

Business Results for Second Quarter, FY2016

Creative Links to World Electronic

Nov 1st, 2016

**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 FY2016 (Apr – Jun)]

- Smartphone market orders had slightly exceeded expectation for Chinese market, etc. Automotive market trend was stable. Industrial market sales started weak, but ended with a upward trend.

[2Q FY2016 (Jul – Sep)]

- Total increase in sales from 1Q. Smartphone market trended well in Chinese market, etc. Automotive market was sluggish in overseas but good in domestic market. Industrial market increased slightly.

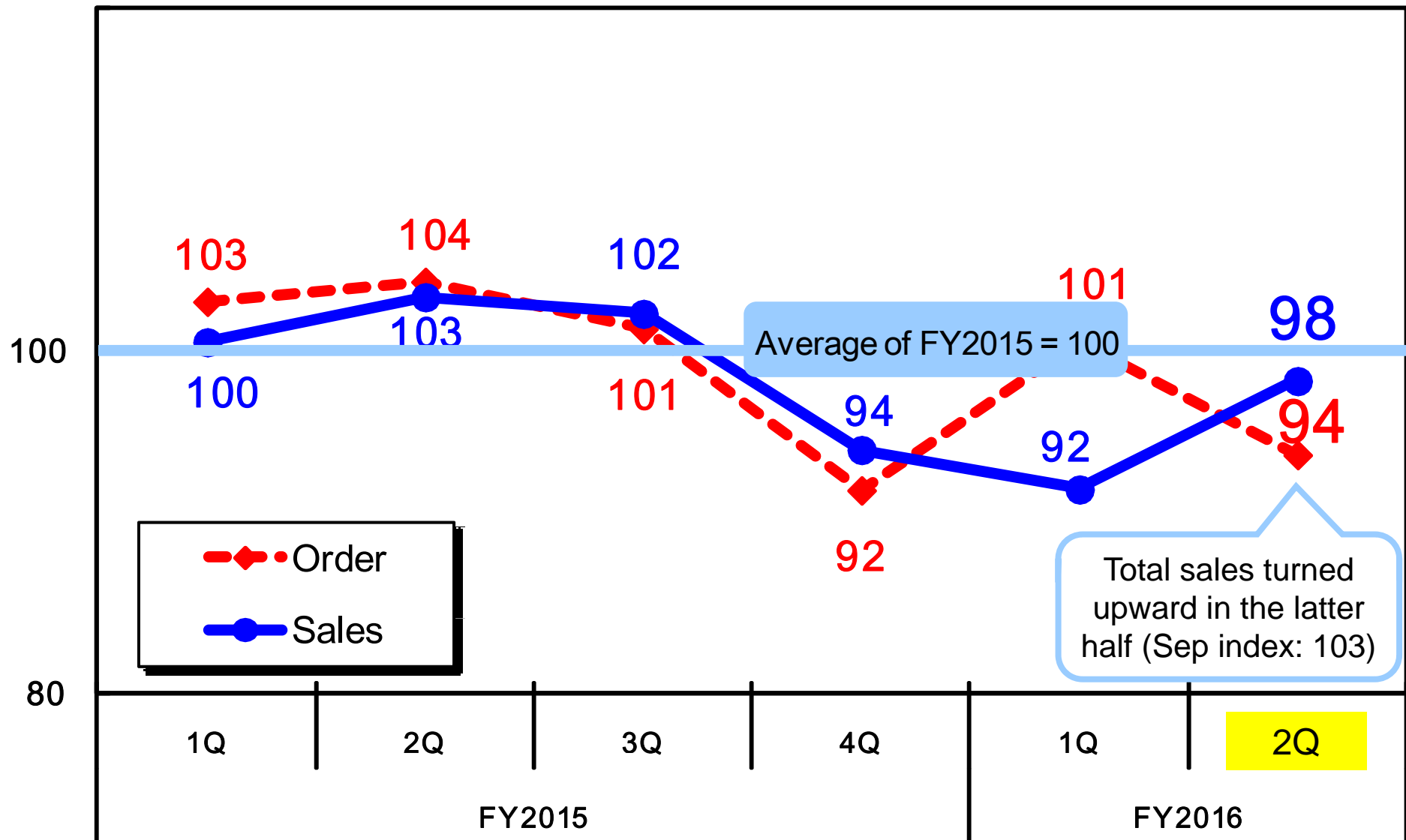
- 2Q FY2016 settled on -9.7% YoY in order level (-6.6% over 1Q FY2016), -4.7% YoY in sales level (+6.9% over 1Q FY2016)

[1Q & 2Q FY2016 (Apr – Sep)]

