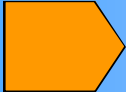




Consolidated Financial Results Briefing Materials For 2nd Quarter Of FY 2018

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



-  **I . Summary of the consolidated
Financial Results for 2Q of FY 2018**
- II . Forecasts for FY 2018**



1. Summary of Business Performance



IRISO records the highest ever sales and increased revenue, whereas the operating profit decreased due to costs pertaining to the Nantong Factory, etc.

- Sales: achieved the highest ever sales for the cumulative second quarter due to steady growth in the car electronics sector of the automotive market as the result of ADAS development and car electrification. However, our sales fall slightly short of the initial plan made at the beginning of this year because US passenger car sales have been slowing down and the diffusion rate of safety applications did not reach the one we initially expected, car sales volume decreased due to WLTP introduction in Europe and China's demand for FA equipment has declined due to decrease in investments for smartphone manufacturing facility.
 - Profit: YoY decrease due to costs for the implementation of the Nantong factory last April.
Downward swing compared to the initial plan because the production volume of the Nantong Factory decreased after the sales had fallen short of our initial expectations.
16.9 % operating income ratio with a 2.1 % YoY decrease as the costs for the Nantong Factory are included.
- ※ Costs pertaining to the Nantong Factory:
- (FY2017 2nd Quarter) 78 million yen (0.4 % compared to sales) → posted as **non-operating cost**
 - (FY2018 2nd Quarter) 256 million yen (1.2 % compared to sales) → posted as **operating cost**

【By market】

- Automotive market: 25 % increase for safety applications including cameras and radars owing to ADAS development
60 % increase for the powertrains of electric vehicles using the floating BtoB connector “Z-Move[®]” with a function to make movements in three directions

- Industrial market: securing the increased revenue despite falling demands for FA equipment from the 2nd Quarter onward

【By area】

- USA: decrease in the AVN market as the result of the downturn of new vehicle sales, particularly of passenger car sales
- China, Taiwan & South Korea: increase mainly in the car-electronics market including in sales for powertrains .
- EU: increase in sales for safety applications included in the car electronics market although car sales volume decreased due to WLTP introduction



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



Unit: Millions of yen

	2Q FY 2017	2Q FY 2018	YoY change
Net sales	20,687	21,765	1,078 5.2%
Operating income	3,930 (19.0%)	3,674 (16.9%)	(255) (6.5)%
Ordinary income	3,867 (18.7%)	4,035 (18.5%)	168 4.4%
Net income	2,862 (13.8%)	2,966 (13.6%)	104 3.6%
EPS	120.91 yen	125.48 yen	
Average exchange rate during the period	USD 111.42 yen EURO 126.63 yen	110.07 yen 129.88 yen	(1.35) yen 3.25 yen



3. Breakdown of Net Sales (by Market)



Unit: Millions of yen

		2Q FY 2018	YoY change	Sales ratio	Factors for increase/decrease
Automotive (car-mounted products)		18,482	6.6%	84.9%	<ul style="list-style-type: none"> Good trend in the car electronics sector as the result of ADAS development and car electrification
Category	AVN (Car audio, visual, navigation systems, etc.)	8,400	(0.5)%	38.6%	<ul style="list-style-type: none"> Sales for safety applications included in ADAS have achieved an around 125% YoY increase.
	Electronics (Other electric components including ADAS, Powertrain and switches.)	10,082	13.3%	46.3%	<ul style="list-style-type: none"> Sales for powertrains included in car electrification have achieved an around 150% YoY increase
Consumer (OA, game consoles, Digital cameras, cellular telephones, televisions, etc.)		2,145	(5.2)%	9.9%	<ul style="list-style-type: none"> Decrease in sales mainly for game consoles
Industrial (Industrial equipment, etc.)		1,137	4.7%	5.2%	<ul style="list-style-type: none"> Increase in sales for PLCs and inverters etc.
Total		21,765	5.2%	100.0%	<ul style="list-style-type: none"> 79.5% overseas ratio

