

Hirose Electric Business Results Briefing for FY2023

## “2024” Medium and Long-term Growth Strategy

May 8, 2024

**Hirose Electric Co., Ltd.**

President

Kazunori Ishii

## 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.

# Macro Environment → Hirose's Value

## Changes in the environment for customers and applications

### Advancement of IoT/5G/AI

Electronic devices exist everywhere along with the technology evolution and **the diversification of use environment, and its usage are enlarged.**

### Consumer values being more diverse

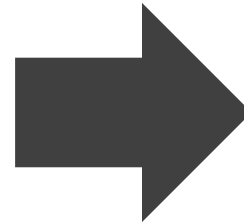
**Segmentation of product features are being progressed** such as customization to satisfy preferences and the products resolving social issues.

### Geopolitical risks increasing

Decoupling increase the complexity of supply chain, and **quality control in decentralized site and the collaboration become more difficult.**

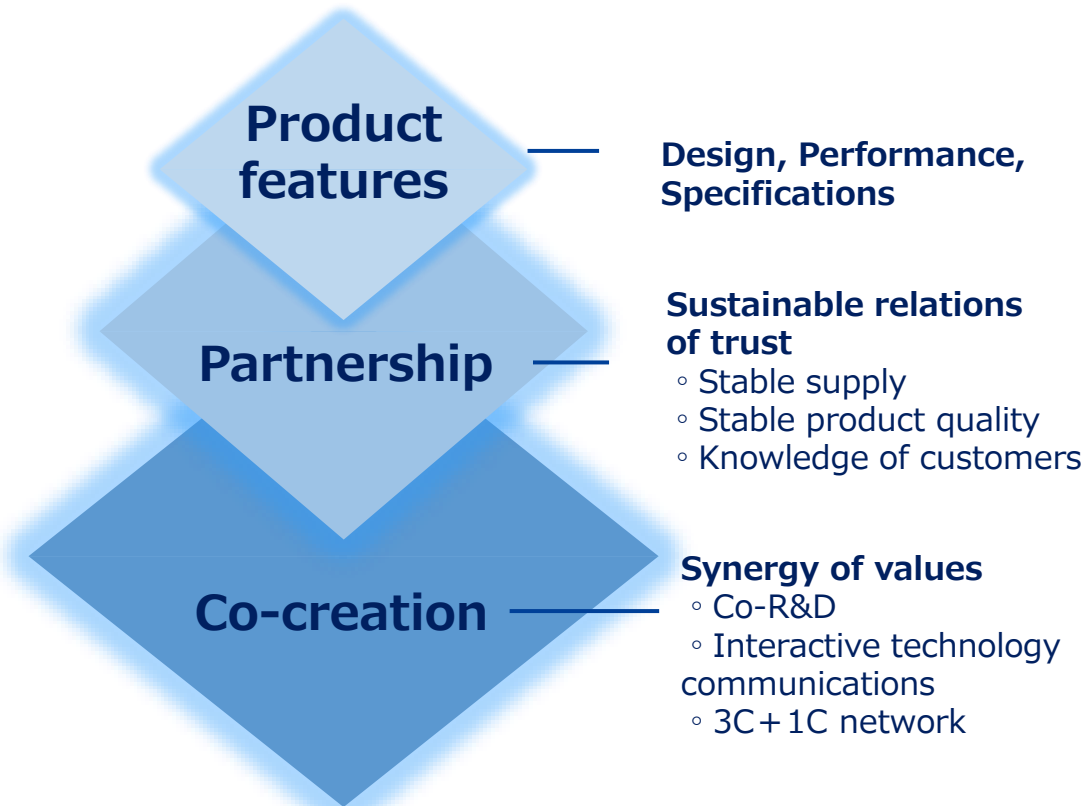
### Requirement of quality becoming severe

Electronic devices hold significant security involvement such as autonomous driving.  
**To the world of Connecting Technologies.**



## HRS : Deepening our providing values

The conventional role of connectors to connect devices and to support customer coalition are enlarged. KSFs of customers are diving to deeper field.



