

Hirose Electric Business Results for the Third Quarter of FY2023

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February 2, 2024

Hirose Electric Co., Ltd.

[6806]

Cautionary Statement

In this material, there are descriptions based on current estimation by Hirose Electric.

Hirose cautions you that a number of important risks, uncertainties and others could cause actual results to differ materially from those discussed in the *forward-looking statements. Thank you for your understanding.

*Forward-looking statements include, but are not limited to, those statements using words such as “believe,” “expect,” “plans,” “strategy,” “prospects,” “forecast,” “estimate,” “project,” “anticipate,” “aim,” “may” or “might” and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. These statements are based on management’s assumptions and beliefs in light of the information currently available to it.

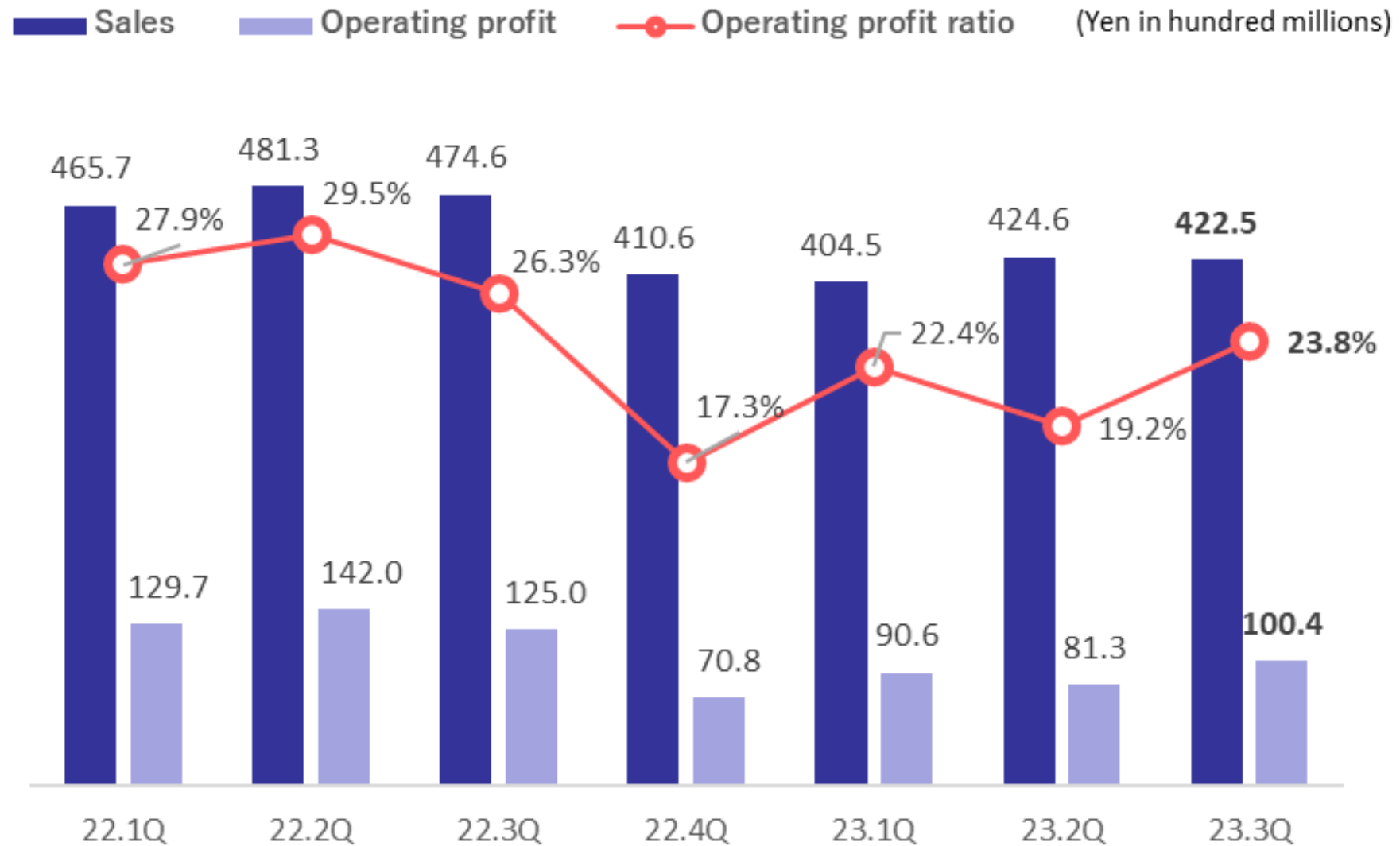
Summary of the business results (FY2023.1Q-3Q From April 2023 to December 2023)

- In FY2023.3Q, sales for Automotive/Mobility-related segment increased and for Smartphone segment kept steady. However, as for General Industrial and Consumer/Mobile Equipment segments, tough market condition continued. In FY2023.1Q-3Q totally, sales was -12.0% YoY and Operating profit was -31.4% YoY. Operating profit ratio was 21.8%.

(Yen in hundred millions)

	FY2022			FY2023			YoY
	1H (22.Apr-Sep)	3Q (22.Oct-Dec)	1Q-3Q (22.Apr-Dec)	1H (23.Apr-Sep)	3Q (23.Oct-Dec)	1Q-3Q (23.Apr-Dec)	FY2023.1Q-3Q / FY2022.1Q-3Q
Orders	915.2	367.3	1,282.5	754.4	365.6	1,120.0	-12.7%
Sales	947.0	474.6	1,421.6	829.1	422.5	1,251.6	-12.0%
Operating profit	271.7	125.0	396.7	171.9	100.4	272.3	-31.4%
Operating profit ratio	28.7%	26.3%	27.9%	20.7%	23.8%	21.8%	-6.1pt

Changes in sales and operating profit (FY2022.1Q-FY2023.3Q / Consolidated basis)



Business Results for FY2023.1Q-3Q

(Yen in hundred millions)	FY2022.3Q (Dec 31, 2022)	FY2023.3Q (Dec 31, 2023)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	1,421.6	1,251.6	-170.0	-12.0%
COGS Ratio	50.8%	55.6%	+4.8	
SGA Ratio	21.5%	22.1%	+0.6	
Operating Profit	396.7	272.3	-124.4	-31.4%
(%)	27.9%	21.8%	-6.1	
Profit before tax	409.8	306.3	-103.5	-25.3%
(%)	28.8%	24.5%	-4.3	
Net profit	292.3	207.1	-85.2	-29.1%
(%)	20.6%	16.5%	-4.1	
Total Assets	3,947.6	3,953.7		
Shareholder's Equity Ratio	87.2%	90.3%		
Earnings Per Share	844.14円	602.04円		

