January 31, 2025

Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Under Japanese GAAP]

Company name:	ALPS ALPINE CO., LTD.
Listing:	Prime Market of the Tokyo Stock Exchange
Securities code:	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 material on financial results:	Yes
Holding of financial results briefing:	Yes (for analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted)

1. Consolidated financial results for the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2024	740,616	0.7	25,295	22.9	24,459	2.2	9,912	–
December 31, 2023	735,359	5.0	20,583	(40.2)	23,932	(34.8)	(20,376)	–

(Note) Comprehensive income

For the nine months ended December 31, 2024: ¥20,953 million [–%]

For the nine months ended December 31, 2023: ¥(8,019) million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	48.20	48.20
December 31, 2023	(99.13)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2024	733,158	405,013	55.0	1,961.22
March 31, 2024	753,989	392,824	51.9	1,902.43

(Reference) Equity

As of December 31, 2024: ¥403,330 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	–	30.00	–		
Fiscal year ending March 31, 2025 (Forecast)				30.00	60.00

(Note) Revisions to the forecast of cash dividends 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 year-on year changes)

	Net sales		Operating profit		Ordinary profit		Profit 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, 2025	980,000	1.7	28,000	42.1	24,000	(3.3)	32,000	–	155.62

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

* Notes

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the 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 and other regulations: 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 shares)

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

As of December 31, 2024	219.281,450 shares
As of March 31, 2024	219,281,450 shares

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

As of December 31, 2024	13,628,540 shares
As of March 31, 2024	13,698,507 shares

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

For the nine months ended December 31, 2024	205,629,674 shares
For the nine months ended December 31, 2023	205,550,132 shares

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

* Information regarding appropriate use of earnings forecasts, and other special matters

(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 forecasts 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 materials on financial results)

Supplementary materials on financial results are available on the Company’s website on Friday, January 31, 2025.

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1. Overview of operating results

(1) Overview of operating results for the nine months ended December 31, 2024

We operate 186 bases across 23 countries and regions, maintaining a strong presence in Japan, North America, Europe, China, and other Asian countries. We offer approximately 40,000 types of products and services in the automotive, mobile, and consumer markets. In the automotive market, our core Tier 1 business involves direct sales to major automotive manufacturers in Japan, North America, and Europe. In addition, our core Tier 2 business focuses on sales to automotive components manufacturers worldwide. In the mobile markets, we are engaged in sales to major smartphone manufacturers and other customers who handle mobile-related products. In the consumer markets, we sell products to manufacturers in markets beyond automotive and mobile products, including personal computers, home appliances, game consoles, and various industrial equipment.

Amidst the business environment for the nine months ended December 31, 2024, sales and operating profit increased due to the depreciation of the yen. In the automotive markets, new automobile sales moderately increased globally. Additionally, the Tier 2 business expanded, driven by the development of new customers and an increase in the number of products adopted, which was a result of changes in powertrain configurations, as well as a rise in the share of automobile manufacturers backed by Chinese capital. However, the Tier 1 business for automotive manufacturers in Japan, North America, and Europe, which are our main customers, continues to be sluggish. In the mobile markets, sales for major smartphone manufacturers were strong, while in the consumer markets, demand expanded for game consoles and other electronic components and products.

Operating results for the nine months ended December 31, 2024 are summarized below. Net sales shown below represent net sales to third parties, after elimination of inter-segment sales.

Segment information

<Component Segment>

Net sales increased due to the depreciation of the yen, a rise in product demand in the consumer and mobile markets, and expanded product sales in the automotive market. Operating profit also increased, driven by the yen's depreciation and higher sales.

As a result, total net sales in this segment for the nine months ended December 31, 2024 increased by 11.0% to ¥268.9 billion, and operating profit increased by 34.2% to ¥26.3 billion, compared to the same period of the previous fiscal year.

<Sensor and Communication Segment>

Net sales for the automotive markets decreased due to a shift from conventional automotive keyless entry systems to digital key products. However, overall net sales increased due to the depreciation of the yen and an increase in the demand for products in the mobile market. Operating profit decreased due to an increase of development expenses despite the depreciation of the yen and higher sales.

