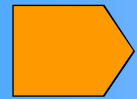




# **Consolidated Financial Results Briefing Materials For 2nd Quarter Of FY 2019**

**IRISO ELECTRONICS CO., LTD.**  
***Stock Code: 6908***  
**(Nov 5, 2019)**



-  **I . Summary of the consolidated  
Financial Results for 2Q of FY 2019**
- II . Forecasts for FY 2019**



# 1. Summary of Business Performance: 1Q of FY2019



The market situation has been worsening since the latter half of FY2018.  
Both sales and profit show a YoY decrease.

- Sales : The conditions of automotive and industrial markets have deteriorated since the latter half of FY2018 due to U.S-China trade conflicts. Revenue has decreased due to the continuation of dropping car sales volume and withholding from capital. Besides, sales have decreased by 0.5 billion yen since JPY has been rapidly rising against EURO and CNY. Quarterly trends show that sales have decreased due to foreign exchange losses etc. although the sales volume has increased during the 2Q compared with the 1Q. Sales for automotive electronics and the industrial market are on a recovery trend. However, we have been trying hard to overcome sluggish sales for car AVN that have been caused by the lowering number of connectors used for one car than we expected due to the car sales downturn.

Increase by approx.10% in sales for safety applications (camera, radar) due to ADAS development.  
Increase by approx. 45% in sales for the powertrains of electric cars including sales of the 3-Directional Floating BtoB connector “Z-Move®”. The ratio of these sales has risen to make up 21.8% of the total sales.

- Profit : In addition to initial product cost cut, we have implemented more activities for expense reduction according to the contingency plan. Nevertheless, profit has decreased due to sales downside, decline in manufacturing capacity utilization that were caused by production control for inventory adjustment, and so on. For quarterly trends, profit has decreased compared to the 1Q due to dynamic production control during the 2Q because we have lowered the sales outlook for the second half of FY2019 and after.

## 【Topics】

- We will adopt new segments for automotive market which make it easier for all stakeholders to understand our business performance. In financial results briefing for FY2019, both current and new segments will be adopted together, and only the new categories will be adopted from FY2020 onwards. ⇒ For details, see pp.4 and 5.



## 2. Consolidated Results for 2Q of FY 2019 (YoY Change)



Unit: Millions of yen

	1Q-2Q FY 2018	1Q-2Q FY 2019	YoY change
Net sales	21,765	20,064	(1,701) (7.8)%
Operating income	3,674 16.9%	2,381 11.9%	(1,292) (35.2)%
Ordinary income	4,035 18.5%	2,359 11.8%	(1,675) (41.5)%
Net income	2,966 13.6%	1,670 8.3%	(1,296) (43.7)%
EPS	125.48 yen	70.88 yen	
Average exchange rate during the period	USD 110.07 yen EURO 129.88 yen	108.99 yen 121.42 yen	(1.08) yen (8.46) yen



## 3. New Segments for the Automotive Market ①



### ■ Reasons for change

As is represented by CASE (Connected: connected cars, Autonomous: autonomous driving, Shared: car sharing, and Electric: electrification), automobiles are facing with one of the biggest changes that has ever been occurring once every 100 years, and there have been changes in in-car equipment and how to use them. Reflecting on this change, we will propose new segments for the automotive market.

#### →① Infotainment (a compound of Information + Entertainment)

Assuming that current car navigation systems and measuring instruments will be integrated to display various information including car body, speed, and situations inside and outside of a car, and to telecommunicate with the outside world, the new “infotainment” segment will be proposed to include parts such as car navigation and measuring instruments such as dashboard panels.

#### ② Safety Application

Sensors such as cameras that secure the safety of vehicles are categorised separately as the “Safety Application” segment to capture change in demands for safety applications for autonomous driving.

#### ③ Powertrain

The parts that supply electricity to the driving motor for electric vehicles, etc. will be separately categorised as the “Powertrain” segment to capture change in demands for powertrains that is caused by electrification.

### ■ New segments for the automotive market

Two current segments for the automotive market, AVN and car electronics, will be replaced by four segments.

- Infotainment
- Safety application
- Powertrain
- Others



## 4. New Segments for the Automotive Market ②



### ■ Main applications in the segments

New Segment	Main Application	Current Segment
Infotainment	▪ Car Navigation, Car Audio, etc.	AVN
	▪ Measuring instrument	Electronics
Safety	▪ Camera etc.	
Powertrain	▪ Motor driving circuit, etc.	
Others	—	

## 5. Breakdown of Net Sales (by Market)

※ Current Market Segment



Unit: Millions of yen

		1Q-2Q FY 2019	YoY change	Sales ratio	Factors causing revenue growth/ decline
<b>Automotive</b> (car-mounted products)		17,088	(7.5)%	85.2%	<ul style="list-style-type: none"> <li>Slump in car sales in major areas.</li> </ul>
<b>Category</b>	<b>AVN</b> (Car audio, visual, navigation systems, etc.)	6,965	(17.1)%	34.7%	<ul style="list-style-type: none"> <li>Staying flat in sales for car electronics owing to increase of approx.10 % in sales for safety applications and to increase of approx.45% in sales for powertrains</li> </ul>
	<b>Electronics</b> (Safety applications, electric components, powertrains etc.)	10,123	0.4%	50.5%	
<b>Consumer</b> (OA, game consoles, digital cameras, cellular phones, televisions, etc.)		1,980	(7.7)%	9.8%	<ul style="list-style-type: none"> <li>Decrease in sales mainly for all-in-one printers, game consoles and digital cameras.</li> </ul>
<b>Industrial</b> (Industrial equipment, etc.)		996	(12.5)%	5.0%	<ul style="list-style-type: none"> <li>Decrease due to China's withholding from capital expenditure caused by U.S-China trade conflicts,</li> </ul>
<b>Total</b>		20,064	(7.8)%	100.0%	<ul style="list-style-type: none"> <li>80.0% overseas ratio</li> </ul>

Note: AVN stands for audio visual navigation and means general car audio, navigation systems, and such.

