



HOKURIKU

# First Half of Fiscal Year 2024 Financial Results Briefing Material

Nov. 2024

**HOKURIKU ELECTRIC INDUSTRY Co.,LTD**

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# Explanation Points

## ■ First Half of FY2024 Financial Results

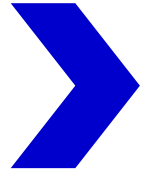
- Net sales increased by JPY 2.7% YoY to 21.4 Bn, mainly due to progress in inventory adjustments by customers and yen depreciation.
- Operating income increased by 13.2% YoY to JPY 1.2 Bn.

## ■ FY2024 Financial Forecast

- No change from the forecast announced at the beginning of the period.  
Plans net sales of JPY 43 Bn and operating income of JPY 2.7 Bn.
- Assumed exchange rate is 140 yen to the dollar.
- To further strengthen shareholder returns  
Annual dividend is planned 80 yen per share, which is 20 yen up from the initial forecast.
- Repurchase and cancellation of treasury stock.

## ■ Topics

- Oct. 4 The first “Integrated Report 2024” published on the Company's website.



# 1. First Half of FY2024 Financial Results

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- 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 21.42 Bn +0.56 Bn YoY
- Operating income: JPY 1.25 Bn +0.15 Bn YoY
- Ordinary income: JPY 0.94 Bn -0.93 Bn YoY

Foreign exchange losses due to appreciation of the Japanese yen: JPY 0.41 Bn.

- Profit attributable to owners of parent: JPY 0.78 Bn -0.73 Bn YoY

(100 Millions of yen)

	FY2023 First Half	FY2024 First Half	YoY Change	
			Amount	%
Net sales	208.6	214.2	+5.6	+2.7
Operating income	11.0	12.5	+1.5	+13.2
Ratio of operating income to net sales	5.3%	5.8%	—	—
Ordinary income	18.7	9.4	-9.3	-49.5
Profit attributable to owners of parent	15.1	7.8	-7.3	-48.4
Exchange rate (End of term) 1US\$=JPY	149.58	142.73	—	—

