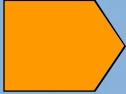




Consolidated Financial Results Briefing Materials For 1st Quarter Of FY 2018

IRISO ELECTRONICS CO., LTD.
Stock Code: 6908
(Aug 2, 2018)



-  **I . Summary of the consolidated
Financial Results for 1Q of FY 2018**
- II . Forecasts for FY 2018**
- III . Activities for ESG**



1. Summary of Business Performance



IRISO records highest ever sales and profit for the 1st Quarter

- Sales: steady growth in the car electronics segment of the automotive market and industrial market
- Profit: growth owing to sales increase and cost reduction activity although it was affected by the implementation of the Nantong factory.
- Operating income ratio was 17.6 % with a 0.4 % year-on-year decrease due to the inclusion of costs pertaining to the Nantong factory.

※Costs pertaining to the Nantong factory:

(1st Quarter of FY2017) 31 million yen (0.3 % compared to sales) → posted as **non-operating cost**

(1st Quarter of FY2018) 155 million yen (1.4 % compared to sales) → posted as **operating cost**

【By market】

- Automotive market: good trend owing to the development of ADAS, sales for safety applications including cameras and radars (a 30 % increase) and for powertrains of electric vehicles using the floating BtoB connector “**Z-Move**®” which has a function to make movements in three directions (a 50 % increase)
- Industrial market: good trend owing to rising demands for FA equipment mainly in China (a 13.4 % increase).

【By area】

- Japan: sales decrease in the car AVN segment but good trend in the car electronics segment and industrial market.
- USA: sales decrease as a result of yen appreciation. Other than the affect of the currency fluctuation, the slowdown in new vehicle sales and protectionist policy caused the flat sales.
- China, Taiwan & South Korea: Sales increase mainly in the car-electronics segment including powertrains .
- EU: increase in sales for safety applications included in the car electronics segment of the automotive market

【Topics】

- Our activities based on the “**Customer Value Creation**” policy were commended by our eight customers, two more customers compared to the FY 2017, and we received many awards.

Awarded by Alpine Electronics Inc., for 3 years in a row and by DENSO TEN AMERICA for 2 years in a row.

As for alien corporations, awarded by APTIV (the former DELPHI) for the first time.



2. Consolidated Results for 1Q of FY 2018 (YoY Change)



Unit: Millions of yen

	1Q FY 2017	1Q FY 2018	YoY change
Net sales	10,219	10,886	666 6.5%
Operating income	1,836 (18.0%)	1,918 (17.6%)	81 4.5%
Ordinary income	1,785 (17.5%)	2,074 (19.1%)	289 16.2%
Net income	1,396 (13.7%)	1,589 (14.6%)	193 13.8%
EPS	58.97 yen	67.13 yen	
Average exchange rate during the period	USD 111.61 yen EURO 123.14 yen	108.71 yen 129.39 yen	(2.90) yen 6.25 yen



3. Breakdown of Net Sales (by Market)



Unit: Millions of yen

		1Q FY 2018	YoY change	Sales ratio	Factors for increase/decrease
Automotive (car-mounted products)		9,279	7.9%	85.2%	<ul style="list-style-type: none"> As a result of the development of ADAS and car electrification, sales in the car electronics segment have increased Sales for safety applications included in ADAS have achieved a ca.30% year-on-year increase. Sales for powertrains included in car electrification have achieved a ca. 50 % year-on-year increase
Category	AVN (Car audio, visual, navigation systems, etc.)	4,383	2.0%	40.2%	
	Electronics (Other electric components including ADAS , Powertrain and switches.)	4,896	13.8%	45.0%	
Consumer (OA, game consoles, Digital cameras, cellular telephones, televisions, etc.)		998	(8.0)%	9.2%	<ul style="list-style-type: none"> Sales for OA equipment including printers and MFPs have increased whereas sales mainly for game consoles have decreased.
Industrial (Industrial equipment, etc.)		609	13.4%	5.6%	<ul style="list-style-type: none"> Sales for PLCs, servo amplifiers, inverters, etc. maintain a good trend.
Total		10,886	6.5%	100.0%	<ul style="list-style-type: none"> Overseas ratio was 79.2%.

