



Consolidated Financial Results Briefing Materials 3rd Quarter Of FY2021

IRISO ELECTRONICS CO., LTD.
Stock Code: 6908
(Feb 2, 2022)



I . Q3 Consolidated Financial Results

II . Full-Year Forecast

III . Topics

- Sales: Although global semiconductor supply shortages continued, their negative impacts were offset by sales growth in the powertrain, consumer and industrial markets. Sales in the powertrain and industrial markets reached a new all-time high.
- Operating income: Our operating income improved after the negative effects of the soaring costs of raw materials and shipping had been offset by increasing sales and driving down costs

■ Net Sales: 32,424 million yen (25.1% YoY)

Automotive	Consumer	Industrial	Total
25,417 million yen (20.9%)	3,823 million yen (21.3%)	3,183 million yen (82.2%)	32,424 million yen (25.1%)

1. Automotive market:

- Sales steadily grew **104% YoY in the electric vehicle powertrain market.**
- The world auto production continued to decline due to some global challenges such as semiconductor supply shortages, resulting in an approx. negative 2 billion yen, compared to the FY2021 initial target level.
- Monthly sales have recovered since last November after bottoming out last October. Although Covid-19 impacts on our Q4 business results have yet to be evaluated, sales recovery is expected.

2. Consumer market: Sales for game console and OA equipment continued to grow strongly although sales in some markets were negatively affected by semiconductor shortages.

3. Industrial market: Sales for FA equipment in China remained on track to grow.

■ Operating Income: 3,387million yen, resulting in a 10.4% operating profit margin (increased by 1,647 million yen compared to the same period last year)

1. Approx. negative 1.8 billion yen (approx. negative 5.4% operating profit margin) , resulting from the soaring costs of raw materials (gold, silver and resin) and shipping

2. Approx. negative 0.4 billion yen as a result of the adjustment of production volume and the COVID-19 lockdown effects on our Vietnam Plant during Q3.

3. Improved by approx.0.7 billion yen by implementing additional strategies to increase profits.

2. Q3 Consolidated Financial Results (YoY)



Unit: JPY in Millions

	Q1-Q3 FY2020	Q1-Q3 FY2021	YoY
Net Sales	25,920	32,424	6,504 25.1%
Operating Income	1,739 6.7%	3,387 10.4%	1,647 94.7%
Ordinary Income	1,580 6.1%	3,399 10.5%	1,819 115.1%
Net Income Attributable to HQ Shareholders	1,104 4.3%	2,953 9.1%	1,849 167.4%
EPS	46.87yen	125.44yen	
Average exchange rate during the reporting period	USD105.87yen EURO122.30yen RMB 15.38yen	USD111.38yen EURO130.85yen RMB 17.30yen	5.51yen 8.55yen 1.92yen

