



Creativity and Ambition

A solution design company
that is creating the future through advanced electronics

**Financial Results Presentation Material
for the Six Months Ended September 30, 2023**

HAGIWARA ELECTRIC HOLDINGS CO., LTD.

(TSE Prime Market & NSE Premier Market: 7467)

December 4, 2023

Financial results summary for FY2024/3 Q2

FY2024/3 Q2 recorded increases in both net sales and profit for three consecutive periods, renewing record highs

- Net sales reached a record high at ¥108 billion, up 25.0% YoY. Sales increased due to increased demand as a result of the recovery of automobile production volume, use in additional vehicle models and other factors, as well as due to capturing IT investment, capital investment, etc. of customers.
- Operating profit increased 71.8%, YoY to ¥4.5 billion and ordinary profit increased 58.9%, YoY to ¥4.6 billion, both of which achieved record highs, due to an increase in gross profit that exceeded the increase in selling, general and administrative expenses.
- Despite the disappearance of recording a gain on bargain purchase of ¥670 million on M&A as an extraordinary income in the same period of the previous fiscal year, profit attributable to owners of parent increased 16.5% YoY to ¥3.0 billion, posting a new record high.

Earnings forecasts for FY2024/3

Revised the initial earnings forecasts upward and forecasting record highs for three consecutive periods

- Considering actual results until FY2024/3 Q2 and recent performance trends, revised the initial forecasts upward and forecasting record highs for the third straight quarter.

Financial results summary for FY2024/3 Q2

Earnings forecasts for FY2024/3

Measures to realize management that is conscious of cost of capital and the Company's share price (current situation analysis)

Topics

Financial results for FY2024/3 Q2

- Net sales, operating profit, ordinary profit and profit saw increases in both net sales and profit for three consecutive periods, and all reached record highs in Q2.

(Unit: Millions of yen)

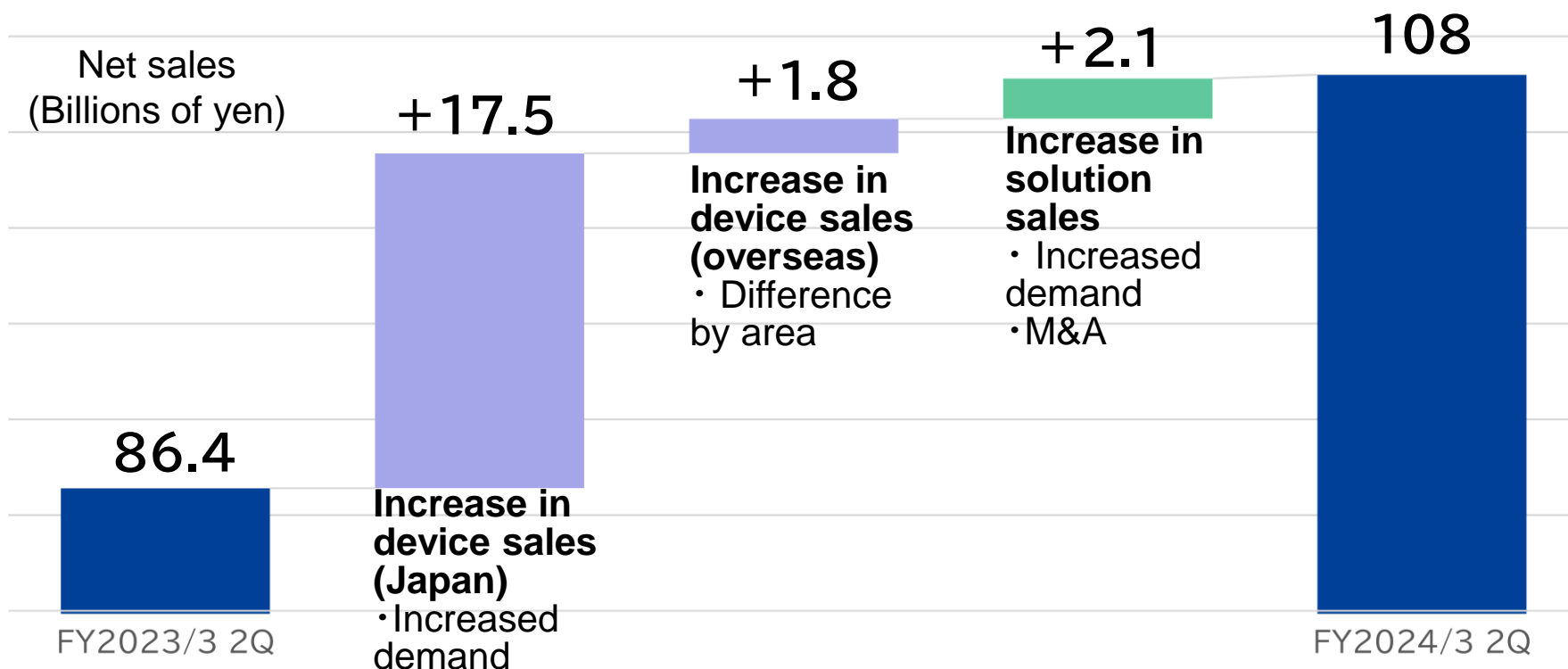
	FY2023/3 Q2		FY2024/3 Q2		YoY	
	Amount	Ratio	Amount	Ratio		
Net sales	86,412	100%	108,013	100%	+21,601	+25.0%
Gross profit	8,087	9.4%	10,452	9.7%	+2,365	+29.2%
Selling, general and administrative expenses	5,416	6.3%	5,863	5.4%	+447	+8.3%
Operating profit	2,671	3.1%	4,589	4.2%	+1,917	+71.8%
Ordinary profit	2,909	3.4%	4,623	4.3%	+1,713	+58.9%
Profit attributable to owners of parent	2,606 ^{*1}	3.0%	3,036	2.8%	+429	+16.5%
Earnings per share (Yen) ^{*2}	294.37	—	326.01	—	+31.64	—

*1 As of FY2023/3 Q2, provisional accounting treatment had been applied to the gain on bargain purchase associated with M&A, however since it was finalized at the end of the previous fiscal year, the figures presented in this material reflect the finalized value of gain on bargain purchase of ¥670 million.

*2 The number of issued shares increased YoY due to the exercise of share acquisition rights. The average number of shares during the period was 8,854,055 shares in FY2023/3 Q2 and 9,313,675 shares in FY2024/3 Q2.

