

HIROSE ELECTRIC CO., LTD

Financial Results Briefing for the First Half of the Fiscal Year Ending March 2020

Q&A Summary

Q1 :

Regarding the sales composition by field in the mid and long term growth strategy, you expect that sales for new mobile devices will decline from 26% in the first half of FY2019 to 17% in FY2022. I think the composition ratio will increase.

A1 :

We are reviewing the medium term and next-term plans. We are seeing business opportunities for micro connectors than we had expected. I strongly feel that there is a need to review our structure.

Q2 :

Could you please explain about the details of your business opportunities in 5G?

A2 :

We are developing the 5G area going forward. Device-related activities are already ongoing and we are engaged in design as well. The impact of this trend will expand gradually.

Q3 :

I would like to know the actual results of R&D expenditures for the first half and the outlook for the full fiscal year.

A3 :

R&D expenditures in the first half totaled 6.2 billion yen. The annual forecast is 13 billion yen, which is not changed from the original forecast.

Q4 :

Please tell us what does Q3 look like against Q2?

A4 :

Regarding the smartphone market, we expect the demand of China and Korea will continue from Q2 to Q3 and the volume will be similar. As for general industrial, our tentative assumption is that we are gradually recovering toward the end of the year.

Q5 :

I would like to ask about the outlook of second half of FY2019. Comparing the first half of the fiscal year, sales are expected to increase by about 4 billion yen. But it is expected that profits will decline even when you exclude the profit from the sales of land. Are there any special cost?

A5 :

There has been some impact of the yen's appreciation, some costs including holding the technology exhibitions once every three years and some figures because of the possibility of discount. Those points are factored in.

Q6 :

Could you tell us the reasons why you feel that there is a delay of mid-long term growth strategy and three pillars structure? I also would like to know the details of strengthening your initiatives for the future.

A6 :

In the general industrial field, we had expected performance to rise considerably from FY2019, but progress has definitely been slow because of the market change. For automotive, the world of automotive hardware is demanding even higher quality to components manufactures. In terms of strengthening our manufacturing capabilities, we must accelerate the pace of development.

Q7 :

You mentioned you are preparing for the future growth. As the world is changing, I wonder you could allocate additional resources.

A7 :

There is still a shortage in various aspects, so I am aware that we will never loosen our grip on additional resources.

Q8 :

Regarding the outlook of the second half of FY2019, you mentioned the discount will be one of the factor. I would like to know specifically what fields are anticipated.

A8 :

The discount is not a confirmed matter, but a risk. We are also considering the trend of prices declining in a certain market and regular discounts.

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.