



60th Fiscal Term Annual Report

From April 1, 2006 to March 31, 2007



**HIROSE
ELECTRIC
CO.,LTD.**



President and Representative Director
Tatsuro Nakamura



Executive Vice President
and Representative Director
Sakae Kushida

We are pleased to report the results of operations for fiscal 2006, the year ended March 31, 2007 (the 60th fiscal term, from April 1, 2006, to March 31, 2007).

Business Overview

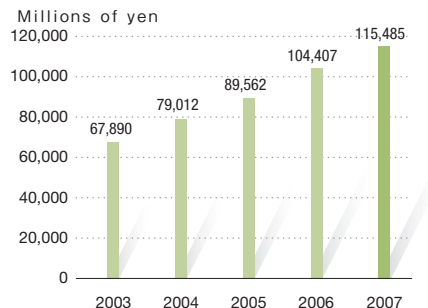
During the year ended March 31, 2007, the Japanese economy saw a steady undertone of recovery against a backdrop of improved corporate profits and employment and increased capital investment despite a decelerating U.S. economy.

The electronics industry performed steadily on the whole despite a severe operating environment epitomized by intensified price competition, a surge in metallic material prices and inventory adjustment for some IT-related components.

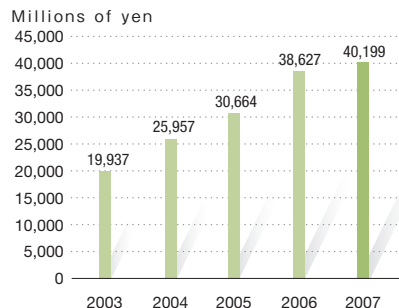
In this business environment, the Hirose Electric Group reinforced its product development capability, developed new products and enhanced product quality in response to sophisticated customer needs. The Group also pushed forward with aggressive management initiatives including cost-cutting measures such as the promotion of manufacturing efficiency and an expansion in

Financial Highlight

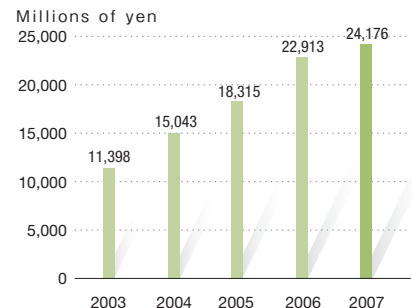
Net sales



Ordinary income



Net income



overseas manufacturing, as well as the exploitation of domestic and overseas sales channels and the reinforcement of selling power.

As a result, consolidated net sales for the year under review amounted to ¥115,485 million, an increase of 10.6% from a year earlier. Ordinary income increased 4.1% year over year to ¥40,199 million, and net income rose 5.5% to ¥24,176 million, both of which were historical highs.

The above figures include a loss on liquidation of HIROSE ENGINEERING CO., LTD., a former consolidated subsidiary that was dissolved after withdrawing from the organic EL business.

In the economic environment in which the Group operates, the market is expected to grow through expansion in the fields of information and communications networks, digital information, consumer electronics and automotive electronics. However, the situation will become increasingly severe, affected by the diversification of markets; shorter product cycles, which will pose higher risks in collecting the fruits of our investments; and further intensifying competition.

In this tough business environment, the Group

intends to pursue leading-edge technologies, conduct more efficient distribution and concentration of resources and consistently carry out reforms and innovations. Such aggressive initiatives also include the reinforcement of product development capability to meet new needs, the development of high-value-added products and the promotion of manufacturing efficiency and further improvement of product quality, all of which would serve to improve our cost competitiveness. At the same time, we are determined to strengthen our management foundations toward profitable growth and improve our corporate value through efforts to promote globalization and exploit domestic and overseas sales channels.

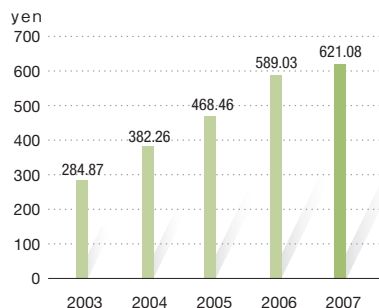
We look forward to your continued support and encouragement.

