INTEGRATED REPORT 2023

ALPSALPINE

Publication of *Integrated Report 2023*

Integrated Report 2023 is based on our corporate philosophy, “Alps Alpine innovates value for humans and society on a brighter planet.” Under this philosophy, we have defined the areas in which we provide value as “excitement,” “safety,” and the “environment,” and have summarized our specific value creation activities and our strategies toward management, financial, human resources, environmental, corporate governance, and other important management issues from the viewpoint of integrated thinking.

Four years have passed since the former Alps Electric and the former Alpine merged in 2019. We are now in the second year of our 2nd Mid-Term Business Plan. During this period, the environment surrounding us continued to change dramatically, with the impact of the COVID-19 pandemic on global production and supply and disruptions in the supply chain, as well as the rapid rise in prices of raw materials and components, soaring energy prices, rising labor costs, and other inflationary factors. Due to these factors, although net sales for the first year of our 2nd Mid-Term Business Plan exceeded our target, our operating income margin decreased from the previous year. To overcome this situation, we will realize our goal of becoming an “Innovative T-shaped Company (ITC101),” the type of company and business we are aiming for, by once again steadily advancing the business policies of the 2nd Mid-Term Business Plan, namely “Business Quality Improvement and Advancement,” “Cost Reforms,” and “Capability Reforms.” In particular, we have organized and completed our “Human Resources Strategy,” which is a pillar of our Capability Reforms and supports values creation, and our “Environmental Strategy,” which is indispensable for the sustainable development and growth of society and the Company. Further detail on these strategies are available in this report. Please take your time to take in the information and give us your feedback and honest opinions.

The information contained in *Integrated Report 2023* is the result of discussions involving all of the Company’s directors, and, as the person responsible for issuing this report, I hereby declare that our production process is legitimate and the content contained herein is accurate. Moreover, this report has been prepared with reference to the Guidance for Collaborative Value Creation 2.0 of the Ministry of Economy, Trade and Industry (METI) and the International Integrated Reporting Framework of the IFRS Foundation.

August 2023

Satoshi Kodaira

Director, Executive Vice President
CFO, Corporate Planning
Person in charge of issuing integrated report

Promotion Structure

Person in Charge: Satoshi Kodaira, Director

Publication Office: Sustainability Promotion Office

Planning and Content Creation

Corporate Planning Office, Sustainability Promotion Office, and Corporate Communication Department

Content Creation and Support

Corporate Treasury Department, Corporate Accounting Department, Human Resources Department, General Affairs Department, Information Systems Department, Intellectual Property Department, Compliance & Audit Office, planning offices in charge of each business segment
Sales Planning Office, Engineering Planning Office, Production Planning Office, Procurement Planning Office, Quality Planning Office

Scope

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, 2022 to March 31, 2023, but it does include some activities occurring prior to or later than this period.

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 2023

Reporting Media

Integrated Report 2023

Website **Investor Relations** https://www.alpsalpine.com/e/ir/	Website **Sustainability** https://www.alpsalpine.com/e/csr/	Website **Our Company** https://www.alpsalpine.com/e/company/
Financial Information	Non-Financial Information	

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Value Creation Story

CEO MESSAGE

We are accelerating our evolution into an Innovative T-shaped Company that continues to create value beyond expectations and projections by focusing management resources on the integration of hardware and software.

Hideo Izumi
Representative Director, President

Software Development as a Temporary Transfer was the Starting Point of My Career

My name is Hideo Izumi, and I am honored to have been appointed President and Representative Director of Alps Alpine.

I joined the former Alps Electric in 1985 and have spent most of my career in the business and engineering fields. Although my decision to join the Company was based on studying communications technology as a student, on the second day of my employment, I was transferred to the former Alpine Electronics, then a subsidiary of Alps Electric. Alps Electric, a hardware-only business at the time, foresaw the growing importance of software that would come later and sent young employees to learn technology and know-how from Alpine, which excelled in the software domain. I was involved in software development related to car telephones at Alpine for around two and a half years. After returning to Alps Electric, I was assigned to hardware development and design, although I was late to the game compared to my peers. Looking back, there is no doubt that the awareness I was instilled with immediately after joining the company of the fact that a product is only complete when software is incorporated into the hardware had a significant impact on forming the rest of my career.

Note: President Izumi's photo was selected by a vote of employees.

CEO MESSAGE

I must confess that I was shocked when the Nomination Advisory Committee informed me of my being appointed as the new president. However, in light of the direction our company should take and the issues we currently face, it was clear what was required of me. I had no hesitation or pressure whatsoever in assuming the position of president. We are working to integrate and enhance our hardware and software technologies to evolve into a T-shaped Company. For our Company to grow over the mid- to long-term, we will make the most of our experience and knowledge and strive to become an Innovative T-shaped Company.

Optimal Allocation and Utilization of Management Resources is My Most Important Role as CEO

One of the businesses I have been involved in for many years is the High-frequency Segment. TV-tuners were our main products in the High-frequency Segment until around 2000. As the times changed, mainstream consumers replaced analog circuits with digital circuits and ICs such as digital TV tuners, WLAN, and Bluetooth®. This change of times also saw the management of many companies focusing their resources on digitization. Under such circumstances, the number of analog circuit design engineers was gradually decreasing, and I had a strong sense of crisis as the technology continued to dwindle. No matter how much the digital age moves forward, high-frequency products and technologies are still based on analog circuits. Convinced that analog circuits would surely lead to the creation of new products that would benefit society, we made continuous investments to ensure that our human resources would not be lost, to keep some strength in analog circuit technology. This technological innovation led to the creation and commercialization of today's millimeter-wave sensors. Millimeter wave sensors have now grown into a core product that will contribute to the Company's future performance as a product that contributes to people's safe and comfortable lives, such as detecting infants left in cars and preventing accidents through obstacle detection.

Now that I am at the helm of management as CEO, my most important role is to optimize the allocation and the utilization of management resources from a company-wide perspective toward mid- to long-term growth. Since we incurred significant losses due to the 2008 financial crisis, we have had to expand and improve the quality of our business over the past decade while maintaining the extent of our business portfolio. While this has allowed us to accumulate very advanced technologies in our existing businesses, we have yet to create enough new products or businesses that will become new pillars for us to stand on. As we pursue our T-shaped strategy, we will strive to create valuable businesses and products for the next generation by promoting the integration of hardware and software and the fusion of core technologies, as well as by allocating and utilizing management resources with a renewed focus on the medium- to long-term future.

Evolution of the Business Portfolio toward ITC101

We are going into the second year of our 2nd Mid-Term Business Plan. The business environment has changed dramatically this past year since our plan was first formulated. With soaring raw material prices and inflation on a global scale, we have regrettably not been able to respond to these changes, leading to stagnated growth. Although changing the current situation dramatically and in the short term is challenging, the business portfolio transformation and product shift we have been working on toward our mid-term goal of ITC101 have produced a certain level of results, and orders are on track to achieve our fiscal 2027 plan.

The next challenge is to achieve higher quality business and improve profit margins. In the Module and System Segment, which has been struggling severely in performance since the business integration, a portfolio shift to high-value-added rate product groups has already begun, as the Company has shifted its primary focus from the entertainment area to cabin space staging or cabin space control products. In the future, we will further evolve our business portfolio and improve profitability by concentrating management resources into peripheral product groups centered on cabin spaces.

Black Boxing of Technology Improves Competitiveness

Our greatest strength is our technical capability. While we have brought many products to market as the “First 1” to do so with our technology, we are not very good at entering markets after they have already been established. In production, we are also aware that EMS*1 in China is gaining ground not only in terms of price but also in terms of quality. Against this backdrop, we hope to continue to be a company that can compete on the strength of our technology. The key to our remaining in the competition is the “black boxing of technology.” As products become commoditized faster and faster each year, it isn’t easy to differentiate from competitors with a single technology. Therefore, it will be essential to combine multiple technologies to create a black box while at the same time adapting it to the customer’s product. In the Sensor and Communication Segment, as we have strengthened our reach into sensors, we have been vectoring to connect sensors and cabins over the past few years, resulting in a “black box” technology.

Our challenge for the future is to create an organizational structure and corporate culture to cross-fertilize technology throughout the Company strategically. Although software and hardware integration has been promoted in the four years since the business integration, the current situation is that the individual business units in our hardware domain are operated vertically, with no routine implementation of cross-functional technologies across units. By strategically changing the current organizational structure, we aim to accelerate the black-boxing of our technology, leading to differentiation and improved competitiveness.

Continuing to Contribute to Our People with Our Corporate Philosophy in Mind

ESG management and SDGs are essential for the sustainable development of society and our company. It is becoming increasingly important to pursue our Corporate Philosophy, “We innovate value for humans and society on a brighter planet,” as well as our Management Approach comprised of five items. In addition, the Japanese government’s Society 5.0 initiative focuses on sustainable social and economic growth and not leaving the socially vulnerable behind. Our Corporate Philosophy is perfectly aligned with this.

No matter how much technology develops and evolves in the future, I believe that “people” will always be at the center of the products and services sought after. Since our founding, we have developed and introduced human-machine interface (HMI) products to make people’s lives more comfortable and convenient. Our unique technologies and products will continue to advance the interface between people and products by integrating sensing, our other mainstay, and solve the social barriers outlined in the SDGs and Society 5.0, thereby realizing our Corporate Philosophy.

Pursuit of Excitement, Safety, and the Environment

The three values of “excitement,” “safety,” and the “environment” are more concrete expressions of our management philosophy, “value for humans and society on a brighter planet.” Currently, we are focusing on creating the following values by fusing hardware and software.

Safer Lives through Human Complementation

With technological innovation, XR*2 technology, which has been used in gaming, is evolving into a complementary technology for humans. By combining this XR technology with our sensing and actuation technologies, we expect that it will not only provide an emotional experience but also supplement vision and sight, thereby contributing to the support of people with disabilities and the safety of people in the future.

Establishment of Safe Industrial and Social Infrastructures

Artificial intelligence (AI) and robotics are expected to spread to compensate for the declining labor force in developed countries due to the falling birthrate and aging society, and people’s work styles and lifestyles are expected to change further in line with this trend. In response to this change, our IoT solutions, which link our devices, software, and cloud computing, can contribute to building industrial and social infrastructure to realize safe and environmentally friendly transportation, conveyance, and movement of people and goods.

Providing an Inspiring Mobility Space

As we enter the CASE*3 era, we are witnessing a significant shift in how cars are made, including changes in vehicle architecture and innovations in mobility. We believe that the space a person resides in while in movement will become a value in the future, and through our mobility-oriented technologies, we will provide safety and excitement in the interior space of automobiles.

Naturally, we are promoting environmental measures with clear targets toward carbon neutrality. Even so, not many of our products directly contribute significantly to environmental improvement at

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*1 EMS: Electronics Manufacturing Service. An EMS is a contract manufacturing company that undertakes the manufacture of another company’s products.
*2 XR: An abbreviation for Extended Reality/Cross Reality, a technology that fuses real physical space and virtual space to create new experiences that cannot be perceived in reality. Also a comprehensive generic term for advanced technologies such as VR (virtual reality), AR (augmented reality), and MR (mixed reality).
*3 CASE: Connected, Autonomous, Shared & Services, Electric

this time. However, there is great potential, for example, to improve the electric consumption of EVs by combining our sensing, magnetic, and IC design technologies. By integrating our core technologies, we will work to create products that directly contribute to the environment.

Creating Management That Demonstrates Immediate Results

Among the various types of management capital a company has, the most essential capital for sustainable growth is its human capital or its employees. No matter how excellent the management strategies and measures are, they will only be effective or produce sufficient results if employees are highly engaged. Although it may sound pretty, my main goal is to make our employees see the potential of our company and the attractiveness of working with us. Our goal is to have management that demonstrates immediate results.

To this end, we must focus on internal communication. The most important thing is how transparently we communicate our management direction to our employees. By increasing employee engagement and reflecting on the results of this engagement in management, I would love to create a positive spiral of engagement.

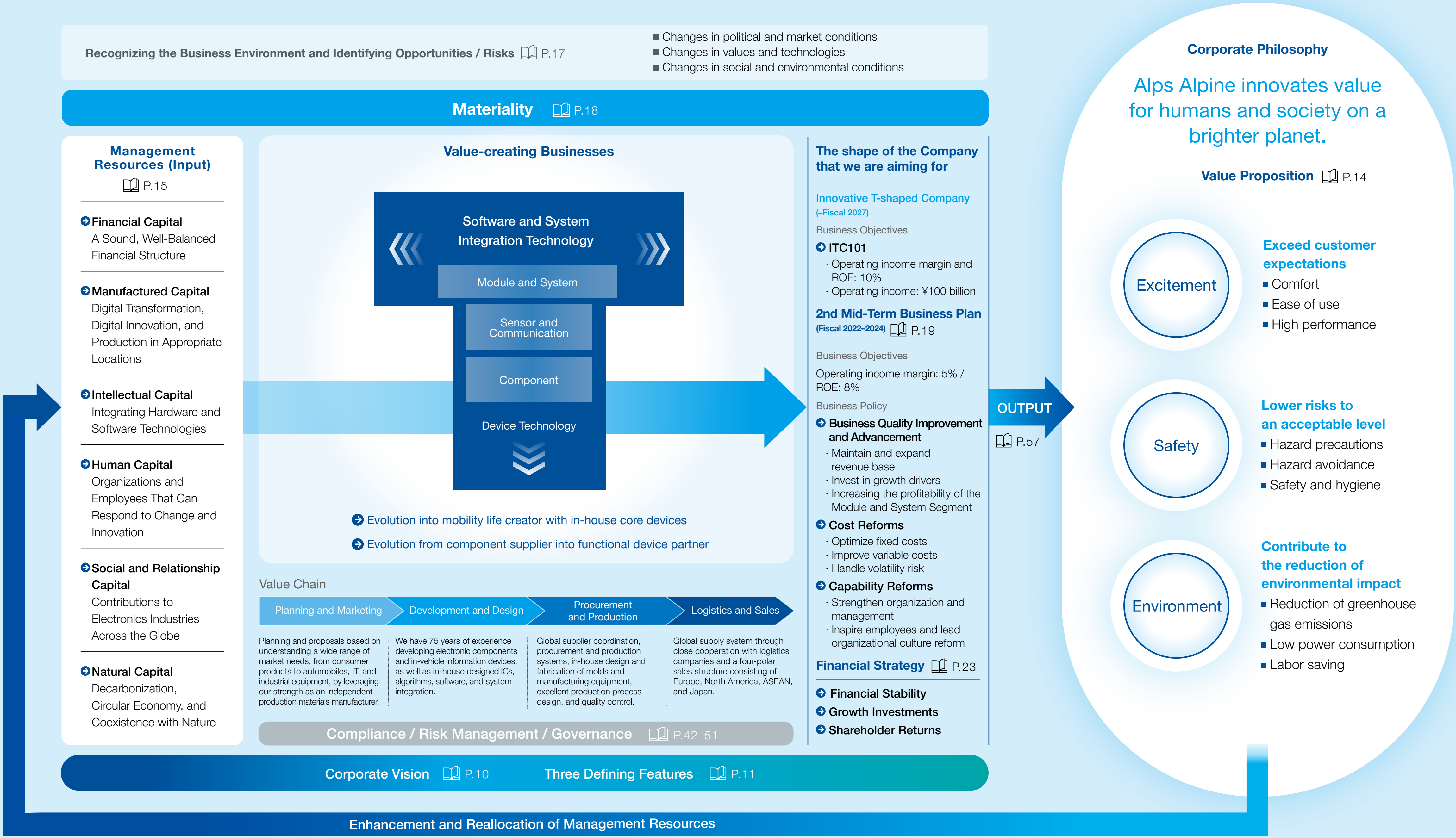
Beyond Expectations

In my sixth year with the company, I was stationed in Europe as a sales engineering representative. As we struggled to develop new markets with zero sales, I learned firsthand how difficult it is to get customers and the world to accept a new product. What kind of products are in demand? Suppose we do not take the customer's words and requests at face value or understand their circumstances and latent desires behind them. In that case, we would be unable to produce the product specifications the customer wants, resulting in production loss. I learned that exploring customer needs through in-depth dialogue is extremely important.

We continue to face tough negotiations regarding price shifting, cost reduction restraints, and other terms with our customers. Although we are sometimes confronted with harsh conditions, it is precisely because we are now in a chaotic operating environment that we sincerely hope to remain unwavering and genuinely delight our customers, in other words, to make our Company worth hiring. To this end, we will deepen dialogue with our customers and create value that far exceeds their expectations and forecasts under the motto "Beyond Expectations" to enhance our corporate value.

August 2023

Alps Alpine’s Value Creation Process



Recognizing the Business Environment and Identifying Opportunities / Risks P.17

- ■ Changes in political and market conditions
- ■ Changes in values and technologies
- ■ Changes in social and environmental conditions

Materiality P.18

Management Resources (Input)

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Financial Capital
A Sound, Well-Balanced Financial Structure

Manufactured Capital
Digital Transformation, Digital Innovation, and Production in Appropriate Locations

Intellectual Capital
Integrating Hardware and Software Technologies

Human Capital
Organizations and Employees That Can Respond to Change and Innovation

Social and Relationship Capital
Contributions to Electronics Industries Across the Globe

Natural Capital
Decarbonization, Circular Economy, and Coexistence with Nature

Value-creating Businesses

Software and System Integration Technology

Module and System

Sensor and Communication

Component

Device Technology

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

Value Chain

Planning and Marketing	Development and Design	Procurement and Production	Logistics and Sales
Planning and proposals based on understanding a wide range of market needs, from consumer products to automobiles, IT, and industrial equipment, by leveraging our strength as an independent production materials manufacturer.	We have 75 years of experience developing electronic components and in-vehicle information devices, as well as in-house designed ICs, algorithms, software, and system integration.	Global supplier coordination, procurement and production systems, in-house design and fabrication of molds and manufacturing equipment, excellent production process design, and quality control.	Global supply system through close cooperation with logistics companies and a four-polar sales structure consisting of Europe, North America, ASEAN, and Japan.

Compliance / Risk Management / Governance P.42–51

The shape of the Company that we are aiming for

Innovative T-shaped Company
(–Fiscal 2027)

Business Objectives

ITC101
- · Operating income margin and ROE: 10%
- · Operating income: ¥100 billion

2nd Mid-Term Business Plan
(Fiscal 2022–2024) P.19

Business Objectives

Operating income margin: 5% / ROE: 8%

Business Policy

Business Quality Improvement and Advancement
- · Maintain and expand revenue base
- · Invest in growth drivers
- · Increasing the profitability of the Module and System Segment

Cost Reforms
- · Optimize fixed costs
- · Improve variable costs
- · Handle volatility risk

Capability Reforms
- · Strengthen organization and management
- · Inspire employees and lead organizational culture reform

Financial Strategy P.23

- **Financial Stability**
- **Growth Investments**
- **Shareholder Returns**

OUTPUT
P.57

Corporate Philosophy

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

Value Proposition P.14

Excitement

Exceed customer expectations
- ■ Comfort
- ■ Ease of use
- ■ High performance

Safety

Lower risks to an acceptable level
- ■ Hazard precautions
- ■ Hazard avoidance
- ■ Safety and hygiene

Environment

Contribute to the reduction of environmental impact
- ■ Reduction of greenhouse gas emissions
- ■ Low power consumption
- ■ Labor saving

Corporate Vision P.10 **Three Defining Features** P.11

Enhancement and Reallocation of Management Resources

History of Alps Alpine

Since its foundation in 1948 under the name Kataoka Electric Co., Ltd., Alps Electric Co., Ltd. had 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. In 2019, the two companies integrated, writing a new chapter in our history.

For over 70 years, Alps Alpine has been playing a key role in the lifestyles of people across the globe through the constant creation of countless global leading products. As we proceed ahead, we will remain fully committed to the creation of new value that satisfies stakeholders and is friendly to the Earth.

Overview of the Alps Alpine Group

(Fiscal 2022)

Total Assets	Consolidated Net Sales	Consolidated Overseas Sales
¥736.9 billion	¥933.1 billion	¥824.5 billion

Fiscal 2027 ITC101

Operating income margin and ROE: **10%**

Operating income of **¥100 billion**

Fiscal 2024 itc88

Operating income margin: **5%**

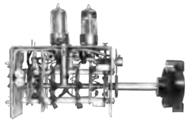
ROE: **8%**

1940-50s

Underpinning the Growth of Radio and Television in Their Early Years

Alps Alpine Co., Ltd. was founded in Ota-ku, Tokyo, in 1948 as Kataoka Electric Co., Ltd. The variable condensers used in radio tuning developed by Alps Alpine became a huge hit due to the popularity of radio building and the special procurement boom in Japan at the time. In 1954, we developed Japan's first-ever six-channel tuner to coincide with the start of television broadcasting, contributing to the growth of television in its early years. In the 10th anniversary of our founding, we established the Founding Spirit (Alps Electric Precepts), which forms the foundation for our current ESG initiatives.

Variable condenser



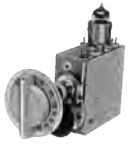
Six-channel tuner

1948 ■ **Founded as Kataoka Electric**
■ Commenced the manufacturing and sales of rotary switches
1949 ■ Commenced the manufacturing and sales of variable condensers
1954 ■ Commenced the production of VHF tuners

1960-70s

Addressing the Vigorous Demand for Electronic Components in Japan and Overseas

Exports expanded with the development of components such as the high frequency (UHF) tuner. Moreover, as demand for parts increased, we addressed the needs of the generation on the strength of our ideas and technologies. The business continued to expand with the development of our Tohoku Plant as well as the establishment of Alps-Motorola Inc., during a period of motorization, which marked the start of our journey in the automotive business. With the establishment of joint production ventures in Taiwan and the Republic of Korea as well as with the development of sales companies in the United States and Germany, we made our full-fledged entry into the global market.



UHF tuner

TACT Switch™

1964 ■ Changed company name to Alps Electric Co., Ltd.
1967 ■ **Established Alps-Motorola (later, Alpine Electronics, Inc.)**
■ Alps Electric listed on the First Section of the Tokyo Stock Exchange
1970 ■ Made a capital participation in Watakoma Co., Ltd. (currently, Alps Logistics Co., Ltd.)
1977 ■ Established Alps Electric (USA), Inc.
1978 ■ **Changed name of Alps-Motorola to Alpine Electronics**
1979 ■ Established Alps Electric Europe GmbH, in West Germany

1980-90s

Staying Ahead of the Times and Creating World-First Products

In this age defined by the evolution of electronic devices, we created world-first products in quick succession, including the production of external storage devices for the Apple II, the first mouse made in Japan, and the Honda Electro Gyrocator, jointly developed together with Honda Motor Co., Ltd. With the advent of the digital era consisting of mobile phones and PCs, we constantly developed an array of products that steered the generation, including the commercialization of communications units for mobile phones and digital tuners. We were also quick to achieve ISO certification for compliance with quality and environmental standards.

Honda Electro Gyrocator*

Mouse

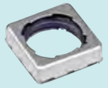
1984 ■ Established Alps Electric (UK), in England
1987 ■ **Changed name of Alps Transportation to Alps Logistics Co., Ltd.**
■ Established Alps Electric Korea Co., Ltd., in the Republic of Korea
1991 ■ Alpine Electronics changed listing to the First Section of the Tokyo Stock Exchange
1993 ■ Established Ningbo Alps Electronics Co., Ltd., as a joint venture in China
■ Developed production facilities in multiple regions of China thereafter
1994 ■ **Established All Alps Environmental Protection Charter**
1998 ■ Commemorated the 50th anniversary of the founding of Alps Electric
■ **Established Corporate Vision**

2000-10s

Delivering New Value to Users through the Strengths of Our Core Technologies

Technological innovation continued to accelerate with the spread of the internet and the emergence of smartphones. We contributed to the digitalization of a variety of electronic components, such as actuators, and acquired certification for the world's first Bluetooth® modules. In the automotive business, we addressed the needs of the generation, launching a communication module for ETC (Electronic Toll Collection system, a digital system for paying tolls) and HAPTIC™. In the aftermath of the Great East Japan Earthquake, we were able to resume operations at all plants within a couple of weeks, without any impact on our production.

HAPTIC COMMANDER™



Actuator

2002 ■ Established Green Procurement Guidelines
2007 ■ **Designated for the first time in Japan as Compliance Customs Clearance (Approved Special Importer and Approved Special Exporter for outstanding compliance with Japanese laws and regulations at the same time)**
2011 ■ Great East Japan Earthquake struck, prompting energy-saving measures at all facilities and rotation of plant operations
2017 ■ Announced the business integration of Alps Electric and Alpine Electronics
2019 ■ **Established Alps Alpine**
■ **Formulated Alps Alpine Corporate Vision**
■ **Formulated medium-term sustainability policy**

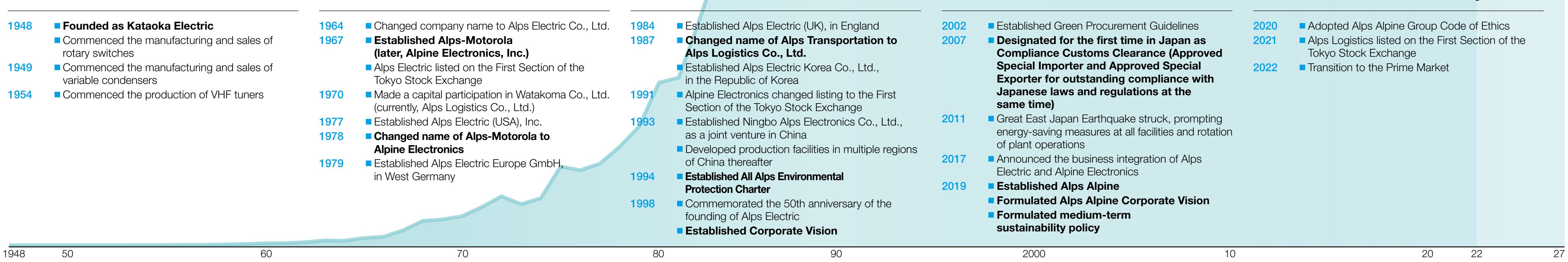
2020s

Enhancing Corporate Value through Business Integration Synergies and ESG Management Practices

Despite the global economic crisis caused by factors including the COVID-19 pandemic, we have moved forward while striking a balance between preventing infection and carrying out our business operations. We are contributing to the resolution of social issues through our business, including through the development of touchless monitors and the provision of logistics trackers. As of the 2nd Mid-Term Business Plan, we have begun to focus on ESG to enhance both our social and economic value. In 2023, in recognition of its ESG initiatives, Alps Alpine has been selected for inclusion in all six of the indices used by the Government Pension Investment Fund (GPIF).

Digital Cabin

2020 ■ Adopted Alps Alpine Group Code of Ethics
2021 ■ Alps Logistics listed on the First Section of the Tokyo Stock Exchange
2022 ■ Transition to the Prime Market



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

OUR VISION

CORPORATE VISION

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.

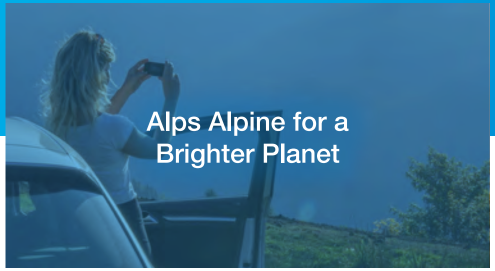
Alps Alpine Business Vision

Perfecting the Art of Electronics

Founded in 1948 as a small-town factory in Ota City, Tokyo, Alps Alpine has always had a cherished passion. Alps Alpine finds joy in seeing people living and growing with others and the world around them.
By continuing to contribute to people and the Earth, we hope to be a company that always brings familiarity to the people around us. An essential resource for a company is its people, and it is people who support our manufacturing and service creation, as well as the constant innovation of management on a daily basis. Our universal corporate philosophy for the future is to place people at the base of management, to trust the people, and to believe in our people. By providing products, technologies, services, and solutions, we aim to ensure that people and the Earth continue to see prosperity and happiness.

Alps Alpine for Humans and Society

Alps Alpine believes that providing joy to its stakeholders, including shareholders, customers, employees, consumers, industry associations, local communities, and others, will lead to great joy for Alps Alpine itself. Under this frame of thought, we aim to become the No. 1 company in terms of customer satisfaction, shareholder satisfaction, employee satisfaction, and bringing joy to our stakeholders.



Alps Alpine for a Brighter Planet

As humans, we are capable of destroying the Earth around us. It is also us humans who can protect it. As a global citizen, we aim to be an environmentally conscious company, finding importance in the values of coexistence and recycling. Through tireless efforts in various networks, we will search for new forms of joy and coexistence for people, the Earth, and companies.

Innovating Value

Alps Alpine's raison d'être is to respond to our customers' and society's various demands and challenges with new proposals based on unique concepts, plans, and initiatives or to provide attractive products and services that exceed expectations. This is not only limited to product development but the creation of new value (excitement, safety, and the environment) and contribution to all people and society through every single way we operate as a company and every single way our employees live as people in society.

Perfecting the Art of Electronics

Our business vision expresses Alps Alpine's desire to seek, cherish, and reach the limits of the products and services we offer through the lens of three values ("Right," "Unique," and "Green"). Alps Alpine is committed to repeatedly striving to get to the essence of things, continuing to challenge ourselves without giving up on the goals we have set, and acting to realize our aspirations by unleashing our creativity as individuals and as a team.

The Uniqueness of Alps Alpine

Since its founding, Alps Alpine has continued to earn distinction as a manufacturer of numerous world-first and industry-leading products. Such products and offerings are a testament to our constant dedication to sincerely valuing the views of our customers, as well as to uncovering the needs of society and pursuing solutions to such needs by accurately assessing market changes, reflecting on our roles and responsibilities, and considering what technologies are necessary.

Moreover, we must continue to evolve and expand our lineup of products and proprietary technologies with the goal of creating new value.

Underpinning our *monozukuri** are **"Right," "Unique," and "Green,"** three defining features of the Company that spurred the creation of our three values, excitement, safety, and the environment, representing the Alps Alpine brand's commitment to society and all of humanity, as well as its uniqueness and dedication as a company.

We must ask ourselves whether the products we develop are supplied in an optimal manner, whether they incorporate the unique characteristics of Alps Alpine, and whether they demonstrate our respect for the environment while working to ensure that these goals are met.

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* A Japanese term meaning "the development and manufacturing of products."

ALPSALPINE
Perfecting the Art of Electronics

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

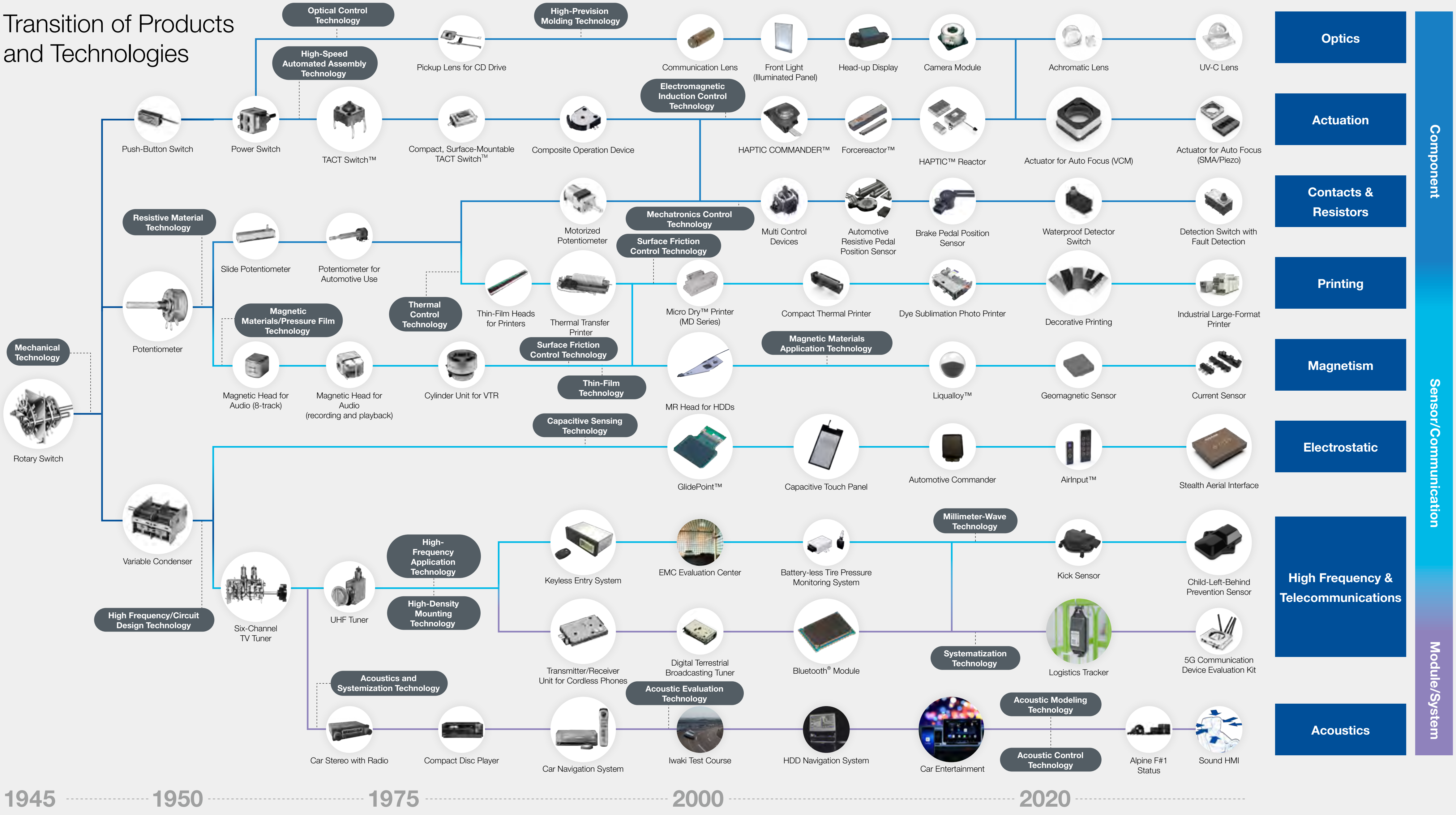
Unique

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

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

Transition of Products and Technologies



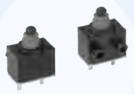
The origin of Alps Alpine's products is the rotary switch. In anticipation of the popularization of radios as the vital source of information and entertainment in the postwar period, variable condensers and push-button switches saw back-to-back commercialization. From there, Japan saw rapid growth in tandem with the development of the global economy. As the times changed, we nurtured the technologies needed at the given time. Our products have evolved into the component, sensor and communication, and module and system areas. Along with our efforts in integrating and evolving device technology, software development, and systemization technology to a higher dimension, we have been reborn as an "Innovative T-shaped Company" that creates products with unprecedented unique value, continuing to innovate value for humans and society on a brighter planet.

Alps Alpine Products and Their Markets

Automotive Market

Component

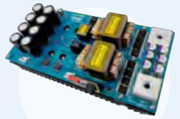

TACT Switch™


Detector Switch


Encoder
(Insulated Shaft Type)


Variable Resistor
(Insulated Shaft Type)


Heavy Type of
HAPTIC™ Reactor


TriMagiC Converter™
(DC-DC Converter)

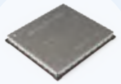
Sensor and Communication


Current Sensor


Magnetic Sensor


Millimeter-Wave Sensor


GNSS Module


C-V2X Module


5G NR* Module
* New Radio

Module and System


Power Window Switch


Electric Shifter


Sound System


Cabin Controller


Smart Door Trim

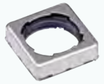

Integrated Display

Consumer, Industrial Equipment, and IoT Markets

Component


TACT Switch™


HAPTIC™* Reactor


Actuator for Cameras


Multi-Functional Operating Device


Spring Contact


Power Inductor

Sensor and Communication


Resistive Position Sensor


Pressure Sensor


Aspherical Glass Lens with Metal Holder


Worker Condition Monitoring Systems


Remote Monitoring System for Logistics


Analog Meter Monitoring System

ALPINE Brand

ALPINE Premium Sound


ALPINE STYLE Customized Car

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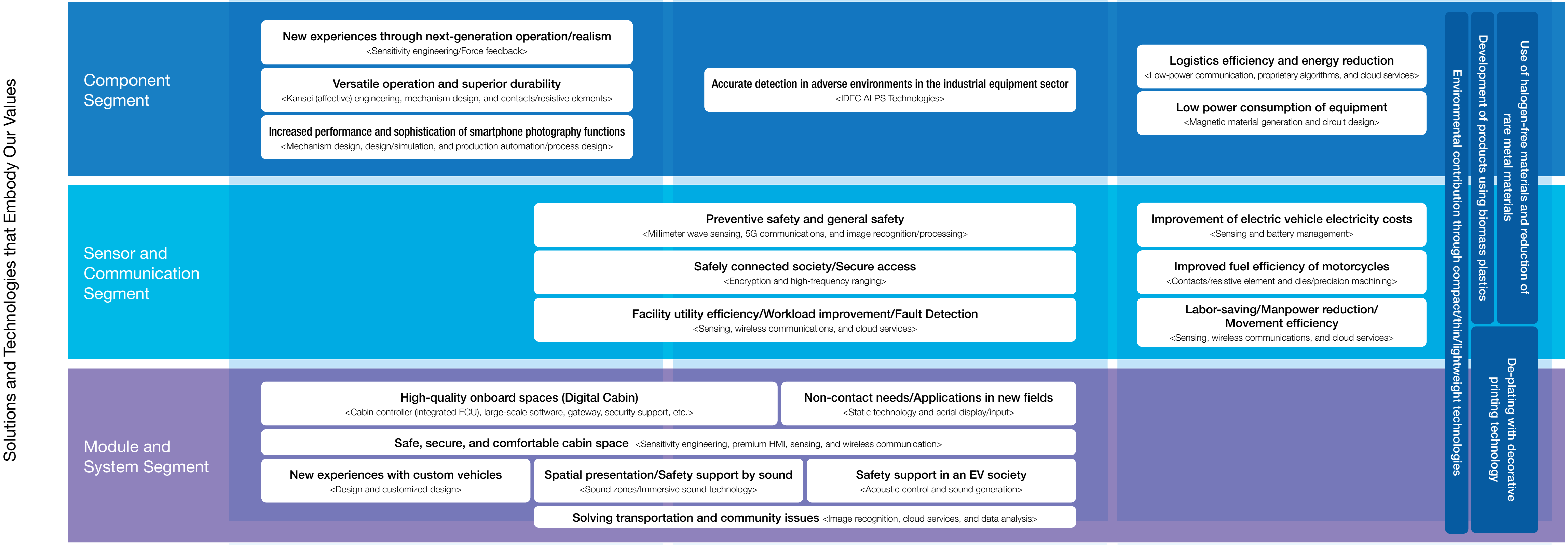
* HAPTIC is registered as a trademark in Japan, China, the European Union and United Kingdom (JP4619342/JP5471286, CN4730821/CN4730822/CN4730823, EUTM4399606, UK00904399606), and is used in commerce as a trademark in the United States, being enforceable under common law.

Alps Alpine's Social Value Proposition

What we value most is protecting the Earth and enriching people's lives. In other words, through our business activities, we will continue to create new value for humans and society on a brighter planet. With our actions, we will provide Alps Alpine's unique values of "excitement," "safety," and the "environment" through reliable solutions and technologies.

These values are embodied in our numerous solutions and technologies. We believe this is the fundamental and universal purpose and raison d'être of our corporate activities. We must continue to create value not only in our products and services but also in all processes, including development, manufacturing, and even management.

	Excitement	Safety	Environment
Alps Alpine's Value Proposition	**Exceed customer expectations** through new experiences and presentation *Impress/"Wow" Factor*	**Lower risks** to human safety to an acceptable level *Security/Collaborative Safety*	**Contribute to the reduction of environmental impact** by improving the efficiency of people and materials and replacing raw materials *Zero Emission/Circular Economy*



Solutions and Technologies that Embody Our Values

Component Segment

- **New experiences through next-generation operation/realism** <Sensitivity engineering/Force feedback>
- **Versatile operation and superior durability** <Kansei (affective) engineering, mechanism design, and contacts/resistive elements>
- **Increased performance and sophistication of smartphone photography functions** <Mechanism design, design/simulation, and production automation/process design>
- **Accurate detection in adverse environments in the industrial equipment sector** <IDEC ALPS Technologies>
- **Logistics efficiency and energy reduction** <Low-power communication, proprietary algorithms, and cloud services>
- **Low power consumption of equipment** <Magnetic material generation and circuit design>

Sensor and Communication Segment

- **Preventive safety and general safety** <Millimeter wave sensing, 5G communications, and image recognition/processing>
- **Safely connected society/Secure access** <Encryption and high-frequency ranging>
- **Facility utility efficiency/Workload improvement/Fault Detection** <Sensing, wireless communications, and cloud services>
- **Improvement of electric vehicle electricity costs** <Sensing and battery management>
- **Improved fuel efficiency of motorcycles** <Contacts/resistive element and dies/precision machining>
- **Labor-saving/Manpower reduction/Movement efficiency** <Sensing, wireless communications, and cloud services>

Module and System Segment

- **High-quality onboard spaces (Digital Cabin)** <Cabin controller (integrated ECU), large-scale software, gateway, security support, etc.>
- **Non-contact needs/Applications in new fields** <Static technology and aerial display/input>
- **Safe, secure, and comfortable cabin space** <Sensitivity engineering, premium HMI, sensing, and wireless communication>
- **New experiences with custom vehicles** <Design and customized design>
- **Spatial presentation/Safety support by sound** <Sound zones/Immersive sound technology>
- **Safety support in an EV society** <Acoustic control and sound generation>
- **Solving transportation and community issues** <Image recognition, cloud services, and data analysis>

Environmental contribution through compact/thin/lightweight technologies

Development of products using biomass plastics

Use of halogen-free materials and reduction of rare metal materials

De-plating with decorative printing technology

Utilization and Strengthening of Management Resources

Input (as of the end of fiscal 2022)

Financial Capital — A Sound, Well-Balanced Financial Structure

Cash and deposits: **¥84.1 billion**
Interest-bearing debt: **¥121.9 billion**
Shareholders' equity: **¥356.7 billion**
Total net assets: **¥399.7 billion**

We will maintain and improve our sound and balanced financial structure, taking a basic posture of maintaining our financial capacity to withstand rapid changes in the business environment, and securing the capital and growth investment required to sustain growth in the medium- to long term.

Manufactured Capital — Digital Transformation, Digital Innovation, and Production in Appropriate Locations

Capital expenditures: **¥50.7 billion**
Production sites: **Ten locations in Japan**
18 locations in nine countries overseas

With a view to creating a change-resilient manufacturing infrastructure, we are promoting the optimization of our production map and are working to maximize performance by promoting digital transformation, energizing our employees, and labor saving.

Intellectual Capital — Integrating Hardware and Software Technologies

R&D expenses: **¥31.9 billion**
R&D facilities: **15 locations in Japan**
13 locations in eight countries overseas
Engineering Headquarters employees: **3,033**
Number of registered patents held*1: **7,473**

Adding to Alps Alpine's unique strengths in hardware and software integration, we are accelerating the development of new products with our new values of "excitement," "safety," and the "environment" at their core by creating cloud-integrated technological assets and utilizing global resources.

Human Capital — Organizations and Employees That Can Respond to Change and Innovation

Employees: **29,926 (consolidated)**
Average cost of human resource development: **¥20,302***2

We are maximizing our actions and results—and contributing to the Company's sustainable growth—by strengthening our development of creative, independent professionals and working to improve our capabilities to respond flexibly to change and innovation.

Social and Relationship Capital — Contributions to Electronics Industries Across the Globe

Customers in Japan and overseas: **Approx. 2,000 companies**
Regions of operation: **25 countries (197 business sites)***3
Universities with cooperation agreement: **3 schools**
Educational institutions with joint research agreement: **15 schools (including technical colleges)**

Drawing from our philosophy of not only providing products but also contributing to electronics industries in countries around the world by taking root in those regions and being of use to them, we are actively promoting communication with customers, employees, universities, and local communities in order to create value by contributing to solving social issues.