	FY2022 3Q	FY2023 3Q
1US\$	136.51 yen	143.29 yen
1 €	140.59 yen	155.29 yen
100 won	10.35 yen	10.90 yen

FY2023.1Q-3Q Major Changes

Sales

170.0 hundred million yen **Decreased**
(1,421.6 → 1,251.6)

General Industrial : -126

Consumer / Mobile Equipment : -69

COGS Ratio

4.8 pt Deteriorated
(50.8% → 55.6%)

Variable Expense Ratio : 37.6% → 39.2%

Depreciation Ratio : 7.1% → 8.1%

Labor Cost Ratio : 6.6% → 7.4%

SGA Ratio

0.6 pt Deteriorated
(21.5% → 22.1%)

305.1 → 276.3

(Decreased by 28.8 hundred million yen)

Financial income / costs

20.8 hundred million yen **Improved**
(+13.2 → +34.0)

Exchange Gain or Loss : -0.8 → +4.5

Interest received and others : +10.3 → +19.5

FY2023.1Q-3Q YoY Variation Analysis

(Yen in hundred millions)

	Sales	Operating Profit	(%)	Profit before tax	(%)
FY2022.1Q-3Q Actual	1,421.6	396.7	27.9%	409.8	28.8%
Exchange rate	56.5	36.5		42.2	
Labor cost decrease		13.0		13.0	
Decrease in freightage and packing expenses		16.8		16.8	
Increase in Loss on retirement of fixed assets		-8.4		-8.4	
Decrease in the product	-226.5	-129.1		-113.9	
Deterioration of Cost rate		-53.2		-53.2	
Total amount of changes	-170.0	-124.4		-103.5	
FY2023.1Q-3Q Actual	1,251.6	272.3	21.8%	306.3	24.5%

Consolidated Balance Sheet (1)

(Yen in hundred millions)

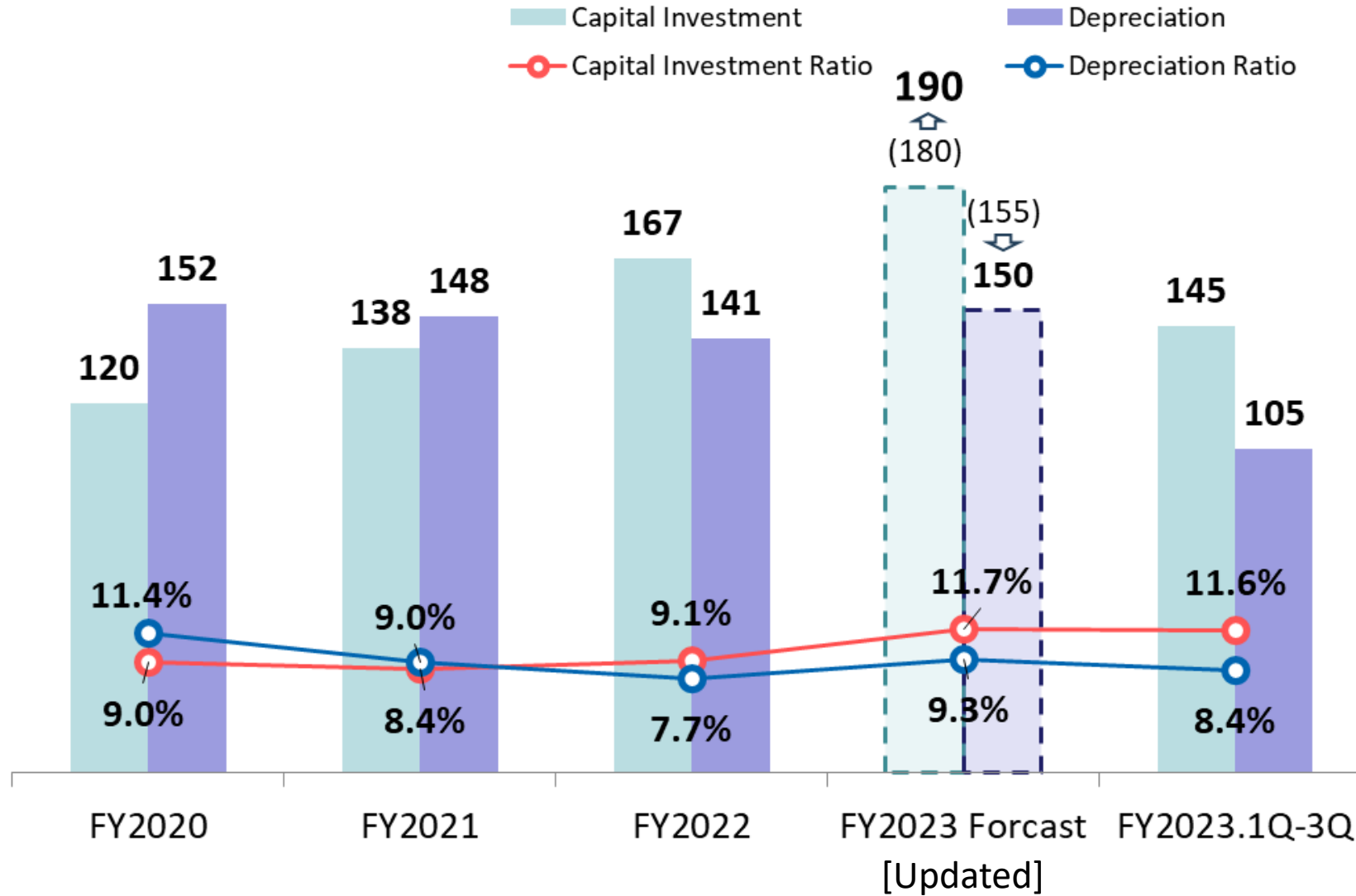
Asset	Account	Mar 31, 2023	Dec 31, 2023	Increase / Decrease	Remarks
	Cash and cash equivalents	880.3	753.4	-126.9	Transfer from time deposit +77, Dividends paid -172, Buyback -65 Shortening terms of payment in Japan -91
	Trade and other receivables	419.3	392.4	-26.9	Sales decreased
	Inventories	277.3	249.4	-27.9	Actual inventory -37, Influence of weaker yen +9
	Other financial assets	1,546.8	1,516.4	-30.4	Investment for Koriyama new factory
	Property, plant and equipment	638.0	785.0	+147.0	Koriyama new factory and TAT center +71 Korea factory expansion +29
	Right-of-use asset	52.8	49.5	-3.3	
	Others	199.1	207.6	+8.5	Intangible assets increased +6
	Total	4,013.6	3,953.7	-59.9	
	Total of cash in bank	1,854.0	1,670.6	-183.4	