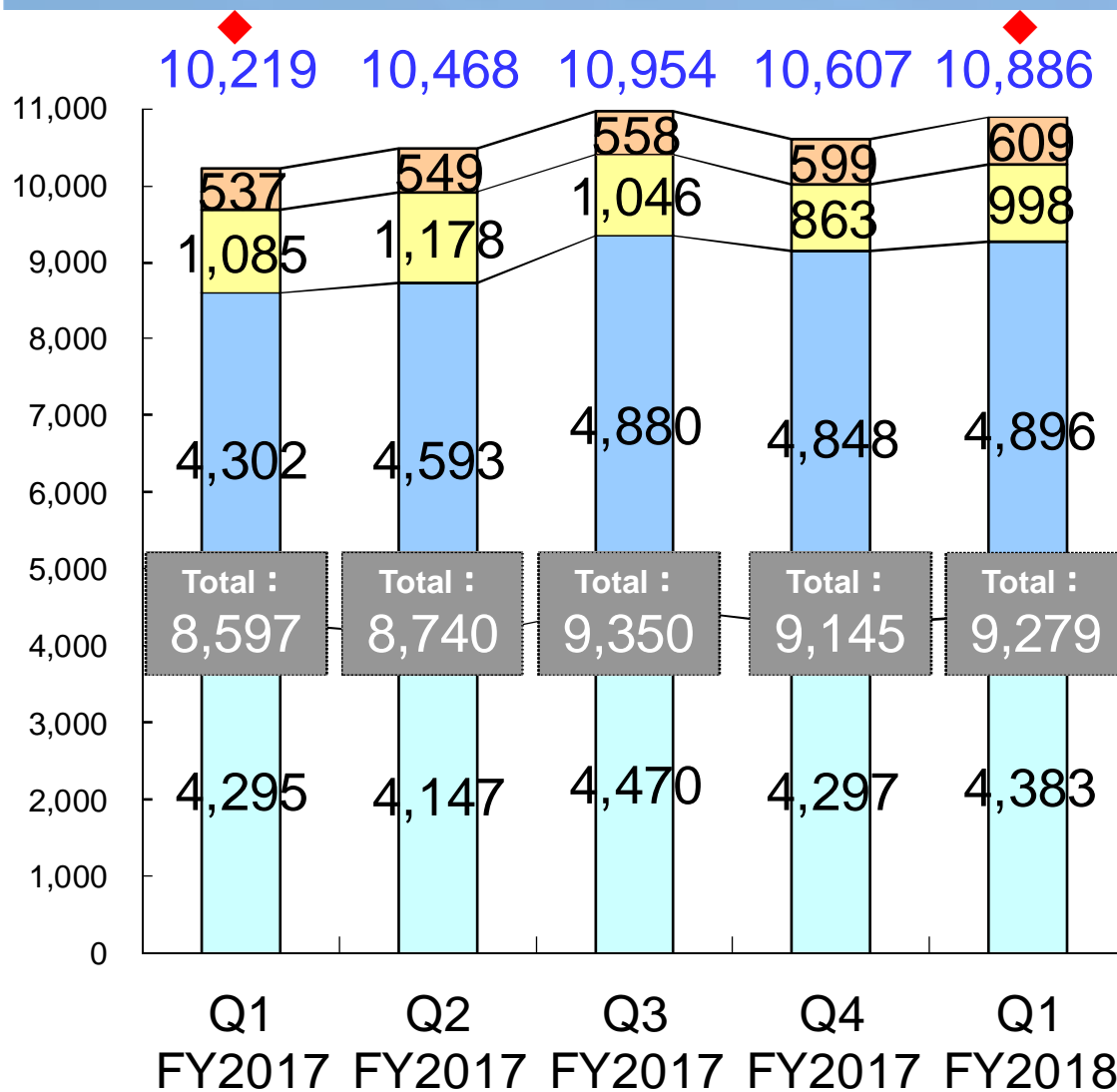
Note: AVN is an abbreviation of Audio Visual Navigator, and refers to general car audio equipment, navigation systems, etc.



4. Net Sales by Market (Quarterly Trends)



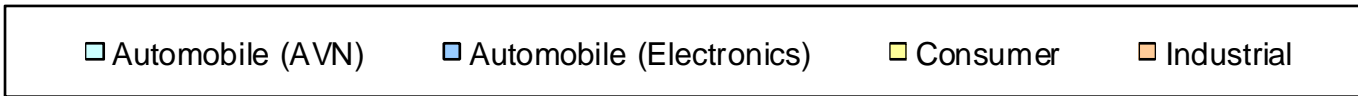
Unit: Millions of yen



YoY change

- Industrial** 13.4%
- Consumer** (8.0)%
- Automobile (Electronics)** 13.8%
- Automobile (Total)** 7.9%
- Automobile (AVN)** 2.0%

- Increase in sales for PLCs and servo amplifiers etc.
- Attainment of 600 million yen sales for the first time.
- Decrease in sales for game consoles and digital cameras etc.
- Record setting sales in the car electronics segment owing to the strong sales for safety applications and powertrains.

