Hirose Electric Business Results for FY2019 Third Quarter

Business Results for FY2019 3Q

Feb 6th, 2020

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 3Q (Apr,2019 – Dec,2019)

FY2019
Third Quarter
(Apr - Dec)

Order **934.3** hundred million yen
（Year-on-Year **-4.1%**）
Sales **915.3** hundred million yen
（Year-on-Year **-4.6%**）
Operating profit **162.1** hundred million yen ※Profit Ratio **17.7** %
（Year-on-year **-18.9%**）

The result was decreased sales and profit because the sense of stagnation caused by a deterioration in economic confidence due to US-China trade friction, the slowdown in the Chinese economy and sluggish sales of automobiles in the US, Europe and China has been continuing.

Industrial market

Regarding the sales for General Industrial, down side trend from second half of the previous fiscal year has been stopped but it has been taking time to recover. The sales decreased by 19% YoY.

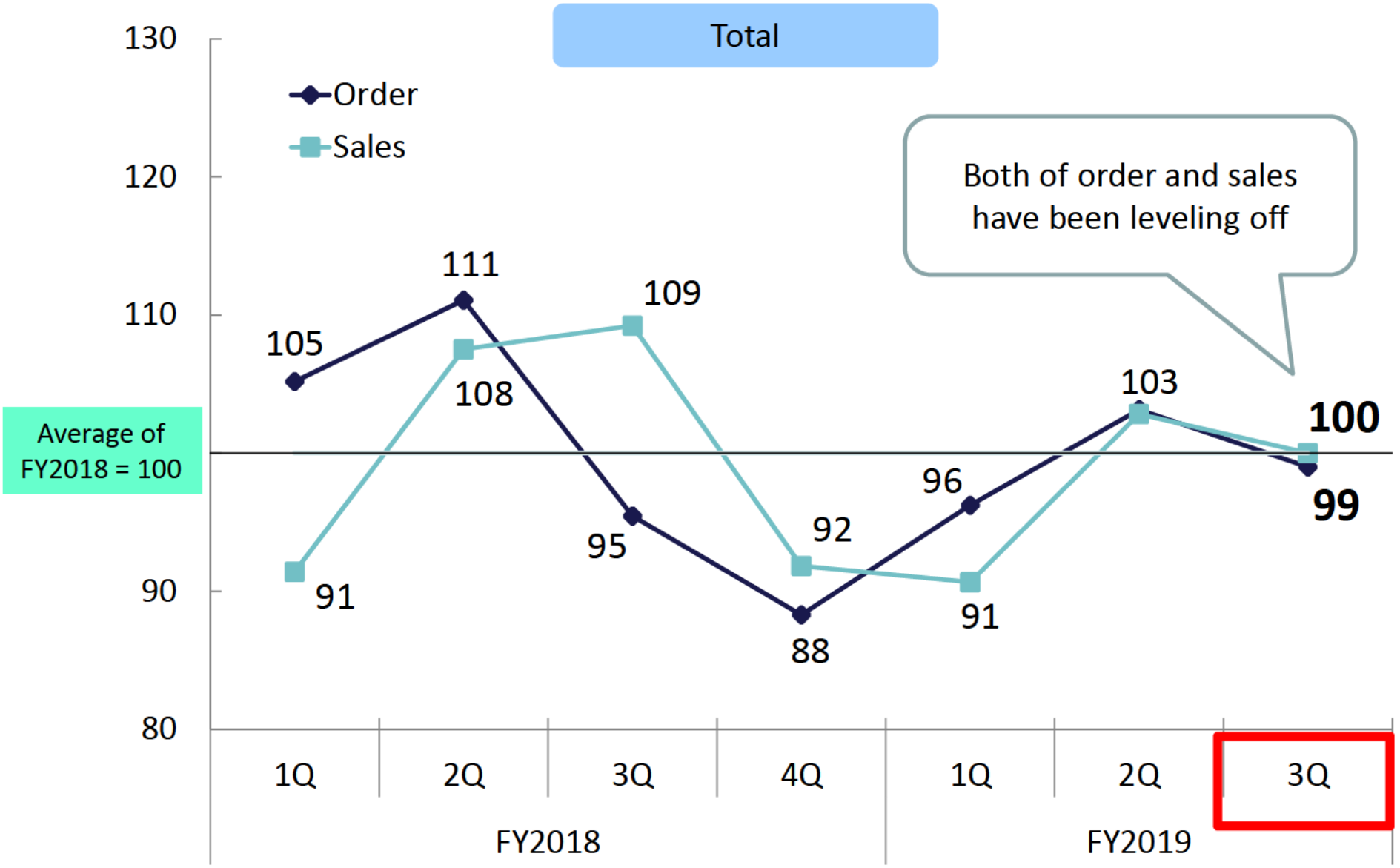
Smartphone

The 3Q sales for smartphone decreased compared to 2Q, but we are still maintaining high level of sales. It has increased by 5% YoY.

