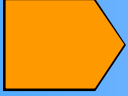




Consolidated Financial Results Briefing Materials For 3rd Quarter Of FY 2018

IRISO ELECTRONICS CO., LTD.
Stock Code: 6908
(Feb 4, 2019)



-  **I . Summary of the consolidated
Financial Results for 3Q of FY 2018**
- II . Forecasts for FY 2018**
- III . Medium and Long-Term Business
Environment and Activities**



1. Summary of Business Performance



IRISO records the highest ever sales and increased revenue, whereas the operating profit decreased due to the growth investment such as cost of the Nantong Factory

- Sales: Achieved the highest ever sales for the cumulative third quarter due to steady growth in the car electronics market of the automotive market as the result of ADAS development and car electrification.
Our sales still holds revenue growth while the market conditions are worse than assumed at the beginning of the year due to worsening market conditions and tentative factors.

Worsening market conditions	The slowing car sales in the US
Worsening market conditions/ Tentative factors	The decreasing car sales volume due to trade conflicts, control over the inventory of FA devices, the decreasing production volume of FA devices due to the slump of smartphone sales in China
Tentative factors	Car inventory control due to WLTP introduction in Europe

⇒ Factors affecting the declining revenue by 2 billion yen or around

- Profit: The target market has been growing so far. Since our growth investment has been continuously made, not only the cost of the Nantong Factory launched last April but also those for research and development, and personnel have increased, which causes YoY decrease.

【By market】

- Automotive market: About 20 % increase in sales for safety applications (cameras and radars) owing to ADAS development
80 % increase in sales for the powertrains of electric vehicles which includes the floating BtoB connector “Z-Move®” with a function to make movements in three directions.
- Consumer market: Decrease mainly in sales for game machines.
- Industrial market: Sales remaining at the same level due to falling demands for FA devices from the 2nd Quarter onward.

【By area】

- USA: Decrease in the AVN market as caused by new vehicle sales downturn, mainly of sedan cars.
- China: Rapid downturns in sales since October and inventory control under the effect of the trade conflict between US and China.
However, sales in the car-electronics market including those for powertrains have steadily shifted.
- Europe: Increase in sales mainly for safety applications in the car electronics market although car sales volume decreased due to WLTP introduction .

2. Consolidated Results for 3Q of FY 2018 (YoY Change)



Unit: Millions of yen

	1Q-3Q FY 2017	1Q-3Q FY 2018	YoY change
Net sales	31,641	32,440	799 2.5%
Operating income	6,196 (19.6%)	5,012 (15.5%)	(1,183) (19.1)%
Ordinary income	6,087 (19.2%)	5,289 (16.3%)	(797) (13.1)%
Net income	4,424 (14.0%)	3,869 (11.9%)	(554) (12.5)%
EPS	186.87 yen	163.86 yen	
Average exchange rate during the period	USD 111.82 yen EURO 128.59 yen	110.82 yen 129.38 yen	(1.00) yen 0.79 yen



3. Breakdown of Net Sales (by Market)



Unit: Millions of yen

		1Q-3Q FY 2018	YoY change	Sales ratio	Factors affecting revenue growth/decline
Automotive (car-mounted products)		27,634	3.5%	85.2%	<ul style="list-style-type: none"> • Good trend in the car electronics market as the result of ADAS development and car electrification even though the slump of car sales in major areas. • Sales for safety applications included in ADAS have achieved an around 120% YoY increase. • Sales for powertrains included in car electrification have achieved an around 180% YoY increase
Category	AVN (Car audio, visual, navigation systems, etc.)	12,353	(4.3)%	38.1%	
	Electronics (Other electric components including ADAS, Powertrain and switches.)	15,281	10.9%	47.1%	
Consumer (OA, game consoles, Digital cameras, cellular telephones, televisions, etc.)		3,137	(5.2)%	9.7%	<ul style="list-style-type: none"> • Decrease in sales mainly for game consoles
Industrial (Industrial equipment, etc.)		1,669	1.5%	5.1%	<ul style="list-style-type: none"> • Withholding from capital investment due to the trade conflict and the slowing growth rate due to inventory control
Total		32,440	2.5%	100.0%	<ul style="list-style-type: none"> • 79.3% overseas ratio

