

# **Consolidated Financial Results Briefing Materials For 3rd Quarter of FY 2020**

**IRISO ELECTRONICS CO., LTD.**  
***Stock Code: 6908***  
**(Feb 2, 2021)**



-  **I . Summary of the consolidated  
Financial Results for Q3 of FY 2020**
- II . FY2020 Financial Forecast**
- III . Topics**



# 1. Summary of Q3 FY2020 Business Results



Recovery trend after bottoming out in Q1 despite a YoY decrease due to the COVID-19 impact

- **Sales:**
  - A cumulative total of Q1-Q3 sales mainly in the automotive market has decreased as the global production has suspended and sales have been stagnant due to the worldwide COVID-19 downturn, and also because there has been the effect of strong JPY against USD and RMB.
  - Looking at quarterly change, rapid recovery trend has continued since sales bottomed out in Q1. Q3 sales alone have reached 10,851 million yen, **and assuming that the same currency exchange rate is applied to Q1-Q3, the Q3 sales hit an all-time high in the company's 55-year history.**
  - For sales by market, safety application and powertrain markets hit an all-time high sales record while, for sales by region, Greater China and South Korea hit an all-time high.
  - The sales breakdown of the safety application and powertrain markets as our key focus area is 26.2%. **Especially in the powertrain market, as Europe and China have announced their policies to raise or extend purchase subsidies for new energy vehicles (NEVs), the ratio rose year-over-year to approx. 65%**
  - Strong sales for TV and game consoles in the consumer market due to growth in demand as people have been “nesting” (sheltering at home) during the COVID-19 pandemic.
- **Operating income:** Despite the affect of shrinking operation due to dropping sales and the rise of gold prices and of inventory decrease due to rapidly growing customer demands from August onwards, **Q3 operating income alone has reached 14.4% and shows recovery in double-digit figures** owing to cost reduction activities and strict management of budget spending.

## 【Topics】

### ▪ Change of President

From April 2021 onwards, Hitoshi Suzuki, Senior Managing Director, will take over from Ikuo Yuki and start a new presidency. By leveraging his long-term engineering and marketing experience, he will continuously strive to develop the new organizational structure to achieve our goals of “to be a centenary company that creates customer values” and the mid-term management plan.

# (Reference) National Electrification Schemes by Country and Sales Topics



## National Electrification Schemes of Major Countries (2020)

Country (City)	EV Subsidy (Max)	Access Restriction Policy	Gasoline Cars Banned from
China	25,000 RMB ✘ Initially set to expire in 2020 but extended until 2022	TBD	2035
U.K.	£3,000	○	2030
France	€7,000 ✘ Raised in 2020	○	2040
Germany	€9,000 ✘ Raised in 2020	○	2030
U.S. (CA State)	\$4,500	○	2035
Japan	0.4 million yen	-	Mid-2030 (TBD)
Japan (Tokyo)	-	-	2035

## Sales Volume Topics (2020)

1.36 million volume with YoY increase of 10.9% in China whereas more rapid increase in Europe than in China owing to raised purchase subsidies for NEVs.



## 2. Consolidated Results for Q3 of FY 2020 (YoY Change)



Unit: Millions of yen

	Q1-Q3 FY 2019	Q1-Q3 FY 2020	YoY change
Net sales	30,002	25,920	(4,082) (13.6)%
Operating income	3,630 12.1%	1,739 6.7%	(1,891) (52.1)%
Ordinary income	3,690 12.3%	1,580 5.4%	(2,110) (57.2)%
Net income	2,750 9.2%	1,104 4.3%	(1,646) (59.8)%
EPS	116.72 yen	46.87 yen	
Average exchange rate during the period	USD 109.09 yen EURO 121.45 yen RMB 15.70 yen	105.87 yen 122.30 yen 15.38 yen	(3.22) yen 0.85 yen (0.32) yen

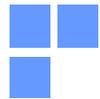


### 3. Breakdown of Net Sales (by Market)



Unit: Millions of yen

		Q1-Q3 FY 2020	YoY Change	Breakdown	Change Factors
<b>Automotive</b> (automotive applications)		21,020	(17.8)%	81.1%	<ul style="list-style-type: none"> <li>Obvious recovery in the entire automotive market owing to 100% increase in Q3 sales compared to Q1 and 20% increase compared to Q2</li> <li>3Q sales an hit all-time high in the safety application and powertrain markets</li> <li>Strong sales especially in the powertrain market mainly in Europe and China 65% YoY increase in a cumulative total of Q1-Q3 sales</li> </ul>
<b>Area</b>	<b>Infotainment</b>	10,888	(24.8)%	42.0%	
	<b>Safety</b>	4,764	(13.4)%	18.4%	
	<b>Powertrain</b>	2,015	64.2%	7.8%	
	<b>Others</b>	3,352	(22.8)%	12.9%	
<b>Consumer</b> (OA, game consoles, digital cameras, cellular phones, televisions, etc.)		3,152	9.9%	12.2%	<ul style="list-style-type: none"> <li>Increase in sales for TV and game consoles due to growth in demand as people have been “nesting” (sheltering at home) during the COVID-19 pandemic</li> </ul>
<b>Industrial</b> (Industrial equipment, etc.)		1,747	10.8%	6.7%	<ul style="list-style-type: none"> <li>Increase due to growth in demand in China</li> </ul>
<b>Total</b>		25,920	(13.6)%	100.0%	<ul style="list-style-type: none"> <li>76.9% overseas ratio</li> </ul>

