



English translation

Financial Results for the Second Quarter of Year Ending March 31, 2021 [IFRS] (Consolidated)

November 2, 2020

Company name: HIROSE ELECTRIC CO., LTD.
 URL: <https://www.hirose.com/corporate/en/>
 Stock listing: Tokyo Stock Exchange – First Section
 Code: 6806
 Representative: Kazunori Ishii, President and Representative Director
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Scheduled date of filing of Japanese quarterly securities report: November 11, 2020
 Scheduled date of dividend payable: December 1, 2020
 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 First Half of the Year Ending March 31, 2021 (From April 1, 2020 to September 30, 2020)

(1) Consolidated Operating Results

(Percentage represents year-on-year changes)

| | Sales revenue | | Operating profit | | Income before tax | | Quarterly income | | Quarterly income attributable to owners of the parent company | | Total amount of quarterly comprehensive income | |
|-----------|---------------|-------|------------------|-------|-------------------|-------|------------------|-------|---|-------|--|--------|
| | | % | | % | | % | | % | | % | | % |
| FY2020 1H | 61,036 | 1.3 | 12,893 | 11.8 | 12,887 | 6.6 | 9,338 | 8.9 | 9,338 | 8.9 | 9,918 | 193.6 |
| FY2019 1H | 60,265 | (2.7) | 11,534 | (4.1) | 12,087 | (7.3) | 8,573 | (8.1) | 8,573 | (8.1) | 3,379 | (73.2) |

| | Basic quarterly earnings per share | Diluted quarterly earnings per share |
|-----------|------------------------------------|--------------------------------------|
| | Yen | Yen |
| FY2020.1H | 257.48 | 257.48 |
| FY2019.1H | 235.12 | 235.12 |

(Yen in millions)

(2) Consolidated financial position

| | Total assets | Total equity | Total equity attributable to owners of the parent | Ratio of total equity attributable to owners of the parent |
|-----------|--------------|--------------|---|--|
| | | | | % |
| FY2020.2Q | 348,072 | 311,706 | 311,706 | 89.6 |
| FY2019 | 342,644 | 306,141 | 306,141 | 89.3 |

2. Dividends

| | Annual dividend per share (Yen) | | | | |
|-------------------|---------------------------------|-----------------|-----------------|-----------------|--------|
| | 1st quarter end | 2nd quarter end | 3rd quarter end | Fiscal year end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2019 | — | 120.00 | — | 120.00 | 240.00 |
| FY2020 | — | 120.00 | | | |
| FY2020 (Forecast) | | | — | 120.00 | 240.00 |

(Note) Revision of previously announced dividend targets during this reporting period: None

3. Forecast of Consolidated Business Performance for the Year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

| | Sales revenue | | Operating profit | | Profit before income taxes | | Profit attributable to owners of the parent | | Basic earnings per share |
|-----------------|---------------|-------|------------------|-----|----------------------------|-----|---|-----|--------------------------|
| | | (%) | | (%) | | (%) | | (%) | Yen |
| Fiscal year end | 120,000 | (1.4) | 21,500 | 5.6 | 22,000 | 3.7 | 16,000 | 4.5 | 441.17 |

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

(Note) Revision of previously announced business forecast during this reporting period: Yes

*Notes

(1) Changes in Significant Subsidiaries during This Period

(changes in specified subsidiaries resulting in the change in scope of consolidation) : 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 stock)

As of September 30, 2020: 38,175,942 As of March 31, 2020: 38,381,820

2. Number of treasury stock at the end of the period:

As of September 30, 2020: 1,908,982 As of March 31, 2020: 2,114,675

3. Weighted-average number of shares outstanding during the period:

For the three months ended September 30, 2020: 36,267,094 For the three months ended September 30, 2019: 36,462,714

*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 forecast of business performance, stated in this document are based on information currently possessed by Hirose or certain assumption that Hirose has deemed as 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 as a result 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 4, 2020 online. The presentation materials distributed in this briefing will be published on our website soon after the briefing.

(English translation)

This is the statement translated into English from the Japanese original of "Financial Results for the Second Quarter of the Year Ending March 31, 2021." 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 second quarter of the fiscal year ending March 31, 2021, the consumption spending has been sluggish and corporate profits deteriorated affected by the impact of COVID-19 and Japanese economy has been in extremely difficult situation.

In overseas market, economic activity has been restarted after lockdown for COVID-19. However, the number of infected person are growing again and the future outlook has been still unclear.

