



FY2021 Financial Results

IRISO ELECTRONICS CO.,LTD.

Stock Code: 6908
(May 10, 2022)



-  **I . FY2021 Financial Summary**
- II . FY2022 Forecast and Mid-Term Plan Progress**
- III . Topics**

1. FY2021 Financial Highlights (April 2021- March 2022)

- **Net Sales:** +20.1% year over year, driven by the growing sales in the automotive market, mainly in the powertrain market, as well as by the sales in the industrial market.
- **Operating Profit:** + 55.9% year over year due to negative impacts on our business, such as the soaring costs of raw materials and shipping, and global supply chain bottlenecks and disruptions, which were not fully overcome despite our strong efforts on raising capacity utilization, cutting costs and reducing fixed costs

Unit: JPY in Millions

	FY2020	FY2021	YoY
Net Sales	36,520	43,863	+7,343 +20.1%
Operating Profit	2,900	4,520	+1,620 +55.9%
Operating Profit Margin	7.9%	10.3%	+2.4pts

2. FY2021 Financial Summary



Unit: JPY in Millions

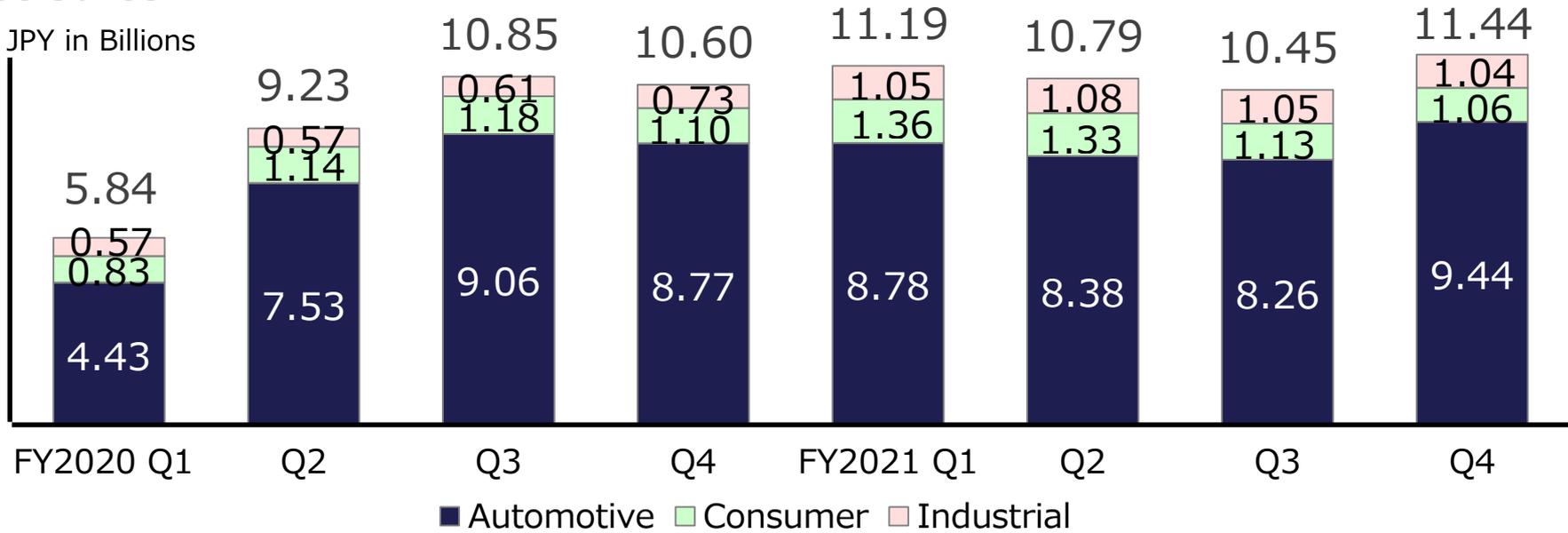
	FY2020 Full Year	FY2021 Full Year	Change	YoY
Net Sales	36,520	43,863	+7,343	+20.1%
Automotive	29,786	34,756	+4,969	+16.7%
Consumer	4,256	4,884	+628	+14.8%
Industrial	2,477	4,223	+1,745	+70.5%
Cost of Sales	25,317	29,520	+4,202	16.6%
Sales Margin	69.3%	67.3%		+2.0pts
SG & A	8,302	9,822	+1,520	+18.3%
SG & A Margin	22.7%	22.4%		-0.3pts
Operating Profit	2,900	4,520	+1,620	+55.9%
Operating Profit Margin	7.9%	10.3%		+2.4pts
Ordinary Income	2,788	4,570	+1,781	+63.9%
Net Income	2,141	3,913	+1,771	+82.7%
EPS	90.89JPY	166.22JPY		
Average Exchange Rate for each FY	USD : 106.17JPY EURO : 123.73JPY RMB : 15.63JPY	112.86JPY 131.01JPY 17.59JPY	+6.69JPY +7.28JPY +1.96JPY	+6.3% +5.9% +12.5%