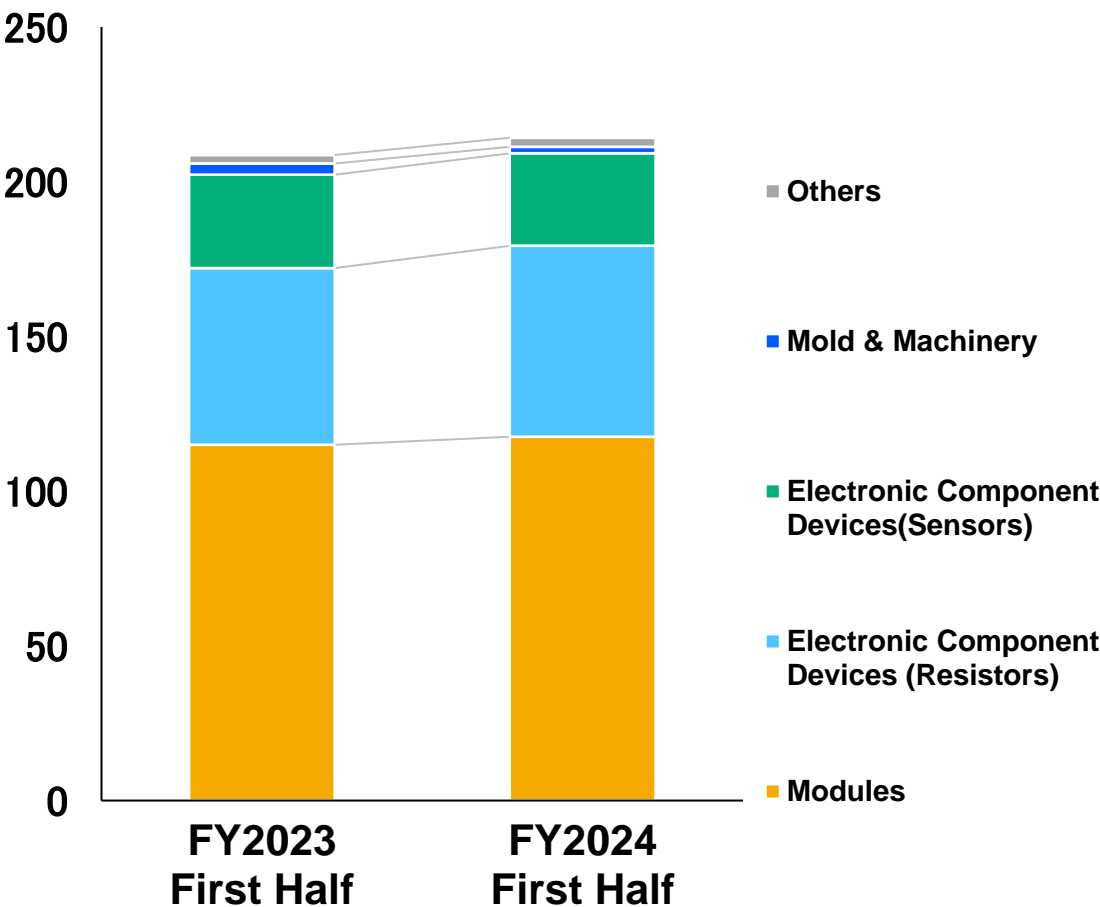
# Sales Amount by Product

- **Modules:** Increase in new markets and for new customers.
- **Electronic Component Devices:** Orders for resistors and sensors increased due to progress in inventory adjustments by customers, while orders for piezoelectric products decreased for automotive applications.

**Module products** Sales: JPY 11.76 Bn +0.26 Bn YoY

**Electronic Component Devices products** Sales: JPY 9.16 Bn +0.43 Bn YoY

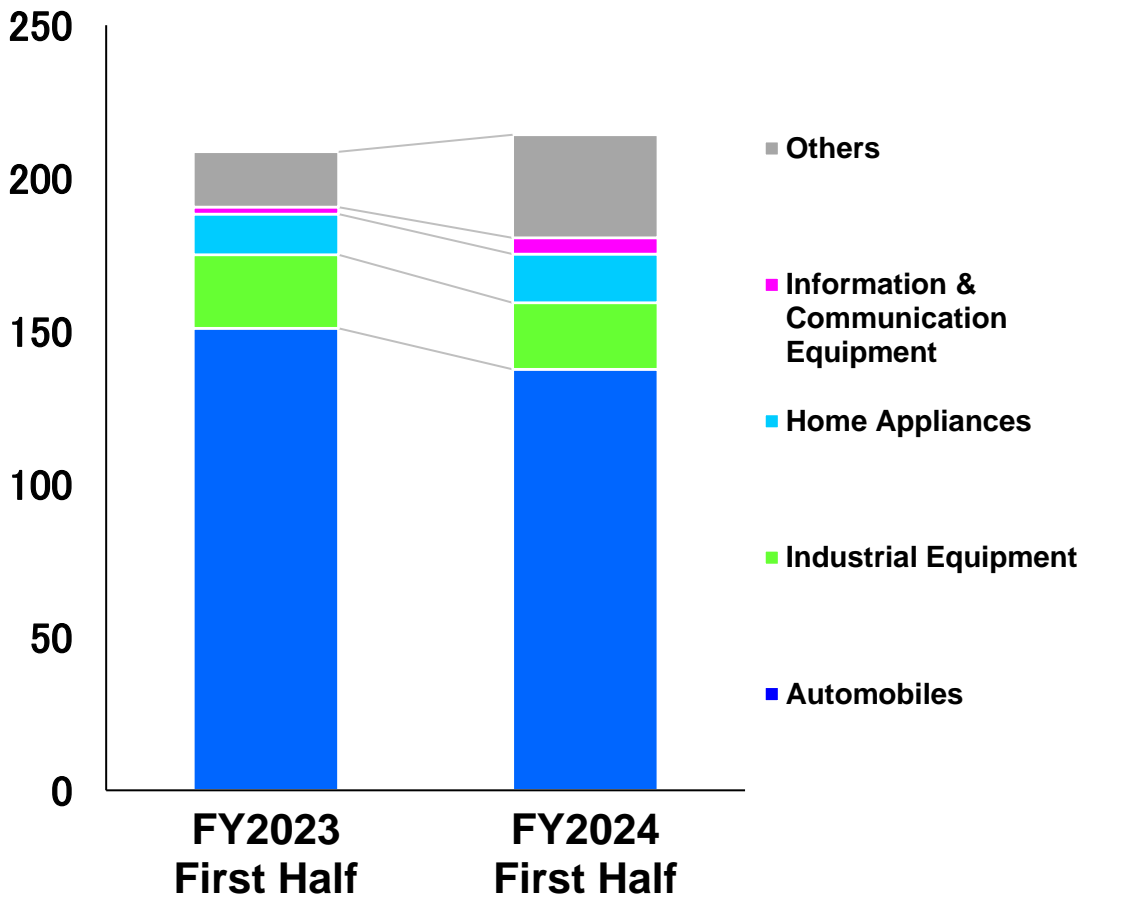
	FY2023 First Half		FY2024 First Half		YoY Change	
		%		%	Amount	%
Modules	115.0	55.1	117.6	54.9	+2.6	+2.2
Electronic Component Devices (Resistors)	57.1	27.4	61.7	28.8	+4.6	+8.0
Electronic Component Devices (Sensors)	30.2	14.5	29.9	14.0	-0.3	-0.9
Mold & Machinery	3.6	1.7	2.1	1.0	-1.5	-41.3
Others	2.7	1.3	2.9	1.4	+0.2	+6.8
Total	208.6	100.0	214.2	100.0	+5.6	+2.7



