



**HIROSE ELECTRIC CO., LTD.**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2020

November 5, 2019

## Event Summary

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<b>[Company Name]</b>	HIROSE ELECTRIC CO., LTD.	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q2 Financial Results Briefing for the Fiscal Year Ending March 2020	
<b>[Fiscal Period]</b>	FY2019 Q2	
<b>[Date]</b>	November 5, 2019	
<b>[Time]</b>	10:30 – 11:38 (Total: 68 minutes, Presentation: 38 minutes, Q&A: 30 minutes)	
<b>[Venue]</b>	6F, 602, Sapia Tower, 1-7-12 Marunouchi, Chiyoda-ku, Tokyo 100-0005	
<b>[Venue Size]</b>	309 m <sup>2</sup>	
<b>[Number of Speakers]</b>	3	
	Kazunori Ishii	President and Representative Director
	Hiroshi Fukumoto	Corporate Board Director, Group President Administration Group
	Hideo Suzaki	Manager, Investor Relations Office Administration Group

# Presentation

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**Suzaki:** Good morning. We will now start HIROSE ELECTRIC'S Q2 Financial Results Briefing for the Fiscal Year Ending March 2020.

We would like to thank you for taking the time to participate. This is Suzaki, from the Investor Relations Office. I will oversee the progression.

First, I would like to confirm the materials we distributed at the entrance. Please check the contents of the file that we have handed to you. The first are the materials for the Financial Results Briefing, as shown on this slide. Below that, there is a slightly thin A4 pamphlet on the progress of our medium-to long-term growth strategy. Last, our financial summary and revisions to our earnings forecasts, which were announced on the Tokyo Stock Exchange last Friday, November 1. These are the four components.

Now, we will start. Today, I will explain our financial results in accordance with the materials. Next, I will hand over to Fukumoto, head of the Administration Group, who will walk you through the earnings forecasts. Then, President Ishii will explain the progress of the 2019 Medium and Long-Term Growth Strategy. We are planning to receive questions in the remaining time. The closing is scheduled at 11:30.

## Business Situation of FY2019 First Half (Apr,2019 – Sep,2019)



<b>FY2019 First Half (Apr - Sep)</b>	Order <b>623.3</b> hundred million yen ( YoY <b>-7.8%</b> ) Sales <b>602.7</b> hundred million yen (YoY <b>-2.7%</b> ) Operating profit <b>115.3</b> hundred million yen ※Profit Ratio <b>19.1 %</b> (YoY <b>-4.1%</b> )
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The result was decreased sales and profit because of the deterioration of economic confidence affected by US-China trade friction, Chinese economic slowdown and poor sales in automobile ( Europe, America and China, others ).

### Industrial market

Regarding the sales for General Industrial, down side trend from second half of the last fiscal year has been stopped but resulted -20% YoY.

### Smartphone

The sales for smartphone market resulted +13% YoY owing to the increase of demand for mainly Chinese and Korean market in 2Q as usual.

### Automotive

Because of poor sales of automobile, the sales decline for our existing products has been prolonged than we expected. Therefore the sales was +2% YoY though part of new products had been launched.

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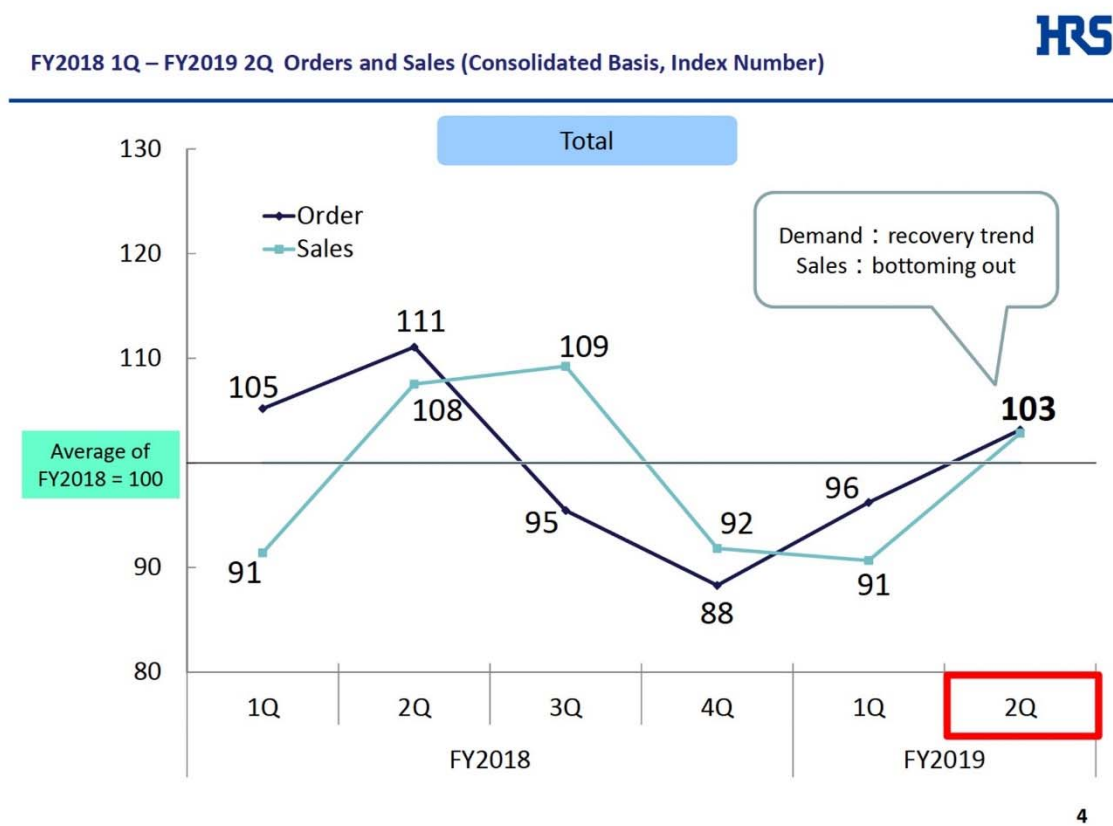
First, please go to page three. This is a business overview for the first six months of the fiscal year under review. Orders received were 62.33 billion yen, a YoY decrease of 7.8%. Sales decreased by 2.7% YoY to 60.27 billion yen. Operating profit was 11.53 billion yen, and the profit margin was 19.1%, down 4.1% YoY.

There is a deterioration in business sentiment due to trade friction between the United States and China, and particularly the slowdown in the Chinese economy. In addition, sluggish sales of automobiles in the US, Europe, and China caused the sense of stagnation to remain, resulting in a decline in sales and profits.

Looking at trends by each of the three fields, sales from the industrial market continued to decline from the second half of the previous fiscal year, and although there was a halt in the Q2 from the first, it has decreased by 20% YoY.

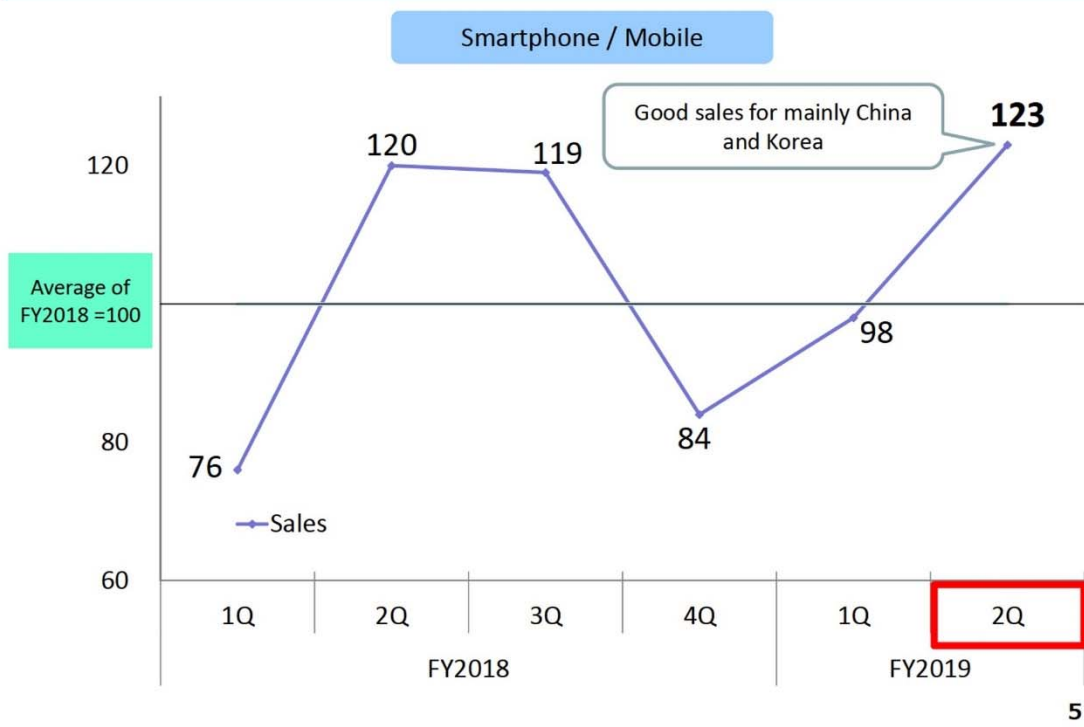
Sales for smartphones increased 13% YoY, reflecting an increase in demand for Q2 in China and South Korea, as is normally the case.

