

Hirose Electric Business Results for the Third Quarter of FY2020

Business Results for the Third Quarter of FY2020

February 3, 2021

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 (FY2020.3Q From April, 2020 to December, 2020)

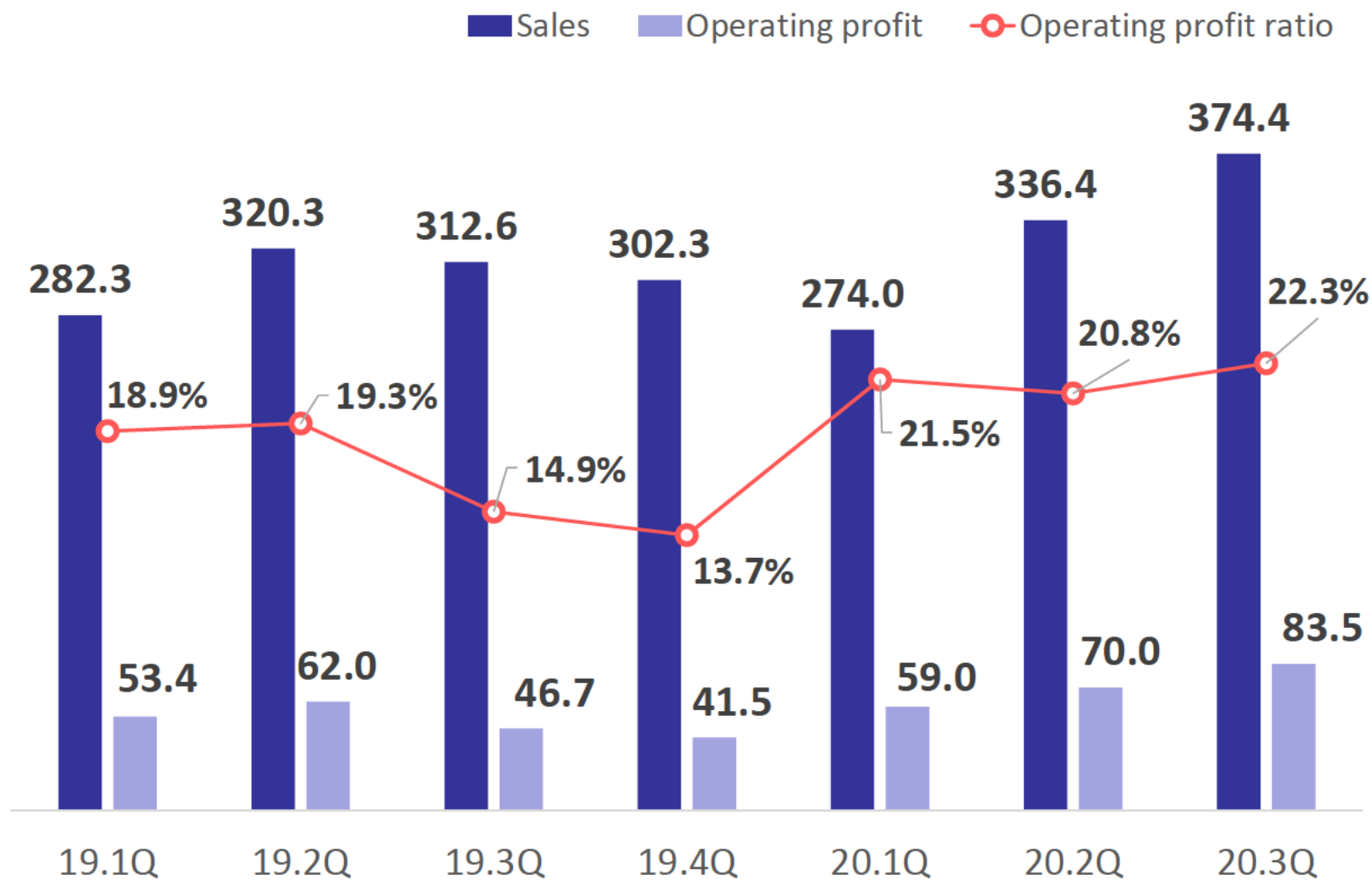
- In the third quarter of FY2020, the sales mainly for automotive and smartphone market recovered and grew, and the orders and sales of 3Q reached the highest-ever level as quarter basis. As a result, the sales of 3Q cumulative increased by 7.6%, the operating profit grew by 31.1% compared with the previous same period, and operating profit ratio resulted 21.6%.

(Yen in hundred millions)

	FY2019			FY2020			YoY
	1H 2019. Apr-Sep	3Q 2019. Oct-Dec	1Q-3Q 2019.Apr-Dec	1H 2020.Apr-Sep	3Q 2020.Oct-Dec	1Q-3Q 2020.Apr-Dec	FY2020.1Q-3Q / FY2019.1Q-3Q
Order	623.3	311.0	934.3	646.8	381.0	1,027.8	+10.0%
Sales	602.7	312.6	915.3	610.4	374.4	984.8	+7.6%
Operating profit	115.3	46.7	162.1	128.9	83.5	212.4	+31.1%
Operating profit ratio	19.1%	14.9%	17.7%	21.1%	22.3%	21.6%	+3.9pt

Changes in sales and operating profit (FY2019.1Q-FY2020.3Q / Consolidated basis)

(Yen in hundred millions)



5

FY2020 3Q Major Changes

(Yen in hundred millions)

Sales

69.5 hundred million yen **Increased**
(915.3 → 984.8)

