

Fiscal Year ended March 31,2023 Financial Results Briefing Material

Jun 2023

HOKURIKU ELECTRIC INDUSTRY Co.,LTD

- 1. FY2022 Financial Results

- 2. FY2023 Financial Forecast

- 3. Efforts to Achieve the Medium- to Long-Term Vision (Summary)



1. FY2022 Financial Results

- Summary of Financial Results
- Variations in Operating income (YoY)
- Sales Amount by Product
- Sales Amount Breakdown by Market
- Balance Sheet
- Cash Flows

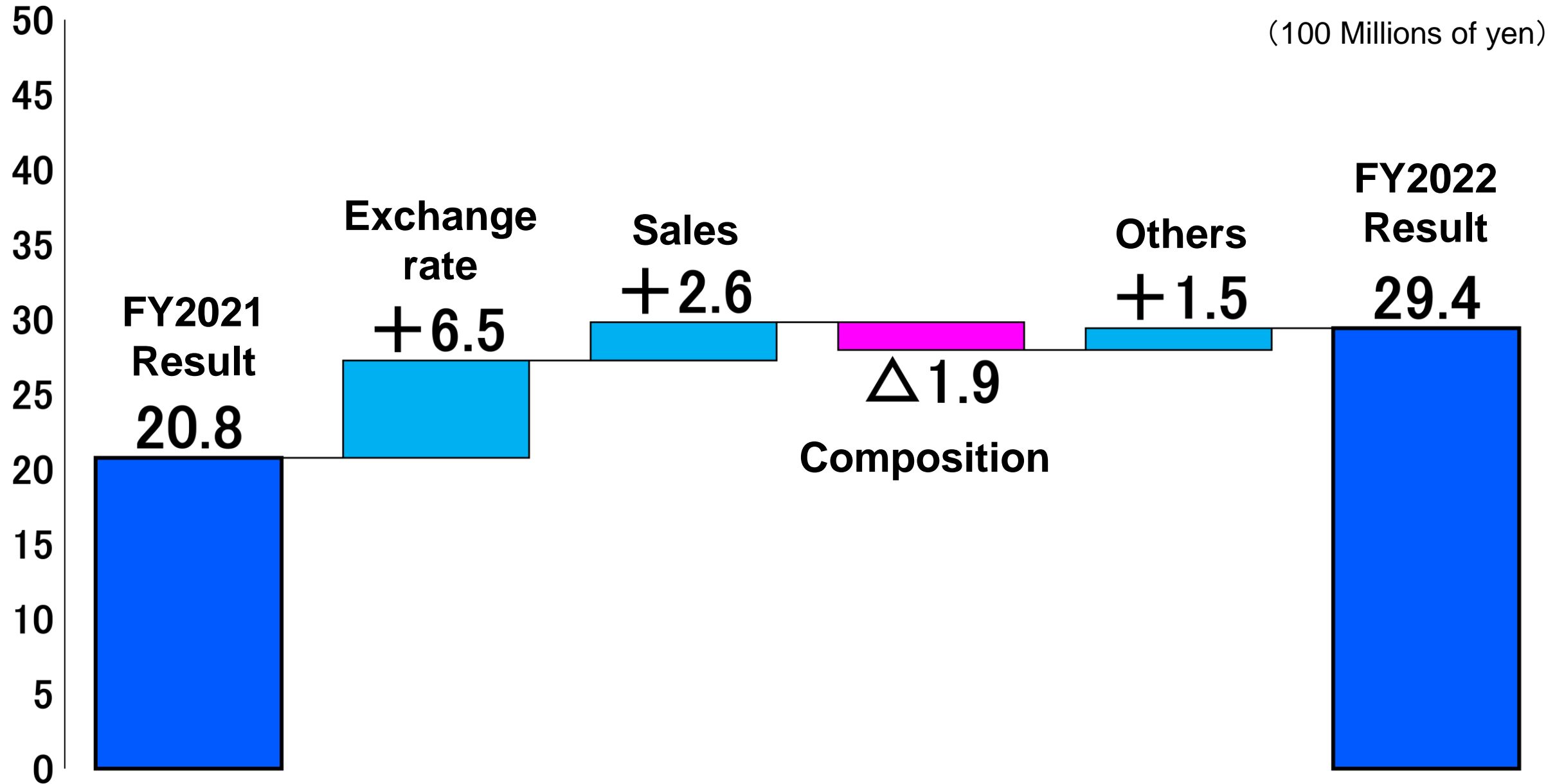
Summary of Financial Results

- Net sales: JPY 45.46 Bn +5.01 Bn YoY Significant increase mainly for the automobiles market
- Operating income: JPY 2.94 Bn +0.87 Bn YoY
- Ordinary income greatly increased due to the yen's depreciation (JPY 0.52 Bn).
- Profit attributable to owners of parent decreased significantly due to the following reasons.
An extraordinary loss of JPY 2.0 Bn was recorded as loss on business related to clients due to the filing of a petition for commencement of civil rehabilitation proceedings by a business partner.

(100 Millions of yen)

	FY2021 Results	FY2022 Results	YoY	
			Amount	%
Net sales	404.5	454.6	+50.1	+12.4
Operating income	20.8	29.4	+8.7	+41.7
Ratio of operating income to net sales	5.1%	6.5%	—	—
Ordinary income	25.5	35.8	+10.3	+40.6
Profit attributable to owners of parent	19.5	6.5	▲13.0	▲66.8
Exchange rate (End of term) 1US\$=JPY	122.39	133.53	—	—

Variations in Operating income (YoY)



Sales Amount by Product

➤ Significant growth in modules for Automobiles

Module products

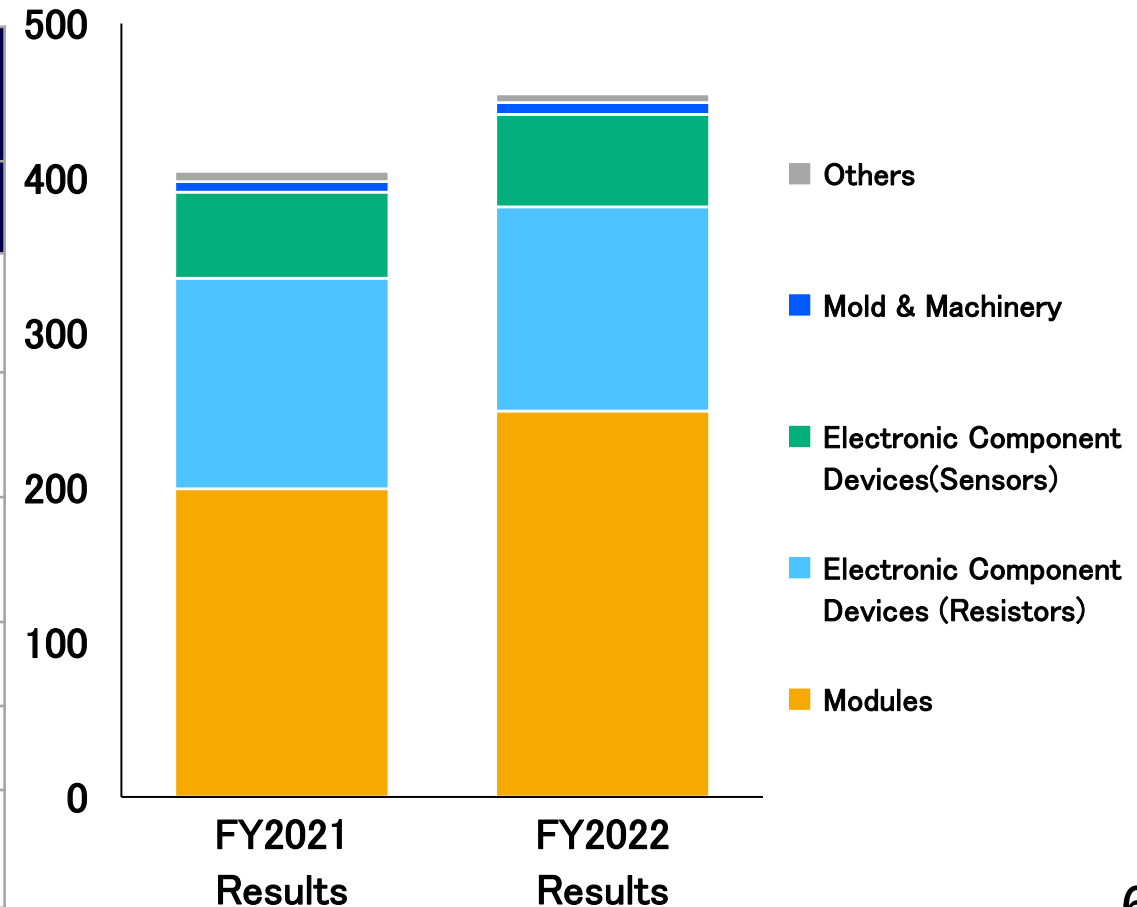
Sales JPY 24.95 Bn +5.02 Bn YoY

Electronic Component Device products

Sales JPY 19.18 Bn ±0.00 Bn YoY

(100 Millions of yen)

