

HIROSE ELECTRIC CO., LTD.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2024

Q&A Summary

Q1:

We would like to know the BB ratio for this fiscal year for the general industrial market. Also, could you share your image when are you looking at and the timing to start recovering?

A1 :

The movement of the BB ratio for the general industrial in FY23 Q2 is roughly 0.7, Q3 is slightly below 0.7, and expecting around 0.7 for Q4. We believe that it begins to recover after summer in the next fiscal year.

Q2 :

For industrial market, you mentioned that your customers' inventories have not been fully depleted and the actual demand should have been bit higher, but how much of the actual demand your company is seeing now?

A2:

Before the pandemic, our sales scale in the general industrial was about JPY40 billion per year. Considering we have launched more new products since then, we believe that we can probably expect JPY50 billion or more.

Q3 :

I think there are some headwinds in the auto industry. Considering it, your company's numbers look relatively good. Could you please provide some additional background and factors behind this steady increase?

A3 :

I have also recognized that there are headwinds affecting the automobile market in China, but our current expansion is attributed to the widening customer base we are entering, as well as new entrants for the products we have developed so far. Considering our small share, we are not at a stage where we are directly affected by market conditions. This fiscal year also saw a steady growth of about 20%, but the plans for the upcoming fiscal year are not yet clear. If possible, I would like to aim for double-digit growth.

Q4 :

It appears the business has been steady for smartphone market, but what about by region?

A4:

Chinese market has been recovering for this fiscal year, and the Korean market is performing better than we had expected.

Q5 :

About consumer market. The forecast for the Q4 is also low, with annual sales expected to be -22% YoY. Is there a problem such as market share, or is it due to customer sales trends?

A5:

Our market share has not declined. Overall answer is that it is a matter of sales at our customers.

Q6 :

Regarding the outlook for the Q4. I would like to know the reasons why the profitability aspect of the Q4 was lower than that of the Q3.

A6:

Compared to the Q2, a decrease in personnel costs and expenses related to performance measures contributed to profitability. Especially a decrease in incentive compensation results in a return of about 1 billion yen, but there is no such effect in Q4. Additionally, expenses are expected to increase as usual due to year-end accounting and other factors. One-time costs are not included.

Q7 :

Regarding measures for the upcoming fiscal year and beyond, we anticipate a return in demand from the industrial sector. Expecting an operating profit recovery of 40 billion yen, could you please provide insights into the specific initiatives and efforts you are focusing on?

A7:

Some of our production facilities have transitioned to fixed costs, and we are actively working to optimize them. We hope to enhance efficiency of amortization by making useful of the facilities to produce new products as well.

Q8 :

How do you intend to incorporate M&A initiatives?

A8:

We also have a specialized team for M&A projects, and we are always considering multiple deals. We are considering a business that can contribute to a profit margin of more than 25% in the medium to long term.

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