

Financial year ending March 31, 2024
Results Briefing FY2023 2Q

Monday, October 30, 2023

ALPSALPINE CO., LTD.

ALPSALPINE
Perfecting the Art of Electronics



Representative Director
CEO/CTO

Hideo Izumi



Director
CFO

Satoshi Kodaira

- 1 FY2023 2Q Financial Results**
- 2 FY2023 Financial Results Forecast**
- 3 Initiatives to Enhance Corporate Value**
- 4 Reference Data**

1 **FY2023 2Q Financial Results**

2 FY2023 Financial Results Forecast

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Financial year ending March 31, 2024

2Q Consolidated cumulative period result

[Unit: ¥ billion]

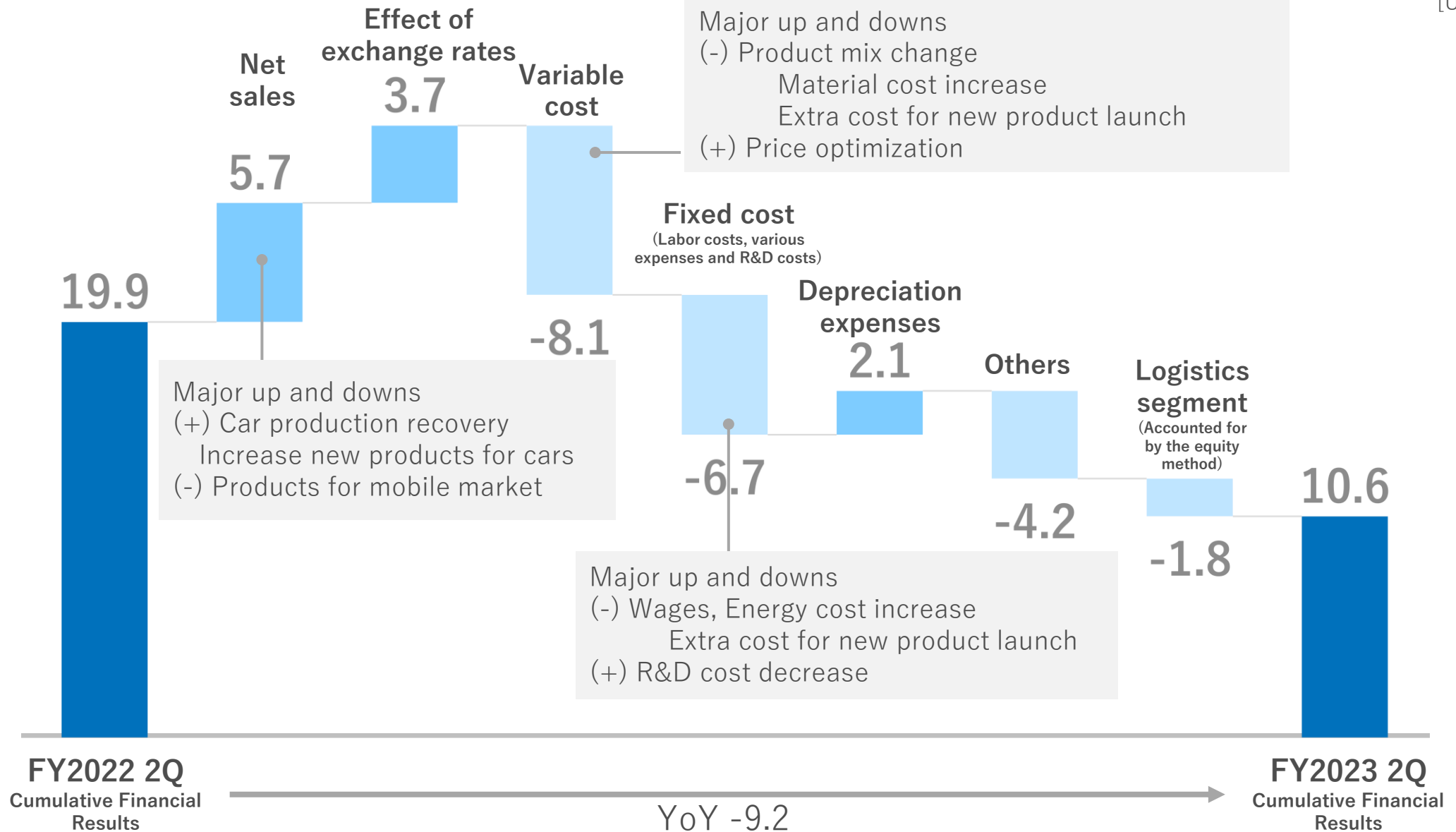
[Sales] Sales increased primarily due to the depreciation of the yen, a recovery in automobile production and the positive impact of new products despite continued weakness in the consumer market.

[Operating Income] Despite progress in price optimization, operating income decreased primarily due to the negative impact of changes in the product mix in the mobile market and the failure to achieve the targeted yield rate for the launch of new module products in Europe.

	FY2022 2Q Results(Cumulative)	FY2023 2Q Results(Cumulative)	YoY	act of exchange
Net Sales	454.2	475.0	+20.7	+18.3
	100.0%	100.0%	+4.6%	
Operating Income	19.9	10.6	-9.2	+3.7
	4.4%	2.2%	-46.6%	
Ordinary Income	26.8	16.9	-9.9	Includes foreign exchange gains of 4.3 billion yen in the current period
	5.9%	3.6%	-37.0%	
Profit Attributable to Owners of Parent	17.4	6.7	-10.7	
	3.8%	1.4%	-61.5%	
USD / JPY	133.97	141.00	+7.03	
EUR / JPY	138.73	153.39	+14.66	
CNY / JPY	19.88	19.75	-0.13	

Factors behind Increase/Decrease in Operating Income

[Unit: ¥ billion]



Net Sales and Operating Income by Segment

[Unit: ¥ billion]

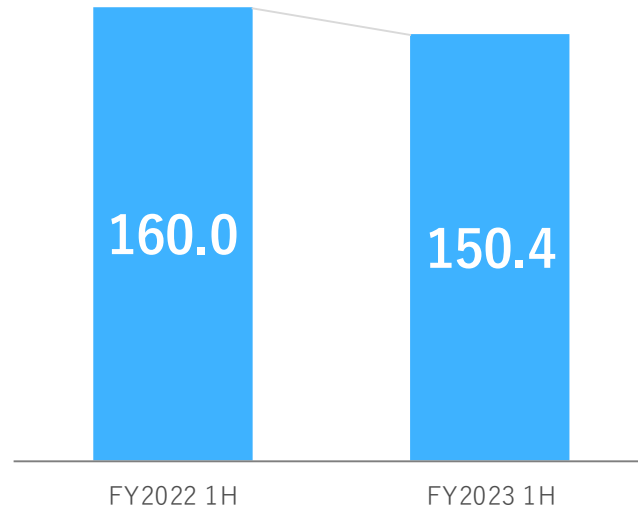
Net Sales	FY2022 2Q Results (Cumulative)	FY2023 2Q Results (Cumulative)	YoY	
Component	160.0	150.4	-9.5	-6%
Sensor & Communication	44.4	40.7	-3.7	-8%
Module & System	221.5	274.3	+52.8	24%
Others	28.2	9.4	-18.8	
Total	454.2	475.0	+20.7	5%

Logistics segment to be accounted for
using equity method from 2Q FY2022

Operating Income	FY2022 2Q Results (Cumulative)	FY2023 2Q Results (Cumulative)	YoY	
Component	21.7 13.6%	10.7 7.1%	-11.0	-51%
Sensor & Communication	0.7 1.6%	-1.4 -3.7%	-2.2	-
Module & System	-5.2 -2.4%	0.5 0.2%	+5.8	-
Others / Eliminations	2.6	0.8	-1.8	
Total	19.9 4.4%	10.6 2.2%	-9.2	-47%

