

Quarterly Financial Report

Second Quarter of 74th Fiscal Term
From July 1, 2020 to September 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】 November 11, 2020
【Fiscal Period】 2nd quarter of 74th term (from July 1, 2020 to September 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
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【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 First Half	74th Fiscal Term Consolidated First Half	73rd Fiscal Term
Fiscal period	From April 1, 2019 to September 30, 2019	From April 1, 2020 to September 30, 2020	From April 1, 2019 to March 31, 2020
Sales (second quarter from Jul 1 to Sep 30)	60,265 (32,031)	61,036 (33,636)	121,765
Income before income taxes	12,087	12,887	21,205
Quarterly profit attributable to owners of the parent (second quarter from Jul 1 to Sep 30)	8,573 (4,506)	9,338 (4,921)	15,305
Quarterly comprehensive income attributable to owners of the parent	3,379	9,918	10,291
Equity attributable to owners of the parent	306,332	311,706	306,141
Total Assets	343,447	348,072	342,644
Quarterly earnings per share -basic (Yen) (second quarter from Jul 1 to Sep 30)	235.12 (123.57)	257.48 (135.70)	420.39
Quarterly earnings per share -diluted (Yen)	235.12	257.48	420.37
Ratio of total equity attributable to owners of the parent (%)	89.2	89.6	89.3
Net cash provided by operating activities	14,721	15,300	28,584
Net cash used in investing activities	(5,979)	(8,472)	(17,164)
Net cash used in financing activities	(4,708)	(4,754)	(12,205)
Balance of cash and cash equivalents at end of the period	55,095	52,892	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 half of the 73rd fiscal term and 74th fiscal term..

2. Description of Business

There were no significant changes in our business during the first half 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 six months ended September 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 September 30, 2020.

(1) Overview of Operating Results

In the first half of the fiscal year ending March 31, 2021, the consumption spending has been sluggish and corporate profits deteriorated affected by the impact of COVID-19 and Japanese economy has been in extremely difficult situation.

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, and it made up for sluggish sales of business for automotive. As a result, sales revenue in the first half increased by 1.3% to JPY 61,036 million compared to the same period of the previous fiscal year. Operating profit increased by 11.8% to JPY 12,893 million, and quarterly income attributable to owners of the parent company increased by 8.9% to JPY 9,338 million as compared with the first half of the fiscal 2019.

The business results by 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 half of the fiscal year ending March 31, 2021 increased by 2.2% to JPY 54,475 million, operating profit increased by 11.9% to JPY 12,161 million compared with the first half 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 half of the fiscal 2020 decreased by 7.6% to JPY 4,601 million. Operating profit increased by 32.3% to JPY 703 million.

[Other products]

This segment includes micro switches and instruments for connectors. Segment sales for the first half of the fiscal 2020 decreased by 0.5% to JPY 1,960 million, operating profit decreased by 77.3% to JPY 29 million compared with the previous first half.

(2) Overview of Cash Flows

Cash and cash equivalents at the first half of the fiscal year ending March 31, 2021 increased by JPY 2,331 million to JPY 52,892 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 15,300 million (In the first half of the fiscal 2019, it increased by JPY 14,721 million.) This increase was mainly due to a rise in capital by appropriating quarterly income before tax, JPY 12,887 million, and depreciation and amortization, JPY 8,236 million.

b. Cash flows from investing activities

Net cash used in investing activities decreased by JPY 8,472 million (In the first half of the fiscal 2019, it decreased by JPY 5,979 million.) This is mainly due to proceeds from sale and redemption of investment, JPY 4,679 million, payments for purchase of investment, JPY 5,188 million, and payments for purchase of tangible fixed assets, JPY 7,141 million.

c. Cash flows from financing activities

Net cash used in financing activities decreased by JPY 4,754 million (In the first half of the fiscal 2019, it decreased by JPY 4,708 million.) This is because of decrease in capital by the dividend payment, JPY 4,352 million.

