



FY2024-2026 Mid-Term Management Plan

Security Code : 6908
May 8th, 2024

IRISO ELECTRONICS CO.,LTD.

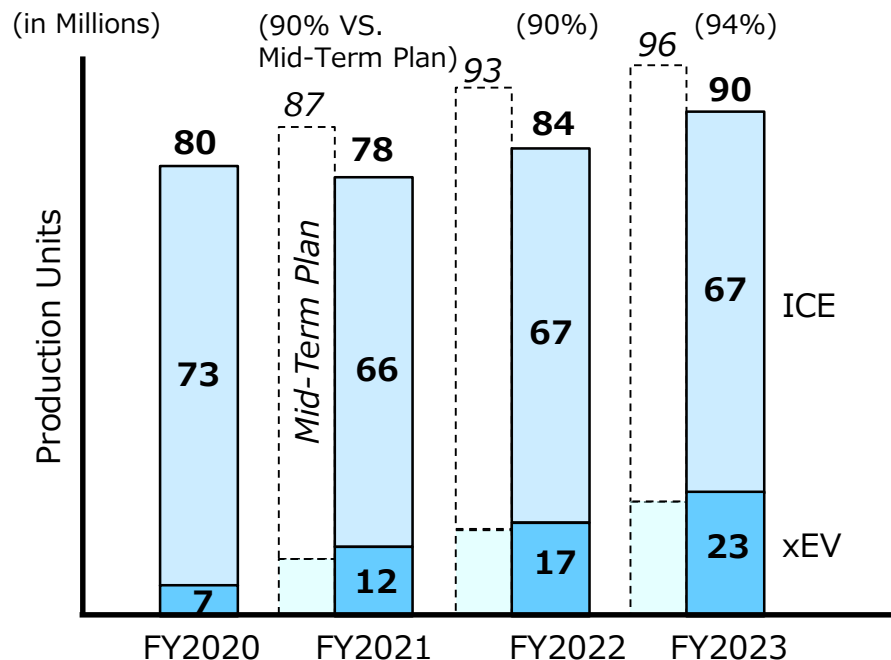
**Together, surpassing expectations by empowering connections
to enrich society and delight people.**

1.1 2023 Mid-Term Management Plan and Results

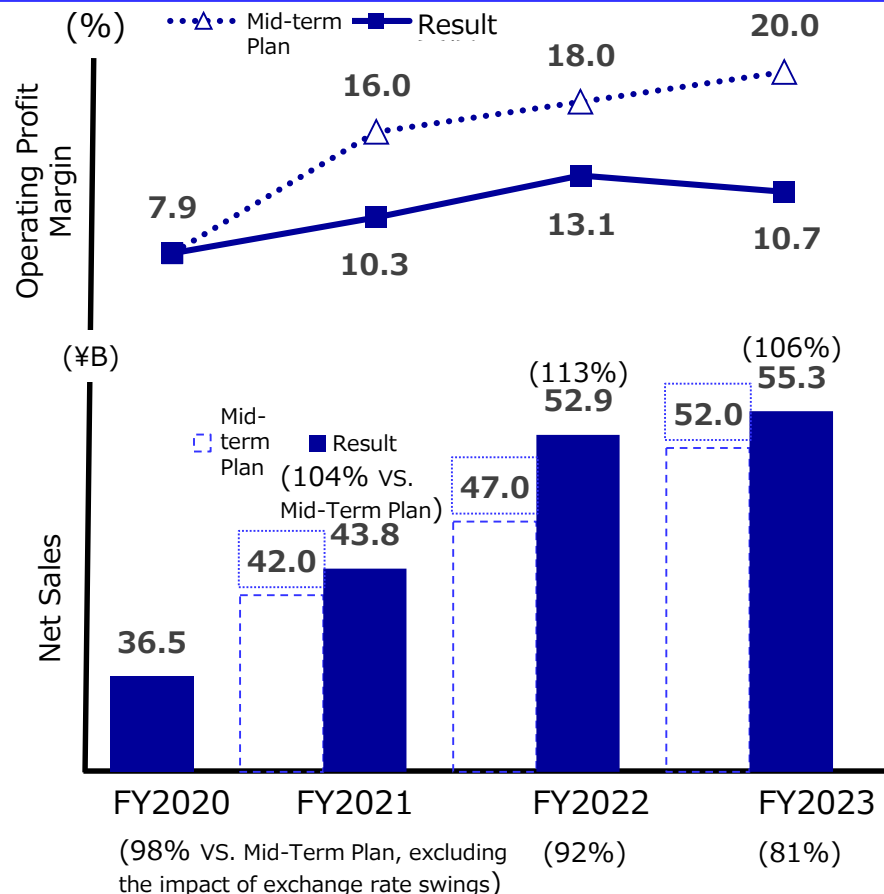
The company was back on growth track and prepared for meeting the ¥10B sales goal set out as the long-term vision, helped by the quick recovery of the car market and xEV acceleration.

