Hirose Electric Business Results for the Second Quarter of FY2020

Business Results for the Second Quarter of FY2020

November 4, 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.

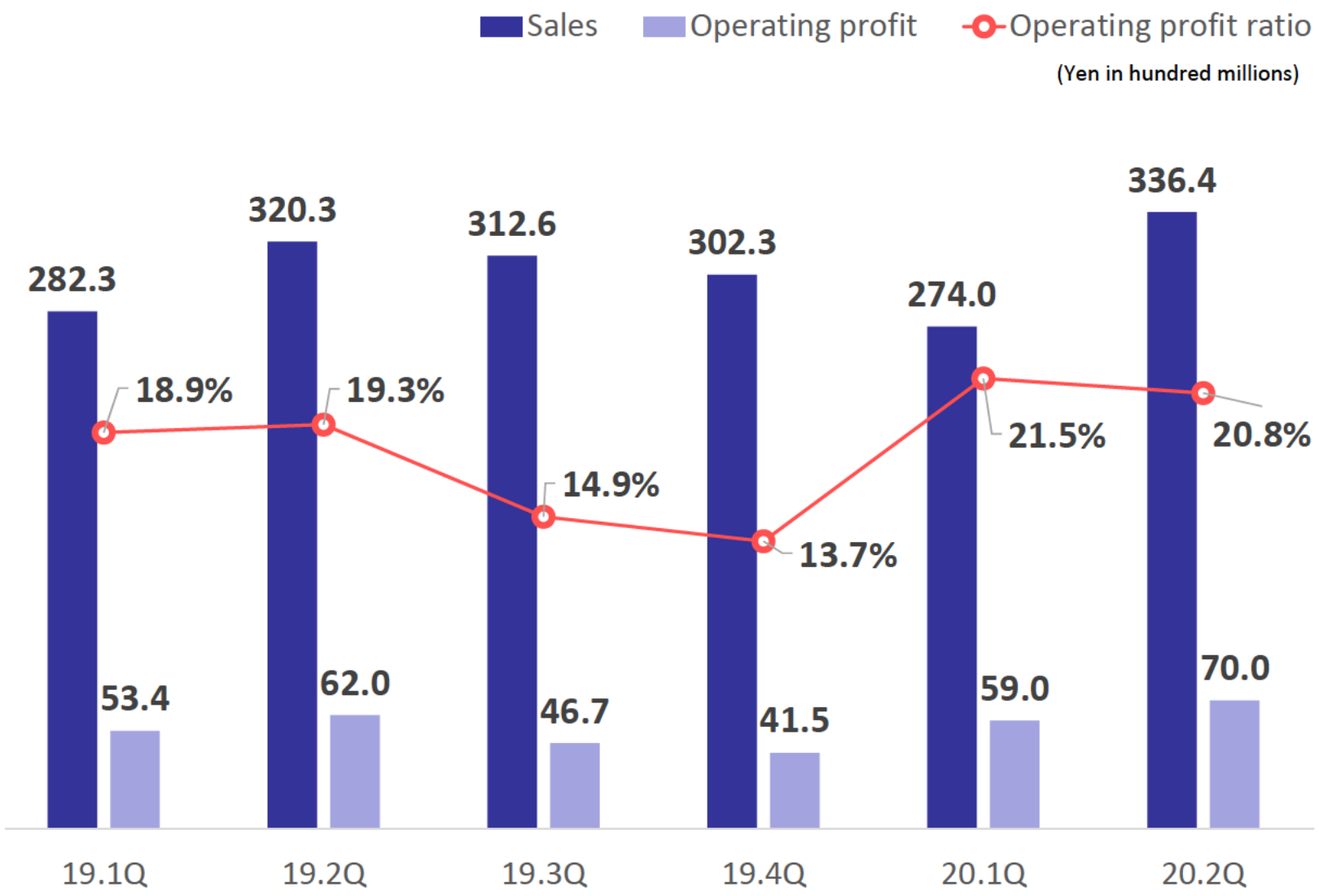
Summary of the business results (FY2020.1H From April, 2020 to September, 2020)

■ In the second quarter of FY2020, the sales for smartphone and consumer market grew and the sales for automotive recovered. As a result, the sales of 1H increased by 1.3%, operating profit increased by 11.8% compared with the previous 1H and operating profit ratio resulted 21.1%.

(Yen in hundred millions)

	FY2019			FY2020			YoY
	1Q 2019. Apr-Jun	2Q 2019. Jul-Sep	1H 2019.Apr-Sep	1Q 2020.Apr-Jun	2Q 2020.Jul-Sep	1H 2020.Apr-Sep	FY2020.1H / FY2019.1H
Order	300.8	322.5	**623.3**	277.4	369.4	**646.8**	+3.8%
Sales	282.3	320.3	**602.7**	274.0	336.4	**610.4**	+1.3%
Operating profit	53.4	62.0	**115.3**	59.0	70.0	**128.9**	+11.8%
Operating profit ratio	18.9%	19.3%	**19.1%**	21.5%	20.8%	**21.1%**	+2.0pt

Changes in sales and operating profit （FY2019.1Q-FY2020.2Q / Consolidated basis）



Business Results for FY2020.2Q

(Yen in hundred millions)	FY2019.1H (FY ended Sep 30, 2019)	FY2020.1H (FY ended Sep 30, 2020)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	**602.7**	**610.4**	**+7.7**	**1.3%**
COGS Ratio	57.1%	57.6%	+0.5%	
SGA Ratio	25.0%	23.8%	-1.3%	
Operating Profit	**115.3**	**128.9**	**+13.6**	**11.8%**
(%)	19.1%	21.1%	+2.0%	
Earnings before income tax	**120.9**	**128.9**	**+8.0**	**6.6%**
(%)	20.1%	21.1%	+1.0%	
Net profit	**85.7**	**93.4**	**+7.6**	**8.9%**
(%)	14.2%	15.3%	+1.1%	
Total Assets	**3,434.5**	**3,480.7**		
Shareholder's Equity Ratio	**89.2%**	**89.6%**		
Income Per Share	**235.12 yen**	**257.48 yen**		

	FY2019.2Q	FY2020.2Q
1US$	108.63 yen	**106.92 yen**
1€	121.42 yen	**121.30 yen**
100 won	9.22 yen	**8.89 yen**

FY2020 2Q Major Changes

(Yen in hundred millions)

Sales

7.7 hundred million yen Increased
(602.7 → 610.4)

Non consolidated Hirose: +14.5
Subsidiaries: -6.8

COGS Ratio

0.5pt Deteriorated
(57.1% → 57.6%)

