

73rd Fiscal Term Annual Report

From April 1, 2019 to March 31, 2020

HRS HIROSE
ELECTRIC
CO.,LTD.

HIROSE ELECTRIC CO.,LTD.

To Our Shareholders

The business environment surrounding the Company is facing unprecedented difficulties with the slowdown of the Chinese economy, the trade friction between the US and China becoming prolonged, and the global impact of the novel coronavirus disease (COVID-19). The Company's operating results for its 73rd business term (fiscal year ended March 31, 2020) were below the forecasts announced at the beginning of the year on account of significant decreases in products for general industrial equipment and the stagnation in products for the automotive market.

In this climate, we will focus on maintaining the existing mass-production business for the smartphone industry, etc., growing our business for the automotive field in tandem with the further growth of car electronics, and expansion into fields related to industrial equipment and communications equipment.

We are placing particular attention on the popularization of 5G high-speed communication, the expansion in IoT demand, and the advancements in automated driving, and we are actively focusing on new product development for such new markets and continue to constantly pursue leading-edge technologies.

We are also working on achieving more efficient allocation and concentration of resources as well as reinforcing our development capabilities for high value added products, promoting greater manufacturing efficiency and enhancing cost competitiveness.

By strengthening our management foundations toward sustainable, stable growth in an effort to improve our corporate value.

We look forward to the continual support and guidance from our shareholders.

Kazunori Ishii, President and Representative Director

President Kazunori Ishii Answers Questions From HIROSE ELECTRIC's Young Employees



President Kazunori Ishii answered questions from young employees at a round table talk between the President and these young employees.

Q

Efficiency is required, but recently the number of employees has increased. Has there been a change in policy?

A

Our philosophy is to achieve maximum results with the least amount of personnel, so we have continued with our policy of not increasing the number of employees easily thus far.

However, recruitment has significantly increased in recent years. This is because there has been an absolute shortage of human resources to implement and promote the Mid-term Growth Strategy.

That is to say, right now is the time to preliminarily invest resources to take this chance.

Even if the number of employees increases, we must not fall into waiting

for direction, not rocking the boat or leaving responsibilities to others. For this, it is crucial to facilitate communication, and work to gain new wisdom to connect with existing wisdom within the Company. HIROSE ELECTRIC will continue with a small number of elite workers. This is because we expect each and every employee to display their strengths to the utmost and provide opportunities to do so as we wish to be a company where everyone can accumulate a sense of achievement and growth through such implementation and achievements. We are also aiming to be an even stronger company that can tie into maximum results.



Q

The Company has been expanding capital investment based on the Mid-term Growth Strategy, but is this okay?

A

We are in a period where unexpected changes have been recurring. I believe that we wish to continue to be a company that is unaffected by these changes and has continuous stable growth.

I believe that continuing to protect the well-being of our employees through this to be one of the Company's missions.

On the other hand, there is also the aspect of being forced into cost competition, and I am aware that those on the front lines are wondering if we will be able to maintain this.

The business environment is difficult as it is not simple to work on automotives and industrial machinery/equipment. However, this fight is a fight as a challenger to create HIROSE ELECTRIC's new business model, which will connect to the future.

That scenario is our Mid-term Growth Strategy, and we are making unprecedented investments and many preparations.

We will continue to keep working, but we hope to compete with everyone as challengers.

Q

What is necessary to get overseas employees, who have different cultures and environments, to further understand HIROSE ELECTRIC's philosophy?

A

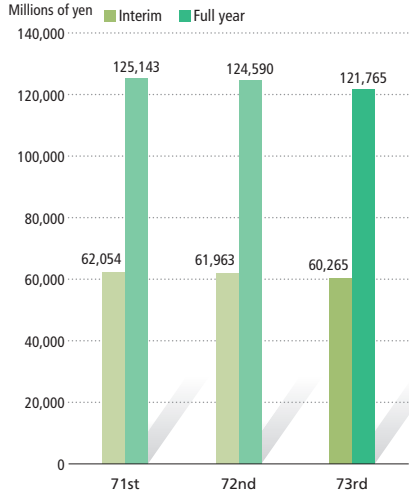
It is necessary to aim for the same goal for HIROSE ELECTRIC to win globally.

