

Hirose Electric Business Results for the First Quarter of FY2023

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August 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 (FY2023.1Q From April, 2023 to June, 2023)

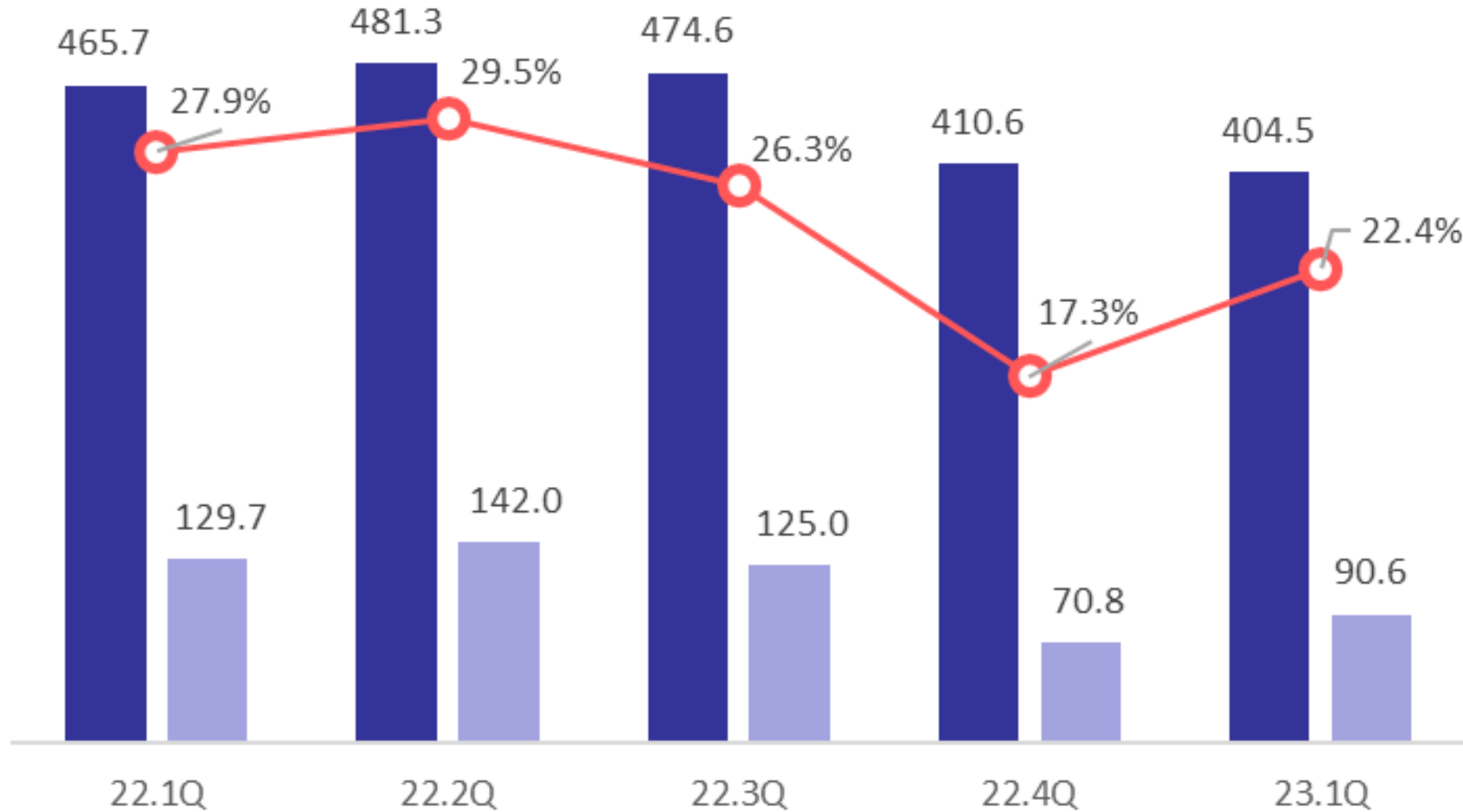
- Demand recovery of General industrial and Consumer/Mobile Equipment segments in Q1 of FY2023 was weak, and the sales was 404.5 hundred millions yen, dipped by 1.5% comparing with Q4 FY2022, which is -13.1% YoY. Operating profit was 90.6 hundred millions yen, +27.9% increase in QoQ. The orders increased by 16% comparing with Q4, FY2022, which seems to hit the bottom, but still early to foresee the full-scale recovery.

(Yen in hundred millions)

	FY2022.1Q 2022. Apr-Jun	FY2022.4Q 2023. Jan-Mar	FY2023.1Q 2023.Apr-Jun	YoY (2023.1Q/2022.1Q)	QoQ (2023.1Q/2022.4Q)
Orders	488.2	317.7	368.6	-24.5%	+16.0%
Sales	465.7	410.6	404.5	-13.1%	-1.5%
Operating profit	129.7	70.8	90.6	-30.2%	+27.9%
Operating profit ratio	27.9%	17.3%	22.4%	-5.5pt	+5.1pt

Changes in sales and operating profit (FY2022.1Q-FY2023.1Q / Consolidated basis)

■ Sales
 ■ Operating profit
 —○— Operating profit ratio
 (Yen in hundred millions)



