

Hirose Electric Business Results for the Third Quarter of FY2021

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February 3, 2022

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.

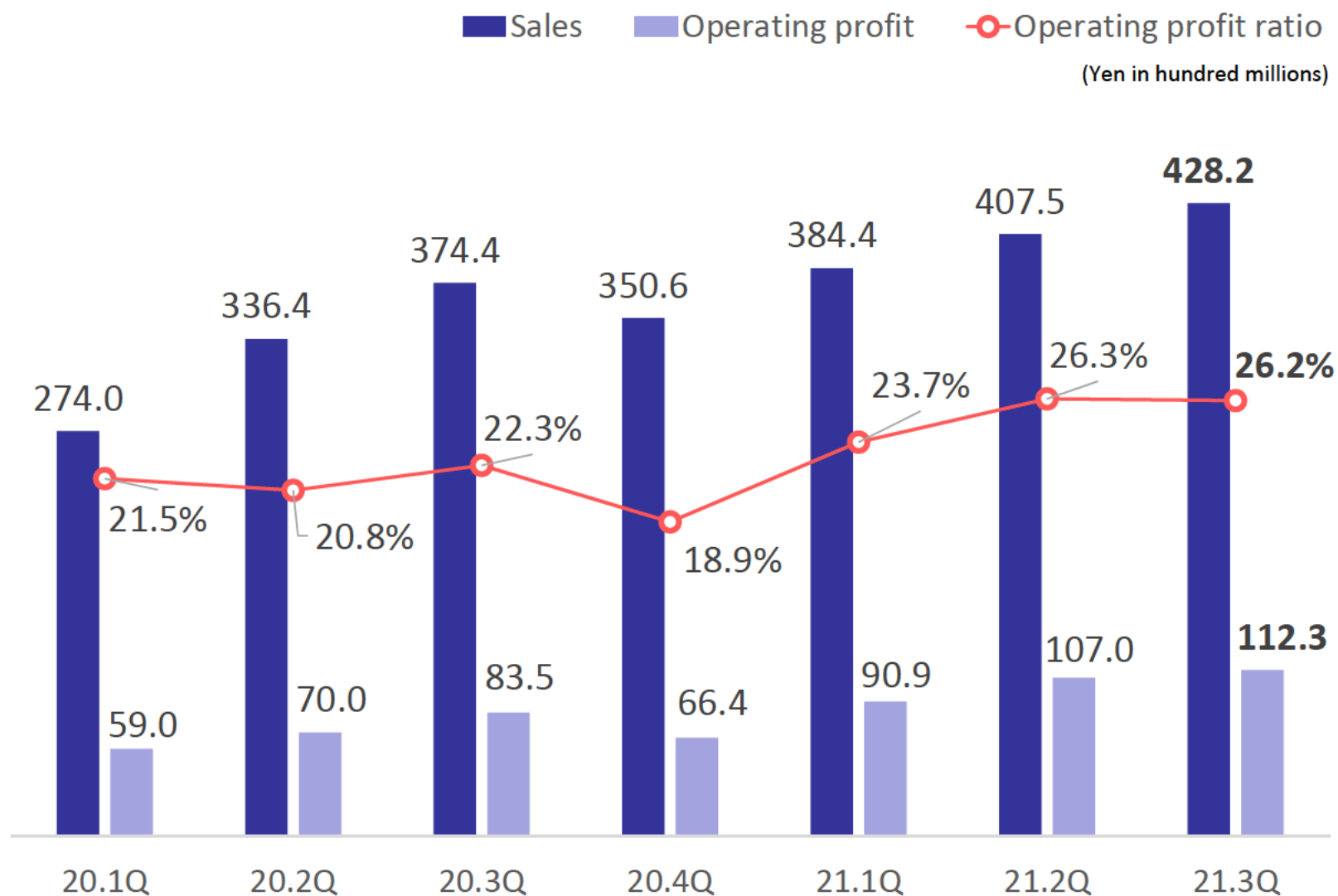
Summary of the business results (FY2021.1Q-3Q From April, 2021 to December, 2021)

- In the third quarter of FY2021, the sales mainly for general industrial and smartphone grew. As a result, the sales of cumulative 3Q increased by 23.9%, operating profit increased by 46.0% compared with the same period of FY2020 and operating profit ratio resulted 25.4%.

(Yen in hundred millions)

	FY2020			FY2021			YoY
	1H 2020. Apr-Sep	3Q 2020. Oct-Dec	1Q-3Q 2020. Apr-Dec	1H 2021. Apr-Sep	3Q 2021. Oct-Dec	1Q-3Q 2021. Apr-Dec	FY2021.1Q-3Q / FY2020.1Q-3Q
Order	646.8	381.0	1,027.8	1,033.3	480.4	1,513.7	+47.3%
Sales	610.4	374.4	984.8	791.9	428.2	1,220.0	+23.9%
Operating profit	128.9	83.5	212.4	197.9	112.3	310.2	+46.0%
Operating profit ratio	21.1%	22.3%	21.6%	25.0%	26.2%	25.4%	+ 3.8pt

Changes in sales and operating profit (FY2020.1Q-FY2021.3Q / Consolidated basis)