Natural Capital — Decarbonization, Circular Economy, and Coexistence with Nature

Energy use: **472,535 MWh**
Water resource use: **1,674 thousand t**

Strengthening our sustainability management to reduce our environmental impact, we aim to achieve net-zero greenhouse gas emissions across our value chain and a circular economy by fiscal 2050.

Innovative T-shaped Company: ITC101

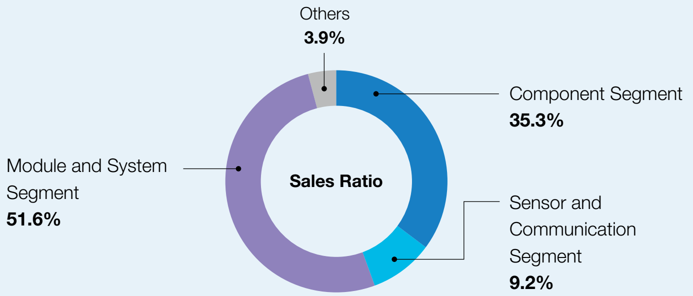
Output

Net Sales in Fiscal 2022
¥933.1 billion

Operating Income
¥33.5 billion

Greenhouse Gas Emissions
2,642 thousand t-CO_2*4

Total Waste Emissions
25.9 thousand t



Mobility Life Creator Domain

Emotion in Mobility

Products

- Wireless digital key system
- Location data management system
- ECU for hands-off detection
- ECU-integrated vehicle proximity warning speaker
- Child-left-behind Detection Sensor
- AlpineF#1Status, etc.

Functional Device Partner Domain

Unparalleled User Experience

Products

- Add-on AirInput™ panel
- Actuator for Smartphones
- HAPTIC™
- Environmental (including air pressure, temperature and humidity, and lighting) sensor
- GNSS module
- Logistics material monitoring system, etc.

Outcome (as of the end of fiscal 2022)

Financial Capital

Economic value generated through corporate activities
Income taxes: **¥13.8 billion**
Market capitalization: **¥278.2 billion** (as of March 31, 2023)
EPS: **¥55.77** / ROE: **2.9%**
Total shareholder return: **54.8%**

Manufactured Capital

Maintenance of a stable supply chain through the steady supply of high-quality products
Serious occupational accidents: **0 cases**

Intellectual Capital

Development of unique solutions on the strength of business integration synergies
News releases
Product technology-related: **13 releases**
Alliance-related: **11 releases**
Number of new registered patents*1: **595**

Human Capital

Group of employees with diverse values realized through efforts to promote diversity
New graduates recruited in fiscal 2023: **197 employees**
Experienced professionals recruited in fiscal 2022: **44 employees**

Social and Relationship Capital

Development of products and technologies that contribute to resolving social issues
Prevalence of new technology in society through industry–academia collaboration
Customer and societal recognition of the value of our existence
Award-related releases: **4**

Natural Capital

Reduction of environmental impact through the promotion of environmental conservation measures
Rate of renewable energy use: **40.4%**
Waste recycling rate: **99.1%***5
Change in environmental impact due to scale of business
Greenhouse gas emissions: **Up 11.4%***4
Total waste emissions: **Up 13.6%**
Water discharge: **Down 10.7%**

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*1 Includes registered utility models and designs
*2 Non-consolidated employees
*3 Excluding management subsidiaries
*4 Total of Scope 1, Scope 2, and Scope 3 emissions
*5 Calculated based on legal standards in Japan

CHAPTER 02

Value Creation Activities

Materiality

Environmental Awareness

■Politics and Economy

Inflation
- Rising prices of raw materials, components, energy and labor costs

Supply chain disruptions
- Stable supply issues, lockdown due to pandemic, etc.

Geopolitical risks and economic security
- Trade friction between the United States and China and regional conflict

■Technological Trends

Acceleration of technological progress and shift toward software
- Productivity and efficiency improvements driven by digital transformation, big data, and communication enhancements
- Changes in the roles of people due to evolution of artificial intelligence (AI) and Internet of Things (IoT) technologies

Changes in market players (entry into automotive market by major IT companies, etc.), commodification, and emergence of automotive industry alliances

■Society

Trends toward decarbonization and circular economy

Acceleration of ESG activities across value chains

Changes in values
- Changes in workstyles and mobility for new normal rising amid COVID-19 pandemic
- Diversification of consumption activities (sharing and experience consumption)

Respect for human rights and diversity

Reduction of working-age population in Japan and lack of individuals capable of promoting digital transformation

■Internal Environment

Rising costs due to increases in the price of components, energy and labor costs

Stable supply issues stemming from supply chain disruptions

Lack of organizational capability to adapt flexibly to changes in the business environment

Opportunities and Risks

Perspective	Opportunities	Risks
Changes in political and market conditions	• Disparities stemming from procurement capabilities (supply chain resilience)	• Deterioration of profits due to rising prices of materials, energy and labor cost • Lack of human resources capable of responding to operating environment changes • Impacts on profits from semiconductor shortages and lockdowns
Changes in values and technologies	• Rise in need for excitement, safety, environment-friendliness • Viability of industrial machinery and experience provision businesses **Excitement:** Provision of excitement and comfort through high-quality mobility spaces that respond to trend toward autonomous driving systems and changes in mobility value **Safety:** Provision of sensing, high-frequency, and software products for preventative safety, failure detection, and non-contact applications amid rising safety awareness in automotive, consumer, and industrial machinery markets **Environment:** Provision of IoT solutions and contributions with Alps Alpine technologies amid rising need for more fuel-efficient, compact, and lightweight equipment	• Limited growth in human–machine interface products and markets • Shift toward software as a source of value for automobiles • Trend away from machines and toward software • Reduced mobility demand amid new normal • Increasingly demanding and complex requirements for quality and safety
Changes in social and environmental conditions		• Increasingly demanding ESG requirements of customers and higher costs for responding to requirements • Lack of software and digital transformation staff needed for business growth

Materiality Identification Process and Key Revisions

Identification Process

STEP 1
Identified opportunities and risks and assessed the Company's operating environment in line with the ITC101 medium-term target and Corporate Vision
- Corporate Planning Office, Sustainability Promotion Office, and functional divisions

STEP 2
Determined priority issues by assessing the results of engagement with institutional investors and other stakeholders
- Management Meetings (discussion)
- Meetings of outside directors (verification)

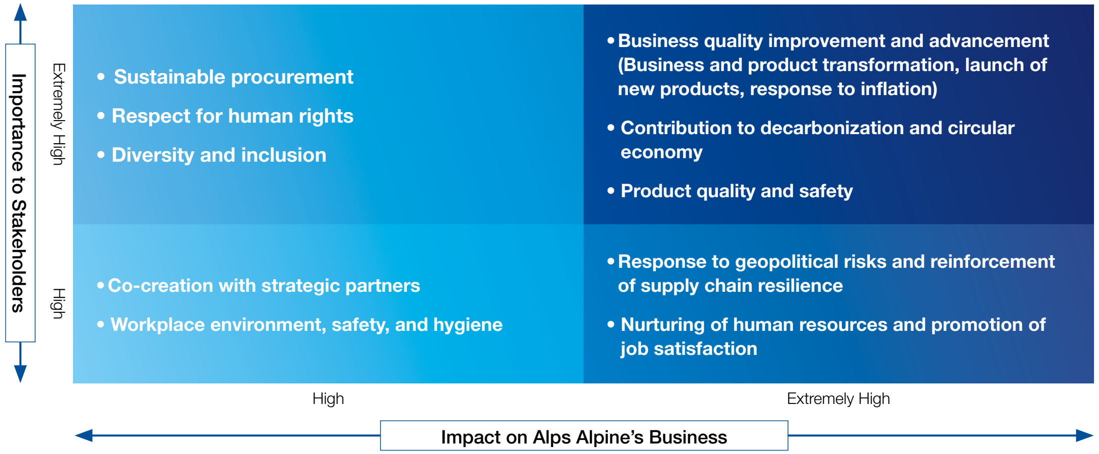
STEP 3
Assigned order of precedence for priority issues based on impact on Alps Alpine's business and importance to stakeholders
- Board of Directors (discussion and resolution)

Key Revisions Made in May 2023

The phrase "Improvement of corporate value through exercise of Corporate Philosophy" has been revised to "Business quality improvement and advancement."

Background for Revision	We have reestablished ensuring profitability, a foundation for our sustainable growth, as a priority theme, while working to achieve materiality in order to promote Companywide business reforms that enable us to respond to changes in social and industrial structure, technological advancements, and the intensifying competition of the manufacturing industry.

Materiality Map



	High	Extremely High
Extremely High	• Sustainable procurement • Respect for human rights • Diversity and inclusion	• Business quality improvement and advancement (Business and product transformation, launch of new products, response to inflation) • Contribution to decarbonization and circular economy • Product quality and safety
High	• Co-creation with strategic partners • Workplace environment, safety, and hygiene	• Response to geopolitical risks and reinforcement of supply chain resilience • Nurturing of human resources and promotion of job satisfaction

Foundations for Business Activities

Risk Management P.51	Corporate Governance P.42	Compliance P.49

Material Issues and Measures

Materiality	Opportunities and Risks	Themes and Measures	2nd Mid-Term Business Plan KPIs (Fiscal 2022 to 2024)	Results for Fiscal 2022	Implementation and Measures
Business quality improvement and advancement (Business and product transformation, launch of new products, response to inflation) P.19–22	Opportunity	➔Research of value and development of products related to need for excitement, safety, and the environment ➔Business quality improvement and advancement ➔Cost structure reforms ➔Capability reforms	ROE: **8%** Operating income margin: **5%** Credit rating: **A or above**	2.9% 3.6% A–	Although sales exceeded the previous year, mainly due to the weak yen and the strong sales of smartphones, and the recovery trend in the automobile market, the response to inflationary cost increases in materials and energy was limited, which led to us not achieving our target ROE and operating income margin. In fiscal 2023, we will work to solidify the foundation for the 3rd Mid-Term Business Plan by promoting business and product reforms, such as establishing a post-smartphone business and reviewing unprofitable products, as well as focusing on the solid launch of new products and responding to inflation.
Contribution to decarbonization P.28	Opportunity	➔Reduction of greenhouse gas emissions (Scope 1, Scope 2, and Scope 3) ➔Proactive use of renewable energy ➔Development of environment-contributing products	Energy use (crude oil equivalent): **2% reduction per year** (consolidated) Renewable energy use rate: **60%** (consolidated)	23.3% reduction (consolidated) 40.4%	Energy consumption decreased by 23.3% from the previous period due to aggressive energy-saving activities at our global production sites. The introduction rate of renewable energy for electricity was 40.4% compared to the fiscal 2022 KPI of 35%, mainly due to the introduction of solar power generation facilities.
Contribution to circular economy P.29	Opportunity	➔Effective use of resources ➔Reduction of environmental impacts from product life cycles	Total waste emissions: **2% reduction per year** (consolidated) Water use (water withdrawal): **1.5% reduction per year** (consolidated)	13.6% 7.7% reduction	Waste emissions increased by 13.6% in fiscal 2022 due to changes in calculation standards. We also changed our reduction target from 1% to 2%. Regarding water consumption, the reduction target for sites that use water in production activities was set at 2%, and the Companywide reduction target was changed from 1% to 1.5%.
Product quality and safety P.33	Opportunity / Risk	➔Promotion of prevention of incidents by taking the proper steps from the start of processes ➔Reinforcement of function safety and product cybersecurity measures	Improvement in product and process design Implementation rate of CS*1 capability management (applicable departments): **100%** Conduct and improve CSMS*2 organizational audits	— 100% —	In product cybersecurity, we performed capability management for all employees who needed to acquire knowledge. Since 100% of the target has been achieved, the KPI will be changed to "Conduct and improve CSMS*2 organizational audits" from fiscal 2023.
Response to geopolitical risks and reinforcement of supply chain resilience P.51	Risk	➔Business impact analysis and identification of bottlenecks ➔Establishment of a business continuity plan for the entire supply chain	Revision of risk maps	· Annual review conducted	An annual review of the risk map was conducted, and no significant changes in risk items to the business were identified. As for the business continuity plan for the entire supply chain, we have identified risks related to production and formulated necessary countermeasures. For material procurement, we have created a global supplier map. We will continue to coordinate production and procurement and respond to various risks, including geopolitical risks.
			Establishment of production backup maps	· Production risk response plan developed · Completed creating a supplier map	
Sustainable procurement P.34	Risk	➔Reduction of compliance violations across the supply chain ➔Tracking and mitigation of human rights risks across the supply chain ➔Responsible procurement (traceability of minerals, etc.)	CRSR assessment response rate: **100%** Percentage of CSR assessments ranked B or lower: **0%** CMRT*3 response rate: **100%** Percentage of smelters certified by RMI*4: **100%**	93% 6% 95.6% 88.7%	CSR assessment for suppliers has been conducted since fiscal 2022, giving out the ranks of S, A, B, and C. Accordingly, we have added the "Percentage of CSR assessments ranked B or lower" to the KPI from fiscal 2023. The mineral survey in fiscal 2022 was 95.6%, for the fiscal 2022 CMRT recovery rate target of 90%. We aim to achieve 100% by fiscal 2024. Beginning in fiscal 2023, we will focus on risk reduction by adding "Percentage of smelters certified by RMI" as a KPI.
Nurturing of human resources and promotion of job satisfaction P.36–37	Opportunity / Risk	➔Secure human resources for business growth ➔Expansion of human resources for new business creation ➔Human resources system that encourages challenges ➔Systems that enable diverse work styles ➔Initiatives to improve engagement	Fulfillment rate of recruitment plan: **100%** (non-consolidated) Human resources development expenses: **increase year on year** (non-consolidated) Establishment of engagement indicators and measurement methodologies	— 35% year-on-year increase —	Engagement surveys were conducted on a trial basis to determine engagement indicators and measurement methodologies. Going forward, we will evaluate the survey and consider implementing it across the Group. In addition, measures and key performance indicators (KPIs) related to "nurturing of human resources and promotion of job satisfaction" were reviewed, in light of the current management and business strategies.
Diversity and inclusion P.38	Opportunity	➔Empowerment of women employees ➔Securing human resources with diverse backgrounds ➔Creating a culture	Percentage of newly hired women graduates: **15%** (non-consolidated) Ratio of women in management positions: **6.0%** (non-consolidated) Rate of employees with disabilities: **2.6%** (non-consolidated) Percentage of men taking paternity leave: **45%** (non-consolidated)	9% 3.1% 2.45% 37%	Although the ratio of women managers remains at 3.1% compared to our target of 4% in fiscal 2022, it increased by 0.7 point from fiscal 2021 as a result of various measures that we implemented. The fiscal 2024 target for employing persons with disabilities was raised to 2.6% following legal reform. In fiscal 2022, this ratio grew by 0.24 point over the previous year. In addition, the rate of employees taking paternity leave has been revised to a higher target.
Respect for human rights P.40	Risk	➔Tracking and mitigation of human rights risks ➔Ongoing training on the Group Code of Ethics Note: Themes regarding supply chain human rights issues are described in the section on sustainable procurement.	Rate of Group bases ranked A in human rights due diligence surveys: **100%** Participation rate for training on the Group Code of Ethics: **90% or more**	C rank ratio: 0% 97%	The fiscal 2022 target of 0% C rank ratio was achieved for human rights due diligence in the Group. We will continue to aim for a 100% A rank ratio and reduce human rights risks.
Workplace environment, safety, and hygiene P.41	Risk	➔Protection of employee safety ➔Promotion of health and productivity management	Number of serious occupational accidents: **0** (consolidated)	0	In fiscal 2022, there were no serious occupational accidents resulting in death or the need for hospital visits for more than one month. To promote health management, a working group was established in fiscal 2022 to accelerate efforts.
Co-creation with strategic partners P.22	Opportunity	➔Proactive alliance building, including business alliances	—	—	We signed a partnership agreement with Tata Elxsi Limited to retain and strengthen the software development capabilities needed to launch new businesses and develop products in the future. In addition, we actively engaged in a capital and business alliance with FreeBit Co., Ltd. to create a platform that provides Web 3.0 technology for in-vehicle, mobility services, and IoT.

*1 Cyber Security

*2 Cyber Security Management System

*3 Conflict Minerals Reporting Template: A template created by RMI to facilitate the reporting of conflict minerals

*4 Responsible Minerals Initiative: An association of more than 300 companies and organizations worldwide that leads efforts on conflict minerals

Progress of the 2nd Mid-Term Business Plan [Business Quality Improvement and Advancement]

As the impact of COVID-19 has eased and socioeconomic activities have begun to normalize, supply chain disruptions and semiconductor shortages have eased. In addition, the effect of the weaker yen, recovery in automobile production, and continued strong smartphone sales helped boost sales to a new record high. On the other hand, the price of energy resources, parts and materials, and logistics continued to soar, and the earnings conversion was at a standstill. The impact of this inflation was about 6%, whereas the recovery from price optimization was only about 50%, resulting in a 0.8 percentage point fall in our operating income margin.

Under these circumstances, we aim to realize our goal of becoming an innovative T-shaped Company: ITC101. We will steadily promote a balance between our three segments as stated in our 2nd Mid-Term Business Plan: the Component Segment, which aims to maintain and expand its earnings base; the Sensor and Communication Segment, which is positioned as a future growth area; and the Module and System Segment, which aims to improve its earnings structure through liquidation of unprofitable products and other efforts.

Our State of Business in Fiscal 2022

Component Segment

Earnings base
Maintain and expand
Base Products

Product Examples	Switches, actuators, and HAPTIC™

Products for mobile devices generally remained strong due to strong sales of smartphones by our customers. In addition, the weakening of the yen against the U.S. dollar contributed to the business performance. Both sales and operating income of this segment, which is positioned as our revenue base, exceeded those of the previous fiscal year.

Sensor and Communication Segment

Grow
Growth drivers
Safety & Green

Product Examples	Sensors and communication devices

As automobile production began to recover, sales of in-vehicle sensors remained strong, and the weakening of the yen against the U.S. dollar also contributed to earnings, resulting in higher sales than in the previous fiscal year. However, the acquisition of future business (preparation) was pushed back from initial plans, and profit margins fell due to soaring prices of semiconductors and other materials and increased development costs, resulting in an operating loss.

Module and System Segment

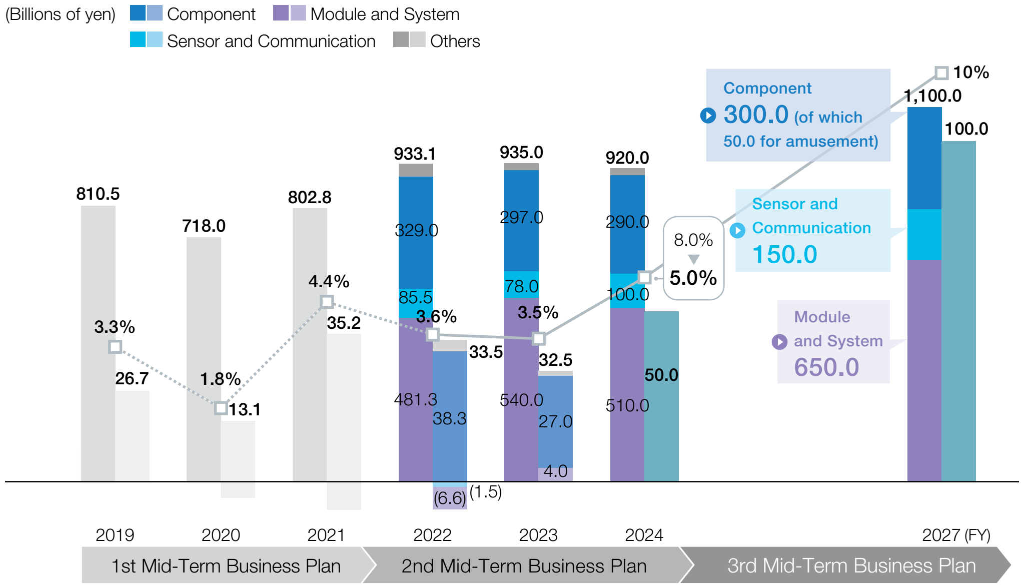
Improve
Improvement of business quality
Digital Cabin

Product Examples	Automotive modules, displays, and automotive infotainment systems

In China, despite the impact of the production slowdown caused by COVID-19, sales were higher than in the previous fiscal year due to sale contributions from new products launched in the fourth quarter of fiscal 2022 and the contribution to earnings from the weakening yen. On the other hand, although we implemented measures such as appropriate pricing to customers in response to soaring material prices and continuous cost improvement, we posted an operating loss due to higher costs resulting from the delay in price adjustments in response to the rising cost of materials during the period and production adjustment losses. Despite a decline in operating loss from the previous period, the improvement was moderate as the contribution of the yen's depreciation to business performance was limited due to the procurement of parts and materials in foreign currencies and overseas production.

- ➔ Sales renewed due to favorable foreign exchange rates, but operating income did not reach the target due to inflation and other factors.
- ➔ Revision of operating income margin target to 5% for the 2nd Mid-Term Business Plan considering the impact of inflation.
- ➔ Future business acquisition is promising due to progress in product development through business integration synergies.

Net Sales / Operating Income (Loss) / Operating Income Margin



	2019	2020	2021	2022	2023	2024	2027
USD／JPY	108.74	106.06	112.37	135.47	125.00	115.00	115.00
EUR／JPY	120.82	123.70	130.56	140.97	130.00	125.00	125.00

Improvement Initiatives for Fiscal 2023

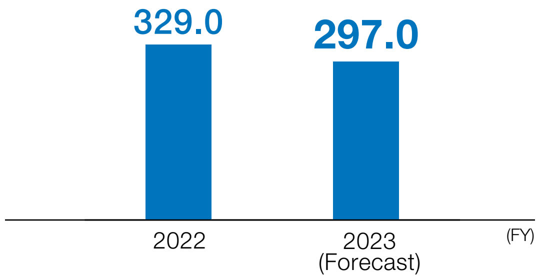
Our business activities in fiscal 2022 have resulted in more than planned future business acquisitions, particularly in the Module and System Segment. We are seeing prospects for realizing our fiscal 2027 goal of ITC101. In fiscal 2023, we will strive to improve profitability mainly in the Module and System Segment, improve the accuracy of our earnings forecasts, and steadily establish a post-smartphone business to regain the market's confidence. At the same time, we will further strengthen our response to inflation, expand earnings by launching new products in the Module and System Segment, and transform our earnings structure through business and product innovation, aiming for an operating income margin of 5%, which is a goal set in our 2nd Mid-Term Business Plan.

Component Segment

In this segment, business for the amusement (game machines and XR) market is expected to be our third pillar after products for the automotive market and smartphones, with sales of products for the amusement market exceeding ¥15.0 billion in fiscal 2022.

In fiscal 2023, although sales to this market are expected to increase, sales and operating income from mobile devices, the main business item of this business segment, are expected to decrease due to the rapid easing of the yen's depreciation and an increasingly competitive environment. We will continue to expand our product variety, including HAPTIC™ and multifunctional operation devices, and strengthen sales expansion to major amusement manufacturers, aiming for sales of ¥50.0 billion in fiscal 2027 to the amusement market.

Net Sales (Billions of yen)

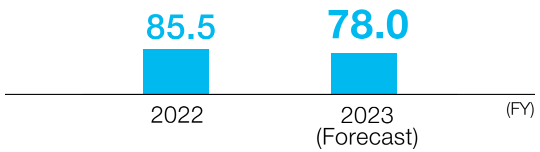


Sensor and Communication Segment

This business segment is positioned as a future growth area, and we are working to double the number of Safety & Green products in our 3rd Mid-Term Business Plan, which has been in place since fiscal 2022. In addition, a large solution business (digital keys, recurring business, etc.) was acquired in fiscal 2022, which is expected to contribute to future earnings.

In fiscal 2023, sales of products for automotive applications are expected to increase, while sales for mobile devices are expected to decrease. On the cost front, we will take initiatives to improve profitability, such as optimizing prices in response to soaring material and component prices and rising wages and energy costs.

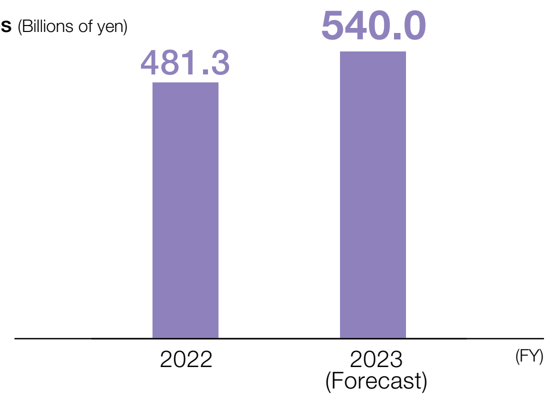
Net Sales (Billions of yen)



Module and System Segment

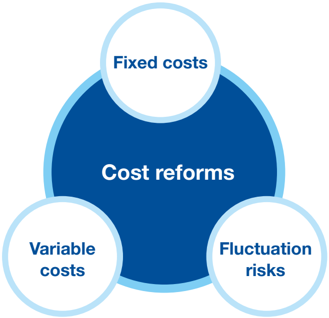
In fiscal 2023, to achieve the earnings targets of our business plan (return to profitability), we will steadily promote profit-improvement initiatives such as streamlining unprofitable products, labor saving through production automation, strengthening the development of high-value-added products, and activities for appropriate pricing in response to soaring material costs and rising wages and energy prices. Furthermore, we aim to improve the quality of our earnings structure and achieve growth through cost improvement activities and strengthening of supply chain management while promoting a common platform for the new integrated ECU (Electronic Control Unit) and Digital Cabin products and concentrating resources on strategic customers. Approximately 70% of the ¥650.0 billion in sales planned for achieving ITC101 in fiscal 2027 has already been acquired by fiscal 2022. This year, we will focus on activities to connect these sales to profitability.

Net Sales (Billions of yen)



Progress of the 2nd Mid-Term Business Plan [Cost Reforms]

In fiscal 2022, cost reform efforts included improving fixed and variable costs and addressing variable risks. In fiscal 2023, we will further promote labor savings through automation and digitalization and improve the efficiency of business operations while striving to achieve appropriate pricing in response to rising inflationary costs, including wages and energy costs. In addition, to withstand rapid social and economic changes, we will maintain and improve marginal profit margins on a business segment and product-by-product basis, aiming to minimize exposure to variable risks.



Major Initiatives for Fiscal 2022			Future Focus Points
Optimization of Fixed Costs	Improved Efficiency of Business Operations	Integration of the core systems associated with management integration began in fiscal 2021. This integration was completed in the Japan, North America, and China regions in fiscal 2022, improving the efficiency of business operations and reducing overhead costs. As part of our production location strategy, we terminated production activities in Dortmund and Tianjin, contributing to leaner production sites and improved overhead productivity.	The integration of core systems is scheduled to be completed in fiscal 2023, including the European region. In line with this integration, we will work to standardize business operations at each location to improve the efficiency of business operations and optimize overhead costs.
Variable Cost Improvement	Labor Savings through Automation and Digitalization	In fiscal 2022, we introduced automation tools, including AI image processing systems, to our production facilities to save approximately 1,000 global personnel in the production division.	In fiscal 2023, we aim to further automate our production facilities through automation and digitalization and to eliminate approximately 1,500 global personnel in the production division.
	Curbing Price Increases and Making Reasonable Price Adjustments	In response to the sharp rise in the cost of parts and materials, we worked with suppliers and customers to curb the increase in product costs and adjust prices appropriately. However, we could not make sufficient improvements to wage and energy cost increases that occurred during the period, and inflationary effects were only partially controlled.	We will continue to curb price hikes and ensure appropriate pricing in response to rising inflationary costs, which consider rising wages and energy costs, in addition to the rising cost of parts and materials.
	Withdrawal from Unprofitable Segments	We decided to withdraw from the Steering Wheel Business Segment, which had been unprofitable for a long time, to promote a review of our business portfolio.	We will discontinue inquiries for new products and orders for unprofitable business segments that we have decided to withdraw from in fiscal 2022 and, at the same time, make moves to terminate the business segment. Specifically, we will minimize operating loss and promote resource shifting to improve performance.
Handling Volatility Risk	Response to Supply Chain Disruption	In fiscal 2022, supply chain disruptions continued, and we worked with our affiliate, Alps Logistics, to ensure a stable supply of products. In addition, as part of efforts to optimize the supply chain and to counter rising logistics costs, the production sites for some modules and system products were transferred to production facilities closer to the product delivery sites.	Continuing in fiscal 2022, we will build an optimal supply chain by promoting the transfer of production to production sites closer to product delivery destinations while simultaneously visualizing the status of various inventories and utilizing inventory data in determining production sites.

Progress of the 2nd Mid-Term Business Plan [Capability Reforms]

In fiscal 2022, we promoted and accelerated our T-shaped Strategy to return to a growth trajectory and further enhance our corporate value, which resulted in the acquisition of future business well above our goals. In addition, we have revised the personnel system and management education to inspire human resources and initiated culture reform activities to foster an organizational climate in which the company and its employees can feel a sense of growth. In fiscal 2023, we will work to strengthen our business operating structure and improve the efficiency of software development to adapt to the rapidly changing business environment and software-centric product structure. We will also create an environment in which employees can work with high motivation through culture reform.

Major Initiatives for Fiscal 2022

Reinforcing Organization and Management	Capturing Future Business by Promoting the T-shaped Strategy	Through the promotion of our T-shaped Strategy, orders for business in the amusement market, the third pillar of our operations, and business orders in the Module and System Segment have been strong. This has led to prospects for ITC101 becoming clearer.
	Strong Partnerships	With software development resources becoming increasingly challenging to secure, we have entered into a partnership agreement with Tata Elxsi Limited, enabling us to develop products and systems for the automotive industry in a stable and speedy manner. In addition, we entered into a capital and business alliance with FreeBit Co., Ltd. to lay the foundation for developing platforms for in-vehicle systems, mobility services, and sensing edge devices using blockchain technology, other Web 3.0 technologies, and other technologies in general.
	Improved Ability to Explore New Markets	IDEC ALPS Technologies Co., Ltd. was established to develop new products and establish a solution-based business model for the factory automation and industrial machinery fields by leveraging its expertise in HMI, safety, sensing, and wireless communications. Their first product, a compact multi-use milli-wave radar sensor, is now on sale.
Inspiring Employees and Reforming Corporate Culture	Launching the Culture Reform Promotion Project	In order to restore the venture mindset and foster an organizational climate geared toward the company's and its employees' growth, we launched the Culture Reform Promotion Project.
	Operating and Establishing the Revised Employee System	Following the revision of our personnel system for management core positions and planning positions in fiscal 2021, the personnel system for practical and unique skills supervisory positions was revised in fiscal 2022. In addition, intending further to promote the activities of workers in practical positions, we have introduced a new work-area limited planning position for those who have changed their job group from practical to planning positions. To ensure the operation and establishment of these systems, we conducted group training for managers and e-learning for general employees.

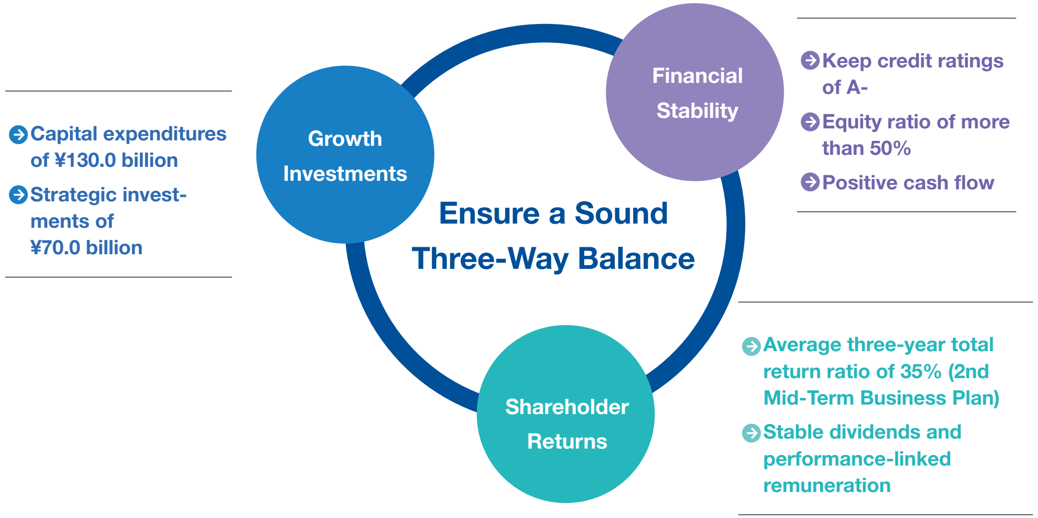
Future Focus Points

Reinforcement for Module and System Segment Structure	To make the Module and System Segment profitable, we will shift the area of business responsibility to a vertical organization capable of speedy decision-making and execution in response to changes and strengthen the structure to respond immediately to changes in circumstances during the period.
Strengthening Organizational Capabilities for Launching and Acquiring New Businesses	While acquiring future business remains promising, we will ensure the launch of new products and, at the same time, improve our organizational capabilities by strengthening alliances in the business and technological fields necessary to achieve this by developing human resources and reskilling. In particular, we must develop software-centric products to realize this transformation to a Digital Cabin solutions business within our automotive business. By expanding model-based development from small-scale automotive modules to large-scale in-vehicle system products, we aim to improve development speed and quality and minimize organizational resources.
Promoting Culture Reform	In fiscal 2023, we will promote specific measures to improve employee job satisfaction and engagement. In addition, we will strengthen internal communication by increasing opportunities for dialogue between the new president and employees, including senior management.
Educating Diverse Employees on Career Development and Considering Comfortable Working Environments	We will continue to provide employee system education for managers, as well as raising awareness and training on career development for employees. In addition, a new working group on benefits will be established to examine ways to create a comfortable working environment for each employee.

Financial Strategy and Capital Management

We aim to increase corporate value by ensuring the execution of short- and medium-term tasks, ensuring financial soundness, and balancing investment in growth and shareholder returns.

Satoshi Kodaira
Director, Executive Vice President
CFO, Administration, Corporate Planning



- ➔Capital expenditures of ¥130.0 billion
- ➔Strategic investments of ¥70.0 billion

- ➔Keep credit ratings of A-
- ➔Equity ratio of more than 50%
- ➔Positive cash flow

- ➔Average three-year total return ratio of 35% (2nd Mid-Term Business Plan)
- ➔Stable dividends and performance-linked remuneration

In the first year of our 2nd Mid-Term Business Plan, we systematically promoted business in the Component, Sensor and Communication, and Module and System business segments, which we have designated as areas for creating new value. As a result, sales exceeded the previous year and reached a new record high, partly due to the impact of foreign exchange rates and a recovery in new car production. On the other hand, although efforts were made to adjust selling prices to cope with soaring material prices and inflation, the recovery rate of increased costs remained at around 50%, resulting in an operating loss in Sensor and Communication and Module and System Segments.

To improve this situation, we will accelerate our activities this fiscal year, placing the suppression of material prices and optimization of sales prices as our top priorities. Particularly in the Module and System Segment, we will shift our business responsibility to a vertical organization capable of speedy decision-making and execution in response to changes and promote profitability improvement, which has been an issue for many years, by reviewing unprofitable business segments. Furthermore, we will begin in earnest to consider ways to maintain and improve the soundness of our financial base in our 3rd Mid-Term Business Plan (fiscal 2025 to fiscal 2027). Specifically, to improve capital efficiency, we will enhance CCC*, introduce ROIC management, and review and strengthen the management of our business portfolio. In tandem with these activities, we will strike a balance between continued investment in growth in each of our business segments and shareholder returns. By striking a balance between these three types of activities, we aim to enhance our corporate value further through deeper engagement with our stakeholders, including our shareholders.

* Cash Conversion Cycle

Progress of Capital Management Policy (Fiscal 2022)

Growth Investment	Capital investment	· Component Segment: ¥20.9 billion · Sensor and Communication Segment: ¥6.2 billion · Module and System Segment: ¥22.1 billion · Construction of a new R&D building at Sendai R&D Center (Furukawa): (Included in the above business facilities) · Climate change measures: ¥890 million (including ¥340 million for photovoltaic power generation equipment), etc.
	Strategic investment	M&A/Alliances: ¥1.47 billion, etc.
Sound Financials	Credit rating	Maintain A- rating
	Equity ratio	From 52.4% in fiscal 2021 to 54.0% in fiscal 2022
	Net cash	¥–37.7 billion (Inventory and trade notes and other receivables increased, resulting in a significant decrease)
Shareholder Return	Annual dividend	¥40 (Dividend of ¥40 per share as forecasted at the beginning of the fiscal year)
	Dividend payout ratio	71.7% (Total return of 93.5% due to dividend payment of ¥8.2 billion and share buyback of ¥2.5 billion)

Financial Stability

Our Approach to PBR 1.0x

Regarding business profitability, we aim to expand our Component Segment in the amusement market as a third pillar of our operations following automobiles and smartphones. In the Sensor and Communication Segment, we will double the number of Safety & Green products in the 3rd Mid-Term Business Plan and acquire a large-scale solutions business. In the Module and System Segment, we will promote common platforms for new products and concentrate on strategic customers. All of this, in addition to advancing initiatives such as announcing the withdrawal of unprofitable models will allow us to promote improvements in profitability and capital efficiency.

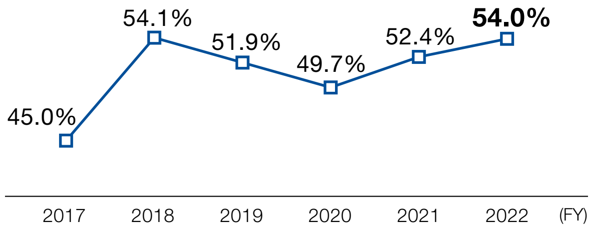
Regarding balance sheet management, we will continue to promote a capital policy based on three optimization measures: investment for growth, maintenance of an A- rating and capital adequacy ratio of 50%, and shareholder return. and strengthen business portfolio management through the introduction of ROIC.

Fiscal 2023	Fiscal 2024	Fiscal 2025
Improve capital efficiency Achieve profit targets, improve CCC (improve net cash)	Prepare to introduce ROIC	Improvement through introduction of ROIC Apply business portfolio management

Maintain A- Credit Rating and Capital Adequacy Ratio ≧ 50%

We maintained a capital adequacy ratio of 50% or higher and an A- rating to build a sound financial base. As of the end of March 2023, total assets decreased ¥6.5 billion from the previous year to ¥736.9 billion, and equity increased ¥8.6 billion to ¥398.1 billion due to an increase in foreign currency exchange adjustments and retained earnings, resulting in an equity ratio of 54.0%.

Equity ratio



Net Cash Positive

While net cash remained positive from fiscal 2018 to fiscal 2021, the figure dipped significantly to ¥–37.7 billion in fiscal 2022. The main factors were a ¥32.0 billion increase in inventories and a ¥20.4 billion increase in trade notes and other receivables, mainly due to the buildup of inventories and trade notes and other receivables with the rise in sales in Q4 of fiscal 2022. In fiscal 2023, we will step up efforts to become net cash positive by improving CCC.

(Billions of yen)

	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Cash and deposits	121.5	122.0	129.5	153.0	139.7	84.1
Interest-bearing debt	70.4	108.8	99.8	117.9	113.2	121.9
Net cash	51.1	13.2	29.7	35.1	26.4	(37.7)

CCC Improvement

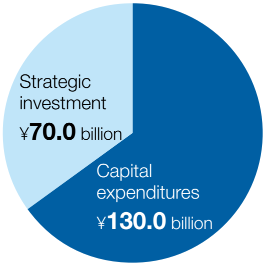
We aim to reach net cash positive by continuing to make financial improvements as well as enhancing the effectiveness of our improvement measures by clarifying the responsible department for each of the three components of CCC.

Target Assets/Liabilities	Improvements	Initiating Department
Inventories and stock	Inventory optimization by business unit	Each business segment/ production department
Trade notes and other receivables	Early collection of trade notes and other receivables	Sales department
Accounts payable	Extension of payment period by customer	Materials department

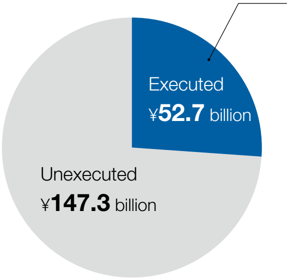
Growth Investment

In fiscal 2022, we made investments of ¥50.7 billion, including the development of new products, mainly in the Component Segment, in manufacturing facilities to improve productivity in the Module and System Segment, as well as in the introduction of solar power generation facilities to achieve a 100% renewable energy ratio by 2030. In addition, we made a strategic investment, including a capital and business alliance with Freebit Co., Ltd. to strengthen our solutions business.

Investment Plan for
the 2nd Mid-Term Business Plan



Actual Results for
Fiscal 2022



Major Capital Investment

- · Development and manufacturing facilities for switches, actuators, HAPTIC™, and other electronic components
- · Development and manufacturing facilities for electronic components for sensors and communication devices
- · Development and manufacturing facilities for automotive modules, automotive infotainment, display, and sound products
- · New building at the Sendai R&D Center (Furukawa)
- · Photovoltaic power generation facilities, mainly in China

Major Strategic Investments

- · Capital and business alliance with Freebit Co., Ltd.

Introduction of Major Investments

New Building at the Sendai R&D Center (Furukawa)

As a core base for driving global technological innovation, the new facility will consolidate IC development, automotive sensors and components, and other development functions previously dispersed throughout the region to strengthen product research and development and software development. Employees are connected across countries and business segments to create inter-organizational synergies and new value through technical discussions.

Solar Power Installations at Dalian Alps Electronics

In fiscal 2022, we newly installed solar power generation facilities of 3.2 MW at our Dalian Plant in China at 1.5 MW at our Taicang Plant, aiming to achieve a 100% renewable energy ratio of electricity used in our business activities by fiscal 2030. This brings the total amount of solar power generated within China to 6.9 MW and the global total to 9.0 MW.

Capital and Business Alliance with Freebit Co., Ltd.

We are forming a capital and business alliance to build a business model with Freebit Co., Ltd., which aims to become a platform maker on the strength of its blockchain technology and service development capabilities, which are the core of Web 3.0. With this alliance, we will strengthen our IT service business utilizing our sensing edge devices, our business for automotive information equipment compatible with new architectures, and our business for service mobility.

Shareholder Return Policy

While sticking to the concept of a “stable dividend,” based on the concept of a “stable dividend and performance-linked remuneration” expressed in the 2nd Mid-Term Business Plan, our policy is to pay a stable dividend of 25% or ¥20 (whichever is larger) in a single year and to return a cumulative (average) total return of 35% over three years. In fiscal 2022, the first year of the 2nd Mid-Term Business Plan, the total return to shareholders was 93.5%, based on an annual total dividend of ¥8.2 billion or ¥40 per share (payout ratio of 71.7%) and a stock buyback of ¥2.5 billion.

Dialogue with Stakeholders

We will listen to our stakeholders’ opinions through various opportunities and further strengthen our dialogue with them to make improvements. In addition, with the appointment of a new outside director with experience and knowledge in corporate planning, accounting, finance, and taxation, as well as experience in corporate management, we will promote activities to strengthen governance and take advantage of objective advice to review our business portfolio, including the liquidation of unprofitable businesses and products, and invest in growing businesses to achieve sustainable growth.

Stakeholder Engagement Results for Fiscal 2022

Apr.	• Announcement of full-year financial results	
May.		SR engagement period
Jun.	• Mid-Term Business Plan briefing • Publish Alps Alpine Report • Ordinary General Meeting of Shareholders	
Jul.	• Q1 results announcement	
Aug.		
Sep.	• Issue Integrated Report 2022	
Oct.	• Q2 results announcement	SR engagement period
Nov.	• Publish Alps Alpine Report	
Dec.		
Jan.	• Q3 results announcement	
Feb.		
Mar.		

Sustainability Management

Basic Policy

We aim to contribute to a sustainable society and increase our corporate value by practicing our corporate philosophy, "Innovating value for humans and society on a brighter planet."

