



63<sup>rd</sup> Fiscal Term Annual Report

From April 1, 2009 to March 31, 2010



**HIROSE  
ELECTRIC  
CO.,LTD.**



President and Representative Director  
Tatsuro Nakamura



Executive Vice President and Representative Director  
Sakae Kushida

We are pleased to report the results of operations for fiscal 2009, the year ended March 31, 2010 (the 63rd fiscal term, from April 1, 2009, to March 31, 2010).

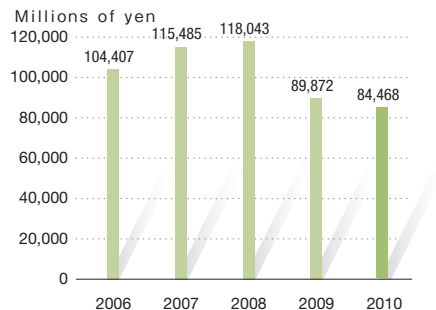
### Business Overview

During the year ended March 31, 2010, although the year started with extremely harsh conditions including a deteriorating consumption environment seriously affected by the global financial and economic crises triggered by the Lehman shock, the Japanese economy showed signs of a gradual recovery in several business fields from approximately the second half of the fiscal year under review. The recovery was mainly supported by the favorable effects of economic stimulus measures and the improvement of exports primarily bound for Asian economies. However, corporate production has not yet achieved a full-fledged rally and the domestic business climate remains difficult with such adverse factors as a weak employment situation and a lingering deflationary trend.

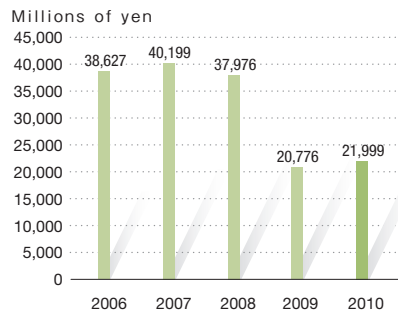
In this adverse business environment, the Hirose Electric Group reinforced its product development capabilities, developed new products and enhanced product quality in response to sophisticated customer needs while streamlining internal operating systems at the Group companies. The Group also pushed forward with aggressive

### Financial Highlight

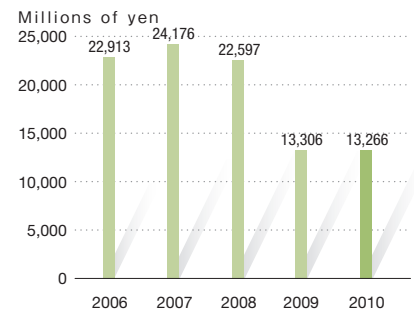
#### Net sales



#### Ordinary income



#### Net income



management initiatives including overall cost-cutting measures such as improvement of manufacturing efficiency, an expansion in overseas manufacturing and reductions in general expenses, as well as the exploitation of domestic and overseas sales channels and the reinforcement of selling power.

Furthermore, the Group has strengthened its reform initiatives in the automotive electronics and industrial equipment fields to nurture promising business pillars in addition to the core mobile phone field and these concerted efforts have gradually yielded good results.

As a result, consolidated net sales for the year under review amounted to ¥84,468 million, a decline of 6.0% from a year earlier. Operating income and ordinary income increased 6.5% and 5.9%, respectively, year over year to ¥20,411 million and ¥21,999 million, whereas net income edged down 0.3% to ¥13,266 million.

In the economic environment in which the Group operates, the quantitative expansion of mobile phones, smartphones and personal computers; further growth in automotive electronics; the bottoming of demand for capital investment; and the creation of a new market for digital consumer electronics are expected given optimistic expectations of avoiding a double-dip recession. Nevertheless, our management environment is

forecast to remain severe, affected by the diversification of markets; shorter product cycles, which will pose higher risks in collecting the fruits of our investment; and intensifying competition due to customers' preference for lower-priced products.

