



FY2023 H1 Financial Results

IRISO ELECTRONICS CO.,LTD.

Stock Code: 6908
(Nov 2, 2023)

**Together, surpassing expectations by empowering connections
to enrich society and delight people.**



-  **I . FY2023 H1 Financial Summary**
- II . FY2023 Forecast**
- III . Topics**

1. FY2023 H1 Financial Highlights

- **¥28.1** billion in net sales, representing **+10.2%** YoY as sales growth in the automotive market offset a decrease in the consumer and industrial markets due to inventory adjustments.
 +¥1.1 billion compared to Q1, hitting an all-time high.
 ※ Including an increase in sales, as some customers kept inventory secure to prepare for expected system outage while the new ERP system implementation works were in progress on Oct.1.
- Increase to **¥3.3** billion in operating profit, representing **+8.2%** YoY, +¥0.3 billion compared to Q1 and 11.8% operating profit margin, due to sales growth and cost reduction.
- New ERP system launch scheduled to Oct.1 has been postponed to ensure we can thoroughly prepare for system testing .

Unit: JPY in Millions

	FY2022 H1	FY2023 H1	YoY	VS Target
Net Sales	25,543	28,140	+2,596 +10.2%	+1,140 +4.2%
Operating Profit	3,063	3,315	+251 +8.2%	+315 +10.5%
Operating Profit Margin	12.0%	11.8%	△0.2pts	+0.7pts

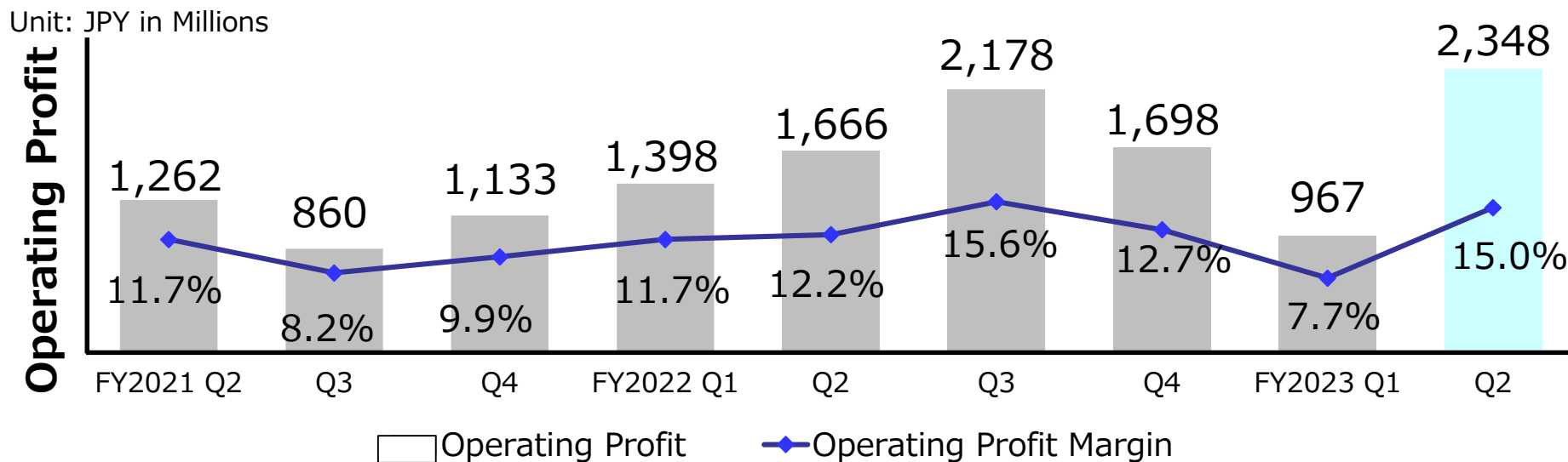
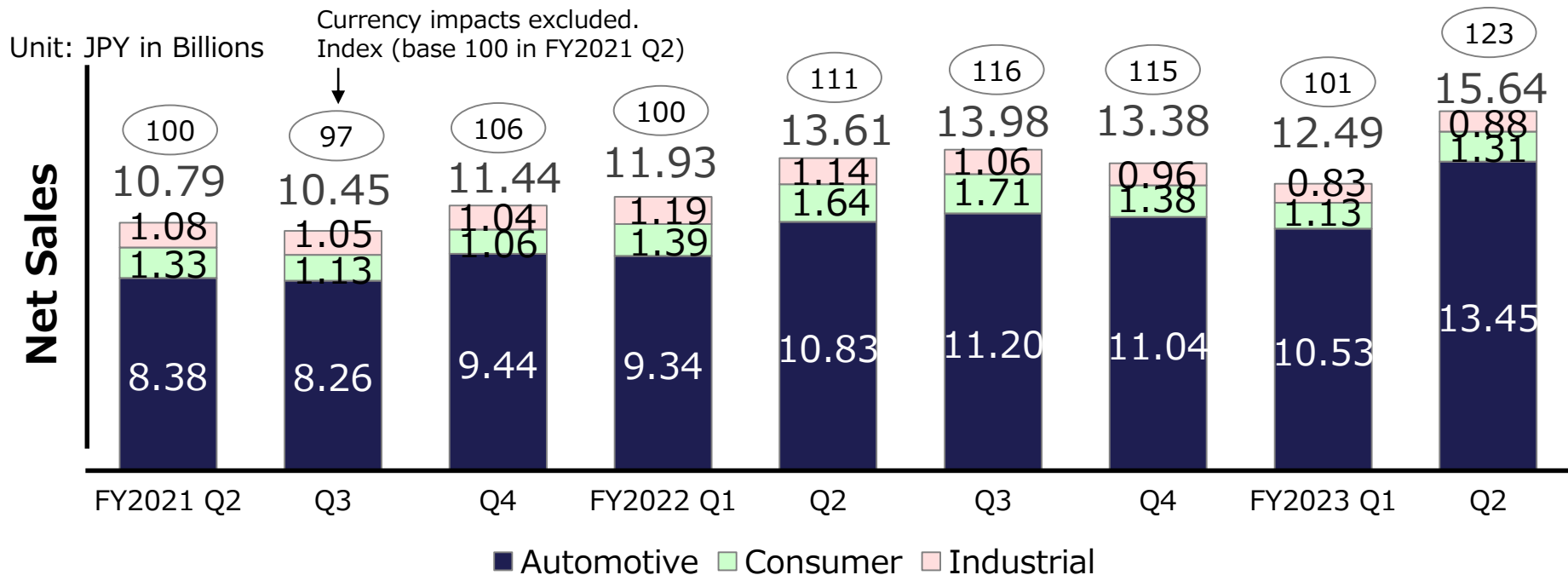
2. FY2023 H1 Financial Summary