Non consolidated Hirose: +49.1
Subsidiaries: +20.4

COGS Ratio

0.3pt Deteriorated
(57.2% → 57.5%)

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

SGA Ratio

2.4pt Improved
(24.9% → 22.5%)

227.6 → 221.1 (Decreased by 6.4)

Financial revenue / expense

11.4 hundred million yen **Deteriorated**
(+7.2 → -4.3)

Exchange Loss: -2.5 → -11.1

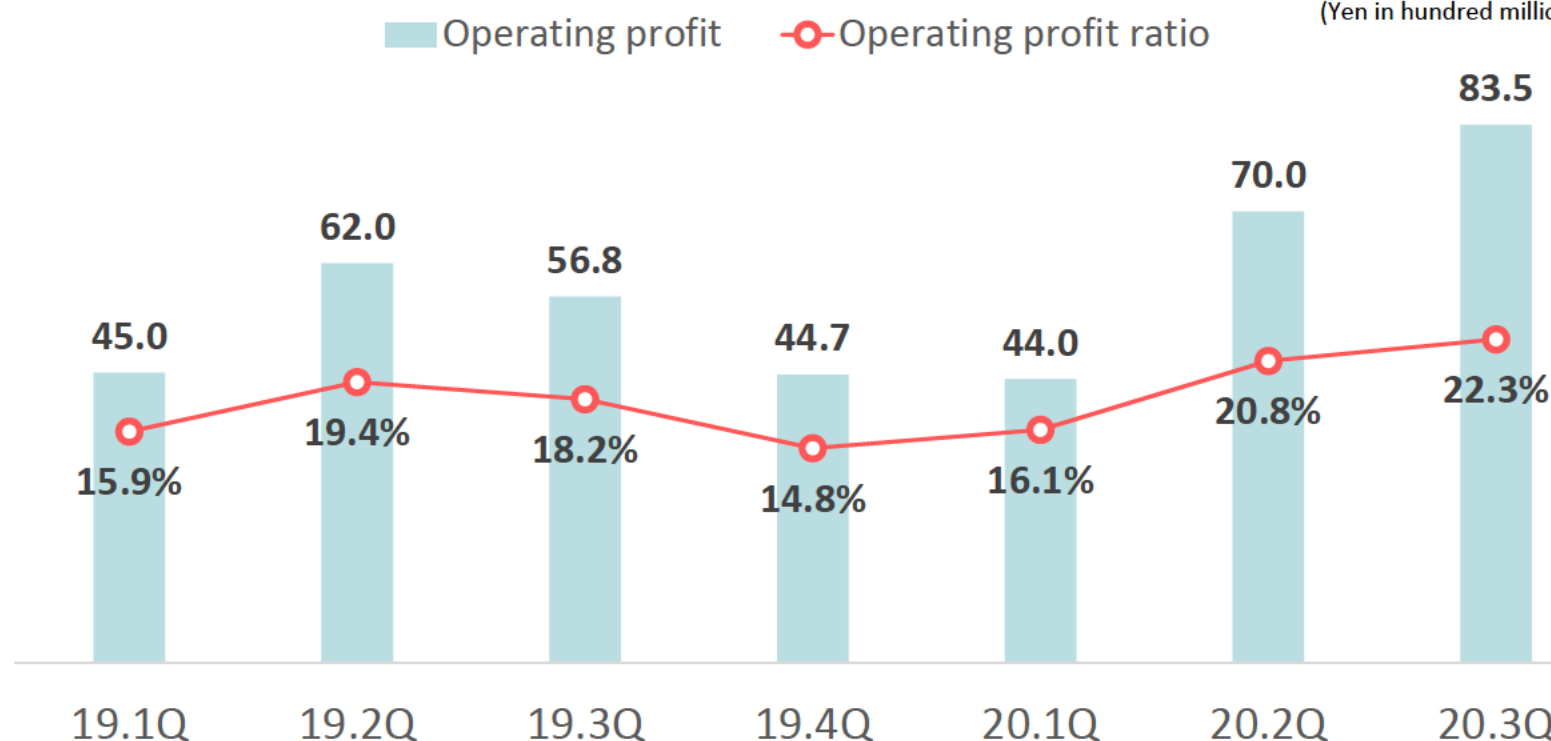
FY2020.3Q YoY Variation Analysis

(Yen in hundred millions)

	Sales	Operating Profit	(%)	Earnings before income tax	(%)
FY2019.1Q-3Q Actual	915.3	162.1	17.7%	169.2	18.5%
Exchange rate	-9.9	-8.0		-16.7	
Depreciation cost increase		-6.0		-6.0	
Labor cost increase		-3.7		-3.7	
Increase in freightage and packing expenses		-4.2		-4.2	
Increase in the product	79.4	47.2		47.2	
Gain on sale of land		-8.4		-8.4	
Insurance income		15.0		15.0	
Decrease in travel and overseas travel expenses		6.6		6.6	
Koriyama flood loss		10.1		10.1	
Others		1.7		-0.9	
Total amount of changes	69.5	50.3		38.9	
FY2020.1Q-3Q Actual	984.8	212.4	21.6%	208.1	21.1%

Changes in operating profit excluding temporary factors (FY2019.1Q-FY2020.3Q)

(Yen in hundred millions)



(Yen in hundred millions)

