



January 31, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Under Japanese GAAP]

Company name: ALPS ALPINE CO., LTD.
Listing: Prime market of the Tokyo Stock Exchange
Code number: 6770
URL: <https://www.alpsalpine.com/e/ir/index.html>
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Scheduled date to file Quarterly Securities Report: February 8, 2023
Scheduled date to commence dividend payments: —
Preparation of supplementary materials on quarterly earnings: Yes
Holding of quarterly earnings performance review: Yes (Conference call for analysts and institutional investors)

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

1. Consolidated performance for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results

(Percentages indicate changes over the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	700,616	18.1	34,416	23.5	36,687	29.1	21,125	43.2
December 31, 2021	593,317	11.2	27,875	221.5	28,408	342.4	14,754	—

(Note) Comprehensive income

For the nine months ended December 31, 2022: ¥24,298 million [(28.9%)]

For the nine months ended December 31, 2021: ¥34,196 million [326.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2022	102.68	102.66
December 31, 2021	71.22	71.20

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2022	729,244	404,279	55.2	1,959.91
March 31, 2022	743,520	425,308	52.4	1,879.42

(Reference) Equity

As of December 31, 2022: ¥402,721 million

As of March 31, 2022: ¥389,426 million

2. Cash dividends

	Annual dividends				
	June 30	September 30	December 31	March 31	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	10.00	—	10.00	20.00
Fiscal year ending March 31, 2023	—	20.00	—		
Fiscal year ending March 31, 2023 (Forecast)				20.00	40.00

(Note) Revisions to the cash dividends forecasts most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023) (Percentages indicate changes over the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	905,000	12.7	50,000	42.0	57,000	41.5	40,000	74.2	194.30

(Note) Revisions to the consolidated earnings forecasts most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in the change in scope of consolidation): None

(2) Application of accounting treatments specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatement:

- a. Changes in accounting policies due to revisions to accounting standards: None
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None
- d. Restatements: None

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

As of December 31, 2022	219,281,450 shares
As of March 31, 2022	219,281,450 shares

b. Number of shares of treasury stock at the end of the period

As of December 31, 2022	13,801,595 shares
As of March 31, 2022	12,076,076 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the nine months ended December 31, 2022	205,739,736 shares
For the nine months ended December 31, 2021	207,180,295 shares

* Quarterly earnings reports are not subject to quarterly review by external auditors.

* Explanation and other special notes concerning the appropriate use of earnings forecast

(Notes on forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to ALPS ALPINE CO., LTD. (the “Company”) and certain assumptions deemed to be reasonable, and are not intended to guarantee the achievement of these forecasts. Actual results may differ materially from the forecasts due to various factors. Please refer to “1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2022, (3) Information regarding consolidated earnings forecast and other forward-looking statements” on page 3 of the attached materials for the assumptions used in the forecasts and notes regarding the use of the forecasts.

(Access to supplementary material on quarterly earnings)

Supplementary material on quarterly earnings is available on the Company’s website on Tuesday, January 31, 2023.

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1. Qualitative Information on Financial Results for the Nine Months Ended December 31, 2022

(1) Information regarding operating results

The global economy during the nine months ended December 31, 2022, was moderate recovery trend due to the easing of movement restrictions during the novel coronavirus (COVID-19), supply and demand balance for logistics, and shortage of semiconductors. On the other hand, the outlook remains uncertain due to the rise in commodity prices and the acceleration of inflation caused by the situation in Ukraine, as well as the tight monetary policy by central banks in each country.

By region, in the United States and Europe, although stay-at-home demand had peaked, the private consumption remained strong. In China, zero-COVID policy and the infection spread because of the easing of movement restrictions since December have affected corporate activities and private consumption. In Japan, the socio-economic activity generally returned to pre-pandemic levels, but the effect of rapid exchange rate fluctuations and a hike in price remain strong, and the recovery was moderate.

In this business environment, we worked to achieve our plans, such as soaring material costs and logistics costs, systematic production and maintaining sales by securing parts inventory.

Operating results for the nine months ended December 31, 2022, are summarized below. Net sales shown below represent net sales to third parties, after elimination of inter-segment sales.

