



**HIROSE ELECTRIC CO., LTD.**

Financial Results Briefing for the Fiscal Year Ended March 2021

May 7, 2021

## Event Summary

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<b>[Company Name]</b>	HIROSE ELECTRIC CO., LTD.	
<b>[Company ID]</b>	6806-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2021	
<b>[Fiscal Period]</b>	FY2020 Annual	
<b>[Date]</b>	May 7, 2021	
<b>[Time]</b>	10:30 - 11:44 (Total: 74 minutes, Presentation: 40 minutes, Q&A: 34 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Number of Speakers]</b>	3	
	Kazunori Ishii	President and Representative Director
	Hiroshi Fukumoto	Corporate Board Director, Group President, Administration Group
	Hideo Suzaki	Manager, IR Office, Administration Group

## Presentation

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**Suzaki:** Good morning. We will now start HIROSE ELECTRIC CO., LTD.'s financial results briefing.

Thank you very much for joining us today. I'm Suzaki from HIROSE ELECTRIC's IR Office.

This is another web-based briefing, the fifth in a row on a quarterly basis. The presentation will be based only on voice and materials, but we will try to explain as clearly as possible.

As for the contents of today's presentation, Suzaki will first explain the financial results for the fiscal year ended March 2021 based on today's material, though we disclosed the Financial Statements Summary on the Tokyo Stock Exchange yesterday. Next, Administration Group President Fukumoto will explain the shareholder return policy and the appointments of Directors after the transition to a Company with an Audit & Supervisory Committee, which were also announced yesterday. As for the medium and long-term growth strategy, President Ishii will give an explanation based on the material for today.

We will be taking questions during the remaining time of the meeting. The meeting is scheduled to end at 11:30 a.m., but if there are many questions, we will extend the meeting by up to 15 minutes.

First, I would like to give you a brief explanation about the operation of this web-based presentation. There are two kinds of materials for this meeting--Business Results for FY2020 and 2021 Medium and long-term Growth Strategy. You can download the PDF files from the download link on the screen you are seeing. In addition, the Financial Statements Summary, announced yesterday, and other press releases are also available on our website, which can be accessed by clicking on the HIROSE ELECTRIC IR page link at the bottom of the screen.

Please note that the participants are free to turn the pages of the presentation materials. We will tell you the page number before explaining the content of the page.

Finally I will explain how to enter your question. Please note that we will basically respond to each question one by one, but if there are identical questions, we may combine them into one answer.

## Summary of the business results (FY2020 From April, 2020 to March, 2021)

- In FY2020, the sales for consumer and mobile equipment increased and the sales for automotive has been recovering from the second half. As a result, **orders and sales of FY2020 was record high**. Sales increased by 9.7% compared with the previous fiscal year, operating profit plus 37.0% and operating profit ratio was 20.9%.

(Yen in hundred millions)

	FY2019			FY2020			YoY
	1H 2019. Apr-Sep	2H 2019. Oct— 2020.Mar	FY2019 2019.Apr- 2020.Mar	1H 2020.Apr-Sep	2H 2020.Oct- 2021.Mar	FY2020 2020.Apr- 2021.Mar	FY2020 / FY2019
Orders	623.3	641.3	<b>1,264.6</b>	646.8	777.0	<b>1,423.8</b>	+12.6%
Sales	602.7	614.9	<b>1,217.6</b>	610.4	725.0	<b>1,335.4</b>	+9.7%
Operating profit	115.3	88.3	<b>203.6</b>	128.9	149.9	<b>278.8</b>	+37.0%
Operating profit ratio	19.1%	14.4%	<b>16.7%</b>	21.1%	20.7%	<b>20.9%</b>	+4.2pt

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We will now begin to explain the financial results. First, please see page 3 of Business Results for FY2020. This is a summary of the business results.

In the fiscal year ended March 2021, or FY2020, orders received were JPY142.38 billion and sales were JPY133.54 billion due to growth in orders for consumer and mobile devices, recovery of orders in the second half of the year for the automotive market, and growth in orders for smartphones. Both orders and sales hit record highs. Compared to the previous year, sales increased 9.7% YoY, operating profit increased 37% YoY, and the operating profit ratio was 20.9%.

**Changes in sales and operating profit (FY2019.1Q-FY2020.4Q / Consolidated basis)**



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Next, page 4. This shows graphs of quarterly changes in sales and operating profit.

On the far right are the figures for Q4 of the year under review. Due to seasonal factors, the figures in Q4 tend to be lower than those in Q3. However, the declines in the latest Q4 were less than expected, with sales of JPY35.06 billion and operating profit of JPY6.64 billion.

### Business Results for FY2020

(Yen in hundred millions)	FY2019 (FY ended Mar 31, 2020)	FY2020 (As of Feb 9, 2021) Forecast	FY2020 (FY ended Mar 31, 2021)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
<b>Sales</b>	<b>1,217.6</b>	<b>1,300.0</b>	<b>1,335.4</b>	<b>+117.7</b>	<b>+9.7%</b>
COGS Ratio	57.8%	58.2%	57.6%	▲0.2	
SGA Ratio	25.0%	22.7%	22.6%	▲2.4	
<b>Operating Profit</b>	<b>203.6</b>	<b>260.0</b>	<b>278.8</b>	<b>+75.3</b>	<b>+37.0%</b>
(%)	16.7%	20.0%	20.9%	+4.2	
<b>Earnings before income tax</b>	<b>212.1</b>	<b>260.0</b>	<b>283.3</b>	<b>+71.3</b>	<b>+33.6%</b>
(%)	17.4%	20.0%	21.2%	+3.8	
<b>Net profit</b>	<b>153.1</b>	<b>180.0</b>	<b>199.2</b>	<b>+46.1</b>	<b>+30.1%</b>
(%)	12.6%	13.8%	14.9%	+2.3	
Total Assets	<b>3,426.4</b>		<b>3,705.0</b>		
Shareholder's Equity Ratio	<b>89.3%</b>		<b>88.0%</b>		
Income Per Share	<b>420.39 yen</b>		<b>549.10 yen</b>		

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Next, page 5. This is a summary of the financial results.

In fiscal 2020, sales were JPY133.54 billion, up 9.7% YoY. Operating profit was JPY27.88 billion, up 37% YoY. The operating profit ratio was 20.9%. Earnings before income tax were JPY28.33 billion, and net profit was JPY19.92 billion.

Total assets were JPY370.5 billion, the shareholder's equity ratio was 88%, and income per share was JPY549.10.

The exchange rates were JPY106.06 to the USD, JPY123.70 to the EUR, and JPY9.17 to KRW100.

## FY2020 Major Changes

(Yen in hundred millions)

<b>Sales</b>		
<b>117.7</b> hundred million yen <b>Increased</b> (1,217.6 → 1,335.4)	Non consolidated Hirose: +85.5 Subsidiaries: +32.2	
<b>COGS Ratio</b>		
<b>0.2pt Improved</b> (57.8% → 57.6%)	Depreciation Ratio: 10.5% → <b>9.9%</b> Labor-cost Ratio: 6.8% → <b>6.8%</b>	
<b>SGA Ratio</b>		
<b>2.4pt Improved</b> (25.0% → 22.6%)	304.7 → 301.9 (Decreased by 2.8)	
<b>Financial revenue / expense</b>		
<b>4.0</b> hundred million yen <b>Deteriorated</b> (+8.5 → +4.5)	Exchange Loss: -2.5 → -4.4	

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Next, page 6. This is a major change from the previous year.

Of the sales increase of JPY11.77 billion, those at non-consolidated HIROSE increased by JPY8.55 billion and those at subsidiaries increased by JPY3.22 billion.

The cost of sales improved by 0.2 percentage points for the full year, down from 57.8% to 57.6%. The main reason for this is that sales in Q4 were strong and the ratio of fixed costs improved.

The SG&A expense ratio improved by 2.4 points. The amount of SG&A expenses decreased from JPY30.47 billion in the previous fiscal year to JPY30.19 billion.

The financial revenue / expense account balance worsened by JPY400 million. However, due to the weakening of the JPY in Q4 compared to Q3, the foreign exchange loss decreased.

