

Hirose Electric Business Results for the First Quarter of FY2021

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August 2, 2021

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.

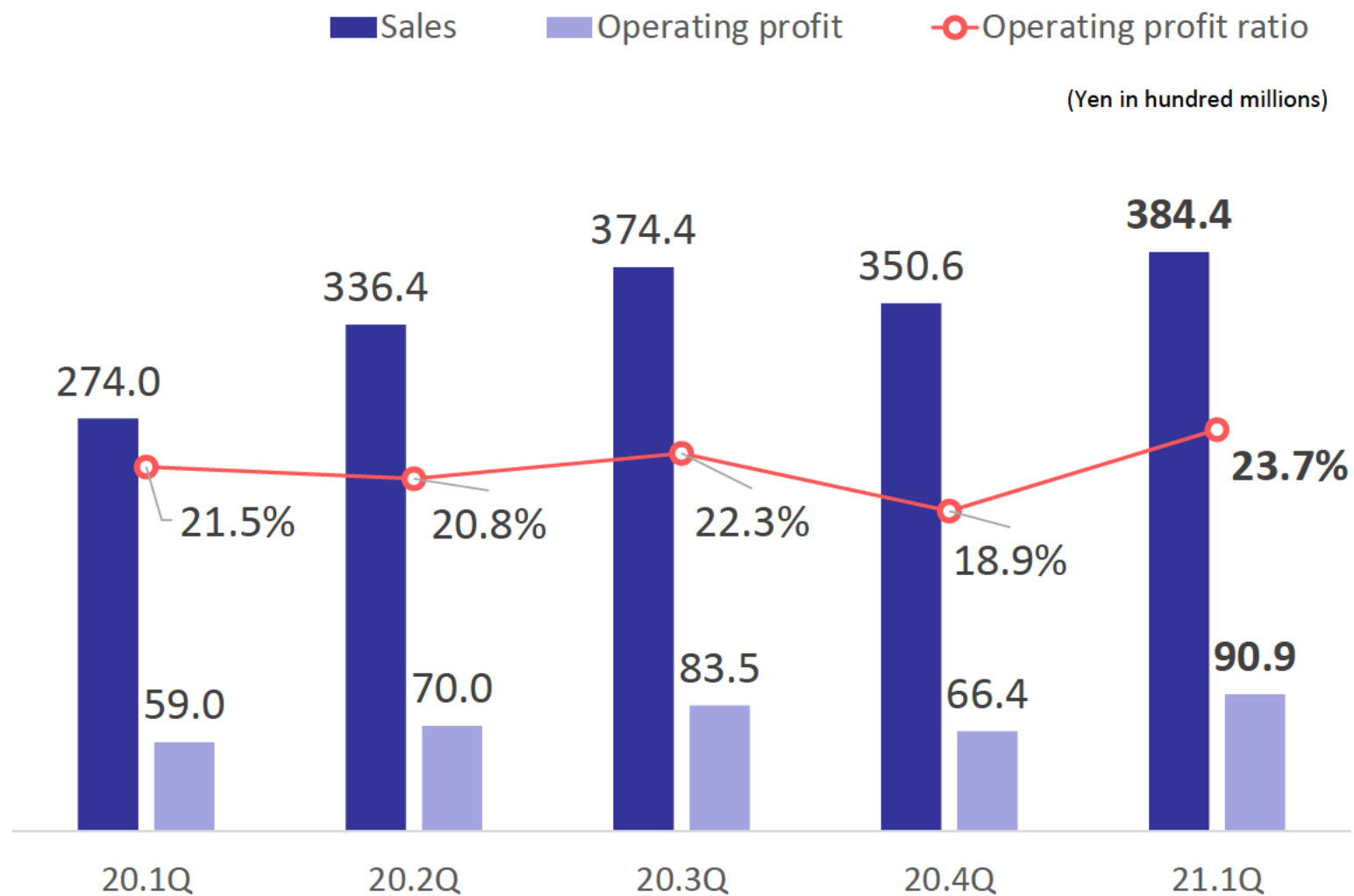
Summary of the business results (FY2021.1Q From April, 2021 to June, 2021)

- In the first quarter of FY2021, the demand for general industrial increased, and the sales for automotive and consumer electronics grew. As a result, orders and sales of FY2021.1Q has reached the highest-ever level on quarterly basis. Sales increased by 40.3% and operating profit increased by 54.2% compared with the same period of the previous fiscal year, and operating profit ratio was 23.7%

(Yen in hundred millions)

	FY2020.1Q (2020.Apr-Jun)	FY2020.4Q (2021.Jan-Mar)	FY2021.1Q (2021.Apr-Jun)	YoY (FY2021.1Q / FY2020.1Q)	QoQ (FY2021.1Q / FY2020.4Q)
Order	277.4	396.0	498.4	+79.7%	+25.9%
Sales	274.0	350.6	384.4	+40.3%	+9.6%
Operating profit	59.0	66.4	90.9	+54.2%	+36.9%
Operating profit ratio	21.5%	18.9%	23.7%	+2.2pt	+4.8pt

Changes in sales and operating profit (FY2020.1Q-FY2021.1Q / Consolidated basis)



