HIROSE ELECTRIC CO.,LTD.

Integrated Report 2024

HIROSE ELECTRIC CO.,LTD.

Hirose Electric Co., Ltd.

Cover Story

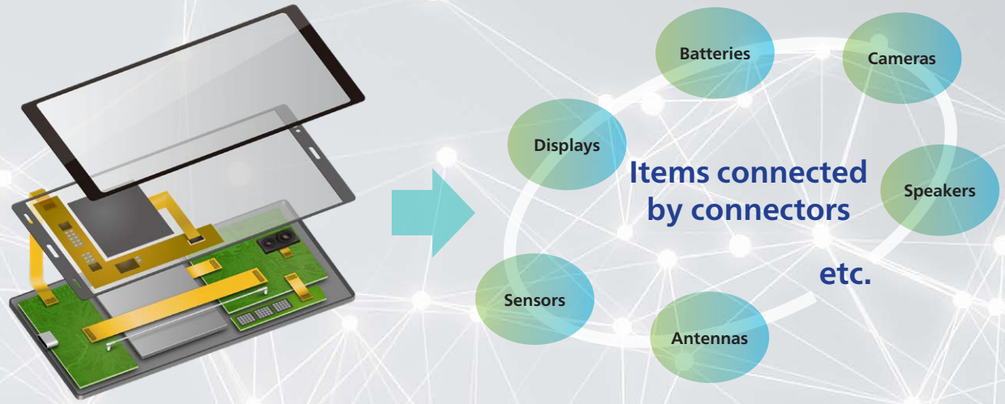
01

Connecting the World, Connecting the Future



Supporting the evolution of electronic devices with connectors

The evolution of electronics, which has been deemed the greatest technological revolution of the 20th century, has created a variety of devices that are indispensable to our daily lives, including personal computers, automobiles, and home appliances. These devices are assemblies of semiconductors and countless other electronic components, with the evolution of these devices having been supported by the downsizing and increased performance of electronic components. One such component is the connector, which "connects" electronic components and circuits. Although connectors cannot fulfill functions on their own, they serve to unleash the power of electronic components by connecting them.



Manufacturing, which used to be carried out entirely in a single country, has now shifted to an international division of labor where modules are assembled from various suppliers. This change reflects the increasing precision and complexity of components, which has led to the manufacturing of specific modules being consigned to specialized manufacturers. This process is made possible by the connector's function of connecting/disconnecting parts, enabling assembly to be easily carried out by connecting different parts together as long as each part has connectors attached. By delegating the connecting function to connectors, manufacturers are able to focus on their own areas of specialization and create a single device through integration with modules from other companies. Connectors allow products to be flexibly customized in line with the development of modules and support development collaboration among manufacturers in different countries.

Looking further into the future, with regard to electrification measures that are essential for achieving carbon neutrality, electric power still accounts for only around 20% of all energy consumption. As expectations for a shift from a society centered on fuel consumption to electrification as exemplified by electric vehicles (EVs) continue to grow, the demand for connectors that serve as the pathway for electric signals has also increased. In addition, it is said that as much as 62 million tons of electronic waste is generated in the world each year, with only a quarter of that volume recycled. As the demand for repair and reuse grows, the role of connectors that allow necessary parts to be disconnected and replaced will become increasingly important. Further evolution of connectors is thus required to meet these expectations.

Cover Story
02

A Small Company Connecting Wisdom

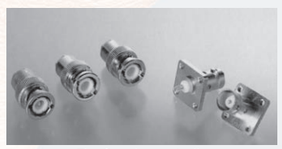
Founded in 1937 by Keizo Hirose, the Company started out as a processor and distributor of resin materials before expanding into the contract manufacturing of connectors by leveraging processing technologies for insulating materials. At that time, Japanese connectors were dead copies of those made by overseas manufacturers. There was occasionally a pile-up of defective products as the Company did not understand the design concepts of those products.

Against this backdrop, Hideki Sakai, who would later become the Company's second President, joined the Company in 1952 as the first new graduate. Having graduated from an industrial high school, Sakai was the only person in the engineering department because of his background in electrical engineering. However, no one in the Company had any knowledge of connectors, and Sakai continued to learn through practice every day as he humbly asked to be taught by customers and production partners.

The turning point came in 1957, when the Defense Agency began the domestic production of a new type of wireless equipment. The Company participated in this project, which could be considered a reckless challenge for an SME, and fulfilled the strict requirements with its ideas and innovations despite the lack of testing equipment and adequate facilities. It ended up with the extraordinary achievement of developing the first connector using domestic technology. Having established its foundation as a connector manufacturer, the Company subsequently decided to focus on new product development. Three years later, it ceased the production of its old products and converted its entire product series to original products.

In the 1960s, Sakai had the opportunity to visit a connector manufacturer overseas. Upon seeing this rival with its overwhelmingly large presence both in scale and sales, Sakai came up with the fabless strategy of "conduct development in-house, and outsource manufacturing." Japan is home to a group of excellent specialist companies that support this strategy, which led to the Company choosing to work in cooperation with such partners rather than aiming for self-sufficiency.

Sakai continued to set business targets such as achieving a new product ratio of 30% and an operating margin of 20% or more. He has left behind teachings such as "High profit margins are a form of admiration from customers, and we must pursue value-added products that are completely new," "In-house technology will become obsolete, and we must always incorporate external knowledge." Those have been passed down to this day in the form of the Inseparable Principles of "A Small Company Connecting Wisdom."



The first domestically manufactured connectors



Employees at Yugawara Plant around 1950



吾以外皆師
素直な心で学びましょう
酒井 秀樹

New product ratio
30%

Operating margin
20%
or more

Inseparable Principles to Be Connected to the Next Generation



Inseparable Principles

A Small Company Connecting Wisdom

Acknowledging ourselves as "small," we are always earnestly and modestly studying to achieve further growth for tomorrow. By leveraging the collective wisdom within the Group and from the world at large, we will evolve through our connecting business.
This is the unchanging philosophy at the core of the Hirose Group.

The Ultimate Standard of Thought and Behavior

HIROSE Philosophy

The HIROSE Philosophy, which drives the continuous growth of the Hirose Group, consists of six values that embody the Inseparable Principles.
Every activity of ours is based on the Ultimate Standard of Thought and Behavior.

Ideal Vision

Co-creating Our Future Society with the "Power to Connect"

We aspire to achieve this vision through the practice of the Inseparable Principles and the HIROSE Philosophy.
By expanding the circle of co-creation partners globally and providing new technologies, we will contribute to the creation of a future society in which everybody can live comfortably.

Cover Story 03

Strengths We Have Honed Through Connections

Create the "New": Delivering products which never seen in the world

Mindset of achieving differentiation

Since connectors are highly customizable in line with the applications of customers, it is possible to achieve some success by responding to existing needs. However, we have always followed the path of creating new products under the HIROSE Philosophy of "Always Taking the Lead, Pursuing the Cutting Edge, Achieving Differentiation." We determine the feasibility of product development based on whether it is possible to achieve differentiation as well as the profit margin, which indicates the value provided, while also leveraging production by production partners in order to focus our resources on R&D.

Our deeply embedded system and culture of pursuing originality has earned us the trust of customers based on the belief that they can receive new proposals if they approach Hirose, allowing us to introduce many unprecedented and cutting-edge products to the world.

New product ratio
30%

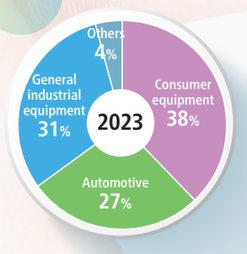
Number of products
40,000

80 years of history and achievements

Starting with the development of the first domestically manufactured connectors, we have accumulated an extensive product series and knowledge along with the development of electronic devices. This accumulation directly contributes to the extensiveness of our solution proposals, and at the same time, we have established a global network with local roots to support these solutions.

As the integration of software and hardware continues in the field of electronic devices, there has been a blurring of lines between markets, with a growing demand for proposals that transcend different markets and regions. We provide high-value-added products with superior economic efficiency by leveraging our market base that encompasses consumer equipment, automotive, and general industrial equipment to develop and expand the sales of products that meet the unrealized needs of countless customers.

Broad business foundation



Domestic and overseas plants and offices
15 countries/regions
57 locations

Commitment to high profitability and a strong financial foundation

We are a company that pursues high added value, not only focusing on expanding the scale of business.

We have set a high target of achieving a stable operating margin of 25%, with 20% at the minimum. To this end, it is extremely important for us to understand how the added value of our products is perceived and to decide on their pricing, which is the manifestation of this value. We analyze each product and project in detail, and even our management is involved in examining and improving the value provided to customers. We have conveyed to our employees that, based on the cash flow generated as a result, they would not have to worry about their livelihood even if the Company has three years of zero sales, and that they should focus on research and development for the future, thereby allowing us to concentrate on future-oriented activities.

Average operating margin (over 30 years)
26.0%

Cover Story 04

Co-creating Our Future Society with the Power to Connect

Although technology is constantly evolving, it is not always directed at improving convenience but is also aimed at the pursuit of vibrant lives, including the resolution of social issues. Exemplary of this trend is the electrification of energy and increased energy efficiency as part of efforts to mitigate climate change, as well as the development of sensing technology as the foundation of a safe and secure society, with electronic devices being utilized in infrastructure and various other places as lifelines.

As connecting parts, connectors are also required to evolve not only in pursuit of high functionality but also in various ways to fulfill specific applications. With "A Small Company Connecting Wisdom" as our Inseparable Principles, we recognize the limitations of our capabilities as a standalone company and seek to achieve co-creation by leveraging external knowledge.

- **Extensive problem recognition based on the three pillars (consumer equipment, automotive, and general industrial equipment)**
- **Collaboration with co-operators on connector peripheral parts through 3C+1C (Co-operator) activities**
- **Accumulation of diverse elemental technologies through our production partners network**



Establishment of Tohoku Advanced Technology Center and creation of opportunities for cooperation, including with production partners

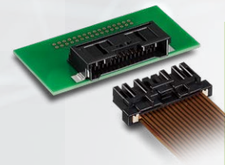
Capital and business alliance with AIO Core Co., Ltd.
(Development of connectors that utilize silicon photonics chips)

By connecting knowledge from inside and outside the Company, we have expanded our product series to address issues facing the world, including products that are appropriate for construction sites that have not used connectors in the past as well as heat- and vibration-resistant FPC connectors that help reduce the weight of automobiles. Going forward, we will strengthen our efforts in this regard more than ever before and promote active engagement through business and capital alliances, etc. By expanding our network of co-creation partners globally and providing new technologies and products to society, we will contribute to the creation of a future society in which everybody can live comfortably.



[EF2 Series]

Work hours at construction sites
Reduced by 1/3



[ZK1 Series]

Replacing cables with FPC to reduce weight

Connecting the World, Connecting the Future

Connectors are small and inconspicuous electronic components.
They might not stand out, but they are still an essential component of the device.
By performing their connecting function, they make it possible to greatly enhance the functionality and convenience of electronic devices.
We believe that we can realize a more prosperous future and connected world through connectors.
The Hirose Group continues to propose solutions to various issues by creating “New.” connectors that have been realized through the collective wisdom of the Group and the world at large.

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Editorial Policy

This report has been compiled to allow all stakeholders to gain a well-balanced understanding of the various aspects of the Hirose Group including not only financial information such as business performance and strategies, but also non-financial information concerning the Group’s policies toward the environment, society and corporate governance. When editing this report, the Company referenced the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).

In addition to this report, the Company prepares an Annual Securities Report (in Japanese only), and a Newsletter to Shareholders along with various other communication tools.

Please visit the Hirose Group’s website to peruse the detailed information we post there.

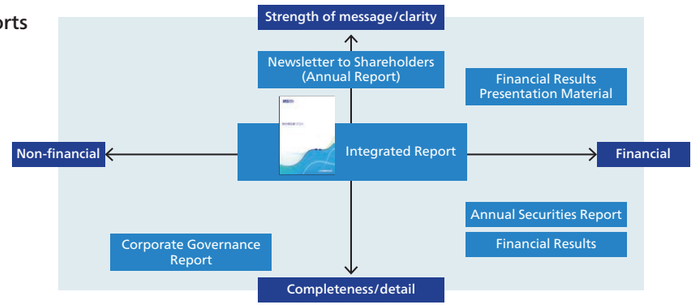
* Note that in this report, the term the Hirose Group refers to the entire HIROSE ELECTRIC Group, while Hirose Electric is used to refer to Hirose Electric Co., Ltd. on a non-consolidated basis.

This report has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated version and the Japanese original, the original shall prevail.

Applicable Period

From April 1, 2023 to March 31, 2024 (Portions of this report contain information about activities and initiatives from April 1, 2024 onward.)

Purpose of Various Reports



How to Access the Reports

▶ Integrated Report
https://www.hirose.com/corporate/en/ir/integrated_report/

▶ Annual Securities Report / Quarterly Financial Report
https://www.hirose.com/corporate/en/ir/fr/

▶ Financial Results Presentation Material
https://www.hirose.com/corporate/en/ir/frp/

▶ Financial Results
https://www.hirose.com/corporate/en/ir/fs/

▶ Newsletter to Shareholders (Annual Report)
https://www.hirose.com/corporate/en/ir/annual_report/

▶ Corporate Governance Report
https://www.hirose.com/corporate/en/csr/management/

Website Guidance

▶ For Retail Investors
https://www.hirose.com/product/jp/pr/individual/ (in Japanese)

▶ Governance
https://www.hirose.com/corporate/en/csr/management/

▶ Social Responsibilities
https://www.hirose.com/corporate/en/csr/sr/

▶ Environmental Responsibilities
https://www.hirose.com/corporate/en/csr/er/

A Message from the President



Kazunori Ishii
President and
Representative Director

We will establish a three-pillar portfolio (comprising consumer equipment, automotive, and general industrial equipment) for our medium-term plan and strive to seek the "New" for the next phase.

Connectors and our business

For many years, the Company has engaged in the "connecting business" with connectors at the core of its business. Connectors are said to be the last part that is chosen in the design of electronic devices. Our end customers, who are responsible for the design, start with the design of semiconductor-related parts that determine the performance of devices before finally selecting the connectors by taking into consideration printed circuit boards layout and the connections between the parts and modules. Therefore, design changes occur frequently, making it necessary to carry a wide variety of products, including small-lot items, in order to satisfy customer's expectations. Connecting also involves manual connection processes by workers that require a deep understanding of the customer's work site, which can be said to be a professional job that relies on experience and knowledge. This is why our end customers opt not to manufacture connectors in-house but instead entrust them to external manufacturers of electronic components and connectors.

Responding to such demanding requirements fosters trust with our customers. Our sales representatives, who are the point of contact with our customers, are equipped with diverse product and quality knowledge beyond the area of sales to ensure that they can respond promptly on the ground. Likewise, the scope of work of our engineers goes beyond design and includes thinking about what kind of products to develop in order to expand the market. Our business, which always entails the pursuit of the new, requires a spirit of taking on challenges and teamwork in carrying out a wide range of work with customers as the starting point. Therefore, the positive and cheerful attitude of those who interact with our customers as they engage in their work has an impact on the Company's performance. Enhancing corporate value is thus inextricable from the trust of customers based on the belief that Hirose will be able to achieve something unique and new when asked to.

On the other hand, it is the responsibility of management to provide direction and establish structures to ensure that these efforts give rise to actual results. The question is to identify an approach through which we can consolidate the market in response to the countless demands and expectations for connectors, and embark on efficient development and production. To this end, we have been strengthening our ability to respond to fluctuations by (1) aggregating needs through new product proposals and (2) leveraging compact equipment and our production partners network.

In addition, since I was appointed President in 2012, we have been focusing on the development of product applications based on the three-pillar portfolio (consumer equipment, automotive, and general industrial equipment). As exemplified by the saying that "automobiles are becoming more like smartphones," there has been a blurring of lines between markets in recent times, and devices across all fields are now capable of communication and are equipped with displays and batteries, with demand for environmental endurance growing simultaneously. By capturing such points of commonality of connection areas across different fields, we will engage in the horizontal expansion of products and technologies and seek to contribute to addressing issues facing a wide range of customers. Our market portfolio, which was centered on consumer equipment around 2010, now encompasses a growing composition ratio of automotive and general industrial equipment. The establishment of this portfolio will reach its conclusion in the Medium-Term Business Plan through FY2027, allowing us to move on to the next phase.

Our medium- and long-term plans

In our new Medium-Term Business Plan, we have set targets for sales of ¥230.0 billion, operating margin of 25% or more, and ROE of 10% or more. As a company that is committed to high profitability, we have previously announced targets for operating margin and ROE only, and this is the first time we have set a target for sales. This is because our recent financial results for the period from FY2020 to FY2023 were affected by supply chain disruptions sparked by the COVID-19 pandemic and fluctuated wildly, and we felt it was imperative that we reiterate the medium-term growth trajectory that we were pursuing.

Sales for our automotive business have continued to grow by 20% annually for the past three years despite being a late entrant into the market, and we are now in the process of reaping the rewards of past investments we have made since FY2016. As our target is to increase the sales composition ratio of the growing automotive business to 30% by FY2027, we will complete the establishment of the three pillars as our management theme during the period of this Medium-Term Business Plan and begin our search for the "New"—pillars that will drive further growth.

At the same time, we will build a business platform in line with our sales growth and changes in our business composition. The Tohoku Advanced Technology Center (TAT Center) was established to create platforms for production lines and expedite the launch of lines, creating opportunities for not only our employees but also members of production partners to come together for practical learning. We also plan to renew our SCM system over the next several years to optimize our global supply chain and expedite decision-making. These initiatives are indispensable for becoming a leaner company and for establishing a foundation for further growth.

The possibilities of our connecting business

In the world of automated driving and medical robotics that is now upon us, connectors are becoming increasingly important as connection-related issues such as instantaneous interruptions must not occur. In the world of high-speed and high-frequency technology, signal quality varies significantly depending on the shape of metal terminals and the precision of connector



We will strengthen value creation capabilities through internal and external cooperation (with production partners and companies surrounding our customers) in response to the growing potential of our connecting business.

dimensions. It is not sufficient for connectors to merely be mated mechanically, as competitiveness in areas that are not immediately apparent such as the accumulation of analytical technology is also important. In order to achieve a very high level of compatibility, including in the area of high-speed and high-frequency technology amid the trend toward downsizing, there is a limit to what can be achieved by considering connectors on their own as it is important to cooperate and cater to changes in the printed circuit boards, cables, and semiconductors to which the connectors are connected. In view of this, in addition to our one-on-one relationships with customers, we will further promote cooperation with companies surrounding our customers with the aim of creating value beyond the mere provision of products.

Furthermore, we must demonstrate our philosophy and identity when working together with other companies. Driven by the Inseparable Principles of "A Small Company Connecting Wisdom," we are a company that specializes in the development of new products that are "Always Taking the Lead, Pursuing the Cutting Edge, Achieving Differentiation." In order to demonstrate this, we hope to actively expand our R&D activities that have hitherto been conducted in-house to involve external parties, and as part of these efforts, we are investing in and developing active optical devices. In the area of digital transformation (DX), which will continue to grow going forward, low energy is a desired feature of communications in addition to high speed and high capacity. One solution to this is optical communications, whose applications are expected to broaden from current mainstream applications in network infrastructure to compact connections inside devices in the future. Besides our expertise in electrical connections that we have cultivated thus far, we will also incorporate such optical technologies and focus on active optical devices that take advantage of the strengths of both fields.

The growth potential of our connecting business will continue to increase further as we move forward into the future. As a company that creates the "New" and generates new value, we will continue to contribute to our customers and society going forward.

Value Co-creation Model

Social issues

- Demographic changes
- Climate change
- Resource circularity
- Discontinuous technological advancement
- Division in the world
- Diversification of values and increased awareness of human rights

Foundation of our values

Global customer base
Number of customers:
more than **3,000**

Global network
Plants and offices:
57 locations in **15** countries/regions
Production partners:
more than **800**

Technological development-oriented
R&D expenses:
approx. ¥**12.0** billion/year

Human capital who share HIROSE Philosophy
Number of employees:
approx. **5,000**

Stable financial condition
Operating margin (for 30 years):
26.0% (Avg.)

Natural capital
CO_2 emission:
approx. **38** thousand t-CO_2

Foundation of our values

Lie-in-wait strategy
Looking ahead with a technology roadmap

Always Taking the Lead, Pursuing the Cutting Edge, Achieving Differentiation

Equipment developed in-house

Compact and high-speed technology

Customer-focused direct sales system

3C+1C (Co-operator) activities
Cooperation with partners who are related to connecting business

*3C+1C activities:
Co-creation with co-operators on connector peripheral parts, etc., in addition to the 3C approach

Co-creation

Development of cross-market applications
Solving issues of various customers

Production partners network
Joint development & production of elemental technologies

- A corporate culture of challenge
- Mindset of aiming for high profitability
- Culture of teamwork

Customer value and social value

Key word: "Power to Connect"

Create the "New."

