

**Financial Results for the Year Ended March 31, 2023 [IFRS] (Consolidated)**

May 8, 2023

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 Regular General Meeting of Shareholders: June 23, 2023
 Scheduled date of filing of Japanese annual securities report: June 23, 2023
 Scheduled date of dividend payable: June 26, 2023
 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 Year Ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results

(Percentage represents year-on-year changes)

	Revenue		Operating profit		Profit before tax		Net profit		Profit attributable to owners of parent		Comprehensive income for the year	
		%		%		%		%		%		%
FY2022	183,224	11.9	46,751	14.7	48,591	12.8	34,648	10.2	34,648	10.2	40,974	1.4
FY2021	163,671	22.6	40,765	46.2	43,081	52.1	31,437	57.8	31,437	57.8	40,390	42.1

	Basic earnings per share	Diluted earnings per share	Profit ratio to equity attributable to owners of parent	The ratio of profit before tax to total assets	Operating profit ratio
	Yen	Yen	%	%	%
FY2022	1,002.04	1,001.87	10.0	12.2	25.5
FY2021	885.39	885.16	9.4	11.3	24.9

(Reference) Share of profit (loss) of investments accounted for using the equity method:

Fiscal year ended March 31, 2023: —

Fiscal year ended March 31, 2022: —

(Yen in millions)

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of total equity attributable to owners of parent	Total equity attributable to owners of parent per share
				%	Yen
FY2022	401,357	349,853	349,853	87.2	10,160.72
FY2021	394,783	342,069	342,069	86.6	9,675.08

(Yen in millions)

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
FY2022	45,648	6,403	(34,171)	88,029
FY2021	44,323	(10,875)	(25,249)	68,394

2. Dividends

	Annual dividends					Dividends for the year (Total)	Dividend payout ratio (consolidated)	Ratio of total dividends to total equity attributable to owners of parent (consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Yen in millions	%	%
FY2021	—	160.00	—	280.00	440.00	15,560	49.7	4.7
FY2022	—	220.00	—	280.00	500.00	17,218	49.9	5.0
FY2023 (Forecast)	—	250.00	—	250.00	500.00		46.5	

3. Forecast of Consolidated Business Performance for the Year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(Yen in millions)

(Percentage represents year-on-year changes in full year, quarter to quarter changes in quarter period)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
		%		%		%		%	Yen
2nd quarter end (cumulative total)	91,000	(3.9)	22,000	(19.0)	23,000	(21.4)	17,000	(17.6)	493.79
Fiscal year end	190,000	3.7	47,000	0.5	49,000	0.8	37,000	6.8	1,074.71

*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 March 31, 2023: 37,227,089 As of March 31, 2022: 38,175,942

2. Number of treasury shares at the end of the period:

As of March 31, 2023: 2,799,173 As of March 31, 2022: 2,820,207

3. Weighted-average number of shares outstanding during the period:

Year ended March 31, 2023: 34,577,231

Year ended March 31, 2022: 35,505,928

*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 (4) 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 Tuesday, May 9, 2023 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 Year Ended 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

In the fiscal year ended March 31, 2023, Japanese economic activities are beginning to normalize by ease of the movement restriction for controlling COVID-19 spread. On the other hand, corporate earnings are in a difficult phase due to soaring resource prices, increased raw material and logistics costs resulting from depreciation of yen,

In overseas market, the economy in Europe and the United States are trending downward due to concern of high inflations and financial instability. In China, domestic demand is recovering by ease of the zero-COVID policy, but export's growth is sluggish. The concerns about decreasing in global demands influence the economy outlook remain uncertain.

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 market and automotive market has been strong, and the revenue in the fiscal 2022 increased by 11.9% to JPY 183,224 million compared to the previous fiscal year. Operating profit increased by 14.7% to JPY 46,751 million, profit before tax increased by 12.8% to JPY 48,591 million and profit attributable to owners of parent increased by 10.2% to JPY 34,648 million as compared with the 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, 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 these 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 fiscal year ended March 31, 2023 increased by 12.4% to JPY 165,792 million, operating profit increased by 14.5% to JPY 43,253 million compared with 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 fiscal 2022 increased by 2.3% to JPY 11,696 million. Operating profit increased by 3.1% to JPY 2,891 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the fiscal 2022 increased by 19.8% to JPY 5,736 million, operating profit increased by 233.0% to JPY 607 million.

