

# HOSIDEN CORPORATION

## Financial Results Briefing for the Fiscal Year Ended March 31, 2023

**Summary of financial results has been added.**

- Part 1: Commentary on financial results briefing materials
- Part 2: Message from Kenji Furuhashi, President & CEO
- Part 3: Main Q&A

**Held at 10:30 a.m. on May 17, 2023**

## **Part 1**

# **Commentary on financial results briefing materials**

# Summary of Consolidated Financial Results for FY2022

Overall net sales were 277.2 billion yen, up 33.5% from the previous year (up 69.6 billion yen in value). This was mainly due to an increase of 66.0 billion yen in the amusement business, an increase of 2.1 billion yen in the mobile communications business, and an increase of 2.7 billion yen in other businesses. In contrast, sales in the automotive business fell by 1.3 billion yen.

In profits, operating profit increased by 34.3% year-on-year, mainly due to the depreciation of the yen, which led to an increase in the yen value of the difference between dollar sales and dollar purchases, as well as valuation gains on dollar purchase inventories. In monetary value terms, operating profit increased by 4 billion yen to 15.8 billion yen. A large part of the foreign exchange impact on operating profit came from the valuation gains on dollar purchase inventories, and this took place mainly in the first quarter. Foreign exchange gains of 2.5 billion yen were also recorded as non-operating income due to the weaker yen. As a result, ordinary profit increased by 3.1 billion yen year-on-year to 19.0 billion yen.

(Unit: Millions of yen)

	FY2021	FY2022	Rate of change
Net sales	207,608	277,244	33.5%
Operating profit	11,725	15,750	34.3%
Ordinary profit	15,786	18,984	20.3%
Profit attributable to owners of parent	11,901	12,637	6.2%
Net assets	119,533	126,753	6.0%

# Summary of Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

The reason for the sales forecast for the 2023 fiscal year being 8% lower than the previous year, or a decrease of 22.2 billion yen in value, is mainly due to a 16% decrease in sales in the amusement business, which is a decrease of 29.9 billion yen in value. Sales in all businesses other than the amusement business are expected to increase year-on-year. We expect selling, general and administrative expenses to be on par with the previous year.

Operating profit is forecast to decrease by 37% year-on-year, or 5.8 billion yen in value, because of the decrease in sales and expectations that inventory valuation gains due to the yen's depreciation that were recorded in the previous fiscal year will not be recorded in the 2023 fiscal year. In the 2023 fiscal year, we do not anticipate any non-operating foreign exchange gains or losses, and expect the non-operating income forecast of 1 billion yen to come mainly from interest income. As a result, ordinary profit and profit before tax are expected to be 11.0 billion yen, and net profit is expected to be 8.5 billion yen.

(Unit: Millions of yen)

	FY2021	FY2022	increase or decrease	FY2023(forecast)
Net sales	207,608	277,244	69,636	255,000
Cost of sales	185,884	251,487	65,603	235,000
SGA expenses	9,999	10,007	8	10,000
Operating profit	11,725	15,750	4,025	10,000
Foreign exchange gains/ losses	3,558	2,490	△1,068	-
Other	503	743	240	1,000
Ordinary profit	15,786	18,984	3,198	11,000
Extraordinary profit	598	142	△456	-
Extraordinary losses	78	600	522	-
Profit before income taxes	16,306	18,527	2,221	11,000
Total income taxes	4,404	5,889	1,485	2,500
Profit attributable to owners of parent	11,901	12,637	736	8,500
Comprehensive income	13,469	14,477	1,008	-

# Summary of Consolidated Balance Sheets

Total assets increased by 8.4 billion yen from the end of the previous fiscal year, mainly due to an increase in current assets. The main factors for changes in current assets were an increase in cash and deposits of 7.6 billion yen, an increase in accounts receivable of 9.0 billion yen, and a decrease in inventory assets mainly related to the amusement business of 10.2 billion yen.

In terms of liabilities, current liabilities increased by 1.6 billion yen, mainly due to an increase in trade payables of 2.1 billion yen and an increase in income taxes payables of 700 million yen, despite a decrease in other current liabilities by 1.4 billion yen.

