

Hirose Electric Business Results for the Second Quarter of FY2023

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November 2, 2023

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 (FY2023.1H From April 2023 to September 2023)

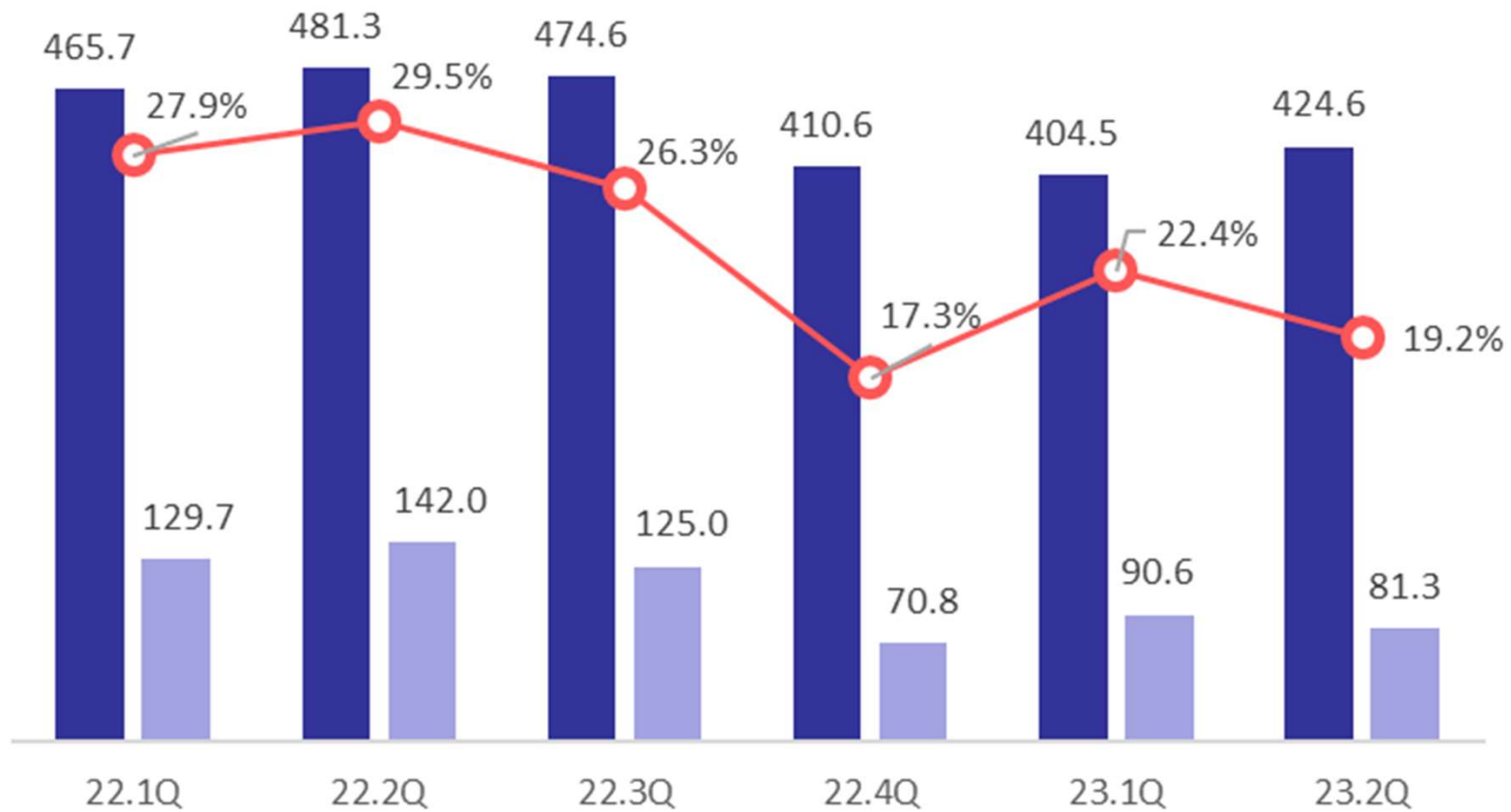
- In FY2023.2Q, sales for Automotive/Mobility-related and Smartphone segments increased, however, demand of General Industrial and Consumer/Mobile Equipment segments were weak continuously. In FY2023.1H sales was -12.5% YoY and Operating profit was -36.7% YoY. Operating profit ratio was 20.7% in the 1H.

(Yen in hundred millions)

	FY2022			FY2023			YoY
	1Q (2022.Apr- Jun)	2Q (2022.Jul- Sep)	1H (2022.Apr- Sep)	1Q (2023.Apr- Jun)	2Q (2023.Jul- Sep)	1H (2023.Apr- Sep)	FY2023.1H / FY2022.1H
Orders	488.2	427.0	915.2	368.6	385.8	754.4	-17.6%
Sales	465.7	481.3	947.0	404.5	424.6	829.1	-12.5%
Operating profit	129.7	142.0	271.7	90.6	81.3	171.9	-36.7%
Operating profit ratio	27.9%	29.5%	28.7%	22.4%	19.2%	20.7%	-8.0pt

Changes in sales and operating profit (FY2022.1Q-FY2023.2Q / Consolidated basis)

■ Sales
 ■ Operating profit
 ● Operating profit ratio
 (Yen in hundred millions)



Business Results for FY2023.1H

(Yen in hundred millions)	FY2022.1H (Sep 30, 2022)	FY2023.1H (Sep 30, 2023)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	947.0	829.1	-117.9	-12.5%
COGS Ratio	50.6%	55.6%	+5.0	
SGA Ratio	20.9%	23.1%	+2.2	
Operating Profit	271.7	171.9	-99.8	-36.7%
(%)	28.7%	20.7%	-8.0	
Profit before tax	292.5	196.8	-95.7	-32.7%
(%)	30.9%	23.7%	-7.2	
Net profit	206.4	126.0	-80.4	-39.0%
(%)	21.8%	15.2%	-6.6	
Total Assets	4,012.8	4,115.0		
Shareholder's Equity Ratio	85.9%	88.9%		
Earnings Per Share	594.23 yen	365.87 yen		