Business Results for FY2021.1Q-3Q

(Yen in hundred millions)	FY2020.1Q-3Q (FY ended Dec 31, 2020)	FY2021.1Q-3Q (FY ended Dec 31, 2021)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)	
Sales	984.8	1,220.0	+235.2	23.9%	
COGS Ratio	57.5%	54.1%	-3.4%		
SGA Ratio	22.5%	20.4%	-2.1%		
Operating Profit	212.4	310.2	+97.8	46.0%	
(%)	21.6%	25.4%	+3.8%		
Profit before tax	208.1	321.7	+113.5	54.5%	
(%)	21.1%	26.4%	+5.3%		
Net profit	149.8	237.9	+88.1	58.8%	
(%)	15.2%	19.5%	+4.3%		
Total Assets	3,564.9	3,735.7			
Shareholder's Equity Ratio	88.7%	87.7%			
			1US\$	FY2020.3Q 106.11 yen	FY2021.3Q 111.10 yen
			1€	122.38 yen	130.62 yen
Earnings Per Share	413.09 yen	669.01 yen	100 won	FY2020.3Q 9.05 yen	FY2021.3Q 9.64 yen

Major Changes over cumulative 3Q of FY2021

(Yen in hundred millions)

Sales

235.2 hundred million yen **Increased**
(984.8 → 1,220.0)

Non consolidated Hirose: +193.8
Subsidiaries: +41.4

COGS Ratio

3.4pt Improved
(57.5% → 54.1%)

Variable Expense Ratio: 40.5% → 39.6%
Depreciation Ratio: 10.0% → 8.1%
Labor-cost Ratio: 6.7% → 6.4%

SGA Ratio

2.1pt Improved
(22.5% → 20.4%)

221.1 → 249.5 (Increased by 28.4)

Financial income and costs

15.8 hundred million yen **Improved**
(-4.3 → +11.5)

Foreign Exchange Gain/Loss: -11.1 → +3.2

FY2021.1Q-3Q YoY Variation Analysis

(Yen in hundred millions)

	Sales	Operating Profit	(%)	Profit before tax	(%)
FY2020.1Q-3Q Actual	984.8	212.4	21.6%	208.1	21.1%
Exchange rate	45.6	21.9		36.0	
Depreciation cost increase		1.6		1.6	
Personnel expenses increase		-31.0		-31.0	
Increase in Packing and transportation costs		-6.7		-6.7	
Increase in the product	189.6	127.0		128.6	
Insurance income		-15.0		-15.0	
Total amount of changes	235.2	97.8		113.5	
FY2021.1Q-3Q Actual	1,220.0	310.2	25.4%	321.7	26.4%

Consolidated Balance Sheet

(Yen in hundred millions)

