

Business Results for Second Quarter, FY2014

Creative Links to World Electronic

Nov 4th, 2014

**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.**

[1Q FY2014 (Apr – Jun)]

- Korean Smartphone/Mobile phone market sluggish, and Chinese Smartphone/Mobile phone market in adjustment phase after bullish April order. Automotive and Industrial market continued the steady order.

[2Q FY2014 (Jul – Sep)]

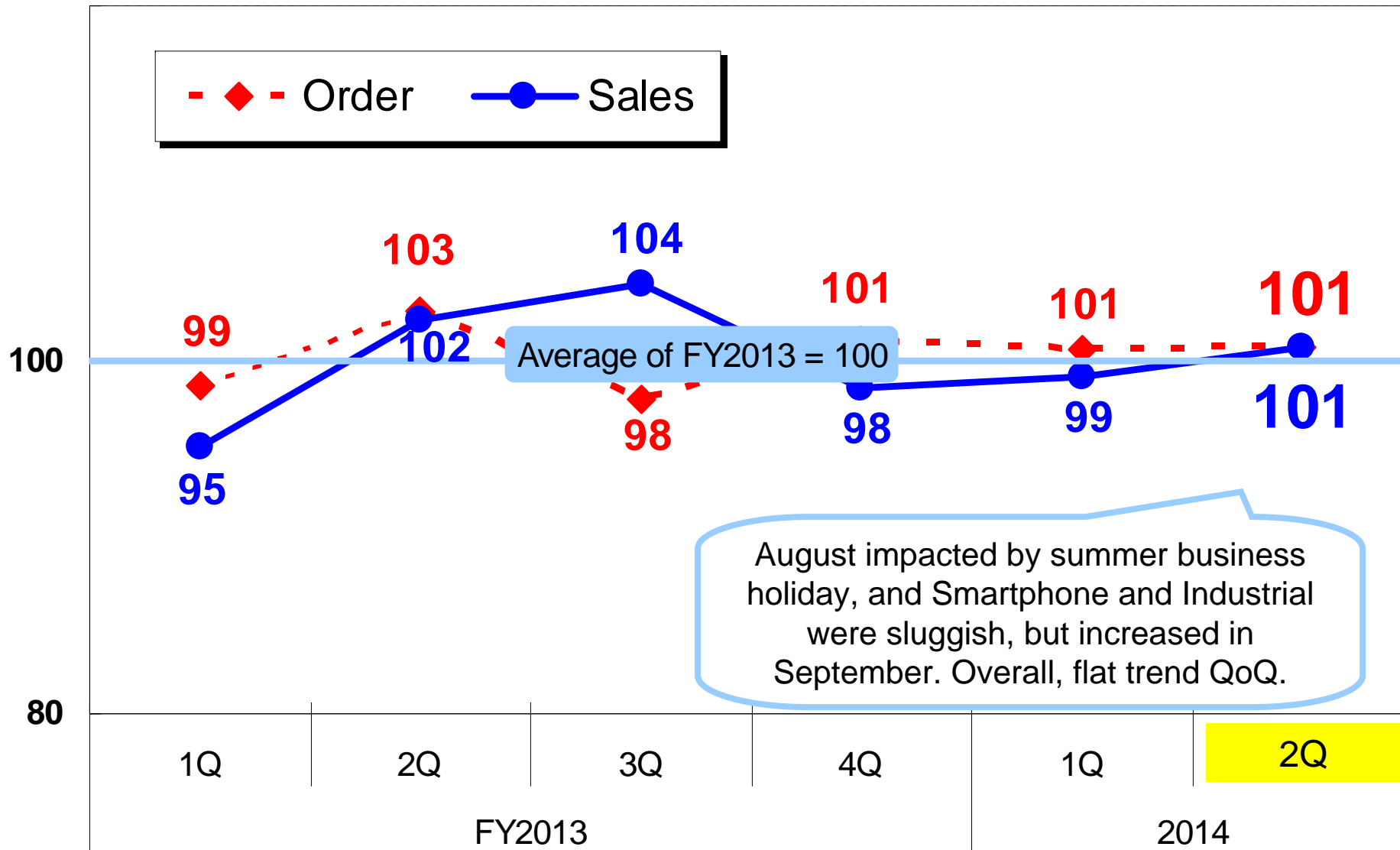
- **For Smartphone, Korean market picking up but Chinese market continued the adjustment phase. Automotive market continued the steady sales level.**

- **2Q FY2014 settled on -2.1% YoY in order level ($\pm 0\%$ over 1Q FY2014), -1.5% YoY in sales level (1.6% over 1Q FY2014)**

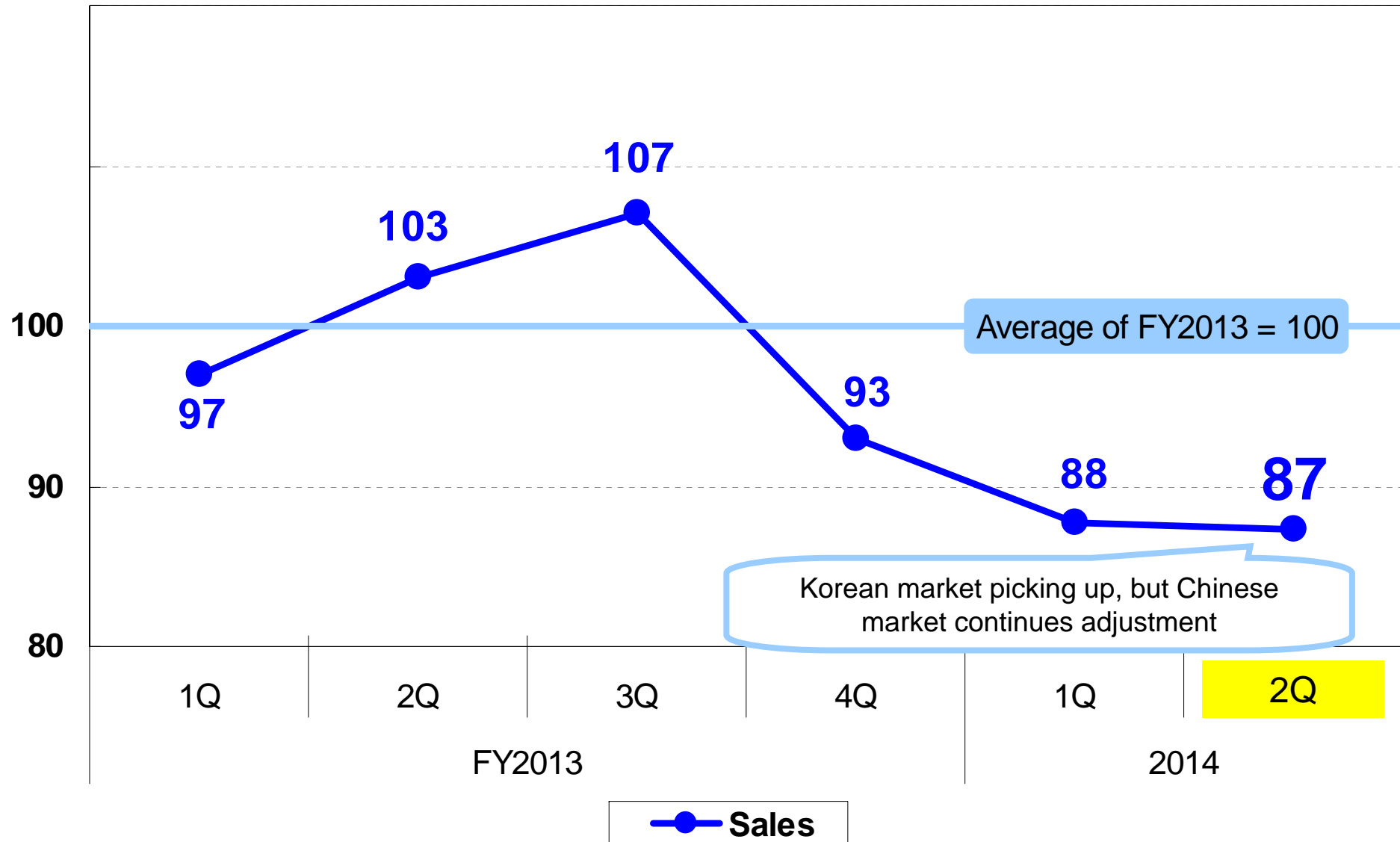
[1Q & 2Q FY2014 (Apr – Sep)]