Extensive expansion of solution proposals
(number of products: 40,000)

Delivering the power of electronics to all places

- Contributing to increasing design freedom and to the evolution of devices by downsizing through connectors
- Achieving device autonomy and advancing communications through high-speed, high-frequency solutions

Creating a safe, secure, and employee-friendly working environment

- Improving on-site work efficiency and reducing workload of workers through simple connections
- Preventing on-site accidents (electrocutions, fires, etc.) through reliable connections with lock mechanisms

Contributing to a sustainable society through connector products

- Promoting electrification and decarbonization by simplifying electrical connections
- Improving maintainability and reducing waste through connector-based connections

Ideal Vision

Co-creating Our Future Society with the "Power to Connect"

Inseparable Principles

A Small Company Connecting Wisdom

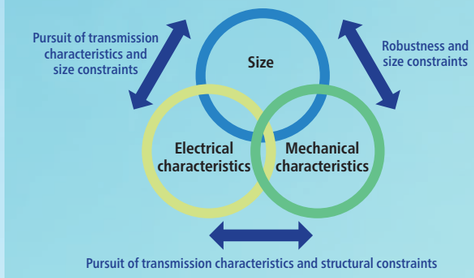
HIROSE Philosophy

The Six Values

- Connecting Wisdom
- High Added Value
- The Principle of "Being Small"
- Always Taking the Lead, Pursuing the Cutting Edge, Achieving Differentiation
- A Small Company of Smart People
- Continuing to Be a "High Flier"

Mechanisms for Value Co-creation

Connector markets



A wide variety of market and customer requirements depending on the equipment on which the connectors are mounted

1 Product characteristics
Huge variety of products exist to meet a wide variety of requirements

2 Competitive environment
Competitors focus on target markets to increase their expertise

Our strengths

Management

Pursue high added value rather than expansion of scale

- Focus on markets where technological change is occurring; do not just pursue scale of sales pointlessly
- Management is involved in pricing and reviews evaluations for each product by customers and the market

Marketing and R&D

Prioritize original and differentiated products

- Rationalize and align with HIROSE Philosophy
- Engineering departments are to be organized according to product, pursuing technical specialization
- Build a mechanism through which numerous customer needs are aggregated around our three-pillar business and hypotheses are verified (e.g., Hirose Technology Exhibition)
- Sufficient R&D expenditure and a stable financial foundation

Manufacturing

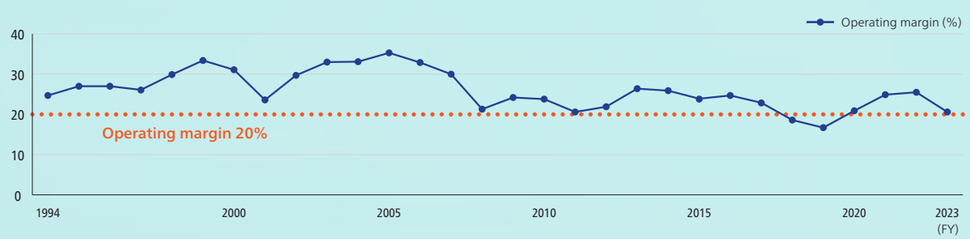
A structure that is resilient to demand fluctuations

- Production partners network
- Flexible production framework using compact standard equipment

Integration of Hirose's technology and knowledge of production partners

- Creation of our unique manufacturing philosophy and its development through verification at the production lines
- Joint R&D with the introduction of knowledge of production partners

Operating margins in past 30 years



Development of products and expansion of solutions

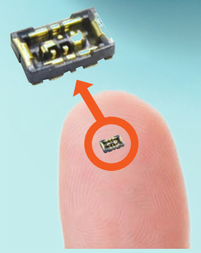
Expansion of product lineup

Expertise shared with cutting-edge customers and track record of adoptions

Propose our differentiated connectors to customers with cutting-edge technologies
Proposing new value

Entry into other markets through development of new applications and feedback on product features
Connecting the knowledge of customers

Supply capability with a product range that meets a wide range of customer needs
Provision of abundant solutions

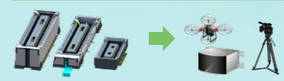


Example: Propose the world's smallest advanced connector for increasingly downsized consumer devices

Industrial PCs, POS, security cameras



Drones, LiDARs, DSCs



Smartphones, wearable devices

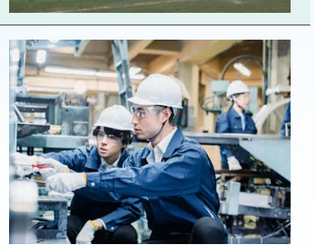
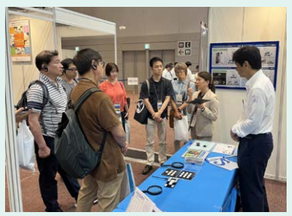




Product development	Original and differentiated products	Development of product variations	Sales expansion of existing products
Sales channels	Emphasis on direct sales		Emphasis on sales through distributors
Manufacturing	In-house manufacturing		Outsourced manufacturing

Co-creation with Our Stakeholders

**"Co-creation" is to put into practice our Inseparable Principles of being "A Small Company Connecting Wisdom."
We aim to enhance corporate value by listening to our stakeholders and co-creating new value by connecting our own and external wisdom.**

Stakeholders	Relationship with stakeholders	
Customers + 1C	Our HIROSE Philosophy encompasses the phrase "Always Taking the Lead, Pursuing the Cutting Edge, Achieving Differentiation." This phrase embodies our will to become the first partner that our customers approach by always taking action that fully considers the kinds of products and services that are of value to them. In addition, in order to create value in the "New" that goes beyond the provision of products, we will further strengthen cooperation with co-operators on connector peripheral parts (3C+1C).	
Employees	Employees are the driving force of growth with regard to business development through the implementation of our value creation model. Our corporate culture emphasizes teamwork and communication, and we value our employees' motivation and job satisfaction in the course of their work. We believe that this not only allows us to provide quality services to our customers but is also a source of growth for both our employees and the Company.	
Production partners	Production partners are our most important partner companies. We seek to build relationships where production partners and the Company can learn from each other through the joint development of elemental technologies, production cooperation, etc., by leveraging our respective strengths. In addition, we will invite production partners to participate in human capital development opportunities at the Tohoku Advanced Technology Center (TAT Center) with the aim of building stronger relationships as co-creation partners in pursuit of mutual growth.	
Shareholders	In order to achieve sustainable growth over the medium to long term, we are deepening our engagement with stakeholders who share our vision. We are implementing improvements through dialogue and have revised our capital policy in order to meet the expectations of shareholders who are looking for stable dividends in FY2024. We are also looking to interact with individual investors who are keen on long-term investment through our annual events.	
Communities	We are committed to contributing to local communities through educational support for young people and children. In FY2024, we have collaborated with neighboring companies and the Komazawa University Track & Field Team, with whom we have a sponsorship agreement, to hold events for children to meet society. We aspire to contribute to the development of culture by creating opportunities for people to connect with each other through forging relationships.	

Community Contribution Activities

Our community contribution activities

Our community contribution activities began with the voices from our employees who wanted to make our company known to local communities and contribute to these communities. While we played a part in contributing to local communities with our business activities so far, we had no point of contact with local residents as we are a business-to-business (B2B) company. However, our Investor Relations Office was restructured into the Corporate Communication and Investor Relations Office in 2022 to strengthen its corporate communications function. In December 2023, we signed a sponsorship agreement with the Komazawa University Track & Field Team and gradually increased the number of opportunities to engage with local residents. Our employees have indicated that community contribution activities instill a sense of pride in the company and increase their motivation to work. Moving forward, we will continue to create opportunities to connect people in local communities while enhancing employee engagement.

Creating opportunities for young people of the next generation to develop their potential

Presently, our community contribution activities are mainly focused on providing development opportunities for young people and children of the next generation. Examples include providing free samples to university students who are building electric formula cars, offering workplace experience programs for local junior high school students, and holding educational events for children. By supporting young people and children of the next generation, we hope to contribute to the development of education and exchange in local communities and encourage children to become interested in manufacturing through our activities.



Offering workplace experience programs for local junior high school students



Holding workshops for children alongside neighboring companies



Providing free samples to university students

Source: Nagoya University Formula Team FEM Mail News

Sponsorship of Komazawa University Track & Field Team

On July 25, 2024, we held a running clinic at the HRS Kaiseizan Athletics Stadium, for which KORIYAMA HIROSE ELECTRIC CO., LTD., has acquired naming rights, for a total of 76 high school students from eight schools in Koriyama City. In holding this clinic under the guidance of the Komazawa University Track & Field Team, we were involved in providing training opportunities for students who aspire to participate in track and field through industry-academia-government cooperation that included Koriyama City. Many employees indicated that they felt more engaged with the Company as a result of being involved in holding the event for the local community. High school students who participated in the event have also delightfully expressed their intention to pass on what they have learned to their teams for future growth, and we will continue to work on providing more opportunities to connect with people in local communities going forward.



Running clinic at the Headquarters



Tour of the new Koriyama factory for the Komazawa University Track & Field Team



Running clinic for high school students in Koriyama City

Risks / Opportunities

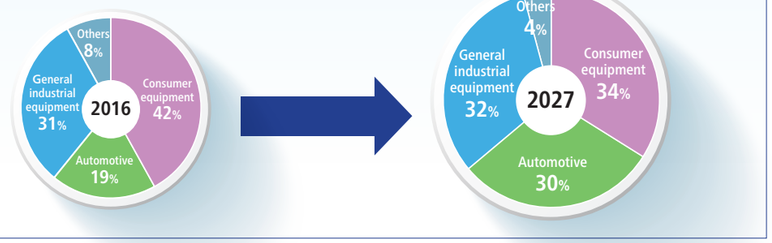
Megatrends	Characteristics of the Company and its connectors	Risks / opportunities		Our initiatives
Demographic changes Population growth at global level and declining birthrates and aging populations, particularly in developed countries	▶ **The Company's main locations are in Japan, a country that is facing the challenges of an aging population and declining birth rate ahead of other countries (approx. 50% of its production capacity is located in Japan, as well as its head office and R&D functions).**	Risks	• Labor shortages due to a declining working population • Increasing labor costs due to the competition for talent • Shrinking market due to declining consumer purchasing power	• Initiatives for deepening human capital development (reinforcing investment in human capital) • Strengthen the development of connectors for industrial equipment with a focus on changeover points in smart factories • Promote production methods and standardization in response to variable-type, variable-volume production
		Opportunities	• Evolution of equipment and increased demand for connectors due to promotion of factory automation & unmanned operation • Market expansion due to progress in automation in areas other than factories (logistics, medical services, agriculture, etc.) • Emergence of new equipment to extend or replace functions performed by humans	
Climate change Realization of carbon-free society by implementing mitigation and adaptation measures against global climate change	▶ **Connectors are primarily manufactured with electric power.** ▶ **The Company has established its customer base with the world's leading companies.**	Risks	• Loss of customer trust due to our poor response • Impact on our sites by infectious diseases and floods resulting from climate change • Increased costs due to compliance with excessive regulations	• Develop the automotive sector into one of the three pillars, focusing on the changeover points in line with CASE • Proactive introduction of renewable energy to our sites and responding to initiatives • Relocation of Koriyama factory due to high flood risk
		Opportunities	• Increased use of connectors due to energy shift from fossil fuels to electricity (EVs are a typical example) • Increased demand for connectors due to the enhancement of power infrastructure such as storage batteries • Increased demand for sensors, IoT devices, etc., due to energy management and energy conservation	
Resource circularity The advent of a recycling-oriented society in response to the challenges of resource scarcity caused by global population growth and mass consumption	▶ **Connectors are mainly made of plastic and metal parts (+ plating).**	Risks	• Insufficient response to recycling requests resulting in loss of customer trust • Environmental impact of wastewater and industrial waste from plants	• Enhance our downsizing capabilities • Water-saving technology for plating and wastewater management • Promote the use of regrind materials
		Opportunities	• Growing demand for high-quality products that do not cause defects • Resource conservation through pursuing downsizing technologies to make our products more appealing	
Discontinuous technological advancement Development of various technologies such as AI, IoT, 5G and AR/VR for the advancement of digitalization and the resulting explosive increase in the volume of information	▶ **Connectors, as pathways for electricity and connecting components for functional modules, are expected to develop further along with the progress of electrification in various markets.** ▶ **The Company should develop its business focusing on four Key Technologies (high-speed, high-frequency, high-power, and downsizing) in a wide range of markets consisting of the three pillars (consumer equipment, automotive, and general industrial equipment).**	Risks	• Decline in existing advantage due to shift in market structure • Risks associated with the transfer of added value from hardware to software	• Establish a business portfolio based on the three-pillar strategy • Provide high-speed transmission solutions through analytical simulation (integration of software and hardware)
		Opportunities	• More variations of connectors due to diversification of applications • Development of expertise in the three-pillar fields due to cross-field development of technology • Explosive growth in information volume increases demand for high-speed technology in connectors	
Division in the world Exclusion of other countries and/or increased restrictions due to political issues between nations and disruption of production and/or logistics due to disputes, etc.	▶ **The Company has 57 plants and sales offices in 15 countries and regions around the world, with international sales accounting for approximately 80% of all sales.**	Risks	• Procurement risk due to disruptions in global supply chains • Decrease in value of global companies due to preferential treatment of domestic companies (localization)	• Strengthen collaboration with HIROSE KOREA CO., LTD. • Promote multi-country production and inventories and develop the next-generation SCM system suitable for that
		Opportunities	• Earn customer trust by strengthening supply chain resilience • Growing expectations for global support for customers' supply chains	
Diversification of values and increased awareness of human rights Diversification of work lifestyles and personal preferences based on the premise of society becoming more diverse	▶ **In line with the HIROSE Philosophy, we will connect the wisdom of our diverse partners and focus on the development of original and differentiated products.** ▶ **Approximately 80% of the total of around 5,000 employees are from overseas locations, realizing a global workforce with diverse values.**	Risks	• Decreased ability to execute cross-segmentation and cross-functional activities due to decreased cohesiveness in the Group • Wrong predictions about product trends against a backdrop of diversifying needs • Damage to corporate value due to the occurrence of human rights issues	• Pass down the HIROSE Philosophy • Strengthen contact points with customers (e.g., holding of Hirose Technology Exhibition) • Promotion of health and productivity management • Human rights risk assessment and governance through RBA audits
		Opportunities	• Diversification of electronic devices and market expansion reflecting personal preferences • Advancement of innovation through the acquisition of talented human capital • Earn customer trust and increase employee loyalty through respect for human rights	

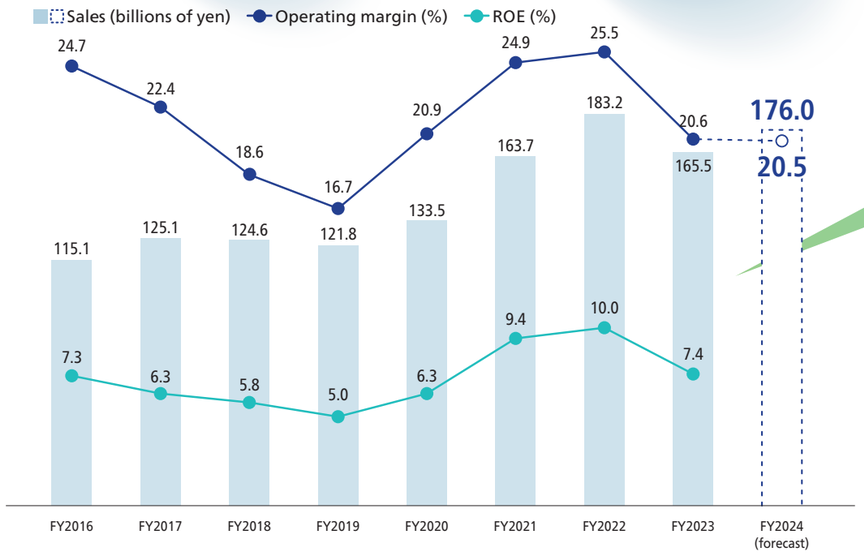
Medium-Term Business Plan Results and Medium-Term Business Targets

In May 2024, we announced our targets for sales, operating margin, and ROE as medium-term business targets for FY2027. Our three-pillar strategy (consumer equipment, automotive, and general industrial equipment), which we have been actively pursuing since around 2016, has steadily improved our competitiveness and presence in each market. We aim to achieve our targets for FY2027 through the establishment of these three pillars, and we will start to develop new business growth drivers as the next step. We believe that the development of new technologies and the creation of new business fields and markets are essential for achieving long-term sales growth and for continuing to be a "High Flier." We will move forward at an even faster speed with the aim of providing high added value to our stakeholders and enhancing our corporate value.

Review of our results

Since FY2016, we have made significant investment, particularly in the automotive and general industrial equipment sectors, in order to establish the three pillars (consumer equipment, automotive, and general industrial equipment) as our market portfolio strategy. As a result of our success in accumulating business capital such as superior human capital, equipment, and know-how, sales in these markets have grown, and we were able to achieve record highs in both sales and operating profit in FY2022. However, both sales and operating profit declined year on year in FY2023 due to the significant impact of market conditions, including protracted inventory adjustments of general industrial equipment and the economic downturn in China. While we were able to lay the foundation for continued growth, we have realized the need for us to further strengthen our business foundation and will establish a more balanced market portfolio over the medium term that is driven by the automotive market, which is in its growth phase. In this medium-term plan, we will work simultaneously on strengthening our long-term business platform and on initiatives aimed at achieving business growth.





Initiatives for business growth

In addition to continued growth in sales, the Medium-Term Business Plan has also set a target for an increase in the operating margin. To achieve this, it is important to increase the amount of added value per unit, establish a competitive advantage in each market of the three pillars, and release valuable new products on an ongoing basis, to which end we will implement medium-term initiatives. We are also exploring and developing areas that are new growth drivers to achieve growth over an even longer period than the medium-term plan.

Higher productivity

Initiatives

- Establishment of TAT Center
- Promotion of applying platforms for production equipment
- Introduction of next-generation SCM system

pp. 23-24

Establishment of the three pillars

Initiatives

- Sales strategies by market
- 3C+1C activities
- Start new Koriyama factory
- Expansion of Hirose Korea Precision Connector Center

pp. 23-26

New product ratio of 30%

Initiatives

- Product strategies by market
- Hirose Technology Exhibition
- Zero One Festival
- Elemental technologies

pp. 23-26

Development of growth drivers for the "New."

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Medium-term business targets for FY2027

Sales:
¥230.0 billion

Operating margin:
25% or more

ROE:
10% or more

Strengthening our business platform

We have set the following targets with the goal of building a sustainable business platform, including sustainability initiatives.

Addressing climate change	60% reduction in CO_2 emissions (Scope 1 and 2) by FY2027 (relative to FY2021) Carbon neutrality by FY2050
Diversity	Target percentage of female managers: 15% (FY2034) Target hiring ratio of women: 30% or more per year
HIROSE Philosophy	100% implementation of the "Connect and Evolve with the HIROSE Philosophy" campaign across all departments and locations
Health and productivity management	Continued acquisition of certification across all domestic locations
Capital policy	Steady achievement of an ROE of 10% (FY2027) and a dividend on equity (DOE) ratio of 5%

Medium-Term Business Plan Initiatives for Business Growth

Higher productivity

We have achieved high profitability by following the HIROSE Philosophy of being "A Small Company of Smart People." In order to achieve our medium-term business targets for FY2027, we need to strengthen profitability while expanding our scale. To this end, we will strive to increase sales and profit per unit. For us to continue to be a "High Flier" going forward, we will strengthen our initiatives to engage in business operations that allow each and every one of our employees to generate high added value.

Utilization of the TAT Center

In the current era of rapid technological innovation and environmental changes, customers are demanding ever faster speed from product development to mass production. We have established the Tohoku Advanced Technology Center (TAT Center) with the goal of further stimulating two-way cooperation among production engineers, factories, and production partners. By greatly shortening the lead time from development to fabrication of production equipment, we will be able to respond to customer requests in a timely manner.



Promotion of applying platforms for production equipment

In the past, most consumer equipment businesses were considered to be highly volatile, but every field has become increasingly unpredictable on the back of today's rapid change. Therefore, in order to cope with changes in demand, we have been developing platforms for equipment to increase its versatility. We will strengthen our highly profitable corporate structure by meeting BCP needs and increasing utilization rates with equipment that can handle production of various types.



