English translation

Financial Results for the Year Ended March 31, 2024 [IFRS] (Consolidated)

May 7, 2024

Company name:	HIROSE ELECTRIC CO., LTD.
URL:	https://www.hirose.com/corporate/en/
Stock listing:	Tokyo Stock Exchange – Prime Market
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 Regular General Meeting of Shareholders:	June 21, 2024
Scheduled date of filing of Japanese annual securities report:	June 21, 2024
Scheduled date of dividend payable:	June 24, 2024
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 Year Ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results

(Percentage represents year-on-year changes)

	Revenue		Operating profit		Profit before tax		Net profit		Profit attributable to owners of parent		Comprehensive income for the year	
		%		%		%		%		%		%
FY2023	165,509	(9.7)	34,017	(27.2)	38,761	(20.2)	26,480	(23.6)	26,480	(23.6)	41,404	1.0
FY2022	183,224	11.9	46,751	14.7	48,591	12.8	34,648	10.2	34,648	10.2	40,974	1.4

	Basic earnings per share	Diluted earnings per share	Profit ratio to equity attributable to owners of parent	The ratio of profit before tax to total assets	Operating profit ratio
	Yen	Yen	%	%	%
FY2023	772.38	772.33	7.4	9.6	20.6
FY2022	1,002.04	1,001.87	10.0	12.2	25.5

(Reference) Share of profit (loss) of investments accounted for using the equity method:

Fiscal year ended March 31, 2024: —

Fiscal year ended March 31, 2023: —

(Yen in millions)

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of total equity attributable to owners of parent	Total equity attributable to owners of parent per share
				%	Yen
FY2023	403,450	364,173	364,173	90.3	10,764.21
FY2022	401.357	349,853	349,853	87.2	10,160.72

(Yen in millions)

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
FY2023	41,049	(13,935)	(28,187)	90,341
FY2022	45,648	6,403	(34,171)	88,029

2. Dividends

	Annual dividends					Dividends for the year (Total)	Dividend payout ratio (consolidated)	Ratio of total dividends to total equity attributable to owners of parent (consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Yen in millions	%	%
FY2022	—	220.00	—	280.00	500.00	17,218	49.9	5.0
FY2023	—	220.00	—	220.00	440.00	15,021	57.0	4.2
FY2024 (Forecast)	—	245.00	—	245.00	490.00		59.2	

3. Forecast of Consolidated Business Performance for the Year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Yen in millions)

(Percentage represents year-on-year changes in full year, quarter to quarter changes in quarter period)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
		%		%		%		%	Yen
2nd quarter end (cumulative total)	83,000	0.1	16,000	(6.9)	17,000	(13.6)	12,000	(4.7)	354.71
Fiscal year end	176,000	6.3	36,000	5.8	39,000	0.6	28,000	5.7	827.65

*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 : Yes
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 shares)
As of March 31, 2024: 36,250,438 As of March 31, 2023: 37,227,089

2. Number of treasury shares at the end of the period:
As of March 31, 2024: 2,419,652 As of March 31, 2023: 2,799,173

3. Weighted-average number of shares outstanding during the period:
Year ended March 31, 2024: 34,283,724
Year ended March 31, 2023: 34,577,231

*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 (4) 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, May 8, 2024 online. The presentation materials distributed in this briefing will be published on our website on the day.

(English translation)
This is the statement translated into English from the Japanese original of "Financial Results for Year Ended March 31, 2024." 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 fiscal year ended March 31, 2024, the Japanese economy showed a recovery in business confidence in the non-manufacturing and automotive industries due to a recovery in consumer spending and inbound demand. However, business situation is severe, especially for export-oriented companies, as capital investment was sluggish due to increased raw material and logistics costs and slowdown in global demands.

In overseas market, the United States economy was firm but concerns about inflation and financial instability persisted. Manufacturing industry was sluggish, including in Europe, and in China, both imports and exports were weak, and the economic outlook remained uncertain due to slowing global demand.

Under this situation, Hirose group has been expanding global business mainly for smartphone market, automotive market, and industrial market. And we have been promoting reinforcement of development, sales, and production system for new products with highly added value to respond advanced market needs quickly. As a result, the sales for the automotive business remained solid, but sales for the industrial and consumer electronics were sluggish.

The revenue in the fiscal 2023 decreased by 9.7% to JPY 165,509 million compared to the same period of the previous fiscal year. Operating profit decreased by 27.2% to JPY 34,017 million, profit before tax decreased by 20.2% to JPY 38,761 million and profit attributable to owners of parent decreased by 23.6% to JPY 26,480 million as compared with the fiscal 2022.

