English translation

Consolidated Financial Results for the Six Months Ended September 30, 2024 (IFRS)

November 1, 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
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Department Tel: +81-45-620-7410
Scheduled date of filing of Japanese semiannual securities report: November 14, 2024
Scheduled date of dividend payable: December 2, 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 Six Months Ended September 30, 2024 (From April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (Cumulative)

(Percentage represents year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total amount of comprehensive income	
Six months ended		%		%		%		%		%		%
September 30, 2024	94,519	14.0	22,216	29.2	23.846	21.2	17,531	39.2	17,531	39.2	13,214	(48.4)
September 30, 2023	82,910	(12.5)	17,191	(36.7)	19,680	(32.7)	12,597	(39.0)	12,597	(39.0)	25,585	(9.9)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	518.17	518.17
September 30, 2023	365.87	365.83

(Yen in millions)

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
As of				%
September 30, 2024	414,715	370,119	370,119	89.2
March 31, 2024	403,450	364,173	364,173	90.3

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	220.00	—	220.00	440.00
Year ending March 31, 2025	—	245.00			
Year ending March 31, 2025 (Forecast)			—	245.00	490.00

(Note) Revision of previously announced dividend forecast: None

3. Consolidated Financial Forecasts for the Year ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

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

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
Year ending		%		%		%		%	Yen
March 31, 2025	182,000	10.0	38,000	11.7	41,000	5.8	30,000	13.3	886.68

(Note) Revision of previously announced business forecast: Yes

*Notes

(1) Significant changes in the scope of consolidation during the period : 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 shares)
   As of September 30, 2024: 35,693,969 As of March 31, 2024: 36,250,438

2. Number of treasury shares at the end of the period:
   As of September 30, 2024: 1,858,459 As of March 31, 2024: 2,419,652

3. Weighted-average number of shares outstanding during the period (quarterly cumulative):
   For the six months ended September 30, 2024: 33,832,913
   For the six months ended September 30, 2023: 34,430,998

*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 forecasts of business performance, stated in this document are based on information currently possessed by Hirose or certain assumption that Hirose has deemed 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 because 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 6, 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, 2025." 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 half of the fiscal year ending March 31, 2025, the Japanese economy was on a recovery track as business confidence in the service industry improved against the backdrop of strong inbound demand and progress in price shifting. In addition, personal consumption is also on a recovery trend due to the expansion of wage growth. Meanwhile, in the manufacturing sector, there is momentum toward a pickup in external demand, and economic outlook is moving from bottoming out to recovery.

In overseas market, in the U.S., the income environment was firm and personal consumption was solid, but business conditions in the manufacturing sector deteriorated due to sluggish capital investment. In Europe, the weak German economy, the mainstay of the European economy, weighed on recovery, and in China, domestic demand, including the real estate market, remained weak. .

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. Indeed, the Tohoku Advanced Technology Center (Morioka City, Iwate Prefecture) and the New Koriyama Factory (Koriyama City, Fukushima Prefecture) were completed and started operation in March and June, respectively.

Although business for the industrial equipment market has not fully recovered, business for the consumer and automotive equipment markets has remained strong. As a result, the revenue in the first half increased by 14.0% to JPY 94,519 million compared to the same period of the previous fiscal year. Operating profit increased by 29.2% to JPY 22,216 million and profit attributable to owners of parent increased by 39.2% to JPY 17,531 million as compared with the first half of fiscal 2023.

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. These types 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 demand for these connectors will grow associated with the progress of advanced information and telecommunications network society, and energy saving society considering environment in the future. Segment sales for the first half of fiscal 2024 increased by 15.3% to JPY 85,585 million, operating profit increased by 35.7% to JPY 20,686 million compared with the first half of fiscal 2023.

[Coaxial connectors]

Coaxial connectors are a special type of high-performance connectors 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 automobiles 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 first half of fiscal 2024 increased by 8.6% to JPY 6,325 million. Operating profit decreased by 8.3% to JPY 1,411 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first half of fiscal 2024 decreased by 8.1% to JPY 2,609 million, operating profit decreased by 71.2% to JPY 119 million.

