Hirose Electric Business Results for the Second Quarter of FY2024

Business Results for the Second Quarter of FY2024

November 6, 2024

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 (FY2024.1H From April, 2024 to September, 2024)

Although the recovery in the General industrial market has been delayed, sales for the Smartphone and Consumer/Mobile equipment continue to grow. In addition, sales for the Automotive/Mobility-related was good. As a result, in FY2024.1H sales was +14% YoY and Operating Profit was +29.2% YoY. Operating profit ratio was 23.5%. Orders was +29.4% YoY and +1.3% QoQ.

(Yen in hundred millions)

	FY2023			FY2024			YoY
	1Q (23.Apr-Jun)	2Q (23.Jul-Sep)	1H (23.Apr-Sep)	1Q (24.Apr-Jun)	2Q (24.Jul-Sep)	1H (24.Apr-Sep)	FY2024.1H / FY2023.1H
Orders	368.6	385.8	**754.4**	484.8	491.1	**975.9**	+29.4%
Sales	404.5	424.6	**829.1**	448.7	496.5	**945.2**	+14.0%
Operating profit	90.6	81.3	**171.9**	102.6	119.6	**222.2**	+29.2%
Operating profit ratio	22.4%	19.2%	**20.7%**	22.9%	24.1%	**23.5%**	+2.8pt

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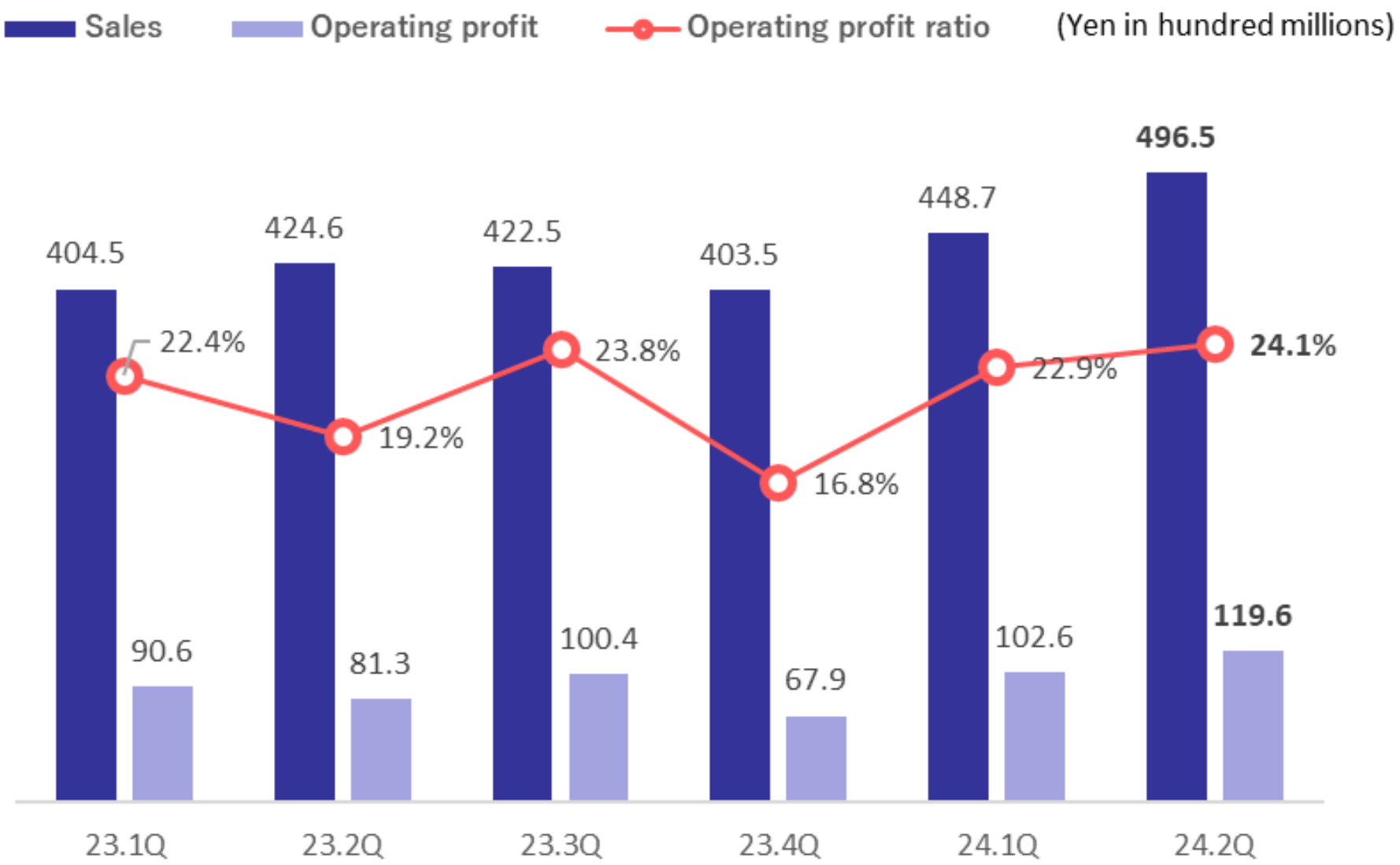
Changes in sales and operating profit (FY2023.1Q - FY2024.2Q / Consolidated basis)



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Business Results for FY2024.1H

(Yen in hundred millions)	FY2023.1H (Sep 30, 2024)	FY2024.1H (Sep 30, 2024)	Increase / Decrease (YoY)	Increase / Decrease ratio (YoY)
Sales	**829.1**	**945.2**	**+116.1**	**+14.0%**
COGS Ratio	55.6%	54.7%	-0.9	
SGA Ratio	23.1%	21.7%	-1.4	
Operating profit	**171.9**	**222.2**	**+50.3**	**+29.2%**
(%)	20.7%	23.5%	+2.8	
Profit before tax	**196.8**	**238.5**	**+41.7**	**+21.2%**
(%)	23.7%	25.2%	+1.5	
Net profit	**126.0**	**175.3**	**+49.3**	**+39.2%**
(%)	15.2%	18.5%	+3.3	
Total Assets	**4,115.0**	**4,147.2**		
Shareholder's Equity ratio	**88.9%**	**89.2%**		
Earnings Per Share	**365.87 yen**	**518.17 yen**		

	FY2023 1H	FY2024 1H
1US$	141.00 yen	**152.63 yen**
1 €	153.39 yen	**165.95 yen**
100 won	10.74 yen	**11.21 yen**

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FY2024.1H Major Changes year-on-year

Sales

116.1 hundred millions yen Increased
(829.1 → 945.2)

Smartphone :+63
Consumer/Mobile equipment :+56
Automotive/Mobility-related :+51

COGS Ratio

0.9 pt Improved (55.6% → 54.7%)

Depreciation Ratio : 8.1% → 7.7%
Labor Cost Ratio : 7.6% → 7.5%

SGA Ratio

1.4 pt Improved (23.1% → 21.7%)