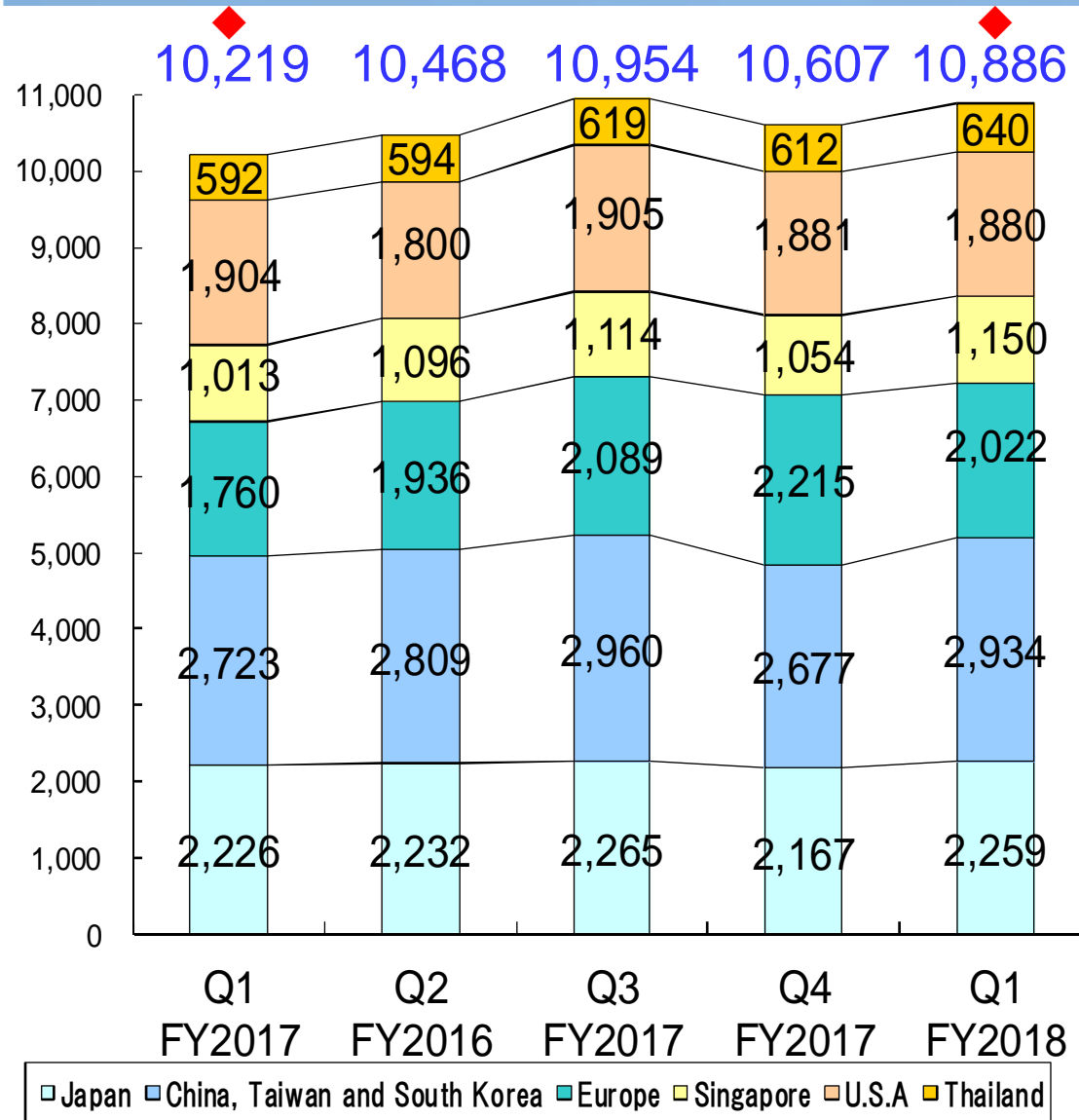




5. Net Sales by Area (Quarterly Trends)



Unit: Millions of yen



YoY change

- Thailand** 8.2%
- U.S.A.** (1.3)%
- Singapore** 13.4%
- Europe** 14.9%
- China, Taiwan & South Korea** 7.7%
- Japan** 1.5%