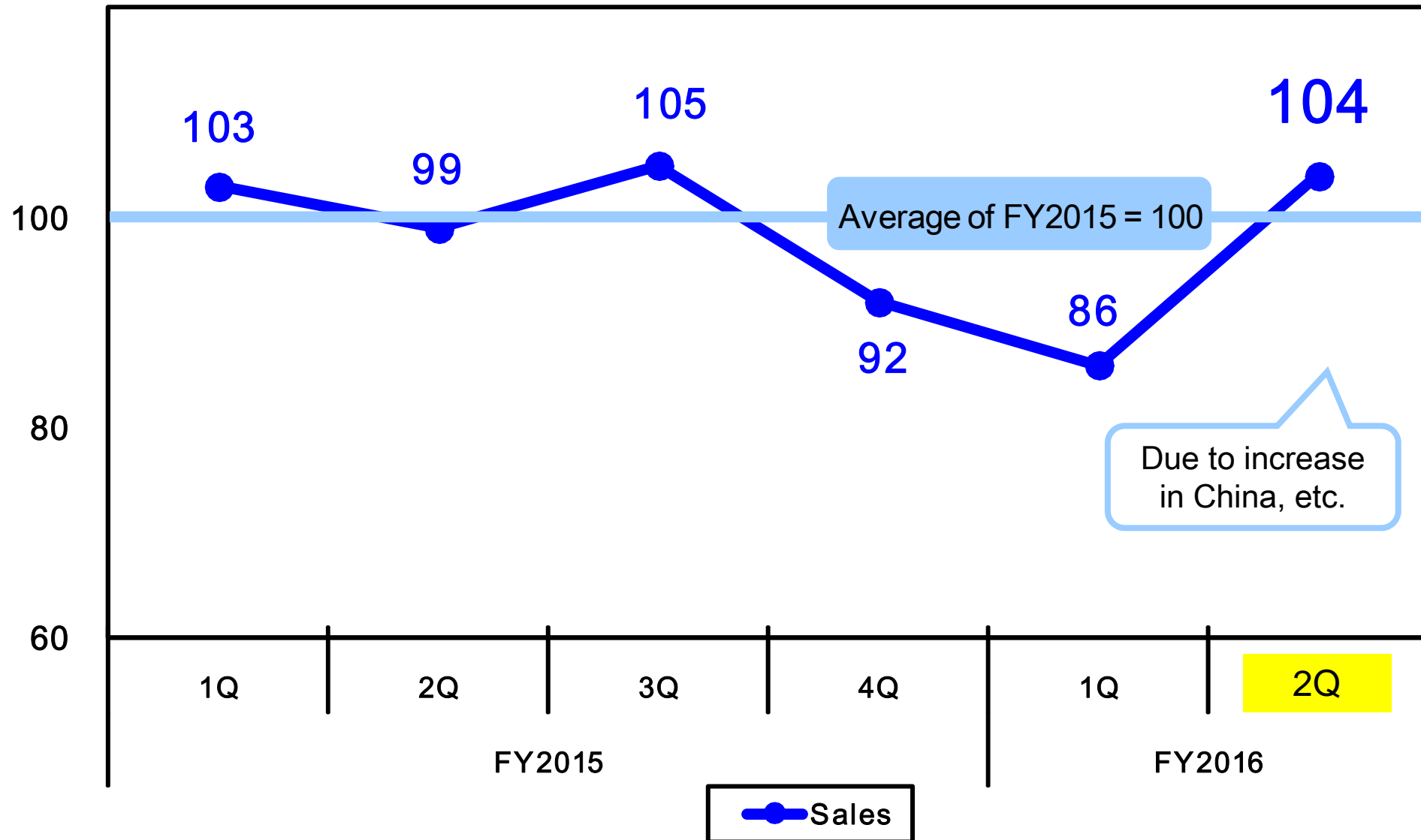
- 1Q & 2Q (total) FY2016 settled on 584.7 hundred million yen in order level (-6.0 % YoY), 571.8 hundred million yen in sales level (-6.6% YoY), 143.6 hundred million yen in recurring profit (Ratio 25.1%, -14.2% YoY).

FY2015 1Q – FY2016 2Q Orders and Sales (Consolidated Basis, Index Number)