In addition, we have defined a Management Approach comprised of five items—"strive for value," "love the planet," "contribute to society," "respect the individual," and "act with integrity." Based on this, 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 regularly to increase awareness of these principles among our employees.

Initiatives in the 2nd Mid-Term Business Plan

We view sustainability as a management issue and incorporate sustainability issues into our mid- to long-term plans. Our 2nd Mid-Term business plan (fiscal 2022 to fiscal 2024) sets the realization of a decarbonized and circular economy, respect for human rights, diversity and inclusion, and supply chain management as key sustainability issues. In response to these and various other issues, we have set specific targets in our mid-term business plan for each functional headquarters, of which progress is reported quarterly to the Board of Directors. Furthermore, issues requiring management decisions are discussed at management meetings as needed.

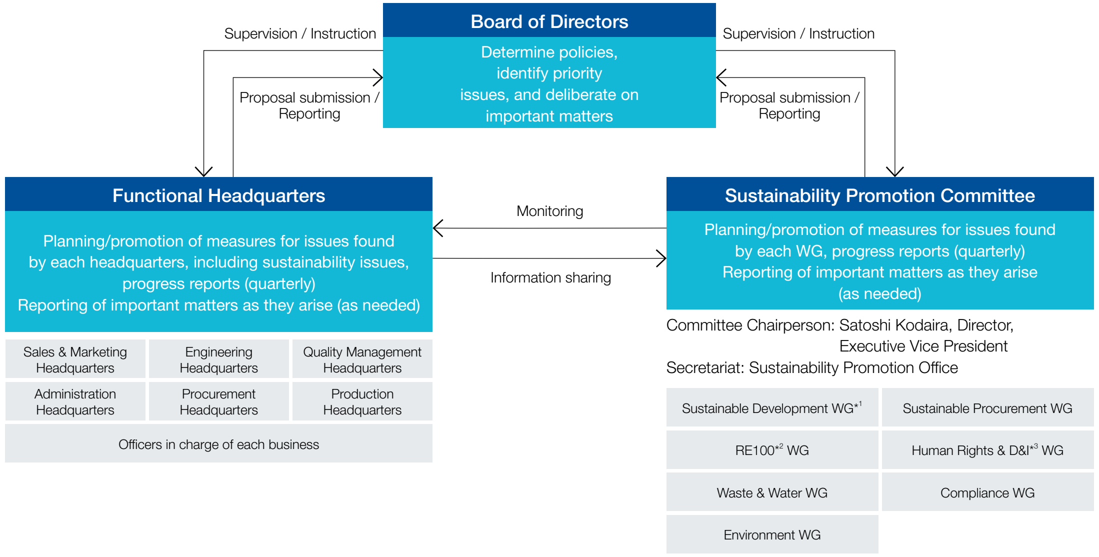
Sustainability Material Issues and Measures

Sustainability Topics on the Agenda at Fiscal 2022 Management Meetings

Management Meeting	Date	Topic
Board of Directors	Quarterly	Progress report on sustainability issue against targets
Board of Directors	Jun.	Review of materiality (key issues)
Board of Directors	Jul.	ESG rating results
Board of Directors	Aug.	Environmental Campaign Screening
Board of Directors	Nov.	Shareholder Relations (SR) engagement report
Board of Directors	Dec.	Compliance and CSR training participation report, revision of Group Code of Ethics
Board of Directors	Feb.	Internal audit plan, cyber security and functional safety policy
Global Management Meeting	Mar.	2023 Business Plan, including sustainability issues

Promotion Structure

The Sustainability Promotion Committee was established as an organization to manage our sustainability activities. Sustainability issues have been incorporated into the mid-term plan. Each functional headquarters addresses them while working groups are established within the Sustainability Promotion Committee to address priority issues or issues that need to be addressed by multiple headquarters. Committee meetings are held quarterly to check the progress of initiatives and to explore issues in depth. The committee reports regularly to the Board of Directors four times a year.



Board of Directors

Determine policies, identify priority issues, and deliberate on important matters

Functional Headquarters

Planning/promotion of measures for issues found by each headquarters, including sustainability issues, progress reports (quarterly)
Reporting of important matters as they arise (as needed)

Sales & Marketing Headquarters
Engineering Headquarters
Quality Management Headquarters
Administration Headquarters
Procurement Headquarters
Production Headquarters
Officers in charge of each business

Sustainability Promotion Committee

Planning/promotion of measures for issues found by each WG, progress reports (quarterly)
Reporting of important matters as they arise (as needed)

Committee Chairperson: Satoshi Kodaira, Director, Executive Vice President
Secretariat: Sustainability Promotion Office

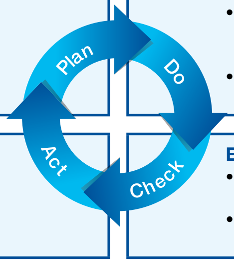
Sustainable Development WG[*1]
Sustainable Procurement WG
RE100[*2] WG
Human Rights & D&I[*3] WG
Waste & Water WG
Compliance WG
Environment WG

*1 WG: Working Group
*2 RE100: Renewable Energy 100%
*3 D&I: Diversity and inclusion

PDCA Cycle of Sustainability Activities

Plan activities (P)
- Determine policies and identify priority issues through the Board of Directors
- Plan measures in response to priority issues and draw up a medium-term plan through each functional headquarters and the Sustainability Promotion Committee

Execute annual plan and disclose information (D)
- Execute the plan through each functional headquarters and the Sustainability Promotion Committee and relevant departments
- Disclose information on the details of execution



Examine issues (A)
- Reflect the impact of environmental changes, external evaluations, and results of stakeholder dialogues in the plan

Engage with internal and external stakeholders (C)
- Report on the progress of measures regularly to the Board of Directors
- Assess the outcomes of external evaluations and dialogues with all stakeholders

Environmental Strategy for Realizing a Sustainable Society

Decarbonization, Circular Economy, and Coexistence with Nature

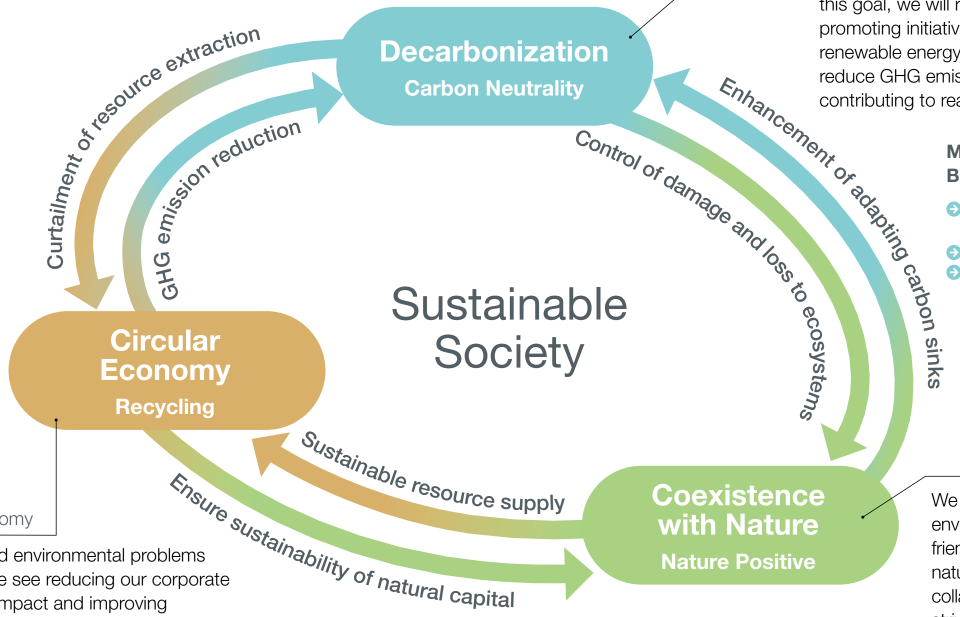
Alps Alpine's corporate philosophy is to innovate value for humans and society on a brighter planet. This means helping enrich and bless people's lives and the global environment to be sustainable into the future, which we see as our mission. Our approach to management states: "We will coexist with the environment as friends of the Earth," a declaration from the Company that we will conduct our business activities with an awareness of the global activities.

To promote environmentally friendly business activities, we emphasize three perspectives: decarbonization, circular economy, and coexistence with nature. Since these initiatives have a dependent relationship, they must be promoted in a balanced manner.

Through the creation of environment-contributing products, reduction of energy consumption associated with production, effective use of resources, and other initiatives, we will reduce environmental impact at all stages of our business activities and conduct management in harmony with the environment, thereby enhancing corporate value and contributing to the realization of a sustainable society.

We aim for management that is kind to the earth and in harmony with the environment.

Our efforts in decarbonization, circular economy, and coexistence with nature are dependent on each other. We will promote them in a well-balanced manner, aiming to manage our business harmoniously with the environment.



📖 P.28 Decarbonization

To achieve carbon neutrality by 2050, we are promoting activities aimed at virtually eliminating greenhouse gas (GHG) emissions throughout our value chain. To achieve this goal, we will reduce our own GHG emissions by promoting initiatives to conserve energy and introduce renewable energy. We will also work with our suppliers to reduce GHG emissions in the supply chain, thereby contributing to realizing a decarbonized society.

Main Themes of the 2nd Mid-Term Business Plan

- Reduction of greenhouse gas emissions (Scope 1, Scope 2, and Scope 3)
- Proactive use of renewable energy
- Development of environment-contributing products

📖 P.29 Circular Economy

As resource depletion and environmental problems become more serious, we see reducing our corporate activities' environmental impact and improving sustainability as vital hurdles to surmount. Specifically, we will review the design of our products and production processes to optimize resource use and reduce waste generation. We will also promote the reuse and recycling of waste materials to reuse them as effective resources, thereby reducing the input of new resources and contributing to the realization of a circular economy.

Main Themes of the 2nd Mid-Term Business Plan

- Effective use of resources
- Reduction of environmental impacts from a product life cycle perspective

📖 P.29 Coexistence with Nature

We aim to coexist with the natural environment by providing environmentally friendly products and services, supporting nature conservation activities, and collaborating with local communities. We will strive to minimize the impact of our business on the natural environment, and by conducting our business in harmony with nature, we will contribute to the realization of a society in coexistence with nature.

Main Themes of the 2nd Mid-Term Business Plan

- Promote biodiversity conservation activities
- Reduction/control of VOC (volatile organic compounds) emissions

Decarbonization

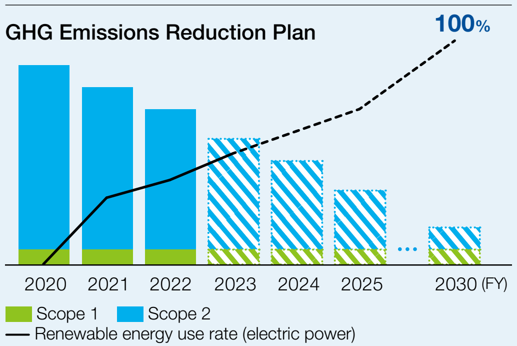
RE100WG　Environment WG　Sustainable Development WG

Initiative Themes

- Reduction of GHG emissions (Scope 1, Scope 2, and Scope 3)
- Proactive use of renewable energy
- Development of environment-contributing products

Key Performance Indicators of 2nd Mid-Term Business Plan
(Fiscal 2022–Fiscal 2024)

- Energy use (crude oil equivalent): **2% reduction per year** (consolidated)
- Renewable energy use rate: **60%** (consolidated)



Energy Conservation Efforts

We are working to reduce the energy used in our operations to reduce GHG emissions in Scope 1 and 2, which we can control. In fiscal 2022, we made energy use visible and studied more effective energy-saving activities. As we move forward, we will expand the good practices of our model factory to other sites and promote further energy reductions by creating a global energy conservation plan.

	Fiscal 2020	Fiscal 2021	Fiscal 2022*
Energy use (consolidated) P.69 ESG Data	564 thousand MWh (3.9% reduction)	617 thousand MWh (9.3% increase)	473 thousand MWh (23.3% reduction)

* The result in fiscal 2022 includes a decrease due to the deconsolidation of Alps Logistics Co., Ltd.

Topics Construction Complete for a New Environmentally Friendly Building

The new R&D building at the Sendai R&D Center (Furukawa), completed in April 2023, is an energy-saving facility with other environmentally friendly features. The building has acquired "Nearly ZEB" certification under the Building-Housing Energy-efficiency Labeling System (BELS) by introducing state-of-the-art technology to optimize the air conditioning load, the amount of outside air introduced, and lighting settings, as well as by introducing equipment that utilizes renewable energy and to realize a 77% energy reduction.

Renewable Energy Initiatives

In addition to energy conservation efforts, we are actively expanding the introduction of renewable energy for our electricity. In fiscal 2022, we introduced new solar power generation facilities, mainly at our sites in China, bringing our global power generation capacity to approximately 9 MW. We have also expanded external procurement of electricity derived from renewable energy sources, mainly at our overseas sites, and have promoted the use of certificates, achieving 100% renewable energy at our production sites in Europe. Our goal is to achieve an introduction rate of 60% by 2024 and to convert 100% of the electricity used in our business to renewable energy by 2030.

Solar power installations at the Alps facility in Dalian

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Renewable energy use rate (consolidated) P.69 ESG Data	2.3%	24.5%	40.4%

Reducing GHG Emissions Throughout the Supply Chain

GHG emissions covered by Scope 3, or the supply chain, account for a significant portion of our GHG emissions. In particular, GHG emissions from purchased raw materials (Category 1) account for most of these emissions. Reduction in this area is essential if we are to achieve carbon neutrality. In fiscal 2022, we started a GHG emissions survey with the cooperation of our suppliers. Based on the results, we will deepen our engagement with suppliers and expand support for specific reductions in the future.

Responding to Environment-Related Initiative

RE100 Initiative	JCLP (Japan Climate Leaders Partnership)	CDP
Became a member to realize "100% conversion of electricity used in our business to renewable energy by 2030"	Membership for the purpose of gathering information to achieve the 1.5°C goal	Rated A- in Climate Change

SBTi: Preparing to apply for certification with clarification of target achievement to achieve carbon neutrality in 2050

Circular Economy

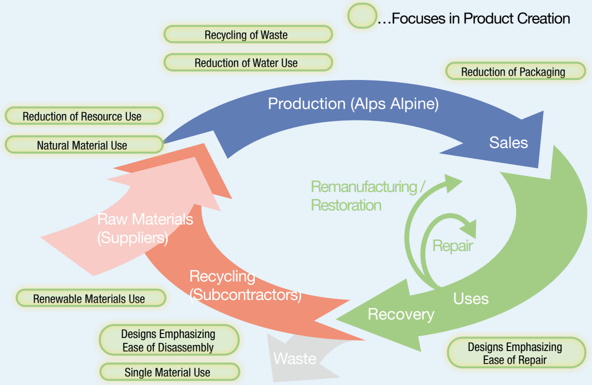
Sustainable Development WG　Waste & Water WG

Initiative Themes

- Effective use of resources
- Reduction of environmental impacts from product life cycles

Key Performance Indicators of 2nd Mid-Term Business Plan
(Fiscal 2022–Fiscal 2024)

- Total waste emissions: **2% reduction per year** (consolidated)
- Water use (Water withdrawal): **1.5% reduction per year** (consolidated)



Development of Environmentally Friendly Products

To steadily reduce the environmental impact of our products, we design and develop products in an environmentally friendly manner*. In newly developed products, product assessment is conducted at the design stage. For the 37 evaluation criteria that are believed to impact the environment throughout the product's lifecycle, evaluations are performed by comparing them with benchmark products and alternative solutions, among other factors. The assessments determine whether comprehensive measures must be considered to address the identified criteria. In the future, we will review the assessment items and work to expand the range of products covered, as well as strengthen the development of environment-contributing products.

* Reducing the use of natural resources, increasing the availability of recycled resources, reducing energy consumption, limiting the use of environmentally hazardous substances, and reducing waste generation, among other actions.

Main Solutions	Examples of Environmentally Friendly Products
■ Product development using biomass plastics: Development of materials such as plant-derived resins and replacement with biomass-based materials	TACT Switch™ made of biomass material 
■ Magnetic material development and application technology, circuit technology: Compact and lightweight power electronics products, including DC-DC converters, with high power conversion efficiency	Liqualloy™  TriMagiC Converter™ 
■ Sensing technology, wireless communication technology, packaging technology: Low cost, lower power consumption, and long-distance transmission package, 10 years of continuous operation without recharging, and seamless indoor/outdoor positioning	MonoTra™ 

Reduction of Waste

The Waste & Water Working Group was established under the Sustainability Promotion Committee, recognizing that reducing and recycling waste emissions is essential for realizing a circular economy. In fiscal 2022, we established a global activity structure and confirmed emissions-reduction measures and possible emissions reductions at each production site. As we advance, in addition to promoting the steady implementation of reduction measures, we will work to recycle resources.

Total waste emissions (consolidated) P.69 ESG Data	Fiscal 2020	Fiscal 2021	Fiscal 2022
	21.9 thousand t	22.8 thousand t	25.9 thousand t
	(16.1% reduction)	(4.1% increase)	(13.6% increase)

Water Use Reduction

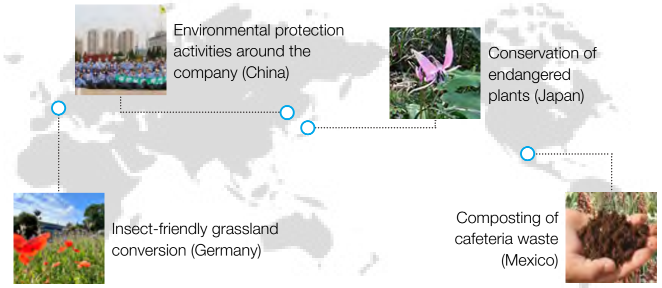
As we operate our business in various countries, we recognize water issues as an important issue, a common environmental theme worldwide. To this end, we are working to reduce water consumption through the efforts of the Waste & Water Working Group of the Sustainability Promotion Committee. Particularly, drought risk is a concern in some regions, such as China and India, where we are taking water-saving measures, such as using recycled water. In fiscal 2022, we surveyed water use at each site. We raised the annual reduction target to 2% for sites that use water in production activities and set the company-wide reduction target at 1.5%.

Water use (water intake) (consolidated) P.69 ESG Data	Fiscal 2020	Fiscal 2021	Fiscal 2022
	1,743 thousand m^3	1,814 thousand m^3	1,674 thousand m^3
	(0.2% increase)	(4.1% increase)	(7.7% reduction)

* The result in fiscal 2022 includes a decrease due to the deconsolidation of Alps Logistics Co., Ltd.

Topics Efforts to Realize a Society in Coexistence with Nature

At each of our global sites, we are promoting initiatives such as developing insect-friendly grasslands and composting cafeteria waste. We will continue to promote activities based on the characteristics of each region and horizontally develop good practices.



TCFD-Based Information Disclosure

Environment WG

Response to Recommendations of TCFD

In September 2020, Alps Alpine declared its support for the Task Force on Climate-related Financial Disclosures (TCFD). We will assess the risks and opportunities associated with climate change and reflect the findings in our business strategies with the intent of realizing sustainable growth and formulating an appropriate risk response.

Governance

The Board of Directors deliberates and resolves important matters, such as basic policies and measures to deal with climate change issues, by setting the "realization of a decarbonized society" and "realization of a circular economy" as items of business materiality. The representative director has the highest responsibility and authority for sustainability issues, including climate change issues, and a director appointed by the representative director is responsible for overseeing all sustainability measures as the chair of the Sustainability Promotion Committee.

In addition to the Environmental Working Group, which operates under the Sustainability Promotion Committee, relevant working groups report the status of initiatives on issues including the assessment of climate change-related risks and opportunities to the Sustainability Promotion Committee, which reviews the content and reports to the Board of Directors.

Specifically, the Board of Directors has decided to participate in the RE100 initiative and agreed on a mid-term emission reduction target of 2030 and a policy to engage in supply chain emission reduction activities actively.

Governance Structure of the Company for Climate Change-Related Issues

Body	Roles	Meeting Frequency
Board of Directors (Hideo Izumi, Representative Director, President)	• Determine climate change and other sustainability-related policies and important matters • Monitor responses to climate change	• Report four times a year • Deliberate on issues in a timely manner
Sustainability Promotion Committee (Chair: Satoshi Kodaira, Director, Executive Vice President)	• Implement measures to address climate change and other sustainability-related issues while reporting on their progress and presenting recommendations in this regard to the Board of Directors	• Meet four times a year

Strategy

Through a scenario analysis conducted on climate change, we identified risks and opportunities and quantitatively assessed the impact on our business using internal criteria.

P.31 Scenario Analysis Process and Results P.32 Assessment of Risks and Opportunities

Risk Management

We recognize that to achieve sustainable corporate growth and increase corporate value, we must assess the impact and importance of various risk items surrounding our business and formulate and respond to measures over the medium to long term. The Company has developed a risk map as a framework for examining risk preparedness, and climate change-related risks are assessed as a managerial risk. As a specific activity, the Environment Working Group conducts a risk survey once a year, where the risks identified are evaluated and managed by the Sustainability Promotion Committee. Risks with significant financial impact are reported to and discussed by the Board of Directors.

Indicators and Targets

We are promoting activities to achieve zero GHG emissions throughout our value chain by fiscal 2050. Our mid-term target is to reduce GHG emissions (Scope 1 and 2) by 90% in fiscal 2030 compared to fiscal 2020. In addition, we joined the "RE100" initiative, declaring our commitment to achieve 100% introduction of renewable energy by fiscal 2030.

We will contribute to reducing GHG emissions by promoting thorough energy-saving activities and active use of renewable energy.

2050 Target	Zero GHG emissions throughout the value chain
2030 Target	GHG emissions reduction (Scope 1 and 2): 90% (compared to fiscal 2020) Percentage of renewable energy used: 100%

Scenario Analysis Process

A four-step process was adopted for scenario analyses.

Step 1 Assessment of Risk Materiality

We identified risks and opportunities affecting our business activities and rated their materiality based on the magnitude of their business impact.

Risks were evaluated in terms of transition risks (government policy and regulation, technologies, markets, and reputation) and physical risks (acute and chronic).

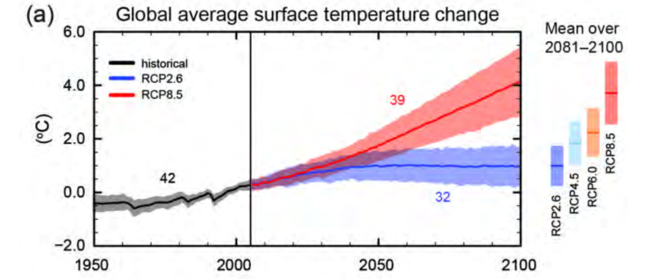
Opportunities were evolved based on the considerations of products and services, resource efficiency, energy sources, markets, and resilience.

Step 2 Selection of Scenarios

Analyses were conducted based on scenarios projecting average global warming of 1.5°C above pre-industrial levels as well as those projecting average global warming of 4°C.

The opportunities and risks were assessed using the following combinations of timings and scenarios due to the fact that differences in temperature in 2030 did not differ materially between the 1.5°C scenarios and the 4°C scenarios and the fact that it was difficult to project transfer risk and opportunities from a business perspective at 2050.

	2030	2050
Transition risks	1.5°C or 2°C scenarios	—
Physical risks	—	4°C scenarios
Opportunities	1.5°C or 2°C scenarios	—



Source: IPCC AR5 WGI SPM Figure SPM7(a)

Step 3 Assessment of Business Impacts

Assessments of the business impacts of the identified 13 items for transition risks, physical risks, and opportunities were performed based on internal and external information.

Specifically, business divisions verified the business impact and estimated the financial impact of the transition risk and opportunity items identified by the Sustainability Promotion Office.

Step 4 Definition of Response Measures

Action plans were formulated and enacted to address those risks and opportunities designated as having a potentially high financial impact.

Results of Scenario Analysis

The scenario analysis found that the 4°C scenarios would require us to implement measures at bases around the world to counter the impacts of intensifying natural disasters associated with abnormal weather events while also enacting risk countermeasures across the entire supply chain. Conversely, the 1.5°C scenarios presented a need for ongoing decarbonization measures to mitigate transition risks along with aggressive action for seizing opportunities through the supply of products and services that cater to market changes.

Assessment of Risks and Opportunities

The results of the Group's assessment of risks and opportunities in climate change are as follows.
Risks were evaluated in terms of transition risks (government policy and regulation, technologies, markets, and reputation) and physical risks (acute and chronic).

Category		Climate Change Impacts	Details of Risks	Timeline*	Financial Impact	Response Measures
Transition	Regulation	Carbon pricing mechanisms	➔Increase in energy procurement costs reflecting the introduction of carbon taxes ➔Increase in costs associated with measures to reduce CO_2 emissions and purchases of emission credits due to introduction of emissions trading scheme	Medium-term	Medium	Establishment of RE100 WG under Sustainability Promotion Committee; planning and promotion of energy conservation and renewable energy procurement activities
Physical	Acute	Rising severity and frequency of cyclones, floods, and other abnormal weather events	➔Decrease in sales as a result of discontinued operations at our plants, increase in costs due to continuation and recommencement of production ➔Increase in costs for flood countermeasures at three overseas bases deemed to be at high risk of flooding	Medium-term	Small	Reinforcement of business continuity plans through means such as production relocations and purchasing from multiple suppliers based on natural disaster risks threatening production bases
			➔Decrease in sales due to discontinued supplies of raw materials and components stemming from supply chain disruption; increase in costs for procuring alternative items ➔Decrease in sales as a result of reduced production or discontinuation of operation at customer plants; increase in costs due to abnormal processing costs following production adjustments	Medium-term	Small	
Physical	Chronic	Higher average temperatures	➔Increase in air-conditioning costs at offices and factories due to higher average temperatures and increase in electricity costs due to growing demand for renewable energy	Long-term	Medium	Target of achieving 2% reduction in energy use per year in plan for adopting renewable energy in order to limit projected increases in energy use through energy conservation

* Short-term: within one year. Medium-term: within three years. Long-term: more than three years (currently up to 2030)

Opportunities were evolved based on the considerations of products and services, resource efficiency, energy sources, markets, and resilience.

Opportunity Type	Climate Change Impacts	Details of Opportunities	Timeline*	Financial Impact
Products / Services	Development of new products or services through R&D and innovation	➔Expansion of EV market leads to expansion of business for current sensors	Medium-term	Small
		➔Expansion of EV sound products (pedestrian warning sound systems, engine sound generators, road noise cancellation) business due to EV market expansion	Medium-term	Medium
	Development and/or expansion of low emission goods and services	➔Business expansion through the provision of products using new decorative technologies (e.g. optical decoration) that replace plating and painting, which have a high environmental impact	Medium-term	Small
Resource Efficiency	Use of more efficient production and distribution processes	➔Market introduction of logistics trackers to contribute to efficient distribution ➔Contributing to IoT in factories by introducing analog meters to the market	Medium-term	Small
	Use of more efficient modes of transport	➔Reduction of CO_2 emissions from transportation by producing at a plant near the final sales location	Medium-term	Medium

* Short-term: within one year. Medium-term: within three years. Long-term: more than three years (currently up to 2030)

Product Quality and Safety

Basic Policy

Alps Alpine will deliver outstanding products and services that satisfy its customers. The Fundamental Quality Control Policy states, Master “Monozukuri Quality” to improve customer’s trust. In order to realize this goal, we must make Companywide efforts to improve not only production quality but also design and component quality assurance, which are essential to product creation.

Initiative Themes	Key Performance Indicators of 2nd Mid-Term Business Plan (Fiscal 2022–Fiscal 2024)
➔ Promotion of prevention of incidents by taking the proper steps from the start of processes ➔ Reinforcement of function safety and product cybersecurity measures	➔ Improvement in product and process design ➔ Implementation rate of CS[*1] capability management (applicable departments): **100%** ➔ Conduct and improve CSMS[*2] organizational audits

*1 Cyber Security *2 Cyber Security Management System

Promotion of Prevention of Incidents by Taking the Proper Steps from the Start of Processes

To deliver products that satisfy our customers, we aim to take the proper steps from the start of processes. Through this, we are developing quality assurance (front-loading) activities from the planning stage of new products, including development, design, and production processes. Specifically, we have established an organization and system for front-loading activities in the Quality Assurance Department to review each process from a quality perspective, flatten down the issues, and promote countermeasures to prevent incidents from occurring.

Improve Degree of Completion of Product and Process Designs

To improve product design and process design perfection, all quality requirements are presented at the beginning of new product development to clarify and systematically verify how to guarantee no gaps or inconsistencies in the design stage.

Issues detected through customer evaluations and verification in each process are considered essential for improvement and are fed back to front-loading activities.

Our suppliers, who supply us with the parts necessary for our products, also cooperate with our efforts to improve quality.

Functional Safety

To provide customers with safe, dependable products that accommodate the spread of driver-assistance systems, autonomous driving systems, and other technologies, Alps Alpine established commercialization processes and systems conforming to ISO 26262 (second edition, in effect December 2018), in addition to establishing education and capability management to develop products.

Automotive Product Cybersecurity

To deliver secure products to its customers, Alps Alpine is compliant with ISO/SAE 21434 (in effect August 2021), a cybersecurity standard. We have also organized and operate the Alps Alpine PSIRT* to address any vulnerability issues detected in our products.

* PSIRT: Alps Alpine-Product Security Incident Response Team

Education and Capability Management

To establish and improve product cybersecurity readiness in the organization, we started education and capability management in fiscal 2021, defining the education required for cybersecurity capability and conducting basic and specialized education for each activity process.

In fiscal 2022, all employees subject to capability management have taken the required training.

Organizational Audit of Cybersecurity Management System (CSMS)

CSMS organizational audits are conducted to verify the execution environment, operational status, and capabilities of cybersecurity activities throughout the organization. Organizational audits were initiated in fiscal 2022 to confirm that the targeted departments are conducting their activities per the CSMS organizational rules. In March 2023, an external organization conducted an organizational audit and certified that all relevant global bases comply with the ISO/SAE21434 management system standards.

Customer Evaluation

Alps Alpine have received the Supplier the Year award from General Motors (US). The award recognizes global suppliers of innovative technology and top-quality products to the automotive industry, and this is the 11th consecutive time (21st in total) that we have been honored with this award.

We have also received several quality awards from other partners.

Sustainable Procurement

Sustainable Procurement WG

10 REDUCED INEQUALITIES
13 CLIMATE ACTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Basic Policy

Alps Alpine bases its procurement activities on the principle of integrity as it seeks to build trusting and collaborative relationships through the fair treatment of business partners. We also work together with partners to promote safety and environmental preservation in order to contribute to the realization of a sustainable society through supply chain action. Specific procurement activities are shaped by policies and guidelines for accomplishing these objectives.

Initiative Themes

- Reduction of compliance violations across the supply chain
- Tracking and mitigation of human rights risks across the supply chain
- Responsible procurement (traceability of minerals, etc.)

Key Performance Indicators of 2nd Mid-Term Business Plan
(Fiscal 2022–Fiscal 2024)

- CSR assessment response rate: **100%**
- Percentage of CSR assessments ranked B or lower: **0%**
- Conflict minerals reporting template (CMRT)[*1] response rate: **100%**
- Percentage of smelters certified by RMI[*2]: **100%**

Supply Chain Management CSR Guidelines for Suppliers

From the viewpoint of promoting corporate social responsibility (CSR) not only in our business activities but throughout the entire supply chain, in fiscal 2020 Alps Alpine adopted the Guidance for Responsible Business Conduct of the Japan Electronics and Information Technology Industries Association (JEITA) and formulated the Alps Alpine Responsible Corporate Action Guidelines. These guidelines cover the matters pertaining to human rights, labor, health and safety, the environment, fair trade, and quality and are available on our website and sent directly to our major suppliers. In addition, policy briefings for suppliers are used as an opportunity to explain the guidelines and their aims directly to suppliers. We also arrange briefings on the guidelines themselves for employees who are responsible for communicating with suppliers. Approximately 200 employees in the Procurement Department participated in the fiscal 2022 guideline briefing.

アルプスアルパイン責任ある企業行動ガイドライン
ALPS ALPINE Responsible Corporate Action Guidelines

～サプライチェーンにおける責任ある企業行動推進のために～
~For the responsibility corporate activity promotion in the supply chain~

改訂：2023年4月
アルプスアルパイン株式会社
資材本部
Revision : April 2023
ALPS ALPINE Co., LTD.
Materials Headquarter

Alps Alpine Responsible Corporate Action Guidelines

CSR Assessments

To confirm compliance with the CSR guidelines, we requested our major suppliers to conduct a self-assessment starting in fiscal 2022, with scores classified and evaluated as S, A, B, or C. No serious violations were identified in fiscal 2022 that would warrant a rank of C. We conducted a fact-finding survey for suppliers ranked B or lower using a corrective action requirements sheet. When we begin working with them, we also ask new suppliers to complete a self-assessment. In fiscal 2022, we conducted this assessment for three new suppliers that came on board.

Results of CSR assessments (global)
Target: Key business partners (top 80% of purchases during fiscal 2021: 88 companies)

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Response rate	—	—	93%
Ratio of companies that have a rank of B or lower	—	—	6%

Responsible Mineral Procurement

In accordance with the Basic Policy on the Responsible Examination of Minerals, Alps Alpine has identified tin, tantalum, tungsten, gold, and cobalt produced by conflict-affected areas and regions associated with antisocial and inhumane acts of behavior as high-risk minerals and will conduct due diligence on such minerals in compliance with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In fiscal 2022, Alps Alpine conducted a survey with all suppliers from which it made purchases in the previous year on their products pertaining to the inclusion of 3TG[*3], the country of origin, and the location of the smelter. In the event of identifying a smelter not certified by the Responsible Minerals Initiative (RMI), the appropriate measures toward improvements will be undertaken through our discussions with the relevant suppliers.

Results of mineral survey
Target: All suppliers (approx. 1,000 global companies)

	Fiscal 2020	Fiscal 2021	Fiscal 2022
CMRT response rate	78.0%	90.4%	95.6%
Percentage of smelters certified by RMI	89.0%	89.6%	88.7% As of April 2023

[*1] Conflict Minerals Reporting Template: A template created by RMI to facilitate the reporting of conflict minerals
[*2] Responsible Minerals Initiative: An association of more than 300 companies and organizations worldwide that leads efforts on conflict minerals
[*3] Abbreviation for tin, tantalum, tungsten, and gold

Human Resource Strategy to Support Value Creation

Linking Management and Business Strategies with Human Resource Strategies

Since its foundation, we have inherited the philosophy of "believing in people," believing in the potential of its employees and entrusting them with their work, and encouraging them to take on higher-level tasks for personal growth. Management and business strategies have changed in response to changes in the business environment, but the concept of employees as "capital" has not changed.

Based on this concept, we have established the human resources and organization needed in the future based on the current management and business strategies and defined these as challenges to be addressed in Japan from the viewpoint of human capital management: "securing human resources and strengthening recruitment," "passing on technology, skills, culture, etc. and developing human resources," and "inspiring employees."

We will steadily promote "nurturing of human resources and promotion of job satisfaction" and "diversity and inclusion," which are material issues we face in our 2nd Mid-Term Business Plan. In addition, we will promote capability reforms outlined in our management strategy and reestablish human capital management for our 3rd Mid-Term Business Plan to strive to become an innovative T-shaped Company: ITC101.

Organizational Goals and Challenges

Current State of Our People and Organization "As Is"

- Inverted pyramid structure of the number of employees by age
- Employees and management are primarily men (highly homogeneous and tending toward a top-down system)
- Lack of human resources and skill to handle new business areas
- Revised personnel system to encourage employees to work autonomously and take on challenges according to their roles

Challenges

Securing human resources and strengthening recruiting capabilities

- Expand the number of engineering hires
- Build a system for continuous recruitment

Inheritance of technology, skills, culture, etc., and development of human resources

- Reskilling, skill development
- Reorganization of the training system
- Evolution of the succession plan

Inspiring employees

- Establishment of a new personnel system
- Establishment of D&I
- Increased engagement
- Active participation of all employees regardless of gender, age, etc.
- Career autonomy support

What We Aim "To Be"

- Human resources who can be active in roles and contribute to the organization, regardless of age, are active and highly valued
- Diversity of individuals (skills, experience, and behavioral patterns) is leveraged to maximize organizational capacity
- Individuals autonomously chart their careers, and the organization and business grow along with their personal growth

Priority Measures in the 2nd Mid-Term Business Plan

Measures			Indicators (KPI)
■ **Securing and developing human resources** • Secure human resources for business growth • Expansion of human resources for new business creation	P.36	Securing and Developing Human Resources	• Fulfillment rate of recruitment plan: 100% (non-consolidated) • Human resources development expenses: Increase year on year (non-consolidated)
■ **Fostering job satisfaction** • Human resource system that encourages challenges • Systems that enable diverse work styles • Initiatives to improve engagement	P.37	Promotion of Job Satisfaction	• Establishment of engagement indicators and measurement methodologies
■ **Diversity & inclusion (D&I)** • Empowerment of women employees • Recruitment of human resources with diverse backgrounds • Creating a culture	P.38	Diversity and Inclusion	• Percentage of newly hired women graduates: 15% (non-consolidated) • Ratio of women in management positions: 6.0% (non-consolidated) • Rate of employees with disabilities: 2.6% (non-consolidated) • Percentage of men taking paternity leave: 45% (non-consolidated)

Securing and Developing Human Resources

Basic Policy

Toward sustainable business growth, we will secure and nurture human resources capable of creating value different from the past by creating new opportunities for the human resources we have cultivated based on manufacturing and further expanding our various networks. In particular, in the promotion of "creating experiences (*Koto-zukuri*)," in addition to securing human resources with the thinking skills and high level of expertise to conceptualize new businesses, we will work to meet human resource needs through alliances with diverse partners while developing individuals who can continue to change and grow on their initiative.

Initiative Themes	Key Performance Indicators of 2nd Mid-Term Business Plan (Fiscal 2022–Fiscal 2024)
➔ Secure human resources for business growth ➔ Expansion of human resources for new business creation	➔ Fulfillment rate of recruitment plan: **100%** (non-consolidated) ➔ Human resource development expenses: **Increase year on year** (non-consolidated)

Securing Human Resources for Business Growth

Expansions of Software Human Resources

We are working to strengthen our global software development system through alliances and open innovation among companies, including a large-scale software development partnership with an Indian development company (Tata Elxsi Limited) and a capital and business alliance with a Web 3.0 infrastructure business operator (FreeBit Co., Ltd.). Furthermore, we focus on securing and developing human resources, such as expanding training programs for inexperienced IT professionals and entering into advisory contracts with highly specialized human resources. In fiscal 2022, a total of over 3,000 employees attended a total of 162 courses, including software training for all new employees.

Contract signed with Tata Elxsi

Allocation of Human Resources in Response to Needs

As a system that respects each employee's initiative and willingness to improve their expertise, we focus on an open human resources recruitment system. While combining this with company-led human resource rotations, we will disclose diverse human resource needs to deepen understanding of the Company and its business and encourage each individual to demonstrate their constructive abilities.

Expansion of Human Resources for New Business Creation

Promotion of Open Innovation

To adapt to changes in the business environment, such as the progress of digitalization and diversification of business models, we are accelerating the promotion of open innovation to propose customers' value by selling "things" and "creating experiences (*Koto-zukuri*)." We are working to achieve business results and human resource development at the same time.

We have established the "Institute for Collaborative Creation of Connected Value" with Tohoku University. Furthermore, together with the University of Aizu and industry-academia collaboration, we are identifying and promoting research themes that lead to the creation of future value, with the objectives of "creating innovation," "developing human resources," and "solving social issues (contributing to the community)." In addition, in developing highly specialized human resources (software), we provide a variety of education through open innovation, including AI courses in collaboration with the Tokyo Institute of Technology and the acquisition of advanced development methods such as agile and model-based development.

Sensitivity Design-based Thinking Workshop with the University of Aizu

In fiscal 2022, we held a new "Sensitivity Design-based Thinking Workshop" for students at the University of Aizu and our young engineers, with a professor from the University of Aizu as a lecturer. The participants learned and experienced innovative problem-solving methods originating in Japan that incorporate elements of sensitivity (intuition, emotion, and inspiration) based on understanding users' potential needs and insights and design-based thinking, which are essential for creating new businesses. This was well received by participating students and employees and will be continued in the following fiscal year and beyond.

Workshop with the University of Aizu

Continuously Growing Individuals

It has become challenging to foresee the future by extending the conventional approach. With this in mind, each individual must be willing to keep updating themself. We have introduced an online learning service for all employees starting in fiscal 2022, aiming to expand our antennae of reach for business principles and global trends without relying on past experience and know-how. In the first year, more than 600 employees used this service.

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Human resources development expenses (non-consolidated)	¥12,653	¥15,087	¥20,302

Promotion of Job Satisfaction

Basic Policy

Aiming at the sustainable growth of the Company and its employees, we will continue to create a corporate culture in which each employee can demonstrate their characteristics and strengths, and continue to improve without being satisfied with the status quo and have a venture mentality without fear of failure, as well as a system to evaluate employees who take on new challenges. In addition, as a foundation for achieving harmony between life and work, we will create an environment in which each employee can work with confidence and enthusiasm, both in terms of systems and in terms of creating a corporate culture that fosters job satisfaction.

Initiative Themes	Key Performance Indicators of 2nd Mid-Term Business Plan (Fiscal 2022–Fiscal 2024)
➔Human resources system that encourages challenges ➔Systems that enable diverse work styles ➔Initiatives to improve engagement	➔Establishment of engagement indicators and measurement methodologies

Human Resources System that Encourages Challenges

Our human resource system is built to make the most of our diverse human resources, enhance motivation, and realize a workplace where employees can exercise their abilities and work comfortably.

To promote proactive behavior, called a “venture mindset,” we began revising our system in 2021 and phased implementation in fiscal 2022, targeting managers and leaders. Specifically, the core system has been changed from a job-based to a role-based system, and the personnel evaluation system has been revised to emphasize challenge-focused behavior and activity performance per the role rather than factors based on ability and experience. These revisions have been made with appropriate review to ensure improvement and retention.

Key Points of System Revision

○Application of a role-based grading system to employees above a certain level
○Re-establishment of the roles of retiring employees to promote demonstrating their expertise
○Shift to a performance evaluation system that recognizes and rewards challenge-based actions by employees

Job type ▶ Role type
Achievement rate ▶ Extension rate
Waiting for instructions ▶ Proactive challenge-based actions

Systems to Enable Diverse Work Styles

We have formulated our “Work Style Vision” by labor and management as a guideline for how employees should work. Upon this vision, we are striving to create a safe and comfortable work environment by maintaining and improving employees’ physical and mental health and complying with each country’s laws and practices related to working hours.

Systems and Measures Introduced or Revised in Recent Years Related to Work Styles

○Expansion of remote work system to include more flexible work styles, including more employees and the number of days they can work remotely
○Expansion of application of flextime work to those who work shorter hours
○Introduction of a transfer deferment system that limits work areas for a certain period for childcare or nursing care reasons
○Establishment of new career-track positions with limited work areas for career advancement
○Shinkansen (bullet train) commuting in the Sendai area to improve work-life balance
○Free dress code at some locations to promote communication and foster a culture of autonomous work

Initiatives to Improve Engagement

An engagement survey was conducted in fiscal 2022 for the Administration Headquarters (in Japan) to establish indicators of employee engagement and how to measure them. We plan to conduct the same survey again in fiscal 2023, evaluate the results, establish engagement indicators and measurement methods, and then roll out the survey company-wide. In addition, by conducting this every year as a simple version of the General Attitude Survey conducted once every three years by the Alps Alpine Workers Association, an employee representative organization, this allows us to ascertain changes in employees' awareness (DI values), which are then shared to form issues at labor-management discussions, and company-wide efforts are made to achieve these targets. The PDCA cycle is followed by a progress check survey after a certain period.

Based on the General Attitude Survey results in fiscal 2021, we identified improving the “attractiveness of the company” as an issue. In fiscal 2022, in particular, we implemented measures related to (1) employees' understanding of management strategies, (2) support for voluntary learning, and (3) revitalization of communication.

