

Hirose Electric Business Results for FY2021

Business Results for FY2021

May 9, 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.

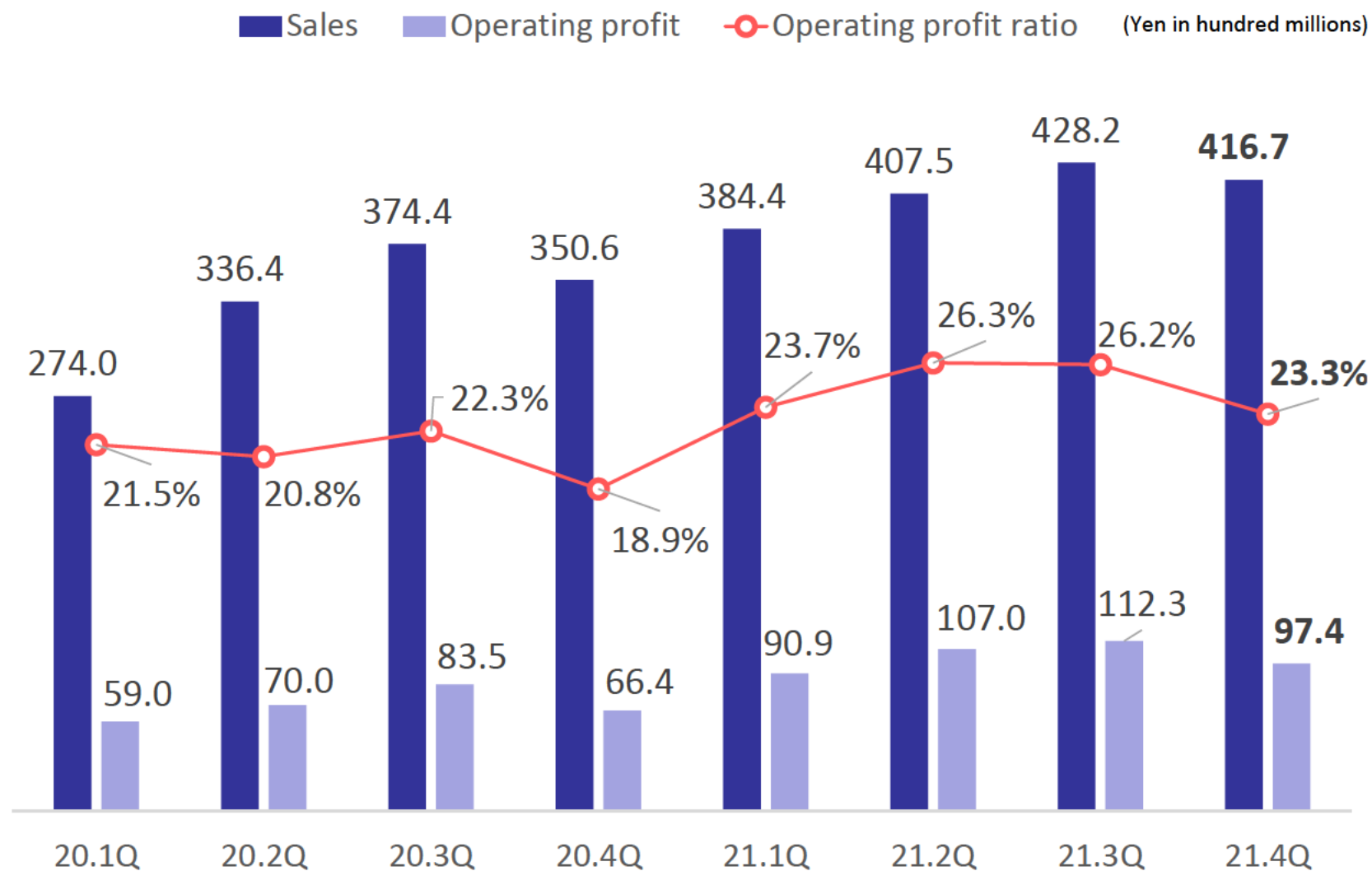
Summary of the business results (FY2021 From April, 2021 to March, 2022)

- In FY2021, the sales for general industrial, automotive, consumer and mobile equipment increased. As a result, **orders, sales and operating profit of FY2021 was record high**. Sales increased by 22.6% compared with the previous fiscal year, operating profit plus 46.2% and operating profit ratio was 24.9%.

(Yen in hundred millions)

	FY2020			FY2021			YoY
	1H 2020. Apr-Sep	2H 2020. Oct— 2021. Mar	FY2020 2020. Apr- 2021. Mar	1H 2021. Apr-Sep	2H 2021. Oct- 2022. Mar	FY2021 2021. Apr- 2022. Mar	FY2021 / FY2020
Orders	646.8	777.0	1,423.8	1,033.3	931.2	1,964.5	+38.0%
Sales	610.4	725.0	1,335.4	791.9	844.8	1,636.7	+22.6%
Operating profit	128.9	149.9	278.8	197.9	209.8	407.7	+46.2%
Operating profit ratio	21.1%	20.7%	20.9%	25.0%	24.8%	24.9%	+4.0pt

Changes in sales and operating profit (FY2020.1Q-FY2021.4Q / Consolidated basis)



Business Results for FY2021

(Yen in hundred millions)	FY2020 (FY ended Mar 31, 2021)	FY2021 (FY ended Mar 31, 2022)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	1,335.4	1,636.7	+301.3	22.6%
COGS Ratio	57.6%	54.2%	-3.4%	
SGA Ratio	22.6%	20.9%	-1.7%	
Operating Profit	278.8	407.7	+128.8	46.2%
(%)	20.9%	24.9%	+4.0%	
Profit before tax	283.3	430.8	+147.5	52.1%
(%)	21.2%	26.3%	+5.1%	
Net profit	199.2	314.4	+115.2	57.8%
(%)	14.9%	19.2%	+4.1%	
Total Assets	3,705.0	3,947.8		
Shareholder's Equity Ratio	88.0%	86.6%		
Earnings Per Share	549.10 yen	885.39 yen		

	FY2020	FY2021
1US\$	106.06 yen	112.38 yen
1€	123.70 yen	130.56 yen
100 won	9.17 yen	9.64 yen

FY2021 Major Changes

(Yen in hundred millions)

Sales

301.3 hundred million yen **Increased**
(1,335.4 → 1,636.7)

Non consolidated Hirose: +236.8
Subsidiaries: +64.6

COGS Ratio

3.4pt Improved
(57.6% → 54.2%)

Depreciation Ratio: 9.9% → **8.0%**
Variable Expense Ratio: 40.5% → **39.7%**
Labor-cost Ratio: 6.8% → **6.5%**

SGA Ratio

1.7pt Improved
(22.6% → 20.9%)

301.9 → 341.5 (Increased by 28.4)