191.7 → 205.6 (Increased by 13.9)

Financial income / costs

8.6 hundred millions yen Decreased
(+24.9 → +16.3)

Exchange Gain or Loss : +8.8 → -5.9
Interest Received and Others :+12.4 → +16.4

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FY2024.1H YoY Variation Analysis

(Yen in hundred millions)

	Sales	Operating Profit	(%)	Profit before Tax	(%)
FY2023.1H Actual	**829.1**	**171.9**	**20.7%**	**196.8**	**23.7%**
Exchange rate	45.2	24.6		10.6	
Labor cost increase		-10.2		-10.2	
Depreciation cost increase		-6.2		-6.2	
Increase in the product	70.9	42.1		47.5	
Total amount of changes	**116.1**	**50.3**		**41.7**	
FY2024.1H Actual	**945.2**	**222.2**	**23.5%**	**238.5**	**25.2%**

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Consolidated Balance Sheet (1)

(Yen in hundred millions)

	Account	Mar 31, 2024	Sep 30, 2024	Increase / Decrease	Remark
Assets	Cash and Cash equivalents	**903.4**	**856.7**	**-46.7**	Profit before tax+238, Consumption tax refund+41 Koriyama new factory-36, Other capital investment-118, Dividend payment-74
	Trade and other receivables	**394.2**	**443.6**	**+49.4**	By sales increase
	Inventories	**243.6**	**236.3**	**-7.3**	
	Other financial assets	**1,422.0**	**1,490.1**	**+68.1**	Time deposit＋5, Securities and others＋61
	Property, plant and equipment	**809.5**	**860.6**	**+51.1**	Koriyama new factory＋33, Korea factory expansion+20
	Right-of-use asset	**56.3**	**53.7**	**-2.6**	
	Others	**205.5**	**206.2**	**+0.7**	
	Total Assets	**4,034.5**	**4,147.2**	**+112.7**	
	Total of cash in bank	**1,726.3**	**1,684.9**	**-41.4**	

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Consolidated Balance Sheet (2)

(Yen in hundred millions)

	Account	Mar 31, 2024	Sep 30, 2024	Increase/Decrease	Remark
Liabilities	Payables and other debt	**117.3**	**116.7**	**-0.6**	
	Lease liabilities	**59.3**	**56.5**	**-2.8**	
	Income taxes payable	**25.0**	**56.0**	**+31.0**	
	Others	**191.2**	**216.8**	**+25.6**	Provision for bonuses, Deferred tax liability
	Total	**392.8**	**446.0**	**+53.2**	
Shareholder's Equity	Capital stock and Capital surplus	**205.9**	**205.6**	**-0.3**	
	Retained Earnings	**3,408.1**	**3,427.5**	**+19.4**	Net profit +175 Dividends paid -74 Cancellation of treasury shares -82
	Treasury Shares	**- 358.1**	**- 274.6**	**+83.5**	Cancellation of treasury shares +83
	Others	**385.8**	**342.7**	**-43.1**	Foreign currency translation adjustment -45
	Total	**3,641.7**	**3,701.2**	**+59.5**	
	Total Liabilities and Shareholder's Equity	**4,034.5**	**4,147.2**	**+112.7**	

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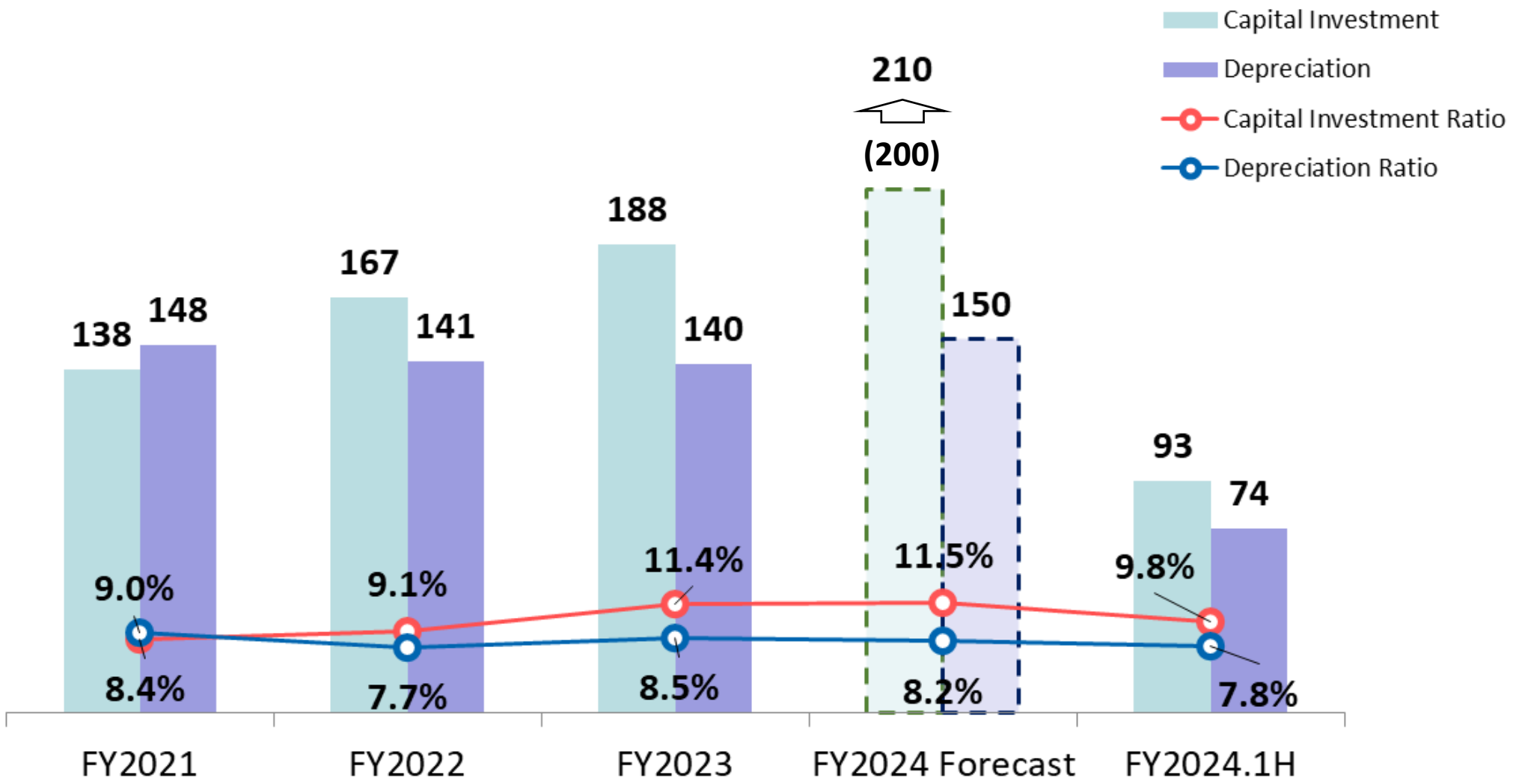
Changes in Capital Investment and Depreciation (Consolidated basis)