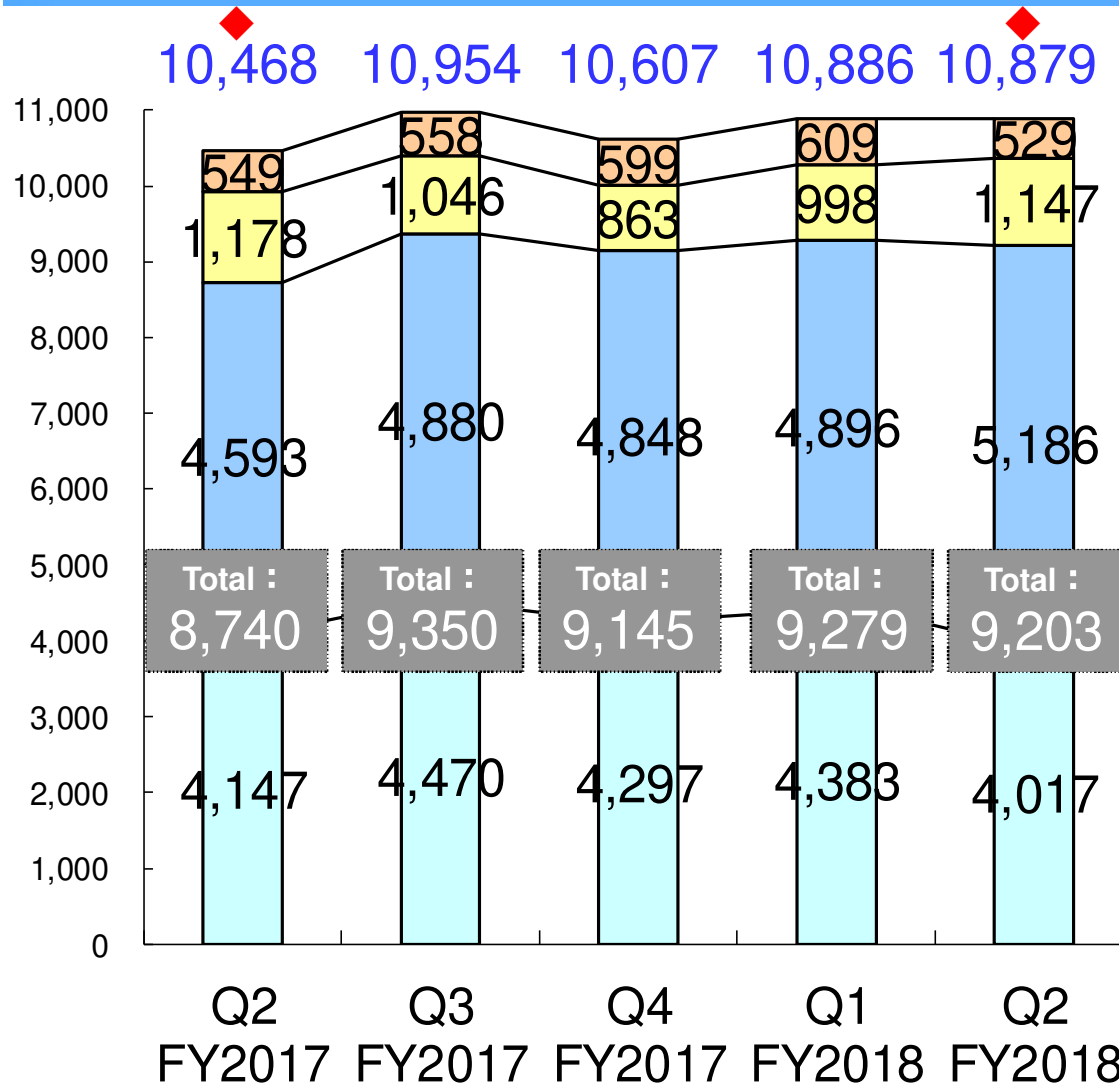
Note: AVN is an abbreviation of Audio Visual Navigator, and refers to general car audio equipment, navigation systems, etc.



