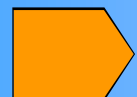




Consolidated Financial Results Briefing Materials for FY 2017

IRISO ELECTRONICS CO., LTD.
Stock Code: 6908
(May 8, 2018)



-  **I . Summary of the consolidated Financial Results for FY 2017**
- II . Forecasts for FY 2018**
- III . Progress of Mid-term Management Plan (FY 2017- FY 2019)**



1. Summary of Business Performance



Strong sales mainly in automotive market and record-setting sales and operating income

- Net sales increased by 12.5% year-on-year, and all quarterly sales exceeded 10 billion yen. This means, for the first time, sales for the four consecutive quarters have surpassed 40 billion yen, exceeding the planned budget by 5.6%. This was due to a steady growth in sales volume mainly in automotive segment as well as in the industrial market.
- Regarding profit, operating income ratio was 19.9%, increasing by 2.2 percentage points year-on-year due to the sales increase, result of cost reduction efforts, and the effect of yen depreciation.

【By market】

- Automotive segment: Driven by strong sales of products for safety applications including cameras and radars, which are increasingly used in vehicles along with the development of ADAS, and also products for powertrain using the floating BtoB connector “Z-Move™”, which has a function to make movements in three directions. Sales in the car-electronics segment increased and surpassed the sales in the AVN segment for the first time due to the impacts of ADAS and electrification.
- Industrial segment: Remained favorable and increased for PLCs, servo amplifiers, and inverters owing to rising demands for FA equipment mainly in China.

【By area】

- Japan: Increased in automotive and industrial markets.
- USA: Increased in both AVN and Electronics segments of the automotive market.
- China, Taiwan & South Korea: Increased mainly in Car-Electronics segment and industrial market.
- EU: Increased due to strong sales mainly of safety related products in automotive market.

【Topics】

- The newly established Nantong factory in Jiangsu, China has started its operation as the fifth production plant.



2. Consolidated Results for FY 2017 (YoY Change)



Unit: Millions of yen

	FY 2016	FY 2017	YoY change
Net sales	37,547	42,248	4,701 12.5%
Operating income	6,661 (17.7%)	8,426 (19.9%)	1,764 26.5%
Ordinary income	6,750 (17.9%)	7,872 (18.6%)	1,121 16.6%
Net income	4,875 (13.0%)	5,456 (12.9%)	580 11.9%
EPS	207.16 yen	230.47 yen	
Average exchange rate during the period	USD 109.03 yen EURO 119.37 yen	110.81 yen 129.45 yen	1.78 yen 10.08 yen



3. Breakdown of Net Sales (by Market)



Unit: Millions of yen

		FY 2017	YoY change	Sales ratio	Factors for increase/decrease
Automotive (car-mounted products)		35,832	12.8%	84.8%	<ul style="list-style-type: none"> Along with the advancement of ADAS and car electrification, sales in the electronics segment has increased and exceeded the sales in AVN segment. Sales for ADAS-related safety applications including car-mounted cameras and radars remained favorable and increased by 50% compared to the previous year.
Category	AVN (Car audio, visual, navigation systems, etc.)	17,209	4.5%	40.7%	
	Electronics (Other electric components including ADAS, Powertrain and switches.)	18,623	21.7%	44.1%	
Consumer (OA, game consoles, Digital cameras, cellular telephones, televisions, etc.)		4,172	0.8%	9.9%	<ul style="list-style-type: none"> Increased in sales for OA equipment including printers and MFPs.
Industrial (Industrial equipment, etc.)		2,244	36.8%	5.3%	<ul style="list-style-type: none"> Increased in sales for PLCs, servo amplifiers, inverters, etc.
Total		42,248	12.5%	100.0%	<ul style="list-style-type: none"> Overseas ratio was 79.0%.

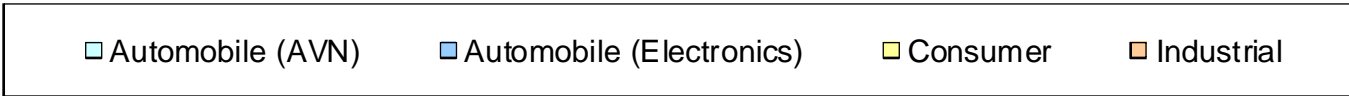
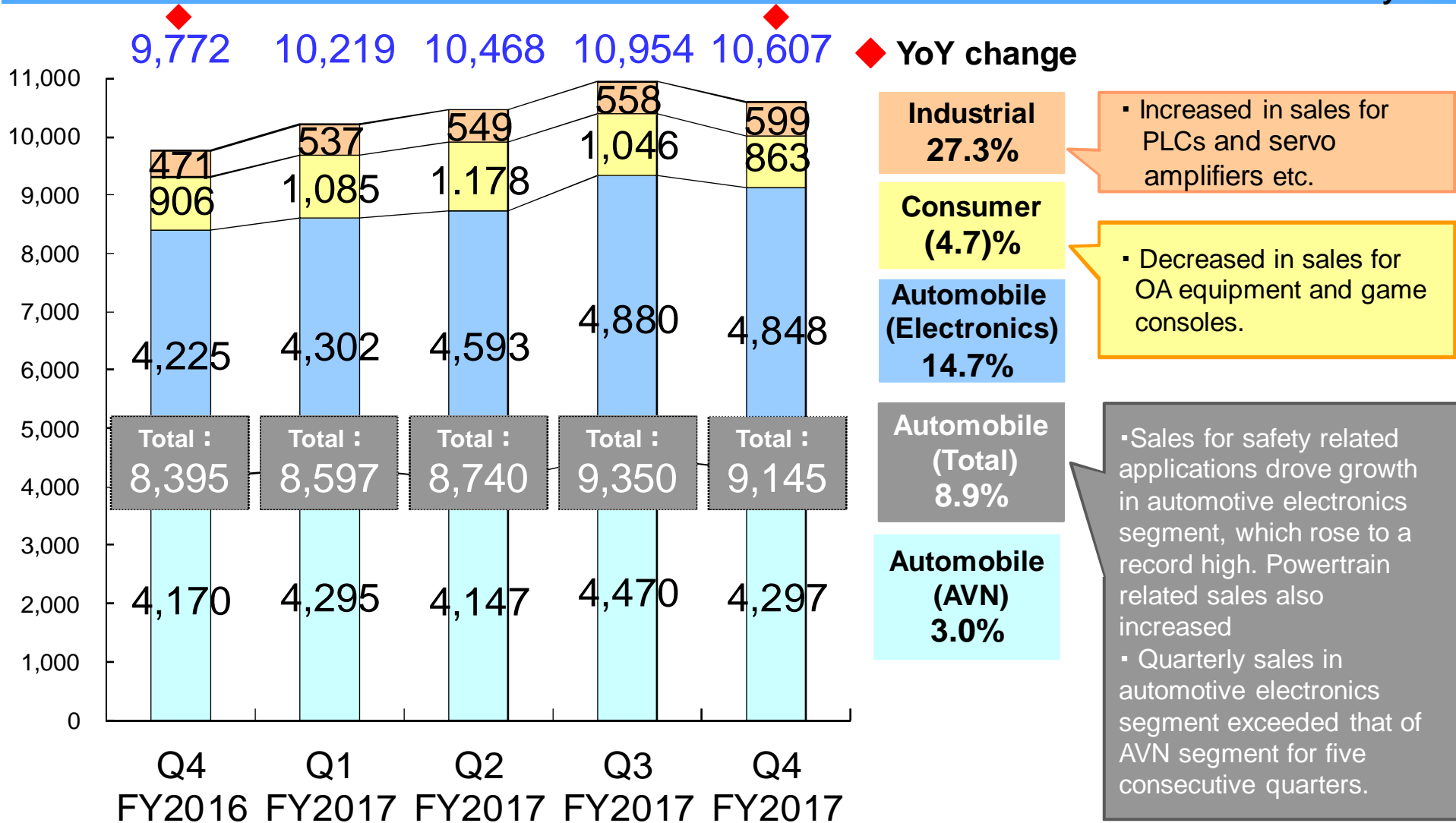
Note: AVN is an abbreviation of Audio Visual Navigator, and refers to general car audio equipment, navigation systems, etc.



