July 31, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 [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
Representative:	Hideo Izumi Representative Director, President & CEO
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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 three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(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	%
Three months ended								
June 30, 2024	233,593	6.9	1,224	–	4,787	102.5	445	–
June 30, 2023	218,508	6.6	(2,539)	–	2,364	(67.5)	(2,374)	–

(Note) Comprehensive income

For the three months ended June 30, 2024: ¥15,870 million [22.8%]

For the three months ended June 30, 2023: ¥12,918 million [(34.5%)]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2024	2.17	2.17
June 30, 2023	(11.55)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
June 30, 2024	764,187	406,230	52.9	1,967.52
March 31, 2024	753,989	392,824	51.9	1,902.43

(Reference) Equity

As of June 30, 2024: ¥404,488 million

As of March 31, 2024: ¥391,108 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, 2024	–	20.00	–	10.00	30.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		30.00	–	30.00	60.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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
Six months ending September 30, 2024	485,000	2.1	10,000	(6.0)	12,500	(26.2)	2,000	(70.2)	9.73
Fiscal year ending March 31, 2025	925,000	(4.1)	23,000	16.7	24,000	(3.3)	30,000	–	145.93

(Note) Revisions to the consolidated earnings forecasts most recently announced: Yes

* Notes

(1) Significant changes in the scope of consolidation during the period: 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: Yes

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatements: None

(Note) For details, please refer to (Notes on changes in accounting policies) under (3) Notes to quarterly consolidated financial statements of 2. Quarterly consolidated financial statements and significant notes on page 7.

(4) Number of issued shares (common stock)

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

As of June 30, 2024	219,281,450 shares
As of March 31, 2024	219,281,450 shares

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

As of June 30, 2024	13,698,980 shares
As of March 31, 2024	13,698,507 shares

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

For the three months ended June 30, 2024	205,582,626 shares
For the three months ended June 30, 2023	205,483,106 shares

* Review of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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 (3) Information regarding consolidated earnings forecast and other forward-looking statements of 1. Overview of operating results, on page 3 of the Supplementary 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 Wednesday, July 31, 2024.

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1. Overview of operating results

(1) Overview of operating results for the three months ended June 30, 2024

In terms of the global economy during the three months ended June 30, 2024, in North America, the overall economy remained stable despite a slowdown in employee growth and a slight increase in the unemployment rate. In Europe, although the policy interest rate for the Eurozone was lowered due to slowing inflation, the economy remains at a standstill. In China, the economy continues to be weak due to sluggish consumer confidence amid a stagnant real estate market. In Japan, personal consumption is sluggish due to stagnating real wages caused by inflation. Despite this, the economy is on a moderate path to recovery, driven steadily by increasing inbound demand, improved performance of export companies, and a strong appetite for investment.

Amidst this business environment, global automotive production is moderately increasing as a whole, in addition, sales and each type of income have risen due to the depreciation of the yen. Changes in powertrain configurations and the share of automobile OEM manufacturers in Chinese capital present new business opportunities. However, with rising wages, surges in material and energy prices, the entry of other companies, and intensifying price competition in the smartphone components market, the Company needs to respond flexibly to changes, in addition to optimizing existing prices and containing costs.

This fiscal year marks the last year of the 2nd Mid-Term Business Plan; however we have canceled the plan and designated this fiscal year for business structural reforms. We will focus all our efforts on these structural reforms with the aim of achieving a V-shaped recovery ahead of the three-year period under the 3rd Mid-Term Business Plan, starting from the fiscal year ending March 2026.

Operating results for the three months ended June 30, 2024 are summarized below. Net sales shown below represent net sales to third parties, after elimination of inter-segment sales.

Segment information

<Component Segment>

Sales increased due to the depreciation of the yen, an increase in the demand for products in the mobile market and the customer acquisition for products in the automotive market. Operating income increased due to yen depreciation, higher sales, and a decrease in fixed costs.

As a result, total net sales in this segment for the three months ended June 30, 2024 increased by 17.5% to ¥72.2 billion, and operating income increased by 360.6% to ¥ 7.1 billion, compared to the same period of the previous fiscal year.