	FY2021 Results		FY2022 Results		YoY	
	Amount	%	Amount	%	Amount	%
Modules	199.3	49.3	249.5	54.9	+50.2	+25.2
Electronic Component Devices (Resistors)	136.0	33.6	131.9	29.0	▲4.1	▲3.0
Electronic Component Devices (Sensors)	55.8	13.8	59.9	13.2	+4.1	+7.3
Mold & Machinery	6.8	1.7	7.6	1.7	+0.8	+12.2
Others	6.6	1.6	5.6	1.2	▲1.0	▲14.7
Total	404.5	100.0	454.6	100.0	+50.1	+12.4



Sales Amount Breakdown by Market

➤ Automobiles market sales JPY 28.67 Bn +5.06 Bn YoY

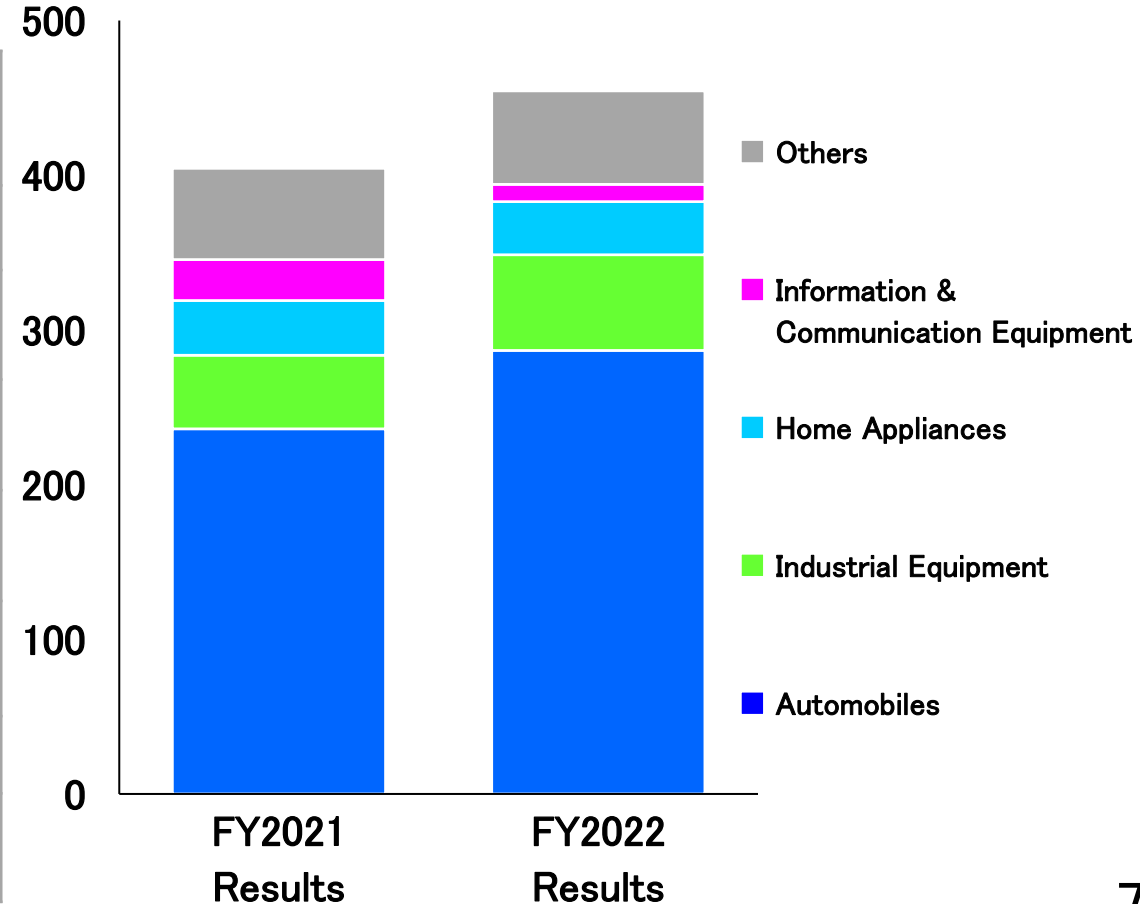
Although there have been China's Urban Blockades and supply constrains on semiconductors, overall good performance has continued.

➤ Information and Communication Equipment market sales

JPY 1.12 Bn Δ 1.52 Bn YoY Decrease in sales due to slowdown of stay-at-home demand.

(100 Millions of yen) 500

	FY2021 Results		FY2022 Results		YoY	
		%		%	Amount	%
Automobiles	236.1	58.4	286.7	63.1	+50.6	+21.4
Industrial Equipment	47.6	11.8	61.9	13.6	+14.3	+30.0
Home Appliances	35.4	8.8	34.3	7.5	▲1.1	▲3.1
Information & Communication Equipment	26.4	6.5	11.2	2.5	▲15.2	▲57.7
Others	59.0	14.6	60.5	13.3	+1.5	+2.5
Total	404.5	100.0	454.6	100.0	+50.1	+12.4



Balance Sheet

- Total assets increased JPY 2.02 Bn mainly due to increases in cash and deposits and inventories.
- Liabilities increased JPY 0.86 Bn mainly due to an increase in short-term borrowings.

(Millions of yen)

	FY2021	FY2022	YoY
Current assets	27,858	30,132	+2,273
Cash and deposits	7,006	8,052	+1,046
Notes and accounts receivable-trade	11,065	10,064	Δ1,001
Inventories	7,917	10,021	+2,103
Non-current assets	13,100	12,847	Δ253
Total assets	40,959	42,979	+2,020
Current liabilities	14,827	15,803	+976
Notes and accounts payable-trade	7,491	7,737	+245
Short-term borrowings	4,617	5,690	+1,073
Non-current liabilities	10,181	10,068	Δ112
Total liabilities	25,008	25,872	+863
Total net assets	15,950	17,107	+1,157
Total liabilities and net assets	40,959	42,979	+2,020

• Securing parts and materials due to difficulty in procuring parts and materials.

➤ Net assets increased by JPY 1,157 million

• Profit attributable to owners of parent +647
 • Dividends from surplus Δ376
 • Foreign currency translation adjustments due to appreciation of Asian currencies against the yen +726

- **Operating activities**
- **Investing activities**
- **Financing activities**

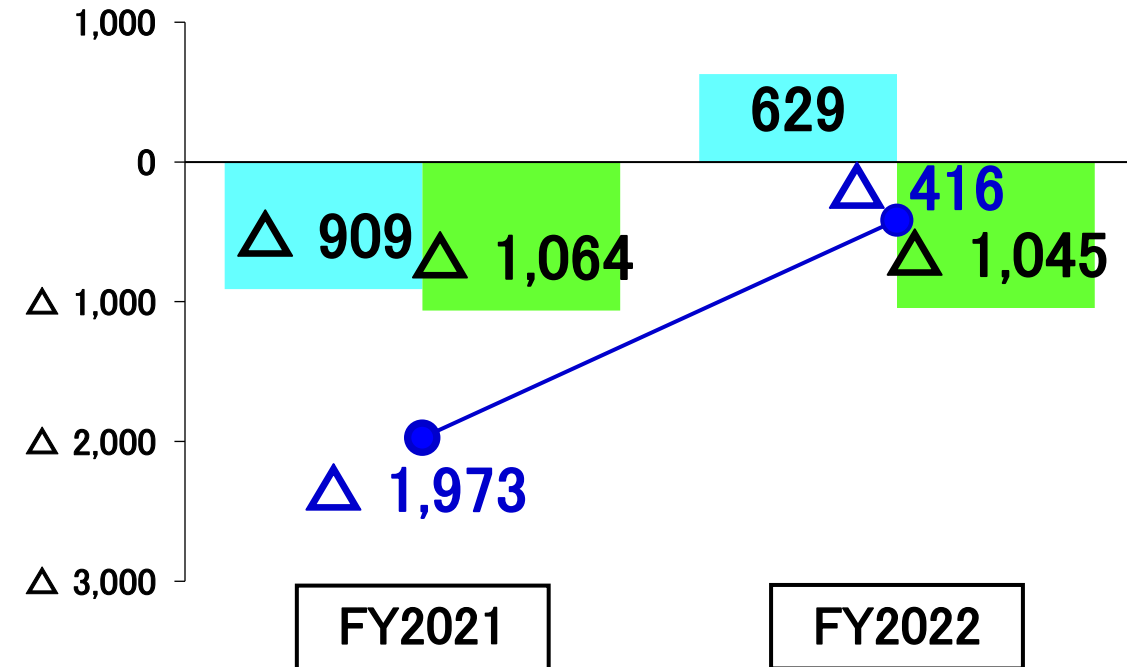
Increase due to profit and depreciation

Mainly due to the purchase of Non-current assets

Mainly increase in borrowings

(Millions of yen)

	FY2021	FY2022	Amount
Net cash provided by operating activities	△909	629	+1,538
Net cash provided by investing activities	△1,064	△1,045	+19
Free cash flow	△1,973	△416	+1,557
Net cash provided by financing activities	23	773	+749
Cash and cash equivalents at end of period	5,404	6,253	+848



- Cash flows from operating activities
- Cash flows from investing activities
- Free cash flow

2. FY2023 Financial Forecast

- Business Environment
- Financial Forecast
- Variations in Operating income (YoY)
- Sales Amount by Product
- Sales Amount Breakdown by Market
- Capital expenditures/
Depreciation/R&D expenses
- Return to Shareholders

FY2022

◇ Global Economy

- Unstable economic environment continued due to soaring energy prices, currency fluctuations, and rising inflation
- Economic recovery was stagnant due to monetary policies in response to rising inflation in various countries, concerns about energy supply in Europe, and the impact of China's zero-corona policy and deregulation on economic activity

◇ Electronics Market

- Automobile production growth was sluggish due to China's Urban Blockades and supply constraints on semiconductors
- Production of consumer electronics showed a downward trend in the second half of the year due to lower demand for smartphones and PCs

FY2023

◇ Electronics Market

- First Half : Severe demand trends continue due to sluggish demand for consumer electronics such as smartphones and PCs, and stagnant semiconductor capital investment
- Second Half: Recovery of automobile production due to easing of semiconductor shortage, acceleration of xEV market growth, recovery of demand for IT equipment

➤ Severe market conditions are expected in the first half of the year. However, demand for electronic components is expected to continue to increase due to a recovery in automobile production as the semiconductor shortage eases and increased demand for 5G and decarbonization-related products.