(Yen in hundred millions)



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

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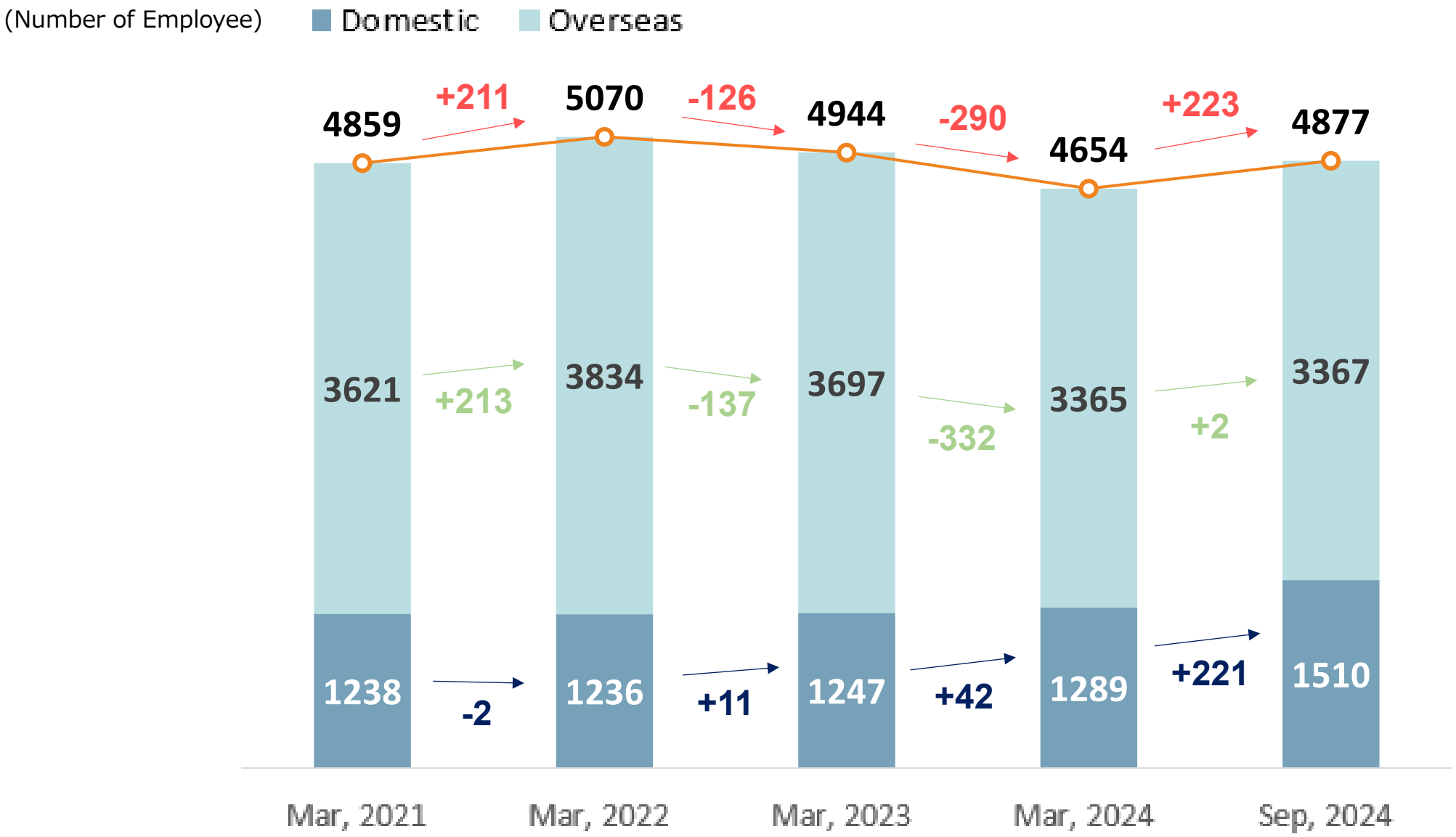
Numbers of Employee (Financial Report Basis)



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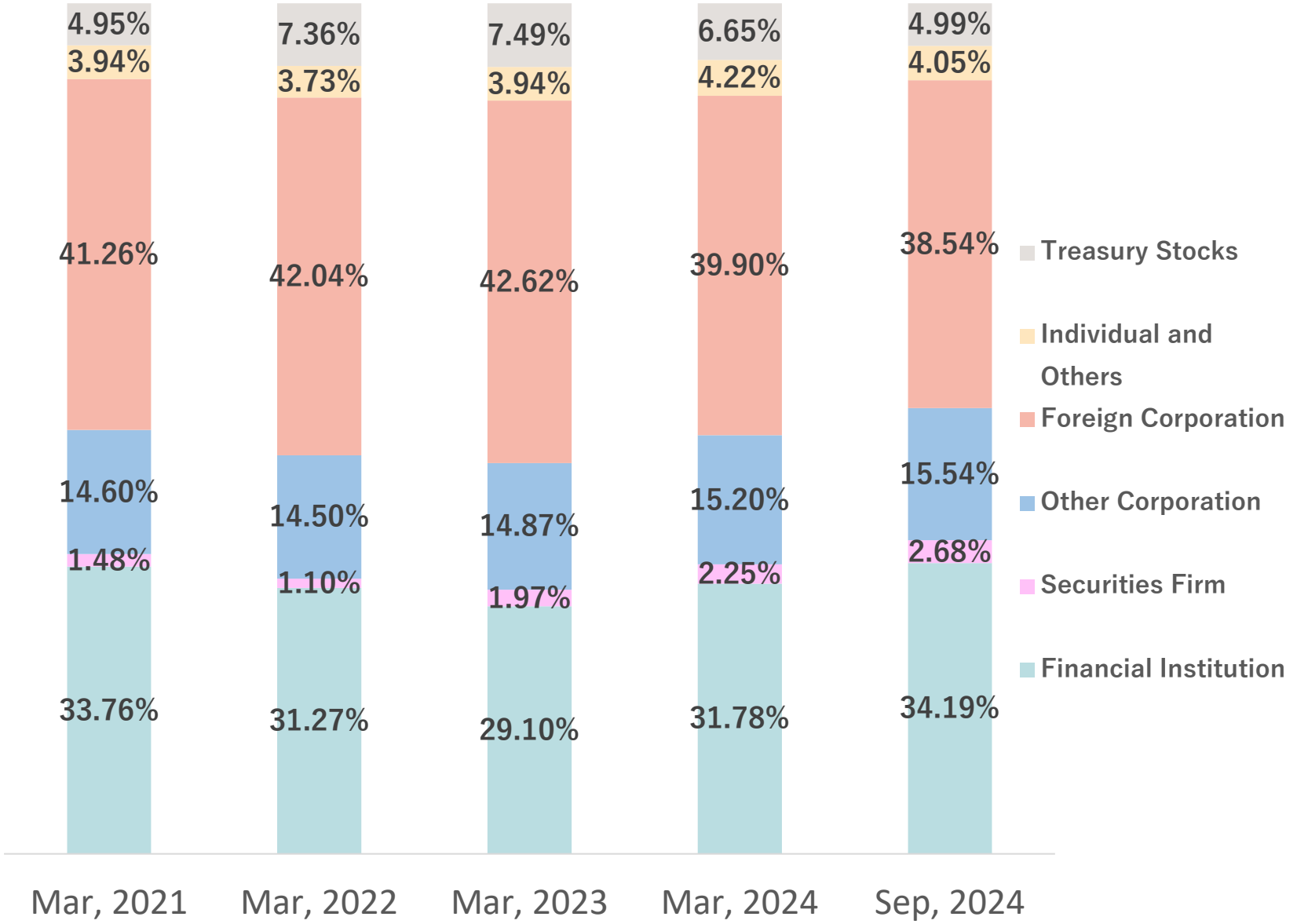
Distribution of Shareholders



