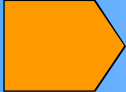




Consolidated Financial Results Briefing Materials For 3rd Quarter Of FY 2019

IRISO ELECTRONICS CO., LTD.
Stock Code: 6908
(Feb 4, 2020)



-  **I . Summary of the consolidated
Financial Results for 3Q of FY 2019**
- II . Forecasts for FY 2019**
- II . Topics**



1. Summary of Business Performance: 3Q of FY2019



Global markets have been worsening since the latter half of FY2018.
Both sales and profit show a YoY decrease.

- Sales :
 - For total sales for 1Q-3Q of FY2019, sales for the automotive industry in Chinese market and sales for the industrial market have dropped due to U.S-China trade war.
Sales in U.S. market have declined because sales for car AVN market have dropped, and the 2019 General Motors strike began in the middle of the fiscal year. Besides, sales have decreased by approx.0.75 billion yen since JPY has risen sharply against EURO and CNY. Sales in EU market should have increased if there were no currency effects.
 - Quarterly trends show that sales for the car AVN market have decreased although sales for safety applications and powertrain markets as target segments with strong focus have increased when YoY change is concerned. Sales for the consumer industry have decreased due to the fall of sales for game console market. On the other hand, sales for the industrial market have slightly recovered.
By regions, total sales of Japan and EU have increased because of growing sales for safety applications and powertrain markets.
 - Increase by approx.10% in sales for safety applications (camera, radar) market as a result of ADAS development.
Increase by approx.40% in sales for powertrain market including the 3-Directional Floating BtoB connector “Z-Move®”. The sales ratio of the two areas is 22.4% of the total sales.
- Profit : In addition to initial product cost cut, more activities for expense reduction have been implemented according to the contingency plan. However, profit has decreased as a result of fall in car sales, the effect of production control for inventory adjustment performed in consideration of sales outlook for the second half, and the rise of gold prices.
For quarterly trends, profit has increased compared with the 2Q as a result of cost reduction efforts and activities based on the contingency plan.
- Topics
 - “International Robot Exhibition 2019” held in December 2019
IRISO robotic assembly technology was presented to a wider public at the exhibition.
 - “ISO 45001” certified.



2. Consolidated Results for 3Q of FY 2019 (YoY Change)



Unit: Millions of yen

	1Q-3Q FY 2018	1Q-3Q FY 2019	YoY change
Net sales	32,440	30,002	(2,438) (7.5)%
Operating income	5,012 15.5%	3,630 12.1%	(1,382) (27.6)%
Ordinary income	5,289 16.3%	3,690 12.3%	(1,599) (30.2)%
Net income	3,869 11.9%	2,750 9.2%	(1,119) (28.9)%
EPS	163.86 yen	116.72 yen	
Average exchange rate during the period	USD 110.82 yen EURO 129.38 yen	109.09 yen 121.45 yen	(1.73) yen (7.93) yen



■ Reasons to change

As known as CASE (Connected: connected cars, Autonomous: autonomous driving, Shared: car sharing, and Electric: electrification), automobiles are facing with one of the biggest transformations 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, new segments for the automotive market are proposed.

→① Infotainment (a complex word 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 is proposed to include markets for car navigation etc. and measuring instruments such as dashboard panels.

② Safety Applications

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

③ Powertrain

Markets for components that supply electricity to the driving motor of electric vehicles, etc. are separately categorised as the “Powertrain” segment to capture a change in demands for powertrains that is caused by electrification.

■ New segments for the automotive industry

Two current segments for the automotive industry, AVN and car electronics, are replaced by four new segments.

- Infotainment
- Safety applications
- Powertrain
- Others



■ 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-3Q FY 2019	YoY Change	Sales Ratio	Factors of Change
Automotive (automotive applications)		25,557	(7.5)%	85.2%	<ul style="list-style-type: none"> Global slump in car sales in major countries.
Area	AVN (Car audio, visual, navigation systems, etc.)	10,285	(16.7)%	34.3%	<ul style="list-style-type: none"> In the car electronics market, hardly any YoY change in sales for car electronics market as a result of approx.10 % increase in sales for safety apps market and approx.40% increase in sales for powertrain market
	Electronics (Safety applications, electric components, powertrains etc.)	15,272	(0.1)%	50.9%	
Consumer (OA, game consoles, digital cameras, cellular phones, televisions, etc.)		2,868	(8.6)%	9.8%	<ul style="list-style-type: none"> Decrease in sales mainly for multi-function printer, game console and digital camera markets. Shipment started for sales for new TV market
Industrial (Industrial equipment, etc.)		1,577	(5.5)%	5.0%	<ul style="list-style-type: none"> Decrease caused by reduced capital expenditure in China during the U.S-China trade conflicts,
Total		30,002	(7.5)%	100.0%	<ul style="list-style-type: none"> 79.1% overseas ratio