Component Segments

Net sales

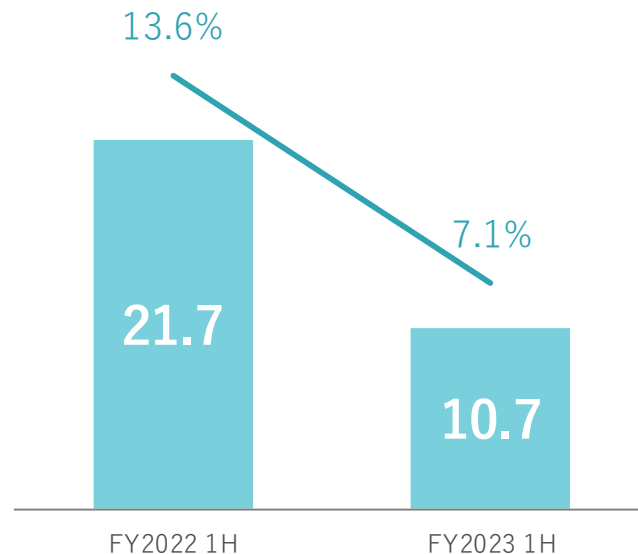


150.4 billion yen (YoY -9.5 billion yen)

[Unit: ¥ billion]

(－)	Decreased in products for mobile market	-13.0
(－)	Decreased in products for consumer market	-3.0
(＋)	Weaker yen	+7.0

Operating income



10.7 billion yen (YoY -11 billion yen)

Operating margin: 7.1%

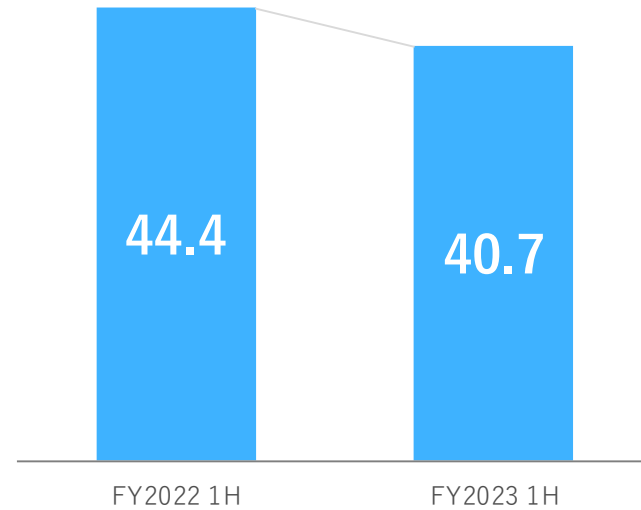
(－)	Change in the product mix	-9.0
(－)	Decreased in net sales	-6.0
(＋)	Weaker yen	+3.5
(＋)	Decreased in depreciation expenses	+2.0

Sensor & Communication Segments

Net sales

40.7 billion yen (YoY -3.7 billion yen)

[Unit: ¥ billion]

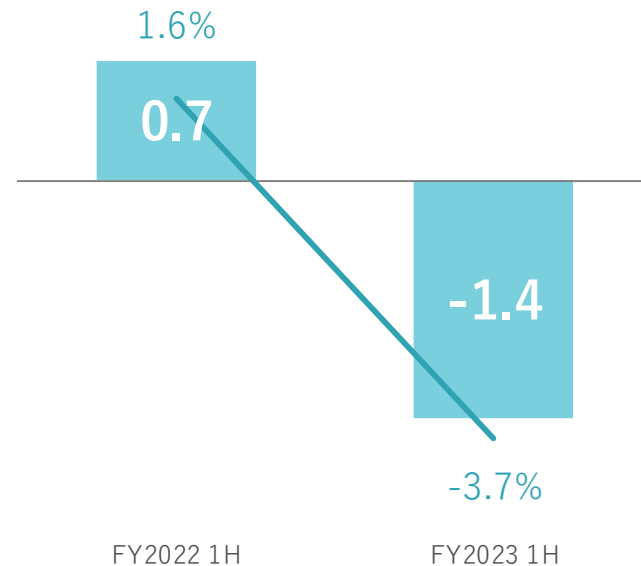


(－)	Product replacement for mobile market	-5.0
(－)	Products for consumer and other markets	-1.5
(＋)	Products for in-vehicle use	+1.5
(＋)	Weaker yen	+1.5

Operating income

1.4 billion yen (YoY -2.2 billion yen)

Operating margin: -3.7%



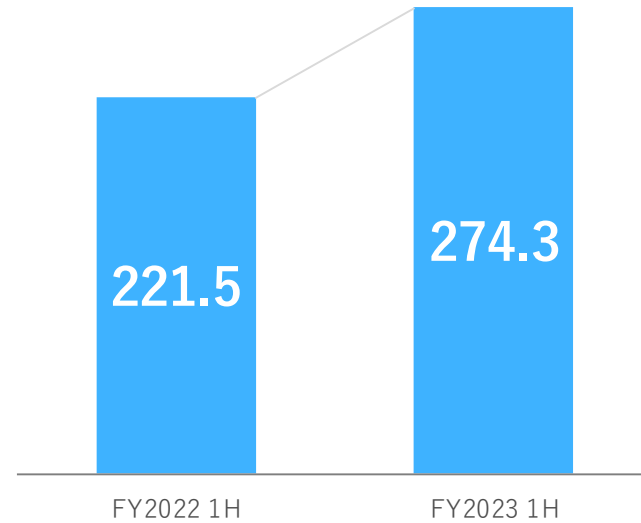
(－)	Decreased in sales of products for mobile market	-1.5
(－)	Increased in R&D expenses as advanced investment	-0.7

Module & System Segments

Net sales

274.3 billion yen (YoY +52.8 billion yen)

[Unit: ¥ billion]

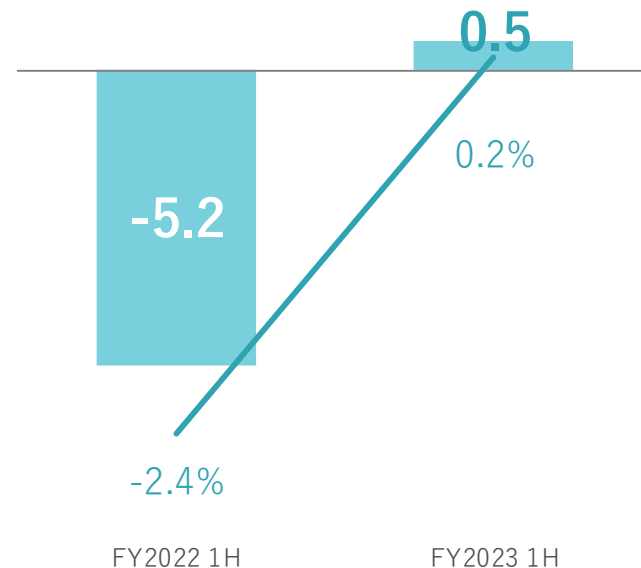


- (+) Recovery of car production and sales increased by new product +42.8
- (+) Weaker yen +10.0

Operating income

500 million yen (YoY +5.8 billion yen)

Operating margin: 0.2%



- (+) Sales increase, Product mix change (unprofitable products decreased)
Delayed execution of some R&D costs to the second half of the fiscal year or later +12.5
- (+) Progress of price optimization in response to material cost increase +6.0
- (-) Increase of new module product launch cost for EU -4.0
- (-) Additional royalties for past years on system products -2.0

Net Sales and Operating Income by Segment [QonQ]

[Unit: ¥ billion]

Net Sales	FY2023 1Q Results	FY2023 2Q Results	QonQ	
Component	61.4	88.9	+27.4	45%
Sensor & Communication	19.8	20.8	+0.9	5%
Module & System	132.6	141.7	+9.1	7%
Others	4.4	4.9	+0.4	
Total	218.5	256.5	+37.9	17%

