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February 10, 2023

Consolidated Financial Results for the First Nine Months Ended December 31, 2022 (Under Japanese GAAP)

Company name: Hosiden Corporation
 Listing: Tokyo Stock Exchange
 Securities code: 6804
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 Scheduled date to file quarterly securities report: February 13, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the first nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2022	205,992	32.3	13,177	34.4	15,890	35.9	10,869	23.0
December 31, 2021	155,694	(17.9)	9,806	(1.6)	11,690	34.2	8,834	28.0

(Note) Comprehensive income For the first nine months ended December 31, 2022 13,930 million yen [41.9%]
 For the first nine months ended December 31, 2021 9,820 million yen [20.0%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	199.10	183.87
December 31, 2021	156.48	145.24

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	190,122	126,207	66.4
March 31, 2022	171,525	119,533	69.7

(Reference) Equity

As of December 31, 2022 126,207 million yen
 As of March 31, 2022 119,533 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	10.00	–	55.00	65.00
Fiscal year ending March 31, 2023	–	23.00	–		
Fiscal year ending March 31, 2023 (Forecast)				44.00	67.00

(Note) Revision of cash dividend forecast most recently announced: Yes

For the revision of the cash dividend forecast, please refer to the “Notice Regarding Revisions of Financial Results Forecasts and Cash Dividend Forecast” published today, on February 10, 2023.

3. Consolidated financial results forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	265,000	27.6	15,300	30.5	18,000	14.0	12,000	0.8	221.14

(Note) Revision of financial results forecast most recently announced: Yes

- Financial results forecasts are based on the assumption of a foreign exchange rate of 132 yen per U.S. dollar.
- For the revision of the financial results forecasts, please refer to the “Notice Regarding Revisions of Financial Results Forecasts and Cash Dividend Forecast” published today, on February 10, 2023.

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

Newly included: – companies (Company name)

Excluded: – companies (Company name)

- (2) Application of specific accounting for preparing quarterly consolidated financial statements: None

- (3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2022	64,710,084 shares
As of March 31, 2022	64,710,084 shares

- (ii) Number of treasury shares at the end of the period

As of December 31, 2022	11,431,680 shares
As of March 31, 2022	9,755,041 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	54,592,933 shares
Nine months ended December 31, 2021	56,455,679 shares

Notes: 1. Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

2. Explanation on proper use of earnings forecasts, and other special matters

- (1) For matters related to forecasts, please refer to the “Notice Regarding Revisions of Financial Results Forecasts and Cash Dividend Forecast” published today, on February 10, 2023.
- (2) The forward-looking statements about the future financial results of this document are future forecasts based on the judgment of Hosiden Corporation (the “Company”) taking into account the information currently available, and the Company does not intend to make a warranty of their achievement. These forward-looking statements contain various potential risks and uncertainties, and actual results may be materially different from the forward-looking statements due to various material factors. Therefore, the Company asks not to depend highly on these forward-looking statements. For preconditions for earnings forecasts and other related matters, please refer to page 3 of the attached document.

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1. Qualitative information regarding financial results for the first nine months ended December 31, 2022

(1) Explanation of operating results

During the first nine months of the fiscal year ending March 31, 2023 (From April 2022 to December 2022), in the world economy, countries saw an acceleration in the inflation rate due to factors such as soaring prices of raw materials and energy triggered by Russia's invasion of Ukraine. In response to this, other countries have continued to tighten monetary policy, and because of their policy difference with our country, a rapid depreciation of the yen continued until the second quarter. However, during the third quarter, there was significant appreciation of the yen due to expectations that the U.S. Federal Reserve will slow the pace of interest rate hikes, in addition to a shift in policy by the Bank of Japan.

In the electronic component industry to which the Company (the "Group") belongs, semiconductor shortages in the automotive-related market have still not been completely resolved. As for the mobile communications-related market, sales have been in a downward trend due to a decline in consumer demand and the impact of inflation.

Under such circumstances, the Group increased net sales as a whole, due partly to the impact of a depreciation of the yen. Specifically, net sales of the automotive-related and health device-related businesses decreased, but the mobile communications-related business grew along with a significant increase in the amusement-related business.

With regard to profits, the weaker yen, compared to the same period last year, boosted operating profit. Ordinary profit and profit attributable to owners of parent also significantly increased as foreign exchange gains were recorded. As for the financial results forecasts for the full year that were announced in the consolidated financial results for the first six months ended September 30, 2022, operating profit has been tracking the forecasts. However, since the yen rose from 144 yen per U.S. dollar at the end of the second quarter to 132 yen per U.S. dollar at the end of the third quarter, foreign exchange gains that had been recorded during the first six months of the fiscal year ending March 31, 2023, decreased significantly. As a result, while operating profit during the period under review increased from the previous period, ordinary profit and profit attributable to owners of parent decreased slightly.