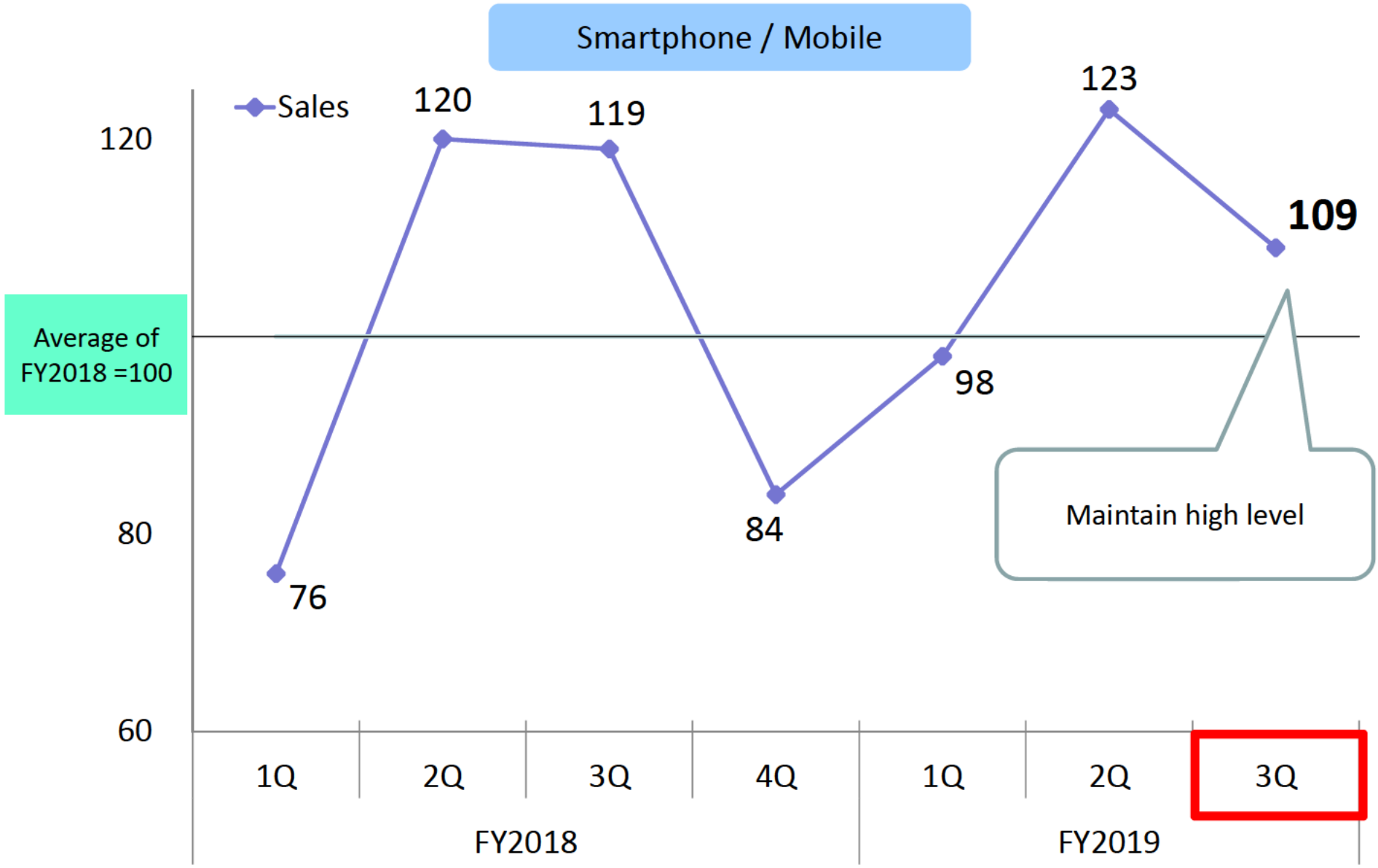
Automotive

Because of poor sales in automobile, the sales decline for our existing products has been prolonged. Therefore the sales for automotive were up 1% from the same quarter of the previous year.

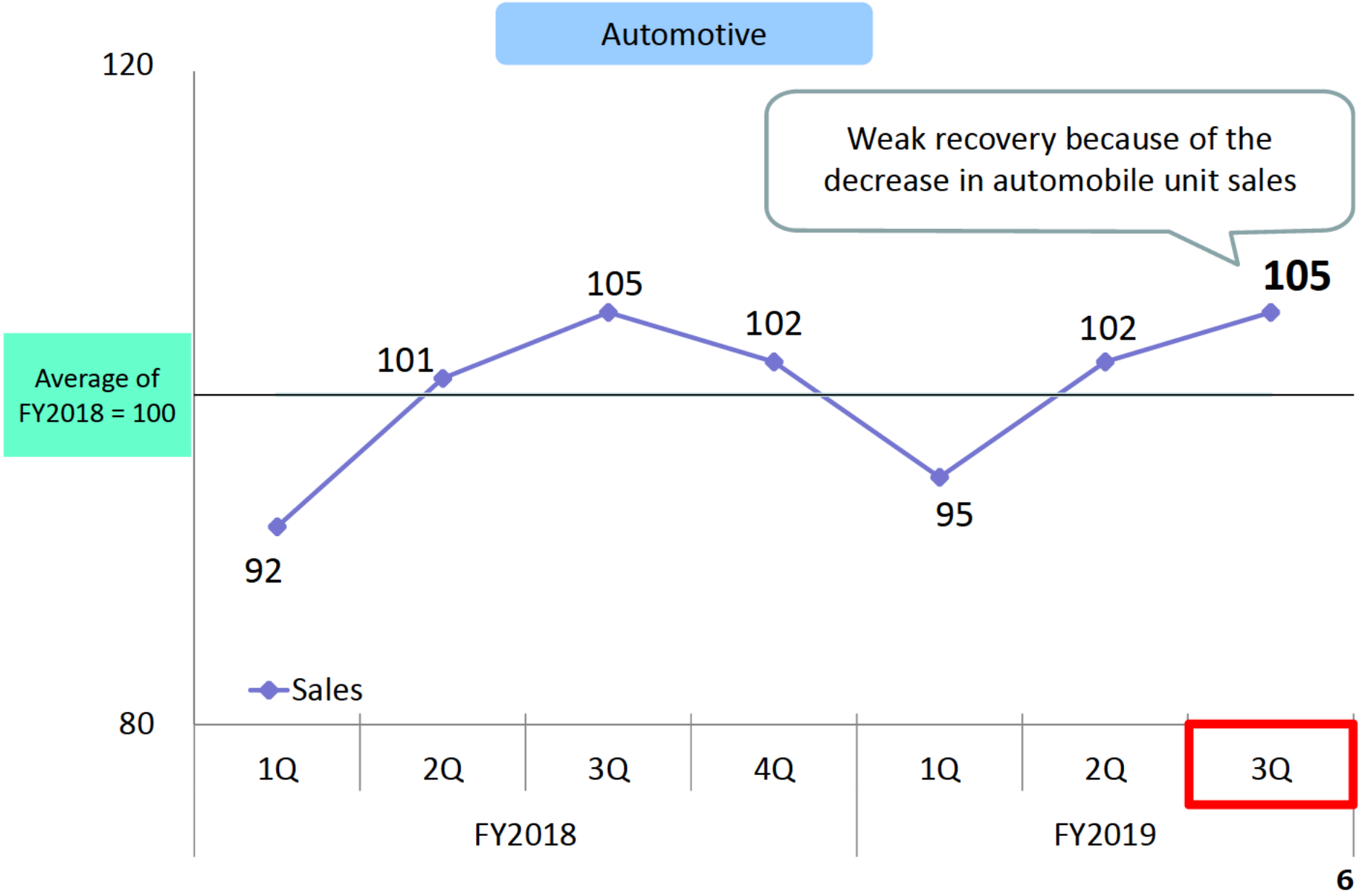
FY2018 1Q – FY2019 3Q Orders and Sales (Consolidated Basis, Index Number)