3. Net Sales Figures (by Market)

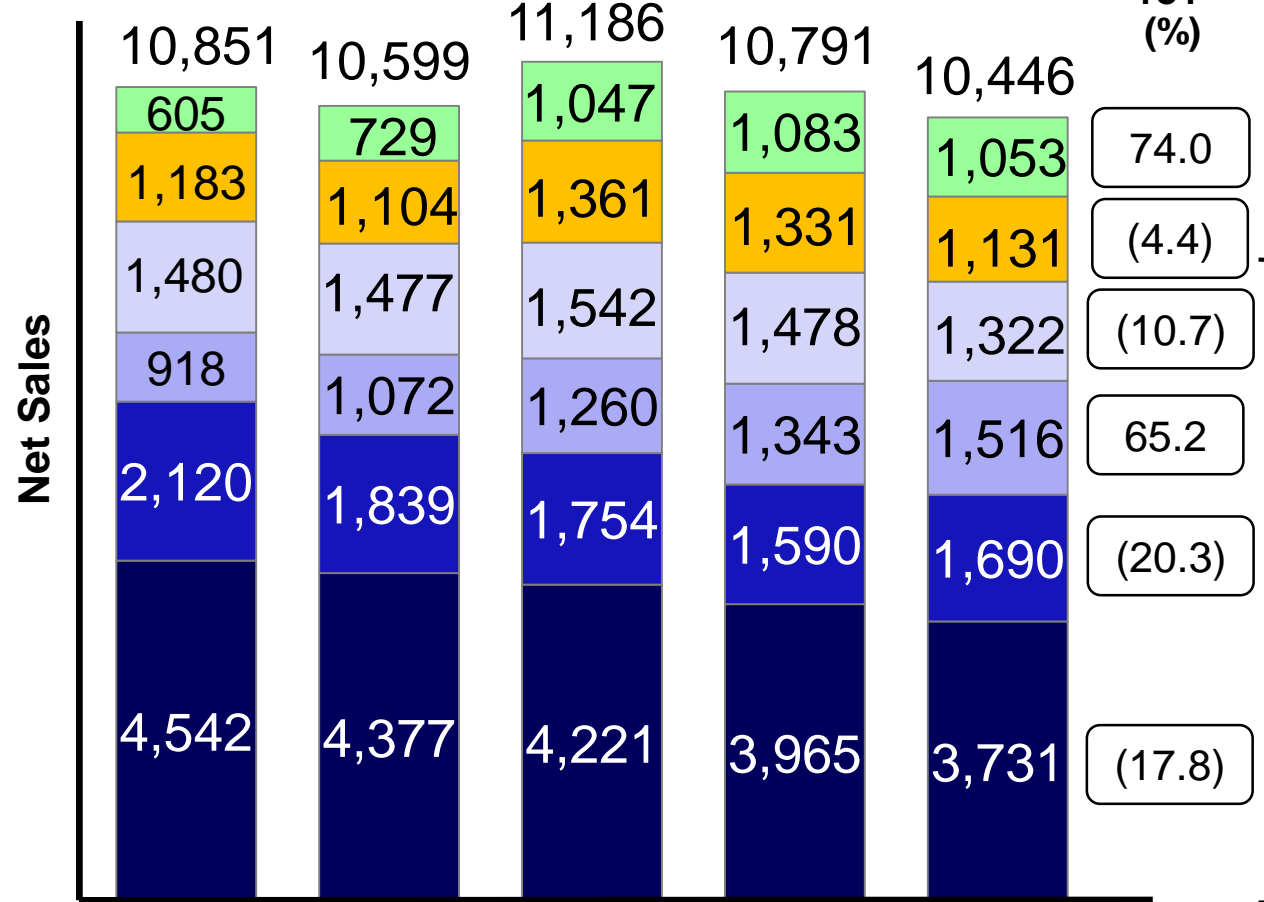
Unit: JPY in Millions

		Q1-Q3 FY2021	YoY	Breakdown	Change Factors
Automotive (automotive applications)		25,417	20.9%	78.4%	<ul style="list-style-type: none"> Large-scale recovery from sales slump resulting from the COVID-19 impact during FY2020 104% YoY growth in the powertrain market, driven by global electric car sales ramp-up Despite semiconductor shortages, 20% increase, higher than a negative 1% YoY decrease in Q1-Q3 global auto production, driven by sales growth in the powertrain market
Market	Infotainment	11,917	9.5%	36.8%	
	Safety system	5,035	5.7%	15.5%	
	Powertrain	4,120	104.5%	12.7%	
	Others	4,343	29.6%	13.4%	
Consumer (OA, game consoles, digital cameras, cellular phones, televisions, etc.)		3,823	21.3%	11.8%	<ul style="list-style-type: none"> Sales growth driven by increase in sales for game console and OA equipment Partially affected by global shortages of components such as semiconductors during Q3 Strong growth thanks to rising demand for FA equipment in China and a new launch of a project for 5G base station
Industrial (Industrial equipment, etc.)		3,183	82.2%	9.8%	
Total		32,424	25.1%	100.0%	

4. Net Sales by Market (Quarterly Change)



Unit: JPY in Millions



■ Automotive(Infotainment) ■ Automotive(Safety System)
■ Automotive(Powertrain) ■ Automotive(Others)
■ Consumer ■ Industrial

Industrial

- Sales for PLC and servo amplifier remain on track to grow

Consumer

- Compared to Q2 FY2021: Decrease resulting from the negative impacts of global challenges such as semiconductor supply shortages mainly on sales for game console and TV

