

HOSIDEN CORPORATION

Financial Results Briefing for the Fiscal Year Ended March 31, 2024

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 15, 2024

1

Part 1

Commentary on financial results briefing materials

3

Summary of Consolidated Financial Results for FY2023

(Unit: Millions of yen)

	FY2022	FY2023	Rate of change
Net sales	277,244	218,910	△21.0%
Operating profit	15,750	12,925	△17.9%
Ordinary profit	18,984	18,160	△4.3%
Profit attributable to owners of parent	12,637	11,632	△8.0%
Net assets	126,753	134,870	6.4%

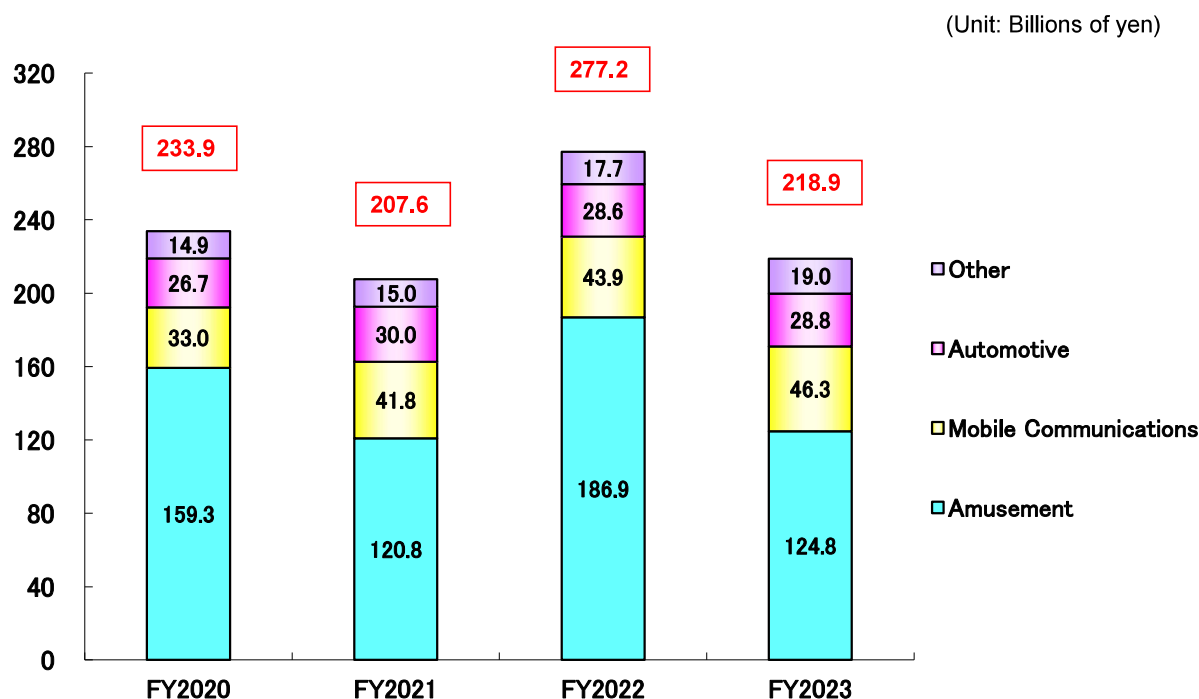
5

Overall net sales were 218.9 billion yen, down 21.0% year-on-year (down 58.3 billion yen in value), as a result of the 62.1 billion yen decrease in the amusement-related business. In contrast, there was a 2.4 billion yen increase in the mobile communications business, a 100 million yen increase in the automotive equipment business, and a 1.2 billion yen increase in other businesses.

In terms of profits, operating profit was 12.9 billion yen, down 17.9% year-on-year (down 2.8 billion yen in value), mainly due to the decrease in the positive impact of the depreciation of the yen, in addition to the decrease in sales of amusement-related equipment.

The yen depreciated sharply in the first half of FY2022 but was stronger at the end of FY2022, resulting in foreign exchange gains of 2.5 billion yen. With further depreciation of the yen in FY2023, the foreign exchange gains reached 4.1 billion yen. This offset part of the decrease in net sales, and ordinary profit was 18.2 billion yen, down 4.3% year-on-year (down 800 million yen in value).