General attitude survey results (DI values)
* Excerpt
* The fiscal 2022 survey was conducted as a progress check survey to examine the promotion of improvement activities.

	Fiscal 2021	Fiscal 2022
Company attraction	10.6	13.9
Company’s future potential	6.1	14.2
Level-appropriate education	15.1	26.6
Expanding network of contacts	4.4	17.5

Diversity and Inclusion

Human Rights & D&I WG

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Basic Policy

We believe that the promotion of D&I is a means of culture reform and that each individual's unique values and ideas will create unprecedented "creating experiences (*Koto-zukuri*)" businesses. To this end, we aim to review conventional customs and ways of thinking whenever necessary and create an environment in which people can exchange opinions with each other in peace, recognizing their "individuality" regardless of race, religion, nationality, gender, age, sexual orientation or gender identity, disability, job title, or other attributes.

Initiative Themes

- Empowerment of women employees
- Securing human resources with diverse backgrounds
- Creating a culture

Key Performance Indicators of 2nd Mid-Term Business Plan
(Fiscal 2022–Fiscal 2024)

- Percentage of newly hired women graduates: **15%***
- Ratio of women in management positions: **6.0%***
- Rate of employees with disabilities: **2.6%***
- Percentage of men taking paternity leave: **45%***

* non-consolidated

Management's Commitment

"Respect the individual" is part of the Alps Alpine Management Approach. This principle is core to the promotion of diversity and inclusion, the goal of which is to ensure all individuals are respected and able to continue to feel motivated in their work, regardless of traits such as their gender, age, or nationality. I am convinced that the pursuit of this goal will create innovation and thereby spur the further growth of the Company.

If we assess Alps Alpine from a global perspective, we will see that management in Japan is lacking female representation when compared with other parts of the world. Increasing the diversity of individuals in decision-making positions is thus an urgent priority. For this reason, it is important for us to develop frameworks that allow everyone, regardless of who they are, to craft their own career plan. It is also crucial that management play a direct role in promoting the acquisition of parental leave by male employees and in addressing the issues faced by veteran employees, employees with disabilities, and members of the LGBTQ+ community.

With these objectives in mind, Alps Alpine will continue its aggressive promotion of diversity and inclusion.

Toshihiro Kuriyama
Representative Director, Chairman

Promotion of Women's Activities

Given that the ratio of women managers is low compared to the percentage of women career-track employees (8.75%), we aim to increase the proportion of women managers. We are working to (1) recruit and retain women employees and (2) promote their career autonomy and development.

Strengthening and Retaining New Graduate Hires

To increase the percentage of new women graduates for career-track positions, we launched the Alps Alpine Appeal to New Hires Project. The project was led by women employees who had joined Alps Alpine within the last five years who joined the project through internal recruitment. These women employees conducted recruitment activities at events such as CEATEC and through social media. To retain employees after they join the company, we are also working to enhance various systems that enable employees to work in ways that suit their lifestyles.

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Ratio of new women graduates hired to number of planning positions (non-consolidated)	12.1%	6.8%	9.0%

Promoting and Fostering Career Autonomy

As part of career design support, volunteer women employees held career study sessions, and a mentoring system called "*Naname* 1 on 1" was introduced on a trial basis to allow employees to consult with managers and engineers in other departments about their careers. These have led to an increase in the number of employees who have been converted to career-track positions. We also proactively send women employees to training sessions for women leaders organized by the NPO J-Win*[1] and career-track workshops organized by JEITA*[2] to provide them with development opportunities.

*1 J-Win (Japan Women's Innovative Network): An NPO that promotes and supports diversity management and women's leadership development in Japanese companies.

*2 JEITA (Japan Electronics and Information Technology Industries Association): An industry organization in Japan in the electronics and information technology fields.

Promotion of Women to Management Positions

To systematically train and promote managers, we have identified candidates for management positions in each division and implemented initiatives to continuously motivate and support these individuals' development. In the future, we will further define our training plan and strengthen our mentoring system.

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Ratio of women in management positions (non-consolidated)	3.2%	2.4%	3.1%

Recruitment of Human Resources with Diverse Backgrounds

Promoting the Employment of People with Disabilities and Creating a Comfortable Workplace

Lecture incorporating an MC that can use sign language

We are creating an environment in which employees with or without disabilities can participate in training and conducting training for employees in workplaces where people with disabilities are assigned. In fiscal 2022, we formed a project team to recruit people with disabilities and strengthen our recruitment activities by accepting them for work experience and collaborating with outside support organizations.

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Ratio of employment of persons with disabilities (non-consolidated) P.70 ESG Data	2.19%	2.21%	2.45%

Senior Activities

We conduct “career training” with our employees at their 50 and 55-year-old milestones to think about their future careers. For rehired retirement-age employees, we publish “Senior Communications,” a second career information magazine that introduces internal and external seminars and provides information on job openings. Roundtable discussions with senior employees are also held for employees nearing retirement.

Creating a Comfortable Work Environment for Foreign Employees

We are promoting creating a comfortable working environment regardless of nationality by setting up prayer rooms according to religion and holding study sessions on "easy Japanese"* for those in charge of accepting foreign national employees.

* Easy Japanese: Japanese that has been paraphrased into words and expressions that are easy to understand, considering ease of understanding by foreign employees.

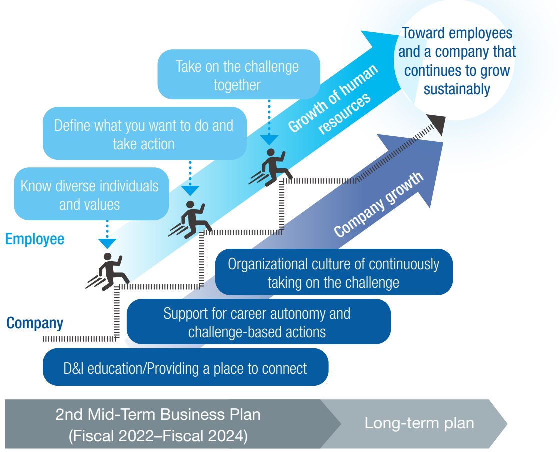
LGBTQ+ & ALLY Network Activities

FriendALLY, a group of volunteers within the company, has a vision of creating an environment where each individual can work with energy and enthusiasm and is working to "expand the circle of ALLY*." In fiscal 2022, Mr. Fumino Sugiyama, co-chairpersons of Tokyo Rainbow Pride, gave a lecture that allowed many of our employees to deepen their understanding of unconscious bias and deep diversity.

* ALLY: People who identify with, want to be close to, and support the LGBTQ+

Creating a Culture

As a first step based on the results of the Companywide D&I survey conducted in fiscal 2021, in fiscal 2022, we have promoted D&I education and the creation of “connecting” opportunities for employees to learn about diverse values. As a result, the understanding of the term D&I increased to approximately 80% in fiscal 2022 (approximately 30% in the previous fiscal year). To create a more open and accepting organization, we will strengthen support for the next step, career autonomy and challenge-based actions, in fiscal 2023 and beyond.



Roundtable Discussion with Management

We have been holding roundtable discussions between the director of the Administration Headquarters and women employees to promote women's activities. In fiscal 2022, our cultural theme was expanded to creating a corporate culture in which a more diverse range of human resources can play an active role, and many employees, regardless of gender, age, or job title, participated in the roundtable discussions. The discussions provided an opportunity to connect across organizational boundaries and learn about each person's values. A roundtable discussion with the president was also held to discuss future activities.

Then President Kuriyama and participants in the roundtable discussion

Promoting Paternity Leave

To create an environment where childcare does not affect careers regardless of gender, in fiscal 2022, we implemented e-learning for all employees, childcare lectures by the General Manager of Human Resources, and roundtable discussions with senior employees that are fathers and mothers. As a result, the percentage of men taking paternity leave in fiscal 2022 was 37.0%. We will continue to create an environment that facilitates the use of childcare leave.

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Percentage of men taking paternity leave (non-consolidated)*	17.1%	24.6%	37.0%

* The rate of leave taken is calculated, including leave equivalent to childcare leave as defined by the company.

Respect for Human Rights

Human Rights & D&I WG

Basic Policy

We are committed to fair management in compliance with international standards regarding respect for human rights and the laws and regulations of each country and region. We also believe that “respect for human rights” is the foundation of our sustainability activities to utilize every employee's diverse abilities, personalities, and values worldwide and is linked to our corporate philosophy of “Alps Alpine innovates value for humans and society on a brighter planet.”

<Main International Standards that We Respect>

- Universal Declaration of Human Rights (United Nations)
- Declaration on Fundamental Principles and Rights at Work (International Labour Organization)
- Guiding Principles on Business and Human Rights (United Nations)
- Guidelines for Multinational Enterprises (Organisation for Economic Co-operation and Development)
- Other internationally recognized human rights declarations

Initiative Themes	Key Performance Indicators of 2nd Mid-Term Business Plan (Fiscal 2022–Fiscal 2024)
➔ Tracking and mitigation of human rights risks ➔ Ongoing training on the Group Code of Ethics	➔ Rate of Group bases ranked A in human rights due diligence surveys: **100%** ➔ Participation rate for training on the Group Code of Ethics: **90% or more**

Identification of Material Human Rights Issues Specific to Alps Alpine’s Business

Considering the issues emphasized in the electronics industry, we have identified the following as risks of human rights issues specific to our business.

· Free choice of employment · Young workers · Working hours · Wages and benefits · Humane treatment
· Discrimination/harassment · Freedom of association

Framework for Protecting Human Rights

The Human Rights and Diversity and Inclusion Working Group has been established in the Sustainability Promotion Committee to study mainly human rights issues, with the Human Resources Department playing a central role in promoting activities. The activity plans and results from this Working Group are reported to the Board of Directors.

Continuous Dissemination of the Alps Alpine Group Code of Ethics, which Clearly States Respect for Human Rights

Once a year, education on the Alps Alpine Group Code of Ethics is provided to all employees (including directors, officers, and temporary and contract employees), including those of Group companies.

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Participation rate for training on the group code of ethics 📖 P.71 ESG Data	88.7%	93.6%	97.0%

Assessment of and Response to Adverse Human Rights Impacts

Internal Human Rights Due Diligence

For C Rank sites in the due diligence conducted in fiscal 2021, we conducted a secondary survey evaluation by providing feedback on the evaluation results and holding individual meetings to discuss how to address and improve potential risks that could be assumed.

Fiscal 2021 evaluation results			Priority is given to improving high-risk C Rank sites	**Fiscal 2022 result**
A Rank **Approx. 15%**	B Rank **Approx. 75%**	C Rank **Approx. 10%**	→	C Rank **0%**

Significant improvements will include confirmation of policies for employment status with no previous experience (young workers, apprentices, foreign workers, etc.) and confirmation of workers' rights at locations without labor organizations.

Items to be tracked individually include implementing human rights monitoring in the supply chain and risk assessment regarding labor practices.

Human Rights Issues in Supply Chain

Respect for human rights is an important matter that requires attention within the Group and across its supply chain.

📖 P.34 Sustainable Procurement

Remedial Action (Grievance Mechanism) Initiatives

Establishment of a Consultation Service (Hotline)

We checked the status of the consultation hotlines for handling complaints held by each of the Group’s sites and confirmed that all of the global sites surveyed had completed the establishment of such hotlines.

Establishment of a Consultation Service for the Supply Chain

To better respond to complaints from a wide range of stakeholders, including those in our supply chain, we joined a member of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), a non-judicial complaint resolution platform based on the UN Guiding Principles on Business and Human Rights.

📖 P.49 Compliance

Workplace Environment and Occupational Health and Safety

Basic Policy

Having established an occupational health and safety policy, Alps Alpine endeavors to create workplaces where all employees can work in safety and in good physical and mental health.

Initiative Themes	Key Performance Indicators of 2nd Mid-Term Business Plan (Fiscal 2022–Fiscal 2024)
➔ Protection of employee safety ➔ Promotion of health and productivity management	➔ Number of serious occupational accidents: **0** (consolidated)

Work-Related Accidents

Alps Alpine is advancing initiatives of achieving its goal of zero serious accidents (e.g., work-related accidents resulting in death).

Fiscal 2022 Occupational Safety Measures

- Conducted internal legal compliance assessment and implemented corrective or preventive measures when problems were found
- Visited workplaces and conducted occupational safety risk assessments; implemented measures for minimizing occupational accident risks in workplaces
- Implemented occupational health and safety education; encouraged prevention by communicating near-miss case examples
- Held road safety courses and implemented safe driving education

Number of serious accidents (consolidated) P.70 ESG Data	Fiscal 2020	Fiscal 2021	Fiscal 2022
	0	0	0

Occupational Health and Safety Management System Introduction

The Alps Alpine Group has adopted ISO 45001, an international occupational health and safety management system standard, and we have been acquiring certification primarily at production sites. In keeping with these systems, we work continually to reduce and manage health and safety risks through risk assessments while managing compliance with laws and regulations. As of May 2023, 66.6% of production facilities were certified globally. Currently, six out of nine bases in Japan are certified.

Health and Productivity Management

In April 2021, Alps Alpine formulated its Declaration of Health and Productivity Management. Based on the belief that managing the health of our employees is an important management priority, we actively promote health and productivity management. Specific health and productivity management measures include regular health checkups and stress checks as well as efforts to increase the ratio of employees provided with special health guidance.

Declaration of Health and Productivity Management

Alps Alpine regards the well-being of its employees and their families as a foundation for realizing its Corporate Philosophy, "Alps Alpine innovates value for humans and society on a brighter planet." We are committed to creating safe and comfortable work environments while contributing to improving the mental and physical wellbeing of each individual.

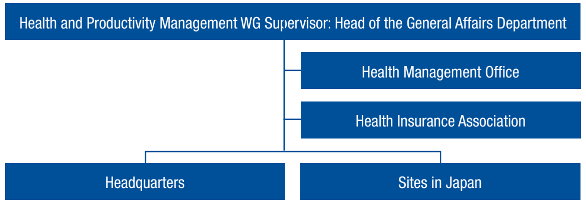
Hideo Izumi

Representative Director, President

Promotion Structure

In fiscal 2022, we launched the Health and Productivity Management Working Group to accelerate our efforts in cooperation with industrial physicians, health management staff, and health insurance societies at our sites in Japan to help workers lead active and fulfilling lives at work and in their private lives.

<Organizational Chart>



Major Activities in Fiscal 2022

Walk Rallies	Twice a year, including at the time of health checkup, when our employees are most concerned about their health, a walking rally is jointly held with the health insurance union as part of efforts to encourage employees to establish good exercise habits.
Reduction of Passive Smoking	The Company is working to prohibit smoking at all of its facilities in order to protect employees from the risk of passive smoking. We had initially targeted a complete prohibition by 2025, but this target was later rolled forward to 2022 during which we accomplished this target. At the same time, we continue to offer financial support to employees seeking clinical assistance to stop smoking.
Improvement of Specific Health Guidance Implementation Rate	Health management staff at each site and the health insurance association collaborated to achieve a fiscal 2022 target of 50%, with actual results at 63%, far exceeding the target.
Health-Conscious Cafeteria Menus	Our employee cafeterias promote health awareness through food by clearly indicating the calorie and salt content of each menu item, offering a choice of rice portions, offering healthy menu items that reduce the use of salt and oil, providing health information about food on table-top signage, and encouraging the use of meal health apps.

In recognition of these efforts, the Company has been recognized by Japan's Ministry of Economy, Trade and Industry as a "Certified Health & Productivity Management Outstanding Organization" for four consecutive years since 2020.

Corporate Governance

The Alps Alpine Group's Corporate Governance

To consistently improve our corporate value, we have established and operate a system that facilitates appropriate and efficient decision-making and business execution, the timely reporting of results to stakeholders, and sound, efficient, and transparent management.

We believe in the importance of maximizing the interests of all stakeholders, including shareholders, customers, local communities, and employees. Our basic policy is to achieve sustainable growth and maximize corporate value over the medium to long term, while balancing the interests of all stakeholders and returning profits to them, directly or indirectly.

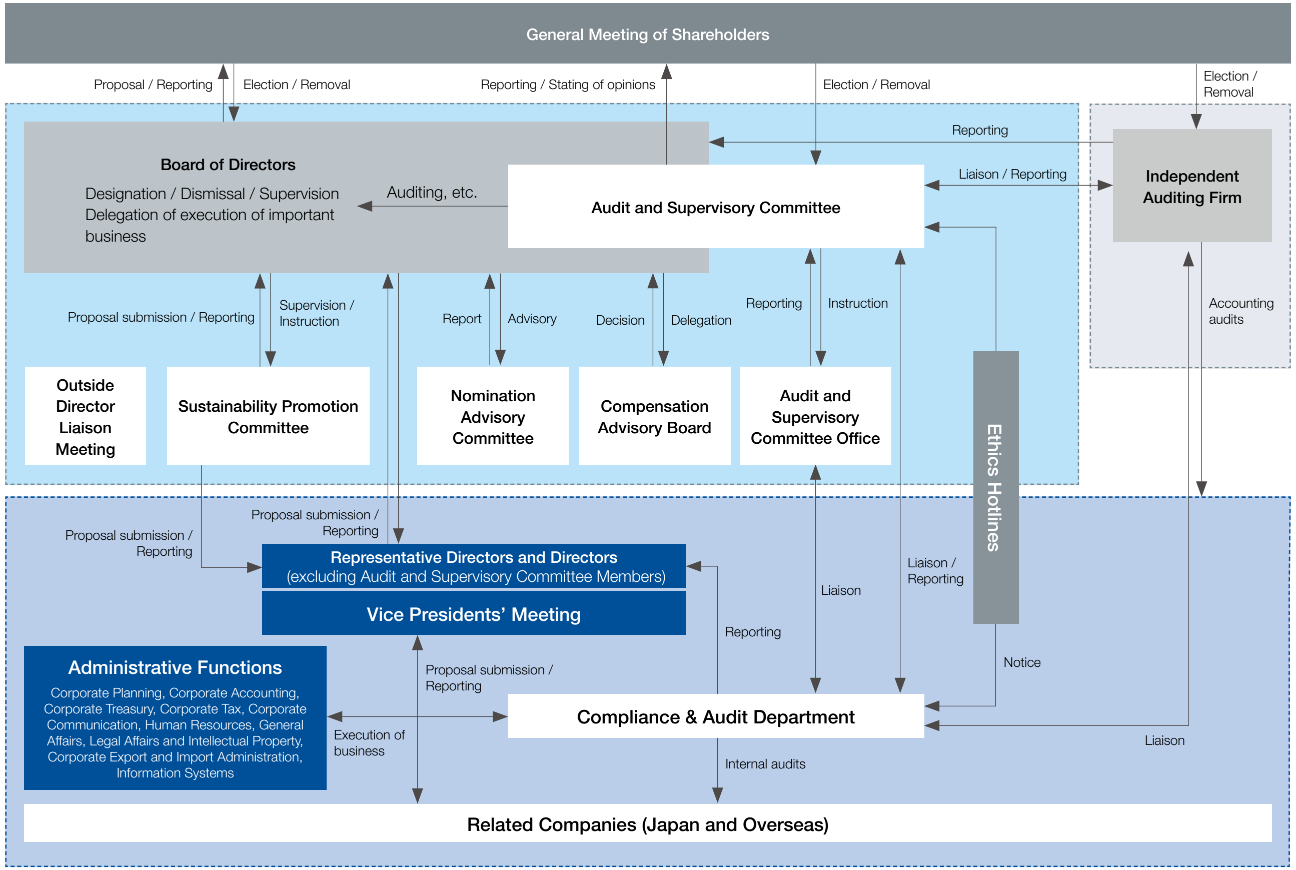
In addition, to fulfill our responsibilities to stakeholders and realize effective corporate governance, we have established the Alps Alpine Co., Ltd. Corporate Governance Policies and disclosed them on our corporate website.

Alps Alpine Co., Ltd. Corporate Governance Policies

Corporate Governance Structure

Alps Alpine has adopted a company with an audit and supervisory committee system as its organizational design, and the Audit and Supervisory Committee, which is independent from executive officers, audits and supervises the activities of the Board of Directors in close cooperation with accounting auditors and the internal audit department. In addition, the Nomination Advisory Committee and the Compensation Advisory Board, the majority of which consist of outside directors, have been established as advisory bodies to the Board of Directors. Through these measures, we will continue to enhance our corporate governance and realize fair, transparent, and highly effective management.

Corporate Governance at Alps Alpine (As of April 2023)



Explanatory notes: ■ Monitoring ■ Accounting audits ■ Operation

Our Path toward Stronger Corporate Governance

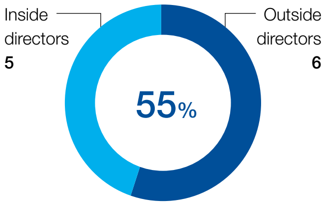
	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Key corporate developments		**July 2017** Announced business integration	**January 2019** Established Alps Alpine Co., Ltd. Introduced in-house company structure	**October 2019** Formulated Corporate Vision	**April 2020** Eliminated in-house company structure	**April 2021** Strengthened functions as a matrix-type organization based on responsible business areas	**June 2022** Transferred Alps Logistics Co., Ltd., to an equity-method affiliate	
Changes in governance structure	• Transitioned to a company with an audit and supervisory committee system • Formulated Corporate Governance Policies	• Conducted an evaluation of the effectiveness of the Board of Directors	• Adopted vice president system • Established Nomination and Remuneration Advisory Committee		• Separated into Nomination Advisory Committee and Compensation Advisory Board	• Conducted an evaluation of the effectiveness of the Audit and Supervisory Committee		• Increased ratio of outside directors to a majority

Board of Directors

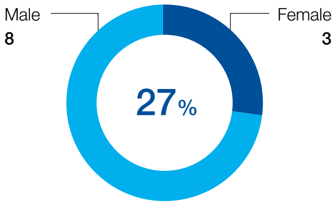
In the June 2023 election of directors, the percentage of independent outside directors increased to a majority, further strengthening the auditing and supervisory functions of the Board of Directors. In addition, the Board of Directors deliberates and decides essential management matters, including basic management policies and medium- to short-term management plans, and promotes the delegation of important business execution decisions to executive directors. The Board of Directors is positioned as an organization that audits and supervises the execution of business operations and is working to strengthen its monitoring function.

In fiscal 2022, the Board of Directors met once a month, a total of 12 meetings, with the attendance of each director shown in the table on the right. Also, a discussion theme is selected each month with the aim of deepening discussions on agenda items that contribute to the Company's medium- to long-term growth.

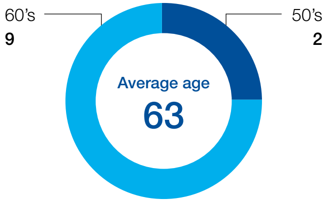
Ratio of Outside Directors



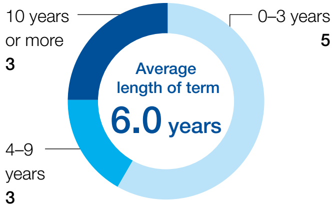
Ratio of Female Directors



Age



Length of Term as Director*



* Indicates the total term of office of directors including at the former Alps Electric and the former Alpine Electronics (other data are calculated based on the term of office of directors at Alps Alpine).

Skills Matrix

The following chart denotes the specific areas of expertise of each director (main skills, experience, and knowledge).

🟦 Independent outside director

Name / Position	Gender	Knowledge and Expertise with Expected Demonstration of Particular Skills									Attendance at Board meetings (rate)*1	Ownership of shares*2
		Corporate management	Technology / R&D	Manufacturing / Quality	Sales / Marketing	Financial accounting / Finance	Legal / Risk management	DX / IT	ESG / Sustainability	Global experience		
Toshihiro Kuriyama Representative Director, Chairman	Male	●	●						●		12 / 12 (100%)	60,580
Hideo Izumi Representative Director, President & CEO	Male	●	●					●		●	10 / 10 (100%)	12,200
Satoshi Kodaira Director, Executive Vice President	Male			●		●	●		●		10 / 10 (100%)	13,800
Koichi Endo Director, Senior Vice President	Male		●	●				●		●	2 / 2 (100%)	26,100
🟦 **Naofumi Fujie** Director	Male	●	●								12 / 12 (100%)	—
🟦 **Noriko Oki** Director	Female					●					12 / 12 (100%)	—
🟦 **Hidefumi Date** Director	Male	●				●				●	—	—
Yasuo Sasao Full-Time Audit and Supervisory Committee Member	Male		●		●			●		●	12 / 12 (100%)	33,300
🟦 **Kazuya Nakaya** Director	Male	●	●								12 / 12 (100%)	—
🟦 **Yoko Toyoshi** Director	Female					●	●		●		12 / 12 (100%)	—
🟦 **Yuko Gomi** Director	Female						●		●		12 / 12 (100%)	—

*1 "Attendance at Board meetings (rate)" indicates the number of Board of Directors' meetings attended and the rate of attendance as a director during fiscal 2022.
*2 "Ownership of shares" indicates the number of shares in Alps Alpine held by each director as of March 31, 2023.

Knowledge and Expertise with Expected Demonstration of Particular Skills

Corporate management	The demonstration of leadership skills to foresee changes in the environment surrounding the business and create new value
Technology and R&D	The technical capability to create excitement, safety-related, and environmental value through core technologies of hardware and software
Manufacturing / Quality	The knowledge of manufacturing and quality assurance required to gain customer trust
Sales / Marketing	The foresight to create business opportunities in a rapidly changing business environment
Finances	The accounting knowledge to build a management base with a balance of investment in growth, sound finances, and shareholder returns
Legal / Risk management	The knowledge of legal, corporate governance, and risk management perspectives required to respond promptly and appropriately and secure the trust of stakeholders
DX / IT	The knowledge of how to leverage data and digital technologies to promote transformation and efficiency in business and business operations
ESG / Sustainability	The expertise in applying our business to realize a sustainable society
Global experience	The global business experience required to develop and conduct business globally

Appointment of 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.

The independence of outside directors is confirmed on the basis of Company standards for the selection of director candidates, upon which outside directors, with their consent, are designated as independent directors and their designation is notified to Tokyo Stock Exchange, Inc.

Name	Reason for Appointment	Main Concurrently Held Positions
Naofumi Fujie	He has a wealth of knowledge in product development and management experience in the automotive industry.	
Noriko Oki	She is well versed in corporate analysis based on her many years of experience in the financial industry.	Outside Director, DISCO Corporation
Hidefumi Date	He possesses experience and knowledge in corporate planning, accounting, finance, and taxation, as well as experience in managing companies.	
Kazuya Nakaya	He has a wealth of knowledge in product development and experience as a business practitioner in the consumer products industry.	
Yoko Toyoshi	She has a wealth of specialist knowledge and experience as a certified public accountant.	Outside Audit & Supervisory Board Member, Kokuyo Co., Ltd. Outside Director (Audit & Supervisory Board Member), Mabuchi Motor Co., Ltd.
Yuko Gomi	She has a wealth of specialist knowledge and experience as an attorney and has accumulated a wide breadth of knowledge through her experience as a member of expert committees for government agencies.	Outside Corporate Auditor, Nippon Gas Co., Ltd. Outside Audit and Supervisory Board Member, Lawson, Inc.

Outside Directors Liaison Meeting

In order to share information between outside directors, the Company holds quarterly Outside Directors Liaison Meetings, which are used as an opportunity that transcends individual areas of expertise and enables the exchange of opinions.

Outside Director Liaison Meetings

Date	Theme
August 2022	Culture reform in the Company
November 2022	Human capital utilization
February 2023	Exchange of views on dialogue with shareholders
May 2023	Explanation of details and exchange of opinions for IR DAY

Evaluation of the Effectiveness of the Board of Directors

Each year, the Company evaluates the effectiveness of the Board of Directors in order to realize more effective corporate governance and further improve the functioning of the Board of Directors.

Summary of Results of Fiscal 2022 Evaluation of Effectiveness of the Board of Directors

Method of Analysis and Evaluation

The Audit and Supervisory Committee and vice presidents responsible for relevant areas analyzed and summarized issues based on the evaluation results of a non-anonymous questionnaire that was completed by the Company's directors, which were then reported to the Board of Directors for discussion.

Summary of Analysis and Evaluation Results

In fiscal 2022, the Company strengthened its efforts to enhance discussions at the Board of Directors meetings by increasing opportunities for discussions aimed at improving corporate value over the medium to long term, such as by holding regular discussions on management issues and by delegating some authority to the Vice Presidents' Meeting through a review of the criteria for submission of proposals. We also made improvements in the area of governance, including a review of the composition of the directors.

On the other hand, the Board of Directors shared the following points for improvement: (1) although opportunities for discussions on increasing corporate value have increased, discussions on business portfolios and cost of capital are still insufficient; (2) further enhancement of materials is needed to enable discussion at the business segment level from diverse perspectives; and at the same time, (3) the need for training opportunities to be provided to directors.

Response Going Forward

Based on the issues raised from this analysis, in fiscal 2023, we will continue to enhance our corporate governance system and improve the effectiveness of the Board of Directors to improve our corporate value. We can achieve this by promoting initiatives to increase opportunities for discussion at the Board of Directors meetings relating to medium- to long-term improvement of corporate value and expanding the scope of authority delegated to the Vice Presidents' Meeting.

Vice Presidents' Meeting

We have introduced a vice president system to separate management supervision from business execution and to speed up decision-making in business execution, with chief officers appointed to the individual functions of sales, technology, production, materials, quality, and management. Directors delegated by the Board of Directors to make essential business decisions instruct and supervise the chief officers and vice presidents responsible for ensuring efficient business execution in consideration of the business conditions and scale of the Company and each subsidiary while enhancing their respective mobility through discussions and deliberations at the Vice Presidents' Meeting to ensure prompt and accurate decision-making and business execution in line with business characteristics.

Audit and Supervisory Committee

The Company's Audit and Supervisory Committee consists of four members, two men and two women. It comprises outside Audit and Supervisory Committee members with extensive experience as lawyers, certified public accountants, and business managers, and inside Audit and Supervisory Committee members who are familiar with our business. The committee is chaired by an outside Audit and Supervisory Committee member to ensure that, as an independent organization, the transparency of our business activities and the effectiveness of our governance remains at a high level. Through attendance at important meetings, review of important documents, and interviews with the representative directors, other directors, vice presidents, and employees, the Audit and Supervisory Committee members audit the execution of duties by directors from an objective standpoint, independent of that of the Board of Directors. Through close cooperation with the internal audit department and accounting auditors, the Audit and Supervisory Committee endeavors to share its views at the Board of Directors' meetings and other important meetings.

The Company has selected a full-time Audit and Supervisory Committee member to strengthen the monitoring function of the Audit and Supervisory Committee by exchanging information with directors and employees daily and attending essential meetings to obtain information necessary for their activities as an Audit and Supervisory Committee member. The full-time Audit and Supervisory Committee member shares this information with other Audit and Supervisory Committee members and exchanges opinions at Audit and Supervisory Committee meetings, focusing on priority audit items to form audit opinions. In addition, full-time staff with appropriate knowledge, ability, and work experience are assigned to assist with the duties of the Audit and Supervisory Committee, and independence from directors (excluding board members that are Audit and Supervisory Committee members) is secured for the employees in charge of such duties.

Evaluation of the Effectiveness of the Audit and Supervisory Committee

We evaluated the Effectiveness of the Audit and Supervisory Committee using a non-anonymous questionnaire that included the opinions of each member of the Audit and Supervisory Committee, intending to improve the effectiveness of the Audit and Supervisory Committee and thereby contribute to enhancing our corporate value. The Audit and Supervisory Committee discussed the results, and recommendations were made to the Board of Directors regarding the method of appointing directors.

We recognize that the Audit and Supervisory Committee's ability to check its effectiveness and reflect the results in its future activities will strengthen the Audit and Supervisory Committee's functions. We will continue to evaluate the effectiveness of the Audit and Supervisory Committee on an ongoing basis.

In fiscal 2022, the Audit and Supervisory Committee convened a total of 14 times and the attendance rate for each Audit and Supervisory Committee member was as shown on the right.

Job Title	Name	Attendance (Rate)	
Chairperson of the Audit and Supervisory Committee	Kazuya Nakaya	14/14 (100%)	
Full-time Audit and Supervisory Committee member	Toshinori Kobayashi	3/3 (100%)	Retired on June 23, 2022
	Yasuo Sasao	11/11 (100%)	Appointed on June 23, 2022
Audit and Supervisory Committee member	Yoji Kawarada	14/14 (100%)	Retired on June 23, 2023
	Takashi Iida	3/3 (100%)	Retired on June 23, 2022
	Yoko Toyoshi	14/14 (100%)	
	Yuko Gomi	14/14 (100%)	

▨ Independent outside director

Nomination Advisory Committee and Compensation Advisory Board

The Nomination Advisory Committee and the Compensation Advisory Board have been established as advisory bodies to the Board of Directors to enhance objectivity and transparency regarding matters related to the nomination and dismissal of directors, the selection and dismissal of other officers, and the compensation of directors (excluding those who are Audit and Supervisory Committee members) and other officers, as well as to improve corporate governance. The chairpersons of both committees are selected from outside directors, and outside directors comprise the majority of each committee.

The Nomination Advisory Committee and the Compensation Advisory Board were each held a total of three times in fiscal 2022.

Composition of the Nomination Advisory Committee and Compensation Advisory Board (As of July 2023, Chairperson: ◎)

▨ Independent outside director

Job Title	Name	Nomination Advisory Committee	Compensation Advisory Board
Representative Director, Chairman	Toshihiro Kuriyama	○	Observer
Representative Director, President & CEO	Hideo Izumi	○	○
Director, Executive Vice President	Satoshi Kodaira		○
Director	Naofumi Fujie	◎	Observer
	Noriko Oki	○	Observer
	Hidefumi Date		Observer
Director, Audit and Supervisory Committee member	Kazuya Nakaya	○	◎
	Yoko Toyoshi	Observer	○
	Yuko Gomi		○
Ratio of outside members (excluding observers)		60%	60%

Considerations by the Nomination Advisory Committee and Compensation Advisory Board

Classification	Details of Consideration
Nominations Advisory Committee	In consultation with the Board of Directors, a discussion regarding the CEO succession plan was held and a report was made to the Board of Directors on candidates for directors and executive officers. In fiscal 2022, the committee deliberated and reported to the Board of Directors on the executive structure for fiscal 2023, including the CEO successor candidates.
Compensation Advisory Board	In addition to deliberating on the level, composition, and structure of executive remuneration, the committee was delegated by the Board of Directors to determine the specific amounts of remuneration to be allocated to directors (excluding directors who are also members of the Audit and Supervisory Committee) within the limit of the total amount of remuneration for directors (excluding directors who are also members of the Audit and Supervisory Committee) as determined by the General Meeting of Shareholders. In fiscal 2022, the committee deliberated on the level of remuneration, remuneration structure, and indicators and evaluation criteria in performance-linked remuneration, with reference to survey data from external professional organizations, and partially revised the remuneration for directors. In addition, we reflected an evaluation of each director in their remuneration.

Nomination Policies

The Company has established criteria for the selection of directors and executive officers to ensure that those with sufficient ability and qualifications are appointed as directors. The Company's policy is to nominate and appoint as candidates for directors and members of senior management those who possess exceptional management decision-making capabilities, foresight, and insight, as well as a law-abiding spirit and high ethical standards.

Policy for Determining Remuneration

Policy

Established by the Board of Directors, the Company's policy on officer remuneration is to encourage officers to work to improve the Group's business performance and stock price to the greatest extent possible through a compensation structure that emphasizes a linkage with short-, medium-, and long-term performance and thereby continue to enhance its corporate value.

Types of Remuneration

Remuneration of executive directors consists of basic remuneration, bonuses, and restricted shares. The table on the right shows the composition of remuneration in the standard evaluation after July 2023, and in principle, the higher the positions, the higher the proportion of variable compensation. Remuneration of non-executive directors consists solely of basic remuneration.

Remuneration levels and composition (ratios of basic remuneration, bonuses, and shares) are established with reference to survey data of external specialist organizations.

1 Policy on Basic Remuneration (Fixed Remuneration)

Basic remuneration is paid monthly in the form of fixed remuneration in accordance with the officer's position, etc.

2 Policy on Performance-Linked Remuneration (Bonus)

(1) Bonuses reflect Companywide performance based on a system that ranges between 0% to 200% of the standard payment amount established for each individual in accordance with business results for a single fiscal year (operating income margin and profit attributable to owners of parent).

(2) The performance and results of each individual are reflected in their bonuses through individual assessments conducted by the Compensation Advisory Board and reflected in additions or subtractions to the payment amounts calculated in (1) above.

For the indicators related to bonuses to be paid in fiscal 2024 and thereafter, ROE will be added to the existing operating margin and profit attributable to owners of parent to determine the bonus payment rate.

3 Policy on Restricted Share

Restricted shares are paid in accordance with the amount of restricted share compensation determined by position. This system is designed to share not only the benefits of an increase in the stock price with shareholders but also the risks involved with declines in stock prices. This is intended to ensure that management is aware of stock prices.

With respect to the restricted shares to be allocated in fiscal 2024 and thereafter, the Compensation Advisory Board will evaluate the ESG management initiatives each fiscal year from the perspective of improving corporate value over the medium to long term. The results of this evaluation will be added to or subtracted from the share-based remuneration amount determined by position within a range of ±20%.

Director Remuneration System

Type of Remuneration		Eligible Recipients		
		Inside		Outside
		Directors Excluding Outside Audit and Supervisory Committee Members	Audit and Supervisory Committee Members	
Fixed remuneration	Monthly remuneration	●	●	●
Performance-linked remuneration	Short-term performance-linked remuneration (bonus)	●		
	Medium- to long-term performance-linked remuneration (restricted shares*)	●		

* The restricted shares are allocated based on the closing price of the Company's shares on the business day preceding the date of the resolution of the Board of Directors, calculated from the amount determined by the Board of Directors within the range not favorable to the executives to whom the remuneration is paid.

Remuneration Composition

Fixed remuneration	Bonus	Share-based Remuneration
50–60%	25–32%	15–20%

Fiscal 2022 Director Remuneration

(Millions of yen)

Classification		Number of Applicable Officers	Total Value of Remuneration	Total Remuneration by Type		
				Fixed Remuneration	Performance-Linked Bonuses	Restricted Shares Directors
Directors	Excluding Audit and Supervisory Committee members	7	249	174	31	43
	Audit and Supervisory Committee members	3	37	37	—	—
Outside directors		6	69	69	—	—
Total		16	354	279	31	43

Directors, Directors and Audit and Supervisory Committee Members, and Vice Presidents

O Outside director N Nomination Advisory Committee member C Compensation Advisory Board member

Directors (As of August 31, 2023)

N

Toshihiro Kuriyama

Representative Director, Chairman

Chairman of the Board

Apr. 1980	Joined Alps Electric Co., Ltd.
Jun. 2004	Director
Apr. 2007	Director, General Manager, Business Development Headquarters
Apr. 2009	Director and General Manager, Engineering Headquarters and Quality Management Executive
Oct. 2009	Director, Officer in Charge of Component Products Business, MMP Division
Jun. 2011	Managing Director
Apr. 2012	Managing Director and General Manager, Engineering Headquarters
Jun. 2012	President, Chairman of the Board of Directors
Jan. 2019	Representative Director, President, ALPS COO
Jun. 2019	Representative Director, President & CEO, ALPS COO
Jun. 2023	Representative Director, Chairman (present)

N C

Hideo Izumi

Representative Director, President

CEO, CTO

Apr. 1985	Joined Alps Electric Co., Ltd.
Jun. 2018	Director, Head of New Automotive Business and Deputy General Manager, Engineering Headquarters
Jan. 2019	Vice President, Head of ALPS-New Automotive Business
Apr. 2020	Vice President, Head of New Automotive Business,
Jun. 2020	Vice President, Head of Device Business
Jun. 2022	Director, Senior Vice President, CTO, Head of Device Business, Engineering
Jun. 2023	Representative Director, President & CEO, CTO (present)

C

Satoshi Kodaira

Director, Executive Vice President

CFO, Administration, Corporate Planning

Apr. 1986	Joined Alps Electric Co., Ltd.
Jun. 2019	Vice President, ALPS ALPINE CO., LTD., Quality Management Executive, General Manager, ALPINE-Quality Management 1 and General Manager, ALPINE Quality Management 2
Apr. 2020	Vice President, Quality Management Executive and General Manager, Quality Management Headquarters
Jun. 2021	Vice President, Head of Administration, CFO and General Manager, Administration Headquarters
Jun. 2022	Director, Senior Vice President, CFO, Administration
Jun. 2023	Director, Executive Vice President, CFO, Administration (present)

Koichi Endo

Senior Vice President

CQO

Apr. 1986	Joined Alpine Electronics, Inc.
Jun. 2010	Director, Alpine Electronics, Inc., Head of Product Development
Jun. 2015	Deputy Head of Engineering & Development
Jan. 2016	Director, Head of Advanced Development
Jun. 2016	Managing Director, Head of Engineering & Development
Jan. 2019	Director, Senior Vice President, Deputy CTO, ALPINE-Advanced Development and ALPINE-Engineering (of ALPS ALPINE CO., LTD.)
Apr. 2020	Director, Senior Vice President, Deputy CTO, New Business
Jun. 2021	Director, Senior Vice President, Quality Management Executive
Jun. 2022	Resigned as Director, Senior Vice President, Quality Management Executive
Jun. 2023	Director, Senior Vice President, Quality Management Executive (present)

O N

Naofumi Fujie

Director

Apr. 1977	Joined Aisin Seiki Co., Ltd. (currently AISIN CORPORATION)
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)

O N

Noriko Oki

Director

Apr. 1982	Joined Chase Manhattan Bank (currently JPMorgan Chase Bank)
Dec. 2001	Joined Morgan Stanley Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) Managing Director
Oct. 2004	Senior Advisor, Investment Banking Division
Jun. 2020	Outside Director (present)
Jun. 2022	Outside Director, DISCO Corporation (present)

O

Hidefumi Date

Director

Apr. 1982	Joined Mitsubishi Chemical Corporation
Apr. 2013	Executive Officer, General Manager of Consolidated Management Department, Mitsubishi Chemical Corporation
Apr. 2015	Executive Officer, General Manager of Corporate Management Office, Mitsubishi Chemical Holdings Corporation (currently Mitsubishi Chemical Group Corporation)
Apr. 2018	Managing Corporate Executive Officer, Chief Financial Officer
Jun. 2019	Director of the Board, Managing Corporate Executive Officer, Chief Financial Officer of Mitsubishi Chemical Group Corporation, Member of the Board of TAIYO NIPPON SANSO CORPORATION (currently Nippon Sanso Holdings Corporation)
Jun. 2023	Outside Director (present)

Directors, Directors and Audit and Supervisory Committee Members, and Vice Presidents

O Outside director N Nomination Advisory Committee member C Compensation Advisory Board member

Directors and Audit and Supervisory Committee Members (As of August 31, 2023)

Yasuo Sasao

Director, Audit and Supervisory Committee Member

Apr. 1983	Joined Alps Electric Co., Ltd.
Jun. 2010	Director
Apr. 2012	Director, General Manager, Component, Engineering Headquarters
Apr. 2013	Director, General Manager, Component
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 (of ALPS ALPINE CO., LTD.)
Jun. 2019	Director, Senior Vice President, CTO, ALPS New Business and ALPS-Engineering (of ALPS ALPINE CO., LTD.)
Apr. 2020	Director, Senior Vice President, CTO, Engineering
Jun. 2022	Director (Audit and Supervisory Committee Member) (present)

O N C

Kazuya Nakaya

Director, Audit and Supervisory Committee Member

Apr. 1984	Joined Matsushita Kotobuki Electronics Industries, Ltd.*
Jun. 2006	Director and General Manager, Device Industry Business Group, Panasonic Shikoku Electronics Co., Ltd.*
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.*
Apr. 2014	Representative Director, Senior Managing Officer, Chief Technology Officer
Oct. 2015	Advisor, Healthcare Business Division, KONICA MINOLTA, INC.
Jun. 2016	Outside Member of the Board, Sharp Corporation
Jun. 2018	Outside Director, Alps Electric Co., Ltd. (Audit and Supervisory Committee Member)
Jan. 2019	Outside Director (Audit and Supervisory Committee Member) (present)

* Currently PHC Corporation

O C

Yoko Toyoshi

Director, Audit and Supervisory Committee Member

Oct. 1989	Joined Asahi Shinwa & Co. (currently KPMG AZSA LLC)
Jul. 2008	Appointed Partner, Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)
Jul. 2013	Certified Public Accountants and Audit Oversight Board, Financial Services Agency Appointed Chief Certified Public Accountant Audit Inspector
Jul. 2016	Appointed Partner, Deloitte Touche Tohmatsu LLC
Jun. 2018	Outside Director, Alps Electric Co., Ltd. (Audit and Supervisory Committee Member)
Jan. 2019	Outside Director (Audit and Supervisory Committee Member) (present)
Mar. 2020	Outside Audit & Supervisory Board Member, Kokuyo Co., Ltd. (present)
Mar. 2021	Outside Audit & Supervisory Board Member, Mabuchi Motor Co., Ltd. (Audit and Supervisory Committee Member) (present)

O C

Yuko Gomi

Director, Audit and Supervisory Committee Member

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
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	Outside Director (Audit and Supervisory Committee Member) (present)

Vice Presidents (Excluding vice presidents who serve concurrently as directors. As of August 31, 2023)

Yasushi Motokawa

Vice President

CSO, Automotive Sales & Marketing

Hiroshi Yamagami

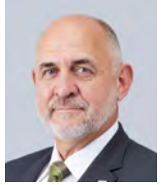
Vice President

CMO

Yoshikatsu Watanabe

Vice President

Infotainment & Sound Business, ALPINE Brand



Wilfried Baumann

Vice President

European Business

Hiroaki Kiba

Vice President

Module Business

Junji Kobayashi

Vice President

CXO, New Business, Components 1 Business, Data Solution Company

Masami Aihara

Vice President

Components 2 Business, Deputy CTO

Takahiro Oguma

Vice President

Electronic Components Sales & Marketing

Tadashi Kasai

Vice President

CPO

Robert Hill

Vice President

Americas Business

Masaaki Tanaka

Vice President

Device Business

Kiyoshi Hashimoto

Vice President

Display Business, System Production

Compliance

Compliance WG

Basic Policy Regarding Compliance

The Alps Alpine Group has established the Alps Alpine Group Code of Ethics (hereafter, "the Group Code of Ethics") as a basic policy on compliance- related matters, based on its management stance set forth in its Corporate Vision. By promoting awareness of the Group Code of Ethics and conducting educational programs, we appeal to all organizations and employees within the 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 independently and proactively take appropriate action, having acquired an understanding of why those laws and rules are necessary—their purpose and significance. Furthermore, the Group Code of Ethics is provided on our corporate website.