Unit: JPY in Millions

	FY2022 H1	FY2023 H1	Change	YoY	vs. Target
Net Sales	25,543	28,140	+2,596	+10.2%	+1,140
Automotive	20,165	23,986	+3,821	+19.0%	
Consumer	3,046	2,437	(608)	(20.0)%	
Industrial	2,331	1,715	(615)	(26.4)%	
Cost of Sales	17,172	19,251	+2,079	+12.1%	
Sales Margin	67.2%	68.4%		+1.2pts	
SG & A	5,307	5,572	+265	+5.0%	
SG & A Margin	20.8%	19.8%		(1.0)pts	
Operating Profit	3,063	3,315	+251	+8.2%	+315
Operating Profit Margin	12.0%	11.8%		(0.2)pts	
Net Income Before Income Taxes	3,639	4,101	+461	+12.7%	+601
Net Income	2,901	3,167	+266	+9.2%	+467
EPS	123.33JPY	134.66JPY			+19.89JPY
Capital Expenditure	3,747	5,263	+1,515	+40.4%	
Depreciation	3,086	3,072	(13)	(0.4)%	
Average Exchange Rate for each FY	133.46JPY 138.79JPY 19.82JPY	141.31JPY 153.51JPY 19.80JPY	+7.85JPY +14.72JPY (0.02)JPY	+5.9% +10.6% (0.1)%	+2.39JPY +1.17JPY +0.03JPY

