

For FY2017

Business Results



- CONNECTING THE FUTURE -

May 9th, 2018

Hirose Electric Co., Ltd. [6806]

■ Cautionary Statement

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.

Business Situation of FY2017 (Apr,2017 – Mar,2018)

FY2017 Results settled on (Apr – Mar)

Order **1,267.5** hundred million yen
(YoY **+8.7%**)

Sales **1,252.8** hundred million yen
(YoY **+8.8%**、 Over estimate **-0.6%**)

Recurring Profit **292.3** hundred million yen ※Profit Ratio **23.3%**
(YoY **-1.9%**、 Over estimate **-3.5%**)

Smartphone

New demand of smartphone market had been decreased than before and the demand for replacement is also getting weaker.

But the sales in FY2017 resulted +4% YoY owing to the trend of high speed and new models which have the enhanced functions.

However, the sales in 4Q has sharply decreased temporarily because of the inventory adjustment for Chinese market, etc.

Industrial Market

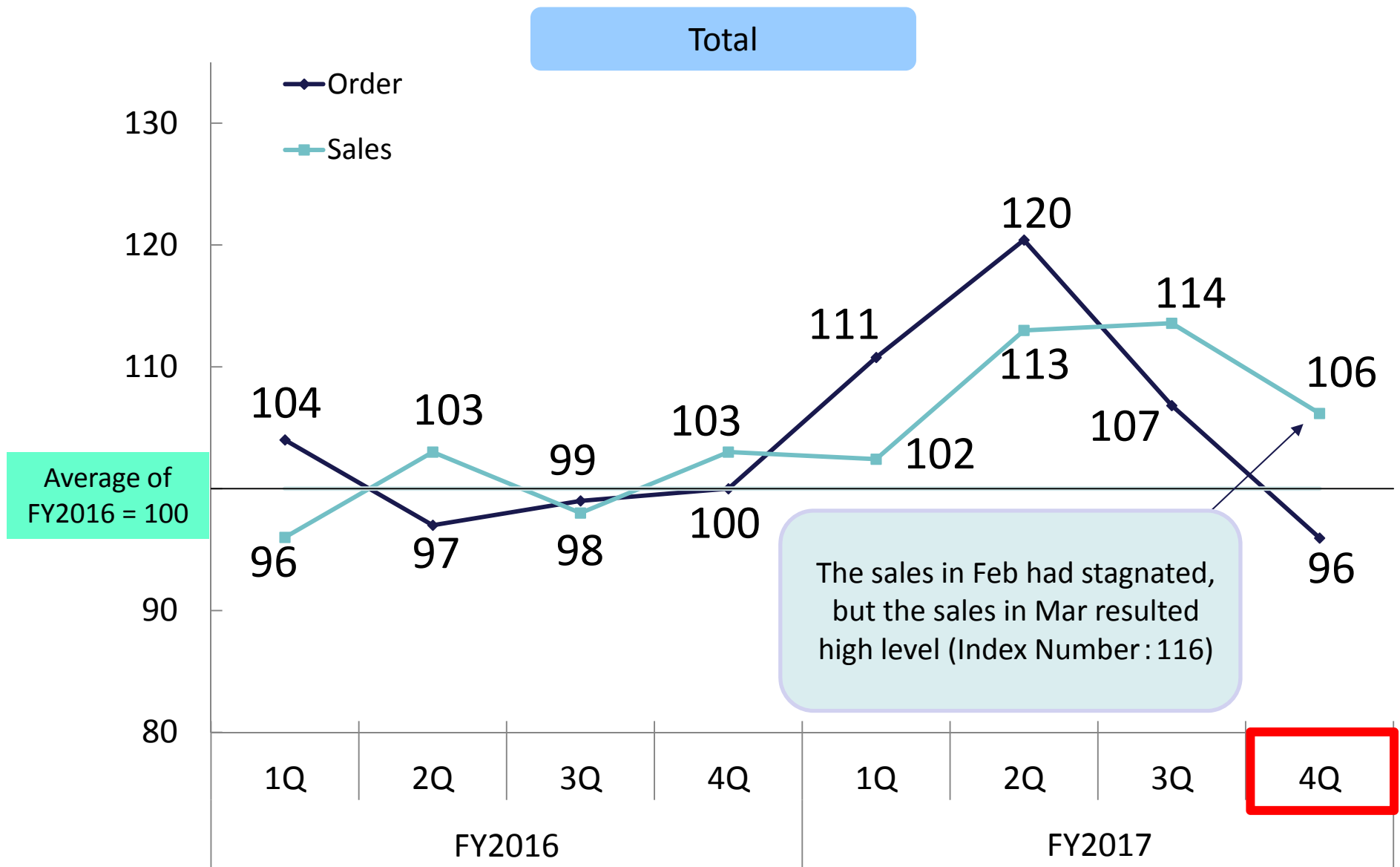
The sales in industrial has been increased a lot because of IoT demand and the increase in capital investment for the shortage of various components.

The sales including FA related and distributor, etc, kept the high level and resulted +27% YoY.

