Hirose Electric Business Results for FY2019 First Quarter

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Aug 5th, 2019

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.

Business Situation of FY2019.1Q (Apr,2019 – Jun, 2019)

FY2019.1Q
(Apr - Jun)

Order **300.8** hundred million yen
(Year-on-Year **-8.5%**)

Sales **282.3** hundred million yen
(Year-on-Year **-0.8%**)

Operating profit **53.4** hundred million yen ※Profit Ratio **18.9** %
(Year-on-Year **+6.5%**)

The performance remained stagnant widely because of the deterioration of economic confidence, Chinese economic slowdown and poor sales in automotive (Europe, America and China, etc) affected by US-China trade friction.

Industrial market

The sales for general industrial have been declining since the second half of FY2018 and resulted -22% Year-on-Year.

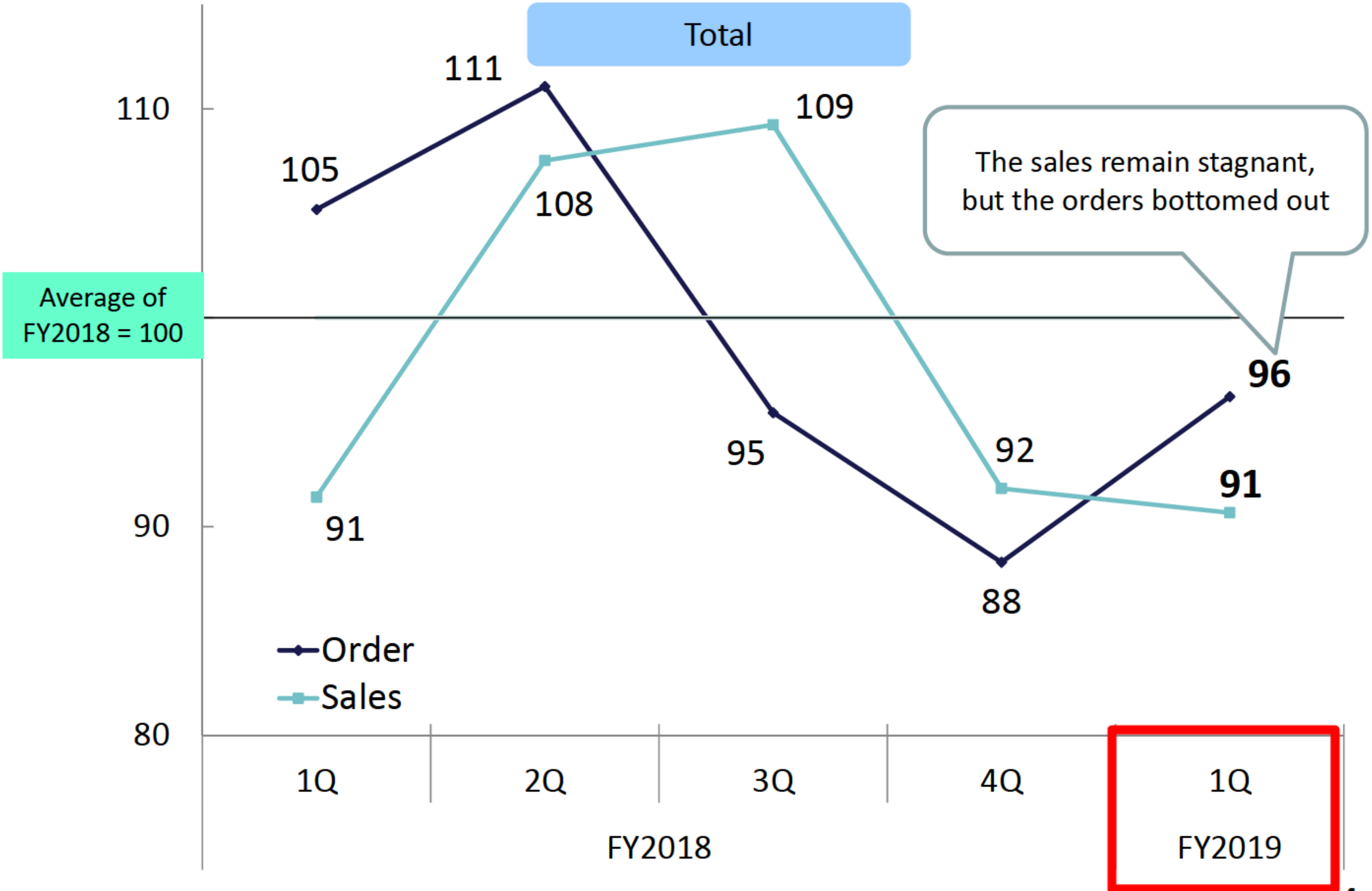
Smartphone

The sales for smartphone market resulted +29% Year-on-Year because the demand for Chinese market increase came earlier than usual.