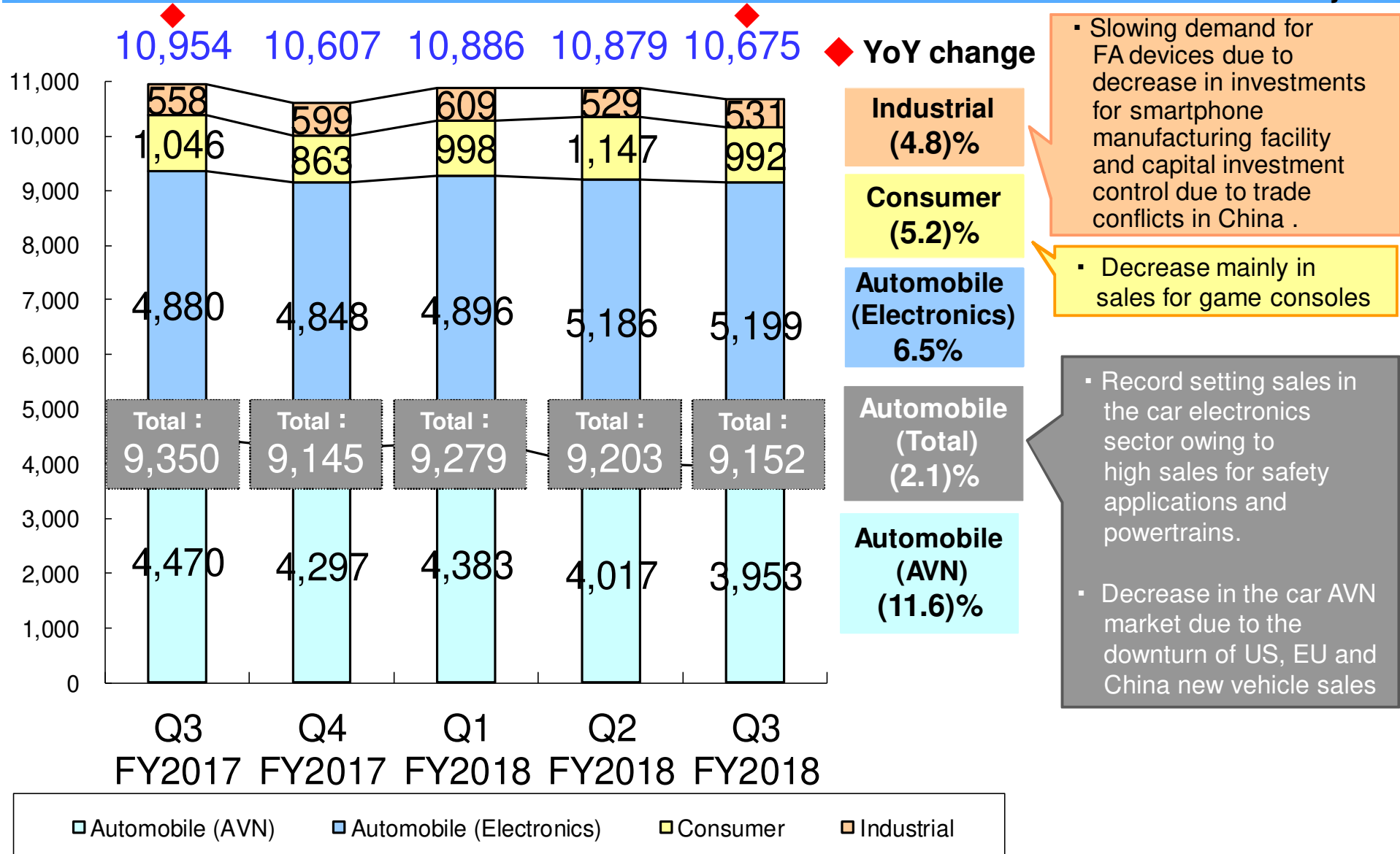
Note: AVN is an abbreviation of Audio Visual Navigator, and refers to general car audio equipment, navigation systems, etc.



