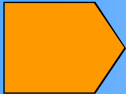




Consolidated Financial Results Briefing Materials for FY 2018

IRISO ELECTRONICS CO., LTD.
Stock Code: 6908
(May 8, 2019)



-  **I . Summary of the consolidated Financial Results for FY 2018**
- II . Forecasts for FY 2019**
- III . Progress of Mid-term Management Plan (FY 2017- FY 2019)**
- IV . Long-Term Vision For 100 Billion-Yen Sales Target**

1. Summary of FY2018 Business Performance (Compared to the Initial Plan)



Unit: Millions of yen

Comparing to the initial plan, sales and profit targets have not been achieved due to the market downturn and customers' inventory control.

	Initial Plan	Results	Difference
Net Sales	45,500	42,834	Δ2,666
Automotive (AVN)	17,700	16,142	Δ1,558
Automotive (Electronics)	21,000	20,525	Δ475
Consumer	4,200	3,983	Δ217
Industrial	2,600	2,184	Δ416
Operating profit	8,900	6,084	Δ2,816
Net income	6,100	3,722	Δ2,378

- Sales: (automotive market) The initial target has not been achieved because of dropping car sales volume due to the US-China trade conflict in China, car sales downturn due to WLTP introduction in Europe and customers' inventory control.
(industrial market) The initial target has not been achieved due to the slump of smartphone sales and dropping investment to FA devices due to the trade conflict.

Note : WLTP : "Worldwide Harmonized Light Vehicles Procedures"

- Operating profit: The initial target has not been achieved because of tentative expenditure for quality assurance etc. as well as shrinking operation due to the dropping sales and serious loss increase due to sharply dropping product at Nantong Factory that was launched in April 2018.
- Net income: The initial target has not been achieved due to additional costs such as income taxes for prior periods as well as to decreasing operating profit.



2. FY2018 Consolidated Results (YoY Change)



Unit: Millions of yen

	FY 2017	FY 2018	YoY change
Net sales	42,248	42,834	585 1.4%
Operating income	8,426 (19.9%)	6,084 (14.2%)	(2,342) (27.8)%
Ordinary income	7,872 (18.6%)	6,325 (14.8%)	(1,546) (19.6)%
Net income	5,456 (12.9%)	3,722 (8.7%)	(1,733) (31.8)%
EPS	230.47 yen	157.50 yen	
Average exchange rate during the period	USD 110.81 yen EURO 129.45 yen	110.69 yen 128.43 yen	(0.12) yen (1.02) yen



3. Breakdown of Net Sales (by Market)



Unit: Millions of yen

		FY 2018	YoY change	Sales ratio	Factors causing revenue growth/ decline
Automotive (car-mounted products)		36,667	2.3%	85.6%	<ul style="list-style-type: none"> • Good trend in the car electronics market as the result of the development of ADAS and car electrification while the slump of car sales in major areas. • Sales for safety application area in the ADAS area have achieved an approx.120% YoY increase. • Sales for powertrain area of the car electrification market have achieved an approx.180% YoY increase
Category	AVN (Car audio, visual, navigation systems, etc.)	16,142	(6.2)%	37.7%	
	Electronics (Safety applications, electric components, powertrains etc.)	20,525	10.2%	47.9%	
Consumer (OA, game consoles, digital cameras, cellular phones, televisions, etc.)		3,983	(4.5)%	9.3%	<ul style="list-style-type: none"> • Decrease in sales mainly for game consoles, digital camera, and all-in-one printer
Industrial (Industrial equipment, etc.)		2,184	(2.7)%	5.1%	<ul style="list-style-type: none"> • Due to the trade conflict, withholding from capital investment and inventory control caused slight decrease
Total		42,834	1.4%	100.0%	<ul style="list-style-type: none"> • Sustaining the record-setting sales 79.3% overseas ratio

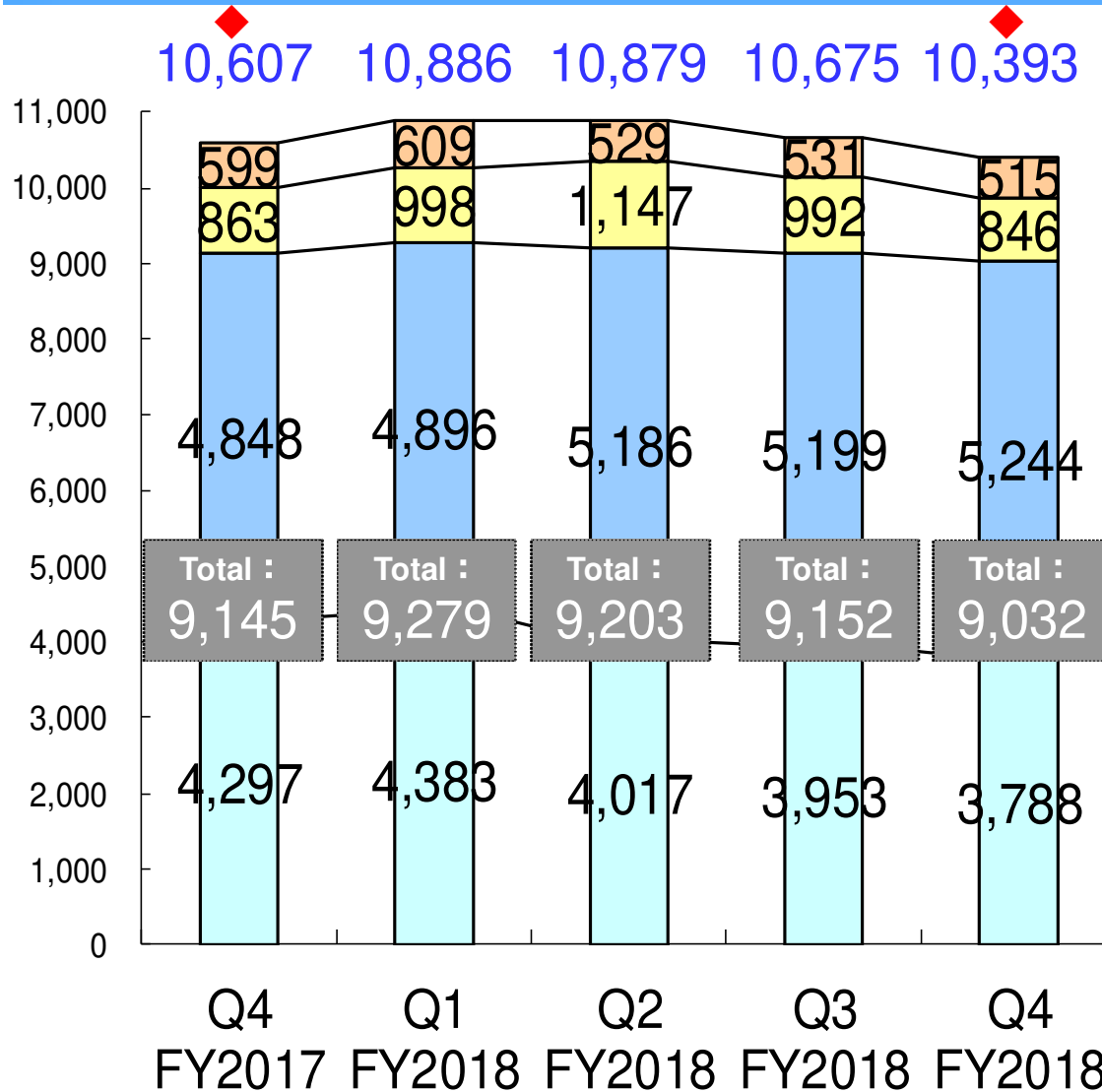
Note: AVN is an abbreviation of Audio Visual Navigator, and refers to general car audio equipment, navigation systems, etc.



