

Hirose Electric Business Results for FY2019 First Half

# Business Results for FY2019 First Half

**Nov 5<sup>th</sup>, 2019**

**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.

## Business Situation of FY2019 First Half (Apr,2019 – Sep,2019)

<b>FY2019 First Half (Apr - Sep)</b>	Order <b>623.3</b> hundred million yen ( YoY <b>-7.8%</b> ) Sales <b>602.7</b> hundred million yen (YoY <b>-2.7%</b> ) Operating profit <b>115.3</b> hundred million yen ※Profit Ratio <b>19.1</b> % (YoY <b>-4.1%</b> )
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The result was decreased sales and profit because of the deterioration of economic confidence affected by US-China trade friction, Chinese economic slowdown and poor sales in automobile ( Europe, America and China, others ).

### Industrial market

Regarding the sales for General Industrial, down side trend from second half of the last fiscal year has been stopped but resulted -20% YoY.

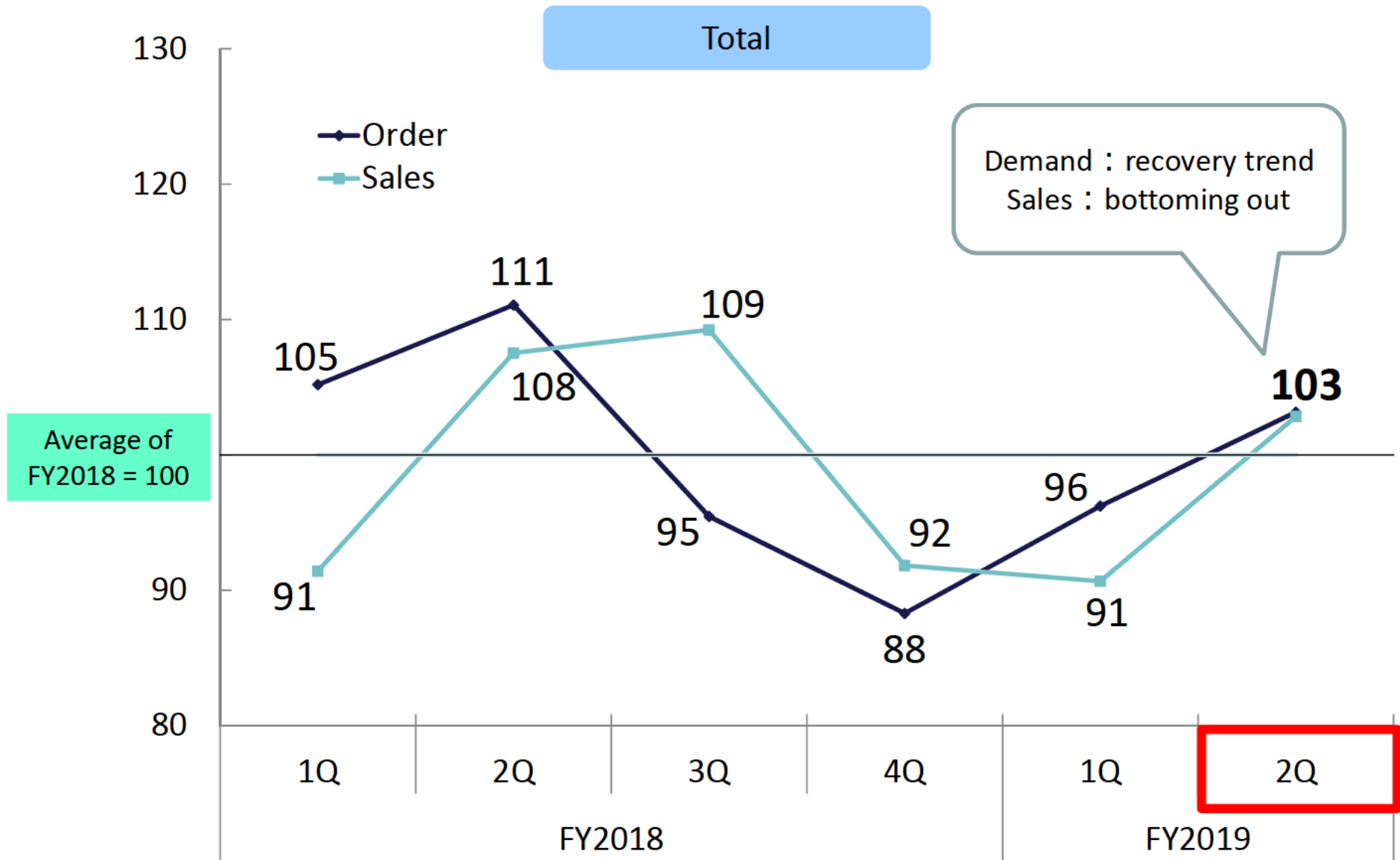
### Smartphone

The sales for smartphone market resulted +13% YoY owing to the increase of demand for mainly Chinese and Korean market in 2Q as usual.

