

Financial year ending March 31, 2024
Results Briefing FY2023 3Q

Tuesday, January 30, 2024

ALPSALPINE CO., LTD.

ALPSALPINE
Perfecting the Art of Electronics

- 1 FY2023 3Q Financial Results**
- 2 FY2023 Financial Results Forecast**
- 3 Cancellation of the 2nd Mid-Term Business Plan
- Transition to Management Structure Reform**
- 4 Reference Data**

FY2023 3QTR Settlement of Accounts

- **Net sales increased and income decreased** compared with the same period of the previous year.
- Sales of automotive products were strong, but sales of products for smartphones decreased, and operating income declined due to start-up costs for new module products.

Impairment loss on business fixed assets 35.3 billion yen

- Products subject to impairment loss : **Module product line** (Module and System Segment)
:Products for the automotive market (Sensor and Communication Segment)
- Reasons : Prolonged increase in new product launch costs and delay in improving profitability of the module product lineup
- Response : **Early return to profitability by downsizing and convergence of unprofitable products.**

Revision of full-year earnings forecast for the fiscal year ending March 31, 2024

- **Downward** revision of operating income, ordinary income, and net income attributable to owners of the parent.

Return to shareholders : Revision of year-end dividend forecast (reduced dividend)

- 20 yen/share → **10 yen/share** due to full-year earnings revision and impairment loss.

Reset of the 2nd Mid-Term Business Plan

- Revision of the 2nd Mid-Term Business Plan to **drastic management restructuring in FY2024**, the final year of the plan.

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Financial year ending March 31, 2024

3Q Consolidated cumulative period result

【Net Sales】 Increased due to yen depreciation, steady automobile production and contribution of new products for the automotive market

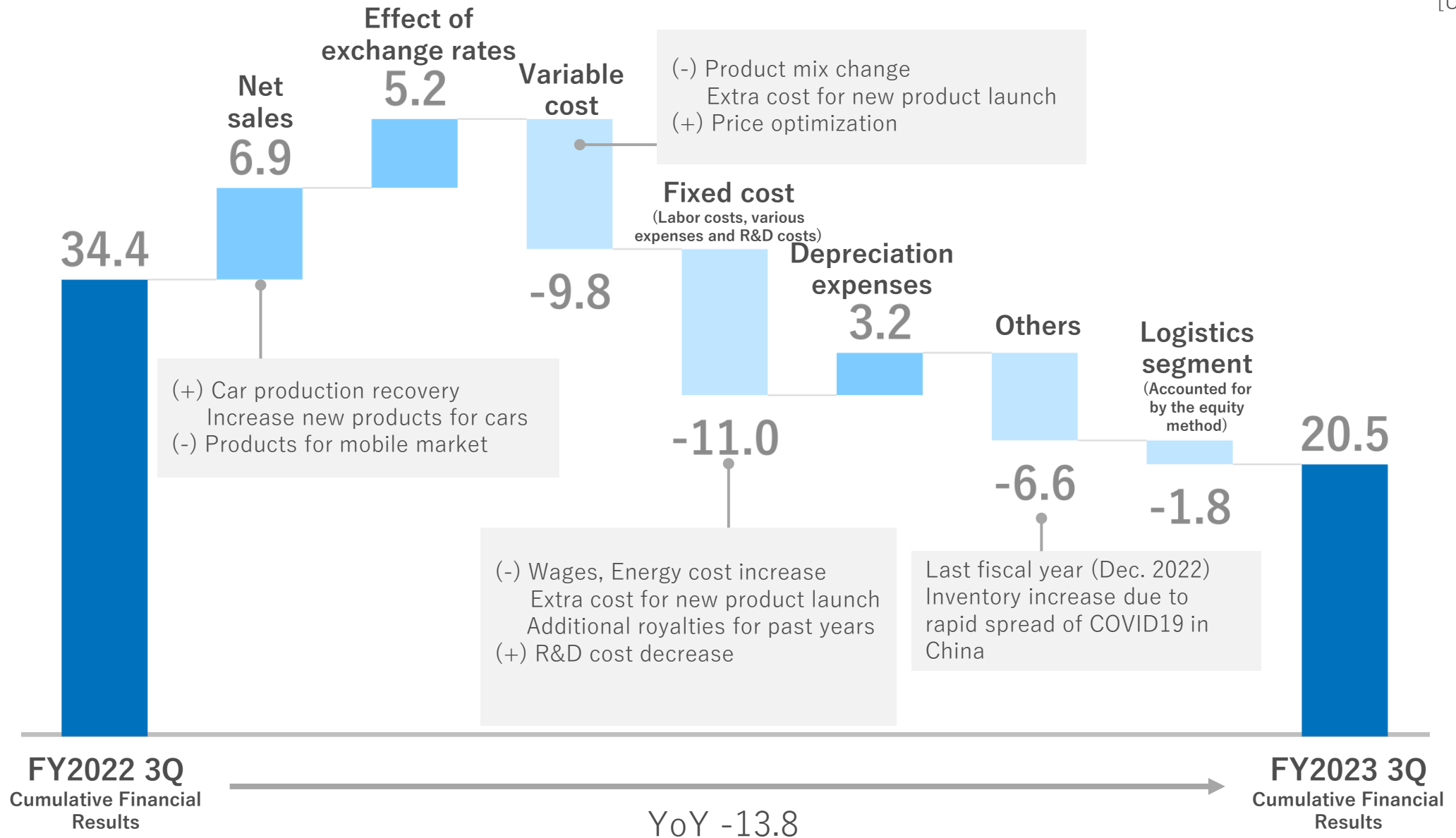
[Unit: ¥ billion]

【Operating Income】 Deterioration due to change in composition of products for the mobile market, new product launches of modules for Europe decreased due to failure to achieve yield and other factors.