The business results by reportable 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 type of connectors are used widely, such as for smartphones, 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 these 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 fiscal 2023 decreased by 10.4% to JPY 148,512 million, operating profit decreased by 30.7% to JPY 29,988 million compared with the fiscal 2022.

[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 antenna connection of Wi-Fi and Bluetooth for smartphone and PC, GPS antenna connection for automobile and high-frequency signal connection for wireless communication device and electronic measuring instruments. Optical fiber connectors and coaxial switches are also included in this segment. Segment sales for the fiscal 2023 decreased by 0.2% to JPY 11,676 million. Operating profit increased by 14.2% to JPY 3,301 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the fiscal 2023 decreased by 7.2% to JPY 5,321 million, operating profit increased by 20.0% to JPY 728 million.

(2) Overview of Financial Condition

Total assets of FY2023 increased by JPY 2,094 million to JPY 403,450 million compared to the end of the previous fiscal year mainly because the property, plant and equipment increased. Total liabilities decreased by JPY 12,226 million to JPY 39,277 million because of the decrease in trade and other payables. Due to the increase in other components of equity, total equity increased by JPY 14,319 million to JPY 364,173 million. The ratio of total equity attributable to owners of parent resulted 90.3%, increased by 3.1% compared with the previous consolidated fiscal year end.

(3) Overview of Cash Flows

Cash and cash equivalents for the fiscal 2023 under review increased by JPY 2,312 million to JPY 90,341 million compared to the fiscal 2022.

a. Cash flows from operating activities

Cash flows from operating activities for fiscal 2023 increased by JPY 41,049 million. (In fiscal 2022, it increased by JPY 45,648 million.) This increase was mainly due to a rise in capital by appropriating profit before tax, JPY 38,761 million and depreciation and amortization, JPY 16,847 million. On the other hand, there were decrease in capital because income taxes paid, JPY 14,682 million was incurred.

b. Cash flows from investing activities

Cash flows from investing activities for fiscal 2023 decreased by JPY 13,935 million. (In fiscal 2022, it increased by JPY 6,403 million.) This is mainly due to decrease in capital by payments for purchase of property, plant and equipment, JPY 32,064 million.

c. Cash flows from financing activities

Cash flows from financing activities for fiscal 2023 decreased by JPY 28,187 million. (In fiscal 2022, it decreased by JPY 34,171 million.) This is because of decrease in capital by dividends paid, JPY 17,215 million, and purchase of treasury shares, JPY 10,015 million.

(4) Future Outlook

Regarding the outlook for the year ending March 31, 2025, it is expected that Japanese economy will recover by increasing in consumer spending and inbound demand. However, prediction of economic situation remains uncertain due to rising costs caused by high resource price and slowing in global demands.

In overseas market, further economic outlook remains unpredictable due to the impact of the geopolitical risks such as the situation of Ukraine, concern about global inflation, and uncertainty about the recovery of the economy in China.

In this environment, the electronics industry, to which our group belongs, is expected to be significantly affected. However, demand for electronic components for the automotive equipment market remains strong, and we anticipate a recovery in business for the consumer equipment market. Based on the assumption that there will be no disruptions in global economic activities, our group's production activities, raw material procurement, and other supply chain activities,

Based on the premise mentioned above, our forecast for the consolidated financial results in the fiscal 2024 is that revenue: JPY 176,000 million (increased by 6.3% over the fiscal 2023), operating profit: JPY 36,000 million (increased by 5.8%), profit before tax: JPY 39,000 million (increased by 0.6%), profit attributable to owners of parent: JPY 28,000 million (increased by 5.7%).

Assumed exchange rates for fiscal 2024 are JPY 143 to the U.S. dollar, JPY 155 to the Euro, and JPY 0.1080 to the Korean won.

(5) Basic Profit Distribution Policy and Dividends for fiscal 2023 and for fiscal 2024

Regarding profit distribution, we had set a target of 5% DOE based on the Shareholder return policy stated on “Notice of Changes in Shareholder Return Policy” published on May 7, 2024. Also, with the view of returning profits to shareholders, we will consider implementing such repurchases as appropriate to improve capital efficiency. To realize this, we reinforce our management base, establish the route to growth and enhance our financial structure further based on basic management policy. We also keep the stable dividend to be a company which can gives a sense of securities and expectations.

Based on the previous policies, the dividends per share for the fiscal 2023 comprises year-ended dividend of JPY220 per share and annual dividend of JPY440.

Based on the new policy, the dividend forecast for the year ending March 31, 2025, is expected to be an interim and year-end dividend of JPY245 per share, and as a result, annual dividend will be JPY490 per share.

We are planning to prepare retained earnings for our research and development investment for the future technological innovation, capital investment associated with globalization and M&A to deal with changes in business environment from the medium and long term perspective.