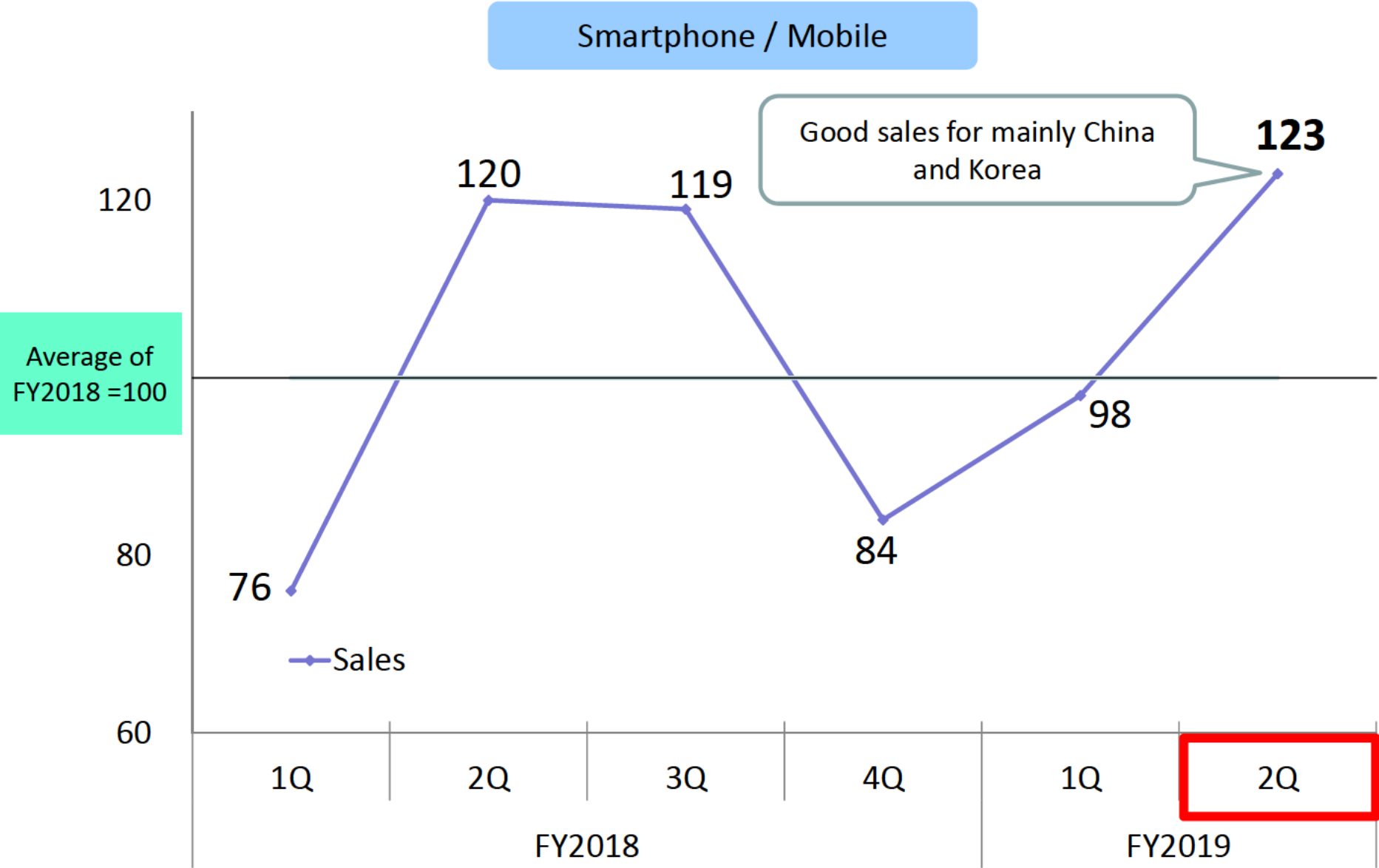
### Automotive

Because of poor sales of automobile, the sales decline for our existing products has been prolonged than we expected. Therefore the sales was +2% YoY though part of new products had been launched.

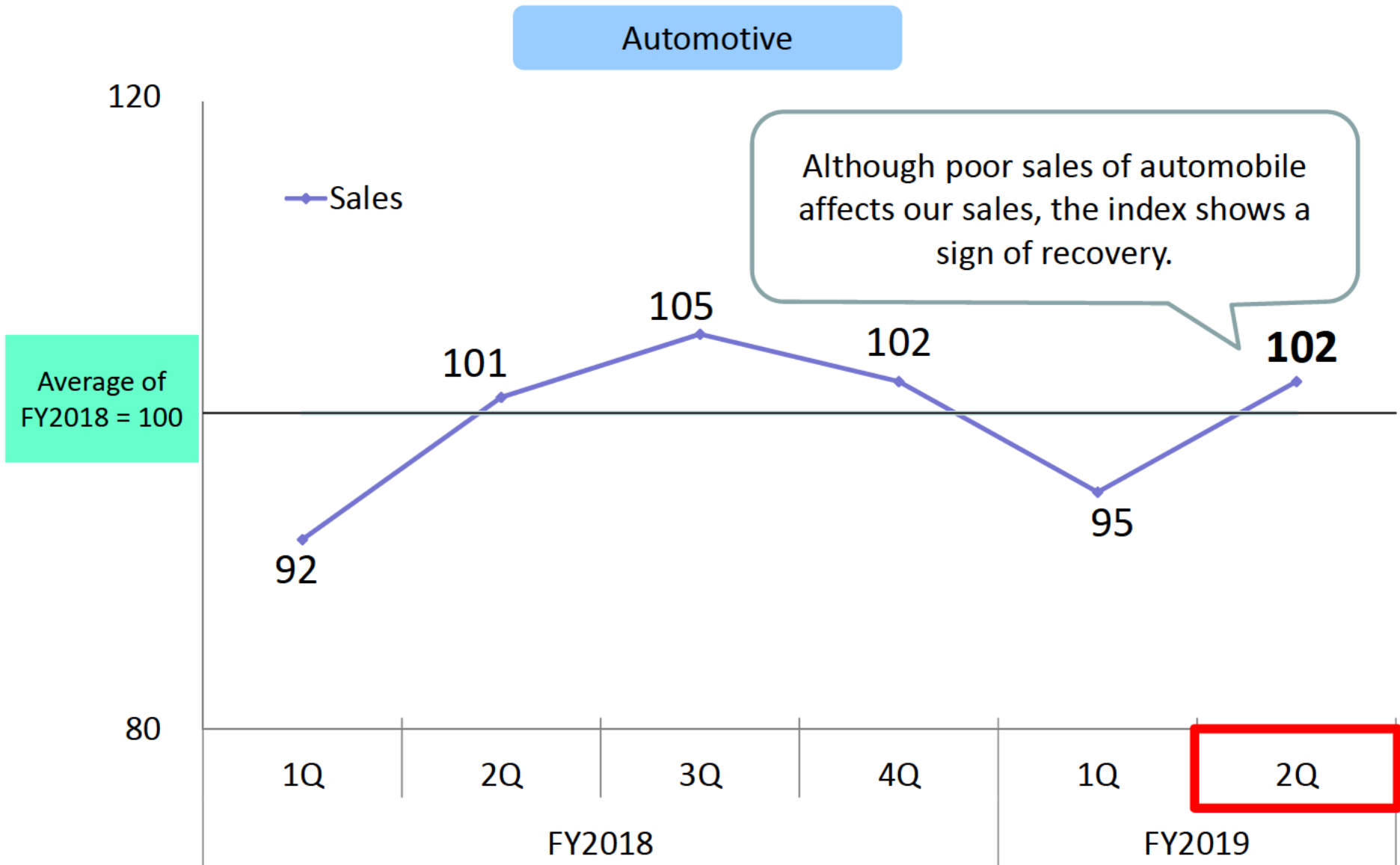
# FY2018 1Q – FY2019 2Q Orders and Sales (Consolidated Basis, Index Number)