During the period under review, as a result, the Group posted consolidated net sales of 205,992 million yen (up 32.3% year on year), operating profit of 13,177 million yen (up 34.4% year on year), ordinary profit of 15,890 million yen (up 35.9% year on year) with foreign exchange gains of 2,149 million yen in line with foreign exchange fluctuations, and profit attributable to owners of parent of 10,869 million yen (up 23.0% year on year).

The net sales and segment profit or loss for the reportable segments are as follows:

Net sales for the electro-mechanical components segment was 184,087 million yen (up 38.1% year on year) due to increases in the amusement-related and mobile communications-related businesses, and segment profit was 11,490 million yen (up 54.1% year on year).

Net sales for the acoustic components segment was 12,480 million yen (up 21.4% year on year) due to an increase in the AV equipment-related business and the automotive-related business while the segment profit was 1,129 million yen (up 20.9% year on year).

Net sales for the display components segment was 3,294 million yen (down 44.2% year on year) due to a decrease in the automotive-related business, and the segment loss was 466 million yen (segment profit of 200 million yen for the previous year).

Net sales for the applied equipment and other segment was 6,129 million yen (down 2.0% year on year) due to a decrease in the health device-related business, and the segment profit was 1,023 million yen (down 15.7% year on year).

(2) Explanation of financial position

Assets, liabilities, and net assets

At the end of the third quarter of the fiscal year ending March 31, 2023, total assets increased 18,596 million yen from the end of the previous fiscal year to 190,122 million yen mainly due to increases in cash and deposits and trade receivables despite a decrease in inventories. Total liabilities increased 11,923 million yen from the end of the previous fiscal year to 63,914 million yen mainly due to an increase in trade payables.

Net assets increased 6,673 million yen from the end of the previous fiscal year to 126,207 million yen mainly due to an increase in retained earnings, resulting in an equity-to-asset ratio of 66.4%.

Cash flows

At the end of the quarter under review, cash and cash equivalents increased 5,881 million yen from the end of the previous fiscal year to 68,361 million yen.

Net cash provided by operating activities in the period under review was 17,775 million yen. This was mainly due to profit before income taxes of 15,795 million yen, an increase in trade receivables of 8,291 million yen, a decrease in inventories of 4,715 million yen, an increase in trade payable of 8,808 million yen, and income taxes paid of 5,132 million yen.

Net cash used in investing activities was 5,418 million yen. This was mainly due to an increase in time deposits of 3,503 million yen and the purchase of property, plant and equipment of 2,473 million yen.

Net cash used in financing activities was 7,386 million yen. This was mainly due to the purchase of treasury shares of 3,000 million yen and dividends paid of 4,287 million yen.

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

For the consolidated financial results forecasts for the fiscal year ending March 31, 2023, please refer to “Notice Regarding Revisions of Financial Results Forecasts and Cash Dividend Forecast” released on February 10, 2023. These financial results forecasts are based on the assumption of a foreign exchange rate of 132 yen per U.S. dollar.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	49,794	59,488
Notes and accounts receivable - trade, and contract assets	25,864	36,594
Securities	13,699	13,500
Merchandise and finished goods	9,923	9,619
Work in process	3,117	3,675
Raw materials and supplies	38,526	35,777
Other	4,690	5,803
Allowance for doubtful accounts	(45)	(46)
Total current assets	145,572	164,411
Non-current assets		
Property, plant and equipment	18,559	18,727
Intangible assets	451	460
Investments and other assets		
Investment securities	4,809	4,488
Other	2,423	2,321
Allowance for doubtful accounts	(290)	(287)
Total investments and other assets	6,942	6,522
Total non-current assets	25,952	25,710
Total assets	171,525	190,122

Hosiden Corporation (6804) Consolidated Financial Results for the First Nine Months Ended December 31, 2022

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,614	36,196
Short-term borrowings	2,040	2,293
Income taxes payable	3,179	2,933
Other	7,470	6,710
Total current liabilities	36,305	48,133
Non-current liabilities		
Bonds with share acquisition rights	10,051	10,035
Retirement benefit liability	3,577	3,358
Other	2,057	2,386
Total non-current liabilities	15,686	15,780
Total liabilities	51,991	63,914
Net assets		
Shareholders' equity		
Share capital	13,660	13,660
Capital surplus	19,596	19,603
Retained earnings	94,320	100,902
Treasury shares	(9,586)	(12,563)
Total shareholders' equity	117,990	121,603
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,495	2,274
Foreign currency translation adjustment	(1,334)	2,051
Remeasurements of defined benefit plans	381	277
Total accumulated other comprehensive income	1,542	4,604
Total net assets	119,533	126,207
Total liabilities and net assets	171,525	190,122

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income**Quarterly consolidated statements of income**

