

Announcement of Allotment of Share without Contribution

January 30, 2018

Hirose Electric (“the Company”) announced that, at the Board of Directors’ meeting held on January 30, 2018, the Company resolved conduct allotment of share without contribution utilizing the Company-owned treasury stock based on Article 185 of the Companies Act.

1. Purpose of the Allotment of Share without Contribution

The Company recognizes returning profit to shareholders as one of the most important management issue, and the basic policy is to secure necessary internal reserves to strengthen management foundation as well as continue a stable dividend payout. Under this policy, in addition to dividend to shareholders, the Company has been buying back share in the past, with the purpose of enhancing shareholder returns and improving capital efficiency, as well as enabling flexible capital policy that corresponds to the changes in management environment.

On the other hand, as of December 31, 2017, the Company owns 5,177,095 treasury stocks, which accounts to 12.9% of the total number of share the Company issued. Should the Company continue to buy back from general shareholders through stock market, there is concern that the number of outstanding share will decrease and impact the share liquidity in the future. Therefore it has been recognized as an important management issue to continue returning to shareholder while maintaining outstanding share in order to ensure liquidity to improve corporate value.

Due to reasons above, the Company has resolved to conduct allotment of share without contribution in order to utilize the Company-owned treasury stock efficiently, and return benefit to shareholders as well as increase the Company share liquidity, and widen the range of investors.

Allotment of share without contribution is a system based on Article 185 of the Companies Act, which enables the Company to allot the Company shares to shareholders without additional payment. Unlike share split, the treasury stock owned by the Company will not be subject to the allotment.

Moreover, the Company share issued on the allotment to shareholders will all be allotted from the treasury stock owned by the Company.

Furthermore, no special procedures will be needed for shareholders, as all the procedure will be completed by the Company, each Securities Company, Japan Securities Depository Center, and Sumitomo Mitsui Trust Bank Ltd (“Sumitomo Mitsui Trust”) which is the shareholder registry administrator.

Sumitomo Mitsui Trust will send a notification regarding the allotment by the end of April 2018.

2. Outline of Allotment of Share without Contribution

(1) Outline of Allotment without Contribution

March 31, 2018 (Sat) (actually, March 30, 2018 (Fri)) will be the record date. The Company’s treasury stock will be allotted without contribution with the ratio of 0.05 common share per each common share owned by shareholders listed or recorded in the final shareholder registry of the record date.

(2) The Situation of shares issued by the Allotment without Contribution

- ① Total number of share issued before the allotment: 40,020,736 shares
- ② Number of treasury stock that does not perform allotment: 5,177,095 shares
- ③ Total number of treasury stock issued on the allotment: 1,742,182 share
- ④ Total number of share issued after the allotment: 40,020,736 share

Note) The above is based on shares as of December 31, 2017, and there is a possibility of change in Number of treasury stock that does not perform allotment of shares and Total number of treasury stock issued on the allotment, should there be share buyback or cancellation, or exercising stock option by the record date.

3. Schedule

- (1) Public notice day of record date : March 16, 2018 (Fri) (Planned)
- (2) Record date : March 31, 2018 (Sat) (Planned)
- (3) Effective date : April 1, 2018 (Sun) (Planned)

Note) On the record date, the shareholder registry administrator is closed, and March 30, 2018 (Fri) would be the actual record date.

4. Others

(1) Capital stock

There is no increase in capital stock on this allotment.

(2) Dividend

As the effective date of this allotment of share without contribution is April 1, 2018, the year-end dividend of fiscal year ended March 2018 will be based on the number of shares before the allotment. As for the dividend forecast of fiscal year ended March 2018, there is no change from the previous amount; 240 yen per share for fiscal year-end, 480 yen per share for full year.

(3) Fractional shares less than one share caused by the allotment

Based on Article 234, Paragraph 1 of the Companies Act, the fractional shares less than one share caused by the allotment will be sold all together and the proceeds will be distributed to the relevant shareholders according to fraction.

