

# HOSIDEN CORPORATION

## Financial Results Briefing for the First Six Months Ended September 30, 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 November 14, 2024**

1

## **Part 1**

# **Commentary on financial results briefing materials**

3

# Summary of Consolidated Financial Results for the First Six Months Ended September 30, 2024

(Unit: Millions of yen)

	First half of FY2023	First half of FY2024	Rate of change
Net sales	124,909	116,173	△7.0%
Operating profit	6,467	7,969	23.2%
Ordinary profit (exchange gain or loss)	11,017 (4,113)	6,340 (△2,253)	△42.5% —
Profit attributable to owners of parent	7,315	4,426	△39.5%
Net assets	131,566	139,565	6.1%

5

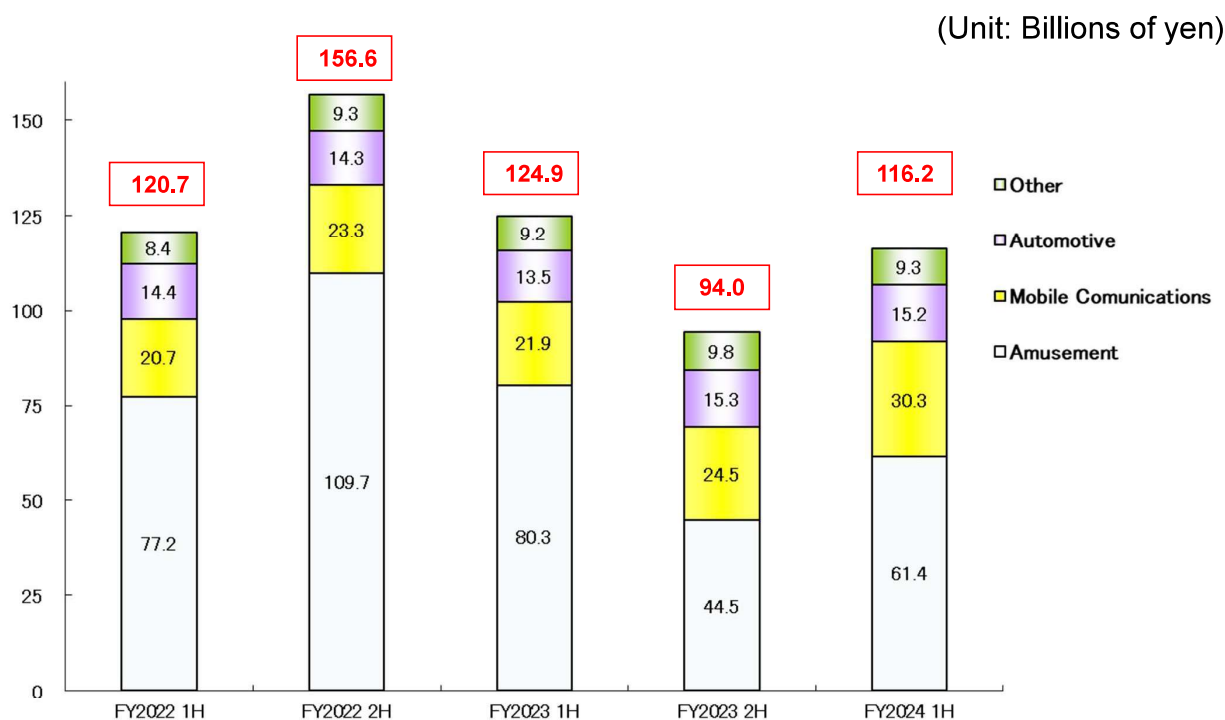
Overall net sales were 116.2 billion yen, down 7.0% from the previous year (down 8.7 billion yen in value), as a result of the 18.9 billion yen decrease in the amusement-related business. In contrast, there was a 8.4 billion yen increase in the mobile communications-related business, a 1.7 billion yen increase in the automotive-related business.

Operating profit increased by 23.2% year-on-year, reaching approximately 8.0 billion yen, which represents a rise of around 1.5 billion yen. This growth was primarily driven by improved profit margins in the mobile communications-related business and the impact of the product mix.