4. Net Sales by Market (Quarterly Trends)



Unit: Millions of yen

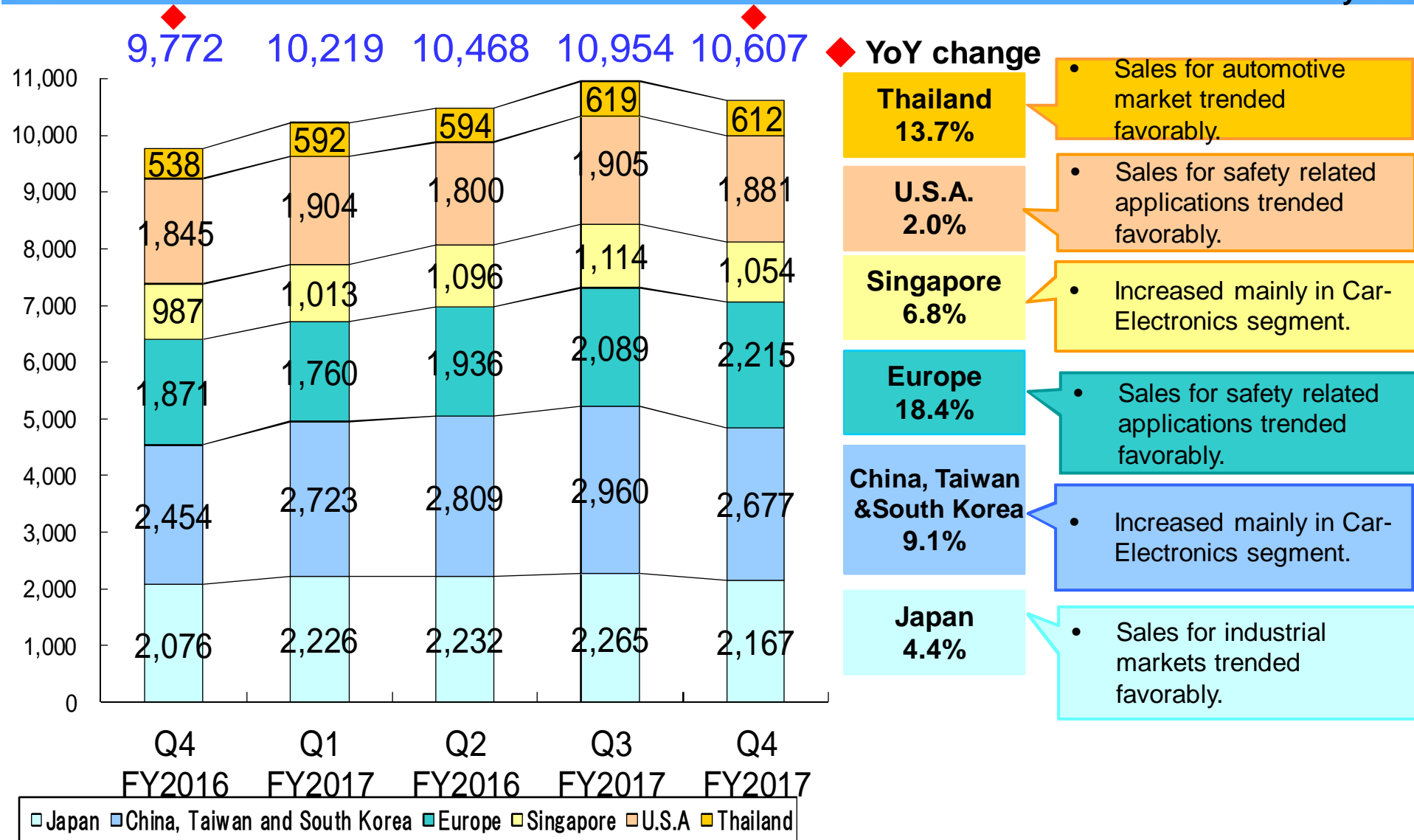




5. Net Sales by Area (Quarterly Trends)



Unit: Millions of yen

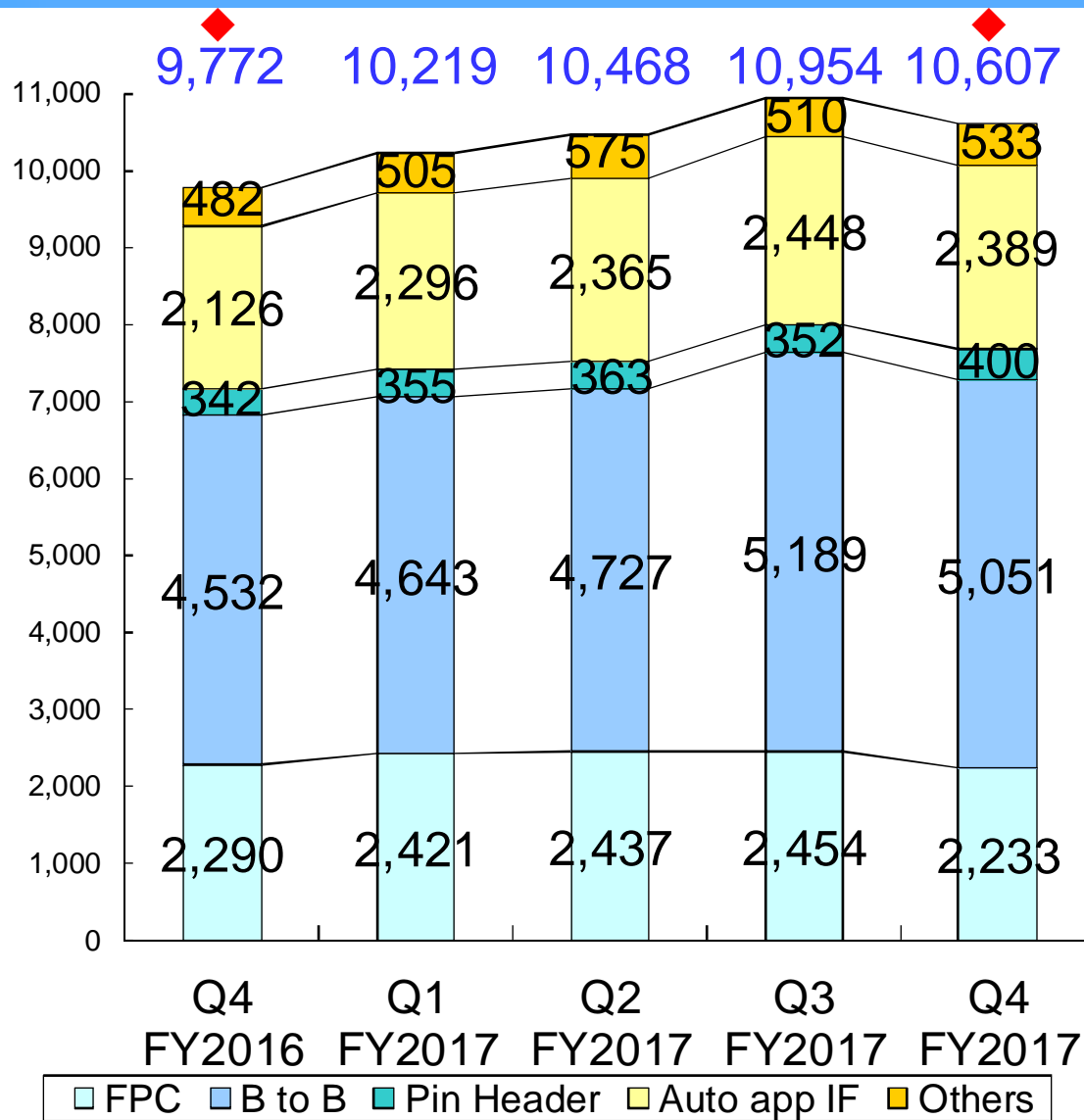




6. Net Sales by Product (Quarterly Trends)

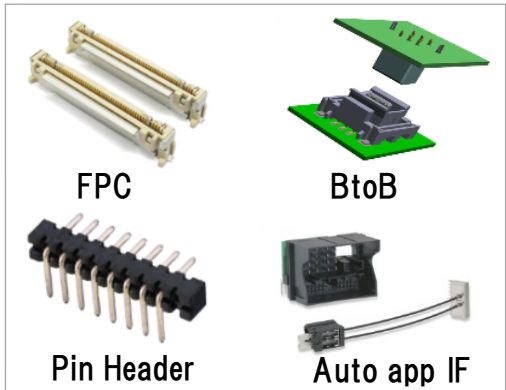


Unit: Millions of yen



• Automotive segment trended favorably.

• Automotive segment trended favorably.