(3) Analysis of financial condition

Total assets of FY2020.2Q increased by JPY 5,428 million to JPY 348,072 million compared to the end of the previous consolidated fiscal year because cash and cash equivalents, trade receivables and other receivables increased. Total liabilities decreased by JPY 137 million to JPY 36,366 million due to the decrease in lease liabilities. Additionally, retained earnings increased and other components of equity grew by exchange differences on transition of foreign operation, and total equity increased by JPY 5,565 million to JPY 311,706 million. As a result, total equity attributable to owners of the parent increased by 0.3% to 89.6% 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 six months ended September 30, 2020 were JPY 3,563 million. As the achievement of research and development activities, fixed assets including tools appropriated to JPY 1,229 million. When these amount are added up, the total of R&D investment amount was JPY 4,792 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 September 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 the second quarter (Shares) (September 30, 2020)	Number of shares issued as of the filing date (Shares) (November 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 November 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 (Thousand Shares)	Balance of the total number of issued shares (Thousand 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)
From July 1, 2020 to September 30, 2020	—	38,175	—	9,404	—	12,007

(5) Information on voting rights

① Issued shares

(As of September 30, 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 stock) Ordinary share 1,908,900	-	Standard stocks which there is no restriction on contents of the right of the stock
Shares with full voting rights (others)	Ordinary share 36,189,600	361,896	Same as above
Shares less than one unit	Ordinary share 77,442	-	Same as above
Number of issued shares	38,175,942	-	-
Total number of voting rights	-	361,896	-

(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 82 treasury shares held by HIROSE group.

② Treasury Stock and Others

(As of September 30, 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	2-6-3 Nakagawa Chuoh, Tsuzuki-Ku, Yokohama, Kanagawa	1,908,900	-	1,908,900	5.00
Total	-	1,908,900	-	1,908,900	5.00

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 September 30, 2020
Assets			
Current assets			
Cash and cash equivalents	10	50,561	52,892
Trade and other receivables	10	30,444	33,547
Inventories		14,512	15,774
Other financial assets	10	120,541	122,956
Other current assets		4,614	3,241
Total current assets		220,672	228,410
Non-current assets			
Tangible fixed assets		61,541	60,743
Right of use assets		4,478	4,235
Intangible assets		2,519	2,630
Other financial assets	10	50,141	48,580
Deferred tax assets		2,272	2,494
Retirement benefit assets		563	541
Other non-current assets		458	439
Total non-current assets		121,972	119,662
Total assets		342,644	348,072

(Yen in millions)

	Note	As of March 31, 2020	As of September 30, 2020
Liabilities			
Current liabilities			
Trade and other payables	10	16,747	16,680
Lease liabilities		728	729
Other financial liabilities	10	25	—
Accrued tax payables		2,964	3,233
Other current liabilities		4,377	4,416
Total current liabilities		24,841	25,058
Non-current liabilities			
Lease liabilities		3,764	3,527
Other financial liabilities	10	—	73
Retirement benefit liabilities		230	235
Deferred tax liabilities		6,573	6,721
Other non-current liabilities		1,095	752
Total non-current liabilities		11,662	11,308
Total liabilities		36,503	36,366
Equity			
Common stock		9,404	9,404
Common surplus		11,293	11,285
Retained earnings		308,343	310,957
Treasury stocks	6	(24,456)	(22,077)
Other components of equity		1,557	2,137
Total equity attributable to owners of the parent		306,141	311,706
Total equity		306,141	311,706
Total liabilities and equity		342,644	348,072

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

(Yen in millions)

	Note	For the first half of the year ended March 31, 2020 (From April 1, 2019 to September 30, 2019)	For the first half of the year ending March 31, 2021 (From April 1, 2020 to September 30, 2020)
Sales revenue	8	60,265	61,036
Cost of sales		34,411	35,172
Gross profit		25,854	25,864
Selling, general and administrative expenses		15,072	14,499
Other income		1,030	1,732
Other expenses		278	204
Operating profit		11,534	12,893
Financial income		623	518
Financial expenses		70	524
Quarterly income before tax		12,087	12,887
Corporate income tax expenses		3,514	3,549
Quarterly income		8,573	9,338
Quarterly income attributable to: Owners of the parent		8,573	9,338
Quarterly Earnings per share:			
Basic (yen)	9	235.12	257.48
Diluted (yen)	9	235.12	257.48

(For the three months ended September 30, 2019 and 2020)

(Yen in millions)

