



English translation

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

August 1, 2022

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: August 12, 2022
 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 First Quarter of the Year Ending March 31, 2023 (From April 1, 2022 to June 30, 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 1Q	46,574	21.2	12,971	42.6	14,507	53.6	10,052	50.3	10,052	50.3	18,386	169.3
FY2021 1Q	38,442	40.3	9,094	54.2	9,443	55.0	6,686	51.4	6,686	51.4	6,827	25.0

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
FY2022.1Q	286.89	286.84
FY2021.1Q	185.84	185.80

(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
				%
FY2022.1Q	389,938	334,702	334,702	85.8
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	—				
FY2022 (Forecast)		220.00	—	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
Second quarter end	88,000	11.1	21,500	8.6	21,500	5.5	15,500	4.8	438.40
Fiscal year end	180,000	10.0	44,000	7.9	45,000	4.5	33,000	5.0	933.37

(Note) Revision of previously announced business forecast: None

*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 June 30, 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 June 30, 2022: 2,806,641 As of March 31, 2022: 2,820,207

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

For the three months ended June 30, 2022: 35,036,876

For the three months ended June 30, 2021: 35,974,808

*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, August 2, 2022 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 First 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

In the first quarter of the fiscal year ending March 31, 2023, Japanese economy showed the signs of recovery in capital investment and export. However, material cost increased due to the rise in resource price, and supply chain was stagnant affected by lockdown in China. As a result, the business sentiment has been polarized further depends on the industry.

In overseas market, American and European countries are promoting post COVID-19 strategy, but inflation pressure is growing because of Ukrainian crisis and business outlook is unclear. Although China has recovered from lockdown in the beginning of this fiscal year, they will continue to carry out zero-COVID policy and the future economic prospects are unpredictable.

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 consumer electronics, industrial and automotive business has been strong, and the revenue in the first quarter increased by 21.2% to JPY 46,574 million compared to the same period of the previous fiscal year. Operating profit increased by 42.6% to JPY 12,971 million, and quarterly profit attributable to owners of parent increased by 50.3% to JPY 10,052 million as compared with the first 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 first quarter of the fiscal year ending March 31, 2023 increased by 22.2% to JPY 42,050 million, operating profit increased by 42.2% to JPY 11,978 million compared with the first 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 first quarter of the fiscal 2022 increased by 10.1% to JPY 3,025 million. Operating profit increased by 34.8% to JPY 840 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first quarter of the fiscal 2022 increased by 17.4% to JPY 1,499 million, operating profit increased by 235.8% to JPY 153 million.

(2) Overview of Financial Condition

Total assets of FY2022.1Q decreased by JPY 4,845 million to JPY 389,938 million compared to the end of the previous consolidated fiscal year mainly because other financial assets decreased. Total liabilities increased by JPY 2,522 million to JPY 55,236 million due to the increase in trade and other payables. Although quarterly profit was recorded and other components of equity including translation adjustment increased, treasury shares increased by acquisition of treasury shares and retained earnings decreased because of dividend surplus. As a result, total equity decreased by JPY 7,367 million to JPY 334,702 million. The ratio of total equity attributable to owners of parent resulted 85.8%, decreased by 0.8% compared with the previous consolidated fiscal year end.

(3) Future Outlook

There is no revision of business forecasts for the first half and full year which was announced on May 6, 2022. There is also no changes in the dividends forecast.

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 June 30, 2022
Assets		
Current assets		
Cash and cash equivalents	68,394	72,795
Trade and other receivables	43,427	47,812
Inventories	21,695	26,371
Other financial assets	140,918	123,626
Other current assets	6,389	3,966
Total current assets	280,823	274,570
Non-current assets		
Property, plant and equipment	61,148	62,583
Right-of-use assets	4,909	5,526
Intangible assets	3,704	3,977
Other financial assets	38,504	37,421
Deferred tax assets	2,769	2,991
Retirement benefit asset	2,514	2,493
Other non-current assets	412	377
Total non-current assets	113,960	115,368
Total assets	394,783	389,938

(Yen in millions)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Trade and other payables	23,811	28,131
Lease liabilities	867	1,025
Other financial liabilities	142	373
Income taxes payable	8,029	4,999
Other current liabilities	6,091	5,945
Total current liabilities	38,940	40,473
Non-current liabilities		
Lease liabilities	4,101	4,535
Other financial liabilities	166	133
Retirement benefit liability	227	251
Deferred tax liabilities	8,513	9,067
Other non-current liabilities	767	777
Total non-current liabilities	13,774	14,763
Total liabilities	52,714	55,236
Equity		
Share capital	9,404	9,404
Capital surplus	11,250	11,183
Retained earnings	338,818	326,823
Treasury shares	(36,306)	(39,945)
Other components of equity	18,903	27,237
Total equity attributable to owners of parent	342,069	334,702
Total equity	342,069	334,702
Total liabilities and equity	394,783	389,938