6



7

In sales by market:

Amusement-related sales to major customers increased by 4.0% year-on-year in the first half but decreased by 59.4% in the second half, resulting in a decrease of 33.2% for the full year to 124.8 billion yen.

Mobile communications-related sales increased by 5.5% year-on-year to 46.3 billion yen due to an increase in electro-mechanical components sales to major customers. This was due to the robust demand for the new model by a major customer.

For automotive equipment, sales for acoustic components increased by 17.7% year-on-year despite the significant decrease in sales for display components due to a customer discontinuing a model and the decrease in sales for electro-mechanical components due to weaker demand from some automakers. Overall sales increased by 0.5% from the previous year to 28.8 billion yen.

Sales for other businesses increased by 7.0% year-on-year to 19.0 billion yen, driven by the increase in sales of microphones used in audio equipment as well as in medical and health-related sales.

8

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



(Unit: Millions of yen)

	FY2022	FY2023	increase or decrease	FY2024 (forecast)
Net sales	277,244	218,910	△58,334	227,000
Cost of sales	251,487	196,164	△55,323	207,800
SGA expenses	10,007	9,820	△187	10,000
Operating profit	15,750	12,925	△2,825	9,200
Foreign exchange gains/losses	2,490	4,214	1,724	-
Other	743	1,022	279	-
Ordinary profit	18,984	18,160	△824	9,200
Extraordinary profit	142	14	△128	-
Extraordinary losses	600	965	365	-
Profit before income taxes	18,527	17,210	△1,317	9,200
Total income taxes	5,889	5,578	△311	2,800
Profit attributable to owners of parent	12,637	11,632	△1,005	6,400
Comprehensive income	14,477	14,702	225	-

9



This page is a Summary of Consolidated Statements of Income and Consolidated Statements of Comprehensive Income for FY2022 results, FY2023 results and FY2024 forecast.

(Unit: Millions of yen)

	Mar. 31, 2023	Mar. 31, 2024	increase or decrease
Assets			
Current assets	151,878	145,925	△5,953
Property, plant and equipment	17,495	16,641	△854
Intangible assets, Investments and other assets	10,619	12,441	1,822
Total assets	179,993	175,008	△4,985
Liabilities			
Current liabilities	37,919	35,042	△2,877
Non-current liabilities	15,319	5,094	△10,225
Net assets	126,753	134,870	8,117
Total liabilities and net assets	179,993	175,008	△4,985

11

On the balance sheet, total assets decreased by 5.0 billion yen from the end of FY2022. Among the items, there were significant changes in current assets, non-current liabilities, and total net assets.

Current liabilities decreased by 6.0 billion yen from the end of FY2022, mainly due to the decrease in amusement-related sales. This resulted in a decrease in accounts receivable and inventory that exceeded the increase in cash and cash equivalents from temporary working capital recovery.

Non-current liabilities decreased by 10.2 billion from the end of FY2022, mainly due to 10.0 billion yen of the bonds with share acquisition rights being reclassified from non-current liabilities to current liabilities as they have become due within one year. Current liabilities decreased by 2.9 billion yen due to decreased accounts payable from the decrease in amusement-related sales despite the 10.0 billion yen increase from the bonds with share acquisition rights.

Net assets increased by 8.1 billion yen, and the equity-to-asset ratio increased by 6.7 percentage points from the end of the previous fiscal year to 77.1%.

Summary of Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	FY2022	FY2023
Cash flows from operating activities	20,765	26,931
Profit before income taxes	18,527	17,210
Depreciation	3,385	3,150
Increase (decrease) in receivable, payable and inventories	5,034	11,620
Other, net	△6,181	△5,049
Cash flows from investing activities	△9,852	△8,345
Increase (decrease) in time deposits	△3,733	△2,125
Payments into long-term deposits	△3,000	△3,500
Purchase of property, plant and equipment	△2,818	△2,742
Other, net	△301	22
Cash flows from financing activities	△7,437	△7,940
Purchase of treasury shares	△3,000	△2,817
Dividends paid	△4,287	△3,798
Other, net	△150	△1,324
Effect of exchange rate change on cash and cash equivalents	62	△1
Net increase (decrease) in cash and cash equivalents	3,538	10,644
Cash and cash equivalents at end of period	66,017	76,662

13

Cash flows from operating activities for FY2023 increased by 26.9 billion yen due to the profit before income taxes of 17.2 billion yen and the net cash inflow of 11.6 billion yen due to decreased receivable, payable, and inventories from the decrease in amusement-related sales.

