

Hirose Electric Business Results for the Third Quarter of FY2022

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February 2, 2023

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.

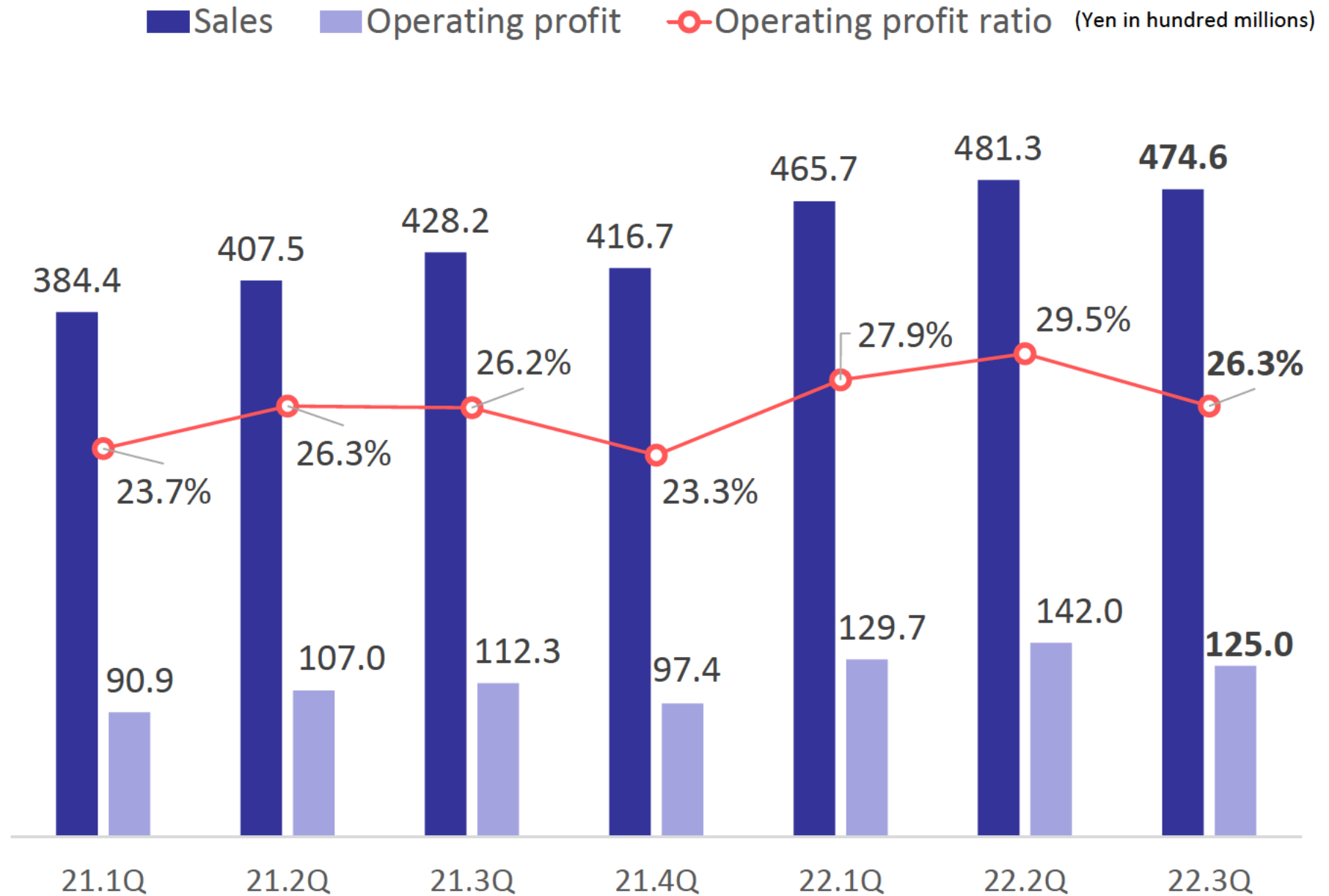
Summary of the business results (FY2022.1Q-3Q From April to December, 2022)

- In FY2022.3Q, the sales for general industrial, automotive and mobility-related increased. As a result, sales of the cumulative 3Q increased by 16.5% and operating profit plus 27.9% compared with the previous same period, and operating profit ratio was 27.9%
- The orders of FY22.3Q decreased by 14% from 2Q and the downward trend is continuing. Uncertainty over the market is rising.

(Yen in hundred millions)

	FY2021			FY2022			YoY
	1H 2021. Apr-Sep	3Q 2021. Oct-Dec	1Q-3Q 2021.Apr-Dec	1H 2022.Apr-Sep	3Q 2022.Oct-Dec	1Q-3Q 2022.Apr-Dec	FY2022.1Q-3Q / FY2021.1Q-3Q
Orders	1,033.3	480.4	1,513.7	915.2	367.3	1,282.5	-15.3%
Sales	791.9	428.2	1,220.0	947.0	474.6	1,421.6	+16.5%
Operating profit	197.9	112.3	310.2	271.7	125.0	396.7	+27.9%
Operating profit ratio	25.0%	26.2%	25.4%	28.7%	26.3%	27.9%	+ 2.5pt

Changes in sales and operating profit (FY2021.1Q-FY2022.3Q / Consolidated basis)



FY2022.1Q-3Q Major Changes

(Yen in hundred millions)

Sales

201.6 hundred million yen **Increased**
(1,220.0 → 1,421.6)

Non consolidated Hirose: +152.1
Subsidiaries: +49.5

COGS Ratio

3.3pt Improved
(54.1% → 50.8%)

Variable Expense Ratio: 39.6% → **37.8%**
Depreciation Ratio: 8.1% → **7.1%**

SGA Ratio

1.1pt Deteriorated
(20.4% → 21.5%)

249.5 → 305.1 (Increased by 55.6)

Financial income / costs

1.7 hundred million yen **Improved**
(+11.5 → +13.2)

Exchange Gain or Loss: +3.2 → -0.8
Interest Income: 4.4 → 10.3

FY2022.1Q-3Q YoY Variation Analysis

(Yen in hundred millions)	Sales	Operating Profit	(%)	Profit before tax	(%)
FY2021.1Q-3Q Actual	1,220.0	310.2	25.4%	321.7	26.4%
Exchange rate	153.8	84.8		81.0	
Labor cost increase		-38.1		-38.1	
Depreciation cost increase		-0.6		-0.6	
Increase in freightage and packing expenses		-15.0		-15.0	
Increase in the product	47.8	31.5		31.5	
Others		23.9		29.3	
Total amount of changes	201.6	86.5		88.1	
FY2022.1Q-3Q Actual	1,421.6	396.7	27.9%	409.8	28.8%

