

Quarterly Financial Report

First Quarter of 74th Fiscal Term
From April 1, 2020 to June 30, 2020

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【Document to be filed】 Quarterly Financial Report
【Provisions to base upon】 Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
【Filing to】 Director-General of the Kanto Local Finance Bureau
【Date of filing】 August 11, 2020
【Fiscal Period】 1st quarter of 74th term (from April 1, 2020 to June 30, 2020)
【Company name】 HIROSE ELECTRIC CO., LTD.
【Title and name of representative】 Kazunori Ishii, President and Representative Director
【Location of head office】 2-6-3 Nakagawa Chuoh, Tsuzuki-Ku, Yokohama, Kanagawa, Japan
【Telephone number】 +81-45-620-7410
【Contact person】 Keiji Hara, General Manager of Accounting Department
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【Telephone number】 +81-45-620-7410
【Contact person】 Keiji Hara, General Manager of Accounting Department
【Place where the document to be filed is available for public inspection】 Tokyo Stock Exchange, Inc.
(2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)

【Company Information】

1. Overview of the Company

1. Changes in major management indicators

(Yen in millions)

| | 73rd Fiscal Term Consolidated cumulative first quarter | 74th Fiscal Term Consolidated cumulative first quarter | 73rd Fiscal Term |
|---|--|--|---|
| Fiscal period | From April 1, 2019 to June 30, 2019 | From April 1, 2020 to June 30, 2020 | From April 1, 2019 to March 31, 2020 |
| Sales | 28,235 | 27,400 | 121,765 |
| Income before income taxes | 5,674 | 6,092 | 21,205 |
| Quarterly profit attributable to owners of the parent | 4,068 | 4,417 | 15,305 |
| Quarterly comprehensive income attributable to owners of the parent | 739 | 5,462 | 10,291 |
| Equity attributable to owners of the parent | 303,693 | 307,251 | 306,141 |
| Total Assets | 342,102 | 343,636 | 342,644 |
| Quarterly earnings per share -basic (Yen) | 111.56 | 121.78 | 420.39 |
| Quarterly earnings per share -diluted (Yen) | 111.56 | 121.78 | 420.37 |
| Ratio of total equity attributable to owners of the parent (%) | 88.8 | 89.4 | 89.3 |
| Net cash provided by operating activities | 8,365 | 9,816 | 28,584 |
| Net cash used in investing activities | (739) | (3,299) | (17,164) |
| Net cash used in financing activities | (4,538) | (4,556) | (12,205) |
| Balance of cash and cash equivalents at end of the period | 54,525 | 52,543 | 50,561 |

(Notes) 1. We prepare the condensed quarterly consolidated financial statements, and the transition of the major management indicators are not included.

2. “Sales” do not include consumption taxes.

3. The financial data above are based on the condensed quarterly consolidated financial statements and consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

4. “Diluted quarterly earnings per share” is listed at the same price as “Basic quarterly earnings per share”, because there were no potential shares with dilutive effect in the first quarter of the 73rd fiscal term and 74th fiscal term..

2. Description of Business

There were no significant changes in our business during the first quarter of the fiscal year ending March 31, 2021.

There were also no changes in major subsidiaries.

2. Business Overview

1. Risk Factors

Regarding the business and financial situation stated in this report, there were no matters that may have significant impact on the investment decision and no significant changes in the risk factors stated in the annual securities report for the previous fiscal year during the three months ended June 30, 2020.

There were no material events.

2. Management Analysis of Financial Position, Operating Results and Cash Flows

Forward-looking statements below were determined as of June 30, 2020.

(1) Overview of Operating Results

In the first quarter of the fiscal year ending March 31, 2021, the economic situation deteriorated sharply affected by the impact of COVID-19 and Japanese economy has been in extremely difficult situation. Regarding the future, we are raising the level of social economic activity gradually with taking preventive measures for spread of the infection.

In overseas market, economic activity has been restarted after lockdown for COVID-19. However, the number of infected person are growing again and the future outlook has been still unclear.