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-3Q FY 2019	YoY Change	Sales Ratio	Factors of Change
Automotive (automotive applications)		25,557	(7.5)%	85.2%	<ul style="list-style-type: none"> ▪ Global slump in car sales in major areas, mainly in China ▪ Continuous growth in sales for safety apps and powertrain markets even though the growth rate is slightly lower than initially planned ▪ Negative effect of decline in sales for target markets other than safety applications and powertrain markets
Area	Infotainment	14,485	(14.9)%	48.3%	
	Safety	5,500	8.1%	18.3%	
	Powertrain	1,227	40.4%	4.1%	
	Others	4,343	(6.6)%	14.5%	
Consumer (OA, game consoles, digital cameras, cellular phones, televisions, etc.)		2,868	(8.6)%	9.5%	<ul style="list-style-type: none"> ▪ Decrease in sales mainly for multi-function printer, game console and digital cameras markets ▪ Shipment started for sales for new TV market
Industrial (Industrial equipment, etc.)		1,577	(5.5)%	5.3%	
Total		30,002	(7.5)%	100.0%	<ul style="list-style-type: none"> ▪ 79.1% overseas ratio



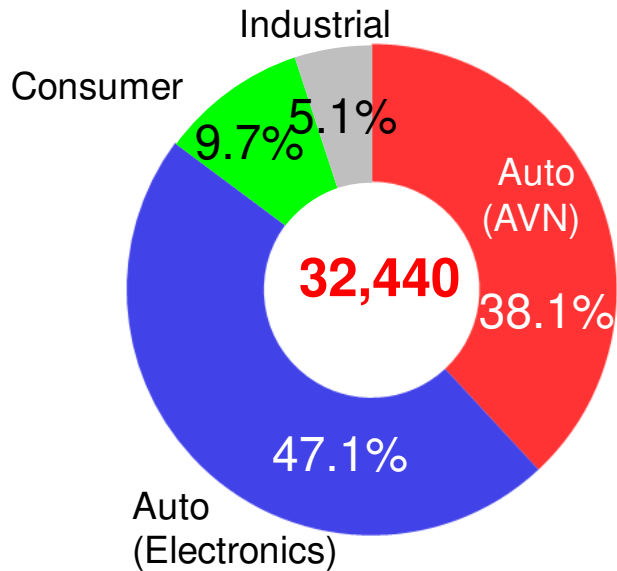
7. Net Sales Breakdown by Market (YoY)