Consolidated Balance Sheet

(Yen in hundred millions)

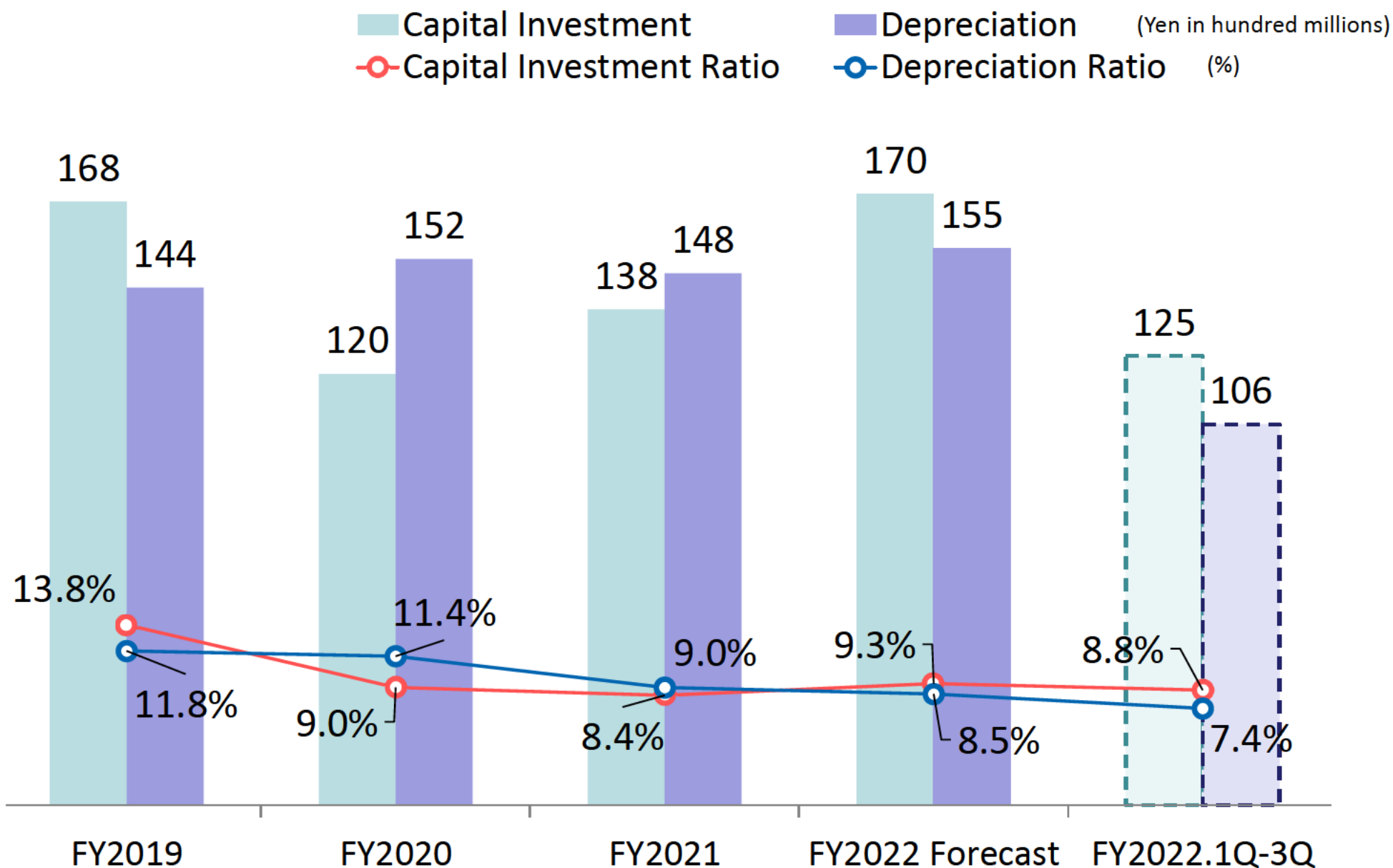
Account	Mar 31, 2022	Dec 31, 2022	Increase / Decrease	Remark	
Assets	Cash and cash equivalents	683.9	723.3	+39.4	As well as recorded profit, Transfer from time deposit +234 Consumption tax refund +41 Repurchase of treasury shares -159 Dividends paid -175
	Trade and other receivables	434.3	460.3	+26.0	Accounts receivable rose due to the recent sales increase
	Inventories	216.9	281.4	+64.5	Products and raw materials increased to prepare for increased order backlog
	Other financial assets	1,794.2	1,623.8	-170.4	Decrease in time deposit -234 Acquisition and redemption of securities +50
	Property, plant and equipment	611.5	642.6	+31.1	Upgraded production equipment, Acquired land in Morioka-shi, Expanded Hirose Korea
	Right-of-use asset	49.1	51.2	+2.1	
	Others	157.9	165.1	+7.2	
	Total Assets	3,947.8	3,947.7	-0.1	
Total of cash in bank	1,967.6	1,785.7	-181.9		

Consolidated Balance Sheet

(Yen in hundred millions)