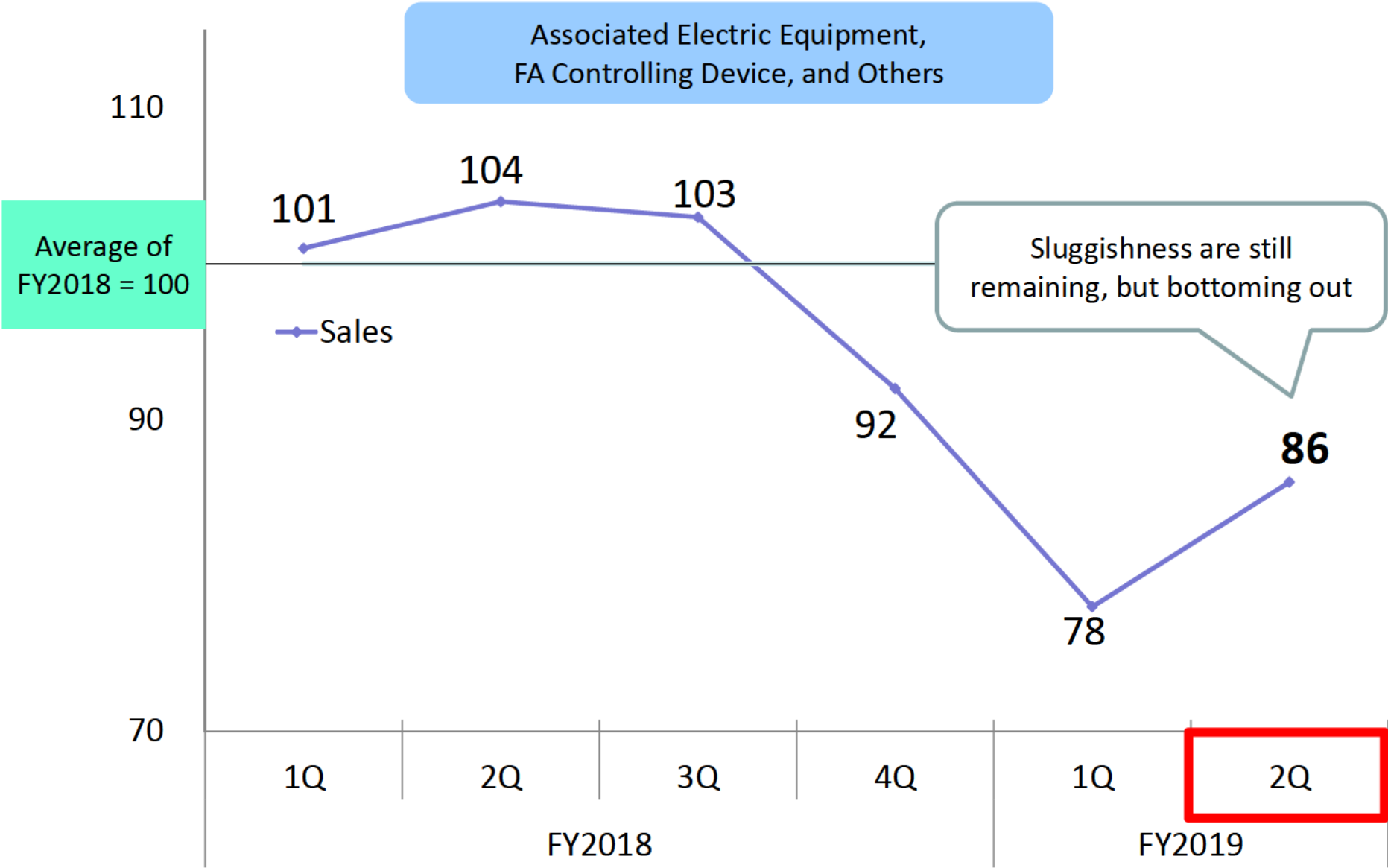
FY2018 1Q – FY2019 2Q Sales by Markets (Consolidated Basis, Index Number)



FY2018 1Q – FY2019 2Q Sales by Markets (Consolidated Basis, Index Number)



FY2018 1Q – FY2019 2Q Sales by Markets (Consolidated Basis, Index Number)



## Business Results for FY2019 First Half **【IFRS】**

(Unit : hundred millions of yen)

	FY2018 First Half (FY ended Sep31, 2018)	FY2019 Forecast	FY2019 First Half (FY ended Sep31, 2019)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
<b>Sales</b>	<b>619.6</b>	<b>620.0</b>	<b>602.7</b>	<b>-17.0</b>	<b>-2.7%</b>
COGS Ratio	55.6%	55.6%	57.1%	+1.5	
SGA Ratio	25.0%	25.0%	25.0%	0.0	
<b>Operating Profit</b>	<b>120.2</b>	<b>110.0</b>	<b>115.3</b>	<b>-4.9</b>	<b>-4.1%</b>
(%)	19.4%	17.7%	19.1%	-0.3	
<b>Earnings before income tax</b>	<b>130.4</b>	<b>115.0</b>	<b>120.9</b>	<b>-9.5</b>	<b>-7.3%</b>
(%)	21.0%	18.5%	20.1%	-0.9	
<b>Net Profit</b>	<b>93.2</b>	<b>80.0</b>	<b>85.7</b>	<b>-7.5</b>	<b>-8.1%</b>
(%)	15.0%	12.9%	14.2%	-0.8	
Total Assets	<b>3,455.3</b>		<b>3,434.5</b>		
Shareholder's Equity Ratio	<b>89.4%</b>		<b>89.2%</b>		
Income Per Share	<b>254.91 yen</b>		<b>235.12 yen</b>		



## Major Changes over prior same period FY2019 First Half

(Unit : hundred millions of yen)

### ■ Sales

**17.0** hundred million yen **Decreased**  
( 619.6 → 602.7 )

Non consolidated Hirose : **-21.8**

Subsidiaries : **+4.8**

### ■ COGS Ratio

**1.5 point Deteriorated** (55.6% → 57.1%)

Purchase Cost Ratio : 38.6% → **39.1%**

Depreciation Ratio : 8.2% → **10.1%**

### ■ SGA Ratio

**± 0 point** (25.0% → 25.0%)

155.0 → 150.7 ( 4.3 hundred million yen Decreased)

### ■ Financial revenue / expense

**4.6** hundred million yen **Deteriorated**  
(+10.1 → +5.5)

Foreign Exchange Gain / Loss : **+5.1** → **-0.6**

## FY2019 First Half YoY Variation analysis

( Unit : hundred millions of yen )

	Sales	Operating profit	(%)	Earnings before income tax	(%)
<b>FY2018 First Half Actual</b>	<b>619.6</b>	<b>120.2</b>	<b>19.4%</b>	<b>130.4</b>	<b>21.0%</b>
Exchange rate	-17.5	-4.7		-10.6	
Depreciation cost increase		-10.6		-10.6	
Labor cost decrease		0.8		0.8	
Increase in the product	0.5	0.1		0.1	
Profit on the sale of land		8.4		8.4	
Others		1.1		2.4	
Total amount of change	-17.0	-4.9		-9.5	
<b>FY2019 First Half Actual</b>	<b>602.7</b>	<b>115.3</b>	<b>19.1%</b>	<b>120.9</b>	<b>20.1%</b>