Factors impacting operating income

Component Segments

(+) Sales increase for mobile market due to seasonal factors

(+) Sales increase for in-vehicle market

Sensor & Communication Segments

(+) Sales increase for in-vehicle market

(+) Products for mobile market/ inventory revaluation

Module & System Segments

(+) Price optimization, shifted in execution of some R&D costs to 2Q

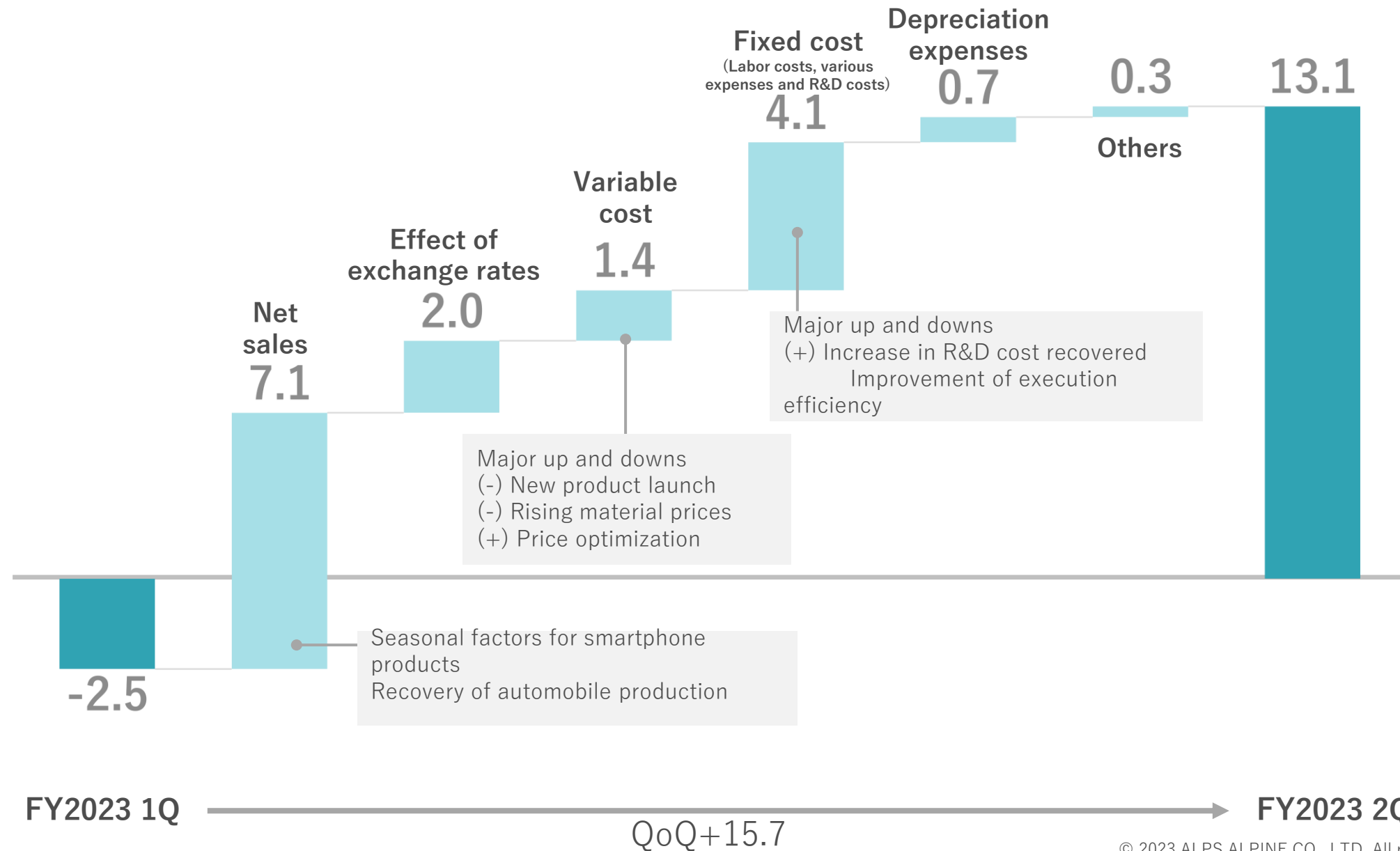
(-) Increase of new module product launch cost for EU

(-) Additional royalties for past years

Operating Income	FY2023 1Q Results	FY2023 2Q Results	QonQ	
Component	1.5 2.5%	9.1 10.3%	+7.6	489%
Sensor & Communication	-1.4 -7.2%	-0.0 -0.3%	+1.3	-
Module & System	-2.9 -2.2%	3.5 2.5%	+6.4	-
Others / Eliminations	0.3	0.5	+0.2	
Total	-2.5 -1.2%	13.1 5.1%	+15.7	-

Factors for Increase/Decrease in Operating Income [QonQ]

[Unit: ¥ billion]



Consolidated Balance Sheet

[Unit: ¥ billion]

	Mar.2023	Sep.2023	Change
Cash and deposits	84.1	88.9	4.7
Notes and accounts receivable - trade	176.9	190.7	13.8
Inventories	165.4	175.9	10.5
Total Current Assets	466.5	499.4	32.8
Property, plant and equipment	158.5	168.2	9.7
Intangible assets	26.4	27.5	1.0
Investment and other assets	85.4	91.4	5.9
Total Non-current Assets	270.4	287.2	16.7
Total Assets	736.9	786.6	49.6

	Mar.2023	Sep.2023	Change
Equity ratio	54.0%	53.7%	-0.3pt

	Mar.2023	Sep.2023	Change
Notes and accounts payable	98.5	108.9	10.3
Short-term loans payable	77.2	79.2	2.0
Total Current Liabilities	264.5	286.0	21.5
Long-term loans payable	44.7	45.0	0.3
Total Non-current Liabilities	72.6	76.4	3.7
Total Liabilities	337.2	362.5	25.2
Shareholders' equity	356.7	359.4	2.7
Total accumulated other comprehensive income	41.3	63.0	21.7
(Net worth)	398.1	422.5	24.4
Subscription rights to shares	0.1	0.0	-0.0
Non-controlling interests	1.5	1.4	-0.0
Total Net Assets	399.7	424.1	24.3
Total Liabilities and Net Assets	736.9	786.6	49.6

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2H Perspective on business environment

Initial assumptions (YoY)



Smartphone market: YoY -1%, 1.2 billion units
Sluggish demand for digital appliances
recovered in 2H



Impact on sales



Automobile production: +5% YoY, 86 million units
Progress in eliminating global SCM inventory



Impact on sales



High material prices continued despite the resolution of component shortage, and fixed costs may increase



Impact on profit

Present (Revision of initial assumptions)

Smartphone market: 1.1 billion units
Sluggish demand for digital appliances
continued



Automobile production: +7% YoY, 88 million units
UAW issue,
Sluggish Chinese market (foreign brands facing difficulties)



No change from the initial assumption
High cost of some materials continued
Increase in wages and energy cost



Financial Results Forecast for Fiscal year ending March 31, 2024

Exchange rate assumption for 2H changed from USD=125 yen to 140 yen
Full-year net sales and operating income remained unchanged from July 28 forecast, but there is a downside risk due to sluggish market conditions

[Unit: ¥ billion]

		FY2022	FY2023			
		Full Year	1H/Results	2H/Forecast	Full Year/Forecast	YonY
Net Sales	Component	329.0	150.4	153.5	304.0	-25.0
	Sensor & Communication	85.5	40.7	40.2	81.0	-4.5
	Module & System	481.3	274.3	280.6	555.0	73.6
	Others	37.1	9.4	10.5	20.0	-17.1
	Total	933.1	475.0	484.9	960.0	26.8
Operating Income	Component	38.3	10.7	16.2	27.0	-11.3
		11.6%	7.1%	10.6%	8.9%	
	Sensor & Communication	-1.5	-1.4	1.4	0.0	1.5
		-1.9%	-3.7%	3.7%	0.0%	
	Module & System	-6.6	0.5	3.4	4.0	10.6
		-1.4%	0.2%	1.2%	0.7%	
	Others / Eliminations	3.4	0.8	0.6	1.5	-1.9
	Total	33.5	10.6	21.8	32.5	-1.0
		3.6%	2.2%	4.5%	3.4%	
Ordinary Income		34.9	16.9	16.5	33.5	-1.4
		3.7%	3.6%	3.4%	3.5%	
Profit Attributable to Owners of Parent		11.4	6.7	13.2	20.0	8.5
		1.2%	1.4%	2.7%	2.1%	
Exchange rate	USD / JPY	135.47	141.00	140.00	140.50	