	FY2022 2Q	FY2023 2Q
1US\$	133.97 yen	141.00 yen
1 €	138.73 yen	153.39 yen
100 won	10.32 yen	10.74 yen

FY2023.1H Major Changes

Sales

117.9 hundred million yen **Decreased**
(947.0 → 829.1)

General Industrial: - **65**

Consumer/Mobile Equipment: - **62**

COGS Ratio

5.0 pt Deteriorated
(50.6% → 55.6%)

Variable Expense Ratio: 37.5% → **39.1%**

Depreciation Ratio: 7.1% → **8.1%**

Labor Cost Ratio: 6.6% → **7.6%**

SGA Ratio

2.2 pt Deteriorated
(20.9% → 23.1%)

197.8 → **191.7** (Decreased by 6.2)

Financial income / costs

4.1 hundred million yen **Improved**
(+20.8 → +24.9)

Exchange Gain or Loss : +13.2 → **+8.8**

Interest received and others : +5.6 → **+12.4**

FY2023.1H YoY Variation Analysis

(Yen in hundred millions)

	Sales	Operating Profit	(%)	Profit before tax	(%)
FY2022. 1H Actual	947.0	271.7	28.7%	292.5	30.9%
Exchange rate	36.1	24.6		20.4	
Labor cost increase		-1.3		-1.3	
Decrease in freightage and packing expenses		11.6		11.6	
Increase in Loss on retirement of fixed assets		-5.5		-5.5	
Deterioration of Cost rate		-41.5		-41.5	
Decrease in the product	-154.0	-87.8		-79.5	
Total amount of changes	-117.9	-99.8		-95.7	
FY2023. 1H Actual	829.1	171.9	20.7%	196.8	23.7%

Consolidated Balance Sheet (1)

(Yen in hundred millions)

Assets

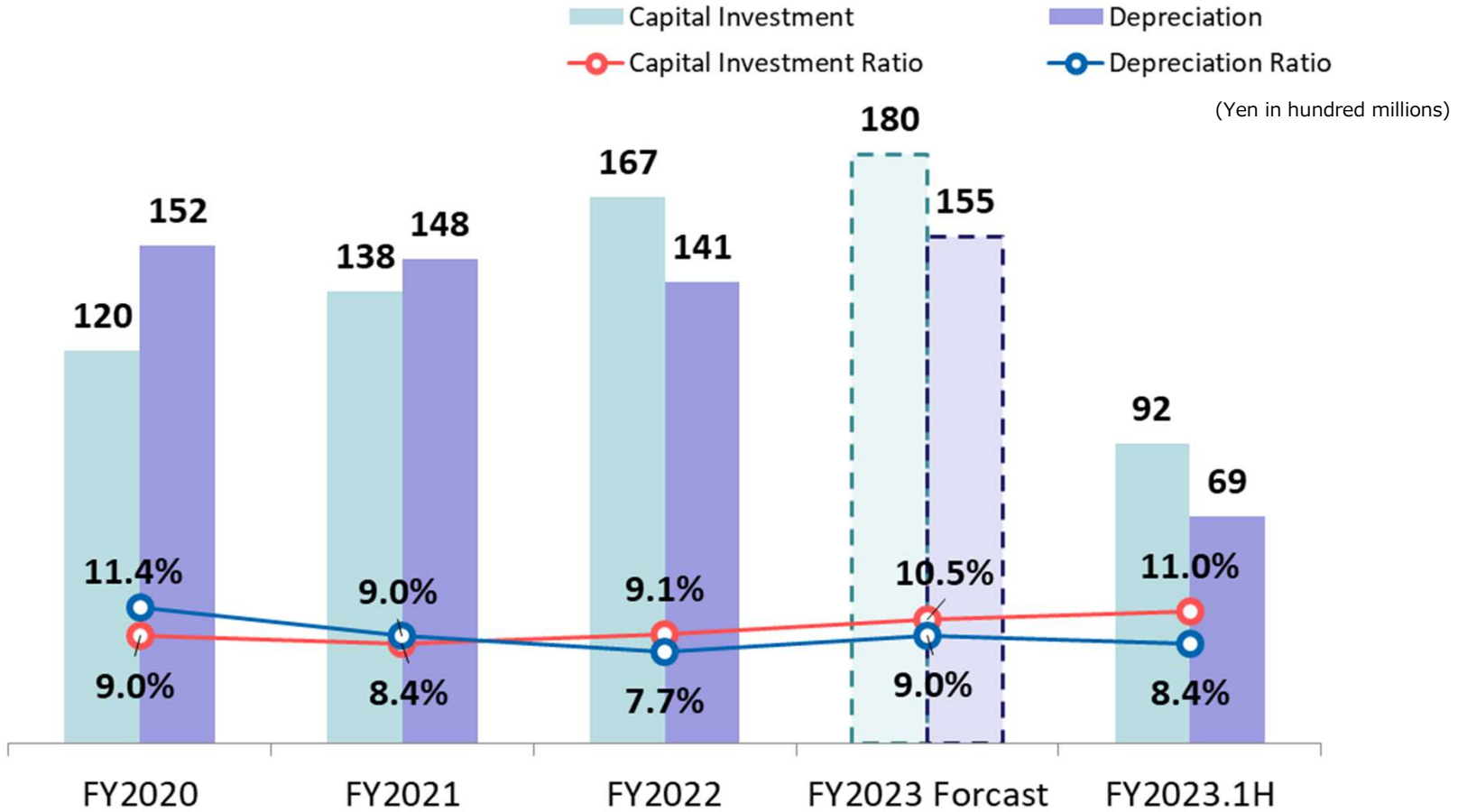
Account	Mar 31, 2023	Sep 30, 2023	Increase/ Decrease	Remark
Cash and cash equivalents	880.3	903.8	+23.5	Transferred from time deposit +100 Consumption tax refund +28 Income tax paid -77
Trade and other receivables	419.3	431.8	+12.5	Increased mainly by influence of weaker yen
Inventories	277.3	268.4	-8.9	Influence of weaker yen +12 Excluding the influence of weaker yen -21
Other financial assets	1,546.8	1,504.2	-42.6	Cancelled time deposit for dividend and payment for Koriyama new factory -100
Property, plant and equipment	638.0	772.5	+134.5	Koriyama new factory and Advanced Technology Center +71 Korea factory expansion +29
Right-of-use asset	52.8	53.5	+0.7	
Others	199.1	180.8	-18.3	Consumption tax refund -28
Total	4,013.6	4,115.0	+101.4	
Total of cash in bank	1,854.0	1,821.4	-32.6	