	Note	For the second quarter of the year ended March 31, 2020 (From July 1, 2019 to September 30, 2019)	For the second quarter of the year ending March 31, 2021 (From July 1, 2020 to September 30, 2020)
Sales revenue		32,031	33,636
Cost of sales		18,178	19,272
Gross profit		13,853	14,364
Selling, general and administrative expenses		7,522	7,372
Other income		83	142
Other expenses		218	137
Operating profit		6,196	6,997
Financial income		224	182
Financial expenses		6	384
Quarterly income before tax		6,414	6,795
Corporate income tax expenses		1,908	1,874
Quarterly income		4,506	4,921
Quarterly income attributable to: Owners of the parent		4,506	4,921
Quarterly Earnings per share:			
Basic (yen)	9	123.57	135.70
Diluted (yen)	9	123.57	135.70

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income
(For the six months ended September 30, 2019 and 2020)

(Yen in millions)

	Note	For the first half of the year ended March 31, 2020 (From April 1, 2019 to September 30, 2019)	For the first half of the year ending March 31, 2021 (From April 1, 2020 to September 30, 2020)
Quarterly income		8,573	9,338
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income		715	(298)
Total items that will not be reclassified to profit or loss		715	(298)
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(5,929)	854
Debt instruments measured at fair value through other comprehensive income		20	24
Total items that may be reclassified to profit or loss		(5,909)	878
Total other comprehensive income after tax		(5,194)	580
Total quarterly comprehensive income		3,379	9,918
Total amount of quarterly comprehensive income attributable to:			
Owners of the parent		3,379	9,918

(For the three months ended September 30, 2019 and 2020)

(Yen in millions)

	Note	For the second quarter of the year ended March 31, 2020 (From July 1, 2019 to September 30, 2019)	For the second quarter of the year ending March 31, 2021 (From July 1, 2020 to September 30, 2020)
Quarterly income		4,506	4,921
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income		386	(777)
Total items that will not be reclassified to profit or loss		386	(777)
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(2,259)	300
Debt instruments measured at fair value through other comprehensive income		7	12
Total items that may be reclassified to profit or loss		(2,252)	312
Total other comprehensive income after tax		(1,866)	(465)
Total quarterly comprehensive income		2,640	4,456
Total amount of quarterly comprehensive income attributable to:			
Owners of the parent		2,640	4,456

(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				8,573			8,573	8,573
Other comprehensive income						(5,194)	(5,194)	(5,194)
Total of quarterly comprehensive income		—	—	8,573	—	(5,194)	3,379	3,379
Dividend of surplus	7			(4,376)			(4,376)	(4,376)
Purchase of treasury stock			(0)		(1)		(1)	(1)
Disposition of treasury stock							—	—
Cancellation of treasury stock	6		(1,487)		1,487		—	—
Transfer to retained earnings	6		1,481	(1,481)			—	—
Total transaction with owners		—	(6)	(5,857)	1,486	—	(4,377)	(4,377)
Balance as of September 30, 2019		9,404	11,308	306,066	(21,727)	1,281	306,332	306,332

	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				9,338			9,338	9,338
Other comprehensive income						580	580	580
Total of quarterly comprehensive income		—	—	9,338	—	580	9,918	9,918
Dividend of surplus	7			(4,352)			(4,352)	(4,352)
Purchase of treasury stock			(0)		(3)		(3)	(3)
Disposition of treasury stock			0		1		1	1
Cancellation of treasury stock	6		(2,381)		2,381		—	—
Transfer to retained earnings	6		2,373	(2,373)			—	—
Total transaction with owners		—	(8)	(6,724)	2,379	—	(4,354)	(4,354)
Balance as of September 30, 2020		9,404	11,285	310,957	(22,077)	2,137	311,706	311,706

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Yen in millions)

	Note	For the first half of the FY2019 (From April 1, 2019 to September 30, 2019)	For the first half of the FY2020 (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities:			
Quarterly income before tax		12,087	12,887
Depreciation and amortization		7,623	8,236
Financial income		(623)	(518)
Financial expenses		70	524
(Increase) decrease in trade and other receivables		(2,027)	(2,960)
(Increase) decrease in inventories		(333)	(1,188)
Increase (decrease) in trade and other payables		(998)	466
Others		1,254	(1,294)
Subtotal		17,053	16,153
Insurance income		—	1,496
Interests received		362	296
Dividends received		166	183
Income taxes paid		(2,859)	(2,828)
Net cash provided by operating activities		14,721	15,300
Cash flows from investing activities			
(Increase) decrease in term deposit		4,150	(354)
Proceeds from sales and redemption of investment		9,189	4,679
Payments for purchase of investment		(8,904)	(5,188)
Payments for purchase of tangible fixed assets		(10,536)	(7,141)
Others		122	(468)
Net cash used in investing activities		(5,979)	(8,472)
Cash flows from financing activities			
Purchase of treasury stock		(1)	(3)
Dividends paid		(4,376)	(4,352)
Payment of lease liabilities		(332)	(400)
Others		—	1
Net cash used in financing activities		(4,708)	(4,754)
Effect of exchange rate changes on cash and cash equivalents		(1,261)	257
Increase (decrease) in cash and cash equivalents		2,773	2,331
Cash and cash equivalents at the beginning of the year		52,322	50,561
Cash and cash equivalents at the end of the period		55,095	52,892

【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.