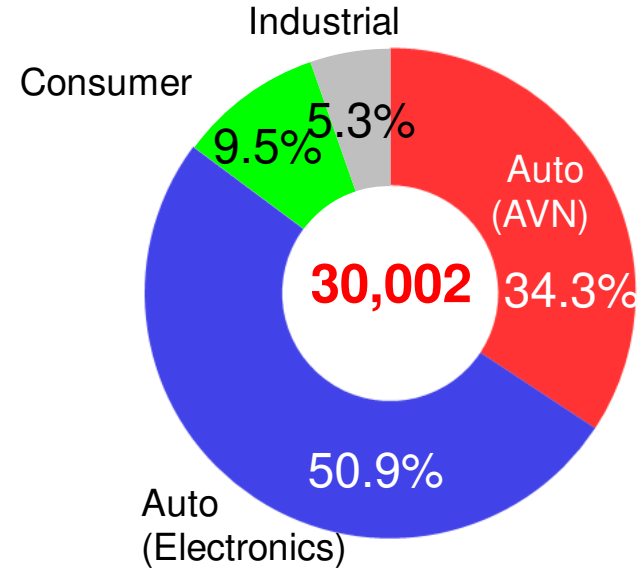
Unit: Millions of yen

Current Segment

FY2018 1Q-3Q

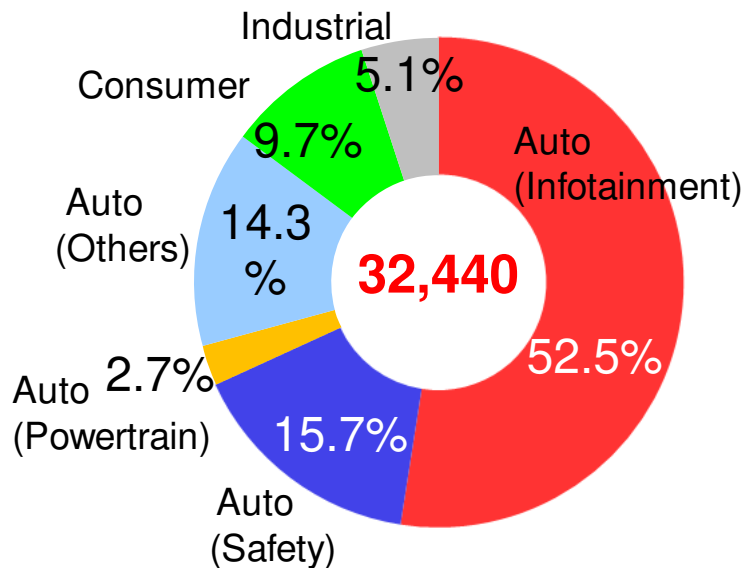


FY2019 1Q-3Q

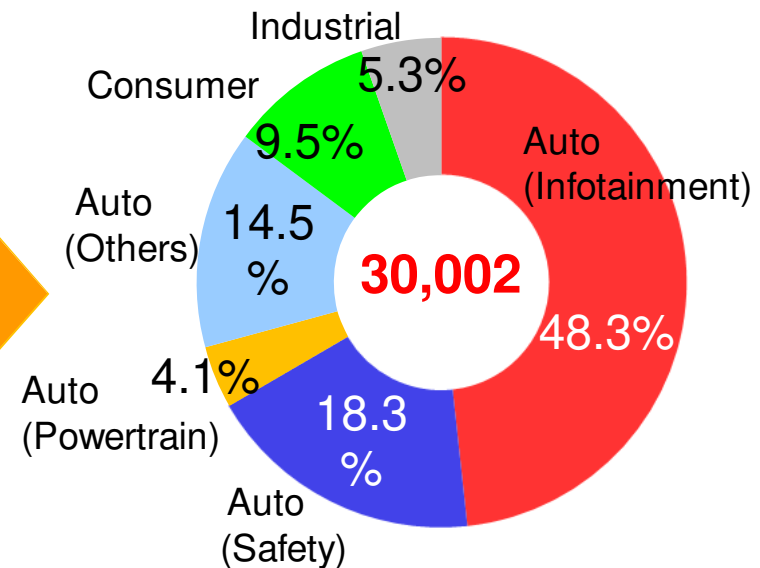


New Segment

FY2018 1Q-3Q



FY2019 1Q-3Q

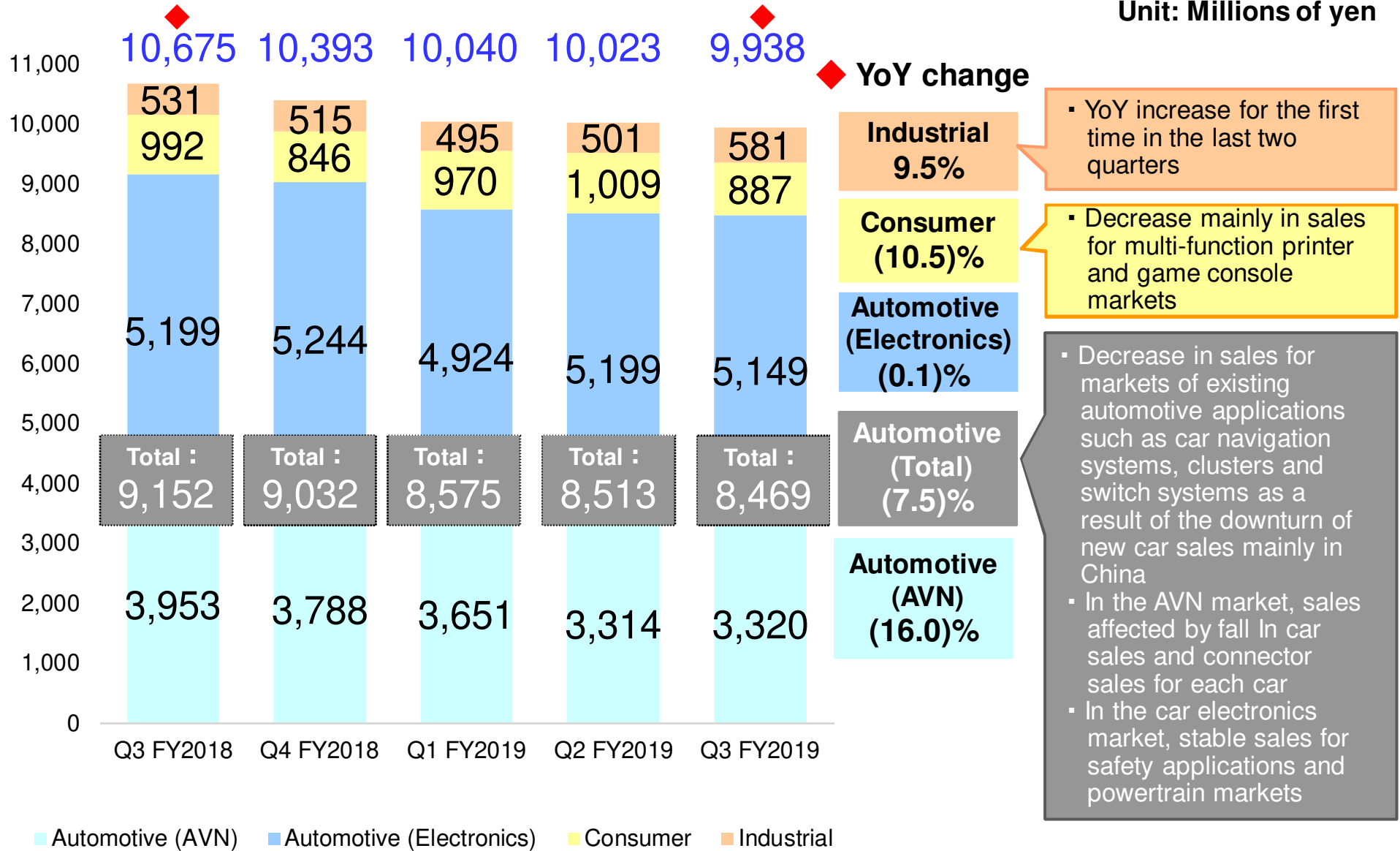


8. Net Sales by Market (Quarterly Trends)

※ Current Market Segment



Unit: Millions of yen

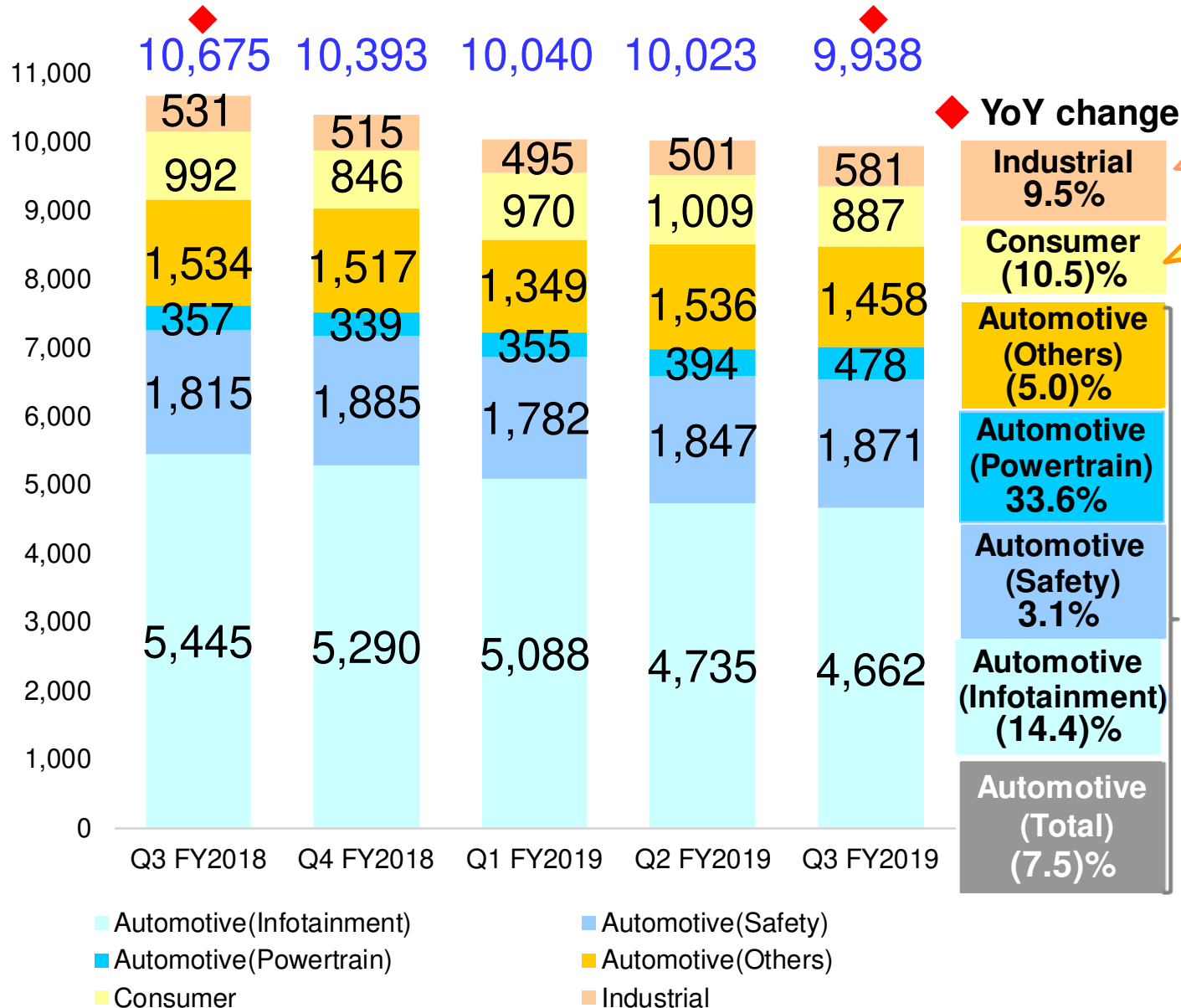


9. Net Sales by Market (Quarterly Trends)