Consolidated Balance Sheet (2)

(Yen in hundred millions)

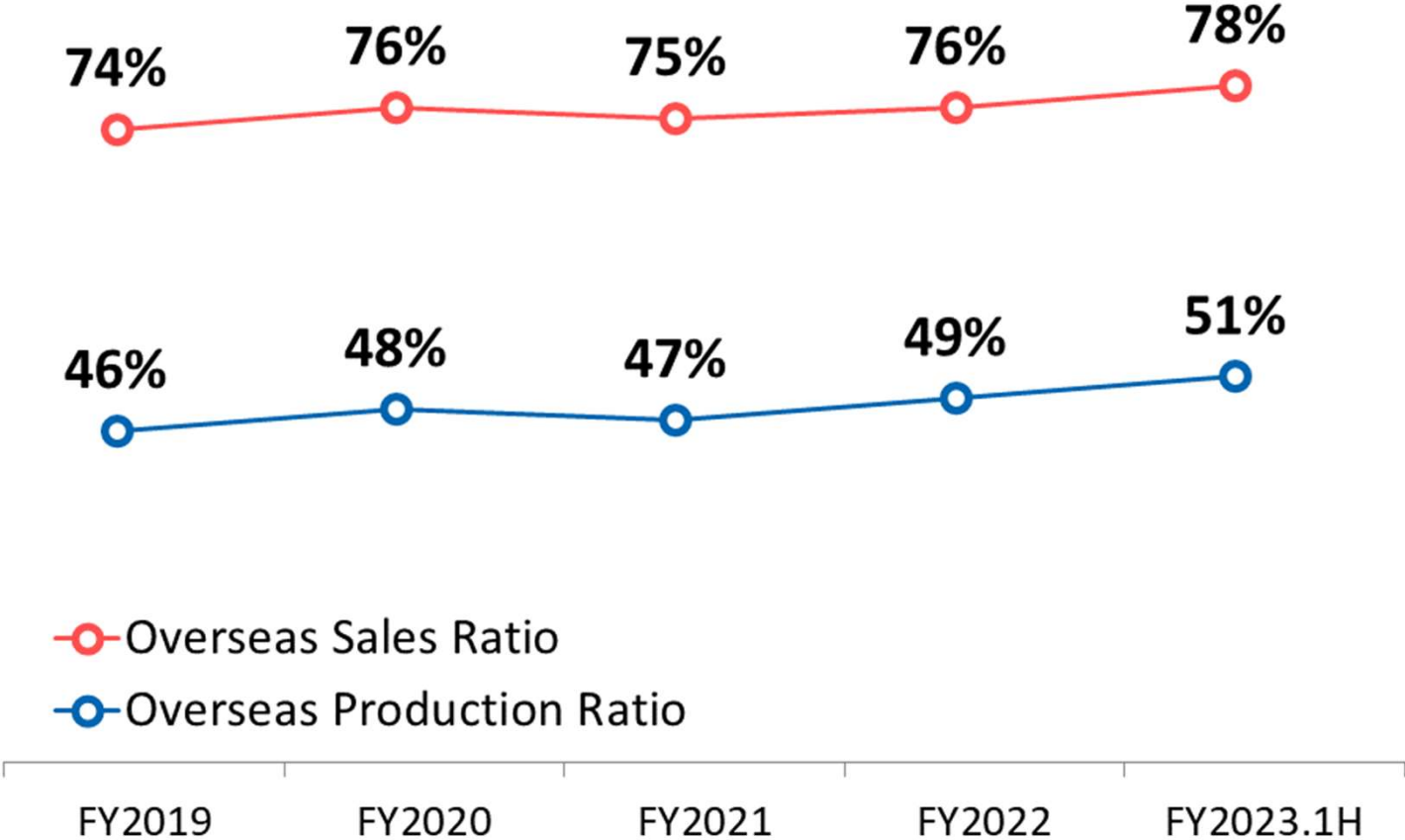
	Account	Mar 31, 2023	Sep 30, 2023	Increase/ Decrease	Remark
Liabilities	Payables and other debt	208.0	141.3	-66.7	Shortening terms of payment in Japan
	Lease liabilities	54.8	55.9	+1.1	
	Income Taxes Payable	82.1	55.2	-26.9	Payment of corporate tax
	Others	170.1	203.7	+33.6	Increase of deferred tax liability +26, Increase of provision for bonuses
	Total	515.0	456.1	-58.9	
Shareholder's Equity	Capital stock and Capital surplus	206.0	205.9	-0.1	
	Retained Earnings	3,452.0	3,342.7	-109.3	Net profit +126 Dividends paid -96 Cancellation of treasury shares -139
	Treasury Shares	-398.4	-258.5	+139.9	Cancellation of treasury shares +139
	Others	239.0	368.8	+129.8	Foreign currency translation adjustment +116
	Total	3,498.5	3,658.9	+160.4	
Total Liabilities and Shareholder's Equity		4,013.6	4,115.0	+101.4	

Changes in Capital Investment and Depreciation (Consolidated basis)