3. Changes in Net Sales and Operating Profit (QOQ)



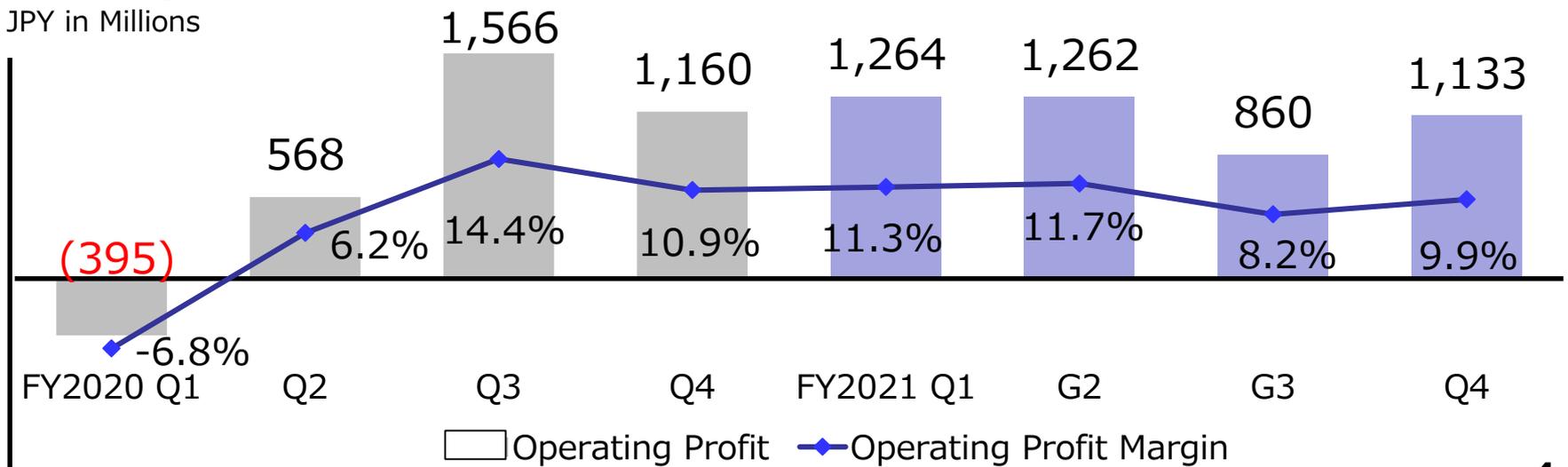
Net Sales

Unit: JPY in Billions



Operating Profit

Unit: JPY in Millions



4. Net Sales by Region and Product

■ By Region

Unit: JPY in Millions

	FY2020		FY2021		YoY
	Net Sales	Breakdown	Net Sales	Breakdown	
Japan	8,457	23.2%	10,833	24.7%	+2,376
Greater China & South Korea	11,463	31.4%	14,583	33.2%	+3,119
USA	5,001	13.7%	5,465	12.5%	+463
EUROPE	6,667	18.3%	7,179	16.4%	+512
ASEAN	4,929	13.5%	5,801	13.2%	+871
Total	36,520	100.0%	43,863	100.0%	7,343
Overseas Ratio:		76.8%		75.3%	

Japan

- Strong sales in the powertrain and industrial markets

Greater China & South Korea

- Strong sales in the powertrain market

■ By Product

Unit: JPY in Millions

	FY2020		FY2021		YoY
	Net Sales	Breakdown	Net Sales	Breakdown	
BtoB	17,060	46.7%	19,524	44.5%	+2,464
FPC	8,036	22.0%	9,164	20.9%	+1,128
Auto IF	8,407	23.0%	11,109	25.3%	+2,701
Pin Header	1,197	3.3%	1,765	4.0%	+565
Other	1,818	5.0%	2,298	5.2%	+480
Total	36,520	100.0%	43,863	100.0%	7,343

BtoB

- Sales increase as a result of automotive industry recovery

Auto IF

- Sales increase driven by sales in the powertrain market

5. Changes in Sales and Operating Profit YoY



Unit: JPY in Millions

	Net Sales	Operating Profit	Operating Profit Margin	Change Factor
FY2020 Results	36,520	2,900	7.9%	
Currency Effect	+2,373	+180		
Change in Sales Volume	+4,970	+2,490		
Material Cost Increase		(1,270)		Soaring costs of raw materials, etc.
Shipping Cost Increase		(650)		Soaring prices and rising costs due to SC disruptions
Fixed Cost Increase		(970)		Increase of + ¥ 570M in depreciation, etc.
Growth Investing		(170)		ERP system renewal and new market exploration
Cost Reduction, etc.		+2,010		
Total Change Factor	+7,343	+1,620		
FY2021 Results	43,863	4,520	10.3%	

6. Balance Sheet



Unit: JPY in Millions

	FY2020	FY2021	VS. Previous year-End	Note
Current Asset	35,209	40,436	+5,227	
Cash & Deposit	14,260	14,066	(193)	
Account Receivable	11,177	12,889	+1,711	
Inventory	7,935	11,592	+3,657	Building inventory through BCP practices, etc.
Noncurrent Asset	28,732	32,716	+3,984	Machinery and equipment: + ¥ 1.35B
Total Asset	63,941	73,153	+9,211	Currency impact: approx. + ¥ 5.7B
Total Liability	9,210	11,376	+2,165	
Account Payable	3,675	4,504	+829	
Debt	398	410	+11	
Total Net Asset	54,731	61,776	+7,045	
Total Shareholders' Equity	52,176	54,660	+2,483	
Capital Adequacy Ratio	85.0%	83.8%	-1.2pts	