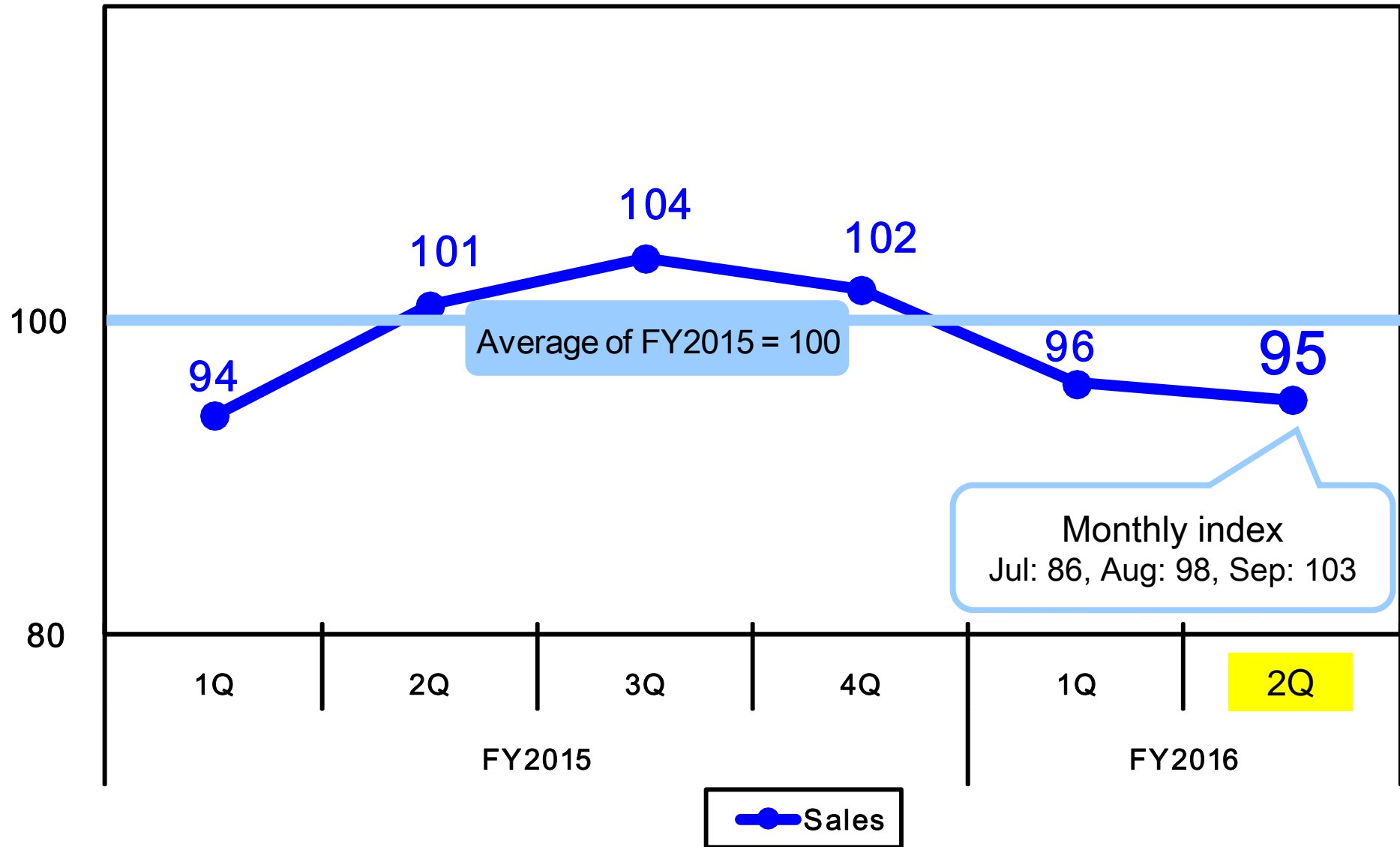
Total



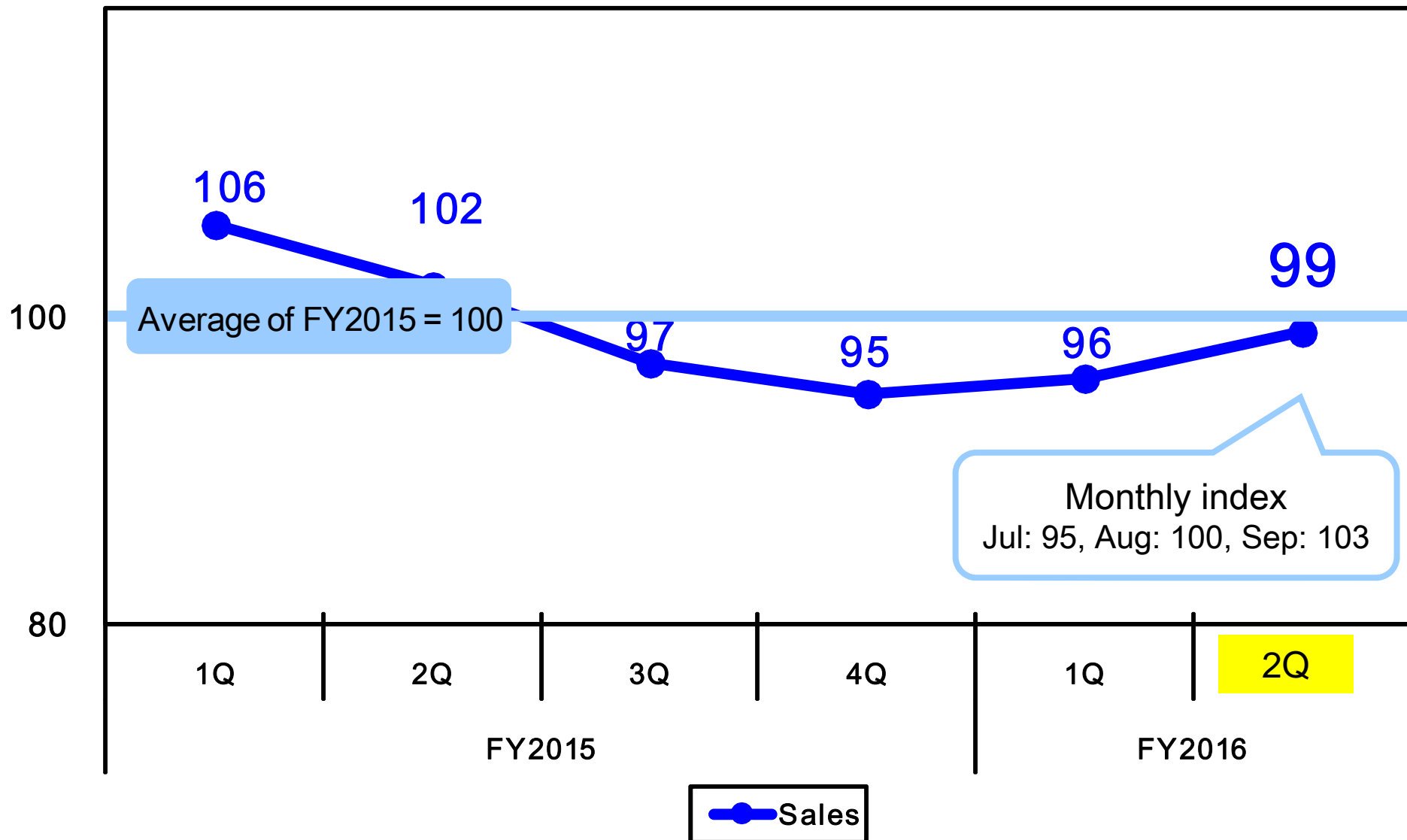
Smartphone / Mobile



Automotive



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



Business Results for 2Q, FY2016

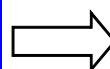
note) green italics : announced on Apr 2016

(hundred millions of Yen)

	(A) FY2015 1Q & 2Q	(A) FY2016 1Q & 2Q	(B)-(A)	(B)/(A)
Sales	612.3	571.8	-40.5	-6.6%
(COGS Ratio)	(53.9%)	(53.4%)	(-0.5%)	
(SGA Ratio)	(21.2%)	(21.6%)	(+0.4%)	
Operating Profit	152.6	142.9	-9.7	-6.3%
(%)	24.9%	25.0%	(+0.1%)	
Recurring Profit	167.4	143.6	-23.8	-14.2%
(%)	27.3%	25.1%	(-2.2%)	
Net Profit	116.9	101.3	-15.6	-13.4%
(%)	19.1%	17.7%	(-1.4%)	
Total Assets	3,227.4	3,162.9	-64.4	-2.0%
Shareholders' Equity Ratio	90.3%	90.0%		
Income Per Share	328.50Yen	289.69Yen		

Major changes over prior same period (unit: hundred millions of Yen)	
[Sales]	40.5 decrease
Hirose	Subsidiaries
-26.4	-14.1
[COGS Ratio]	0.5 point decrease
Purchase cost ratio	37.5% → 39.3%
Depreciation ratio	6.3% → 4.4%
Labor cost ratio	5.8% → 5.5%
[SGA Ratio]	0.4 point increase
Due to sales decrease, although expense decreased by 6.4	
[Non-Operating Profit/Loss]	
Foreign Exchange Profit/Loss	+7.2 → -5.8
**Impact on operating and recurring profit amount due to depreciation method change (fixed rate → straight-line) and partial change in useful life (increase amount in profit/loss)	
	12.9