Segment information

From April 2022, we have re-constructed the business segments into “Component business” aiming to maintain and expand the profitable base in the business segment, “Sensor Communication business” positioned as a growth area in the future, “Module System business” aiming to optimize the profitability by improving activities. That way, we are working toward more balanced growth. Accordingly, the classification of the reporting segment has been changed from the three-month period ended June 30, 2022.

In addition, as of the end of the three months ended June 30, 2022, Alps Logistics Co., Ltd. and its 25 subsidiaries were included in the scope applying equity method and from the second quarter of the consolidated accounting period, its subsidiaries are changed to "Other" segment. For further information, refer to “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to quarterly consolidated financial statements (segment information), 4. Information concerning change of reportable segments”.

<Component Segment>

In the mobile equipment products, sales were stable due to customers' good sales performances in smartphones. Although production volume partially declined due to the easing of the zero-COVID policy in China in December 2022 and the decline plant utilization in China caused by the infection spreading, sales and operating income marked higher compared to the same period of the previous fiscal year due to the good impact on performance by the depreciation of yen in foreign currency exchange market.

As a result, total net sales in this segment for the nine months ended December 31, 2022, increased by 25.3% to ¥251.7 billion, and operating income increased by 28.8% to ¥35.5 billion, compared to the same period of the previous fiscal year.

<Sensor Communication Segment>

Sensor's sales for in-vehicle products were stable along with a worldwide recovery in the automobile production, also with the good business performance affected by the depreciation of yen. On the other hand, operating income was lower compared to the same period of the previous period, due to the influences of the soaring semiconductor price and the customers' model change in sensors for smartphones.

As a result, total net sales in this segment for the nine months ended December 31, 2022, increased by 11.4% to ¥66.1 billion, and operating income decreased by 63.1% to ¥0.8 billion compared to the same period of the previous fiscal year.

<Module System Segment>

Although the plant utilization in China decreased due to the infection spread because of the zero-COVID policy easing in December 2022, sales and operating income marked higher compared to the same period of the previous year, which was brought by the recovery in new car production and by the contribution to business performance due

to the depreciation of yen. We focused on the action to strengthen activities of the fair value in response to soaring costs such as material and logistics costs for suppliers and the cost reduction. However, the recovery in operating income was moderate, because the material costs remained high and the contribution to business performance by the depreciation of the yen for some products was limited.

As a result, total net sales in this segment for the nine months ended December 31, 2022, increased by 32.0% to ¥350.1 billion, compared to the same period of the previous fiscal year and operating loss was ¥5.1 billion (net operating loss in the same period of the previous year ¥8.0 billion).

On the consolidated basis for the nine months ended December 31, 2022, the Group consisting of three operating segments noted above and other, recorded net sales increased by 18.1% to ¥700.6 billion, operating income increased by 23.5% to ¥34.4 billion, ordinary income increased by 29.1% to ¥36.6 billion and net income attributable to owners of parent increased by 43.2% to ¥21.1 billion, compared to the previous fiscal year.

(2) Information regarding financial position

Assets, Liabilities and Net Assets

Total assets as of December 31, 2022, decreased by ¥14.2 billion to ¥729.2 billion, from the end of the previous fiscal year. Equity increased by ¥13.2 billion to ¥402.7 billion, and equity ratio was 55.2%.

Current assets as of December 31, 2022, increased by ¥6.0 billion to ¥465.1 billion, from the end of the previous fiscal year. The increase in current assets was mainly due to an increase in inventories and, trade notes and accounts receivable, partially offset by a decrease in cash and deposits.

Non-current assets as of December 31, 2022, decreased by ¥20.3 billion to ¥264.1 billion, from the end of the previous fiscal year. The decrease in non-current assets was mainly due to a decrease in buildings and structures, land, machinery equipment and vehicles, partially offset by an increase in investment securities.

Current liabilities as of December 31, 2022, increased by ¥12.1 billion to ¥246.3 billion, from the end of the previous fiscal year. The increase in current liabilities was mainly due to an increase in short-term borrowings and trade notes and accounts payable, partially offset by a decrease in provision for bonuses.

Non-current liabilities as of December 31, 2022, decreased by ¥5.3 billion to ¥78.5 billion, from the end of the previous fiscal year. The decrease in non-current liabilities was mainly due to a decrease in defined benefit liabilities, partially offset by an increase in deferred tax liabilities.

