



68th Fiscal Term Annual Report

From April 1, 2014 to March 31, 2015



**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 2014, the year ended March 31, 2015 (the 68th fiscal term, from April 1, 2014 to March 31, 2015).

Business Overview

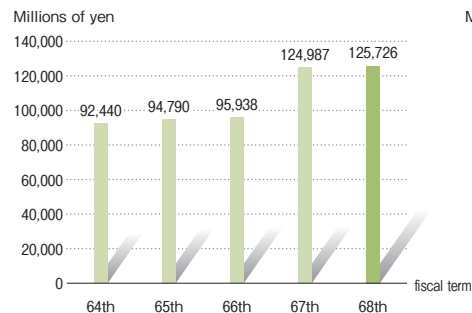
During the fiscal year ended March 31, 2015, the Japanese economy showed an overall moderate recovery trend. Under the government's economic stimulus measures and the Bank of Japan's monetary policy, the correction to the previously strong yen and the recovery on the Japanese securities markets proceeded. Other signs of recovery included improvements in corporate earnings and the employment situation.

Overseas, economic growth continued in China, albeit at a slowing pace, and, although the European economy was generally stagnant, the United States continued on a track of economic recovery.

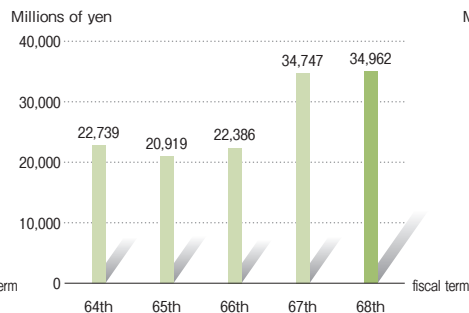
Under such conditions, the Hirose Electric Group, while expanding the business globally, chiefly for the smartphone, automobile, and industrial machinery/equipment markets, proceeded with efforts to reinforce our development, sales and production systems for new high-value-added products in the pursuit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

Financial Highlights

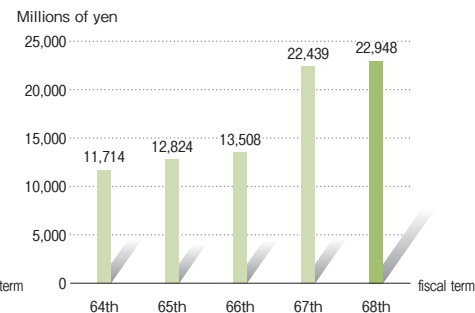
Net sales



Ordinary income



Net income



As a result, consolidated net sales for the year under review amounted to a new record high of ¥125,726 million, an increase of 0.6% year on year. Operating income decreased 1.3% year on year to ¥32,588 million, ordinary income rose 0.6% year on year to ¥34,962 million and net income increased 2.3% year on year to ¥22,948 million.

The management environment in which the Group operates is expected to stay in economic recovery, supported by the effects of the government's economic stimulus measures and the Bank of Japan's monetary policy.

Overseas, we expect the United States to continue on the track of economic recovery, supported by growth in personal consumption, and although the stagnation is expected to continue in Europe, we believe the pace of growth in the Chinese economy will be stable.

The Group expects 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 also expect to maintain and expand our mass production businesses for smartphones and tablet PCs, etc., where further price competition is expected to be driven by consumers' preferences for lower-priced products.

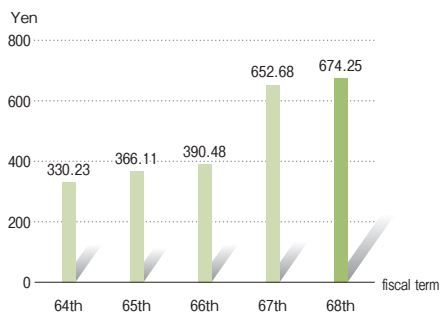
In this business environment, the Group intends to pursue leading-edge technologies, conduct more efficient distribution and concentration of resources and consistently carry out reforms and innovations. Such aggressive initiatives also include the reinforcement of high-value-added product development 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.