4. Net Sales by Market (Quarterly Trends)



Unit: Millions of yen



◆ YoY change

- Industrial (13.9%)
- Consumer (1.9%)
- Automotive (Electronics) 8.1%
- Automotive (Total) (1.3%)
- Automotive (AVN) (11.8%)

- Slowing demand for FA devices due to decrease in investments for smartphone manufacturing facility in China and capital investment control due to the trade conflict

- Decrease mainly in sales for all-in-one printers

- Record setting sales in the car electronics area mainly caused by high sales for safety application and powertrains areas
- Decrease in the car AVN area due to the downturn of new vehicle sales in US, EU and China

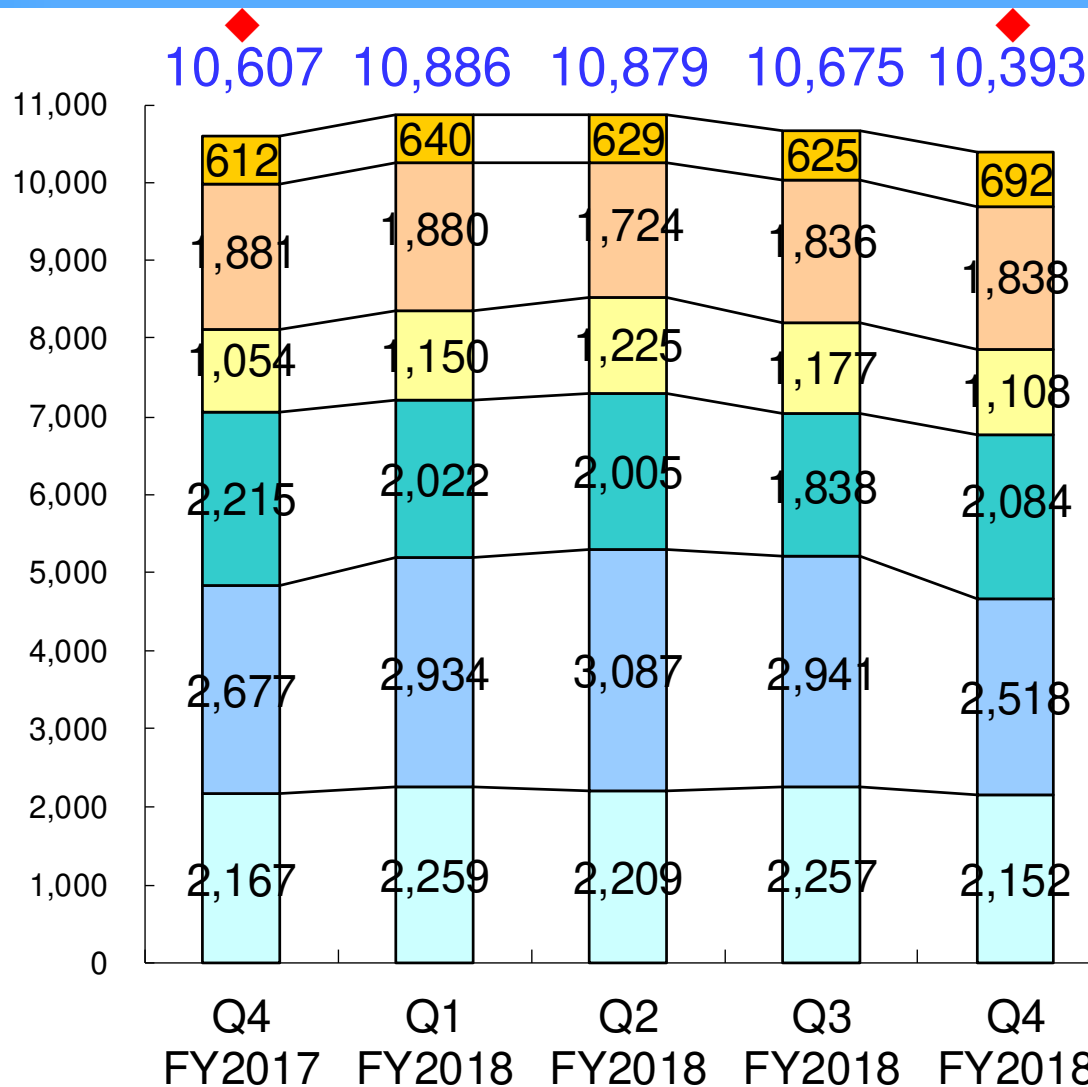
■ Automobile (AVN)
 ■ Automobile (Electronics)
 ■ Consumer
 ■ Industrial



5. Net Sales by Area (Quarterly Trends)



Unit: Millions of yen



YoY change

- Thailand 13.1%**
 - Increase in the automotive market has made up for decrease in the consumer market
- U.S.A. (2.3)%**
 - Increase in the car electronics area whereas sales decrease in the AVN area
- Singapore 5.2%**
 - Increase in the car electronics area
- Europe (5.9)%**
 - Decrease in the automotive market due to inventory control under the effect of the WLTP introduction,
- China, Taiwan & South Korea (6.0)%**
 - Decrease in the car AVN area due to the sales downturn of passenger cars
- Japan (0.7)%**
 - Increase in the car electronics area whereas decrease in other markets

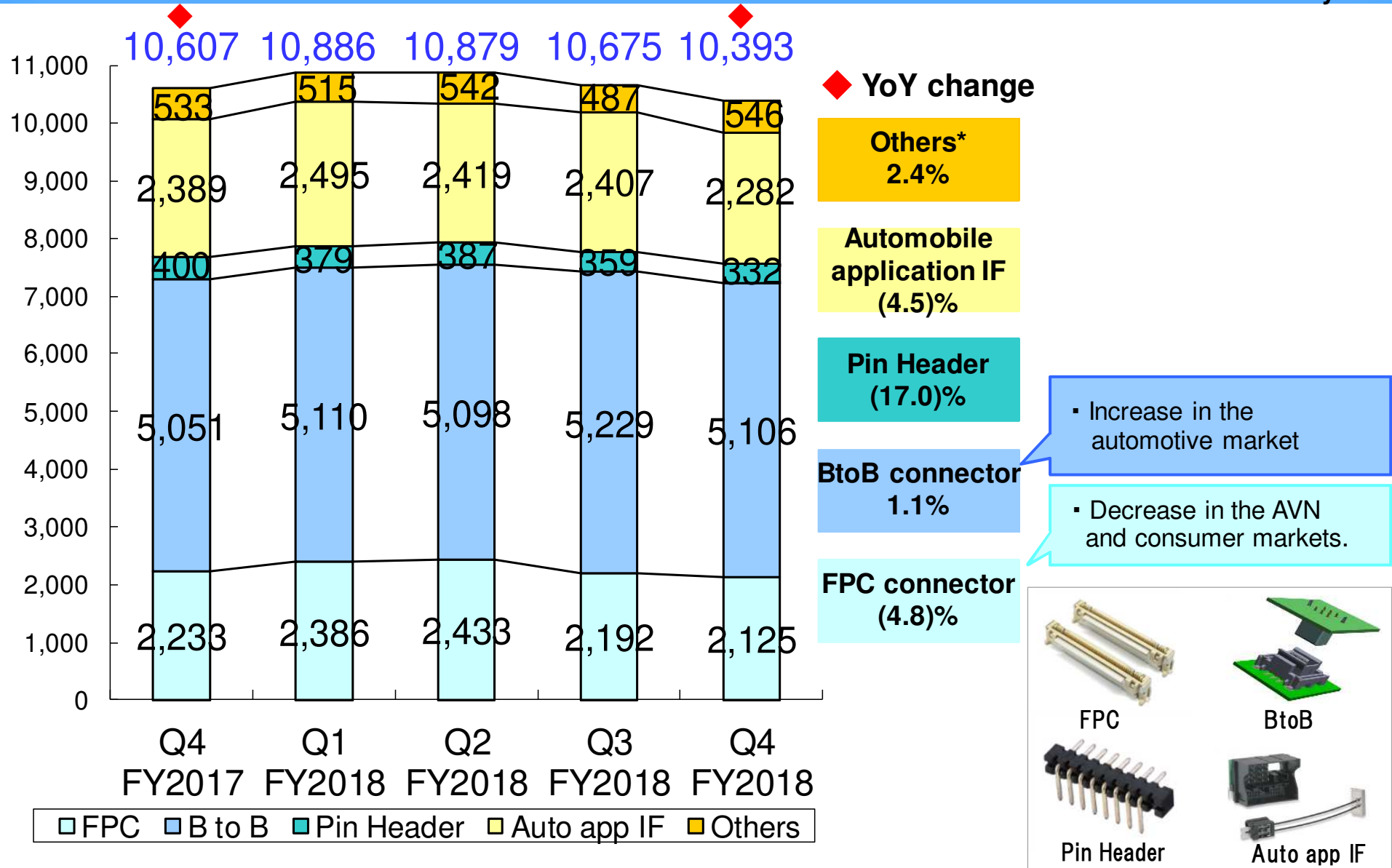
□ Japan □ China, Taiwan and South Korea □ Europe □ Singapore □ U.S.A □ Thailand



