



# Business Results of FY2016

*Creative Links to World Electronic*

May 9<sup>th</sup> , 2017

Hirose Electric Co.,Ltd

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## 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 FY2016

## [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 an 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.

## [3Q FY2016 (Oct – Dec)]

•Although Automotive and Industrial market trended steadily, sales for Smartphone market decreased by approximately 20% compared to 2Q FY2016. Total sales decreased as well.

## [4Q FY2016 (Jan – Mar)]

•Automotive market trended steadily. Smartphone market have increased slightly from 3Q. Industrial market overall trended steadily, lead by the good trend in FA related equipment.

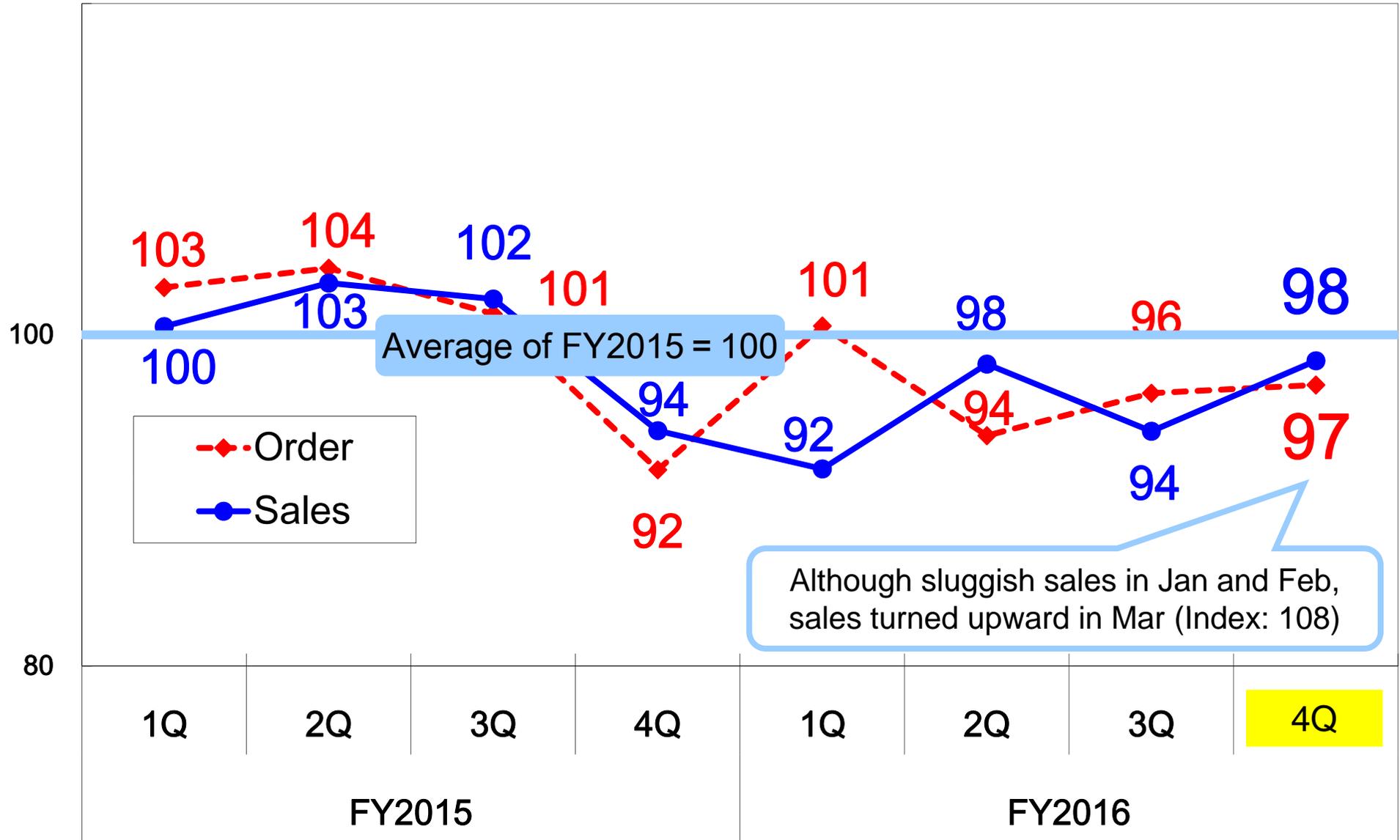
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## [FY2016 Annual Total (Apr – Mar)]

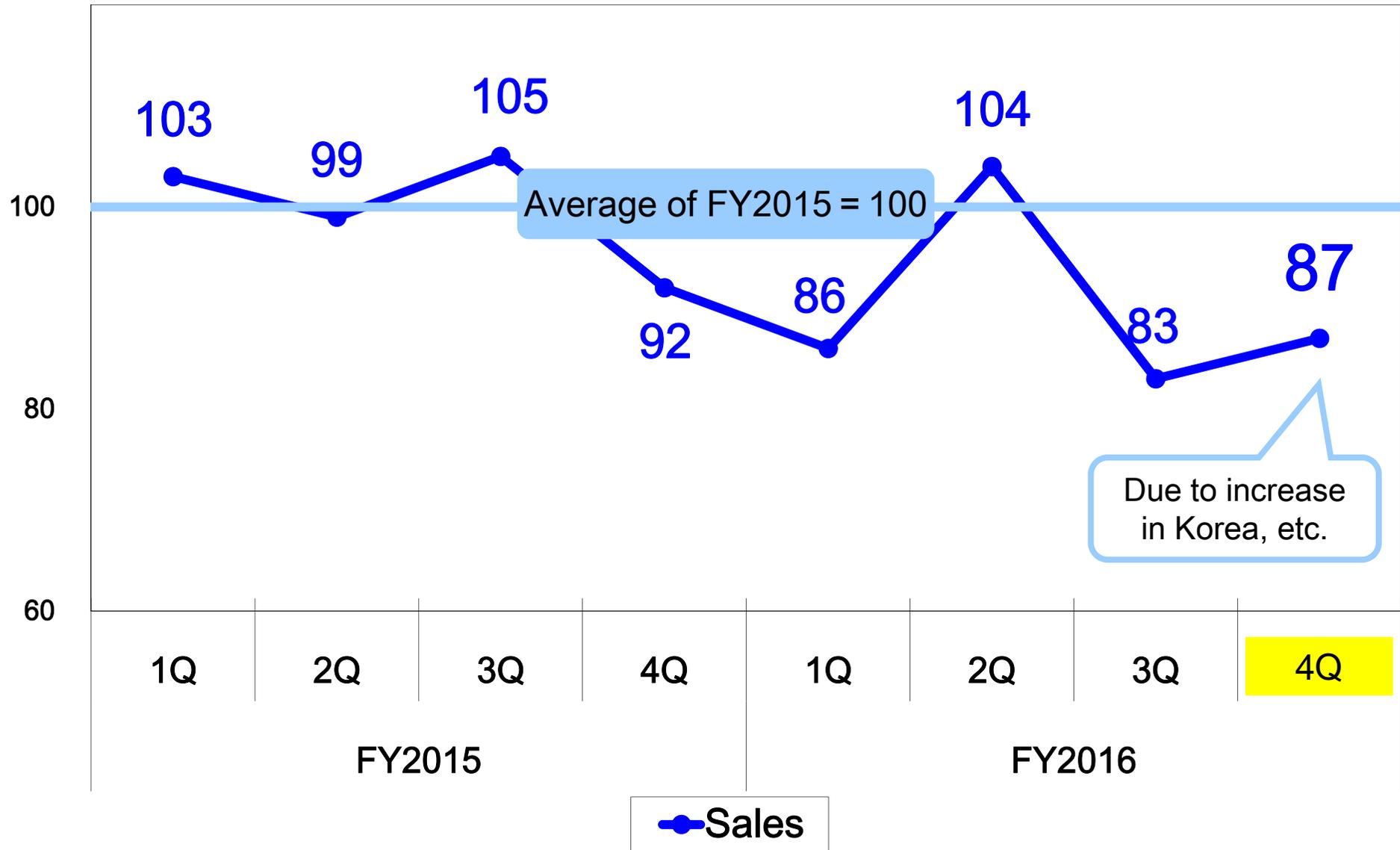
• **FY2016 Annual Total**  
Order 1,166.4 hundred million yen (-3.0% YoY), Sales 1,151.0 hundred million yen (-4.3% YoY), Recurring Profit 298.0 hundred million yen (Ratio 25.9%, -2.3% YoY).