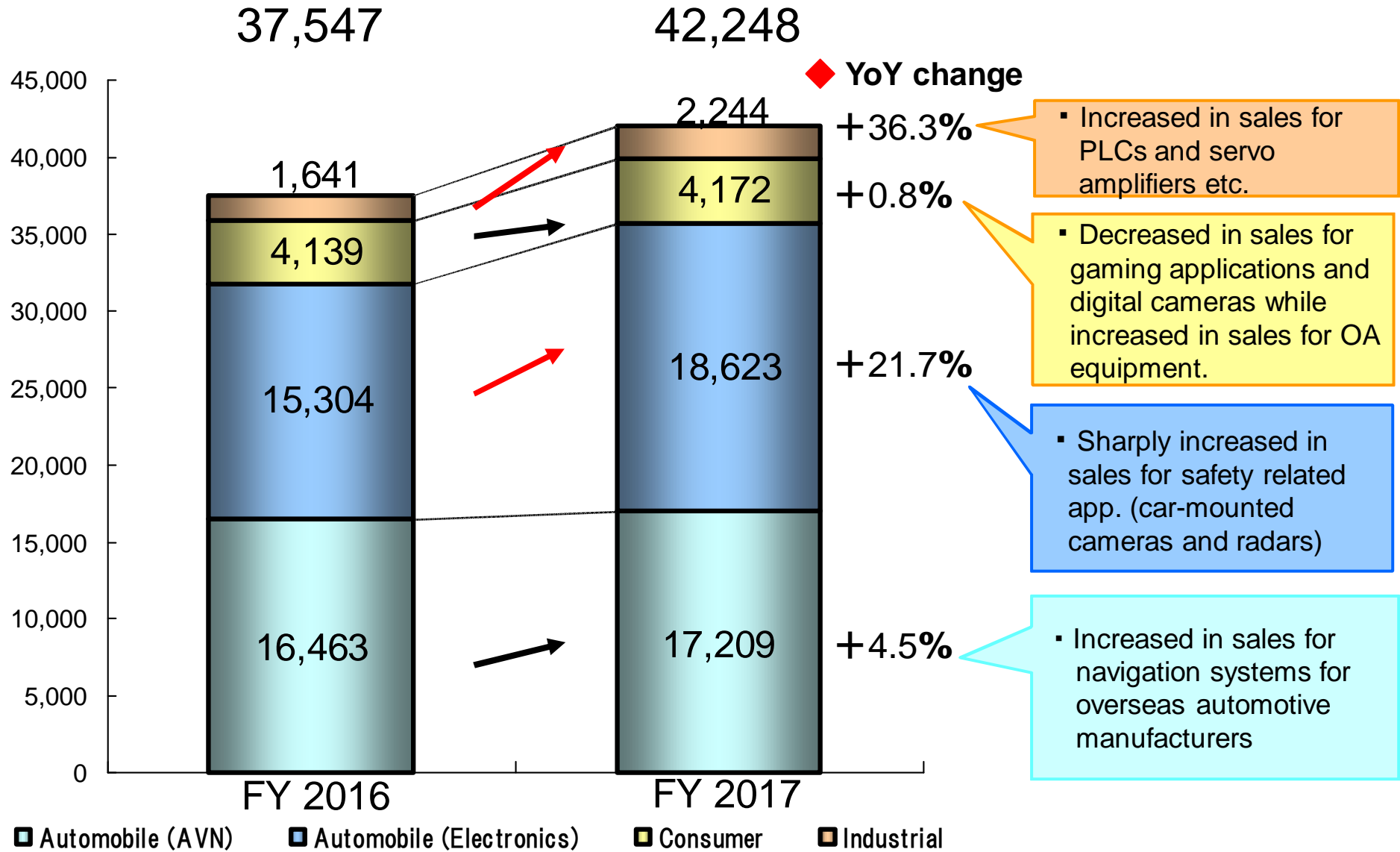




7. Net Sales by Market (Full Year)



Unit: Millions of yen

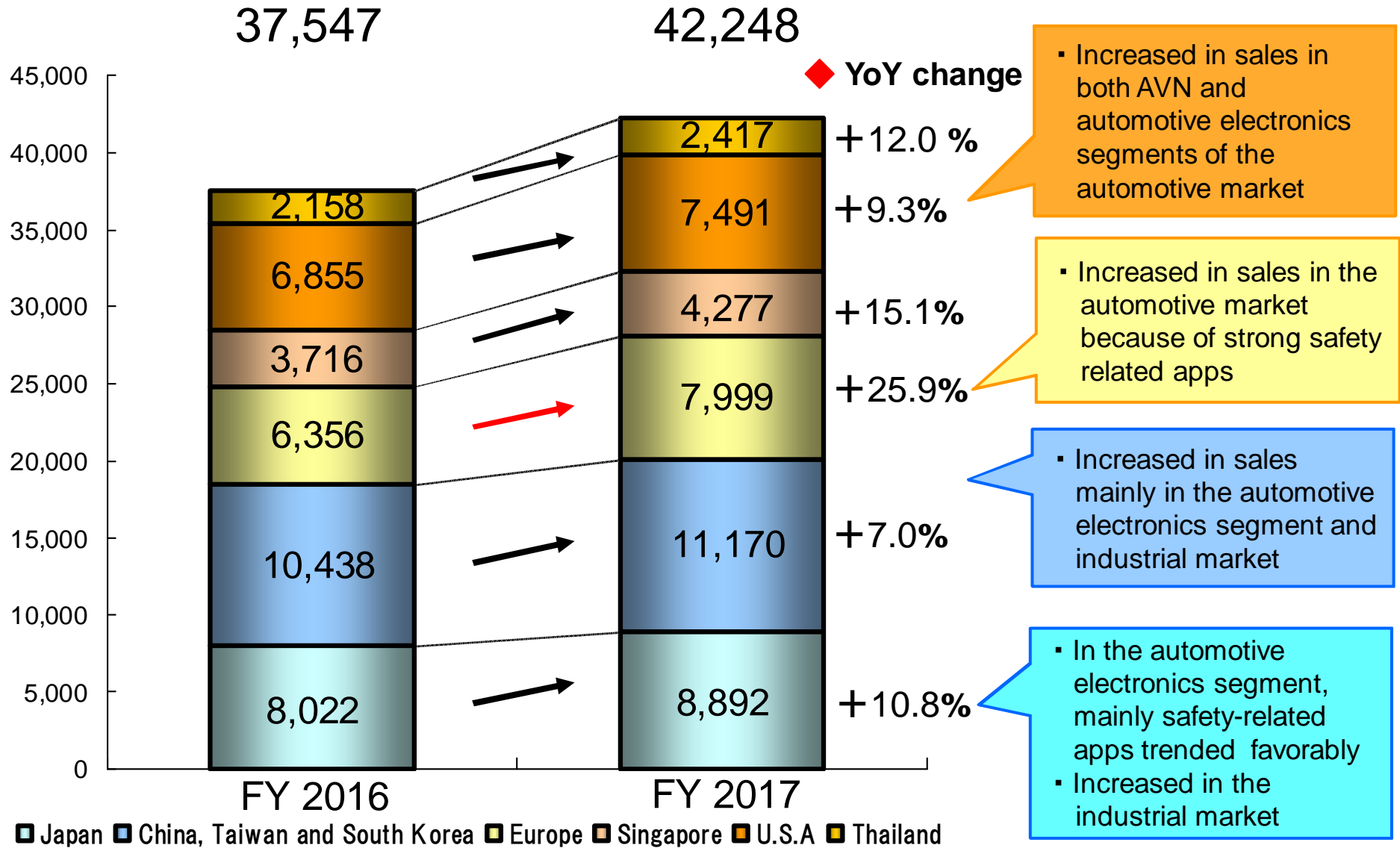




8. Net Sales by Area (Full Year)



Unit: Millions of yen



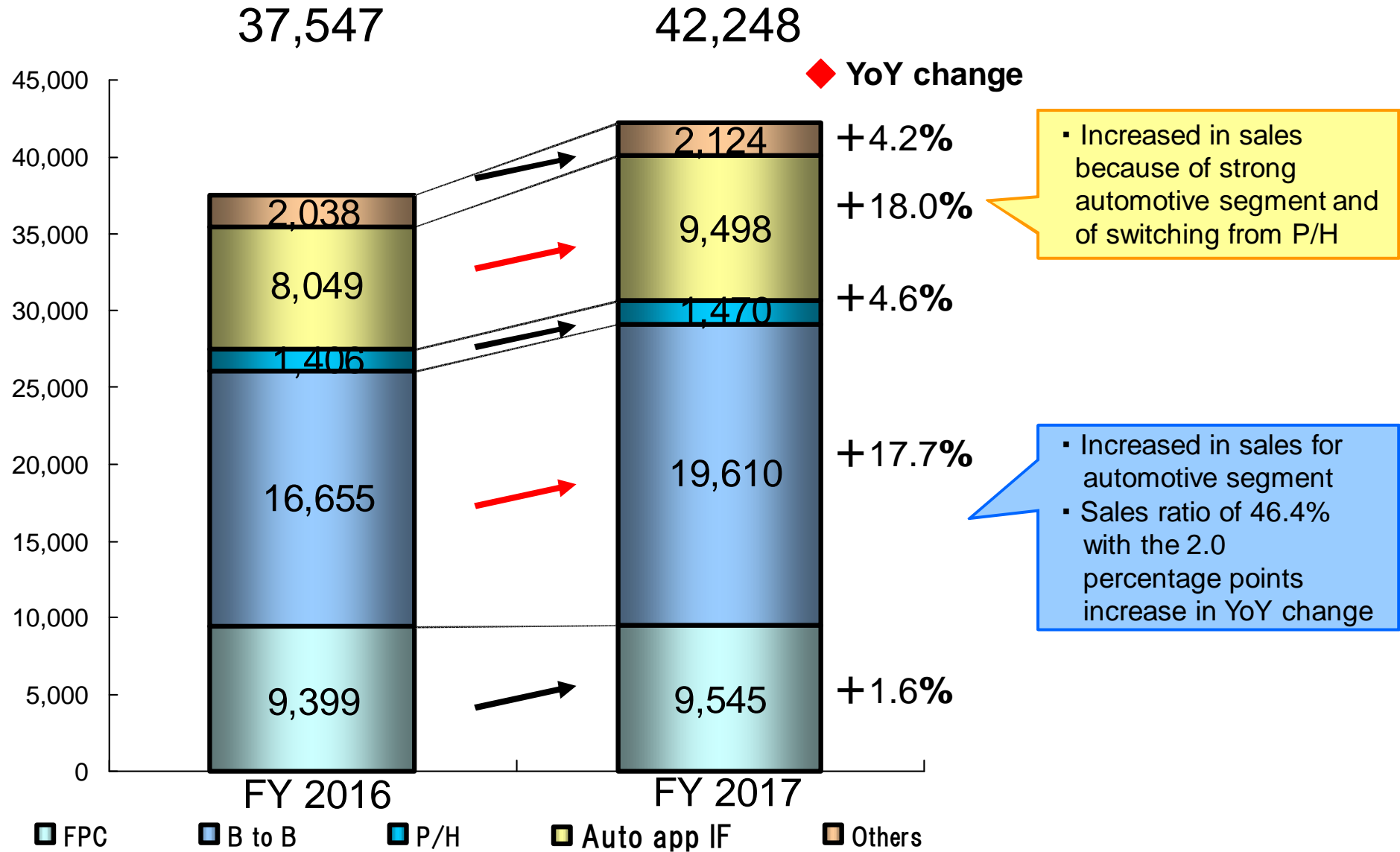
■ Japan ■ China, Taiwan and South Korea ■ Europe ■ Singapore ■ U.S.A ■ Thailand



9. Net Sales by Product (Full Year)



Unit: Millions of yen



10. Consolidated Statements of Income (Cumulative) (YoY Change)



Unit: Millions of yen

	FY 2016		FY 2017		YoY change	
Net sales	37,547	100.0%	42,248	100.0%	4,701	12.5%
Cost of sales	23,758	63.3%	25,751	61.0%	1,993	8.4%
Gross profit	13,788	36.7%	16,497	39.0%	2,708	19.6%
SG & A	7,127	19.0%	8,070	19.1%	943	13.2%
Operating income	6,661	17.7%	8,426	19.9%	1,764	26.5%
Non-operating income	152	0.4%	85	0.2%	(66)	(56.1)%
Non-operating expenses	63	0.2%	639	1.5%	576	908.2%
Ordinary income	6,750	18.0%	7,872	18.6%	1,121	16.6%
Extraordinary income (loss)	(45)	(0.1)%	(360)	(0.9)%	(314)	687.8%
Pretax income	6,705	17.9%	7,512	17.8%	806	12.0%
Net income (for HQ stockholders)	4,875	13.0%	5,456	12.9%	580	11.9%
EPS	207.16		230.47		—	