Fiscal year ending March 31, 2024

Interim dividend	20.00 yen
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Year-end dividend (scheduled for late June 2024)	20.00 yen
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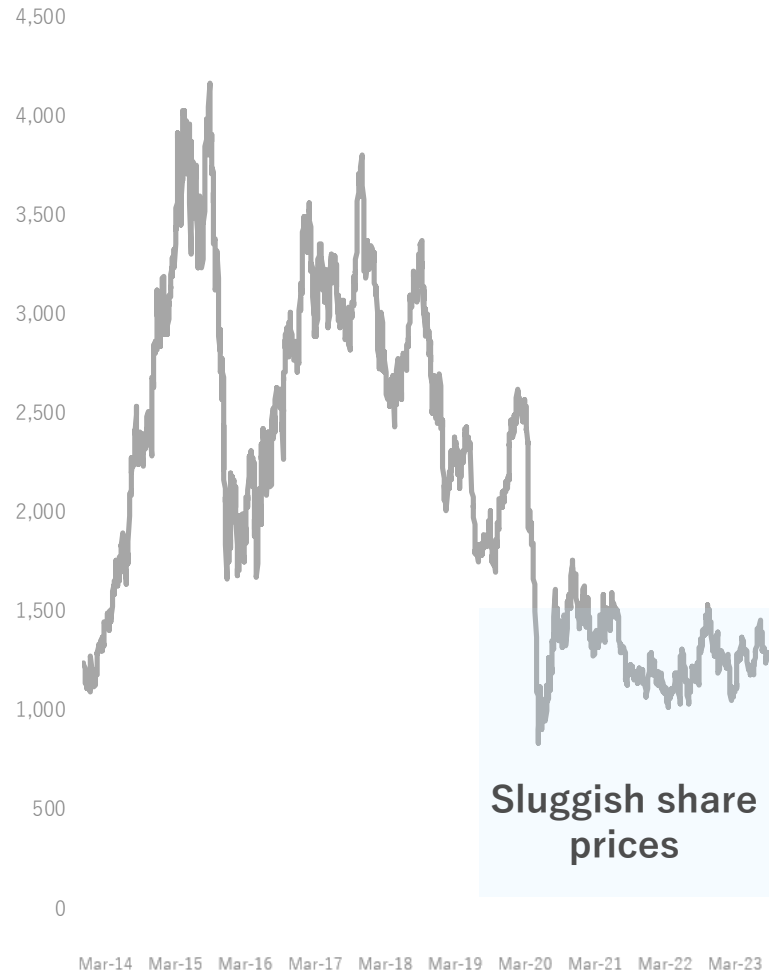
(All figures indicate dividend per share)

The year-end dividend will be proposed at the annual general meeting of shareholders scheduled in June 2024.

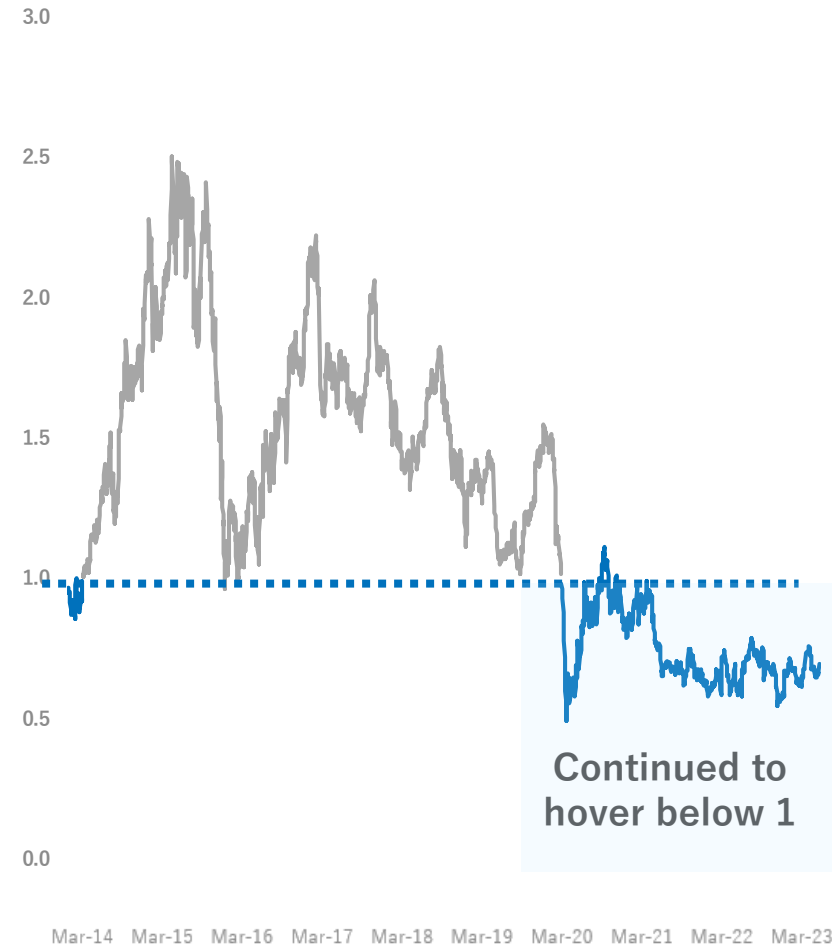
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Analysis of Current Situation

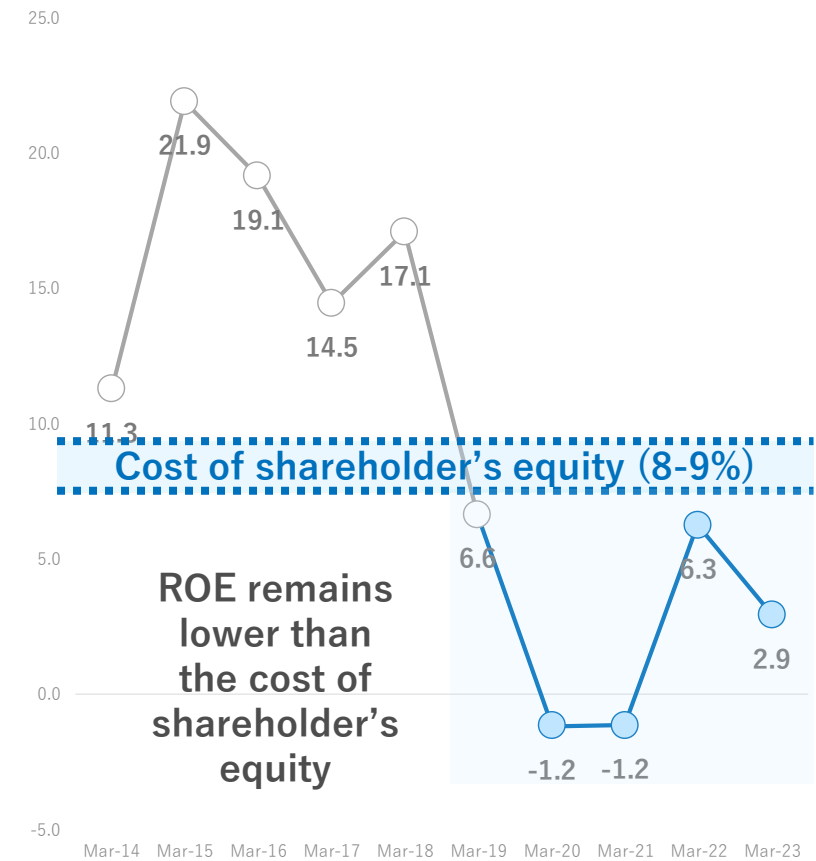
Share price (yen)



PBR (ratio)



ROE (%), Capital Cost (%)



Initiatives and Targets to Raise PBR above 1

The targeting to raise PBR to 1 or more in the early stage of the 3rd Mid-Term Business Plan period

$$\text{PBR} = \text{ROE} \times \text{PER}$$

$\frac{\text{Net profit}}{\text{Net worth}}$
 \times
 $\frac{\text{Share price (expectations for growth)}}{\text{Net profit}}$

Results in the financial year ending March 31, 2023: 2.9%
Target: 10.0% or more

Profitability

Measures toward FY2024

- Monetization of module system business
- Price optimization and inflation measures
- Minimize abnormal costs

Net worth

Capital efficiency improvement

- Utilization of assets held
- Growth investment in priority domains (M&A)
- Shareholder returns

Growth potential

Business portfolio transformation toward FY2027

- Amuse500
- Expansion of industrial equipment market
- Sensor & communication 1500
- Digital cabin business
- Unprofitable business restructuring

Profitability

- Monetization of module system business
- Price optimization and inflation measures
- Minimize abnormal costs
- Improve the accuracy of earnings forecast
- Strengthen human capital management

Direction of Measures based on Capital Policy [Three-year cumulative total for FY2022-2024]