6. Net Sales by Product (Quarterly Trends)



Unit: Millions of yen

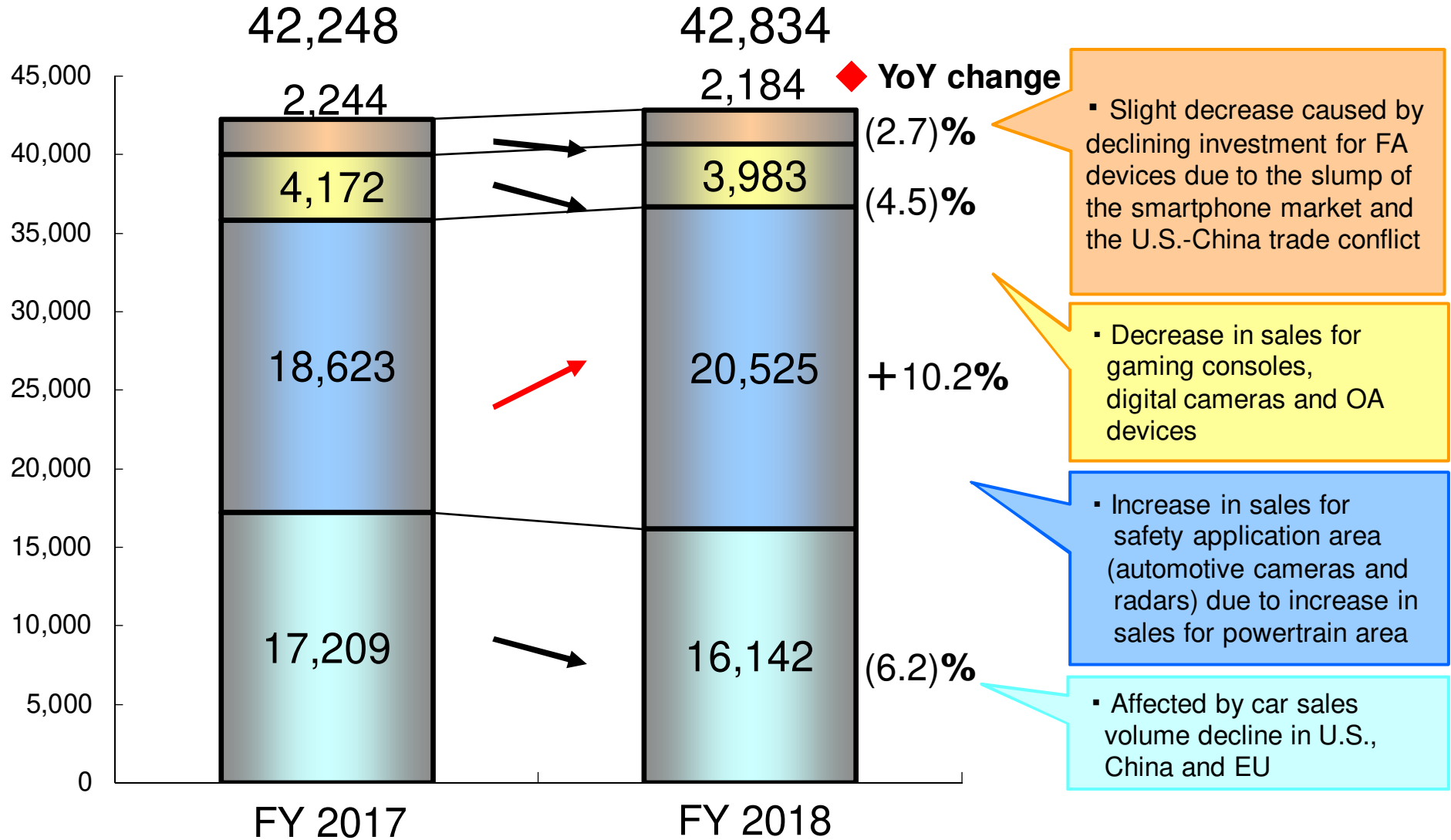




7. Net Sales by Market (Full Year)



Unit: Millions of yen



▪ Slight decrease caused by declining investment for FA devices due to the slump of the smartphone market and the U.S.-China trade conflict

▪ Decrease in sales for gaming consoles, digital cameras and OA devices

▪ Increase in sales for safety application area (automotive cameras and radars) due to increase in sales for powertrain area

▪ Affected by car sales volume decline in U.S., China and EU

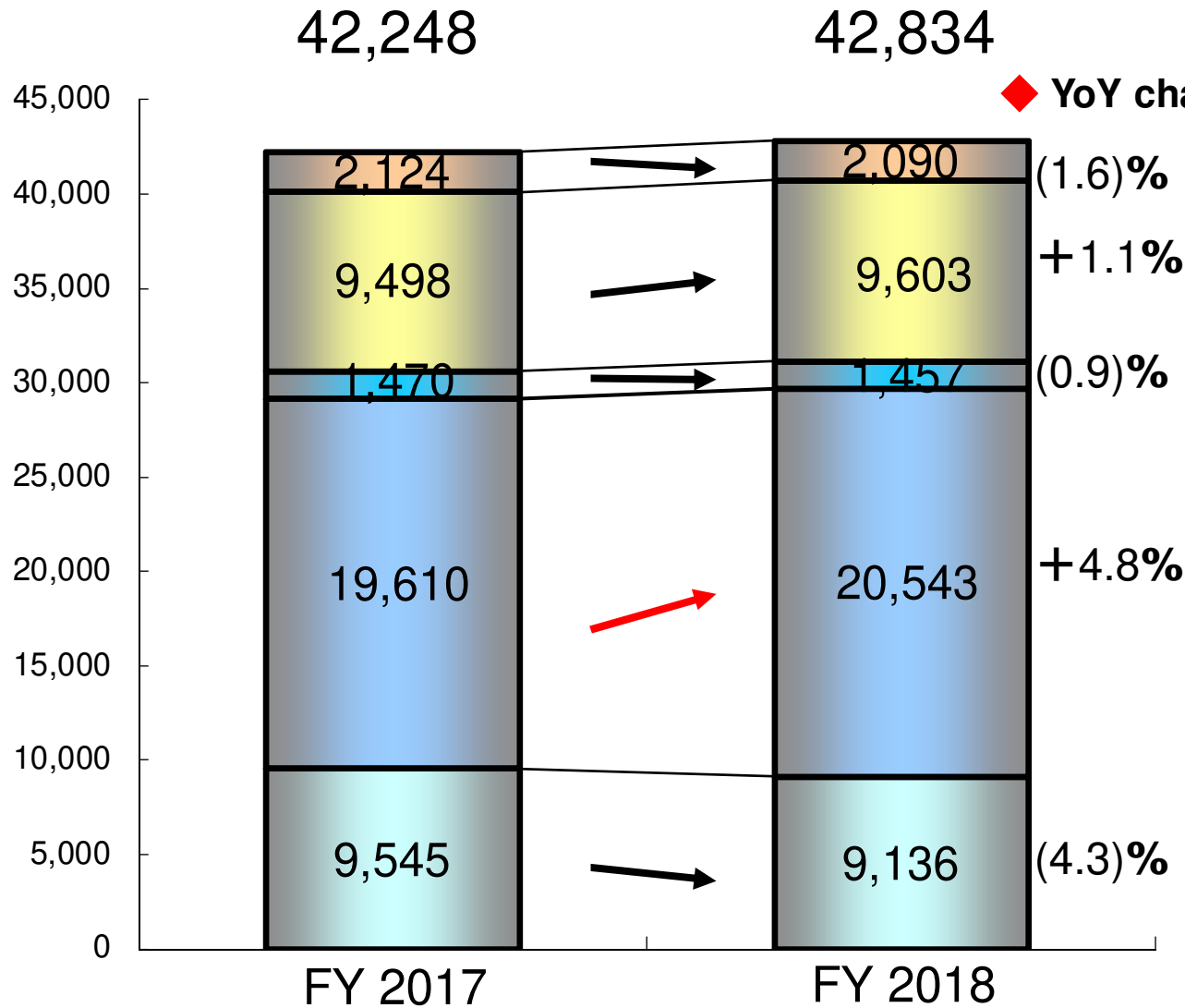
■Automobile (AVN) ■Automobile (Electronics) ■Consumer ■Industrial