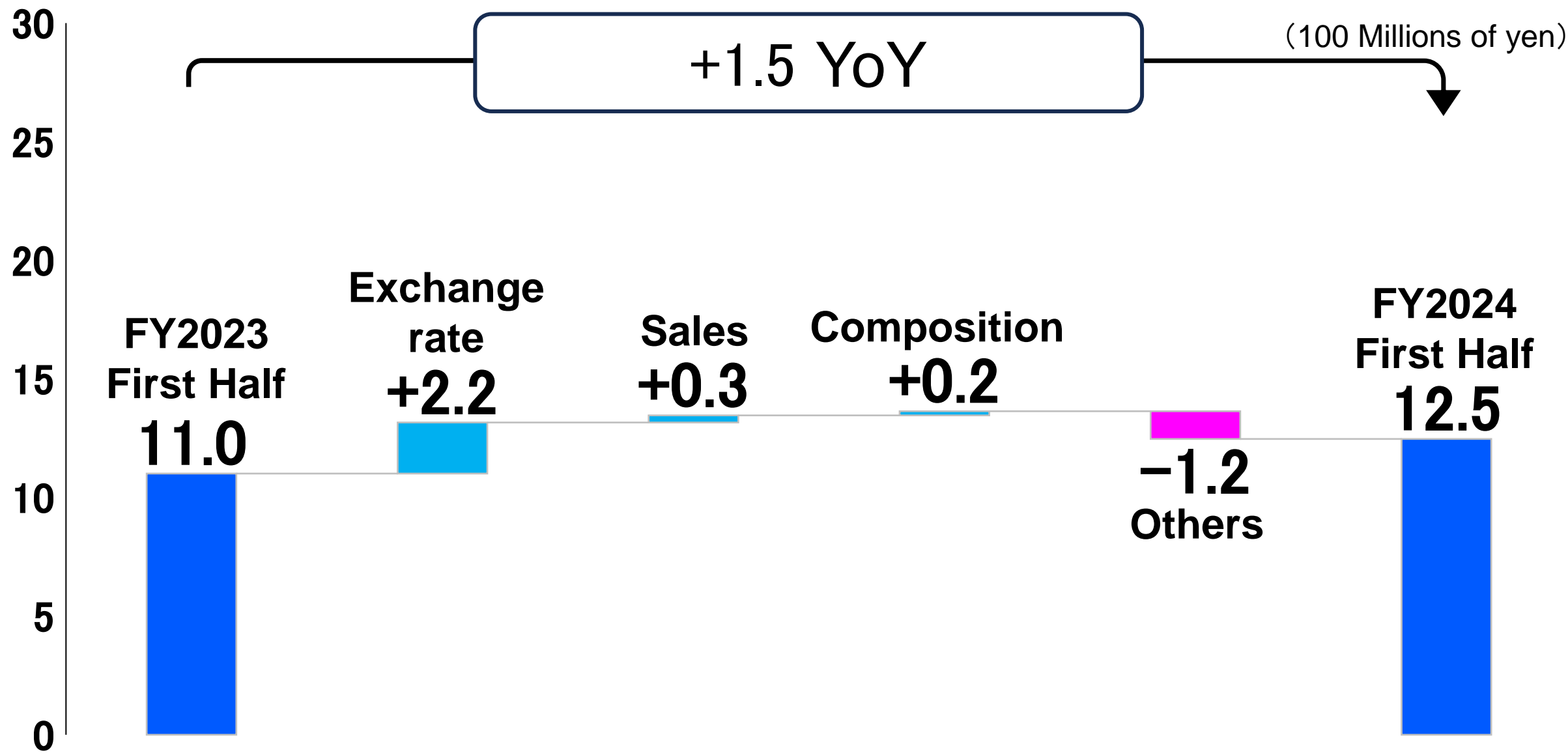
# Sales Amount Breakdown by Market

- **Automobiles market sales:** Decreased due to sluggish EV sales and automakers' production adjustments.
- **Industrial Equipment , Home Appliances , Information and Communication Equipment , Others market sales:** Industrial equipment remained sluggish, home appliances increased mainly in air-conditioning-related sectors, demand for information & communication equipment generally recovered, and others increased in new markets and for new customers.

	FY2023 First Half		FY2024 First Half		YoY Change	
		%		%	Amount	%
Automobiles	151.0	72.4	137.6	64.2	-13.4	-8.9
Industrial Equipment	24.0	11.5	21.7	10.2	-2.3	-9.5
Home Appliances	13.3	6.4	15.9	7.4	+2.6	+19.7
Information & Communication Equipment	2.2	1.1	5.3	2.5	+3.0	+135.8
Others	18.1	8.7	33.7	15.7	+15.6	+86.3
Total	208.6	100.0	214.2	100.0	+5.6	+2.7



# Changes in Operating income (YoY)





# Balance Sheet

- Total assets increased JPY 0.81 Bn mainly due to increase in Cash and deposits and Trade receivables.
- Total liabilities declined by JPY 0.59 Bn due to net decrease in Borrowings.

(Millions of yen)

	FY2023 (End of Mar.)	FY2024 First Half (End of Sept.)	YoY Change
Current assets	29,029	29,879	+849
Cash and deposits	10,112	11,336	+1,223
Trade receivables	8,016	8,629	+613
Inventories	9,252	8,855	-396
Non-current assets	12,616	12,578	-37
<b>Total assets</b>	<b>41,645</b>	<b>42,457</b>	<b>+812</b>
Current liabilities	11,492	12,314	+821
Trade payables	5,736	5,740	+4
Short-term borrowings	3,856	4,401	+544
Non-current liabilities	10,046	8,634	-1,412
<b>Total liabilities</b>	<b>21,538</b>	<b>20,948</b>	<b>-590</b>
<b>Total net assets</b>	<b>20,106</b>	<b>21,509</b>	<b>+1,402</b>
<b>Total liabilities and net assets</b>	<b>41,645</b>	<b>42,457</b>	<b>+812</b>