4. Net Sales by Market (Quarterly Trends)



Unit: Millions of yen

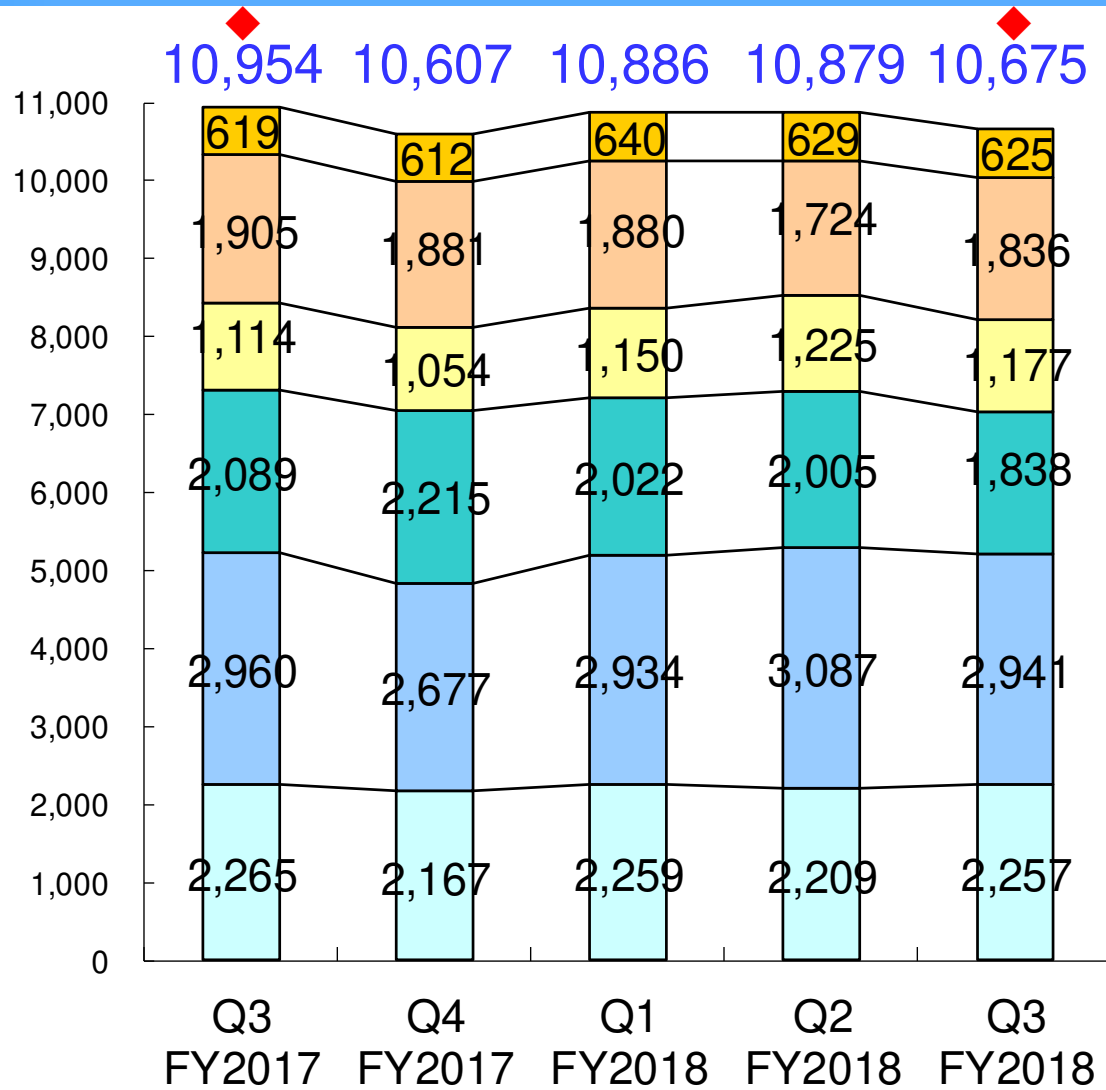




5. Net Sales by Area (Quarterly Trends)



Unit: Millions of yen



YoY change

- Thailand (0.9%)**
 - Increase in the automotive market has made up for decrease in the consumer market
- U.S.A. (3.7%)**
 - Decrease due to sales downturn of sedan cars
- Singapore (5.6%)**
 - Increase in the car electronics market
- Europe (12.0%)**
 - Decrease in the automotive market due to inventory control under the effect of the negative impact of the WLTP introduction,
- China, Taiwan & South Korea (0.6%)**
 - Good trend in the car electronics market including sales for powertrains despite of decrease in sales for car AVN market
- Japan (0.4%)**
 - Increase in the car electronics market, whereas decrease in other markets

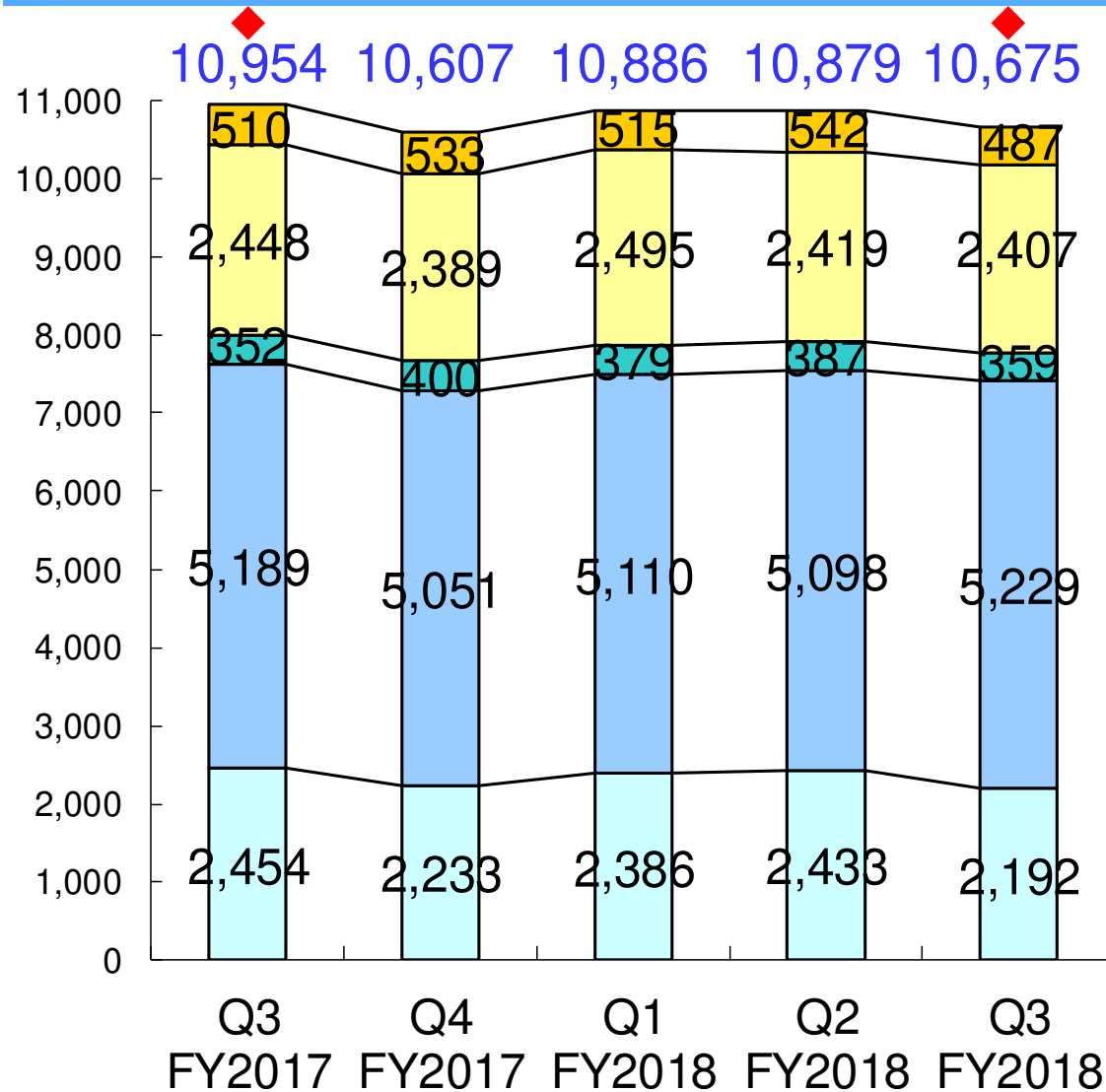
Legend: Japan, China, Taiwan and South Korea, Europe, Singapore, U.S.A, Thailand