Business Results for FY2023.1Q

(Yen in hundred millions)	FY2022.1Q (FY ended Jun 30, 2022)	FY2023.1Q (FY ended Jun 30, 2023)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	465.7	404.5	-61.2	-13.1%
COGS Ratio	51.0%	53.9%	+2.9	
SGA Ratio	21.4%	23.4%	+2.0	
Operating Profit	129.7	90.6	-39.1	-30.2%
(%)	27.9%	22.4%	-5.5	
Profit before tax	145.1	106.5	-38.5	-26.6%
(%)	31.1%	26.3%	-4.8	
Net profit	100.5	60.2	-40.3	-40.1%
(%)	21.6%	14.9%	-6.7	
Total Assets	3,899.4	4,038.6		
Shareholder's Equity Ratio	85.8%	88.3%		
Earnings Per Share	286.89 yen	174.89 yen		

	FY2022.1Q	FY2023.1Q
1US\$	129.57 yen	137.37 yen
1 €	138.12 yen	149.47 yen
100 won	10.29 yen	10.46 yen

FY2023.1Q Major Changes

(Yen in hundred millions)

Sales

61.2 hundred million yen Decreased (465.7 → 404.5)

General industrial : - 16

Consumer/ Mobile Equipment : - 42

COGS Ratio

2.9 pt Deteriorated (51.0% → 53.9%)

Depreciation Ratio: 7.1% → 8.1%

Labor Cost Ratio : 6.6% → 7.6%

SGA Ratio

2.0 pt Deteriorated (21.4% → 23.4%) 99.5 → 94.6 (Decreased by 4.9)

Financial income / costs

**0.5 hundred million yen Improved
(+15.4 → +15.9)**

Exchange Gain or Loss : +10.9 → +6.7

Interest received and others: +2.7 → +6.2

FY2023.1Q YoY Variation Analysis

(Yen in hundred millions)

	Sales	Operating Profit	(%)	Profit before tax	(%)
FY2022.1Q Actual	465.7	129.7	27.9%	145.1	31.1%
Exchange rate	16.7	11.4		5.2	
Labor cost increase		3.0		3.0	
Depreciation cost decrease		0.7		0.7	
Increase in freightage and packing expenses		5.5		5.5	
Increase in the product	-77.9	-59.7		-53.0	
Total amount of changes	-61.2	-39.1		-38.6	
FY2023.1Q Actual	404.5	90.6	22.4%	106.5	26.3%

Consolidated Balance Sheet

(Yen in hundred millions)

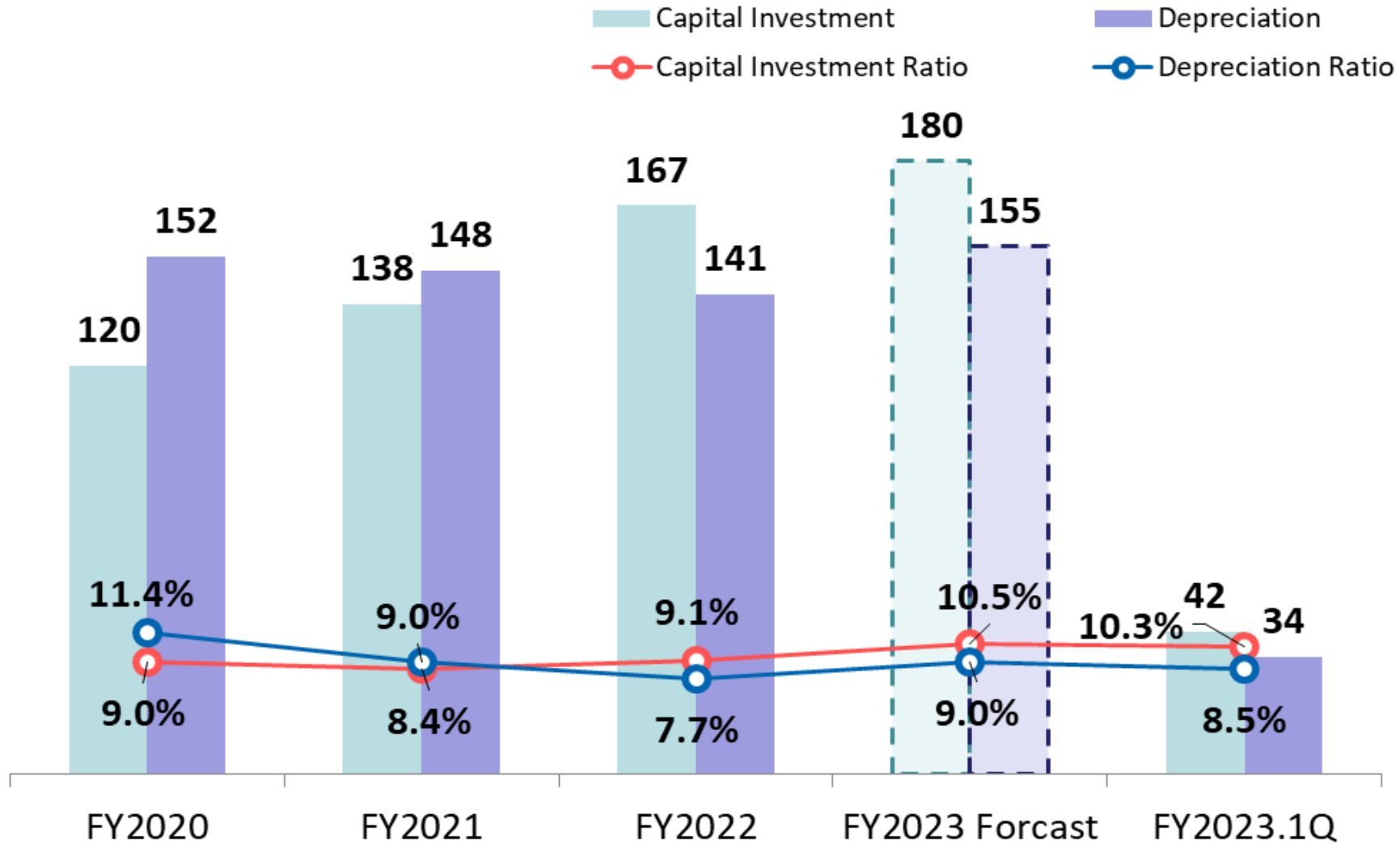
Account	Mar 31, 2023	Jun 30, 2023	Increase / Decrease	Remark	
Assets	Cash and cash equivalents	880.3	834.9	-45.4	Profit before tax +106, Consumption tax refund +41 Dividend payment - 96 Income tax paid - 64 Shortening of payment site in Japan Start money for Koriyama new factory
	Trade and other receivables	419.3	418.4	-0.9	
	Inventories	277.3	288.6	+11.3	Increased by weaker yen
	Other financial assets	1,546.8	1,560.2	+13.4	Increased by acquisition of securities and those performance etc.
	Property, plant and equipment	638.0	719.4	+81.4	Koriyama new factory, Korea factory expansion (Construction in progress)
	Right-of-use asset	52.8	54.0	+1.2	
	Others	199.1	163.1	-36.0	Consumption tax refund - 41
	Total Assets	4,013.6	4,038.6	+25.0	
Total of cash in bank	1,854.0	1,806.7	-47.3		