The main reason in the decrease in non-current assets and non-current liabilities and the increase in investment securities mentioned above were the impact of change of Alps Logistics Co., Ltd and its 25 subsidiaries, both of which were consolidated subsidiaries, into equity-method.

(3) Information regarding consolidated earnings forecast and other forward-looking statements

The global economy still remains uncertain, but there is no change to the consolidated earnings forecast announced on October 28, 2022.

The estimated exchange rate in the second half is \$1 = ¥135.00, €1 = ¥135.00.

We launched our second medium-term management plan in April 2022, set targets of consolidated sales of more than 800 billion yen and consolidated operating margin of 8% (ROE 10%) as "itc88" and will continue to develop countermeasures to get back on the growth path by continuing to improve the quality of business, reform costs, and improve capabilities. Furthermore, by fiscal 2027, we will aim at "ITC101" (the consolidated sales of 1.0 trillion yen, the consolidated operating margin and ROE of 10%) and aim to be a T-shaped company that maximizes stakeholder value, achieves both CSR and ESG and creates value for excitement, safety, and the environment through both hardware and software technologies.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	139,730	91,786
Trade notes and accounts receivable	156,482	158,803
Merchandise and finished goods	69,616	85,910
Work in process	13,739	17,826
Raw material and supplies	50,045	70,604
Others	29,628	40,434
Allowance for doubtful accounts	(193)	(230)
Total current assets	459,049	465,134
Non-current assets		
Property, plant and equipment		
Buildings and structures	164,083	125,713
Accumulated depreciation and impairment loss	(112,114)	(91,126)
Buildings and structures, net	51,969	34,586
Machinery, equipment and vehicles	294,893	297,223
Accumulated depreciation and impairment loss	(230,443)	(237,515)
Machinery, equipment and vehicles, net	64,450	59,707
Tools, furniture and fixtures and molds	158,944	159,540
Accumulated depreciation and impairment loss	(138,152)	(139,916)
Tools, furniture and fixtures and molds, net	20,792	19,623
Land	30,908	20,438
Construction in progress	23,140	26,082
Total property, plant and equipment, net	191,260	160,439
Intangible assets, net	28,231	26,432
Investments and other assets		
Investment securities	46,096	58,907
Deferred tax assets	6,367	6,698
Retirement benefit assets	48	—
Others	12,530	11,657
Allowance for doubtful accounts	(65)	(25)
Total investments and other assets	64,978	77,238
Total non-current assets	284,470	264,109
Total assets	743,520	729,244

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Trade notes and accounts payable	85,243	92,492
Short-term borrowings	57,037	66,351
Accrued expenses	16,874	15,030
Accrued income taxes	6,705	7,623
Provision for bonuses	11,320	6,889
Provision for product warranties	8,814	8,802
Other provisions	164	198
Others	48,118	49,003
Total current liabilities	234,279	246,392
Non-current liabilities		
Long-term borrowings	56,234	56,427
Deferred tax liabilities	4,136	7,029
Defined benefit liabilities	14,616	12,414
Provision for directors' retirement benefits	116	88
Provision for environmental measures	590	590
Others	8,237	2,022
Total non-current liabilities	83,931	78,572
Total liabilities	318,211	324,965
Net assets		
Shareholders' equity		
Common stock	38,730	38,730
Capital surplus	124,549	124,206
Retained earnings	217,097	232,040
Treasury stock	(26,219)	(28,581)
Total shareholders' equity	354,157	366,396
Accumulated other comprehensive income		
Unrealized gains on securities	20,803	17,087
Revaluation reserve for land	(496)	(496)
Foreign currency translation adjustments	20,897	24,975
Remeasurements of defined benefit plans	(5,935)	(5,240)
Total accumulated other comprehensive income	35,268	36,325
Subscription rights to shares	180	105
Non-controlling interests	35,701	1,451
Total net assets	425,308	404,279
Total liabilities and net assets	743,520	729,244

(2) Quarterly consolidated statement of income and comprehensive income
For the nine months ended December 31, 2022