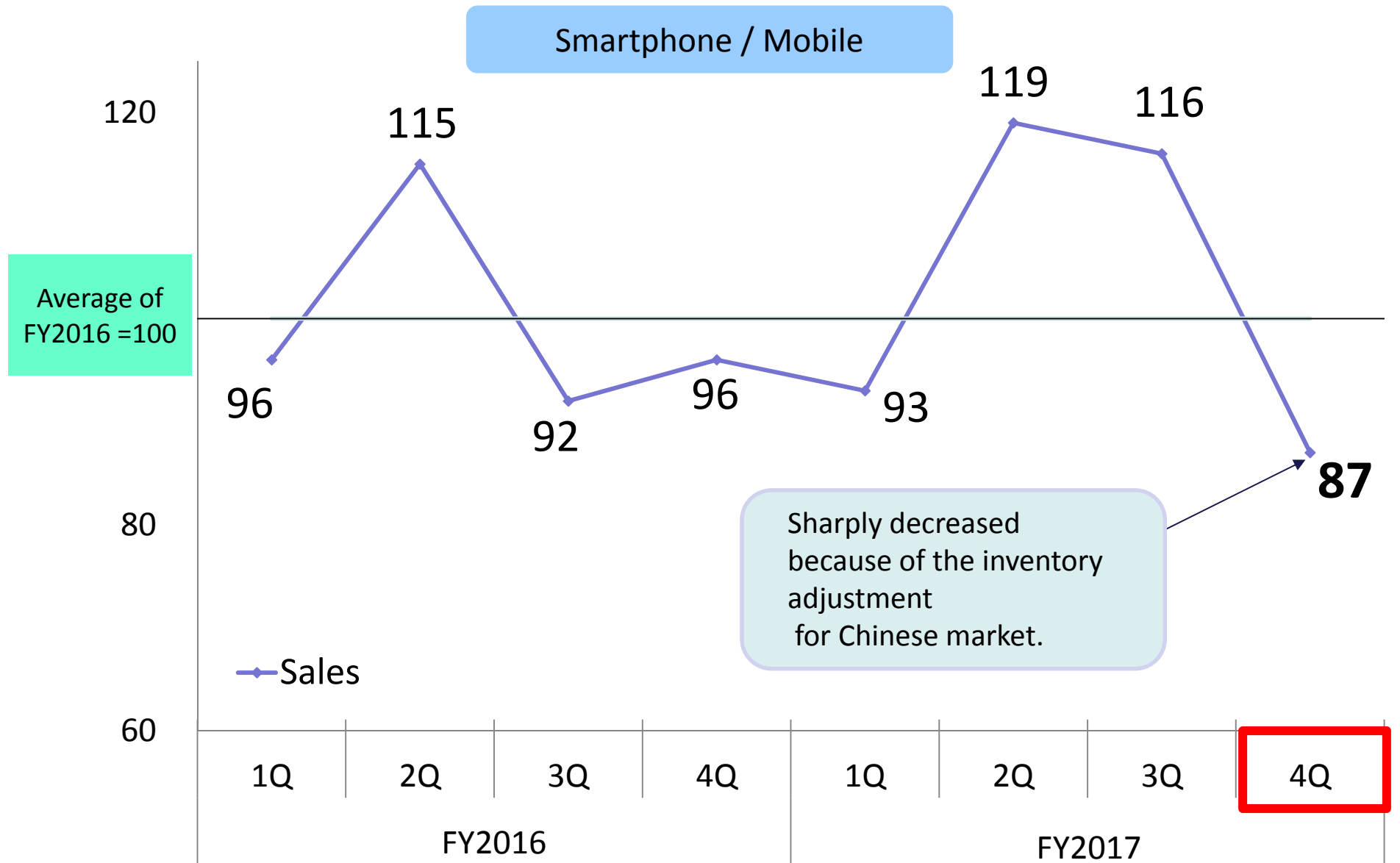
Automotive

Automotive market had been steadily growing up to +5% YoY.

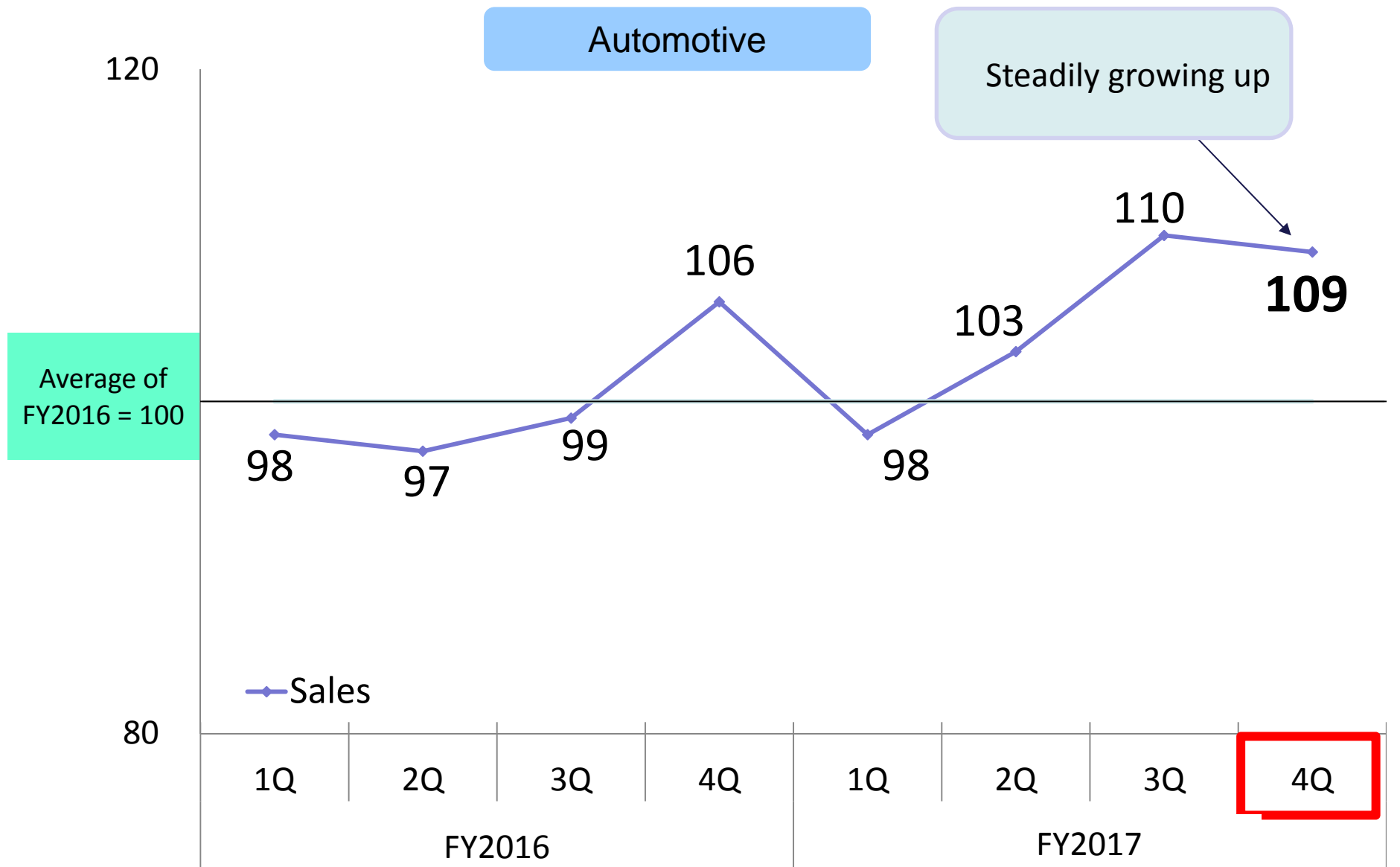
FY2016 1Q – FY2017 4Q Orders and Sales (Consolidated Basis, Index Number)



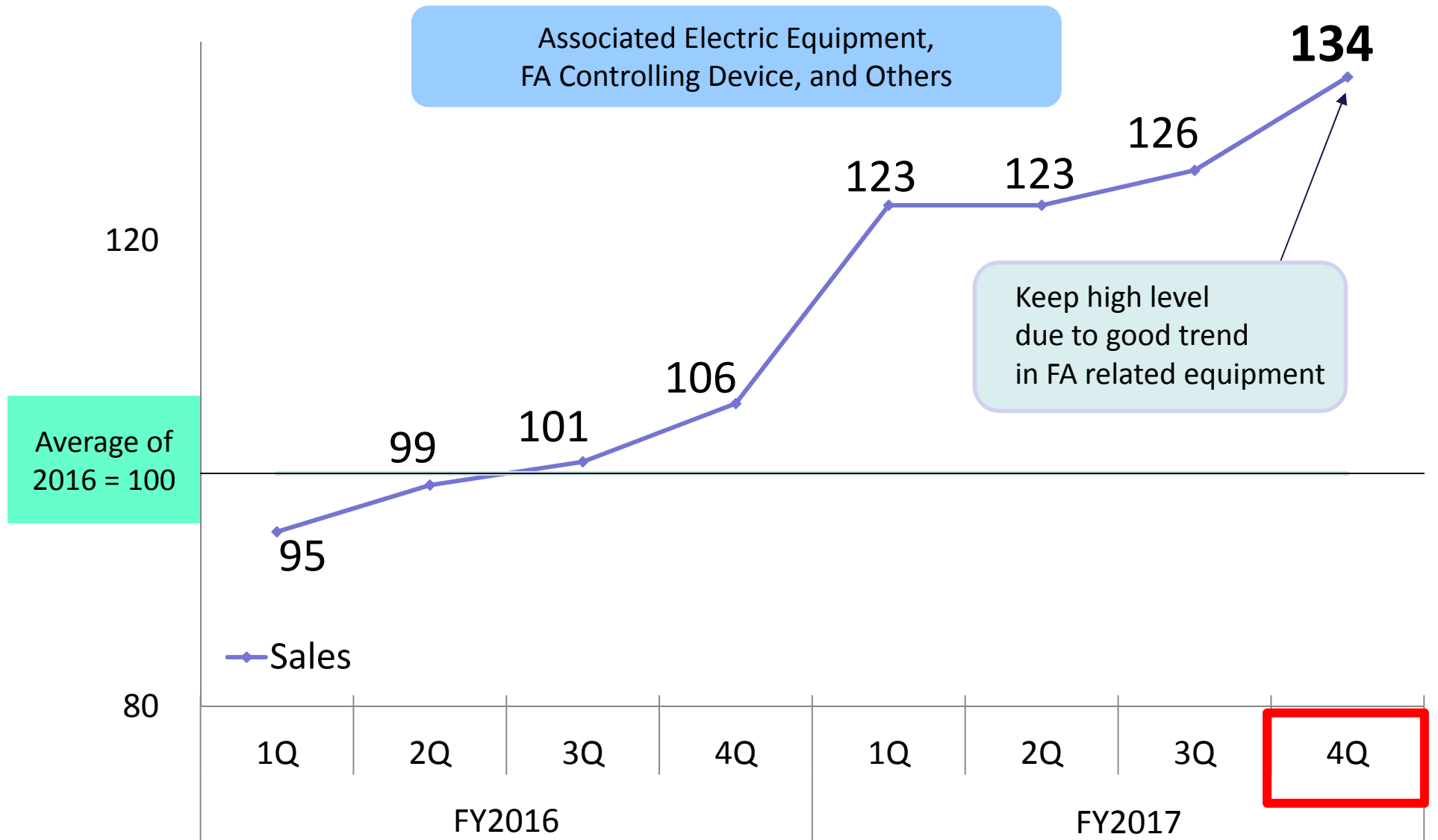
FY2016 1Q – FY2017 4Q Sales by Markets (Consolidated Basis, Index Number)