Consolidated Balance Sheet (2)

		Account	Mar 31, 2023	Dec 31, 2023	Increase / Decrease	Remarks
						(Yen in hundred millions)
Liabilities		Payables and other debt	208.0	116.5	-91.4	Shortening terms of payment in Japan, Production decreased
		Lease liabilities	54.8	52.2	-2.6	
		Income Taxes Payable	82.1	35.5	-46.6	Payment of corporate tax
		Others	170.1	180.5	+10.4	
		Total	515.0	384.7	-130.3	
Shareholder's Equity		Capital stock and Capital surplus	206.0	205.8	-0.2	
		Retained Earnings	3,452.0	3,348.1	-103.9	Net profit +207, Dividends paid -172, Cancellation of treasury shares -139
		Treasury Shares	- 398.4	-323.7	+74.7	Cancellation of treasury shares +139, Buyback -65
		Others	239.0	338.7	+99.7	Foreign currency translation adjustment +88
		Total	3,498.5	3,568.9	+70.4	
		Total Liabilities and Shareholder's Equity	4,013.6	3,953.7	-59.9	

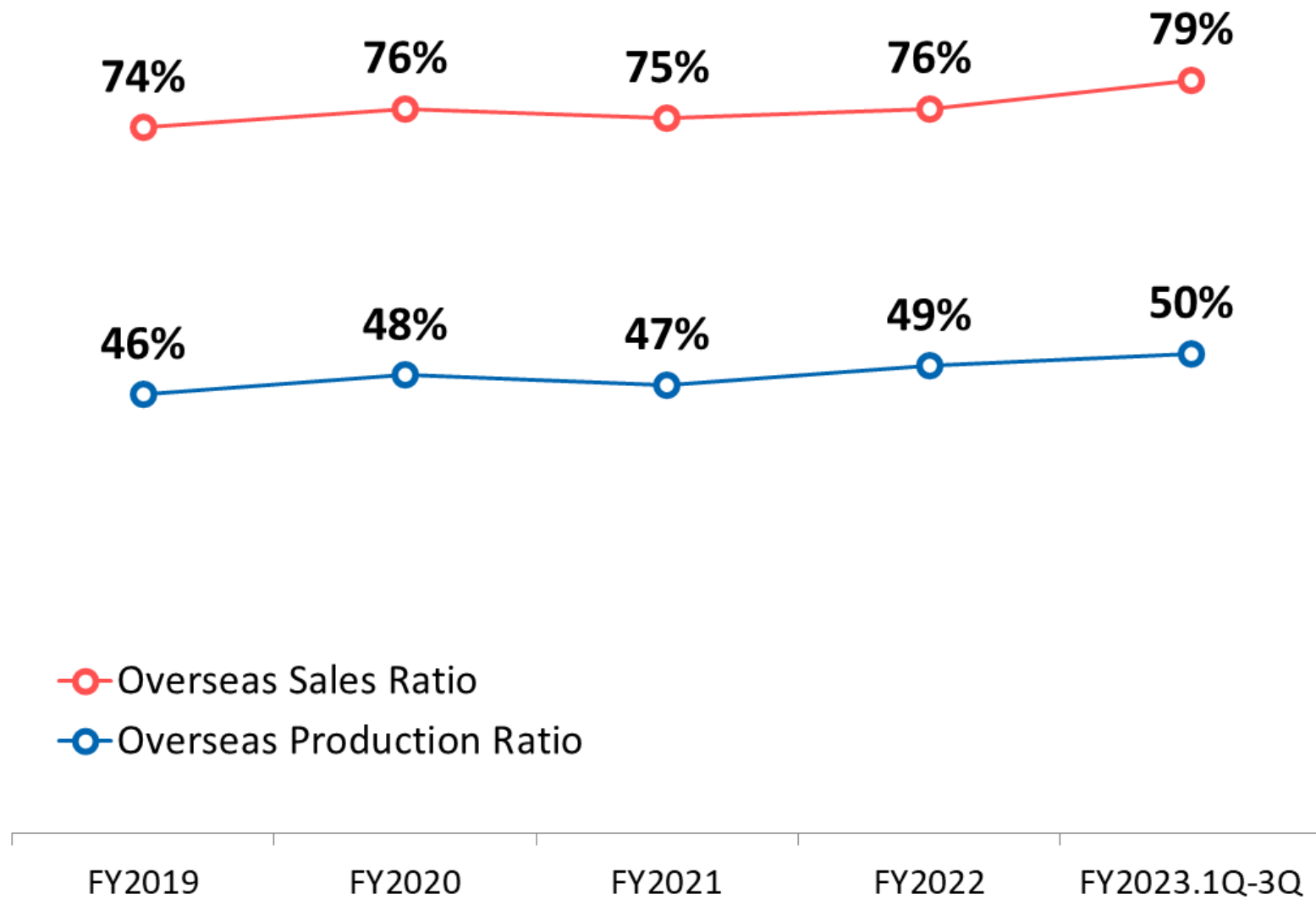
Changes in Capital Investment and Depreciation (Consolidated basis)

(Yen in hundred millions)



(*Excluded: Investment in land, building, software)