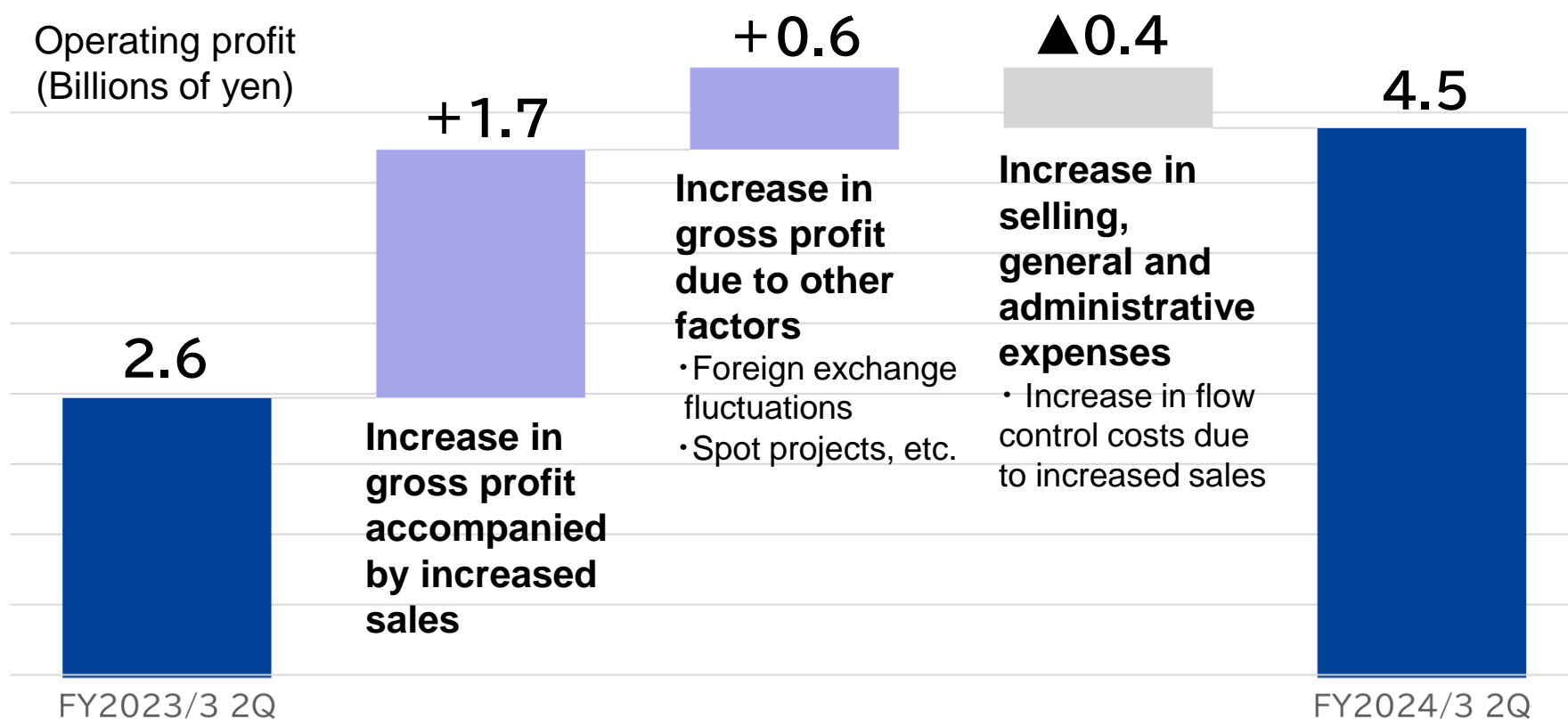
Positive factors for net sales

- Net sales increased by ¥21.6 billion, or 25.0% YoY.
- Sales in the Electronic Devices Business were encouraging mainly in Japan due to the recovery of automobile production volume, use of adopted products in additional vehicle models and other factors, in addition to sales being encouraging in the Technology Solutions Business due to capturing IT investment, capital investment, etc. of customers.



Changing factors for operating profit

- Operating profit increased by ¥1.9 billion, or 71.8% YoY.
- While gross profit significantly increased mainly due to increased net sales and weak yen, an increase in selling, general and administrative expenses was curbed, leading to increased operating profit. Operating profit margin increased by 1.1 points.

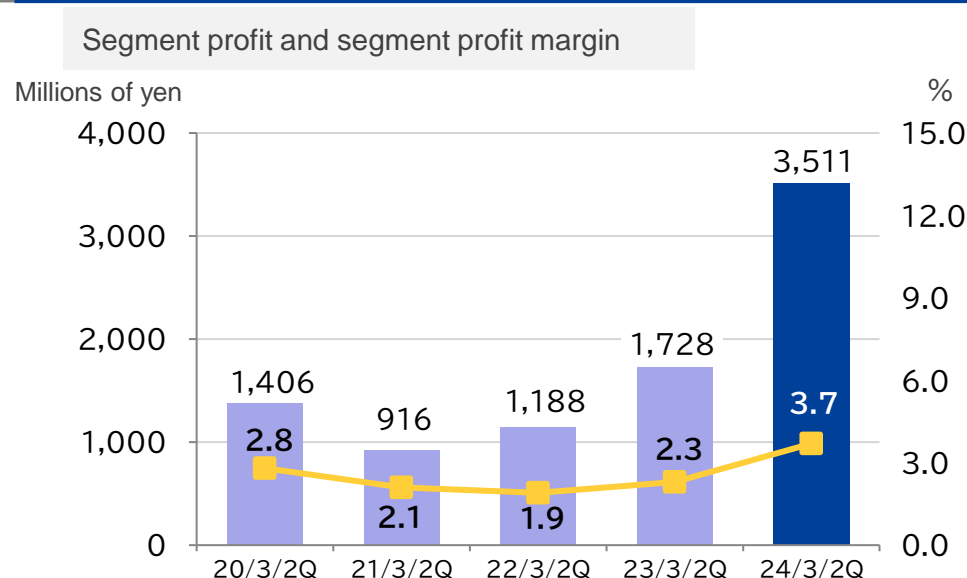
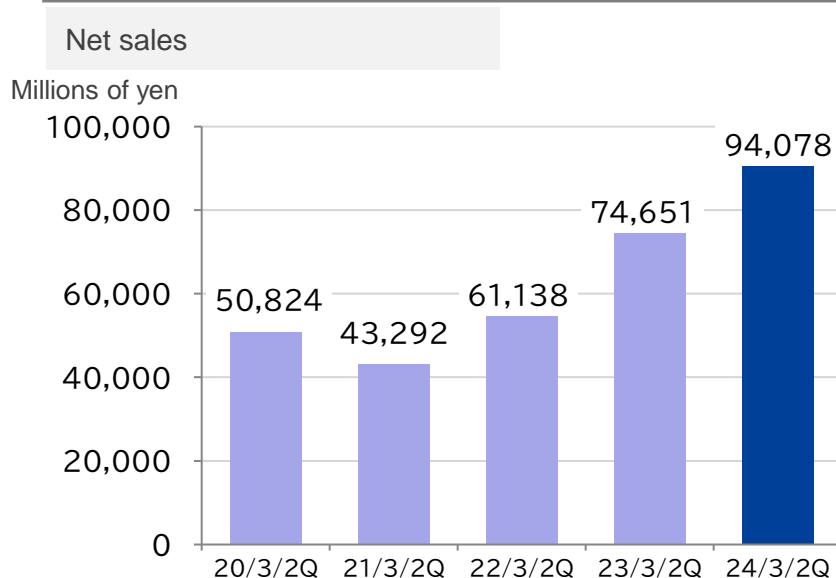


Electronic Devices Business: Financial results summary

- Sales were encouraging due to factors such as the recovery of automobile production volume and use of adopted products in additional vehicle models and weak yen.
- Segment profit increased by 1.4 points mainly due to curbing selling, general and administrative expenses.