Introduction of next-generation SCM system

In order to respond more promptly and flexibly to an increasingly complex external environment, we will renew and standardize our production and sales management system across the globe. The old system gave rise to operational redundancies to compensate for areas that were not integrated with the system, but the introduction of the next-generation SCM system will transform business processes and optimize operations. This system will also be integrated with our accounting system to visualize the flow of information, goods, and cash. The new system will improve operational efficiency and expedite decision-making, thereby allowing us to focus our human capital and resources on achieving higher-value-added operations.



Establishment of the three pillars

We aim to establish a market portfolio strategy that we have been working on since the 2010s. To maintain and accelerate the current growth trend to achieve our FY2027 sales target of ¥230.0 billion, we will solidify our business platform in the consumer equipment, automotive, and general industrial equipment markets. While our initiatives to date have allowed us to expand our products, customers, and scope of adoption, we will continue to take steps to further strengthen these areas.

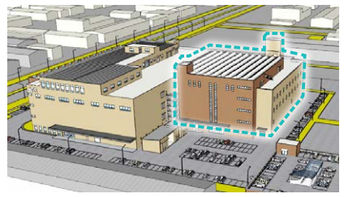
Start of operation of new Koriyama factory

The new Koriyama factory was established to strengthen our capability for production engineering for products aimed at the automotive and general industrial equipment markets. We will enhance our capability for production engineering and further refine our quality and ability to respond to fluctuations. Our customers in the automotive and general industrial equipment sectors demand high standards in terms of quality and supply capabilities. We will thus take advantage of the new Koriyama factory to firmly meet these needs and further improve customer satisfaction.



Expansion of Hirose Korea Precision Connector Center

As a leading company for micro-connectors, the Hirose Korea Precision Connector Center will be expanded to strengthen its product competitiveness and manufacturing expertise. HIROSE KOREA CO., LTD., which is equipped with manufacturing, sales, and technological functions within South Korea, will continue to be strengthened going forward not only to ensure prompt response in the country but also to serve as an important base for development and production in the global market.



3C+1C activities

Our 3C+1C activities are one of the key efforts we focus on to create markets and improve added value, and these activities involve actively working with not only the 3Cs (the Company, Customers, and Competitors) but also with the 1C (Co-operators). Connectors function by facilitating connections to other electronic components such as printed circuit boards and cables. Another role of connectors is to support and reliably deliver signals that are becoming faster with the evolution of semiconductors. In order to maximize added value for our customers, we will continue to actively cooperate with electronic component manufacturers and various other companies and organizations.



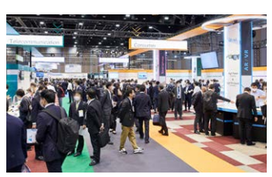
New product ratio of 30%

This key guideline of having the Company achieve 30% of sales from new products is an essential initiative for achieving our sales and operating margin targets for FY2027.

In order to meet this guideline on an ongoing basis, it is essential for us to possess development capabilities for creating products that are "Always Taking the Lead, Pursuing the Cutting Edge, Achieving Differentiation," as well as the marketing capabilities to anticipate market trends. Having the right corporate culture for these efforts is paramount, and we will continue to implement systems to encourage these challenges.

Hirose Technology Exhibition

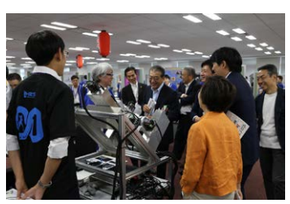
The Hirose Technology Exhibition is our private show to which many of our customers from Japan and overseas are invited. It is held once every three years and has been held a total of 15 times. Our unreleased new products and conceptual products are exhibited at the show alongside commentary by our development personnel. Through conversations with customers, the show creates opportunities for us to gain various insights into areas of improvement and new needs. Customers have also shown their appreciation for the moments of inspiration gleaned from our cross-field proposals in consumer equipment, automotive, and general industrial equipment. The next iteration of the show is scheduled to be held in 2025.



Hirose Technology Exhibition in FY2022

Zero One Festival

This in-house exhibition event is held once every three years to provide opportunities for engineers to give shape to their ideas. In order to foster a corporate culture that encourages taking on new challenges, the exhibits are not limited to connectors or the work they have been tasked with. This allows participating engineers to showcase their own ideas, such as manufacturing using sustainable materials as well as AI- and software-related exhibits, and help to develop each other's creative ideas.



Elemental technologies

Driven by our aim of "Always Taking the Lead, Pursuing the Cutting Edge, Achieving Differentiation," we are also focused on the development of elemental technologies for the medium to long term. As a company whose extensive market spans the three pillars, we are actively cooperating with other companies and production partners to develop elemental technologies, thereby offering a wide range of solution proposals by leveraging the knowledge of each company. In recent years, we have been holding more and more in-house exhibitions and seminars with the aim of sharing knowledge across different departments.

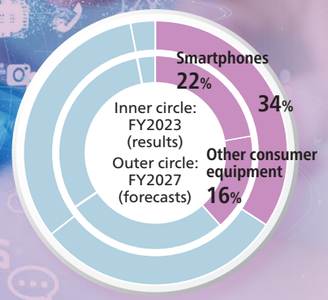


Medium-Term Business Plan Business Strategy by Market

Consumer equipment

Sales (FY2023) ¥60.8 billion

CAGR Approx. 6%



Market characteristics and trends

Intensifying competition among connector manufacturers in the mature smartphone market and emergence of opportunities in the other consumer equipment markets due to the evolution of wearable devices

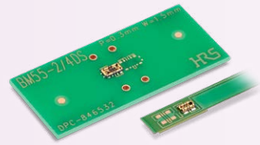
- Market with overwhelmingly large volume and high volatility
- Rapid technological changes such as the introduction of AI and expansion of XR, leading to the importance of speed of response to changes
- Growing requirements for connector specifications (e.g., downsizing, high-density, high-power, etc.) as device functions improve
- Emergence of new connector suppliers such as local manufacturers

Product life cycle	Short	Medium	Long
Volume	Large	Medium	Small
Demand for custom-made products	Low	Medium	High

Growth strategies

Aim to maintain and strengthen our development capabilities, cost competitiveness, and ability to respond promptly as a leading micro-connector company

- Sales activities focused on expanding business with leading global customers
- Wide range of marketing activities targeting startup companies and others in order to maintain and expand market share in the wearable devices market, which is expected to grow
- Promote standardization of production equipment and pursue compact integrated production in order to respond flexibly to drastic changes

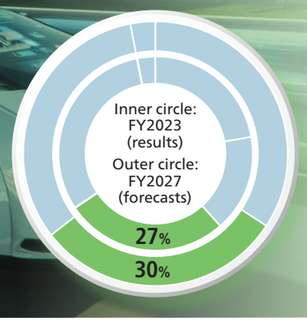


BM55 Series
- World's smallest class
- Power & signal hybrid
- Fully armored micro-connector

Automotive

Sales (FY2023) ¥42.9 billion

CAGR Approx. 13%



Market characteristics and trends

Increasingly rapid change in the automotive market, both in terms of technology and industrial structure
Promising market where electronic control is advancing and on which electronic component manufacturers are focused

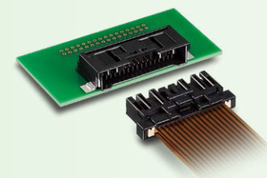
- Advancement of intelligent operations as exemplified by automated driving
- Changes in customers' design concepts due to growing importance of software
- Changes in industrial structure due to rapid growth of emerging EV manufacturers
- Trend of medium- to long-term EV expansion is expected to continue despite slowing EV market growth in recent times

Product life cycle	Short	Medium	Long
Volume	Large	Medium	Small
Demand for custom-made products	Low	Medium	High

Growth strategies

A field where steady results are being achieved and which will drive medium-term growth
Invest proactively in order to continuously expand customer and product bases

- Expand collaboration with OEMs and Tier 1 manufacturers starting from the development stage by leveraging our downsizing, high-durability, high-frequency, and high-speed transmission technological capabilities
- Concentrate on launching products focused on changeover points such as CASE
- Promote to apply platforms for production equipment to improve cost competitiveness
- Localize development and production processes for expansion into overseas markets

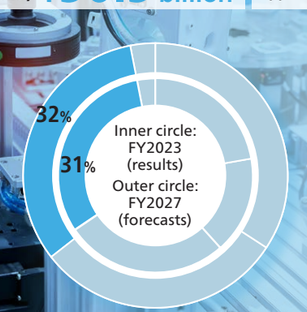


ZK1 Series
- Withstand temperatures of 125°C
- High vibration resistance
- FPC-to-Board Connector

General industrial equipment

Sales (FY2023) ¥50.5 billion

CAGR Approx. 10%



Market characteristics and trends

Growing market opportunities as implementation of smart technology gains pace
Demand for optimal solutions that can serve as the next industry standard

- Development of smart factories due to growing need for automation
- Growing importance of connectors due to electrification of industrial equipment, and increasingly stricter specification requirements
- Market where we can leverage our various downsizing, high-power, high-speed, and high-frequency technologies due to the wide range of applications

Product life cycle	Short	Medium	Long
Volume	Large	Medium	Small
Demand for custom-made products	Low	Medium	High

Growth strategies

Aim to expand the market by leveraging the product series we have accumulated and our customer base while cooperating with new companies and organizations

- Expand global distribution network and web promotion to approach more customers worldwide
- Develop solutions through cooperation with various organizations and companies
- Expand business with non-FA customers such as those involved in medical equipment and storage batteries by leveraging cross-field knowledge
- Expand solution proposals by implementing cross-licensing with other companies in the industry



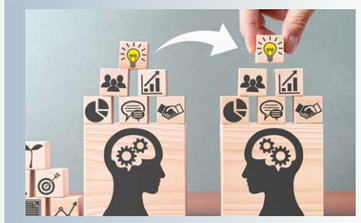
MT Series
- Power & signal hybrid-type
- IP67 waterproof rating
- Lever-Lock Connector

Cross-field strategies

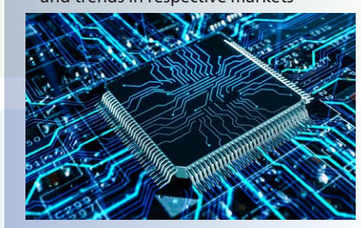
- Deploy downsizing capabilities cultivated in the consumer equipment sector for other fields and for products with other applications



- Improve quality assurance capabilities by applying quality management capabilities for meeting the high quality requirements of the automotive sector in other fields



- Product development based on forecasting technological changes for key modules such as semiconductors and trends in respective markets



- Expand cooperation with other companies to strengthen solutions, including connector peripherals



CAGR: Compound annual growth rate from FY2023 through FY2027

Medium-Term Business Plan Development of Growth Drivers for the "New."

As the next step in establishing the three pillars we have been working on hitherto, we aim to further expand our business and technologies. "New" as perceived by us includes a variety of things. By "New," we refer to new value creation that leads to high added value, including "New" technologies, "New" markets, and "New" creations with partners. Therefore, we are not only engaged in initiatives aimed at the development of new markets and technologies but also in "New" initiatives concerning the strengthening of existing markets and technologies. We have undertaken a variety of initiatives designed to provide new value, an example of which being our initiative regarding active optical devices that is outlined below.



TOPIC

Optical devices

As the volume of information communications grows, there is a limit to even higher-speed communications using electrical signals due to factors such as higher power consumption, heat generation from electrical resistance, and noise generation. One solution to this challenge is photoelectric fusion technology, which is capable of incorporating characteristics of both light, which excels at transmission, and electricity, which excels at signal processing. This technology can achieve low-power, low-resistance, low-noise, and higher-speed communications by using optical signals for communication within devices. Active optical devices are necessary to achieve this, and we will aim to expand our business in this area, which will also help address issues in an information-oriented society.

Capital and business alliance with AIO Core Co., Ltd.

AIO Core will develop silicon photonics chips with even higher functionality than IO Core®, an optical module which utilizes silicon photonics technology and quantum dot laser technology that has already been commercialized. We will undertake the joint development and sale of modules and "connectorized" products that utilize these silicon photonics chips.

Medium-Term Business Plan Capital Policy

We announced a new capital policy in May 2024. As a company that generates abundant cash flow, we will improve capital efficiency through new value creation while striking a balance between proactive investment for future growth and return of profit to shareholders. We are committed to enhancing our corporate value over the medium to long term and meeting the expectations of our stakeholders.

Medium-term targets (FY2027)

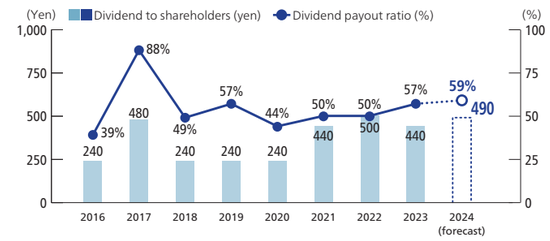
1 Return of profit to shareholders

Old Dividend payout ratio: 50% → New Dividend on equity (DOE) ratio: 5%

With regard to shareholder returns, our previous target of a dividend payout ratio of 50% could not eliminate the impact of single-year performances due to market conditions, which meant that we were not always able to increase dividends in a stable manner. Therefore, we have introduced a new indicator aimed at achieving stable dividends: a dividend on equity (DOE) ratio of 5%. In addition to stable dividends, we will also strive to increase dividends by improving earnings per share.

*This policy may be revised due to the following factors.
(1) In the event of sudden and unexpected changes in the business environment (conflicts, natural disasters, infectious diseases, etc.)
(2) In the event that the need arises for substantial outlay of funds for M&A

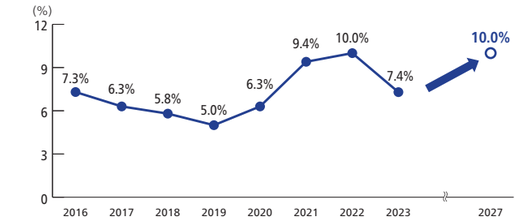
Trends in dividend payout ratio



2 Capital efficiency Achievement of stable ROE of 10% in FY2027

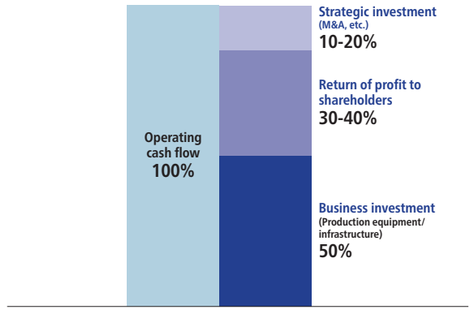
As of March 31, 2024, our capital cost is expected to be 6% to 7%, and we believe that an ROE of 10% is a level that meets the expectations of our shareholders. Although ROE was around 10% in FY2021 and FY2022, ROE was 7.4% in FY2023 as a result of the impact of lower sales due to stagnation in the general industrial equipment market and various cost increases such as higher labor costs. Looking ahead to FY2027, we will further improve productivity and seek to build a corporate structure that allows us to achieve a stable ROE of 10%.

Trends in ROE



Medium-term cash allocation

Image for the cumulative period of FY2024 through FY2027



During the period of this Medium-Term Business Plan, we plan to establish the three pillars and achieve sales growth, and we will make proactive business investment, including in the expansion of our production capabilities. We also expect to make strategic investment in new areas to develop the next pillars of our business. We aim to strike a balance between the stable return of profit to shareholders based on a 5% DOE level and proactive investment for future growth.

Leading the Next Generation with the “Power to Connect”

~Interview on Introduction of the Next-Generation SCM* System~



The Hirose Group is evolving by connecting the Company with external entities through the introduction of the next-generation SCM system and by renewing its operational processes.

In order to strengthen our foundation for continuous growth, we will progressively introduce the next-generation SCM system to each local site starting this fiscal year. In this era known as VUCA (volatility, uncertainty, complexity, and ambiguity), introducing an enterprise resource planning (ERP) package with functional updates will enable us to expand our business and adapt flexibly to external changes. We are also working to standardize our operational processes as we switch from in-house software to global-standard software. Practitioners who will handle the system in the future are playing active roles as core members of the team. The following is an interview of IT personnel who are overseeing the introduction of the system and a message from a member of the introduction team.

*SCM: Supply Chain Management

Please tell us the background behind the introduction of the next-generation SCM system.

H.S. The background to this was the strong demand for an expanded production and sales management system that can respond flexibly to changes in the external environment. This is because we were aiming to realize the Company’s Ideal Vision. When the previous system was introduced in 2008, sales were only around half of what they are today. As a result of the rapid increase in the number of global customers as well as the growth of the automotive market which we have newly focused on, the previous system often failed to keep up with changes in the environment. Moreover, the trend toward stricter quality requirements has also led to a rapid increase in the difficulty of complying with requirements of systems for production management, 4M change management, etc.

We have been optimizing this system through partial modifications in response to these issues. However, when we looked ahead to the future expansion of sales on a scale exceeding ¥300 billion per year, there was growing momentum not only in the IT Department but also in sales and manufacturing team to improve the efficiency of our operational processes and shift to high-value-added operations. Following a series of discussions with on-site personnel regarding the growth we should aim for as well as existing operational issues, it became evident that we needed to resolve issues common to each department in order to realize our Ideal Vision.

How were the issues common to each department utilized for the introduction of the new system?

T.S. To give an example of issues we were facing at the time, the COVID-19 pandemic had given rise to disruptions in logistics, and we were unable to ship products manufactured at our overseas factories to our customers. As the situation was evolving from moment to moment, we had no choice but to be reactive in our response, including by making system modifications at each location according to changes that had occurred. This was due to the fact that the system, which encompassed operational processes, had been individually optimized, and it was not possible to update the entire system at once when the external environment changed, which was really time consuming at each location. To overcome these issues, we switched to a policy of standardizing individually optimized business content. We also bridged information between different functional organizations on the same system in real time. This approach eliminated redundant work and shifted to higher-value-added operations. The concept of “Connecting” was ultimately derived from all of this.

H.S. For us, the next-generation SCM project is not merely about introducing the new system but is also about building a foundation to support next-generation business based on the concept of connecting. This project embodies our strong intention to integrate product-centered information by connecting everyone from overseas sales subsidiaries to external production partners through the system. We also have the goal of having information represent actual situations correctly in real time and achieving maximum operational efficiency. We are a company that does not simply increase the number of personnel in proportion to the expansion of sales. Therefore, in order to preserve our organizational culture of “A Small Company of Smart People,” this concept of “Connecting” is an important element for promoting efficiency.

Leading the Next Generation with the “Power to Connect”

~Interview on Introduction of the Next-Generation SCM System~



What kind of changes will occur on-site as a result of the availability of information from the next-generation SCM system?

H.S. In terms of how information is actually shared between different sites, the most salient features are the real-time integration of production/sales management and accounting as well as the standardization of accounting items. In the past, information in the system was not sufficiently integrated as far as accounting was concerned and accounting systems differed from location to location. The Accounting Department had to check with overseas locations by means other than through the system. This will no longer be necessary from now on, as we can look up the same data in the same system. After the system is introduced, all data from customer orders to accounting information will be made available across the entire Hirose Group. This will allow all parties involved to view data such as inventory shortages and excesses, product costs and profits, and other management indicators in real time through a variety of meshes. More importantly, we can forecast the future based on this data, encouraging the Group as a whole to act in a manner that is more independent and logical. Specifically, those involved in manufacturing will be able to check inventory information from sales companies and the entire supply chain in real time. This allows everyone to detect abnormal values early and make proactive adjustments to ensure appropriate production levels, etc.

T.S. As for the most revolutionary transformation of operation, we expect that negotiation work related to delivery time, which used to take a lot of time on-site, will be cut in half. In addition, forecasts and location-specific inventory information can be looked up on the system. We expect to completely eliminate the need to hold information-sharing meetings between manufacturing and sales departments. The time freed up by the increased efficiency can potentially be used for activities directly related to sales and for strengthening cooperation with production partners. These are not things that can be achieved by renewing the system alone, and we will simultaneously carry out operational transformations, such as strategically stockpiling essential inventory, to reduce the amount of internal adjustment work. This is a major transformation for the Company, which used to have a culture of “stockpiling is evil.”

How will the operational transformations be promoted on-site?

H.S. Although the introduction of the system is led by the IT Department, two to three people from each location have participated in the project. Those include young and veteran front-line employees from sales and manufacturing departments, plus overseas sales companies. By having the people who will use the system involved in the project, we wanted to incorporate the knowledge on-site into the project. We also foster an understanding that they will be handling the system on their own in the future. Over the course of the project, we posed questions about our current operational processes and engaged in discussions on what we truly want to be. We then attempted to align with the heads of departments and asked them to convey messages that would also resonate with practitioners. Since explanations from the IT Department are inevitably biased toward logic, it is important to cast messages into a form through which practitioners can feel the system’s benefits so that they can be convinced of its necessity and participate in the project. In this sense, I feel that the Company’s strengths are indeed the active cooperation of each department and the sense of unity in pursuit of common goals.