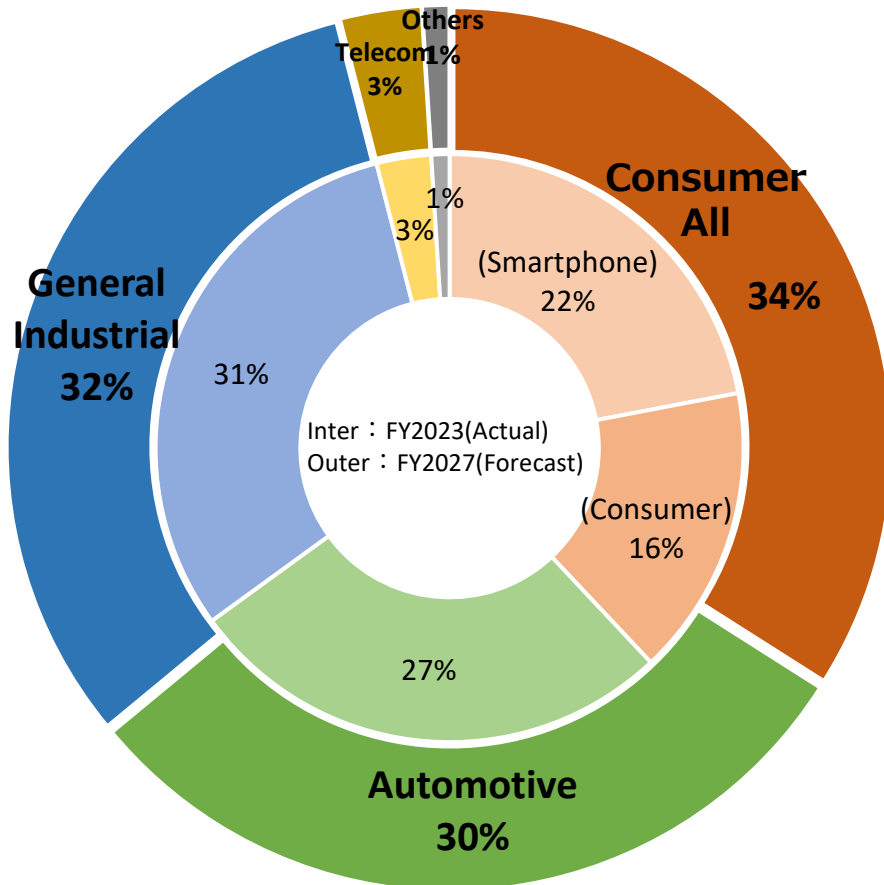
**Potential of "Connecting business" is increasing.  
HRS makes progress to meet and exceed the expectation of customers.**

# Mid-term Management Objectives

Emerge from a period of supply chain turmoil in FY2020 to 2023 and move into a new growth phase.