	FY2022 3Q Results(Cumulative)	FY2023 3Q Results(Cumulative)	YoY	Exchange rate impact
Net Sales	700.6 100.0%	735.3 100.0%	+34.7 +5.0%	+26.7
Operating Income	34.4 4.9%	20.5 2.8%	-13.8 -40.2%	+5.1
Ordinary Income	36.6 5.2%	23.9 3.3%	-12.7 -34.8%	
Profit Attributable to Owners of Parent	21.1 3.0%	-20.3 -2.8%	-41.5 -196.5%	Module & System segment (including some products for the automotive market in the Sensors and Communications segment) Impairment loss of 35.3 billion yen on fixed assets for business use
USD / JPY	136.51	143.29	+6.78	
EUR / JPY	140.59	155.29	+14.70	
CNY / JPY	19.88	19.98	+0.10	

Factors behind Increase/Decrease in Operating Income

[Unit: ¥ billion]



Net Sales and Operating Income by Segment

[Unit: ¥ billion]

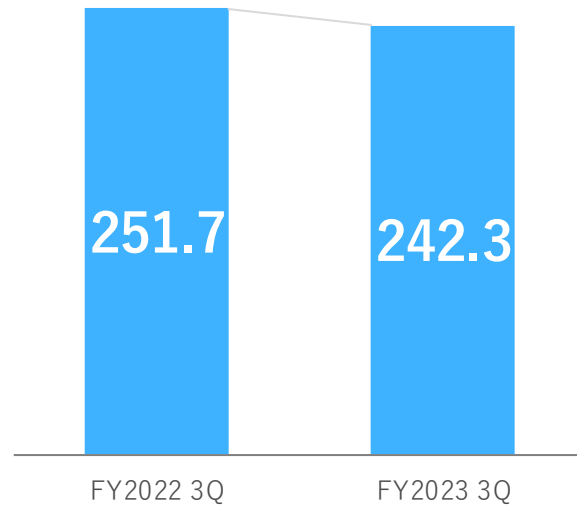
Net Sales	FY2022 3Q Results (Cumulative)	FY2023 3Q Results (Cumulative)	YoY	
Component	251.7	242.3	-9.4	-4%
Sensor & Communication	66.1	62.4	-3.7	-6%
Module & System	350.1	416.0	+65.8	19%
Others	32.6	14.6	-17.9	
Total	700.6	735.3	+34.7	5%

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

Operating Income	FY2022 3Q Results (Cumulative)	FY2023 3Q Results (Cumulative)	YoY	
Component	35.5 14.1%	19.6 8.1%	-15.8	-45%
Sensor & Communication	0.8 1.4%	-1.1 -1.8%	-2.0	-
Module & System	-5.1 -1.5%	0.7 0.2%	+5.8	-
Others / Eliminations	3.0	1.3	-1.7	
Total	34.4 4.9%	20.5 2.8%	-13.8	-40%

Component Segment

Net sales

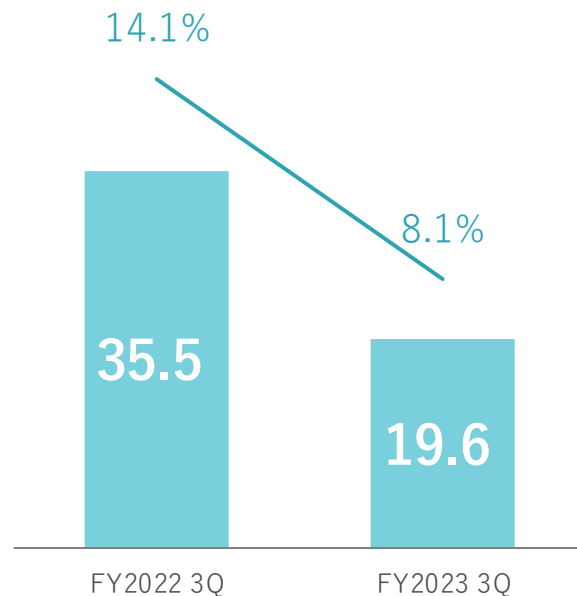


242.3 billion yen (YoY -9.4 billion yen)

[Unit: ¥ billion]

(－)	Decreased in products for mobile market	-21.0
(－)	Decreased in products for consumer market	-1.2
(＋)	Increased in products for automotive market	+1.9
(＋)	Weaker yen exchange rate	+10.9

Operating income



19.6 billion yen (YoY -15.8 billion yen)

Operating margin: 8.1%

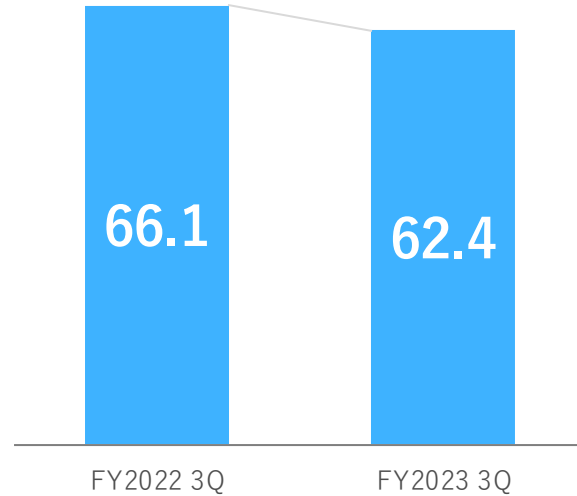
(－)	Change in the product mix	-13.5
(－)	Decreased in net sales	-7.3
(＋)	Decreased in depreciation expenses	+3.2
(＋)	Weaker yen exchange rate	+5.1

Sensor & Communication Segment

Net sales

62.4 billion yen (YoY -3.7 billion yen)

[Unit: ¥ billion]