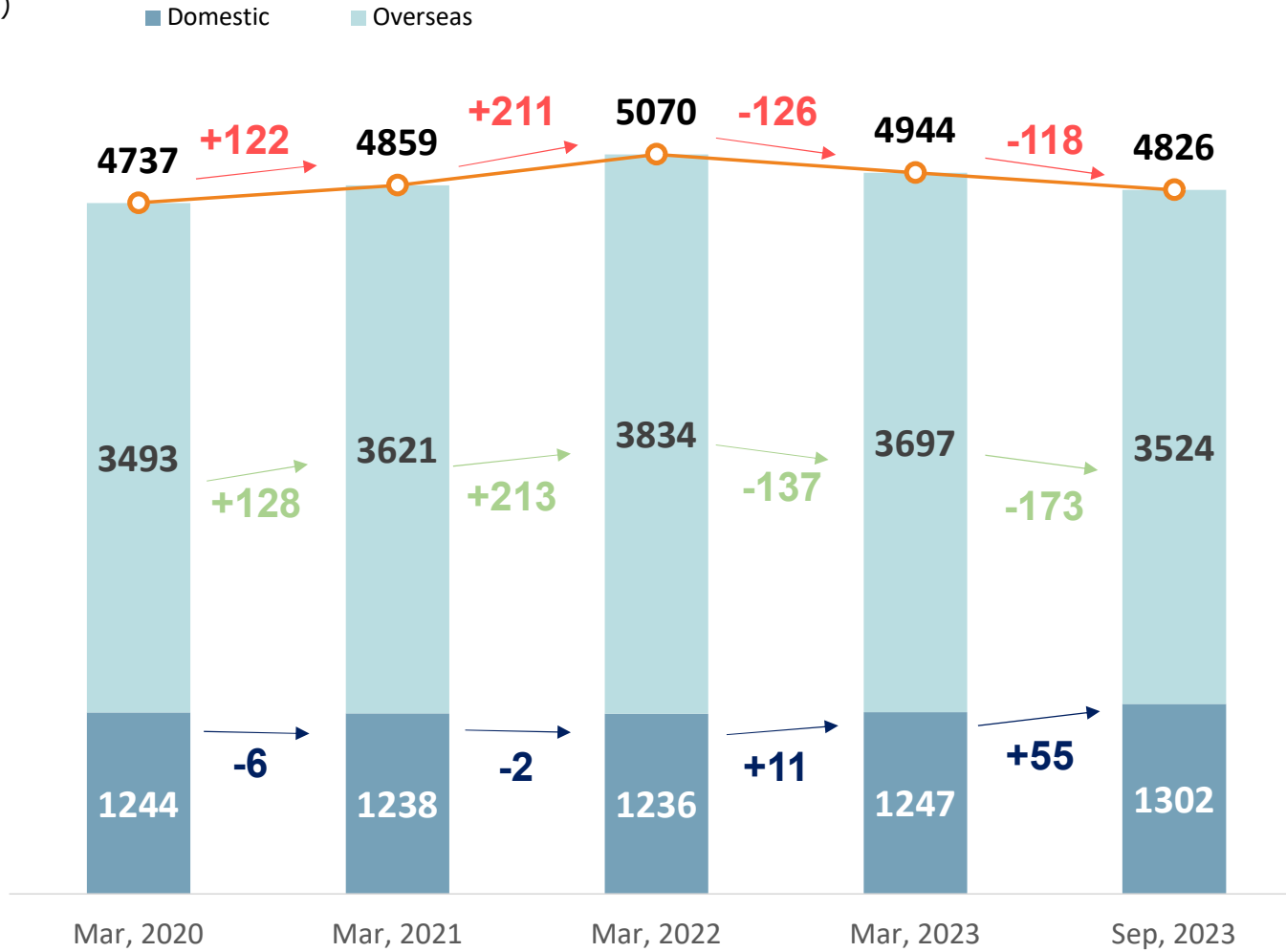
(*Excluded: Investment in land, building, software)