When 2nd Mid-term Management
Plan was formulated

Assumptions at this point

Secure optimal financing

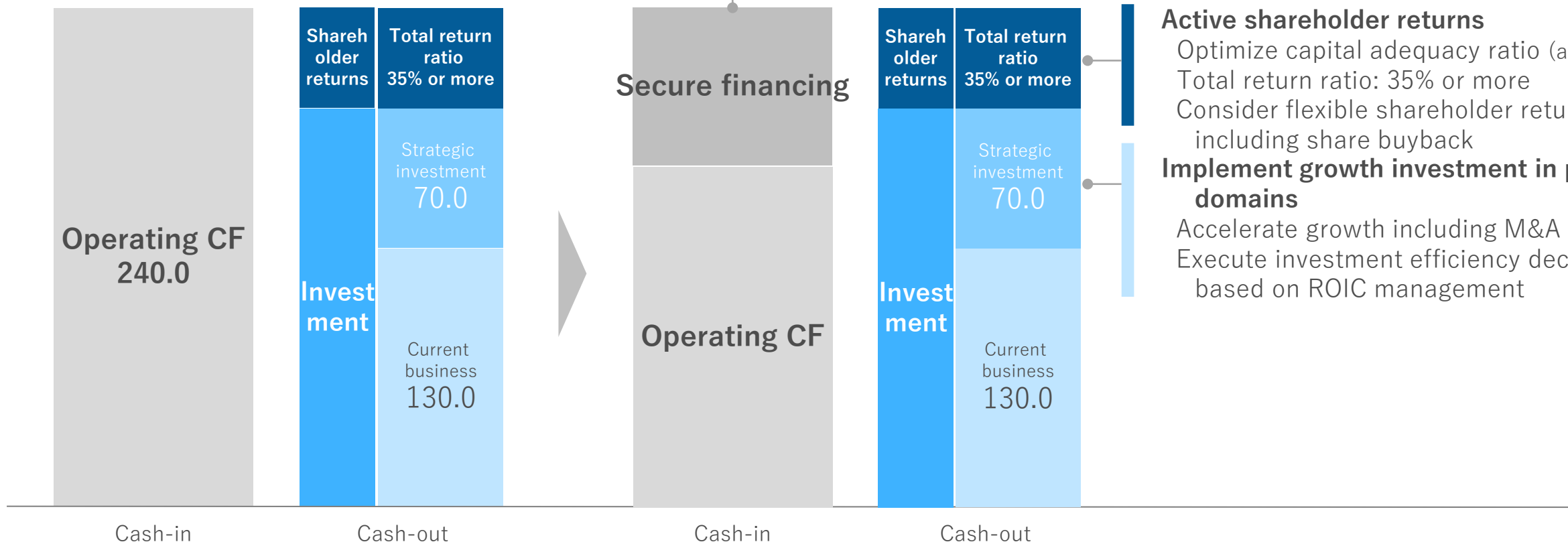
- Secure growth resources
- Utilize assets held
- Utilize interest-bearing debt (maintenance of A rating)

Active shareholder returns

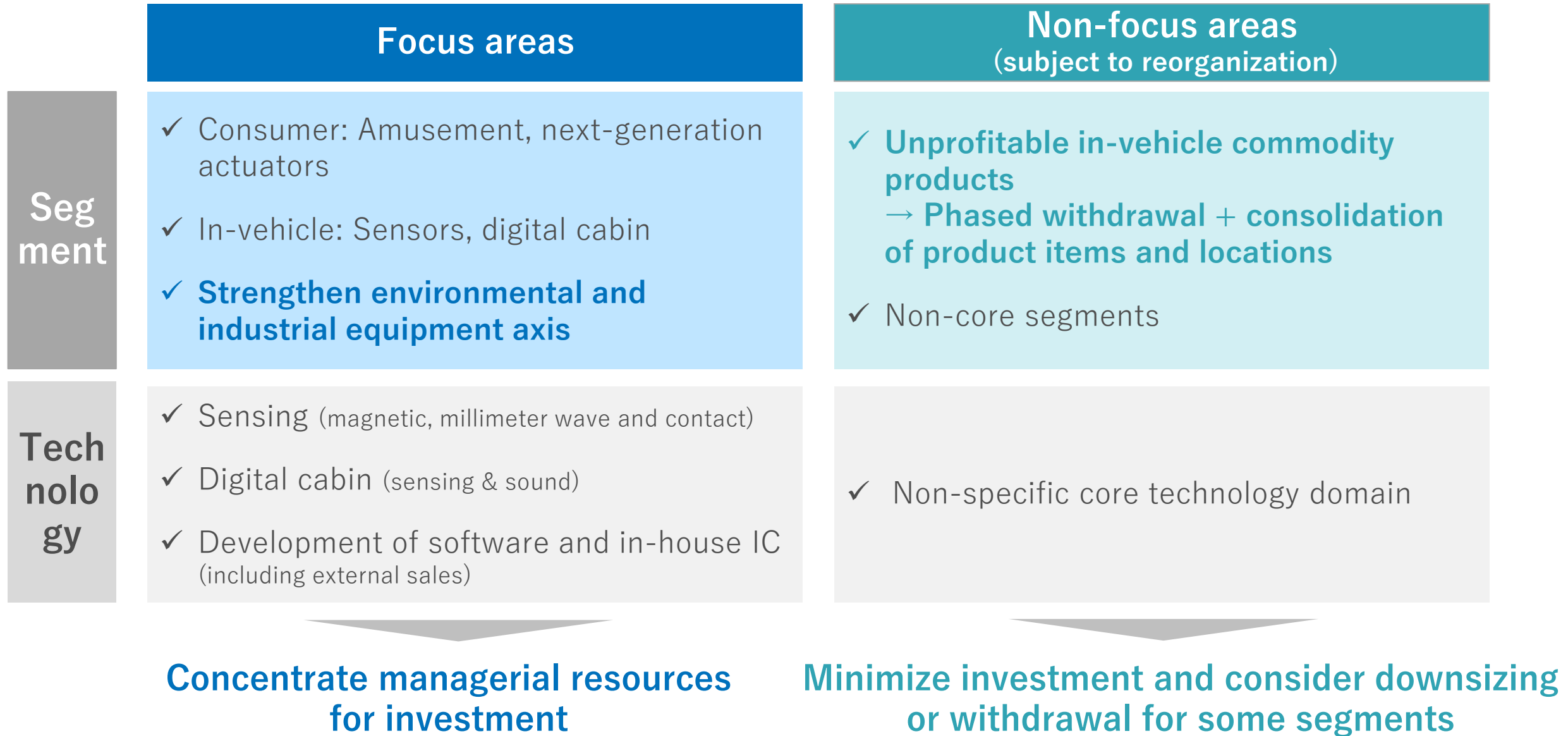
- Optimize capital adequacy ratio (approx. 50%)
- Total return ratio: 35% or more
- Consider flexible shareholder returns, including share buyback

Implement growth investment in priority domains

- Accelerate growth including M&A
- Execute investment efficiency decisions based on ROIC management