- **1Q & 2Q (total) FY2014 settled on 635.5 hundred million yen in order level ($\pm 0\%$ YoY), 624.0 hundred million yen in sales level (1.2% YoY), 177.5 hundred million yen in recurring profit (Ratio 28.5%, -2.8% YoY).**

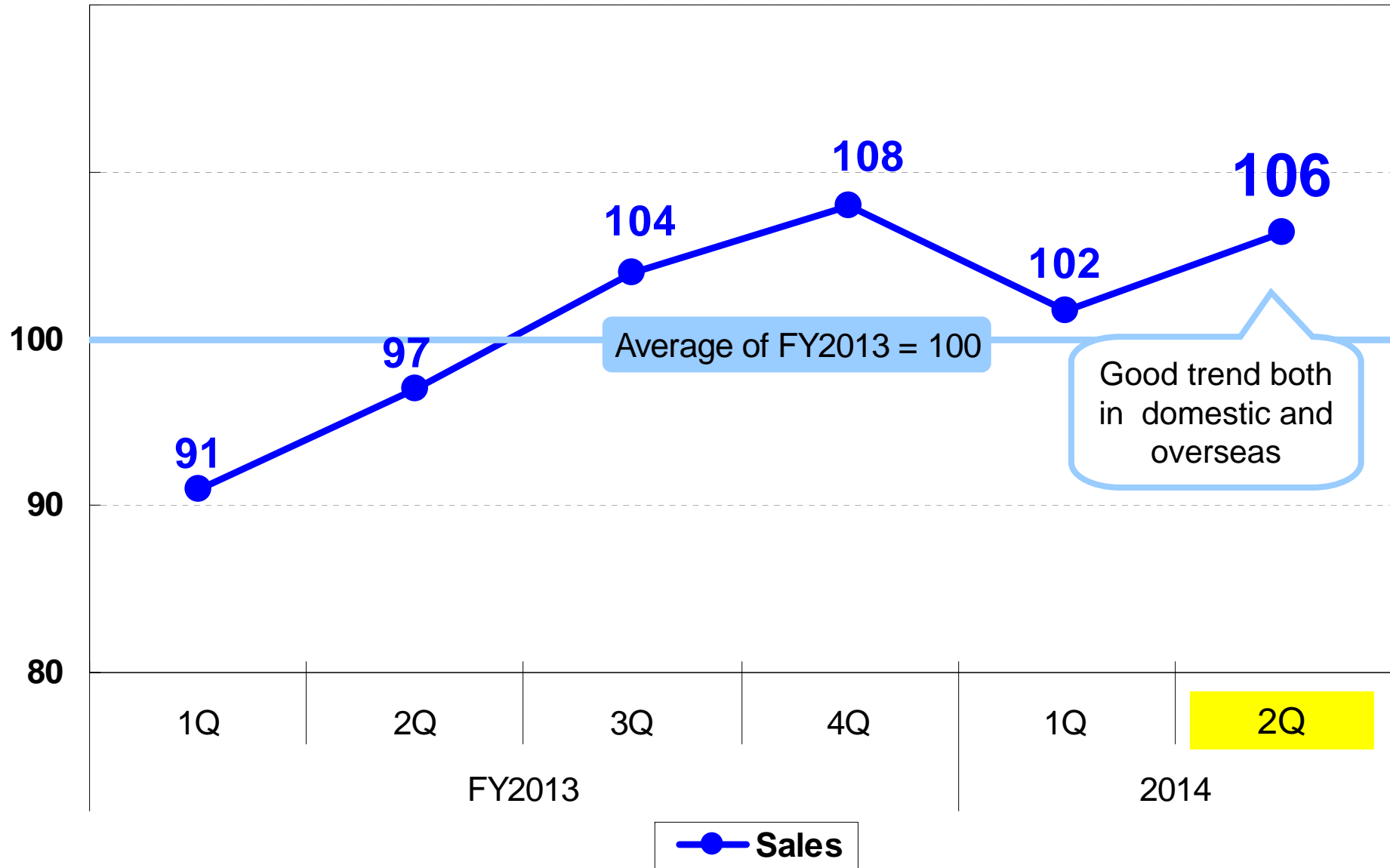
Total



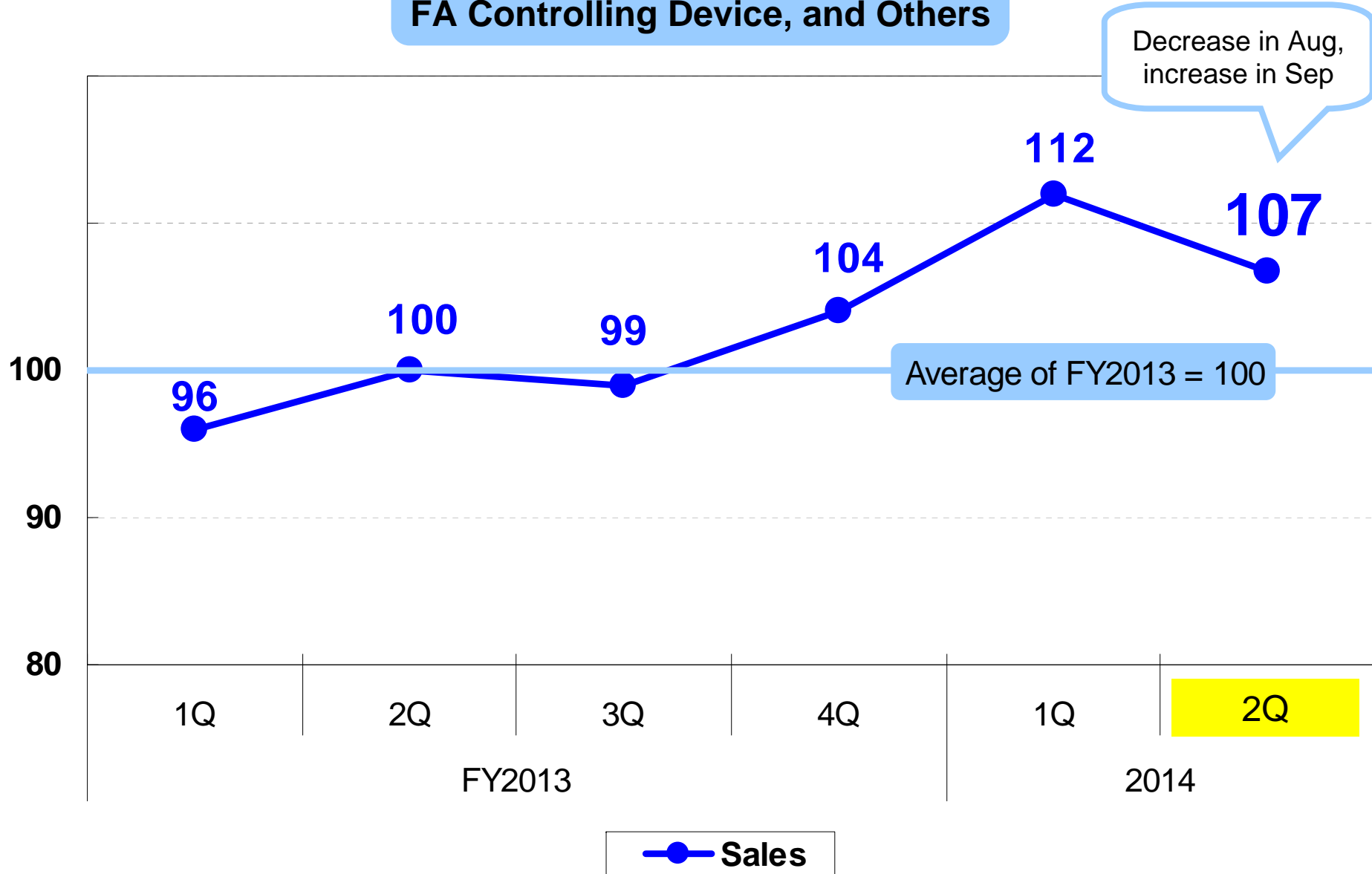
Smartphone / Mobile



Automotive



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



Business Results for 2Q, FY2014

note) figures in green italics : previously announced data on May 2014

(Unit: hundred millions of Yen)

| | (A) FY2013 1Q & 2Q | (B) FY2014 1Q & 2Q | (B)-(A) | (B)/(A) |
|-----------------------------------|-----------------------|-----------------------|--------------|--------------|
| Sales | 616.7 | 624.0 | 7.3 | 1.2% |
| (COGS Ratio) | (54.0%) | (54.8%) | (+0.8%) | |
| (SGA Ratio) | (17.7%) | (18.4%) | (+0.7%) | |
| Operating Profit | 174.5 | 167.4 | -7.1 | -4.1% |
| (%) | 28.3% | 26.8% | (-1.5%) | |
| Recurring Profit | 182.7 | 177.5 | -5.2 | -2.8% |
| (%) | 29.6% | 28.5% | (-1.1%) | |
| Net Profit | 116.1 | 113.0 | -3.1 | -2.7% |
| (%) | 18.8% | 18.1% | (-0.7%) | |
| Total Assets | 2,934.2 | 3,134.5 | 200.3 | 6.8% |
| Shareholders' Equity Ratio | 89.3% | 89.3% | | |
| Income Per Share | 336.7Yen | 331.2Yen | | |

Major Changes over prior same period (unit: hundred millions of Yen)

