



English translation

Financial Results for the Second Quarter of Year Ending March 31, 2022 [IFRS] (Consolidated)

November 1, 2021

Company name: HIROSE ELECTRIC CO., LTD.
 URL: <https://www.hirose.com/corporate/en/>
 Stock listing: Tokyo Stock Exchange – First Section
 Code: 6806
 Representative: Kazunori Ishii, President and Representative Director
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Scheduled date of filing of Japanese quarterly securities report: November 12, 2021
 Scheduled date of dividend payable: December 1, 2021
 Supplemental materials: Yes
 Earnings presentation held: Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for the Second Quarter of the Year Ending March 31, 2022 (From April 1, 2021 to September 30, 2021)

(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	
		%		%		%		%		%		%
FY2021 2Q	79,188	29.7	19,792	53.5	20,384	58.2	14,797	58.5	14,797	58.5	14,132	42.5
FY2020 2Q	61,036	1.3	12,893	11.8	12,887	6.6	9,338	8.9	9,338	8.9	9,918	193.6

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
FY2021.2Q	414.96	414.85
FY2020.2Q	257.48	257.48

(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
				%
FY2021.2Q	365,731	321,338	321,338	87.9
FY2020	370,504	326,092	326,092	88.0

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FY2020	—	120.00	—	120.00	240.00
FY2021	—	160.00			
FY2021 (Forecast)			—	160.00	320.00

(Note) Revision of previously announced dividend forecast: Yes

3. Forecast of Consolidated Business Performance for the Year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(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
Fiscal year end	156,000	16.8	35,000	25.5	36,000	27.1	26,000	30.5	732.32

(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 September 30, 2021: 38,175,942 As of March 31, 2021: 38,175,942

2. Number of treasury shares at the end of the period:

As of September 30, 2021: 2,828,675 As of March 31, 2021: 1,891,247

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

For the six months ended September 30, 2021: 35,658,902

For the six months ended September 30, 2020: 36,267,094

*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 results briefing for institutional investors and analysts on Tuesday, November 2, 2021 online. The presentation materials distributed in this briefing will be published on our website on the day.

(English translation)

This is the statement translated into English from the Japanese original of "Financial Results for the Second Quarter of the Year Ending March 31, 2022." 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 half of the fiscal year ending March 31, 2022, due to the spread of COVID-19 and repeated state of emergency, consumer spending has still been sluggish. However mainly in manufacturing industry, the business sentiment has been improved because overseas economy has been recovering and exports have been increasing. Business situation varies depending on industry sector and the difference is becoming clear.

In overseas market, COVID-19 vaccination has been progressing. In Europe and the United States, activity restriction was lifted and the economy has been recovering. In China, although recovery speed has decreased because of some concerns about overinvestment, the economy has been strong.

Under this situation, Hirose group has been expanding global business mainly for consumer market, automotive market and industrial market, and promoting reinforcement of development, sales and production system for new products with highly added value to respond advanced market needs quickly. The sales for mainly consumer electronics, automotive and industrial business has grown. As a result, revenue in the first half increased by 29.7% to JPY 79,188 million compared to the same period of the previous fiscal year. Operating profit increased by 53.5% to JPY 19,792 million, and quarterly profit attributable to owners of parent increased by 58.5% to JPY 14,797 million as compared with the first half of fiscal 2020.

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 connectors 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 half of the fiscal year ending March 31, 2022 increased by 30.4% to JPY 71,038 million, operating profit increased by 50.6% to JPY 18,320 million compared with the first half of the fiscal 2020.

[Coaxial connectors]

Coaxial connectors are a special type of high-performance connector used primarily for microwave and other high-frequency signals. This is used mainly for microwave communication device, satellite communication device, electronic measuring instruments, smartphone and 4K/8K broadcasting equipment. Optical fiber connectors and coaxial switches are also included in this segment. Segment sales for the first half of the fiscal 2021 increased by 23.1% to JPY 5,663 million. Operating profit increased by 103.4% to JPY 1,430 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first half of the fiscal 2021 increased by 26.9% to JPY 2,487 million, operating profit increased by 44.5% to JPY 42 million.