However, we must also understand that the Japanese style is not absolute in global business.

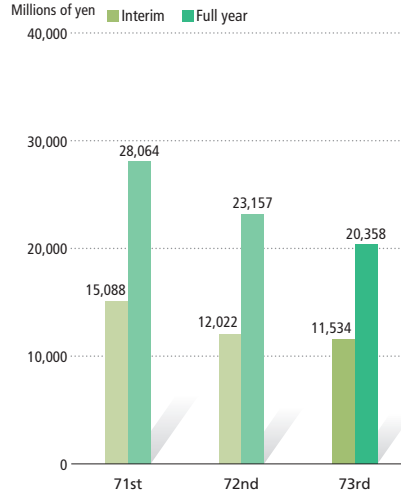
In order to compete globally, it is necessary to develop and improve an environment to respond to change.

I would like to move forward on these initiatives together with all of you.

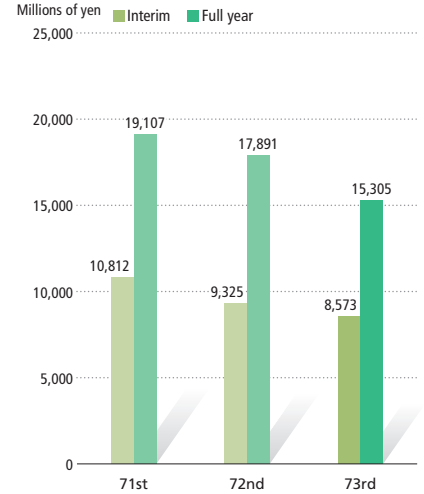
Sales



Operating profit



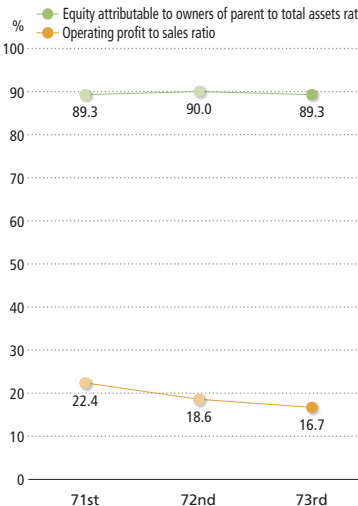
Profit attributable to owners of parent



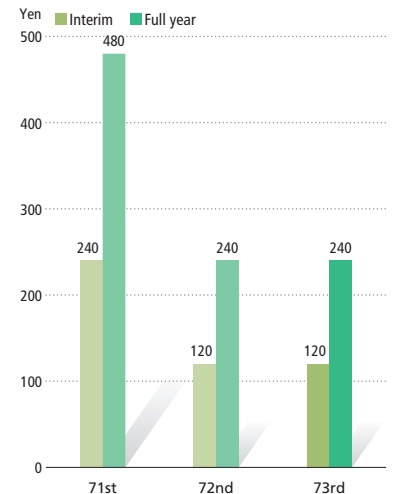
Basic earnings per share



Equity attributable to owners of parent to total assets ratio & Operating profit to sales ratio