In automotive applications, sales of existing products declined due to sluggish sales of automobiles, but we also launched new products, resulting in a YoY increase of 2%.



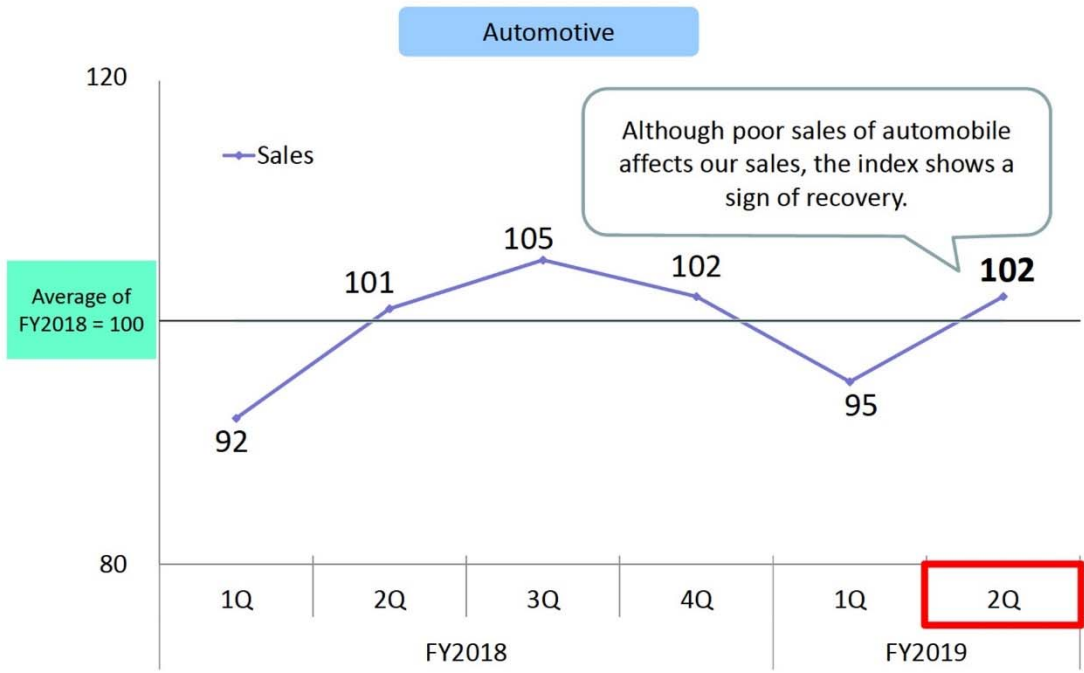
We have prepared a graph showing the trends. First, I would like to talk about the overall orders and sales. This is a graph where the previous year's results are shown as 100. Q2 has a figure of 103 for both orders and sales. Orders have begun to recover, and we believe that sales have bottomed out as well.

FY2018 1Q – FY2019 2Q Sales by Markets (Consolidated Basis, Index Number)



This is sales for smartphones. Sales in China and South Korea are performing well, and the index is 123, which is a high level on a YoY basis.

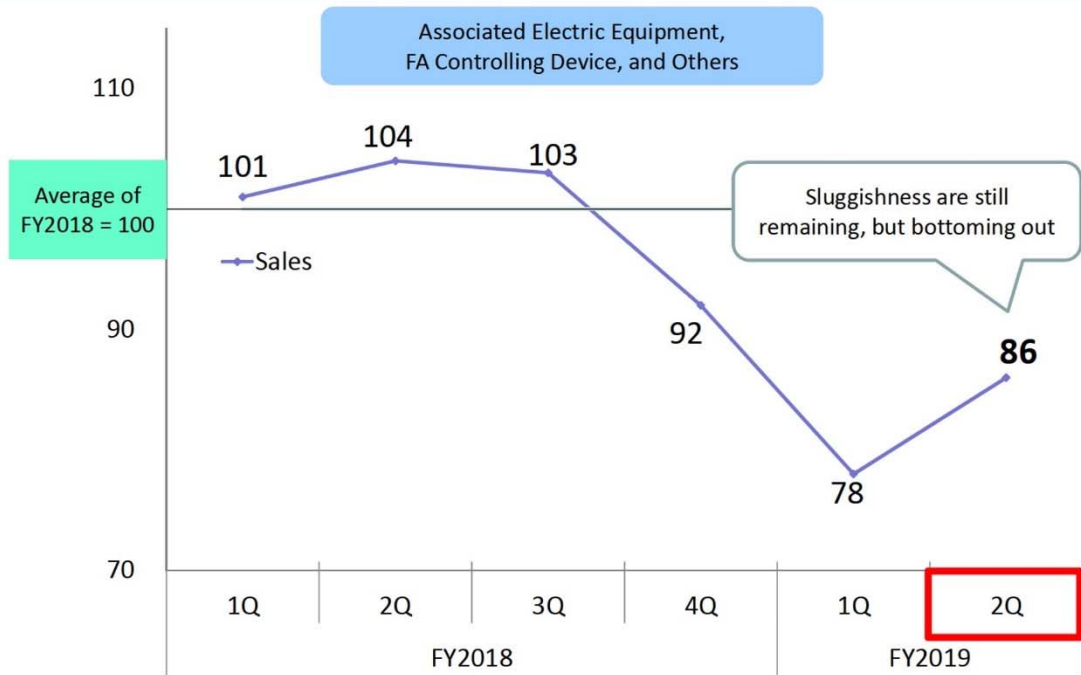
FY2018 1Q – FY2019 2Q Sales by Markets (Consolidated Basis, Index Number)



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For automotive. The decline in sales of existing products is due to a decline in automobile sales. However, there are signs of a recovery in overall sales in automotive applications.

FY2018 1Q – FY2019 2Q Sales by Markets (Consolidated Basis, Index Number)



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Finally, this is for industrial equipment. Although there is still a sense of stagnation, the figures show that the trend has bottomed out. We recognize that the delay in the recovery of industrial machinery is greater than we had anticipated. The outlook for the current fiscal year will be explained on another slide.

(Unit : hundred millions of yen)

	FY2018 First Half (FY ended Sep31, 2018)	FY2019 Forecast	FY2019 First Half (FY ended Sep31, 2019)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
<b>Sales</b>	<b>619.6</b>	<b>620.0</b>	<b>602.7</b>	<b>-17.0</b>	<b>-2.7%</b>
COGS Ratio	55.6%	55.6%	57.1%	+1.5	
SGA Ratio	25.0%	25.0%	25.0%	0.0	
<b>Operating Profit</b>	<b>120.2</b>	<b>110.0</b>	<b>115.3</b>	<b>-4.9</b>	<b>-4.1%</b>
(%)	19.4%	17.7%	19.1%	-0.3	
<b>Earnings before income tax</b>	<b>130.4</b>	<b>115.0</b>	<b>120.9</b>	<b>-9.5</b>	<b>-7.3%</b>
(%)	21.0%	18.5%	20.1%	-0.9	
<b>Net Profit</b>	<b>93.2</b>	<b>80.0</b>	<b>85.7</b>	<b>-7.5</b>	<b>-8.1%</b>
(%)	15.0%	12.9%	14.2%	-0.8	
Total Assets	<b>3,455.3</b>		<b>3,434.5</b>		
Shareholder's Equity Ratio	<b>89.4%</b>		<b>89.2%</b>		
Income Per Share	<b>254.91 yen</b>		<b>235.12 yen</b>		

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This is the income statement for the end of the first half. Sales decreased 1.7 billion yen, or 2.7%, YoY to 60.27 billion yen. Operating profit was 11.53 billion yen, the operating profit margin was 19.1%. The decrease amounted to 490 million yen, or 4.1%. This resulted in earnings before income taxes of 12.09 billion yen and a net profit of 8.57 billion yen.

