



71st Fiscal Term Annual Report

From April 1, 2017 to March 31, 2018



**HIROSE
ELECTRIC
CO.,LTD.**

HIROSE ELECTRIC CO.,LTD.



Kazunori Ishii

President and Representative Director

We are pleased to report the results of operations for fiscal 2017, the year ended March 31, 2018 (the 71st fiscal term, from April 1, 2017 to March 31, 2018).

Business Overview

During the fiscal year ended March 31, 2018, the Japanese economy followed a moderate recovery trend thanks to such factors as the improved employment environment, increase in exports and firm capital expenditures.

Even overseas, the U.S., European and Chinese economies remained firm despite sense of cautions for geopolitical risks.

Under such conditions, the Hirose Electric Group, while expanding the business globally, chiefly for the smartphone, automobile, and industrial machinery/equipment markets, proceeded with efforts to reinforce our development, sales and production systems for new high-value-added products in the pursuit of swifter responses to increasingly sophisticated market needs. In the fourth quarter, however, the Group was impacted by a slowdown in the smartphone business and the strong yen.

As a result, consolidated net sales for the year under review amounted to ¥125,280 million, an increase of 8.8% year on year. Operating profit increased 0.6% year on year to ¥28,649 million, ordinary profit decreased 1.9% year on year to ¥29,234 million and profit attributable to owners of parent decreased 8.6% year on year to ¥19,526 million.

The Company posted a currently projected ¥798 million in income taxes as “income taxes for prior periods” because there is a greater

Financial Highlights



probability that the Tokyo Regional Taxation Bureau will issue a written notice of reassessment based on transfer pricing taxation related to inventory exports from the Company to its consolidated subsidiary HIROSE KOREA CO., LTD. The Company works to undertake management that always stresses compliance and adheres to the taxation system in all the countries that it operates in. The Company considers the transactions that were pointed out this time were legitimate, and if a formal written notice of reassessment is received in the future, the Company will respond in an appropriate manner, such as filing an objection.

With regard to the management environment in which the Group operates, the Japanese economy will maintain a recovery trend for reasons including an increase in exports and greater labor-saving investments due to labor shortages, but conditions are expected to be uncertain on account of exchange rate fluctuations and rising raw material prices, etc.

Overseas, although the U.S. and European economies remain strong, it is expected that the future prospect will remain uncertain due partly to increasing sense of cautions for various geopolitical risks and concerns about trade friction between the U.S. and China.

The Group will focus on further sales growth in the automobile field along with an expansion in automotive electronics, and the growth of the industrial machinery/equipment and communications

equipment fields. We will also focus on maintaining and expanding our mass production businesses for smartphones, etc., where further price competition is expected to be driven by consumers' preferences for lower-priced products.

In this 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, 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 will work to promote globalization with an eye to dispersing risk across production bases and growing and expanding our businesses going forward, develop domestic and overseas sales channels, and strengthen our management foundations toward profitable growth in an effort to improve our corporate value.

We look forward to your continued support and encouragement.