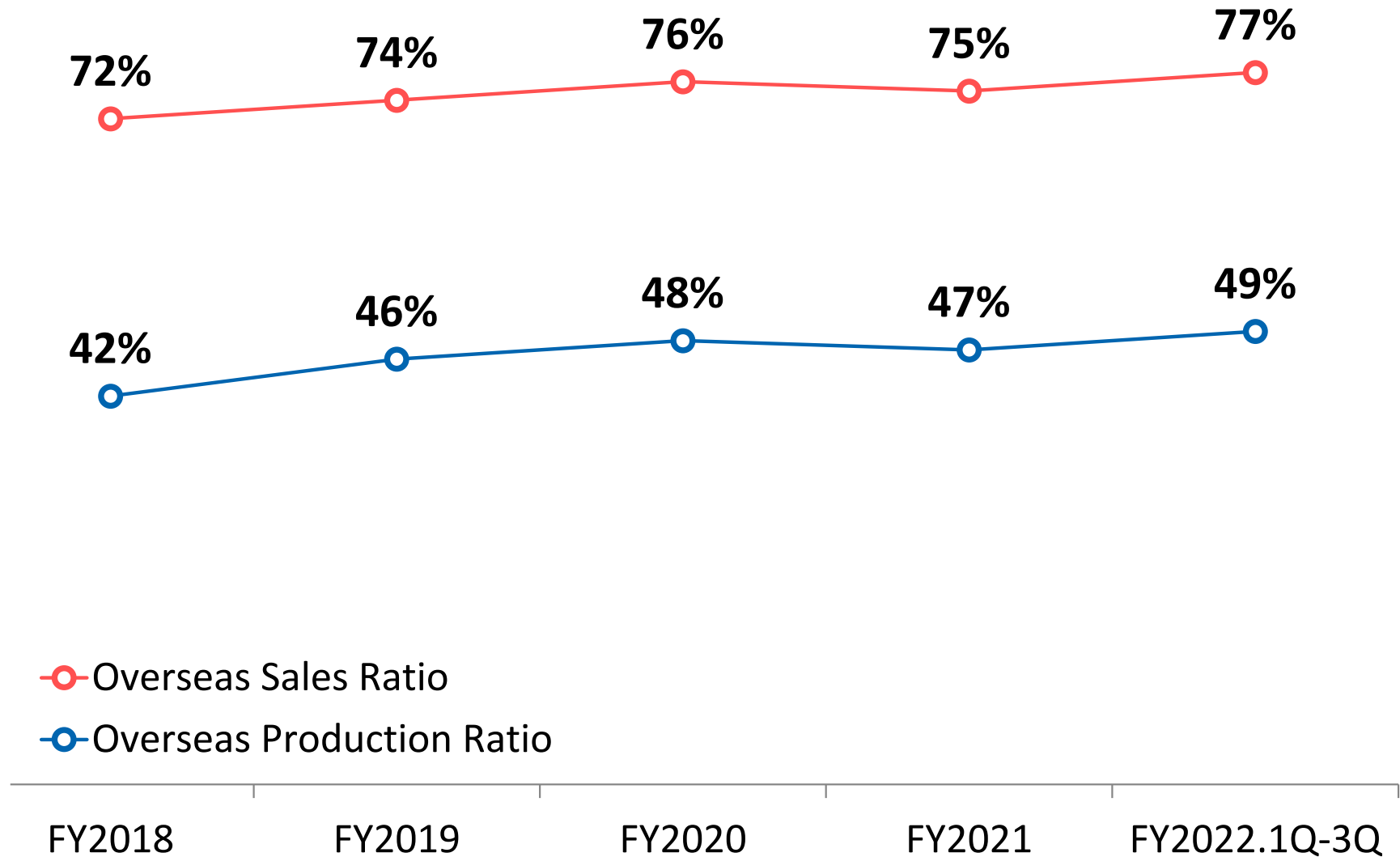
	Account	Mar 31, 2022	Dec 31, 2022	Increase / Decrease	Remark
Liabilities	Payables and other debt	238.1	225.3	-12.8	Accounts payable decreased due to the recent decline in purchase -14
	Lease liabilities	49.7	51.6	+1.9	
	Income Taxes Payable	80.3	64.1	-16.2	
	Others	159.0	164.5	+5.5	
	Total	527.1	505.5	-21.6	
Shareholder's Equity	Capital stock and Capital surplus	206.6	205.7	-0.9	
	Retained Earnings	3,388.2	3,393.3	+5.1	Net profit +275 Dividends paid -175 Cancellation of treasury shares -122
	Treasury Shares	-363.1	-398.7	-35.6	Repurchase of treasury shares -159 Cancellation of treasury shares +122
	Others	189.0	241.9	+52.9	Translation adjustment +59
	Total	3,420.7	3,442.2	+21.5	
	Total Liabilities and Shareholder's Equity	3,947.8	3,947.7	-0.1	

Changes in Capital Investment and Depreciation (Consolidated basis)