8. Net Sales by Product (Full Year)



Unit: Millions of yen



- Increase in the sales of BtoB product range that gives an advantage to IRISO mainly for automotive market
- Composition ratio: 48% with a YoY increase of 1.6 points

■ FPC
 ■ B to B
 ■ P/H
 ■ Auto app IF
 ■ Others

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



Unit: Millions of yen

	FY 2017		FY 2018		YoY change	
Net sales	42,248	100.0%	42,834	100.0%	585	1.4%
Cost of sales	25,751	61.0%	27,942	65.2%	2,191	8.5%
Gross profit	16,497	39.0%	14,891	34.8%	(1,605)	(9.7)%
SG & A	8,070	19.1%	8,807	20.6%	736	9.1%
Operating income	8,426	19.9%	6,084	14.2%	(2,342)	(27.8)%
Non-operating income	85	0.2%	295	0.7%	210	245.3%
Non-operating expenses	639	1.5%	54	0.1%	(585)	(91.5)%
Ordinary income	7,872	18.6%	6,325	14.8%	(1,546)	(19.6)%
Extraordinary income (loss)	(360)	(0.9)%	(151)	(0.4)%	208	(58.1)%
Pretax income	7,512	17.8%	6,173	14.4%	(1,338)	(17.8)%
Net income (for HQ stockholders)	5,456	12.9%	3,722	8.7%	(1,733)	(31.8)%
EPS	230.47 yen		157.70 yen		—	
Exchange rate (USD/EURO)	110.81 Yen/		110.69 Yen/		(0.12) Yen/	
	129.45Yen		128.43 Yen		(1.02) Yen	

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



Unit: Millions of yen

	As of March 31, 2018		As of March 31, 2019		Increase /Decrease	Factors for increase/decrease
Current assets	35,858	59.7%	35,103	57.1%	(755)	Cash and deposits (1,895) Merchandise and finished goods ⁶⁴⁵ Raw materials and supplies 385
Noncurrent assets	24,224	40.3%	26,368	42.9%	2,143	Property, plant and equipment 2,207
Total assets	60,083	100.0%	61,471	100.0%	1,388	
Current liabilities	10,046	16.7%	9,442	15.4%	(604)	Notes payable and accounts payable ⁽⁶⁴⁵⁾ Income taxes payable ⁵⁵⁶ Accounts payable ⁽²²⁰⁾
Noncurrent liabilities	753	1.3%	699	1.1%	(54)	
Total liabilities	10,800	18.0%	10,141	16.5%	(658)	
Shareholders' equity	47,482	79.0%	49,351	80.3%	1,868	Retained earnings 2,538
Valuation/translation difference	1,530	2.6%	1,663	2.7%	132	Foreign currency translation adjustment 136
Minority interests	270	0.5%	315	0.5%	45	
Total net assets	49,283	82.0%	51,329	83.5%	2,046	Net assets per share 2,164.68yen (previous period 2,070.36 yen)
Total liabilities and net assets	60,083	100.0%	61,471	100.0%	1,388	



11. Cash Flows



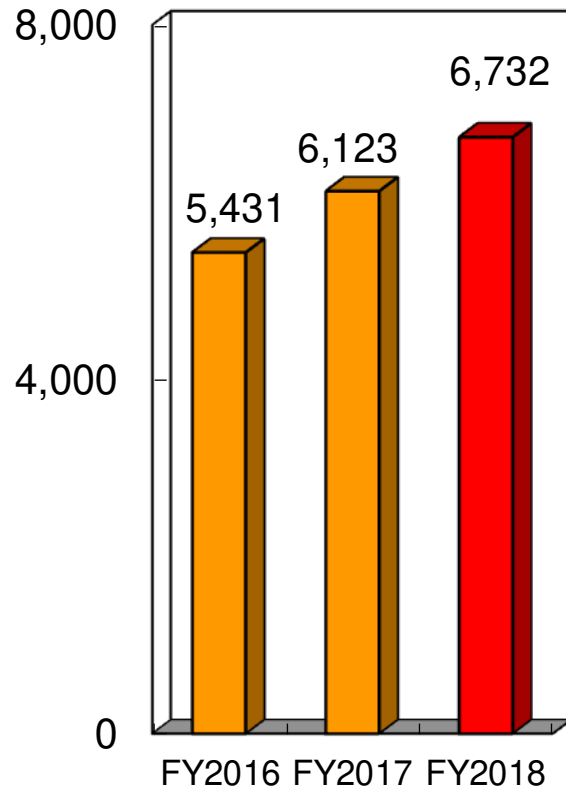
Unit: Millions of yen

	FY 2017	FY 2018	Increase /Decrease
Cash flows from operating activities	9,707	6,695	(3,011)
Profit before income taxes	7,512	6,173	(1,338)
Decrease (increase) in notes and accounts receivable - trade	(936)	241	1,177
Increase (decrease) in notes and accounts payable - trade	1,310	(645)	(1,956)
Cash flows from investing activities	(6,727)	(6,687)	39
Purchase of property, plant and equipment	(6,049)	(6,653)	(604)
Purchase of intangible assets	(73)	(78)	(5)
Cash flows from financing activities	(777)	(1,950)	(1,172)
Net increase (decrease) in short-term loans payable	-	-	-
Purchase of treasury stock	(1)	(670)	(669)
Effect of exchange rate change on cash and cash equivalents	(93)	46	139
Net increase (decrease) in cash and cash equivalents	2,109	(1,895)	(4,005)
Cash and cash equivalents at beginning of period	15,242	17,352	2,109
Cash and cash equivalents at end of period	17,352	15,456	(1,895)

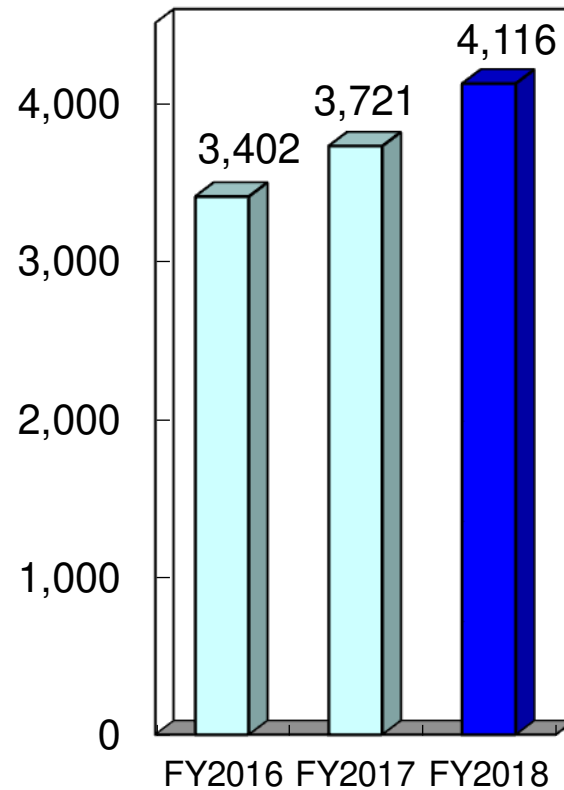
12. Capital Investment, Depreciation & Amortization, and Research & Development