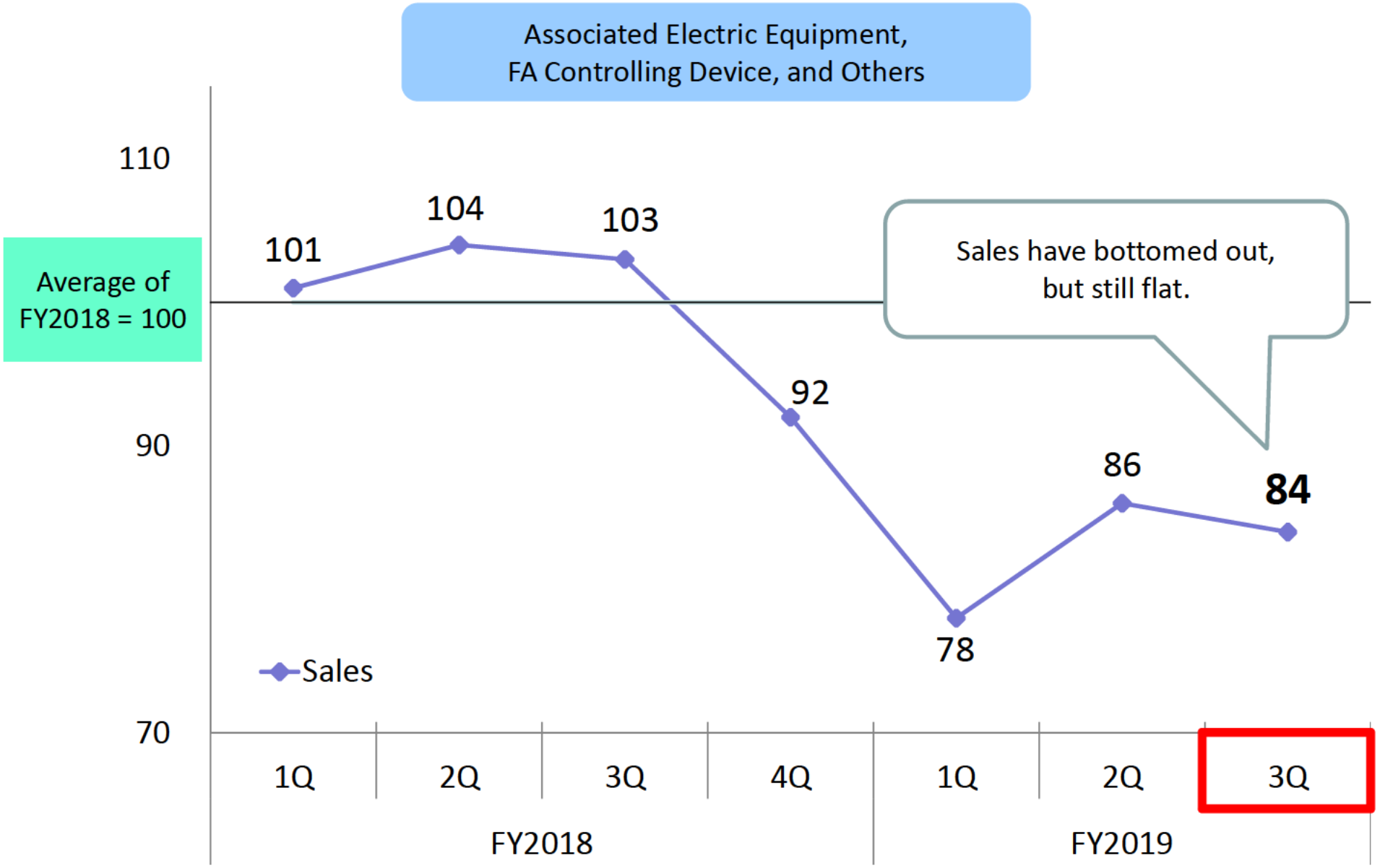
FY2018 1Q – FY2019 3Q Sales by Markets (Consolidated Basis, Index Number)