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



4. Net Sales by Region and Product

■ By Region

Unit: JPY in Millions

	FY2022 H1		FY2023 H1		YoY
	Net Sales	Breakdown	Net Sales	Breakdown	
Japan	5,063	19.8%	4,983	17.7%	(80)
Greater China & South Korea	10,123	39.6%	11,014	39.1%	+891
USA	3,240	12.7%	3,451	12.3%	+210
EUROPE	4,033	15.8%	4,908	17.4%	+875
ASEAN	3,082	12.0%	3,782	13.4%	+699
Total	25,543	100.0%	28,140	100.0%	+2,596
Overseas Ratio:		80.2%		82.3%	

Japan

- Despite an auto market recovery, decrease due to falling demand in the consumer market, as well as for industrial equipment

Greater China & South Korea

- Recovery from Q1 inventory adjustment phase

USA & EU

- Shift to sales growth, driven by auto market recovery

■ By Product

Unit: JPY in Millions

	FY2022 H1		FY2023 H1		YoY
	Net Sales	Breakdown	Net Sales	Breakdown	
BtoB	10,532	41.2%	12,192	43.3%	+1,659
FPC	5,795	22.7%	5,856	20.8%	+61
Auto IF	7,150	28.0%	8,101	28.8%	+950
Pin Header	994	3.9%	1,330	4.7%	+336
Other	1,070	4.2%	659	2.4%	(411)
Total	25,543	100.0%	28,140	100.0%	+2,596

BtoB

- Increase driven by auto market recovery
- Benefit from strong sales of "Z-Move[®]" and new products for high-speed transmission

Auto IF

- Increase in the powertrain market

5. Change in Sales and Operating Profit YoY

Unit: JPY in Millions

	Net Sales	Operating Profit	Operating Profit Margin	Factor
FY2022 H1 Results	25,543	3,063	12.0%	
Expense returns from costs for April-May 2022 Shanghai Lockdown response	+540	+180		Decrease both in sales and expenses associated with lockdown response
		(365)		Expense returns from non-operating fixed costs for lockdown response
Currency effect	+1,090	0		USD: 133.46JPY→141.31JPY, 106% EUR: 138.79JPY→153.51JPY, 111% CNY: 19.82JPY→19.80JPY, 100% → Operating profit is pushed down to (0.5)%
Increase in sales volume	+966	+485		
Material cost increase		(250)		
Fixed cost increase		(490)		HR costs and increase in expenses
Temporary cost		(430)		•Increase in expenses associated with new ERP system launch, asset disposal, debt waiver, etc. → operating profit is pushed down to (1.5)%
Cost reduction, etc.		+1,121		Cost reduction through profit improvement project, etc.
Total change factor	+2,596	+251		
FY2023 H1 results	28,140	3,315	11.8%	

6. Balance Sheet



Unit: JPY in Millions

VS. Previous year-End

	FY2022	FY2023 H1	
Current Asset	46,194	51,957	+5,762
Cash & Deposit	18,640	21,639	+2,998
Account Receivable	13,956	16,474	+2,517
Inventory	12,067	12,202	+134
Noncurrent Asset	36,297	39,356	+3,059
Total Asset	82,491	91,313	+8,822
Total Liability	14,472	17,759	+3,287
Account Payable	4,364	4,688	+324
Debt	2,493	6,092	+3,599
Total Net Asset	68,019	73,554	+5,535
Total Shareholders' Equity	58,787	60,073	+1,285
Capital Adequacy Ratio	81.7%	79.8%	(1.9)pts