Business Results for FY2021.1Q

(Yen in hundred millions)	FY2020.1Q (FY ended June 30, 2020)	FY2021.1Q (FY ended June 30, 2021)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)	
Sales	274.0	384.4	+110.4	40.3%	
COGS Ratio	58.0%	55.1%	-2.9		
SGA Ratio	26.0%	21.4%	-4.6		
Operating Profit	59.0	90.9	+32.0	54.2%	
(%)	21.5%	23.7%	+2.2		
Earnings before income tax	60.9	94.4	+33.5	55.0%	
(%)	22.2%	24.6%	+2.4		
Net profit	44.2	66.9	+22.7	51.4%	
(%)	16.1%	17.4%	+1.3		
Total Assets	3,436.4	3,570.4			
Shareholder's Equity Ratio	89.4%	87.9%			
			1US\$	107.62 yen	109.49 yen
			1€	118.48 yen	131.96 yen
Income Per Share	121.78 yen	185.84 yen	100 won	8.83 yen	9.77 yen

Major Changes over 1Q of FY2021

(Yen in hundred millions)

Sales

110.4 hundred million yen **Increased**
(274.0 → 384.4)

Non consolidated Hirose: +77.8
Subsidiaries: +32.6

COGS Ratio

2.9pt Improved (58.0% → 55.1%)

Variable Expense Ratio: 35.5% → **36.2%**
Depreciation Ratio: 11.9% → **9.0%**
Labor Cost Ratio: 7.1% → **6.6%**

SGA Ratio

4.6pt Improved (26.0% → 21.4%)

71.3 → 82.1 (Increased by 10.8)

Financial revenue / expense

1.5 hundred million yen **Improved** (+2.0 → +3.5)

FY2021.1Q YoY Variation Analysis

(Yen in hundred millions)

	Sales	Operating Profit	(%)	Earnings before income tax	(%)
FY2020.1Q Actual	274.0	59.0	21.5%	60.9	22.2%
Exchange rate	11.0	4.7		5.9	
Depreciation cost increase		-0.9		-0.9	
Labor cost increase		-13.6		-13.6	
Increase in freightage and packing expenses		-1.6		-1.6	
Increase in the product	99.4	58.3		58.6	
Insurance income		-15.0		-15.0	
Total amount of changes	110.4	32.0		33.5	
FY2021.1Q Actual	384.4	90.9	23.7%	94.4	24.6%

Consolidated Balance Sheet

(Yen in hundred millions)

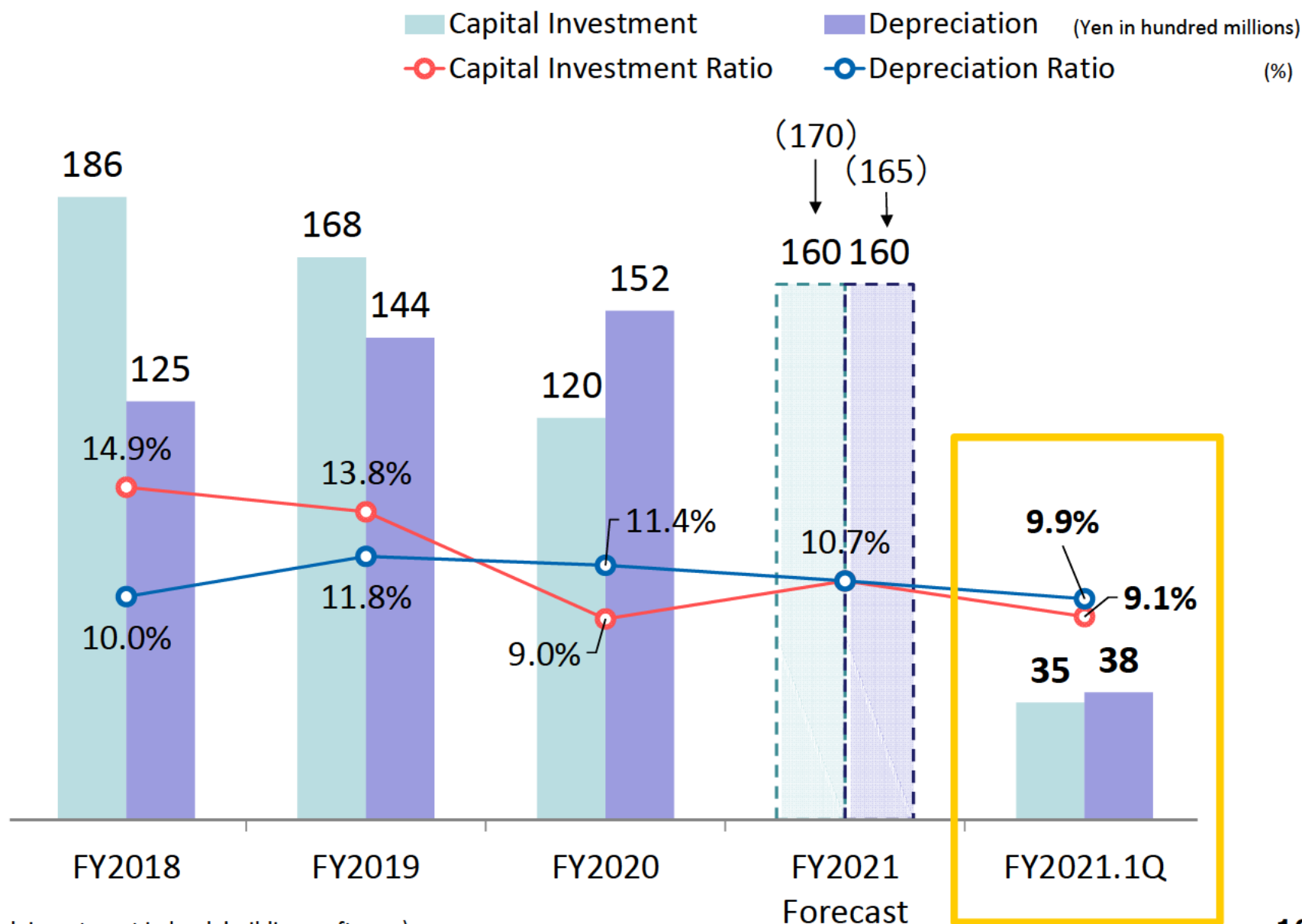
Account	Mar 31, 2021	June 30, 2021	Increase / Decrease	Remark	
Assets	Cash and cash equivalents	578.4	627.2	48.9	Transfer from time deposit +182 Refund of consumption taxes receivable +34 Off-auction own share repurchase △145
	Trade and other receivables	366.2	386.9	20.7	Due to the sales increase, accounts receivables increased
	Inventories	169.2	179.4	10.2	Inventory increased to respond in increasing orders
	Other financial assets	1,801.9	1,614.9	-187.0	Cancellation of time deposit △182
	Tangible fixed assets	611.8	608.1	-3.7	
	Right-of-use asset	43.6	46.6	3.0	
	Others	134.0	107.3	-26.7	
	Total Assets	3,705.0	3,570.4	-134.6	
Total of cash in bank	1,776.7	1,644.7	-132.0		