Net assets increased by 7.2 billion yen and the equity-to-asset ratio increased by 0.7 percentage points from the end of the previous fiscal year to 70.4%.

(Unit: Millions of yen)

	Mar. 31, 2022	Mar. 31, 2023	increase or decrease
<b>Assets</b>			
Current assets	145,572	151,878	6,306
Property, plant and equipment	18,559	17,495	△1,064
Intangible assets, Investments and other assets	7,394	10,619	3,225
<b>Total assets</b>	<b>171,525</b>	<b>179,993</b>	<b>8,468</b>
<b>Liabilities</b>			
Current liabilities	36,305	37,919	1,614
Non-current liabilities	15,686	15,319	△367
<b>Net assets</b>	<b>119,533</b>	<b>126,753</b>	<b>7,220</b>
<b>Total liabilities and net assets</b>	<b>171,525</b>	<b>179,993</b>	<b>8,468</b>

# Summary of Consolidated Statements of Cash Flows

Net cash flows from operating activities in the 2022 fiscal year was approximately 20.7 billion yen, mainly due to profit before income taxes of 18.5 billion yen.

Net cash used in investing activities amounted to 9.8 billion yen due to changes in time deposits, long-term deposits, and the purchase of property, plant, and equipment.

Net cash used in financing activities resulted in 7.4 billion yen due to the purchase of treasury shares and payment of dividends.

(Unit: Millions of yen)

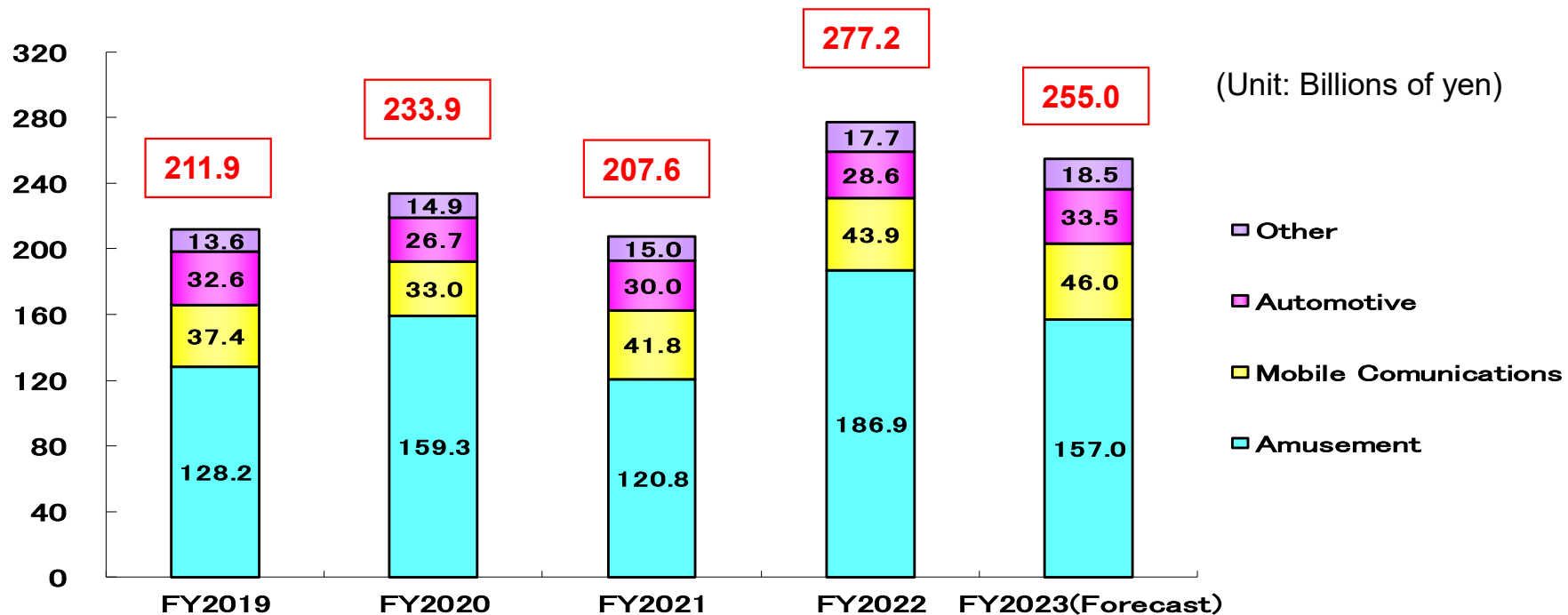
	FY2021	FY2022
Cash flows from operating activities	△1,230	20,765
Profit before income taxes	16,306	18,527
Depreciation	3,185	3,385
Increase (decrease) in receivable, payable and inventories	△16,042	3,720
Other, net	△4,679	△4,867
Cash flows from investing activities	△3,059	△9,852
Increase (decrease) in time deposits	275	△3,733
Payments into long-term deposits	-	△3,000
Purchase of property, plant and equipment	△3,823	△2,818
Other, net	489	△301
Cash flows from financing activities	△3,748	△7,437
Purchase of treasury shares	△1,775	△3,000
Dividends paid	△1,411	△4,287
Other, net	△561	△150
Effect of exchange rate change on cash and cash equivalents	995	62
Net increase (decrease) in cash and cash equivalents	△7,042	3,538
Cash and cash equivalents at end of period	62,479	66,017