FY2016 1Q – FY2017 4Q Sales by Markets (Consolidated Basis, Index Number)



FY2016 1Q – FY2017 4Q Sales by Markets (Consolidated Basis, Index Number)



Business Results for FY2017

(Unit: Hundred millions of yen)

	FY2016 (FY ended Mar31, 2017)	FY2017 Estimate	FY2017 (FY ended Mar31, 2018)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	1,151.0	1,260.0	1,252.8	101.8	8.8%
COGS Ratio	53.1%	—	53.9%	+0.8%	
SGA Ratio	22.2%	—	23.2%	+1.0%	
Operating Profit	284.8	292.0	286.5	1.7	0.6%
(%)	24.7%	—	22.9%	-1.8%	
Recurring Profit	298.0	303.0	292.3	-5.7	-1.9%
(%)	25.9%	—	23.3%	-2.6%	
Net Profit	213.6	214.0	195.3	-18.3	-8.6%
(%)	18.6%	—	15.6%	-3.0%	
Total Assets	3,267.0		3,394.6	127.6	3.9%
Shareholder's Equity Ratio	90.6%		89.4%		
Income Per Share	611.81 Yen		560.87 Yen		
Dividend Per Share	240 Yen		480 Yen		
Consolidated Dividend Payout	39.2%		85.6%		

Major Changes over prior same period FY2017

■ Sales **101.8** hundred million yen **increase**

Hirose : **+ 100.4**

Subsidiaries : **+ 1.4**

■ COGS Ratio **0.8 point decrease**

Purchase Cost Ratio : 38.5% → **38.0%**

Depreciation Ratio : 5.0% → **6.1%**

Labor Cost Ratio : 5.5% → **5.8%**

■ SGA Ratio **1.0 point decrease**

Due to the increase in personal expenses, etc(+36.0)

■ Non-Operating Profit / Loss **7.3** hundred million yen **decrease (13.2 → 5.8)**

Foreign Exchange Gain / Loss : **-2.1** → **-9.6**

■ Extraordinary Loss **3.8** hundred million yen **increase (4.6 → 8.4)**

Fixed Assets Retirement Cost : 4.6 → 8.4

■ Corporate Tax **8.8** hundred million yen **increase (79.8 → 88.7)**

Correction Estimated Amount by investigation of transfer pricing taxation : 8.0 hundred million yen appropriated

Currency Effect for FY2017

	FY2016	FY2017
Currency rate : US\$	108.38 Yen	110.85 Yen
Currency rate : €	118.79 Yen	129.70 Yen
Currency rate : 100won	9.45 Yen	10.0 Yen



Unit : hundred millions of Yen

YoY Currency effect amount	
Sales	+39.4
Operating Profit	+16.0
Recurring Profit	+8.9

FY2017 Variation analysis

【FY2017 YoY Variation analysis】

(Unit : Hundred millions of yen)

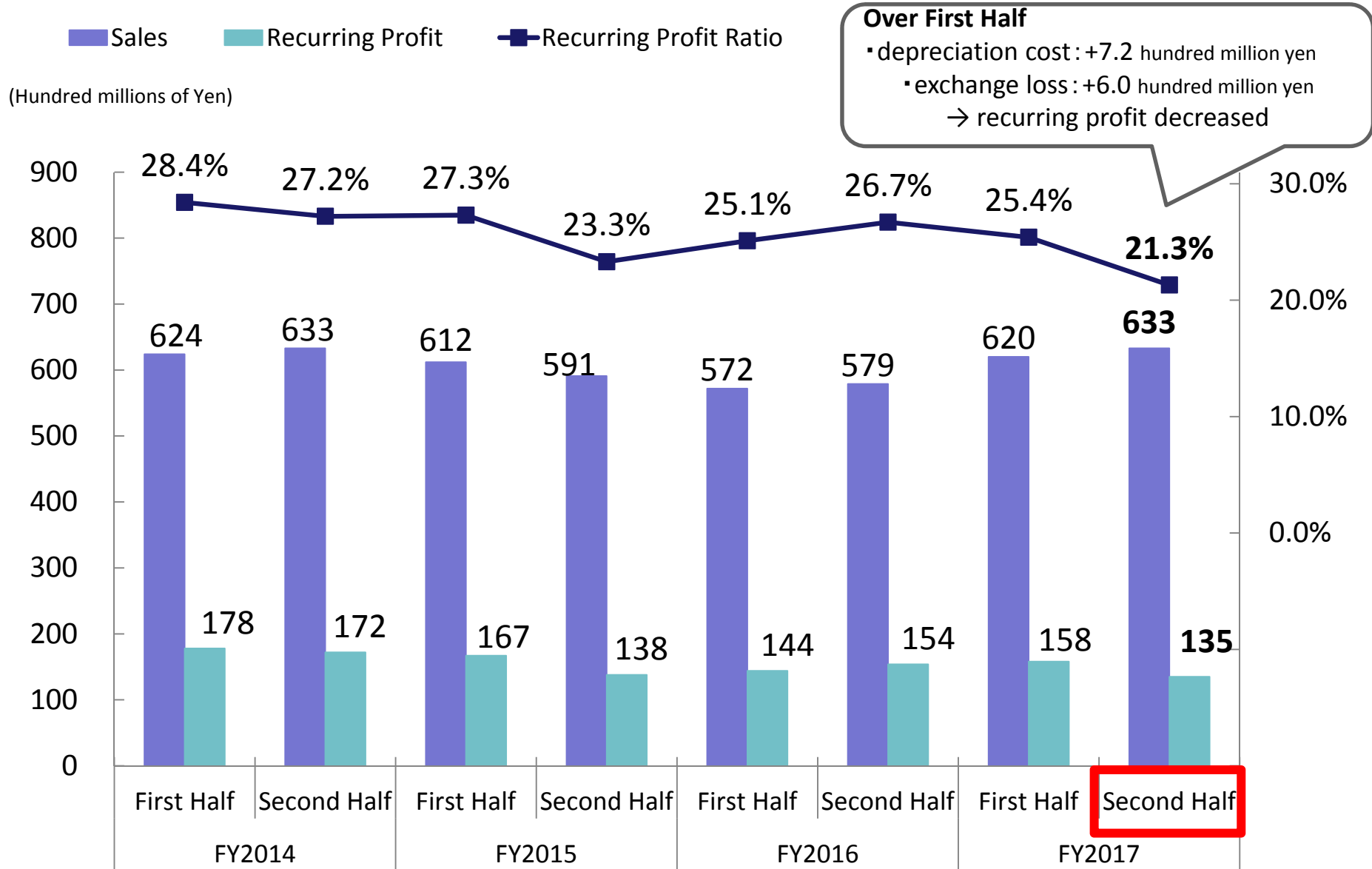
	Sales	Operating profit	Operating profit ratio	Recurring profit	Recurring profit ratio
FY2016 Actual	1,151.0	284.8	24.7%	298.0	25.9%
Currency effect	39.4	16.0		8.9	
Depreciation cost increase		-26.2		-26.2	
Labor cost increase		-30.0		-30.0	
Increase in the product, etc	62.4	41.9		41.6	
Total amount of change	101.8	1.7		-5.7	
FY2017 Actual	1,252.8	286.5	22.9%	292.3	23.3%