Under this situation, Hirose group has been expanding global business mainly for smartphone market, automotive market and industrial market, and promoting reinforcement of development, sales and production system for new products with highly added value to respond advanced market needs quickly. Business for smartphone and consumer market has remained strong, but the sales of automotive has been slow down. As a result, sales revenue in the first quarter decreased by 3.0% to JPY 27,400 million compared to the same period of the previous fiscal year. Operating profit increased by 10.4% to JPY 5,896 million, and quarterly income attributable to owners of the parent company increased by 8.6% to JPY 4,417 million as compared with the first quarter of fiscal 2019.

The business results by reporting segments are as stated below.

[Multi-pin connectors]

Our flagship multi-pin connectors include a variety of connector types such as circular connectors, rectangular connectors, connectors for ribbon cables, connectors for printed circuit boards, connectors used for FPCs (flexible printed circuits boards) and nylon connectors. This kind of connectors are used widely, such as for smartphones, tablet PC, communication equipment, automotive electronics, measuring and control equipment, FA equipment, and medical electronics equipment, as well as other industrial equipment. We expect that demands for this connectors will grow associated with progress of advanced information and telecommunications network society, and energy saving society considering environment in the future. Segment sales for the first quarter of the fiscal year ending March 31, 2021 decreased by 2.1% to JPY 24,314 million, operating profit increased by 13.3% to JPY 5,648 million compared with the first quarter of the fiscal 2019.

[Coaxial connectors]

Coaxial connectors are a special type of high-performance connector used primarily for microwave and other high-frequency signals. This is used mainly for microwave communications devices, satellite communications equipment, electronic measuring instruments, smartphones, 4K and 8K broadcasting equipment, and other electronic equipment. Optical fiber connectors and coaxial switches are also included in this segment. Segment sales for the first quarter of the fiscal 2020 decreased by 4.7% to JPY 2,231 million. Operating profit increased by 4.9% to JPY 263 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first quarter of the fiscal 2020 decreased by 18.7% to JPY 855 million, operating loss resulted JPY 15 million (FY2019.1Q: operating profit JPY 104 million.)

(2) Overview of Cash Flows

Cash and cash equivalents at the first quarter of the fiscal year ending March 31, 2021 increased by JPY 1,982 million to JPY 52,543 million compared to the end of the fiscal year ended March 31, 2020.

a. Cash flows from operating activities

Net cash provided by operating activities increased by JPY 9,816 million. (In the fiscal 2019.1Q, it increased by JPY 8,365 million.) This increase was mainly due to a rise in capital by appropriating quarterly income before tax, JPY 6,092 million, and depreciation and amortization, JPY 4,076 million.

b. Cash flows from investing activities

Net cash used in investing activities decreased by JPY 3,299 million. (In the fiscal 2019.1Q, it decreased by JPY 739 million.) This is mainly due to decrease in capital by payments for purchase of tangible fixed assets, JPY 4,446 million.

c. Cash flows from financing activities

Net cash used in financing activities decreased by JPY 4,556 million. (In the fiscal 2019.1Q, it decreased by JPY 4,538 million.) This is because of decrease in capital by the dividend payment, JPY 4,352 million.

(3) Analysis of financial condition

Total assets of FY2020.1Q increased by JPY 992 million to JPY 343,636 million compared to the end of the previous consolidated fiscal year because cash and cash equivalents, and inventories increased. Total liabilities decreased by JPY 118 million to JPY 36,385 million due to the decrease in income tax payable. Although retained earnings declined due to the dividend of surplus, other components of equity including quarterly income and translation adjustment increased, and total equity increased by JPY 1,110 million to JPY 307,251 million. As a result, total equity attributable to owners of the parent increased by 0.1% to 89.4% compared to the end of the previous fiscal year.

(4) Assumptions used for accounting estimates

There are no significant changes in the accounting estimated from “Management Analysis of Financial Position, Operating Results and Cash Flows” stated in the annual securities report of FY 2019 and assumptions used for the estimates.

(5) Research and development

Our research and development expenses for the three months ended June 30, 2020 were JPY 1,741 million. As the achievement of research and development activities, fixed assets including tools appropriated to JPY 664 million. When these amount are added up, the total of R&D investment amount was JPY 2,405 million. There were no significant changes in research and development activities for the period.

3. Material Agreements, etc

There were no decision or conclusion of significant business agreement during the three months ended June 30, 2020.

3. Information on the Company

1. Information on the Company's Shares

(1) Total number of shares, etc.