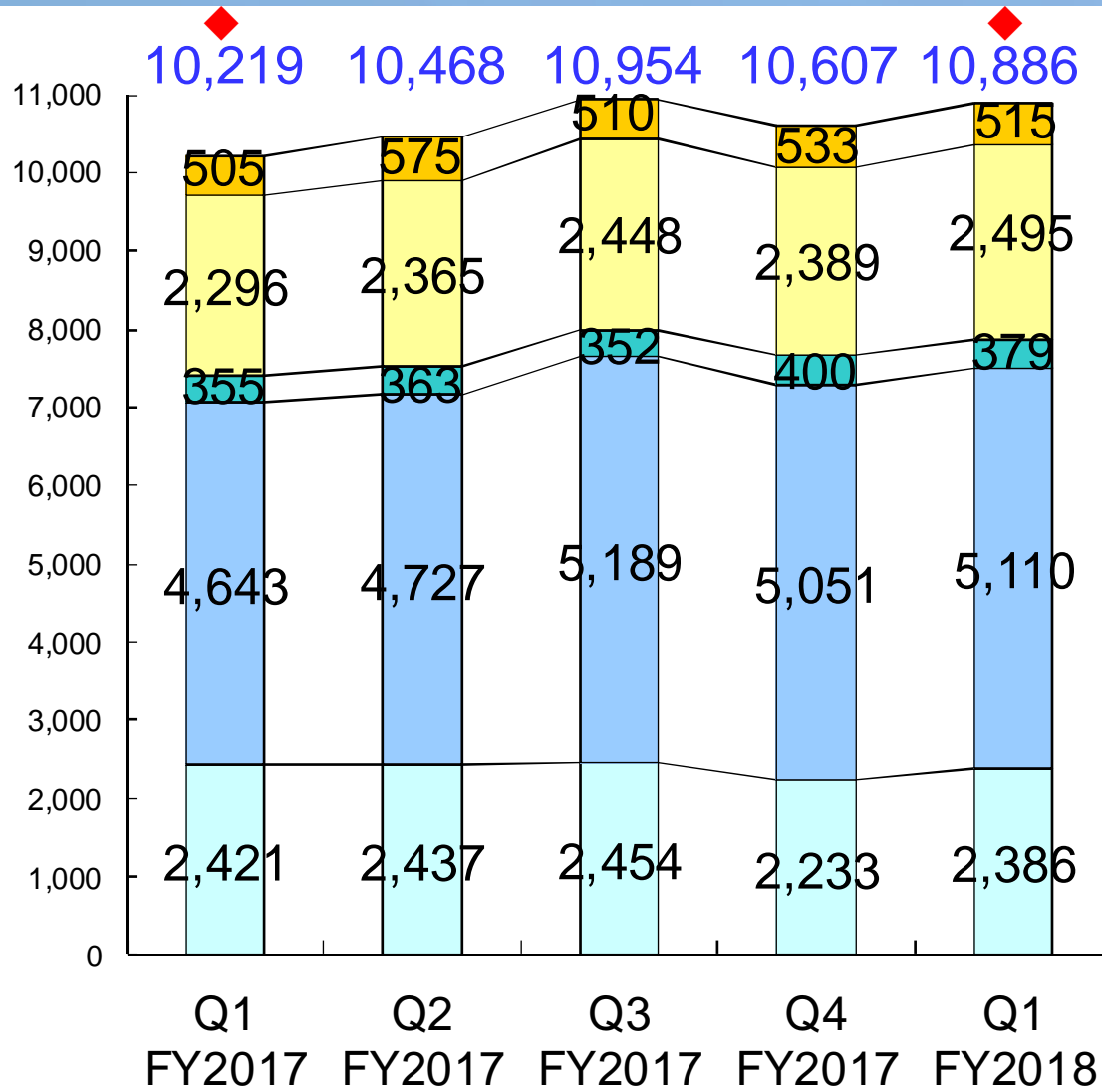
- Sales increase in the automotive market.
- Sales decrease due to yen appreciation.
- Other than the affect of the currency fluctuation, the slowdown in new vehicle sales and protectionist policy caused the flat sale.
- Sales increase in the car electronics segment.
- Good trend in safety applications.
- Decrease compared to the 4Q of FY2017 due to stock liquidation caused by starting transactions with one of our customers through the VMI program.
- Sales increase mainly in the car electronics segment including powertrains
- Sales decrease in the car AVN segment but good trend in the car electronics segment and industrial market