Overseas Production and Sales Ratio

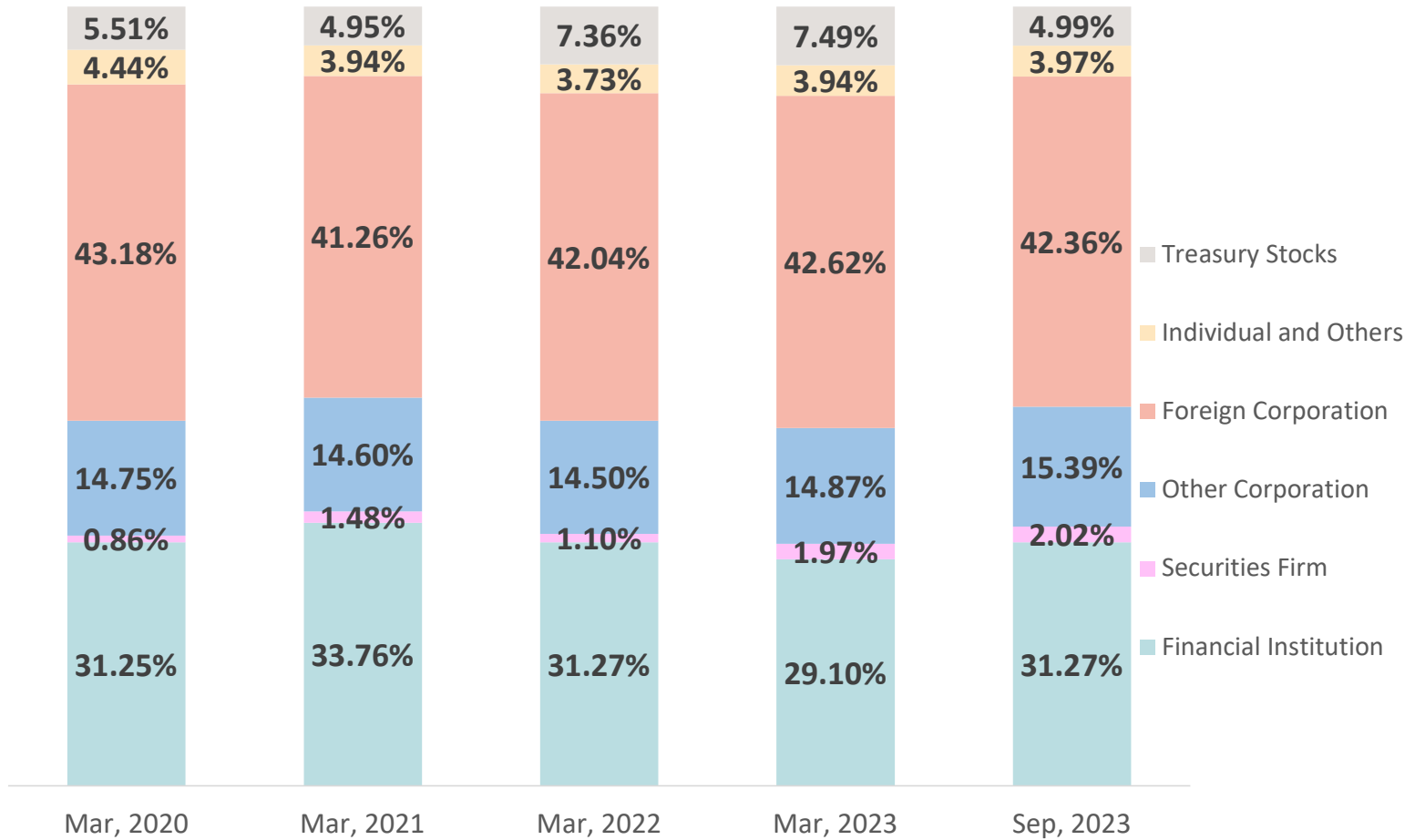


Numbers of Employees (Financial Report Basis)

(Number of Employees)



Distribution of Shareholders

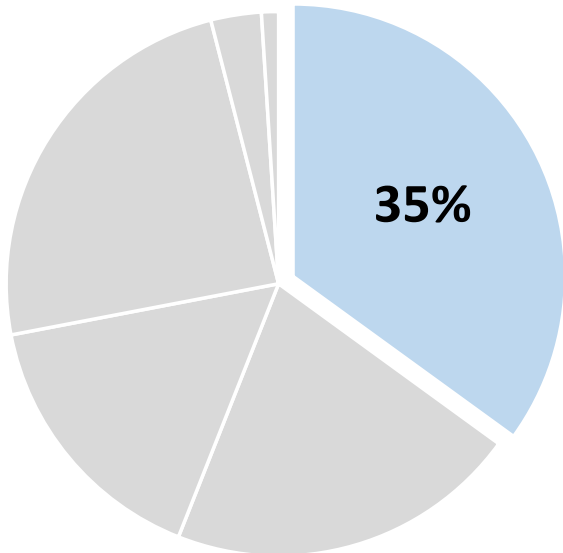


Sales by Application_General Industrial

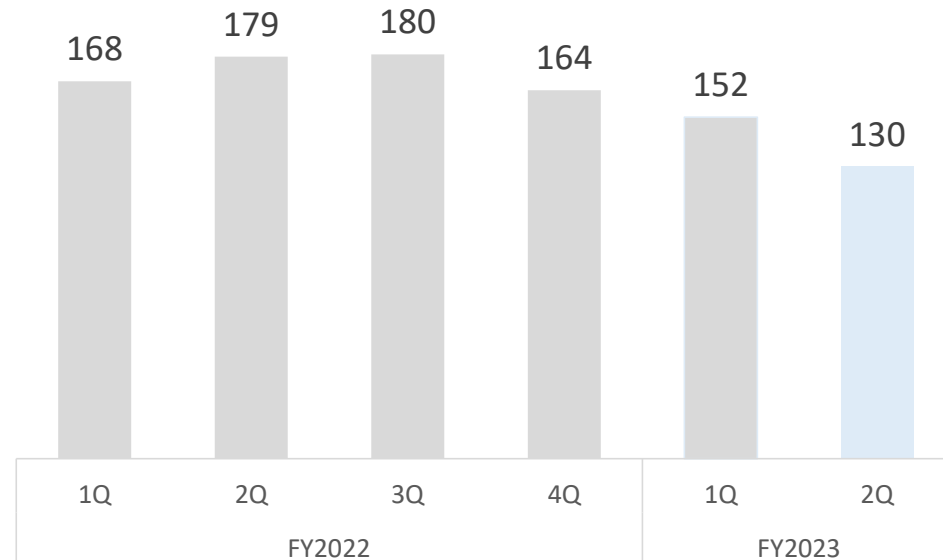
(Yen in hundred millions)

	FY2022			FY2023			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2022.1H/ FY2023.1H
Sales	168	179	347	152	130	282	-19%

● FY2023 1H Composition ratio



● Changes in quarterly sales



- Order taken remains weak due to the stock on the market higher than expected, resulted in lower sales in 2Q. Sales composition ratio decreased from 39% to 35% Q on Q.

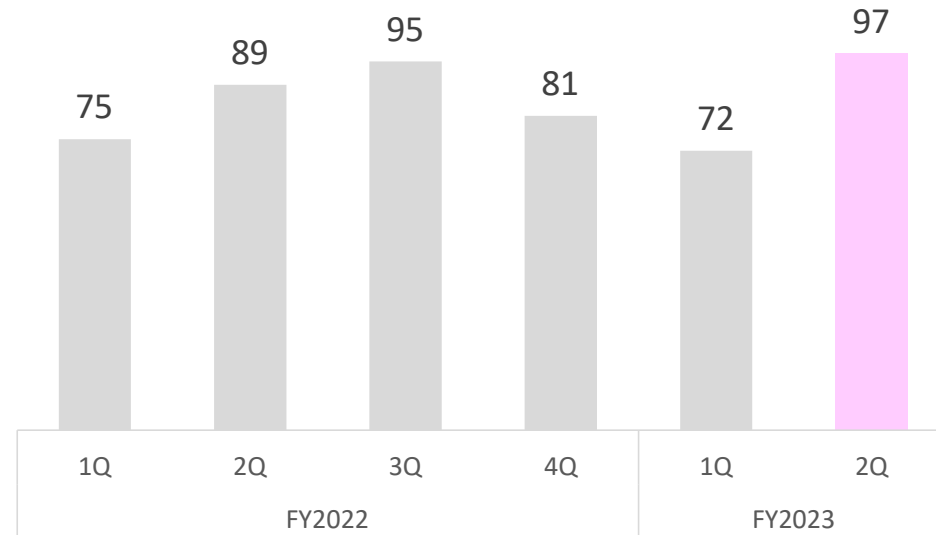
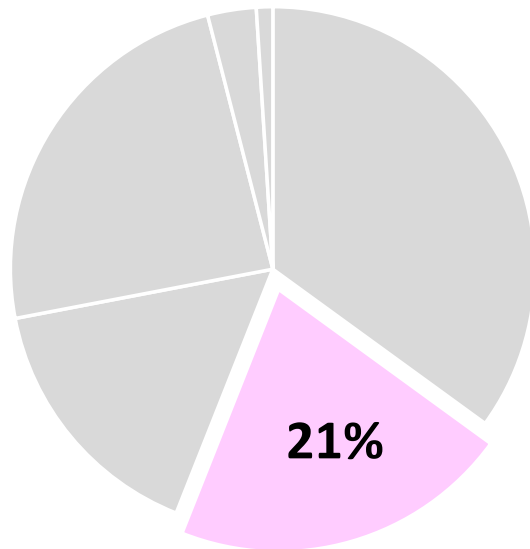
Sales by Application_Smartphone