**Sales target in FY2027**

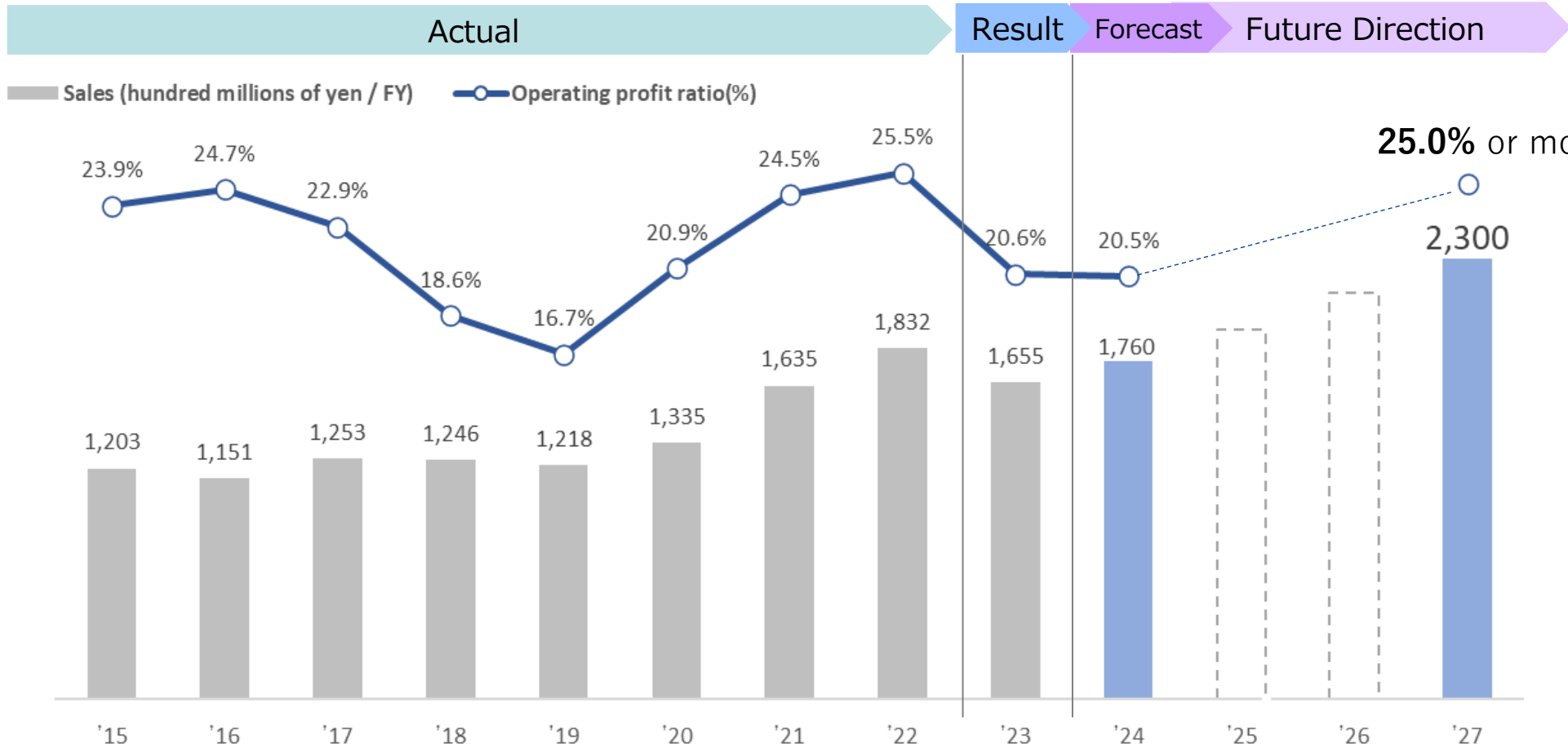
**Sales revenue : JPY 230 billions**  
**Operating Profit Margin : 25 % or more**



- **Aim for the growth above the industry average and increase our market share through the growth with quality.**
- **Establish well balanced 3 business pillars in FY2027**
  - ✓ Consumer : Stable growth with competitive products and strong customer relationship
  - ✓ Automotive : Become a mainstay of growth through our flexibility and resilience
  - ✓ General Industrial : Make a leap forward in the global market by taking advantage of cross segment knowledge and experience.
- **Explore another NEW growth driver in addition to the 3 pillars**

# HRS: Growth Image

By maintaining high profitability business and make continuous growth in medium and long-term



Bottomed out the backlash from COVID-19 bubble. Draw a new growth scenario.

# Mid-term: Whole & Segment Strategy Images



**HRS: Supports “Connection Technology” crossing each segment with [Product Appeal + Manufacturing Expertise].**

# Initiatives on the Segments and Functions (1/2)

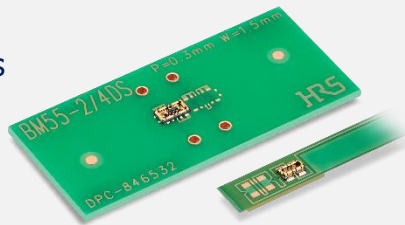
## ALL Consumer

### Maintain and Strengthen the Competitiveness

Enhancing our product and manufacturing capability as a leading company of micro connector

#### BM55 Series

- World's smallest class
- Power/signal hybrid
- Fully armored micro connector

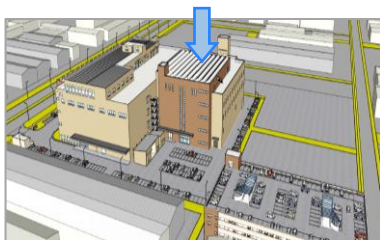


CES® 2023  
Innovation Awards Honoree

\*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.