Consolidated Balance Sheet

(Yen in hundred millions)

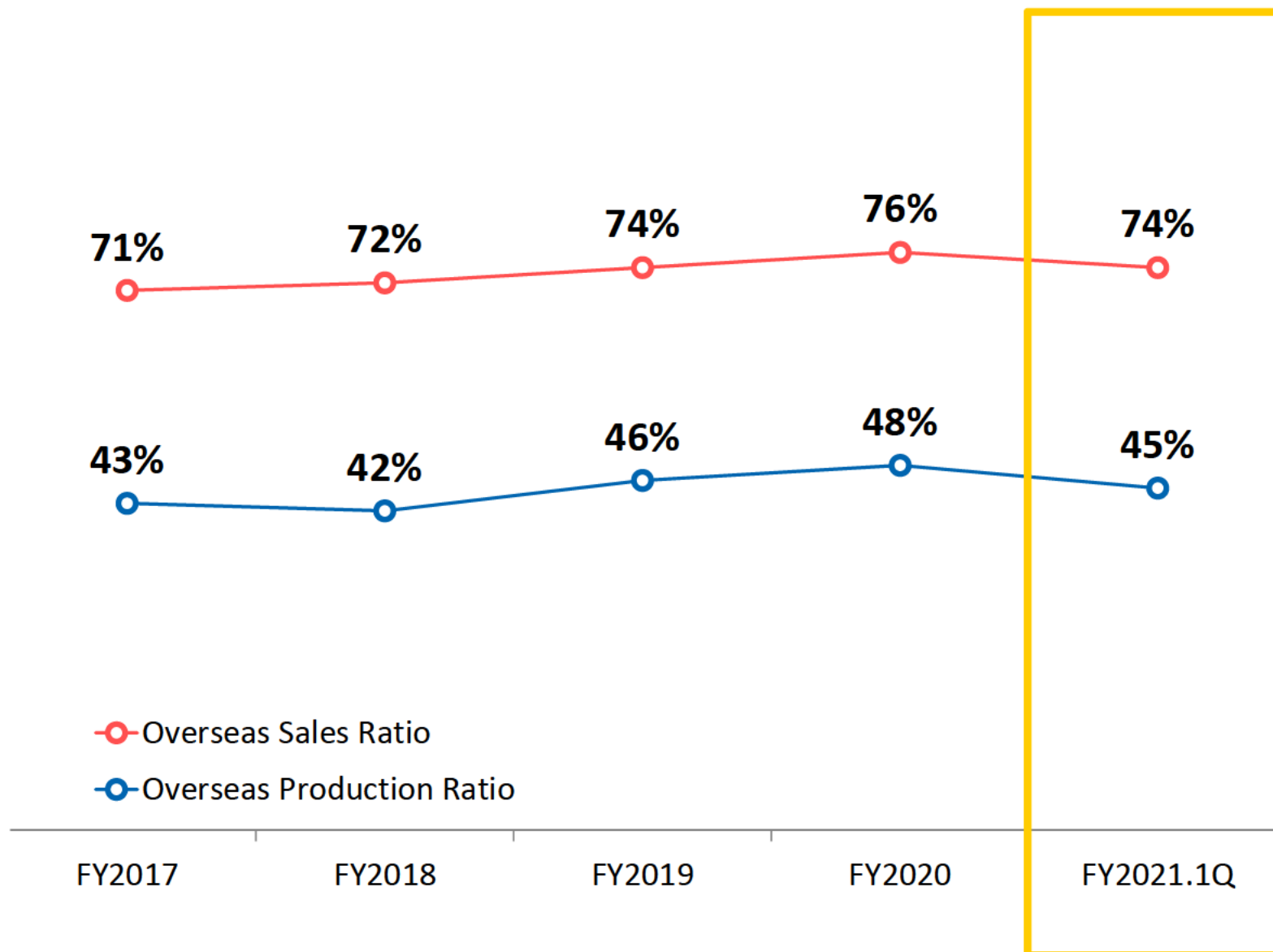
	Account	Mar 31, 2021	June 30, 2021	Increase / Decrease	Remark
Liabilities	Payables and other debt	195.1	218.9	23.8	Purchase increased because of production rise / Accrued bonus for summer was recorded, etc
	Lease liabilities	44.0	47.2	3.2	
	Income Taxes Payable	65.3	31.8	-33.5	Decreased due to corporate tax payment in Japan
	Others	139.6	132.5	-7.1	Transfer provision for bonuses to payables and other debt
	Total	444.1	430.4	-13.7	
Shareholder's Equity	Capital stock and Capital surplus	206.3	206.3	0.0	
	Retained Earnings	3,172.6	3,195.6	23.0	Net profit +67.3 Year-end dividend △43.5
	Treasury Stocks	-218.7	-364.3	-145.6	Off-auction own share repurchase (ToSTNet-3) △145
	Others	100.7	102.4	1.7	
	Total	3,260.9	3,140.0	-120.9	
Total Liabilities and Shareholder's Equity		3,705.0	3,570.4	-134.6	