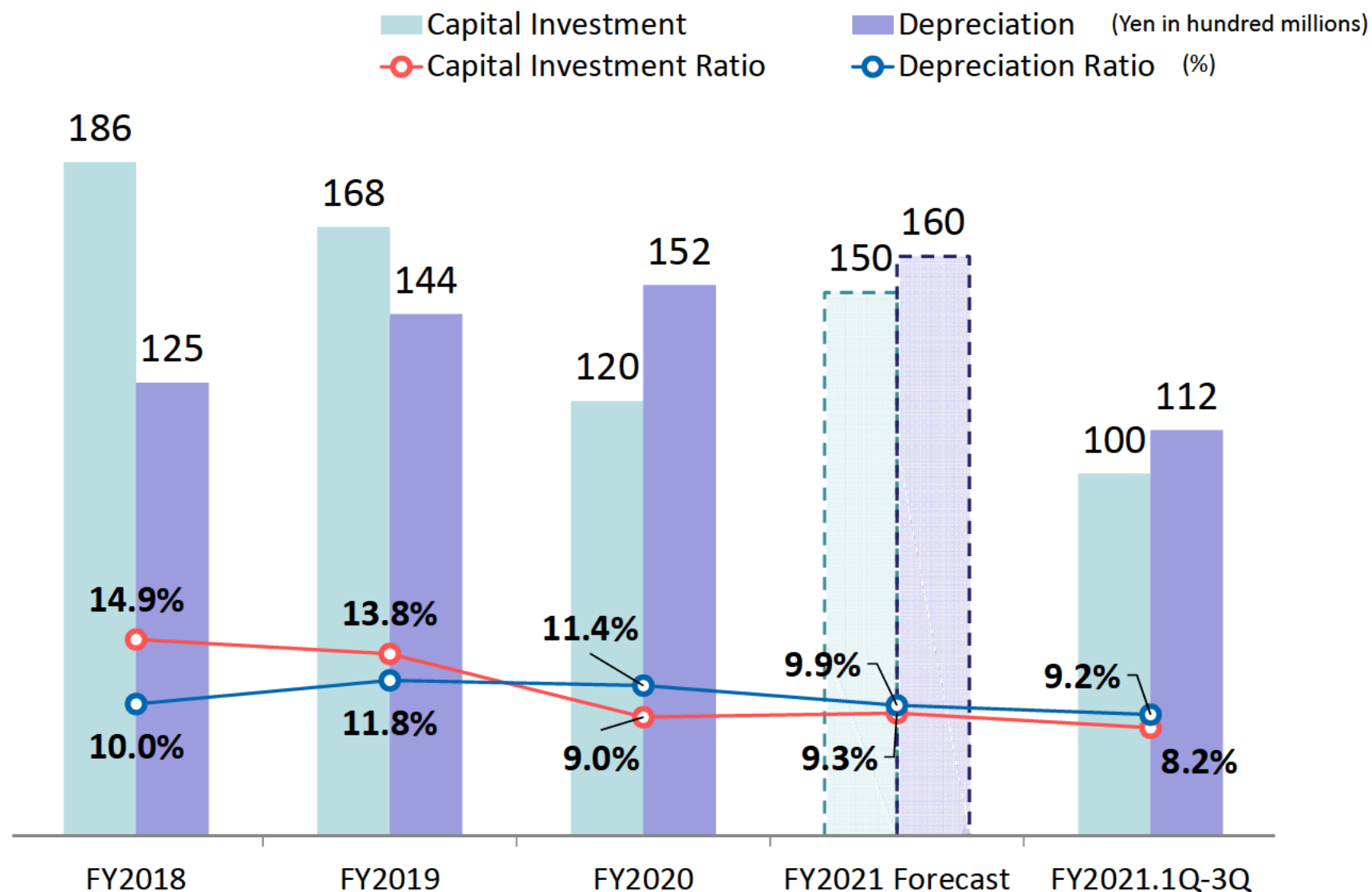
	Account	Mar 31, 2021	Dec 31, 2021	Increase / Decrease	Remark
Assets	Cash and cash equivalents	578.4	738.0	159.7	Transfer from time deposits +129 Redemption of investment securities +84 Off-auction own share repurchase Δ 145 Dividend Payment Δ 100
	Trade and other receivables	366.2	436.4	70.2	Accounts receivable increased due to sales increase
	Inventories	169.2	192.7	23.5	Increase in the amount of products and materials to respond growing orders
	Other financial assets	1,801.9	1,590.4	-211.5	Decrease in time deposit Δ 129 Decrease in investment securities Δ 84
	Property, plant and equipment	611.8	596.4	-15.5	
	Right-of-use assets	43.6	46.3	2.7	
	Others	134.0	135.5	1.5	
	Total Assets	3,705.0	3,735.7	30.7	
	Total of cash in bank	1,776.7	1,807.8	31.1	

Consolidated Balance Sheet

(Yen in hundred millions)

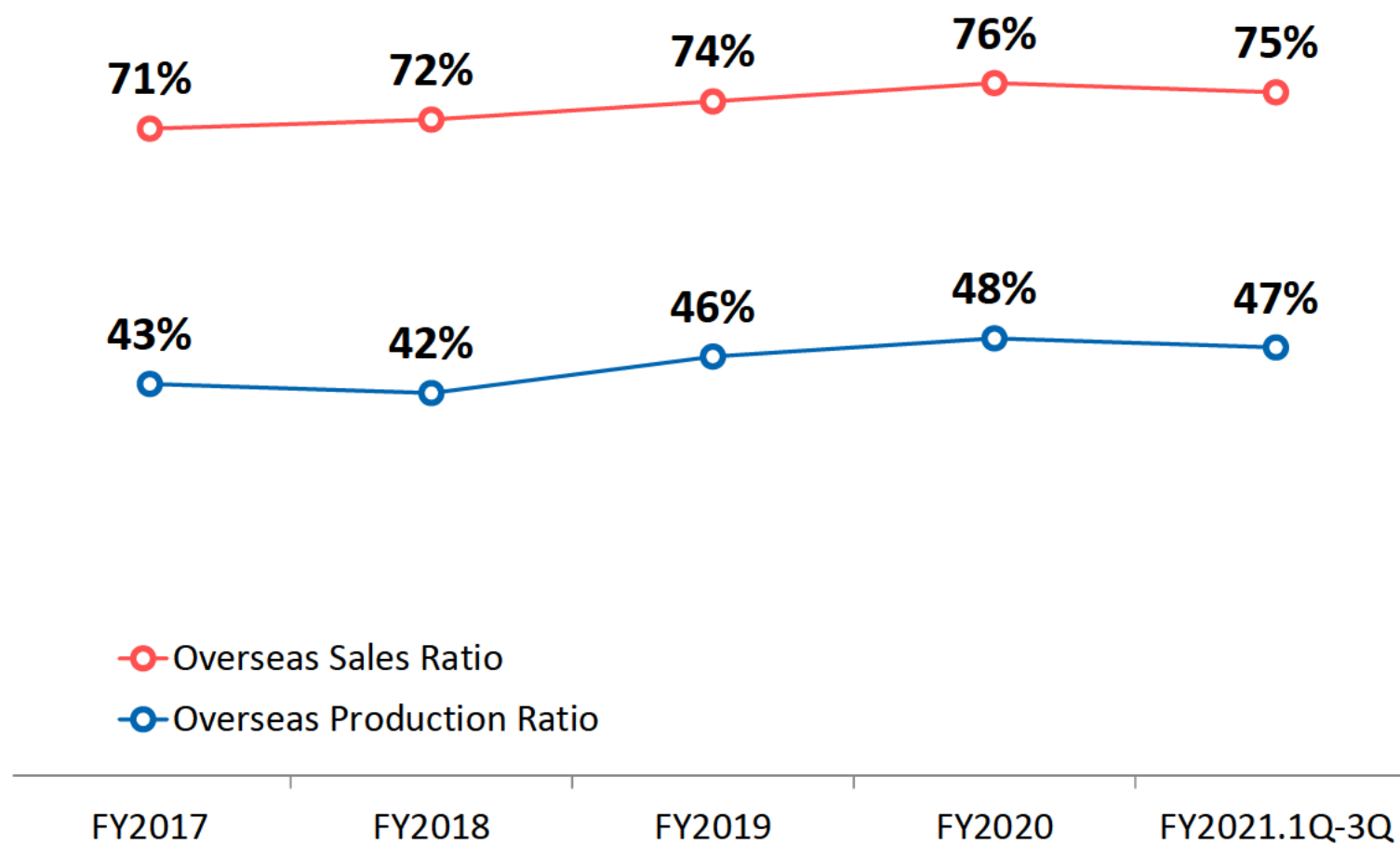
	Account	Mar 31, 2021	Dec 31, 2021	Increase / Decrease	Remark
Liabilities	Payables and other debt	195.1	220.8	25.7	
	Lease liabilities	44.0	47.0	3.0	
	Income Taxes Payable	65.3	46.5	-18.8	Decreased due to corporate tax payment in Japan
	Others	139.6	145.6	6.0	Increase in provisions for bonuses and deferred tax liabilities
	Total	444.1	460.0	15.9	
Shareholder's Equity	Share capital and capital surplus	206.3	206.4	0.1	
	Retained Earnings	3,172.6	3,310.1	137.5	Net profit +238 Dividend payment △100
	Treasury Shares	-218.7	-363.3	-144.5	Off-auction own share repurchase (ToSTNet-3) △145
	Others	100.7	122.5	21.8	Translation adjustment △10
	Total	3,260.9	3,275.7	14.8	
Total Liabilities and Shareholder's Equity		3,705.0	3,735.7	30.7	