(Unit: Millions of yen)

	FY2023/3 Q2		FY2024/3 Q2			
	Amount	Ratio	Amount	Ratio	YoY	
Net sales	74,651	100%	94,078	100%	+19,426	+26.0%
Segment profit	1,728	2.3%	3,511	3.7%	+1,782	+103.1%

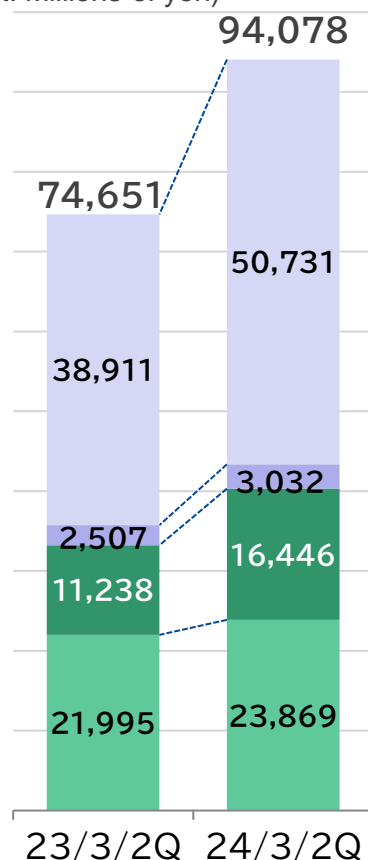


Electronic Devices Business: Net sales by client (YoY)

- Sales were encouraging, mainly for domestic sales with respect to major customers, due to new applications and use in additional vehicle models, together with the increase in activity of customers' production due to the easing of the semiconductor shortage and expansion in the field of vehicle electrification.

(Unit: Millions of yen)

(Unit: Millions of yen)



	FY2023/3 Q2		FY2024/3 Q2		
	Amount	Ratio	Amount	Ratio	YoY
DENSO CORPORATION	38,911	52.1%	50,731	53.9%	+11,819 +30.4%
TOKAI RIKA CO., LTD.	2,507	3.4%	3,032	3.2%	+525 +20.9%
Others	11,238	15.0%	16,446	17.5%	+5,208 +46.3%
Overseas clients *1	21,995	29.5%	23,869	25.4%	+1,874 +8.5%
Total	74,651	—	94,078	—	+19,426 +26.0%

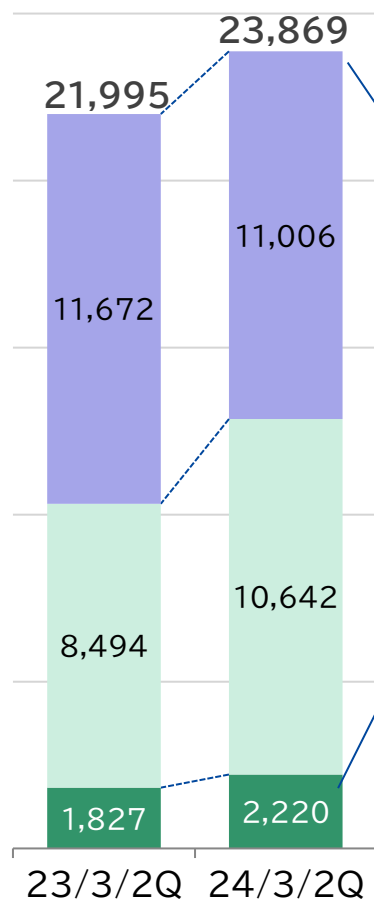
*1 Sales to the overseas offices of major customers, including DENSO CORPORATION, have been included in Overseas clients.

Electronic Devices Business: Net sales by region (YoY)

■ Sales, mainly sales in Japan, increased as automobile production volume was encouraging. Overseas sales were uneven by region.

(Unit: Millions of yen)

(Unit: Millions of yen)



*1	FY2023/3 Q2		FY2024/3 Q2			
	Amount	Ratio	Amount	Ratio	YoY	
Japan	52,656	70.5%	70,208	74.6%	+17,552	+33.3%
Asia	11,672	15.6%	11,006	11.7%	▲666	▲5.7%
United States	8,494	11.4%	10,642	11.3%	+2,148	+25.3%
Europe	1,827	2.4%	2,220	2.4%	+393	+21.5%
Overseas (total)	21,995	29.5%	23,869	25.4%	+1,874	+8.5%
Total	74,651	—	94,078	—	+19,426	+26.0%

*1 Region names represent the Group's business locations (excluding intragroup transactions). Financial results included in FY2024/3 Q2 are figures from January 2023 to June 2023 as the fiscal year-end for the Group's bases in Singapore, China and the United States is December.

Technology Solutions Business: Financial results summary

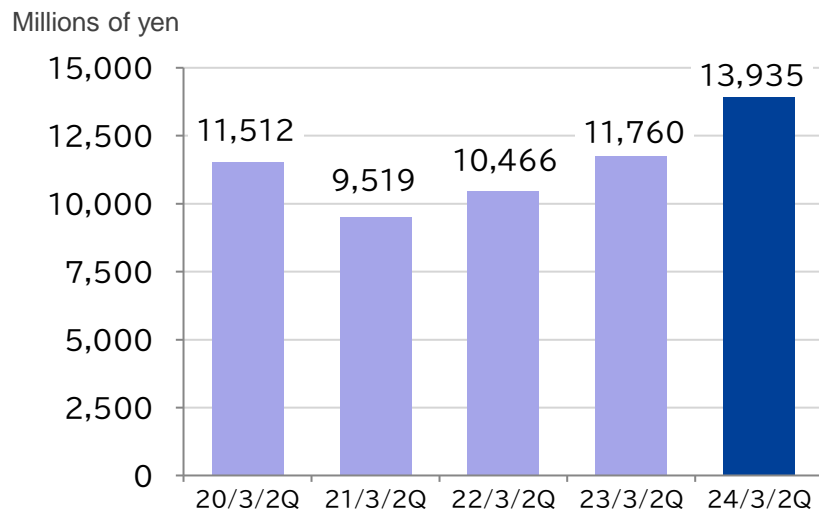


- Sales increased by capturing demand for IT investment aimed at automation and efficiency improvement.
- The segment profit margin declined 0.3 points due to changes in sales composition by business.