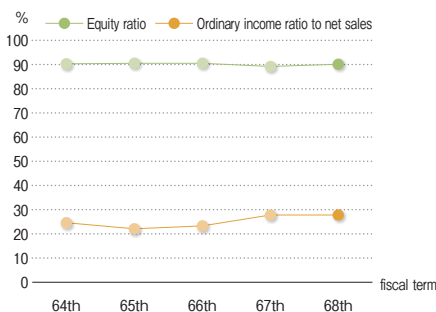
June 2015

Kazunori Ishii
President and Representative Director

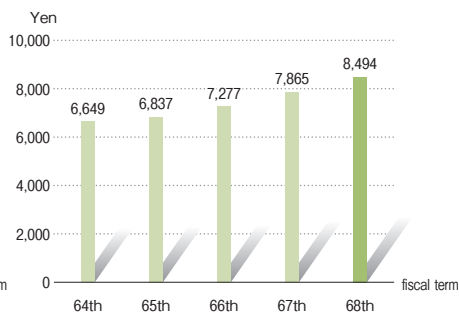
■ Net income per share



■ Equity ratio & Ordinary income ratio to net sales

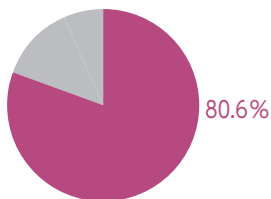


■ Net assets per share

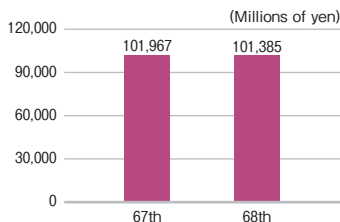


Multi-Pin Connectors

Sales ratio



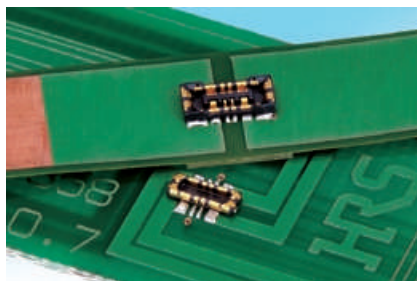
Net sales



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.

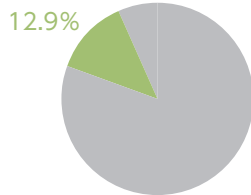
The major applications of these connectors include a wide range of fields such as smartphones, tablet PCs, communications equipment and automotive electronics, as well as industrial fields such as measuring and control equipment, FA equipment and medical electronics equipment. Further expansion in demand 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 decreased 0.6% year on year to ¥101,385 million and operating income fell 0.9% to ¥28,172 million as businesses in the Chinese smartphone, automobile, and industrial machinery/equipment markets were unable to supplement a slowdown in business in the South Korean smartphone market.



Coaxial Connectors

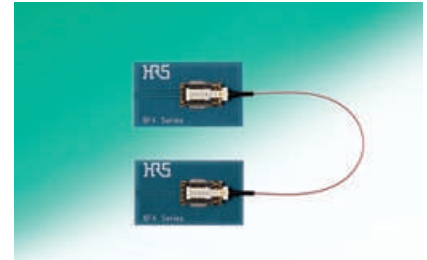
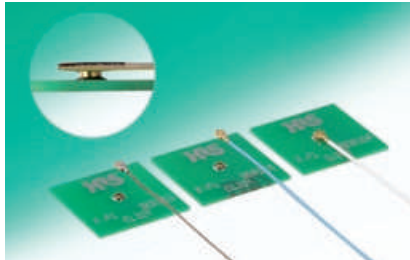
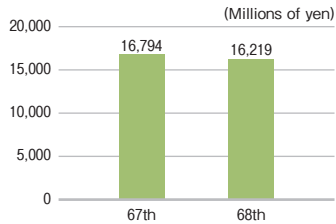
Sales ratio



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, 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 decreased 3.4% year on year to ¥16,219 million and operating income decreased 4.2% year on year to ¥4,158 million.

Net sales

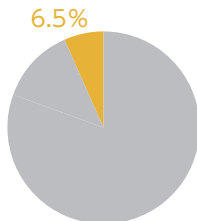


Other Products

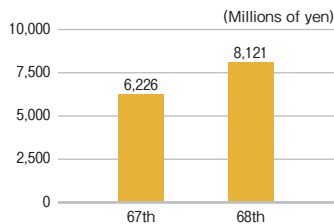
The other products segment includes medical electronics and health equipment such as interference wave EMSs, micro switches and instruments for connectors.

Consolidated segment net sales for the year under review increased 30.4% year on year to ¥8,121 million and operating income increased 11.8% year on year to ¥257 million.

Sales ratio



Net sales



Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

Account item	Current fiscal year As of March 31, 2015	Previous fiscal year As of March 31, 2014
(Assets)		
Current assets	221,405	200,930
Non-current assets	98,262	99,820
Property, plant and equipment	36,339	31,697
Intangible assets	1,354	1,345
Investments and other assets	60,568	66,777
Total assets	319,667	300,751
(Liabilities)		
Current liabilities	24,331	26,031
Non-current liabilities	7,034	5,554
Total liabilities	31,365	31,586
(Net assets)		
Shareholders' equity	269,376	257,805
Capital stock	9,404	9,404
Capital surplus	13,552	14,441
Retained earnings	311,039	295,725
Treasury shares	△64,619	△61,766
Accumulated other comprehensive income	18,695	10,490
Subscription rights to shares	229	63
Minority interests	—	804
Total net assets	288,302	269,164
Total liabilities and net assets	319,667	300,751

Note: Amounts less than ¥1 million are truncated.