Changes in Capital Investment and Depreciation (Consolidated)



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

Overseas production and sales ratio

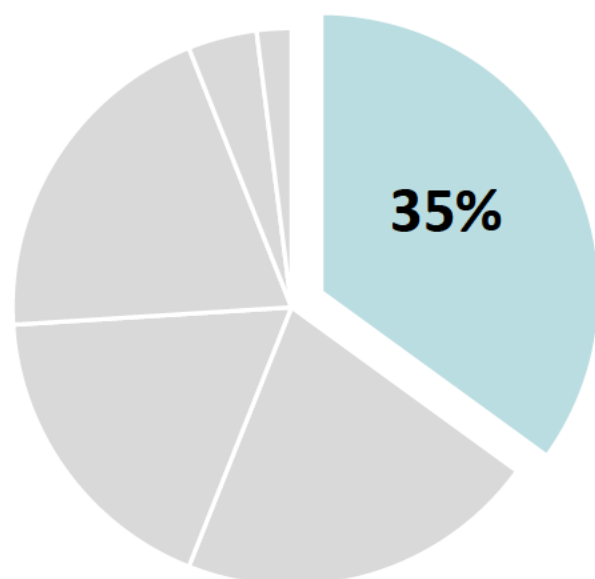


Sales by Application_General Industrial

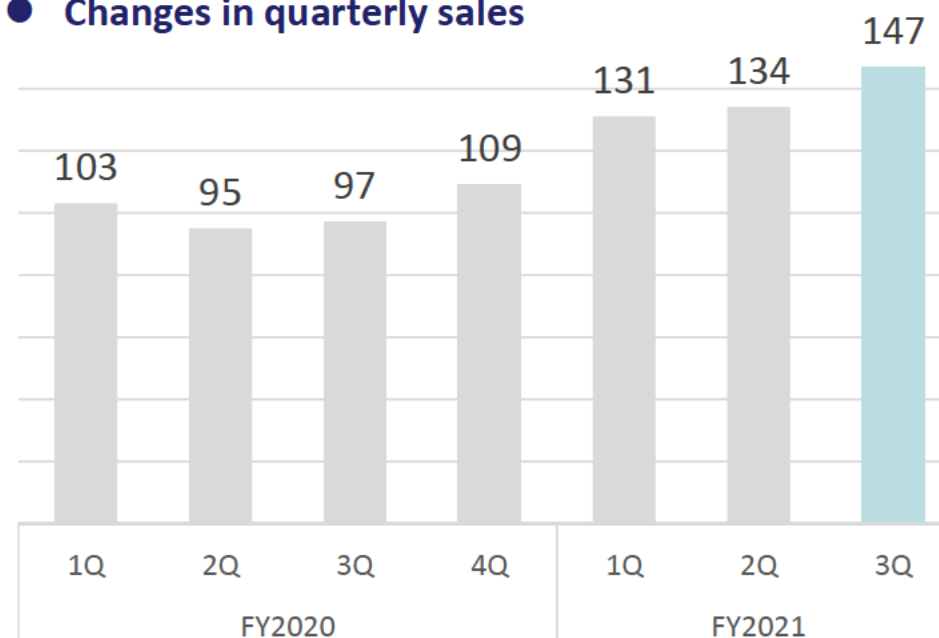
(Yen in hundred millions)