Finally, please tell us the role of the IT Department after the introduction of the next-generation SCM system and the expectations you have for the people who utilize the system.



T.S. Although the introduction of the next-generation SCM system will create a system that is more responsive to changes in the external environment, we who handle the system must also be flexible to change. In order to improve the Company in a constantly changing environment, we need to have the courage to not fear change and the ability to think in a holistic and optimal manner. I hope the new system will give us the impetus to achieve that. Optimal decisions were made on an individual basis with the previous system, but with the instant availability of both internal and external information in the next-generation SCM system, users of the system will be able to have a bird’s-eye view of information in its entirety. In particular, the IT Department is the department that captures the flow of information across the entire Group, so we are aware of our role in communicating from the perspective of what should be done for overall optimization.

H.S. In order to achieve continuous growth of the Company, we need next-generation human capital who can communicate what needs to be changed and what needs to be preserved across the entire Group in a manner that transcends hierarchical relationships and differences in the positions of departments. Through this project, there were many occasions when honest exchanges of opinions took place from the respective standpoints of sales and manufacturing. I remember being impressed with how serious practitioners were about wanting to make changes and attempting to change things. If we can expand the pool of human capital with such a spirit by having people partake in the project, this will be a source of growth for the Company. I hope to entrust our next generation to human capital who have a future vision and who can think about what they need to do now based on a mutual understanding of each other’s position.

What I saw through the project



Y.E.
Project member,
Sales & Marketing

I participated in this project from a sales department, and the mission of introducing the next-generation SCM system was like being assigned a massive research project to work on as a team. I had to think about it, write down my thoughts, and give my ideas a try without knowing what the correct answer is. I am proud to say that I have acquired the ability to think and act on my own by breaking free of the thought patterns of everyday work. I have also developed the habit of changing the way I think and acting flexibly according to the situation without getting too obsessed with my own ideas. Of course, there were times when we were confronted with problems that were difficult to solve, but the members of the team motivated each other by altering our perspectives and viewing such problems as a sign that we were making progress in the project. The next-generation SCM project is a major transformation that takes place once every decade or so. Through this project, we were able to take on new challenges in a positive manner based on relationships of trust established among members in the same age group by amplifying each other’s strengths and compensating for each other’s weaknesses. This was ultimately the result of teamwork, and it contributed to my personal growth.

Sustainability

Approach to sustainability

The Hirose Group considers the recent increase in awareness about sustainability as an opportunity to take a fresh look at connectors and at itself. The function of "connecting and disconnecting" provided by connectors makes it possible to divide electronic devices into units. This has brought diverse benefits, including improved handling and workability, resource conservation and waste reduction through replacement by units, and division of labor through split production.

Among other things, the Hirose Group has created many new products, including the world's smallest connectors, with the spirit of always taking the lead, pursuing the cutting edge, and achieving differentiation as stated in the HIROSE Philosophy. The evolution of electronic devices is indispensable for technological innovation to realize a sustainable society, and the Hirose Group aims to solve social issues through its business activities.

Sustainability basic policy

Based on our Inseparable Principles of being "A Small Company Connecting Wisdom," as a specialized connector manufacturer that connects products using amassed human wisdom, the Hirose Group believes that the mated/unmated 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.

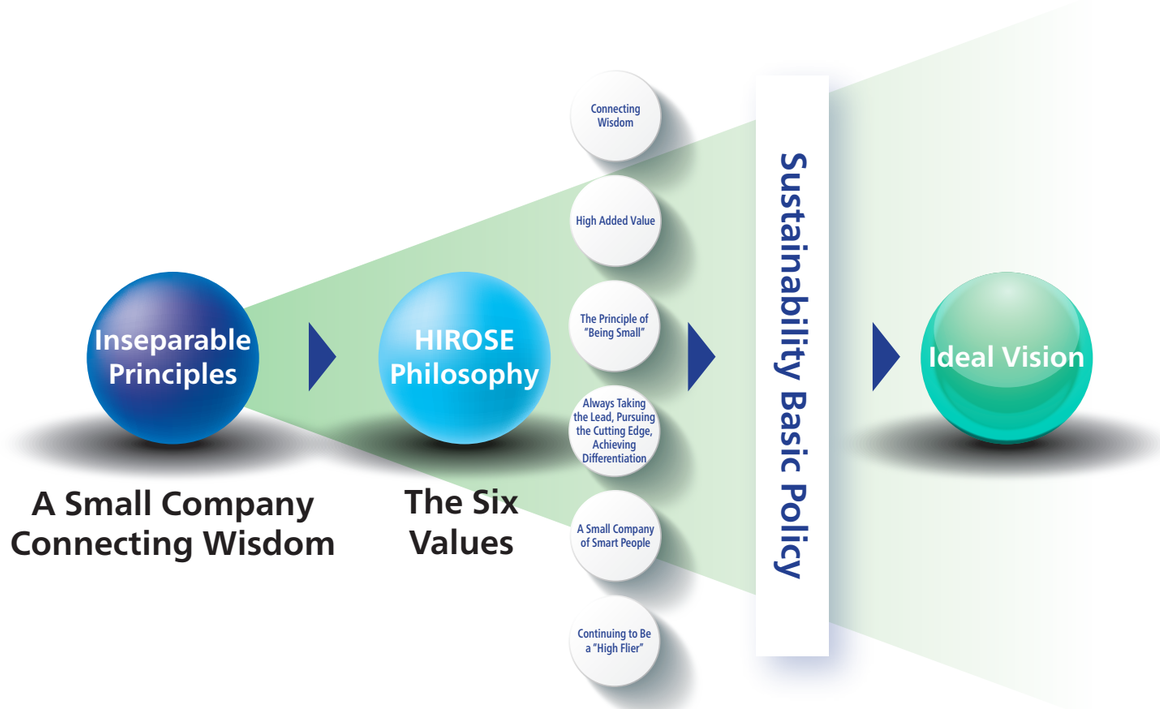
- Contribute to the realization of a prosperous society with products that customers are satisfied with through forward-looking development that responds to changes in the times and market.
- Comply with laws and regulations of countries and regions, international rules, and internal rules while faithfully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

Sustainability promotion system

Management decision-making is mainly conducted by the Group Presidents' Meeting, which consists of the President and the persons responsible for the execution of each functional group, and the Board of Directors, which receives planning proposals from the Group Presidents' Meeting and makes resolutions on them. The decisions are made in coordination with the CSR and Risk Committee and other committees depending on the theme. Moreover, in fiscal 2021, we started a project to promote understanding of sustainability inside the Company. Comprising mid-level employees who will carry the Company forward into the future, as well as the Director responsible for the Administration Group who participates as an observer, this project promotes sustainability in cooperation with the Board of Directors.

Participation in the UN Global Compact

The UN Global Compact is a voluntary initiative in which each company provides creative and responsible leadership, acts as a good corporate citizen, and participates in global framework development for realizing sustainable growth. UN Global Compact signature companies engage in activities aimed at this goal on the basis of each company's chief executive's commitment to ten essential CSR principles related to the protection of human rights, elimination of unfair labor practices, environmental action, and anti-corruption. The Hirose Group, as a global company, will further promote CSR activities with the aim of realizing a sustainable society by participating in the UN Global Compact.



Theme	Pages to refer to	Our initiatives
Active participation of diverse human capital	P35 - P38	• Initiatives to develop human capital • Initiatives in support of diverse workstyles • Connect and Evolve with the HIROSE Philosophy
Health and productivity management	P43	• Promotion of health and productivity management
Response to climate change	P45 - P46	• Disclosures in line with TCFD • Set reduction targets for Scope 1 and 2 • Initiatives aimed at 100% use of renewable energy
Initiatives for the environment	P47 - P48	• Treatment of substances with environmental load • Reduction of water and paper consumption • Recycling and reduction of waste disposal
Respect for human rights	P49 - P50	• Development of human rights policy • Conduct the RBA VAP audit • Complaint handling mechanism
Actions for the BCP	P51	• Establishment and renewal of the Business Continuity Plan
Promotion of responsible procurement	P52	• Green procurement activities • Our actions for responsible procurement of minerals
Corporate governance	P53 - P62	• Establishment of governance system with high transparency • Risk management • Compliance

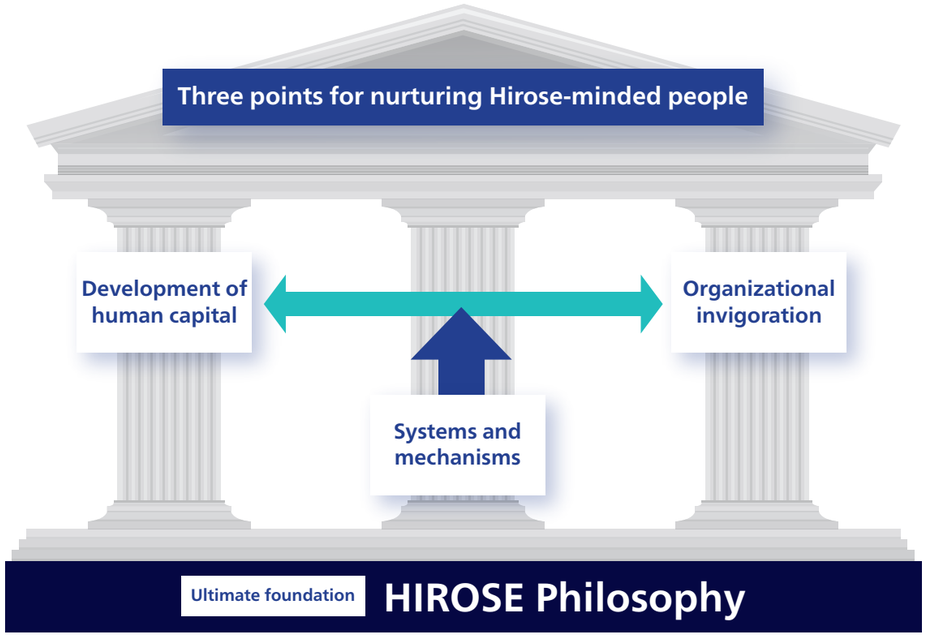
Human Capital Strategy for Continuous Growth and Development

Human capital strategy of the Hirose Group

The Hirose Group positions "growth and invigoration of people" as the key to corporate sustainable growth. We aim to continue being a company that evolves by "taking on challenges" and "working diligently and energetically." Connecting the wisdom of each employee and pursuing original products are the source of our competitiveness and the pillar that supports the Hirose Group. In order to continue to spark innovation in a business environment with significant changes, we must let our diverse and excellent employees maximize their abilities 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.

Human capital vision of the Hirose Group

1. Persons who connect wisdom from inside and outside the company and produce new value
2. Persons who focus on teamwork and maximize the performance 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

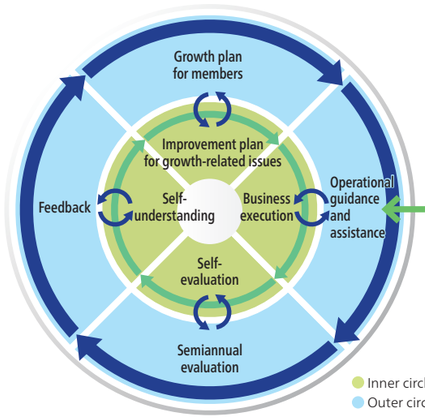


*Hirose-minded person: A member of the Hirose Group who understands and empathizes with the HIROSE Philosophy and who puts it into practice

Development of human capital

When we were a small company, each employee developed an entrepreneurial mindset by being involved in a variety of tasks on-site, but as the Company expanded in size, our operations have become more fragmented, making it difficult to gain diverse experience. In order to preserve the independent entrepreneurial mindset that is one of the strengths of the Hirose Group and to systematically create human capital who will drive our business in five to ten years' time, we will develop human capital who carries a variety of work experience and human skills. In addition, we aim to respect diversity and shift from conducting the same training across the board to a human capital development cycle that is more focused on each individual.

Human capital development cycle



On-site development initiatives
- Training Dojo
- Overseas trainees
- Trial shuttles
- Zero One Festival, etc.

Development initiatives



Ayumi
First-year employees write daily entries in "Ayumi" and receive one-on-one advice from their mentors



Zero One Festival
A festival organized by engineering departments where employees are free to present ideas on what they love



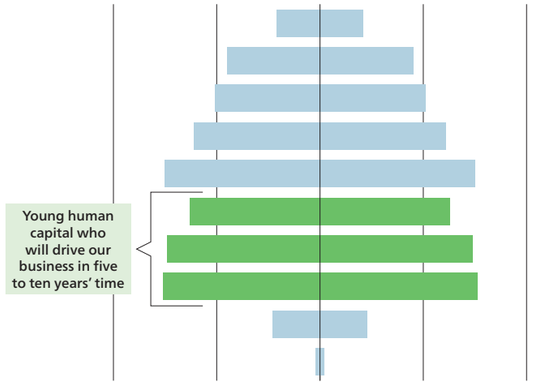
Training Dojo
En masse lecture-style training conducted by engineering departments for all new employees on common knowledge and know-how



Overseas trainees
A system for dispatching trainees across national borders, such as between headquarters and sales companies or between headquarters and factories

Initiatives for deepening human capital development

Composition of the Company's personnel by age



We have been strengthening mid-career hires as part of efforts to address the asymmetry in composition by age caused by decreased recruitment during the global financial crisis and to secure human capital to support medium- to long-term business growth. While it is still necessary to continue acquiring young human capital who will drive our business in five to ten years' time, it is also important to concurrently strengthen human capital education. In particular, our initiatives for deepening human capital development include the following initiatives aimed at young people who will lead our business in the future.

New personnel system	Early promotion policy for employees with outstanding performance and revised pay system that is free of consideration for seniority or equality among peers
Next-generation human capital development	Expansion of human capital pool through systematic development of core human capital
Proactive career development	Focus on the individual while providing growth opportunities aimed at achieving the Ideal Vision for the future

Each department will cooperate with the Human Resources Department to promote these initiatives while pursuing optimization across the board, including by expanding the initiatives to provide diverse work experience in addition to education that is currently conducted.

Human Capital Strategy for Continuous Growth and Development

Diversity

New ideas are always required to achieve continuous growth globally and to evolve and develop the Company. Since it is difficult to achieve this goal in a highly homogeneous group, we have been promoting diversity to allow a diverse range of employees to play active roles. Going forward, we will systematically increase the number of non-Japanese and female executives and employees with the aim of becoming a company where diverse employees can play active roles.

Promotion of women's participation and advancement

Policy

1. Aim to be a company where diverse employees can play active roles
2. Systematically and consciously secure and develop capable female human capital
3. Promote the creation of flexible systems and frameworks that allow talented and diverse human capital to continue working

- **Percentage of female managers in FY2034: 15%**
  (approx. 8.8 times of that in FY2024)
- **Hiring ratio of women: 30% or more per year**
- **Percentage of female employees in FY2034: 30%**
  (approx. 1.5 times of that in FY2024)

Engaging mid-career hires

With an eye on continued global growth, we are actively promoting mid-career recruitment focused on expertise. In recent years, more and more employees who once chose to resign from the Hirose Group are rejoining the company. The Hirose Group, which places great importance on empathy with the HIROSE Philosophy, aims to create an environment in which employees from diverse backgrounds, regardless of their origins, can play active roles.

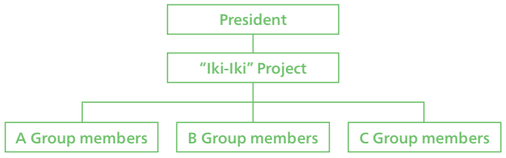
Percentage of mid-career hires

- **43% of the Board of Directors**
  *Excluding Outside Directors (as of June 30, 2024)
- **33% of managers and above**
  *Excluding subsidiaries (as of March 31, 2024)

Organizational invigoration

The individuality of employees, which the Hirose Group emphasizes, is key to maximizing organizational capabilities and invigorating the organization. A workplace with maximized organizational capabilities is one in which every employee takes on challenges without fear of failure and works actively with a sense of motivation, enabling the organization as a whole to continue to grow and evolve. The bottom-up activities of the employee-led "Iki-Iki" Project that was established in 2019 have shifted from past activities focused on the ease of performing work to the goal of maximizing organizational capabilities across all departments under the slogan of "Comfortable workplace, full of motivation.," which was unveiled by employees in fiscal 2024.

Organizational structure for the "Iki-Iki" Project



Slogan for the FY2024 "Iki-Iki" Project

Comfortable workplace,
full of motivation.

Initiatives aimed at improving engagement

FY2019	Campaign for calling people by their name with "san," instead of using their title*
FY2020	Working-from-home* Program for paid leave by the hour*
FY2021	Hot desking*
FY2022	Eligibility for shortened work hours for childcare (expanded from first-year to third-year elementary school students)* Declaration of health and productivity management Stepwise review of annual paid leave entitlement completed
FY2023	System that allows employees to take leave when their spouse is transferred overseas Introduction of regional employee system (as of April 1, 2024) Stock incentive plan

*Initiatives launched under the "Iki-Iki" Project

Engagement survey (FY2023)

Engagement survey results

Item	FY2023
Percentage of positive engagement responses	66.8%

Items with high scores	Items with low scores
• Willingness to contribute to the workplace • Expectations for future of the company • Empathy with the company's philosophy, products, and services • Communication in the workplace	• Sense of fulfillment, growth, and contribution to work • Sense of burden from work and interpersonal relationships • Sense of monotony and inability to adapt to work

HIROSE Philosophy

Throughout its history, the Hirose Group has created various values based on its Inseparable Principles, "A Small Company Connecting Wisdom," and has grown by passing these down and practicing them. The HIROSE Philosophy is a system that encompasses six of these values that we have selected by carefully examining them to determine which of them are the most fundamental. To continue growing in an era of change marked by continuing globalization and diversification, the Group needs a unifying force that will inform all of its decisions and strategies. A corporate culture is a driving force for growth that is superior to any strategy, and the Hirose Group will achieve growth by sharing and practicing these values globally.

Review of initiatives

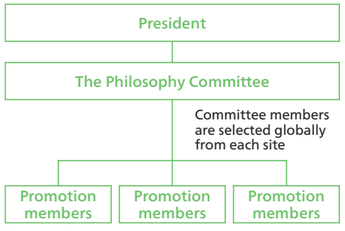
1960s	1972	2008	2013	2023 onward
Establishment of company motto and precepts	Establishment of slogan	DNA PLUS	HIROSE Philosophy	
Company motto: "Always engage in self-reflection" Company precepts: "Be ready, be reliable, act promptly."	Adoption of "A Small Company Connecting Wisdom" as company slogan upon listing on the Second Section of the Tokyo Stock Exchange	Formulated as the Hirose Group's shared foundation of its approach at a time of unprecedented change while pursuing globalization	A system that encompasses six values distilled from the 26 items of DNA that constituted DNA PLUS	Establishment of Ideal Vision in line with the Inseparable Principles of "A Small Company Connecting Wisdom" along with strengthening activities to pass down the corporate philosophy

Status and level of understanding of initiatives

Comparison of survey results on sharing and empathizing with the HIROSE Philosophy

Item	FY2020	FY2023	Change
Sharing and empathizing with the HIROSE Philosophy (average of all items)	3.60	3.77	**+0.17**

Organizational structure



[Each site]

Dialogue meetings hosted by Directors


Dialogue meeting at Hirose's Beijing Branch

Materials for passing down the corporate philosophy



The origin of the HIROSE Philosophy dates back to 1960, but it was not until 2013 that it assumed its current form and began to be passed down. Since then, we have continued to improve and innovate in terms of how the philosophy is passed down, and in 2021, we established the Philosophy Committee. Our efforts in this regard are divided into the four phases of "recognize and understand," "share and empathize," "practice," and "establish and evolve." During the phases of "share and empathize" and "practice" in fiscal 2024, we held not only intradepartmental dialogue meetings but also dialogue meetings involving different departments. In addition, the President and other Officers also visit overseas locations in person to pass down the philosophy.



T.I.
Operating Officer–
Production Techniques
Department–
Engineering

To be a Professional Team of Mechatronics Engineers

~Tohoku Advanced Technology Center~

Connectors are generally made by assembling metal terminals and plastic cases. This assembly process has become increasingly automated due to the recent growth in production volume and technological development. In conjunction with this trend, software technology for control has become increasingly important in equipment development, in addition to mechanical and electrical technologies. In March 2024, the Company established the Tohoku Advanced Technology Center (hereinafter "TAT Center") in Morioka City, Iwate Prefecture, with the goal of strengthening its software engineering capabilities for production equipment and developing mechatronics engineers. The following is a conversation with the General Manager of TAT Center and the Operating Officer in charge.