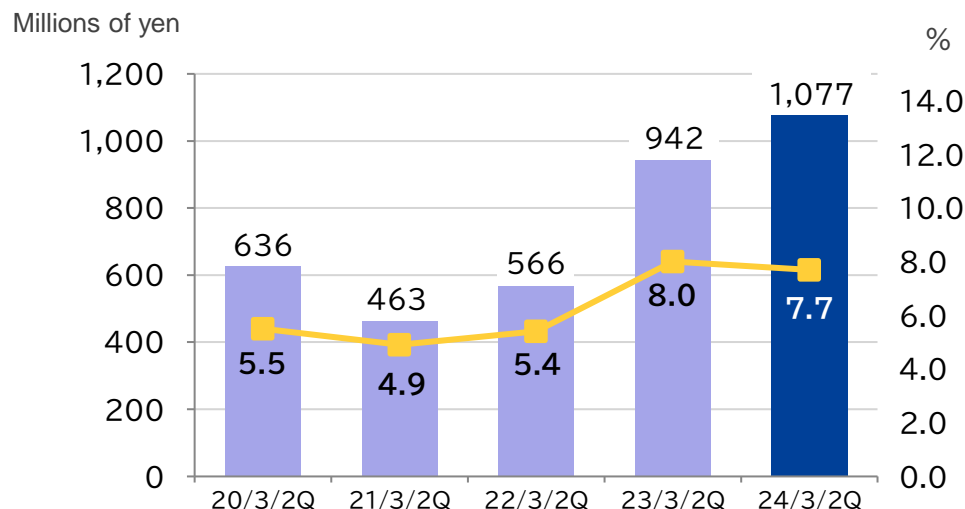
(Unit: Millions of yen)

	FY2023/3 Q2		FY2024/3 Q2		
	Amount	Ratio	Amount	Ratio	YoY
Net sales	11,760	100%	13,935	100%	+2,175 +18.5%
Segment profit	942	8.0%	1,077	7.7%	+135 +14.3%

Net sales



Segment profit and segment profit margin

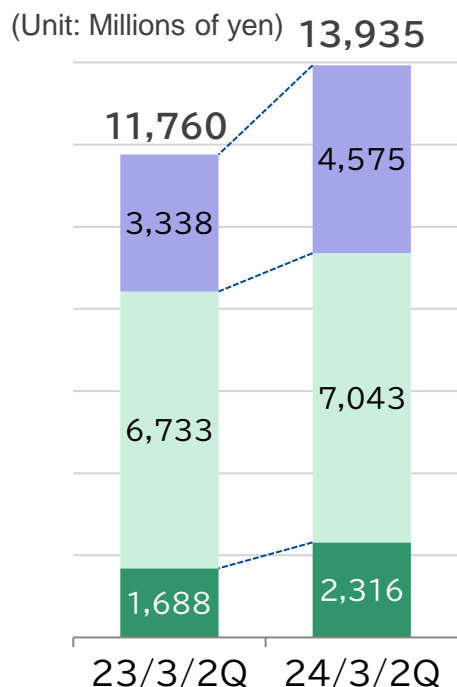


Technology Solutions Business: Net sales by business (YoY)



- Although there was a temporary move to curb capital investment, the Technology Solutions Business captured demand for IT investment aimed at automation and efficiency improvement, etc.
- HAGIWARA ENGINEERING, which became a subsidiary in September 2022, contributed to increase in sales of FA Solutions.

(Unit: Millions of yen)



*1	FY2023/3 Q2		FY2024/3 Q2			
	Amount	Ratio	Amount	Ratio	YoY	
System Solutions	3,338	28.4%	4,575	32.8%	+1,237	+37.1%
Embedded	6,733	57.3%	7,043	50.5%	+310	+4.6%
FA Solutions	1,688	14.4%	2,316	16.6%	+627	+37.2%
Total	11,760	—	13,935	—	+2,175	+18.5%

*5 The names of the previous IT, Embedded, and Measurement & FA were changed to the System Solutions, Embedded and the FA Solutions from FY2024/3. The details of each business are as follows.

System: Sale of IT devices, development of apps, development of IoT systems, security measures, etc.

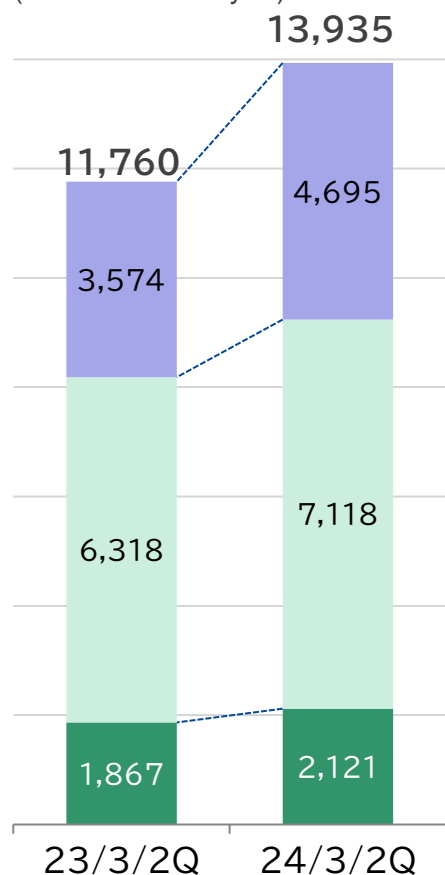
Embedded: Development and manufacturing of industrial computers, sale of industrial embedded computers for machinery, etc.

FA: Sale of measurement devices, inspection equipment and FA devices, development, manufacturing and sale of various automated and labor-saving manufacturing equipment.

Technology Solutions Business: Net sales by industry (YoY)

- Aggressively working to capture IT investment and capital investment of automobile-related companies. Sales increased by capturing demand for IT investment aimed at automation and efficiency improvement.

(Unit: Millions of yen)



(Unit: Millions of yen)

	FY2023/3 Q2		FY2024/3 Q2			
	Amount	Ratio	Amount	Ratio	YoY	
Automotive	3,574	30.4%	4,695	33.7%	+1,120	+31.4%
FA & Industrial equipment	6,318	53.7%	7,118	51.1%	+800	+12.7%
Others	1,867	15.9%	2,121	15.2%	+253	+13.6%
Total	11,760	—	13,935	—	+2,175	+18.5%

Financial results for FY2024/3 Q2

- Recorded foreign exchange gains of ¥0.12 billion in the non-operating income item. Despite the disappearance of recording a gain on bargain purchase of ¥670 million^{*1} on M&A as an extraordinary income in the same period of the previous fiscal year, profit attributable to owners of parent increased, posting a new record high.
- Increased initial forecasts by ¥35 to pay an interim dividend per share of ¥95.