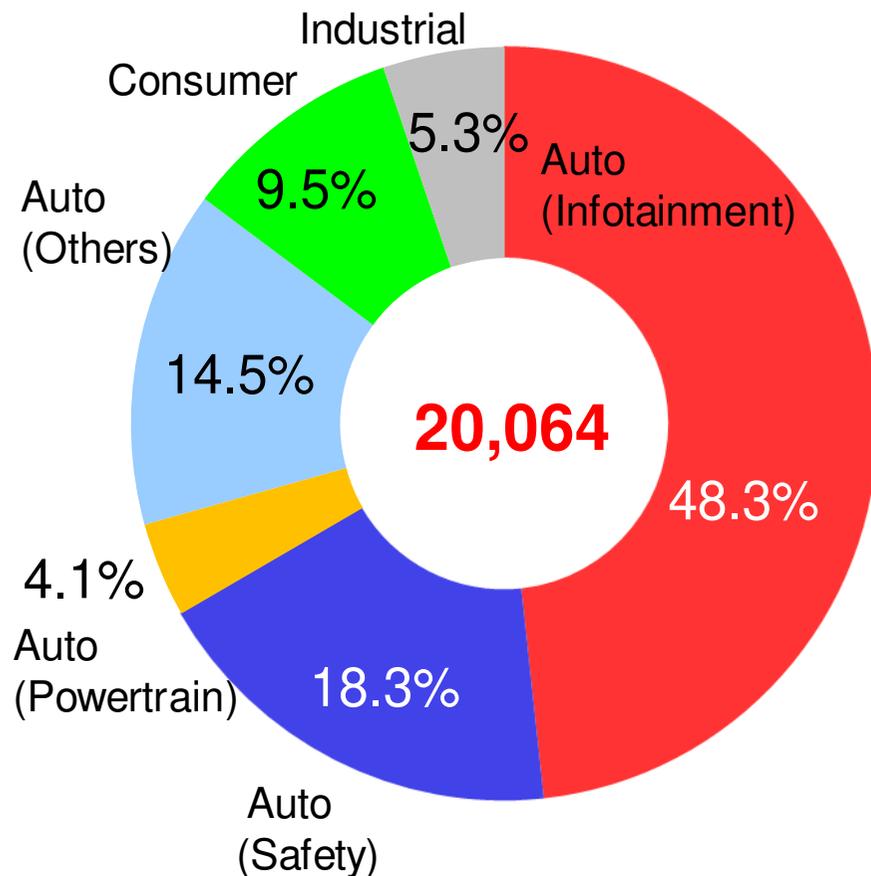


## 4. Net Sales Breakdown by Market (YoY)

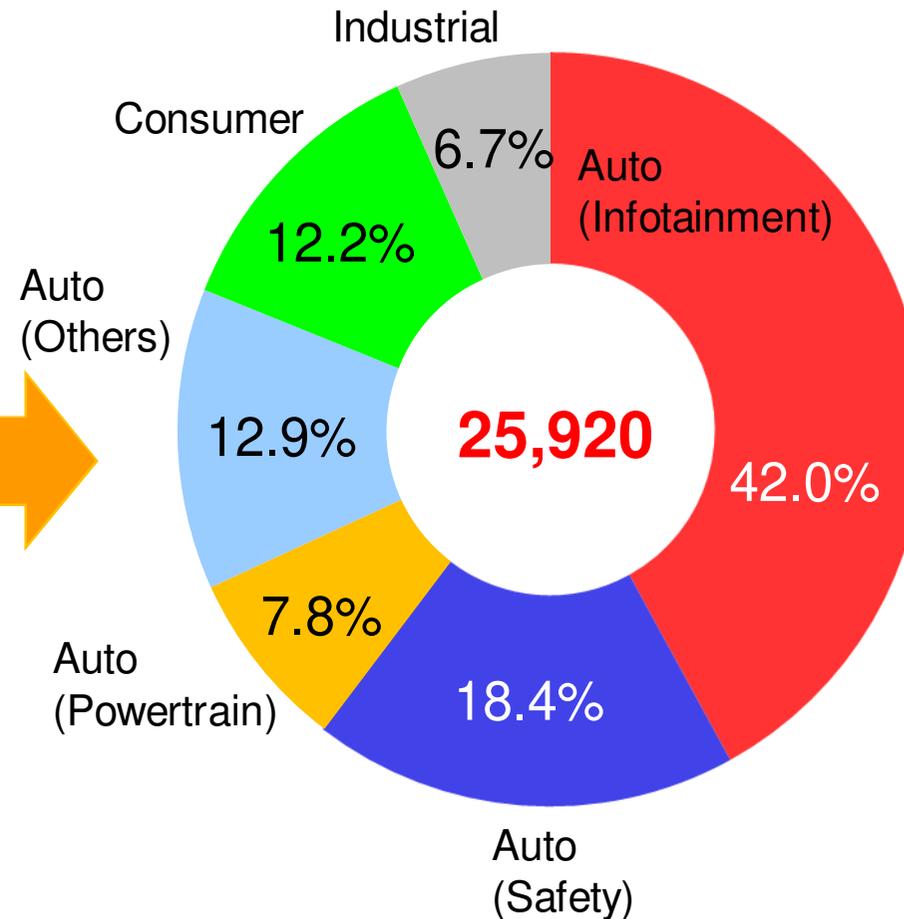


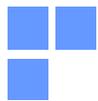
Unit: Millions of yen

### Q1-Q3 FY2019



### Q1-Q3 FY2020

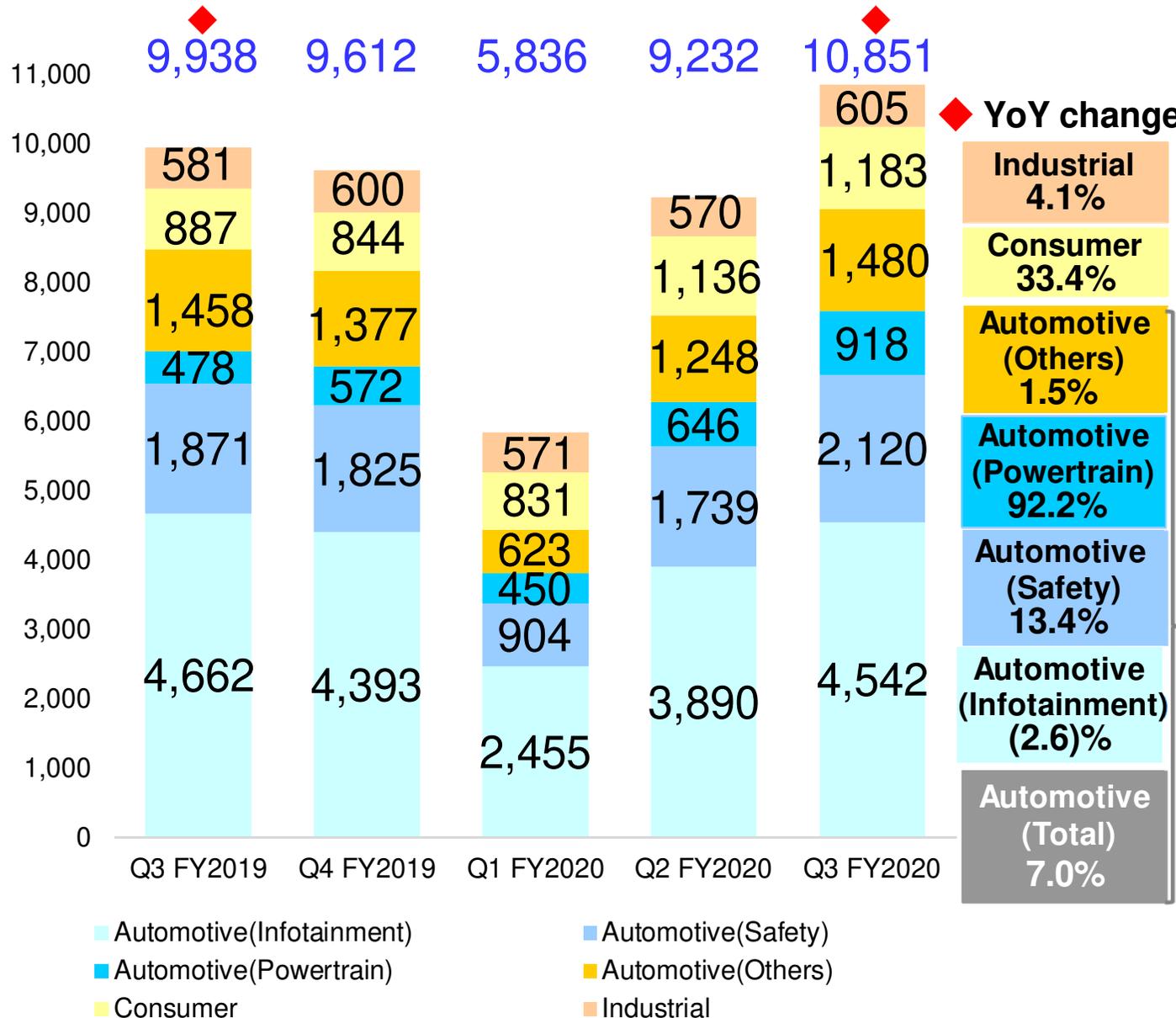




# 5. Net Sales by Market (Quarterly Trends)



Unit: Millions of yen



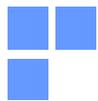
◆ YoY change

- Industrial 4.1%

- Consumer 33.4%

- Automotive (Others) 1.5%
- Automotive (Powertrain) 92.2%
- Automotive (Safety) 13.4%
- Automotive (Infotainment) (2.6%)
- Automotive (Total) 7.0%