In this tough business environment, the Group intends to pursue leading-edge technologies, conduct more efficient distribution and concentration of resources and consistently carry out reforms and innovations. Such aggressive initiatives also include the reinforcement of high-value-added product development capabilities to meet market needs, and the promotion of manufacturing efficiency and further improvement of product quality, all of which would serve to improve our cost competitiveness. At the same time, we are determined to strengthen our management foundations toward profitable growth and improve our corporate value through efforts to promote globalization and exploit domestic and overseas sales channels.

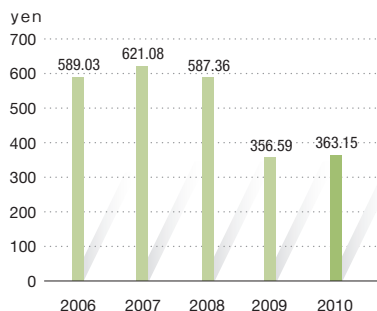
We look forward to your continued support and encouragement.

June 2010

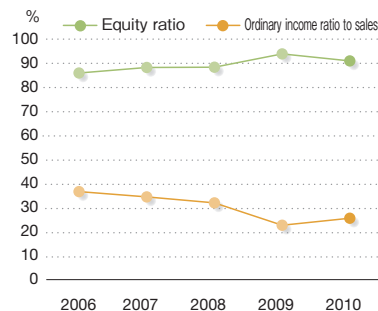
President and Representative Director  
**Tatsuro Nakamura**

Executive Vice President and Representative Director  
**Sakae Kushida**

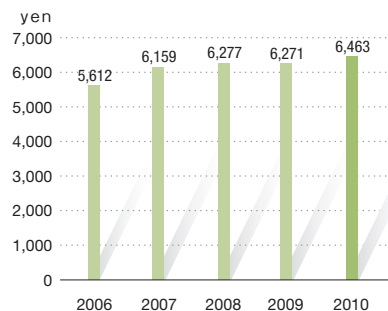
■ Net income per share



■ Equity ratio & Ordinary income ratio to sales



■ Net assets per share



### Multi-Pin Connectors

Our flagship multi-pin connectors include a variety of connector types such as circular and rectangular connectors, connectors for ribbon cables, connectors used for printed circuit boards including FPCs (flexible printed circuit boards) and nylon connectors.

The major applications of these connectors include a wide range of fields such as mobile phones and smartphones, digital information consumer electronics, PCs, communications equipment and automotive electronics, as well as industrial fields such as measuring and control equipment, FA equipment and medical electronics equipment. Further expansion in demand is expected along with the further development of a sophisticated information and communications networked society and an eco-friendly, energy conservation-oriented society.

Consolidated segment sales for the year under review decreased 5.9% year over year to ¥68,147 million, reflecting sluggish demand, mainly caused by the deteriorated consumption environment after the Lehman shock, particularly for mobile phones and digital information consumer electronics, although sales increased in the field of automotive electronics.



## Coaxial Connectors

Coaxial connectors are a special type of high-performance connector used primarily for microwave and other high-frequency signals. Their applications include microwave communications devices, satellite communications equipment, electronic measuring instruments, mobile phones and smartphones, and switching and transmission equipment and other electronic equipment. Optical fiber connectors are also included in this segment.

Consolidated segment sales for the year under review decreased 16.0% year over year to ¥11,287 million, mainly due to weak investments in communications infrastructure and sluggish demand in the mobile phone field.



## Other Products

The other products segment includes medical electronics equipment such as interference wave EMSs; high-frequency devices such as directional couplers, fixed attenuators and coaxial switches; micro switches; and instruments for connectors.

Consolidated segment sales for the year under review increased 24.1% year over year to ¥5,032 million, partly due to the new consolidation of HST Co., Ltd., a subsidiary engaged in the development, manufacture and sales of micro switches.



