

First Half of Fiscal Year 2023 Financial Results Briefing Material

Nov. 2023

HOKURIKU ELECTRIC INDUSTRY CO., LTD

➤ 1. First Half of FY2023 Financial Results

➤ 2. FY2023 Financial Forecast

➤ 3. Progress of PLAN2024

※PLAN2024: Medium-Term Management Plan 2024

1. First Half of FY2023 Financial Results

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

Summary of Financial Results

- Net sales: JPY 20.86 Bn ▲2.64 Bn YoY
- Operating income: JPY 1.10 Bn ▲0.39 Bn YoY
- Ordinary income: JPY 1.87 Bn ▲0.56 Bn YoY
Foreign exchange gains due to yen depreciation:0.69 Bn.
- Profit attributable to owners of parent: JPY 1.51 Bn ▲0.29 Bn YoY

(100 Millions of yen)

	FY2022 First Half	FY2023 First Half	YoY Change	
			Amount	%
Net sales	235.0	208.6	▲26.4	▲11.2
Operating income	14.9	11.0	▲3.9	▲26.3
Ratio of operating income to net sales	6.4%	5.3%	—	—
Ordinary income	24.2	18.7	▲5.6	▲23.0
Profit attributable to owners of parent	18.0	15.1	▲2.9	▲16.1
Exchange rate (End of term) 1US\$=JPY	144.81	149.58	—	—

Sales Amount by Product

- Decrease in orders for module products for display panels in the automobile and amusement sectors.
- In electronic devices, orders for resistors and other products stagnated due to a drop in demand and inventory adjustments in the consumer and office automation equipment sectors.

Module products

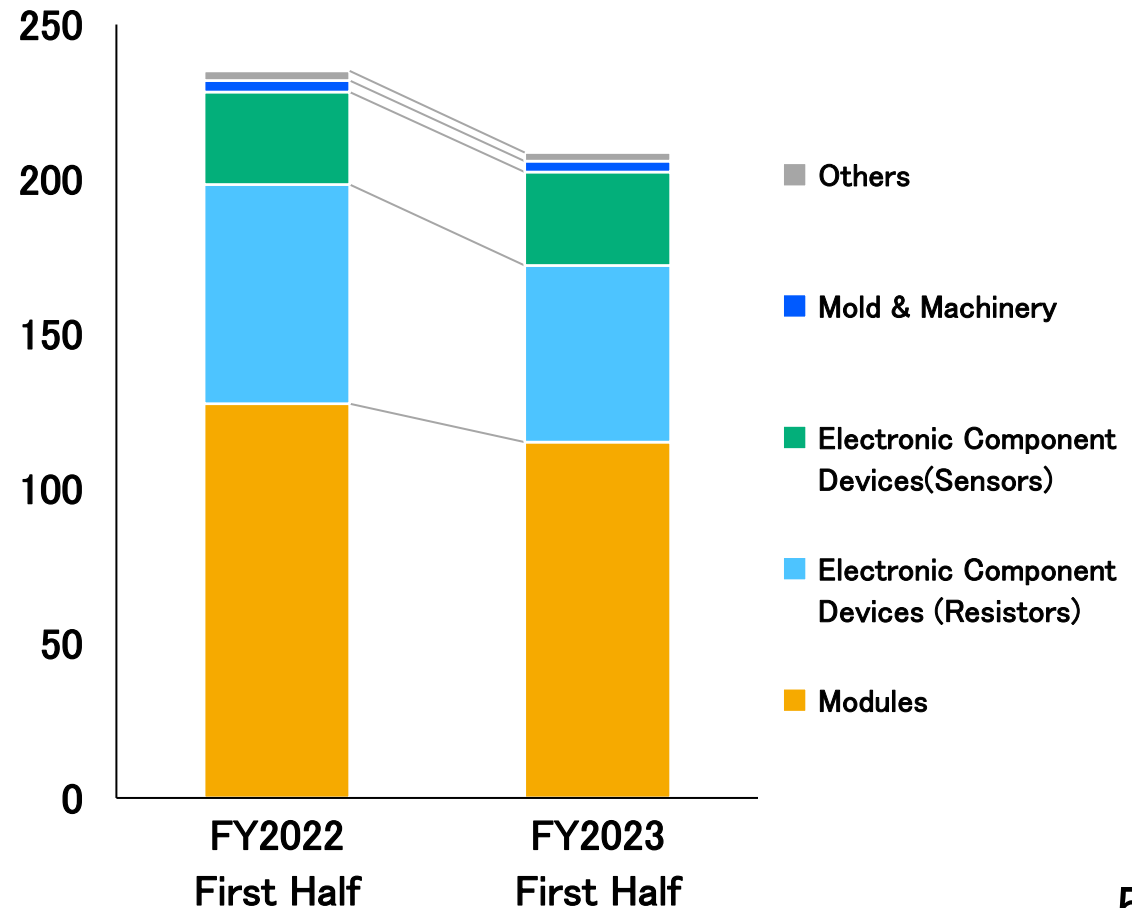
Sales JPY 11.50 Bn ▲1.25 Bn YoY

Electronic Component Device products

Sales JPY 8.73 Bn ▲1.34 Bn YoY

(100 Millions of yen) 250

	FY2022 First Half		FY2023 First Half		YoY Change	
	Amount	%	Amount	%	Amount	%
Modules	127.5	54.2	115.0	55.1	▲12.5	▲9.8
Electronic Component Devices (Resistors)	70.8	30.1	57.1	27.4	▲13.7	▲19.4
Electronic Component Devices (Sensors)	29.9	12.7	30.2	14.5	+0.3	+1.0
Mold & Machinery	3.8	1.6	3.6	1.7	▲0.2	▲4.0
Others	3.1	1.3	2.7	1.3	▲0.4	▲11.5
Total	235.0	100.0	208.6	100.0	▲26.4	▲11.2



