

Business Results for Third Quarter, FY2010

Creative Links to World Electronic

Feb 8th 2011

Hirose Electric

Co.,Ltd

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 3Q FY2010

[1Q FY2010]

- Although partial adjustment for overseas mobile, orders and sales for automotive and industrial area increased steadily

[2Q FY2010]

- Steady increase in sales, especially in overseas mobile phone and automotive market. However, in order, there were adjustment after August mainly in industrial area, bringing 2Q slightly in a lower level than 1Q.

[3Q FY2010]

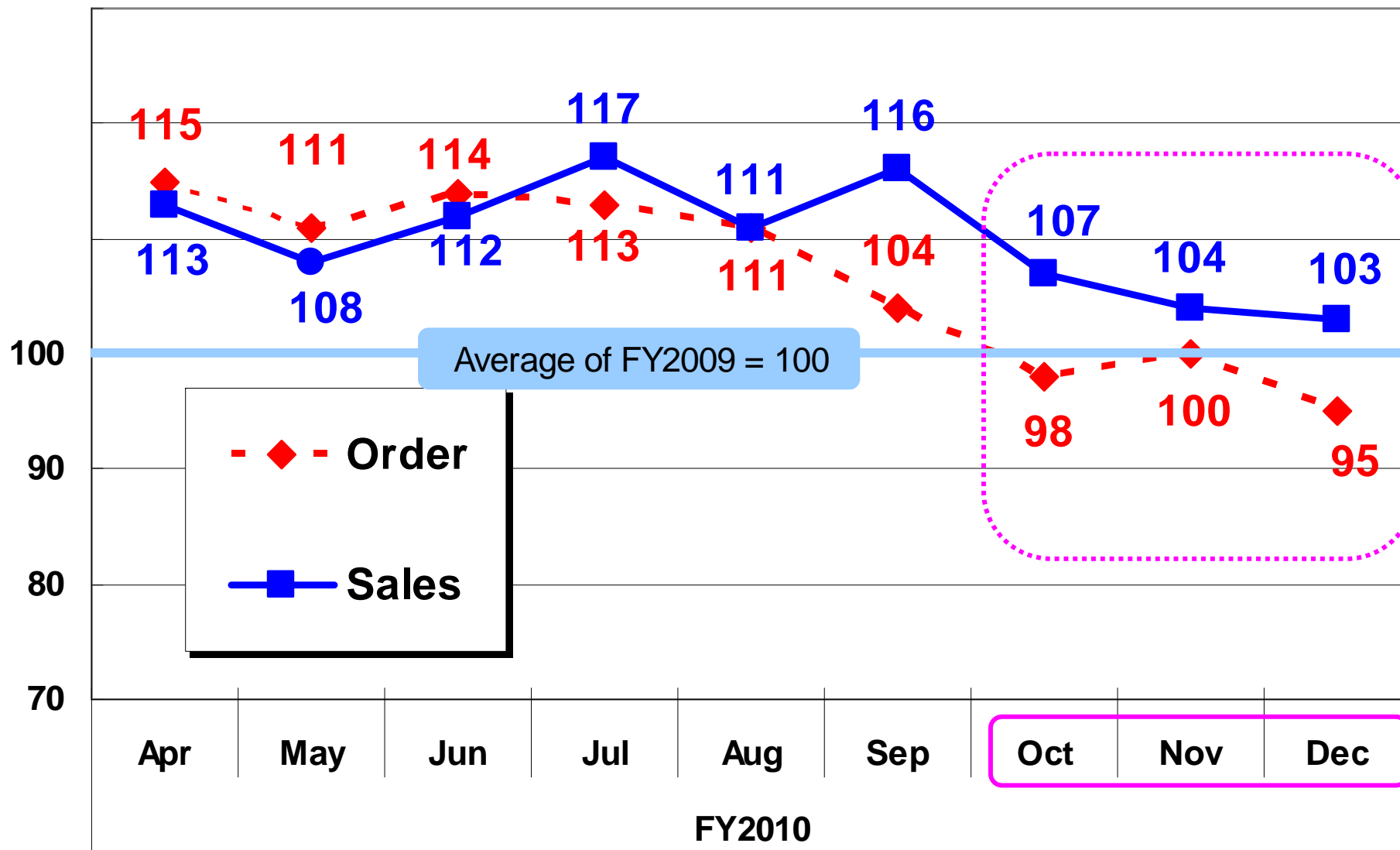
- **Orders for partial smartphone and e-book etc. has increased steadily. However, adjustment is still continued in the industrial market.**

- **3Q FY2010 settled on 2.8% YoY in order level (-1.6% over 2Q FY2010), 1.4% YoY in sales level (-6.9% over 2Q FY2010)**

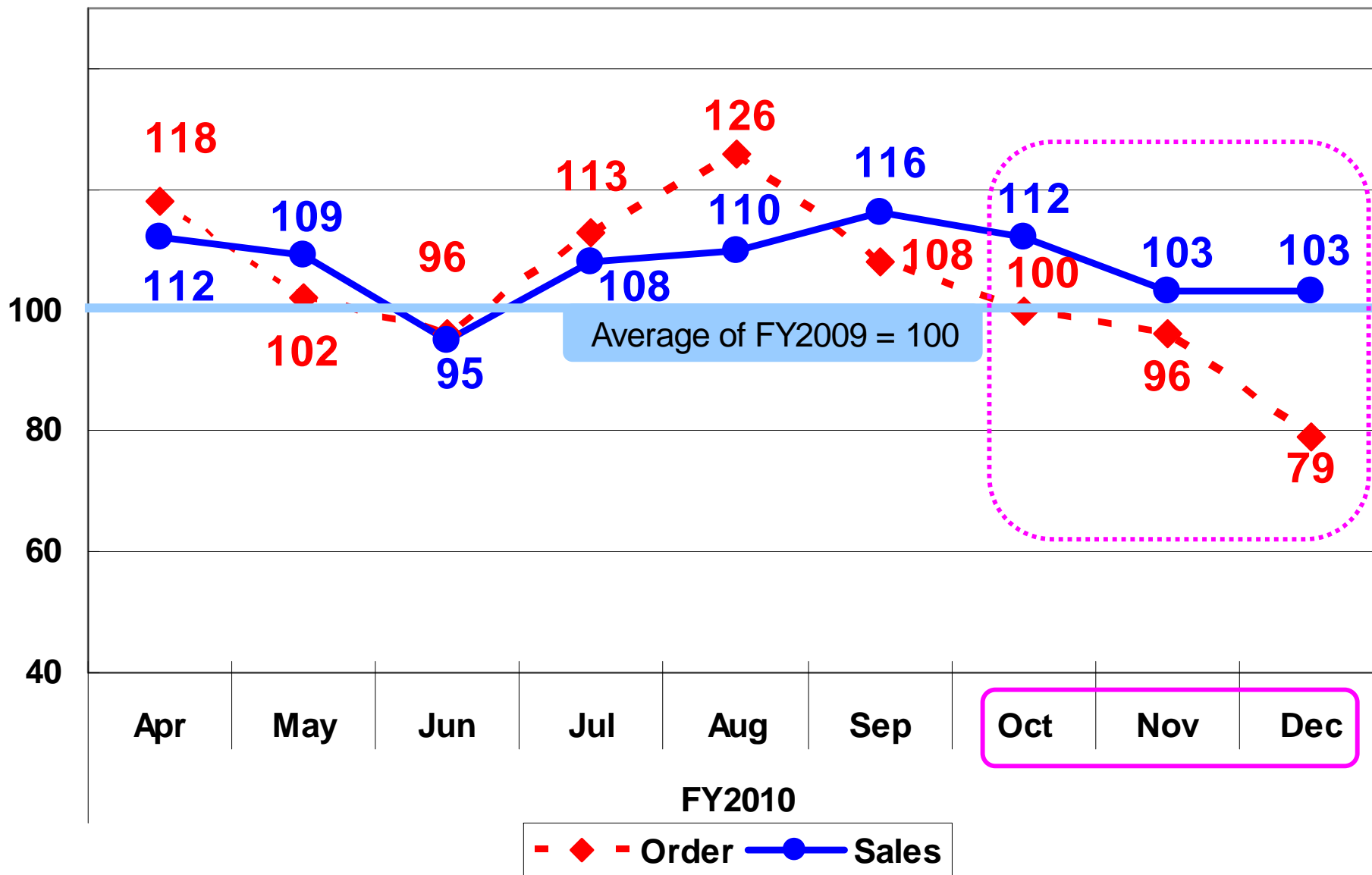
[1Q-3Q FY2010]