## Currency Effect for FY2019 First Half

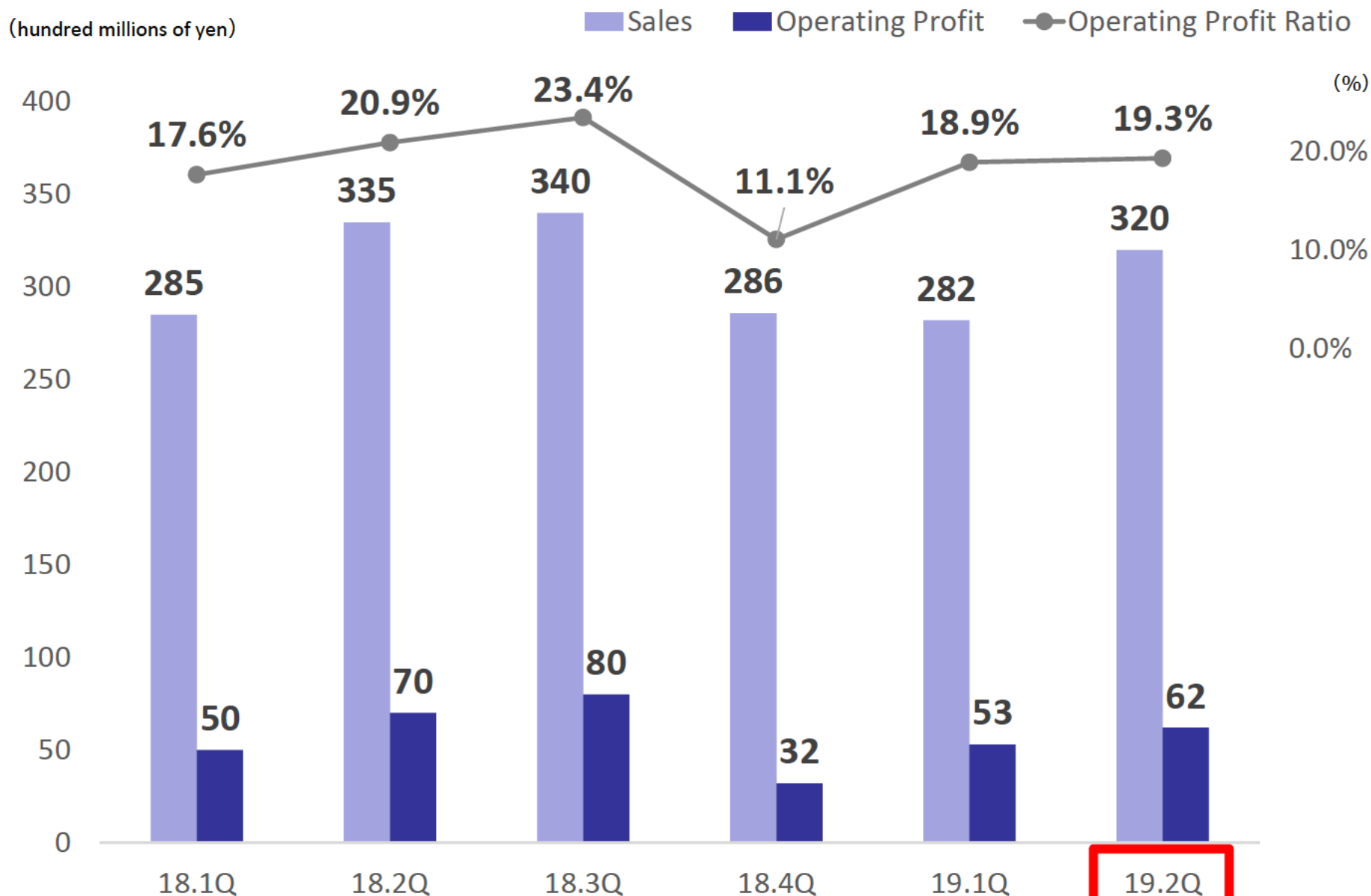
	FY2018 First Half	FY2019 First Half
Currency rate : US\$	110.26 yen	108.63 yen
Currency rate : €	129.85 yen	121.42 yen
Currency rate : 100won	10.04 yen	9.22 yen



( Unit: Hundred millions of Yen )

YoY Currency effect amount	
Sales	<b>-17.5</b>
Operating Profit	<b>-4.7</b>
Earnings before income tax	<b>-10.6</b>

# FY2018.1Q - FY2019.2Q Quarterly Sales and Profit History



## Changes in Consolidated Balance Sheet

Unit: hundred millions of yen

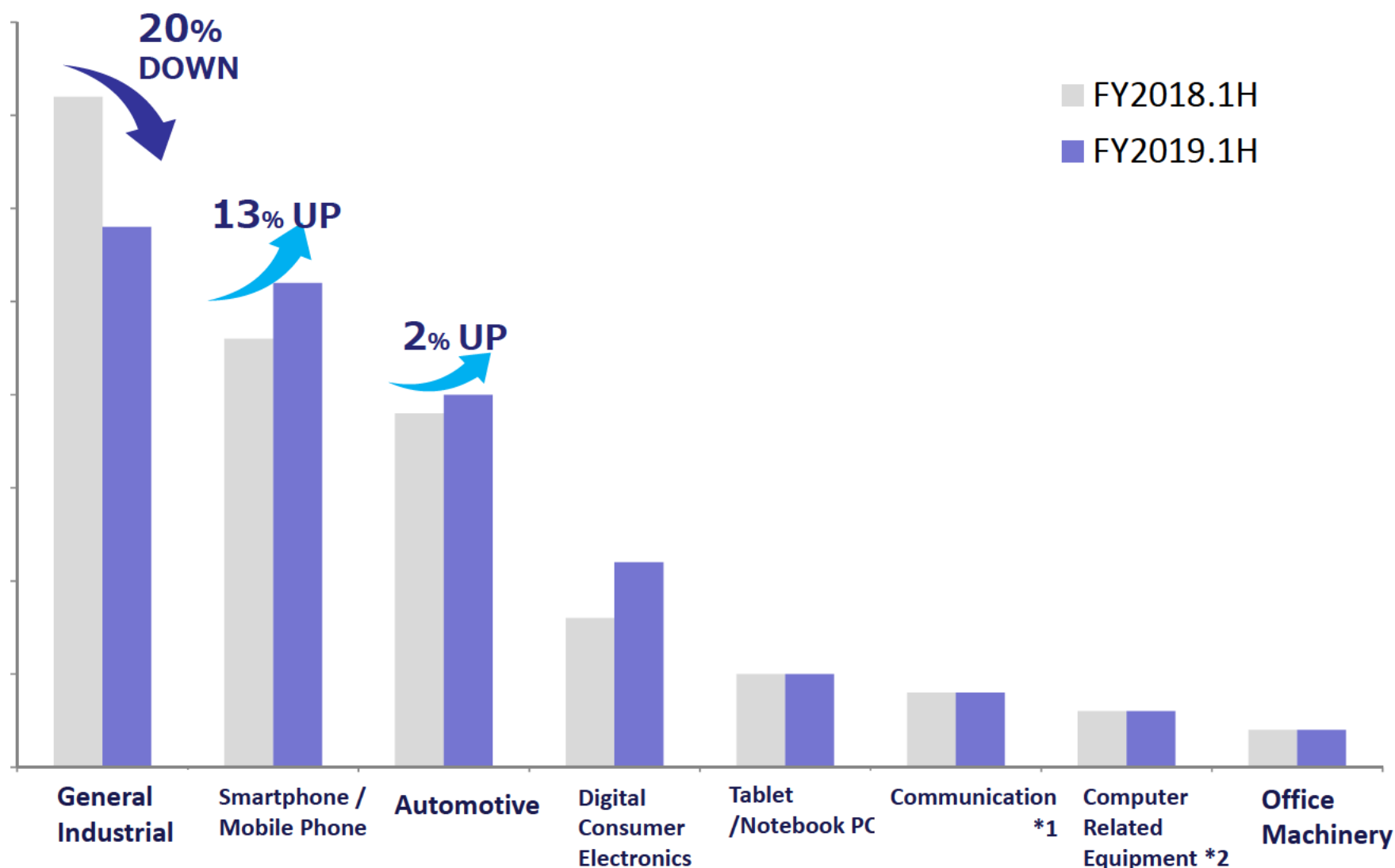
	Account	Mar 31, 2019	Sep 31, 2019	Increase / Decrease	Remark
<b>A S S E T S</b>	Cash and Cash equivalents	<b>523.2</b>	<b>551.0</b>	<b>27.8</b>	Transfer from time deposit over 3month, etc
	Trade receivables and other claim	<b>295.4</b>	<b>308.6</b>	<b>13.2</b>	
	Inventories	<b>139.4</b>	<b>138.5</b>	<b>-0.9</b>	Inventories for smartphone has been decreased
	Other financial assets	<b>1,728.8</b>	<b>1,676.4</b>	<b>-52.4</b>	Head quarter's consumption taxes receivable refund $\Delta$ 26.6 Corporate bond $\Delta$ 4.0
	Tangible fixed assets	<b>627.4</b>	<b>631.8</b>	<b>4.4</b>	
	Right-of-use assets	<b>—</b>	<b>46.0</b>	<b>46.0</b>	Appropriate lease transaction as right-of-use assets because of IFRS16
	Others	<b>100.0</b>	<b>82.2</b>	<b>-17.8</b>	
	<b>Total Assets</b>	<b>3,414.3</b>	<b>3,434.5</b>	<b>20.2</b>	
Total of cash in bank		<b>1,727.6</b>	<b>1,703.9</b>	<b>-23.7</b>	