• In the first half of the year, demand for consumer electronics is trending slightly downward due to prolonged production adjustment of smartphones in China and a rebound from special demand for stay-at-home demand.

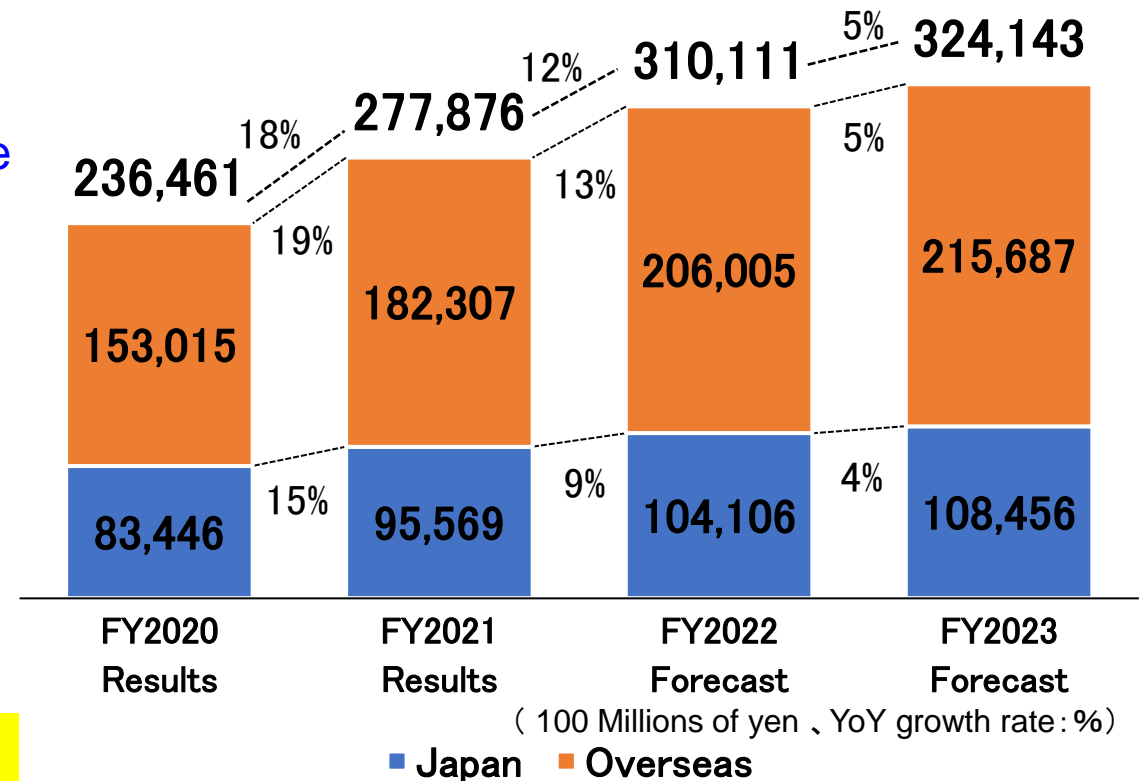
• Demand for automotive applications is expected to increase due to a recovery in production as the semiconductor shortage eases and an increase in the number of components installed in xEV, Advanced ADAS/AD, Connected Car etc..

• Increase in demand for 5G, creation of new demand in decarbonization and energy efficiency

Continued growth is expected

World Production Forecast for Electronic Components in 2023 JPY 32,414.3 Bn、+5% YoY

【World Production Forecast for Electronic Components】



source : JEITA「2022.12 電子情報産業の世界生産見通し」

➤ DX market continues to see growth in IoT devices, especially in the digital innovation market

Demand Forecast for IoT Devices (Global)

(100 Millions of dollars)

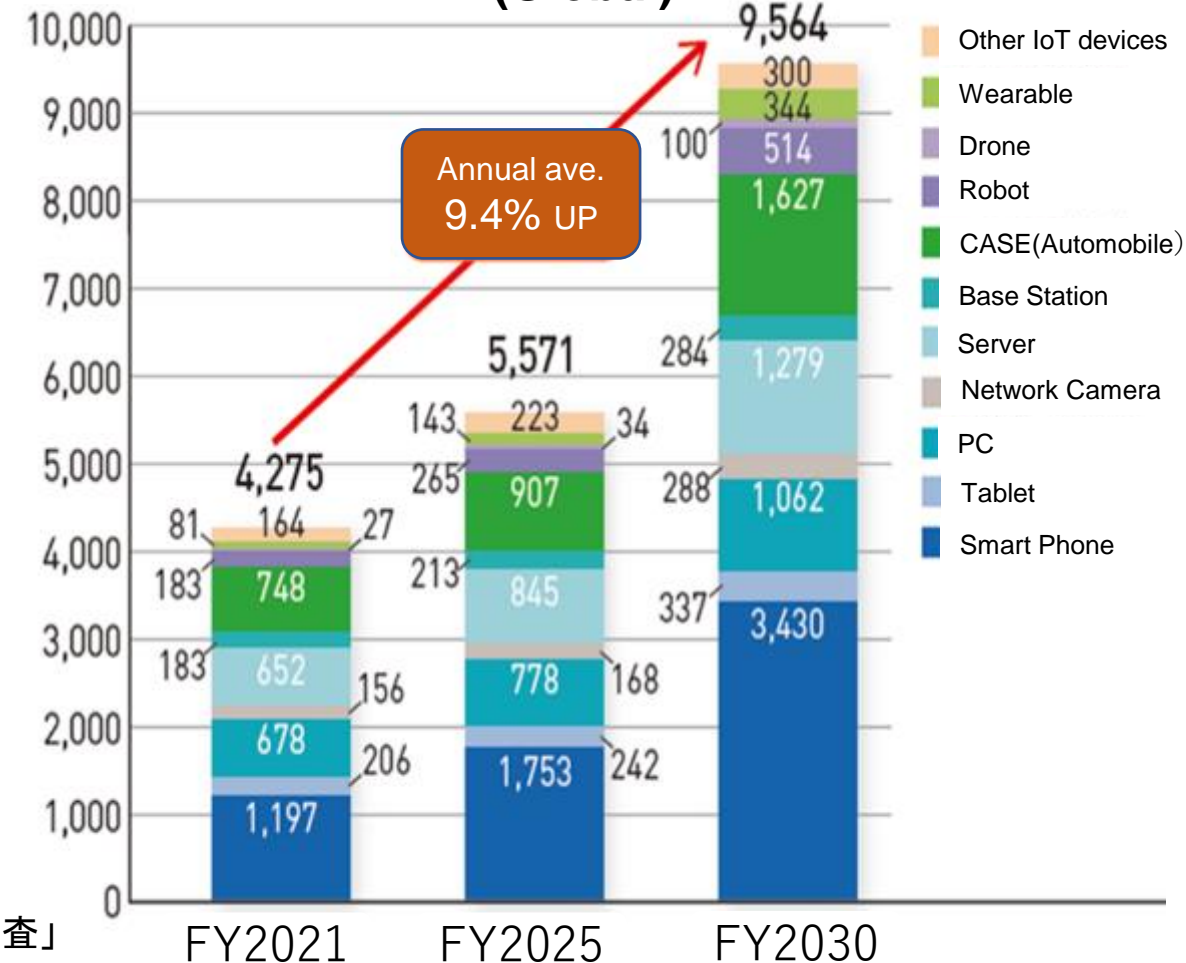
	FY2021	FY2025	FY2030
IoT Devices	15,927	16,368	20,410
Of which, digital innovation market	4,275	5,571	9,564

✂ Digital Innovation Market

WEB3.0/Blockchain、Quantum Computer、Metaverse、
Cloud/Edge Computing、5G/Beyond5G(6G)、
AI Analysis、Cyber Security

IoT Devices for the Digital Innovation Market (Global)

(100 Millions of dollars)



source : JEITA「2022.12 電子情報産業の世界生産見通し 注目分野に関する動向調査」

➤ **Net sales: JPY 43.60 Bn ▲1.86 Bn YoY**

Customer inventory adjustments and sluggish demand for electronic components for consumer electronics devices are expected to continue in the first half of the year.