# Summary of FY2022

Overall	<ul style="list-style-type: none"> <li>▪ Overall, both sales and operating profit increased year-on-year. In particular, sales in the amusement business increased significantly.</li> <li>Both sales and operating profit increased due to the impact of the weaker yen. The</li> <li>▪ impact of the weaker yen on operating profit is expected to be slightly less than 6 billion yen.</li> <li>▪ The display components segment recorded a loss of 600 million yen due to a significant decrease in sales.</li> </ul>
Amusement	<ul style="list-style-type: none"> <li>▪ There was a temporary factory shutdown in the previous year, but there was no shutdown in FY2022. A shortage of semiconductors was alleviated and sales increased significantly, by 55% year-on-year.</li> </ul>
Mobile Communications	<ul style="list-style-type: none"> <li>▪ Sales to major customers were strong, and sales increased by 5% year-on-year.</li> </ul>
Automotive	<ul style="list-style-type: none"> <li>▪ Sales increased in the electro-mechanical components segment and the acoustic components segment. Sales of touch panels to major customers in the display components segment decreased significantly due to the termination of a model. As a result, overall sales of automotive decreased by 5% year-on-year.</li> </ul>
Other	<ul style="list-style-type: none"> <li>▪ Medical and health-related sales decreased, but sales of microphones used in audio equipment, which began sales in the second half of the previous year, increased. As a result, sales in other businesses as a whole increased by 19% year-on-year.</li> </ul>