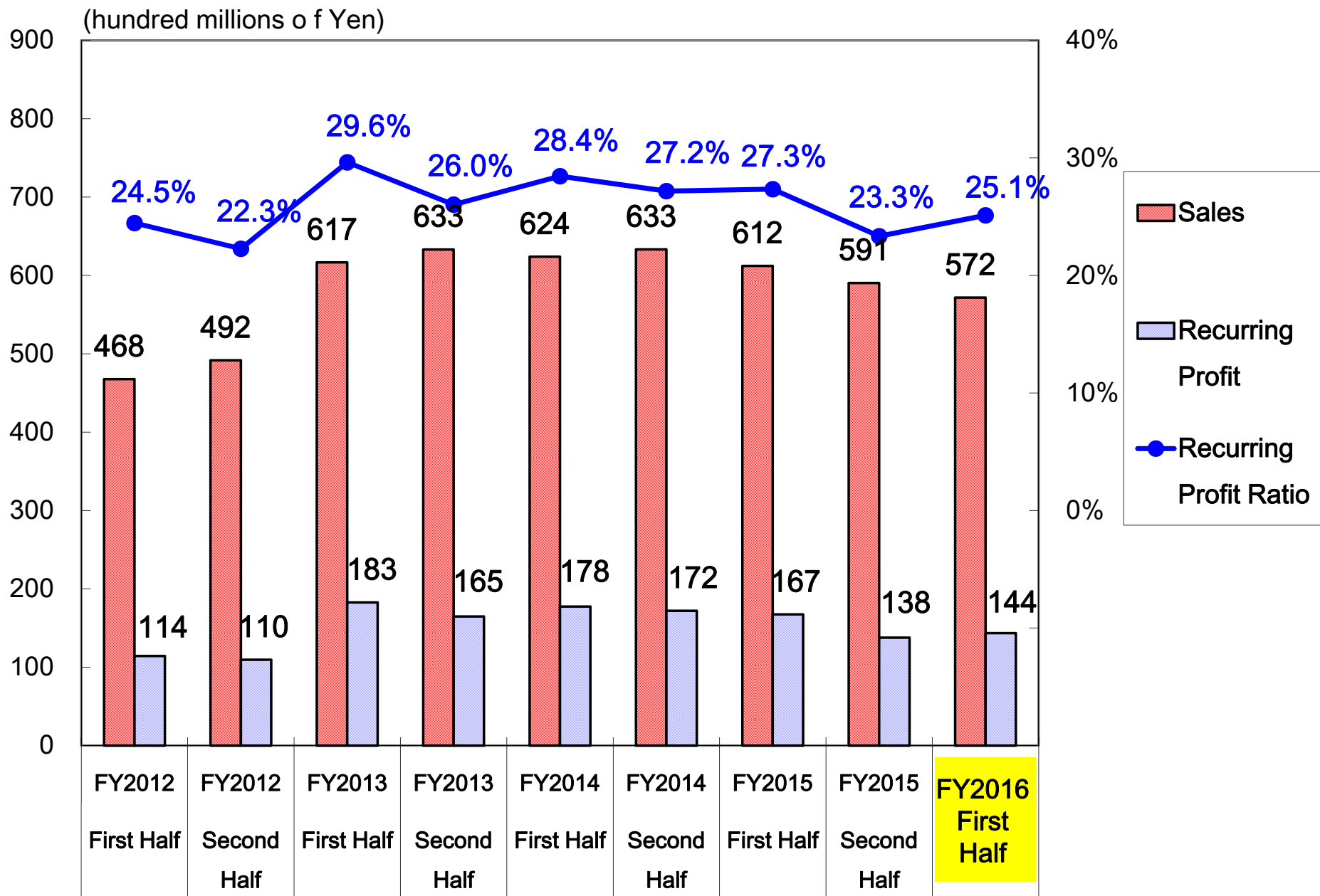
Exchange Rate: US\$	121.80Yen	105.29Yen
Exchange Rate: €	135.07Yen	118.15Yen
Exchange Rate: 100Won	10.77Yen	9.23Yen



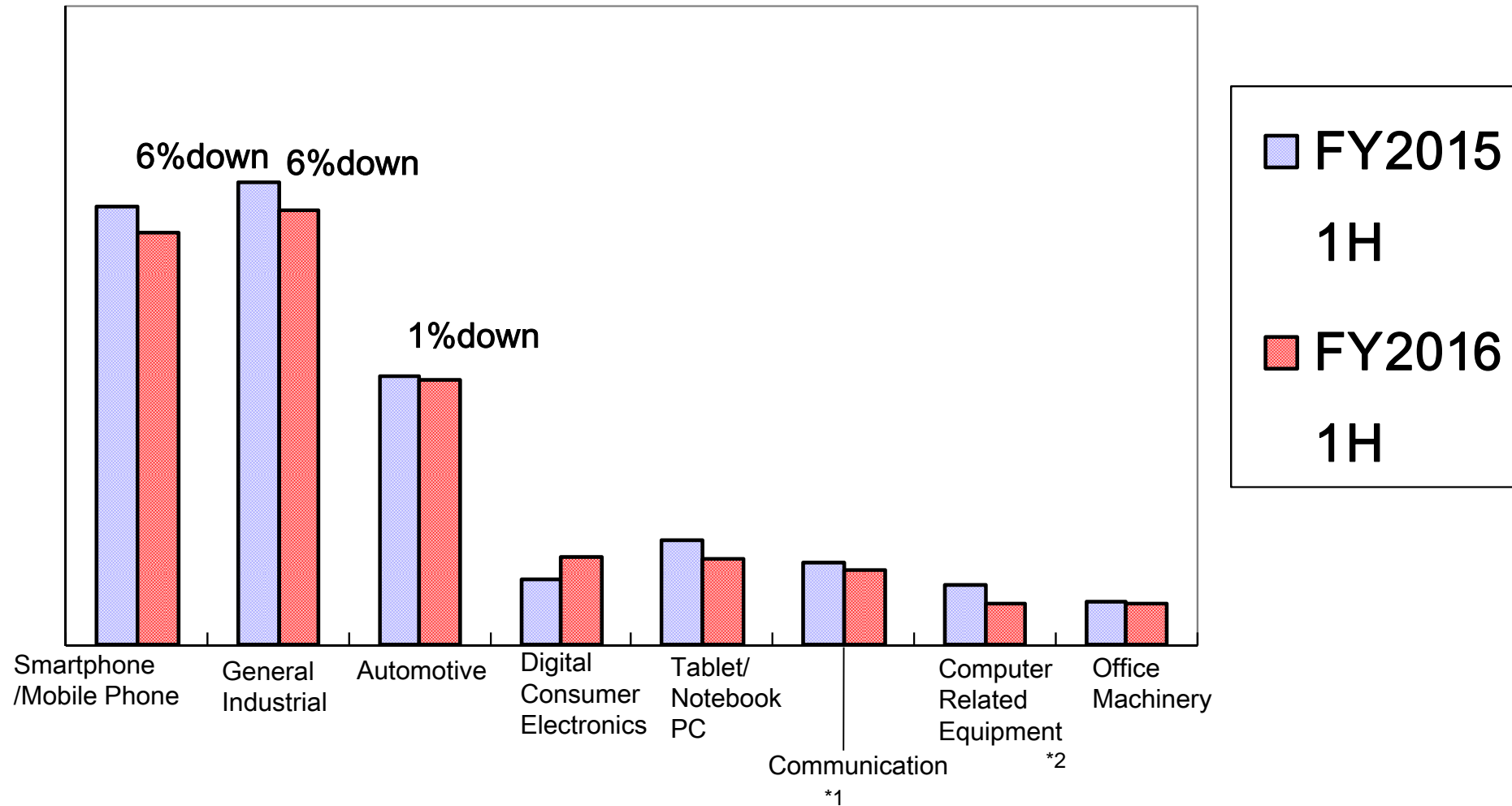
(hundred millions of Yen)