As I will explain the balance sheet later, the balance of total assets is 343.45 billion yen. Our shareholders' equity ratio was 89.2%, and net profit per share was 235.12 yen.



## Major Changes over prior same period FY2019 First Half

(Unit : hundred millions of yen)

### ■ Sales

**17.0** hundred million yen **Decreased**

( 619.6 → 602.7 )

Non consolidated Hirose : **-21.8**

Subsidiaries : **+4.8**

### ■ COGS Ratio

**1.5 point Deteriorated** (55.6% → 57.1%)

Purchase Cost Ratio : 38.6% → **39.1%**

Depreciation Ratio : 8.2% → **10.1%**

### ■ SGA Ratio

**± 0 point** (25.0% → 25.0%)

155.0 → 150.7 ( 4.3 hundred million yen Decreased)

### ■ Financial revenue / expense

**4.6** hundred million yen **Deteriorated**

(+10.1 → +5.5)

Foreign Exchange Gain / Loss : **+5.1** → **-0.6**

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This is the factor of main changes. Sales declined 1.7 billion yen YoY. non-consolidated sales declined 2.18 billion yen, while the subsidiary's sales increased 480 million yen. This was due to strong sales mainly for South Korea.

The cost of sales ratio worsened by 1.5 percentage points. The ratio of purchasing COGS deteriorated by 0.5 percentage points, but the main factor behind this was a 1.9-percentage-point deterioration in the ratio of depreciation expenses.

The ratio of SG&A expenses to sales remained unchanged from the previous fiscal year at 25%. The amount decreased by 430 million yen in this fiscal year.

Finally, financial income and expenses worsened by 460 million yen. This is mainly because the impact of foreign exchange was negative 60 million yen in the current fiscal year, from positive 510 million yen in the previous fiscal year.

FY2019 First Half YoY Variation analysis



( Unit : hundred millions of yen )

	Sales	Operating profit	(%)	Earnings before income tax	(%)
<b>FY2018 First Half Actual</b>	<b>619.6</b>	<b>120.2</b>	<b>19.4%</b>	<b>130.4</b>	<b>21.0%</b>
Exchange rate	-17.5	-4.7		-10.6	
Depreciation cost increase		-10.6		-10.6	
Labor cost decrease		0.8		0.8	
Increase in the product	0.5	0.1		0.1	
Profit on the sale of land		8.4		8.4	
Others		1.1		2.4	
Total amount of change	-17.0	-4.9		-9.5	
<b>FY2019 First Half Actual</b>	<b>602.7</b>	<b>115.3</b>	<b>19.1%</b>	<b>120.9</b>	<b>20.1%</b>

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This is a slide that goes further with YoY variation analysis. The impact of the exchange rate was negative 1.75 billion yen on sales and negative 470 million yen on operating profit. This was mentioned earlier.

Impact on depreciation cost increase continued this fiscal year and operating profit were negative 1.06 billion yen. We have made up-front investments in automobile and industrial machinery segments, particularly automotive. So, these are in line with our plan.

## Currency Effect for FY2019 First Half



	FY2018 First Half	FY2019 First Half
Currency rate : US\$	110.26 yen	108.63 yen
Currency rate : €	129.85 yen	121.42 yen
Currency rate : 100won	10.04 yen	9.22 yen



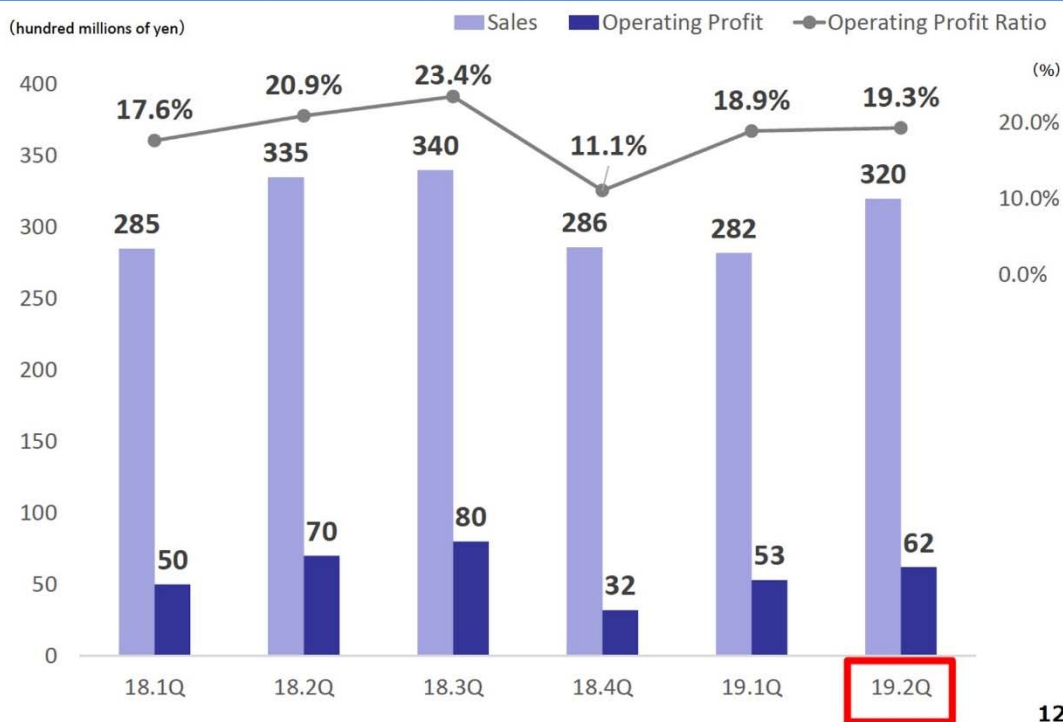
( Unit: Hundred millions of Yen )

YoY Currency effect amount	
Sales	<b>-17.5</b>
Operating Profit	<b>-4.7</b>
Earnings before income tax	<b>-10.6</b>

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This slide describes the impact of exchange rates: dollar, euro, and won. The yen has been appreciating for all those currencies in the fiscal year under review. This resulted in a negative impact of 1.75 billion yen on sales, 470 million yen on operating profit, and 1.06 billion yen on earnings before income taxes. We can say that sales were on par with the previous fiscal year when excluding the impact of the exchange rate.

### FY2018.1Q - FY2019.2Q Quarterly Sales and Profit History



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Next, are quarterly changes in sales and profits. For Q2, we achieved sales of 32 billion yen, an operating profit of 6.2 billion yen, and an operating profit margin of 19.3%. We are moving in a positive direction from Q1.

### Changes in Consolidated Balance Sheet

Unit: hundred millions of yen

	Account	Mar 31, 2019	Sep 31, 2019	Increase / Decrease	Remark
<b>A S S E T S</b>	Cash and Cash equivalents	523.2	551.0	27.8	Transfer from time deposit over 3month, etc
	Trade receivables and other claim	295.4	308.6	13.2	
	Inventories	139.4	138.5	-0.9	Inventories for smartphone has been decreased
	Other financial assets	1,728.8	1,676.4	-52.4	Head quarter's consumption taxes receivable refund $\Delta$ 26.6 Corporate bond $\Delta$ 4.0
	Tangible fixed assets	627.4	631.8	4.4	
	Right-of-use assets	—	46.0	46.0	Appropriate lease transaction as right-of-use assets because of IFRS16
	Others	100.0	82.2	-17.8	
	<b>Total Assets</b>	<b>3,414.3</b>	<b>3,434.5</b>	<b>20.2</b>	
	Total of cash in bank	1,727.6	1,703.9	-23.7	13

This is the balance sheet. The balance of total assets is 343.45 billion yen, as I just mentioned. Inventories declined slightly due to strong sales in smartphones.

As I explained in Q1, since IFRS16 for leasing has been adopted from this fiscal year, the right to use the leased property is recorded as assets. This amounts to 4.6 billion yen.