Under this situation, Hirose group has been expanding global business mainly for smartphone market, automotive market and industrial market, and promoting reinforcement of development, sales and production system for new products with highly added value to respond advanced market needs quickly. Business for smartphone and consumer market has remained strong, and it made up for sluggish sales of business for automotive. As a result, sales revenue in the first half increased by 1.3% to 61,036 million yen compared to the same period of the previous fiscal year. Operating profit increased by 11.8% to 12,893 million yen, and quarterly income attributable to owners of the parent company increased by 8.9% to 9,338 million yen as compared with the first half of the fiscal 2019.

The business results by 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. This kind of connectors are used widely, such as for smartphones, tablet PC, communication equipment, automotive electronics, measuring and control equipment, FA equipment, and medical electronics equipment, as well as other industrial equipment. We expect that demands for this connectors will grow associated with progress of advanced information and telecommunications network society, and energy saving society considering environment in the future. Segment sales for the first half of the fiscal year ending March 31, 2021 increased by 2.2% to 54,475 million yen, operating profit increased by 11.9% to 12,161 million yen compared with the first half of the fiscal 2019.

[Coaxial connectors]

Coaxial connectors are a special type of high-performance connector used primarily for microwave and other high-frequency signals. This is used mainly for microwave communications devices, satellite communications equipment, electronic measuring instruments, smartphones, 4K and 8K broadcasting equipment, and other electronic equipment. Optical fiber connectors and coaxial switches are also included in this segment. Segment sales for the first half of the fiscal 2020 decreased by 7.6% to 4,601 million yen. Operating profit increased by 32.3% to 703 million yen.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first half of the fiscal 2020 decreased by 0.5% to 1,960 million yen, operating profit decreased by 77.3% to 29 million yen compared with the previous first half.

(2) Overview of Financial Condition

Total assets of FY2020.2Q increased by 5,428 million yen to 348,072 million yen compared to the end of the previous consolidated fiscal year because cash and cash equivalents, trade receivables and other receivables increased. Total liabilities decreased by 137 million yen to 36,366 million yen due to the decrease in lease liabilities. Additionally, retained earnings increased and other components of equity grew by exchange differences on transition of foreign operation, and total equity increased by 5,565 million yen to 311,706 million yen. As a result, total equity attributable to owners of the parent increased by 0.3% to 89.6% compared to the end of the previous fiscal year.

(3) Future Outlook

The business for smartphone, automotive and consumer electronics is expected to exceed our initial estimates, and we revise our business forecast as follows.

(Revision of business forecast of FY2020)

(Yen in millions)

| | Sales revenue | Operating profit | Income before tax | Net profit attributable to owners of the parent | Basic earnings per share |
|---|----------------|------------------|-------------------|---|--------------------------|
| Forecast previously announced (A) | 115,000 | 17,200 | 18,000 | 13,000 | 358.45 yen |
| Revised forecast (B) | 120,000 | 21,500 | 22,000 | 16,000 | 441.17 yen |
| Change (B-A) | 5,000 | 4,300 | 4,000 | 3,000 | — |
| Rate of change (%) | 4.3 | 25.0 | 22.2 | 23.1 | — |
| (Ref.) Results for the fiscal year ended Mar 30, 2020 | 121,765 | 20,358 | 21,205 | 15,305 | 420.39 yen |

Premise for full year exchange rate: 1US\$ = 105.96 yen, 1€ = 122.65 yen, 1 South Korean won = 0.0900 yen.

There is no revision of dividend forecast.

Could you please refer to the “Notice of Revision of the Consolidated Financial Results Forecast” released on November 2, 2020 for more detailed information.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Statement of Financial Position

(Yen in millions)

| | As of March 31, 2020 | As of September 30, 2020 |
|-----------------------------|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 50,561 | 52,892 |
| Trade and other receivables | 30,444 | 33,547 |
| Inventories | 14,512 | 15,774 |
| Other financial assets | 120,541 | 122,956 |
| Other current assets | 4,614 | 3,241 |
| Total current assets | 220,672 | 228,410 |
| Non-current assets | | |
| Tangible fixed assets | 61,541 | 60,743 |
| Right of use assets | 4,478 | 4,235 |
| Intangible assets | 2,519 | 2,630 |
| Other financial assets | 50,141 | 48,580 |
| Deferred tax assets | 2,272 | 2,494 |
| Retirement benefit assets | 563 | 541 |
| Other non-current assets | 458 | 439 |
| Total non-current assets | 121,972 | 119,662 |
| Total assets | 342,644 | 328,072 |