FY2015 1Q – FY2016 4Q Orders and Sales (Consolidated Basis, Index Number)

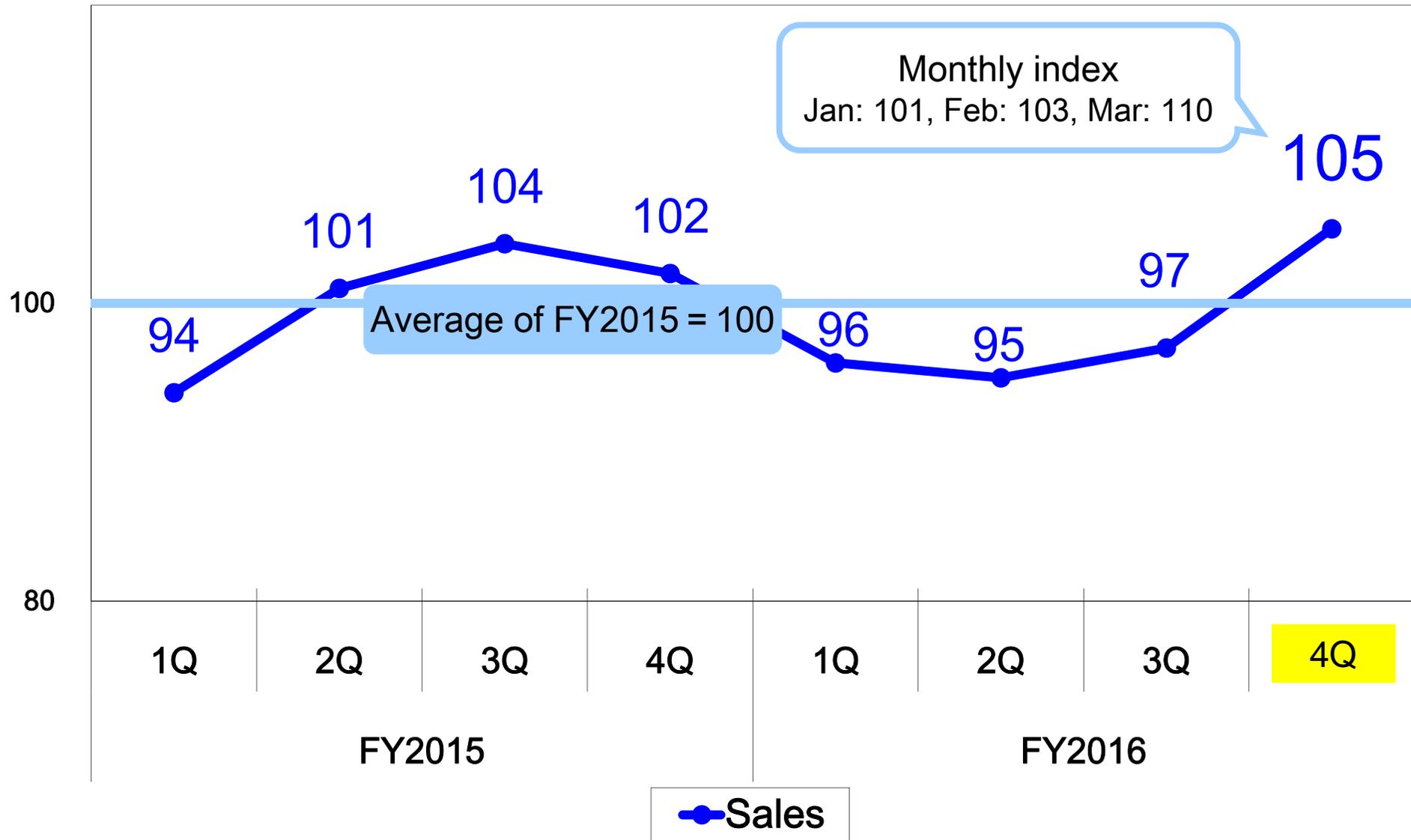
**Total**



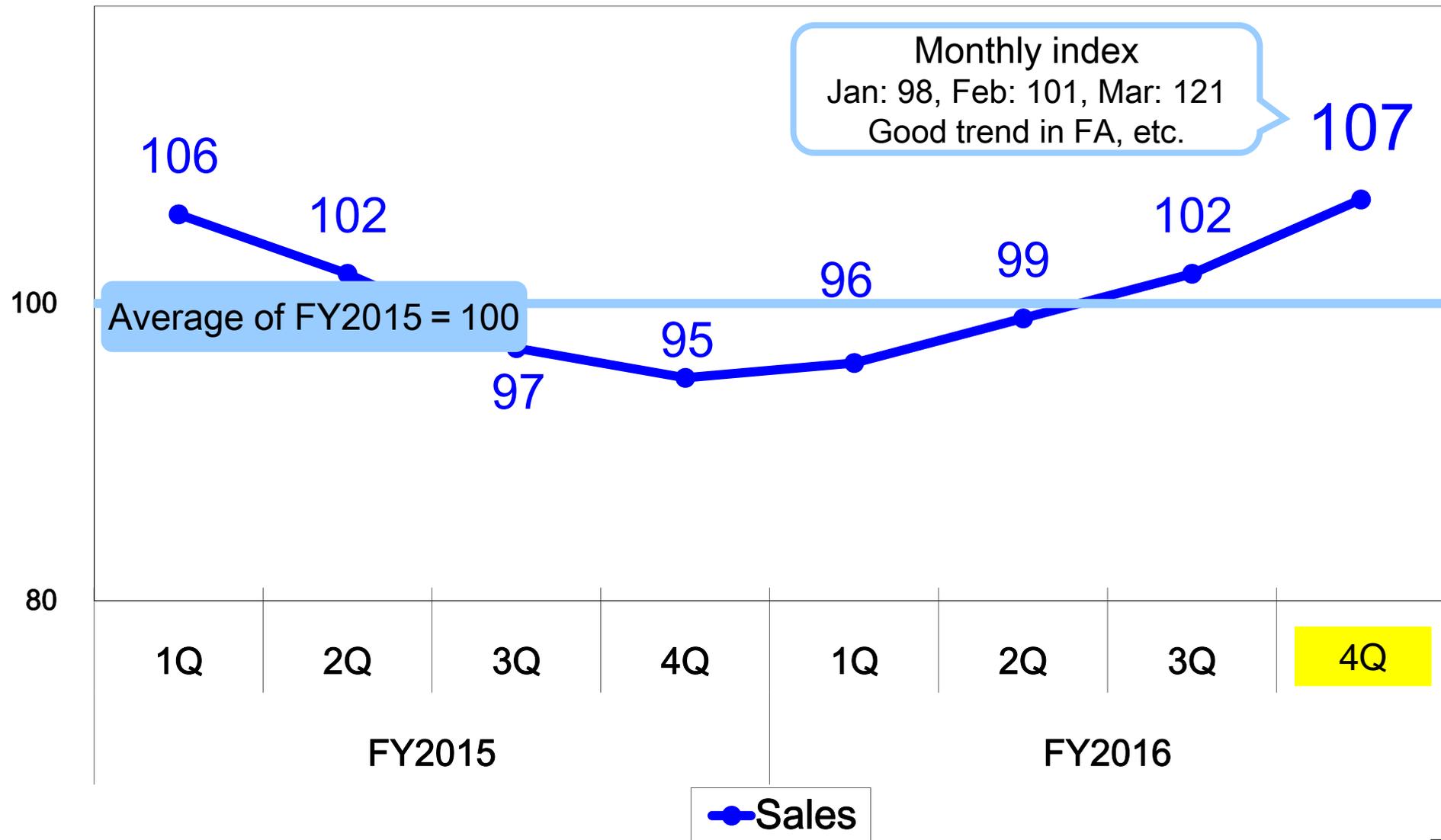
**Smartphone / Mobile**



**Automotive**



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



# Business Results for FY2016

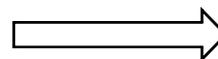
*note) figures in green italics: data announced on Jan 2017*

