

Translation

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Consolidated Financial Results for the Three Months Ended June 30, 2024 (Based on Japanese GAAP)

August 2, 2024

Company name: IRISO ELECTRONICS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 6908 URL <https://www.irisoele.com/jp/>
 Representative: President & Representative Director Hitoshi Suzuki
 Inquiries: Executive Vice President & Director /
 General Manager of Administration Division Mitsuyoshi Toyoshima TEL 045-478-3111
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated financial results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	12,534	0.3	190	(80.3)	866	(46.7)	371	(70.3)
Three months ended June 30, 2023	12,496	4.8	967	(30.8)	1,625	(21.7)	1,251	(12.9)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥3,758 million [(6.5)%]
 Three months ended June 30, 2023: ¥4,018 million [(19.3)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2024	15.83		—	
Three months ended June 30, 2023	53.19		—	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2024	103,145		77,686		74.5	
As of March 31, 2024	96,856		77,016		78.7	

(Reference) Equity: As of June 30, 2024: ¥76,829 million
 As of March 31, 2024: ¥76,233 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
Year ended March 31, 2024	Yen —	Yen 0.00	Yen —	Yen 90.00	Yen 90.00
Year ending March 31, 2025	—				
Year ending March 31, 2025 (Forecast)		0.00	—	100.00	100.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Forecast of consolidated financial results for the year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	58,000	4.9	7,000	17.9	6,800	(5.4)	5,200	(7.0)	226.82

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2024
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please refer to the attached document “2. (3) Notes to Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)” on page 7.
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- | | |
|--|----|
| Changes in accounting policies due to revisions to accounting standards and other regulations: | No |
| Changes in accounting policies due to other reasons: | No |
| Changes in accounting estimates: | No |
| Restatement of prior period financial statements: | No |
- (4) Number of issued shares (common shares)
- Total number of issued shares at the end of the period (including treasury shares):
- | | | | |
|---------------------|-------------------|----------------------|-------------------|
| As of June 30, 2024 | 24,583,698 shares | As of March 31, 2024 | 24,583,698 shares |
|---------------------|-------------------|----------------------|-------------------|
- Number of treasury shares at the end of the period:
- | | | | |
|---------------------|------------------|----------------------|------------------|
| As of June 30, 2024 | 1,385,493 shares | As of March 31, 2024 | 1,057,800 shares |
|---------------------|------------------|----------------------|------------------|
- Average number of shares during the period:
- | | | | |
|----------------------------------|-------------------|----------------------------------|-------------------|
| Three months ended June 30, 2024 | 23,465,927 shares | Three months ended June 30, 2023 | 23,523,781 shares |
|----------------------------------|-------------------|----------------------------------|-------------------|
- (Note) Number of treasury shares at the end of the period is presented including the Company’s treasury shares held by the “Directors’ compensation BIP (Board Incentive Plan) trust” (as of June 30, 2024: 135,119 shares, as of March 31, 2024: 147,426 shares). The Company’s treasury shares held by the “Directors’ compensation BIP (Board Incentive Plan) trust” have been included in treasury shares deducted in calculation of the average number of shares during the period.

*Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: No

* Explanation of the proper use of financial results forecast and other notes
The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company, and actual results may vary significantly due to various factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

Looking at the world economy during the reporting period of FY2024 Q1, the US economy showed signs of positive expectations for future performance as it remained on a steady growth track, helped mainly by strong consumer spending, whereas the Chinese economy showed signs of continued strain due to weak domestic demand, including property market downturn.

Even though the global manufacturing activity shows early signs of recovery, the automotive market, the company's key focus area, showed signs of slowing auto production due to tepid EV sales in China, EU and America since the latter half of FY2023, as well as Japanese automakers' certification fraud scandal.

Given such business environments, the future mobility market saw a drop in sales, as a reversion to a rise in sales during FY2023 Q4, a period when some customers secured safety inventory against shortage anticipated during the company's whole system change to a new ERP from April 1, 2024. It was also affected by the continuous slowdown of main Chinese customers' powertrain production for xEV (EV, FCHV, PHV, HEV), EV sales slump in EU and America, and the safety test scandal in Japan. Besides, demand in the consumer market continued to decline, while a downturn in sales for FA equipment in the industrial market continued. As a result, the company's sales remained at ¥12,534 million, up 0.3% YoY.