6. Net Sales by Product (Quarterly Trends)



Unit: Millions of yen



◆ YoY change

Others*
2.0%

Automobile application IF
8.7%

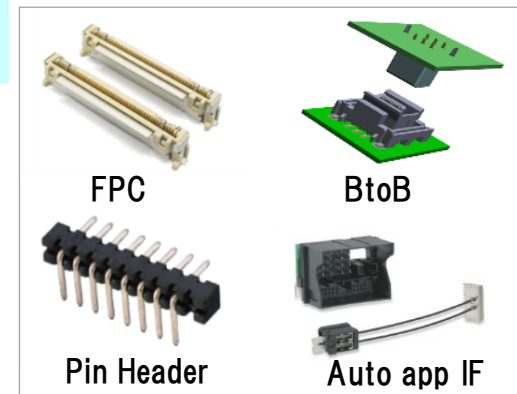
Pin Header
7.0%

BtoB connector
10.1%

FPC connector
(1.4)%

Automotive segment trended favorably.

Automotive segment trended favorably.



Legend: FPC, B to B, Pin Header, Auto app IF, Others

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



Unit: Millions of yen

	1Q FY 2017		1Q FY 2018		YoY change	
Net sales	10,219	100.0%	10,886	100.0%	666	6.5%
Cost of sales	6,409	62.7%	6,797	62.4%	387	6.1%
Gross profit	3,809	37.3%	4,089	37.6%	279	7.4%
SG & A	1,973	19.3%	2,171	19.9%	197	10.0%
Operating income	1,836	18.0%	1,918	17.6%	81	4.5%
Non-operating income	13	0.1%	173	1.6%	160	1230.8%
Non-operating expenses	64	0.6%	16	0.1%	(47)	(75.0)%
Ordinary income	1,785	17.5%	2,074	19.1%	289	16.2%
Extraordinary income (loss)	(18)	(0.2)%	(15)	(0.1)%	3	(16.7)%
Pretax income	1,766	17.3%	2,058	18.9%	292	16.5%
Net income (for HQ stockholders)	1,396	13.7%	1,539	14.6%	193	13.8%
EPS	58.97		67.13		—	
Exchange rate (USD/EURO)	111.61 Yen/		110.81 Yen/		1.78 Yen/	
	123.14 Yen		129.45 Yen		10.08 Yen	

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



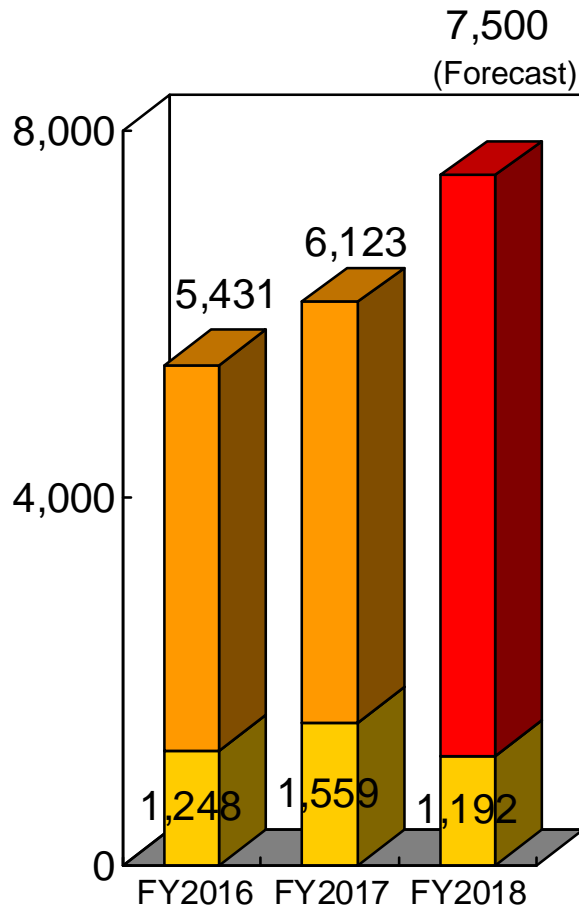
Unit: Millions of yen

	As of March 31, 2018		As of June 30, 2018		Increase /Decrease	Factors for increase/decrease
Current assets	35,858	59.7%	34,896	58.7%	(962)	Cash and deposits (1,782) Notes and accounts receivable-trade 241 Raw materials and supplies 342
Noncurrent assets	24,224	40.3%	24,528	41.3%	303	Property, plant and equipment 446
Total assets	60,083	100.0%	59,424	100.0%	(658)	
Current liabilities	10,046	16.7%	8,753	14.7%	(1,292)	Notes payable and accounts payable(304) Income taxes payable(582) Accounts payable(328)
Noncurrent liabilities	753	1.3%	742	1.2%	(11)	
Total liabilities	10,080	18.0%	9,496	16.0%	(1,304)	
Shareholders' equity	47,482	79.0%	47,887	80.6%	405	Retained earnings 405
Valuation/translation difference	1,530	2.5%	1,782	3.0%	252	Foreign currency translation adjustment 251
Minority interests	270	0.4%	258	0.4%	(12)	
Total net assets	49,283	82.0%	49,928	84.0%	645	Net assets per share 2,098.14yen (previous period 2,070.36 yen)
Total liabilities and net assets	60,083	100.0%	59,424	100.0%	(658)	