【FY2017 Over Estimate Variation analysis】

*Compared with the estimate, Oct 31st, 2017

	Sales	Operating profit	Operating profit ratio	Recurring profit	Recurring profit ratio
FY2017 Estimate	1,260.0	292.0	23.2%	303.0	24.0%
Currency effect	12.8	4.8		-2.8	
Depreciation cost decrease		6.7		6.7	
Labor cost decrease		0.3		0.3	
decrease in the product, etc	-20.0	-17.3		-14.9	
Total amount of change	-7.2	-5.5		-10.7	
FY2017 Actual	1,252.8	286.5	22.9%	292.3	23.3%

Quarterly Sales and Profits



Changes in Consolidated Balance Sheet

Unit : hundred millions of yen

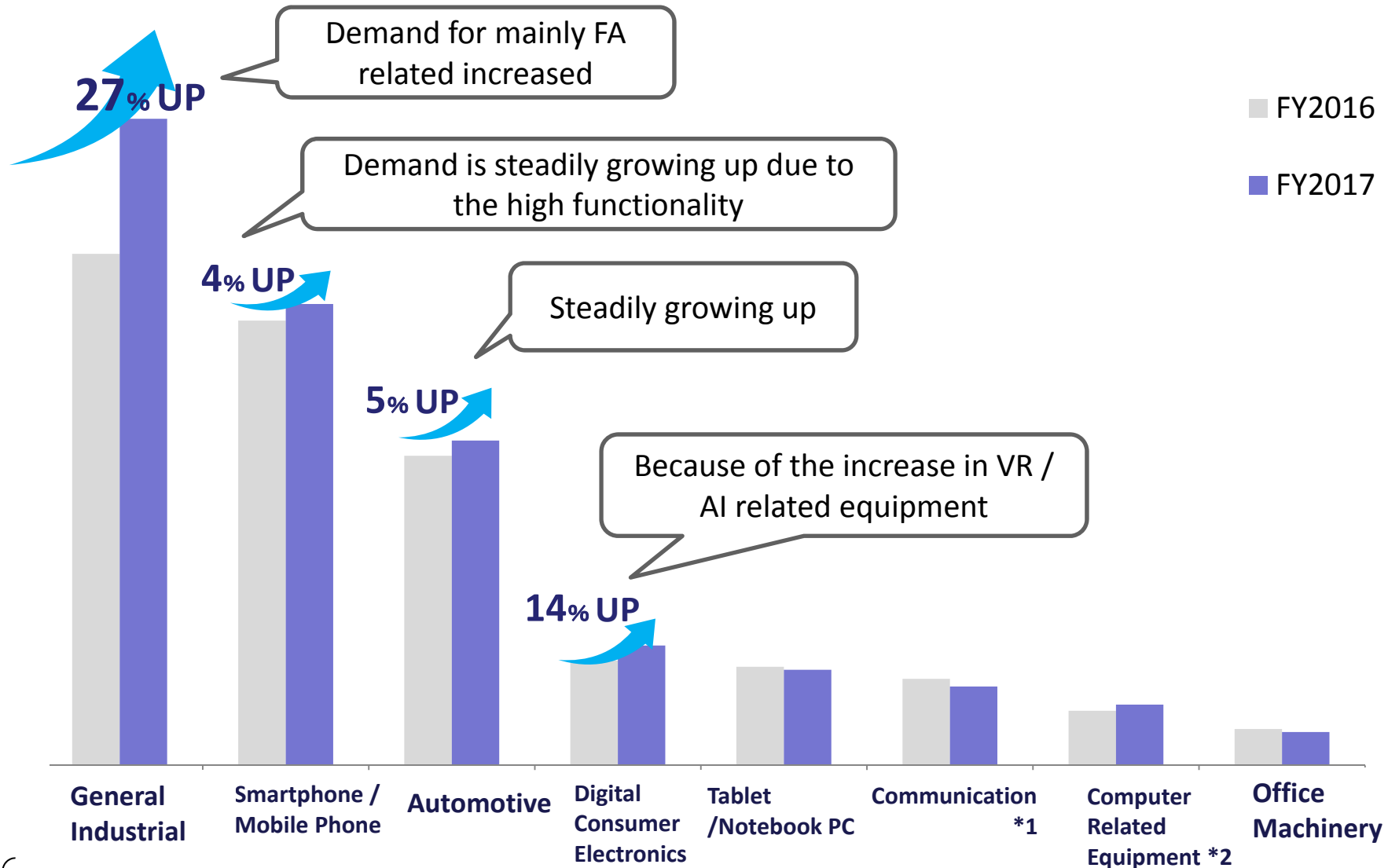
	Account	Mar 31, 2017	Mar 31, 2018	Increase / Decrease	Remark
A S S E T S	Cash and Cash in Bank	1,852.5	1,865.7	13.2	Increase due to government bond redemption, etc
	Trade Receivables	284.9	300.0	15.1	Increase in Sales of Mar, 2018
	Securities	218.9	131.0	-87.9	Decrease due to government bond redemption, etc
	Inventories	88.9	117.0	28.1	Increase due to the weak sales of smartphone market on 4Q. (would be reflected to FY2018 sales)
	Noncurrent Assets	455.9	539.3	83.4	Increase in machinery equipment and metal molds, etc
	Investment Securities	264.5	329.8	65.3	Increase in corporate bond, etc
	Others	101.4	111.8	10.4	
	Total Assets	3,267.0	3,394.6	127.6	

Changes in Consolidated Balance Sheet

Unit : hundred millions of yen

	Account	Mar 31, 2017	Mar 31, 2018	Increase / Decrease	Remark
Liabilities	Notes Payable and Account Payable	113.9	131.7	17.8	
	Income Taxes Payable	37.6	49.5	11.9	Correction estimated amount by investigation of transfer pricing taxation : 8.0
	Others	152.5	175.6	23.1	
		304.0	356.8	52.8	
Shareholder's Equity	Retained Earnings	3,214.9	3,284.9	70.0	Net profit 195.3 — Dividend 125.3
	Treasury Stocks	- 589.0	- 583.2	5.8	
	Valuation Variance	73.7	73.1	-0.6	
	Foreign Currency Transaction Adjustments	53.1	53.7	0.6	
	Others	210.3	209.3	-1.0	
	Total	2,963.0	3,037.8	74.8	
Total Liabilities and Shareholder's Equity		3,267.0	3,394.6	127.6	