7. Statement of Cash Flows

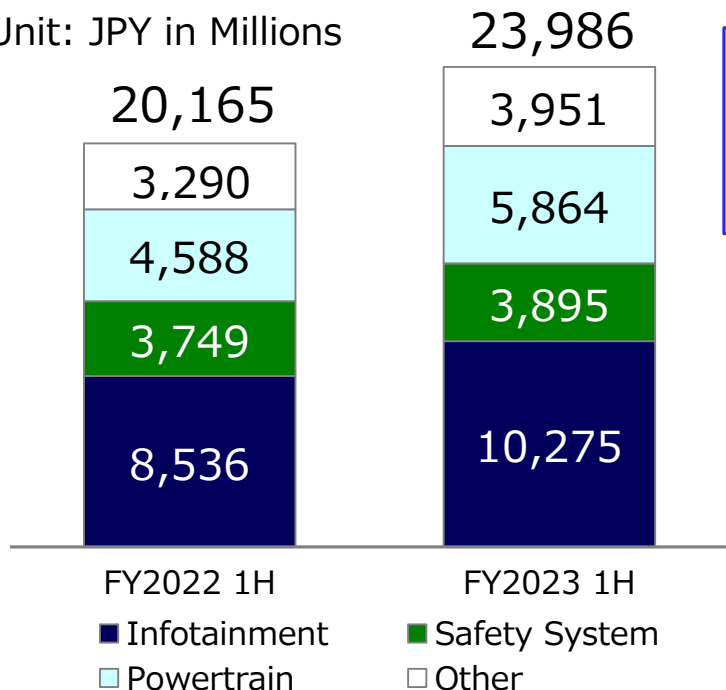
Unit: JPY in Millions

	FY2022 H1	FY2023 H1	YoY Change
Operating Cash Flow Margin	21.3%	18.8%	(2.5)pts
Operating Cash Flow	5,444	5,287	(157)
Net Income Before Income Taxes	3,639	4,101	+461
Depreciation and Amortization	3,086	3,072	(13)
Changes in Operating Fund “() indicates increase”	(854)	(928)	(74)
Cash Flow from Investing Activities	(3,864)	(5,449)	(1,585)
Tangible Noncurrent Asset	(3,257)	(4,475)	(1,217)
Free Cash Flow	1,579	(162)	(1,742)
Cash Flow from Financing Activities	361	1,617	+1,255
Cash Dividend	(1,420)	(1,893)	(472)
Cash & Cash Equivalent Balance for the Fiscal-Year-End	17,408	21,639	+4,231

8. Sales by Market: Automotive

■ ¥+3,821 mm (+19.0%) YoY

Unit: JPY in Millions



- On a steady growth track, driven by global auto production recovery
- Remain in growth in the infotainment market, driven by increasing sales in the powertrain market

Infotainment: +23% YoY

- Increase in sales for non-Japanese customers
- Driven by increase in sales for LCD panel and IVI (in-vehicle infotainment) system, as well as in sales of existing products for navigation systems

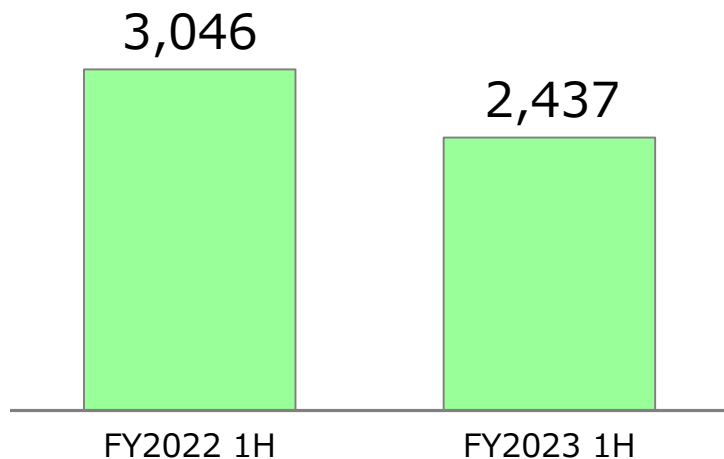
Powertrain: +47% YoY

- +68% compared to the FY2023 Q1 level and +47% YoY thanks to recovery in sales, which was affected by inventory adjustment in China.
- Sales for on-board charger on a steady growth track

	FY2022				FY2023	
	Q1	Q2	Q3	Q4	Q1	Q2
Infotainment	3,971	4,565	4,401	4,392	4,668	5,606
Safety System	1,803	1,946	1,843	1,852	1,825	2,069
Powertrain	2,092	2,496	3,186	2,996	2,190	3,674
Other	1,470	1,820	1,773	1,799	1,849	2,101
Total	9,337	10,828	11,204	11,039	10,534	13,452