	FY2020			FY2021			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2021.1Q-3Q / FY2020.1Q-3Q
Sales	198	97	295	265	147	412	+38%

● FY2021.1Q-3Q Composition ratio



● Changes in quarterly sales



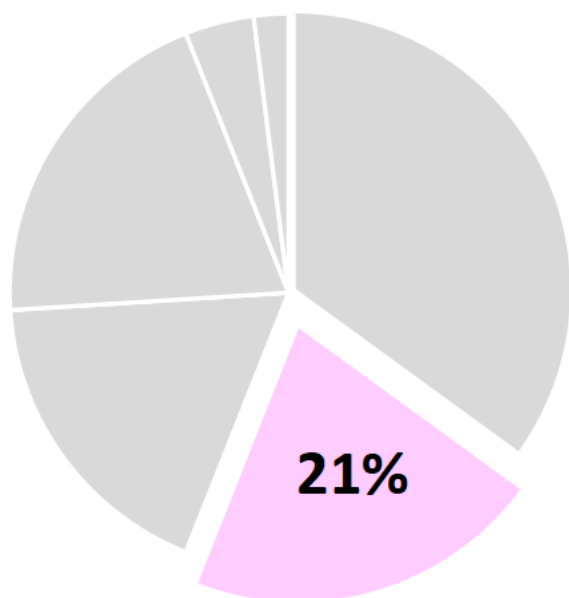
- Overall sales for general industrial have been strong because of the increase in demand for FA related and inventory due to lack of components.

Sales by Application_Smartphone

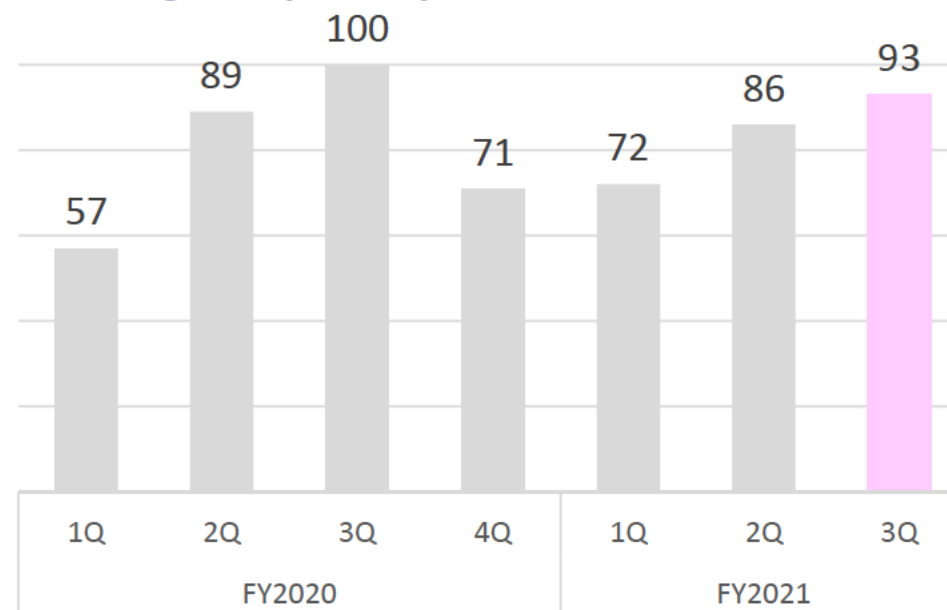
(Yen in hundred millions)

	FY2020			FY2021			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2021.1Q-3Q / FY2020.1Q-3Q
Sales	146	100	246	158	93	251	+2%

● FY2021.1Q-3Q Composition ratio



● Changes in quarterly sales



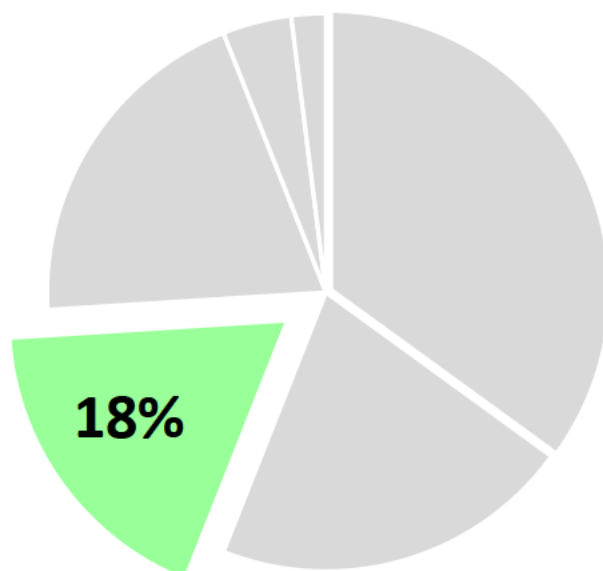
■ The sales for smartphone have been strong mainly due to seasonal demand