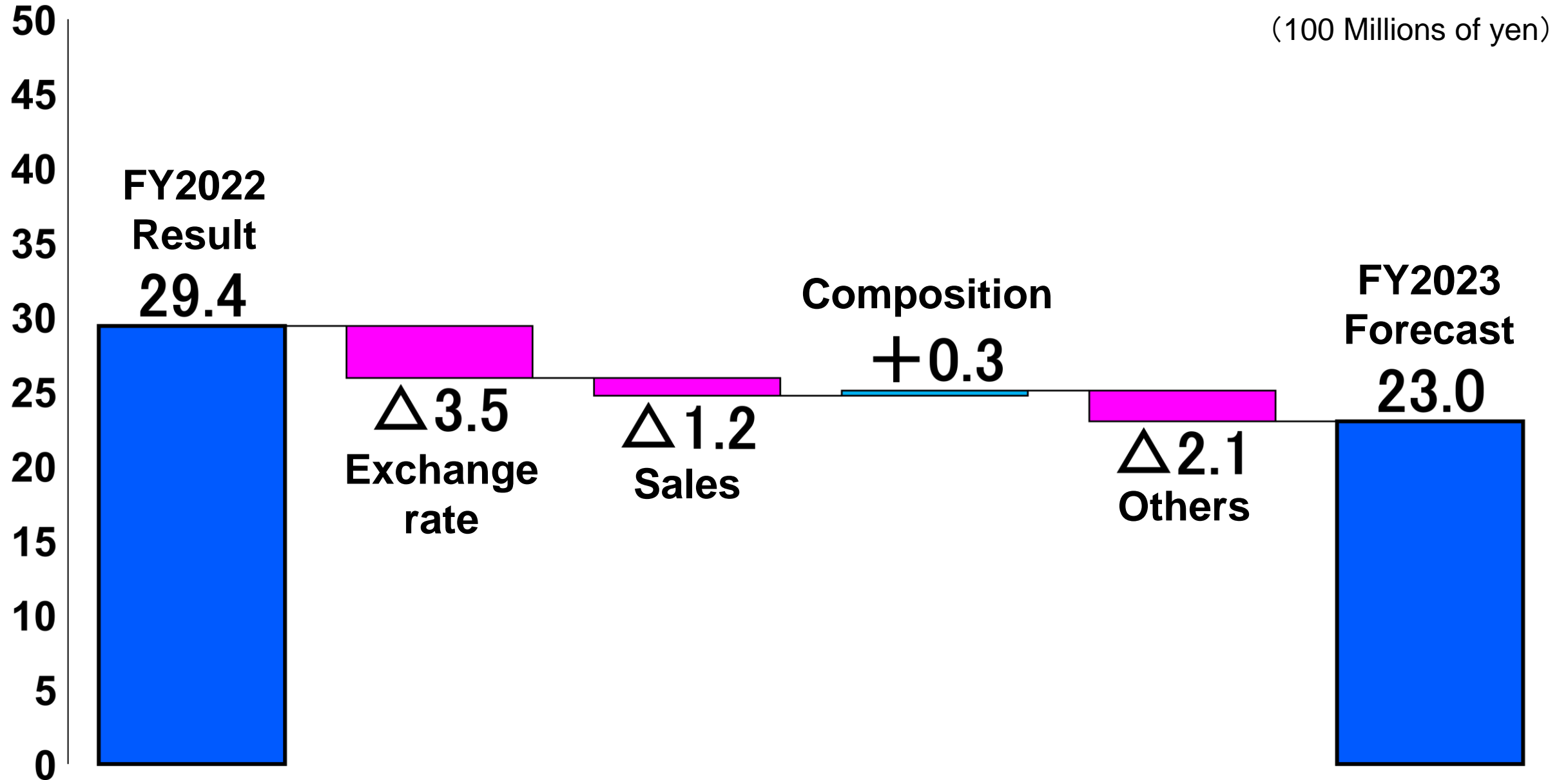
It is foreseen recovery in automobile production and recovery in demand for consumer electronics through the second half of the year.

➤ **Operating income: JPY 2.30 Bn ▲0.64 Bn YoY**

(100 Millions of yen)

	FY2022 Results	FY2023 Forecast	YoY	
			Amount	%
Net sales	454.6	436.0	▲18.6	▲4.1
Operating income	29.4	23.0	▲6.4	▲21.8
Ratio of operating income to net sales	6.5%	5.3%	—	—
Ordinary income	35.8	22.0	▲13.8	▲38.6
Profit attributable to owners of parent	6.5	17.0	+10.5	+162.5
Exchange rate (End of term) 1US\$=JPY	133.53	130.00	—	—

Variations in Operating income (YoY)



Sales Amount by Product

➤ Decrease mainly in modules for industrial equipment

Module products

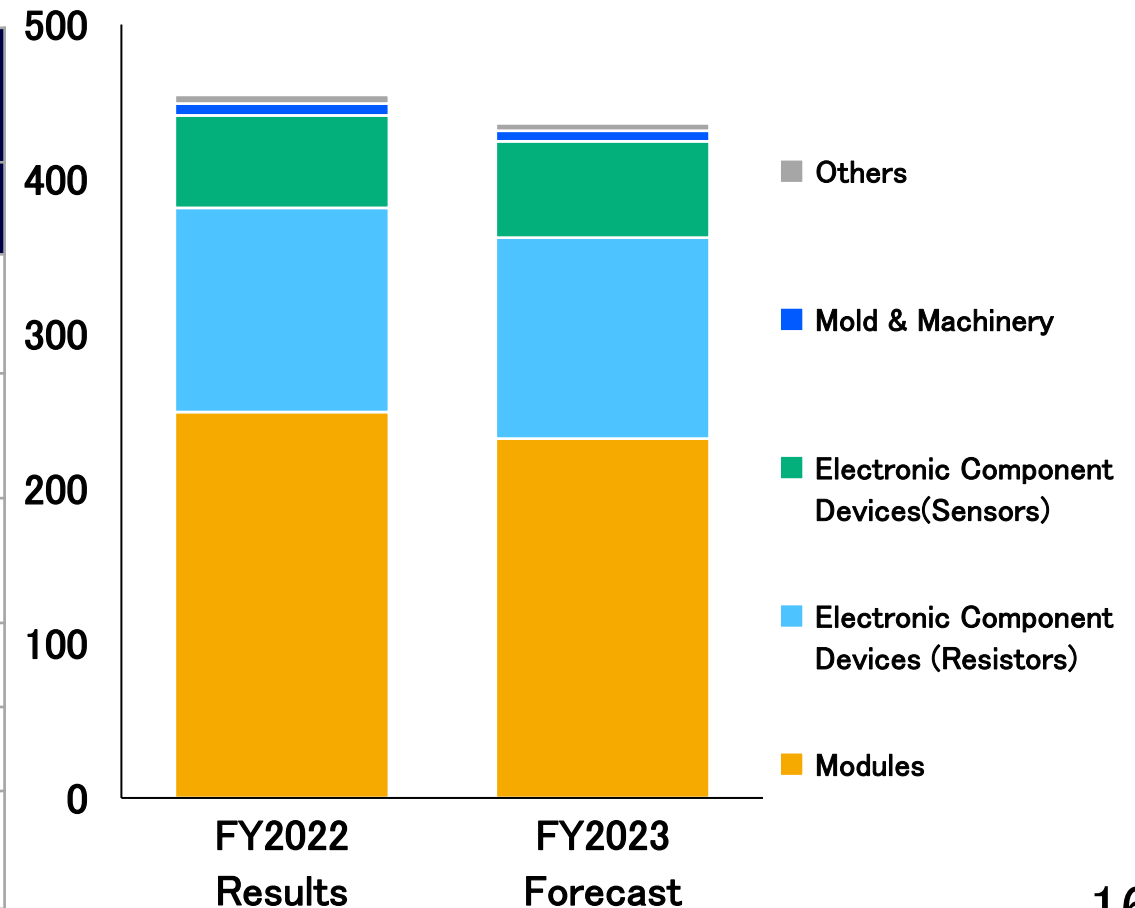
Sales JPY 23.23 Bn ▲1.72 Bn YoY

Electronic Component Device products

Sales JPY 19.23 Bn +0.05 Bn YoY

(100 Millions of yen)

	FY2022 Results		FY2023 Forecast		YoY	
	Amount	%	Amount	%	Amount	%
Modules	249.5	54.9	232.3	53.3	▲17.2	▲6.9
Electronic Component Devices (Resistors)	131.9	29.0	130.0	29.8	▲1.9	▲1.5
Electronic Component Devices (Sensors)	59.9	13.2	62.3	14.3	+2.4	+4.1
Mold & Machinery	7.6	1.7	6.8	1.6	▲0.8	▲10.9
Others	5.6	1.2	4.6	1.1	▲1.0	▲18.3
Total	454.6	100.0	436.0	100.0	▲18.6	▲4.1