On the other hand, a foreign exchange gain of approximately 4.1 billion yen was recorded in the same period in the previous year, whereas a foreign exchange loss of about 2.3 billion yen occurred by the end of the interim period. As a result, ordinary profit decreased by approximately 4.7 billion yen year-on-year, totaling around 6.3 billion yen.

6

# First half of FY2024: Sales by Market



7

In terms of sales by market, amusement-related sales decreased by 23.6% year-on-year to 61.4 billion yen due to decreased sales to major customers.

Mobile communications-related sales increased by 26.1% year-on-year to 30.3 billion yen due to an increase in electro-mechanical components for major customers.

Automotive-related sales increased 12.4% year-on-year to 15.2 billion yen due to increased by 26.8% in acoustic components from the same period in the previous year.

Other sales increased by 1.0% year-on-year to 9.3 billion yen, driven by sales of microphones used in audio equipment.

8

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



(Unit: Billions of yen)

	First half of FY2023	First half of FY2024	increase or decrease	FY2024 (forecast)
Net sales	124,909	116,173	△8,736	227,000
Cost of sales	113,607	103,608	△9,999	207,800
SGA expenses	4,835	4,595	△240	10,000
Operating profit	6,467	7,969	1,502	9,200
Non-operating income and expenses	4,550	△1,630	△6,180	-
Ordinary profit	11,017	6,340	△4,677	9,200
Extraordinary profit	3	3	0	-
Extraordinary losses	10	2	△8	-
Profit before income taxes	11,010	6,342	△4,668	9,200
Total income taxes	3,695	1,915	△1,780	2,800
Profit attributable to owners of parent	7,315	4,426	△2,889	6,400
Comprehensive income	10,157	6,037	△4,120	-

9



Since an overview of sales and profits has been provided, Explanation for the income statement is omitted.

(Unit: Billions of yen)

	Mar. 31, 2024	Sep. 30, 2024	increase or decrease
<b>Assets</b>			
Current assets	145,925	142,384	△3,541
Property, plant and equipment	16,641	18,510	1,869
Intangible assets, Investments and other assets	12,441	12,307	△134
<b>Total assets</b>	<b>175,008</b>	<b>173,201</b>	<b>△1,807</b>
<b>Liabilities</b>			
Current liabilities	35,042	28,592	△6,450
Non-current liabilities	5,094	5,043	△51
<b>Net assets</b>	<b>134,870</b>	<b>139,565</b>	<b>4,695</b>
<b>Total liabilities and net assets</b>	<b>175,008</b>	<b>173,201</b>	<b>△1,807</b>

11

Regarding the balance sheet, total assets decreased by 1.8 billion yen from the end of the previous fiscal year.

The key changes in the balance sheet from the end of the previous fiscal year include a decrease of approximately 10 billion yen in convertible bonds with stock acquisition rights and an increase of around 8 billion yen in inventories, resulting in a total reduction of about 14.9 billion yen in cash and deposits, as well as securities.

Net assets increased by 4.7 billion yen. And the equity-to-asset ratio increased by 3.5 percentage points from the end of the previous fiscal year to 80.6%.

12

## Summary of Consolidated Statements of Cash Flows



(Unit: Billions of yen)

	First half of FY2023	FY2023	First half of FY2024
Cash flows from operating activities	5,657	26,931	△1,700
Profit before income taxes	11,010	17,210	6,342
Depreciation	1,482	3,150	1,430
Increase (decrease) in receivable, payable and inventories	△3,213	11,620	△4,968
Other, net	△3,622	△5,049	△4,504
Cash flows from investing activities	△1,147	△8,345	△4,011
Purchase of property, plant and equipment	△867	△2,742	△2,411
Other, net	△280	△5,603	△1,600
Cash flows from financing activities	△6,610	△7,940	△11,417
The redemption of bonds with share acquisition rights	-	-	△9,085
Purchase of treasury shares	△2,816	△2,817	△0
Dividends paid	△2,557	△3,798	△2,274
Other, net	△1,236	△1,324	△58
Effect of exchange rate change on cash and cash equivalents	272	△1	555
Net increase (decrease) in cash and cash equivalents	△1,827	10,644	△16,573
Cash and cash equivalents at end of period	64,189	76,662	60,088

13



Cash flows from operating activities in the first half of the 2024 fiscal year decreased by 1.7 billion yen. While quarterly net income was 6.3 billion yen, cash-out due to net changes in accounts receivable, accounts payable, and inventories was 5.0 billion yen and cash-out due to payment of corporate taxes, etc. was 3.3 billion yen.