## Changes in Consolidated Balance Sheet

Unit: hundred millions of yen

	Account	Mar 31, 2019	Sep 31, 2019	Increase / Decrease	Remark
<b>Liabilities</b>	Payables and other debt	<b>193.1</b>	<b>168.1</b>	<b>-25.0</b>	
	Lease liabilities	—	<b>46.0</b>	<b>46.0</b>	Application of IFRS16
	Income Taxes Payable	<b>30.9</b>	<b>35.6</b>	<b>4.7</b>	
	Others	<b>117.1</b>	<b>121.4</b>	<b>4.3</b>	
		<b>341.0</b>	<b>371.2</b>	<b>30.2</b>	
<b>Shareholder's Equity</b>	Capital stock and Capital surplus	<b>207.2</b>	<b>207.1</b>	<b>-0.1</b>	
	Retained Earnings	<b>3,033.5</b>	<b>3,060.7</b>	<b>27.2</b>	Net Profit: 85.7 — Dividend: 43.8 — the Allotment of share and Cancellation: 14.9
	Treasury Stocks	<b>-232.1</b>	<b>-217.3</b>	<b>14.8</b>	Cancellation of treasury stocks : +14.9
	Others	<b>64.8</b>	<b>12.8</b>	<b>-52.0</b>	foreign currency translation adjustment -59.3
	<b>Total</b>	<b>3,073.3</b>	<b>3,063.3</b>	<b>-10.0</b>	
<b>Total Liabilities and Shareholder's Equity</b>		<b>3,414.3</b>	<b>3,434.5</b>	<b>20.2</b>	

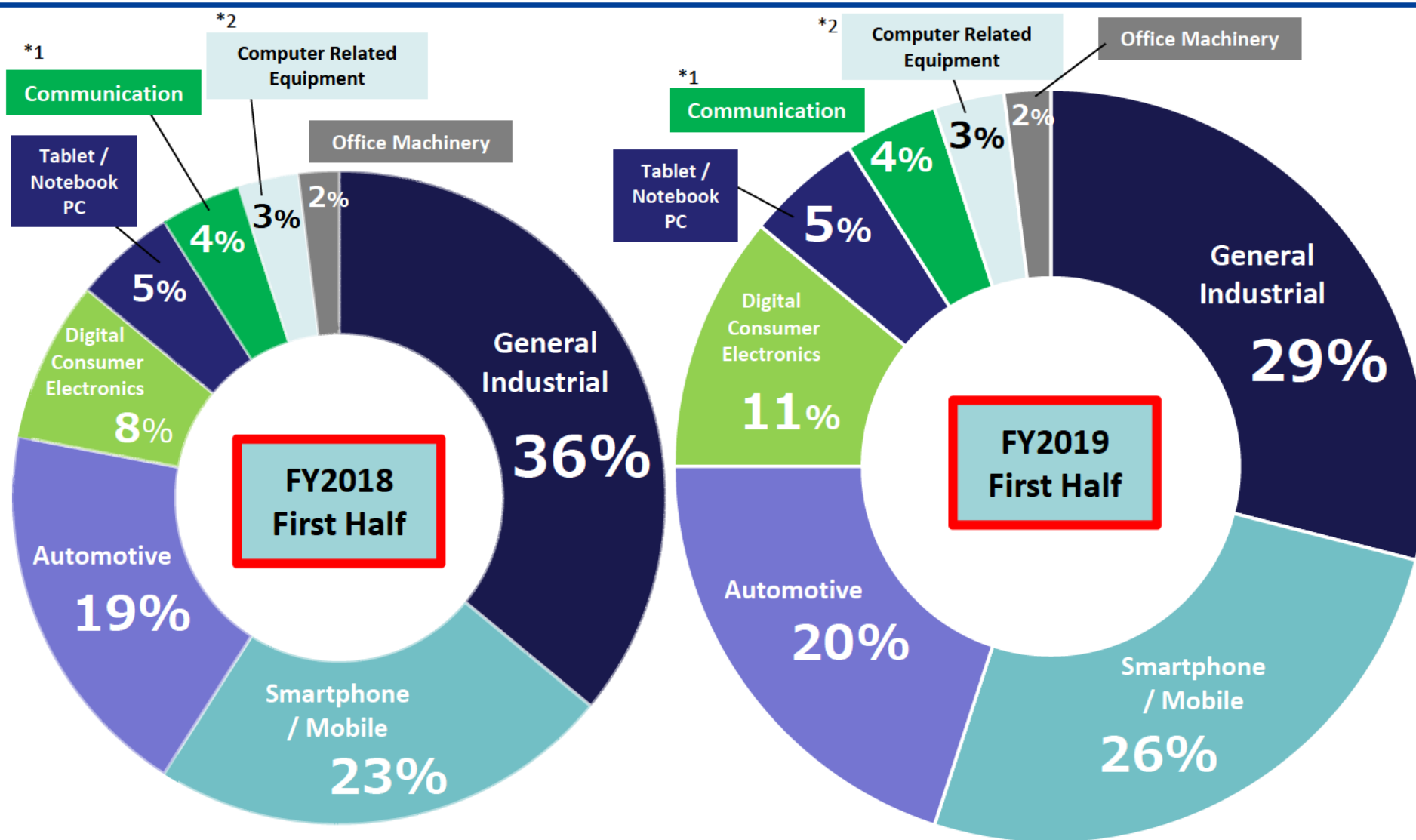
## Sales Changes by Application (round number) 【Consolidated Basis】



As this is in round number, please be noted that some ratio difference may occur. Thank you for your understanding.