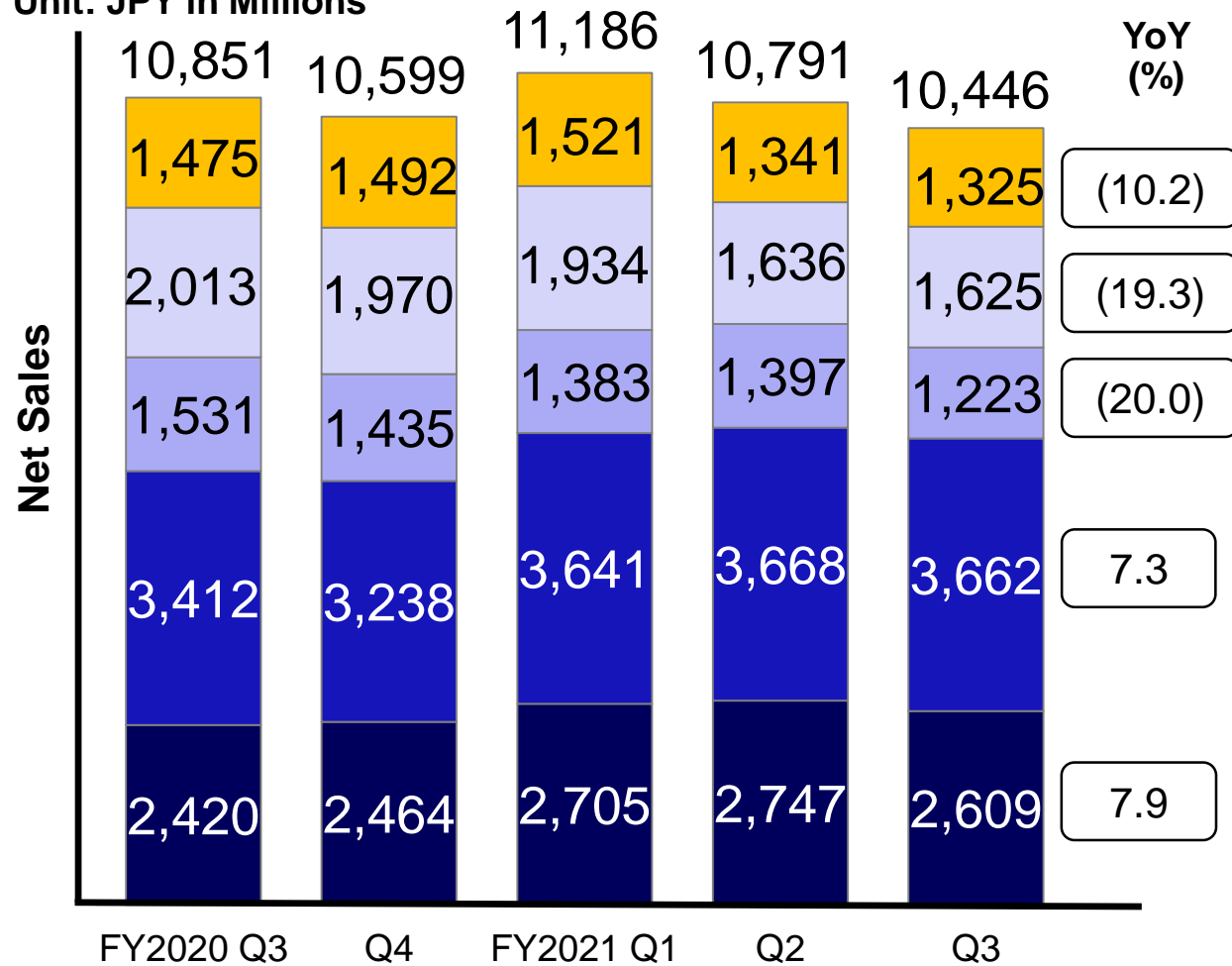
Automotive (8.8)

- Compared to Q2 FY2021: Slight decrease in sales in the infotainment and other (such as switch) markets because of global challenges such as chip supply shortages. Sales recovery in the safety system market
- On growth track to grow in the powertrain market as a result of the growing electric car industry, resulting in continuously hitting a new all-time high in quarterly sales for consecutive six quarters, mainly driven by sales for battery application
- Overall, on a recovery trend after bottoming out last October

5. Net Sales by Region (Quarterly Change)



Unit: JPY in Millions



ASEAN (Former Singapore and Thailand)

- Compared to Q2 FY2021: Negative impacts of global challenges such as semiconductor shortages were offset by increase in sales for OA equipment in the consumer market

Europe

- Compared to Q2 FY2021: Negative impacts of global challenges such as semiconductor shortages and were offset by sales recovery in the safety system market

U.S.