⇒ The company was not able to fully overcome challenging situations such as the delayed recovery of the car market and slowdown in the Chinese economy. As a result, the company did not meet the projected net sales excluding the impact of the exchange rate swings and was halfway through full-fledged profitability recovery.

[Global Car Production]



(We created this graph based on reports from Fuji Chimera Research, banks, and securities firms.) The figures for the mid-term planning phase show the number of sales units, while the results/forecasts indicate the number of production units.



1.2 FY2023 Mid-Term Plan Results and Issues

Focus Strategies	Results	Priority Issues
Bolstering our Position in the Auto Market	<ul style="list-style-type: none"> ✓ Achieved a dominant position in the xEV powertrain connectors market in China. ✓ Expanded our product line of the high-vibration-resistant “Z-Move™” connector ✓ Built a product line of the high-speed transmission BtoB connector for automotive centralized control electronic control unit (ECU) market that expected to grow as our core business in the future 	<ul style="list-style-type: none"> ✓ Increasing our camera market share ✓ Bolstering and expanding our global sales of products for auto powertrain components
Making Second Pillar Business Grow Faster (Industrial)	<ul style="list-style-type: none"> ✓ Brought the 25Gbps transmission FFC connector for 5G base stations to the market ✓ Built a new product line of the multi-pole, floating, and high-speed transmission connector for control equipment 	<ul style="list-style-type: none"> ✓ Identifying our target markets ✓ Increasing our global market shares
Improving Productivity, and Cost and Quality Competitiveness	<ul style="list-style-type: none"> ✓ Built a multi-site production system for manufacturing standardized products. ✓ Cut costs by promoting a profitability improvement project ✓ Completed the Hanamaki factory construction to bolster in-house tooling manufacturing 	<ul style="list-style-type: none"> ✓ Improving investment efficiency and capacity utilization ✓ Continuing to promote local consumption of local products for mitigating political risks and reducing lead time in manufacturing
Improving Infrastructure in Management	<ul style="list-style-type: none"> ✓ Organized a range of data to meet our ESG commitments, developed our improvement strategies and fully disclosed information on our business activities to company employees and public ✓ Launched out full operation of the new ERP system across the company in April 2024. 	<ul style="list-style-type: none"> ✓ Meeting carbon reduction commitments, developing diverse talent management and improving employee engagement

2.1 Mid-Term Management Plan Goals

- Preparing the ground for shifting from “IRISO for automotive” to “IRISO for future mobility ”
- Increasing our global presence in the industrial market
- Strengthening our global production system, promoting equipment and tooling standardization to improve productivity and capital efficiency
- Continuing to develop our sustainable management system

Working towards a better society through supporting electrified cars, autonomous driving and high-speed transmissions in all industries



Envisioning a Sustainable Society

Sales Growth

CAGR 5% or more

Operating Profit Margin

FY2023 10.7% → FY2026 15% or more

ROE

FY2023 7.8% → FY2026 10% or more

ROIC

FY2023 7.3% → FY2026 10% or more

Carbon Neutrality

CO2 emission intensity (Scope1-3) cut by 10%

Personnel

Promoting DE&I and improving employee engagement

Management Foundation

Quality, safety, compliance and risk management

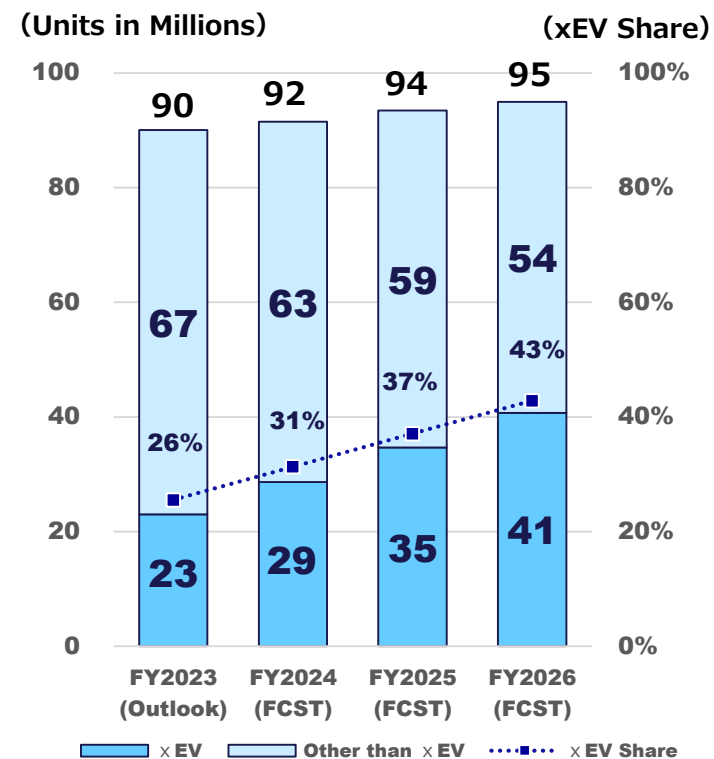
2.2 Mid-Term Plan Targets and Market Outlook

