

Financial Results for the Third Quarter of the Year Ending March 31, 2024 [IFRS] (Consolidated)

February 1, 2024

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 filing of Japanese quarterly securities report: February 13, 2024

Scheduled date of dividend payable: —

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 third quarter of the Year Ending March 31, 2024 (From April 1, 2023, to December 31, 2023)

(1) Consolidated Operating Results (Cumulative)

(Percentage represents year-on-year changes)

	Revenue		Operating profit		Profit before tax		Quarterly profit		Quarterly profit attributable to owners of parent		Total amount of quarterly comprehensive income	
		%		%		%		%		%		%
FY2023 3Q	125,162	(12.0)	27,231	(31.4)	30,634	(25.3)	20,714	(29.1)	20,714	(29.1)	30,689	(13.2)
FY2022 3Q	142,165	16.5	39,667	27.9	40,984	27.4	29,230	22.9	29,230	22.9	35,373	36.4

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
FY2023.3Q	602.04	601.99
FY2022.3Q	844.14	843.99

(Yen in millions)

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
				%
FY2023.3Q	395,368	356,893	356,893	90.3
FY2022	401,357	349,853	349,853	87.2

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	220.00	—	280.00	500.00
FY2023	—	220.00	—		
FY2023 (Forecast)				220.00	440.00

(Note) Revision of previously announced dividend forecast: None.

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)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
		%		%		%		%	Yen
Fiscal year end	162,000	(11.6)	33,000	(29.4)	36,000	(25.9)	26,000	(25.0)	757.73

(Note) Revision of previously announced business forecast: Yes

*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 December 31, 2023: 36,250,438 As of March 31, 2023: 37,227,089

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

As of December 31, 2023: 2,217,936 As of March 31, 2023: 2,799,173

3. Weighted-average number of shares outstanding during the period (quarterly cumulative):

For the nine months ended December 31, 2023: 34,405,938

For the nine months ended December 31, 2022: 34,626,509

*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 (3) Future Outlook” on page 6.

(Method of obtaining supplementary materials on the financial results)

We are planning to hold a financial result briefing for institutional investors and analysts on February 2, 2024 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 the Third Quarter of the Year Ending March 31, 2024." 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

Regarding Japanese economy in the cumulative third quarter of the fiscal year ending March 31, 2024, the Japanese economy showed a recovery in personal consumption due to the normalization of the economy, and an improvement in business confidence in the service industry and automotive industry due in part to the recovery of inbound demand. However, business confidence in the manufacturing sector such as electronic and information devices weakened due to a global decline in capital investment and a drop in demand for semiconductors. In overseas market, in Europe and the United States, consumer spending remained strong, but capital investment was sluggish, and the economic outlook remained uncertain. In China, the economic outlook remains unpredictable as consumer spending, exports, and imports remain sluggish, triggered by the real estate recession.

Under this situation, Hirose group has been expanding global business mainly for smartphone market, automotive market, and industrial market. And we have been 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 the automotive business remained solid, but sales for the industrial and consumer electronics were sluggish.

The revenue in the cumulative third quarter decreased by 12.0% to JPY 125,162 million compared to the same period of the previous fiscal year. Operating profit decreased by 31.4% to JPY 27,231 million, and quarterly profit attributable to owners of parent decreased by 29.1% to JPY 20,714 million as compared with the third quarter of fiscal 2022.

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, tablet PC, 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 cumulative third quarter of the fiscal year ending March 31, 2024 decreased by 13.0% to JPY 111,900 million, operating profit decreased by 34.7% to JPY 23,995 million compared with the third quarter of the fiscal 2022.

[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 cumulative third quarter of the fiscal 2023 decreased by 0.2% to JPY 9,017 million. Operating profit increased by 8.9% to JPY 2,590 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the cumulative third quarter of the fiscal 2023 decreased by 4.5% to JPY 4,245 million, operating profit increased by 25.2% to JPY 646 million.

