HIROSE ELECTRIC CO., LTD.

Financial Results Briefing for the Fiscal Year Ended March 2019

May 9, 2019

Event Summary

[Company Name]	HIROSE ELECTRIC CO., LTD.
[Event Type]	Earnings Announcement
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2019
[Fiscal Period]	FY2018 Annual
[Date]	May 9, 2019
[Time]	10:50 – 11:53 (Total: 63 minutes, Presentation: 42 minutes, Q&A: 21 minutes)
[Venue]	Station Conference Tokyo Sapia Tower, 5F 501A, B 1-7-12 Marunouchi, Chiyoda-ku, Tokyo, 100-0005
[Venue Size]	300 m^2
[Number of Speakers]	3

Kazunori Ishii	President
Hiroshi Fukumoto	Operating Officer, Acting Group President, Administration Group
Hideo Suzaki	Manager, IR Office, Administration Group

Presentation

Suzaki: Good morning. Now, Hirose Electric will hold a financial results meeting for the fiscal year ended March 31, 2019.

Thank you very much for your attendance today. I'm Suzaki of the IR Office and I will moderate today. Thank you very much.

First of all, we distributed today's materials. Today there are seven copies, a little more than usual, so please confirm this. As you've already seen on the slide, this is the main material for the financial results briefing.

Below that, we have an A4-size document in landscape mode describing our medium-to long-term growth strategy for FY2019. The following is the materials disclosed on the Tokyo Stock Exchange yesterday. We have a summary of financial results and then four press releases:

Notice of changes in Directors, Notice of Retirement of Treasury Stock, Notice of Amendment to Articles of Incorporation, and Policies regarding the Reduction of Investment Units.

Today, I will explain our financial results. Fukumoto will explain the return to shareholders and ROE, which are described in the second half of the material. Then, President Ishii will present our medium-to long-term growth strategies for FY2019.

We will use the remaining time for a Q&A session. The meeting is scheduled to close at 11:50, so your cooperation is appreciated.

Business Situation of FY2018 (Apr,2018 – Mar,2019)

HRS

FY2018 (Apr - Mar)	Order **1,250.4** hundred million yen (YoY **-1.3%**) Sales **1,245.9** hundred million yen (YoY **-0.4%**, Over estimate **+0.5%**) Operating profit **231.6** hundred million yen ※Profit Ratio **18.6** % (YoY **-17.5%**, Over estimate **-3.5%**)

Industrial market

Generally, the sales for Industrial market had been keeping the high level since FY2017, though some adjustments were made in FA related market.
However the sales declined in 4Q and FY2018 total sales for industrial market resulted flat compared to FY2017 (±0% YoY)

Smartphone

The sales for smartphone market went well until November in 3Q due to the demands for new customer's products.
On the other hand, the sales dropped because of inventory adjustment for some customer's products. As the result of that, the sales of FY2018 decreased by 9% YoY.

Automotive

The sales for Automotive has been steadily growing up and increased by 10% YoY.

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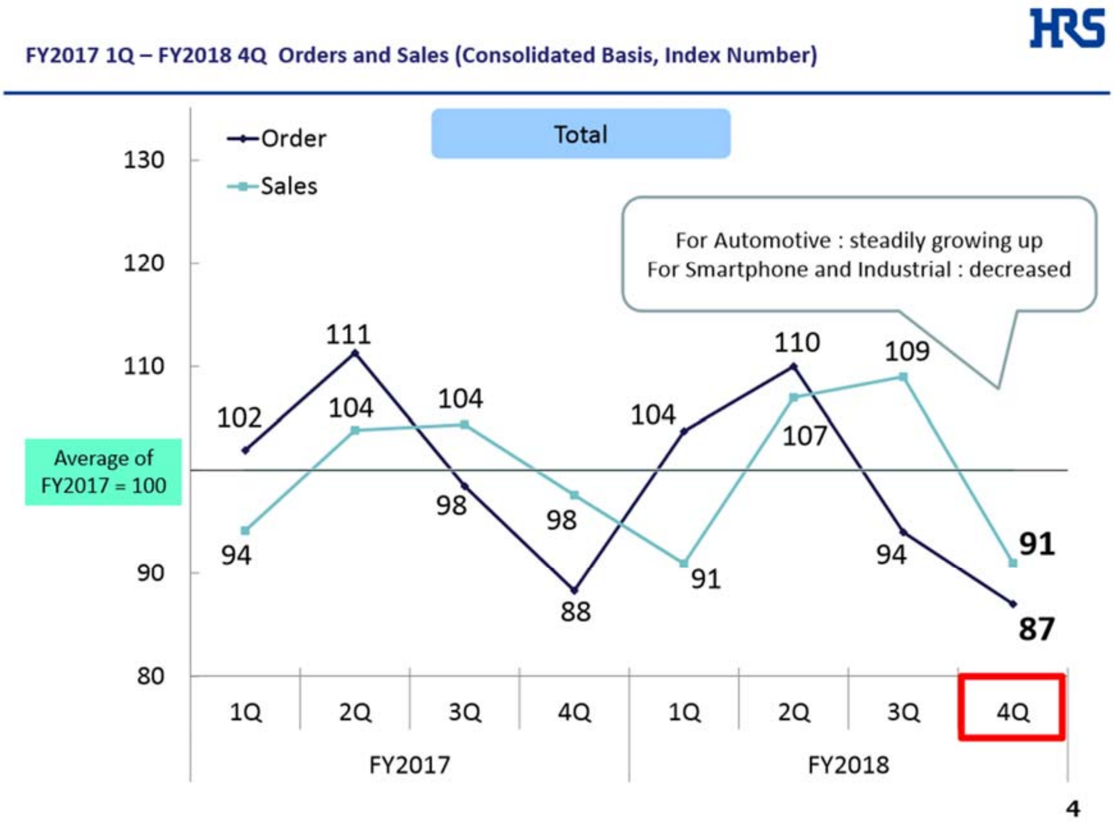
Now I'll start. First of all, I would like to talk about the business overview of the fiscal year under review. In fiscal 2018, orders received were 125.04 billion yen. Down 1.3% year-on-year. Sales were 124.59 billion yen. Down 0.4% year-on-year. Compared to the announced figures, this was revised downward in 3Q, but it returned to positive 0.5%.

Operating income was 23.16 billion yen, and the profit margin was 18.6%. This was down 17.5% from the same period of the previous fiscal year, and down 3.5% from the announced figures. Regarding the overall content, although some adjustments were made for FA-related products for general industrial machinery, overall sales remained at a high level from the previous fiscal year and were affected by the slump in the fourth quarter. As a result, the cumulative total for the year remained unchanged.

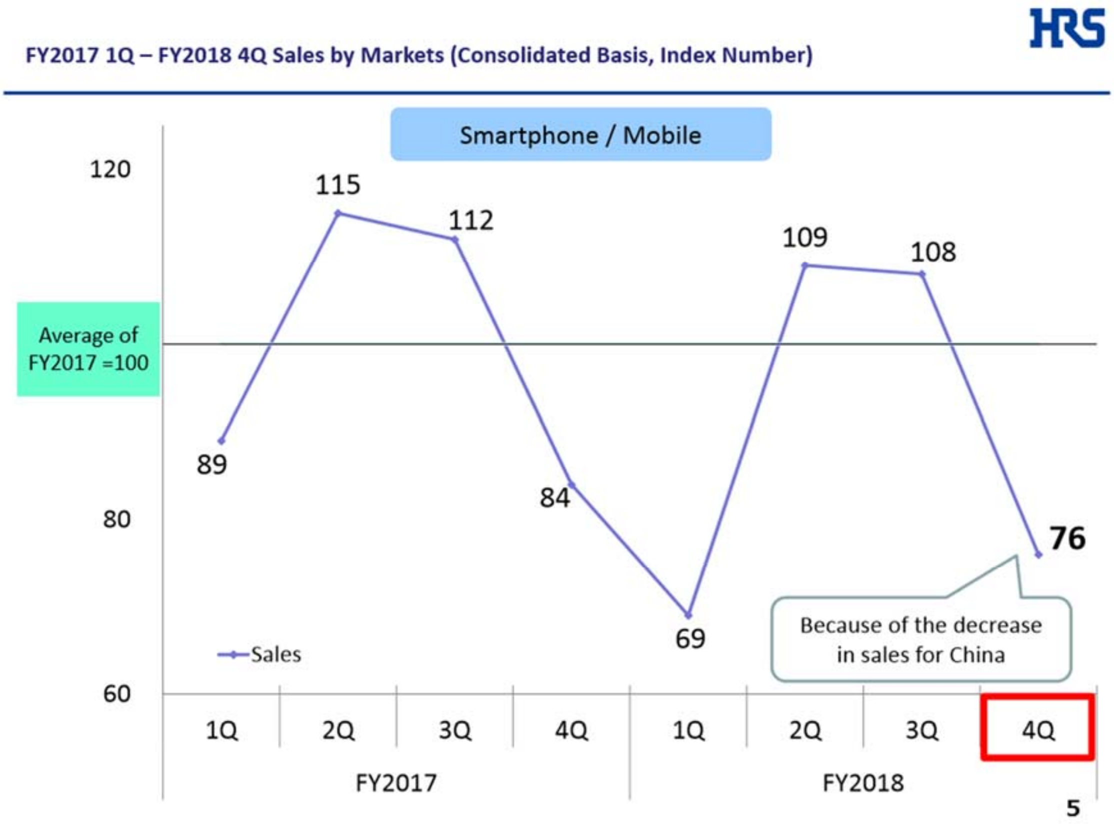
In smartphone applications, demand for new models remained strong until November, in the third quarter of the fiscal year. However, due to the impact of the slowdown caused by inventory adjustments for some models, sales declined 9% year-on-year.

Sales to the automotive sector remained steady, rising 10% year-on-year.