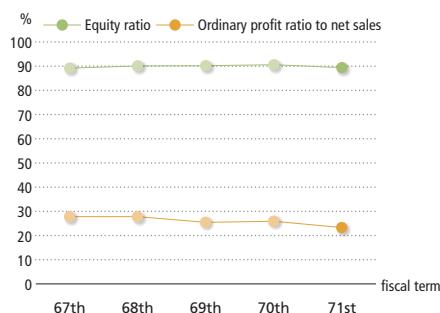
June 2018

Kazunori Ishii
President and Representative Director

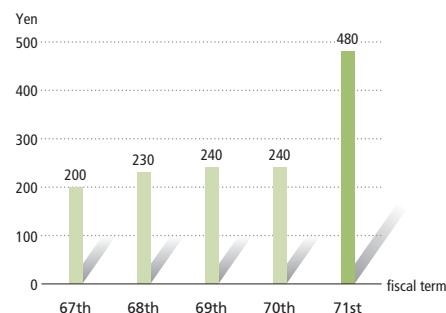
Basic earnings per share



Equity ratio & Ordinary profit ratio to net sales

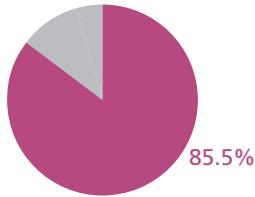


Dividends per share



Multi-Pin Connectors

Sales ratio

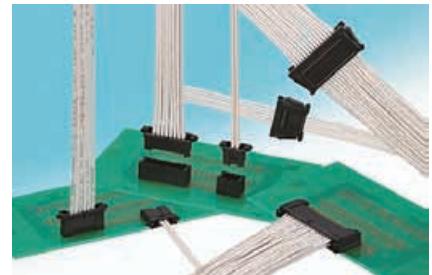
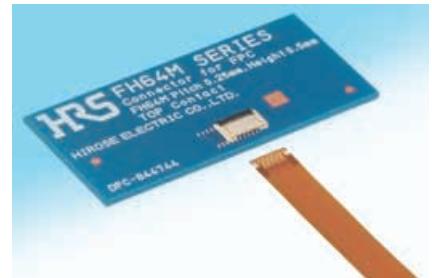
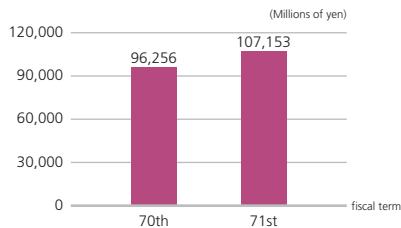


Our flagship multi-pin connectors include a variety of connector types such as circular and rectangular connectors, connectors for ribbon cables, connectors used for printed circuit boards including FPCs (flexible printed circuit boards) and nylon connectors.

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.

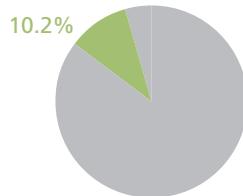
Consolidated segment net sales for the year under review increased 11.3% year on year to ¥107,153 million and operating profit increased 1.1% year on year to ¥26,407 million.

Net sales



Coaxial Connectors

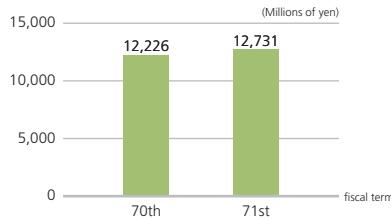
Sales ratio



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.

Consolidated segment net sales for the year under review increased 4.1% year on year to ¥12,731 million and operating profit decreased 0.3% year on year to ¥2,081 million.

Net sales

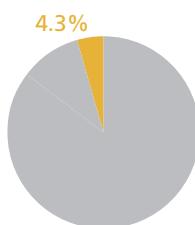


Other Products

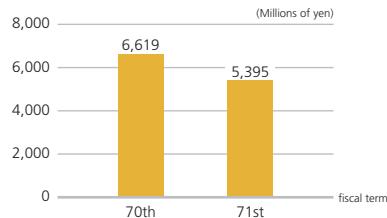
The other products segment includes medical electronics and health equipment such as interference wave EMSs, micro switches and instruments for connectors.

Consolidated segment net sales for the year under review decreased 18.5% year on year to ¥5,395 million and operating profit decreased 39.4% year on year to ¥161 million.

Sales ratio



Net sales



Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

Account item	Current fiscal year As of March 31, 2018	Previous fiscal year As of March 31, 2017
Assets		
Current assets	251,113	252,709
Non-current assets	88,344	73,987
Total assets	339,458	326,696
Liabilities		
Current liabilities	28,229	23,471
Non-current liabilities	7,445	6,931
Total liabilities	35,675	30,402
Net assets		
Shareholders' equity	291,040	283,217
Capital stock	9,404	9,404
Capital surplus	11,463	11,223
Retained earnings	328,489	321,493
Treasury shares	△58,316	△58,903
Accumulated other comprehensive income	12,531	12,721
Share acquisition rights	210	354
Total net assets	303,783	296,293
Total liabilities and net assets	339,458	326,696

Note: Amounts less than ¥1 million are truncated.

Consolidated Statements of Income

(Millions of yen)

Account item	Current fiscal year From April 1, 2017 to March 31, 2018	Previous fiscal year From April 1, 2016 to March 31, 2017
Net sales	125,280	115,103
Cost of sales	67,509	61,097
Gross profit	57,771	54,005
Selling, general and administrative expenses	29,121	25,522
Operating profit	28,649	28,482
Ordinary profit	29,234	29,799
Profit before income taxes	28,392	29,336
Income taxes	8,865	7,980
Profit attributable to owners of parent	19,526	21,356

Note: Amounts less than ¥1 million are truncated.