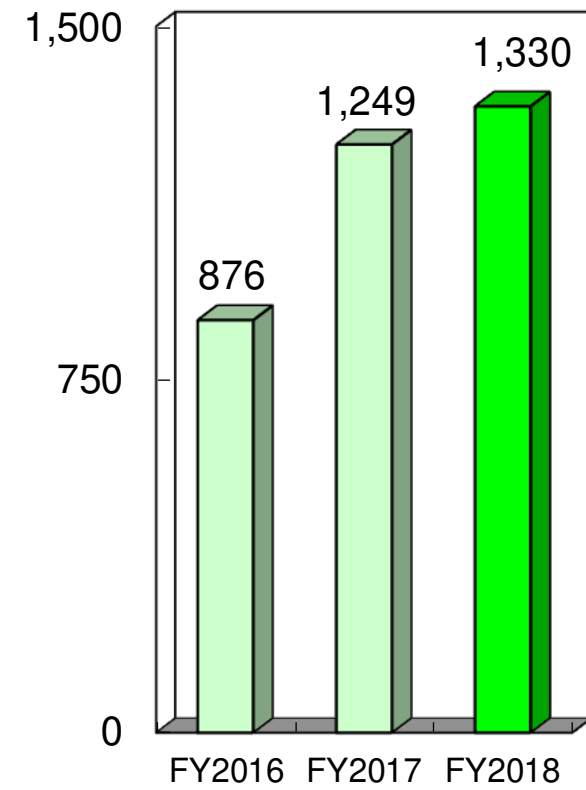
Unit: Millions of yen



Capital Investment



Depreciation & Amortization



Research & Development



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

 **II . Forecasts for FY 2019**

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

**IV . Long-Term Vision For 100 Billion-Yen
Sales Target**



1. Full-Year Targets for FY 2019 (YoY Change)



Unit: Millions of yen

	Results of FY 2018	(1st half) (2nd half)	Full Year targets for FY 2019	(1st half) (2nd half)	YoY change
Net sales	42,834	(21,765) (21,068)	45,000	(21,500) (23,500)	2,165 5.1%
Operating income	6,084 (14.2%)	(3,674) (2,409)	8,100 (18.0%)	(3,400) (4,700)	2,015 33.1%
Ordinary income	6,325 (14.8%)	(4,035) (2,289)	8,100 (18.0%)	(3,400) (4,700)	1,774 28.1%
Net income	3,722 (8.7%)	(2,966) (755)	6,100 (13.6%)	(2,600) (3,500)	2,377 63.9%
EPS	157.70yen	—	258.84yen		
Average exchange rate during the period	USD110.69yen EURO128.43yen	—	USD110.00yen EURO125.00yen		

2. Full-Year Targets for FY 2019 (Assumptions for the forecasts)



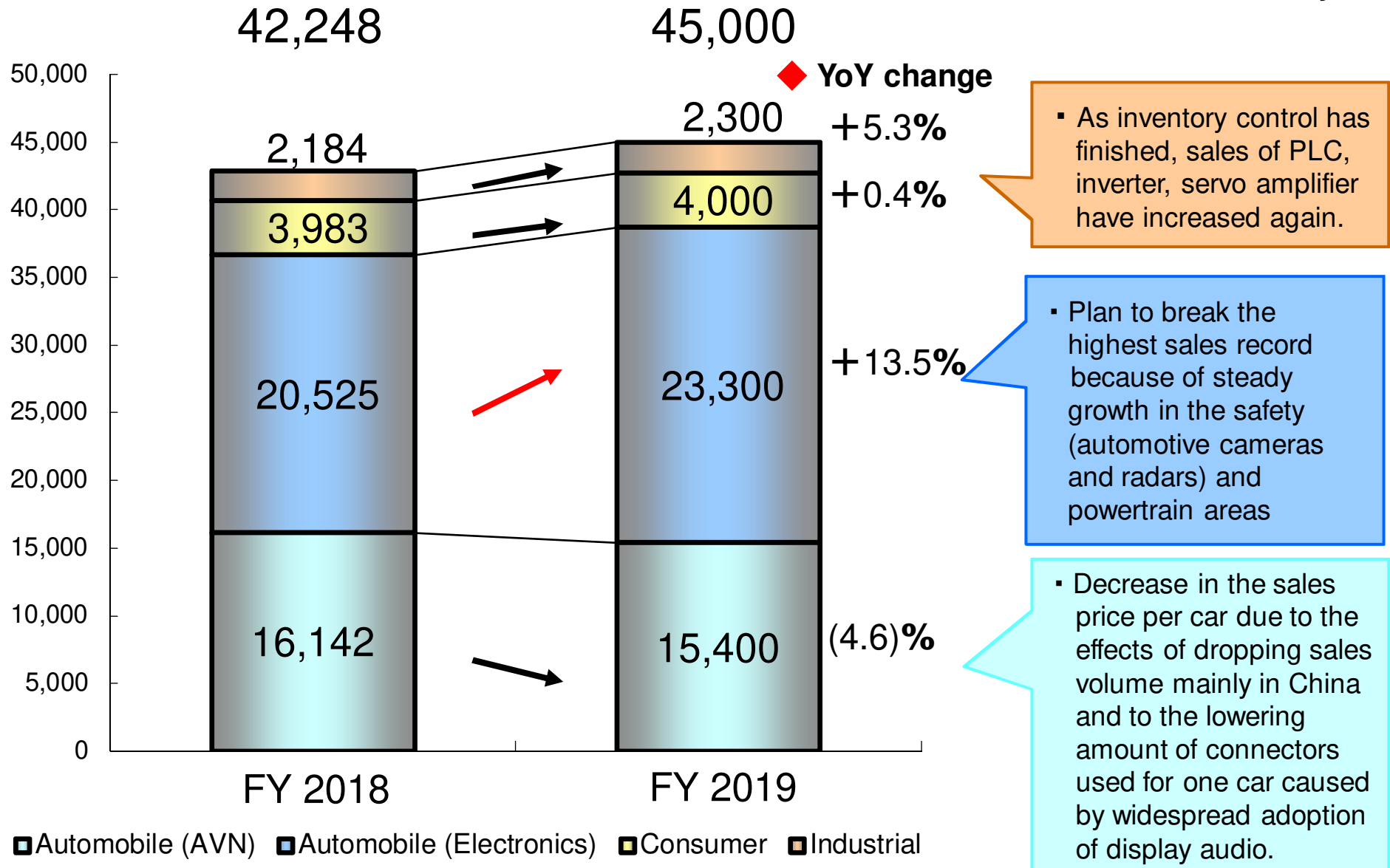
Items	Assumptions
Exchange rate	USD ¥110.0 / \$
	EUR ¥125.0 / €
	RMB ¥16.5 / RMB
Capital investment	¥7,500M
Depreciation & Amortization	¥4,500M
Research & Development	¥1,500M



3. Full-Year Targets for FY 2019 (by Market)



Unit: Millions of yen



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



4. Key Points of the Forecasts for FY 2019



(1) Sales outlook 45,000 million Yen (YoY+2,165M Yen)

- **As the worsening external environment from the prior year is expected to continue till the first half of FY2019, a recovery plan is made for the latter half of FY2019.**
- Growth in the car electronics area is exceeding the others.
Particularly, sales of connectors for radars and car-mounted cameras are still sharply increasing.