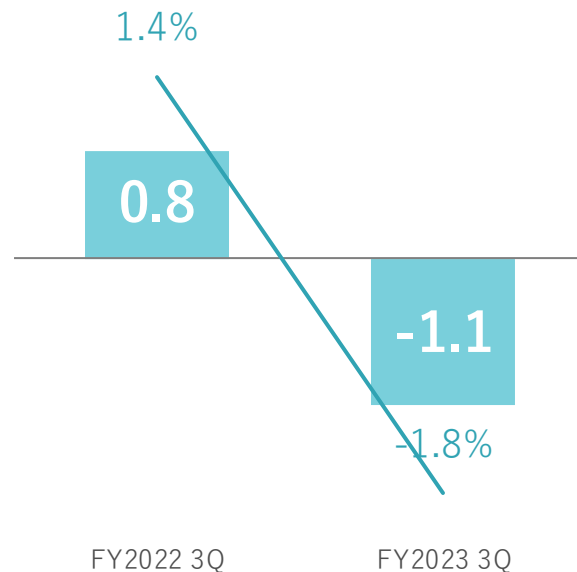


(－)	Product replacement for mobile market	-4.9
(－)	Products for consumer and other markets	-2.1
(＋)	Products for automotive use	+1.4
(＋)	Weaker yen exchange rate	+1.9

Operating income

-1.1 billion yen (YoY -2.0 billion yen)

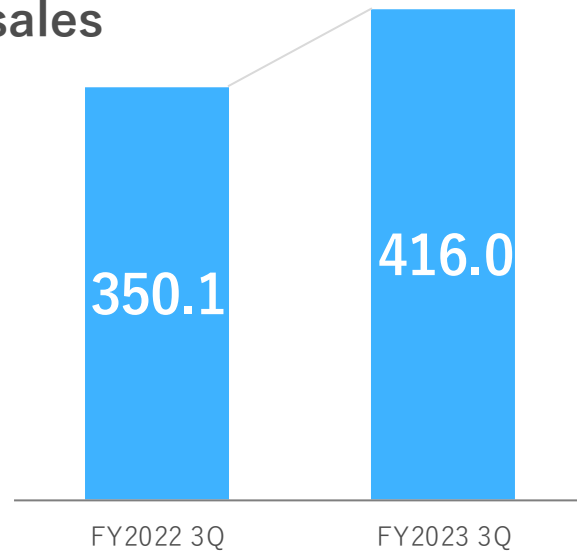
Operating margin: -1.8%



(－)	Decreased in sales of products for mobile market	-1.6
(－)	Increased in R&D expenses as advanced investment	-0.9

Module & System Segment

Net sales

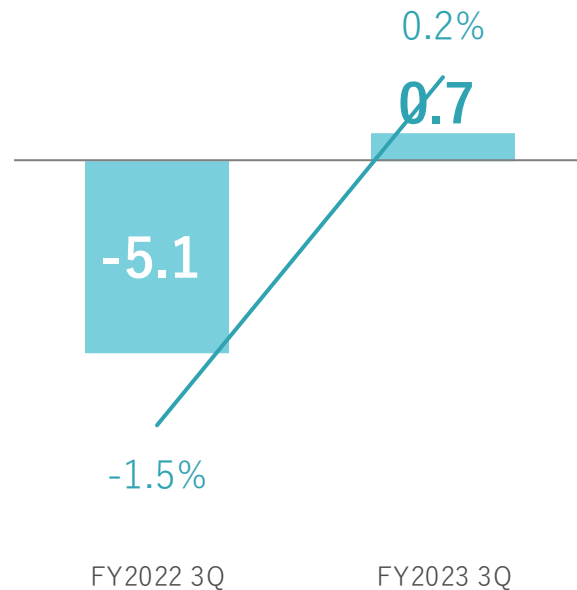


416.0 billion yen (YoY +65.8 billion yen)

[Unit: ¥ billion]

- (+) Recovery of car production and sales increased by new product +51.8
- (+) Weaker yen exchange rate +14.0

Operating income



0.7 billion yen (YoY +5.8 billion yen)

Operating margin: 0.2%

- (+) Sales increase +10.5
- (+) Progress of price optimization in response to material cost increase +9.2
- (-) Fixed cost increase (wages, energy cost) -6.1
- (-) Increase of new module product launch cost for EU -6.1
- (-) Additional royalties for past years on system products (1H) -2.0

Net Sales and Operating Income by Segment [QOQ]

[Unit: ¥ billion]

Net Sales	FY2023 2Q Results	FY2023 3Q Results	QOQ	
Component	88.9	91.8	+2.8	3%
Sensor & Communication	20.8	21.6	+0.8	4%
Module & System	141.7	141.6	-0.1	0%
Others	4.9	5.1	+0.2	
Total	256.5	260.3	+3.8	2%

Factors impacting operating income

Component Segment

- (+) Sales increase for automotive market
- (-) Change in product mix
- (-) Sales decrease for amusement market