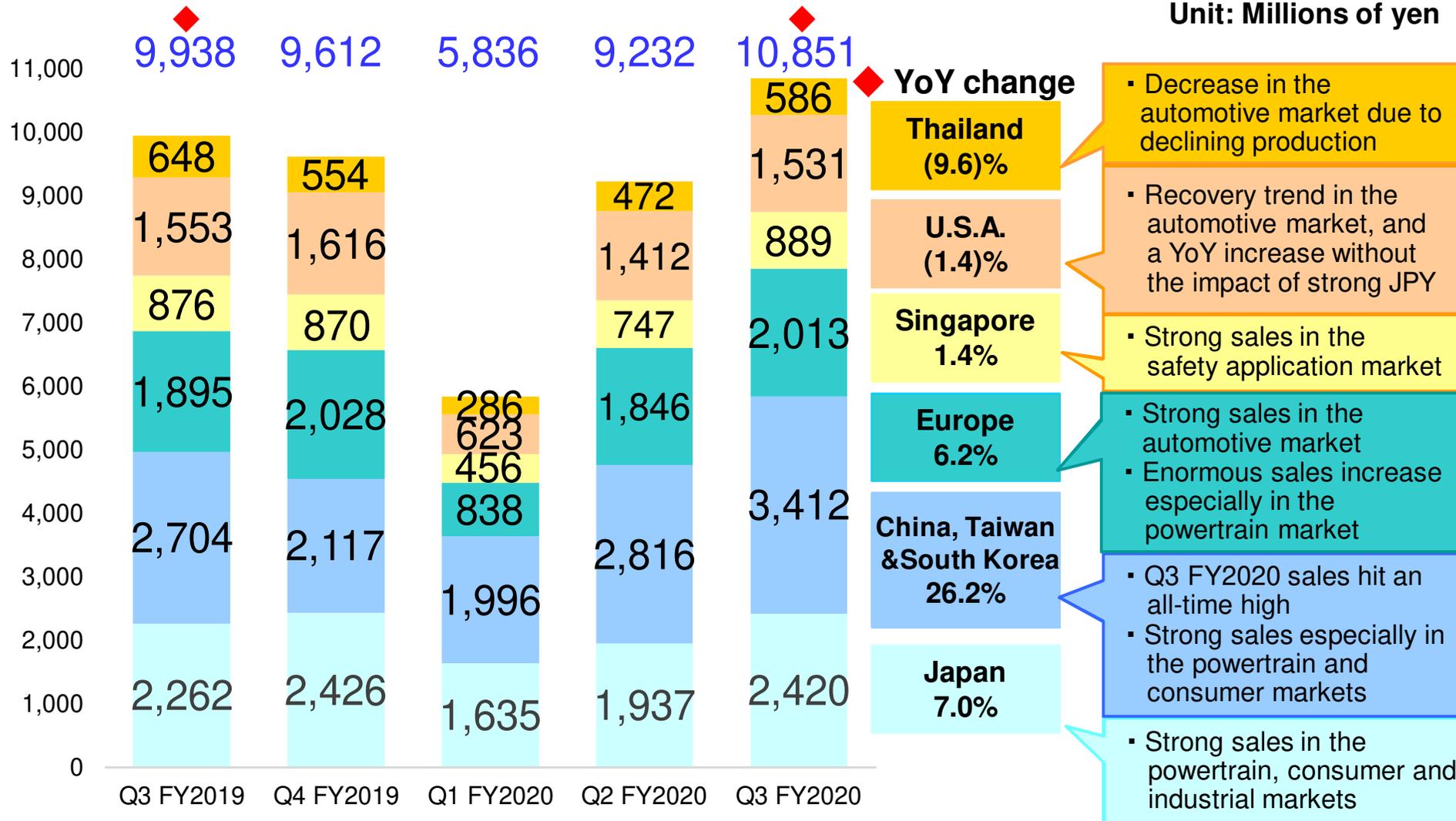
- Increase due to growth in demand as Chinese market has been recovering
- Increase in sales for game consoles and TV
- A YoY increase in Q3 sales alone in the entire automotive market for the first time since Q2 FY2018
- Strong sales in the safety application and powertrain markets as the company's key focus areas and Q3 sales hit an all-time high in both markets
- Increase in sales for radar and camera in the safety application market
- Boosted by strong sales for battery application and inverter for external power supply in the powertrain market due to growth in demand for eco-friendly cars



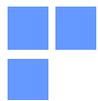
# 6. Net Sales by Area (Quarterly Trends)