Sales Amount Breakdown by Market

➤ **Automobiles market sales JPY 28.40 Bn ▲0.27 Bn YoY**

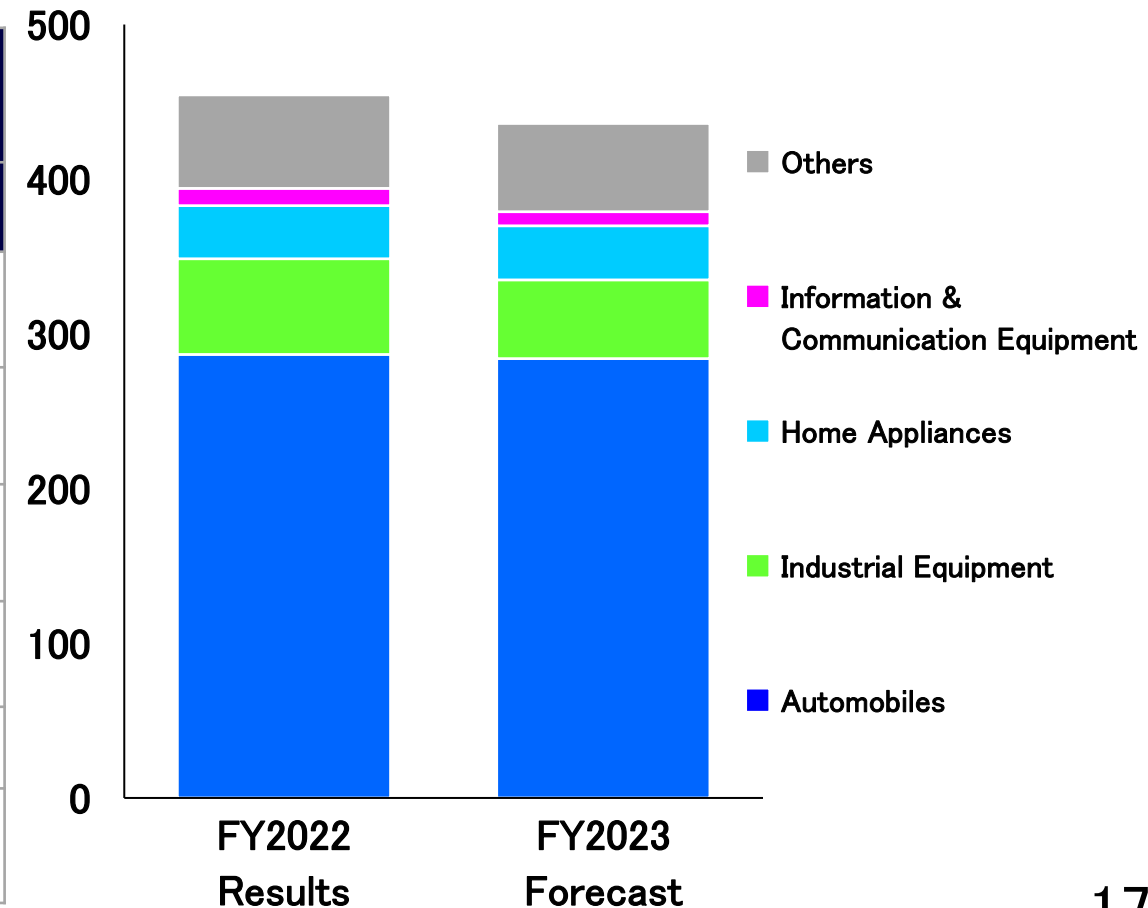
In the first half of the year, we are subject to customer inventory adjustment. Production is expected to recover in the second half of the year as the semiconductor shortage is resolved.

➤ **Industrial Equipment market sales JPY 5.10 Bn ▲1.09 Bn YoY**

Decrease due to discontinuation of modules for specific customers

(100 Millions of yen)

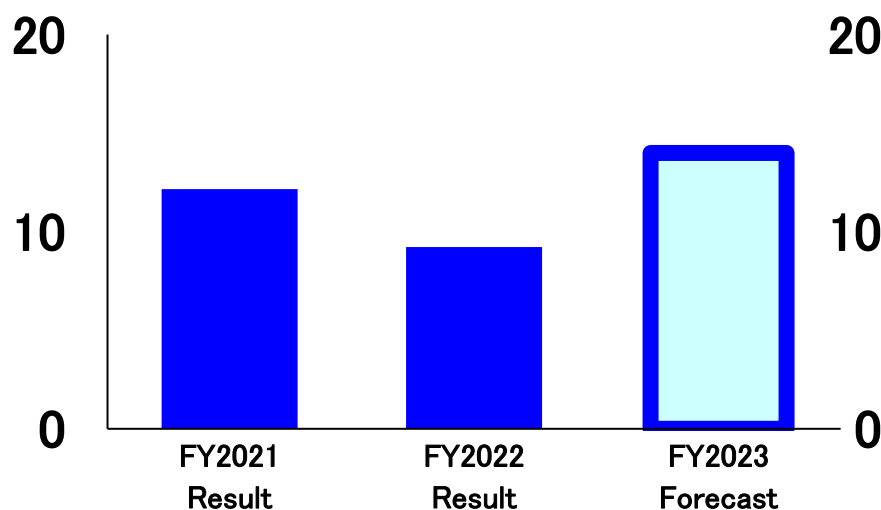
	FY2022 Results		FY2023 Forecast		YoY	
		%		%	Amount	%
Automobiles	286.7	63.1	284.0	65.1	▲2.7	▲1.0
Industrial Equipment	61.9	13.6	51.0	11.7	▲10.9	▲17.6
Home Appliances	34.3	7.5	35.0	8.0	+0.7	+2.0
Information & Communication Equipment	11.2	2.5	9.0	2.1	▲2.2	▲19.4
Others	60.5	13.3	57.0	13.1	▲3.5	▲5.8
Total	454.6	100.0	436.0	100.0	▲18.6	▲4.1



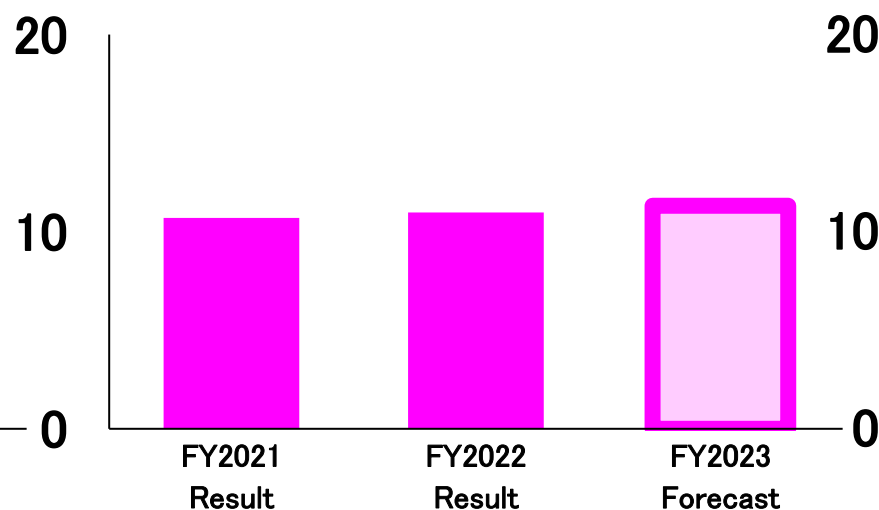
(100 Millions of yen)

	FY2021 Results	FY2022 Results	FY2023 Forecast	YoY	
				Amount	%
Capital expenditures	12.2	9.2	14.0	+4.8	+51.8
Depreciation expenses	10.7	11.0	11.3	+0.3	+3.1
R & D expenses	16.2	14.3	14.6	+0.3	+1.9