(hundred millions of Yen)

|                                     | (A)FY2015<br>(FY ended Mar31, 2016) | (B)FY2016<br>(FY ended Mar31, 2017) | (B)-(A)      | (B)/(A)      |
|-------------------------------------|-------------------------------------|-------------------------------------|--------------|--------------|
| <b>Sales</b>                        | <b>1,202.8</b>                      | <b>1,151.0</b>                      | <b>-51.8</b> | <b>-4.3%</b> |
| (COGS Ratio)                        | ( 54.7% )                           | ( 53.1% )                           | ( -1.6% )    |              |
| (SGA Ratio)                         | ( 21.3% )                           | ( 22.2% )                           | ( +0.9% )    |              |
| <b>Operating Profit</b>             | <b>287.9</b>                        | <b>284.8</b>                        | <b>-3.1</b>  | <b>-1.1%</b> |
| (%)                                 | 23.9%                               | 24.7%                               | ( +0.8% )    |              |
| <b>Recurring Profit</b>             | <b>305.2</b>                        | <b>298.0</b>                        | <b>-7.2</b>  | <b>-2.3%</b> |
| (%)                                 | 25.4%                               | 25.9%                               | ( +0.5% )    |              |
| <b>Net Profit</b>                   | <b>211.0</b>                        | <b>213.6</b>                        | <b>2.6</b>   | <b>1.2%</b>  |
| (%)                                 | 17.5%                               | 18.6%                               | ( +0.9% )    |              |
| <b>Total Assets</b>                 | <b>3,165.9</b>                      | <b>3,269.9</b>                      | <b>104.0</b> | <b>3.3%</b>  |
| <b>Shareholders' Equity Ratio</b>   | <b>90.2%</b>                        | <b>90.5%</b>                        |              |              |
| <b>Income Per Share</b>             | <b>596.3Yen</b>                     | <b>611.8Yen</b>                     |              |              |
| <b>Dividend Per Share</b>           | <b>240Yen</b>                       | <b>240Yen</b>                       |              |              |
| <b>Consolidated Dividend Payout</b> | <b>40.2%</b>                        | <b>39.2%</b>                        |              |              |

| Major changes over prior same period<br>(unit: hundred millions of Yen)   |                    |
|---|--------------------|
| [Sales]   | 51.8 decrease      |
| Hirose  | -13.8              |
| Subsidiaries  | -38.0              |
| [COGS Ratio]  | 1.6 point decrease |
| Purchase Cost Ratio   | 38.1% → 38.5%      |
| Depreciation Ratio  | 7.0% → 5.0%        |
| Labor Cost Ratio  | 5.6% → 5.5%        |
| [SGA Ratio]   | 0.9 point increase |
| Cost decreased (-1.3) but also sales decreased  |                    |
| [Non-Operating Profit]  |                    |
| Foreign Exchange Gain/Loss  | +2.3 → -2.1        |
| **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) |                    |
|   | 34.1               |

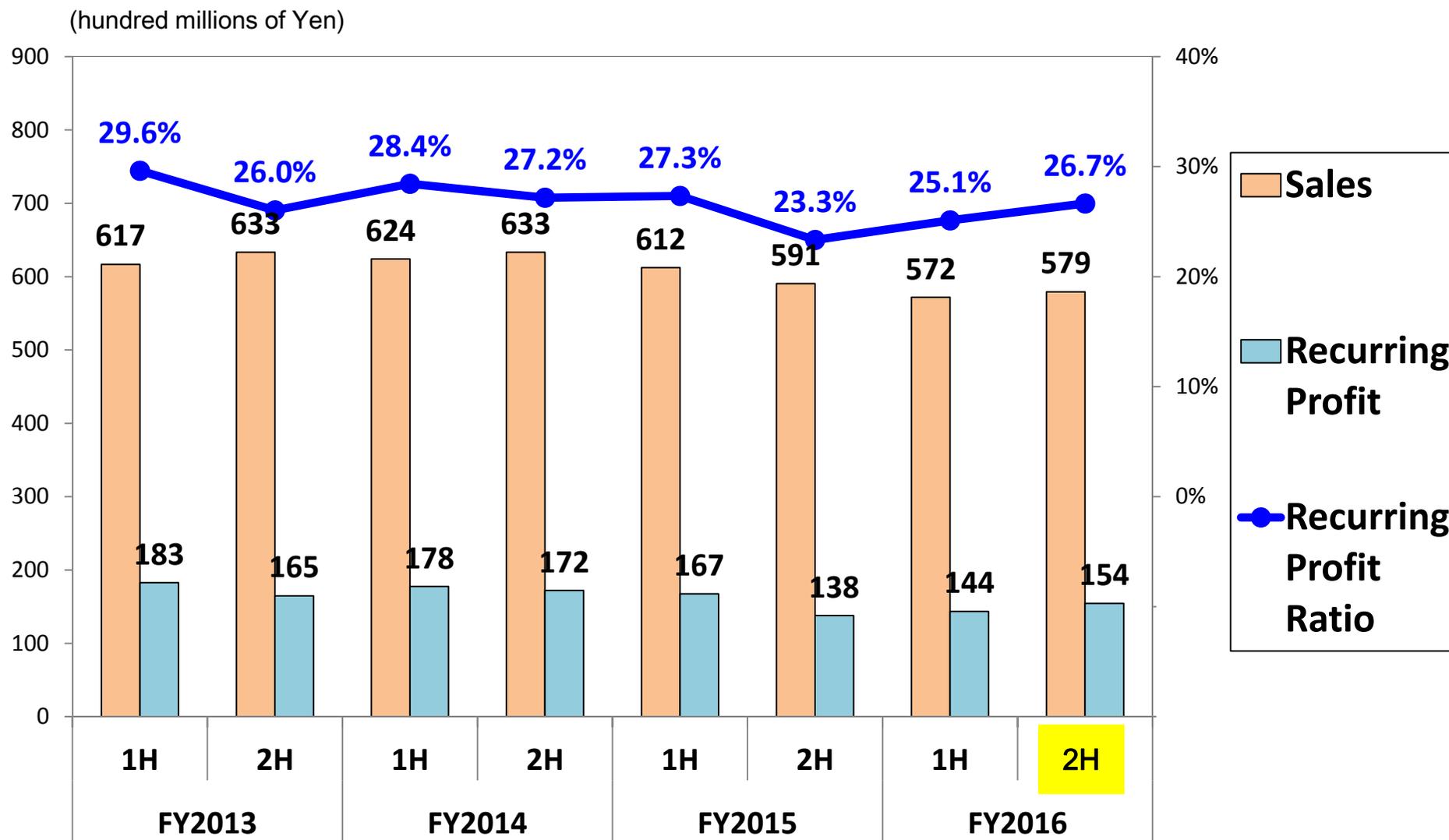
|                       |           |           |
|-----------------------|-----------|-----------|
| Currency Rate: US\$   | 120.14Yen | 108.38Yen |
| Currency Rate: €      | 132.58Yen | 118.79Yen |
| Currency Rate: 100Won | 10.42Yen  | 9.45Yen   |