	19.1Q	19.2Q	19.3Q	19.4Q	20.1Q	20.2Q	20.3Q
Operating Profit (Financial Settlement)	53.4	62.0	46.7	41.5	59.0	70.0	83.5
Gain on sale of land	-8.4						
Expense for flood damages in Koriyama			+ 10.1	+ 3.2	-15.0		
Operating Profit excluding temporary factors	45.0	62.0	56.8	44.7	44.0	70.0	83.5

Consolidated Balance Sheet

(Yen in hundred millions)

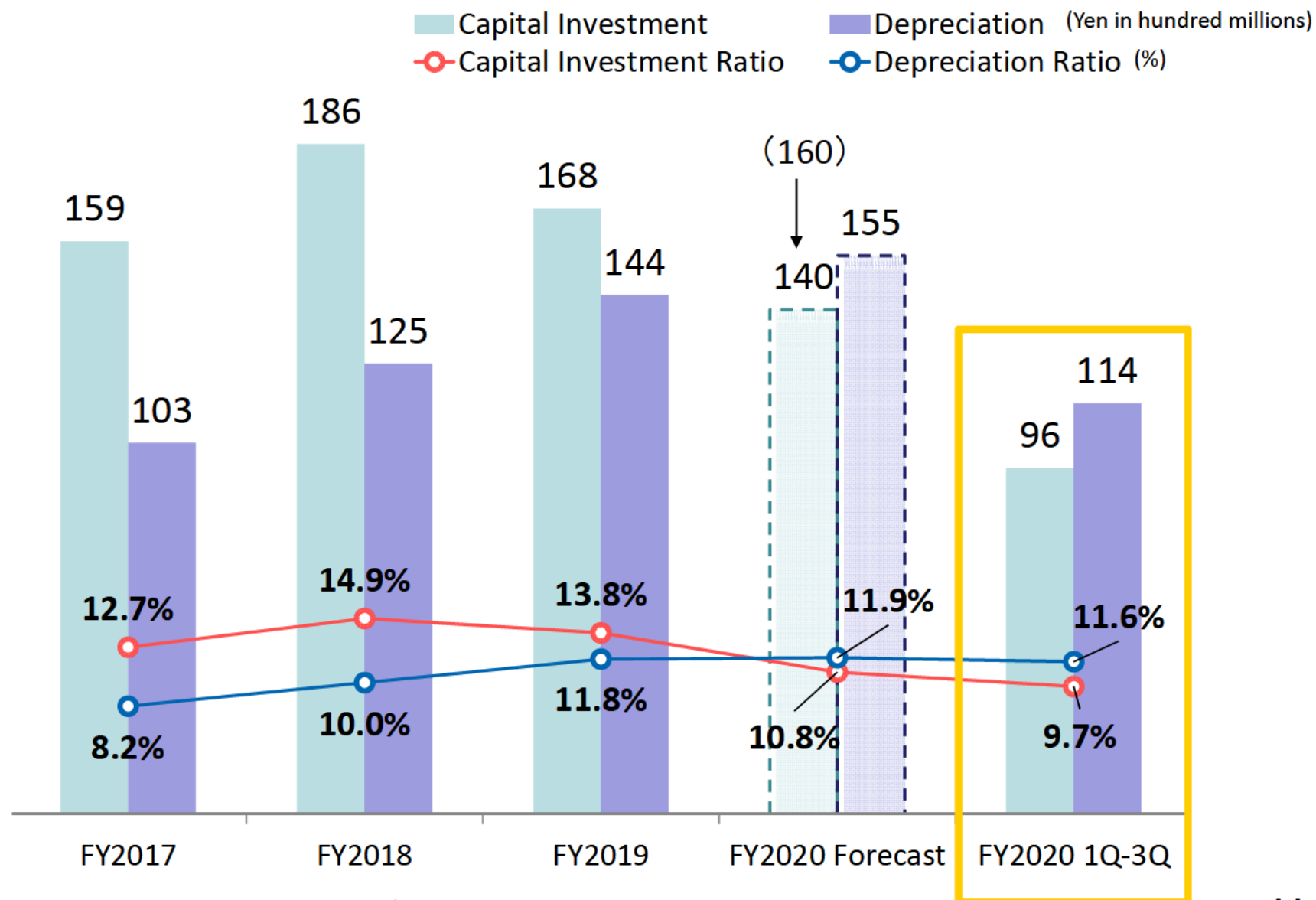
	Account	Mar 31, 2020	Dec 31, 2020	Increase / Decrease	Remark
Assets	Cash and cash equivalents	505.6	509.2	3.6	
	Trade and other receivables	304.4	375.0	70.6	Increase in accounts receivable +5.58 billion yen, others
	Inventories	145.1	155.6	10.5	Increase in inventories of overseas sales offices
	Other financial assets	1,706.8	1,765.0	58.2	Securities +4.68 billion yen Fixed deposit +2.76 billion yen
	Tangible fixed assets	615.4	610.7	-4.7	
	Right-of-use asset	44.8	43.0	-1.8	
	Others	104.3	106.4	2.1	
	Total Assets	3,426.4	3,564.9	138.5	
<hr/>					
	Total of cash in bank	1,674.5	1,709.3	34.8	

Consolidated Balance Sheet

(Yen in hundred millions)

