

Hirose Electric Business Results for FY2022

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May 9, 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.

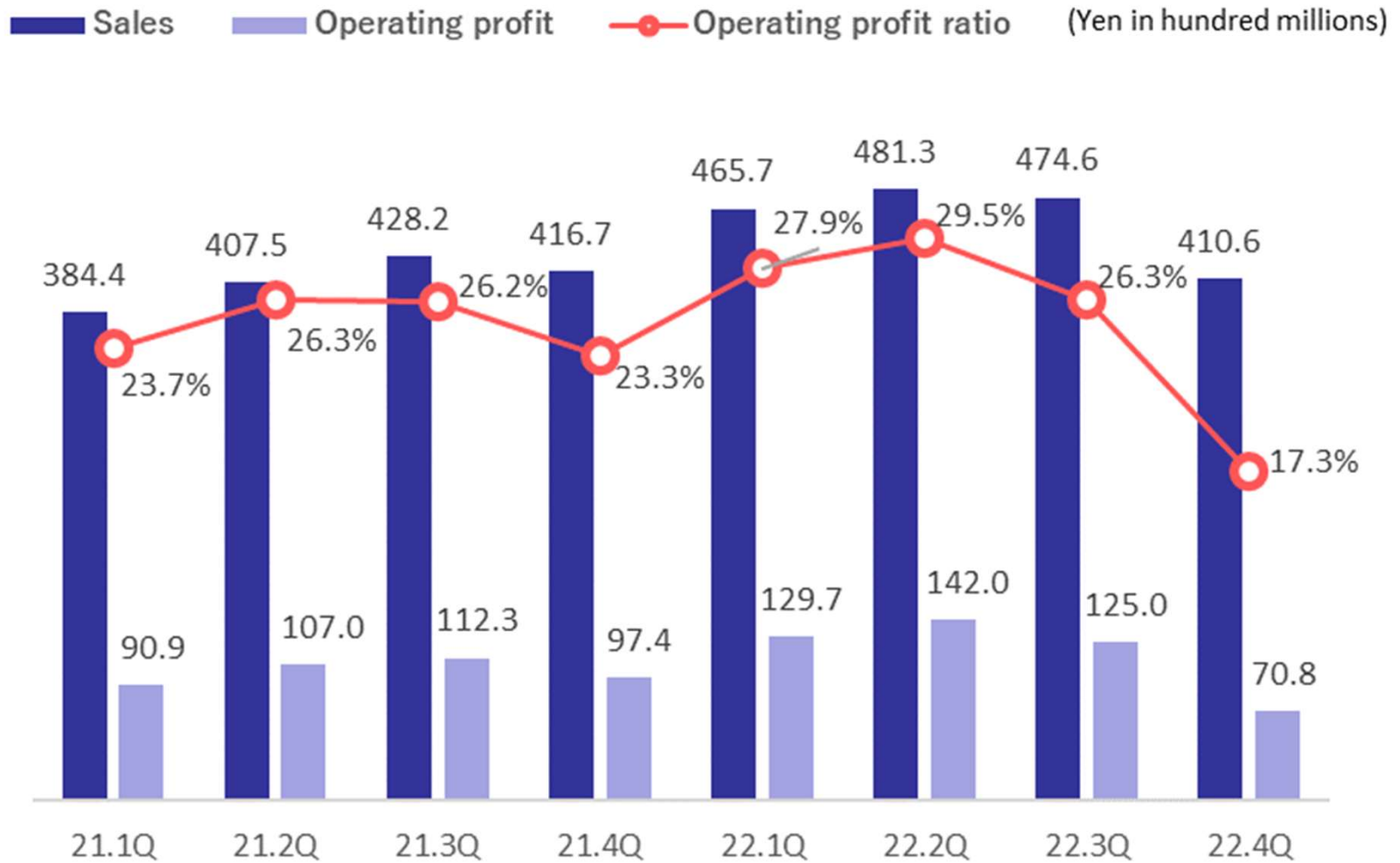
Summary of the Business Results (FY2022 from April to March, 2023)

- In FY2022, the sales for general industrial and automotive increased, and both in sales and operating profit of FY2022 hit the record high. The sales increased by 11.9%, operating profit by 14.7% compared with the previous FY. The operation profit ratio was 25.5% for the full FY. However, the order dropped especially in second half, resulted in -18.5% YoY.

(Yen in hundred millions)

	FY2021			FY2022			YoY
	1H 2021.Apr- Sep	2H 2021.Oct- 2022 Mar	FY2021 2021 Apr - 2022 Mar	1H 2022 Apr- Sep	2H 2022 Oct to 2023 Mar	FY2022 2022 Apr to 2023 Mar	FY2022/ FY2021
Orders	1,033.3	931.2	1,964.5	915.2	685.0	1,600.2	-18.5%
Sales	791.9	844.8	1,636.7	947.0	885.2	1,832.2	+11.9%
Operating profit	197.9	209.8	407.7	271.7	195.8	467.5	+14.7%
Operating profit ratio	25.0%	24.8%	24.9%	28.7%	22.1%	25.5%	+0.6pt

Changes in Sales and Operating Profit (FY2021.1Q~FY2022.4Q / Consolidated basis)



Business Results for FY2022

(Yen in hundred millions)

	FY2021 (FY ended Mar 31, 2021)	FY2022 (FY ended Mar 31, 2022)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	1,636.7	1,832.2	+195.5	11.9%
COGS Ratio	54.2%	51.9%	-2.3%	
SGA Ratio	20.9%	22.3%	+1.4%	
Operating Profit	407.7	467.5	+59.9	14.7%
(%)	24.9%	25.5%	+0.6%	
Profit before tax	430.8	485.9	+55.1	12.8%
(%)	26.3%	26.5%	+0.2%	
Net profit	314.4	346.5	+32.1	10.2%
(%)	19.2%	18.9%	-0.3%	
Total Assets	3,947.8	4,013.6		
Shareholder's Equity Ratio	86.6%	87.2%		
Earnings Per Share	885.39円	1,002.04円		

	FY2021	FY2022
1US\$	112.38 yen	135.47 yen
1 €	130.56 yen	140.97 yen
100 won	9.64 yen	10.37 yen

FY2021 to FY2022 Major Changes

(Yen in hundred millions)

Sales

195.5 hundred million yen **Increased**
(1,636.7 → 1,832.2)

Non consolidated Hirose: : + 127.3
Subsidiaries: : + 68.2

COGS Ratio

2.3pt Improved (54.2% → 51.9%)

Variable Expense Ratio : 39.8% → 38.1%
Depreciation Ratio : 8.0% → 7.3%

SGA Ratio

1.4pt Deteriorated (20.9% → 22.3%)