Consolidated Balance Sheet

	Account	Mar 31, 2023	Jun 30, 2023	Increase / Decrease	Remark
Liabilities	Payables and other debt	208.0	185.9	-22.1	Shortening of payment site in Japan
	Lease liabilities	54.8	56.2	+1.4	
	Income Taxes Payable	82.1	42.5	-39.6	Payment of corporate tax
	Others	170.1	187.5	+17.4	Increase of deferred tax liability +25, Decrease of provision for bonuses
	Total	515.0	472.1	-42.9	
Shareholder's Equity	Capital stock and Capital surplus	206.0	206.0	0.0	
	Retained Earnings	3,452.0	3,276.9	-175.1	Net profit + 60 Dividends paid - 96 Cancellation of treasury shares - 139
	Treasury Shares	-398.4	-258.7	+139.7	Cancellation of treasury shares + 139
	Others	239.0	342.4	+103.4	Translation adjustment +92
	Total	3,498.5	3,566.6	+68.1	
Total Liabilities and Shareholder's Equity		4,013.6	4,038.6	+25.0	

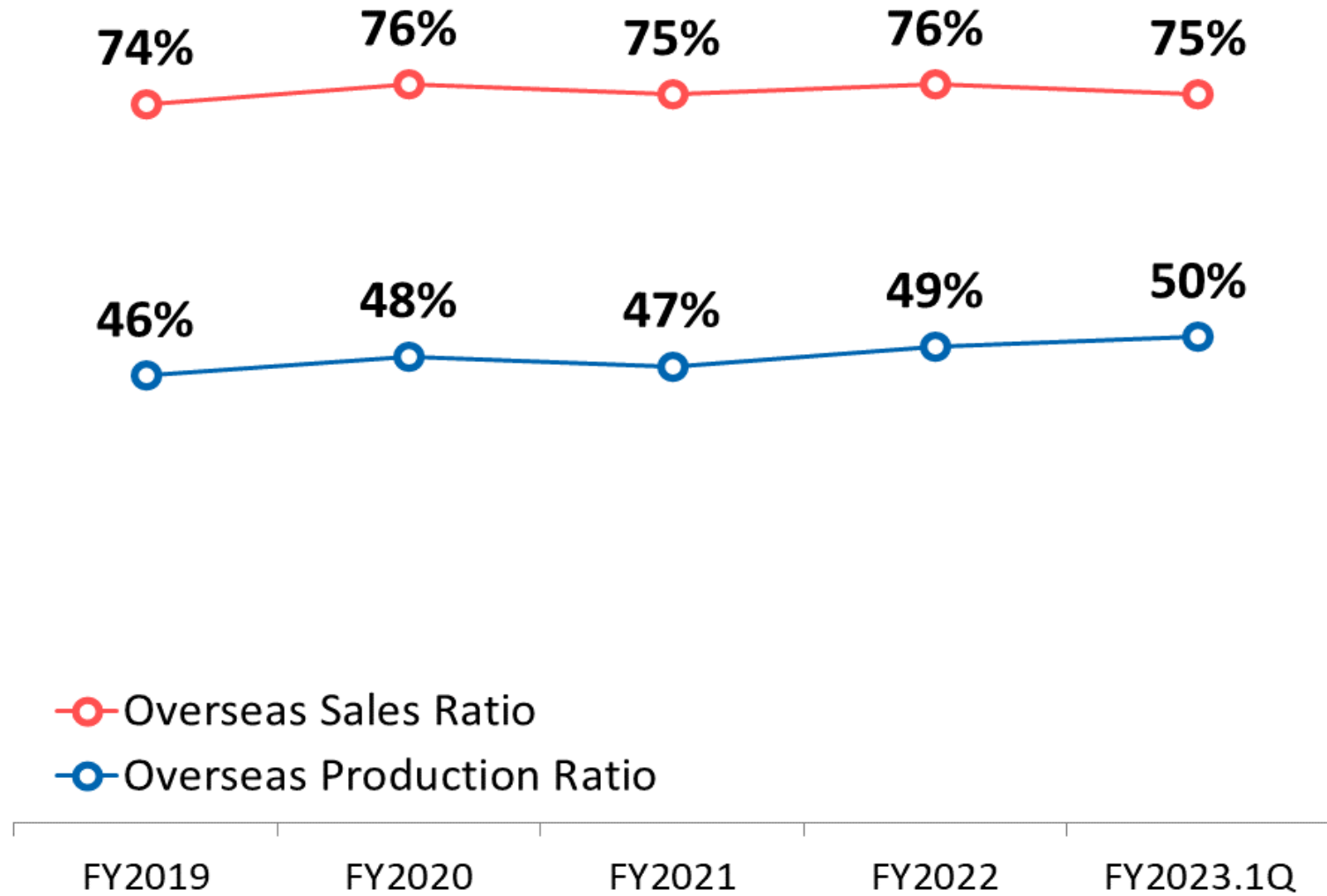
(Yen in hundred millions)

