

Hirose Electric Business Results for the Second Quarter of FY2022

Business Results for the Second Quarter of FY2022

November 4, 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.

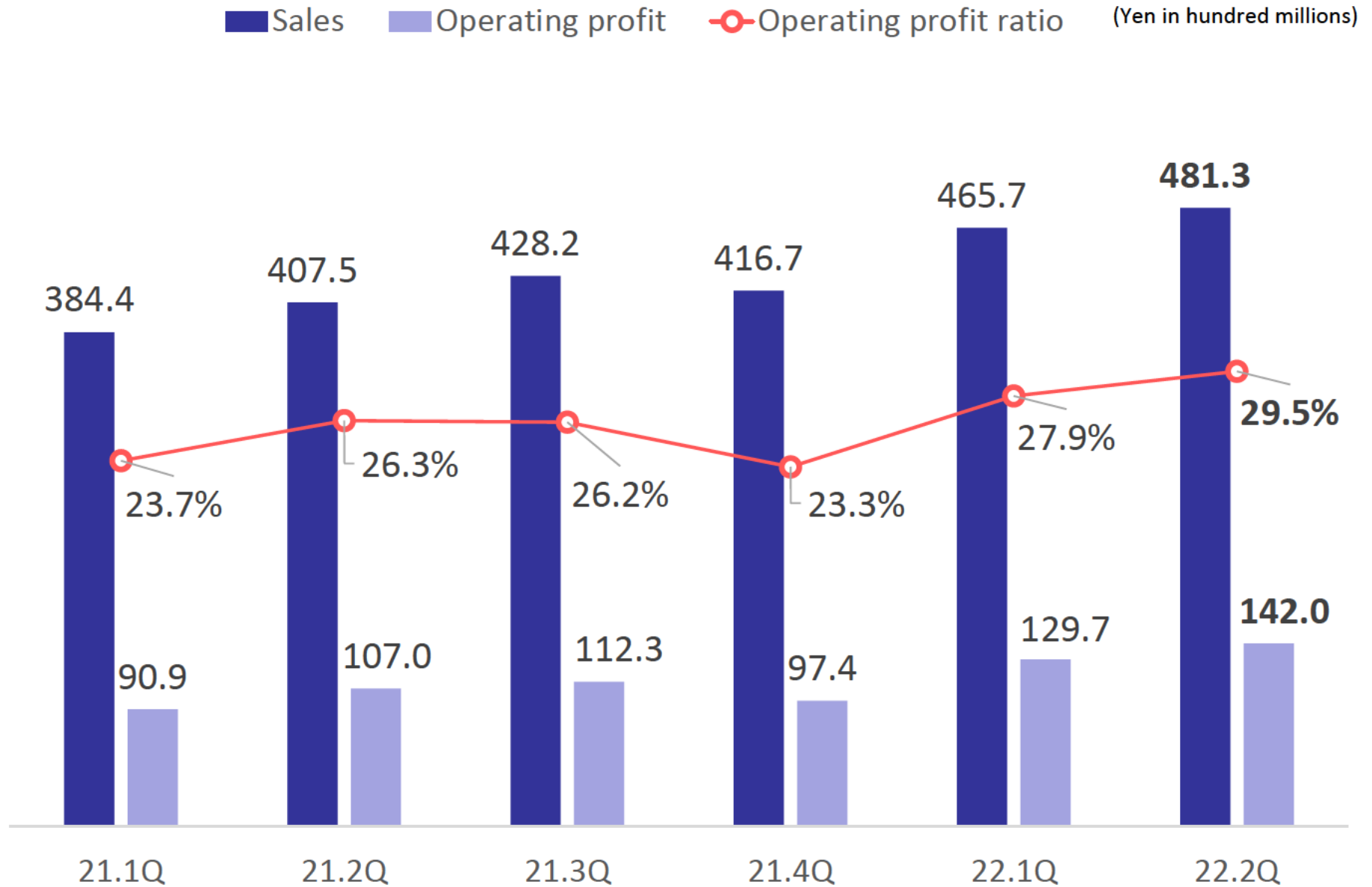
Summary of the business results (FY2022.2Q From April, 2022 to September, 2022)

- In FY2022.2Q, the sales for general industrial, smartphone, automotive and mobility-related increased. As a result, sales increased by 20.0% and operating profit plus 37.3% compared with the previous same period, and operating profit ratio was 28.7%

(Yen in hundred millions)

	FY2021			FY2022			YoY
	1Q 2021. Apr-Jun	2Q 2021. Jul-Sep	1H 2021. Apr-Sep	1Q 2022. Apr-Jun	2Q 2022. Jul-Sep	1H 2022. Apr-Sep	FY2022.1H / FY2021.1H
Orders	498.4	534.9	1,033.3	488.2	427.0	915.2	-11.4%
Sales	384.4	407.5	791.9	465.7	481.3	947.0	+19.6%
Operating profit	90.9	107.0	197.9	129.7	142.0	271.7	+37.3%
Operating profit ratio	23.7%	26.3%	25.0%	27.9%	29.5%	28.7%	+ 3.7pt

Changes in sales and operating profit (FY2021.1Q-FY2022.2Q / Consolidated basis)



Business Results for FY2022.2Q

(Yen in hundred millions)	FY2021.1H (FY ended Sep 30, 2021)	FY2022.1H (FY ended Sep 30, 2022)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	791.9	947.0	+155.1	19.6%
COGS Ratio	54.7%	50.6%	-4.1%	
SGA Ratio	20.3%	20.9%	+0.6%	
Operating Profit	197.9	271.7	+73.8	37.3%
(%)	25.0%	28.7%	+3.7%	
Profit before tax	203.8	292.5	+88.7	43.5%
(%)	25.7%	30.9%	+5.2%	
Net profit	148.0	206.4	+58.4	39.5%
(%)	18.7%	21.8%	+3.1%	
Total Assets	3,657.3	4,012.8		
Shareholder's Equity Ratio	87.9%	85.9%		
Earnings Per Share	414.96 yen	594.23 yen		

	FY2021.2Q	FY2022.2Q
1US\$	109.80 yen	133.97 yen
1€	130.90 yen	138.73 yen
100 won	9.64 yen	10.32 yen

FY2022.1H Major Changes

(Yen in hundred millions)

Sales

155.1 hundred million yen **Increased**
(791.9 → 947.0)

Non consolidated Hirose: +130.2
Subsidiaries: +24.9

COGS Ratio

4.1pt Improved
(54.7% → 50.6%)

Variable Expense Ratio: 39.6% → **37.5%**
Depreciation Ratio: 8.4% → **7.1%**

SGA Ratio

0.6pt Deteriorated
(20.3% → 20.9%)

161.1 → 197.8 (Increased by 36.7)

Financial income / costs

14.9 hundred million yen **Improved**
(+5.9 → +20.8)

Exchange Gain or Loss: +1.3 → +13.2

FY2022.1H YoY Variation Analysis

(Yen in hundred millions)	Sales	Operating Profit	(%)	Profit before tax	(%)
FY2021.1H Actual	791.9	197.9	25.0%	203.8	25.7%
Exchange rate	96.4	50.0		62.3	
Labor cost increase		-28.1		-28.1	
Depreciation cost decrease		0.4		0.4	
Increase in freightage and packing expenses		-12.0		-12.0	
Increase in the product	58.7	38.9		38.9	
Others		24.6		27.2	
Total amount of changes	155.1	73.8		88.7	
FY2022.1H Actual	947.0	271.7	28.7%	292.5	30.9%

Consolidated Balance Sheet

(Yen in hundred millions)