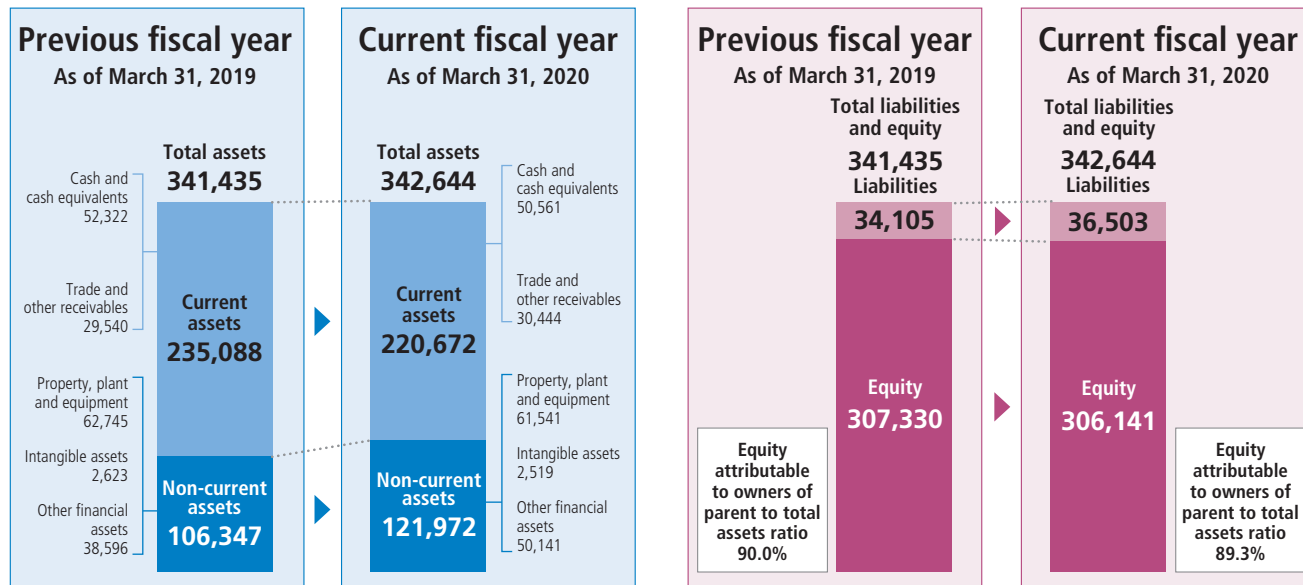
Dividends per share



*The Company distributed a special dividend as it celebrated its 80th anniversary in the 71st fiscal term.

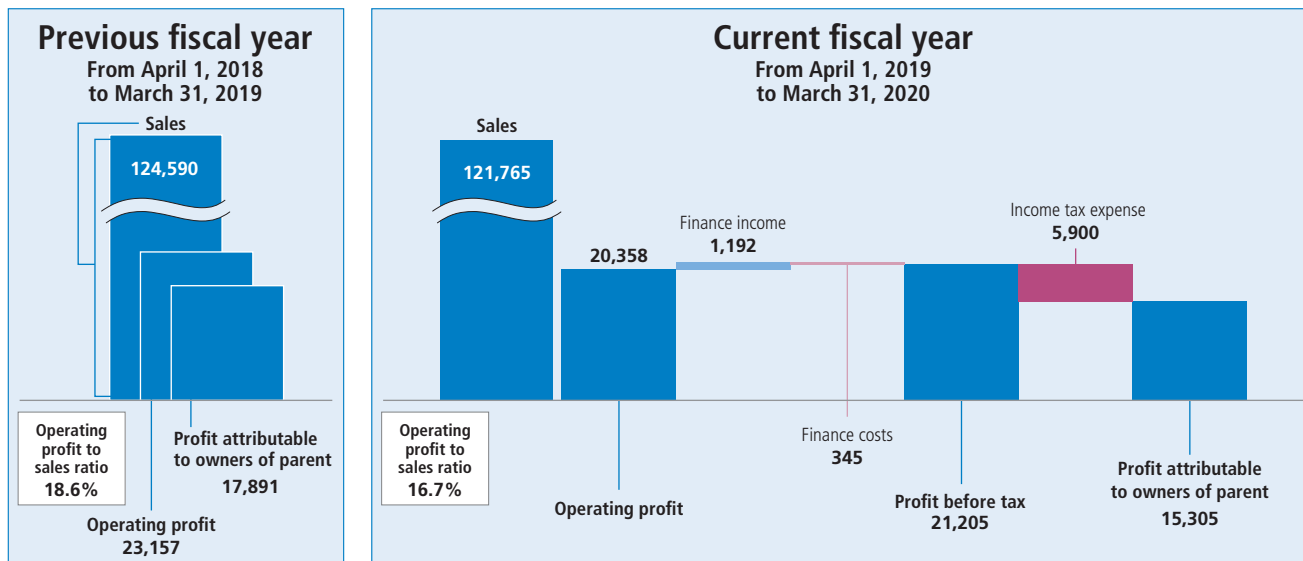
Overview of Consolidated Statements of Financial Position