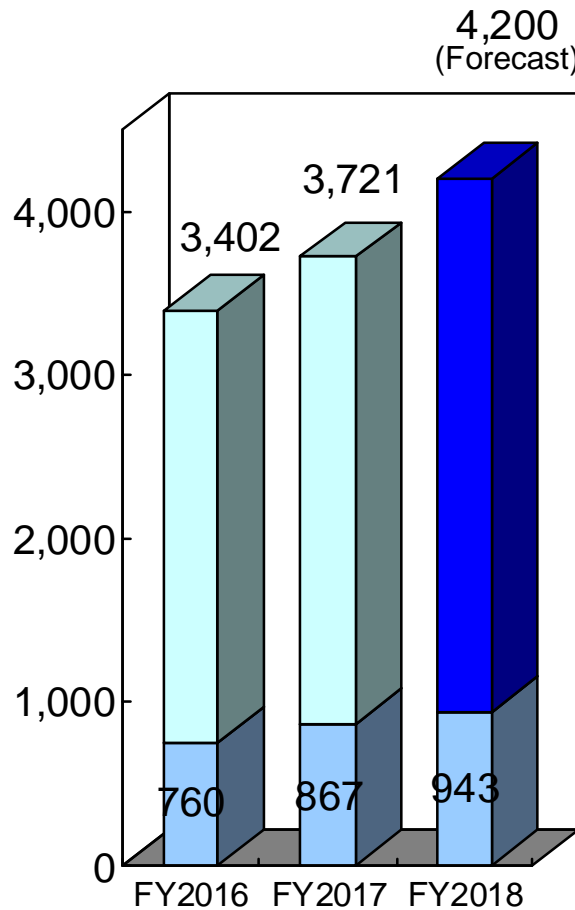
9. Capital Investment, Depreciation & Amortization, and Research & Development



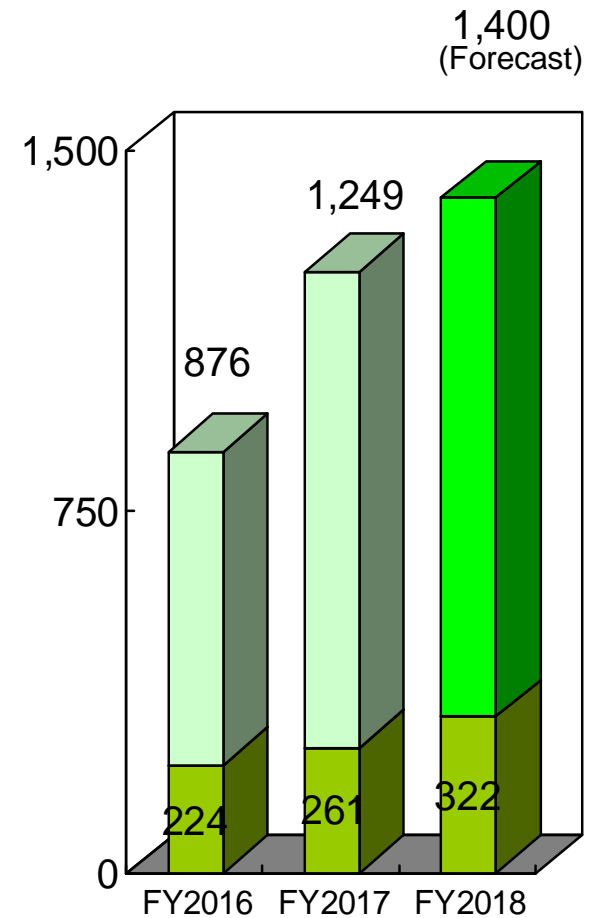
Unit: Millions of yen



Capital Investment



Depreciation & Amortization



Research & Development

Note: Each figure at the foot of bars shows the actual amount for the first quarter, and those at the top are for full year.