Assets

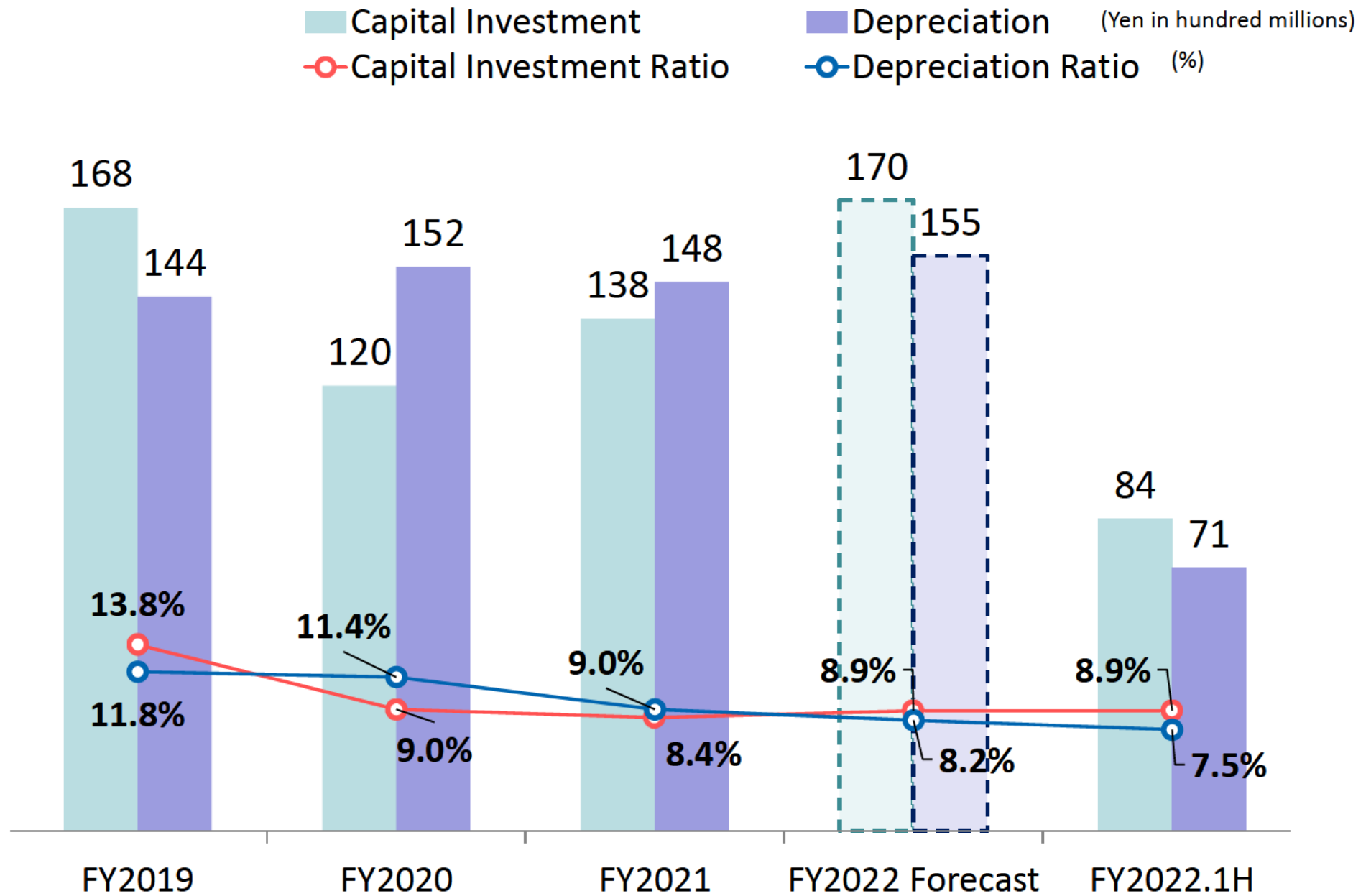
Account	Mar 31, 2022	Sep 30, 2022	Increase / Decrease	Remark
Cash and cash equivalents	683.9	743.2	+59.3	As well as recorded profit, Transfer from time deposit +106 Consumption tax refund +41 Repurchase of treasury shares △159 Dividend △99
Trade and other receivables	434.3	473.8	+39.5	Accounts receivable rose due to the sales increase
Inventories	216.9	285.1	+68.2	Products and raw materials increased to prepare for the rises in orders
Other financial assets	1,794.2	1,670.2	-124.0	Decrease in time deposit △106 Acquisition and redemption of securities △14
Property, plant and equipment	611.5	627.1	+15.6	
Right-of-use asset	49.1	56.4	+7.3	
Others	157.9	157.0	-0.9	
Total Assets	3,947.8	4,012.8	+65.0	
Total of cash in bank	1,967.6	1,920.9	-46.7	

Consolidated Balance Sheet

(Yen in hundred millions)

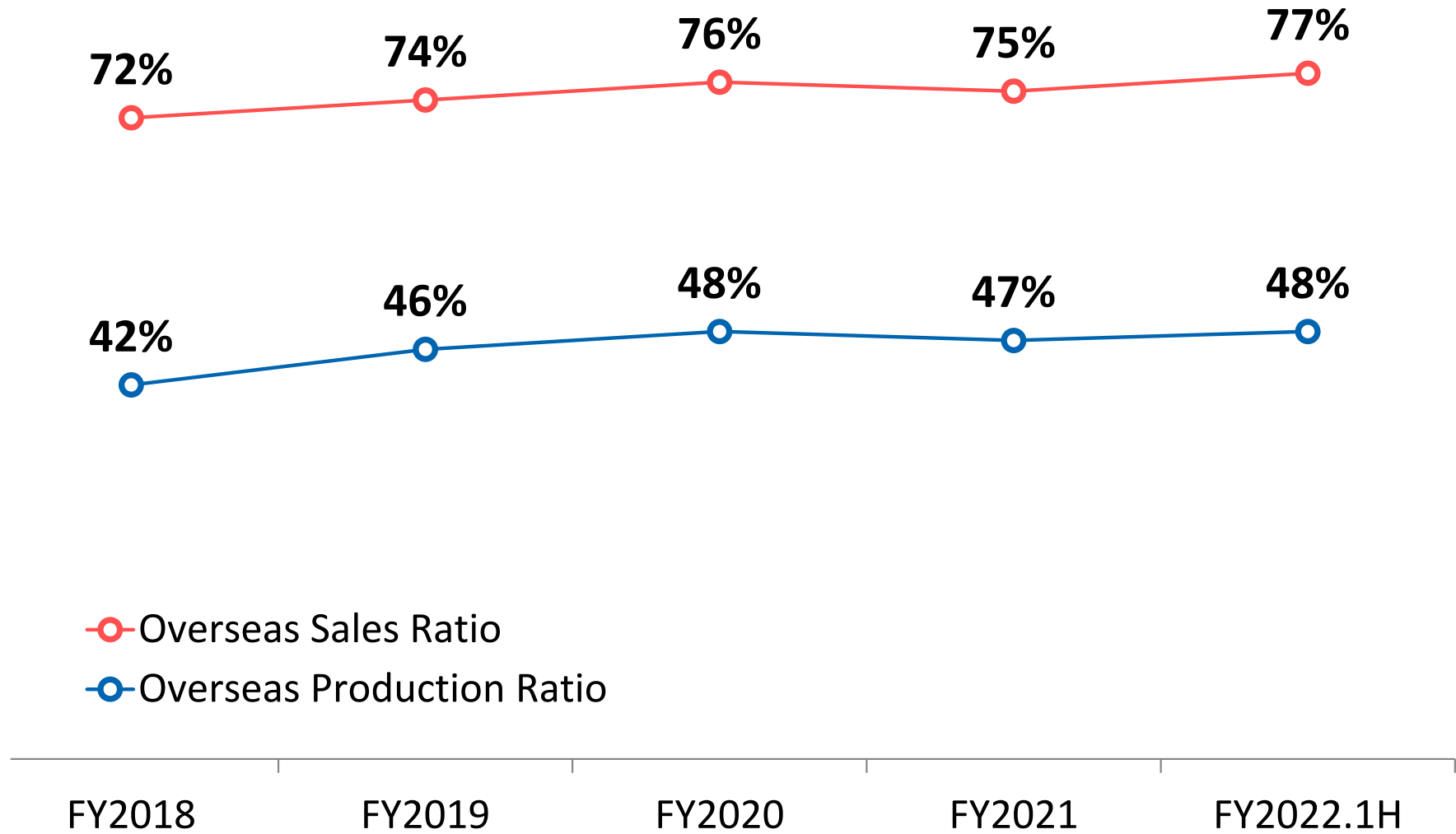
	Account	Mar 31, 2022	Sep 30, 2022	Increase / Decrease	Remark
Liabilities	Payables and other debt	238.1	240.3	+2.1	
	Lease liabilities	49.7	56.7	+7.0	
	Income Taxes Payable	80.3	87.9	+7.6	
	Others	159.0	180.0	+21.0	
	Total	527.1	564.9	+37.8	
Shareholder's Equity	Capital stock and Capital surplus	206.6	205.7	-0.9	
	Retained Earnings	3,388.2	3,382.9	-5.3	Net profit +206 Dividend △99 Cancellation of treasury shares △122
	Treasury Shares	-363.1	-398.9	-35.8	Repurchase of treasury shares △159 Cancellation of treasury shares +122
	Others	189.0	258.2	+69.2	Translation adjustment +71
	Total	3,420.7	3,447.9	+27.2	
Total Liabilities and Shareholder's Equity		3,947.8	4,012.8	+65.0	