#### Hirose Korea Expansion

Expanding Hirose Korea which is a R&D and manufacturing center for micro connector



## Automotive

### Strengthening Customer Relationship

Establish a good R&D partner relationship with car makers developing new mobility.

#### Joined KYOHOKAI

In Apr. 2024, HRS was approved to join KYOHOKAI and share the knowledge beyond the border of companies

\*KYOHOKAI: Partnership organization between Toyota and suppliers

**New Koriyama factory** Completion in Apr. 2024  
Enhances the capabilities of production engineering and production, and BCP.  
Operation starts from mid. May



## General Industrial

### Cooperation with various customers and organizations

Accelerates the cooperation with customers and organizations to provide our values in the market widely spread.

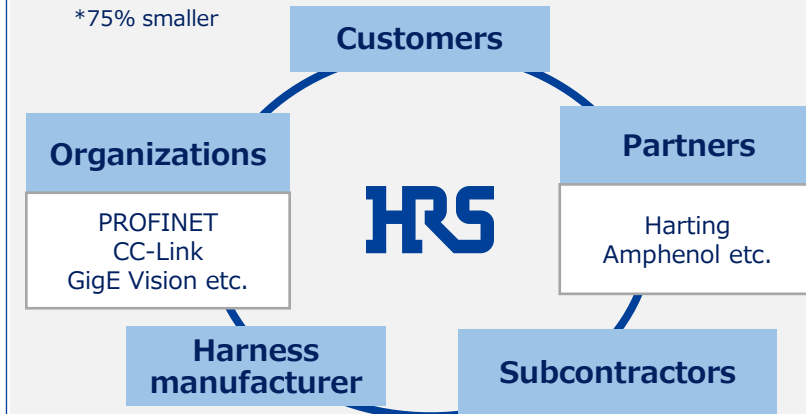
#### ix Industrial

Provides core-technology for new standardized product switching from RJ-45 used in ethernet connection

- Co-developing with the Harting group
- Expanding partners
- Downsizing and robustness



\*75% smaller



# Initiatives on the Segments and Functions (2/2)

## Enhancing the production engineering capability

“Tohoku Advanced Technology Center” (TAT Center) started in operation at Morioka-city, Iwate-prefecture from March 2024.



### Missions of TAT Center

1. Strengthen software engineering on production facilities
2. Facility development hub to target on shortening lead time
3. Provide training to be advanced production engineers and construct “Co-creation field” to learn technics with subcontractors

**Building information**  
 Site area : 6,983㎡  
 Building area : 2,092㎡  
 Building structure : Steel frame and one-story  
 Energy : Renewable energy 100%  
 (Private power generation with solar panels 40kW and purchasing)

**Creates job opportunities for professionals and contributes to the development of engineering group to challenge to the global markets.**



## <<< FY 2024 >>>

- ▶ Strengthen the competence of “**Foresight, Sensitivity and Driving force**”, recover and move forward.

### <Special Strengthening Points>

- <1> Technological development capability and product appeal  
(Proposal to design and mass production)
- <2> “Manufacturing expertise”  
(KAIZEN & manufacturing innovation)
- <3> Human capital development  
(Continued: the 1<sup>st</sup> year of deepening)

Continuous  
growth,  
evolution

- ▶ “Individuals + Team will improve their capabilities”, deepen and evolve

<<< A Small Company Connecting Wisdom >>>  
HRS Group competing on “Product appeal & Manufacturing Expertise”