(Millions of yen)



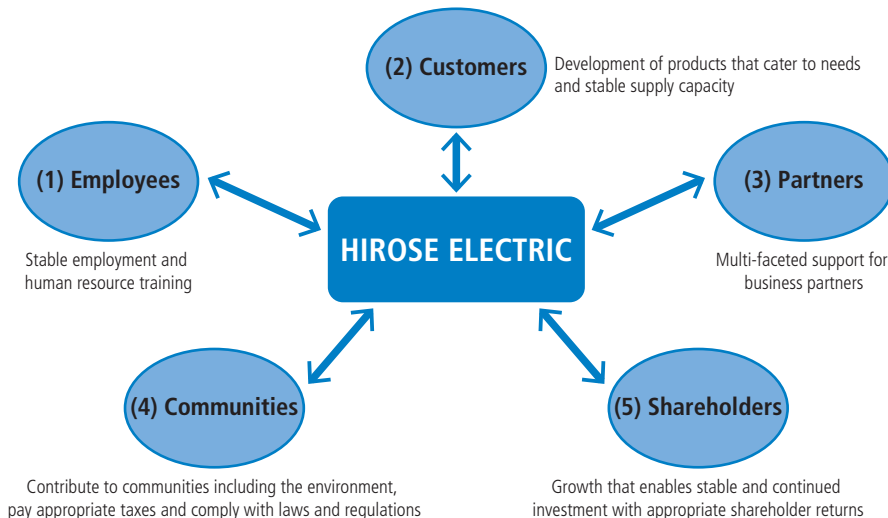
Overview of Consolidated Statements of Income

(Millions of yen)



1. The direction of mid-term business development

It is quite difficult to predict the medium term impact on our business from COVID-19 at the moment. Nevertheless, we consider all stakeholders including (1) Employees (2) Customers (3) Partners (4) Communities and (5) Shareholders to be important, utilize financial assets and cash flows from operating activities generated in the future, and conduct our business by prioritizing sustainability.



2. Announcement of the mid-term capital policy

We have been considering the mid-term capital policy (shareholder return policy), including share buyback at a certain scale in the medium term. However, business results in FY2020 are forced to be decreased sales and decreased profit. Especially in automotive business, which we have strengthened resource input aiming for growth for the past several years, the business environment is expected to be extremely severe for a while.

Under this situation, we proceed with reconstruction of the mid-term business plan to realize sustainable and stable growth in the future. We will announce the mid-term capital policy after having an outlook of the reconstruction.

Even though situation is tough, we firmly maintain the dividend per share ¥240 in FY2020 as well and shareholder return in practice.

|| HIROSE employee quality training facility “Quality Awareness Exhibition Center”

We have established a “Quality Awareness Exhibition Center” as a facility to educate all employees in initiatives for the “Quality First Principle”. The exhibition is separated into three areas: “Corridor for Learning from Failure”, “Activity of Recurrence Prevention” and “A Place of Learning and Awareness”. The place is one for learning through an understanding of the status of quality from the past up until the present, which leads to each individual taking action to fulfill their own role with an awareness that leads to future improvement in business operations and reform activities on return to their workplace. We strive for activities that always aim to maintain and improve quality of products and services to ensure that customers use HIROSE connectors with confidence.

