

## Medium-Term Business Plan

## Medium-Term Business Plan roadmap



## Strengthen the foundation (Fiscal 2020-2022)

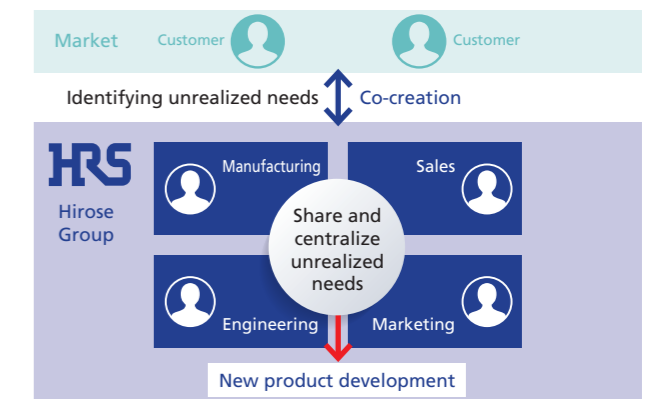
Reinforce Hirose's strengths

Initiative 1

## Strengthen new product development “Identify unrealized needs”

Hirose has striven to offer more added value to customers by providing leading and cutting-edge new products in developed equipment of customers. Entering an era of significant change, the importance of identifying new needs has grown even more. Engineers and sales staff in and outside of Japan are visiting customers, exploring their unrealized needs, and sharing information globally. The marketing division surveys market trends and captures new product concepts and themes. In order to explore optimization for customers, it is important to proactively make new proposals and improve added value of customer electronic devices. All employees in manufacturing, sales, and engineering are strengthening activities to identify needs as marketers.

## Construct global marketing



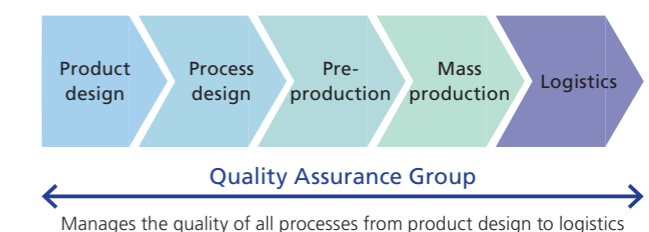
Reinforce Hirose's strengths

Initiative 2

## Strengthen manufacturing expertise “Pursue stable quality”

The Hirose Group maintains a philosophy that “cost falls as quality improves.” The quality division, which had been in the Production Group, became independent as the Quality Assurance Group. This Group manages the quality of all processes, not just manufacturing, from product design to logistics. It discovers quality issues beforehand, mitigates risks, and takes efforts for quality improvement. The foundation for strengthening manufacturing expertise is established by pursuing stable quality.

## Quality assurance structure



Reinforce Hirose's strengths

Initiative 3

## Develop human capital

As the environment surrounding the Group never stops changing, it is essential to adapt to changes in order to realize continuous global growth. The source of the connecting business lies in “people” and their groups. We take efforts to foster a company culture that feels fulfilling and review the HR system so that each employee can take on innovation in their work and generate organizational energy. We will realize “individual skill improvement” and become “a company that competes through teamwork.”

## Human capital strategy of Hirose Group

The Group is focusing efforts on creating the structures to develop employees, foster an organization that is satisfying, and support such initiatives in order to achieve the continuous growth of employees. We are accelerating the execution of our business strategy through growth and invigoration of employees.



## Medium-Term Business Plan



### Full growth (Fiscal 2020-)

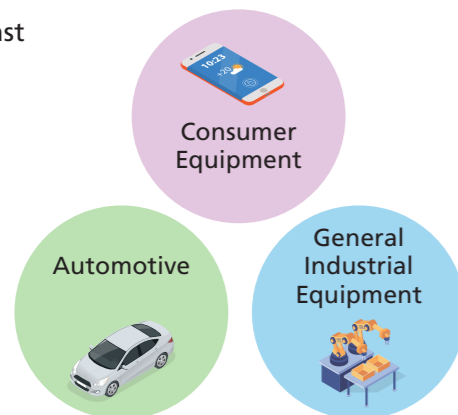
Reinforce Hirose's strengths

Initiative 1

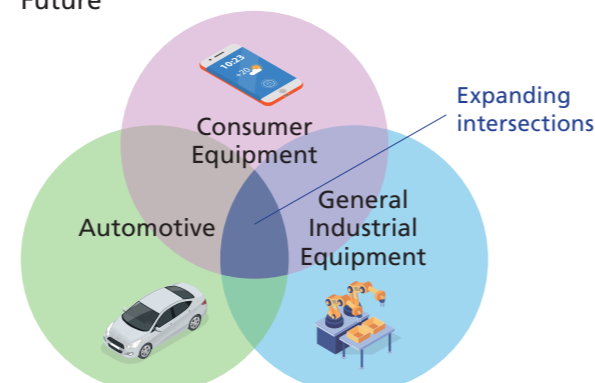
#### Strengthen three pillars

We believe that the strengthening of the three pillars of consumer equipment, general industrial equipment, and automotive will lead to continuous future growth. Various products are incorporating digital technology and more and more fields are overlapping. For example, demand for small connectors is growing due to advancements to produce lighter weight automobiles. Micro-connector technology for smartphones can be utilized in automobiles. There are different characteristics to technology and manufacturing depending on the industry segment. By mastering each segment, we will be able to respond and expand to other segments in the future. We will continue to take on challenges of cutting-edge technology, regardless of the industry segment, and strengthen cross-field proposal capabilities.

Past



Future



Improve added value

Initiative 2

#### Accelerate global responsiveness

For the Hirose Group, globalization means expanding business globally by utilizing the strengths of the Hirose Group that are applicable worldwide. Many solutions demanded of connectors are shared globally. We are deploying the core strengths the Hirose Group has developed globally. Each base is further polishing these strengths and deploying them. These are then once again concentrated and deployed. Through this upward spiral structure, the Group can come together to improve itself. This approach to business is the vision of the Hirose Group. The Group considers it important to strengthen adaptability to local areas in order to satisfy customers.

#### Expanding the strengths of Hirose worldwide <HIROSE KOREA CO., LTD.>

In Korea, which has a vibrant consumer market, HIROSE KOREA has further enhanced the speed capabilities of the Hirose Group and maintains a strength in overwhelming speed capability. Based on this strength and a company culture that pursues originality, HIROSE KOREA supports the axis of the Group through cutting-edge product development that reflects market trends. HIROSE KOREA achieved the vision of the Hirose Group to "compete together and evolve together." While the companies are cooperating, they also continue to enhance their technology through competing with each other.



#### Strengthening local adaptability <Europe>

In Europe, the Hirose Group hired more local engineers and can now demonstrate its power more than before on a global scale. Many local engineers join sales when engaging with customers on a daily basis. Strengthening local adaptability and building a relationship of trust by contributing to customers is beginning to lead to new businesses. The Group is expanding these success cases to each base and developing a system to speedily and closely respond to global customer demands.



Pursue satisfaction beyond customer expectations

Initiative 3

#### New "co-creation"

Customer needs for comprehensive solutions are increasing. More and more, professional proposals as a connector manufacturer are being demanded. The Hirose Group prioritizes co-creation that contributes to improved earnings of customers. We are proceeding with co-creation with electronic component manufacturers and connector manufacturers in order to provide "connecting solutions" with even higher added value. By constructing strong relations with external parties through various forms, including alliances and partnerships, and connecting wisdom, the Group aims to generate new value, increase proposal capabilities, and expand the business. We constantly consider the merits of selecting the Hirose Group from the customer perspective and strengthen proposal capabilities.

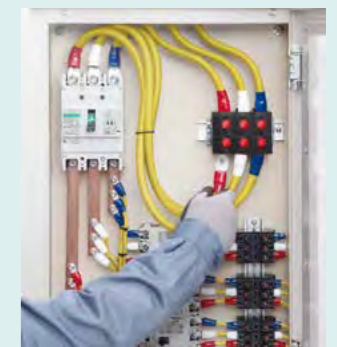
#### Example 1 <Co-creation with connector manufacturer>

The Hirose Group participated in the joint development of the ix Industrial™ with the German connector manufacturer HARTING Technology Group. As improvements to efficiency of production plants proceed through the use of ICT technology, there are more communication lines connected through Ethernet. The IX Series has a sturdy structure fitting the general industrial equipment usage environment while also cutting space by around 75% compared to previous products. It also supports high-speed transmission and greatly contributes to the advancement of equipment and implementation of smart technology in manufacturing plants. Utilizing not only its technology, but also the customer base in Europe of HARTING, we provide more convenient connectors to many customers.



#### Example 2 <Co-creation of new products with new customers>

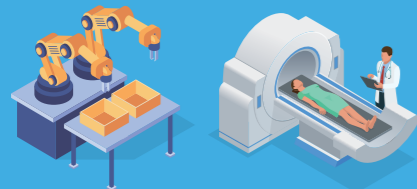
At first, the EF2 Series was developed to replace the terminal block inside the distribution boards. We worked with a construction company to explore new usages. Finding a use for this product in the joint portion connecting main lines, this new connecting solution has been recognized as exceeding electronic components. This spring terminal block can connect cables to electronic equipment by just inserting without using screws. This realizes a significant cut in man-hours at construction sites. We also participate in activities toward the standardization of screw-less terminal blocks. With just this one new option, all of the issues related to fire prevention, safety of electronic equipment, work quality, and work times could be resolved.





# 1 General Industrial Equipment

## General Industrial Equipment



### Overview

The general industrial equipment market is a wide market that includes FA equipment used in factories, medical equipment, and communication infrastructure. In the general industrial equipment market, there is much equipment that is used for a long time, such as manufacturing equipment and inspection equipment. Connectors need to be able to be easily attached and removed and sturdy against vibrations. The connectors for general industrial equipment of the Hirose Group are sufficiently sturdy and easy to use while also pursuing downsizing.

### Major uses

FA equipment, control equipment, medical equipment, communication servers, etc.

### Market needs

- Downsizing
- Enhance speed
- Enhance capacity

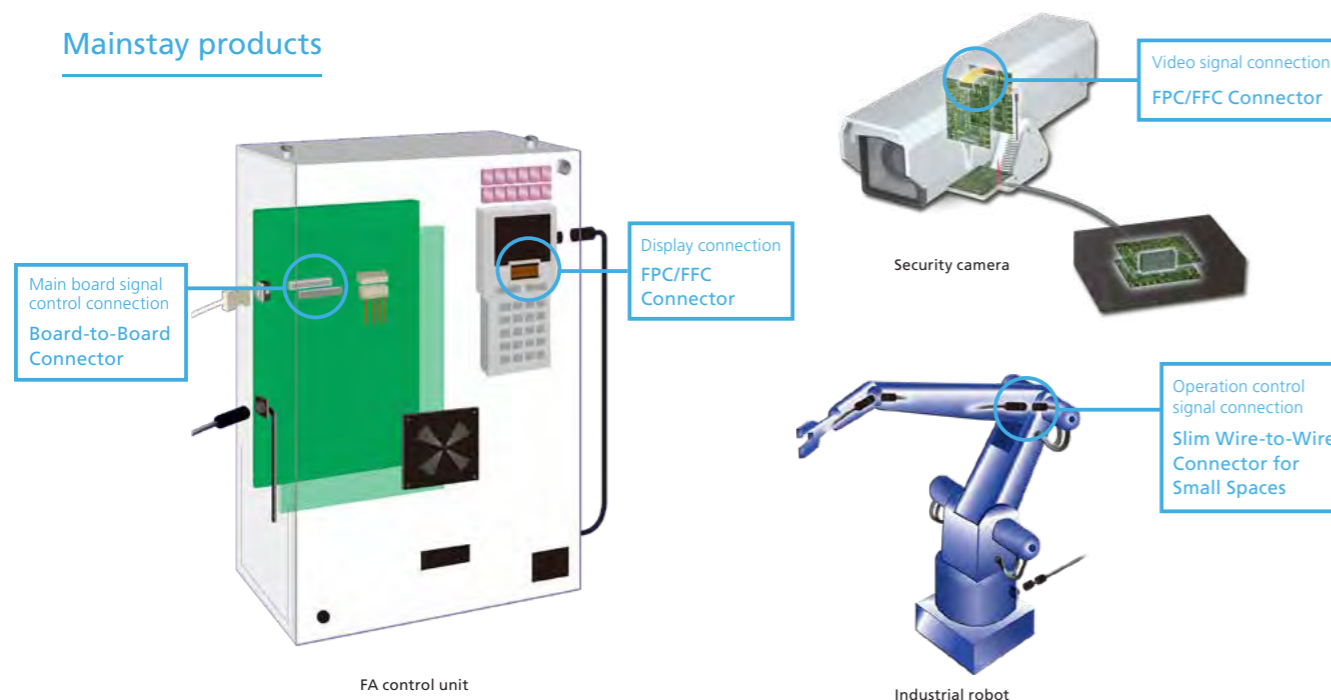
### Opportunities

- Increased demand for robots through labor shortage
- Enhance speed and capacity of communication infrastructure
- Improve efficiency of manufacturing sites utilizing ICT technology, such as Industry 4.0, etc.
- Enhance performance of medical equipment

### Strengths that can be utilized

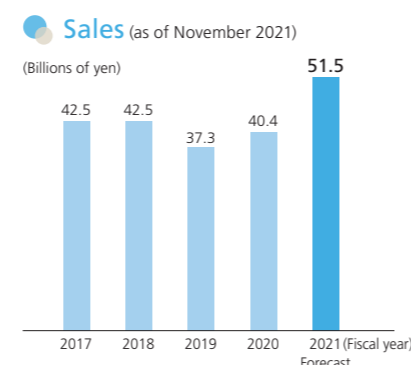
- ▶ Respond to all general industrial equipment with rich series lineup
- ▶ Downsizing technology developed through micro-connectors
- ▶ Support long-term supply optimized for general industrial equipment
- ▶ Multiple high-quality products that have continued to be chosen by customers for a long time

### Mainstay products



### Results trends and outlook

In fiscal 2020, sales for general industrial equipment showed a significant increase of 8% compared with fiscal 2019. At first, sales were trending roughly even year-over-year, primarily those related to domestic FA equipment. However, from the second half of fiscal 2020, sales in Japan increased significantly as primarily sales and orders for domestic FA manufacturers and distributors increased. Production of set manufacturers has also increased. We assume orders are accumulating not only for the materials needed to increase production, but also for inventories that look toward the future. While there are some concerns about a future pullback, current performance is on track to exceed fiscal 2020 levels. The Group is also forecasting stable growth in fiscal 2021.



### Future risks and response

Connectors for general industrial equipment are used for a wide array of electronic devices and there are many types of connectors. Therefore, production for general industrial equipment tends to be many type, small lot, which takes a long time to recover the investment. Therefore, the Group is making progress in the modularization of manufacturing. Manufacturing is split into the base machine and modules that can be freely attached when components need to be changed depending on the product. The Group aims to quickly switch production, optimize production, and

improve investment efficiency. For general industrial equipment, many items have long product lifespans so the business is stable. In the future, production sites and lifestyle will change due to IoT, AI, and the digital revolution. We are focusing on expanding the industrial network on these points of change. The Group is reorganizing the internal structure for each industry segment. Manufacturing, sales, and engineering of general industrial equipment come together for activities to improve production efficiency and tap into new markets.

