

Hirose Electric Co., Ltd.

Financial Results Briefing for the Fiscal Year Ending March 31, 2026

Q&A Summary

Q1

Please provide the Q4 FY2025 sales results and the book-to-bill (BB) ratio by segment.

A1

The BB ratio was 1.2 for general industrial equipment and 1.25 for telecommunications infrastructure. Other segments—smartphones, consumer devices, and automotive—all recorded ratios above 1.

Q2

Orders for telecommunications infrastructure equipment increased in Q4 compared to Q3 in FY2025. How did conditions evolve during Q4?

A2

At the previous Q3 briefing, AI server-related demand accounted for approximately 30% of orders in this segment. In Q4, this rose to around 40%. Demand for mezzanine connectors has been particularly strong.

Q3

Q4 orders exceeded JPY63 billion, which is a high level relative to the FY2026 sales forecast of JPY230 billion. How do you view the sustainability of Q4 orders, and how should we interpret the full-year sales outlook?

A3

Orders have two aspects. Semiconductor-related demand remains extremely strong, with customers' forecasts continuing to strengthen. At the same time, there are some elements of advance ordering due to component procurement dynamics. While we are carefully reviewing order quality by customer, overall demand driven by real needs appears to exceed such advance orders.

The JPY230 billion sales forecast represents a committed production and delivery volume, which we intend to execute.

Q4

Regarding FY2026 sales forecasts by segment: smartphones and consumer devices appear relatively strong despite concerns about rising memory prices, while industrial equipment and telecommunications appear somewhat conservative. How do you view this balance?

A 4

In smartphones, we have a high exposure to high-end models, where customer outlook remains strong. For industrial equipment and telecommunications infrastructure—where market conditions are favorable and growth is strong—we have taken a somewhat cautious stance based on currently visible demand.

Q5

For the FY2026 forecast of +15% growth in general industrial equipment, which sub-segments are driving this growth?

A 5

FA and industrial machinery-related applications are expected to show the strongest growth and will lead the segment. Medical equipment is also projected to grow at a near double-digit rate. Other sub-segments are expected to remain stable and continue to deliver positive growth.

Q6

Given the strong order environment for general industrial equipment, if orders exceed the plan, would you be able to expand production capacity?

A 6

We do not view current production levels as a hard ceiling. We expect further strength from some customers and will respond to additional upside as needed. Capacity allocation will be adjusted flexibly.

Q7

Please elaborate on the growth in SER probe application products and the expected profitability of the probe-related business.

A 7

Probe application products include socket and connector-type components using ultra-small, high-density probes. Demand is increasing for connectors used in semiconductor testing processes and test fixtures, particularly for high-speed, high-performance ICs such as servers.

This reflects both overall semiconductor demand growth and expansion in high-performance devices, where our high-speed, high-density solutions—especially ultra-thin, short probes—are gaining strong traction.

In terms of profitability, we expect margins to be broadly in line with the company average based on the FY2026 sales outlook.

Q8
In the FY2026 operating profit bridge, what are the drivers behind the JPY8 billion increase in material and procurement costs?

A8
Approximately 70% of the increase is attributable to rising gold prices. Although market prices have stabilized somewhat, there is a lag in reflecting this in P/L due to inventory effects. Prices surged above JPY20,000 per gram in the second half of the previous fiscal year, and we assume JPY26,000–27,000 per gram for FY2026, which will have a significant impact.
We are also promoting initiatives to reduce gold usage, with some results already emerging. Accordingly, we do not plan to fully pass on cost increases through pricing but will also address them through cost reduction and product replacement, particularly for shorter lifecycle applications.

Q9
Please explain the JPY3 billion impact from price optimization in FY2026.

A9
Gold price increases have been the main driver of cost inflation. We began price optimization efforts last year, but there is a time lag before the effects are fully realized. While the impact was JPY0.5 billion in FY2025, we expect full-scale contribution in FY2026.
These are not one-off price hikes but ongoing initiatives, and the forecast includes additional incremental effects.

Q10
What is the impact of potential naphtha supply shortages related to the Middle East situation?

A10
There are some impacts, such as tighter supply and price increases for organic solvents used in plastics, as well as higher logistics costs including fuel surcharges. However, since metal materials account for a larger portion of our cost structure, the overall impact is currently limited.
We also work with suppliers to adjust prices downward once conditions normalize, so the duration of these effects is a key consideration.

Q11

FY2025 results were impacted by price adjustments for specific customers. What is the outlook for FY2026 and customer relationships?

A11

While the impact was significant last year, we expect negotiations this year to be within the normal range of periodic price discussions. Market share has been maintained, and we continue to receive cooperation requests from customers, supporting stable relationships.

Q12

Regarding the medium-term management targets: ROE was raised by 2 points to 12%, while the operating margin target was lowered by 2 points to 23%. Could you elaborate on your strategy, including the balance sheet perspective?

A12

Our capital policy assumes steady shareholder returns from accumulated operating cash flow, which will contribute to improving ROE by reducing equity while increasing profits through top-line growth. At the same time, rather than focusing solely on maintaining margins, we intend to invest actively where necessary—such as in capacity, R&D, and new businesses. We would like this to be viewed as a proactive message that now is an appropriate time to invest for future growth.

Disclaimer

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