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	593,317	700,616
Cost of sales	488,893	564,573
Gross profit	104,424	136,043
Selling, general and administrative expenses	76,548	101,626
Operating income	27,875	34,416
Non-operating income		
Interest income	379	547
Dividend income	600	800
Share of profit of investments accounted for using equity method	122	1,476
Foreign exchange gains	550	683
Others	873	1,146
Total non-operating income	2,526	4,654
Non-operating expenses		
Interest expenses	534	952
Depreciation of inactive non-current assets	532	392
Foreign withholding tax	471	438
Others	455	599
Total non-operating expenses	1,994	2,383
Ordinary income	28,408	36,687
Extraordinary income		
Gain on sale of investment securities	452	586
Others	79	95
Total extraordinary income	531	681
Extraordinary loss		
Loss on sales and retirement of non-current assets	372	564
Impairment loss	1,326	64
Loss on sales of investment securities	0	1,356
Extra retirement payments	1,471	-
Others	11	274
Total extraordinary loss	3,181	2,260
Income before income taxes	25,758	35,108
Current income taxes	5,225	9,471
Deferred income taxes	3,962	3,076
Total income taxes	9,187	12,548
Net income	16,571	22,559
Net income attributable to:		
Owners of parent	14,754	21,125
Non-controlling interests	1,816	1,434
Other comprehensive income		
Unrealized gain on securities	6,472	(3,718)
Foreign currency translation adjustments	10,312	5,068
Remeasurements of defined benefit plans	839	701
Shares of other comprehensive income of investments accounted for using equity method	-	(312)
Total other comprehensive income	17,624	1,739
Comprehensive income	34,196	24,298
Comprehensive income attributable to:		
Owners of parent	31,863	22,181
Non-controlling interests	2,332	2,116

(3) Notes to quarterly consolidated financial statements
(Notes on going concern assumptions)

No items to report.

(Notes on significant changes in the amount of shareholders' equity)

The Company acquired 1,791,200 shares based on a resolution of the Board of Directors held on April 28, 2022. As a result, the amount of shares acquired increased own shares by 2,499 million yen for the nine months ended December 31, 2022. As a result of this acquisition of own shares, the amounts of own shares totalled 28,581 million yen as of the ending of the nine months ended December 31, 2022.

(Notes on changes in scope of consolidation, application of equity method)

(Notes on significant changes in scope of consolidation)

For the three months ended June 30, 2022, Alps Logistics Co., Ltd., which was a consolidated subsidiary, and its 25 subsidiaries were changed from the scope of consolidation since it is no longer recognized as real governing by the standards (*).

As a result of the changes in the scope of consolidation, the total assets and liabilities on the consolidated balance sheet decreased as of the end of the nine months ended December 31, 2022. In addition, net sales and operating income in the consolidated statement of income and comprehensive income decreased for the nine months ended December 31, 2022.

(*) The percentage of voting rights is 40% or more and 50% or less, and the majority of the members of the Board of Directors are from the Company.

(Significant changes in scope of application of equity method)

For the three months ended June 30, 2022, Alps Logistics Co., Ltd. and its 25 subsidiaries are included in the scope applying equity method.

(Note on changes in items related to fiscal year of consolidation subsidiaries)

FAITAL S.p.A., Magyarországi Hangszórógyártó Kft., and FAITAL U.S.A., INC., whose previous financial closing date was December 31, the Company used its financial statements prepared as of that date and made necessary consolidation adjustments for important transactions that occurred in the period to the consolidated closing date. However, we changed the closing date to March 31, as of the three months ended June 30, 2022.

In accordance with this change of the fiscal year-end, the Company has consolidated twelve-month financial statement from January 1, 2022, to December 31, 2022, for the nine months ended December 31, 2022.

For the period from January 1, 2022, to March 31, 2022, the net sales were 1,628 million yen, operating income was 264 million yen, ordinary income was 244 million yen, income before income taxes was 244 million yen with regard to the three companies that changed accounting period.

(Additional information)

[Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system]

The Company and certain of its consolidated subsidiaries have transited from consolidated taxation system to group tax sharing system from three months ended June 30, 2022. Accordingly, the Company and certain of its consolidated subsidiaries has 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. In addition, there will be no impact from the change in accounting policy based on the application of PITF No. 42 Paragraph 32(1).