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

Overseas production and sales ratio

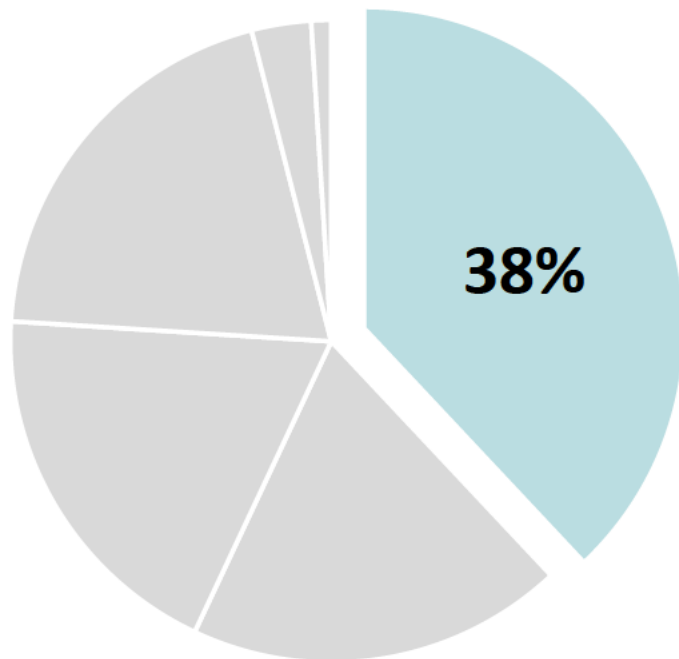


Sales by Industry Segment_General Industrial

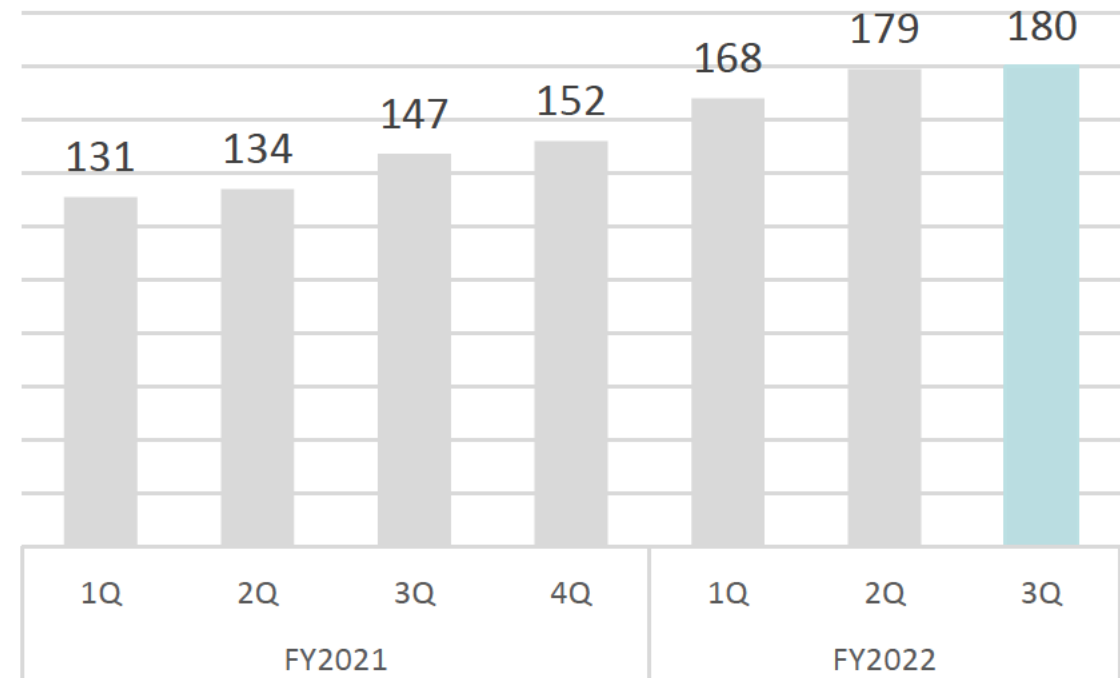
(Yen in hundred millions)

	FY2021			FY2022			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2022.1Q-3Q / FY2021.1Q-3Q
Sales	265	147	412	347	180	527	+28%

● FY2022.1Q-3Q Composition ratio



● Changes in quarterly sales



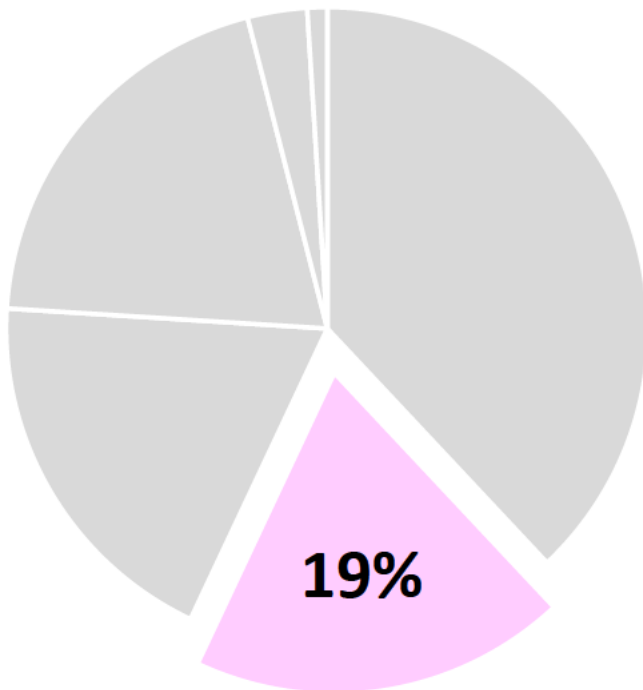
- The production has been continuing at high level, and contributed to solve order backlog and sales increase.

Sales by Industry Segment_Smartphone

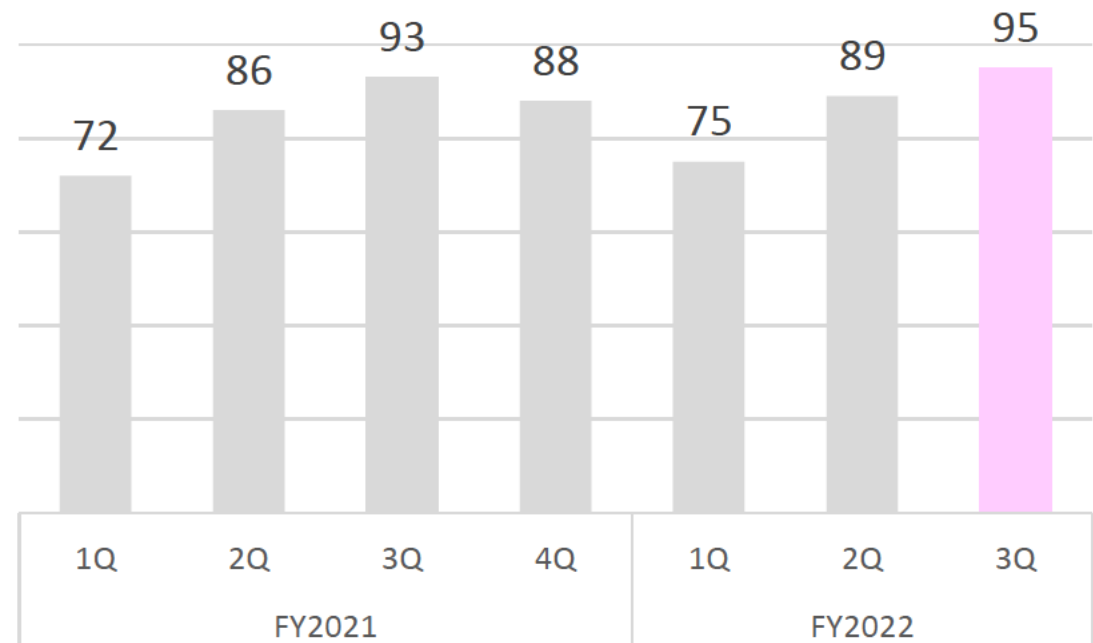
(Yen in hundred millions)

	FY2021			FY2022			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2022.1Q-3Q / FY2021.1Q-3Q
Sales	158	93	251	164	95	259	+3%