- **1Q-3Q (total) FY2010 settled on 696.0 hundred million yen in order level (9.6% YoY), 700.2 hundred million yen in sales level (12.4% YoY), 187.0 hundred million yen in recurring profit (13.5% YoY).**

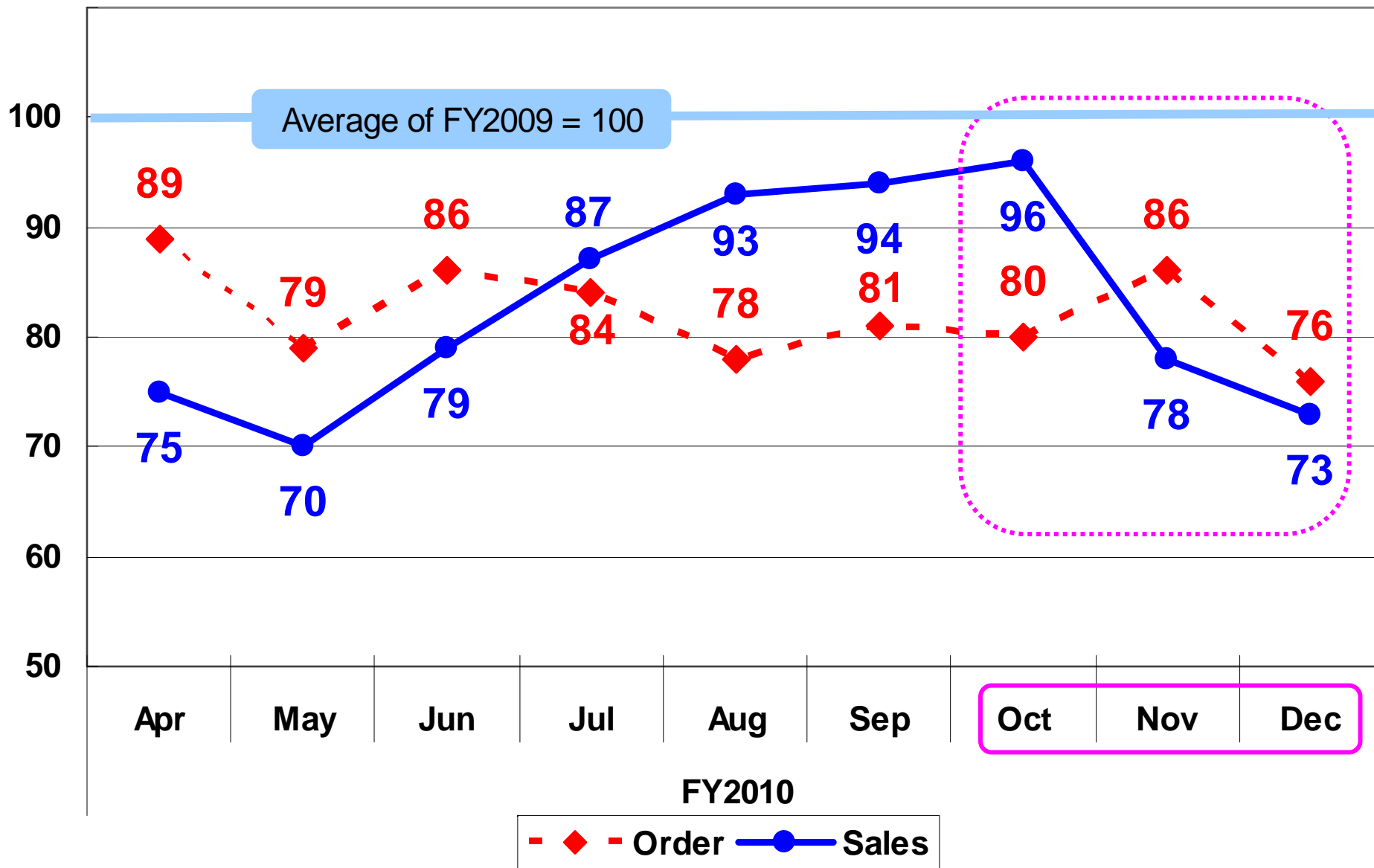
FY2010 Apr-Dec Orders and Sales Changes (Domestic Consolidation Basis, Index Number)