4. Net Sales by Market (Quarterly Trends)



Unit: Millions of yen



YoY change

- Industrial (3.8%)
- Consumer (2.6%)
- Automobile (Electronics) 12.9%
- Automobile (Total) 5.3%
- Automobile (AVN) (3.1%)

- Slowing demand for FA equipment due to decrease in investments for smartphone manufacturing facility.

- Decrease mainly in sales for game consoles (increase in compared to the 1st Quarter)

- Record setting sales in the car electronics sector owing to high sales for safety applications and powertrains.
- Decrease in the car AVN market due to the downturn of US new vehicle sales

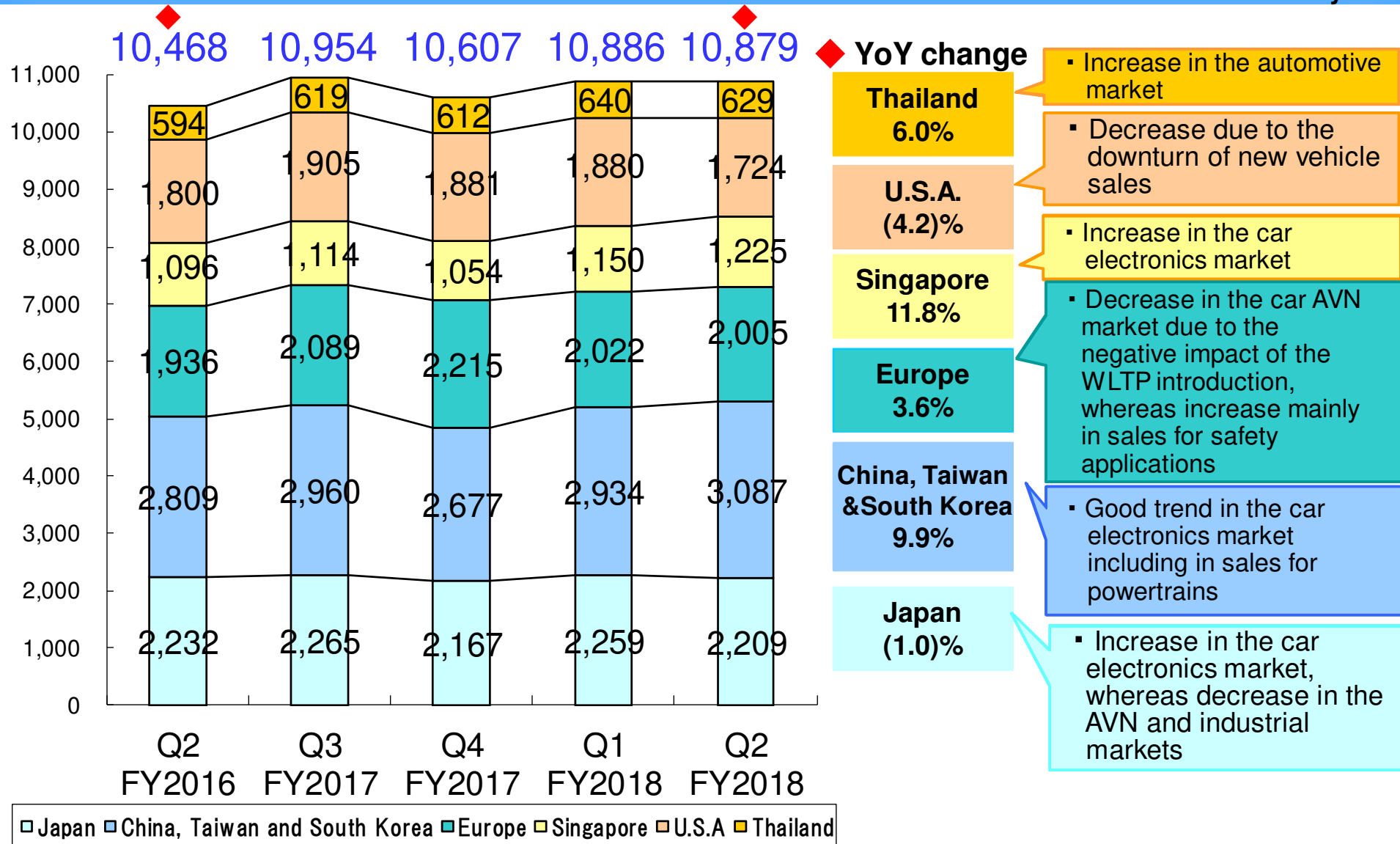
■ Automobile (AVN)
 ■ Automobile (Electronics)
 ■ Consumer
 ■ Industrial