### Topic

### Future of expanding general industrial equipment market

The scope of the general industrial equipment market is very wide. Various electronic devices, including industrial robots, household robots, and drones are categorized as general industrial equipment. As applications of connectors vary depending on the electronic device, we provide various types of connectors for the general industrial equipment market. In fiscal 2020, the sales of general industrial equipment consist of around 80% of products among all connector models which were sold in fiscal 2020. While the demand for FA-related products remained strong as sales of long-selling products rose, new products that respond to new needs also saw steady growth. New needs continue to grow in the general industrial equipment market. For example, there are needs corresponding with the expansion of the DX (digital transformation). More and more daily tasks are being done electronically, including automatic payment at convenience stores, e-tickets for events, electronic tags, facial recognition, etc. Everyone feels the rising needs for touchless

services to combat infectious disease. Automation of tasks has also increased due to labor shortages. At factories and warehouses, logistics robots are already playing a big role. We expect that electronic devices that contribute to solving these social issues will continue to increase in the future. Through connectors, Hirose believes that we can support these trends. Hirose's strengths lie in our wide product variation and development track record in many fields. We aim to develop new products that respond to customers' new needs and deploy them worldwide.





## 2 Smartphone and Consumer Equipment

### Smartphone and Consumer Equipment



#### Overview

Many connectors that are small-sized, high-performance, and high-density are used for smartphones and consumer equipment. In this market, models change quickly and the development span for connectors is short. Responding to the changes quickly is the key to success in this field. By developing cutting-edge products that pursued small-size, low profile, and high-density ahead of other suppliers, Hirose connectors have been adopted by customers across the globe, in particular in the smartphone market. We are developing and proposing new products backed by unique technology to suit a market that changes daily.

#### Major uses

Smartphones, PCs, tablets, AI speakers, wearables (watches, earphones), etc.

#### Market needs

- Improve space-saving
- High capacity
- High-speed communication

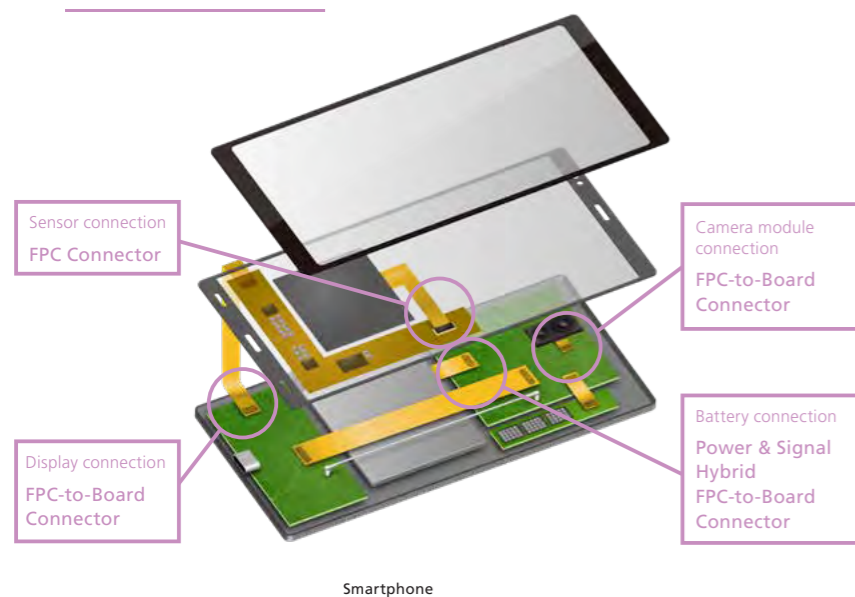
#### Opportunities

- Further improvements to performance of smartphones (evolve along with 5G)
- Expansion of small devices, such as wearables, through the spread of IoT
- Appearance of new consumer devices
- Pursuit of real-time performance for various items to be connected to the Internet and expansion of data transmission capacity

#### Strengths that can be utilized

- ▶ Downsizing/high-density technology developed through smartphones
- ▶ Reliability of Hirose micro-connectors gained through smartphones
- ▶ Global top share in micro-connector field
- ▶ Cooperation with HIROSE KOREA
- ▶ High-speed transmission technology

### Mainstay products

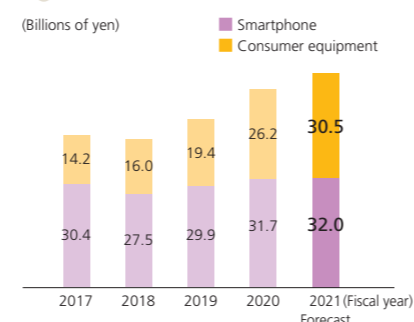


### Results trends and outlook

In fiscal 2020, sales for smartphones trended higher in the second and third quarters due to seasonal reasons same as the previous years. Needs rose for cutting-edge connectors as smartphone performance increased, including the release of new models supporting 5G. Yearly sales rose 6% compared with fiscal 2019. The Group forecasts that fiscal 2021 sales will be mostly unchanged with a 1% year-over-year increase.

In fiscal 2020, sales for consumer equipment increased significantly at 36% higher than the level of fiscal 2019 as demand for PCs and tablets continued to be strong due to the increase in remote work demand. Demand also grew for wearable devices such as wireless earphones and smart watches. Fiscal 2021 sales are expected to grow to an even higher level.

#### Sales (as of November 2021)



### Future risks and response

In recent years, it is said that the smartphone market is reaching a state of maturity. It is possible that the growth of connectors will slow due to this. However, Hirose views the smartphone business as one part of the consumer market. We are horizontally deploying the micro-connectors with high technological capabilities and quality developed through smartphones into the consumer market. As new, small wearable devices continue to appear, there will be growing IT digital needs. The need for small connectors is strong

and Hirose's technology can be very competitive. Cutting-edge features are installed on cutting-edge smartphones. We have to pursue cutting-edge technology to develop the connectors for such devices. This technology can be used in other fields as well. Although small connectors have already achieved a size of just a few millimeters, we will further enhance small-sized manufacturing technology and respond to demands for even smaller connectors.

### Topic

#### Aiming to be the world's No. 1 manufacturer of micro-connectors

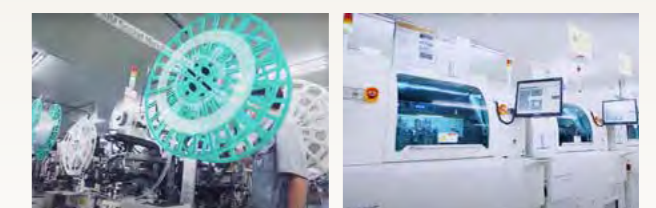
New micro-connectors for the smartphone and consumer market are developed with HIROSE KOREA. HIROSE KOREA has the R&D structure, including the production equipment development and mass production structures for molding dies and processing equipment. It has high-level technology for cutting-edge micro-connectors. Group companies of Hirose will work together to strengthen development capabilities and manufacturing expertise to develop products that respond to needs for leading and cutting-edge technology. Every month, the companies hold a meeting to exchange information about marketing, development, and manufacturing, as well as discuss the way forward for micro-connector development.

Trainees are dispatched from HIROSE KOREA to Japan, where they learn design skills through their training. After returning, they play a central role in the development of cutting-edge original products in HIROSE KOREA. Not only young employees, but also mid-career

administrative employees are sent as part of this proactive exchange.

A strength of HIROSE KOREA is its speed to adapting. It has the ability to respond to customer needs, from development to mass production, in a short span. By working together, we reinforce each other's strengths and achieve greater customer satisfaction.

By taking further efforts to learn and grow together within the Group, we will continue to take on the challenge of becoming the world's No. 1 manufacturer of micro-connectors.





# 3 Automotive and Mobility

## Automotive and Mobility



### Overview

In order to secure safety and security of connectors for the automotive field, we are maintaining a high level of resistance to vibration and resistance to heat through the adoption of a proprietary structure and high-performance materials. By repeating rigorous verification and testing internally, we provide products that customers can use with peace of mind. We are also using simulations, such as analysis technology, from the design stage, and putting effort in reducing the product development lead time. Electrification of automobiles is proceeding with the spread of autonomous driving and electric vehicles. As such, the role played by on-board electronic components, including connectors, is growing more important.

### Major uses

Automobiles (infotainment, autonomous driving, power train-related equipment)

### Market needs

- High reliability
- Downsizing
- Lower weight
- High-speed transmission
- High frequency
- High current

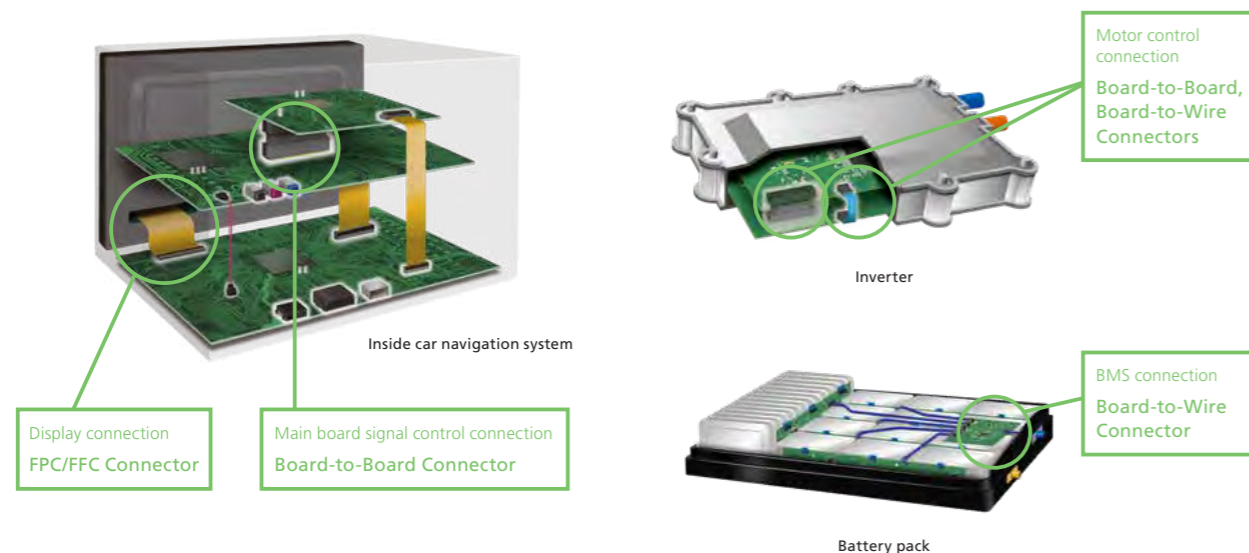
### Opportunities

- Enhanced electrification and high performance of automobiles corresponding with spread of electric vehicles, connected cars, and autonomous driving technology, said to be once a century changes

### Strengths that can be utilized

- ▶ Downsizing technology developed in consumer market
- ▶ Analysis simulation technology
- ▶ Rich delivery track record
- ▶ Guarantee quality through the Group's proprietary evaluation standards

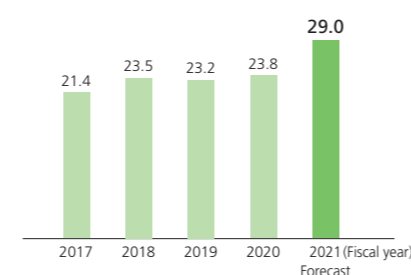
## Mainstay products



## Results trends and outlook

In fiscal 2020, sales for automotive exceeded those in fiscal 2019 as performance recovered from the second quarter and the number of electric vehicles increased, despite the significant decrease due to reduced production of automobile manufacturers in the first quarter. Sales in the segment comprised 18% of total Group sales. For fiscal 2021, the Group forecasts 22% growth compared to fiscal 2020 as the number of electric vehicles continues to increase, despite the impact of semiconductor shortages across the entire automotive industry.

**Sales** (as of November 2021)  
(Billions of yen)



## Future risks and response

In the future, while wiring inside vehicles will become integrated and simplified, there will be an increase in sensors and computers installed related to electronic components and autonomous driving, such as inverters and converters related to the electrification of the drive system. As a result of this trend, there will be fewer connectors connected to main harnesses, which have been used widely in the past, and instead, more connectors for electric connections, which have never existed before. Hirose maintains a high share of connections in the areas of antennas

and infotainment. The Group forecasts that demand in these areas will also grow. We will provide products with new concepts by collecting Hirose's technological capabilities as a comprehensive connector manufacturer in order to respond to changes such as electrification and autonomous driving. Also, we are taking efforts to pursue higher quality through renovations to the Ichinoseki Testing Center and enhancement to the Hirose Electric Head Office test room.

## Topic Pursuing quality and safety in connectors

Connectors for automotive and general industrial equipment segments must be resistant to heat and vibration because they are used in harsh environments. Also, the lifetime travel distance and operational years of automobiles are trending up. In order for automobiles and machines to operate safely for a long term, reliable quality is required to prevent malfunctions in connectors, regardless of the situation. The Group enhanced connector testing facilities in order to pursue quality for such needs. The testing center at ICHINOSEKI HIROSE ELECTRIC conducts various tests and acquired certification for the international certification system ISO/IEC 17025 in 2004 for test centers/proving institutions, the first for a specialist connector manufacturer in Japan. This certification verifies that the test center has the ability to generate accurate measurement results. If certified, the test data at the test center can be used globally. Performing tests internally that used to be outsourced has significantly reduced test periods. In

2018, the EMC laboratory at Hirose Electric Headquarters also acquired this certification. In the future, the Group will expand the certification scope and aim for improved quality of its testing and proofing functions. In the same year, the new wing of the Ichinoseki Testing Center began operation. The Group is not only enhancing testing facilities and technology, but also the reliability of test data. We pursue product performance, quality, and safety through accurate and speedy testing. We will contribute to the realization of a safer and more pleasant mobility society through high-quality automotive connectors.



Anechoic chamber of EMC laboratory at Hirose Electric Headquarters

Feature  
2

## New Fields

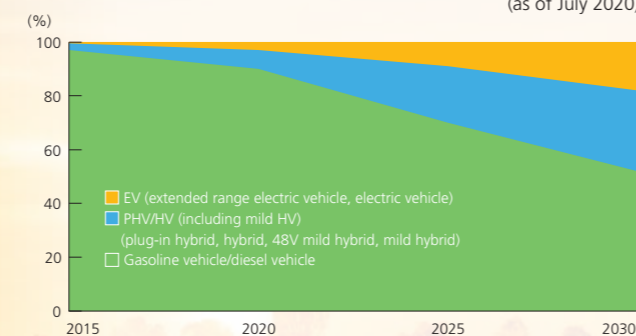
## Expansion of automotive demand and Hirose Group's new pillar

The automotive industry is in a period of revolution said to come once a century. Through the spread of new technology such as connected technology and autonomous driving, the number of electronic devices installed in vehicles is expected to increase. As a result, the needs for connectors will change significantly. The Hirose Group proactively introduces products that balance high reliability and performance and takes on new opportunities.

## Trends of automotive market

The automotive industry, which is facing various changes, is experiencing a swift shift toward electric vehicles, an especially large change. As consumers become more aware of the environment, new energy vehicles, including EVs, are seeing rapid adoption. This trend is expected to accelerate in the future. Related electric battery manufacturers are also growing significantly.