Sales Amount Breakdown by Market

➤ Automobiles market sales JPY 15.10 Bn ▲0.04 Bn YoY

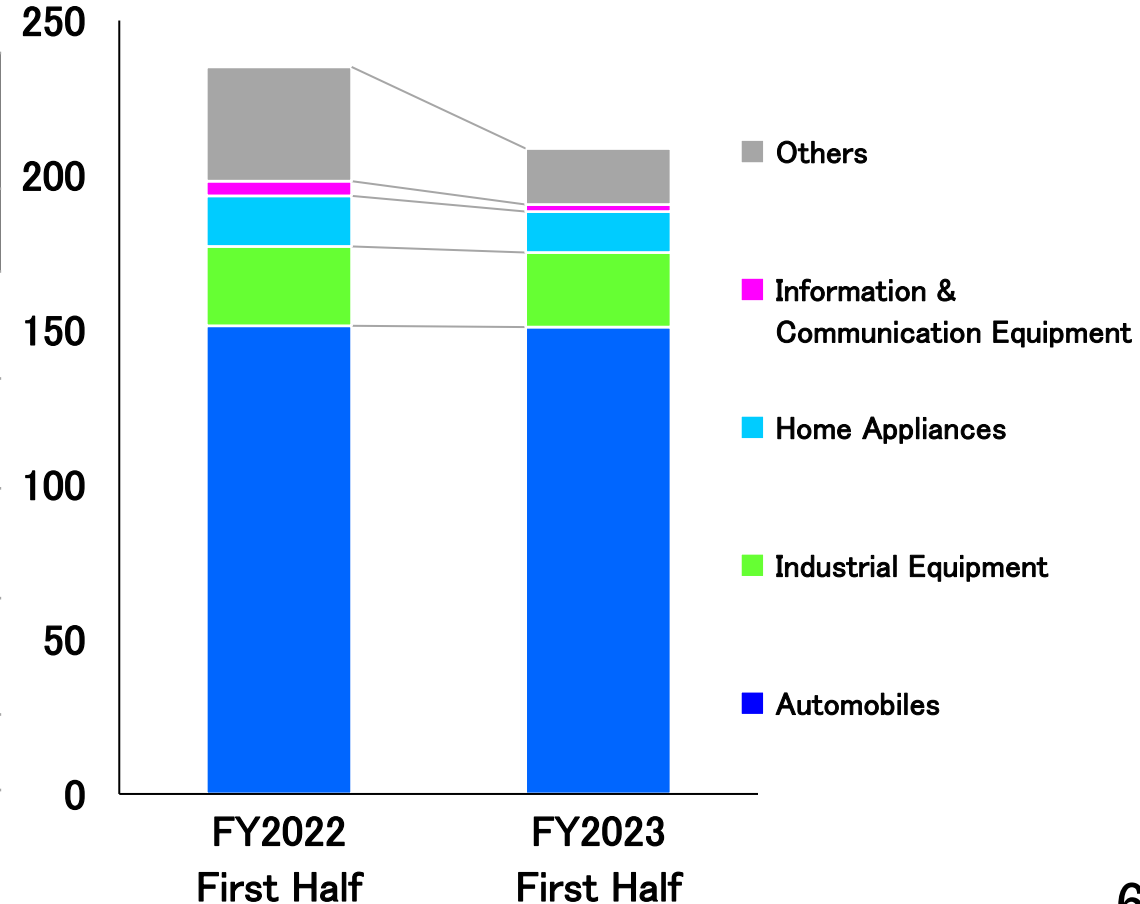
Although demand was strong due to the easing of the semiconductor shortage, overall demand remained flat due to decline in orders for display panels.

➤ Home Appliances , Information and Communication Equipment market sales

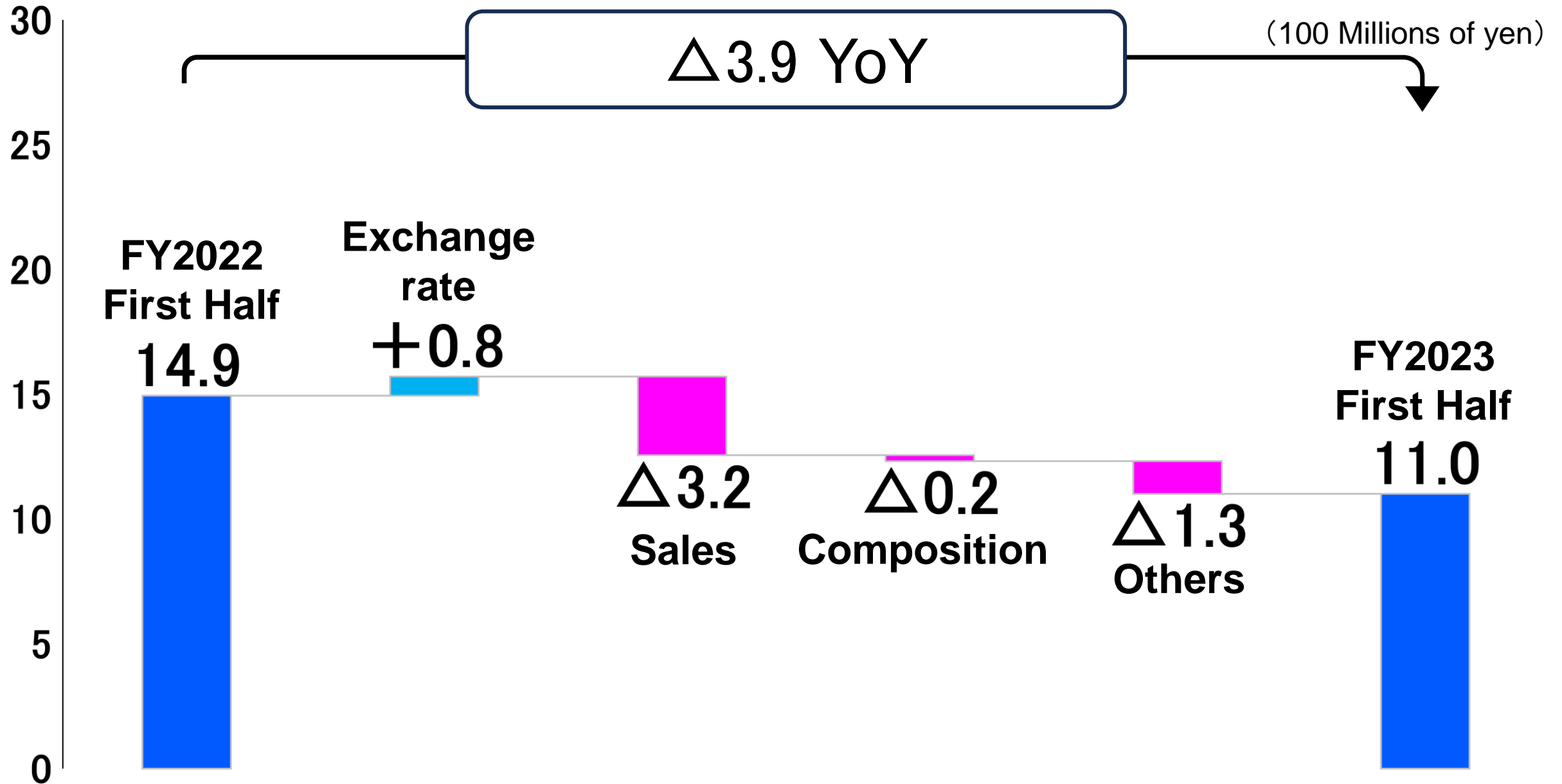
Prolonged inventory adjustment by customers due to declining demand.