Overseas production and sales ratio

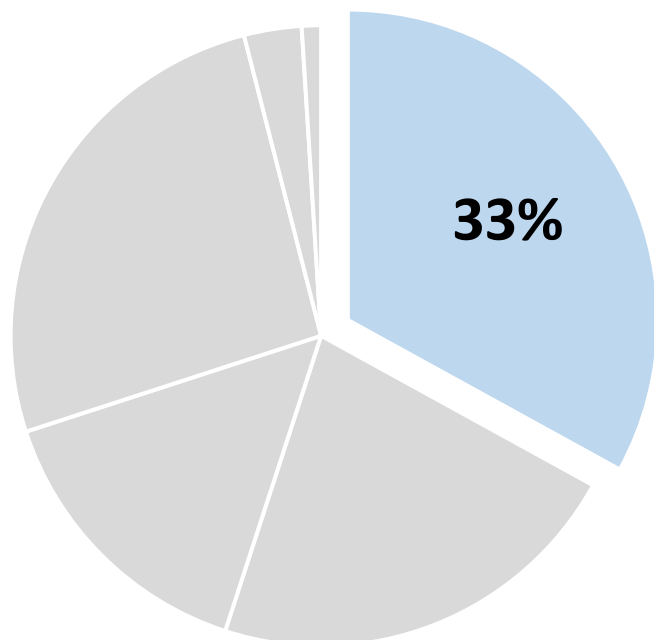


Sales by Application_General Industrial

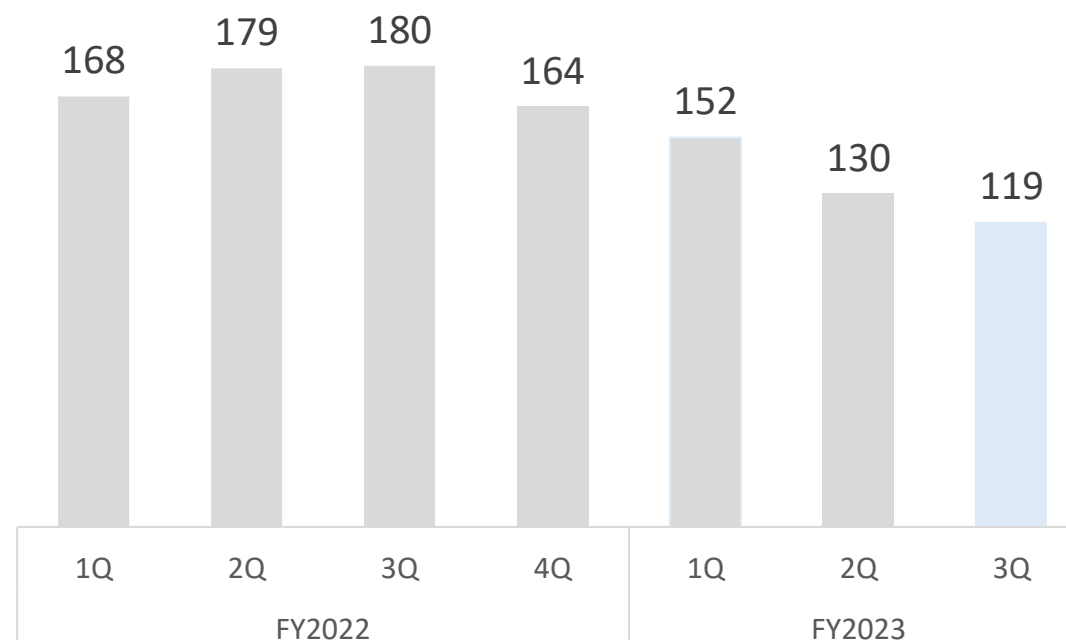
(Yen in hundred millions)

	FY2022			FY2023			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2022.1Q-3Q / FY2023.1Q-3Q
Sales	347	180	527	282	119	401	-24%

● FY2023.1Q-3Q Composition ratio



● Changes in quarterly sales



- Due to order taken remained weak, 3Q sales was lower than 2Q. Sales composition ratio by General Industrial kept to decrease from 1Q 39%, 2Q 35% to 3Q 33%.

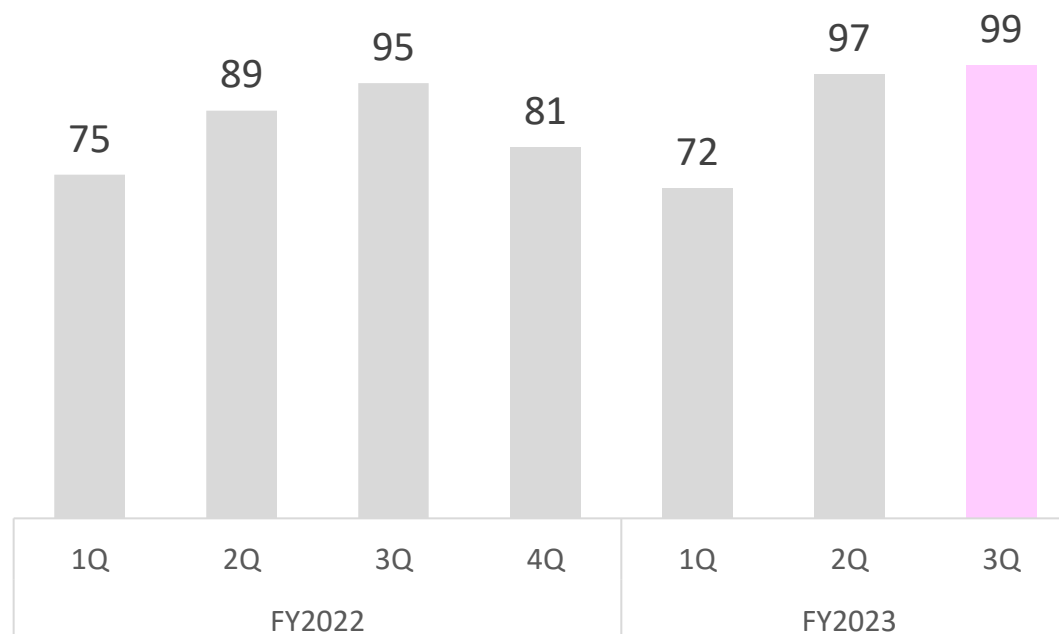
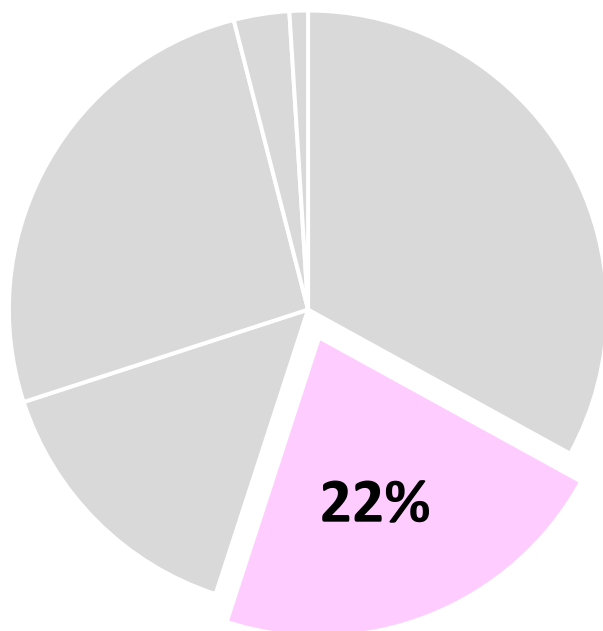
Sales by Application_Smartphone