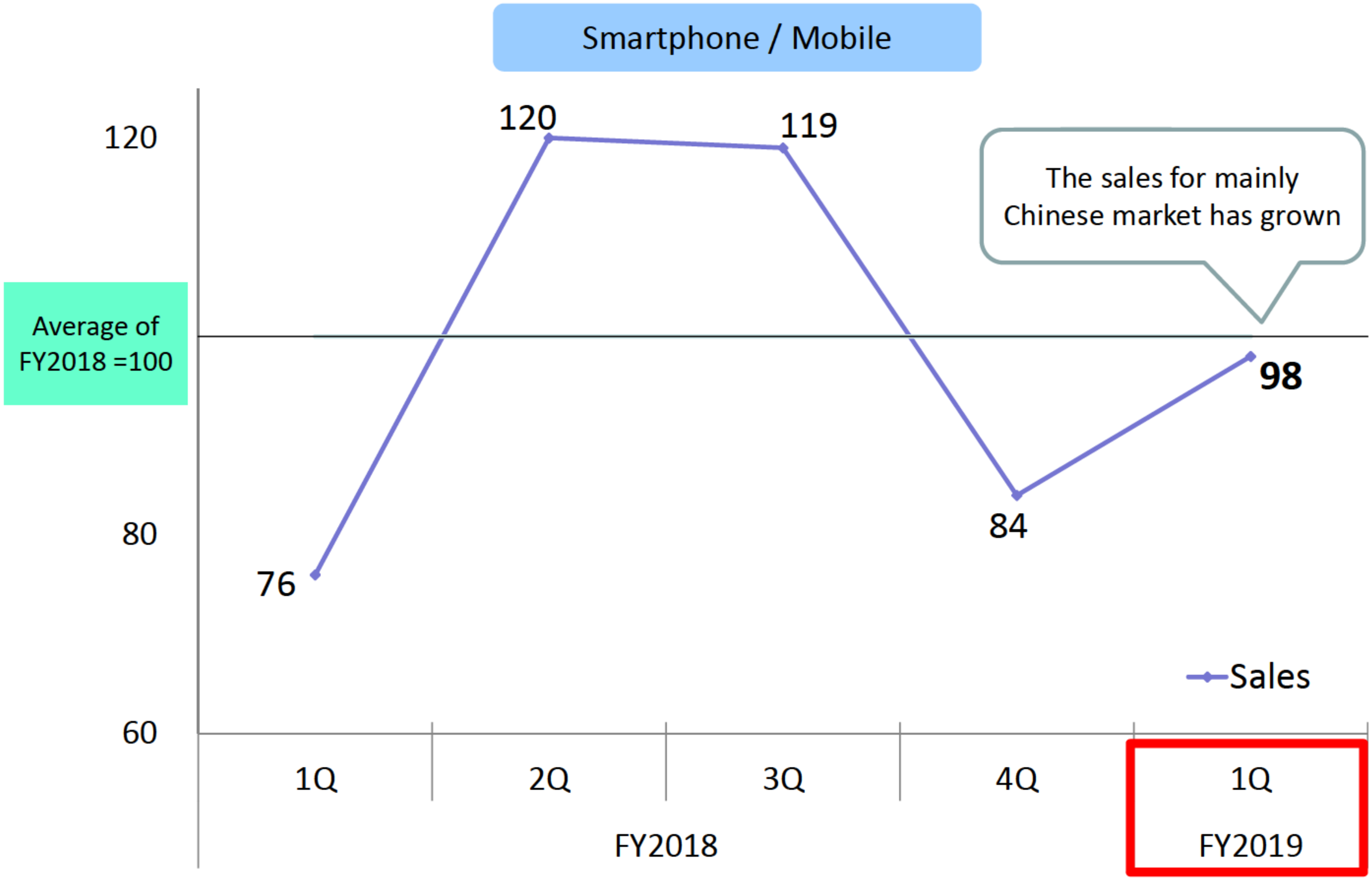
Automotive

Due to downside of automotive sales, the sales of some our existing products decreased. The sales for automotive market was -7% over FY18.4Q (2019.1Q/2018.4Q) and +3% over FY18.1Q.