Changes in Capital Investment and Depreciation



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

Overseas Production and Sales Ratio

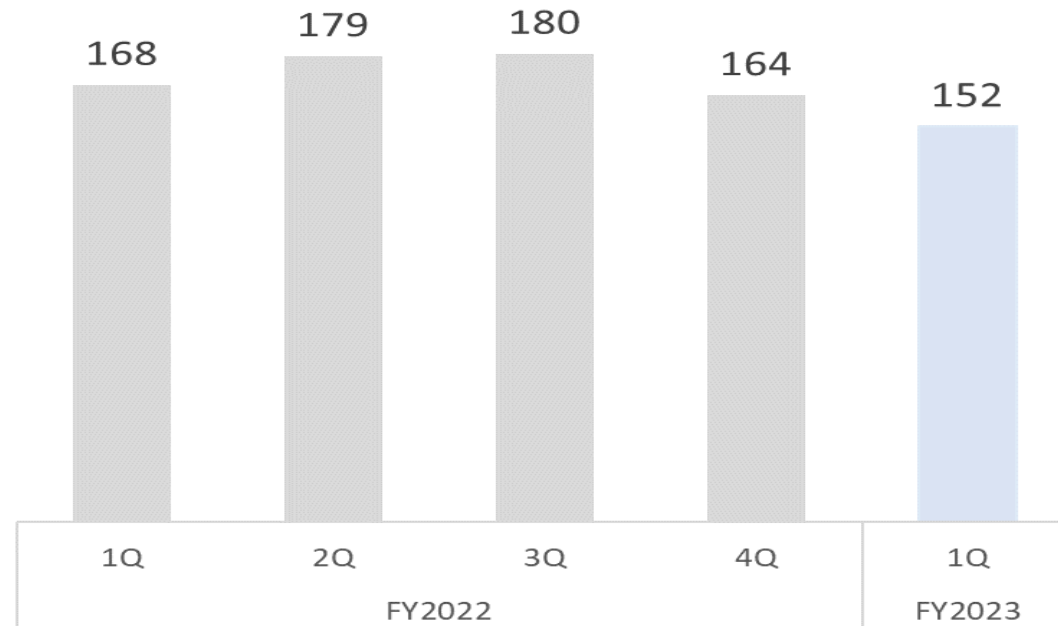
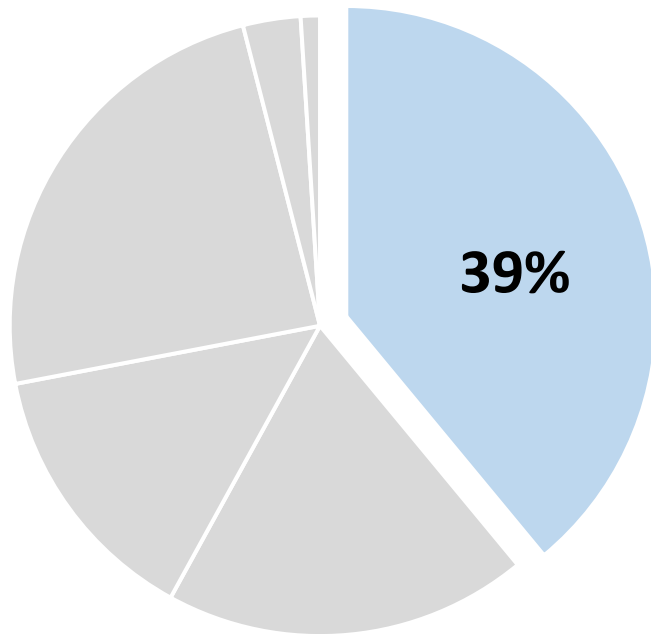


Sales by Application_General Industrial

(Yen in hundred millions)