(Yen in hundred millions)

	FY2022			FY2023			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2022.1Q-3Q / FY2023.1Q-3Q
Sales	164	95	259	169	99	268	+3%

● FY2023.1Q-3Q Composition ratio

● Changes in quarterly sales



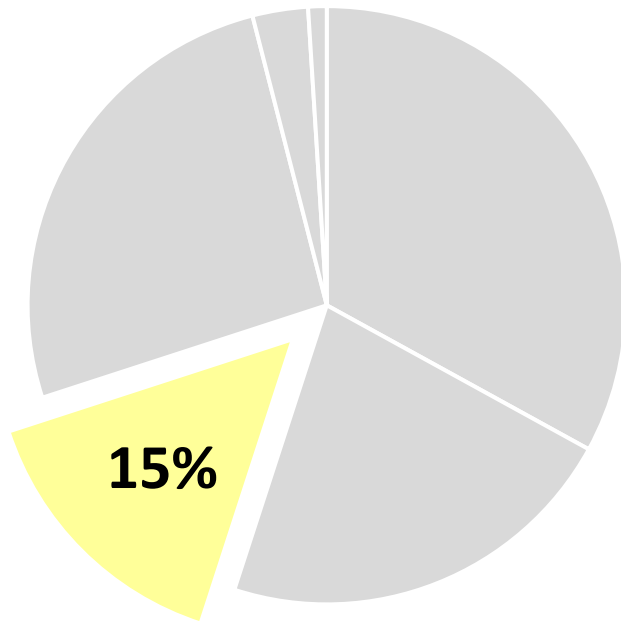
■ As expected, sales for Smartphone was steady due to the usual seasonality.

Sales by Application_Consumer/Mobile Equipment

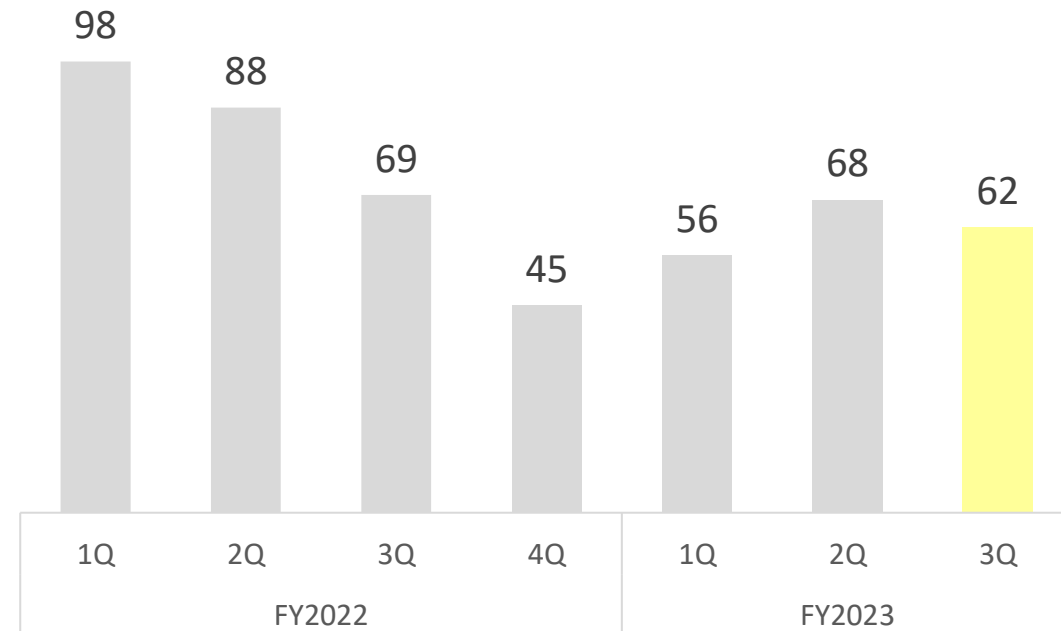
(Yen in hundred millions)

	FY2022			FY2023			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2022.1Q-3Q / FY2023.1Q-3Q
Sales	186	69	255	124	62	186	-27%

● FY2023.1Q-3Q Composition ratio



● Changes in quarterly sales



■ Demand stayed weak and the sales did not turn to pick up.