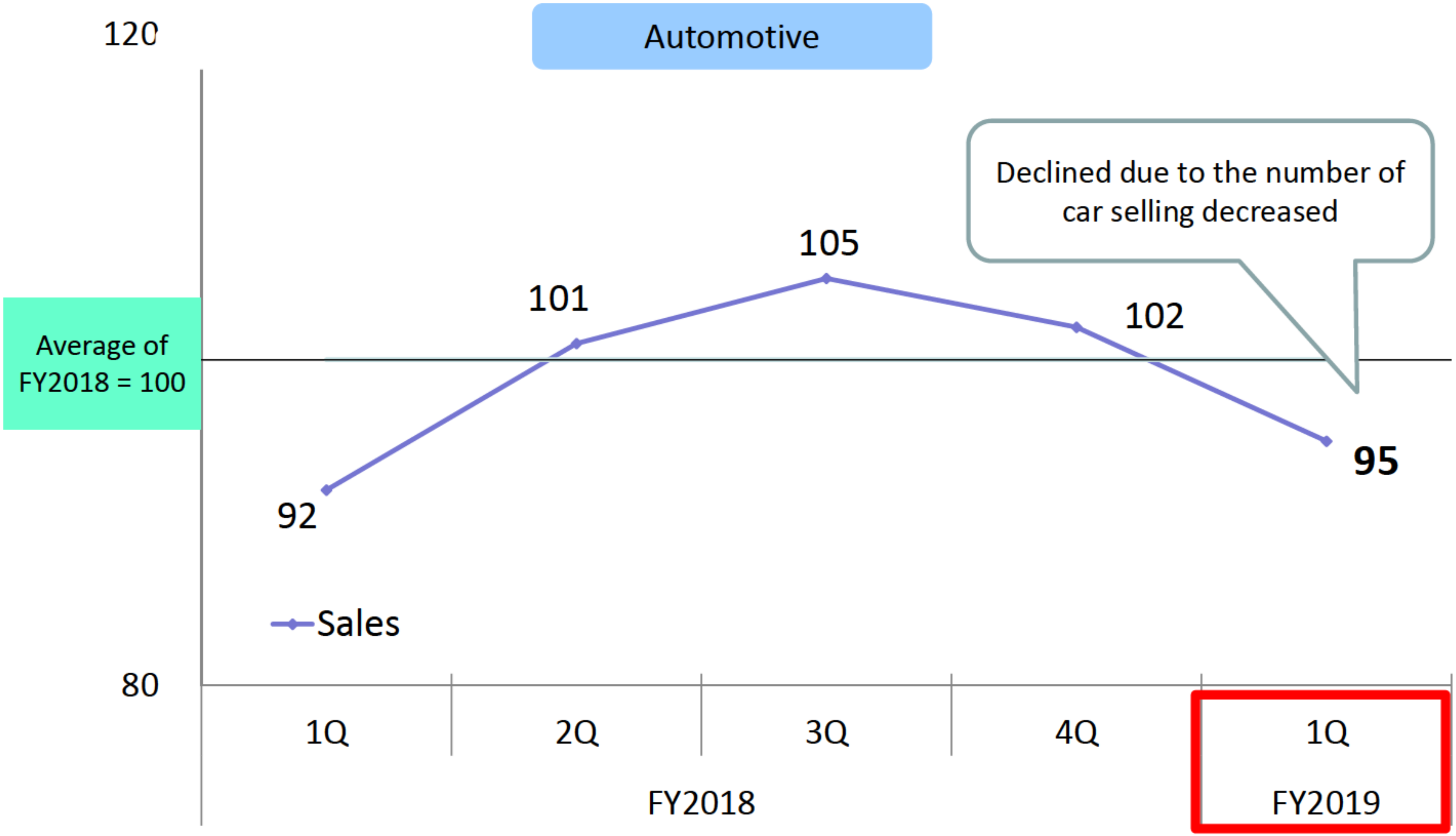
FY2018 1Q – FY2019 1Q Orders and Sales (Consolidated Basis, Index Number)



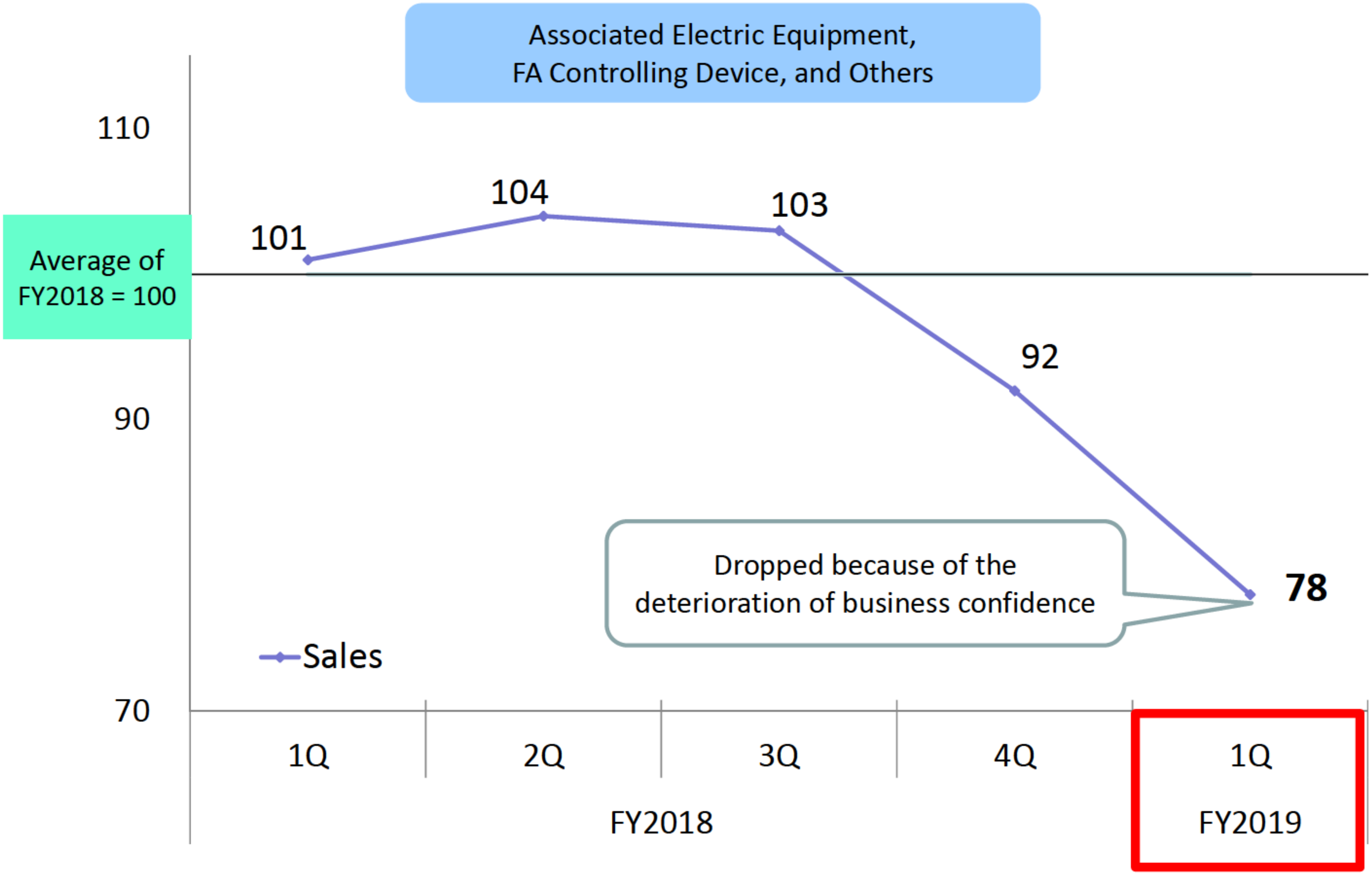
FY2018 1Q – FY2019 1Q Sales by Markets (Consolidated Basis, Index Number)