YoY currency impact amount	
Sales	-65.0
Operating profit	-32.6
Recurring profit	-47.0

Sales and Profit by Half-Year



Sales Changes by Application (round number) [Consolidated Basis]

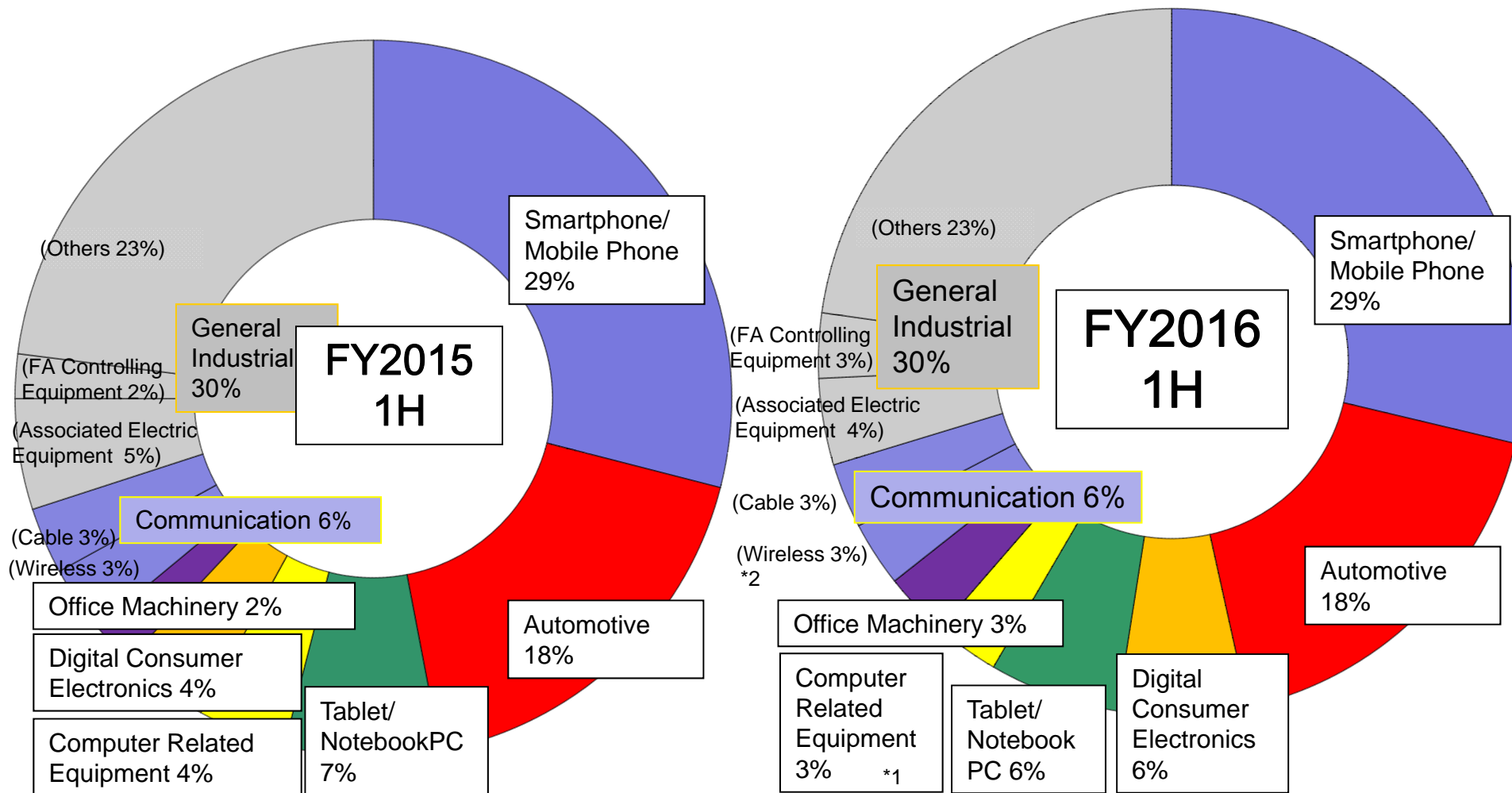


As this is in round number, please be noted that some ratio difference may occur. Thank you for your understanding.

*1 Communication - Smartphone / Mobile Phone not included.