※ New Market Segment



Unit: Millions of yen



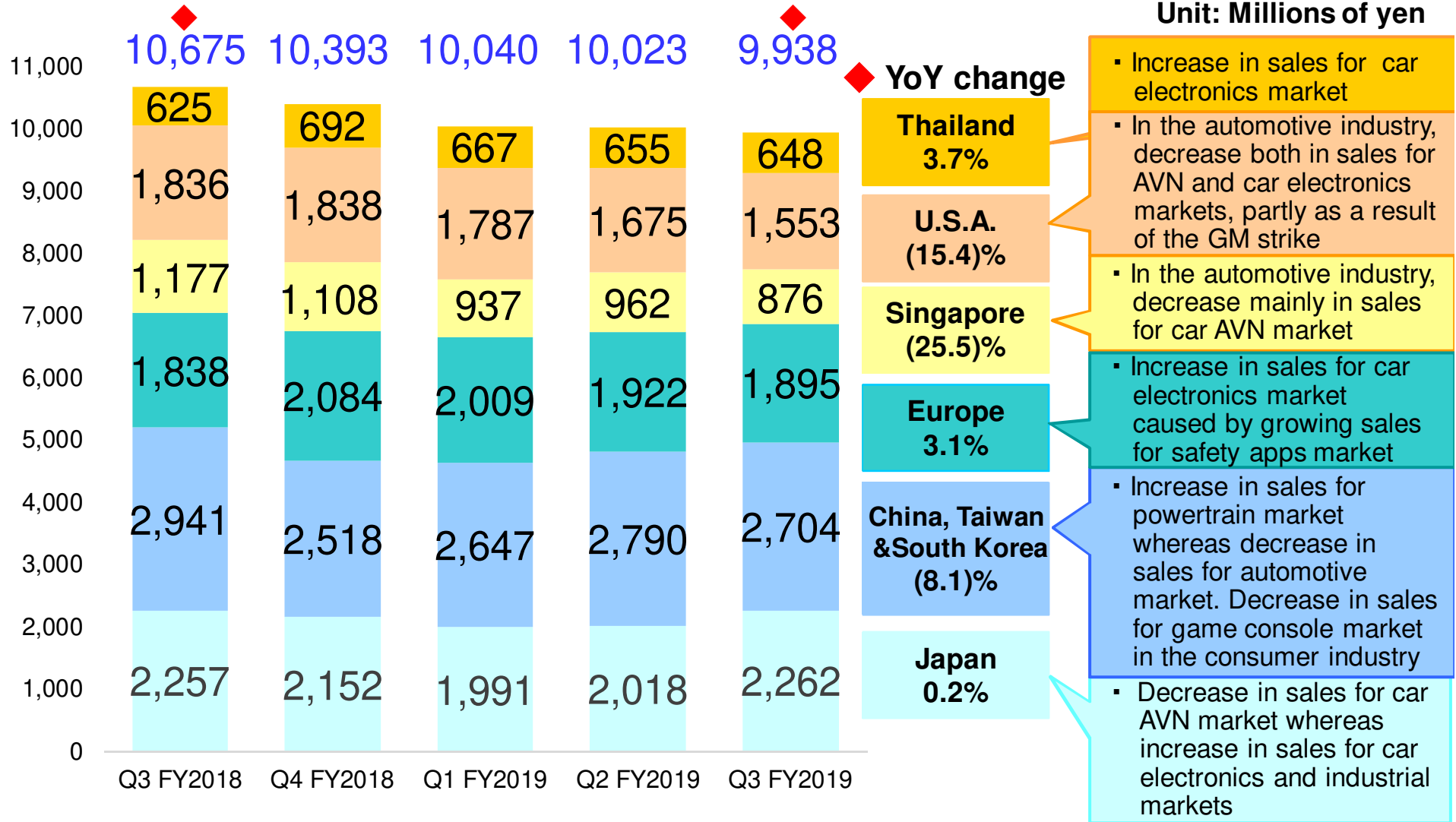
- YoY increase for the first time in the last two quarters
- Decrease mainly in sales for multi-function printer and game console markets
- Decrease in sales for markets of existing automotive applications such as car navigation systems market (infotainment area), clusters (infotainment) and switch (others) as a result of the downturn of new car sales mainly in China