Cash flows from investing activities decreased by 8.3 billion yen due to payments into long-term deposits and the purchase of property, plant, and equipment.

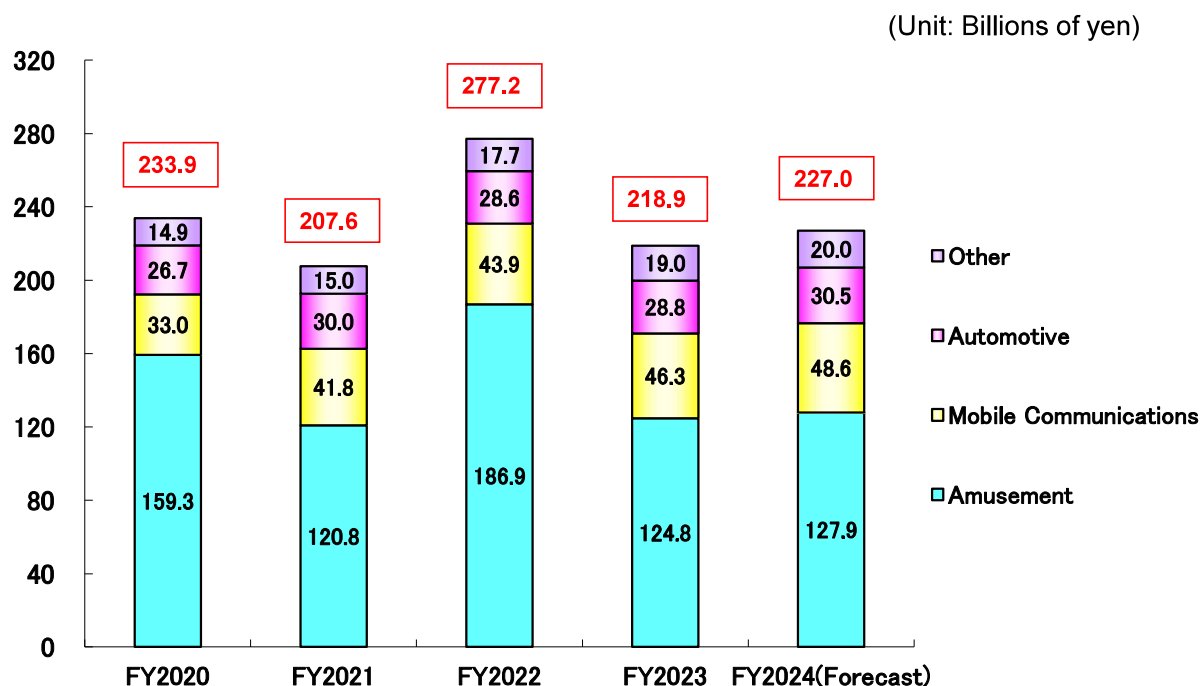
Cash flows from financing activities decreased by 7.9 billion yen, mainly due to the payment of 3.8 billion yen for dividends and expenditures of 2.8 billion yen for the purchase of treasury shares.

As a result, the balance of cash and cash equivalents at the end of the period increased by 10.6 billion yen from the end of the previous fiscal year.

Overall	<ul style="list-style-type: none"> Sales decreased by 21% year-on-year. Amusement-related sales decreased by 33% although sales for other markets increased. (Amusement-related sales increased by 3.5% in the first half and decreased by 59% in the second half) Operating profit decreased by 18%. In addition to the decrease in amusement-related sales, the positive effect of weak yen decreased. The positive effect of the depreciation of the yen on operating profit was 5.8 billion yen for FY2022 and 3.6 billion yen for FY2023.
Amusement	<ul style="list-style-type: none"> Sales decreased by 33% due to the decrease in demand from major customers. Major customers are assumed to have adjusted their inventories in FY2023.
Mobile Communications	<ul style="list-style-type: none"> Sales to major customers were strong, increasing by 5.5% year-on-year.
Automotive	<ul style="list-style-type: none"> Sales decreased significantly as some automakers' sales in the electro-mechanical component segment did not progress as initially planned, and sales in the display components segment decreased as the production of touch panels for a major customer was discontinued in the middle of the previous fiscal year. However, overall sales in automotive equipment increased slightly by 0.5% year-on-year owing to the sales increase in acoustic components and applied equipment segments.
Other	<ul style="list-style-type: none"> In addition to the microphones used in audio equipment, medical and health-related sales also increased. Sales in other businesses increased by 7% from the previous year.