FY2018 1Q – FY2019 1Q Sales by Markets (Consolidated Basis, Index Number)



FY2018 1Q – FY2019 1Q Sales by Markets (Consolidated Basis, Index Number)



Business Results for FY2019.1Q 【IFRS】

(Unit： hundred millions of yen)

	FY2018.1Q (FY ended Jun 31, 2018)	FY2019.1Q (FY ended Jun31, 2019)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	**284.7**	**282.3**	**-2.4**	**-0.8%**
COGS Ratio	55.8%	57.5%	+1.7	
SGA Ratio	27.1%	26.7%	-0.4	
Operating Profit	**50.1**	**53.4**	**+3.3**	**6.5%**
(%)	17.6%	18.9%	+1.3	
Earnings before income tax	**57.0**	**56.7**	**-0.2**	**-0.4%**
(%)	20.0%	20.1%	+0.1	
Net Profit	**41.3**	**40.7**	**-0.7**	**-1.6%**
(%)	14.5%	14.4%	-0.1	
Total Assets	**3,367.8**	**3,421.0**		
Shareholder's Equity Ratio	**89.3%**	**88.8%**		
Income Per Share	**113.01 yen**	**111.56 yen**		

Major Changes over prior same period FY2019.1Q

(Unit：hundred millions of yen)

■ Sales

2.4 hundred million yen **Decreased**

(284.7 → 282.3)

Non consolidated Hirose ： **-10.7**

Subsidiaries ： **+8.3**

■ COGS Ratio

1.7 point Increased (55.8% → 57.5%)

Purchase Cost Ratio ： 38.1% → **38.4%**

Depreciation Ratio ： 7.5% → **9.0%**

■ SGA Ratio

0.4 point Improved (27.1% → 26.7%)

77.1 → 75.5 (1.6 hundred million yen Decreased)

(Decreased in business consignment expenses)

■ Financial revenue / expense

3.5 hundred million yen **Decreased**

(+6.9 → +3.4)

Foreign Exchange Gain / Loss ： +3.7 → **-0.7**

FY2019.1Q Year-on-Year Variation analysis

(Unit : hundred millions of yen)

	Sales	Operating profit	(%)	Earnings before income tax	(%)
FY2018.1Q Actual	**284.7**	**50.1**	**17.6%**	**57.0**	**20.0%**
Exchange rate	-5.0	0.9		-3.7	
Depreciation cost increase		-6.3		-6.3	
Labor cost increase		-1.6		-1.6	
Increase in the product	2.6	0.4		0.4	
Others		9.7		10.9	
Total amount of change	-2.4	3.3		-0.2	
FY2019.1Q Actual	***282.3***	***53.4***	***18.9%***	***56.7***	***20.1%***