● Forecast of new energy vehicle composition ratio  
(as of July 2020)



## Connector demand in automotive market and value Hirose Group can provide

## Demand

Although automobile drive systems are becoming more electrified, batteries installed for driving motors are heavy and expensive. Therefore, various electronic components need to be small and lightweight in order to improve fuel efficiency and reduce power costs.

Value of  
Hirose Group

Hirose can provide value to a changing automotive market in three areas: 1) strengths in making small products, 2) high reliability, and 3) know-how in other industry segments. We propose new products that make use of our strengths and address new market needs in order to take advantage of these opportunities.

Opportunity  
1 Camera/radar/LiDAR

In addition to cameras and millimeter wave radars that are already popular, sensing devices such as LiDAR (laser sensor) are also being installed into vehicles in order to realize even more advanced autonomous driving.

Opportunity  
2 Infotainment

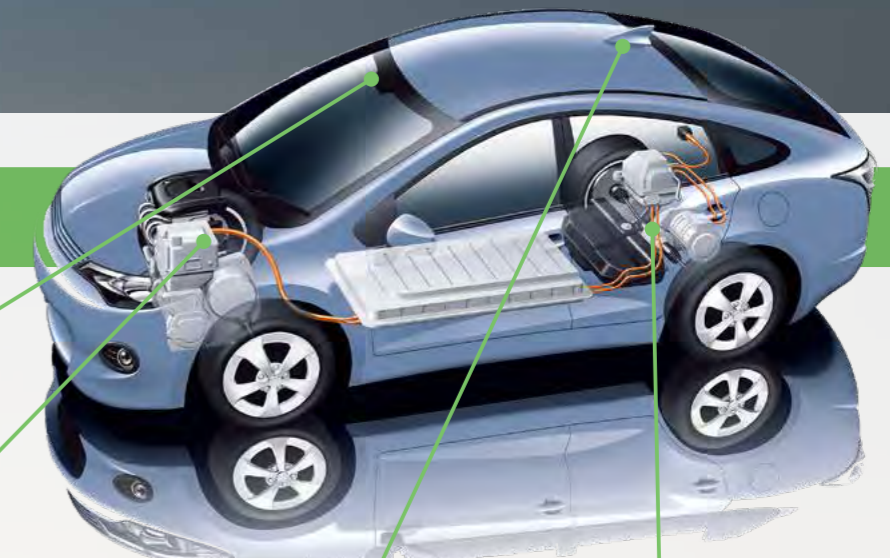
Automotive infotainment products, such as car navigation and audio systems, continue to evolve while new devices, such as HUD (head-up display), are added.

Opportunity  
3 Connected functions

Vehicles are more convenient and pleasant if they are "connected cars." Communication antennas become even more important devices as functions are added to connect to new networks such as 5G.

Opportunity  
4 Power train

By switching from the internal combustion engine to the electric motor, many connectors are needed inside the power train. Extremely high quality is required in harsh environments, such as those with high temperatures and intense vibrations.

Opportunity  
1 Camera/radar/LiDAR

Sensing devices used in autonomous driving include cameras, millimeter wave radar, and LiDAR. In order to realize advanced autonomous driving, these devices must be controlled together through a high-performance computer on-board. Many of Hirose's small connectors are adopted into these devices and are expected to see strong growth. Hirose develops and proposes automotive grade connectors using precision connector technology developed in the consumer market.

## ● FPC-to-board connector DF40T Series

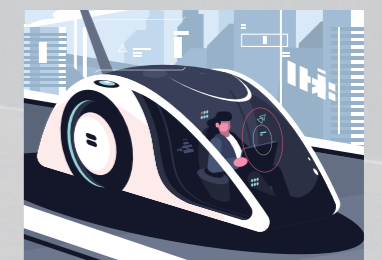
Based on the DF40 Series, which had a track record of rich core numbers and variations for the consumer equipment, these small connectors for automotive include specifications needed in automobiles, including heat resistance, etc. This product has a low profile at 1.5 mm, provides heat resistance up to 125°C, and combines both small size and high reliability.

Opportunity  
2 Infotainment

Many connectors have been installed in infotainment devices, including car navigation and audio systems. In the future, in-vehicle spaces are going to become more pleasant through the adoption of large high-definition displays. Corresponding with this trend, there are increasing needs for connectors, including small size. Hirose responds to such expectations with a diverse lineup of products.

## ● For a pleasant and exciting automobile

If high-level autonomous driving is achieved, the driver no longer needs to focus on driving. It is expected that the inside space of the vehicle will gain more importance. Automobiles will not simply be a means of transportation. Demand will grow for automobiles that have infotainment functions, such as high performance displays, personal audio systems, and AI robots. It is expected that the connector market will expand as this trend takes root.



Feature  
2

## New Fields

Opportunity  
3

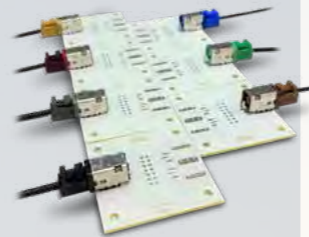
## Connected functions

In-vehicle antennas have been used for radios, telephones, and GNSS. RF coaxial cable connectors are used for those connections. As 5G communications have spread, antennas for 5G have also begun being installed in automobiles in recent years. Also, a popularization of the technology called V2X that connects automobiles to other automobiles, automobiles and transportation infrastructure, automobiles and people, and automobiles and networks is expected. By connecting with a network, convenient services can be used, such as OTA (Over the Air), which updates the vehicle software online. Connected technology also plays an extremely big role such as in creating a safe driving environment. Hirose maintains a large share of antenna connections and contributes to the advancement of technology by releasing products that address market trends.

 Small antenna coaxial connector GT43 Series

In addition to traditional antenna connections, this next-generation coaxial connector maintains strengths in downsizing and easy assembly while also strengthening noise resistance for video transmission.

This product fulfills requirements of a harsh on-board environment that includes heat and vibration and maintains strength with a sturdy structure. Its small-sized and space-saving design also helps improve customer design freedom.

Opportunity  
4

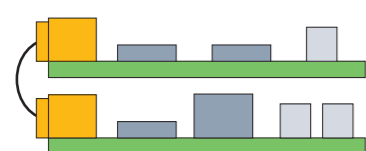
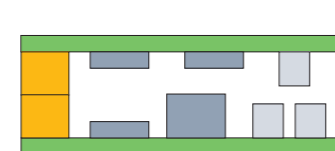
## Power train

EVs are beginning to spread rapidly as countries adopt policies corresponding with rising environmental concerns. Unlike engine vehicles that use gasoline or diesel for fuel, electric vehicles use electricity as the driving force for operating the motor. As such, there are various devices installed in vehicles, including the battery that stores the electricity and the inverter that controls the motor. Power supply and signals for these devices are connected by connectors. The spread of electric vehicles is directly linked to

increased demand for connectors. In the future, it is expected that "electricity expense" competition will heat up among electric vehicles. This would require further downsizing and lightweight improvements for connectors. On the other hand, these devices face harsh vibration and heat. High quality is demanded since they are directly linked with the basic function of vehicles, such as driving, turning, and stopping.

 FX26 Series board-to-board connector with vibration resistant/floating structure

The FX26 Series is a high spec connector with 140°C heat resistance that was developed with the aim of providing specifications for usage in the engine room. When the FX26 connects boards, they can easily be connected simply by mating the connector, improving work efficiency and saving space. Its vibration resistant design also absorbs vibrations even in power train connections near the drive system where vibration is common. These functions have been highly recognized.

**Current (Wire to Board)**  
Cable connection between upper and lower boards

**Replacement with FX26 (Board to Board)**  
Easy assembly, and reduced space


## Interview



Shu Obara

Division General Manager,  
Automotive Division,  
Engineering Group

The Automotive Division takes efforts based on its business vision of becoming a global supplier that provides high added value and reliability in terms of "environment," "safety," and "comfort" through the adoption of electronics in automobiles. In the Medium-Term Business Plan, the Group aimed for the automotive field, as one of the three pillars, to comprise 30% of sales. The Group positions this business as a growth business that will drive the Hirose Group.

In the business environment of the automotive business, progress in EVs is accelerating swiftly, despite regional disparities, as carbon neutrality international initiatives are increasing. Efforts to achieve autonomous driving have also been advancing rapidly from a technical standpoint since it was first introduced. We are aware that we must establish a sustainable business structure based on environmental response and supply structure as an automotive market supplier.

From two to three years ago, our engineers stood on the front line and we promoted efforts to respond to these movements. These efforts are slowly paying off. In the future, we will further strengthen these initiatives and develop capabilities to respond to dramatic changes to the business environment and meet customer needs.

Meanwhile, as a shared foundation to support these activities, we are also taking efforts to improve quality by strengthening manufacturing expertise, including SCM, and analysis capabilities from prior simulations to correlation with measurement results. In particular, with regard to manufacturing expertise, we will further strengthen and accelerate our efforts centered on the new factory of KORIYAMA HIROSE ELECTRIC, which is planned to be completed in fiscal 2023.

The automotive industry is fully facing a once a century transformation. It is expected that everything from business models and industry structure to elemental technology will undergo dramatic change. We will undergo various initiatives to see this major transformation as an opportunity for further growth, aim for an automotive business that strengthens and grows continuously, and promote activities.

## The future of automotive demands

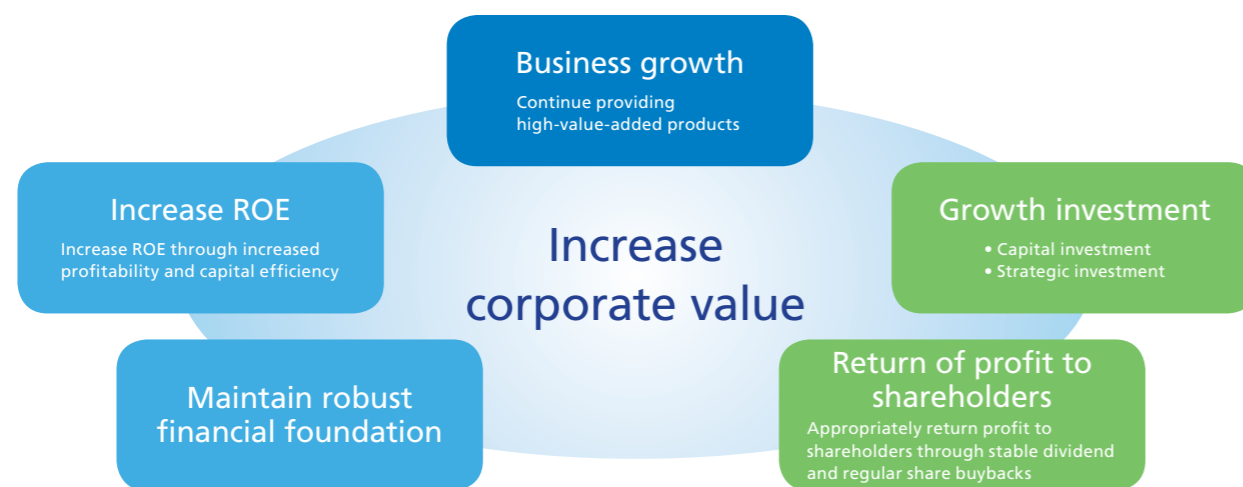
As electric vehicles become increasingly common and functions such as crash prevention and autonomous driving are enhanced and continue to evolve, it is expected that the automobile society will undergo massive changes. Next-generation automobiles are also expected to play a role in decarbonization, a major recent environmental issue. We would now like to introduce initiatives of the Hirose Group to support the automotive business and respond to new medium- to long-term needs corresponding to the future expansion of the automotive market.



## Capital Policy

The robust financial foundation of the Hirose Group is one of the sources of our value co-creation model and supports new product development and stable management. By utilizing capital while balancing proactive investment in future growth and sufficient return of surplus to shareholders, as well as maintaining financial health, the Group improves medium- to long-term corporate value and pursues a return of profits to stakeholders.

### Basic thoughts toward capital policy



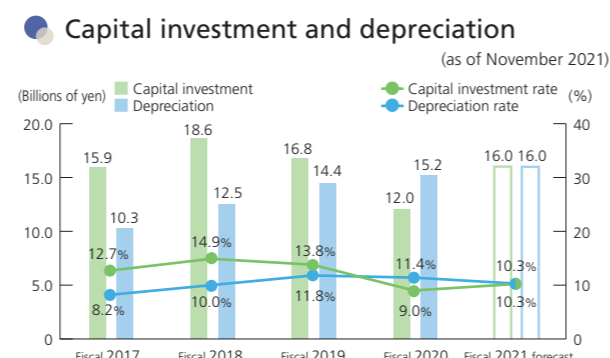
### Initiatives to improve corporate value

#### 1 Initiatives to strengthen profitability

- Improving business profitability presumes increasing sales through marketing efforts. In addition, the Group is engaged in efforts to further strengthen the design, manufacturing, and sales structure, including continuous cost reduction measures and support mass production by strengthening manufacturing and new product development that meets customer needs.
- The Group realizes high profitability by providing high-value-added products that differentiate us from other companies.
- The Group is striving to improve corporate value while sufficiently proceeding with investments for future growth by improving profitability.

#### 2 Growth investment

- The Group aims for growth corresponding with future business expansion and conducts proactive capital investment.
- In order to enhance profitability, it is important to continue to produce new products with high added value that suit market needs. The Group is also proactively making strategic growth investments, such as marketing exploration activities, new product development, and the acquisition of new technology.



#### 3 Strengthening return of profit to shareholders

##### Dividend

Hirose Electric has maintained a stable dividend along with continuous growth. Furthermore, the Company is increasing dividends according to a change of the basic policy setting payout ratio at 50%.

Basic policy:

Payout ratio of 50% between fiscal 2021 and 2024

Fiscal 2021 interim dividend: 160 yen (fiscal 2020: 120 yen)

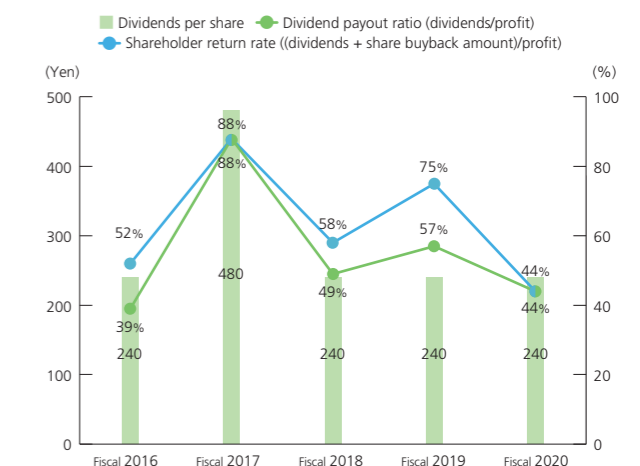
Fiscal 2021 annual dividend forecast: 320 yen (fiscal 2020: 240 yen)  
(as of November 2021)

##### Acquisition of treasury shares

Between fiscal 2021 and 2024, the Company will acquire treasury shares equal to up to 40 billion yen. Treasury shares that exceed 5% of total issued shares will be regularly disposed of.