- In infotainment area, sales affected by slump in sales for car navigation systems market
- In car electronics area, stable sales for safety apps and powertrain markets and increase compared with the 2Q



10. Net Sales by Area (Quarterly Trends)



Unit: Millions of yen



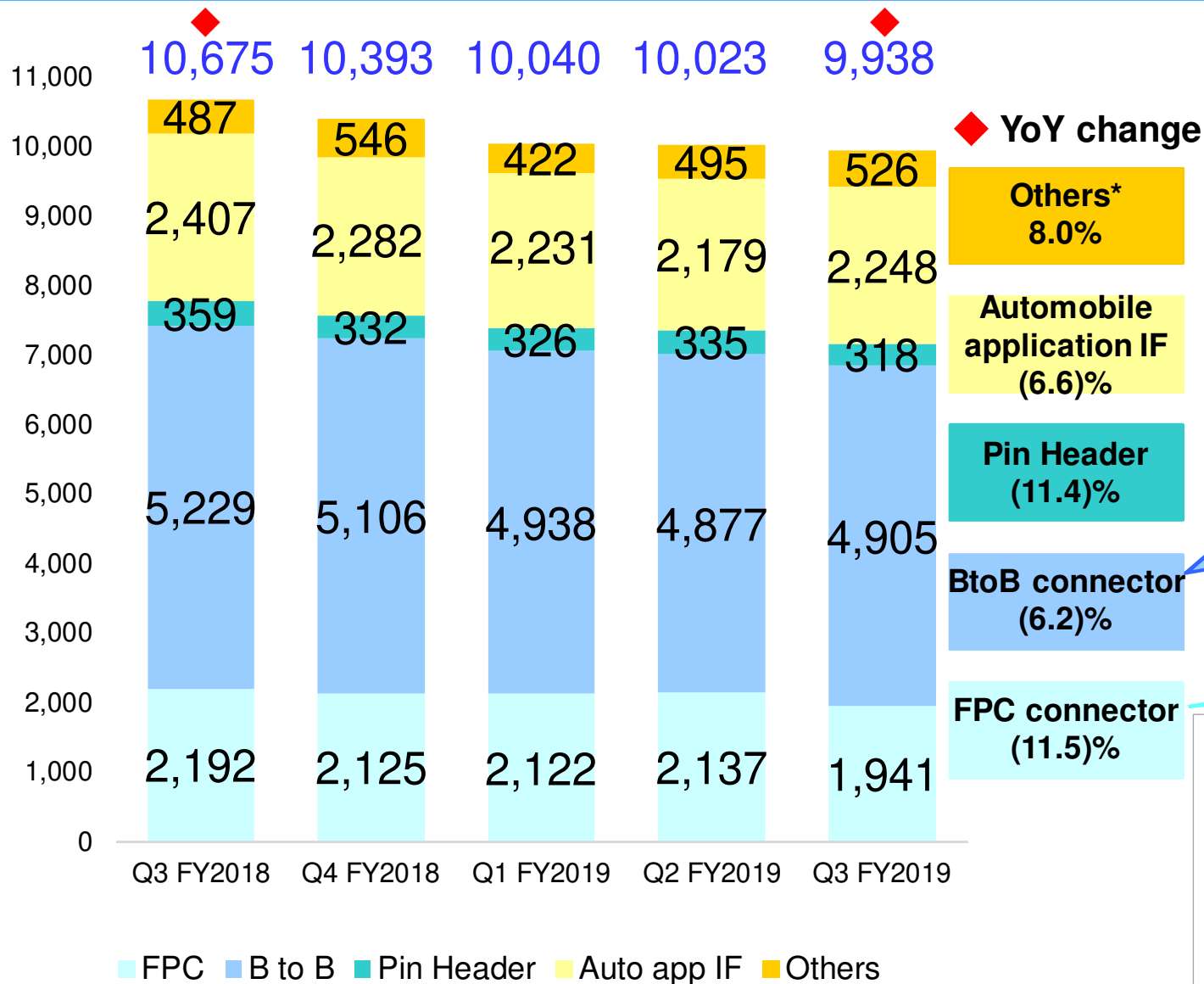
■ Japan ■ China, Taiwan and South Korea ■ Europe ■ Singapore ■ U.S.A ■ Thailand



