



English translation

Financial Statements Summary for the Year Ended March 31, 2021 [IFRS] (Consolidated)

May 6, 2021

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 Regular General Meeting of Shareholders: June 25, 2021
 Scheduled date of filing of Japanese annual securities report: June 25, 2021
 Scheduled date of dividend payable: June 28, 2021
 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 Year Ended March 31, 2021

(1) Consolidated Operating Results

(Percentage represents year-on-year changes)

	Sales revenue		Operating profit		Profit before income taxes		Net income		Profit attributable to owners of the parent		Comprehensive income for the year	
		%		%		%		%		%		%
FY2020	133,538	9.7	27,885	37.0	28,332	33.6	19,916	30.1	19,916	30.1	28,431	176.3
FY2019	121,765	(2.3)	20,358	(12.1)	21,205	(14.0)	15,305	(14.5)	15,305	(14.5)	10,291	(39.1)

	Basic earnings per share	Diluted earnings per share	Profit ratio to equity attributable to owners of the parent	The ratio of profit before tax to total assets	Operating profit ratio
	Yen	Yen	%	%	%
FY2020	549.10	549.04	6.3	7.9	20.9
FY2019	420.39	420.37	5.0	6.2	16.7

(Reference) Share of profit (loss) of investments accounted for using the equity method:

Fiscal year ended March 31, 2021: —

Fiscal year ended March 31, 2020: —

(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	Total equity attributable to owners of the parent per share
				%	Yen
FY2020	370,504	326,092	326,092	88.0	8,987.05
FY2019	342,644	306,141	306,141	89.3	8,436.41

(Yen in millions)

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of year
FY2020	35,818	(20,702)	(9,278)	57,837
FY2019	28,584	(17,164)	(12,205)	50,561

2. Dividends

	Annual dividend per share (Yen)					Dividends for the year (Total)	Dividend payout ratio (consolidated)	Ratio of total dividends to total equity attributable to owners of the parent (consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Yen in millions	%	%
FY2019	—	120.00	—	120.00	240.00	8,728	57.1	2.8
FY2020	—	120.00	—	120.00	240.00	8,706	43.7	2.8
FY2021 (Forecast)	—	130.00	—	130.00	260.00		49.7	

3. Forecast of Consolidated Business Performance for the Year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Yen in millions)

(Percentage represents year-on-year changes)

	Sales revenue		Operating profit		Profit before income taxes		Profit attributable to owners of the parent		Basic earnings per share
		%		%		%		%	Yen
2nd quarter end (cumulative total)	70,000	14.7	13,500	4.7	13,500	4.8	9,500	1.7	261.82
Fiscal year end	138,000	3.3	26,500	(5.0)	26,500	(6.5)	19,000	(4.6)	523.64

*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 March 31, 2021: 38,175,942 As of March 31, 2020: 38,381,820

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

As of March 31, 2021: 1,891,247 As of March 31, 2020: 2,114,675

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

Year ended March 31, 2021: 36,269,861 Year ended March 31, 2020: 36,407,123

*This consolidated 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 (4) 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 Friday, May 7, 2021. 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 "Consolidated Financial Results for the Year Ended 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 for the year ended March, 2021

In the fiscal year ended 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, Europe and the United States have been affected by COVID-19. However, we can see some bright signs. For example, in China, the production activity has been returning to normal level quickly and the activity level exceeds the level before the spread of COVID-19.

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 consumer electronics and general industrial has remained strong. As a result, sales revenue in the fiscal year ended March 31, 2021 increased by 9.7% to JPY 133,538 million compared to the previous fiscal year. Operating profit increased by 37.0% to JPY 27,885 million, income before tax increased by 33.6% to JPY 28,332 million and net income attributable to owners of the parent company increased by 30.1% to JPY 19,916 million as compared with the fiscal 2019.

The business results by segment 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 used for FPCs (flexible printed circuits boards) and nylon connectors. This kind of connectors are used widely, such as for smartphones, 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 year ended March 31, 2021 increased by 10.9% to JPY 119,752 million, operating profit increased by 35.5% to JPY 26,295 million compared with the fiscal year ended March 31, 2020.