## 6. Breakdown of Net Sales (by Market)

※ New Market Segment



Unit: Millions of yen

		1Q-2Q FY 2019	YoY change	Sales ratio	Factors causing revenue growth/ decline
<b>Automotive</b> (car-mounted products)		17,088	(7.5)%	85.2%	<ul style="list-style-type: none"> <li>▪ Slump in car sales in major areas, mainly in China</li> <li>▪ Sustainable growth in sales for safety applications and powertrains even though the growth is slightly lower than initially planned</li> <li>▪ Negative effect of sales volume decline on markets other than safety applications and powertrains</li> </ul>
<b>Category</b>	<b>Infotainment</b>	9,823	(15.1)%	49.0%	
	<b>Safety</b>	3,630	10.8%	18.1%	
	<b>Powertrain</b>	749	45.1%	3.7%	
	<b>Others</b>	2,181	(6.9)%	10.9%	
<b>Consumer</b> (OA, game consoles, digital cameras, cellular phones, televisions, etc.)		1,980	(7.7)%	9.8%	<ul style="list-style-type: none"> <li>▪ Decrease in sales mainly for all-in-one printers, game consoles and digital cameras.</li> </ul>
<b>Industrial</b> (Industrial equipment, etc.)		996	(12.5)%	5.0%	<ul style="list-style-type: none"> <li>▪ Decrease due to China's withholding from capital expenditure caused by U.S - China trade conflicts,</li> </ul>
<b>Total</b>		20,064	(7.8)%	100.0%	<ul style="list-style-type: none"> <li>▪ 80.0% overseas ratio</li> </ul>





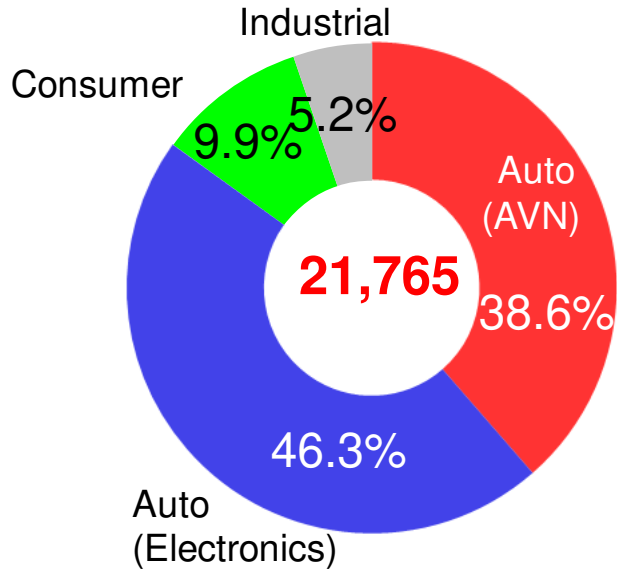
# 7. Net Sales Breakdown by Market (YoY)



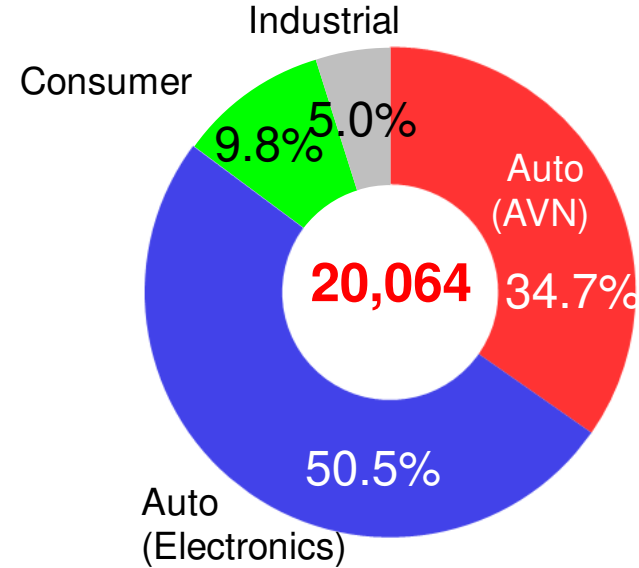
Unit: Millions of yen

Current Segment

FY2018 1Q-2Q

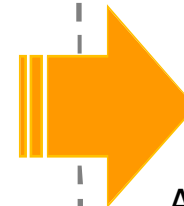
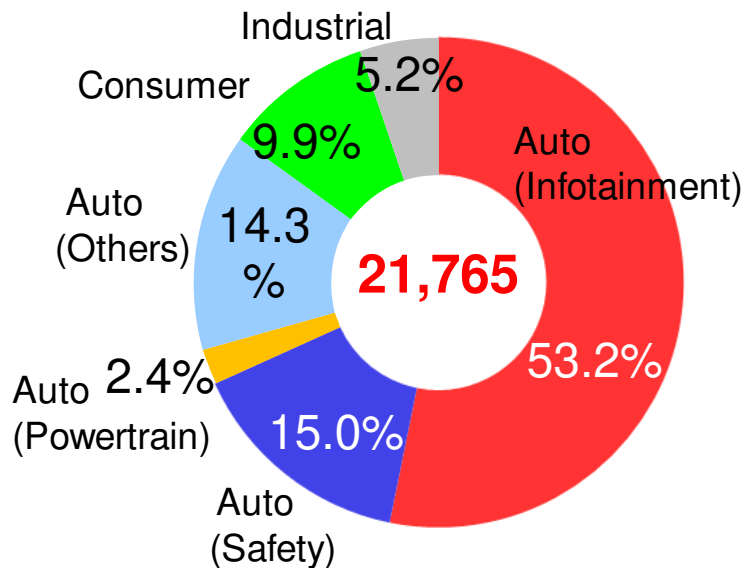