(2) Overview of Financial Condition

Total assets of FY2022 increased by JPY 6,574 million to JPY 401,357 million compared to the end of the previous fiscal year mainly because cash and cash equivalent, inventories increased. Total liabilities decreased by JPY 1,210 million to JPY 51,504 million because of the decrease in trade and other payables. Due to the increase in capital surplus, total equity increased by JPY 7,784 million to JPY 349,853 million. The ratio of total equity attributable to owners of parent resulted 87.2%, increased by 0.6% compared with the previous consolidated fiscal year end.

(3) Overview of Cash Flows

Cash and cash equivalents at the fiscal year under review increased by JPY 19,635 million to JPY 88,029 million compared to the fiscal year ended March 31, 2022.

a. Cash flows from operating activities

Cash flows from operating activities for fiscal 2022 increased by JPY 45,648 million. (In fiscal 2021, it increased by JPY 44,323 million) This increase was mainly due to a rise in capital by appropriating profit before tax, JPY 48,591 million and depreciation and amortization, JPY 16,704 million. On the other hand, there were decrease in capital because the amount of inventories increased by JPY 5,430 million and income taxes paid, JPY 13,824 million was incurred.

b. Cash flows from investing activities

Cash flows from investing activities for fiscal 2022 increased by JPY 6,403 million. (In fiscal 2021, it decreased by JPY 10,875 million.) This is mainly due to increase in capital by subtracting deposit from refund of fixed deposit, JPY 31,855 million and decrease in capital by payments for purchase of property, plant and equipment, JPY 18,509 million.

c. Cash flows from financing activities

Cash flows from financing activities for fiscal 2022 decreased by JPY 34,171 million. (In fiscal 2021, it decreased by JPY 25,249 million.) This is because of decrease in capital by purchase of treasury shares, JPY 15,891 million and dividends paid, JPY 17,473 million.

(4) Future Outlook

Regarding the outlook for the year ending March 31, 2024, it is expected that Japanese economy will recover by increasing in consumer spending and inbound demand. However, prediction of economic situation remains uncertain due to rising costs caused by high resource price and depreciation of the yen.

In overseas market, geopolitical risks including the situation of Ukraine have impact on high price of energy resources and high inflation, and it is expected that we will be under unpredictable situation for the future.

Under these circumstances, it is expected to have an impact to electronics industry which we belong. However, the demand for electronic components in consumer and automotive market has been still strong. We do not include the expected damages to global economic activities, our production activities, raw material procurement and supply chain by further expansion of COVID-19. Based on the premise mentioned above, our forecast for the consolidated financial results in the fiscal 2023 is that revenue: JPY 190,000 million (increased by 3.7% over the fiscal 2022), operating profit: JPY 47,000 million (increased by 0.5%), profit before tax: JPY 49,000 million (increased by 0.8%), profit attributable to owners of parent: JPY 37,000 million (increased by 6.8%) as of March 31, 2023.

Assumed exchange rates for fiscal 2023 are JPY 130 to the U.S. dollar, JPY 135 to the Euro, and JPY 0.1016 to the Korean won.

(5) Basic Profit Distribution Policy and Dividends for fiscal 2022 and for fiscal 2023

Regarding profit distribution, we maintain to realize the target of 50% dividend payout ratio based on the basic capital policy stated on “Notice of Capital Policy” published on May 6, 2022. To realize this, we reinforce our management base, establish the route to growth and enhance our financial structure further based on basic management policy. We also keep the stable dividend to be a company which can give a sense of securities and expectations. We will carry out the acquisition of treasury shares to increase capital efficiency.

Based on above policies, the dividends per share for the fiscal 2022 comprises year-ended dividend of JPY280 per share and annual dividend of JPY500. The dividend forecast for the year ending March 31, 2024 is expected to be an interim and year-end dividend of JPY250 per share, and as a result, annual dividend will be JPY500 per share.

Regarding the details about purchase of treasury shares in the Fiscal 2023, we will inform as soon as it is decided.