FY2018 1Q – FY2019 3Q Sales by Markets (Consolidated Basis, Index Number)



FY2018 1Q – FY2019 3Q Sales by Markets (Consolidated Basis, Index Number)



Business Results for FY2019 Third Quarter

(Unit : hundred millions of yen)

	FY2018 3Q (FY ended Dec31, 2018)	FY2019 3Q (FY ended Dec31, 2019)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	**959.9**	**915.3**	**-44.6**	**-4.6%**
COGS Ratio	55.1%	57.2%	2.1	
SGA Ratio	24.1%	24.9%	0.8	
Operating Profit	**199.9**	**162.1**	**-37.8**	**-18.9%**
(%)	20.8%	17.7%	-3.1	
Earnings before income tax	**212.4**	**169.2**	**-43.2**	**-20.3%**
(%)	22.1%	18.5%	-3.6	
Net Profit	**152.2**	**119.8**	**-32.4**	**-21.3%**
(%)	15.9%	13.1%	-2.8	
Total Assets	**3,396.9**	**3,441.9**		
Shareholder's Equity Ratio	**90.0%**	**89.2%**		
Income Per Share	**416.08yen**	**328.53yen**		

(Note) Cost for damage from flood in Koriyama plant (1.01 billion yen) is included

Major Changes over prior same period FY2019 Third Quarter

(Unit：hundred millions of yen)

■ Sales

44.6 hundred million yen **Decreased**
(959.9 → 915.3)

Non consolidated Hirose ： **-43.9**
Subsidiaries ： **-0.7**

■ COGS Ratio

2.1 point Deteriorated (55.1% → 57.2%)

Purchase Cost Ratio ： 38.5% → **39.1%**
Depreciation Ratio ： 8.2% → **10.2%**

■ SGA Ratio

0.8 point Increased (24.1% → 24.9%)

231.3 → 227.5 (3.8 hundred million yen decreased)

■ Financial revenue / expense

5.3 hundred million yen **Deteriorated**
(+12.5 → +7.2)

Foreign Exchange Gain / Loss ： **+3.6** → **-2.5**

FY2019 Third Quarter YoY Variation analysis

(Unit : hundred millions of yen)

	Sales	Operating profit	(%)	Earnings before income tax	(%)
FY2018 3Q Actual	**959.9**	**199.9**	**20.8%**	**212.4**	**22.1%**
Exchange rate	-29.3	-12.1		-18.6	
Depreciation cost increase		-16.2		-16.2	
Labor cost decrease		-1.0		-1.0	
Increase in the product	-15.3	-6.8		-6.8	
Profit on the sale of land		8.4		8.4	
Cost for damage from flood in Koriyama plant		-10.1		-10.1	
Others		-0.2		1.1	
Total amount of change	-44.6	-37.9		-43.2	
FY2019 3Q Actual	***915.3***	***162.1***	***17.7%***	***169.2***	***18.5%***

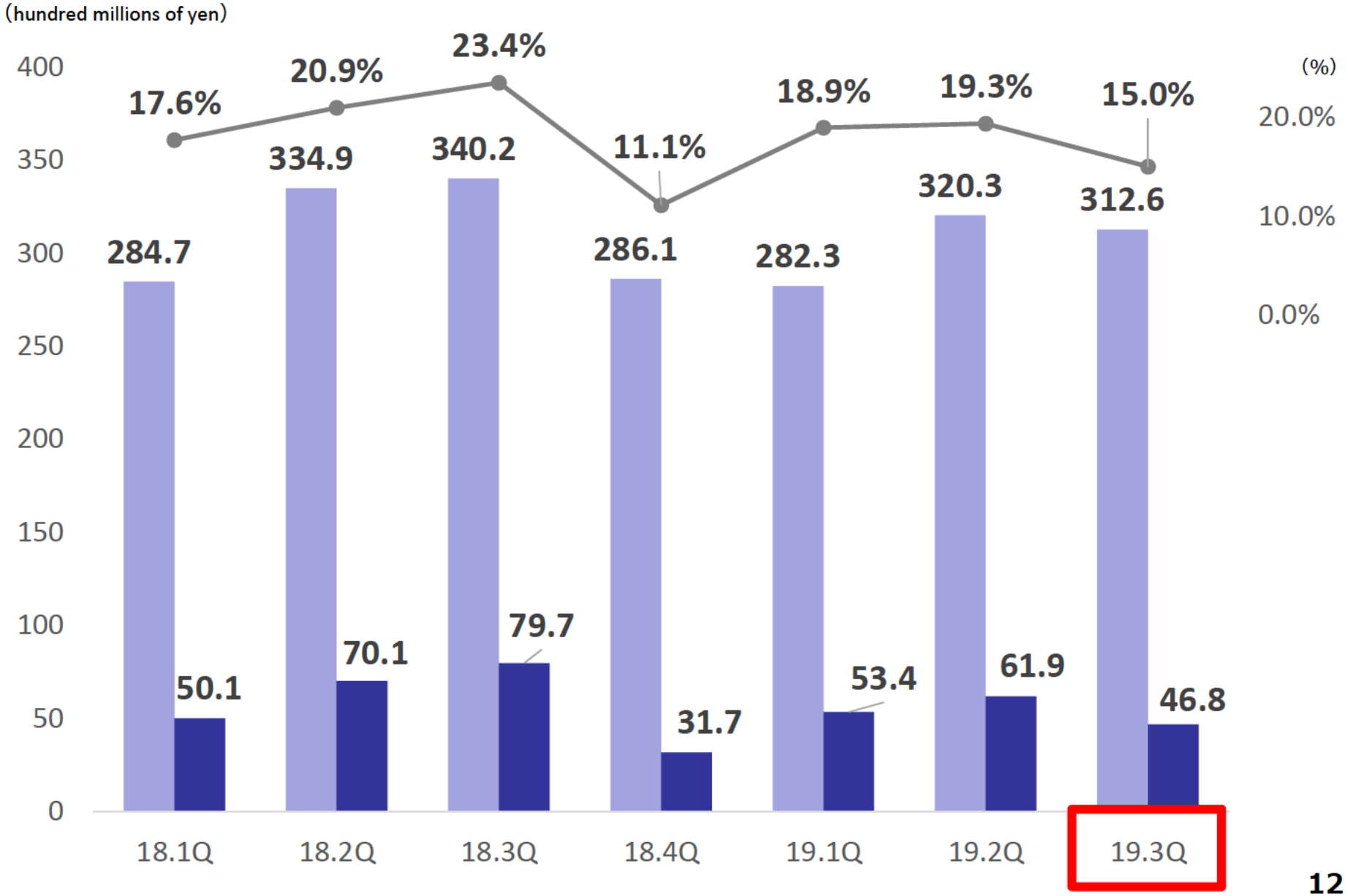
Currency Effect for FY2019 Third Quarter