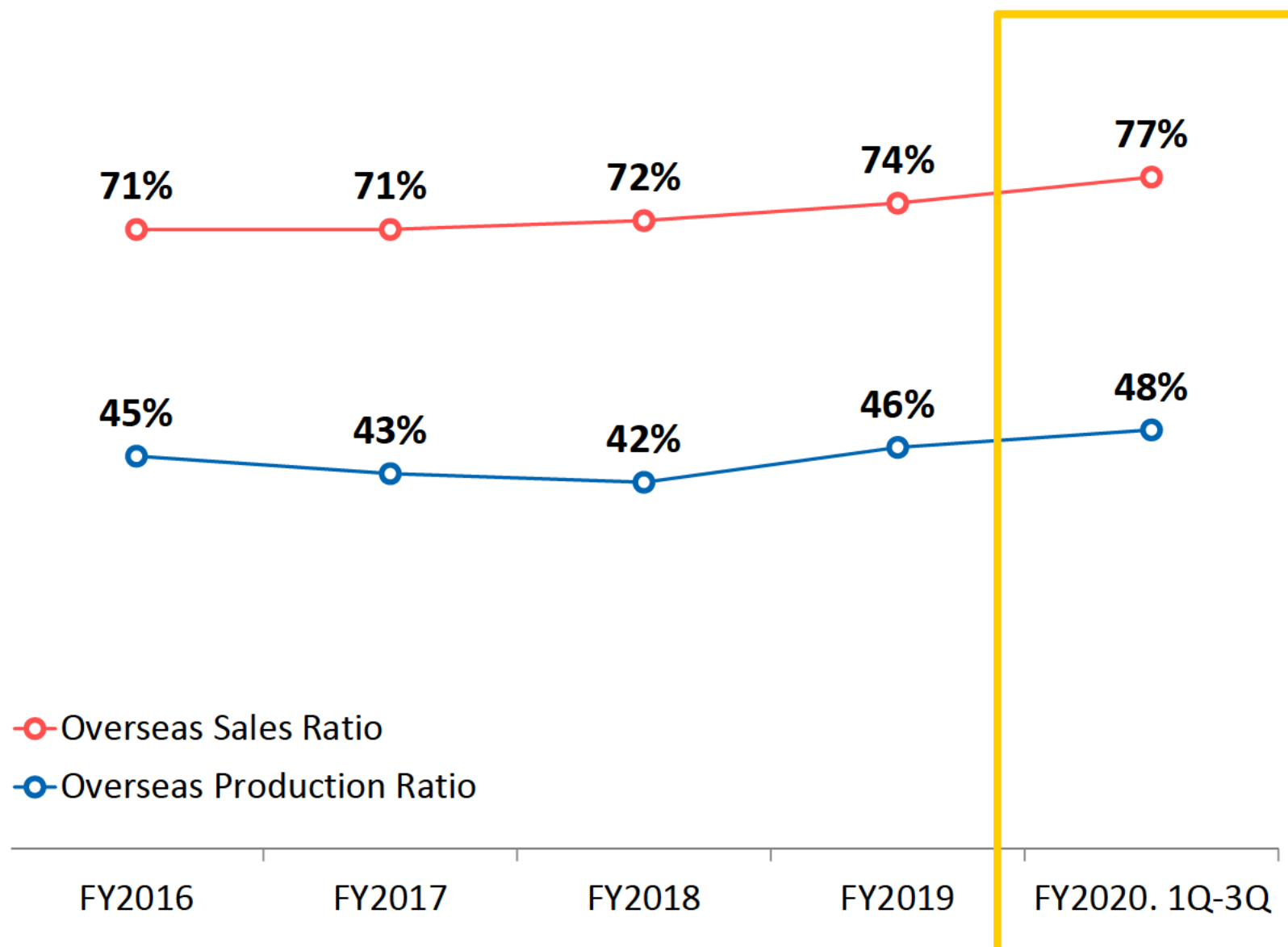
	Account	Mar 31, 2020	Dec 31, 2020	Increase / Decrease	Remark
Liabilities	Payables and other debt	167.5	192.4	24.9	
	Lease liabilities	44.9	43.3	-1.6	
	Income Taxes Payable	29.6	40.6	11.0	
	Others	123.0	124.9	1.9	differed tax liabilities
	Total	365.0	401.3	36.2	
Shareholder's Equity	Capital stock and Capital surplus	207.0	206.7	-0.3	
	Retained Earnings	3,083.4	3,122.8	39.4	Net profit +14.98 billion Dividend △8.7 billion Transfer to treasury stocks △2.34 billion
	Treasury Stocks	-244.6	-220.0	24.6	Cancellation of treasury stock +2.38 billion
	Others	15.6	54.2	38.6	Translation adjustment +3.36 billion, others (because of strong won and weak yen)
	Total	3,061.4	3,163.7	102.3	
	Total Liabilities and Shareholder's Equity	3,426.4	3,564.9	138.5	