Consolidated Statements of Cash Flows

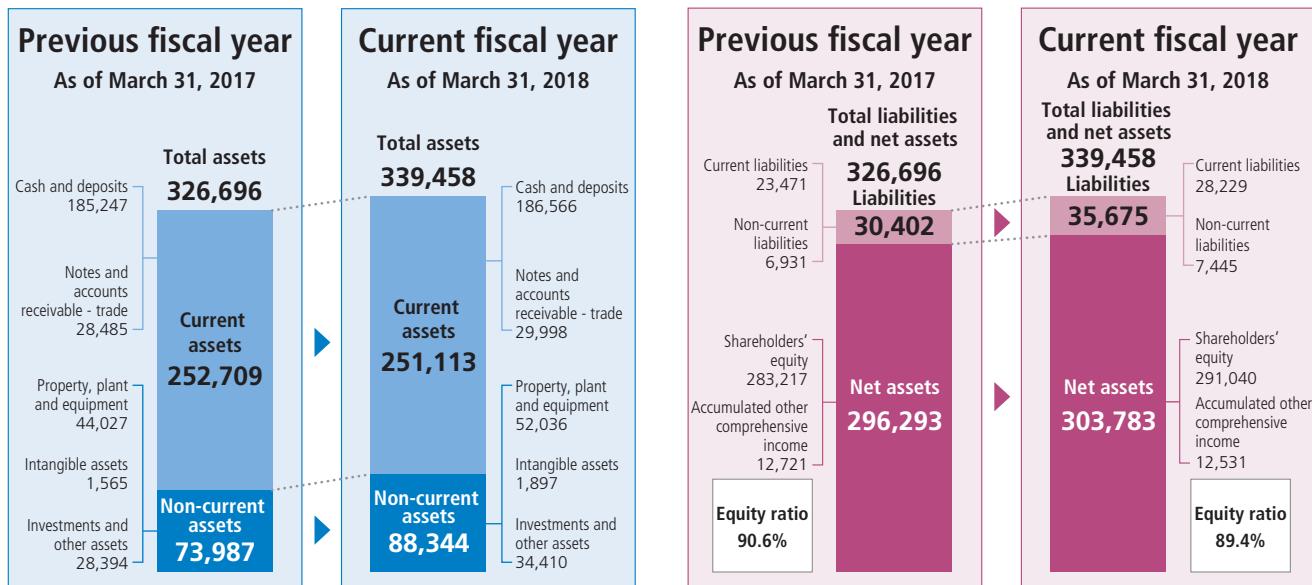
(Millions of yen)

Account item	Current fiscal year From April 1, 2017 to March 31, 2018	Previous fiscal year From April 1, 2016 to March 31, 2017
Operating activities	29,289	28,093
Investing activities	△30,078	△10,585
Financing activities	△11,839	△10,798
Cash and cash equivalents, end of the year	69,323	81,884

Note: Amounts less than ¥1 million are truncated.