(4) Shares less than one unit (100 shares) caused by the allotment

With the allotment, there are times share less than one unit (100 shares) occurs. Those shares cannot be traded in the trading market, but the following system is available.

① Purchase system of share less than one unit.

This is a system based on Article 192, Paragraph 1 of Companies Act, that shareholder who owns shares less than one unit can claim the Company to purchase it.

② Additional purchase system of share less than one unit

This is a system based on the regulation of the Articles of Incorporation in accordance with the provision of Article 194, Paragraph 1 of the Companies Act, that shareholder can claim to the Company to sell the Company's shares so that the shares less than one unit they own would become one unit (100 shares) combined together.

(5) To Adjust the Number of share and Price on exercise of stock option

With this allotment of share without contribution, the objective number of share per unit and the exercise price per share upon the stock option issued will be adjusted as the following from the effective date of April 1, 2018.

1. The objective number of share per unit

	Number before adjustment	Number after adjustment
6 th Stock option Resolution at Ordinary General Meeting of Shareholders on Jun 27, 2013 (Board of Directors' meeting on Oct 31, 2013)	105 shares	110 shares
7 th Stock option Resolution at Ordinary General Meeting of Shareholders on Jun 27, 2014 (Board of Directors' meeting on Sep 30, 2014)	105 shares	110 shares

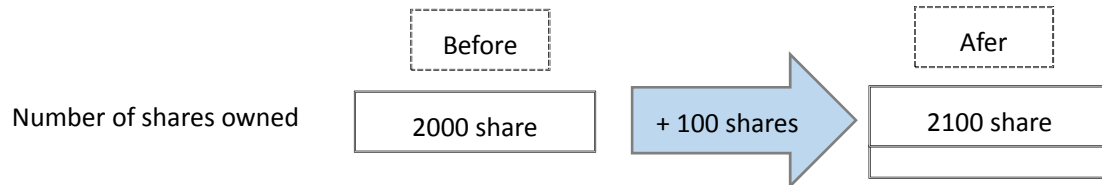
2. The exercise price per share

	Price before adjustment	Price after adjustment
6 th Stock option Resolution at Ordinary General Meeting of Shareholders on Jun 27, 2013 (Board of Directors' meeting on Oct 31, 2013)	14,309 yen	13,627 yen
7 th Stock option Resolution at Ordinary General Meeting of Shareholders on Jun 27, 2014 (Board of Directors' meeting on Sep 30, 2014)	12,915 yen	12,300 yen

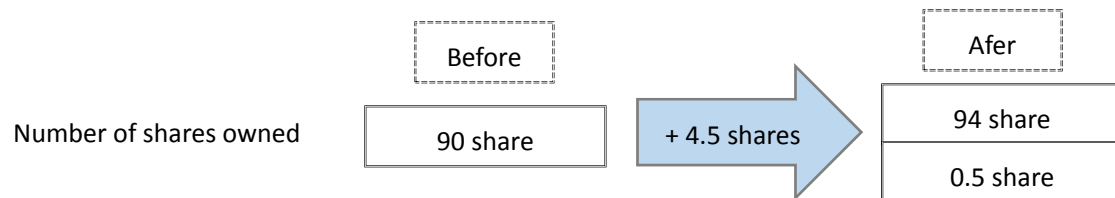
[Additional explanation]

(Concrete example regarding the announcement)

(Example 1) Shareholder with 2000 share



(Example 2) Shareholder with 90 share



0.5 share will be distributed by cash

Note) Fractional share of 0.5 share will be sold all together and the proceeds will be distributed to shareholders along with dividend

(Contact / Notification)

The effective date will be April 1, 2018 (planned). Regarding when it will be allotted to your securities transaction account, please contact your securities company.

Sumitomo Mitsui Trust will send a notification regarding this allotment to all relevant shareholders by the end of April 2018.