■ Consumer: ¥ (608) mm (20.0%) YoY

Unit: JPY in Millions

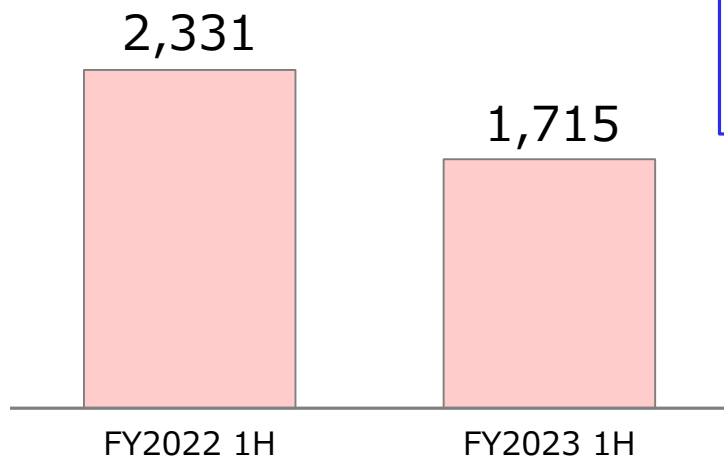


• Decrease due to dropping demand for TV and office automation appliances

FY2022				FY2023	
Q1	Q2	Q3	Q4	Q1	Q2
1,398	1,647	1,710	1,385	1,130	1,307

■ Industrial: ¥(615) mm (26.4%) YoY

Unit: JPY in Millions



• Decrease due to China's capital spending slowdown and remaining impacts from adjusting product inventory for 5G stations

FY2022				FY2023	
Q1	Q2	Q3	Q4	Q1	Q2
1,193	1,138	1,060	960	831	884



I . FY2023 H1 Financial Summary

 **II . FY2023 Forecast**

III . Topics

1. FY2023 Earnings Forecast

■ No change in the revised plan of August 2.

However, change to net sales by segment on account of market impacts, etc.

H2 Currency Exchange Rate : USD: 140JPY, EUR:155JPY, RMB:20JPY

Unit: JPY in Millions

	FY2022		FY2023		YoY	
	H1	Full Year	H1 Results	Full Year Plan	VS H1	VS Full Year
Net Sales	25,543	52,903	28,140	57,000	+2,596 +10.2%	+4,096 +7.7%
Cost to Sales Revenue Ratio	67.2%	67.3%	68.4%	67.5%	+1.2pts	+0.2pts
Operating Profit	3,063	6,940	3,315	7,700	+251 +8.2%	+759 +10.9%
Operating Profit Margin	12.0%	13.1%	11.8%	13.5%	(0.2)pts	+0.4pts
Pretax Profit	3,639	7,034	4,101	8,000	+461	+965
Net Income	2,901	5,541	3,167	6,200	+266	+658
EPS	123.33JPY	235.58JPY	134.66JPY	263.56JPY		
Exchange Rate Period Average	USD:133.46JPY EUR:138.79JPY RMB:19.82JPY	134.95JPY 141.24JPY 19.68JPY	141.31JPY 153.51JPY 19.80JPY	140.71JPY 154.20JPY 19.89JPY	+7.85JPY +14.72JPY (0.02)JPY	+5.76JPY +12.96JPY +0.22JPY
Capital Expenditure	3,747	8,427	5,263	10,200	+1,515	+1,772
Depreciation & Amortization	3,086	6,168	3,072	6,700	(13)	+532

2. FY2023 Net Sales Plan by Market



Unit : Yen in Millions

	FY2022		FY2023				H1 Progress Rate
	Net Sales	Breakdown	Initial Plan	Revised Plan	Breakdown	YoY	
Auto Total	42,409	80.2%	45,700	48,600	85.3%	+14.6%	49.4%
Infotainment	17,330	32.8%	18,000	20,200	35.4%	+16.6%	50.9%
Safety System	7,445	14.1%	7,500	7,600	13.3%	+2.1%	51.3%
Powertrain	10,771	20.4%	13,200	12,800	22.5%	+18.8%	45.8%
Other	6,862	13.0%	7,000	8,000	14.0%	+16.6%	49.4%
Consumer	6,141	11.6%	5,300	4,900	8.6%	(20.2)%	49.7%
Industrial	4,352	8.2%	4,000	3,500	6.1%	(19.6)%	49.0%
Total	52,903	100.0%	55,000	57,000	100.0%	+7.7%	49.4%