## Changes in Consolidated Balance Sheet

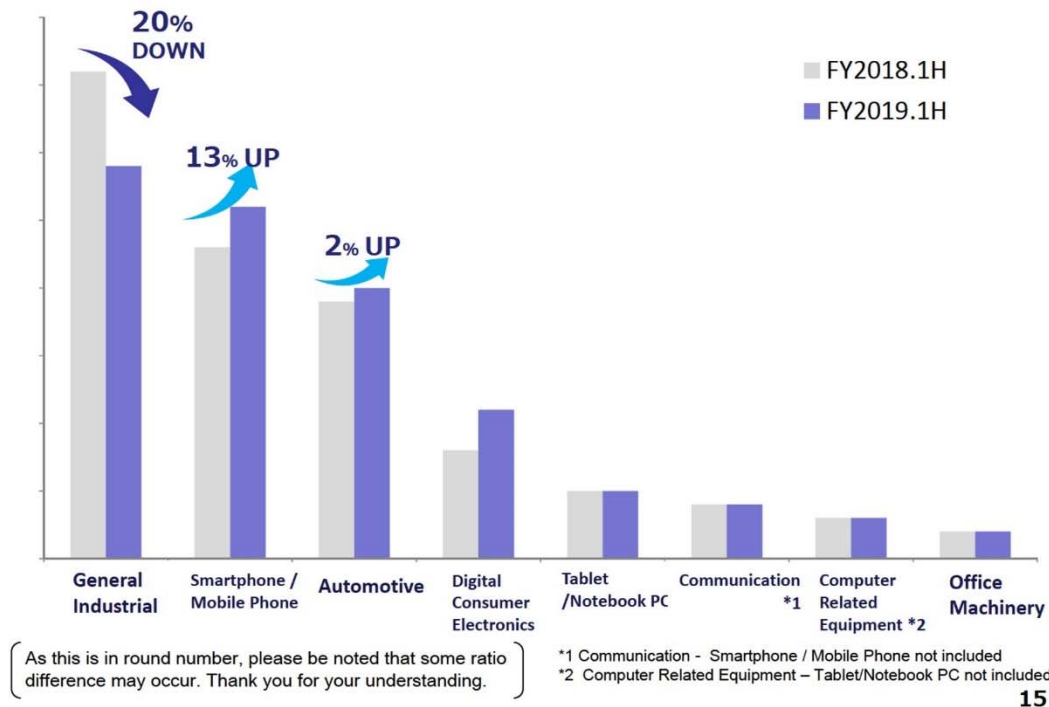
Unit: hundred millions of yen

	Account	Mar 31, 2019	Sep 31, 2019	Increase / Decrease	Remark
<b>Liabilities</b>	Payables and other debt	193.1	168.1	-25.0	
	Lease liabilities	—	46.0	46.0	Application of IFRS16
	Income Taxes Payable	30.9	35.6	4.7	
	Others	117.1	121.4	4.3	
	<b>Total</b>	<b>341.0</b>	<b>371.2</b>	<b>30.2</b>	
<b>Shareholder's Equity</b>	Capital stock and Capital surplus	207.2	207.1	-0.1	
	Retained Earnings	3,033.5	3,060.7	27.2	Net Profit: 85.7 — Dividend: 43.8 — the Allotment of share and Cancellation: 14.9
	Treasury Stocks	-232.1	-217.3	14.8	Cancellation of treasury stocks : +14.9
	Others	64.8	12.8	-52.0	foreign currency translation adjustment -59.3
	<b>Total</b>	<b>3,073.3</b>	<b>3,063.3</b>	<b>-10.0</b>	
<b>Total Liabilities and Shareholder's Equity</b>		<b>3,414.3</b>	<b>3,434.5</b>	<b>20.2</b>	

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Liabilities and net assets. Likewise, on the liability side, 4.6 billion yen has been booked due to lease accounting.

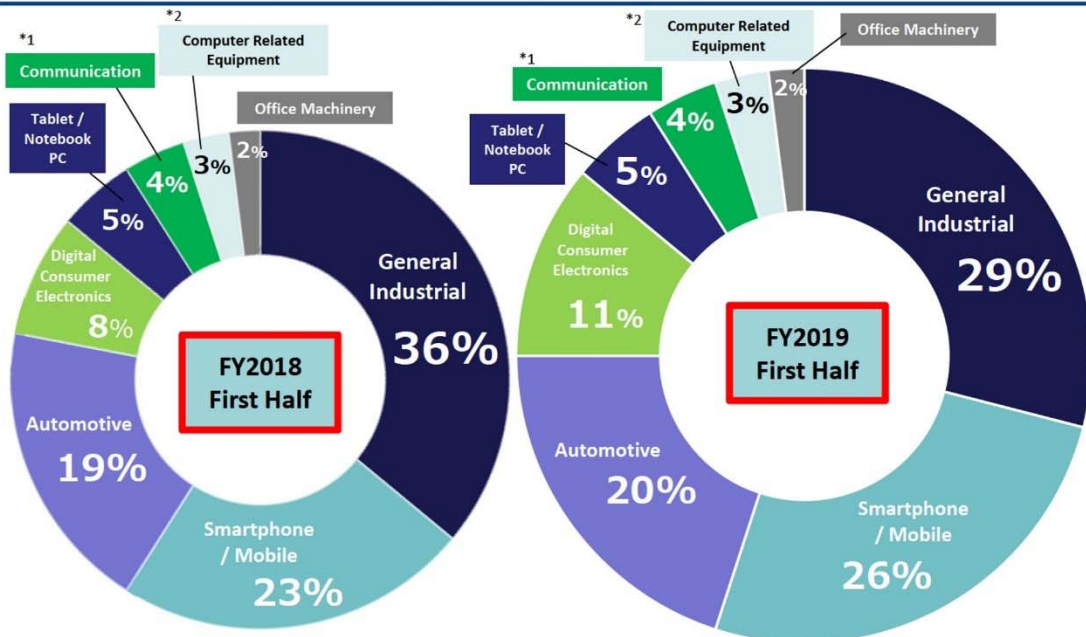
Sales Changes by Application (round number) [Consolidated Basis]



Next, is a more detailed look at the aforementioned three fields. Sales to general industrial were down 20% from the previous year, as already explained. Sales for smartphones and mobile phones are up 13%, and automotive is up 2%.

Although figures for digital home appliances have not been released, they have shown a YoY increase. This is due to capturing demand from new products, such as wearable devices and AI speakers.

Sales by Application (round number) (Consolidated Basis)



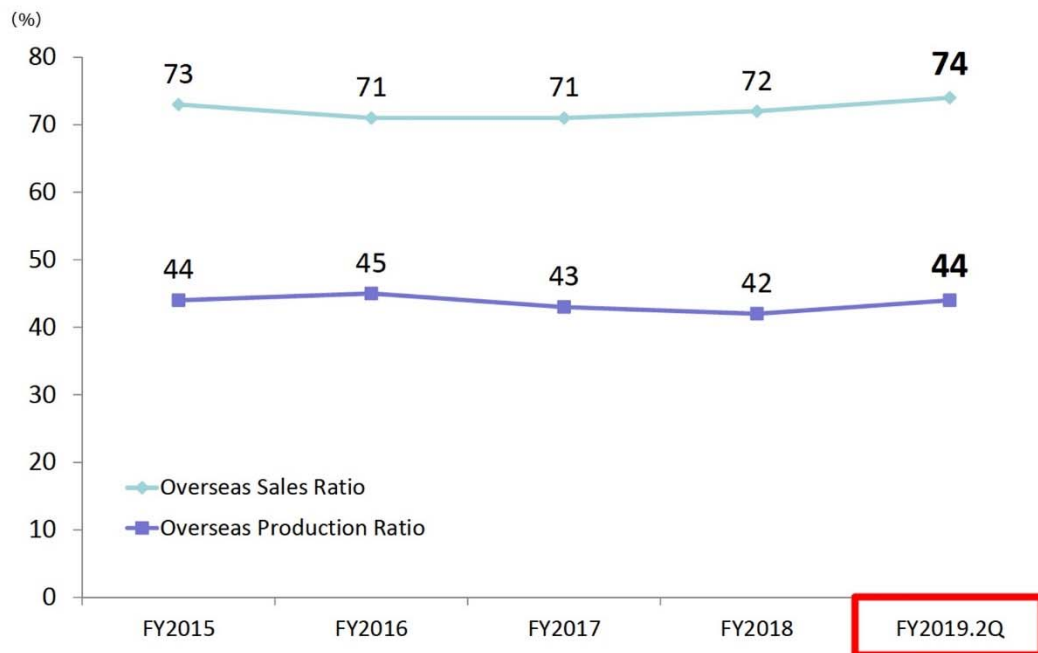
As this is in round number, please be noted that some ratio difference may occur. Thank you for your understanding.