	FY2022.1Q	FY2022.4Q	FY2023.1Q	YoY	QoQ
Sales	168	164	152	-10%	-7%

- FY2023.1Q Composition ratio
- Changes in quarterly sales



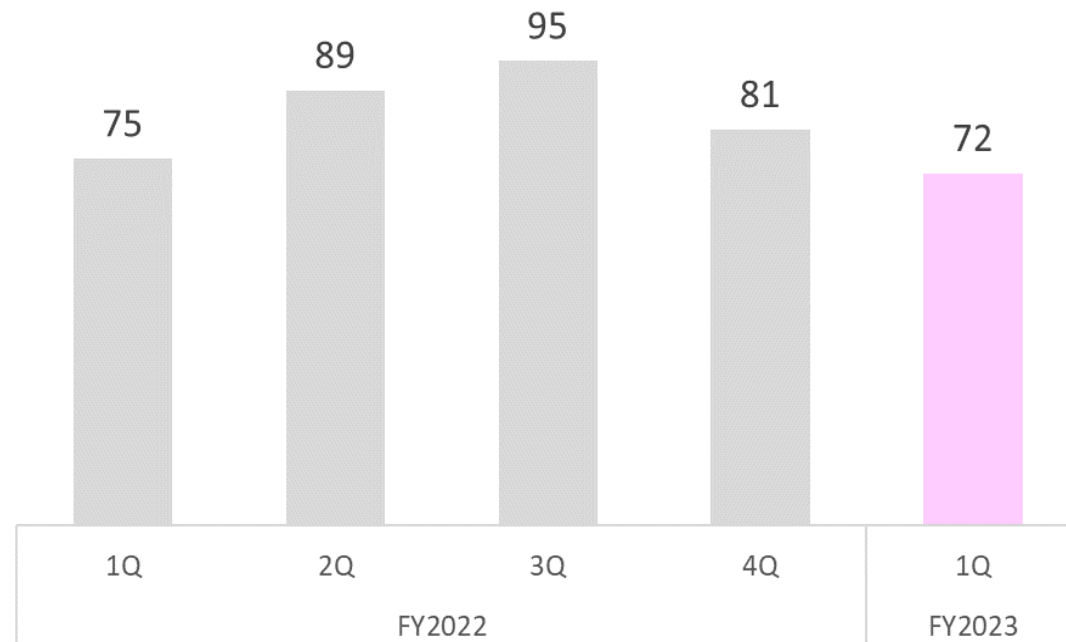
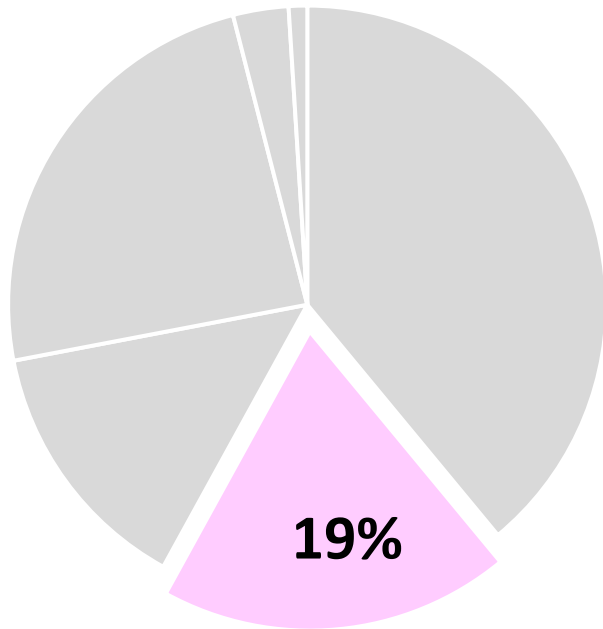
- Order backlog contributed to the sales, but the order remained weak and the total sales in 1Q decreased.

Sales by Application_Smartphone

(Yen in hundred millions)

	FY2022.1Q	FY2022.4Q	FY2023.1Q	YoY	QoQ
Sales	75	81	72	-4%	-11%

- FY2023.1Q Composition ratio
- Changes in quarterly sales



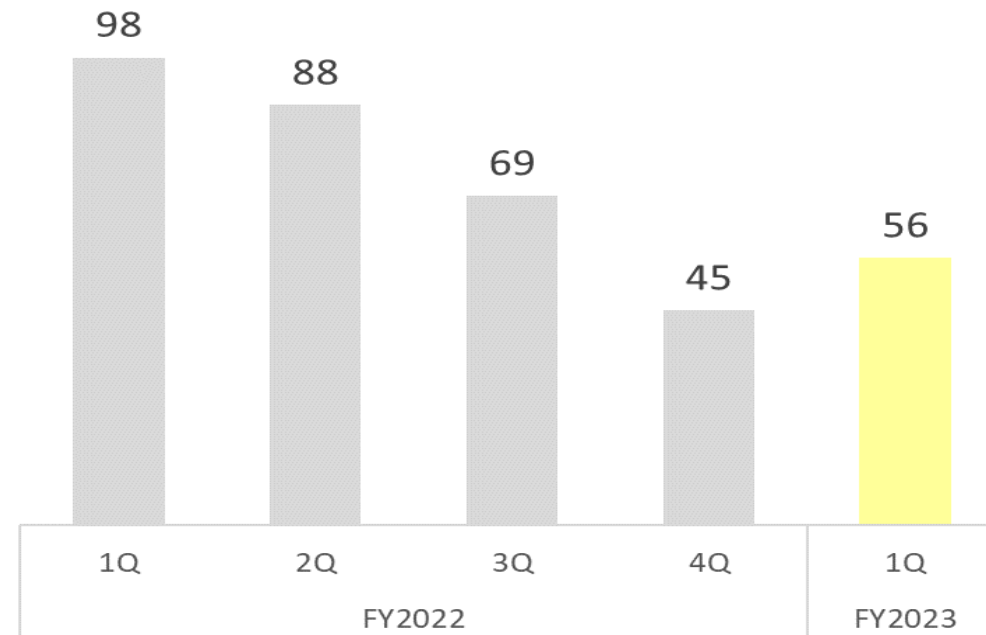
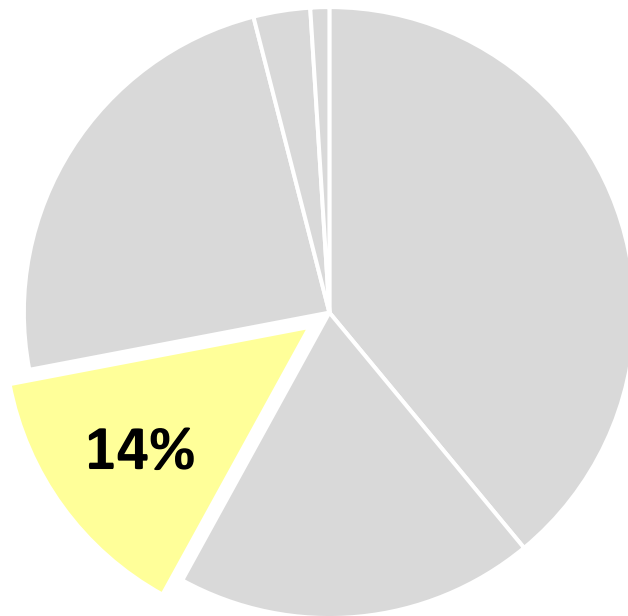
- 1Q sales tends to be low due to the seasonality. Customer environment pushed down the sales even more comparing to the 4Q in the past FY.