Cash flows from investing activities decreased by 4.0 billion yen, mainly due to the purchase of property, plant, and equipment.

Cash flows from financing activities decreased by 11.4 billion yen, mainly due to expenditures of 9.1 billion yen for the bonds with share acquisition rights and 2.3 billion yen for the payment of dividends.

As a result, the balance of cash and cash equivalents at the end of the period decreased by 16.6 billion yen from the end of the previous fiscal year.

## Summary of the First Half of FY2024

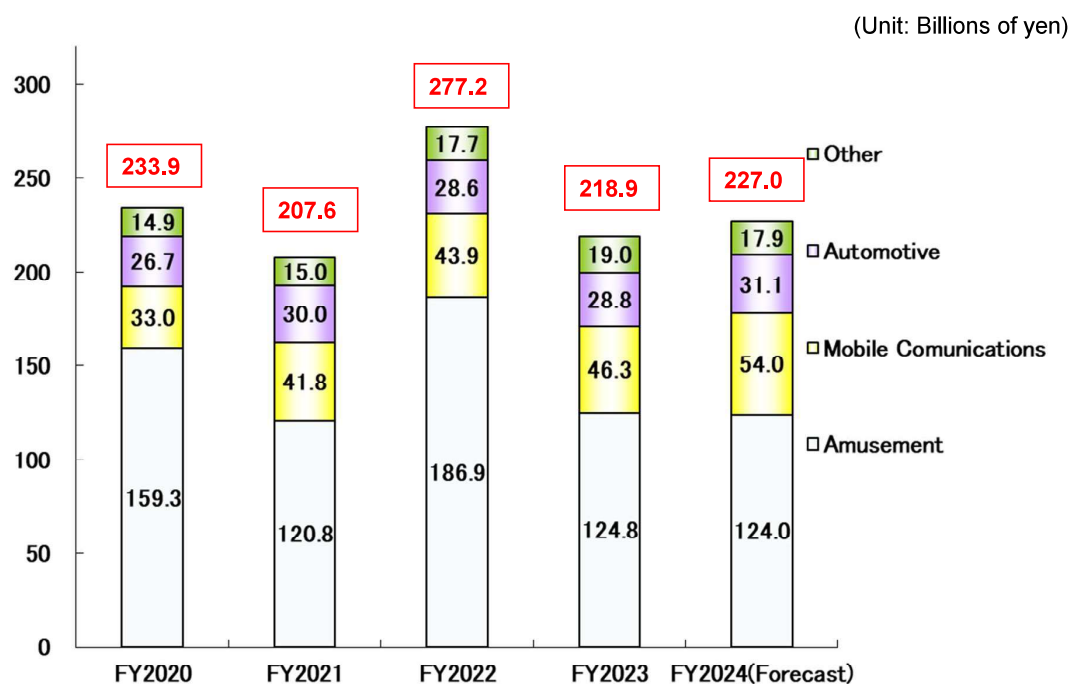
Overall	<ul style="list-style-type: none"><li>▪ Overall, sales decreased by 7.0% compared to the first half of the previous year. But operating profit increased by 23.0%.</li><li>▪ Sales for all market increased except amusement-related.</li><li>▪ The increase in operating profit is primarily attributed to improved profit margins in the mobile communications-related and the impact of the product mix.</li></ul>
Amusement	<ul style="list-style-type: none"><li>▪ In the first half of FY2024, sales decreased by 24% from the first half of the previous year.</li></ul>
Mobile Communications	<ul style="list-style-type: none"><li>▪ Sales to major customers were strong, and sales increased by 39% from the first half of the previous year.</li></ul>
Automotive	<p>Sales in the acoustic components segment increased by 27% from the first half of the previous year, while sales in the electro-mechanical components segment increased slightly by 1% due to the continued production slowdown of certain automobile manufacturers. Sales in the display components segment increased slightly as production of touch panels. As a result, overall sales in automotive equipment increased by 12% from the first half of the previous year.</p>
Other	<ul style="list-style-type: none"><li>▪ Sales of microphones used in audio equipment continued to grow, while medical and health-related sales and air conditioning-related sales decreased. Sales in other businesses as a whole increased by 1% from the first half of the previous year.</li></ul>

15

This page summarizes the sales results for the first half of the fiscal year explained earlier.