Changes in Capital Investment and Depreciation



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

Overseas production and sales ratio

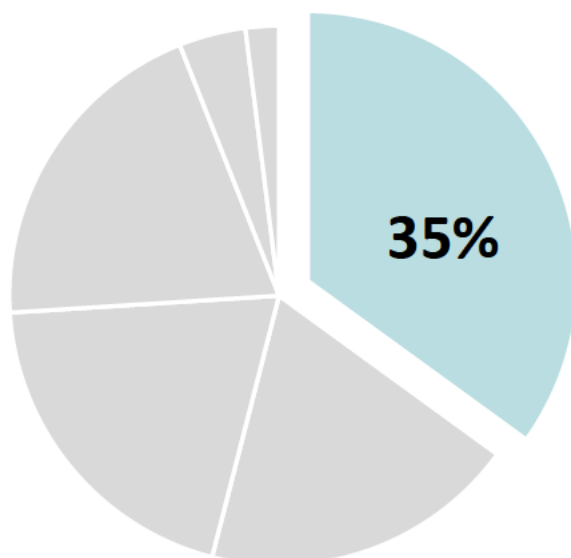


Sales by Application_General Industrial

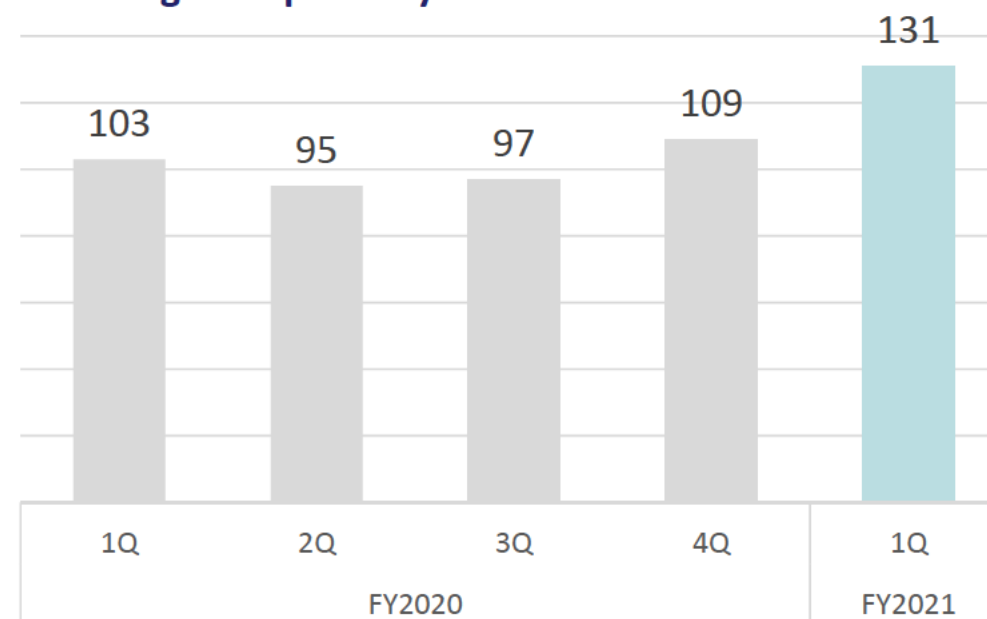
(Yen in hundred millions)

