)**	—	**(3,574)**
Foreign currency translation adjustments	**(9,665)**	(3,162)	**(88,808)**
Remeasurements of defined benefit plans:			
Amount arising during the year	**(5,117)**	(1,900)	**(47,018)**
Reclassification adjustments	**798**	610	**7,333**
Remeasurements of defined benefit plans before tax effect	**(4,319)**	(1,290)	**(39,686)**
Tax effect	**(1,662)**	661	**(15,272)**
Remeasurements of defined benefit plans	**(5,982)**	(628)	**(54,966)**
Share of other comprehensive income of investments accounted for using the equity method:			
Amount arising during the year	**(1,001)**	(1,230)	**(9,198)**
Reclassification adjustments	**(7)**	—	**(64)**
Share of other comprehensive income of investments accounted for using the equity method	**(1,008)**	(1,230)	**(9,262)**
Other comprehensive income (loss)	**¥ (7,288)**	¥(7,708)	**$ (66,967)**

22. STOCK OPTIONS

(1) Stock option expenses were recognized for the years ended March 31, 2020 and 2019 as follows:

	Millions of yen	Thousands of U.S. dollars	Millions of yen
	2020	2020	2019
Selling, general and administrative expenses	¥—	$ —	¥108

(2) Outline of stock options and changes

(i) Outline of stock options

	ALPS ELECTRIC CO., LTD. First Series of Stock Subscription Rights*1	ALPS ELECTRIC CO., LTD. Second Series of Stock Subscription Rights*1	ALPS ELECTRIC CO., LTD. Third Series of Stock Subscription Rights*1
Grantees	Total 12 Directors of the Company (Excluding outside directors)	Total 12 Directors of the Company (Excluding outside directors)	Total 12 Directors of the Company (Excluding outside directors and audit and supervisory committee members)
Type and number of shares to be issued upon the exercise of the stock subscription rights	34,800 shares of common stock	14,100 shares of common stock	23,900 shares of common stock
Grant date	July 28, 2014	July 24, 2015	July 21, 2016
Conditions for vesting	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 20, 2014	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 19, 2015	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 23, 2016
Required service period	None	None	None
Exercise period	From July 29, 2014 to July 28, 2054	From July 27, 2015 to July 26, 2055	From July 22, 2016 to July 21, 2056

	ALPS ELECTRIC CO., LTD. Fourth Series of Stock Subscription Rights*1	ALPS ELECTRIC CO., LTD. Fifth Series of Stock Subscription Rights*1	ALPS ALPINE CO., LTD. Sixth Series of Stock Subscription Rights*1
Grantees	Total 12 Directors of the Company (Excluding outside directors and audit and supervisory committee members)	Total 12 Directors of the Company (Excluding outside directors and audit and supervisory committee members)	Total 9 Directors of subsidiaries (Excluding outside directors and part time directors)*2
Type and number of shares to be issued upon the exercise of the stock subscription rights	17,000 shares of common stock	19,000 shares of common stock	5,304 shares of common stock*3
Grant date	July 24, 2017	July 25, 2018	January 1, 2019
Conditions for vesting	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 23, 2017	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 22, 2018	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 19, 2014
Required service period	None	None	None
Exercise period	From July 25, 2017 to July 24, 2057	From July 26, 2018 to July 25, 2058	From January 1, 2019 to August 5, 2054

	ALPS ALPINE CO., LTD. Seventh Series of Stock Subscription Rights*1	ALPS ALPINE CO., LTD. Eighth Series of Stock Subscription Rights*1	ALPS ALPINE CO., LTD. Ninth Series of Stock Subscription Rights*1
Grantees	Total 10 Directors of subsidiaries (Excluding outside directors and part time directors)*2	Total 10 Directors of subsidiaries (Excluding outside directors, audit and supervisory committee members and non-executive directors)*2	Total 10 Directors of subsidiaries (Excluding outside directors, audit and supervisory committee members and non-executive directors)*2
Type and number of shares to be issued upon the exercise of the stock subscription rights	4,624 shares of common stock*3	15,436 shares of common stock*3	11,696 shares of common stock*3
Grant date	January 1, 2019	January 1, 2019	January 1, 2019
Conditions for vesting	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 18, 2015	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 22, 2016	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 22, 2017
Required service period	None	None	None
Exercise period	From January 1, 2019 to August 4, 2055	From January 1, 2019 to July 19, 2056	From January 1, 2019 to July 20, 2057