● FY2022.1Q-3Q Composition ratio



● Changes in quarterly sales



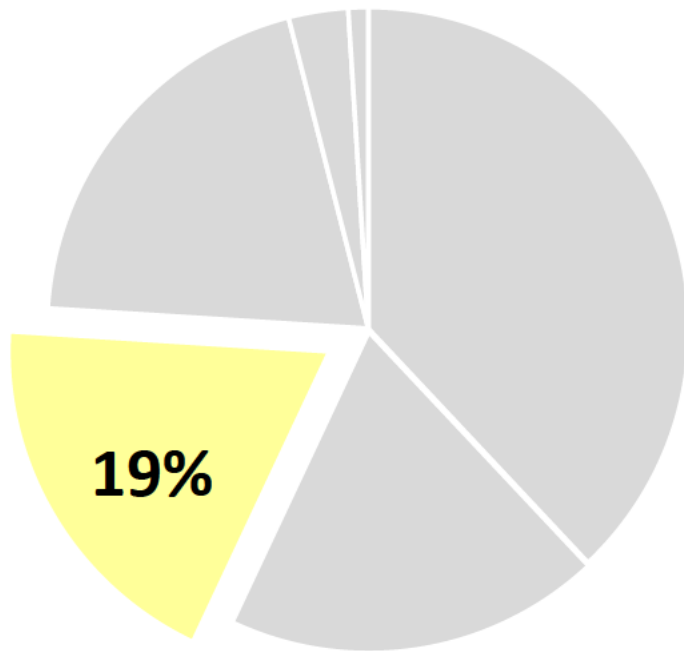
- The sales of 3Q was firm due to the seasonal demand, but depreciation of yen greatly contributed to the increase.

Sales by Industry Segment_Consumer/Mobile Equipment

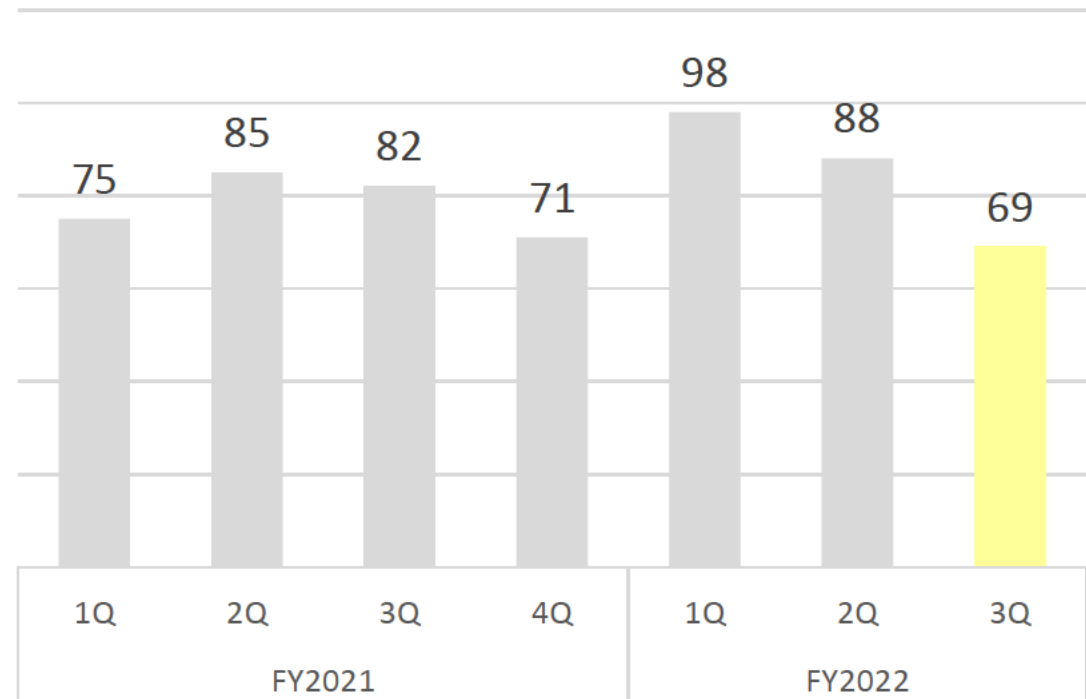
(Yen in hundred millions)

	FY2021			FY2022			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2022.1Q-3Q / FY2021.1Q-3Q
Sales	160	82	242	186	69	255	+5%

● FY2022.1Q-3Q Composition ratio



● Changes in quarterly sales



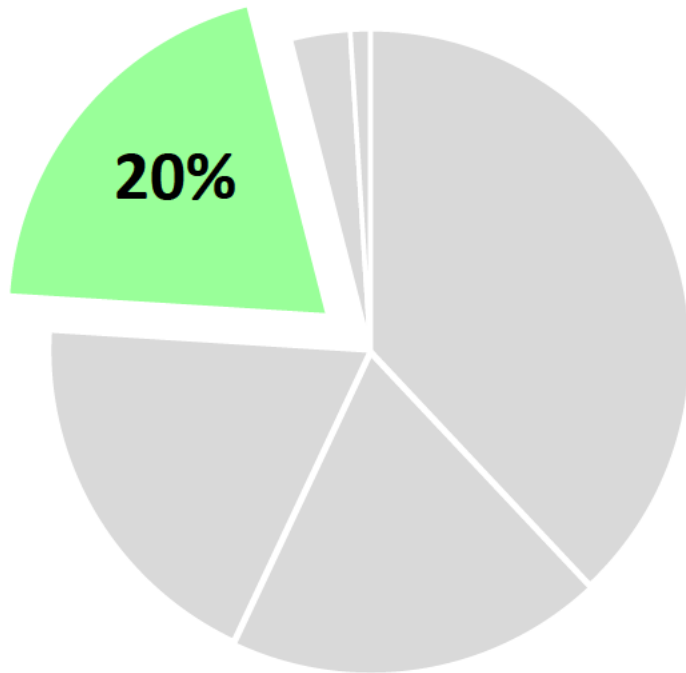
- Although a weak yen contributed to the sales, the order decline in Chinese area significantly affected the sales and the sales of 3Q decreased from 2Q.