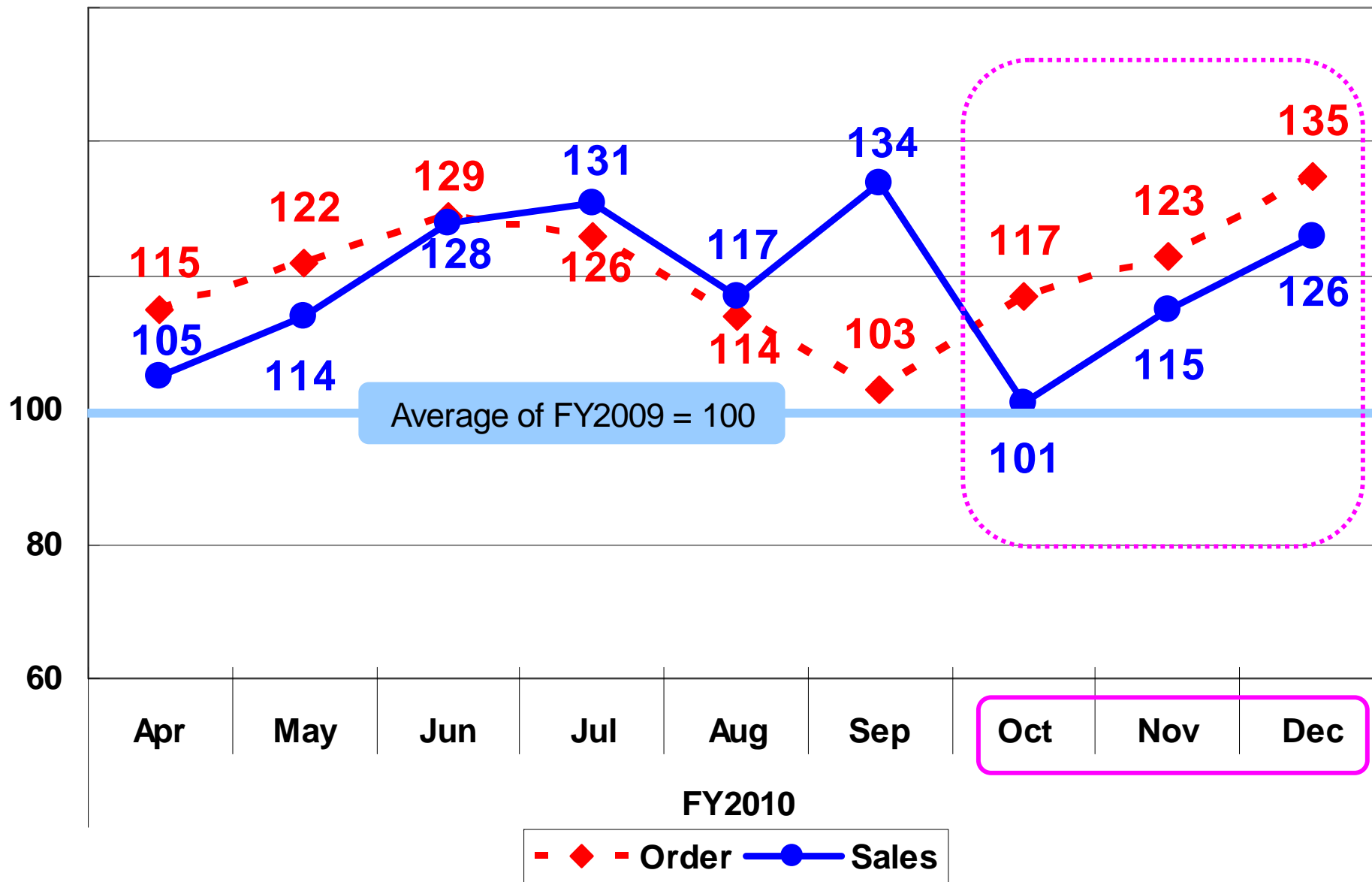
Mobile



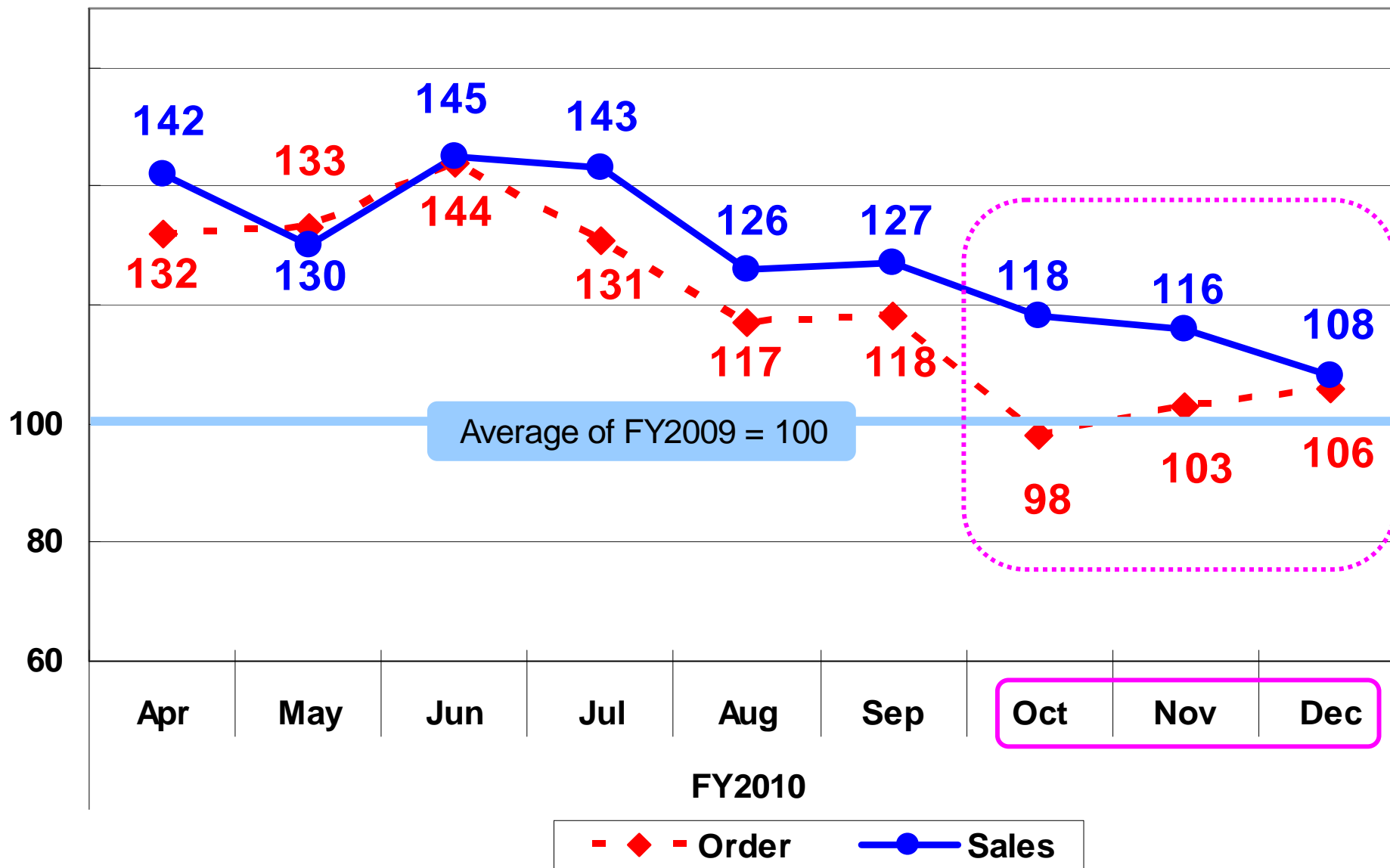
Digital Consumer Electronic



Automotive



**Associated Electric Equipment,
FA Controlling Device, and Others**