(Segment information)

[Segment information]

I. Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

1. Information concerning net sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustments (Note 2)	Amount on quarterly consolidated financial statements (Note 3)
	Component Segment	Sensor and Communicat ion Segment	Module and System Segment	Sub-total				
Net sales								
External	200,869	59,345	265,223	525,439	67,878	593,317	—	593,317
Inter-segment sales and transfers	451	100	197	749	35,027	35,777	(35,777)	—
Total	201,321	59,446	265,420	526,189	102,905	629,094	(35,777)	593,317
Segment profit (loss)	27,590	2,429	(8,060)	21,959	6,014	27,973	(98)	27,875

(Note)

1. “Other” represents business segments not included in the reportable segments, and includes the development of systems, office services, financing and leasing businesses.
2. The adjustment of ¥ (98) million to segment profit (loss) represents reclassification adjustments upon consolidation and eliminations of inter-segment transactions.
3. Segment profit (loss) is reconciled to operating income of the quarterly consolidated financial statements.

2. Information concerning impairment loss on non-current assets or goodwill by reportable segment

(Millions of yen)

	Electronic Components Segment	Automotive Infotainment Segment	Module and System Segment	Other	All/Eliminations	Total
Impairment loss	1,322	2	—	—	0	1,326

II. Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information concerning net sales and profit/loss by reportable segment

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustments (Note 2)	Amount on quarterly consolidated financial statements (Note 3)
	Component Segment	Sensor and Communicat ion Segment	Module and System Segment	Sub-total				
Net sales								
External	251,726	66,118	350,158	668,003	32,613	700,616	—	700,616
Inter-segment sales and transfers	272	56	89	418	17,575	17,993	(17,993)	—
Total	251,998	66,174	350,248	668,421	50,188	718,610	(17,993)	700,616
Segment profit (loss)	35,525	896	(5,100)	31,321	3,167	34,489	(72)	34,416

(Note)

1. "Other" represents business segments not included in the reportable segments, and includes logistics, the development of systems, office services, financing and leasing businesses.
2. The adjustment of ¥ (72) million to segment profit (loss) represents reclassification adjustments upon consolidation and eliminations of inter-segment transactions.
3. Segment profit (loss) is reconciled to operating income of the quarterly consolidated financial statements.

2. Matters related to assets by reporting segment

(Significant decrease in assets due to decrease in subsidiaries)

For the three months ended June 30, 2022, Alps Logistics Co., Ltd and its 25 subsidiaries, both of which were consolidated subsidiaries, were changed into equity-method. As a result, segment assets in the Logistics Segment decreased by ¥92,020 million compared to the previous fiscal year. In addition, "Logistics Business" is included in "Other" category from the second quarter of the consolidated accounting period.

3. Information concerning impairment loss on non-current assets or goodwill by reportable segment

(Millions of yen)

	Electronic Components Segment	Automotive Infotainment Segment	Module and System Segment	Other	All/Eliminations	Total
Impairment loss	47	16	0	—	0	64

4. Information concerning change of reportable segments
(Change of business segments)

Our group has changed the business three segments: “Electronic Components Segment” and “Automotive Infotainment Segment” and “Logistics Segment” to four business segments: “Components” and “Sensor Communication” and “Module Systems” and “Logistics” from this three-month ended June 30, 2022.

Three years have passed since the former Alps Electric Co., Ltd. and the former Alpine Co., Ltd. integrated in 2019, the Company launched the second medium-term management plan in April 2022, taking integration of each business into account. Using this opportunity, the business segments have been changed to re-construct the business segments into the Components business, aiming to maintain and expand the profitable base in the business segment, the Sensor Communication business, positioned as a growth area in the future, and the Module Systems business aiming to optimize the profitability by improving activities.

In addition, as a result of the change of Alps Logistics Co., Ltd. and its 25 subsidiaries that constituted the “Logistics segment” to scope applying equity method from the three-month period ended June 30.

Accordingly, the classification of the reporting segment has been changed from the three-month ended June 30, 2022. In addition, For the three months ended June 30, 2022, Alps Logistics Co., Ltd. and its 25 subsidiaries were included in the scope applying equity method, the net sales to external customers disclosed as "Logistics segment" in consolidated accounting period of the first quarter were 20,558 million yen, internal sales or transfers between segments were 9,347 million yen, and segment income of 1,873 million yen is included in "Other" category from the six-month period ended September 30.

The segment information for the previous nine months ended December 31, 2021, is prepared using the revised classification method.