Financial income / costs

18.7 hundred million yen **Improved**
(+4.5 → +23.2)

Exchange Gain or Loss: -4.3 → +9.7

FY2021 YoY Variation Analysis

(Yen in hundred millions)	Sales	Operating Profit	(%)	Profit before tax	(%)
FY2020 Actual	1,335.4	278.8	20.9%	283.3	21.2%
Exchange rate	64.9	31.2		45.2	
Labor cost increase		-39.6		-39.6	
Depreciation cost decrease		4.2		4.2	
Increase in freightage and packing expenses		-13.3		-13.3	
Increase in the product	236.4	161.3		166.0	
Insurance income		-15.0		-15.0	
Total amount of changes	301.3	128.8		147.5	
FY2021 Actual	1,636.7	407.7	24.9%	430.8	26.3%

Consolidated Balance Sheet

(Yen in hundred millions)

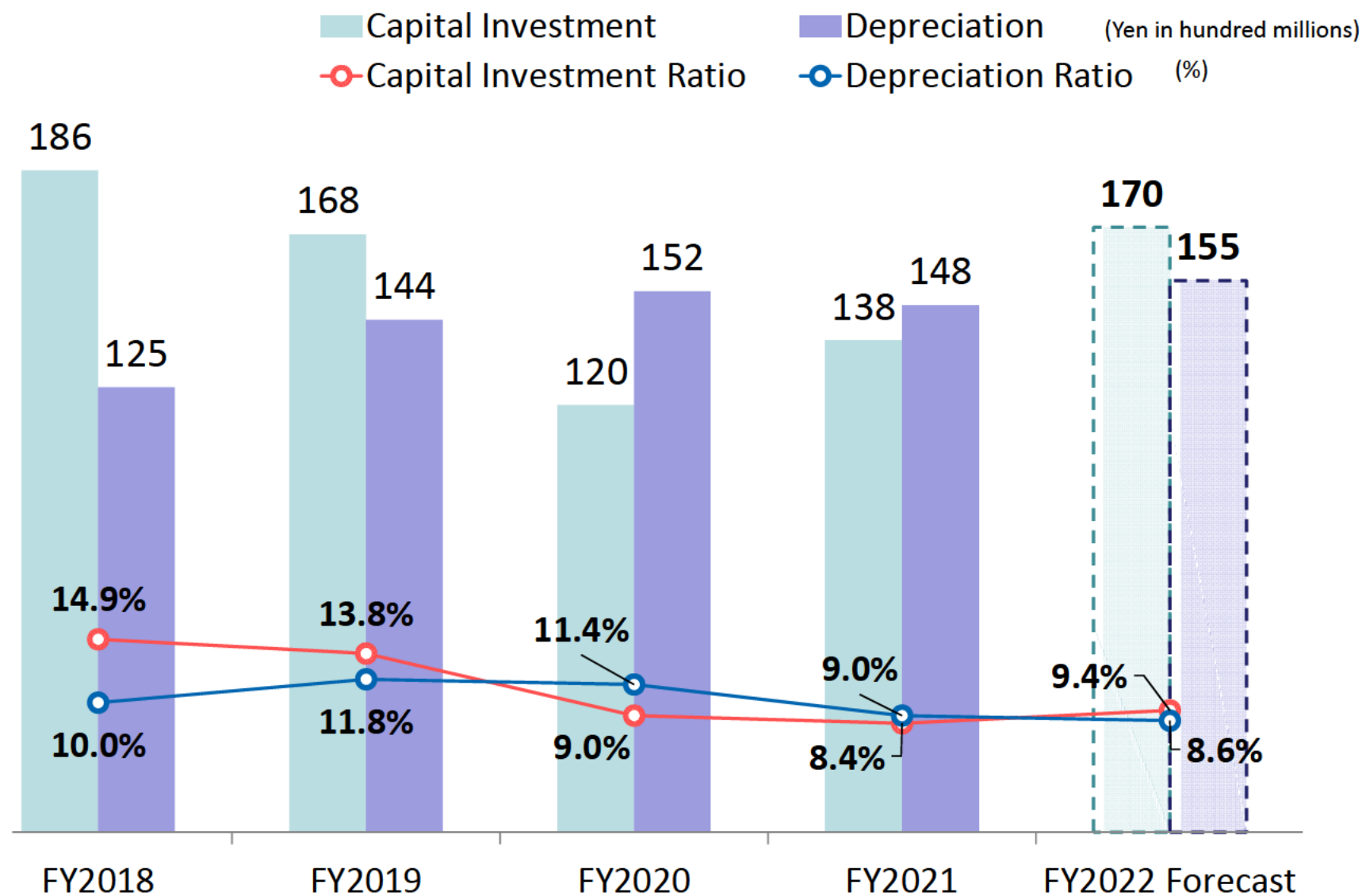
	Account	Mar 31, 2021	Mar 31, 2022	Increase / Decrease	Remark
Assets	Cash and cash equivalents	578.4	683.9	105.5	As well as the increase in cash by operating activities, Redemption of investment securities +92 Off-auction own share repurchase △145 Dividend △100
	Trade and other receivables	366.2	434.3	68.1	Accounts receivable rose due to the sales increase
	Inventories	169.2	216.9	47.7	Products and raw materials increased to prepare for the rises in orders and supply chain risk
	Other financial assets	1,801.9	1,794.2	-7.7	Increase in time deposit +85 Decrease in investment securities △92
	Property, plant and equipment	611.8	611.5	-0.3	
	Right-of-use asset	43.6	49.1	5.5	
	Others	134.0	157.9	23.9	Increase in asset related to retirement benefit, etc
	Total Assets	3,705.0	3,947.8	242.8	
	Total of cash in bank	1,776.7	1,967.6	190.9	

Consolidated Balance Sheet

(Yen in hundred millions)