Sensor & Communication Segment

- (+) Sales increase for automotive market

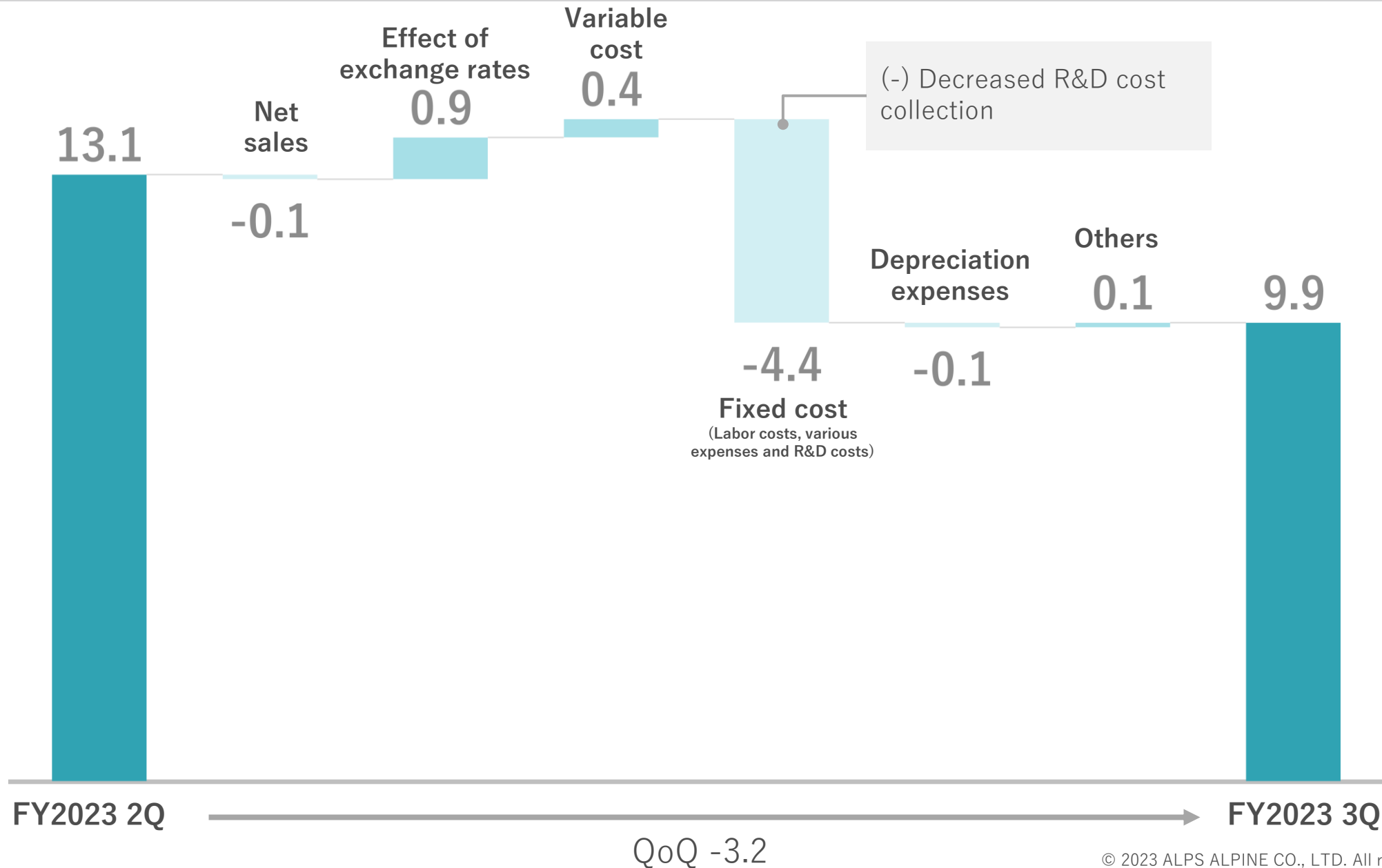
Module & System Segment

- (+) Price optimization
- (-) Decreased R&D cost collection

Operating Income	FY2023 2Q Results	FY2023 3Q Results	QOQ	
Component	9.1 10.3%	8.8 9.7%	-0.3	-3%
Sensor & Communication	0.0 -0.3%	0.3 1.8%	+0.4	-
Module & System	3.5 2.5%	0.1 0.1%	-3.3	
Others / Eliminations	0.5	0.4	-0.0	
Total	13.1 5.1%	9.9 3.8%	-3.2	

Factors for Increase/Decrease in Operating Income [QoQ]

[Unit: ¥ billion]



Consolidated Balance Sheet

Decrease in property, plant and equipment and equity due to impairment of fixed assets for business use in the Module and System Segment.

[Unit: ¥ billion]

	Mar.2023	Dec.2023	Change
Cash and deposits	84.1	96.2	12.1
Notes and accounts receivable - trade	176.9	171.8	-5.0
Inventories	165.4	168.4	2.9
Total Current Assets	466.5	472.3	5.8
Property, plant and equipment	158.5	132.6	-25.8
Intangible assets	26.4	26.4	-0.0
Investment and other assets	85.4	93.5	8.1
Total Non-current Assets	270.4	252.6	-17.8
Total Assets	736.9	725.0	-11.9

	Mar.2023	Dec.2023	Change
Equity ratio	54.0%	52.6%	-1.4pt

	Mar.2023	Dec.2023	Change
Notes and accounts payable	98.5	98.5	0.0
Short-term loans payable	77.2	73.3	-3.8
Total Current Liabilities	264.5	264.2	-0.3
Long-term loans payable	44.7	45.5	0.7
Total Non-current Liabilities	72.6	77.5	4.8
Total Liabilities	337.2	341.7	4.5
Shareholders' equity	356.7	328.2	-28.4
Total accumulated other comprehensive income	41.3	53.4	12.0
(Net worth)	398.1	381.6	-16.4
Subscription rights to shares	0.1	0.0	-0.0
Non-controlling interests	1.5	1.5	0.0
Total Net Assets	399.7	383.3	-16.4
Total Liabilities and Net Assets	736.9	725.0	-11.9

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Progress of Business Environment Forecast for 2nd Half (Operating Income Impact)

Component Segment

Change in product mix of smartphone products for mobile market, Intensifying price competition.

Decrease in sales due to sluggish market conditions in the digital consumer electronics and consumer electronics markets.

Module & System Segment

Continuation of abnormal cost due to yield failure in production start-up of new module products.

Decrease in sales due to the end of deliveries of products to some customers.

Decrease in sales due to sluggish new car sales market in China and the impact of struggling foreign brands.

Financial Results Forecast for Fiscal year ending March 31, 2024

[Unit: ¥ billion]

Exchange rates of USD=¥145, EUR=¥156, and RMB=¥20 for the fourth quarter.