① Total Number of Shares

| Class | Total number of shares authorized to be issued (Shares) |
|----------------|---|
| Ordinary share | 80,000,000 |
| Total | 80,000,000 |

② Issued Shares

| Class | Number of shares issued as of the end of first quarter (Shares) (June 30, 2020) | Number of shares issued as of the filing date (Shares) (August 11, 2020) | Stock exchange on which the Company is listed or authorized financial instruments firms association where the Company is registered | Description |
|----------------|---|--|---|---|
| Ordinary share | 38,175,942 | 38,175,942 | Tokyo Stock Exchange, Inc. (the first section) | The number of shares per unit of shares is 100 shares |
| Total | 38,175,942 | 38,175,942 | — | — |

(Note) The number of shares issued as of the filing date do not include the share issued by share acquisition rights from August 1, 2020 to the filing date of this report.

(2) Information on the share acquisition rights, etc.

① Details of share option plans

Not applicable.

② Other information about share acquisition rights

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Changes in the total number of shares issued, common stock, etc.

| Date | Change in the total number of issued shares (Shares) | Balance of the total number of issued shares (Shares) | Change in common stock (Yen in millions) | Balance of common stock (Yen in millions) | Change in capital reserve (Yen in millions) | Balance of capital reserve (Yen in millions) |
|----------------|--|---|--|---|---|--|
| June 2, 2020 * | (205,878) | 38,175,942 | — | 9,404 | — | 12,007 |

*Decreased due to the cancellation of treasury stocks.

(5) Major Shareholders

Not applicable.

(6) Information on voting rights

We cannot identify the description of shareholders registry as of June 30, 2020, and stated the information based on the shareholders registry as of March 31, 2020.

① Issued shares

(As of March 31, 2020)

| Classification | Number of shares (Shares) | Number of voting rights | Description |
|--|---|-------------------------|---|
| Shares without voting rights | - | - | - |
| Shares with restricted voting rights (treasury stock, etc) | - | - | - |
| Shares with restricted voting rights (others) | - | - | - |
| Shares with full voting rights (treasury stock, etc.) | (treasury stocks) Ordinary share 2,114,600 | - | Standard stocks which there is no restriction on contents of the right of the stock |
| Shares with full voting rights (others) | Ordinary share 36,188,300 | 361,883 | Same as above |
| Shares less than one unit | Ordinary share 78,920 | - | Same as above |
| Number of issued shares | 38,381,820 | - | - |
| Total number of voting rights | - | 361,883 | - |

(Notes) 1. The ordinary shares in “Shares less than one unit” includes 59 shares registered in the name of Japan Securities Depository Center.

2. The ordinary shares in “Shares less than one unit” includes 75 treasury shares held by HIROSE group.

3. Following the resolution of director’s board meeting held in May 28, 2020, we cancelled 205,878 treasury shares during three months ended June 30, 2020. As a result, the total number of shares issued as of the end of the first quarter (June 30, 2020) is 38,175,942 shares.

② Treasury Stock and Others

(As of March 31, 2020)

| Name of shareholder | Address | Number of shares held under own name (Shares) | Number of shares held under the name of others (Shares) | Total number of shares held (Shares) | Ownership percentage to the total number of issued shares (%) |
|--------------------------------------|--------------------------------------|---|---|--------------------------------------|---|
| (Treasury shares) HIROSE ELECTRIC | 5-5-23 Osaki, Shinagawa-Ku, Tokyo | 2,114,600 | - | 2,114,600 | 5.51 |
| Total | - | 2,114,600 | - | 2,114,600 | 5.51 |

Notes: 1. Following the resolution of director’s board meeting held in May 28, 2020, we cancelled 205,878 treasury shares during three months ended June 30, 2020. As a result, the total number of treasury shares as of June 30, 2020 was 1,908,828 shares and 5.0% of total number of shares issued by summing the shares less than one unit acquired in response to demand for purchase.

2. At the resolution of annual shareholders meeting held in June 26, 2020, the address of the head office was changed to 2-6-3 Nakagawa Chuoh, Tsuzuki-Ku, Yokohama, Kanagawa.

2. Information of the board members

Not applicable.