\*1 Communication - Smartphone / Mobile Phone not included  
 \*2 Computer Related Equipment - Tablet/Notebook PC not included.

# Sales by Application (round number) (Consolidated Basis)

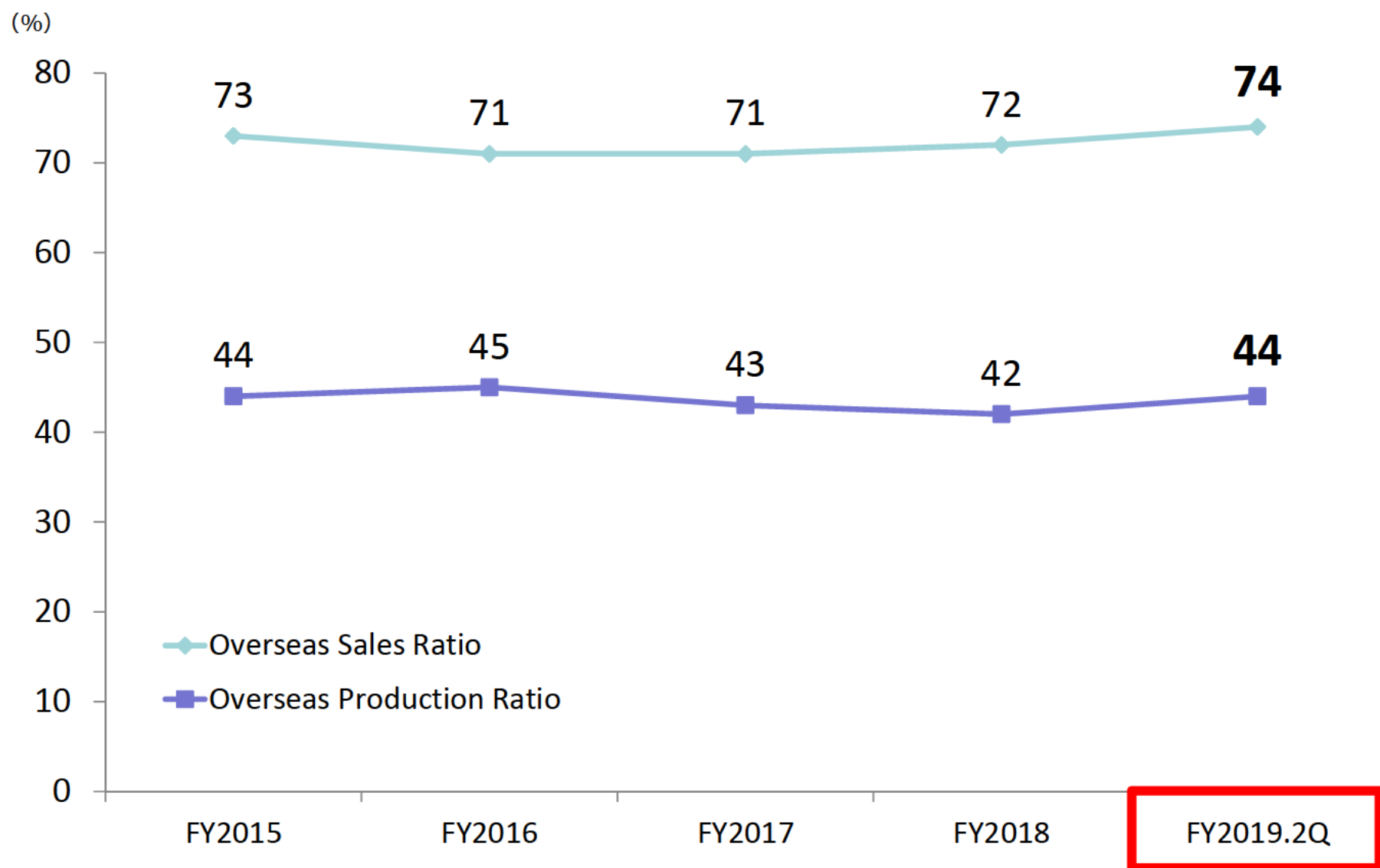


As this is in round number, please be noted that some ratio difference may occur. Thank you for your understanding.

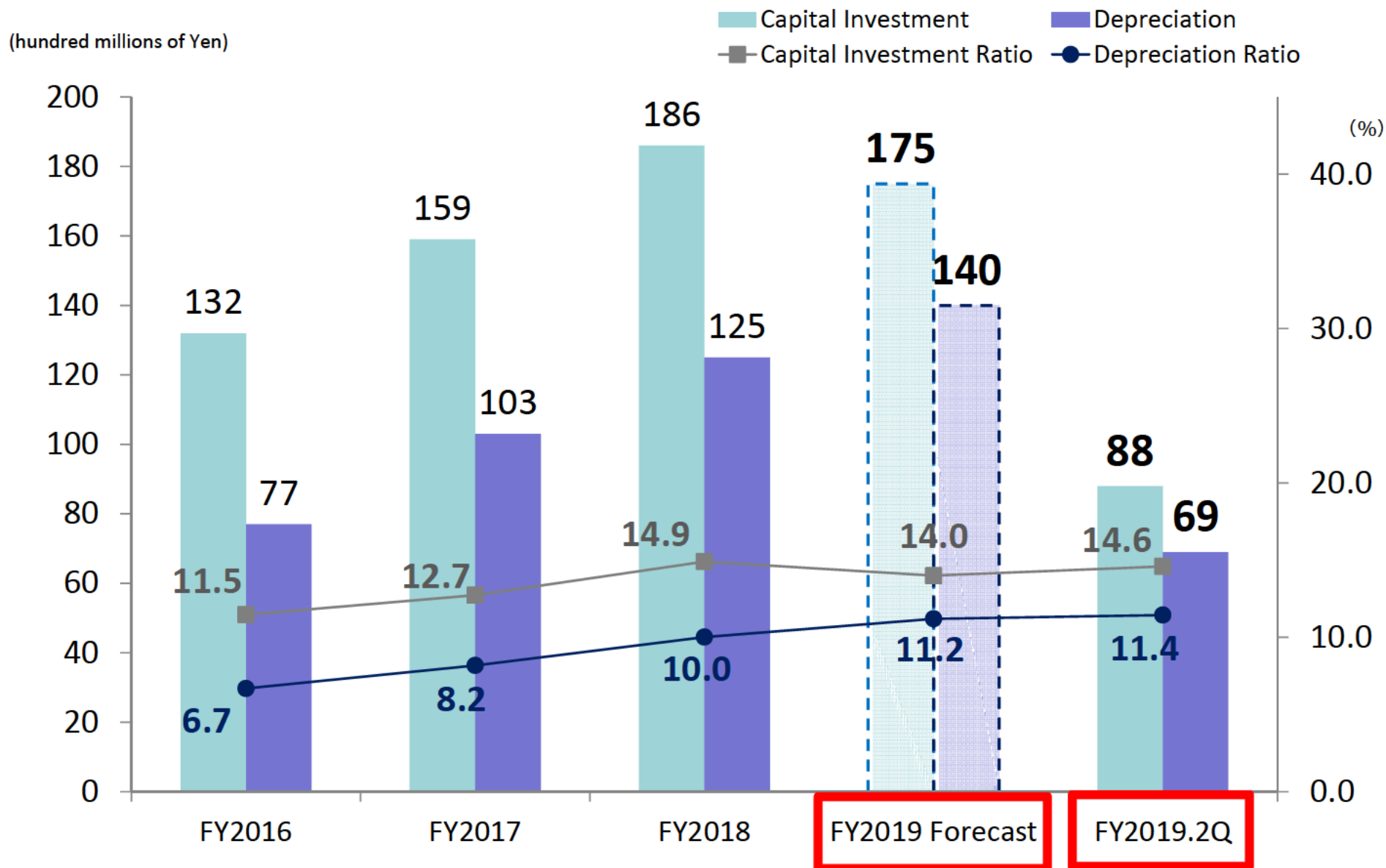
\*1 Communication - Smartphone / Mobile Phone not included  
 \*2 Computer Related Equipment – Tablet/Notebook PC not included.