June 2007

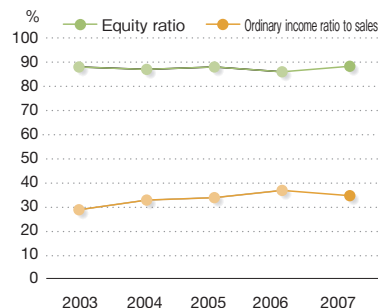
President and Representative Director
Tatsuro Nakamura

Executive Vice President and Representative Director
Sakae Kushida

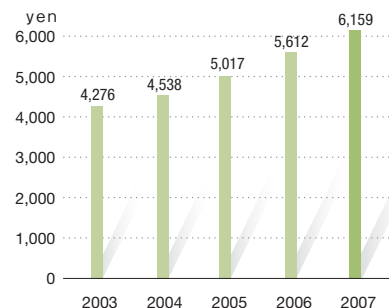
■ Net income per share



■ ROA&ROE



■ Net assets per share



Multi-Pin Connectors

Our flagship multi-pin connectors include a variety of connector types such as circular and rectangular connectors, connectors for ribbon cables, connectors used for printed circuit boards including FPCs (flexible printed circuit boards) and PC cards, as well as nylon connectors.

Major applications of these connectors include a wide range of industrial fields, such as computers and peripheral terminals, PCs, OA equipment, communications equipment, telephone equipment, measuring and control equipment, FA equipment, broadcasting equipment and medical electronics equipment, digital information consumer electronics and automotive electronics. Further expansion in demand is expected along with the enhanced use of electronics and the development of the contemporary information and communications society, which is heavily dependent on the significant use of computers and communications equipment.

As a consequence, consolidated segment sales for the year under review increased 10.8% year over year to ¥97,971 million, principally resulting from strong demand in the information and communications fields, particularly for advanced-function mobile phones and digital consumer electronics.



Coaxial Connectors

Coaxial connectors are a special type of high-performance connector used primarily for microwave and other high-frequency signals. Their applications include microwave communications devices, satellite communications equipment, electronic measuring instruments, mobile communications equipment such as mobile phones and PHSs, and switching and transmission equipment and other electronic equipment. Optical fiber connectors are also included in this segment.

Consolidated segment sales for the year under review increased 15.5% to ¥12,793 million due to a recovery in demand for mobile communications equipment and investments in communications infrastructure.



Other Products

The Other Products segment includes high-frequency devices such as directional couplers, non-reflecting terminal equipment, fixed attenuators, circulators and coaxial switches, as well as low-frequency equipment designed for medical treatment applications and instruments for connectors.

Consolidated segment sales for the year under review decreased 4.6% to ¥4,719 million.



Consolidated Financial Statements

Consolidated Balance Sheets

(Millions of yen)

| Account item | As of March 31, 2007 | As of March 31, 2006 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | 190,420 | 199,032 |
| Fixed assets | 81,092 | 56,387 |
| Property, plant and equipment | 22,805 | 18,048 |
| Intangible assets | 2,188 | 3,114 |
| Investments and other assets | 56,098 | 35,224 |
| Total assets | 271,513 | 255,419 |
| Liabilities | | |
| Current liabilities | 28,128 | 31,649 |
| Long-term liabilities | 3,634 | 5,198 |
| Total liabilities | 31,762 | 36,847 |
| Shareholders' equity | | |
| Common stock | — | 9,404 |
| Additional paid-in capital | — | 14,362 |
| Retained earnings | — | 202,643 |
| Unrealized gain on available-for-sale securities | — | 3,183 |
| Foreign currency translation adjustments | — | 530 |
| Treasury stock, at cost | — | (11,554) |
| Total shareholders' equity | — | 218,571 |
| Total liabilities and shareholders' equity | — | 255,419 |
| Net assets | | |
| Shareholders' equity | 234,446 | — |
| Common stock | 9,404 | — |
| Additional paid-in capital | 14,370 | — |
| Retained earnings | 222,222 | — |
| Treasury stock, at cost | (11,550) | — |
| Valuation, translation adjustments and others | 5,304 | — |
| Total net assets | 239,750 | — |
| Total liabilities and net assets | 271,513 | — |

Note: Amounts less than ¥1 million are truncated.