(Yen in millions)

| | As of March 31, 2020 | As of September 30, 2020 |
|---|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 16,747 | 16,680 |
| Lease liabilities | 728 | 729 |
| Other financial liabilities | 25 | — |
| Accrued tax payables | 2,964 | 3,233 |
| Other current liabilities | 4,377 | 4,416 |
| Total current liabilities | 24,841 | 25,058 |
| Non-current liabilities | | |
| Lease liabilities | 3,764 | 3,527 |
| Other financial debt | — | 73 |
| Retirement benefit liabilities | 230 | 235 |
| Deferred tax liabilities | 6,573 | 6,721 |
| Other non-current liabilities | 1,095 | 752 |
| Total non-current liabilities | 11,662 | 11,308 |
| Total liabilities | 36,503 | 36,366 |
| Equity | | |
| Common stock | 9,404 | 9,404 |
| Common surplus | 11,293 | 11,285 |
| Retained earnings | 308,343 | 310,957 |
| Treasury stocks | (24,456) | (22,077) |
| Other components of equity | 1,557 | 2,137 |
| Total equity attributable to owners of the parent | 306,141 | 311,706 |
| Total equity | 306,141 | 311,706 |
| Total liabilities and equity | 342,644 | 348,072 |

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

(Quarterly Consolidated Statement of Profit or Loss)

(Yen in millions)

| | For the first half of the year ended March 31, 2020 (From April 1, 2019 to September 30, 2019) | For the first half of the year ending March 31, 2021 (From April 1, 2020 to September 30, 2020) |
|--|---|--|
| Sales revenue | 60,265 | 61,036 |
| Cost of sales | 34,411 | 35,172 |
| Gross profit | 28,854 | 25,864 |
| Selling, general and administrative expenses | 15,072 | 14,499 |
| Other income | 1,030 | 1,732 |
| Other expenses | 278 | 204 |
| Operating profit | 11,534 | 12,893 |
| Financial income | 623 | 518 |
| Financial expenses | 70 | 524 |
| Profit before income taxes | 12,087 | 12,887 |
| Corporate income tax expenses | 3,514 | 3,549 |
| Quarterly income | 8,573 | 9,338 |
| Quarterly income attributable to: | | |
| Owners of the parent | 8,573 | 9,338 |
| Quarterly Earnings per share: | | |
| Basic (yen) | 235.12 | 257.48 |
| Diluted (yen) | 235.12 | 257.48 |

(Quarterly Consolidated Statement of Comprehensive Income)

(Yen in millions)

| | For the first half of the year ended March 31, 2020 (From April 1, 2019 to September 30, 2019) | For the first half of the year ending March 31, 2021 (From April 1, 2020 to September 30, 2020) |
|---|---|--|
| Quarterly income | 8,573 | 9,338 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | 715 | (298) |
| Total items that will not be reclassified to profit or loss | 715 | (298) |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translating foreign operations | (5,929) | 854 |
| Debt instruments measured at fair value through other comprehensive income | 20 | 24 |
| Total items that may be reclassified to profit or loss | (5,909) | 878 |
| Total other comprehensive income after tax | (5,194) | 580 |
| Total quarterly comprehensive income | 3,379 | 9,918 |
| Total amount of quarterly comprehensive income attributable to: | | |
| Owners of the parent | 3,379 | 9,918 |

(3) Quarterly Consolidated Statement of Changes in Equity

(Yen in millions)

| | Common Stock | Capital surplus | Retained earnings | Treasury stock | Other components of equity | Total equity attributable to owners of the parent | Total equity |
|---|--------------|-----------------|-------------------|----------------|----------------------------|---|--------------|
| Balance as of April 1, 2019 | 9,404 | 11,314 | 303,349 | (23,213) | 6,476 | 307,330 | 307,330 |
| Quarterly income | | | 8,573 | | | 8,573 | 8,573 |
| Other comprehensive income | | | | | (5,194) | (5,194) | (5,194) |
| Total of quarterly comprehensive income | — | — | 8,573 | — | (5,194) | 3,379 | 3,379 |
| Dividend of surplus | | | (4,376) | | | (4,376) | (4,376) |
| Purchase of treasury stock | | (0) | | (1) | | (1) | (1) |
| Disposition of treasury stock | | | | | | — | — |
| Cancellation of treasury stock | | (1,487) | | 1,487 | | — | — |
| Transfer to retained earnings | | 1,481 | (1,481) | | | — | — |
| Total transaction with owners | — | (6) | (5,857) | 1,486 | — | (4,377) | (4,377) |
| Balance as of September 30, 2019 | 9,404 | 11,308 | 306,066 | (21,727) | 1,281 | 306,332 | 306,332 |

