

Hirose Reports Summary of Business Results FY2023 April 2023 to May 2024

For the full year 2023, Hirose reported sales results of 165.5 billion yen. This is a year-over-year change of -9.7%. Bookings were also down, declining -4.8% to 152.4 billion yen. This resulted in an operating profit loss of -27.2% or 34.0 billion yen and a net profit loss of -23.6% or 26.5 billion yen.

Hirose Fiscal Year 2022 vs. Fiscal Year 2023

	FY 2022 Apr - Mar 2023	FY 2023 Apr - Mar 2024	Percent Change
Sales	183.2	165.5	-9.7%
Bookings	160.0	152.4	-4.8%
Operating Profit	46.8	34.0	-27.2%
Net Profit	34.7	26.5	-23.6%

Yen in Billions

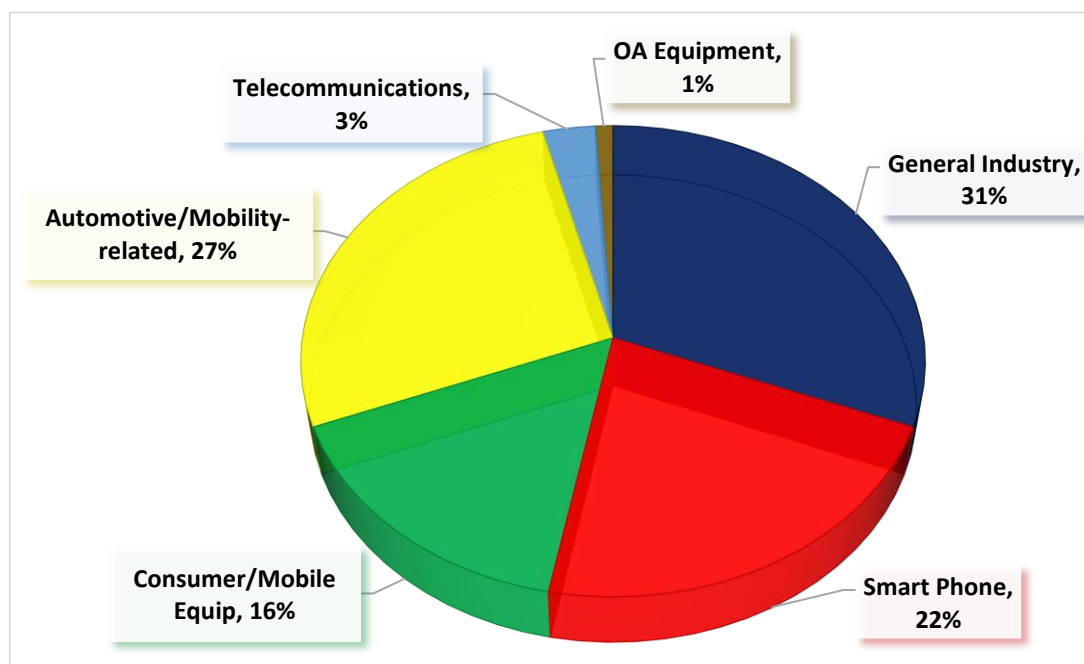
It was noted in the presentation that automotive and smartphone business showed steady growth in FY2023, while business in the industrial and consumer markets continued to be challenging, leading to a decline in billings. The following chart shows performance by business.

Hirose Sales by Business FY2022 vs FY2023

Business	1st Half FY2022 Apr - Sep 2022	2nd Half FY2022 Oct - Mar 2023	Total FY2022	1st Half FY2023 Apr - Sep 2023	2nd Half FY2023 Oct - Mar 2024	Total FY2023	Percent Change FY 22 to FY 23
General Industrial	34.7	34.4	69.1	28.2	22.3	50.5	-26.9%
Smart Phone	16.4	17.6	34.0	16.9	18.6	35.5	4.4%
Consumer/Mobile Equipment	18.6	11.4	30.0	12.4	12.9	25.3	-15.8%
Automotive/ Mobility-related	17.4	18.6	36.0	19.5	23.4	42.9	19.2%
Telecommunications Infrastructure Equip	3.4	2.6	6.0	2.3	2.2	4.5	-25.0%
OA Equipment	1.2	1.2	2.4	0.9	0.8	1.7	-31.3%
Total Connectors	91.8	85.8	177.6	80.2	80.0	160.2	-9.8%
Other	2.9	2.8	5.7	2.8	2.5	5.3	-7.0%
Total	94.7	88.6	183.2	83.0	82.5	165.5	-9.7%