(2) Operating profit outlook 8,100 million Yen (YoY+2,015M Yen)

- It is expected to increase by reducing cost through automation and rationalization efforts

A worsening macroeconomic environment is assumed

	Activity	Target	Specified Action Plan
Contingency Plan	Implement further product cost reduction	approx. 0.5 billion yen	Start immediately and get the effect as early as possible.
	Make rigorous decisions on facility investment	approx. 0.8 billion yen	Clarify the effect of rationalised investment
	Cost reduction	approx. 0.5 billion yen	Make rigorous decisions on necessary expenses and ensure expense control
	Adjustment in a number of intaking personnel	approx. 0.7 billion yen	Pursue work efficiency

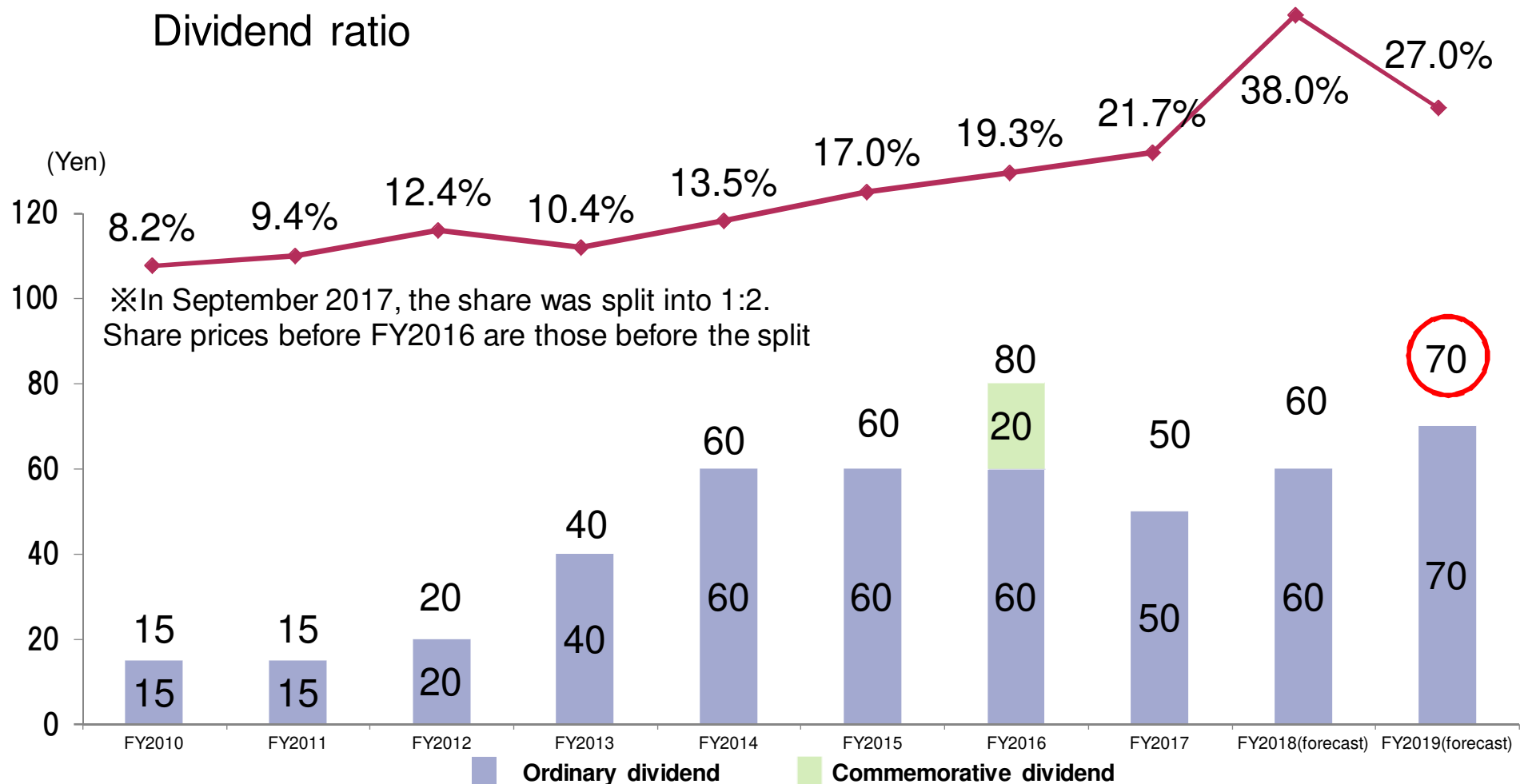


5. Shareholder Return



- FY2019 forecast: 70yen (Compared to FY2018 outlook +10 yen)
- Achievement of 30% dividend ratio: targeted by the mid-term management plan

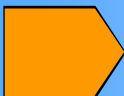
Dividend ratio





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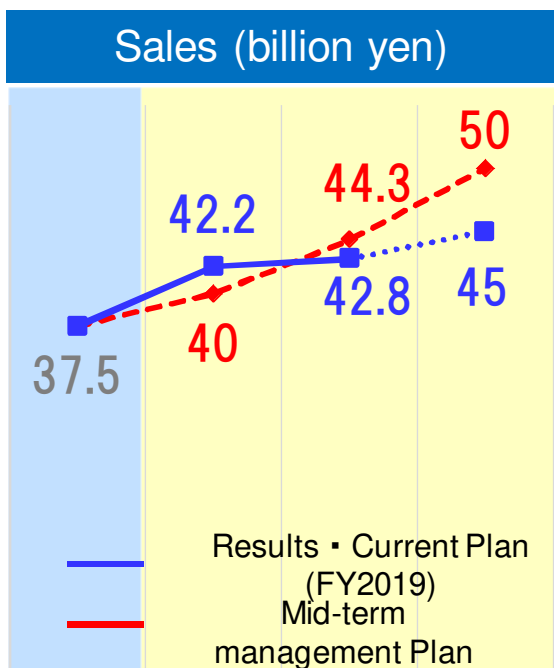
**IV . Long-Term Vision For 100 Billion-Yen
Sales Target**



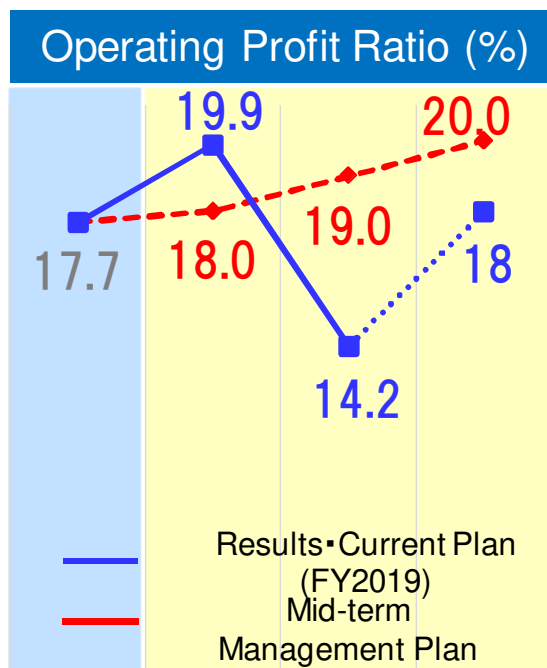
1. Progress Status (Performance Target)



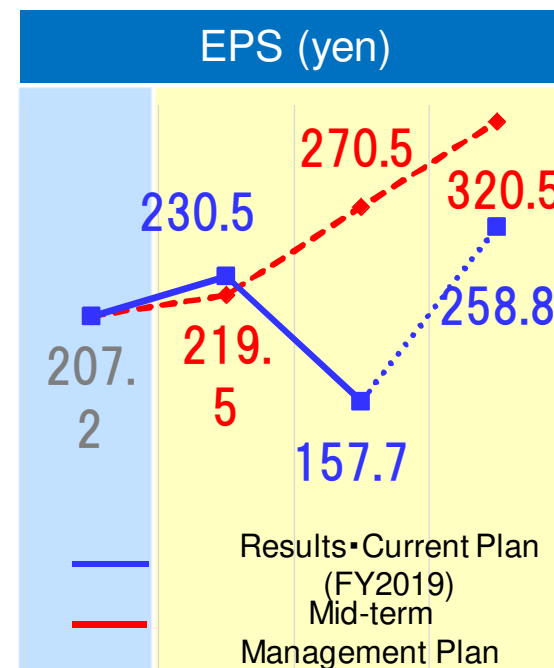
Planned target for FY2018 has been underachieved
 Achieve the initial 50 billion-yen sales target for FY2019 in FY2020



FY2016 FY2017 FY2018 FY2019



FY2016 FY2017 FY2018 FY2019



FY2016 FY2017 FY2018 FY2019

Currency	FY2018 Results	Med-term Management Plan	FY2017 Result	FY2018 Result	FY2019 Plan
USD	109.03 Yen	110.00 Yen	110.81 Yen	110.69 Yen	110.00 Yen
EUR	119.37 Yen	120.00 Yen	129.45 Yen	128.43 yen	125.00 Yen
CNY	16.2 Yen	15.8 Yen	16.74 Yen	16.53 Yen	16.5 Yen