This “Quality Awareness Exhibition Center” is a facility for employees and does not accept inspection by the general public.

● Structure of “Quality Awareness Exhibition Center”

Corridor for Learning from Failure

An area for becoming aware and learning through lessons on major quality issues that have occurred from the past up until the present

Activity of Recurrence Prevention

An area to introduce activities to ensure the same mistakes are not repeated

A Place of Learning and Awareness

An area that leads to education about quality for all employees, teaching them about approaches, methods and activities relating to quality



Multi-Pin Connectors

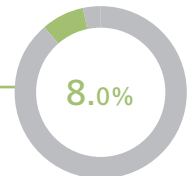
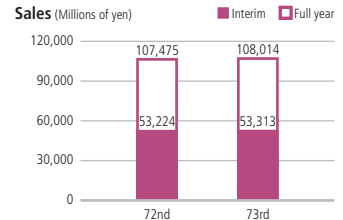
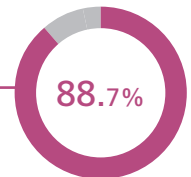
Sales **108,014** Millions of yen (up 0.5% year on year)



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 smartphones, 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.

Segment sales for the year under review increased by 0.5% year on year to ¥108,014 million and operating profit decreased by 11.2% year on year to ¥19,406 million.



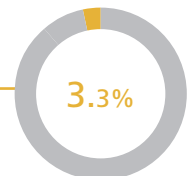
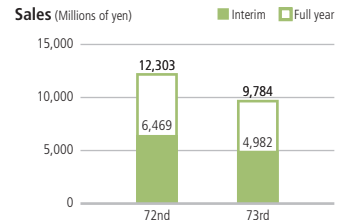
Coaxial Connectors

Sales **9,784** Millions of yen (down 20.5% year on year)



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, or smartphones, switching and transmission equipment and other electronic equipment. Optical fiber connectors and coaxial switches are also included in this segment.

Segment sales for the year under review decreased by 20.5% year on year to ¥9,784 million and operating profit decreased by 30.7% year on year to ¥837 million.

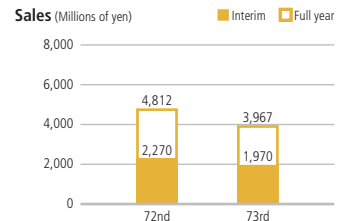


Other Products

Sales **3,967** Millions of yen (down 17.6% year on year)



The other products segment includes micro switches and instruments for connectors. Segment sales for the year under review decreased by 17.6% year on year to ¥3,967 million and operating profit increased by 13.0% year on year to ¥115 million.



Introduction of Our Products

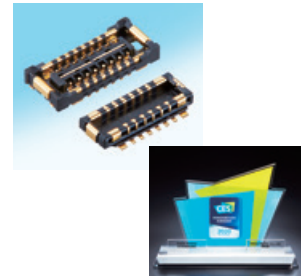
FX26 Series

The FX26 Series is a lineup of board-to-board connectors for in-vehicle drive system devices, which received the Innovation Award in the "Vehicle Intelligence & Transportation" category at CES 2020, an electronic equipment exhibition held in Las Vegas, USA in January 2020. While the use of electronic drive system devices is expected to increase with the spread of electric vehicles, manufacturers are facing issues such as labor shortage and rising wages, and the needs for efficiency improvements and automation of assembly processes are rising. In the past, board-to-cable connectors were widely used in the internal connection of drive system devices, although they required manual assembly work. This product is a board-to-board connector that is suitable for automation, which has also realized high reliability and smaller size based on our unique design. The Award was granted as these excellent functions and designs were highly appreciated. Our customers both in Japan and overseas have already decided to adopt this product. We will strive to contribute to the evolution of the automotive industry by continuing to promote its sales.