Changes in Capital Investment and Depreciation



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

Overseas production and sales ratio

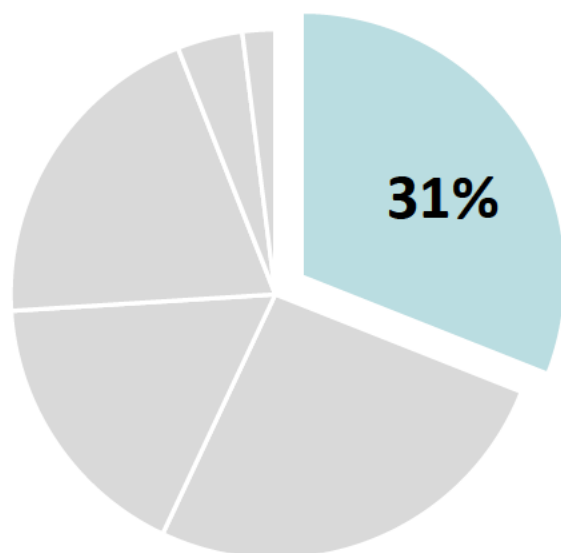


Sales by Application_General Industrial

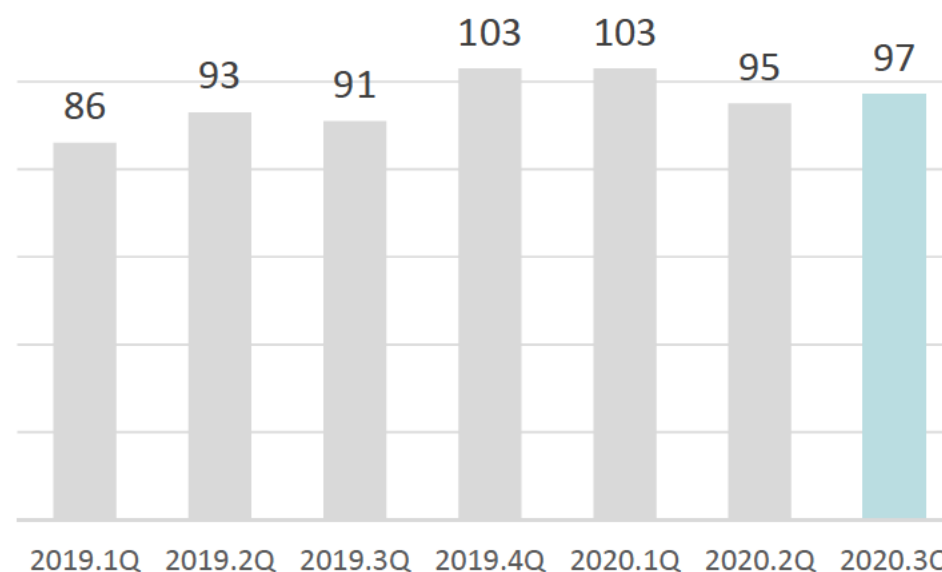
(Yen in hundred millions)

FY2019				FY2020			YoY
1H	3Q	1Q-3Q		1H	3Q	1Q-3Q	FY2020.1Q-3Q / FY2019.1Q-3Q
Sales	179	91	270	198	97	295	+9%

● FY2020.1Q-3Q Composition ratio



● Changes in quarterly sales



■ The overall market has been recovering gradually because of the increase in FA related.

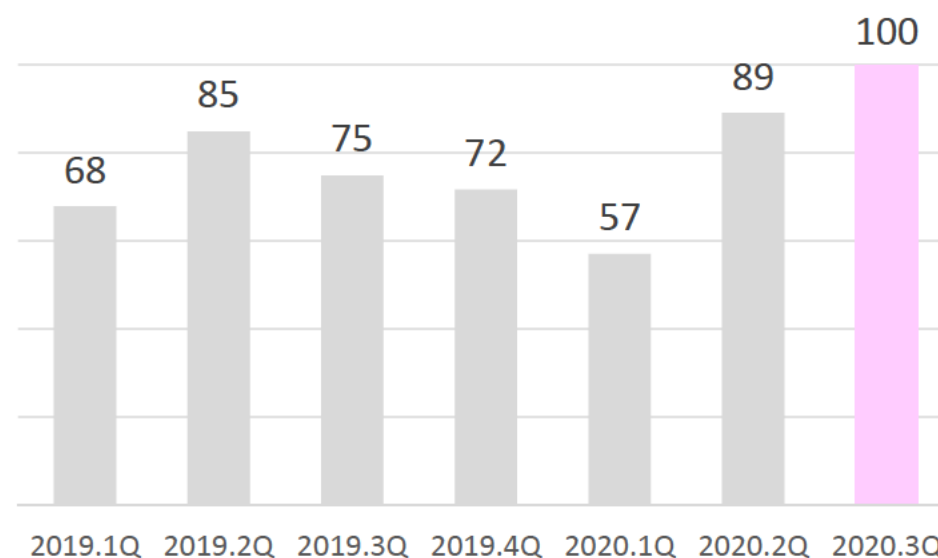
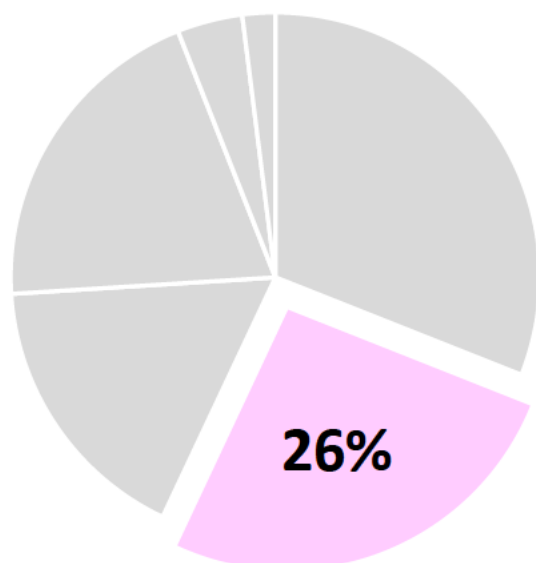
Sales by Application_Smartphone

(Yen in hundred millions)

	FY2019			FY2020			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2020.1Q-3Q / FY2019.1Q-3Q
Sales	153	75	228	146	100	246	+8%

● FY2020.1Q-3Q Composition ratio

● Changes in quarterly sales



■ The sales keep at high level due to performance improvement for new 5G compatible models.