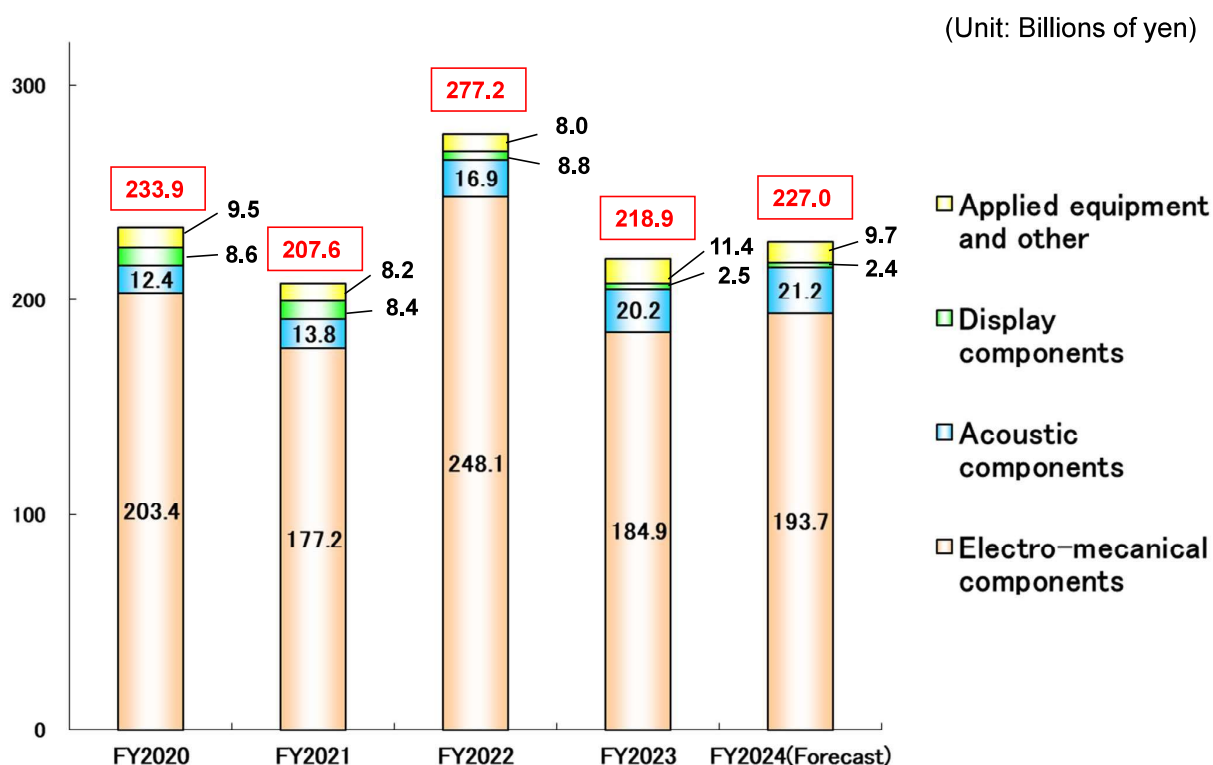
## FY2024 Full-Year Forecast: Sales by Market



17

For sales in the 2024 fiscal year by market, we expect sales in mobile communications-related to increase by 16.5% year-on-year, and automotive equipment to increase by 8.1%, resulting in overall sales are expected to increase by 8.1 billion yen to be 227.0 billion yen.