4. Financial Information

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statements of Financial Position

(Yen in millions)

| | Note | As of March 31, 2020 | As of June 30, 2020 |
|-----------------------------|------|----------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 10 | 50,561 | 52,543 |
| Trade and other receivables | 10 | 30,444 | 29,456 |
| Inventories | | 14,512 | 16,349 |
| Other financial assets | 10 | 120,541 | 118,051 |
| Other current assets | | 4,614 | 3,053 |
| Total current assets | | 220,672 | 219,452 |
| Non-current assets | | | |
| Tangible fixed assets | | 61,541 | 61,539 |
| Right of use assets | | 4,478 | 4,326 |
| Intangible assets | | 2,519 | 2,557 |
| Other financial assets | 10 | 50,141 | 52,288 |
| Deferred tax assets | | 2,272 | 2,477 |
| Retirement benefit assets | | 563 | 554 |
| Other non-current assets | | 458 | 443 |
| Total non-current assets | | 121,972 | 124,184 |
| Total assets | | 342,644 | 343,636 |

(Yen in millions)

| | Note | As of March 31, 2020 | As of June 30, 2020 |
|---|------|----------------------|---------------------|
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 16,747 | 17,755 |
| Lease liabilities | | 728 | 730 |
| Other financial liabilities | 10 | 25 | — |
| Accrued tax payables | | 2,964 | 2,418 |
| Other current liabilities | | 4,377 | 3,635 |
| Total current liabilities | | 24,841 | 24,538 |
| Non-current liabilities | | | |
| Lease liabilities | | 3,764 | 3,615 |
| Retirement benefit liabilities | | 230 | 251 |
| Deferred tax liabilities | | 6,573 | 6,887 |
| Other non-current liabilities | | 1,095 | 1,094 |
| Total non-current liabilities | | 11,662 | 11,847 |
| Total liabilities | | 36,503 | 36,385 |
| Equity | | | |
| Common stock | | 9,404 | 9,404 |
| Common surplus | | 11,293 | 11,288 |
| Retained earnings | | 308,343 | 306,032 |
| Treasury stocks | 6 | (24,456) | (22,075) |
| Other components of equity | | 1,557 | 2,602 |
| Total equity attributable to owners of the parent | | 306,141 | 307,251 |
| Total equity | | 306,141 | 307,251 |
| Total liabilities and equity | | 342,644 | 343,636 |

(2) Condensed Quarterly Consolidated Statement of Profit or Loss
(For the three months ended June 30, 2019 and 2020)

(Yen in millions)

| | Note | For the first quarter of the year ended March 31, 2020 (From April 1, 2019 to June 30, 2019) | For the first quarter of the year ending March 31, 2021 (From April 1, 2020 to June 30, 2020) |
|---|------|--|---|
| Sales revenue | 8 | 28,235 | 27,400 |
| Cost of sales | | 16,234 | 15,900 |
| Gross profit | | 12,001 | 11,500 |
| Selling, general and administrative expenses | | 7,550 | 7,128 |
| Other income | | 947 | 1,590 |
| Other expenses | | 60 | 66 |
| Operating profit | | 5,338 | 5,896 |
| Financial income | | 412 | 336 |
| Financial expenses | | 76 | 140 |
| Profit before income taxes | | 5,674 | 6,092 |
| Corporate income tax expenses | | 1,606 | 1,675 |
| Quarterly income | | 4,068 | 4,417 |
| Quarterly income attributable to: Owners of the parent | | 4,068 | 4,417 |
| Quarterly Earnings per share: | | | |
| Basic (yen) | 9 | 111.56 | 121.78 |
| Diluted (yen) | 9 | 111.56 | 121.78 |

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income
(For three months ended June 30, 2019 and 2020)

(Yen in millions)

| | Note | For the first quarter of the year ended March 31, 2020 (From April 1, 2019 to June 30, 2019) | For the first quarter of the year ending March 31, 2021 (From April 1, 2020 to June 30, 2020) |
|---|------|--|---|
| Quarterly income | | 4,068 | 4,417 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Financial assets measured at fair value through other comprehensive income | | 329 | 479 |
| Total items that will not be reclassified to profit or loss | | 329 | 479 |
| Items that may be reclassified to profit or loss | | | |
| Exchange differences on translating foreign operations | | (3,671) | 554 |
| Debt instruments measured at fair value through other comprehensive income | | 13 | 12 |
| Total items that may be reclassified to profit or loss | | (3,658) | 566 |
| Total other comprehensive income after tax | | (3,329) | 1,045 |
| Total quarterly comprehensive income | | 739 | 5,462 |
| Total amount of quarterly comprehensive income attributable to: | | | |
| Owners of the parent | | 739 | 5,462 |