(100 Millions of yen) 250

	FY2022 First Half		FY2023 First Half		YoY Change	
	Amount	%	Amount	%	Amount	%
Automobiles	151.3	64.4	151.0	72.4	▲0.4	▲0.2
Industrial Equipment	25.7	10.9	24.0	11.5	▲1.7	▲6.5
Home Appliances	16.3	6.9	13.3	6.4	▲3.0	▲18.4
Information & Communication Equipment	4.7	2.0	2.2	1.1	▲2.5	▲52.5
Others	37.0	15.7	18.1	8.7	▲18.9	▲51.1
Total	235.0	100.0	208.6	100.0	▲26.4	▲11.2



Changes in Operating income (YoY)



Balance Sheet

- Total assets increased JPY 0.24 Bn mainly due to increase in Cash and deposits despite decrease in Trade receivables and Inventories.
- Total liabilities decreased by JPY 1.71 Bn due to decrease in Trade payables and net decrease in Borrowings.

(Millions of yen)

	FY2022 (End of Mar.)	FY2023 First Half (End of Sept.)	YoY Change
Current assets	30,132	30,336	+203
Cash and deposits	8,052	11,057	+3,004
Trade receivables	10,064	8,672	△1,391
Inventories	10,021	9,325	△696
Non-current assets	12,847	12,880	+32
Total assets	42,979	43,216	+236
Current liabilities	15,803	15,418	△385
Trade payables	7,737	6,193	△1,544
Short-term borrowings	5,690	6,710	+1,019
Non-current liabilities	10,068	8,748	△1,320
Total liabilities	25,872	24,166	△1,705
Total net assets	17,107	19,049	+1,942
Total liabilities and net assets	42,979	43,216	+236

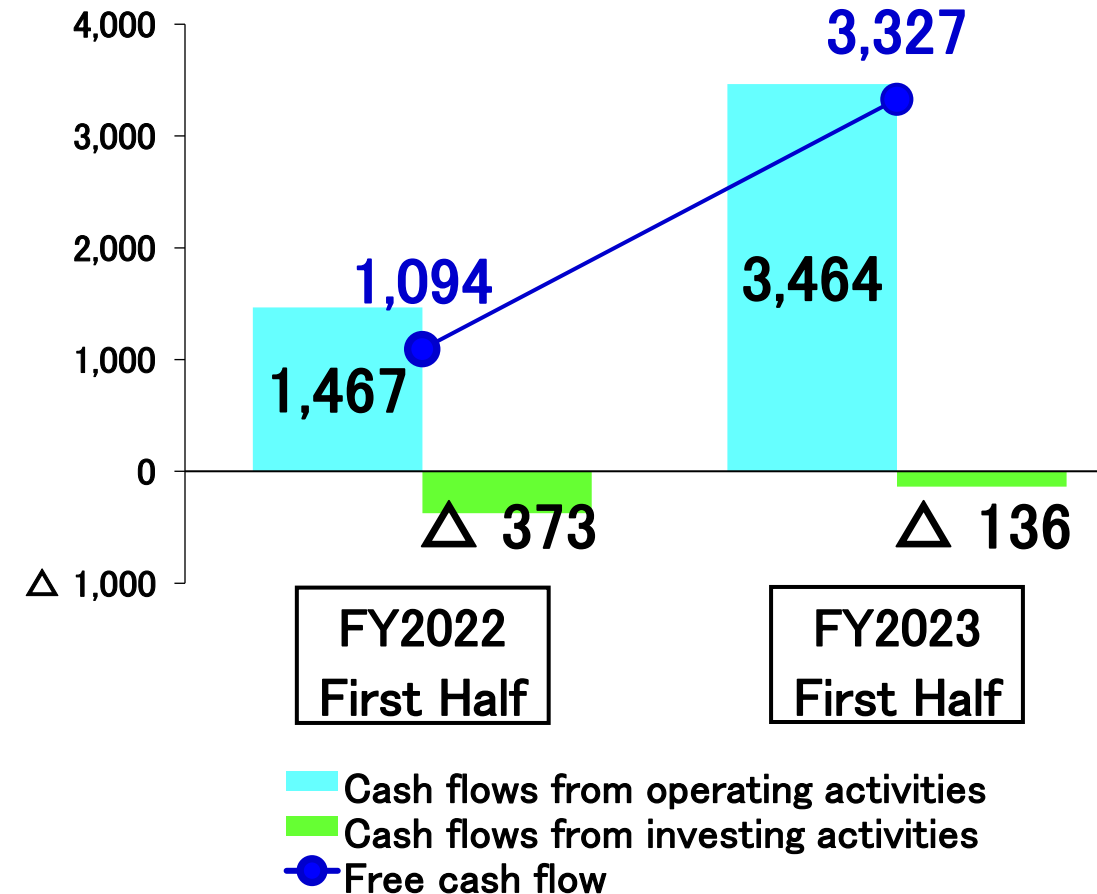
➤ Net assets increased by JPY 1,942 million

- Profit attributable to owners of parent +1,511
- Dividends from surplus △460
- Newly consolidated subsidiary +130
- Acquisition of treasury stock, etc. △195
- Foreign currency translation adjustments due to appreciation of Asian currencies against the yen +956

- **Operating activities** Increase due to decrease in Trade receivables and Inventories
- **Investing activities** Mainly due to the purchase of Non-current assets
- **Financing activities** Mainly dividend payments and share repurchases

(Millions of yen)

	FY2022 First Half	FY2023 First Half	Change
Net cash provided by operating activities	1,467	3,464	+1,996
Net cash provided by investing activities	△373	△136	+236
Free cash flow	1,094	3,327	+2,233
Net cash provided by financing activities	302	△985	△1,287
Cash and cash equivalents at end of period	7,343	9,066	+1,722



2. FY2023 Financial Forecast

- Business Environment
- Financial Forecast
- Changes in Operating income (YoY)
- Capital expenditures / Depreciation
- Return to Shareholders

■ Assumptions for the electronics market at the beginning of FY2023

- First Half : Tight demand trends continue, including sluggish demand for consumer electronics devices such as smartphones and PCs, and stagnant semiconductor capital investment
- Second Half: We anticipate a recovery in automobile production due to the easing of the semiconductor shortage, accelerated growth in the xEV market, and a rebound in demand for IT equipment.