341.5 → 409.2 (Increased by 67.7)

Financial income / costs

4.8 hundred million yen **Deteriorated**
(+23.2 → +18.4)

Exchange Gain or Loss : + 10.6 → - 1.0
Interest received and others : + 6.5 → + 16.5

FY2022 YoY Variation Analysis

(Yen in hundred millions)

	Sales	Operating Profit	(%)	Profit before tax	(%)
FY2021 Actual	1,636.7	407.7	24.9%	430.8	26.3%
Exchange rate	188.7	104.7		94.6	
Labor cost increase		-46.0		-46.0	
Depreciation cost decrease		-0.9		-0.9	
Increase in freightage and packing expenses		-14.4		-14.4	
Increase in the product	6.8	2.7		2.7	
Others		13.7		19.1	
Total amount of changes	195.5	59.8		55.1	
FY2022 Actual	1,832.2	467.5	25.5%	485.9	26.5%

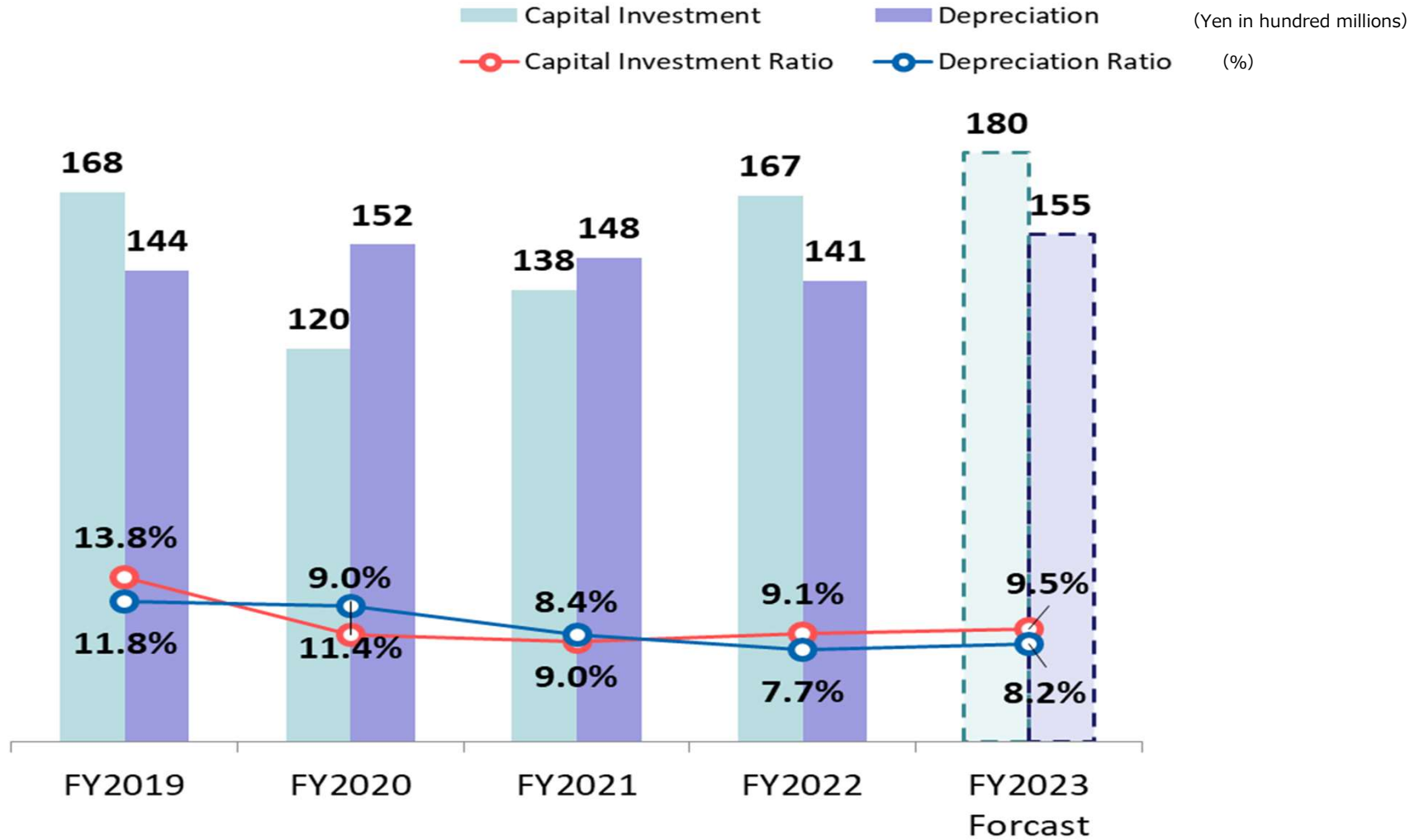
Consolidated Balance Sheet

					(Yen in hundred millions)
Account		Mar. 31, 2022	Mar. 31, 2023	Increase / Decrease	Remarks
Assets	Cash and cash equivalents	683.9	880.3	+196.4	As well as increase in operation transfer from time deposit +310 Repurchase of treasury shares -159 Dividends paid -175
	Trade and other receivables	434.3	419.3	-15.0	
	Inventories	216.9	277.3	+60.4	Products and raw materials increased to prepare for increased order backlog
	Other financial assets	1,794.2	1,546.8	-247.4	Decrease time deposit -310 Increase in securities +64
	Property, plant and equipment	611.5	638.0	+26.5	Upgraded production equipment, acquired land in Morioka, expanded Hirose Korea
	Right-of-use asset	49.1	52.8	+3.7	
	Others	157.9	199.1	+41.2	Accrued pension asset +21
	Total Assets	3,947.8	4,013.6	+65.7	
Total of cash in bank		1,967.6	1,854.0	-113.6	