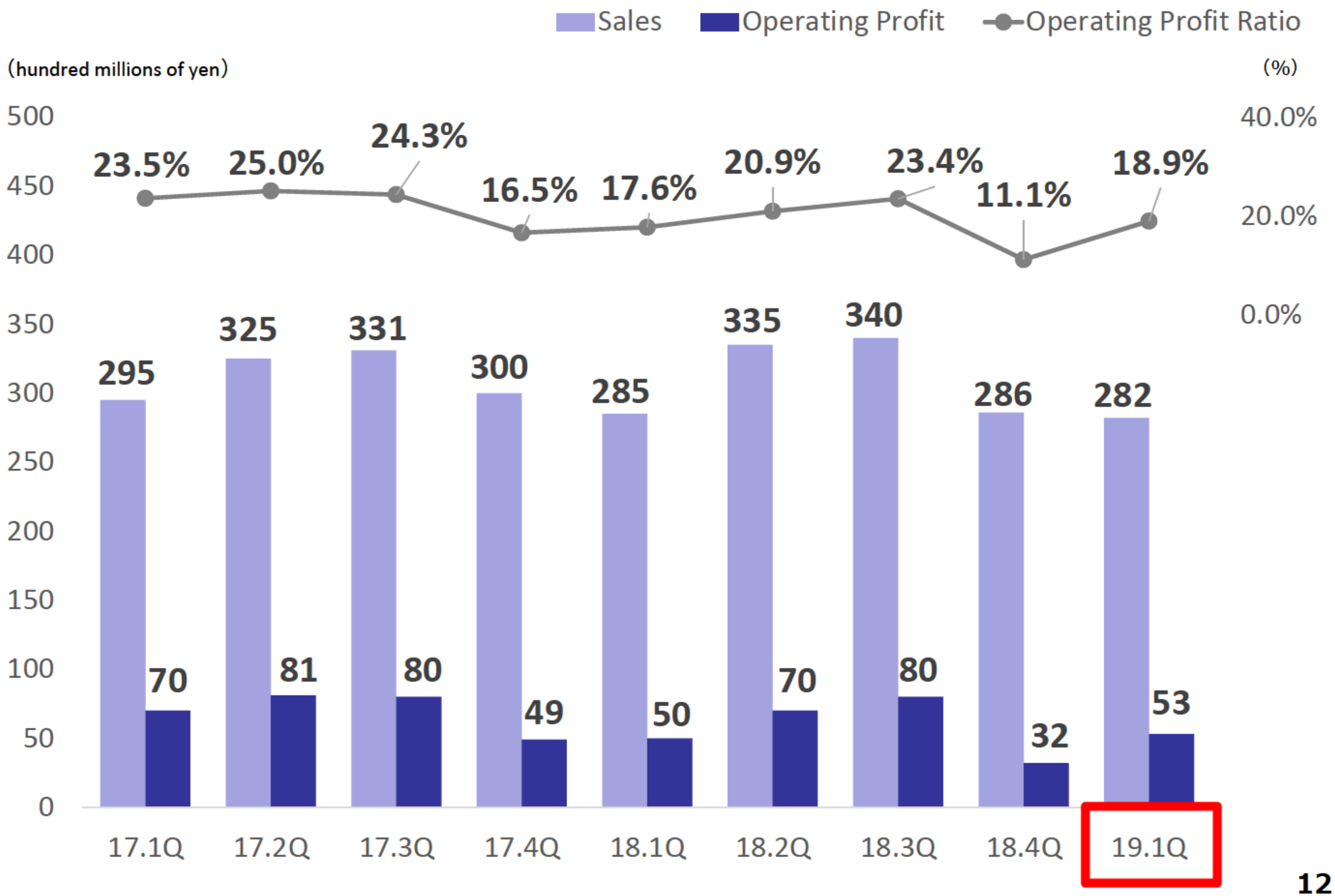
Currency Effect for FY2019.1Q

	FY2018.1Q	FY2019.1Q
Currency rate：US$	109.07 yen	109.90 yen
Currency rate：€	130.06 yen	123.49 yen
Currency rate：100won	10.12 yen	9.43 yen

(Unit：Hundred millions of Yen)

Year-on-Year Currency effect amount	
Sales	**-5.0**
Operating Profit	**+0.9**
Earnings before income tax	**-3.7**

FY2017.1Q - FY2019.1Q Quarterly Sales and Profit History



Changes in Consolidated Balance Sheet

Unit：hundred millions of yen

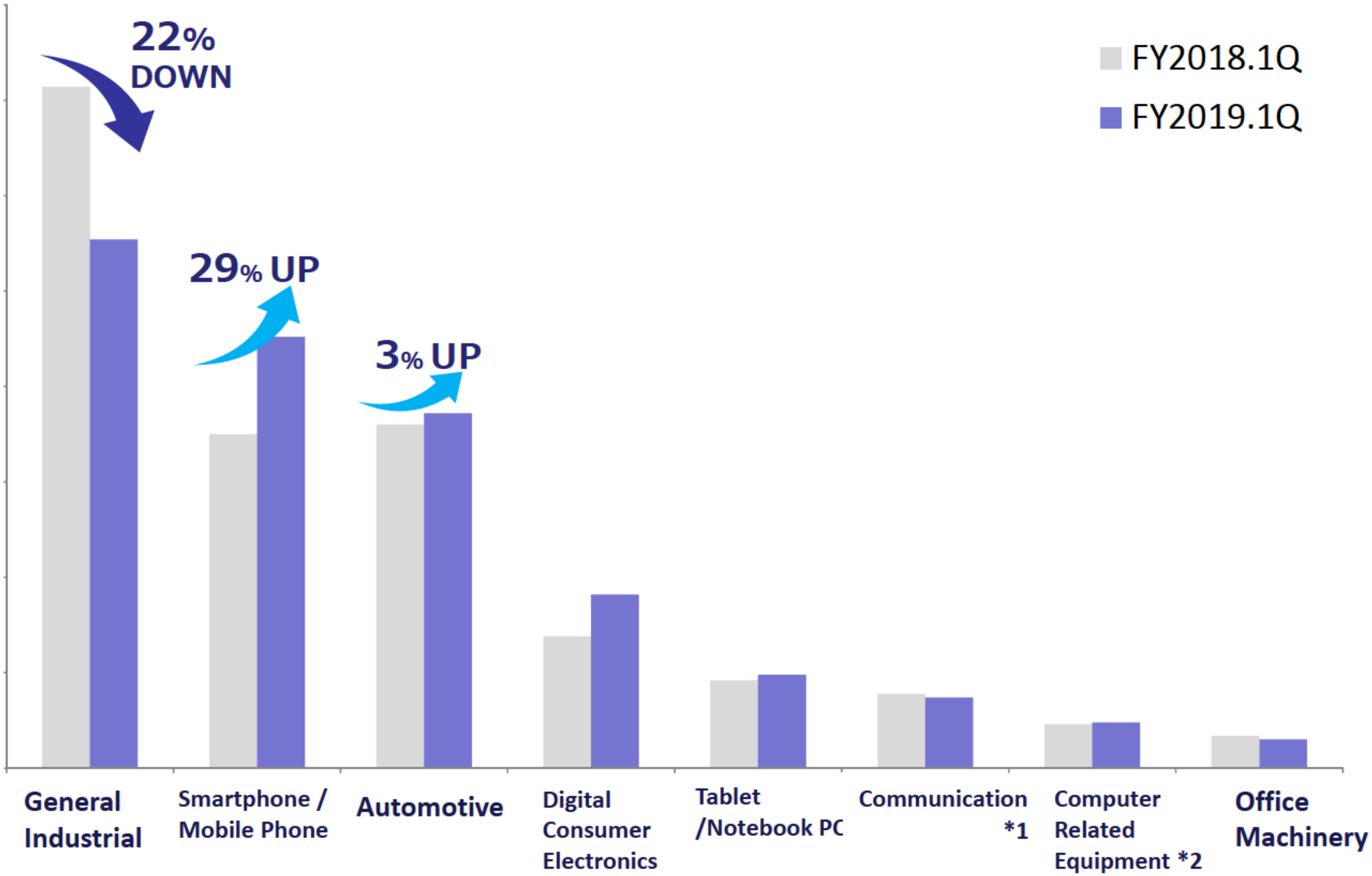
	Account	Mar 31, 2019	Jun 31, 2019	Increase / Decrease	Remark
ASSETS	Cash and Cash equivalents	523.2	545.3	22.0	Time deposit matured and others
	Trade receivables and other claim	295.4	289.4	-6.0	
	Inventories	139.4	144.6	5.2	
	Other financial assets	1,728.8	1,686.9	-43.0	Consumption taxes receivable refund △20.8 Corporate bond △10.0
	Tangible fixed assets	627.4	628.4	0.9	
	Right-of-use assets	—	46.5	46.5	Application of IFRS16
	Others	100.0	80.9	-19.1	
	Total Assets	3,414.3	3,421.0	6.7	
	Total of cash in bank	1,727.6	1,716.5	-11.1	