- Compared to Q2 FY2021: On recovery track in the safety system market. Decrease in our overall sales in the automotive market as a result of global semiconductor shortages

Greater China and Korea

- Compared to Q2 FY2021: Despite decrease resulting from the negative impacts of global challenges such as semiconductor shortages on the consumer market, they were offset by sales in the powertrain market remaining on track to grow

Japan

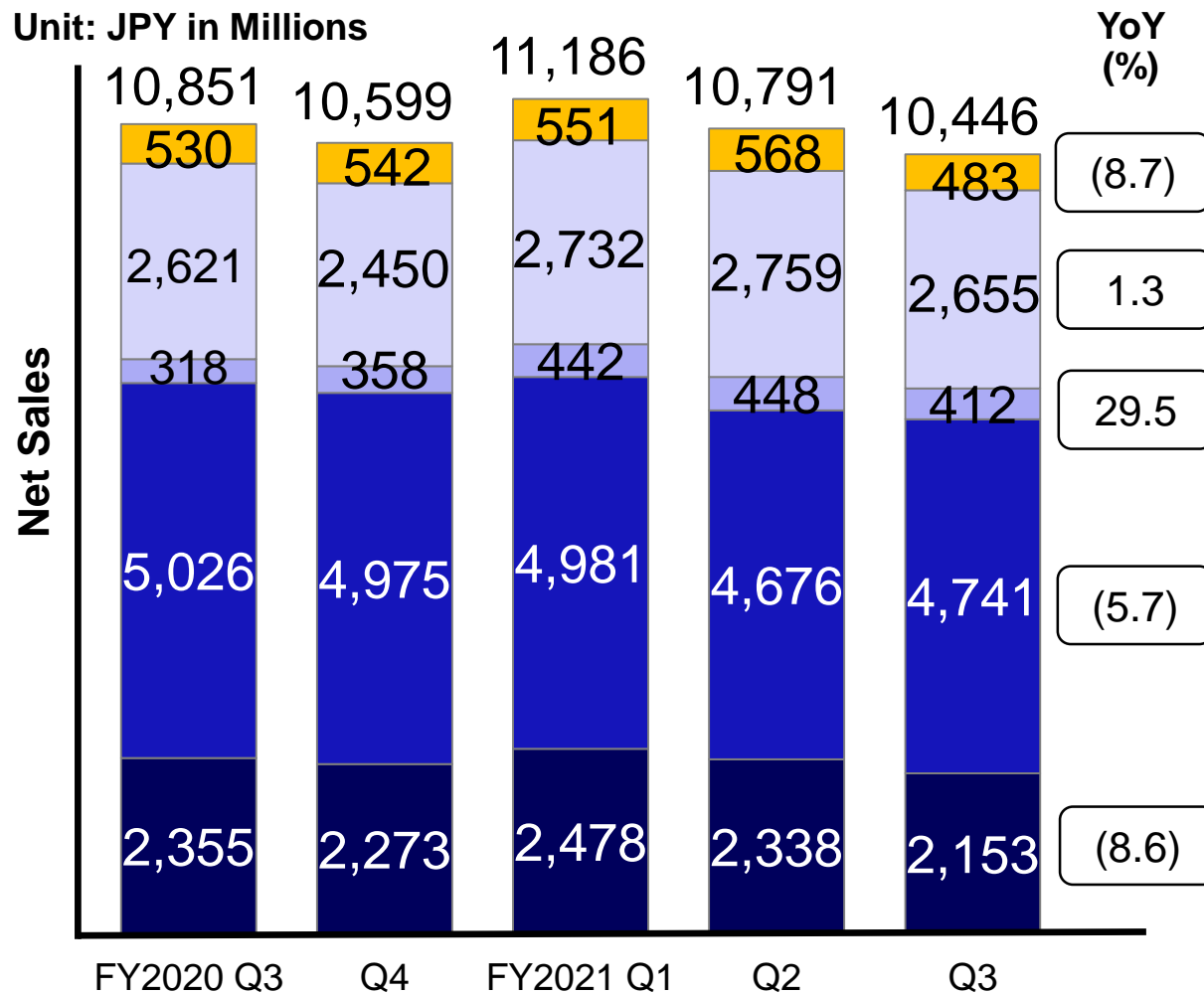
- Compared to Q2 FY2021: On track to grow in the powertrain market. Decrease in sales in other automotive and consumer markets because of global challenges such as chip supply shortages

■ Japan ■ China, Taiwan and South Korea ■ U.S.A ■ Europe ■ ASEAN

6. Net Sales by Product (Quarterly Change)



Unit: JPY in Millions



Automotive Interface Connector

- Compared to Q2 FY2021: Decrease caused by sales slump in the automotive markets