- FY2026 goals: net sales of ¥65B and an operating profit margin of over 15%
- FX budget rates: ¥140 for USD, ¥155 for EUR and ¥20 for RMB
- Global auto production is expected to slowly increase to 95M units and the ratio of net sales from products for xEVs to rise to over 40% in FY2026

【FY2026 Targets】

	FY2023 Result	FY2026 Target
Net Sales	¥55.3B	¥65.0B
Operating Profit	¥5.9B	¥10.0B
Operating Profit Margin	10.7%	15.4%
Net Income Attributable to Parent	¥5.6B	¥7.5B
EPS	¥238	¥330
ROE	7.8%	10%
ROIC	7.3%	10%
R&D/Net Sales	2.4%	3.5%
Budget Exchange Rate	USD144.40JPY EUR156.80JPY RMB 20.14JPY	USD 140JPY EUR 155JPY RMB 20JPY

【Global Auto Production】



(We created this graph based on reports from Fuji Chimera Research, banks and securities firms.)

- Growing as an industry leading company in the powertrain and automotive centralized control ECU markets
- Preparing for the road ahead to make a breakthrough growth in the auto sensor and industrial markets

Mobility

Powertrain

Infotainment

Automotive centralized control ECU

Sensor

[Strategy]

- ✓ Focusing on the automotive centralized control ECU as part of the auto powertrain, sensor and infotainment markets, which are expected for a growth revolution
- ✓ Preparing for the road ahead to grow further in the auto sensor market
- ✓ Expanding our business portfolio into the future mobility market including the construction equipment, agricultural machinery and electric vertical take off landing (eVTOL) aircraft markets, by suggesting our vibrant, heat resistant and high-speed transmission solutions, which we have developed through automotive business for years

Industrial

Manufacturing Equipment
Telecommunication
Energy

[Strategy] ~ Preparing the road ahead to scale up our second pillar business in the future

- ✓ Expanding global business for control equipment
- ✓ Developing our product range for the robot and AI markets
- ✓ Creating a strong brand positioning in the chipmaking equipment, telecommunication (data center) and energy management (battery charger and condenser) markets

2.4 Our Product Competency for Auto Business

Core Competency

- Floating Technology
~Z-Move
- 2-point contact
- Auto I-Lock

Auto I-Lock™ (11501 Series)

Automatically locks when the FPC/FFC card is inserted and prevents incomplete mating, which allows robot-friendly assembly to improve customer productivity.

High-Speed Transmission Floating BtoB Connector (10143 Series)

Supports a 25 Gbps high-speed transmission rate and offers a range of movement that exceeds the pitch. Is equipped with power supply terminals that makes possible to reduce the overall size of the board.

2-Point Contact Technology (10109 Series)

Ensures a highly reliable, proper connection and cleans contaminants when mated. The connector is designed for instrument-panel applications and powertrain systems.

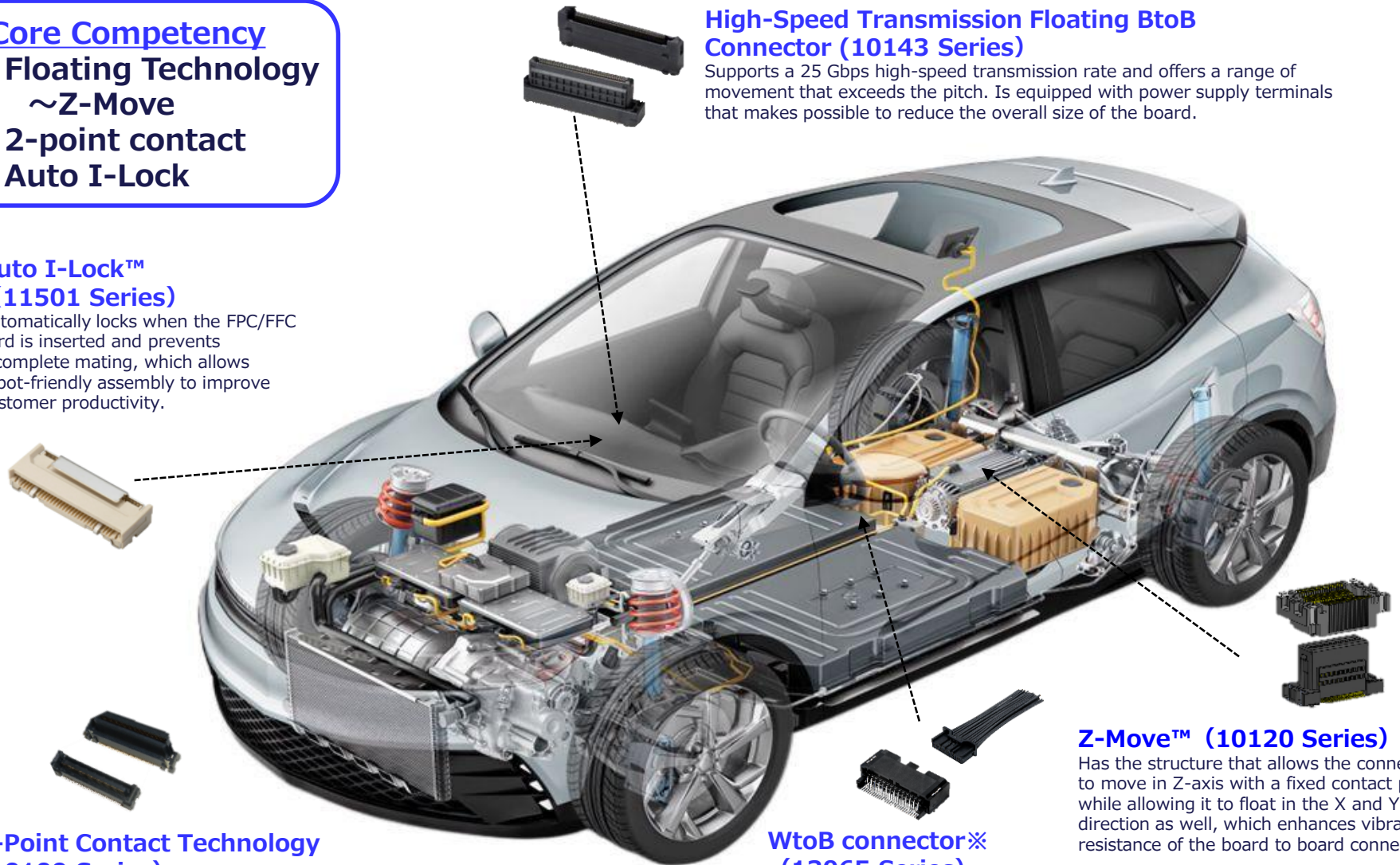
WtoB connector※ (13065 Series)