		FY2023					FY2023
		1H/Results	2H/Forecast	3Q/Results	4Q/Forecast	Full Year/Forecast	Full Year/Forecast As of Oct.30
Net Sales	Component	150.4	149.6	91.8	57.6	300.0	304.0
	Sensor & Communication	40.7	42.3	21.6	20.5	83.0	81.0
	Module & System	274.3	279.7	141.6	137.9	554.0	555.0
	Others	9.4	10.6	5.1	5.3	20.0	20.0
	Total	475.0	482.0	260.3	221.6	957.0	960.0
Operating Income	Component	10.7 7.1%	7.6 5.1%	8.8 9.7%	-1.1 -2.0%	18.3 6.1%	27.0 8.9%
	Sensor & Communication	-1.4 -3.7%	-0.3 -0.7%	0.3 1.8%	-0.6 -2.9%	-1.7 -2.0%	0.0 0.0%
	Module & System	0.5 0.2%	-2.1 -0.8%	0.1 0.1%	-2.3 -1.7%	-1.6 -0.3%	4.0 0.7%
	Others / Eliminations	0.8	0.7	0.4	0.1	1.5	1.5
	Total	10.6 2.2%	5.9 1.2%	9.9 3.8%	-4.0 -1.8%	16.5 1.7%	32.5 3.4%
Ordinary Income		16.9 3.6%	0.6 0.1%	6.9 2.7%	-6.4 -2.9%	17.5 1.8%	33.5 3.5%
Profit Attributable to Owners of Parent		6.7 1.4%	-41.7 -8.7%	-27.0 -10.4%	-14.6 -6.6%	-35.0 -3.7%	20.0 2.1%
Exchange rate	USD / JPY	141.00	146.45	147.89	145.00	143.72	140.50

Revision of Dividend Forecast (Dividend Reduction)

Shareholder Return Policy

Emphasis on "stable dividend" to "stable dividend + performance-linked dividend"

A large standard of 25% or 20 yen per year for a single year

Total return of 35% over 3 years (average)

Revision of dividend forecast per share

Year-end dividend 20 yen → 10 yen (scheduled to be paid in late June 2024)

*The year-end dividend is a forecast at this time and will be proposed at the annual general meeting of shareholders to be held in June 2024.

*The schedule for the fiscal year ending March 31, 2025 will be announced in the financial results for the fiscal year ending March 31, 2024.

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Recognition of current status

1st Mid-Term Plan Summary

- **Execute management structure reforms**
Achieved cost synergies centered on fixed and variable costs, organization, and system integration through business integration
- Business portfolio and business structure largely unchanged

2nd Mid-term Plan Policies and Targets

- The company aims to achieve an operating margin of 8% and ROE of 10% through sales expansion, while continuing cost structure reforms and improving the quality of its business portfolio and business structure.

Current Status Structural Issues

■ Portfolio

Modules and Systems

- Aiming at sales expansion in module products, sales of **low-margin models increased**
- **Yield target and planning cost were not achieved** due to the introduction of new models, **and supply responsibility was prioritized**

Components

- **Sales of low value-added products** not based on core technologies **increased** to maintain scale

■ Cost Structure

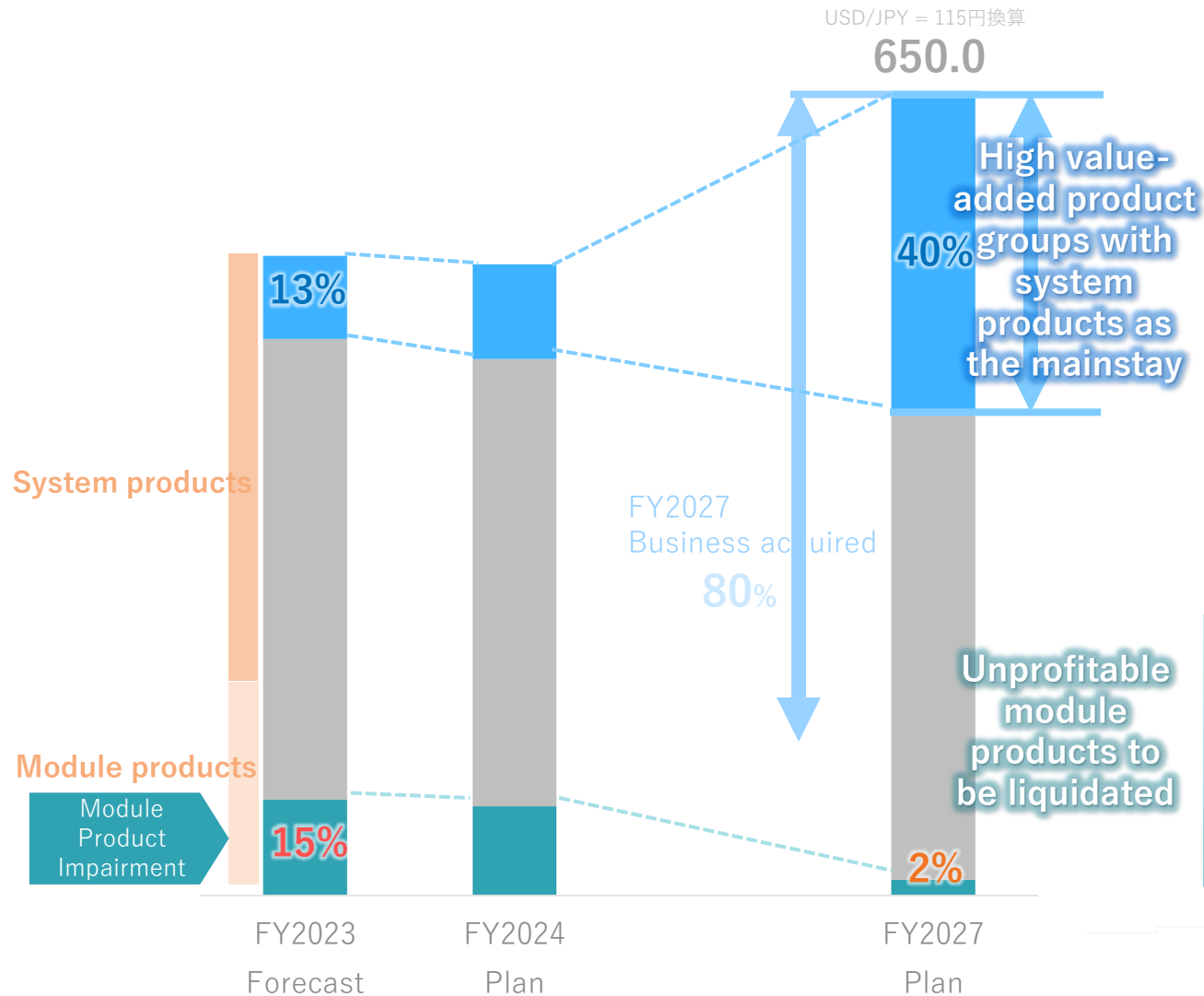
Fixed costs increase in response to the increase in scale