Sales by Application_Consumer/Mobile Equipment

(Yen in hundred millions)

	FY2022.1Q	FY2022.4Q	FY2023.1Q	YoY	QoQ
Sales	98	45	56	-43%	+24%

- FY2023.1Q Composition ratio
- Changes in quarterly sales



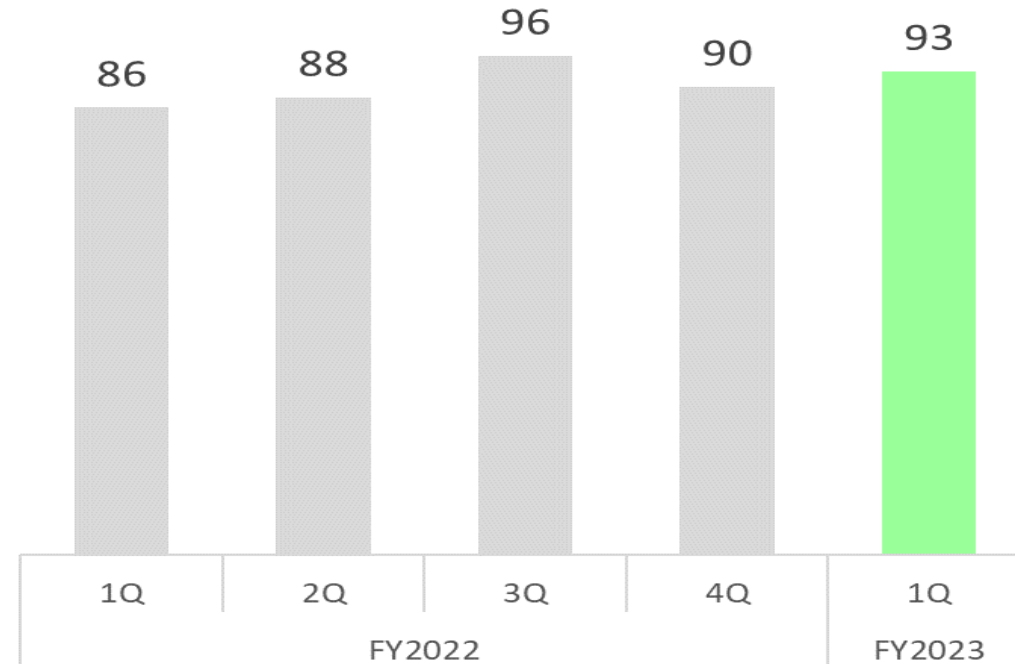
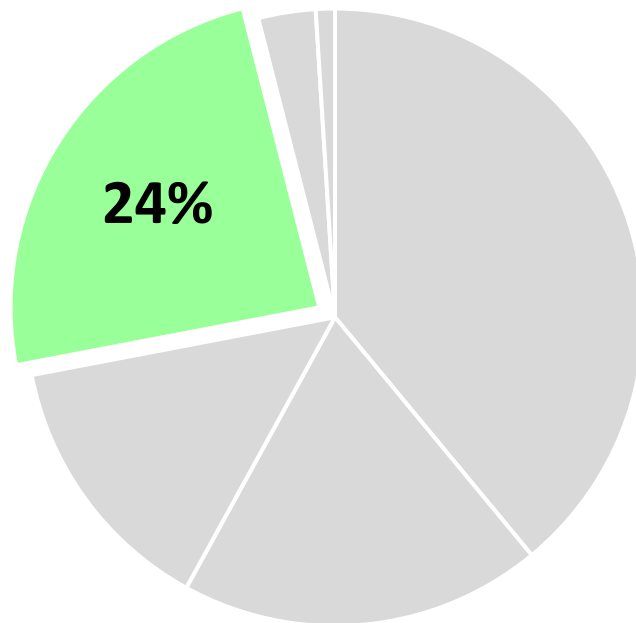
■ Demand seemed to hit the bottom but fell short of full recovery.