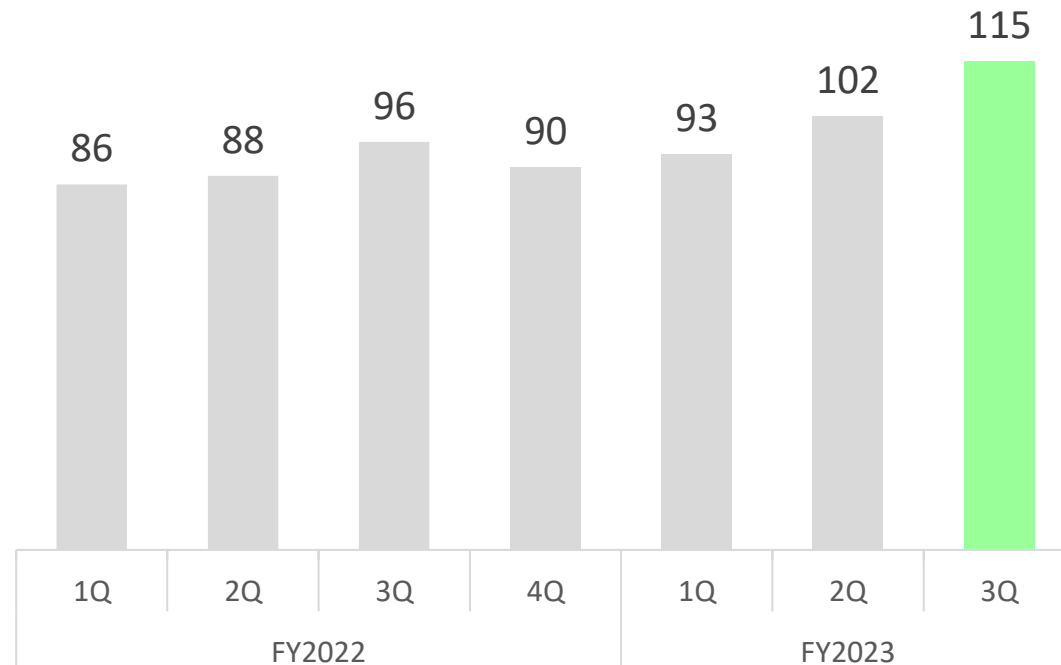
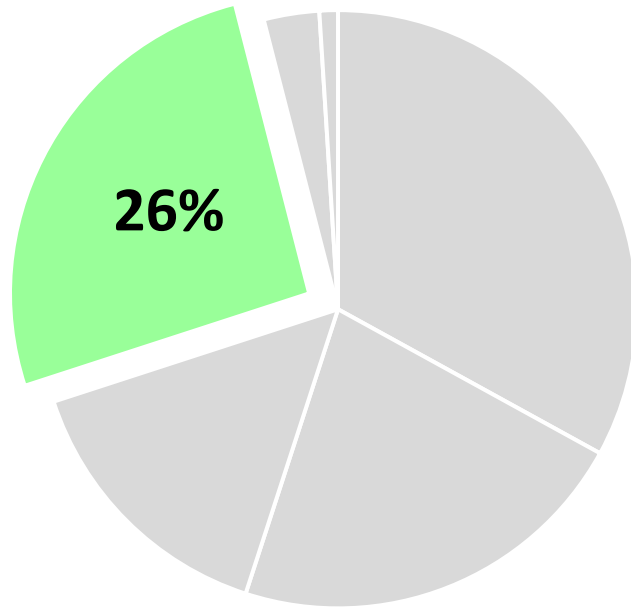
Sales by Application_Automotive/Mobility-related

(Yen in hundred millions)

FY2022				FY2023			YoY
1H	3Q	1Q-3Q		1H	3Q	1Q-3Q	FY2022.1Q-3Q / 2023.1Q-3Q
Sales	174	96	270	195	115	310	+15%

● FY2023.1Q-3Q Composition ratio

● Changes in quarterly sales



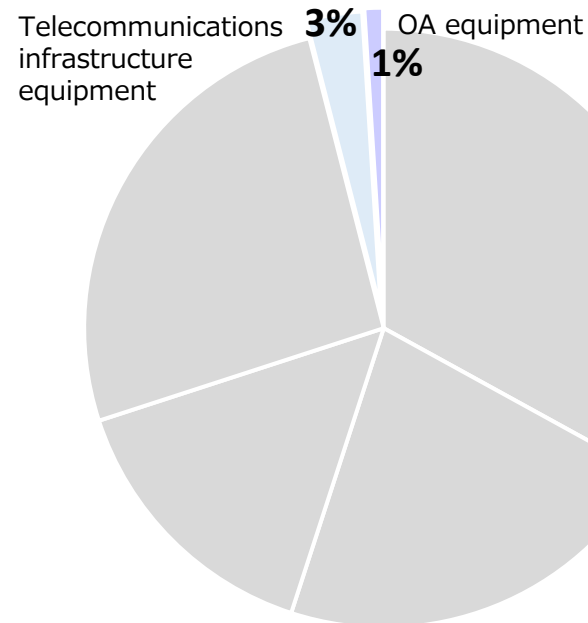
- Sales continues to increase steadily as well as 2Q and reached to the highest record again. The composition ratio expanded from 24% in the 1st half to 26%.

Sales by Application_Telecommunications infrastructure equipment / OA equipment

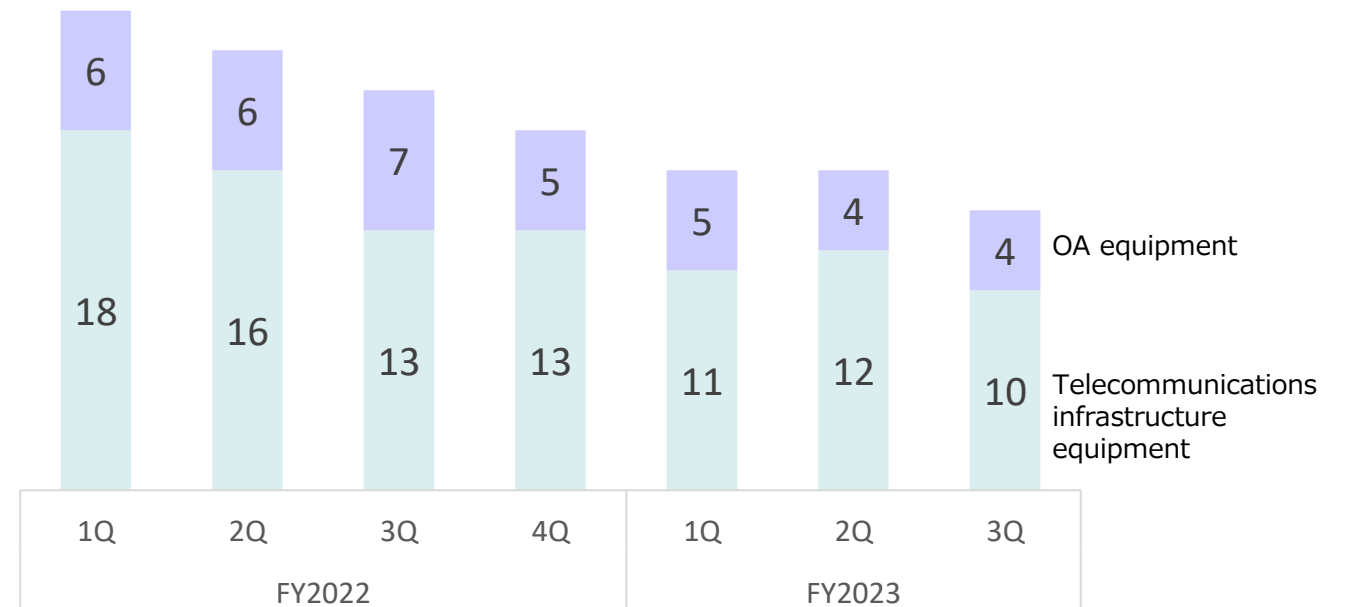
(Yen in hundred millions)

