English translation

Financial Results for the First Quarter of Year Ending March 31, 2021 [IFRS] (Consolidated)

August 3, 2020

Company name: HIROSE ELECTRIC CO., LTD.
URL: https://www.hirose.com/corporate/en/
Stock listing: Tokyo Stock Exchange – First Section
Code: 6806
Representative: Kazunori Ishii, President and Representative Director
Information on contact: Keiji Hara, General Manager of Accounting Department, Administration Group Department Tel: +81-45-620-7410
Scheduled date of filing of Japanese quarterly securities report: August 11, 2020
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 First Quarter of the Year Ending March 31, 2021

(1) Consolidated Operating Results

(Percentage represents year-on-year changes)

	Sales revenue		Operating profit		Income before tax		Quarterly income		Quarterly income attributable to owners of the parent company		Total amount of quarterly comprehensive income	
		%		%		%		%		%		%
FY2020 1Q	27,400	(3.0)	5,896	10.4	6,092	7.4	4,417	8.6	4,417	8.6	5,462	639.1
FY2019 1Q	28,235	(0.8)	5,338	6.5	5,674	(0.4)	4,068	(1.6)	4,068	(1.6)	739	(83.9)

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
FY2020.1Q	121.78	121.78
FY2019.1Q	111.56	111.56

(Yen in millions)

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of total equity attributable to owners of the parent
				%
FY2020.1Q	343,636	307,251	307,251	89.4
FY2019	342,644	306,141	306,141	89.3

2. Dividends

	Annual dividend per share (Yen)				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FY2019	—	120.00	—	120.00	240.00
FY2020	—				
FY2020 (Forecast)		120.00	—	120.00	240.00

(Note) Revision of previously announced dividend targets during this reporting period: None

3. Forecast of Consolidated Business Performance for the Year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Yen in millions)
(Percentage represents year-on-year changes)

	Sales revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent		Basic earnings per share
		%		%		%		%	Yen
2nd quarter end (cumulative total)	50,000	(17.0)	8,500	(26.3)	9,000	(25.5)	6,000	(30.0)	165.44
Fiscal year end	115,000	(5.6)	17,200	(15.5)	18,000	(15.1)	13,000	(15.1)	358.45

(Note) Revision of previously announced business forecast during this reporting period: 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 stock)
As of June 30, 2020: 38,175,942 As of March 31, 2020: 38,381,820

2. Number of treasury stock at the end of the period:
As of June 30, 2020: 1,908,828 As of March 31, 2020: 2,114,675

3. Weighted-average number of shares outstanding during the period:
For the three months ended June 30, 2020: 36,267,146 For the three months ended June 30, 2019: 36,462,721

*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 5.

(Method of obtaining supplementary materials on the financial results)

We are planning to hold a financial results briefing for institutional investors and analysts on Tuesday, August 4, 2020 online. The presentation materials distributed in this briefing will be published on our website soon after the briefing.

(English translation)

This is the statement translated into English from the Japanese original of "Financial Results for the First Quarter of the Year Ending March 31, 2021." 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 first quarter of the fiscal year ending March 31, 2021, the economic situation deteriorated sharply affected by the impact of COVID-19 and Japanese economy has been in extremely difficult situation. Regarding the future, we are raising the level of social economic activity gradually with taking preventive measures for spread of the infection.

In overseas market, economic activity has been restarted after lockdown for COVID-19. However, the number of infected person are growing again and the future outlook has been still unclear.

Under this situation, Hirose group has been expanding global business mainly for smartphone market, automotive market and industrial market, and promoting reinforcement of development, sales and production system for new products with highly added value to respond advanced market needs quickly. Business for smartphone and consumer market has remained strong, but the sales of automotive has been slow down. As a result, sales revenue in the first quarter decreased by 3.0% to 27,400 million yen compared to the same period of the previous fiscal year. Operating profit increased by 10.4% to 5,896 million yen, and quarterly income attributable to owners of the parent company increased by 8.6% to 4,417 million yen as compared with the first quarter of fiscal 2019.