Sales by Industry Segment_Automotive/Mobility-related

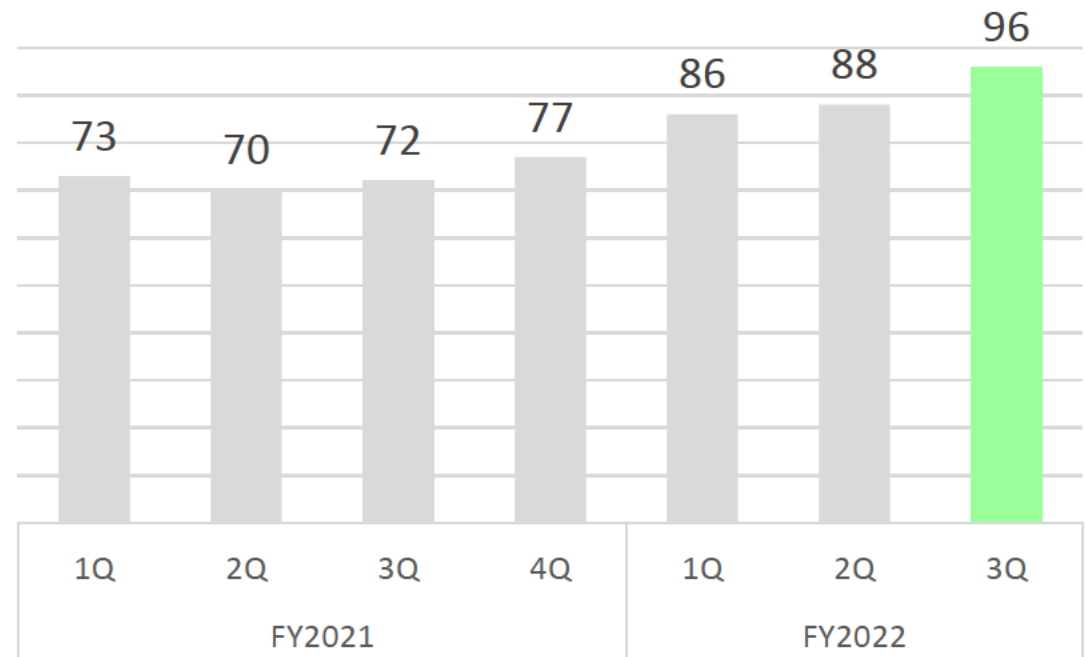
(Yen in hundred millions)

	FY2021			FY2022			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2022.1Q-3Q / FY2021.1Q-3Q
Sales	143	72	215	174	96	270	+26%

● FY2022.1Q-3Q Composition ratio



● Changes in quarterly sales



- The sales have been growing steadily and the composition ratio also increased slightly to 20% from 19% of 2Q

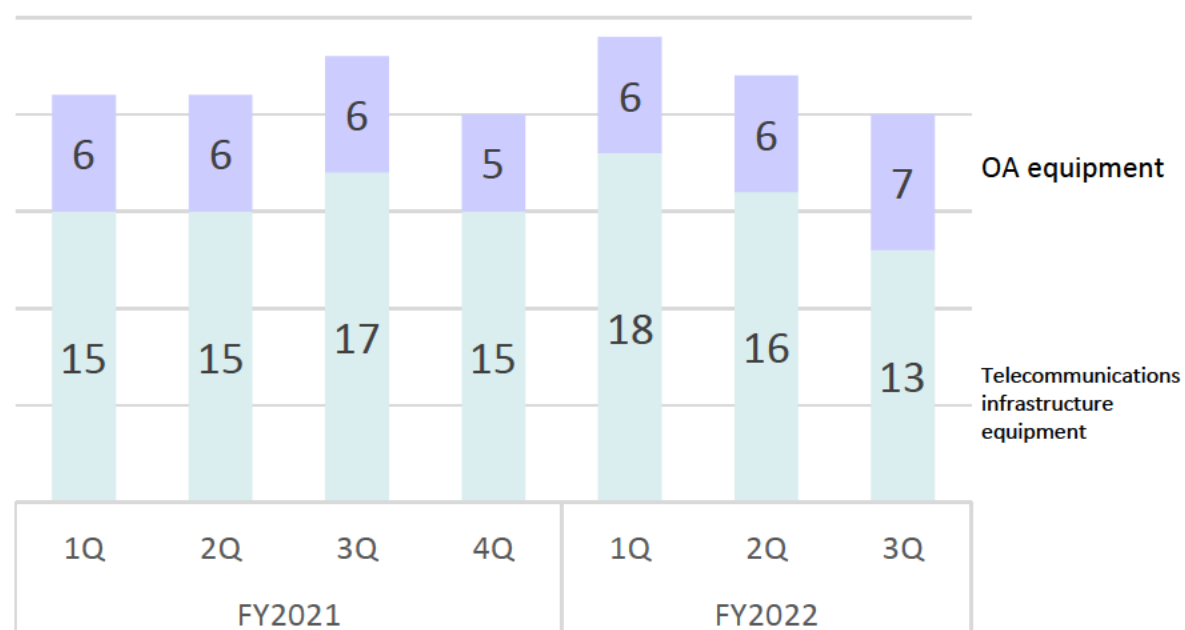
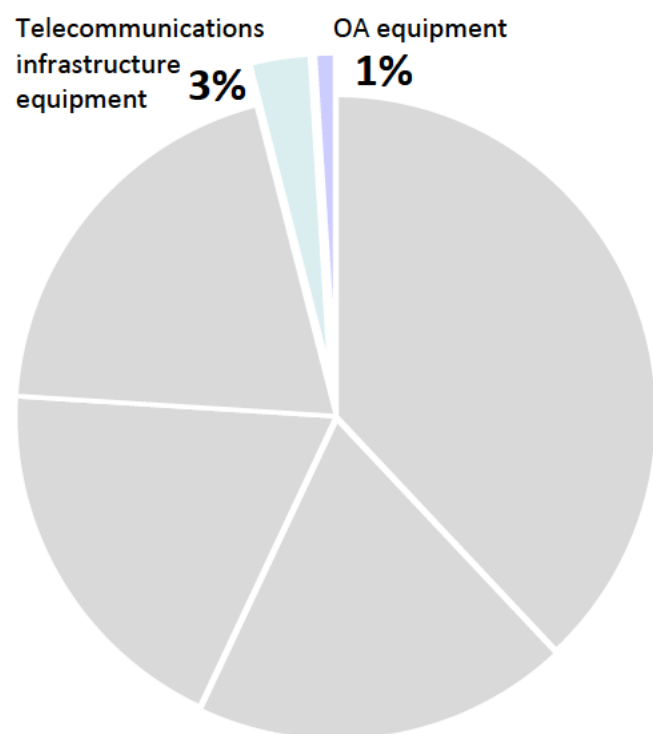
Sales by Industry Segment_Telecommunications infrastructure equipment / OA equipment