	FY2022			FY2023			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2022.1Q-3Q / FY2023.1Q-3Q
Telecommunications infrastructure equipment	34	13	47	23	10	33	-30%
OA equipment	12	7	19	9	4	13	-32%

● FY2023.1Q-3Q Composition ratio

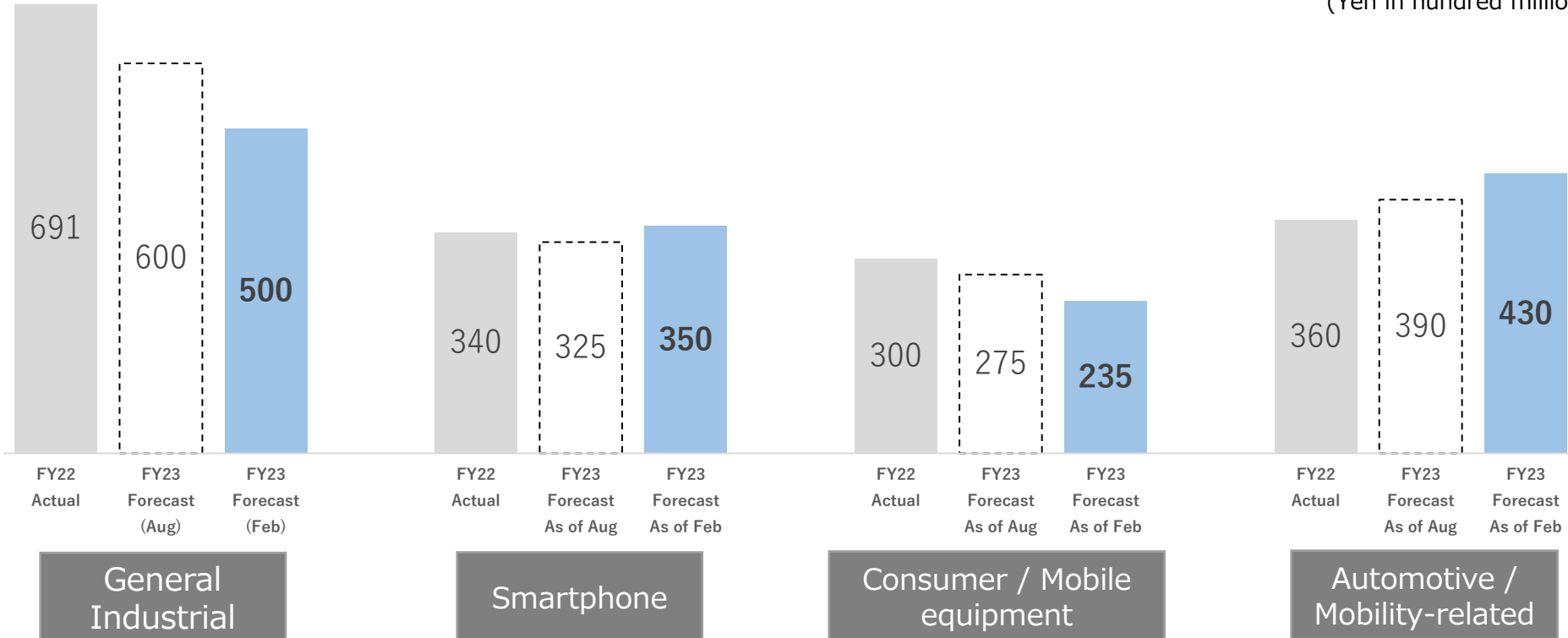


● Changes in quarterly sales



Annual sales forecast by industry segment [Updated]

(Yen in hundred millions)



FY2023 Annual growth rate

- General Industrial
- Smartphone
- Consumer / Mobile equipment
- Automotive / Mobility-related

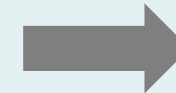
Forecast as of Aug, 2023

-13%

-4%

-8%

+8%



Updated

-28%

+3%

-22%

+19%

Business Forecast for the Year Ending March 31, 2024 (Consolidated)

Sales forecast for General Industrial and Consumer / Mobile equipment segments are expected to be lower from the one shown in Aug. 2023, and we revised the forecast as below. The forecast for dividend per share remains unchanged.

	FY2022 (FY ended March 31, 2023) Actual		FY2023 (March 31, 2024)			1Q-3Q Over the Previous Actual Amount		For the Year Over the Previous Actual Amount		
	1Q-3Q	For the Year	1Q-3Q Actual	2023.8 Forecast	Revised Forecast	Amount Change	%	Amount Change	%	
Sales	1,421.6	1,832.2	1,251.6	1,720.0	1,620.0	-170.0	-12.0%	-212.2	-11.6%	
COGS ratio	50.8%	51.9%	55.6%	55.2%	56.1%*					
Operating Profit	396.7	467.5	272.3	385.0	330.0	-124.4	-31.4%	-137.5	-29.4%	
(%)	27.9%	25.5%	21.8%	22.4%	20.4%					
Profit before tax	409.8	485.9	306.3	410.0	360.0	-103.5	-25.3%	-125.9	-25.9%	
(%)	28.8%	26.5%	24.5%	23.8%	22.2%					
Net Profit	292.3	346.5	207.1	290.0	260.0	-85.2	-29.1%	-86.5	-25.0%	
(%)	20.6%	18.9%	16.5%	16.9%	16.0%					
Earnings Per Share	—	1,002.04円	—	842.25円	757.73円	Exchange rate	FY2022 Actual	FY2023. 3Q Actual	FY2023 forecast	
Dividend Per Share	220円	500円	220円	440円	440円		1US\$	135.47円	143.29円	142.00円
Consolidated Dividend Payout Ratio	—	49.9%	—	52.2%	58.1%		1 €	140.97円	155.29円	155.00円
							100 won	10.37円	10.90円	10.70円

New developed product for General Industrial market

Released lever-lock interface connectors “MT” series, improving wiring processes of servo motors. (December 19, 2023)

https://www.hirose.com/corporate/ja/additional/pressreleases/MT_202312.html

Labor shortage



Shifting to smart factory pushes up the demand for automation robot, especially cooperate robot.



Downsizing demand

Motors for robot driver requires multiple connections for power, signal and brake, which occupies the space at the interface area.