As a result, total net sales in this segment for the nine months ended December 31, 2024 increased by 4.4% to ¥65.1 billion, compared to the same period of the previous fiscal year and the operating loss was ¥1.7 billion (the operating loss in the same period of the previous year was ¥1.1 billion).

<Module and System Segment>

Although the depreciation of the yen boosted net sales, the overall decrease in net sales was primarily due to the discontinuation of European models for system products and the impact of a slump in the Chinese market, which affected our main customers, including Japanese, North American, and European automotive manufacturers. Operating profit decreased mainly due to wage hikes and lower net sales. This occurred despite a decrease in depreciation and amortization, which resulted from impairment losses recorded in the previous fiscal year, and an improvement in variable costs. Net sales from foreign currency transactions in this business were nearly offset by the costs associated with these transactions, resulting in a profit structure less susceptible to exchange rate volatility.

As a result, total net sales in this segment for the nine months ended December 31, 2024 decreased by 5.9% to ¥391.3 billion, compared to the same period of the previous fiscal year and the operating loss was ¥0.1 billion (the operating profit in the same period of the previous year was ¥0.7 billion).

On a consolidated basis for the nine months ended December 31, 2024, the Group consisting of the three operating segments noted above and others, recorded net sales of ¥740.6 billion (an increase of 0.7% compared to the same period of the previous year), operating profit of ¥25.2 billion (an increase of 22.9% compared to the same period of the previous year), ordinary profit of ¥24.4 billion (an increase of 2.2% compared to the same period of the previous year), and profit attributable to owners of parent of ¥9.9 billion (loss attributable to owners of parent in the same period of the previous year was ¥20.3 billion).

(2) Overview of financial position as of December 31, 2024

Assets, Liabilities and Net Assets

Total assets as of December 31, 2024 decreased by ¥20.8 billion to ¥733.1 billion, from the end of the previous fiscal year. Equity increased by ¥12.2 billion to ¥403.3 billion, and the equity ratio was 55.0%.

Current assets as of December 31, 2024 decreased by ¥24.1 billion to ¥467.3 billion, from the end of the previous fiscal year. The decrease in current assets was mainly due to a decrease in cash and deposits and other current assets, partially offset by an increase in notes and accounts receivable - trade.

Non-current assets as of December 31, 2024 increased by ¥3.2 billion to ¥265.8 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, and tools, furniture, fixtures and molds, partially offset by a decrease in intangible assets.

Current liabilities as of December 31, 2024 decreased by ¥15.3 billion to ¥232.4 billion, from the end of the previous fiscal year. The decrease in current liabilities was mainly due to a decrease in other current liabilities and accrued expenses.

Non-current liabilities as of December 31, 2024 decreased by ¥17.7 billion to ¥95.7 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 forecasts and other forward-looking statements

For the outlook of period ending March 31, 2025, we have revised our consolidated earnings forecast, which was announced on October 30, 2024. These revisions reflect an expected increase due to the depreciation of the yen and changes in sales and operating profit conditions, such as a better-than-expected sales outlook for products in the mobile market in the Component segment, and anticipated challenges in the long-term sales of new vehicle for our main customers in the Module and System segment. Additionally, the revisions take into account changes in ordinary profit due to exchange rate fluctuations.

The estimated exchange rates for the fourth quarter are 1 USD=¥150.0, 1 EUR=¥160.0 and 1 CNY=¥21.0.

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 and change in the demand for each market.