Consolidated Balance Sheet

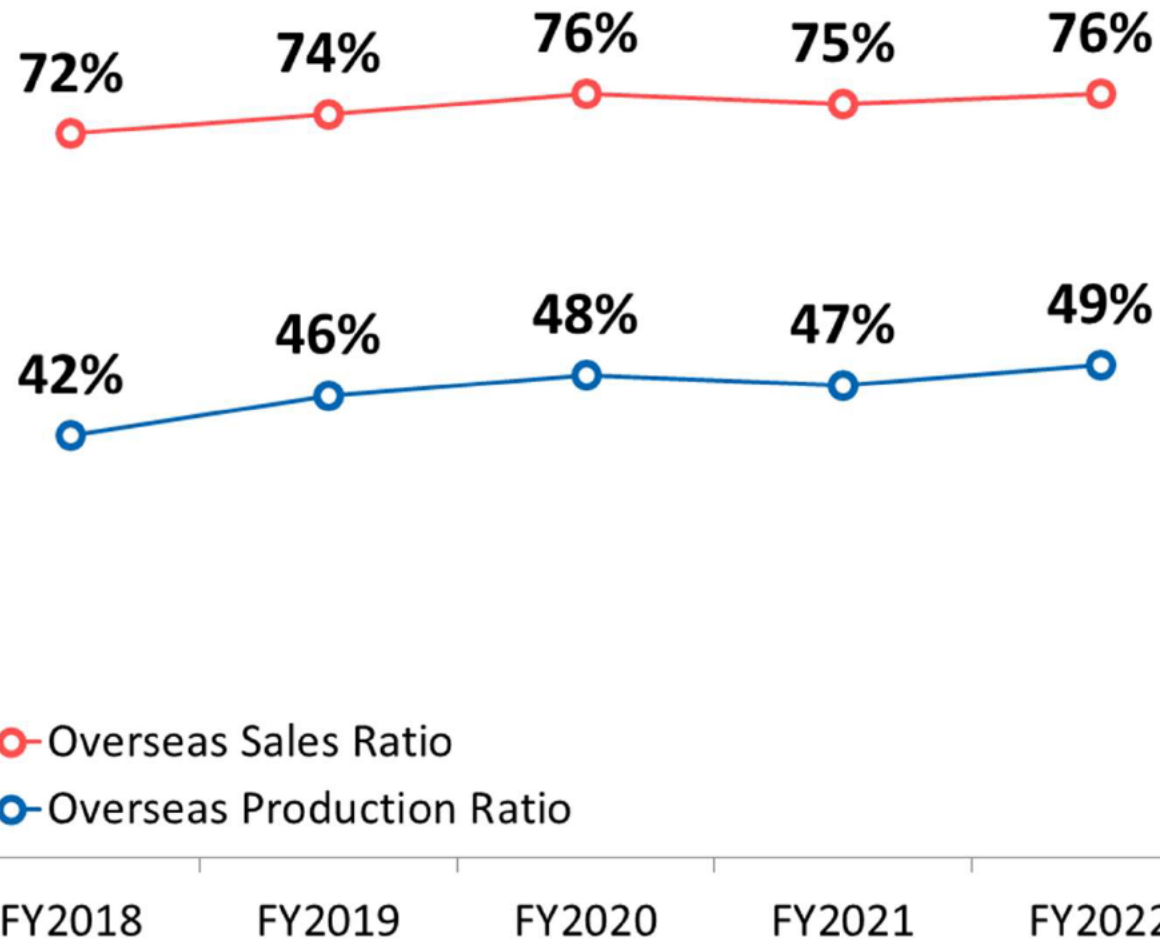
	Account	Mar. 31, 2022	Mar. 31, 2023	Increase / Decrease	Remarks
Liabilities	Payables and other debt	238.1	208.0	-30.1	Accounts payable decreased due to the recent decline in purchase
	Lease liabilities	49.7	54.8	+5.1	
	Income Taxes Payable	80.3	82.1	+1.8	
	Others	159.0	170.1	+11.1	Increase in allowance for bonus
	Total	527.1	515.0	-12.1	
Shareholder's Equity	Capital stock and Capital surplus	206.6	206.0	-0.6	
	Retained Earnings	3,388.2	3,452.0	+63.8	Net profit +346 Dividends paid - 175 Cancellation of treasury shares -122
	Treasury Shares	-363.1	-398.4	-35.3	Repurchase of treasury shares -159 Cancellation of treasury shares +122
	Others	189.0	239.0	+50.0	Translation adjustment +51
	Total	3,420.7	3,498.5	+77.8	
Total Liabilities and Shareholder's Equity		3,947.8	4,013.6	+65.7	(Yen in hundred millions)

Changes in Capital Investment and Depreciation



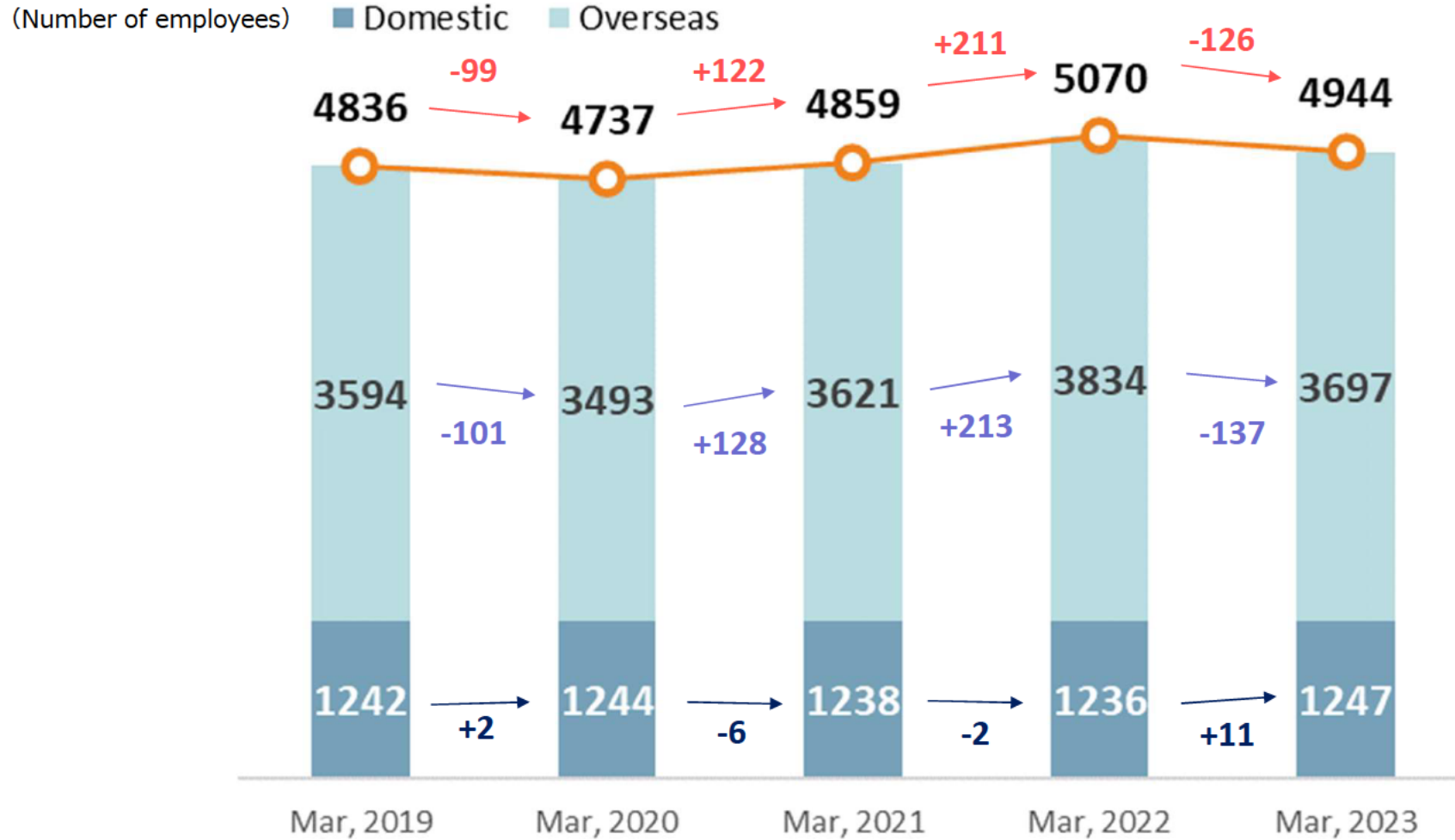
(*Excluded : Investment in land, building, software)