Sales by Application_Automotive/Mobility-related

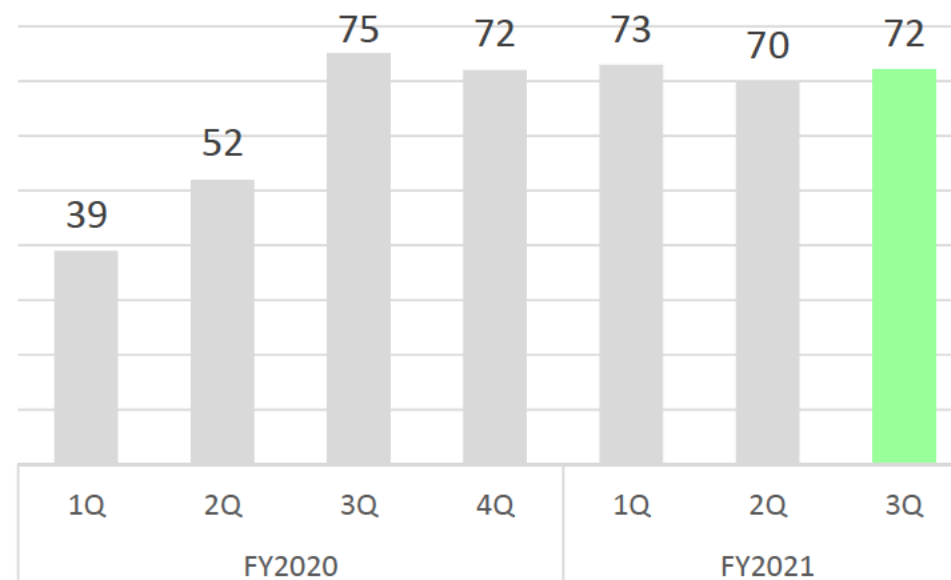
(Yen in hundred millions)

	FY2020			FY2021			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2021.1Q-3Q / FY2020.1Q-3Q
Sales	91	75	166	143	72	215	+30%

● FY2021.1Q-3Q Composition ratio



● Changes in quarterly sales



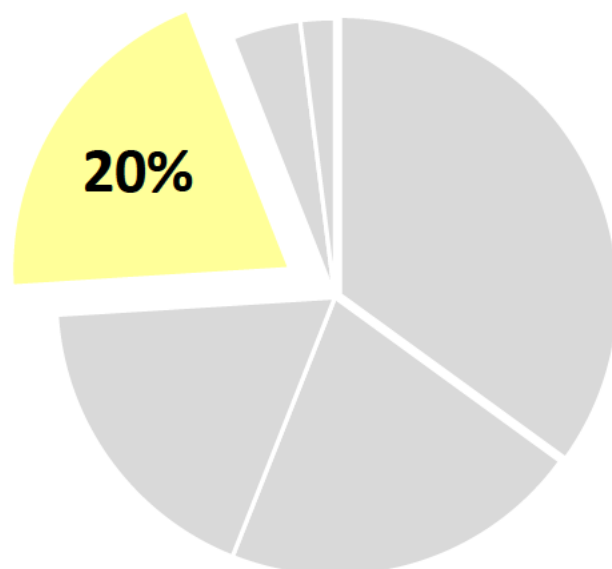
■ The sales for automotive remain at a high level steadily

Sales by Application_Consumer/Mobile Equipment

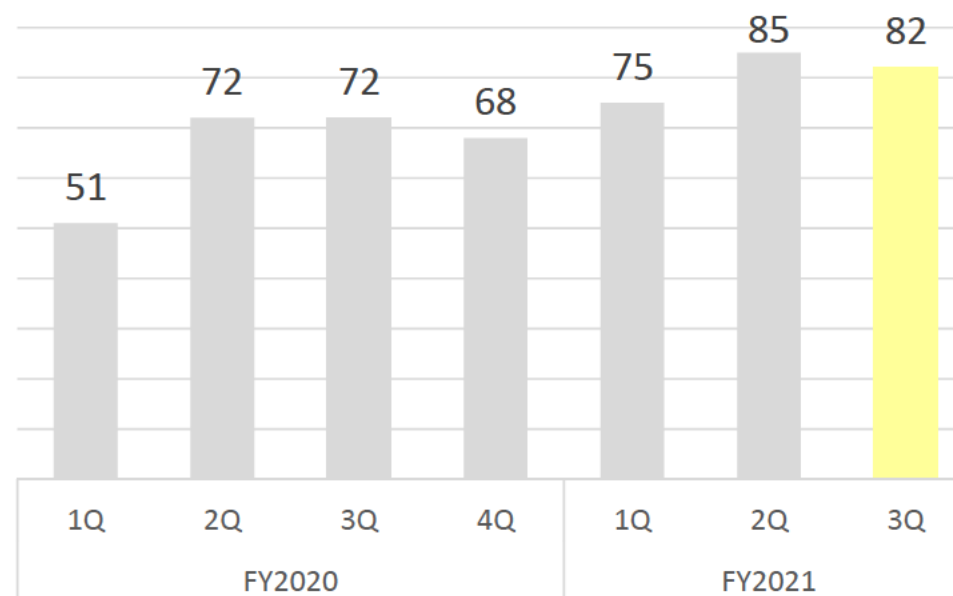
(Yen in hundred millions)