	ALPS ALPINE CO., LTD. Tenth Series of Stock Subscription Rights*1	ALPS LOGISTICS CO., LTD. First Series of Stock Subscription Rights*1, *4	ALPS LOGISTICS CO., LTD. Second Series of Stock Subscription Rights*1, *4
Grantees	Total 9 Directors of subsidiaries (Excluding outside directors, audit and supervisory committee members and non-executive directors)*2	Total 7 Directors of subsidiaries (Excluding outside directors and part time directors)	Total 6 Directors of subsidiaries (Excluding outside directors and part time directors)
Type and number of shares to be issued upon the exercise of the stock subscription rights	10,880 shares of common stock*3	32,400 shares of common stock	18,000 shares of common stock
Grant date	January 1, 2019	July 23, 2014	July 22, 2015
Conditions for vesting	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 21, 2018	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 18, 2014	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 17, 2015
Required service period	None	None	None
Exercise period	From January 1, 2019 to July 23, 2058	From July 24, 2014 to July 23, 2054	From July 23, 2015 to July 22, 2055

	ALPS LOGISTICS CO., LTD. Third Series of Stock Subscription Rights*1	ALPS LOGISTICS CO., LTD. Fourth Series of Stock Subscription Rights*1	ALPS LOGISTICS CO., LTD. Fifth Series of Stock Subscription Rights*1
Grantees	Total 6 Directors of subsidiaries (Excluding outside directors, audit and supervisory committee members and non-executive directors)	Total 7 Directors of subsidiaries (Excluding outside directors, audit and supervisory committee members and non-executive directors)	Total 6 Directors of subsidiaries (Excluding outside directors and audit and supervisory committee members)
Type and number of shares to be issued upon the exercise of the stock subscription rights	33,100 shares of common stock	27,000 shares of common stock	18,800 shares of common stock
Grant date	July 15, 2016	July 19, 2017	July 20, 2018
Conditions for vesting	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 21, 2016	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 21, 2017	Stock option rights are vested after six months has elapsed from the date of the general meeting of shareholders on June 20, 2018
Required service period	None	None	None
Exercise period	From July 16, 2016 to July 15, 2056	From July 20, 2017 to July 19, 2057	From July 21, 2018 to July 20, 2058

*1 The number of shares is shown.
*2 The classification and number of persons subject to grant are as of the date of initial grant by Alpine Electronics, Inc.
*3 As a result of the share exchange between the Company and Alpine Electronics, Inc. on January 1, 2019, the Company allocated and issued new share acquisition rights based on the share exchange ratio to the Company's stock acquisition rights.
*4 Shares, exercise price and average stock price at exercise have been restated, as appropriate, to reflect the two-for-one stock split on April 1, 2016.

(ii) Movements in stock options (in shares) for the year ended March 31, 2020 were as follows:

(a) Number of stock options (in shares)

	ALPS ELECTRIC CO., LTD. First Series of Stock Subscription Rights	ALPS ELECTRIC CO., LTD. Second Series of Stock Subscription Rights	ALPS ELECTRIC CO., LTD. Third Series of Stock Subscription Rights
Non-vested			
As of March 31, 2019	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding as of March 31, 2020	—	—	—
Vested			
As of March 31, 2019	16,800	7,900	18,800
Vested	—	—	—
Exercised	6,100	3,400	5,200
Forfeited	—	—	—
Outstanding as of March 31, 2020	10,700	4,500	13,600

	ALPS ELECTRIC CO., LTD. Fourth Series of Stock Subscription Rights	ALPS ELECTRIC CO., LTD. Fifth Series of Stock Subscription Rights	ALPS ALPINE CO., LTD. Sixth Series of Stock Subscription Rights
Non-vested			
As of March 31, 2019	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding as of March 31, 2020	—	—	—
Vested			
As of March 31, 2019	13,800	16,900	5,304
Vested	—	—	—
Exercised	3,900	4,400	1,292
Forfeited	—	—	—
Outstanding as of March 31, 2020	9,900	12,500	4,012

	ALPS ALPINE CO., LTD. Seventh Series of Stock Subscription Rights	ALPS ALPINE CO., LTD. Eighth Series of Stock Subscription Rights	ALPS ALPINE CO., LTD. Nineth Series of Stock Subscription Rights
Non-vested			
As of March 31, 2019	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding as of March 31, 2020	—	—	—
Vested			
As of March 31, 2019	4,624	15,436	11,696
Vested	—	—	—
Exercised	680	1,632	1,156
Forfeited	—	—	—
Outstanding as of March 31, 2020	3,944	13,804	10,540