Consolidated Statements of Income

(Millions of yen)

| Account item | From April 1, 2006 to March 31, 2007 | From April 1, 2005 to March 31, 2006 |
|--|--------------------------------------|--------------------------------------|
| Net sales | 115,485 | 104,407 |
| Cost of sales | 58,420 | 49,975 |
| Gross profit | 57,064 | 54,432 |
| Selling, general and administrative expenses | 19,029 | 17,540 |
| Operating income | 38,035 | 36,891 |
| Other income | 2,227 | 2,251 |
| Other expenses | 63 | 515 |
| Ordinary income | 40,199 | 38,627 |
| Special gains | 376 | 21 |
| Special losses | 1,772 | 276 |
| Income before income taxes | 38,802 | 38,372 |
| Provision for income taxes—Current | 15,367 | 15,645 |
| Provision for income taxes—Deferred | (741) | (186) |
| Net income | 24,176 | 22,913 |

Note: Amounts less than ¥1 million are truncated.

Consolidated Statements of Cash Flows

(Millions of yen)

| Account item | From April 1, 2006 to March 31, 2007 | From April 1, 2005 to March 31, 2006 |
|---|--------------------------------------|--------------------------------------|
| Operating activities | 26,845 | 27,879 |
| Investing activities | (42,248) | (8,648) |
| Financing activities | (4,454) | (1,814) |
| Effect of exchange rate change on cash and cash equivalents | 440 | 499 |
| Net increase/decrease in cash and cash equivalents | (19,417) | 17,916 |
| Cash and cash equivalents, beginning of the year | 143,901 | 125,985 |
| Cash and cash equivalents, end of the year | 124,483 | 143,901 |

Note: Amounts less than ¥1 million are truncated.

Consolidated Statements of Changes in Net Assets. (From April 1, 2006 to March 31, 2007)

(Millions of yen)

| | Shareholders' equity | | | | | Valuation, translation adjustments and others | Total net assets |
|---|----------------------|----------------------------|-------------------|-------------------------|----------------------------|---|------------------|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock, at cost | Total shareholders' equity | | |
| Balance at March 31, 2006 | 9,404 | 14,362 | 202,643 | (11,554) | 214,856 | 3,714 | 218,571 |
| Amount of changes during the period | | | | | | | |
| Dividends from surplus | | | (4,476) | | (4,476) | | (4,476) |
| Bonuses paid to Directors and Corporate Auditors | | | (121) | | (121) | | (121) |
| Net income for the period | | | 24,176 | | 24,176 | | 24,176 |
| Acquisition of treasury stock | | | | (33) | (33) | | (33) |
| Disposition of treasury stock | | 7 | | 36 | 44 | | 44 |
| Net amount of changes during the period other than shareholders' equity | | | | | — | 1,589 | 1,589 |
| Total amount of changes during the period | — | 7 | 19,578 | 3 | 19,589 | 1,589 | 21,179 |
| Balance at March 31, 2007 | 9,404 | 14,370 | 222,222 | (11,550) | 234,446 | 5,304 | 239,750 |

Note: Amounts less than ¥1 million are truncated.

Nonconsolidated Financial Statements

Nonconsolidated Balance Sheets

(Millions of yen)

| Account item | As of March 31, 2007 | As of March 31, 2006 |
|---|----------------------|----------------------|
| Assets | | |
| Current assets | 135,928 | 142,283 |
| Fixed assets | 43,020 | 30,495 |
| Property, plant and equipment | 11,661 | 7,463 |
| Intangible assets | 2,111 | 1,574 |
| Investments and other assets | 29,247 | 21,457 |
| Total assets | 178,948 | 172,778 |
| Liabilities | | |
| Current liabilities | 16,304 | 17,014 |
| Long-term liabilities | 1,054 | 2,975 |
| Total liabilities | 17,359 | 19,990 |
| Shareholders' equity | | |
| Common stock | — | 9,404 |
| Additional paid-in capital | — | 14,362 |
| Retained earnings | — | 137,401 |
| Unrealized gain on available-for-sale securities | — | 3,173 |
| Treasury stock, at cost | — | (11,554) |
| Total shareholders' equity | — | 152,788 |
| Total liabilities and shareholders' equity | — | 172,778 |
| Net assets | | |
| Shareholders' equity | 157,847 | — |
| Common stock | 9,404 | — |
| Additional paid-in capital | 14,370 | — |
| Retained earnings | 145,623 | — |
| Treasury stock, at cost | (11,550) | — |
| Valuation, translation adjustments and others | 3,742 | — |
| Total net assets | 161,589 | — |
| Total liabilities and net assets | 178,948 | — |

Note: Amounts less than ¥1 million are truncated.