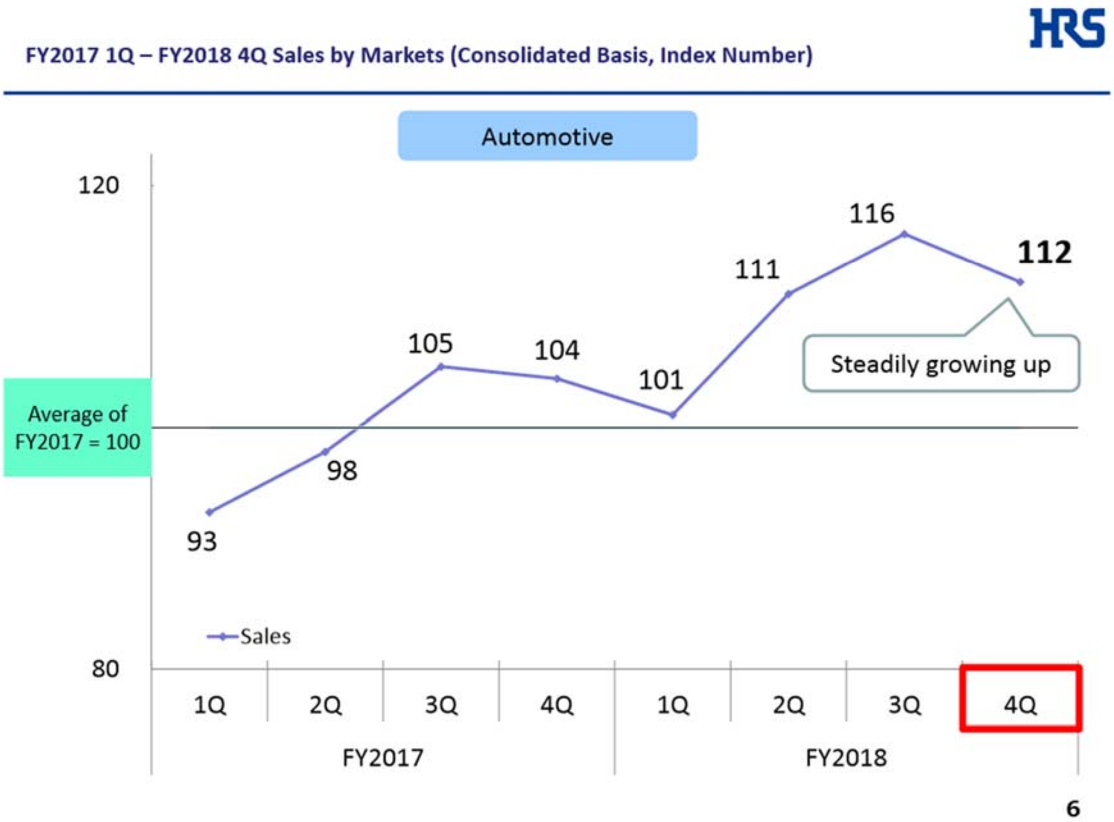


This slide displays graphically by quarter. First of all, with regard to total order receipts, both orders and sales are declining in 4Q. The number of orders is based on the previous fiscal year's index as 100. The number of orders received was 87 and sales 91.

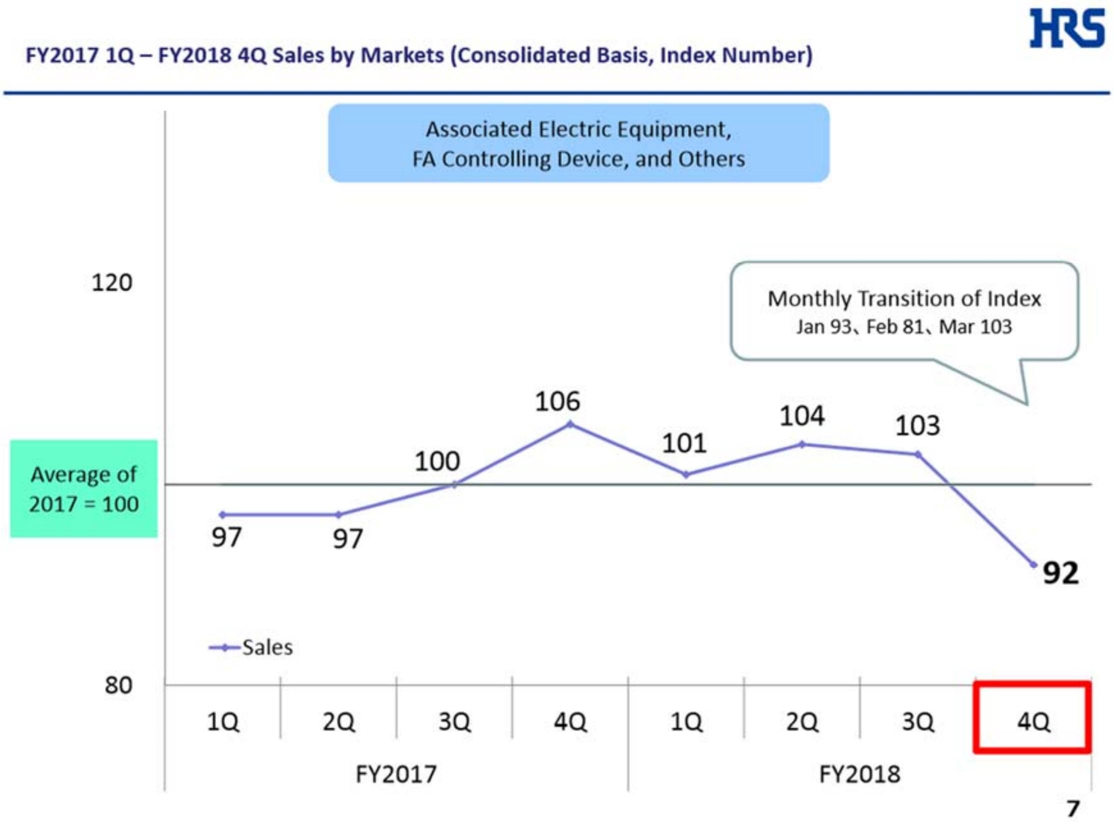
Sales for automobiles were firm, as mentioned earlier, but sales for smartphones and industrial machinery have declined from 3Q to 4Q.



As for smartphones, sales have fallen significantly from 3Q to 4Q. This was mainly due to a decrease in sales in China.



This is the sales index for automobiles. This business is performing steadily, contributing to an annual increase of around 10%.



As for general industrial machinery, sales have fallen from 3Q to 4Q, but on a monthly basis, a trend was identified. So, the supplement has been added in a balloon.

As for the monthly trend, it was 93 in January, 81 in February, and 103 in March, which was slightly positive on the average from the FY2017. However, on quarterly basis, it landed at 92.

Business Results for FY2018 【IFRS】

HRS

(Unit : hundred millions of yen)

	FY2017 (FY ended Mar31, 2018)	FY2018 Forecast (2/6)	FY2018 (FY ended Mar31, 2019)	Increase / Decrease (YoY)	Increase / Decrease Ratio (YoY)
Sales	**1,251.4**	**1,240.0**	**1,245.9**	**-5.5**	**-0.4%**
COGS Ratio	53.8%	55.6%	56.2%	+2.4	
SGA Ratio	23.3%	25.0%	24.8%	+1.5	
Operating Profit	**280.6**	**240.0**	**231.6**	**-49.1**	**-17.5%**
(%)	22.4%	19.4%	18.6%	-3.8	
Earnings before income tax	**280.2**	**254.0**	**246.7**	**-33.4**	**-11.9%**
(%)	22.4%	20.5%	19.8%	-2.6	
Net Profit	**191.1**	**183.0**	**178.9**	**-12.2**	**-6.4%**
(%)	15.3%	14.8%	14.4%	-0.9	
Total Assets	**3,411.8**		**3,414.3**		
Shareholder's Equity Ratio	**89.3%**		**90.0%**		
Income Per Share	**548.80 yen**		**489.46 yen**		

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This is a summary of P&L results. Net sales in FY2018 were 124.59 billion yen, a decrease of 550 million yen, or 0.4%, from the previous fiscal year. The cost of sales ratio was 56.2%. The ratio of selling, general and administrative expenses to net sales was 24.8%.

Compared to the announced figures on the left, sales were slightly positive.

Operating income was 23.16 billion yen, a decrease of 4.9 billion yen, or 17.5%, from the previous fiscal year, and the operating income margin was 18.6%.

Income before income taxes was 24.67 billion yen, profit ratio was 19.8%, and net income was 17.89 billion yen, or 14.4%.

The balance of total assets was 341.4 billion yen, which will be explained later in the section of the balance sheet.

The shareholders' equity ratio was 90.0% and earnings per share was 489.46 yen.

Major Changes over prior same period FY2018

HRS

(Unit : hundred millions of yen)

■ Sales — **5.5** hundred million yen **Decreased** (1,251.4 → 1,245.9)

Non consolidated Hirose : **+10.2**
Subsidiaries : **-15.7**

■ COGS Ratio — **2.4 point Increased** (53.8% → 56.2%)

Purchase Cost Ratio : 37.8% → **38.8%**
Depreciation Ratio : 7.0% → **8.7%**

■ SGA Ratio — **1.5 point Increased** (23.3% → 24.8%)

292 → 309 (17 hundred million yen Increased)
(Increased in delivery expense and depreciation cost)

■ Financial revenue / expense — **15.6** hundred million yen **Improved** (-0.5 → +15.1)

Foreign Exchange Gain / Loss : -9.5 → **+4.0**

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This is an analysis of year-on-year changes. Net sales declined 550 million yen, but increased 1.0 billion yen on an unconsolidated basis. Subsidiaries reported a loss of 1.57 billion yen.

The COGS ratio improved by 2.4 percentage points, while the purchase cost ratio improved by 1 percentage point. Depreciation and amortization increased 1.7 percentage points, from 7% to 8.7%.

The ratio of selling, general and administrative expenses to net sales increased 1.5 percentage points to 24.8%. The increase of 1.7 billion yen was attributable to increases in shipping and depreciation expenses.

Net financial income improved by 1.56 billion yen. The biggest point was that the exchange loss in FY2017 turned into the profit.

FY2018 YoY Variation analysis

(Unit : hundred millions of yen)

	Sales	Operating profit	(%)	Earnings before income tax	(%)
FY2017 Actual	**1,251.4**	**280.6**	**22.4%**	**280.1**	**22.4%**
Exchange rate	-3.9	-1.7		11.9	
Depreciation cost increase		-22.4		-22.4	
Labor cost increase		-7.6		-7.6	
Delivery expense increase		-5.0		-5.0	
Business consignment expense increase		-4.9		-4.9	
Decrease in the product, etc	-1.7	-7.4		-5.4	
Total amount of change	-5.5	-49.1		-33.4	
FY2018 Actual	***1,245.9***	***231.6***	***18.6%***	***246.7***	***19.8%***

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The analysis of changes is shown in the table. The impact of currency fluctuations is shown on the next page. In particular, the increase in depreciation expenses has a significant impact on earnings.

Currency Effect for FY2018

	FY2017	FY2018
Currency rate : US$	110.85 yen	110.91 yen
Currency rate : €	129.70 yen	128.41 yen
Currency rate : 100won	10.00 yen	9.98 yen

(Unit : Hundred millions of Yen)

YoY Currency effect amount	
Sales	**-3.9**
Operating Profit	**-1.7**
Earnings before income tax	**+11.9**

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Only the currency has picked up. The yen depreciated slightly against the U.S. dollar, reaching 110.91 yen in FY2018. The euro and won were slightly stronger against the yen.