	ALPS ALPINE CO., LTD. Tenth Series of Stock Subscription Rights	ALPS LOGISTICS CO., LTD. First Series of Stock Subscription Rights	ALPS LOGISTICS CO., LTD. Second Series of Stock Subscription Rights
Non-vested			
As of March 31, 2019	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding as of March 31, 2020	—	—	—
Vested			
As of March 31, 2019	10,880	18,000	13,600
Vested	—	—	—
Exercised	884	3,800	3,600
Forfeited	—	—	—
Outstanding as of March 31, 2020	9,996	14,200	10,000

	ALPS LOGISTICS CO., LTD. Third Series of Stock Subscription Rights	ALPS LOGISTICS CO., LTD. Fourth Series of Stock Subscription Rights	ALPS LOGISTICS CO., LTD. Fifth Series of Stock Subscription Rights
Non—vested			
As of March 31, 2019	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding as of March 31, 2020	—	—	—
Vested			
As of March 31, 2019	29,500	24,400	18,800
Vested	—	—	—
Exercised	5,700	4,100	3,100
Forfeited	—	—	—
Outstanding as of March 31, 2020	23,800	20,300	15,700

(b) Price information

	ALPS ELECTRIC CO., LTD. First Series of Stock Subscription Rights	ALPS ELECTRIC CO., LTD. Second Series of Stock Subscription Rights	ALPS ELECTRIC CO., LTD. Third Series of Stock Subscription Rights
Exercise price	¥ 1 per share	¥ 1 per share	¥ 1 per share
Average stock price upon exercise	¥1,800	¥1,800	¥1,800
Fair value at grant date	¥1,415	¥3,957	¥2,011

	ALPS ELECTRIC CO., LTD. Fourth Series of Stock Subscription Rights	ALPS ELECTRIC CO., LTD. Fifth Series of Stock Subscription Rights	ALPS ALPINE CO., LTD. Sixth Series of Stock Subscription Rights*1
Exercise price	¥ 1 per share	¥ 1 per share	¥ 1 per share
Average stock price upon exercise	¥1,800	¥1,800	¥1,800
Fair value at grant date	¥3,053	¥2,944	¥1,417

	ALPS ALPINE CO., LTD. Seventh Series of Stock Subscription Rights*1	ALPS ALPINE CO., LTD. Eighth Series of Stock Subscription Rights*1	ALPS ALPINE CO., LTD. Ninth Series of Stock Subscription Rights*1
Exercise price	¥ 1 per share	¥ 1 per share	¥ 1 per share
Average stock price upon exercise	¥1,800	¥1,800	¥1,800
Fair value at grant date	¥1,909	¥968	¥1,604

	ALPS ALPINE CO., LTD. Tenth Series of Stock Subscription Rights*1	ALPS LOGISTICS CO., LTD. First Series of Stock Subscription Rights*2	ALPS LOGISTICS CO., LTD. Second Series of Stock Subscription Rights*2
Exercise price	¥ 1 per share	¥ 1 per share	¥ 1 per share
Average stock price upon exercise	¥1,800	¥740	¥740
Fair value at grant date	¥2,319	¥498	¥734

	ALPS LOGISTICS CO., LTD. Third Series of Stock Subscription Rights	ALPS LOGISTICS CO., LTD. Fourth Series of Stock Subscription Rights	ALPS LOGISTICS CO., LTD. Fifth Series of Stock Subscription Rights
Exercise price	¥ 1 per share	¥ 1 per share	¥ 1 per share
Average stock price upon exercise	¥740	¥740	¥740
Fair value at grant date	¥500	¥709	¥812

*1 Shares, exercise price and average stock price at exercise have been restated, as of the initial grant date of Alpine Electronics, Inc.
*2 Shares, exercise price and average stock price at exercise have been restated, as appropriate, to reflect the two-for-one stock split on April 1, 2016.

(3) Estimated number of stock options actually forfeited is reflected because the number of stock options that will be forfeited in the future cannot be readily estimated.