[Sales] 7.3 increase
HRS Japan Subsidiary
+25.9 -18.6

[COGS Ratio] 0.8 point increase

Purchase Cost Ratio 39.2% → 40.5%

[SGA Ratio] 0.7 point increase

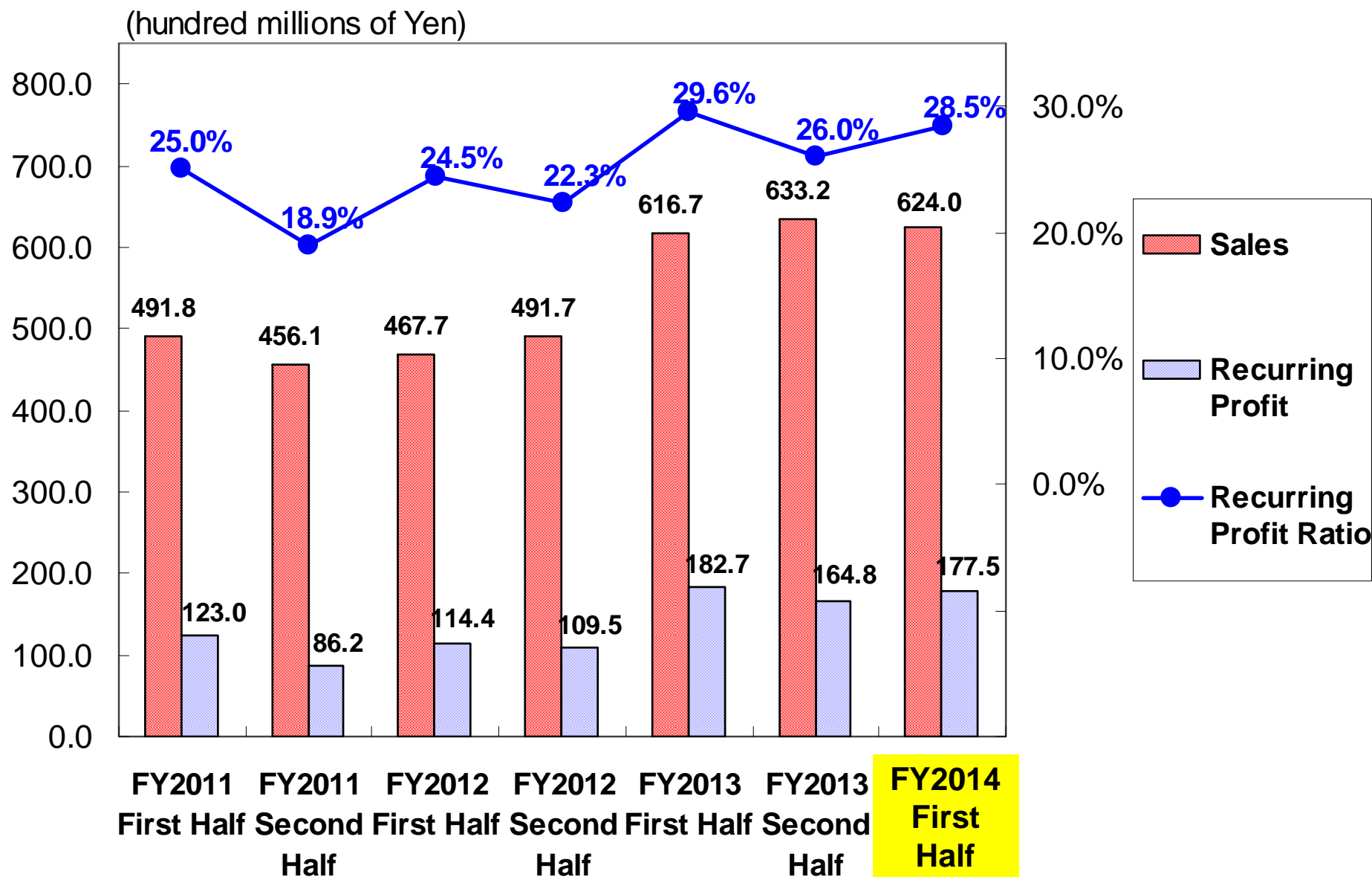
Increase in Personnel expenses, etc.

[Non-Operating Expenses and Loss]

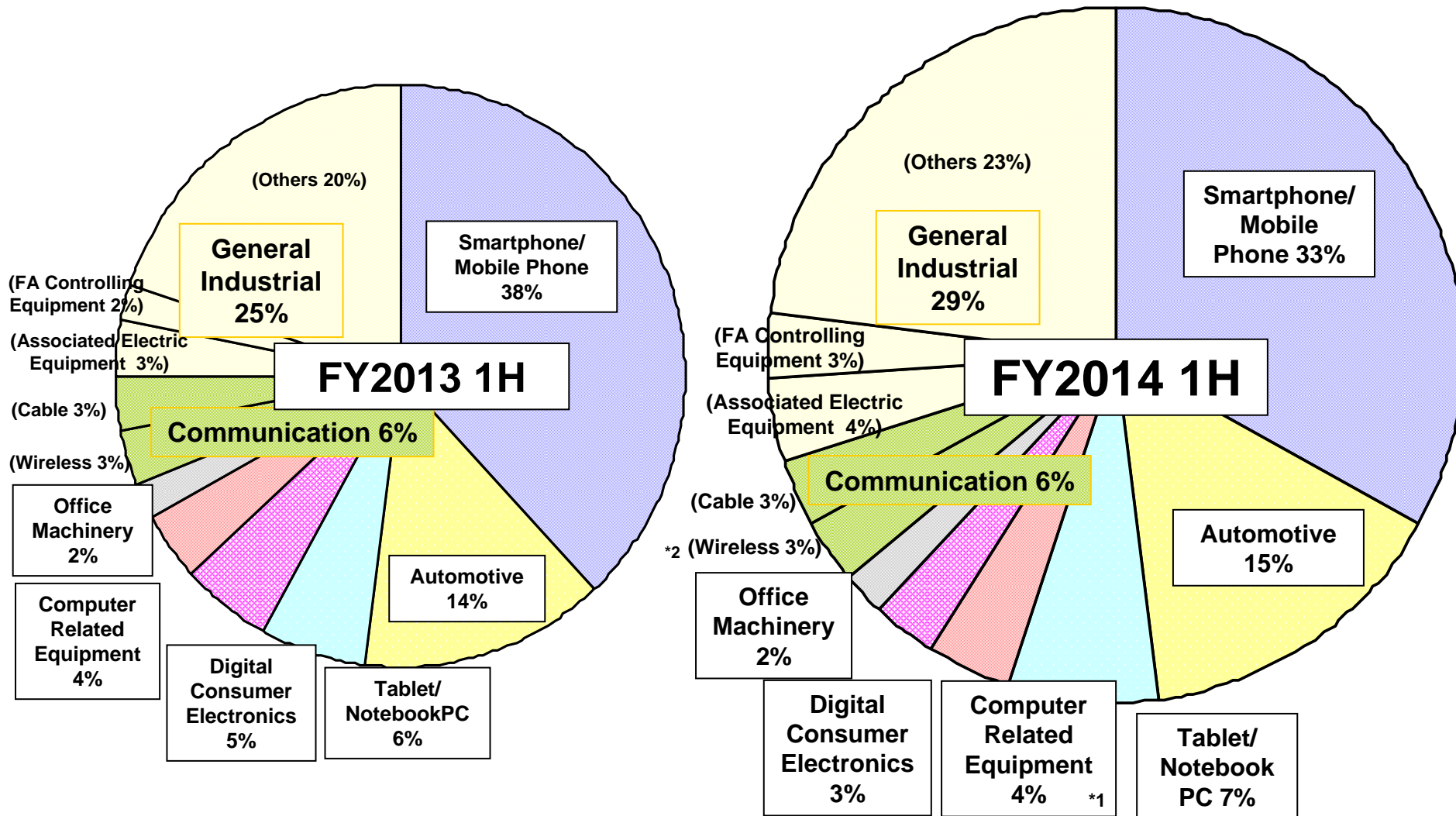
Foreign Exchange Gain/Loss -0.2 → 2.4

| | | |
|------------------------|-----------|-----------|
| Exchange Rate: US\$ | 98.85Yen | 103.04Yen |
| Exchange Rate: € | 130.00Yen | 138.92Yen |
| Exchange Rate: 100 Won | 8.87Yen | 10.05Yen |