\*1 Communication - Smartphone / Mobile Phone not included  
 \*2 Computer Related Equipment - Tablet/Notebook PC not included.

The charts show the composition of the business segments. The ratio of general industrial machinery is now slightly lower than last year, at 29%, from 36% last year. the percentage of smartphone and mobile phone sales has risen from 23% last year to 26%. Automotive sales are flat at 20%.



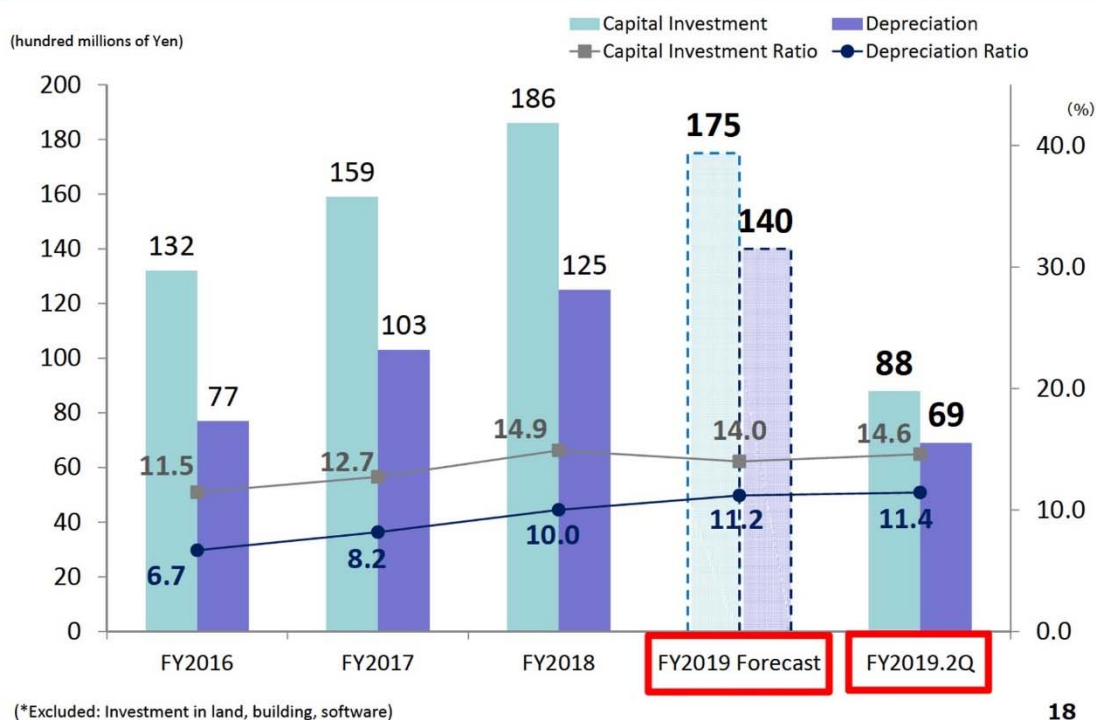
### Overseas Production and Sales Ratio



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This is the overseas ratio. The upper line shows the overseas sales ratio and the lower line shows the overseas production ratio. In the first half of the fiscal year under review, these figures rose two points from the previous fiscal year. The overseas sales ratio has risen to 74% and the overseas production ratio to 44%. This was due to sales for smartphones and mobile phones being relatively strong in the fiscal year under review, while sales for general industrial were down. The increase in the production ratio is attributable to an increase in South Korea's production for smartphones .

### Capital Investment and Depreciation Change (Consolidated Basis)

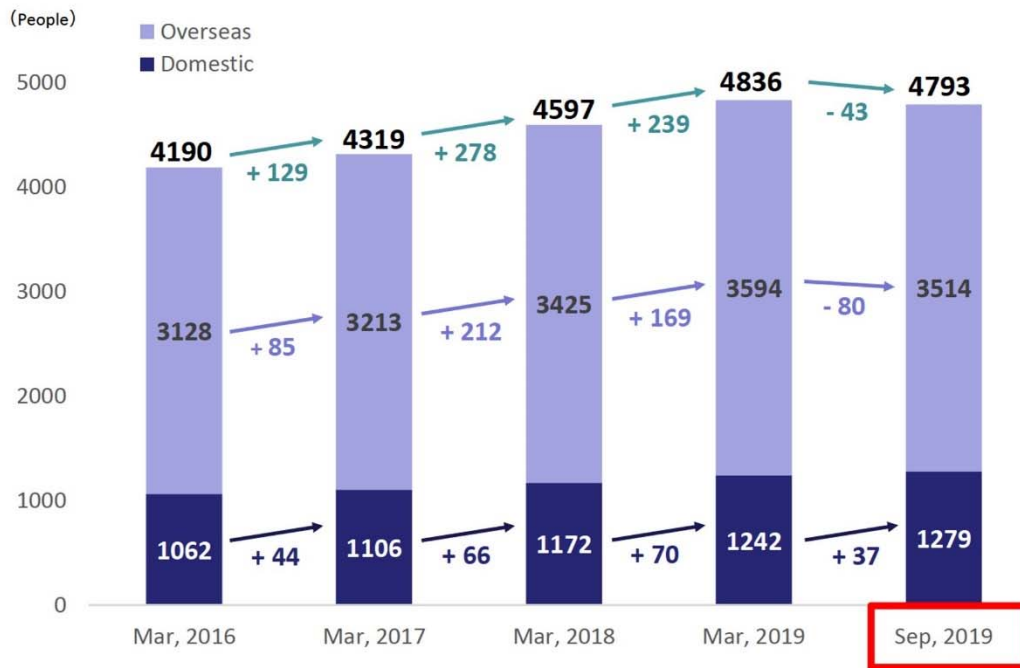


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Capital investment and depreciation. In the first half, capital investment was 8.8 billion yen, and depreciation costs were 6.9 billion yen.

As for the annual forecasts, there are no changes in capital investment of 17.5 billion yen and depreciation of 14 billion yen.

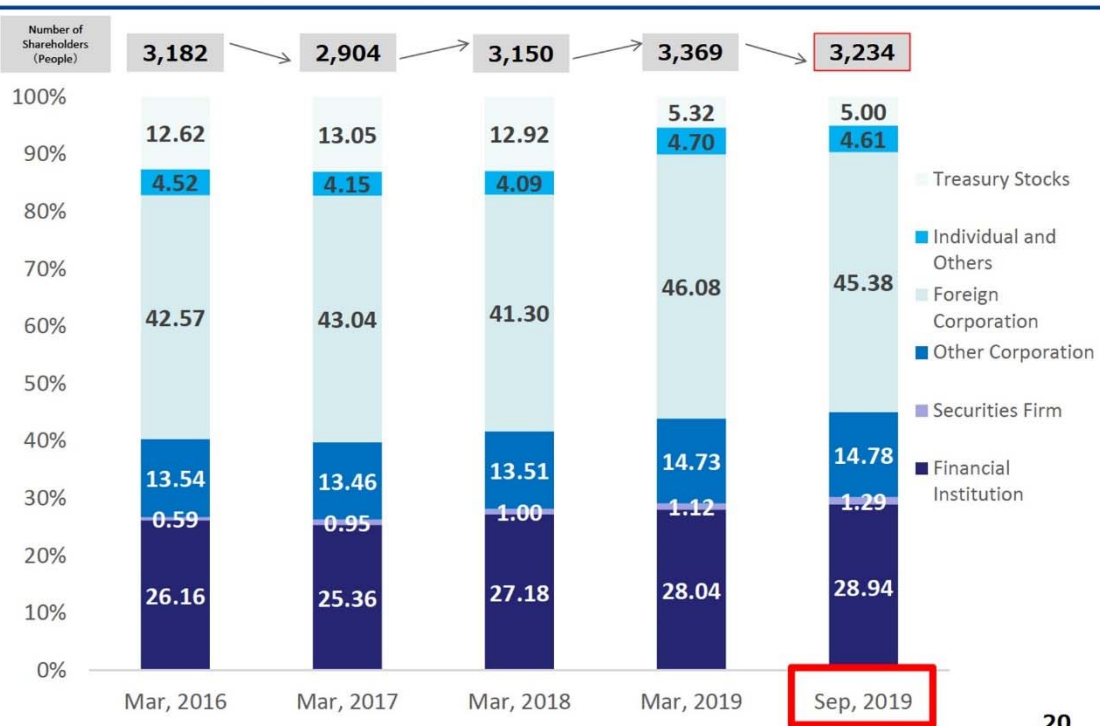
### Number of Employees ( Financial Report Basis )



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This is the change in the number of employees. The total number of employees was 4,793, down by 43 from the end of March to the end of September. Breaking this down, the number of overseas employees has decreased, due to the slight reduction at plants in Malaysia, Indonesia, and China in proportion with production.