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

Sales by Application (round number) (Consolidated Basis)

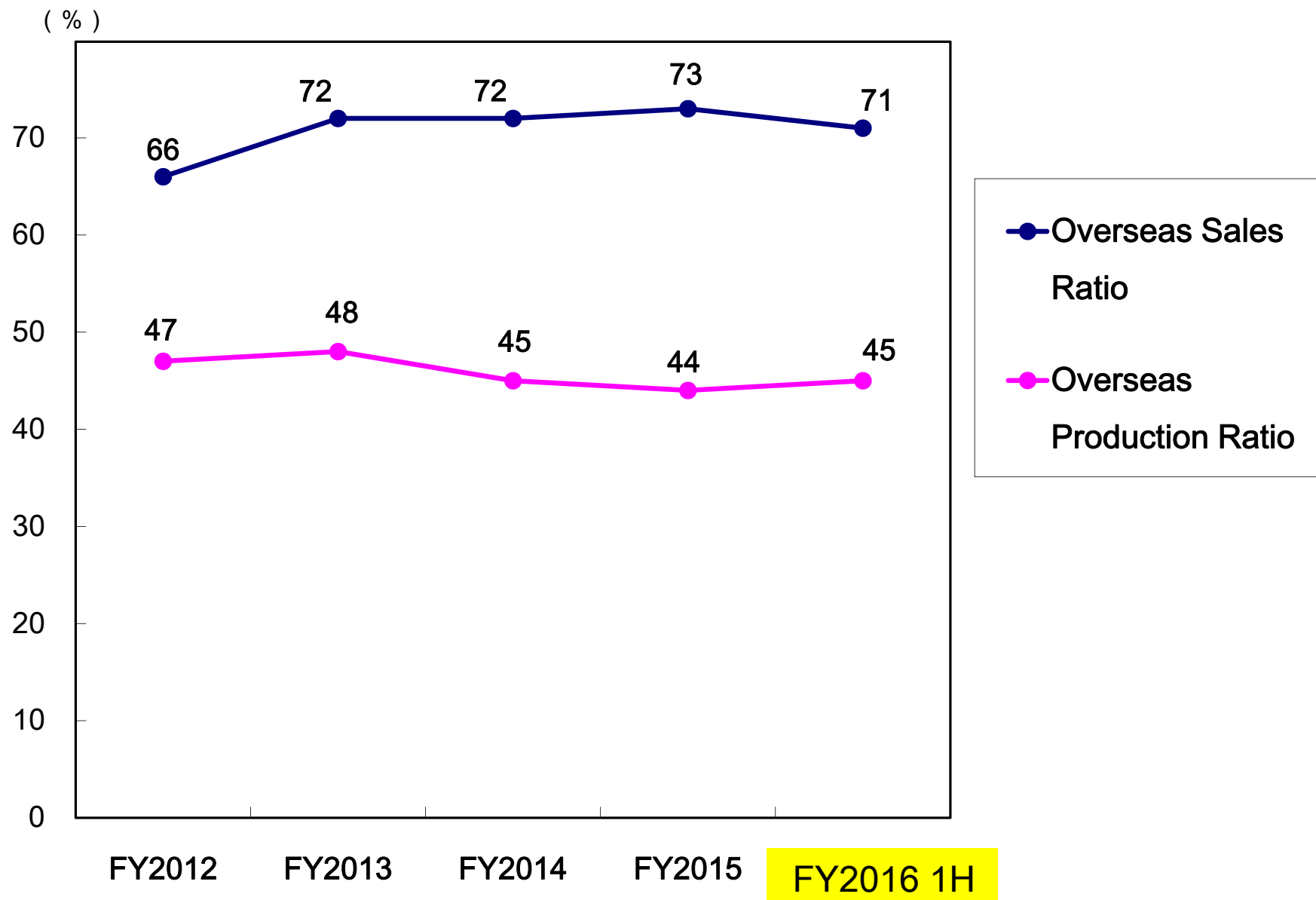


As this is in round number, please be noted that some ratio difference may occur. Thank you for your understanding.

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

*2 Wireless Communication - Smartphone / Mobile Phone not included.

Overseas Production and Sales Ratio



Changes in Consolidated Balance Sheet

(hundred millions of Yen)

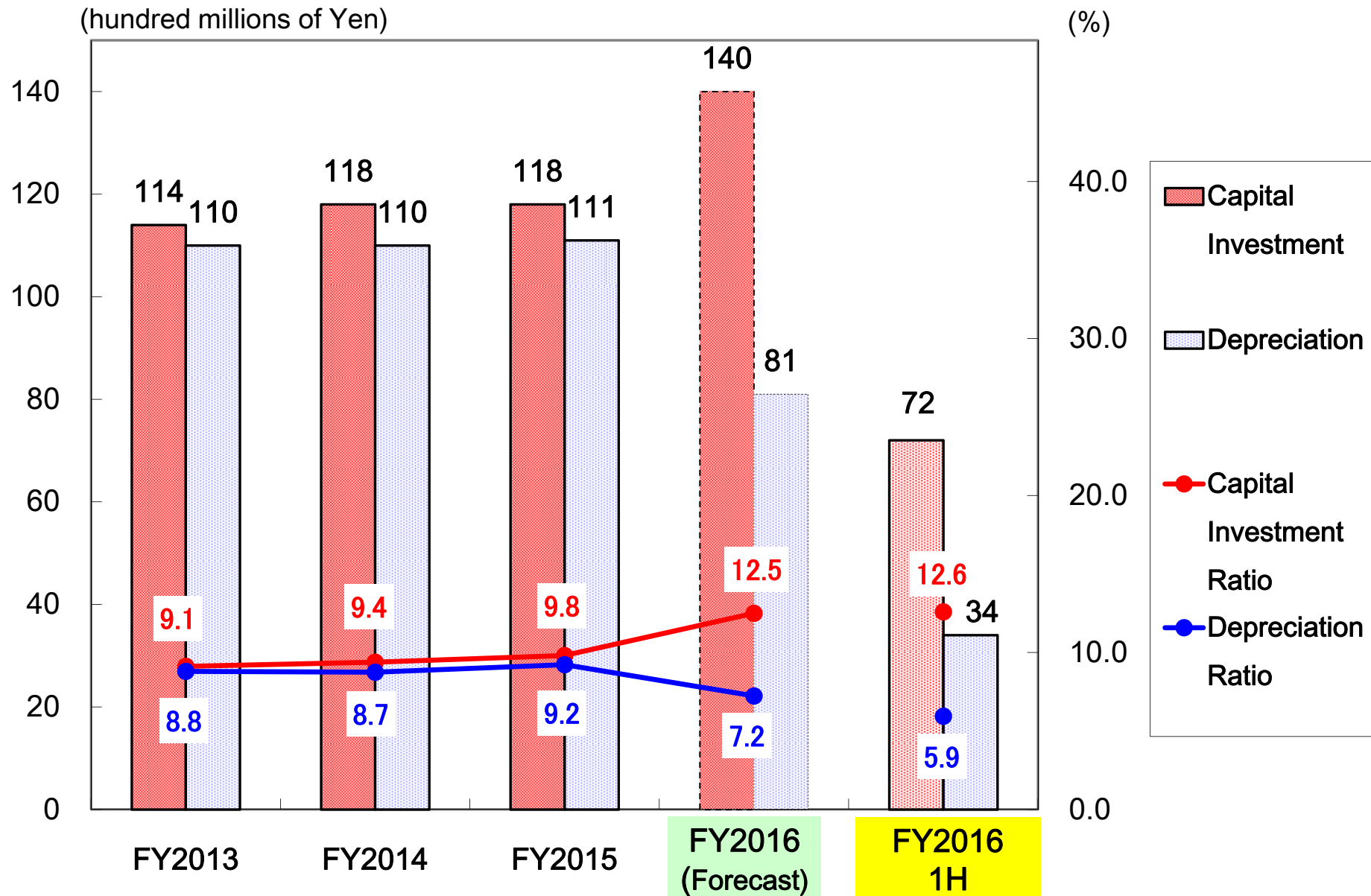
Account	(A) Mar 31, 2016	(B) Sep 30, 2016	(B) - (A)	Remark
Cash and Cash in Bank	1,647.5	1,772.6	125.1	Increase due to redemption of government bond, etc.
Trade Receivables	273.4	284.6	11.2	Increase due to sales increase in September
Securities	272.1	282.6	10.5	
Inventories	81.5	77.3	-4.2	
Noncurrent Assets	380.4	408.4	28.0	Increase in machinery, equipment, and metal molds,
Investment Securities	358.7	241.1	-117.6	Transfer to securities (short-term), etc.
Others	152.3	96.3	-56.0	
Total Assets	3,165.9	3,162.9	-3.0	