Unit: Millions of yen



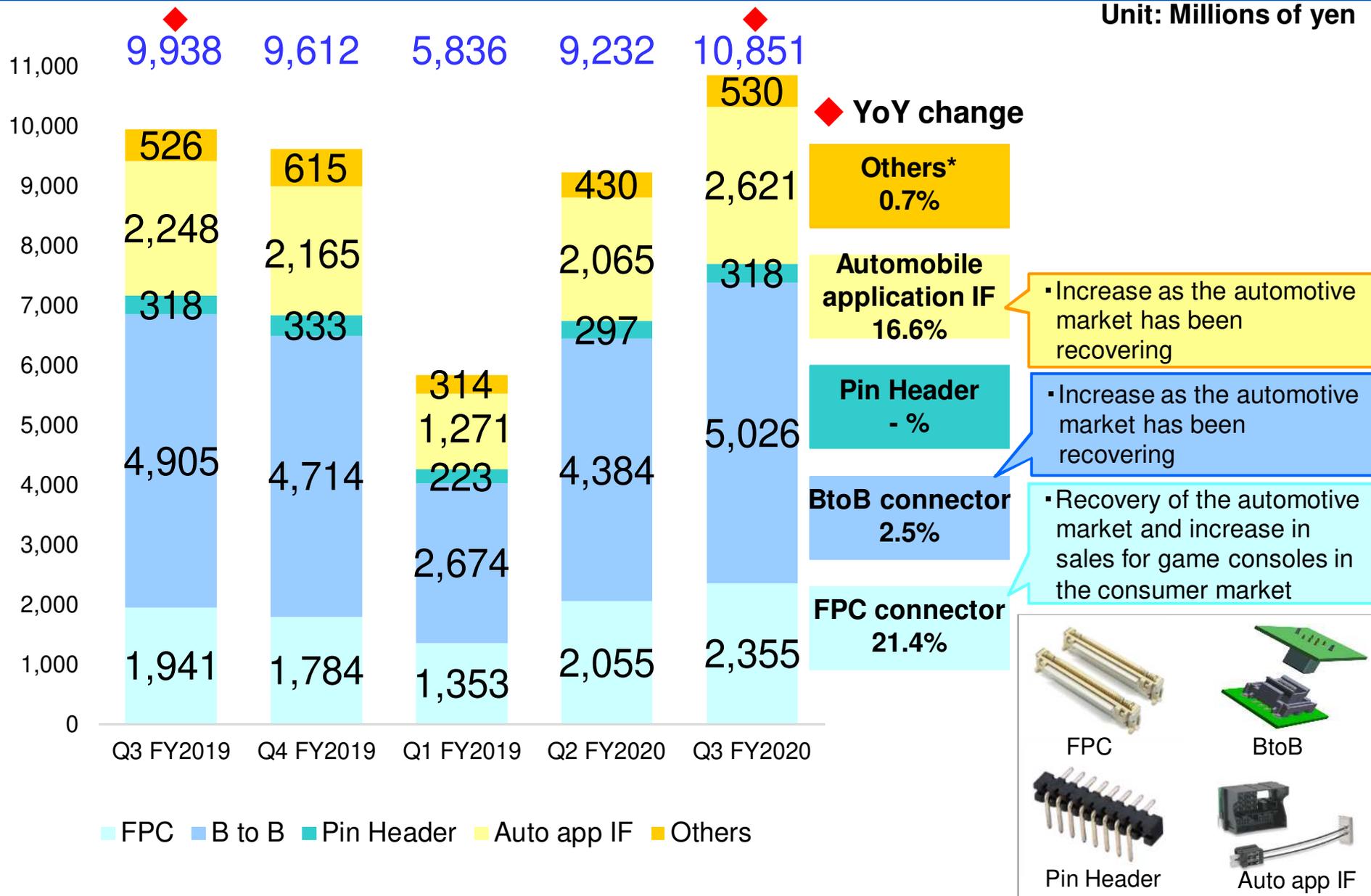
■ Japan ■ China, Taiwan and South Korea ■ Europe ■ Singapore ■ U.S.A ■ Thailand



# 7. Net Sales by Product (Quarterly Trends)



Unit: Millions of yen



## 8. Consolidated Income Statement (Cumulative) (YoY Change)



Unit: Millions of yen

	Q1-Q3 FY 2019		Q1-Q3 FY 2020		YoY change	
<b>Net sales</b>	30,002	100.0%	25,920	100.0%	(4,082)	(13.6)%
<b>Cost of sales</b>	20,023	66.7%	18,303	70.6%	(1,720)	(8.6)%
<b>Gross profit</b>	9,978	33.3%	7,617	29.4%	(2,361)	(23.7)%
<b>SG &amp; A</b>	6,348	21.2%	5,877	22.7%	(470)	(7.4)%
<b>Operating income</b>	3,630	12.1%	1,739	6.7%	(1,891)	(52.1)%
<b>Non-operating income</b>	109	0.4%	133	0.5%	24	22.2%
<b>Non-operating expenses</b>	49	0.2%	293	1.1%	243	487.2%
<b>Ordinary income</b>	3,690	12.3%	1,580	6.1%	(2,110)	(57.2)%
<b>Extraordinary income (loss)</b>	(94)	(0.3)%	(85)	(0.3)%	8	(9.4)%
<b>Pretax income</b>	3,595	12.0%	1,494	5.8%	(2,101)	(58.4)%
<b>Net income (for HQ stockholders)</b>	2,750	9.2%	1,104	4.3%	(1,646)	(59.8)%
<b>EPS</b>	116.72yen		46.87 yen		—	
<b>Exchange rate (USD/EURO/RMB)</b>	109.09 yen/ 121.45 yen/15.70 yen		105.87 yen/ 122.30 yen/15.38 yen		(3.22) yen/ 0.85 yen/(0.32)yen	