Used for powertrain applications as they are small sized, short and highly heat resistant.

Z-Move™ (10120 Series)

Has the structure that allows the connector to move in Z-axis with a fixed contact point, while allowing it to float in the X and Y direction as well, which enhances vibration resistance of the board to board connection.

※WtoB : Wire to Board Interface (IF) connector connecting boards and wires"



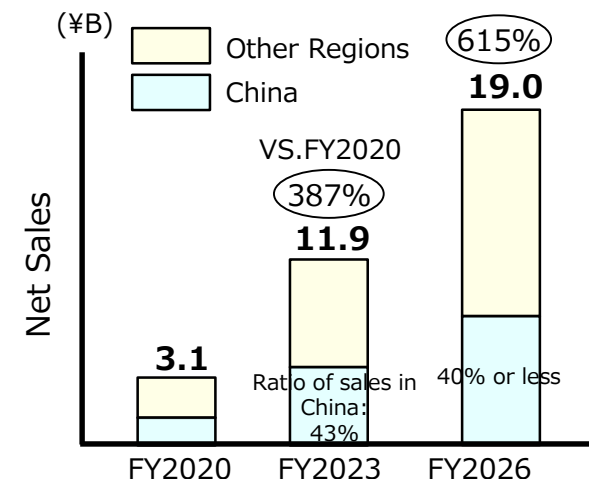
Expanding global business and continuing to improve the performance of our high current, vibration-resistant and heat-resistant connector

➤ FY2021-2023 Results



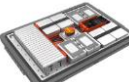


- ✓ Gained high market share in the Chinese xEV market
- ✓ Provided connector solutions by supplying our small-sized WtoB connector with housings and terminals to fulfill a wide range of products including small- to large-sized connectors.
- ✓ Expanded our product line of the high-vibration-resistant "Z-Move™" connector to boost the sales of connectors for inverters and converters.
- ✓ Grew the sales of connectors for on-board chargers (OBC) and AC inverters through product line extension

➤ Expanding our global business through product development and salesforce improvement

- ✓ Based on our business development in China and Japan, increasing the sales of our products meeting standards set by Europe, North and South Americas and other regions.
- ✓ Continuing technology development and shortening product development cycle to improve the performance of the high-current, and vibration-and heat-resistant connector



- Boosting orders from suppliers of other powertrain components such as external power supply AC inverter, as well as engine and battery
- Our connectors have been adopted for not only EVs but also PHEV·HEV, etc.