(hundred millions of Yen)

| YoY Currency effect amount |       |
|----------------------------|-------|
| Sales                      | -91.0 |
| Operating Profit           | -50.2 |
| Recurring Profit           | -56.0 |

# Sales and Profits by Half-Year



# Changes in Consolidated Balance Sheet

(hundred millions of Yen)

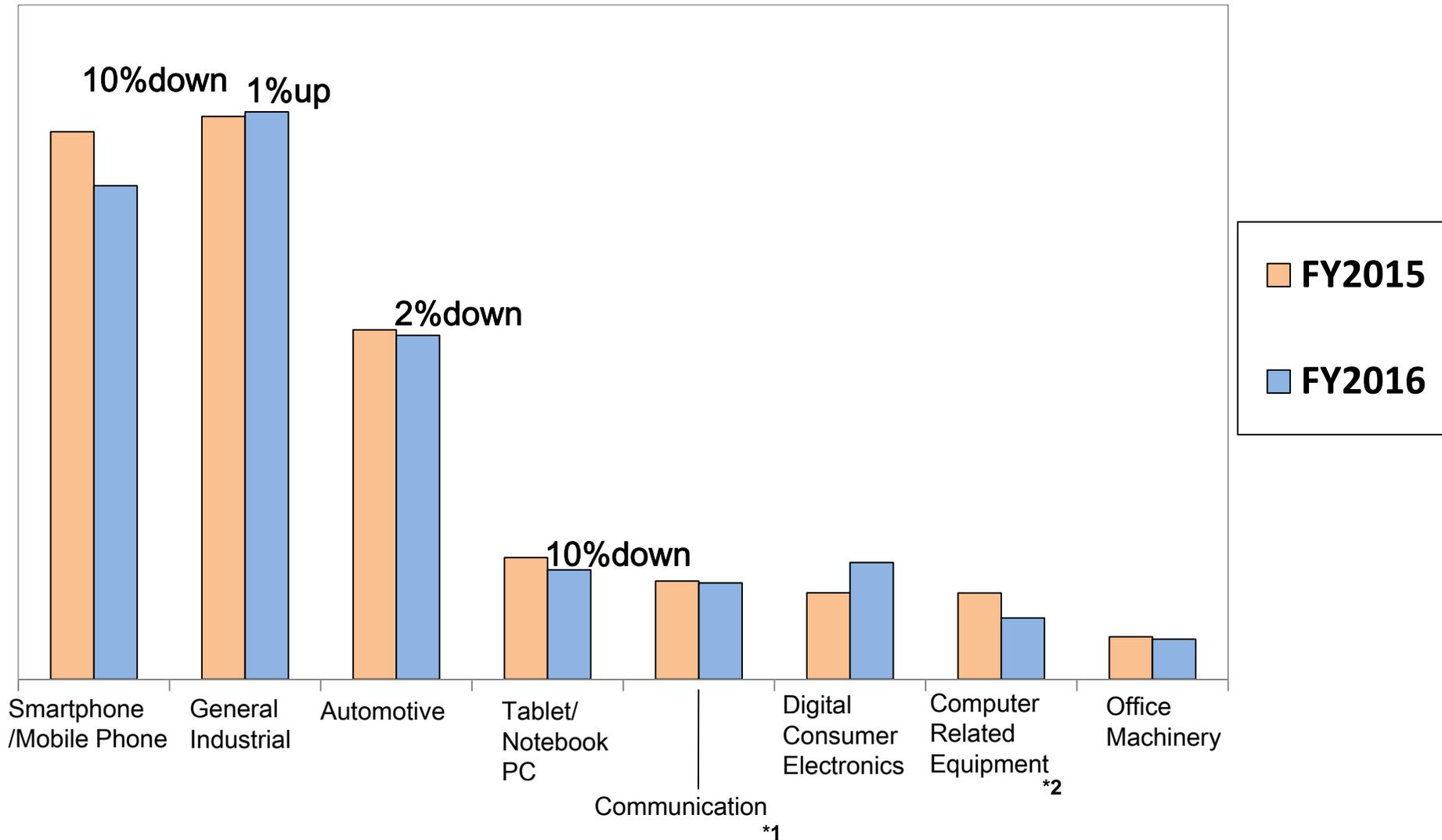
| Account               | (A) Mar 31, 2016 | (B) Mar 31, 2017 | (B) - (A)    | Remark  |
|-----------------------|------------------|------------------|--------------|---|
| Cash and Cash in Bank | <b>1,647.5</b>   | <b>1,852.5</b>   | <b>205.0</b> | Increase due to government bond redemption, etc.        |
| Trade Receivables     | <b>273.4</b>     | <b>284.9</b>     | <b>11.5</b>  | Increase due to sales increase in Mar/2017              |
| Securities            | <b>272.1</b>     | <b>218.9</b>     | <b>-53.2</b> |   |
| Inventories           | <b>81.5</b>      | <b>88.9</b>      | <b>7.4</b>   |   |
| Noncurrent Assets     | <b>380.4</b>     | <b>455.9</b>     | <b>75.5</b>  | Increase in machinery, equipment, and metal molds, etc. |
| Investment Securities | <b>358.7</b>     | <b>264.5</b>     | <b>-94.2</b> | Transfer to securities (short-term), etc.               |
| Others                | <b>152.3</b>     | <b>101.4</b>     | <b>-50.9</b> |   |
| <b>Total Assets</b>   | <b>3,165.9</b>   | <b>3,267.0</b>   | <b>101.1</b> |   |

# Changes in Consolidated Balance Sheet

(hundred millions of Yen)

| Account   | (A) Mar 31, 2016 | (B) Mar 31, 2017 | (B) - (A)    | Remark                           |
|---|------------------|------------------|--------------|----------------------------------|
| Notes Payable and Account Payable                 | 112.4            | 113.9            | 1.5          |                                  |
| Income Taxes Payable                              | 38.8             | 37.6             | -1.2         | Tax payment                      |
| Others  | 156.4            | 152.5            | -3.9         |                                  |
| <b>Total Liabilities</b>                          | <b>307.6</b>     | <b>304.0</b>     | <b>-3.6</b>  |                                  |
| Retained Earnings                                 | 3,085.3          | 3,214.9          | 129.6        | Net profit 213.5 - Dividend 83.9 |
| Treasury Stocks                                   | -564.5           | -589.0           | -24.5        | Share buyback 200,000 shares     |
| Valuation Variance                                | 73.4             | 73.7             | 0.3          |                                  |
| Translation Adjustment                            | 56.9             | 53.1             | -3.8         | Due to strong yen                |
| Others  | 207.2            | 210.3            | 3.1          |                                  |
| <b>Total Shareholders' Equity</b>                 | <b>2,858.3</b>   | <b>2,963.0</b>   | <b>104.7</b> |                                  |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>3,165.9</b>   | <b>3,267.0</b>   | <b>101.1</b> |                                  |