# Capital Policy

## Mid-Term Basic Policy (FY2024-2027)

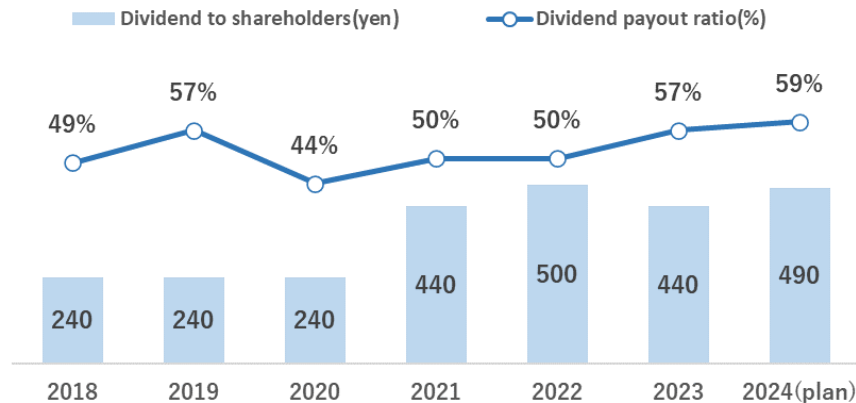
### Revised shareholder return policy

**Dividend on equity ratio (DOE) : 5%**

As Hirose Electric Group, which advocates continuous stable growth and high profits, we have adopted the dividend on equity (DOE) ratio, which is less susceptible to single-year performance, as an indicator of shareholder returns, with the aim of achieving a stable increase in dividends.

**FY2027: Aims to stably achieve 25% operating profit margin and 10% ROE**

Trends in dividend payout ratio

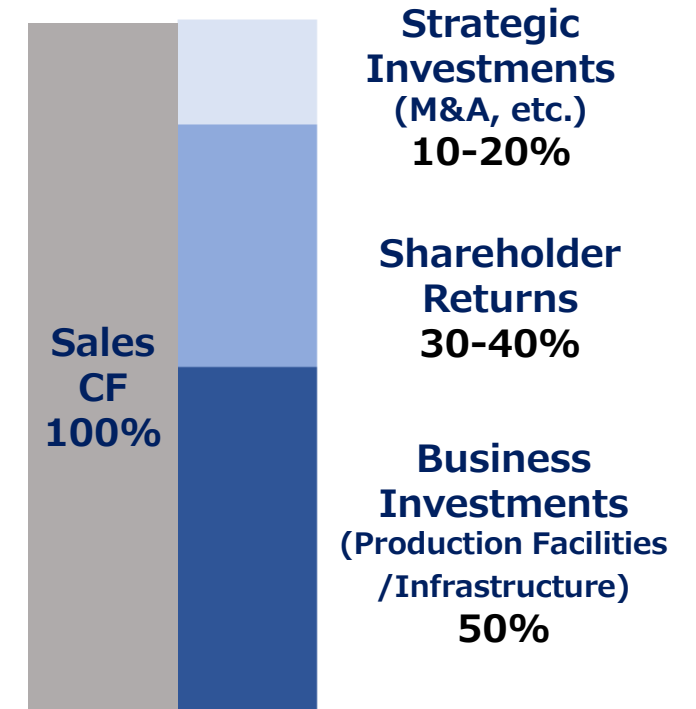


- \* This policy might be reviewed in the following cases.
- (1) Unexpected and sudden changes in the environment (conflicts, natural disasters, infectious diseases, etc.)
  - (2) When it becomes necessary to invest a large amount of M&A funds.