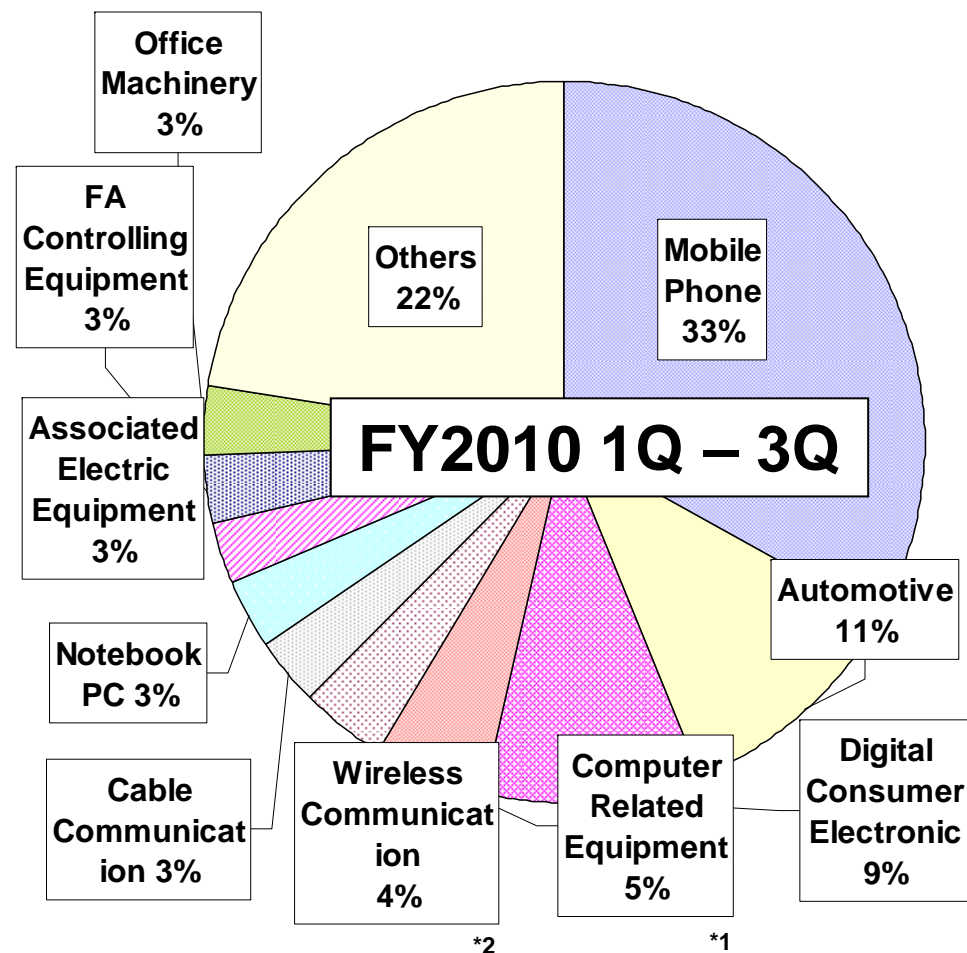
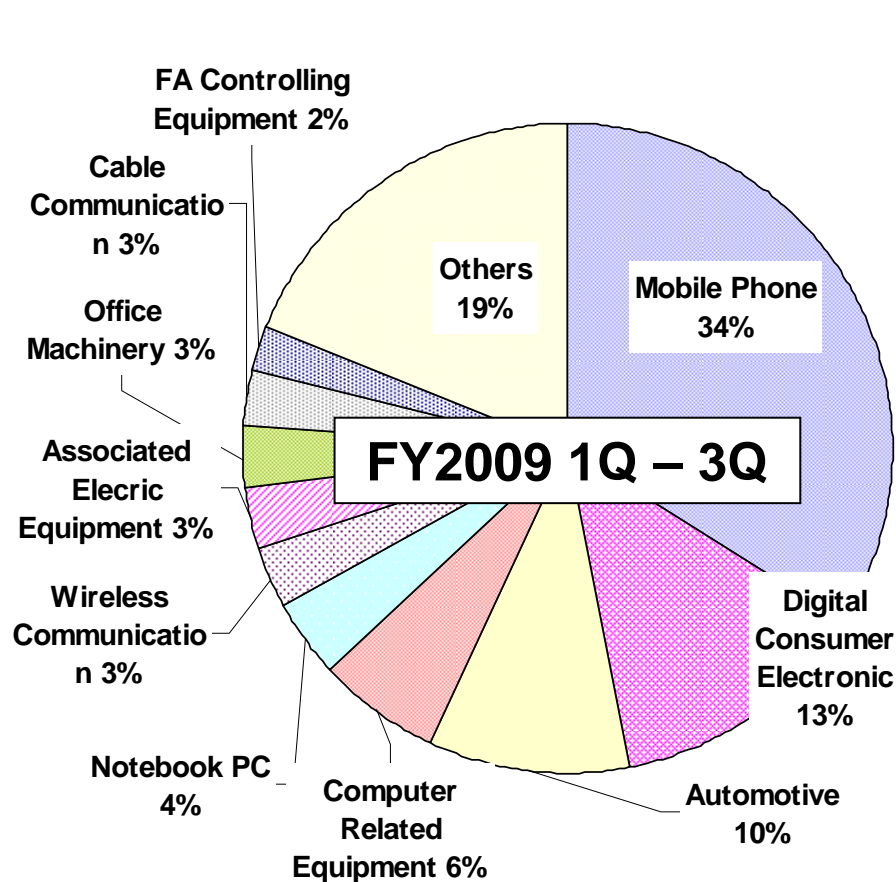


Business Results for Third Quarter, FY2010

(hundred millions of Yen)