■ Current Forecast

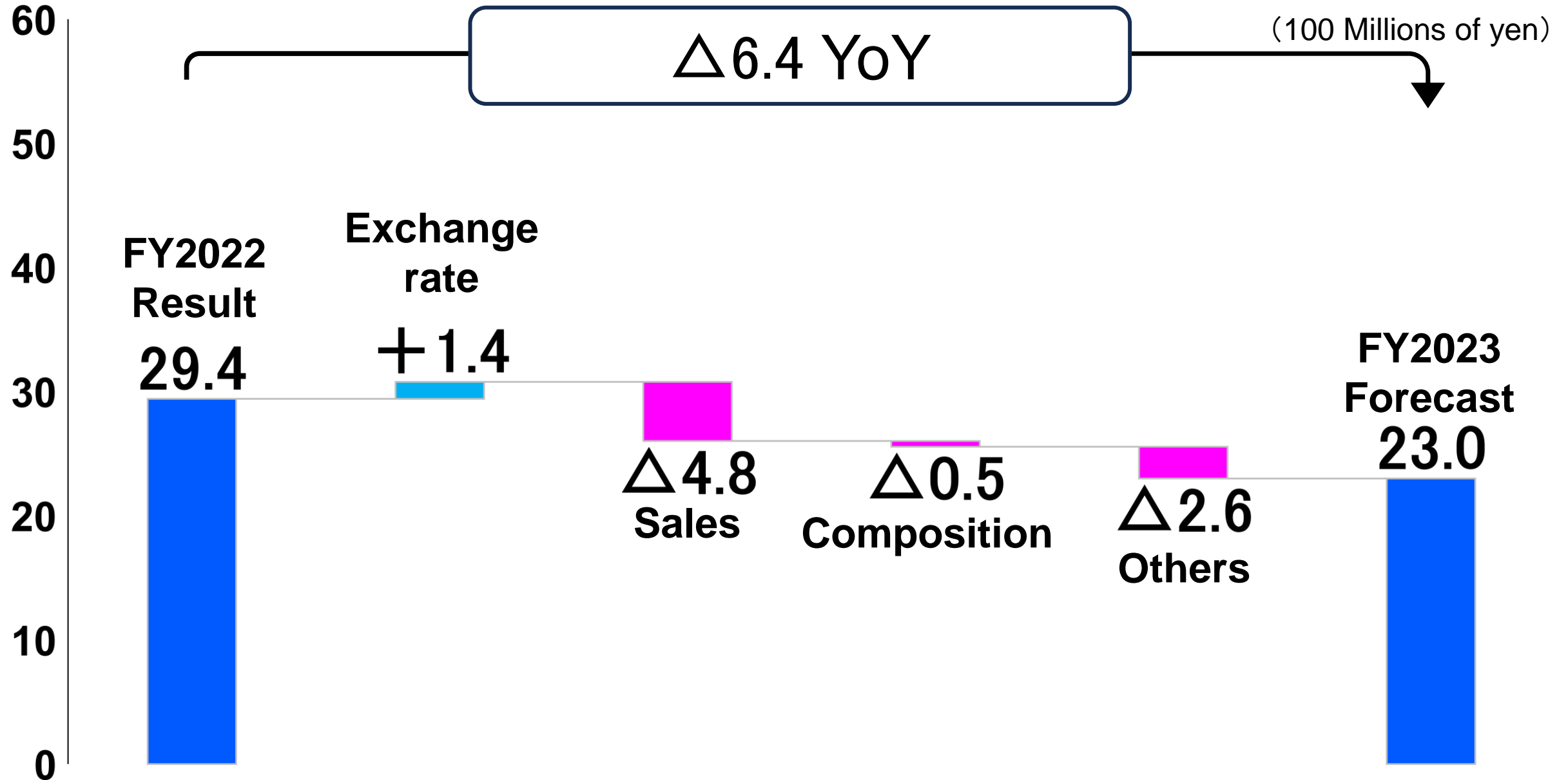
- First Half : The adjustment phase continues due to sluggish demand in the consumer electronics fields
- Second Half: Due to automotive production recovery and customers' inventory adjustments, demand for automotive applications is expected to pick up.
Demand recovery for consumer electronics is expected to be slower than assumed at the beginning of the period due to the depressed Chinese economy and other factors.

- Full-year sales are expected to decline due to prolonged inventory adjustment in the consumer electronics fields.
- Compared to the figures announced at the beginning of the fiscal year, Net sales are expected to decrease, but Operating income is expected to remain unchanged. Ordinary income and Profit attributable to owners of parent are revised upward due to depreciation of the yen against the US dollar.
- The assumed exchange rate changed from 130 yen to 140 yen to the dollar.

(100 Millions of yen)

	FY2022 Results	FY2023 Forecast (beginning of term)	FY2023 Forecast (Nov.)	YoY Change	
				Amount	%
Net sales	454.6	436.0	426.0	▲28.6	▲6.3
Operating income	29.4	23.0	23.0	▲6.4	▲21.8
Ratio of operating income to net sales	6.5%	5.3%	5.4%	—	—
Ordinary income	35.8	22.0	26.0	▲9.8	▲27.4
Profit attributable to owners of parent	6.5	17.0	21.0	+14.5	+224.3
Exchange rate (End of term) 1US\$=JPY	133.53	130.00	140.00	—	—

Changes in Operating income (YoY)