Sales by Application_Automotive/Mobility-related

(Yen in hundred millions)

	FY2022.1Q	FY2022.4Q	FY2023.1Q	YoY	QoQ
Sales	86	90	93	+8%	+3%

- FY2023.1Q Composition ratio
- Changes in quarterly sales



- Composition in 1Q increased to 24 % from 20 % in 4Q, FY2022.

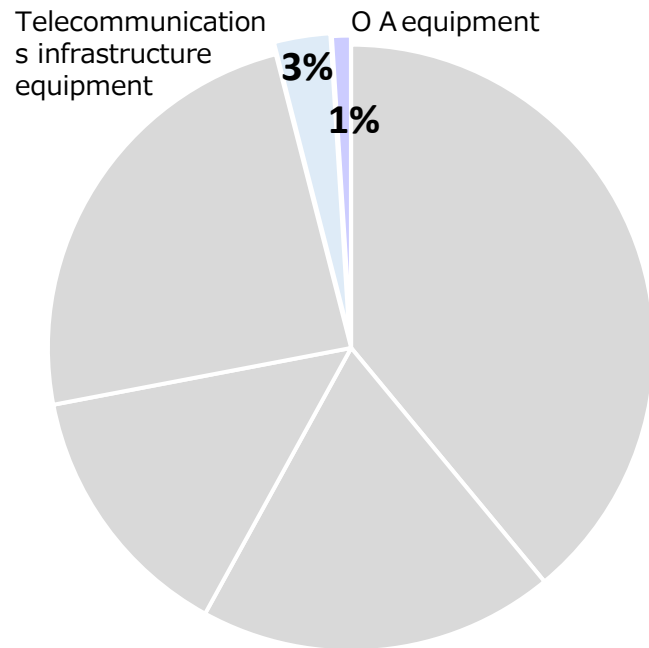
No sharp hike, but showed steady progress.

Sales by Application_ Telecommunications infrastructure equipment / OA equipment

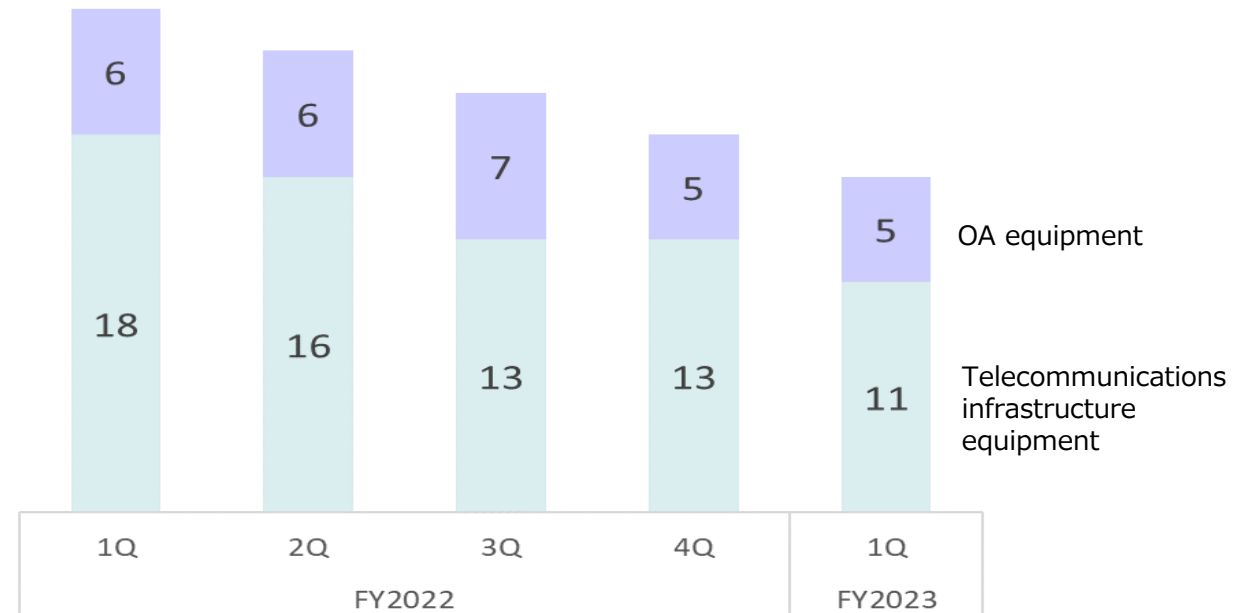
(Yen in hundred millions)

	FY2022.1Q	FY2022.4Q	FY2023.1Q	YoY	QoQ
Telecommunications infrastructure equipment	18	13	11	-39%	-15%
OA equipment	6	5	5	-17%	+0%