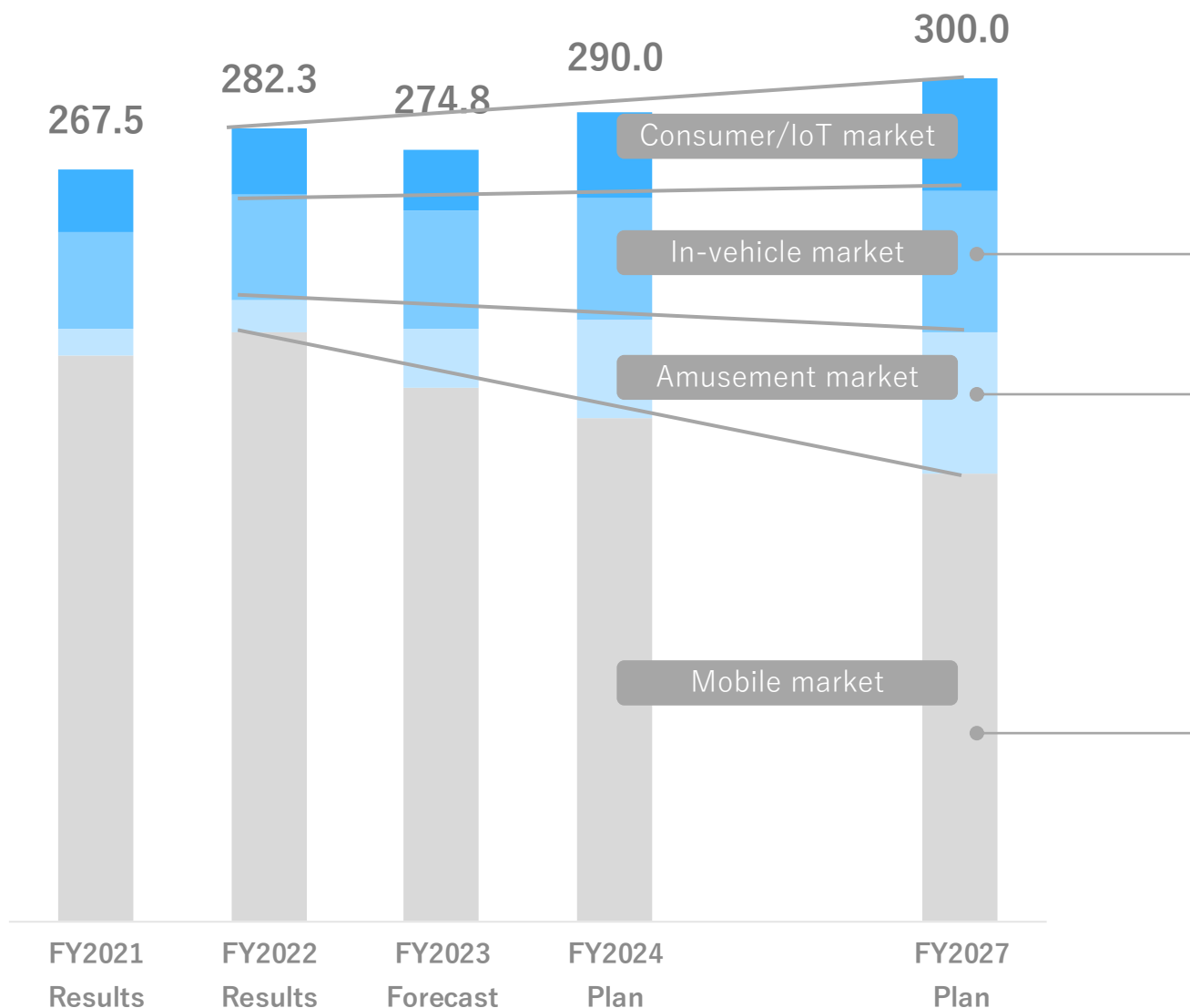


Growth Strategy: Business portfolio transformation toward FY2027



Net sales

Calculated at USD/JPY = 115 yen



Growth strategy: Refinement of basic core technologies

Contact technology

- High withstand voltage/flow, quiet operation → Response to new demand for EV

Contact detection

- Long life (3 times longer than conventional models), high precision/recovery performance

Improvement in profitability

- Optimize foot print in global production
- Expand the introduction of new SMA/PIEZO actuator

Sensor & Communication Segments

[Unit: ¥ billion]

Net sales

Calculated at USD/JPY = 115 yen

Growth segment for industrial equipment market

High-precision sensor for magnetic applications / Power electronics device

Establishment of Business Transformation Promotion Office for creating business opportunities in industrial equipment market
Market scale assumption CY2022: 185 billion yen → CY2027: 400 billion yen

Strategic products for in-vehicle market

Millimeter wave sensor

Expand from motion sensors to passenger detection and peripheral obstacle detection sensors

Safety and security

Current sensor

Shift from Hall to xMR, responding to needs for xEVs that fulfill the needs for faster charging, longer range and smaller size

Environment

Digital key system (solution Biz)

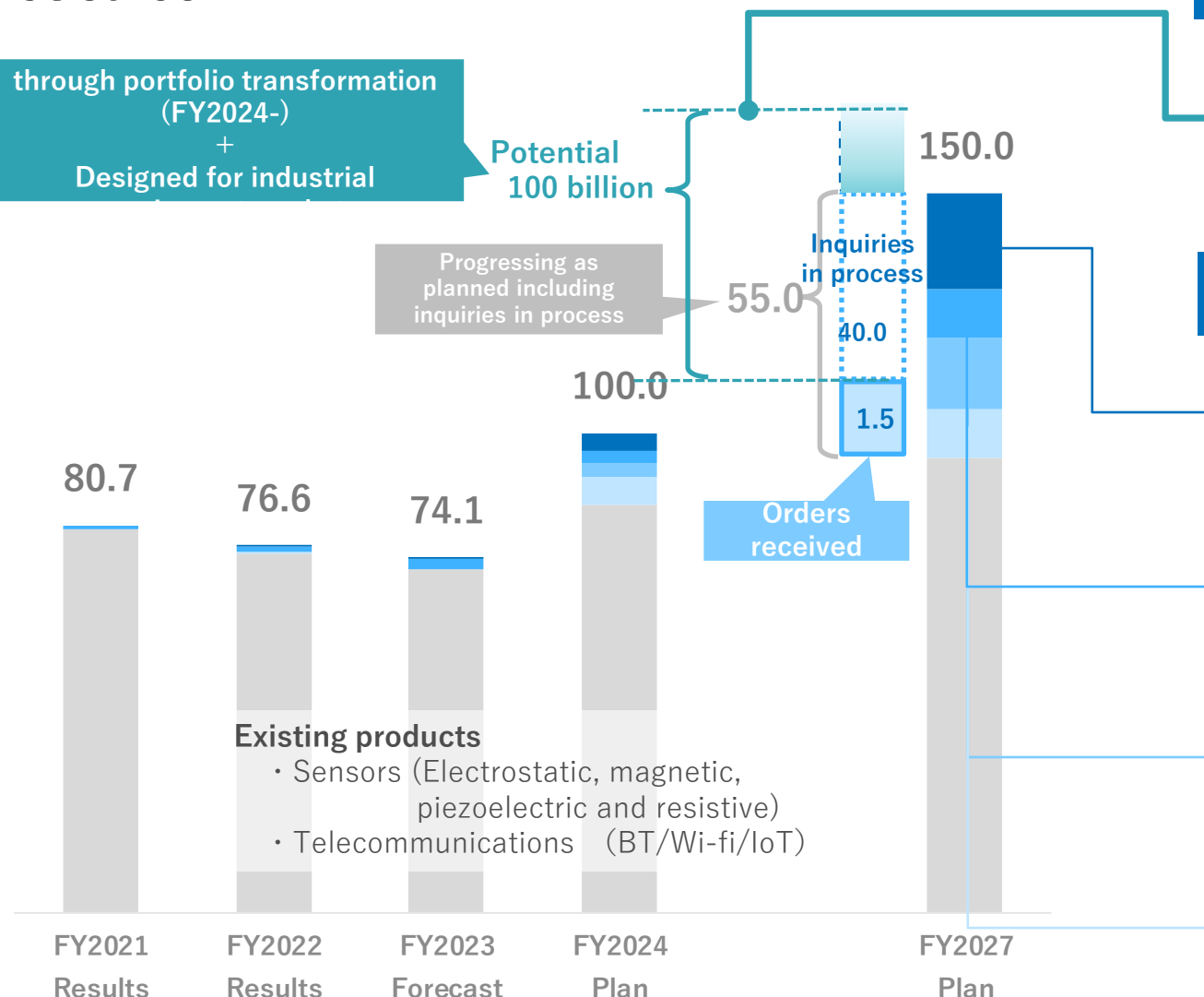
Full transition from KEY FOB to smartphone key system to comply with unification of global standards

Safety and security

5G/C-V2X

From in-vehicle communication system BT/Wi-Fi to exterior network 5G/C-V2X + Evolution into high-precision GNSS