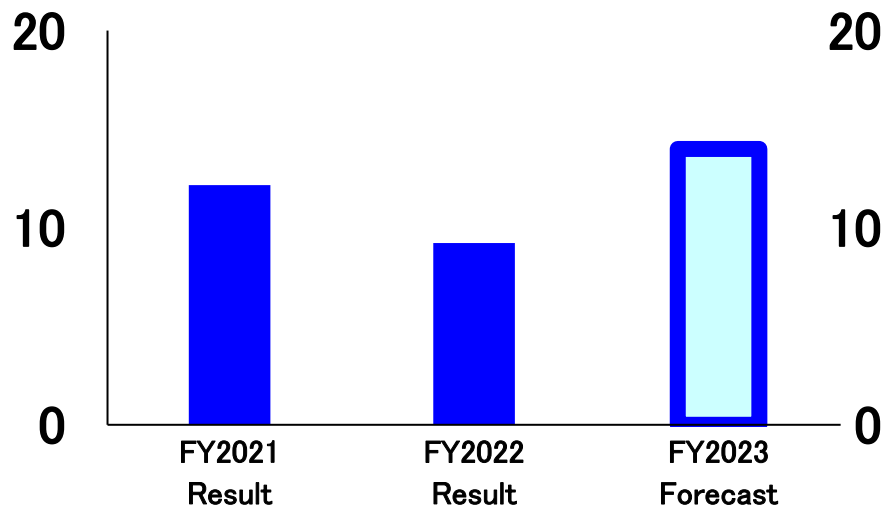


Capital expenditures / Depreciation

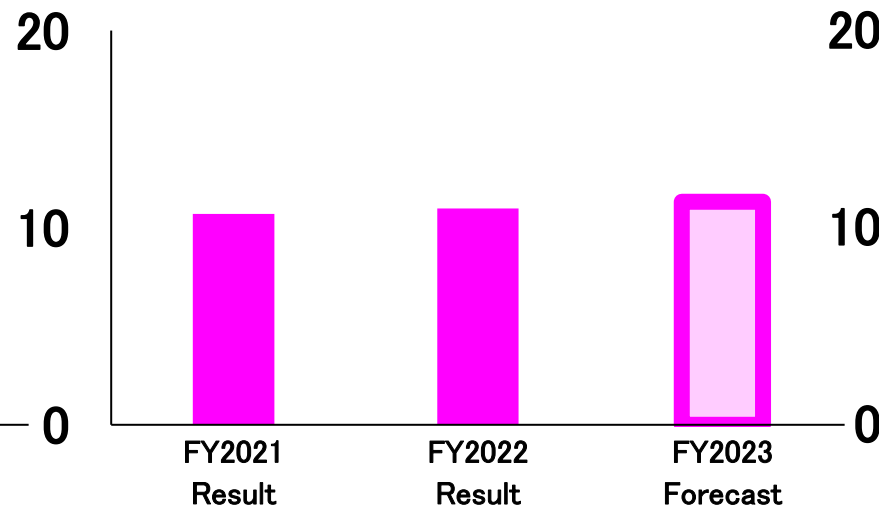
(100 Millions of yen)

	FY2021 Results	FY2022 Results	FY2023		YoY Change	
			First Half	Forecast	Amount	%
Capital expenditures	12.2	9.2	3.8	14.0	+4.8	+51.8
Depreciation expenses	10.7	11.0	5.0	11.3	+0.3	+3.1
R & D expenses	16.2	14.3	7.6	14.6	+0.3	+1.9

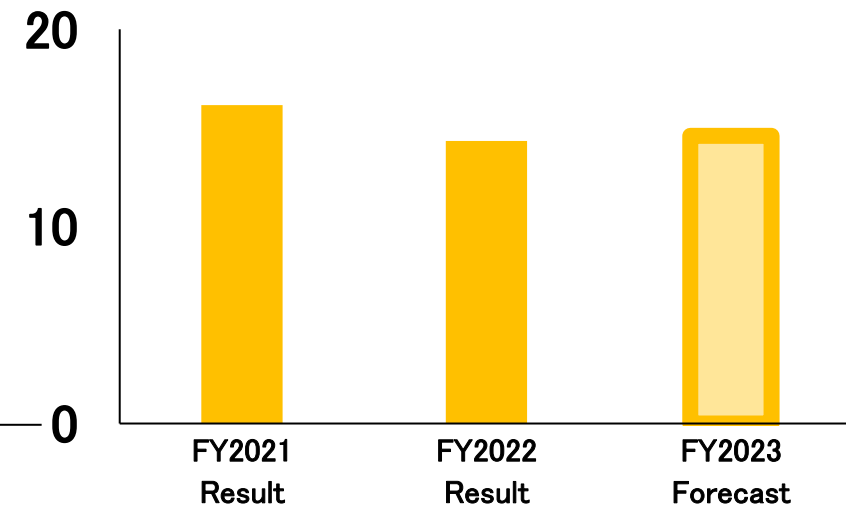
Capital expenditures



Depreciation expenses



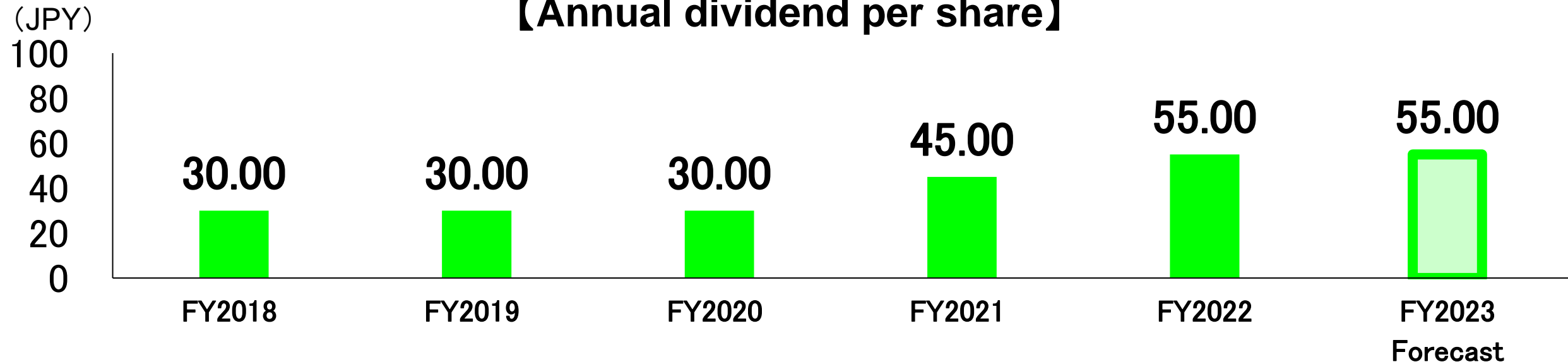
R & D expenses



The annual dividend is expected to be 55 yen per share, the same amount as the previous fiscal year as planned at the beginning of the fiscal year.