Yen in Billions

Hirose Sales by Business Percent of Total Business FY2023



According to Hirose, “the impact of foreign currency exchange amounted to JPY9.16 billion in sales and JPY4.87 billion in operating profit. The decrease in labor costs added JPY1.09 billion, and the decrease in freight and packing costs improved by JPY1.98 billion. Loss on disposal of fixed assets increased by JPY0.51 billion. Operating profit is estimated to be negative JPY16.12 billion due to a JPY4.04 billion deterioration in the cost of sales ratio and a decrease in the volume.”

FY 2025 Outlook and Beyond

Hirose’s business forecast for the year ending March 31, 2025, is for sales to grow 6.3%, to a total of 176 billion yen.

Hirose Fiscal Year 2024 Forecast

Business	Actual Total FY2023	Forecast Total FY2024	Percent Change 2023/2024
General Industrial	50.5	50.0	-1.0%
Smart Phone	35.5	40.0	12.7%
Consumer/Mobile Equipment	25.3	27.5	8.9%
Automotive/ Mobility-related	42.9	46.5	8.5%
All Other Equipment	11.4	12.0	5.2%
Total	165.5	176.0	6.3%

Yen in Billions

Hirose's forecast by business was stated as follows. "First, in the general industrial machinery, we don't expect a recovery in this sector in the early stages of the current fiscal year due to the lingering effects of market inventories. However, we do expect a turnaround in H2. We project a relatively flat performance at negative 1% or JPY50 billion at the end of the fiscal year."

"The field of smartphones and mobile terminals is projected to grow this fiscal year to JPY40 billion, a positive 13%. This includes expectations due to market share gains backed by product strength in small products. Consumer mobile equipment is projected at JPY25.7 billion versus JPY25.3 billion in FY2023, a positive 9%. The forecast for the automotive and mobility-related business is JPY46.5 billion, positive 8%, and is expected to grow steadily."

For FY2027, Hirose's sales target is 230 billion yen, at an operating profit margin of 25% or more. They aim to have growth above the industry average and increase their market share through the growth with quality. During that year, Hirose aims to establish three well balanced business pillars.

- ✓ Consumer: Stable growth with competitive products and strong customer relationship.
- ✓ Automotive: Become a mainstay of growth through our flexibility and resilience
- ✓ General Industry: Make a leap forward in the global market by taking advantage of cross segment knowledge and experience.

Change in Management and New Facility Announcement

Effect on and after June 21, 2024, Hirose announced the following changes in Directors. Shin Kamagata was promoted to Group President, Administration Group, Mr. Kiritani, previous Director and the Group President of the Production Group, will step down from his position, and Yoshihiro Gunji was appointed Group President, Production Group.

In March of 2024, Hirose announced the opening and commencement of operations at the Tohoku Advanced Technology Center (TAT Center), at Morioka-city, Iwate-prefecture. The 6,983 sq meter facility is a steel frame, one store building that is 100% powered by renewable energy.

Mission of TAT Center
1. Strengthen software engineering on production facilities
2. Facility development hub to target on shortening lead time
3. Provide training to be advanced production engineers and construct "Co-creation field" to learn technics with subcontractors

According to Hirose, "this site is going to be the key of our manufacturing effort. We will focus on strengthening our production and manufacturing technology capabilities, including the development of human resources, by developing our production technology capabilities as a core function."

At the end of fiscal year 2023, Hirose employed 4,654, of which 3,365 were domestic and 1,289 were overseas. This was a reduction of 290 employees, which included a reduction of -332 domestic employees and an increase of 42 overseas employees.

Bishop & Associates Comments

It is not surprising that Hirose experienced negative bookings and billings for the fiscal year 2023. For full year 2023, Bishop showed connector industry sales declining -2.7% in US dollars, with the greatest decline in Japan where sales declined -9.5%. This is in line with Hirose's overall decline of -9.7%. Like Hirose, Bishop also feels that the industry will turn positive in 2024, with Hirose predicting an increase of +6.3% in comparison to Bishop's calendar year forecast of 5.8%.