23. BUSINESS COMBINATION THROUGH ACQUISITION

1. Outline of the business combination

(1) Name and business of combined entity
Name: FAITAL S.p.A.
Business activities: Manufacture and sale of audio equipment and information and communication equipment

(2) Main reason of acquisition
The Company has carved out a unique domain within the car audio segment over the years, delivering premium solutions under the Alpine brand, as well as through the OEM market to automakers. The Company still considers the realm of sound to be an essential component of automotive electronics, even as the market anticipates a major reinvention of the in-vehicle experience. Looking ahead to the future, enhancing the value of sound will be crucial. The Company made Faital S.p.A., a manufacturer of premium speakers, a majority owned company to quickly strengthen the development capability, quality and cost competitiveness of speaker products and put forward attractive solutions within a premium domain underpinned by compact size and high efficiency where Alps Alpine holds an advantage.

(3) Date of the transaction
June 27, 2019 (Stock acquisition date)
June 30, 2019 (Deemed acquisition date)

(4) Legal form of the business combination
Acquisition of shares for cash

(5) Name of the combined entity after the transaction
There is no change.

(6) Number of shares acquired
Percentage of shares held before acquisition: 19.9%
Percentage of shares acquired at the date of acquisition: 60.1%
Percentage of shares held after acquisition: 80.0%

(7) Main reason for determining the acquiring company
The Company acquired the shares in exchange for consideration in cash.

2. Period of the acquired company's performance in the consolidated financial statements of the Company

From July 1, 2019 to March 31, 2020

3. Acquisition cost and details

Fair value of stock held at the date of acquisition	€ 8.1 million	¥1,006 million
Cash payment for the acquisition	€26.6 million	¥3,259 million
Acquisition cost	€34.8 million	¥4,265 million

4. Acquisition cost of acquired company and difference between total amount by transaction and acquisition cost

Loss on step acquisition: ¥38 million

5. Goodwill resulting from the acquisition, source of goodwill and amortization method and amortization period

(1) Fair value of goodwill
¥1,143 million
Allocation of acquisition cost was calculated based on available rational information from the first quarter to the third quarter of the fiscal year, but the acquisition cost had been finalized and the acquisition cost allocation completed at the end of the year ended March 31, 2020.

(2) Source of goodwill
The source is primarily the expectation of excess earnings power emerging from business development in the future.

(3) Amortization method and amortization period
Goodwill is amortized over five years by the straight-line method.

6. Amounts allocated to intangible assets other than goodwill, their breakdown by major categories and period of amortization

Categories	Amount	Period of amortization
Trademark right	¥382 million	12 years
Customer-related assets	¥605 million	12 years
Technology assets	¥810 million	5 years

7. Breakdown of assets acquired and liabilities assumed on the acquisition date

Total current assets	¥3,827 million
Total non-current assets	¥5,453 million
Total assets	¥9,280 million
Total current liabilities	¥2,353 million
Total non-current liabilities	¥1,106 million
Total liabilities	¥3,460 million

8. Estimated impact of the business combination on the consolidated statement of income if the business combination had been completed at the beginning of the current fiscal year

This information is not provided due to its immateriality.

24. SUBSEQUENT EVENTS

(TRANSACTIONS UNDER COMMON CONTROL)

The Company resolved at its board of directors meeting held on October 30, 2019 to succeed the entire business of Alpine Electronics, Inc. ("Alpine" and, together with the Company, the "Companies"), a wholly owned subsidiary of the Company, through an absorption-type company split (the "Company Split"), except for ownership and management of trademark rights related to commercial products sold under "Alpine" brand and shares of subsidiaries. Based on the resolution, the Companies executed an absorption-type company split agreement as of the same date. Based on this agreement the Company was the succeeding company and the Alpine was the splitting company on April 1, 2020.

1. Outline of the transaction

(1) Name and details of the business subject to the transaction
Name of the business: Automotive Infotainment Business
Details of the business: Businesses related to audio equipment and information and communication equipment

(2) Date of business combination: April 1, 2020

(3) Legal form of business combination
A simplified absorption-type company split under which Alpine is to be split and the Company becomes the successor.