# Consolidated Financial Statements

## Consolidated Balance Sheets (Millions of yen)

Account item	As of March 31, 2010	As of March 31, 2009
<b>(Assets)</b>		
Current assets	165,198	167,516
Fixed assets	87,698	77,686
Property, plant and equipment	18,564	18,859
Intangible assets	2,093	2,436
Investments and other assets	67,040	56,390
<b>Total assets</b>	<b>252,897</b>	<b>245,203</b>
<b>(Liabilities)</b>		
Current liabilities	20,929	13,574
Long-term liabilities	1,555	1,419
<b>Total liabilities</b>	<b>22,485</b>	<b>14,993</b>
<b>(Net assets)</b>		
Shareholders' equity	232,500	233,289
Common stock	9,404	9,404
Additional paid-in capital	14,371	14,371
Retained earnings	255,259	246,039
Treasury stock, at cost	△46,535	△36,526
Valuation, translation adjustments and others	△2,154	△3,139
Stock acquisition rights	66	59
<b>Total net assets</b>	<b>230,412</b>	<b>230,209</b>
<b>Total liabilities and net assets</b>	<b>252,897</b>	<b>245,203</b>

Note: Amounts less than ¥1 million are truncated.

## Consolidated Statements of Income (Millions of yen)

Account item	From April 1, 2009 to March 31, 2010	From April 1, 2008 to March 31, 2009
Net sales	84,468	89,872
Cost of sales	47,867	53,073
Gross profit	36,601	36,799
Selling, general and administrative expenses	16,190	17,629
Operating income	20,411	19,169
Other income	1,849	2,086
Other expenses	261	478
Ordinary income	21,999	20,776
Special losses	199	966
Income before income taxes	21,799	19,810
Provision for income taxes—Current	8,703	8,209
Provision for income taxes—Deferred	△170	△1,706
<b>Net income</b>	<b>13,266</b>	<b>13,306</b>

Note: Amounts less than ¥1 million are truncated.

## Consolidated Statements of Cash Flows (Millions of yen)

Account item	From April 1, 2009 to March 31, 2010	From April 1, 2008 to March 31, 2009
Operating activities	23,394	23,411
Investing activities	△6,615	△12,369
Financing activities	△14,055	△16,032
Effect of exchange rate change on cash and cash equivalents	△65	△1,494
Net increase/decrease in cash and cash equivalents	2,657	△6,485
Cash and cash equivalents, beginning of the year	53,763	60,249
Increase in cash and cash equivalents from newly consolidated subsidiary	414	—
Cash and cash equivalents, end of the year	56,836	53,763

Note: Amounts less than ¥1 million are truncated.

## Consolidated Statements of Changes in Net Assets (From April 1, 2009 to March 31, 2010) (Millions of yen)

	Shareholders' equity					Valuation, translation adjustments and others			Stock acquisition rights	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance at March 31, 2009	9,404	14,371	246,039	△36,526	233,289	1,900	△5,039	△3,139	59	230,209
Amount of changes during the period										
Dividends from surplus			△4,020		△4,020			—		△4,020
Net income for the period			13,266		13,266			—		13,266
Acquisition of treasury stock				△10,010	△10,010			—		△10,010
Disposition of treasury stock		△0		1	1			—		1
Change of scope of consolidation			△26		△26			—		△26
Net amount of changes during the period other than shareholders' equity					—	450	534	984	7	992
Total amount of changes during the period	—	△0	9,219	△10,009	△789	450	534	984	7	202
Balance at March 31, 2010	9,404	14,371	255,259	△46,535	232,500	2,351	△4,505	△2,154	66	230,412

Note: Amounts less than ¥1 million are truncated.

# Nonconsolidated Financial Statements

## Nonconsolidated Balance Sheets (Millions of yen)

Account item	As of March 31, 2010	As of March 31, 2009
<b>(Assets)</b>		
Current assets	103,079	113,575
Fixed assets	51,614	43,239
Property, plant and equipment	11,106	9,763
Intangible assets	1,358	1,563
Investments and other assets	39,149	31,912
<b>Total assets</b>	<b>154,693</b>	<b>156,814</b>
<b>(Liabilities)</b>		
Current liabilities	11,628	8,945
Long-term liabilities	445	381
<b>Total liabilities</b>	<b>12,074</b>	<b>9,327</b>
<b>(Net assets)</b>		
Shareholders' equity	140,274	145,609
Common stock	9,404	9,404
Additional paid-in capital	14,371	14,371
Retained earnings	163,033	158,359
Treasury stock, at cost	△46,535	△36,526
Valuation, translation adjustments and others	2,278	1,818
Stock acquisition rights	66	59
<b>Total net assets</b>	<b>142,619</b>	<b>147,486</b>
<b>Total liabilities and net assets</b>	<b>154,693</b>	<b>156,814</b>

Note: Amounts less than ¥1 million are truncated.