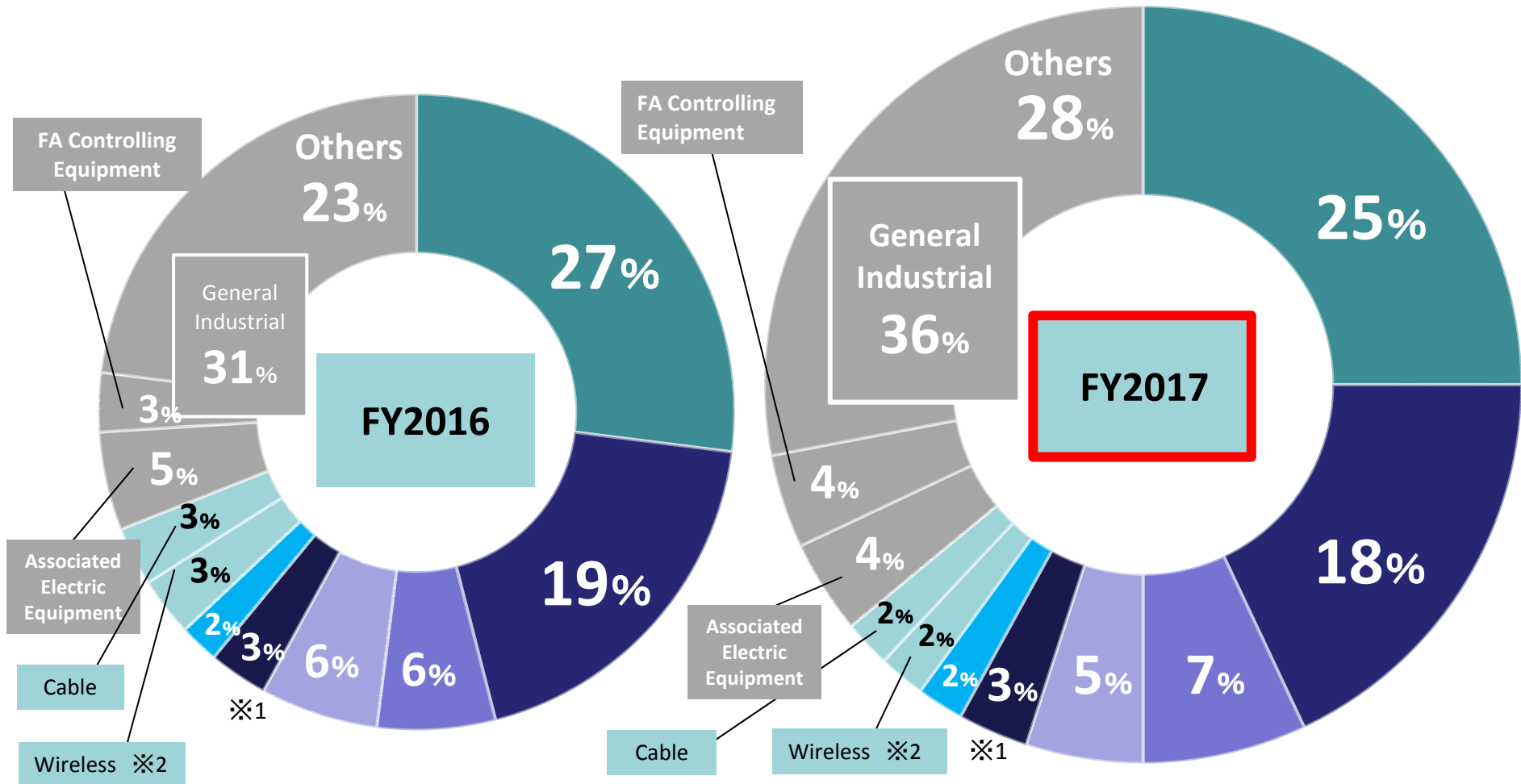
Sales Changes by Application (round number) 【Consolidated Basis】



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

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

Sales by Application (round number) (Consolidated Basis)

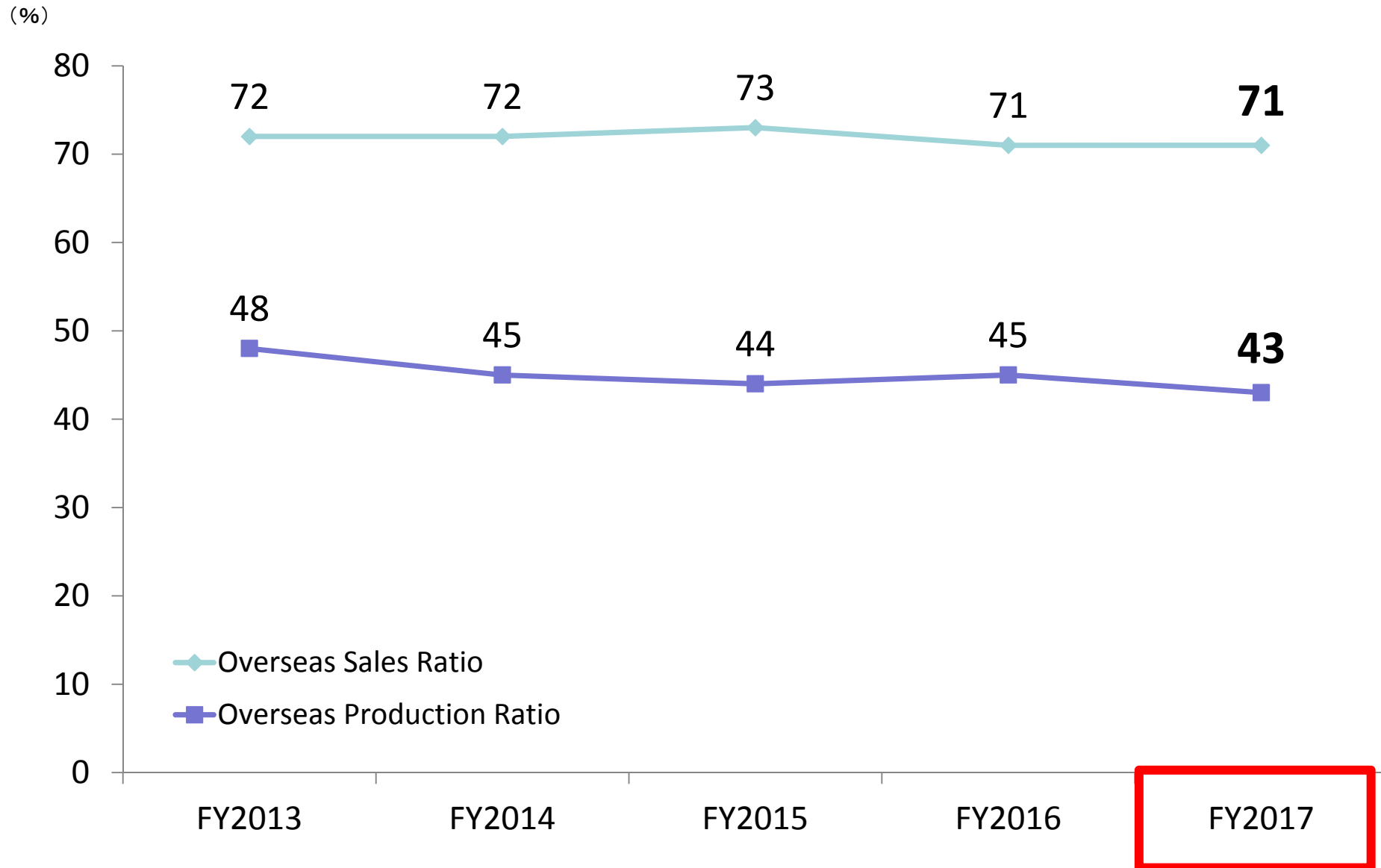


- Smartphone / Mobile
- Automotive
- Digital Consumer Electronics
- Tablet / Notebook PC
- Computer Related Equipment
- Office Machinery
- Communication (Wireless / Cable)
- General Industrial (Associated Electric Equipment / FA Controlling Equipment / Others)