Overseas Production and Sales Ratio

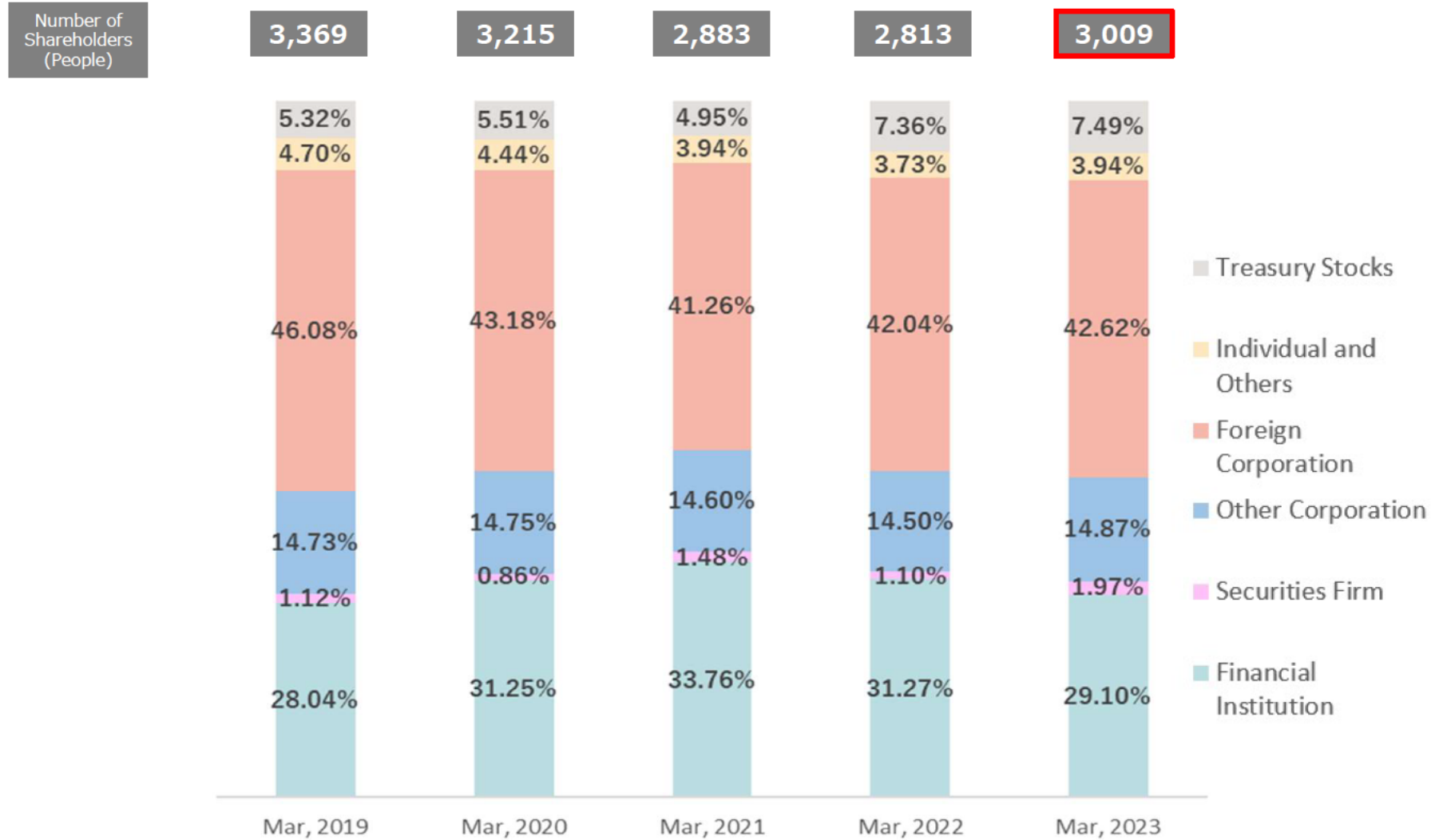


—○— Overseas Sales Ratio
—○— Overseas Production Ratio

Number of Employees (Financial Report Basis)