Sales and Profit by Half-Year



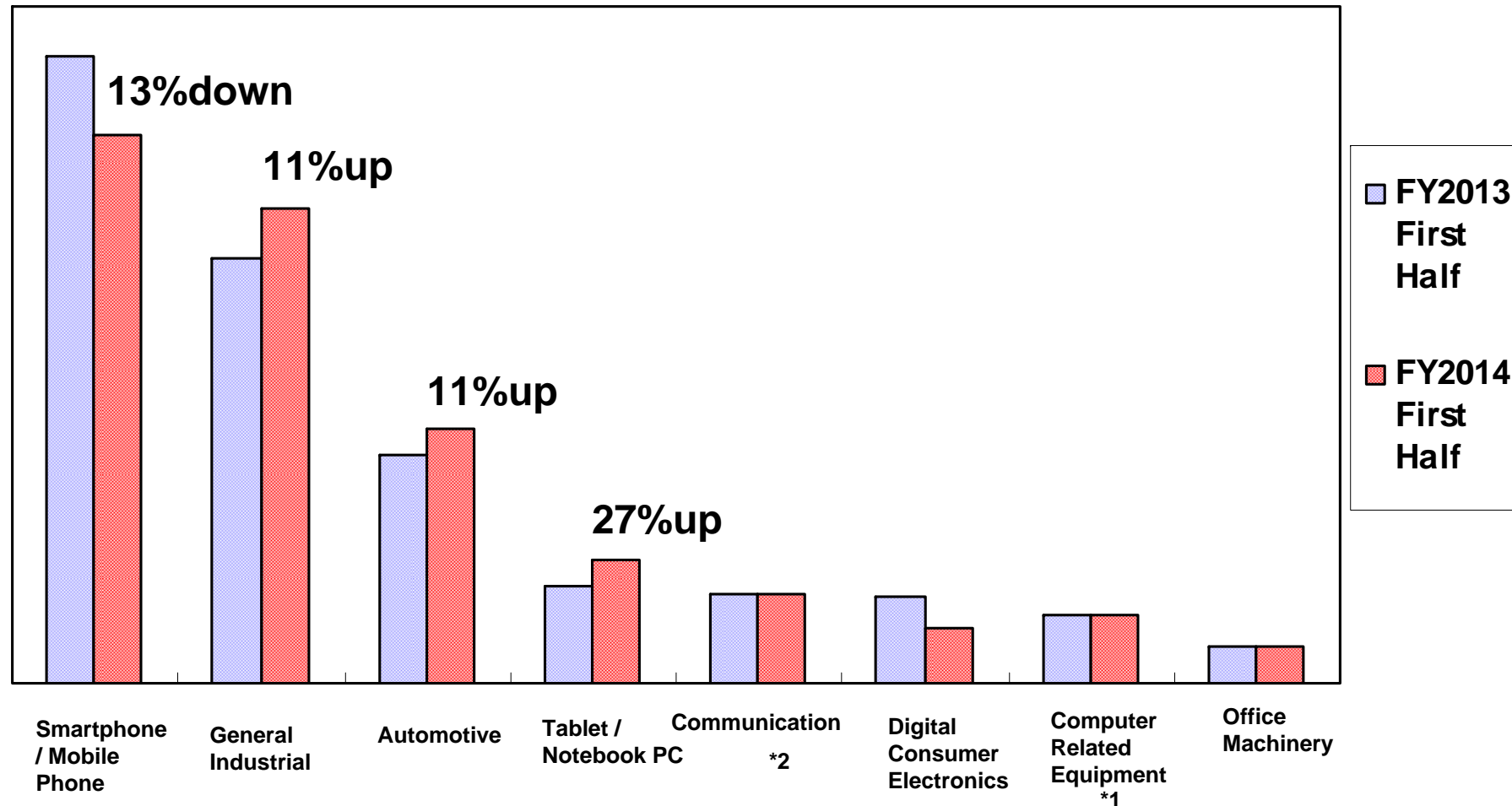
Sales by Market (Round Number) [Consolidated Basis]



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

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

Sales Changes by Market (Round Number) [Consolidated Basis]