# FY2023 Full-Year Forecast: Sales by Market

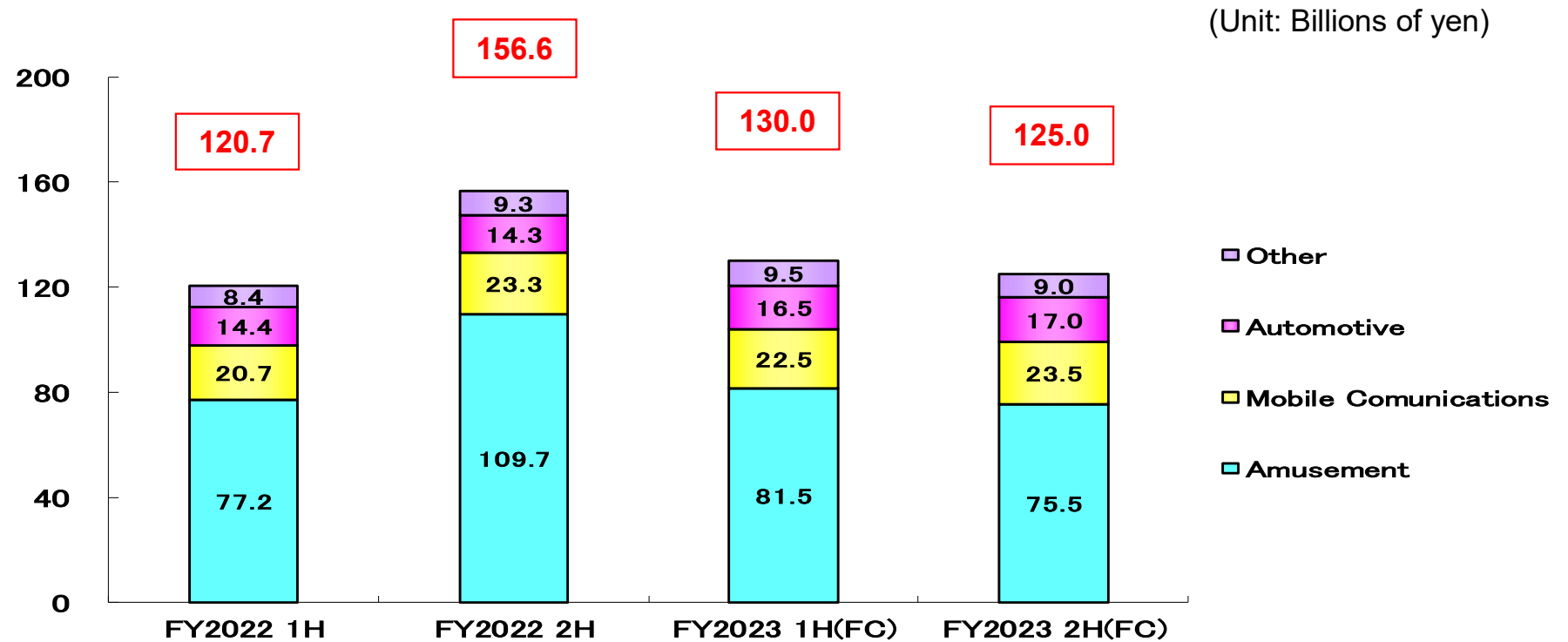
For sales in the 2023 fiscal year by market, we forecast overall sales of 255 billion yen, down 8% from the previous year. A breakdown shows that sales in amusement market is expected to decrease by 16% year-on-year to 157 billion yen, while sales in mobile communications market is expected to increase by 5% year-on-year to 46.0 billion yen, driven by demand for new products from major customers despite a slowdown in the overall market. Although sales of display components for automotive market is expected to decrease due to the discontinuation of sales of touch panels for some customers, sales of electro-mechanical components and acoustic components are expected to increase, resulting in a 17% year-on-year increase in the automotive market business as a whole to 33.5 billion yen. Sales in other businesses are expected to increase by 4% year-on-year to 18.5 billion yen due to an increase in medical/health-related sales and AV equipment.