Distribution of Shareholders

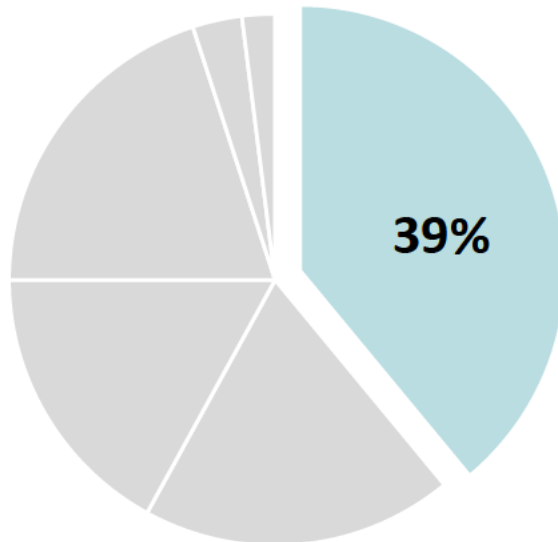


Sales by Application_General Industrial

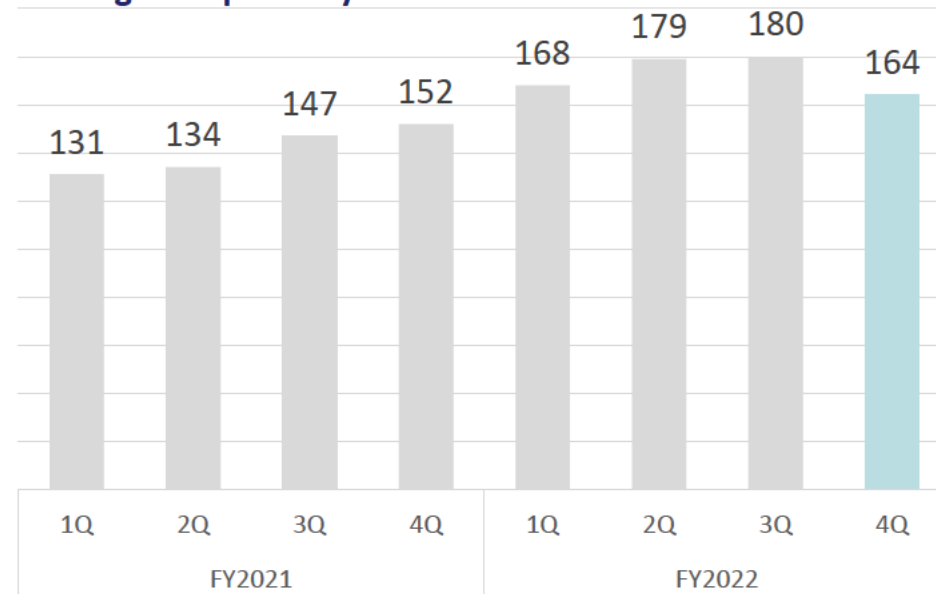
(Yen in hundred millions)

	FY2021				FY2022				YoY
	1H	3Q	4Q	FY21	1H	3Q	4Q	FY21	FY2022 / FY2021
Sales	265	147	152	564	347	180	164	691	+23%

- FY2022 Composition ratio



- Changes in quarterly sales



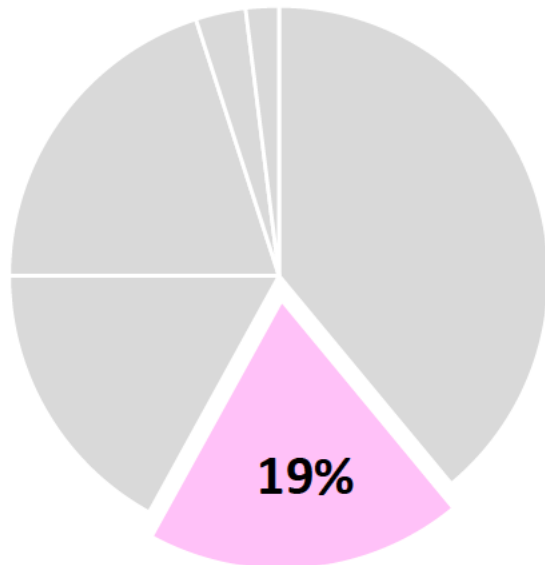
- Reflecting the weak demand, normalized the production capacity while having the order backlog. As a result, the sales in Q4 turned to be decreased.

Sales by Application_Smartphone

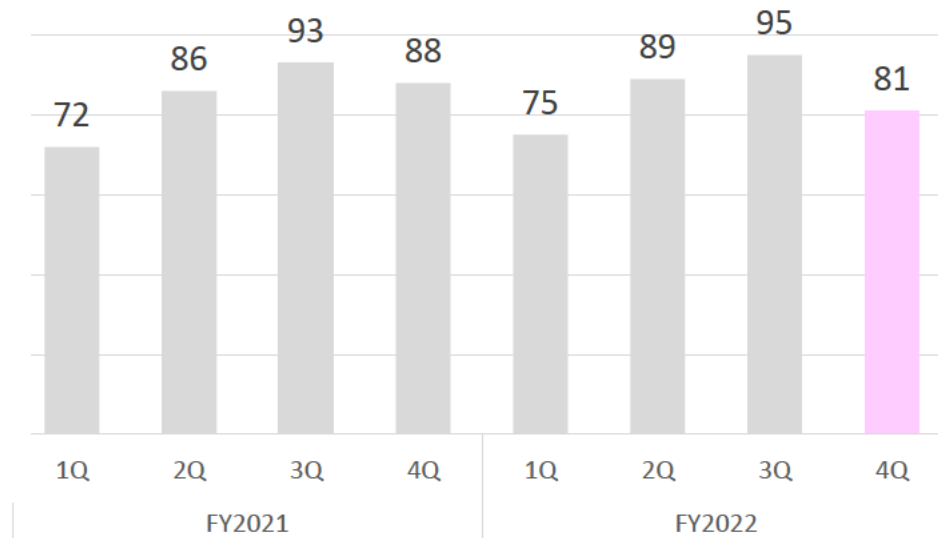
(Yen in hundred millions)

	FY2021				FY2022				YoY
	1H	3Q	4Q	FY21	1H	3Q	4Q	FY21	FY2022 / FY2021
Sales	158	93	88	339	164	95	81	340	+0%

- FY2022 Composition ratio



- Changes in quarterly sales



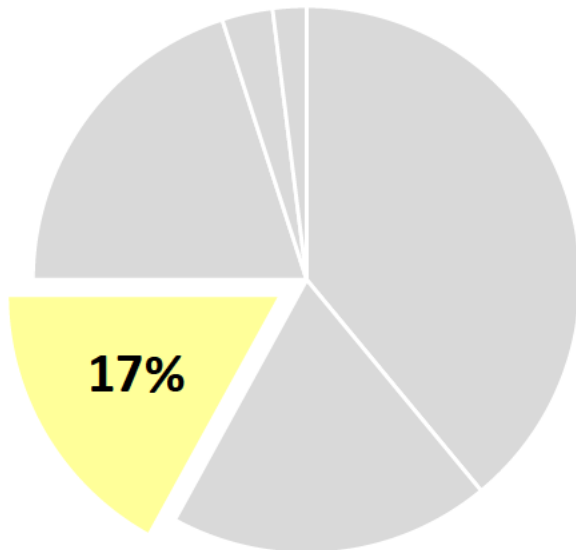
- Seasonality pushed down the sales in 4Q. Resulted in almost the same as the previous FY.