	FY2020.1Q	FY2020.4Q	FY2021.1Q	YoY (FY21.1Q/FY20.1Q)	QoQ (FY21.1Q/FY20.4Q)
Sales	103	109	131	+27%	+20%

● Composition ratio



● Changes in quarterly sales



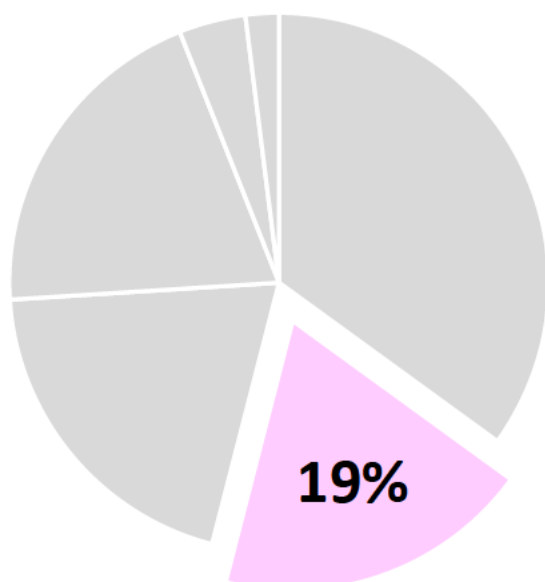
- Overall sales for general industrial remained strong supported by increased demand for FA related.

Sales by Application_Smartphone

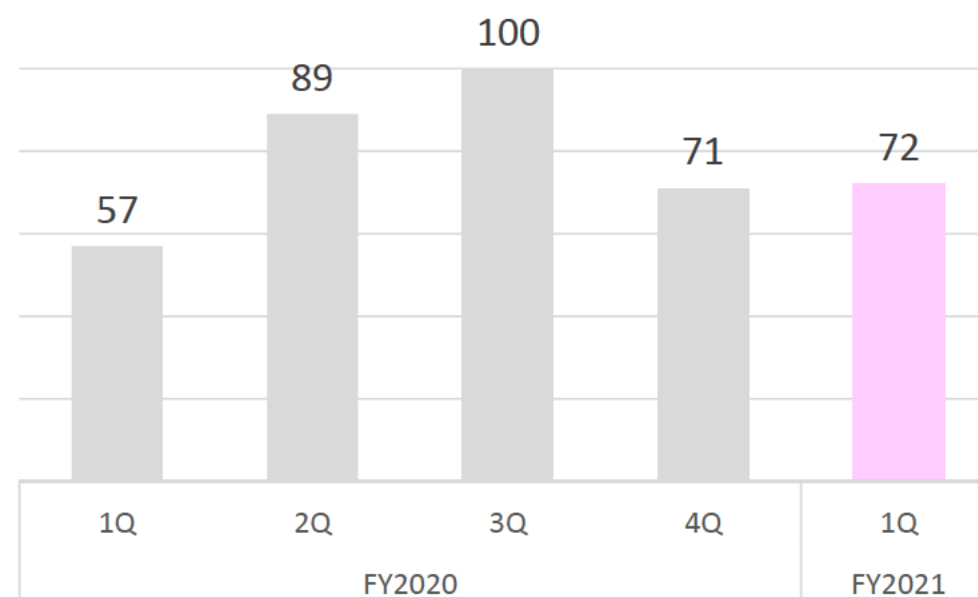
(Yen in hundred millions)

	FY2020.1Q	FY2020.4Q	FY2021.1Q	YoY (FY21.1Q/FY20.1Q)	QoQ (FY21.1Q/FY20.4Q)
Sales	57	71	72	+26%	+1%

- Composition ratio



- Changes in quarterly sales



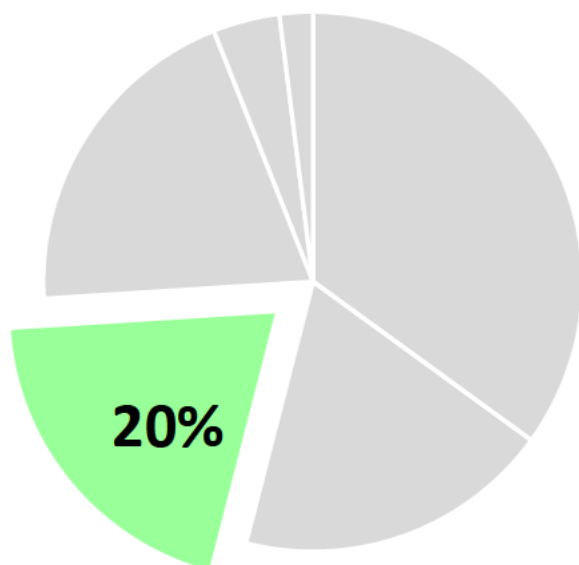
- Although the sales for smartphone in Q1 was flat compared with the previous quarter, we expect the demand will increase because of seasonal factors as usual from Q2 to Q3 in the future.