Application			EV	PHEV	HEV
Motor	Converter 		○	○	○
	Inverter 		○	○	○
Battery	BMS (Battery Management System) 		○	○	○
	OBC (On Board Charger) 		○	○	—
Other	External Power Supply AC Inverter 		○	○	○

Product line extension by supplying the WtoB scalable connector for automotive centralized control ECU, as well as the high-speed BtoB connector

➤ FY2021-2023 Results

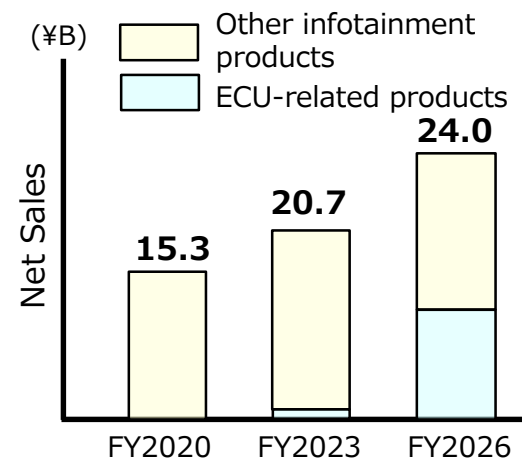
- ✓ Technological innovations such as electrification and autonomous driving led to an increase in the number of ECUs and board interconnections in each vehicle.
⇒ Received a record-breaking number of customer orders and built mass production system as a result of proposing connector solutions by supplying the high-speed BtoB connector to automotive customers, which led us to win their trust
- ✓ Generated product concepts for the scalable connector as the growth of the automotive centralized control ECU market was expected

100 or more ECUs per 1 vehicle needed
⇒ Rising vehicle cost and shortage of space for unit installation

High expectation for automotive centralized control ECU
⇒ Scalable connector solutions to meet the new expectations for future mobility

➤ Anticipating market trends and market-leading product development and supply

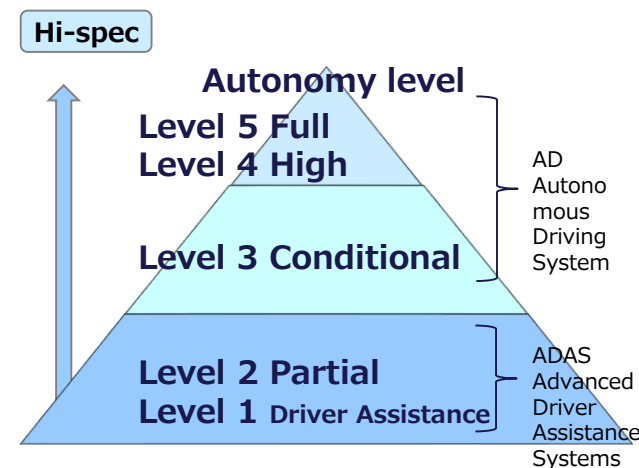
- ✓ Promoting technological innovations for the higher-speed, higher-capacity and downsized/weight reduced high-speed BtoB connector to expand our product line and increase our sales share
- ✓ Bringing the scalable connector to the market



Preparing the road ahead with perspectives on the future of mobility to grow sales in the auto sensor market

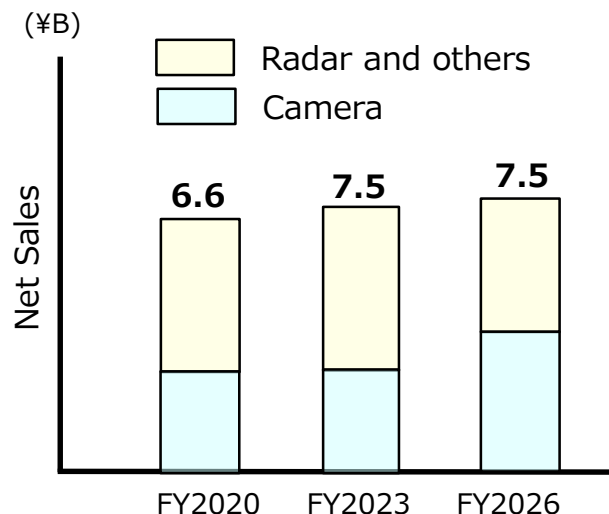
➤ FY2021~2023 Results and Issues

- ✓ The development of autonomous driving technology boosted demand for products supporting high-speed transmission, high resolution and high capacity.
 - ⇒ Promoted product development and sales for the radio detection and ranging (Radar) market, as well as light detection and ranging (LiDAR) markets
- ✓ Misreading of market needs in the camera market caused delay in product development due to technical issues, which led to sales decline.



➤ Rebuilding our camera business through collaborative product development, etc.

- ✓ Expanding our product line and sales for view and sensing cameras, and driver monitoring systems (for autonomy levels 2-3), as well as developing hi-spec products (high-frequency, high-speed, etc.) (for autonomy levels 3-5).
- ✓ Winning new customers and increasing our market share through cross-industry sales alliances with other companies.