(Yen in hundred millions)

	FY2021			FY2022			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2022.1Q-3Q / FY2021.1Q-3Q
Telecommunications infrastructure equipment	30	17	47	34	13	47	±0%
OA equipment	12	6	18	12	7	19	+6%

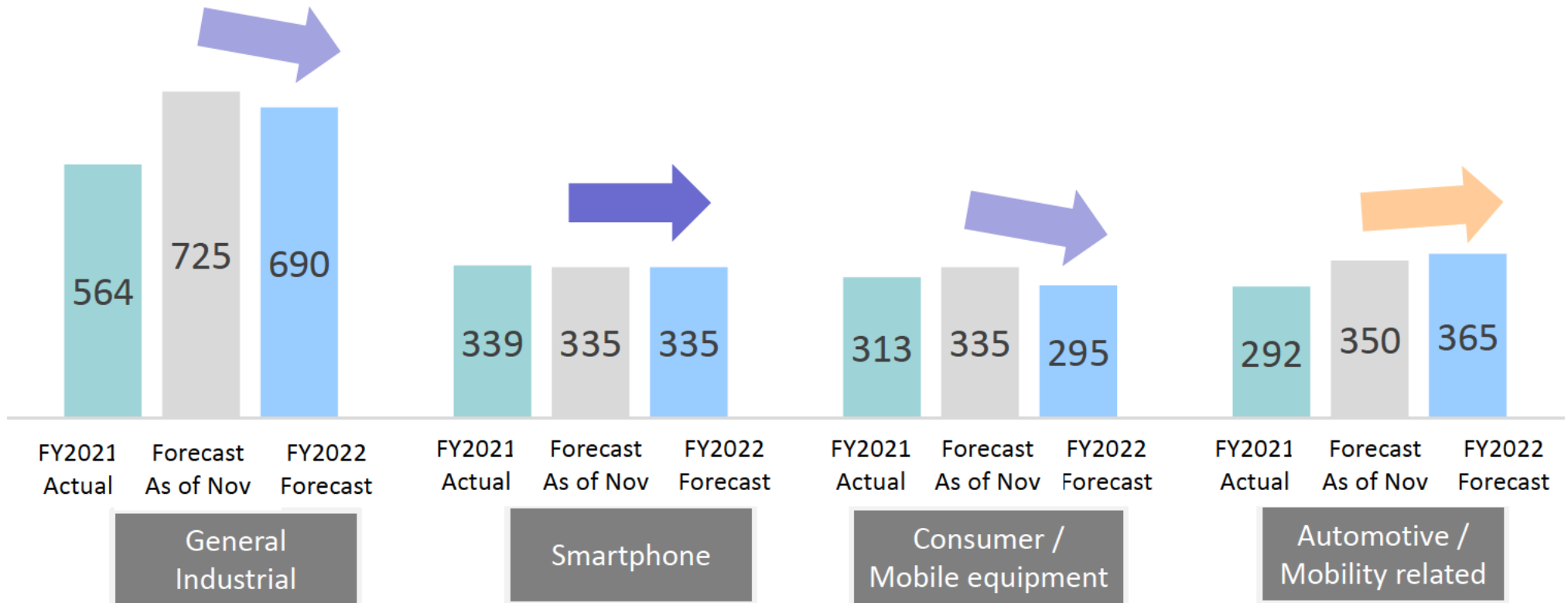
● FY2022.1Q-3Q Composition ratio

● Changes in quarterly sales



Annual sales forecast by industry segment [Updated]

(Yen in hundred millions)



FY2022 Annual growth rate	Forecast as of Nov, 2022	Updated
● General Industrial	+28%	+22%
● Smartphone	-1%	-1%
● Consumer / Mobile equipment	+7%	-6%
● Automotive / Mobility related	+19%	+25%

Revision of the financial results forecast for the fiscal year ending March 31, 2023

Following the recent business trend, we revised the forecast of financial results for FY2022 announced on November 2, 2022.

(Yen in hundred millions)

	① Nov,2022 Forecast	② Feb, 2023 Updated forecast	②-① Revised amount
Sales	1,900	1,830	-70
Operating Profit (%)	500 26.3%	470 25.7%	-30
Net Profit (%)	360 18.9%	345 18.9%	-15
Assumed annual exchange rate \$ US	140 yen	134 yen	

- After the previous announcement, the exchange rate of yen turned into strong rapidly
- The business for consumer and mobile equipment is expected to be lower than the previous estimates

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

Assumed annual exchange rate turned into strong yen than the previous estimates and business for consumer electronics is expected to be lower than the previous forecast, and we revised the forecast for FY2022 announced in November, 2022.

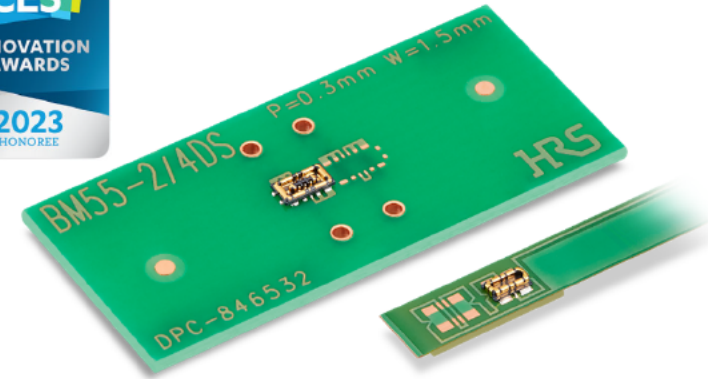
(Yen in hundred millions)	FY2021 (FY ended March 31, 2022) Actual		FY2022 (FY ending March 31, 2023)			1Q-3Q Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	1Q-3Q	For the Year	1Q-3Q Actual	2022.11 Forecast	Revised Forecast	Amount Change	%	Amount Change	%
Sales	1,220.0	1,636.7	1,421.6	1,900.0	1,830.0	+201.6	+16.5%	+193.3	+11.8%
COGS Ratio	54.1%	54.2%	50.8%	52.1%	52.2%				
Operating Profit	310.2	407.7	396.7	500.0	470.0	+86.5	+27.9%	+62.3	+15.3%
(%)	25.4%	24.9%	27.9%	26.3%	25.7%				
Profit before tax	321.7	430.8	409.8	510.0	480.0	+88.1	+27.4%	+49.2	+11.4%
(%)	26.4%	26.3%	28.8%	26.8%	26.2%				
Net Profit	237.9	314.4	292.3	360.0	345.0	+54.4	+22.9%	+30.6	+9.7%
(%)	19.5%	19.2%	20.6%	18.9%	18.9%				
Earnings Per Share	—	885.39 yen	—	1,041.17 yen	997.77 yen	1US\$	FY2021 Actual 112.38 yen	FY2022.3Q Actual 136.51 yen	FY2022 Forecast 134.00 yen
Dividend Per Share	160 yen	440 yen	220 yen	440 yen	440 yen	1€	130.56 yen	140.59 yen	139.50 yen
Consolidated Dividend Payout Ratio	—	49.7%	—	42.3%	44.1%	100 won	9.64 yen	10.35 yen	10.29 yen