7. Statement of Cash Flows

Unit: JPY in Millions

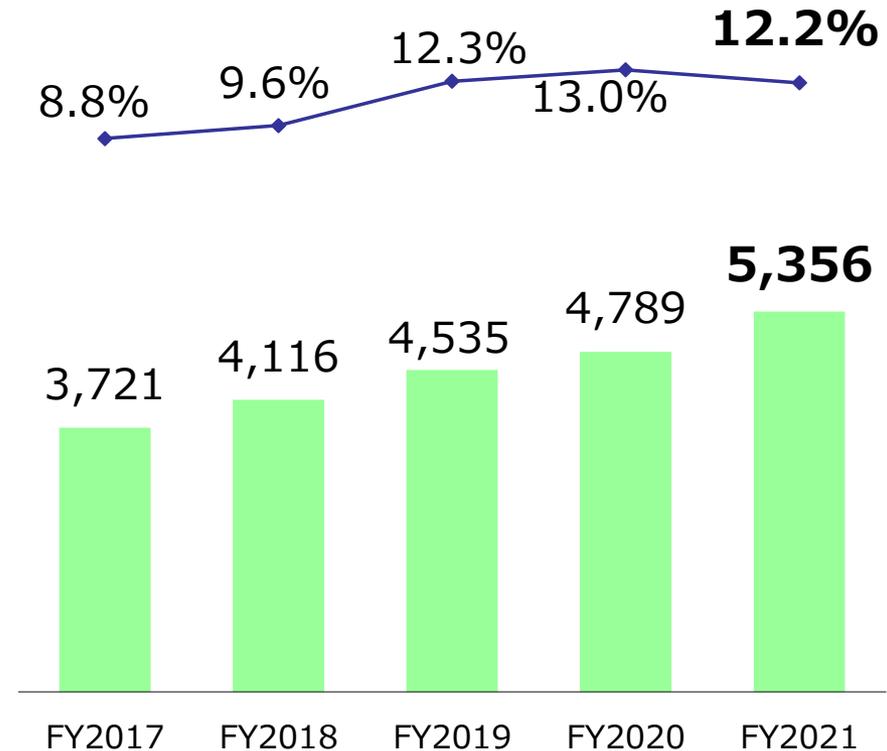
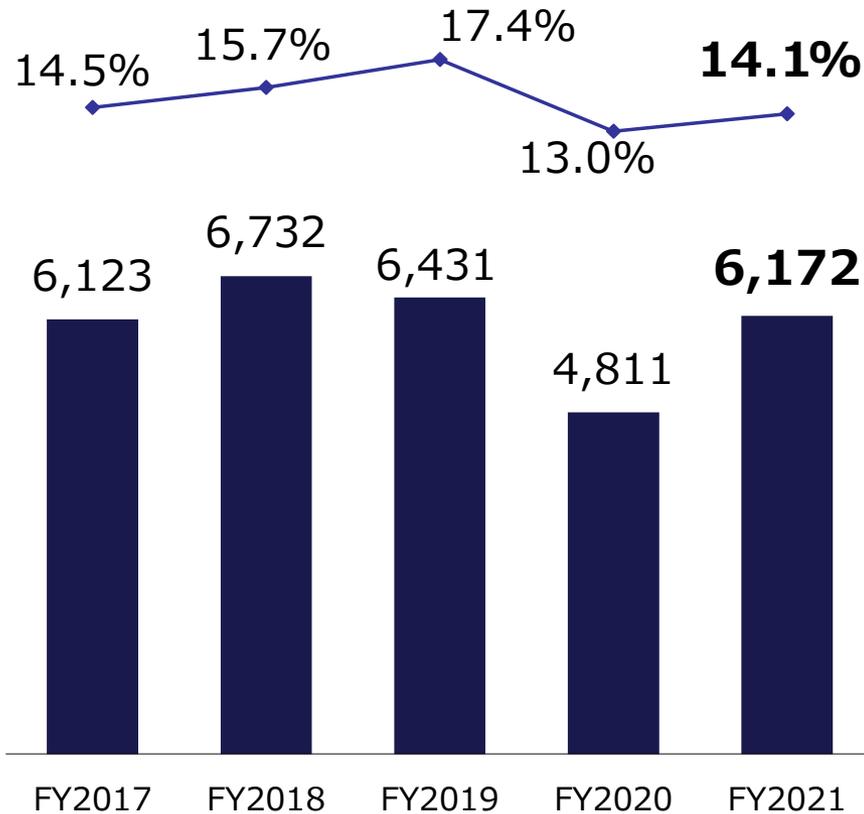
	FY2020	FY2021	Change
Operating Cash Flow Margin	17.1%	15.3%	-1.8pts
Operating Cash Flow	6,234	6,691	+457
Net Income	2,788	4,570	+1,781
Depreciation and Amortization Cost	4,789	5,356	+566
Increase/Decrease in Operating Fund () indicates increase)	(1,131)	(3,183)	(2,052)
Cash Flow from Investing Activities	(4,881)	(6,248)	(1,367)
Tangible Noncurrent Asset	(4,760)	(5,438)	(677)
Free Cash Flow	1,352	442	(909)
Cash Flow from Financing Activities	(1,379)	(1,611)	(231)
Cash Dividend	(1,184)	(1,183)	0
Cash & Cash Equivalent Balance for the Fiscal-Year-End	14,260	14,066	(193)