	FY2018 3Q	FY2019 3Q
Currency rate : US$	111.14 yen	108.67 yen
Currency rate : €	129.49 yen	121.05 yen
Currency rate : 100won	10.04 yen	9.23 yen

(Unit : Hundred millions of Yen)

YoY Currency effect amount	
Sales	**-29.3**
Operating Profit	**-12.1**
Earnings before income tax	**-18.6**

FY2018.1Q - FY2019.3Q Quarterly Sales and Profit History



Changes in Consolidated Balance Sheet

Unit : hundred millions of yen

	Account	Mar 31, 2019	Dec 31, 2019	Increase / Decrease	Remark
A S S E T S	Cash and Cash equivalents	**523.2**	**466.7**	**-56.5**	Payment for dividend, purchase of investment in securities and others.
	Trade receivables and other claim	**295.4**	**317.1**	**21.7**	Trade receivables +18.7
	Inventories	**139.4**	**145.6**	**6.2**	
	Other financial assets	**1,728.8**	**1,733.3**	**4.4**	
	Tangible fixed assets	**627.4**	**639.7**	**12.3**	Acquisition of second building of Kikuna office
	Right-of-use assets	**—**	**46.8**	**46.8**	Adopted IFRS16 and lease transaction has been appropriated as assets
	Others	**100.0**	**92.7**	**-7.3**	
	Total Assets	**3,414.3**	**3,441.9**	**27.6**	

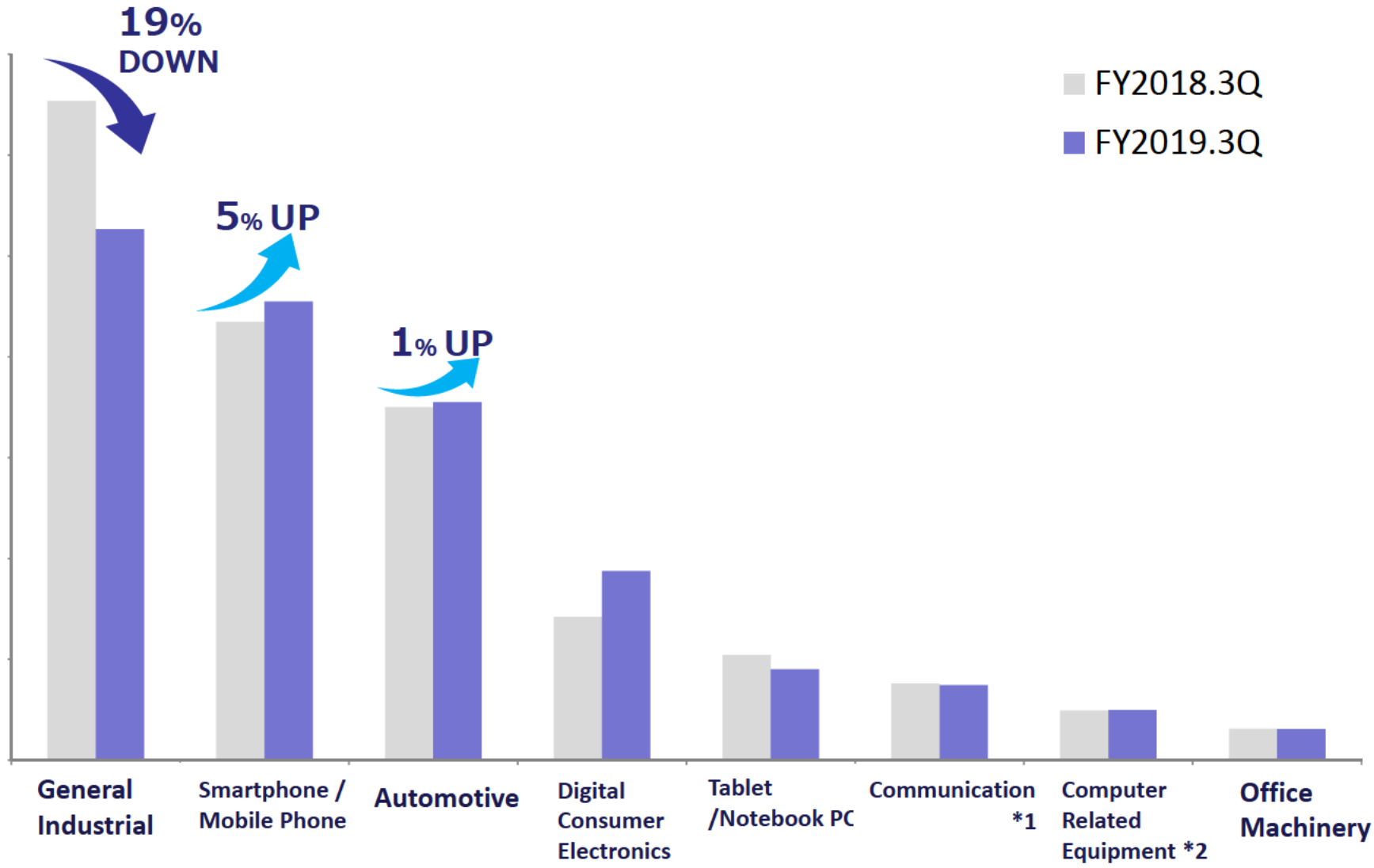
Total of cash in bank **1,727.6** **1,649.2** **-78.4**