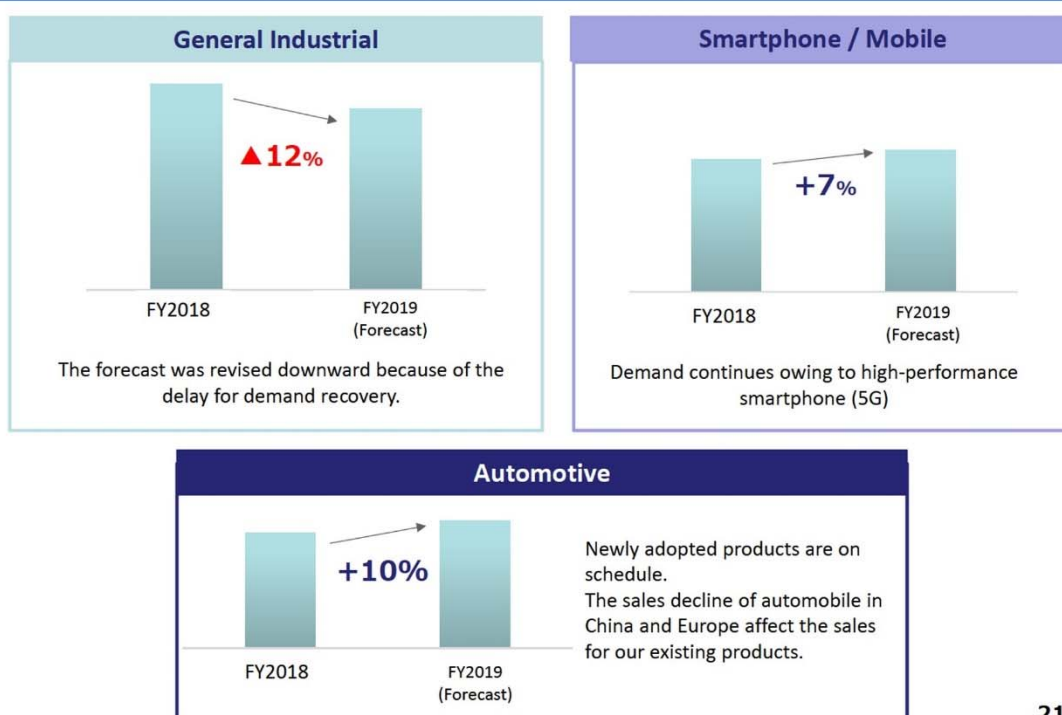
### Distribution of Shareholders



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This is the distribution of shareholders. Foreign corporations accounted for 45.38%, which is slightly less than the figure at the end of March, but this is also the biggest figure. Treasury stocks have been canceled, so the ratio has fallen to 5%. The number of shareholders was 3,234, which is a slight decrease.

## FY2019 Attitude to each applications (Forecast Update)



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From here on, I will talk about the annual forecast. This is an update to the forecast growth rate for general industrial, smartphone / mobile, and automotive applications. In the forecast at the beginning of the fiscal year, we forecasted general industrial to be down 3%, but we have revised it downward to a negative 12%. This is due to the delay in the recovery. Our internal plans assume that this segment will recover around the end of the fiscal year.

For smartphone / mobile, we provided forecast at the beginning of the year at 0%, but this has been revised to plus 7%. Demand for advanced 5G smartphones are starting up faster than expected. In addition, China, South Korea, and other countries performed slightly better than our assumptions.

We had provided guidance at the beginning of the year that the automotive market will be up 18%, but we have changed this to 10%. The net increase in the number of newly adopted products is proceeding as planned, but the decrease in automobile unit sales in regions like China, Europe and the U.S. has had an impact on our existing products, which has undermined the increase. We are proceeding according to plan regarding what we can increase, so we believe that we can secure double-digit growth on a full-year basis.

## Business Forecast for the Year Ending March 31, 2020 (Consolidated) [IFRS]

We expect the business of General Industrial and Automotive will result under our initial expectation and we revised our forecast announced May, 2019 downward.

(Unit: Hundred millions of yen)	FY2018 (FY ended Mar31, 2019) Actual		FY2019 (FY ended Mar31, 2020)			First Half Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	First Half	For the Year	First Half	May, 2019 Forecast	For the Year Forecast	%	Amount Change	%	Amount Change
<b>Sales</b>	619.6	1,245.9	<b>602.7</b>	1,300.0	<b>1,250.0</b>	-17.0	-2.7%	+0.4	+0.3%
COGS Ratio	55.6%	56.1%	<b>57.1%</b>	56.9%	<b>58.2%</b>				
<b>Operating Profit</b>	120.2	231.6	<b>115.3</b>	250.0	<b>220.0</b>	-4.9	-4.1%	-11.6	-5.0%
(%)	19.4%	18.6%	<b>19.1%</b>	19.2%	<b>17.6%</b>				
<b>Earnings before income tax</b>	130.4	246.7	<b>120.9</b>	260.0	<b>230.0</b>	-9.5	-7.3%	-16.7	-6.8%
(%)	21.0%	19.8%	<b>20.1%</b>	20.0%	<b>18.4%</b>				
<b>Net Profit</b>	93.3	178.9	<b>85.7</b>	185.0	<b>175.0</b>	-7.5	-8.1%	-0.4	-2.2%
(%)	15.0%	14.4%	<b>14.2%</b>	14.2%	<b>14.0%</b>				
Income Per Share	—	489.46 yen	—	507.37 yen	479.94 yen				
Dividend Per Share	120 yen	240 yen	120 yen	240 yen	240 yen				
Consolidated Dividend Payout Ratio	—	49.0%	—	47.3%	50.0%				

Currency Rate	FY2018 Actual	FY2019 2Q Actual	FY2019 Forecast
1US\$	110.26 yen	108.63 yen	108.50 yen
1€	129.85 yen	121.42 yen	120.60 yen
100won	10.04 yen	9.22 yen	9.24 yen

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The results forecasts are summarized as follows. From here, I will hand it over to Fukumoto.

**Fukumoto:** Good morning. This is Fukumoto from the Administration Group.

I'm not very pleased that I have to explain just this page, but last Friday we issued a notice regarding the revision of our earnings forecast. The published figures for May 2019 are shown in the middle of this table. Unfortunately, sales are revised down to 125 billion yen from 130 billion yen. As Suzuki explained earlier, the smartphone segment is expected to slightly overshoot. However, as the numbers of general industrial and automotive are likely to fall more than anticipated in April and May, we will cut the announced sales forecast by about 5 billion yen.

In accordance, operating profit is revised to 22 billion yen from 25 billion yen. The profit margin is 17.6%. We have revised operating profit down by 3 billion yen compared to the previously announced figures.

Earnings before income tax is down 3 billion yen, and the net profit is forecast at 17.5 billion yen, down 1 billion yen from the previously announced amount.

As described here, the exchange rates for FY2019 are estimated at 108.50 yen to the dollar, 120.60 yen to the euro, and 9.24 yen to 100 won.

The annual dividend will not be revised this time, so it will be 240 yen per share. We intend to pursue a dividend payout ratio of 50%.

There are still many uncertainties, but these are the minimum figures we are planning to achieve.

That was a short explanation, but that's all from me.