Changes in Consolidated Balance Sheet

Unit : hundred millions of yen

	Account	Mar 31, 2019	Jun 31, 2019	Increase / Decrease	Remark
Liabilities	Payables and other debt	193.1	199.8	6.8	
	Lease liabilities	—	46.4	46.4	Application of IFRS16
	Income Taxes Payable	30.9	25.7	-5.1	
	Others	117.1	112.2	-4.9	
		341.0	384.1	43.1	
Shareholder's Equity	Capital stock and Capital surplus	207.2	207.2	-0.0	
	Retained Earnings	3,033.5	3,015.6	-17.9	Net Profit : 40.7 − Dividend : 43.8 − Cancellation of treasury shares : 14.9
	Treasury Stocks	-232.1	-217.3	14.9	Share buy-back : + 14.9
	Others	64.8	31.5	-33.3	Foreign currency translation adjustment : -36.7
	Total	3,073.3	3,036.9	-36.4	
Total Liabilities and Shareholder's Equity		3,414.3	3,421.0	6.7	

Sales Changes by Application (round number)【Consolidated Basis】

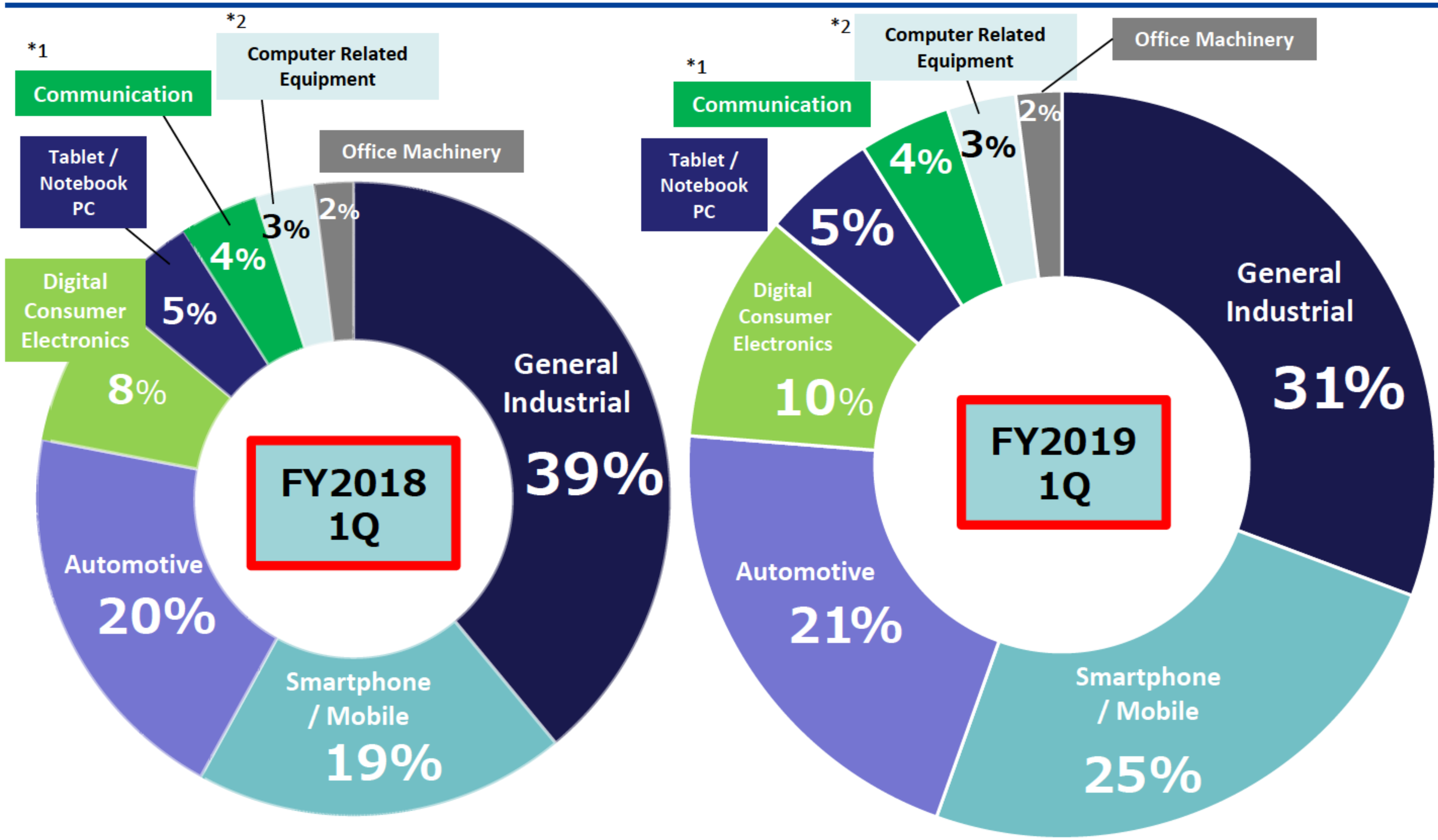


(As this is in round number, please be noted that some ratio difference may occur. Thank you for your understanding.)

*1 Communication - Smartphone / Mobile Phone not included

*2 Computer Related Equipment – Tablet/Notebook PC not included.

Sales by Application (round number) (Consolidated Basis)



(As this is in round number, please be noted that some ratio difference may occur. Thank you for your understanding.)

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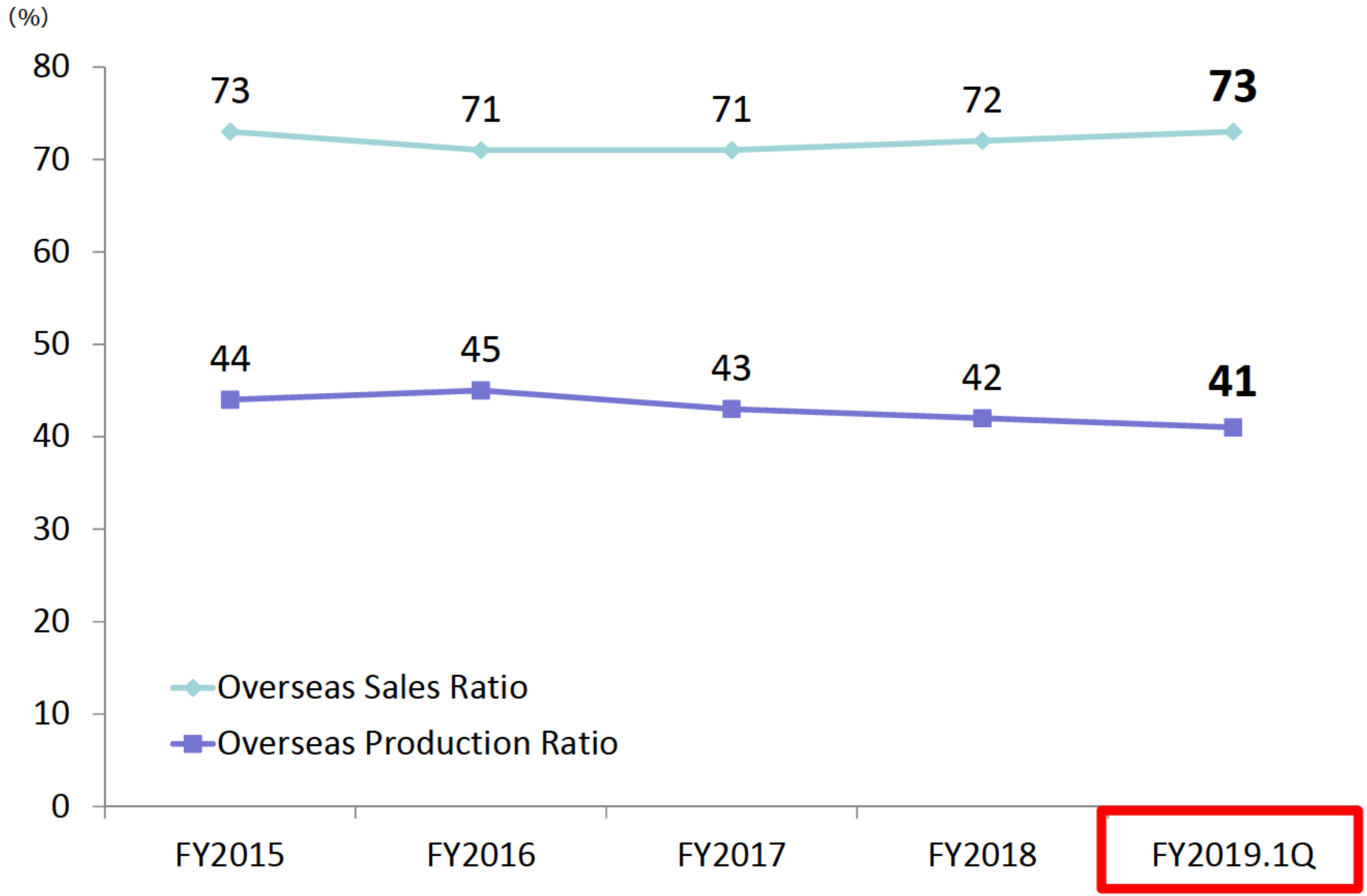
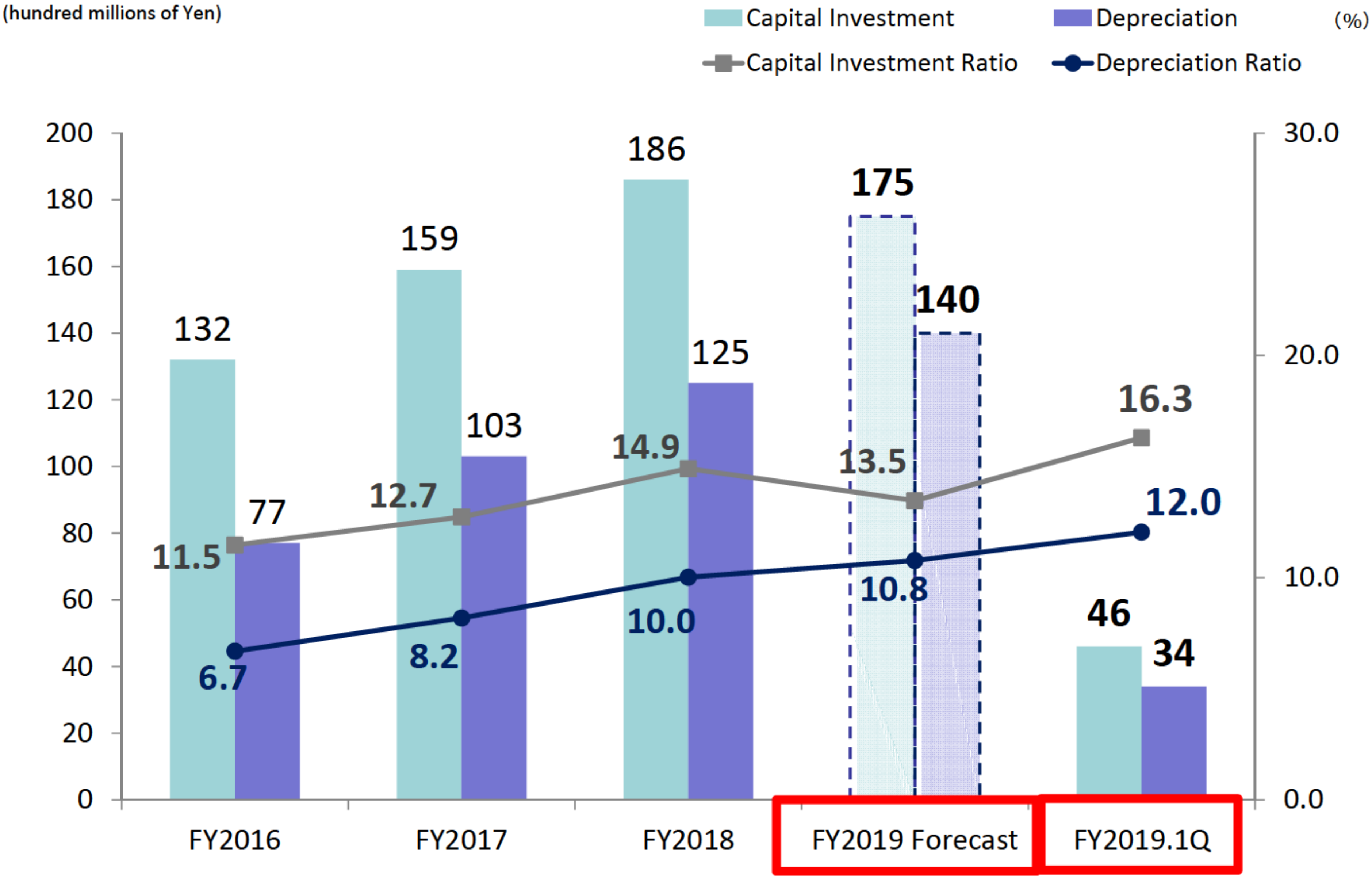
*2 Computer Related Equipment – Tablet/Notebook PC not included.

