



61<sup>th</sup> Fiscal Term Annual Report

From April 1, 2007 to March 31, 2008



**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 2007, the year ended March 31, 2008 (the 61st fiscal term, from April 1, 2007, to March 31, 2008).

### Business Overview

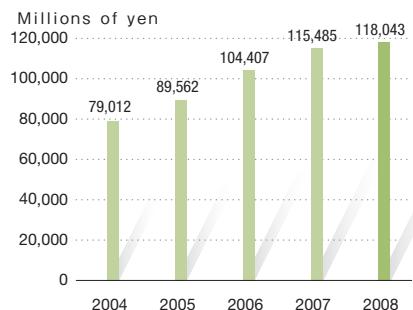
During the year ended March 31, 2008, the Japanese economy remained steady in the first half against the backdrop of strong capital investment and exports despite a slowdown in the U.S. economy. However, corporate profits weakened mainly due to the high levels of crude oil prices and the global effect of the aggravating subprime housing loan issue in the third quarter. The Japanese economy leveled off in the fourth quarter considerably affected by rapid appreciation of the yen.

The electronics industry experienced a severe operating environment, in which the recovery trend that started in the summer of 2007 decelerated and became sluggish in December 2007, reflecting intensified price competition and a surge in metallic material prices.

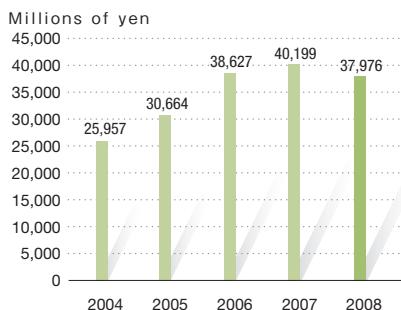
In this business environment, the Hirose Electric Group reinforced its product development capability, developed new products and enhanced

### Financial Highlight

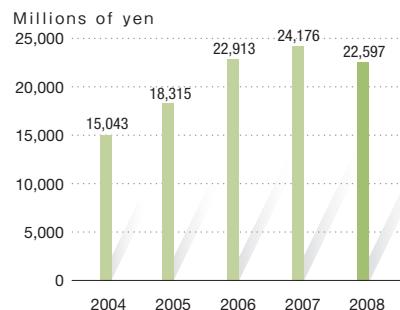
#### Net sales



#### Ordinary income



#### Net income



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 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 ¥118,043 million, an increase of 2.2% from a year earlier, whereas ordinary income decreased 5.5% year over year to ¥37,976 million and net income declined 6.5% to ¥22,597 million. 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. Meanwhile, 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 Company 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.

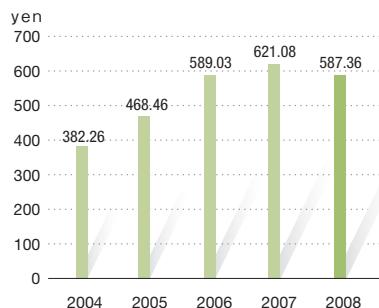
We look forward to your continued support and encouragement.

June 2008

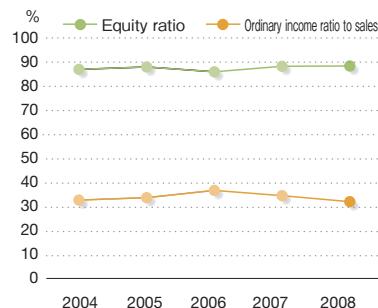
President and Representative Director  
Tatsuro Nakamura

Executive Vice President and Representative Director  
Sakae Kushida

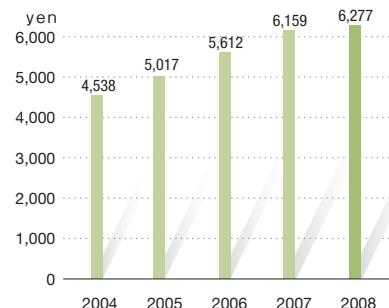
■ Net income per share



■ Equity ratio & Ordinary income ratio to sales



■ 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 decreased 0.6% year over year to ¥97,428 million resulting from declining demand, caused mainly by the slowdown in the US economy, 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 22.4% to ¥15,654 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 increased 5.1% to ¥4,960 million.