(Unit: Millions of yen)

	FY2023/3 Q2		FY2024/3 Q2		YoY	
	Amount	Ratio	Amount	Ratio		
Net sales	86,412	100%	108,013	100%	+21,601	+25.0%
Operating profit	2,671	3.1%	4,589	4.2%	+1,917	+71.8%
Ordinary profit	2,909	3.4%	4,623	4.3%	+1,713	+58.9%
Profit attributable to owners of parent	2,606 ^{*1}	3.0%	3,036	2.8%	+429	+16.5%
Interim dividends per share (Yen)	60	—	95	—	+35	—

*1 As of FY2023/3 2Q, provisional accounting treatment had been applied to the gain on bargain purchase associated with M&A, however since it was finalized at the end of the previous fiscal year, the figures presented in this material reflect the finalized value of gain on bargain purchase of ¥670 million.

Financial results summary for FY2024/3 Q2

Earnings forecasts for FY2024/3

Measures to realize management that is conscious of cost of capital and the Company's share price (current situation analysis)

Topics

Earnings forecasts for FY2024/3

- Considering actual results until FY2024/3 Q2 and recent performance trends, revised the initial forecasts upward and forecasting record highs for three consecutive periods.

(Unit: Millions of yen)

	FY2023/3	FY2024/3				
	Actual (A)	Initial forecast (B) (May 15)	Revised forecast (C) (Nov 10)	Change (C-B)	YoY change (C-A)	YoY change ratio (C-A)/A
Net sales	186,001	213,000	227,500	+14,500	+41,498	+22.3%
Operating profit	6,725	6,300	8,350	+2,050	+1,624	+24.2%
Ordinary profit	6,417	6,000	8,200	+2,200	+1,782	+27.8%
Profit attributable to owners of parent	4,912	3,900	5,300	+1,400	+387	+7.9%
Earnings per share ^{*1} (Yen)	554.71	437.02	549.93	+112.91	▲4.78	—

*1 The number of issued shares has increased compared to the same period of the previous fiscal year due to the exercise of share acquisition rights, and earnings per share is calculated taking into account the increase in the number of issued shares at the time of each announcement. The exercise of all share acquisition rights was completed on October 6, 2023, bringing the Company's total number of issued shares to 10,118,000 shares as of the release of this document.

Progress of KPIs

- We set new management targets for the final fiscal year. The new targets are measurably exceeding the initial targets.

← Medium-Term Management Plan
Make New Value 2023 →

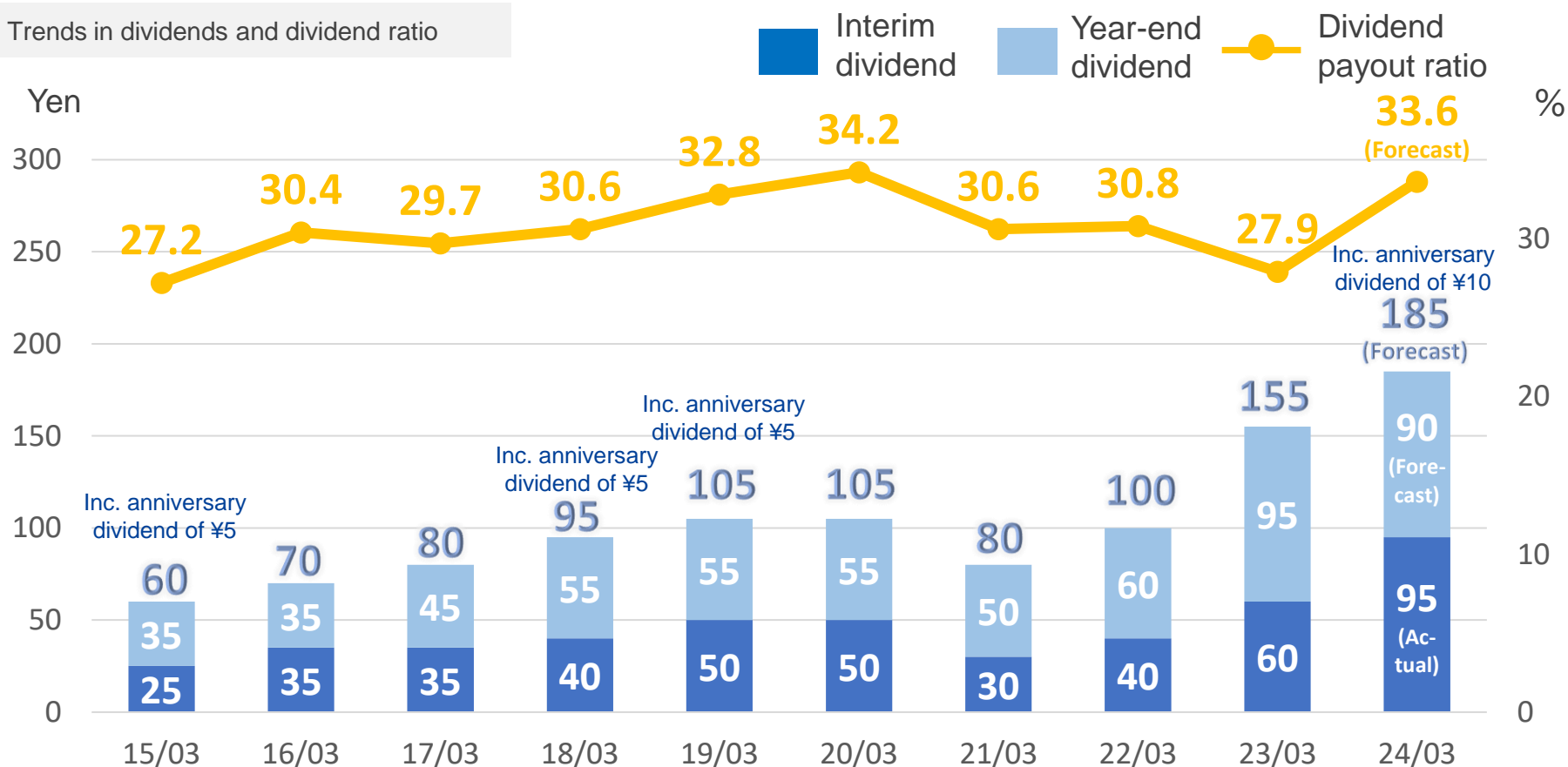
(Unit: Millions of yen)

	FY2021/3	FY2022/3	FY2023/3	Initial target values for FY2024/3, the final fiscal year	Target values for FY2024/3, the final fiscal year (Nov 10)
Net sales	127,830	158,427	186,001	170,000	227,500
FY2021/3 ratio	-	+23.9%	+45.5%	+33.0%	+78.0%
Operating profit	3,468	4,356	6,725	5,000	8,350
FY2021/3 ratio	-	+25.6%	+93.9%	+44.1%	+140.8%
ROE	6.8%	8.0%	12.5%	8.0%	10.0% or higher

Return to shareholder

- Setting a basic policy of stable payment aiming at a dividend payout ratio of around 30%.
- Planning to increase dividends by ¥40 from initial forecasts backed by encouraging business results, resulting in an annual dividend of ¥185.