15

This page is a summary of the above-mentioned FY2023 results.



17

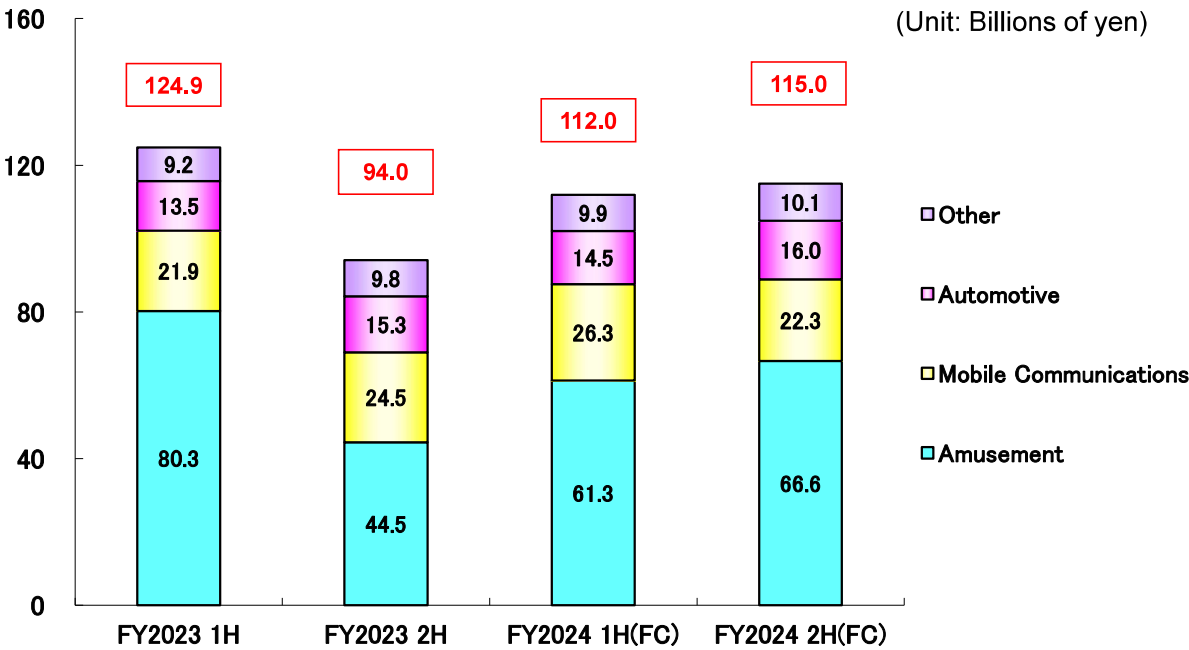
Sales forecast for FY2024 is expected to increase by 8.1 billion yen year-on-year to 227.0 billion yen.

For sales by market, sales in amusement-related equipment are expected to increase by 2.5% year-on-year to 127.9 billion yen (increase of 3.1 billion yen). There was an announcement that sales by major customers are expected to decrease for FY2024, but as we assume the major customers have completed their inventory adjustment in FY2023, the demand will remain in line with the previous year. With our exchange rate assumption of 151 yen per U.S. dollar, which is weaker than the result from the previous year, sales are expected to increase year-on-year, boosted by the positive impact of foreign exchange gains.

