

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

November 1, 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 filing of Japanese quarterly securities report: November 10, 2023
 Scheduled date of dividend payable: December 1, 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 First Half of the Year Ending March 31, 2024 (From April 1, 2023 to September 30, 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 1H	82,910	(12.5)	17,191	(36.7)	19,680	(32.7)	12,597	(39.0)	12,597	(39.0)	25,585	(9.9)
FY2022 1H	94,704	19.6	27,170	37.3	29,247	43.5	20,636	39.5	20,636	39.5	28,409	101.0

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
FY2023.1H	365.87	365.83
FY2022.1H	594.23	594.12

(2) Consolidated financial position

(Yen in millions)

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
				%
FY2023.2Q	411,496	365,882	365,882	88.9
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: Yes

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	172,000	(6.1)	38,500	(17.6)	41,000	(15.6)	29,000	(16.3)	842.25

(Note) Revision of previously announced business forecast: None

*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 September 30, 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 September 30, 2023: 1,816,740 As of March 31, 2023: 2,799,173

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

For the six months ended September 30, 2023: 34,430,998

For the six months ended September 30, 2022: 34,727,578

*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 Thursday, November 2, 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 the Second 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

In the second 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 due in part to the recovery of inbound demand. However, business confidence in the manufacturing sector weakened due to a global decline in capital investment and a drop in demand for semiconductors. In overseas market, the economic outlook remains uncertain in Europe and the United States due to high inflation and a tightening financial environment. Meanwhile, in China, the economic outlook is becoming unpredictable due to prolonged sluggishness in exports caused by slow growth in the real estate market and global demand for goods.

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 second quarter decreased by 12.5% to JPY 82,910 million compared to the same period of the previous fiscal year. Operating profit decreased by 36.7% to JPY 17,191 million, and quarterly profit attributable to owners of parent decreased by 39.0% to JPY 12,597 million as compared with the first half 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 first half of the fiscal year ending March 31, 2024 decreased by 13.3% to JPY 74,245 million, operating profit decreased by 39.4% to JPY 15,240 million compared with the first half 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 first half of the fiscal 2023 decreased by 4.5% to JPY 5,827 million. Operating profit decreased by 10.5% to JPY 1,538 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first half of the fiscal 2023 decreased by 3.3% to JPY 2,838 million, operating profit increased by 33.9% to JPY 413 million.

(2) Overview of Financial Condition

Total assets of FY2023.2Q increased by JPY 10,139 million to JPY 411,496 million compared to the end of the previous consolidated fiscal year mainly because fixed assets increased. Total liabilities decreased by JPY 5,890 million to JPY 45,614 million due to the decrease in corporate tax payable, 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 16,029 million to JPY 365,882 million. The ratio of total equity attributable to owners of parent resulted 88.9%, increased by 1.7% compared with the previous consolidated fiscal year end.

(3) Future Outlook

There is no revision of business forecasts for the full year which was announced on August 1, 2023. For the dividend forecast, please refer to "Notice of Interim Dividend and Revision of Dividend Forecast" disclosed today.

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 September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	88,029	90,382
Trade and other receivables	41,931	43,178
Inventories	27,735	26,836
Other financial assets	91,218	81,124
Other current assets	7,745	5,666
Total current assets	256,658	247,186
Non-current assets		
Property, plant and equipment	63,795	77,250
Right-of-use assets	5,277	5,349
Intangible assets	4,212	4,554
Other financial assets	63,466	69,298
Deferred tax assets	2,966	2,992
Retirement benefit asset	4,635	4,508
Other non-current assets	348	359
Total non-current assets	144,699	164,310
Total assets	401,357	411,496

(Yen in millions)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Trade and other payables	20,796	14,131
Lease liabilities	1,070	1,126
Other financial liabilities	11	48
Income taxes payable	8,205	5,521
Other current liabilities	7,005	7,656
Total current liabilities	37,087	28,482
Non-current liabilities		
Lease liabilities	4,409	4,459
Other financial liabilities	130	99
Retirement benefit liability	290	310
Deferred tax liabilities	8,858	11,504
Other non-current liabilities	730	760
Total non-current liabilities	14,417	17,132
Total liabilities	51,504	45,614
Equity		
Share capital	9,404	9,404
Capital surplus	11,191	11,180
Retained earnings	345,201	334,264
Treasury shares	(39,840)	(25,850)
Other components of equity	23,897	36,885
Total equity attributable to owners of parent	349,853	365,882
Total equity	349,853	365,882
Total liabilities and equity	401,357	411,496

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

(Yen in millions)