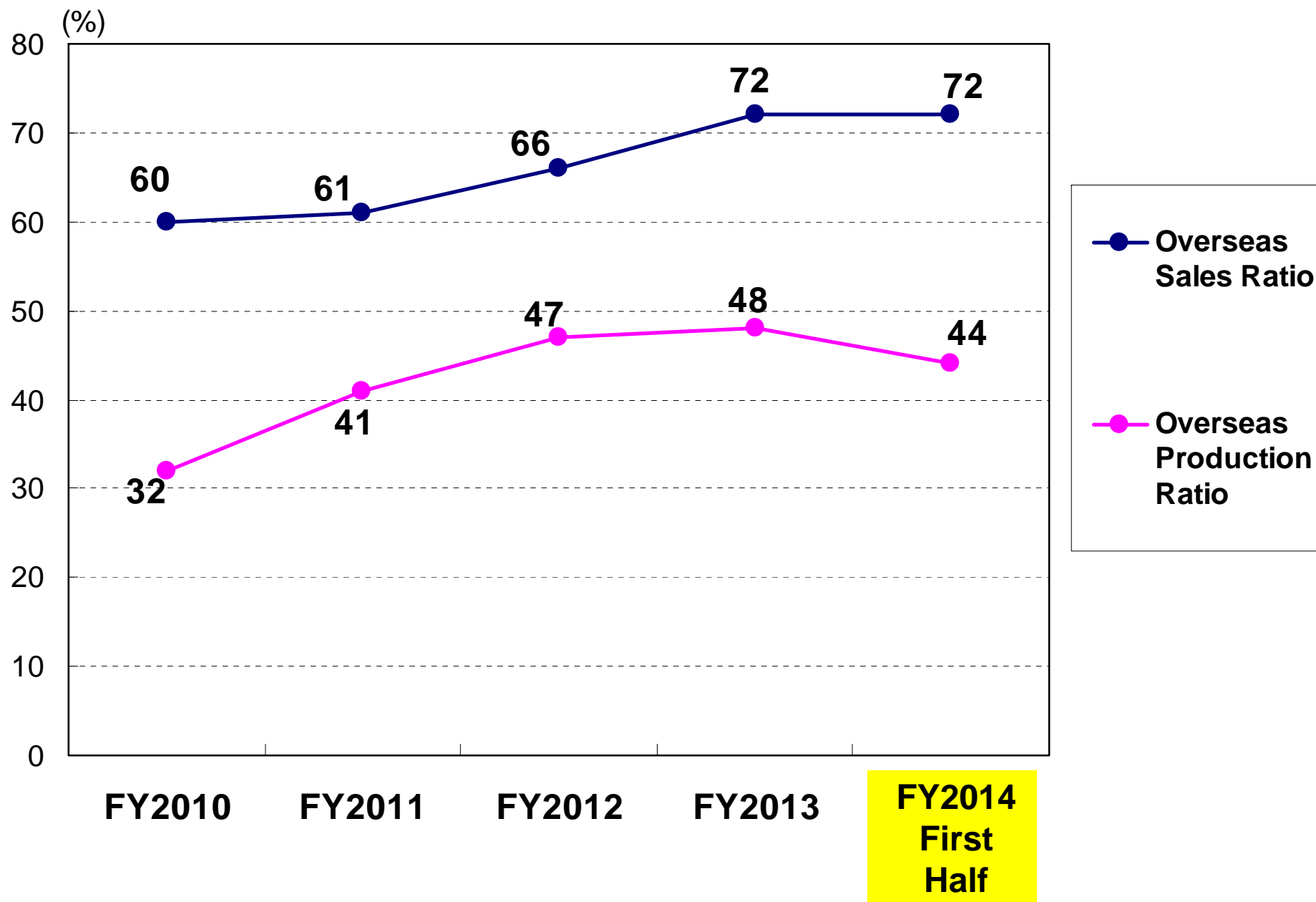


As this is in round number, please be noted that some ratio difference may occur. Thank you for your understanding.

*1 Computer Related Equipment – Tablet / Notebook PC not included.

*2 Communication - Smartphone / Mobile Phone not included.

Overseas Production and Sales Ratio



Changes in Consolidated Balance Sheet

(hundred millions of Yen)

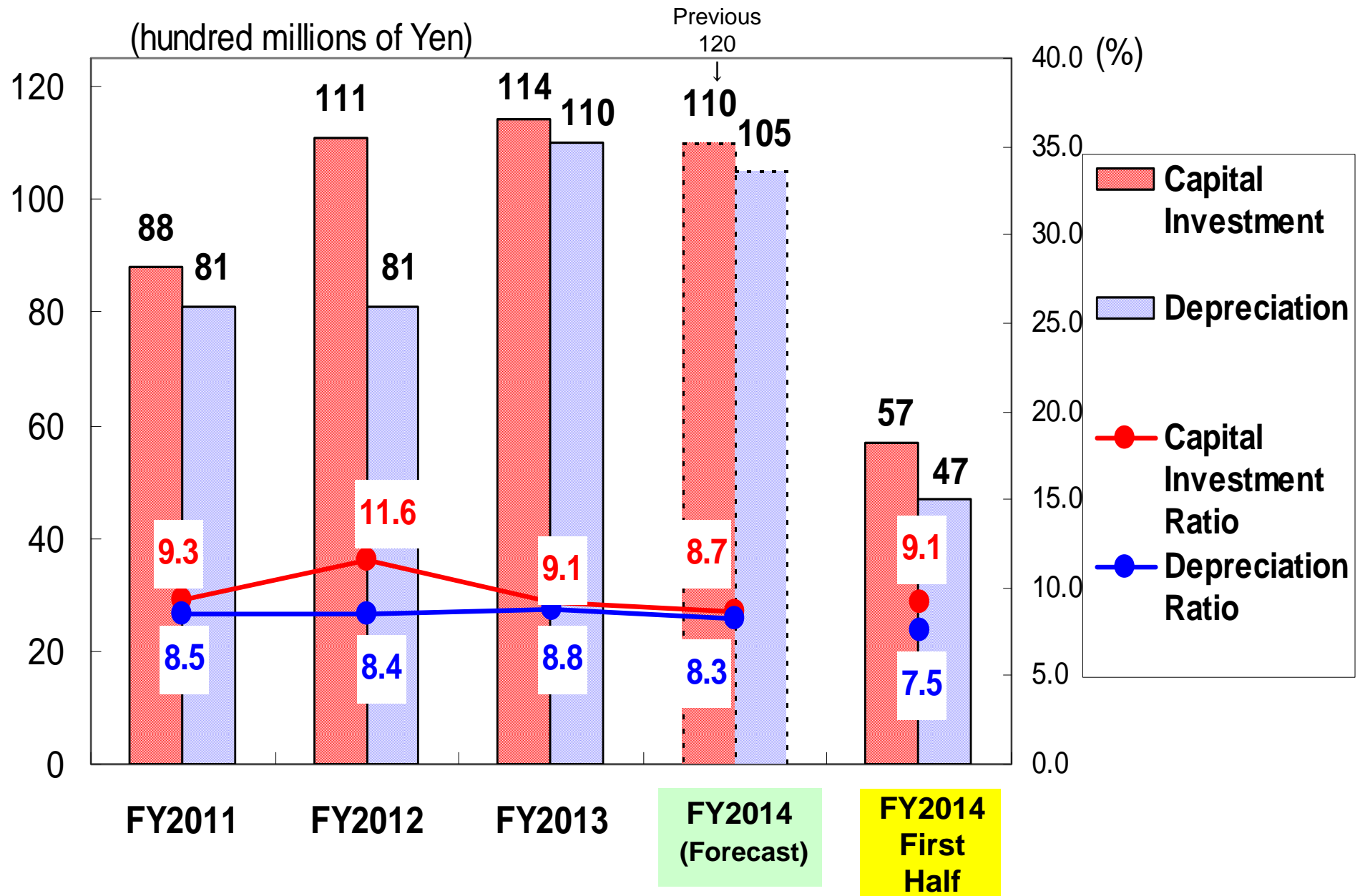
| Account | (A) Mar 31, 2014 | (A) Sep 30, 2014 | (B) - (A) | Remark |
|-----------------------|------------------|------------------|-----------|---|
| Cash and Cash in Bank | 1,262.4 | 1,325.4 | 63.0 | Increase in Hirose Japan, etc. |
| Trade Receivable | 294.7 | 309.0 | 14.3 | Increase due to sales increase |
| Securities | 303.2 | 298.3 | -4.9 | Redemption |
| Inventories | 84.0 | 92.7 | 8.7 | |
| Noncurrent Assets | 330.4 | 377.5 | 47.1 | Increase in land, machinery, equipment, and metal molds, etc. |
| Investment Securities | 620.1 | 627.9 | 7.8 | Stocks market evaluation, etc. |
| Others | 112.7 | 103.7 | -9.0 | |
| Total Assets | 3,007.5 | 3,134.5 | 127.0 | |

Changes in Consolidated Balance Sheet

(hundred millions of Yen)

