



English translation

Financial Results for the First Quarter of the Year Ending March 31, 2024 [IFRS] (Consolidated)

August 1, 2023

Company name: HIROSE ELECTRIC CO., LTD.
 URL: <https://www.hirose.com/corporate/en/>
 Stock listing: Tokyo Stock Exchange – Prime Market
 Code: 6806
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Scheduled date of filing of Japanese quarterly securities report: August 10, 2023

Scheduled date of dividend payable: —

Supplemental materials: Yes

Earnings presentation held: Yes (For institutional investors and analysts)

(Amount Unit: Yen in Millions)
 (Amounts are rounded off to nearest million yen)

1. Consolidated Financial Results for the First Quarter of the Year Ending March 31, 2024 (From April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (Cumulative)

(Percentage represents year-on-year changes)

	Revenue		Operating profit		Profit before tax		Quarterly profit		Quarterly profit attributable to owners of parent		Total amount of quarterly comprehensive income	
		%		%		%		%		%		%
FY2023 1Q	40,455	(13.1)	9,057	(30.2)	10,652	(26.6)	6,021	(40.1)	6,021	(40.1)	16,368	(11.0)
FY2022 1Q	46,574	21.2	12,971	42.6	14,507	53.6	10,052	50.3	10,052	50.3	18,386	169.3

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
FY2023.1Q	174.89	174.87
FY2022.1Q	286.89	286.84

(Yen in millions)

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
				%
FY2023.1Q	403,861	356,655	356,655	88.3
FY2022	401,357	349,853	349,853	87.2

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	220.00	—	280.00	500.00
FY2023	—				
FY2023 (Forecast)		250.00	—	250.00	500.00

(Note) Revision of previously announced dividend forecast: None.

3. Forecast of Consolidated Business Performance for the Year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Yen in millions)
(Percentage represents year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
		%		%		%		%	Yen
Second quarter end	82,000	(13.4)	18,500	(31.9)	20,000	(31.6)	14,000	(32.2)	406.60
Fiscal year end	172,000	(6.1)	38,500	(17.6)	41,000	(15.6)	29,000	(16.3)	842.25

(Note) Revision of previously announced business forecast: Yes

*Notes

(1) Changes in Significant Subsidiaries during This Period

(changes in specified subsidiaries resulting in the change in scope of consolidation) : None

(2) Changes in Accounting Policies and Changes in Accounting Estimates:

1. Changes in accounting policies required by IFRS : None
2. Changes in accounting policies due to other reasons : None
3. Changes in accounting estimates : None

(3) Number of Shares Issued (Ordinary Shares)

1. Number of shares issued at the end of the period (including treasury shares)
As of June 30, 2023: 36,250,438 As of March 31, 2023: 37,227,089

2. Number of treasury shares at the end of the period:
As of June 30, 2023: 1,817,856 As of March 31, 2023: 2,799,173

3. Weighted-average number of shares outstanding during the period (quarterly cumulative):

For the three months ended June 30, 2023: 34,429,048
For the three months ended June 30, 2022: 35,036,876

*This financial results report is not subject to audit by certified public accountants or audit firms.

*Explanation for appropriate use of forecast and other notes

(Cautionary statements with respect to forward-looking statements)

Forward-looking statements, such as forecast of business performance, stated in this document are based on information currently possessed by Hirose or certain assumption that Hirose has deemed as rational. We cannot make any assurances that the contents mentioned in these forward-looking statements will ever materialize. Actual financial performance could be significantly different from our expectations as a result of various factors. For the assumptions used and other notes, please refer to “1. Overview of Operating Results and Financial Condition (3) Future Outlook” on page 6.

(Method of obtaining supplementary materials on the financial results)

We are planning to hold a financial result briefing for institutional investors and analysts on Wednesday, August 2, 2023, online. The presentation materials distributed in this briefing will be available on our website in the same day.

(English translation)

This is the statement translated into English from the Japanese original of "Financial Results for the First Quarter of the Year Ending March 31, 2024." In the event of any discrepancy between this English translation and the Japanese original, the later shall prevail.