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

(Yen in millions)

| | Note | Common Stock | Capital surplus | Retained earnings | Treasury stock | Other components of equity | Total equity attributable to owners of the parent | Total equity |
|---|------|--------------|-----------------|-------------------|----------------|----------------------------|---|--------------|
| Balance as of April 1, 2019 | | 9,404 | 11,314 | 303,349 | (23,213) | 6,476 | 307,330 | 307,330 |
| Quarterly income | | | | 4,068 | | | 4,068 | 4,068 |
| Other comprehensive income | | | | | | (3,329) | (3,329) | (3,329) |
| Total of quarterly comprehensive income | | — | — | 4,068 | — | (3,329) | 739 | 739 |
| Dividend of surplus | 7 | | | (4,376) | | | (4,376) | (4,376) |
| Purchase of treasury stock | | | (0) | | (0) | | (0) | (0) |
| Cancellation of treasury stock | | | (1,487) | | 1,487 | | — | — |
| Transfer to retained earnings | | | 1,486 | (1,486) | | | — | — |
| Total transaction with owners | | — | (1) | (5,862) | 1,487 | — | (4,376) | (4,376) |
| Balance as of June 30, 2019 | | 9,404 | 11,313 | 301,555 | (21,726) | 3,147 | 303,693 | 303,693 |

| | Note | Common Stock | Capital surplus | Retained earnings | Treasury stock | Other components of equity | Total equity attributable to owners of the parent | Total equity |
|---|------|--------------|-----------------|-------------------|----------------|----------------------------|---|--------------|
| Balance as of April 1, 2020 | | 9,404 | 11,293 | 308,343 | (24,456) | 1,557 | 306,141 | 306,141 |
| Quarterly income | | | | 4,417 | | | 4,417 | 4,417 |
| Other comprehensive income | | | | | | 1,045 | 1,045 | 1,045 |
| Total of quarterly comprehensive income | | — | — | 4,417 | — | 1,045 | 5,462 | 5,462 |
| Dividend of surplus | 7 | | | (4,352) | | | (4,352) | (4,352) |
| Purchase of treasury stock | | | (0) | | (0) | | (0) | (0) |
| Cancellation of treasury stock | 6 | | (2,381) | | 2,381 | | — | — |
| Transfer to retained earnings | 6 | | 2,376 | (2,376) | | | — | — |
| Total transaction with owners | | — | (5) | (6,728) | 2,381 | — | (4,352) | (4,352) |
| Balance as of June 30, 2020 | | 9,404 | 11,288 | 306,032 | (22,075) | 2,602 | 307,251 | 307,251 |

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Yen in millions)

| | Note | For the first quarter of the FY2019 (From April 1, 2019 to June 30, 2019) | For the first quarter of the FY2020 (From April 1, 2020 to June 30, 2020) |
|--|------|--|--|
| Cash flows from operating activities: | | | |
| Quarterly income before tax | | 5,674 | 6,092 |
| Depreciation and amortization | | 3,746 | 4,076 |
| Financial income | | (412) | (336) |
| Financial expenses | | 76 | 140 |
| (Increase) decrease in trade and other receivables | | 100 | 981 |
| (Increase) decrease in inventories | | (796) | (1,750) |
| Increase (decrease) in trade and other payables | | 1,039 | 1,629 |
| Others | | 510 | (731) |
| Subtotal | | 9,937 | 10,101 |
| Insurance income | | — | 1,496 |
| Interests received | | 135 | 134 |
| Dividends received | | 157 | 170 |
| Income taxes paid | | (1,864) | (2,085) |
| Net cash provided by operating activities | | 8,365 | 9,816 |
| Cash flows from investing activities | | | |
| (Increase) decrease in term deposit | | 2,719 | 1,255 |
| Proceeds from sales and redemption of investment | | 3,104 | 383 |
| Payments for purchase of investment | | (2,109) | (390) |
| Payments for purchase of tangible fixed assets | | (4,838) | (4,446) |
| Others | | 385 | (101) |
| Net cash used in investing activities | | (739) | (3,299) |
| Cash flows from financing activities | | | |
| Purchase of treasury stock | | (0) | (0) |
| Dividends paid | | (4,376) | (4,352) |
| Payment of lease liabilities | | (162) | (204) |
| Net cash used in financing activities | | (4,538) | (4,556) |
| Effect of exchange rate changes on cash and cash equivalents | | (885) | 21 |
| Increase (decrease) in cash and cash equivalents | | 2,203 | 1,982 |
| Cash and cash equivalents at the beginning of the year | | 52,322 | 50,561 |
| Cash and cash equivalents at the end of the period | | 54,525 | 52,543 |