Safety and security



Module & System Segments

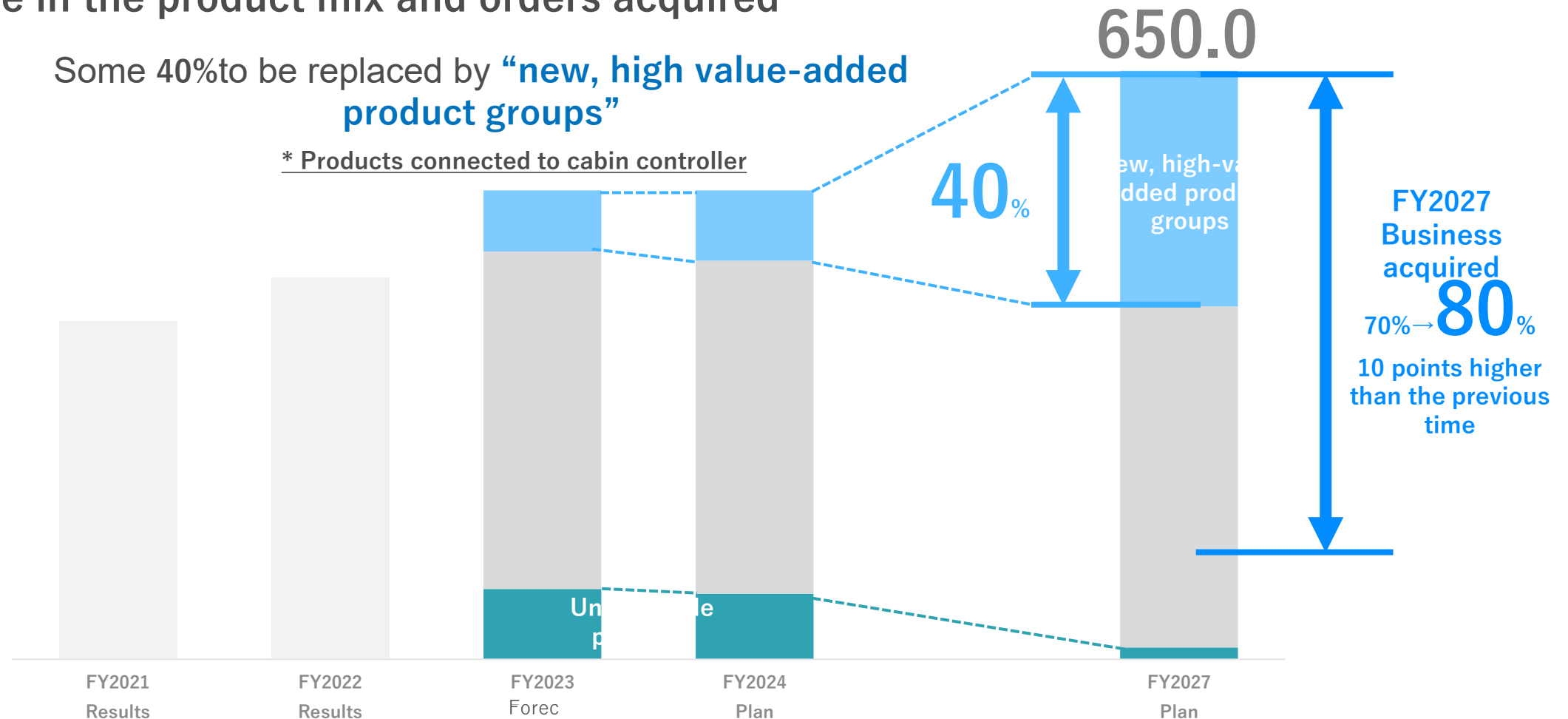
Change in the product mix and orders acquired

Calculated at USD/JPY = 115 yen

[Unit: ¥ billion]

Some 40% to be replaced by **“new, high value-added product groups”**

* Products connected to cabin controller

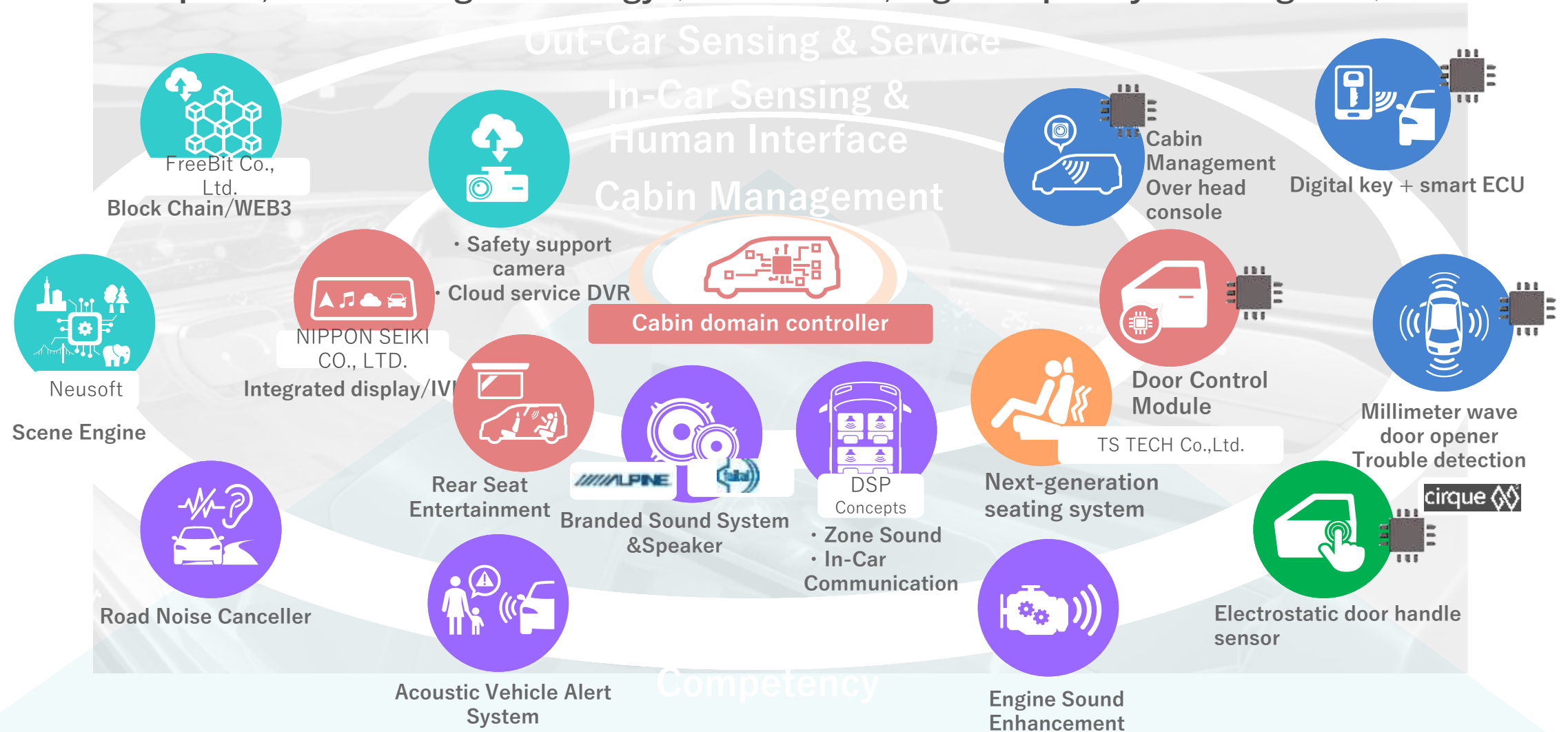


Improvement measures	FY2023	FY2024
Unprofitable products	(1) Reorganized and increased the sales price of unprofitable commodities (2) Negotiations to settle unprofitable operations (3) Formulated plans to integrate production locations	(1)(2) Consolidate production items - Transfer production site (3) Phased implementation of production location consolidation
Abnormal man-hours	(4) Centralized measures to improve abnormal man-hours (yield rate)	(4) Completion of improvement activities (1H)

Module & System Segments

Consolidation into high value-added product groups centered on digital cabin

Connect (system and software) the cabin with human interface (display, sound and actuator), the strong point, and sensing technology (electrostatic, high-frequency and magnetic)



Cloud

Control

Electrostatic

High-frequency

Sound

Actuator

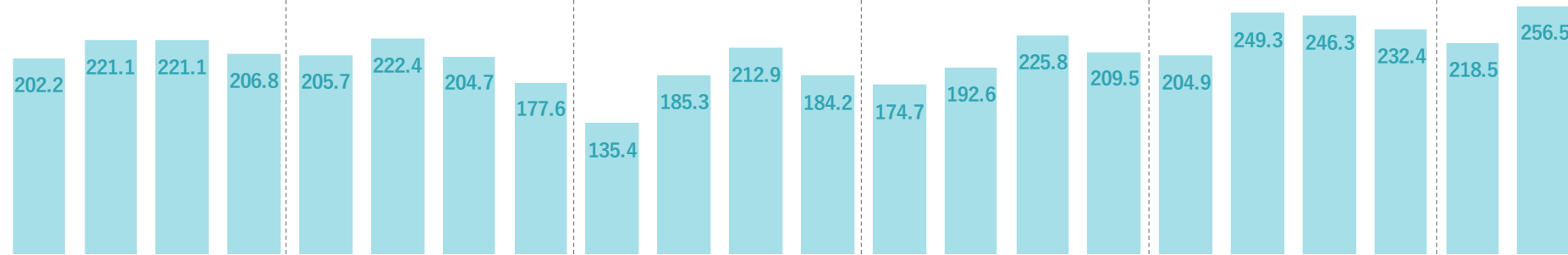
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Data on the Effect of Exchange Rates