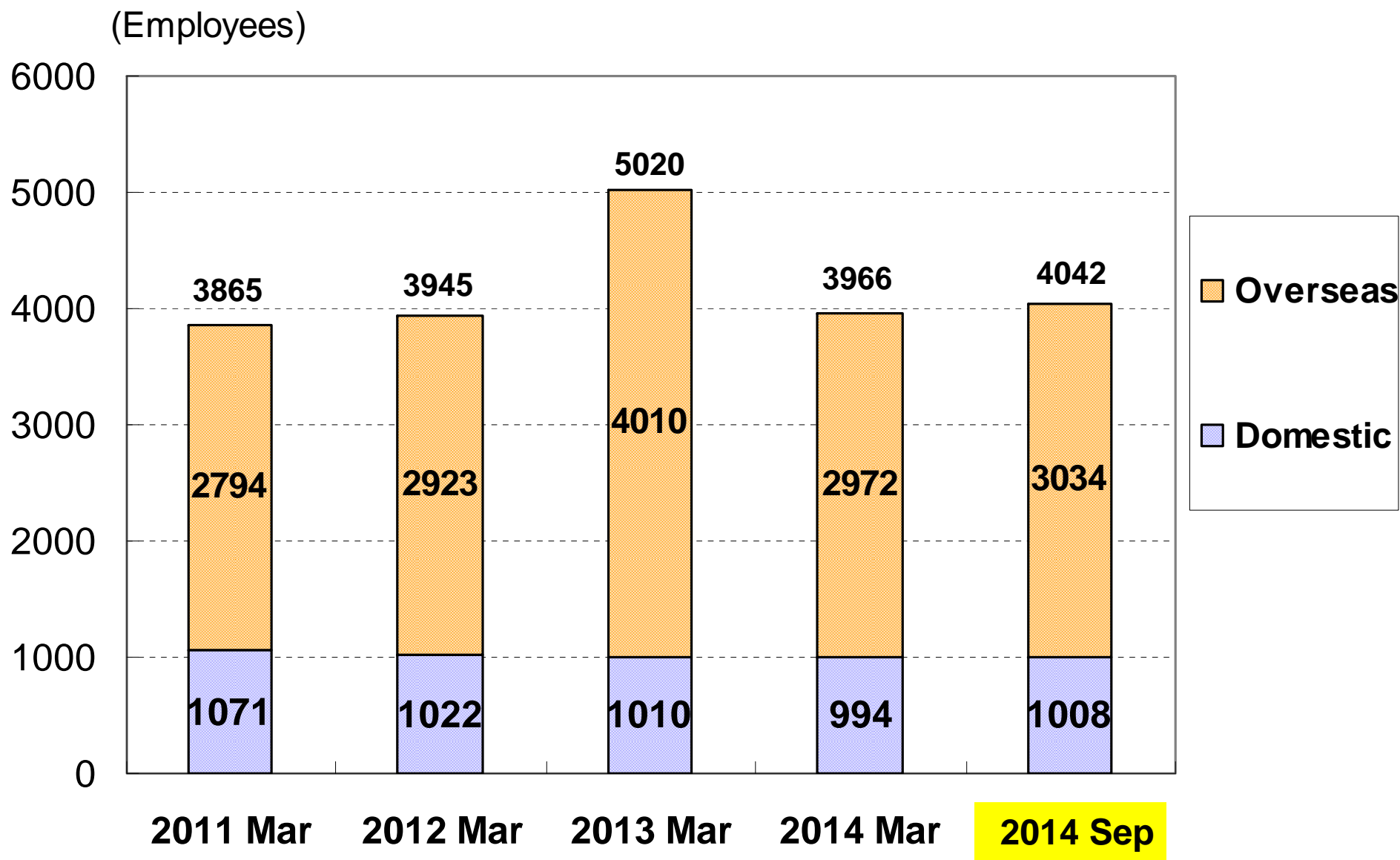
| Account | (A) Mar 31, 2014 | (B) Sep 30, 2014 | (B) - (A) | Remarks |
|---|------------------|------------------|--------------|--|
| Notes Payable and Account Payable | 113.8 | 129.6 | 15.8 | Increase due to production increase |
| Income Taxes Payable | 78.4 | 59.3 | -19.1 | Tax payment |
| Others | 123.7 | 137.3 | 13.6 | Increase in deferred tax liabilities, etc. |
| Total Liabilities | 315.9 | 326.2 | 10.3 | |
| Retained Earnings | 2,957.2 | 3,033.1 | 75.9 | Net Profit 113.0 - Dividend 37.5 |
| Treasury Stocks | -617.7 | -617.5 | 0.2 | |
| Valuation Variance | 47.5 | 53.8 | 6.3 | Higher stock price (Nikkei closing price: 14,828yen→16,173yen) |
| Translation Adjustment | 57.2 | 90.3 | 33.1 | Due to weak yen |
| Others | 247.4 | 248.6 | 1.2 | |
| Total Shareholders' Equity | 2,691.6 | 2,808.3 | 116.7 | |
| Total Liabilities and Shareholders' Equity | 3,007.5 | 3,134.5 | 127.0 | |

Capital Investment and Depreciation Change (Consolidated Basis)