2. FY2018 Results and Issues and Prospects for FY2019 and After ①



		Result	Factor	Issue/ Prospect
Sales	Automotive(AVN)	×	<ul style="list-style-type: none"> ▪ Approx.94% compared to FY2017 ▪ Decreasing car sales volume ▪ Lowering amount of connectors used for one car caused by widespread adoption of display audio 	<ul style="list-style-type: none"> ▪ Catch the trends of car manufacturers by improving marketing performance and develop products in preparation for widespread adoption of cockpits
	<ul style="list-style-type: none"> ▪ Automotive (PA25 Area) ※Safety, Powertrain, etc. Mainly focused areas 	○	<ul style="list-style-type: none"> ▪ Approx.130% compared to FY2017 in the safety and powertrain areas ▪ Achievement of winning future orders 	<ul style="list-style-type: none"> ▪ Sustain global development of PA25
	Industrial	△	<ul style="list-style-type: none"> ▪ FY2018 sales : Approx.97% compared to FY2017 ▪ Decrease in facility investment in China ▪ Delay in exploration of global customers and slump in indirect sales 	<ul style="list-style-type: none"> ▪ Sustain global sales ▪ Improve product portfolios (including corporate alliance)
Profit	Operating Profit	×	<ul style="list-style-type: none"> ▪ Approx.72% compared to FY2017 ▪ Shrinking operation by sales decrease ▪ Tentative expenditure for quality insurance etc. 	<ul style="list-style-type: none"> ▪ Ensure sales increase ▪ Further cost reduction ▪ Promote design standard creation ▪ Promote smart factory

Note: Five applications for safety, powertrain, motor, infotainment and two-wheeled vehicles

3. FY2018 Results and Issues and Prospects for FY2019 and After ②



		Result	Factor	Issue ▪ Prospect
Growth Investment	Product development	○	<ul style="list-style-type: none"> Expansion of the “Z-Move®” lineup and development of products for high-speed transmission 	<ul style="list-style-type: none"> Pursue development of only-one product
	Increase production performance	○	<ul style="list-style-type: none"> Launch of Nantong Factory in April 2018 	<ul style="list-style-type: none"> Promote smart factory Start working on construction of a new factory in Mexico
Management Foundation	Enhance corporate governance	○	<ul style="list-style-type: none"> Shift to a company with an “Audit and Supervisory Committee” and also with a “Nominating Committee” and “Remuneration Committee” 	<ul style="list-style-type: none"> External executive directors who consist more than one-third of the total number of executive directors



Although the 50 billion-yen target for FY2019 will be reached in FY2020 due to the changing macroeconomic environment, IRISO will aim for sustainable growth.

The time to achieve the 100 billion-yen sales target as a long-term vision will be newly decided, and IRISO will work hard on it.



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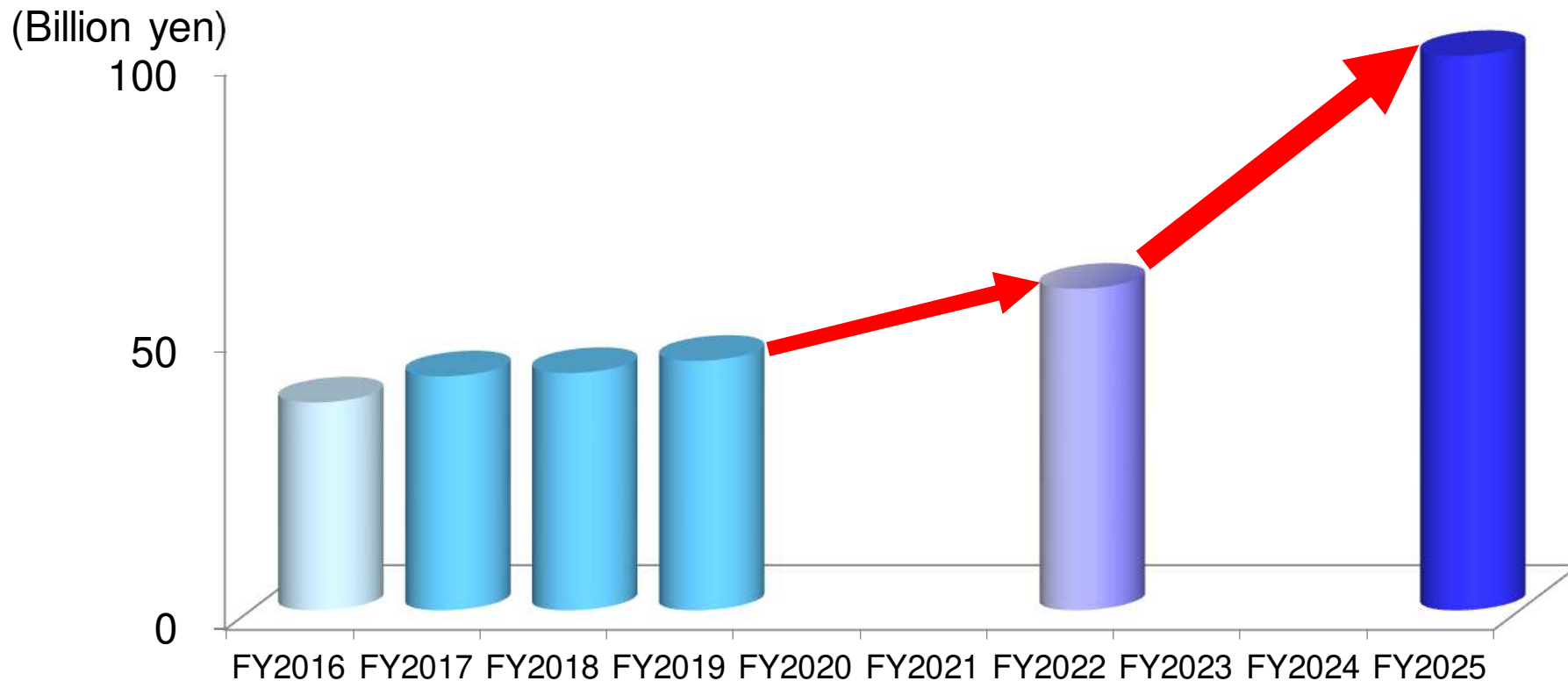
**III . Progress of Mid-term Management Plan
(FY 2017- FY 2019)**

**▶ IV . Long-Term Vision For 100 Billion-Yen
Sales Target**



A Long-term vision for 100 billion-yen sales was announced when the medium-term management plan was made in May 2017.

This 100 billion-yen sales target is to be achieved by **FY 2025**.





2. 100 Billion-Yen Sales Target and Its Importance



Market trend

Ongoing drastic technological innovation (electrification, autonomous driving) and commoditisation

What IRISO aims for

Management Philosophy: “As a link to the future” (sustainability)
⇒ “To be a 100-year company creating customer values”

Why a scaleup is necessary

“Customer issue identification” for customer value creation, and
“product development” and “sales performance increase”
for solving those issues need a scaleup