Strategy	Detail
1. Reap the results of the profit structure improvement project	<ul style="list-style-type: none"> • Review our pricing policy and long-tail marketing strategy • Run a project to reduce the manufacturing costs of the flagship product lines • Raise productivity, make a logistics reform to reduce total storage and distribution costs, etc. • Procurement strategy planning and cost reduction (added from April 2023)
2. Develop flagship product lines	<ul style="list-style-type: none"> • Further develop the product lines through the launch of new products for xEVs • Develop BtoB connectors for next generation high-speed transmission • Develop product lines for automotive camera • Develop connectors for integrated ECUs
3. Improve sales force	<ul style="list-style-type: none"> • Promote sales in all markets of connectors for high-speed transmissions • Improve business resource management for increasing sales in the industrial market • Build a strong sales force in India and Southeast Asia → A new sales company established in India and sales activities started
4. Boost production capacity and improve BCP structure	<ul style="list-style-type: none"> • Hanamaki factory: operation launch expected in Nov. 2023 → Operation launched October 6, 2023 • Akita plant: a project for operation launch in 2025
5. Launch new ERP System smoothly	<ul style="list-style-type: none"> • New ERP system scheduled on Octo.1 2023 → Rescheduled to Q1, FY2024

■ Postponement of New ERP System Launch

- The new ERP system launch scheduled on October 1 has been postponed to prepare thoroughly for working with customers in system testing, etc. as well as to ensure financial results, and master and other data are efficiently updated.
- The launch has been rescheduled to Q1, FY2024.
- Costs generated by the delay are included in the performance plan.

【Background and objectives of the new ERP system launch】

- Build a smooth operation system to meet the ¥100 billion sales goal set in the long-term management plan.
- Optimize the company's whole operations including sales, manufacturing and shipment, visualize information on management, as well as on production through MES (Manufacturing Execution System), and increase productivity.

【Launch effects of the new ERP system】

- Projected impact of over ¥4 billion per year by improving production efficiency, reducing loss costs such as bad debts disposal, minimizing capital expenditures through the efficient operation of tooling and equipment, improving working capital, and reducing personnel costs through maximizing indirect labor efficiency, etc.



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■ Established local Sales Company in India

- To “improve our sales force in the Indian and Southeast Asian regions,” which is one of this fiscal year’s key strategies for “sales force improvement,” a group sales company has been newly established in India.
- From September, we started our sales with a strong focus on sales growth in the automotive market, including the two-wheeler market. We joined the “Electronica India 2023”.



[Automotive Market in India]

- Auto Sales: In 2022, 5.2M units. It overtook the Japanese and German markets to become **the world’s 3rd-largest** auto market. Continuous growth at an annual rate of over **10%** is expected.
- Two-wheeler sales: In 2022 7M units. **World’s largest** with a **33%** market share. Global advancements in electric mobility is expected in the future.

(Reference: Reports from MARKLINES and Yano Research Institute)

■ Hanamaki Factory Operation Started

- To “increase production capacity and develop our business continuity planning (BCP) management”, which is one of our key strategies, the Hanamaki factory was constructed in Hanamaki City, Iwate Prefecture, for tooling manufacturing. Factory operations started in October.



■ IRISO Has Been Selected as a Constituent of the “FTSE Blossom Japan Sector Relative Index” for the First Time

- The FTSE Blossom Japan Sector Relative Index, a benchmark index that includes Japanese companies demonstrating strong environmental, social, and governance (ESG) practices, has selected IRISO as its constituent for the first time.
- Following the “S&P/JPX Carbon Efficient Index” and “Morningstar Japan Gender Diversity Tilt Index” among the six ESG indices for domestic equity investments adopted by the Government Pension Investment Fund (GPIF), this is the third index for which IRISO has been selected.
- We are committed to actively addressing societal and environmental challenges through business operations and contribute to the development of a sustainable society."



**FTSE Blossom
Japan Sector
Relative Index**

FTSE Russell (registered trademark of FTSE International Limited and Frank Russell Company) certifies, based on a third-party assessment, that IRISO Electronics Co., Ltd. has met the requirements for inclusion in the FTSE Blossom Japan Sector Relative Index and selected for a constituent of the index. The FTSE Blossom Japan Sector Relative Index is widely used for the creation and evaluation of sustainable investment funds and other financial products.



Company Name	IRISO ELECTRONICS CO., LTD.
Business Description	Manufacture and sales of various types of connectors
Establishment	December 1966
Number of Employees	3,104 (as of March 31, 2023)
Capital	5,640 million yen (as of March 31, 2023)
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)