5. Net Sales by Area (Quarterly Trends)



Unit: Millions of yen

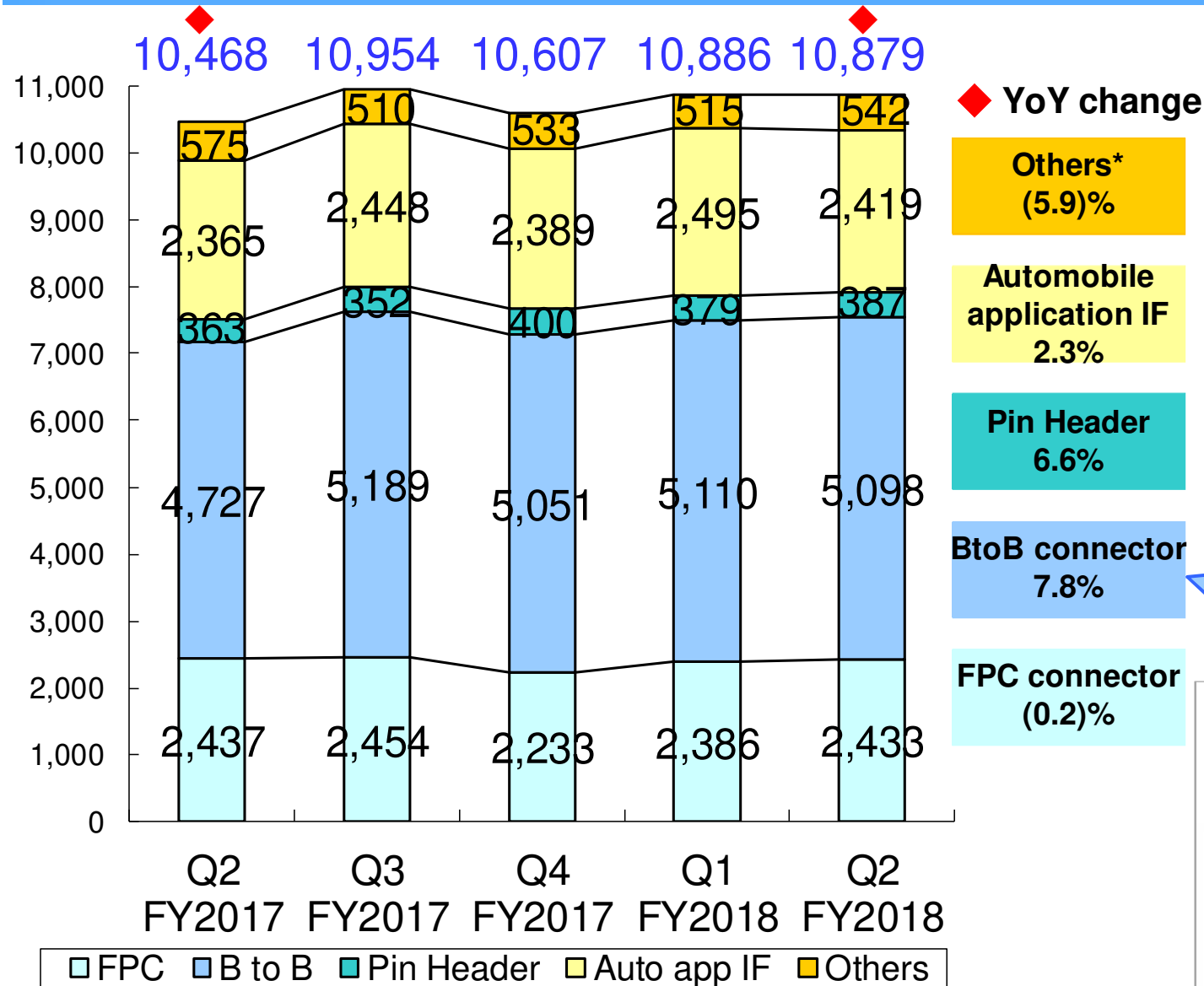




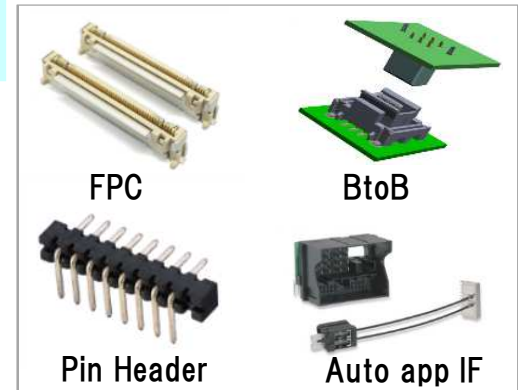
6. Net Sales by Product (Quarterly Trends)



Unit: Millions of yen



Automotive segment trended favorably.



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



Unit: Millions of yen

	2Q FY 2017		2Q FY 2018		YoY change	
Net sales	20,687	100.0%	21,765	100.0%	1,078	5.2%
Cost of sales	12,784	61.8%	13,670	62.8%	886	6.9%
Gross profit	7,902	38.2%	8,094	37.2%	191	2.4%
SG & A	3,972	19.2%	4,419	20.3%	447	11.3%
Operating income	3,930	19.0%	3,674	16.9%	(255)	(6.5)%
Non-operating income	37	0.2%	390	1.8%	352	931.5%
Non-operating expenses	100	0.5%	29	0.1%	(71)	(70.6)%
Ordinary income	3,867	18.7%	4,035	18.5%	168	4.4%
Extraordinary income (loss)	(49)	(0.2)%	(87)	(0.4)%	37	75.0%
Pretax income	3,817	18.5%	3,948	18.1%	131	3.4%
Net income (for HQ stockholders)	2,862	13.8%	2,966	13.6%	104	3.6%
EPS	120.91 yen		125.48 yen		—	
Exchange rate (USD/EURO)	111.42 Yen/		110.07 Yen/		(1.35) Yen/	
	126.63Yen		129.88 Yen		3.25 Yen	