【Notes to Condensed Quarterly Consolidated Financial Statements】

1. Reporting Entity

HIROSE ELECTORIC is a corporation located in Japan. Our subsidiaries and we manufacture and sell mainly multi-pin connectors, coaxial connectors and other electronic components.

2. The Basis for preparation of the statements

(1) Compliance with IFRS

Our condensed quarterly consolidated financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting” pursuant to the provision of Article 93 of the Regulations for Quarterly Consolidated Financial Statements, as the company meets the criteria of a “Designated IFRS Specified Company” defined in Article 1-2 of the Regulations.

(2) Basis of measurement

The condensed quarterly consolidated financial statements have been prepared based on acquisition cost, except for financial instruments measured at fair value, and liabilities and assets for retirement benefits,

(3) Functional currency and presentation currency

The condensed quarterly consolidated financial statements of the company are presented in Japanese yen, which is the functional currency of us, and the amounts are described in unites of JPY 1 million. The amounts are also rounded to the nearest million yen.

3. Significant Accounting Policies

Significant accounting policies applied in the condensed quarterly consolidated financial statements is the same as the policies applied in the consolidated financial statements for the year ended March 31, 2020. Corporate income tax expenses for the three months ended June 30, 2020 was calculated based on estimated annual effective tax rate.

4. Significant accounting estimates and judgements

In preparing condensed quarterly consolidated financial statements, adoption of accounting policies, judgement affects the reporting amount of assets, liabilities, income and expenses, accounting quotation and assumptions are used. The company collects past experiences and available information and considered various factors thought as rational at the closing date, and these estimates and assumptions are based on the best judgement of executive. However, the figures based on these estimation and assumptions might be different from the actual result judging from the nature.

We maintain the revision of estimates and the assumptions which could be the basis. We recognize the impact by this revision in the period for revised the estimates and future period.

(1) Significant judgement in application of accounting policies

- Revenue recognition

(2) Issues could be factors of uncertainty of estimates

The assumptions about the future having remarkable risks which may be a factor of significant revision on book value of assets and liabilities after the three months ended June 30, 2020, and the main information regarding uncertainty of other estimates as of the end of the period are included into the following note.

- Matters relating to financial instruments (Notes: 10. Fair values of financial instruments).

5. Business Segment

(1) Overview of reporting segment

In the reporting segment of Hirose group, it is possible to acquire isolated financial information among constituent unit of our group. It is also an object being examined on a regular basis to evaluate our decision of resource allocation and business results by the board of directors.

Our business is manufacturing and selling mainly connectors and other products, and we formulate a domestic and global comprehensive strategy for our products and service.

Therefore, Hirose group consists of segments by products based on the shape of connectors. Our reporting segment is “Multi-pin connectors” and “Coaxial connectors”.

“Multi-pin connectors” include circular and rectangular connectors implemented to the outside of devices. They also include connectors implemented internal of the devices, such as connectors for ribbon cables, connectors for printed circuit boards, connectors used for FPCs (flexible printed circuit boards) and nylon connectors.

“Coaxial connectors” are a special type of high-performance connectors connecting high-frequency signals such as microwave, and this segment includes optical fiber connectors.

(2) Information of reporting segment

The revenue stated in reporting segment is operating profit basis.