Sales by Application_Consumer/Mobile Equipment

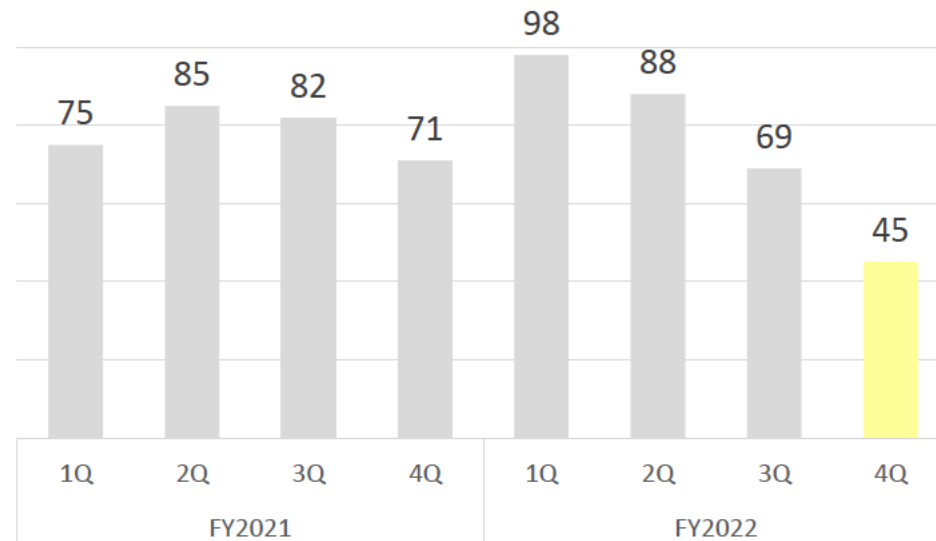
(Yen in hundred millions)

	FY2021				FY2022				YoY
	1H	3Q	4Q	FY21	1H	3Q	4Q	FY21	FY2022 / FY2021
Sales	160	82	71	313	186	69	45	300	- 4%

- FY2022 Composition ratio



- Changes in quarterly sales



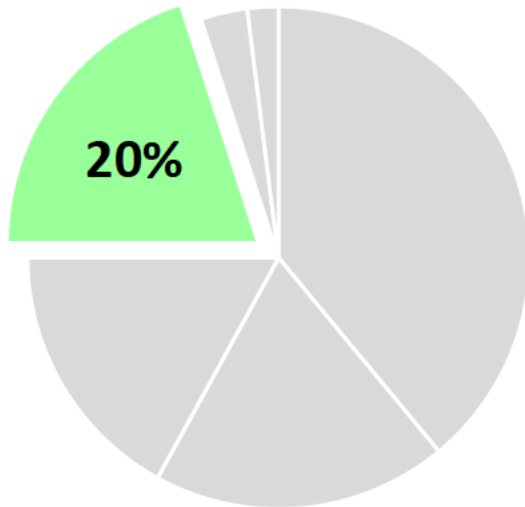
- Demand of China area taking the most share in this segment did not come back, and the sales continuously decreased in 4Q.

Sales by Application_Automotive/Mobility-related

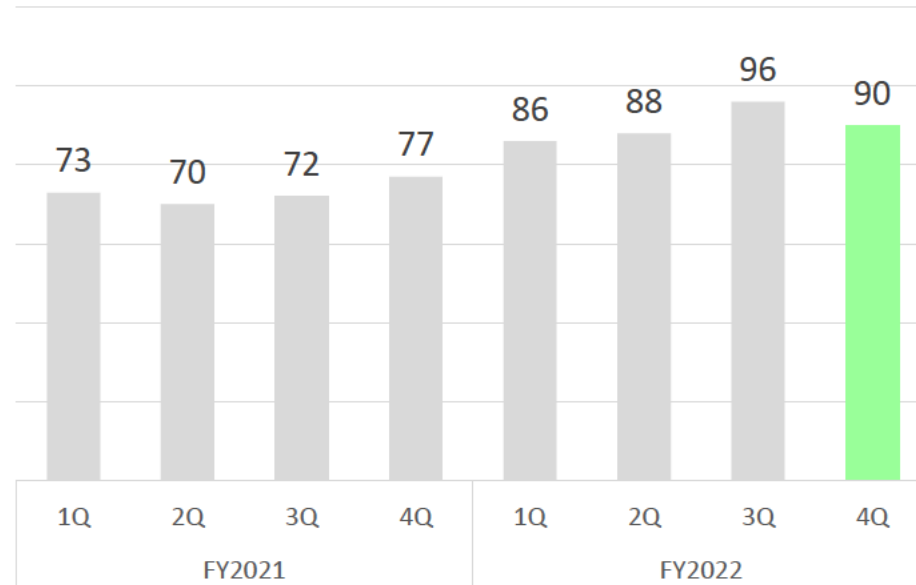
(Yen in hundred millions)

	FY2021				FY2022				YoY
	1H	3Q	4Q	FY21	1H	3Q	4Q	FY21	FY2022 / FY2021
Sales	143	72	77	292	174	96	90	360	+23%

- FY2022 Composition ratio



- Changes in quarterly sales



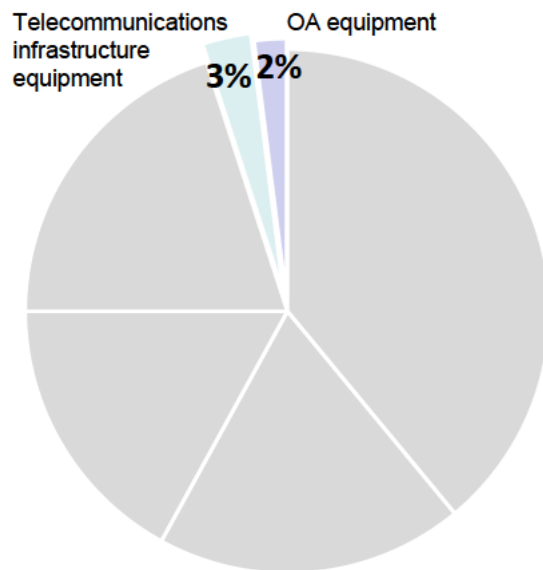
- Compared to the previous FY, the sales in FY22 trended steadily in higher level.