Trends in dividends and dividend ratio



Financial results summary for FY2024/3 Q2

Earnings forecasts for FY2024/3

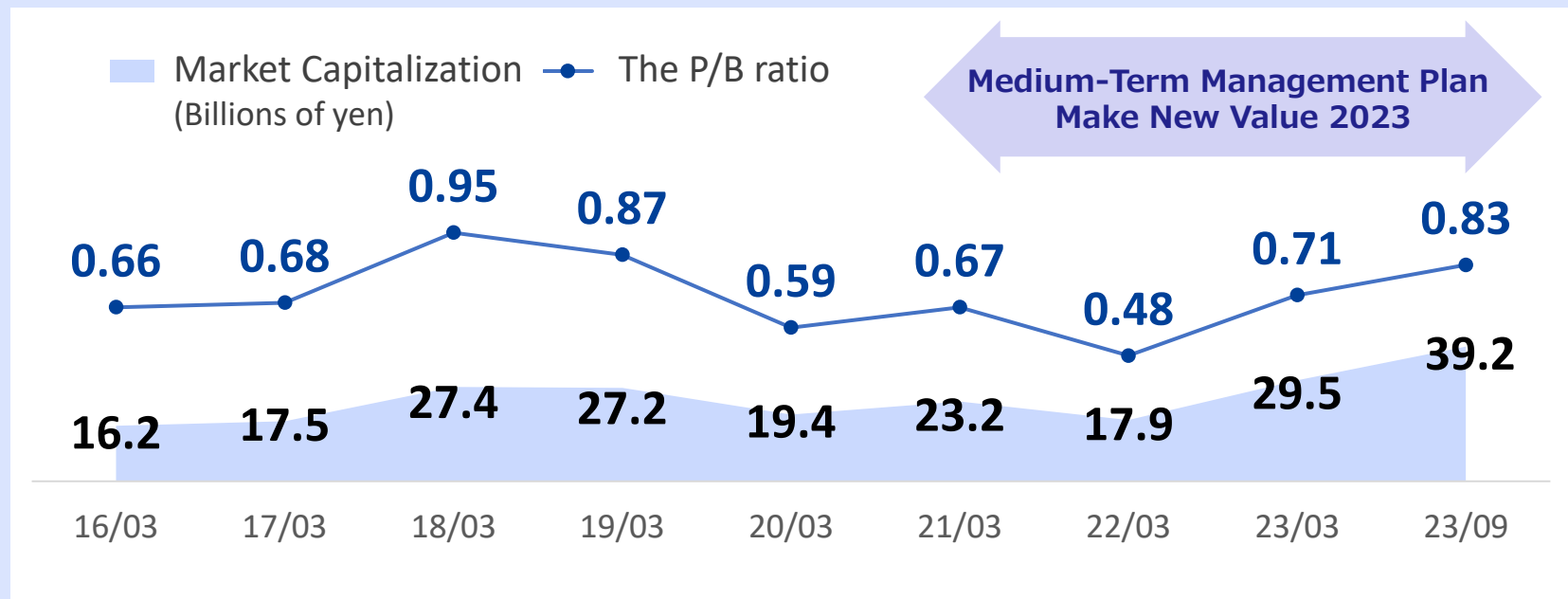
Measures to realize management that is conscious of cost of capital and the Company's share price (current situation analysis)

Topics

【Current situation analysis】 Measures to realize management that is conscious of cost of capital and the Company's share price

- The P/B ratio and market capitalization are on an upward trend due to the Company's efforts to grow its business and increase its corporate value by implementing management strategies based on its Medium-Term Management Plan.

Recent the P/B ratio and Market Capitalization



* The P/B ratio is calculated based on the closing share price and BPS at the end of the period.

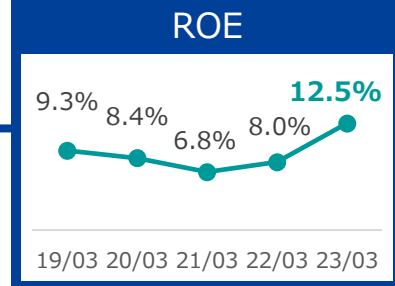
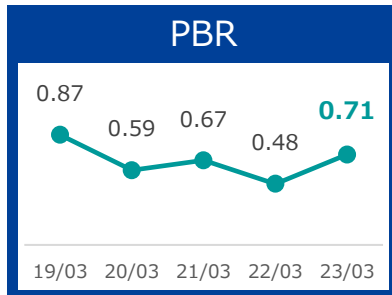
【Current situation analysis】 Measures to realize management that is conscious of cost of capital and the Company's share price

- Although the Company's recent ROE is higher than its cost of equity,^{*1} its P/B ratio is below 1x.
- In addition to improving profitability, the Company needs to strengthen its efforts to improve its evaluation in the stock market.

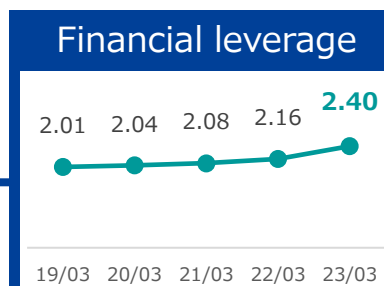
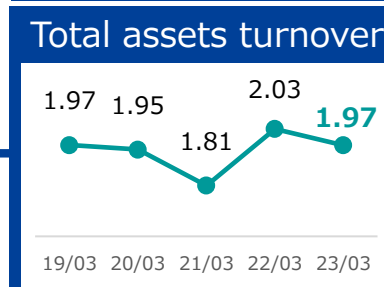
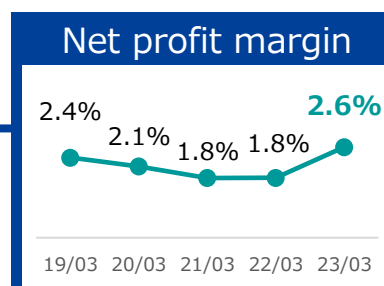
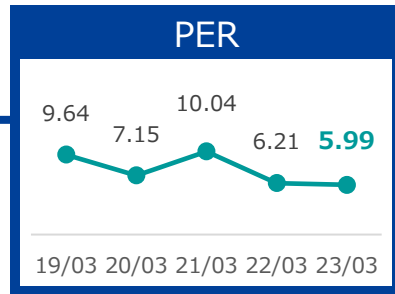
Current situation analysis

Recognition of Issues

✓ The P/B ratio is below 1x



✓ Low growth expectations from the stock market



- ✓ Business portfolio management with appropriate risk taking, system development, and strengthening of profitability.
- ✓ Reduction in cost of equity through implementation of financial and non-financial measures.
- ✓ Fostering growth expectations and improving stakeholder engagement through dialogue with the stock market and enhanced information disclosure.