Exchange rate (USD/EURO)	109.03 Yen/		110.81 Yen/		1.78 Yen/	
	119.37Yen		129.45 Yen		10.08 Yen	

11. Consolidated Balance Sheets (compared to the end of the previous year)



Unit: Millions of yen

	As of March 31, 2017		As of March 31, 2018		Increase /Decrease	Factors for increase/decrease
Current assets	31,828	60.8%	36,421	60.6%	4,592	Cash and deposits 2,109 Notes and accounts receivable-trade 968 Raw materials and supplies 613
Noncurrent assets	20,534	39.2%	23,661	39.4%	3,127	Construction in progress 2,676
Total assets	52,363	100.0%	60,083	100.0%	7,720	
Current liabilities	7,000	13.4%	10,047	16.7%	3,046	Notes payable and accounts payable 1,378 Income taxes payable 380
Noncurrent liabilities	669	1.3%	752	1.3%	82	
Total liabilities	7,670	14.7%	10,080	18.0%	3,129	
Shareholders' equity	42,737	81.6%	47,482	79.0%	4,744	Retained earnings 4,746
Valuation/translation difference	1,715	3.3%	1,530	2.5%	(184)	
Minority interests	239	0.5%	270	0.4%	31	
Total net assets	44,692	85.4%	49,283	82.0%	4,591	Net assets per share 2,070.36 yen (previous period 1,877.72 yen)
Total liabilities and net assets	52,363	100.0%	60,083	100.0%	7,720	