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1. Overview of Operating Results and Financial Condition

(1) Overview of Operating Results

In the first quarter of the fiscal year ending March 31, 2024, the Japanese economy showed a recovery in personal consumption due to the normalization of the economy, and an improvement in business confidence in the service industry due in part to the recovery of inbound demand. However, business confidence in the manufacturing sector weakened due to a global decline in capital investment and a drop in demand for semiconductors. In overseas market, the economic outlook remains uncertain in Europe and the United States due to high inflation and a tightening financial environment. Meanwhile, in China, the economic outlook is becoming unpredictable due to prolonged sluggishness in exports caused by slow growth in the real estate market and global demand for goods.

Under this situation, Hirose group has been expanding global business mainly for smartphone market, automotive market and industrial market. And we have been promoting reinforcement of development, sales, and production system for new products with highly added value to respond advanced market needs quickly. As a result, the sales for the automotive business remained solid, but sales for the industrial and consumer electronics were sluggish.

The revenue in the first quarter decreased by 13.1% to JPY 40,455 million compared to the same period of the previous fiscal year. Operating profit decreased by 30.2% to JPY 9,057 million, and quarterly profit attributable to owners of parent decreased by 40.1% to JPY 6,021 million as compared with the first quarter of fiscal 2022.

The business results by reportable segments are as stated below.

[Multi-pin connectors]

Our flagship multi-pin connectors include a variety of connector types such as circular connectors, rectangular connectors, connectors for ribbon cables, connectors for printed circuit boards, connectors used for FPCs (flexible printed circuits boards) and nylon connectors. This kind of connectors are used widely, such as for smartphones, tablet PC, communication equipment, automotive electronics, measuring and control equipment, FA equipment, and medical electronics equipment, as well as other industrial equipment. We expect that demands for this connector will grow associated with progress of advanced information and telecommunications network society, and energy saving society considering environment in the future. Segment sales for the first quarter of the fiscal year ending March 31, 2024 decreased by 14.2% to JPY 36,067 million, operating profit decreased by 32.8% to JPY 8,044 million compared with the first quarter of the fiscal 2022.

[Coaxial connectors]

Coaxial connector is special type of high-performance connector used primarily for microwave and other high-frequency signals. This is used mainly for antenna connection of Wi-Fi and Bluetooth for smartphone and PC, GPS antenna connection for automobile and high-frequency signal connection for wireless communication device and electronic measuring instruments. Optical fiber connectors and coaxial switches are also included in this segment. Segment sales for the first quarter of the fiscal 2023 decreased by 7.6% to JPY 2,796 million. Operating profit decreased by 13.7% to JPY 725 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first quarter of the fiscal 2023 increased by 6.2% to JPY 1,592 million, operating profit increased by 87.7% to JPY 288 million.

(2) Overview of Financial Condition

Total assets of FY2023.1Q increased by JPY 2,504 million to JPY 403,861 million compared to the end of the previous consolidated fiscal year mainly because fixed assets and other financial assets increased. Total liabilities decreased by JPY 4,298 million to JPY 47,206 million due to the decrease in corporate tax payable, trade and other payables. The quarterly profit was recorded and other components of equity including translation adjustment increased. As a result, total equity increased by JPY 6,802 million to JPY 356,655 million. The ratio of total equity attributable to owners of parent resulted 88.3%, increased by 1.1% compared with the previous consolidated fiscal year end.

(3) Future Outlook

Although the business for the automotive market remains steady, the business for the industrial equipment market and consumer market is expected to fall short our initial estimates, and we revise our business forecast for the first half and full year as follows.

(Revision of business forecast of first half, FY2023)

(Yen in millions)

	Sales revenue	Operating profit	Income before tax	Quarterly profit attributable to owners of the parent	Basic quarterly earnings per share
Forecast previously announced (A)	91,000	22,000	23,000	17,000	493.79 yen
Revised forecast (B)	82,000	18,500	20,000	14,000	406.60 yen
Change (B-A)	(9,000)	(3,500)	(3,000)	(3,000)	—
Rate of change (%)	(9.9)	(15.9)	(13.0)	(17.6)	—
(Ref.) Results for the first half of fiscal year ended Mar 31, 2023	94,704	27,170	29,247	20,636	594.23 yen

(Revision of business forecast of FY2023)

(Yen in millions)

	Sales revenue	Operating profit	Income before tax	Profit attributable to owners of the parent	Basic earnings per share
Forecast previously announced (A)	190,000	47,000	49,000	37,000	1,074.71 yen
Revised forecast (B)	172,000	38,500	41,000	29,000	842.25 yen
Change (B-A)	(18,000)	(8,500)	(8,000)	(8,000)	—
Rate of change (%)	(9.5)	(18.1)	(16.3)	(21.6)	—
(Ref.) Results for the fiscal year ended Mar 31, 2023	183,224	46,751	48,591	34,648	1,002.04 yen

Assumed exchange rates for fiscal 2023 are JPY 134.20 to the U.S. dollar, JPY 147.80 to the Euro, and JPY 0.1029 to the Korean won.