Changes in Capital Investment and Depreciation



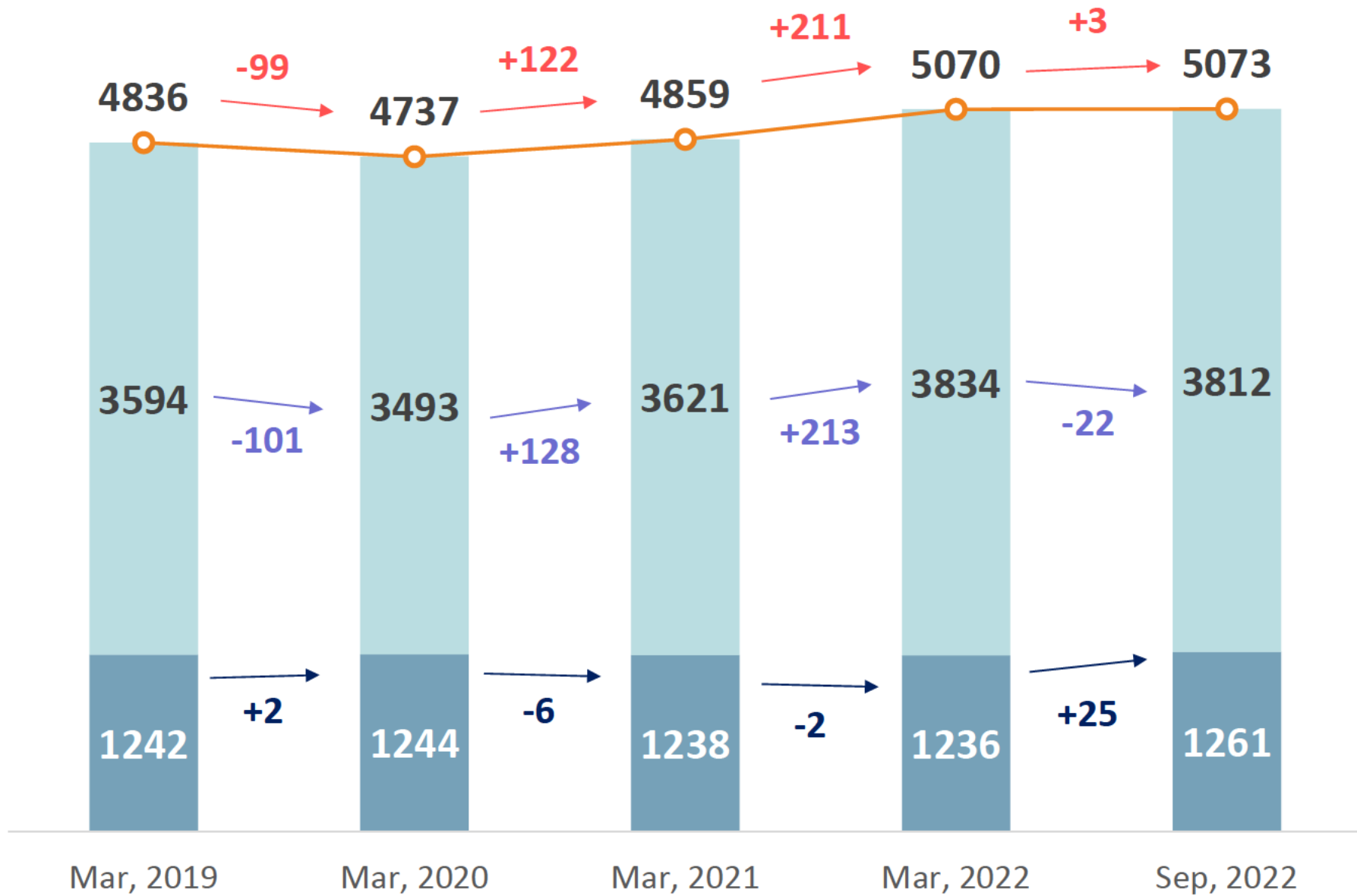
(*Excluded: Investment in land, building, software)

Overseas production and sales ratio

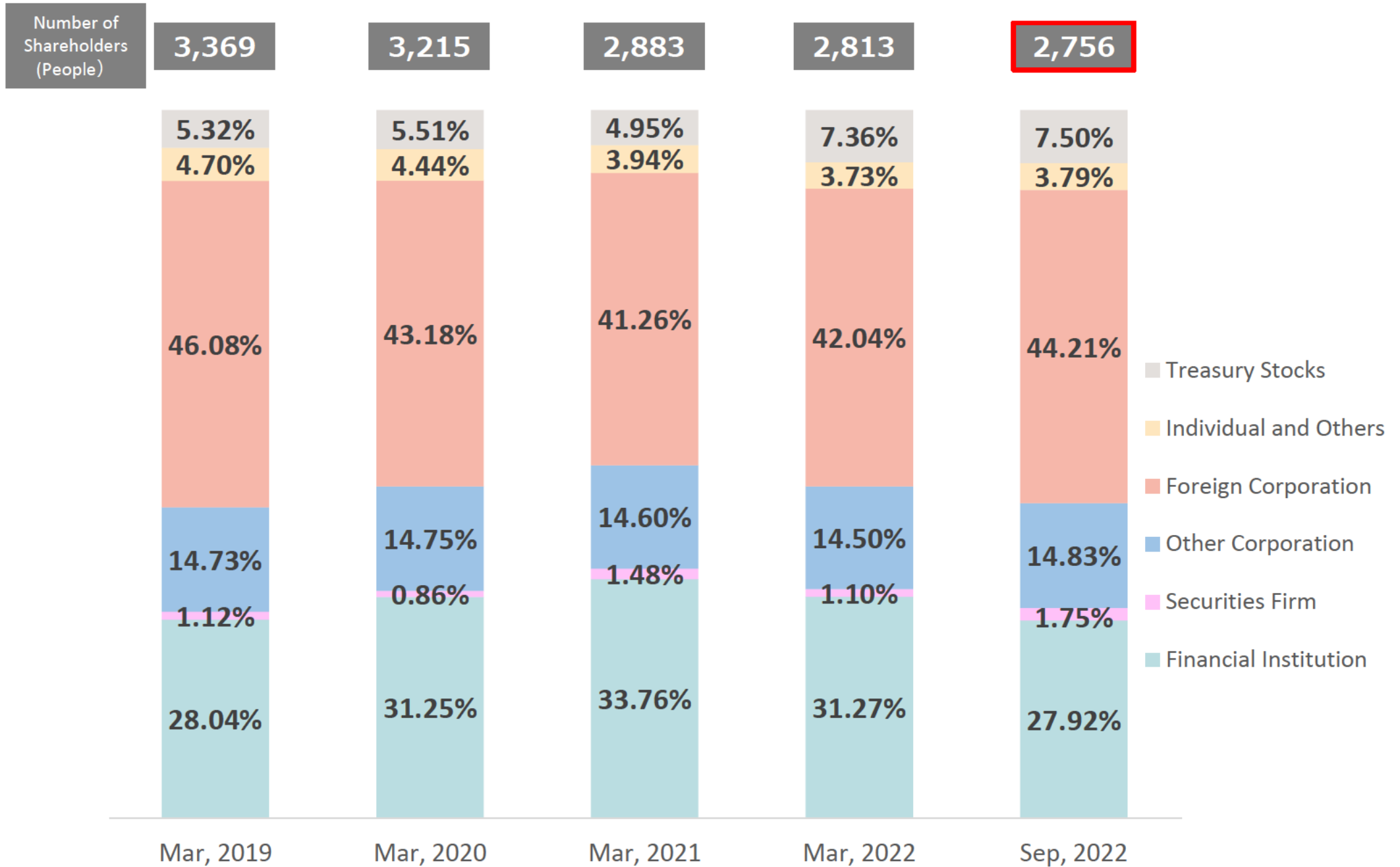


Number of Employees (Financial Report Basis)