2. Basic approach to the selection of accounting standards

Since the first quarter of the fiscal year ended March 31, 2019, Hirose group has adopted the International Financial Reporting Standards (“IFRS”) to improve international comparability of financial information in capital market and to promote global management by unifying the financial standards inside our group.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and cash equivalents	88,029	90,341
Trade and other receivables	41,931	39,418
Inventories	27,735	24,359
Other financial assets	91,218	73,066
Other current assets	7,745	7,276
Total current assets	256,658	234,460
Non-current assets		
Property, plant and equipment	63,795	80,949
Right-of-use assets	5,277	5,633
Intangible assets	4,212	5,141
Other financial assets	63,466	69,133
Deferred tax assets	2,966	2,409
Retirement benefit asset	4,635	4,499
Other non-current assets	348	1,226
Total non-current assets	144,699	168,990
Total assets	401,357	403,450

(Yen in millions)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Trade and other payables	20,796	11,729
Lease liabilities	1,070	1,107
Other financial liabilities	11	25
Income taxes payable	8,205	2,497
Other current liabilities	7,005	5,840
Total current liabilities	37,087	21,198
Non-current liabilities		
Lease liabilities	4,409	4,819
Other financial liabilities	130	105
Retirement benefit liability	290	310
Deferred tax liabilities	8,858	12,113
Other non-current liabilities	730	732
Total non-current liabilities	14,417	18,079
Total liabilities	51,504	39,277
Equity		
Share capital	9,404	9,404
Capital surplus	11,191	11,183
Retained earnings	345,201	340,806
Treasury shares	(39,840)	(35,807)
Other components of equity	23,897	38,587
Total equity attributable to owners of parent	349,853	364,173
Total equity	349,853	364,173
Total liabilities and equity	401,357	403,450

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

(Consolidated Statement of Profit or Loss)

(Yen in millions)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Revenue	183,224	165,509
Cost of sales	95,036	93,012
Gross profit	88,188	72,497
Selling, general and administrative expenses	40,920	37,237
Other income	581	370
Other expenses	1,098	1,613
Operating profit	46,751	34,017
Financial income	2,188	4,835
Finance costs	348	91
Profit before tax	48,591	38,761
Income tax expense	13,943	12,281
Net profit	34,648	26,480
Profit attributable to:		
Owners of parent	34,648	26,480
Earnings per share:		
Basic (yen)	1,002.04	772.38
Diluted (yen)	1,001.87	772.33

(Consolidated Statement of Comprehensive Income)

(Yen in millions)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net profit	34,648	26,480
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	474	(340)
Equity instruments measured at fair value through other comprehensive income	786	1,573
Total items that will not be reclassified to profit or loss	1,260	1,233
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	5,088	13,704
Debt instruments measured at fair value through other comprehensive income	(22)	(13)
Total items that may be reclassified to profit or loss	5,066	13,691
Total other comprehensive income after tax	6,326	14,924
Total comprehensive income	40,974	41,404
Total amount of comprehensive income attributable to:		
Owners of parent	40,974	41,404

(3) Consolidated Statement of Changes in Equity

(Yen in millions)

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance as of April 1, 2022	9,404	11,250	338,818	(36,306)	18,903	342,069	342,069
Net profit			34,648			34,648	34,648
Other comprehensive income					6,326	6,326	6,326
Total of comprehensive income	—	—	34,648	—	6,326	40,974	40,974
Dividend of surplus			(17,473)			(17,473)	(17,473)
Purchase of treasury shares		(1)		(15,891)		(15,891)	(15,891)
Disposal of treasury shares		(8)		129		121	121
Cancellation of treasury shares		(12,228)		12,228		—	—
Share-based payment transactions		54				54	54
Transfer to retained earnings		12,124	(10,792)		(1,332)	—	—
Total transactions with owners	—	(59)	(28,265)	(3,534)	(1,332)	(33,190)	(33,190)
Balance as of March 31, 2023	9,404	11,191	345,201	(39,840)	23,897	349,853	349,853

	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total equity attributable to owners of parent	Total equity
Balance as of April 1, 2023	9,404	11,191	345,201	(39,840)	23,897	349,853	349,853
Net profit			26,480			26,480	26,480
Other comprehensive income					14,924	14,924	14,924
Total of comprehensive income	—	—	26,480	—	14,924	41,404	41,404
Dividend of surplus			(17,215)			(17,215)	(17,215)
Purchase of treasury shares		(11)		(10,004)		(10,015)	(10,015)
Disposal of treasury shares		(11)		112		101	101
Cancellation of treasury shares		(13,905)		13,905		—	—
Share-based payment transactions		25		20		45	45
Transfer to retained earnings		13,894	(13,660)		(234)	—	—
Total transactions with owners	—	(8)	(30,875)	4,033	(234)	(27,084)	(27,084)
Balance as of March 31, 2024	9,404	11,183	340,806	(35,807)	38,587	364,173	364,173