6. Net Sales by Product (Quarterly Trends)



Unit: Millions of yen



◆ YoY change

Others* (4.6%)

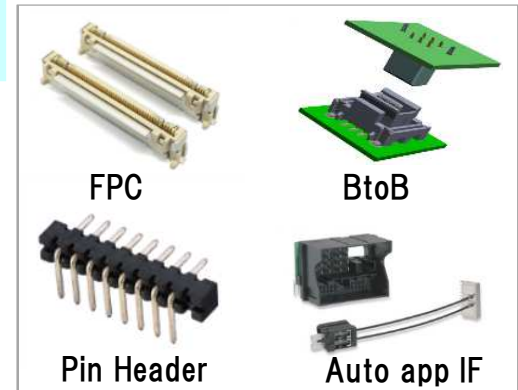
Automobile application IF (1.7%)

Pin Header 2.0%

BtoB connector 0.8%

FPC connector (10.7%)

- Increase in the automotive market
- Decrease in the AVN and consumer markets.



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

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



Unit: Millions of yen

	1Q-3Q FY 2017		1Q-3Q FY 2018		YoY change	
Net sales	31,641	100.0%	32,440	100.0%	799	2.5%
Cost of sales	19,490	61.6%	20,816	64.2%	1,325	6.8%
Gross profit	12,150	38.4%	11,624	35.8%	(525)	(4.3)%
SG & A	5,953	18.8%	6,611	20.4%	658	11.1%
Operating income	6,196	19.6%	5,012	15.5%	(1,183)	(19.1)%
Non-operating income	74	0.2%	300	0.9%	226	303.0%
Non-operating expenses	184	0.6%	24	0.1%	(160)	(86.9)%
Ordinary income	6,087	19.2%	5,289	16.3%	(797)	(13.1)%
Extraordinary income (loss)	(114)	(0.4)%	(139)	(0.4)%	25	21.8%
Pretax income	5,972	18.9%	5,149	15.9%	(822)	(13.8)%
Net income (for HQ stockholders)	4,424	14.0%	3,869	11.9%	(554)	(12.5)%
EPS	186.87 yen		163.86 yen		—	
Exchange rate (USD/EURO)	111.82 Yen/		110.82 Yen/		(1.00) Yen/	
	128.59Yen		129.38 Yen		0.79 Yen	