## Nonconsolidated Statements of Income (Millions of yen)

Account item	From April 1, 2009 to March 31, 2010	From April 1, 2008 to March 31, 2009
Net sales	78,247	86,206
Cost of sales	53,523	57,915
<b>Gross profit</b>	<b>24,723</b>	<b>28,290</b>
Selling, general and administrative expenses	13,036	14,499
<b>Operating income</b>	<b>11,686</b>	<b>13,791</b>
Other income	4,914	5,191
Other expenses	1,920	2,413
<b>Ordinary income</b>	<b>14,680</b>	<b>16,569</b>
Special losses	119	742
<b>Income before income taxes</b>	<b>14,561</b>	<b>15,827</b>
Provision for income taxes—Current	5,910	6,506
Provision for income taxes—Deferred	△43	△213
<b>Net income</b>	<b>8,694</b>	<b>9,534</b>

Note: Amounts less than ¥1 million are truncated.

## Introduction of Our New Products

The Company launches many new products every year into the market. The following product series are typical of our recent introductions.

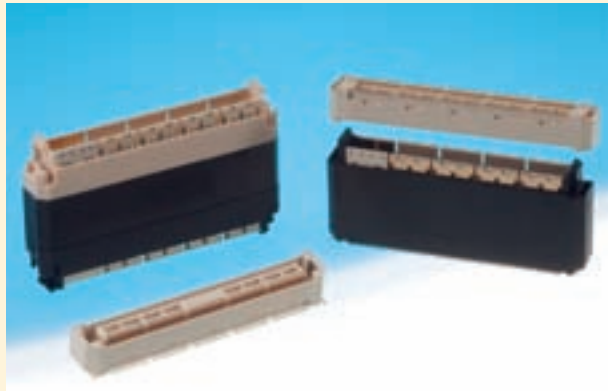
### FH43 B

The FH43B Series connectors were developed as connectors featuring an ultra-narrow pitch (0.2 mm) for use in compactness-compliant FPCs, in anticipation of the space-saving need that is expected to increase in the market for small devices such as mobile phones/smartphones and digital cameras. The series features an ultra-compact design with high operability and ease of assembly. The general specifications of the series fit well with those of the FPCs so that FPC manufacturers can easily assemble the sets.



### XG1

The XG1 Series are the most advanced board-to-board connectors that were developed to allow high-speed transmission at the rate of 10 Gbps or more to comply with the need for applications inside communications equipment and PC servers. The original blade configuration allows the series connectors to appropriately process two kinds of characteristic impedance (100  $\Omega$  and 85  $\Omega$ ). In addition, the power connection terminals of these high-performance hybrid-type connectors can be integrated into a connector.



### DF54

The DF54 Series coaxial connectors were developed for use in vertical-fitting-type, thin-wire coaxial cables, which are compliant with high-speed transmission and built-in, rotary hinges inside equipment such as mobile phones and digital cameras. To satisfy the need for more compact and thinner devices, our connectors with an ultralow height of up to 1 mm realized the industry's lowest height for assembly sets and high-density mounting at a 0.35 mm pitch.



### PQ

The PQ Series rectangular connectors with 20 electrodes were developed for use as the power supply for industrial equipment such as robots and mounters. Hirose endeavors to develop diversified types of connectors by taking into account the convenience for wiring among devices and equipment. The series features a die-cast robust configuration compliant with high-voltage and high-current specifications as well as capable of enduring a harsh environment for actual use.