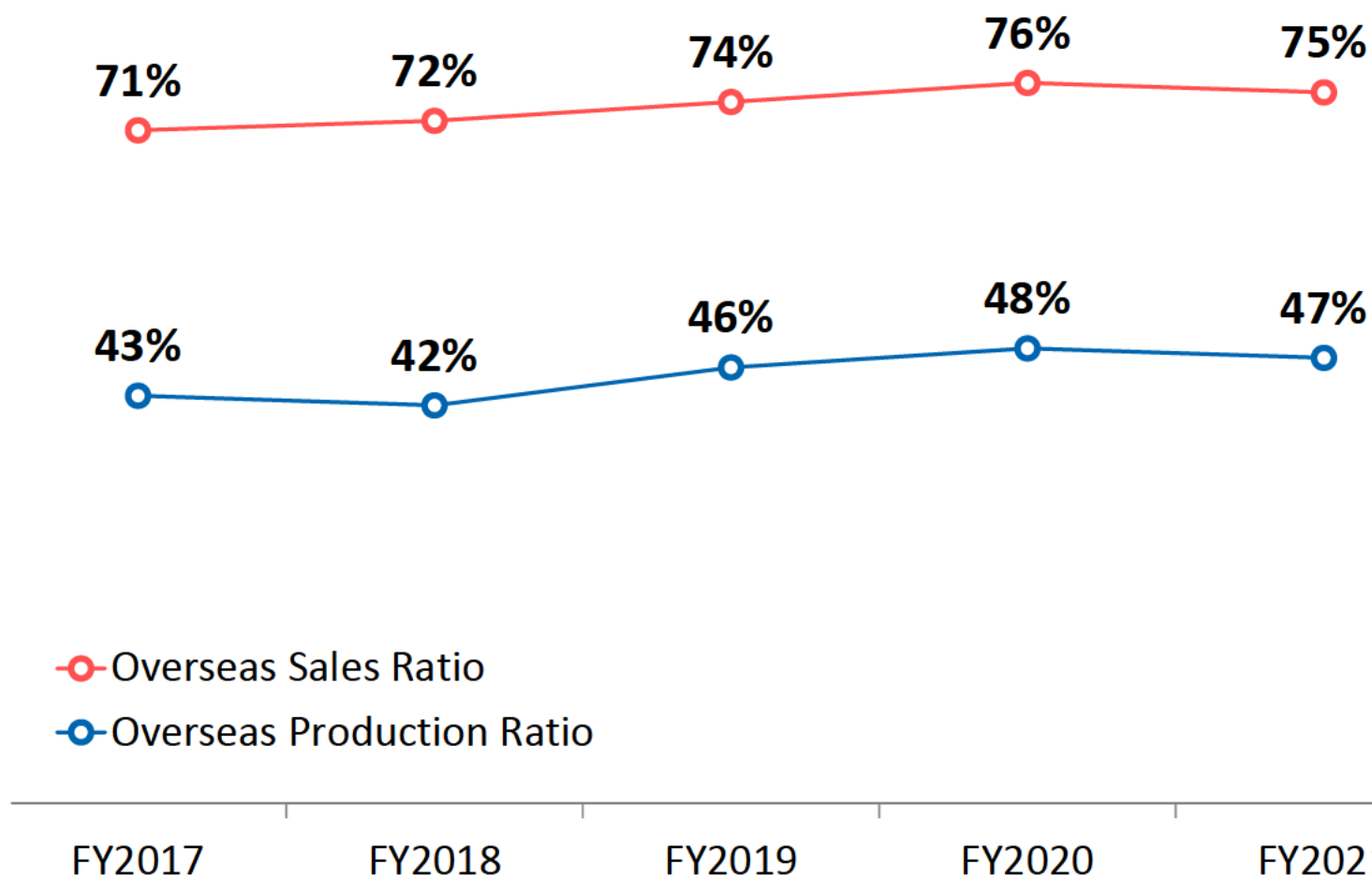
	Account	Mar 31, 2021	Mar 31,2022	Increase / Decrease	Remark
Liabilities	Payables and other debt	195.1	238.1	43.0	Increase in the production and secure raw materials
	Lease liabilities	44.0	49.7	5.7	
	Income Taxes Payable	65.3	80.3	15.0	Due to the increase in profit, scheduled corporate tax payment increase
	Others	139.7	159.0	19.3	Accrued bonus and differed tax liabilities increase
	Total	444.1	527.1	83.0	
Shareholder's Equity	Capital stock and Capital surplus	206.3	206.6	0.3	
	Retained Earnings	3,172.6	3,388.2	215.6	Net profit +314 Dividend △100
	Treasury Shares	-218.7	-363.1	-144.4	Off-auction own share repurchase (ToSTNet-3) △145
	Others	100.7	189.0	88.3	Translation adjustment +82
	Total	3,260.9	3,420.7	159.8	
	Total Liabilities and Shareholder's Equity	3,705.0	3,947.8	242.8	

Changes in Capital Investment and Depreciation



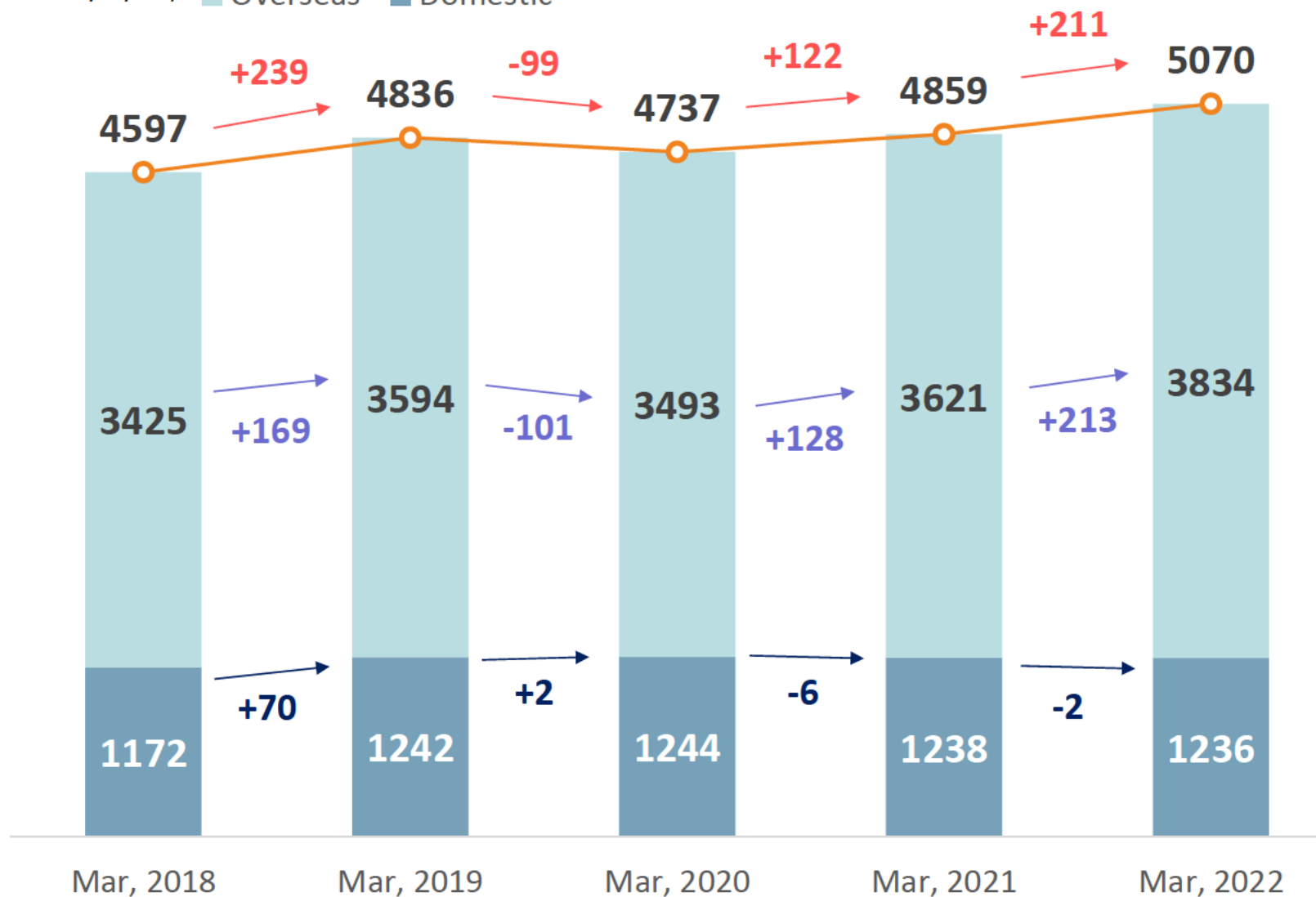
(*Excluded: Investment in land, building, software)