BM46 Series

The BM46 Series received the Innovation Award in the "Mobile Devices & Accessories" category at CES 2020, an electronic equipment exhibition held in Las Vegas, USA in January 2020. In recent years, new communications standards have been developing rapidly as exemplified by the introduction of 5G, resulting in an increase of required antennas, which also means an increase in the number of cables. With this increase, products using conventional cable connectors have become crowded with cables. The Award was granted on the grounds that as a multi-RF capable board-to-board connector, the product enables transmission in one package, contributing to smaller devices, more flexible design, and productivity improvement. Leveraging the Award, we will contribute to customers in the ever-evolving consumer market as an opportunity to expand the adoption of the product. Furthermore, we will continue to release future generations of BM46, and are aiming to be the market leader.



Hirose's Connector Workshop

Connectors for external connections

They are connectors to connect an electronic device with another electronic device.

There are many connectors for external connections for which global standards, such as USB Type-C, have been established to ensure connectivity among products of different manufacturers.

Use examples

- Type-C connectors (smartphones, PCs, etc.)



- Connectors for industrial equipment

"There are many types of connectors!"

There are many types of connectors for a variety of use.

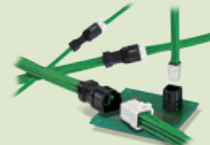
Let's focus first on the difference based on where the connector is used.

Connectors for internal connections

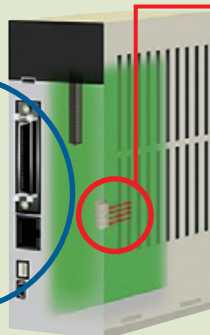
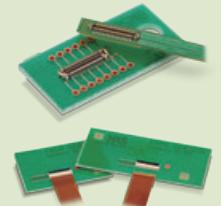
They are connectors to connect internal parts of an electronic device. They enable, for example, board-to-board connection, board-to-antenna connection, and cable-to-cable connection. There are available in a variety of forms depending on the type and use of electronic equipment used.

Use examples

- Connectors for internal power supply (industrial equipment)
- Connectors to connect the main-sub board (smartphone)



- Connectors to connect the internal board with screens and cameras (smartphone)



Example: Servo amplifier

◎ Domestic bases

TOHOKU HIROSE ELECTRIC CO., LTD.



ICHINOSEKI HIROSE ELECTRIC CO., LTD.



KORIYAMA HIROSE ELECTRIC CO., LTD.



West Japan Sales Office

Kansai Branch

Chubu Sales Office

Kitakanto Sales Office

Head Office



Kikuna Office



Yokohama Center



◎ Overseas bases

HIROSE ELECTRIC EUROPE B.V.



HIROSE ELECTRIC (SUZHOU) CO., LTD.



HIROSE ELECTRIC (DONGGUAN) CO., LTD.



HIROSE ELECTRIC INDIA. PVT. LTD.



HIROSE ELECTRIC MALAYSIA SDN. BHD.



HIROSE ELECTRIC SINGAPORE PTE. LTD.



P.T. HIROSE ELECTRIC INDONESIA



Hirose Electric (China) Co., Ltd.



HIROSE KOREA CO., LTD.



HIROSE ELECTRIC TAIWAN CO., LTD.



HIROSE ELECTRIC (U.S.A.), INC.



HIROSE ELECTRIC HONG KONG CO., LTD.
HIROSE ELECTRIC HONG KONG TRADING CO., LTD.