## FY2024 Full-Year Forecast: Sales by Segment



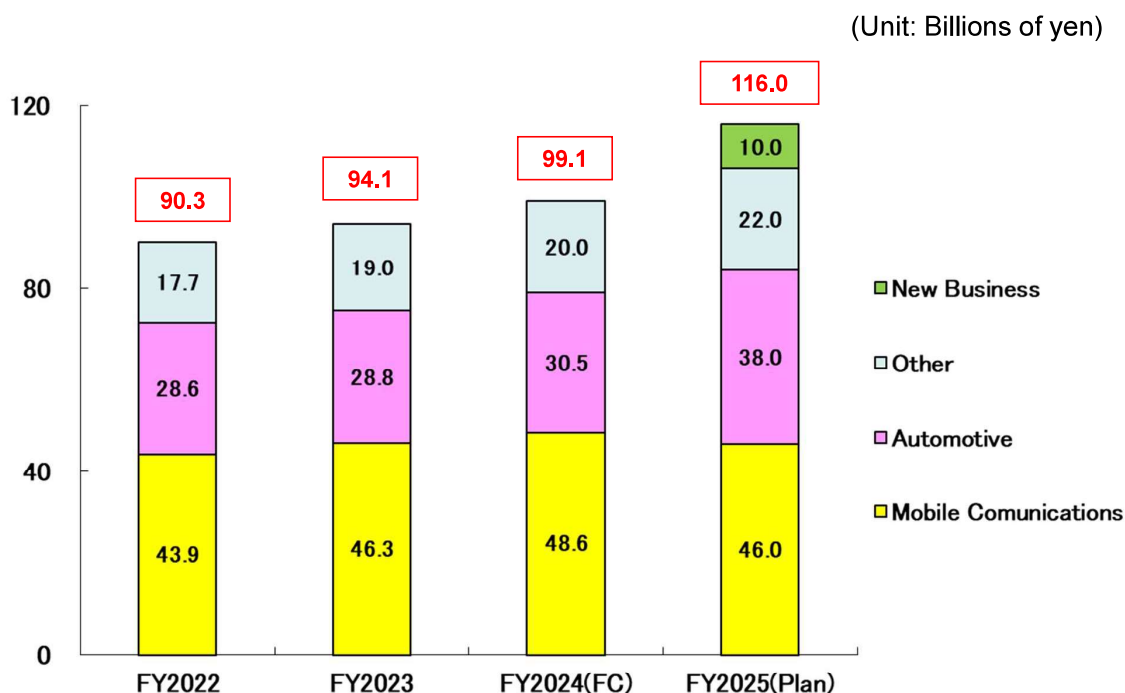
19

For full-year sales forecasts by segment for the 2024 fiscal year compared to the previous year, we expect sales in electro-mechanical components to be 193.7 billion yen, mainly due to an increase in sales of mobile communications.

Sales in acoustic components are expected to be 21.2 billion yen, mainly due to an increase in demand for automotive-related business.

Sales in display components are expected to decrease by 3.3% year-on-year to 2.4 billion yen.

Sales in applied equipment and others are expected to be 9.7 billion yen, due to a decrease in medical and health-related sales. We also expect a decrease in sales of amusement-related equipment for customers other than our main customer.



21

Regarding the progress in the three-year medium-term management plan concluding in FY2025, mobile communications have achieved the plan. 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.

(Unit: Millions of yen)

	FY2020	FY2021	FY2022	FY2023	FY2024 (Forecast)
Capital investment	3,476	4,179	2,038	2,833	(1 <sup>st</sup> half result 2,771) 7,300
Depreciation	3,136	3,186	3,385	3,150	(1 <sup>st</sup> half result 1,430) 4,800
R&D expenses	2,410	2,187	2,020	1,977	(1 <sup>st</sup> half result 1,013) 2,500

23

There are no changes in the full-year forecasts made at the beginning of the fiscal year regarding capital investment, depreciation, and R&D expenses for FY2024.

### New Factory

- Building 8 of Hosiden Vietnam (Bac Giang)
- Floor area: 24,000m<sup>2</sup> (1 floor 6,000m<sup>2</sup> x 4 floors, solar panels installed on the roof)
- Construction to begin in 2024, scheduled to be completed in autumn 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

25

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 autumn 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 <sup>st</sup> phase) Sep. 2023 (2 <sup>nd</sup> phase)
Hosiden Tokyo Engineering & Production Dept.	35 tons	29.0%	Sep. 2024
Hosiden Head Office Building 5	100 tons	10.0%	Nov. 2024 (Plan)
Hosiden Vietnam (Bac Giang)	700 tons	5.9%	Autumn 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.