BtoB Connector

- Compared to Q2 FY2021: Increase thanks to sales recovery in the safety system market and increasing sales in the powertrain market

FPC Connector

- Compared to Q2 FY2021: Decrease as a result of sales slump in the consumer market

■ FPC ■ B to B ■ Pin Header ■ Auto app IF ■ Others

7. Consolidated Income Statement (YoY)



Unit: JPY in Millions

	Q1-Q3 FY 2020		Q1-Q3 FY 2021		YoY	
Net sales	25,920	100.0%	32,424	100.0%	6,504	25.1%
Cost of sales	18,303	70.6%	21,585	66.6%	3,282	17.9%
Gross profit	7,617	29.4%	1,0839	33.4%	3,222	42.3%
SG & A	5,877	22.7%	7,452	23.0%	1,574	26.8%
Operating income	1,739	6.7%	3,387	10.4%	1,647	94.7%
Non-operating income	133	0.5%	74	0.2%	(59)	(44.4)%
Non-operating expenses	293	1.1%	61	0.2%	(231)	(78.9)%
Ordinary income	1,580	6.1%	3,399	10.5%	1,819	115.1%
Extraordinary income (loss)	(85)	(0.3)%	(139)	(0.4)%	(53)	62.8%
Pretax income	1,494	5.8%	3,260	10.1%	1,765	118.1%
Net income (Attributable to HQ shareholders)	1,104	4.3%	2,953	9.1%	1,849	167.4%
EPS	46.87 yen		125.44 yen		—	
Exchange rate (USD/EURO/RMB)	105.87 yen/ 122.30 yen / 15.38 yen		111.38 yen/ 130.85 yen / 17.30 yen		5.51 yen/ 8.55 yen / 1.92 yen	

8. Consolidated Balance Sheet (YoY)



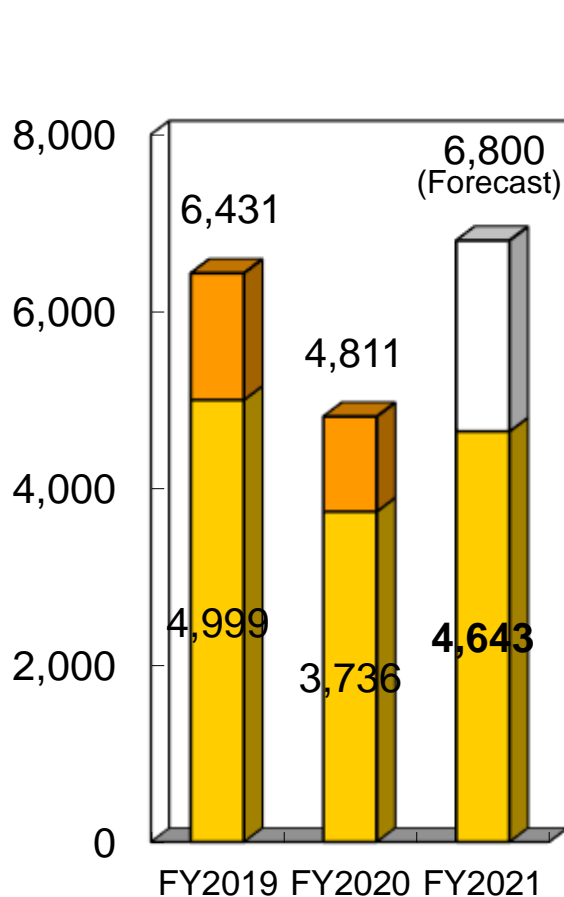
Unit: JPY in Millions

	FY2020		Q3 FY2021		YoY	Key Factor
Current assets	35,209	55.1%	36,146	54.2%	1,724	Cash and deposits (1,320) Notes and accounts receivable 607 Goods and products 1,776
Noncurrent assets	28,732	44.9%	31,214	45.8%	2,481	Tangible fixed assets 1,919
Total assets	63,941	100.0%	68,148	100.0%	4,216	
Current liabilities	7,956	12.4%	8,749	12.8%	793	Notes payable and accounts payable 434 Accounts payable 167
Noncurrent liabilities	1,254	2.0%	1,166	1.7%	(87)	
Total liabilities	9,210	14.4%	9,916	14.6%	705	
Shareholders' equity	52,176	81.6%	53,700	78.8%	1,523	Net income 2,953 Dividend (1,183)
Valuation/translation difference	2,171	3.4%	4,149	6.1%	1,977	Foreign currency translation adjustments 1,990
Minority interests	382	0.6%	381	0.6%	(0)	
Total net assets	54,731	85.6%	58,231	85.4%	3,500	Net assets per share 2,459.33yen (previous period 2,306.16 yen)
Total liabilities and net assets	63,941	100.0%	68,148	100.0%	4,206	