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

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

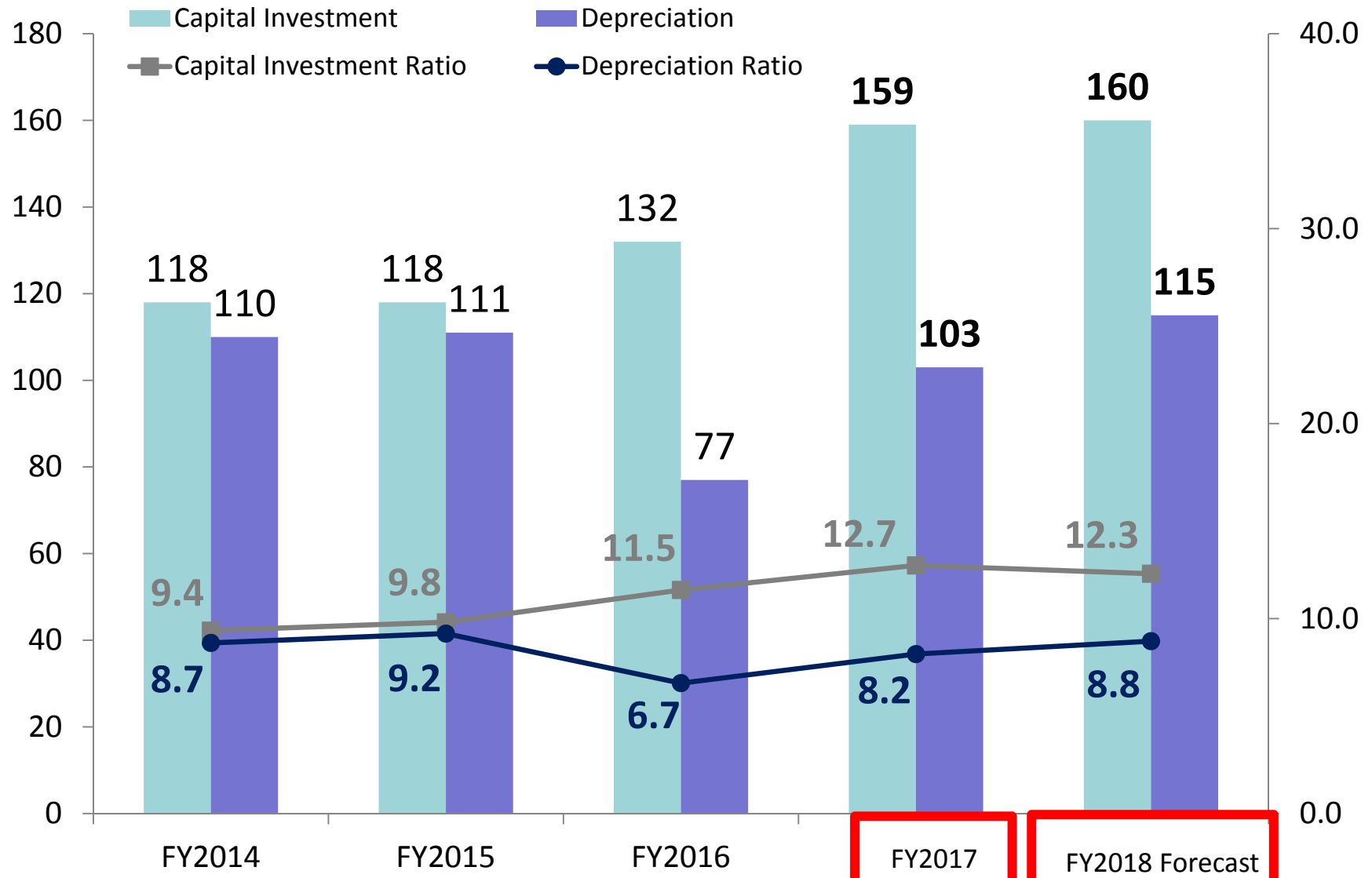
Overseas Production and Sales Ratio



Capital Investment and Depreciation Change (Consolidated Basis)

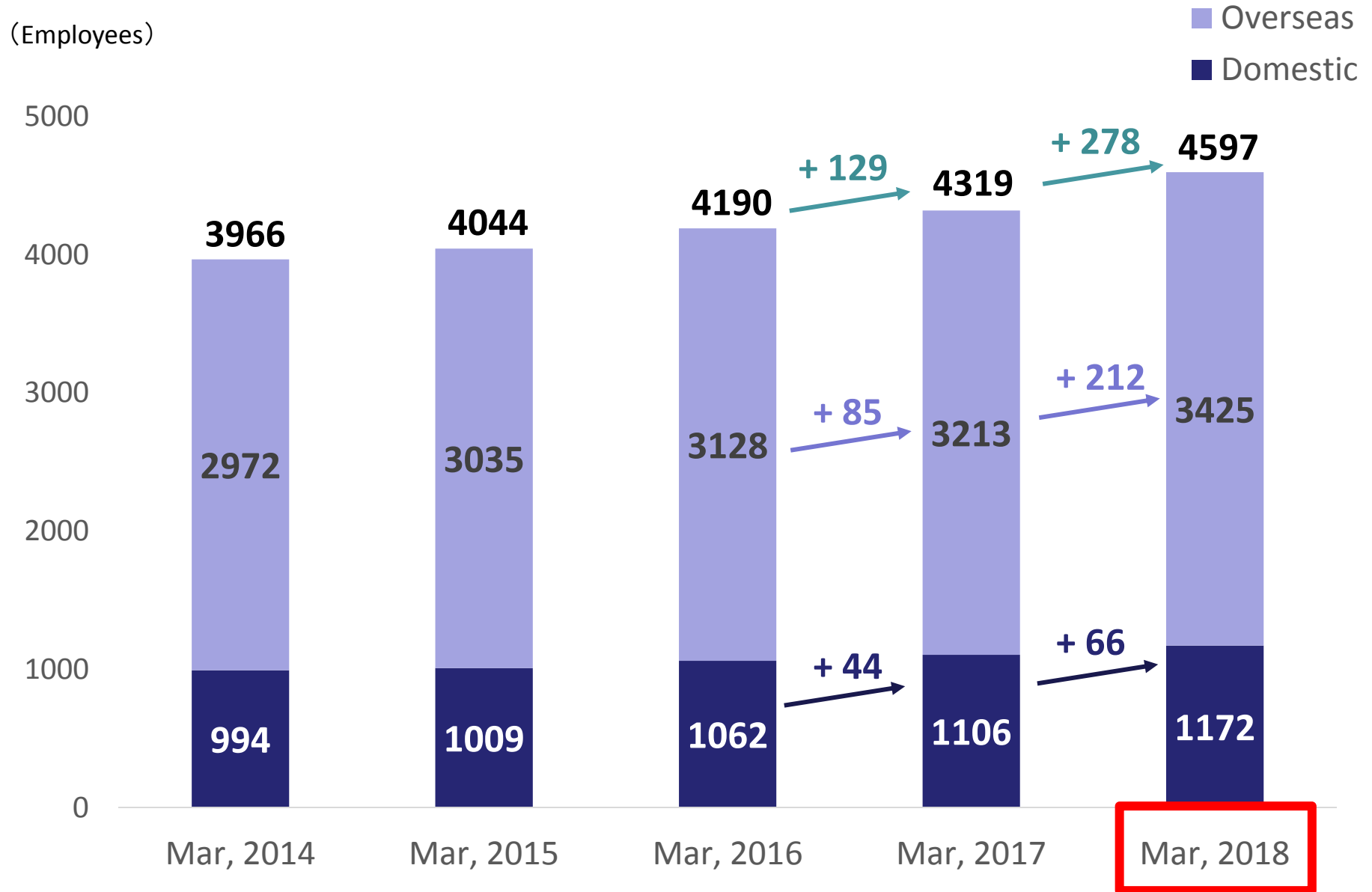
(hundred millions of Yen)