[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 antenna connection for Wi-Fi and Bluetooth communication in smartphones and PCs, GPS antenna connection for automobiles and high frequency signal connection for wireless communication devices and electronic measuring instruments. Optical fiber connectors and coaxial switches are also included in this segment. Segment sales for the year under review decreased by 3.0% to JPY 9,492 million. Operating profit increased by 68.7% to JPY 1,412 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the fiscal year ended March 31, 2021 increased by 8.3% to JPY 4,294 million, operating profit increased by 54.5% to JPY 178 million.

(2) Overview of Financial Condition for the Year ended March 31, 2021

Total assets increased by JPY 27,860 million to JPY 370,504 million compared to the consolidated fiscal year ended March 31, 2020 because cash and cash equivalents, and other financial assets increased. Because of the increase in trade payables, other debt and accrued tax payable, total liabilities increased by JPY 7,909 million to JPY 44,412 million. Total equity increased by 19,951 million to JPY 326,092 million, because retained earnings and exchange differences on translation of foreign operations increased. As a result, ratio of equity attributable to owners of the parent company to total assets decreased by 1.3% to 88.0% compared to the fiscal year ended March 31, 2020.

(3) Overview of Cash Flows

Cash and cash equivalents at the fiscal year under review increased by JPY 7,276 million to JPY 57,837 million compared to the fiscal year ended March 31, 2020.

a. Cash flows from operating activities

Net cash provided by operating activities for fiscal 2020 increased by JPY 35,818 million. (In the fiscal 2019, it increased by JPY 28,584 million) This increase was mainly due to a rise in capital by appropriating income before tax, JPY 28,332 million, and depreciation and amortization, JPY 16,769 million. On the other hand, there were decrease in capital because the amount of trade and other receivables increased by JPY 4,983 million, and the payment of corporate income tax, JPY 4,427 million was incurred.

b. Cash flows from investing activities

Net cash used in investing activities for fiscal 2020 decreased by JPY 20,702 million. (In the fiscal 2019, it decreased by JPY 17,164 million.) This is mainly due to decrease in capital by payments for purchase of tangible fixed assets, JPY 13,895 million.

c. Cash flows from financing activities

Net cash used in financing activities for fiscal 2020 decreased by 9,278 million. (In the fiscal 2019, it decreased by JPY 12,205 million.) This is because of decrease in capital by the dividend payment, JPY 8,704 million.

(4) Future Outlook

Regarding the outlook for the year ending March 31, 2022, it is expected that Japanese economy will be unclear because covid-19 has still have an impact on Japanese economic activities.

Although some region in overseas have started vaccination drives, the impact of covid-19 is still significant. As well as there are various geopolitical risks including the US-China trade friction. The overseas situation is expected to be unpredictable.

Under this circumstances, it is expected to have an impact to electronics industry which we belong. However, the demand for electronic components in automotive and general industrial market has been still strong. We do not include the expected damages to global economic activities, our production activities, raw material procurement and supply chain by further expansion of COVID-19.

Based on the premise mentioned above, our forecast for the consolidated financial results in the fiscal 2021 is that sales revenue: JPY 138 billion (increased by 3.3% over the fiscal 2020), operating profit: JPY 26.5 billion (decreased by 5.0%), income before tax: JPY 26.5 billion (decreased by 6.5%), profit attributable to owners of the parent company: JPY 19 billion (decreased by 4.6%) as of March 31, 2021.

Assumed exchange rates for fiscal 2021 are JPY 104 to the U.S. dollar, JPY 129 to the Euro, and JPY 0.097 to the Korean won.

(5) Basic Profit Distribution Policy and Dividends for fiscal 2020 and for fiscal 2021

Regarding profit distribution, we believe that profit distribution should be carried out by comprehensively taking business results and business environment into consideration. To realize this, we reinforce our management base, establish the route to growth and enhance our financial structure further based on basic management policy. We also keep the stable dividend to be a company which can give a sense of securities and expectations.

Based on this policy, new return policies were resolved at the board of directors held on May 6, 2021.

1. From April, 2016, our basic target of dividend payout ratio had been 40%. From FY2021, we decided that our new target of dividend payout ratio will be 50% in the next 4 years.
2. To improve shareholder return and capital efficiency, we consider stock price level and keep purchasing treasury shares. From FY2021 to FY2024, we will carry out share buyback up to a total maximum of JPY 40 billion.