(2) Overview of Financial Condition

Total assets of FY2023.3Q decreased by JPY 5,989million to JPY 395,368 million compared to the end of the previous consolidated fiscal year mainly because cash and cash equivalents decreased. Total liabilities decreased by JPY 13,029 million to JPY 38,475 million due to the decrease in income taxes payables, and trade and other payables. Quarterly profit was recorded and other components of equity including translation adjustment increased. As a result, total equity increased by JPY 7,040 million to JPY 356,893 million. The ratio of total equity attributable to owners of parent resulted 90.3%, increased by 3.1% compared with the previous consolidated fiscal year end.

(3) Future Outlook

We revised its consolidated forecast for the full year of FY2023 previously announced on August 1 2023. Although the business for the automotive market remains steady, the business for the industrial equipment market and consumer market is expected to fall short our initial estimates.

(Revision of business forecast of FY2023)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Forecast previously announced (A)	172,000	38,500	41,000	29,000	842.25 yen
Revised forecast (B)	162,000	33,000	36,000	26,000	757.73 yen
Change (B-A)	(10,000)	(5,500)	(5,000)	(3,000)	—
Rate of change (%)	(5.8)	(14.3)	(12.2)	(10.3)	—
(Ref.) Results for the fiscal year ended Mar 31, 2023	183,224	46,751	48,591	34,648	1,002.04 yen

Premise for full year exchange rate: 1US\$ = JPY 142.00, 1€ = JPY 155.00, 1 South Korean won = JPY 0.1070

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	88,029	75,344
Trade and other receivables	41,931	39,237
Inventories	27,735	24,941
Other financial assets	91,218	84,680
Other current assets	7,745	8,104
Total current assets	256,658	232,306
Non-current assets		
Property, plant and equipment	63,795	78,500
Right-of-use assets	5,277	4,946
Intangible assets	4,212	4,848
Other financial assets	63,466	66,963
Deferred tax assets	2,966	3,009
Retirement benefit asset	4,635	4,451
Other non-current assets	348	345
Total non-current assets	144,699	163,062
Total assets	401,357	395,368

(Yen in millions)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Trade and other payables	20,796	11,651
Lease liabilities	1,070	1,075
Other financial liabilities	11	—
Income taxes payable	8,205	3,548
Other current liabilities	7,005	5,584
Total current liabilities	37,087	21,858
Non-current liabilities		
Lease liabilities	4,409	4,144
Other financial liabilities	130	89
Retirement benefit liability	290	294
Deferred tax liabilities	8,858	11,332
Other non-current liabilities	730	758
Total non-current liabilities	14,417	16,617
Total liabilities	51,504	38,475
Equity		
Share capital	9,404	9,404
Capital surplus	11,191	11,179
Retained earnings	345,201	334,812
Treasury shares	(39,840)	(32,374)
Other components of equity	23,897	33,872
Total equity attributable to owners of parent	349,853	356,893
Total equity	349,853	356,893
Total liabilities and equity	401,357	395,368

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

(Yen in millions)

	Nine months ended December 31, 2022 (From Apr 1, 2022 to Dec 31, 2022)	Nine months ended December 31, 2023 (From Apr 1, 2023 to Dec 31, 2023)
Revenue	142,165	125,162
Cost of sales	72,187	69,624
Gross profit	69,978	55,538
Selling, general and administrative expenses	30,505	27,627
Other income	323	289
Other expenses	129	969
Operating profit	39,667	27,231
Financial income	1,501	3,472
Finance costs	184	69
Quarterly profit before tax	40,984	30,634
Income tax expense	11,754	9,920
Quarterly profit	29,230	20,714
Quarterly profit attributable to:		
Owners of parent	29,230	20,714
Quarterly earnings per share:		
Basic earnings per share (yen)	844.14	602.04
Diluted earnings per share (yen)	843.99	601.99

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Yen in millions)

	Nine months ended December 31, 2022 (From Apr 1, 2022 to Dec 31, 2022)	Nine months ended December 31, 2023 (From Apr 1, 2023 to Dec 31, 2023)
Quarterly profit	29,230	20,714
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	275	1,164
Total items that will not be reclassified to profit or loss	275	1,164
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	5,940	8,791
Debt instruments measured at fair value through other comprehensive income	(72)	20
Total items that may be reclassified to profit or loss	5,868	8,811
Total other comprehensive income after tax	6,143	9,975
Total quarterly comprehensive income	35,373	30,689
Total amount of quarterly comprehensive income attributable to:		
Owners of parent	35,373	30,689