Overseas production and sales ratio

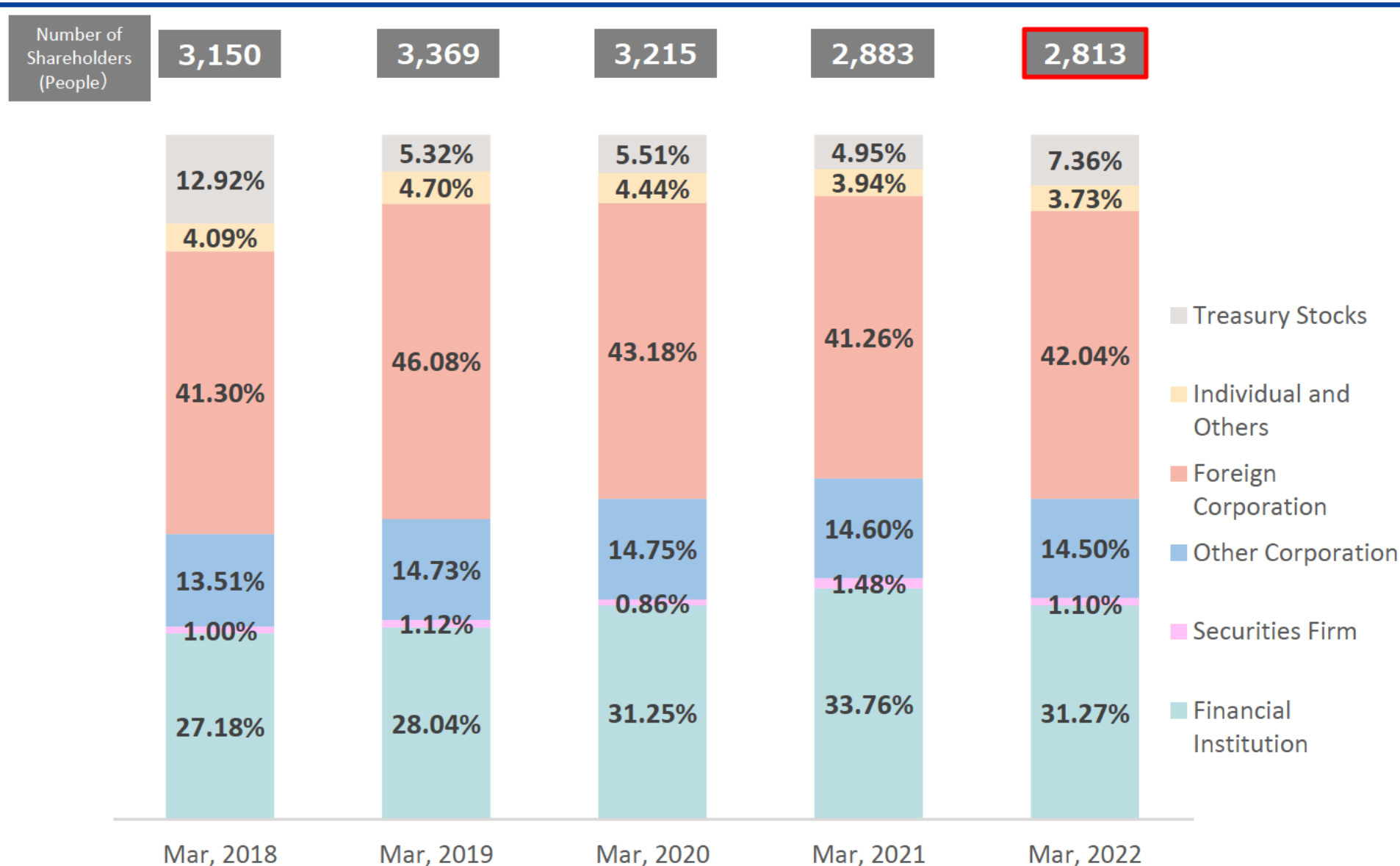


Number of Employees (Financial Report Basis)