(Yen in hundred millions)

	FY2022			FY2023			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2022.1H/ FY2023.1H
Sales	75	89	164	72	97	169	+3%

● FY2023 1H Composition ratio

● Changes in quarterly sales



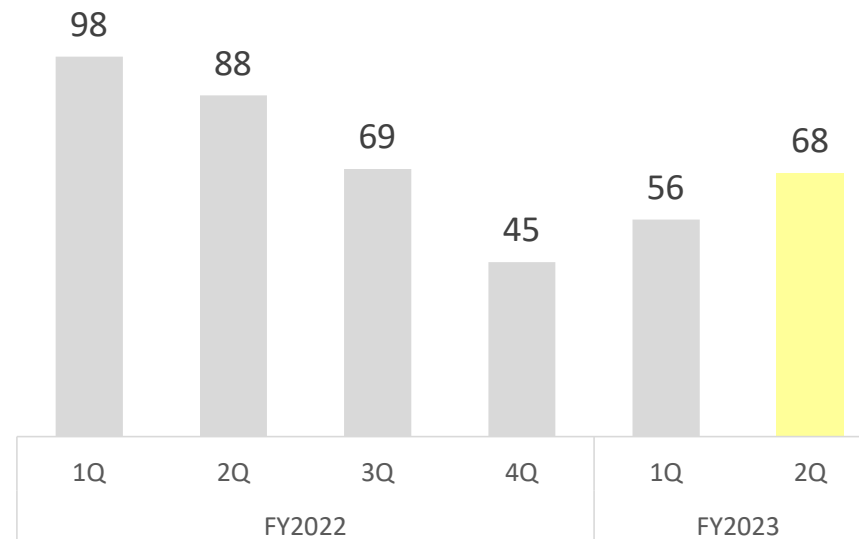
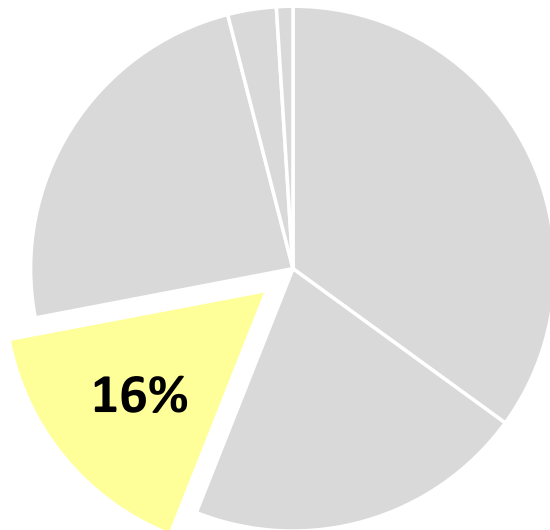
■ Due to the seasonality, the sales increased in 2Q in each region, which shows the progress as expected.

Sales by Application_Consumer/Mobile Equipment

(Yen in hundred millions)

	FY2022			FY2023			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2022.1H/ FY2023.1H
Sales	98	88	186	56	68	124	-33%

- **FY2023 1H Composition ratio**
- **Changes in quarterly sales**



■ Demand seemed to hit the bottom, but recovery is still slow.

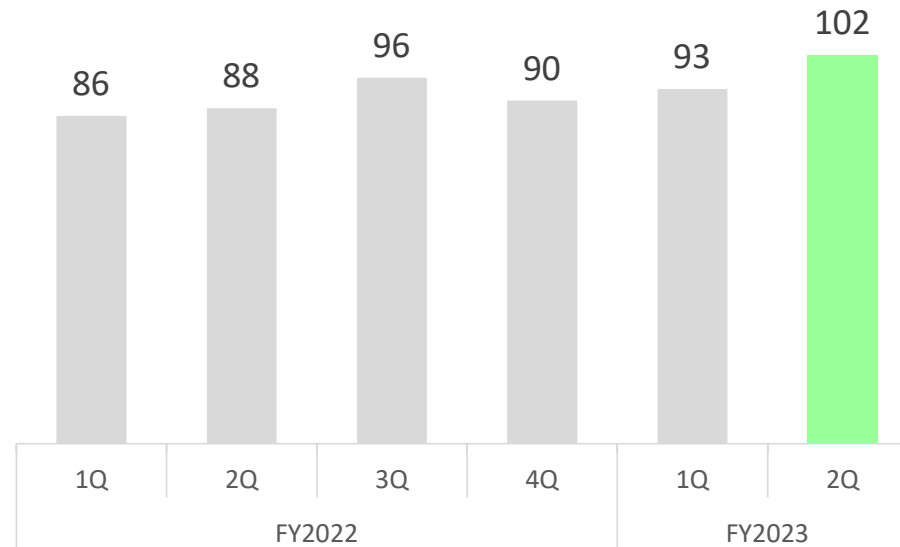
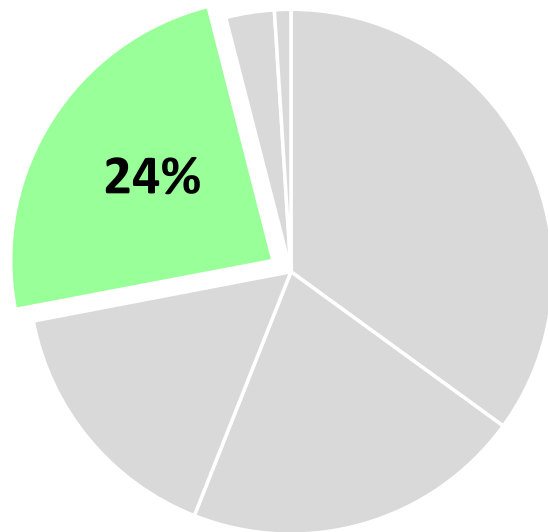
Sales by Application_Automotive/Mobility-related