■ **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	253.28

▶ 3. Progress of PLAN2024

- PLAN2024 Management Goal
- Progress of Management / Business Strategy
- Strengthening of core business
 - Efforts to Achieve Sales Targets for FY2024
- Strengthening of marketing and promoting of commercialization
 - New product :Arc Resistant Chip Fuse
 - IoT of HOKURIKU

PLAN2024 Management Goal

(100 Millions of yen)

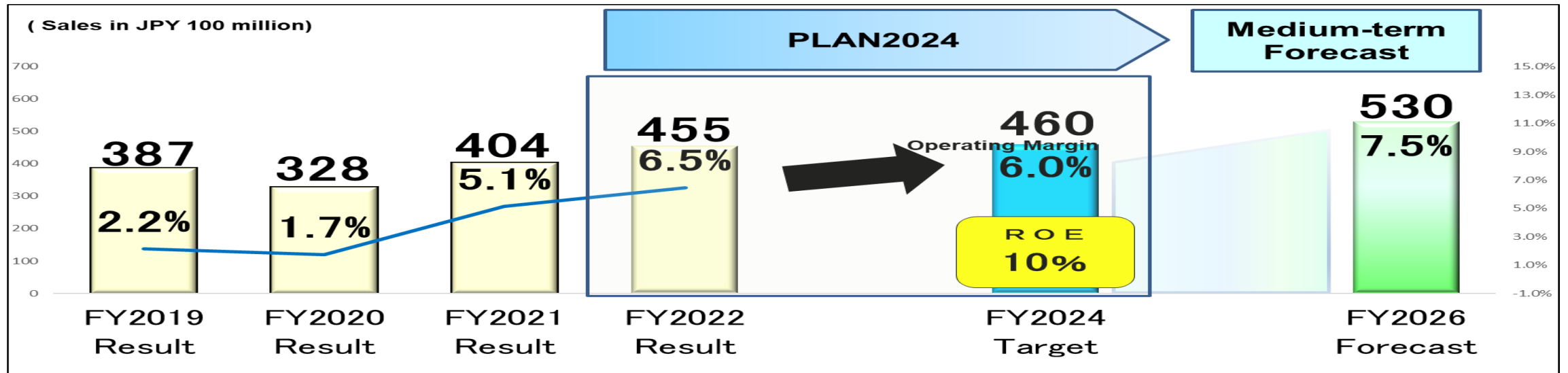
	FY2022		FY2023	FY2024	FY2026
	Forecast	Results	Forecast	Target	Forecast
Net sales	430	455	426	460	530
Operating income	23	29	23	28	40
Ratio of operating income to net sales	5.3%	6.5%	5.4%	6.0%	7.5%
ROE	9.1%	3.9%	11.6%	10.0%	—

Exchange rate 1US\$ = JPY
(Average exchange rate during the period)