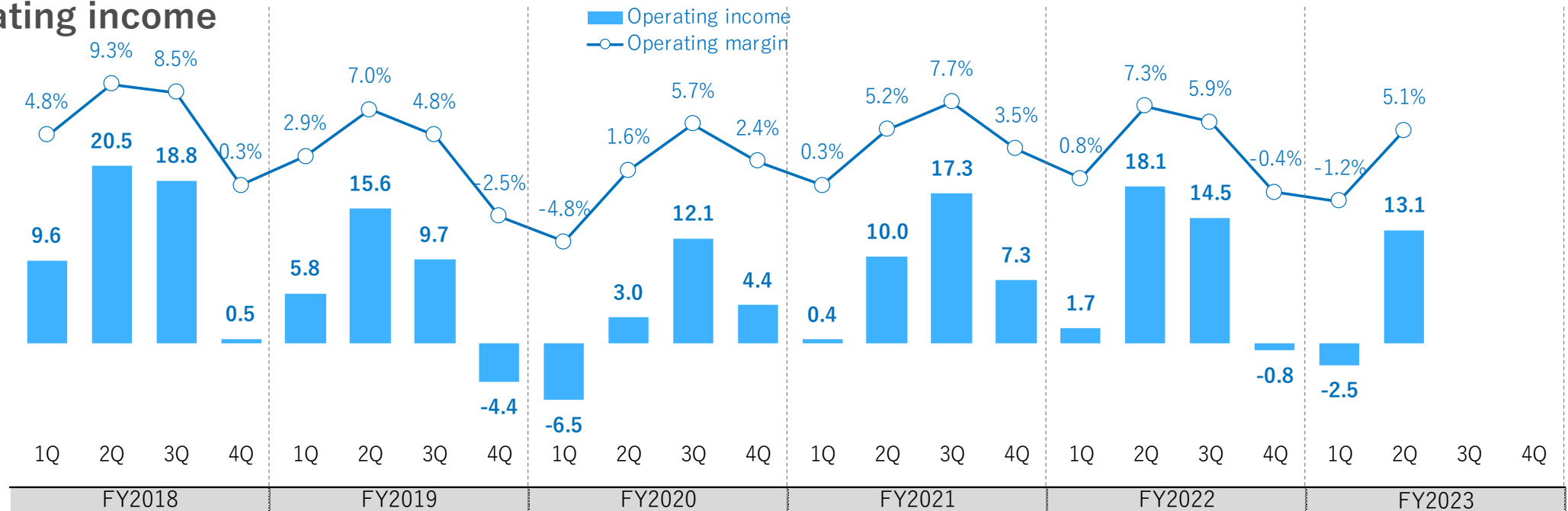
		[Unit: 1 billion yen/month/per 1 yen]			[Unit: 1 billion yen/month/per 0.1 yen]
		USD	EUR	CNY	
Consolidated	Net sales	0.38	0.02	0.06	
	Operating income	0.09	-0.01	-0.01	
Component Segments	Net sales	0.16	0.01	0.00	
	Operating income	0.08	0.00	-0.00	
Sensor & Communication Segments	Net sales	0.03	0.00	0.00	
	Operating income	0.01	0.00	-0.00	
Module & System Segments	Net sales	0.20	0.02	0.01	
	Operating income	0.02	-0.01	0.00	

Quarterly Changes

Net sales



Operating income



Quarterly Changes

	FY2022					FY2023			
	1 Q	2 Q	3 Q	4 Q	FY	1 Q	2 Q	2H (Forecast)	FY (Forecast)
Net Sales	204.9	249.3	246.3	232.4	933.1	218.5	256.5	484.9	960.0
Component	59.3	100.6	91.6	77.3	329.0	61.4	88.9	153.5	304.0
Sensor & Communication	19.9	24.4	21.6	19.4	85.5	19.8	20.8	40.2	81.0
Module & System	101.6	119.9	128.6	131.2	481.3	132.6	141.7	280.6	555.0
Others	24.0	4.2	4.3	4.5	37.1	4.4	4.9	10.5	20.0
Operating Income	1.7	18.1	14.5	-0.8	33.5	-2.5	13.1	21.8	32.5
Component	5.3	16.4	13.7	2.7	38.3	1.5	9.1	16.2	27.0
Sensor & Communication	0.1	0.6	0.1	-2.4	-1.5	-1.4	-0.0	1.4	0.0
Module & System	-5.9	0.6	0.1	-1.5	-6.6	-2.9	3.5	3.4	4.0
Others / Eliminations	2.2	0.3	0.4	0.3	3.4	0.3	0.5	0.6	1.5
Ordinary Income	7.2	19.5	9.8	-1.7	34.9	2.3	14.5	16.5	33.5
Profit Attributable to Owners of Parent	2.6	14.8	3.6	-9.6	11.4	-2.3	9.0	13.2	20.0
USD / JPY	129.57	138.37	141.59	132.34	135.47	137.37	144.62	140.00	140.50
EUR / JPY	138.12	139.34	144.30	142.10	140.97	149.47	157.30	150.00	151.70
CNY /JPY	19.58	20.19	19.87	19.34	19.75	19.56	19.94	19.80	19.78

Quarterly Changes

(Unit : billion Yen)	FY2022					FY2023			
	1 Q	2 Q	3 Q	4 Q	FY	1 Q	2 Q	2H (Fcst)	FY (Fcst)
R&D Expenses	8.8	8.2	9.8	4.9	31.9	9.5	6.2	23.2	39.0
Component	2.2	2.0	2.3	1.0	7.7	2.0	1.5	6.0	9.7
Sensor & Communication	1.4	1.3	2.2	0.9	6.0	1.9	1.7	4.0	7.6
Module & System	5.0	4.6	5.1	2.8	17.7	5.5	2.8	12.9	21.3
Capital Expenditures	12.6	11.5	13.6	12.9	50.7	16.5	12.3	22.1	51.0
Component	6.3	3.7	6.3	4.5	20.9	5.3	3.8	9.9	19.1
Sensor & Communication	1.9	1.1	1.7	1.4	6.2	1.4	1.5	2.7	5.8
Module & System	3.6	6.2	5.3	6.8	22.1	9.2	6.6	8.5	24.5
ESG & Corporate assets (include)	(0.4)	(0.4)	(0.6)	(1.5)	(3.1)	(0.6)	(1.4)	(2.3)	(4.4)
Depreciation Expenses	12.8	11.6	11.2	10.9	46.8	10.6	10.3	20.2	41.2
Component	6.1	5.8	5.5	5.3	22.9	5.0	4.6	8.3	18.0
Sensor & Communication	1.0	1.1	1.1	1.0	4.4	1.0	1.0	1.9	4.0
Module & System	4.4	4.4	4.4	4.3	17.7	4.3	4.4	10.0	18.8

	FY2022				FY2023	
	Jun.22	Sep.22	Dec.22	Mar.23	Jun.23	Sep.23
Inventories	155.7	175.0	174.3	165.4	170.0	175.9
Component	37.8	43.5	43.3	41.7	38.1	38.1
Sensor & Communication	19.8	20.9	21.9	19.8	20.8	20.6
Module & System	97.6	110.2	108.6	103.4	110.7	116.5
Employees (Unit : person)	30,824	30,520	30,385	29,926	29,873	29,663
Component	10,733	10,214	10,425	10,218	9,917	9,761
Sensor & Communication	3,842	4,109	3,905	3,725	3,757	3,679
Module & System	14,735	14,674	14,534	14,456	14,627	14,640
Others	1,514	1,523	1,521	1,527	1,572	1,583
(Non Consolidated)	7,120	7,018	6,901	6,784	6,973	6,816



The forecasts and projections presented in this document are formulated based on the Company's assessment at the time of document preparation and may entail inherent risks and uncertainties.

It is important to recognize that fluctuations in various factors may cause actual results to differ materially.