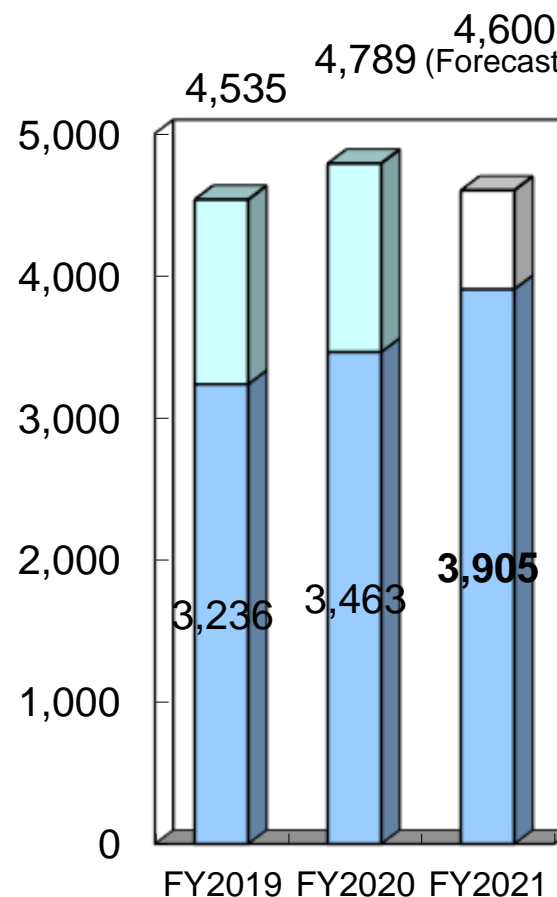
9. Capital Investment, Depreciation & Amortization, and Research & Development



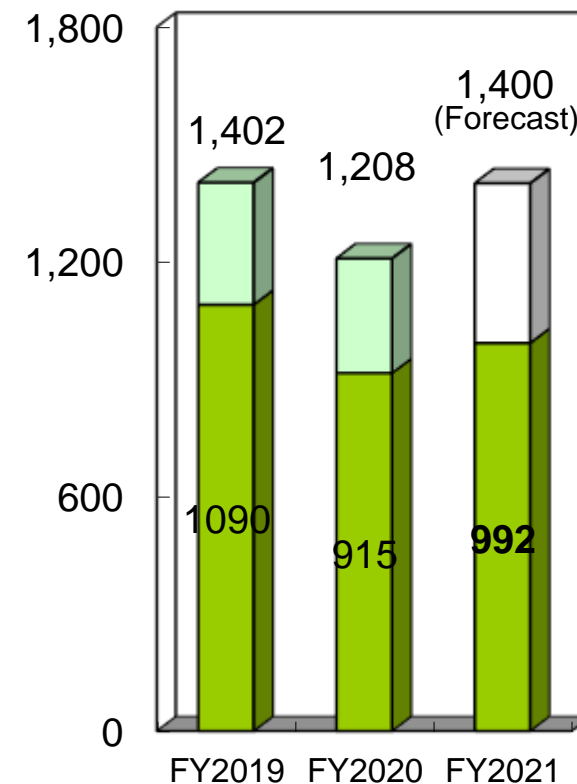
Unit: JPY in Millions



Capital Expenditure



Depreciation & Amortization

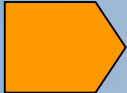


Research & Development

Note: Figures at the lower row of the bars represent the Q1-Q3 results whereas those at the upper row the full year results (for FY2021, forecasts).



I . Q3 Consolidated Financial Results

 **II . Full-Year Forecast**

III . Topics

1. FY2021 Financial Plan After Revision

Sales: Although sales in the industrial market remained on track to grow, those mainly in the automotive market did not reach the FY2021 initial target level due to global challenges such as chip supply shortages. However, we revised the target upward in anticipation of benefits from currency effects.

Profits: Although additional strategies for increasing profits were implemented to absorb the soaring costs of raw materials and shipping, production rate and sales did not reach the initial target levels. Also, costs increased as the COVID-led global supply chain disruption was more persistent than expected. Thus, we revised the target downward.