<Sensor and Communication Segment>

Sales for the automotive market decreased due to a shift from conventional automotive keyless entry systems from to digital key products. However, overall sales increased due to the depreciation of the yen. Operating income increased due to the depreciation of the yen, the impact of inventory valuation losses recorded in the same period of the previous fiscal year, and a decrease of depreciation.

As a result, total net sales in this segment for the three months ended June 30, 2024 increased by 3.9% to ¥20.6 billion, and operating income was ¥0 billion (net operating loss in the same period of the previous year was ¥1.4 billion).

<Module and System Segment>

Despite the slump in foreign brands in China and the discontinuation of models of system products for Europe, overall sales increased. This increase was due to the depreciation of the yen. Operating income decreased due to wage hikes and the additional recording of allowances for bad debts, arising from concerns about the collection of some trade receivables from customers. In this business, net sales from foreign currency transactions are nearly offset by the costs for foreign currency transactions, making the profit structure less vulnerable to fluctuations in exchange rates.

As a result, total net sales in this segment for the three months ended June 30, 2024 increased by 2.5% to ¥135.9 billion, compared to the same period of the previous fiscal year and operating loss was ¥6.1 billion (net operating loss in the same period of the previous year was ¥2.9 billion).

On a consolidated basis for the three months ended June 30, 2024, the Group consisting of the three operating segments noted above and others, recorded net sales of ¥233.5 billion (an increase of 6.9% compared to the same period of the previous year), operating income of ¥1.2 billion (net operating loss in the same period of the previous year was ¥2.5 billion), ordinary income of ¥4.7 billion (an increase of 102.5% compared to the same period of the previous year), and net income attributable to owners of parent of ¥0.4 billion (net loss attributable to owners of parent in the same period of the previous year was ¥2.3 billion).

(2) Overview of financial position for the three months ended June 30, 2024

Assets, Liabilities and Net Assets

Total assets as of June 30, 2024 increased by ¥10.1 billion to ¥764.1 billion, from the end of the previous fiscal year. Equity increased by ¥13.3 billion to ¥404.4 billion, and the equity ratio was 52.9%.

Current assets as of June 30, 2024 increased by ¥6.0 billion to ¥497.5 billion, from the end of the previous fiscal year. The increase in current assets was mainly due to an increase in trade notes and accounts receivable, inventories, partially offset by a decrease in other current assets.

Non-current assets as of June 30, 2024 increased by ¥4.1 billion to ¥266.6 billion, from the end of the previous fiscal year. The increase in non-current assets was mainly due to an increase in machinery, equipment and vehicles, other assets, partially offset by a decrease in investment securities.

Current liabilities as of June 30, 2024 increased by ¥14.0 billion to ¥261.8 billion, from the end of the previous fiscal year. The increase in current liabilities was mainly due to an increase in short-term borrowings, trade notes and accounts payable and accrued expenses, partially offset by a decrease in provision for bonuses.

Non-current liabilities as of June 30, 2024 decreased by ¥17.3 billion to ¥96.1 billion, from the end of the previous fiscal year. The decrease in non-current liabilities was mainly due to a decrease in long-term borrowings.

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

For the six months ending September 30, 2024, the yen has been depreciating compared to the initial plan and sales for the mobile and consumer markets have been more stable than expected. For the outlook from the third quarter onward, we have revised our consolidated earnings forecast announced on May 9, 2024, reflecting a slowdown in sales of new vehicles by our customers, mainly in China.

The estimated exchange rates in the second quarter are 1 USD=150.00, 1 EUR=160.00 and 1 CNY=20.5. For the third quarter onward, the estimated exchange rates are 1 USD=140.00, 1 EUR=150.00 and 1 CNY=20.0, which are the same rates as those announced on May 9, 2024.

The earnings forecast includes information that is based on forward-looking statements available at the current point in time.

Actual performance may differ significantly from forecasts due to uncertainties such as fluctuations in exchange rates, change in the demand for each market and the risk of cost increases exceeding expectations when mass production of new products begins.