Depreciation Ratio: 10.2% → **10.8%**
Labor-cost Ratio: 6.8% → **7.0%**

SGA Ratio

1.2pt Improved
(25.0% → 23.8%)

150.7 → 145.0 (Decreased by 5.7)

Financial revenue / expense

5.6 hundred million yen Deteriorated
(+5.5 → -0.1)

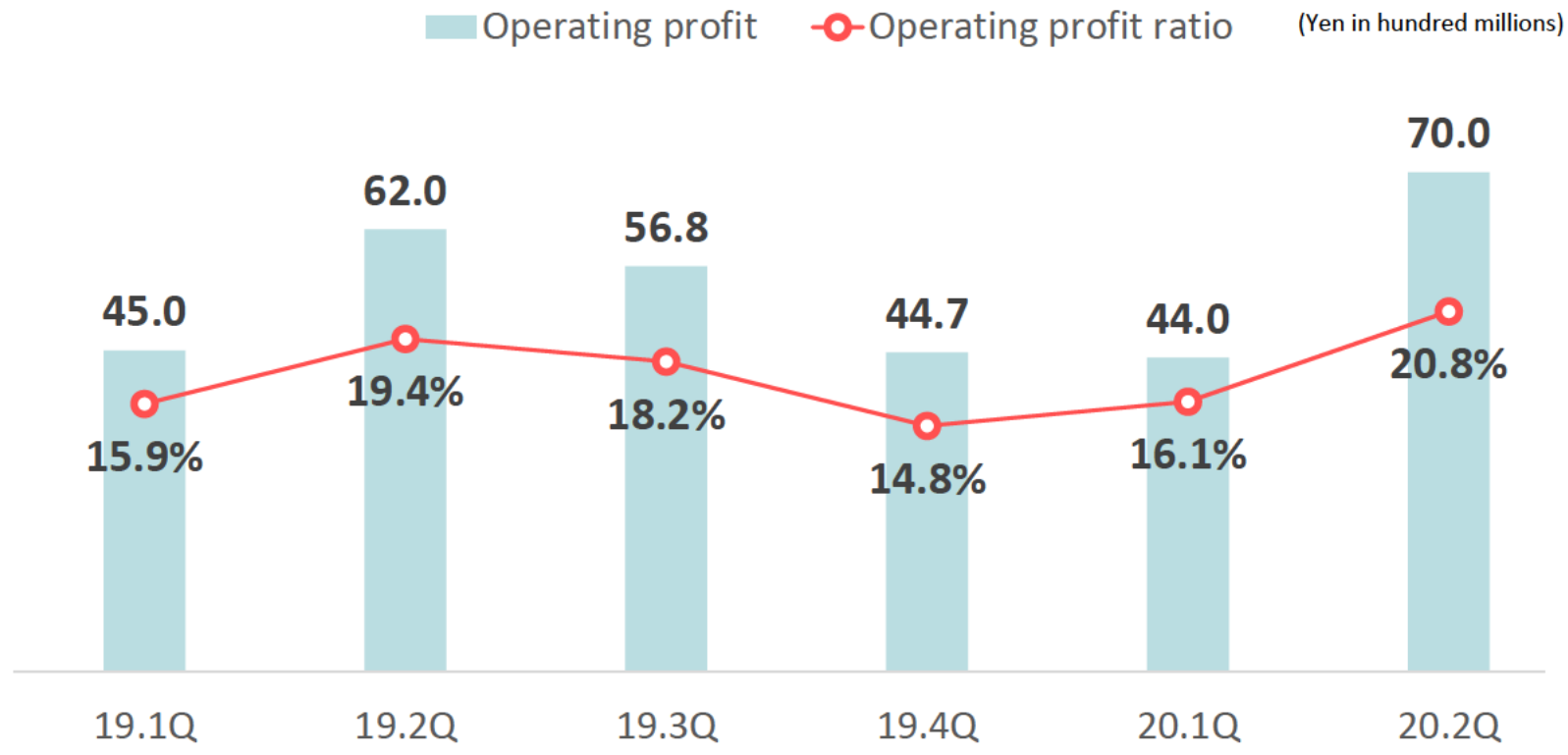
Exchange Loss: -0.6 → -4.3

FY2020.2Q YoY Variation Analysis

(Yen in hundred millions)

	Sales	Operating Profit	(%)	Earnings before income tax	(%)
FY2019.1H Actual	**602.7**	**115.3**	**19.1%**	**120.9**	**20.1%**
Exchange rate	-7.0	-5.2		-9.0	
Depreciation cost increase		-5.9		-5.9	
Labor cost increase		-1.2		-1.2	
Increase in freightage and packing expenses		-2.7		-2.7	
Increase in the product	14.7	8.9		8.9	
Gain on sale of land		-8.4		-8.4	
Insurance income		15.0		15.0	
Decrease in travel and overseas travel expenses		4.6		4.6	
Decrease in other SGA expenses		4.4		4.4	
Others		4.2		2.4	
Total amount of changes	**7.7**	**13.6**		**8.0**	
FY2020.1H Actual	***610.4***	***128.9***	***21.1%***	***128.9***	***21.1%***

Changes in operating profit excluding temporary factors (FY2019.1Q-FY2020.2Q)



(Yen in hundred millions)

	19.1Q	19.2Q	19.3Q	19.4Q	20.1Q	20.2Q
Operating Profit (Financial Settlement)	53.4	62.0	46.7	41.5	59.0	70.0
	Gain on sale of land −8.4		Expense for flood damages in Koriyama + 10.1	Expense for flood damages in Koriyama + 3.2	Insurance money for flood damages in Koriyama −15.0	
Operating Profit excluding temporary factors	**45.0**	**62.0**	**56.8**	**44.7**	**44.0**	**70.0**

Consolidated Balance Sheet

(Yen in hundred millions)