Y.T.
General Manager
of TAT Center

The TAT Center was born of the former ADD(*), which joined the Hirose Group in 2022. What kind of company was ADD?

Y.T. ADD was a company specializing in the development of production equipment that my friends and I founded in 1992. It was a one-stop provider of production equipment-related technologies such as software technology, electrical technology, and mechanical technology. We were more concerned with the pursuit of technology than anything else, and while most companies generally do not disclose technical information such as drawings related to equipment they have been contracted to develop, which is relevant for maintenance and servicing work, the former ADD adopted the stance of being open about all such information with customers. This is because we wanted to build a relationship with customers that would allow us to engage in in-depth discussions about future plans and to always be able to work on developing cutting-edge technologies. In view of this, we took the initiative to disclose our technical information. Despite being a small company, we were frequently contracted by the Hirose Group to work on their latest projects, which were challenging but extremely interesting for me as an engineer. Our employees were highly motivated to do their jobs, which made me very happy as well.

What is the background behind ADD joining the Hirose Group?

T.I. As the automation of production equipment gained traction, the issue of inadequate training for control engineers, including software engineers, became evident. While the volume of developed equipment was growing, the insufficient number of control engineers resulted in the problem that product development lead times could not be shortened. Although the Hirose Group had accumulated know-how in developing engineers in the areas of mold development and mechanical design, it lacked the know-how in developing control engineers. After considering various ways to address this, we came to the conclusion that the best solution was to have the former ADD join the Hirose Group.

Y.T. The former ADD had been developing automated assembly equipment for connectors with the Hirose Group for nearly 30 years, and we had always been able to smoothly work without letting each other's organizations or rules get in the way. We shared a corporate culture that emphasized commitment to work and the pursuit of superior manufacturing, and we believed that our pursuit of the development of more advanced equipment and human capital could be accelerated by joining the Hirose Group, with which we felt a strong cultural affinity. Since becoming a member of the Group, we have been able to devote ourselves to our work without feeling out of place at all.

Please tell us in greater detail about the TAT Center's mission of strengthening control engineering capabilities. Also, what skills are necessary for the development of assembly equipment?

T.I. There are three design elements that make up automated assembly equipment: mechanical design, electrical design, and control design. Mechanical design is related to the mechanical structure of the equipment, electrical design is related to electrical hardware such as wiring and controllers, and control design is related to the control and software of the equipment as a whole. If any of these is of inferior quality, the quality of the entire assembly equipment will be compromised. It is therefore essential to ensure that these elements are of high quality and to harmonize them in a way that allows their respective characteristics to be highlighted. Furthermore, with the development of cutting-edge connectors gaining pace, the precision of component parts such as metal terminals and plastic cases has improved and the technical level of each element of equipment development has increased, thus requiring further improvements in our control technology.

Y.T. As assembly equipment became more automated, equipment that used to be driven by 10 motors is now driven by as many as 50 to 100 motors. This has increased the complexity of control software as it is necessary to collect various information such as torque and position to ensure that the equipment is operating optimally. The difficulty lies in the fact that control design demands not only programming skills. The movement of motors is subject to inertia, resulting in a time lag between the point in time when an instruction is issued and the point when it is reflected in the equipment's operation, which is also

*ADD: A.D.D. Limited Liability Company

affected by the machine's weight and rigidity. We believe it is imperative to cultivate technological capabilities that take into consideration these characteristics of mechanical equipment and create high-precision equipment through immaculate control design. This is the reason why mechatronics engineers with expertise in mechanical, electrical, and control equipment technologies are becoming increasingly important.

Please tell us more about the Company's initiatives regarding the development of all-important mechatronics human capital.

Y.T. Currently, we have several young employees, including new employees, who have each been assigned to one theme. By assigning them to a single theme, they can focus and work on the equipment they are in charge of. For example, if there is an idea that might have struck someone if they had thought about it for five more minutes, this idea might not have occurred to them if they had been called away for other matters. It is thus important to focus on what one is thinking so that the idea can sink in and be used to spark the creation of future improvements or new ideas. I believe that this will be conducive to the growth of superior engineers. I hope our engineers can learn the necessary basic knowledge by experiencing every step from development to production using their hands and their heads.

T.I. The TAT Center also accepts engineers from each of the Group's factories. There, they learn about the structure of assembly equipment by assembling such equipment as well as the development methods for mechanical and control equipment. We hope that by having the engineers bring this knowledge back to their respective workplaces, they can make use of it to improve production sites and to establish mass production in a prompt manner. For engineers to do a good job, they need to be multi-skilled and understand preceding and subsequent processes. We would like the TAT Center to be a place for developing such engineers.

Y.T. Mechatronics engineers are generally willing to challenge everything without any sacred cow. However, they cannot accomplish things alone. In reality, the roles of mechanical, electrical, and control engineers are separate, with these engineers working as a team, but if all engineers understand each other's domain, they can create equipment that draws on the features of these respective domains in a mutually complementary manner. We aim to develop teams that always pursue cutting-edge equipment, driven by the spirit of taking on challenges based on the understanding that it is not sufficient to merely improve the electrical, mechanical, or control aspect on its own, and that improving all three elements may ultimately give rise to new equipment.





How will the TAT Center transform the way the Company cooperates with production partners?

T.I. For example, our connector assembly production partners have, until now, been accepting fully completed assembly equipment, which has limited the scope of improvements that can be made at connector mass production sites. Therefore, we would like the manufacturing engineers of our assembly production partners to also be involved in the sites of production and establishment of assembly equipment that they use. This will help the personnel of our production partners to understand the structure and principles of such equipment and facilitate efforts to improve utilization rates and yields at mass production sites. In the event that something needs to be improved, all parties concerned can gather at the TAT Center, where information can be shared and discussions for improvement can be held promptly. This will allow production partners to engage in mass production with peace of mind.

To achieve the Hirose Group's medium-term targets, stronger equipment production capabilities are required. However, as is the case throughout Japan, equipment production partners are also grappling with a lack of successors. We hope to establish the TAT Center as a place for education and cooperation that contributes to the deepening of skill succession and exchange, and create an environment that allows everyone, including equipment production partners, to work together in a forward-looking manner.

Finally, what are your goals for the future?

Y.T. My most important goal is the development of human capital. Although there is no perfect method, I hope engineers can gain experience by focusing on their own theme and taking on challenges. Doing this may not always lead to an experience of success. Still, I would like to encourage everyone to challenge themselves. Even if they do not achieve immediate results, it is important to work patiently on development, become self-sufficient through the results (both success and failure), and work together to apply what they have learned to the next theme they encounter. Doing this continuously will allow them to become great engineers. I look forward to working with them so that they recognize this.

T.I. I hope to cut lead times in half across the board. This includes the lead times for control development, expansion, equipment development, etc. Cutting lead times in half means doubling our production engineering capabilities. This will allow us to take on new challenges. I hope to create an environment where everyone can enjoy their work despite occasionally having a busy day as a result of challenging themselves.

Health and Productivity Management

The Hirose Group believes that people are the key to growth, so we are working to realize workplace environments where each employee can continue to participate actively while demonstrating their full potential. One way we are working to achieve this is by advancing activities for maintaining and enhancing employee health and raising health consciousness. We expect our investment in employee health to yield organizational invigoration, including increases in employee engagement and productivity, and to ultimately enhance business performance and corporate value.

In March 2023, the Hirose Group's efforts were recognized by the Ministry of Economy, Trade and Industry's Certified Health & Productivity Management Outstanding Organizations Recognition Program, and we were certified as one of the "2023 Certified Health & Productivity Management Outstanding Organizations (large enterprise category)." In organizing the Health Management Promotion Committee to discuss mid- to long-term issues, we set goals to prevent the three major health risks among employees (cancer, heart disease, and cerebrovascular disease) by improving diet and exercise habits to combat obesity, improving lifestyle such as smoking cessation, and reducing health risks including mental illness by limiting long working hours.

Declaration of health and productivity management

At the Hirose Electric Group, we believe that all of our employees being healthy in body and mind and energetically approaching their work leads to the continued growth and development of the company. We pledge that the employees, company, and health insurance association will come together to promote activities to maintain and improve health.

Kazunori Ishii President and Representative Director

Health and productivity management plan

Management issue to be resolved through health and productivity management

Ensuring employees are healthy in body and mind, energetically approaching their work, and contributing to the continued growth and development of the company

Individual targets for addressing the ultimate issue

I. Reduction of absenteeism
(Reduce the number of employees who are absent due to health problems)

II. Reduction of presenteeism
(Reduce the number of employees who are working while grappling with health problems)

III. Improvement of work engagement
(Increase the number of employees who are working in a positive and fulfilling manner)

Indicators

- Reduction in the percentage of employees on sick leave
- Reduction in the percentage of employees on mental care leave
- Reduction in the number of employees working long hours
- Reduction in the percentage of smokers
- Reduction in the number of people at risk of lifestyle-related diseases
- Increase in the rate of participation in health seminars
- Increase in the rate of implementation of specific health guidance
- Reduction in the percentage of employees with a BMI of 25% or higher
- Increase in the percentage of employees undergoing stress checks
- Reduction in the percentage of high-stress employees

- Improvement in communication among employees
- Reduction in attrition rate

Initiatives

- Illness and mental health-related initiatives
- Initiatives to reduce physical inactivity
- Thorough management of long working hours
- Promotion of smoking cessation programs
- Line-care and self-care
- Health literacy improvement seminars
- Implementation of stress checks

- Improvement of workplace environments
- Enhancement of in-house events

Results of initiatives

Item	FY2022	FY2023
Percentage of smokers	20.0%	18.7%
Percentage of employees undergoing stress checks	94.6%	95.4%
Percentage of high-stress employees	12.2%	10.7%
Presenteeism	38.7%	40.1%
Percentage of employees with a BMI of 25% or higher	24.7%	23.3%
Percentage of employees with a habit of exercising for 30 minutes or more per week	21.5%	24.0%
Rate of participation in health literacy improvement seminars	—	83.5%

Hirose Foundation

Establishment of Hirose Foundation

The year 2024 marks the 29th anniversary of the Hirose Foundation. The establishment of the Hirose International Scholarship Foundation was authorized by the Government on January 30, 1995, using the contribution of shares in the Company and donation by Shizue Hirose, wife of the Company's founder and first President, Keizo Hirose, as founding assets. It started operations with Hideki Sakai, the President at the time, and others being the founding representatives, and Hideki Sakai as the first Executive Director and Shingo Ogawa as the Managing Director (current position). In 2020, on the occasion of its 25th anniversary, the name was changed to "Hirose Foundation." Its current Executive Director is Kazunori Ishii, President and Representative Director of Hirose Electric.

Activities of Hirose Foundation

1 Scholarship program

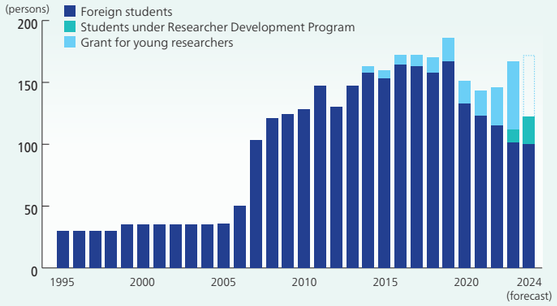
Hirose Foundation offers scholarships to foreign students from Asian countries studying at Japanese universities who are diligent and have strong ambitions and excellent academic abilities but who are unable to continue their studies due to financial difficulties, as well as to promising Japanese students who aspire to become researchers in the fields of information, electrical, and electronic engineering (Researcher Development Program).

It also holds social events three times a year to bring together scholarship recipients and parties related to the Foundation, an annual study tour, as well as arts and culture appreciation events for foreign students from various parts of Japan.

2 Research grant program

We have been providing research grants to foreign students in Japan who remain in a research position at a Japanese university or research institution after completing their study. From 2023, we expanded the scope of this program to also include young researchers who are engaged in research at a Japanese university or research institution, regardless of whether they are foreign students. A total of 55 researchers were selected for this program in fiscal 2023.

Trends in number of scholarship recipients





[Study tour for scholarship recipients to Hokkaido (Sapporo and Lake Toya, October 2023)]

3 Award program

To commemorate the 25th anniversary of the Foundation's establishment, the Hirose Award was introduced in 2020. The Hirose Award is an award program for Japanese researchers who have made outstanding achievements in information, communication, electrical or electronic engineering-related fields. Each year, a certificate, a medal, and an additional prize of ¥30 million are awarded to the recipient after a rigorous selection process by the Foundation's selection committee based on the recommendations of universities, etc.

The 4th Hirose Award was awarded to Professor Fumio Koyama, Specially Appointed Professor at the Tokyo Institute of Technology, and a presentation ceremony and commemorative lecture were held in March 2024.



Professor Fumio Koyama (Specially Appointed Professor, Tokyo Institute of Technology)

Climate Change

Response to climate change

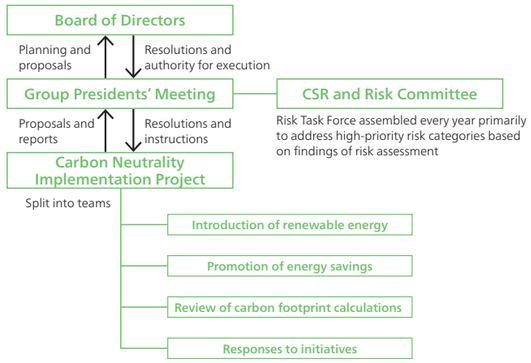
The Hirose Group has been addressing various social issues with the aim of realizing its Ideal Vision of "Co-creating Our Future Society with the Power to Connect." Electrification of energy is a key word in decarbonization, which is particularly important in the fight against climate change. Connectors, as connecting components, will play an increasingly important role in the process of electrification of transportation and industry.

As a connector manufacturer that serves a wide range of markets, including consumer equipment, automotive, and general industrial equipment, the Hirose Group not only develops products that contribute to the electrification of automobiles and smart factories but also is committed to decarbonizing itself.

Governance and risk management

Management decisions regarding issues of climate change are made by the Group Presidents' Meeting, which consists of the President and the persons responsible for the execution of each functional group, and the Board of Directors, which receives planning proposals from the Group Presidents' Meeting to make resolutions.

In fiscal 2023, we formed the Carbon Neutrality Implementation Project, a cross-functional organization, and in fiscal 2024, we established a new team for CO_2 reduction and responses to various initiatives and are expanding our efforts to activities on-site.



Scenario analysis: Risks and opportunities

We have identified risks and opportunities based on the financial impact of climate change under the 2°C and 4°C global warming scenarios, and conducted an evaluation of the impact on our business.

2°C scenario	Society strengthens various regulations seeking carbon neutrality and business partners have responded accordingly. Taking action with respect to renewable energy and energy conservation becomes an imperative.
4°C scenario	Society holds to the status quo. Physical risk mounts amid a lack of effort to promote a shift to lower-carbon and decarbonization.

	Risks / Opportunities		Scenario	Impact on our business	Evaluation
Risks	Physical risk	Greater frequency of extreme weather events	4°C	• Higher costs due to difficulty in obtaining raw materials amid supply chain disruptions • Lower sales due to factory shutdowns	Large
		Greater risk of infectious disease due to higher temperatures	4°C	• Prolonged suspension of production due to lockdowns	Large
	Transition risk	National policies	2°C	• Greater cost burdens due to introduction of carbon tax	Medium
			2°C	• Factory shutdowns due to power restrictions	Medium
		Customer requirements	2°C	• Loss of business opportunities due to delayed action to achieve decarbonization	Large
Opportunities	Spread of next-generation automobiles		2°C	• More sales opportunities due to progress in achieving size and weight reductions aimed at improving energy efficiency	Large
	Introduction of emission controls		2°C	• More opportunities for sales of connectors for storage batteries and energy-saving equipment amid rising demand for such equipment	Medium-large
	Regulations on recycling and plastics		2°C	• More connector sales opportunities and greater added value associated with more stringent regulations	Medium
	Expansion of right to repair		2°C	• Connectors essential for repairs rated more highly by society	Medium

The Company's governance and business planning are to reflect the above risks and opportunities.

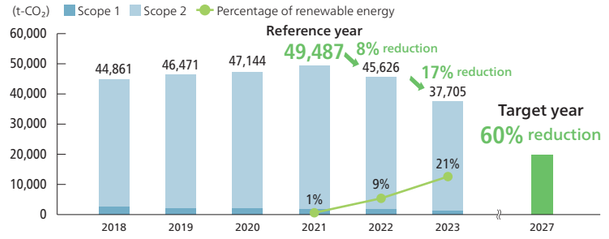
Indicators and targets

60% reduction in CO_2 emissions by fiscal 2027
(relative to fiscal 2021)

Carbon neutrality by fiscal 2050

Based on the results of the scenario analysis, the target to limit climate change impact to 1.5°C or less was resolved at a Board of Directors meeting in fiscal 2022. Our electrification efforts to date have succeeded in nearly limiting our CO_2 emissions to Scope 2 from electricity, and we are now promoting the introduction of renewable energy, mainly at production sites, as the most effective way to reduce emissions. We have been making progress in reducing emissions as planned since the reference year, and we are also considering the introduction of high-quality electricity with added potential besides reducing emissions.

CO_2 emissions

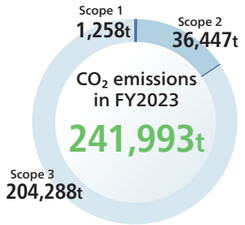




The region's largest solar carport was installed at the Ichinoseki Plant in March 2024. At the same time, the plant aims to reduce the burden on employees to clear snow from private vehicles during heavy snowfall.

Measurement of Scope 3

While we are focused on reducing our emissions primarily through the introduction of renewable energy, Scope 3 initiatives are important for us because of the high ratio of production by our production partners. The results of our efforts to calculate Scope 3 emissions in fiscal 2023 are as follows. Although we have yet to set a Scope 3 reduction target, we have submitted a commitment letter for obtaining Science-Based Targets (SBT) certification, and we plan to set a reduction target and improve the appropriateness of our calculations as we move toward obtaining certification.



Category no.	Category	FY2022	FY2023
1	Purchased goods and services	116,710	102,602
2	Capital goods	43,102	56,276
3	Fuel- and energy-related activities (not included in scope 1 or scope 2)	5,812	5,460
4	Upstream transportation and distribution	50,482	37,192
5	Waste generated in operations	203	168
6	Business travel	678	639
7	Employee commuting	2,081	1,951
8	Upstream leased assets*1	0	0
9	Downstream transportation and distribution*2	—	—
10	Processing of sold products*2	—	—
11	Use of sold products*3	0	0
12	End-of-life treatment of sold products*2	—	—
13	Downstream leased assets	n/a	n/a
14	Franchises	n/a	n/a
15	Investments	n/a	n/a
	Scope 3 total	219,068	204,288

*1. Calculated based on Scope 1 and 2
*2. Difficult to calculate reasonably due to intermediate products
*3. Zero emissions as products are mechanical components

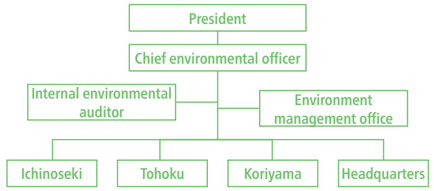
	2021 and before	2022-2023	2024	Up to 2027
Reduction target	(Focused on the intensity target)	Period of absolute target: "60% reduction of total CO_2 emissions"		
Response to TCFD requirements	(Measurement of Scope 1 and 2)	• Identification of risks and opportunities • Measurement of Scope 3	• Measurement of financial impact	
Response to SBT				• Acquisition of certification (2026)
Initiatives aimed at reduction	(Focused on energy savings)		• 100% procurement of electricity generated from renewable energy sources	
		• Headquarters • Ichinoseki Plant • Suzhou Plant • Miyako Plant	• New Koriyama factory	Remaining four sites will switch over to 100% progressively *Excluding sites with minimal emissions

Environment

Environmental management structure

We have established an environmental management system for the entire Hirose Group, headed by the President and Representative Director. We set environmental targets and engage in environmental management activities in accordance with the Group's overall targets, which conform to our Basic Environmental Policy. Each month, we hold management review meetings upon sharing information on managing progress toward achieving the environmental targets across the entire Group, and furthermore report such findings to management on a quarterly basis and receive instructions from top management on how to make improvements.