Unit: JPY in Millions	FY2020 Results	FY2021 Initial Plan	FY2021 Revised Plan
Net Sales	36,520	42,000	43,500
Operating Income	2,900 7.9%	6,700 16.0%	4,800 11.0%
Ordinary Income	2,970 8.1%	6,600 15.7%	4,750 10.9%
Net Income (Attributable to HQ shareholders)	2,141 5.9%	4,800 11.4%	4,000 9.1%
EPS	90.89yen	203.68yen	170.05yen
Average exchange rate during the reporting Period	USD: 106.17yen Euro: 123.73yen RMB: 15.63yen	105.00yen 127.00yen 16.00yen	111.00yen 130.50yen 17.30yen

Additional strategies to increase profits	Impact		
	First Half	Q1-Q3	Full Year Projection
	Approx. 0.2 billion Yen	Approx. 0.7 billion Yen	Approx. 1.5 billion Yen Target ⇒ Approx. 1.3 billion yen projection

■ Iriso management strategy

- (1) Global customer support and management culture with resistance to changes in currency exchange rates
→ overseas production ratio: approx. 85% and overseas sales ratio: approx. 80%
- (2) Direct sales and in-house production system to anticipate customer needs
- (3) Strong focus on the automotive market

■ Management issues raised by the COVID-19 pandemic and responses

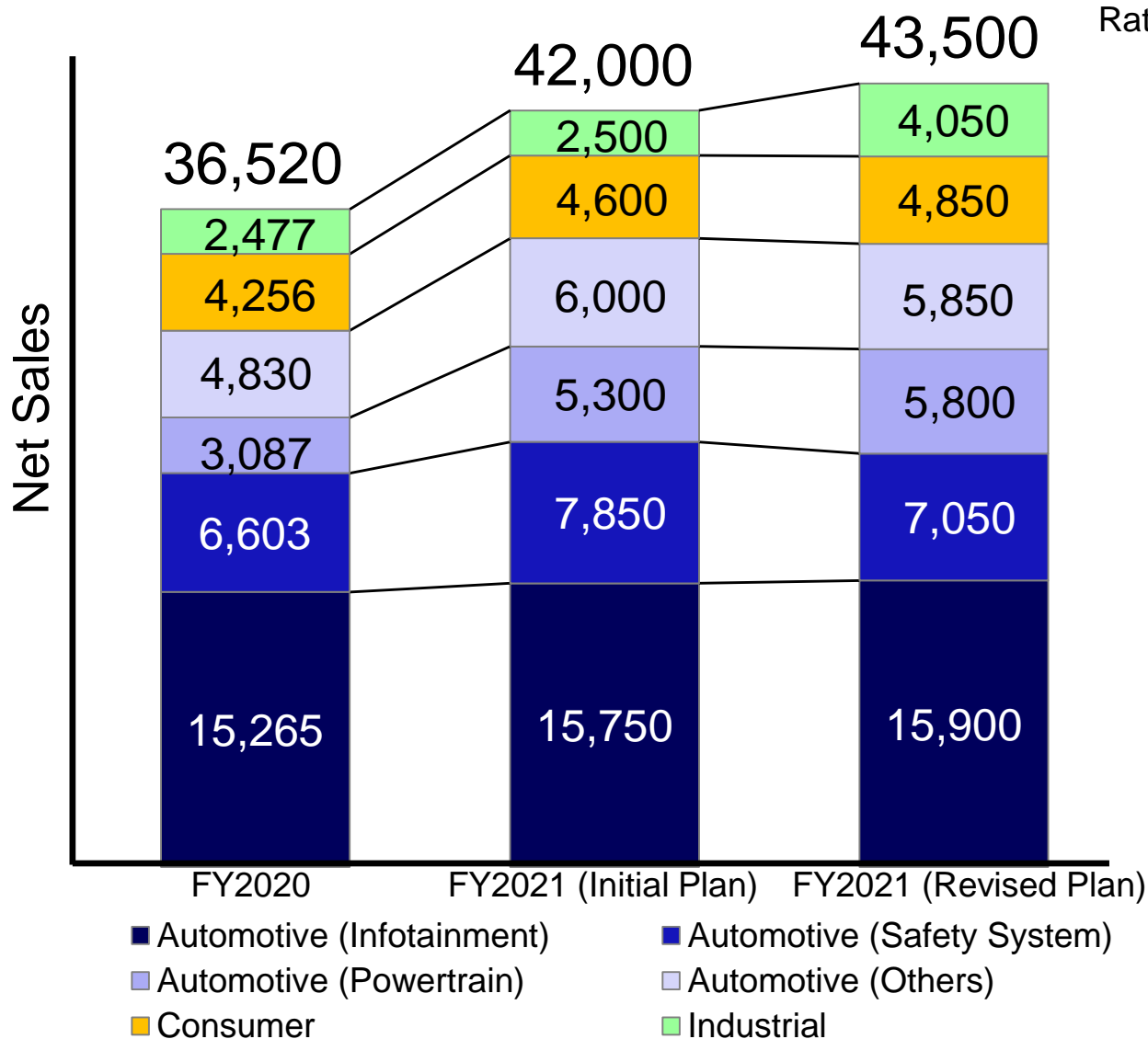
Key Management Issue	Response
<ul style="list-style-type: none">• Responding to changes in the production plans of car manufacturers and parts manufacturers due to supply chain bottlenecks and disruptions• Responding to market price hikes in raw materials and shipping costs	<ul style="list-style-type: none">• Short-term response<ul style="list-style-type: none">• Building a multiple production system• Increasing the HQ's control over production and shipping instructions to reduce loss costs• Ensuring stable supply of raw materials to production bases• Mid-term response<ul style="list-style-type: none">• Improving production capacity and raising the percentage of local production for local consumption /market• Visualizing SCM by renewing the ERP system and improving organizational management• Reviewing pricing policy