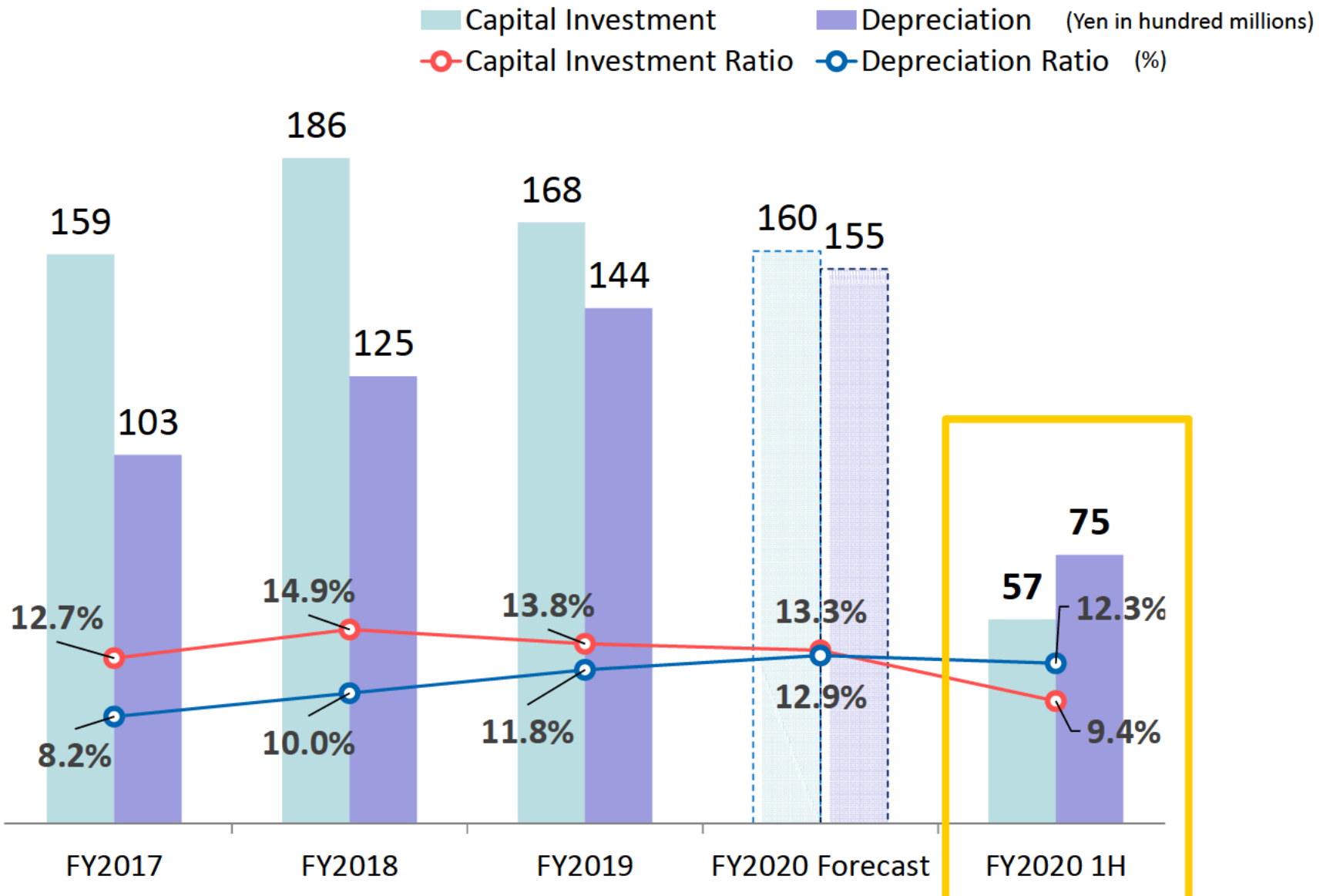
	Account	Mar 31, 2020	Sep 30, 2020	Increase / Decrease	Remark
Assets	Cash and cash equivalents	**505.6**	**528.9**	**23.3**	Maturity of fixed deposit, others
	Trade and other receivables	**304.4**	**335.5**	**31.0**	Increase in accounts receivable +2.77 billion yen, others
	Inventories	**145.1**	**157.7**	**12.6**	Increase in inventories of overseas sales offices
	Other financial assets	**1,706.8**	**1,715.4**	**8.6**	
	Tangible fixed assets	**615.4**	**607.4**	**-8.0**	
	Right-of-use asset	**44.8**	**42.4**	**-2.4**	
	Others	**104.3**	**93.5**	**-10.8**	Receivable consumption tax refund △1.3 billion yen, others
	Total Assets	**3,426.4**	**3,480.7**	**54.3**	
	Total of cash in bank	1,674.5	1,703.0	28.5	

Consolidated Balance Sheet

(Yen in hundred millions)

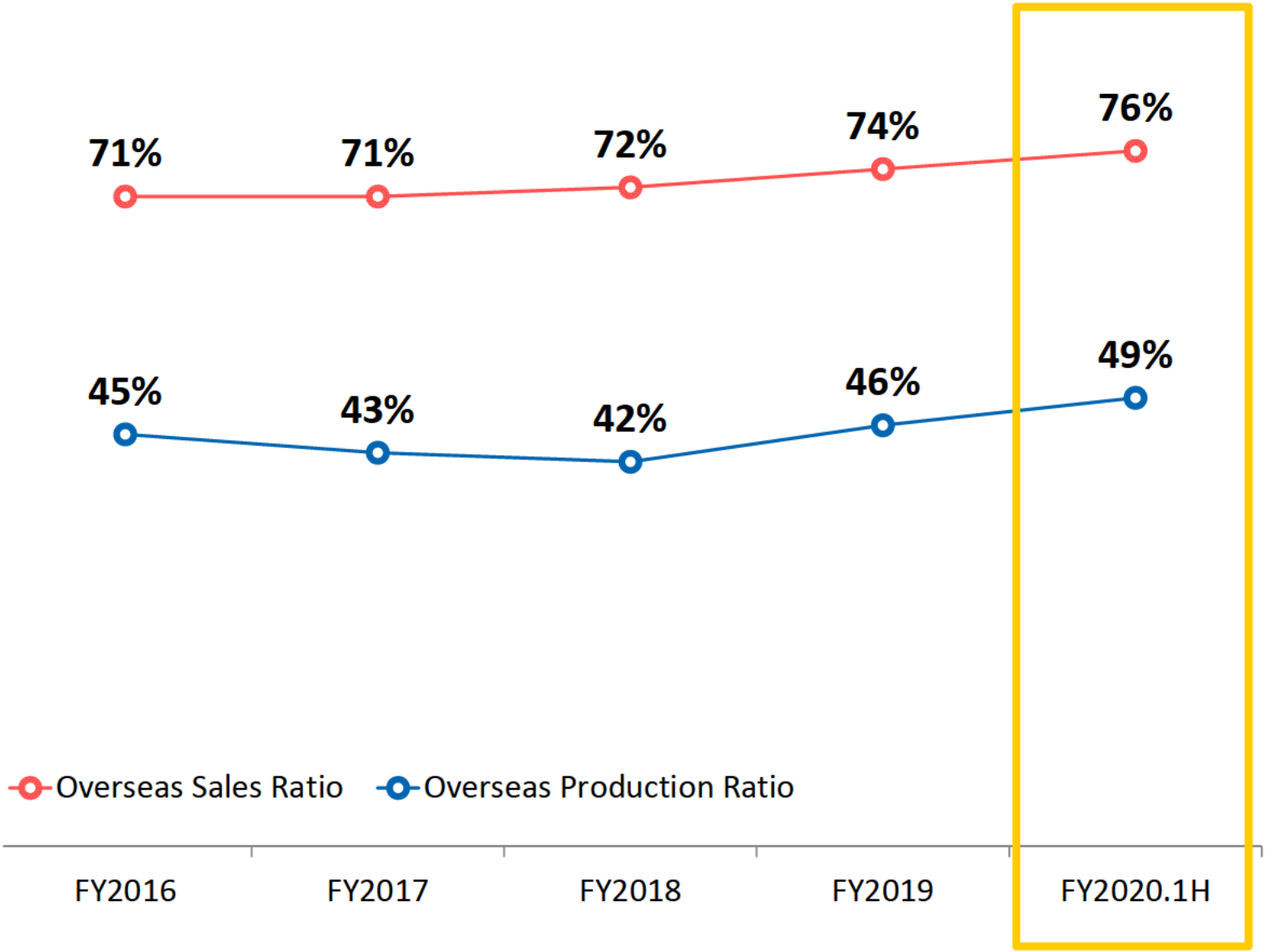
	Account	Mar 31, 2020	Sep 30, 2020	Increase / Decrease	Remark
Liabilities	Payables and other debt	167.5	166.8	-0.7	
	Lease liabilities	44.9	42.6	-2.3	
	Income Taxes Payable	29.6	32.3	2.7	
	Others	123.0	122.0	-1.0	
	Total	365.0	363.7	-1.4	
Shareholder's Equity	Capital stock and Capital surplus	207.0	206.9	-0.1	
	Retained Earnings	3,083.4	3,109.6	26.1	Net profit +9.34 billion Dividend △4.35 billion Transfer to treasury stocks △2.38 billion
	Treasury Stocks	-244.6	-220.8	23.8	Cancellation of treasury stock +2.38 billion
	Others	15.6	21.4	5.8	Translation adjustment +0.85 billion, others (because of strong won and weak yen)
	Total	3,061.4	3,117.1	55.6	
	Total Liabilities and Shareholder's Equity	3,426.4	3,480.7	54.3	