(Number of employees) ■ Overseas ■ Domestic



Distribution of Shareholders

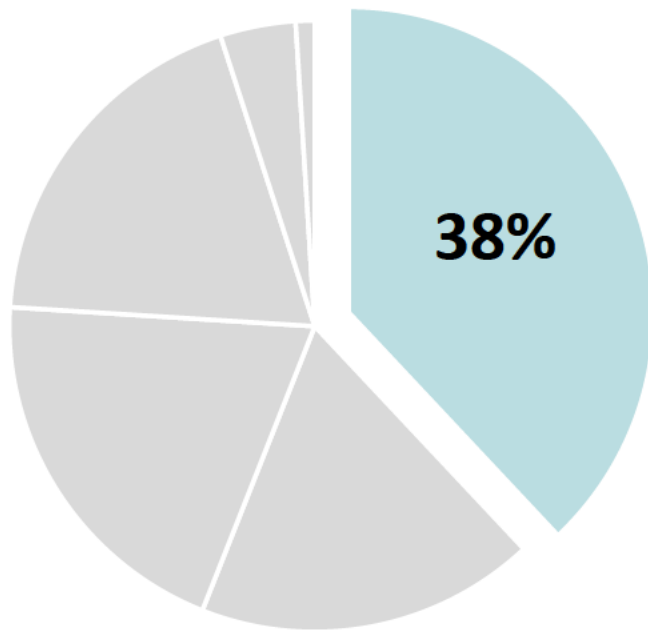


Sales by Industry Segment_General Industrial

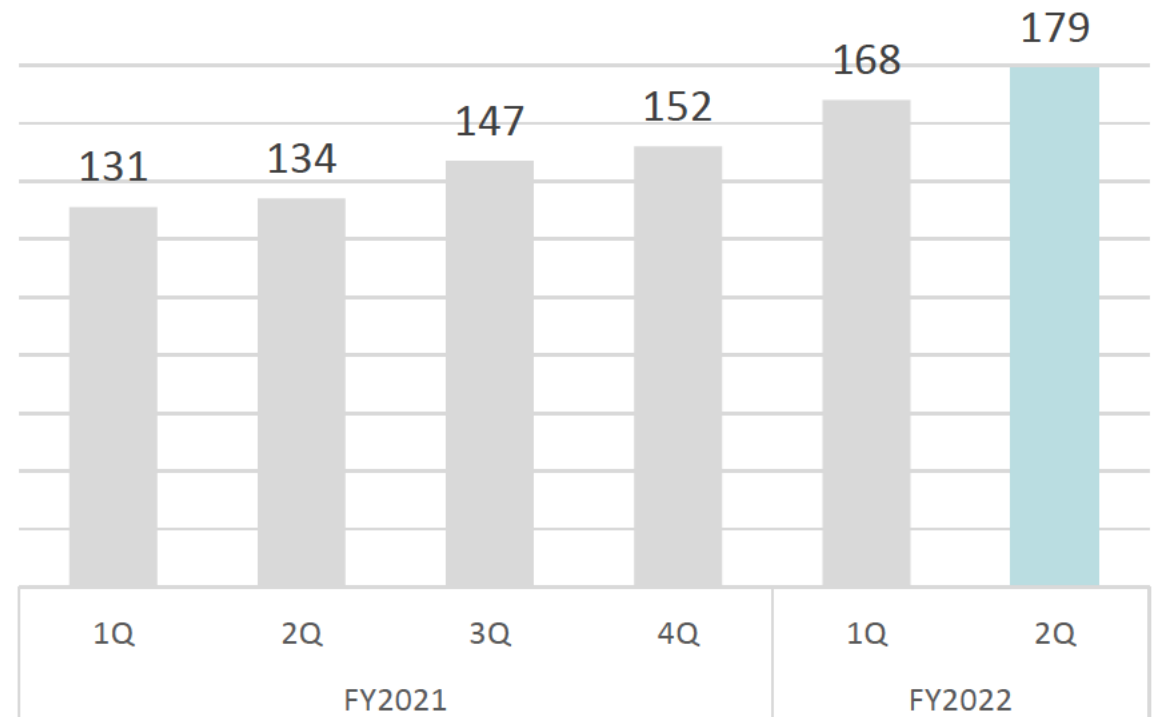
(Yen in hundred millions)

	FY2021			FY2022			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2022.1H / FY2021.1H
Sales	131	134	265	168	179	347	+31%

● FY2022.1H Composition ratio



● Changes in quarterly sales



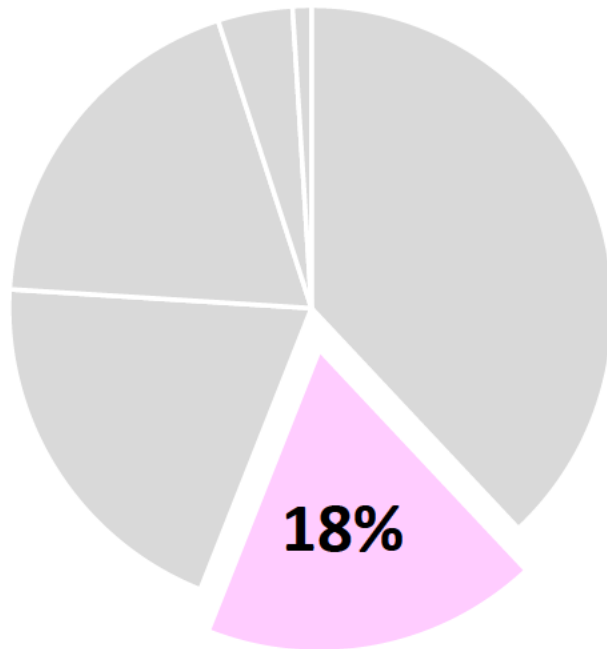
- In order to clear back order, the production has been continuing at a high level, and it leads to sales growth.