Sales by Application_Automotive/Mobility-related

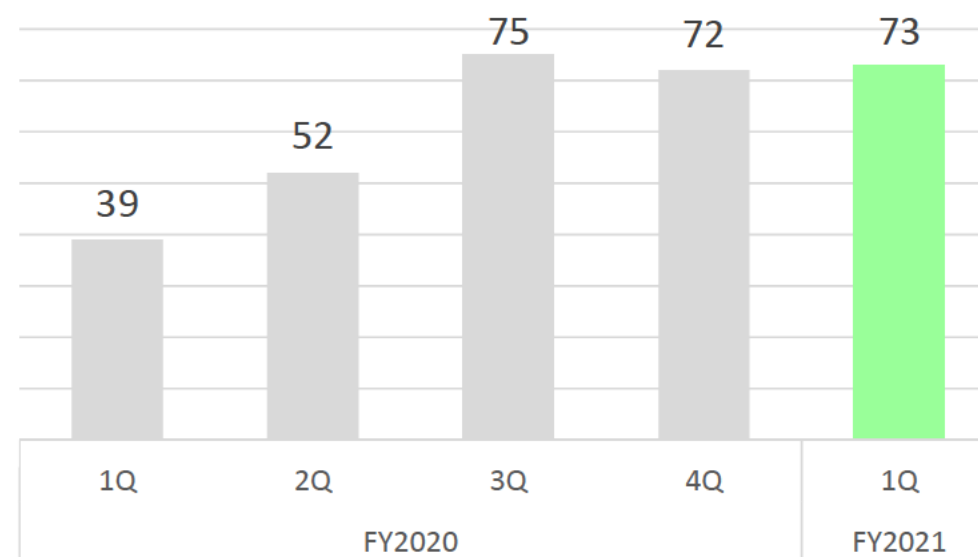
(Yen in hundred millions)

	FY2020.1Q	FY2020.4Q	FY2021.1Q	YoY (FY21.1Q/FY20.1Q)	QoQ (FY21.1Q/FY20.4Q)
Sales	39	72	73	+87%	+1%

- Composition ratio



- Changes in quarterly sales



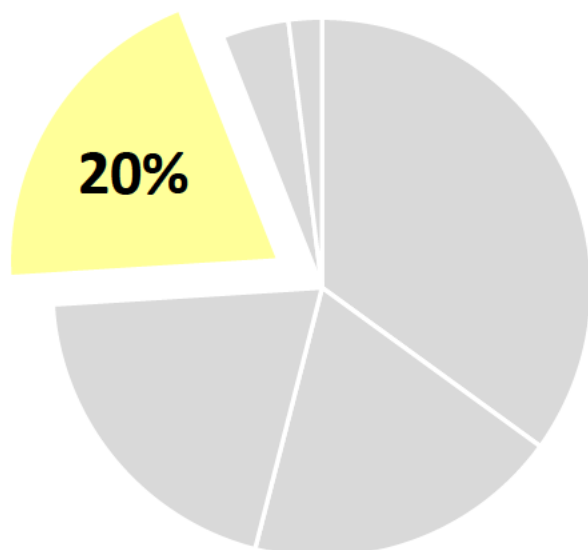
■ The sales has been remaining at high level.

Sales by Application_Consumer/Mobile Equipment

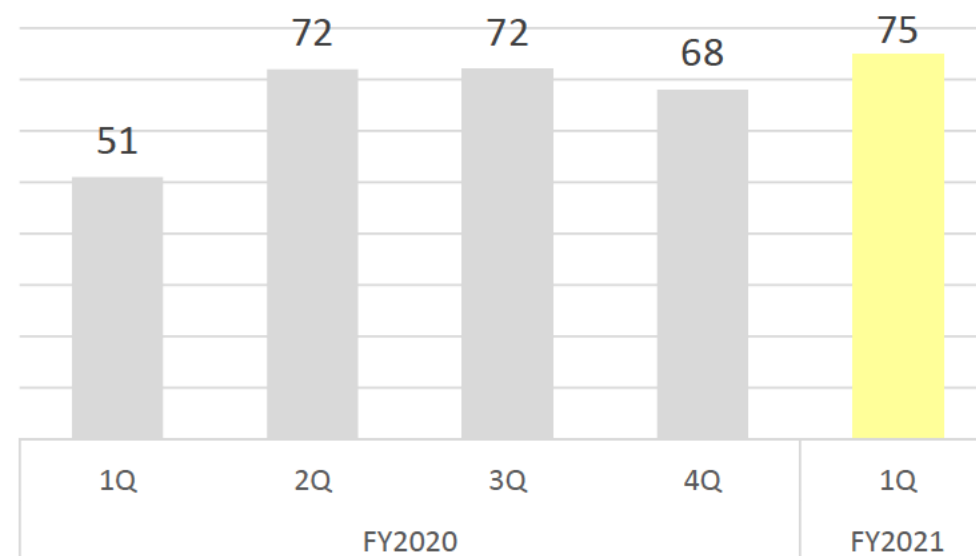
(Yen in hundred millions)

	FY2020.1Q	FY2020.4Q	FY2021.1Q	YoY (FY21.1Q/FY20.1Q)	QoQ (FY21.1Q/FY20.4Q)
Sales	51	68	75	+47%	+10%

● Composition ratio



● Changes in quarterly sales



- The demand for personal and small consumer electronics has been still strong.