- Net assets increased by JPY 1,402 million

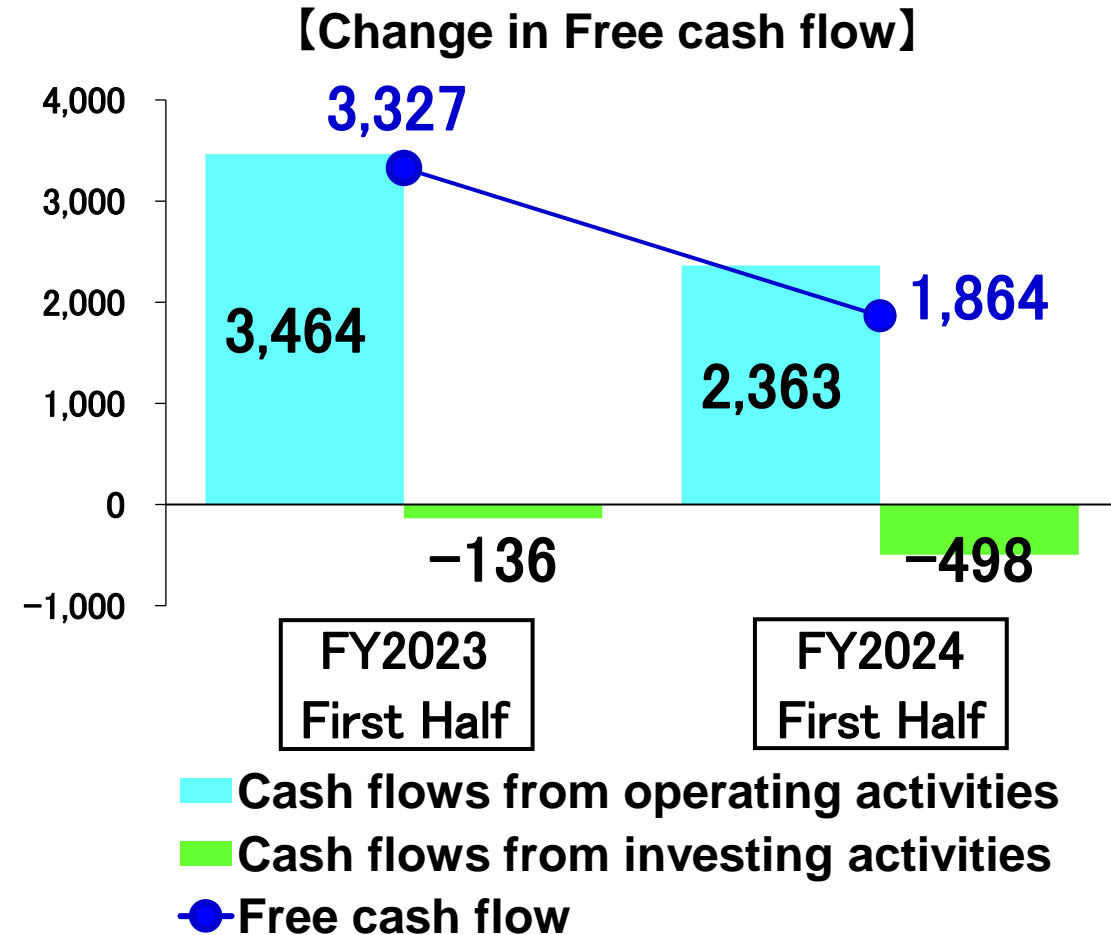
- Profit attributable to owners of parent +780
- Dividends from surplus -489
- Foreign currency translation adjustments due to appreciation of Asian currencies against the yen +1,235

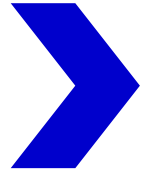
# Cash Flows

- **Operating activities:** Decrease in income before income taxes.
- **Investing activities:** Mainly due to the purchase of Non-current assets.
- **Financing activities:** Net decrease in borrowings , dividend payments.

(Millions of yen)

	FY2023 First Half	FY2024 First Half	YoY Change
Net cash provided by operating activities	3,464	2,363	-1,100
Net cash provided by investing activities	-136	-498	-362
Free cash flow	3,327	1,864	-1,462
Net cash provided by financing activities	-985	-1,280	-295
Cash and cash equivalents at end of period	9,066	8,922	-143





## 2. FY2024 Financial Forecast

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- Business Environment
- Financial Forecast
- Capital expenditures/  
Depreciation/R&D expenses

# Business Environment

## ■ Assumptions at the beginning of FY2024

### ◇ Global Economy

- Concerns about an economic slowdown due to inflation and monetary tightening in the U.S.A.. Uncertainty is expected to continue against a backdrop of heightened geopolitical risks in the Middle East and Ukraine.

### ◇ Electronics Market

- Continued growth in demand is expected due to steady vehicle production and accelerating growth in the xEV market.
- Inventory adjustment is expected to continue in the industrial equipment and consumer electronics sectors. However, Demand is expected to gradually recover in the second half of the year.



## ■ Current Forecast

### ◇ Global Economy

- The U.S.A. remains firm, centered on consumer spending, while China continues to stagnate due to the real estate recession, etc.

### ◇ Electronics Market

- Despite progress in the electrification of automobiles, growth in the EV market is slowing.
- Industrial equipment remains sluggish, while demand is expected to recover moderately in consumer electronics and other sectors.