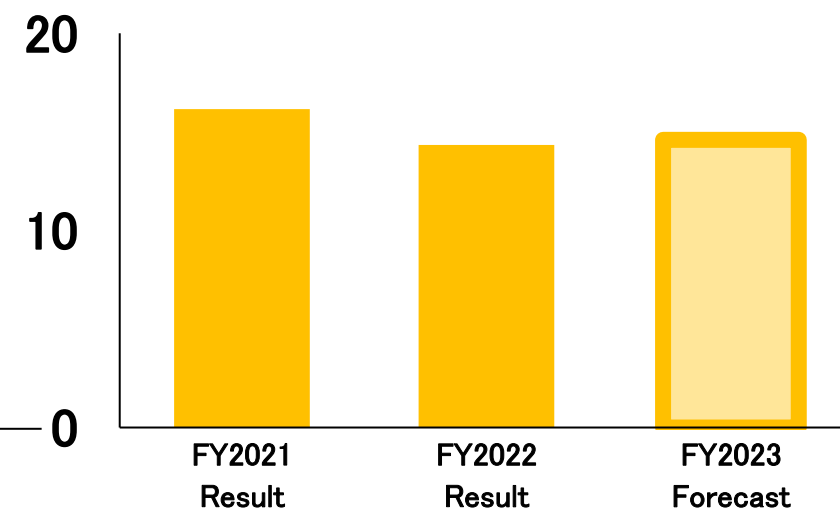
Capital expenditures



Depreciation expenses

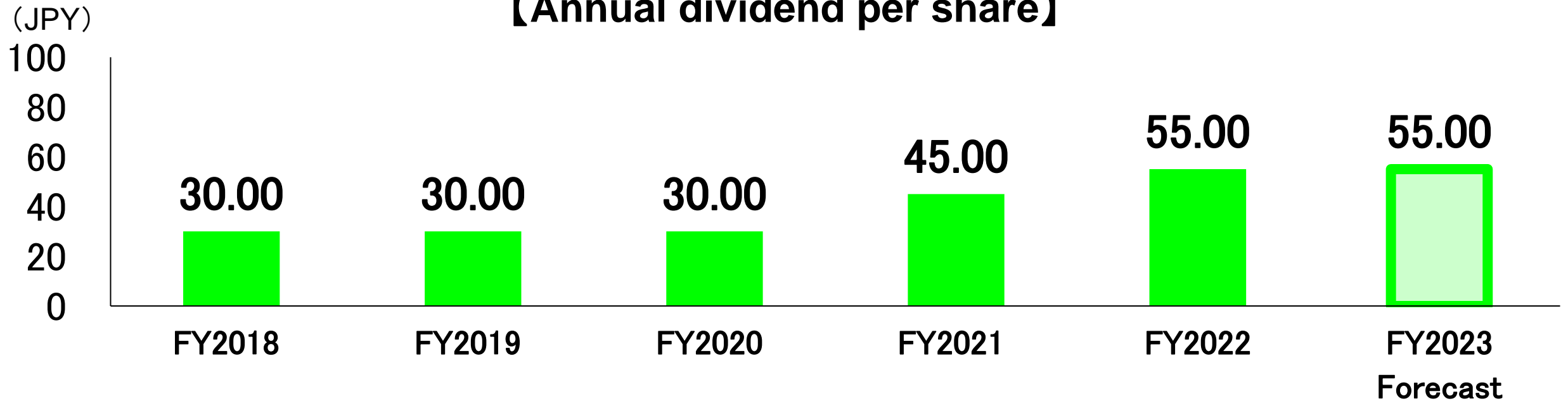


R & D expenses



■ **Basic Policy** **Continuation of stable dividends**
and Allocation of performance-based results

【Annual dividend per share】



	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 Forecast
Annual dividend per share (JPY)	30.00	30.00	30.00	45.00	55.00	55.00
Net income per share (JPY)	92.70	79.24	53.47	232.89	77.36	203.07

3. Efforts to Achieve the Medium- to Long-Term Vision (Summary)

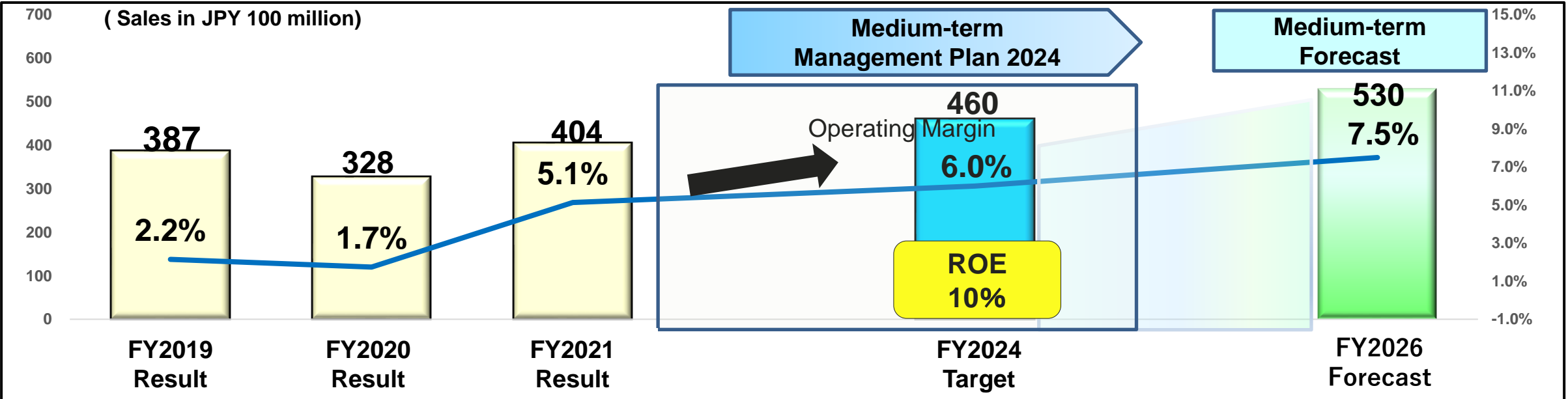
- Medium-term Management Plan 2024:PLAN2024 Summary
- PLAN2024 Progress ① Management Goal
- PLAN2024 Progress ② Management / Business Strategy
- Efforts to Achieve Sales Targets for FY2024
- New Product:Subscription-based IoT service
for industrial vehicles
- Product development to solve social issues
- Sustainability Efforts
- Carbon Neutrality Efforts

【Medium-term Management Policy】

Until FY2021, we had promoted "Renewed Selection and Concentration" activities for our business and worked to strengthen our business foundation.

From FY2022, based on the current activities, we will further strengthen the resilience of the business and further enhance the corporate value by developing the business with recognition of sustainability and actively responding to various changes (transformation) in the social environment .

【Business Results and Future Goals】



PLAN2024 Progress ① Management Goal

- In FY2022, there was a large increase mainly in automotive-related applications, and the yen's depreciation had a positive effect on revenue and profit growth.
- FY2023 Forecast Net sales:JPY 43.6 Bn ,Operating income:JPY 2.3 Bn,
Ratio of operating income to net sales:5.3%
- Steadily implement “Management/Business Strategy” to achieve targets for the final year,FY2024

(100 Millions of yen)

	FY2022		FY2023	FY2024	FY2026
	Forecast	Results	Forecast	Target	Forecast
Net sales	430	455	436	460	530
Operating income	23	29	23	28	40
Ratio of operating income to net sales	5.3%	6.5%	5.3%	6.0%	7.5%
ROE	9.1%	3.9%	9.6%	10.0%	—
Exchange rate 1US\$ =JPY (Average exchange rate during the period)	118.00	135.58	130.00		