As for the impact of exchange rates, as shown in the table above, there was negative impact of 390 million yen on net sales and a negative impact of 170 million yen on operating income. It had positive effect of 1.19 billion yen on income before income taxes and minority interests.

Changes in Consolidated Balance Sheet

HRS

Unit : hundred millions of yen

	Account	Mar 31, 2018	Mar 31, 2019	Increase / Decrease	Remark
ASSETS	Cash and Cash equivalents	694.0	523.2	-170.7	Payment of dividend, Corporate tax,etc
	Trade receivables and other claim	315.0	295.4	-19.6	
	Inventories	121.9	139.4	17.4	
	Other financial assets	1,629.8	1,728.9	99.1	Increased in bond purchase（Japan, Korea）
	Tangible fixed assets	562.0	627.4	65.4	Miyako (machines, buildings and structures) Headquarters (Molds and construction in progress accounts)
	Others	89.1	100.0	10.9	
	Total Assets	3,411.8	3,414.3	2.5	
	Total of cash in bank	1,866.4	1,727.6	-138.8	

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Here is the balance sheet. Cash and cash equivalents decreased from the previous year, due to the payment of dividend retention taxes.

Other financial assets increased, mainly due to the purchase of corporate bonds.

An increase in fixed assets was recorded at the Miyako Head Office and other locations.

Changes in Consolidated Balance Sheet

Unit : hundred millions of yen

	Account	Mar 31, 2018	Mar 31, 2019	Increase / Decrease	Remark
Liabilities	Payables and other debt	195.3	193.1	-2.2	
	Income Taxes Payable	49.5	30.9	-18.6	
	Others	119.8	117.1	-2.8	
		364.6	341.0	-23.6	
Shareholder's Equity	Capital stock and Capital surplus	210.8	207.2	-3.6	
	Retained Earnings	3,345.1	3,033.5	-311.6	Net Profit : 178.3 − Dividend : 127.5 − the Allotment of share and Cancellation : 363.0
	Treasury Stocks	- 583.2	- 232.1	351.1	The Allotment of share : +196.7 Cancellation of treasury stocks : +170.0 Share buy-back : △15.7
	Others	74.5	64.8	-9.7	
	Total	3,047.2	3,073.3	26.1	
Total Liabilities and Shareholder's Equity		3,411.8	3,414.3	2.5	

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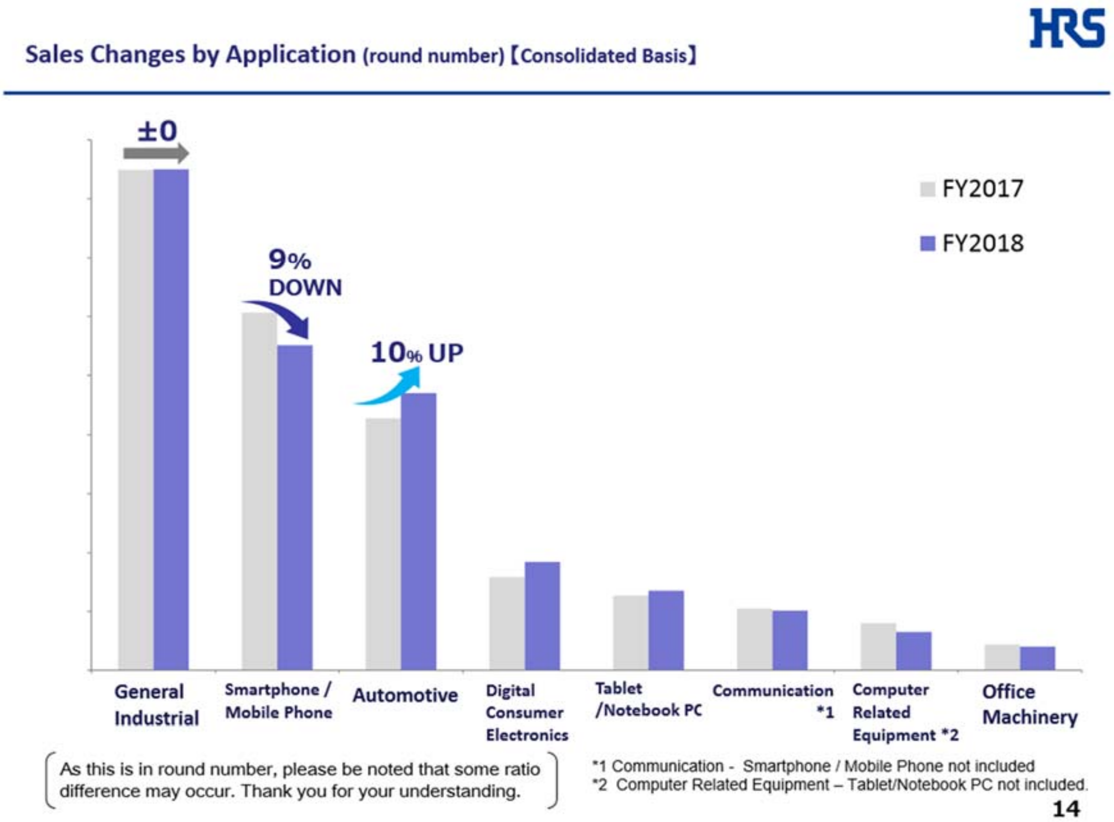
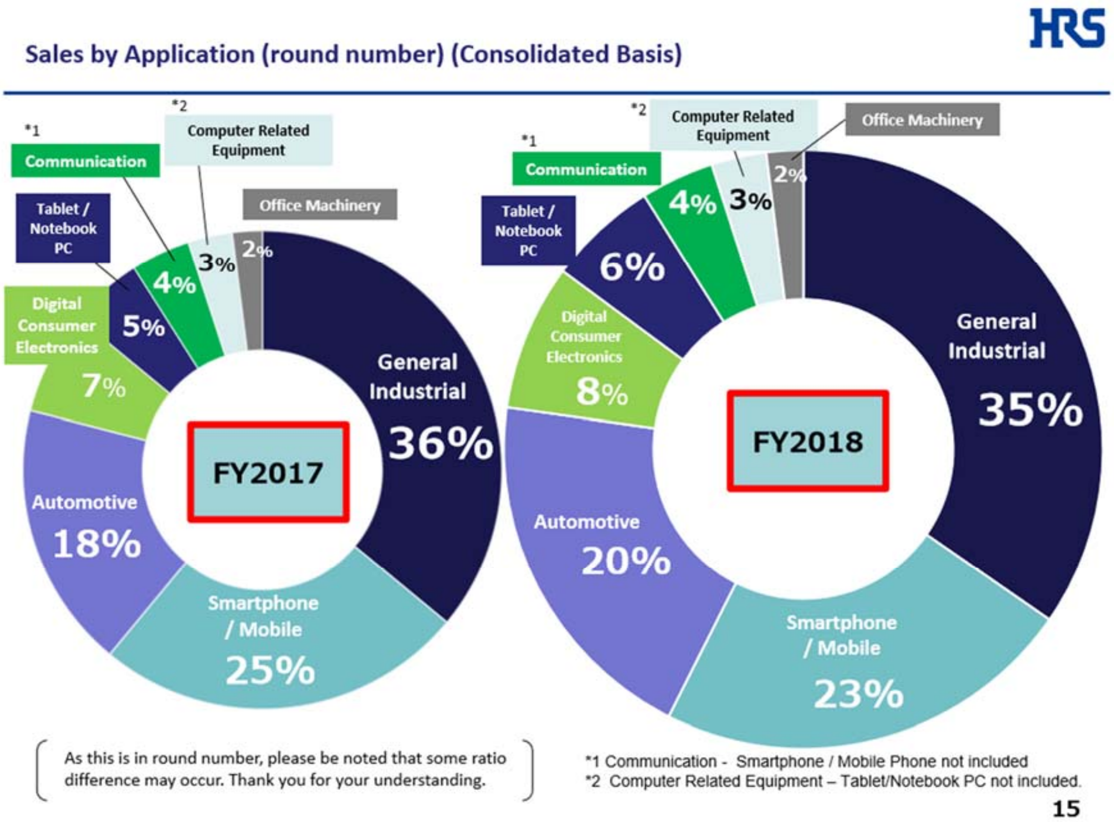
Next are liabilities and net assets. Retained earnings have decreased and treasury stock has increased, due to dividends and the free share repurchase and retirement of treasury stock.

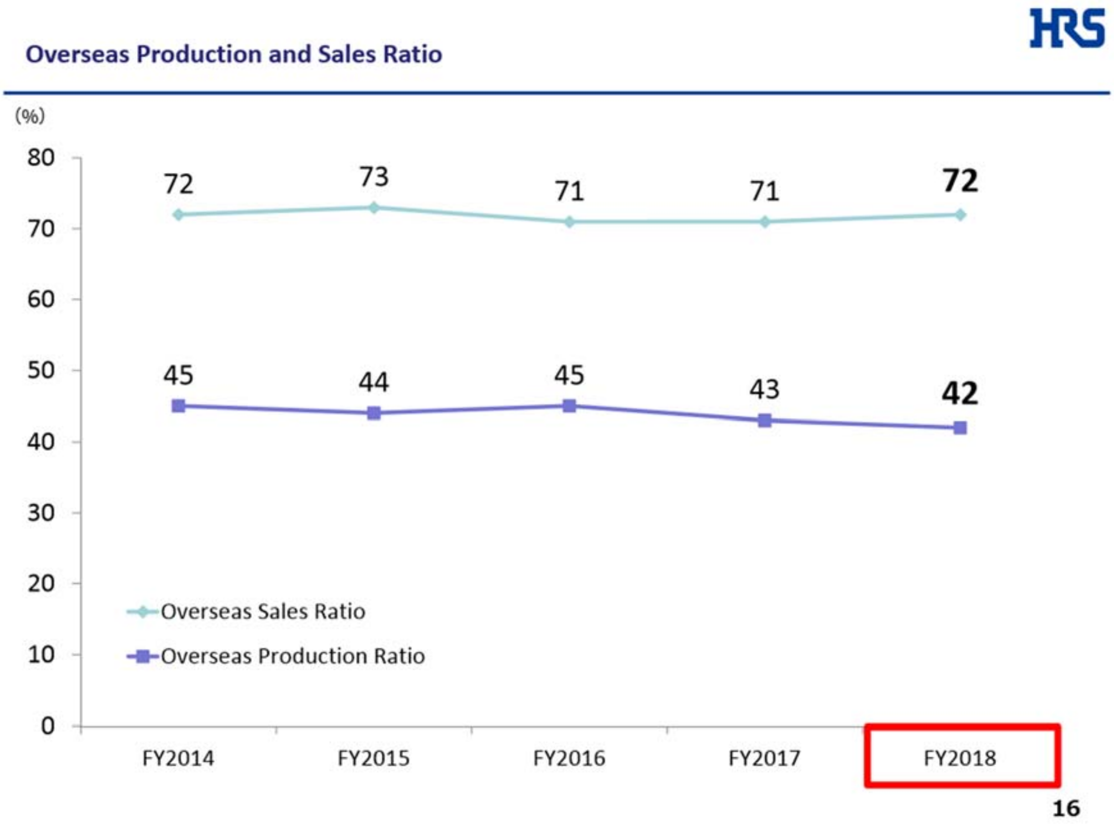


This is a breakdown by segment. As you can see in the overview at the beginning of this report, sales of products for general industrial machinery remained unchanged from the previous year, resulting in a zero percent increase.