FY2019 1Q-2Q

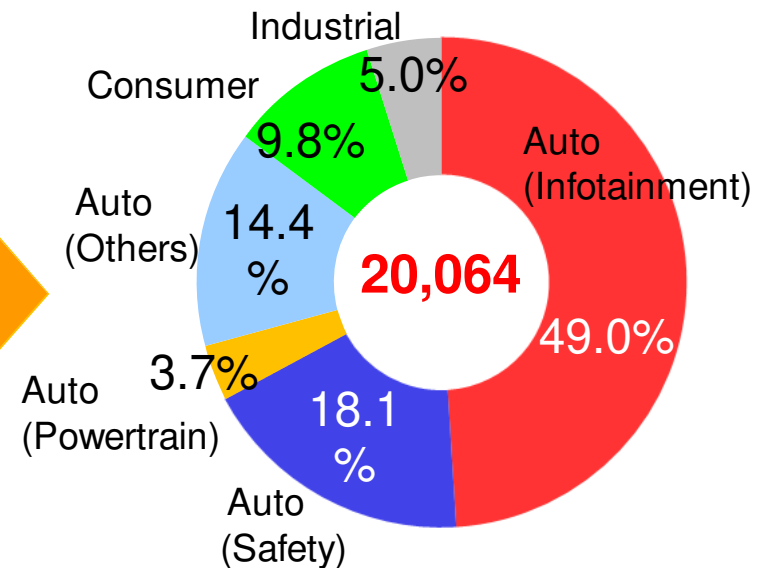


New Segment

FY2018 1Q-2Q



FY2019 1Q-2Q

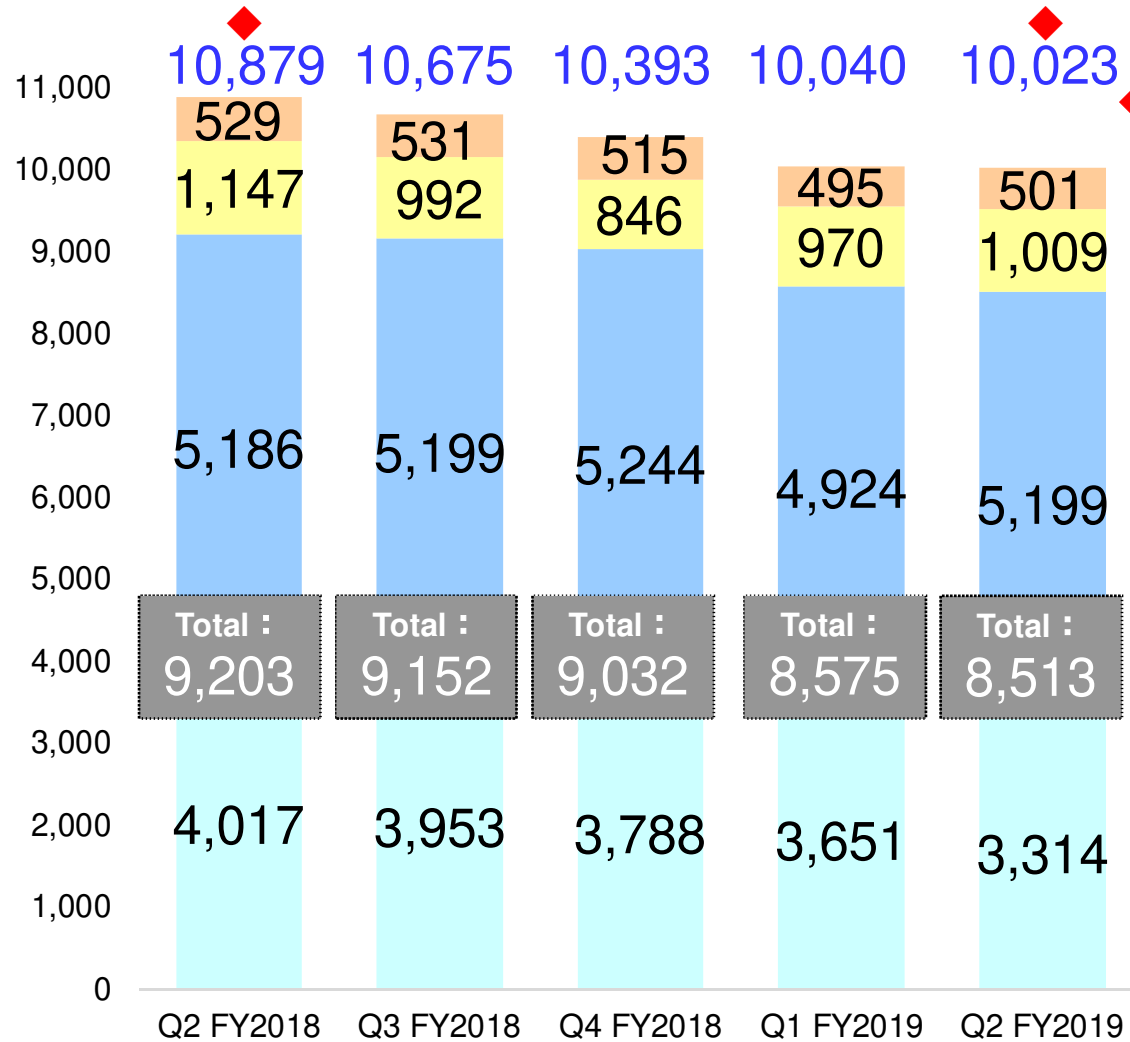


# 8. Net Sales by Market (Quarterly Trends)

※ Current Market Segment



Unit: Millions of yen



◆ YoY change

- Industrial (5.3%)
- Consumer (12.0%)
- Automotive (Electronics) 0.3%
- Automotive (Total) (7.5%)
- Automotive (AVN) (17.5%)

- Slowing demand for FA devices due to capital expenditure control caused by U.S - China trade conflicts
- Increase compared to the 1Q for the first time in the last three quarters