Changes in Capital Investment and Depreciation

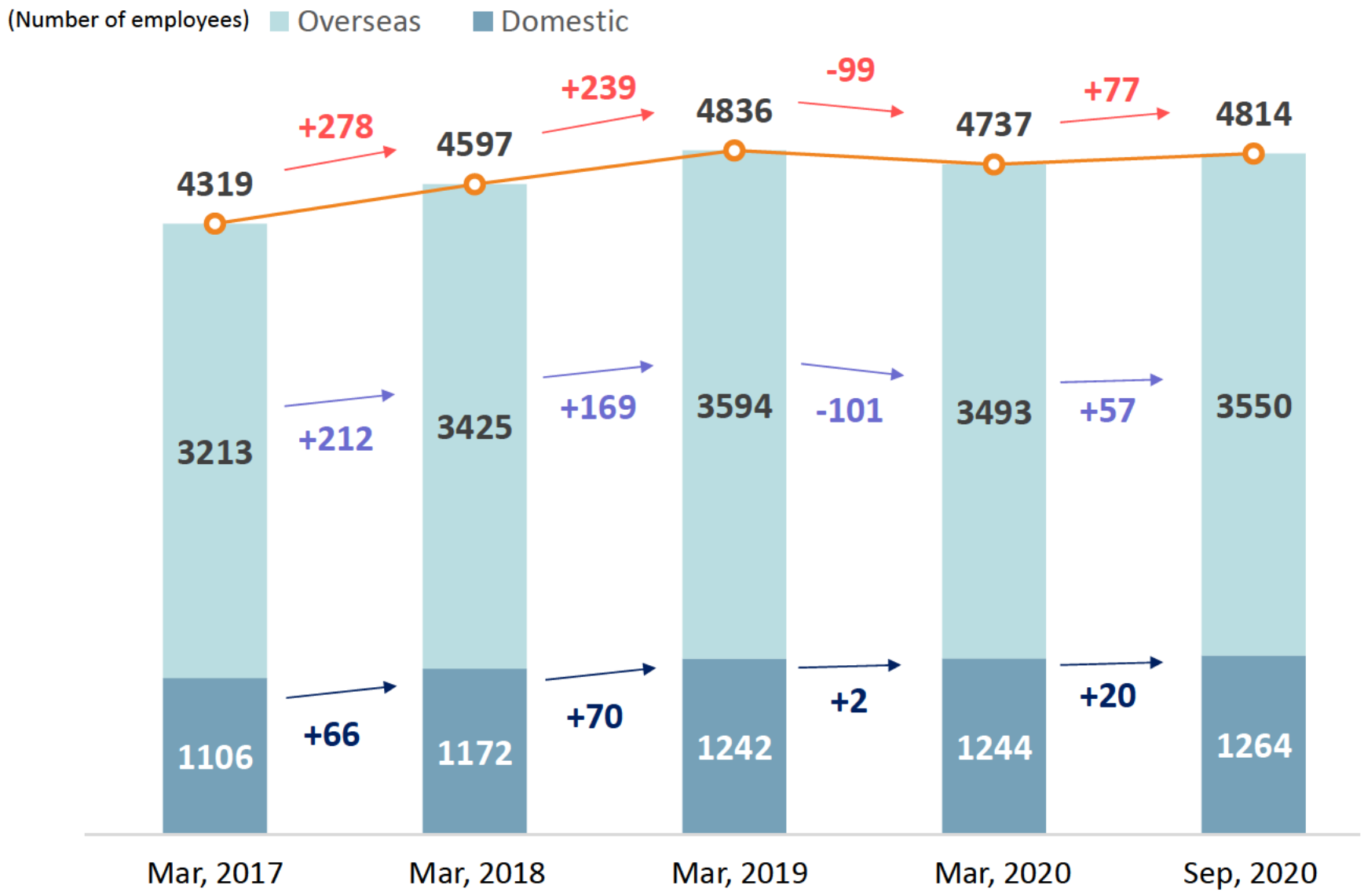


(*Excluded: Investment in land, building, software)