## FY2020 YoY Variation Analysis

(Yen in hundred millions)	Sales	Operating Profit	(%)	Earnings before income tax	(%)
<b>FY2019 Actual</b>	<b>1,217.6</b>	<b>203.6</b>	<b>16.7%</b>	<b>212.1</b>	<b>17.4%</b>
Exchange rate	-8.6	-9.1		-11.0	
Depreciation cost increase		-8.6		-8.6	
Labor cost increase		-12.5		-12.5	
Increase in freightage and packing expenses		-8.5		-8.5	
Increase in the product	126.3	73.1		71.1	
Gain on sale of land		-8.4		-8.4	
Insurance income		15.0		15.0	
Decrease in travel and overseas travel expenses		7.8		7.8	
Loss due to flood damages in Koriyama plant		13.3		13.3	
Loss on retirement and sale of fixed asset		13.2		13.2	
<b>Total amount of changes</b>	<b>117.8</b>	<b>75.3</b>		<b>71.3</b>	
<b>FY2020 Actual</b>	<b>1,335.4</b>	<b>278.8</b>	<b>20.9%</b>	<b>283.3</b>	<b>21.2%</b>

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Next, please turn to page 7. This is a variation analysis compared to the previous year.

The foreign exchange impact of the strong JPY slashed sales by JPY860 million, operating profit by JPY910 million, and earnings before income tax by JPY1.1 billion.

The increase in depreciation cost, which lowered operating profit and earnings before income tax by JPY860 million, respectively, was due to prior investments and in line with our plan.

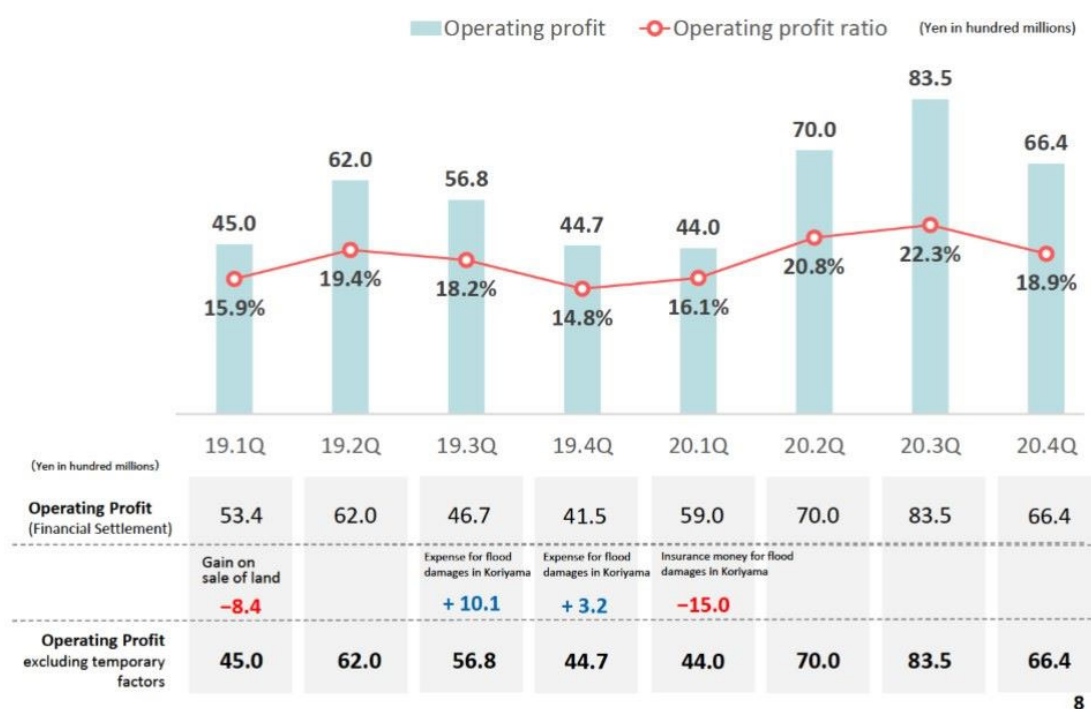
The increase in freightage and packing expenses was mainly due to higher transportation costs caused by COVID-19. Gain on the sale of land, insurance income, and loss due to flood damages in Koriyama were the effects of temporary items in the past. This section will be supplemented on the next page.

The decrease in travel and overseas travel expenses is due to a cost reduction caused by the restriction of activities amid the COVID-19 pandemic.

Loss on retirement and sale of fixed asset is a decreased amount from the previous year.



### Changes in operating profit excluding temporary factors (FY2019.1Q-FY2020.4Q)



Now, please see page 8. The following are supplementary graphs of changes in operating profit excluding temporary factors.

There was nothing special for Q2 and thereafter of the fiscal year under review, so this is mainly a review of the previous fiscal year.

### Consolidated Balance Sheet

(Yen in hundred millions)

Account	Mar 31, 2020	Mar 31, 2021	Increase / Decrease	Remark	
Assets	Cash and cash equivalents	505.6	578.4	72.8	Mainly because expenditure for capital investment decreased and headquarters did not do interim payment
	Trade and other receivables	304.4	366.2	61.8	Due to the sales increase in March, 2021 compared to March, 2020, trade receivables increased by 43.3
	Inventories	145.1	169.2	24.0	To respond in increasing demand
	Other financial assets	1,706.8	1,801.9	95.1	Securities (bonds, etc) +83.0
	Tangible fixed assets	615.4	611.8	-3.6	
	Right-of-use asset	44.8	43.6	-1.2	
	Others	104.3	134.0	29.7	Increase in asset related to retirement benefit +12.2 Increased investment in non-current asset +7.8
	<b>Total Assets</b>	<b>3,426.4</b>	<b>3,705.0</b>	<b>278.6</b>	
Total of cash in bank	1,674.5	1,776.7	102.2		

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Next, page 9 shows the balance sheet.

First, the part of assets. The increase in cash was due to the postponement of interim tax payment and a decrease in capital expenditure.

Trade and other receivables increased due to an increase in accounts receivable arising from the increased sales.

The rise in inventories came in response to the impact of increased orders, especially in Q4.

The increase in other financial assets was due to an increase in non-speculative claims and other assets as well as a rise in time deposits.

As a result, the total asset balance was JPY370.5 billion.

### Consolidated Balance Sheet

(Yen in hundred millions)

	Account	Mar 31, 2020	Mar 31, 2021	Increase / Decrease	Remark
Liabilities	Payables and other debt	167.5	195.1	27.6	Accounts payable increased because of increase in current production
	Lease liabilities	44.9	44.0	-0.9	
	Income Taxes Payable	29.6	65.3	35.7	Temporarily increased because we were exempt from interim payment due to covid-19
	Others	123.0	139.6	16.6	Due to increase in valuation of investment securities, differed tax burden increased by 10.4
	<b>Total</b>	<b>365.0</b>	<b>444.1</b>	<b>79.1</b>	
Shareholder's Equity	Capital stock and Capital surplus	207.0	206.3	-0.6	
	Retained Earnings	3,083.4	3,172.6	89.2	Net profit +199.2 Dividend △87.0 Cancellation of treasury stocks △23.1
	Treasury Stocks	-244.6	-218.7	25.8	Cancellation of treasury stock +23.8 Disposal of treasury stock +2.0
	Others	15.6	100.7	85.1	Translation adjustment +75, others (because of weak yen)
	<b>Total</b>	<b>3,061.4</b>	<b>3,260.9</b>	<b>199.5</b>	
	<b>Total Liabilities and Shareholder's Equity</b>	<b>3,426.4</b>	<b>3,705.0</b>	<b>278.6</b>	

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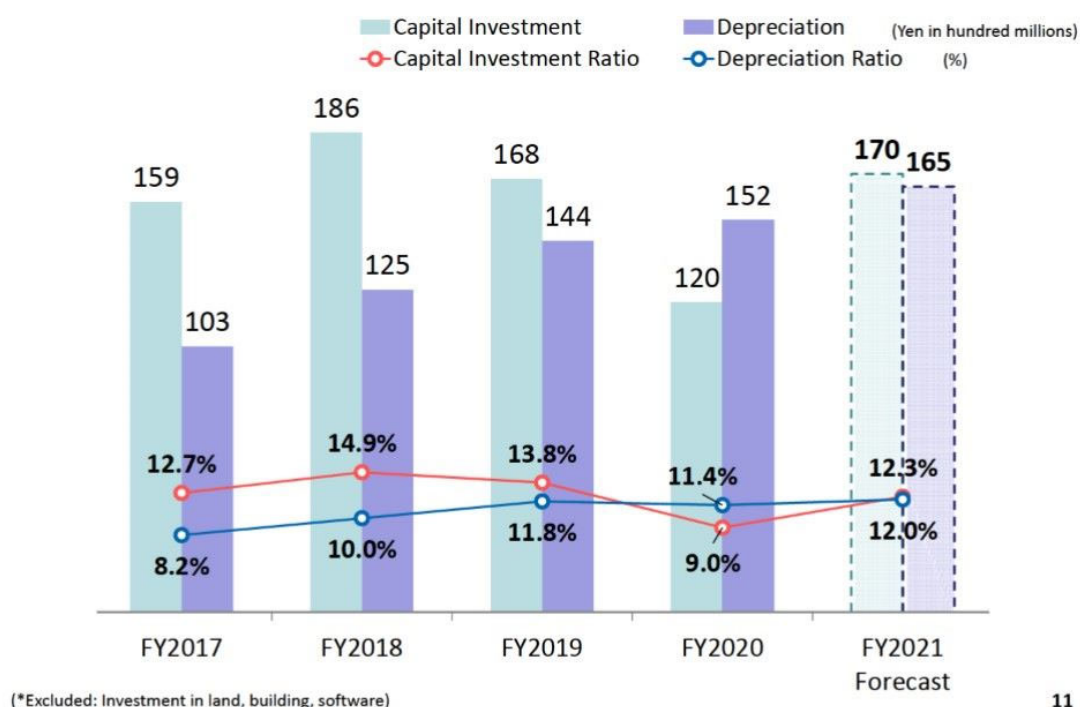
Next, on page 10, we will look at the parts of liabilities and net assets of the balance sheet.