## 9. Consolidated Balance Sheets (YoY Change)



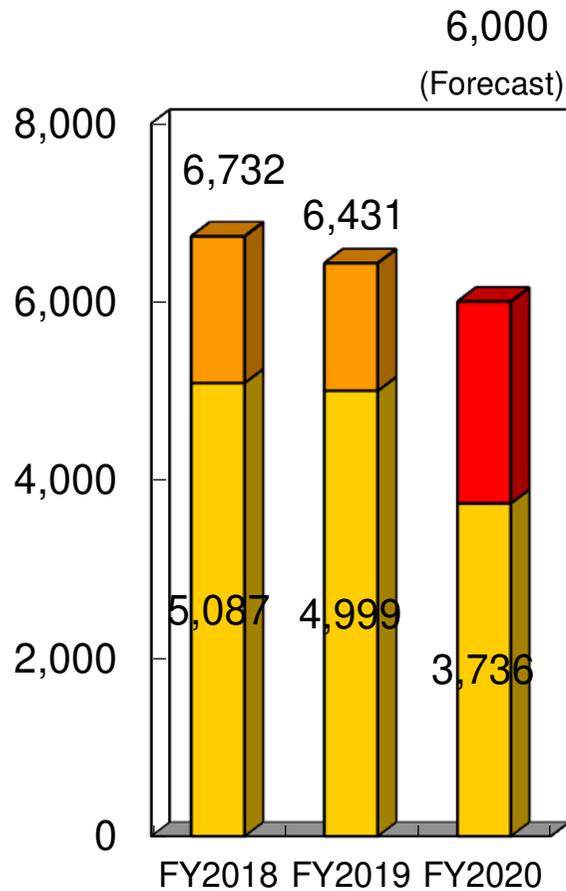
Unit: Millions of yen

	Q3 FY2019		Q3 FY2020		YoY Change	Change Factor
<b>Current assets</b>	32,395	53.4%	32,378	54.0%	(16)	Notes and accounts receivable <sup>577</sup> Cash and deposits (987)
<b>Noncurrent assets</b>	28,242	46.6%	27,625	46.0%	(617)	Property, plant and equipment (680)
<b>Total assets</b>	60,638	100.0%	60,003	100.0%	(634)	
<b>Current liabilities</b>	7,928	13.1%	7,245	12.1%	(682)	Notes payable and accounts payable <sup>(313)</sup> Accounts payable <sup>(992)</sup>
<b>Noncurrent liabilities</b>	1,190	2.0%	1,255	2.1%	65	
<b>Total liabilities</b>	9,118	15.0%	8,501	14.2%	(616)	
<b>Shareholders' equity</b>	51,217	84.5%	51,145	85.2%	(72)	Retained earnings <sup>1,104</sup> Dividend <sup>(1,183)</sup>
<b>Valuation/translation difference</b>	(15)	- %	(13)	0.0%	2	
<b>Minority interests</b>	317	0.5%	369	0.6%	52	
<b>Total net assets</b>	51,519	85.0%	51,501	85.8%	(17)	Net assets per share 2,169.68yen (previous period 2,172.66 yen)
<b>Total liabilities and net assets</b>	60,638	100.0%	60,003	100.0%	(634)	

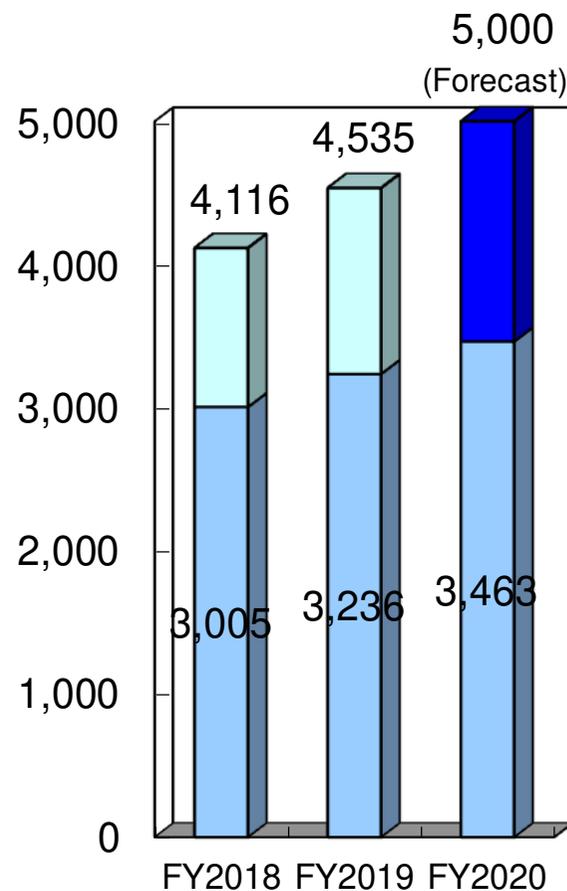
# 10. Capital Investment, Depreciation & Amortization, and Research & Development