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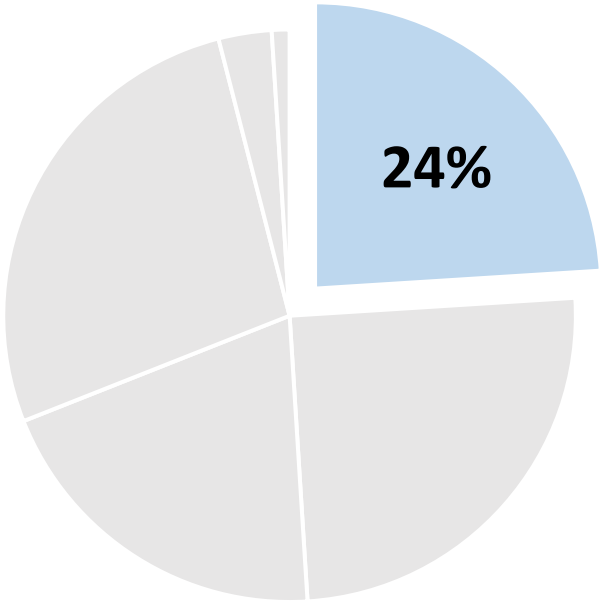
Sales by Application _ General Industrial

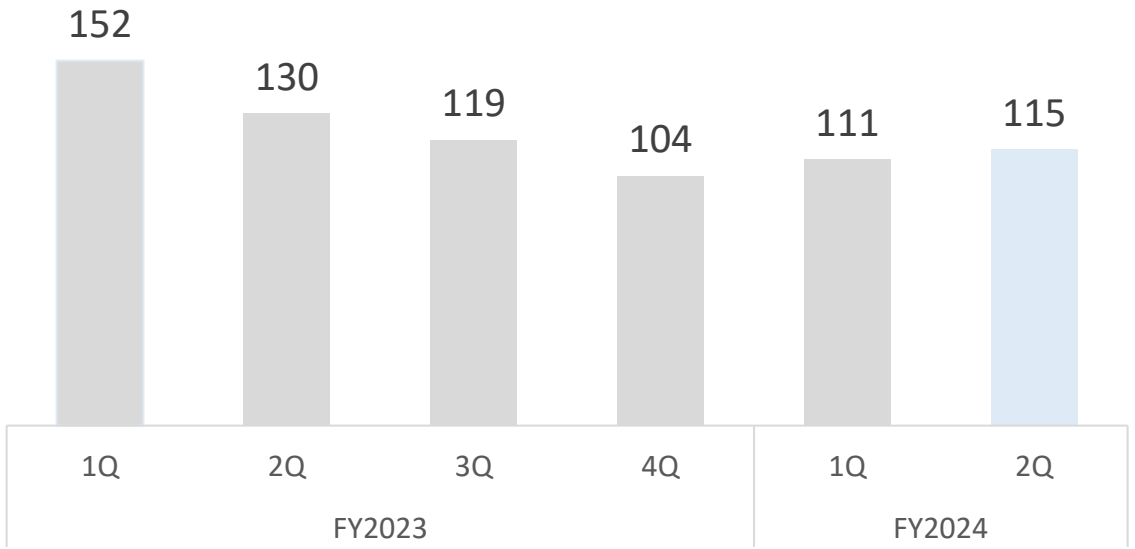
(Yen in hundred millions)

	FY2023			FY2024			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2023.1H/FY2024.1H
Sales	152	130	282	111	**115**	**226**	-20%

- **FY2024 1H Composition ratio**



- **Changes in quarterly sales**



■ The market remained sluggish, and the sales was trending almost flat.
Sales in 2Q showed only a slight increase compared to 1Q.

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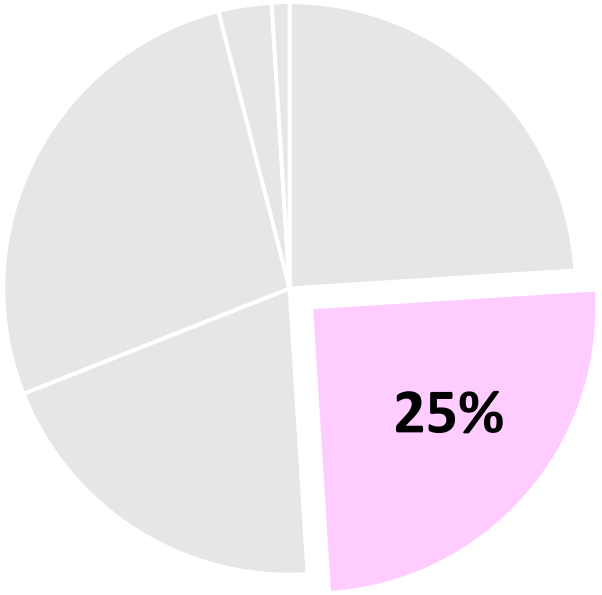
Sales by Application _ Smartphone