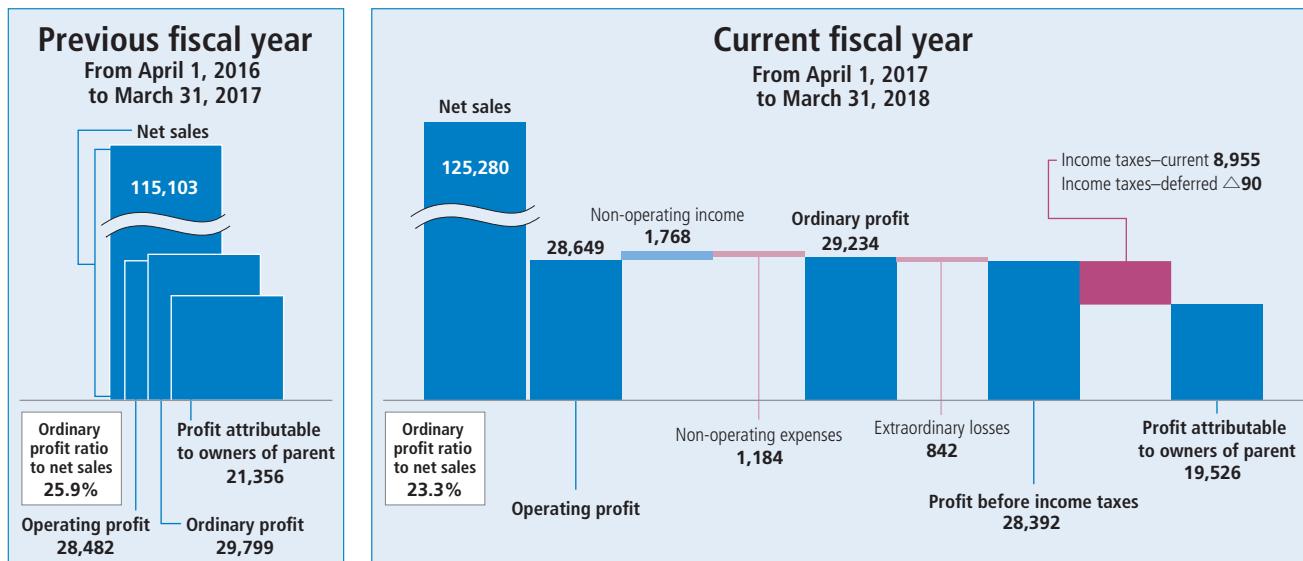
Overview of Consolidated Balance Sheets

(Millions of yen)



Overview of Consolidated Statements of Income

(Millions of yen)



Introduction of Our New Products

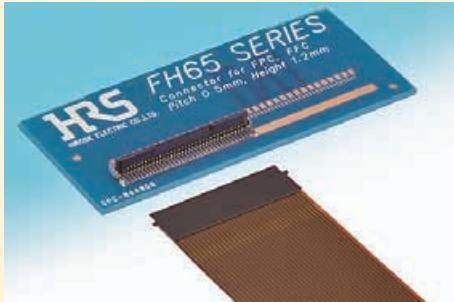
The Company launches many new products every year into the market. The following product series are part of our recent introductions:

FH65 Series

FH65 Series are FPC/FFC connectors guaranteed to operate at high temperatures up to 125°C.

For applications such as automotive cameras, there has recently been rapid growth in needs for products that guarantee 125°C heat resistant, which is why these highly reliable connectors were developed.

Compared to similar existing connectors, FH65 Series connectors have an extremely low profile, small size, and greater FPC/FFC retention force because of the outstanding tab structure, and it is expected that they will be widely used not only in automotive electronics but also industrial machinery and consumer use equipment.



PQ50WA Series

The PQ50WA Series are the Company's independently developed industrial IF connectors for use in industrial robots, machine tools, semiconductor manufacturing equipment, power supply used in devices such as factory equipment, and signals.

To meet market demands, there are a wide range of them that meet numerous specifications and have different numbers of cores, and as devices have become smaller and smaller in recent years, there are needs for smaller connectors and power/signal hybrid connectors. The PQ50WA Series meets the needs of customers—in terms of smaller size, it employs high-density wiring arrangement that reduces heat generation in power supply section, and the power/signal hybrid design incorporates superior noise countermeasures.

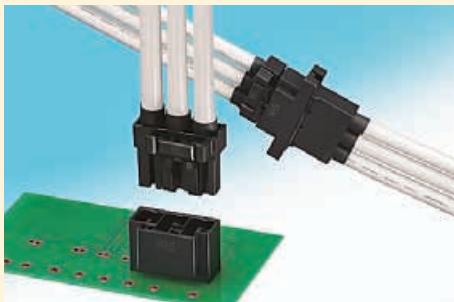


DF60F Series

The DF60F Series connectors were developed as a variation of the DF60 Series (wire-to-board connectors for internal power supply and relay connectors) with a finger protective structure considering the safety during work.

Because of Company's unique structure, fingers cannot be inserted in to the fitting, securing high safety, and the products are perfect for connections where there are concerns about discharge, such as battery modules for storage batteries and UPSs.

Furthermore, sales demand for these products in the European and North American markets are expected to increase by complying with safety standards, including UL and TUV.



BNC75 Series

The BNC75 Series with coaxial cable were developed to comply with 12G-SDI standards for 4K high-speed signals at a time when the development of 4K/8K high-definition video devices is moving forward in various fields, including broadcast, medicine, and security.

The BNC75 Series are coaxial connectors that leverage the Company's design and manufacturing know-how related to "millimeter-wave" and "high-speed multi-position" connectors and achieve extremely outstanding high-frequency band characteristics.

Consideration is also being given to their use in various fields other than broadcasting, including medicine, education, art, movies and advertising, and their scope of application is expected to grow in the future.