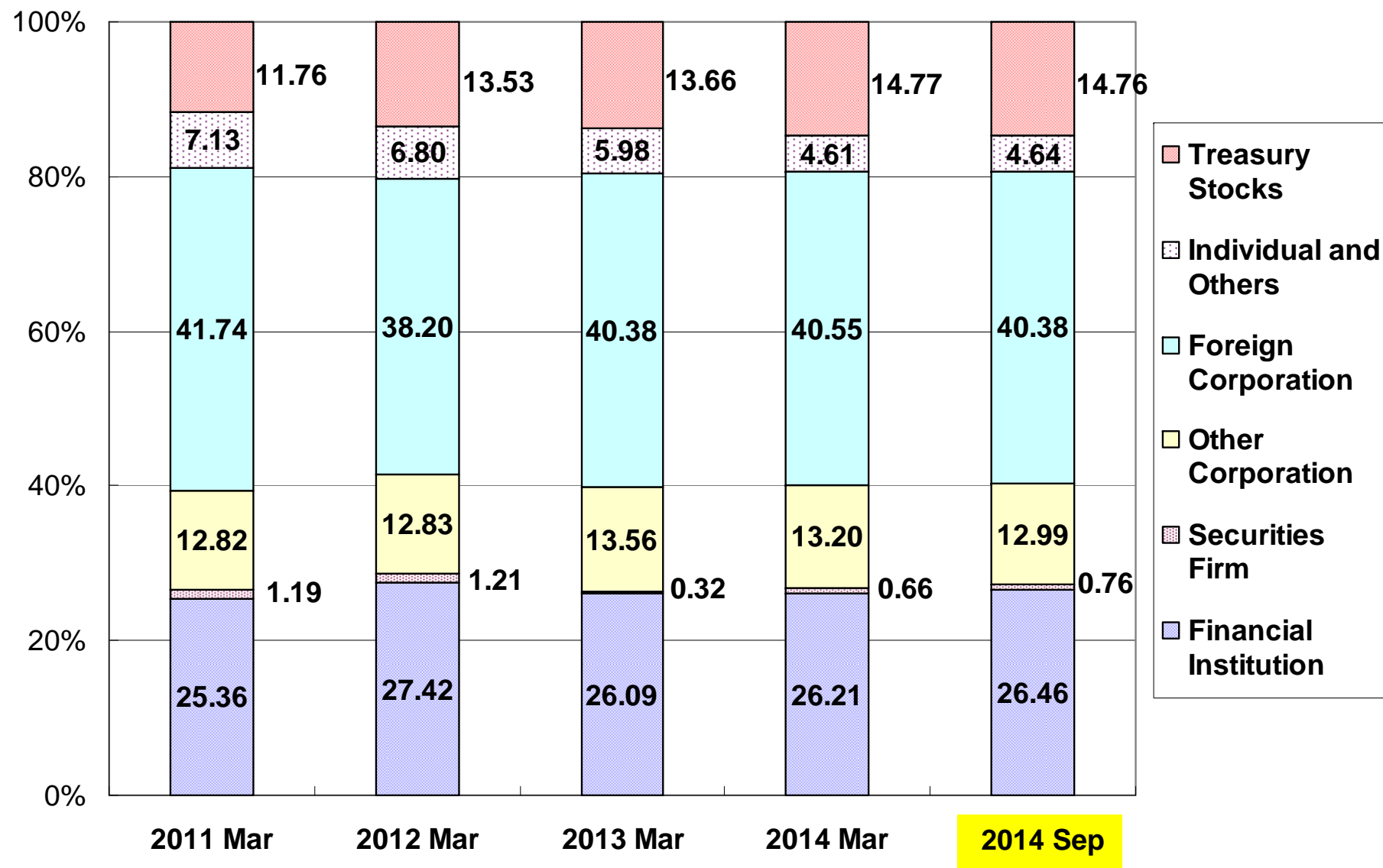


(*Excluded: Investment in Yokohama Center building) 15

Number of Employees (Financial Report Basis)



Distribution of Shareholders



Business Forecast for the Year Ending March 31, 2015 (Consolidated)



(hundred millions of Yen)

*note) figures in green
italics: previously
announced data on
May 2014*

| | FY2013(FY ended Mar 31,2014) Actual | | FY2014 (FY ending Mar 31,2015) Forecast | | First Half Over the Prior Actual Amount | | For the Year Over the Prior Actual Amount | | | | | | | | | | | | | |
|------------------------------------|--|-----------------------|--|--|---|------------------------------|--|-----------------------------|-------------------------|---------------|-----------------|---------------------|-----------|-----------|------------------|-----------|-----------|-----------------------|---------|----------|
| | First Half | For the Year | First Half | For the Year | Amount Change | % | Amount Change | % | | | | | | | | | | | | |
| Sales (COGS Ratio) | 616.7 (54.0%) | 1,249.9 (55.2%) | <i>650.0</i> 624.0 (54.8%) | <i>1,300.0</i> 1,270.0 (55.4%) | <i>-26.0</i> 7.3 | <i>-4.0%</i> 1.2% | <i>-30.0</i> 20.1 | <i>-2.3%</i> 1.6% | | | | | | | | | | | | |
| Operating Profit (%) | 174.5 <i>28.3%</i> | 330.0 <i>26.4%</i> | <i>180.0</i> 167.4 <i>26.8%</i> | <i>360.0</i> 331.0 <i>26.1%</i> | <i>-12.6</i> -7.1 | <i>-7.0%</i> -4.1% | <i>-29.0</i> 1.0 | <i>-8.1%</i> 0.3% | | | | | | | | | | | | |
| Recurring Profit (%) | 182.7 <i>29.6%</i> | 347.5 <i>27.8%</i> | <i>185.0</i> 177.5 <i>28.4%</i> | <i>370.0</i> 348.0 <i>27.4%</i> | <i>-7.5</i> -5.2 | <i>-4.1%</i> -2.8% | <i>-22.0</i> 0.5 | <i>-5.9%</i> 0.2% | | | | | | | | | | | | |
| Net Profit (%) | 116.1 <i>18.8%</i> | 224.4 <i>18.0%</i> | <i>117.0</i> 113.0 <i>18.1%</i> | <i>240.0</i> 225.0 <i>17.7%</i> | <i>-4.0</i> -3.1 | <i>-3.4%</i> -2.7% | <i>-15.0</i> 0.6 | <i>-6.3%</i> 0.3% | | | | | | | | | | | | |
| Income Per Share | - | 652.68Yen | - | 659.59Yen | <table border="1"> <thead> <tr> <th>[Assumed Exchange Rate]</th> <th>Actual FY2013</th> <th>Forecast FY2014</th> </tr> </thead> <tbody> <tr> <td>Exchange Rate: US\$</td> <td>100.24Yen</td> <td>104.64Yen</td> </tr> <tr> <td>Exchange Rate: €</td> <td>134.37Yen</td> <td>136.96Yen</td> </tr> <tr> <td>Exchange Rate: 100Won</td> <td>9.21Yen</td> <td>10.03Yen</td> </tr> </tbody> </table> | | | | [Assumed Exchange Rate] | Actual FY2013 | Forecast FY2014 | Exchange Rate: US\$ | 100.24Yen | 104.64Yen | Exchange Rate: € | 134.37Yen | 136.96Yen | Exchange Rate: 100Won | 9.21Yen | 10.03Yen |
| [Assumed Exchange Rate] | Actual FY2013 | Forecast FY2014 | | | | | | | | | | | | | | | | | | |
| Exchange Rate: US\$ | 100.24Yen | 104.64Yen | | | | | | | | | | | | | | | | | | |
| Exchange Rate: € | 134.37Yen | 136.96Yen | | | | | | | | | | | | | | | | | | |
| Exchange Rate: 100Won | 9.21Yen | 10.03Yen | | | | | | | | | | | | | | | | | | |
| Dividend Per Share | 90Yen | 200Yen | 115Yen | 230Yen | | | | | | | | | | | | | | | | |
| Consolidated Dividend Payout Ratio | - | 30.6% | - | 34.9% | | | | | | | | | | | | | | | | |