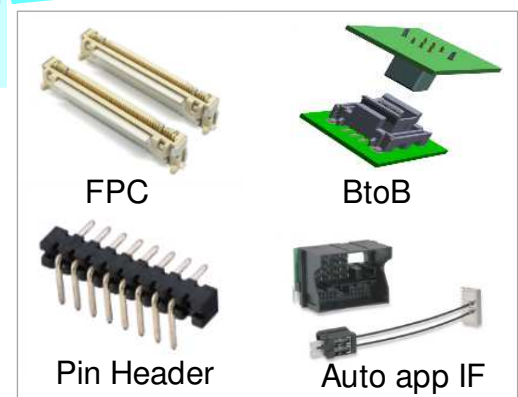
11. Net Sales by Product (Quarterly Trends)



Unit: Millions of yen



- Decrease in sales for the automotive industry
- Decrease in sales for car AVN market and the consumer industry.



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



Unit: Millions of yen

	1Q-3Q FY 2018		1Q-3Q FY 2019		YoY change	
Net sales	32,440	100.0%	30,002	100.0%	(2,438)	(7.5)%
Cost of sales	20,816	64.2%	20,023	66.7%	(792)	(3.8)%
Gross profit	11,624	35.8%	9,978	33.3%	(1,645)	(14.2)%
SG & A	6,611	20.4%	6,348	21.2%	(263)	(4.0)%
Operating income	5,012	15.5%	3,630	12.1%	(1,382)	(27.6)%
Non-operating income	300	0.9%	109	0.4%	(191)	(63.7)%
Non-operating expenses	24	0.1%	49	0.2%	25	107.0%
Ordinary income	5,289	16.3%	3,690	12.3%	(1,599)	(30.2)%
Extraordinary income (loss)	(139)	(0.4)%	(94)	(0.3)%	45	— %
Pretax income	5,149	15.9%	3,595	12.0%	(1,554)	(30.2)%
Net income (for HQ stockholders)	3,869	11.9%	2,750	9.2%	(1,119)	(28.9)%
EPS	163.86		116.72		—	
Exchange rate (USD/EURO)	110.82 Yen/		109.09 Yen/		(1.73) Yen/	
	129.38Yen		121.45 Yen		(7.93) Yen	