Smartphone sales declined 9% year-on-year. Automotive sales were up 10%.

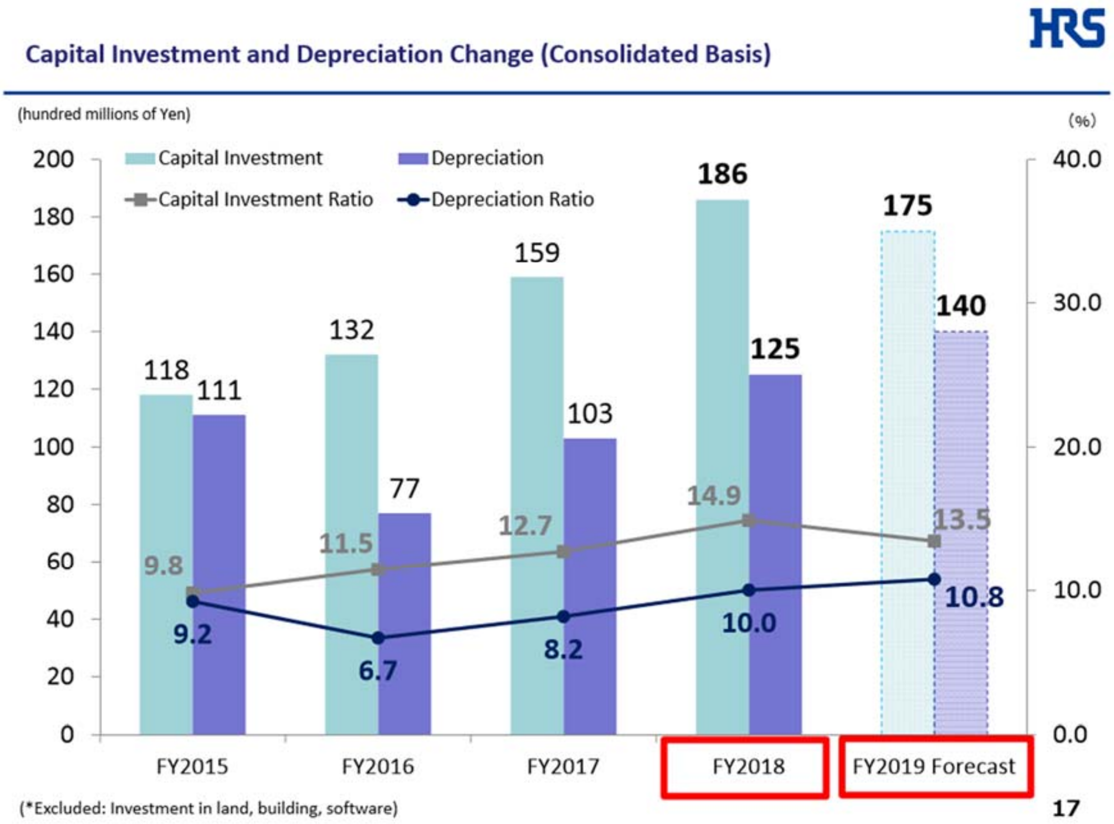


Here, the composition ratio is shown. General industrial machinery sales fell by 1 percentage point to 35%. Smartphone sales declined 2 percentage points from 25% in the previous year, to 23%. Sales for automobiles increased by 2 percentage points, from 18% in the previous year to 20%.



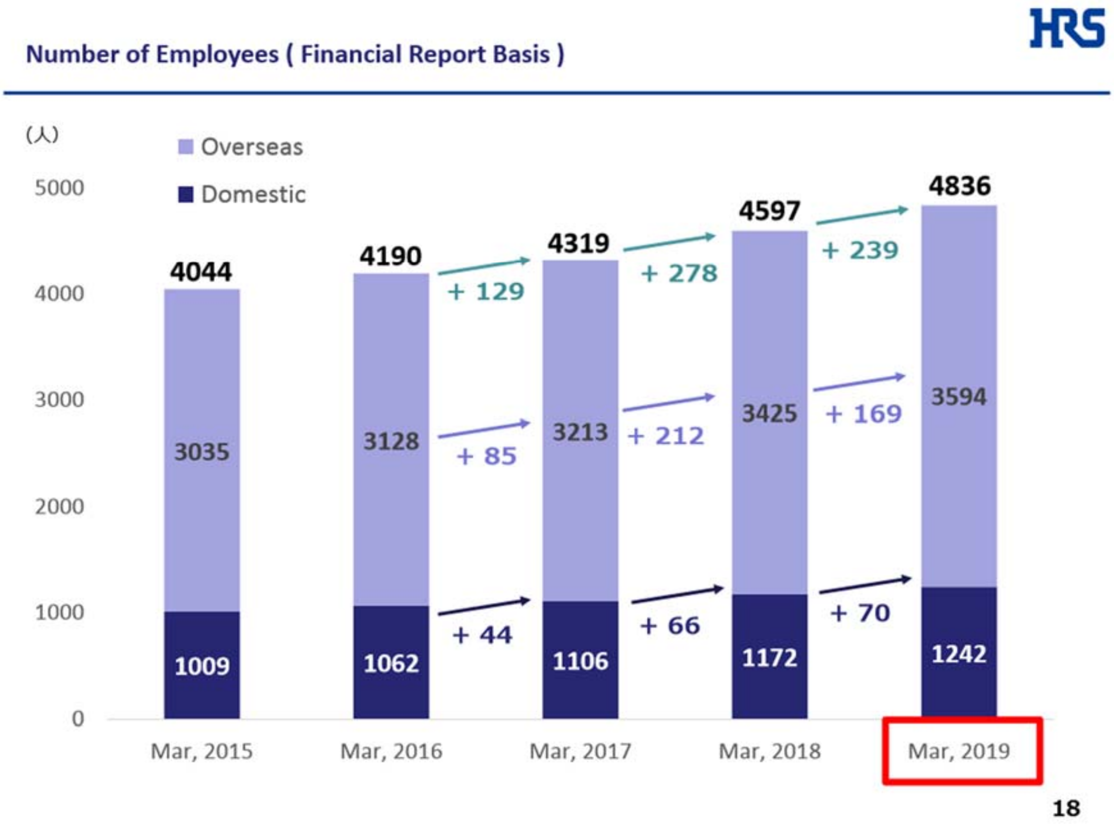
Next is the overseas production ratio and the sales ratio. The overseas sales ratio was 72%. The trend to date is as shown in 3Q.

The production ratio declined 1 percentage point from 43% in the previous year to 42%. This is the result of a one-percentage-point decrease due to the impact of the decline in production in 4Q. As explained at the previous briefing, we are working to expand overseas production in the medium term, so we plan to gradually increase production from the next fiscal year onwards.

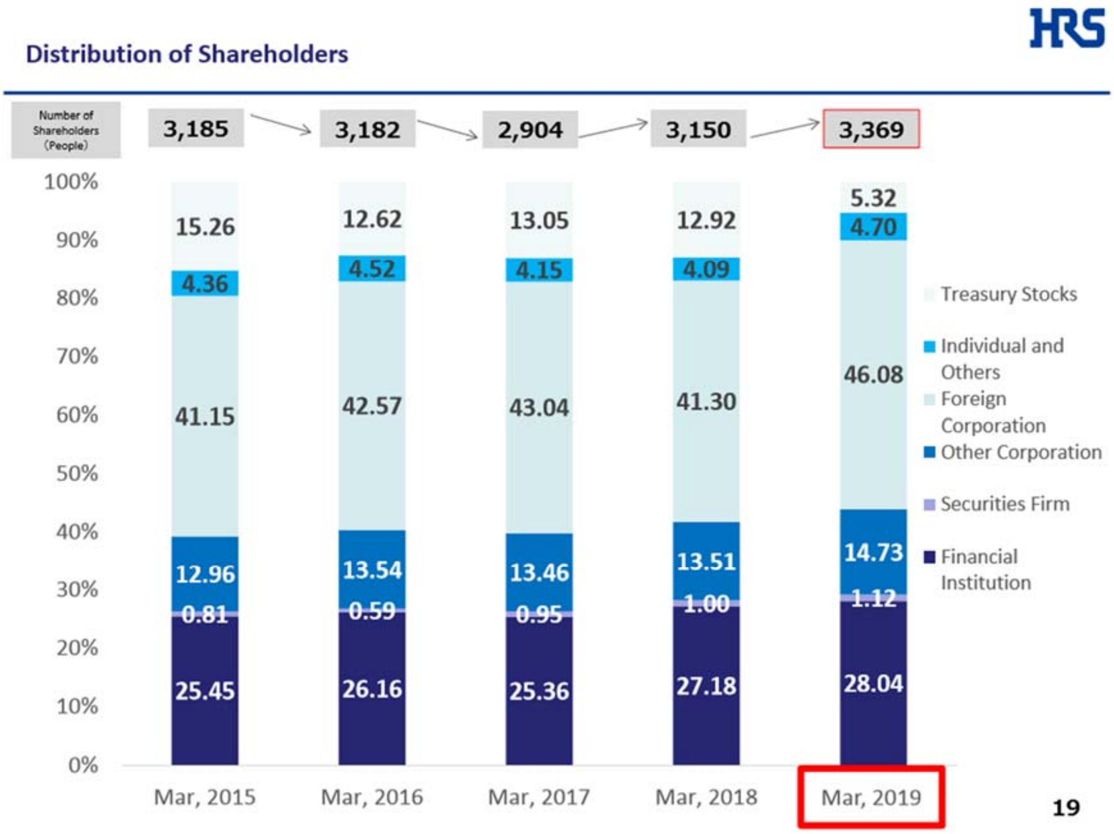


Capital expenditures and depreciation. Capital investment reached 18.6 billion yen in FY2018. Under the guidance, it was 17.0 billion yen, but this was a slight increase. In FY2018, we began to invest in production facilities that contributed to sales in FY2019, mainly for industrial machinery and automobiles.