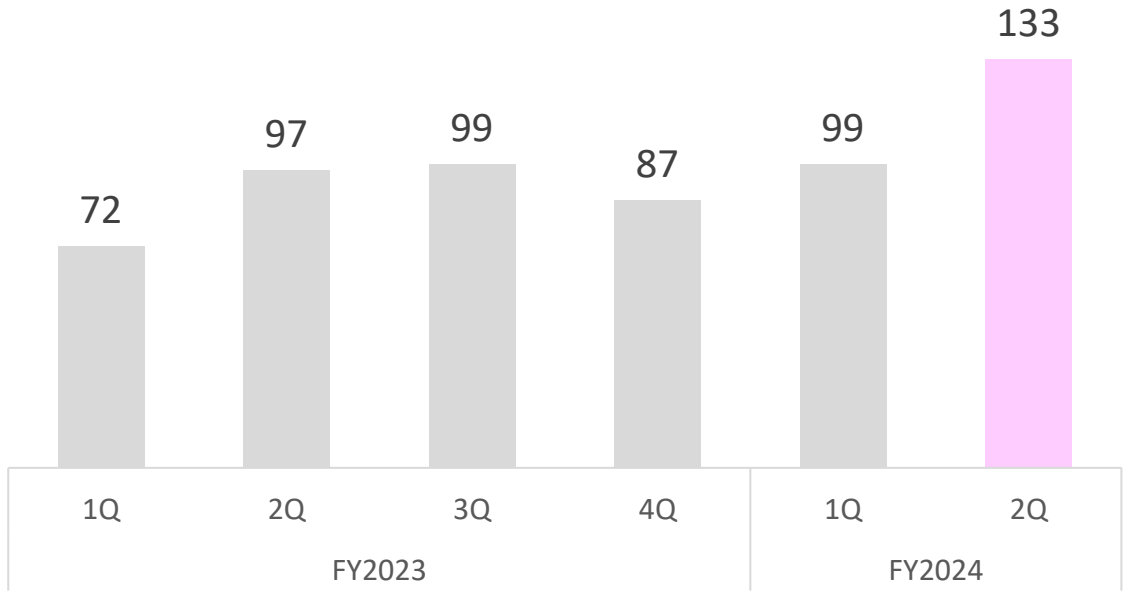
(Yen in hundred millions)

	FY2023			FY2024			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2023.1H/ FY2024.1H
Sales	72	97	169	99	**133**	**232**	+37%

- **FY2024 1H Composition ratio**



- **Changes in quarterly sales**



■ Along with the strengthening of our production, sales in 2Q was higher than usual year as well as 1Q results .

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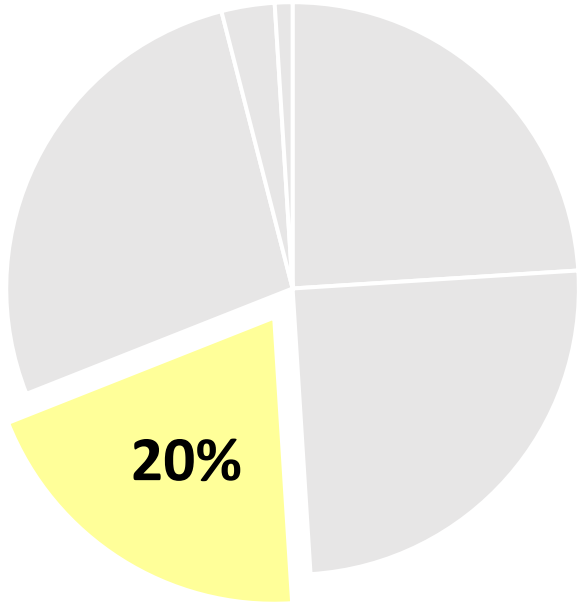
Sales by Application _ Consumer/Mobile Equipment

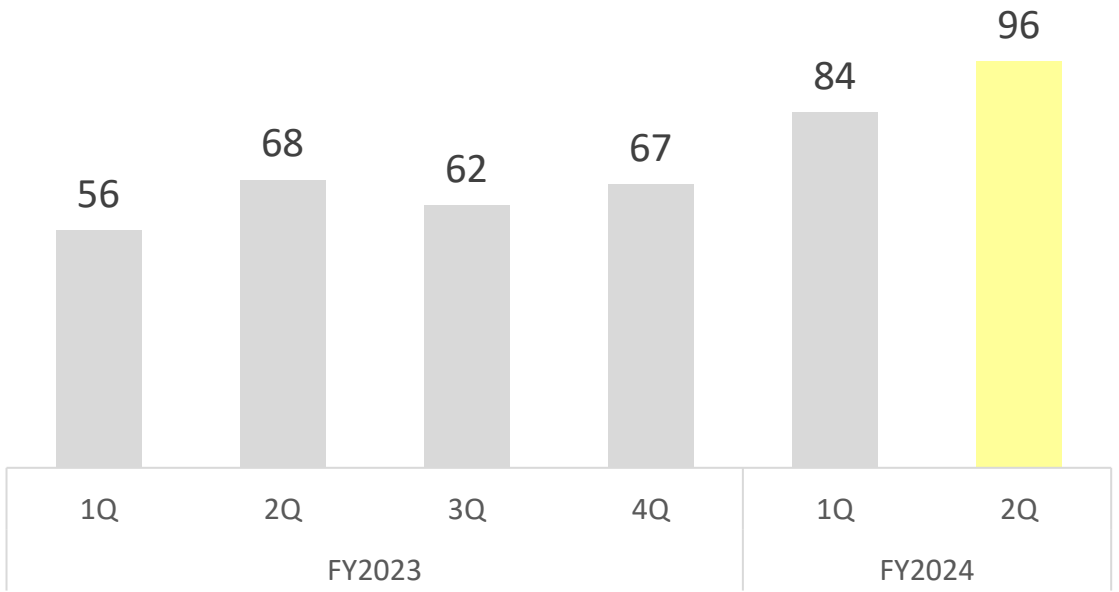
(Yen in hundred millions)

	FY2023			FY2024			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2023.1H/ FY2024.1H
Sales	56	68	124	84	**96**	**180**	+45%

- **FY2024 1H Composition ratio**



- **Changes in quarterly sales**



■ Following a good start in 1Q, sales in 2Q have continued to be high due to the usual seasonality.

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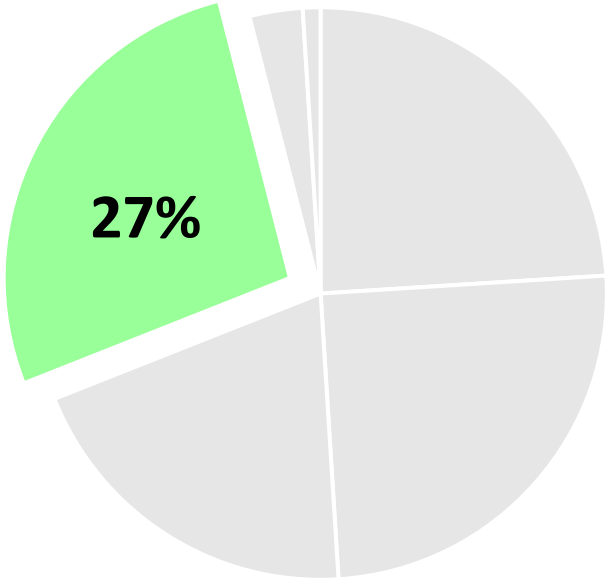
Sales by Application _ Automotive/Mobility-related