	(A)FY2009 1Q-3Q	(B)FY2010 1Q-3Q	(B)-(A)	(B)/(A)	Major Changes over prior same period (unit: hundred millions of Yen)						
Sales	623.0	700.2	77.2	12.4%	<p>[Sales] 77.2 increase</p> <p>Foreign</p> <table border="0"> <tr> <td>Hirose</td> <td>Subsidiaries</td> <td>HST</td> </tr> <tr> <td>+67.8</td> <td>+5.4</td> <td>+4.0</td> </tr> </table> <p>[COGS Ratio] 1.4 point decrease</p> <p>Purchase Cost Ratio 42.0% -->42.6 %</p> <p>Depreciation Ratio 7.6% -->5.7 %</p> <p>[SGA Ratio] 0.5 point decrease</p> <p>Although 11.8 increase, 0.5 point decrease due to the increase in sales</p> <p>[Non-Operating Expenses]</p> <p>Equity Method Profit 4.3-->4.7</p> <p>Interest Received & Dividend 9.1-->6.3</p> <p>Foreign Exchange Loss 1.2-->7.2</p> <p>[Extraordinary Losses]</p> <p>Recognizing the realization of foreign currency translation adjustment, etc. due to making Hirose Korea into subsidiary</p>	Hirose	Subsidiaries	HST	+67.8	+5.4	+4.0
Hirose	Subsidiaries	HST									
+67.8	+5.4	+4.0									
(COGS Ratio)	(56.4%)	(55.0%)	(-1.4%)								
(SGA Ratio)	(19.4%)	(18.9%)	(-0.5%)								
Operating Profit	150.7	182.2	31.4	20.9%							
(%)	24.2%	26.0%	(+1.8%)								
Recurring Profit	164.7	187.0	22.3	13.5%							
(%)	26.4%	26.7%	(+0.3%)								
Net Profit	101.2	94.3	-6.9	-6.8%							
(%)	16.2%	13.5%	(-2.7%)								
Total Assets	2,535.3	2,569.6	34.3	1.4%							
Shareholders' Equity Ratio	92.2%	90.0%									
Income Per Share	276.7Yen	265.4Yen									