Changes in Consolidated Balance Sheet

(hundred millions of Yen)

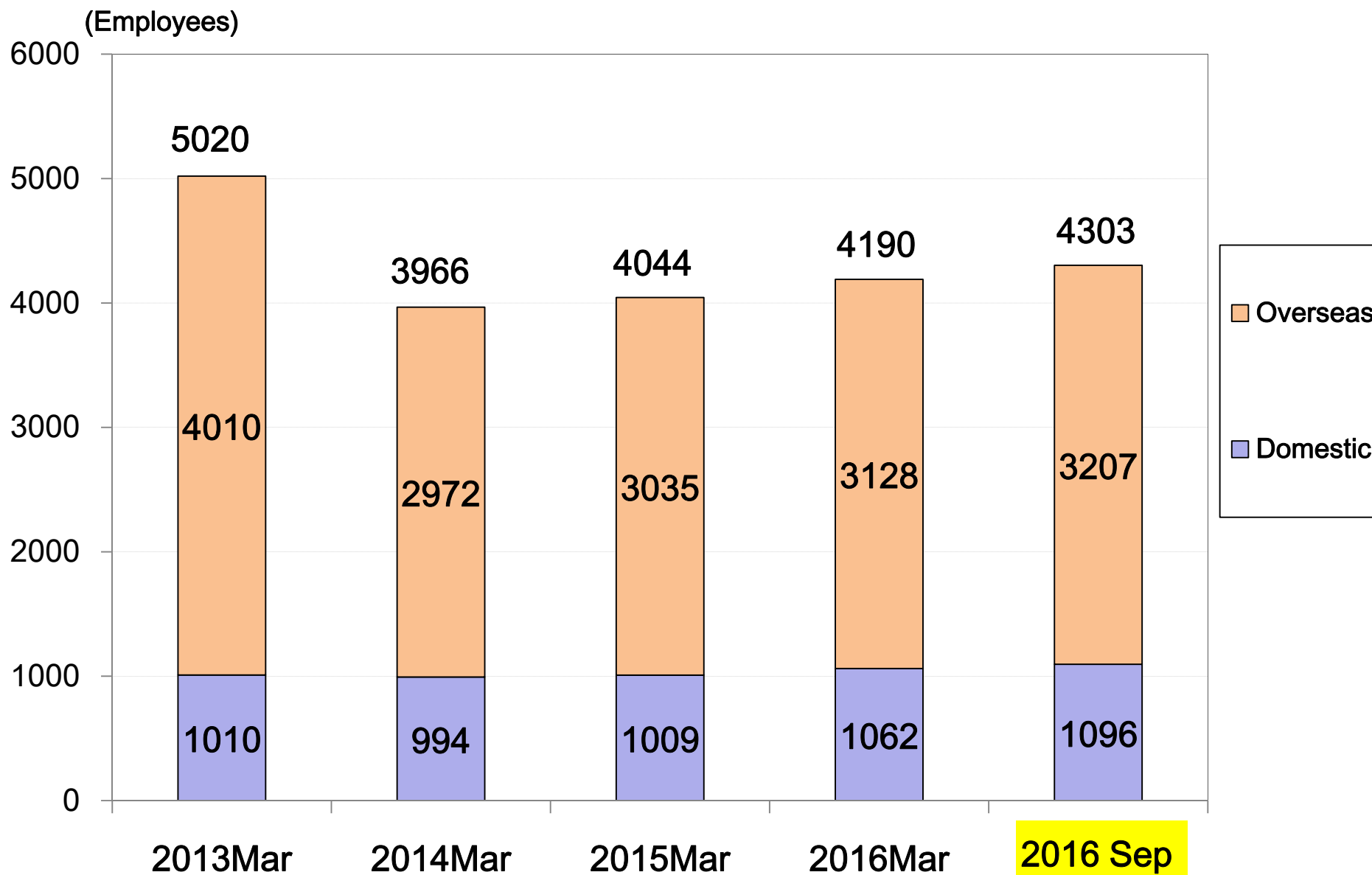
Account	(A) Mar 31, 2016	(B) Sep 30, 2016	(B) - (A)	Remark
Notes Payable and Account Payable	112.4	111.2	-1.2	
Income Taxes Payable	38.8	42.4	3.6	Tax payment
Others	156.4	158.0	1.6	
Total Liabilities	307.6	311.6	4.0	
Retained Earnings	3,085.3	3,144.6	59.3	Net profit 101.3 - Dividend 42.0
Treasury Stocks	-564.5	-564.5	0.0	
Valuation Variance	73.4	73.2	-0.2	
Translation Adjustment	56.9	-10.8	-67.7	Due to strong yen
Others	207.2	208.8	1.6	
Total Shareholders' Equity	2,858.3	2,851.3	-7.0	
Total Liabilities and Shareholders' Equity	3,165.9	3,162.9	-3.0	