The condensed quarterly consolidated financial statements do not include all the information that must be disclosed in the annual consolidated financial statements, and therefore should be used in conjunction with the consolidated financial statements for the year ended March 31, 2020.

Condensed quarterly consolidated financial statements of the company were authorized by our president and representative director, Kazunori Ishii, on November 2, 2020.

(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 six months ended September 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 September 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 half of the fiscal year ended March 31, 2020 (from April 1, 2019 to September 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	53,313	4,982	58,295	1,970	60,265
Total revenue	53,313	4,982	58,295	1,970	60,265
Operating profit	10,872	531	11,403	131	11,534
Financial income	—	—	—	—	623
Financial expenses	—	—	—	—	70
Quarterly income before tax	—	—	—	—	12,087

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

For the first half of the fiscal year ending March 31, 2021 (from April 1, 2020 to September 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	54,475	4,601	59,076	1,960	61,036
Total revenue	54,475	4,601	59,076	1,960	61,036
Operating profit	12,161	703	12,864	29	12,893
Financial income	—	—	—	—	518
Financial expenses	—	—	—	—	524
Quarterly income before tax	—	—	—	—	12,887

**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 on May 8, 2019, we cancelled 131,000 treasury shares as of May 31, 2019.

Moreover, following the resolution of director's board meeting held on May 28, 2020, we cancelled 205,000 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

(1) Dividends paid

For the six months ended September 30, 2019 (From April 1, 2019 to September 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 six months ended September 30, 2020 (From April 1, 2020 to September 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

(2) The dividend whose record date falls in the six months ended September 30, 2020 and the effective date falls in the next period

For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

	Total amount of dividends (Yen in millions)	Resource of dividends	Dividends per share (Yen)	Record date	Effective date
The resolution of the board of directors held on November 1, 2019	4,376	Retained earnings	120.00	September 30, 2019	December 2, 2019

For the six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

	Total amount of dividends (Yen in millions)	Resource of dividends	Dividends per share (Yen)	Record date	Effective date
The resolution of the board of directors held on November 2, 2020	4,352	Retained earnings	120.00	September 30, 2020	December 1, 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 half of the fiscal year ended March 31, 2020 (from April 1, 2019 to September 30, 2019)

(Yen in millions)

		Reporting Segment		Others	Total
		Multi-pin connectors	Coaxial connectors		
Customer location	Japan	14,270	1,066	350	15,686
	China	18,926	1,701	306	20,933
	South Korea	7,910	467	1,223	9,600
	Others	12,207	1,748	91	14,046
Total		53,313	4,982	1,970	60,265

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

(Yen in millions)

		Reporting Segment		Others	Total
		Multi-pin connectors	Coaxial connectors		
Customer location	Japan	13,090	993	282	14,365
	China	21,357	1,258	165	22,780
	South Korea	6,732	431	1,413	8,576
	Others	13,296	1,919	100	15,315
Total		54,475	4,601	1,960	61,036

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 South 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.