Sales by Industry Segment_Smartphone

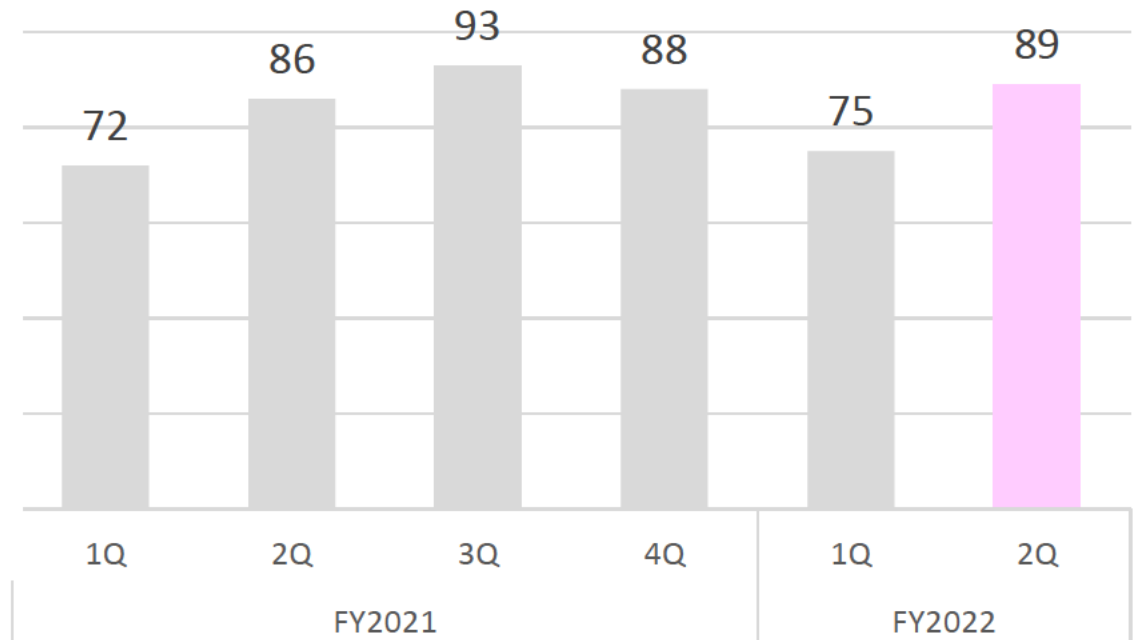
(Yen in hundred millions)

	FY2021			FY2022			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2022.1H / FY2021.1H
Sales	72	86	158	75	89	164	+4%

● FY2022.1H Composition ratio



● Changes in quarterly sales



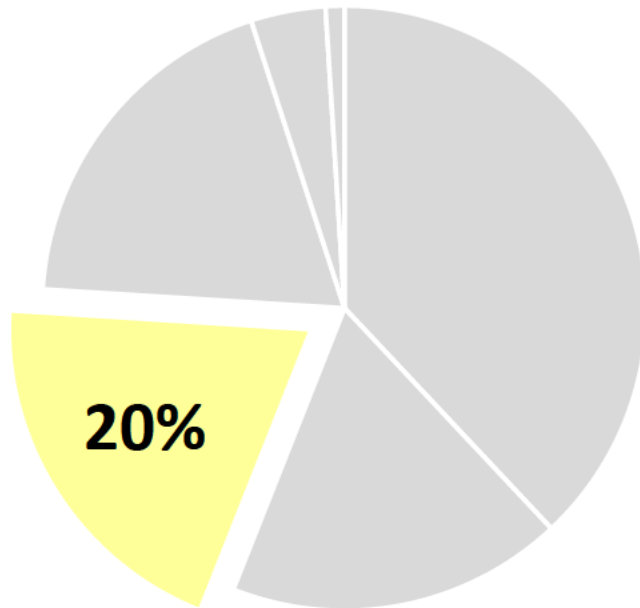
■ As expected, the sales have been growing from 1Q to 2Q.

Sales by Industry Segment_Consumer/Mobile Equipment

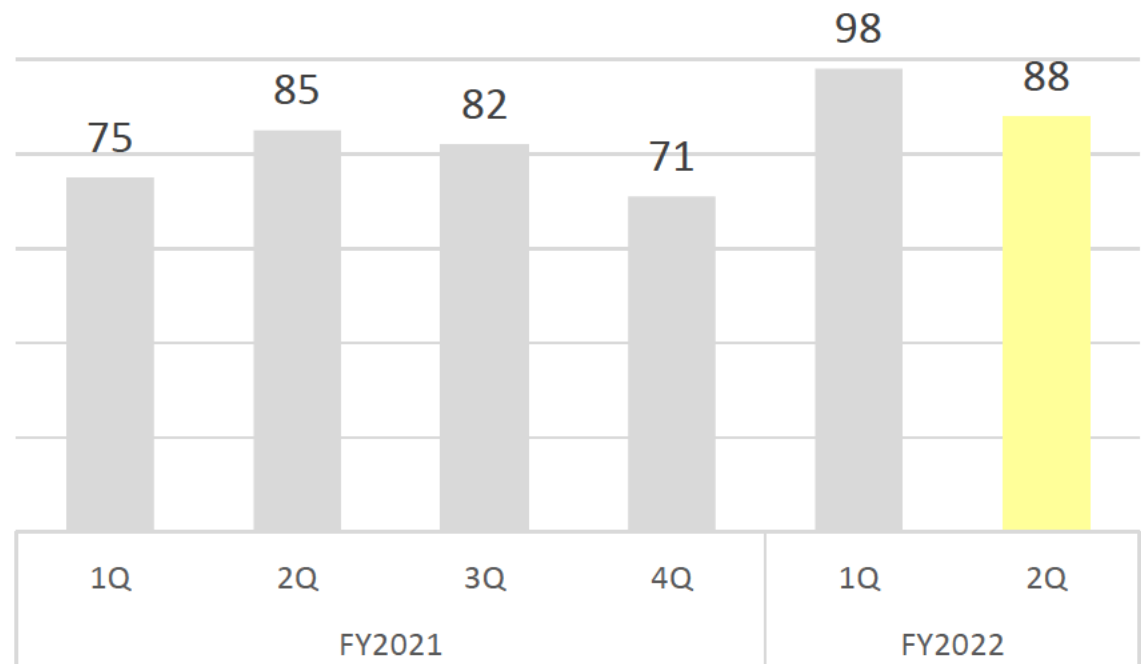
(Yen in hundred millions)

	FY2021			FY2022			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2022.1H / FY2021.1H
Sales	75	85	160	98	88	186	+16%

● FY2022.1H Composition ratio



● Changes in quarterly sales



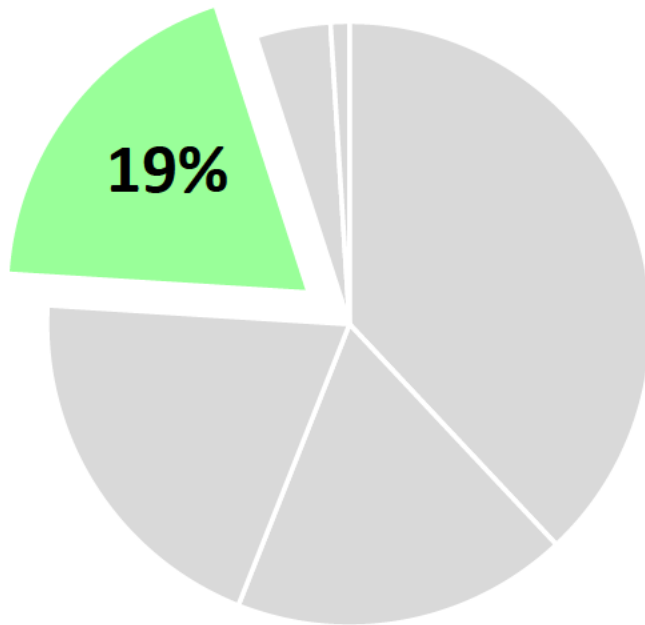
■ The sales decreased compared to 1Q because of customer's production adjustment.