(2) Overview of Financial Condition

Total assets of FY2021.2Q decreased by JPY 4,772 million to JPY 365,731 million compared to the end of the previous consolidated fiscal year mainly because other financial assets decreased. Total liabilities decreased by JPY 18 million to JPY 44,393 million due to the decrease in income taxes payable. Although quarterly profit was recorded and retained earnings increased, treasury shares increased because of off-auction own share repurchase and other components of equity including foreign currency translation adjustment decreased. As a result, total equity decreased by JPY 4,754 million to JPY 321,338 million. The ratio of total equity attributable to owners of parent resulted 87.9%, decreased by 0.1% compared with the previous consolidated fiscal year end.

(3) Future Outlook

The business for general industrial, automotive and consumer electronics is expected to exceed the previous estimates, and we revise our business forecast announced on July 30, 2021 as follows.

(Revision of business forecast of FY2021)

(Yen in millions)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Forecast previously announced (A)	150,000	33,000	34,000	25,000	707.30 yen
Revised forecast (B)	156,000	35,000	36,000	26,000	732.32 yen
Change (B-A)	6,000	2,000	2,000	1,000	—
Rate of change (%)	4.0	6.1	5.9	4.0	—
(Ref.) Results for the fiscal year ended Mar 31, 2021	133,538	27,885	28,332	19,916	549.10 yen

Premise for full year exchange rate: 1US\$ = JPY 109.90, 1€ = JPY 129.95, 1 South Korean won = JPY 0.0957

As for the dividend forecast of FY2021, we revised annual dividend forecast to JPY 320 from JPY 260 per share (Interim dividend: JPY 160, Year-end dividend: JPY 160) , because business results of the first half exceeded our initial expectations and annual business forecast was revised upward.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	57,837	72,415
Trade and other receivables	36,620	41,177
Inventories	16,915	17,550
Other financial assets	131,274	115,902
Other current assets	5,401	3,718
Total current assets	248,047	250,762
Non-current assets		
Property, plant and equipment	61,182	59,369
Right-of-use assets	4,357	4,606
Intangible assets	3,295	3,519
Other financial assets	48,918	42,951
Deferred tax assets	2,515	2,435
Retirement benefit asset	1,780	1,721
Other non-current assets	410	368
Total non-current assets	122,457	114,969
Total assets	370,504	365,731

(Yen in millions)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Trade and other payables	19,511	19,837
Lease liabilities	821	846
Other financial liabilities	102	179
Income taxes payable	6,532	5,233
Other current liabilities	5,046	5,437
Total current liabilities	32,012	31,532
Non-current liabilities		
Lease liabilities	3,581	3,821
Other financial liabilities	134	108
Retirement benefit liability	320	325
Deferred tax liabilities	7,616	7,855
Other non-current liabilities	749	752
Total non-current liabilities	12,400	12,861
Total liabilities	44,412	44,393
Equity		
Share capital	9,404	9,404
Capital surplus	11,230	11,231
Retained earnings	317,265	327,679
Treasury shares	(21,874)	(36,412)
Other components of equity	10,067	9,436
Total equity attributable to owners of parent	326,092	321,338
Total equity	326,092	321,338
Total liabilities and equity	370,504	365,731

(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 half of the year ended March 31, 2021 (From April 1, 2020 to September 30, 2020)	For the first half of the year ending March 31, 2022 (From April 1, 2021 to September 30, 2021)
Revenue	61,036	79,188
Cost of sales	35,172	43,343
Gross profit	25,864	35,845
Selling, general and administrative expenses	14,499	16,113
Other income	1,732	153
Other expenses	204	93
Operating profit	12,893	19,792
Financial income	518	628
Finance costs	524	36
Quarterly profit before tax	12,887	20,384
Income tax expense	3,549	5,587
Quarterly profit	9,338	14,797
Quarterly profit attributable to:		
Owners of parent	9,338	14,797
Quarterly Earnings per share:		
Basic (yen)	257.48	414.96
Diluted (yen)	257.48	414.85