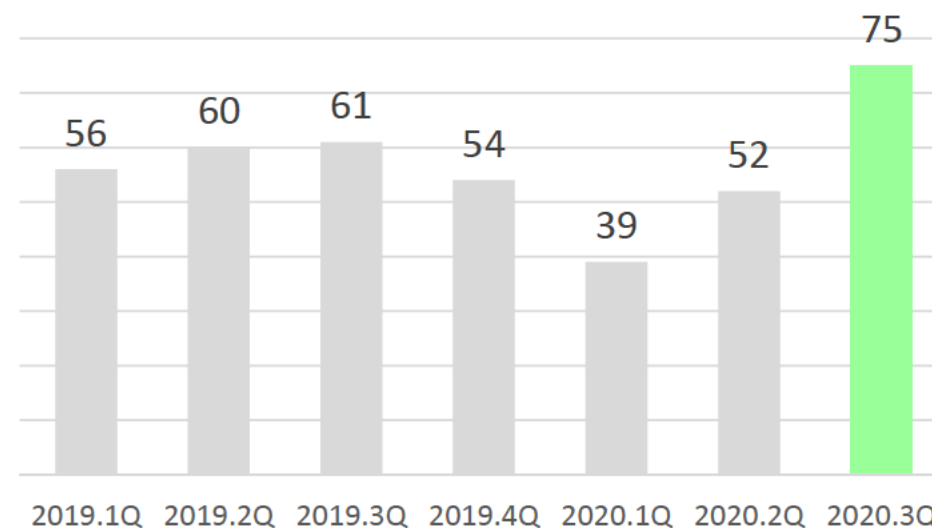
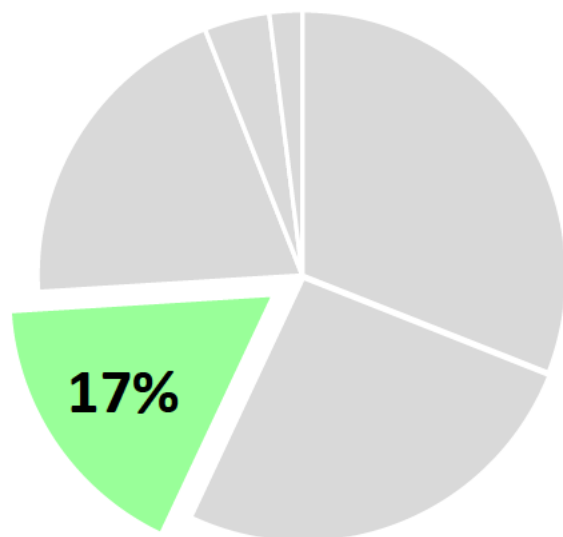
Sales by Application_Automotive/Mobility-related

(Yen in hundred millions)

	FY2019			FY2020			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2020.1Q-3Q / FY2019.1Q-3Q
Sales	116	61	177	91	75	166	-6%

● FY2020.1Q-3Q Composition ratio

● Changes in quarterly sales



■ The market has been recovering than we expected.

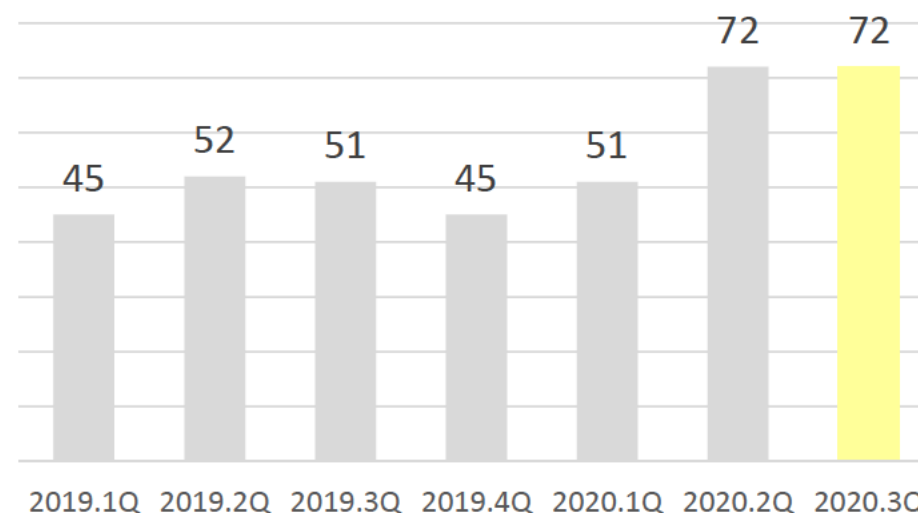
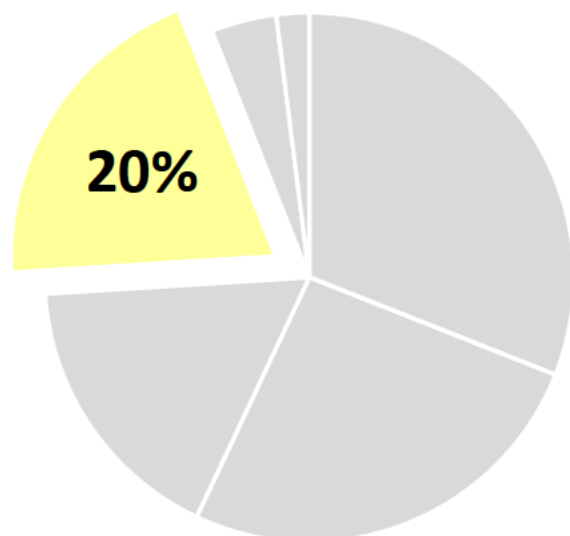
Sales by Application_Consumer/Mobile Equipment