(4) Consolidated Statement of Cash Flows

(Yen in millions)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities:		
Profit before tax	48,591	38,761
Depreciation and amortization	16,704	16,847
Financial income	(2,188)	(4,835)
Financial costs	348	91
(Increase) decrease in trade and other receivables	2,840	4,971
(Increase) decrease in inventories	(5,430)	4,820
Increase (decrease) in trade and other payables	(3,386)	(9,371)
Others	26	1,909
Subtotal	57,505	53,193
Interest received	1,569	2,117
Dividends received	398	421
Income taxes paid	(13,824)	(14,682)
Cash flows from operating activities	45,648	41,049
Cash flows from investing activities		
Net (increase) decrease in time deposits	31,855	17,896
Proceeds from sale and redemption of investments	13,815	12,030
Purchase of investments	(19,495)	(10,263)
Purchase of property, plant and equipment	(18,509)	(32,064)
Others	(1,263)	(1,534)
Cash flows from investing activities	6,403	(13,935)
Cash flows from financing activities		
Purchase of treasury shares	(15,891)	(10,015)
Dividends paid	(17,473)	(17,215)
Repayments of lease liabilities	(927)	(1,058)
Others	120	101
Cash flows from financing activities	(34,171)	(28,187)
Effect of exchange rate changes on cash and cash equivalents	1,755	3,385
Increase (decrease) in cash and cash equivalents	19,635	2,312
Cash and cash equivalents at the beginning of the year	68,394	88,029
Cash and cash equivalents at the end of the year	88,029	90,341

(5) Notes on Consolidated Financial Statements
(Notes on going concern assumption)
Not applicable

(Changes in Accounting Policies)
Hirose group have applied the following accounting standards for the consolidated financial statements from April 1, 2023. Impacts from the application of these on the consolidated financial statements are immaterial.

IFRS		Summary of Addition and Revision
IAS 12	Income Taxes	Clarification of accounting treatment for deferred tax on leases and decommissioning obligations.

(Segment information)
1. Business segment
(1) Overview of reportable segments
In the reportable segments 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 reportable 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 reportable segments

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Yen in millions)

	Reportable segments			Others*	Amount of consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	165,792	11,696	177,488	5,736	183,224
Total revenue	165,792	11,696	177,488	5,736	183,224
Operating profit	43,253	2,891	46,144	607	46,751
Financial income	—	—	—	—	2,188
Financial costs	—	—	—	—	348
Profit before tax	—	—	—	—	48,591
Other items Depreciation and amortization	15,519	854	16,373	331	16,704

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

2. Geographic information

	Japan	China	Korea	Others	Total
Revenue	43,632	61,118	24,977	53,497	183,224
Percentage of consolidated revenue (%)	23.8	33.4	13.6	29.2	100.0

For the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Yen in millions)

	Reportable segments			Others*	Amount of consolidated financial statements
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	148,512	11,676	160,188	5,321	165,509
Total revenue	148,512	11,676	160,188	5,321	165,509
Operating profit	29,988	3,301	33,289	728	34,017
Financial income	—	—	—	—	4,835
Financial costs	—	—	—	—	91
Profit before tax	—	—	—	—	38,761
Other items Depreciation and amortization	15,802	678	16,480	367	16,847

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

2. Geographic information

	Japan	China	Korea	Others	Total
Revenue	33,831	55,315	29,119	47,244	165,509
Percentage of consolidated revenue (%)	20.4	33.5	17.6	28.5	100.0

(Earnings per share)

The basis for calculating earnings per share attributable to owners of parent-basic and diluted is as follows;

(Yen in millions)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
The basis for calculating basic earnings per share		
Earnings attributable to owners of parent	34,648	26,480
Earnings not attributable to ordinary shareholders of owners of parent	—	—
Profit used for calculating basic earnings per share	34,648	26,480
Weighted average number of ordinary shares (Thousand shares)	34,577	34,284
Basic earnings per share (Yen)	1,002.04	772.38
The basis for calculating diluted earnings per share		
Profit used for calculating basic earnings per share	34,648	26,480
Profit used for calculating diluted earnings per share	34,648	26,480
Weighted average number of ordinary shares (Thousand shares)	34,577	34,284
Increased number of ordinary shares by stock acquisition right (Thousand shares)	6	2
Average number of diluted ordinary shares during the period (Thousand shares)	34,583	34,286
Diluted earnings per share (Yen)	1,001.87	772.33