Changes in Consolidated Balance Sheet

Unit : hundred millions of yen

	Account	Mar 31, 2019	Dec 31, 2019	Increase / Decrease	Remark
Liabilities	Payables and other debt	193.1	177.2	-15.9	Accounts payable-property facilities △9.8 Accounts payable △7.6
	Lease liabilities	—	46.9	46.9	Application of IFRS16
	Income Taxes Payable	30.9	21.1	-9.8	Interim payment of corporate tax
	Others	117.1	125.3	8.2	
		341.0	370.4	29.4	
Shareholder's Equity	Capital stock and Capital surplus	207.2	207.1	-0.1	
	Retained Earnings	3,033.5	3,051.0	17.5	Net Profit : 119.7, Dividend △87.5 , Transfer because of cancellation of treasury stocks △14.9
	Treasury Stocks	-232.1	-244.6	-12.5	Acquisition of treasury stocks △27.5 Cancellation of treasury stocks : +14.9
	Others	64.8	58.0	-6.8	
	Total	3,073.3	3,071.5	-1.8	
Total Liabilities and Shareholder's Equity		3,414.3	3,441.9	27.6	

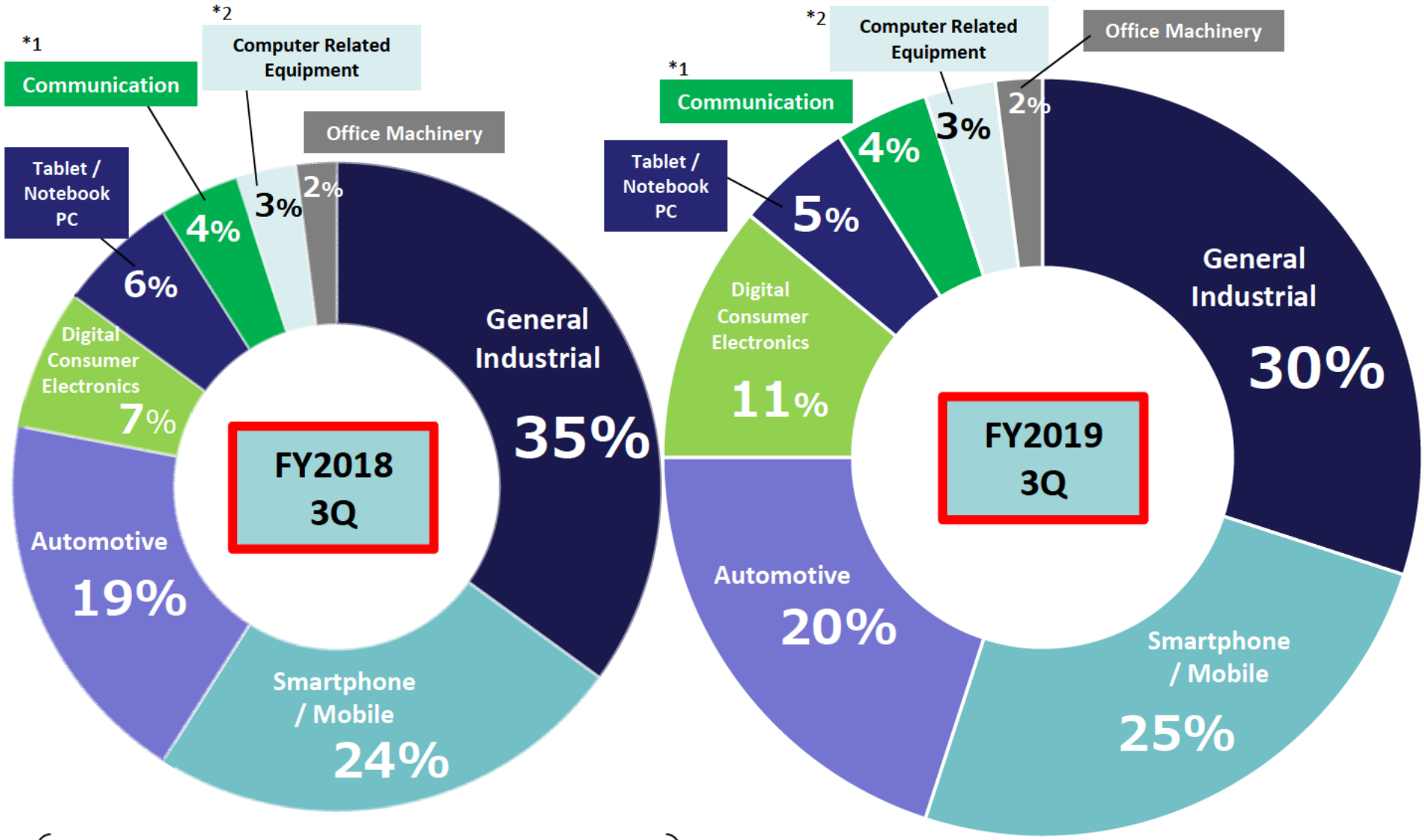
Sales Changes by Application (round number)【Consolidated Basis】



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.