118.00

135.58

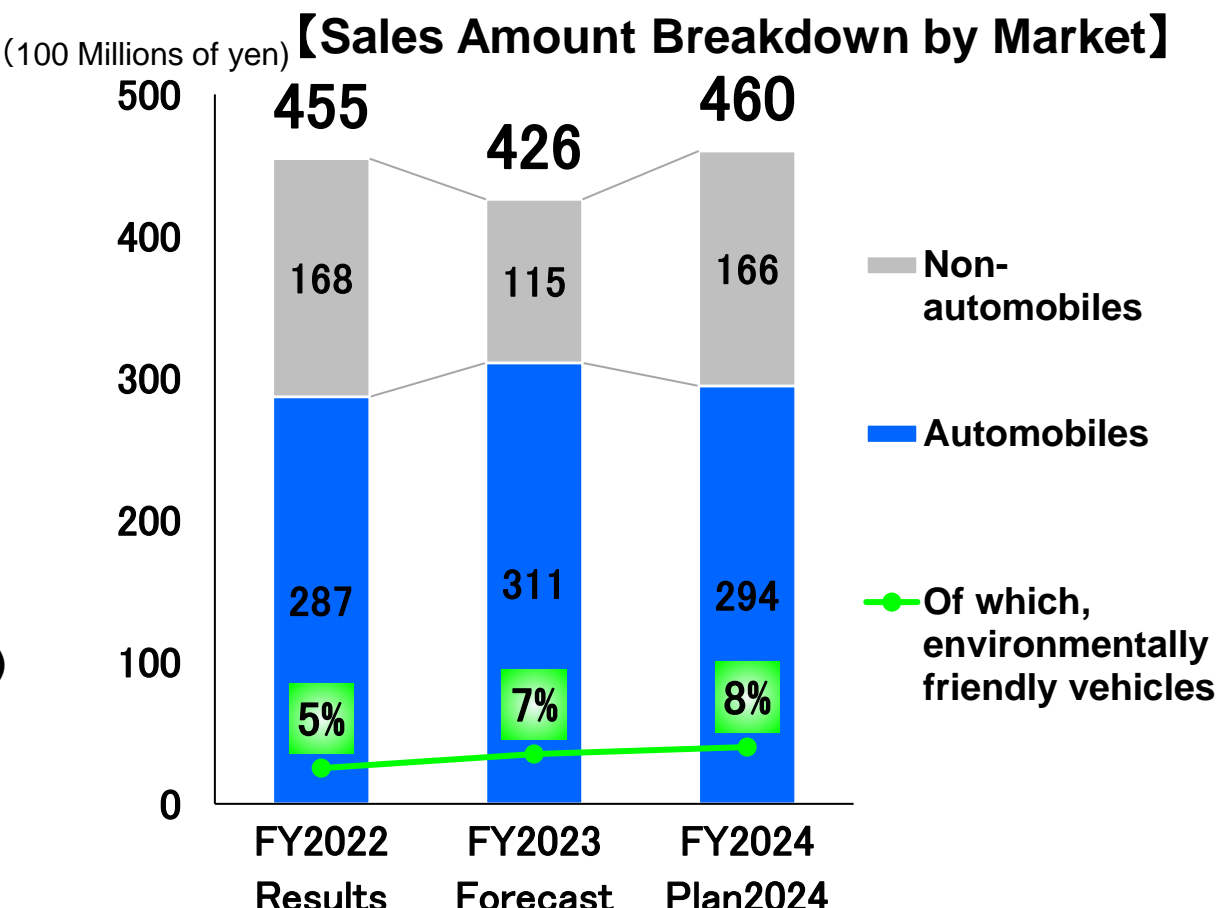
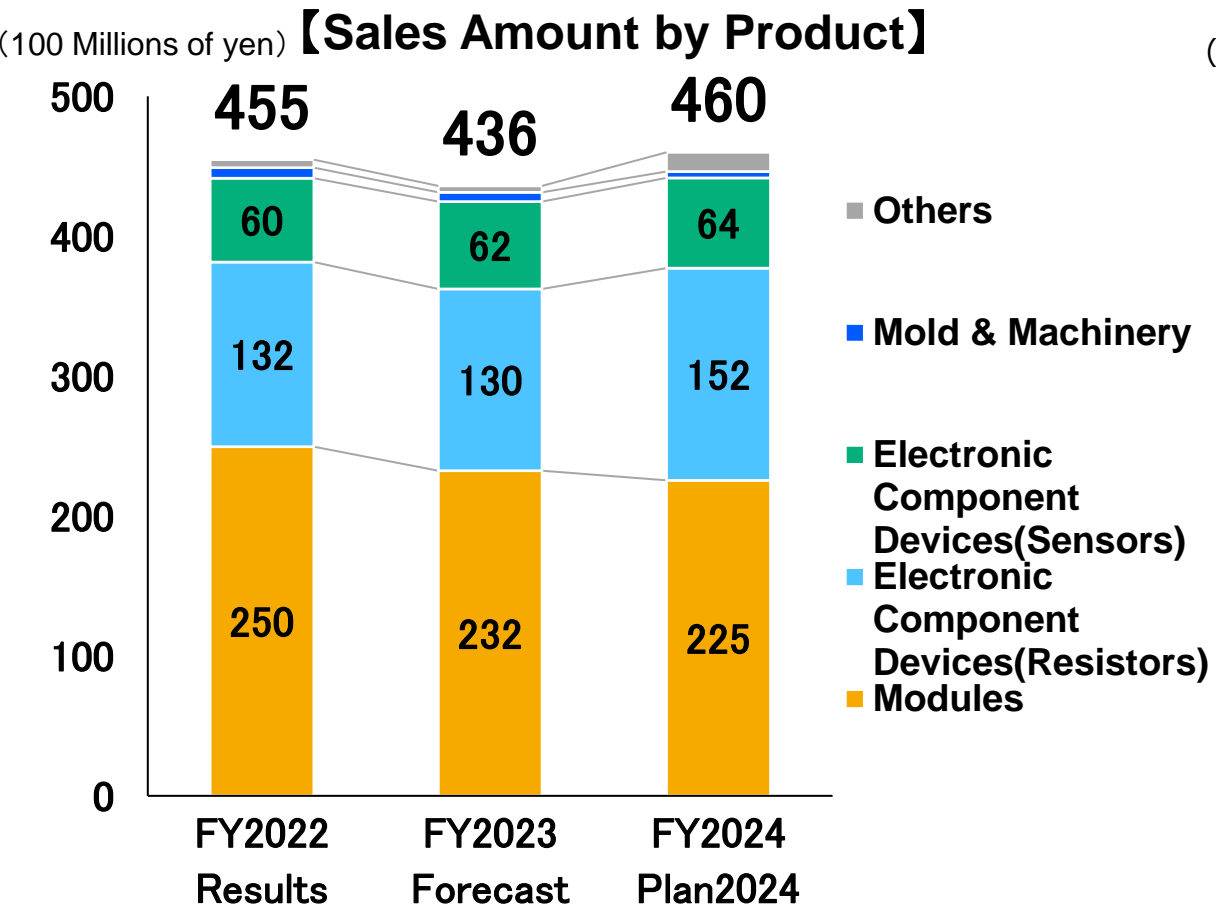
140.00



➤ Steadily implement “Management / Business Strategies” to achieve the goals of PLAN2024

Management /Business Strategy	Progress
<p>Strengthening of core business</p>	<ul style="list-style-type: none"> ▪ Further expansion of new technologies (new products), new customers, and new fields, which we call 3N, is in progress <ul style="list-style-type: none"> ➡ 3N sales forecast compared to FY2022: 105% in FY2023, 200% in FY2024 ➡ Strengthening approach to customers with high global market share in the fields of industrial and medical equipment ▪ Strengthening the production system in ASEAN <ul style="list-style-type: none"> ➡ Thailand plant expanded and added production lines. Expanding production transfer at the Malaysia plant underway. ASEAN production ratio: 29% in FY2022, 31% in the first half of FY2023 ➡ Preparing to expand production to Indonesia underway. Providing technology licensing for piezoelectric products and establishing local production system
<p>Strengthening of marketing and promoting of commercialization</p>	<ul style="list-style-type: none"> ▪ Newly established STRATEGIC MARKET MARKETING DEPARTMENT to strengthen activities <ul style="list-style-type: none"> ➡ Marketing activities are underway to develop products to meet new demand. ▪ Promotion of product development related to decarbonization, EV shift and DX, is underway <ul style="list-style-type: none"> ➡ Release of Arc Resistant Chip Fuse for Environmentally Friendly Vehicles ➡ Release of "IoT of HOKURIKU" using IoT
<p>Strengthening of the management base</p>	<ul style="list-style-type: none"> ▪ Strengthening of compliance and risk management systems <ul style="list-style-type: none"> ➡ Appointed 1 female director. The number of independent outside directors was 40% ▪ Sustainability Committee established to accelerate efforts to materiality <ul style="list-style-type: none"> ➡ Set FY2023/2024 and mid- to long-term goals related to materiality

- Continuing to expand sales of 3N in order to achieve sales targets.
- In FY2023, sales are expected to decline mainly for resistors in the non-automotive sector, but in FY2024, sales are expected to return to an upward trend, mainly in growth sectors such as automobiles and industrial equipment.
- In the automotive field, increase the sales ratio of environmentally friendly vehicles.
FY2022 5% ➡ FY2023 7% ➡ FY2024 8%