\* Acquired 940,000 shares of treasury shares on May 28, 2021

##### Yearly dividend trends

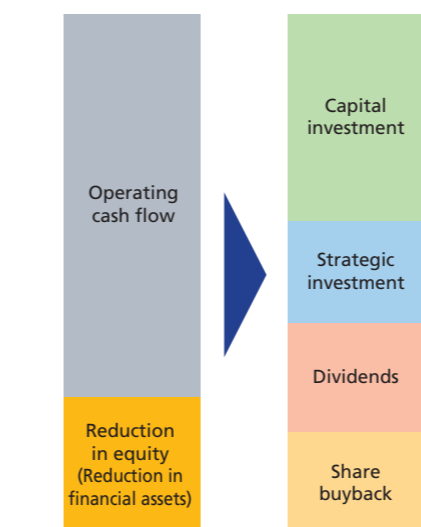


#### 4 Capital cost and ROE

The Group aims to achieve a continuous 8% ROE in the medium term by increasing awareness of balance sheet management, increasing the free cash flow generation, and balancing business profitability and growth. Also, the Group will strive to enhance ROE further in the future. The shareholder capital cost of the Company is calculated as around 6% as of the end of March 2020. The target of 8% ROE is considered a management indicator that should be the minimum achieved to respond to shareholder expectations.

#### 5 Financial health and capital efficiency

##### Uses of operating cash flow



The Group aims to stabilize management through healthy finances, balance growth investments and returning profit to shareholders, and improve capital efficiency.

- Equity ratio as of March 31, 2021 was 88% regarding financial health and capital efficiency. This is a comfort when considering investments for the future and risk management. The Group will continue further improvements to capital efficiency and will proceed with a reduction in equity in the medium term.
- The Group aims for improvements to capital efficiency by reducing financial assets through promotion of growth investments for continuous growth and strengthening of the policy for return of profit to shareholders.
- The Group considers improving capital efficiency, returning profit to shareholders, and operating the capital policy while considering financial health will lead to improved shareholder profits.

## Hirose Group's Sustainability Initiatives

### Sustainability Basic Policy

Based on a corporate philosophy of being a “small company connecting wisdom,” as a specialist connector manufacturer that connects products using amassed human wisdom, the Hirose Group believes that the attach/detach function of the connectors itself can contribute to the reduction of environmental impact. By providing high-quality connectors, the Group aims to contribute to a sustainable society and achieve continuous growth.

- Contribute to the realization of a prosperous society with products customers enjoy through forward-looking development that responds to changes in the times and market.
- Comply with laws and regulations of countries and regions, international rules, and internal rules while faithfully operating in accordance with social codes and corporate ethics.
- Recognize the importance of global environment protection and promote corporate activities that consider conservation of biodiversity and environmental protection.

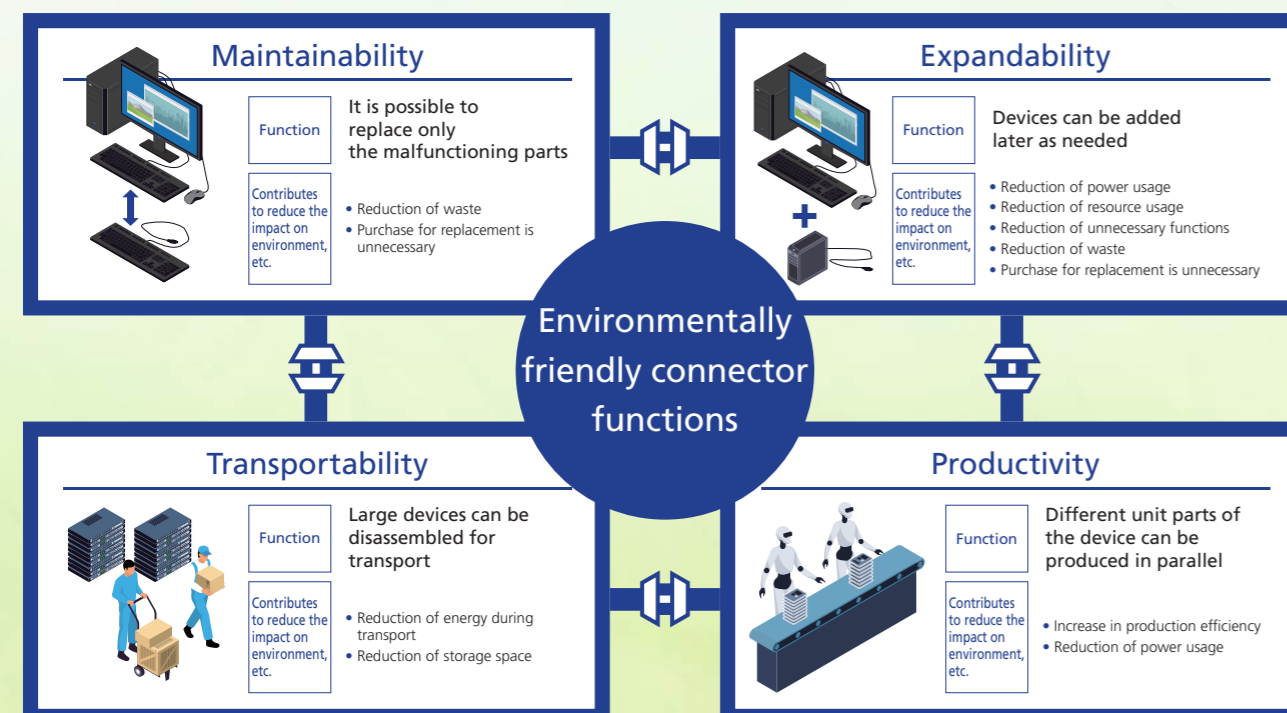
### SUSTAINABLE DEVELOPMENT GOALS



We support sustainable development goals (SDGs).

## Pursuit of performance

The role of connectors is not just to “connect,” but also be “detached simply.” By simply connecting and detaching electronic components, our connectors contribute to improved convenience, energy saving, resource saving, and waste reduction for customers and users. They can be called electronic components that help realize a sustainable society. The Group aims to further contribute to society by improving the quality and performance of products.



## Promotion of sustainability management

Aiming at the realization of a vision to “co-create the society of the future with the power of connection” as stated by Hirose, the Group must not only achieve profit growth, but also contribute to the resolution of various issues in a global society. The Group will promote sustainability management, improve medium- to long-term corporate value, and achieve sustainable growth through the strengthening of initiatives and the setting of targets linked to SDGs.





## Environment



### Environmental goals of Hirose Group

- “Contribute to realization of a decarbonized society, environmental protection, and conservation of biodiversity through sales of connectors”
- “Reduce waste and operate efficiently”

### Basic environmental policy

1. We will ensure that we understand the conditions surrounding the Group, the needs of our stakeholders, and the impact of the Group's activities and products on the environment. Based on these findings, we will identify what we must do to protect the environment, ensure that we meet our conformance obligations, and determine the risks and opportunities associated with undertaking such activities. We will promote environmental protection and prevention of pollution by planning and implementing our activities accordingly.
2. We will comply with environment-related laws, regulations, ordinances, and external requirements that we subscribe to.
3. We will promote the following activities as priorities in our business activities.
  - Design, production, and marketing of products that are environmentally friendly
  - Promotion of energy conservation through effective utilization of resources, streamlining of operations and reduction of waste
  - Promotion of reduction of industrial waste such as metal chips and waste plastic, and promotion of recycling and reuse through segregation
4. We will provide in-company training on preservation of the environment and conservation of biodiversity, and raise the awareness of, support, and ask for cooperation from our business partners and clients.
5. We will continuously improve our environment management system in order to enhance the results that our environmental preservation activities will deliver.

### Environmental priorities



## 1 Comply with environmental laws and regulations

The Hirose Group is strengthening its quality control by responding rapidly to revisions of laws governing chemicals contained in products and the resulting changes in customer requirements, both of which are becoming increasingly stringent, year on year. During product design, we select eco-friendly component parts and materials that comply with our Green Procurement Guideline. At every important stage in the development process, we ascertain that the product concerned both satisfies customer requirements and complies with relevant laws and regulations.

We started to bring our activities into line with the RoHS directive\*<sup>1</sup> in 2005. We completed the changes to main products in 2006, before the laws and regulations were enacted. On June 4, 2015, a revised directive with four prohibited substances added was promulgated, and we completed the build of a preparation and warranty system for substitute products by July 2018, which was one year before the enactment of the law.

Ever since a list of substances of high concern (SVHC) associated with the REACH regulation\*<sup>2</sup> was first released in November 2008, we have been meeting the compliance requirements for substances on the list, which is updated frequently, and publicly disclosing information regarding chemicals used in our products, in response to customer requests.

\*<sup>1</sup> RoHS directive: This was promulgated on February 13, 2003 and enforced on July 1, 2006 in the European Union (EU). This directive restricts the use of ten specified toxic substances in electric and electronic products: lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl (PBB), polybrominated diphenyl ether (PBDE), and four kinds of phthalate esters (DEHP, BBP, DBP, DIBP).

\*<sup>2</sup> REACH regulation: Regulation concerning registration, evaluation, authorization and restriction of chemicals, promulgated on December 30, 2006 and enforced on June 12, 2007 in the European Union (EU). This regulation prohibits selling products that contain unregistered chemicals within the European Union. It also includes regulations governing the conduct of producers and importers, and the supplier's obligation to make relevant information public.



## 2 Raise awareness and think about the environment as entire Hirose Group

### ● Status of acquiring ISO14001 certification

ICHINOSEKI HIROSE ELECTRIC acquired ISO14001 certification in 1999. The certification was extended to cover KORIYAMA HIROSE ELECTRIC and TOHOKU HIROSE ELECTRIC in 2000. In 2002, Hirose Electric and three domestic factories acquired an integrated certification. This demonstrates our commitment to environmental protection as the entire Group. We completed migration to the revised standard (ISO14001:2015) in 2016.

All of our overseas factories have acquired ISO14001 certification.

1999	ICHINOSEKI HIROSE ELECTRIC CO., LTD.
2000	KORIYAMA HIROSE ELECTRIC CO., LTD. TOHOKU HIROSE ELECTRIC CO., LTD.
2002	Hirose Electric (including three domestic factories) Expanded scope of certification and converted to an integrated certification.
2004	Malaysian factory Indonesian factory China Dongguan factory
2008	HIROSE KOREA CO., LTD.
2009	China Suzhou factory

### ● Environmental education

The Hirose Group provides environmental education for all staff so that every employee understands the importance of environmental protection activities, and has a clear understanding of their responsibilities when engaging in these activities. Also, necessary competence at each base of operations is decided, and training is planned and carried out to acquire those capacities. In addition, we provide specialized education for those personnel who are involved in any work that could potentially cause an emergency or a significant environmental impact. Moreover, we raise awareness among employees of the importance of biodiversity by providing e-learning on the subject and exchanging information about biodiversity.

In this e-learning database, we share the biodiversity pledge, introduce activities of each employee, and share information about biodiversity. The Photography Club, as one of our club activities, carries out activities to spread information about biodiversity by taking pictures of beautiful nature scenes as well as aspects of living things. The Scuba Diving Club offers an opportunity to think about biodiversity through experiencing the beautiful ecosystem of the sea.



### 3 Reduction of environmental impact in business processes

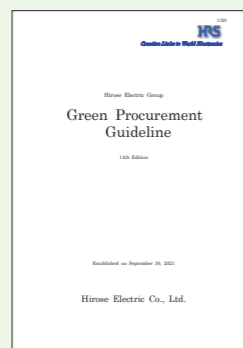
The Hirose Group is engaged in activities to reduce the environmental impact in all business processes, from material procurement to delivering products to customers. We recognize the Hirose Group's responsibility as a manufacturer to start from the product design stage and end with the disposal from the end user. We are engaging in environmentally friendly business activities by selecting materials with

minimal environmental impact as well as reducing waste material and energy usage through quality improvements, reducing of waste, and work efficiency enhancements.

#### Material procurement

##### Green Procurement Guideline

As part of its activities to preserve the environment and protect biodiversity, the Group has formulated the Hirose Electric Group Green Procurement Guideline in order to preferentially procure component parts, materials and raw materials that have a low impact on the environment, taking the lifecycle of each product into consideration. We are promoting the procurement of materials and supplies that do not include harmful substances.



##### Co-creation with suppliers

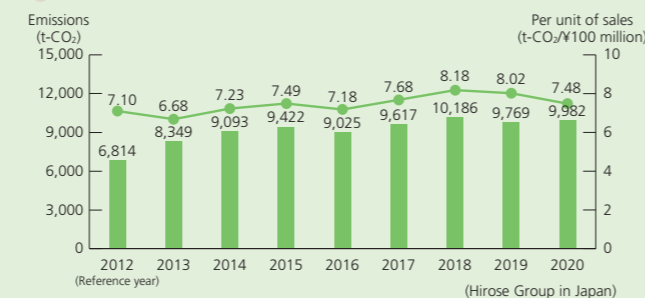
We build a strong partnership with suppliers to be able to work toward environmental conservation across the entire supply chain. We have distributed our Green Procurement Guideline to our suppliers and asked them to establish their own environment management systems, comply with laws and regulations, reinforce quality control of chemicals contained in products, and submit information about such chemicals. As needed, we visit companies and make regular checks on their compliance status. We also confirm the evidence about the environment that suppliers provide and take efforts to improve response levels.

#### Development and production

##### Management and targets of CO<sub>2</sub> emissions

The majority of the CO<sub>2</sub> emitted from the Group is indirect CO<sub>2</sub> emissions through electricity consumption. Each day, we are engaged in activities to raise awareness to achieve our medium- to long-term CO<sub>2</sub> reduction targets. We also control energy consumption and CO<sub>2</sub> emissions at our overseas sites and subcontractors, both within Japan and overseas.

##### CO<sub>2</sub> emissions



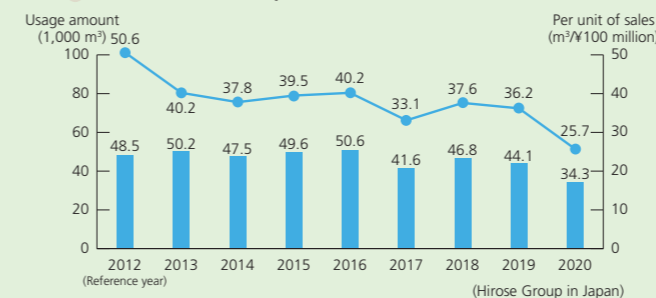
##### Shift to natural energy

As one initiative for reducing energy consumption, we are shifting toward natural energy. We have installed solar power generation equipment at TOHOKU HIROSE ELECTRIC and ICHINOSEKI HIROSE ELECTRIC. HIROSE KOREA has also proceeded with installing solar power generation equipment as part of our efforts to save energy globally.

##### Reduce water consumption

The Group is striving for production that maintains an awareness of water resources. In the plating lines of connector manufacturing, there is a water-washing process where the chemicals are flushed. A lot of water is used in the process. ICHINOSEKI HIROSE ELECTRIC has striven to reduce the water used in manufacturing by managing the washing water based on the line and operational status and recycling some of the water used in the plating process.

##### Water consumption



#### Transportation

##### Measures to reduce greenhouse gas emissions from transportation

- Use returnable boxes for packaging material when shipping products.
- Locally procure trays that are used in overseas factories.
- Improve distribution routes.
- Change shuttle trucks between Hirose plants from 2-ton trucks to lightweight trucks.
- Replace conventional cars used at factories with hybrid cars and electric vehicles.