Payables and other debt increased due to an increase in accounts payable because of increased production in Q4.

Income taxes payable increased due to the postponement of the interim tax payment, mentioned earlier.

The increase in net assets and others is due to foreign currency translation adjustments resulting from the depreciation of the JPY at the end of the year under review.

### Changes in Capital Investment and Depreciation



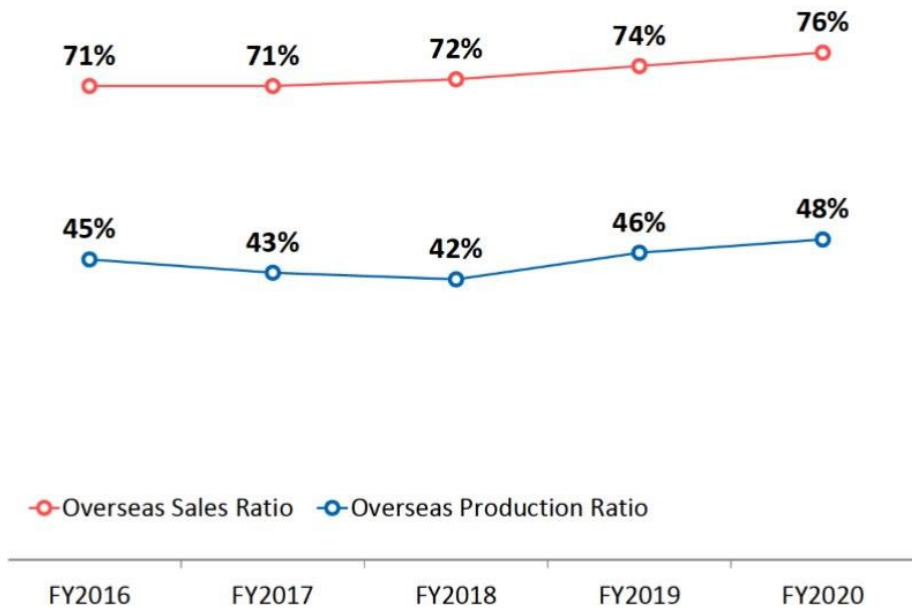
Next, please see page 11. This is the trend of capital investment and depreciation.

Capital investment for FY2020 totaled JPY12 billion and depreciation was JPY15.2 billion. The depreciation amount was close to what we had planned at the beginning of the year, but the total investment of JPY12 billion was less than expected, due to fewer investment amounts in the first half and Q4. We carried over part of planned investment to the current fiscal year.

For FY2021, we forecast capital investment of JPY17 billion and depreciation of JPY16.5 billion.

As for R&D expenses, the actual amount for FY2020 was JPY10.2 billion, and we forecast the R&D amount at JPY12 billion for FY2021.

### Overseas production and sales ratio

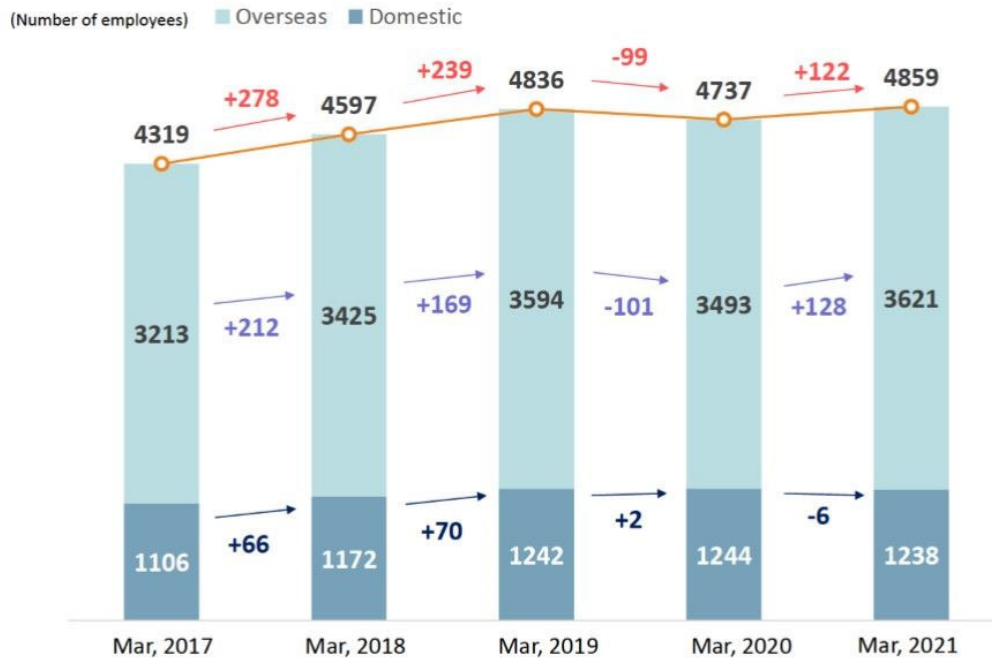


Page 12 shows the ratios of overseas production and overseas sales.

The overseas production ratio was 48% in FY2020.

The overseas sales ratio for FY2020 was 76%, down 1 percentage point from 77% in Q3 of the year. This result was due to the impact of an increase in sales to general industrial machinery as a trend by application seen in Q4.

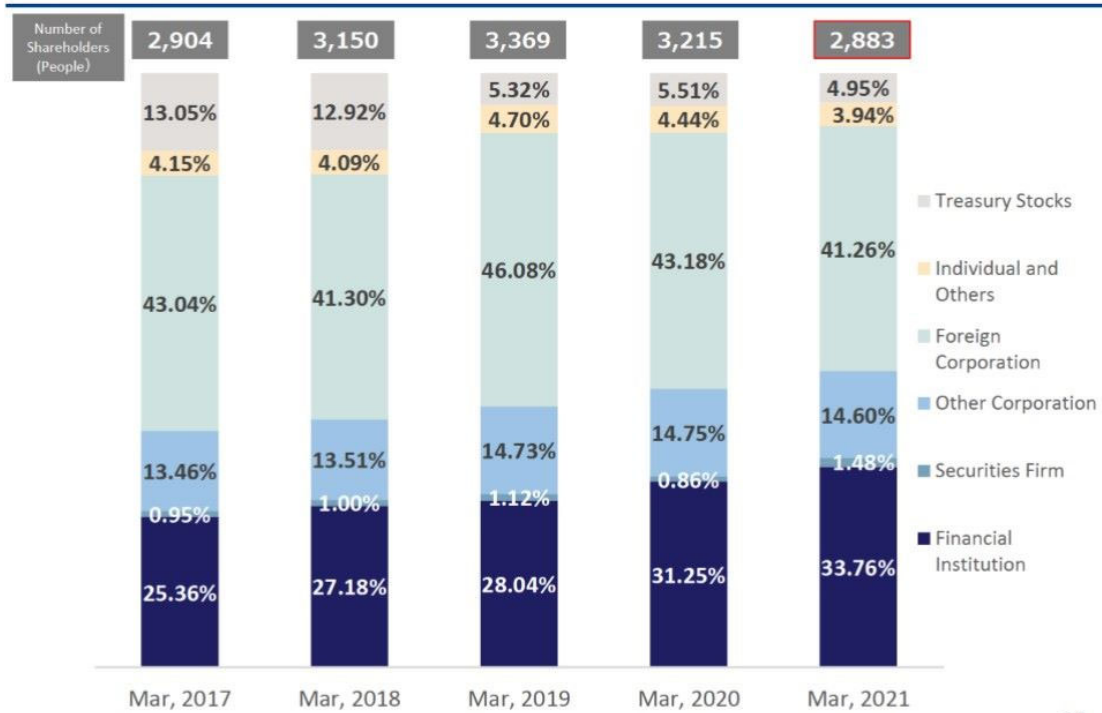
### Number of Employees ( Financial Report Basis )



Next, please see page 13. This is the trend of the number of employees.