Organizational structure



Environmental audits

The Hirose Group carries out internal environmental audits every year to make sure that its environmental management system is working effectively and being properly maintained in accordance with ISO 14001. To maintain and renew ISO 14001 certification, we undergo periodic external reviews by external certification bodies.

ISO 14001 certification

In fiscal 2002, the Hirose Group, including the three domestic plants, acquired an integrated certification, demonstrating our commitment to environmental protection across the entire Group. All of our overseas plants have acquired ISO 14001 certification.

Initiatives for the environment No inclusion, no mixing and no production of environmentally hazardous substances

The Hirose Group promotes initiatives to ensure no inclusion, no mixing, and no production of environmentally hazardous substances with respect to its products. We accordingly promote green procurement activities upon having formulated the Hirose Electric Group Green Procurement Guideline with the aim to preferentially procure parts and materials that have a low impact on the environment. Moreover, we have completed efforts that entailed shifting to substitutions involving our main products and building a warranty system in alignment with the RoHS directive*1 encompassing laws and regulations relating to chemical substances. We have also been meeting the compliance requirements on the list of substances of very high concern (SVHC) associated with the REACH regulation*2, and publicly disclosing information regarding chemicals used in our products, in response to customer requests. We consistently strive to develop environmentally friendly products, which involves setting environment-related criteria in the design and development process and checking chemical substances used in connectors in the design phase. We have also established a high-level quality control system with regard to hazardous materials contained in products, such as by installing X-ray fluorescence spectrometers in our plants.

*1 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 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).

*2 REACH regulation: Regulation concerning registration, evaluation, authorization and restriction of chemicals, promulgated on December 30, 2006, and enforced on June 1, 2007, in the European Union (EU). This regulation prohibits selling products that contain unregistered chemicals within the EU. It also includes regulations governing the conduct of producers and importers, and the supplier's obligation to make relevant information public.

Topic Ichinoseki Plant: Management of hazardous substances in products

The Ichinoseki Plant has long been working to prevent harmful substance leakage to the next step. In addition to the six substances previously regulated by the EU RoHS directive, we introduced new analytical equipment in fiscal 2018, allowing us to evaluate the four additional regulated phthalate esters in-house. It is difficult to determine whether phthalate esters (phthalates) are mixed with plastic, so we had to commission an organization that does analysis to evaluate them, but it took a very long time (about five days for the shortest delivery time). Therefore, in order to speed up the evaluation of new materials in new product development and the evaluation of alternative materials to existing products, we have established in-house phthalate ester analysis technology, which enables us to evaluate products in a short period of time.

Environmental education

We provide environmental education for all staff so that employees recognize the importance of environmental protection activities and have a clear understanding of their responsibilities when engaging in these activities. We determine the competencies required at each site and conduct department-specific education, new employee training, and theme-specific education on biodiversity and other topics to develop these competencies. In addition, we provide specialized education and training for workers engaged in work that may have a significant impact on the environment.

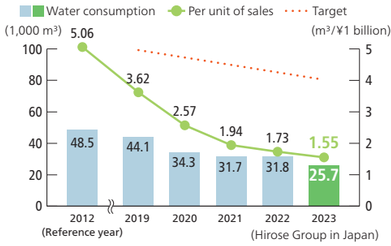


Emergency response training for reflow systems

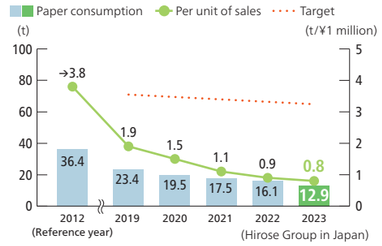
Effective utilization of resources

We are committed to initiatives for recycling resources in production and logistics, making efficient use of water resources, promoting recycling, and reducing and reusing waste, premised on the notion that making efficient use of the Earth's finite resources constitutes a substantial corporate responsibility. Moreover, we have achieved downsizing of connectors in each field, which contributes to downsizing of customers' products and realization of fewer materials.

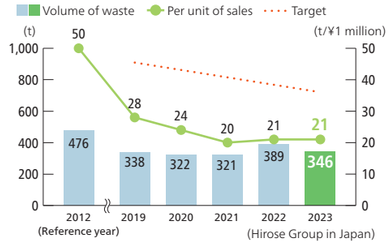
Water consumption



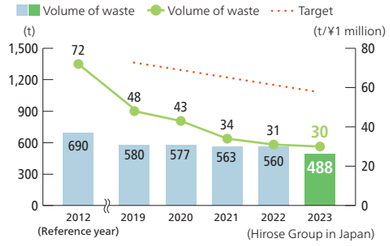
Paper consumption



Specially controlled industrial waste



General industrial waste



Water consumption

Reduction target: Intensity reduction of 1% on average (compared with that in fiscal 2012) **each year toward fiscal 2030**

Reduction target by fiscal 2023: 10.5%

➡ Result: Reduction of 69.4%

Paper consumption

Reduction target: Intensity reduction of 1% on average (compared with that in fiscal 2012) **each year toward fiscal 2030**

Reduction target by fiscal 2023: 10.5%

➡ Result: Reduction of 79.5%

Waste

Reduction target: Intensity reduction of 1% on average (compared with that in fiscal 2012) **each year toward fiscal 2030**

Reduction target by fiscal 2023: 10.5%

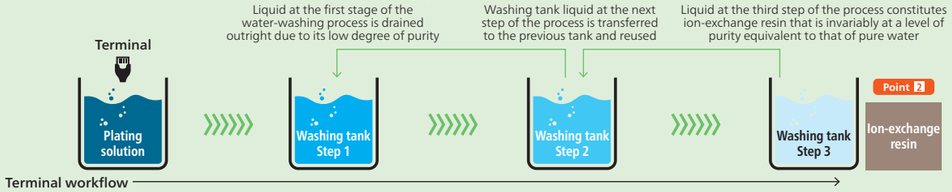
➡ Results: Special waste 57.9% reduction
General waste 59.0% reduction

Effective use of water in the plating and water-washing process

The plating process calls for multiple water-washing cycles using multistage washing tanks to ensure that liquid chemicals and contaminants are not carried over into the next stage of the manufacturing process.

Whereas water is normally fed to such washing tanks on a continuous basis, this entails substantial use of water. As such, the Hirose Group has been taking steps to reduce water consumption through its own proprietary approach.

Scenario of three iterations of the water-washing process Point 1



*The purity level of the initial washing tank is the lowest and the purity level of the third tank is the highest.

Point 1 Multistage batch-type washing

Hirose employs a system that involves discharge of liquid solely from the first step of the process where the level of purity is the lowest, and for second and third steps, the liquid from each step is reused in the preceding step.
We have reduced wastewater volume as a result of lowering water consumption to one-third that of previous levels by reusing some water rather than replacing the full volume of water.

Point 2 Circulation processing using ion-exchange resin

Ion-exchange resin is placed in the final washing tank so that contaminants will be absorbed by the resin.
It is possible to effectively remove contaminants enlisting a process whereby washing tank liquid is managed and recurrently used such that the purity level of liquid in the final washing tank is that of the level of pure water.

Human Rights

Basic approach to human rights

The Hirose Group believes that human rights are the foundation for achieving its objective of realizing environments in which diverse human capital can fully and actively work and for growing sustainably on a global scale. Based on this, we have made respect for human rights and individuals fundamental to every aspect of our business activities and we expressly forbid any discriminatory and inhumane behavior. In line with our Inseparable Principles of "A Small Company Connecting Wisdom," the Hirose Group has created new value through co-creation with a wide range of stakeholders. In order to realize these Inseparable Principles, we recognize that it is essential to respect the human rights of all stakeholders, including not only those within the Company but also our customers and production partners in Japan and overseas. In fiscal 2012, we expressed our support for the UN Global Compact and we actively and consistently advance CSR activities that ensure the rights of all people involved in our business activities are respected, contribute to the development of a sustainable society, and enhance corporate value.

Formulating the human rights policy

In order to instill the Hirose Group's basic approach to human rights, we reviewed the previous HRS Group Basic Policy on Labor Management, which was a policy in the Annex of the Hirose Electric Group Code of Conduct, and re-established it as the HRS Group Human Rights Policy in October 2023. The policy stipulates that we should (i) understand and uphold the principles of human rights as set forth in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, which are international norms, (ii) be committed to respecting human rights based on the UN Guiding Principles on Business and Human Rights, and (iii) uphold the Ten Principles of the UN Global Compact in our business activities as a signatory to the UN Global Compact. In addition to identifying priority issues, we will work with our business partners, such as production partners, and their related parties, with a spirit of co-creation to respect human rights, with the expectation that they will uphold and practice this policy.

Priority issues related to human rights

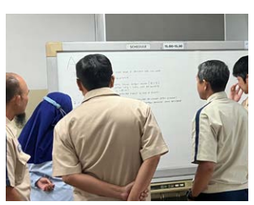
The Hirose Group recognizes that the following items related to business activities are priority issues concerning human rights, and is committed to putting the Human Rights Policy into practice.

- Prohibition of child labor
- Prohibition of forced labor
- Prohibition of discrimination
- Prohibition of inhumane treatment
- Due consideration for working hours
- Appropriate payment of wages and allowances
- Respect for freedom of association and the right to collective bargaining
- Ensure occupational health and safety
- Protection of privacy
- Responsible procurement of minerals

Initiatives for human rights

1 Conducting global seminars

The Hirose Group is conducting education globally to instill its Code of Conduct and prevent harassment. Some overseas subsidiaries have held group discussions during seminars for executives on creating a workplace where no harassment or other violations of the Code of Conduct occur, reaffirming the importance of respect for human rights and compliance with laws and regulations. We will hold these group discussions in other countries and regions.





2 Conducting RBA VAP audits

Factories of the Hirose Group believe that practicing the initiatives in accordance with the Code of Conduct set by the RBA*1 ensures the respect for the human rights of their employees and the creation of a better working environment, and they promote audits in accordance with the Validated Assessment Program (VAP)*2.

*1 RBA: Responsible Business Alliance, an alliance of companies and standards committed to improving labor conditions, health and safety, environmental protection, ethics and management in the electronics industry supply chain.

*2 VAP: A standard based on which audits are carried out by an audit body accredited by the RBA, which assesses the state of development of the management system and compliance with applicable standards.

Audit implementation plan based on new RBA-compliant standards

Up to 2023	2024	2025
Miyako Ichinoseki South Korea Malaysia Dongguan	Koriyama Suzhou	Indonesia (completed at all sites)

Improvements prompted by RBA VAP audits

Appropriate management of working hours and taking leave

Each month, working hours of the employees are managed to ensure compliance with not only applicable laws and regulations but also RBA standards. In addition, employees take leave according to RBA standards, which are stricter than legal standards (seven consecutive workdays are prohibited).

Setting up of mother's rooms (nursing rooms)

RBA VAP audits ensure that the Company provides a good working environment for employees providing childcare. As part of this initiative, our factory in Malaysia has set up a mother's room to meet local needs. The mother's room has a refrigerator and chairs, and has been improved for privacy by separating the nursing booths with curtains. Breastfeeding employees can safely store pumped breast milk and take it home when they leave the office to give to their infants.



Improvements to the doors of emergency exits

To ensure that employees can evacuate the building safely and promptly in an emergency, RBA standards require that doors to evacuation routes and final exits can be opened with a single action. The standards also require that round doorknobs not be used, as they can be slippery when operated quickly and difficult to open for employees who have difficulty with gripping. Ichinoseki Plant had emergency doors with round doorknobs or which could not be opened without unlocking them, so they were modified so that they can be opened from the inside by only operating a lever handle.



3 Mechanism for resolving complaints

We operate an internal whistle-blowing system that allows employees and production partners to report negative influences on human rights and protects whistleblowers from being treated unfairly. The system accepts anonymous reports, and if the whistleblower's name is required, the whistleblower is given the opportunity to specify the scope of the personnel handling their personal information before submitting the report.

Based on its policy of continuing or rapidly restoring its operations even after an unexpected interruption of its business while putting the highest priority on the safety of human life, the Hirose Group has formulated a Business Continuity Plan (BCP). The BCP addresses risks such as a major earthquake or fire, or an infectious disease, and sets out concrete countermeasures.

Rolling out BCP across the entire supply chain

Based on our belief that it is important to conduct BCP in cooperation with companies in the supply chain, we check production partners' systems for developing BCPs. We ask production partners to predict the effects of hypothetical events such as infectious diseases or major disasters and to draw up countermeasures in advance, working to achieve business continuity across the entire supply chain. The floods that occurred in Koriyama, Fukushima Prefecture, in fiscal 2019 inflicted damage on the Koriyama factory and many production partners. Based on this experience, we have prepared for various risks by checking flood countermeasures of production partners and strengthening emergency response training.

BCP initiatives

Hirose Group's BCP initiatives

Fiscal 2009
- Established the Business Continuity Plan
- Worked to raise awareness and educate internally

Fiscal 2011
- Lessons learned from earthquake resulted in revisions to BCP, countermeasures headquarter functions, and methods for confirming personal safety
- Fiscal 2012: Introduced personal safety confirmation system

Fiscal 2014
- BCP drawn up for 4 overseas factories

Fiscal 2015
- Implemented first-response training at Japanese locations for major disasters

Fiscal 2017
- Set up Disaster Countermeasures Task Force at the Headquarters and implemented first-response training

Fiscal 2019
- Major revisions to BCP
- Fiscal 2019 onward: Implemented training for measures aimed at product supply during emergencies

Fiscal 2021
- Drew up Policy on Product Supply During Emergencies

Putting BCP into practice

March 2011
- Put BCP into practice in response to damage from Great East Japan Earthquake

October 2019
- Put BCP into practice in response to flooding at Koriyama factory

February 2020 onward
- COVID-19 countermeasures implemented

June 2024
- New Koriyama factory completed

Joint initiatives with production partners

Fiscal 2013
- Implemented BCP questionnaire survey for production partners

Fiscal 2014
- Introduced personal safety confirmation system at production partners

Fiscal 2015
- Conducted briefings to support production partners developing BCPs
- Continued support for developing BCPs

Fiscal 2019
- Implemented first-response training at factories predicated on damage to production partners, which has been repeated every year since

Fiscal 2020
- Added flooding to checklist for production partners
- Fiscal 2020 onward: Periodic checks on status of production partner initiatives

Business continuity management (BCM)

We create hypothetical scenarios of disasters and emergency situations that could impact the environment, and in the Basic Documents on Business Continuity Management, we document countermeasures and procedures to address emerging risks. We also conduct regular first-response training for major disasters, as well as training in the use of the personal safety confirmation system. At factories, we strive to confirm the effectiveness of the procedures and raise awareness among those in positions of responsibility by implementing first-response training for emergency, as well as training based on simulations that assume damage to the factory and suspension of supply from production partners. In addition, based on our experience with COVID-19 countermeasures, we have drawn up a Policy on Product Supply During Emergencies, and are working on initiatives such as separating the place of production from the place where inventories are stored and diversifying procurement of raw materials. We are improving and strengthening BCM in order to fulfill our responsibility to supply products in an environment where emergency situations are occurring more frequently.

Basic Documents on Business Continuity Management

The basic policy set out in these Documents is to (1) secure the safety of employees and their families, (2) maintain supply to customers, and (3) minimize damage by rapidly restoring operations.

Responsible Procurement

In order to build robust partnerships with production partners and perform corporate operations together, the Hirose Group has clarified its purchasing policy in the Purchase Management Rules, on which it bases the conduct of its purchasing activities. While building relationships of trust and cooperation with production partners, which are important partners, we are striving to achieve responsible and sustainable procurement.

Compliance in order to fulfill social responsibility across the entire supply chain

Production partners ····· Follow and ensure fair trade and ethics, human rights and labor, occupational safety, environmental protection, and information control.

Major production partners ····· Agreement with the HRS Group Code of Conduct

The Code of Conduct was created in conformity with the code of conduct of the Responsible Business Alliance (RBA), and we also ask production partners to carry out their CSR activities in alignment with the RBA Code of Conduct.

CSR procurement initiatives

Communication with production partners

Partnerships with production partners are essential for the promotion of CSR procurement, and we implement regular CSR surveys while rolling out check sheets and implementing audits and confirmation visits as required. At the same time, to enable production partners to consult and report on compliance problems related to Hirose Group transactions, the Hirose Group notifies them of the existence of the Hirose Group's internal report system, and engages in regular activities to raise awareness for use of the system by production partners.

To address the increasing complexity of the supply chain, we will further strengthen our cooperation with production partners and intensify our promotion of CSR procurement.

Green procurement activities

The Company has drawn up the Hirose Electric Group Green Procurement Guideline, in accordance with which it works to prioritize the procurement of parts, materials, and raw materials that have low environmental impacts. In order to comply with relevant laws and regulations, it is essential to manage chemical substances from raw materials to finished products and to cooperate with the entire supply chain. The Guideline clarifies the requirements for production partners and summarizes prohibited and controlled substances. In addition to having been made available on our website, the Guideline has been distributed to production partners in all countries. We have asked our production partners to establish their own environmental management systems, comply with laws and regulations, reinforce quality control of chemical substances contained in products, and submit information including data on such chemicals, in accordance with the Guideline. The Hirose Group has set management of the most recent version of the Guideline as a CSR target for production partners, and has confirmed that more than 97% have updated to the most recent version. Going forward, we will continue to promote green procurement activities in cooperation with the entire supply chain.

Our actions for responsible procurement of minerals

As part of our efforts to fulfill social responsibilities in the supply chain, we are taking steps to procure minerals that do not contribute to conflicts or to human rights and labor problems, and have established the Responsible Minerals Procurement Policy. We have asked production partners to investigate the routes by which minerals are procured, and also to procure minerals from smelters that are certified under trustworthy international frameworks, such as the Responsible Minerals Initiative (RMI). While having production partners gain an understanding of the Hirose Group's initiatives, we are working on developing a grasp of the status of procurement across the entire supply chain, as well as on avoiding the use of conflict minerals.

Activities for responsible procurement of minerals

1. **We establish a management system of mineral procurement that complies with the OECD Due Diligence Guidance.**
2. **We raise awareness of "Responsible Minerals Procurement" throughout the supply chain.**
3. **We identify and evaluate supply-chain risks by using globally standardized survey programs such as the latest CMRT, EMRT, etc.**
4. **When problematic mineral procurement is identified, we immediately take corrective action.**
5. **We disclose results of mineral procurement surveys upon customers' request.**

Corporate Governance

Our basic idea of corporate governance

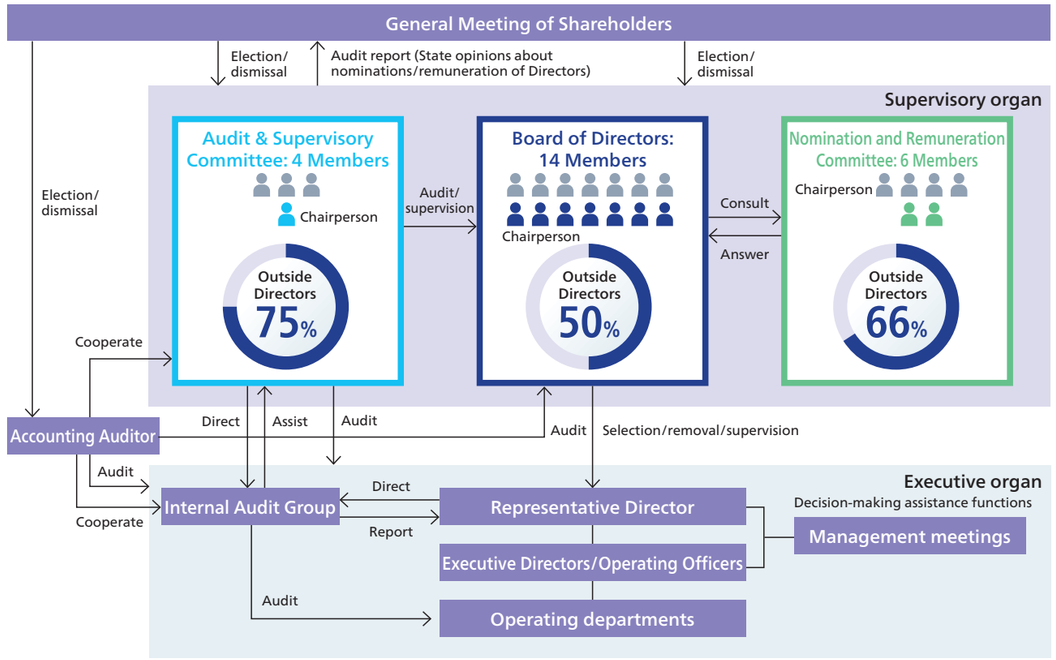
Based on the corporate philosophy of being "A Small Company Connecting Wisdom," the Hirose Group practices co-creation with stakeholders in order to promote greater management efficiency and achieve a highly profitable structure. In this way we aim to maintain long-term competitiveness in the global market, achieve sustainable growth, and increase corporate value over the medium to long term. To achieve this, we have designated enhancing corporate governance as a priority issue for management, and will implement initiatives in accordance with the following policies.