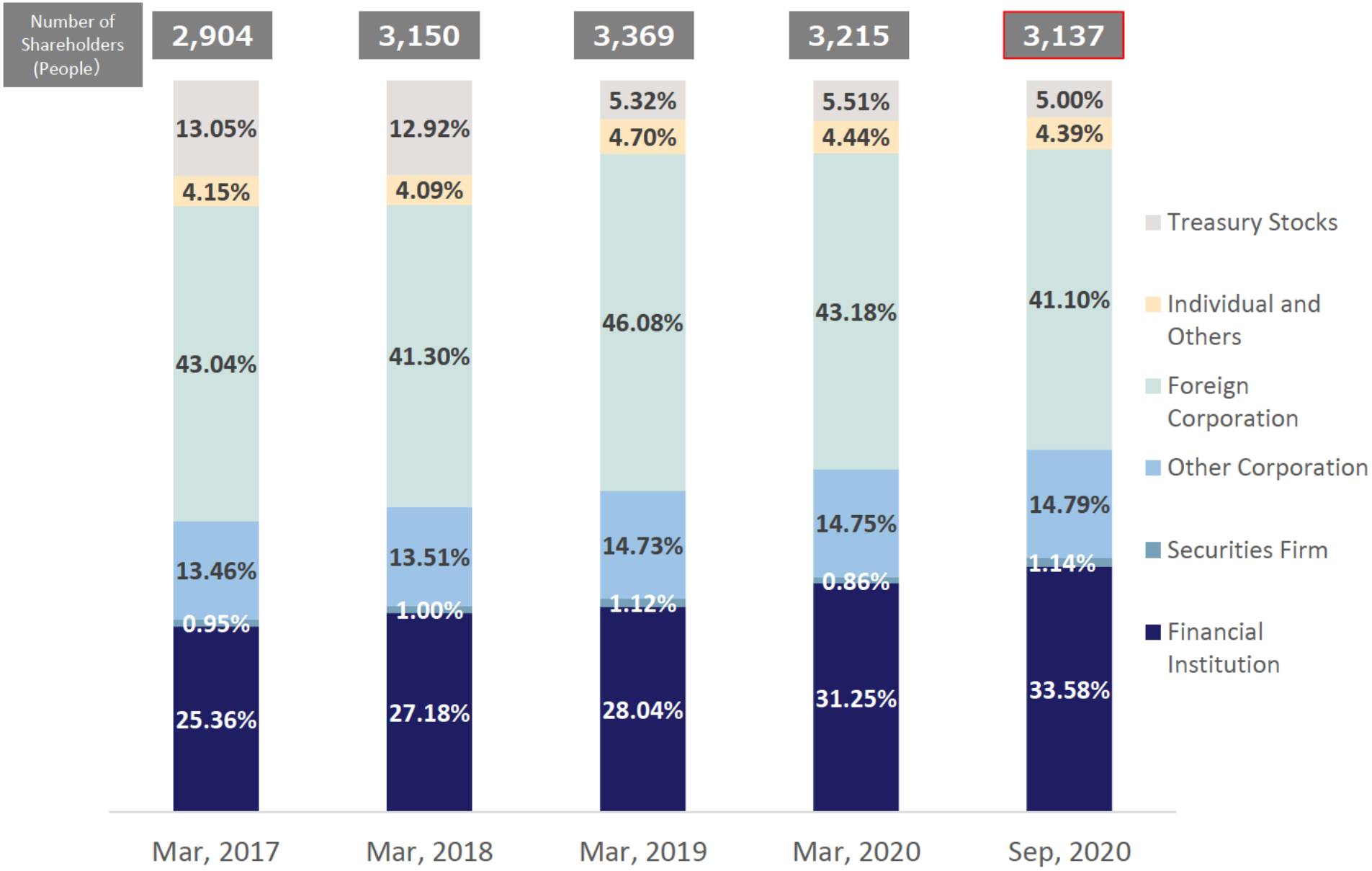
Overseas production and sales ratio



Number of Employees (Financial Report Basis)



Distribution of Shareholders

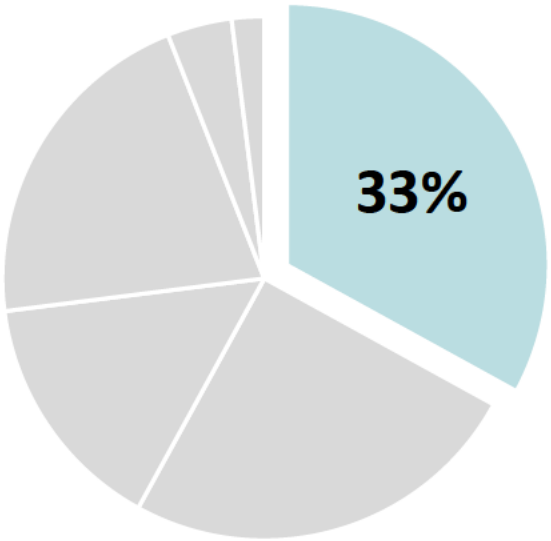


Sales by Application_General Industrial

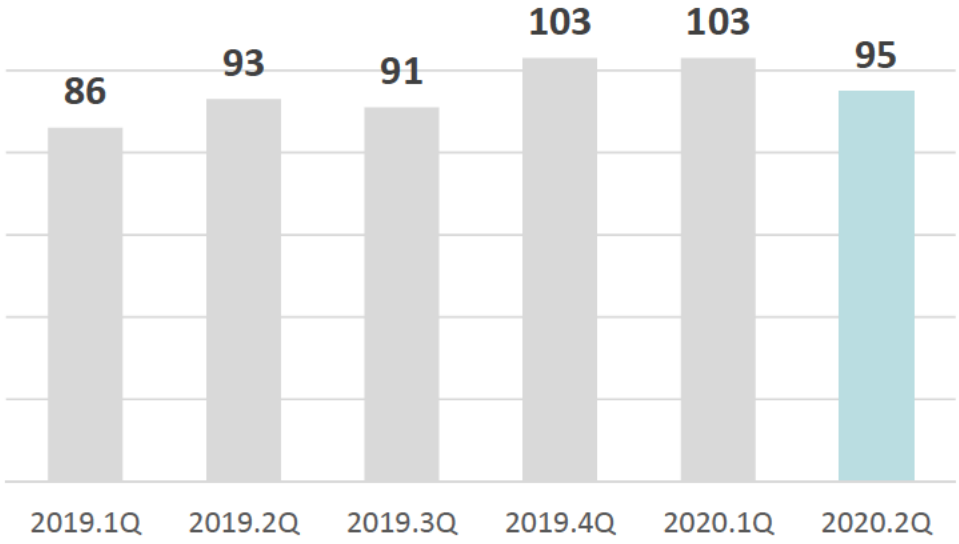
(Yen in hundred millions)

	FY2019			FY2020			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2020.1H / FY2019.1H
Sales	86	93	179	103	**95**	**198**	**+11%**

● **FY2020.1H Composition ratio**



● **Changes in quarterly sales**



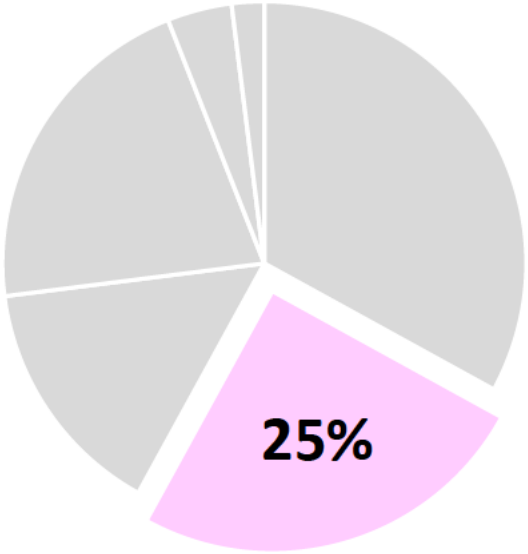
■ There is some action in the market, but overall business of general industrial is recovering slowly.

