English translation

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

November 2, 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: November 11, 2020
Scheduled date of dividend payable: December 1, 2020
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, 2021 (From April 1, 2020 to September 30, 2020)

(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 1H	61,036	1.3	12,893	11.8	12,887	6.6	9,338	8.9	9,338	8.9	9,918	193.6
FY2019 1H	60,265	(2.7)	11,534	(4.1)	12,087	(7.3)	8,573	(8.1)	8,573	(8.1)	3,379	(73.2)

	Basic quarterly earnings per share	Diluted quarterly earnings per share
	Yen	Yen
FY2020.1H	257.48	257.48
FY2019.1H	235.12	235.12

(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
				%
FY2020.2Q	348,072	311,706	311,706	89.6
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	—	120.00			
FY2020 (Forecast)			—	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
Fiscal year end	120,000	(1.4)	21,500	5.6	22,000	3.7	16,000	4.5	441.17

(Note) Revision of previously announced business forecast during this reporting period: Yes

*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 September 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 September 30, 2020: 1,908,982 As of March 31, 2020: 2,114,675

3. Weighted-average number of shares outstanding during the period:
For the three months ended September 30, 2020: 36,267,094 For the three months ended September 30, 2019: 36,462,714

*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 results briefing for institutional investors and analysts on Wednesday, November 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 Second 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 second quarter of the fiscal year ending March 31, 2021, the consumption spending has been sluggish and corporate profits deteriorated affected by the impact of COVID-19 and Japanese economy has been in extremely difficult situation.
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, and it made up for sluggish sales of business for automotive. As a result, sales revenue in the first half increased by 1.3% to 61,036 million yen compared to the same period of the previous fiscal year. Operating profit increased by 11.8% to 12,893 million yen, and quarterly income attributable to owners of the parent company increased by 8.9% to 9,338 million yen as compared with the first half of the 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 half of the fiscal year ending March 31, 2021 increased by 2.2% to 54,475 million yen, operating profit increased by 11.9% to 12,161 million yen compared with the first half 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 half of the fiscal 2020 decreased by 7.6% to 4,601 million yen. Operating profit increased by 32.3% to 703 million yen.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first half of the fiscal 2020 decreased by 0.5% to 1,960 million yen, operating profit decreased by 77.3% to 29 million yen compared with the previous first half.

(2) Overview of Financial Condition

Total assets of FY2020.2Q increased by 5,428 million yen to 348,072 million yen compared to the end of the previous consolidated fiscal year because cash and cash equivalents, trade receivables and other receivables increased. Total liabilities decreased by 137 million yen to 36,366 million yen due to the decrease in lease liabilities. Additionally, retained earnings increased and other components of equity grew by exchange differences on transition of foreign operation, and total equity increased by 5,565 million yen to 311,706 million yen. As a result, total equity attributable to owners of the parent increased by 0.3% to 89.6% compared to the end of the previous fiscal year.

(3) Future Outlook

The business for smartphone, automotive and consumer electronics is expected to exceed our initial estimates, and we revise our business forecast as follows.

(Revision of business forecast of FY2020)

(Yen in millions)

	Sales revenue	Operating profit	Income before tax	Net profit attributable to owners of the parent	Basic earnings per share
Forecast previously announced (A)	115,000	17,200	18,000	13,000	358.45 yen
Revised forecast (B)	**120,000**	**21,500**	**22,000**	**16,000**	**441.17 yen**
Change (B-A)	5,000	4,300	4,000	3,000	―
Rate of change (%)	4.3	25.0	22.2	23.1	―
(Ref.) Results for the fiscal year ended Mar 30, 2020	121,765	20,358	21,205	15,305	420.39 yen

Premise for full year exchange rate: 1US$ = 105.96 yen, 1€ = 122.65 yen, 1 South Korean won = 0.0900 yen.
There is no revision of dividend forecast.

Could you please refer to the “Notice of Revision of the Consolidated Financial Results Forecast” released on November 2, 2020 for more detailed information.

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 September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	50,561	52,892
Trade and other receivables	30,444	33,547
Inventories	14,512	15,774
Other financial assets	120,541	122,956
Other current assets	4,614	3,241
Total current assets	220,672	228,410
Non-current assets		
Tangible fixed assets	61,541	60,743
Right of use assets	4,478	4,235
Intangible assets	2,519	2,630
Other financial assets	50,141	48,580
Deferred tax assets	2,272	2,494
Retirement benefit assets	563	541
Other non-current assets	458	439
Total non-current assets	121,972	119,662
Total assets	342,644	328,072