- Decrease mainly in sales for all-in-one printers and game consoles

- Decrease in sales for car navigations, clusters and switch systems as car-mounted applications due to the downturn of new vehicle sales mainly in China
- As to sales for AVN, remaining effect of dropping sales price per car due to the lowering number of connectors used for one car
- As to sales for car electronics, stable trend in sales for safety applications and powertrains, and increase compared to the 1Q

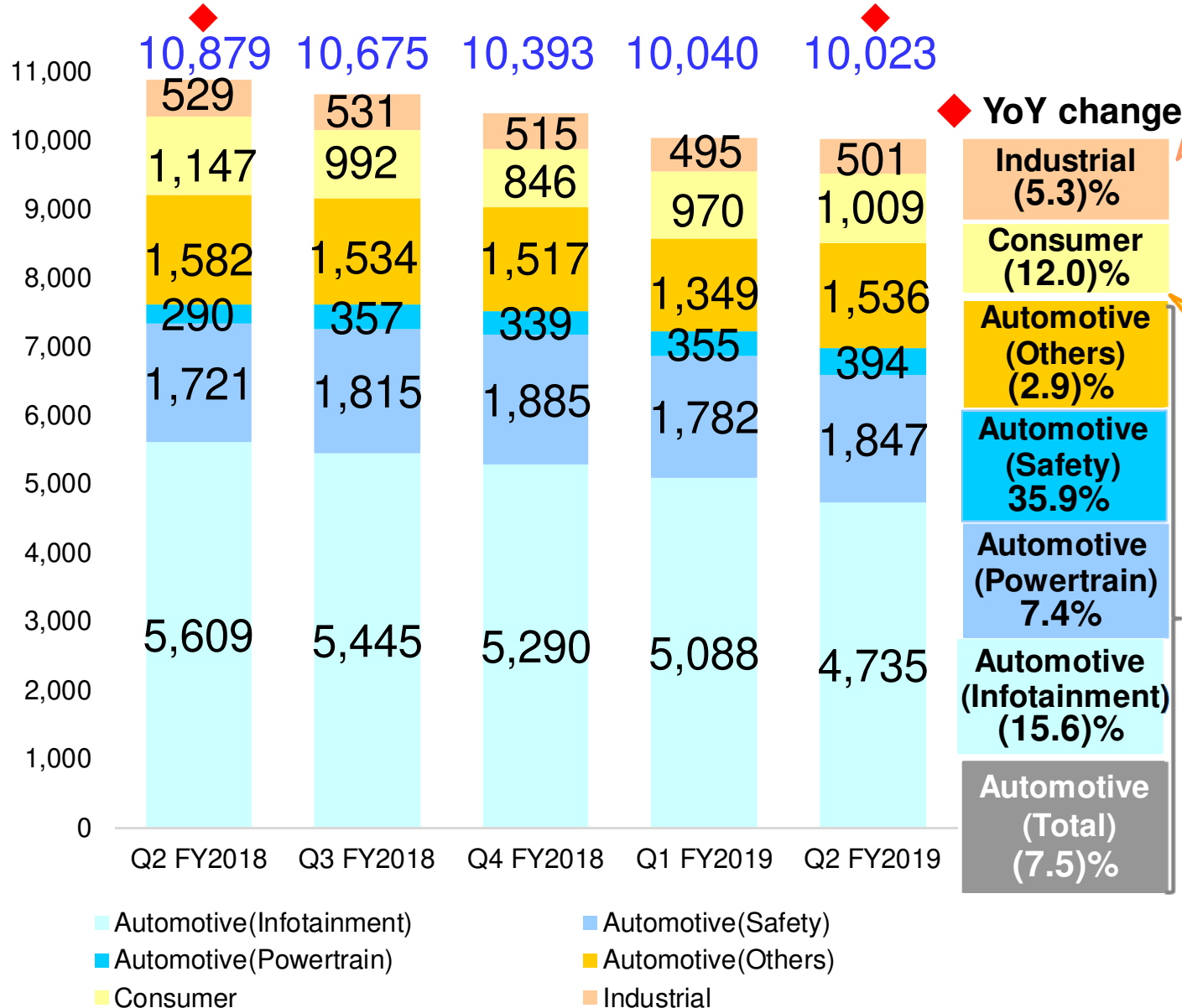
Automotive (AVN) Automotive (Electronics) Consumer Industrial