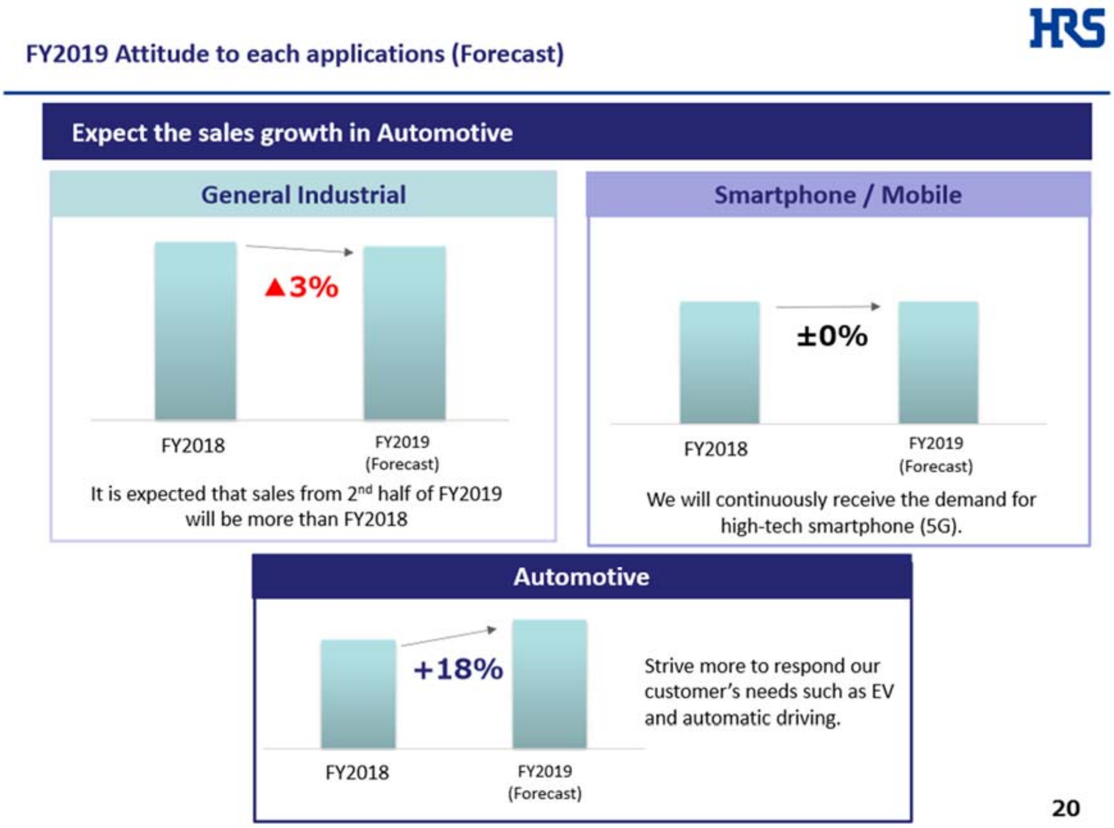
In FY2019, capital investment is expected to be 17.5 billion yen, lower than in FY2018. Depreciation expenses are forecast to increase to 14.0 billion yen.



This is the headcount trend. From March 2018 to March 2019, the total number of employees increased by 239. This is specifically a result of the increase in the number of workers at overseas factories.



Change in distribution of shareholders. The number of foreign corporations is 46.08%, which is an increase from the previous year. In addition, the number of shareholders per share unit, which had been on a declining trend to date, has rebounded, rising slightly to 3,369 in the fiscal year ended March 31, 2019.



We have briefly outlined our forecast of trends by field in FY2019.

Sales for automobiles are expected to grow, but annual sales for general industrial machinery are expected to decline 3%, but expected to increase from the second half of the fiscal year.

As it was at a high level in the first half of FY2018, we expect a year-on-year decline in the first half of FY2019. We forecast that the second half will be positive, and that it will be negative 3% annually.

For smartphones, the forecast is flat, 0%. Competition among manufacturers is becoming increasingly fierce, sales are sluggish, and there are many distinctive features. However, I believe that we can maintain this level in a comprehensive manner.

In particular, smartphones are becoming increasingly sophisticated, and 5G services will begin, so we expect demand to continue to some extent.

Sales for automobiles increased 10% in FY2018, but an increase of 18% is expected in FY2019. As in the previous year, I believe we can further strengthen our sales, while responding to growing demand for EVs, automated driving and ADAS.

Business Forecast for the Year Ending March 31,2020 (Consolidated) 【IFRS】

HRS

(Unit : Hundred millions of yen)

	FY2018 (FY ended Mar31, 2019) Actual		FY2019 (FY ended Mar31, 2020) 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	%
Sales	619.6	1,245.9	620.0	1,300.0	0.4	0.1	54.1	4.3
COGS Ratio	55.6%	56.2%	55.6%	55.4%				
Operating Profit	120.2	231.6	110.0	250.0	-10.2	-8.5	18.4	8.0
(%)	19.4%	18.6%	17.7%	19.2%				
Earnings before income tax	130.4	246.7	115.0	260.0	-15.4	-11.8	13.3	5.4
(%)	21.0%	19.8%	18.5%	20.0%				
Net Profit	93.2	178.9	80.0	185.0	-13.2	-14.2	6.1	3.4
(%)	15.0%	14.4%	12.9%	14.2%				
Income Per Share	—	489.46 yen	—	507.37 yen				
Dividend Per Share	120 yen	240 yen	120 yen	240 yen				
Consolidated Dividend Payout Ratio	—	49.0%	—	47.3%				

Currency Rate	FY2018 Actual	FY2019 Forecast
1US$	110.91yen	110.00 yen
1€	128.41yen	125.00 yen
100won	9.98 yen	9.80 yen

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This is a summary of the financial forecasts. Sales are expected to increase by 5.4 billion yen, or 4.3%, year-on-year, to 130.0 billion yen.

Operating income is forecast to increase by 25.0 billion yen, or 8%, to 1.84 billion yen. The operating income margin is projected to be 19.2%.

Income before income taxes is expected to be 26.0 billion yen, and profit margin to be 20.0%. Net income is forecast to amount to 18.5 billion yen, and profit margin will be 14.2%.

Earnings per share is forecast to be 507.37 yen. We plan to pay an annual dividend of 240 yen per share. The dividend payout ratio is 47.3%.

As for the assumption of exchange rates, the U.S. dollar is 110 yen, the euro is 125 yen, and 100 won is 9.8 yen.

Change in Personnel（On and After Jun 27th, 2019）

HRS

Directors	
President and Representative Director	Kazunori Ishii (Reappointed)
Senior Managing Director, Group President, Engineering Group and in charge of Production Group	Mitsuo Nakamura (Promoted)
Director, Group President, Production Group	Yukio Kiriya (Reappointed)
Director, Deputy Group President, Engineering Group and Division General Manager, Automotive Division	Hiroaki Okano (Reappointed)
Director, Group President, Administration Group	Hiroshi Fukumoto (Newly Appointed)
Director, Group President, Sales & Marketing Group and Division General Manager, International Business Division	Hiroshi Satoh (Newly Appointed)
Director, President, Hirose Korea Co., LTD.	Sang-Yeob LEE (Reappointed)
Outside Director	Kensuke Hotta (Reappointed)
Outside Director	Tetsuji Motonaga (Reappointed)

Auditor	
Full-time Corporate Auditor	Yoshikazu Chiba
Outside Corporate Auditor	Terukazu Sugishima
Outside Corporate Auditor	Kentaro Miura

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Lastly, yesterday’s press release announcement is shown here. The appointment of directors is scheduled for June 27. The changes are highlighted in color.

Nakamura, who is Managing Director and General Manager of the Engineering Division, is planned to be approved as Senior Managing Director. Then, Director and General Manager of the Administration Division Fukumoto and Director, General Manager of the Sales Division and General Manager of the Overseas Business Division Sato will be newly appointed.

Now, Fukumoto will give his explanations.

Fukumoto: Thank you very much for coming during your busy schedule. The financial results for FY2019 are as explained by Suzaki. Today, we will spend a little time on shareholder returns and ROE.

I won’t be reporting on the new policy today, but I would like to reiterate some of the things that we have been doing in the past.

Our operating income margin, unfortunately, fell below 20% in the previous fiscal year and the fiscal year under review. In addition, I would like to say a little about the need to raise ROE.

1. Historical performance of shareholder return

HRS

(1) Dividend payout ratio : has continuously exceeded 30% since FY2008
(2) Share buyback : carried out a huge amount of share buyback in FY2007, FY2008, FY2009 and FY2015
(3) Special dividend : paid in FY2017 to celebrate our 80th anniversary
(4) The allotment of share without contribution : with ratio of 0.05 common share per each common share in FY2015 and FY2018.
(5) Cancellation of treasury stocks : issued the policy that would cancel any treasury stocks that exceeded 5% of our total issued stocks. (January, 2018)

We also announced below as our policy for next 5 years in April, 2016;

(1) Dividend payout ratio : around 40%

(2) Total shareholder return ratio : more than 62.5%

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Dividend Per Share	100Yen	125Yen	160Yen	130Yen	120Yen	150Yen	130Yen	140Yen	200Yen	230Yen	240Yen	240Yen	480Yen	240Yen
Dividend Payout Ratio (Dividend/Net Profit)	17%	20%	27%	37%	33%	45%	36%	36%	31%	34%	40%	39%	88%	49%
Shareholder Return Ratio ((Dividend+Share Buyback Amount)/Net Profit)	43%	20%	93%	111%	108%	69%	77%	42%	61%	47%	86%	52%	88%	58%

"Shareholder return" has been one of our main business challenge.
We believe that our shareholders and investors evaluate
our shareholder return plan to a certain degree.

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So, based on our past record of returning profits to shareholders, we have delivered very little to date, so we have made a slight adjustment.

Regarding the dividend payout ratio, as in the lower box, it has remained above 30% since FY2008.

Regarding share buyback, depending on the situation, especially in FY2007, FY2008, FY2009, and FY2015, we repurchased 10.0 billion shares, resulting in a very high total return ratio.