(Number of employees) ■ Overseas ■ Domestic



Distribution of Shareholders

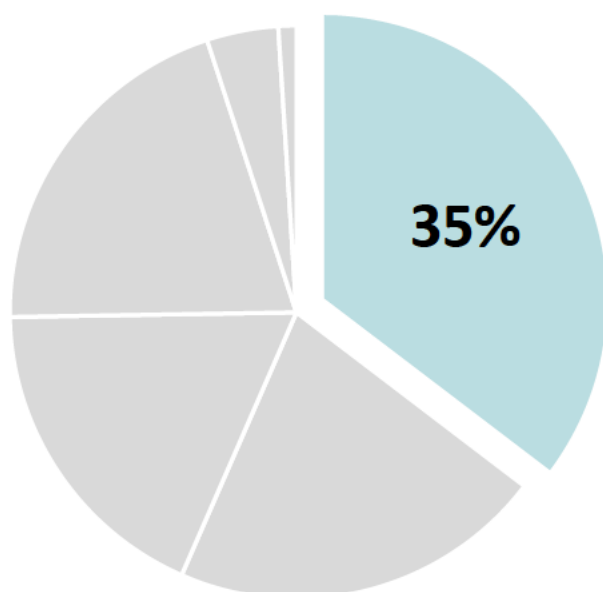


Sales by Application_General Industrial

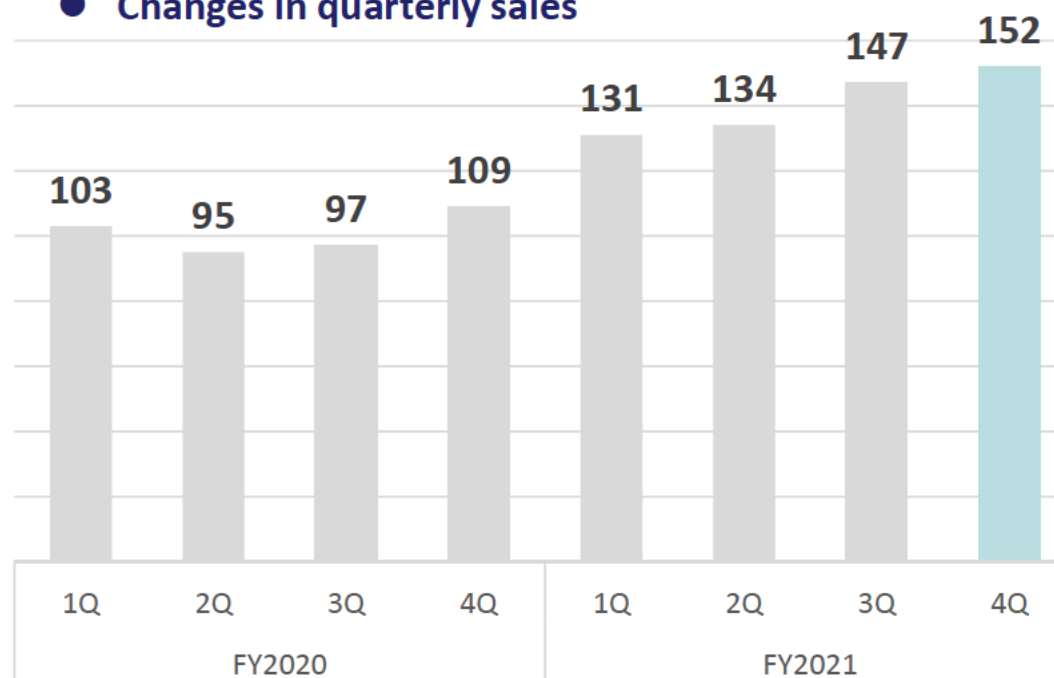
(Yen in hundred millions)

	FY2020				FY2021				YoY
	1H	3Q	4Q	FY20	1H	3Q	4Q	FY21	FY2021 / FY2020
Sales	198	97	109	404	265	147	152	564	+40%

● FY2021 Composition ratio



● Changes in quarterly sales



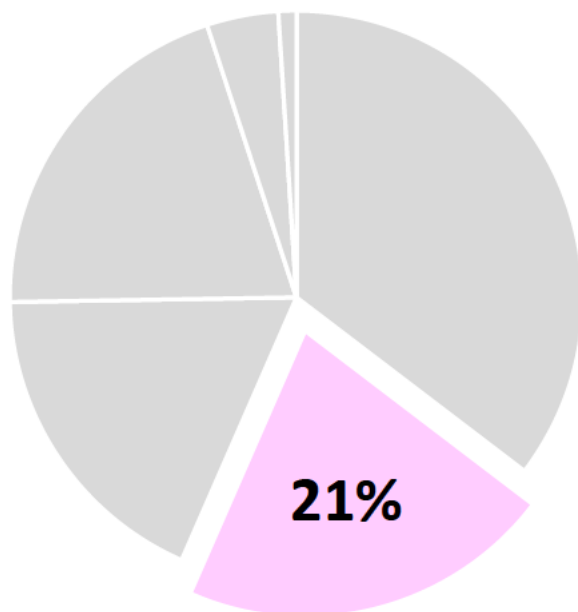
- The demand for FA related has been increasing and inventory has been accumulated due to the shortage of components, and the sales continue to be strong.

Sales by Application_Smartphone

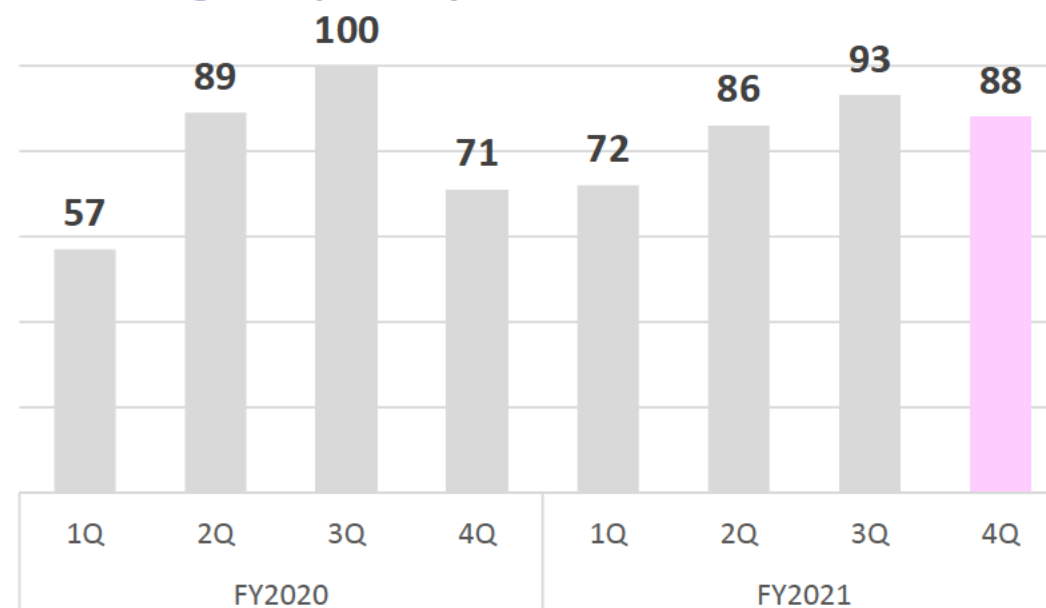
(Yen in hundred millions)

	FY2020				FY2021				YoY
	1H	3Q	4Q	FY20	1H	3Q	4Q	FY21	FY2021 / FY2020
Sales	146	100	71	317	158	93	88	339	+7%

● FY2021 Composition ratio



● Changes in quarterly sales



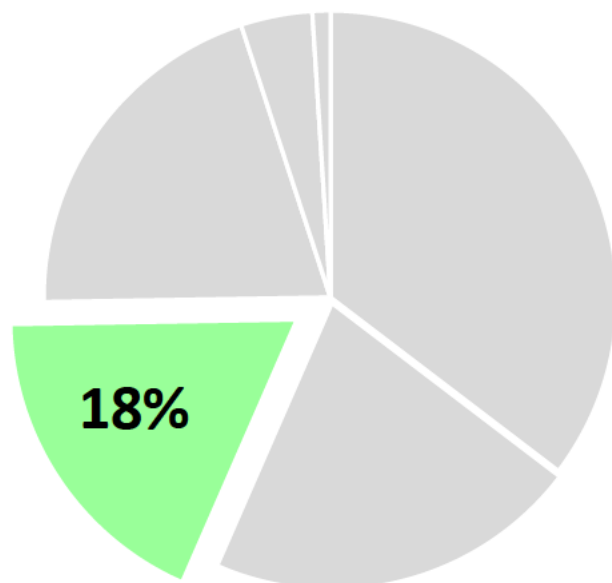
■ The sales are remaining firm because of the increase in demand for high end products.