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



Unit: Millions of yen

	As of March 31, 2018		As of Sep 30, 2018		Increase /Decrease	Factors for increase/decrease
Current assets	35,858	59.7%	35,215	58.2%	(642)	Cash and deposits (2,439) Notes and accounts receivable-trade 513 Raw materials and supplies 406
Noncurrent assets	24,224	40.3%	25,278	41.8%	1,053	Property, plant and equipment 1,138
Total assets	60,083	100.0%	60,494	100.0%	410	
Current liabilities	10,046	16.7%	8,746	14.5%	(1,299)	Notes payable and accounts payable(726) Income taxes payable(137) Accounts payable(277)
Noncurrent liabilities	753	1.3%	745	1.2%	(8)	
Total liabilities	10,800	18.0%	9,492	15.7%	(1,307)	
Shareholders' equity	47,482	79.0%	48,595	80.3%	1,112	Retained earnings 1,782
Valuation/translation difference	1,530	2.6%	2,125	3.5%	594	Foreign currency translation adjustment 574
Minority interests	270	0.5%	281	0.5%	11	
Total net assets	49,283	82.0%	51,001	84.3%	1,718	Net assets per share 2,152.21yen (previous period 1,998.71 yen)
Total liabilities and net assets	60,083	100.0%	60,494	100.0%	410	