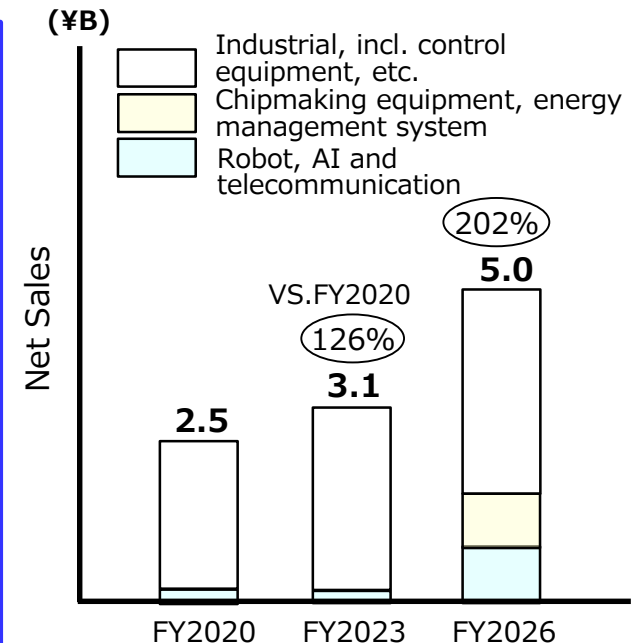
Preparing the road ahead to grow sales in the industrial market as second business pillar

➤ FY2021-2023 Results and Issues

- ✓ Expanding sales for control equipment made by Japanese companies and bringing the 25Gbps transmission FFC connector for 5G base stations to the market led to sales slowdown due to customers' manufacturing slowdown during FY2023. However, in FY2021 and 2022, increased net sales to ¥4.3B per year, representing 173% relative to the FY2020 level.
- ✓ Developed strategies such as global talent hires of field application engineers (FAE) at IRISO EU, despite a sales slowdown in FY2023 due to global market downturn and delays in global business expansion

➤ Expanding our global business and product line

- ✓ Winning new customers among Japanese leading companies and increasing our market share, mainly by supplying our high-speed floating BtoB connector
- ✓ Winning new EU customers by global talent hiring of FAEs and bolstering local sales teams
- ✓ Reviewing sales methodologies by expanding to new sales channels through working with distributors and developing our product range through outsourcing procurement
- ✓ Entering to the chipmaking equipment and energy management system markets



Improving productivity and return on investment (ROI) by developing manufacturing system and cutting cost

➤ FY2021-2023 Results and Issues

- ✓ Launched a multi-site production system for manufacturing standardized products, running a profit improvement project for cost reduction and started the Hanamaki factory operation for in-house mold production
- ✓ Halfway to our goals of improving the equipment utilization rates and ROI of the group production sites due to rising capital spending

➤ Improving productivity and operating rate

- ✓ Revising the system and roles of all group manufacturing sites and improving production efficiency by 15%
- ✓ Ensuring the Akita plant will start operations smoothly and improving the ratio of domestic production

➤ Sharing equipment and toolings, and cutting costs

- ✓ Increasing productivity in product, equipment and tooling design and promoting standardization with digital transformation (DX) Reducing costs and manufacturing lead time through expanding in-house tooling manufacturing

➤ Minimizing material costs and applying value engineering (VE) in the design phase

- ✓ Standardizing materials and reducing the volume of resins, plating, etc., used to make each connector
- ✓ Promoting local procurement and centralized purchasing.

[Major KPIs]

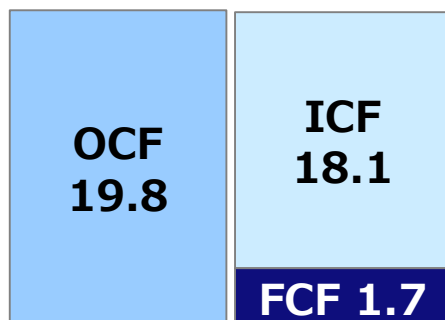
Ratio	FY2023	FY2026
Cost of Sales	69%	65%

4.1 Cash Creation and Capital Allocation

- Continuing to achieve a cash flow margin ratio (CFMR) of over 20%
- Keeping the balance between growth investments and shareholder returns to improve profit returns to shareholders, with the target of a dividend payout ratio (DPR) of over 40%, or a dividend on equity (DOE) ratio of 5%.

Cumulative FY2018-2020

Net Sales 119.0

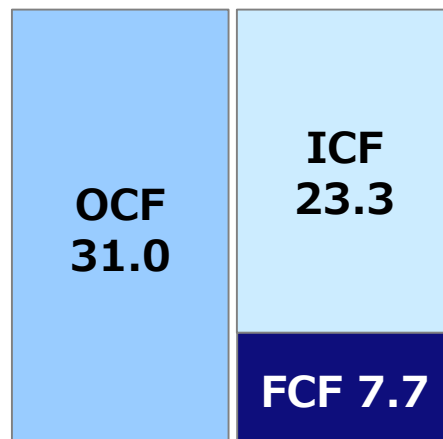


Dividend 3.8

CFMR	16.6%
DPR	41.2%
DOE	2.4%

Cumulative FY2021-2023

Net Sales 152.0

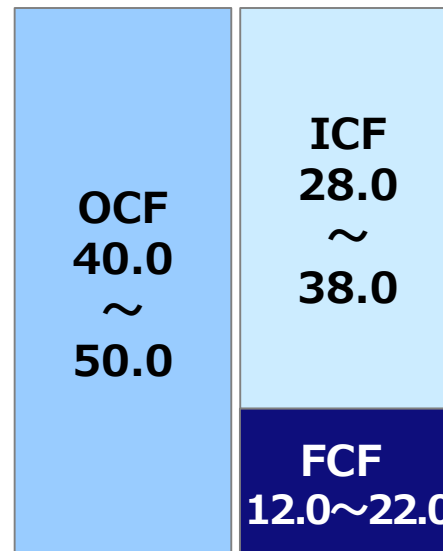


Dividend 4.5

CFMR	20.4%
DPR	36.0%
DOE	2.6%

Cumulative FY2024-2026 (¥B)