There is also no changes in the dividends forecast.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and cash equivalents	88,029	83,494
Trade and other receivables	41,931	41,837
Inventories	27,735	28,864
Other financial assets	91,218	89,048
Other current assets	7,745	4,122
Total current assets	256,658	247,365
Non-current assets		
Property, plant and equipment	63,795	71,935
Right-of-use assets	5,277	5,395
Intangible assets	4,212	4,339
Other financial assets	63,466	66,973
Deferred tax assets	2,966	2,965
Retirement benefit asset	4,635	4,546
Other non-current assets	348	343
Total non-current assets	144,699	156,496
Total assets	401,357	403,861

(Yen in millions)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Trade and other payables	20,796	18,594
Lease liabilities	1,070	1,129
Other financial liabilities	11	99
Income taxes payable	8,205	4,254
Other current liabilities	7,005	6,147
Total current liabilities	37,087	30,223
Non-current liabilities		
Lease liabilities	4,409	4,489
Other financial liabilities	130	92
Retirement benefit liability	290	312
Deferred tax liabilities	8,858	11,342
Other non-current liabilities	730	748
Total non-current liabilities	14,417	16,983
Total liabilities	51,504	47,206
Equity		
Share capital	9,404	9,404
Capital surplus	11,191	11,189
Retained earnings	345,201	327,686
Treasury shares	(39,840)	(25,868)
Other components of equity	23,897	34,244
Total equity attributable to owners of parent	349,853	356,655
Total equity	349,853	356,655
Total liabilities and equity	401,357	403,861

(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Comprehensive Income
(Condensed Quarterly Consolidated Statement of Profit or Loss)

(Yen in millions)

	For the first quarter of the year ended March 31, 2023 (From Apr 1, 2022 to Jun 30, 2022)	For the first quarter of the year ending March 31, 2024 (From Apr 1, 2023 to Jun 30, 2023)
Revenue	46,574	40,455
Cost of sales	23,733	21,790
Gross profit	22,841	18,665
Selling, general and administrative expenses	9,950	9,456
Other income	102	98
Other expenses	22	250
Operating profit	12,971	9,057
Financial income	1,567	1,631
Finance costs	31	36
Quarterly profit before tax	14,507	10,652
Income tax expense	4,455	4,631
Quarterly profit	10,052	6,021
Quarterly profit attributable to:		
Owners of parent	10,052	6,021
Quarterly Earnings per share:		
Basic (yen)	286.89	174.89
Diluted (yen)	286.84	174.87

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Yen in millions)

	For the first quarter of the year ended March 31, 2023 (From Apr 1, 2022 to Jun 30, 2022)	For the first quarter of the year ending March 31, 2024 (From Apr 1, 2023 to Jun 30, 2023)
Quarterly profit	10,052	6,021
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	446	1,085
Total items that will not be reclassified to profit or loss	446	1,085
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	7,892	9,240
Debt instruments measured at fair value through other comprehensive income	(4)	22
Total items that may be reclassified to profit or loss	7,888	9,262
Total other comprehensive income after tax	8,334	10,347
Total quarterly comprehensive income	18,386	16,368
Total amount of quarterly comprehensive income attributable to:		
Owners of parent	18,386	16,368

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

(Yen in millions)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance as of April 1, 2022	9,404	11,250	338,818	△36,306	18,903	342,069	342,069
Quarterly profit			10,052			10,052	10,052
Other comprehensive income					8,334	8,334	8,334
Total of quarterly comprehensive income	—	—	10,052	—	8,334	18,386	18,386
Dividend of surplus			(9,900)			(9,900)	(9,900)
Purchase of treasury shares		(1)		(15,888)		(15,889)	(15,889)
Disposal of treasury shares		(1)		21		20	20
Cancellation of treasury shares		(12,228)		12,228		—	—
Share-based payment transactions		16				16	16
Transfer to retained earnings		12,147	(12,147)			—	—
Total transactions with owners	—	(67)	(22,047)	(3,639)	—	(25,753)	(25,753)
Balance as of June 30, 2022	9,404	11,183	326,823	(39,945)	27,237	334,702	334,702