(4) Name of the company after the business combination
ALPS ALPINE CO., LTD

(5) Other matters concerning the overview of the transaction
i. Purpose of the transaction
In order to realize our vision of becoming an "Innovative T-Shaped Company (ITC101)" as raised in the Mid-Term Business Plan announced on April 26, 2019, the Company has been working on the reform of the business structure aimed at promoting One ALPSALPINE. As part of the structural reform, the Company has decided to transfer Alpine's entire business to the Company in order to facilitate more efficient and agile management. Through this transfer, we will accelerate the evolution into a "T-shaped Company" that is capable of undertaking a diverse range of businesses to meet customer needs, from devices to system services, and pursue early creation of integration synergies.
ii. Details of allotment in the company split
The company split will not entail allotment of shares or other monetary consideration.

iii. Operating results of the division to be succeeded (for the fiscal year ended March 31, 2020)

Net sales	¥164,854 million
Operating income (loss)	¥(10,859) million
Ordinary income (loss)	¥(5,543) million

iv. Asset and liability items and amounts to be succeeded (as of March 31, 2020)

(Millions of yen)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	¥46,146	Current liabilities	¥40,193
Non-current assets	35,519	Non-current liabilities	1,745
Total	¥81,665	Total	¥41,938

2. Overview of accounting treatment

It will be accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(CONCLUSION OF LOAN AND COMMITMENT LINE AGREEMENTS)

At the meeting of the Board of Directors held on April 24, 2020, loan and loan commitment line agreements were approved for short-term working capital for contingencies due to the spread of the novel coronavirus (COVID-19).

The following loan execution and loan commitment line agreements have been concluded based on the relevant resolution.

1. Loan details

(1) Lender: Sumitomo Mitsui Banking Corporation, MUFG Bank Ltd. and Sumitomo Mitsui Trust Bank Ltd.
(2) Amount: ¥20,000 million
(3) Interest: Basic interest plus spread
(4) Execution date: From April 2020 to May 2020
(5) Period: One year
(6) Assets provided as collateral or details of guarantee: Unsecured, non-guaranteed
(7) Other important covenants: N/A

2. Commitment line details

(1) Lender: Sumitomo Mitsui Banking Corporation, MUFG Bank Ltd. and Sumitomo Mitsui Trust Bank Ltd.
(2) Total amount of commitment line: ¥30,000 million
(3) Interest: Basic interest plus spread
(4) Contract date: From April 2020 to May 2020
(5) Commitment period: One year
(6) Assets provided collateral or details of guarantee: Unsecured, non-guaranteed
(7) Other important covenants: N/A

25. ADDITIONAL INFORMATION

The Company estimates the future financial performance considering the impact from spread of the novel coronavirus (COVID-19) infection when determining recoverability of deferred tax assets and applying impairment accounting of fixed assets.

In the first quarter of the fiscal year ending March 31, 2021, it is expected that there is a negative impact on the Company due to the temporary suspension of operations at customer factories in Europe. However, the Company assumes that it starts to be slowly recovered from the second quarter and returns to normal towards the fiscal year end.

26. PER SHARE INFORMATION

Per share information as of and for the years ended March 31, 2020 and 2019 is as follows:

	Yen		U.S. dollars
	2020	2019	**2020**
Net assets per share	**¥1,587.06**	¥1,731.36	**$14.58**
Net income (loss) attributable to owners of parent per share			
Basic	**(19.53)**	110.19	**0.18**
Diluted	**—**	110.14	**—**

Further, diluted earnings per share for the fiscal year ended March 31, 2020 are not disclosed as a loss per share was recorded for the year.

The basis for calculating net assets per share is as follows:

	Millions of yen, except share data		Thousands of U.S. dollars, except share data
	2020	2019	**2020**
Total net assets	**¥355,615**	¥395,360	**$3,267,619**
Amounts deducted from total net assets:	**31,151**	30,014	**286,235**
Subscription rights	**278**	361	**2,554**
Non-controlling interests	**30,872**	29,652	**283,672**
Net assets attributable to common stock	**324,464**	365,346	**2,981,384**
Number of common stock used in calculation of net assets per share (Thousand)	**204,443**	211,016	**204,443**

The basis for calculating earnings (loss) per share and diluted earnings per share is as follows:

	Millions of yen, except share data		Thousands of U.S. dollars, except share data
	2020	2019	**2020**
Earnings (loss) per share:			
Net income (loss) attributable to owners of parent	**¥ (4,009)**	¥ 22,114	**$ (36,837)**
Amounts not attributable to common shareholders	**—**	—	**—**
Net income (loss) attributable to owners of parent related to common stock	**(4,009)**	22,114	**(36,837)**
Average number of shares during the year (Thousand)	**205,306**	200,694	**205,306**
Diluted earnings per share:			
Adjustment to net income attributable to owners of parent	**—**	—	**—**
Increase in number of common stock (thousand)	**—**	94	**—**
Subscription rights to shares	**—**	94	**—**
Summary of dilutive shares that were not included in the calculation of diluted earnings per share because they have no dilutive effect	**—**	—	**—**

27. SEGMENT INFORMATION

Business segments

The operating segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and assess performance.