Sales by Application_Smartphone

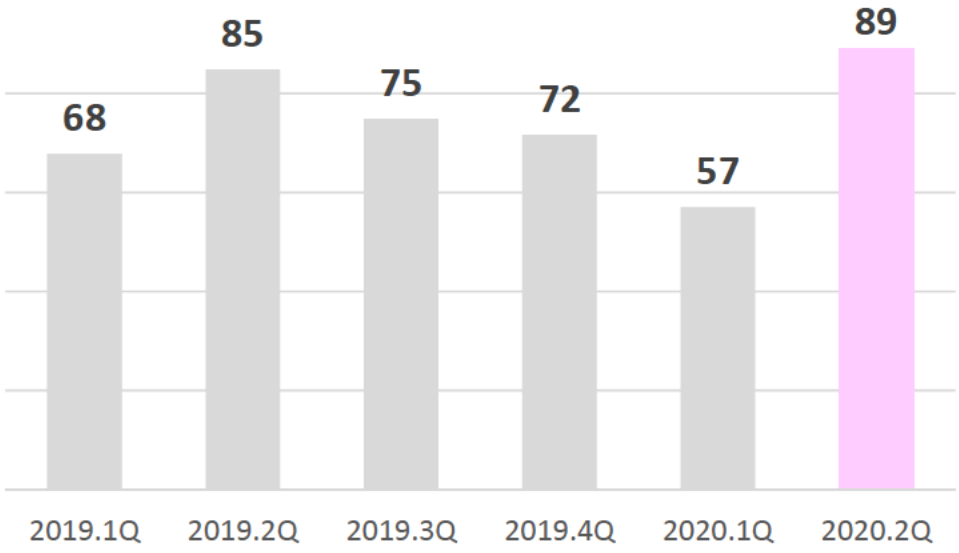
(Yen in hundred millions)

	FY2019			FY2020			YoY
	1Q	2Q	1H	1Q	2Q	1H	2020.1H/ 2019.1H
Sales	68	85	153	57	**89**	**146**	**-5%**

● **FY2020.1H Composition ratio**



● **Changes in quarterly sales**



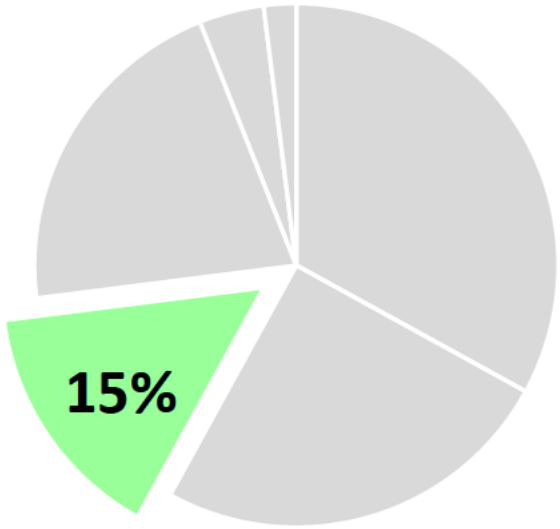
- Initially we expected the sales would increase because of seasonal reason, but the actual sales for smartphone in 2Q exceeded our expectation.
- In the future, more 5G compatible new models will appear and it is expected that the sales will maintain high level.

Sales by Application_Automotive/Mobility-related

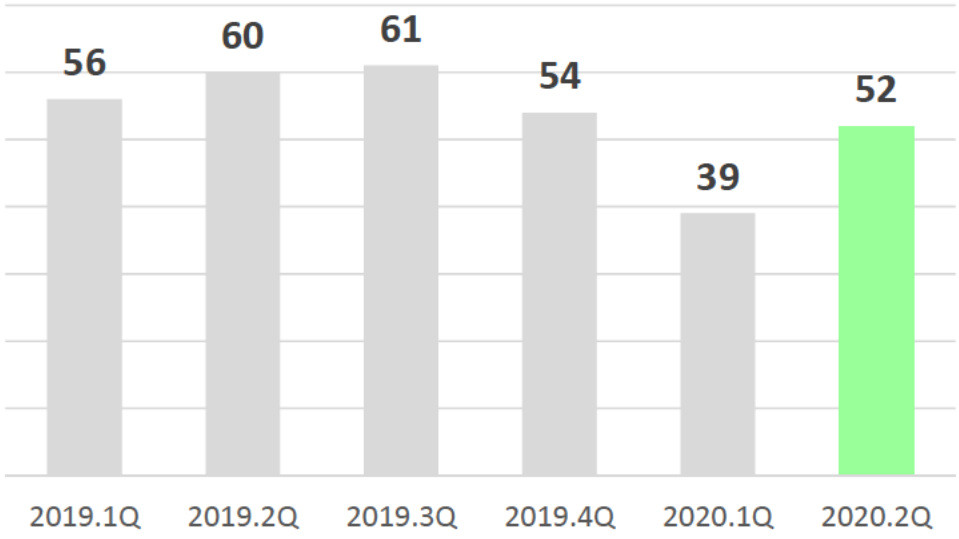
(Yen in hundred millions)

	FY2019			FY2020			YoY
	1Q	2Q	1H	1Q	2Q	1H	2020.1H / 2019.1H
Sales	56	60	116	39	**52**	**91**	**-22%**

● **FY2020.1H Composition ratio**



● **Changes in quarterly sales**



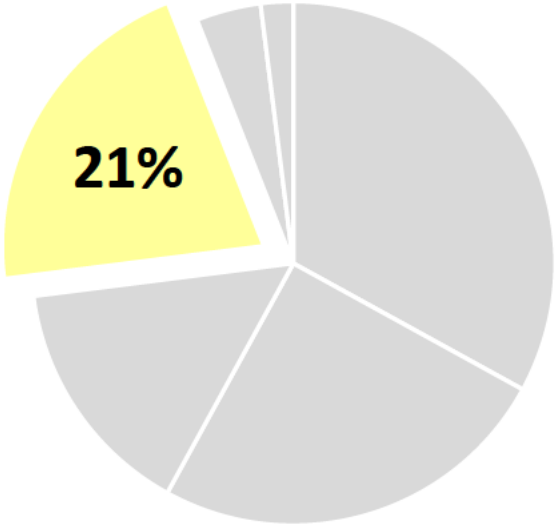
■ The sales for automotive bottomed out in FY2020.1Q and is in recovery trend.