# Group Network

- Overseas bases  
(Branches, manufacturing subsidiaries,  
sales subsidiaries and affiliates)
- Overseas agencies
- Major exporting destinations



● Head office



● Yokohama Engineering Center



● Sales & Marketing Division



● P.T. HIROSE ELECTRIC INDONESIA (Indonesia)



● HIROSE ELECTRIC (DONGGUAN) CO., LTD. (China)



● HIROSE ELECTRIC MALAYSIA Sdn. Bhd. (Malaysia)

- Head office  
5-23, Osaki 5-chome, Shinagawa-ku, Tokyo
- Sales & Marketing Division  
1-11, Osaki 5-chome, Shinagawa-ku, Tokyo  
Domestic Sales offices  
Tachikawa Sales Office, Osaka Branch, Nagoya Sales Office
- Overseas offices  
Singapore Branch, Shenzhen Representative Office, Beijing Representative Office
- Engineering Division  
Yokohama Engineering Center  
Separate Office of Engineering Center  
8-11, Shin-Yokohama 3-chome, Kohoku-ku, Yokohama
- Production Division  
Separate Office of Yokohama Engineering Center  
15-10, Shin-Yokohama 2-chome, Kohoku-ku, Yokohama

- Subsidiaries (Domestic)  
TOHOKU HIROSE ELECTRIC CO., LTD. (Miyako, Iwate)  
KORIYAMA HIROSE ELECTRIC CO., LTD. (Koriyama, Fukushima)  
ICHINOSEKI HIROSE ELECTRIC CO., LTD. (Ichinoseki, Iwate)  
HST CO., LTD. (Yokohama, Kanagawa)
- (Overseas)  
HIROSE ELECTRIC (U.S.A.), INC. (U.S.A.)  
HIROSE ELECTRIC GmbH (Germany)  
HIROSE ELECTRIC UK LTD. (U.K.)  
HIROSE ELECTRIC EUROPE B.V. (The Netherlands)  
HIROSE ELECTRIC MALAYSIA Sdn. Bhd. (Malaysia)  
HIROSE ELECTRIC (TAIWAN) CO., LTD. (Taiwan)  
P.T. HIROSE ELECTRIC INDONESIA (Indonesia)  
HIROSE ELECTRIC HONG KONG CO., LTD. (Hong Kong)  
HIROSE ELECTRIC HONG KONG TRADING CO., LTD. (Hong Kong)  
HIROSE ELECTRIC (DONGGUAN) CO., LTD. (Dongguan, China)  
HIROSE ELECTRIC TRADING (SHANGHAI) CO., LTD. (Shanghai, China)  
HIROSE ELECTRIC (SUZHOU) CO., LTD. (Suzhou, China)  
HST (HONG KONG) LIMITED (Hong Kong)
- Affiliates  
HIROSE KOREA CO., LTD. (South Korea)  
WEIHAI HIROSEKOREA ELECTRIC CO., LTD. (Weihai, China)  
WEIHAI HIROSE TRADING CO., LTD. (Weihai, China)

## Corporate Data (As of March 31, 2010)

Trade name	HIROSE ELECTRIC CO., LTD.
Date of incorporation	June 15, 1948
Number of employees	802 (excluding part-timers)
Paid-in capital	¥9,404,379,401

## Directors and Corporate Auditors (As of June 29, 2010)

President and Representative Director	Tatsuro Nakamura
Executive Vice President and Representative Director	Sakae Kushida
Managing Director	Mitsugu Sugino
Managing Director	Yoshikazu Yoshimura
Director	Kazuhisa Nikaido
Director	Kazunori Ishii
Director	Kazuyuki Iizuka
Director	Makoto Kondo
Director	Mitsuo Nakamura
Outside Director	Masashi Kojima
Full-time Corporate Auditor	Toshio Matsubara
Outside Corporate Auditor	Hidesato Sekine
Outside Corporate Auditor	Takashi Higa
Outside Corporate Auditor	Terukazu Sugishima

### Notes:

1. Director Masashi Kojima is the outside director as stipulated in Article 2, Item 15, of the Corporation Law.
2. Corporate Auditor Hidesato Sekine, Takashi Higa, and Terukazu Sugishima are outside corporate auditors as stipulated in Article 2, Item 16, of the Corporation Law.

Accounting auditor KPMG AZSA & Co.