### CDP(Carbon Disclosure Project) Score

- Achieved a B+ rating in FY2023 (a two-level improvement for the second consecutive year).
- Aiming for an A rating in the future.

27

## (Topic) Installation of Solar Panels

### In operation



Hosiden Wakayama



Hosiden Kyushu



Hosiden Besson 1st phase  
(United Kingdom)

### Starting operation in Sep. 2024



Hosiden Tokyo Engineering &  
Production Dept.

### Starting operation in Nov. 2024



Hosiden Head Office  
Building No.5

### Starting operation in autumn 2025



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

28



## Part 2

# Message from Kenji Furuhashi, President & CEO

29

### Review of the First Half of FY2024(1)

Sales for the first half of FY2024 totaled 116.2 billion yen, a 7% decrease compared to the same period of the previous year. Breakdown of sales by market is as below.

#### 1. Amusement

- The sales of amusement-related business decreased by 23% compared to the same period last year. The share by segment was 53%, which is the lowest it has been in recent years for the first half of the year.
- It has been 8 years since the current models were released, and while the decline in sales is unfortunate, there is little we can do about it. Normally, there is a boost in sales during periods like Black Friday and the Christmas shopping season, but we believe that the momentum seen in previous years may not be present this time.
- We expect the current models to continue into their 9th and 10th years.

#### 2. Mobile communications

- Despite limited growth in the smartphone market and among our customers, sales in the mobile communications segment increased by 38.5% compared to the same period last year, reaching 30.3 billion yen.
- Products in this segment have been produced in Vietnam, where wage levels are relatively low. However, recently, it has become more difficult to hire workers, and labor costs have been rising. In response, we began mechanization in July 2023, advancing the automation of our production lines. As a result, we achieved 100% of our initial mechanization goal and were able to reduce the number of employees. The automation of the production line has been well-received by customers, and it was implemented at a favorable time. (to be continued)

30

- This has led to an increase in our market share and sales, making a significant contribution to our performance in the first half of the year.

### 3. Automotive

- In January, automobile manufacturers in Europe and the U.S. and in April, automobile manufacturers in Japan announce their production plans for the year, but this year's production plan achievement rate has been exceptionally low.
- Our company estimates how many parts we can sell to each automaker and each vehicle model based on their production plans, sets sales targets, and prepares the production capacity at our factories. Therefore, if the customer's production plans fall short, our factories become underutilized, resulting in excess production capacity.
- For the first half of the year, the sales of transportation equipment segment increased by 12.8%, to be 15.2 billion yen, due to a 26.8% increase in the sales of acoustic components compared to the same period last year. However, considering the initial customer plans, the transportation equipment segment could have grown even more.
- That being said, there is no doubt that the automotive market will grow with trends such as electrification, EV adoption, and autonomous driving, and we will continue to advance development in these areas.

31

### 4. Profit

Operating profit for the first half of the year increased by 23.2% year-on-year, to be 8 billion yen. The factors contributing to this are as follows:

- The increase in sales and improvement in profitability in the mobile communications segment.
- The benefits from favorable exchange rates (with the yen remaining weak).
- Regarding ordinary profit, a foreign exchange loss occurred due to a shift to a stronger yen at the end of the second quarter.
- In terms of profit, the recent exchange rate has been around 155 yen to the dollar, and if this trend continues, it will serve as a tailwind for our company.

32



- Operating profit for the first half was 8 billion yen, and the full-year forecast remains unchanged at 9.2 billion yen.
- Operating profit for the second half is expected to be 1.2 billion yen. This decrease is mainly due to a significant increase in depreciation costs from capital investment, in addition to the decline in sales of the highly profitable mobile communications segment.
- Regarding new amusement products, our customer has stated that the release date in the market will be announced within this fiscal year. However, no specific details have been disclosed regarding the release timing, pricing, or specifications. Therefore, there is nothing further we can share at this time.

33

## Others (1)

### 1. The new factory in Vietnam

- Approval for the construction of a new building at the Vietnam factory has not yet been granted.
- The new building was planned for construction starting in April 2024, with the expectation of breaking ground by September. However, construction has not yet begun.
- We believe that the influx of Chinese and Taiwanese companies hiring large numbers of workers may have led to an increase in application volumes, making it harder to obtain approval.
- Previously, we explained that we would invest 2 billion yen in the construction of the new building in Vietnam. We remain committed to actively investing in the Vietnam factory. To address hiring difficulties and rising wages, we will pursue mechanization and automation in every possible process.

