

**Financial Results for the Third Quarter of the Year Ending March 31, 2023 [IFRS] (Consolidated)**

February 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: February 13, 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 to nearest million yen)

1. Consolidated Financial Results for the third quarter of the Year Ending March 31, 2023 (From April 1, 2022 to December 31, 2022)

(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	
		%		%		%		%		%		%
FY2022 3Q	142,165	16.5	39,667	27.9	40,984	27.4	29,230	22.9	29,230	22.9	35,373	36.4
FY2021 3Q	122,004	23.9	31,018	46.0	32,168	54.5	23,787	58.8	23,787	58.8	25,930	37.6

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
FY2022.3Q	844.14	843.99
FY2021.3Q	669.01	668.82

(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
				%
FY2022.3Q	394,765	344,215	344,215	87.2
FY2021	394,783	342,069	342,069	86.6

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	—	160.00	—	280.00	440.00
FY2022	—	220.00	—		
FY2022 (Forecast)				220.00	440.00

(Note) Revision of previously announced dividend forecast: None

3. Forecast of Consolidated Business Performance for the Year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	183,000	11.8	47,000	15.3	48,000	11.4	34,500	9.7	997.77

(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 December 31, 2022: 37,227,089 As of March 31, 2022: 38,175,942

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

As of December 31, 2022: 2,801,089 As of March 31, 2022: 2,820,207

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

For the nine months ended December 31, 2022: 34,626,509

For the nine months ended December 31, 2021: 35,555,478

*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 February 2, 2023 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 Third Quarter of the Year Ending March 31, 2023." 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

Regarding Japanese economy in the cumulative third quarter of the fiscal year ending March 31, 2023, even though capital investment and export remained strong, domestic demand has been stagnant due to the increase of raw material cost and logistic cost affected by soaring resource price and rapid depreciation of the yen. As a result, the business sentiment has been polarized further depends on the industry.

In overseas market, the business conditions of American and European countries have been on a declining trend because of the surfacing of inflation and economic restraint. In China, zero-COVID policy ended at the end of the previous year, though the economic slowdown has been deepening because of the movement restriction so far.

Under this situation, Hirose group has been expanding global business mainly for smartphone 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. As a result, the sales for mainly industrial, automotive and consumer electronics has been grown, and the revenue in the cumulative third quarter increased by 16.5% to JPY 142,165 million compared to the same period of the previous fiscal year. Operating profit increased by 27.9% to JPY 39,667 million, and quarterly profit attributable to owners of parent increased by 22.9% to JPY 29,230 million as compared with the third quarter of fiscal 2021.

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 cumulative third quarter of the fiscal year ending March 31, 2023 increased by 17.2% to JPY 128,690 million, operating profit increased by 28.6% to JPY 36,772 million compared with the third quarter of the fiscal 2021.

[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 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 cumulative third quarter of the fiscal 2022 increased by 6.1% to JPY 9,031 million. Operating profit increased by 7.9% to JPY 2,379 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the cumulative third quarter of the fiscal 2022 increased by 21.1% to JPY 4,444 million, operating profit increased by 127.4% to JPY 516 million.

(2) Overview of Financial Condition

Total assets of FY2022.3Q decreased by JPY 18 million to JPY 394,765 million compared to the end of the previous consolidated fiscal year mainly because other financial asset decreased. Total liabilities decreased by JPY 2,163 million to JPY 50,550 million due to the decrease in income taxes payables, and trade and other payables. Quarterly profit was recorded and other components of equity including translation adjustment increased. As a result, total equity increased by JPY 2,145 million to JPY 344,215 million. The ratio of total equity attributable to owners of parent resulted 87.2%, increased by 0.6% compared with the previous consolidated fiscal year end.

(3) Future Outlook

The exchange rate of yen turned into strong after the previous announcement and business for consumer electronics is expected to be lower than the previous estimates, and we revised our business forecast announced on November 2, 2022 as follows.

(Revision of business forecast of FY2022)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Forecast previously announced (A)	190,000	50,000	51,000	36,000	1,041.17 yen
Revised forecast (B)	183,000	47,000	48,000	34,500	997.77 yen
Change (B-A)	(7,000)	(3,000)	(3,000)	(1,500)	—
Rate of change (%)	(3.7)	(6.0)	(5.9)	(4.2)	—
(Ref.) Results for the fiscal year ended Mar 31, 2022	163,671	40,765	43,081	31,437	885.39 yen

Premise for full year exchange rate: 1US\$ = JPY 134.00, 1€ = JPY 139.50, 1 South Korean won = JPY 0.1029

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	68,394	72,326
Trade and other receivables	43,427	46,030
Inventories	21,695	28,141
Other financial assets	140,918	108,235
Other current assets	6,389	6,600
Total current assets	280,823	261,332
Non-current assets		
Property, plant and equipment	61,148	64,257
Right-of-use assets	4,909	5,115
Intangible assets	3,704	4,109
Other financial assets	38,504	54,148
Deferred tax assets	2,769	2,917
Retirement benefit asset	2,514	2,538
Other non-current assets	412	349
Total non-current assets	113,960	133,433
Total assets	394,783	394,765