12. Cash Flows



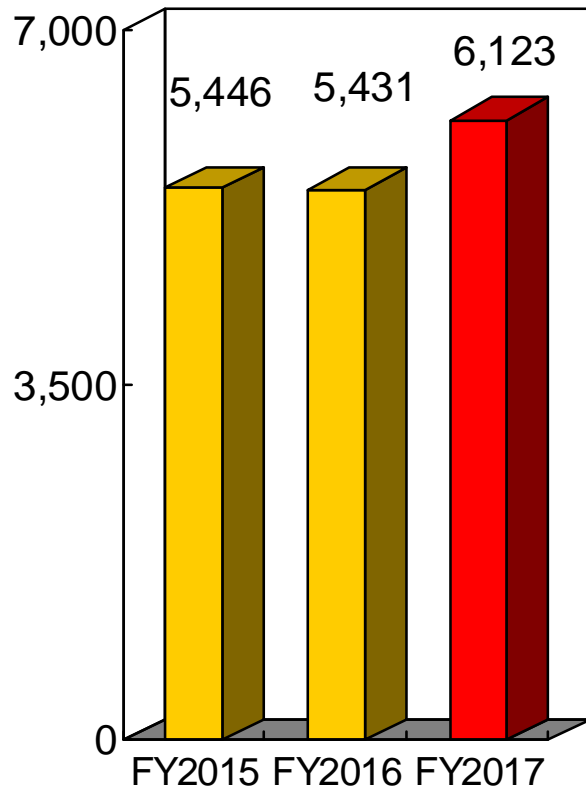
Unit: Millions of yen

	FY 2016	FY 2017	Increase /Decrease
Cash flows from operating activities	6,604	9,707	3,102
Decrease (increase) in notes and accounts receivable - trade	(924)	(936)	(11)
Increase (decrease) in notes and accounts payable - trade	743	1,310	567
Cash flows from investing activities	(5,406)	(6,727)	(1,320)
Purchase of property, plant and equipment	(5,182)	(6,049)	(867)
Purchase of intangible assets	(249)	(73)	175
Cash flows from financing activities	1,260	(777)	(2,037)
Net increase (decrease) in short-term loans payable	—	—	—
Net increase (decrease) in cash and cash equivalents	2,191	2,109	(82)
Cash and cash equivalents at end of period	15,242	17,352	2,109

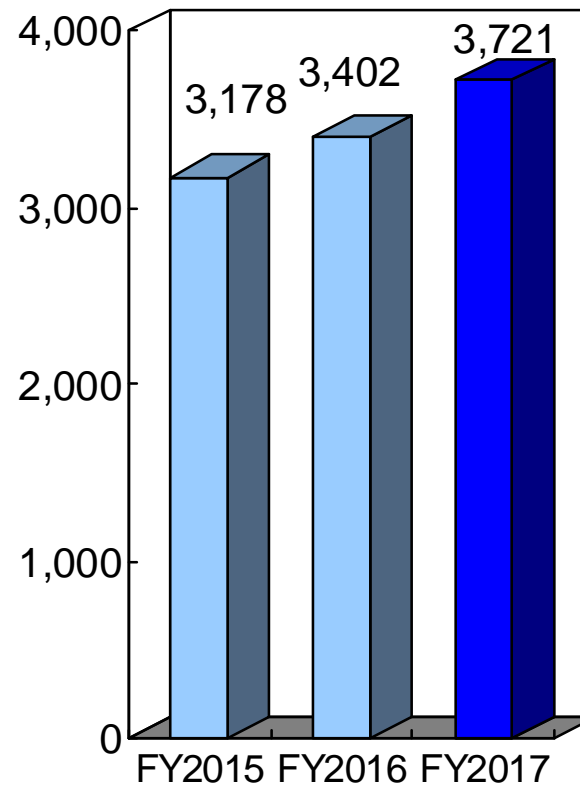
13. Capital Investment, Depreciation & Amortization, and Research & Development



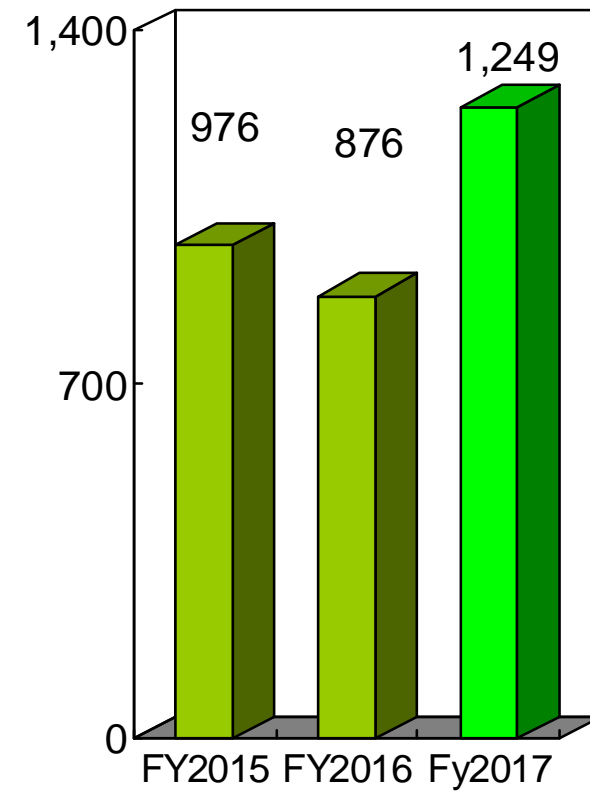
Unit: Millions of yen



Capital Investment



Depreciation & Amortization



Research & Development



**I . Summary of the consolidated
Financial Results for FY 2017**

 **II . Forecasts for FY 2018**

**III . Progress of Mid-term Management Plan
(FY 2017- FY 2019)**



1. Full-Year Targets for FY 2018 (YoY Change)



Unit: Millions of yen

	Results of FY 2017	(1st half) (2nd half)	Full Year targets for FY 2018	(1st half) (2nd half)	YoY change
Net sales	42,248	(20,687) (21,561)	45,500	(21,800) (23,700)	3,251 7.7%
Operating income	8,426 (19.9%)	(3,930) (4,496)	8,900 (19.6%)	(4,050) (4,850)	473 5.6%
Ordinary income	7,872 (18.6%)	(3,867) (4,005)	8,700 (19.1%)	(4,000) (4,700)	827 10.5%
Net income	5,456 (12.9%)	(2,862) (2,593)	6,100 (13.4%)	(2,900) (3,200)	643 11.8%
EPS	230.47yen	—	257.67yen		
Average exchange rate during the period	USD110.81yen EURO129.45yen	—	USD105.00yen EURO125.00yen		