(Yen in hundred millions)

	FY2019			FY2020			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2020.1Q-3Q / FY2019.1Q-3Q
Sales	97	51	148	123	72	195	+32%

● FY2020.1Q-3Q Composition ratio

● Changes in quarterly sales



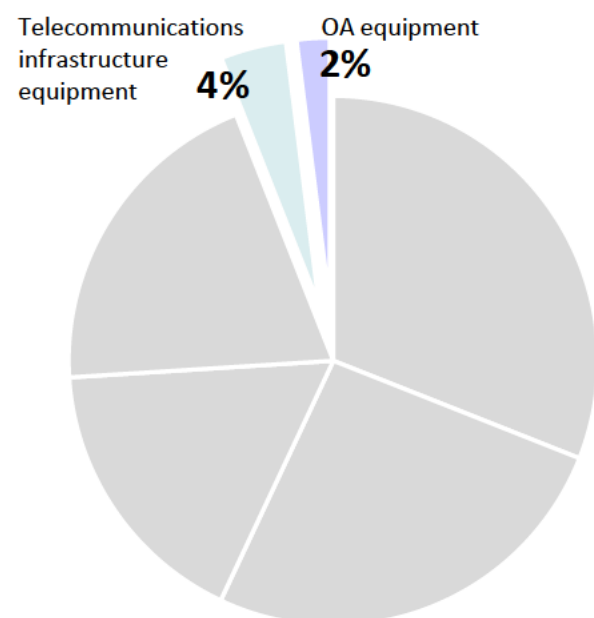
- Remote working became more popular and the demand for personal and small consumer equipment increased.

Sales by Application_Telecommunications infrastructure equipment / OA equipment (Office Machinery)

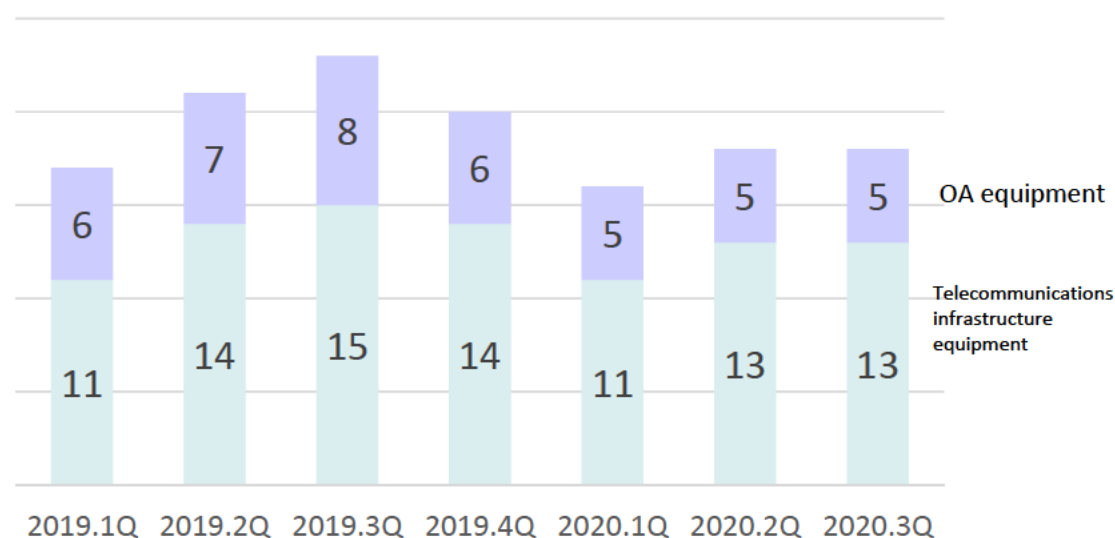
(Yen in hundred millions)

	FY2019			FY2020			YoY
	1H	3Q	1Q-3Q	1H	3Q	1Q-3Q	FY2020.1Q-3Q / FY2019.1Q-3Q
Telecommunications infrastructure	25	15	40	24	13	37	-8%
OA equipment (Office Machinery)	13	8	21	10	5	15	-29%