8. Capital Expenditure and Depreciation



Unit: JPY in Millions
※ %: Compared to Net Sales



Capital Expenditure

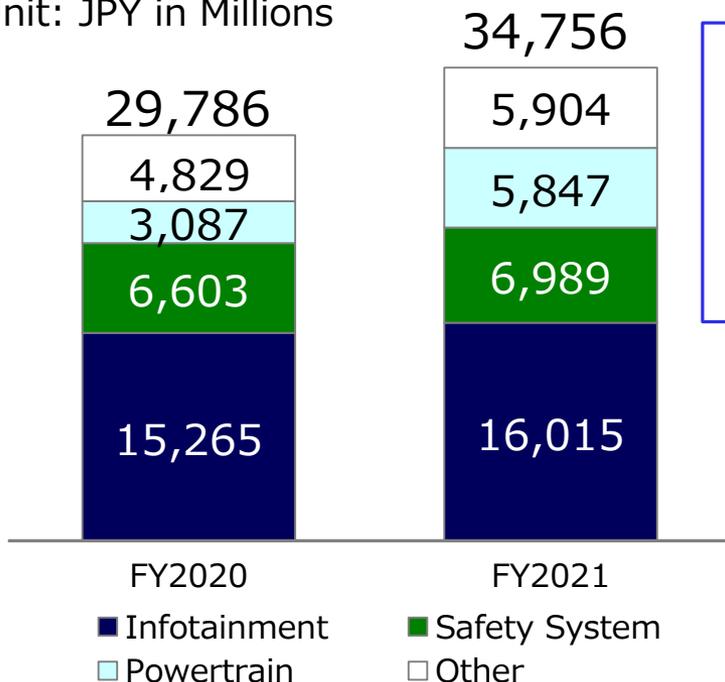
Depreciation

9. Sales by Market: Automotive



■ +4,969 million yen (+ 16.7%) YoY

Unit: JPY in Millions



- Recovery from COVID-led sales slump in the previous year
- Increase mainly driven by growing sales in the powertrain market
- Despite the global semiconductor shortage, a 17% increase, higher than a -2% decrease year over year in global auto production, driven by sales growth in the powertrain market
- Approx.-3.0 billion yen compared to the initial target level, as a result of the global semiconductor shortage

Infotainment

- On a track to recovery through overcoming the chip-shortage challenges during Q4 after bottoming out in October

Safety System

- On a track to recovery during Q4 despite the negative impact of global auto production decline led by the global chip shortage on sales for millimeter wave radar, which has high market share

Powertrain

- + 90% year over year due to the glowing global xEV market
- Increase mainly driven by sales for battery application
- Continuing to hit a record high in quarterly sales for consecutive seven quarters

Other

- Increase in sales for automotive electronic shifter and two-wheeler ECU (Electronic Control Unit)

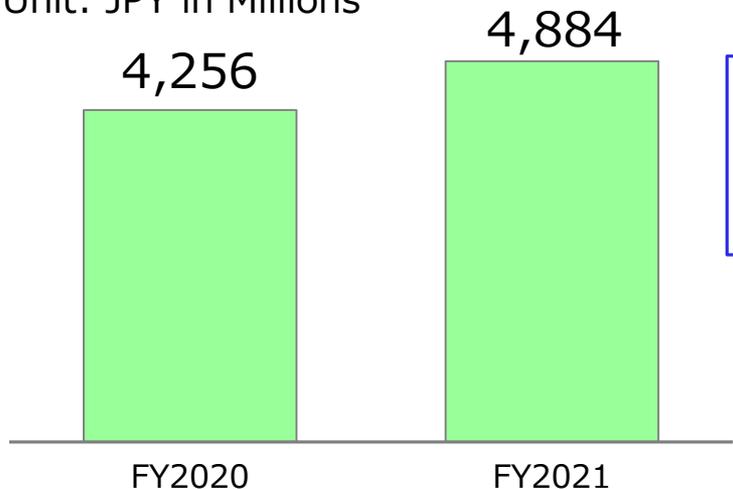
	FY2020		FY2021		
	Q4	Q1	Q2	Q3	Q4
Infotainment	4,377	4,221	3,965	3,731	4,097
Safety System	1,839	1,754	1,590	1,690	1,954
Powertrain	1,072	1,260	1,343	1,516	1,727
Other	1,427	1,542	1,478	1,322	1,560
Total	8,766	8,778	8,376	8,261	9,339

10. Sales by Market: Consumer and Industrial



■ Consumer: +628 million yen (+14.8%) YoY

Unit: JPY in Millions

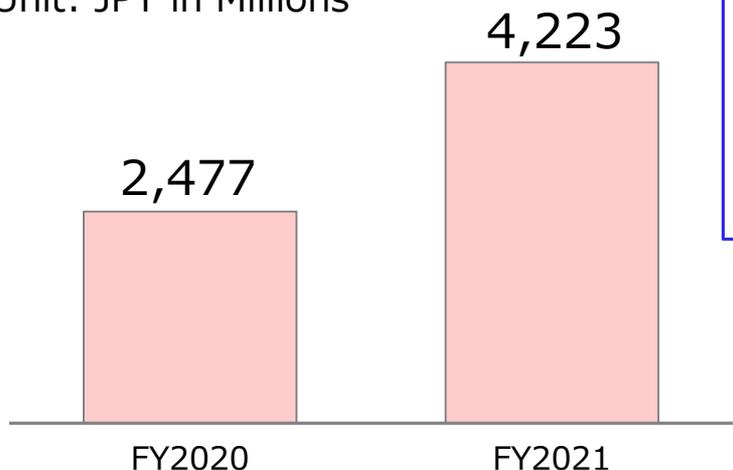


- Sales increase driven by sales for game console and OA equipment
- Negative impact of the global chip shortage on sales for game console and TV in Q3 and Q4

	FY2020		FY2021		
	Q4	Q1	Q2	Q3	Q4
Consumer	1,104	1,361	1,331	1,131	1,060

■ Industrial: +1,745 million yen (+70.5%) YoY

Unit: JPY in Millions



- Staying on the high growth track, driven by strong sales for FA equipment including PLC and servo amplifier as a result of increase in China's capital spending
- Sales increase, partially driven by sales for 5G base stations from the end of FY2020