Sales by Industry Segment_Automotive/Mobility-related

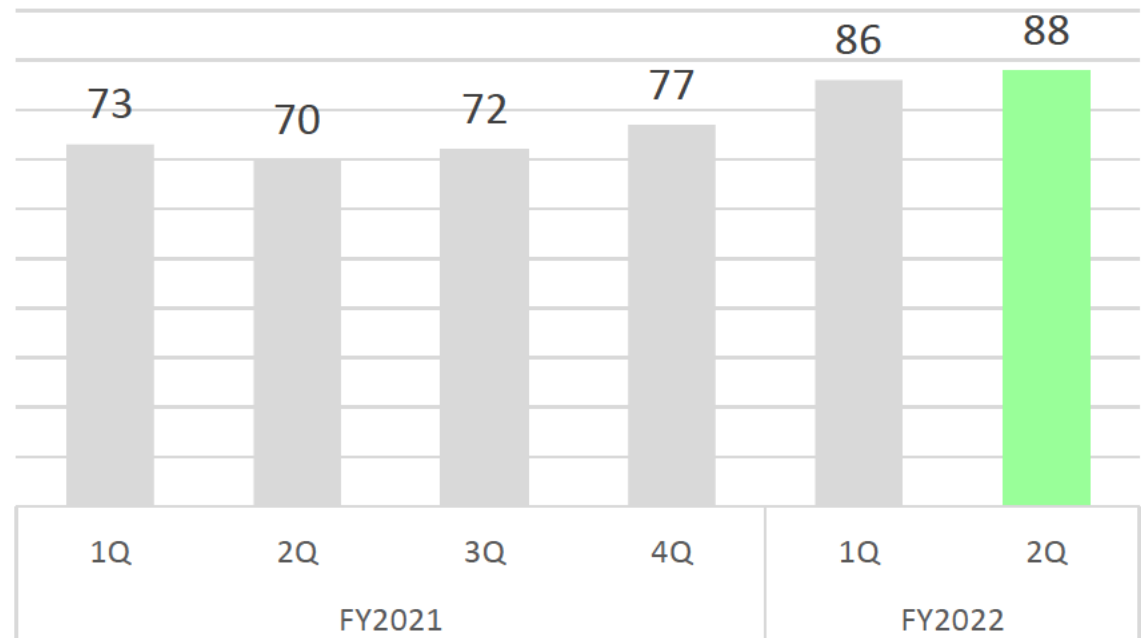
(Yen in hundred millions)

	FY2021			FY2022			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2022.1H / FY2021.1H
Sales	73	70	143	86	88	174	+22%

● FY2022.1H Composition ratio



● Changes in quarterly sales



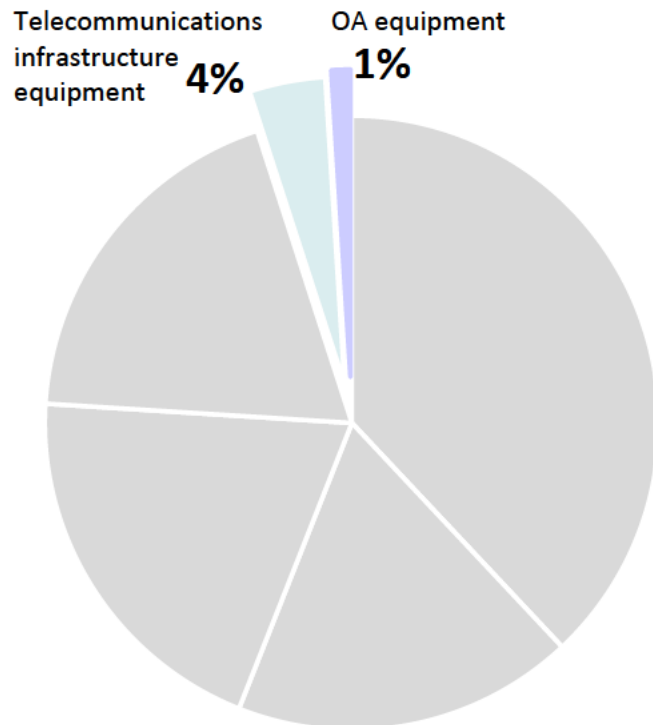
■ The sales mainly for ADAS and power train is steadily strong.

Sales by Industry Segment_Telecommunications infrastructure equipment / OA equipment

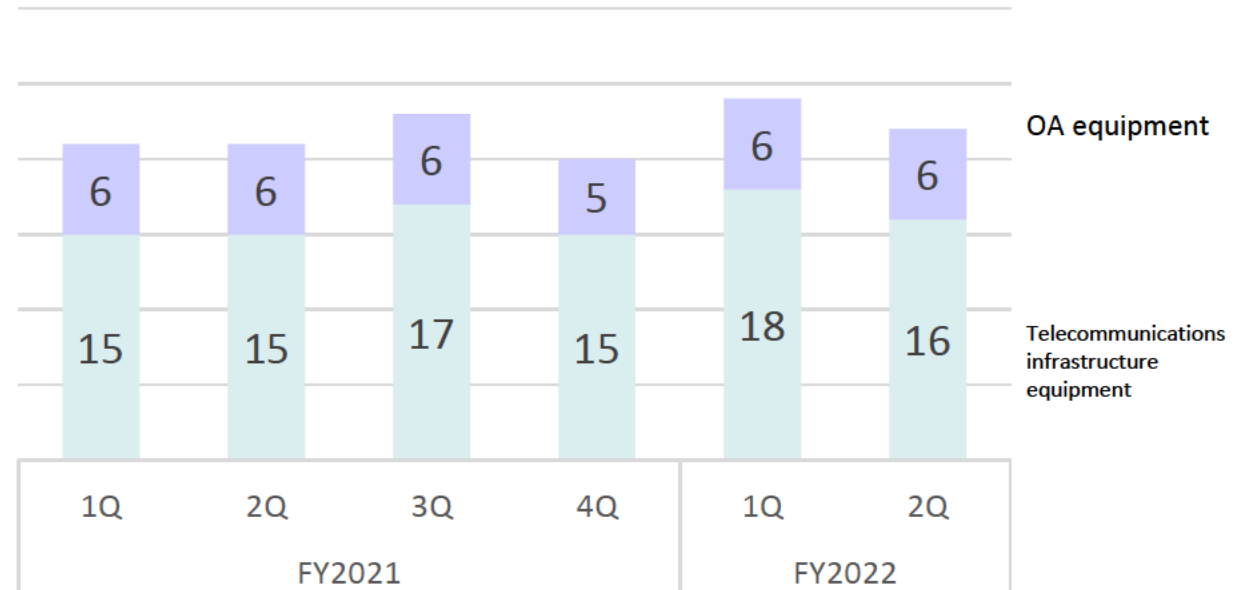
(Yen in hundred millions)

	FY2021			FY2022			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2022.1H / FY2021.1H
Telecommunications infrastructure equipment	15	15	30	18	16	34	+13%
OA equipment	6	6	12	6	6	12	±0%

● FY2022.1H Composition ratio



● Changes in quarterly sales



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

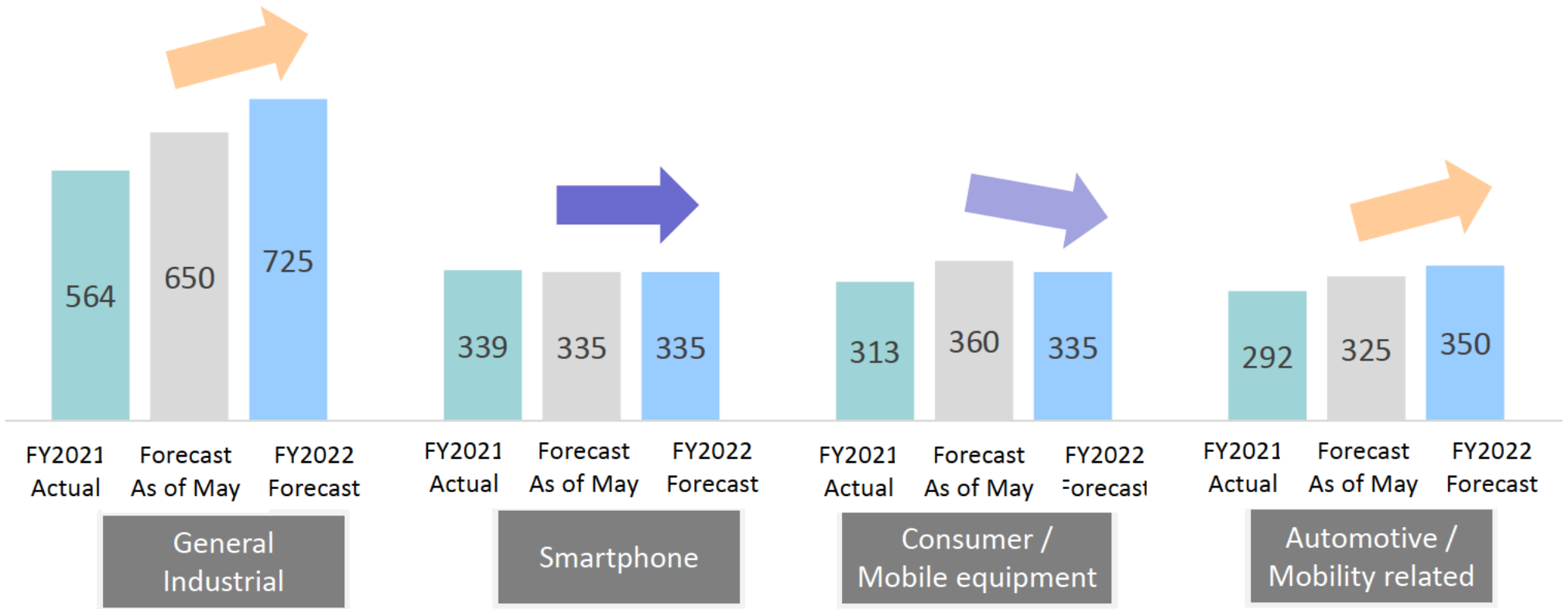
Currency movement and business for general industrial and automotive is expected to exceed initial estimates, we revised the forecast announced in May, 2022.