# 9. Net Sales by Market (Quarterly Trends)

※ New Market Segment



Unit: Millions of yen



- Slowing demand for FA devices due to capital expenditure control caused by U.S-China trade conflicts
- Increase compared to the 1Q for the first time in the last three quarters

- Decrease mainly in sales for all-in-one printers and game consoles

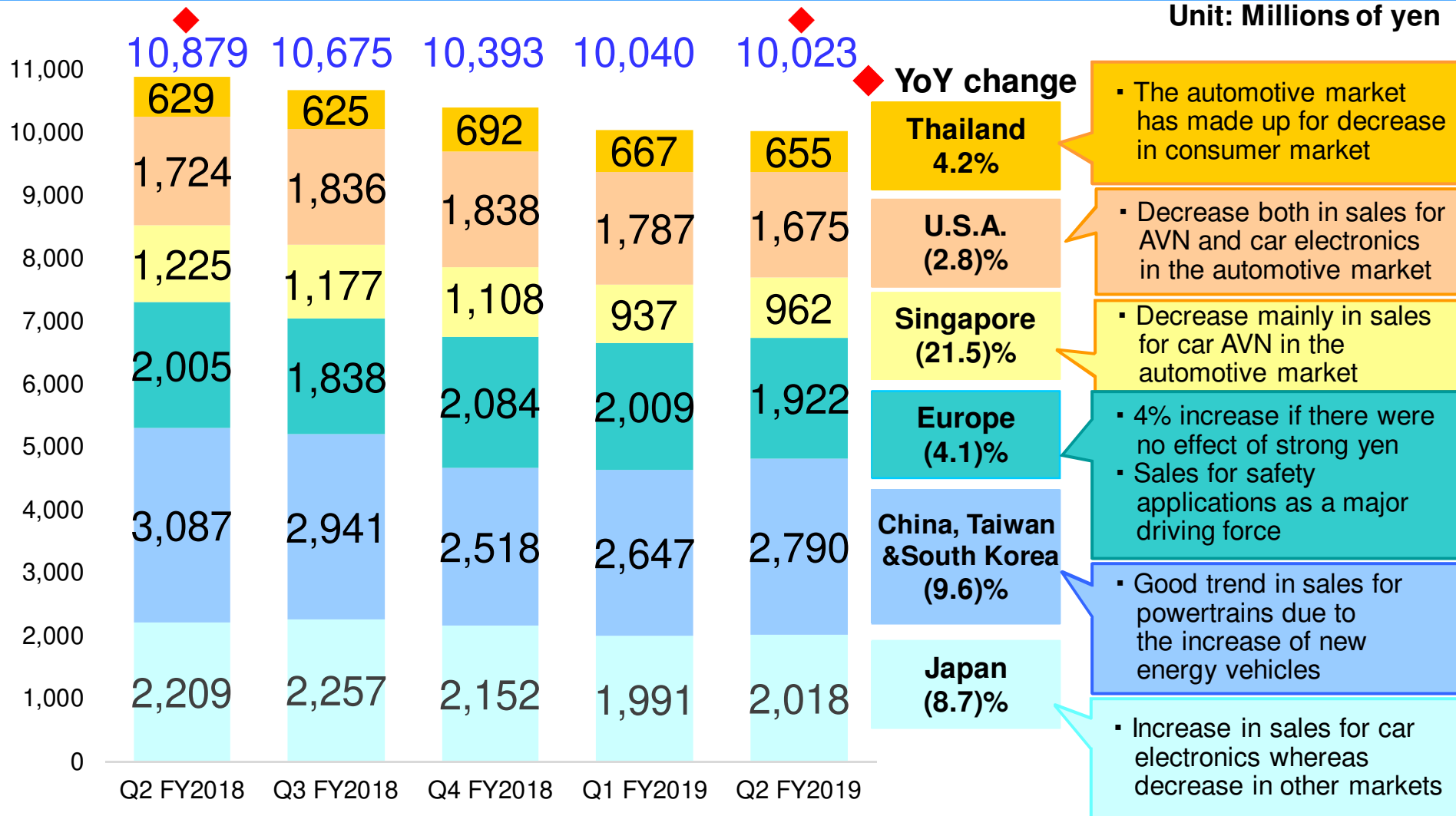
- Decrease in sales for car navigations (infotainment), clusters (infotainment) and switch (electronics) as car-mounted applications due to the decline of new vehicle sales particularly in China
- As to sales for infotainment, effect of slump in sales for car navigations
- Stable trend in sales for safety applications and powertrains, and also increase compared to the 1Q