■ New Product Information : Arc Resistant Chip Fuse 【Type name】 AFCL16-132

- Demand is growing for use in circuit protection applications in battery monitoring units for environmentally friendly vehicles.
- Fast-acting chip fuses with high rated voltage and strong arc suppression characteristics ※
※What is an arc: A type of plasma formed by discharging between two electrodes (arc discharge)

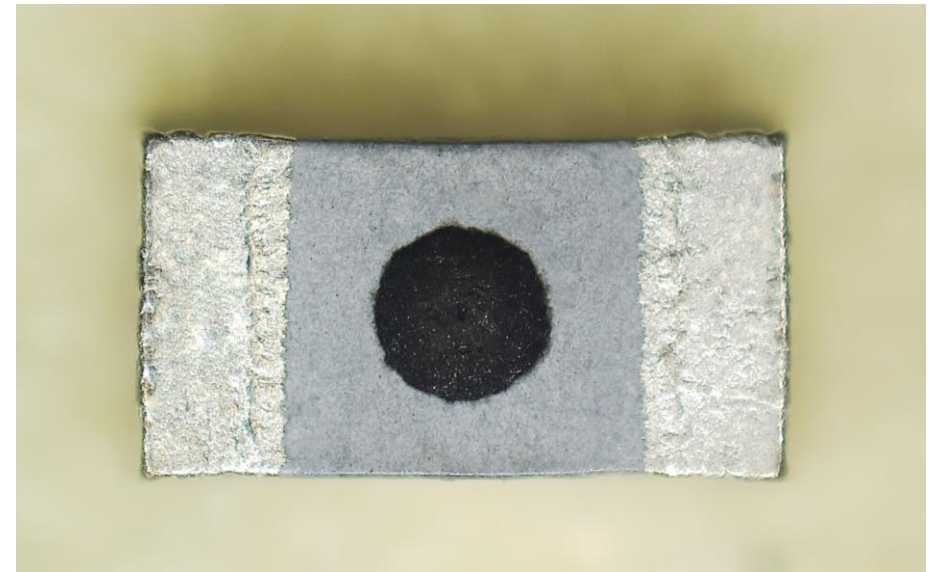
〈Main applications〉

- Circuit protection for battery monitoring units installed in HV, PHV, and EV vehicles

〈Feature〉

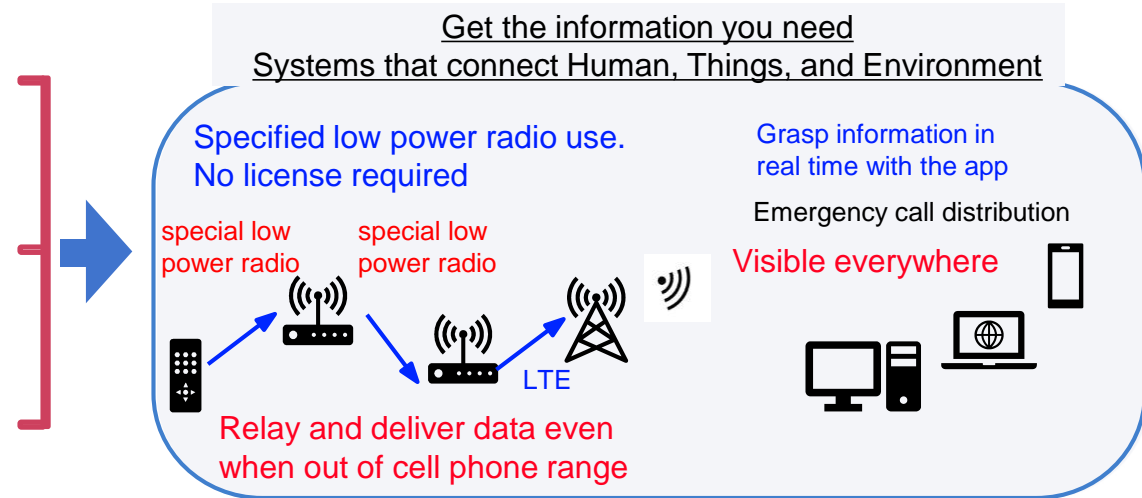
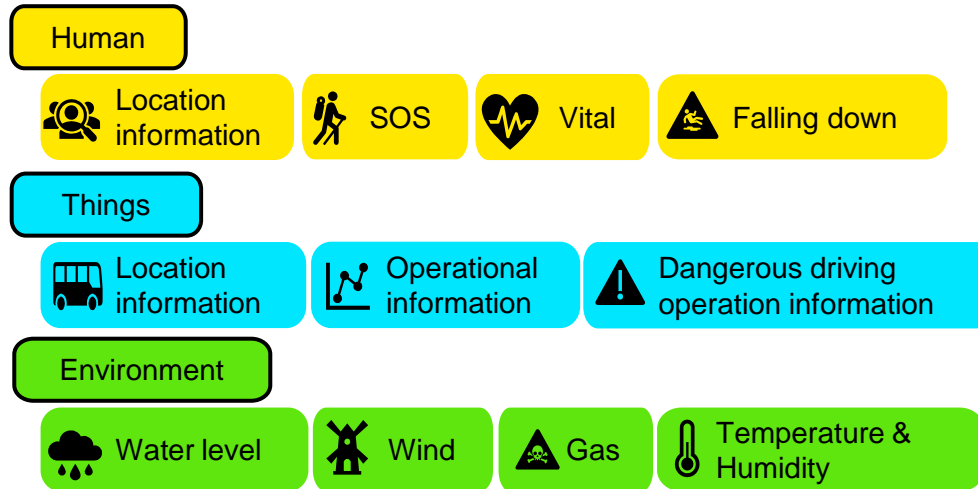
- By HDK original structure, this is instant-blowing type chip fuse.
- The rated voltage of DC 75V in a compact 1608 size (2.5 times higher than conventional models) is achieved through our unique manufacturing process.
- Extremely low risk of smoke and ignition when it is fused.

〈Appearance〉



- Accelerate development of IoT services and sensing solution products that contribute to solving social issues
- Subscribed IoT service to detect the location and operating status of industrial vehicles starting in July 2023.

"IoT of HOKURIKU"



【System Example】

Systems for Industrial Vehicles



〈Main Functions〉

- Movement information
- Dangerous driving operation information
- Notification monitoring by emergency call
- Historical information (stored in cloud)

Monitoring system for construction sites



Operator terminal



Mounting examples

〈Main Functions〉

- Fall detection
- Hazardous Area Intrusion Detection
- Staying for a long time
- Working at heights

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