In fiscal 2020, employees in Japan decreased slightly, while overseas employees increased. Overseas, the number of employees increased to respond to production at plants in Malaysia and China.

### Distribution of Shareholders



Page 14 shows the distribution of shareholders.

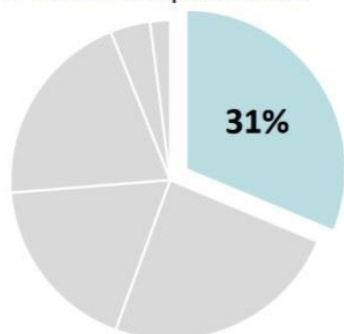
In the fiscal year ended March 2021, foreign corporations and individuals decreased their holding ratios, while the ratio of domestic financial institutions increased.

### Sales by Application\_General Industrial

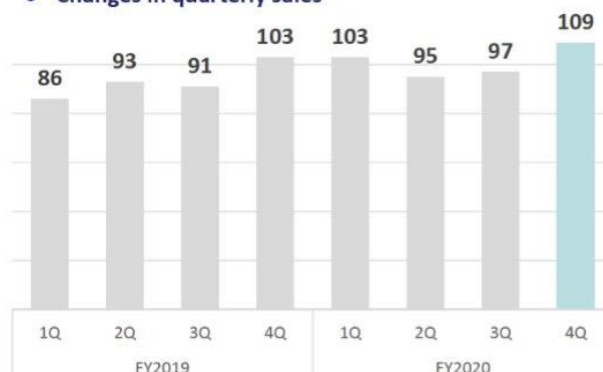
(Yen in hundred millions)

	FY2019				FY2020				YoY
	1H	3Q	4Q	FY19	1H	3Q	4Q	FY20	FY2020 / FY2019
Sales	179	91	103	373	198	97	109	404	+8%

● FY2020 Composition ratio



● Changes in quarterly sales



■ The recovery of demand related FA market supported our sales and the overall sales stay strong.

Next, please see page 15. The following six slides are about sales by application.

The first one is about general industrial.

Overall sales for industrial machinery were strong due to an increase in sales for factory automation-related applications. Orders were also strong in Q4, and we expect sales in the first half of the current fiscal year to be relatively strong.

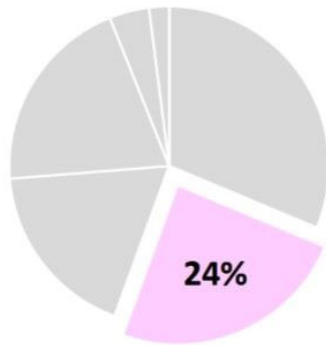


### Sales by Application\_Smartphone

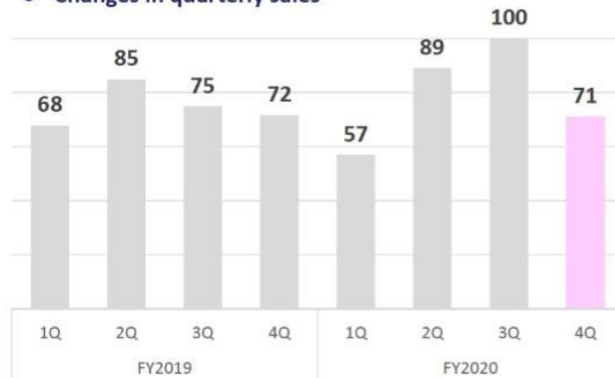
(Yen in hundred millions)

	FY2019				FY2020				YoY
	1H	3Q	4Q	FY19	1H	3Q	4Q	FY20	FY2020 / FY2019
Sales	153	75	72	299	146	100	71	317	+6%

● FY2020 Composition ratio



● Changes in quarterly sales



■ Higher specification for new models compatible 5G contributed to our sales and annual sales in smartphone increased by 6% compared with the previous fiscal year.

Page 16 shows sales for smartphones.

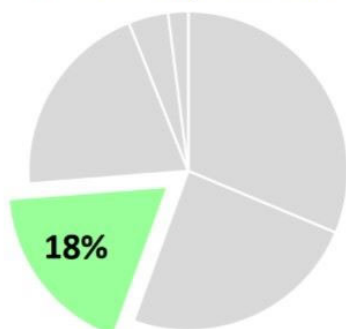
Sales in Q4 declined from Q3, partly due to seasonal factors, but for the full year of fiscal 2020, sales were up 6% YoY. As sales in the year under review were high, we expect the current year's level to be flat YoY.

### Sales by Application\_Automotive/Mobility-related

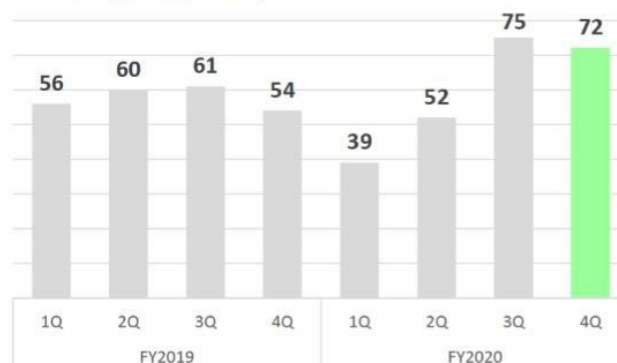
(Yen in hundred millions)

	FY2019				FY2020				YoY
	1H	3Q	4Q	FY19	1H	3Q	4Q	FY20	FY2020 / FY2019
Sales	116	61	54	232	91	75	72	238	+3%

● FY2020 Composition ratio



● Changes in quarterly sales



■ Due to the recovery of demand starting from the second half, annual sales increased slightly by 3% compared to FY2019.

Page 17 shows automotive and mobility-related sales.

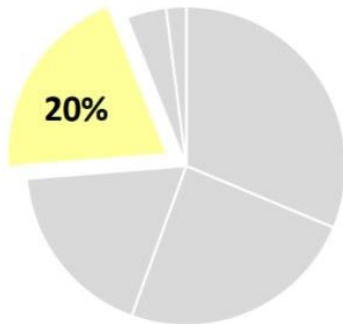
As a result of the growth in the second half of the year, annual sales in FY2020 were up 3% YoY, recovering an uptrend. We expect that sales will shift from recovery to growth in the future.

### Sales by Application\_Consumer/Mobile Equipment

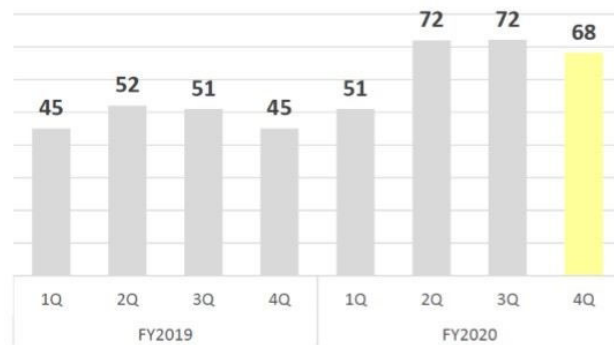
(Yen in hundred millions)

	FY2019				FY2020				YoY
	1H	3Q	4Q	FY19	1H	3Q	4Q	FY20	FY2020 / FY2019
Sales	97	51	45	194	123	72	68	263	+36%

● FY2020 Composition ratio



● Changes in quarterly sales



- Remote working became more popular and the demand for personal and small consumer equipment has been still strong.

Page 18 shows sales for consumer and mobile equipment.

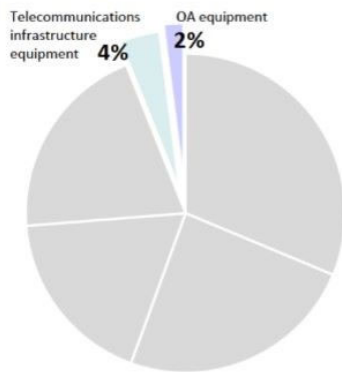
Since remote work has taken root, demand for personal and small consumer devices increased, resulting in continued strong sales in FY2020.