(3) Condensed Quarterly 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, 2022	9,404	11,250	338,818	(36,306)	18,903	342,069	342,069
Quarterly profit			29,230			29,230	29,230
Other comprehensive income					6,143	6,143	6,143
Total of quarterly comprehensive income	—	—	29,230	—	6,143	35,373	35,373
Dividend of surplus			(17,473)			(17,473)	(17,473)
Purchase of treasury shares		(1)		(15,890)		(15,890)	(15,890)
Disposal of treasury shares		(6)		101		95	95
Cancellation of treasury shares		(12,228)		12,228		—	—
Share-based payment transactions		41				41	41
Transfer to retained earnings		12,107	(11,249)		(858)	—	—
Total transactions with owners	—	(87)	(28,721)	(3,560)	(858)	(33,227)	(33,227)
Balance as of December 31, 2022	9,404	11,163	339,326	(39,866)	24,188	344,215	344,215

(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, 2023	9,404	11,191	345,201	(39,840)	23,897	349,853	349,853
Quarterly profit			20,714			20,714	20,714
Other comprehensive income					9,975	9,975	9,975
Total of quarterly comprehensive income	—	—	20,714	—	9,975	30,689	30,689
Dividend of surplus			(17,215)			(17,215)	(17,215)
Purchase of treasury shares		(0)		(6,556)		(6,557)	(6,557)
Disposal of treasury shares		(9)		97		89	89
Cancellation of treasury shares		(13,905)		13,905		—	—
Share-based payment transactions		14		20		34	34
Transfer to retained earnings		13,888	(13,888)			—	—
Total transactions with owners	—	(12)	(31,103)	7,466	—	(23,649)	(23,649)
Balance as of December 31, 2023	9,404	11,179	334,812	(32,374)	33,872	356,893	356,893

(4) Notes on Condensed Quarterly Consolidated Financial Statements

(Note regarding the going concern assumption)

Not applicable

(Note regarding the case of significant fluctuation in shareholders' equity occurs)

Hirose cancelled 976,651 treasury shares following the resolution of director's board meeting held on May 8, 2023. We also purchased 403,100 treasury shares following the resolution of director's board meeting held on November 1, 2023. As a result, in the cumulative third quarter of FY2023, treasury shares decreased by JPY 7,466 million and treasury shares at the end of the third quarter of the year ending March 2024 is JPY 32,374 million.

The amount of cancellation is reduced from other capital surplus in "capital surplus", and the amount exceeding other capital surplus is reduced from "retained earnings."

(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 cumulative third quarter of the fiscal year ended March 31, 2023 (from April 1, 2022 to December 31, 2022)

(Yen in millions)

	Reportable segments			Others *	Amount of condensed quarterly consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	128,690	9,031	137,721	4,444	142,165
Total revenue	128,690	9,031	137,721	4,444	142,165
Operating profit	36,772	2,379	39,151	516	39,667
Financial income	—	—	—	—	1,501
Financial costs	—	—	—	—	184
Quarterly profit before tax	—	—	—	—	40,984

*“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	33,362	49,472	18,798	40,533	142,165
Percentage of consolidated revenue (%)	23.5	34.8	13.2	28.5	100.0

For the cumulative third quarter of the fiscal year ending March 31, 2024 (from April 1, 2023 to December 31, 2023)

(Yen in millions)

	Reportable segments			Others*	Amount of condensed quarterly consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	111,900	9,017	120,917	4,245	125,162
Total revenue	111,900	9,017	120,917	4,245	125,162
Operating profit	23,995	2,590	26,585	646	27,231
Financial income	—	—	—	—	3,472
Financial costs	—	—	—	—	69
Quarterly profit before tax	—	—	—	—	30,634

*"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	26,679	41,831	21,431	35,221	125,162
Percentage of consolidated revenue (%)	21.3	33.4	17.1	28.2	100.0