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



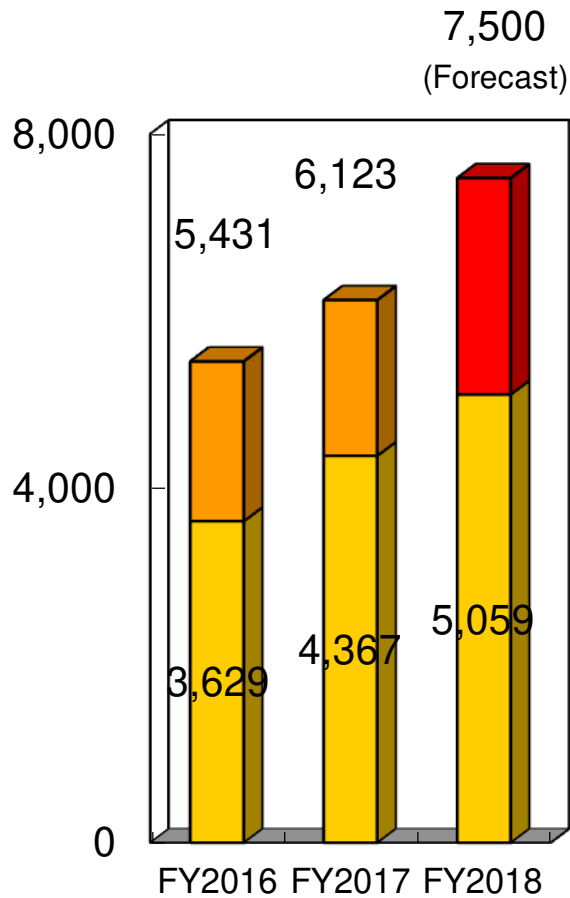
Unit: Millions of yen

	As of March 31, 2018		As of Dec 31, 2018		Increase /Decrease	Factors for increase/decrease
Current assets	35,858	59.7%	35,123	58.1%	(734)	Cash and deposits (2,400) Merchandise and finished goods 1,058 Raw materials and supplies 448
Noncurrent assets	24,224	40.3%	25,295	41.9%	1,070	Property, plant and equipment 1,175
Total assets	60,083	100.0%	60,419	100.0%	335	
Current liabilities	10,046	16.7%	8,522	14.1%	(1,524)	Notes payable and accounts payable(328) Income taxes payable(507) Accounts payable(603)
Noncurrent liabilities	753	1.3%	736	1.2%	(17)	
Total liabilities	10,800	18.0%	9,258	15.3%	(1,541)	
Shareholders' equity	47,482	79.0%	49,498	81.9%	2,015	Retained earnings 2,685
Valuation/translation difference	1,530	2.6%	1,374	2.3%	(156)	Foreign currency translation adjustment (149)
Minority interests	270	0.5%	288	0.5%	17	
Total net assets	49,283	82.0%	51,160	84.7%	1,877	Net assets per share 2,158.67yen (previous period 2,070.36 yen)
Total liabilities and net assets	60,083	100.0%	60,419	100.0%	335	

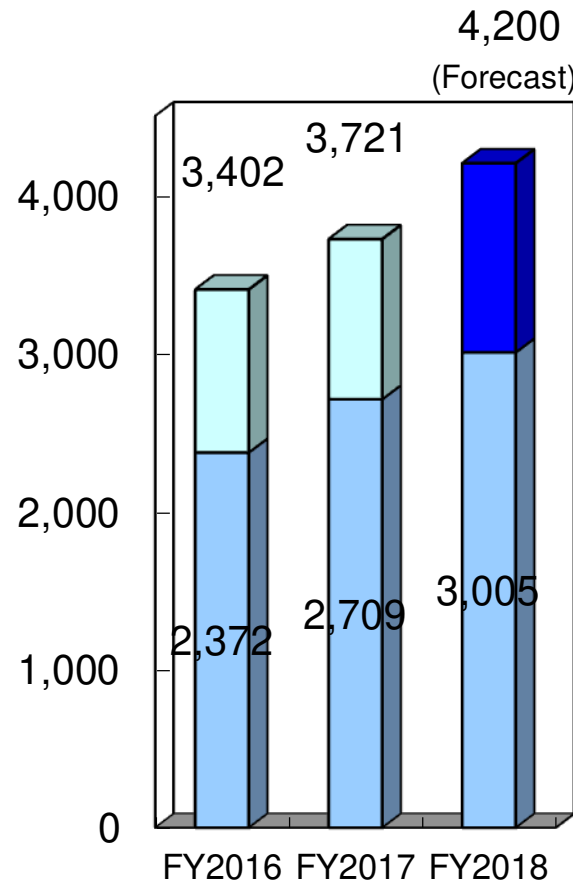
9. Capital Investment, Depreciation & Amortization, and Research & Development