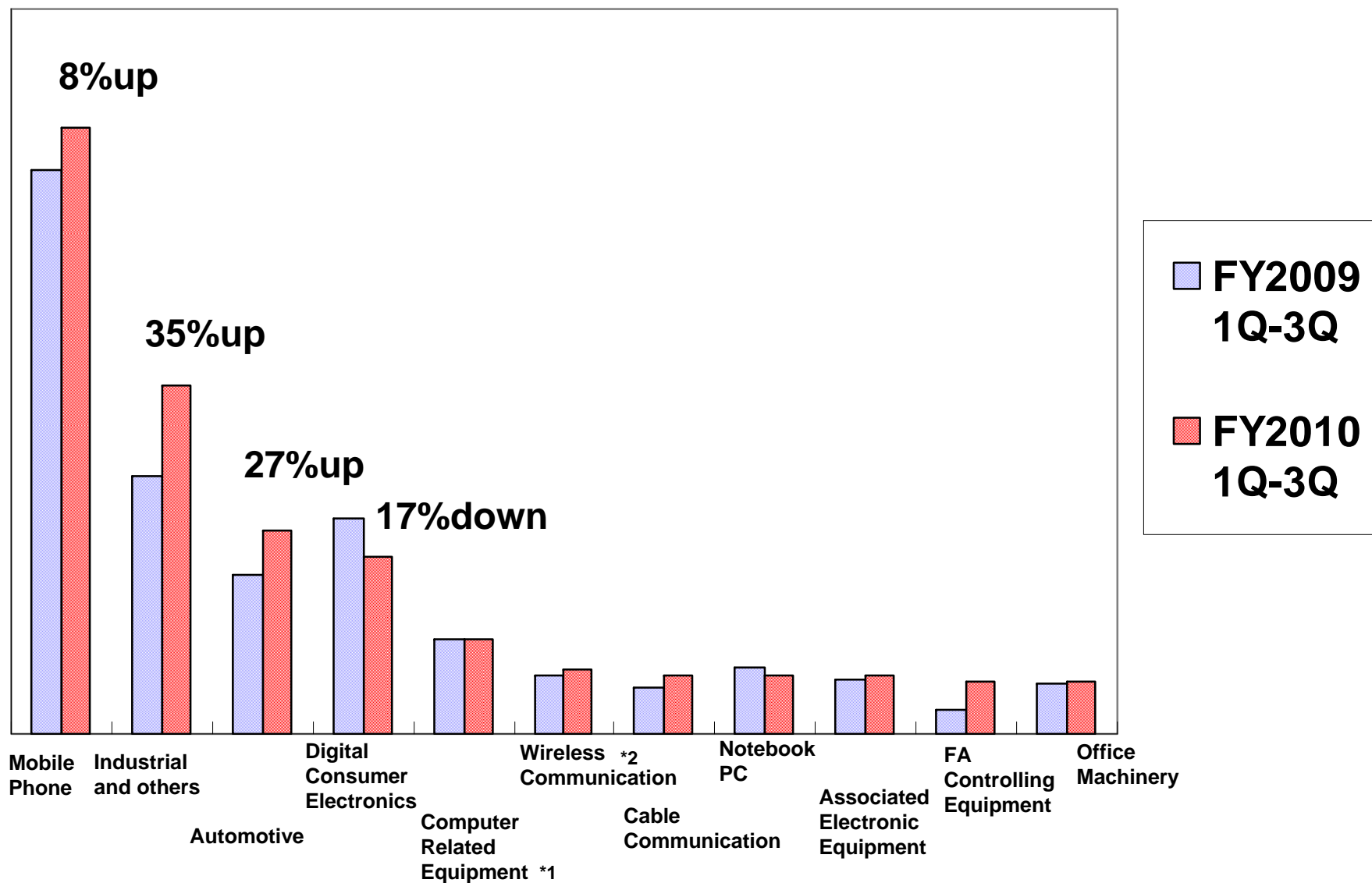
Sales by Market



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

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

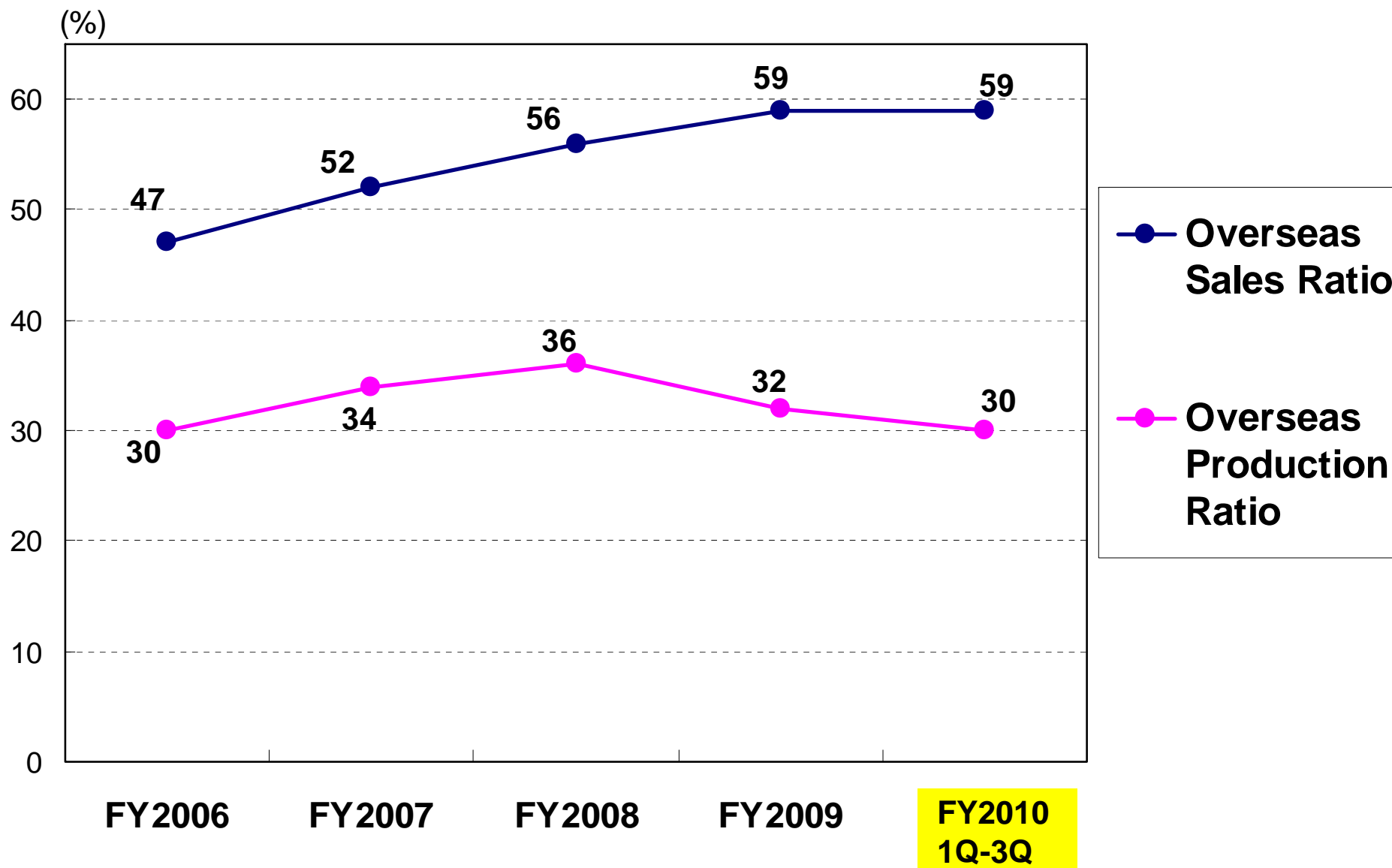
Sales Changes by Markets (in round numbers)



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

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

Overseas Production and Sales Ratio



Changes in Consolidated Balance Sheet

(hundred millions of Yen)

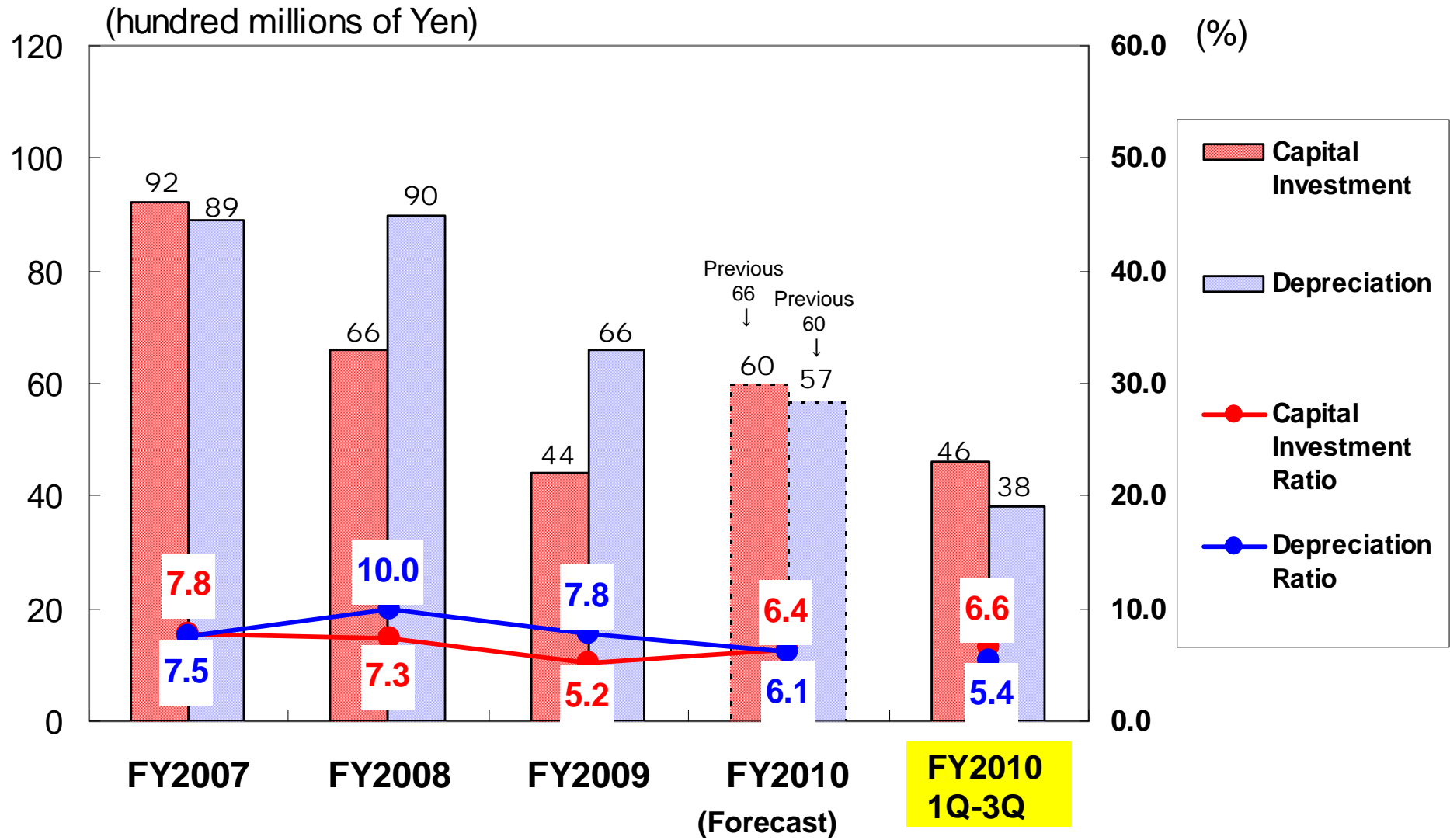
Account	(A)Mar 31, 2010	(B)Dec 31, 2010	(B)-(A)	Remark
Cash and Cash in Bank	1,095.7	1,045.4	-50.3	Share buyback-27.9, Construction payment for Yokohama Center-19.6 Additional investment to Hirose Korea-26.3, Hirose Korea's+16.2
Trade Receivable	240.1	261.0	20.9	Hirose Korea's+15.6
Inventories	63.0	78.8	15.8	Hirose Korea's+11.0
Investment Securities	652.6	632.8	-19.8	Affiliated company share (Hirose Korea's) -43. 5 Hirose Korea's+18.7 Corporate bond, etc.+5.0
Others	477.6	551.6	74.0	Tangible fixed assets+63.5
Total Assets	2,529.0	2,569.6	40.6	