##### Improve export packaging material

We changed the design of packaging material to reduce consumption when exporting products. In the past, we placed products in boxes and put cushioning materials between them. However, many Hirose connectors are small and many shipments are small lot. Therefore, this caused wasteful space. We reviewed the design of the box, placed a fold in the middle, and improved it to make it easier to fold up. By folding boxes, it becomes possible to minimize the space inside the box. By reducing the transportation volume, we can contribute to the reduction of CO<sub>2</sub> while transporting. We were also able to reduce the consumption of cushioning materials.

#### Environmental targets (Reference year: Fiscal 2012, per unit of sales)

Item	Targets for fiscal 2020	Achievement for fiscal 2020	Initiatives toward reduction
Energy consumption	Reference year: Fiscal 2012 (Per unit of sales: 158 GJ/¥100 million) Improved by 7.73% or more	Reduced by 8.28% (Per unit of sales: 145 GJ/¥100 million)	Raise awareness and execute efforts to save electricity, such as turning off lights on a daily basis. Install solar power generation equipment and LED for lighting.
CO <sub>2</sub> emissions	Reference year: Fiscal 2012 (Per unit of sales: 7.10 t-CO <sub>2</sub> /¥100 million) Improved by 7.73% or more	Increased by 5.25% (Per unit of sales: 7.48 t-CO <sub>2</sub> /¥100 million)	Activities to reduce energy consumption. Reduce across supply chain, including reviewing logistics routes.
Water consumption	Reference year: Fiscal 2012 (Per unit of sales: 50.6 m³/¥100 million) Improved by 7.73% or more	Reduced by 49.23% (Per unit of sales: 25.7 m³/¥100 million)	Save everyday water usage. Manage water usage in plating line, and recycle the water used in plating line.
Paper consumption	Reference year: Fiscal 2012 (Per unit of sales: 0.038 t/¥100 million) Improved by 7.73% or more	Reduced by 61.60% (Per unit of sales: 0.015 t/¥100 million)	Education on printing rules, reduction of paper material distribution through digitalization, and digitalization of receipts and internal documents.
Amount of specially controlled industrial waste	Reference year: Fiscal 2012 (Per unit of sales: 0.50 t/¥100 million) Improved by 7.73% or more	Reduced by 51.48% (Per unit of sales: 0.24 t/¥100 million)	Reduce emissions by neutralizing acid and alkaline wastes.
Amount of general industrial waste	Reference year: Fiscal 2012 (Per unit of sales: 0.72 t/¥100 million) Improved by 7.73% or more	Reduced by 39.94% (Per unit of sales: 0.43 t/¥100 million)	Display and educate on trash separation, sell some as recycled goods and valuables, and utilize resources.

##### Mission as connector manufacturer

Connectors are in various electronic devices and are related to the daily lives of people across the world. Hirose Group will come together to take on the conservation of the global environment. We believe that this is our responsibility as we produce products that can go out into the world. We set environmental targets linked to SDGs and are taking on environmental and social issues. In fiscal 2021, we established an internal project to set targets and systematize efforts for future carbon neutrality. In terms of future sales growth, we aim to clearly and effectively execute PDCA for the environment management system and aim for the large target of carbon neutrality by 2050. We will further recognize our responsibility as a manufacturer and take efforts for environmental consideration across the supply chain in order for connector manufacturing and Hirose brand connectors themselves to contribute to resolving environmental issues.



Society



## Basic thoughts toward human capital strategy

The Hirose Group positions “growth and invigoration of people” as the key to corporate sustainable growth. We continue to aim to be a company that evolves by “taking on challenges” and “actively working as hard as possible.” Connecting the wisdom of each employee and pursuing originality are the source of our competitiveness and the pillar that supports the Hirose Group. In order to continue to produce innovation in a business environment with significant changes, we must maximize the skills of our diverse and excellent human capital and create an organization that supports employee innovation. Understanding that employee happiness and growth are essential for the medium- to long-term growth and increase in corporate value of the Hirose Group, we aim to become a company where employees can actively work.

## Co-creation with employees

### Corporate Philosophy

A small company connecting wisdom

### Vision

Employees and the company continue to take on challenges and grow together

Even in periods of intense global competition and change, we aim to remain an “evolving” company where employees can actively work hard, and achieve high performance and be a high flier.

## HIROSE Philosophy

Growth of individual and organization

Organizational invigoration

System-building

## Co-creation with employees

The Group is focused on building the structure for the growth and invigoration of people and the organization to realize our goal, “employees and the company continue to take on challenges and grow together.” The Group will strengthen three activities: the training system that supports the growth of employees and the organization, creating a workplace that is fulfilling, and creating a system to work flexibly at diverse life stages. Sharing the common values at the base of the Hirose Group, we will realize the happiness and growth of employees.

## Protection of human rights

We consider the protection of human rights to be at the foundation of global sustainable growth. At each stage of our corporate activities, the Group respects basic human rights and individual human rights, and declares a prohibition of discrimination and unethical treatment. The Group enacted the Basic Policy on Labor Management that established a code of conduct and is taking efforts to raise awareness of this code through training and improve employee awareness of human rights issues. We share the HRS Group Code of Conduct with the supply chain and are seeking its compliance.

## Human capital vision of Hirose Group

1. Persons who connect wisdom in and outside company and produce new value
2. Persons who focus on teamwork and maximize the effects of organization
3. Persons who constantly learn with an earnest and humble attitude and continue to grow
4. Persons who take on challenges and set high targets with a sense of personal responsibility and speed
5. Persons who have strong thoughts and will to realize high profits, and have creativity and a sense of innovation and improvement

## Perspective of developing human capital

Selection	<b>Securing human capital</b> <ul style="list-style-type: none"> <li>Secure human capital with talents, passion, and skills</li> <li>New graduate hiring</li> <li>Global hiring</li> <li>Diverse human capital hiring</li> </ul>
Training	<b>Human capital training/development</b> <ul style="list-style-type: none"> <li>Systematic improvement of skills through enhanced training system</li> </ul>
Retention	<b>Invigorate organization/improve employee satisfaction</b> <ul style="list-style-type: none"> <li>Promote teamwork</li> <li>Create culture that promotes challenges</li> </ul>
Continuance	<b>Pass down knowledge/skills</b> <ul style="list-style-type: none"> <li>Develop succession candidates</li> <li>Expand, share, and pass down knowledge and know-how</li> </ul>
Improve organizational capabilities	<b>Suitable positioning that utilizes strengths</b>

## Growth of individual and organization

### Selection Securing diverse human capital

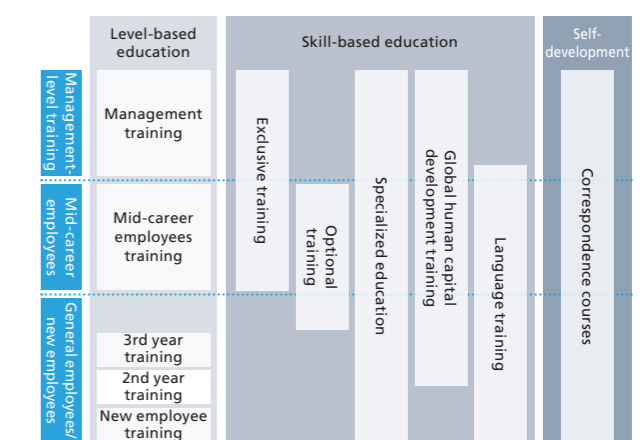
We are proceeding with initiatives to secure diverse human capital to support the future of the Hirose Group in order to maintain growth. We are striving to acquire human capital who have passion and a spirit for challenges as well as empathize with the HIROSE Philosophy as human capital who realize innovation. In order for new graduates to understand the Hirose Group, we hold workshops and internships and prepare content to understand the

company more. Utilizing online resources, we are strengthening tools so that a wide range of people can participate, whether by VR videos that introduce Hirose Electric Headquarters or online discussion sessions with employees. In recent years, we have hired diverse human capital by holding exhibits at overseas career forums.

### Training Develop human capital to support the Hirose Group

Under the idea that growth of employees leads to growth of the organization and company, we established an educational training system and provide opportunities for growth. Each employee discovering diverse talents and working in a lively manner that maximizes their capabilities will lead to the growth of the Hirose Group. The Group provides wide opportunities for learning on three axes: level-based education for career development, skill-based education to respond to employee skills and career map, and self-development. After training, we perform a follow-up and aim to enhance the training. The principle of “being small,” one of the factors that construct the HIROSE Philosophy includes the idea that one should try to become “bigger tomorrow than today.” The Group supports growth so that employees can continue to tap into their potential through training.

## Major educational training system



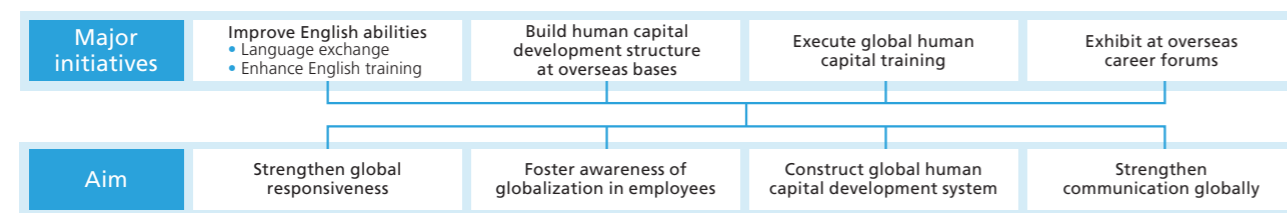
Education budget per employee: ¥55,000/person (Fiscal 2021)

\* Target: Business sites of Hirose Electric

## Training Global human capital development

For the Hirose Group, 76% of sales come from overseas, 48% of production is overseas, and over 70% of employees are overseas, demonstrating that globalization is proceeding. For ongoing global growth, we believe that it is important for employees across the globe to share the values and core strengths of the Hirose Group, respect each other's thoughts and culture, and work autonomously. We focus on developing human capital who can be successful from a global perspective, regardless of whether they are in or outside Japan. As such, we are performing training

sessions about work styles and the mindset required of global human capital. We are also proceeding with constructing the overseas human capital development system and aim to construct a human capital development structure that combines the HIROSE Philosophy and the individual circumstances of the area. It is essential for the growth of the Hirose Group that employees with diverse traits and abilities connect wisdom and spur new innovation.



## Organizational invigoration



### Retention Maximize capabilities of organization and employees

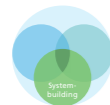
Organizational invigoration is an important initiative to foster a culture where employees can work lively and take on challenges. The Group aims to improve organizational capabilities through organizational invigoration surveys and proprietary initiatives. Hirose Electric started activities called the "Iki-Iki" Project from

fiscal 2019. Based on the concept of "creating a workplace where yourself and your coworkers are happy," we conduct various initiatives for productivity, relationship quality, innovation, and diversity.

### Execution and utilization of organizational invigoration surveys

In order to maximize and invigorate the abilities of the company, organization, and employees, we perform organizational invigoration surveys for all members of Hirose Electric. By grasping the areas of satisfaction and burden employees hold for the organization and visualizing issues, we can reflect and utilize them in various initiatives on a cross-company and division level, including human capital initiatives and operational process improvements. We will continue to make improvements as we aim to be an organization where employees can maximize their abilities.

## System-building

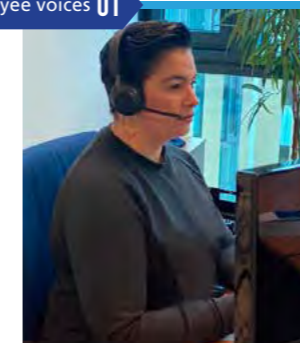


### Retention Supporting diverse lifestyles

The Group has implemented a system for flexible workstyles in order to create a comfortable workplace that respects employee lifestyles. In fiscal 2020, the rate of taking and returning from childcare leave for women was 100%, a trend that has continued from fiscal 2019. For shortened work hours after childcare leave, the Group extended the applicable age limit to until the end of the first year of elementary school. Hearing that it was difficult to balance work when children were entering school, the Group

extended the shortened hours system to support the balance of family time and work. We respond to diverse workstyles by making it possible to take annual paid leave on an hourly basis. Responding to social and environmental changes and listening to employee voices, we will continue to enhance these systems and make them easy to utilize as we create a workplace environment where all employees can work lively.

### Employee voices 01



HIROSE EU Amsterdam  
Manager HR & General Affairs  
M.C

Hirose EU organized training for managers, while Hirose Japan has several training programs for senior managers conducted by an outside company. This initiative aims to develop core human capital globally by conducting training while being aware of the HIROSE Philosophy. The training was conducted online – due to the effects of COVID-19 – and it was divided into six sessions, spread out over two months. Managers of Hirose EU from different countries participated and were pleased with the program. In addition, a follow-up session is scheduled to be held in February. The participants are utilizing brushed-up skills that were acquired or reinforced during the training, such as critical thinking, Technovate strategy, and leadership. Hirose EU will continue to promote training aimed at developing global human capital in collaboration with Hirose Japan.

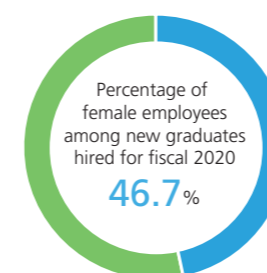
### Employee voices 02



The "Iki-Iki" Project Leader  
Sales & Marketing Group  
K.W

We began the free address system in the Sales & Marketing Group as an activity of the "Iki-Iki" Project. Working environments have changed significantly due to the COVID-19 pandemic, changing the nature of offices. Environments have been developed where employees are not limited by place, such as online tools and paperless work. Considering the value from offices, we began the free address system. By securing spaces aligning with purpose, such as space to focus on work, space to hold meetings openly, and space to easily make presentations, we have prepared environments where each employee can think about their own work and act accordingly. We aim to provide new value and achieve further company and individual growth by breaking free of the limiting communication from fixed seating and instead connect wisdom through exchanges with divisions and people who employees haven't interacted with before, regardless of their affiliated department or job title. There are still many issues as this system has just been implemented. However, we will go through trial and error to improve the workplace so employees can work lively.

## Human capital data \* As of March 2021



\* Hirose Electric results



\* Fiscal 2019: 100%

Aiming to realize continuous global growth, the Hirose Group considers diverse thinking as the source that generates new value. Therefore, we aim to be a company where diverse human capital is successful. As one initiative, the Group is promoting the female employees' active participation and advancement in the workplace. We have enhanced the system to support workstyles that fit lifestyles. The rate of taking and returning from childcare leave for women is maintained at 100%. In recent years, the Group has increased the number of female new graduates hired as engineers and general employees. In fiscal 2020, the percentage of female new graduate hires was 46.7%, around half. In the future, we will continue to support the careers and growth of all employees, including women, and establish a comfortable working environment.