For the first quarter of the fiscal year ended March 31, 2020 (from April 1, 2019 to June 30, 2019)

(Yen in millions)

| | Reporting segments | | | Others* | Amount of condensed quarterly consolidated financial statements |
|---------------------------------------|----------------------|--------------------|--------|---------|---|
| | Multi-pin connectors | Coaxial connectors | Total | | |
| Sales revenue | | | | | |
| Sales revenue from external customers | 24,842 | 2,341 | 27,183 | 1,052 | 28,235 |
| Total revenue | 24,842 | 2,341 | 27,183 | 1,052 | 28,235 |
| Operating profit | 4,984 | 250 | 5,234 | 104 | 5,338 |
| Financial income | — | — | — | — | 412 |
| Financial expenses | — | — | — | — | 76 |
| Quarterly income before tax | — | — | — | — | 5,674 |

**"Others" category is not included into reporting segments. "Others" includes micro switches and instruments for connectors.

For the first quarter of the fiscal year ending March 31, 2021 (from April 1, 2020 to June 30, 2020)

(Yen in millions)

| | Reporting segments | | | Others * | Amount of condensed quarterly consolidated financial statements |
|---------------------------------------|----------------------|--------------------|--------|----------|---|
| | Multi-pin connectors | Coaxial connectors | Total | | |
| Sales revenue | | | | | |
| Sales revenue from external customers | 24,314 | 2,231 | 26,545 | 855 | 27,400 |
| Total revenue | 24,314 | 2,231 | 26,545 | 855 | 27,400 |
| Operating profit or (loss) | 5,648 | 263 | 5,911 | (15) | 5,896 |
| Financial income | — | — | — | — | 336 |
| Financial expenses | — | — | — | — | 140 |
| Quarterly income before tax | — | — | — | — | 6,092 |

**"Others" category is not included into reporting segments. "Others" includes micro switches and instruments for connectors.

6. Paid-in capital and other equity

Following the resolution of director's board meeting held in May 28th 2020, we cancelled 205,878 treasury shares as of June 2, 2020. The amount of the cancellation was reduced from other capital surplus in "Capital surplus", but the amount exceeding other capital surplus was reduced from "Retained earnings".

7. Dividends

Dividends paid

For the three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

| | Total amount of dividends (Yen in millions) | Resource of dividends | Dividends per share (Yen) | Record date | Effective date |
|--|--|-----------------------|------------------------------|----------------|----------------|
| The resolution of the Ordinary General Meeting of Shareholders held on June 27, 2019 | 4,376 | Retained earnings | 120.00 | March 31, 2019 | June 28, 2019 |

For the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

| | Total amount of dividends (Yen in millions) | Resource of dividends | Dividends per share (Yen) | Record date | Effective date |
|--|--|-----------------------|------------------------------|----------------|----------------|
| The resolution of the Ordinary General Meeting of Shareholders held on June 26, 2020 | 4,352 | Retained earnings | 120.00 | March 31, 2020 | June 29, 2020 |

8. Breakdown of Revenue

The organization of our group is composed based on the types of connectors and the location of our customers. Based on these classification, the board of directors decides the allocation of resources and evaluate business performance.

The relationship between the sales revenue analyzed by the customer's location and the sales revenue in each reporting segments is as below.

For the first quarter of the fiscal year ended March 31, 2020 (from April 1, 2019 to June 30, 2019)

(Yen in millions)

| | | Reporting Segment | | Others | Total |
|-------------------|--------|----------------------|--------------------|--------|--------|
| | | Multi-pin connectors | Coaxial connectors | | |
| Customer location | Japan | 6,969 | 518 | 180 | 7,667 |
| | China | 8,417 | 777 | 166 | 9,360 |
| | Korea | 3,517 | 224 | 672 | 4,413 |
| | Others | 5,939 | 822 | 34 | 6,795 |
| Total | | 24,842 | 2,341 | 1,052 | 28,235 |

For the first quarter of the fiscal year ending March 31, 2021 (from April 1, 2020 to June 30, 2020)

(Yen in millions)

| | | Reporting Segment | | Others | Total |
|-------------------|--------|----------------------|--------------------|--------|--------|
| | | Multi-pin connectors | Coaxial connectors | | |
| Customer location | Japan | 6,605 | 540 | 145 | 7,290 |
| | China | 9,013 | 704 | 72 | 9,789 |
| | Korea | 2,759 | 178 | 589 | 3,526 |
| | Others | 5,937 | 809 | 49 | 6,795 |
| Total | | 24,314 | 2,231 | 855 | 27,400 |

In Japan, we sell circular and rectangular connectors, connectors for printed circuit boards and connectors for automotive, and major customers are in mainly general industrial and automotive market.