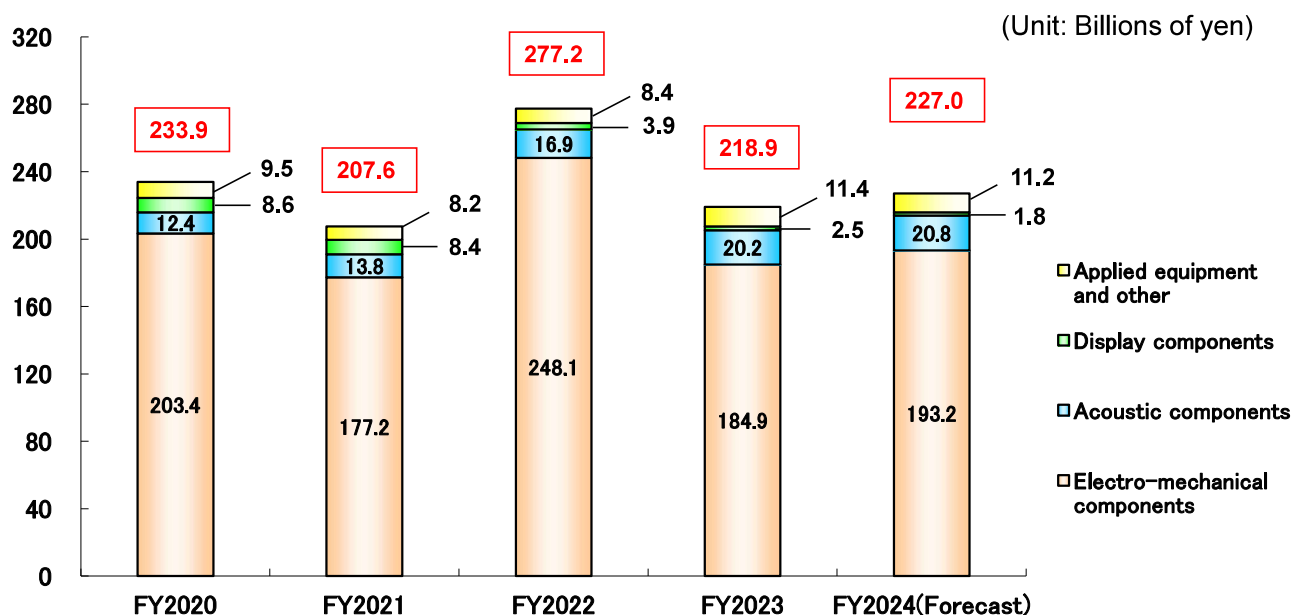
Mobile communications sales are expected to increase by 4.9% year-on-year to 48.6 billion yen (increase of 2.3 billion yen). The demand for the new model by a major customer remained strong during the first half.

Sales of automotive equipment are expected to increase by 6.0% year-on-year to 30.5 billion yen (an increase of 1.7 billion yen). The start of the first quarter is likely to be difficult due to the delay in the recovery of some customers, but full-year sales are expected to increase in all segments except display components.

Sales for other businesses are expected to increase by 5.4% year-on-year to 20.0 billion yen (an increase of 1.0 billion yen). In addition to the growth in existing businesses, we expect an increase in sales for IoT-related and wireless module products.



This page shows the sales results and forecast for each half year by market.



21

For full-year forecasts of sales by segment for FY2024 compared to the previous year:

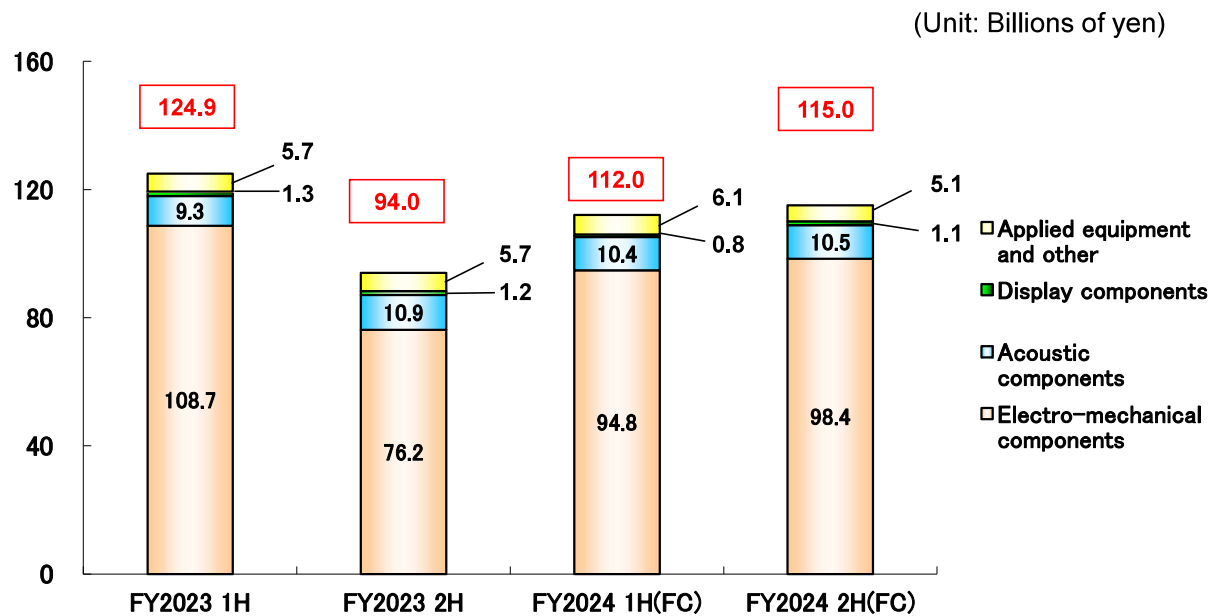
Sales in electro-mechanical components are expected to be 193.2 billion yen with increased sales across all segments of amusement-related equipment, mobile communications, automotive equipment, and other businesses.