Sales by Application\_Telecommunications infrastructure equipment / OA equipment

(Yen in hundred millions)

	FY2019				FY2020				YoY
	1H	3Q	4Q	FY19	1H	3Q	4Q	FY20	FY2020 / FY2019
Telecommunications infrastructure equipment	25	15	14	54	24	13	15	52	-3%
OA equipment	13	8	6	27	10	5	6	21	-22%

● FY2020 Composition ratio

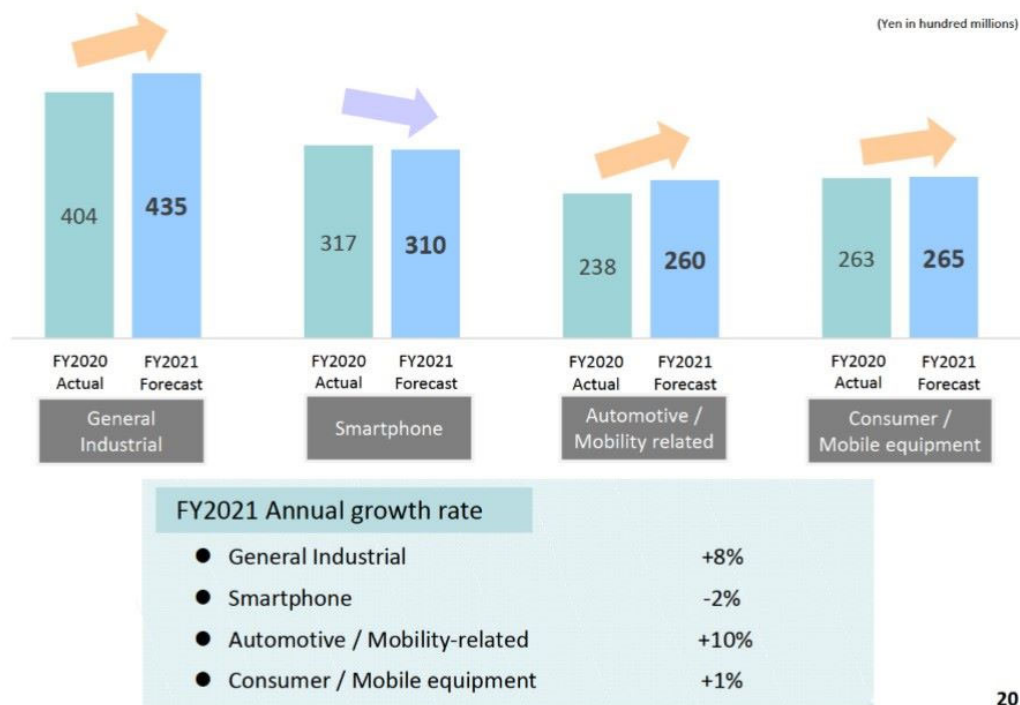


● Changes in quarterly sales



Page 19 shows sales for telecommunications infrastructure equipment and office automation equipment.

### Annual sales forecast by applications (round number)



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Please turn to page 20. This is the annual sales forecast by application for fiscal 2021.

General industrial-related sales will increase 8% YoY. Sales for smartphones will be down 2%. Sales for automobiles will be up 10%. Sales for consumer/mobile equipment will be up 1%.

### Business Forecast for the Year Ending March 31, 2022 (Consolidated)

	(Yen in hundred millions)							
	FY2020 (FY ended March 31, 2021) Actual		FY2021 (FY ending March 31, 2022) Forecast		First Half Over the Previous Actual Amount		For the Year Over the Previous Actual Amount	
	First Half	For the Year	First Half	For the Year	Amount Change	%	Amount Change	%
<b>Sales</b>	610.4	1,335.4	<b>700.0</b>	<b>1,380.0</b>	89.6	14.7	44.6	3.3
COGS Ratio	57.6%	57.6%	<b>58.0%</b>	<b>58.1%</b>				
<b>Operating Profit</b>	128.9	278.8	<b>135.0</b>	<b>265.0</b>	6.1	4.7	<b>-13.9</b>	<b>-5.0</b>
(%)	21.2%	20.9%	<b>19.3%</b>	<b>19.2%</b>				
<b>Earnings before income tax</b>	128.9	283.3	<b>135.0</b>	<b>265.0</b>	6.1	4.8	<b>-18.3</b>	<b>-6.5</b>
(%)	21.1%	21.2%	<b>19.3%</b>	<b>19.2%</b>				
<b>Net Profit</b>	93.4	199.2	<b>95.0</b>	<b>190.0</b>	1.6	1.7	<b>-9.2</b>	<b>-4.6</b>
(%)	15.3%	14.9%	<b>13.6%</b>	<b>13.8%</b>				
Income Per Share	—	549.11 yen	—	<b>523.64 yen</b>				
					(Yen)	FY2020 Actual	FY2021 Forecast As of May, 2021	
					1US\$	106.06	104.00	
Dividend Per Share	120 yen	240 yen	<b>130 yen</b>	<b>260 yen</b>	1€	123.70	129.00	
Consolidated Dividend Payout Ratio	—	43.7%	—	<b>49.7%</b>	100won	9.17	9.70	

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Next, please see page 21. This is a summary of the earnings forecast.

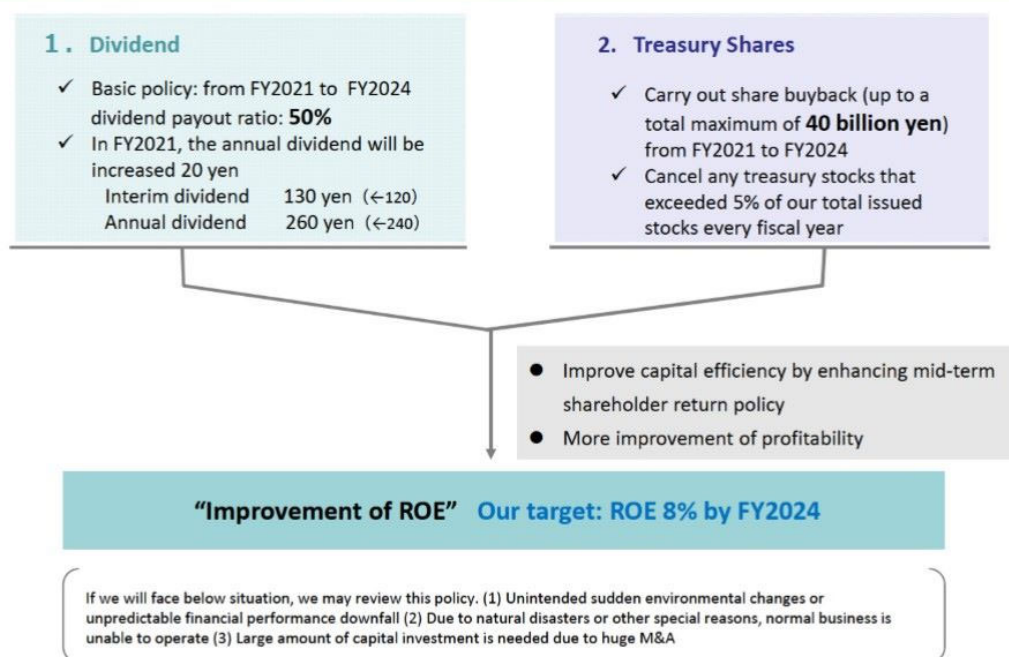
For FY2021, sales are expected to be JPY138 billion, operating profit JPY26.5 billion, the operating profit ratio at 19.2%, earnings before income tax JPY26.5 billion, net profit JPY19 billion, and net income per share JPY523.64. We plan to pay an annual dividend of JPY260 per share, up JPY20. The dividend payout ratio will be 49.7%.

The exchange rate assumptions for the year are JPY104 to the USD, JPY129 to the EUR, and JPY9.70 to KRW100.

That is all the explanation from me.

Next, Administration Group President Fukumoto will explain our medium-term capital policy and the appointments of officers in connection with the transition to a company with an audit & supervisory committee.

## Medium-term capital policy-1 Shareholder Return



Regarding the details of share buyback in the Fiscal 2021, we will inform you as soon as it is decided.

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**Fukumoto:** Good morning. I am Hiroshi Fukumoto from the Administration Group. I would like to explain pages 22 through 27.

First of all, regarding medium-term capital policy, , as we had difficulty in foreseeing the future of our businesses amid the COVID-19 pandemic, we postponed the announcement of the capital policy by one year.

I would like to briefly explain the content of the policy again.

In fact, we issued a press release yesterday, but today I would like to explain the policy based on page 22 of this material.

First of all, I would like to talk about our shareholder return policy, which includes dividend, number 1 on the left side, and treasury stock, number 2 on the right side.

Regarding dividend, our basic policy is to maintain a payout ratio of 50% for FY2021 through FY2024.

We have raised the basic payout ratio of 40% set for FY2016 to FY2020 to 50%.

As a result, the dividend for FY2021, the current fiscal year, will increase by JPY20 per share, which was reported in today's Nihon Keizai Shimbun. The annual dividend will rise from JPY240 to JPY260.

On the other hand, we will buy back treasury shares up to JPY40 billion for the four years to FY2024.