## Overseas Production and Sales Ratio

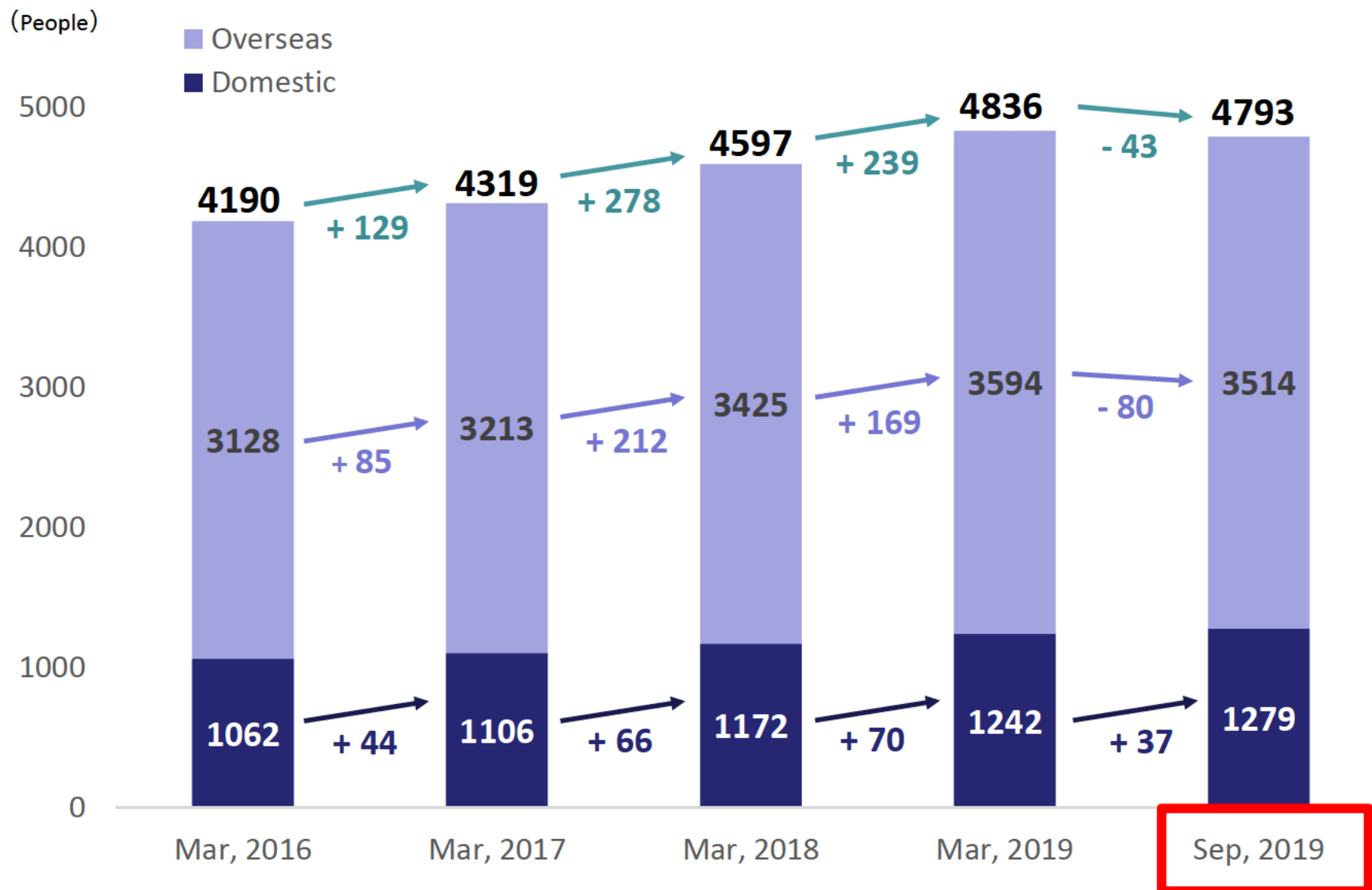


## Capital Investment and Depreciation Change (Consolidated Basis)

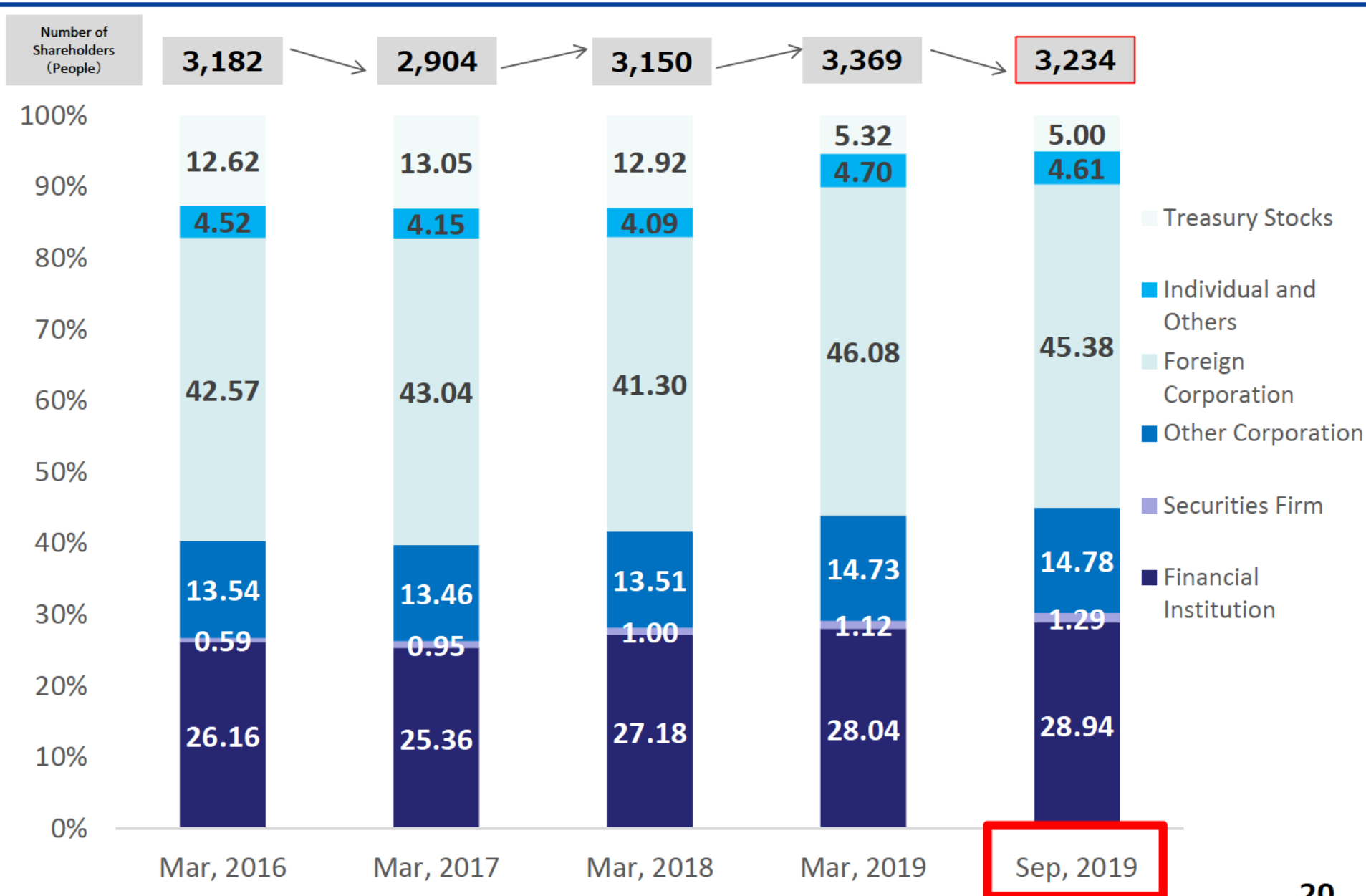


(\*Excluded: Investment in land, building, software)

## Number of Employees ( Financial Report Basis )

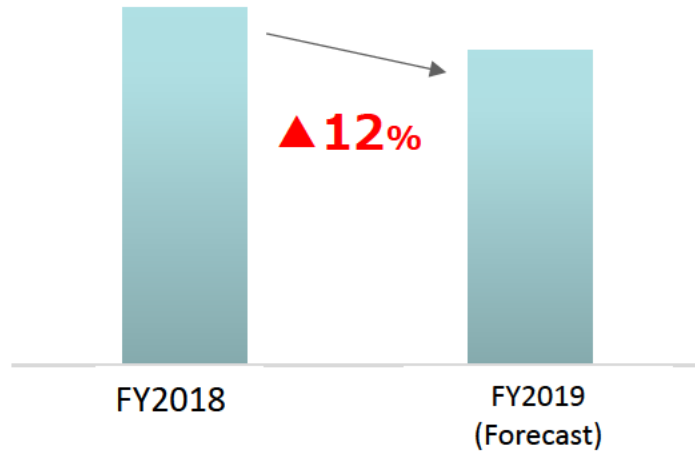


## Distribution of Shareholders



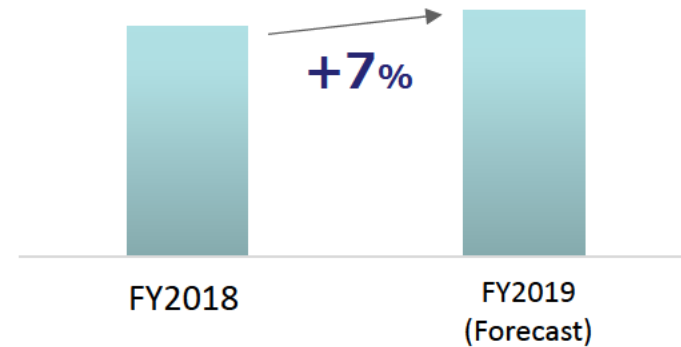
## FY2019 Attitude to each applications (Forecast Update)

### General Industrial



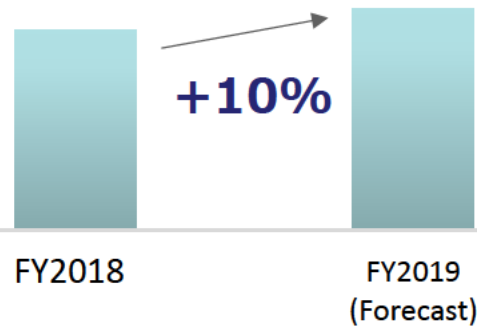
The forecast was revised downward because of the delay for demand recovery.

### Smartphone / Mobile



Demand continues owing to high-performance smartphone (5G)

### Automotive



Newly adopted products are on schedule.  
The sales decline of automobile in China and Europe affect the sales for our existing products.

## Business Forecast for the Year Ending March 31, 2020 (Consolidated) 【IFRS】

We expect the business of General Industrial and Automotive will result under our initial expectation and we revised our forecast announced May, 2019 downward.