Nonconsolidated Statements of Income

(Millions of yen)

| Account item | From April 1, 2006 to March 31, 2007 | From April 1, 2005 to March 31, 2006 |
|---|--------------------------------------|--------------------------------------|
| Net sales | 109,438 | 99,442 |
| Cost of sales | 72,648 | 65,411 |
| Gross profit | 36,790 | 34,031 |
| Selling, general and administrative expenses | 14,611 | 13,409 |
| Operating income | 22,179 | 20,621 |
| Other income | 4,890 | 3,604 |
| Other expenses | 2,039 | 1,420 |
| Ordinary income | 25,029 | 22,805 |
| Special gains | 376 | — |
| Special losses | 4,082 | 165 |
| Income before income taxes | 21,323 | 22,639 |
| Provision for income taxes—Current | 9,851 | 9,438 |
| Provision for income taxes—Deferred | (1,347) | (372) |
| Net income | 12,818 | 13,574 |
| Retained earnings brought forward from the previous fiscal term | — | 10,082 |
| Interim dividend | — | 1,354 |
| Unappropriated retained earnings | — | 22,302 |

Note: Amounts less than ¥1 million are truncated.

Introduction of Our New Products

The Company launches many new products every year into the market. The following product series are typical of our recent introductions.

MS-166



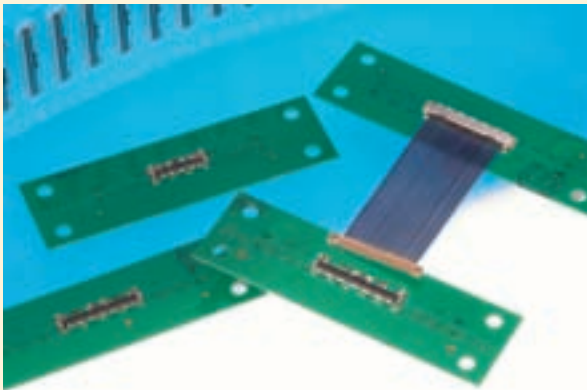
Space-saving and highly reliable low-profile 1.2-mm coaxial switches used for mobile phones and wireless LAN

SMPM



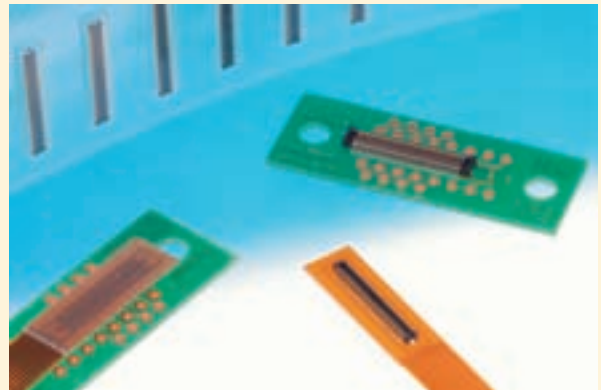
Coaxial connectors for optical modules used in optical transmission equipment that are compatible with frequencies up to 65 GHz

DF36



A wide variety of narrow pitch thin-wire coaxial cable connectors used for mobile phones and DSC ranging from the space-saving type to the grounding-reinforcement type