As an additional note, we continue to cancel any treasury shares that exceeded 5% of our total shares issued every year.

By combining these two factors, as described in the middle, we will improve capital efficiency by enhancing the medium-term shareholder return policy, and more importantly, further improve profitability. The idea is to raise the profitability from 20% or so to even higher.

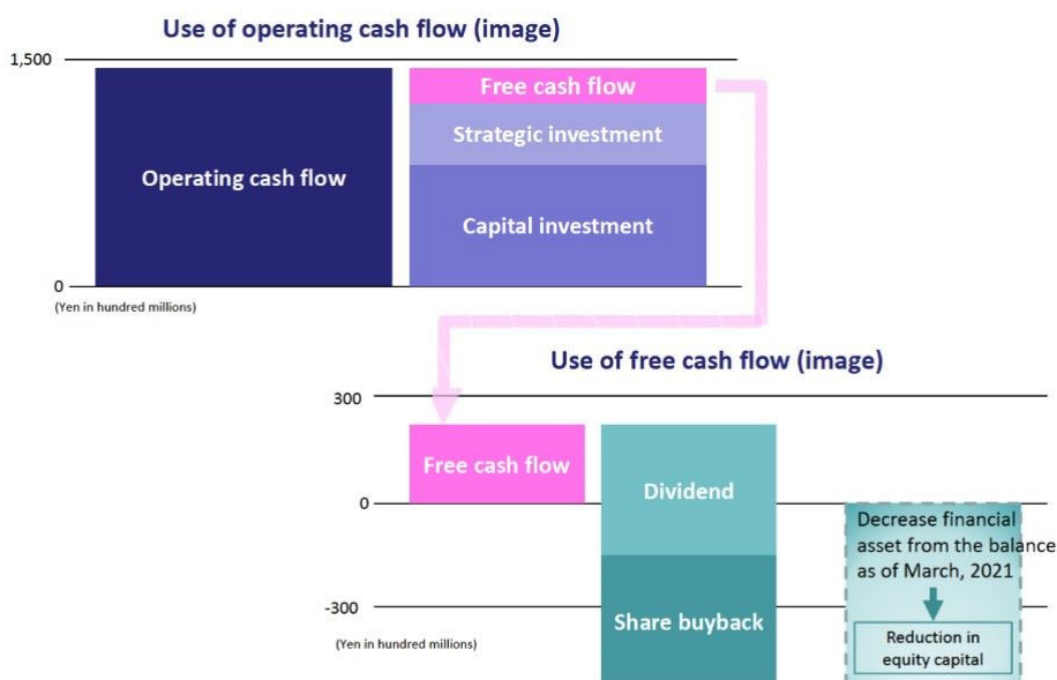
Implementing the above, we will work to improve return on equity, and aim to achieve an 8% ROE by FY2024.

Underneath, as a postscript, there are descriptions of three items. In short, in the event of various unpredictable changes, natural disasters, or the need for large amounts of M&A funds, we would like to review this policy. However, this remains our shareholder return policy until FY2024.

As for the details of the current fiscal year's share buyback plan, we will make an announcement as soon as it is determined.



**Medium-term capital policy-2 Cash flow from FY2021 to FY2024**



23

Please move on to page 23. We showed an image of how to use operating cash flow and free cash flow.

The first is operating cash flow. From FY2021 to FY2024, we aim to generate a little less than JPY150 billion in a cumulative amount of operating cash flow, probably around JPY149 billion.

The first thing to say is how to use the amount. It will include ordinary capital investment, such as some new SCM systems and buildings. In addition, we have set a certain portion for strategic investment.

This means that we need to make effective use of capital in order to expand our businesses in the medium to long term. We are also considering whether we should focus on the mainstay connector area or some other areas, and whether we should aim to acquire new technologies or strengthen manufacturing.



Then there is M&A, or capital injection into some other companies. This is still under consideration, but as soon as it becomes clear, we will announce it to the public.

The remaining portion is free cash flow. FCF is depicted in the lower right picture.

As a result, the cumulative free cash flow for the four years is estimated to be around JPY26 billion, a little less than JPY30 billion.

So we will pay dividends and buy back our own shares for the four years based on our shareholder return policy. The total amount of shareholder return for both of these items will be approximately JPY82 billion.

As a matter of course, this will reduce our financial assets. In addition, we will be able to reduce the amount of equity capital.



### Medium-term capital policy-3 The forecast of ROE

We will improve capital efficiency by our new shareholder returns from FY2021 to FY2024 and improve profitability, and strive to achieve our **ROE target, 8%**.



24

Please see page 24. This is our ROE, which was 5% in FY2019 and 6.3% in FY2020.

Our understanding is that the so-called cost of shareholders' equity is somewhere between 5.8% and 6.4%. We placed these figures though they can vary depending on how a variety of parameters are set. We are aware that we must raise our ROE further, and we are aiming for an 8% ROE by 2024 as the first step.

Therefore, by FY2024, we will work to improve profitability, combine the shareholder return measures I mentioned earlier, reduce shareholders' equity based on share buybacks, and improve ROE.

Medium-term capital policy-4 For our stakeholders



Page 25 shows the pictures of our responses to stakeholders.

Although many things have been said in recent years, all stakeholders are very important.

In particular, I believe that the source of our continued growth with profitability will come from our employees. Therefore, the new personnel system named here will include various measures to raise employees' motivation, to promote the growth and vitality of people and the organization, and to provide human treatment that matches employees' achievements and that is acceptable. I can't go into details, but that's what we're aiming for.

Naturally, as shown on the top middle, we will continue a stable supply of high added value and high quality products to customers. In addition, it is important for us to continue to conduct fair transactions with our trading partners in compliance with laws and regulations.

Moreover, on the lower left, we placed the picture of Community. This is a bit of a misnomer if we sum it up in one word, actually it might be community and general society.

Our headquarters is located in Yokohama, and our factories are located in the Tohoku region, so we will cooperate with the relevant communities to contribute to society. Or we will ensure accurate tax payments based on high profits. If you pay your taxes properly, this is one way to contribute to society. In addition, we would like to strengthen our response to sustainability, which has been a key topic of a lot of discussions recently.

Also, for our shareholders, of course, we need to ensure the continued growth of our businesses and provide appropriate returns. And we are also focusing on governance improvement. We are moving forward with

the goal of publishing the integrated report by September 2021. The integrated report will be viewed not only by shareholders but also by all stakeholders.

While we strive to achieve a balance between investment for growth and shareholder returns, we will promote the effective use of assets, and operate our businesses prioritizing continued growth and sustainability in the future.



**Executive appointment associated with the transition to a company with audit & supervisory committee**

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**Purpose of establishment of audit & supervisory committee**

We will establish Audit & Supervisory Committee which the majority of the committee members consists of outside directors, and grant directors who are also audit & supervisory committee members the right to vote at the board of directors in order to

Strengthen audit and supervisory functions

- of the board
- of legality and validity of business execution

**⇒ Enhance and enrich corporate governance much more**

26

Please see page 26. This shows how many Directors are appointed associated with the transition to a Company with an Audit & Supervisory Committee.

The purpose of establishing the Audit & Supervisory Committee is written here.

We will establish the Audit & Supervisory Committee, a majority of whose members consists of Outside Directors, and grant Directors who are Audit & Supervisory Committee members the right to vote at meetings of the Board of Directors. By doing so, we will strengthen audit and supervisory functions of the Board of Directors and of the legality and validity of business execution. In the end, we are determined to enhance and enrich our corporate governance much more.

### Change in Personnel (On and After Jun 25<sup>th</sup> 2021)

Directors (excluding directors who are audit and supervisory committee members)		
President		Kazunori Ishii (Reappointed)
Senior Managing Director	Group President, Engineering Group and in charge of Production Group	Mitsuo Nakamura (Reappointed)
Director	Group President, Production Group	Yukio Kiriya (Reappointed)
Director	Group President, Sales & Marketing Group	Hiroshi Satoh (Reappointed)
Director	Group President, Administration Group	Shin Kamagata (Newly appointed)
Director	Deputy Group President, Engineering Group	Jun Inasaka (Newly appointed)
Director	President, Hirose Korea Co., Ltd.	Sang-Yeob LEE (Reappointed)
Outside Director		Kensuke Hotta (Reappointed)
Outside Director		Tetsuji Motonaga (Reappointed)
Outside Director		Masanori Nishimatsu (Reappointed)
Directors who are audit and supervisory committee members		
Director (Full-time audit and supervisory committee member)		Yoshikazu Chiba (Newly appointed)
Outside Director (audit and supervisory committee member)		Terukazu Sugishima (Newly appointed)
Outside Director (audit and supervisory committee member)		Kentaro Miura (Newly appointed)

\*Hiroshi Fukumoto, current board director will retire from the position on June 25, 2021. [ Ratio of outside directors: 38.5% ] 27

Page 27 shows the specific executive appointments.