(Unit: Hundred millions of yen)	FY2018 (FY ended Mar31, 2019) Actual		FY2019 (FY ended Mar31, 2020)			First Half Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	First Half	For the Year	First Half	May, 2019 Forecast	For the Year Forecast	%	Amount Change	%	Amount Change
<b>Sales</b>	619.6	1,245.9	<b>602.7</b>	1,300.0	<b>1,250.0</b>	-17.0	-2.7%	+0.4	+0.3%
COGS Ratio	55.6%	56.1%	57.1%	56.9%	58.2%				
<b>Operating Profit</b>	120.2	231.6	<b>115.3</b>	250.0	<b>220.0</b>	-4.9	-4.1%	-11.6	-5.0%
(%)	19.4%	18.6%	19.1%	19.2%	17.6%				
<b>Earnings before income tax</b>	130.4	246.7	<b>120.9</b>	260.0	<b>230.0</b>	-9.5	-7.3%	-16.7	-6.8%
(%)	21.0%	19.8%	20.1%	20.0%	18.4%				
<b>Net Profit</b>	93.3	178.9	<b>85.7</b>	185.0	<b>175.0</b>	-7.5	-8.1%	-0.4	-2.2%
(%)	15.0%	14.4%	14.2%	14.2%	14.0%				
<b>Income Per Share</b>	—	489.46 yen	—	507.37 yen	479.94 yen				
<b>Dividend Per Share</b>	120 yen	240 yen	120 yen	240 yen	240 yen				
<b>Consolidated Dividend Payout Ratio</b>	—	49.0%	—	47.3%	50.0%				

Currency Rate	FY2018 Actual	FY2019 2Q Actual	FY2019 Forecast
1US\$	110.26 yen	108.63 yen	108.50 yen
1€	129.85 yen	121.42 yen	120.60 yen
100won	10.04 yen	9.22 yen	9.24 yen

**HRS** HIROSE  
ELECTRIC  
CO.,LTD.