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

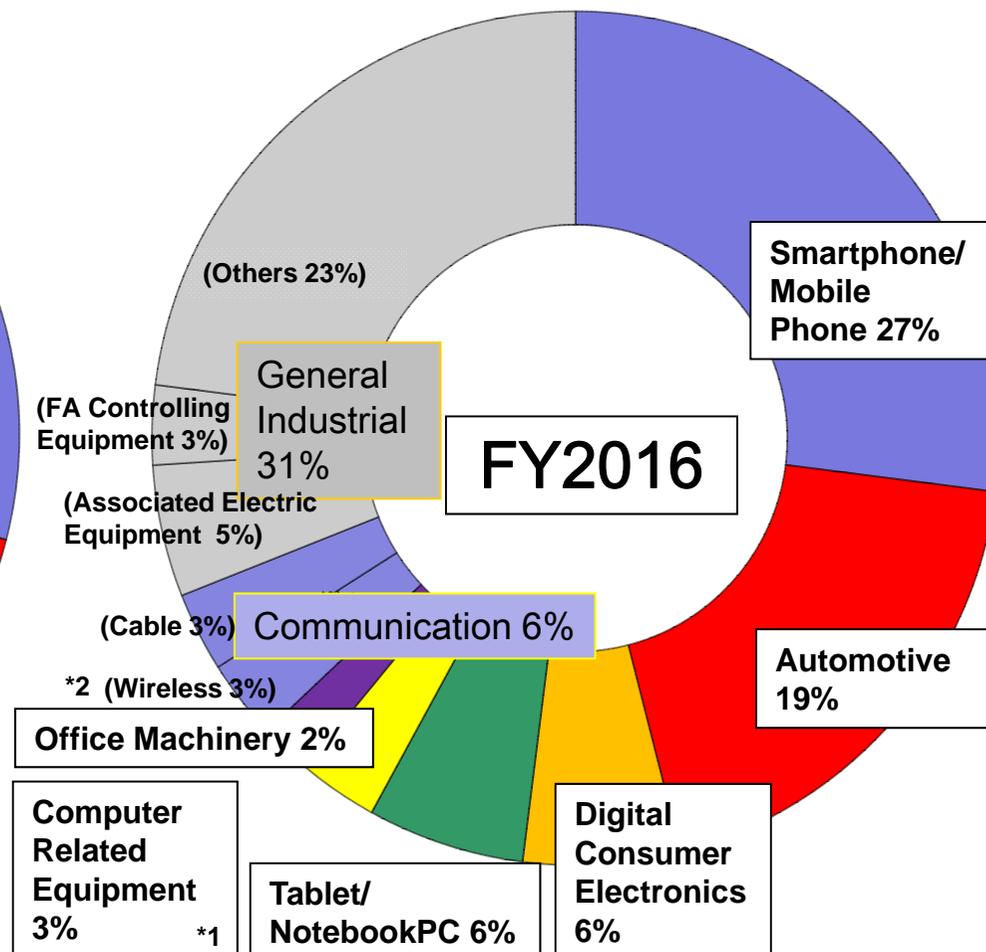
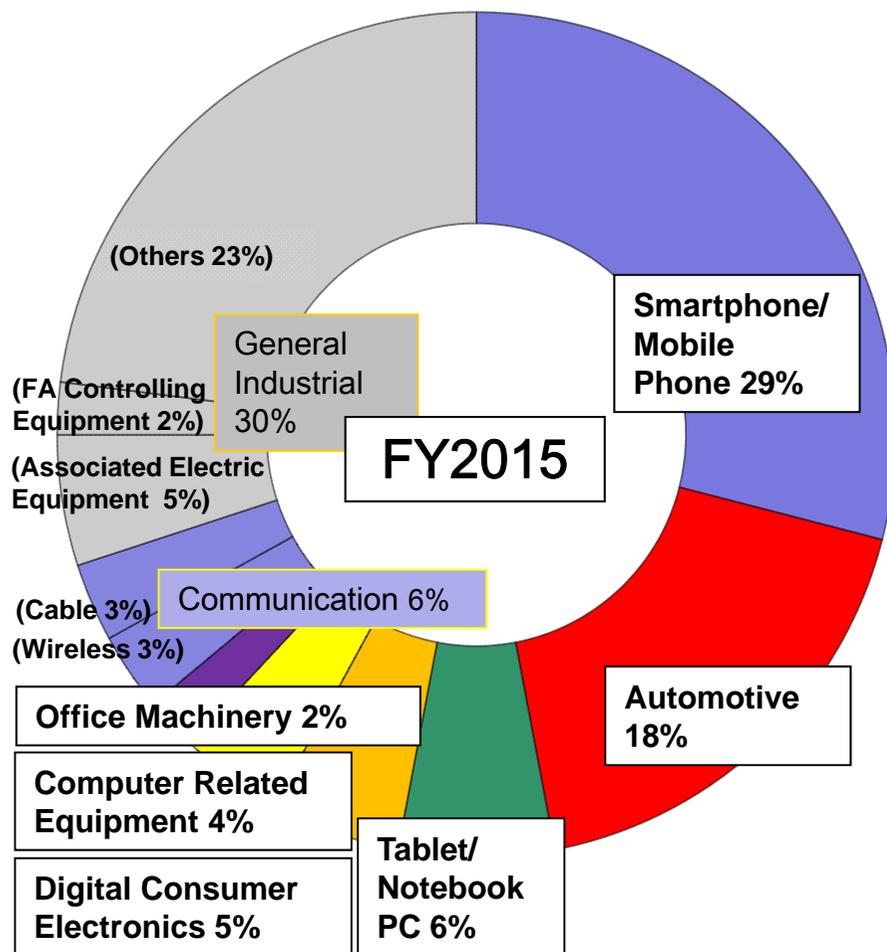


As this is in round number, please be noted that some ratio difference may occur. Thank you for your understanding.

\*1 Communication - Smartphone / Mobile Phone not included.