## Governance



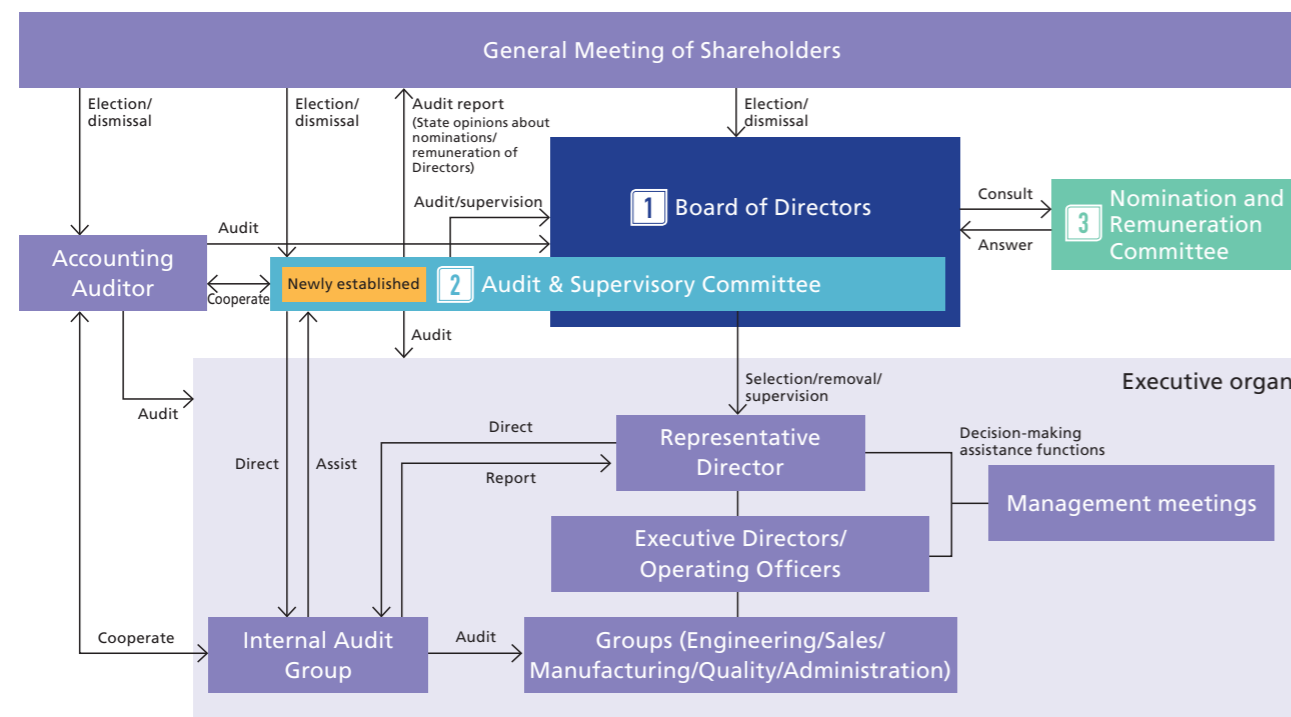
### Basic thinking toward corporate governance

We recognize the reinforcement and enhancement of corporate governance as our most important business challenge for the sake of the maintenance and improvement of our long-term competitive power in the global market. We will also promote efficient business administration as well as fulfill our social responsibilities toward stakeholders, and try to increase our corporate value in order to establish structures that are more profitable.

We take efforts toward this based on the following basic thinking.

- (1) Respect the rights of shareholders and maintain equality.
- (2) Strive for appropriate cooperation between all stakeholders, including shareholders, customers, suppliers, employees, and local society.
- (3) Appropriately disclose company information and maintain transparency.
- (4) Present the general direction of corporate strategy through Board of Directors meetings, establish an environment to support risk-taking by management officers, and perform effective supervision of business execution from an independent and objective perspective.
- (5) Conduct constructive dialogues with shareholders in order to maintain sustainable growth and improve medium- to long-term corporate value.

### Governance structure (approved in June 2021 General Meeting of Shareholders)



\* Blue: Inside Directors; Green: Outside Directors

#### 1 Board of Directors



Ratio of Outside Directors **40%** Number of meetings held in FY2020 **12** times

The Board of Directors is comprised of 13 Directors, an appropriate number to conduct swift decisions. Meetings are held at least once per month. The Board of Directors supervises the status of business execution by each Director and checks on management functions. The Board of Directors includes five Independent Outside Directors to execute management supervision from a more objective perspective. Outside Directors provide helpful advice from a multifaceted perspective with a diverse background as CPAs and managers of other companies. This secures the appropriateness of management decisions.

The Board of Directors not only shares internal information, but

reports on the medium-term business plans of each department. Deliberations take place about medium- to long-term company initiatives while receiving advice from Outside Directors.

In nominating Director candidates, the Board of Directors takes efforts to secure the knowledge, experience, balance, and diversity of the entire organization. In addition to this, multifaceted perspectives based on various backgrounds are utilized in management decisions. The Articles of Incorporation establish the number of Directors (excluding Directors who are Audit & Supervisory Committee Members) as ten or fewer persons. This size makes it possible to make swift decisions.

#### 2 Audit & Supervisory Committee



Ratio of Outside Directors **66%** Number of Audit & Supervisory Board meetings held in FY2020 **5** times

In fiscal 2021, the Group established the Audit & Supervisory Committee, a majority of which is comprised of Outside Directors. Comprised of one Inside Director (who is an Audit & Supervisory Committee Member) and two Outside Directors (who are Audit & Supervisory Committee Members), in principle the committee holds meetings once a month. Each Audit & Supervisory Committee Member grasps the status of operation of management execution, internal controls, compliance, internal audits, and internal regulations based on the audit policy and the audit plan, which were enacted by the Audit & Supervisory Committee at the beginning of the fiscal year. Members perform audits while focusing on the effectiveness of each mechanism. Audits are also performed in close cooperation with

internal departments and the Accounting Auditor.

This further enhances corporate governance through the strengthening of the supervisory function of the Board of Directors and the strengthening of the audit and supervisory functions for the legality and appropriateness of business execution by granting voting rights in the Board of Directors to Directors who are Audit & Supervisory Committee Members. The Board of Directors strives for effective supervision through proactive opinion exchange and information sharing with Directors. Being aware of the perspective of supervision and auditing, we gather more information and survey to appropriately exercise voting rights.

#### 3 Nomination and Remuneration Committee



Ratio of Outside Directors **60%** Number of meetings held in FY2020 **6** times

In order to strengthen the fairness, transparency, and objectivity of procedures related to Director nomination and remuneration, the Company established the Nomination and Remuneration Committee as a voluntary advising body for the Board of Directors on April 1, 2020.

The members of the Nomination and Remuneration Committee are five persons selected by decision of the Board of Directors, including three Independent Outside Directors. The Board of Directors also selects an Independent Outside Director for Committee Chair.

## Directors

(excluding Directors who are Audit &amp; Supervisory Committee Members)



President

**Kazunori Ishii**

Attendance at Board of Directors meetings in FY2020 12/12

- April 1982: Joined the Company
- July 2007: Deputy Group President–Engineering of the Company
- November 2008: Deputy Group President–Sales & Marketing of the Company
- June 2009: Operating Officer of the Company
- November 2009: Acting Group President–Sales & Marketing of the Company
- June 2010: Director of the Company
- June 2010: General Manager–Corporate Innovation Office
- June 2011: Senior Managing Director of the Company
- June 2011: Group President–Sales & Marketing of the Company, concurrently General Manager–Corporate Innovation Office
- June 2012: President and Representative Director of the Company (current position)



Senior Managing Director

**Mitsuo Nakamura**

Attendance at Board of Directors meetings in FY2020 12/12

- April 1980: Joined the Company
- July 2007: Deputy Group President–Engineering of the Company
- June 2009: Operating Officer of the Company
- June 2010: Director of the Company
- June 2010: Deputy Group President–Engineering of the Company
- June 2013: Group President–Engineering of the Company
- June 2015: Managing Director of the Company
- June 2016: Group President–Engineering of the Company, concurrently responsible for Production Group (current position)
- June 2019: Senior Managing Director of the Company (current position)



Director

**Yukio Kiriya**

Attendance at Board of Directors meetings in FY2020 12/12

- April 1982: Joined the Company
- April 2013: Deputy Group President–Production of the Company
- June 2015: Operating Officer of the Company
- November 2015: Acting Group President–Production of the Company
- April 2016: Acting Group President–Production of the Company, concurrently responsible for Quality Assurance Department
- June 2016: Director of the Company (current position)
- June 2016: Group President–Production of the Company, concurrently responsible for Quality Assurance Department
- October 2017: Group President–Production of the Company (current position)



Director

**Hiroshi Satoh**

Attendance at Board of Directors meetings in FY2020 12/12

- April 1993: Joined MITSUBI & CO., LTD.
- July 2001: Joined KEYENCE CORPORATION
- February 2017: Joined the Company
- April 2018: Division General Manager–International Business Division–Sales & Marketing of the Company
- June 2019: Director of the Company (current position)
- June 2019: Group President–Sales & Marketing of the Company, concurrently Division General Manager–International Business Division
- April 2020: Group President–Sales & Marketing of the Company (current position)



Director

**Shin Kamagata** New election

Attendance at Board of Directors meetings in FY2020 —

- April 1990: Joined NTT DATA Corporation
- February 2002: Joined the Company
- June 2002: Manager–Overall Business Innovation Office–Administration of the Company
- July 2008: Manager–IT General Administration Office–Administration of the Company
- February 2019: General Manager–Corporate Planning Department–Administration of the Company, concurrently General Manager–IT General Administration Department
- June 2019: Operating Officer of the Company
- June 2020: Deputy Group President–Administration of the Company, concurrently General Manager–Corporate Planning Department and General Manager–IT General Administration Department
- June 2021: Director of the Company (current position)
- June 2021: Group President–Administration of the Company (current position)



Director

**Jun Inasaka** New election

Attendance at Board of Directors meetings in FY2020 —

- April 1985: Joined NEC Corporation
- April 2014: Chief Technology Manager of IT Platform Business Division Department of NEC Corporation
- February 2016: Joined the Company
- January 2017: Division General Manager–SB Division–Engineering of the Company
- June 2019: Operating Officer of the Company
- October 2020: Deputy Group President–Engineering of the Company, concurrently Division General Manager–SB Division
- June 2021: Director of the Company (current position)
- June 2021: Deputy Group President–Engineering (in charge of SB business, production technique and development purchasing) of the Company, concurrently Division General Manager–SB Division (current position)



Director

**Sang-Yeob Lee**

Attendance at Board of Directors meetings in FY2020 11/12

- January 1984: Joined Hanwha Corporation / Explosives
- March 1989: Joined HIROSE KOREA CO., LTD.
- July 2007: Chairman of WEIHAI HIROSE KOREA ELECTRIC CO., LTD. (current position)
- August 2007: Representative Director, the Employee Welfare Fund of HIROSE KOREA CO., LTD. (current position)
- June 2010: Executive Vice President and Representative Director of HIROSE KOREA CO., LTD.
- November 2011: President and Representative Director of HIROSE KOREA CO., LTD. (current position)
- June 2018: Director of the Company (current position)



Director

**Kensuke Hotta** Outside Independent

Attendance at Board of Directors meetings in FY2020 12/12

- April 1962: Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
- June 1987: Director of The Sumitomo Bank, Limited
- June 1997: Representative Director and Executive Vice President of The Sumitomo Bank, Limited
- January 2001: Chairman of Morgan Stanley Japan Limited (currently Morgan Stanley MUFG Securities Co., Ltd.)
- October 2007: Chairman and Representative Director of Hotta Sogo Jimusho K.K. (current position)
- June 2011: Outside Director of the Company (current position)
- June 2018: Outside Director of SEIREN CO., LTD. (current position)



Director

**Tetsuji Motonaga** Outside Independent

Attendance at Board of Directors meetings in FY2020 12/12

- April 1985: Joined Nippon Yusen Kabushiki Kaisha (NYK LINE)
- January 1997: Joined Boston Consulting Group
- April 2003: Joined Jomon Associates Inc.
- August 2006: Established Ichthys Co., Ltd.
- June 2015: Representative Director (current position)
- April 2015: Auditor of Keisei Medical Corporation (current position)
- October 2015: Board Chair of Japan Family Business Institute (current position)
- June 2017: Outside Director of the Company (current position)



Director

**Masanori Nishimatsu** Outside Independent

Attendance at Board of Directors meetings in FY2020 10/10

- April 1980: Joined Nomura Securities Co., Ltd.
- April 2003: Director of Nomura Securities Co., Ltd.
- June 2003: Executive Officer of Nomura Securities Co., Ltd.
- April 2007: Managing Executive Officer of Nomura Securities Co., Ltd.
- June 2010: Director of Nomura Holdings, Inc.
- June 2013: Director of Nomura Securities Co., Ltd.
- April 2015: Representative Director and President of Nomura Land and Building Co., Ltd.
- June 2020: Outside Director of the Company (current position)

## Directors who are Audit &amp; Supervisory Committee Members



Director (Standing Audit &amp; Supervisory Committee Member)

**Yoshikazu Chiba** New election

Attendance at Board of Directors meetings in FY2020 12/12

Attendance at Audit &amp; Supervisory Board meetings in FY2020 5/5

- April 1978: Joined the Company
- December 2006: General Manager–Secretary Office of the Company
- May 2014: Deputy Advisor to the President of the Company
- June 2014: (Standing) Audit & Supervisory Board Member of the Company
- June 2021: Director (Standing Audit & Supervisory Committee Member) of the Company (current position)

Audit &amp; Supervisory Committee Member Comment

The Company has worked with the aim of performing audits that contribute to the improvement of the factory floor. By continuing this policy even after becoming a company with an Audit & Supervisory Committee, and working to establish and spread the HIROSE Philosophy, I believe that the Company will reward customers, employees, shareholders and local communities.



Director (Audit &amp; Supervisory Committee Member)

**Terukazu Sugishima** New election Outside Independent

Attendance at Board of Directors meetings in FY2020 12/12

Attendance at Audit &amp; Supervisory Board meetings in FY2020 5/5

- March 1979: Registered as certified public accountant
- June 1979: Registered as tax accountant
- April 1985: Established Sugishima Certified Public Accountant Office (current position)
- June 2007: Outside Audit & Supervisory Board Member of Starzen Co., Ltd.
- June 2008: Outside Audit & Supervisory Board Member of the Company
- June 2015: Outside Audit & Supervisory Board Member of Chuetsu Pulp & Paper Co., Ltd.
- June 2016: Outside Director of Chuetsu Pulp & Paper Co., Ltd. (current position)
- June 2021: Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Audit &amp; Supervisory Committee Member Comment

I believe that improvement of the supervisory function of the Board of Directors by giving Board of Director voting rights to Audit & Supervisory Committee members and carrying out organizational audits after transitioning to a “company with an Audit & Supervisory Committee” is being evaluated. In order to respond to the entrustment of stakeholders, I will aim for the best governance.



Director (Audit &amp; Supervisory Committee Member)

**Kentaro Miura** New election Outside Independent

Attendance at Board of Directors meetings in FY2020 12/12

Attendance at Audit &amp; Supervisory Board meetings in FY2020 5/5

- June 1995: Audit & Supervisory Board Member of T.P.S. Laboratory Co., Ltd. (current position)
- June 2014: Outside Audit & Supervisory Board Member of the Company
- June 2021: Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Audit &amp; Supervisory Committee Member Comment

I will take on more responsibility as not only the usual illegality audits, but also validity audits, are necessary after transitioning to a company with an Audit & Supervisory Committee. The corporate environment is rapidly changing, and we who perform audits must work harder to respond to the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) generation.