Sales in acoustic components are expected to be 20.8 billion yen, mainly due to increased demand for automotive equipment.

Sales in display components are expected to be significantly lower at 1.8 billion yen due to the discontinuation of production of touch panels for a major customer in the middle of the previous fiscal year.

Sales in applied equipment and others are expected to be 11.2 billion yen, mainly due to decreased sales of amusement-related equipment year-on-year.

FY2024 Sales by Segment (Half Year)



23

This page shows the sales results and forecast for each half year by segment.

(Unit: Millions of yen)

	FY2020	FY2021	FY2022	FY2023	FY2024 (Forecast)
Capital investment	3,476	4,179	2,038	2,833	7,300
Depreciation	3,136	3,186	3,385	3,150	4,800
R&D expenses	2,410	2,187	2,020	1,963	2,500

25

Capital investment in FY2024 is expected to be 7.3 billion yen in total, with 2.0 billion yen for the construction of a new factory in Vietnam, 1.0 billion yen for automation, and 2.0 billion yen for production equipment included in the budget, in addition to the 2.0 to 2.5 billion yen for annual upgrading investment. FY2023 results include a 0.7 billion yen investment for automation.

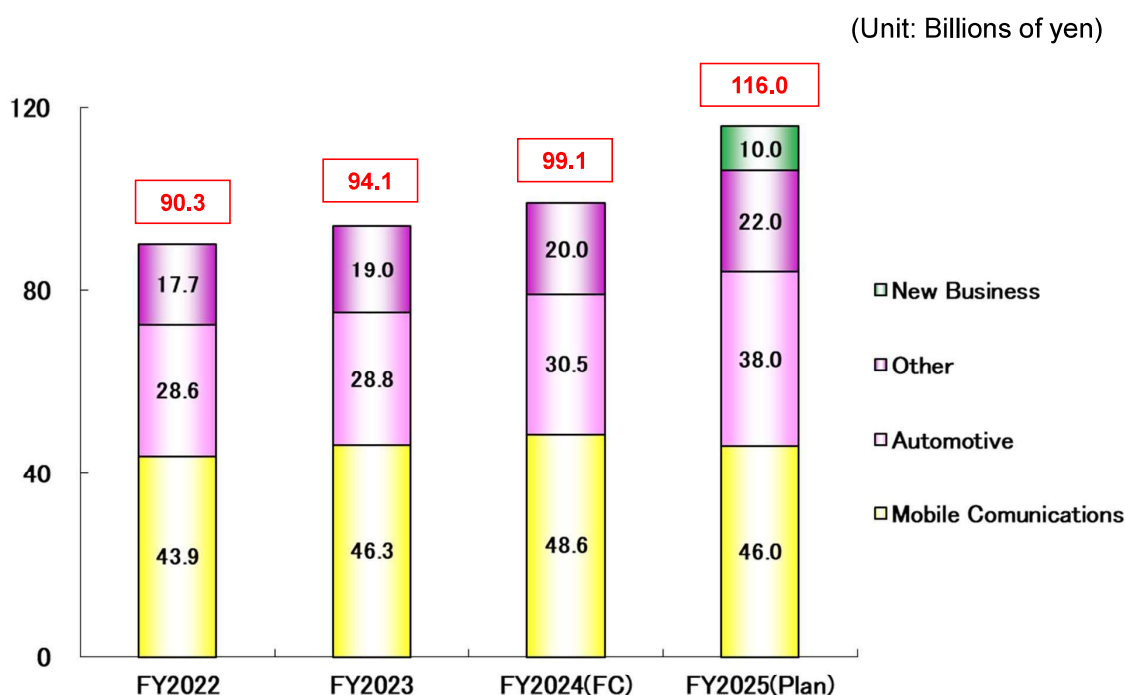
Depreciation for FY2024 is expected to increase due to increased capital investment.