Net Sales Over180.0



Shareholder Returns 10~15

CFMR	over 20%
DPR	over 40%
DOE	5.0%

Main Capex Items

Akita Plant
Machinery
Equipment
Tooling
R&D
Alliance
Other

[FYI] FY2015-2017
Total before Covid-19

Net Sales:	118.0
OCF:	24.9
FCF:	7.4
Dividend:	2.3
CFMR:	21.1%
DPR:	19.3%
DOE:	2.0%

4.2 Value-Based Management with a Focus on the Cost of Capital and Stock Price

- Because we are now forced to face up to the fact that our price-to-book ratio (PBR) has been shifting around 1.0x, we should commit to our growth strategies and profitability improvement, as well as to rebuild management foundation to maintain our return on equity (ROE) over 10%.
- We are aiming to achieve a return on invested capital (ROIC) that exceeds capital costs and to create an optimal capital structure, as well as to improve investment efficiency.
- We are aiming to ensure that the profits of a dividend payout ratio (DPR) or over 40% or a dividend on equity (DOE) of 5% are stably returned to shareholders, as well as to run a share buyback program for increasing shareholder returns.

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2026T arget
ROE	6.4%	4.1%	6.8%	8.6%	7.8%	10.0%
ROIC	6.3%	4.0%	6.6%	8.3%	7.3%	10.0%
Dividend/Stock (JPY)	50	50	60	80	90	150
DPR	35.8%	55.0%	36.1%	34.0%	37.9%	Over 40.0%
DOE	2.3%	2.2%	2.3%	2.8%	2.8%	5.0%
PBR (X)	1.47	2.14	1.28	1.71	0.94	1.50

Management Philosophy

-Bridging to a Brighter Tomorrow-
We cherish individuality, cultivate values through innovation and creativity, and commit to a positive and smart future

Statement

Together, surpassing expectations by empowering connections to enrich society and delight people

Purpose

We connect over electric passes with our strong proposal ability to empower customers and offer secure, safe and user-friendly connections.

Dream

We are deeply committed to the act of “connecting” and create a future world friendly to people and environment where a wide array of features and functions are easily connected.

Belief

Full of gratitude and inspirations to all customers

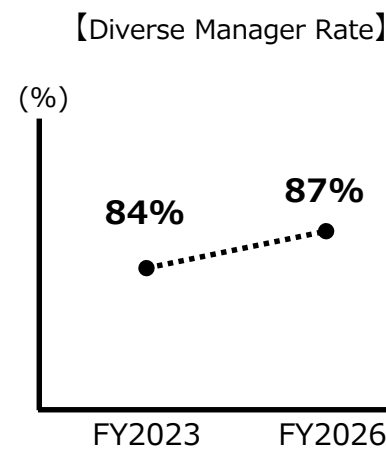
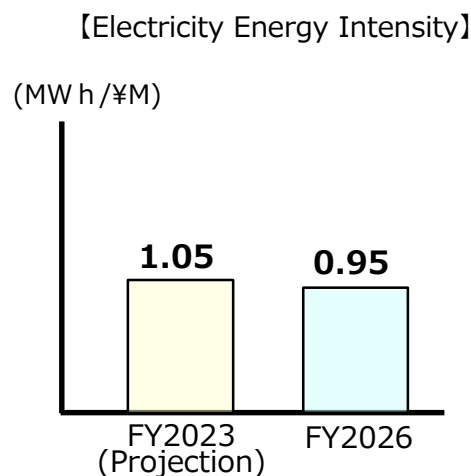
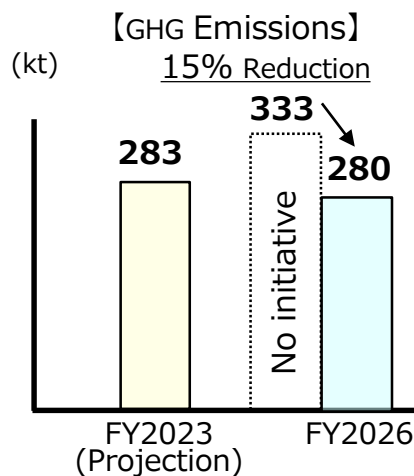
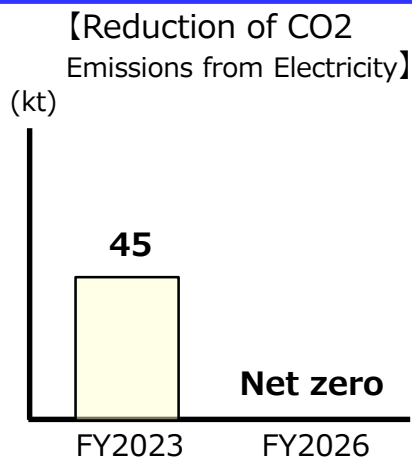
What We Envision