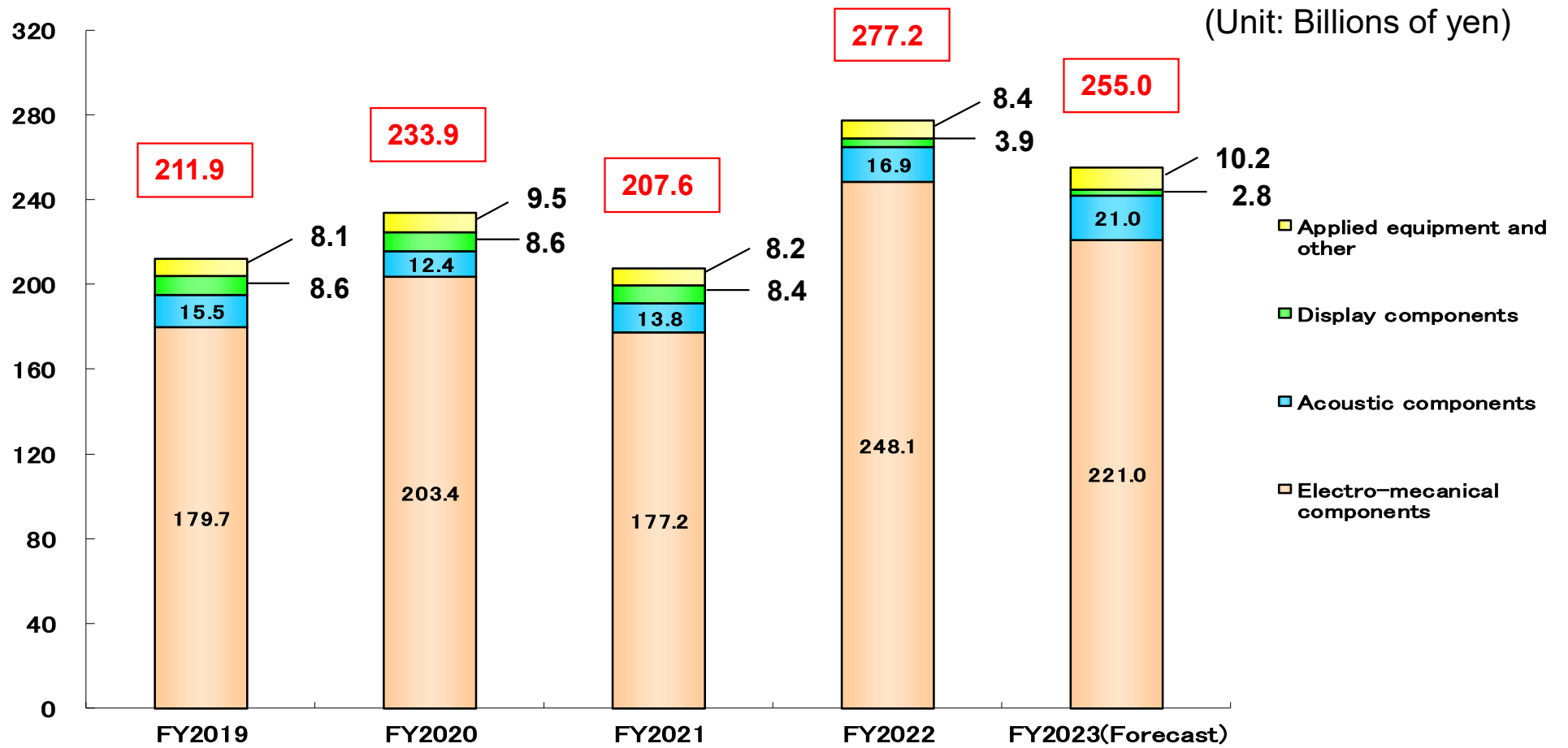


# Fiscal 2023 Sales by Market (Half Year)

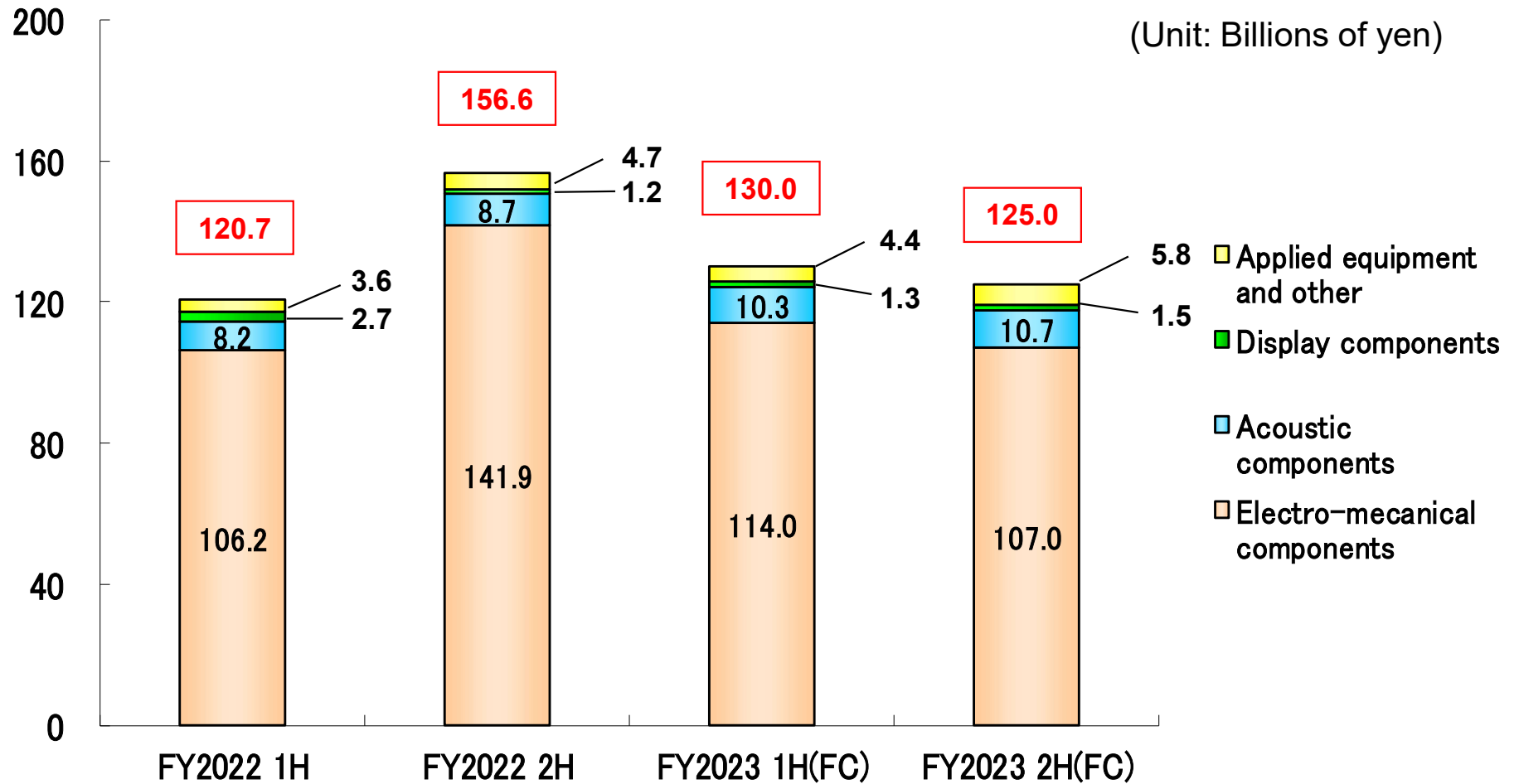
The difference between the first and second half of the 2023 fiscal year is that we mainly expect sales in the amusement business to be 81.5 billion yen in the first half and 75.5 billion yen in the second half. In addition, we expect sales in the mobile communications business and automotive business to increase slightly more in the second half of the year than the first half.



# FY2023 Full-Year Forecast: Sales by Segment



# FY2023 Sales by Segment (Half Year)



Sales	<ul style="list-style-type: none"> <li>▪ Sales in the amusement business are expected to decrease by 16% year-on-year.</li> </ul> <p>Although the overall market for mobile communications is in a slowdown, we</p> <ul style="list-style-type: none"> <li>▪ expect a 5% year-on-year increase in sales driven by demand for new products from major customers.</li> </ul> <p>As for automotive business, sales of display components are expected to decrease due to the discontinuation of touch panel sales to some customers,</p> <ul style="list-style-type: none"> <li>▪ but sales of electro-mechanical components and acoustic components are expected to increase, resulting in a 17% year-on-year increase in automotive as a whole.</li> </ul> <ul style="list-style-type: none"> <li>▪ Sales in other businesses are expected to increase by 4% year-on-year due to increases in medical/health-related sales and AV equipment.</li> </ul>
<p>Profit</p> <p>Cause of expected decrease</p>	<p>The depreciation of the yen had the effect of boosting profits in FY2022, but we</p> <ul style="list-style-type: none"> <li>▪ expect no exchange rate fluctuations in FY2023. The assumed rate is 134 yen per U.S. dollar.</li> </ul> <ul style="list-style-type: none"> <li>▪ Sales in the amusement business are expected to decrease.</li> </ul>

# Capital Investment, Depreciation, Research and Development

Capital investment for the 2022 fiscal year was estimated to be 4 billion yen for the year at the beginning of the term, based on the assumption that various new products would be produced, however, as there were almost no notable investments other than the renewal of equipment, the total for the year was 2 billion yen.

We estimate capital investment for the 2023 fiscal year to be 4.2 billion yen for the year, assuming the production of various new products.