# 10. Net Sales by Area (Quarterly Trends)



Unit: Millions of yen



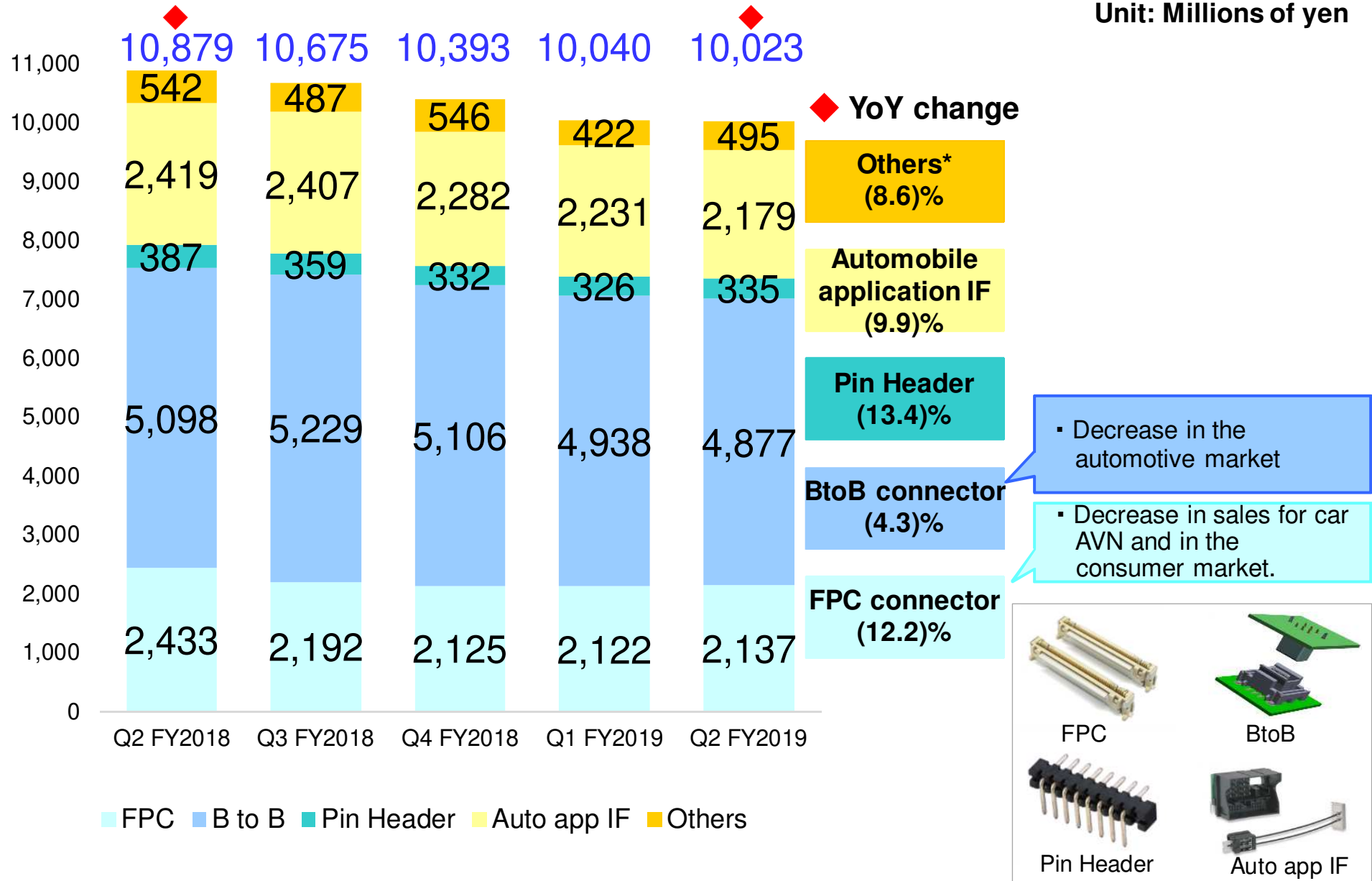
■ Japan ■ China, Taiwan and South Korea ■ Europe ■ Singapore ■ U.S.A ■ Thailand



# 11. Net Sales by Product (Quarterly Trends)



Unit: Millions of yen



## 12. Consolidated Statements of Income (Cumulative) (YoY Change)



Unit: Millions of yen

	1Q -2Q FY 2018		1Q-2Q FY 2019		YoY change	
<b>Net sales</b>	21,765	100.0%	20,064	100.0%	(1,701)	(7.8)%
<b>Cost of sales</b>	13,670	62.8%	13,411	66.8%	(259)	(1.9)%
<b>Gross profit</b>	8,094	37.2%	6,652	33.2%	(1,441)	(17.8)%
<b>SG &amp; A</b>	4,419	20.3%	4,271	21.3%	(148)	(3.4)%
<b>Operating income</b>	3,674	16.9%	2,381	11.9%	(1,292)	(35.2)%
<b>Non-operating income</b>	390	1.8%	61	0.3%	(329)	(84.3)%
<b>Non-operating expenses</b>	29	0.1%	83	0.4%	53	182.0%
<b>Ordinary income</b>	4,035	18.5%	2,359	11.8%	(1,675)	(41.5)%
<b>Extraordinary income (loss)</b>	(87)	(0.4)%	(31)	(0.2)%	55	(64.0)%
<b>Pretax income</b>	3,948	18.1%	2,328	11.6%	(1,620)	(61.0)%
<b>Net income (for HQ stockholders)</b>	2,966	13.6%	1,670	8.3%	(1,296)	(43.7)%
<b>EPS</b>	125.48		70.88		—	
<b>Exchange rate (USD/EURO)</b>	110.07 Yen/		108.99 Yen/		(1.08) Yen/	
	129.88Yen		121.42 Yen		(8.46) Yen	