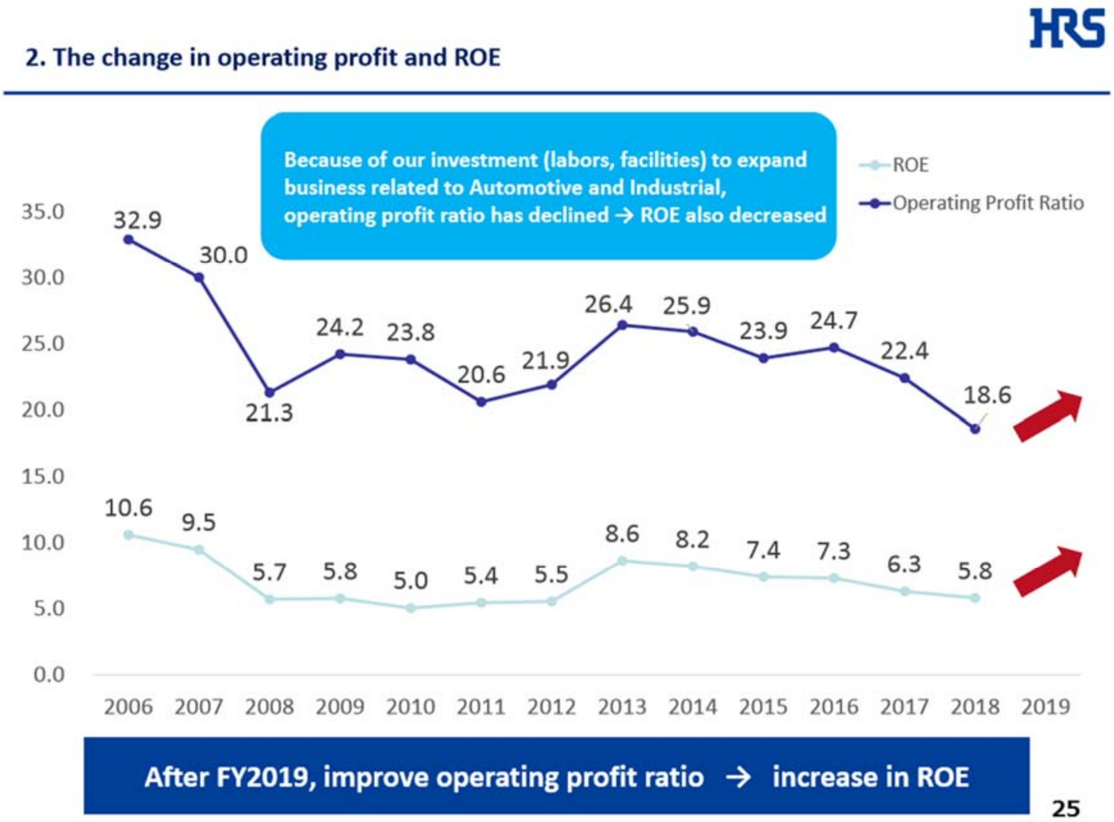
In fiscal 2017, the 80th anniversary of the Company's founding, we paid a special dividend of 480 yen per share. Usually, it's about 240 yen, but this is what we did.

As described in (4), we allocated shares without charge. I think there are few examples of such allocations at a Japanese company. In FY2015 and FY2018, we allocated 0.05 shares per share to existing shareholders without charge.

As announced yesterday, we implemented the redemption of more than 5% of our treasury stock in January 2018, and we will continue to do so without hesitation. We will redeem the treasury stock again on May 31.

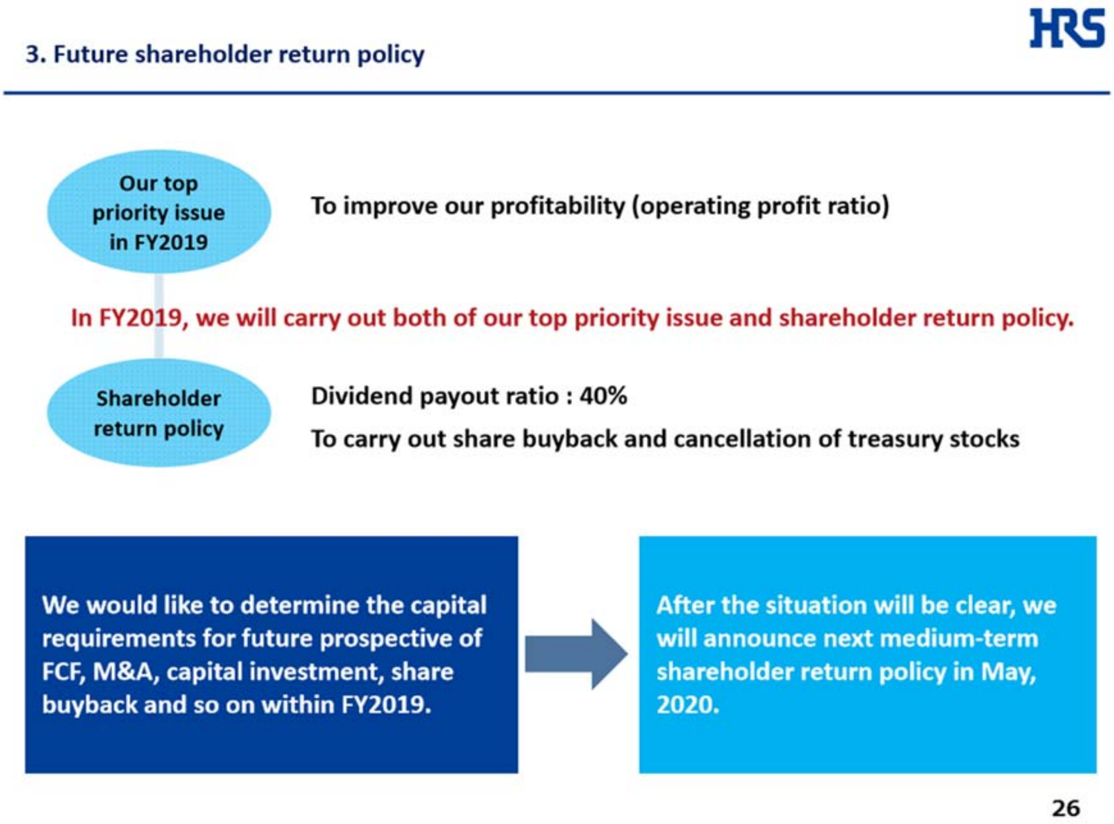
In April 2016, the Company plans to pay a dividend with payout ratio of around 40%. We have announced that over the next five years, we will maintain a total shareholder return ratio of 62.5% or more.

As shown at the bottom of the slide, returns to shareholders is one of our most important management issues. While it is difficult to get 100% satisfaction with this, I believe that we have gained a certain degree of appreciation from some shareholders and institutional investors.



In these circumstances, we have been very conscious of the importance of ROE. Operating profit margin is above, and ROE is the light blue line below.

In particular, in FY2016 and beyond, we have invested resources in personnel and facilities to expand our business in automobiles and industrial machinery. This was due to a decline in the operating income margin. As a result, ROE has fallen. It was 5.8% in the fiscal year under review, so I think we must raise it first.



So, there are two ways to raise: to increase profitability again, and to streamline our capital base. I think we must consider both of these methods.

From FY2019 onward, we will work to improve the operating income margin and ROE.

Regarding returning profits to shareholders in the future, we intend to improve profitability in FY2019.

How do we improve profitability? Of course, there are various methods. Expand sales, liquidate low-profit products, and increase capacity utilization, make better use of personnel, reduce logistics costs by reviewing the supply chain, and so on. We would like to start with such efforts.

In FY2019, therefore, we will prioritize this issue while implementing our traditional shareholder return policy.

Therefore, the dividend payout ratio will be maintained at 40%. In reality, we did not change the dividend of 240 yen per share for FY2019, so the dividend payout ratio will be 40% or close to 50%, but we aim for a dividend payout ratio of 47.3%.

In addition, we will continue to repurchase and retire our own shares.

We still have a lot of cash, so we will forecast free cash flow in the future during FY2019, and we will clearly identify capital needs for M&A, capital expenditures, share buybacks, etc. And then, in May next year, with this in mind, we intend to announce the following medium-term direction for shareholder returns.

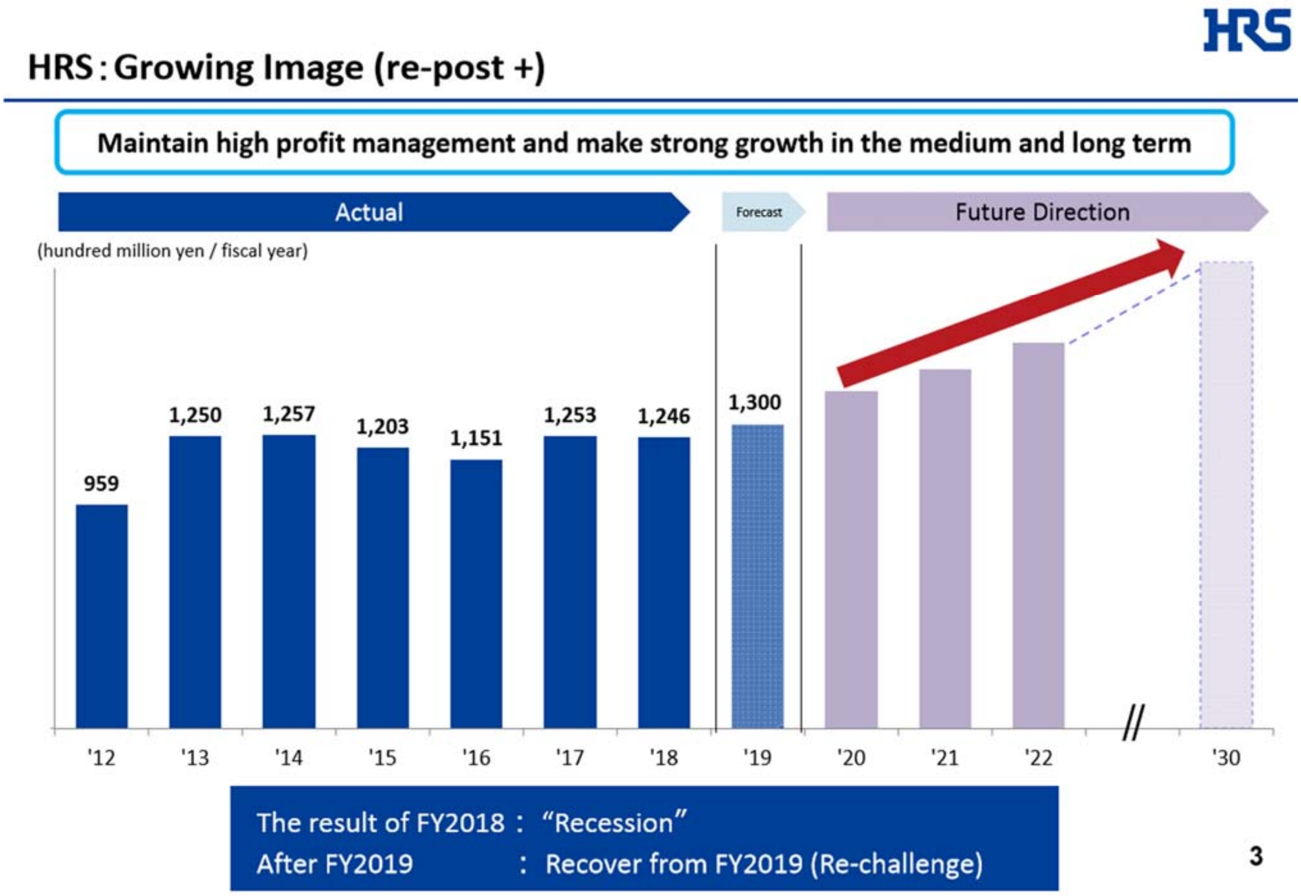
I'm sorry to only announce this so far, but I do so in FY2019 without hesitation, so I would like to ask for your understanding.