(Yen in millions)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Trade and other payables	23,811	22,526
Lease liabilities	867	1,039
Other financial liabilities	142	56
Income taxes payable	8,029	6,412
Other current liabilities	6,091	6,484
Total current liabilities	38,940	36,517
Non-current liabilities		
Lease liabilities	4,101	4,124
Other financial liabilities	166	107
Retirement benefit liability	227	323
Deferred tax liabilities	8,513	8,702
Other non-current liabilities	767	777
Total non-current liabilities	13,774	14,033
Total liabilities	52,714	50,550
Equity		
Share capital	9,404	9,404
Capital surplus	11,250	11,163
Retained earnings	338,818	339,326
Treasury shares	(36,306)	(39,866)
Other components of equity	18,903	24,188
Total equity attributable to owners of parent	342,069	344,215
Total equity	342,069	344,215
Total liabilities and equity	394,783	394,765

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

(Yen in millions)

	Nine months ended December 31, 2021 (From Apr 1, 2021 to Dec 31, 2021)	Nine months ended December 31, 2022 (From Apr 1, 2022 to Dec 31, 2022)
Revenue	122,004	142,165
Cost of sales	66,035	72,187
Gross profit	55,969	69,978
Selling, general and administrative expenses	24,947	30,505
Other income	240	323
Other expenses	244	129
Operating profit	31,018	39,667
Financial income	1,172	1,501
Finance costs	22	184
Quarterly profit before tax	32,168	40,984
Income tax expense	8,381	11,754
Quarterly profit	23,787	29,230
Quarterly profit attributable to:		
Owners of parent	23,787	29,230
Quarterly earnings per share:		
Basic earnings per share (yen)	669.01	844.14
Diluted earnings per share (yen)	668.82	843.99

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Yen in millions)

	Nine months ended December 31, 2021 (From Apr 1, 2021 to Dec 31, 2021)	Nine months ended December 31, 2022 (From Apr 1, 2022 to Dec 31, 2022)
Quarterly profit	23,787	29,230
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	(35)	—
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(50)	275
Total items that will not be reclassified to profit or loss	(85)	275
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,219	5,940
Debt instruments measured at fair value through other comprehensive income	9	(72)
Total items that may be reclassified to profit or loss	2,228	5,868
Total other comprehensive income after tax	2,143	6,143
Total quarterly comprehensive income	25,930	35,373
Total amount of quarterly comprehensive income attributable to:		
Owners of parent	25,930	35,373

(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, 2021	9,404	11,230	317,265	(21,874)	10,067	326,092	326,092
Quarterly profit			23,787			23,787	23,787
Other comprehensive income					2,143	2,143	2,143
Total of quarterly comprehensive income	—	—	23,787	—	2,143	25,930	25,930
Dividend of surplus			(10,010)			(10,010)	(10,010)
Purchase of treasury shares		(2)		(14,576)		(14,578)	(14,578)
Disposal of treasury shares		1		123		124	124
Share-based payment transactions		20				20	20
Transfer to retained earnings		(6)	(29)		35	—	—
Total transactions with owners	—	13	(10,039)	(14,453)	35	(24,444)	(24,444)
Balance as of December 31, 2021	9,404	11,243	331,013	(36,327)	12,245	327,578	327,578

(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			29,230			29,230	29,230
Other comprehensive income					6,143	6,143	6,143
Total of quarterly comprehensive income	—	—	29,230	—	6,143	35,373	35,373
Dividend of surplus			(17,473)			(17,473)	(17,473)
Purchase of treasury shares		(1)		(15,890)		(15,890)	(15,890)
Disposal of treasury shares		(6)		101		95	95
Cancellation of treasury shares		(12,228)		12,228		—	—
Share-based payment transactions		41				41	41
Transfer to retained earnings		12,107	(11,249)		(858)	—	—
Total transactions with owners	—	(87)	(28,721)	(3,560)	(858)	(33,227)	(33,227)
Balance as of December 31, 2022	9,404	11,163	339,326	(39,866)	24,188	344,215	344,215

(4) Notes on Condensed Quarterly Consolidated Financial Statements

(Note regarding the going concern assumption)

Not applicable

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

Hirose cancelled 948,853 treasury shares following the resolution of director's board meeting held on May 6, 2022. We also purchased 936,800 treasury shares following the resolution of director's board meeting held on May 26, 2022. As a result, in the cumulative third quarter of FY2022, treasury shares increased by JPY 3,560 million and treasury shares at the end of the third quarter of the year ending March 2023 is JPY 39,866 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 cumulative third quarter of the fiscal year ended March 31, 2022 (from April 1, 2021 to December 31, 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	109,823	8,512	118,335	3,669	122,004
Total revenue	109,823	8,512	118,335	3,669	122,004
Operating profit	28,587	2,205	30,791	227	31,018
Financial income	—	—	—	—	1,172
Financial costs	—	—	—	—	22
Quarterly profit before tax	—	—	—	—	32,168

*“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	30,538	44,138	15,979	31,349	122,004
Percentage of consolidated revenue (%)	25.0	36.2	13.1	25.7	100.0

For the cumulative third quarter of the fiscal year ending March 31, 2023 (from April 1, 2022 to December 31, 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	128,690	9,031	137,721	4,444	142,165
Total revenue	128,690	9,031	137,721	4,444	142,165
Operating profit	36,772	2,379	39,151	516	39,667
Financial income	—	—	—	—	1,501
Financial costs	—	—	—	—	184
Quarterly profit before tax	—	—	—	—	40,984

*"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	33,362	49,472	18,798	40,533	142,165
Percentage of consolidated revenue (%)	23.5	34.8	13.2	28.5	100.0