The change in personnel is subject to the approval at the ordinary general meeting of shareholders to be held on June 25.

The upper part shows 10 Directors, excluding Directors who are Audit & Supervisory Committee Members. There are a number of people who have been reappointed, including President Ishii, who is here today, but in the fifth and sixth rows from the top marked yellow, there are two new Directors. One is Shin Kamagata, Group President, Administration Group. The other is Jun Inasaka, Deputy Group President, Engineering Group.

In the lower part, we show three Directors who are Audit & Supervisory Committee Members. The current Audit & Supervisory Board Members will be appointed as Directors who are Audit & Supervisory Committee Members.

On the bottom right corner, we showed that the ratio of Outside Directors will be 38.5%, with five Outside Directors out of the 13 Directors.

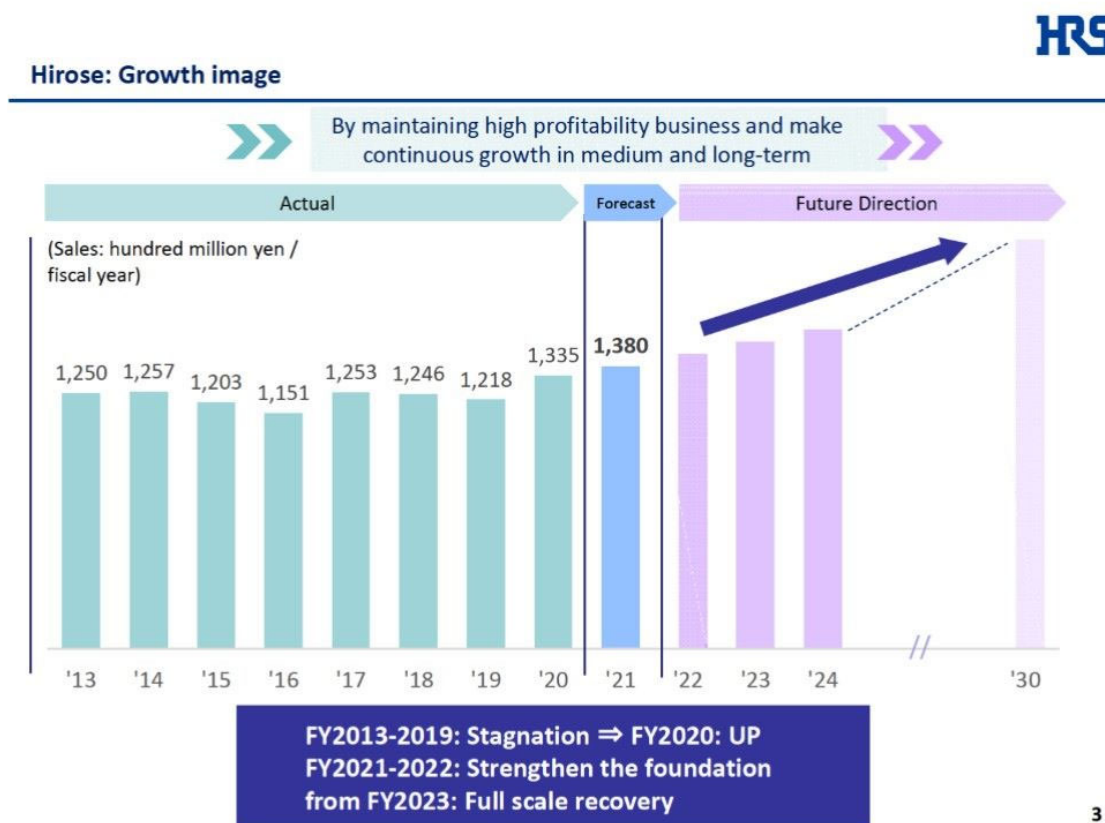
On the bottom left, there is a description that I, Fukumoto, will retire from the Director position as of June 25. I will leave HIROSE ELECTRIC.

To be astonishing, I have been in charge of the financial results presentations for as long as 14 years since May 2007. I have received a lot of tough questions and comments from you, analysts, and sometimes words of encouragement. Although I will be stepping down, I believe that the IR function itself has been strengthened since the IR Office was established as a dedicated organization 2 years ago.

In addition, I would like to ask for your reassurance that my successor will take care of the shareholder return policy and various other matters that have been announced.

Thank you very much for everything. I would like to conclude my explanation.

**Suzaki:** Next, President Ishii will explain the 2021 Medium and long-term Growth Strategy. The presentation material is a separate one other than the material for the financial results, so please prepare the material titled 2021 Medium and long-term Growth Strategy from the screen you are watching.



3

**Ishii:** Good morning again, everyone. This is Ishii, President of HIROSE ELECTRIC.

I would like to thank the many people who participated in this event. Also, thank you for your support and guidance to HIROSE's business.

I will now give a digest explanation and report on the medium-term plan, the FY2021 version. Please see page 3. This graph shows the medium- to long-term growth image of HIROSE.

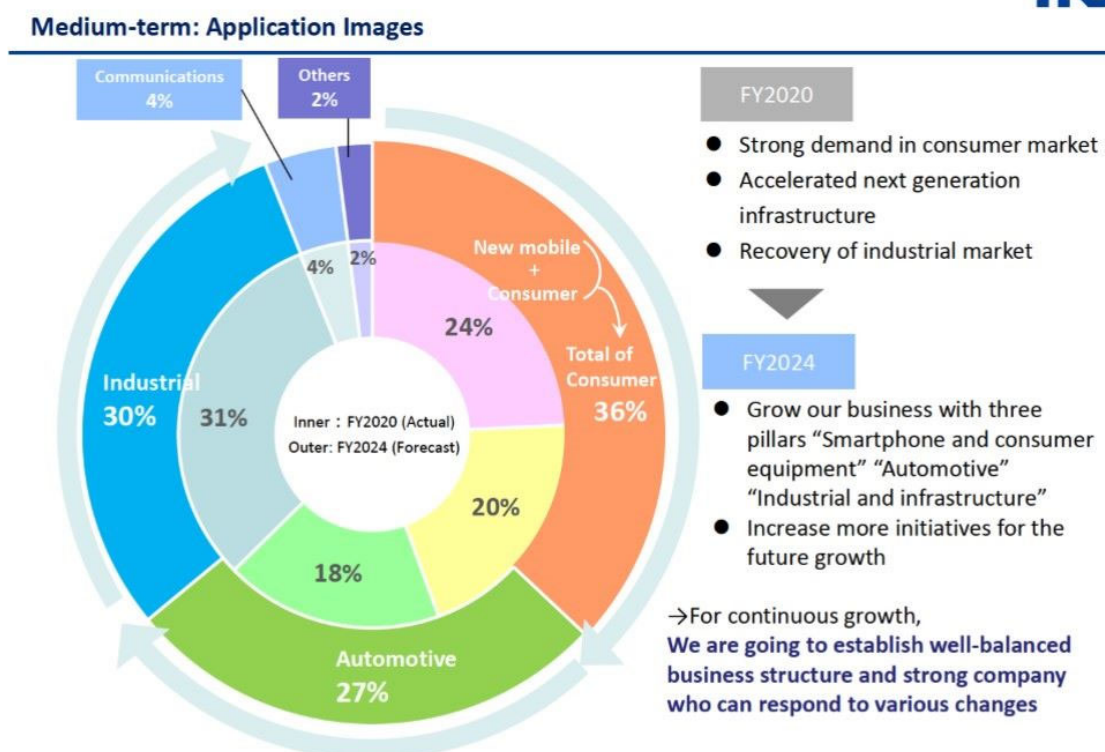
The bar showing the results for FY2020 is just at the center position of this slide. The clearly blue bar next to it is the plan for FY2021. And as the dark blue arrow on the right side indicates, we plan to move toward solid, continuous growth, as always.

We summarized the previous fiscal year, FY2020, in a few words at the bottom of the slide. In a nutshell, we managed to emerge in fiscal 2020 from a long period of stagnation.

And this time, we see FY2021 and FY2022 as a period to strengthen the foundation for the medium and long term. What this means is that as we move towards a full-fledged recovery from the previous year's emergence,

we will spend this period, the two years of FY2021 and FY2022, aiming a solid company, doing solid businesses, and improving the quality of each function.

For example, we were able to improve our operating profit by more than 30% in the fiscal year under review. However, this includes cost savings due to the restrictions on movement amid the COVID-19 pandemic and flood insurance payments. I have described the next two years as a period of strengthening our foundation, because I want to take a good look at our current situation over the next two years, improve and reform our issues, problems and challenges, and at the same time make a full-scale recovery. Through this period, we plan to move on to a full-scale recovery from fiscal 2023.