Alps Alpine Group Code of Ethics (PDF)

System for Promoting Compliance

At the Alps Alpine Group, internal controls are established 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 has put in place a Companywide management structure with the president & CEO as the chief officer in charge and the executive 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. As self-evaluations, each compliance promotion representative also regularly monitors the use of grants and subsidies within his or her headquarters and reports to the supervising officer and the internal audit department. In addition, the internal audit department regularly monitors the use of grants and subsidies Companywide and reports to the supervising officer and the chief officer in charge as well as to the Board of Directors.

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 executive vice presidents as well as to the corporate planning and compliance departments. Important compliance-related matters are reported to the Board of Directors.

Whistle-Blowing System

The Alps Alpine Group operates an internal whistle-blowing system that can be utilized in the event of violations of laws, internal rules, and other matters (including all types of harassment) for which the issue is deemed difficult to resolve through organizational lines. An Ethics Hotline has been established at Alps Alpine and its major affiliates as an internal reporting system that functions independently of management in charge of business divisions.

In accordance with the Whistleblower Protection Act, Alps Alpine has established Ethics Hotline regulations with one full-time Audit and Supervisory Committee member, one outside Audit and Supervisory Committee member, and the head of the compliance department serving as direct points of contact for consultations. Based on these regulations, Alps Alpine works to strictly ensure the anonymity of whistleblowers while protecting them from experiencing any form of unfair treatment or from suffering any disadvantages whatsoever as a result of reporting an incident. In the event of an action in violation of such prohibition on unfair treatment and confidentiality, the Company will take appropriate measures to restore any damages suffered by the whistle-blower while imposing strict disciplinary action on the party undertaking such prohibited acts in accordance with the Ethics Hotline regulations.

In regard to investigations, particular consideration is paid to maintaining confidentiality and ensuring anonymity with regard to the reporting party, and if reported activities are confirmed to be true, appropriate measures are taken.

Contact information for these reporting contact points is provided in the Company newsletter and on the bulletin board of the Company's intranet portal, as well as in all training sessions, in an effort to promote awareness. In fiscal 2022, there were 31 cases involving the Ethics Hotlines in Japan.

In April 2023, Alps Alpine joined the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER) for the purpose of establishing a contact point for external stakeholders. JaCER aims to establish a non-judicial platform for grievance redress and to act in a professional capacity to support and promote redress of grievances by member companies based on the United Nations Guiding Principles on Business and Human Rights. Alps Alpine listens to the opinions and advice of a wide range of stakeholders and works to strengthen compliance through cooperation with JaCER and other supporting organizations.

Japan Center for Engagement and Remedy on Business and Human Rights (JaCER)

Form

Monitoring of Ethical Standards

At Alps Alpine, a self-evaluation is held once a year and an internal audit is conducted once every three years, in principle, on ethical standards in each department and subsidiary, including overseas affiliates, in order to strengthen internal control functions. The audits are held in accordance with the Group Code of Ethics to confirm the level of awareness of employees in regard to the Code of Ethics and the degree of receipt of compliance and CSR training throughout the Group as well as the status of compliance with anti-corruption and bribery policies.

Training

To improve understanding and awareness regarding compliance and CSR, each year the Group conducts compliance and CSR training for directors and employees (including temporary employees in Japan) at its domestic and overseas facilities and subsidiaries, including overseas affiliates. In fiscal 2022, 97% of the Group's directors and employees participated in the compliance and CSR training.

📖 P.40 Respect for Human Rights

Anticorruption Initiatives

The Group Code of Ethics defines the scope of the giving and receiving of gifts among clients, business partners, and public officials as well as the prevention of corruption and bribery, including the prohibition of conflicts of interest, embezzlement, and misappropriation. Through compliance and CSR training, the Company continues to educate and raise awareness among stakeholders regarding the prevention of corruption and bribery.

Moreover, because they are considered compliance violations, if the matter is determined to be factual, the appropriate actions will be taken while examining and conducting the measures necessary to prevent recurrence and subsequently reporting the details to the Board of Directors. Employees who engage in acts of corruption will be subject to disciplinary actions based on internal regulations.

Tax Policy

The Alps Alpine Group values the independence and autonomy of its Group companies while drawing on their close cooperation and collective strengths based on its Founding Spirit. The Group continues 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 Vice President & CFO Satoshi Kodaira, 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, the CFO reports 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.

Moreover, the amount of taxes deducted from the Company's income before income taxes is as follows.

Fiscal Year	2018	2019	2020	2021	2022
Taxes deducted from income before income taxes (billions of yen)	12.0	17.9	6.6	13.2	13.8
Effective tax rate on income before income taxes (%)	29.2	115.4	132.1	34.4	51.6

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. 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 the CFO 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 in which we operate.

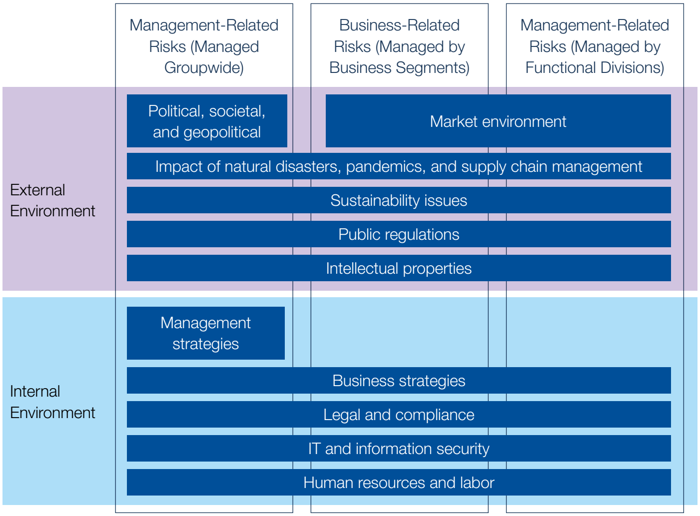
Risk Management

Risk Management Approach

At Alps Alpine, we view risk management as the basis for a style of management and business operation that enables sustainable business growth and enhanced corporate value over the medium to long term—in other words, a foundation for growth-oriented management. We will work to eliminate or minimize future potential risks and the damages that may be incurred due to the diversifying number of risks associated with the globalization of our business and to the increasing complexity of our supply chain.

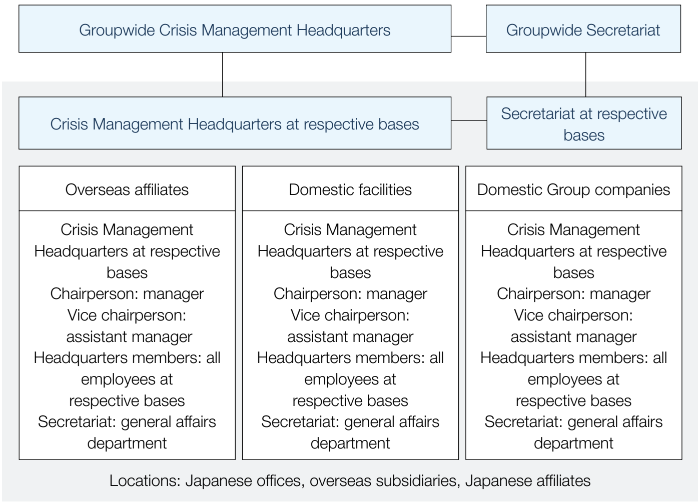
Maintaining a Risk Map

The Company has established a management system in light of the functions and roles of departments related to risk management under our crisis management rules. As one of these measures, we visualize the risks surrounding the Company, evaluate them in terms of their likelihood of occurrence, impact on business, and implementation status of risk countermeasures, and then prepare a risk map. We then prioritize risk reduction measures and develop risk management activities based on the risk assessment results.



Crisis Management System

We are taking various measures, including developing a crisis management manual to minimize damage if something happens that could significantly impact our business operations or supply chain. To respond promptly in an emergency, we have established a system for sharing information among related departments and are preparing various manuals. Furthermore, in the event of a disaster at the headquarters, a second company-wide crisis headquarters will be established at the Sendai R&D Center (Furukawa). In addition, in the event something happens that may cause the suspension or cessation of business activities at a site or in the region where the site is located, we will promptly set up various task forces depending on the degree of impact and based on reports from relevant departments, the task forces will formulate company-wide response policies, measures, plants, etc., and establish a system to promptly report to stakeholders the status of damage and the impact on our business.



Information Security

With the increasing digitization of business, IT and information security in risk management are positioned as a critical theme affecting many areas of our business management.

The Alps Alpine Group has established the Information Management Committee, formulated regulations related to information security in accordance with ISO/IEC27001, developed measures to strengthen in this regard, and conducts employee training programs, 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 related measures 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.

In recent years, threats of cyberattacks have been on the rise while new working styles are being implemented along with other changes in the workplace environment such as an increasing use of cloud systems and working from home. In response to such trends, the information systems department undergoes business audits to ensure they are able to operate, maintain, and undertake corrective measures for its information system and security systems in the best possible manner, thereby being well-positioned to prevent falsification of information and to maintain stable operation of information systems.

In addition, in response to the amendment of various laws (the Revised Act on the Protection of Personal Information, the General Data Protection Regulation (EU law on data protection), etc.) that address concerns over privacy protection and to the standardization of measures reflecting the heightening awareness of product safety in the automotive industry (ISO/SAE 21434), as of fiscal 2022, we have acquired TISAX (Trusted Information Security Assessment Exchange) certification based on the VDA-ISA (Verband der Automobilindustrie Information Security Assessment: German automobile industry information security assessment) for 18 sites related to our automotive business.

DIALOGUE

Outside Directors' Roundtable Discussion

Alps Alpine's Human Resource Capabilities and Ideal Human Resource Management

In recent years, the importance of corporate human resource management has been on the rise, and Alps Alpine has positioned capability reform (strengthening organization, management, and human capital development) as one of the pillars of its strategy in its 2nd Mid-Term Business Plan. Outside directors Naofumi Fujie, Noriko Oki, and Yuko Gomi shared their views on what human resource and human capital management is needed for Alps Alpine as a T-shaped company and for the Company to see sustainable growth in the future.

Human Capital

Sharper Opinions

Fujie Our people have a high level of independence that surpasses that of other auto parts manufacturers. This is because, while many affiliated auto parts manufacturers depend on their parent companies for much of their business, we, as an independent company, have pioneered the global market with our technology since our establishment. In particular, the spirit of independence that we have cultivated through our business development in Europe and the United States has taken root, and this is a human resource strength of our Company that

Noriko Oki
Outside Director

Naofumi Fujie
Outside Director

Yuko Gomi
Outside Director, Audit and Supervisory Committee Member

Japanese parts manufacturers do not have. This strong mentality will be a great asset in taking on the challenges of the great wave of industry change we are currently facing.

Oki When I became an outside director, my impression of the Company was that of a "family." This means that as a member of the Alps Alpine family, I have a comfortable atmosphere where my comments and opinions are accepted. But on the other hand, one could say that I do not stand out and that my views are not very "sharp." The foreign-owned company I worked at for many years was at the opposite end of the spectrum, an environment where it was necessary to stand out, for better or worse. While comfort is an attractive feature of our Company, I feel that fostering a culture of pursuing "sharper" opinions in the future is also necessary.

Gomi I have a similar impression to Ms. Oki. The at-home atmosphere seems comfortable, but we should have more human resources willing to take the initiative, dive into new areas, anticipate social changes, and break new ground. As society undergoes significant changes, and technological advancements, changes in industrial structure, and intensifying competition in the manufacturing industry push forward, we seek to find new value creation. The Company must nurture human resources and a culture that proactively embraces new challenges.

Human Resource Strategy

Cross-organizational Leadership is Needed to Create a T-shaped Company

Fujie Since our business integration in 2019, we have been promoting our T-shaped Strategy. This means that Alps Alpine has the human resources to handle devices on its vertical axis and software systems on its horizontal axis. As a parts manufacturer, we have a significant advantage, but at the same time, we face a major issue in which we need to make the most of that advantage. Currently, each business unit (BU), which is divided along the device axis, is building systems within their respective areas of responsibility, and there needs to be more human resources and systems in place to integrate them into a single system across the organization. To achieve our T-shaped strategy, we must work to develop and deploy human resources who can exercise leadership across the organization.

Gomi The last few years saw us facing issue after issue due to the COVID-19 pandemic. As we move forward, to realize our T-shaped strategy, I believe that we need to take another step forward in creating a system that conforms to our management policies and strategies, as well as to reexamine how to recruit, train, assign, evaluate, and promote the human resources needed to achieve this from a medium- to long-term point of view. This is an issue we should face at the head office, global sites, and across all our global locations.

Fujie As you may know, Mr. Izumi was appointed the Company's new president. One of the reasons that I and other members of the Nomination Advisory Committee nominated Mr. Izumi is because we believe he is the right person to lead our T-shaped strategy. Four years have passed since the new Alps Alpine was born, and the automotive industry is amid tremendous change. As Chief Technology Officer, Mr. Izumi worked hard to create new value through the fusion of device and software. He has more passion and leadership potential in this area than anyone else. The Nomination Advisory Committee desires that the newly appointed President Izumi take the helm of management to push forward ever stronger as we plunge into the future.
I encourage all employees to incorporate President Izumi's thoughts into their respective roles as they go about their work.

Oki As another member of the Nomination Advisory Committee, I sensed a strong sense of leadership from Mr. Izumi that made me want to follow him—ultimately leading me to select him as the new president.

Now is the Time for a Human Resource Strategy from a Medium- to Long-Term Perspective

Oki I get the impression that efforts are being made to recruit and assign human resources from the bottom up. In addition, although not limited to our Company, our employee composition is getting older and older. Until now, human resources have been hired and reassigned as needed in the field, which was a rather reactive strategy to respond to immediate issues. Now is the time to switch to using more strategies in our human resources. We have been busy dealing with the COVID-19 pandemic for the past three years. Now, we need to promote a human resource strategy from a global, medium- to long-term point of view to realize our approach as a T-shaped company and future growth.

Fujie Recently, data and measures related to human resources are becoming available for easy access, including in our integrated reports. The door is opening for an ideal human resource strategy. To effectively utilize global human resources, it is also necessary to once again map out where and how many people with what skills and abilities are available regarding human capital. Based on this data, we must work to promote both the visualization and utilization of existing human resources and the investment and development of human resources.

Gomi Up to now, the Company has been engaged in human resource development and education as an extension of its existing approach. A virtuous cycle is created in which the Company grows only when its employees grow, and the growth of the Company leads to the recruitment of excellent human resources. Rather than refraining from investment due to a poor business environment and performance, we will make the necessary investments for medium- and long-term growth, even in difficult times. Investment in human resources is an essential investment for our company today. I understand that "human capital management" was coined from the idea that human resources is not a cost but a source of growth. Naturally, in investing, we must be clear about what we need to develop the next generation of human resources and what skills and mindset we want them to have.

Employee Engagement Score is Management's Report Card

Gomi I have sensed in various internal communications that there are employees who will lead the next generation who are aware of the issues and are eager to lead reform. I see much promise in these employees. I hope they will continue to express their opinions with a sense of ownership and take the initiative to reform our company. Our issues are also evident in our employee engagement results. The employee engagement score is a management report card, which we hope management will use as a valuable tool for interacting with employees.

Company Features and Culture

"Believing in People" and "Venture Mindset"

Fujie Our company has a long history of "believing in people," a phrase and philosophy that has taken root in how we do things. However, to continue to evolve in the future, this interpretation of "believing in people" must be updated to the current era. Until around 2000, someone could prolong their efforts and challenges and be somewhat rewarded, but now it is entirely different. For our company to take on new areas and continue to grow amidst the unprecedented speed at which technology is changing, we have a strong sense of urgency that it will be difficult to survive in the future unless we update our "belief in people" to replace our old "belief in people."

Oki I agree with Mr. Fujie. The reforms promoted over the past few years to reform the corporate culture under the policy of restoring the venture mindset are also reforms born out of this sense of crisis. Until now, I dare say that there was some atmosphere of "safer to be quiet." I mentioned at the beginning that my impression of our human resources is that they are not "sharp." I would like us first to foster a culture where "sharp" people can grow and flourish, then practice the new "believing in people" approach.

Diversity is the Key to the Future

Gomi Diversity is an essential part of the venture mindset. Different people have different strengths, weaknesses, and motivations for their work. While we want our "sharp" people to be as "sharp" as they can, we know that some people are better at steady and stable work rather than taking on a "sharp" mindset. Some roles require other qualities, so we mustn't settle for a group of the same types of people. Restoring the venture mindset, in my eyes, means

properly evaluating each person's work in relation to their role, which will lead to new challenges and growth. If we can grasp each individual's diverse values, perspectives, and roles and manage them while making the most of their individuality, we can achieve great results.

Oki I believe that our mindset of "believing in people" will transform into a new "belief in people" by broadening our perspective from a conventionally domestic to a global view and incorporating more women's perspectives into what used to be seen primarily by men. In this sense, we have been a homogeneous "family" up to this point. Still, we must review our systems and structures to ensure that people with different backgrounds and values choose Alps Alpine as a place to work to play an active role and to firmly build a foundation that embraces a diverse range of human resources.

Gomi Our Company does not get involved in many multi-company workshops. These types of workshops could allow us to negotiate and collaborate on business and discuss and interact with other companies and people from different industries to learn from each other's perspectives and ideas. This would allow us to absorb different ideas and values and think from an external perspective and recognize our position, strengths, and weaknesses. I would especially encourage management and executives to participate in these types of workshops proactively.

Management and Governance

Management's Role in Strengthening Human Capital Management

Fujie Human capital management is precisely what is required of us now. To realize our vision and management strategies, the human resources possessed by the Company and each business must be linked to these visions and management strategies. In this day and age, speed is just as important for corporate management. As an outside director, I will keep a close eye on whether the Board of Directors and management are discussing and making decisions with a sense of speed regarding human capital management and whether the PDCA cycle is functioning correctly.

Oki I would like to see management look more to the outside world. Looking outward means not being satisfied with a "family" of homogeneity but actively embracing diversity. We are seeing an increasing portion—even if small for the time being—of the Board of Directors taken up by women leaders, steadily increasing the number of opinions from different viewpoints on the board. However, it is essential to respond to diversity not only from within but also from without to enhance future corporate value.

Gomi Management's job is to develop a corporate culture of "believing in people." We need to sit down now and face our human resources challenges. How exactly will the Company strategically execute investments in human capital management, including recruitment, training, evaluation, and promotion, using the new employee system as a starting point? These are essential factors that will determine the future direction of our company, and as an outside director, I will encourage management to lead us to further growth.

Column

Shoshikan

Alps Alpine Culture Museum

The Shoshikan is a renovated private residence of the late Katsutaro Kataoka, advisor to the founder of Alps Electric. The facility is an in-house facility open to employees, including management, to recall the company's origin and learn the philosophy of Alps Alpine. The exhibition displays materials and items from each of the five perspectives: "The Origin of the Company," "Harmony with the Global Environment and Local Communities," and Alps Alpine's motto, "Work Hard," "Study Hard," "Play Hard."

This Outside Directors' Roundtable Discussion was held at this learning center. A company has its own founding spirit, history, and culture, and it is vital to carry on these traditions while building a new corporate culture on top of them. This would be an appropriate place to reacquaint the outside directors with Alps Alpine and discuss the human capital of tomorrow's Alps Alpine community.

Stakeholder Engagement

Seeking to maintain the trust of shareholders, investors, business partners, employees, communities, and a wide range of other stakeholders, Alps Alpine takes an earnest approach toward incorporating stakeholder feedback through various opportunities for communication. In this manner, we seek to shape our management activities based on the expectations and desires of diverse stakeholders in order to continue creating value and build trusting relationships.

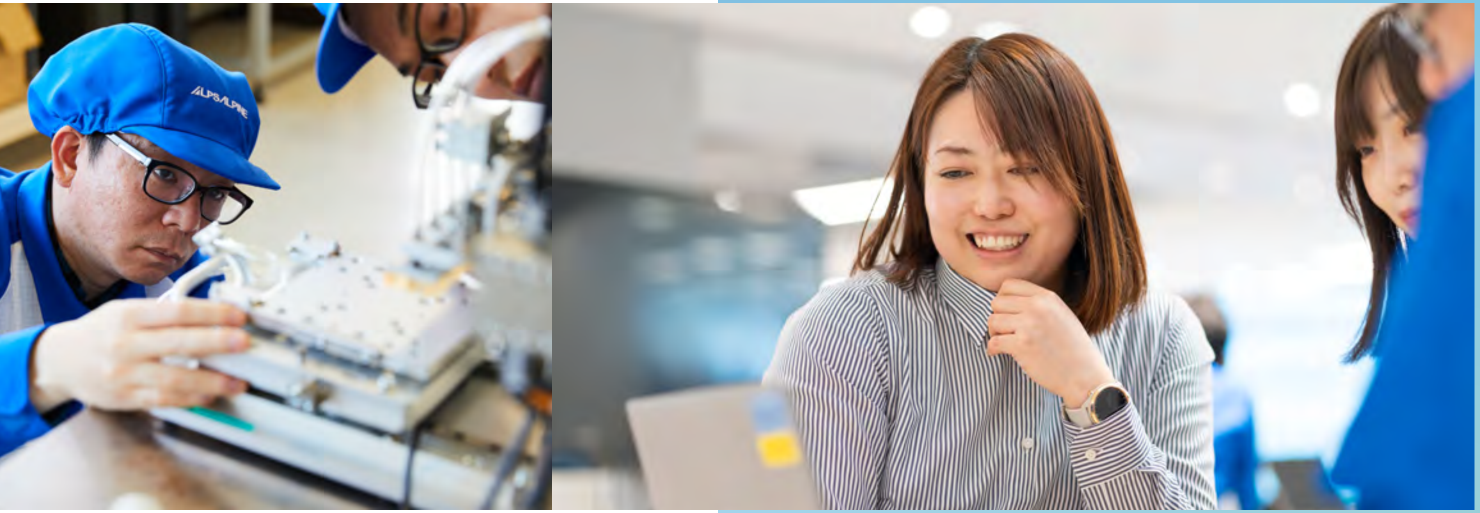
Customers	We share information with customers throughout all stages of our business, beginning with product development, to address customer needs as we aspire to provide viable solutions for all areas of our broad business domain. In addition, we seek higher levels of customer engagement through communication with customers at exhibitions, events, and other opportunities.	➔Sales activities ➔Exhibitions ➔Website
Shareholders and Investors	Proactive, two-way communication is practiced with institutional investors and private shareholders. Information on Alps Alpine's sustainability activities is shared through regular general meetings of shareholders and financial results briefings and, recently, through shareholder relations meetings. Input gathered through such activities is communicated to management to be reflected in management activities. We also use our corporate website and other tools to conduct prescient information disclosure in order to provide accurate information to as many people as possible in a timely manner.	➔General meetings of shareholders, financial results briefings, briefings on short- and medium-term business plans ➔Investor relations and shareholder relations meetings ➔Shareholder newsletters, annual securities reports, integrated reports ➔Website (investor relations section)
Business Partners	Alps Alpine maintains a stance of treating business partners with fairness, impartiality, and integrity and building relationships founded on trust fostered through legal compliance and social ethics. We are also committed to ensuring safety and protecting the environment, and we work together with business partners to make contributions to the realization of a sustainable society across the supply chain. Policies and guidelines for these efforts have been formulated to guide responsible procurement activities.	➔Business policy briefings ➔Alps Alpine Responsible Corporate Action Guidelines ➔CSR surveys, mineral surveys
Communities	The Company has defined its policy of contributing to society through coexistence with society and local communities, the cultivation of manufacturing human resources, preservation of the environment, and the resolution of social issues. Communication with communities is practiced in regard to our activities in these areas. Through our community outreach activities, we strive to foster understanding regarding our business and initiatives and build trusting relations with communities.	➔Partnership agreement with Iwaki City, Fukushima Prefecture, regarding the promotion of smart communities ➔Events based on theme of manufacturing ➔Sponsorship of and donations to community facilities and events ➔Participation in NPO-sponsored events
Economic Associations and Industry Associations	Alps Alpine seeks to gain an understanding of the expectations and demands of society through involvement in industry organizations. We also endeavor to contribute to the development of the industry through participation in committees as a member of these organizations.	➔Japan Electronics and Information Technology Industries Association ➔Japan Auto Parts Industries Association ➔Other technical and academic organizations
Employees	Employee awareness surveys and various other initiatives are undertaken to build a workplace environment and culture that allow all employees to feel motivated and continue to grow.	➔General awareness surveys ➔Labor–management meetings, workplace labor–management exchange forums ➔Observation of Management Meetings by labor committee chairperson ➔Company newsletters and portal sites ➔Whistle-blowing system

External Recognition

In recent years, an increasingly large amount of attention has been directed toward ESG investment, or the practice of selecting investment targets based on evaluations of both financial information as well as a company's efforts in the areas of the environment, human rights, and corporate governance. Alps Alpine has been included in six investment indexes adopted by GPIF, the world's largest public pension fund.

(As of July 2023)

FTSE Blossom Japan	FTSE Blossom Japan Sector Relative Index	2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX	2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index	S&P/JPX Carbon Efficient Index
FTSE Blossom Japan Index	FTSE Blossom Japan Sector Relative Index	MSCI Japan ESG Select Leaders Index	MSCI Japan Empowering Women Index	Morningstar Japan ex-REIT Gender Diversity Tilt Index	S&P/JPX Carbon Efficient Index



CHAPTER 03

Business Activities

Overview of Business Operations

Component Segment

Masami Aihara

Vice President
Components 2 Business

Segment Strengths

- Creation of new products through integration of core technologies
- Advanced precision equipment design technology
- Global MIM* production system

* Made in market

In fiscal 2022, sales of component products for the consumer market, such as for game and smartphone devices, were boosted by the effect of yen depreciation. Still, some products were affected by market deterioration as stay-at-home demand settled down. On the other hand, the automotive market is beginning to see a return to product demand as the shortage of semiconductors and other components dissipates, and business for EVs, especially in the Chinese market, is booming. As a result, net sales for fiscal 2022 were ¥329.0 billion, and operating income was ¥38.3 billion.

Our basic strategy of promoting market expansion and customer growth is unchanged while maintaining our niche top position in this segment. While maintaining and expanding our No.1 market share using our industry-leading product lineup and quality to our advantage, we are further promoting the optimization of development resources to cope with intensifying price competition due to product commoditization. The amusement market, including the XR market, which is expected to grow, is on a path to grow into a third pillar of our business, following cars and smartphones. We are moving this forward in part by aggressively developing a variety of HAPTIC™ Reactor and multifunctional input devices. In the area of actuators for smartphones, we will further accelerate the development and commercialization of SMA* technology suitable for driving heavy lenses such as large aperture lenses and lenses with stops, and Piezo actuators suitable for driving telephoto lenses to meet future demand for ever-evolving smartphone cameras. In response to growing environmental needs, we will continue to expand our efforts to reduce the environmental impact of our products throughout their lifecycles by actively developing environmentally friendly products such as our TACT Switch™ made of biomass plastic and other environmentally friendly products that contribute to energy and resource conservation.

* Shape Memory Alloy

Environmental Awareness, Opportunities, and Risks

Environmental Awareness

- Widespread adoption of 5G communications and advance of smart technologies in industry and daily life
- Changing values and lifestyle in AI utilization and DX
- Commoditization of existing products and declining value of hardware

Opportunities

- Emergence of new products and services in response to changes in the social environment and infrastructure development
- Growth of safety and hygiene-conscious products (from contact to non-contact)
- Increased business opportunities accompanying the expansion of e-commerce and digital content

Risks

- Intensifying price competition due to the commoditization of products
- Software-driven transformation of equipment operation
- Lack of IT human resources
- Changes in personal consumption during recessions
- Conflicts, disasters, and pandemics

Business Direction and Value Creation

Direction	Priority Measures	Value Proposition	Results for Fiscal 2022
Maintaining and Expanding Our No. 1 Market Share	Expanding product variety to meet customer needs Introducing products with new functions to market and promoting sales growth of standard products Optimizing development resources	A product lineup that satisfies customer needs Excellent quality and reliability at a fair price Reliable supply of products by producing in the right location	Expansion of product lineup for the amusement market Stable supply of high-quality, highly reliable products using automated assembly machines
Market Expansion, More Customers	Developing new products by strengthening marketing functions and integrating technologies Creating and commercializing environmentally friendly products	Providing products that adapt to changes in values and behaviors and that are in step with society and individual lifestyles Energy saving, resource saving, long product life spans	Developed new products, including SMA actuators Won new business for a major amusement manufacturer Product lifestyle awareness in materials, assembly, modularization, etc. Biomass product reliability evaluation completed (TACT Switch™)

Actuator Initiatives for Smartphones

In recent years, the performance of smartphone cameras has continued to evolve with the introduction of compound cameras, larger image sensors, and large-aperture lenses. In order to further add value to cameras in the future, the function of actuators must also evolve technologically. For example, the camera module can be made smaller to reduce the increase in mounting area due to the increase in the size of the image sensor, a larger aperture lens could be used to match the image sensor, glass lenses could be used to improve optical characteristics, a variable aperture function may be added to accommodate the increased weight of the object being driven, and travel distance may be increased to accommodate variable focal length. In response to these needs, in addition to the conventional VCM* type, we are actively developing SMA type actuators suitable for compact size and high thrust, and piezoelectric actuators for long-distance travel and high thrust, thereby contributing to the evolution of camera modules.

Driving Method

VCM Method

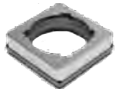
Driven by magnetic force to the coil

- Mounting area ········ △
- Thrust ········ ○
- Driving distance ········ ○
- Magnetic field interference ···· ×

SMA Method

Driven by thermal change of shape memory alloy

- Mounting area ········ ◎
- Thrust ········ ◎
- Driving distance ········ ○
- Magnetic field interference ···· ◎



Piezoelectric method

Driven by electrifying the piezoelectric element

- Mounting area ········ ○
- Thrust ········ ◎
- Driving distance ········ ◎
- Magnetic field interference ···· ◎

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* Voice Coil Motor

Expansion of Product Variety for the Amusement Market

In recent years, game (amusement) platforms have diversified to include personal computers, smartphones, and traditional home video game consoles. Furthermore, the market size is increasing as people with little interest in video games are starting to purchase video game consoles as they have been forced to refrain from going out due to the spread of COVID-19. In addition to general users, a growing number of professional gamers demand products that can withstand rigorous operation, high frequency of use, and provide a realistic operating experience. To meet these diverse needs, in addition to the conventional HAPTIC™ product, we are expanding our variety by developing a Wide Band Type product that enables a broader range of vibration effects for game consoles. In addition, we are working to expand our share of the amusement market by increasing sales to manufacturers in Japan and overseas, focusing on Multi Control Devices with a long track record and superior durability and operability.

HAPTIC™ Reactor

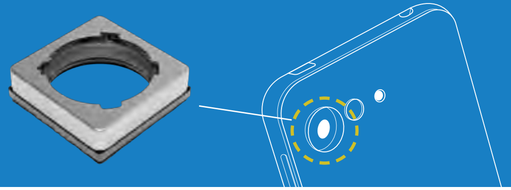
Multi-Functional Operating Device (Variable Resistance Type)

Product Review

Superior Driving Force and Highly Accurate Multi-axis Compensation Bring Out the Best Performance of the Camera Module

SMA Actuator

This product is an actuator that utilizes the thermal deformation of a shape memory alloy. The fine wire made of SMA shrinks when heated by energizing, stretching to its original length when cooled. This force moves the lens fixed to the drive unit to achieve focusing and optical image stabilization in smartphone cameras. Compared to VCM systems of a similar size, the SMA actuator has stronger operating power and contributes to space saving for larger and more sophisticated cameras in the future. Another feature is the absence of magnetic interference.



Because we are developing a new product with a new technology, SMA, we pay particular attention to ensuring reliability. By applying the production technology developed through the VCM method of “manufacturing with automatic machines,” we were able to gain the trust of our customers. We will continue to develop this technology to meet the demand for even higher functionality.

Masanobu Maeda
Group 4, C6 Engineering Department,
Components 2 Business

Sensor and Communication Segment

Masaaki Tanaka
Vice President
Device Business

Segment Strengths

- Unique sensor devices by fusion of software and in-house IC
- Industry-leading communications software
- Solution-based business (sensor + cloud)

Sales of automotive sensors remained strong amid a recovery in motor vehicle production and exceeded the previous fiscal year, partly due to the impact of the weakening of the yen. On the other hand, operating loss was recorded due to a decline in profit margin caused by soaring material prices and increased development costs. As a result, net sales for fiscal 2022 were ¥85.5 billion, and operating loss was ¥1.5 billion.

This business segment promotes the creation of devices that contribute to realizing safe spaces and a carbon-neutral society through sensing and high-frequency technologies. Concerning environmental issues, the expansion of initiatives and support measures in countries worldwide is progressing. Against this backdrop, electric vehicles are expected to become a mainstay in the automotive industry around 2030. We have been developing current sensors for electric vehicles that are both compact and lightweight and can handle high currents due to their coreless structure, thereby reducing set design load and improving assembly ease for our customers. In addition, to shift to preventive safety and safety business, we are also working on the market launch of C-V2X, one of the vehicle safety driving assist technologies, market deployment of a child-left-behind detection system using millimeter-wave sensors, and the development of a secure and convenient smartphone-based entry system and remote parking system that combine high-frequency sensing technology and software. Furthermore, utilizing the highly reliable communication technology cultivated through developing products for automotive applications, we will start providing 5G Communication Device Evaluation Kit for local 5G to realize stable 5G communication connections in harsh environments such as construction, agricultural machinery, and smart factories. In the IoT field, in addition to the remote monitoring system for logistics materials, we are contributing to reducing transportation energy by developing a new logistics management cloud service in the market. Furthermore, we aim to meet our customers' expectations by providing IoT solutions based on devices, software, and cloud computing and to quickly expand our recurring business by providing systems under a system that enables us to make immediate decisions by establishing an in-house company.

Environmental Awareness, Opportunities, and Risks

Environmental Awareness

- Advances in digitization and robotization
- National policy promoting Industry 4.0 and Society 5.0
- Infrastructure and facility operations using the IoT and AI
- Labor shortages stemming from declining birthrates and an aging population in Japan
- Increased costs due to resource instability, shortages, etc.
- Disruption of global supply chains due to international conflicts, etc.

Opportunities

- Increased control and sensing needs
- Advances in operational efficiency, preventive maintenance, and energy saving
- Increased investment in digital transformation to compensate for labor shortages
- Development of international standards and regulations

Risks

- Intensifying price competition due to the commoditization of products
- Device specifications determined by service and solutions providers
- Shortages of IT personnel
- Delays in complying with international standards and regulations
- Cost increase due to higher raw material, fuel, and logistics costs

Business Direction and Value Creation

Direction	Priority Measures	Value Proposition	Results for Fiscal 2022
Transitioning to Preventive Safety and Safety Business	Strengthen the active safety field Repurpose technology for the industrial machinery and consumer equipment markets	Provide "safe spaces" using predictive and monitoring sensor technology	Market entry of child-left-behind detection system Started diversion of sensing technology to industrial equipment applications
Creating Proactive Business through Elemental Device Technologies	Carbon neutrality, new features, and preemptive compliance with new laws and regulations	Increased functional value by preempting industry standards and regulations of each country	Developed current sensors for electric vehicles (BEV*) with an increase in production ratio Established CO$_2$ emission standards and started evaluation of emission calculation tools
Providing New Value by Integrating Edge Computing and Cloud/Secure Mobility	Combine an interface for easy expansion of functionality and a common cloud platform	Deployment of various customer services and optimization of operating/ development costs	Market development of MonoTra™, a high-precision location cloud service Support for various use cases by providing 5G Communication Device Evaluation Kits

* Battery Electric Vehicle

New Logistics Management Cloud Service to the Market

In the logistics industry, the loss and uneven distribution of materials such as roll cages and pallets have been a perennial issue, resulting in re-procurement costs and coordination time. In response, while visualization of logistics materials through the introduction of IoT is an effective means, its implementation is challenging as it requires new system construction and complex operational management. To solve these issues, we developed MonoTra™, a logistics management cloud service that simplifies system construction and operation for our customers, and launched it in the market in March 2021. In addition to the location information detected by our Long-Lifetime Asset Tracker, this service utilizes data from numerous Wi-Fi® access points provided by Skyhook Wireless, Inc. to obtain accurate location information in various environments while maintaining low power consumption and low cost. In the future, we will contribute to solving location information management issues by expanding our business to the logistics industry and a wide range of markets.

Logistics management cloud service

Long-Lifetime Asset Tracker

Providing 5G Communication Device Evaluation Kits to Support Entry into the Local 5G Business

The 5th generation mobile communication system (5G), featuring ultra-high speed, ultra-low latency, and multiple simultaneous connections, is a crucial technology supporting the future communications society. Local 5G, the premise of which is to build a dedicated network within a limited area, is expected to be deployed in a wide range of industrial fields because it ensures stable and highly secure connections without interference from other networks.

Leveraging our strength in developing, over the course of many years, communication technologies for automotive applications (which require high reliability), we started providing local 5G Communication Device Evaluation Kits in April 2022, utilizing our already developed 5G NR (New Radio) modules for automotive applications. Specific use cases include construction sites, logistics, infrastructure, agriculture, forestry, and fisheries, entertainment facilities, smart factories, and smart cities, where the communication technology contributes to the creation of new added value by connecting various data through its superior robustness in harsh environments.

Local 5G communication device

5G Communication Device Evaluation Kit

Product Review

Millimeter-wave Sensors Contribute to People's Safety and Security

Child-left-behind Detection Sensor

As the problem of children being left behind in cars has become a social issue, legislation and guidelines for the standard installation of occupant detection functions to prevent children from being left behind are accelerating in Europe, North America, and Japan. This product is a sensor that detects occupants (people) by employing a pulse coherent radar compliant with Euro NCAP assessment. This sensor has the advantages of low power consumption, and being small and lightweight, and it can be easily installed in limited spaces such as the ceiling of a vehicle.

There are two main types of radar systems: FMCW* and pulse. We wanted to create a product that took advantage of the features of the pulse coherent system and developed this product based on the concept of being compact, lightweight, and able to be installed in tight spaces in vehicles. In the future, we would like to contribute to our society's safety and security by developing various products with additional functions to child-left-behind detection.

* Frequency Modulated Continuous Wave

Hiromi Yamamoto
Group Manager
Group 1, D2 Engineering Department,
Device Business

Module and System Segment

Yoshikatsu Watanabe
Vice President
Infotainment & Sound Business,
ALPINE Brand

Segment Strengths

- A wide variety of HMI-related technologies
- Technologies combining system integration and core devices
- Partnerships with universities, research institutes, and companies

In fiscal 2022, sales in the Module and System Segment increased over the previous year due to increased demand for automotive components resulting from the global recovery in automobile production and the start of sales of new products. On the other hand, despite price optimization activities for customers in response to soaring component prices and ongoing cost improvement efforts, the Company posted an operating loss due to delays and shortfalls in price pass-on and increased costs associated with the start-up of new product production. As a result, net sales were ¥481.3 billion, with an operating loss of ¥6.6 billion.

To transform this segment into the Digital Cabin Solution Segment in anticipation of the SDV[*1] era, we are building solid partnerships within our walls and with universities, research institutes, and other companies. As one of these measures, in January 2022, we signed a business alliance agreement with TS Tech Co., Ltd. to develop a new cabin space targeting next-generation automobiles. In November 2022, we held a presentation of our next-generation cabin space at the Tokyo International Forum, where we proposed an unprecedented cabin space and a new type of time spent in movement using XR Cabin, combining automobile seats and VR (Virtual Reality) technology. In the CASE era, as automotive architecture changes and mobility innovations continue to advance, the quality improvement of this segment continues to be a top priority. We have been focusing on improving the completeness of each product and field, such as modules, displays, sound, and automotive infotainment. We intend to further enhance the quality of this segment by leveraging our strengths and core technologies while balancing a shift to complex, high-value-added products through total in-vehicle solutions and the consolidation of our development platform.

It is, moreover, our responsibility as a company to respond to the demands of society, including a decarbonized and recycling-oriented economy, while appropriately addressing various issues and delivering reliable quality products to our customers, even amid anticipated supply chain disruptions and ongoing geopolitical risks.