(Unit: Millions of yen)

	FY2019	FY2020	FY2021	FY2022	FY2023 (Forecast)
Capital investment	5,985	3,476	4,179	2,038	4,200
Depreciation	3,213	3,136	3,186	3,385	3,600
R&D expenses	2,371	2,410	2,187	2,020	2,500

## Medium-Term Management Plan

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Since it is extremely difficult for our company to create a medium-term plan for sales in the amusement business, we have until now drawn up a medium-term management plan for internal use without disclosing it to the public. However, we would like to share our growth strategy with investors in regards to areas other than the amusement business, and plan to do so in the Integrated Report scheduled for release at the end of July this year.

### Announcement Date

End of July 2023 (planned)

It will be included in the Integrated Report on our website.

### Content

- Three-year plan excluding amusement-related products (FY2023-FY2025)
- Focus markets: Automotive market, medical and health equipment market, IoE equipment market
- Main developed products
  - Electro-mechanical components: High-speed transfer small connectors
  - Acoustic components: New products for in-vehicle microphones
  - Display components: Automotive display lamination, transparent heater, (perovskite solar cell)
  - Applied equipment and others: Fusion of various sensor modules/sensor units and radio

For details, please see the Integrated Report scheduled to be released at the end of July 2023.

# Shareholder Returns

## Policy

Announced on May 12, 2023

As part of improving shareholder value, we will acquire more than 10 billion yen of treasury shares and cancel the same number of shares in the three years from April 1, 2023 to March 31, 2026, while maintaining a consolidated dividend payout ratio of 30%.

## Cash dividend

(Unit: yen/share)

	interim dividend	year-end dividend	annual dividend
FY2021	10	55	65
FY2022	23	48	71
FY2023 (FC)	24	24	48

Note: 71 yen/share for the fiscal year ended March 31, 2023 was the highest ever

## Purchase and Cancellation of treasury shares

Announced on May 12

Total amount of share acquisition costs: 3.0 billion yen (maximum)

Total number of shares to be acquired: 1.6 million shares (maximum)

Scheduled date of cancelation: August 31, 2023

At the time of our financial results release on May 12, we announced various initiatives along with our policy at the top of this page as part of our goal to achieve PBR of 1. Beginning this year, we have also posted briefing materials for our financial results on our website.

We plan to pay an annual dividend of 71 yen per share for the 2022 fiscal year, combining the interim dividend of 23 yen and the year-end dividend of 48 yen. For the 2023 fiscal year, we plan to pay an annual dividend of 48 yen per share, combining an interim dividend of 24 yen and a year-end dividend of 24 yen, in order to achieve a consolidated dividend payout ratio of 30%.

At the time of our financial results release on May 12, we announced the purchase and cancellation of treasury shares as described at the bottom of this page.

# Initiatives for Carbon Neutrality

We installed solar panels on the roof of our head office in April 2014, and as part of our efforts to become carbon neutral, we installed solar panels at two factories of domestic affiliated companies in the 2022 fiscal year. We will consider installing solar panels at other multiple sites. We are also working on changing the lighting in our offices and production buildings to LED and purchasing electricity that uses renewable energy.

Regarding carbon neutrality, we will continue to spread awareness within the company, reinforce our efforts, and work to raise the CDP score, which is now C, to B-minus or higher in the 2023 fiscal year.

## CO2 reduction targets

- Medium-term target: 20% reduction in intensity by the end of FY2025 compared to FY2013.
- Long-term target: Aim for 46% reduction by the end of FY2030 compared to FY2013 levels.

Efforts to reduce CO2 by installing solar panels			
Site	Annual CO2 reduction	CO2 reduction rate	Operation started from
Hosiden Wakayama	124 tons	19.7%	Oct. 2022
Hosiden Kyushu	187 tons	11.0%	Feb. 2023



Hosiden Wakayama



Hosiden Kyushu

Installed solar panels on the roof of our head office beginning April 2014

Working to switch to LED lighting in offices and production buildings, purchasing electricity using renewable energy, etc.

## CDP (Carbon Disclosure Project) Score

Aiming for B-minus or higher in FY2023



## **Part 2**

# **Message from Kenji Furuhashi, President & CEO**

## Review of FY2022 (1)

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### Impact of COVID-19

Hosiden Group was affected by COVID-19 in Japan and overseas, but conditions started to finally settle down in the 2022 fiscal year.