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

# Sales by Application (round number) (Consolidated Basis)

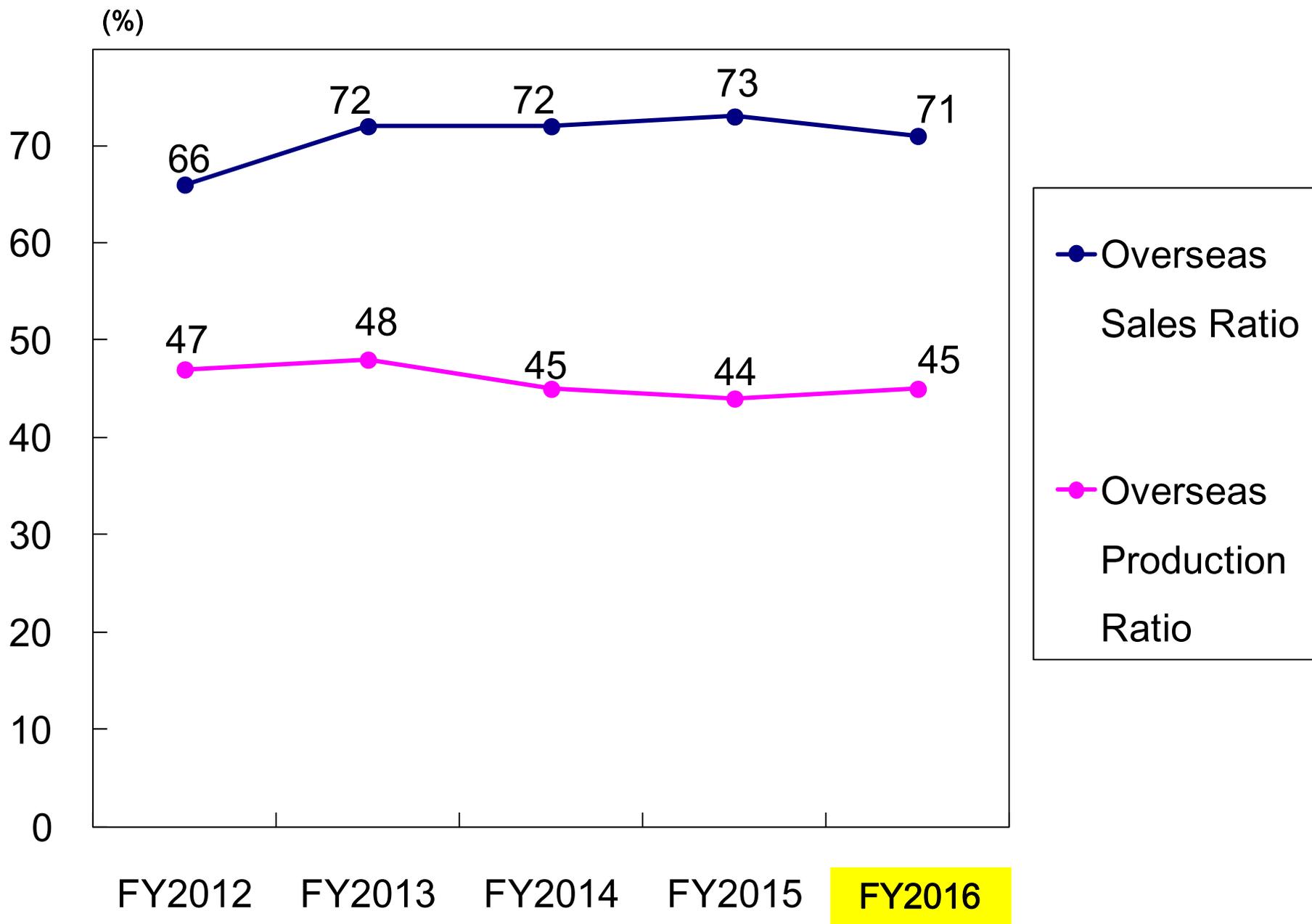


As this is in round number, please be noted that some ratio difference may occur. Thank you for your understanding.

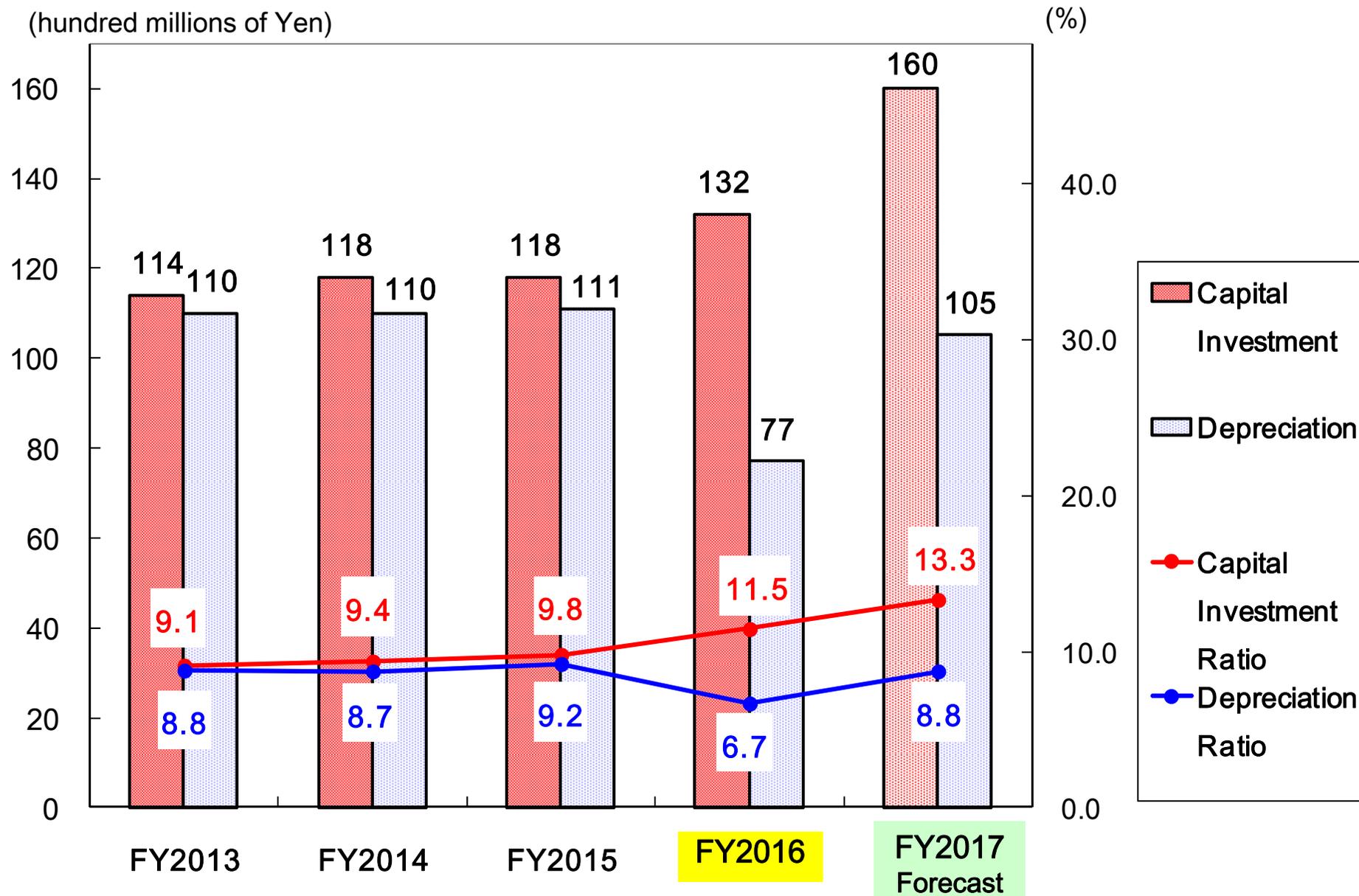
\*1 Computer Related Equipment – Tablet/Notebook PC not included.