2. Full-Year Targets for FY 2018
 (Assumptions for the forecasts)



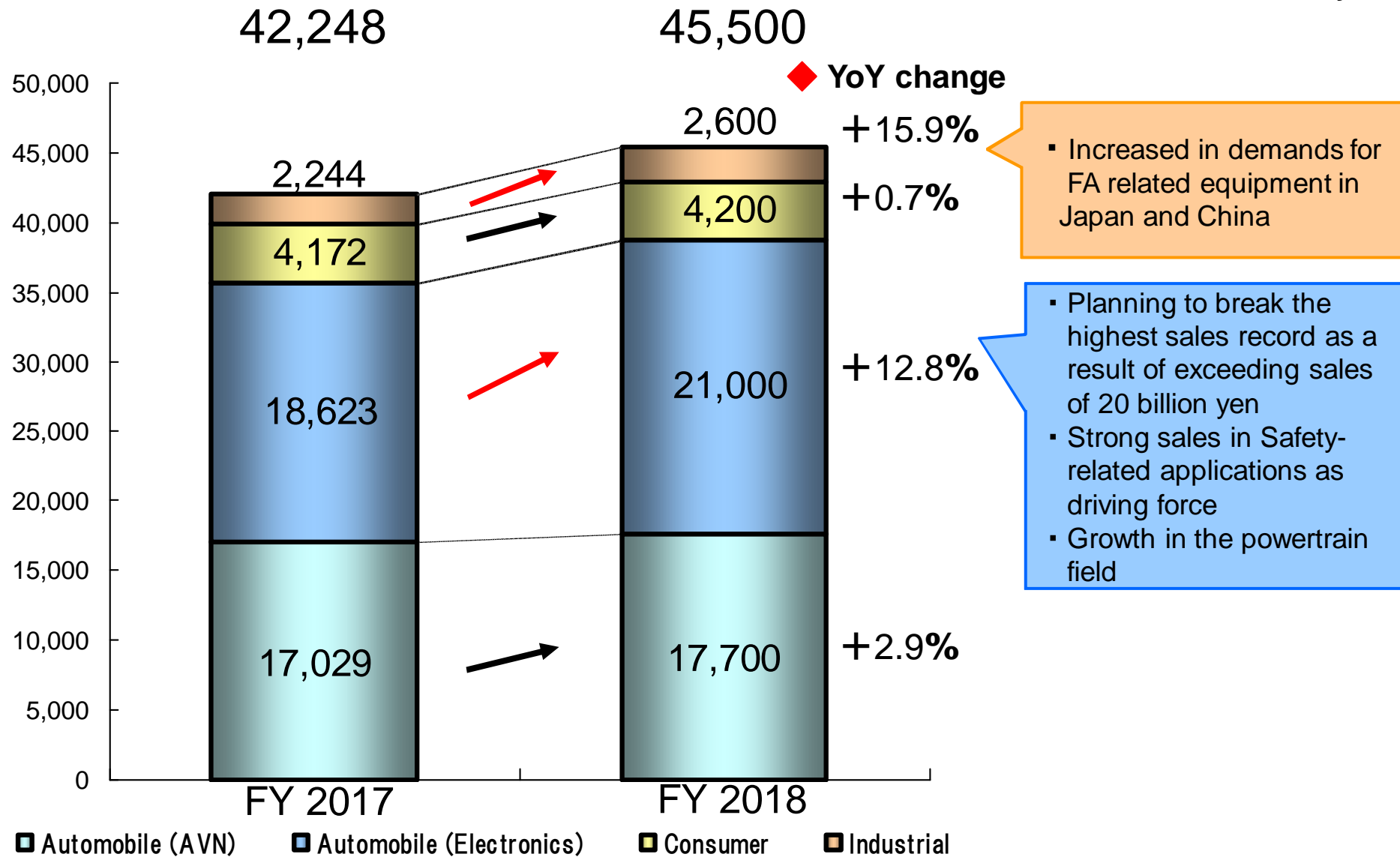
Items	Assumptions
Exchange rate	USD ¥105.0 / \$
	EUR ¥125.0 / €
	RMB ¥16.50 / RMB
Capital investment	¥7,500M
Depreciation & Amortization	¥4,200M
Research & Development	¥1,400M



3. Full-Year Targets for FY 2018 (by Market)



Unit: Millions of yen





(1) Sales forecast 45,500 million yen (+ ¥3,251M)

- We are planning to increase sales volume mainly in Car-Electronics markets by about 10% YoY.
- In the Automotive (electronics) field, sales of connectors for radars and car-mounted cameras are exceeding the others.
As to sales in the Powertrain field, other than DCDC converters which have already been mounted in vehicles, sales for products such as inverters have increased. It has grown to be one of the major fields in the automotive market.

(2) Operating income forecast 8,900 million yen (+ ¥473M)

- It is expected to increase by reducing cost through automation and rationalization efforts, and promoting in-house production of key processes to improve cost rate.
- Operating income ratio has dropped by 0.3 points because expenses for the Nantong factory, which was posted as non-operating cost in FY 2017, have been posted as operating cost since FY 2018.



We will make an unprecedented investments based on our mid-term business plan

→ Allot 7,500 million yen for the capital investment in FY 2018
(+22.5% from the previous FY)

(1) Investment for new product development

- Sales and Engineering departments collaborate to accelerate development of new products that anticipate customers' needs in growing markets.

(2) Enhancement of cost competitiveness

- Investing in proactive rationalization for cost reduction
- Increasing in-house production ratio in the key processes including molding, pressing, and plating

(3) Preparation for production increase

- Smooth launching of the Nantong factory



**I . Summary of the consolidated
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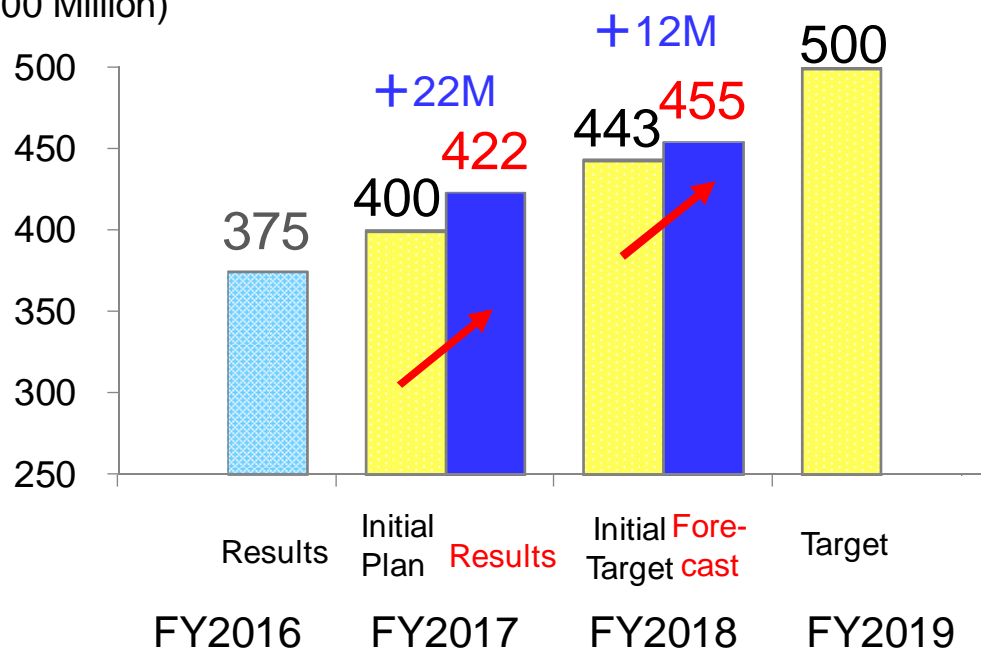
1. Progress of Mid-Term Management Plan (FY2017-FY2019)



Both net sales and operating income are increasing faster than the plan publicly announced in May 2017
Targeting Net Sales of 50 Billion yen pace from the 2nd half