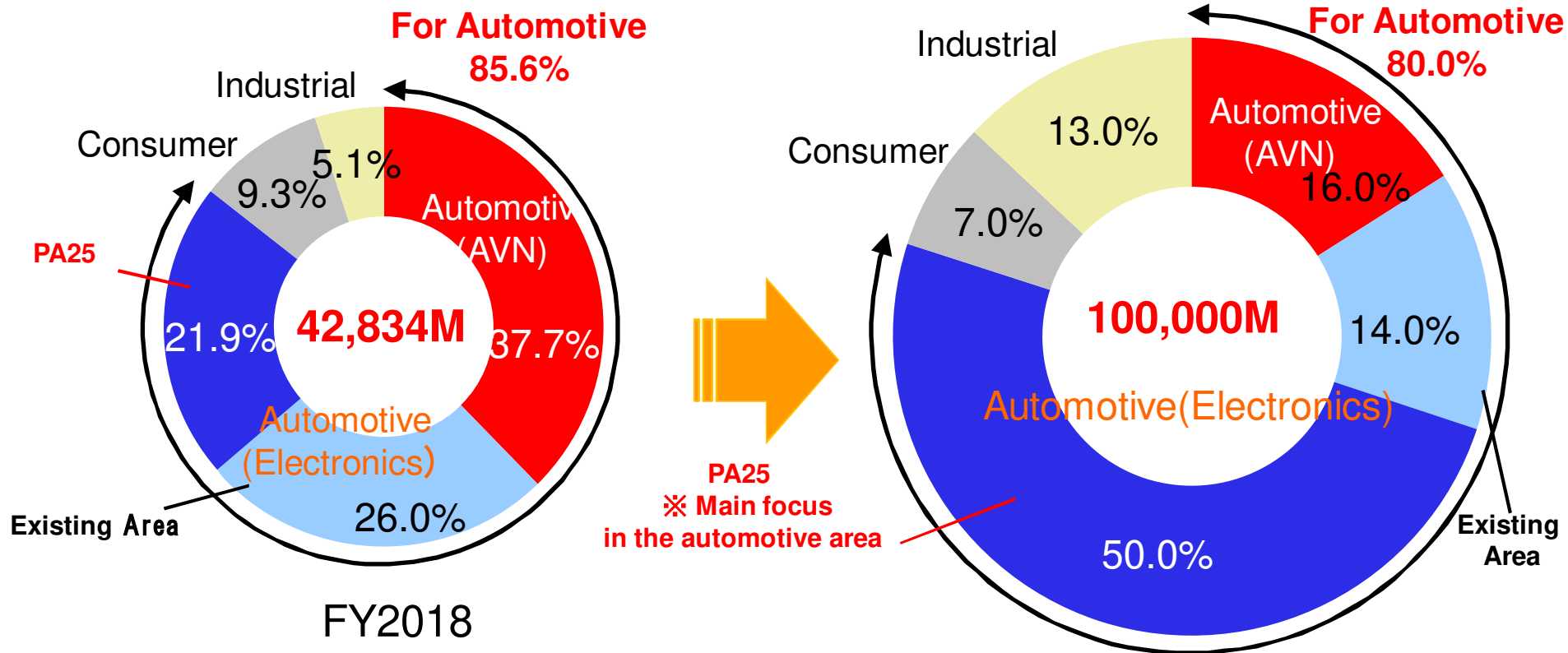
A 100 billion yen sales target is set as a stepping stone to be the world's top 10 companies and establish a steadfast position in the connector industry, to ensure a scaleup and to establish brand values.



3. Target Portfolio by Market



Unit : Millions of yen



FY2018

FY2025

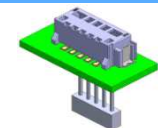
Sales Target by Market	FY2018	FY2025
Automotive (AVN)	16,142	18,000
Automotive (Electronics)	20,525	62,000
Consumer	3,983	7,000
Industrial	2,184	13,000



4. Target Portfolio by Product Category

- Element technology development
- External collaboration including capital alliance which is specifically needed for industrial market exploration

New Product Area: 10 Billion Yen



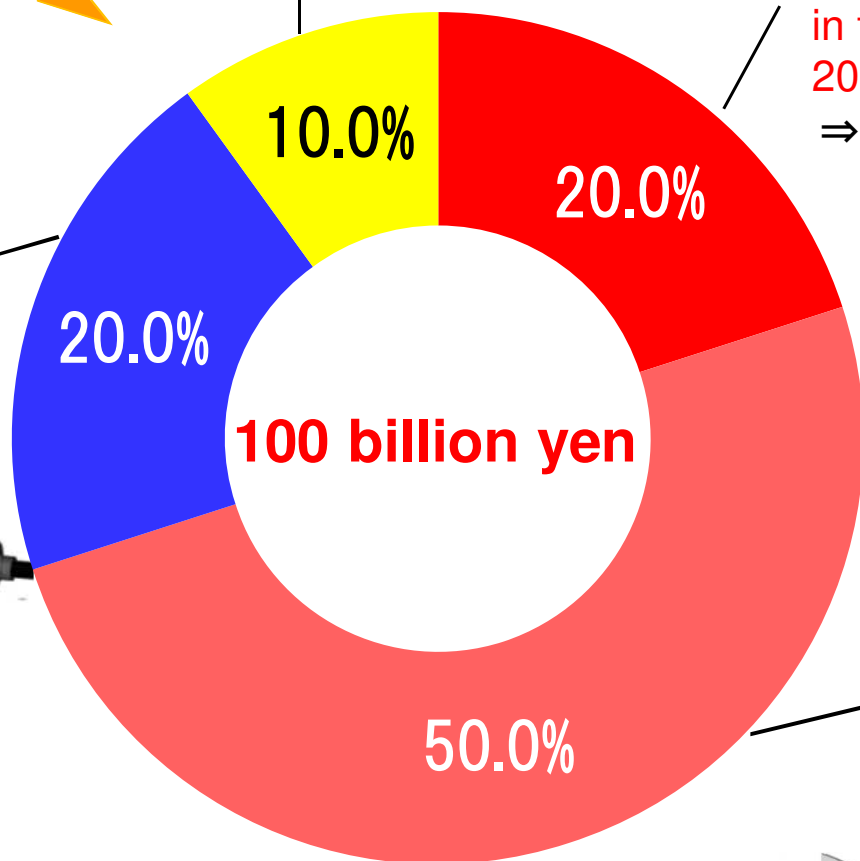
Product volume increased in the existing product area: 20 Billion Yen

⇒ Increase the number of product variations: BtoB, FPC, Z-Move®, etc.

New technology products: 20 billion yen



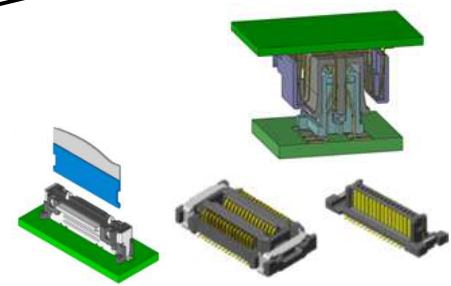
- High reliability
- Downsize and downweight
- For high-speed transmission
- For high current
- For automated assembly
- High functionality



- Cost reduction
- Design/facility standards available



Existing products: 50 billion yen



FY2025



Key Point : Speedy Value Creation to Global Customers

1. Boost Sales Performance

- ① Automotive Market
 - structure for making suggestions to global customers in the automotive market and creating demands
 - Share sales strategies seamlessly among overseas sites
 - Catch the trends of car manufactures by improving marketing performance
 - Build a structure trusted by global customers through GKAM (Global Key Account Manager) system

- ② Non-Automotive Market
 - Promote exploring global customers in the industrial market with high speed
 - Expand sales for global customers
 - Increase channel sales performance by using agencies
 - Promote branding of IRISO products by using company's websites and improve user experience



2. Improve Product Development Performance

- Expand technological core competence (Floating BtoB connector etc.)
- Explore value-added products
 - ⇒ Only One product development
- Develop element technology through open innovation
- Promote collaboration for synergy effect and capital alliance
 - ⇒ Outsourcing technology, strategic procurement, SQM ▪▪▪ New organisational function
- Improve development efficiency by design/facility standards creation
- Establish “IRISO Engineering Laboratory” at overseas sales sites

Note : SQM : Supplier Quality Management

3. Improve Manufacturing Performance

- Enhance and optimize productive capacity proactively to prepare for the expected increase of purchase orders
 - ⇒ Efficient site allocation (launch of a new plant in Mexico) and smart factory promotion,
- Establish global PSI
- Improve cost performance by product design and facility standard creation

Note : PSI : Purchase/Production, Sale/Ship, Inventory



Company name	IRISO ELECTRONICS CO., LTD.
Business description	Manufacture and sales of various types of connectors
Establishment	December 1966
Number of employees	3,645 (as of March 31, 2019)
Capital	5,640 million yen (as of March 31, 2019)
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	Japan(Ibaraki), China (Shanghai, Nantong), Philippines(Manila), Vietnam (Hai Duong)