9. Cash Flows



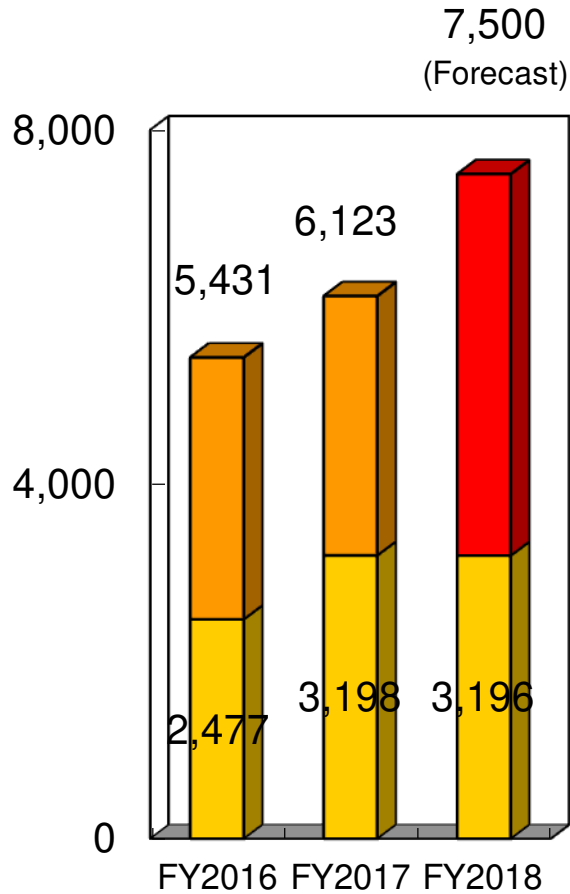
Unit: Millions of yen

	2Q FY 2017	2Q FY 2018	Increase /Decrease
Cash flows from operating activities	4,436	2,503	(1,933)
Profit before income taxes	3,817	3,948	1,310
Decrease (increase) in notes and accounts receivable - trade	(723)	(259)	463
Increase (decrease) in notes and accounts payable - trade	307	949	(1,256)
Cash flows from investing activities	(3,275)	(3,235)	39
Purchase of property, plant and equipment	(3,198)	(3,196)	2
Purchase of intangible assets	(50)	(17)	32
Cash flows from financing activities	(743)	(1,901)	(1,157)
Net increase (decrease) in short-term loans payable	-	-	-
Purchase of treasury stock	(0)	(669)	(669)
Effect of exchange rate change on cash and cash equivalents	164	194	30
Net increase (decrease) in cash and cash equivalents	582	(2,439)	(3,021)
Cash and cash equivalents at beginning of period	15,242	17,352	2,110
Cash and cash equivalents at end of period	15,825	14,913	(911)

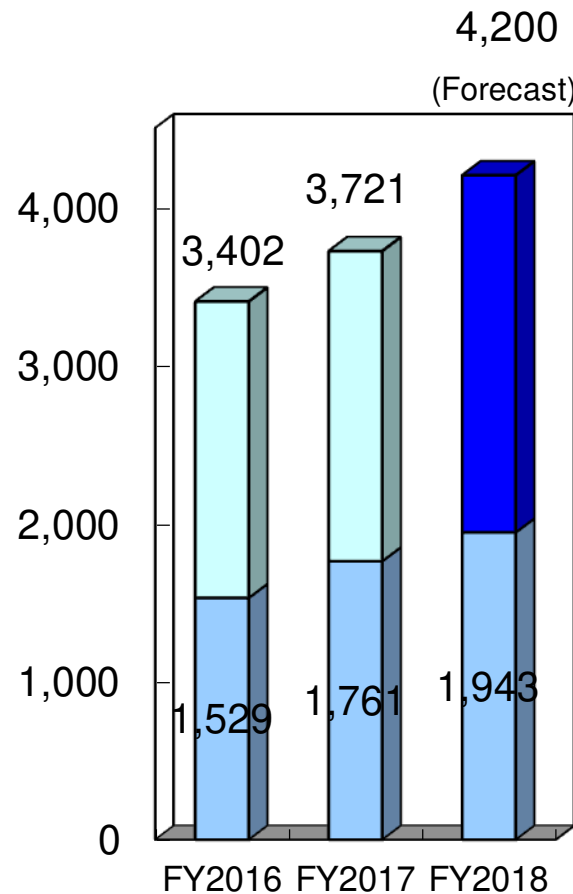
10. Capital Investment, Depreciation & Amortization, and Research & Development