Environmental Awareness, Opportunities, and Risks

Environmental Awareness

- Transition to a decarbonized, circular economy (urgent need to address climate change)
- Changes in consumer behavior
- Further advancement of CASE
  - Global shift to EVs
  - Changes in transportation concepts
- Ongoing supply chain disruption

Opportunities

- Propose products, services, and manufacturing that help to address climate change
- Expansion of data links inside and outside vehicles and their use and application
- Providing value through new user experiences

Risks

- Loss of opportunities for entry into new ecosystems due to automotive industry restructuring
- Further shifts toward software-first in vehicles and shift to integrated ECUs
- Cost increase due to higher raw material, fuel, and logistics costs
- Lack of IT human resources
- Conflicts and disasters

Business Direction and Value Creation

Direction	Priority Measures	Value Proposition	Results for Fiscal 2022
Reinforce Business Foundations	Strengthen BCM[*2] / SCM[*3] Standardization / uniformity and cost reforms to enhance competitiveness Development of high-value-added and environmentally friendly products	Reliably provide products and services expected by customers at fair prices Manufacturing capabilities and products that ensure safety and reduce impact on the environment	Shortened logistics lead time by increasing the made-in-market ratio in Europe and the U.S. Launched demonstration experiments for advanced automotive cybersecurity measures
Providing Exciting Onboard Spaces through Digital Cabin	Pursuit of hardware / software integration products Creating new value through alliances Leading the market through marketing and expanding brand value	Exciting products and services that go beyond customer expectations One-stop solutions New user experiences through premium HMI products	Received more system business orders than planned through hardware + software value-added products Developed the XR Cabin proposal in collaboration with TS Tech Co., Ltd. Proposed new experiences with Alpine-style custom vehicles

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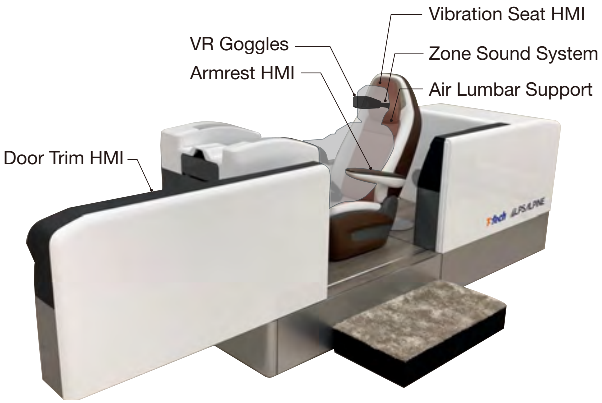
*1 Software Defined Vehicle
*2 Business Continuity Management
*3 Supply Chain Management

Transition to Digital Cabin Solution Segment for the SDV Era

In the automotive industry, which is undergoing a once-in-a-century transformation, we are engaged in the development of a wide range of module and system products and services, from various modules to cockpit and interior design, differentiating ourselves with various sensors, devices, and driving control systems that are compatible with CASE, which is at the core of this transformation. In addition, the value that users seek from their cars is changing dramatically, with demand to upgrade car features and use the applications they want to use, just as they do with their smartphones. As software will genuinely determine a car's value, we are working to transform this business segment into a Digital Cabin Solution Segment with an eye on the SDV era, which will be the key to this change. We are actively working to strengthen partnerships with other companies to expand from our existing business of focusing on single hardware products to a total solution business for the cabin space by creating high-value-added products that integrate hardware and software.

For example, in November 2022, we jointly developed the XR Cabin, which employs VR technology, with automotive seat manufacturer TS Tech Co., Ltd. In addition to actual hardware such as seats, a steering wheel, and door trim, the XR Cabin creates an environment where HMI can be reproduced in VR (Virtual Reality). With VR, newly planned use cases and UX can be speedily implemented and replicated. The cabin PoC (Proof of Concept) is a cabin that can be implemented on an actual vehicle by further verifying its value in VR and making improvements.

As EVs and automated driving continue to advance, the utilization of passenger space, including not only while driving but also while stopped and in the rear seats, is expected to become an essential theme for future vehicles. With this in mind, we believe creating and verifying UX value will be highly effective. Through these activities, we will contribute to realizing a society of mobility for humans on a brighter planet by providing safety and excitement in the vehicle cabin as another space where people can experience entertainment, relaxation, communication, etc.

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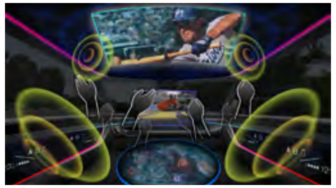
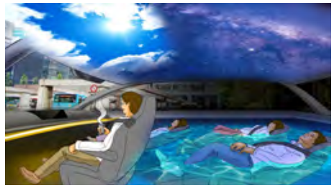

Immersive experience


A space for excitement


A space for relaxation

Product Review

Launching a Demonstration Experiment to Solve Transportation and Community Issues

On-demand Dashcam Video Distribution Platform

We launched a demonstration experiment of a platform that collects images and video from dashcams installed in rental cars in Okinawa Prefecture that provides highly real-time information to rental car users. Users can check pictures and videos of the road and road surroundings from the maps on the website via their device to check traffic congestion or congestion conditions around their destination. This platform contributes by allowing users to avoid congested areas, easing traffic congestion affecting residents.

> As the definition and concept of transportation are changing, we believe providing value inside and outside the cabin is necessary. We will strive to commercialize services that make people's daily lives more efficient and add value to transportation by providing an on-demand dashcam video distribution platform that allows users to check the footage they want to see when they want to see them and in the locations they want to see them.

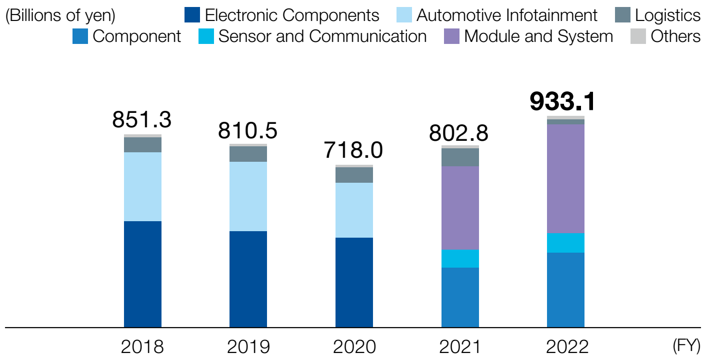
Takahiro Fukushima
Chief Engineer
Digital Cabin Solution Project,
Advanced Concept 1 Group,
Infotainment & Sound Business

CHAPTER 04

Data Section

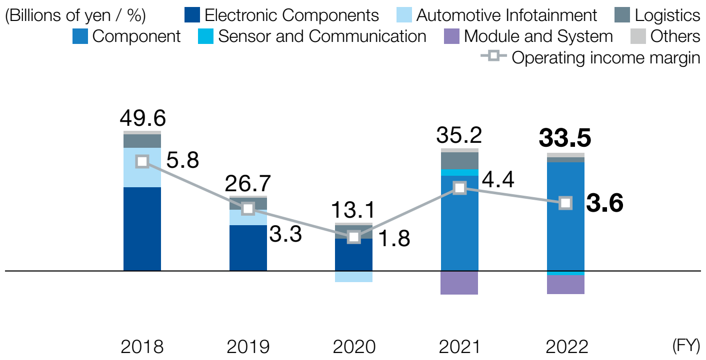
Financial Highlights

Net Sales



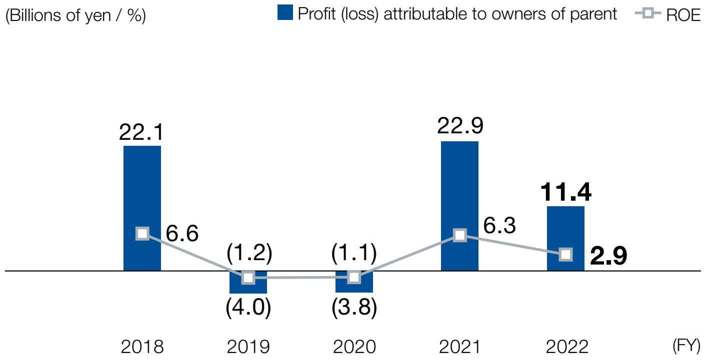
In fiscal 2022, consolidated net sales were ¥933.1 billion (up 16.2% year on year), partly due to the contribution of the weak yen. In the Component Segment, products for mobile devices performed well. In the Sensor and Communication Segment, sales of automotive sensors remained strong. In the Module and System Segment, sales increased year on year due to increased demand associated with the recovery of automobile production and new products that were launched in Q4.

Operating Income / Operating Income Margin



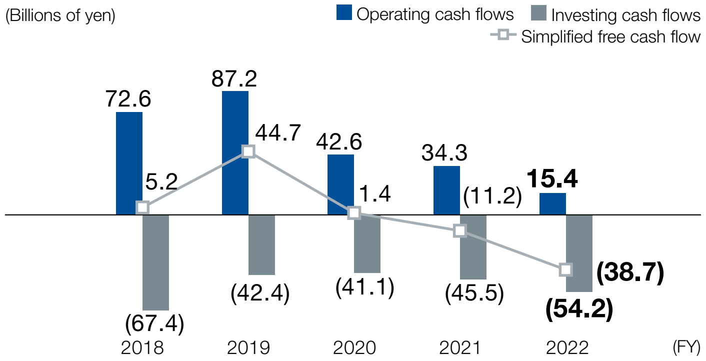
In fiscal 2022, consolidated operating income was ¥33.5 billion (down 4.6% year on year). In the Component Segment, sales for mobile devices contributed to an increase in sales year on year. The Sensor and Communication Segment underperformed the previous fiscal year due to a reduction in the scale of sensors for smartphones, soaring material prices, and increased development costs. In the Module and System Segment, the improvement in operating loss was moderate due to delays and shortages in price optimization in response to soaring component prices.

Profit (Loss) Attributable to Owners of Parent / ROE



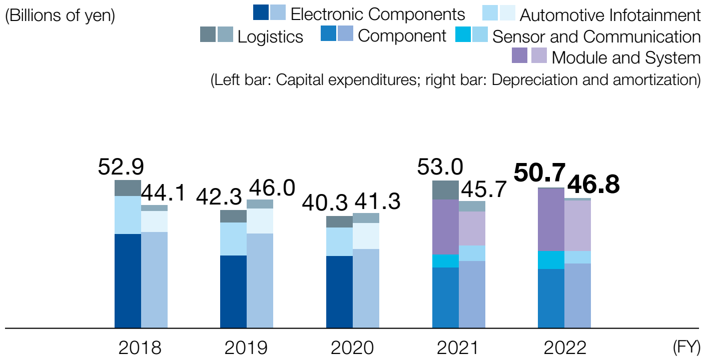
In fiscal 2022, net profit attributable to owners of the parent was ¥11.4 billion (down 50.0% year on year) due to a decrease in operating income compared to the previous year, withdrawal from some unprofitable business segments due to management decisions on future profitability, impairment of fixed assets, and extraordinary losses due to restructuring costs of European production bases. As a result, ROE was 2.9% (compared with 6.3% in fiscal 2021).

Cash Flows



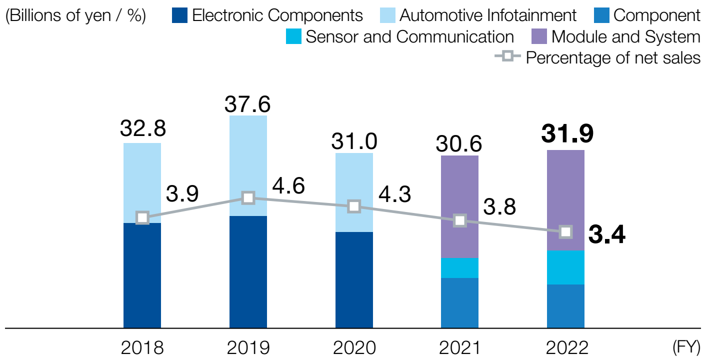
In fiscal 2022, operating cash flows was ¥15.4 billion (down ¥18.8 billion year on year), including ¥46.8 billion in depreciation and amortization, ¥26.8 billion in income before income taxes, a -¥29.1 billion increase in inventories, and a -¥27.7 billion increase in trade notes and other receivables. Investing cash flow was -¥54.2 billion due to investments in production facilities and R&D activities for mobile products, automotive modules, infotainment systems, and other products.

Capital Expenditures / Depreciation and Amortization



In fiscal 2022, we made a capital investment of ¥50.7 billion. In the Component Segment, we invested in the development of electronic components such as switches, actuators, HAPTIC™, and manufacturing facilities. In the Sensor and Communication Segment, we invested in the development of electronic components such as communication devices and manufacturing facilities. In the Module and System Segment, we invested in automotive modules, infotainment, displays, sound product development, and manufacturing facilities.

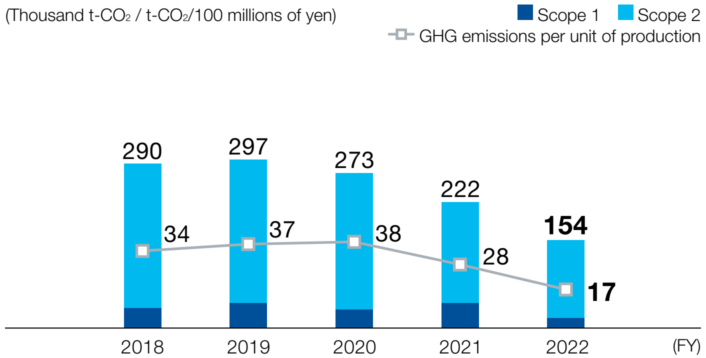
R&D Expenses / Percentage of Net Sales



In fiscal 2022, we invested ¥31.9 billion in R&D. With a foundation of "mastering beautiful electronic components" that are "Right, Unique, and Green," we are creating new value in the business fields of "excitement, safety, and the environment" by maximizing the Group's unique strengths nurtured over our 70-year history.

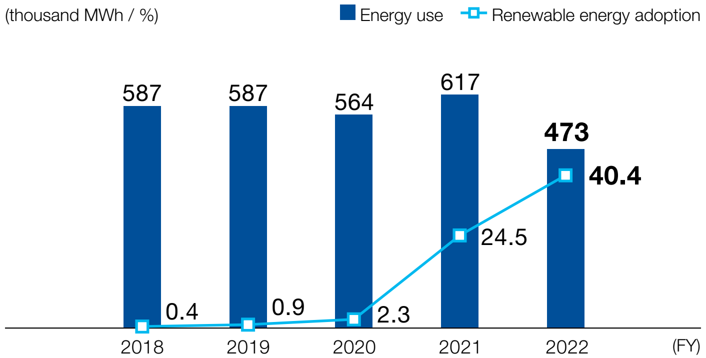
Non-Financial Highlights

GHG Emissions (Consolidated)



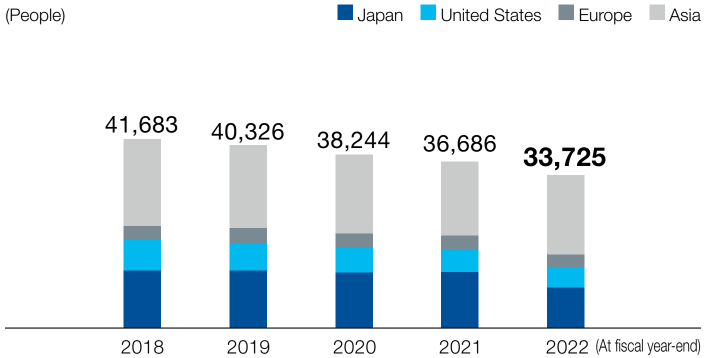
More renewable energy was introduced in fiscal 2022 than in fiscal 2021. GHG emissions decreased, and GHG per unit of production improved significantly due to an increase in the introduction rate of renewable energy, energy conservation measures, and changes in the scope of consolidation.

Energy Use / Renewable Energy Adoption (Consolidated)



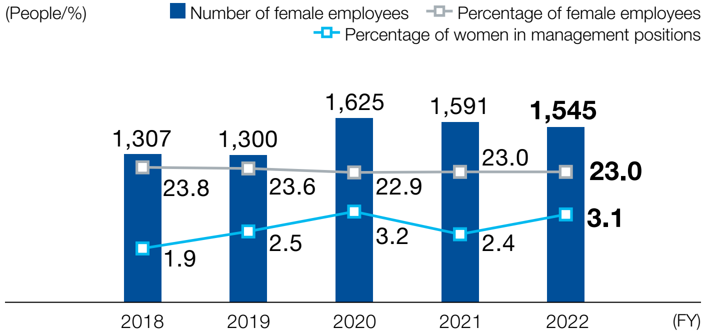
Electricity consumption decreased in fiscal 2022 due to energy conservation measures and changes in the scope of consolidation. The introduction rate of renewable energy increased due to the introduction of solar power generation facilities, increased external procurement of electricity derived from renewable sources, and the use of certificates.

Number of Employees (Consolidated)



The number of employees in Japan decreased in fiscal 2022 due to Alps Logistics becoming an equity-method affiliate and being excluded from the scope of consolidation. While socioeconomic activities are normalizing globally, we continue to review our production system and maintain an appropriate personnel size in light of the increasingly uncertain business environment, including geopolitical risks and continued inflation.

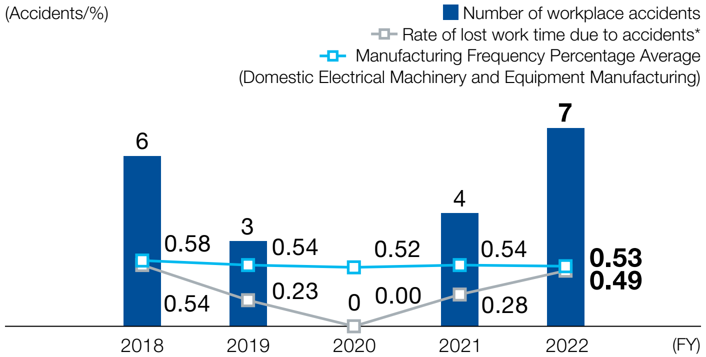
Number and Ratio of Female Employees / Ratio of Women in Management Positions (Non-consolidated)



As part of our efforts to promote the success of diverse human resources and diversification in the decision-making process, we are working on measures to increase the ratio of women in management positions from the perspectives of recruitment, retention, and training. As a result, the ratio of women employees* in fiscal 2022 remained unchanged at 23.0%, with 15 women in management positions (or 3.1% of women in management positions).

* Does not include employees temporarily relocated to overseas and domestic affiliates

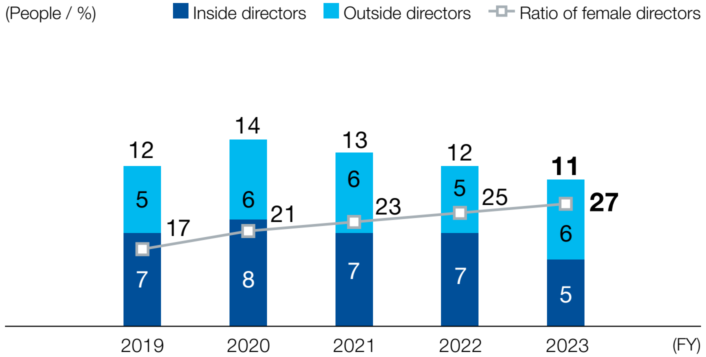
Workplace Accidents (Non-consolidated)



In fiscal 2022, there were no fatal accidents or serious occupational accidents resulting in permanent disability. The number of occupational accidents increased due to accidents caused by falls and other factors. We will continue to take thorough measures to prevent recurrence and reduce sources of risk.

* Lost time injury frequency rate (LTIFR): Number of casualties due to occupational accidents (one or more days lost from work) / Total number of working hours x 1,000,000

Number of Directors (Non-consolidated)



In fiscal 2023, one additional outside director was added to the Board of Directors, resulting in a total of five inside directors and six outside directors. Now, outside directors account for the majority of directors. The ratio of women directors has remained above 25%. In addition, one non-Japanese person has been newly appointed as an executive officer, bringing the number of non-Japanese executive officers to two, further ensuring the diversity of the board.

Summary of Key Management Indicators

Consolidated Fiscal Years Started April 1

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
For the Fiscal Year: [Millions of yen]											
Net sales	546,423	684,362	748,614	774,038	753,262	858,317	851,332	810,570	718,013	802,854	**933,114**
Cost of sales	458,576	558,097	593,788	621,754	601,711	669,721	689,337	670,700	603,524	664,054	**765,587**
Gross profit	87,847	126,265	154,825	152,284	151,551	188,596	161,995	139,870	114,488	138,800	**167,527**
Selling, general and administrative expenses	80,996	97,736	101,291	99,956	107,177	116,688	112,353	113,074	101,378	103,592	**133,931**
Operating income	6,851	28,528	53,534	52,327	44,373	71,907	49,641	26,795	13,109	35,208	**33,595**
Operating income margin: [%]	1.3	4.2	7.2	6.8	5.9	8.4	5.8	3.3	1.8	4.4	**3.6**
Ordinary income	7,659	28,090	57,594	50,038	42,725	66,717	43,605	18,646	13,227	40,286	**34,940**
Profit (loss) attributable to owners of parent	(7,074)	14,311	34,739	39,034	34,920	47,390	22,114	(4,009)	(3,837)	22,960	**11,470**
Depreciation and amortization	21,572	24,527	28,010	30,725	33,076	36,004	44,188	46,057	41,336	45,705	**46,836**
R&D expenses	28,674	32,987	33,035	33,336	32,279	29,799	32,886	37,667	31,085	30,688	**31,910**
Capital expenditures	31,833	26,570	31,416	41,190	47,657	76,154	52,928	42,362	40,354	53,010	**50,774**
Operating cash flows	24,805	57,703	65,111	53,958	41,603	70,387	72,671	87,210	42,636	34,304	**15,413**
Investing cash flows	(32,101)	(22,813)	(29,772)	(30,383)	(37,981)	(66,722)	(67,405)	(42,419)	(41,165)	(45,507)	**(54,205)**
Financing cash flows	(5,654)	4,994	(27,951)	(36,340)	(309)	(2,957)	(6,910)	(31,601)	14,515	(13,539)	**(742)**
Cash and cash equivalents at fiscal year-end	76,137	122,237	134,298	116,843	117,991	120,778	118,318	128,217	151,748	138,489	**82,893**
Simplified free cash flow*1	(7,296)	34,889	35,339	23,574	3,621	3,665	5,266	44,791	1,471	(11,202)	**(38,791)**
At Fiscal Year-End: [Millions of yen]											
Total assets	451,416	512,365	570,482	562,856	602,961	669,874	675,717	625,542	694,285	743,520	**736,997**
Equity	116,817	137,482	179,522	228,496	254,501	301,176	365,346	324,464	344,923	389,426	**398,111**
Interest-bearing debt	124,468	134,364	116,200	54,335	63,272	70,420	108,816	99,870	117,936	113,272	**121,937**
Per Share Data: [Yen]											
Earnings per share (EPS)	(39.47)	79.85	193.81	206.64	178.25	241.91	110.19	(19.53)	(18.72)	110.82	**55.77**
Diluted EPS	—	79.68	177.12	197.73	178.20	241.82	110.14	—	—	110.79	**55.76**
Book value per share (BPS)	651.72	767.01	1,001.55	1,166.41	1,299.11	1,537.37	1,731.36	1,587.06	1,665.29	1,879.42	**1,937.47**
Dividends per share (DPS)	5.00	5.00	15.00	25.00	30.00	37.00	50.00	30.00	20.00	20.00	**40.00**

*1 Simplified free cash flow = Operating cash flows + Investing cash flows

Summary of Key Management Indicators

Consolidated Fiscal Years Started April 1

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Major Indicators: [%]											
Equity ratio	25.9	26.8	31.5	40.6	42.2	45.0	54.1	51.9	49.7	52.4	**54.0**
Debt-to-equity ratio*2	106.6	97.7	64.7	23.8	24.9	23.4	29.8	30.8	34.2	29.1	**30.6**
Interest coverage ratio*3: [Times]	17.7	49.2	68.0	50.4	81.6	91.2	58.7	66.4	56.2	46.9	**12.6**
Return on assets (ROA)*4	(1.6)	3.0	6.4	6.9	6.0	7.4	3.3	(0.6)	(0.6)	3.2	**1.5**
Return on equity (ROE)*5	(6.1)	11.3	21.9	19.1	14.5	17.1	6.6	(1.2)	(1.1)	6.3	**2.9**
Average exchange rates											
USD / JPY: [Yen]	83.10	100.24	109.93	120.14	108.38	110.85	110.91	108.74	106.06	112.37	**135.47**
EUR / JPY: [Yen]	107.14	134.37	138.77	132.58	118.79	129.70	128.41	120.82	123.70	130.56	**140.97**
Other											
Total number of issued shares*6: [Thousand shares]	181,559	181,559	181,559	198,208	198,208	198,208	219,281	219,281	219,281	219,281	**219,281**

*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 stock.

Performance by Business Segment

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
For the Fiscal Year: [Millions of yen]											
Net Sales											
Component	—	—	—	—	—	—	—	—	—	**262,275**	**329,040**
Sensor and Communication	—	—	—	—	—	—	—	—	—	**79,986**	**85,525**
Module and System	—	—	—	—	—	—	—	—	—	**368,624**	**481,384**
Electronic Components	268,085	338,811	389,120	434,072	437,676	514,031	468,605	424,709	396,042	**—**	**—**
Automotive Infotainment	219,852	282,115	289,783	267,541	242,306	267,638	303,593	306,299	240,616	**—**	**—**
Logistics*7	48,554	52,282	57,062	60,251	61,150	64,666	66,888	66,872	69,213	**78,908**	**—**
Others	9,930	11,154	12,648	12,173	12,128	11,981	12,244	12,688	12,140	**13,060**	**37,162**
Operating Income (loss)											
Component	—	—	—	—	—	—	—	—	—	**33,645**	**38,322**
Sensor and Communication	—	—	—	—	—	—	—	—	—	**2,374**	**(1,588)**
Module and System	—	—	—	—	—	—	—	—	—	**(8,300)**	**(6,619)**
Electronic Components	227	14,012	36,595	40,780	32,803	52,929	29,607	16,124	11,408	**—**	**—**
Automotive Infotainment	2,324	9,813	11,537	5,434	5,623	13,735	13,921	5,655	(3,947)	**—**	**—**
Logistics*7	3,586	4,140	4,457	4,857	5,083	4,932	4,722	4,118	4,725	**6,021**	**—**
Others	412	584	898	1,233	884	1,701	1,430	1,202	1,041	**1,583**	**3,603**

*7 Not disclosed from fiscal 2022

ESG Data

Environment

Greenhouse Gas Emissions*1

		Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Scope
Scope 1		t-CO_2	31,985	43,862	16,630	Consolidated*2
Scope 2		t-CO_2	241,150	178,424	137,612	
Scope 3		t-CO_2	1,937,516	2,149,203	2,487,956	Consolidated*3
	1. Purchased goods and services	t-CO_2	1,792,319	1,979,919	2,300,455	
	2. Capital goods	t-CO_2	87,789	112,600	124,990	
	3. Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	t-CO_2	32,043	32,497	30,495	
	4. Transportation and distribution (upstream, Japan only)	t-CO_2	1,756	1,888	1,754	
	5. Waste generated in operations	t-CO_2	6,767	6,121	7,571	
	6. Business travel	t-CO_2	3,967	3,811	5,393	
	7. Employee commuting	t-CO_2	12,875	12,367	17,298	
	8. Leased assets (upstream)	N/A	Included in Scope 1 and Scope 2			
	9. Transportation and distribution (downstream)	Excluded	Excluded because Alps Alpine manufactures intermediate products and therefore it is impossible to rationally calculate emissions volumes			
	10. Processing of sold products	Excluded	Excluded because Alps Alpine manufactures intermediate products and therefore it is impossible to rationally calculate emissions volumes			
	11. Use of sold products	Excluded	Excluded because intermediate products sold are processed into a large variety of finished products, making it difficult to ascertain emissions and therefore impossible to rationally estimate emissions volumes			
	12. End-of-life treatment of sold products	Excluded	Excluded because Alps Alpine manufactures intermediate products and it is difficult to ascertain the disposal status of the finished products			
	13. Leased assets (downstream)	N/A	Not applicable because there are no corresponding business activities			
	14. Franchises	N/A	Not applicable because there are no corresponding business activities			
	15. Investments	N/A	Not applicable because there are no corresponding business activities			

*1 Figures for GHG emissions (Scope 1, Scope 2, and Scope 3) are calculated based on the third-party guarantee received from SOCOTEC Certification Japan for emissions data for fiscal 2020 and fiscal 2021.

Energy

		Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Scope
Total energy consumption		MWh	564,084	616,588	472,535	Consolidated*2
	Non-renewable energy: Electricity	MWh	437,994	357,667	251,511	
	Non-renewable energy: Fuel	MWh	108,235	142,692	50,269	
	Renewable energy: Electricity	MWh	10,455	116,229	170,755	

Waste Emissions

	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Scope
Total waste emissions	t	21,914	22,841	25,901	Consolidated*3

Chemical Substance Management

		Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Scope
Volatile organic compounds	Volume handled	t	101.6	110.0	96.4	Non-Consolidated
	Emissions	t	65.6	71.2	81.0	
	Percentage released into atmosphere	%	64.4	64.7	84.0	
Air pollutant emissions	NOx emissions	t	3.7	3.7	1.9	
	SOx emissions	t	1.5	1.2	0.7	

Water Resource Management

	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Scope
Water withdrawal	m^3	1,742,549	1,813,885	1,674,484	Consolidated*2
Water discharge	m^3	1,364,161	1,469,602	1,312,323	
Volume recycled	m^3	18,699	51,238	66,968	

Environmental Violations

	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Scope
Serious legal or regulatory breaches and accidents	Case	0	0	0	Consolidated*3

ISO 14001 Certification

	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Scope
Certification rate (Scope: Headquarters and production bases)	%	100	100	100	Consolidated*3

*2 Fiscal 2022 excludes Alps Logistics due to the change from a consolidated subsidiary to an equity-method affiliate.

*3 Excludes logistics businesses

Social

Employee Information

		Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Scope
Number of employees (consolidated)		People	38,244	36,686	33,725	Consolidated[*1]
	Men	People	—	—	18,825	
	Women	People	—	—	14,900	
	Ratio of female employees	%	—	—	44.2	
Number of employees (consolidated / by region)	Japan (includes affiliates and subsidiaries)	People	12,140	12,274	8,932	
	United States	People	5,414	5,164	4,521	
	Europe	People	3,200	2,879	2,692	
	Asia	People	17,490	16,369	17,580	
Number of employees (non-consolidated)		People	7,097	6,932	6,707	Non-Consolidated
	Men	People	5,472	5,341	5,162	
	Women	People	1,625	1,591	1,545	
	Ratio of female employees	%	22.9	23.0	23.0	
Average length of service		Years	18.4	18.4	18.1	
	Men	Years	18.7	18.7	18.4	
	Women	Years	17.3	17.1	17.0	
Average age		Years	42.9	42.8	42.5	
	Men	Years	43.4	43.3	43.0	
	Women	Years	41.2	41.0	41.0	
Number of departures[*2] [*3]		People	109	167	221	
	Number of departures for personal reasons	People	89	104	158	
	Ratio of departures for Personal reasons[*4]	%	1.2	1.5	2.2	

*1 Fiscal 2022 excludes Alps Logistics due to the change from a consolidated subsidiary to an equity-method affiliate.
*2 Excludes employees assigned to overseas and domestic affiliates
*3 Excludes employees departing at mandatory retirement
*4 Ratio of departures for personal reasons: Number of departures for personal reasons / Number of employees

Occupational Health and Safety

	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Scope
Number of work-related accidents	Case	47	36	65	Consolidated
	Case	0	4	7	Non-Consolidated
Frequency rate[*5]	%	0.00	0.28	0.49	Non-Consolidated
Manufacturing Frequency Percentage Average (Domestic Electrical Machinery and Equipment Manufacturing)	%	0.52	0.54	0.53	Japan
Severity rate	%	0.018	0.032	0.001	Non-Consolidated
Number of serious accidents	Case	0	0	0	Consolidated

*5 Lost time injury frequency rate (LTIFR): Number of casualties due to occupational accidents (one or more days lost from work) / Total number of working hours x 1,000,000

Diversity and Inclusion / Nurturing of Human Resources

		Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022	Scope
Number of new-graduate hires[*6] [*7]		People	115	213	197	Non-Consolidated
	Ratio of women	%	12.1	19.2	21.8	
Number of experienced hires[*7]		People	19	32	44	
	Ratio of women	%	5.2	28.1	18.2	
	Ratio of experienced hires	%	14	13	18	
Number of non-Japanese (IAP) hires[*6] [*8]		People	No hiring undertaken	No hiring undertaken	4	
Ratio of employees with disabilities[*9]		%	2.19	2.21	2.45	
Number of managers		People	505	491	484	Non-Consolidated
	Women	People	16	12	15	
	Ratio of women in management positions	%	3.2	2.4	3.1	
	Ratio of experienced hires in management positions	%	16.5	17.1	18.0	
	Ratio of women in management positions	%	—	15.6	16.5	Consolidated
	Ratio of non-Japanese employees in management positions	%	—	1.2	1.4	Non-Consolidated
Number of parental leave takers[*10]		People	68	67	63	Non-Consolidated
	Women	People	46	38	26	
	Men	People	22	29	37	
	Ratio of male employees taking childcare leave	%	17.1	24.6	37.0	
Ratio of parental leave takers who return to work		%	98	100	98	
Number of caregiver leave takers		People	1	5	3	
Average ratio of annual paid leave taken		%	61.0	66.0	75.1	Non-Consolidated
Average overtime per employee		Hours / Months	11.7	11.4	13.4	
Average wages (Annual salary) [*11]		Thousands of yen	5,782	6,028	6,239	
	Men	Thousands of yen	6,380	6,655	6,860	
	Women	Thousands of yen	3,770	3,924	4,164	
Human resources development costs (per employee)		Yen	12,653	15,087	20,302	

*6 As of April 1 of the following fiscal year
*7 Figures for new-graduate hires and experienced hires include management track and general track employees
*8 Non-Japanese hires (IAP) refers to participants in Alps Alpine's program for new graduates hired overseas to work in Japan
*9 As of June 1 of the following fiscal year; calculated based on the Act to Facilitate the Employment of Persons with Disabilities
*10 Includes all types of childcare leave stipulated by the Company
*11 Management track and general track employees (excludes corporate officers)

Governance

Director Composition

(as of July)

		Item	Unit	Fiscal 2021	Fiscal 2022	Fiscal 2023
Directors		Number of members	People	13	12	11
		Outside directors	People	6	5	6
		Inside directors	People	7	7	5
		Ratio of outside directors	%	46.2	41.7	54.5
		Female directors	People	3	3	3
		Ratio of female directors	%	23.1	25.0	27.3
	Audit and Supervisory Committee Member	Number of members	People	6	5	4
		Outside audit and supervisory committee members	People	4	3	3
		Ratio of outside audit and supervisory committee members	%	66.7	60.0	75.0
Vice Presidents*		Number of members	People	11	10	12
		Of whom, are non-Japanese	People	1	1	2

* Excludes those who concurrently serve as directors

Committee Membership

(as of March 31)

	Item	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022
Audit and Supervisory Committee	Number of members	People	6	5	4
	Ratio of outside directors	%	66.7	60.0	75.0
	Affiliation of committee chair	—	Outside	Outside	Outside
Nomination Advisory Committee (Board of Directors Advisory Board)	Number of members	People	5	5	5
	Ratio of outside directors	%	60.0	60.0	60.0
	Affiliation of committee chair	—	Outside	Outside	Outside
Compensation Advisory Board (Board of Directors Advisory Board)	Number of members	People	6	5	5
	Ratio of outside directors	%	66.6	60.0	60.0
	Affiliation of committee chair	—	Outside	Outside	Outside

Board of Directors' and Other Committee Meetings

(as of March 31)

	Item	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022
Board of directors	Number of meetings held	No. of times a year	16	13	12
	Average attendance rate of directors	%	99.5	100	100
	Average attendance rate of outside directors	%	98.9	100	100
Audit and supervisory committee	Number of meetings held	No. of times a year	13	14	14
	Average attendance rate of directors	%	100	100	100
	Average attendance rate of outside directors	%	100	100	100
Nomination and remuneration advisory committee	Number of meetings held	No. of times a year	3	Meetings held separately by the Nomination Advisory Committee and the Compensation Advisory Committee from January 2021	
	Average attendance rate of directors	%	100		
	Average attendance rate of outside directors	%	100		
Nomination advisory committee	Number of meetings held	No. of times a year	2	3	3
	Average attendance rate of directors	%	100	100	100
	Average attendance rate of outside directors	%	100	100	100
Compensation advisory board	Number of meetings held	No. of times a year	—	3	3
	Average attendance rate of directors	%	—	98	100
	Average attendance rate of outside directors	%	—	100	100

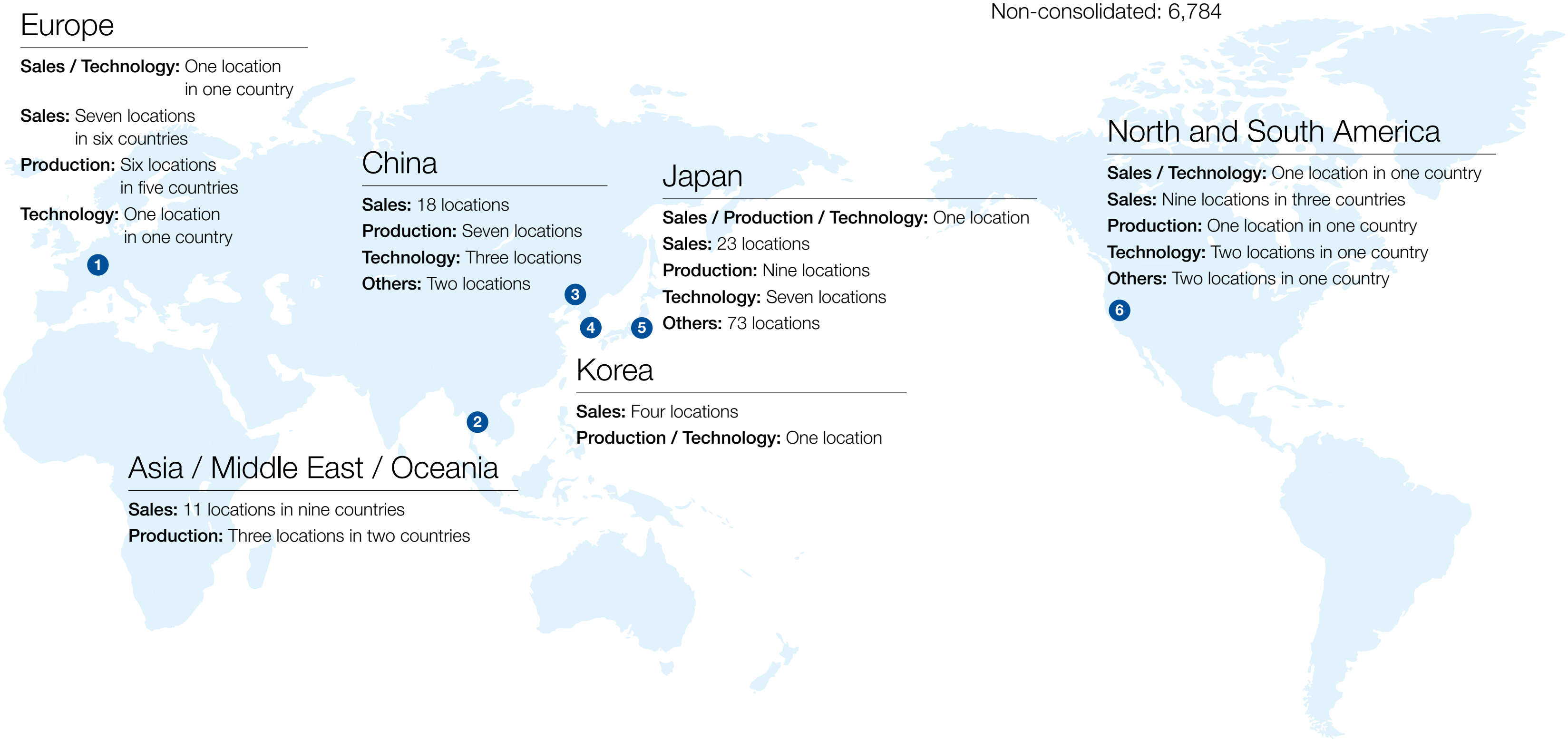
Compliance

	Item	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022
Anticorruption	Group Code of Ethics education programs Target: All employees globally (including corporate officers, temporary employees, and contract employees)	No. of times a year	1	1	1
	Participation rate of Group Code of Ethics education programs (e-learning)	%	88.7	93.6	97.0
Political donations	Amount of political donations	Yen	0	0	0

Corporate Data (As of March 31, 2023)

Company Name	Alps Alpine Co., Ltd.
Headquarters	1-7, Yukigaya-otsukamachi, Ota-ku, Tokyo 145-8501, Japan
Representative	Toshihiro Kuriyama, Representative Director, Chairman Hideo Izumi, Representative Director, President
Established	November 1, 1948
Capital Stock	¥38.730 billion
Employees	Consolidated: 29,926 (global) Non-consolidated: 6,784
Website	https://www.alpsalpine.com/e/

Website **WeChat (Chinese only)**



Europe

Sales / Technology: One location in one country
Sales: Seven locations in six countries
Production: Six locations in five countries
Technology: One location in one country

China

Sales: 18 locations
Production: Seven locations
Technology: Three locations
Others: Two locations

Japan

Sales / Production / Technology: One location
Sales: 23 locations
Production: Nine locations
Technology: Seven locations
Others: 73 locations

Korea

Sales: Four locations
Production / Technology: One location

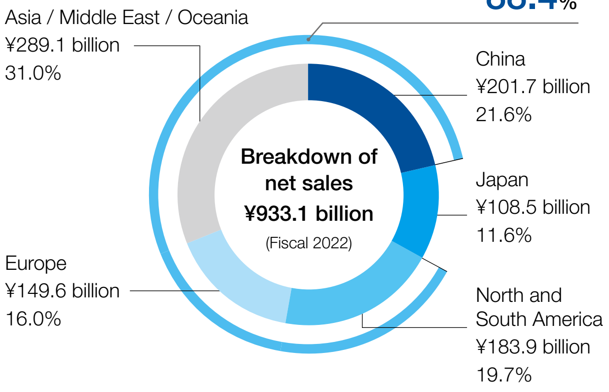
Asia / Middle East / Oceania

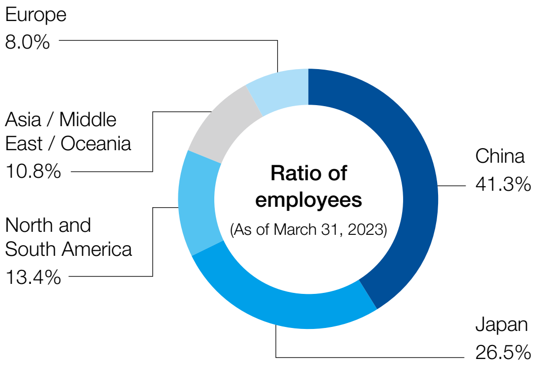
Sales: 11 locations in nine countries
Production: Three locations in two countries

North and South America

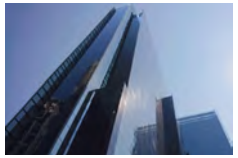
Sales / Technology: One location in one country
Sales: Nine locations in three countries
Production: One location in one country
Technology: Two locations in one country
Others: Two locations in one country

Ratio of overseas sales:
88.4%






① ALPS ALPINE EUROPE GmbH


② ALPS ALPINE ASIA CO., LTD.


③ ALPS (CHINA) CO., LTD.
③ ALPINE ELECTRONICS (CHINA) CO., LTD.


④ ALPS ELECTRIC KOREA CO., LTD.

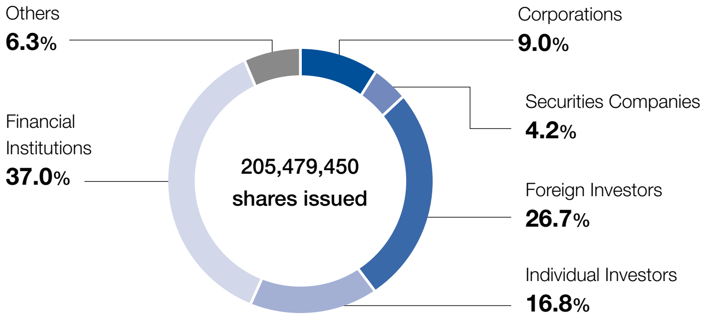

⑤ Alps Alpine Co., Ltd.


⑥ ALPS ALPINE NORTH AMERICA, INC.