## Mid-Term Capital Allocation

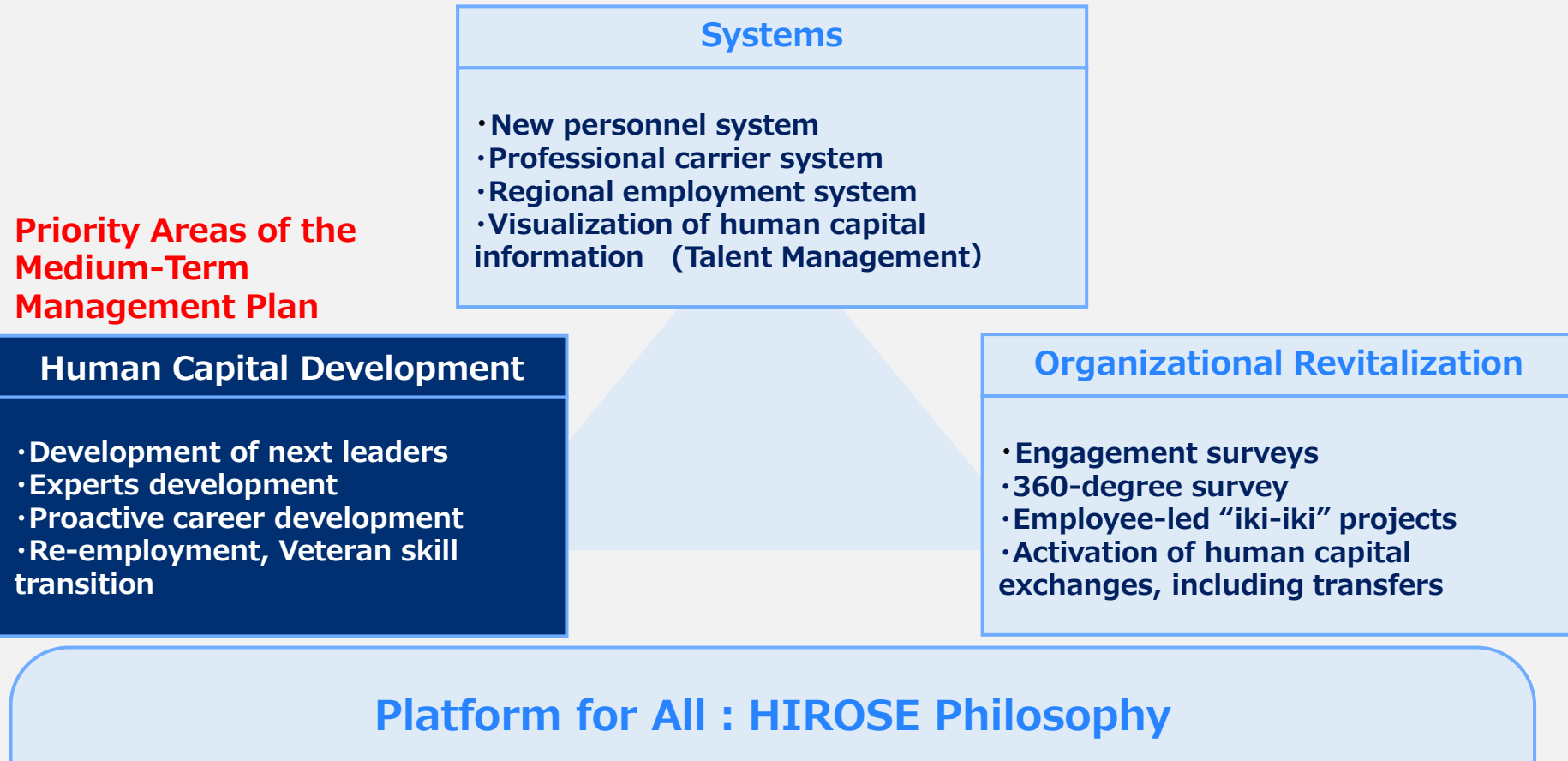
In order to develop next business pillar in addition to existing three pillars, we plan to make strategic investments outside of existing businesses. We will allocate the capital according to the investment scale.