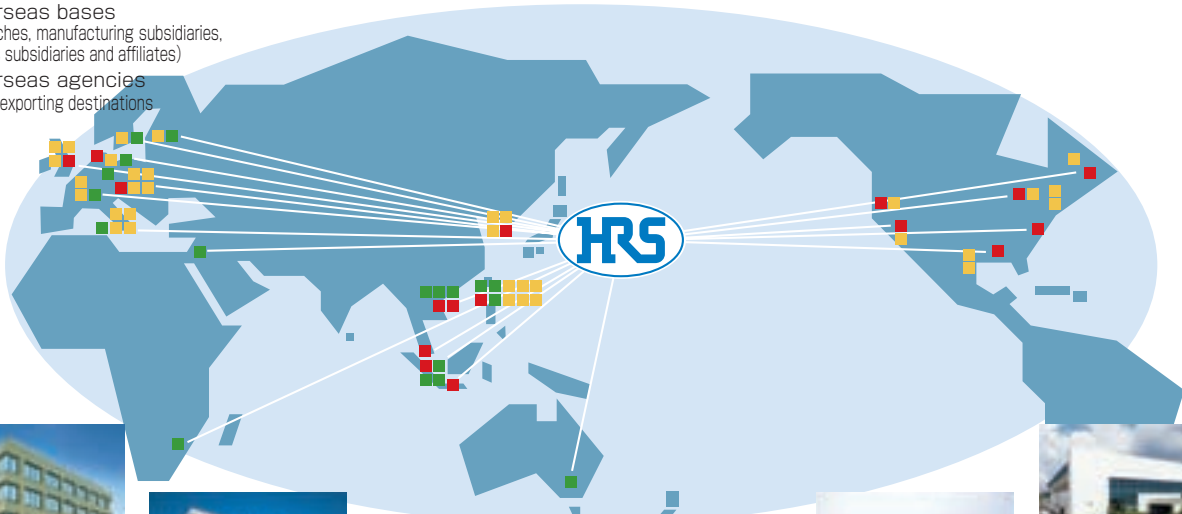
DF37



Space-saving and low-profile connectors used for connections inside DSC and mobile phones with a highly reliable configuration and featuring a wide variety from single to multi-polar types

Group Network

- Overseas bases
(Branches, manufacturing subsidiaries,
sales subsidiaries and affiliates)
- Overseas agencies
- Major exporting destinations



● Head office



● Yokohama Engineering Center



● Sales & Marketing Division



● P.T. HIROSE ELECTRIC INDONESIA (Indonesia)



● HIROSE ELECTRIC (DONG GUAN) CO., LTD. (China)



● HIROSE ELECTRIC MALAYSIA Sdn. Bhd. (Malaysia)

- Head office 5-23, Osaki 5-chome, Shinagawa-ku, Tokyo
- Sales & Marketing Division 1-11, Osaki 5-chome, Shinagawa-ku, Tokyo
Domestic Sales offices
Tachikawa Sales Office, Osaka Branch, Nagoya Sales Office
Overseas offices
Hong Kong Branch, Singapore Branch, Shenzhen Representative Office, Beijing Representative Office
- Engineering Division
Yokohama Engineering Center 3-13, Kikuna 7-chome, Kohoku-ku, Yokohama
- Production Division
Separate Office of Yokohama Engineering Center 15-10, Shin-Yokohama 2-chome, Kohoku-ku, Yokohama

- Subsidiaries (Domestic)
TOHOKU HIROSE ELECTRIC CO., LTD. (Miyako, Iwate)
KORIYAMA HIROSE ELECTRIC CO., LTD. (Koriyama, Fukushima)
ICHINOSEKI HIROSE ELECTRIC CO., LTD. (Ichinoseki, Iwate)
HST CO., LTD. (Yokohama, Kanagawa)
(Overseas)
HIROSE ELECTRIC (U.S.A.), INC. (U.S.A.)
HIROSE ELECTRIC GmbH (Germany)
HIROSE ELECTRIC UK LTD. (U.K.)
HIROSE ELECTRIC EUROPE B.V. (The Netherlands)
HIROSE ELECTRIC MALAYSIA Sdn. Bhd. (Malaysia)
HIROSE ELECTRIC (TAIWAN) CO., LTD. (Taiwan)
P.T. HIROSE ELECTRIC INDONESIA (Indonesia)
HIROSE ELECTRIC HONG KONG CO., LTD. (Hong Kong)
HIROSE ELECTRIC (DONG GUAN) CO., LTD. (Dong Guan, China)
HIROSE ELECTRIC (SHANGHAI) CO., LTD. (Shanghai, China)
HIROSE KOREA CO., LTD. (South Korea)
WEI-HAI HIROSE KOREA ELECTRIC CO., LTD. (Weihai, China)
- Affiliates