# Financial Forecast

No change from the forecast announced at the beginning of the period.

- Net sales: JPY 43.00 Bn +2.19 Bn YoY
- Operating income: JPY 2.70 Bn +0.43 Bn YoY

(100 Millions of yen)

	FY2023 Results	FY2024 Forecast	YoY Change	
			Amount	%
Net sales	408.1	430.0	+21.9	+5.4
Operating income	22.7	27.0	+4.3	+18.8
Ratio of operating income to net sales	5.6%	6.3%	—	—
Ordinary income	31.1	25.0	-6.1	-19.6
Profit attributable to owners of parent	25.4	18.0	-7.4	-29.1
Exchange rate (End of term) 1US\$=JPY	151.41	140.00	—	—

# Capital expenditures/Depreciation/R&D expenses

- The increase in capital expenditure was mainly due to the expansion of bases and production facilities in ASEAN.  
JPY +0.62 Bn YoY
- R&D will continue to focus on developing solution services/products for social problems and new sensors.

(100 Millions of yen)

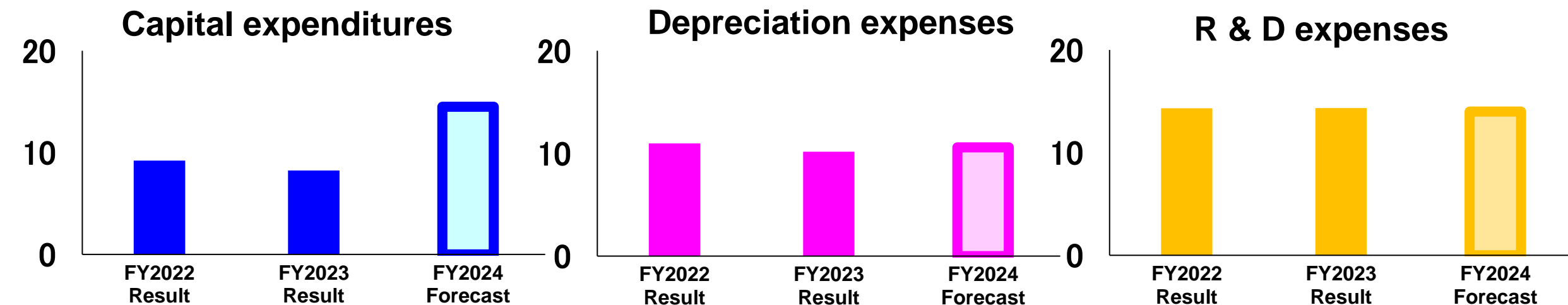
	FY2022 Results	FY2023 Results	FY2024		YoY Change	
			First Half	Forecast	Amount	%
Capital expenditures	9.2	8.3	4.4	14.5	+6.2	+75.8
Depreciation expenses	11.0	10.2	4.9	10.6	+0.4	+4.1
R & D expenses	14.3	14.4	7.9	14.0	-0.4	-2.4

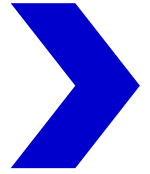
■ Main capital expenditures

- The expansion of bases and production facilities in ASEAN
- DX,IT-related investments
- Sustainability-related investments

■ Main R&D expenses

- Development of new sensors
- Development of solutions for social problems (Environmentally Friendly Products, IoT related products etc.)





### 3. Initiatives to Enhance Corporate Value

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- Status of Action to Implement Management that is Conscious of Cost of Capital and Stock Price
- Return to Shareholders

# Status of Action to Implement Management that is Conscious of Cost of Capital and Stock Price

- Raising the dividend standard for retained earnings from the viewpoint of improving capital efficiency. ➤ **Further strengthen shareholder returns**
- Repurchase and cancellation of treasury stock.

## ■ Initiatives to Enhance Corporate Value

Aim to increase ROE by improving profitability and enhancing Return to Shareholders.  
Aim to achieve PBR of 1x or more, while building up expectations for growth.

- ① **ROE 10% or more**
  - Improve profitability by expanding sales in new fields including environmentally friendly vehicles.
  - Enhancement of Return to Shareholders.
- ② **PER 10% or more**
  - Increase sales and stabilize performance.
  - Promotion of Sustainability Management.
  - Strengthen Corporate Governance.
  - Strengthen Investor Relations.