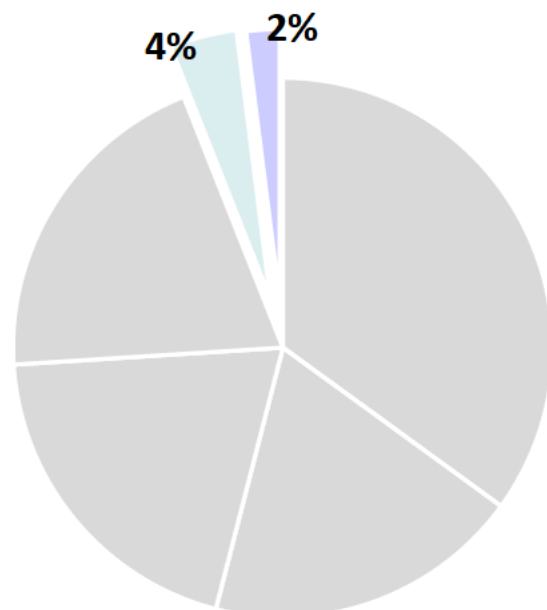
Sales by Application_Telecommunications infrastructure equipment / OA equipment

(Yen in hundred millions)

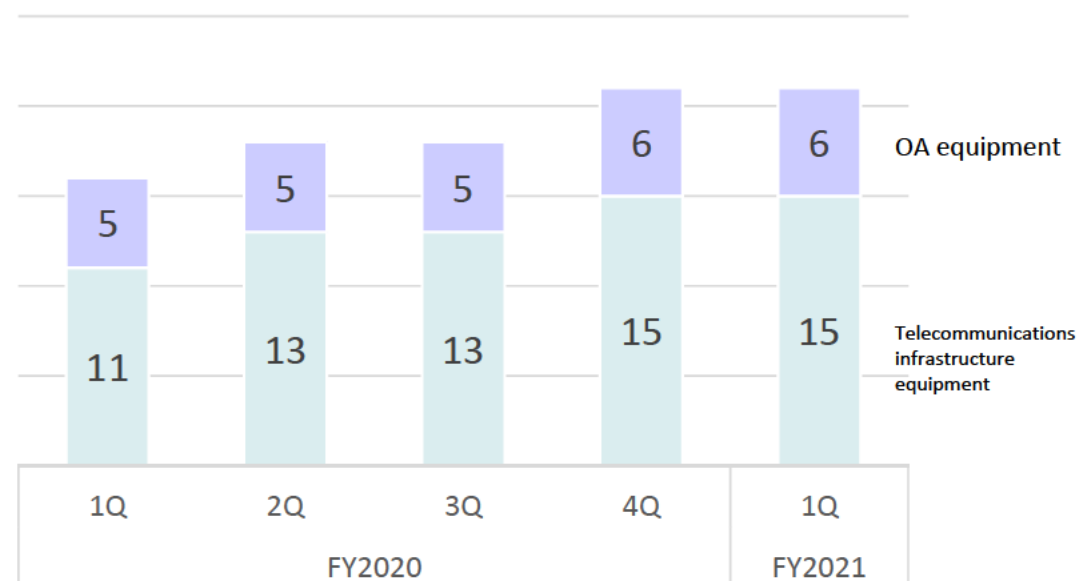
	FY2020.1Q	FY2020.4Q	FY2021.1Q	YoY (FY21.1Q/FY20.1Q)	QoQ (FY21.1Q/FY20.4Q)
Telecommunications infrastructure equipment	11	15	15	+36%	0%
OA (Office Automation) equipment	5	6	6	+20%	0%