We are planning to prepare retained earnings for our research and development investment for the future technological innovation, capital investment associated with globalization and M&A to deal with changes in business environment from the medium and long term perspective.

2. Basic approach to the selection of accounting standards

Since the first quarter of the fiscal year ended March 31, 2019, Hirose group has adopted the International Financial Reporting Standards (“IFRS”) to improve international comparability of financial information in capital market and to promote global management by unifying the financial standards inside our group.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	68,394	88,029
Trade and other receivables	43,427	41,931
Inventories	21,695	27,735
Other financial assets	140,918	91,218
Other current assets	6,389	7,745
Total current assets	280,823	256,658
Non-current assets		
Property, plant and equipment	61,148	63,795
Right-of-use assets	4,909	5,277
Intangible assets	3,704	4,212
Other financial assets	38,504	63,466
Deferred tax assets	2,769	2,966
Retirement benefit asset	2,514	4,635
Other non-current assets	412	348
Total non-current assets	113,960	144,699
Total assets	394,783	401,357

(Yen in millions)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Trade and other payables	23,811	20,796
Lease liabilities	867	1,070
Other financial liabilities	142	11
Income taxes payable	8,029	8,205
Other current liabilities	6,091	7,005
Total current liabilities	38,940	37,087
Non-current liabilities		
Lease liabilities	4,101	4,409
Other financial liabilities	166	130
Retirement benefit liability	227	290
Deferred tax liabilities	8,513	8,858
Other non-current liabilities	767	730
Total non-current liabilities	13,774	14,417
Total liabilities	52,714	51,504
Equity		
Share capital	9,404	9,404
Capital surplus	11,250	11,191
Retained earnings	338,818	345,201
Treasury shares	(36,306)	(39,840)
Other components of equity	18,903	23,897
Total equity attributable to owners of parent	342,069	349,853
Total equity	342,069	349,853
Total liabilities and equity	394,783	401,357

(2) Consolidated Statement of Profit or Loss and Comprehensive Income

(Consolidated Statement of Profit or Loss)

(Yen in millions)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	163,671	183,224
Cost of sales	88,728	95,036
Gross profit	74,943	88,188
Selling, general and administrative expenses	34,153	40,920
Other income	426	581
Other expenses	451	1,098
Operating profit	40,765	46,751
Financial income	2,393	2,188
Finance costs	77	348
Profit before tax	43,081	48,591
Income tax expense	11,644	13,943
Net profit	31,437	34,648
Profit attributable to:		
Owners of parent	31,437	34,648
Earnings per share:		
Basic (yen)	885.39	1,002.04
Diluted (yen)	885.16	1,001.87

(Consolidated Statement of Comprehensive Income)

(Yen in millions)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net profit	31,437	34,648
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	117	474
Equity instruments measured at fair value through other comprehensive income	673	786
Total items that will not be reclassified to profit or loss	790	1,260
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	8,178	5,088
Debt instruments measured at fair value through other comprehensive income	(15)	(22)
Total items that may be reclassified to profit or loss	8,163	5,066
Total other comprehensive income after tax	8,953	6,326
Total comprehensive income	40,390	40,974
Total amount of comprehensive income attributable to:		
Owners of parent	40,390	40,974

(3) 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
Net profit			31,437			31,437	31,437
Other comprehensive income					8,953	8,953	8,953
Total of comprehensive income	—	—	31,437	—	8,953	40,390	40,390
Dividend of surplus			(10,010)			(10,010)	(10,010)
Purchase of treasury shares		(2)		(14,579)		(14,581)	(14,581)
Disposal of treasury shares		0		147		147	147
Share-based payment transactions		31				31	31
Transfer to retained earnings		(9)	126		(117)	—	—
Total transactions with owners	—	20	(9,884)	(14,432)	(117)	(24,413)	(24,413)
Balance as of March 31, 2022	9,404	11,250	338,818	(36,306)	18,903	342,069	342,069