**I . Summary of the consolidated
Financial Results for 1Q of FY 2018**

 **II . Forecasts for FY 2018**

III . Activities for ESG



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)



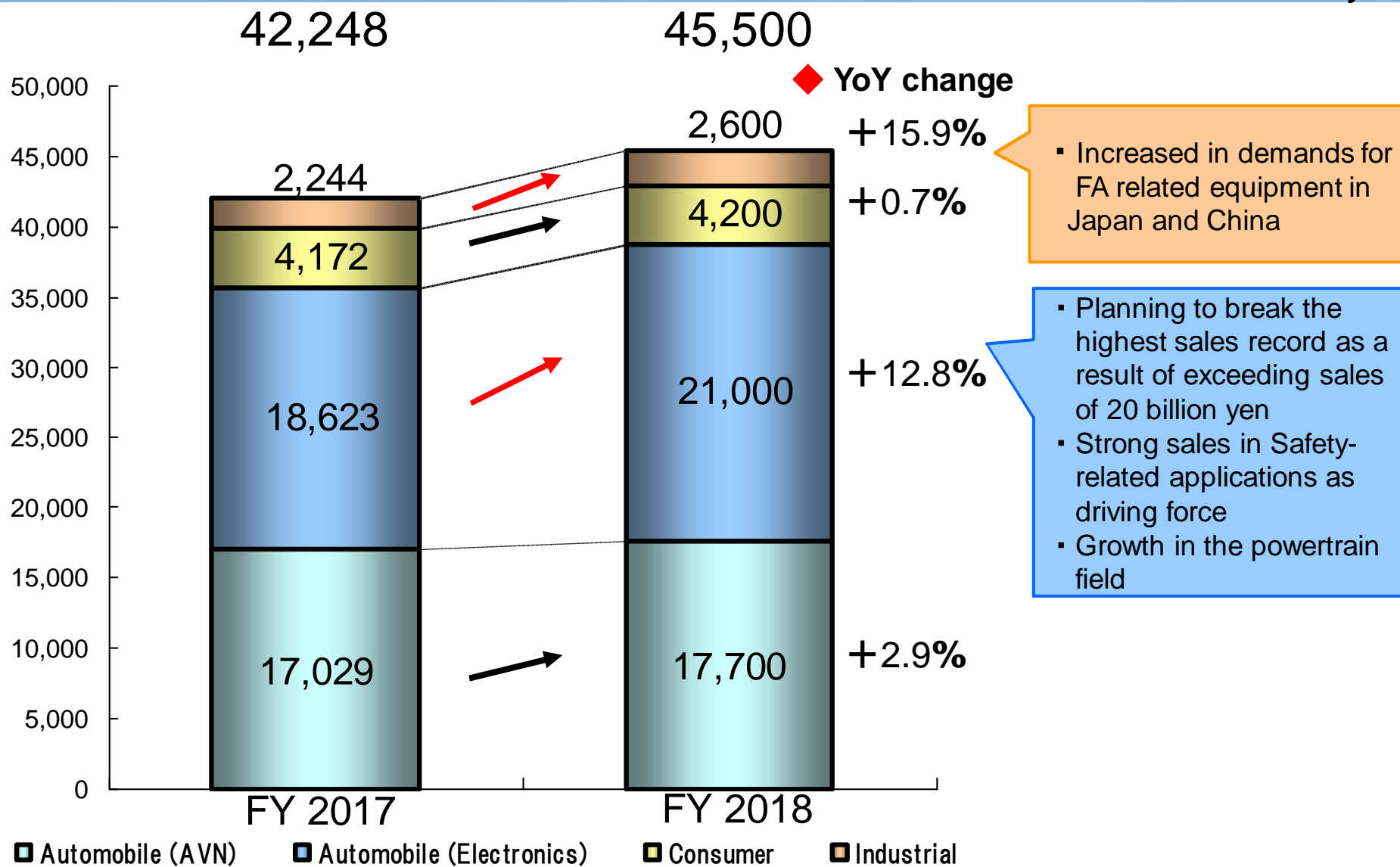
Items	Assumptions
Exchange rate	USD ¥105.0 / \$
	EUR ¥125.0 / €
	RMB ¥16.50 / RMB
Capital investment	¥7,500M
Depreciation & Amortization	¥4,200M
Research & Development	¥1,400M



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



Unit: Millions of yen





**I . Summary of the consolidated
Financial Results for 1Q of FY 2018**

II . Forecasts for FY 2018

 **III . Activities for ESG**



Management Philosophy

- Serving as a bridge that connects the present to the future-
IRISO respects people, creates value, and contributes to society