3. FY2021 Plan: Net Sales by Market



Unit: JPY in Millions

Rate of change to the Initial Target Level / Sales Breakdown



<u>Industrial</u>	62.9% / 9.3%
<u>Consumer</u>	5.4% / 11.1%
<u>Automotive (Others)</u>	(2.5)% / 13.4%
<u>Automotive (Powertrain)</u>	9.4% / 13.3%
<u>Automotive (Safety system)</u>	(10.2)% / 16.2%
<u>Automotive (Infotainment)</u>	1.1% / 36.6%
<u>Automotive (Overall)</u>	(0.9)% / 79.5%



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■ SGD Ltd. to become a wholly-owned subsidiary of IRISO (scheduled for April 1, 2022)

- We plan to acquire SGD Ltd., which manufactures and sells injection molding toolings and tooling components for connectors and other products.
- As SGD Ltd. has leading technology and manufacturing capability, and the whole process from tooling design to manufacturing is in their hands, we expect that the acquirement of SGD Ltd. will enable us to develop high value-added products by leveraging its micro and precision tooling technology.
- SDG Ltd. is projected to be developed as a key manufacturing base with injection molding tooling technology in the future.
- For information on SGD Ltd. including a company profile, please refer to the document disclosed on January 11, 2022 (<https://ssl4.eirparts.net/doc/6908/tdnet/2068260/00.pdf>) (Available in Japanese only).

■ Exhibition at CES 2022 (January 5 - 7, 2022)

- Our first-time exhibition at “CES 2022”, the world’s biggest tech event held in Las Vegas, USA.
- We promoted our connectors and connector solutions for automotive applications such as powertrain, safety system and infotainment.
- Mr. Sandy Munro who has become YouTube sensation, specializing in disassembly and analysis of various vehicles mainly such as EVs, came to our exhibition. You can see him talking about our connector while disassembling the vehicle in his video. Please check this out.

(<https://www.youtube.com/watch?v=g3qWBmz-j2k>)

※The introduction of our connector starts at about 23 minutes)



Company name	IRISO ELECTRONICS CO., LTD.
Business description	Manufacture and sales of various types of connectors
Establishment	December 1966
Number of employees	3,277 (as of March 31, 2021)
Capital	5,640 million yen (as of March 31, 2021)
Headquarters	2-13-8, Shinyokohama, Kohoku-ku, Yokohama, Kanagawa
Operations	
Domestic	Headquarters, Fukushima, Ibaraki, Aichi, Osaka
Overseas	Singapore, Hong Kong, U.S.A., Germany, Thailand, South Korea, China(Shanghai, Dalian, Tianjin, Suzhou, Shenzhen, Chongqing), Malaysia, Taiwan, India
Research & development	Headquarters(IRISO Technology Park), Kawasaki(Production Technology Development Center),Shanghai R&D Center
Manufacturing plants	Japan(Ibaraki), China(Shanghai, Nantong), Philippines(Manila), Vietnam(Hai Duong)