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



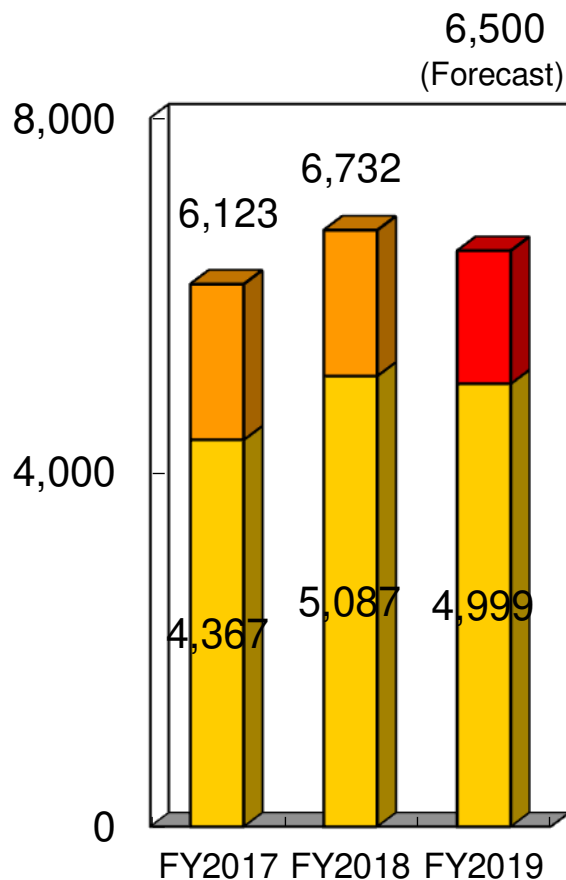
Unit: Millions of yen

	As of March 31, 2019		As of September 30, 2019		Increase /Decrease	Factors for increase/decrease
Current assets	35,103	57.1%	31,996	53.1%	(3,106)	Cash and deposits (2,686) Merchandise and finished goods(242)
Noncurrent assets	26,368	42.9%	28,311	46.9%	1,943	Property, plant and equipment 2,218 Intangible fixed assets(293)
Total assets	61,471	100.0%	60,308	100.0%	(1,163)	
Current liabilities	9,442	15.4%	7,480	12.4%	(1,961)	Income taxes payable(1,598) Notes payable and accounts payable(567)
Noncurrent liabilities	699	1.1%	1,116	1.9%	416	Long-term accounts payable(419)
Total liabilities	10,141	16.5%	8,597	14.3%	(1,544)	
Shareholders' equity	49,351	80.3%	50,681	84.0%	1,330	Retained earnings1,330
Valuation/translation difference	1,663	2.7%	695	1.2%	(967)	Foreign currency translation adjustment(963)
Minority interests	315	0.5%	333	0.6%	18	
Total net assets	51,329	83.5%	51,710	85.7%	380	Net assets per share 2,180.07yen (previous period 2,164.68 yen)
Total liabilities and net assets	61,471	100.0%	60,308	100.0%	(1,163)	

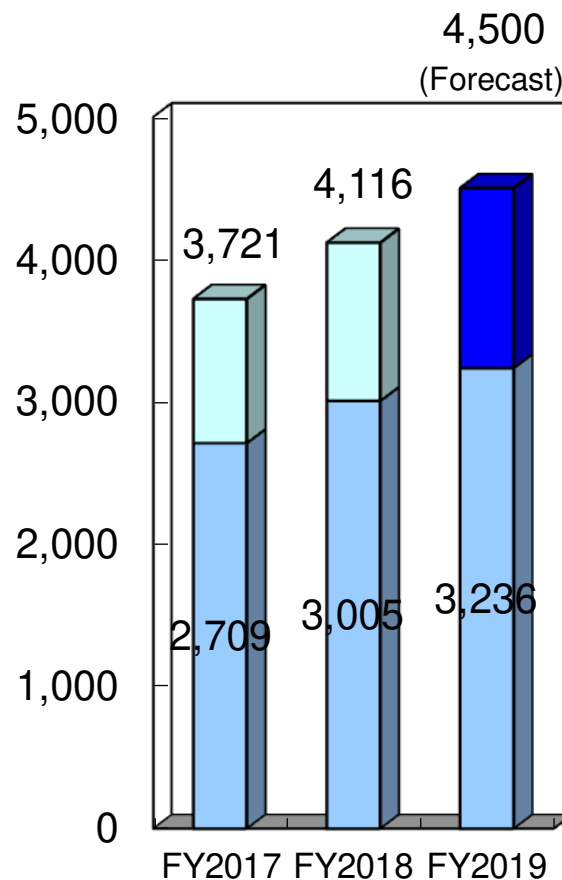
14. Capital Investment, Depreciation & Amortization, and Research & Development



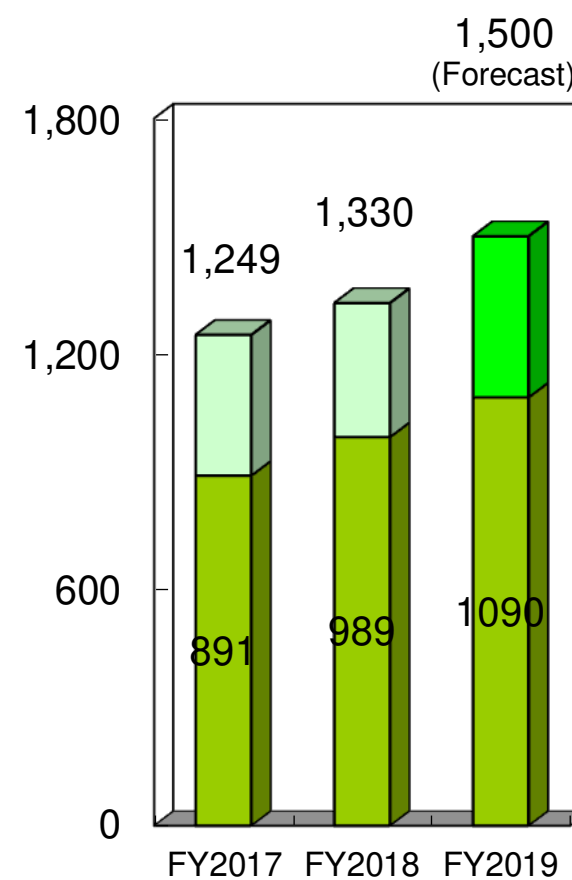
Unit: Millions of yen



Capital Expenditure



Depreciation & Amortization



Research & Development

Note: The figures at the foot of the bars show the actual results for the 3rd quarter, and those at the top of the bars show the full-year results (Results for FY2019 are forecasts).

Capital expenditures will be reduced to 6,500 M¥ yen from 7,500 M¥ according to the contingency plan.



I . Summary of the consolidated Financial Results for 3Q of FY 2019

II . Forecasts for FY 2019

II . Topics



1. FY2019 Revised Plan



Unit: millions of yen

- The sales and profit forecast released last November has been revised downward.
- Sales : -1 billion yen compared with the forecast previously released because a stagnation in economic activities in China over concerns of the spreading coronavirus could disrupt global supply chains and customers' temporary production adjustment is anticipated.
- Operating income : -1.6 billion yen compared with the forecast previously released due to declines in net sales and production caused by the novel coronavirus outbreak, rising gold prices, temporary spending to support the recovery of the local production plants from typhoon damages, and increase in strategic spending to further boost growth, and also because cost reduction strategies are expected to be less effective due to sales volume slowdown.