Company Profile (As of March 31, 2020)

Trade name	HIROSE ELECTRIC CO., LTD.
Date of incorporation	June 15, 1948
Number of employees	Consolidated: 4,737 (excluding part-timers)
Capital stock	¥9,404,379,401

Directors and Audit & Supervisory Board Members (As of June 26, 2020)

President and Representative Director	Kazunori Ishii
Senior Managing Director	Mitsuo Nakamura
Director	Yukio Kiriya
Director	Hiroshi Fukumoto
Director	Hiroshi Satoh
Director	Sang-Yeob Lee
Outside Director	Kensuke Hotta
Outside Director	Tetsuji Motonaga
Outside Director	Masanori Nishimatsu
(Standing) Audit & Supervisory Board Member	Yoshikazu Chiba
Outside Audit & Supervisory Board Member	Terukazu Sugishima
Outside Audit & Supervisory Board Member	Kentaro Miura

Notes:

1. Directors Kensuke Hotta, Tetsuji Motonaga and Masanori Nishimatsu are outside directors as stipulated in Article 2, Item 15 of the Companies Act.
2. Audit & Supervisory Board Members Terukazu Sugishima and Kentaro Miura are outside audit & supervisory board members as stipulated in Article 2, Item 16 of the Companies Act.

Accounting Auditor

KPMG AZSA LLC

Stock Information (As of March 31, 2020)

Total number of shares issued	36,267,145 shares
(Excluding 2,114,675 shares of treasury shares)	
Number of shareholders	3,909

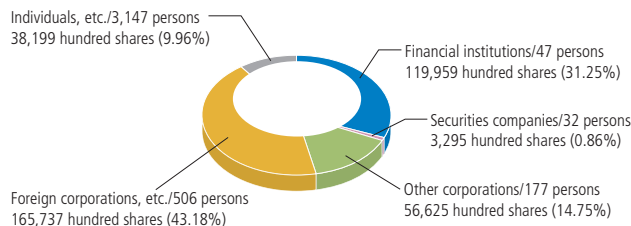
Major Shareholders (Top 10)

Name of shareholder	Number of shares held
	<small>Hundreds of shares</small>
Hirose International Scholarship Foundation	31,476
JPMorgan Chase Bank 380055	30,277
State Street Bank and Trust Company 505223	29,878
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,920
Japan Trustee Services Bank, Ltd. (Trust Account No. 4)	20,022
Japan Trustee Services Bank, Ltd. (Trust Account)	16,285
HS Kikaku Co., Ltd.	12,215
Mizuho Trust & Banking Co., Ltd. Trust Account 0700065	8,707
Mizuho Trust & Banking Co., Ltd. Trust Account 0700066	8,652
Japan Trustee Services Bank, Ltd. (Trust Account No. 7)	6,805

Note: In addition to the 10 major shareholders above, the Company owns 21,146 hundred shares of treasury shares. The ratio of shareholding is calculated after excluding treasury shares.

Distribution of Shares

Distribution of Shares by Shareholder Type



Shareholder information

Fiscal term	From 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 number as stated below.

Number of shares in one voting unit 100

Method of public notices The Company's Web site below shall be used for its public notices.
(<https://www.hirose.com/jp/ir/>)
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 Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Handling office of shareholders' registry administrator Securities Agency Department,
Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo

(Mailing address) Securities Agency Department,
Sumitomo Mitsui Trust Bank, Limited
8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063
0120-782-031 (Toll free, available only in Japan)

Phone:

URL: <https://www.smtb.jp/personal/agency/index.html>

[Special accounts]

For shareholders who was yet to have used JASDEC (Japan Securities Depository Center, Inc.) by the share certificate dematerialization date, the Company opened a transfer account (hereinafter "special account") at Sumitomo Mitsui Trust Bank, Limited, as mentioned above, which serves as the shareholders' registry administrator. You are requested to use the above telephone number when making inquiries about the special account and notifications of matters such as change of address.

Recommended Contents of the HIROSE Website

1. Recommended Connectors for Automatic Operation/ADAS (Advanced Driver-Assistance Systems)



2. Optimal Solutions for Electrical Equipment in Buildings Introduction Example of EF2 Series



3. Connector Q&A Teach me! Dr. H



By scanning the QR code, you can access the website!