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

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	122,667	102,549
Notes and accounts receivable - trade	158,584	169,333
Merchandise and finished goods	83,170	81,537
Work in process	20,861	21,027
Raw materials and supplies	59,684	61,159
Other	46,783	33,419
Allowance for doubtful accounts	(292)	(1,692)
Total current assets	491,458	467,334
Non-current assets		
Property, plant and equipment		
Buildings and structures	132,858	135,786
Accumulated depreciation and impairment	(95,237)	(98,670)
Buildings and structures, net	37,620	37,115
Machinery, equipment and vehicles	340,660	359,856
Accumulated depreciation and impairment	(292,818)	(305,704)
Machinery, equipment and vehicles, net	47,841	54,152
Tools, furniture, fixtures and molds	156,404	158,677
Accumulated depreciation and impairment	(143,809)	(144,254)
Tools, furniture, fixtures and molds, net	12,594	14,423
Land	19,132	17,962
Construction in progress	17,022	18,543
Total property, plant and equipment	134,211	142,197
Intangible assets	26,551	22,599
Investments and other assets		
Investment securities	71,804	72,722
Deferred tax assets	16,978	15,345
Retirement benefit asset	148	365
Other	12,878	14,348
Allowance for doubtful accounts	(42)	(1,755)
Total investments and other assets	101,768	101,027
Total non-current assets	262,531	265,823
Total assets	753,989	733,158

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	93,964	96,207
Short-term borrowings	50,463	48,764
Accrued expenses	17,970	14,936
Income taxes payable	8,671	7,674
Provision for bonuses	9,340	7,539
Provision for product warranties	9,807	9,429
Other provisions	1,470	1,999
Other	56,023	45,856
Total current liabilities	247,711	232,406
Non-current liabilities		
Long-term borrowings	78,838	58,517
Deferred tax liabilities	17,592	19,109
Retirement benefit liability	13,850	13,199
Provision for retirement benefits for directors (and other officers)	82	72
Provision for environmental measures	634	796
Other	2,456	4,042
Total non-current liabilities	113,453	95,738
Total liabilities	361,165	328,144
Net assets		
Shareholders' equity		
Share capital	38,730	38,730
Capital surplus	124,138	123,872
Retained earnings	184,350	186,037
Treasury shares	(28,365)	(28,219)
Total shareholders' equity	318,853	320,419
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,393	24,512
Revaluation reserve for land	(496)	(496)
Foreign currency translation adjustment	54,599	64,539
Remeasurements of defined benefit plans	(6,242)	(5,643)
Total accumulated other comprehensive income	72,254	82,911
Share acquisition rights	67	5
Non-controlling interests	1,648	1,676
Total net assets	392,824	405,013
Total liabilities and net assets	753,989	733,158

(2) Quarterly consolidated statement of income and comprehensive income

For the nine months ended December 31, 2024

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	735,359	740,616
Cost of sales	605,053	610,098
Gross profit	130,305	130,518
Selling, general and administrative expenses	109,721	105,222
Operating profit	20,583	25,295
Non-operating income		
Interest income	1,095	1,408
Dividend income	754	1,328
Share of profit of entities accounted for using equity method	1,514	—
Foreign exchange gains	437	—
Other	1,943	708
Total non-operating income	5,745	3,446
Non-operating expenses		
Interest expenses	652	807
Share of loss of entities accounted for using equity method	—	519
Foreign exchange losses	—	992
Provision of allowance for doubtful accounts	11	839
Foreign withholding tax	804	508
Other	927	613
Total non-operating expenses	2,396	4,281
Ordinary profit	23,932	24,459
Extraordinary income		
Gain on sale of non-current assets	257	53
Gain on sale of investment securities	682	218
Gain on reversal of foreign currency translation adjustment	—	199
Other	—	91
Total extraordinary income	939	562
Extraordinary losses		
Loss on sales and retirement of non-current assets	380	372
Impairment losses	36,205	2,854
Extra retirement payments	—	298
Other	89	101
Total extraordinary losses	36,675	3,627
Profit (loss) before income taxes	(11,803)	21,394
Income taxes - current	10,832	7,517
Income taxes - deferred	(2,494)	3,641
Total income taxes	8,338	11,159
Profit (loss)	(20,142)	10,235
Profit (loss) attributable to:		
Owners of parent	(20,376)	9,912
Non-controlling interests	234	323
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,501)	115
Foreign currency translation adjustment	12,539	9,795
Remeasurements of defined benefit plans, net of tax	767	589
Share of other comprehensive income of entities accounted for using equity method	316	217
Total other comprehensive income	12,122	10,717
Comprehensive income	(8,019)	20,953
Comprehensive income attributable to:		
Owners of parent	(8,335)	20,569
Non-controlling interests	316	384

(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.