| | Common Stock | Capital surplus | Retained earnings | Treasury stock | Other components of equity | Total equity attributable to owners of the parent | Total equity |
|---|--------------|-----------------|-------------------|----------------|----------------------------|---|--------------|
| Balance as of April 1, 2020 | 9,404 | 11,293 | 308,343 | (24,456) | 1,557 | 306,141 | 306,141 |
| Quarterly income | | | 9,338 | | | 9,338 | 9,338 |
| Other comprehensive income | | | | | 580 | 580 | 580 |
| Total of quarterly comprehensive income | — | — | 9,338 | — | 580 | 9,918 | 9,918 |
| Dividend of surplus | | | (4,352) | | | (4,352) | (4,352) |
| Purchase of treasury stock | | (0) | | (3) | | (3) | (3) |
| Disposition of treasury stock | | 0 | | 1 | | 1 | 1 |
| Cancellation of treasury stock | | (2,381) | | 2,381 | | — | — |
| Transfer to retained earnings | | 2,373 | (2,373) | | | — | — |
| Total transaction with owners | — | (8) | (6,724) | 2,379 | — | (4,354) | (4,354) |
| Balance as of September 30, 2020 | 9,404 | 11,285 | 310,957 | (22,077) | 2,137 | 311,706 | 311,706 |

(4) Notes on Quarterly Consolidated Financial Statements

(Segment information)

1. Business segment

(1) Overview of reporting segment

In the reporting segment of Hirose group, it is possible to acquire isolated financial information among constituent unit of our group. It is also an object being examined on a regular basis to evaluate our decision of 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 reporting 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 of reporting segment

For the first half of the fiscal year ended March 31, 2020 (from April 1, 2019 to September 30, 2019)

(Yen in millions)

| | Reporting segments | | | Others* | Amount of condensed quarterly consolidated financial statements |
|---------------------------------------|----------------------|--------------------|--------|---------|---|
| | Multi-pin connectors | Coaxial connectors | Total | | |
| Sales revenue | | | | | |
| Sales revenue from external customers | 53,313 | 4,982 | 58,295 | 1,970 | 60,265 |
| Total revenue | 53,313 | 4,982 | 58,295 | 1,970 | 60,265 |
| Operating profit | 10,872 | 531 | 11,403 | 131 | 11,534 |
| Financial income | — | — | — | — | 623 |
| Financial expenses | — | — | — | — | 70 |
| Quarterly income before tax | — | — | — | — | 12,087 |

*“Others” category is not included into reporting segments. “Others” includes micro switches and instruments for connectors.

2. Geographic information

| | Japan | China | Korea | Others | Total |
|--|--------|--------|-------|--------|--------|
| Sales revenue | 15,686 | 20,933 | 9,600 | 14,046 | 60,265 |
| Percentage of consolidated sales revenue (%) | 26.0 | 34.7 | 15.9 | 23.4 | 100.0 |

For the first half of the fiscal year ending March 31, 2021 (from April 1, 2020 to September 30, 2020)

(Yen in millions)

| | Reporting segments | | | Others * | Amount of condensed quarterly consolidated financial statements |
|---------------------------------------|----------------------|--------------------|--------|----------|---|
| | Multi-pin connectors | Coaxial connectors | Total | | |
| Sales revenue | | | | | |
| Sales revenue from external customers | 54,475 | 4,601 | 59,076 | 1,960 | 61,036 |
| Total revenue | 54,475 | 4,601 | 59,076 | 1,960 | 61,036 |
| Operating profit | 12,161 | 703 | 12,864 | 29 | 12,893 |
| Financial income | — | — | — | — | 518 |
| Financial expenses | — | — | — | — | 524 |
| Quarterly income before tax | — | — | — | — | 12,887 |

*"Others" category is not included into reporting segments. "Others" includes micro switches and instruments for connectors.

2. Geographic information

| | Japan | China | Korea | Others | Total |
|--|--------|--------|-------|--------|--------|
| Sales revenue | 14,365 | 22,780 | 8,576 | 15,315 | 61,036 |
| Percentage of consolidated sales revenue (%) | 23.5 | 37.3 | 14.1 | 25.1 | 100.0 |