2. Quarterly consolidated financial statements and significant notes
(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	122,667	122,244
Trade notes and accounts receivable	158,584	165,304
Merchandise and finished goods	83, 170	83,159
Work in process	20,861	21,192
Raw material and supplies	59,684	64,254
Others	46,783	41,667
Allowance for doubtful accounts	(292)	(291)
Total current assets	491,458	497,530
Non-current assets		
Property, plant and equipment		
Buildings and structures	132,858	136,159
Accumulated depreciation and impairment loss	(95,237)	(97,664)
Buildings and structures, net	37,620	38,494
Machinery, equipment and vehicles	340,660	359,892
Accumulated depreciation and impairment loss	(292,818)	(307,817)
Machinery, equipment and vehicles, net	47,841	52,074
Tools, furniture and fixtures and molds	156,404	159,904
Accumulated depreciation and impairment loss	(143,809)	(146,314)
Tools, furniture and fixtures and molds, net	12,594	13,590
Land	19,132	19,215
Construction in progress	17,022	17,888
Total property, plant and equipment, net	134,211	141,263
Intangible assets, net	26,551	25,622
Investments and other assets		
Investment securities	71,804	69,823
Deferred tax assets	16,978	16,664
Retirement benefit assets	148	–
Others	12,878	15,077
Allowance for doubtful accounts	(42)	(1,794)
Total investments and other assets	101,768	99,770
Total non-current assets	262,531	266,656
Total assets	753,989	764,187

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Trade notes and accounts payable	93,964	96,306
Short-term borrowings	50,463	68,078
Accrued expenses	17,970	18,891
Accrued income taxes	8,671	6,640
Provision for bonuses	9,340	6,198
Provision for product warranties	9,807	10,241
Other provisions	1,470	1,397
Others	56,023	54,056
Total current liabilities	247,711	261,810
Non-current liabilities		
Long-term borrowings	78,838	61,610
Deferred tax liabilities	17,592	17,793
Defined benefit liabilities	13,850	13,612
Provision for directors' retirement benefits	82	83
Provision for environmental measures	634	634
Others	2,456	2,409
Total non-current liabilities	113,453	96,145
Total liabilities	361,165	357,956
Net assets		
Shareholders' equity		
Common stock	38,730	38,730
Capital surplus	124,138	123,887
Retained earnings	184,350	182,740
Treasury stock	(28,365)	(28,366)
Total shareholders' equity	318,853	316,991
Accumulated other comprehensive income		
Unrealized gains on securities	24,393	22,624
Revaluation reserve for land	(496)	(496)
Foreign currency translation adjustments	54,599	71,411
Remeasurements of defined benefit plans	(6,242)	(6,042)
Total accumulated other comprehensive income	72,254	87,496
Subscription rights to shares	67	67
Non-controlling interests	1,648	1,675
Total net assets	392,824	406,230
Total liabilities and net assets	753,989	764,187

(2) Quarterly consolidated statement of income and comprehensive income
For the three months ended June 30, 2024

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	218,508	233,593
Cost of sales	183,733	192,080
Gross profit	34,775	41,512
Selling, general and administrative expenses	37,314	40,288
Operating income (loss)	(2,539)	1,224
Non-operating income		
Interest income	281	470
Dividend income	301	512
Share of profit of investments accounted for using equity method	526	458
Foreign exchange gains	3,968	2,703
Others	615	119
Total non-operating income	5,693	4,264
Non-operating expenses		
Interest expenses	268	285
Others	520	416
Total non-operating expenses	789	701
Ordinary income	2,364	4,787
Extraordinary income		
Gain on sale of non-current assets	224	12
Gain on reversal of foreign currency translation adjustment	–	199
Others	24	0
Total extraordinary income	248	211
Extraordinary loss		
Loss on sales and retirement of non-current assets	101	25
Impairment loss	418	95
Others	17	16
Total extraordinary loss	537	137
Income before income taxes	2,076	4,861
Current income taxes	2,962	2,383
Deferred income taxes	1,407	1,927
Total income taxes	4,369	4,311
Net income (loss)	(2,293)	550
Net income (loss) attributable to:		
Owners of parent	(2,374)	445
Non-controlling interests	81	104
Other comprehensive income		
Unrealized gain on securities	675	(1,776)
Foreign currency translation adjustments	13,929	16,504
Remeasurements of defined benefit plans	268	196
Share of other comprehensive income of entities accounted for using equity method	338	395
Total other comprehensive income	15,211	15,320
Comprehensive income	12,918	15,870
Comprehensive income attributable to:		
Owners of parent	12,769	15,688
Non-controlling interests	149	182