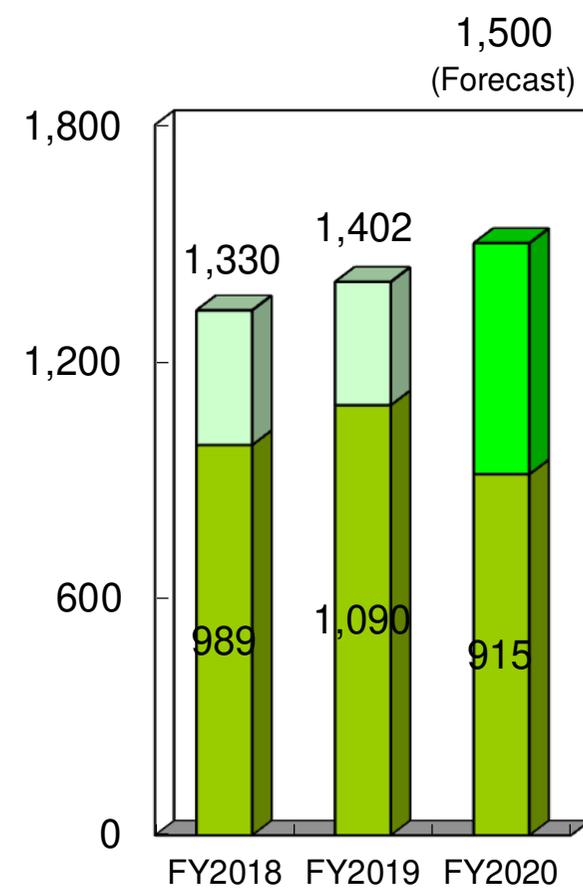
Unit: Millions of yen



**Capital Expenditure**

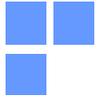


**Depreciation & Amortization**



**Research & Development**

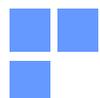
Note: Each figure at the foot of bars shows the actual amount for the third quarter, and those at the top are for full year.



**I . Summary of the consolidated  
Financial Results for Q3 of FY 2020**

 **II . FY2020 Financial Forecast**

**III . Topics**



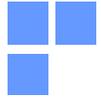
# 1. FY2020 Revised Plan (2<sup>nd</sup> Upward Revision)



Unit: Millions of yen

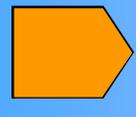
- The second wave of the COVID-19 infections across Europe and others is now our great concern, and there is no knowing what may happen later. However, the plan is revised upward again as the market has been recovering more rapidly than initially expected.
- By cost reduction and strict cost management, operating income of more than 10% is to be achieved.
- Expected dividend per share is upwardly revised from 40 yen to 50 yen.

	Results of FY 2019	Initial targets for FY 2020	Revised Plan of FY 2020 As of Nov. 5, 2020	Revised Plan of FY 2020 As of Feb. 2, 2021
Net sales	39,614	34,000	34,500	36,000
Operating income	4,628 11.7%	1,400 4.1%	2,700 7.8%	3,250 9.0%
Ordinary income	4,668 11.8%	1,400 4.1%	2,600 7.5%	3,050 8.9%
Net income	3,287 8.3%	1,100 3.2%	1,800 5.2%	2,200 6.1%
EPS	139.49yen	46.68yen	76.38yen	93.35yen
Average exchange rate during the period	USD109.10yen EURO121.13yen RMB 15.66yen	USD108.00yen EURO120.00yen RMB 15.80yen	USD108.00yen EURO120.00yen RMB 15.80yen	USD105.50yen EURO123.01yen RMB 15.47yen
<b>Dividend</b>	<b>50yen</b>	<b>40yen</b>	<b>40yen</b>	<b>50yen</b>



**I . Summary of the consolidated  
Financial Results for Q3 of FY 2020**

**II . FY2020 Financial Forecast**

 **III . Topics**



## New President to take office on April 1, 2021



New President: Hitoshi Suzuki

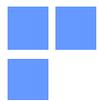
### ■ Personal History Summary

- In 1966 Born in Shizuoka Prefecture
- In 1989 Joined the company
- In 2006 Executive Officer, Engineering Dept. Manager
- In 2012 Executive Officer, Sales Headquarters,  
Head Office Sales Management Division.  
Automotive Dept. Manager
- In 2014 Executive Officer,  
Engineering Headquarters General Manager,  
Automotive business representative
- In 2019 Senior Managing Executive Officer,  
Engineering Headquarters General Manager,  
Automotive business representative
- In 2020 Senior Managing Executive Officer, Sales Headquarters
- present Global Project Leader, IRISO ELECTRONIC Philippines  
Inc. Managing Director