(%)

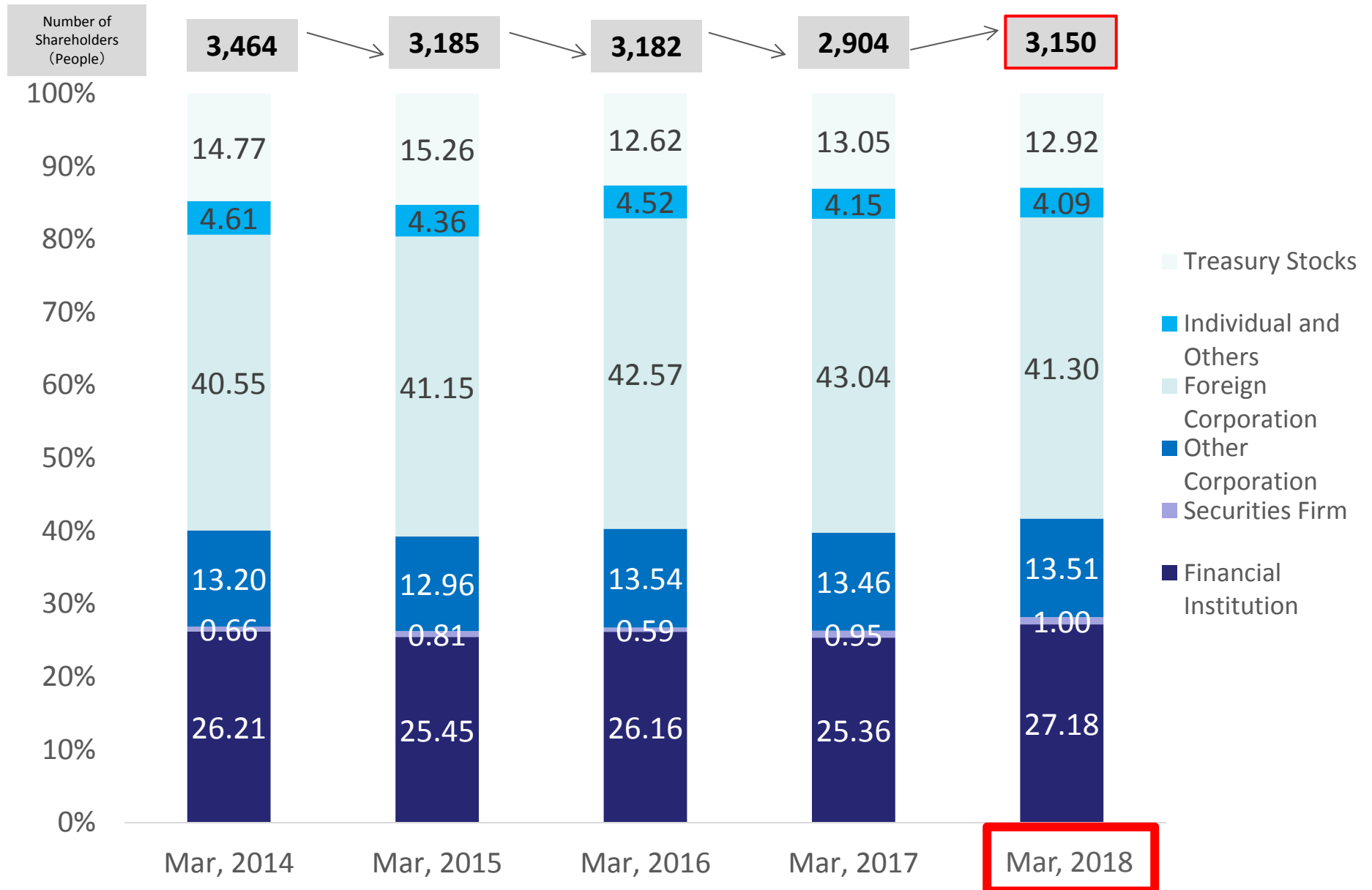


(*Excluded: Investment in land, building, software)

Number of Employees (Financial Report Basis)