## Remuneration for Officers

### Basic policy

As an incentive to continuously improve corporate value, our remuneration system is linked with shareholder interests. Upon deciding each individual Director remuneration, we use a basic policy of setting an appropriate standard based on their individual responsibilities. Specifically, the remuneration for Directors who engage in the business of the Group is comprised of fixed basic remuneration and performance-linked remuneration. The remuneration for Outside Directors who serve a supervisory function is only the basic remuneration, depending on their duties.

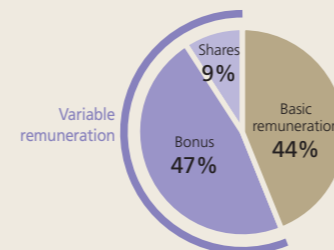
### Amount of remuneration for Directors and Audit & Supervisory Board Members (Fiscal 2020)

Type	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by category (Millions of yen)		Number of applicable officers (Persons)
		Basic remuneration	Performance-linked remuneration	
Directors (of which, Outside Directors)	155 (30)	128 (30)	27 (—)	10 (3)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	29 (8)	23 (8)	5 (—)	3 (2)
Total (of which, Outside Officers)	183 (38)	151 (38)	32 (—)	13 (5)

\* Remuneration amount for Directors does not include the portion of employee salaries of Directors concurrently serving as employees.

### Revision of remuneration for Officers in fiscal 2021

In addition to the basic remuneration and performance-linked remuneration, the Group newly introduced a performance-linked and share-based remuneration plan for Officers' remuneration. By linking Officers' remuneration more clearly with the performance and share value, Directors shall share the profits and risk of share price movements with our shareholders, thereby increasing awareness of their contribution to the medium- to long-term improvement in the business performance and to the enhancement of corporate value. Through the introduction of this plan, remuneration is based on consolidated operating profit ratio and is generally the following breakdown: basic remuneration (44%), bonus (47%), and share-based remuneration (9%).



## Evaluation of effectiveness

The Group performs an evaluation of effectiveness of the Board of Directors for all Directors for the purpose of improving the function and effectiveness of the Board of Directors. Conducted each year, future initiatives are based on the reflection and results of the evaluation. The Group discusses this in the Board of Directors and strives for more enhanced conversations. Major evaluation categories: Composition of the Board of Directors (number of persons, composition balance, etc.), operation of the Board of Directors (meeting frequency, prior delivery of materials, appropriateness of contents, etc.), topics of the Board of Directors (direction of corporate strategy, compliance, internal controls, etc.), and systems to support the Board of Directors (providing training opportunities, etc.).

### Overview of results for fiscal 2020

In the evaluation of effectiveness held in fiscal 2020, the Board of Directors was judged to fulfill its responsibilities and function effectively based on the following criteria.

- Scope, composition, and operating status of the Board of Directors are appropriate
- The Board of Directors performs sufficient deliberation and decision-making, such as Independent Outside Directors actively exchanging their opinions
- The succession plan and remuneration determination are considered beforehand in the Nomination and Remuneration Committee and then sufficiently deliberated in the Board of Directors

### Future issues

The following issues became clear from the evaluation results of fiscal 2020.

- Continue and strengthen the cooperation between the Internal Audit Division and the Outside Officers
- Need to further deepen discussion about major issues including the medium-term strategy

Clarify issues of the Company through an evaluation of effectiveness, discuss in the Board of Directors, including fiscal 2020 issues, and strive for further improvements to effectiveness.



## Compliance

In order to realize the management policy, the Hirose Group deeply recognizes the importance of fulfilling the social mission and responsibility as a company in our corporate activities. In order to realize this in an ever-changing management environment, the HRS Group Code of Conduct clarifies the policy and standards for employee actions. Through diverse education and awareness-raising activities, the Group provides opportunities to deepen understanding in the Code of Conduct and compliance. The Group aims for each employee to decide to act appropriately according to the Code and fulfill the social responsibility as an organization.

### HRS Group Code of Conduct

We must not only observe laws and regulations but also to apply our own high ethical standards of sincerity and social responsibility in conducting our corporate activities. Aware of our social responsibilities, the Group established the "HRS Group Code of Conduct" for the guidelines and standards of conduct in March 2004 and revised the content to make it globally consistent in 2007. This Code has been translated into English, Chinese, and other local languages and distributed to our overseas bases. The content of this Code is continuously reviewed and revised. Based on the Code of Conduct, each employee acts earnestly with a strong ethical perspective.

### Compliance education

The Group executes compliance education so that employees can act with sincerity while also complying with laws and regulations. An example of this would be the yearly e-learning sessions for all employees on various themes. We provide opportunities for employees to measure their own understanding through this and various tests conducted at the same time about compliance.

In the regularly released compliance news, we clearly explain common themes and strive to improve employee awareness of compliance.

### Internal report counter

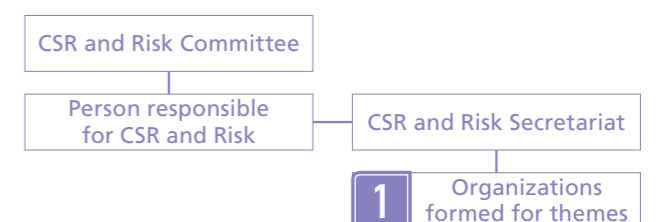
In order to swiftly address, resolve, and prevent compliance violations, we established the internal report system in 2008. We created diverse counters and proceeded with global compliance. Privacy of participants is strictly protected. We guarantee that whistleblowers will not receive any disadvantageous treatment. If a violation of laws and regulations is discovered, we enact and execute corrective actions and recurrence prevention measures.

## Risk management

To address a variety of risks surrounding the Hirose Group, we enacted the Risk Management Standards, established a CSR and Risk Committee based on these standards and its subsidiary organizations, share risks in business execution, and perform risk management. We identify and recognize risks that may pose a significant impact on the financial status, operating results, and cash flows of the Group. We enacted a BCP, created a risk management system needed to regularly review it, and strive to maximize risk occurrence prevention and minimization of impact.

### Risk management structure

We established the CSR and Risk Committee with the President as Chairperson. Committee meetings are held each quarter, where it deliberates and approves issues and reports related to CSR. Teams are formed under the committee for each theme, which perform policy development and risk response. Teams are reviewed every year and set based on urgent themes for each fiscal year. Finally, the CSR and Risk Committee evaluates legal risks and decides the response. We are taking efforts toward effective activities to control risk and constructing a risk management structure.



**1** Composition of the organization is reviewed each fiscal year as teams are formed for urgent themes

Major themes BCP/information security/COVID-19

Feature  
3

## Outside Directors in Roundtable Discussion

President  
Kazunori IshiiOutside Director  
Kensuke HottaOutside Director  
Tetsuji MotonagaOutside Director  
Masanori Nishimatsu

## Initiatives to maintain sustainable growth and improve corporate value and the role of governance

A roundtable discussion was held to talk about the governance of the Hirose Group between President Ishii, Outside Director Hotta, Outside Director Motonaga, and Outside Director Nishimatsu.

## Governance structure of the Hirose Group

**Ishii** The first principle of Hirose is to respect the rights of shareholders and maintain equality. Second, we strive for appropriate cooperation with all stakeholders. Third, we appropriately disclose information and maintain transparency. Fourth, we fulfill the role of the Board of Directors to establish an environment to support risk-taking and perform effective monitoring of business execution. Fifth, we strive to maintain sustainable growth and improve medium- to long-term corporate value. These are the basic ideas behind the Group's governance policy. The governance structure chart has been displayed in various places. Since Hirose's corporate philosophy is to be "a small company connecting wisdom," a core principle of the Group is to conduct corporate activities while collecting the opinions and knowledge of outside parties. The same thought process applies to governance.

**Hotta** It has been ten years since I assumed the position of Director in June 2011. Ten years ago, I was the only Outside Director in the Board of Directors made up of nine Directors. At the time, there were four Audit & Supervisory Board Members, three of which were outside Independent Officers. Of the 13 Officers in the Board of Directors, there were just four outside Independent Officers. As such, our "outside eyes" for monitoring were just around 30%. Now, five of the 13 Directors (including Audit & Supervisory Committee Members) are Independent Outside Directors. With that increase, it is around 40%. The number of eyes monitoring business execution has gradually grown. I expect that the governance structure in the Board of Directors will continue to evolve. In 2015, the Corporate Governance Code (hereinafter the "CGC") was implemented and the governance system of Hirose changed drastically. After implementing the CGC, the major change was that

the meeting notes of the Board of Directors became more substantial than they were previously. I feel that the Board of Directors meeting notes of Hirose Electric have advanced significantly compared with other companies. Sometimes, I am asked to speak with foreign shareholders as one of the Outside Directors. I recommend that they exercise their shareholder request rights and read meeting notes so that they can understand how Hirose Electric has substantive discussions in the Board of Directors meetings and how governance is operating. Hirose is moving forward while adopting new functions. I expect the Group to address issues in the future that are currently lacking.

**Ishii** Now, we have become a company with an Audit & Supervisory Committee for the purpose of receiving more external and multifaceted supervision, auditing, guidance, and support. From before this change, two Outside Audit & Supervisory Board Members sat in the Board of Directors meetings of Hirose Electric and gave the same direction and support as Outside Directors. In this sense, this change was only to formalize a system that had already been operating.

**Motonaga** Outside Audit & Supervisory Board Members of Hirose Electric already participated in Board of Directors meetings. By changing systems in this way, we sought to

clearly grant rights for members to cast votes in proposals and reinforce a sense of responsibility to speak up when necessary. I feel this enhanced their commitment. I also feel that Hirose Electric has made changes in a very effective way.

**Nishimatsu** The role previously demanded of Outside Directors was to contribute to sustainable growth of the Company and the increase in medium- to long-term corporate value. This core purpose has not changed with the shift of the company structure. By changing the role of Audit & Supervisory Board Members to Directors and granting them voting rights, the appropriateness of management decisions will need to be looked at even closer than ever. I feel that the themes required of management have changed in recent years. In the recent revision of the CGC, a response based on international standards is needed for various issues related to ESG, such as securing diversity among core human capital, diversity, climate change, and human rights issues. The role of Outside Directors is to maintain a strong awareness of these issues. As the business environment surrounding Hirose changes dramatically, we must check whether these themes are being addressed from a medium- to long-term perspective.



## Maintaining a strong will to focus on sustainability and carbon neutrality

### Board of Directors discussions and effectiveness

**Nishimatsu** In the Board of Directors meetings of Hirose Electric, Outside Directors make proactive comments and lively discussions are held. One of the topics of the first Board of Directors meeting I attended last year was an analysis of the new product ratio. Outside Directors knew about the history of Hirose and asked pointed questions, each of which was carefully answered by Inside Directors. It felt like the Board of Directors was well managed in an environment that made it easy to ask questions.

**Hotta** Seeing the Board of Directors of various companies, I feel like the Board of Directors of Hirose Electric has gradually become more open. There are two

reasons. One is that the percentage of Outside Officers has increased. The backgrounds of Outside Officers have also become more diverse. Another is that more people feel a sense of responsibility as a Director. In Hirose Electric, the President serves as the Chair of the Board of Directors. However, more people are able to speak their minds freely.

**Motonaga** Currently, the majority of the Board of Directors of Hirose Electric are people who started outside the Company so we have many people with outside perspectives. Even if not literally independent, adding persons with an external mind or background is a means of ensuring transparency and objectivity.

**Ishii** This is tied to the concept of “connecting wisdom.” There are many mid-career hires. Outside Directors have deep knowledge in their specialty areas. They make comments from a multifaceted perspective. We do not need to draw these out from them. Instead, they naturally and proactively provide such information.

**Hotta** In terms of sharing information with Outside Directors to ensure the effectiveness and transparency of the Board of Directors, reports of each group and other important matters (quality control and new businesses) are distributed at least once a year in addition to the annual proposals of the Board of Directors. In addition, materials are shared beforehand for the annual business plan and the Medium-Term Business Plan. If a matter is unclear after one explanation, second and even third follow-up sessions can be requested to further deepen understanding by adding topics. Therefore, it is possible for us to sufficiently understand the status of each division and group and provide new advice. Unfortunately, due to the COVID-19 pandemic, we have not been able to visit plants in person recently. I look forward to doing this in the future.

Sustainability is only meaningful if each and every employee understands that completely, not simply the management



## The majority of the Board of Directors have outside perspectives, increasing objectivity

**Nishimatsu** Materials for the Board of Directors meetings arrive a few days prior to the meeting. I clear my schedule two days before the Board of Directors meetings because I want sufficient time to look over the internal materials. I saw the Zero Ichi Festival the other day where young employees work freely on their own projects. By directly interacting with them, I can feel how young people are really passionate and enjoy these activities. I was able to understand more as they explained where connectors are used, what form they take, and how they function. I once again saw the importance of learning in manufacturing sites.

**Motonaga** It feels like the evaluation of the effectiveness of the Board of Directors is properly executed. Since there are many items in the questionnaire, it takes a lot of effort to fill in everything. The secretariat collects them and reports on what opinions were made on an anonymous basis. At the Board of Directors, time is allocated to discuss these findings. I like how each year Hirose addresses the issues that are uncovered. For example, we have been making progress on the issue of increasing the number of Outside Directors.

### Future of the Hirose Group

**Hotta** Considering global trends and revisions to the CGC this year, I believe that topics discussed in the Board of Directors will evolve in the future. In other words, I expect more topics related to sustainability issues. These movements and ideas are only meaningful if each and every company officer and general employee understands them completely, not simply the management.

**Nishimatsu** We must enhance the system of education, such as through employee training, and spread Hirose's ideas and initiatives both within the Group and to business partners.



**Motonaga** I think it is necessary to present externally that Hirose is aware of sustainability issues and engaged in efforts using a systematic approach.

**Ishii** In the past, it was difficult to imagine what Hirose could do for sustainability and carbon neutrality. Recently, Hirose's customers have demanded sustainability and carbon neutrality. Customers may even refuse to do business with companies that do not address these issues. The stage has changed quickly. It feels like half-hearted efforts will not be enough. The Group has fully begun efforts behind sustainability and carbon neutrality projects. We have a strong will to focus on these efforts until they are completed. I believe that establishing this mindset hopefully begins from the officer class.