**Suzaki:** President Ishii will continue to explain the progress of the 2019 Medium and Long-Term Growth Strategies.

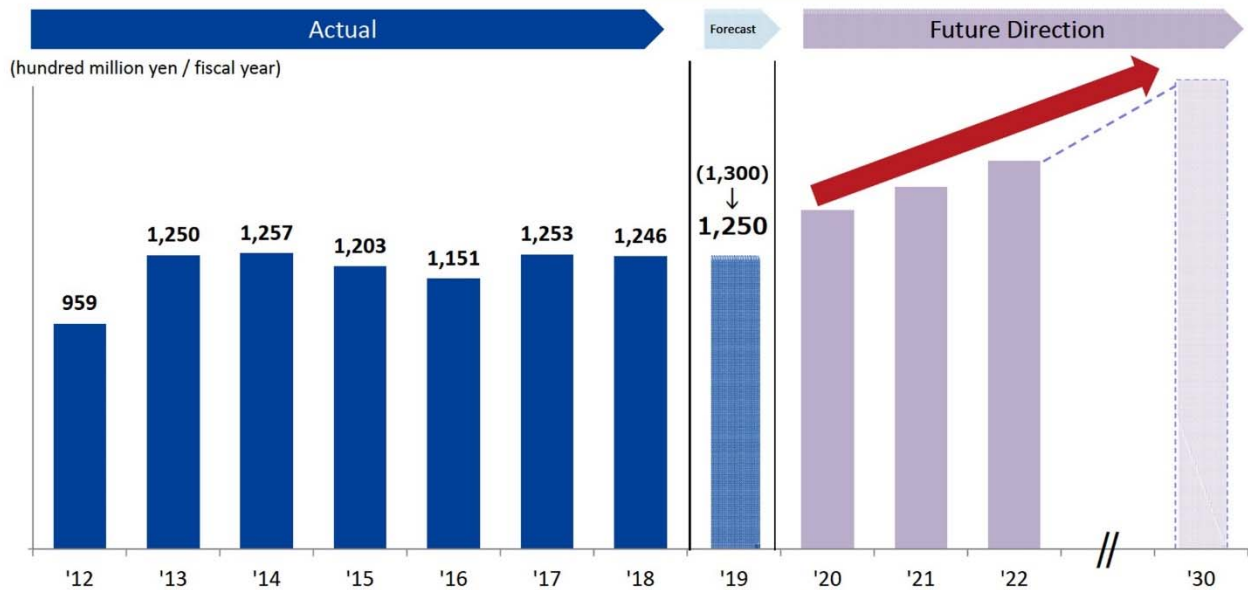
**Ishii:** Good morning. Again, I'm Ishii from HIROSE Electric. Thank you very much for gathering.

I would like to report on the Company's growth strategy. There has been almost no change in the overall direction, so I would like to focus on the points that are revised or strengthened this time.



**HRS : Growing Image (re-post +)**

**Maintain high profit management and make strong growth in the medium and long term**



The result and forecast of FY2018-2019 : "Recession"  
Recover from FY2020 (Re-challenge)

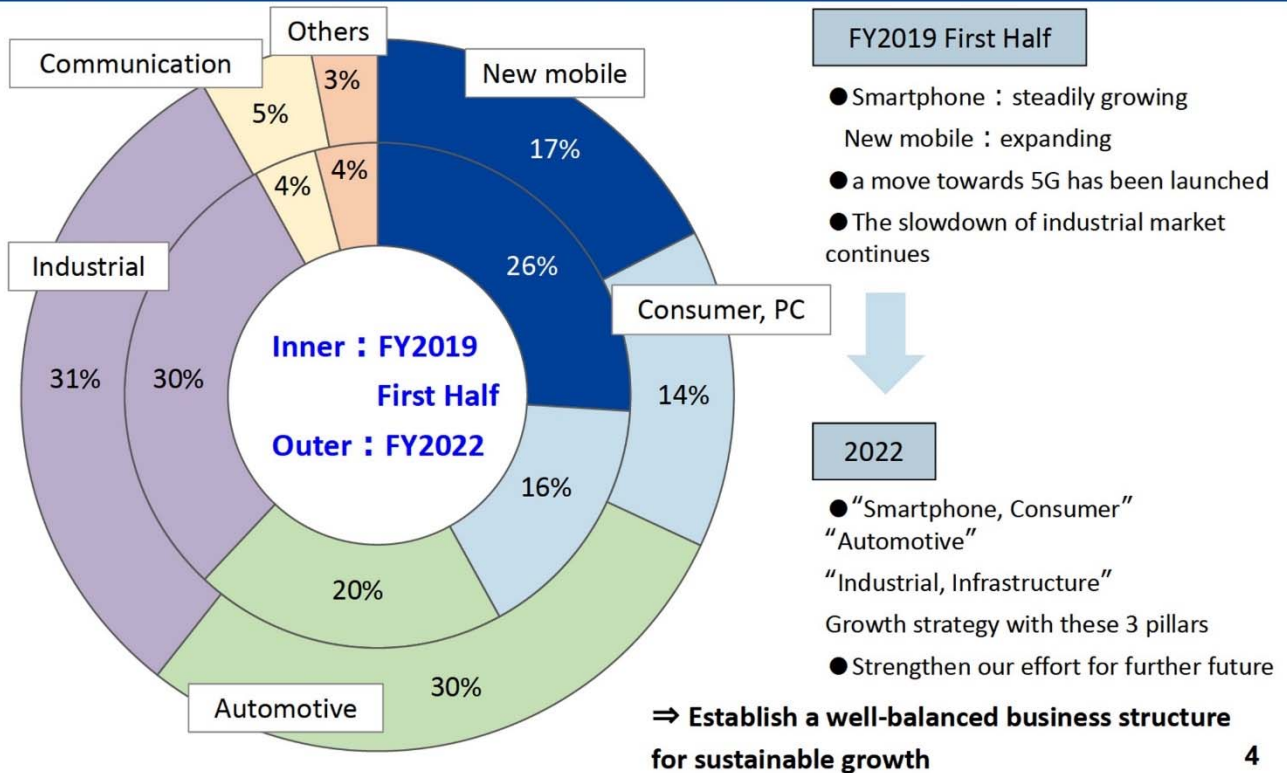
⇒ postpone 1 year 3

This is a bar chart we show you all the time. The figures are as explained by Fukumoto and Suzaki. I am sorry to say that the outlook for the current fiscal year is something we are not proud of. We had to revise the announced value of 130 billion yen to 125 billion yen.

Last time, I explained to you our plan for the recovery from 2019. Unfortunately, with the current revision to the plan, we must delay the timeline by one year. The next FY2020 is going to be a starting point for us to ensure our growth path. To this end, we have reviewed the current situation and plans from this second half onward.



### Application image for medium-term <repost+>



This is also the usual pie chart; the latest pie chart of the percentage of sales broken down by product category. In the first half of 2019, there are three main points. Smartphones were stronger than expected. Although we struggled a lot in Q1, we can say that the figures for Q2 have been more solid than expected.

There are wearable devices, AI speakers, smart watches, smart glasses, and so on, which we classify as new information devices. Together with the continuing strength in new applications, including wireless earphones, we can have fairly high expectations from the second half of this fiscal year toward the next fiscal year in this field. We really must capture opportunities in this field.

5G-related activities have also begun, although they are not yet linked to business performance.

The third point is the more-than-expected slowdown in the industrial market. We have just reported a 20% YoY reduction. Our mid-term plan is at least 20% increase annually for some new products in general industrial. If it may not reach 20%, but we think we can reach at least about 10% YoY. Therefore, we believe that the net 30% gap leads to this first half result.

Regarding the pie chart for 2022, it is roughly the same as the previous ratio. As we have always said, we regard that strengthening initiatives for the three pillars of medium-term growth are the focus point of 2020.

In any event, in the medium term, we will not change our policy of aiming for stable and sustained growth from a well-balanced business structure.



## The impacts of Typhoon Hagibis in Koriyama Hirose 12<sup>th</sup> -13<sup>th</sup> Oct

Initial situation 13<sup>th</sup>-14<sup>th</sup> Oct

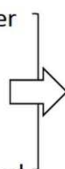


After recovery (photo 24<sup>th</sup> Oct)



The elevator was malfunctioned and established a temporary elevator.