	FY2020			FY2021			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2021.1Q-3Q / FY2020.1Q-3Q
Sales	123	72	195	160	82	242	+24%

● FY2021.1Q-3Q Composition ratio



● Changes in quarterly sales



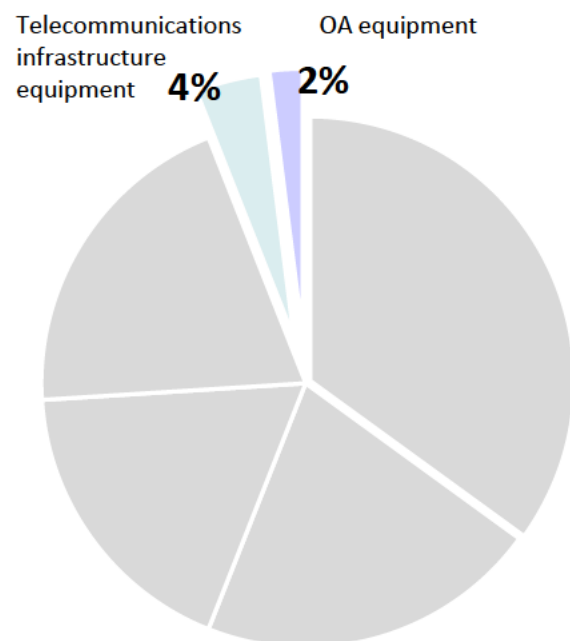
■ The demand for personal and small consumer equipment continues

Sales by Application_Telecommunications infrastructure equipment / OA equipment

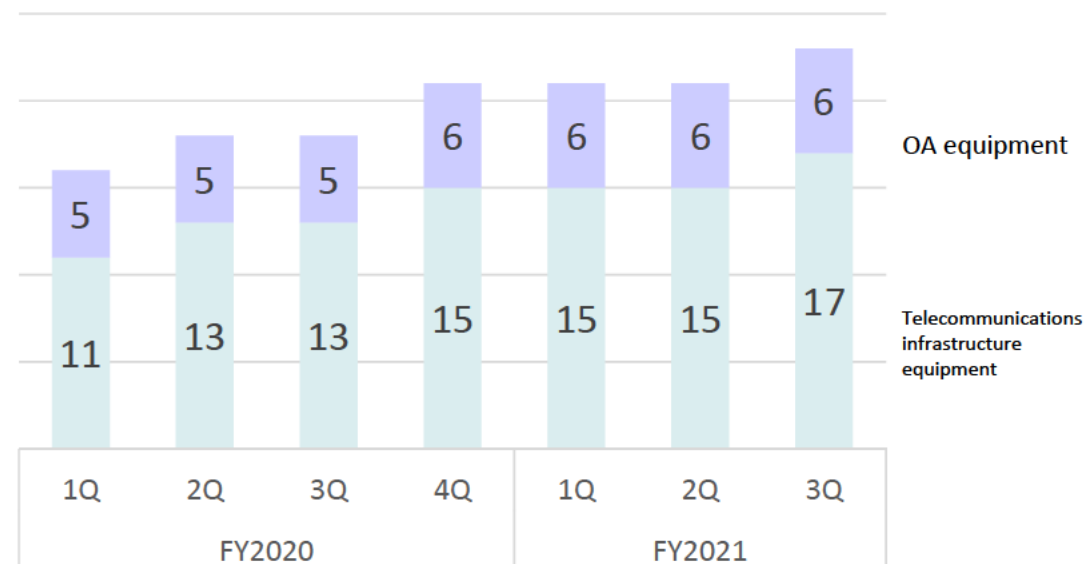
(Yen in hundred millions)

	FY2020			FY2021			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2021.1Q-3Q / FY2020.1Q-3Q
Telecommunications infrastructure equipment	24	13	37	30	17	47	+27%
OA (Office Automation) equipment	10	5	15	12	6	18	+20%