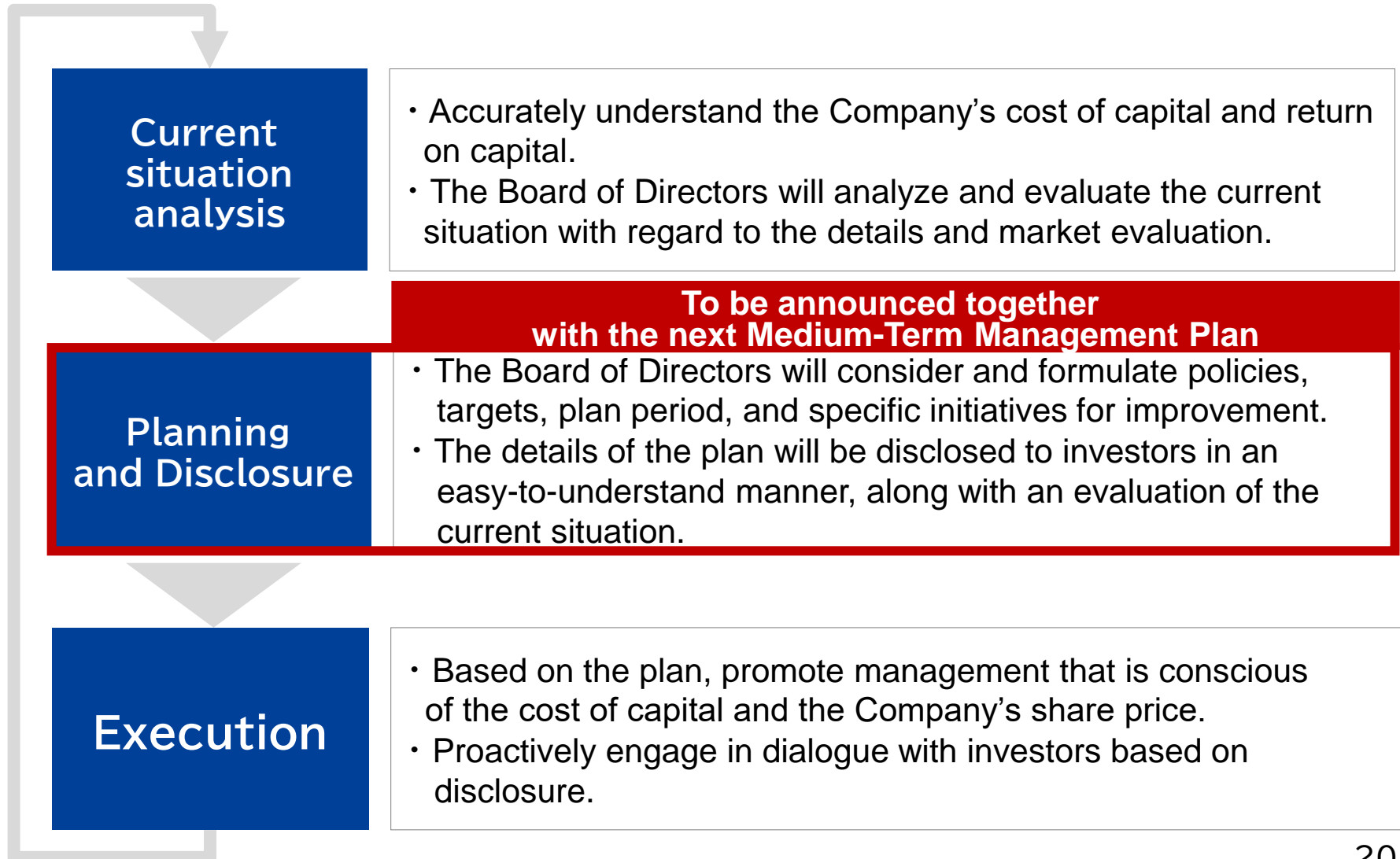
*1 Calculated by the Company based on CAPM. Figures are subject to change due to changes in the environment.

*2 This is the target figure for the final year of the Medium-Term Management Plan (21/4 - 24/3).

Target ROE	10.0% or higher ^{*2}
Cost of Shareholders' equity	7.0~8.0% ^{*1}

【The plans】 Measures to realize management that is conscious of cost of capital and the Company's share price

- Specific initiatives based on the current situation analysis will be announced in conjunction with the next Medium-Term Management Plan.



Financial results summary for FY2024/3 Q2

Earnings forecasts for FY2024/3

Measures to realize management that is conscious of cost of capital and the Company's share price (current situation analysis)

Topics

Strengthen new business areas through collaboration with partners

- HAGIWARA ELECTRONICS has developed an in-vehicle payment demonstration system for next-generation parking based on location information, based on technology from a U.S. startup company, with in-vehicle native software and a smartphone application jointly developed with a major Japanese Tier 1 company. The system was exhibited at the Japan Mobility Show 2023 and was well received.



【 Next Generation Parking In-vehicle Payment Demonstration System 】

A feature of this system is that it can be used as a parking lot for spaces without parking facilities (e.g., entry/exit gates, vehicle stopper apparatus, etc.) by setting attributes for usage conditions (parking availability and billing methods) on the cloud. The in-vehicle device is equipped with algorithms to obtain accurate location information and software that can communicate with the cloud, and charges are made according to the attributes of any parking space.

- The space can be converted into a parking lot without installing parking facilities.
- Rates can be easily designed to improve utilization rates and revenues based on the day of the week, time of day, and whether events are being held.

Strengthen new business areas through collaboration with partners

■ HAGIWARA TECHNOLOGIES has strengthened its strategic partnership with Trend Micro Inc. to promote integrated cyber security in the manufacturing industry, where the IT and OT (operational technology) domains are increasingly merging. The company aims to expand its solutions nationwide through partner collaboration and knowledge gained from its track record as a technology trading company.

Press Release 2023年11月20日

萩原テクノソリューションズとトレンドマイクロ、ITとOTの統合サイバーセキュリティ推進に向けて戦略的パートナーシップを強化
～診断・構築・運用を包括する一貫したソリューション・サービスの提供～

萩原テクノソリューションズ株式会社（本社：愛知県名古屋、代表取締役社長：梶島 千寿、以下、萩原テクノソリューションズ）とトレンドマイクロ株式会社（本社：東京都新宿区、代表取締役社長 兼 CEO：エボ・チュン 兼 取締役：4704、以下、トレンドマイクロ）は、戦略的パートナーシップを強化し、IT/OTの統合を含む製造業界におけるサイバーセキュリティリスクの低減に向けて両社で連携することを発表します。