## Stock Information (As of March 31, 2010)

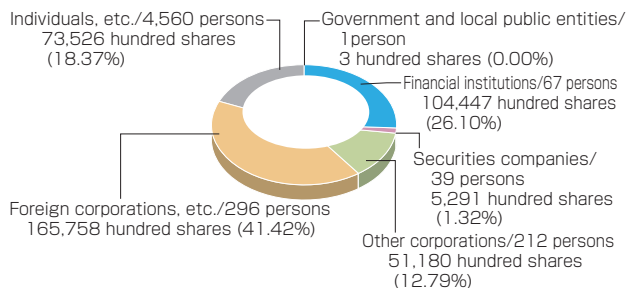
Total number of shares issued	35,638,659 shares
	(Excluding 4,382,077 shares of treasury stock)
Number of shareholders	5,175

## Major shareholders (Top 10)

Name	Ratio of share holding	
	Number of shares held	%
State Street Bank and Trust Company	49,686	13.94
HIROSE INTERNATIONAL SCHOLARSHIP FOUNDATION	28,550	8.01
JPMorgan Chase Bank 380055	24,042	6.74
Japan Trustee Services Bank, Ltd. (Trust account No. 4)	17,488	4.90
Japan Trustee Services Bank, Ltd. (Trust account)	10,659	2.99
Japan Trustee Services Bank, Ltd. (Re-trust account of The Sumitomo Trust & Banking Co., Ltd., and the retirement benefit trust account of Sumitomo Mitsui Banking Corporation)	8,162	2.29
Mizuho Trust & Banking Co., Ltd. 0700016	7,898	2.21
Mizuho Trust & Banking Co., Ltd. Trust account 0700017	7,847	2.20
HS Planning Limited	7,600	2.13
Japan Trustee Services Bank, Ltd. (Retirement benefit trust account of Sumitomo Trust & Banking Co., Ltd.)	7,354	2.06

Note: In addition to the 10 major shareholders above, the Company owns 43,820 hundred shares of treasury stock.

## Distribution of shares by shareholder type



## Shareholder information

**Fiscal term** April 1 of a calendar year to March 31 of the next calendar year

**Ordinary General Meeting of Shareholders** June every year

**Record date** Ordinary General Meeting of Shareholders: March 31 every year  
Year-end dividend: March 31 every year  
Interim dividend: September 30 every year  
(As required, another record date may be decided with prior public notice.)

**[Share-related notifications and inquiries regarding change of address, etc.]**  
Shareholders who have accounts at securities companies are requested to direct their notifications and inquiries regarding change of address, etc. to their respective securities companies where shareholders have their accounts. Shareholders who do not have accounts at securities companies are requested to call the telephone referral line as stated below.

**Number of shares in one voting unit** 100 shares

**Method of public notice** The Company's Web site below shall be used for its public notices. (<<http://www.hirose.co.jp/investor/index.htm>>  
If an electronic public notice should fail due to accident or any other unavoidable circumstances, the Company shall post a public notice in the Nihon Keizai Shimbun.

**Shareholders' register manager and account management institution for special accounts** The Sumitomo Trust & Banking Co., Ltd.  
5-33, Kitahama 4-chome, Chuo-ku, Osaka

**Paperwork processing office of shareholders' register manager** The Sumitomo Trust & Banking Co., Ltd.  
Securities Agency Department  
3-1, Yaesu 2-chome, Chuo-ku, Tokyo

**(Mailing address)** The Sumitomo Trust & Banking Co., Ltd.  
Securities Agency Department  
1-10, Nikko-cho, Fuchu-shi, Tokyo 183-8701

**(Telephone referral)** Phone: 0120-176-417 (Toll-free)

**Web site** URL: <http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html>

### **[Special accounts]**

The Company has opened accounts (special accounts) at The Sumitomo Trust & Banking Co., Ltd., the shareholders' register manager stated above, for shareholders who did not use JASDEC (Japan Securities Depository Center, Inc.) prior to the transition to the electronic share certificate system. Shareholders who have inquiries about the special accounts and notifications regarding change of address, etc. are requested to call the telephone referral line as stated above.



Web site

<http://www.hirose.co.jp>