Consolidated Statements of Income

(Millions of yen)

Account item	Current fiscal year From April 1, 2014 to March 31, 2015	Previous fiscal year From April 1, 2013 to March 31, 2014
Net sales	125,726	124,987
Cost of sales	69,163	69,061
Gross profit	56,563	55,925
Selling, general and administrative expenses	23,974	22,920
Operating income	32,588	33,005
Non-operating income	2,475	1,823
Non-operating expenses	101	81
Ordinary income	34,962	34,747
Extraordinary losses	292	253
Income before income taxes and minority interests	34,670	34,493
Income taxes—current	10,659	11,577
Income taxes—deferred	944	253
Income before minority interests	23,066	22,662
Minority interest in income	118	223
Net income	22,948	22,439

Note: Amounts less than ¥1 million are truncated.

Consolidated Statements of Cash Flows

(Millions of yen)

Account item	Current fiscal year From April 1, 2014 to March 31, 2015	Previous fiscal year From April 1, 2013 to March 31, 2014
Operating activities	31,807	34,606
Investing activities	△16,232	△18,820
Financing activities	△12,433	△12,028
Effect of exchange rate change on cash and cash equivalents	2,645	1,615
Net increase/decrease in cash and cash equivalents	5,787	5,372
Cash and cash equivalents, beginning of the year	50,924	45,551
Cash and cash equivalents, end of the year	56,711	50,924

Note: Amounts less than ¥1 million are truncated.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets (Millions of yen)

Account item	Current fiscal year As of March 31, 2015	Previous fiscal year As of March 31, 2014
(Assets)		
Current assets	106,496	102,050
Non-current assets	59,053	58,038
Property, plant and equipment	13,176	13,497
Intangible assets	1,221	1,156
Investments and other assets	44,655	43,384
Total assets	165,549	160,088
(Liabilities)		
Current liabilities	13,245	13,071
Non-current liabilities	3,260	2,337
Total liabilities	16,506	15,409
(Net assets)		
Shareholders' equity	141,859	139,885
Capital stock	9,404	9,404
Capital surplus	14,444	14,441
Retained earnings	182,630	177,805
Treasury shares	△64,619	△61,766
Valuation, translation adjustments and others	6,953	4,730
Subscription rights to shares	229	63
Total net assets	149,043	144,679
Total liabilities and net assets	165,549	160,088

Note: Amounts less than ¥1 million are truncated.

Non-consolidated Statements of Income (Millions of yen)

Account item	Current fiscal year From April 1, 2014 to March 31, 2015	Previous fiscal year From April 1, 2013 to March 31, 2014
Net sales	90,620	86,212
Cost of sales	61,169	59,605
Gross profit	29,451	26,606
Selling, general and administrative expenses	15,872	15,536
Operating income	13,579	11,070
Non-operating income	6,216	6,420
Non-operating expenses	683	1,095
Ordinary income	19,111	16,394
Extraordinary losses	200	197
Income before income taxes	18,911	16,197
Income taxes-current	6,132	5,875
Income taxes-deferred	329	△56
Net income	12,448	10,378

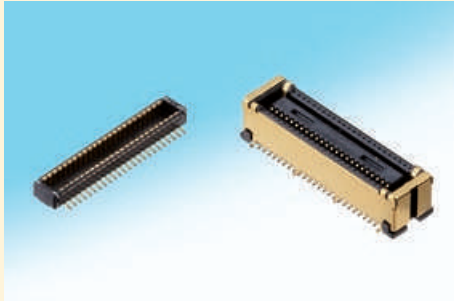
Note: Amounts less than ¥1 million are truncated.

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:

DF40G Series

A board connector compatible with boards developed to meet the needs of higher component density, high speed transmission performance and noise resistance performance to support further sophistication of small devices such as notebook PCs, tablet PCs, and camera modules. A space-saving shield structure with multiple grounding point connection is adopted to realize the world's smallest footprint on the board in the H = 1.5-3 mm fitted height class while improving noise resistance performance. Moreover, due to a proprietary terminal structure, a definite click feeling is effected when fitting the connector, so that in addition to supporting high speed transmission standard USB 3.0 (5 Gbps), it also provides excellent operability.



DF52 Series

A board-to-cable connector developed for internal connection in small devices such as digital cameras, smartphones and wearable devices. It supports a maximum amperage rating of 2.5 A with extremely small pitch of 0.8 mm, enabling usage for not only signal connection purposes but also battery connection purposes. By adopting a proprietary terminal structure, it has a structure resilient against cable pulling and twisting, and by preventing connector damage caused by such abrupt external force, we expect it to contribute to improving operating efficiency in assembly processes. It can support a variety of purposes due to a wide assortment of variation in the number of poles from 2 cores to 20 cores.