(Yen in hundred millions)

	FY2022			FY2023			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2022.1H/ FY2023.1H
Sales	86	88	174	93	102	195	+12%

- FY2023 1H Composition ratio

- Changes in quarterly sales



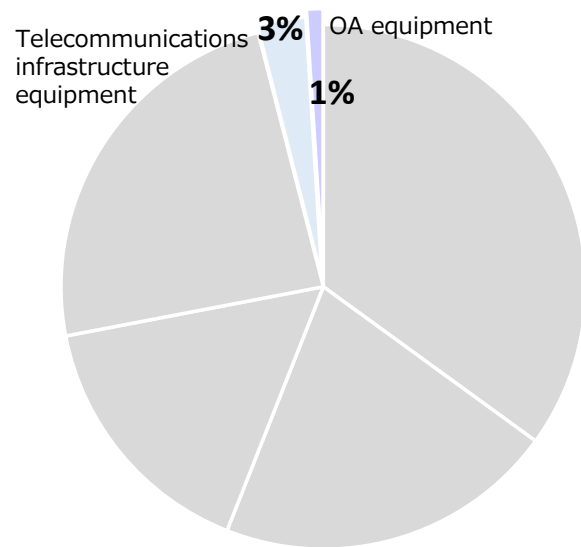
■ The sales slowly but steadily increased including the recovery of the market.

Sales by Application_Telecommunications infrastructure equipment / OA equipment

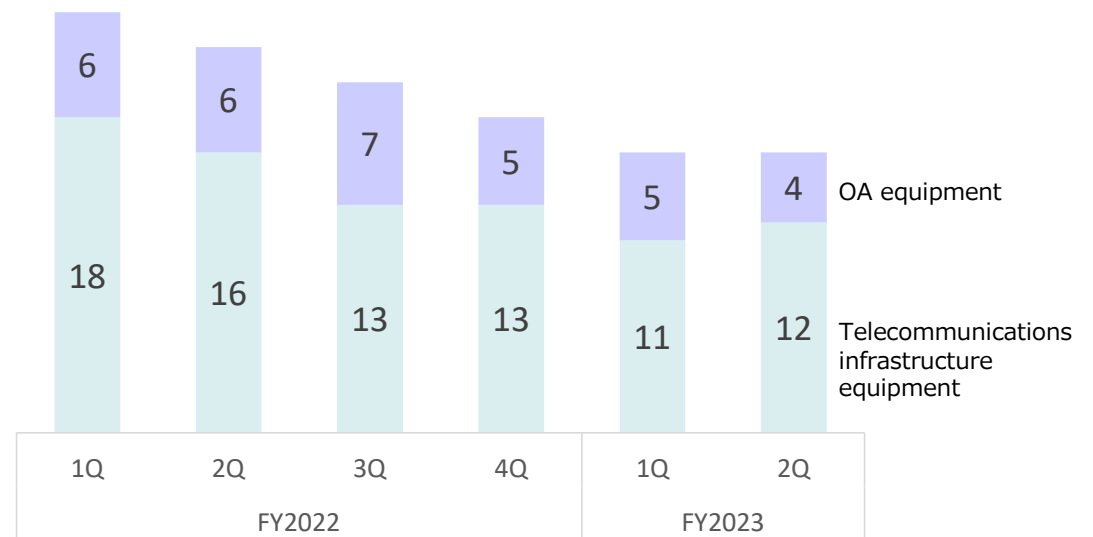
(Yen in hundred millions)

	FY2022			FY2023			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2022.1H/ FY2023.1H
Telecommunications infrastructure equipment	18	16	34	11	12	23	-32%
OA equipment	6	6	12	5	4	9	-25%

● FY2023 1H Composition ratio



● Changes in quarterly sales



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

Only the dividend and its forecast are revised from those announced in Aug. 2023

(Yen in hundred millions)	FY2022 (March 31, 2023) Actual		FY2023 (March 31, 2024)			First Half Over the Previous Actual		For the Year Over the Previous Actual	
	First Half	For the Year	First Half Actual	Forecast for the Year (As of Aug. 2023)	Revised forecast for the Year	Amount change	%	Amount change	%
Sales	947.0	1,832.2	829.1	1,720.0	1,720.0	-117.9	-12.5%	-112.2	-6.1%
COGS Ratio	50.6%	51.9%	55.6%	55.2%	55.2%				
Operating Profit	271.7	467.5	171.9	385.0	385.0	-99.8	-36.7%	-82.5	-17.6%
(%)	28.7%	25.5%	20.7%	22.4%	22.4%				
Profit before tax	292.5	485.9	196.8	410.0	410.0	-95.7	-32.7%	-75.9	-15.6%
(%)	30.9%	26.5%	23.7%	23.8%	23.8%				
Net Profit	206.4	346.5	126.0	290.0	290.0	-80.4	-39.0%	-56.5	-16.3%
(%)	21.8%	18.9%	15.2%	16.9%	16.9%				
Earnings Per Share	594.23 yen	1,002.04 yen	365.83 yen	842.25 yen	842.25 yen			FY2022 Actual	FY2023 Forecast
Dividend Per Share	220 yen	500 yen	220 yen	500 yen	440 yen	1US\$	135.47 yen	134.20 yen	
Consolidated Dividend Payout Ratio	—	49.9%	—	59.4%	52.2%	1 €	140.97 yen	147.80 yen	
						100 won	10.37 yen	10.29 yen	