Sales by Application_Telecommunications infrastructure equipment / OA equipment

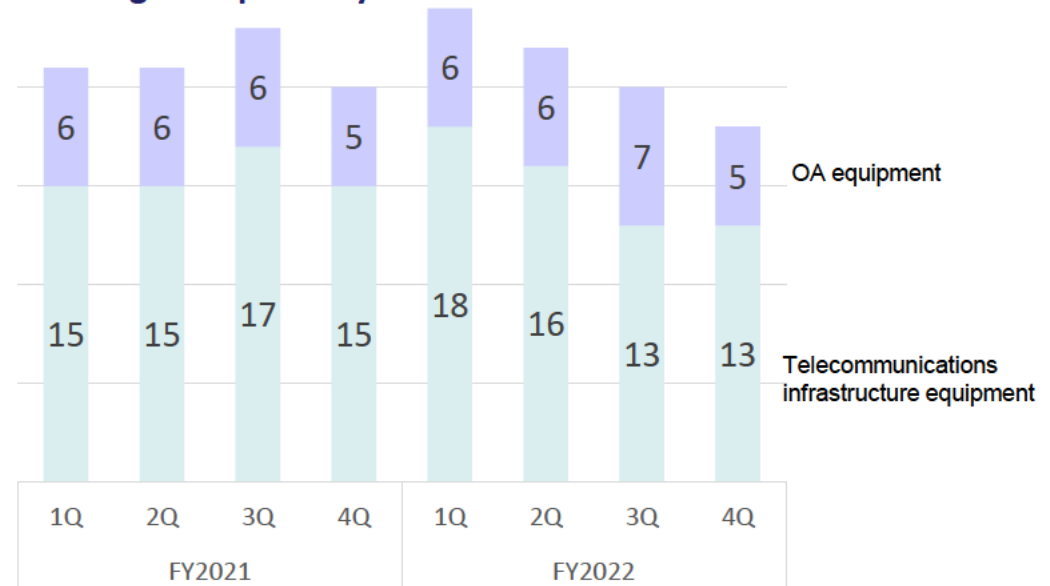
(Yen in hundred millions)

	FY2021				FY2022				YoY
	1H	3Q	4Q	FY21	1H	3Q	4Q	FY21	FY2022 / FY2021
Telecommunications infrastructure equipment	30	17	15	62	34	13	13	60	- 3%
OA equipment	12	6	5	23	12	7	5	24	+4%

● FY2022 Composition ratio



● Changes in quarterly sales



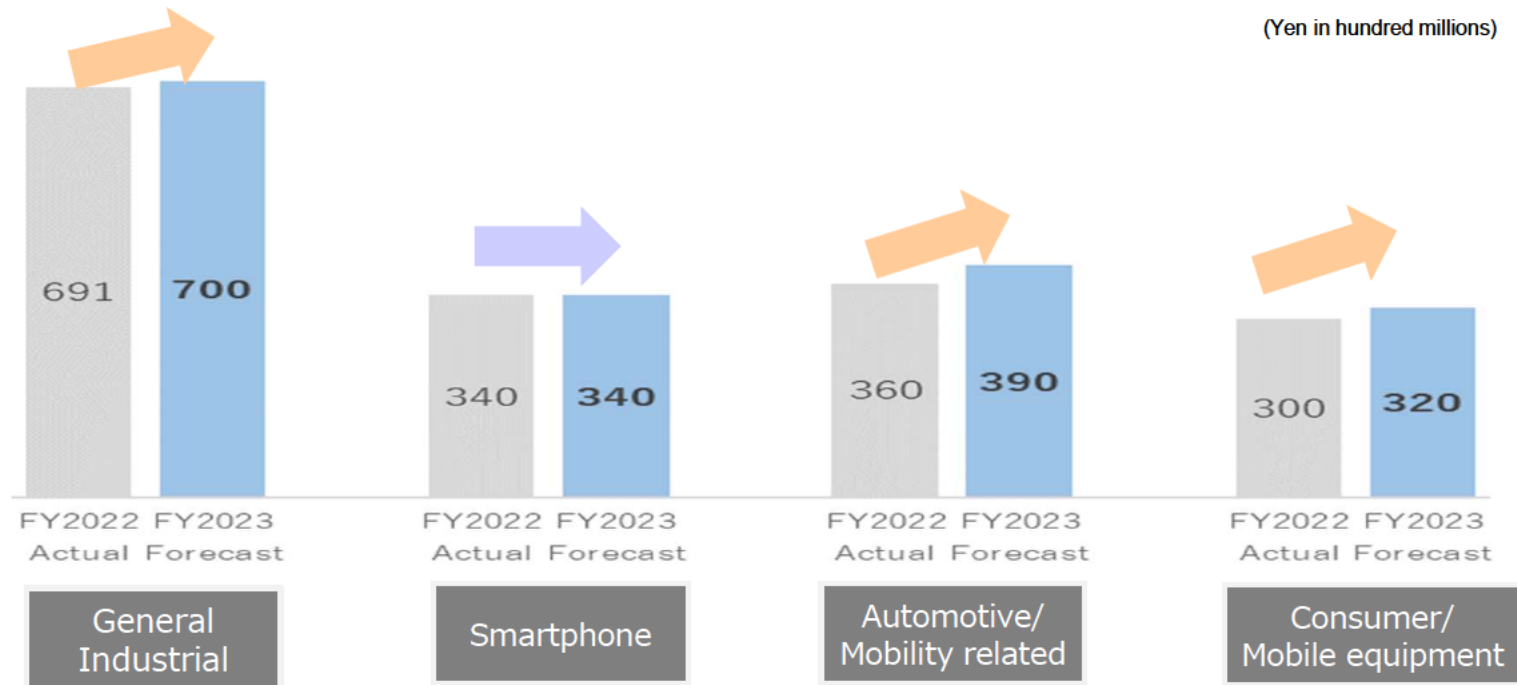
Business Forecast for the Year Ending March 31, 2024 (Consolidated)

(Yen in hundred millions)

	FY2022 (FY ended March 31, 2023) Actual		FY2023 (FY ending March 31, 2024) 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	947.0	1,832.2	910.0	1,900.0	-37.0	-3.9%	+67.8	+3.7%
COGS Ratio	50.6%	51.9%	53.8%	53.4%				
Operating Profit	271.7	467.5	220.0	470.0	-51.7	-19.0%	+2.5	+0.5%
(%)	28.7%	25.5%	24.2%	24.7%				
Profit before tax	292.5	485.9	230.0	490.0	-62.5	-21.4%	+4.1	+0.8%
(%)	30.9%	26.5%	25.3%	25.8%				
Net Profit	206.4	346.5	170.0	370.0	-36.4	-17.6%	+23.5	+6.8%
(%)	21.8%	18.9%	18.7%	19.5%				
Earnings Per Share	—	1,002.04 yen	—	1,074.71円				
Dividend Per Share	220円	500 yen	250円	500円				
Consolidated Dividend Payout Ratio	—	49.9%	—	46.5%				

	FY2022 Actual	FY2023 Forecast As of Mar, 2023
1US\$	135.47円	130.00円
1€	140.97円	135.00円
100ウォン	10.37円	10.16円

Annual Sales Forecast by Applications (round of number)



FY2023 Annual growth rate

- General Industrial + 1%
- Smartphone ± 0%
- Automotive/Mobility-related + 8%
- Consumer/Mobile equipment + 7%