	FY2020		FY2021		
	Q4	Q1	Q2	Q3	Q4
Industrial	729	1,047	1,083	1,053	1,039



I . FY2021 Financial Summary

 **II . FY2022 Forecast and Mid-Term Plan Progress**

III . Topics

1. FY2022 Earnings Forecast



Unit: JPY in Millions

	FY2021		FY2022		YoY	
	First Half	Full Year	First Half	Full Year	vs. First Half	vs. Full Year
Net Sales	21,978	43,863	24,000	51,500	+2,021 +9.2%	+7,636 +17.4%
Cost to Sales Revenue Ratio	65.3%	67.3%	68.5	67.0	+3.2pts	+0.3pts
Operating Profit	2,526	4,520	2,480	6,160	(46) -1.8pts	+1,639 +36.3pts
Operating Profit Margin	11.5%	10.3%	10.3%	12.0%	-1.2pts	+1.7pts
Pretax Profit	2,365	4,570	2,400	6,000	+34	+1,429
Net Income	2,168	3,913	1,800	4,500	(368)	+586
EPS	92.03JPY	166.22JPY	76.52JPY	191.30JPY		
Exchange Rate, Period Average	USD: 110.18JPY EUR: 130.97JPY RMB: 17.04JPY	112.86JPY 131.01JPY 17.59JPY	130.00JPY 135.00JPY 20.00JPY	130.00JPY 135.00JPY 20.00JPY	+19.82JPY +4.03JPY +2.96JPY	+17.14JPY +3.99JPY +2.41JPY
Capital Expenditure	-	6,172		8,200		+2,027
Depreciation & Amortization	-	5,356		6,300		+933

2. FY2022 Net Sales Plan by Market

Unit: JPY in Millions

	FY2020		FY2021		FY2022		
	Net Sales	Breakdown	Net Sales	Breakdown	Net Sales	Breakdown	YoY
Total Automotive	29,786	81.6%	34,756	79.2%	41,400	80.4%	+19.1%
Infotainment	15,265	41.8%	16,015	36.5%	17,700	34.4%	+10.5%
Safety System	6,603	18.1%	7,850	15.9%	8,100	15.7%	+15.9%
Powertrain	3,087	8.5%	5,847	13.3%	9,300	18.1%	+59.0%
Other	4,830	13.2%	5,904	13.5%	6,500	12.6%	+10.1%
Consumer	4,256	11.7%	4,884	11.1%	5,600	10.9%	+14.7%
Industrial	2,477	6.8%	4,223	9.6%	4,300	8.3%	+1.8%
Total	36,520	100.0%	43,863	100.0%	51,500	100.0%	+17.4%

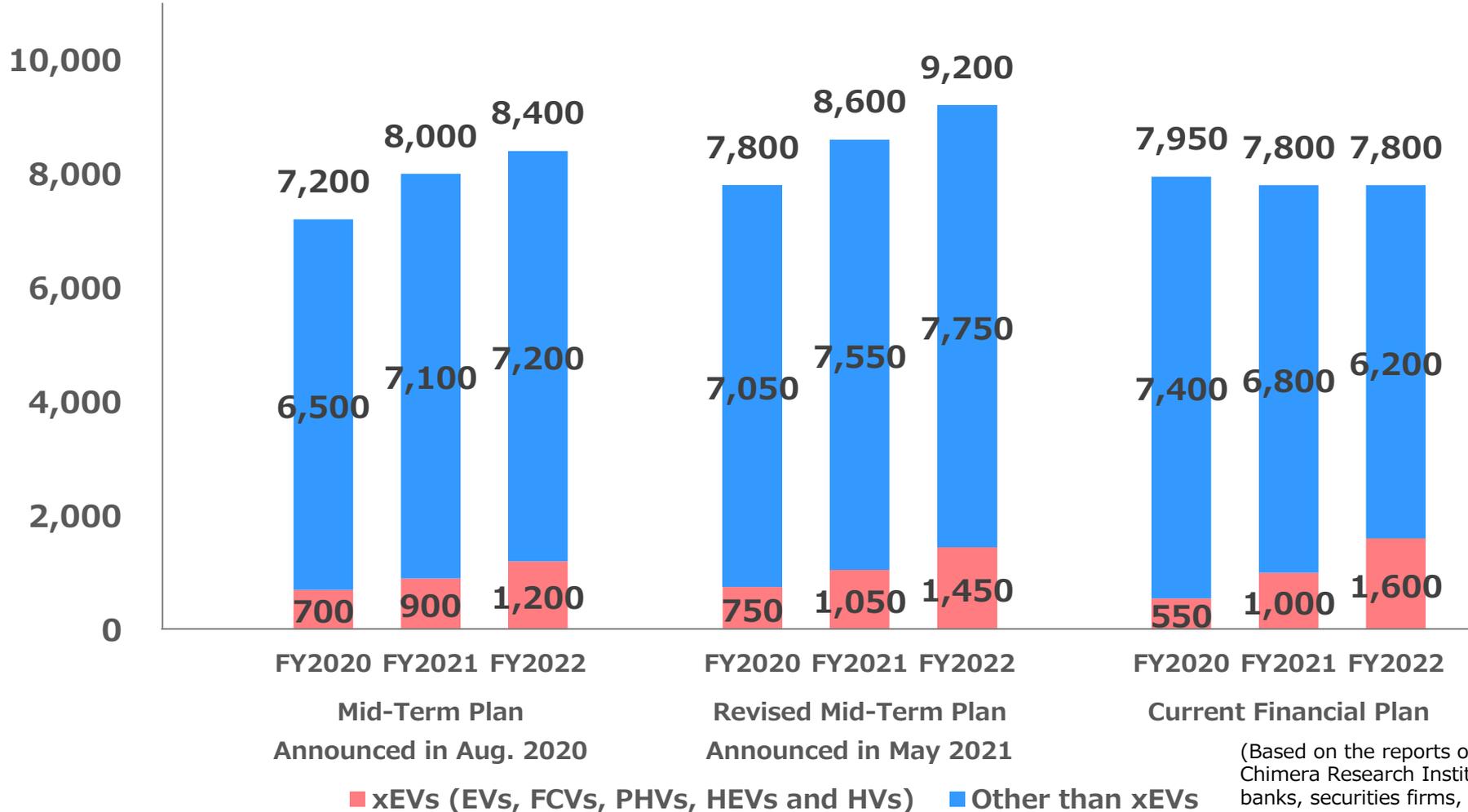
Planning to meet the mid-term goals for sales in the powertrain market a year ahead of schedule