→ "Busy without profit" with no improvement in profitability

Losses widened due to weak launch outlook and management-led delays in determining the end of unprofitable products.

Future Direction of Module and System Segment

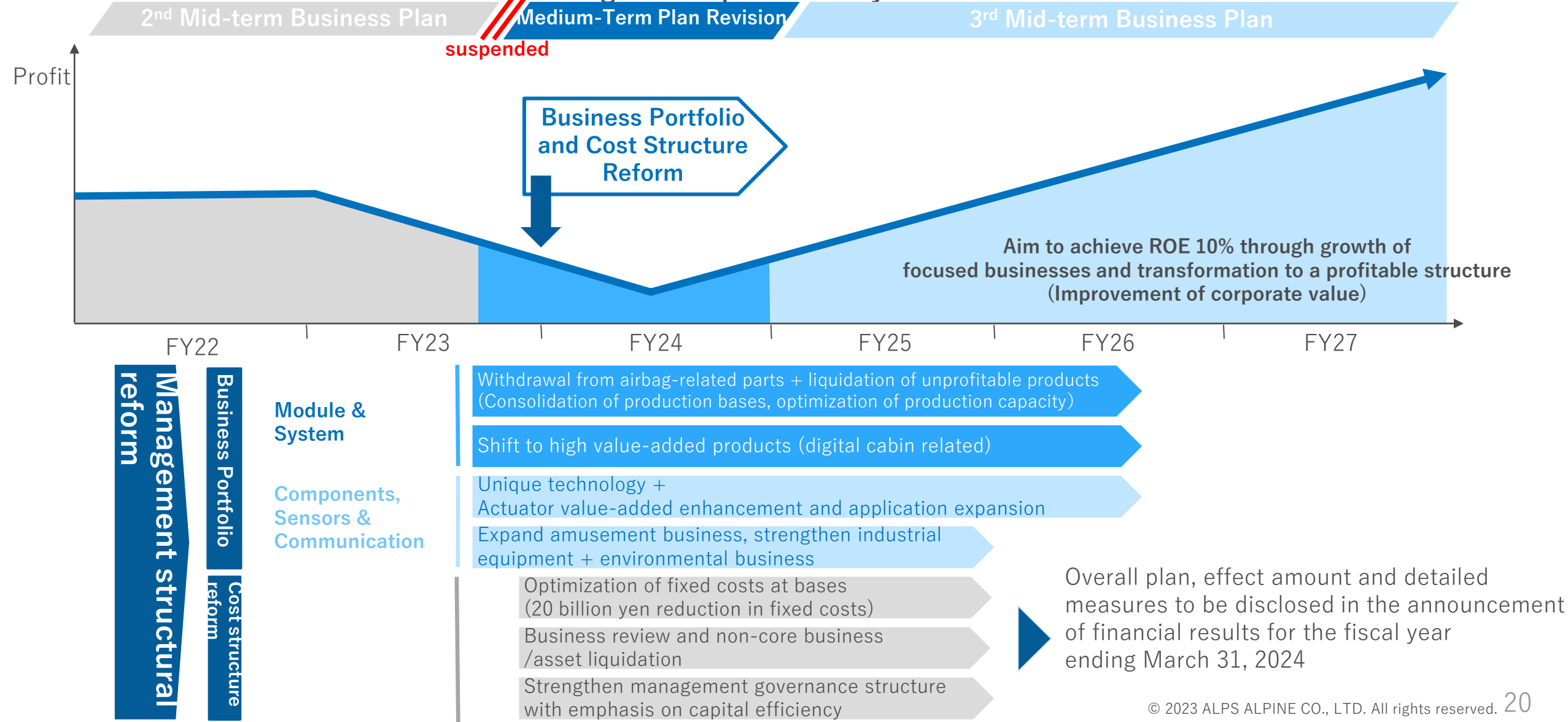
[Unit: ¥ billion]



- High value-added products
Expanding shift to "digital cabins (including software and services)
- Accelerating consolidation of production sites from multiple production sites
- Reducing fixed costs by utilizing EMS
- Improvement of yield rate of new products for Europe
- Withdrawal of airbag-related parts
- Termination of unprofitable products/price correction
- Impairment of unprofitable module business facilities and assets

Management structural reform

The 2nd Mid-Term Plan will be suspended, and the period will be used for management structural reform, with the aim of achieving a V-shaped recovery under the 3rd Mid-Term Plan.