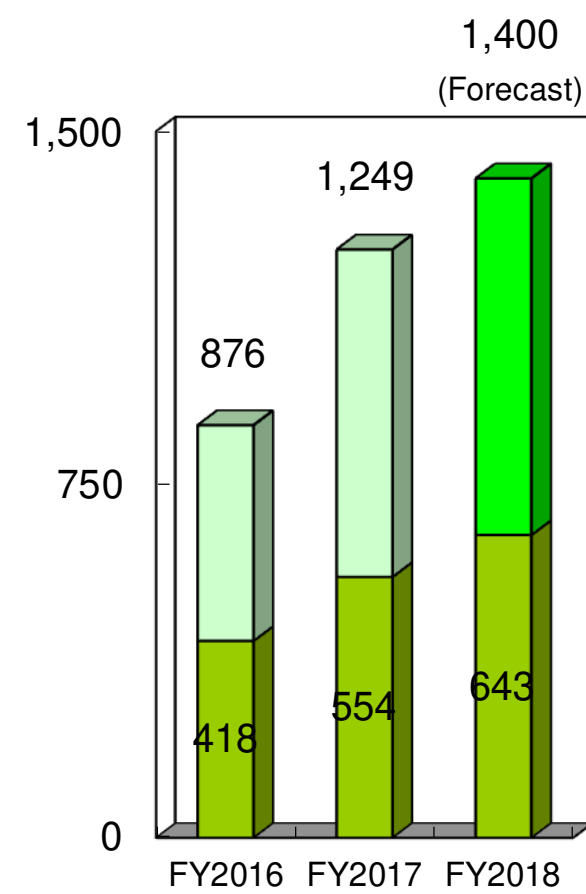
Unit: Millions of yen



Capital Investment



Depreciation & Amortization



Research & Development

Note: Each figure at the foot of bars shows the actual amount for the 2Q, and those at the top are for full year.



I . Summary of the consolidated Financial Results for 2Q of FY 2018

II . Forecasts for FY 2018



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



Unit: Millions of yen

	Results of FY 2017	Full-Year target for FY 2018	YoY change
Net sales	42,248	45,500	3,251 7.7%
Operating income	8,426 (19.9%)	8,900 (19.6%)	473 5.6%
Ordinary income	7,872 (18.6%)	8,700 (19.1%)	827 10.5%
Net income	5,456 (12.9%)	6,100 (13.4%)	643 11.8%
EPS	230.47 yen	257.67 yen	
Average exchange rate during the period	USD 110.81 yen EURO 129.45 yen	105.00 yen 125.00 yen	(5.81) yen (4.45) yen

Note: In terms of the tariff war between US and China, the impact on the Company's business performance is not so large at this moment.



2. Second Half of FY2018 High-Priority Activity



Unit: Millions of yen

- Although it is hard to estimate the sales due to the influence of the trade conflict, the sales growth in the car electronics sector is forecasted due to strong sales for safety application and powertrains.
- As for profit, achievement of the initial plan will be promoted by cost reduction and strict cost management.

	Result of First Half of FY2018	Target for Second Half of FY2018	Result of First Half & Target for Second Half	Full-Year Target for FY2018	Difference
Net Sales	21,765	23,700	45,465	45,500	△35
Operating Income	3,674 (16.9%)	4,850 (20.5%)	8,524 (18.8%)	8,900 (19.6%)	△376

	Item	Amount	Responsive Actions
Operating Income Additional improvement plan	Keep boosting sales about 200M yen	About 100M yen	Sharing up business projects which are to be certainly adopted
	Further cost reduction	About 200M yen	<ul style="list-style-type: none"> ▪ In-house manufacturing of components ▪ Labor cost reduction by moving up the schedule of using productivity boosting facility
	Result of strict cost management	About 200M yen	Putting off nonessential, non-urgent investments



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)