The dividends per share for the fiscal 2020 comprises year-ended dividend of ¥120 per share and annual dividend of ¥240. Based on above policies, our dividend forecast for the year ending March 31, 2022 is expected to be an interim and annual dividend of ¥130 per share, and as a result, annual dividends will be ¥260 per share.

Regarding the details of share buyback in the Fiscal 2021, we will inform you as soon as it is decided.

We are planning to prepare retained earnings for our new shareholder return policy, research and development investment for the future technological innovation, capital investment associated with globalization and M&A to deal with changes in business environment from the medium and long term perspective.

2. Basic approach to the selection of accounting standards

Since the first quarter of the fiscal year ended March 31, 2019, Hirose group has adopted the International Financial Reporting Standards (“IFRS”) to improve international comparability of financial information in capital market and to promote global management by unifying the financial standards inside our group.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

(Yen in millions)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	50,561	57,837
Trade and other receivables	30,444	36,620
Inventories	14,512	16,915
Other financial assets	120,541	131,274
Other current assets	4,614	5,401
Total current assets	220,672	248,047
Non-current assets		
Tangible fixed assets	61,541	61,182
Right of use assets	4,478	4,357
Intangible assets	2,519	3,295
Other financial assets	50,141	48,918
Deferred tax assets	2,272	2,515
Retirement benefit assets	563	1,780
Other non-current assets	458	410
Total non-current assets	121,972	122,457
Total assets	342,644	370,504

(Yen in millions)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Trade and other payables	16,747	19,511
Lease liabilities	728	821
Other financial liabilities	25	102
Accrued tax payables	2,964	6,532
Other current liabilities	4,377	5,046
Total current liabilities	24,841	32,012
Non-current liabilities		
Lease liabilities	3,764	3,581
Other financial liabilities	-	134
Retirement benefit liabilities	230	320
Deferred tax liabilities	6,573	7,616
Other non-current liabilities	1,095	749
Total non-current liabilities	11,662	12,400
Total liabilities	36,503	44,412
Equity		
Common stock	9,404	9,404
Common surplus	11,293	11,230
Retained earnings	308,343	317,265
Treasury stocks	(24,456)	(21,874)
Other components of equity	1,557	10,067
Total equity attributable to owners to the parent	306,141	326,092
Total equity	306,141	326,092
Total liabilities and equity	342,644	370,504

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

(Consolidated Statement of Profit or Loss)

(Yen in millions)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Sales revenue	121,765	133,538
Cost of sales	70,383	76,869
Gross profit	51,382	56,669
Selling, general and administrative expenses	30,468	30,190
Other income	1,305	1,935
Other expenses	1,861	529
Operating profit	20,358	27,885
Financial income	1,192	1,051
Financial expenses	345	604
Profit before income taxes	21,205	28,332
Corporate income tax expenses	5,900	8,416
Profit for the year	15,305	19,916
Profit attributable to:		
Owners of the parent	15,305	19,916
Earnings per share:		
Basic (yen)	420.39	549.10
Diluted (yen)	420.37	549.04

(Consolidated Statement of Comprehensive Income)

(Yen in millions)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Profit for the year	15,305	19,916
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Re-measurement of defined benefit plans	(96)	10
Financial assets measured at fair value through other comprehensive income	1,198	969
Total items that will not be reclassified to profit or loss	1,102	979
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(6,057)	7,502
Debt instruments measured at fair value through other comprehensive income	(59)	34
Total items that may be reclassified to profit or loss	(6,116)	7,536
Total other comprehensive income after tax	(5,014)	8,515
Total comprehensive income for the year	10,291	28,431
Total amount of comprehensive income attributable to:		
Owners of the parent	10,291	28,431

(3) 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
Profit for the year			15,305			15,305	15,305
Other comprehensive income					(5,014)	(5,014)	(5,014)
Total comprehensive income for the year	—	—	15,305	—	(5,014)	10,291	10,291
Dividend of surplus			(8,751)			(8,751)	(8,751)
Purchase of treasury stock		(0)		(2,758)		(2,758)	(2,758)
Disposition of treasury stock		2		28		30	30
Cancellation of treasury stock		(1,487)		1,487		—	—
Transfer to retained earnings		1,464	(1,560)		96	—	—
Total transaction with owners	—	(21)	(10,311)	(1,244)	96	(11,479)	(11,479)
Balance as of March 31, 2020	9,404	11,293	308,343	(24,456)	1,557	306,141	306,141