3. Our Revised Estimates for World Automobile Production



- Strong sales for xEVs
- Besides, slowing down sales for vehicles other than xEVs. Global auto production in FY2022 is assumed to be the same as its previous year's level.

Unit: Ten Thousand Units

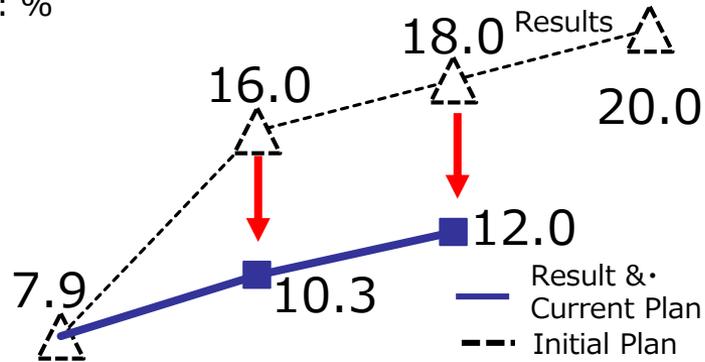


(Based on the reports of Fuji Chimera Research Institute, banks, securities firms, etc.)

4. FY2021-2023 Mid-Term Plan Progress

Operating Profit Margin

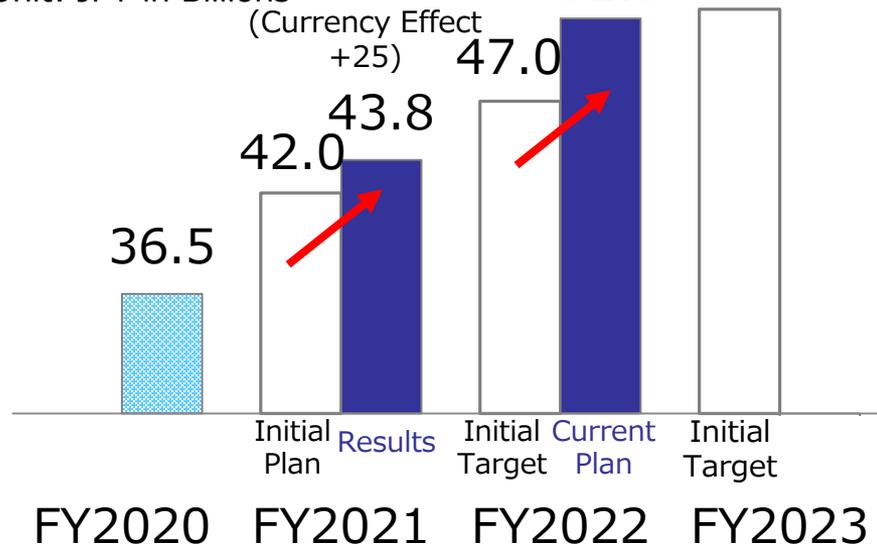
Unit: %



Net Sales

Unit: JPY in Billions

(Currency effect +70)



- Global auto production slump due to the COVID-19 impact and geopolitical risks
- Net sales on the high growth track, driven by sales increase in the powertrain market and currency impact despite the fall of the auto industry
- Operating profit margin comes in lower than planned due to negative factors such as dropping capacity utilization, soaring raw material and shipping costs

Exchange Rate Assumption	FY2020	Mid-Term Plan	FY2021 Results	FY2022 Plan
USD	106.17 JPY	105.00 JPY	112.86 JPY	130.00 JPY
EUR	123.73 JPY	127.00 JPY	131.01 JPY	135.00 JPY
RMB	15.63 JPY	16.00 JPY	17.59 JPY	20.00 JPY