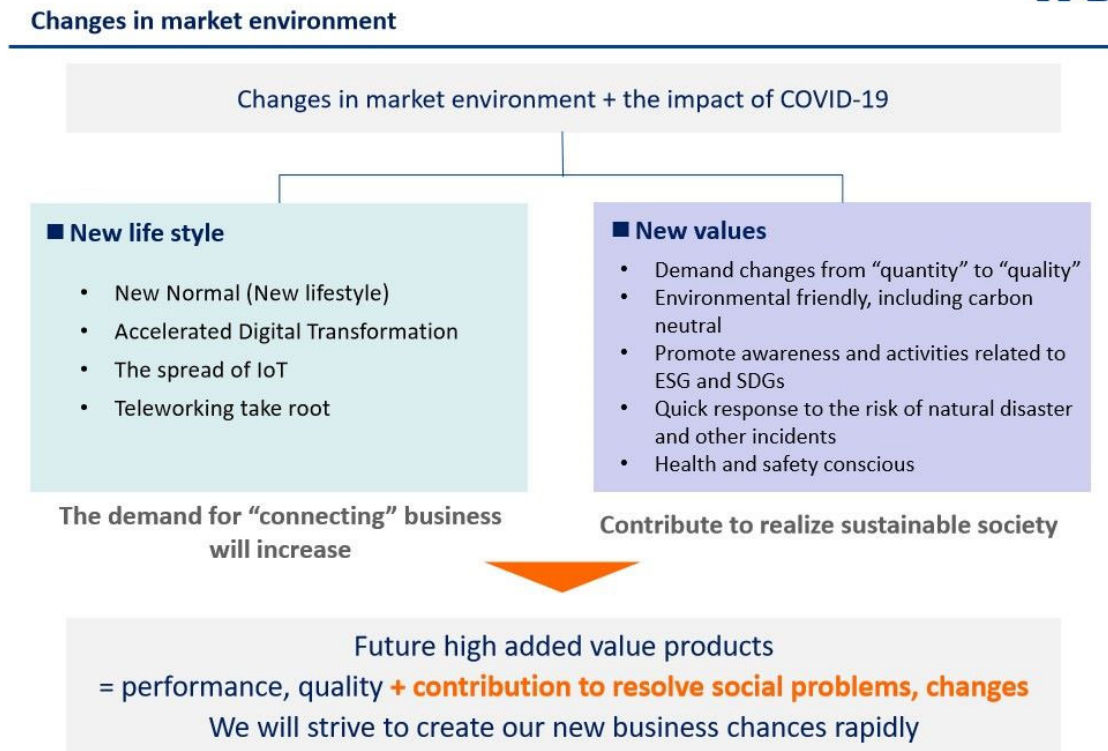
Please move on to page 4. This is a composition chart of applications. The pie chart on the left side shows the actual results for FY2020 on the inside and the forecast for FY2024 on the outside.

As for the results in FY2020, as the IR official reported earlier, I think there were three key points.

We took advantage of strong demand in the consumer market. We accelerated the next-generation communication infrastructure. There was a recovery in the industrial market. Internally, I believe that what supported these efforts was the result of strengthening our initiatives that had been in place.

For fiscal 2024, we will grow our business with the three pillars as we expressed: Smartphones and Consumer Equipment, Automotive, and Industrial and Infrastructure. While we will strengthen our initiatives for a next round of growth, our goal for the medium term is to establish a well-balanced business structure and a corporate structure that is responent to changes in order to achieve sustainable growth.

Through the experience of the COVID-19 pandemic, I feel that HIROSE's well-balanced business structure is one of its strengths.



Please move onto page 5. This is a slide about a change in the market environment.

I will skip the explanation of New lifestyle and New values, as you are more familiar with them than we are. Generally speaking, we have entered an era that requires us to be able to respond better and more strongly to changes in lifestyles and values. We will improve the quality in many ways.

For example, we would like to improve our performance, product quality, and ability to react to social issues by raising our capabilities of detection and response.

Future growth market



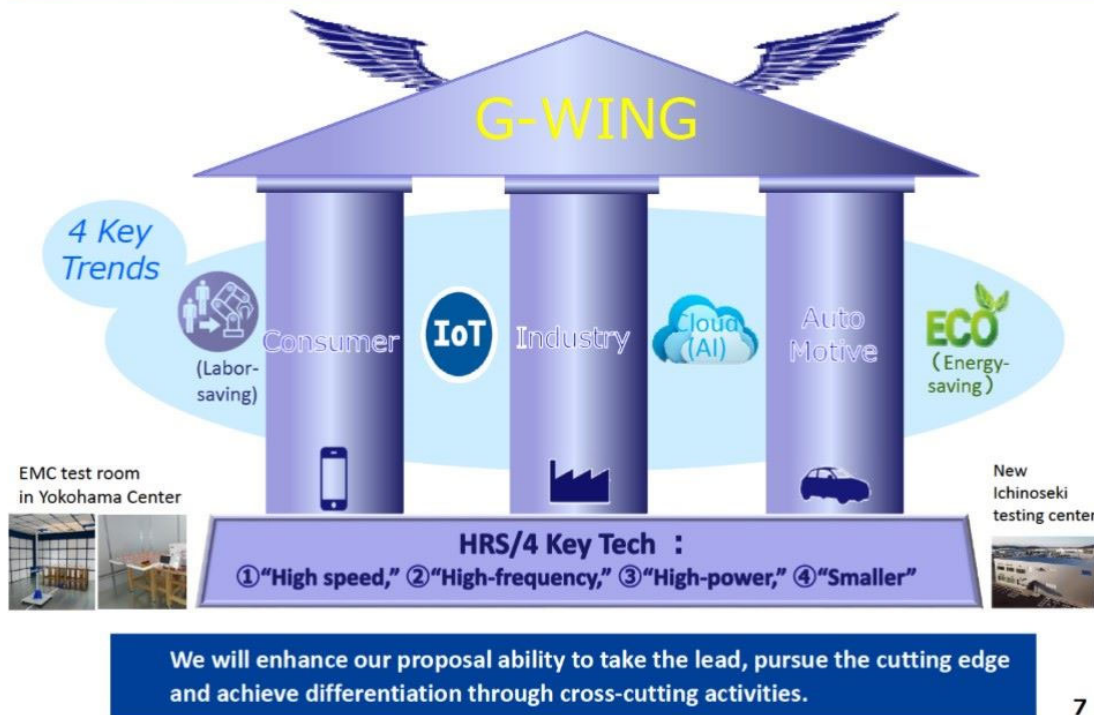
Our market will become wider from home electronics equipment to devices supporting social infrastructure. We are going to respond to diversified demands and contribute to our society more.

6

Please move on to page 6. This slide shows the future growth market.

The changing and expanding needs are creating business opportunities for us to connect. We imagine that more will be born in the future.





Please see page 7. This slide shows an image for the medium-term application strategy, and is almost the same as in the previous plan. In our medium to long-term plan it is called G-WING. The name comes from the idea of creating wings that fly globally.

As I mentioned earlier, there are the three pillars of Consumer, Industry, and Automotive, and we will catch four key technologies as we deem to be important: high-speed, high-frequency, high-power, and smaller.

At the same time, we would like to add analytical capabilities and knowledge of the EMC room in the Yokohama Center on the left side, where we have been strengthening our functions since three to four years, and the Ichinoseki testing center on the right side, to reinforce our ability to propose leading-edge, cutting-edge, and differentiated solutions across fields, and make efforts to develop them for further continuous growth.

<< FY2021 >>

➤ Strengthen “sensitivity and responsiveness” and move forward

< 1 > ability to develop technology  
 < 2 > ability to manufacture  
 < 3 > ability to execute global operation  
 and localization in each area (glocalization)

} « + » “human resources”

▼

Aim for “recovery and evolution” “Accelerate for action”

➤ Take current, medium and long-term measurement rapidly

Think and carry out business promotion by multifaceted measures  
and create a foundation for “next future”

\*current⇔future / Existing⇔New / Resolve⇔Preventive measure

8

Please see page 8. This is the last slide from me.

In FY2021, we hope to make it a year of progress by strengthening our sensitivity and responsiveness.

The points to be reinforced remain the same as in the previous year: ability to develop technology, ability to manufacture, and ability to execute global operation and localization in each area. By adding the fostering of human resources to carry out these tasks, we hope to accelerate our ability to implement recovery and evolution. We would like to ask you for your continued support.

This is a brief report from me. Thank you very much.

**Suzaki:** That's all for the explanation from us.

## Disclaimer

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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.