Held an exhibition at CES[®] 2023 (January 5 to 8, 2023) at Las Vegas, US
“BM55” series has been selected as Innovation Awards* Honoree in the Wearable Technologies category of CES[®] Innovation Awards program.

CES: The world’s largest Tech trade show



Over 2,300 visitors observed.
 Many meetings were held and a lot of inquiries were received in the venue.



*The CES Innovation Awards are based upon descriptive materials submitted to the judges.
 CTA did not verify the accuracy of any submission or of any claims made and did not test the item to which the award was given.



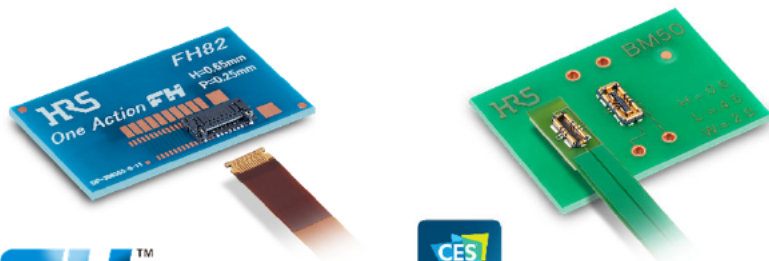
Held an exhibition at 9th WEARABLE EXPO
January 25 to 27, 2023 at Tokyo Big Sight



The exhibition where the latest wearable devices, solutions and development technologies are showcased under one roof



Hirose proposed diverse connecting solutions which is perfect for wearable devices including smart watch, wireless earphone and smart ring.

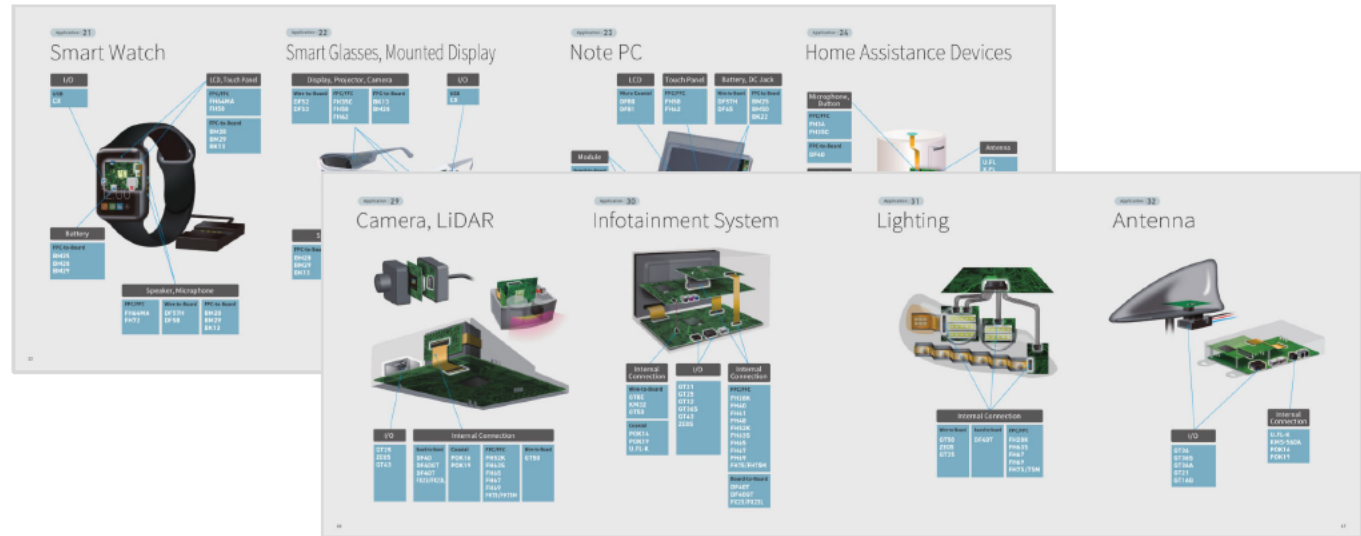


FYI: Target Application in Connector Selector, Integrated Report 2022 English version

At the begging of the product catalog revised in December, our major 32 target applications and recommend products are published. You can see our connectors have been adopted to wide range of applications.

Please refer to the E-catalog from banner placed on the top page of our website.

<https://hirose.icata.net/iportal/cv.do?c=1900970000&pg=1&v=HRE00001&d=HRED002>



We released Integrated Report 2022 English version. (on January 30, 2023)

Appendix

Sales by Industry Segments round number (quarterly basis)

(Yen in hundred millions)

	FY2021				FY2022			FY2022.3Q Composition ratio by applications
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
General Industrial	131	134	147	152	168	179	180	38%
Smartphone	72	86	93	88	75	89	95	19%
Consumer / Mobile Equipment	75	85	82	71	98	88	69	19%
Automotive / Mobility-related	73	70	72	77	86	88	96	20%
Telecommunications Infrastructure Equipment	15	15	17	15	18	16	13	3%
OA Equipment	6	6	6	5	6	6	7	1%
Total of Connector Sales	372	395	416	409	451	467	460	100%
Others	13	12	12	10	15	14	15	
Total	384	407	428	418	466	481	475	

HRS HIROSE
ELECTRIC
CO.,LTD.