5. Response to Environmental Change

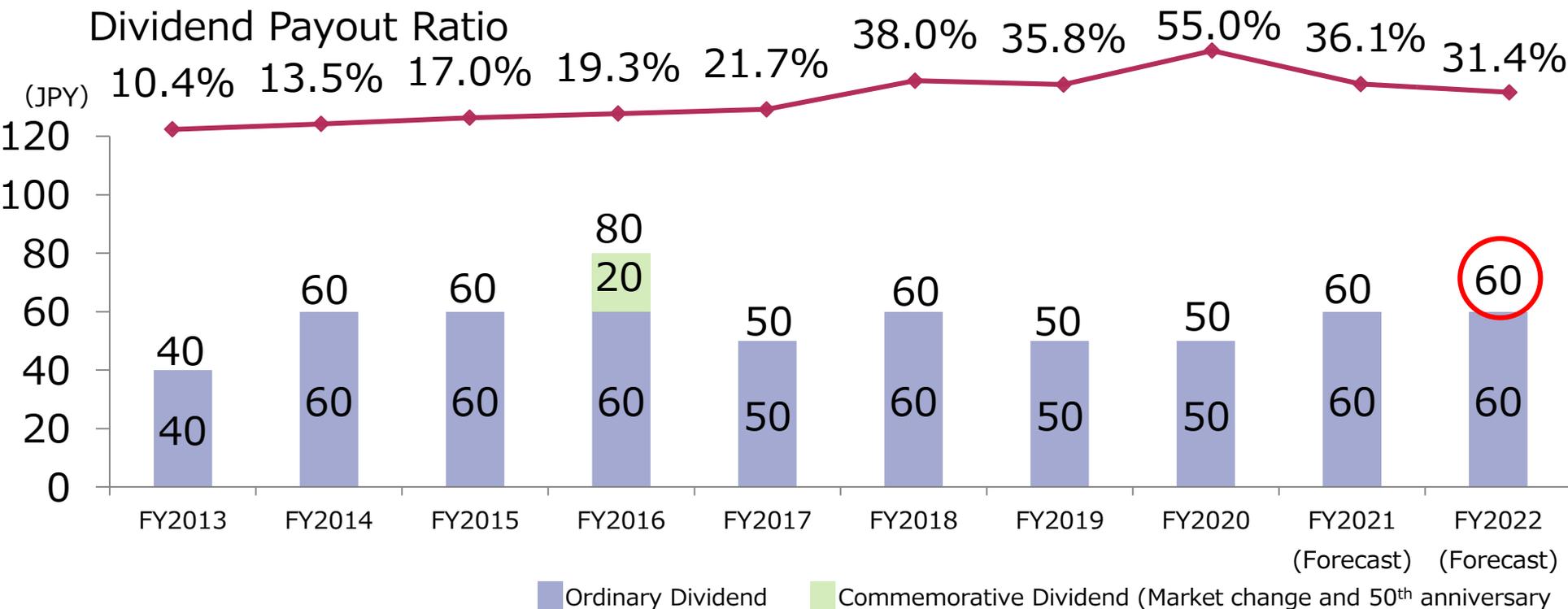
Change	Item	Additional Measure
Accelerating Market Expansion	Accelerating xEV acceptance	<ul style="list-style-type: none"> • Reaping what we sow while doing business with OEM and Tier1 manufacturers including newly emerging manufactures, and continuing to explore the battery and motor drive system markets • Increasing production capacity for sales in the powertrain market and new plant construction in Akita, Japan (Operation to be started in 2025)
	Global surge in ADAS adoption	<ul style="list-style-type: none"> • Increasing sales of high-speed transmission connectors (10143 series and products as solutions for automotive cameras)
	Accelerating robot deployment and automation	<ul style="list-style-type: none"> • Increasing global sales of automation connectors
	5G distribution around the world	<ul style="list-style-type: none"> • Increasing sales of high-speed transmission connectors (10143 series)
<ul style="list-style-type: none"> •Material Shortage •Soaring Price •Operation Halt •SC Disruption 	Staying cost competitive to overcome the soaring prices of raw materials and shipping	<p>1. Improving profitability</p> <ul style="list-style-type: none"> • Increasing gross profit through reviewing our pricing policy, the long-tail marketing strategy, etc. • Running projects to reduce the manufacturing costs of the flagship product lines • Raising productivity through capacity utilization improvement and in-process defect rate reduction, etc. making a logistics reform to reduce total storage and distribution costs, and building a centralized control system for manufacturing, warehousing and delivery of general purpose products
	Improving supply chain management	<p>2. Improving production stability and enhancing local production for local consumption</p> <ul style="list-style-type: none"> • Securing production quotas for major raw materials in preparation for production fluctuation • Building a multi-factory production system mainly for general purpose products <p>3. Visualizing SCM practices through the ERP system reform</p>

6. Shareholder Return



- Expected payouts for FY2021: 60 JPY and for FY2022: 60 JPY
- Target: steady dividend payment and dividend ratio of 30% and higher
- To achieve our long-term goal of a ROE of 10% or higher, we will ensure that our capital policy is proactively reviewed through revising the dividend ratio, repurchasing shares, etc. while keeping the optimal balance between the dividend payout ratio and the ratio of profits retained for strategic investment in the company for its future growth.

Note) In September 2017, the share was split into 1:2.
Share prices before FY2016 are those before the split





I . FY2021 Financial Summary

**II . FY2022 Forecast and Mid-Term
Plan Progress**

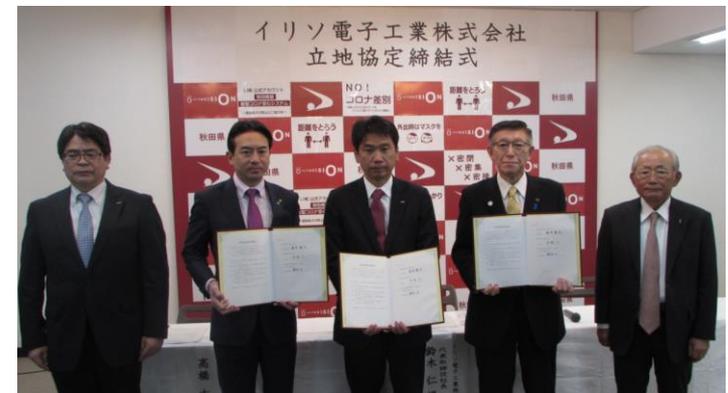
 **III . Topics**

- Constituting a new plant in Japan (to start operation in spring 2025)
 - To increase the scale of domestic manufacturing, a new plant will be constructed in Yokote-city, Akita prefecture, which will be our second plant in Japan. The new plant will enable us to meet increasing demands for our products, mainly powertrain connectors, to improve our BCP management and to enhance local production for local consumption.
 - Driving even smarter manufacturing with the smart factory concept including robotic assembly, automated transportation, systematization, etc.
 - Building production capacity for 15 billion yen sales in the future
 - The former SGD (IRISO Engineering, Ltd.) manufacturing molding tools, that joined the IRISO group on April 1, 2022, and the new Akita Plant will enable us to:
 - drive down costs by increasing the ratio of in-house parts production
 - cut costs of transportations from the overseas production sites to Japan
 - reduce manufacturing lead time