Research and development expenses for FY2024 are expected to be in line with the average year.

Sales	<ul style="list-style-type: none"> • Overall, sales are expected to increase by 3.7% from the increase in sales in each market. • Amusement-related equipment sales are expected to increase by 2.5% year-on-year. There was an announcement that sales by major customers are expected to decrease for FY2024, but as we assume the major customers completed their inventory adjustment in FY2023, the demand from customers will remain flat from the previous year. With our exchange rate assumption of 151 yen per U.S. dollar, which is weaker than the result from the previous year, we expect sales to increase, boosted by the positive impact of foreign exchange gains. • Mobile communications sales are expected to increase by 5% year-on-year, driven by the demand for a new product by a major customer. • For automotive equipment, the start of the first quarter is expected to be difficult due to the delay in recovery of some customers, but full-year sales are expected to increase by 6% year-on-year. • For others, sales increase of 5% year-on-year is expected, partially due to the increase in sales for IoT-related products.
Profit Cause of expected decrease	<ul style="list-style-type: none"> • Depreciation is expected to increase by 1.65 billion yen. • Increase in profits from the weak yen reported in the previous year will decrease. • Increase in profits from increased revenue and product mix will be limited.

27

The aforementioned sales forecast for FY2024 is summarized in the sales column on this page. Please refer to this page for profit forecasts.



29

Regarding the progress in the three-year medium-term management plan concluding in FY2025, mobile communications have achieved the plan, and others are making steady progress. Automotive equipment may have difficulty achieving the target by FY2025 but is expected to get close to the target amount in FY2026 with one year delay. We are working on developing new businesses, but they have yet to materialize.

Policy

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
FY2022	23	48	71
FY2023	24	44	68
FY2024(FC)	19	19	38

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

Purchase and Cancellation of treasury shares based on the above policy

Result of FY2023

Total amount of share acquisition costs : approximately 2.8 billion yen

Total number of shares acquired: 1.6 million shares

Cancellation : All shares acquired above were cancelled on August 31, 2023.

31

Shareholder returns are as stated.

New Factory

- Building 8 of Hosiden Vietnam (Bac Giang)
- Floor area: 24,000m² (1 floor 6,000m² x 4 floors, solar panels installed on the roof)
- Construction to begin in 2024, scheduled to be completed in summer 2025

Purposes

- To increase production capacity
(in the past there were 6 factories in China, now there are 3)
- Expansion in countries and regions other than China, including tariff measures in the United States



Hosiden Vietnam (Bac Giang)
(The construction site is framed in red)



Image of Building 8

33

The Vietnam factory produces products for major customers in the amusement-related and mobile communications segments. The current floor area, including the warehouse space, is over 50,000 sqm.

To enhance the production capacity, we have commenced the construction of a new building with floor area of 24,000 sqm. Completion is scheduled for the summer of 2025.

(Topic) Initiatives for Carbon Neutrality

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	25.2%	Oct. 2022
Hosiden Kyushu	187 tons	17.4%	Feb. 2023
Hosiden Besson (UK)	15 tons	20.2%	Apr. 2023 (1 st phase) Sep. 2023 (2 nd phase)
Hosiden Tokyo Engineering & Production Dept.	35 tons	29.0%	Jul. 2024 (Plan)
Hosiden Head Office Building 5	100 tons	10.0%	FY2024 (Plan)
Hosiden Vietnam (Bac Giang)	700 tons	5.9%	Summer 2025 (Plan)

Installed solar panels on the roof of our head office building 3 beginning April 2014

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

Regarding carbon neutral initiatives, we continue to promote the installation of solar panels at each site to reduce CO2 emissions. The plan is to install solar panels at two sites in FY2024 and one in FY2025.