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance as of April 1, 2023	9,404	11,191	345,201	(39,840)	23,897	349,853	349,853
Quarterly profit			6,021			6,021	6,021
Other comprehensive income					10,347	10,347	10,347
Total of quarterly comprehensive income	—	—	6,021	—	10,347	16,368	16,368
Dividend of surplus			(9,640)			(9,640)	(9,640)
Purchase of treasury shares		(0)		(3)		(3)	(3)
Disposal of treasury shares		(6)		70		64	64
Cancellation of treasury shares		(13,905)		13,905		—	—
Share-based payment transactions		13				13	13
Transfer to retained earnings		13,896	(13,896)			—	—
Total transactions with owners	—	(2)	(23,536)	13,972	—	(9,566)	(9,566)
Balance as of June 30, 2023	9,404	11,189	327,686	(25,868)	34,244	356,655	356,655

(4) Notes on Condensed Quarterly Consolidated Financial Statements

(Note regarding the case of significant fluctuation in shareholders' equity occurs)

Hirose cancelled 976,651 treasury shares on May 15, 2023 following the resolution of director's board meeting held on May 8, 2023. As a result, in the first quarter of FY2023, treasury shares decreased by JPY 13,972 million and treasury shares at the end of the first quarter of the year ending March 2024 is JPY 25,868 million.

The amount of cancellation is reduced from other capital surplus in "capital surplus", and the amount exceeding other capital surplus is reduced from "retained earnings."

(Segment information)

1. Business segment

(1) Overview of reportable segments

In the reportable segments of Hirose group, it is possible to acquire isolated financial information among constituent unit of our group. It is also an object being examined on a regular basis to evaluate our decision of resource allocation and business results by the board of directors.

Our business is manufacturing and selling mainly connectors, and other products. And we formulate a domestic and global comprehensive strategy for our products and service. Therefore, Hirose group consists of segments by products based on the shape of connectors. Our reportable segments are "Multi-pin connectors" and "Coaxial connectors".

"Multi-pin connectors" include circular and rectangular connectors implemented to the outside of devices. They also include connectors implemented internal of the devices, such as connectors for ribbon cables, connectors for printed circuit boards, connectors used for FPCs (flexible printed circuit boards) and nylon connectors.

"Coaxial connectors" are a special type of high-performance connectors connecting high-frequency signals such as microwave, and this segment includes optical fiber connectors.

(2) Information of reportable segments

For the first quarter of the fiscal year ended March 31, 2023 (from April 1, 2022 to June 30, 2022)

(Yen in millions)

	Reportable segments			Others*	Amount of condensed quarterly consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	42,050	3,025	45,075	1,499	46,574
Total revenue	42,050	3,025	45,075	1,499	46,574
Operating profit	11,978	840	12,818	153	12,971
Financial income	—	—	—	—	1,567
Financial costs	—	—	—	—	31
Quarterly profit before tax	—	—	—	—	14,507

**"Others" category is not included into reportable segments. "Others" includes micro switches and instruments for connectors.

2. Geographic information

	Japan	China	Korea	Others	Total
Revenue	10,807	16,320	6,126	13,321	46,574
Percentage of consolidated revenue (%)	23.2	35.0	13.2	28.6	100.0

For the first quarter of the fiscal year ending March 31, 2024 (from April 1, 2023 to June 30, 2023)

(Yen in millions)

	Reportable segments			Others *	Amount of condensed quarterly consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	36,067	2,796	38,863	1,592	40,455
Total revenue	36,067	2,796	38,863	1,592	40,455
Operating profit	8,044	725	8,769	288	9,057
Financial income	—	—	—	—	1,631
Financial costs	—	—	—	—	36
Quarterly profit before tax	—	—	—	—	10,652

*"Others" category is not included into reportable segments. "Others" includes micro switches and instruments for connectors.

2. Geographic information

	Japan	China	Korea	Others	Total
Revenue	10,106	12,248	6,620	11,481	40,455
Percentage of consolidated revenue (%)	25.0	30.3	16.4	28.3	100.0