### 2. Automotive in the Medium-Term Management Plan

- The automotive equipment segment is expected to grow steadily from FY2025 to FY2027. We aim to achieve double-digit growth annually, increasing from the current level of 30 billion yen to over 40 billion yen.
- We have identified new customers and new products that will help us achieve this goal.

34

### 3. The Other in the Medium-Term Management Plan

- In the "Other" category of the equipment segment, we have planned sales of 10 billion yen, including M&A. However, as of now, the actual performance is zero, and there are no concrete developments.
- But we have begun supplying new markets, such as sensor-related businesses, which were not part of our previous product offerings.
- We aim to continue developing new industries, customers, and products.

### 4. Carbon Neutrality

- Regarding carbon neutrality, European customers are taking a strict stance with their suppliers. While it is unclear what specific policies former President Trump might implement, U.S. customers are also placing stringent demands on carbon neutrality.
- We are committed to installing solar power systems and thoroughly implementing energy-saving measures to reach a competitive level within the industry. We are determined not to lose out to competitors due to carbon neutrality, rather than quality, delivery time, or price.
- Our subsidiary in the U.K. has also installed solar panels. With local electricity costs at approximately 100 yen/kWh—four times higher than Japan's 25 yen/kWh—we believe this initiative will significantly reduce costs in addition to contributing to carbon neutrality.

35

### 5. The Political Situation in the United States

- We are concerned about what policies President-Elect Trump might introduce. There are discussions about imposing a 60% tariff on Chinese-made products. Since last year, we have launched the "What if Trump returns" project to shift production from China to Malaysia and Vietnam.
- Historically, China was the top import partner for the United States, followed by Mexico. However, China has dropped in rank, with Mexico now at number one and Vietnam at number two. There are concerns about whether Vietnam-based production is truly effective as a countermeasure against U.S. tariffs.
- One advantage of manufacturing in China has been the completeness of the supply chain within the country. However, the level of supply chain development in Vietnam has significantly improved.
- Additionally, when changing production locations, we need to apply for 4M (Man, Machine, Material, Method) changes with our customers. For some of automotive manufacturers, it can take around 18 months to obtain approval from some customers.
- We will closely monitor the policies implemented by the U.S. government.

36

## Part 3

# Main Q&A

37

### Main Q&A(1)

Q1

There was an explanation about the automation of the mobile communications production line at the Vietnam factory, but will this also be implemented for other production lines, including amusement? Is it already significantly advanced?

A1

It will be implemented across all segments. The automation of production lines for smartphones and transportation equipment has made significant progress, but for amusement, since the current model has been in use for 8 years, we plan to invest based on future demands.

Q2

Is the increase in depreciation expenses for the full year due to higher investments in molds?

A2

The increase in depreciation expenses for the second half is due to the initial forecast we set at the beginning of the period. It was anticipated that substantial investments would be needed when new products from customer were released, so this was factored into the budget.

38

Q3

What impact will the delay in the construction of the new factory have on Hosiden's business?

A3

Currently, there are 7 buildings at the Vietnam factory. In the meantime, we will continue to manage with the existing production lines. The progress of the Vietnam supply chain has been remarkable, especially in mold technology. We are also utilizing partner factories to meet customer demands.

Q4

The new amusement products are expected to be supplied to the market in substantial quantities from the start, and if this continues, is Hosiden prepared for the production capacity required?

A4

We will not turn down any orders from customer. We are fully prepared to any customer's demand.

39

Q5

You mentioned that the automotive-related business is expected to grow steadily until 2028. What is the expected profit margin for this segment?

A5

The profit margin varies by product, but overall, we expect to secure a good profit margin.

Q6

Regarding the 10 billion yen in the "Other" category of the mid-term plan: In a previous briefing, you mentioned sensor-related business. What is the progress on this, and what is the expected profit margin?

A6

The sensor-related business has shown potential for use in various fields, including social infrastructure. We expect sales for this year to be around 300-500 million yen, with projections for annual sales to reach several billion yen. The profit margin for this business is expected to be higher compared to our traditional products.

40