Sales by Application_Automotive/Mobility-related

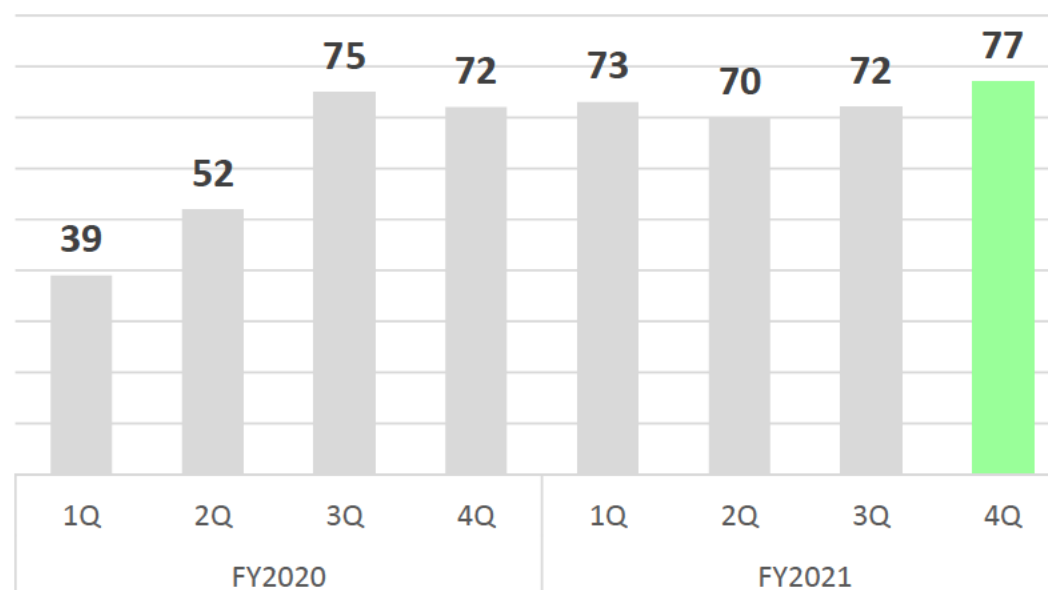
(Yen in hundred millions)

	FY2020				FY2021				YoY
	1H	3Q	4Q	FY20	1H	3Q	4Q	FY21	FY2021 / FY2020
Sales	91	75	72	238	143	72	77	292	+23%

● FY2021 Composition ratio



● Changes in quarterly sales



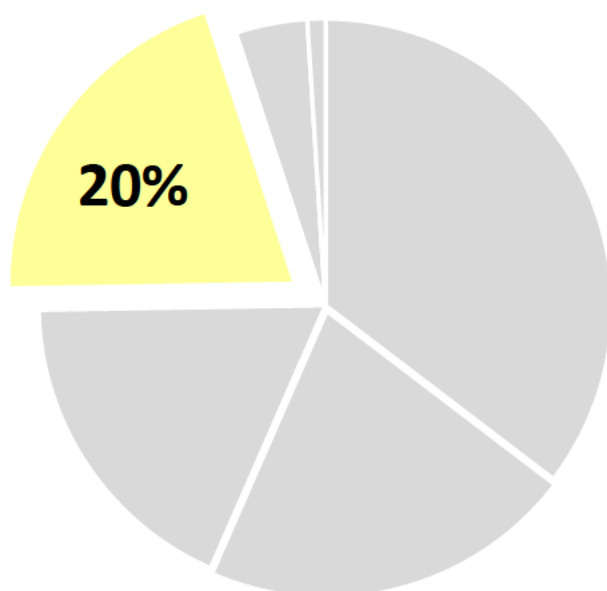
■ While the automotive business has been influenced by the shortage of semi conductor, the sales has been growing.

Sales by Application_Consumer/Mobile Equipment

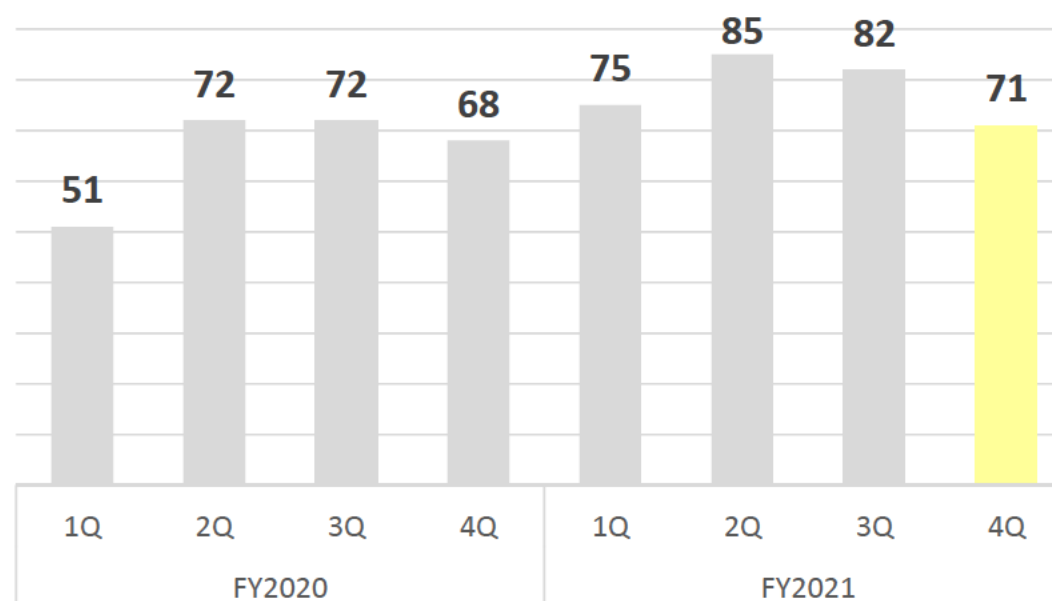
(Yen in hundred millions)

	FY2020				FY2021				YoY
	1H	3Q	4Q	FY20	1H	3Q	4Q	FY21	FY2021 / FY2020
Sales	123	72	68	263	160	82	71	313	+19%

● FY2021 Composition ratio



● Changes in quarterly sales



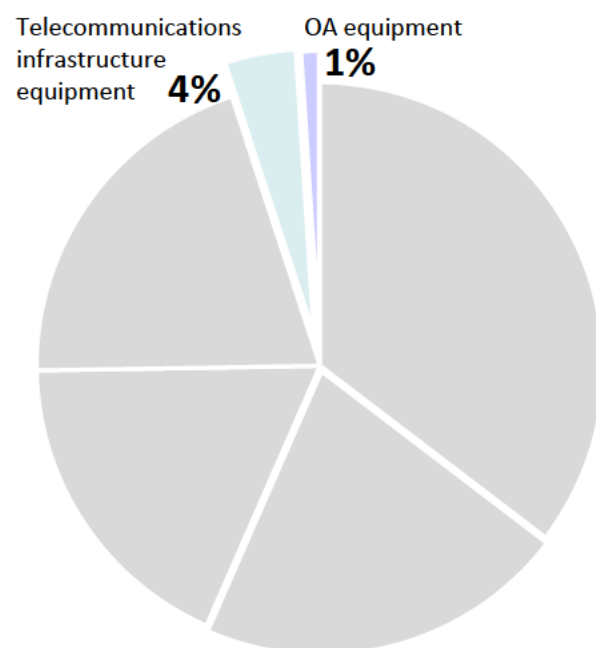
- Even though the business continues to be strong due to the increased demand in devices, the sales in 4Q decreased because of seasonality.

