

HIROSE ELECTRIC CO., LTD

Financial Results Briefing for the Fiscal Year Ending March, 2020

Q&A Summary

Q1:

The decline in profit compared to the decline in sales in the first half of FY2020 looks relatively small. Could you tell me the reason?

A1:

Because the profit forecast for the first half includes roughly JPY1.5 billion as an insurance claim for flood damages at Koriyama Plant.

Q2:

I would like to know the details of the efforts and trends by application in the current fiscal year.

A2:

In the Automotive application, we expect a 20% decline over the previous fiscal year. However, the reality is that we are currently facing greater than anticipated challenges and there is a possibility that we will revise down our forecast in the future. It will be an important point to capture and respond to the changing needs in the market and customers. As for General Industrial application, we were approaching the timing where everyone thought demand would rise again, until around the first half of February. But the reality is that we will need to review this outlook, including the timing of the recovery. As in the Automotive application, there will be new movements, so it will be crucial for us to capture these changes. In the Consumer application, a point that warrants a lot of concern is the US-China relations. However, we believe this application presents the greatest promise based on recent growth. Regarding 5G application, the growth can be expected. We think that various changes will take place at an even faster rate than before, and we will focus on accelerating enhancement of our competitiveness and sharpening our ability to sense these changes.

Q3:

Due to the deterioration in the external environment, sluggish sales have unfortunately continued. Upon striving to reignite growth in sales going forward, tell us if you have any new thoughts, such as additional measures.

A3:

At this juncture, what we believe is extremely important is that we hold even more firmly onto the goals, which serve as the axis, based on our experience of COVID-19. In that sense, there have been no changes at all as regards our growth strategy. However, even more changes will take place, and the speed in which we can respond to those changes will accelerate, so the degree to which changes occur will also magnify. A crucial point will be how we turn the various changes that occur into opportunities for our growth. One manifestation of this will be whether we can take firm action in 2020 and beyond in response to new keywords.

Q4:

I believe you were focusing on Automotive applications before COVID-19. I got the impression that you will be slightly revising this policy. Is this correct? Or do you think that orders for new cars will not be affected, even if orders for existing cars will be affected.

A4:

Our basic strategy is unchanged. We do not intend to change our strategy of building our business on the three pillars of Automotive, General Industrial / Infrastructure, and Consumer. However, with regards to the Automotive application, we think there will be significant changes depending on each customer and the market, so there will probably be a need to confirm those changes further and build our strategy.

Q5:

Do you expect to increase the in-house production ratio over the medium term through the new domestic plant?

A5:

As for the trend of new plants including domestic and overseas, we currently do not intend to make any significant changes in ratio of in-house production. Of course, there will be many changes that emerge in the future, we will need to review our approach toward SCM in light of the pandemic. Against this backdrop, we may need to make slight revisions to the ratio.

Q6:

What is the general timeframe we should expect until the next time you will be considering to announce the medium-term capital policy?

A6:

Our basic policy is unchanged, but the reality is that it would be extremely difficult to project the business environment. Thus even at the earliest, we ask you to wait until February or May of next year.

Disclaimer

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.