■ **Hobby:** Playing with his dog (Shiba-Inu) , Playing golf & Gardening

- He has engineering background and also full experience in sales so that he has been leading the growth of IRISO automotive business in the global market.
- As a project leader, he has been involved in the company’s main projects on growing markets including the automotive PA 25, 5G and robot projects that are crucial for the company’s future growth and in development of the mid-term management plan
- He will strive to promote our growth plan and corporate slogan “to be a centenary company that creates customer values” by passing the management structure on to the next generation

Note: PA25: Safety apps., powertrain, motor, infotainment, and 5 apps. for two-wheeled vehicles

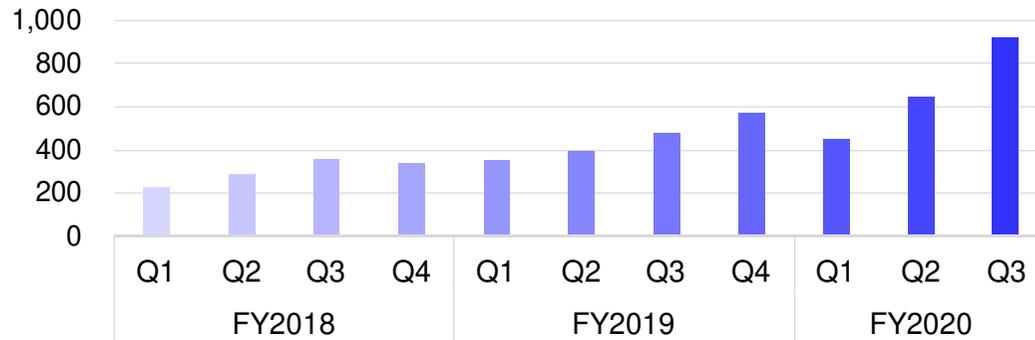


Millions of Yen

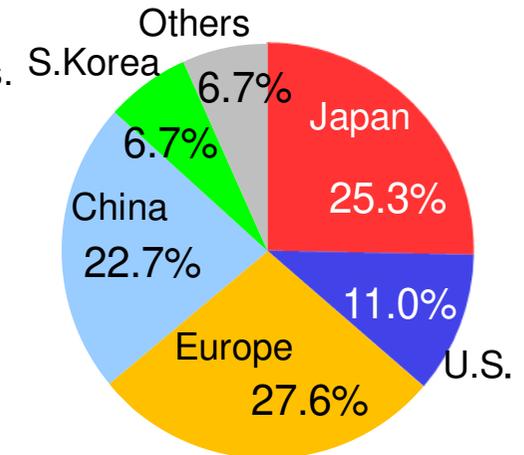
## Outcome of Accelerated Electrification

As implementation of tougher environmental regulations has been accelerating, car electrification has been boosted mainly in Europe and China.

- IRISO sees sales increasing. Sales breakdown of a cumulative total of Q1-Q3 FY2020 sales rose to 7.8%
- Business with not only Japanese but also global powertrain manufacturers has already started. Eventually, our products are adopted by about forty NEV makers.



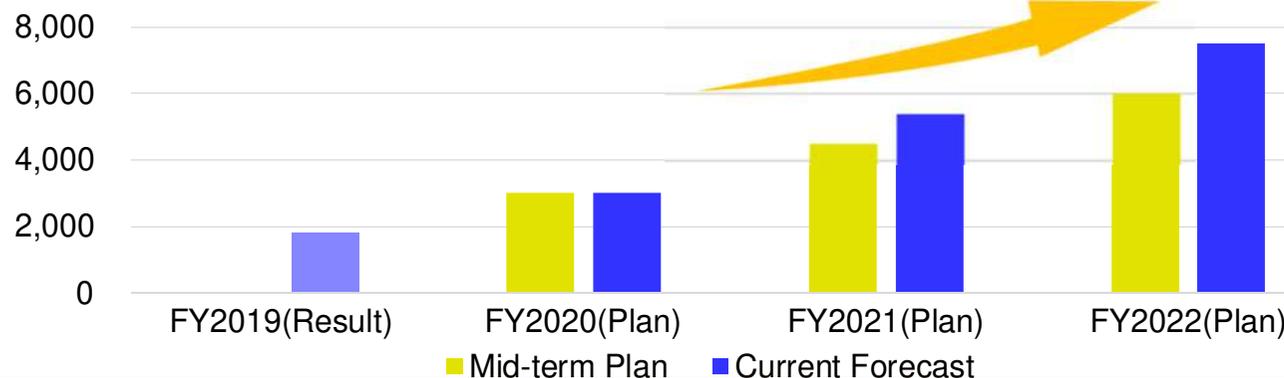
Quarterly change in sales in the powertrain market



Cumulative total of Q1-Q3 FY2020 sales in the powertrain market  
Sales breakdown by NEV makers adopting our products

## Future

As more orders have been placed than expected, sales are forecast to go beyond the target of the mid-term management plan of August 2020



### FY2022 Sales Plan

- Mid-Term Plan: 6 billion yen
- Current Forecast: 7.5 billion yen  
→ +1.5 billion yen



<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>3,369 (as of March 31, 2020)</b>
<b>Capital</b>	<b>5,640 million yen (as of March 31, 2020)</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, Shenzhen, Chongqing), 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>