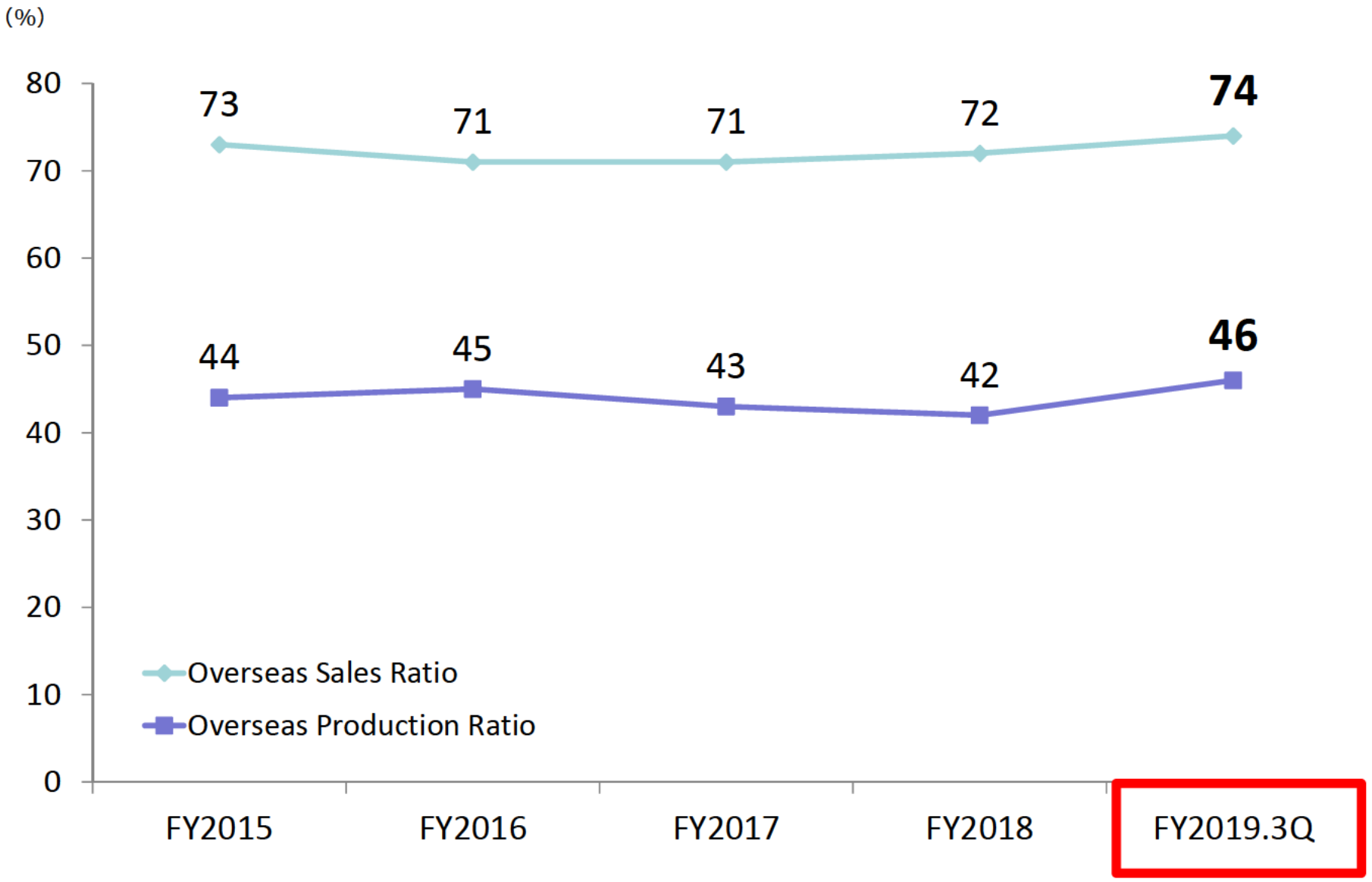
Sales by Application (round number) (Consolidated Basis)