(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 quarter of the year ended March 31, 2022 (From Apr 1, 2021 to Jun 30, 2021)	For the first quarter of the year ending March 31, 2023 (From Apr 1, 2022 to Jun 30, 2022)
Revenue	38,442	46,574
Cost of sales	21,177	23,733
Gross profit	17,265	22,841
Selling, general and administrative expenses	8,213	9,950
Other income	86	102
Other expenses	44	22
Operating profit	9,094	12,971
Financial income	361	1,567
Finance costs	12	31
Quarterly profit before tax	9,443	14,507
Income tax expense	2,757	4,455
Quarterly profit	6,686	10,052
Quarterly profit attributable to:		
Owners of parent	6,686	10,052
Quarterly Earnings per share:		
Basic (yen)	185.84	286.89
Diluted (yen)	185.80	286.84

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Yen in millions)

	For the first quarter of the year ended March 31, 2022 (From Apr 1, 2021 to Jun 30, 2021)	For the first quarter of the year ending March 31, 2023 (From Apr 1, 2022 to Jun 30, 2022)
Quarterly profit	6,686	10,052
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	(143)	446
Total items that will not be reclassified to profit or loss	(178)	446
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	305	7,892
Debt instruments measured at fair value through other comprehensive income	14	(4)
Total items that may be reclassified to profit or loss	319	7,888
Total other comprehensive income after tax	141	8,334
Total quarterly comprehensive income	6,827	18,386
Total amount of quarterly comprehensive income attributable to:		
Owners of parent	6,827	18,386

(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			6,686			6,686	6,686
Other comprehensive income					141	141	141
Total of quarterly comprehensive income	—	—	6,686	—	141	6,827	6,827
Dividend of surplus			(4,354)			(4,354)	(4,354)
Purchase of treasury shares		(1)		(14,571)		(14,572)	(14,572)
Disposal of treasury shares		1		11		12	12
Transfer to retained earnings			(35)		35	—	—
Total transactions with owners	—	(0)	(4,389)	(14,560)	35	(18,914)	(18,914)
Balance as of June 30, 2021	9,404	11,230	319,562	(36,434)	10,243	314,005	314,005

	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			10,052			10,052	10,052
Other comprehensive income					8,334	8,334	8,334
Total of quarterly comprehensive income	—	—	10,052	—	8,334	18,386	18,386
Dividend of surplus			(9,900)			(9,900)	(9,900)
Purchase of treasury shares		(1)		(15,888)		(15,889)	(15,889)
Disposal of treasury shares		(1)		21		20	20
Cancellation of treasury shares		(12,228)		12,228		—	—
Share-based payment transactions		16				16	16
Transfer to retained earnings		12,147	(12,147)			—	—
Total transactions with owners	—	(67)	(22,047)	(3,639)	—	(25,753)	(25,753)
Balance as of June 30, 2022	9,404	11,183	326,823	(39,945)	27,237	334,702	334,702

(4) Notes on Condensed Quarterly Consolidated Financial Statements

(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 first quarter of FY2022, treasury shares increased by JPY 3,639 million and treasury shares at the end of the first quarter of the year ending March, 2023 is JPY 39,945 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 first quarter of the fiscal year ended March 31, 2022 (from April 1, 2021 to June 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	34,417	2,748	37,165	1,277	38,442
Total revenue	34,417	2,748	37,165	1,277	38,442
Operating profit	8,426	623	9,049	45	9,094
Financial income	—	—	—	—	361
Financial costs	—	—	—	—	12
Quarterly profit before tax	—	—	—	—	9,443

*"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	9,942	13,498	5,154	9,848	38,442
Percentage of consolidated revenue (%)	25.9	35.1	13.4	25.6	100.0

For the first quarter of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 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	42,050	3,025	45,075	1,499	46,574
Total revenue	42,050	3,025	45,075	1,499	46,574
Operating profit	11,978	840	12,818	153	12,971
Financial income	—	—	—	—	1,567
Financial costs	—	—	—	—	31
Quarterly profit before tax	—	—	—	—	14,507

*"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	10,807	16,320	6,126	13,321	46,574
Percentage of consolidated revenue (%)	23.2	35.0	13.2	28.6	100.0