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



Unit: Millions of yen

	As of March 31, 2019		As of September 30, 2019		Increase /Decrease	Factors for increase/decrease
<b>Current assets</b>	35,103	57.1%	31,277	53.2%	(3,825)	Cash and deposits (2,523) Notes and accounts receivable(657) Merchandise and finished goods(460)
<b>Noncurrent assets</b>	26,368	42.9%	27,482	46.8%	1,114	Property, plant and equipment 1,510
<b>Total assets</b>	61,471	100.0%	58,760	100.0%	(2,711)	
<b>Current liabilities</b>	9,442	15.4%	7,890	13.4%	(1,551)	Income taxes payable(1,444) Notes payable and accounts payable(542)
<b>Noncurrent liabilities</b>	699	1.1%	1,130	1.9%	430	
<b>Total liabilities</b>	10,141	16.5%	9,020	15.4%	(1,120)	
<b>Shareholders' equity</b>	49,351	80.3%	49,601	84.4%	250	Retained earnings 249
<b>Valuation/translation difference</b>	1,663	2.7%	(174)	0.3%	(1,838)	Foreign currency translation adjustment(1,827)
<b>Minority interests</b>	315	0.5%	312	0.5%	(2)	
<b>Total net assets</b>	51,329	83.5%	49,739	84.6%	(1,590)	Net assets per share 2,097.29yen (previous period 2,164.68 yen)
<b>Total liabilities and net assets</b>	61,471	100.0%	58,760	100.0%	(2,711)	



## 14. Cash Flows



Unit: Millions of yen

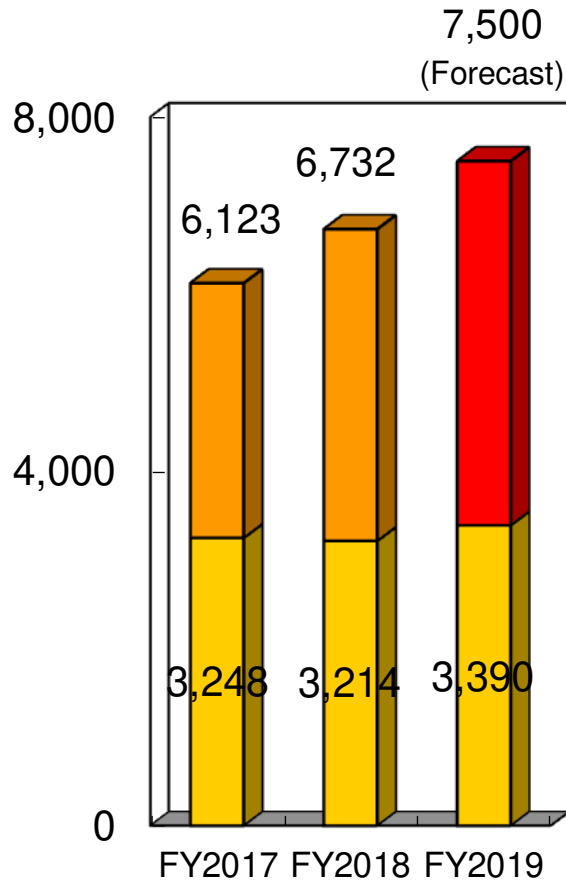
	2Q FY 2018	2Q FY 2019	Increase /Decrease
<b>Cash flows from operating activities</b>	2,503	2,747	243
<b>Profit before income taxes</b>	3,948	2,328	(1,620)
<b>Decrease (increase) in notes and accounts receivable - trade</b>	(259)	19	278
<b>Increase (decrease) in notes and accounts payable - trade</b>	949	(23)	925
<b>Cash flows from investing activities</b>	(3,235)	(3,391)	(156)
<b>Purchase of property, plant and equipment</b>	(3,196)	(3,342)	(146)
<b>Purchase of intangible assets</b>	(17)	(47)	(29)
<b>Cash flows from financing activities</b>	(1,901)	(1,539)	361
<b>Cash dividends paid</b>	(1,182)	(1,419)	(237)
<b>Purchase of treasury stock</b>	(669)	0	669
<b>Effect of exchange rate change on cash and cash equivalents</b>	194	(339)	(533)
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,439)	(2,523)	(83)
<b>Cash and cash equivalents at beginning of period</b>	17,352	15,456	(1,895)
<b>Cash and cash equivalents at end of period</b>	14,913	12,933	(1,979)



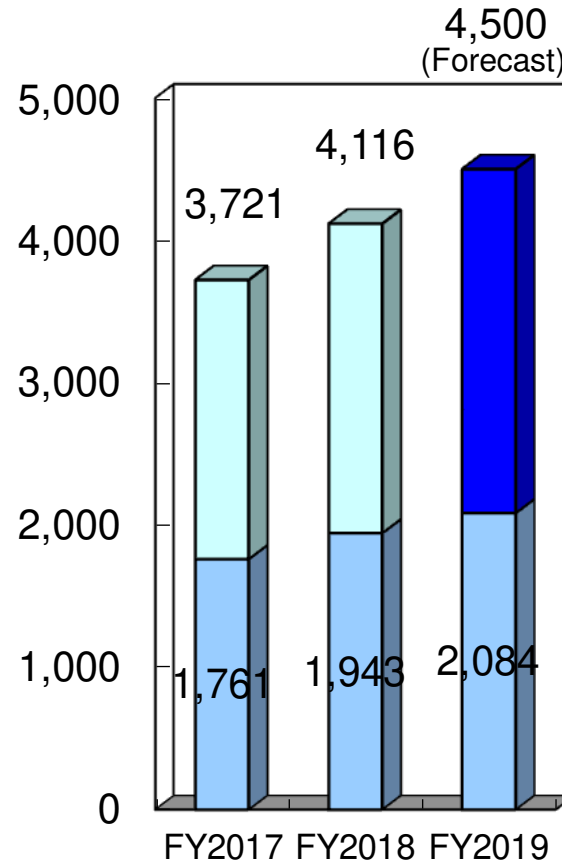
# 15. Capital Investment, Depreciation & Amortization, and Research & Development