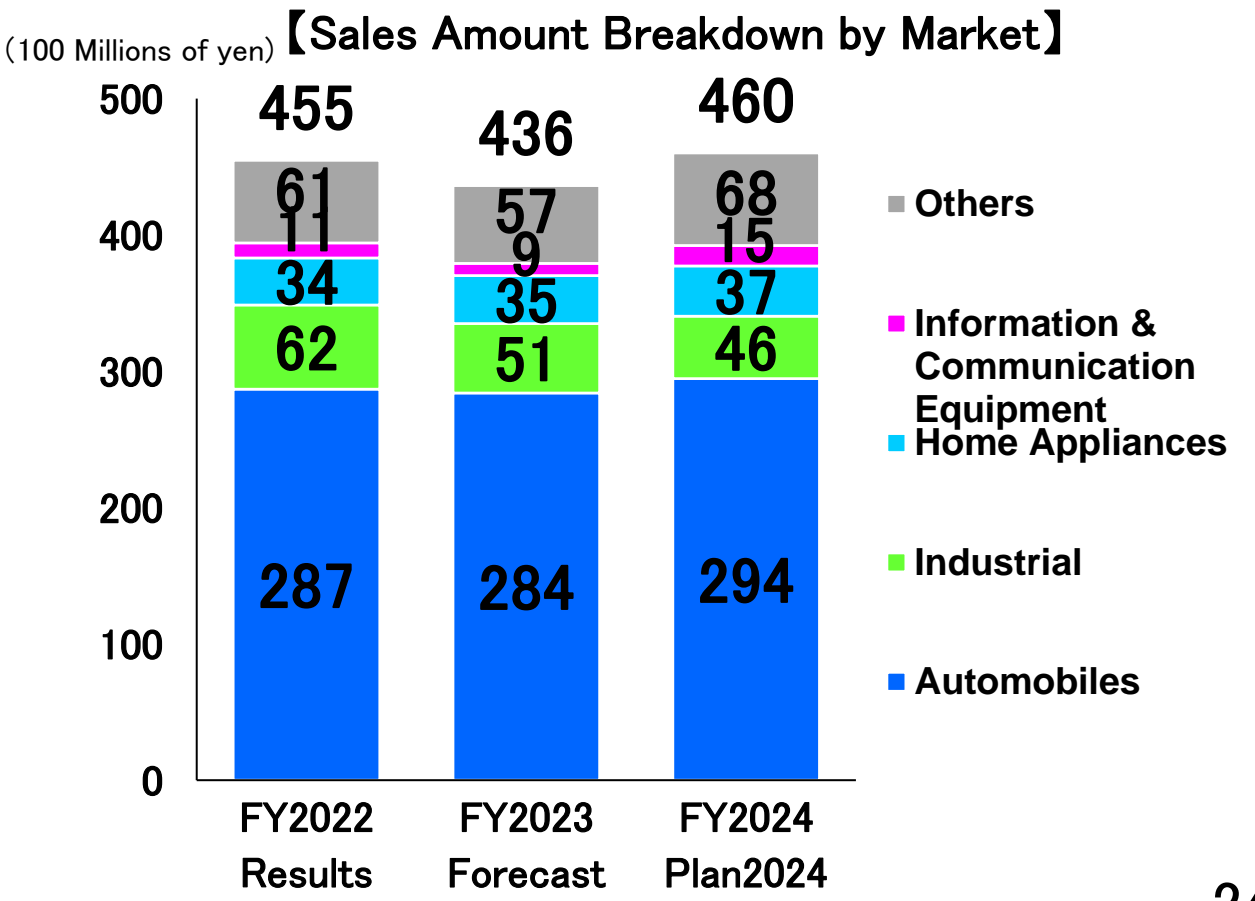
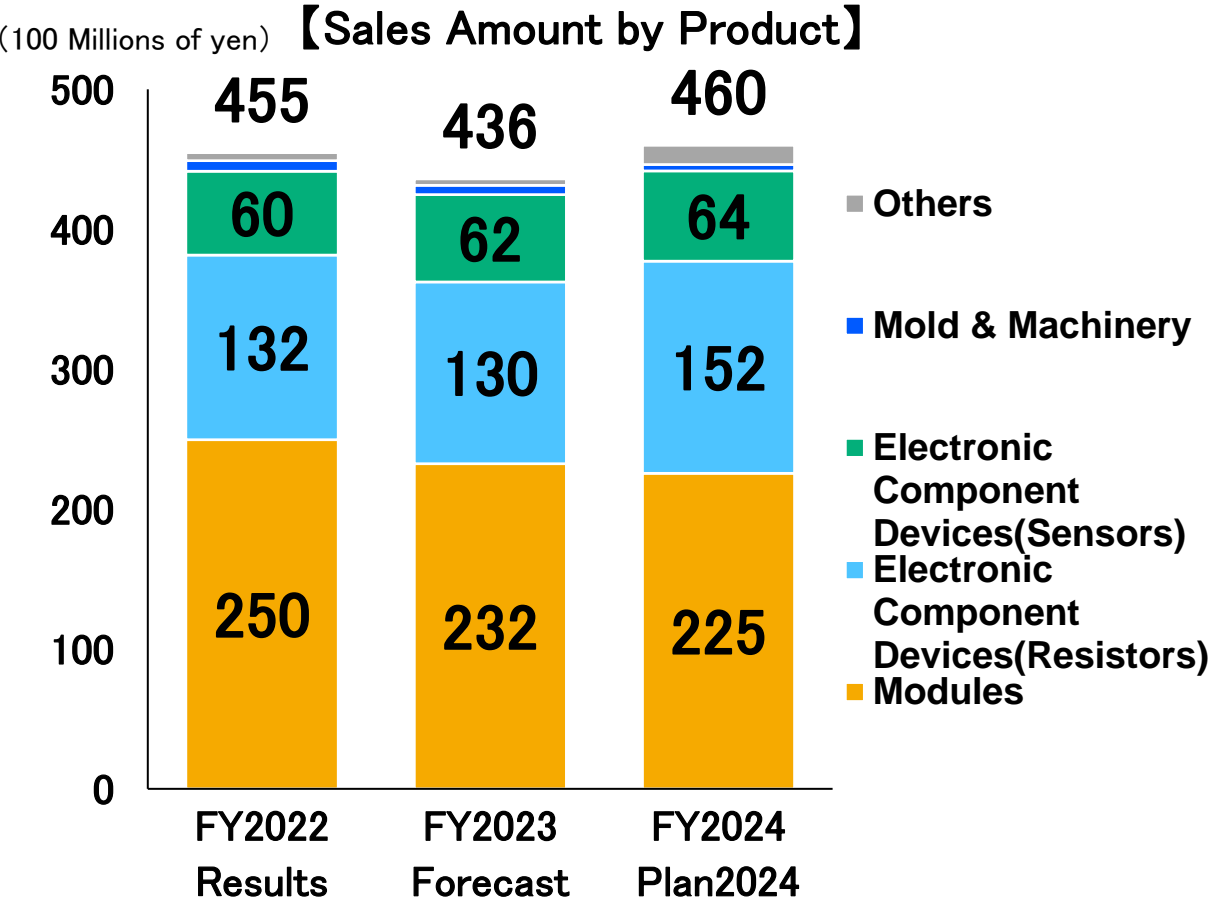
➤ We are promoting initiatives to ensure that we achieve our management targets of JPY 46 Bn in net sales, 6% Ratio of operating income to net sales, and 10% ROE for FY2024.

Management /Business Strategy	Progress
Strengthening of core business	<ul style="list-style-type: none"> ▪ Further expansion of new technologies (new products), new customers, and new fields, which we call 3N, is underway
	<ul style="list-style-type: none"> ▪ Strengthening the production system in ASEAN Expansion: Thailand、Malaysia Under consideration: Indonesia、Vietnam
Strengthening of marketing and promoting of commercialization	<ul style="list-style-type: none"> ▪ Newly established STRATEGIC MARKET MARKETING DEPARTMENT to strengthen activities
	<ul style="list-style-type: none"> ▪ Promotion of product development related to decarbonization, EV shift and DX, is underway
Strengthening of the management base	<ul style="list-style-type: none"> ▪ Strengthening of compliance and risk management systems
	<ul style="list-style-type: none"> ▪ Sustainability Committee established to accelerate efforts to materiality.

Efforts to Achieve Sales Targets for FY2024

- Main products will grow and expand in a well-balanced manner, centered on growth areas such as automobiles and industrial equipment.
- In the automotive market which is an important trend market, the sales ratio of environmentally friendly vehicles should be increased.

FY2022 63% (5%) ➡ FY2023 65% (7%) ➡ FY2024 64% (8%) ※ () : environmentally friendly vehicles



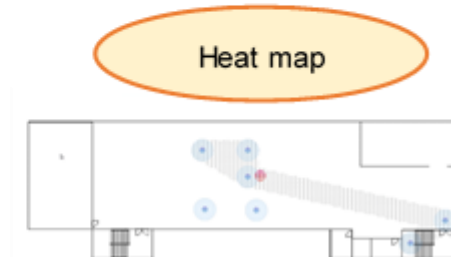
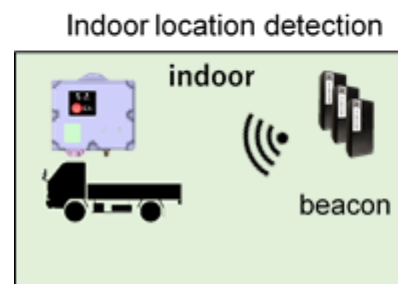
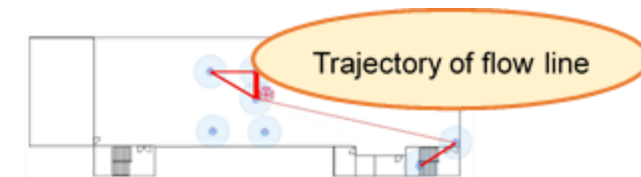
New Product: Subscription-based IoT service for industrial vehicles

- Subscription IoT service to detect location and operating information of industrial vehicles and hazardous driving
- Cloud-based IoT application services

《Main Functions》

1. Acquisition of location information
2. Acquisition of operating information
3. Acquisition of hazardous driving information
4. Notification monitoring via emergency alert
5. Acquisition of record, etc. from 1 to 4 (stored in cloud)

【 Terminal for industrial vehicles 】



YAMAssist



- Detects climber location and transit information
- Even if you are out of cell phone range in the event of an accident or disaster, you can call for help or search for help