# Consolidated Financial Statements

## Consolidated Balance Sheets (Millions of yen)

Account item	As of March 31, 2008	As of March 31, 2007
<b>(Assets)</b>		
Current assets	188,891	190,420
Fixed assets	79,469	81,092
Property, plant and equipment	22,728	22,805
Intangible assets	2,423	2,188
Investments and other assets	54,317	56,098
<b>Total assets</b>	<b>268,360</b>	<b>271,513</b>
<b>(Liabilities)</b>		
Current liabilities	27,492	28,128
Long-term liabilities	3,597	3,634
<b>Total liabilities</b>	<b>31,090</b>	<b>31,762</b>
<b>(Net assets)</b>		
Shareholders' equity	236,098	234,446
Common stock	9,404	9,404
Additional paid-in capital	14,372	14,370
Retained earnings	238,826	222,222
Treasury stock, at cost	(26,504)	(11,550)
Valuation, translation adjustments and others	1,140	5,304
Stock acquisition rights	30	—
<b>Total net assets</b>	<b>237,270</b>	<b>239,750</b>
<b>Total liabilities and net assets</b>	<b>268,360</b>	<b>271,513</b>

Note: Amounts less than ¥1 million are truncated.

## Consolidated Statements of Income (Millions of yen)

Account item	From April 1, 2007 to March 31, 2008	From April 1, 2006 to March 31, 2007
Net sales	118,043	115,485
Cost of sales	64,018	58,420
Gross profit	54,025	57,064
Selling, general and administrative expenses	18,578	19,029
Operating income	35,446	38,035
Other income	2,595	2,227
Other expenses	65	63
Ordinary income	37,976	40,199
Special gains	0	376
Special losses	667	1,772
Income before income taxes	37,309	38,802
Provision for income taxes—Current	13,409	15,367
Provision for income taxes—Deferred	1,302	(741)
<b>Net income</b>	<b>22,597</b>	<b>24,176</b>

Note: Amounts less than ¥1 million are truncated.

## Consolidated Statements of Cash Flows (Millions of yen)

Account item	From April 1, 2007 to March 31, 2008	From April 1, 2006 to March 31, 2007
Operating activities	35,348	26,845
Investing activities	(77,524)	(42,248)
Financing activities	(20,973)	(4,454)
Effect of exchange rate change on cash and cash equivalents	(1,084)	440
Net increase/decrease in cash and cash equivalents	(64,234)	(19,417)
Cash and cash equivalents, beginning of the year	124,483	143,901
<b>Cash and cash equivalents, end of the year</b>	<b>60,249</b>	<b>124,483</b>

Note: Amounts less than ¥1 million are truncated.

## Consolidated Statements of Changes in Net Assets (From April 1, 2007 to March 31, 2008) (Millions of yen)

	Shareholders' equity					Valuation, translation adjustments and others	Stock acquisition rights	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity			
Balance at March 31, 2007	9,404	14,370	222,222	(11,550)	234,446	5,304	—	239,750
Amount of changes during the period								
Dividends from surplus			(5,993)		(5,993)	—		(5,993)
Net income for the period			22,597		22,597	—		22,597
Acquisition of treasury stock				(14,988)	(14,988)	—		(14,988)
Disposition of treasury stock		2		34	36	—		36
Net amount of changes during the period other than shareholders' equity					—	(4,163)	30	(4,133)
Total amount of changes during the period	—	2	16,604	(14,953)	1,652	(4,163)	30	(2,480)
<b>Balance at March 31, 2008</b>	<b>9,404</b>	<b>14,372</b>	<b>238,826</b>	<b>(26,504)</b>	<b>236,098</b>	<b>1,140</b>	<b>30</b>	<b>237,270</b>

Note: Amounts less than ¥1 million are truncated.

# Nonconsolidated Financial Statements

## Nonconsolidated Balance Sheets (Millions of yen)

Account item	As of March 31, 2008	As of March 31, 2007
<b>(Assets)</b>		
Current assets	128,861	135,928
Fixed assets	41,025	43,020
Property, plant and equipment	11,386	11,661
Intangible assets	1,442	2,111
Investments and other assets	28,195	29,247
<b>Total assets</b>	<b>169,887</b>	<b>178,948</b>
<b>(Liabilities)</b>		
Current liabilities	14,137	16,304
Long-term liabilities	1,112	1,054
<b>Total liabilities</b>	<b>15,249</b>	<b>17,359</b>
<b>(Net assets)</b>		
Shareholders' equity	152,103	157,847
Common stock	9,404	9,404
Additional paid-in capital	14,372	14,370
Retained earnings	154,831	145,623
Treasury stock, at cost	(26,504)	(11,550)
Valuation, translation adjustments and others	2,502	3,742
Stock acquisition rights	30	—
<b>Total net assets</b>	<b>154,637</b>	<b>161,589</b>
<b>Total liabilities and net assets</b>	<b>169,887</b>	<b>178,948</b>

Note: Amounts less than ¥1 million are truncated.