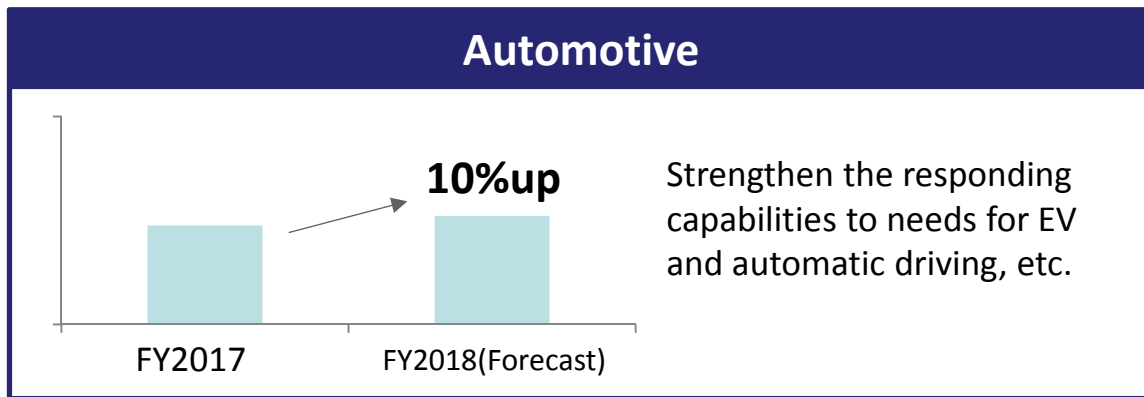
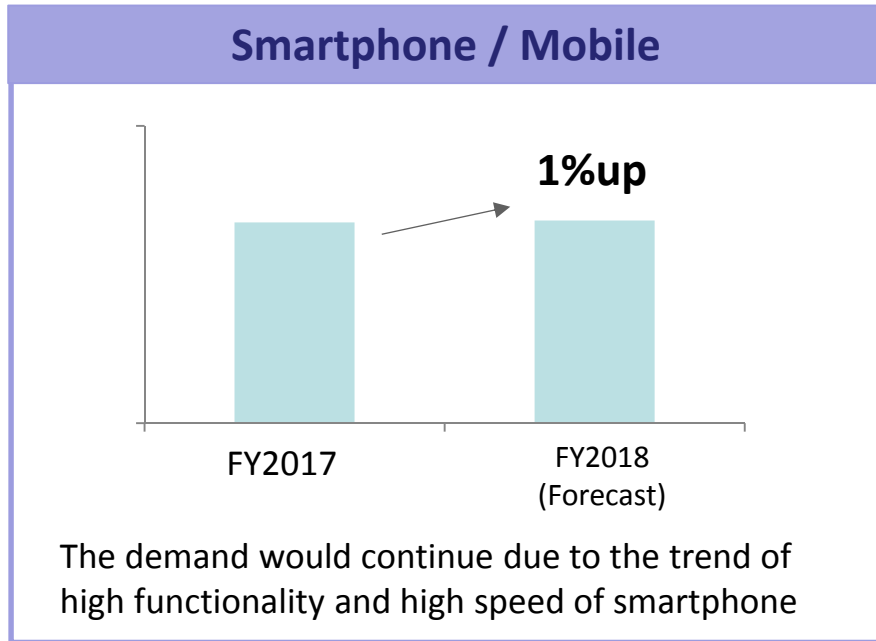
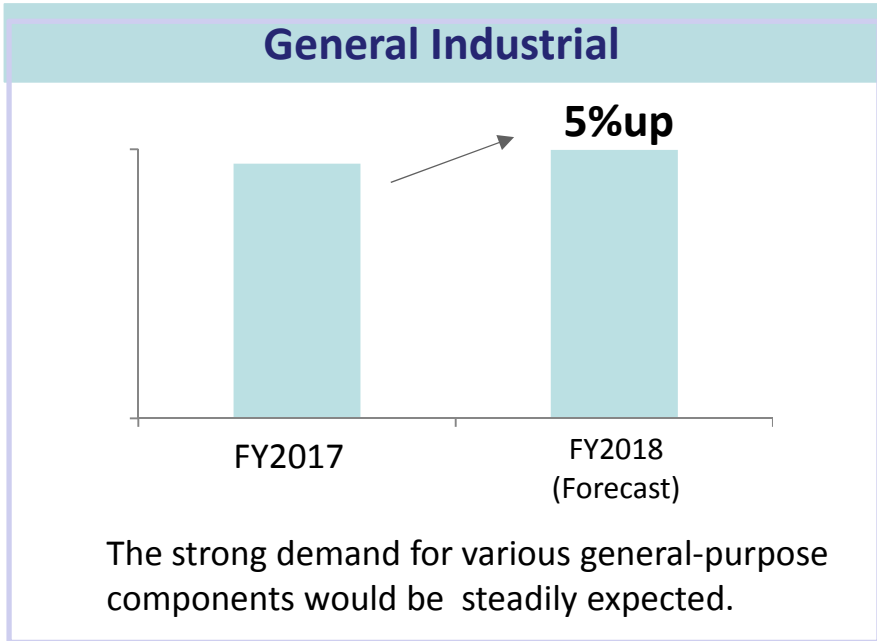


Distribution of Shareholders



FY2018 Attitude to each applications (Forecast)

Expect the sales growth in Automotive and steadily growing in General Industrial



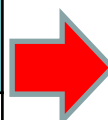
Business Forecast for the Year Ending March 31, 2019 (Consolidated) [Recasting IFRS]

【JGAAP】

【IFRS】

(Unit: hundred millions of yen)

	FY2017 (FY ended Mar 31, 2018) Actual	FY2018 (FY ended Mar 31, 2019) Forecast
Sales	1,252.8	1,303.0
COGS	675.1 53.9%	720.0 55.3%
Gross profit	577.7	583.0
General expense	291.2 23.2%	307.0 23.6%
Operating profit	286.5 22.9%	276.0 21.2%
Non-operating income	17.7	13.8
Non-operating expense	11.8	1.1
Recurring profit	292.3 23.3%	288.7 22.2%
Extraordinary income	0.0	0.0
Extraordinary loss	8.4	5.7
Earnings before income tax	283.9 22.7%	283.0 21.7%
Corporate tax	88.7 31.2%	83.0 29.3%
Net profit	195.3 15.6%	200.0 15.3%



IFRS				FY2018 (FY ended Mar 31, 2019) Forecast	
Sales Commission	Interest dividends	Currency Exchange	Fixed assets retirement cost		
-3.0				1,300.0	Sales revenue
				720.0 55.4%	COGS
				580.0	Gross profit
-3.0				304.0 23.4%	General expense
					(ex)operating profit Not be disclosed on IFRS
	-10.8			3.0	Other income
		-0.8	5.7	6.0	Other expense
				273.0 21.0%	Operating profit (IFRS)
		10.8		10.8	Financial income
		0.8	-5.7	0.8	Financial expense
				283.0 21.8%	Earnings before income tax
				83.0 29.3%	Company tax, etc
				200.0 15.4%	Net profit

Business Forecast for the Year Ending March 31,2019 (Consolidated)

【JGAAP】

【IFRS】

(Unit : hundred millions of yen)

	FY2017 (FY ended Mar 31,2018) Actual	
	First Half	For the Year
Sales	619.8	1,252.8
COGS	52.5%	53.9%
Operating profit	151.4	286.5
(%)	24.4%	22.9%
Recurring profit	157.7	292.3
(%)	25.4%	23.3%
Net profit	109.2	195.3
(%)	17.6%	15.6%
Income per share	—	560.87 yen
Dividend per share	240 yen	480 yen
Consolidated Dividend Payout Ratio	—	85.6%

	FY2018 (FY ended Mar 31,2019) Forecast	
	First Half	For the Year
Sales	630.0	1,300.0
COGS	55.6%	55.4%
Operating profit	130.0	273.0
(%)	20.6%	21.0%
Recurring profit	—	—
(%)	—	—
Net profit	95.0	200.0
(%)	15.1%	15.4%
Income per share	—	546.58 yen
Dividend per share	120 yen	240 yen
Consolidated Dividend Payout Ratio	—	43.9%

Currency Rate	FY2017 Actual	FY2018 Forecast
1US\$	110.85 yen	105.00 yen
1€	129.70 yen	130.00 yen
100Won	10.00 yen	10.00 yen

**HRS's 80th anniversary commemorative dividend (240 yen/share annually) is included in FY2017 Dividend Per Share

Change in Personnel (On and After Jun 27th, 2018)

Directors

President and Representative Director	Kazunori Ishii (Reappointed)
Managing Director, General Manager, Engineering Div. and in charge of Production Div.	Mitsuo Nakamura (Reappointed)
Managing Director, General Manager, Sales & Marketing Div.	Makoto Kondo (Reappointed)
Director, General Manager, Administration Div.	Kazuyuki Iizuka (Reappointed)
Director, Deputy General Manager, Engineering Div.	Hiroaki Okano (Reappointed)
Director, General Manager, Production Div.	Yukio Kiriya (Reappointed)
President, Hirose Korea Co., LTD.	Sang-Yeob LEE (Newly Appointed)
Outside Director	Kensuke Hotta (Reappointed)
Outside Director	Tetsuji Motonaga (Reappointed)

Auditor

Full-time Corporate Auditor	Yoshikazu Chiba (Reappointed)
Outside Corporate Auditor	Terukazu Sugishima
Outside Corporate Auditor	Akira Seshimo
Outside Corporate Auditor	Kentaro Miura (Reappointed)