The Company organizes group companies based on products and services and implements business activities based on its comprehensive strategies.

The reportable segments are classified by products and services taking into account the commonality of the types of products and markets. The three reportable segments of the Companies are "Electronic components," "Automotive Infotainment," and "Logistics".

The "Electronic components" business involves the development, manufacturing and marketing of a variety of electronic components. The "Automotive Infotainment" business involves the development, manufacturing, and marketing of audio, information and communication equipment. The "Logistics" business involves the provision of transportation, storage and forwarding services.

The accounting policies of the segments are substantially the same as those described in Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

Segment income of the reportable segments is based on operating income. Inter-segment sales and transfers are determined on the basis of actual transactions.

Reportable segment information of the Company for the years ended March 31, 2020 and 2019 is summarized as follows:

Millions of yen

	Reportable segments							
Year ended March 31, 2020	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	**¥424,709**	**¥306,299**	**¥ 66,872**	**¥797,881**	**¥12,688**	**¥810,570**	**¥ —**	**¥810,570**
Inter-segment sales and transfers	**13,633**	**7,389**	**33,869**	**54,892**	**12,800**	**67,692**	**(67,692)**	**—**
Total	**438,343**	**313,689**	**100,741**	**852,773**	**25,488**	**878,262**	**(67,692)**	**810,570**
Segment income	**16,124**	**5,655**	**4,118**	**25,897**	**1,202**	**27,100**	**(304)**	**26,795**
Segment assets	**427,164**	**216,531**	**78,451**	**722,148**	**46,455**	**768,604**	**(143,062)**	**625,542**
Segment liabilities	**185,367**	**85,075**	**26,887**	**297,330**	**40,159**	**337,489**	**(67,563)**	**269,926**
Other items								
Depreciation	**33,402**	**8,801**	**3,363**	**45,566**	**488**	**46,055**	**2**	**46,057**
Increase in tangible and intangible fixed assets	**25,729**	**11,587**	**4,555**	**41,872**	**828**	**42,701**	**(338)**	**42,362**

Millions of yen

	Reportable segments							
Year ended March 31, 2019	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	¥468,605	¥303,593	¥ 66,888	¥839,087	¥12,244	¥851,332	¥ —	¥851,332
Inter-segment sales and transfers	15,663	7,576	38,031	61,271	14,993	76,265	(76,265)	—
Total	484,269	311,170	104,919	900,359	27,238	927,597	(76,265)	851,332
Segment income	29,607	13,921	4,722	48,250	1,430	49,681	(39)	49,641
Segment assets	473,866	218,143	75,603	767,614	44,057	811,672	(135,955)	675,717
Segment liabilities	198,580	79,632	25,082	303,295	37,818	341,114	(60,758)	280,356
Other items								
Depreciation	33,995	7,412	2,287	43,695	455	44,150	37	44,188
Increase in tangible and intangible fixed assets	33,210	13,597	5,533	52,341	562	52,903	24	52,928

Thousands of U.S. dollars

	Reportable segments							
Year ended March 31, 2020	Electronic components	Automotive Infotainment	Logistics	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Net sales								
External customers	**$3,902,499**	**$2,814,472**	**$614,463**	**$7,331,444**	**$116,586**	**$7,448,038**	**$ —**	**$7,448,038**
Inter-segment sales and transfers	**125,269**	**67,895**	**311,210**	**504,383**	**117,615**	**621,998**	**(621,998)**	**—**
Total	**4,027,777**	**2,882,376**	**925,673**	**7,835,827**	**234,200**	**8,070,036**	**(621,998)**	**7,448,038**
Segment income	**148,158**	**51,962**	**37,839**	**237,958**	**11,045**	**249,012**	**(2,793)**	**246,210**
Segment assets	**3,925,057**	**1,989,626**	**720,858**	**6,635,560**	**426,858**	**7,062,428**	**(1,314,546)**	**5,747,882**
Segment liabilities	**1,703,271**	**781,724**	**247,055**	**2,732,059**	**369,007**	**3,101,066**	**(620,812)**	**2,480,254**
Other items								
Depreciation	**306,919**	**80,869**	**30,901**	**418,690**	**4,484**	**423,183**	**18**	**423,201**
Increase in tangible and intangible fixed assets	**236,415**	**106,469**	**41,854**	**384,747**	**7,608**	**392,364**	**(3,106)**	**389,249**

Notes:
1. "Other" includes business segments not included in the reportable segments, and includes the development of information systems, office services, financial and leasing businesses.
2. "Adjustments" of segment income, segments assets, and liabilities include the reconciliations relating to reclassifications due to consolidation and elimination of inter-segment profit and loss.
3. Segment income is reconciled with operating income in the consolidated financial statements.