## Nonconsolidated Statements of Income (Millions of yen)

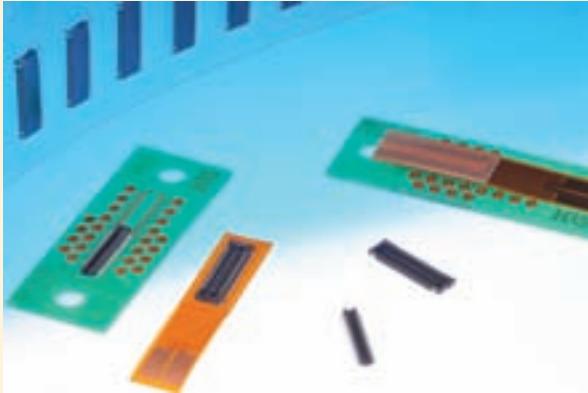
Account item	From April 1, 2007 to March 31, 2008	From April 1, 2006 to March 31, 2007
Net sales	112,037	109,438
Cost of sales	73,982	72,648
<b>Gross profit</b>	<b>38,055</b>	<b>36,790</b>
Selling, general and administrative expenses	14,906	14,611
<b>Operating income</b>	<b>23,148</b>	<b>22,179</b>
Other income	5,300	4,890
Other expenses	2,449	2,039
<b>Ordinary income</b>	<b>25,999</b>	<b>25,029</b>
Special gains	—	376
Special losses	346	4,082
<b>Income before income taxes</b>	<b>25,652</b>	<b>21,323</b>
Provision for income taxes—Current	9,181	9,851
Provision for income taxes—Deferred	1,270	(1,347)
<b>Net income</b>	<b>15,201</b>	<b>12,818</b>

Note: Amounts less than ¥1 million are truncated.

## Introduction of Our New Products

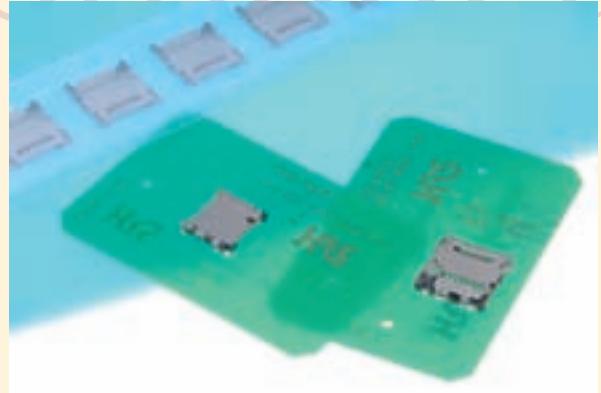
The Company launches many new products every year into the market. The following product series are typical of our recent introductions.

### BM10 Series



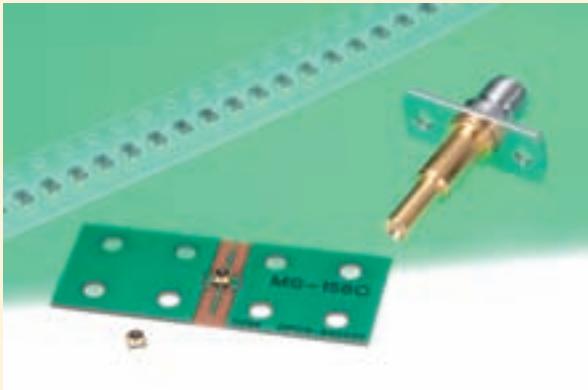
The BM10 Series connectors were developed for use in internal connections of small devices such as mobile phones and digital still cameras (DSCs). To meet the rising need for further thinness of assembly sets, we were the first in the industry to realize an ultra-low, mated height of 0.8 mm.

### DM3 Series



The DM3 series card connectors are adopted by major mobile phone manufacturers as micro SD card connectors. We have newly added the DM3C (hinged type) and DM3D (push-pull type) series to the DM3 family.