In China, our main products are connectors for printed circuit boards and coaxial connectors, and the main customers are smartphone and consumer manufacturers.

In Korea, our main products are connectors for printed circuit boards, rectangular connectors, connectors for automotive, coaxial connectors and other electronic equipment. The main customers are in smartphone, consumer and automotive market. Regarding other area, we sell various connectors including connectors for printed circuit boards to the customers located in Europe, North America and other Asian countries.

(2) Financial instruments measured by amortized cost

Fair values of financial instruments measured by amortized cost are as below.

Financial instruments which book value is a rational approximate value of fair value are not included below table.

(Yen in millions)

| | As of March 31, 2020 | | As of June 30, 2020 | |
|------------------------|----------------------|------------|---------------------|------------|
| | Book Value | Fair Value | Book Value | Fair Value |
| Other Financial Assets | | | | |
| Debt Instruments | 6,659 | 6,659 | 6,726 | 6,726 |

(3) Financial instruments measured at fair value

① The fair value hierarchy

Financial instruments measured at fair values are classified into 3 levels.

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets

Level 2: Fair values calculated using observable value directory or indirectly except for Level 1.

Level 3: Fair values calculated by measurement including unobservable inputs.

The levels of the fair value of financial instruments measured at fair value are as follows.

In the fiscal year ended March 31, 2020 (As of March 31, 2020)

(Yen in millions)

| | Level1 | Level2 | Level3 | Total |
|--|--------|--------|--------|--------|
| Other financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Debt instruments | — | 3,475 | — | 3,475 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Debt instruments | 30,938 | — | — | 30,938 |
| Equity instruments | 12,535 | — | 180 | 12,715 |
| Total of assets | 43,473 | 3,475 | 180 | 47,128 |
| Other financial liabilities | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivatives | — | 25 | — | 25 |
| Total of liabilities | — | 25 | — | 25 |

For three months ended June 30, 2020 (As of June 30, 2020)

(Yen in millions)

| | Level1 | Level2 | Level3 | Total |
|--|--------|--------|--------|--------|
| Other financial assets | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Debt instruments | — | 3,513 | — | 3,513 |
| Derivatives | — | 5 | — | 5 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Debt instruments | 30,952 | — | — | 30,952 |
| Equity instruments | 13,226 | — | 180 | 13,406 |
| Total of assets | 44,178 | 3,518 | 180 | 47,876 |

Transfer between levels of the fair value hierarchy are recognized on the day when the event or change in circumstances that the transfer occurred. There were no transfer between level 1 and level 2 for the year ended March 31, 2020 and for the three months ended June 30, 2020.

② Information on fair value measurement classified into level2 and level3

Debt instruments classified into level2 of the fair value hierarchy are measured using observable postulate including credit rating or discount rate in the market. Derivatives are assessed based on forward exchange rate.

Fair value of equity instruments classified into level3 are mainly assessed by Net Asset Approach. Fair values increase (decrease) along with the rise (decline) in net asset value. Significant changes in fair value are not expected when unobservable inputs are changed to reasonably possible alternative assumptions.

Financial instruments classified into Level3 is measured based on accounting policies of Hirose group and the result of the measurement is approved by a responsible person of administration group.

There are no significant changes in financial assets classified Level3 for the first quarter of the fiscal 2019 and 2020.

11. Subsequent events

Not applicable

12. Additional information

The situation affected by COVID-19 has been unclear. In Japan, after the state of emergency has been lifted, the economic activities are recovering gradually. In other hand, the impact of COVID-19 has been expanding in some overseas area.

Under this situation, Hirose group are able to operate production and sales activities at almost normal level in each area of all hirose group as of filing date of this report. Although the market situation will continue being unclear, it is expected that the impact of the infection will decrease on the assumption that the second-wave and third-wave will not occur.

Based on the forecast stated above, we conducted accounting estimation during the first quarter of the fiscal 2020. In the fiscal 2020, there may be a negative impact on our business continuously, but we consider that the impact will not be significant influence to the consolidated financial statements.