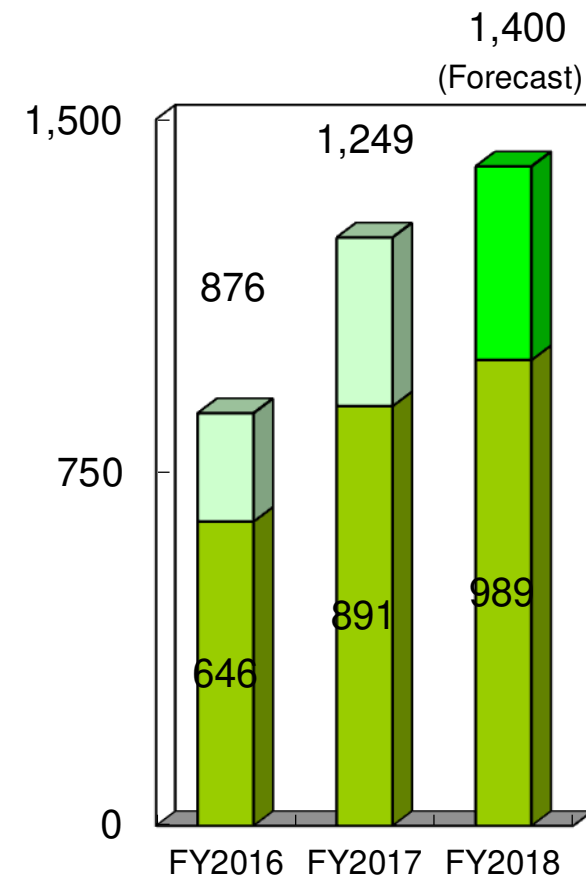
Unit: Millions of yen



Capital Investment



Depreciation & Amortization



Research & Development

Note: Each figure at the foot of bars shows the actual amount for the 1Q-3Q, and those at the top are for full year.



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1. FY2018 Revised Plan



Unit: Millions of yen

Considering tentative factors that affect the worsening of the external environment such as the trade conflict between US and China and WLTP introduction in Europe, a downward revision needs to be made for both sales and profit.

	Results of FY 2017	Initial target for FY 2018	Revised Plan of FY2018
Net sales	42,248	45,500	43,000
Operating income	8,426 (19.9%)	8,900 (19.6%)	6,500 (15.1%)
Ordinary income	7,872 (18.6%)	8,700 (19.1%)	6,700 (15.6%)
Net income	5,456 (12.9%)	6,100 (13.4%)	4,100 (9.5%)
EPS	230.47 yen	257.67 yen	173.70 yen
Average exchange rate during the period	USD 110.81yen EURO 129.45yen CNY 16.74yen	USD 105.00yen EURO 125.00yen CNY 16.50yen	USD 110.76yen EURO 125.88yen CNY 16.55yen

Note: As there is the higher possibility of additional taxation such as corporate tax on transfer pricing taxation, a total of the principal tax and its additional tax are included in the full-year result.

2. Second Half of FY2018 High Priority Activity



Unit: Millions of

- Although production control and factors affecting the declining revenue are considered here, the revised plan will be achieved through the continuous effort for additional cost down and strict control of expenses that have been practiced since 3Q.
- **Projects to realise the long-term vision of 100 billion yen sales (technology development, marketing, sales activities, productivity improvement, and personnel enhancement) will be proactively implemented.**

	Result of 3Q FY2018 Stand-alone	Result of 3Q FY2018 Consolidated	Forecast of 4Q FY2018 Stand-alone	FY2018 Revised Plan
Sales	10,675	32,440	10,560	43,000
Operating Income	1,338 (12.5%)	5,012 (15.5%)	1,488 (14.1%)	6,500 (15.1%)

	Item	Responsive Actions
Operating profit Additional improvement plan	Keep boosting sales	Sharing up business projects which are to be certainly adopted
	Further cost savings	In-house manufacturing of components Labor cost reduction by moving up the schedule of using productivity boosting facility
	Result of strict cost management	Putting off nonessential, non-urgent investments



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Big change coming to the automotive and industrial markets

Automotive Market

Industrial Market

Change of operating system → **Electrification**



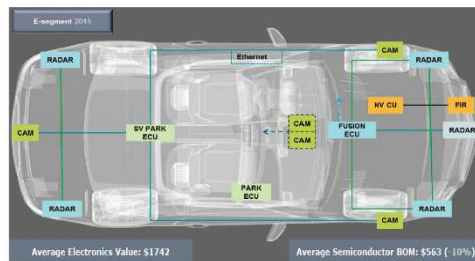
(devices expected to increase)
converter, inverter,
battery charger, battery
inspection system etc.

Change in Telecommunications market
→ Arrival of **5G, IoT, connected cars**



(devices expected to increase)
telecommunications
module,
base station, antenna,
server, etc.

Change of driving system → **Autonomous driving**



(devices expected to increase)
Automotive camera,
LiDAR, radar, sonar,
etc.

Change in manufacturing system →
Use robotics



(devices expected to increase)
robot, manipulator, controller,
sensor, etc.