Changes in Consolidated Balance Sheet

(hundred millions of Yen)

Account	(A)Mar 31, 2010	(B)Dec 31, 3010	(B)-(A)	Remark
Notes Payables	120.1	129.2	9.1	Hirose Korea's +7.7
Income Taxes Payable, etc.	48.9	29.4	-19.5	
Others	55.9	71.3	15.4	Increase in account payables
Total Liabilities	224.9	229.9	5.0	
Retained Earnings	2,552.6	2,597.7	45.1	Net income 94.3 - Dividend 47.3
Treasury Stocks	-465.4	-493.2	-27.8	Share buyback
Valuation Variance	23.5	21.7	-1.8	Stock price fallen
Translation Adjustment	-45.1	-50.4	-5.3	Due to strong yen
Others	238.5	263.9	25.4	Minority interest
Total Shareholders'	2,304.1	2,339.7	35.6	
Total Liabilities and Shareholders' Equity	2,529.0	2,569.6	40.6	

Capital Investment and Depreciation Change (Domestic Consolidated Basis)



Business Forecast for the Year Ended March 31, 2011



Green italics
number: data
announced on Nov
2010

Note) First Half: 1Q & 2Q, Second Half: 3Q & 4Q

(hundred millions of Yen)

	FY2009 (Actual)			FY2010 (Forecast)			First Half		Second Half		For the Year	
	First Half	Second Half	For the Year	First Half	Second Half	For the Year	Over Previous Actual Amount		Over Previous Actual Amount		Over Previous Actual Amount	
							Change	%	Change	%	Change	%
Sales (COGS)	401.2 (57.2%)	443.5 (56.2%)	844.7 (56.7%)	475.4 (54.0%)	444.6 (59.3%)	920.0 (56.6%)	74.2	18.5%	21.1	4.8%	20.0	2.2%
Operating Profit (%)	90.4 22.5%	113.7 25.6%	204.1 24.2%	131.1 27.6%	98.9 21.3%	230.0 24.5%	40.7	45.0%	-14.8	-13.0%	0.0	0.0%
Recurring Profit (%)	100.8 25.1%	119.2 26.9%	220.0 26.0%	134.1 28.2%	100.9 21.7%	235.0 25.0%	33.3	33.0%	-18.3	-15.4%	0.0	0.0%
Net Profit (%)	61.5 15.3%	71.2 16.1%	132.7 15.7%	83.3 17.5%	61.7 9.0%	145.0 13.3%	21.8	35.4%	-29.5	-41.4%	-20.0	-13.8%
Income Per Share	-	-	363.15Yen	-	-	353.97Yen	FY2010 Reason for Revision 1. Hirose Korea's sales, profit and loss from FY2010 4Q included 2. Recognizing the realization of foreign currency translation adjustment, etc. due to making Hirose Korea into subsidiary -->19 hundred million yen extraordinary losses included					
Dividend Per Share	60Yen	60Yen	120Yen	75Yen	75Yen	150Yen						
Dividend Payout Ratio	-	-	33.0%	-	-	42.4%						

About “Losses on step acquisition” (Summary)

Feb 8th 2011
Hirose Electric Co.,Ltd



1. In the past, as equity method application affiliate, we have been taking in 50% of Hirose Korea's net income as non-operating expenses (equity method profit on investment).
2. The above 50% of Hirose Korea's net income in Korean Won has been converted into Japanese yen with the average rate of every fiscal year in Hirose consolidated income statement and retained earnings.
3. At the end of every fiscal year, the difference between the 50% of Hirose Korea's net asset that has been converted with the closing rate and the total of the above would be processed as “foreign currency translation adjustment.”
4. The balance of Hirose Korea's “foreign currency translation adjustment” on Dec 31th 2010 is approximately a negative 23 hundred million yen.
5. According to “Accounting standards for business combination” applied from Apr 1st 2010, when one company acquires another company's share step by step, and has obtained the control, the substance of the previously owned investment would be regarded as changed, and considered that the investment at the time is once liquidated and acquired again, and is required to reassess the value at that time.
6. As a result, the unrealized foreign exchange gain or loss that has been processed as “foreign currency translation adjustment” in 4. would be regarded as recognized by reassessing the value, and it is required to reflect the difference in the Income Statement of this term as “profits and losses on step acquisition.”
7. The market valuation amount of Hirose Korea's existing stocks (50%) would be approximately 52 hundred million yen (doubling the acquisition cost of 26 hundred million yen, the newly acquired 25%), so the difference between this and the profit on investment total taken in by the equity method, approximately 48 hundred million yen, would be 4 hundred million yen, and this deducted from the “foreign currency translation adjustment” balance of 23 hundred million yen would leave approximately 19 hundred million yen, which would be recognized as “losses on step acquisition” (extraordinary losses).

This loss does not mean devaluing the investment value of Hirose Korea or damaging the net assets value of Hirose consolidated, or the occurrence of additional financial outflow due to the loss add up.

Regarding the comprehensive income statement, which would be applied at the end of this fiscal year, the amount added up as the recognition of the “foreign currency translation adjustment” of the extraordinary losses is estimated to have no influence on the “comprehensive income”, as the amount would offset at “foreign currency translation adjustment” in other comprehensive income as profit.

Account Processing on making Hirose Korea into Subsidiary

1. Background



1) On Dec 2010, we have decided to make Hirose Korea, former equity method application affiliate (Korea, founded in Oct.1985, investment ratio 50%), into consolidated subsidiary, and increase investment ratio by 25%, making into 75% investment.