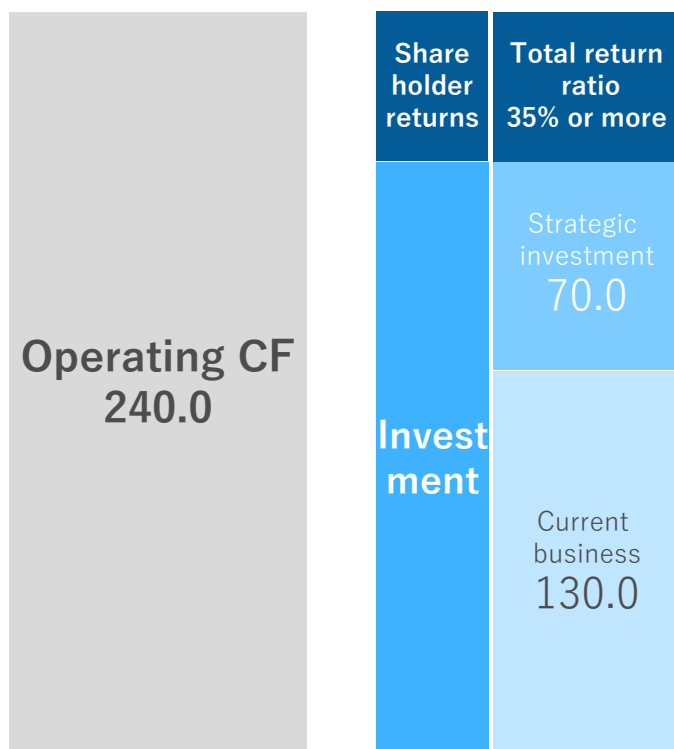


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Direction of Measures based on Capital Policy

[Three-year cumulative total for FY2022-2024]

When 2nd Mid-term Business Plan
was formulated



Assumptions at this point

Secure financing

Operating CF



Revise plan to accelerate corporate value enhancement
(~May 2024)

Secure optimal financing

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

Active shareholder returns

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

Implement growth investment in priority domains

- Accelerate growth including M&A

Execute investment efficiency decisions based on ROIC management

Management system improvements to achieve

Preparation of Activities for ROIC Management (Progress)

1. Determine Alps Alpine's version of ROIC calculation method
2. Trial for Component and Module/System Segment to start in FY2024

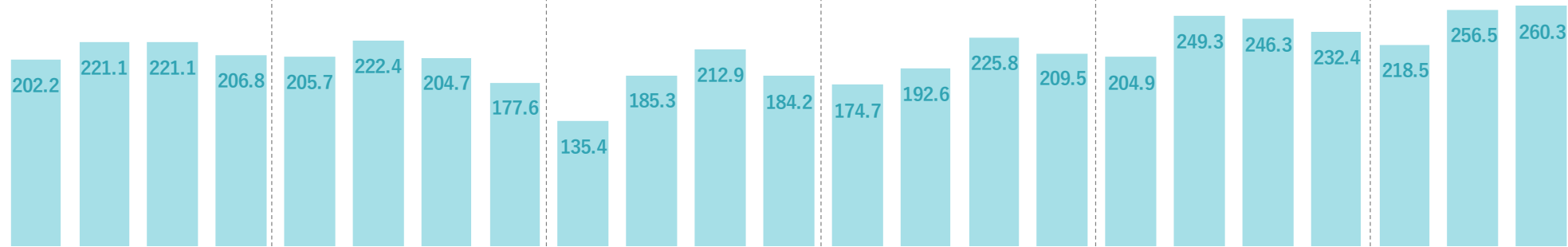
Data on the Effect of Exchange Rates

		[Unit: 1 billion yen/month/per 1 yen]		
		USD	EUR	CNY
Consolidated	Net sales	0.39	0.02	0.06
	Operating income	0.10	-0.01	-0.01
Component Segments	Net sales	0.17	0.01	0.00
	Operating income	0.08	0.00	-0.03
Sensor & Communication Segments	Net sales	0.03	0.00	0.00
	Operating income	0.01	0.00	-0.00
Module & System Segments	Net sales	0.19	0.02	0.06
	Operating income	0.01	-0.01	0.02