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

# Overseas Production and Sales Ratio

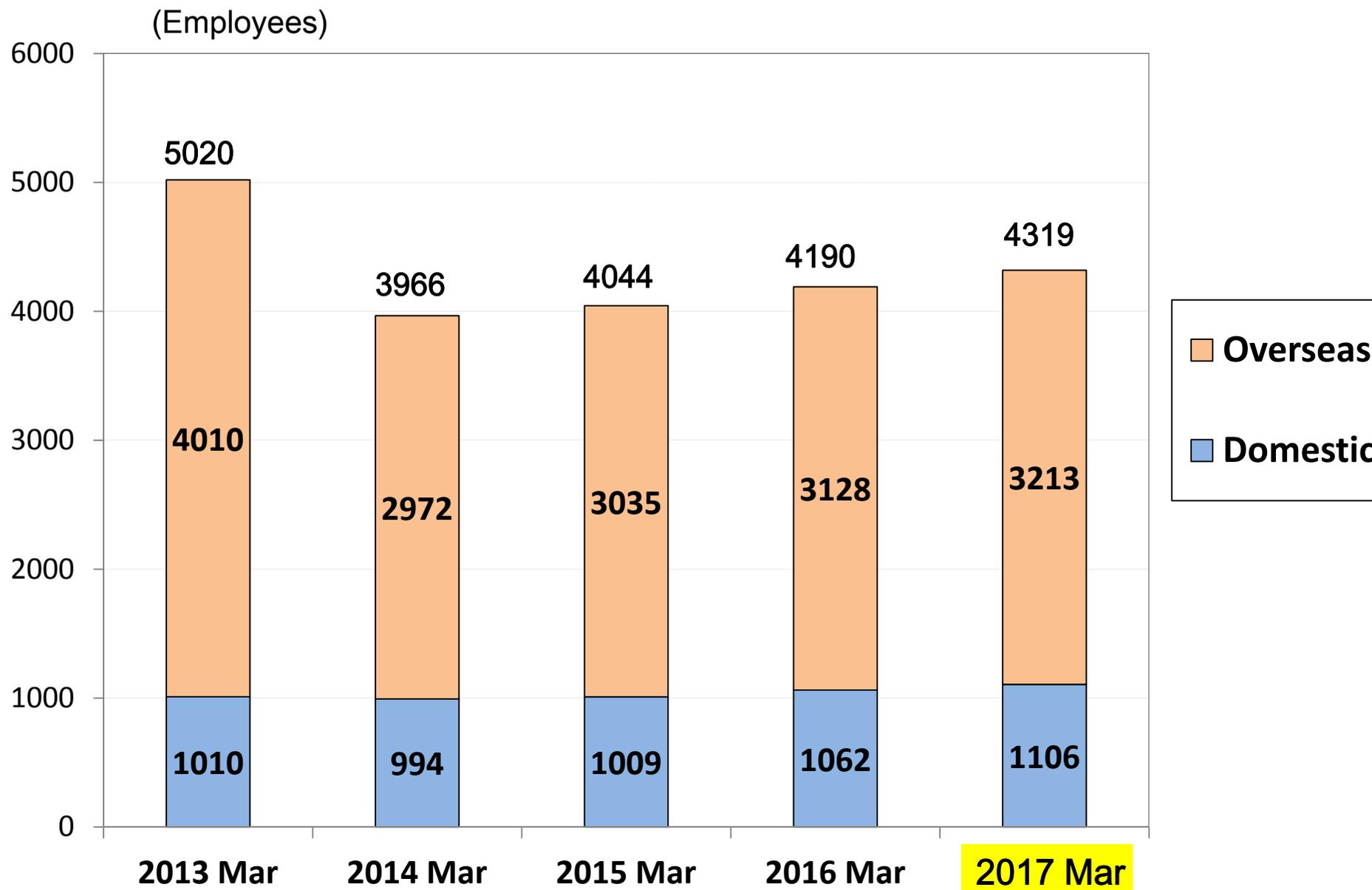


# Capital Investment and Depreciation Change (Consolidated Basis)

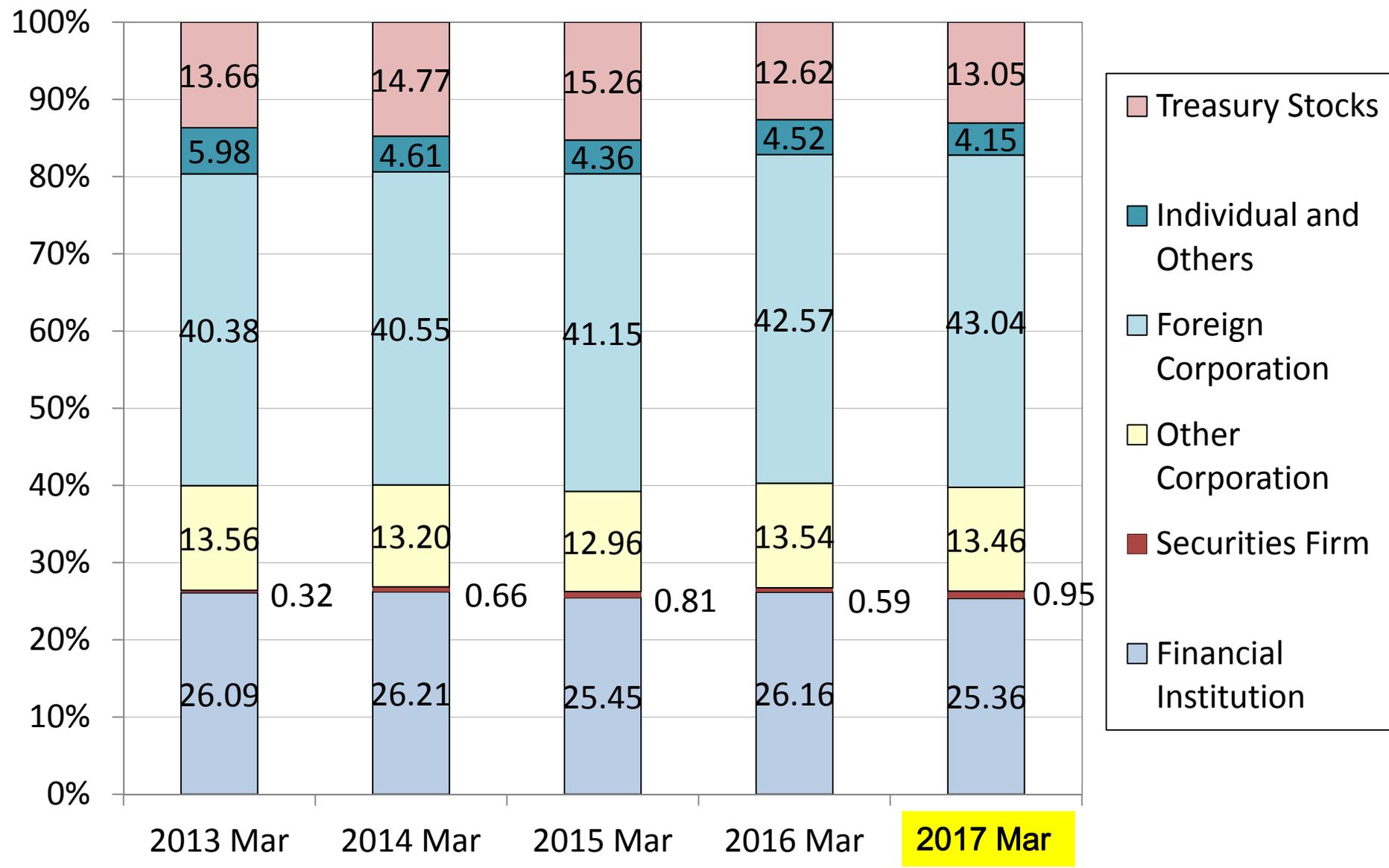


(\*Excluded: Investment in land, building, software)

# Number of Employees (Financial Report Basis)



# Distribution of Shareholders



# Business Forecast for the Year Ending March 31, 2018 (Consolidated)

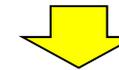
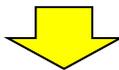
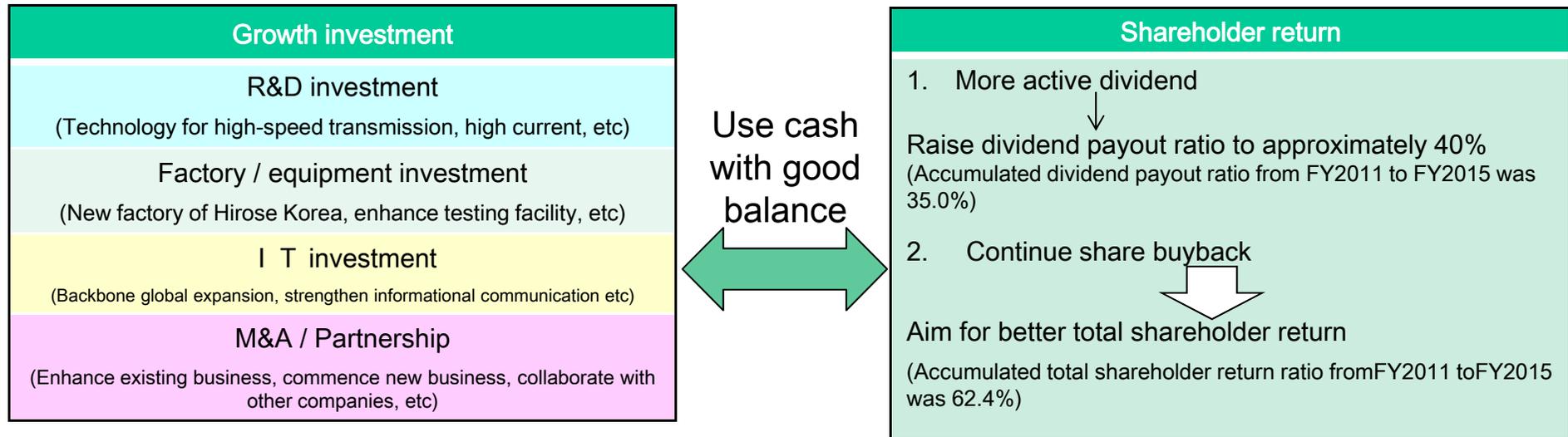