Sales by Application_Consumer/Mobile Equipment

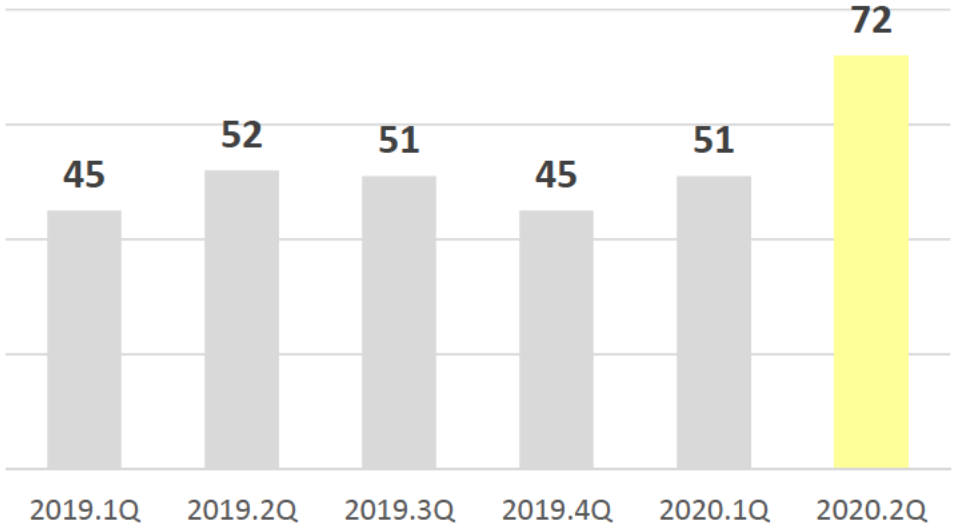
(Yen in hundred millions)

	FY2019			FY2020			YoY
	1Q	2Q	1H	1Q	2Q	1H	2020.1H / 2019.1H
Sales	45	52	97	51	**72**	**123**	**+27%**

● **FY2020.1H Composition ratio**



● **Changes in quarterly sales**



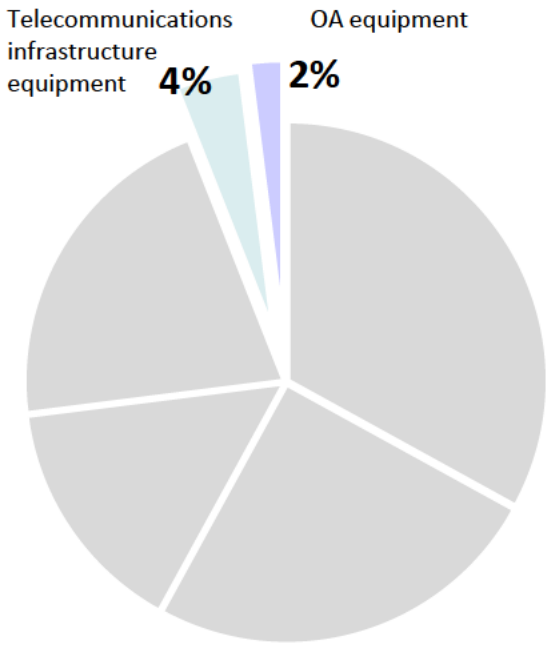
■ Remote working became more popular as a preventive measure of COVID-19.
The demand for personal and small consumer equipment increased temporarily.

Sales by Application_Telecommunications infrastructure equipment / OA equipment

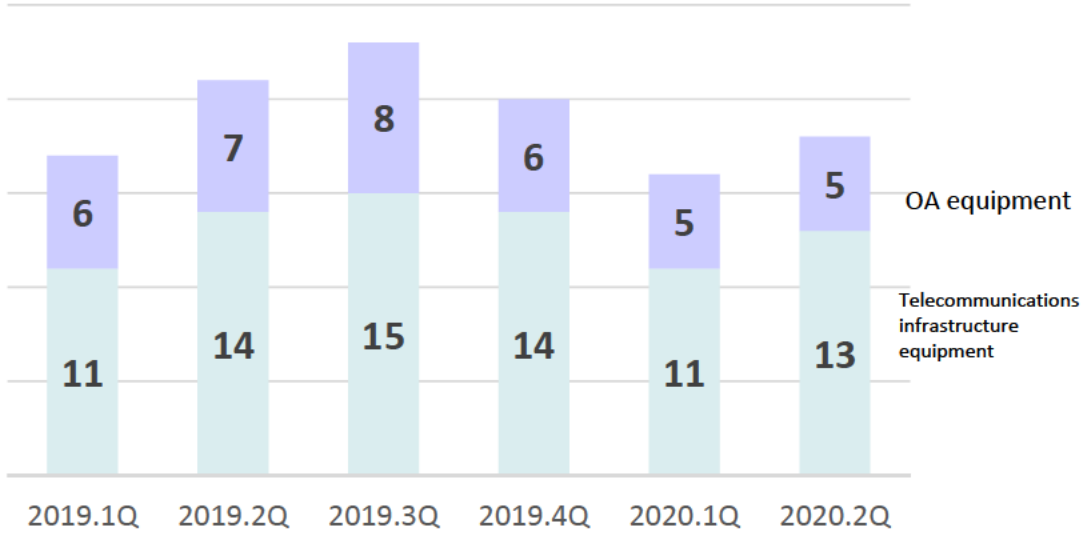
(Yen in hundred millions)

	FY2019			FY2020			YoY
	1Q	2Q	1H	1Q	2Q	1H	2020.1H / 2019.1H
Telecommunications infrastructure	11	14	25	11	**13**	**24**	**-4%**
OA equipment	6	7	13	5	**5**	**10**	**-23%**