When it comes to profit, an operating profit decreased to ¥190 million, down 80.3% YoY, ordinary profit to ¥866 million, down 46.7% YoY, whereas profit attributable to owners of the parent increased to ¥371 million, down 70.3% YoY, due to stagnant sales, exchange rate swings, soaring raw material costs, increased fixed costs, driven by the new ERP system launch, and others.

(2) Explanation of Financial Position

Total assets at the end of the current three months increased ¥6,288 million from the end of the previous fiscal year (March 31, 2024) to ¥103,145 million due to an increase in cash and deposits for upfront investments, new ERP system, and construction of Akita plant. The main factors for the increase were ¥4,602 million increase in cash and deposits and ¥2,947 million increase in software.

Total liabilities increased ¥5,619 million to ¥25,458 million due to an increase in borrowings to fund the construction of Akita plant.

Net assets increased ¥669 million to ¥77,686 million, mainly due to an increase of ¥371 million in profit attributable to owners of parent, a decrease of ¥2,130 million due to dividends, and an increase of ¥3,289 million in foreign currency translation adjustments.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information

Forecast of consolidated financial results for the full year of the fiscal year ending March 31, 2025, is unchanged from the forecast announced on May 8, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	26,692	31,295
Notes and accounts receivable - trade, and contract assets	15,010	14,396
Merchandise and finished goods	8,215	8,483
Work in process	0	25
Raw materials and supplies	4,400	4,300
Other	1,837	2,085
Allowance for doubtful accounts	(64)	(63)
Total current assets	56,093	60,523
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,778	6,048
Machinery, equipment and vehicles, net	16,669	16,870
Tools, furniture and fixtures, net	4,569	4,796
Land	1,890	1,918
Construction in progress	6,422	7,622
Total property, plant and equipment	35,330	37,256
Intangible assets		
Software	217	3,165
Software in progress	3,159	47
Goodwill	91	83
Other	5	1
Total intangible assets	3,473	3,297
Investments and other assets		
Investment securities	239	255
Deferred tax assets	1,060	1,132
Other	713	734
Allowance for doubtful accounts	(55)	(55)
Total investments and other assets	1,957	2,067
Total non-current assets	40,762	42,621
Total assets	96,856	103,145

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,466	4,728
Short-term borrowings	1,261	7,299
Current portion of long-term borrowings	841	841
Income taxes payable	732	716
Provision for bonuses	724	578
Provision for directors' bonuses	—	17
Other	4,397	4,970
Total current liabilities	13,423	19,151
Non-current liabilities		
Long-term borrowings	4,722	4,513
Retirement benefit liability	507	510
Provision for share awards for directors (and other officers)	147	77
Other	1,038	1,205
Total non-current liabilities	6,415	6,306
Total liabilities	19,839	25,458
Net assets		
Shareholders' equity		
Share capital	5,640	5,640
Capital surplus	8,744	8,744
Retained earnings	49,281	47,522
Treasury shares	(1,167)	(2,124)
Total shareholders' equity	62,498	59,782
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	72	78
Foreign currency translation adjustment	13,624	16,914
Remeasurements of defined benefit plans	37	54
Total accumulated other comprehensive income	13,734	17,046
Non-controlling interests	783	857
Total net assets	77,016	77,686
Total liabilities and net assets	96,856	103,145

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	12,496	12,534
Cost of sales	8,646	9,259
Gross profit	3,849	3,275
Selling, general and administrative expenses	2,882	3,084
Operating profit	967	190
Non-operating income		
Interest income	52	89
Dividend income	1	2
Foreign exchange gains	666	599
Other	5	32
Total non-operating income	726	723
Non-operating expenses		
Interest expenses	29	41
Loss on valuation of derivatives	33	2
Other	4	2
Total non-operating expenses	68	47
Ordinary profit	1,625	866
Extraordinary income		
Gain on sale of non-current assets	2	0
Total extraordinary income	2	0
Extraordinary losses		
Loss on retirement of non-current assets	5	55
Impairment losses	—	128
Loss from money transfer scam at foreign subsidiary	—	36
Total extraordinary losses	5	219
Profit before income taxes	1,622	646
Income taxes - current	275	322
Income taxes - deferred	61	(82)
Total income taxes	337	239
Profit	1,284	407
Profit attributable to non-controlling interests	33	35
Profit attributable to owners of parent	1,251	371

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,284	407
Other comprehensive income		
Valuation difference on available-for-sale securities	8	6
Foreign currency translation adjustment	2,728	3,328
Remeasurements of defined benefit plans, net of tax	(3)	16
Total other comprehensive income	2,734	3,351
Comprehensive income	4,018	3,758
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,960	3,684
Comprehensive income attributable to non-controlling interests	58	74

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes regarding Significant Fluctuations to Shareholders' Equity)

Not applicable.

(Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)

(Calculating the tax expense)

The effective tax rate expected to be imposed on pretax profit (after tax effect accounting) applicable to the consolidated fiscal year in which the first quarter of the current consolidated fiscal year under review is included was estimated based on reasonable assumptions, and tax expenses for certain consolidated subsidiaries were calculated by multiplying the quarterly pretax profit by the estimated effective tax rate.

(Additional Information)

(Transactions Related to the BIP Trust for Directors' Remuneration)

The Company has introduced the "BIP Trust for Directors' Remuneration" as a performance-linked stock compensation plan for the Company's Directors (excluding Directors who are members of the Audit and Supervisory Committee, Outside Directors and domestic non-residents) and Executive Officers (excluding domestic non-residents) from the fiscal year ending March 2019. However, BIP Trust will be terminated as of August 2024. Accounting treatment for trusts is in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Report No. 30, March 26, 2015).

Under this system, a trust (executive compensation BIP trust) established by the Company using money contributed by the Company as the source of funds acquires the Company's shares, and through the trust, the Company delivers and gives to directors and others the Company's shares equivalent to the points granted to them based on the degree of achievement of performance targets and position in the Company during each fiscal year and an amount equivalent to the cash proceeds from the conversion of the shares.

The Company's shares remaining in the trust are recorded as treasury stock under net assets at their book value (excluding incidental expenses) in the trust. The book value and number of such treasury stock were ¥839million and 147,426 shares for the previous fiscal year and ¥769 million and 135,119 shares for the current three months.

(Changes in Presentation)

(Quarterly Consolidated Statements of Income)

"Subsidy income" under "Non-operating income", which was presented separately in the previous consolidated first quarter, is now included in "Other" from the current first quarter of the consolidated fiscal year under review due to its decreased importance in terms of amount. To reflect this change in presentation, the quarterly consolidated statements of income for the previous consolidated first quarter has been reclassified.

As a result, in the quarterly consolidated statements of income for the previous consolidated first quarter, "Subsidy income" of ¥1 million and "Other" of ¥3 million, which has been reclassified as "Other" of ¥5 million.

(Segment information, etc.)

[Segment information]

I For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on net sales and income by reportable segment

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe	North America	Total		
Net sales							
(1) Sales to external customers	2,325	6,078	2,373	1,718	12,496	—	12,496
(2) Intersegment sales and transfer	7,216	6,129	—	—	13,345	(13,345)	—
Total	9,542	12,207	2,373	1,718	25,842	(13,345)	12,496
Segment income	777	1,016	115	39	1,949	(982)	967

Notes 1. The segment income adjustment of ¥(982) million consists of corporate expenses of ¥(766) million not allocated to each reportable segment and inventory adjustments, etc. of ¥(215) million.

Corporate expenses mainly consist of general and administrative expenses and research and development expenses that do not belong to any reportable segment.

2. Segment income is adjusted to match operating profit in the consolidated statements of income.

II For the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Information on net sales and income (loss) by reportable segment

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amount recorded in Consolidated Financial Statements (Note 2)
	Japan	Asia	Europe	North America	Total		
Net sales							
(1) Sales to external customers	1,810	6,820	2,305	1,598	12,534	—	12,534
(2) Intersegment sales and transfer	7,814	5,388	—	(1)	13,201	(13,201)	—
Total	9,625	12,208	2,305	1,597	25,736	(13,201)	12,534
Segment income (loss)	1,217	340	(127)	8	1,439	(1,248)	190

Notes 1. The segment income (loss) adjustment of ¥(1,248) million consists of corporate expenses of ¥(938) million not allocated to each reportable segment and inventory adjustments, etc. of ¥(309) million.

Corporate expenses mainly consist of general and administrative expenses and research and development expenses that do not belong to any reportable segment.

2. Segment income (loss) is adjusted to match operating profit in the consolidated statements of income.

(Notes on Statement of Cash Flows)

Quarterly consolidated statements of cash flows have not been prepared for the first quarter of the fiscal year under review. Meanwhile, depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the first quarter of the fiscal year under review are as follows.

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	1,550	1,781
Amortization of goodwill	7	7