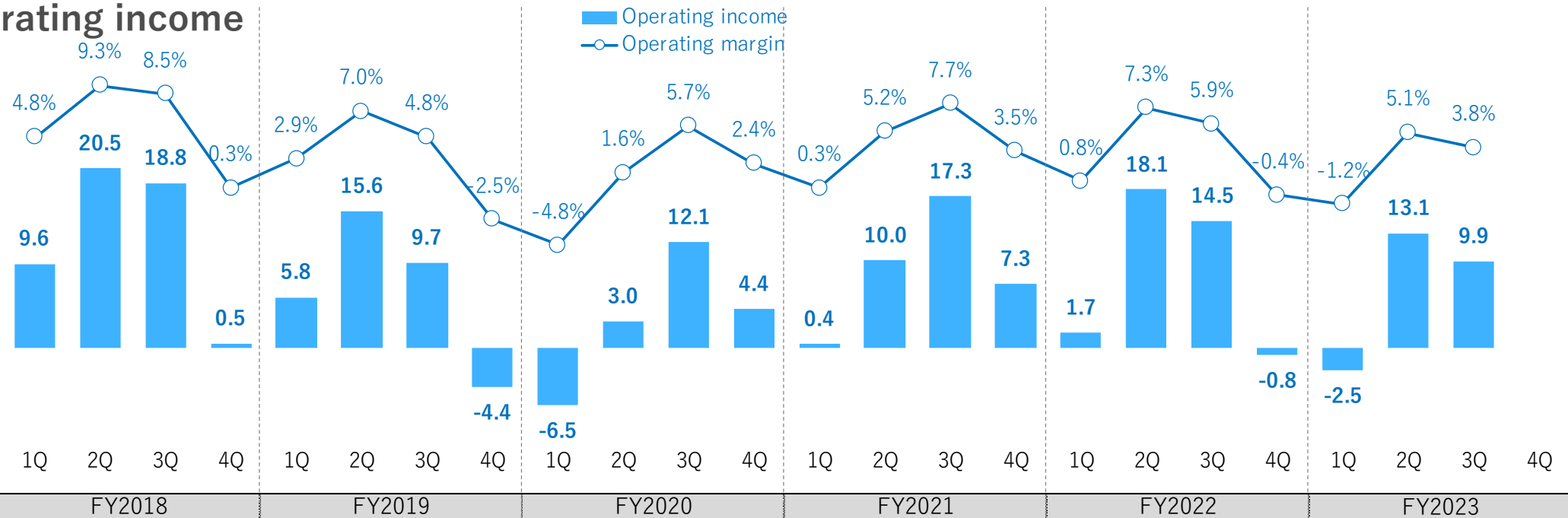
Quarterly Changes

Net sales

[Unit: ¥ billion]



Operating income



Quarterly Changes

[Unit: ¥ billion]

	FY2022					FY2023				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q (Forecast)	FY (Forecast)
Net Sales	204.9	249.3	246.3	232.4	933.1	218.5	256.5	260.3	221.6	957.0
Component	59.3	100.6	91.6	77.3	329.0	61.4	88.9	91.8	57.6	300.0
Sensor & Communication	19.9	24.4	21.6	19.4	85.5	19.8	20.8	21.6	20.5	83.0
Module & System	101.6	119.9	128.6	131.2	481.3	132.6	141.7	141.6	137.9	554.0
Others	24.0	4.2	4.3	4.5	37.1	4.4	4.9	5.1	5.3	20.0
Operating Income	1.7	18.1	14.5	-0.8	33.5	-2.5	13.1	9.9	-4.0	16.5
Component	5.3	16.4	13.7	2.7	38.3	1.5	9.1	8.8	-1.1	18.3
Sensor & Communication	0.1	0.6	0.1	-2.4	-1.5	-1.4	-0.0	0.3	-0.6	-1.7
Module & System	-5.9	0.6	0.1	-1.5	-6.6	-2.9	3.5	0.1	-2.3	-1.6
Others / Eliminations	2.2	0.3	0.4	0.3	3.4	0.3	0.5	0.4	0.1	1.5
Ordinary Income	7.2	19.5	9.8	-1.7	34.9	2.3	14.5	6.9	-6.3	17.5
Profit Attributable to Owners of Parent	2.6	14.8	3.6	-9.6	11.4	-2.3	9.0	-27.0	-14.5	-35.0
USD / JPY	129.57	138.37	141.59	132.34	135.47	137.37	144.62	147.89	145.00	143.72
EUR / JPY	138.12	139.34	144.30	142.10	140.97	149.47	157.30	159.11	156.00	155.47
CNY / JPY	19.58	20.19	19.87	19.34	19.75	19.56	19.94	20.44	20.00	19.99

[Unit: ¥ billion]

(Unit : billion Yen)	FY2022					FY2023				
	1 Q	2 Q	3 Q	4 Q	FY	1 Q	2 Q	3 Q	4 Q (Fcst)	FY (Fcst)
R&D Expenses	8.8	8.2	9.8	4.9	31.9	9.5	6.2	9.7	11.2	36.8
Component	2.2	2.0	2.3	1.0	7.7	2.0	1.5	1.5	2.9	8.0
Sensor & Communication	1.4	1.3	2.2	0.9	6.0	1.9	1.7	2.0	1.9	7.6
Module & System	5.0	4.6	5.1	2.8	17.7	5.5	2.8	6.1	6.2	20.8
Capital Expenditures	12.6	11.5	13.6	12.9	50.7	16.5	12.3	11.0	14.9	54.8
Component	6.3	3.7	6.3	4.5	20.9	5.3	3.8	3.6	6.1	18.9
Sensor & Communication	1.9	1.1	1.7	1.4	6.2	1.4	1.5	1.3	1.5	5.9
Module & System	3.6	6.2	5.3	6.8	22.1	9.2	6.6	5.8	6.8	28.7
ESG & Corporate assets (include)	(0.4)	(0.4)	(0.6)	(1.5)	(3.1)	(0.6)	(0.7)	(0.7)	(0.7)	(2.8)
Depreciation Expenses	12.8	11.6	11.2	10.9	46.8	10.6	10.3	10.4	8.6	40.1
Component	6.1	5.8	5.5	5.3	22.9	5.0	4.6	4.5	4.4	18.7
Sensor & Communication	1.0	1.1	1.1	1.0	4.4	1.0	1.0	1.0	0.9	4.1
Module & System	4.4	4.4	4.4	4.3	17.7	4.3	4.4	4.6	3.0	16.5

	FY2022				FY2023		
	Jun.22	Sep.22	Dec.22	Mar.23	Jun.23	Sep.23	Dec.23
Inventories	155.7	175.0	174.3	165.4	170.0	175.9	168.4
Component	37.8	43.5	43.3	41.7	38.1	38.1	32.6
Sensor & Communication	19.8	20.9	21.9	19.8	20.8	20.6	21.0
Module & System	97.6	110.2	108.6	103.4	110.7	116.5	113.8
Employees (Unit : person)	30,824	30,520	30,385	29,926	29,873	29,663	29,319
Component	10,733	10,214	10,425	10,218	9,917	9,761	9,564
Sensor & Communication	3,842	4,109	3,905	3,725	3,757	3,679	3,630
Module & System	14,735	14,674	14,534	14,456	14,627	14,640	14,551
Others	1,514	1,523	1,521	1,527	1,572	1,583	1,574
(Non Consolidated)	7,120	7,018	6,901	6,784	6,973	6,816	6,765



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

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