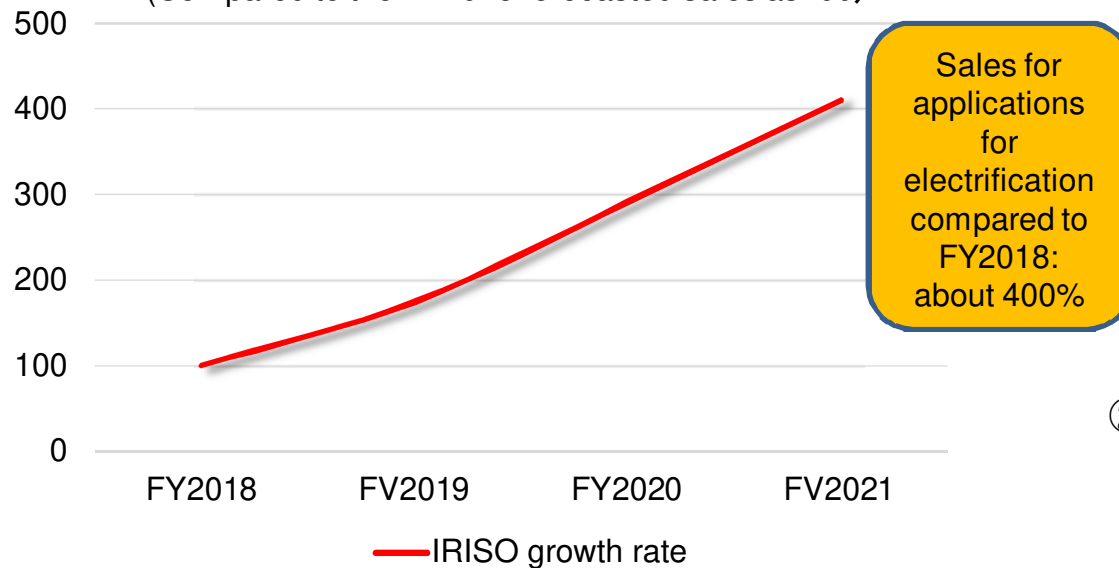
⇒ The worsening of short-term market is caused by tentative factors.
Catch and get a chance on a medium and long term basis

2. Medium / Long Term Business Environment - Automotive Market (Electrification) -

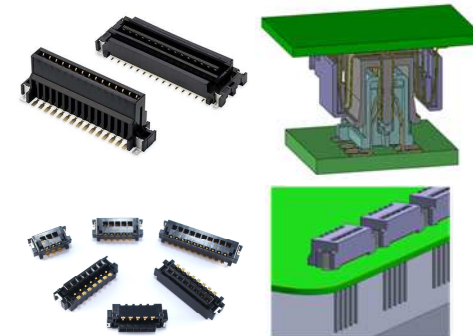


Market	Change	Market Dynamics	Customer Needs	What IRISO does
Auto-motive	Electrification (Increase of EV, PHEV, HV cars)	<ul style="list-style-type: none"> ▪ rise of running distance ▪ fuel efficiency improvement ▪ redundancy plan ▪ motorization 	<ul style="list-style-type: none"> ▪ weight saving ▪ downsizing ▪ automatic assembly ▪ promotion of high-efficiency 	<p>① PCU(Inverter, Converter) part and motor part ⇒ By using Z-Move® connector Harnessless and soldering-less connections are possible. <u>Weight saving, downsizing, and automatic assembly will be realized.</u></p> <p>② Battery part ⇒ By using small-sized WtoB connector the <u>downsizing</u> of battery charger will be realized.</p>

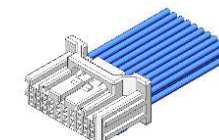
Forecast for growth rate from now to FY2021
(Compared to the FY2018 forecasted sales as 100)



① For downsizing/automatic assembly
⇒ **Z-Move® connector**



② Downsizing ⇒ **Small-sized WtoB connector**



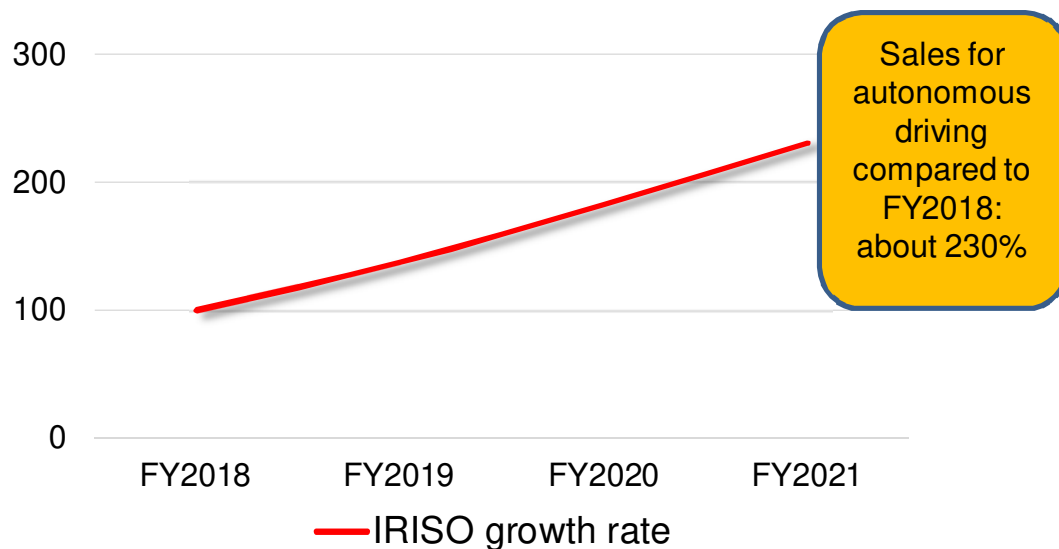


3. Medium / Long Term Business Environment - Automotive Market (Autonomous Driving) -



Market	Change	Market Dynamics	Customer Needs	What IRISO does
Auto-motive	Autonomous driving (Connected cars)	<ul style="list-style-type: none"> increase of the number of sensor mounted (car-mounted camera, radar, Lidar) Promotion of sensor fusion increase of mounted telecom devices development of inside-car network 	<ul style="list-style-type: none"> downsizing automatic assembly high-speed transmission highly functional connector 	<ol style="list-style-type: none"> For downsizing and automatic assembly ⇒ 0.4mm BtoB connector (floating, fixed) ⇒ Floating BtoB connector for the world smallest/ high-speed transmission For automatic assembly ⇒ Auto-I-Lock FPC connector For IF-integrated EMC/ heat radiation Camera functional housing For LVDS high-speed transmission ▪ LVDS connector harness