Vision

Becoming a company that thrives for 100 years
by creating customers' value

Business Strategy

■ Business Strategy

Long-term goal : promoting activities to achieve ¥100 billion sales

- ① Targeting a growing market (automotive market)
- ② Establishing our second core business (for industrial equipment area)
- ③ Increasing productivity and improving cost competitiveness

■ Activities for ESG

- ① Taking actions against ESG risks
- ② Creating our business chance by delivering solutions to the ES issues



Management Philosophy

- Serving as a bridge that connects the present to the future-
IRISO respects people, creates value, and contributes to society

Environment

- Environmental control
→ For all aspects including plant operation and products, air, water and soil risk management and chemical risk management in compliance with ISO14001 acquirment and REACH Regulation, RoHS Directive
- Promotion of waste sorting activity
→ Certified by Yokohama city as "Blue Chip Office" in 3R Activity for 9 years.

Society

- Social Contribution
→ Supporting the foundation to provide scholarships to university students who specialise in sciences or devote themselves in sports
- Improving workplace diversity
→ Promoting the appointment of women in board members and managerial positions
- Work life balance
→ Reducing overtime work hours and introducing staggered commuting system through activities for a 30 % productivity increase
- Safety and Health
→ Making best efforts in activities to ensure that "safety comes first"

Governance

- Transform to a company with Audit and Supervisory Committee
- Organising Nomination Committee and Remuneration Committee
- Increasing outside directors (2 → 3 members)
- Improving the internal audit system
- Organising Compliance Committee and providing in-house trainings
- Carrying out risk assessments
- Whistleblower protection system
- Providing policies against anti-social forces and conducting regular checks on suppliers etc.

3. Our Business Area Target for Delivering Solutions to the ES Issues



【Issues on society and environment, and technology and equipment needed for future development】

Category	Issue		Preventive action	Necessary Technology and Equipment
E Environment	<ul style="list-style-type: none"> Population increase Use of fossil fuels CO2 increase 	<ul style="list-style-type: none"> Global warming Air pollution 	To realise decarbonated society	Electrification, Robotization
	Depletion of fossil fuels		<ul style="list-style-type: none"> Hydrogen Renewable energy 	<ul style="list-style-type: none"> Motor drive Battery
				<ul style="list-style-type: none"> Hydrogen production Solar panel
S Society	Declining birthrate and aging population	Medical care and nursing	<ul style="list-style-type: none"> Telemedicine robot Human support robot 	<ul style="list-style-type: none"> Robot VR
		Labor shortage in developed countries	<ul style="list-style-type: none"> Manpower saving ~ robotization Automation 	<ul style="list-style-type: none"> FA Equipment Robot
	Dense population in urban areas	<ul style="list-style-type: none"> Depopulation in rural areas Decrease in the number of medical institutions Food shortage 	<ul style="list-style-type: none"> Telemedicine robot Automated driving Robot (Agriculture) 	<ul style="list-style-type: none"> Automated driving FA equipment Robot (Agriculture)
	Fatal car accident		<ul style="list-style-type: none"> Crash prevention Automated driving 	<ul style="list-style-type: none"> ADAS Automated driving

→ Our business area target
Automated driving, ADAS, electrification, robotization, FA equipment

4. Our Business Chance Created by Delivering Solutions to the ES Issues



Our contribution is to deliver three solutions to each area of “automated driving, ADAS, electrification, robotization, and FA Equipment”.

【Threes solutions and values offered by our connectors】

Our three solutions	Types of our connectors	Value creation for manufacturers (customers)	Value creation for E & S
Robotic Assembly automation	<ul style="list-style-type: none"> ▪ Floating BtoB connector ▪ Auto I-Lock ▪ 2-points contact connector 	<ul style="list-style-type: none"> ▪ Productivity increase by automation 	<ul style="list-style-type: none"> ▪ Energy efficiency improvement ▪ Effective utilization of resources ▪ Solution to labor shortage ▪ Reliability improvement
Increase of assembly stability by wireless, less welding and soldering	<ul style="list-style-type: none"> ▪ Floating BtoB connector ▪ FPC connectors ▪ Interface connector 	<ul style="list-style-type: none"> ▪ Downsizing, weight saving of equipment ▪ TCO reduction by the reduced number of components and assembly steps 	
Increase of contact reliability	<ul style="list-style-type: none"> ▪ Floating BtoB connector ▪ Z-Move® ▪ Auto I-Lock ▪ 2-points contact connector 	<ul style="list-style-type: none"> ▪ Solder crack prevention ▪ Foreign material control ▪ Resonance protection ▪ Work mistake prevention 	



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)