### MS-156C Series



The MS-156 series connectors are used and highly evaluated in the mobile phone market as coaxial switches. We developed the MS-156C series as a new solution of more compactness and lower height available in compliance with the existing devices (MS156 plugs).

### POD (F) Series



The POD (F) series substrate-to-substrate-type coaxial connectors have the world's first floating structure that enables a cable-less connection at mobile phone stations. Their unique structure serves to save space for the whole assembly set, improves the ease of assembly and reduces the number of components used.

# 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
  - Sales & Marketing Division
    - Domestic Sales offices
    - Overseas offices
  - Engineering Division
    - Yokohama Engineering Center
    - Separate Office of Engineering Center
  - Production Division
    - Separate Office of Yokohama Engineering Center
- 5-23, Osaki 5-chome, Shinagawa-ku, Tokyo
- 1-11, Osaki 5-chome, Shinagawa-ku, Tokyo
- Tachikawa Sales Office, Osaka Branch, Nagoya Sales Office
- Hong Kong Branch, Singapore Branch, Shenzhen Representative Office, Beijing Representative Office
- 3-13, Kikuna 7-chome, Kohoku-ku, Yokohama
- 8-11, Shin-Yokohama 3-chome, Kohoku-ku, Yokohama
- 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)
- Affiliates
  - HIROSE KOREA CO., LTD. (South Korea)
  - WEI-HAI HIROSE KOREA ELECTRIC CO., LTD. (Weihai, China)

## Corporate Data (As of March 31, 2008)

Trade name	HIROSE ELECTRIC CO., LTD.
Date of incorporation	June 15, 1948
Number of employees	789 (excluding part-timers)
Paid-in capital	¥9,404,379,401

## Directors and Corporate Auditors (As of June 27, 2008)

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
Outside Corporate Auditor	Hidesato Sekine
Outside Corporate Auditor	Takashi Higa
Outside Corporate Auditor	Terukazu Sugishima

### 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, Takashi Higa, and Terukazu Sugishima are outside corporate auditors as stipulated in Article 2, Item 16, of the Corporation Law.

Accounting Auditor	KPMG AZSA & Co.
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## Stock Information (As of March 31, 2008)

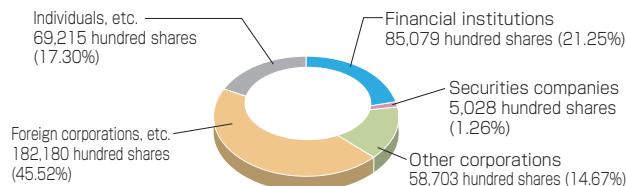
Total number of shares issued	37,789,227 shares
	(Excluding 2,231,509 shares of treasury stock)
Number of shareholders	5,410

## Major shareholders (Top 10)

Name	Number of shares held
State Street Bank and Trust Company	Hundred shares 73,540
HIROSE INTERNATIONAL SCHOLARSHIP FOUNDATION	28,550
JPMorgan Chase Bank 380055	25,496
Japan Trustee Services Bank, Ltd. (Trust account No. 4)	18,915
Kosho Sangyo Co., Ltd.	13,941
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
Michiko Hirose	7,897
The Master Trust Bank of Japan, Ltd. (Trust account)	7,676
HS Kikaku Co., Ltd.	7,600

Note: In addition to the 10 major shareholders above, the Company owns 22,315 hundred shares of treasury stock.

## Distribution of shares by shareholder type



## Shareholder information

<b>Fiscal term</b>	April 1 of a calendar year to March 31 of the next calendar year
<b>Ordinary General Meeting of Shareholders</b>	June every year
<b>Record date</b>	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.)
<b>Number of shares in one voting unit</b>	100 shares
<b>Method of public notice</b>	The Company's Web site below shall be used for its public notices. ( <a href="http://www.hirose.co.jp/investor/index.htm">http://www.hirose.co.jp/investor/index.htm</a> ) 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.
<b>Shareholders' register manager</b>	The Sumitomo Trust & Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka
<b>Paperwork processing office</b>	The Sumitomo Trust & Banking Co., Ltd. Securities Agency Department 4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo
<b>Mailing address and telephone referral</b>	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)
<b>Web site</b>	URL: <a href="http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html">http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html</a>
<b>Agency offices</b>	Head office and branches nationwide of The Sumitomo Trust & Banking Co., Ltd.



Web site

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