(3) Notes to quarterly consolidated financial statements

(Notes on changes in accounting policies)

[Application of the accounting standard for current income taxes]

On April 1, 2024, the Group adopted the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, revised on October 28, 2022) (hereinafter referred to as "ASBJ Statement No. 27 (revised 2022)"). Regarding the amendment related to the classification of current income taxes (taxation on other comprehensive income), the Group follows the transitional treatment prescribed in the proviso to Paragraph 20-3 of ASBJ Statement No. 27 (revised 2022), as well as the transitional treatment prescribed in the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, revised on October 28, 2022) (hereinafter referred to as "ASBJ Guidance No. 28 (revised 2022)"). These changes in accounting policies have no impact on the Group's quarterly consolidated financial statements.

In addition, on April 1, 2024, the Group adopted ASBJ Guidance No. 28 (revised 2022), regarding the amendment related to the review of the treatment in the consolidated financial statements when deferring for tax purposes the gain or loss on the sale of subsidiary shares and others among the Group companies. This change in accounting policy has been applied retrospectively and has no impact on the Group's consolidated financial statements for the fiscal year ended March 31, 2024, as well as the quarterly consolidated financial statements for the interim periods of that fiscal year.

(Notes on segment information)

[Segment information]

I. Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

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 Communication Segment	Module and System Segment	Sub-total				
Net sales								
External	61,494	19,891	132,636	214,022	4,486	218,508	—	218,508
Inter-segment sales and transfers	53	9	15	78	3,069	3,148	(3,148)	—
Total	61,547	19,901	132,651	214,101	7,555	221,656	(3,148)	218,508
Segment profit (loss)	1,558	(1,441)	(2,956)	(2,839)	361	(2,478)	(60)	(2,539)

(Note)

1. "Other" represents business segments not included in the reportable segments, and includes the development of systems, office services, and financing and leasing businesses.
2. The adjustment of ¥ (60) million to segment profit (loss) represents reclassification adjustments upon consolidation and eliminations of inter-segment transactions.
3. Segment profit (loss) is reconciled to the operating loss of the quarterly consolidated financial statements.

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

Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(Millions of yen)

	Component Segment	Sensor and Communication Segment	Module and System Segment	Other	All/Eliminations	Total
Impairment loss	2	3	412	—	—	418

II. Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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 Communication Segment	Module and System Segment	Sub-total				
Net sales								
External	72,250	20,658	135,904	228,813	4,779	233,593	—	233,593
Inter-segment sales and transfers	70	4	10	85	2,665	2,750	(2,750)	—
Total	72,320	20,663	135,915	228,899	7,444	236,344	(2,750)	233,593
Segment profit (loss)	7,181	99	(6,191)	1,088	169	1,257	(32)	1,224

(Note)

1. "Other" represents business segments not included in the reportable segments, and includes the development of systems, office services, and financing and leasing businesses.
2. The adjustment of ¥ (32) million to segment profit (loss) represents reclassification adjustments upon consolidation and eliminations of inter-segment transactions.
3. Segment profit (loss) is reconciled to the operating income of the quarterly consolidated financial statements.

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

Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(Millions of yen)

	Component Segment	Sensor and Communication Segment	Module and System Segment	Other	All/Eliminations	Total
Impairment loss	—	—	95	—	—	95

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

No items to report.

(Notes on going concern assumptions)

No items to report.

(Notes on consolidated statement of cash flows)

A consolidated statement of cash flows for the three months ended June 30, 2024 has not been prepared. The amount of depreciation (including depreciation of intangible assets, except for goodwill) for the three months ended June 30, 2024 is summarized below.

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	10,675	9,542