	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
Net profit			34,648			34,648	34,648
Other comprehensive income					6,326	6,326	6,326
Total of comprehensive income	—	—	34,648	—	6,326	40,974	40,974
Dividend of surplus			(17,473)			(17,473)	(17,473)
Purchase of treasury shares		(1)		(15,891)		(15,891)	(15,891)
Disposal of treasury shares		(8)		129		121	121
Cancellation of treasury shares		(12,228)		12,228		—	—
Share-based payment transactions		54				54	54
Transfer to retained earnings		12,124	(10,792)		(1,332)	—	—
Total transactions with owners	—	(59)	(28,265)	(3,534)	(1,332)	(33,190)	(33,190)
Balance as of March 31, 2023	9,404	11,191	345,201	(39,840)	23,897	349,853	349,853

(4) Consolidated Statement of Cash Flows

(Yen in millions)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities:		
Profit before tax	43,081	48,591
Depreciation and amortization	16,407	16,704
Financial income	(2,393)	(2,188)
Financial costs	77	348
(Increase) decrease in trade and other receivables	(4,997)	2,840
(Increase) decrease in inventories	(3,818)	(5,430)
Increase (decrease) in trade and other payables	3,456	(3,386)
Others	1,427	26
Subtotal	53,240	57,505
Interest received	464	1,569
Dividends received	362	398
Income taxes paid	(9,743)	(13,824)
Cash flows from operating activities	44,323	45,648
Cash flows from investing activities		
Net (increase) decrease in time deposits	(6,549)	31,855
Proceeds from sale and redemption of investments	17,735	13,815
Purchase of investments	(7,120)	(19,495)
Purchase of property, plant and equipment	(13,855)	(18,509)
Others	(1,086)	(1,263)
Cash flows from investing activities	(10,875)	6,403
Cash flows from financing activities		
Purchase of treasury shares	(14,581)	(15,891)
Dividends paid	(10,010)	(17,473)
Repayments of lease liabilities	(836)	(927)
Others	178	120
Cash flows from financing activities	(25,249)	(34,171)
Effect of exchange rate changes on cash and cash equivalents	2,358	1,755
Increase (decrease) in cash and cash equivalents	10,557	19,635
Cash and cash equivalents at the beginning of the year	57,837	68,394
Cash and cash equivalents at the end of the year	68,394	88,029

(5) Notes on Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(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 fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Yen in millions)

	Reportable segments			Others*	Amount of consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	147,451	11,434	158,885	4,786	163,671
Total revenue	147,451	11,434	158,885	4,786	163,671
Operating profit	37,778	2,805	40,583	182	40,765
Financial income	—	—	—	—	2,393
Financial costs	—	—	—	—	77
Profit before tax	—	—	—	—	43,081
Other items					
Depreciation and amortization	15,145	929	16,074	333	16,407

*“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	40,467	58,404	21,476	43,324	163,671
Percentage of consolidated revenue (%)	24.7	35.7	13.1	26.5	100.0

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Yen in millions)

	Reportable segments			Others*	Amount of consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	165,792	11,696	177,488	5,736	183,224
Total revenue	165,792	11,696	177,488	5,736	183,224
Operating profit	43,253	2,891	46,144	607	46,751
Financial income	—	—	—	—	2,188
Financial costs	—	—	—	—	348
Profit before tax	—	—	—	—	48,591
Other items					
Depreciation and amortization	15,519	854	16,373	331	16,704

**"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	43,632	61,118	24,977	53,497	183,224
Percentage of consolidated revenue (%)	23.8	33.4	13.6	29.2	100.0

(Earnings per share)

The basis for calculating earnings per share attributable to owners of parent-basic and diluted is as follows;

(Yen in millions)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
The basis for calculating basic earnings per share		
Earnings attributable to owners of parent	31,437	34,648
Earnings not attributable to ordinary shareholders of owners of parent	—	—
Profit used for calculating basic earnings per share	31,437	34,648
Weighted average number of ordinary shares (Thousand shares)	35,506	34,577
Basic earnings per share (Yen)	885.39	1,002.04
The basis for calculating diluted earnings per share		
Profit used for calculating basic earnings per share	31,437	34,648
Profit used for calculating diluted earnings per share	31,437	34,648
Weighted average number of ordinary shares (Thousand shares)	35,506	34,577
Increased number of ordinary shares by stock acquisition right (Thousand shares)	9	6
Average number of diluted ordinary shares during the period (Thousand shares)	35,515	34,583
Diluted earnings per share (Yen)	885.16	1,001.87

(Significant subsequent events)

Not applicable