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Yen in millions)

	For the first half of the year ended March 31, 2021 (From April 1, 2020 to Sep 30, 2020)	For the first half of the year ending March 31, 2022 (From April 1, 2021 to Sep 30, 2021)
Quarterly profit	9,338	14,797
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	—	(35)
Equity instruments measured at fair value through other comprehensive income	(298)	381
Total items that will not be reclassified to profit or loss	(298)	346
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	854	(1,024)
Debt instruments measured at fair value through other comprehensive income	24	13
Total items that may be reclassified to profit or loss	878	(1,011)
Total other comprehensive income after tax	580	(665)
Total quarterly comprehensive income	9,918	14,132
Total amount of quarterly comprehensive income attributable to:		
Owners of parent	9,918	14,132

(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, 2020	9,404	11,293	308,343	(24,456)	1,557	306,141	306,141
Quarterly profit			9,338			9,338	9,338
Other comprehensive income					580	580	580
Total of quarterly comprehensive income	—	—	9,338	—	580	9,918	9,918
Dividend of surplus			(4,352)			(4,352)	(4,352)
Purchase of treasury shares		(0)		(3)		(3)	(3)
Disposal of treasury shares		0		1		1	1
Cancellation of treasury shares		(2,381)		2,381		—	—
Transfer to retained earnings		2,373	(2,373)			—	—
Total transactions with owners	—	(8)	(6,724)	2,379	—	(4,354)	(4,354)
Balance as of September 30, 2020	9,404	11,285	310,957	(22,077)	2,137	311,706	311,706

	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, 2021	9,404	11,230	317,265	(21,874)	10,067	326,092	326,092
Quarterly profit			14,797			14,797	14,797
Other comprehensive income					(665)	(665)	(665)
Total of quarterly comprehensive income	—	—	14,797	—	(665)	14,132	14,132
Dividend of surplus			(4,354)			(4,354)	(4,354)
Purchase of treasury shares		(2)		(14,573)		(14,575)	(14,575)
Disposal of treasury shares		0		34		34	34
Share-based payment transactions		9				9	9
Transfer to retained earnings		(6)	(29)		35	—	—
Total transactions with owners	—	1	(4,383)	(14,539)	35	(18,886)	(18,886)
Balance as of September 30, 2021	9,404	11,231	327,679	(36,412)	9,436	321,338	321,338

(4) Notes on Condensed Quarterly Consolidated Financial Statements

(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 half of the fiscal year ended March 31, 2021 (from April 1, 2020 to September 30, 2020)

(Yen in millions)

	Reportable segments			Others*	Amount of condensed quarterly consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	54,475	4,601	59,076	1,960	61,036
Total revenue	54,475	4,601	59,076	1,960	61,036
Operating profit	12,161	703	12,864	29	12,893
Financial income	—	—	—	—	518
Financial costs	—	—	—	—	524
Quarterly profit before tax	—	—	—	—	12,887

*“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	14,365	22,780	8,576	15,315	61,036
Percentage of consolidated revenue (%)	23.5	37.3	14.1	25.1	100.0

For the first half of the fiscal year ending March 31, 2022 (from April 1, 2021 to September 30, 2021)

(Yen in millions)

	Reportable segments			Others *	Amount of condensed quarterly consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	71,038	5,663	76,701	2,487	79,188
Total revenue	71,038	5,663	76,701	2,487	79,188
Operating profit	18,320	1,430	19,750	42	19,792
Financial income	—	—	—	—	628
Financial costs	—	—	—	—	36
Quarterly profit before tax	—	—	—	—	20,384

*"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	19,822	28,524	10,362	20,480	79,188
Percentage of consolidated revenue (%)	25.0	36.0	13.1	25.9	100.0