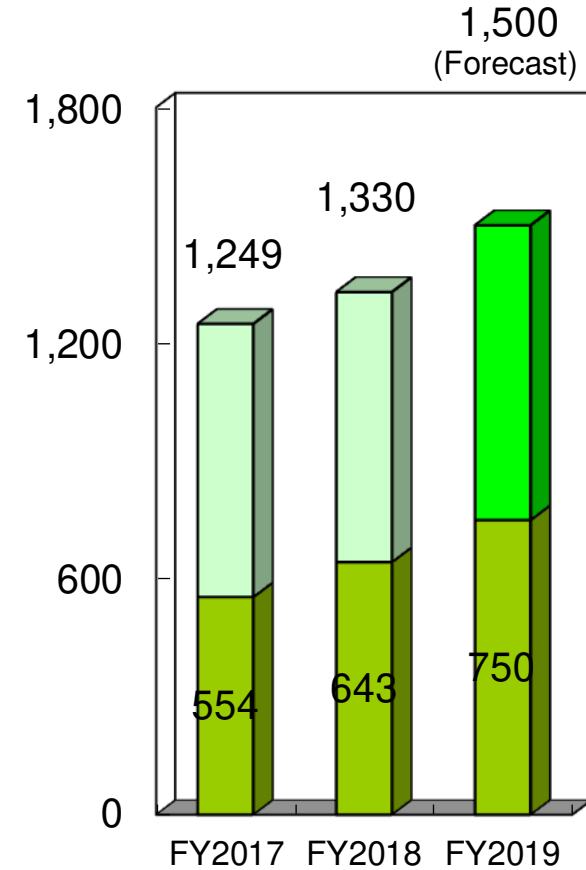
Unit: Millions of yen



**Capital Expenditure**



**Depreciation & Amortization**



**Research & Development**

Note: The figures at the foot of the bars show the actual results for the 2nd quarter, and those at the top of the bars show the full-year results (Those for FY2019 are forecasts).

However, capital expenditures are going to be reduced to 65 million yen according to the contingency plan.



# I . Summary of the consolidated Financial Results for 1Q of FY 2019

## II . Forecasts for FY 2019



# 1. FY2019 Revised Plan



**Unit: Millions of yen**

- In the business plan presented in the beginning of FY2019, we forecasted the market conditions would recover after the second half of the fiscal year. However, we are going to make a downward revision on both sales and profit because the global market outlook now shows overall conditions are expected to remain challenging and also the current levels of exchange rates are taken into account (currency assumptions for the second half : 108JPY/1USD, 118JPY/1EURO, 15.3JPY/ 1CNY)
- The current cost reduction activities and contingency plan will be implemented for the first half of FY2019 as initially planned. For the second half, together with the completion of inventory adjustment, we will ensure to implement the current cost reduction activities and contingency plan so that we will be able to ensure a full-year operating profit of 15%.
- Besides, we will stick to our middle and long-term growth strategy and put strong effort to perform activities for our long-term vision to achieve the 100 billion-yen sales target (technology development, marketing, sales activities, increase of production capacity, and manpower improvement)

	Results of FY 2018	Initial target for FY 2019	Revised Plan of FY2019
Net Sales	42,834	45,000	40,500
Operating income	6,084 (14.2%)	8,100 (18.0%)	6,100 (15.1%)
Ordinary income	6,325 (14.8%)	8,100 (18.0%)	6,000 (14.8%)
Net income	3,722 (8.7%)	6,100 (13.6%)	4,400 (10.8%)
EPS	157.70 yen	258.84 yen	186.70 yen
Average exchange rate during the period	USD 110.69yen EURO 128.43yen CNY 16.53yen	USD 110.00yen EURO 125.00yen CNY 16.50yen	USD 108.53yen EURO 120.77yen CNY 15.54yen



## 2. Effect of the Typhoon Hagibis



We would like to extend our heartfelt condolences to those who have been suffered by the Typhoon Hagibis of this year.

We would like to show our respect to those who are committed to the search and rescue of disaster victims and rebuilding their lives.

Also, we sincerely hope everyone's safety and the recovery of all disaster areas as early as possible.

### 1. Effect on our Ibaraki Plant

#### (1) On people

We have confirmed that none of our employees has been affected by the disaster.

#### (2) On production

No buildings and manufacturing facilities have been damaged.

### 2. Effect on our customers

Although some of our business partners were affected this time, we worked with them on transfer of the molds to our plant and others. Thus, there is no problem with the delivery to customers.



<b>Company name</b>	<b>IRISO ELECTRONICS CO., LTD.</b>
<b>Business description</b>	<b>Manufacture and sales of various types of connectors</b>
<b>Establishment</b>	<b>December 1966</b>
<b>Number of employees</b>	<b>3,645 (as of March 31, 2019)</b>
<b>Capital</b>	<b>5,640 million yen (as of March 31, 2019)</b>
<b>Headquarters</b>	<b>2-13-8, Shinyokohama, Kohoku-ku, Yokohama, Kanagawa</b>
<b>Operations</b>	
<b>Domestic</b>	<b>Headquarters, Fukushima, Ibaraki, Aichi, Osaka</b>
<b>Overseas</b>	<b>Singapore, Hong Kong, U.S.A., Germany, Thailand, South Korea, China (Shanghai, Dalian, Tianjin, Suzhou), Malaysia, Taiwan, India</b>
<b>Research &amp; development</b>	<b>Headquarters (IRISO Technology Park), Kawasaki(Production Technology Development Center),Shanghai R&amp;D Center</b>
<b>Manufacturing plants</b>	<b>Japan(Ibaraki), China (Shanghai, Nantong), Philippines(Manila), Vietnam (Hai Duong)</b>