35

CDP (Carbon Disclosure Project) Score

Obtained B-plus in FY2023 (2 steps up for 2 consecutive years)

Aiming for A in the future

Hosiden's CDP score history

Fiscal Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CDP Score (Climate change)	D ⁻	D ⁻	D ⁻	D ⁺	D ⁻	D ⁻	D ⁻	D ⁺	C ⁺	B ⁺

Remarks: CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

36

(Topic) Installation of Solar Panels

In operation



Hosiden Wakayama



Hosiden Kyushu



Hosiden Besson 1st phase
(United Kingdom)

Starting operation in Jul. 2024



Hosiden Tokyo Engineering &
Production Dept.
(Yellow painted area)

Starting operation in FY2024



Hosiden Head Office
Building No.5
(Yellow painted area)

Starting operation in summer 2025



Hosiden Vietnam
(Bac Giang)
(Image of new building)

37

Part 2

Message from Kenji Furuhashi, President & CEO

39

40

Electronic Parts Industry

The environment was severe for the electronic component industry overall.

In addition to the lead time, the cost of procurement is also increasing. In addition, demand decreased due to the customers holding excess inventory of components.

Performance in FY2023

- Sales
Sales decreased by 20% year-on-year due to the decrease in sales of amusement-related equipment.
- Operating profit
Operating profit decreased by 18% year-on-year. In general, a 20% decrease in sales results in a 50% decrease in operating profit, but FY2023 was different. This was due to profits secured through non-amusement-related sales despite the significant decline in amusement-related sales in the second half. Operating profit margin was 6.8% in the second half, against 5.2% in the first half.
- Amusement
Customer demand continued during the first half of FY2023. However, sales decreased significantly in the second half.

41

Performance in FY2023 (Continued)

- Mobile communications
Sales and profit exceeded the initial plan due to the solid performance by the customer's new products.
- Automotive
The medium-term management plan announced last year aimed at 38.0 billion yen in sales of automotive equipment in FY2025, but the segment's performance was sluggish in FY2023 mainly because automakers' sales did not progress in accordance with the initial plan.
We do not do business with Chinese EV manufacturers, as we judged that the Chinese makers have particular business practices, making it difficult to maintain profit on an ongoing basis.
- Other
Sales increased by 7% year-on-year. Japan used to have 13 mobile phone manufacturers, but with the emergence of smartphones, we now only have a few customers, and the number of units produced has also decreased. Due to the decline in the number of customers, we revised our policy to focus on increasing the number of customers across various industries.
Consequently, we have increased the number of our new customers, including in the social infrastructure and apparel sectors, although sales per customer are small for other businesses.

42

Sales

- Amusement

We assume the customers have completed their inventory adjustment and expect sales to remain flat from the previous year. Sales are expected to reach 127.9 billion yen, and the figure does not include sales for the new hardware expected to be announced by the customer within this fiscal year.

- Mobile communications

As new product sales were strong in FY2023, sales are not expected to increase significantly in FY2024.

- Automotive

Auto sales in the U.S. are supposedly sluggish, but we expect automotive sales will increase year-on-year.

Capital investment

- We expect 7.3 billion yen in capital investment in FY2024, up from 2.8 billion yen in the previous year. This includes a 2.0 billion yen investment in expanding the Vietnam factory and 1.0 billion yen for automation to improve productivity, in addition to the regular annual capital investment of 2.0 - 2.5 billion yen. As we also need to make systems investments, the amount may exceed 7.3 billion yen.

43

Others

Economic security and Environment

- A discussion at the Japan Electronics and Information Technology Industries Association (JEITA) identified (1) economic security and (2) environment as issues. Regarding decoupling from China, Hosiden Group has reduced the number of factories in China from six to three. We will promote manufacturing outside of China, centering on the expansion of the Vietnam factory.

Increase in cash and deposit balances

- We believe holding cash and deposit balances is part of creditworthiness, including from our customers' perspective. We do not think the current deposit balance is excessive.

Inventory control

- Inventory decreased by 8.7 billion yen year-on-year. As our products are customized, excess inventory cannot be sold to others. We see holding inventory is bad and thoroughly enforce reduction of inventory.

44

Part 3

Main Q&A

45

Main Q&A

Q1

For amusement-related equipment, customers are deemed to have concluded their inventory adjustment in March. How is the order status for April to June 2024?

A1

We have received more orders than initially expected.

Q2

The FY2024 sales forecast does not include the new product by an amusement-related customer. Would winning the order for the new product positively impact sales?

A2

Yes, if we receive the order and engage in production and sales.

Q3

Have there been any changes, such as the market share, concerning the new product?

A3

The customer will determine market share.

Q4

Regarding capital investment, will automation be promoted for the production of amusement-related products?

A4

Yes. That is the plan.

46