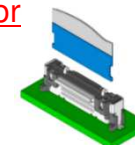
Forecast for growth rate from now to FY2021
(Compared to the FY2018 forecasted sales as 100)



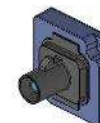
① Downsizing/automatic assembly
⇒ Small-sized BtoB connector



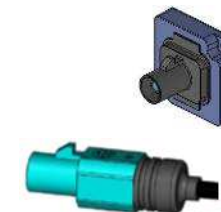
② Automatic assembly
⇒ Auto-I-Lock FPC connector



③ Functional connector
⇒ IF-integrated heat radiation /EMC functional housing




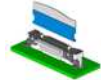




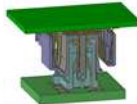
④ Functional connector
⇒ LVDS connector harness

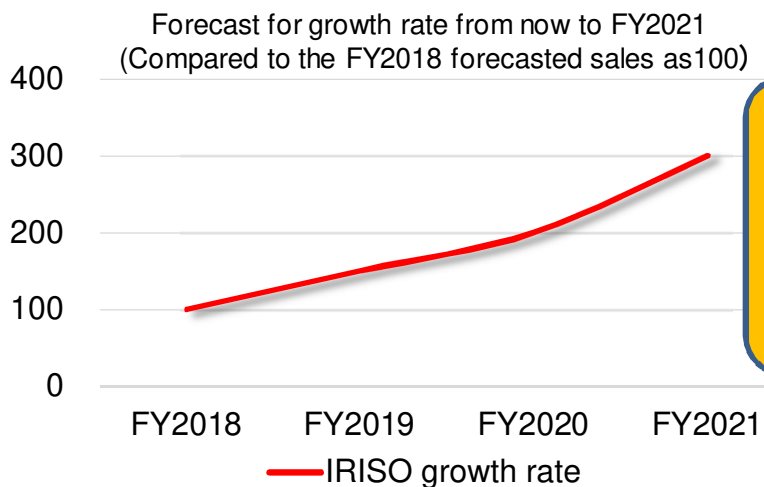




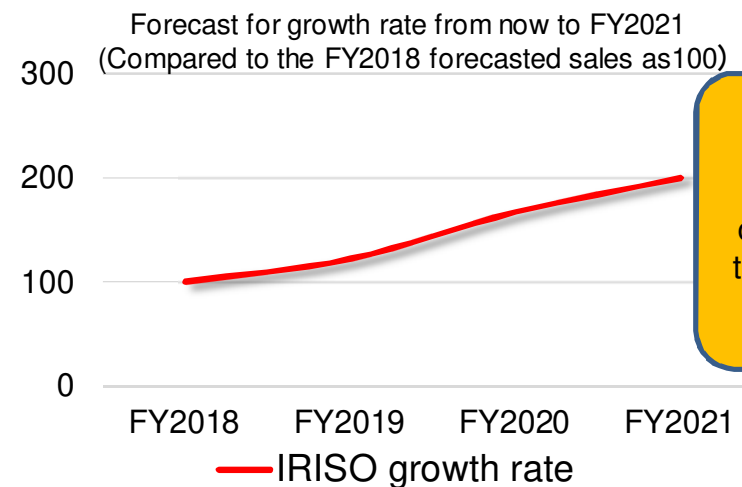
4. Medium / Long Term Business Environment - Industrial Market -



Market	Change	Market Dynamics	Customer Needs	What IRISO does
Industrial	Change of telecom market (Arrival of 5G)	<ul style="list-style-type: none"> Increase of telecom devices Establishment of new services 	<ul style="list-style-type: none"> High-speed signal Downsizing Automatic assembly 	① For downsizing/high-speeding: 0.4mm floating BtoB connector  ② For ultrahigh-speeding: Auto-I-Lock FPC connector 
	Change of manufacturing system (Use of robotics)	<ul style="list-style-type: none"> Robotic Assembly of Robots Increase of peripheral devices Increase of sensors Declining labour force 	<ul style="list-style-type: none"> Automatic robotic assembly high-speed signal downsizing 	① For automatic assembly: small-sized/high-speed floating connector  ② Using Z-Move® connector to apply for vibrating parts    



Sales for telecom devices compared to FY2018: about 300%



Sales for robotic devices compared to FY2018: about 200%



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)