Updated Capital Policy for Medium Term

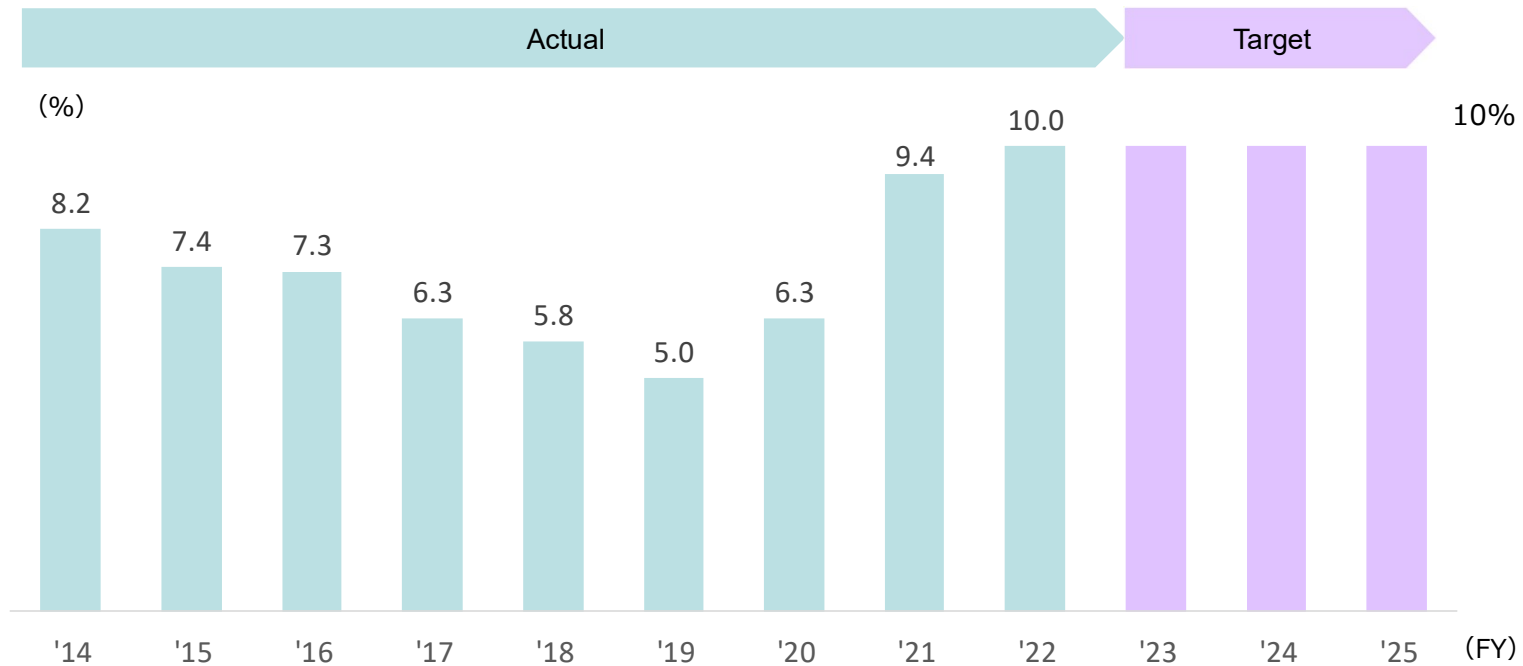
【Target from FY2022 to FY2025】

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. Our mid-term ROE target has been upgraded from 8% to 10% in FY2022, and we reached to the target as well. Will work to continuously and stably achieve the target.

ROE Actual Results and Target



Actions for Carbon Neutrality

Targets for reduction of CO₂ emissions (Scope 1 and 2)

- 60% reduction in CO₂ emissions by FY2027 relative to FY2021
- Carbon neutrality by FY2050



Actively seek to introduce renewable energy in addition to our energy conservation effort. After achieving 100% renewable energy, will continuously drive for additional power procurement.

*Renewable energy method: On-site solar panels, non-fossile certificate, I-REC certificate

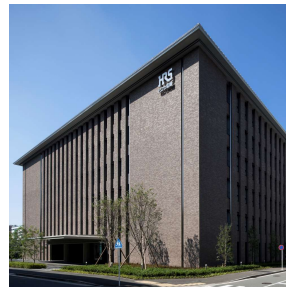
Progress of 100 % renewable energy installation

Achieved



**Ichinoseki Factory
in Iwate, JPN**

Scheduled in FY2023



**Headquarter in
Yokohama, JPN**

After FY2024



**Suzhou factory in
China**

Rolls out globally

Investment to Human capital

> Health & Productivity Management, Passing of the Philosophy

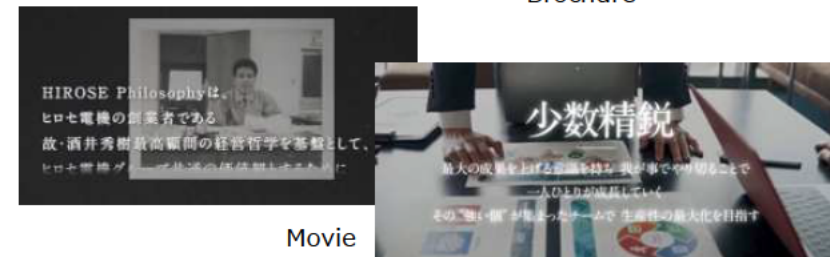
Promotion of Health and Productivity Management



Passing on & Evolution of HIROSE Philosophy



Brochure



Movie

Improves the work engagement as well as increases the employee with healthy in both mind and body.
By increasing the performance of each employee, improve the productivity and efficiency for future business performance.

Prepared Brochures, posters and movie in 7 languages for passing on and evolution.
Will roll out globally.

Appendix

Sales by Industry Segments Round Number (Quarterly Basis)

(Yen in hundred millions)

	FY2021				FY2022				FY2022 Composition ratio by applications
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
General Industrial	131	134	147	152	168	179	180	164	39%
Smartphone	72	86	93	88	75	89	95	81	19%
Consumer / Mobile Equipment	75	85	82	71	98	88	69	45	17%
Automotive / Mobility-related	73	70	72	77	86	88	96	90	20%
Telecommunications Infrastructure Equipment	15	15	17	15	18	16	13	13	3%
OA Equipment	6	6	6	5	6	6	7	5	2%
Total of Connector Sales	372	395	416	409	451	467	460	398	100%
Others	13	12	12	10	15	14	15	13	
Total	384	407	428	418	466	481	475	411	