FY2021.1Q-3Q Composition ratio

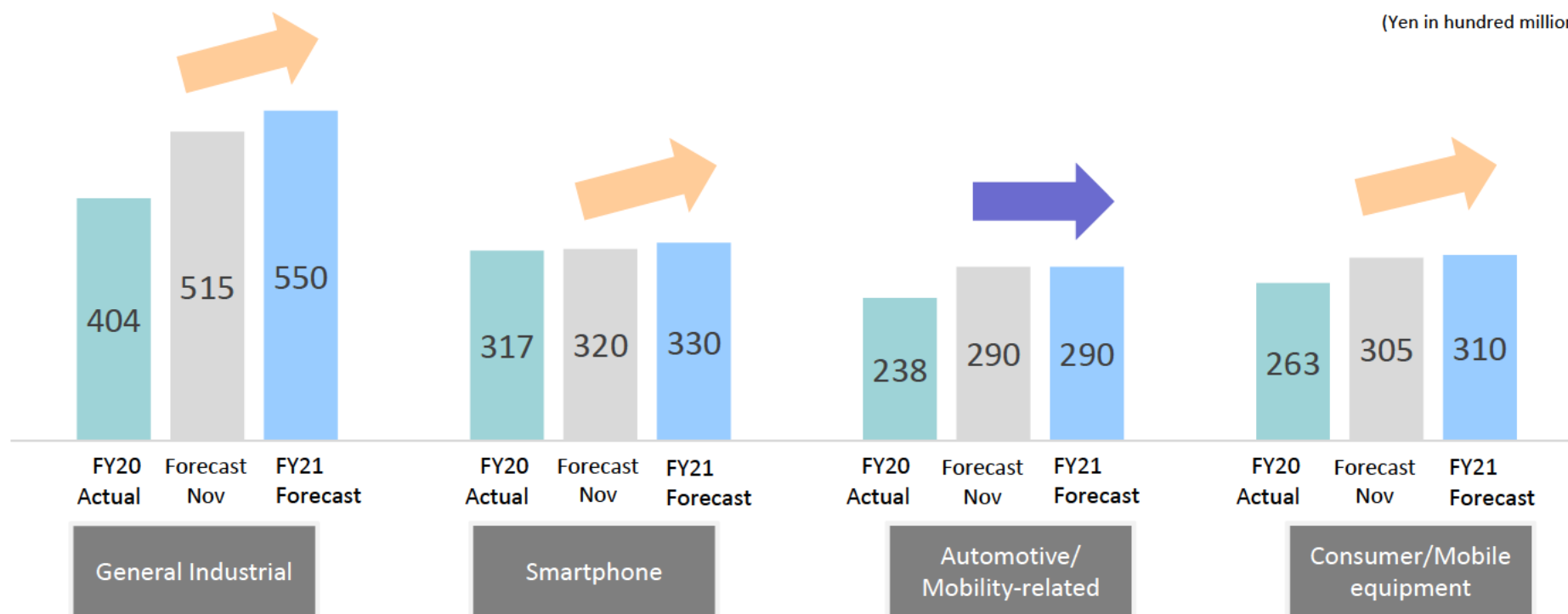


Changes in quarterly sales



Annual sales forecast by applications **[Updated]**

(Yen in hundred millions)



FY2021 Annual growth rate	Forecast as of Nov,2021	Updated forecast of growth rate
● General Industrial	+27%	+36%
● Smartphone	+1%	+4%
● Automotive / Mobility-related	+22%	+22%
● Consumer / Mobile equipment	+16%	+18%

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

The business for general industrial, smartphone and consumer is expected to exceed our previous estimates, and revise the forecast published on November, 2021.

(Yen in hundred millions)	FY2020 (FY ended March 31, 2021) Actual		FY2021 (FY ending March 31, 2022)			1Q-3Q Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	1Q-3Q	For the Year	1Q-3Q Actual	Forecast as of Nov, 2021	Revised forecast	Amount Change	%	Amount Change	%
Sales	984.8	1,335.4	1,220.0	1,560.0	1,610.0	+235.2	23.9%	+274.6	20.6%
COGS Ratio	57.5%	57.6%	54.1%	56.4%	55.6%				
Operating Profit	212.4	278.9	310.2	350.0	380.0	+97.8	46.0%	+101.1	36.3%
(%)	21.6%	20.9%	25.4%	22.4%	23.6%				
Profit before tax	208.1	283.3	321.7	360.0	390.0	+113.5	54.5%	+106.7	37.7%
(%)	21.1%	21.2%	26.4%	23.1%	24.2%				
Net Profit	149.8	199.2	237.9	260.0	280.0	+88.1	58.8%	+80.8	40.6%
(%)	15.2%	14.9%	19.5%	16.7%	17.4%				
Earnings Per Share	—	549.10 yen	—	732.32 yen	788.60 yen	(Yen)	FY2020 Actual	FY2021 Forecast As of Feb, 2022	
						1US\$	106.06	111.58	
Dividends Per Share	120 yen	240 yen	160 yen	320 yen	320 yen	1€	123.70	129.97	
Consolidated Dividend Payout Ratio	—	43.7%	—	43.7%	40.6%	100won	9.17	9.60	

Appendix

Sales by Applications round number (quarterly basis)

(Yen in hundred millions)

	FY2020				FY2021			Composition ratio by application
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
General Industrial	103	95	97	109	131	134	147	35%
Smartphone	57	89	100	71	72	86	93	21%
Automotive / Mobility-related	39	52	75	72	73	70	72	18%
Consumer / Mobile Device	51	72	72	68	75	85	82	20%
Telecommunications Infrastructure Equipment	11	13	13	15	15	15	17	4%
OA Equipment	5	5	5	6	6	6	6	2%
Total of Connector Sales	265	326	362	341	372	395	416	100%
Others	9	10	13	10	13	12	12	
Total	274	336	374	351	384	407	428	

HRS HIROSE
ELECTRIC
CO.,LTD.