(2) Overview of Financial Condition

Total assets of the first half of fiscal 2024 increased by JPY 11,265 million to JPY 414,715 million compared to the end of the previous consolidated fiscal year mainly because fixed assets and other financial assets increased. Total liabilities increased by JPY 5,319 million to JPY 44,596 million because of the increase in corporate tax payable and other current liabilities. Total shareholders' equity increased by JPY 5,945 million to JPY 370,119 million, mainly due to the recognition of interim income. As a result, the ratio of total equity attributable to owners of parent resulted in 89.2%, decreased by 1.1 points compared with the previous consolidated fiscal year end.

(3) Future Outlook

We have revised our consolidated earnings forecast for the full year announced on May 7, 2024, due to foreign exchange trends since the beginning of the period and the consumer products business expected to exceed the previous forecast.

Revision of Consolidated Earnings Forecast for the Fiscal Year Ending March 2025

(Yen in millions)

	Revenue	Operating Profit	Profit before tax	Profit attributable to owners of the parent	Basic earnings per share
Previous Forecast (A) (May 7, 2024)	176,000	36,000	39,000	28,000	827.65 yen
Revised Forecast (B)	**182,000**	**38,000**	**41,000**	**30,000**	**886.68 yen**
Change (B-A)	6,000	2,000	2,000	2,000	-
Rate of change (%)	3.4	5.6	5.1	7.1	-
(Ref.) Results for the fiscal year ended Mar, 2024	165,509	34,017	38,761	26,480	772.38 yen

Exchange rates for the full year are assumed to be 1US$ = JPY 147.00, 1€ = JPY162.00, and 1 South Korean won = JPY0.1100, respectively.

There are no changes in the dividends forecast.

2. Condensed Interim Consolidated Financial Statements and Primary Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and cash equivalents	90,341	85,665
Trade and other receivables	39,418	44,362
Inventories	24,359	23,632
Other financial assets	73,066	73,491
Other current assets	7,276	6,747
Total current assets	234,460	233,897
Non-current assets		
Property, plant and equipment	80,949	86,064
Right-of-use assets	5,633	5,370
Intangible assets	5,141	5,855
Other financial assets	69,133	75,514
Deferred tax assets	2,409	2,276
Retirement benefit asset	4,499	4,286
Other non-current assets	1,226	1,453
Total non-current assets	168,990	180,818
Total assets	403,450	414,715

(Yen in millions)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Trade and other payables	11,729	11,666
Lease liabilities	1,107	1,136
Other financial liabilities	25	44
Income taxes payable	2,497	5,604
Other current liabilities	5,840	7,977
Total current liabilities	21,198	26,427
Non-current liabilities		
Lease liabilities	4,819	4,513
Other financial liabilities	105	-
Retirement benefit liability	310	299
Deferred tax liabilities	12,113	12,574
Other non-current liabilities	732	783
Total non-current liabilities	18,079	18,169
Total liabilities	39,277	44,596
Equity		
Share capital	9,404	9,404
Capital surplus	11,183	11,157
Retained earnings	340,806	342,751
Treasury shares	(35,807)	(27,463)
Other components of equity	38,587	34,270
Total equity attributable to owners of parent	364,173	370,119
Total equity	364,173	370,119
Total liabilities and equity	403,450	414,715

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

(Condensed Interim Consolidated Statement of Profit or Loss)

(Yen in millions)

	For the six months ended September 30, 2023 (From Apr 1, 2023 to Sep 30, 2023)	For the six months ended September 30, 2024 (From Apr 1, 2024 to Sep 30, 2024)
Revenue	82,910	94,519
Cost of sales	46,097	51,731
Gross profit	36,813	42,788
Selling, general and administrative expenses	19,165	20,555
Other income	199	303
Other expenses	656	320
Operating profit	17,191	22,216
Financial income	2,547	2,262
Finance costs	58	632
Profit before tax	19,680	23,846
Income tax expense	7,083	6,315
Net profit	12,597	17,531
Profit attributable to:		
Owners of parent	12,597	17,531
Earnings per share:		
Basic (yen)	365.87	518.17
Diluted (yen)	365.83	518.17