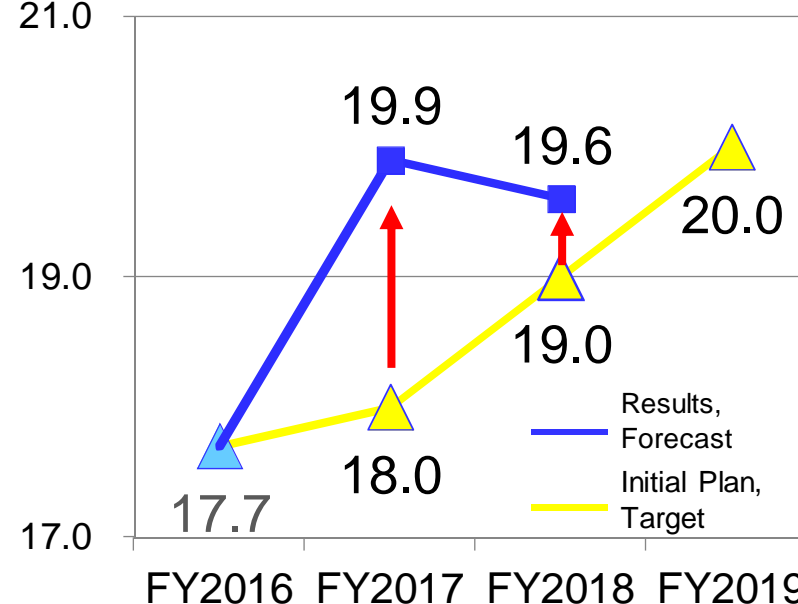
(1) Net Sales

(100 Million)



(2) Operating Income

(%)



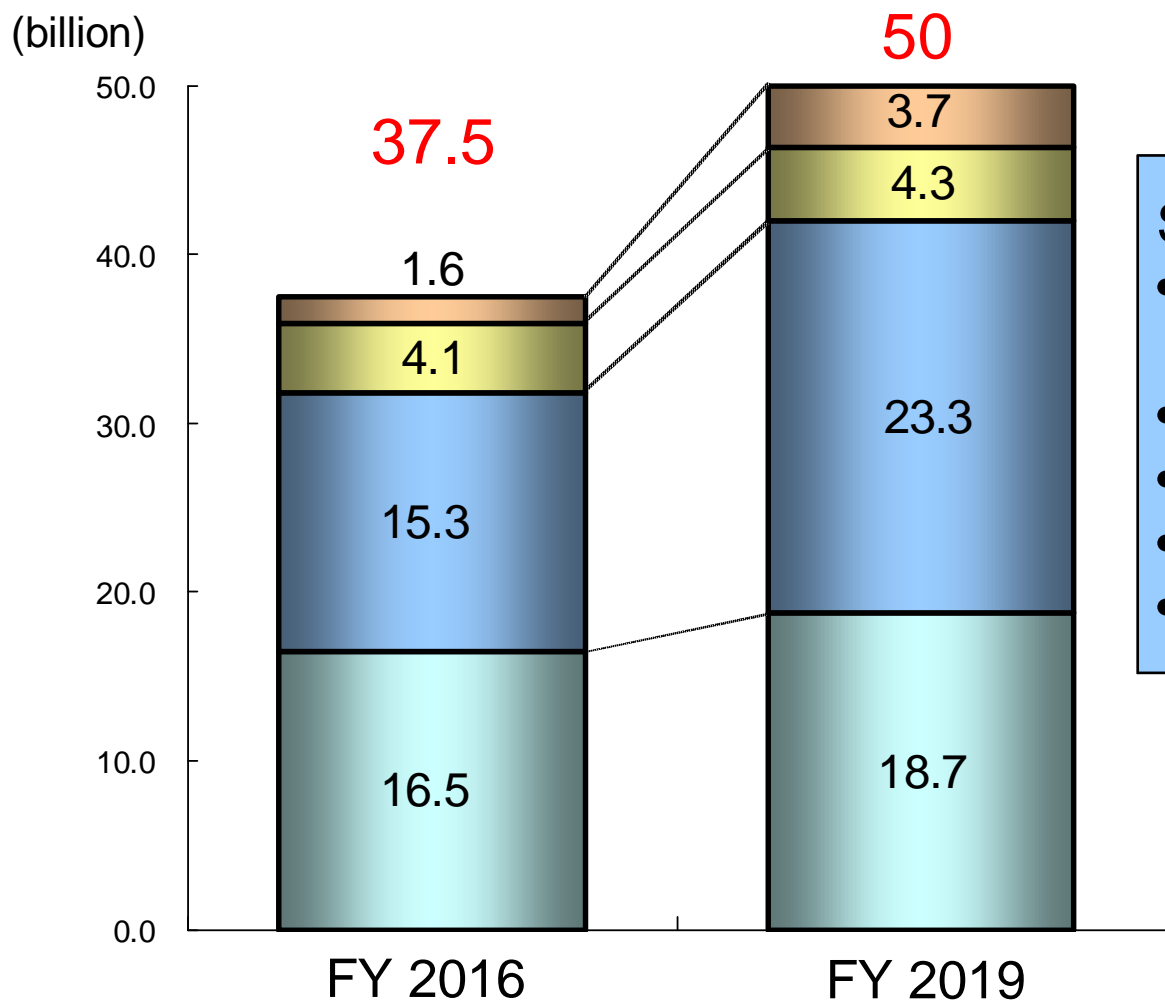
Currency Exchange Assumptions	FY 2016 Results	Mid-term Management Plan	FY2017 Results	FY2018 Target
USD	109.03 Yen	110.00 Yen	110.81 Yen	105.00 Yen
EUR	119.37 Yen	120.00 Yen	129.45 Yen	125.00 Yen
CNY	16.2 Yen	15.8 Yen	16.74 Yen	16.5 Yen



2. Mid-term Target (Sales by Market)



Our target: Annual sales of 50 billion yen by FY 2019



- Sales increase in...
- Safety field (radars, cameras)
 - Powertrain field
 - Switches & cluster panels
 - Infotainment
 - FA equipment

■ Automobile (AVN) ■ Automobile (Electronics) ■ Consumer ■ Industrial



Improvement of the business foundation
to achieve a long-term vision for ¥100 billion sales

Key strategies

Expanding business in the growing
automotive markets

Developing industrial equipment area
as our second core business

Strengthening the production capacity
and cost competitiveness

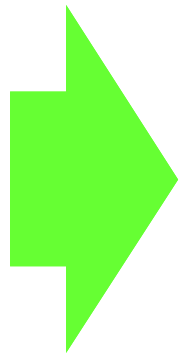


Long-term vision for 100 billion sales

⇒ See change as an opportunity

- Marketing improvement
 - Capture the customer issues
- } Development of products better than those of other companies

Sales promotion through suggesting solutions



Expanding business in the growing automotive markets

Developing industrial equipment area as our second core business



Key Strategy ①

Expanding Business in the Growing Automotive Market

■ Big chance for IRISO

→ Dramatic change in the automotive industry : “Electrification” “Autonomous driving”

Given that there are changes in the operation and driving methods, implementation of “PA 25”, a project for 5 car-mounted applications in higher demands, has been strongly promoted.

■ Progress

- (1) For the Powertrain field in which orders increase as the operation system has changed, the number of orders for products other than DCDC converters using the floating BtoB connector “Z-Move™”, which has a function to make movements in three directions, has been increasing, and the increase rate should go higher in the future.
- (2) For radars in the Safety field in which orders for connectors increase as the driving system has changed, global sales on the biggest volume has already been achieved in the automotive electronics market.
For car-mounted cameras, manpower development in marketing, sales, technology, and manufacturing technology divisions is powerfully promoted.

Key Strategy ②

Developing Industrial Equipment as our Second Core Business

■ Chance for IRISO

- Change in the telecom Industry : Arrival of 5G
- Change in manufacturing sites : Society5.0, Industry4.0, etc.