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	155,694	205,992
Cost of sales	138,486	185,475
Gross profit	17,208	20,517
Selling, general and administrative expenses	7,401	7,340
Operating profit	9,806	13,177
Non-operating income		
Interest income	64	226
Dividend income	108	126
Foreign exchange gains	1,511	2,149
Subsidies for employment adjustment	138	109
Other	104	134
Total non-operating income	1,927	2,746
Non-operating expenses		
Interest expenses	23	16
Commission for syndicated loans	13	10
Other	6	5
Total non-operating expenses	44	32
Ordinary profit	11,690	15,890
Extraordinary income		
Gain on sale of non-current assets	360	136
Gain on sale of investment securities	225	-
Other	1	-
Total extraordinary income	588	136
Extraordinary losses		
Loss on sale and retirement of non-current assets	32	10
Loss on liquidation of subsidiaries	-	220
Total extraordinary losses	32	231
Profit before income taxes	12,246	15,795
Income taxes - current	3,223	4,448
Income taxes - deferred	188	477
Total income taxes	3,412	4,926
Profit	8,834	10,869
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	8,834	10,869

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	8,834	10,869
Other comprehensive income		
Valuation difference on available-for-sale securities	48	(220)
Foreign currency translation adjustment	1,039	3,386
Remeasurements of defined benefit plans, net of tax	(102)	(104)
Total other comprehensive income	985	3,061
Comprehensive income	9,820	13,930
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,820	13,930
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	12,246	15,795
Depreciation	2,230	2,472
Decrease (increase) in trade receivables	(7,464)	(8,291)
Decrease (increase) in inventories	(9,146)	4,715
Decrease (increase) in operating accounts receivable	(20)	3
Increase (decrease) in trade payables	(1,413)	8,808
Other, net	726	(1,003)
Subtotal	(2,841)	22,499
Interest and dividends received	155	309
Interest paid	(20)	(11)
Subsidies for employment adjustment received	138	109
Income taxes paid	(3,626)	(5,132)
Net cash provided by (used in) operating activities	(6,194)	17,775
Cash flows from investing activities		
Decrease (increase) in time deposits	271	(3,503)
Purchase of property, plant and equipment	(3,246)	(2,473)
Proceeds from sale of property, plant and equipment	394	419
Proceeds from sale of investment securities	342	-
Other, net	(8)	139
Net cash provided by (used in) investing activities	(2,246)	(5,418)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(185)	-
Purchase of treasury shares	(1)	(3,000)
Dividends paid	(1,411)	(4,287)
Other, net	(64)	(99)
Net cash provided by (used in) financing activities	(1,662)	(7,386)
Effect of exchange rate change on cash and cash equivalents	383	911
Net increase (decrease) in cash and cash equivalents	(9,719)	5,881
Cash and cash equivalents at beginning of period	69,522	62,479
Cash and cash equivalents at end of period	59,803	68,361

(4) Notes to quarterly consolidated financial statements
Notes on going concern assumption

None applicable.

Notes on significant changes in the amount of shareholders' equity

Hosiden Corporation (the "Company") acquired its 1,700,000 treasury shares in accordance with a resolution at the meeting of the Board of Directors held on November 11, 2022. As a result, treasury shares increased 3,000 million yen during the period under review to 12,563 million yen at the end of the third quarter of the fiscal year ending March 31, 2023.

Segment information, etc.

Segment information

I The first nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

1. Net sales, and profit or loss by reportable segment

(Millions of yen)

	Reportable segments					Adjustments	Amounts in quarterly consolidated statements of income (Note)
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Net sales							
Sales to unaffiliated customers	133,256	10,279	5,906	6,252	155,694	–	155,694
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	133,256	10,279	5,906	6,252	155,694	–	155,694
Segment profit	7,458	934	200	1,213	9,806	–	9,806

Note: The total amount of segment profit is equal to the operating profit in the quarterly consolidated statements of income.

II The first nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Net sales, and profit or loss by reportable segment

(Millions of yen)

	Reportable segments					Adjustments	Amounts in quarterly consolidated statements of income (Note)
	Electro-mechanical components	Acoustic components	Display components	Applied equipment and other	Total		
Net sales							
Sales to unaffiliated customers	184,087	12,480	3,294	6,129	205,992	–	205,992
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	184,087	12,480	3,294	6,129	205,992	–	205,992
Segment profit (loss)	11,490	1,129	(466)	1,023	13,177	–	13,177

Note: The total amount of segment profit (loss) is equal to the operating profit in the quarterly consolidated statements of income.

Significant subsequent events

Cancellation of treasury shares

The Company resolved the matters concerning the cancellation of treasury shares pursuant to the provisions of Article 178 of the Companies Act at the meeting of the Board of Directors held on November 11, 2022, and conducted the cancellation of treasury shares.

(1) Reasons for the cancellation

In order to enhance shareholder returns and capital efficiency

(2) Details of the cancellation of shares

(i) Class of the cancelled shares: Common shares of the Company

(ii) Total number of the cancelled shares: 1,700,000 shares

(2.63% of the total number of issued shares before the cancellation)

(iii) Date of the cancellation: January 31, 2023