(1) We will respect the rights of shareholders and ensure their equality.
(2) We will strive for appropriate cooperation with all stakeholders, including shareholders, customers, suppliers, employees, and local communities.
(3) We will ensure transparency through appropriate disclosure of corporate information.
(4) The Board of Directors will provide major direction for corporate strategy, etc., create an environment that supports senior management to challenge, and provide highly effective supervision over business execution from an independent and objective standpoint.
(5) We will engage in constructive dialogue with shareholders in order to achieve sustainable growth and increase corporate value over the medium to long term.

Evolution of corporate governance structure

	1994	2005	2010	2015	2020	2023
Composition of Directors	1994 Introduced Operating Officer System	2004 Appointed first Outside Directors			2018 Elected first foreign Director	2023 Elected first female Director
	Composition ratio of Outside Directors: 2004 14% → 2017 25% → 2020 33% → 2023 50%					
Organizational design		2007 Established Internal Audit Office 2008 Established CSR and Risk Committee			2020 Established Nomination and Remuneration Committee 2021 Transitioned to a company with Audit & Supervisory Committee	
Mechanisms and systems				2016 Began evaluations of effectiveness 2017 Shortened term of office for Directors to 1 year	2021 Introduced performance-linked share-based remuneration plan	
Corporate reporting				2015 Released CG Report	2021 Released Integrated Report	
Others						2023 Sold all cross-shareholdings

Governance structure (as of June 21, 2024)



Name of meeting	Functions/content
Board of Directors	The Board of Directors supervises the status of business execution by each Director and checks on management functions. The Board of Directors deliberates directions of management, and ensures the appropriateness of management decisions from a variety of perspectives. The Board of Directors discusses the medium-term business plans of each division. Deliberations take place about medium- to long-term company initiatives while receiving advice from Outside Directors.
Audit & Supervisory Committee	In principle, the Audit & Supervisory 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 legality and appropriateness of each mechanism.
Nomination and Remuneration Committee	We established the Nomination and Remuneration Committee, the majority of whose members are Independent Outside Directors. We also appoint an Independent Outside Director as Committee Chairperson to further enhance its objectivity and transparency. Issues such as the involvement of the Board of Directors in succession planning for the CEO, and the approach to determining remuneration based on the remuneration policy are considered by the Committee in advance. Therefore, sufficient discussions are conducted before the Board of Directors meets.
General Meeting of Shareholders	We regard the General Meeting of Shareholders as a valuable opportunity for dialogue with shareholders. Then we promote initiatives to invigorate shareholder meetings and to facilitate the exercise of voting rights. In addition to proposals and the matters to be reported, the Company strives to facilitate deeper understanding of the Hirose Group among shareholders by using video to explain the future outlook and related issues.
Management meetings	Management meetings are held for discussions and decision-making on our direction over the medium to long term, formulation and execution of business strategy, new businesses, and other matters. Attendance at such meetings consists mainly of Operating Officers and those of higher rank, with members engaging in wide-ranging discussions concerning the management of the Hirose Group, and it is based on these discussions that strategy is decided. The delegation of broad authority to management meetings is aimed at speeding up execution of business.

Corporate Governance

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



President and Representative Director

Kazunori Ishii

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

Attendance Board of Directors 12/12 Nomination and Remuneration Committee 4/4



Director

Shu Obara

- April 1989: Joined the Company
- September 2017: Division General Manager–Industrial Equipment Division–Engineering
- July 2018: Acting Division General Manager–Automotive Division–Engineering
- January 2020: Division General Manager–Automotive Division–Engineering
- June 2020: Operating Officer
- June 2022: Deputy Group President–Engineering; concurrently Division General Manager–Automotive Division
- June 2023: Director (current position)
  Group President–Engineering (current position)

Attendance Board of Directors 10/10



Senior Managing Director

Shin Kamagata

- April 1990: Joined NTT DATA Corporation
- February 2002: Joined the Company
- June 2002: Manager–Overall Business Innovation Office–Administration
- July 2008: Manager–IT General Administration Office–Administration
- February 2019: General Manager–Corporate Planning Department–Administration; concurrently General Manager–IT General Administration Department
- June 2019: Operating Officer
- January 2021: Acting Group President–Administration; concurrently General Manager–Corporate Planning Department
- June 2021: Director
  Group President–Administration; concurrently General Manager–Corporate Planning Department
- July 2021: Group President–Administration (current position)
- June 2024: Senior Managing Director (current position)

Attendance Board of Directors 12/12



Director

Yoshihiro Gunji

- April 1982: Joined KORIYAMA HIROSE ELECTRIC CO., LTD.
- May 1998: Transferred to TOHOKU HIROSE ELECTRIC CO., LTD.
- August 2016: General Manager of Miyako Plant of TOHOKU HIROSE ELECTRIC CO., LTD.
- January 2021: Transferred to the Company
  Deputy Group President–Production (responsible for plants in Japan and Production Control Department)
- June 2021: Operating Officer
  Deputy Group President–Production
- June 2024: Director (current position)
  Group President–Production (current position)

Attendance Board of Directors New election



Director

Hiroshi Satoh

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

Attendance Board of Directors 12/12



Director

Sang-Yeob Lee

- 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)

Attendance Board of Directors 12/12



Director

Kensuke Hotta

Outside Independent

- 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)

Attendance Board of Directors 11/12 Nomination and Remuneration Committee 4/4



Director

Masanori Nishimatsu

Outside Independent

- 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.
  Representative Director and President of Nomura China Investment Corporation
  Representative Director and President of Saitama Kaihatsu Corporation
- June 2020: Outside Director of the Company (current position)

Attendance Board of Directors 12/12 Nomination and Remuneration Committee 4/4



Director

Tetsuji Motonaga

Outside Independent

- April 1985: Joined Nippon Yusen Kabushiki Kaisha (NYK LINE)
- January 1997: Joined Boston Consulting Group
- September 2001: Joined Fuji Seal, Inc.
- April 2003: Joined Jomon Associates Inc.
- August 2006: Established Ichthys Co., Ltd.
  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)

Attendance Board of Directors 12/12 Nomination and Remuneration Committee 4/4



Director

Seiji Sakata

Outside Independent

- April 1981: Joined Ricoh Company, Ltd.
- April 2010: Corporate Vice President of Ricoh Company, Ltd.
- April 2012: Corporate Senior Vice President of Ricoh Company, Ltd.
- April 2018: Corporate Executive Vice President of Ricoh Company, Ltd.
- June 2018: Director of Ricoh Company, Ltd.
- April 2019: Chief Technology Officer (CTO) of Ricoh Company, Ltd.
- April 2021: Executive Corporate Officer of Ricoh Company, Ltd.
- June 2023: Outside Director of the Company (current position)
  Outside Director of MABUCHI MOTOR CO., LTD. (current position)
  Independent Director (Audit and Supervisory Committee Member) of SATORI ELECTRIC CO., LTD. (current position)

Attendance Board of Directors 9/10 Nomination and Remuneration Committee 3/3

Directors who are Audit & Supervisory Committee Members



Director (Standing Audit & Supervisory Committee Member)

Masatoshi Ueda

- April 1982: Joined the Company
- August 2015: General Manager–Human Resources and General Affairs Department–Administration
- July 2021: Executive Manager–Human Resources and General Affairs Department–Administration
- June 2023: Director (Standing Audit & Supervisory Committee Member) (current position)

Attendance Board of Directors 10/10 Nomination and Remuneration Committee 3/3 Audit & Supervisory Committee 10/10



Director (Audit & Supervisory Committee Member)

Kentaro Miura

Outside Independent

- 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)

Attendance Board of Directors 12/12 Audit & Supervisory Committee 11/11



Director (Audit & Supervisory Committee Member)

Yukiko Araki

Outside Independent

- April 1983: Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry)
- July 2008: Deputy Governor of Yamagata Prefecture
- December 2012: Joined Hitachi, Ltd.
- April 2018: Executive General Manager, Sustainability Promotion Division, Global External Relations Division of Hitachi, Ltd.
- December 2020: Outside Director of Fuji Pharma Co., Ltd. (current position)
- March 2021: Outside Director of NAKANISHI INC. (current position)
- March 2023: Outside Director of Toyo Tire Corporation (current position)
- June 2023: Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Attendance Board of Directors 10/10 Audit & Supervisory Committee 10/10



Director (Audit & Supervisory Committee Member)

Kenji Takashima

Outside Independent

- April 1987: Joined Aoyama PricewaterhouseCoopers
- October 1992: Established K.TAKASHIMA Certified Public Accountants Office (current position)
- September 2000: Established Naka Meguro Net Kaikei LLC (current position)
- June 2023: Outside Director (Audit & Supervisory Committee Member) of the Company (current position)

Attendance Board of Directors 10/10 Audit & Supervisory Committee 10/10

Corporate Governance

Skill Matrix

The expertise considered necessary to execute the management of the Hirose Group, and the expertise expected of individual Directors, are as follows.

Name	Corporate Management	Global Management	Technological Development/ Manufacturing/ Quality	Sales/ Marketing	Finance/ Accounting	Legal/ Compliance/ Risk	Organization/ Human Capital Management	Sustainability (ESG)
Kazunori Ishii	●	●	●	●		●	●	●
Shin Kamagata					●	●	●	●
Hiroshi Satoh		●		●				
Shu Obara		●	●					
Yoshihiro Gunji		●	●					●
Sang-Yeob Lee	●		●	●		●	●	●
Kensuke Hotta	●	●		●	●		●	
Tetsuji Motonaga	●	●		●			●	
Masanori Nishimatsu	●	●		●	●		●	
Seiji Sakata	●		●	●			●	
Masatoshi Ueda						●	●	
Kentaro Miura			●		●	●	●	●
Yukiko Araki		●				●		●
Kenji Takashima	●				●			

General Management	❶ Corporate Management	The skills of making decisions as a manager on a company-wide, medium- and long-term basis from the perspective of increasing corporate value
	❷ Global Management	The skills of formulating strategies, making decisions and conducting business management from a global perspective in response to changes in the international situation
Experience of business lines (execution of business)	❸ Technological Development/ Manufacturing/ Quality	The skills of management in the corporate areas of technological development, manufacturing, and quality as they relate to new product development, capital investment, production planning, and the formulation of plans and the making of decisions in relation to the allocation of personnel. And also the maintenance and improvement of product quality are included.
	❹ Sales/Marketing	The skills of formulating and monitoring corporate sales and marketing strategies, and implementing specific measures to address customer needs
Experience of functions (supervision)	❺ Finance/ Accounting	The skills of monitoring management issues and risks and performing appropriate reporting and information disclosure, based on a knowledge of accounting and taxation as it pertains to corporate business management
	❻ Legal/ Compliance/Risk	The skills of understanding the gist of legal systems and various regulations and appropriately addressing risks thus identified, as well as introducing and managing relevant mechanisms
	❼ Organization/ Human Capital Management	The skills of formulating and operating corporate personnel systems, as well as building and operating remuneration mechanisms for officers and senior management that take into account management strategy
	❽ Sustainability	The skills of guiding, in partnership with stakeholders, behavior aimed at the sustainable growth of the environment, society, and the company, based on SDGs, ESG, and other areas of knowledge

Evaluation of effectiveness of the Board of Directors

We perform an evaluation of effectiveness of the Board of Directors once a year for all Directors for the purpose of improving the function and effectiveness of the Board of Directors. The results of the evaluation are reviewed and future initiatives are discussed by the Board of Directors as part of efforts to raise the level of dialogue.

Overview of evaluation method

Target persons	Directors (including Outside Directors)
Evaluation method	Questionnaire format (multiple-choice questions + free-form comments)
Evaluation categories	• Composition of the Board of Directors (number of persons, composition balance, etc.) • Operation of the Board of Directors: deliberation time, prior delivery of materials, appropriateness of contents, etc. • Topics of the Board of Directors: direction of corporate strategy, internal controls, establishment and operation of Group-wide risk management system, etc. • Systems to support the Board of Directors: providing training opportunities, etc.

Evaluation results

	Evaluation of FY2023 initiatives	Policies for FY2024
Composition of the Board of Directors	• The ratio of Outside Directors has achieved 50% of the Board of Directors, and the absence of female Directors has been resolved by inviting an individual from outside the Company to serve. The representation of diverse opinions has been ensured, and the composition is therefore appropriate.	• In response to requests from shareholders, enter into further consideration of the ratio of Outside Directors and the diversity of the Board of Directors. • Deepen discussions of human capital in relation to the promotion of female Directors over the medium to long term (particularly through internal promotions).
Operation of the Board of Directors (Time allocated to preparations and deliberations, scope of agenda)	• Materials were provided to Directors in advance, and a reasonable period was allocated for both consideration and discussion, and the operation is therefore appropriate. • There is an opinion that, to enable deeper discussions of such agenda items as business strategy, and medium- to long-term plans, more needed to be done to provide opportunities to understand the situation on the front line and to facilitate understanding of the background to proposals.	• To deepen understanding of connectors and the business, conduct observational tours of the New Koriyama factory and technology events, etc., thus providing to Outside Directors both information and a sense of what issues are topical.
Agenda of the Board of Directors	• Deliberation for such as the involvement of the Board of Directors in succession planning for the CEO, and the approach to determining remuneration of Directors in accordance with the remuneration policy was made beforehand by the voluntary Nomination and Remuneration Committee, and is therefore sufficient. • There is an opinion that there should be a deepening of deliberation related to the allocation of management resources, including human capital and intellectual property, and a strengthening of the relationship between sustainability and business strategy.	• In addition to providing an overall picture of human capital and intellectual property, continuously raise agenda items that help to deepen the linkage between business strategy and various capitals, including environment and society.
Systems to support the Board of Directors (internal controls, provision of information, training)	• It was evaluated that appropriate systems for internal control and risk management have been established and are undergoing suitable monitoring. • There is an opinion that, to further strengthen internal audits, the focus going forward should be overseas locations, IT, and operations	• Consider conducting audits of overseas locations and IT based on issues raised, and building a more comprehensive risk management system that covers operational risk, etc.

Sharing of information with Outside Directors

With the objective of enhancing discussions by the Board of Directors and the various committees, Hirose Electric strives to provide Outside Directors with appropriate materials and information. Furthermore, in order to promote understanding of the corporate philosophy, values, and our business, the Company has also established informal opportunities outside meetings of the Board of Directors, and is putting in place a support structure for Outside Directors.

Examples of information-sharing

- Early distribution in advance of materials for meetings of the Board of Directors
- Regular business reports from Division General Managers
- Regular observational tours of factories and production partners
- Invitations to the Hirose Technology Exhibition and Zero One Festival
- Observational factory tours when Outside Directors are first elected



Observational tour of Zero One Festival

Independence criteria and character requirements for Independent Outside Directors

Hirose Electric selects Independent Outside Directors who satisfy the requirements of Independent Officer as stipulated by financial instruments exchanges and possess track records and relevant knowledge in their respective fields. More specifically, if an Outside Director does not fall under any of the following cases, the Outside Director is determined as having independence.

- In the case where the Outside Director is currently serving, or has once served during the past ten years, as an executive of the Company or any of its subsidiaries
- In the case where the Outside Director is currently serving as an executive of a company with which the Hirose Group engages in transactions, and the amount of the transactions exceeds 2% of consolidated sales of any fiscal year among the last three fiscal years
- In the case where the Outside Director receives, as a legal or accounting expert or consultant, remuneration (excluding remuneration paid as a Director of the Company and remuneration paid to the organization or firm to which the Outside Director belongs) exceeding the average annual amount of ¥10 million directly from the Company during the last three fiscal years
- In the case where the Outside Director belongs to an organization such as a corporation (which includes law firm, audit corporation, tax accountant corporation and consulting firm) or association, and remuneration received from the Company exceeds the higher of either 2% or more of the average annual amount of gross sales of the said organization in the last three fiscal years or ¥100 million or more
- In the case where the Outside Director is currently an employee, etc., of an audit corporation that is the Accounting Auditor of the Company or any of its subsidiaries
- In the case where the Outside Director has once engaged in auditing operations for the Company or any of its subsidiaries as an employee, etc., of an audit corporation that is the Accounting Auditor of the Company or any of its subsidiaries during the last three years
- In the case where a relative within the second degree of consanguinity of the Outside Director is currently serving, or has once served in the past, as an executive of the Company or any of its subsidiaries

Remuneration structure linked to medium- to long-term corporate value

Basic policy

As an incentive to continuously improve corporate value, the remuneration system for full-time directors of Hirose Electric is linked with shareholder interests. When deciding remuneration for individual Directors, our basic policy is to set an appropriate standard based on their individual responsibilities. Specifically, remuneration for Executive Directors consists of monetary remuneration, which is a combination of basic remuneration that is fixed in accordance with the individual's position, and performance-linked remuneration based on the consolidated operating margin that varies in accordance with corporate results, and performance-linked share-based remuneration that is linked to improvements in performance and shareholder value over the medium to long term. Performance-linked share-based remuneration was introduced in fiscal 2021 to raise awareness of contributions to performance improvements and increases in corporate value over the medium to long term, with the aim of strengthening management by aligning management interests with those of shareholders to provide the same perspective of shareholders. The remuneration for Outside Directors who serve a supervisory function is only the basic remuneration, depending on their duties.

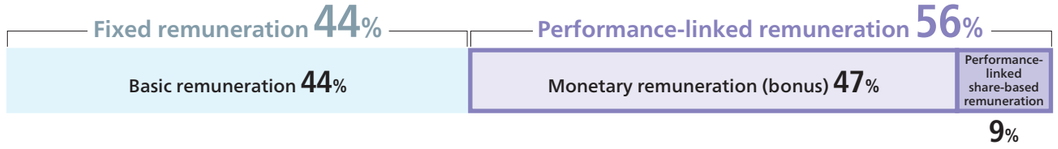
Determination process

The total of monetary remuneration and share-based remuneration is determined based on the following process. We take into account a range of factors such as corporate performance, social conditions, details of the individual's position and duties, and the level of remuneration awarded to officers of other companies, make draft proposals for remuneration of Directors who are not Audit & Supervisory Committee Members, submit it to the Nomination and Remuneration Committee, of which a majority of the members are Independent Outside Directors, receive the consent of the Audit & Supervisory Committee, send a report to the Board of Directors for deliberation, and leave the decision to the discretion of the President of the Company. This process ensures independence and objectivity.

Overview of remuneration

The composition ratio of remuneration varies according to performance. The ratio is set based on the guideline of "basic remuneration : bonuses : share-based remuneration" of 44:47:9, which was determined by the base indicator of consolidated operating margin decided at a Board of Directors meeting.

Composition of remuneration (excluding that of Outside Directors)



		Composition ratio	Policy
Fixed remuneration	Basic remuneration	**44%**	Basic remuneration for Directors of Hirose Electric is fixed monthly remuneration (cash), and it is determined in accordance with position, duties, and years of service, and also taking into account a comprehensive range of factors such as levels paid by other companies, the corporate performance of Hirose Electric, and the level of employee bonuses.
Performance-linked remuneration	Monetary remuneration (bonus)	**47%**	This is determined using the following method: Basic remuneration (monthly amount) × Profit coefficient (determined in accordance with the actual consolidated operating margin). In order to raise awareness of performance for each fiscal year, this consists of cash remuneration that reflects key performance indicators (KPIs), the amount being calculated in proportion to the degree to which the consolidated operating margin target is achieved for the 12-month period, and paid as a bonus at a certain time every year. The KPIs and other figures that provide the basis for this are revised as appropriate in accordance with changes in the environment, based on a Nomination and Remuneration Committee report. This involves increases in the share value and boosts to competitive advantage, and the operating margin has also been set as an important indicator that aims to improve management efficiency.
	Performance-linked share-based remuneration	**9%**	This is a scheme whereby a trust is established with cash contributed by the Company (hereinafter, "the Trust"), which then acquires the Company's shares, with the Company's shares delivered to each Executive Director through the Trust in an amount equivalent to the number of points (1 point = 1 share) granted by the Company to each Officer. In principle, Executive Directors receive their respective deliveries of such shares when they retire. When the consolidated operating margin for the fiscal year in question is at least 20%, the granted points are calculated by dividing the base amount of 10% of the combined basic remuneration and performance-linked remuneration, by the share price of the Company at the time the shares of the Company were acquired by the Trust.

