

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

November 2, 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: November 14, 2022

Scheduled date of dividend payable: December 1, 2022

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 Half of the Year Ending March 31, 2023 (From April 1, 2022 to September 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 1H	94,704	19.6	27,170	37.3	29,247	43.5	20,636	39.5	20,636	39.5	28,409	101.0
FY2021 1H	79,188	29.7	19,792	53.5	20,384	58.2	14,797	58.5	14,797	58.5	14,132	42.5

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
FY2022.1H	594.23	594.12
FY2021.1H	414.96	414.85

(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
				%
FY2022.2Q	401,282	344,789	344,789	85.9
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	—	220.00			
FY2022 (Forecast)			—	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
Fiscal year end	190,000	16.1	50,000	22.7	51,000	18.4	36,000	14.5	1,041.17

(Note) Revision of previously announced business forecast: Yes

*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 September 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 September 30, 2022: 2,802,739 As of March 31, 2022: 2,820,207

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

For the six months ended September 30, 2022: 34,727,578

For the six months ended September 30, 2021: 35,658,902

*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 Friday, November 4, 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 Second 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

Regarding Japanese economy in the first half of the fiscal year ending March 31, 2023, even though capital investment and export remained strong, domestic demand has been stagnant due to the spread of COVID-19 occurred in this summer and the increase in material cost affected by resource price increase and weak yen. As a result, the business sentiment has been polarized further depends on the industry.

In overseas market, the business conditions of American and European countries have been on a declining trend because of the concerns about inflation and economic restraint. In China, zero-COVID policy has been continued and export decreased due to the economic slowdown in America and Europe. Slowdown of the world economy has been deepening.

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 industrial, automotive and consumer electronics has been grown, and the revenue in the first half increased by 19.6% to JPY 94,704 million compared to the same period of the previous fiscal year. Operating profit increased by 37.3% to JPY 27,170 million, and quarterly profit attributable to owners of parent increased by 39.5% to JPY 20,636 million as compared with the first half 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 half of the fiscal year ending March 31, 2023 increased by 20.6% to JPY 85,668 million, operating profit increased by 37.2% to JPY 25,142 million compared with the first half 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 half of the fiscal 2022 increased by 7.7% to JPY 6,100 million. Operating profit increased by 20.2% to JPY 1,719 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first half of the fiscal 2022 increased by 18.1% to JPY 2,936 million, operating profit increased by 619.1% to JPY 309 million.

(2) Overview of Financial Condition

Total assets of FY2022.2Q increased by JPY 6,499 million to JPY 401,282 million compared to the end of the previous consolidated fiscal year mainly because cash and cash equivalents, and inventory increased. Total liabilities increased by JPY 3,780 million to JPY 56,493 million due to the increase in income taxes payables and other financial liabilities. Quarterly profit was recorded and other components of equity including translation adjustment increased. As a result, total equity increased by JPY 2,719 million to JPY 344,789 million. The ratio of total equity attributable to owners of parent resulted 85.9%, decreased by 0.7% compared with the previous consolidated fiscal year end.

(3) Future Outlook

The currency movement from the beginning of the period and business for general industrial and automotive is expected to exceed the previous estimates, and we revised our business forecast announced on May 6, 2022 as follows.

(Revision of business forecast of FY2022)

(Yen in millions)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Forecast previously announced (A)	180,000	44,000	45,000	33,000	933.37 yen
Revised forecast (B)	190,000	50,000	51,000	36,000	1,041.17 yen
Change (B-A)	10,000	6,000	6,000	3,000	—
Rate of change (%)	5.6	13.6	13.3	9.1	—
(Ref.) Results for the fiscal year ended Mar 31, 2022	163,671	40,765	43,081	31,437	885.39 yen

Premise for full year exchange rate: 1US\$ = JPY 140.00, 1€ = JPY 140.00, 1 South Korean won = JPY 0.1032

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 September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	68,394	74,318
Trade and other receivables	43,427	47,376
Inventories	21,695	28,514
Other financial assets	140,918	128,532
Other current assets	6,389	5,772
Total current assets	280,823	284,512
Non-current assets		
Property, plant and equipment	61,148	62,709
Right-of-use assets	4,909	5,642
Intangible assets	3,704	4,001
Other financial assets	38,504	38,487
Deferred tax assets	2,769	3,018
Retirement benefit asset	2,514	2,545
Other non-current assets	412	368
Total non-current assets	113,960	116,770
Total assets	394,783	401,282

(Yen in millions)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Trade and other payables	23,811	24,026
Lease liabilities	867	1,088
Other financial liabilities	142	789
Income taxes payable	8,029	8,793
Other current liabilities	6,091	7,283
Total current liabilities	38,940	41,979
Non-current liabilities		
Lease liabilities	4,101	4,584
Other financial liabilities	166	152
Retirement benefit liability	227	358
Deferred tax liabilities	8,513	8,643
Other non-current liabilities	767	777
Total non-current liabilities	13,774	14,514
Total liabilities	52,714	56,493
Equity		
Share capital	9,404	9,404
Capital surplus	11,250	11,168
Retained earnings	338,818	338,290
Treasury shares	(36,306)	(39,891)
Other components of equity	18,903	25,818
Total equity attributable to owners of parent	342,069	344,789
Total equity	342,069	344,789
Total liabilities and equity	394,783	401,282