That's all from me.

Ishii: Good morning. Thank you very much for your ongoing support for HIROSE. The IR section has explained the results of FY2018, but I am completely dissatisfied with the results.

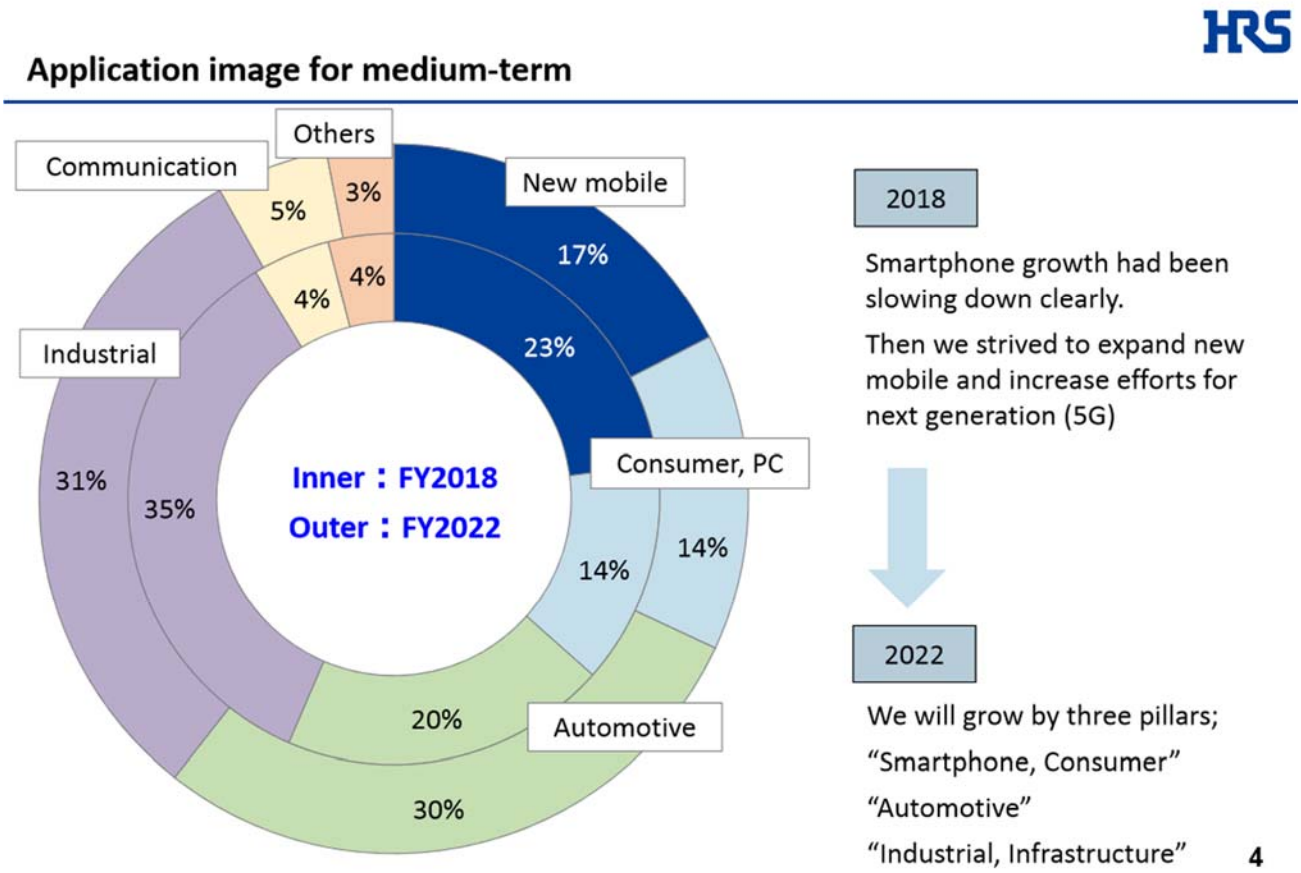
Nevertheless, we are almost certain of the direction we are aiming for. Therefore, I recognize we need to implement considerable initiatives to resolve the issues we have at hand, and further improve and strengthen systems in FY2019

I would like to outline our activities and report them while using slides. Thank you for your attention.



This is our comprehensive growth image, which we always explain. The results for 2018 are in this bar. I would like to say something about this. In FY2018, as explained and reported on at the briefing, we began to work at the beginning of the year toward progress of the Mid-Term Management Plan. But the result was this figure.

In short, it was not progress at all. I believe it was a setback. Therefore, from FY2019 onwards, as we have forecast and reported, we aim to recover from this starting point.



This is the radial bar chart of the composition rate by field for the medium term, which we always show. The results of FY2018 were explained earlier by Suzaki. This blue zone is smartphone, and when the consumer system is combined, it was 27%.

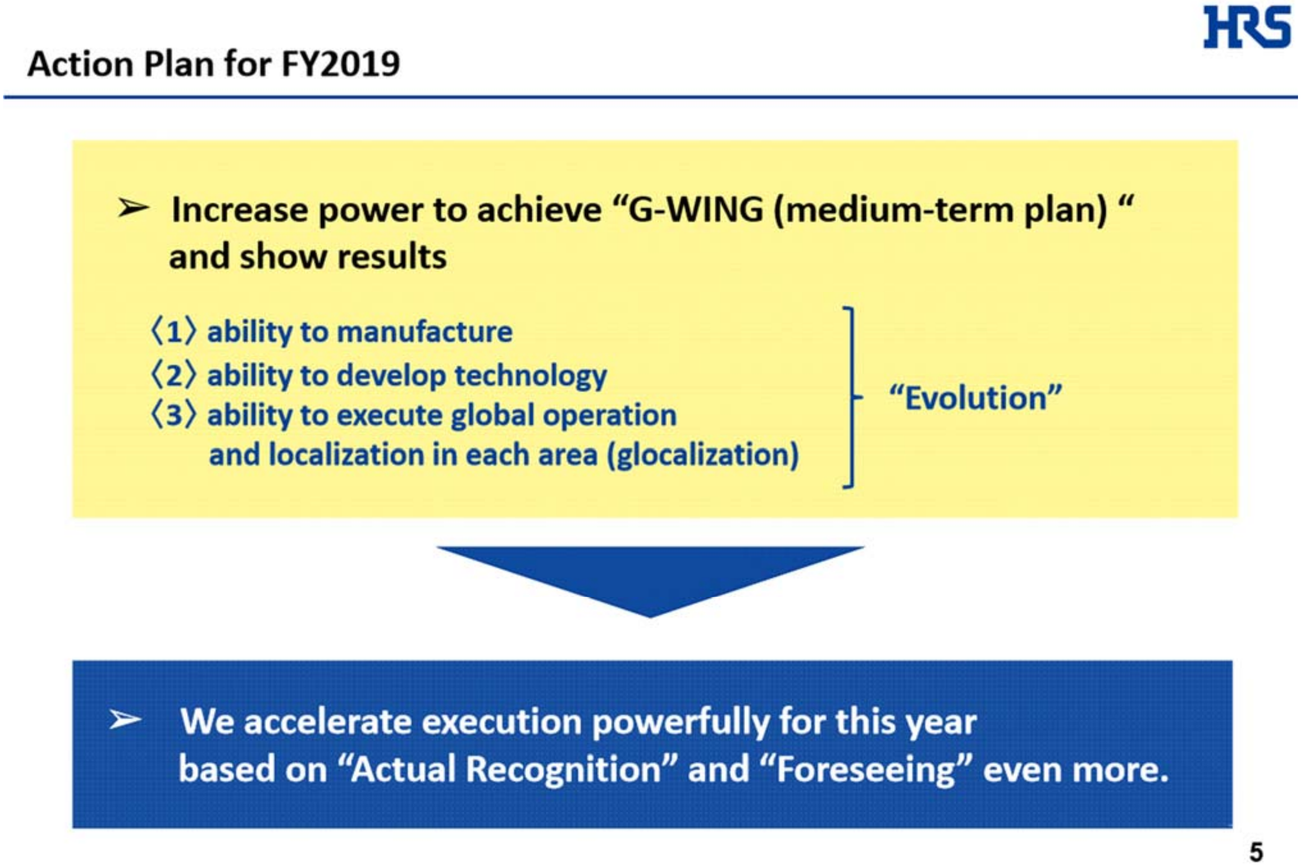
In FY2018, the percentage of automobiles accounted for 20%.

The purple bar is the zone of industrial machinery. The industrial machinery has never grown, but 35% is due to the fact that other zones are shrinking quite a lot.

This slide also shows the forecast for FY2022. We plan to spend about 31% on smartphone and consumer-related services.

For automobile, we are now planning to exceed 30% in FY2022. Industrial machinery is now 31%.