	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
Profit for the year			19,916			19,916	19,916
Other comprehensive income					8,515	8,515	8,515
Total comprehensive income for the year	—	—	19,916	—	8,515	28,431	28,431
Dividend of surplus			(8,704)			(8,704)	(8,704)
Purchase of treasury stock		(0)		(8)		(8)	(8)
Disposition of treasury stock		23		209		232	232
Cancellation of treasury stock		(2,381)		2,381		—	—
Transfer to retained earnings		2,295	(2,290)		(5)	—	—
Total transaction with owners	—	(63)	(10,994)	2,582	(5)	(8,480)	(8,480)
Balance as of March 31, 2021	9,404	11,230	317,265	(21,874)	10,067	326,092	326,092

(4) Consolidated Statement of Cash Flows

(Yen in millions)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Cash flows from operating activities:		
Income before tax	21,205	28,332
Depreciation and amortization	15,819	16,769
Financial income	(1,192)	(1,051)
Financial expenses	345	604
(Increase) decrease in trade and other receivables	(1,535)	(4,983)
(Increase) decrease in inventories	(1,069)	(1,717)
Increase (decrease) in trade and other payables	(774)	3,059
Others	654	(3,185)
Subtotal	33,453	37,828
Insurance received	—	1,496
Interests received	833	560
Dividends received	333	361
Income taxes paid	(6,035)	(4,427)
Net cash provided by operating activities	28,584	35,818
Cash flows from investing activities		
(Increase) decrease in term deposit	2,477	(1,622)
Proceeds from sales and redemption of investment	13,332	9,516
Payments for purchase of investment	(14,056)	(13,309)
Payments for purchase of tangible fixed assets	(18,689)	(13,895)
Others	(228)	(1,392)
Net cash used in investing activities	(17,164)	(20,702)
Cash flows from financing activities		
Purchase of treasury stock	(2,758)	(8)
Dividends paid	(8,751)	(8,704)
Payment of lease liabilities	(725)	(798)
Others	29	232
Net cash used in financing activities	(12,205)	(9,278)
Effect of exchange rate changes on cash and cash equivalents	(976)	1,438
Increase (decrease) in cash and cash equivalents	(1,761)	7,276
Cash and cash equivalents at the beginning of the year	52,322	50,561
Cash and cash equivalents at the end of the year	50,561	57,837

(5) Notes on 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 segment is “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 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 year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Yen in millions)

	Reporting segments			Others*	Amount of consolidated financial statement
	Multi-pin connectors	Coaxial connectors	Total		
Sales revenue					
Sales revenue from external customers	108,014	9,784	117,798	3,967	121,765
Total revenue	108,014	9,784	117,798	3,967	121,765
Operating profit	19,406	837	20,243	115	20,358
Financial income	—	—	—	—	1,192
Financial expenses	—	—	—	—	345
Income before tax	—	—	—	—	21,205
Other items					
Depreciation and amortization	13,999	1,440	15,439	380	15,819

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

2. Geographic information

	Japan	China	Korea	Others	Total
Sales revenue	31,689	42,335	18,385	29,356	121,765
Percentage of consolidated sales revenue (%)	26.0	34.8	15.1	24.1	100.0

For the year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Yen in millions)

	Reporting segments			Others *	Amount of consolidated financial statement
	Multi-pin connectors	Coaxial connectors	Total		
Sales revenue					
Sales revenue from external customers	119,752	9,492	129,244	4,294	133,538
Total revenue	119,752	9,492	129,244	4,294	133,538
Operating profit	26,295	1,412	27,707	178	27,885
Financial income	—	—	—	—	1,051
Financial expenses	—	—	—	—	604
Income before tax	—	—	—	—	28,332
Other items					
Depreciation and amortization	15,228	1,166	16,394	375	16,769

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

2. Geographic information

	Japan	China	Korea	Others	Total
Sales revenue	31,933	49,760	19,110	32,735	133,538
Percentage of consolidated sales revenue (%)	23.9	37.3	14.3	24.5	100.0