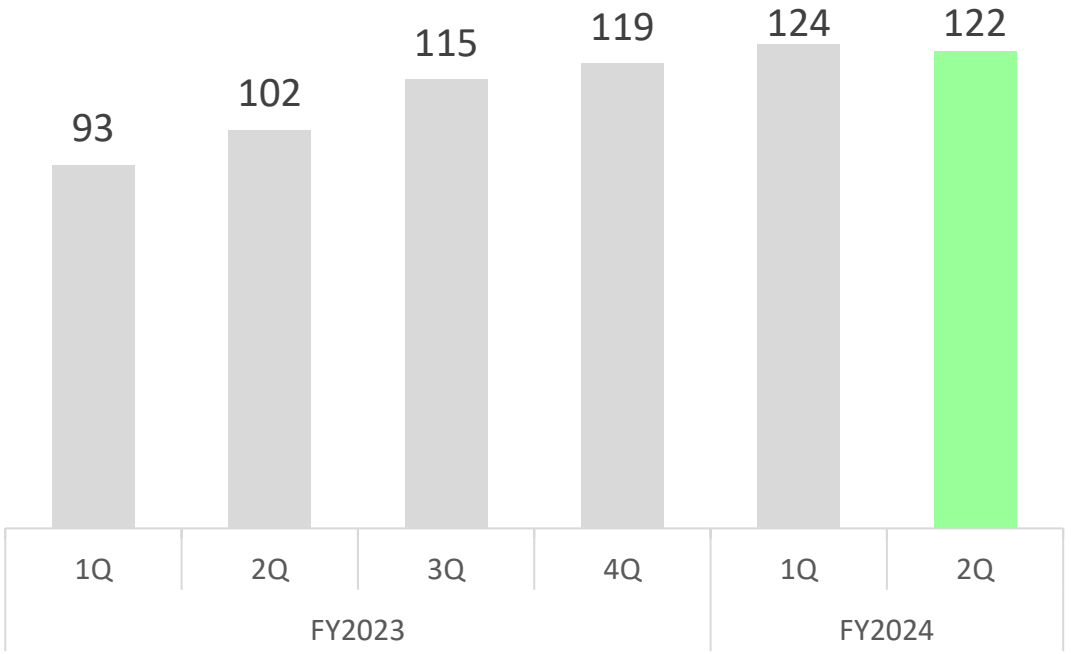
(Yen in hundred millions)

	FY2023			FY2024			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2023.1H/ FY2024.1H
Sales	93	102	195	124	**122**	**246**	+26%

- **FY2024 1H Composition ratio**



- **Changes in quarterly sales**



■ Although the overall market conditions are not favorable, our sales showed steady trends.

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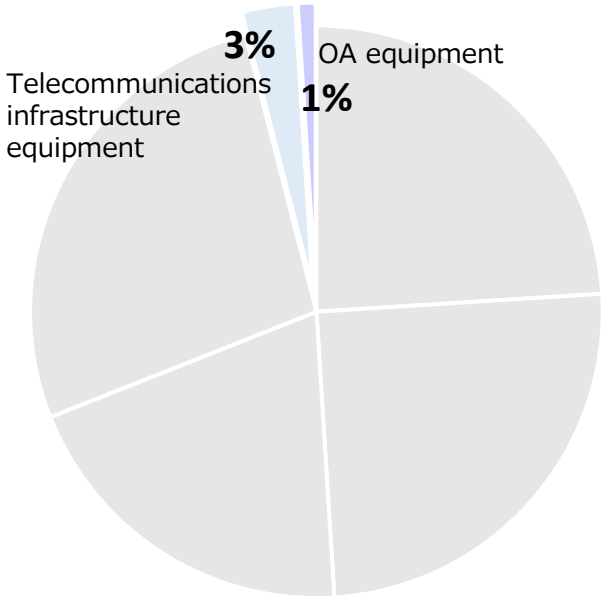
Sales by Application _ Telecommunications infrastructure equipment / OA equipment

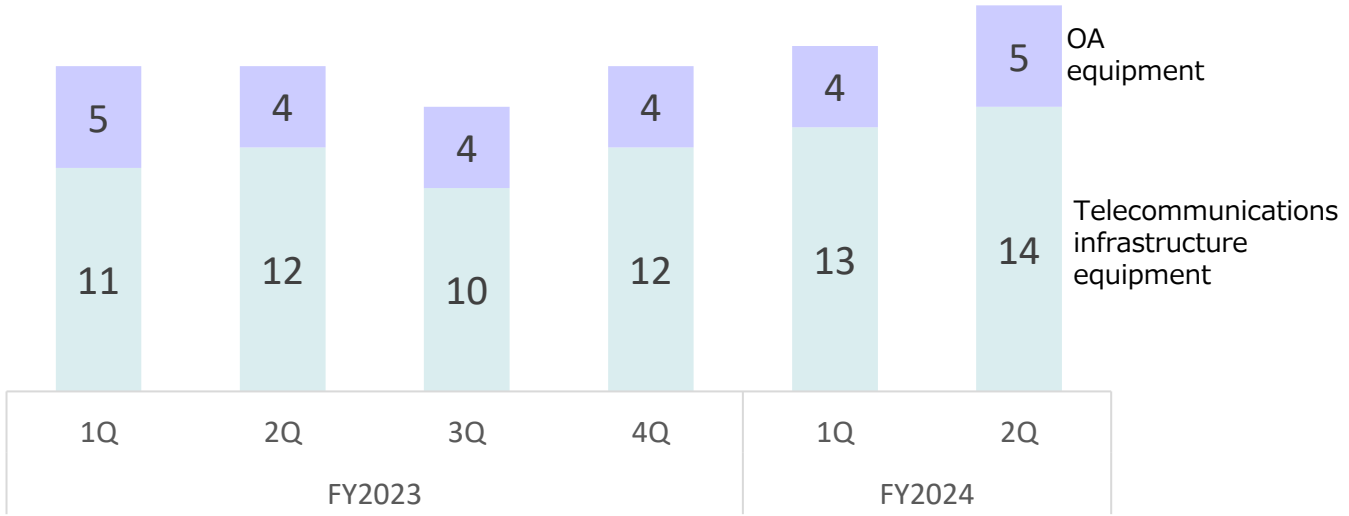
(Yen in hundred millions)

	FY2023			FY2024			YoY
	1Q	2Q	1H	1Q	2Q	1H	FY2023.1H/ FY2024.1H
Telecommunications infrastructure equipment	11	12	23	13	**14**	**27**	+17%
OA equipment	5	4	9	4	**5**	**9**	±0%

● FY2024 1H Composition ratio



● Changes in quarterly sales



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Business Forecast for the Year Ending March 31, 2025 (Consolidated)

Due to the trend of exchange rate, and the expectation of the smartphone, consumer, and automotive businesses to exceed the initial forecast, we revised the forecast of FY2024 announced in May 2024.