### FY2024-2027 Cumulative Image



# Strengthening Human Capital Development

## HRS's Perspective on Human Capital Development



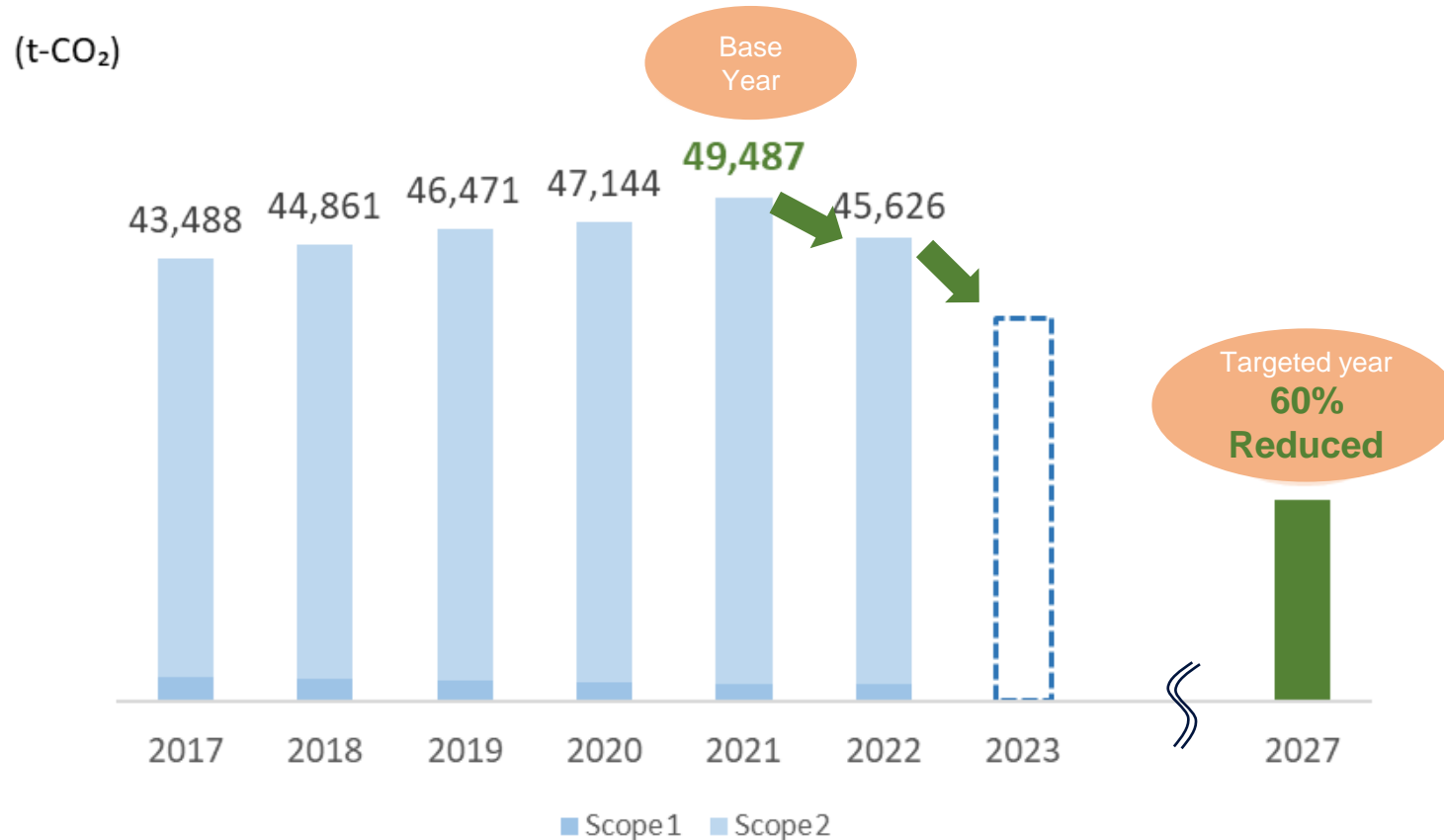
In the past, we have updated the systems and the organization to adjust to external environment focusing on the system and the environment.

**➡ In the Mid-term plan, we pursue Hirose's uniqueness with the aim of creating “NEW”, and plan to develop human capitals who take on challenges ➡**

# Progress of Carbon Neutrality Initiatives

**Targets for  
FY2027**

**Scope 1,2 Emissions reduced by 60%  
(FY2021 year-on-year)**



Even after the introduction of renewable energy, we will promote a shift to high-quality power sources with “additionality”. The Ichinoseki Plant installed the region's largest solar carport in March 2024. It also aims to reduce the burden of snow removal from employees' cars.



**[Ichinoseki Plant (Iwate Prefecture)]**

**Promotes the introduction of renewable energy  
and plans to achieve targets during the period of this Mid-term plan**

# Enhance Employee Engagement

*Hirose Electric has signed a sponsorship agreement with the Komazawa University Athletics Club in December 2023. While individual athletes “energetically connecting Tasuki” for the team in the Hakone Ekiden relay race, we also co-create our future society with the power of “connecting”. As a company knows the importance of connecting and envisions the future by connecting, all of our employees will work together to support them.*



## Enhance Employee Engagement

- Holding events such as gathering with coaches and athletes

## Promotion of Health Management

- Running sessions with athletes
- Holding sports wellness trainings



## Recruitment Branding

- Increased visibility through media exposure

**Achieves continued stable growth by strengthening human capital recruitment and revitalizes the organization**

**HRS** HIROSE  
ELECTRIC  
CO.,LTD.