■ Strategies

- (1) Promoting sales of connectors for robotic assembly
- (2) Receiving much more orders in the FA related field
- (3) Implementation and powerful promotion of “Telecommunication” and “Robot/AI” projects
- (4) Targeting global & big customers
 - ① Increasing business with new customers
 - ② Targeting unexplored customers
- (5) Improving ability to suggest customers through alliance
- (6) Increasing the strength of indirect sales



7. Increasing Productivity (New Factory)



Establishment of new factories in China and Mexico to achieve ¥100 Billion Sales

	China/ Nantong Factory	Mexico
Location	Nantong, Jiangsu	Leon, Guanajuato
Land/Building Size	ca.36,000m ² /ca.26,000m ²	ca.54,000m ² /ca.35,000~40,000m ²
Customers	Greater China etc.	USA/EU etc.
Status	Started operation in April 2018	Launching in 2019
Characters	Introducing a new IoT-used production system “Smart Factory”	

Nantong Factory





- New technologies such as IoT, AI, and Robotics
- Technology and know-how that IRISO has fostered so far

→ Changing to Smart Factory by synthesising these technology

- Achievement of 400 % increase in productivity
- Nantong Factory as a Global Top Factory



- (1) Compliance with cooperate governance code
At the general meeting of stockholders, the transfer of the company to the one with audit and supervising committee will be discussed

- (2) HR education and training
 - Promoting diversity management and work style reform
 - Increasing opportunities for female candidates in educations and trainings for managerial positions
 - Improving work environment for a variety of HR
→ Achievement of work life balance



10. Management Targets



Unit: Billions of yen

	FY2016 Results	FY2017 Initial Plan	FY2017 Results	FY2018 Initial Target	FY2018 Forecast	FY19 Target
Net Sales	37.5	40	42	44.3	45.5	50
Operating Income	6.6	7.2	8.4	8.4	8.9	10
Operating Income ratio	17.7%	18.0%	19.9%	19.0%	19.6%	20.0%
Net Income	4.8	5.2	5.4	6.2	6.1	7.3
Total Assets	52.3	57	60	63	63	70
Equity Ratio	84.9%	84.7%	81.6%	85.7%	84.1%	85.8%
Capital Investment	5.4	7.5	6.1	7.5	7.5	7.5
Research & Development	0.9	1.2	1.2	1.3	1.4	1.5
ROE	11.7%	11.3%	11.7%	12.0%	11.7%	12.8%
Exchange Rate Assumption	USD109.03Yen EURO119.37Yen RMB16.2Yen	USD110.00Yen EURO120.00Yen RMB15.8Yen	USD110.81Yen EURO129.45Yen RMB16.74Yen	USD110.00Yen EURO120.00Yen RMB15.8Yen	USD105.00Yen EURO125.00Yen RMB16.5Yen	USD110.00Yen EURO120.00Yen RMB15.8Yen

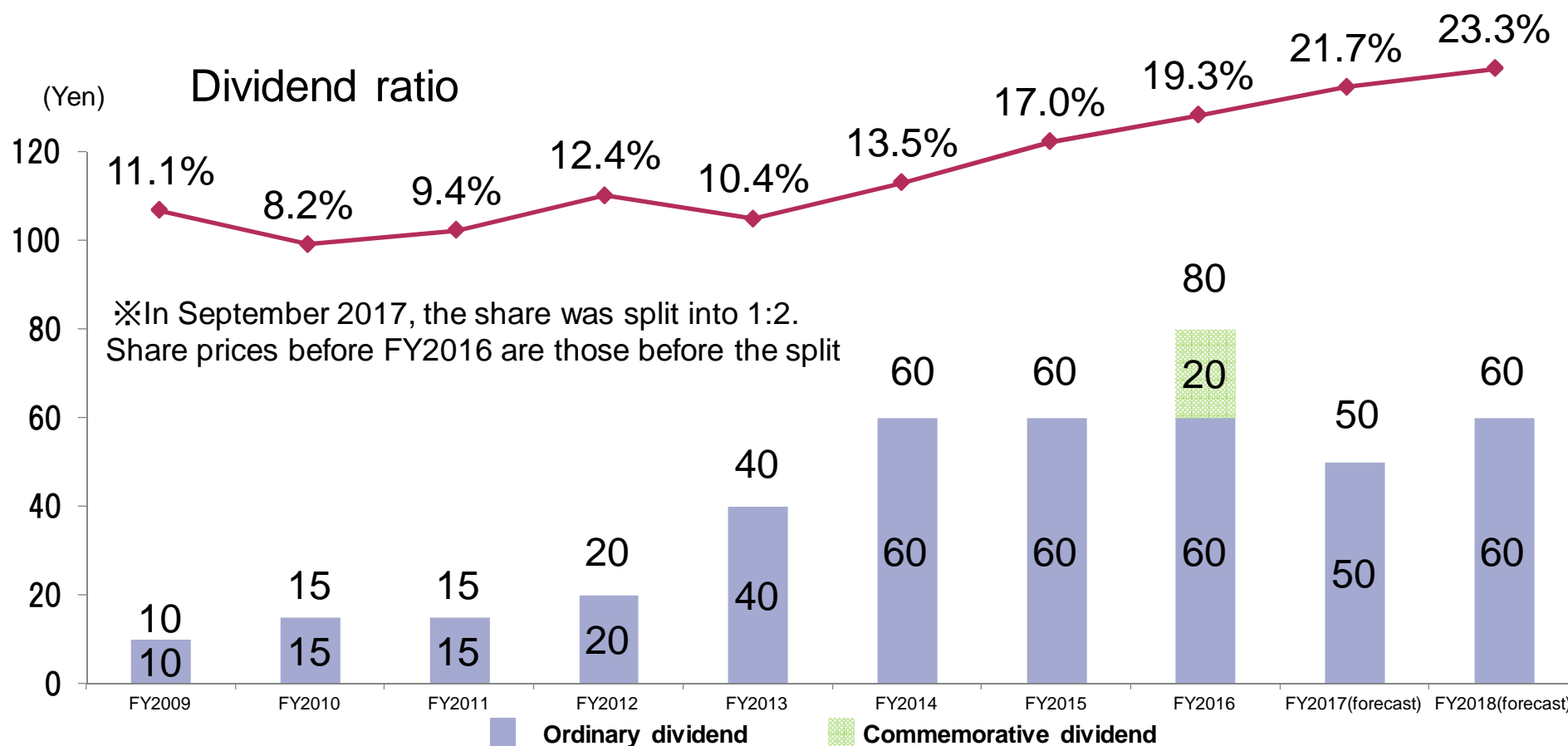
◆ Shareholder return ▪ ▪ ▪ Target: 30 % Dividend Ratio



11. Shareholder return



- FY2017 Dividend forecast : raised from 45 yen to 50 yen
- FY2018 forecast: 60yen
- Achievement of 30% dividend ratio: targeted by the mid-term management plan





Company name	IRISO ELECTRONICS CO., LTD.
Business description	Manufacture and sales of various types of connectors
Establishment	December 1966
Number of employees	3,367 (as of March 31, 2018)
Capital	5,640 million yen (as of March 31, 2018)
Headquarters	2-13-8, Shinyokohama, Kohoku-ku, Yokohama, Kanagawa
Operations	
Domestic	Headquarters, Iwate, Ibaraki, Aichi, Osaka
Overseas	Singapore, Hong Kong, U.S.A., Germany, Thailand, South Korea, China (Shanghai, Dalian, Tianjin, Suzhou), Malaysia, Taiwan, India
Research & development	Headquarters (IRISO Technology Park), Kawasaki(Production Technology Development Center),Shanghai R&D Center
Manufacturing plants	Ibaraki, China (Shanghai, Nantong), Philippines, Vietnam (Hai Duong)