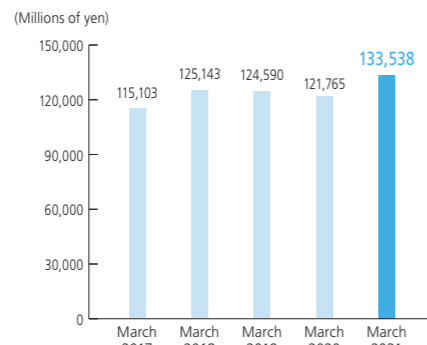
Outside Directors make proactive comments and lively discussions are held



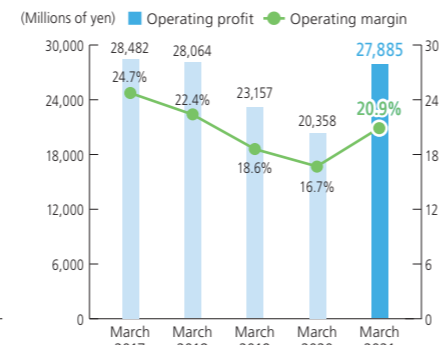
## Financial and Non-financial Summary Data

### Financial Highlights

#### Sales

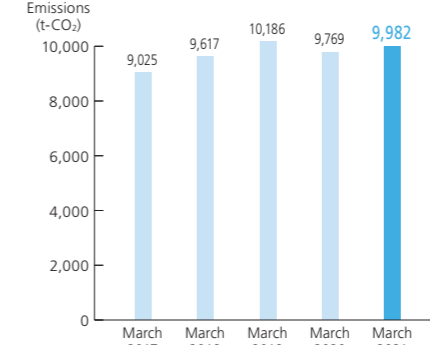


#### Operating profit/Operating margin

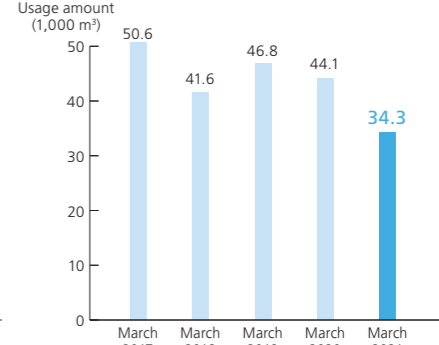


### Non-financial Highlights

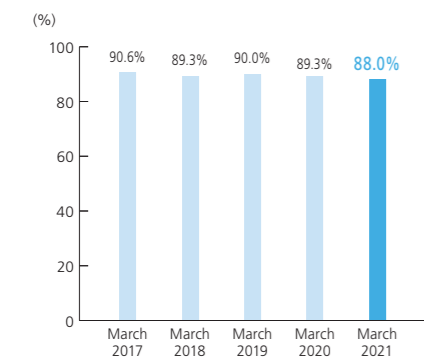
#### CO<sub>2</sub> emissions (Hirose Group in Japan)



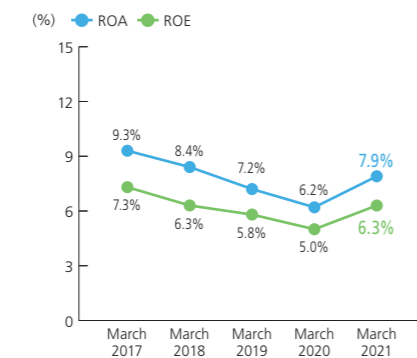
#### Water usage (Hirose Group in Japan)



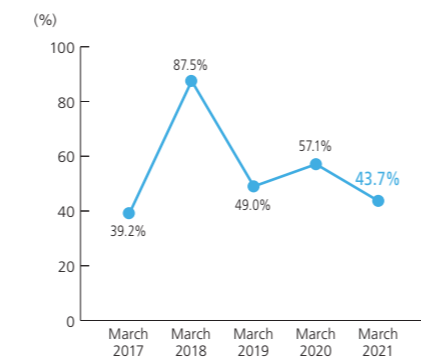
#### Equity ratio



#### ROE/ROA



#### Dividend payout ratio



#### Average years of service

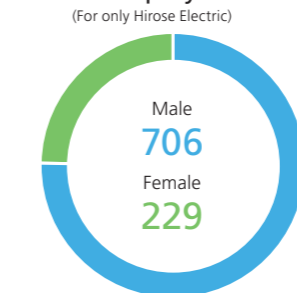
(For only Hirose Electric)  
**12.4** years

#### Average age

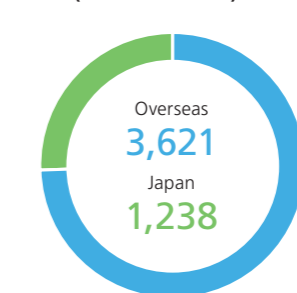
(For only Hirose Electric)  
**39.6**

As of March 31, 2021

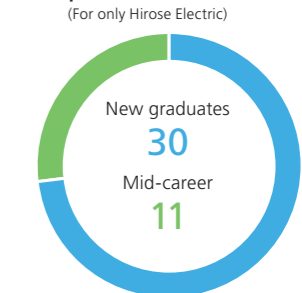
#### Male/female ratio of employees



#### Number of employees (consolidated)



#### Number of persons hired



### Major financial indicators (Until fiscal year ended March 31, 2017: JGAAP, from fiscal year ended March 31, 2018 onward: IFRS)

Financial data		Mar. 2011	Mar. 2012	Mar. 2013	Mar. 2014	Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021
Sales	(Millions of yen)	92,440	94,790	95,938	124,987	125,726	120,284	115,103	125,143	124,590	121,765	133,538
Operating profit	(Millions of yen)	22,026	19,554	20,985	33,005	32,588	28,794	28,482	28,064	23,157	20,358	27,885
Operating profit ratio	(%)	23.8	20.6	21.9	26.4	25.9	23.9	24.7	22.4	18.6	16.7	20.9
Ordinary profit	(Millions of yen)	22,739	20,919	22,386	34,747	34,962	30,516	29,799				
Profit before tax	(Millions of yen)								28,015	24,671	21,205	28,332
Profit	(Millions of yen)	11,714	12,824	13,508	22,439	22,948	21,104	21,356	19,107	17,891	15,305	19,916
Net assets	(Millions of yen)	237,562	239,601	252,066	269,164	288,302	285,830	296,293	304,719	307,330	306,141	326,092
Total assets	(Millions of yen)	260,136	261,486	277,881	300,751	319,667	316,595	326,696	341,178	341,435	342,644	370,504
Equity ratio	(%)	90.3	90.5	90.5	89.2	90.1	90.2	90.6	89.3	90.0	89.3	88.0
BPS (Book-value per share)	(Yen)	6,649.36	6,837.39	7,277.62	7,865.65	8,494.44	8,162.65	8,504.89	8,744.07	8,428.61	8,436.41	8,987.05
EPS (Earnings per share)	(Yen)	330.23	366.11	390.48	652.68	674.25	596.31	611.81	548.80	489.46	420.39	549.10
Dividends per share	(Yen)	150	130	140	200	230	240	240	480	240	240	240
Dividend payout ratio	(%)	45.4	35.5	35.9	30.6	34.2	40.2	39.2	87.5	49.0	57.1	43.7
ROE (Return on equity)	(%)	5.0	5.4	5.5	8.6	8.2	7.4	7.3	6.3	5.8	5.0	6.3
ROA (Return on assets)	(%)	8.9	8.0	8.3	12.0	11.3	9.6	9.3	8.4	7.2	6.2	7.9
PER (Price-earnings ratio)	(Times)	27.1	23.7	32.5	21.7	23.0	20.8	25.2	26.6	23.8	26.6	31.0
Number of employees	(Persons)	3,865	3,945	5,020	3,966	4,044	4,190	4,319	4,597	4,836	4,737	4,859

## Network

### Domestic



Headquarters

TOHOKU HIROSE  
ELECTRIC CO., LTD.

Gotanda Office

KORIYAMA HIROSE  
ELECTRIC CO., LTD.

Kikuna Office

ICHINOSEKI HIROSE  
ELECTRIC CO., LTD.

- **Headquarters**  
2-6-3 Nakagawa Chuoh, Tsuzuki-ku, Yokohama, Kanagawa 224-8540
- **Gotanda Office**  
5-5-23 Osaki, Shinagawa-ku, Tokyo 141-8587
- **Kikuna Office**  
7-3-13 Kikuna, Kohoku-ku, Yokohama, Kanagawa 222-8566
- **Kansai Branch**  
Shinosakaiida Bldg. 7F, 1-5-33 Nishimiyahara, Yodogawa-ku, Osaka 532-0004
- **Chubu Sales Office**  
Nomura Bldg. 4F, 2-7-12 Saiwaicho, Kariya, Aichi 448-0025
- **Kitakanto Sales Office**  
Chuoh-Utsunomiya Bldg. 5F, 3-1-1 Higashisyukugo, Utsunomiya, Tochigi 321-0953
- **West Japan Sales Office**  
Momiji-Hiroshima-Hikarimachi Bldg. 4F, 1-12-20 Hikarimachi, Higashi-ku, Hiroshima 732-0052
- **TOHOKU HIROSE ELECTRIC CO., LTD.** (Miyako, Iwate Pref.)
- **KORIYAMA HIROSE ELECTRIC CO., LTD.** (Koriyama, Fukushima Pref.)
- **ICHINOSEKI HIROSE ELECTRIC CO., LTD.** (Ichinoseki, Iwate Pref.)

### Overseas



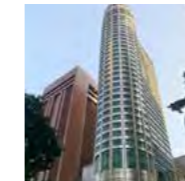
HIROSE KOREA



HIROSE CHINA

HIROSE ELECTRIC  
(DONGGUAN)

HIROSE U.S.A.



HIROSE SINGAPORE

HIROSE ELECTRIC  
(SUZHOU)

HIROSE EUROPE



HIROSE INDIA



HIROSE MALAYSIA



HIROSE HONG KONG



HIROSE TAIWAN



HIROSE INDONESIA

- **HIROSE KOREA CO., LTD.** (South Korea)
- **HIROSE ELECTRIC (U.S.A.), INC.**
- **HIROSE ELECTRIC EUROPE B.V.** (Netherlands)
- **HIROSE ELECTRIC HONG KONG CO., LTD.**
- **HIROSE ELECTRIC HONG KONG TRADING CO., LTD.**
- **HIROSE ELECTRIC (CHINA) CO., LTD.**
- **HIROSE ELECTRIC SINGAPORE PTE. LTD.**
- **HIROSE ELECTRIC INDIA PVT. LTD.**
- **HIROSE ELECTRIC TAIWAN CO., LTD.**
- **HIROSE ELECTRIC (DONGGUAN) CO., LTD.** (China)
- **HIROSE ELECTRIC (SUZHOU) CO., LTD.** (China)
- **HIROSE ELECTRIC MALAYSIA SDN. BHD.**
- **P.T. HIROSE ELECTRIC INDONESIA**

Europe  
[Netherlands, EU Headquarters]

India  
Malaysia  
Singapore  
Indonesia  
Korea  
Shanghai  
Suzhou  
Taiwan  
Hong Kong  
Shenzhen  
Dongguan

U.S.A.  
[Chicago, US Headquarters]

## Stock Information

### Stock Information (As of March 31, 2021)

Total number of shares issued	36,284,695 shares (excluding 1,891,247 shares of treasury shares)
Total number of shareholders	3,573

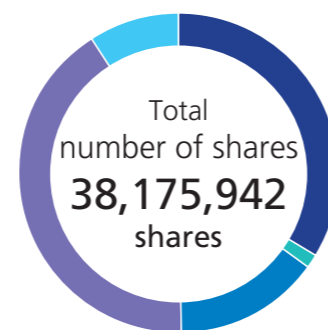
### Major Shareholders (Top 10)

Name of shareholder	Number of shares held (Hundreds of shares)
Hirose Foundation	31,476
State Street Bank and Trust Company 505223	29,513
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,601
JPMorgan Chase Bank 380055	25,005
Custody Bank of Japan, Ltd. (Trust Account 4)	19,936
Custody Bank of Japan, Ltd. (Trust Account)	16,320
HS Kikaku Co., Ltd.	12,215
Mizuho Trust & Banking Co., Ltd. (Trust Account) 0700093	8,707
Mizuho Trust & Banking Co., Ltd. (Trust Account) 0700094	8,652
National Mutual Insurance Federation of Agricultural Cooperatives	8,146

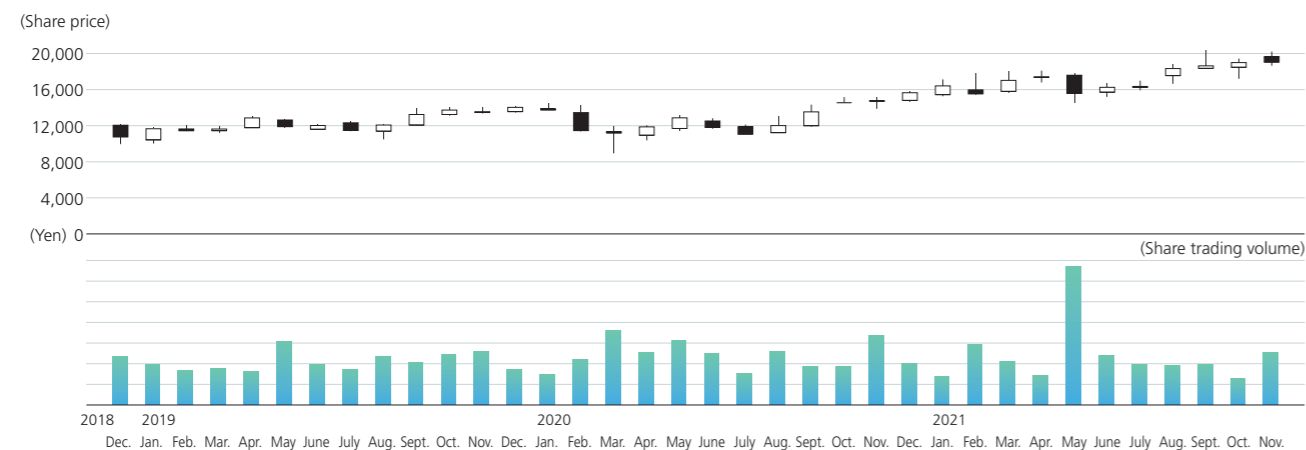
Note: In addition to the 10 major shareholders above, the Company owns 18,912 hundred shares of treasury shares.

### Distribution of Shares by Shareholder Type

Type	Number of shareholders	Number of shares held	Ratio of shareholding
Financial institutions	43	128,899 hundred shares	33.76%
Securities companies	32	5,664 hundred shares	1.48%
Other corporations	167	55,725 hundred shares	14.60%
Foreign corporations, etc.	548	157,513 hundred shares	41.26%
Individuals and others	2,783	33,956 hundred shares	8.90%



### Share Price and Trading Value



## Corporate Data

### Corporate Data (As of March 31, 2021)

Trade name	HIROSE ELECTRIC CO., LTD.
Date of incorporation	June 15, 1948
Number of employees	Consolidated: 4,859 (excluding part-timers)
Capital stock	¥9,404,379,401

### Directors (As of June 25, 2021)

President and Representative Director	Kazunori Ishii	Outside Director	Kensuke Hotta
Senior Managing Director	Mitsuo Nakamura	Outside Director	Tetsuji Motonaga
Director	Yukio Kiriya	Outside Director	Masanori Nishimatsu
Director	Hiroshi Satoh	Director (Standing Audit & Supervisory Committee Member)	Yoshikazu Chiba
Director	Shin Kamagata	Outside Director (Audit & Supervisory Committee Member)	Terukazu Sugishima
Director	Jun Inasaka	Outside Director (Audit & Supervisory Committee Member)	Kentaro Miura
Director	Sang-Yeob Lee		

Note: Outside Directors Kensuke Hotta, Tetsuji Motonaga, Masanori Nishimatsu, Terukazu Sugishima and Kentaro Miura are Independent Officers who are unlikely to have any conflicts of interest with general shareholders, and are required to be designated by the Tokyo Stock Exchange.

### Website Guidance

<https://www.hirose.com/corporate/en/>



Further detailed investor information and sustainability-related information, and up-to-date information can be obtained on the Group's website.

### Note

This report includes matters based on the Hirose Electric Group's current estimates. Forward-looking statements may differ from the Group's actual results due to known or unknown risks, uncertainties and other inherent factors. We ask for your understanding.