(Yen in hundred millions)	FY2023 Actual (FY ended March 31, 2024)		FY2024 Forecast (FY ending March 31, 2025)			First Half Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	First half	For the Year	First Half Actual	Forecast for the Year (As of May. 2024)	Revised Forecast for the Year	Amount change	%	Amount change	&
Sales	829.1	1,655.1	**945.2**	1,760.0	**1,820.0**	+116.1	+14.0%	+164.9	+10.0%
COGS Ratio	55.6%	56.2%	**54.7%**	56.1%	**56.3%**				
Operating Profit	171.9	340.2	**222.2**	360.0	**380.0**	+50.3	+29.2%	+39.8	+11.7%
(%)	20.7%	20.6%	**23.5%**	20.5%	**20.9%**				
Profit before Tax	196.8	387.6	**238.5**	390.0	**410.0**	+41.7	+21.2%	+22.4	+5.8%
(%)	23.7%	23.4%	**25.2%**	22.2%	**22.5%**				
Net Profit	126.0	264.8	**175.3**	280.0	**300.0**	+49.3	+39.2%	+35.2	+13.3%
(%)	15.2%	16.0%	**18.5%**	15.9%	**16.5%**				
Earnings per Share	—	772.38 yen	—	827.65 yen	**886.68 yen**				
Dividend per Share	220 yen	440 yen	245 yen	490 yen	**490 yen**				
Consolidated Dividend Payout Ratio	—	57.0%	—	59.2%	**55.3%**				

	FY2023 Actual	FY2024 Forecast (Previous)	FY2024 Forecast (Revised)
1US$	144.62 yen	143.00 yen	147.00 yen
1€	156.80 yen	155.00 yen	162.00 yen
100 won	10.97 yen	10.80 yen	11.00 yen

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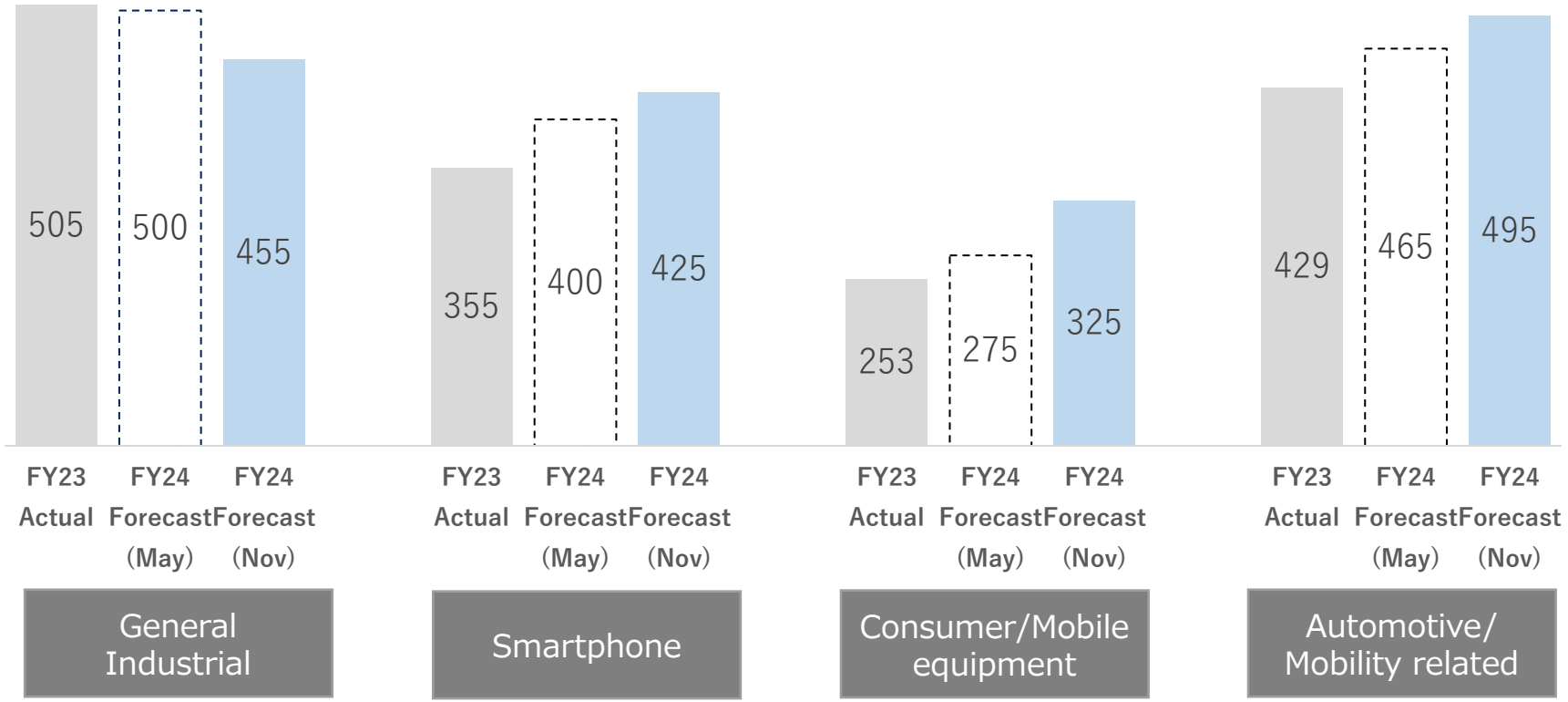
Revised Annual Sales Forecast by Segment (round of number)

(Yen in hundred millions)



FY2024 Annual growth rate forecast	As of May 2024	As of Nov. 2024
● General Industrial	-1%	-10%
● Smartphone	+13%	+20%
● Consumer/Mobile equipment	+9%	+28%
● Automotive/Mobility related	+8%	+15%

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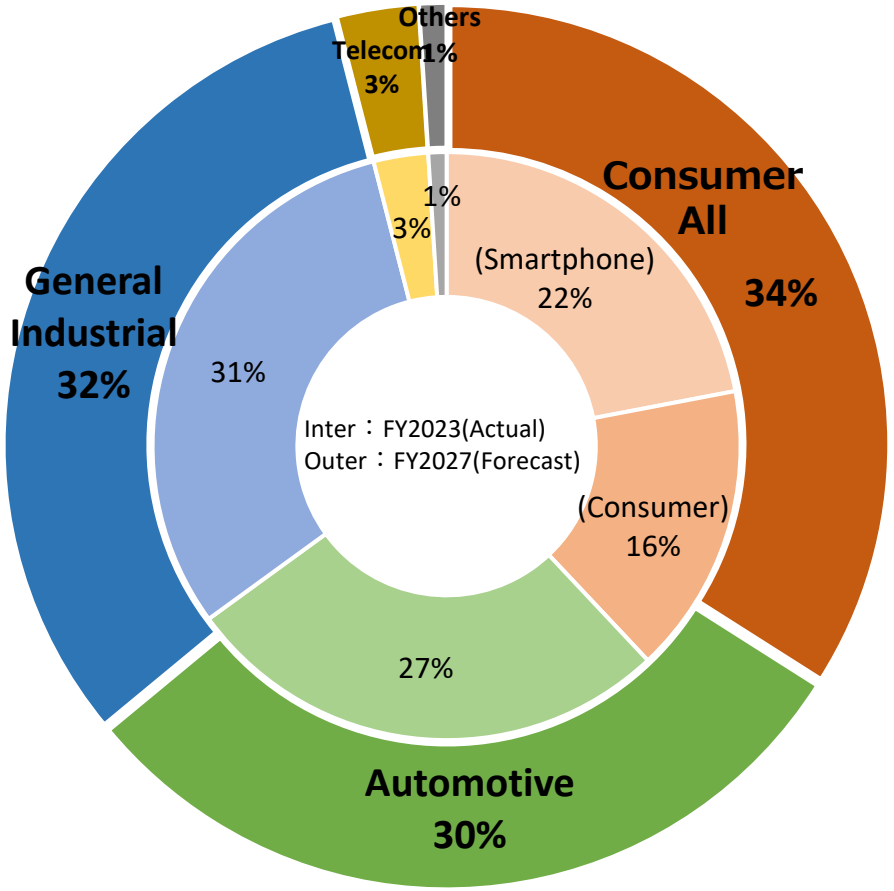
Mid-term Management Objectives

Emerge from a period of supply chain turmoil in FY2020 to 2023 and move into a new growth phase.