PS3C Series

The PS3C Series connectors were developed as a 150 A compatible power connector used for storage battery systems. By providing a finger protective structure where the operator does not touch the power terminal due to the adoption of a one-touch lock where the lock is completed simply by the connector being inserted, it realizes greater efficiency of connection operations and improved operator safety. Moreover, as the plugs can be fitted even when turned around at 180 degrees, there is greater freedom of cable pulling and twisting, and as they support a wide range of cables (14-50 sq. mm), it is possible to support a variety of usage methods of storage battery systems.



GT28WS Series

The GT28WS Series is a series of connectors developed for sets—chiefly inverters, DC-DC converters and on-board charging devices—for green vehicles such as electric vehicles, hybrid vehicles and plug-in hybrid vehicles, which are expected to achieve remarkable growth in the future. Recently, countries around the world are prescribing CO₂ emission limits, and to clear these, there have been increasing demands for smaller and lighter equipment. We released highly reliable on-board connectors that support not only smaller equipment, but also high voltages, high currents, complete waterproof, and EMI shield cables, as demanded by green vehicles, and that also come with mechanisms to prevent half-fitted connections and electrical detection circuits to check the connections are properly fitted, developed through our proprietary technology.



◎ Domestic bases

TOHOKU HIROSE ELECTRIC CO., LTD.



ICHINOSEKI HIROSE ELECTRIC CO., LTD.



KORIYAMA HIROSE ELECTRIC CO., LTD.



Kansai Branch

Chubu Sales Office

Head Office



Kikuna Office



Yokohama Center



◎ Overseas bases

HIROSE ELECTRIC EUROPE B.V.



HIROSE ELECTRIC(SUZHOU)CO., LTD.



HIROSE ELECTRIC (SHANGHAI) CO., LTD.



HIROSE KOREA CO., LTD.



HIROSE ELECTRIC(DONGGUAN)CO., 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, 2015)

Trade name	HIROSE ELECTRIC CO., LTD.
Date of incorporation	June 15, 1948
Number of employees	722(excluding part-timers)
Capital stock	¥9,404,379,401

Directors and Audit & Supervisory Board Members (As of June 26, 2015)

Director and Supreme Advisor	Tatsuro Nakamura
President and Representative Director	Kazunori Ishii
Managing Director	Mitsuo Nakamura
Managing Director	Makoto Kondo
Director	Kazuhisa Nikaido
Director	Kazuyuki Iizuka
Director	Hiroaki Okano
Outside Director	Kensuke Hotta
(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	Kentaro Miura

Notes:

1. Director Kensuke Hotta is an outside director as stipulated in Article 2, Item 15, of the Companies Act.
2. Audit & Supervisory Board Members Terukazu Sugishima, Akira Seshimo 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, 2015)

Total number of shares issued	33,913,025 shares
	(Excluding 6,107,711 shares of treasury shares)
Number of shareholders	3,668

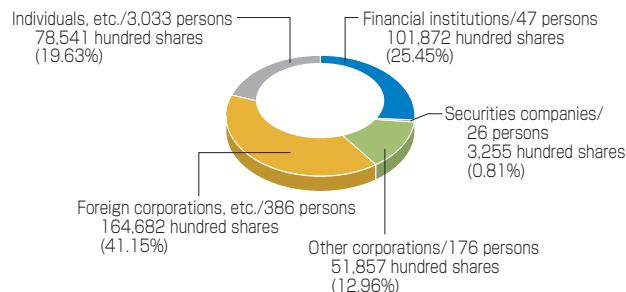
Major Shareholders(Top 10)

Name of shareholder	Number of shares held	Ratio of shareholding
	Hundreds of shares	%
State Street Bank and Trust Company	32,975	9.72
State Street Bank and Trust Company 505223	31,458	9.28
Hirose International Scholarship Foundation	28,550	8.42
Japan Trustee Services Bank, Ltd. (Trust Account No. 4)	17,673	5.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,346	2.46
Japan Trustee Services Bank, Ltd. (Re-trust account of Sumitomo Mitsui Trust Bank, Limited and the retirement benefit trust account of Sumitomo Mitsui Banking Corporation)	8,162	2.41
Mizuho Trust & Banking Co., Ltd. Trust Account 0700046	7,898	2.33
Mizuho Trust & Banking Co., Ltd. Trust Account 0700047	7,847	2.31
HS Kikaku Co., Ltd.	7,600	2.24
Kosho Sangyo Co., Ltd.	6,800	2.01

Note: In addition to the 10 major shareholders above, the Company owns 61,077 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. (http://www.hirose.co.jp/investor/index.htm) 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
Phone:	0120-782-031 (Toll free, available only in Japan)
URL:	http://www.smbt.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

<http://www.hirose.co.jp>