(Additional information)

[Extraordinary losses due to plant closure of a consolidated subsidiary]

For these nine months ended December 31, 2024, we decided to close the Jengka plant of ALPS ELECTRIC (MALAYSIA) SDN. BHD., a consolidated subsidiary of the Company. As a result, the amount of extra retirement payments is recorded as extraordinary losses.

(Notes on segment information)

[Segment information]

I. Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	Subtotal				
Net sales								
External	242,307	62,412	416,005	720,725	14,633	735,359	—	735,359
Inter-segment sales and transfers	197	16	27	241	8,632	8,874	(8,874)	—
Total	242,504	62,429	416,033	720,967	23,265	744,233	(8,874)	735,359
Segment profit (loss)	19,629	(1,107)	737	19,260	1,455	20,716	(132)	20,583

(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 ¥(132) 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 profit in the quarterly consolidated financial statements.

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

Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

(Millions of yen)

	Component Segment	Sensor and Communication Segment	Module and System Segment	Other	All/Eliminations	Total
Impairment losses	82	1,452	34,671	—	—	36,205

II. Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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	Subtotal				
Net sales								
External	268,987	65,144	391,386	725,518	15,097	740,616	—	740,616
Inter-segment sales and transfers	224	17	26	269	7,678	7,948	(7,948)	—
Total	269,212	65,162	391,413	725,788	22,776	748,564	(7,948)	740,616
Segment profit (loss)	26,344	(1,750)	(131)	24,462	873	25,336	(40)	25,295

(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 ¥(40) 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 profit in the quarterly consolidated financial statements.

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

Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

(Millions of yen)

	Component Segment	Sensor and Communication Segment	Module and System Segment	Other	All/Eliminations	Total
Impairment losses	219	0	618	—	2,016	2,854

(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 nine months ended December 31, 2024 has not been prepared. The amount of depreciation (including amortization of intangible assets, except for goodwill) for the nine months ended December 31, 2024 is summarized below.

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Depreciation	31,496	26,076

(Significant subsequent events)

(Sale of a portion of equity interest in ALPS LOGISTICS CO., LTD., an equity-method affiliate)

Based on a resolution of the Board of Directors held on May 9, 2024, the Company has entered into an agreement with LDEC, Ltd. (hereinafter referred to as "Tender Offeror"), which is fully owned by LOGISTEED, Ltd. (hereinafter referred to as "LOGISTEED"), for the sale of common shares of ALPS LOGISTICS CO., LTD. (hereinafter referred to as " ALPS LOGISTICS"), an equity method affiliate of the Company (hereinafter, the series of transactions specified in the Basic Transaction Agreement shall be referred to as the "Transaction"). In addition, the Transaction was completed on January 30, 2025.

(1) Purpose and Overview of the Transaction

In its 2nd Mid-Term Business Plan (from April 2022 to March 2025) announced in April 2022, the Company set forth initiatives such as reforming its business portfolio, improving the quality of its business structure, focusing on growth areas with concentrated investments, strengthening the profitability structure of its core businesses, and implementing cost structure reforms that include reviewing non-core businesses. These measures were taken with the goal of realizing management that is conscious of capital costs and share prices, and to enhance the corporate value of the entire Group. As part of these initiatives, we have concluded that it would be beneficial for ALPS LOGISTICS to enhance corporate value. To achieve this, we transferred our shares in ALPS LOGISTICS to a third party and privatized the company. This is setting the stage for further growth and significant advancements through the creation of synergies with a new partner who shares our aspirations.

An outline of the Transaction is as follows.