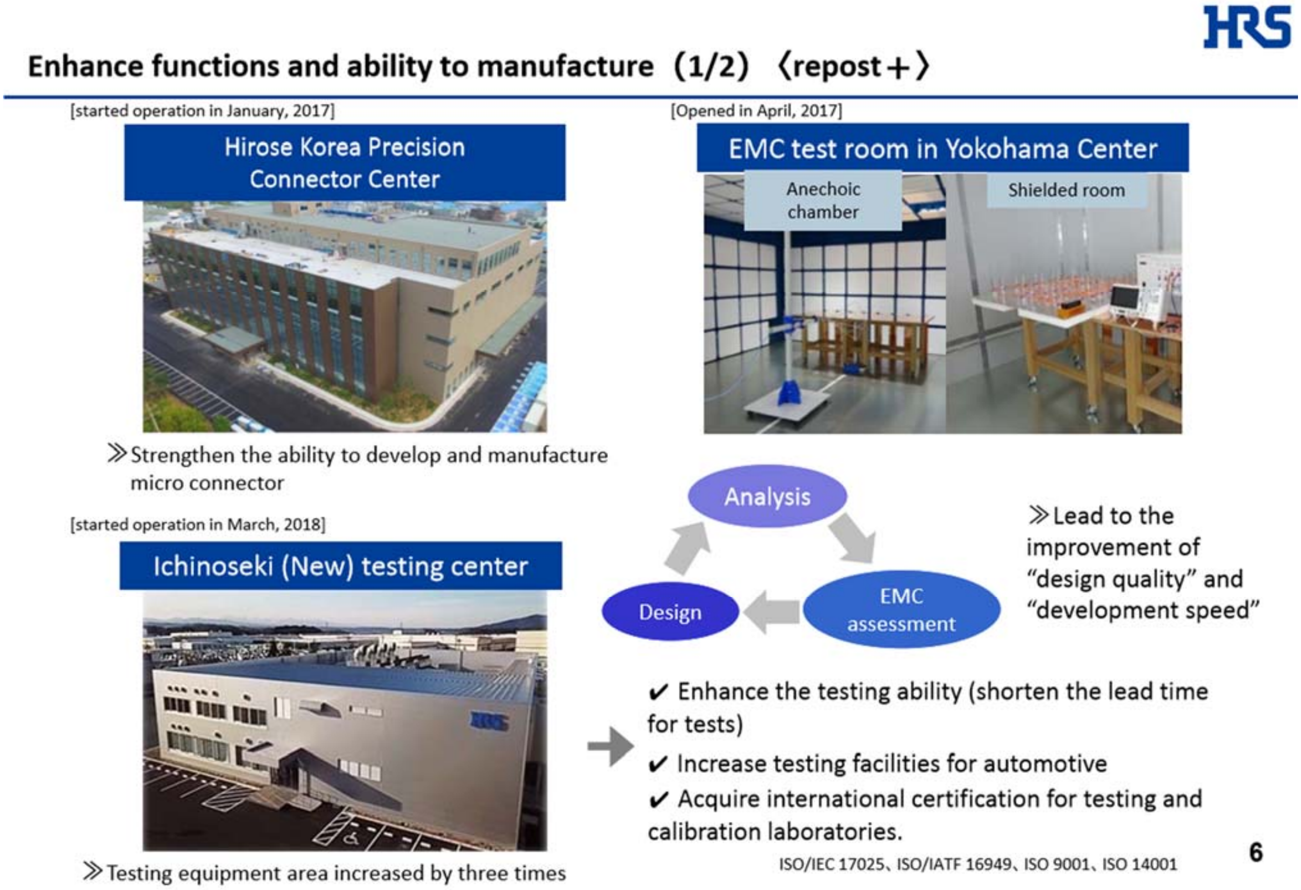
As our medium-term plan, over the past three to four years we have been reporting the three pillars: Smartphones and consumers, automotive, and industrial and infrastructure. I believe that these three pillars will almost be achieved by FY2022.



Summarizing our activities in FY2019, the key points for strengthening these activities are the same as in the previous year.

Monozukuri (ability to manufacture), technological development, and global response capabilities. We will concentrate on these three. As I mentioned earlier, we hope that FY2019 will be a year in which we will evolve from the setback of FY2018.

In addition, as an awareness of FY2019, we will look at the workplace and the future. We hope that in FY2019 we will accelerate the implementation of strong measures, based on the idea that we will look ahead to the future and strengthen our activities.



We reviewed the current manufacturing capabilities and the enhancement of functions, and summarized them on two slides.

In January of last year, we started a new Precision Center in Hirose Korea. Through this, we will strengthen the development and production of micro connectors. Currently, the first micro connectors in Hirose Korea are growing in the Taiwanese, Chinese and Japanese markets.

In April last year, we established an EMC room at our Yokohama Center. This laboratory is composed of darkrooms that shut out all electromagnetic radiation and shield rooms. Currently, the function of analysis is becoming an indispensable function in a market where there are many changes.

This is the new testing center in Ichinoseki, which started operation in March last year. We have started a test center with the industry's top functions. We are aiming to shorten the test lead time by 50%, but we are also expanding test equipment for automotive systems.

In response to the proposal to shorten development lead times, customers are welcoming Hirose's efforts to expand production facilities, so we would like to strengthen our activities while promoting the functions in this area to the market.

I remember that the actual operation of this facility was in June last year, but the mold building at the Miyako Plant has started. This is due to the strengthening of the sensor capacity of micro connectors.

On the right side, we started the expansion of the Malaysian factory in the fall of last year. Actual operations started from the second half of the fiscal year under review. This is a global industrial machinery business. We are now doing a lot of work to strengthen our production capabilities in the global high-speed communications market.

This year, Kikuna mold center has begun construction. We believe that this facility will be fully operational by the end of the fiscal year.

We plan to utilize this center, including the accumulation of cutting-edge mold technology, with the proposition of developing advanced technologies.

We are also expanding our Suzhou plant in China. We are currently working to strengthen our ability to manufacture connectors for the Chinese domestic market and automotive applications. We expect full-fledged operation from the summer onwards.

TOPICS

HRS

New collaboration with Harting, Germany for Ethernet solution

In 2016, we developed new standard of small connector “ix Industrial” for industrial equipment

Solution for FA network to replace RJ45 (small, strong, high-speed)

<existing product> RJ45

<new standard> ix Industrial

Implementation space was **reduced by 70%** compared to RJ45

Hirose and Harting agreed to develop “Single Pair Ethernet connector” for industrial equipment together in 2019

Solution for industrial IoT (this allows transmission distance longer than before up to 1km.)

Single Pair Ethernet connector

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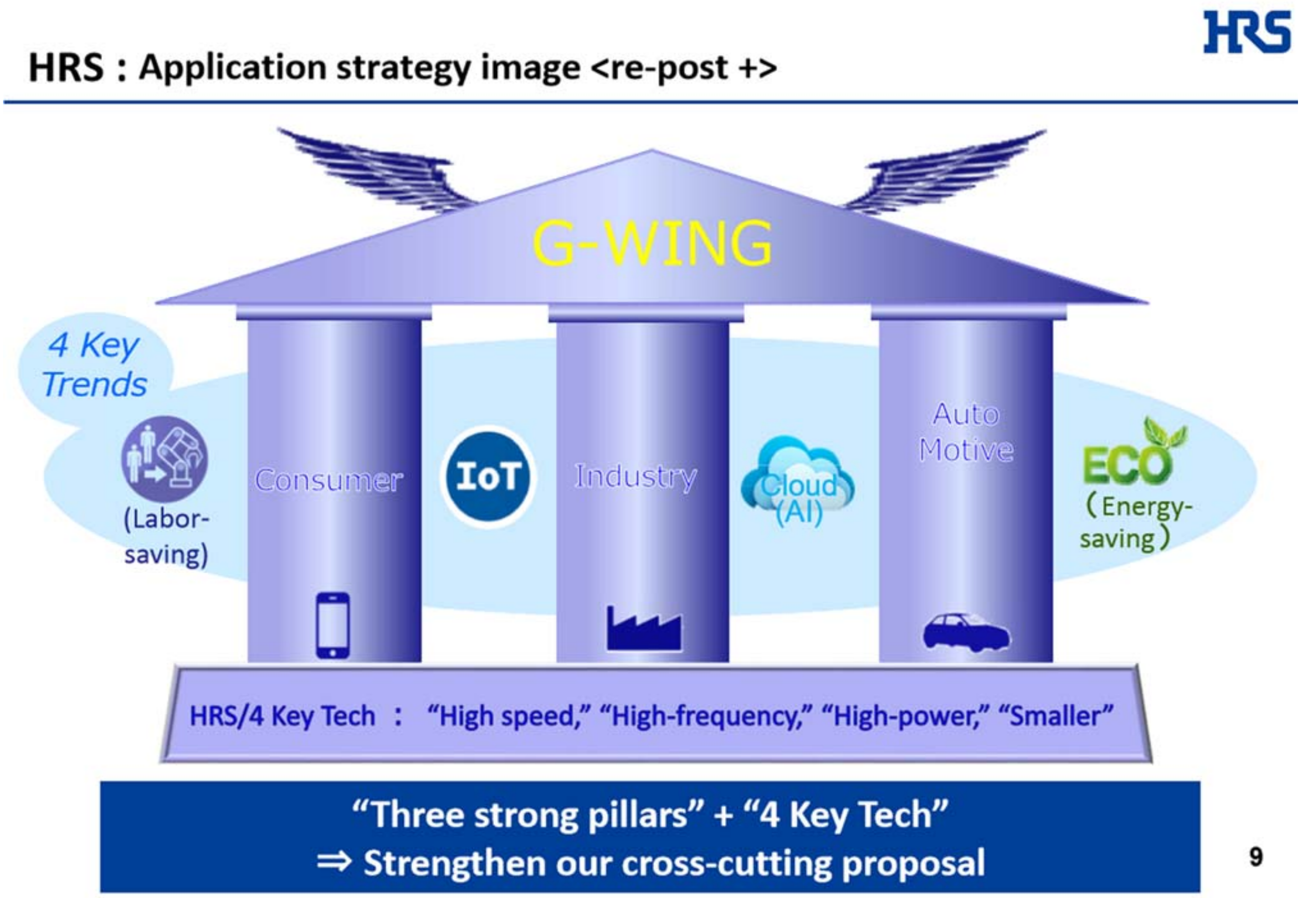
I’ll now introduce another example of our global standard initiatives, our approach to the market.

As the first step, in FY2016, we developed ix Industrial jointly with Harting for use in small-size interfaces for industrial machinery. We are now responding to inquiries from various sources, and we have also released our products smoothly.

Furthermore, as announced at Hannover Messe in April this year, we have started joint development of connectors for Single Pair Ethernet, which provide I/O solutions for IoT networks. We are talking with Mr. Harting.



This is a slide of the image of the medium-term management plan that we always present. As I mentioned earlier and we saw in the pie chart, consumers, industrial machinery, and automobiles. These strong three pillars in conjunction with our key technologies.

We have been pursuing these four key technologies both internally and externally over the past two or three years. They apply to all areas of key technologies, such as high-speed, high-frequency, high-power, and miniaturization.

Therefore, we believe that these key technologies will strengthen our ability to propose cross-sectoral solutions. I believe that we can expect this based on current market conditions.

Hirose Technology Exhibition〈 CONNECTION 2016 ⇒ 2019 〉

2016

2019

〔Tokyo〕Tokyo Prince Hotel 17th Oct（Thu） - 18th（Fri）
〔Osaka〕Grand Cube Osaka 28th Nov（Thu） - 29th （Fri）

In 2016
Over 6,500 visitors

We will reflect your opinion to our future products.
We truly appreciate your continuous cooperation and support.

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As for the last slide, we hold a technology exhibition and a private show once every three years. This photograph shows the 2016 exhibition, three years ago. Approximately 6,500 engineers and customers attended the event.

This year, we will hold this private show in Tokyo in October, and then, in Osaka in November.

Rather than just exhibiting our existing products and new products, we will also use the venue so that customers can see our concept for the future and verify our hypothesis.

The essence of the exhibition is to introduce customer opinions to our future products. I would appreciate your visit if you have an opportunity to take look at our activities.

Various changes are taking place in various places. We are committed to strengthening Hirose Electric's ability to catch up with these new changes and trends and to link them to the future. In this respect, we ask for your continued guidance and support.

This is a simple explanation of the overview. Thank you very much.

Disclaimer

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.