- 13<sup>th</sup> Oct First floor of Koriyama factory was flooded by Abukuma river
- 14<sup>th</sup> Oct After flood waters receded, grasp of the damage situation and a part of recovery work has been started.
- 16<sup>th</sup> Oct We started full-scale recovery work.
- 21<sup>st</sup> Oct Production and shipment for almost all products were started.



- Support for damages to our employee's houses and our cooperative companies
- damages (slight) to full-scale recovery
- strengthen the measures for future climate change risks

5

From this slide, this is a situation that we are compelled to share regarding our recent business conditions. The Koriyama Factory was damaged by a large typhoon in October. The damage in the initial stage was as described here (upper left), but things were mostly sorted out within 10 days, and the recovery is due to be complete this week. As of last week, the elevator breakdown was the most critical situation, but we have managed moving things by using temporary lifts.

We are posting the situation on our website from time to time. We believe that the damage to our customers is minimal. However, some of the employees and workers have been affected by the disaster, so we intend to manage the situation with robust care.

We recognize the need to take measures based on the assumption that the extreme weather conditions are not unusual, and I believe addressing the risks of climate change is one focal point from the second half onwards. That was just a quick report on the situation.

We have received many words of sympathy and encouragement from various people. I would like to take this opportunity to express my gratitude.

## Hirose Technology Exhibition < CONNECTION 2019 >



〔Tokyo〕 Tokyo Prince Hotel 17<sup>th</sup> Oct (Thu) – 18<sup>th</sup> (Fri)  
 〔Osaka〕 Grand Cube Osaka 28<sup>th</sup> Nov (Thu) – 29<sup>th</sup> (Fri)

In Tokyo  
 4,130 visitors

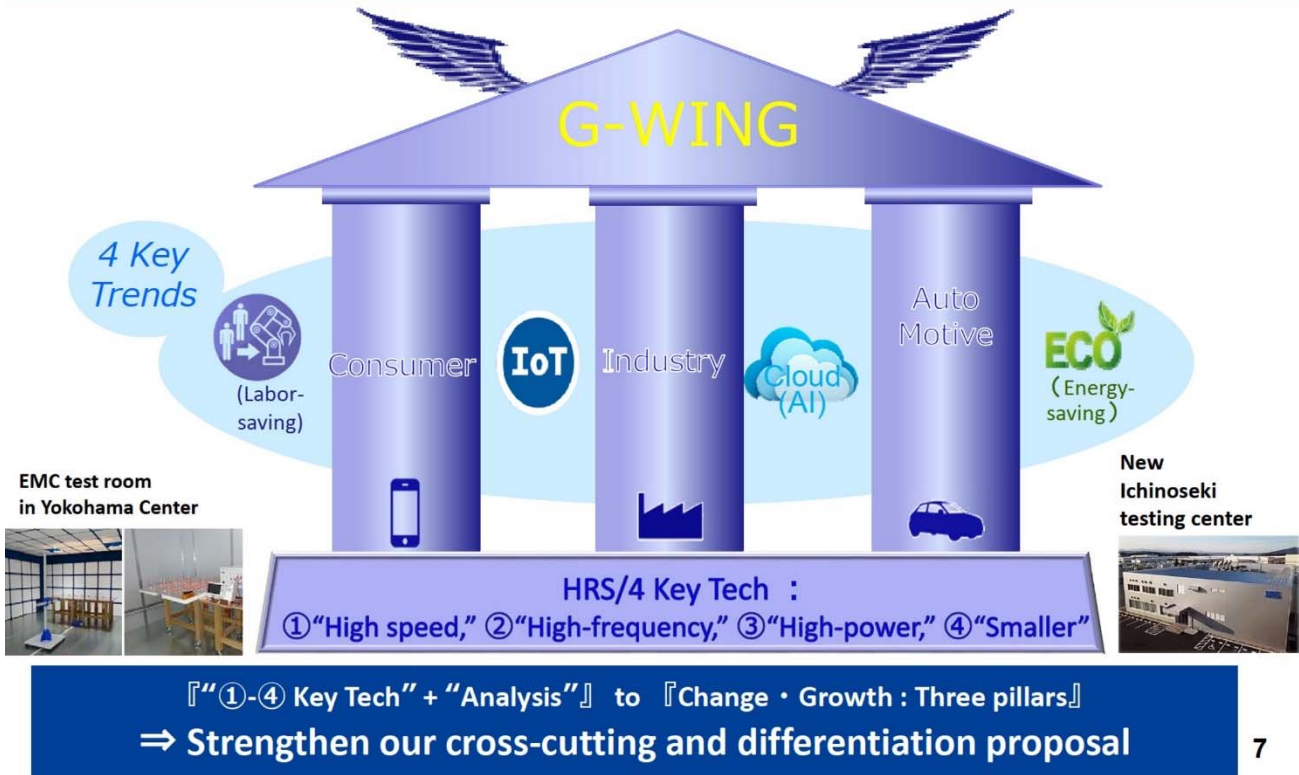
**We will reflect your opinion to our future products.  
 We truly appreciate your continuous cooperation and support.**

**6**

Last month, we held the HIROSE Technology Exhibition. It was held for two days at Tokyo Prince Hotel on October 17 and 18. The event has been a success exceeding our expectations. More than 4,100 people, mainly engineers, attended the event. Regardless of the number of visitors, many of the comments and feedback from our customers have been extremely favorable.

We will hold the same exhibition in Osaka in November. With these two events, we would like to accelerate the development of our next product based on customer feedback.

**HRS : Application strategy image <re-post +>**



This is our usual slide to share our concept of the medium-term strategy. Although there have been no major changes, I would like to share how we have made some changes in the way HIROSE competes.

The three pillars based on change and growth remain unchanged over the medium to long term: Consumer, Industry, and Automotive. And then, there are four key technologies for these markets: High speed, High frequency, High power, and Smaller/downsizing. These trends are becoming more common across sectors.

For example, as you know, the trend of consumerization is advancing greatly in the automotive sector. Consequently, there are a number of technologies that need to be developed, such as miniaturization and high-speed technologies that are compatible with automotive applications. Similarly, the trend toward high-speed and high-frequency consumer electronics is emerging, as is the case with 5G.

We have been envisioning our path of growth by capturing these four key technologies against these three pillars. The EMC Office at the Yokohama Center is taking steps to make this possible. This was launched in April two years ago. The anechoic chamber room and shielded room are now very active.

Looking at the right-hand side, the new test center in Ichinoseki started in April of last year. I believe the test capacity is nearly doubled. The lead time is now about to be reduced by 50%, and the performance is beginning to appear.

Accordingly, I would like to report that we are capturing the four key technologies for each of the three pillars and adding HIROSE’s strength of analytical and capabilities. We are heading towards strengthening our ability to propose products across fields and differentiating ourselves from competitors.



➤ Increase power to achieve “G-WING (medium-term plan) “ and show results

- ⟨1⟩ ability to manufacture
  - ⟨2⟩ ability to develop technology
  - ⟨3⟩ ability to execute global operation and localization in each area (glocalization)
- } “Evolution”

« + »

『“Big change in the market environment”

← delay of the development of 3 pillars, and constructing foundation



**Accelerate the act to grow**

➤ **Hurry to take measures immediately and in the mid and long period.**

8

This is the last slide. Our initiatives have not changed over the past year or two. We are working to strengthen and evolve these three areas: manufacturing capabilities, technology developmental capabilities, and global responsiveness. Huge market changes are currently taking place. At the same time, while we emphasize the development of the three pillars, delays in these areas are conspicuous. However, I recognize that we are building a foundation with a considerable sense of speed.

I believe that there is no major mistake in our direction for what we do from the second half onwards. Accelerating the pace of action is an extremely important issue. In any case, I believe that we must accelerate on two fronts, the immediate and mid-to-long term, from the second half of the fiscal year.

That’s my report on the progress. Thank you for your attention.

## Disclaimer

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In this material, there are descriptions based on current estimation by Hirose Electric.

Hirose cautions you that a number of important risks, uncertainties and others could cause actual results to differ materially from those discussed in the \*forward-looking statements. Thank you for your understanding.

\*Forward-looking statements include, but are not limited to, those statements using words such as “believe,” “expect,” “plans,” “strategy,” “prospects,” “forecast,” “estimate,” “project,” “anticipate,” “aim,” “may” or “might” and words of similar meaning in connection with a discussion of future operations, financial performance, events or conditions. These statements are based on management’s assumptions and beliefs in light of the information currently available to it.