1) The Tender Offeror conducted a tender offer for the shares of ALPS LOGISTICS (hereinafter referred to as "Tender Offer"), and the Company and ALPINE ELECTRONICS, INC., our wholly-owned subsidiary, did not tender any of the ALPS LOGISTICS shares we own in response to the Tender Offer.
2) After the successful completion of the Tender Offer, ALPINE ELECTRONICS, INC. transferred all shares of ALPS LOGISTICS it owns to the Company through an absorption-type split. This was followed by a share consolidation, resulting in ALPS LOGISTICS having only the Company and the Tender Offeror as its shareholders.
3) Subject to the stock consolidation taking effect, the Company sold all of its shares in ALPS LOGISTICS for ¥70.7 billion in response to a share buyback conducted by ALPS LOGISTICS (hereinafter referred to as "Share Buyback").
4) Prior to the Purchase of Treasury Shares, the Company made an in-kind contribution to the Tender Offeror of a portion of the right to claim payment related to the Share Buyback and acquire the shares of the Tender Offeror (including 20% of voting rights) for ¥30.7 billion.

As a result, the Company owned a 20% equity stake in ALPS LOGISTICS, which remains an equity-method affiliate.

(2) Name of the equity-method affiliate and details of its business

Name	ALPS LOGISTICS CO., LTD.
Location	1756 Nippa-cho, Kohoku-ku, Yokohama-shi, Kanagawa Prefecture 223-0057, Japan
Title and name of the representative	Hideaki Terasaki, President & Representative Director
Business fields	Electronic components logistics business, material sales business, consumer products logistics business
Share capital	¥2,357 million

(3) Impact of the Transaction on the Company's consolidated financial results

As a result of the completion of the Transaction, ¥27.0 billion is expected to be recorded as extraordinary income in the consolidated financial results for the fiscal year ending March 2025.

(Power Inductor Business Transfer(succession))

Our Board of Directors resolved on August 29, 2024 to transfer our power inductor business to DELTA ELECTRONICS INC. Group (Head office: Taipei, Taiwan; Chairman and CEO: Ping Cheng, hereinafter referred to as "DELTA Group"), and has executed a definitive agreement (hereinafter referred to as "Definitive Agreement") with DELTA ELECTRONICS (JAPAN), INC. (Office: Minato-ku, Tokyo; President: Chienhao Hua), a Japanese affiliate of DELTA Group.

In order to execute the transfer (succession) of this business in accordance with the Definitive Agreement, with the exception of our E-core business and the manufacturing and sales business of toroidal cores, we transferred our businesses related to the manufacture, sales, research and development of power inductors and powdered materials used in their production, such as Liqualloy™ and other magnetic materials, to DELTA ELECTRONICS (JAPAN), INC. This was done by concluding an absorption-type split agreement with DELTA ELECTRONICS (JAPAN), INC. (hereinafter referred to as "Agreement") and implementing the succession (hereinafter referred to as the "Absorption-type Split").

With respect to the above, our Board of Directors approved the Absorption-type Split at its meeting on September 27, 2024. The transfer (succession) was completed on January 6, 2025.

(1) Background and Objectives of the Absorption-type Split

As part our efforts to enhance corporate value, we aim to achieve a PBR of more than 1.0 by FY2026 (fiscal year ending March 31, 2027) under the 3rd Mid-Term Business Plan starting from the next fiscal year (fiscal year ending March 31, 2026). In the process of transforming our business portfolio as part of our growth strategy, we are streamlining management by categorizing businesses into core and non-core segments and intensively allocating management resources to each.

Our power inductor business, based on our proprietary magnetic technology, has secured a position in specific markets. However, considering the presence of numerous electronic component manufacturers in this sector, we believe that relying solely on our own technology will be challenging to capture growth in the global market in the future. In addition, in terms of our medium- to long-term direction, we have determined that the synergy with other technologies and products is weak and that under a new partnership, we will boost growth opportunities by maximizing the use of our proprietary magnetic technology.

In selecting a partner, we determined that the DELTA Group is the best choice for our business endeavors in the data center market, which is expected to grow significantly in the future. This decision stems from the extensive business transactions we have had with them, the enduring trust we have established, as well as their leading position in the industry for power-related products. This Definitive Agreement is highly attractive to us as it allows us to fully leverage the business and magnetic materials to achieve economies of scale. Additionally, DELTA Group has focused on the intrinsic performance of these magnetic materials, leading us to conclude that the Absorption-type Split maximizes value for both companies.