	FY2018 Results	FY2019 Targets as of Nov. 2019	Current revision to FY2019 plan
Net Sales	42,834	40,500	39,500
Operating Income	6,084 (14.2%)	6,100 (15.1%)	4,500 (11.4%)
Ordinary Income	6,325 (14.8%)	6,000 (14.8%)	4,560 (11.5%)
Net Income	3,722 (8.7%)	4,400 (10.8%)	3,300 (8.4%)
EPS	157.70 yen	186.70 yen	140.43 yen
Exchange rate	USD 110.69 yen EURO 128.43 yen CNY 16.53 yen	USD 108.53 yen EURO 120.77 yen CNY 15.54 yen	USD 108.84 yen EURO 121.12 yen CNY 15.61 yen



**I . Summary of the consolidated
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II . Forecasts for FY 2019

 **II . Topics**

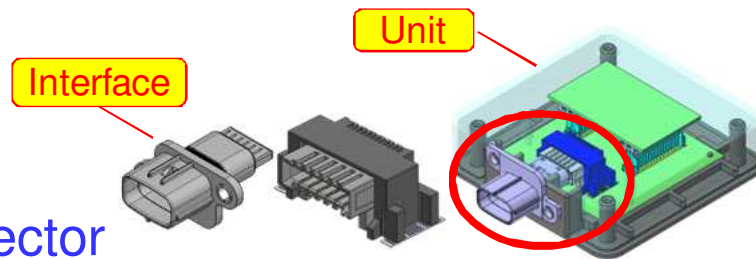


IRISO participated in International Robot Exhibition 2019

- 18 - 21 December 2019
- 140,000 visitors

IRISO robotic assembly technology was demonstrated in collaboration with Mitsubishi Electric to show “IRISO connectors enable customers to use robots in manufacturing plants.”

Exhibited Products

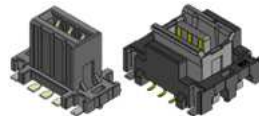


- **Unit-able™ Socket Connector**

Unit-able™ Socket Connectors are designed to customize a connection interface by standardizing connector sockets to meet different types of customer needs.

This product has a **Z-Move®** function that provides solutions for automated robotic assembly.

- **Floating BtoB® Connector**



Floating Connectors absorb positional misalignment and reduce stress to soldering points and contact areas, and prevent solder cracks. The connectors also allow multiple connector alignment on a board. IRISO offers a wide range of service options to meet customer needs.

Visit the website below to watch the demo video

→ **[IRISO International Robot Exhibition 2019]** (<https://www.youtube.com/watch?v=vFM5IaxPZnM>)





IRISO Is “ISO45001” Certified

IRISO HQ and Ibaraki Plant have been certified to “ISO45001” as the global standard for occupational health and safety management system.

IRISO has already been certified to the standards for quality management (ISO9001, IATF16949) and environmental management (ISO14001), and promoted eco-friendly activities for quality management and entire business operation to satisfy customers.

IRISO has also been certified to the standard for occupational health and safety.

All IRISO members ensure “Safety always comes first.” IRISO aims to provide working conditions that are safe and healthful for all employees and to create a positive workplace environment that increases employee motivation and happiness.

■ IRISO Global Standards Certified

Standard	Category	Certified Entity
ISO9001	Quality Management System	HQ, All plants
IATF16949	Automotive Sector Quality Management System	HQ, All plants
ISO14001	Environment Management System	HQ, All plants
OHSAS18001	Occupational Health and Safety Management System	Vietnam Plant
ISO45001 New	Occupational Health and Safety Management System	HQ, Ibaraki Plant



3. Topics ③ : Impact of the New Coronavirus Outbreak



Situation summary of an ongoing outbreak of pneumonia caused by the novel coronavirus originated in Wuhan city, Hubei province of China.

■ Announcements from Chinese governments

Authority	Date	Action
State Council of PRC	January 27 th	Extend the Lunar New Year holiday to Feb. 2 th
Shanghai City	January 27 th	Suspend business operations in Shanghai till Feb. 9 th
Nantong City	January 28 th	Suspend business operations in Nantong till Feb. 9 th

■ Resume dates for IRISO local entities in China (as of Feb. 4th)

Group Entity	City	Company	Resume Date
Plant	Shanghai	Shanghai IRISO Electronics Co., Ltd.	Feb. 10 th
Plant	Nantong	Nantong IRISO Electronics Co., Ltd.	Feb. 10 th
R&D Center	Shanghai	IRISO (Shanghai) R&D Center Co., Ltd.	Feb. 10 th
Sales Office	Shanghai	IRISO (Shanghai) Trading Co., Ltd.	Feb. 10 th

→ Any negative impact on customers such as delivery delay is not expected as long as the above work resuming dates are not changed.

■ IRISO local entities (as of Feb.4th)

Company has confirmed that any employees have not been infected so far. All employees of IRISO entities in China are required to wear face masks, measure body temperature and monitor health condition at workplace every morning. A crisis management team has already been deployed in HQ to take all preventive actions to combat coronavirus threat.

■ Potential impact on business performance

The revised plan reflects the potential impact of the outbreak. However, if the situation further affects Company's business performance etc., we will keep you updated accordingly.



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, Fukushima, 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)