(hundred millions of Yen)

|                                    | FY2016 (FY ended Mar31, 2017)<br>Actual |                                  | FY2017 (FY ending Mar31, 2018)<br>Forecast |                                  | First Half<br>Over the Previous Actual Amount  |              | For the<br>Over the Previous Actual Amount |              |                 |               |                 |       |           |           |    |           |           |         |         |         |
|------------------------------------|---|----------------------------------|--|----------------------------------|--|--------------|--|--------------|-----------------|---------------|-----------------|-------|-----------|-----------|----|-----------|-----------|---------|---------|---------|
|                                    | First Half                              | For the Year                     | First Half                                 | For the Year                     | Amount<br>Change   | %            | Amount<br>Change                           | %            |                 |               |                 |       |           |           |    |           |           |         |         |         |
| <b>Sales</b><br>(COGS)             | <b>571.8</b><br><i>(53.4%)</i>          | <b>1,151.0</b><br><i>(53.1%)</i> | <b>600.0</b><br><i>(53.4%)</i>             | <b>1,200.0</b><br><i>(53.4%)</i> | <b>28.2</b>  | <b>4.9%</b>  | <b>49.0</b>                                | <b>4.3%</b>  |                 |               |                 |       |           |           |    |           |           |         |         |         |
| <b>Operating Profit</b><br>(%)     | <b>142.9</b><br><i>25.0%</i>            | <b>284.8</b><br><i>24.7%</i>     | <b>142.0</b><br><i>23.7%</i>               | <b>283.0</b><br><i>23.6%</i>     | <b>-0.9</b>  | <b>-0.6%</b> | <b>-1.8</b>                                | <b>-0.6%</b> |                 |               |                 |       |           |           |    |           |           |         |         |         |
| <b>Recurring Profit</b><br>(%)     | <b>143.6</b><br><i>25.1%</i>            | <b>298.0</b><br><i>25.9%</i>     | <b>146.0</b><br><i>24.3%</i>               | <b>293.0</b><br><i>24.4%</i>     | <b>2.4</b>   | <b>1.7%</b>  | <b>-5.0</b>                                | <b>-1.7%</b> |                 |               |                 |       |           |           |    |           |           |         |         |         |
| <b>Net Profit</b><br>(%)           | <b>101.3</b><br><i>17.7%</i>            | <b>213.6</b><br><i>18.6%</i>     | <b>102.0</b><br><i>17.0%</i>               | <b>205.0</b><br><i>17.1%</i>     | <b>0.7</b>   | <b>0.7%</b>  | <b>-8.6</b>                                | <b>-4.0%</b> |                 |               |                 |       |           |           |    |           |           |         |         |         |
| Income Per Share                   | -                                       | 611.81Yen                        | -  | 589.14Yen                        | <table border="1"> <thead> <tr> <th>[Currency Rate]</th> <th>FY2016 Actual</th> <th>FY2017 Forecast</th> </tr> </thead> <tbody> <tr> <td>1US\$</td> <td>108.38Yen</td> <td>110.00Yen</td> </tr> <tr> <td>1€</td> <td>118.79Yen</td> <td>120.00Yen</td> </tr> <tr> <td>100 Won</td> <td>9.45Yen</td> <td>9.80Yen</td> </tr> </tbody> </table> |              |  |              | [Currency Rate] | FY2016 Actual | FY2017 Forecast | 1US\$ | 108.38Yen | 110.00Yen | 1€ | 118.79Yen | 120.00Yen | 100 Won | 9.45Yen | 9.80Yen |
| [Currency Rate]                    | FY2016 Actual                           | FY2017 Forecast                  |  |                                  |  |              |  |              |                 |               |                 |       |           |           |    |           |           |         |         |         |
| 1US\$                              | 108.38Yen                               | 110.00Yen                        |  |                                  |  |              |  |              |                 |               |                 |       |           |           |    |           |           |         |         |         |
| 1€                                 | 118.79Yen                               | 120.00Yen                        |  |                                  |  |              |  |              |                 |               |                 |       |           |           |    |           |           |         |         |         |
| 100 Won                            | 9.45Yen                                 | 9.80Yen                          |  |                                  |  |              |  |              |                 |               |                 |       |           |           |    |           |           |         |         |         |
| Dividend Per Share                 | <b>120Yen</b>                           | <b>240Yen</b>                    | <b>240Yen</b>                              | <b>480Yen</b>                    |  |              |  |              |                 |               |                 |       |           |           |    |           |           |         |         |         |
| Consolidated Dividend Payout Ratio | -                                       | <b>39.2%</b>                     | -  | <b>81.5%</b>                     |  |              |  |              |                 |               |                 |       |           |           |    |           |           |         |         |         |

\*\*HRS's 80<sup>th</sup> anniversary commemorative dividend (240 yen/share annually) is included in FY2017 Dividend Per Share 18

We will use cash prioritizing investment based on medium-term growth strategy and then aim for better shareholder return



**[Actual result of FY2016]**

- Started utilizing HIROSE KOREA Precision Connector Center (Jan/2017)

**[Plan of FY2017]**

- Continue investment for new product development (especially for automotive)
- Expand and improve equipment for testing and assessment
- Continue IT investment

**[Actual result of FY2016]**

- Conducted dividend payout ratio of 39.2%, share buyback of 2.74billion yen (200,000 shares)  
 → Total shareholder return ratio 52.1%

**[Plan of FY2017]**

- Conduct commemorative dividend to celebrate HIROSE ELECTRIC's 80th anniversary → dividend payout ratio 81.5%

# Change in Personnel (Scheduled on Jun 27<sup>th</sup>, 2017)

## 1. Directors

| Title   | Name                                  |
|---|---------------------------------------|
| President and Representative Director   | Kazunori Ishii<br>(Reappointed)       |
| Managing Director, General Manager, Engineering Div. and in charge of Production Div.             | Mitsuo Nakamura<br>(Reappointed)      |
| Managing Director, General Manager, Sales&Marketing Div.  | Makoto Kondo<br>(Reappointed)         |
| Director, General Manager, Administration Div.  | Kazuyuki Iizuka<br>(Reappointed)      |
| Director, Deputy General Manager, Engineering Div.  | Hiroaki Okano<br>(Reappointed)        |
| Director, General Manager, Production Div. and in charge of Quality Control dept. Production Div. | Yukio Kiriya<br>(Reappointed)         |
| Outside Director  | Kensuke Hotta<br>(Reappointed)        |
| Outside Director  | Tetsuji Motonaga<br>(Newly appointed) |

(1) Outside Director will be two persons system (2) Director's term of office will become 1 year

## 2. Auditor

(conventionally 2 years)

| Title                       | Name               |
|-----------------------------|--------------------|
| Full-time Corporate Auditor | Yoshikazu Chiba    |
| Outside Corporate Auditor   | Terukazu Sugishima |
| Outside Corporate Auditor   | Akira Seshimo      |
| Outside Corporate Auditor   | Kentaro Miura      |