(Yen in hundred millions)

	FY2021 (FY ended March 31, 2022) Actual		FY2022 (FY ending March 31, 2023)			First Half Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	First Half	For the Year	First Half Actual	2022.5 Forecast	Revised Forecast	Amount Change	%	Amount Change	%
Sales	791.9	1,636.7	947.0	1,800.0	1,900.0	+155.1	19.6%	+263.3	16.1%
COGS Ratio	54.7%	54.2%	50.6%	54.6%	52.1%				
Operating Profit	197.9	407.7	271.7	440.0	500.0	+73.8	37.3%	+92.4	22.7%
(%)	25.0%	24.9%	28.7%	24.4%	26.3%				
Profit before tax	203.8	430.8	292.5	450.0	510.0	+88.7	43.5%	+79.2	18.4%
(%)	25.7%	26.3%	30.9%	25.0%	26.8%				
Net Profit	148.0	314.4	206.4	330.0	360.0	+58.4	39.5%	+45.6	14.5%
(%)	18.7%	19.2%	21.8%	18.3%	18.9%				
Earnings Per Share	—	885.39 yen	—	933.37 yen	1,041.17 yen	(Yen)	FY2021 Actual	FY2022 Forecast As of Sep, 2022	
						1US\$	112.38	140.00	
Dividend Per Share	160 yen	440 yen	220 yen	440 yen	440 yen	1€	130.56	140.00	
Consolidated Dividend Payout Ratio	—	49.7%	—	47.1%	42.3%	100won	9.64	10.32	

Annual sales forecast by industry segment [Updated]

(Yen in hundred millions)



FY2022 Annual growth rate	Forecast as of May, 2022	Updated
● General Industrial	+15%	+28%
● Smartphone	-1%	-1%
● Consumer / Mobile equipment	+15%	+7%
● Automotive / Mobility related	+11%	+19%

Strengthen the foundation

Measures to reinforce the foundations to make a further leap forward based on the sales increase in FY2021 (from FY2022)

Invest in human capital

We set FY2022 as “the first year of deepening” human capital development, and we reform the system and encourage employee’s challenges.

- ① Pursue the uniqueness of HRS
(Rebuilding of Hirose Philosophy, “Iki-Iki project” managed by employees)
- ② Structure to encourage challenges (Renewal of evaluation system, 360-degree assessment, etc.)
- ③ Establish a dedicated department committed to human capital development

Details 

Invest in ESG

Invest to address social issues

- ① Promote carbon neutral
“Reduce emissions from Scope1 and 2 by 60% in FY2027 (compared with FY2021)”
We will make an investment to achieve this target.
- ② Carry out various programs for health and productivity management

Invest in IT

Construct common platform in HRS group (planned to invest more than JPY10 billion in mid-term)

- ① Construction of next-generation SCM
- ② Digitalization and centralization of design information
- ③ Visualize global sales activities by commonalizing SFA

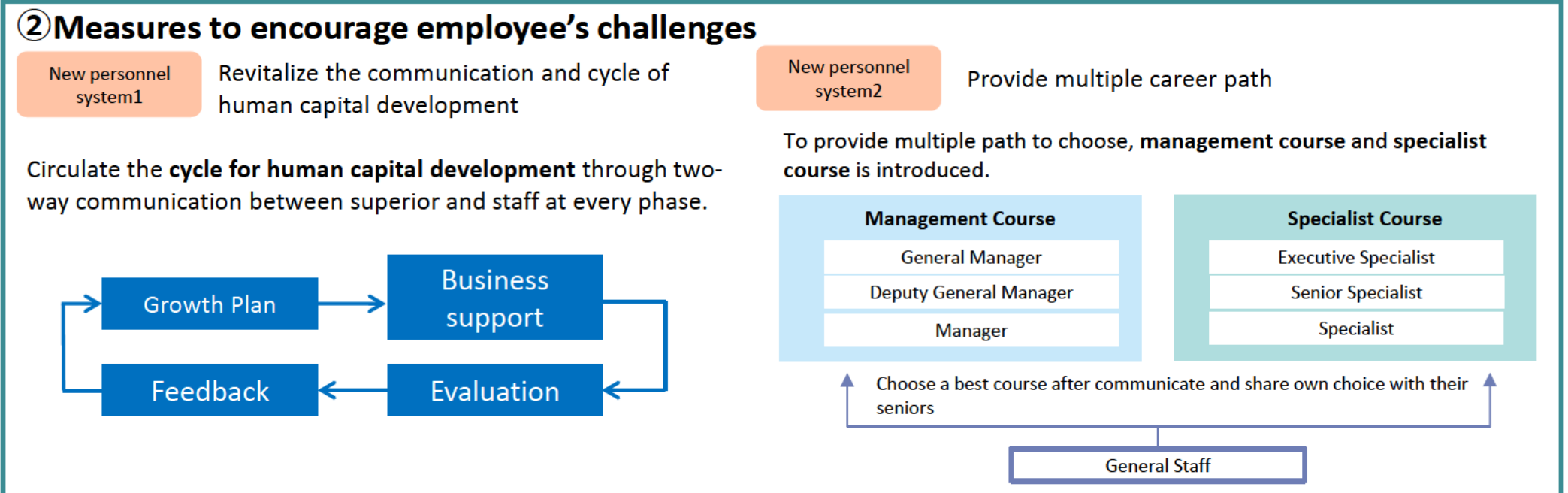
Strengthen the foundation Investment in human capital

Please refer to the integrated report issued in Nov, 2022.

*English version will be published in Jan, 2023.

We set FY2022 as “the first year of deepening” human capital development, and we reform the system and encourage employee’s challenges.