Capital Investment and Depreciation Change (Consolidated Basis)

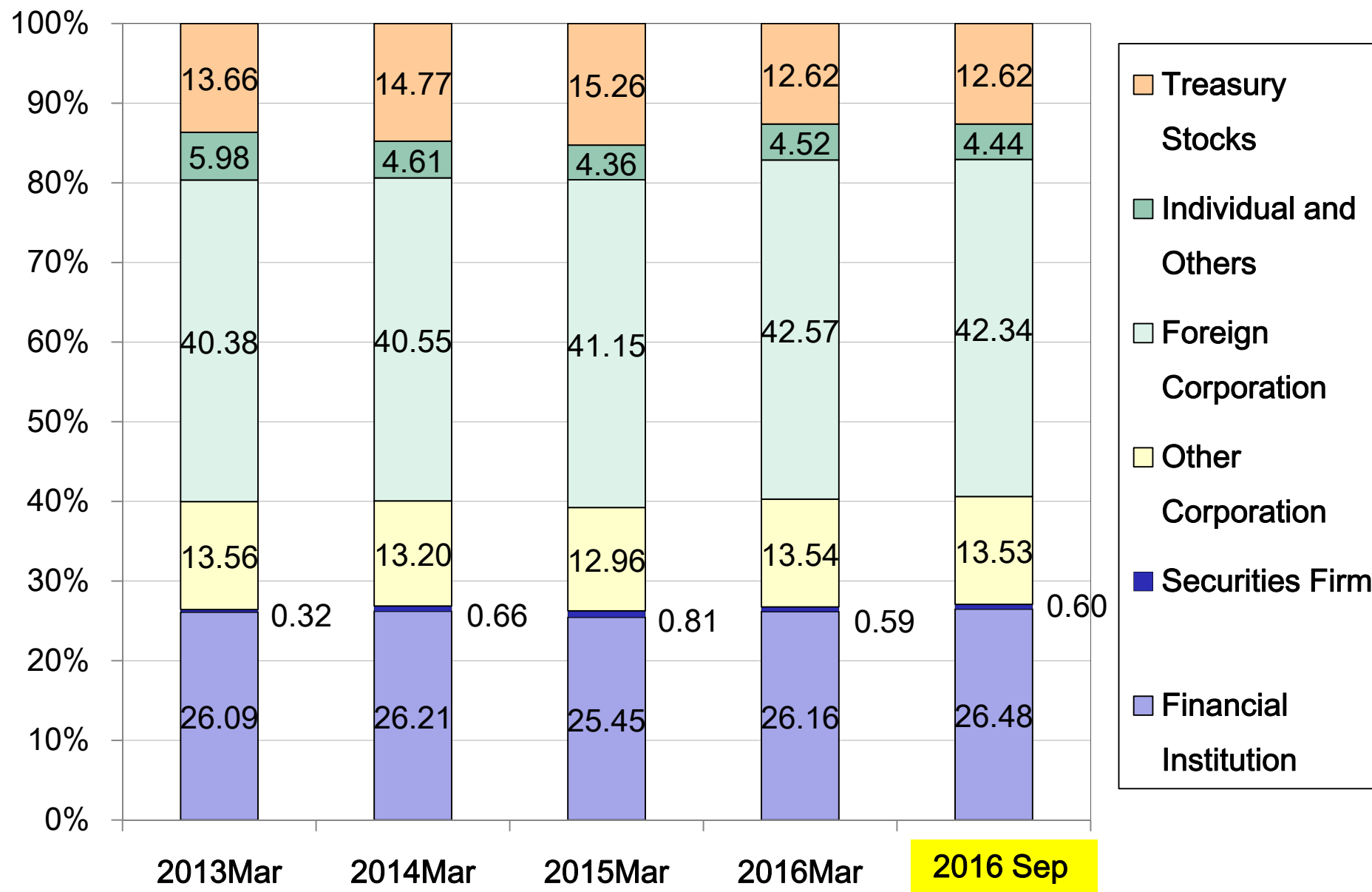


(*Excluded: Investment in land, building, software)

Number of Employees (Financial Report Basis)



Distribution of Shareholders



Business Forecast for the Year Ending March 31, 2017 (Consolidated)

No change from guidance announced on April 28th 2016

Currency rate as of 3Q: 1 US\$=102.5 yen (from 105 yen), 1 € = 113.5 yen (from 115 yen), 100 Won=9.10 yen (from 9.20 yen)

(hundred millions of Yen)

	FY2015 (FY ended Mar 31, 2016) Actual		FY2016 (FY ending Mar 31, 2017) Forecast		First Half Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	First Half	For the Year	First Half	For the Year	Amount Change	%	Amount Change	%
Sales (COGS)	612.3 <i>(53.9%)</i>	1,202.8 <i>(54.7%)</i>	571.8 <i>(53.4%)</i>	1,120.0 <i>(53.7%)</i>	-40.5	-6.6%	-82.8	-6.9%
Operating Profit (%)	152.6 <i>24.9%</i>	287.9 <i>23.9%</i>	142.9 <i>25.0%</i>	270.0 <i>24.1%</i>	-9.7	-6.3%	-17.9	-6.2%
Recurring Profit (%)	167.4 <i>27.3%</i>	305.2 <i>25.4%</i>	143.6 <i>25.1%</i>	280.0 <i>25.0%</i>	-23.8	-14.2%	-25.2	-8.2%
Net Profit (%)	116.9 <i>19.1%</i>	211.0 <i>17.5%</i>	101.3 <i>17.7%</i>	195.0 <i>17.4%</i>	-15.6	-13.4%	-16.0	-7.6%
Income Per Share	-	596.31Yen	-	557.62Yen	[Annual average currency rate]			
Dividend Per Share	120Yen	240Yen	120Yen	240Yen				
Consolidated Dividend Payout Ratio	-	40.2%	-	43.0%				

	FY2015 Actual	FY2016 Forecast (New)	On Jul/16H28/7	On Apr/16
1US\$	120.14Yen	103.89Yen	105.79Yen	108.00Yen
1€	132.58Yen	115.82Yen	116.75Yen	120.00Yen
100Won	10.42Yen	9.16Yen	9.23Yen	9.30Yen