2) In the account processing for this 3Q, the 50% would be included in “Profit on investment by equity method”(469 million yen) in P/L as before, and added in consolidation process as of the last day of this quarter in B/S.

Moreover, by making Hirose Korea into subsidiary and conducting account processing according to the revised “Accounting standards for business combination” (applied from Apr 2010), 1,895 million yen is added to the extraordinary losses as “Losses on step acquisition.” The main content for this loss is the recognition of the unrealized currency loss that has been directly added to “Foreign Currency translation adjustment” of shareholders’ equity when equity method applied.

Further more, we plan to consolidate Hirose Korea’s sales, profit and loss of this fiscal year on the 4Q.

2. Account processing by making Hirose Korea into subsidiary (account processing on step acquisition)

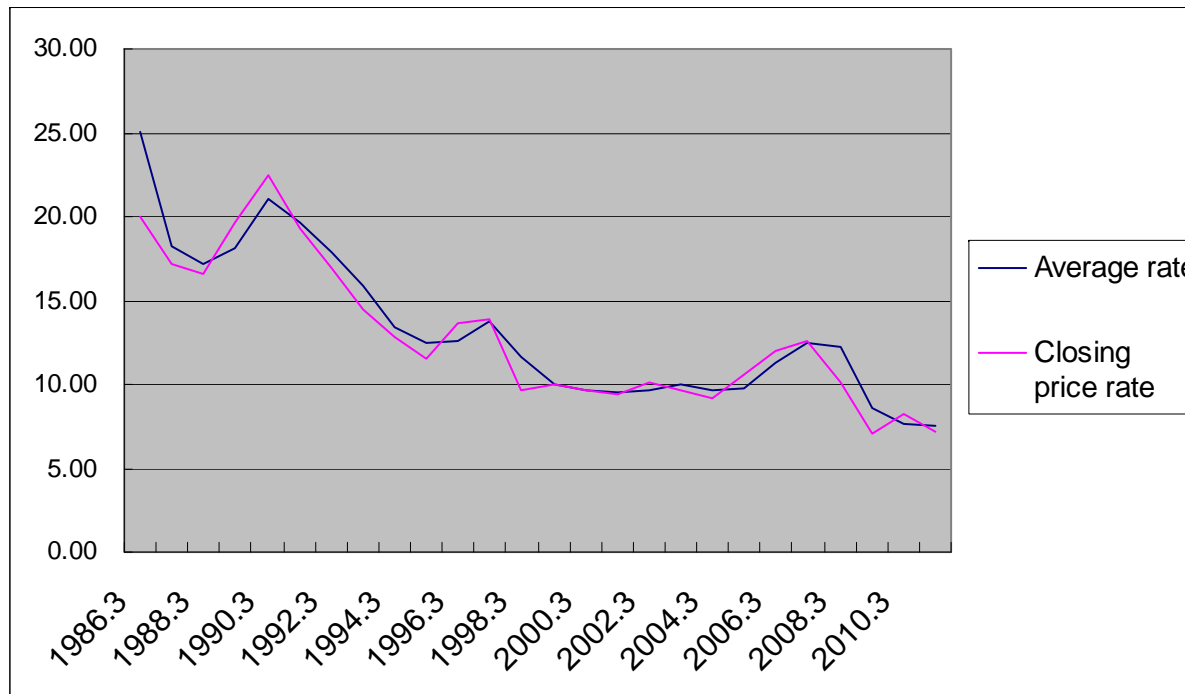
	Former Accounting Standards	“Accounting standards for business combination” applied from Apr 2010
Concept	<p>The investment amount to the subsidiary would be the total cost of shares acquired from the past, i.e. regard each market value at the time of every individual transaction that had resulted in obtaining control as the value of acquisition, and the cumulative total amount of those to be the acquisition cost.</p> <p style="text-align: center;"></p> <p>The concept is that we are increasing the investment ratio to the equity method affiliated, and even as consolidated subsidiary we are <u>still continuing to invest</u>.</p>	<p>The fact of making the equity method affiliated into consolidated subsidiary and obtaining control, differs by far from a mere additional share acquisition. The actual condition or substance of investment held in the past would be regarded as changed, and <u>the market value as of the business combination</u> would be the new investment cost.</p> <p style="text-align: center;"></p> <p>The concept is that the past investment to the equity method affiliated would be regarded <u>as once liquidated (sold)</u> and is acquired again in the market value as of the business combination.</p>

	Former Accounting Standards	"Accounting standards for business combination" applied from Apr 2010																																																
Exemplification of account processing (The impact on consolidated financial statement)	(Former Standards Consolidated B/S)	(New Standards Consolidated B/S)																																																
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[Reference] Won/Yen Rate change (from Mar 1986)

	1986.3	1987.3	1988.3	1989.3	1990.3	1991.3	1992.3	1993.3	1994.3	1995.3	1996.3	1997.3	1998.3
Average rate	25.03	18.22	17.17	18.06	21.09	19.68	17.83	15.83	13.39	12.47	12.57	13.77	11.64
Closing price rate	20.01	17.12	16.55	19.68	22.43	19.30	17.00	14.50	12.80	11.58	13.68	13.94	9.59

	1999.3	2000.3	2001.3	2002.3	2003.3	2004.3	2005.3	2006.3	2007.3	2008.3	2009.3	2010.3	2010.12
Average rate	9.99	9.61	9.57	9.68	10.03	9.59	9.77	11.26	12.43	12.29	8.54	7.70	7.49
Closing price rate	10.02	9.66	9.44	10.11	9.59	9.22	10.61	12.05	12.56	10.11	7.03	8.23	7.16



The account for the comprehensive income will be displayed on the consolidated financial statement from the end of this fiscal year.

(hundred millions of Yen) <Impact on consolidated F/S>

<u>Consolidated profit/loss and Comprehensive income statement</u>	
Extraordinary losses	
Losses on step acquisition	-1,895
⋮	
Net income	<u>XX,XXX</u>
Minority equity (added)	<u>XX,XXX</u>
Net income before minority profit or loss	<u>XX,XXX</u>
Other comprehensive income:	
⋮	
Foreign currency translation adjustment	<u>+2,318</u>
Comprehensive income	<u>XX,XXX</u>

[Net Profit/Loss Calculating Stage]
Negative influence on net profit and loss mainly with the recognition of the foreign currency translation adjustment

[Comprehensive income calculating stage]
Positive influence on comprehensive income with the decrease in foreign currency translation adjustment.

It is estimated that the recognition of foreign currency translation adjustment will not influence at the stage of comprehensive income. (Estimated no influence on the total net asset)