- ① Pursue the uniqueness of HRS (Rebuilding of Hirose Philosophy, “Iki-Iki project” managed by employees)
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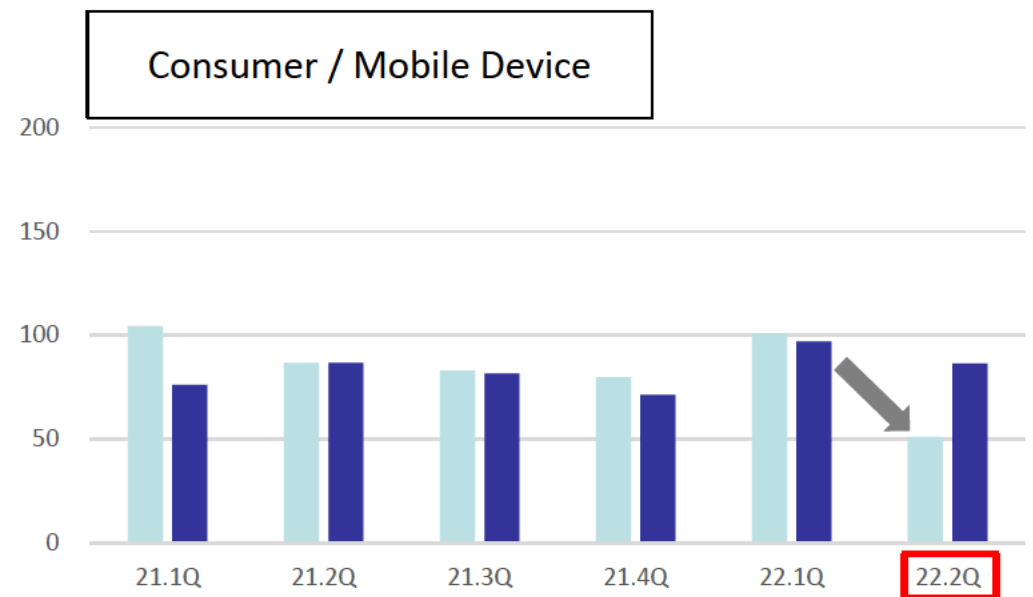
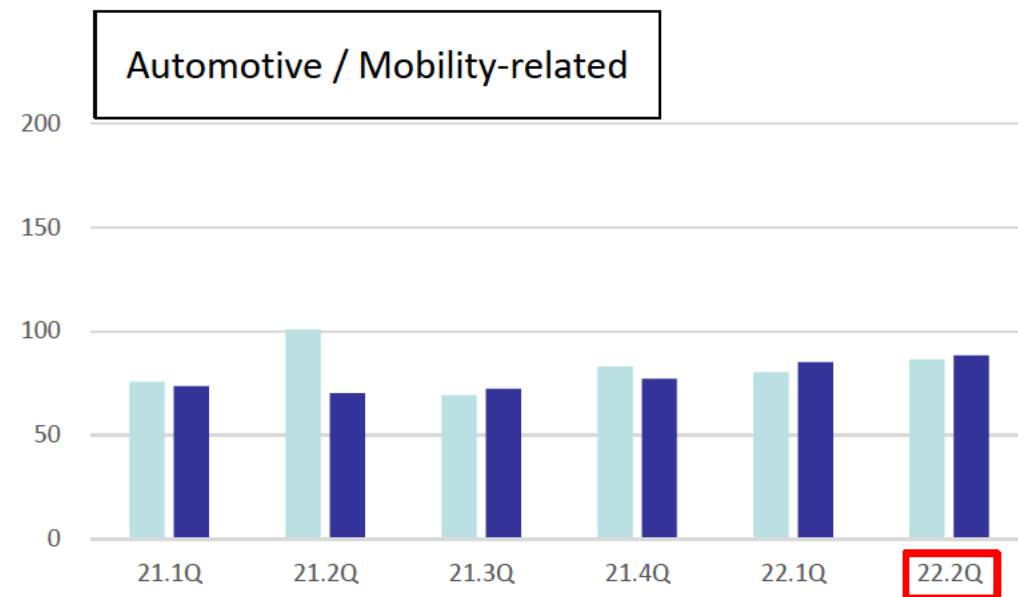
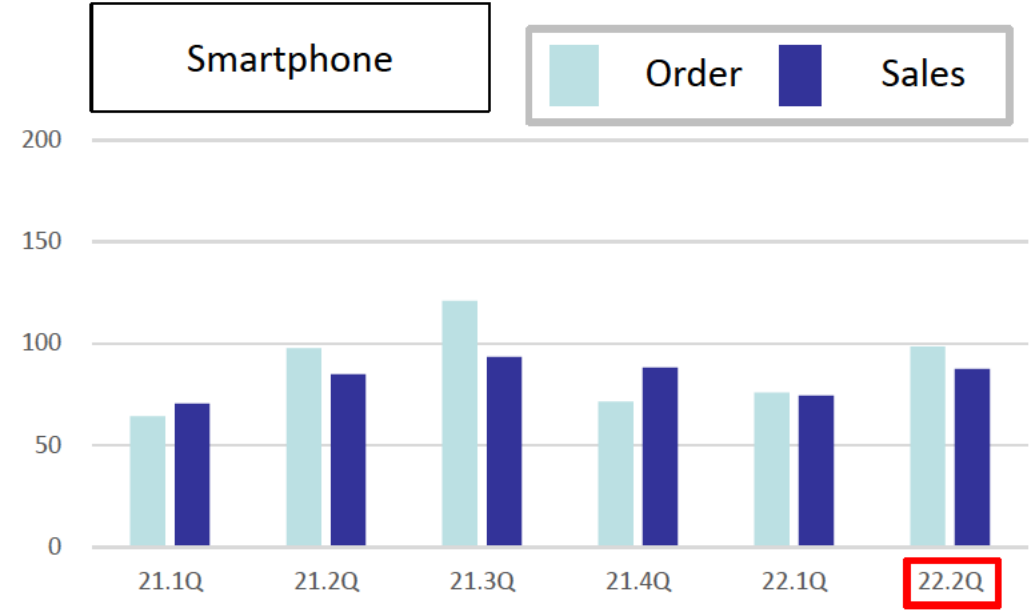
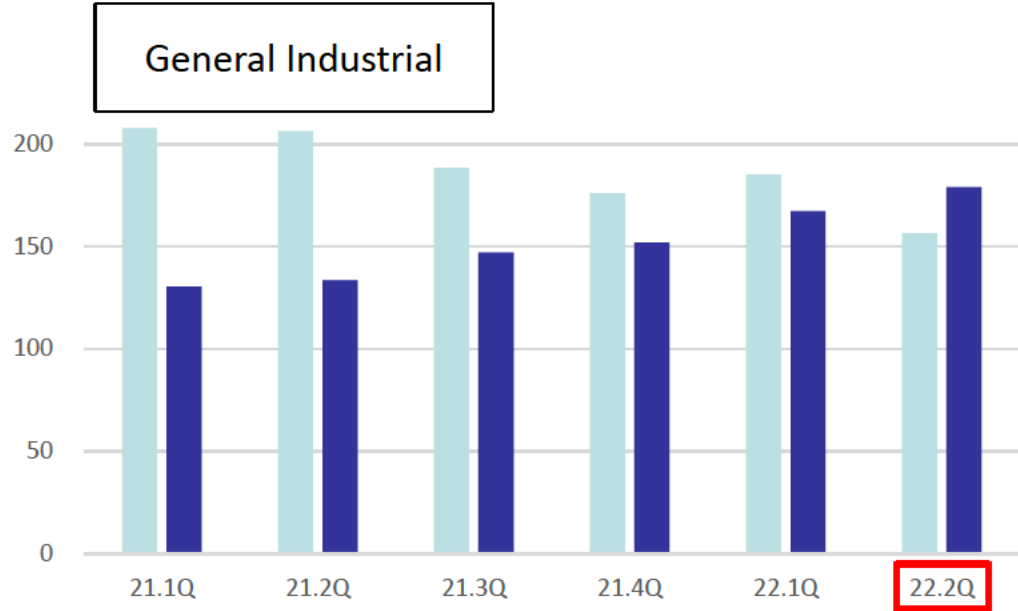
Appendix

Sales by Industry Segments round number (quarterly basis)

(Yen in hundred millions)

	FY2021				FY2022		FY2022.1H Composition ratio by applications
	1Q	2Q	3Q	4Q	1Q	2Q	
General Industrial	131	134	147	152	168	179	38%
Smartphone	72	86	93	88	75	89	18%
Consumer / Mobile Device	75	85	82	71	98	88	20%
Automotive / Mobility-related	73	70	72	77	86	88	19%
Telecommunications Infrastructure Equipment	15	15	17	15	18	16	4%
OA Equipment	6	6	6	5	6	6	1%
Total of Connector Sales	372	395	416	409	451	467	100%
Others	13	12	12	10	15	14	
Total	384	407	428	418	466	481	

Changes in orders and sales by industry segment (quarterly basis)



HRS HIROSE
ELECTRIC
CO.,LTD.