- An ever-growing company that surpasses expectations by empowering connections to enrich society and delight people
- A company that commits to sustainable society, environment and quality, and makes employees and stakeholders excited

Five materiality goals to achieve our sustainable growth

Materiality	Major KPIs	FY2023	FY2030
1. Addressing social issues and growing our business	Ratio of net sales from products that support automation and electrification for future mobility innovation	35%	40%
	Ratio of net sales from new products	23%	30%
2. Unlocking the power of manufacturing to support value creation	Improving cost of sales ratio by 7%	69%	62%
3. Working towards secure, safe and livable society that supports people and the environment	Free CO2 emissions from electricity (2025)	45kt	Net zero
	Reducing SCOPE1-3GHG emissions by 20% (2030, VS.2021)	283kt	167kt
	Improving electricity intensity by 30% (2030, VS. 2021)	1.05	0.95
4. Developing diverse talent management	Diversity (foreigners, females and mid-career hires) ratio of management employees	84%	90%
	Employee engagement score	48pt	53pt
5. Improving management foundation	ROE	7.8%	Over 10%
	ROIC	7.3%	Over 10%

- **Sustainable management for people and the environment**
 - ✓ Promoting renewable energy for electricity, waste recycling and reuse
 - ✓ Supporting a carbon-free and resource-circulating society through supply chain management
- **Fostering workplace diversity and inclusion**
 - ✓ Diversifying board members and management employees
 - ✓ Embracing diverse employee work styles and conditions to improve employee engagement
- **Improving management foundation**
 - ✓ Bolstering global risk management
 - ✓ Developing a digital infrastructure in management, promoting automation and improving corporate security
 - ✓ Ensuring value-based management with a focus on the cost of capital and stock prices



Company Name	IRISO ELECTRONICS CO., LTD.
Business Description	Manufacture and sales of various types of connectors
Establishment	December 1966
Number of Employees	586 / 3,037 (consolidated) (as of March 31, 2024)
Capital	5,640 million yen (as of March 31, 2024)
Headquarters	2-13-8, Shinyokohama, Kohoku-ku, Yokohama, Kanagawa
Operations	
Japan	Headquarters, Fukushima, Ibaraki, Aichi, and Osaka
Overseas	Singapore, Hong Kong, U.S.A., Germany, Thailand, South Korea, China (Shanghai, Dalian, Tianjin, Suzhou, Shenzhen, Chongqing), Malaysia, Taiwan, and India
Research & Development	Headquarters (IRISO Technology Park), Kawasaki (Production Technology Development Center), Iwate (Hanamaki Factory), and Shanghai R&D Center
Manufacturing Plants	Japan (Ibaraki), China (Shanghai, Nantong), Philippines (Manila), and Vietnam (Hai Duong)



Types of Connectors

BtoB Connector

Also known as board-to-board connectors, a BtoB connector is a general term for connectors developed for connecting printed circuit boards. There are many types of connections available, depending on how to combine vertical, parallel (stacking) and horizontal connections. "B to B" is thoroughly adopted in the connector industry as the registered trademark for IRISO products.

FPC/FFC Connector

An FPC/FFC connector is a general term for connectors developed for connecting FPC (Flexible Printed Circuits) and FFC (Flexible Flat Cable). There are zero insertion force (ZIF) type, which can be locked without force during initial insertion, and Non-ZIF type, which requires force during insertion.

IF Connector

Also known as an I/O (input/output) connector, "IF" stands for interface, and an IF connector refers to connectors used for connecting devices to exchange signals. They are attached to the sides (back/front) of various devices such as car navigation systems and PC peripherals to provide power, and input and output data and information such as audio/video signals.

Pin Header

A pin header is a basic form of a plug (male side) connector with a housing (resin insulator) attached by one or two rows of "wire pins (conductors)". It is used for interconnections (inter-board connections) in a wide range of electronic devices. When viewed from the side, it looks like a Japanese "Kenzan" flower holder used for Ikebana flower arrangement. The female counterpart is referred to as a female socket header.

The forecasts on this report have been prepared based on information available at the time this report was prepared. Actual business results may differ from the forecasts due to changes in various factors.

The Company strives proactively to disclose information that is important from an investor standpoint. However, investors are cautioned not to place undue reliance on these forecasts, nor to base an investment decision solely on the information contained herein.

The Company is not liable or responsible in any way whatsoever for any damages losses or costs arising from the use of information contained in this report.