An outline of the Absorption-type Split is as follows.

1) Method

An Absorption-type Split in which the Company was the absorbed company and DELTA ELECTRONICS (JAPAN), INC. was the succeeding company.

2) Allotment of shares

The Company received a net amount of ¥7.9 billion from DELTA ELECTRONICS (JAPAN), INC. from the ¥10.1 billion received as consideration for the Absorption-type Split, after deducting a retention amount of ¥1.6 billion (15% of the received amount has been set aside as a retention amount) as well as ¥0.6 billion for the transfer price of facilities in Korea.

3) Rights and obligations taken over by the succeeding company

DELTA ELECTRONICS (JAPAN), INC. was in accordance with the provisions of the Agreement, succeed to the assets, contractual status, intellectual property rights, and other rights and obligations associated with the business subject to this succession.

4) Name of the successor company and details of this Absorption-type Split (As of December 31, 2023)

Company Name	DELTA ELECTRONICS (JAPAN), INC.	
Address	2-1-14 Shibadaimon, Minato-ku, Tokyo 105-0012, Japan	
Title and name of representative	Chienhao Hua, President	
Businesses	Import, sales and export of information and telecommunications equipment and components, industrial automation business, energy infrastructure business, renewable energy-related business and solution business	
Share capital	¥280 million	
Date of Establishment	June, 1991	
Net Assets	NT$ 1,097 million	
Total Assets	NT$ 3,271 million	
Major Shareholders and Shareholding Ratio	DELTA ELECTRONICS INC.: Indirect shareholdings of 100%	
Relationship between the listed company and the company in question	Capital ties	NA
	Personal relationships	NA
	Business relationships	There are no particular noteworthy matters to report
	Related Party Status	NA

(2) Outline of Business Transfer

1) Description of Businesses to be Transferred

Businesses related to research and development, manufacturing and sales of power inductors, including products for the next-generation semiconductor memory market such as DDR (Double Data Rate) DIMM (Dual Inline Memory Module), and magnetic materials used for such products.

2) Name of the reportable segment that includes the businesses that have been split

Sensor & Communication Segment

3) Operating results of the businesses to be transferred in the immediately preceding fiscal year

(Millions of yen)

	Power Inductor Dept. (a)	Financial year ended March 31, 2024 (b)	Ratio (a/b)
Net Sales	2,988	964,090	0.3%
Gross Profit	1,073	166,072	0.6%
Operating Profit	274	19,711	1.4%

4) Asset items and amounts in the relevant businesses (as of the end of December 2024)

(Millions of yen)

Assets	
Item	Book value
Inventories	300
Non-current assets	1,697
Total	1,998

(Note) The amounts of the target assets are currently being calculated and are subject to change.

(3) Impact of the Absorption-type Split on the Company's Financial Results

As a result of the Absorption-type Split, the Company expects to record extraordinary income of ¥6.5 billion in its consolidated financial statements for the fiscal year ending March 2025. In addition, the receipt of 15% of the value will be retained and held in an escrow account specified in the Agreement, and if conditions are met, a maximum of ¥1.6 billion in extraordinary income is expected to be recorded by the fiscal year ending March 2027. Please note that the extraordinary income amount mentioned is an estimate at the present time and is subject to change.

3. Other

Change of Directors and Officers (scheduled effective date of April 1, 2025)

(i) Officers who will be promoted

Senior Vice President	Yoshikatsu Watanabe	(Present) Vice President, Infotainment & Sound Business, Deputy CTO, ALPINE Brand

(ii) Officers who will be appointed

Vice President	Mayumi Kiriu	(Present) ESG Deputy Vice President, Sustainability Promotion Office & Senior Manager, Governance Promotion Office & Senior Manager
Vice President	Yasushi Fukutomi	(Present) Seconded Senior Manager to ALPS ALPINE (CHINA) CO., LTD.
Vice President	Hiroshi Yoneyama	(Present) Module Business Deputy Vice President

(iii) Officers who will retire

Yasushi Motokawa	(Present) Vice President, CSO, Automotive Sales & Marketing