The business results by 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 this 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 quarter of the fiscal year ending March 31, 2021 decreased by 2.1% to 24,314 million yen, operating profit increased by 13.3% to 5,648 million yen compared with the first quarter of the fiscal 2019.

[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 microwave communications devices, satellite communications equipment, electronic measuring instruments, smartphones, 4K and 8K broadcasting equipment, and other electronic equipment. Optical fiber connectors and coaxial switches are also included in this segment. Segment sales for the first quarter of the fiscal 2020 decreased by 4.7% to 2,231 million yen. Operating profit increased by 4.9% to 263 million yen.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first quarter of the fiscal 2020 decreased by 18.7% to 855 million yen, operating loss resulted 15 million yen (FY2019.1Q: operating profit 104 million yen.)

(2) Overview of Financial Condition

Total assets of FY2020.1Q increased by 992 million yen to 343,636 million yen compared to the end of the previous consolidated fiscal year because cash and cash equivalents, and inventories increased. Total liabilities decreased by 118 million yen to 36,385 million yen due to the decrease in income tax payable. Although retained earnings declined due to the dividend of surplus, other components of equity including quarterly income and translation adjustment increased, and total equity increased by 1,110 million yen to 307,251 million yen. As a result, total equity attributable to owners of the parent increased by 0.1% to 89.4% compared to the end of the previous fiscal year.

(3) Future Outlook

There is no revision of business forecasts for the second quarter and full year which was announced on May 28, 2020.
There is also no changes in the dividends forecast.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and cash equivalents	50,561	52,543
Trade and other receivables	30,444	29,456
Inventories	14,512	16,349
Other financial assets	120,541	118,051
Other current assets	4,614	3,053
Total current assets	220,672	219,452
Non-current assets		
Tangible fixed assets	61,541	61,539
Right of use assets	4,478	4,326
Intangible assets	2,519	2,557
Other financial assets	50,141	52,288
Deferred tax assets	2,272	2,477
Retirement benefit assets	563	554
Other non-current assets	458	443
Total non-current assets	121,972	124,184
Total assets	342,644	343,636

(Yen in millions)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Trade and other payables	16,747	17,755
Lease liabilities	728	730
Other financial liabilities	25	—
Accrued tax payables	2,964	2,418
Other current liabilities	4,377	3,635
Total current liabilities	24,841	24,538
Non-current liabilities		
Lease liabilities	3,764	3,615
Retirement benefit liabilities	230	251
Deferred tax liabilities	6,573	6,887
Other non-current liabilities	1,095	1,094
Total non-current liabilities	11,662	11,847
Total liabilities	36,503	36,385
Equity		
Common stock	9,404	9,404
Common surplus	11,293	11,288
Retained earnings	308,343	306,032
Treasury stocks	(24,456)	(22,075)
Other components of equity	1,557	2,602
Total equity attributable to owners of the parent	306,141	307,251
Total equity	306,141	307,251
Total liabilities and equity	342,644	343,636

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

(Quarterly Consolidated Statement of Profit or Loss)

(Yen in millions)

	For the first quarter of the year ended March 31, 2020 (From April 1, 2019 to June 30, 2019)	For the first quarter of the year ending March 31, 2021 (From April 1, 2020 to June 30, 2020)
Sales revenue	28,235	27,400
Cost of sales	16,234	15,900
Gross profit	12,001	11,500
Selling, general and administrative expenses	7,550	7,128
Other income	947	1,590
Other expenses	60	66
Operating profit	5,338	5,896
Financial income	412	336
Financial expenses	76	140
Profit before income taxes	5,674	6,092
Corporate income tax expenses	1,606	1,675
Quarterly income	4,068	4,417
Quarterly income attributable to:		
Owners of the parent	4,068	4,417
Quarterly Earnings per share:		
Basic (yen)	111.56	121.78
Diluted (yen)	111.56	121.78

(Quarterly Consolidated Statement of Comprehensive Income)

(Yen in millions)