Stock Information (As of March 31, 2023)

No. of Authorized Shares	500,000,000
No. of Issued Shares	205,479,450 (excluding 13,802,000 of treasury stock)
No. of Shareholders	42,348
Stock Listing	Tokyo Stock Exchange Prime Market (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)	44,323	21.57
Custody Bank of Japan, Ltd. (trust account)	20,396	9.92
CITY INDEX ELEVENTH CO.,Ltd.	7,985	3.88
STATE STREET BANK AND TRUST COMPANY 505103	4,553	2.21
TAIJU LIFE INSURANCE COMPANY LIMITED	3,591	1.74
SSBTC CLIENT OMNIBUS ACCOUNT	3,007	1.46
NIPPON LIFE INSURANCE COMPANY	2,750	1.33
JP MORGAN CHASE BANK 385781	2,626	1.27
NIPPON SEIKI CO., LTD.	2,600	1.26
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15.315 PCT NON TREATY ACCOUNT	2,384	1.16

Note: The shareholding ratio is calculated after deducting treasury stock (13,802,000).

Share Price and Trading Volume

(Yen)	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
High	3,390	2,634	1,771	1,510	1,540
Low	1,949	810	869	980	1,028
Price at fiscal year-end	2,310	1,049	1,460	1,211	1,269

Note: The closing price on April 30, 2018 equals 100.

Consolidated Financial Statements

Consolidated Balance Sheet

Alps Alpine Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
ASSETS			
Current assets:			
Cash and deposits (Notes 18 and 19)	¥ 84,173	¥ 139,730	$ 630,368
Trade notes and accounts receivable (Note 19):			
Unconsolidated subsidiaries and affiliated companies	1,680	815	12,581
Others	175,241	155,667	1,312,372
Allowance for doubtful accounts	(210)	(193)	(1,573)
Inventories (Note 5)	165,425	133,401	1,238,860
Others	40,204	29,628	301,086
Total current assets	466,515	459,049	3,493,709
Non-current assets:			
Property, plant and equipment			
Land (Note 10)	20,432	30,908	153,014
Buildings and structures (Note 11)	126,858	164,083	950,034
Machinery and equipment (Note 11)	460,772	453,838	3,450,700
Construction in progress	30,036	23,140	224,938
Subtotal	638,100	671,970	4,778,701
Accumulated depreciation and impairment losses	(479,555)	(480,710)	(3,591,365)
Total property, plant and equipment, net	158,545	191,260	1,187,336
Intangible assets, net	26,484	28,231	198,337
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliated companies (Notes 4 and 19)	20,818	693	155,905
Investment securities (Notes 4 and 19)	45,890	45,403	343,668
Deferred tax assets (Note 17)	7,040	6,367	52,722
Net defined benefit asset (Note 7)	118	48	884
Others	11,584	12,465	86,752
Total investments and other assets	85,451	64,978	639,939
Total non-current assets	270,482	284,470	2,025,627
Total assets	¥ 736,997	¥ 743,520	$ 5,519,336

See accompanying notes.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Notes 6 and 19)	¥ 44,088	¥ 44,596	$ 330,173
Long-term borrowings due within one year (Notes 6 and 19)	33,120	12,441	248,034
Trade notes and accounts payable (Note 19)			
Unconsolidated subsidiaries and affiliated companies	2,920	0	21,868
Others	95,626	85,243	716,139
Accrued income taxes	6,487	6,705	48,581
Accrued expenses	34,585	37,173	259,005
Others (Notes 19 and 20)	47,740	48,118	357,523
Total current liabilities	264,570	234,279	1,981,353
Non-current liabilities:			
Long-term borrowings (Notes 6 and 19)	44,728	56,234	334,966
Defined benefit liabilities (Note 7)	16,817	14,616	125,942
Deferred tax liabilities (Note 17)	8,140	4,136	60,960
Others	2,958	8,943	22,152
Total non-current liabilities	72,644	83,931	544,028
Total liabilities	337,215	318,211	2,525,388
Contingent liabilities (Note 8)			
Net assets (Note 9)			
Shareholders' equity:			
Common stock:			
Authorized – 500,000,000 shares			
Issued – 219,281,450 shares in 2023 and 219,281,450 shares in 2022	38,730	38,730	290,047
Capital surplus	124,206	124,549	930,173
Retained earnings	222,385	217,097	1,665,431
Treasury stock – 13,802,000 shares in 2023 and 12,076,076 shares in 2022	(28,581)	(26,219)	(214,042)
Total shareholders' equity	356,740	354,157	2,671,609
Accumulated other comprehensive income:			
Unrealized gains on securities	22,348	20,803	167,363
Revaluation reserve for land (Note 10)	(496)	(496)	(3,715)
Foreign currency translation adjustments	29,129	20,897	218,146
Remeasurements of defined benefit plans	(9,611)	(5,935)	(71,976)
Total accumulated other comprehensive income	41,370	35,268	309,818
Subscription rights to shares (Note 24)	105	180	786
Non-controlling interests	1,565	35,701	11,720
Total net assets	399,782	425,308	2,993,949
Total liabilities and net assets	¥ 736,997	¥ 743,520	$ 5,519,336

	Yen		U.S. dollars (Note 1)
	2023	2022	2023
Amounts per share of common stock:			
Net assets	¥ 1,937.47	¥ 1,879.42	$ 14.51

See accompanying notes.

Consolidated Statement of Income and Comprehensive Income

Alps Alpine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Net sales	¥ 933,114	¥ 802,854	$ 6,988,048
Costs and expenses:			
Cost of sales (Notes 5 and 13)	765,587	664,054	5,733,446
Selling, general and administrative expenses (Notes 12 and 13)	133,931	103,592	1,003,003
	899,518	767,646	6,736,449
Operating income	33,595	35,208	251,591
Other income (expenses):			
Interest and dividend income	1,637	1,134	12,259
Equity in earnings of affiliates	1,879	136	14,072
Interest expense	(1,231)	(719)	(9,219)
Foreign exchange gains	(519)	4,500	(3,887)
Impairment losses (Note 15)	(5,600)	(2,121)	(41,938)
Loss on valuation of investment securities	(1,355)	(170)	(10,148)
Extra retirement payments	(1,321)	(1,471)	(9,893)
Others (Note 14)	(270)	2,171	(2,022)
	(6,782)	3,459	(50,790)
Income before income taxes	26,812	38,668	200,794
Income taxes (Note 17):			
Current income taxes	11,897	12,802	89,096
Deferred income taxes	1,935	491	14,491
	13,833	13,294	103,595
Net income	12,979	25,374	97,199
Non-controlling interests in earnings of consolidated subsidiaries	(1,508)	(2,413)	(11,293)
Net income attributable to owners of parent	11,470	22,960	85,898
Non-controlling interests in earnings of consolidated subsidiaries	1,508	2,413	11,293
Net income	12,979	25,374	97,199
Other comprehensive income (Note 23):			
Unrealized gains on securities	1,540	3,752	11,533
Foreign currency translation adjustments	9,174	24,312	68,704
Remeasurements of defined benefit plans	(3,647)	(1,180)	(27,312)
Share of other comprehensive income of investments accounted for using the equity method	(240)	—	(1,797)
Total other comprehensive income	6,826	26,883	51,120
Total comprehensive income	¥ 19,805	¥ 52,258	$ 148,319
Comprehensive income attributable to:			
Owners of parent	¥ 17,571	¥ 48,733	$ 131,588
Non-controlling interests	2,233	3,524	16,723

	Yen		U.S. dollars (Note 1)
	2023	2022	2023
Amounts per share of common stock:			
Basic net income (loss) attributable to owners of parent per share	¥ 55.77	¥ 110.82	$ 0.42
Diluted profit attributable to owners of parent per share	55.76	110.79	0.42
Cash dividends applicable to the year	40.00	20.00	0.30

See accompanying notes.

Consolidated Statement of Changes in Net Assets

Alps Alpine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

Millions of yen

		Shareholders' equity			
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at April 1, 2021	219,281,450	¥ 38,730	¥ 124,592	¥ 198,501	¥ (26,396)
Cumulative effects of changes in accounting policy				(217)	
Restated balance		38,730	124,592	198,284	(26,396)
Dividends				(4,143)	
Net income attributable to owners of parent				22,960	
Purchase of treasury stock					(2)
Disposal of treasury stock			(67)		179
Change in affiliated company's interests in its subsidiary					
Change in scope of consolidation				(4)	
Change in scope of equity method					
Change in shares of parent arising from transactions with non-controlling shareholders			25		
Changes in items other than shareholders' equity, net					
Balance at March 31, 2022	219,281,450	¥ 38,730	¥ 124,549	¥ 217,097	¥ (26,219)
Dividends				**(6,181)**	
Net income attributable to owners of parent				**11,470**	
Purchase of treasury stock					**(2,502)**
Disposal of treasury stock			**(34)**		**139**
Additional purchase of shares of consolidated subsidiaries			**(318)**		
Change in affiliated company's interests in its subsidiary			**9**		
Change in scope of consolidation					
Change in shares of parent arising from transactions with non-controlling shareholders					
Changes in items other than shareholders' equity, net					
Balance at March 31, 2023	**219,281,450**	**¥ 38,730**	**¥ 124,206**	**¥ 222,385**	**¥ (28,581)**

Millions of yen

	Accumulated other comprehensive income						
	Net unrealized gains on securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at April 1, 2021	¥ 17,058	¥ (496)	¥ (2,276)	¥ (4,789)	¥ 210	¥ 33,244	¥ 378,379
Cumulative effects of changes in accounting policies							(217)
Restated balance	17,058	(496)	(2,276)	(4,789)	210	33,244	378,161
Dividends							(4,143)
Net income attributable to owners of parent							22,960
Purchase of treasury stock							(2)
Disposal of treasury stock							112
Change in affiliated company's interests in its subsidiary							—
Change in scope of consolidation							(4)
Change in scope of equity method							—
Change in shares of parent arising from transactions with non-controlling shareholders							25
Changes in items other than shareholders' equity, net	3,745		23,173	(1,146)	(30)	2,456	28,199
Balance at March 31, 2022	¥ 20,803	¥ (496)	¥ 20,897	¥ (5,935)	¥ 180	¥ 35,701	¥ 425,308
Dividends							**(6,181)**
Net income attributable to owners of parent							**11,470**
Purchase of treasury stock							**(2,502)**
Disposal of treasury stock							**105**
Additional purchase of shares of consolidated subsidiaries							**(318)**
Change in affiliated company's interests in its subsidiary							**9**
Change in scope of consolidation							**—**
Change in shares of parent arising from transactions with non-controlling shareholders							**—**
Changes in items other than shareholders' equity, net	**1,545**		**8,232**	**(3,676)**	**(75)**	**(34,135)**	**(28,109)**
Balance at March 31, 2023	**¥ 22,348**	**¥ (496)**	**¥ 29,129**	**¥ (9,611)**	**¥ 105**	**¥ 1,565**	**¥ 399,782**

Consolidated Statement of Changes in Net Assets

Alps Alpine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

Thousands of U.S. dollars (Note 1)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Treasury stock
Balance at March 31, 2022	$ 290,047	$ 932,742	$ 1,625,829	$ (196,353)
Dividends			(46,289)	
Net income attributable to owners of parent			85,898	
Purchase of treasury stock				(18,737)
Disposal of treasury stock		(255)		1,041
Additional purchase of shares of consolidated subsidiaries		(2,381)		
Change in affiliated company's interests in its subsidiary		67		
Change in scope of consolidation				
Change in shares of parent arising from transactions with non-controlling shareholders				
Changes in items other than shareholders' equity, net				
Balance at March 31, 2023	$ 290,047	$ 930,173	$ 1,665,431	$ (214,042)

Thousands of U.S. dollars (Note 1)

	Accumulated other comprehensive income						
	Net unrealized gains on securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at March 31, 2022	$ 155,793	$ (3,715)	$ 156,497	$ (44,447)	$ 1,348	$ 267,363	$ 3,185,112
Dividends							(46,289)
Net income attributable to owners of parent							85,898
Purchase of treasury stock							(18,737)
Disposal of treasury stock							786
Additional purchase of shares of consolidated subsidiaries							(2,381)
Change in affiliated company's interests in its subsidiary							67
Change in scope of consolidation							—
Change in shares of parent arising from transactions with non-controlling shareholders							—
Changes in items other than shareholders' equity, net	11,570		61,649	(27,529)	(562)	(255,635)	(210,507)
Balance at March 31, 2023	$ 167,363	$ (3,715)	$ 218,146	$ (71,976)	$ 786	$ 11,720	$ 2,993,949

Consolidated Statement of Cash Flows

Alps Alpine Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from operating activities:			
Income before income taxes	¥ 26,812	¥ 38,668	$ 200,794
Depreciation and amortization	46,836	45,705	350,753
Impairment losses	5,600	2,121	41,938
Increase (decrease) in accrued bonuses	(1,249)	171	(9,354)
Interest and dividend income	(1,637)	(1,134)	(12,259)
Interest expense	1,231	719	9,219
Share of loss of entities accounted for using equity method	(1,879)	(136)	(14,072)
Net loss (gain) on sales and disposal of fixed assets	578	(1,261)	4,329
Loss on valuation of investment securities	1,355	170	10,148
Decrease (increase) in trade and other receivables	(27,715)	11,084	(207,556)
Increase in inventories	(29,199)	(28,834)	(218,670)
Increase (decrease) in trade and other payables	20,195	(9,594)	151,239
Increase (decrease) in accrued expenses	1,151	(7,089)	8,620
Decrease in defined benefit liabilities	(620)	(1,024)	(4,643)
Increase in accrued product warranties	100	(1,501)	749
Others	(13,461)	(4,729)	(100,809)
Subtotal	28,100	43,334	210,440
Interest and dividend received	1,627	1,142	12,185
Interest paid	(1,225)	(731)	(9,174)
Income taxes paid	(13,088)	(9,439)	(98,015)
Net cash provided by operating activities	15,413	34,304	115,427
Cash flows from investing activities:			
Increase in time deposits	(1,697)	(1,183)	(12,709)
Acquisition of property, plant and equipment	(43,772)	(39,182)	(327,806)
Acquisition of intangible assets	(8,584)	(9,014)	(64,285)
Proceeds from sales of property, plant and equipment	290	2,912	2,172
Proceeds from sales of investment securities	880	1,059	6,590
Others	(1,320)	(98)	(9,885)
Net cash used in investing activities	(54,205)	(45,507)	(405,939)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2023	2022	2023
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	696	(6,462)	5,212
Proceeds from long-term loans payable	22,671	1,800	169,782
Repayment of long-term loans payable	(12,502)	(2,028)	(93,627)
Purchase of treasury stock	(2,511)	(2)	(18,805)
Cash dividends paid	(6,181)	(4,143)	(46,289)
Cash dividends paid to non-controlling interests	(1,157)	(1,134)	(8,665)
Repayments of lease obligations	(792)	(1,703)	(5,931)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,095)	—	(8,200)
Others	129	135	966
Net cash uesd in financing activities	(742)	(13,539)	(5,557)
Effect of exchange rate change on cash and cash equivalents	5,734	11,291	42,942
Net increase (decrease) in cash and cash equivalents	(33,800)	(13,450)	(253,127)
Cash and cash equivalents at beginning of year	138,489	151,748	1,037,138
Beginning balance in cash and cash equivalents resulting from newly consolidation of subsidiaries	—	191	—
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(21,795)	—	(163,222)
Cash and cash equivalents at end of year (Note 18)	¥ 82,893	¥ 138,489	$ 620,782

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, 2023, which was ¥133.53 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: held-to-maturity or other securities. 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 are principally stated at the lower of 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	1–17 years
Tools, furniture and fixtures and molds	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.

In addition, certain foreign consolidated subsidiaries apply International Financial Reporting Standards 16 “Leases” (hereinafter referred to “IFRS 16”). Based on IFRS 16, all leases held by lessees are recognized as assets and liabilities on the consolidated balance sheet in principle, the capitalized right-of-use assets is amortized by the straight-line method.

(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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 is 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 consolidated 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 11 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 (mainly 1 year).

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) Revenue recognition criteria for major businesses

The Company and its consolidated subsidiaries recognize revenue at the amount expected to be entitled in exchange for goods or services when the control of the promised goods or services is passed to a customer.

Regarding revenue arising from contracts with customers of the Group, the details of the main performance obligations in main business and the ordinary time when such performance obligations are satisfied (ordinary time when revenue is recognized) are disclosed in Note "25. REVENUE RECOGNITION 2. Basic information on revenue recognized arising from contracts with customers."

(r) Basis for revenue recognition on finance leases

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.

(s) 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.

(t) 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.

(u) 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. The Company and its consolidated subsidiaries generally recognize all derivatives in the consolidated balance sheet at fair value.

Changes in the fair value of derivatives

Changes in the fair value of forward foreign exchange contracts 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.

(v) Reclassifications

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

(a) Impairment of fixed assets

(1) Amounts related to significant accounting estimates for the years ended March 31, 2023 and 2022

Automotive module business of the module and system segment

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Impairment loss	¥ —	¥ —	$ —
Fixed assets	31,520	29,608	236,052

In the fiscal year ended March 31, 2023, the Group decided to withdraw from some unprofitable businesses in the automotive module business of the module and system segment. Following the decision, we changed the asset group and identified fixed assets relating to these businesses as an independent asset group. As a result, we recorded impairment losses of ¥3,877 million ($29,035 thousand) on this asset group with measuring the recoverable value to be zero. For detailed information, refer to Note 15. IMPAIRMENT LOSSES ON FIXED ASSETS.

Information communicating equipment business of the module and system segment

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Impairment loss	¥ —	¥ —	$ —
Fixed assets	21,468	24,739	160,773

(2) Key information of significant accounting estimates

1) Calculation method

In the fiscal year ended March 31, 2023, the Group identified indications that asset groups in the automotive module business might be impaired because consecutive losses from operating activities might be recorded. Furthermore, the Group identified indications that asset groups in the information communicating equipment business of the module and system segment might be impaired because consecutive losses from operating activities were recorded. However, no impairment loss was recognized in these businesses because undiscounted future cash flows exceeded the book value of the asset group.

The undiscounted future cash flows are based on these applicable business plans and are calculated over the economic remaining useful life of machinery and equipment, which are approximately 4.5 years in the automotive module business and approximately 4.6 years in the information communicating equipment business. These business plans are made mainly from forecast of orders summarized by the clients and products, estimated marginal profit ratio and fixed cost. In addition, under the business environment such as prolonged soaring material prices and continued inflation, factors; such as delays or shortages in passing on price increases to customers and failure in order to achieve the target cost improvement, are being considered.

2) Significant assumptions

Significant assumptions used in estimates and judgments of undiscounted future cash flows are based on order forecasts from customers and the marginal profit ratio. The order forecasts are based on the current status of negotiations with customers and stage of product development. The Group also utilizes information about global automotive sales forecasts from external research companies. The marginal profit ratio is determined based on actual historical trends.

Regarding the order forecasts for the information communicating equipment business, since the order amount for each model is large, the success or failure of winning orders for each model will have a significant impact on future cash flows. Especially long-term order forecasts are prepared considering the status of achievement of actual orders against past order forecasts because there is uncertainty regarding the future order forecasts of next-generation models to be sold after the end of sales of current models of genuine products to OEMs.

3) Effect on the consolidated financial statements in the next fiscal year

If order forecasts are lower than expected, or if the marginal profit ratio estimated based on past performance trends and the current business environment are lower than expected, an impairment loss may be recognized in the next fiscal year.

(b) Recoverability of deferred tax assets

(1) Amounts related to significant accounting estimates for the years ended March 31, 2023 and 2022

The Company recognized net deferred tax assets as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net deferred tax assets	¥ 2,724	¥ 5,224	$ 20,400
Deferred tax assets before netting with deferred tax liabilities	3,709	5,595	27,777

Including amounts above, deferred tax assets in the consolidated financial statements were ¥6,367 million and ¥7,040 million ($52,722 thousand) as of March 31, 2022 and 2023, respectively.

(2) Key information of significant accounting estimates

1) Calculation method

The Company estimated taxable income for the following year based on the future profitability in determining the recoverability of deferred tax assets for deductible temporary differences and tax loss carryforwards. The estimates of taxable income are based on the business plans, as well as transaction prices between group companies. The business plans are compiled from estimates of sales volume and sales prices to major customers, expected operating profit ratio, fixed costs to the sales volume and exchange rate. In addition, under the business environment such as prolonged soaring material prices in each market and continued inflation, factors; such as delays or shortages in passing on price increases to customers and failure to achieve the target cost improvement, are being considered. The transaction prices among group companies are set for each consolidated subsidiary, considering transfer pricing taxation in each country.

2) Significant assumptions

Significant assumptions in the business plans that underlie future taxable income are sales forecasts for each business, operating profit ratio and the transaction prices between group companies. The sales forecasts are based on order forecast data from major customers and conditions of negotiation. The operating profit ratio is determined by estimating the cost in proportion to the sales volume expected based on past performance trends and the current business environment. The transaction prices among group companies, a basis for preparing estimates of taxable income, are determined based on the consolidated operating results and past performance, considering transfer pricing taxation in each country.

3) Effect on the consolidated financial statements in the next fiscal year

If the sales forecasts for each business decrease or increase more than expected, or if the operating profit ratio estimated based on past performance trends and the current business environment decreases or increases more than expected, deferred tax assets may decrease or increase in the next fiscal year.

4. INVESTMENT SECURITIES

Securities classified as other securities as of March 31, 2023 and 2022 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
	2023			2023		
	Fair value	Cost	Unrealized gains (losses)	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:						
Equity securities	¥ 45,005	¥ 9,937	¥ 35,067	$ 337,040	$ 74,418	$ 262,615
Securities for which cost exceeds fair value:						
Equity securities	176	215	(38)	1,318	1,610	(285)
Total	¥ 45,182	¥ 10,153	¥ 35,029	$ 338,366	$ 76,035	$ 262,331

	Millions of yen		
	2022		
	Fair value	Cost	Unrealized gains (losses)
Securities for which fair value exceeds cost:			
Equity securities	¥ 41,691	¥ 6,912	¥ 34,778
Securities for which cost exceeds fair value:			
Equity securities	2,837	3,924	(1,087)
Total	¥ 44,528	¥ 10,836	¥ 33,691

Note: Non-marketable securities and other as of March 31, 2023 and 2022 in the amounts of ¥707 million ($5,295 thousand) and ¥874 million, respectively, have been excluded from the above table because they do not have any market prices.

Proceeds from sales of securities classified as other securities for the years ended March 31, 2023 and 2022 were ¥880 million ($6,590 thousand) and ¥1,056 million, respectively.

Gross realized gains and losses for the year ended March 31, 2023 were ¥707 million ($5,295 thousand) and ¥7 million ($52 thousand), respectively. Gross realized gains and losses for the year ended March 31, 2022 were ¥929 million and nil, respectively.

The impairment losses of ¥1,355 million ($10,148 thousand) and ¥170 million on securities for the years ended March 31, 2023 and 2022 were recorded for the shares of companies that have business relationships with the Company at ¥1,355 million ($10,148 thousand) and nil, for non-marketable equity securities at ¥0 million ($0 thousand) and ¥21 million, for the shares of affiliated companies at nil and ¥149 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.

5. INVENTORIES

Inventories at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Merchandise and finished goods	¥ 83,548	¥ 69,616	$ 625,687
Work in process	20,847	13,739	156,122
Raw materials and supplies	61,029	50,045	457,043
	¥ 165,425	¥ 133,401	$ 1,238,860

The following (gain) loss on valuation of inventories is included in the cost of sales for the years ended March 31, 2023 and 2022, respectively:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
(Gain) loss on valuation of inventories	¥ 2,880	¥ 1,662	$ 21,568

6. SHORT-TERM BORROWINGS AND LONG-TERM BORROWINGS

Average interest rates for short-term borrowings, consisting primarily of overdrafts with banks, were 1.84% and 0.89% as of March 31, 2023 and 2022, respectively.

Long-term borrowings as of March 31, 2023 and 2022 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Loans principally from banks and insurance companies due over 1 year at average interest rates of 0.31% and 0.29% as of March 31, 2023 and 2022, respectively	¥ 44,728	¥ 56,234	$ 334,966
Loans principally from banks and insurance companies due within 1 year at average interest rates of 0.31% and 0.23% as of March 31, 2023 and 2022, respectively	33,120	12,441	248,034
	¥ 77,848	¥ 68,675	$ 583,000

The aggregate annual maturities of long-term borrowings subsequent to March 31, 2023 and 2022 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2023	2023
2024	¥ 33,120	$ 248,034
2025	8,346	62,503
2026	21,882	163,873
2027	13,600	101,850
2028	900	6,740
2029 and thereafter	—	—
Total	¥ 77,848	$ 583,000

	Millions of yen
Year ending March 31	2022
2023	¥ 12,441
2024	31,361
2025	173
2026	23,700
2027	1,000
2028 and thereafter	—
Total	¥ 68,675

7. 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, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Defined benefit liabilities, beginning balance	¥ 66,754	¥ 67,744	$ 499,918
Service cost	2,463	2,626	18,445
Interest cost	452	448	3,385
Actuarial gain or loss	633	296	4,741
Retirement benefits paid	(4,160)	(4,421)	(31,154)
Change in the scope of consolidation	(4,389)	—	(32,869)
Other	99	60	741
Defined benefit liabilities, ending balance	¥ 61,853	¥ 66,754	$ 463,214

Note: The decrease due to the change in the scope of consolidation was attributable to the change of ALPS LOGISTICS CO., LTD. and its 25 subsidiaries from consolidated subsidiaries of the Company to equity-method affiliates as the end of the three months ended June 30, 2022.

(2) The changes in plan assets for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Plan assets, beginning balance	¥ 52,186	¥ 54,340	$ 390,819
Expected return on plan assets	1,615	2,065	12,095
Actuarial gain or loss	(3,993)	(2,056)	(29,903)
Employer contributions	1,795	1,954	13,443
Retirement benefits paid	(3,867)	(4,005)	(28,960)
Change in the scope of consolidation	(2,583)	—	(19,344)
Other	2	(111)	15
Plan assets, ending balance	¥ 45,155	¥ 52,186	$ 338,164

Note: The decrease due to the change in the scope of consolidation was attributable to the change of ALPS LOGISTICS CO., LTD. and its 25 subsidiaries from consolidated subsidiaries of the Company to equity-method affiliates as the end of the three months ended June 30, 2022.

(3) The amounts recognized in the consolidated balance sheet as of March 31, 2023 and 2022 consist of:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded defined benefit liabilities	¥ 61,387	¥ 66,045	$ 459,724
Plan assets at fair value	(45,155)	(52,186)	(338,164)
Funded status	16,232	13,858	121,561
Unfunded defined benefit liabilities	466	709	3,490
Liability in the balance sheet, net	16,698	14,568	125,051
Defined benefit liabilities	16,817	14,616	125,942
Asset for retirement benefit	(118)	(48)	(884)
Liability in the balance sheet, net	¥ 16,698	¥ 14,568	$ 125,051

(4) The amounts recognized in the consolidated statement of income for the years ended March 31, 2023 and 2022 consist of:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 2,463	¥ 2,626	$ 18,445
Interest cost	452	448	3,385
Expected return on plan assets	(1,615)	(2,065)	(12,095)
Amortization of actuarial loss	993	1,252	7,437
Amortization of prior service cost	(10)	(106)	(75)
Other	71	89	532
Periodic pension cost for defined benefit plan	¥ 2,355	¥ 2,244	$ 17,636

(5) The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Prior service cost	¥ 10	¥ 106	$ 75
Actuarial gain and loss	3,633	1,099	27,207
Total	¥ 3,643	¥ 1,206	$ 27,282

(6) The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized prior service cost	¥ 137	¥ 128	$ 1,026
Unrecognized actuarial losses	9,474	5,872	70,950
Total	¥ 9,611	¥ 6,000	$ 71,976

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2023 and 2022 comprised the following:

	2023	2022
Bonds	30.7%	45.0%
Stocks	21.1%	15.6%
Insurance	33.6%	26.6%
Cash and cash equivalents	10.6%	9.2%
Alternative (*)	4.0%	3.4%
Other	—%	0.2%
Total	100.0%	100.0%

* Alternative includes 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, 2023 and 2022 are as follows:

	2023	2022
Discount rate	Mainly 0.7%	Mainly 0.5%
Expected rate of return on plan assets	Mainly 3.2%	Mainly 4.0%

Note: Estimated rate of salary increase are not disclosed because retirement benefit obligations are calculated using a method that does not include the cumulative future points based on the benefit calculation formula.

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, 2023 and 2022 is summarized as follows:

(1) Funded status

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Pension assets	¥ 7,060	¥ 7,279	$ 52,872
Pension liabilities	5,743	5,804	43,009
Funded status	¥ 1,317	¥ 1,474	$ 9,863

(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

2023	2022
1.51%	1.26%

Defined contribution plans

The amounts paid to the defined contribution plans for the years ended March 31, 2023 and 2022 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Defined contribution plan payment	¥ 893	¥ 811	$ 6,688

8. CONTINGENT LIABILITIES

The Company and certain of its consolidated subsidiaries have entered into loan commitment agreements amounting to ¥40,000 million ($299,558 thousand) and ¥43,500 million with financial institutions as of March 31, 2023 and 2022 respectively. The outstanding loans payable amounted to nil as of March 31, 2023 and 2022. The unused balances amounted to ¥40,000 million ($299,558 thousand) and ¥43,500 million at March 31, 2023 and 2022, respectively.

9. 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, 2023 and 2022 are summarized as follows:

	Shares in Issue and Outstanding (Thousands)	Treasury Stock (Thousands)
Number of shares as of March 31, 2021	219,281	12,156
Increase in number of shares	—	2
Decrease in number of shares	—	82
Number of shares as of March 31, 2022	219,281	12,076
Increase in number of shares	—	1,793
Decrease in number of shares	—	67
Number of shares as of March 31, 2023	**219,281**	**13,802**

During the year ended March 31, 2023, the increase of 1,793 thousand shares of treasury stock consists of the repurchase of 1,791 thousand shares under the share buyback program and the purchase of 1 thousand shares of odd-shares.

The decrease of 67 thousand shares of treasury stock consists of the disposal of 55 thousand shares as granting restricted shares, the exercise of stock options rights of 8 thousand shares and so on.

During the year ended March 31, 2022, the increase of 2 thousand shares of treasury stock consists of the purchase shares of odd-shares.

The decrease of 82 thousand shares of treasury stock consists of the disposal of 69 thousand shares as granting restricted shares, the exercise of stock options rights of 13 thousand shares and so on.

Stock subscription rights

The total number and periodic changes in the number of stock subscription rights for the year ended March 31, 2023 are summarized as follows:

Stock subscription rights of stock options

Company name	ALPS ALPINE CO., LTD.
Class of stock	—
Number of shares as of March 31, 2022	—
Increase in number of shares	—
Decrease in number of shares	—
Number of shares as of March 31, 2023	—
Ending balance as of March 31, 2023 (Millions of yen)	¥ 105

Note: Stock subscription rights of stock options of ALPS LOGISTICS CO., LTD. are not stated because it became an equity-method affiliate during the fiscal year ended March 31, 2023.

Dividends

The following appropriations of cash dividends, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2023, was approved at the ordinary general meeting of shareholders on June 23, 2023 and will go into effect on June 26, 2023:

	Millions of yen	Thousands of U.S. dollars
Cash dividends to be approved on June 23, 2023 (¥20.00 = $0.15 per share)	¥ 4,109	$ 30,772

The following appropriations of cash dividends to shareholders of common stock were approved at the ordinary general meeting of shareholders held on June 23, 2022 and at the meeting of the Board of Directors held on October 28, 2022 and were paid to shareholders of record as of March 31, 2022 and September 30, 2022, respectively, during the year ended March 31, 2023:

	Millions of yen
Cash dividends approved on June 23, 2022 (¥10.00 per share)	¥ 2,072
Cash dividends approved on October 28, 2022 (¥10.00 per share)	¥ 4,109

10. REVALUATION OF LAND

On March 31, 2002, the Company 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 under net assets.

The excesses of the carrying value of this land after the revaluation over its fair value as of March 31, 2023 and 2022 were ¥918 million ($6,875 thousand) and ¥911 million, respectively.

11. REDUCTION ENTRY

The amount of the accumulated reduction entry as of March 31, 2023 and 2022 for tangible fixed assets deducted from the acquisition cost of tangible fixed assets due to government subsidies, etc. are as follows. All of this amount is for tangible fixed assets owned ALPS LOGISTICS CO., LTD. and its 25 subsidiaries.

The amount of the accumulated reduction entry as of March 31, 2023 is nil because the end of the three months ended June 30, 2022, ALPS LOGISTICS CO., LTD. and its 25 subsidiaries have been included in the scope applying equity method.

	Millions of yen		Thousands of U.S. dollars
Accumulated reduction entry as of March 31, 2023 and 2022	2023	2022	2023
Buildings and structures	¥ —	¥ 294	$ —
Machinery, equipment and vehicles	—	37	—
Tools, furniture and fixtures and molds	—	0	—
Total	¥ —	¥ 332	$ —

12. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major items included in selling, general and administrative expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Salaries	¥ 36,860	¥ 36,732	$ 276,043
Research and development expenses	31,910	17,731	238,973
Commission expenses	15,234	12,065	114,087
Employees' bonuses	5,135	4,402	38,456
Warranty costs	1,756	183	13,151
Retirement benefit expenses	1,423	1,092	10,657

13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in cost of sales and general and administrative expenses were ¥31,910 million ($238,973 thousand) and ¥30,688 million for the years ended March 31, 2023 and 2022, respectively.

14. OTHER INCOME (EXPENSES)

The components of other, net, in the accompanying consolidated statement of income and comprehensive income for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Gain on sale of investment securities	¥ 707	¥ 929	$ 5,295
Gain on sale of non-current assets	95	1,748	711
Loss on sale and retirement of non-current assets	(673)	(486)	(5,040)
Foreign withholding tax	(561)	—	(4,201)
Depreciation of inactive non-current assets	(508)	(656)	(3,804)
Other	669	636	5,010
	¥ (270)	¥ 2,171	$ (2,022)

15. 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 and scheduled disposal assets, each asset is treated as an individual cash generating 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, 2023.

Location	Use	Asset type	Millions of yen 2023	Thousands of U.S. dollars 2023
Japan	Assets for automotive module business	Construction in progress etc.	¥ 372	$ 2,786
	Assets for capacitive touch panel business	Machinery & equipment and vehicle etc.	1,298	9,721
	Assets for electricity storage system business	Software etc.	64	479
	Scheduled disposal assets	Machinery & equipment and vehicle etc.	109	816
	Idle assets	Land, buildings & structures etc.	0	0
China	Assets for automotive module business	Machinery & equipment and vehicle etc.	2,470	18,498
	Assets for capacitive touch panel business	Machinery & equipment and vehicle etc.	187	1,400
	Scheduled disposal assets	Construction in progress	12	90
Mexico	Assets for automotive module business	Construction in progress etc.	298	2,232
Czechia	Assets for automotive module business	Machinery & equipment and vehicle etc.	626	4,688
Hungary	Scheduled disposal assets	Tools, furniture, and fixtures and molds etc.	50	374
Malaysia	Assets for automotive module business	Machinery & equipment and vehicle etc.	108	809
Total			¥ 5,600	$ 41,938

The Group decided to withdraw from some unprofitable businesses in the automotive module business of module and system segment. We treated the businesses as minimum independent cash generating units and changed the asset group. In the asset group, the book value was written down the book value to the realizable value and recognized impairment losses of ¥3,877 million ($29,035 thousand). And for other business assets, due to tightened business environment, we wrote down the book value of the assets in the assets group to the realizable value and recognized impairment losses of ¥1,550 million ($11,608 thousand). The details of the impaired amounts in these fixed assets held for business are machinery, equipment and vehicles etc. of ¥2,926 million ($21,913 thousand), tools & furniture and fixtures and molds etc. of ¥1,158 million ($8,672 thousand), construction in progress of ¥1,066 million ($7,983 thousand), building and structure of ¥234 million ($1,752 thousand), and software etc. of ¥42 million ($315 thousand), respectively.

The realizable value of the fixed assets held for business is measured to be zero because the evaluation is based on the value-in use and the value evaluated by the future cash-flow is zero.

For scheduled disposal assets and idle assets whose value decreased with the reduction in fair value or which was not expected to be used in the future, the book value was written down to the realizable value. As a result, we recognized impairment losses of ¥172 million ($1,288 thousand). The details of the impaired amounts in these fixed assets are machinery and vehicles etc. of ¥104 million ($779 thousand), construction in progress of ¥37 million ($277 thousand), tools & furniture and fixtures and molds etc. of ¥30 million ($224 thousand), and land of ¥0 million ($0 thousand).

The realizable value of scheduled disposal assets is determined as selling value for those scheduled to be sold or zero for others.

The realizable value of idle assets is determined at fair value estimated based on the real estate appraisal standards.

The Company recognized impairment losses on the following asset groups during the year ended March 31, 2022.

Location	Use	Asset type	Millions of yen 2022
Japan	Scheduled disposal assets	Machinery & equipment etc.	¥ 1,355
	Idle assets	Land, Buildings and structures etc.	325
China	Scheduled disposal assets	Buildings and structures etc.	439
Total			¥ 2,121

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 realizable value of scheduled disposal assets was estimated as sales value based on the plan for disposal and other scheduled disposal assets were determined as zero.

The realizable value of idle assets was determined at fair value less cost to sell computed based on asset value recognized under real estate appraisal standards.

The impairment losses mentioned above for the year ended March 31, 2022 include the losses of ¥439 million on the buildings and structures booked due to the end of production of TIANJIN ALPS ELECTRONICS CO., LTD.

16. EXTRA RETIREMENT PAYMENTS

During the year ended March 31, 2023, we are reorganizing our European bases to streamline production. As a result, the amount of extra retirement allowance paid to employees is recorded as “Extra retirement payments” of ¥1,321 million ($9,893 thousand).

During the year ended March 31, 2022, production at the factory of TIANJIN ALPS ELECTRONICS CO., LTD., a consolidated subsidiary of the Company had ended. As a result, the amount of economic compensation paid to employees is recorded as “Extra retirement payments” of ¥1,471 million.

17. 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, 2023 and 2022, 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, 2023 and 2022:

	2023	2022
Statutory tax rates	**30.4%**	30.4%
Lower tax rates at foreign subsidiaries	**(8.5)**	(3.7)
Change in valuation allowance	**19.5**	(5.7)
Retained profit of overseas subsidiaries	**7.1**	5.1
Non-deductible expenses	**(0.1)**	1.6
Corporation tax surcharge	**3.4**	4.8
Expiration of losses carried forward	**0.2**	2.3
Other	**(0.4)**	(0.4)
	51.6%	34.4%

The significant components of deferred tax assets and liabilities as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Accrued employees’ bonuses	**¥ 2,212**	¥ 2,931	**$ 16,566**
Accrued warranty costs	**1,208**	1,086	**9,047**
Allowance for doubtful accounts	**63**	58	**472**
Accrued income taxes	**148**	485	**1,108**
Accrued expenses	**1,855**	1,577	**13,892**
Defined benefit liabilities	**2,158**	2,935	**16,161**
Depreciation	**11,698**	9,685	**87,606**
Impairment losses for land	**1,136**	1,159	**8,507**
Intercompany profit	**5,013**	4,505	**37,542**
Loss on valuation of investment securities	**1,321**	974	**9,893**
Loss on valuation of inventories	**2,503**	1,767	**18,745**
Tax loss carryforwards (Note 2)	**24,318**	20,635	**182,116**
Other	**6,418**	7,013	**48,064**
Gross deferred tax assets	**60,057**	54,818	**449,764**
Valuation allowance for tax loss carryforwards (Note 2)	**(24,076)**	(19,962)	**(180,304)**
Valuation allowance for deductible temporary differences	**(16,659)**	(13,932)	**(124,758)**
Total valuation allowance (Note 1)	**(40,736)**	(33,894)	**(305,070)**
Less deferred tax liabilities in the same tax jurisdiction	**(12,280)**	(14,555)	**(91,964)**
Total deferred tax assets	**7,040**	6,367	**52,722**
Deferred tax liabilities:			
Unrealized gain on investment securities	**(8,675)**	(8,325)	**(64,967)**
Undistributed retained earnings of foreign subsidiaries	**(8,480)**	(7,712)	**(63,506)**
Accelerated depreciation of property, plant and equipment	**(2,219)**	(1,720)	**(16,618)**
Other	**(1,045)**	(933)	**(7,826)**
Gross deferred tax liabilities	**(20,421)**	(18,691)	**(152,932)**
Less deferred tax assets in the same tax jurisdiction	**12,280**	14,555	**91,964**
Total deferred tax liabilities	**(8,140)**	(4,136)	**(60,960)**
Net deferred tax assets	**¥ (1,099)**	¥ 2,231	**$ (8,230)**

Note 1:

Valuation allowance increased by ¥6,841 million ($51,232 thousand). The main reason of this increase is due to an increase in the valuation allowance for tax loss carryforwards of the Company.

Note 2:

	Millions of yen						
	2023						
	Due in one year or less	Due after one year 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)	¥ 49	¥ 2,355	¥ 314	¥ 66	¥ 93	¥ 21,438	¥ 24,318
Valuation allowance	(49)	(2,280)	(313)	(56)	—	(21,376)	(24,076)
Deferred tax assets	¥ —	¥ 75	¥ 0	¥ 10	¥ 93	¥ 62	(b) ¥ 242

	Millions of yen						
	2022						
	Due in one year or less	Due after one year 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)	¥ 48	¥ 53	¥ 2,454	¥ 372	¥ 488	¥ 17,216	¥ 20,635
Valuation allowance	(48)	(53)	(2,392)	(316)	(111)	(17,039)	(19,962)
Deferred tax assets	¥ —	¥ —	¥ 61	¥ 56	¥ 376	¥ 177	¥ 673

	Thousands of U.S. dollars						
	2023						
	Due in one year or less	Due after one year 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)	$ 367	$ 17,636	$ 2,352	$ 494	$ 696	$ 160,548	$ 182,116
Valuation allowance	(367)	(17,075)	(2,344)	(419)	—	(160,084)	(180,304)
Deferred tax assets	$ —	$ 562	$ 0	$ 75	$ 696	$ 464	(b) $ 1,812

(a) The amount is determined by multiplying the corresponding tax loss carryforwards by the effective statutory tax rate.

(b) Deferred tax assets of ¥242 million ($1,812 thousand) were recorded for tax loss carryforwards of ¥24,318 million ($182,116 thousand). Deferred tax assets associated with tax loss carryforwards are considered to be recoverable based on estimated future taxable income.

The Company and certain of its consolidated subsidiaries have applied group tax sharing system from the current fiscal year. Accordingly, the Company and certain of its consolidated subsidiaries have adopted the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, issued on August 12, 2021), which clarifies the accounting and disclosure treatment of corporate and local income taxes and tax effect accounting in the case of applying the group tax sharing system.

18. 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 as of March 31, 2023 and 2022 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash and deposits	¥ 84,173	¥ 139,730	$ 630,368
Less:			
Time deposits with a maturity of more than three months when purchased	(1,279)	(1,241)	(9,578)
Cash and cash equivalents	¥ 82,893	¥ 138,489	$ 620,782

Supplemental Disclosure of Non-Cash Transactions

The Company recorded assets and corresponding obligations for finance lease transactions amounting to ¥266 million ($1,992 thousand) and ¥3,672 million for the years ended March 31, 2023 and 2022, respectively.

19. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

In consideration of plans for capital investment mainly in operating each business, the Group raises 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 options.

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.

The risk of interest rate fluctuations in borrowings is managed by monitoring trends in market interest rates. In addition, liquidity risk related to funding is managed appropriately by the department in charge preparing and updating the cash flow plan in a timely manner and ensuring liquidity on hand.

Regarding derivatives, the Group enters into forward foreign exchange contracts 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 Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

(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 in principle enters into forward foreign exchange contracts and currency options to hedge such risk.

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

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 20. 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, 2023 and 2022, their estimated fair value and unrealized gains are shown in the following table.