● New Building of ICHINOSEKI Testing Center Started Its Operation

A “new building of ICHINOSEKI testing center” was constructed in the subsidiary ICHINOSEKI HIROSE ELECTRIC CO., LTD. With a floor space of 2,600 m², one of the largest among connector manufacturers, the new building is ISO/IEC17025 certified and started its operation on March 23, 2018. Reinforcing testing functions will improve the Company’s ability to meet the needs of car manufacturers, industrial machinery manufacturers and robot manufacturers. With a larger amount of testing equipment such as vibration-temperature humidity combined reliability test system, the testing functions can support approximately twice the response capabilities both in quality and quantity, compared to existing equipment, for quality tests mainly related to vibrations and heat, and for some products, it is possible to reduce the testing lead-time by 50%.



◎ 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 (China) Co., Ltd.



HIROSE ELECTRIC (DONGGUAN) CO., LTD.



HIROSE KOREA CO., LTD.



HIROSE ELECTRIC INDIA. PVT. LTD.



HIROSE ELECTRIC TECHNOLOGIES (SHENZHEN) CO., LTD.



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



HIROSE ELECTRIC MALAYSIA SDN. BHD.



HIROSE ELECTRIC TAIWAN CO., LTD.



HIROSE ELECTRIC SINGAPORE PTE. LTD.



P.T. HIROSE ELECTRIC INDONESIA



HIROSE ELECTRIC HONG KONG CO., LTD.



HIROSE ELECTRIC HONG KONG TRADING CO., LTD.

Company Profile (As of March 31, 2018)

Trade name	HIROSE ELECTRIC CO., LTD.
Date of incorporation	June 15, 1948
Number of employees	Consolidated: 4,597 (excluding part-timers)
Capital stock	¥9,404,379,401

Directors and Audit & Supervisory Board Members (As of June 27, 2018)

President and Representative Director	Kazunori Ishii
Managing Director	Mitsuo Nakamura
Managing Director	Makoto Kondo
Director	Kazuyuki Iizuka
Director	Hiroaki Okano
Director	Yukio Kiriya
Director	Sang-Yeob Lee
Outside Director	Kensuke Hotta
Outside Director	Tetsuji Motonaga
(Standing) Audit & Supervisory Board Member	Yoshikazu Chiba
Outside Audit & Supervisory Board Member	Terukazu Sugishima
Outside Audit & Supervisory Board Member	Akira Seshimo
Outside Audit & Supervisory Board Member	Kentarō Miura

Notes:

- Directors Kensuke Hotta and Tetsuji Motonaga are outside directors as stipulated in Article 2, Item 15, of the Companies Act.
- Audit & Supervisory Board Members Terukazu Sugishima, Akira Seshimo and Kentarō 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, 2018)

Total number of shares issued	34,848,588 shares
	(Excluding 5,172,148 shares of treasury shares)
Number of shareholders	3,825

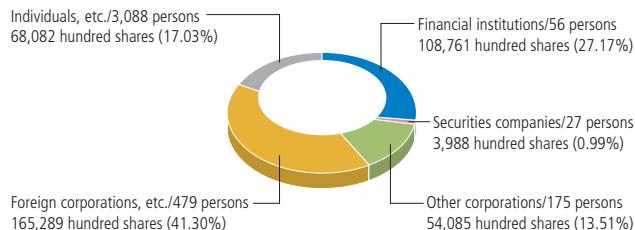
Major Shareholders (Top 10)

Name of shareholder	Number of shares held	Ratio of shareholding
	Hundreds of shares	%
JPMorgan Chase Bank 380072	35,574	10.21
Hirose International Scholarship Foundation	29,977	8.60
State Street Bank and Trust Company 505223	27,262	7.82
Japan Trustee Services Bank, Ltd. (Trust Account No. 4)	19,315	5.54
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,975	4.30
Japan Trustee Services Bank, Ltd. (Trust Account)	12,234	3.51
HS Kikaku Co., Ltd.	11,633	3.34
Mizuho Trust & Banking Co., Ltd. Trust Account 0700065	8,292	2.38
Mizuho Trust & Banking Co., Ltd. Trust Account 0700066	8,240	2.36
Japan Trustee Services Bank, Ltd. (Trust Account No. 5)	6,173	1.77

Note: In addition to the 10 major shareholders above, the Company owns 51,721 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)

URL: <http://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.



The Company's Web site

<https://www.hirose.com/jp/>



IR Information

<https://www.hirose.com/jp/ir/>

Individual Investor Page

<https://www.hirose.com/product/jp/pr/individual/>