Related information

1. Geographical information

(1) Net sales

Millions of yen

Year ended March 31, 2020					
China	Japan	America	Germany	Other	Total
¥155,522	**¥154,466**	**¥133,676**	**¥86,637**	**¥280,267**	**¥810,570**

Millions of yen

Year ended March 31, 2019					
China	Japan	America	Germany	Other	Total
¥167,809	¥158,237	¥136,435	¥80,659	¥308,190	¥851,332

Thousands of U.S. dollars

Year ended March 31, 2020					
China	Japan	America	Germany	Other	Total
$1,429,036	**$1,419,333**	**$1,228,301**	**$796,076**	**$2,575,273**	**$7,448,038**

Note: Net sales information above is based on customer location.

(2) Property, plant and equipment

Millions of yen

As of March 31, 2020			
Japan	China	Other	Total
¥109,882	**¥30,591**	**¥37,391**	**¥177,865**

Millions of yen

As of March 31, 2019			
Japan	China	Other	Total
¥112,858	¥38,404	¥36,382	¥187,646

Thousands of U.S. dollars

As of March 31, 2020			
Japan	China	Other	Total
$1,009,666	**$281,090**	**$343,573**	**$1,634,338**

2.Information on major customers

This information is not required to be disclosed because net sales to any customer were less than 10% of the net sales on the consolidated statements of income and comprehensive income for the years ended March 31, 2020 and 2019.

Impairment loss on property, plant and equipment by reportable segment

Impairment loss on property, plant and equipment by reportable segment for the years ended March 31, 2020 and 2019 was summarized as follows:

Millions of yen					
Year ended March 31, 2020					
Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total
¥2,527	**¥—**	**¥160**	**¥—**	**¥—**	**¥2,688**

Notes: “Other” includes financial, leasing and servicing businesses.

Millions of yen					
Year ended March 31, 2019					
Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total
¥1,583	¥—	¥255	¥—	¥—	¥1,839

Notes: “Other” includes financial, leasing and servicing businesses.

Thousands of U.S. dollars					
Year ended March 31, 2020					
Electronic components	Automotive Infotainment	Logistics	Other	Eliminations	Total
$23,220	**$—**	**$1,470**	**$—**	**$—**	**$24,699**

Amortization and balance of goodwill by reportable segment

As the amounts are immaterial, the related disclosure is omitted.

Gain on negative goodwill by reportable segment

There was no gain on negative goodwill for the year ended March 31, 2019. Further, the related disclosure is omitted, as the amounts of gain on negative goodwill are immaterial for the year ended March 31, 2020.

Independent Auditor’s Report

The Board of Directors
ALPS ALPINE CO., LTD.

Opinion

We have audited the accompanying consolidated financial statements of ALPS ALPINE CO., LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statement of income and comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 24, 2020