Sales by Application_Telecommunications infrastructure equipment / OA equipment

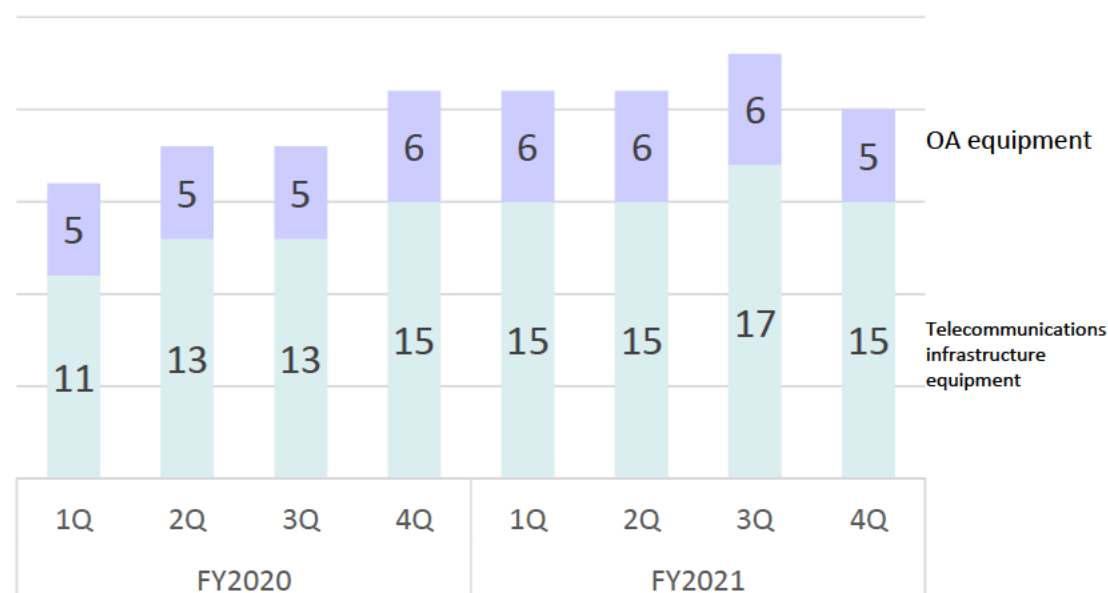
(Yen in hundred millions)

	FY2020				FY2021				YoY
	1H	3Q	4Q	FY20	1H	3Q	4Q	FY21	FY2021 / FY2020
Telecommunications infrastructure equipment	24	13	15	52	30	17	15	62	+19%
OA equipment	10	5	6	21	12	6	5	23	+10%

● FY2021 Composition ratio

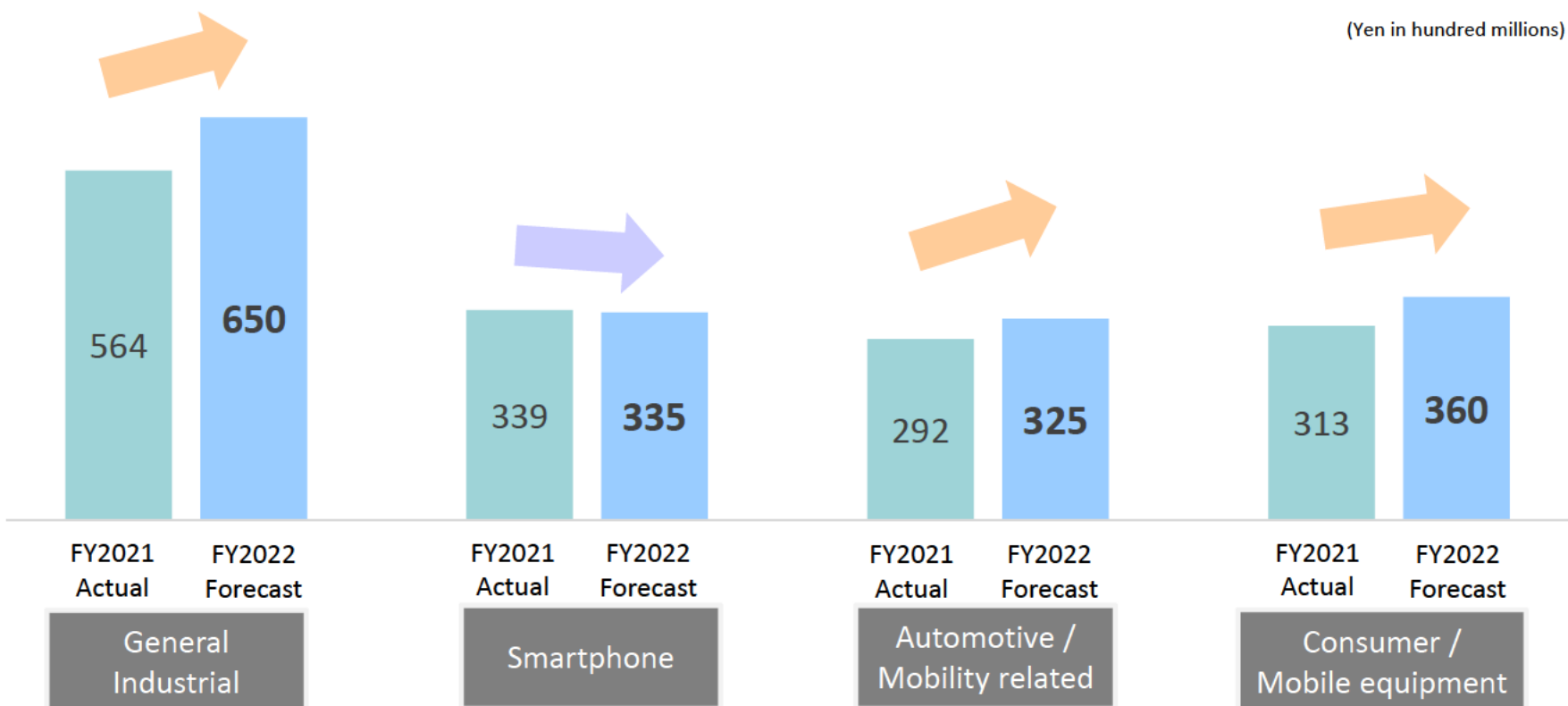


● Changes in quarterly sales



Annual sales forecast by applications (round number)