Lockdowns related to our company

- 2020 Guangdong Province, China, and Malaysia (limited measures such as operation restrictions)
- 2021 Vietnam (three months of strict lockdown, caused inconvenience to customers)
- 2022 Qingdao and Shanghai, China (caused inconvenience to some automobile manufacturers)

### Performance in FY2022

- Amusement

Although the second quarter was difficult due to the shortage of semiconductors, procurement improved from the third quarter and we were able to increase production.
- Mobile communications

The consumer market began to decline in October-December. However, the decline in high-end models was not as severe as that in the middle and lower-end models, and because we had a large sales volume in high-end models with our customers, the impact was not that great. Still, we expect the cooling in the market to continue until around the summer of 2023.

## Review of FY2022 (2)

### Performance in FY2022 (Continued)

- Automotive

In the 2022 fiscal year, production volume increased at every automaker compared to FY2021. On the other hand, our sales decreased by 4.6% from the previous year.

This was due to the large reduction in display components. In the touch panel business, in addition to price competition, a product for one of our customers reached the end of its life cycle, resulting in a significant decrease in business. As a result, sales in the display components segment recorded a loss of 600 million yen and we downsized our factory. Going forward, it will be difficult for us to go on with existing products, so we are introducing equipment to produce new products, but this is expected to take until the end of the 2023 fiscal year.

Other businesses within automotive market (electro-mechanical components, acoustic components) grew with the recovery in production volume at each automaker.

### Summary

- In the 2022 fiscal year, we were able to record reasonable sales and profits.

One of the reasons for the good performance was the exchange rate. We are considering minimizing the impact of exchange rates as much as possible, but given that more than 90% of our sales are in foreign currencies and that valuations are made on our assets and liabilities denominated in foreign currencies at the end of the fiscal year, the impact of exchange rates cannot be avoided.

- About inventory

We have been working to reduce inventory, and it has been falling in the fiscal year ending March 31, 2023. However, we cannot say that it is at an appropriate level. We believe that the situation will improve if automakers go ahead with production as planned, but we expect the current situation to continue until this summer.

## Forecast for FY2023

We expect conditions will be tough as a whole. The outlook for each product is as follows:

- Amusement

Although orders are strong at the moment, we expect amusement business sales to decline by about 16% in the 2023 fiscal year in line with the production volume plans announced by our customers in their financial results.

- Mobile communications

According to the Barcelona trade fair held in February, manufacturer customers are focusing on high-end models, and end customers are also interested in such products. We expect sales to grow by around 5% in the 2023 fiscal year.

- Automotive

We will increase sales by about 17%. We have heard that automakers have orders for more than 11 million car models that they cannot ship. We anticipate growth once restrictions on production are lifted. Although our display component sales will decline in the near term, we would like to increase sales of electro-mechanical components and acoustic components, and make them a strong pillar of our business.

- Others

We will increase sales by about 4.3%. Interest in perovskite solar cells are growing, but they are still a long way off from contributing to sales. This year, we would like to commercialize sensing devices, etc., albeit on a small scale at first, and grow it into a large business going forward.

### Other initiatives

- Efforts to increase PBR to 1  
Until now, Hosiden has been lacking in terms of providing explanation to investors. Though only a half step forward, we announced the “Notice on Initiatives for Achieving PBR of 1”.
- Challenge as a components manufacturer: Efforts to address global environmental issues  
It is becoming a societal need to clarify when we will achieve carbon neutrality and RE100. Since urgent action is required, we will work on addressing issues related to the circular economy and biodiversity going forward. We will also work to improve our CDP score.

# Part 3

# Main Q&A

Q1

What will the increase in capital investment in the 2023 fiscal year be used for?

A1

The big one is mold investment. The investment will be made in the second half of the year.

Q2

You mentioned that you changed your IR strategy to achieve PBR of 1. What are the main changes?

A2

We have enhanced the disclosure of materials (including in English). We have also posted on the Hosiden website materials from our briefing on financial results, which had not been made public until now. In addition, we will release our medium-term management plan to share the company's direction with investors and gain their understanding. Details will be announced in the Integrated Report to be disclosed in July.