Sales target in FY2027

Sales revenue : JPY 230 billions
Operating Profit Margin : 25 % or more

Introduced in May 8, 2024



- **Aim for the growth above the industry average and increase our market share through the growth with quality.**
- **Establish well balanced 3 business pillars in FY2027**
  - ✓ Consumer : Stable growth with competitive products and strong customer relationship
  - ✓ Automotive : Become a mainstay of growth through our flexibility and resilience
  - ✓ General Industrial : Make a leap forward in the global market by taking advantage of cross segment knowledge and experience.
- **Explore another NEW growth driver in addition to the 3 pillars**

Announced the Capital and business alliance with the optical device manufacturer in Sep. 5, 2024.

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Explore the Growth Drivers of New

We have entered into a capital and business alliance with AIO CORE Co., Ltd. and agreed to jointly develop high-performance optical active connectors. With the joint developed products utilizing AIO CORE's silicon photonics chips, we will meet the growing needs for optical transmission in various fields such as the medical, communications, and automotive markets.

Electrical connectors



Connectors connect electricity and optical

High-speed, noise suppression, low power consumption, weight reduction, etc.

Optical connectors



Example of needs



Medical field



Automotive



Telecommunications

Press release : https://prd-4s-public.s3.ap-northeast-1.amazonaws.com/sys-master/public/hd1/hfb/9535568969758/20240905press_AIO_e.pdf

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Strengthening the Management Foundation -From the FY2024 Integrated Report-

Human Capital Strategy for Growth and Development: For Diversity

Set a goal for the ratio of women in managerial positions

Promoting Women's Participation

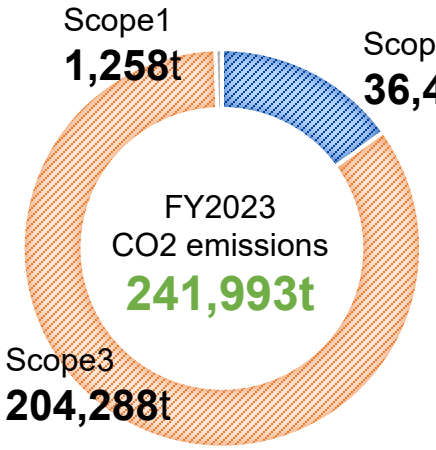
Policy

1. Aim to be a company where diverse employees excel.
2. Consciously plan to secure and develop talented female human capital.
3. Foster the creation of flexible systems and structures that support the continued employment of talented and diverse individuals.

- ◆ FY2034 Percentage of women in managerial positions **15%** (Approximately 8.8 times compared to FY2024)
- ◆ Percentage of female hires **More than 30% / annually**
- ◆ Ratio of female employees in FY2034: 30% (approx. 1.5 times that of FY2024)

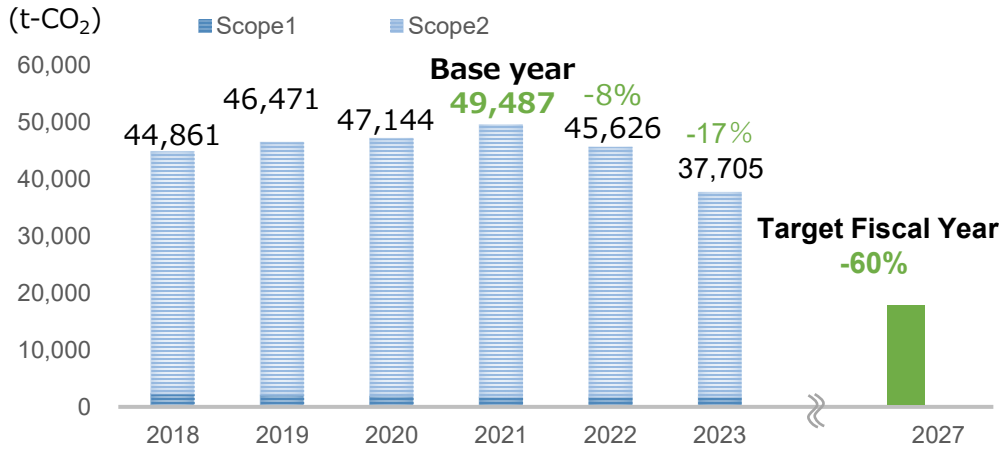
Published October 29
Link to the Japanese Integrated Report (English ver. is scheduled by the end Jan)
https://www.hirose.com/corporate/ja/ir/integrated-report/

Response to Climate Change: Scope 3 Measurement



In fiscal 2023, we conducted activities to calculate Scope 3 emissions. It is the most important initiative for us since we have a high proportion of production by partner companies.

Changes in CO_2 emissions



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Hirose Technology Exhibition CONNECTION2025

Technology Exhibition in every three year will be held in 2025

September, 2025 in Yokohama at Pacifico Yokohama North, 2 days
November, 2025 in Osaka at Grandcube, 2 days



Key Visual in FY22


Image from FY22

Exhibition

●Future-oriented exhibition

Most of the exhibits are products which is newly released, under development or in the concept stage.

●Display a lot of adoption cases (actual devices)

Exhibit actual devices adopting our connectors in each industry segment including consumer, industrial and automotive.
(Some devices are displayed in disassembled state)

●All the guides are our engineers

●In 2022, approx. 7,700 guests visited the exhibition

Through this exhibition, Hirose propose solutions to market and customers, and we will develop our customer's voice into future products.

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Appendix.
Sales by Industry Segments round number (Quarterly Basis)

(Yen in hundred millions)

	FY2023				FY2024		FY2024.1H Composition ratio
	1Q	2Q	3Q	4Q	1Q	2Q	
General Industrial	152	130	119	104	111	**115**	**24%**
Smartphone	72	97	99	87	99	**133**	**25%**
Consumer / Mobile equipment	56	68	62	67	84	**96**	**20%**
Automotive / Mobility related	93	102	115	119	124	**122**	**27%**
Telecommunications infrastructure equipment	11	12	10	12	13	**14**	**3%**
OA equipment	5	4	4	4	4	**5**	**1%**
Total of Connector Sales	389	413	408	392	434	**485**	**100%**
Others	16	12	14	11	14	12	
Total	**405**	**425**	**423**	**403**	**449**	**497**	

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