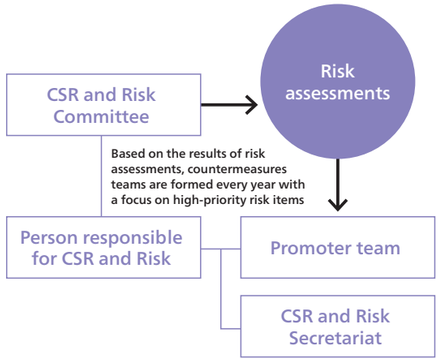
Risk Management

Basic thinking

To appropriately 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 along with related organizations operating under the committee, and under such system, we share risks in business execution, and perform risk management. By obtaining an understanding of risks that could have a material impact on the smooth business operation of the Hirose Group and devising effective and efficient measures for preventing them from materializing, or for dealing with them after they have come into being, we seek to minimize the negative impact on people, assets, and other management resources, as well as on our corporate image, win the trust of stakeholders, and work for the stable development of the Hirose Group.

Risk management structure

The Hirose Group established the CSR and Risk Committee with the President as Chairperson. The Committee conducts a risk assessment every year, identifies high-priority risk items, and determines targets to achieve and countermeasures to put in place. Action plans drawn up by persons responsible for CSR and risks are deliberated and approved by the Committee. For implementation, promoter teams are established for specific themes and engage in practical promotion of the action plans. The CSR and Risk Committee meets once every quarter to check on the progress of action plans, evaluate risks and determine responses, engage in risk control activities, and establish a risk management structure.



Major risks identified in fiscal 2023, and our response

	Risk identified	Response
Hazard risks	• Risk of natural disasters (earthquakes, tsunami) • Risk of natural disasters (typhoons, floods) • Risk of computer viruses and cyberterrorism	• Implemented simulated training of major disasters • Promoted the relocation of new Koriyama factory • Implemented training and education to address risks
Operational risks	• Risk of personal information leaks • Production partner risk (bankruptcy, discontinuance of business, accidents, delays, etc.) • Risk of soaring raw material prices • Risk of delayed deliveries resulting from disasters, etc. • Climate risk (carbon neutrality) • Harassment risk caused by strengthening of countermeasures • Risk associated with overseas management • Risk of labor shortage (recruitment, turnover, operational stagnation, etc.) • Risk of misconduct or crimes by officers or employees	• Implemented measures for prevention of information leaks • Implemented training based on simulations that assume suspension of supply • Had the material procurement working group predict risks and implemented measures • Continued to provide procedure manuals for factory crisis management during emergencies • Achieved and measured targets set • Implemented measures for education on harassment and mental health • Created specific development plans for overseas managers, revised regulations on position-specific responsibility and authority • Strengthened measures to acquire human capital, clarified reasons for turnover and created specific countermeasures • Continued to implement compliance education
Strategic risks	• Risk of secondary damage caused by insufficient preparations for responding to the occurrence of an emergency situation	• Created manuals for external communications (media, etc.) during emergencies

Establishing a product supply system for use after a disaster has occurred

We are working to establish production and logistics systems that avoid interruptions in deliveries to customers even in the event of a disaster, such as a natural disaster. We have drawn up a Policy on Product Supply During Emergencies, and incorporated specific measures into the crisis management procedure manuals for each factory. We are also establishing alternative methods for delivery and distribution, diversifying sources of materials and places where inventory is stored, converting products to multiple lines, and taking other measures.

Compliance

Basic thinking

The Hirose Group is keenly aware not only of the need to observe laws and regulations but also of the importance of holding to our own high standards for ethics and sincerity, and of fulfilling our social mission and responsibilities in conducting corporate activities. In order to realize this in an ever-changing management environment, the HRS Group Code of Conduct clarifies the guidelines and standards for actions of each employee. This Code of Conduct has been translated into English, Chinese, and other languages and distributed to our overseas bases. Through education that uses case studies and other measures that draw on the spirit and meaning of the Code of Conduct, we provide support for employees to understand the Code of Conduct and to incorporate it into their own behavior. By ensuring that each employee holds to a high standard of ethics and acts with sincerity, the Group aims to fulfill its social responsibilities as an organization.

Compliance education

In addition to organizational structure, codes of conduct, and related regulations, which are centered on the previously mentioned CSR and Risk Committee, the compliance structures of the Hirose Group consist of continuous education, compliance checks, and the internal report system. Compliance education is implemented using e-learning and self-checks for all employees of the Hirose Group. We also distribute compliance newsletters at regular intervals, explaining compliance issues that have been identified through daily legal consultation and questionnaire surveys. By raising familiar themes related to operations, we work to raise employee awareness of compliance.



Compliance education (based in China)

Internal report system

In order to swiftly address, resolve, and prevent compliance violations, we established the internal report system in 2008. To ensure compliance at the global level, we have established various counters that provide advice on a wide range of issues. To enable effective use of these counters, we have taken steps to lower the hurdle for internal reporting, and to raise awareness through the use of intranet posters. When a questionnaire survey on awareness within the Company of the internal reporting system revealed that employees were concerned about unfair treatment of people using the system to make reports, we used the compliance newsletter to explain our measures for addressing and preventing secondary harm, through regulations established to punish or provide correction to persons who have treated a reporting person unfairly. It is important for the maintenance of compliance that people use the internal reporting counter at the stage where their misgivings are still small, and by communicating in response to employee feedback we are working to foster a sense of security and trust towards the Company.

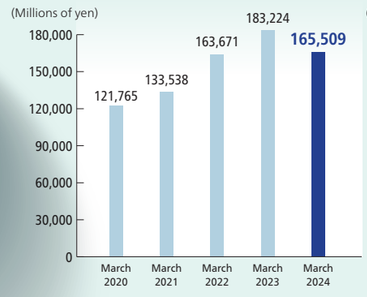
Internal control system

In order to execute operations appropriately in conformance with laws and regulations, and the Articles of Incorporation, across the entire Hirose Group, the Company has built and operated an internal control system, which is subject to continuous improvements. For domestic and overseas Group companies, internal control audits are implemented, with auditing covering the implementation of the internal control system, operational processes, and IT operating rules. In internal audits, an independent member of the internal audit team directs members of an assessment committee to gather materials for the assessment of the internal control system, verifies the appropriateness and effectiveness of operations within the Internal Audit Division, and requests the submission of measures to resolve issues within said division and provides other instructions, while important matters are reported to the President. Additionally, by working with Directors who are Audit & Supervisory Committee Members, they listen to the status of installation and continuous improvements to the internal control system by relevant departments, and provide instructions, advice, or opinions as necessary, so that management supervision functions appropriately.

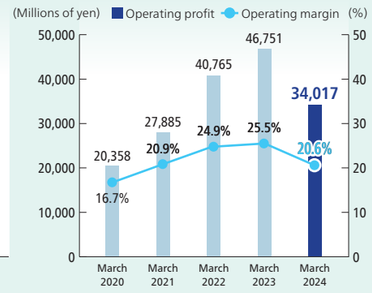
Financial and Non-financial Summary Data

Financial Highlights

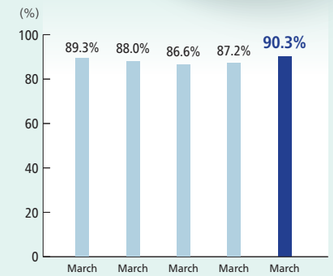
Sales



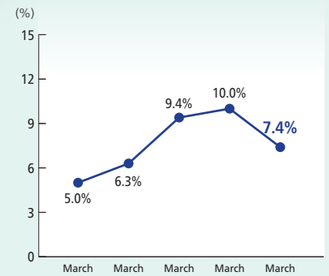
Operating profit / Operating margin



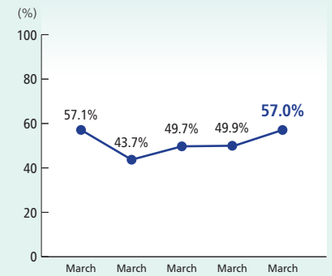
Equity ratio



ROE



Dividend payout ratio



Non-financial highlights * For only Hirose Electric (incl. certain Hirose Electric Group consolidated operations)

Non-financial data			Mar. 2022	Mar. 2023	Mar. 2024
Number of employees	Non-consolidated	(Persons)	917	913	**949**
	Consolidated	(Persons)	5,070	4,944	**4,654**
Number of employees by gender	Male	(Persons)	690	681	**704**
	Female	(Persons)	227	232	**245**
Number of employees (contract workers)		(Persons)	36	36	**32**
Female managers	Ratio	(%)	1.0	1.6	**1.9**
Women in leadership positions*	Ratio	(%)	3.4	4.9	**4.6**
Number of new graduates hired	Male	(Persons)	19	16	**16**
	Female	(Persons)	11	14	**17**
Attrition rate	Male	(%)	3.8	5.4	**2.6**
	Female	(%)	5.3	6.4	**7.9**
Average years of service		(Years)	13.1	13.7	**13.6**
Average number of paid leave days taken		(Days)	12.5	14.3	**13.4**
Average monthly overtime hours		(Hours)	15.5	18.8	**18.9**
Number of employees taking maternity leave		(Persons)	8	16	**10**
Number of employees taking childcare leave	Male	(Persons)	4	6	**4**
	Female	(Persons)	8	15	**12**
Percentage of employees returning to work after maternity/childcare leave		(%)	100	91	**100**
Number of participants in human capital development programs		(Total number of people)	1,045	1,141	**1,535**
Number of participants in global training		(Persons)	48	–	**29**
Percentage of employees undergoing routine physical examinations		(%)	100	100	**100**
Percentage of employees undergoing stress assessment		(%)	94.3	94.6	**95.4**
Occupational accident frequency rate		(Ratio)	0.5	0.0	**0.5**

* Assistant managerial level and above

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

Financial data		Mar. 2014	Mar. 2015	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021	Mar. 2022	Mar. 2023	Mar. 2024
Sales	(Millions of yen)	124,987	125,726	120,284	115,103	125,143	124,590	121,765	133,538	163,671	183,224	**165,509**
Operating profit	(Millions of yen)	33,005	32,588	28,794	28,482	28,064	23,157	20,358	27,885	40,765	46,751	**34,017**
Operating margin	(%)	26.4	25.9	23.9	24.7	22.4	18.6	16.7	20.9	24.9	25.5	**20.6**
Ordinary profit	(Millions of yen)	34,747	34,962	30,516	29,799							
Profit before tax	(Millions of yen)					28,015	24,671	21,205	28,332	43,081	48,591	**38,761**
Profit	(Millions of yen)	22,439	22,948	21,104	21,356	19,107	17,891	15,305	19,916	31,437	34,648	**26,480**
Net assets	(Millions of yen)	269,164	288,302	285,830	296,293	304,719	307,330	306,141	326,092	342,069	349,853	**364,173**
Total assets	(Millions of yen)	300,751	319,667	316,595	326,696	341,178	341,435	342,644	370,504	394,783	401,357	**403,450**
Equity ratio	(%)	89.2	90.1	90.2	90.6	89.3	90.0	89.3	88.0	86.6	87.2	**90.3**
BPS (Book-value per share)	(Yen)	7,865.65	8,494.44	8,162.65	8,504.89	8,744.07	8,428.61	8,436.41	8,987.05	9,675.08	10,160.72	**10,764.21**
EPS (Earnings per share)	(Yen)	652.68	674.25	596.31	611.81	548.80	489.46	420.39	549.10	885.39	1,002.04	**772.38**
Dividends per share	(Yen)	200	230	240	240	480	240	240	240	440	500	**440**
Dividend payout ratio	(%)	30.6	34.2	40.2	39.2	87.5	49.0	57.1	43.7	49.7	49.9	**57.0**
ROE (Return on equity)	(%)	8.6	8.2	7.4	7.3	6.3	5.8	5.0	6.3	9.4	10.0	**7.4**
PER (Price-earnings ratio)	(Times)	21.7	23.0	20.8	25.2	26.6	23.8	26.6	31.0	20.2	17.2	**20.0**

Network

Europe
7 locations

Sales: 7
R&D: 2


HIROSE EUROPE

HIROSE ELECTRIC EUROPE B.V.
- EU Headquarters / Amsterdam Office
- UK Branch
- German Branch / Nuremberg Office
- Stuttgart Office (Germany)
- Hanover Office (Germany)
- Milan Office (Italy)
- Paris Office (France)

South Korea
1 location

Sales: 1
R&D: 1
Manufacturing: 1


HIROSE KOREA

HIROSE KOREA CO., LTD.

Greater China
21 locations

Sales: 19
R&D: 1
Manufacturing: 2


HIROSE CHINA


HIROSE HONG KONG


HIROSE TAIWAN


HIROSE DONGGUAN


HIROSE SUZHOU

HIROSE ELECTRIC (DONGGUAN) CO., LTD.
HIROSE ELECTRIC (SUZHOU) CO., LTD.
HIROSE ELECTRIC (CHINA) CO., LTD.
- China Headquarters / Shanghai Branch
- Shenzhen Branch
- Beijing Branch
- Guangzhou Branch
- Wuhan Office
- Hefei Office
- Hangzhou Office
- Changchun Office
- Dalian SOHO
- Tianjin SOHO
- Zhengzhou SOHO
- Qingdao SOHO
- Ningde SOHO
- Chongqing SOHO
- Xiamen SOHO
- Nanjing SOHO
- Ningbo SOHO

HIROSE ELECTRIC (TAIWAN) CO., LTD.
HIROSE ELECTRIC HONG KONG TRADING CO., LTD.
HIROSE ELECTRIC HONG KONG CO., LTD.

India
3 locations

Sales: 3


HIROSE INDIA

HIROSE ELECTRIC INDIA PVT. LTD.
- Delhi Office
- Bangalore Office
- Pune Office

Southeast Asia
5 locations

Sales: 3
Manufacturing: 2


HIROSE SINGAPORE


HIROSE MALAYSIA


HIROSE INDONESIA

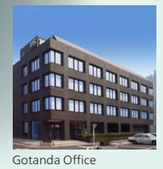
PT. HIROSE ELECTRIC INDONESIA
HIROSE ELECTRIC MALAYSIA SDN.BHD.
HIROSE ELECTRIC SINGAPORE PTE. LTD.
- Singapore Office
- Bangkok Liaison Office

HIROSE ELECTRIC MARKETING (M) SDN.BHD. (Malaysia)

Japan
12 locations

Sales: 6
R&D: 3
Manufacturing: 3


Hirose Electric Headquarters

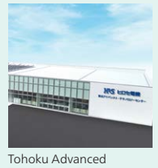

Gotanda Office


Kikuna Office


TOHOKU HIROSE ELECTRIC CO., LTD.


ICHINOSEKI HIROSE ELECTRIC CO., LTD.


KORIYAMA HIROSE ELECTRIC CO., LTD.


Tohoku Advanced Technology Center

HIROSE ELECTRIC CO., LTD.
- Headquarters
- Gotanda Office
- Kikuna Office
- Hiroshima Sales Office
- Kansai Branch
- Kariya Sales Office
- Utsunomiya Sales Office
- Fukuoka Sales Office

KORIYAMA HIROSE ELECTRIC CO., LTD.
ICHINOSEKI HIROSE ELECTRIC CO., LTD.
TOHOKU HIROSE ELECTRIC CO., LTD.
Tohoku Advanced Technology Center

North America
8 locations

Sales: 8
R&D: 2


HIROSE U.S.A.

HIROSE ELECTRIC (U.S.A.), INC.
- Headquarters / Chicago Office
- Irvine Office
- San Jose Office
- Seattle Office
- Dallas Office
- Boston Office
- Tampa Office
- Detroit Office (Automotive)

Locations with multiple functions such as sales, R&D, and manufacturing, are still counted as a single location.

Stock Information

Stock Information (As of March 31, 2024)

Total number of shares issued	33,839,586 shares (excluding 2,410,852 shares of treasury shares)
Total number of shareholders	4,296

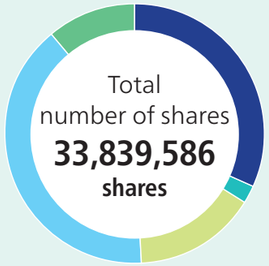
Major Shareholders (Top 10)

Name of shareholder	Number of shares held (Hundreds of shares)
The Master Trust Bank of Japan, Ltd. (Trust Account)	47,110
Hirose Foundation	31,476
Custody Bank of Japan, Ltd. (Trust Account)	23,229
JPMorgan Chase Bank 380055	20,509
State Street Bank and Trust Company 505223	20,107
HS Kikaku Co., Ltd.	12,465
National Mutual Insurance Federation of Agricultural Cooperatives	9,191
Mizuho Trust & Banking Co., Ltd. (Trust Account) 0700093	8,707
Mizuho Trust & Banking Co., Ltd. (Trust Account) 0700094	8,652
State Street Bank West Client - Treaty 505234	8,417

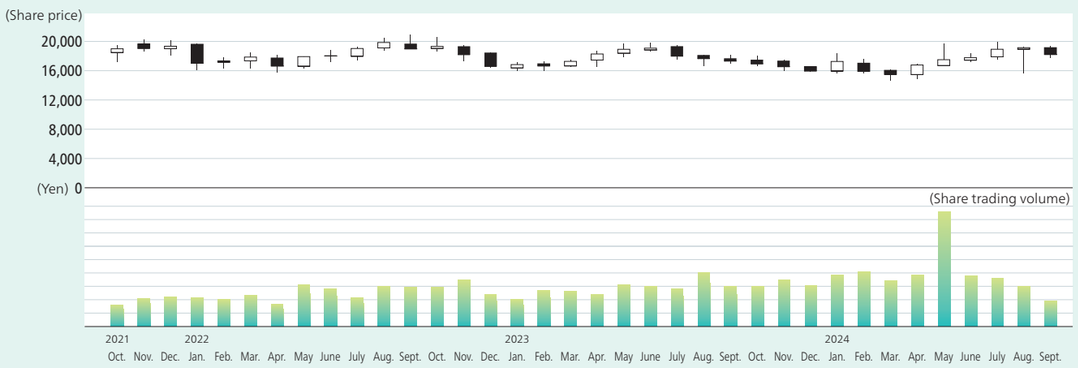
Note: In addition to the 10 major shareholders above, the Hirose Group owns 24,108 hundred shares of treasury shares.

Distribution of Shares by Shareholder Type

Type	Number of shareholders	Number of shares held	Ratio of shareholding
Financial institutions	46	115,200 hundred shares	31.78%
Securities companies	33	8,153 hundred shares	2.25%
Other corporations	171	55,111 hundred shares	15.20%
Foreign corporations, etc.	584	144,649 hundred shares	39.90%
Individuals and others	3,462	39,390 hundred shares	10.87%



Share Price and Trading Value



Corporate Data

Corporate Data (As of March 31, 2024)

Trade name	HIROSE ELECTRIC CO., LTD.
Date of incorporation	June 15, 1948
Number of employees	Consolidated: 4,654 (excluding part-timers)
Capital stock	¥9,404,379,401

Directors (As of June 21, 2024)

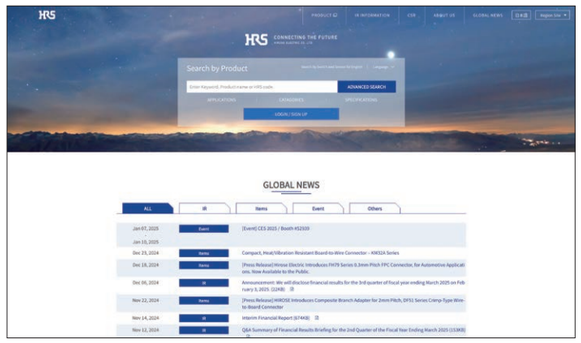
President and Representative Director	Kazunori Ishii
Senior Managing Director	Shin Kamagata
Director	Hiroshi Satoh
Director	Shu Obara
Director	Yoshihiro Gunji
Director	Sang-Yeob Lee

Outside Director	Kensuke Hotta
Outside Director	Tetsuji Motonaga
Outside Director	Masanori Nishimatsu
Outside Director	Seiji Sakata
Director (Standing Audit & Supervisory Committee Member)	Masatoshi Ueda
Outside Director (Audit & Supervisory Committee Member)	Kentaro Miura
Outside Director (Audit & Supervisory Committee Member)	Yukiko Araki
Outside Director (Audit & Supervisory Committee Member)	Kenji Takashima

Note: Outside Directors Kensuke Hotta, Tetsuji Motonaga, Masanori Nishimatsu, Seiji Sakata, Kentaro Miura, Yukiko Araki, and Kenji Takashima 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 Hirose Group's website.

Note | This report includes matters based on the Hirose 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.