Wireless Communication Network Systems



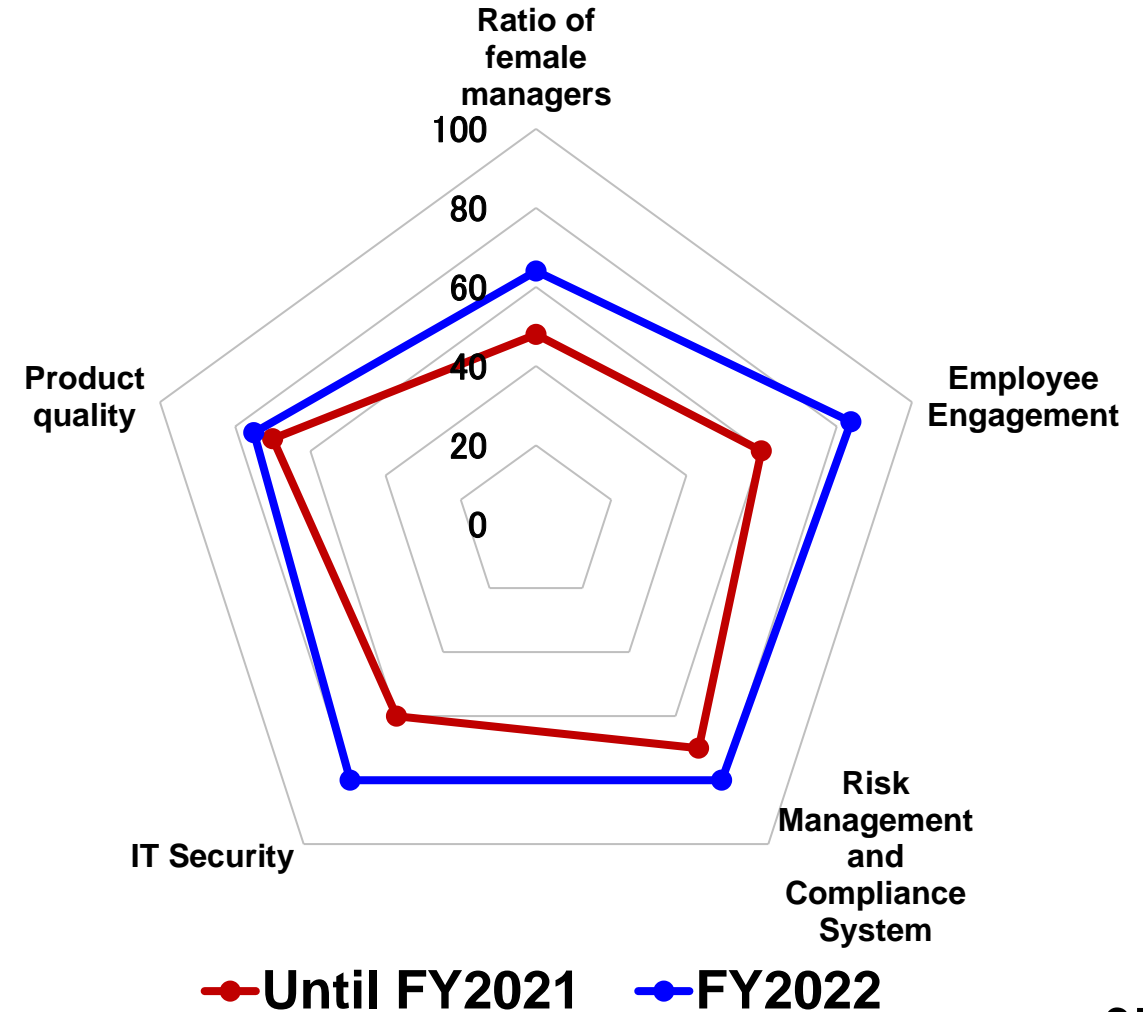
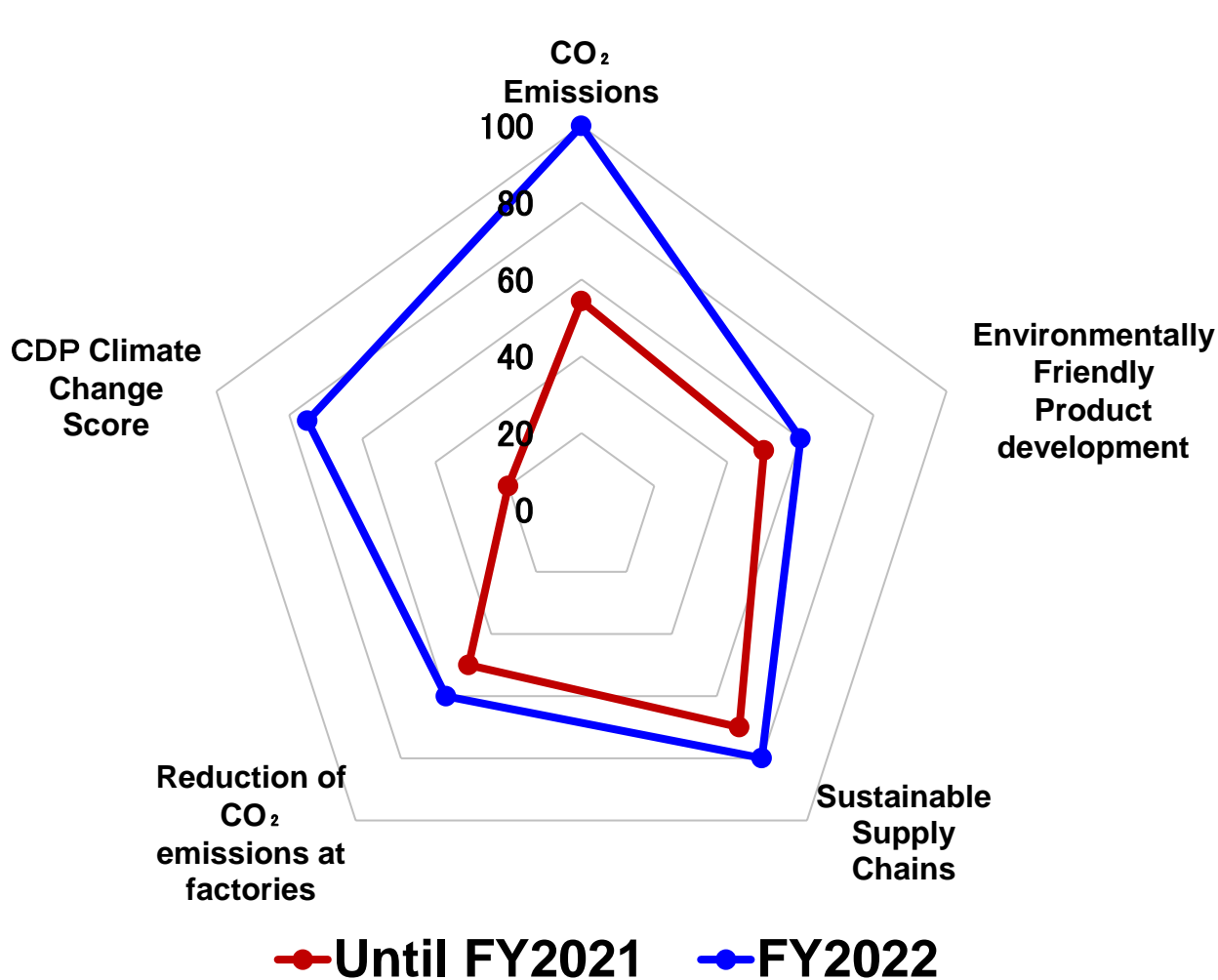
- Support for monitoring and observation on agriculture or weather etc.
- Solar cells and 429 MHz specified low-power radio module are installed.
- Compact design for various sensing

Accelerate development of sensing solution products that contribute to solving social issues

➤ Accelerate sustainability efforts by identifying materiality at the Company

E: (Environment)

S: (Society)、G (Governance)



Target: 46% reduction of CO₂ emissions in FY2030
(Compared to FY2017 result)

■ Status of efforts

① Introduction of renewable energy

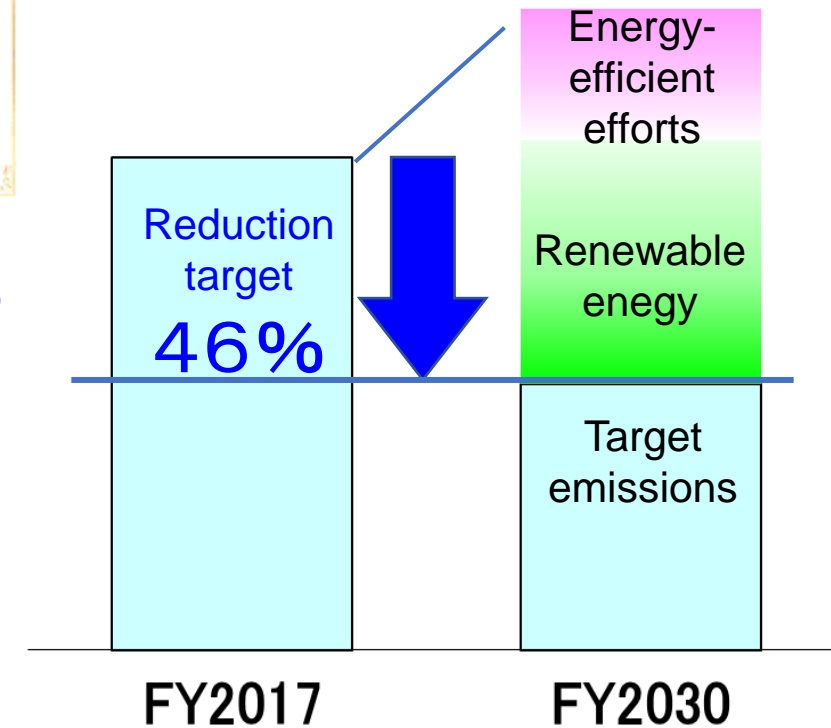
- In domestic bases, we have partially switched renewable energy from July 2022.
CO₂ emissions: 57% reduction in FY2022
- The issue is to achieve global targets, including overseas bases, and is under consideration as a medium- to long-term theme.

② Ongoing promotion of energy-efficient efforts

- Reduction of power consumption at factory (production efficiency improvement, review of manufacturing conditions)
- Upgrading to energy-efficient equipment, integrating/upgrading transformers, etc.



CO₂ emissions Reduction target



Step-by-step efforts to achieve carbon neutrality by 2050

HOKURIKU ELECTRIC INDUSTRY CO., LTD

The business outlook described in this material was prepared by the Company based on the information available at the time of preparation of this material, but the results may differ significantly from actual performance due to various factors such as changes in the economic environment and volatile electronics market trends.

Therefore, please refrain from relying entirely on the business outlook and target figures in this material. The Company is not liable for any loss that may occur as a result of using this material.