● Composition ratio

Telecommunications infrastructure equipment
OA equipment

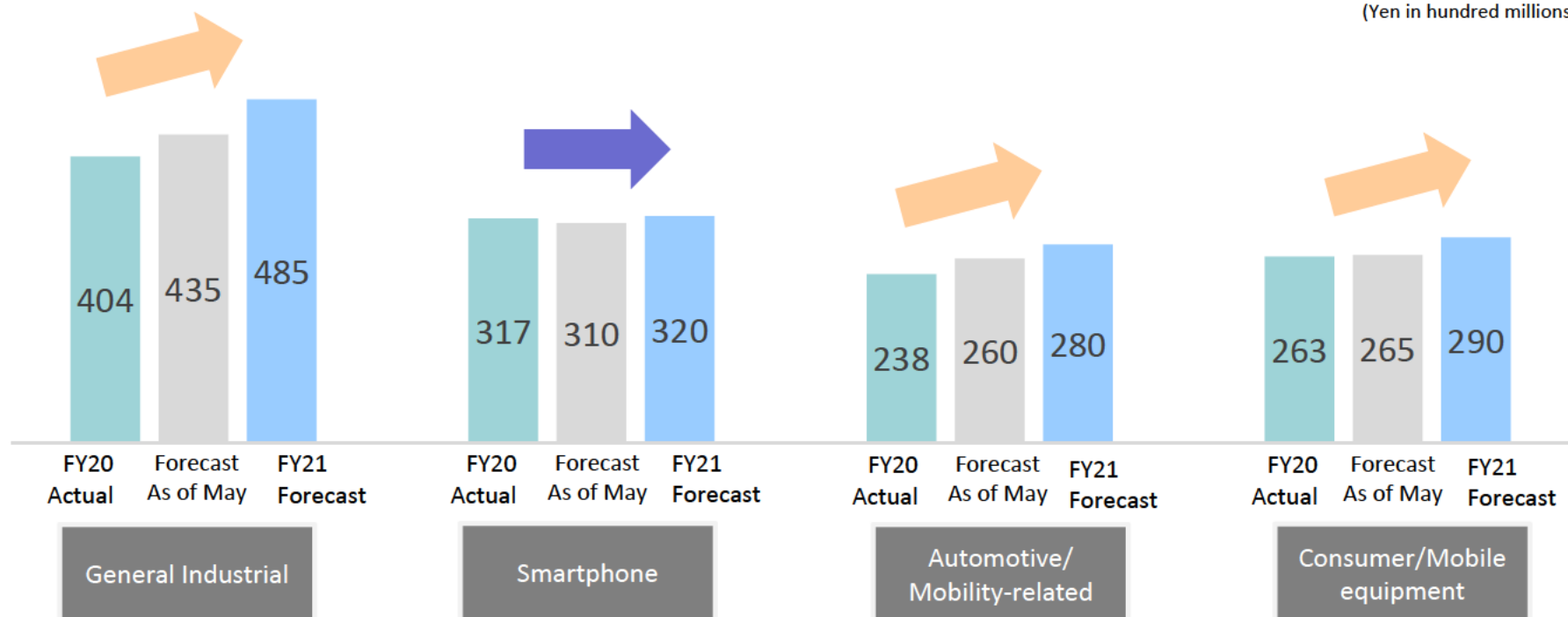


● Changes in quarterly sales



Annual sales forecast by applications [Updated]

(Yen in hundred millions)



FY2021 Annual growth rate forecast	Forecast as of May, 2021	Updated forecast of growth rate
● General Industrial	+8%	+20%
● Smartphone	-2%	+1%
● Automotive / Mobility-related	+10%	+18%
● Consumer / Mobile equipment	+1%	+10%

Summary of the revision of business forecast for the year ending March, 2022

- It is expected that the sales for general industrial, consumer and mobile equipment, and automotive and mobility-related business will exceed our previous estimates. We revised our business forecast announced on May 6, 2021 as follow.

(Yen in hundred millions)

	① Forecast as of May, 2021		② Updated forecast as of July, 2021		②-① Change	
	First half	For the year	First half	For the year	First half	For the year
Sales	700	1,380	770	1,500	+70	+120
Operating profit	135	265	175	330	+40	+65
(%)	19.3%	19.2%	22.7%	22.0%		
Earnings before income tax	135	265	180	340	+45	+75
(%)	19.3%	19.2%	23.4%	22.7%		
Net profit	95	190	130	250	+35	+60
(%)	13.6%	13.8%	16.9%	16.7%		

Business Forecast for the Year Ending March 31, 2022(Consolidated)

The business for general industrial, automotive and consumer electronics is expected to exceed our previous forecast and we revise the forecast announced in May, 2021

(Yen in hundred millions)	FY2020 (FY ended March 31, 2021) Actual		FY2021 (FY ending March 31, 2022) Forecast		First Half Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	First Half	For the Year	First Half	For the Year	Amount Change	%	Amount Change	%
Sales	610.4	1,335.4	770.0	1,500.0	+159.6	+26.2%	+164.6	+12.3%
COGS Ratio	57.6%	57.6%	55.5%	55.9%				
Operating Profit	128.9	278.8	175.0	330.0	+46.1	+35.7%	+51.2	+18.3%
(%)	21.2%	20.9%	22.7%	22.0%				
Earnings before income tax	128.9	283.3	180.0	340.0	+51.1	+39.7%	+56.7	+20.0%
(%)	21.1%	21.2%	23.4%	22.7%				
Net Profit	93.4	199.2	130.0	250.0	+36.6	+39.2%	+50.8	+25.5%
(%)	15.3%	14.9%	16.9%	16.7%				
Income Per Share	257.48 yen	549.10 yen	367.80 yen	707.30 yen				
					1US\$	106.06 yen	109.49 yen	107.87 yen
Dividend Per Share	120 yen	240 yen	130 yen	260 yen	1€	123.70 yen	131.96 yen	129.82 yen
Consolidated Dividend Payout Ratio	—	43.7%	—	36.8%	100won	9.17 yen	9.77 yen	9.71 yen

Appendix

Sales by Applications round number (quarterly basis)

(Yen in hundred millions)

	FY2020				FY2021	Composition ratio by application
	1Q	2Q	3Q	4Q	1Q	
General Industrial	103	95	97	109	131	35%
Smartphone	57	89	100	71	72	19%
Automotive/Mobility-related	39	52	75	72	73	20%
Consumer / Mobile Device	51	72	72	68	75	20%
Telecommunications Infrastructure Equipment	11	13	13	15	15	4%
OA Equipment	5	5	5	6	6	2%
Total of Connector Sales	265	326	362	341	372	100%
Others	9	10	13	10	13	
Total	274	336	374	351	384	