Overseas Production and Sales Ratio



Capital Investment and Depreciation Change (Consolidated Basis)



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

Business Forecast for the Year Ending March 31,2020 (Consolidated) 【IFRS】

(Unit : Hundred millions of yen)

	FY2018 (FY ended Mar31, 2019) Actual		FY2019 (FY ended Mar31, 2020) 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	619.6	1,245.9	**620.0**	**1,300.0**	**0.4**	**0.1**	**54.1**	**4.3**
COGS Ratio	55.6%	56.2%	**55.6%**	**55.4%**				
Operating Profit	120.2	231.6	**110.0**	**250.0**	**-10.2**	**-8.5**	**18.4**	**8.0**
(%)	19.4%	18.6%	17.7%	**19.2%**				
Earnings before income tax	130.4	246.7	**115.0**	**260.0**	**-15.4**	**-11.8**	**13.3**	**5.4**
(%)	21.0%	19.8%	18.5%	**20.0%**				
Net Profit	93.2	178.9	**80.0**	**185.0**	**-13.2**	**-14.2**	**6.1**	**3.4**
(%)	15.0%	14.4%	12.9%	**14.2%**				
Income Per Share	—	489.46 yen	—	507.37 yen				
Dividend Per Share	120 yen	240 yen	120 yen	240 yen				
Consolidated Dividend Payout Ratio	—	49.0%	—	**47.3%**				

Currency Rate	FY2018 Actual	FY2019.1Q Actual	(As of May, 2019)
1US$	110.91yen	109.90yen	110.00 yen
1€	128.41yen	123.49yen	125.00 yen
100won	9.98 yen	9.43yen	9.80 yen

HIROSE
ELECTRIC
CO.,LTD.