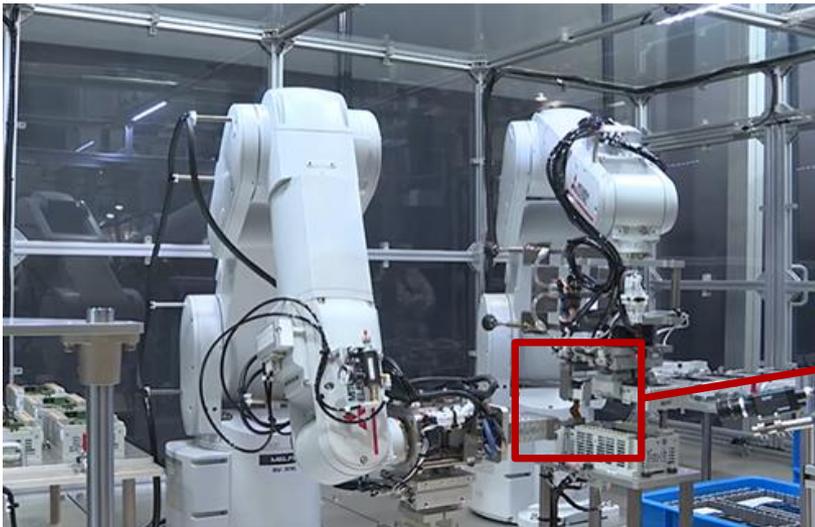
New Plant Construction Plan

Name	Akita Plant (Tentative, TBD)
Location	Yokote City, Akita Prefecture (Within Yokote Second Industrial Park)
Total Site Area	Approx. 58,000m ²
Total Floor Space	Approx. 22,000m ²
Estimated Capital Cost	Approx. 5 Billion Yen (land, building and equipment) (From FY2022)
Construction Start Date	In 2023
Operation Start Date	In Spring 2025

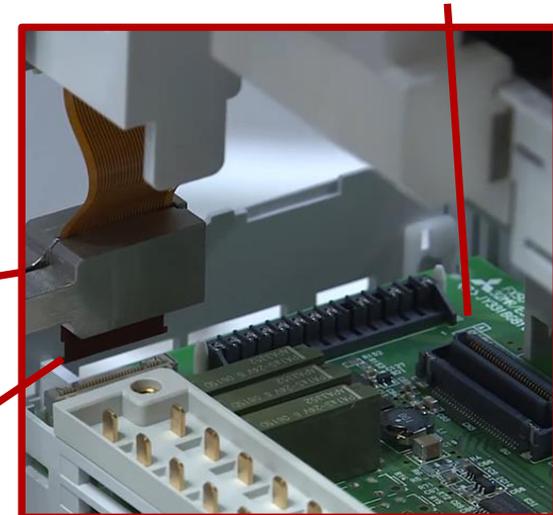
Signing Ceremony at Akita Prefectural government



- “Automation Connector” wins JSME (Japan Society for Mechanical Engineers) Excellent Product Award 2021
- “Automation connector” is a product line made available by an integration of three types of IRISO key technologies, “floating connector”, “Auto I-Lock” and “two point contact connector”. Robotic automation assembly will enable us to ensure the stabilities of assembly quality and production tact-time, and to promote manpower and operational cost savings.
- As there are concerns about manufacturing labor shortages, our three technologies embodied in the “automation connector” were highly recognized as a powerful driving force in assembly automation of various products, which leads to the development of robotics in the future.



Floating Connector



Auto I-Lock Connector



■ Operational Status of Shanghai Plant and Nantong Plant in China

- Impacts on their operations due to COVID-led lockdowns

	Shanghai	Nantong
Status	<ul style="list-style-type: none"> • Designated lockdown region • Limited operation resumed from April 28 • Increasing number of those who are allowed to go to the plant 	<ul style="list-style-type: none"> • Non-designated lockdown region • Plant operation continued although there was a period when capacity utilization dropped as the limited number of workers are allowed to go to the plant
Shutdown Period	April 1- April 27	-
Date Scheduled for Full Operation	TBD	-
Note	<ul style="list-style-type: none"> • Restrictions on distribution channels 	<ul style="list-style-type: none"> • Remaining restrictions on distribution channels • Effects on productions at the other group plants since parts are also manufactured at Nantong Plant



Company Name	IRISO ELECTRONICS CO., LTD.
Business Description	Manufacture and sales of various types of connectors
Establishment	December 1966
Number of Employees	3,137 (as of March 31, 2022)
Capital	5,640 million yen (as of March 31, 2022)
Headquarters	2-13-8, Shinyokohama, Kohoku-ku, Yokohama, Kanagawa
Operations	
Japan	Headquarters, Fukushima, Ibaraki, Aichi, and Osaka
Overseas	Singapore, Hong Kong, U.S.A., Germany, Thailand, South Korea, China(Shanghai, Dalian, Tianjin, Suzhou, Shenzhen, Chongqing), Malaysia, Taiwan, and India
Research & Development	Headquarters(IRISO Technology Park), Kawasaki(Production Technology Development Center), Iwate(IRISO Engineering, Ltd), and Shanghai R&D Center
Manufacturing Plants	Japan(Ibaraki), China(Shanghai, Nantong), Philippines(Manila), and Vietnam(Hai Duong)