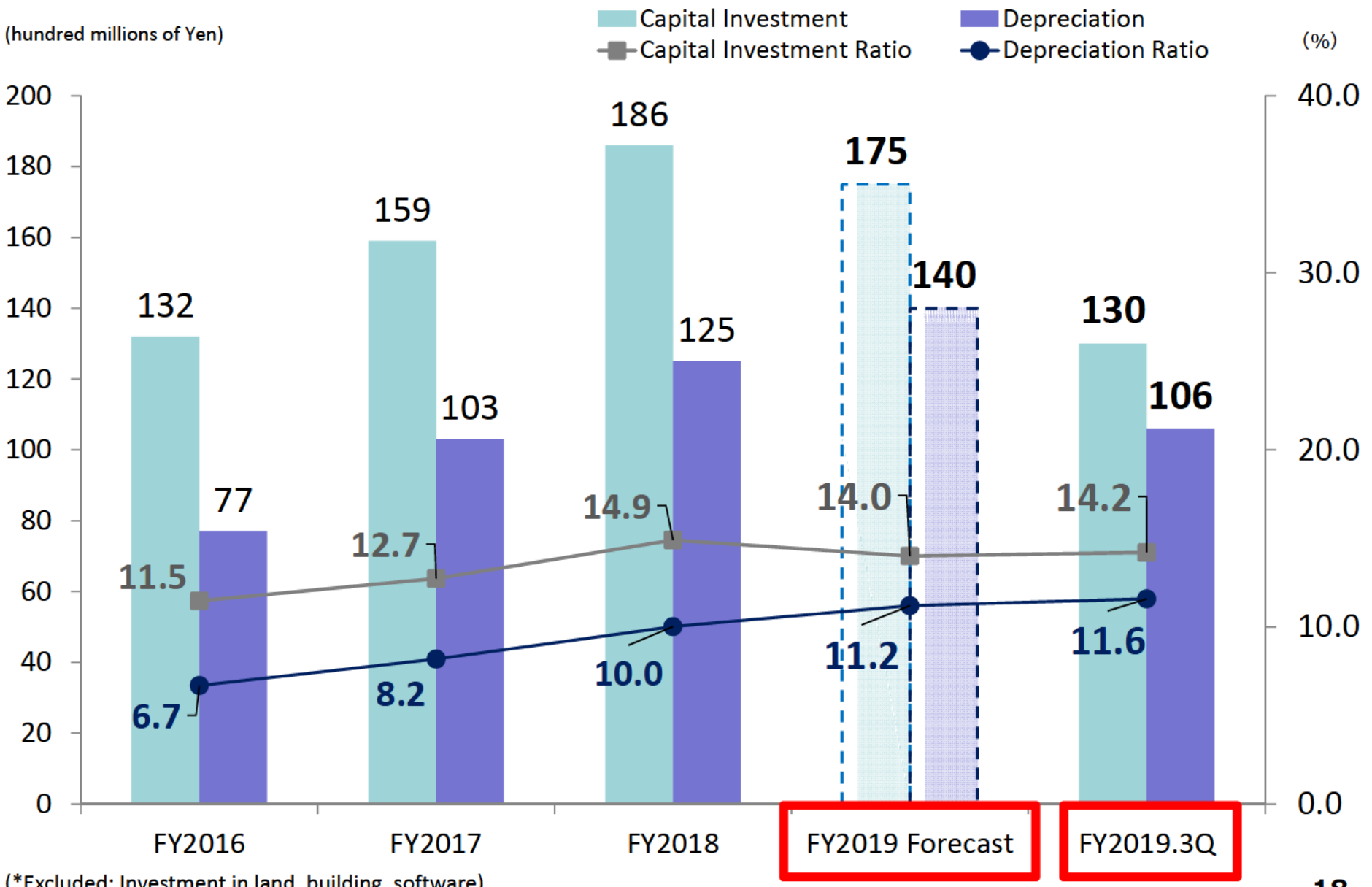
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*2 Computer Related Equipment – Tablet/Notebook PC not included.

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)

There is no change from previous figures (Nov, 2019)

(Unit : Hundred millions of yen)	FY2018 (FY ended Mar31, 2019) Actual		FY2019 (FY ended Mar31, 2020)		3Q cumulative total Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	3Q Actual	For the Year	3Q Actual	For the Year Forecast (Nov,2019)	Amount Change	%	Amount Change	%
Sales	959.9	1,245.9	**915.3**	**1,250.0**	-44.6	-4.6%	+4.1	+0.3%
COGS Ratio	55.1%	56.1%	**57.2%**	**58.2%**				
Operating Profit	199.9	231.6	**162.1**	**220.0**	-37.8	-18.9%	-11.6	-5.0%
(%)	20.8%	18.6%	**17.7%**	**17.6%**				
Earnings before income tax	212.4	246.7	**169.2**	**230.0**	-43.2	-20.3%	-16.7	-6.8%
(%)	22.1%	19.8%	**18.5%**	**18.4%**				
Net Profit	152.2	178.9	**119.8**	**175.0**	-32.4	-21.3%	-3.9	-2.2%
(%)	15.9%	14.4%	**13.1%**	**14.0%**				
Income Per Share	—	**489.46 yen**	—	**479.94 yen**				
Dividend Per Share	**120 yen**	**240 yen**	**120 yen**	**240 yen**				
Consolidated Dividend Payout Ratio	—	49.0%	—	**50.0%**				

Currency Rate	FY2018 Actual	FY2019 3Q Actual	FY2019 Forecast
1US$	110.26 yen	108.67 yen	108.75 yen
1€	129.85 yen	121.05 yen	121.29 yen
100won	10.04 yen	9.23 yen	9.23 yen

〔News〕 CES2020 Innovation Awards ‘Double prize’

In this fiscal year, Hirose’s connectors have selected as Innovation Award Honoree’s for CES 2020 in two categories.

CES：The world’s largest trade fair in consumer electronics sector held annually in Las Vegas, USA every January. “CES Innovation Awards” is the international prize which recognize remarkable products in 28 product fields.

【 FX26 】Vehicle Intelligence & Transportation Category

FX26 Series was developed for internal connection of powertrains including inverter and motor controllers, a vital component in EV and HEVs. It is a floating Board-to-Board connector with high heat resistance up to 140℃ and capable of withstanding a high vibration environment. Size reduction compared to existing product was realized. FX26 can satisfy customer requirements in terms of quality and reducing costs.



【 BM46 】Mobile Devices & Accessories Category

The BM46 Series is a Multi-RF Board-to-Board connector developed for 5G wearables, portables and mobile devices. BM46 has excellent high frequency characteristics and a compact size, and it is designed to be robustness and substantially reduces the risk of connector damage. The BM46 can contribute to miniturize devices and increased productivity.