● FY2023.1Q Composition ratio

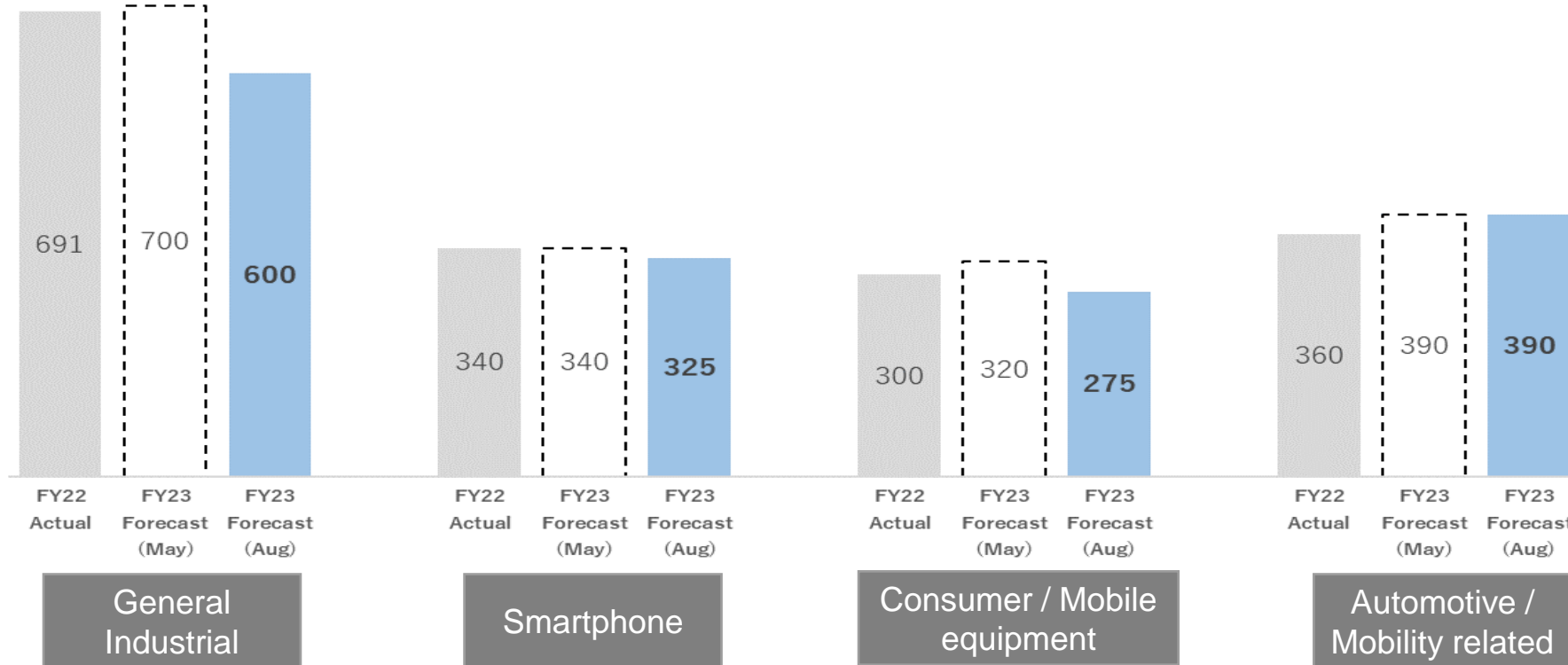


● Changes in quarterly sales



Annual sales forecast by applications [Updated]

(Yen in hundred millions)



FY2023 Annual growth rate	Forecast as of May,2023	Forecast as of Aug,2023 (Updated)
● General Industrial	+1%	-13%
● Smartphone	±0%	-4%
● Consumer / Mobile equipment	+7%	-8%
● Automotive / Mobility-related	+8%	+8%

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

Business for industrial and consumer markets is expected to be lower than the previous forecast, we revised the forecast for FY2023 in May 2023.

	FY2022 (FY ended March 31, 2023) Actual		FY2023 (FY ending March 31, 2024) Previous Forecast		FY2023 (FY ending March 31, 2024) Revised 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	First Half	For the Year	Amount Change	%	Amount Change	%
Sales	947.0	1,832.2	910.0	1,900.0	820.0	1,720.0	-127.0	-13.4%	-112.2	-6.1%
COGS Ratio	50.6%	51.9%	53.8%	53.4%	54.8%	55.2%				
Operating Profit	271.7	467.5	220.0	470.0	185.0	385.0	-86.7	-31.9%	-82.5	-17.6%
(%)	28.7%	25.5%	24.2%	24.7%	22.6%	22.4%				
Profit before tax	292.5	485.9	230.0	490.0	200.0	410.0	-92.5	-31.6%	-75.9	-15.6%
(%)	30.9%	26.5%	25.3%	25.8%	24.4%	23.8%				
Net Profit	206.4	346.5	170.0	370.0	140.0	290.0	-66.4	-32.2%	-56.5	-16.3%
(%)	21.8%	18.9%	18.7%	19.5%	17.1%	16.9%				
Earnings Per Share	594.23 yen	1,002.04 yen	493.79 yen	1,074.71 yen	406.60 yen	842.25 yen		FY2022 Actual	FY2023 Forecast	
Dividend Per Share	220 yen	500 yen	250 yen	500 yen	250 yen	500 yen	1US\$	135.47	134.20	
Consolidated Dividend Payout Ratio	—	49.9%	—	46.5%		59.4%	1 €	140.97	147.80	
							100won	10.37	10.29	

Sales by Applications round number (quarterly basis)

(Yen in hundred millions)

	FY2022				FY2023	Composition ratio by applications
	1Q	2Q	3Q	4Q	1Q	
General Industrial	168	179	180	164	152	39%
Smartphone	75	89	95	81	72	19%
Consumer / Mobile Device	98	88	69	45	56	14%
Automotive / Mobility-related	86	88	96	90	93	24%
Telecommunications Infrastructure Equipment	18	16	13	13	11	3%
OA Equipment	6	6	7	5	5	1%
Total of Connector Sales	451	467	460	398	389	100%
Others	15	14	15	13	16	
Total	466	481	475	411	405	

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