(Yen in hundred millions)



FY2022 Annual growth rate

- General Industrial +15%
- Smartphone -1%
- Automotive / Mobility-related +11%
- Consumer / Mobile equipment +15%

Business Forecast for the Year Ending March 31, 2023 (Consolidated)

(Yen in hundred millions)

	FY2021 (FY ended March 31, 2022) Actual		FY2022 (FY ending March 31, 2023) 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	791.9	1,636.7	880.0	1,800.0	+88.1	+11.1%	+163.3	+10.0%
COGS Ratio	54.7%	54.2%	54.7%	54.6%				
Operating Profit	197.9	407.7	215.0	440.0	+17.1	+8.6%	+32.4	+7.9%
(%)	25.0%	24.9%	24.4%	24.4%				
Profit before tax	203.8	430.8	215.0	450.0	+11.2	+5.5%	+19.2	+4.5%
(%)	25.7%	26.3%	24.4%	25.0%				
Net Profit	148.0	314.4	155.0	330.0	+7.0	+4.8%	+15.6	+5.0%
(%)	18.7%	19.2%	17.6%	18.3%				
Earnings Per Share	—	885.39 yen	—	933.37yen	(Yen)	FY2021 Actual	FY2022 Forecast As of May, 2022	
					1US\$	112.38	120.00	
Dividend Per Share	160 yen	280 yen	220 yen	220 yen	1€	130.56	130.00	
Consolidated Dividend Payout Ratio	—	49.7%	—	47.1%	100won	9.64	9.81	

Updated capital policy for medium term

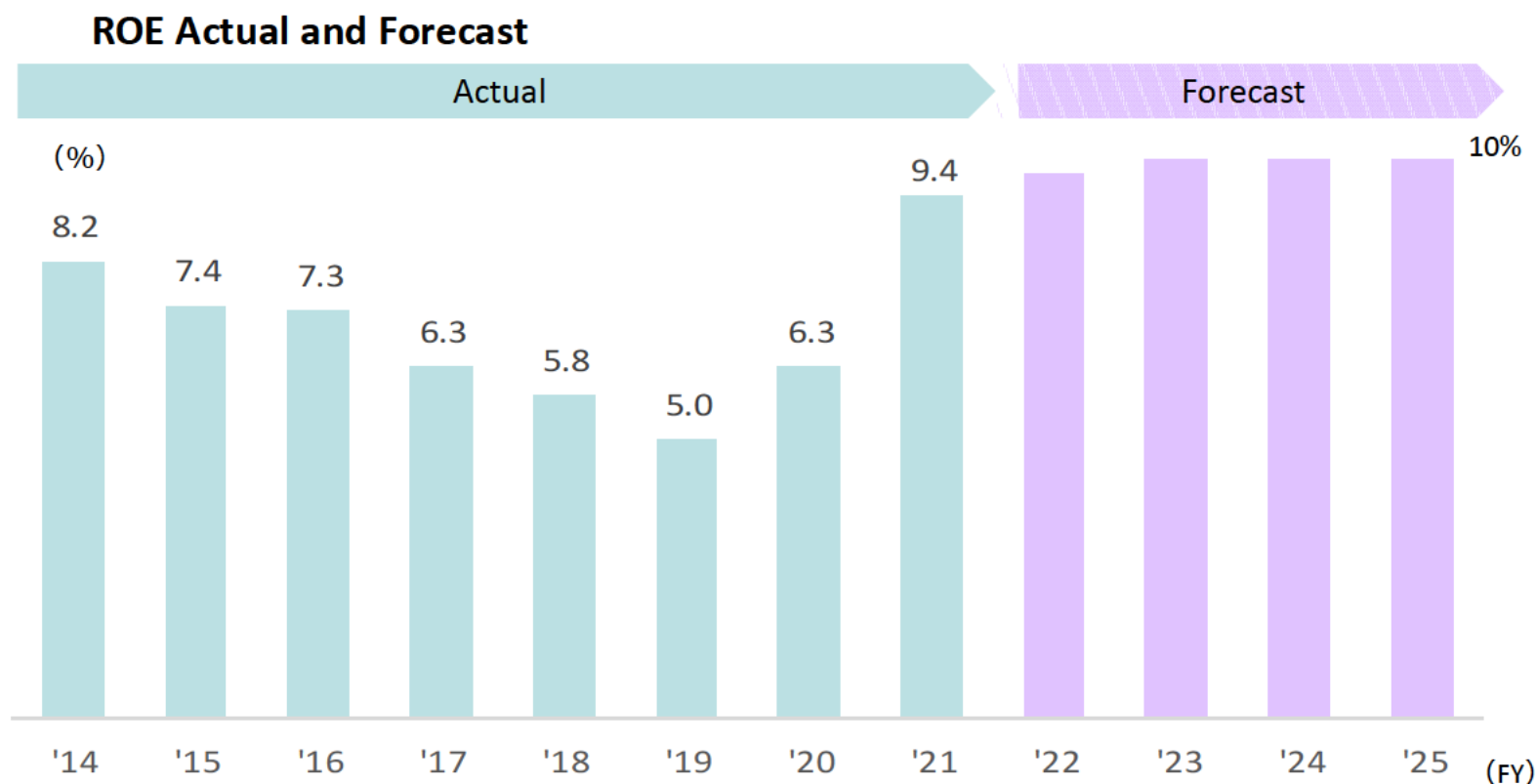
[Target from FY2022 to FY2025]

ROE: 10%

Dividend payout ratio: 50%

We will enhance capital efficiency and carry out active investment for growth and continuous shareholder return as well as maintaining high profitability management by realizing sustainable growth for medium to long term.

We revised our medium term target of ROE after FY2022 to 10% from 8%.



Appendix

Sales by Applications round number (quarterly basis)

(Yen in hundred millions)

	FY2020				FY2021				FY2021 Composition ratio by applications
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
General Industrial	103	95	97	109	131	134	147	152	35%
Smartphone	57	89	100	71	72	86	93	88	21%
Automotive / Mobility-related	39	52	75	72	73	70	72	77	18%
Consumer / Mobile Device	51	72	72	68	75	85	82	71	20%
Telecommunications Infrastructure Equipment	11	13	13	15	15	15	17	15	4%
OA Equipment	5	5	5	6	6	6	6	5	1%
Total of Connector Sales	265	326	362	341	372	395	416	409	100%
Others	9	10	13	10	13	12	12	10	
Total	274	336	374	351	184	407	428	418	