	Millions of yen			Thousands of U.S. dollars		
	2023			2023		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Assets:						
Investment securities*2	**¥ 65,193**	**¥ 67,817**	**¥ 2,623**	**$ 488,227**	**$ 507,878**	**$ 19,644**
Total assets	**¥ 65,193**	**¥ 67,817**	**¥ 2,623**	**$ 488,227**	**$ 507,878**	**$ 19,644**
Liabilities:						
Long-term borrowings	**¥ 44,728**	**¥ 44,599**	**¥ (129)**	**$ 334,966**	**$ 334,000**	**$ (966)**
Total liabilities	**¥ 44,728**	**¥ 44,599**	**¥ (129)**	**$ 334,966**	**$ 334,000**	**$ (966)**
Derivatives*3	**¥ (343)**	**¥ (343)**	**¥ —**	**$ (2,569)**	**$ (2,569)**	**$ —**

	Millions of yen		
	2022		
	Carrying value	Estimated fair value	Difference
Assets:			
Investment securities*2	¥ 44,528	¥ 44,528	¥ —
Total assets	¥ 44,528	¥ 44,528	¥ —
Liabilities:			
Long-term borrowings	¥ 56,234	¥ 56,090	¥ (144)
Total liabilities	¥ 56,234	¥ 56,090	¥ (144)
Derivatives*3	¥ (1,321)	¥ (1,321)	¥ —

(*1) Cash and deposits, Trade notes and accounts receivable, Trade notes and accounts payable, and short-term borrowings are omitted here since their fair value approximates the book value due to settlement in a short period of time.

(*2) Non-marketable available-for-sale securities at March 31, 2023 are not included in "Investment securities." The amount recorded in the consolidated balance sheet is as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
	Carrying value		Carrying value
Investment in unlisted stocks, unconsolidated subsidiaries and affiliated companies	**¥ 1,514**	¥ 1,568	**$ 11,338**

(*3) 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: Redemption schedule for receivables and marketable securities with maturities as of March 31, 2023 and 2022

		Millions of yen		Thousands of U.S. dollars
		2023	2022	**2023**
Due in one year or less	Cash and deposits	**¥ 84,173**	¥ 139,730	**$ 630,368**
	Trade notes and accounts receivable	**176,921**	156,482	**1,324,953**
Total		**¥ 261,095**	¥ 296,213	**$ 1,955,328**

Note 2: The redemption schedule for long-term borrowings is disclosed in Note 6. SHORT-TERM BORROWINGS AND LONG-TERM BORROWINGS. The aggregate annual maturities of finance lease obligations subsequent to March 31, 2023 and 2022 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	**2023**	**2023**
2024	**¥ 97**	**$ 726**
2025	**63**	**472**
2026	**48**	**359**
2027	**44**	**330**
2028	**40**	**300**
2029 and thereafter	**47**	**352**
Total	**¥ 343**	**$ 2,569**

	Millions of yen
Year ending March 31	2022
2023	¥ 1,984
2024	1,886
2025	1,564
2026	852
2027	796
2028 and thereafter	816
Total	¥ 7,900

Matters related to the breakdown of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels according to the observability and importance of the input used for valuation:

Level 1: Fair value measured by quoted prices in active markets for identical assets or liabilities

Level 2: Fair value measured by direct or indirect observable inputs other than Level 1

Level 3: Fair value measured by significant unobservable inputs

If several inputs that have a material impact on the fair value measurement are used, the fair value is classified into the level whose priority in fair value measurement is the lowest among the levels to which those inputs are attributable.

(1) Financial instruments recorded in the consolidated balance sheet at fair value at March 31, 2023 and 2022.

	Millions of yen				Thousands of U.S. dollars			
	2023				**2023**			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Investment securities								
Other securities								
Securities	**45,182**	**—**	**—**	**45,182**	**338,366**	**—**	**—**	**338,366**
Total assets	**¥ 45,182**	**¥ —**	**¥ —**	**¥ 45,182**	**$ 338,366**	**$ —**	**$ —**	**$ 338,366**
Liabilities:								
Derivatives								
Currencies	**—**	**343**	**—**	**343**	**—**	**2,569**	**—**	**2,569**
Total liabilities	**¥ —**	**¥ 343**	**¥ —**	**¥ 343**	**$ —**	**$ 2,569**	**$ —**	**$ 2,569**

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Other securities				
Securities	44,528	—	—	44,528
Total assets	¥ 44,528	¥ —	¥ —	¥ 44,528
Liabilities:				
Derivatives				
Currencies	—	1,321	—	1,321
Total liabilities	¥ —	¥ 1,321	¥ —	¥ 1,321

(2) Financial instruments other than those recorded in the consolidated balance sheet at the fair value at March 31, 2023 and 2022.

	Millions of yen				Thousands of U.S. dollars			
	2023				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Investment securities								
Other securities								
Securities	¥ 22,635	¥ —	¥ —	¥ 22,635	$ 169,512	$ —	$ —	$ 169,512
Total assets	¥ 22,635	¥ —	¥ —	¥ 22,635	$ 169,512	$ —	$ —	$ 169,512
Liabilities:								
Long-term borrowings	¥ —	¥ 44,599	¥ —	¥ 44,599	$ —	$ 334,000	$ —	$ 334,000
Total liabilities	¥ —	¥ 44,599	¥ —	¥ 44,599	$ —	$ 334,000	$ —	$ 334,000

	Millions of yen			
	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment securities				
Other securities				
Securities	¥ —	¥ —	¥ —	¥ —
Total assets	¥ —	¥ —	¥ —	¥ —
Liabilities:				
Derivatives				
Currencies	¥ —	¥ 56,090	¥ —	¥ 56,090
Total liabilities	¥ —	¥ 56,090	¥ —	¥ 56,090

(Note) Explanations for valuation means used for fair value measurement and explanations on inputs related thereto

(a) Investment securities

Listed shares of stock are valuated using quoted prices. Listed shares of stock are traded on active markets and classified into the level 1 fair value.

(b) Derivatives

They are measured at the discounted present value of the total amount of principal using observable inputs such as exchange rates and classified into the level 2 fair value.

(c) Long-term borrowings

They are measured at the discounted present value with observable input of the total amount of principal and interest discounted at a rate with expected remaining term and credit risk, and classified into the level 2 fair value.

20. DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into forward foreign exchange contracts and currency options with banks to hedge transactions and balances denominated in foreign currencies.

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.

(1) The notional amounts and estimated fair value of the derivative instruments outstanding as of March 31, 2023 and 2022, to which hedge accounting has not been applied, are summarized as follows:

			Millions of yen			Thousands of U.S. dollars		
			2023			2023		
			Notional amounts	Estimated fair value	Unrealized gains (losses)	Notional amounts	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 14,799	¥ (322)	¥ (322)	$ 110,829	$ (2,411)	$ (2,411)
		Euro	1,559	(21)	(21)	11,675	(157)	(157)

			Millions of yen		
			2022		
			Notional amounts	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:	Sell:	U.S. dollars	¥ 30,923	¥ (1,290)	¥ (1,290)
		Euro	775	(31)	(31)

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

(2) There were no derivative transactions to which hedge accounting has been applied as of March 31, 2023 and 2022.

(3) There were no derivative transactions regarding interest as of March 31, 2023 and 2022.

21. LEASES

As lessee:

The Company's future minimum lease payments subsequent to March 31, 2023 and 2022 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2023	2023
2023	¥ 1,869	$ 13,997
2024 and thereafter	3,854	28,862
	¥ 5,723	$ 42,859

	Millions of yen
Year ending March 31	2022
2022	¥ 2,381
2023 and thereafter	5,752
	¥ 8,134

As lessor:

Investment in lease assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Lease receivables	¥ 881	¥ 844	$ 6,598
Interest portion of lease receivables	(40)	(45)	(300)
Investment in lease assets	¥ 841	¥ 798	$ 6,298

The collection schedules of lease receivables as of March 31, 2023 and 2022 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2023	2023
2024	¥ 696	$ 5,212
2025	624	4,673
2026	551	4,126
2027	374	2,801
2028	159	1,191
2029 and thereafter	90	674
	¥ 2,498	$ 18,707

	Millions of yen
Year ending March 31	2022
2023	¥ 645
2024	520
2025	448
2026	374
2027	196
2028 and thereafter	105
	¥ 2,288

The Company's future minimum lease receivables subsequent to March 31, 2023 and 2022 for non-cancelable operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	2023	2023
2024	¥ 40	$ 300
2025 and thereafter	49	367
	¥ 89	$ 667

	Millions of yen
Year ending March 31	2022
2023	¥ 43
2024 and thereafter	53
	¥ 96

22. RELATED PARTY TRANSACTIONS

(1) Related-party transactions

The Company has related party transactions with directors. The corresponding balance as of March 31, 2023 and 2022, and the amounts of these transactions for the year then ended are summarized as follows:

Related Party	Transaction	Millions of yen 2023	Millions of yen 2022	Thousands of U.S. dollars 2023
Toshihiro Kuriyama	Disposal of treasury stock as restricted stock compensation	**¥ 16**	¥ 16	**$ 120**

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

(2) Notes on affiliates

Summarized consolidated financial information of significant affiliate is as follows:

ALPS LOGISTICS CO., LTD. is classified as a significant affiliated company for the year ended March 31, 2023. The affiliate's summarized consolidated financial statement for the year ended March 31, 2023 is as follows.

	Millions of yen 2023	Thousands of U.S. dollars 2023
Total Current assets	**¥ 49,534**	**$ 370,958**
Total Non-current assets	**47,749**	**357,590**
Total Current liabilities	**23,467**	**175,743**
Total Non-current liabilities	**11,558**	**86,557**
Total Net assets	**62,257**	**466,240**
Net sales	**91,260**	**683,442**
Income before income taxes	**6,186**	**46,327**
Net income attributable to owners of parent	**¥ 3,589**	**$ 26,878**

Note: From the end of the first quarterly period of the year ended March 31, 2023, ALPS LOGISTICS CO., LTD. is reclassified as affiliated company and the sales and incomes for the year ended March 31, 2023 are the figures for 9-month period.

NEUSOFT REACH AUTOMOTIVE TECHNOLOGY (SHANGHAI) CO., LTD. is reclassified as a significant affiliated company for the year ended March 31, 2023. The affiliate's summarized consolidated financial statement for the year ended March 31, 2023 is as follows.

	Millions of yen 2023	Thousands of U.S. dollars 2023
Total Current assets	**¥ 31,402**	**$ 235,168**
Total Non-current assets	**5,953**	**44,582**
Total Current liabilities	**27,801**	**208,200**
Total Non-current liabilities	**3,095**	**23,178**
Total Net assets	**6,458**	**48,364**
Net sales	**15,009**	**112,402**
Loss before income taxes	**(11,874)**	**(88,924)**
Net loss attributable to owners of parent	**¥ (12,145)**	**$ (90,953)**

23. OTHER COMPREHENSIVE INCOME

The following table presents reclassification adjustments as amounts reclassified to profit for the years ended March 31, 2023 and 2022, which were recognized in other comprehensive income for the years ended March 31, 2023 and 2022, and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2023 and 2022.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrealized gains (losses) on securities:			
Amount arising during the year	¥ 1,891	¥ 5,373	$ 14,162
Reclassification adjustments	648	(907)	4,853
Unealized gains (losses) on securities before tax effect	2,540	4,466	19,022
Tax effect	(999)	(714)	(7,481)
Unrealized gains (losses) on securities	1,540	3,752	11,533
Foreign currency translation adjustments:			
Amount arising during the year	9,202	24,306	68,913
Reclassification adjustments	(27)	5	(202)
Foreign currency translation adjustments before tax effect	9,174	24,312	68,704
Tax effect	—	—	—
Foreign currency translation adjustments	9,174	24,312	68,704
Remeasurements of defined benefit plans:			
Amount arising during the year	(4,596)	(2,328)	(34,419)
Reclassification adjustments	952	1,121	7,129
Remeasurements of defined benefit plans before tax effect	(3,643)	(1,206)	(27,282)
Tax effect	(4)	26	(30)
Remeasurements of defined benefit plans	(3,647)	(1,180)	(27,312)
Share of other comprehensive income of investments accounted for using the equity method:			
Amount arising during the year	(240)	—	(1,797)
Recassification adjustments	—	—	—
Share of other comprehensive income of investments accounted for using the equity method	(240)	—	(1,797)
Other comprehensive income	¥ 6,826	¥ 26,883	$ 51,120

24. STOCK OPTIONS

(1) There were no stock option expenses for the years ended March 31, 2023 and 2022.

(2) Outline of stock options and changes

Stock options of ALPS LOGISTICS CO., LTD. are not stated because it became an equity-method affiliate during the fiscal year ended March 31, 2023.

(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. Ninth 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 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	17,000 shares of common stock	19,000 shares of common stock	11,696 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 22, 2017
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 July 20, 2057

	ALPS ALPINE CO., LTD. Tenth Series of Stock Subscription Rights[*1]
Grantees	Total 9 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	10,880 shares of common stock[*3]
Grant date	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 21, 2018
Required service period	None
Exercise period	From January 1, 2019 to July 23, 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.

(ii) Movements in stock options (in shares) for the year ended March 31, 2023 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, 2022	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding as of March 31, 2023	—	—	—
Vested			
As of March 31, 2022	10,700	4,500	12,400
Vested	—	—	—
Exercised	2,100	1,000	1,500
Forfeited	—	—	—
Outstanding as of March 31, 2023	8,600	3,500	10,900

	ALPS ELECTRIC CO., LTD. Fourth Series of Stock Subscription Rights	ALPS ELECTRIC CO., LTD. Fifth Series of Stock Subscription Rights	ALPS ALPINE CO., LTD. Ninth Series of Stock Subscription Rights
Non-vested			
As of March 31, 2022	—	—	—
Granted	—	—	—
Forfeited	—	—	—
Vested	—	—	—
Outstanding as of March 31, 2023	—	—	—
Vested			
As of March 31, 2022	9,000	11,500	1,020
Vested	—	—	—
Exercised	1,100	1,200	1,020
Forfeited	—	—	—
Outstanding as of March 31, 2023	7,900	10,300	—

	ALPS ALPINE CO., LTD. Tenth Series of Stock Subscription Rights
Non-vested	
As of March 31, 2022	—
Granted	—
Forfeited	—
Vested	—
Outstanding as of March 31, 2023	—
Vested	
As of March 31, 2022	1,632
Vested	—
Exercised	816
Forfeited	—
Outstanding as of March 31, 2023	816

(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	¥ 1,441	¥ 1,441	¥ 1,441
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. Ninth Series of Stock Subscription Rights (*)
Exercise price	¥ 1 per share	¥ 1 per share	¥ 1 per share
Average stock price upon exercise	¥ 1,441	¥ 1,441	¥ 1,441
Fair value at grant date	¥ 3,053	¥ 2,944	¥ 1,604

	ALPS ALPINE CO., LTD. Tenth Series of Stock Subscription Rights (*)
Exercise price	¥ 1 per share
Average stock price upon exercise	¥ 1,441
Fair value at grant date	¥ 2,319

* Shares, exercise price and average stock price at exercise have been restated, as of the initial grant date of Alpine Electronics, Inc.

(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.

25. REVENUE RECOGNITION

1. Information on disaggregated revenue recognized arising from contracts with customers

Information on the revenue recognized arising from the contracts with customers is mentioned in "27 SEGMENT INFORMATION".

2. Basic information on revenue recognized arising from contracts with customers

Regarding the contracts with customers, the Group recognizes the revenue based on the following five step approach.

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

The basic information for understanding the revenue of the Group's main business is as follows.

(1) Component business and Sensor and Communication business

In the Component business, the Group manufactures and sells the electronic parts like switches, actuators, and haptics®, etc. In the Sensor and Communication business, the Group manufactures and sells the electronic parts like sensors and communication devices. Revenue is mainly recognized at the time of product delivery, since it is considered that control of the products is transferred to customers at the time of delivery and accordingly the performance obligations are satisfied.

The Group repairs and exchanges products when the Group is liable if a fault was found in the products sold. The Group does not recognize this type of warranty service as an independent performance obligation because this is not considered as additional warranty services, since it just provides a guarantee in accordance with the specification set in the contracts with customers. The Group does not have any material obligation of sales reversal, cash back, or similar.

Payment is mainly received within three months after the performance obligation is satisfied, and there are no significant financing components.

The transaction prices are calculated based on the promised prices in accordance with contracts with the customers. Furthermore, in case the transaction prices include a variable consideration, the transaction prices include those variable considerations only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. In transactions with customers for electric devices and automotive components in which price negotiations are regularly concluded, there are some cases in which the price negotiations have not been settled even after the usual time of price revision, or the temporary prices were applied to the revenue recognition because the negotiations for the prices of new products were ongoing. In such case, sales prices after the usual time of price revision or release of new products may be retroactively adjusted when the price negotiation has been finalized. For these transactions whose price negotiation has not yet been finalized at the end of fiscal year, the Group adjusts the revenue amounts with estimated prices based on the most likely amount method considering the status of the negotiation at the end of fiscal year. The Group has no material variable considerations other than above.

Sales in Component business and Sensor and Communication business consist of single performance obligations, and accordingly, there is no allocation of transaction prices to any other performance obligation.

(2) Module and System business

1) Manufacturing and sales of module and system products

In the business of module and system business, the Group mainly manufactures and sells the automotive module products, infotainment products, display products and automotive-audio products.

Revenue is mainly recognized at the time of product delivery, since it is considered that control of the products is transferred to customers at the time of delivery and accordingly the performance obligations are satisfied.

The Group repairs and exchanges the products when the Group is liable if a fault was found in the products sold. The Group does not recognize this type of warranty service as independent performance obligations, except for the additional warranty services as described in “2) Providing concomitant services,” because this is not considered as any additional warranty services, since it just provides a guarantee in accordance with the specification set in the contracts with customers. The Group does not have any material obligation of sales reversal, cash back, or similar.

Payment is mainly received within three months after the performance obligation is satisfied, there are no significant financing components.

The transaction prices are calculated based on the promised prices in accordance with contracts with the customers. Furthermore, in case the transaction prices include a variable consideration, the transaction prices include those variable considerations only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. In transactions with customers in which price negotiations are regularly concluded, there are some cases in which the price negotiations have not been settled even after the usual time of price revision, or the temporary prices were applied to the revenue recognition because the negotiations for the price of new products were not determined. In such case, sales prices after the usual time of price revision or release of new products may be retroactively adjusted when the price negotiation has been finalized. For these transactions whose price negotiation has not yet been finalized at the end of fiscal year, the Group adjusts the revenue amounts with estimated prices based on the most likely amount method considering the status of the negotiation at the end of fiscal year. The Group has no material variable considerations other than above.

Sales in the products of Module and System business consist of a single performance obligation, and accordingly, there is no allocation of transaction prices to any other performance obligation, except for the items mentioned in “2) Providing concomitant services”.

2) Providing concomitant services

For a part of the “Alpine” brand aftermarket business involving product sales transactions of the business, the Group provides a map updating service and additional warranty services to the car navigation systems concomitantly with the product sales (Hereafter, “Concomitant services”). Concomitant services are treated as separate performance obligations than the product sales. Therefore, the Group recognizes the revenue arising from the Concomitant services over the provision period in accordance with the satisfaction of performance obligation, since the customers gain the benefits over the provision period of Concomitant services. In addition, the Group recognizes contract liabilities when a payment is received from the customer, and derecognizes them in accordance with the recognition of revenue over the provision period of Concomitant services.

The Group receives payments in advance corresponding to the future benefits relating to Concomitant services at the time of product sales. However, as there is no material difference between cash sales price and the actual price, it is considered that there are no significant financing components, accordingly.

The transaction prices are calculated based on the promised prices in accordance with contracts with the customers, and accordingly, there are no material variable considerations.

The transaction price of product sales and Concomitant services are allocated to each performance obligation based on the ratio of the independent sales price. The independent price of Concomitant services is estimated based on expenses incurred. The transaction price on each performance obligation is calculated by proportion between the independent price of Concomitant services and that of the product sales price.

(3) Other business

The other business provides mainly system solutions, office services and logistic services, etc.

For providing system solutions or office services, the Group recognizes the revenue in these services over the provision period in accordance with the satisfaction of the performance obligation, since the customers gain the benefits over the provision period of these services. The Group recognizes contract liabilities when a payment is received from the customer and reverses them in accordance with the recognition of revenue over the provision period of services.

There is no material obligation of warranty, return, cash back or similar to provided services.

Payment is mainly received within two months after the performance obligation is satisfied. The Group may receive the payment in advance corresponding to the future benefits before providing services. There is no material difference between cash sales price and the actual price, and accordingly, it is considered that there are no significant financing components.

The transaction prices are calculated based on the promised prices in accordance with contracts with the customers, and accordingly, there is no material variable consideration.

The logistic service business mainly provides services such as transportation, storage, forwarding and distribution processing, etc. and sale of packaging materials. For the transportation services, the acceptance or delivery operations at warehouses, documentations for forwarding and distribution processing, the Group recognizes revenue at the time when the performance obligation is satisfied. For the services such as monthly storage and cargo handling whose performance obligations are satisfied over a certain period of time, revenues are recognized in accordance with the passage of time. For the sale of packaging materials etc., revenue is recognized at the time when the goods are delivered or when risks on the goods are transferred to customers, since it is considered that control of the products is transferred to customers at the time of delivery and accordingly the performance obligations are satisfied. In addition, for the performance obligation that involves arranging others to provide the goods to customers, revenue is recognized on a net basis as an agent.

The Group provides a warranty to the extent that the Group has an obligation for, if a loss, damage or fault occurs in providing transportation, storage services etc., and a quantitative or qualitative issue occurs in providing the goods. The Group does not recognize this type of warranty service as independent performance obligations because this is not considered as any additional warranty services, since the Group has an obligation to the extent of the transportation or storage contract with customers, or it provides a guarantee in accordance with the quantity and specification set in the contracts with customers. The Group does not have any material obligation of product return, cash back, or similar.

Payment is mainly received within three months after the performance obligation is satisfied, and there are no significant financing components.

The transaction prices are calculated based on the promised prices in accordance with contracts with the customers, and accordingly, there are no material variable considerations.

For the additional information, as of the end of the three months ended June 30, 2022, ALPS LOGISTICS CO., LTD. and its 25 subsidiaries have been included in the scope applying equity method and from the second quarter of the consolidated accounting period, the revenue details information is included in “Other” segment.

Revenue in the other business consists of a single performance obligation, and accordingly, there is no allocation of transaction prices to any other performance obligation.

3. Relationship between the satisfaction of fulfillment obligations based on the contract and cash flow, and the information on the estimated revenue amounts and terms expected to be recognized after the next fiscal year related to the ending balance of contracts with customers

(1) Receivables from contracts with customers and contract liabilities

Receivables from contracts with customers and contract liabilities are as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	**2023**
Receivables from contracts with customers, beginning of fiscal year	**¥ 156,482**	¥ 148,126	**$ 1,171,886**
Notes receivable	**5,637**	4,501	**42,215**
Accounts receivable	**150,845**	143,624	**1,129,671**
Receivables from contracts with customers, end of fiscal year	**176,921**	156,482	**1,324,953**
Notes receivable	**6,088**	5,637	**45,593**
Accounts receivable	**170,833**	150,845	**1,279,360**
Contract liabilities, beginning of fiscal year	**5,462**	4,926	**40,905**
Contract liabilities, end of fiscal year	**¥ 4,595**	¥ 5,462	**$ 34,412**

Notes and receivables except for receivables from contracts with customers are mainly concerning the financial and lease business. Since these amounts are immaterial those are included in receivables from contracts with customers.

The contract liabilities are mainly related to the Concomitant service in the module and system business and system solution services in the other business. For detailed information, refer to “2. Basic information on revenue recognized arising from contracts with customers”.

The Group has no transactions for which contract assets exist.

The amounts included in the beginning balances of contract liabilities were ¥2,081 million ($15,585 thousand) and ¥3,070 million for the years ended March 31, 2023 and 2022, respectively.

(2)Transaction prices allocated to remaining performance obligations

For the fiscal year ended March 31, 2023, total transaction prices allocated to other remaining performance obligations, and the expected period during which the revenue is recognized are as follows.

	Millions of yen	Thousands of U.S. dollars
Year ending March 31	**2023**	**2023**
2024	**¥ 1,947**	**$ 14,581**
2025	**1,355**	**10,148**
2026	**981**	**7,347**
2027 and thereafter	**311**	**2,329**
Total	**¥ 4,595**	**$ 34,412**

	Millions of yen
Year ending March 31	2022
2023	**¥ 2,087**
2024	**1,368**
2025	**1,069**
2026 and thereafter	**937**
Total	**¥ 5,462**

26. PER SHARE INFORMATION

Per share information as of and for the years ended March 31, 2023 and 2022 is as follows:

	Yen		U.S. dollars
	2023	2022	**2023**
Net assets per share	**¥ 1,937.47**	¥ 1,879.42	**$ 14.51**
Net income attributable to owners of parent per share			
Basic	**55.77**	110.82	**0.42**
Diluted	**55.76**	110.79	**0.42**

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
	2023	2022	**2023**
Total net assets	**¥ 399,782**	¥ 425,308	**$ 2,993,949**
Amounts deducted from total net assets:	**1,670**	35,882	**12,507**
Subscription rights	**105**	180	**786**
Non-controlling interests	**1,565**	35,701	**11,720**
Net assets attributable to common stock	**398,111**	389,426	**2,981,435**
Number of common stock used in calculation of net assets per share (Thousand)	**205,479**	207,205	**205,479**

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

	Millions of yen, except share data		Thousands of U.S. dollars, except share data
	2023	2022	2023
Earnings per share:			
Net income attributable to owners of parent	¥ 11,470	¥ 22,960	$ 85,898
Amounts not attributable to common shareholders	—	—	—
Net income attributable to owners of parent related to common stock	11,470	22,960	85,898
Average number of shares during the year (Thousand)	205,674	207,186	205,674
Diluted earnings per share:			
Adjustment to net income attributable to owners of parent	—	—	—
Increase in number of common stock (thousand)	43	52	43
Subscription rights to shares	43	52	43
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 Component Segment, Sensor and Communication Segment and Module and System Segment.

The Component Segment manufactures, and sells electronic components such as switches, actuators, and haptics®. The Sensor and Communication Segment manufactures, and sells electronic components of sensors and communication devices. The Module and System Segment manufactures, and sells components and products of in-vehicle modules, infotainment, displays and sound.

Change in reportable segments

The group has changed its three business segments: “Electronic Components Segment” and “Automotive Infotainment Segment” and “Logistics Segment” to three new business segments: “Component” and “Sensor and Communication” and “Module and System” from the current fiscal year.

Three years have passed since the business integration in 2019, the Company launched the 2nd Mid-Term Business Plan in April 2022, incorporating the integration of each business. Using this opportunity, the business segments have been changed to re-construct the business segments into the Component segment, aiming to maintain and expand the profitable base in the business segment, the Sensor and Communication segment, positioned as a growth area in the future, and the Module and System segment aiming to optimize the profitability by improving activities.

In addition, effective from the three months ended June 30, 2022, ALPS LOGISTICS CO., LTD. and its 25 subsidiaries were excluded from the scope of consolidation and included in, the net sales to external customers of ¥20,558 million ($153,958 thousand) until the date of exclusion, internal sales or transfers between segments of ¥9,347 million ($69,999 thousand) until the date of exclusion, and segment income of ¥1,873 million ($14,027 thousand) until the date of exclusion were included in “Other” category for the fiscal year ended March 31, 2023. Segment assets decreased ¥92,020 million ($689,134 thousand) compared to the end of the previous fiscal year.

The segment information for the previous fiscal is prepared using the revised classification method.

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, 2023 and 2022 is summarized as follows:

	Millions of yen							
	Reportable segments							
Year ended March 31, 2023	Component segment	Sensor and Communication segment	Module and System segment	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 4)
Net sales								
External customers (Note 5)	¥ 329,040	¥ 85,525	¥ 481,384	¥ 895,951	¥ 37,162	¥ 933,114	¥ —	¥ 933,114
Inter-segment sales and transfers	318	65	120	503	20,359	20,863	(20,863)	—
Total	329,358	85,591	481,505	896,455	57,522	953,977	(20,863)	933,114
Segment profit (loss)	38,322	(1,588)	(6,619)	30,114	3,603	33,718	(123)	33,595
Segment assets	170,937	52,292	274,062	497,292	47,747	545,039	191,957	736,997
Other items								
Depreciation and amortization	22,928	4,448	17,747	45,124	1,727	46,852	(16)	46,836
Increase in tangible and intangible fixed assets	20,916	6,295	22,169	49,381	1,498	50,880	(105)	50,774

	Millions of yen							
	Reportable segments							
Year ended March 31, 2022	Component segment	Sensor and Communication segment	Module and System segment	Total	Other (Note 1)	Total	Adjustments (Note 3)	Consolidated (Note 4)
Net sales								
External customers (Note 5)	¥ 262,275	¥ 79,986	¥ 368,624	¥ 710,886	¥ 91,968	¥ 802,854	¥ —	¥ 802,854
Inter-segment sales and transfers	582	146	284	1,014	45,561	46,575	(46,575)	—
Total	262,858	80,133	368,909	711,901	137,529	849,430	(46,575)	802,854
Segment profit (loss)	33,645	2,374	(8,300)	27,719	7,621	35,340	(132)	35,208
Segment assets	146,876	47,622	236,109	430,607	129,261	559,869	183,650	743,520
Other items								
Depreciation and amortization	23,840	5,354	12,142	41,337	4,361	45,699	6	45,705
Increase in tangible and intangible fixed assets	21,491	4,524	19,572	45,589	7,417	53,006	3	53,010

	Thousands of U.S. dollars							
	Reportable segments							
Year ended March 31, 2023	Component segment	Sensor and Communication segment	Module and System segment	Total	Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 4)
Net sales								
External customers (Note 5)	**$ 2,464,165**	**$ 640,493**	**$ 3,605,063**	**$ 6,709,736**	**$ 278,305**	**$ 6,988,048**	**$ —**	**$ 6,988,048**
Inter-segment sales and transfers	**2,381**	**487**	**899**	**3,767**	**152,468**	**156,242**	**(156,242)**	**—**
Total	**2,466,547**	**640,987**	**3,605,969**	**6,713,510**	**430,780**	**7,144,290**	**(156,242)**	**6,988,048**
Segment profit (loss)	**286,992**	**(11,892)**	**(49,569)**	**225,522**	**26,983**	**252,513**	**(921)**	**251,591**
Segment assets	**1,280,139**	**391,612**	**2,052,438**	**3,724,197**	**357,575**	**4,081,772**	**1,437,557**	**5,519,336**
Other items								
Depreciation and amortization	**171,707**	**33,311**	**132,906**	**337,932**	**12,933**	**350,872**	**(120)**	**350,753**
Increase in tangible and intangible fixed assets	**156,639**	**47,143**	**166,023**	**369,812**	**11,218**	**381,038**	**(786)**	**380,244**

Notes:

1. "Other" represents business segments not included in the reportable segments, and includes the development of systems, office services, financing and leasing businesses, logistics and so on.
2. The adjustments are as follows:
   (1) The adjustment of ¥ (123) million ($921 thousand) to segment profit (loss) represents reclassification adjustments upon consolidation and eliminations of inter-segment transactions.
   (2) The adjustment of ¥ 191,957 million ($1,437,557 thousand) to segment assets is breakdown of group assets ¥ 223,801 million ($1,676,035 thousand) and eliminations of inter-segment transactions of ¥ (31,844) million ($(238,478) thousand). The main group assets are the Company and some group company's surplus investments funds (Cash and deposits and securities), long-term investments funds (investments securities), land and so on. In accordance with the change of business segments, the aggregation method has been partially changed.
3. The adjustments are as follows:
   (1) The adjustment of ¥(132) million to segment profit(loss) represents reclassification adjustments upon consolidation and eliminations of inter-segment transactions.
   (2) The adjustment of ¥ 183,650 million to segment assets is breakdown of group assets ¥225,839 million and eliminations of inter-segment transactions of ¥(42,188) million. The main group assets are the Company and some group company's surplus investments funds (Cash and deposits and securities), long-term investments funds (investments securities), land and so on. In accordance with the change of business segments, the aggregation method has been partially changed.
4. Segment profit (loss) is reconciled to operating income of the consolidated financial statements.
5. Net sales to external customers include revenue recognized arising from contracts with customers and revenue recognized from other sources. In addition, the revenue recognized from other sources is mainly related to the financing and leasing business and its amount is not material.

Related information

1. Geographical information

(1) Net sales

Millions of yen					
Year ended March 31, 2023					
America	China	Korea	Japan	Other	Total
¥ 164,972	**¥ 160,238**	**¥ 138,015**	**¥ 108,594**	**¥ 361,293**	**¥ 933,114**

Millions of yen					
Year ended March 31, 2022					
Japan	China	Korea	America	Other	Total
¥ 144,537	¥ 144,128	¥ 113,309	¥ 113,217	¥ 287,662	¥ 802,854

Thousands of U.S. dollars					
Year ended March 31, 2023					
America	China	Korea	Japan	Other	Total
$ 1,235,468	**$ 1,200,015**	**$ 1,033,588**	**$ 813,255**	**$ 2,705,707**	**$ 6,988,048**

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

(2) Property, plant and equipment

Millions of yen			
As of March 31, 2023			
Japan	China	Other	Total
¥ 82,177	**¥ 38,929**	**¥ 37,438**	**¥ 158,545**

Millions of yen			
As of March 31, 2022			
Japan	China	Other	Total
¥ 104,752	¥ 45,184	¥ 41,323	¥ 191,260

Thousands of U.S. dollars			
As of March 31, 2023			
Japan	China	Other	Total
$ 615,420	**$ 291,537**	**$ 280,371**	**$ 1,187,336**

2. Information on major customers

Millions of yen		
Year ended March 31, 2023		
Name of the customer	Net sales	Related segment
LG Innotek Co., Ltd.	**¥ 113,330**	**Component segment**

Thousands of U.S. dollars		
Year ended March 31, 2023		
Name of the customer	Net sales	Related segment
LG Innotek Co., Ltd.	**$ 848,723**	**Component segment**

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, 2022.

Amortization of goodwill unamortized balance by reportable segment

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

Gain on negative goodwill by reportable segment

There are no items to report.

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, 2023 and 2022 was summarized as follows:

Millions of yen					
Year ended March 31, 2023					
Component Segment	Sensor and Communication Segment	Module and System Segment	Other	Eliminations	Total
¥ 1,648	**¥ 24**	**¥ 3,927**	**¥—**	**¥ 0**	**¥ 5,600**

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

Millions of yen					
Year ended March 31, 2022					
Component Segment	Sensor and Communication Segment	Module and System Segment	Other	Eliminations	Total
¥ 1,765	¥ 30	¥ 0	¥—	¥ 325	¥ 2,121

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

Thousands of U.S. dollars					
Year ended March 31, 2023					
Component Segment	Sensor and Communication Segment	Module and System Segment	Other	Eliminations	Total
$ 12,342	**$ 180**	**$ 29,409**	**$—**	**$ 0**	**$ 41,938**

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, 2023, and the consolidated statements 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, 2023, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of fixed assets related to the automotive module business in the Module and Systems segment

Description of Key Audit Matter	**Auditor's Response**
As described in Note 15, "Impairment Losses on Fixed Assets," ALPS ALPINE CO., LTD. (the Company) decided to withdraw from some unprofitable businesses in the automotive module business in the Module Systems segment in the fiscal year ended March 31, 2023. The Company determined that this business is the smallest identifiable group of assets that generates largely independent cash flows, changed the asset grouping, and recorded impairment loss of ¥3,877 million. In addition, as described in Note 3, "Significant Accounting Estimates," the Company identified an indication of impairment in an asset group with a book value of ¥31,520 million as at March 31, 2023 related to the automotive module business other than the aforementioned unprofitable businesses as there is the potential for consecutive losses to arise from operating activities. Specifically, amidst a business environment characterized by a protracted rise in costs of components and continuous inflation, loss is expected to continue to arise from operating activities if, for example, there is a delay in passing on these costs to customers, costs are not sufficiently passed on to customers, or target cost improvements are not achieved. Although there was also an indication of impairment for the automotive module business other than the aforementioned unprofitable businesses, the Company did not recognize an impairment loss because the total undiscounted future cash flows from the asset group exceeded its book value in determining whether impairment loss recognition was necessary. The estimates of future cash flows resulting from the continued use of the asset group are based on future business plans for the automotive module business. Significant assumptions in the estimates of future cash flows are the order forecasts and the marginal profit ratio on which the business plans are based, as described in Note 3, "Significant Accounting Estimates." Order forecasts involve uncertainty about the Company's ability to secure orders in the future. Further, the marginal profit ratio involves uncertainty about progress in	We mainly performed the following audit procedures to assess the change in asset group and the estimates of the total undiscounted future cash flows used in determining whether to recognize impairment losses on fixed assets related to the automotive module business in the Module and Systems segment. ・ We considered the asset grouping unit by discussing with management the plan for withdrawing from some unprofitable businesses in the automotive module business and inspecting minutes of Board of Directors meetings and relevant documentation related to the decision-making process for the withdrawal from these businesses. ・ We considered the adequacy of estimated periods of future cash flows by comparing them with the remaining useful lives of machinery and equipment that are the Company's major assets. ・ We considered the consistency of future cash flows with business plans approved by the Board of Directors. ・ We compared the business plans for prior years with actual results to evaluate the effectiveness of the estimation process that management uses in formulating business plans. ・ We considered the basis for order forecasts by discussing the order forecasts with management and reconciling them with order sheets from customers. Additionally, we inspected production forecast reports for each vehicle model prepared by external organizations and considered the consistency of order forecasts with these reports.

Building a better working world

achieving the variable cost ratio set out in business plans that incorporate measures such as sales price negotiations with customers and passing on costs to customers in light of the factors that resulted in the Company recording an operating loss in this business for the fiscal year ended March 31, 2023. Accordingly, given that the significant assumptions underlying the change in asset group and estimates of future cash flows require management's judgment, we have determined that this is a key audit matter.	• We evaluated the marginal profit ratio by comparing sales prices with the latest actual sales prices, which include the effects of discounts, and with conditions set forth in contracts with customers. Furthermore, we divided the variable cost ratio into the material cost ratio, processing cost ratio, distribution cost ratio, and other variable cost ratios, analyzed the trends in each cost ratio category based on actual results, discussed with management progress in achieving the objectives of initially developed measures such as those to pass on costs to customers, and considered the consistency between the results of these procedures and the estimate of the future variable cost ratio. • We assessed the reasonableness of management's estimate, which is based on order forecasts and the marginal profit ratio, by comparing it with an estimate of future cash flows based on our own alternative assumptions in consideration of the impact of future uncertainty.

<table>
<tr><td colspan="2">Impairment of fixed assets related to the information communicating equipment business in the Module and Systems segment</td></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>As described in Note 3, "Significant Accounting Estimates," the Company identified an indication of impairment in an asset group with a book value of ¥21,468 million as at March 31, 2023 related to the information communicating equipment business in the Module and Systems segment as a result of consecutive losses arising from operating activities. Specifically, the Company recorded operating losses due to factors such as delays in passing on costs to customers and failure to sufficiently pass on costs to customers amidst a business environment characterized by a protracted rise in costs of components and continuous inflation, as well as a temporary decline in production volume resulting from decreased utilization of Chinese factories caused by the spread of the COVID-19 pandemic in China.
Although there was an indication that the business may be impaired, the Company did not recognize an impairment loss because the total undiscounted future cash flows from the asset group exceeded its book value in determining whether impairment loss recognition was necessary.
The estimates of future cash flows resulting from the continued use of the asset group are based on future business plans for the information communicating equipment business. Significant assumptions in the estimates of future cash flows are the order forecasts and the marginal profit ratio on which the business plans are based, as described in Note 3 "Significant Accounting Estimates." Regarding order forecasts, the Company's ability to secure orders significantly affects future cash flows since the order amount for each model is large. In addition, regarding long-term order forecasts in particular, such forecasts include order forecasts for next-generation models that will be sold after the current models of original products for OEM manufacturers are discontinued, and thus involve uncertainty about the Company's ability to secure orders. Further, the marginal profit ratio involves uncertainty about sales price negotiations with customers and progress in achieving the variable cost ratio set out in business plans in light of the aforementioned factors that resulted in the Company recording an operating loss for the fiscal year ended March 31, 2023.
Accordingly, given that these significant assumptions require management's judgment, we have determined that this is a key audit matter.</td><td>We mainly performed the following audit procedures to assess the estimates of the total undiscounted future cash flows used in determining whether to recognize impairment losses on fixed assets related to the information communicating equipment business in the Module and Systems segment.
• We considered the adequacy of estimated periods of future cash flows by comparing them with the remaining useful lives of machinery and equipment that are the major assets held by the Company.
• We considered the consistency of future cash flows with business plans approved by the Board of Directors.
• We compared the business plans for prior years with actual results to evaluate the effectiveness of the estimation process that management uses in formulating business plans.
• We considered the basis for order forecasts by discussing the order forecasts with management and reconciling them with order sheets from customers. Additionally, we inspected production forecast reports for each vehicle model and reports on the semiconductor supply outlook prepared by external organizations, discussed with management specific models of products and future actions relating to OEM products for major automobile manufacturers, and considered the consistency of order forecasts with such reports and discussions with management. Further, we considered that long-term order forecasts reflect progress made in achieving order targets projected in past order forecasts.
• We evaluated the marginal profit ratio by comparing sales prices with the latest actual sales prices, which include the effects of discounts, and with conditions set forth in contracts with customers. Furthermore, we divided the variable cost ratio into the material cost ratio, processing cost ratio, distribution cost ratio, and other variable cost ratios, analyzed the trends in each cost ratio category based on actual results, discussed with management progress in achieving the objectives of initially developed measures such as those to pass on costs to customers, and considered the consistency between the results of these procedures and the estimate of the future variable cost ratio.
• We assessed the reasonableness of management's estimate, which is based on order forecasts and the marginal profit ratio, by comparing it with an estimate of future cash flows based on our own alternative assumptions in consideration of the impact of future uncertainty.</td></tr>
</table>

Recoverability of deferred tax assets of the parent company	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 3, "Significant Accounting Estimates," the parent company recorded deferred tax assets of ¥2,724 million as at March 31, 2023. The amount of tax loss carryforwards is significant due to the parent company recording tax losses in consecutive years. The Company determined the recoverability of deferred tax assets for deductible temporary differences and tax loss carryforwards by estimating taxable income for the following fiscal year based on future profitability. The estimates of future taxable income are based on the business plans for the following year in the reportable segments. These business plans include significant assumptions such as sales forecasts and operating profit ratios for each business. Since transactions with overseas consolidated subsidiaries account for a significant portion of the parent company's business, the profitability of the parent company is affected by transaction prices between group companies under transfer pricing taxation. Therefore, transaction prices between group companies are also a significant assumption. Sales forecasts and operating profit ratios, which are significant assumptions underlying determinations of the recoverability of deferred tax assets, involve uncertainty about trends in orders received from major customers in each business and progress in achieving the variable cost ratio set out in business plans. Further, transaction prices between group companies involve uncertainty about the Company's policy for setting prices in consideration of transfer pricing taxation in each country. Accordingly, given that these significant assumptions included in future business plans involve uncertainty and require management's judgment, we have determined that this is a key audit matter.	We mainly performed the following audit procedures to assess the recoverability of deferred tax assets of the parent company. ・ We compared the business plans for prior years with actual results to evaluate the effectiveness of the estimation process that management uses in formulating business plans. ・ We discussed the sales forecasts for each business with management and, for major products, we evaluated the consistency of sales forecasts with production plans based on forecasts of orders from customers or with order sheets from customers. Additionally, we inspected production forecast reports for final products manufactured by customers prepared by external organizations and considered the consistency of sales forecasts with these reports. ・ To consider the operating profit of the parent company in proportion to that of the entire group, we assessed the operating profit ratio of the entire group for each business by analyzing historical trends and compared the results of this analysis with the future operating profit ratio in business plans. In addition, we performed correlation analysis of the operating profit ratio between the parent company and the consolidated subsidiaries. ・ We involved tax specialists from our network firm to assess how transaction prices between group companies have been determined.

Other Information

The other information comprises the information included in the INTEGRATED REPORT that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 is 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 consolidated 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.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 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

September 29, 2023

Ichiro Tajima
Designated Engagement Partner
Certified Public Accountant

Mamoru Wakino
Designated Engagement Partner
Certified Public Accountant