Hirofumi Harashina
Designated Engagement Partner
Certified Public Accountant

Junichiro Tsuruta
Designated Engagement Partner
Certified Public Accountant

Mamoru Wakino
Designated Engagement Partner
Certified Public Accountant

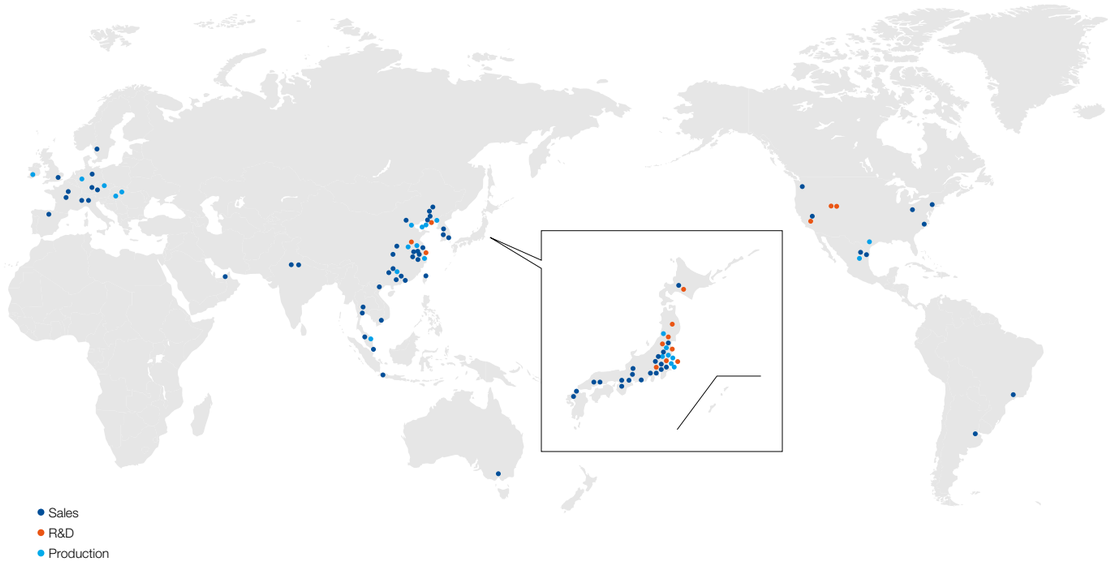
Corporate Data / Stock Information (As of March 31, 2020)

Corporate Data (As of March 31, 2020)



Company Name	Alps Alpine Co., Ltd.
Headquarters	1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo 145-8501, Japan TEL: +81-3-3726-1211
Website	https://www.alpsalpine.com/e/
Representative	Toshihiro Kuriyama, Representative Director, President & CEO
Established	November 1, 1948
Capital Stock	¥38.730 billion
Employees	40,443 (consolidated) Electronic Components Segment (worldwide): 20,362 Automotive Infotainment Segment (worldwide): 12,843
Facilities	R&D ····· Japan: 11 Overseas: 15 (6 countries)
	Production ····· Japan: 9 Overseas: 20 (11 countries)
	Sales ····· Japan: 20 Overseas: 63 (22 countries)

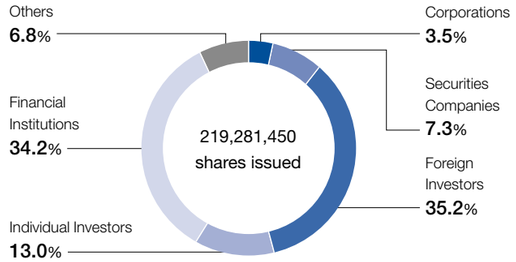
Global Structure



Stock Information (As of March 31, 2020)

No. of Authorized Shares	500,000,000
No. of Issued Shares	219,281,450 (including 14,837,907 of treasury stock)
No. of Shareholders	40,130
Stock Listing	Tokyo Stock Exchange First Section (Code: 6770)
Share Registrar	Mitsubishi UFJ Trust and Banking Corporation

Breakdown of Shareholders



Notes: 1. "Others" refers to shares held by Alps Alpine Co., Ltd. and unclaimed shares stored by the Japan Securities Depository Center, Inc.
2. "Individual investors" refers to shares held by individuals and Alps Alpine's employee shareholding association.

Top 10 Shareholders

Name	No. of shares (thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	28,935	14.15
Japan Trustee Services Bank, Ltd. (Trust account)	14,418	7.05
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	14,389	7.03
CREDIT SUISSE SECURITIES (JAPAN) LIMITED	7,729	3.78
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	4,702	2.30
Japan Trustee Services Bank, Ltd. (Trust account 5)	3,612	1.76
TAIJU LIFE INSURANCE COMPANY LIMITED	3,591	1.75
JP MORGAN CHASE BANK 385151	3,468	1.69
STATE STREET BANK WEST CLIENT-TREATY 505234	3,084	1.50
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	2,998	1.46

Note: The shareholding ratio is calculated after deducting treasury stock (14,837,907).

Share Price and Trading Volume



(Yen)	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
High	4,205	3,600	3,845	3,390	2,634
Low	1,647	1,621	2,506	1,949	810
Price at fiscal year-end	1,962	3,155	2,608	2,310	1,049

Note: The closing price on April 30, 2015 equals 100.



ALPSALPINE CO., LTD.

Inquiries about this report:

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