9. Earnings per Share

	For the six months ended September 30, 2019 <small>(From Apr 1, 2019 to Sep 30, 2019)</small>	For the six months ended September 30, 2020 <small>(From Apr 1, 2020 to Sep 30, 2020)</small>
The basis of calculation for quarterly earnings per share -basic		
Quarterly profit attributable to owners of the parent	<small>(Yen in millions)</small> 8,573	<small>(Yen in millions)</small> 9,338
Quarterly profit used for calculation of basic quarterly earnings per share	<small>(Yen in millions)</small> 8,573	<small>(Yen in millions)</small> 9,338
Weighted average shares during the period	<small>(Thousand Shares)</small> 36,463	<small>(Thousand Shares)</small> 36,267
Quarterly earnings per share – basic	<small>(Yen)</small> 235.12	<small>(Yen)</small> 257.48
The basis of calculation for quarterly earnings per share -diluted		
Quarterly profit used for the calculation of basic quarterly earnings per share	<small>(Yen in millions)</small> 8,573	<small>(Yen in millions)</small> 9,338
Quarterly profit used for the calculation of diluted quarterly earnings per share	<small>(Yen in millions)</small> 8,573	<small>(Yen in millions)</small> 9,338
Weighted average shares during the period	<small>(Thousand Shares)</small> 36,463	<small>(Thousand Shares)</small> 36,267
Number of shares increased by stock acquisition right	<small>(Thousand Shares)</small> —	<small>(Thousand Shares)</small> —
Weighted average shares-Diluted	<small>(Thousand Shares)</small> 36,463	<small>(Thousand Shares)</small> 36,267
Diluted quarterly earnings per share	<small>(Yen)</small> 235.12	<small>(Yen)</small> 257.48

(Note) Diluted quarterly earnings per share for the six months ended September 30, 2019 and September 30, 2020 is stated at the same amount as basic quarterly earnings per share, since there are no potential shares with dilutive effect.

	For the three months ended September 30, 2019 (From Jul 1, 2019 to Sep 30, 2019)	For the three months ended September 30, 2020 (From Jul 1, 2020 to Sep 30, 2020)
The basis of calculation for quarterly earnings per share -basic		
Quarterly profit attributable to owners of the parent	(Yen in millions) 4,506	(Yen in millions) 4,921
Quarterly profit used for calculation of basic quarterly earnings per share	(Yen in millions) 4,506	(Yen in millions) 4,921
Weighted average shares during the period	(Thousand Shares) 36,463	(Thousand Shares) 36,267
Quarterly earnings per share – basic	(Yen) 123.57	(Yen) 135.70
The basis of calculation for quarterly earnings per share -diluted		
Quarterly profit used for the calculation of basic quarterly earnings per share	(Yen in millions) 4,506	(Yen in millions) 4,921
Quarterly profit used for the calculation of diluted quarterly earnings per share	(Yen in millions) 4,506	(Yen in millions) 4,921
Weighted average shares during the period	(Thousand Shares) 36,463	(Thousand Shares) 36,267
Number of shares increased by stock acquisition right	(Thousand Shares) —	(Thousand Shares) —
Weighted average shares-Diluted	(Thousand Shares) 36,463	(Thousand Shares) 36,267
Diluted quarterly earnings per share	(Yen) 123.57	(Yen) 135.70

(Note) Diluted quarterly earnings per share for the three months ended September 30, 2019 and September 30, 2020 is stated at the same amount as basic quarterly earnings per share, since there are no potential shares with dilutive effect.

10. Fair Values of Financial Instruments

(1) Method of measuring fair values

(Cash and cash equivalents, trade and other receivables, trade and other payables)

Since these subjects are settled in a short term, book value is rational approximate value of fair values.

(Other financial assets, other financial liabilities)

In other financial assets, fixed deposit which term exceeds three months are usually settled within a year, and the book value is rational approximate value of fair values.

When there is an active market, the equity instruments are measured using published market price. If there is no active market, it is mainly measured by Net Asset Approach.

Regarding debt instruments, if there is an active market, it is measured using published market price. If there is no active market, it is measured using observable postulate including credit rating or discount rate.

Derivatives are assessed based on forward exchange rate, etc.

(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 September 30, 2020	
	Book Value	Fair Value	Book Value	Fair Value
Other Financial Assets				
Debt Instruments	6,659	6,659	7,267	7,267

(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 directly 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 September 30, 2020 (As of September 30, 2020)

(Yen in millions)

	Level1	Level2	Level3	Total
Other financial assets				
Financial assets measured at fair value through profit or loss				
Debt instruments	—	4,904	—	4,904
Derivatives	—	6	—	6
Financial assets measured at fair value through other comprehensive income				
Debt instruments	29,667	—	—	29,667
Equity instruments	12,107	—	179	12,286
Total of assets	41,774	4,910	179	46,863
Other financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	73	—	73
Total of liabilities	—	73	—	73

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 September 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 second 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 gradually 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 half 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.

2. Others

The interim dividend for the current period was resolved at the board of directors held on November 2, 2020 as follows.

(1) Total amount of dividends	JPY 4,352 million
(2) Amount per share	JPY 120.00
(3) Effective date of claim of payment and start date of payment	December 1, 2020