	For the first quarter of the year ended March 31, 2020 (From April 1, 2019 to June 30, 2019)	For the first quarter of the year ending March 31, 2021 (From April 1, 2020 to June 30, 2020)
Quarterly income	4,068	4,417
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	329	479
Total items that will not be reclassified to profit or loss	329	479
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(3,671)	554
Debt instruments measured at fair value through other comprehensive income	13	12
Total items that may be reclassified to profit or loss	(3,658)	566
Total other comprehensive income after tax	(3,329)	1,045
Total quarterly comprehensive income	739	5,462
Total amount of quarterly comprehensive income attributable to:		
Owners of the parent	739	5,462

(3) Quarterly Consolidated Statement of Changes in Equity

(Yen in millions)

	Common Stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of the parent	Total equity
Balance as of April 1, 2019	9,404	11,314	303,349	(23,213)	6,476	307,330	307,330
Quarterly income			4,068			4,068	4,068
Other comprehensive income					(3,329)	(3,329)	(3,329)
Total of quarterly comprehensive income	—	—	4,068	—	(3,329)	739	739
Dividend of surplus			(4,376)			(4,376)	(4,376)
Purchase of treasury stock		(0)		(0)		(0)	(0)
Cancellation of treasury stock		(1,487)		1,487		—	—
Transfer to retained earnings		1,486	(1,486)			—	—
Total transaction with owners	—	(1)	(5,862)	1,487	—	(4,376)	(4,376)
Balance as of June 30, 2019	9,404	11,313	301,555	(21,726)	3,147	303,693	303,693

	Common Stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of the parent	Total equity
Balance as of April 1, 2020	9,404	11,293	308,343	(24,456)	1,557	306,141	306,141
Quarterly income			4,417			4,417	4,417
Other comprehensive income					1,045	1,045	1,045
Total of quarterly comprehensive income	—	—	4,417	—	1,045	5,462	5,462
Dividend of surplus			(4,352)			(4,352)	(4,352)
Purchase of treasury stock		(0)		(0)		(0)	(0)
Cancellation of treasury stock		(2,381)		2,381		—	—
Transfer to retained earnings		2,376	(2,376)			—	—
Total transaction with owners	—	(5)	(6,728)	2,381	—	(4,352)	(4,352)
Balance as of June 30, 2020	9,404	11,288	306,032	(22,075)	2,602	307,251	307,251

(4) Notes on Quarterly Consolidated Financial Statements

(Segment information)

1. Business segment

(1) Overview of reporting segment

In the reporting segment 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 reporting segment is “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 reporting segment

For the first quarter of the fiscal year ended March 31, 2020 (from April 1, 2019 to June 30, 2019)

(Yen in millions)

	Reporting segments			Others*	Amount of condensed quarterly consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Sales revenue					
Sales revenue from external customers	24,842	2,341	27,183	1,052	28,235
Total revenue	24,842	2,341	27,183	1,052	28,235
Operating profit	4,984	250	5,234	104	5,338
Financial income	—	—	—	—	412
Financial expenses	—	—	—	—	76
Quarterly income before tax	—	—	—	—	5,674

*”Others” category is not included into reporting segments. “Others” includes micro switches and instruments for connectors.

2. Geographic information

	Japan	China	Korea	Others	Total
Sales revenue	7,667	9,360	4,413	6,795	28,235
Percentage of consolidated sales revenue (%)	27.2	33.1	15.6	24.1	100.0

For the first quarter of the fiscal year ending March 31, 2021 (from April 1, 2020 to June 30, 2020)

(Yen in millions)

	Reporting segments			Others *	Amount of condensed quarterly consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Sales revenue					
Sales revenue from external customers	24,314	2,231	26,545	855	27,400
Total revenue	24,314	2,231	26,545	855	27,400
Operating profit or (loss)	5,648	263	5,911	(15)	5,896
Financial income	—	—	—	—	336
Financial expenses	—	—	—	—	140
Quarterly income before tax	—	—	—	—	6,092

*"Others" category is not included into reporting segments. "Others" includes micro switches and instruments for connectors.

2. Geographic information

	Japan	China	Korea	Others	Total
Sales revenue	7,290	9,789	3,526	6,795	27,400
Percentage of consolidated sales revenue (%)	26.6	35.7	12.9	24.8	100.0