● FY2020.1Q-3Q Composition ratio

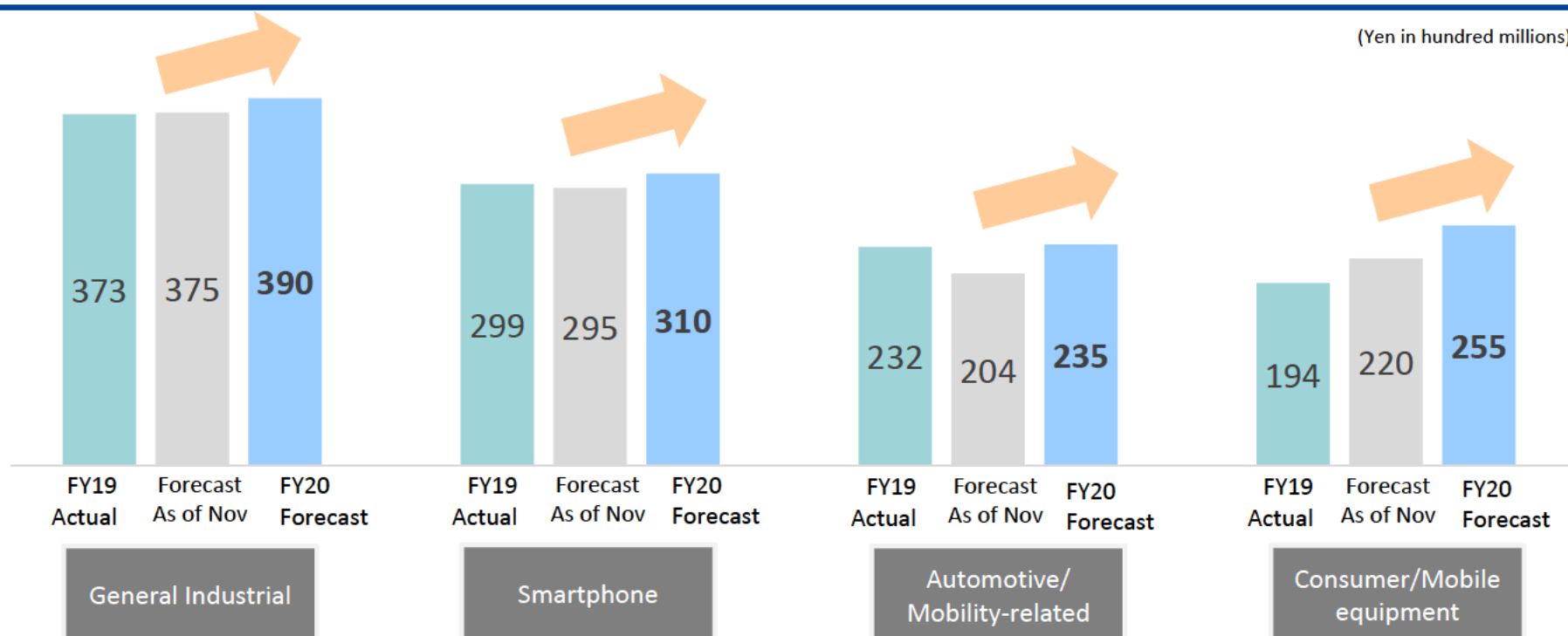


● Changes in quarterly sales



Annual sales forecast by applications 【Updated】

(Yen in hundred millions)



FY2020 Annual growth rate	Forecast as of Nov,2020	Updated forecast of growth rate
● General Industrial	+1%	+5%
● Smartphone	-1%	+4%
● Automotive / Mobility-related	-12%	+1%
● Consumer / Mobile equipment	+14%	+31%

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 Nov, 2020	② Updated Forecast as of February, 2021	②-① Revised amount
Sales	1,200	1,300	+100
Operating Profit	215	260	+45
(%)	17.9%	20.0%	
Net Profit	160	180	+20
(%)	13.3%	13.8%	

- We expect that the business for consumer and mobile devices, general industrial, automotive and mobility, will increase than our forecast published in November 2020. We revised our full year consolidated business forecast announced on November 2, 2020 upward.

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

The business for consumer, general industrial and automotive is expected to exceed our initial estimates, and revise the forecast published in Nov, 2020.

(Yen in hundred millions)	FY2019 (FY ended March 31, 2020) Actual		FY2020 (FY ending March 31, 2021)			3Q cumulative total Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	1Q-3Q	For the Year	1Q-3Q Actual	Forecast as of Nov, 2020	Revised forecast	Amount Change	%	Amount Change	%
Sales	915.3	1,217.6	984.8	1,200.0	1,300.0	+69.5	+7.6%	+82.4	+6.8%
COGS Ratio	57.2%	57.8%	57.5%	58.2%	58.2%				
Operating Profit	162.1	203.6	212.4	215.0	260.0	+50.3	+31.1%	+56.4	+27.7%
(%)	17.7%	16.7%	21.6%	17.9%	20.0%				
Earnings before income tax	169.2	212.1	208.1	220.0	260.0	+38.9	+23.0%	+47.9	+22.6%
(%)	18.5%	17.4%	21.1%	18.3%	20.0%				
Net Profit	119.8	153.1	149.8	160.0	180.0	+30.1	+25.1%	+26.9	+17.6%
(%)	13.1%	14.4%	15.2%	13.3%	13.8%				
Income Per Share	—	420.39 yen	—	441.17 yen	496.29 yen				
Dividend Per Share	120 yen	240 yen	120 yen	240 yen	240 yen				
Consolidated Dividend Payout Ratio	—	57.1%	—	54.4%	48.4%				

(Yen)	FY2019 Actual	FY2020 Forecast
1US\$	108.74	105.46
1€	120.82	123.28
100won	9.21	9.14

Appendix

Sales by Applications round number (quarterly basis)

	FY2019				FY2020			FY2020 1Q-3Q Composition ratio by application
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	
General Industrial	86	93	91	103	103	95	97	31%
Smartphone	68	85	75	72	57	89	100	26%
Automotive / Mobility- related	56	60	61	54	39	52	75	17%
Consumer / Mobile Device	45	52	51	45	51	72	72	20%
Telecommunications Infrastructure Equipment	11	14	15	14	11	13	13	4%
OA Equipment	6	7	8	6	5	5	5	2%
Total of Connector Sales	272	311	302	293	265	326	362	100%
Others	11	9	11	9	9	10	13	
Total	282	320	313	302	274	336	374	