(Yen in millions)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Trade and other payables	16,747	16,680
Lease liabilities	728	729
Other financial liabilities	25	―
Accrued tax payables	2,964	3,233
Other current liabilities	4,377	4,416
Total current liabilities	24,841	25,058
Non-current liabilities		
Lease liabilities	3,764	3,527
Other financial debt	―	73
Retirement benefit liabilities	230	235
Deferred tax liabilities	6,573	6,721
Other non-current liabilities	1,095	752
Total non-current liabilities	11,662	11,308
Total liabilities	36,503	36,366
Equity		
Common stock	9,404	9,404
Common surplus	11,293	11,285
Retained earnings	308,343	310,957
Treasury stocks	(24,456)	(22,077)
Other components of equity	1,557	2,137
Total equity attributable to owners of the parent	306,141	311,706
Total equity	306,141	311,706
Total liabilities and equity	342,644	348,072

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

(Quarterly Consolidated Statement of Profit or Loss)

(Yen in millions)

	For the first half of the year ended March 31, 2020 (From April 1, 2019 to September 30, 2019)	For the first half of the year ending March 31, 2021 (From April 1, 2020 to September 30, 2020)
Sales revenue	60,265	61,036
Cost of sales	34,411	35,172
Gross profit	28,854	25,864
Selling, general and administrative expenses	15,072	14,499
Other income	1,030	1,732
Other expenses	278	204
Operating profit	11,534	12,893
Financial income	623	518
Financial expenses	70	524
Profit before income taxes	12,087	12,887
Corporate income tax expenses	3,514	3,549
Quarterly income	8,573	9,338
Quarterly income attributable to:		
Owners of the parent	8,573	9,338
Quarterly Earnings per share:		
Basic (yen)	235.12	257.48
Diluted (yen)	235.12	257.48

(Quarterly Consolidated Statement of Comprehensive Income)

(Yen in millions)

	For the first half of the year ended March 31, 2020 (From April 1, 2019 to September 30, 2019)	For the first half of the year ending March 31, 2021 (From April 1, 2020 to September 30, 2020)
Quarterly income	8,573	9,338
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	715	(298)
Total items that will not be reclassified to profit or loss	715	(298)
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(5,929)	854
Debt instruments measured at fair value through other comprehensive income	20	24
Total items that may be reclassified to profit or loss	(5,909)	878
Total other comprehensive income after tax	(5,194)	580
Total quarterly comprehensive income	3,379	9,918
Total amount of quarterly comprehensive income attributable to:		
Owners of the parent	3,379	9,918

(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			8,573			8,573	8,573
Other comprehensive income					(5,194)	(5,194)	(5,194)
Total of quarterly comprehensive income	—	—	8,573	—	(5,194)	3,379	3,379
Dividend of surplus			(4,376)			(4,376)	(4,376)
Purchase of treasury stock		(0)		(1)		(1)	(1)
Disposition of treasury stock						—	—
Cancellation of treasury stock		(1,487)		1,487		—	—
Transfer to retained earnings		1,481	(1,481)			—	—
Total transaction with owners	—	(6)	(5,857)	1,486	—	(4,377)	(4,377)
Balance as of September 30, 2019	9,404	11,308	306,066	(21,727)	1,281	306,332	306,332

	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			9,338			9,338	9,338
Other comprehensive income					580	580	580
Total of quarterly comprehensive income	—	—	9,338	—	580	9,918	9,918
Dividend of surplus			(4,352)			(4,352)	(4,352)
Purchase of treasury stock		(0)		(3)		(3)	(3)
Disposition of treasury stock		0		1		1	1
Cancellation of treasury stock		(2,381)		2,381		—	—
Transfer to retained earnings		2,373	(2,373)			—	—
Total transaction with owners	—	(8)	(6,724)	2,379	—	(4,354)	(4,354)
Balance as of September 30, 2020	9,404	11,285	310,957	(22,077)	2,137	311,706	311,706

(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 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 reporting segment

For the first half of the fiscal year ended March 31, 2020 (from April 1, 2019 to September 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	53,313	4,982	58,295	1,970	60,265
Total revenue	53,313	4,982	58,295	1,970	60,265
Operating profit	10,872	531	11,403	131	11,534
Financial income	—	—	—	—	623
Financial expenses	—	—	—	—	70
Quarterly income before tax	—	—	—	—	12,087

*”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	15,686	20,933	9,600	14,046	60,265
Percentage of consolidated sales revenue (%)	26.0	34.7	15.9	23.4	100.0

For the first half of the fiscal year ending March 31, 2021 (from April 1, 2020 to September 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	54,475	4,601	59,076	1,960	61,036
Total revenue	54,475	4,601	59,076	1,960	61,036
Operating profit	12,161	703	12,864	29	12,893
Financial income	—	—	—	—	518
Financial expenses	—	—	—	—	524
Quarterly income before tax	—	—	—	—	12,887

*"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	14,365	22,780	8,576	15,315	61,036
Percentage of consolidated sales revenue (%)	23.5	37.3	14.1	25.1	100.0