(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 half of the year ended March 31, 2022 (From Apr 1, 2021 to Sep 30, 2021)	For the first half of the year ending March 31, 2023 (From Apr 1, 2022 to Sep 30, 2022)
Revenue	79,188	94,704
Cost of sales	43,343	47,900
Gross profit	35,845	46,804
Selling, general and administrative expenses	16,113	19,783
Other income	153	221
Other expenses	93	72
Operating profit	19,792	27,170
Financial income	628	2,113
Finance costs	36	36
Quarterly profit before tax	20,384	29,247
Income tax expense	5,587	8,611
Quarterly profit	14,797	20,636
Quarterly profit attributable to:		
Owners of parent	14,797	20,636
Quarterly Earnings per share:		
Basic (yen)	414.96	594.23
Diluted (yen)	414.85	594.12

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Yen in millions)

	For the first half of the year ended March 31, 2022 (From Apr 1, 2021 to Sep 30, 2021)	For the first half of the year ending March 31, 2023 (From Apr 1, 2022 to Sep 30, 2022)
Quarterly profit	14,797	20,636
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	381	671
Total items that will not be reclassified to profit or loss	346	671
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,024)	7,120
Debt instruments measured at fair value through other comprehensive income	13	(18)
Total items that may be reclassified to profit or loss	(1,011)	7,102
Total other comprehensive income after tax	(665)	7,773
Total quarterly comprehensive income	14,132	28,409
Total amount of quarterly comprehensive income attributable to:		
Owners of parent	14,132	28,409

(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			14,797			14,797	14,797
Other comprehensive income					(665)	(665)	(665)
Total of quarterly comprehensive income	—	—	14,797	—	(665)	14,132	14,132
Dividend of surplus			(4,354)			(4,354)	(4,354)
Purchase of treasury shares		(2)		(14,573)		(14,575)	(14,575)
Disposal of treasury shares		0		34		34	34
Share-based payment transactions		9				9	9
Transfer to retained earnings		(6)	(29)		35	—	—
Total transactions with owners	—	1	(4,383)	(14,539)	35	(18,886)	(18,886)
Balance as of September 30, 2021	9,404	11,231	327,679	(36,412)	9,436	321,338	321,338

(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, 2022	9,404	11,250	338,818	(36,306)	18,903	342,069	342,069
Quarterly profit			20,636			20,636	20,636
Other comprehensive income					7,773	7,773	7,773
Total of quarterly comprehensive income	—	—	20,636	—	7,773	28,409	28,409
Dividend of surplus			(9,900)			(9,900)	(9,900)
Purchase of treasury shares		(1)		(15,890)		(15,890)	(15,890)
Disposal of treasury shares		(4)		77		73	73
Cancellation of treasury shares		(12,228)		12,228		—	—
Share-based payment transactions		27				27	27
Transfer to retained earnings		12,123	(11,265)		(858)	—	—
Total transactions with owners	—	(82)	(21,164)	(3,585)	(858)	(25,690)	(25,690)
Balance as of September 30, 2022	9,404	11,168	338,290	(39,891)	25,818	344,789	344,789

(4) Notes on Condensed Quarterly Consolidated Financial Statements

(Note regarding the going concern assumption)

Not applicable

(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 half of FY2022, treasury shares increased by JPY 3,585 million and treasury shares at the end of the second quarter of the year ending March 2023 is JPY 39,891 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 half of the fiscal year ended March 31, 2022 (from April 1, 2021 to September 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	71,038	5,663	76,701	2,487	79,188
Total revenue	71,038	5,663	76,701	2,487	79,188
Operating profit	18,320	1,430	19,750	42	19,792
Financial income	—	—	—	—	628
Financial costs	—	—	—	—	36
Quarterly profit before tax	—	—	—	—	20,384

*“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	19,822	28,524	10,362	20,480	79,188
Percentage of consolidated revenue (%)	25.0	36.0	13.1	25.9	100.0

For the first half of the fiscal year ending March 31, 2023 (from April 1, 2022 to September 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	85,668	6,100	91,768	2,936	94,704
Total revenue	85,668	6,100	91,768	2,936	94,704
Operating profit	25,142	1,719	26,861	309	27,170
Financial income	—	—	—	—	2,113
Financial costs	—	—	—	—	36
Quarterly profit before tax	—	—	—	—	29,247

*"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	21,952	33,420	12,184	27,148	94,704
Percentage of consolidated revenue (%)	23.2	35.3	12.9	28.6	100.0