Corporate Data (As of March 31, 2007)

| | |
|-----------------------|-----------------------------|
| Trade name | HIROSE ELECTRIC CO., LTD. |
| Date of incorporation | June 15, 1948 |
| Number of employees | 713 (excluding part-timers) |
| Paid-in capital | ¥9,404,379,401 |

Directors and Corporate Auditors (As of June 28, 2007)

| | |
|--|---------------------|
| President and Representative Director | Tatsuro Nakamura |
| Executive Vice President and Representative Director | Sakae Kushida |
| Managing Director | Mitsugu Sugino |
| Director | Izumi Morimoto |
| Director | Yoshikazu Yoshimura |
| Outside Director | Masashi Kojima |
| Full-time Corporate Auditor | Toshio Matsubara |
| Corporate Auditor | Masao Hirohashi |
| Outside Corporate Auditor | Hidesato Sekine |
| Outside Corporate Auditor | Takashi Higa |

Notes:

1. Director Masashi Kojima is the outside director as stipulated in Article 2, Item 15, of the Corporation Law.
2. Corporate Auditor Hidesato Sekine and Takashi Higa are outside corporate auditors as stipulated in Article 2, Item 16, of the Corporation Law.

| | |
|--------------------|-----------------|
| Accounting auditor | KPMG AZSA & Co. |
|--------------------|-----------------|

Stock Information (As of March 31, 2007)

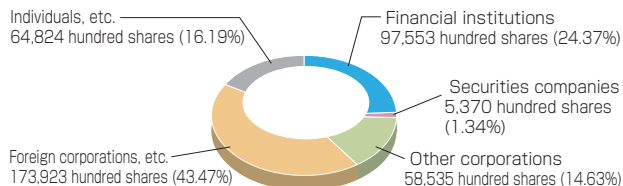
| | |
|-------------------------------|--|
| Total number of shares issued | 38,926,757 shares |
| | (Excluding 1,093,979 shares of treasury stock) |
| Number of shareholders | 6,279 |

Major shareholders (Top 10)

| Name | Number of shares held |
|---|-----------------------|
| State Street Bank and Trust Company | 37,831 hundred shares |
| HIROSE INTERNATIONAL SCHOLARSHIP FOUNDATION | 28,550 |
| The Chase Manhattan Bank N.A. London | 27,932 |
| Japan Trustee Services Bank, Ltd. (Trust account No. 4) | 20,812 |
| Kosho Sangyo Co., Ltd. | 13,941 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 12,979 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 12,402 |
| The Chase Manhattan Bank 385036 | 10,000 |
| Japan Trustee Services Bank, Ltd. (Re-trust account of The Sumitomo Trust & Banking Co., Ltd., and the retirement benefit trust account of Sumitomo Mitsui Banking Corporation) | 8,162 |
| Setsuko Hirose | 7,948 |

Note: In addition to the 10 major shareholders above, the Company owns 10,939 hundred shares of treasury stock.

Distribution of shares by shareholder type



Shareholder information

| | |
|---|---|
| Fiscal term | April 1 of a calendar year to March 31 of the next calendar year |
| Ordinary General Meeting of Shareholders | June every year |
| Record date | Ordinary General Meeting of Shareholders: March 31 every year Year-end dividend: March 31 every year Interim dividend: September 30 every year (As required, another record date may be decided with prior public notice.) |
| Number of shares in one voting unit | 100 shares |
| Method of public notice | The Company's Web site below shall be used for its public notices. (http://www.hirose.co.jp/investor/index.htm) If an electronic public notice should fail due to accident or any other unavoidable circumstances, the Company shall post a public notice in the Nihon Keizai Shimbun. |
| Shareholders' register manager | The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka |
| Paperwork processing office | The Sumitomo Trust & Banking Co., Ltd. Securities Agency Department 4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo |
| Mailing address and telephone referral | The Sumitomo Trust & Banking Co., Ltd. Securities Agency Department 1-10, Nikko-cho, Fuchu-shi, Tokyo 183-8701 (Requests for address change form, etc.) Phone: 0120-175-417 (Toll-free) (Other reference) Phone: 0120-176-417 (Toll-free) |
| Web site | URL: http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html |
| Agency offices | Head office and branches nationwide of The Sumitomo Trust & Banking Co., Ltd. |



Web site

<http://www.hirose.co.jp>