## ■ Further enhancement of shareholder returns

	FY2022 Results	FY2023 Results	FY2024 Forecast (beginning of term)	FY2024 Forecast (Nov.)
Net income per share (JPY)	77.36	307.33	220.53	221.71
Net assets per share (JPY)	2,043.56	2,463.43	2,623.96	2,659.22
dividend per share (JPY)	55.00	60.00	60.00	80.00
Dividend payout ratio (%)	71.1	19.5	27.2	36.1
Total payout ratio (%)	—	31.0	—	53.7
Ratio of dividends to net assets(D O E) (%)	2.8	2.7	2.4	3.1
Purchase of treasury stock(Millions of yen)	—	299	—	500

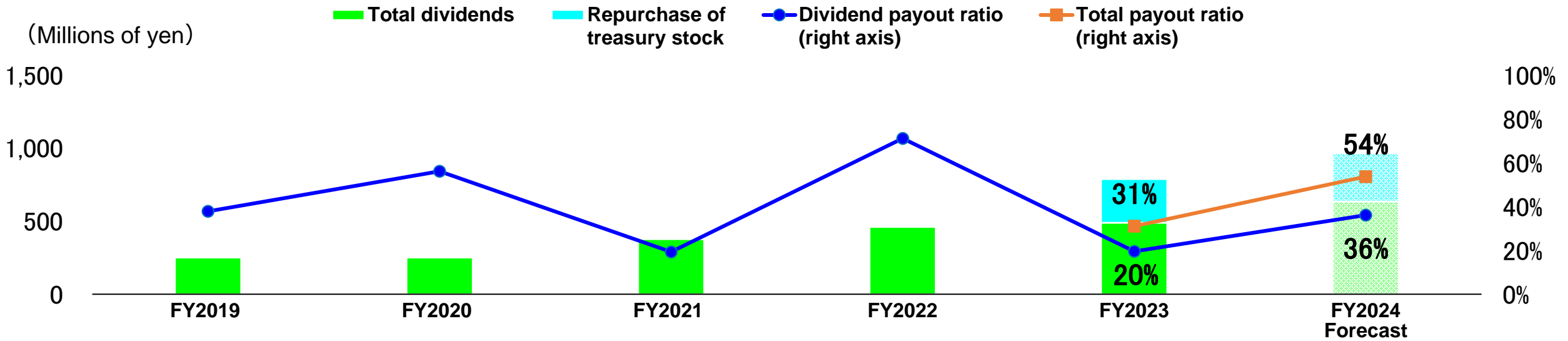
The Company's policy is to distribute dividends from retained earnings based on both of the following indicators.

- Dividend on Equity (DOE) :  
Before change 2.5% or more  
➡ **After change 3.0% or more**
- Dividend payout ratio :  
Before change 20% or more  
➡ **After change 35% target**

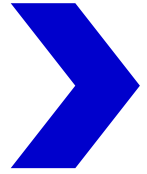


Return to Shareholders

- **Basic Policy:** Further strengthen shareholders returns and improve capital efficiency.
- **Annual dividend:**
  - FY2024 Plans to dividend of 80 yen per share, 20 yen up from the initial forecast.



	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 Forecast
Annual dividend per share(JPY)	30	30	45	55	60	80
Net income per share(JPY)	79.24	53.47	232.89	77.36	307.33	221.71



## 4. Topics

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- Introduction of “Integrated Report 2024”

# Introduction of “Integrated Report 2024”

## Integrated Report Issued



The report focuses on initiatives aimed at realizing management strategies from a medium- to long-term perspective.

### CONTENTS

- STEP01 Value Creation Story
- STEP02 Implementation Strategies and Status of Initiatives
- STEP03 Sustainable Growth Activities
- STEP04 Data Sections

Published on our website. Please take a look.

[https://www.hdk.co.jp/pdf/financ/tougou\\_20241004.pdf](https://www.hdk.co.jp/pdf/financ/tougou_20241004.pdf)

# Introduction of “Integrated Report 2024” Business model (our strengths)

- Creating new value by creating new products through the evolution of core technologies based on recognition of social issues.
- Electronic component devices × mounting × software design = Providing solution products by combining core technologies.



# ***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.