Conventional screw tightening type takes time for wiring and holds the risk of screw loosening to the water-proof failure .



Efficient wiring work and high reliability



Continues to Exhibit at CES 2024



Held an exhibition at CES[®] 2024 (January 9 to 12, 2024) at Las Vegas, US



Consumer
Technology
Association[®]

CES: The most powerful tech event in the world

- Approximately **2.5 million square feet** of exhibition space (up 15% from CES 2023)
- More than **4,300 exhibitors** (including 1,400+ startups)
- More than **135,000 participants**
- A record **40+ percent** from **150 countries**, regions and territories
- More than **5,000 global media** participants

CES 2024 Results at Hirose booth:

Number of scans: 1,728

Number of inquiries: 349

Sales team have already begun follow-up on the Leads



Innovation Awards Winning Products

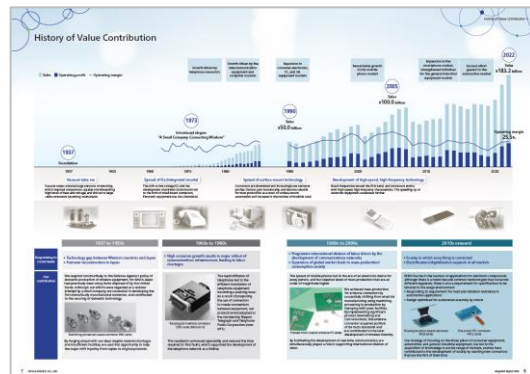
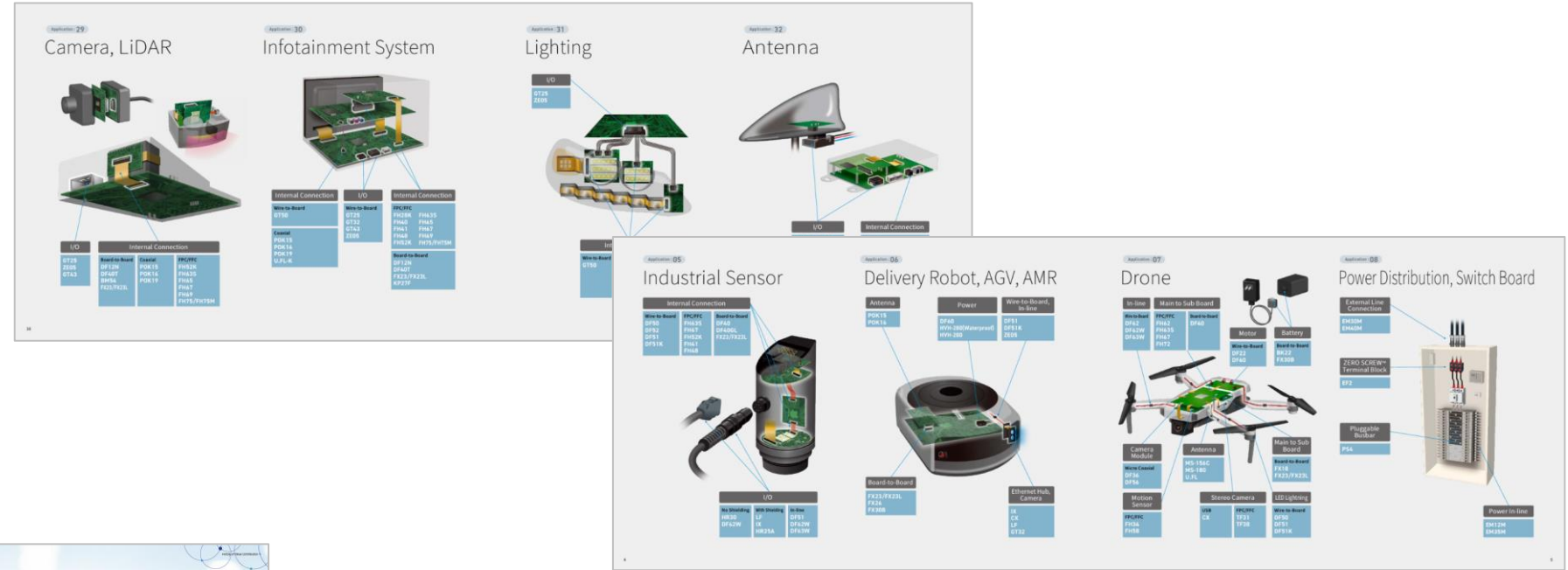


*The CES Innovation Awards are based upon descriptive materials submitted to the judges. CTA did not verify the accuracy of any submission or of any claims made and did not test the item to which the award was given.

Information : New Product Catalogue and Integrated report 2023 released

» We have released new Product Catalogue (January 5, 2024)
» Our 32 target applications and connection proposal are listed at the beginning.

<https://hirose.icata.net/iportal/oc.do?v=HRE00001&c=HRSCS2024JP&d=HRED001>



» English version of Integrated Report 2023 became available on our website (January 30, 2024)

https://www.hirose.com/corporate/en/ir/integrated_report/

Introduced stock incentive plan for employees

Outline

Hirose Electric board of directors has resolved to introduce a stock incentive plan utilizing trust for domestic employees.

Purpose

Delivering stocks enhance the employees' awareness of company performance and stock price, as well as strengthen the linkage between the engagement of the employees and the corporate value.

Overview of the Plan

The trust founded based on the cash paid by the company holds the stock. Stocks are delivered to the employees through the trust based on the points granted settled in the provisions. All the capital to acquire the stocks is contributed by the company.

https://prd-4s-public.s3.ap-northeast-1.amazonaws.com/sys-master/public/h7d/he5/93333393752094/20231128press_incentive.pdf

Appendix.

Sales by Applications round number (quarterly basis)

(Yen in hundred millions)

	FY2022				FY2023			FY2023.1Q-3Q Composition ratio
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
General Industrial	168	179	180	164	152	130	119	33%
Smartphone	75	89	95	81	72	97	99	22%
Consumer / Mobile equipment	98	88	69	45	56	68	62	15%
Automotive / Mobility-related	86	88	96	90	93	102	115	26%
Telecommunications Infrastructure Equipment	18	16	13	13	11	12	10	3%
OA Equipment	6	6	7	5	5	4	4	1%
Total of Connector Sales	451	467	460	398	389	413	409	100%
Others	15	14	15	13	16	12	14	
Total	466	481	475	411	405	425	423	