● **FY2020.1H Composition ratio**

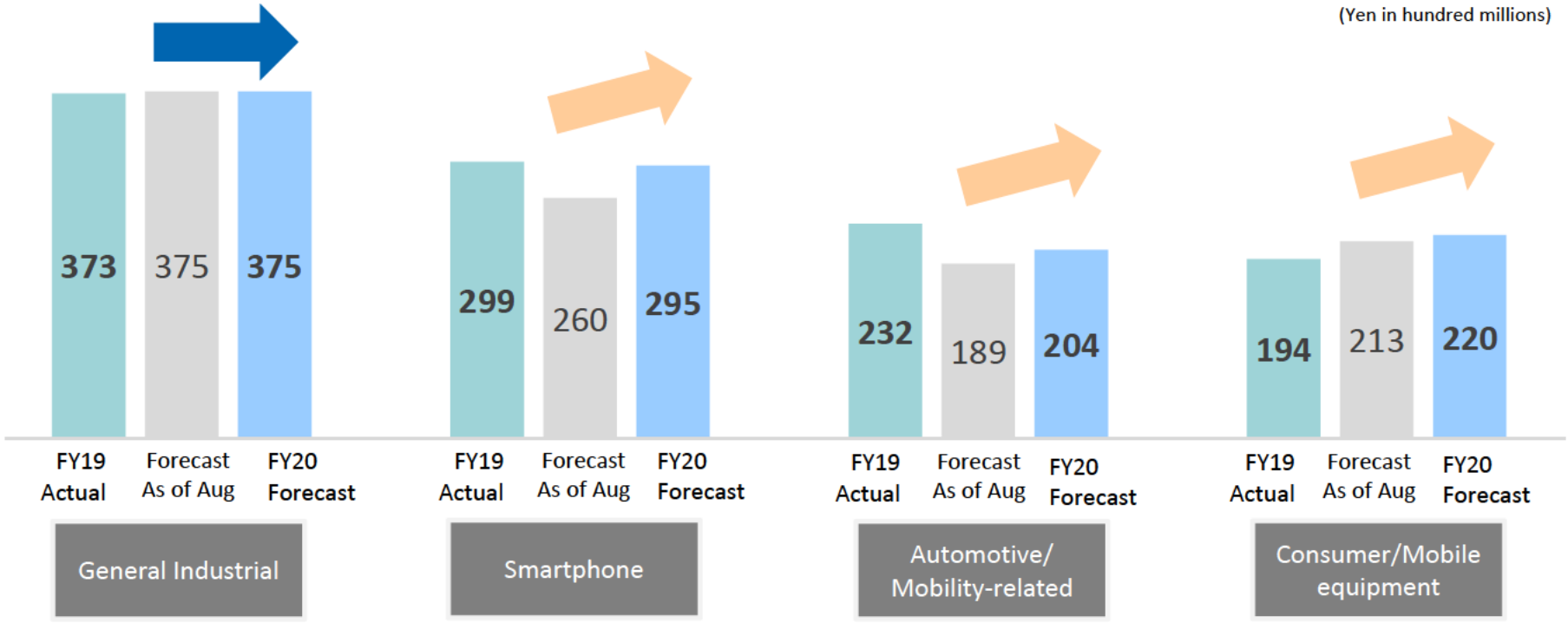


● **Changes in quarterly sales**



Annual sales forecast by applications【Updated】

(Yen in hundred millions)



FY2020 Annual growth rate	Forecast as of Aug,2020	Updated forecast of growth rate
● General Industrial	+1%	+1%
● Smartphone	-13%	-1%
● Automotive / Mobility-related	-18%	-12%
● Consumer / Mobile equipment	+10%	+14%

Summary of the revision of business forecast for the year ending March, 2021

Following the Annual sales forecast【Updated】, we revise up our full year business forecast

(Yen in hundred millions)

	① Forecast as of May, 2020	② Updated Forecast as of November, 2020	②-① Revised amount
Sales	1,150	**1,200**	+50
Operating Profit	172	**215**	+43
(%)	15.0%	**17.9%**	
Operating Profit Ratio	130	**160**	+30
(%)	11.3%	**13.3%**	

- Smartphone…The demand has been increasing owing to 5G compatible new models
- Automotive…In the phase of recovery trend because of increased demand in China
- Consumer / Mobile equipment…Remote working became popular and the demand expanded

For these reasons, the annual business performance is expected to exceed our initial estimates and revise our business forecast.

Business Forecast for the Year Ending March 31, 2021 (Consolidated)

The business for smartphone, automotive and consumer is expected to exceed our initial estimates, and revise the forecast published on May, 2020.

(Yen in hundred millions)	FY2019 (FY ended March 31, 2020) Actual		FY2020 (FY ending March 31, 2021)			First Half Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	First Half	For the Year	First Half Actual	Forecast as of May, 2020	Revised forecast	Amount Change	%	Amount Change	%
Sales	602.7	1,217.6	**610.4**	1.150.0	**1,200.0**	+7.7	1.3%	-17.6	-1.4%
COGS Ratio	57.1%	57.8%	**57.6%**	60.4%	**58.2%**				
Operating Profit	115.3	203.6	**128.9**	172.0	**215.0**	+13.6	11.8%	+11.4	+5.6%
(%)	19.1%	16.7%	**21.1%**	15.0%	**17.9%**				
Earnings before income tax	120.9	212.1	**128.9**	180.0	**220.0**	+8.0	6.6%	+7.9	+3.7%
(%)	20.1%	17.4%	**21.1%**	15.7%	**18.3%**				
Net Profit	85.7	153.1	**93.4**	130.0	**160.0**	+7.6	8.9%	+6.9	+4.5%
(%)	14.2%	14.4%	**15.3%**	11.3%	**13.3%**				
Income Per Share	—	420.39 yen	—	358.45 yen	**441.17 yen**				
Dividend Per Share	120 yen	240 yen	**120 yen**	240 yen	**240 yen**				
Consolidated Dividend Payout Ratio	—	57.1%	—	67.0%	**54.4%**				

(Yen)	FY2019 Actual	FY2020 Forecast As of Nov, 2020
1US$	108.74	105.96
1€	120.82	122.65
100won	9.21	9.00

Appendix

Sales by Applications round number（quarterly basis）

(Yen in hundred millions)

	FY2019				FY2020		FY2020 1H Composition ratio by application
	1Q	2Q	3Q	4Q	1Q	2Q	
General Industrial	86	93	91	103	103	**95**	**33%**
Smartphone	68	85	75	72	57	**89**	**25%**
Automotive / Mobility-related	56	60	61	54	39	**52**	**15%**
Consumer / Mobile Device	45	52	51	45	51	**72**	**21%**
Telecommunications Infrastructure Equipment	11	14	15	14	11	**13**	**4%**
OA Equipment	6	7	8	6	5	**5**	**2%**
Total of Connector Sales	272	311	302	293	265	**326**	**100%**
Others	11	9	11	9	9	10	
Total	**282**	**320**	**313**	**302**	**274**	**336**	