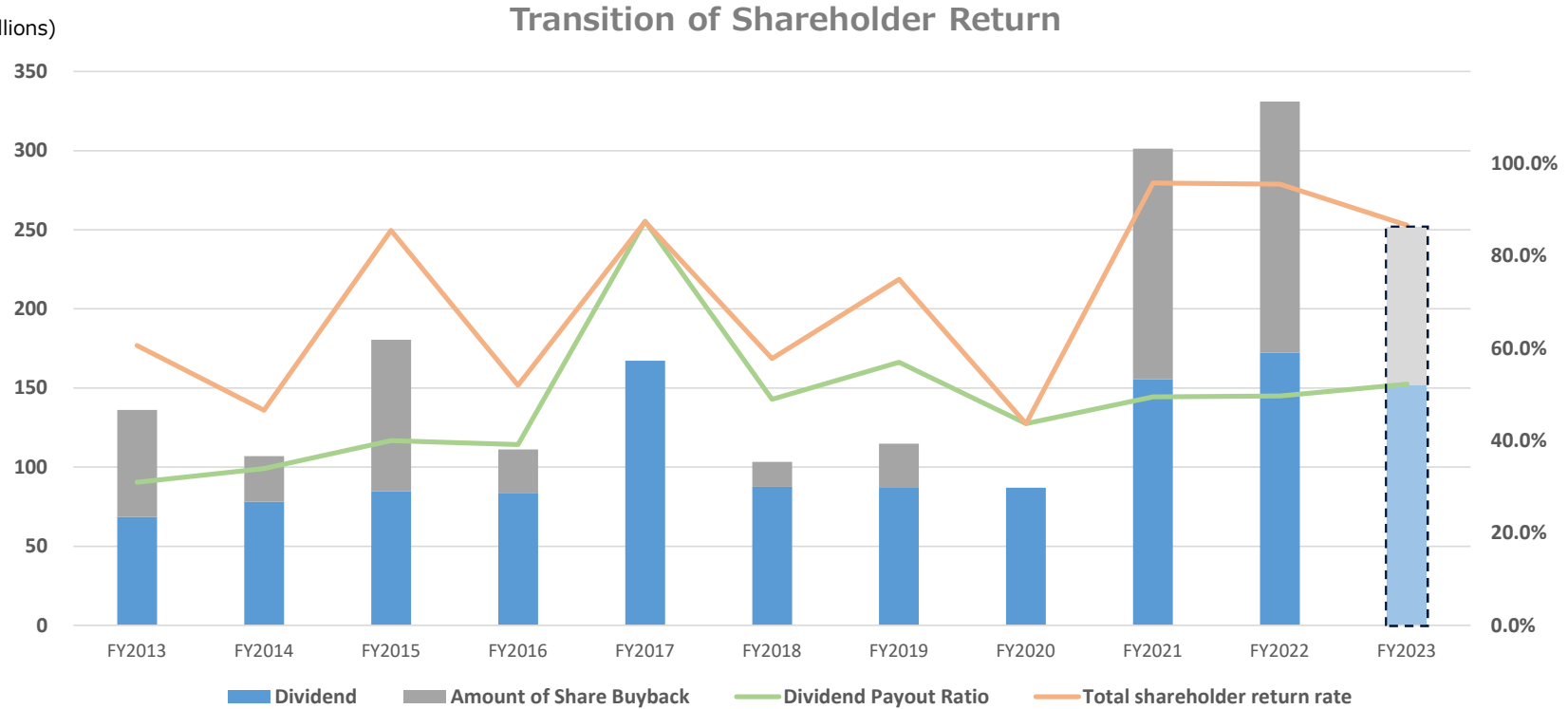
Shareholder Returns: Share Buyback Program

HIROSE ELECTRIC CO., LTD. will execute the Share Buyback to increase the level of shareholder returns and to improve capital efficiency as well as to enable a flexible capital policy in response to changes in the business environment.

Class of shares	Common Stock
Total number of shares to be repurchased	Up to 700,000 shares (2.03% of total shares outstanding, excluding treasury stock)
Total amount to be paid for repurchase	Up to 10,000,000,000 yen
Period of repurchase	From November 2, 2023 to February 29, 2024
Method of repurchase	Purchase on the Tokyo Stock Exchange

Shareholder Return : Transition of Dividend and Share Buyback

(Yen in hundred millions)



	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Dividend	69	78	85	84	167	88	87	87	156	172	152
Dividend Payout Ratio	31.0%	34.0%	40.0%	39.2%	87.5%	49.0%	57.0%	43.7%	49.5%	49.7%	52.2%
Amount of Share Buyback	67.60	28.80	95.90	27.44	-	15.72	27.55	-	145.70	158.88	100.00
Total Shareholder Return Rate	60.7%	46.6%	85.6%	52.0%	87.5%	57.8%	75.0%	43.7%	95.8%	95.6%	86.7%

* FY2017: Special dividend commemorating 80th anniversary of founding

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Countermeasures to Improve the Results toward the end of FY2023

Common

- Re-validate our expenditures but continue the necessary investments for expanding future business
- Execute personnel relocating aggressively for activating Human resource and putting the right people in the right place

Sales

- Visualization of global sales processes: Strengthening customer development and new project acquisition activities
- Selling price negotiations with customers to cover material cost increases
- Reduce logistics costs, including reviewing the supply chain

Manufacturing

- Activities to reduce manufacturing cost
- Activities to improve manufacturing processes

R&D

- No slow down on R&D for the future, and its investment proceed as planned.

Appendix.

Sales by Applications round number (quarterly basis)

(Yen in hundred millions)

	FY2022				FY2023		FY2023 1H Composition ratio
	1Q	2Q	3Q	4Q	1Q	2Q	
General Industrial	168	179	180	164	152	130	35%
Smartphone	75	89	95	81	72	97	21%
Consumer / Mobile Device	98	88	69	45	56	68	16%
Automotive / Mobility-related	86	88	96	90	93	102	24%
Telecommunications Infrastructure Equipment	18	16	13	13	11	12	3%
OA Equipment	6	6	7	5	5	4	1%
Total of Connector Sales	451	467	460	398	389	413	100%
Others	15	14	15	13	16	12	
Total	466	481	475	411	405	425	