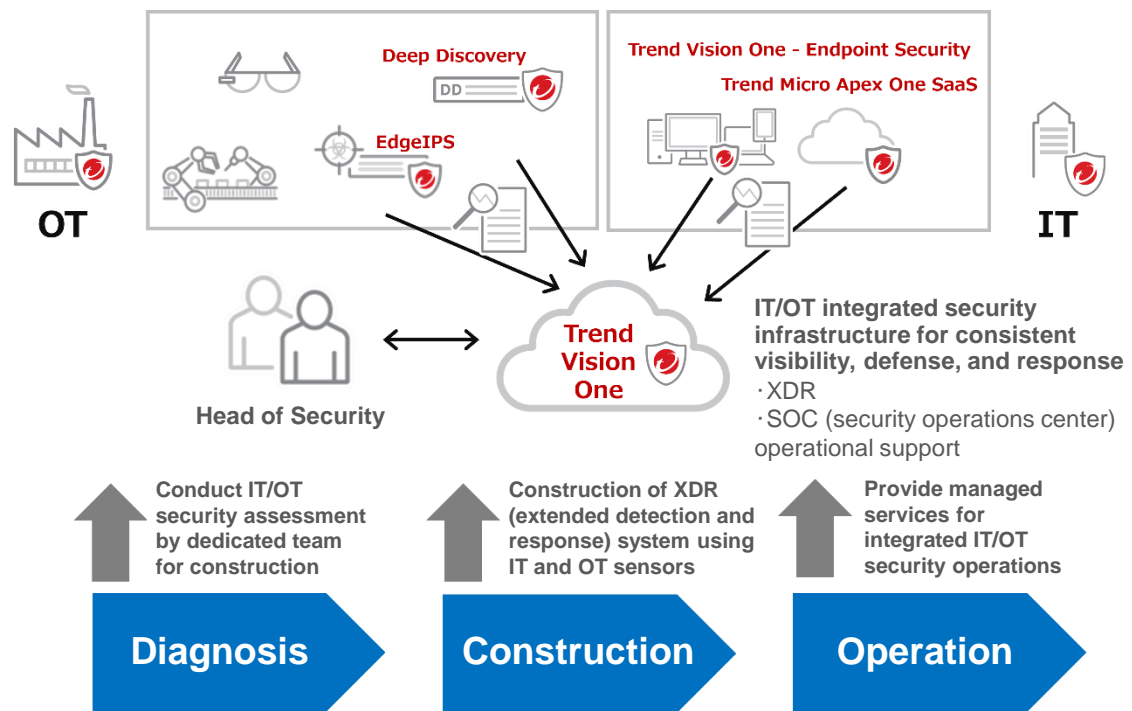
【戦略的パートナーシップ強化の背景】
萩原テクノソリューションズは、OT（オペレーション・テクノロジー）領域で40年以上の実績から得た知見を持ち、OT領域の課題解決に向けた最適なITソリューション提案に強みを持っています。特にお客さまが保有する多くのデータを軸に、データレイト基盤とデータ活用を提供している中、データ保護という観点でセキュリティソリューションを強化してきました。また、トレンドマイクロはサイバーセキュリティ領域において、エンドポイント・ネットワーク・メール・クラウドやOT環境を統合し保護する製品・ソリューションに強みを持っています。両社は、それぞれの強みを組み合わせることで、IT/OTの統合を含む製造業界におけるサイバーセキュリティリスクの低減に向けた最適なソリューションを全国展開いたします。萩原テクノソリューションズでは、2023年10月1日付けで専任チームを新設し、本戦略を介して今後1年間で10億円の売上目標を掲げています。

【IT/OT 領域における最適なサイバーセキュリティソリューション・サービスの提供】
両社はこれまでも製造業向けに工場内脅威検知ソリューション「In-Line Security Monitor」の共同開発やその販売などを通じて、IT/OTの境界を越えたサイバーセキュリティへの取り組みを推進してきました^①。

① https://www.trendmicros.com/ja_jp/about/press-releases/2018/01/15-01.html

工場システムはシステム自体の専門性も高く、インターネットに接続されていない閉域環境で長い間運用されてきました。一方で生産プロセスの最適化や生産性向上への取り組みが進み、IoT活用が進むことで、OT環境におけるサイバーセキュリティへの対応が必要不可欠になっています。法人組織内に既存するIT環境と新たにインターネットに繋がりはじめているOT環境を効果的にサイバー攻撃から保護するにはIT/OTの境界を越えた統合したアプローチが必要になります。トレンドマイクロの側では、ITとOT間の統合すべきセキュリティを確定として、63%が「サイバーイベントの検出」と回答していることが明らかになっています^②。脅威を迅速に検知して被害の拡大を防ぎ、安定した工場稼働を確保するには、迅速かつ適切なサイバーイベントの検出が必要ですが、また、IT/OTの領域にまたがるセキュリティ運用拡大における課題としては、半数以上（約54%）が「ITスタッフのためのOTサイバーセキュリティのトレーニング」を挙げています。一方で「ITサイバーセキュリティに関するOTスタッフのトレーニング」を挙げる声も38.1%にのぼり、両領域にわたる知見やスキルがそれぞれに不足していることが分かります^②。

② https://www.trendmicro.com/ja_jp/security/23/uc-responsibilities.html



*Joint press release with Trend Micro Inc. announced on November 20, 2023

Establishment of HAGIWARA ELECTRONICS Hong Kong subsidiary



• A new China (Hong Kong) subsidiary was established by our subsidiary to strengthen the business base and expand business. Together with the existing China (Shanghai) subsidiary, the new subsidiary will work to provide a stable supply of products to the production bases of our major customers and contribute to the stabilization of the global supply chain.

【Summary】

Trade Name	萩原電氣香港有限公司(planned) (Hagiwara Electronics Hong Kong Limited(planned))
Location	Hong Kong Special Administrative Region, People's Republic of China
Fiscal year end	December-end
Major shareholder and ownership ratio	HAGIWARA ELECTRONICS CO., LTD. 100%
Date of Establishment	December 2023 (planned)
Scheduled start of operations	February 2024 (planned)
Business Operations	Sale of electronic equipment and manufacture and sale of FA equipment

Exercise of 3rd series of share acquisition rights completed



- The Company conducted this financing in order to establish a stable global supply system for the Group, given the urgent need to stabilize supply chains in the automotive industry, a major customer of the Company.
- The exercise of all share acquisition rights was completed on October 6, 2023, and the amount of funds raised was ¥3,464 million.

【Summary】

Brand Name	HAGIWARA ELECTRIC HOLDINGS CO., LTD. Third series of share acquisition rights (with exercise price revision clause)
Publication date	April 24, 2023
Number of share acquisition rights units (no. of shares)	11,000 units (1,100,000 shares)
Allottees and allotment method	Third-party allotment to SMBC Nikko Securities
Exercise completion date	All completed on October 6, 2023
Total number of issued shares	10,118,000 shares (As of the end of October 6th 2023)



Creativity and Ambition

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that is creating the future through advanced electronics

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support and encouragement

Earnings forecasts in this material are decided based on the information currently available.

Forecasts include various uncertain factors, and actual business results may differ significantly from these forecasted figures.