	For the first half of the year ended March 31, 2023 (From Apr 1, 2022 to Sep 30, 2022)	For the first half of the year ending March 31, 2024 (From Apr 1, 2023 to Sep 30, 2023)
Revenue	94,704	82,910
Cost of sales	47,900	46,097
Gross profit	46,804	36,813
Selling, general and administrative expenses	19,783	19,165
Other income	221	199
Other expenses	72	656
Operating profit	27,170	17,191
Financial income	2,113	2,547
Finance costs	36	58
Quarterly profit before tax	29,247	19,680
Income tax expense	8,611	7,083
Quarterly profit	20,636	12,597
Quarterly profit attributable to:		
Owners of parent	20,636	12,597
Quarterly Earnings per share:		
Basic (yen)	594.23	365.87
Diluted (yen)	594.12	365.83

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

(Yen in millions)

	For the first half of the year ended March 31, 2023 (From Apr 1, 2022 to Sep 30, 2022)	For the first half of the year ending March 31, 2024 (From Apr 1, 2023 to Sep 30, 2023)
Quarterly profit	20,636	12,597
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	671	1,357
Total items that will not be reclassified to profit or loss	671	1,357
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	7,120	11,645
Debt instruments measured at fair value through other comprehensive income	(18)	(14)
Total items that may be reclassified to profit or loss	7,102	11,631
Total other comprehensive income after tax	7,773	12,988
Total quarterly comprehensive income	28,409	25,585
Total amount of quarterly comprehensive income attributable to:		
Owners of parent	28,409	25,585

(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			20,636			20,636	20,636
Other comprehensive income					7,773	7,773	7,773
Total of quarterly comprehensive income	—	—	20,636	—	7,773	28,409	28,409
Dividend of surplus			(9,900)			(9,900)	(9,900)
Purchase of treasury shares		(1)		(15,890)		(15,890)	(15,890)
Disposal of treasury shares		(4)		77		73	73
Cancellation of treasury shares		(12,228)		12,228		—	—
Share-based payment transactions		27				27	27
Transfer to retained earnings		12,123	(11,265)		(858)	—	—
Total transactions with owners	—	(82)	(21,164)	(3,585)	(858)	(25,690)	(25,690)
Balance as of September 30, 2022	9,404	11,168	338,290	(39,891)	25,818	344,789	344,789

(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			12,597			12,597	12,597
Other comprehensive income					12,988	12,988	12,988
Total of quarterly comprehensive income	—	—	12,597	—	12,988	25,585	25,585
Dividend of surplus			(9,640)			(9,640)	(9,640)
Purchase of treasury shares		(0)		(4)		(4)	(4)
Disposal of treasury shares		(6)		69		63	63
Cancellation of treasury shares		(13,905)		13,905		—	—
Share-based payment transactions		5		20		25	25
Transfer to retained earnings		13,895	(13,895)			—	—
Total transactions with owners	—	(11)	(23,535)	13,990	—	(9,556)	(9,556)
Balance as of September 30, 2023	9,404	11,180	334,264	(25,850)	36,885	365,882	365,882

(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. As a result, in the first half of FY2023, treasury shares decreased by JPY 13,990 million and treasury shares at the end of the second quarter of the year ending March 2024 is JPY 25,850 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 first half of the fiscal year ended March 31, 2023 (from April 1, 2022 to September 30, 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	85,668	6,100	91,768	2,936	94,704
Total revenue	85,668	6,100	91,768	2,936	94,704
Operating profit	25,142	1,719	26,861	309	27,170
Financial income	—	—	—	—	2,113
Financial costs	—	—	—	—	36
Quarterly profit before tax	—	—	—	—	29,247

*"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	21,952	33,420	12,184	27,148	94,704
Percentage of consolidated revenue (%)	23.2	35.3	12.9	28.6	100.0

For the first half of the fiscal year ending March 31, 2024 (from April 1, 2023 to September 30, 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	74,245	5,827	80,072	2,838	82,910
Total revenue	74,245	5,827	80,072	2,838	82,910
Operating profit	15,240	1,538	16,778	413	17,191
Financial income	—	—	—	—	2,547
Financial costs	—	—	—	—	58
Quarterly profit before tax	—	—	—	—	19,680

*"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	18,288	27,608	13,587	23,427	82,910
Percentage of consolidated revenue (%)	22.1	33.3	16.4	28.2	100.0

(Significant subsequent events)

(Repurchase of own shares)

HIROSE ELECTRIC CO., LTD. announced that its Board of Directors resolved at a meeting on November 1, 2023, to repurchase its own shares under Article 156 of the Companies Act as applied pursuant to Article 165, paragraph 3 of the same law, as described below.

1. Reason to Share Buyback

We decided stock purchase to increase the level of shareholder returns and improve capital efficiency, as well as to enable a flexible capital policy in response to changes in the business environment.

2. Details of Share Buyback

(1) Class of shares	Common Stock
(2) Total number of shares to be repurchased	700,000 shares (maximum) (2.03% of total shares outstanding, excluding treasury stock)
(3) Total amount to be paid for repurchase	JPY 10,000,000,000 (maximum)
(4) Period of repurchase	From November 2, 2023 to February 29, 2024
(5) Method of repurchase	Purchased on the Tokyo Stock Exchange