(Condensed Interim Consolidated Statement of Comprehensive Income)

(Yen in millions)

	For the six months ended September 30, 2023 (From Apr 1, 2023 to Sep 30, 2023)	For the six months ended September 30, 2024 (From Apr 1, 2024 to Sep 30, 2024)
Interim profit	12,597	17,531
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity instruments measured at fair value through other comprehensive income	1,357	174
Total items that will not be reclassified to profit or loss	1,357	174
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	11,645	(4,472)
Financial assets measured at fair value through other comprehensive income	(14)	(19)
Total items that may be reclassified to profit or loss	11,631	(4,491)
Total other comprehensive income after tax	12,988	(4,317)
Total interim comprehensive income	25,585	13,214
Total amount of interim comprehensive income attributable to:		
Owners of parent	25,585	13,214

(3) Condensed Interim 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, 2023	9,404	11,191	345,201	(39,840)	23,897	349,853	349,853
Interim profit			12,597			12,597	12,597
Other comprehensive income					12,988	12,988	12,988
Total of interim comprehensive income	—	—	12,597	—	12,988	25,585	25,585
Dividend of surplus			(9,640)			(9,640)	(9,640)
Purchase of treasury shares		(0)		(4)		(4)	(4)
Disposal of treasury shares		(6)		69		63	63
Cancellation of treasury shares		(13,905)		13,905		—	—
Share-based payment transactions		5		20		25	25
Transfer to retained earnings		13,895	(13,895)			—	—
Total transactions with owners	—	(11)	(23,535)	13,990	—	(9,556)	(9,556)
Balance as of September 30, 2023	9,404	11,180	334,264	(25,850)	36,885	365,882	365,882

(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, 2024	9,404	11,183	340,806	(35,807)	38,587	364,173	364,173
Interim profit			17,531			17,531	17,531
Other comprehensive income					(4,317)	(4,317)	(4,317)
Total of interim comprehensive income	—	—	17,531	—	(4,317)	13,214	13,214
Dividend of surplus			(7,443)			(7,443)	(7,443)
Purchase of treasury shares				(8)		(8)	(8)
Disposal of treasury shares		(10)		63		53	53
Cancellation of treasury shares		(8,274)		8,274		—	—
Share-based payment transactions		115		15		130	130
Transfer to retained earnings		8,143	(8,143)			—	—
Total transactions with owners	—	(26)	(15,586)	8,344	—	(7,268)	(7,268)
Balance as of September 30, 2024	9,404	11,157	342,751	(27,463)	34,270	370,119	370,119

(4) Notes on Condensed Interim Consolidated Financial Statements

(Note regarding the going concern assumption)

Not applicable

(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 units of our group. It is also an object being examined on a regular basis to evaluate our decision regarding 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 on reportable segments

The accounting method for reported business segments is generally the same as that applied in the consolidated financial statements for the previous fiscal year. Profits of reportable segments are based on operating income.

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

(Yen in millions)

	Reportable segments			Others *	Consolidated
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	74,245	5,827	80,072	2,838	82,910
Total revenue	74,245	5,827	80,072	2,838	82,910
Operating profit	15,240	1,538	16,778	413	17,191
Financial income	—	—	—	—	2,547
Financial costs	—	—	—	—	58
Profit before tax	—	—	—	—	19,680

* “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	18,288	27,608	13,587	23,427	82,910
Percentage of consolidated revenue (%)	22.1	33.3	16.4	28.2	100.0

For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

(Yen in millions)

	Reportable segments			Others *	Consolidated
	Multi-pin connectors	Coaxial connectors	Total		
Revenue					
Revenue from external customers	85,585	6,325	91,910	2,609	94,519
Total revenue	85,585	6,325	91,910	2,609	94,519
Operating profit	20,686	1,411	22,097	119	22,216
Financial income	—	—	—	—	2,262
Financial costs	—	—	—	—	632
Profit before tax	—	—	—	—	23,846

* “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	14,497	38,401	16,694	24,927	94,519
Percentage of consolidated revenue (%)	15.3	40.6	17.7	26.4	100.0

(Significant subsequent events)

Not applicable