

Translation

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Consolidated Financial Results for the Nine Months Ended December 31, 2024 (Based on Japanese GAAP)

February 4, 2025

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
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 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 nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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	%
Nine months ended December 31, 2024	42,168	2.5	3,881	(19.0)	4,302	(20.1)	2,917	(32.1)
Nine months ended December 31, 2023	41,140	4.1	4,792	(8.6)	5,383	(8.2)	4,294	(1.3)

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥5,227 million [(21.0)%]
 Nine months ended December 31, 2023: ¥6,614 million [16.1%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2024	127.64		—	
Nine months ended December 31, 2023	182.56		—	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2024	98,632		75,952		76.2	
As of March 31, 2024	96,856		77,016		78.7	

(Reference) Equity: As of December 31, 2024: ¥75,125 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
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	0.00	—	90.00	90.00
Year ending March 31, 2025	—	0.00	—		
Year ending March 31, 2025 (Forecast)			—	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	55,000	(0.5)	4,700	(20.8)	4,700	(34.6)	1,350	(75.9)	59.55

(Note) Revision to the financial results forecast announced most recently: Yes

Based on the resolution of the Board of Directors held on May 8, 2024, the Company has bought back 1,200,000 shares of its treasury stock. In addition, based on the resolution of the Board of Directors held on November 5, 2024, the Company plans to acquire a maximum 2,000,000 shares of treasury stock with a due date of October 31, 2025. The impact of this acquisition was taken into account when the projected earnings per share for FY2024 was calculated.

* Notes:

- (1) Changes in significant subsidiaries during the nine months ended December 31, 2024
(Changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of interim 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 December 31, 2024	24,583,698 shares	As of March 31, 2024	24,583,698 shares
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Number of treasury shares at the end of the period:

As of December 31, 2024	2,579,893 shares	As of March 31, 2024	1,057,800 shares
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Average number of shares during the period:

Nine months ended December 31, 2024	22,859,236 shares	Nine months ended December 31, 2023	23,524,711 shares
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(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 December 31, 2024: 0 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.

(How to obtain supplementary financial results materials)

Supplementary materials for quarterly financial results will be uploaded to the Company's website.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

Looking at the world economy during FY2024 Q1-Q3, the US economy remained on a steady growth track, helped mainly by strong consumer spending. Similarly, there were signs of economic improvement, helped by the recovery of consumer spending in Europe. On the other hand, although China's exports kept stable growth, its domestic demand remained weak due to a prolonged real estate crisis and a challenging job market. In response to the situation, the Chinese government introduced both proactive monetary and fiscal stimulus to spur economic growth. Besides, the yen strengthened temporarily after the Bank of Japan raised interest rates, but it weakened again as inflation concerns grew after Donald Trump's announcement about additional tariffs.

The automotive market, the company's key focus area, showed signs of growing auto production and sales in China. On the other hand, the global EV market slowed down from the latter half of FY2023, while the Japanese, European and U.S markets slumped. As a result, global automobile production for the period from January to December 2024 reached the same level as the previous year level.

Given such business environments, the future mobility market grew because car sales in China recovered during FY2024 Q2, despite 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, market slowdown due to sales slump in the powertrain market for xEV (EV, FCHV, PHV, HEV) of the main sectors, and sales decline in Japanese, European and U.S. automakers' vehicle models. Additionally, a downturn in sales for FA equipment in the industrial market continued, whereas the consumer market grew again, and the Japanese yen remained weak. As a result, the company's sales remained at ¥42,168 million, up 2.5% YoY.

When it comes to profit, an operating profit decreased to ¥3,881 million, down 19.0% YoY, ordinary profit to ¥4,302 million, down 20.1% YoY, whereas profit attributable to owners of the parent increased to ¥2,917 million, down 32.1% YoY, due to stagnant sales, soaring raw material costs, etc.

(2) Explanation of Financial Position

Total assets as of December 31, 2024 increased ¥1,776 million from the end of the previous fiscal year (March 31, 2024) to ¥98,632 million, mainly due to an increase of ¥5,425 million in buildings and structures, an increase of ¥2,667 million in software, and a decrease of ¥3,072 million in software in progress.

Total liabilities increased ¥2,841 million to ¥22,680 million due to an increase in borrowings to fund the construction of Akita plant.

Net assets decreased ¥1,064 million to ¥75,952 million, mainly due to an increase of ¥2,917 million in profit attributable to owners of parent, a decrease of ¥2,130 million due to dividends, and an increase of ¥4,161 million in treasury shares.

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

Regarding earnings forecasts, we have revised the full-year earnings forecasts announced on November 5, 2024.

For specific details, please refer to the "Announcement of Structural Reform Plan, Recording of Special Loss, and Revision to Full-Year 2024 Earnings Forecast." announced today (February 4, 2025).

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	26,692	26,347
Notes and accounts receivable - trade, and contract assets	15,010	14,456
Merchandise and finished goods	8,215	8,427
Work in process	0	18
Raw materials and supplies	4,400	4,898
Other	1,837	2,208
Allowance for doubtful accounts	(64)	(63)
Total current assets	56,093	56,291
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,778	11,203
Machinery, equipment and vehicles, net	16,669	15,884
Tools, furniture and fixtures, net	4,569	4,834
Land	1,890	1,899
Construction in progress	6,422	3,636
Total property, plant and equipment	35,330	37,458
Intangible assets		
Software	217	2,885
Software in progress	3,159	87
Goodwill	91	68
Other	5	3
Total intangible assets	3,473	3,045
Investments and other assets		
Investment securities	239	274
Deferred tax assets	1,060	826
Other	713	793
Allowance for doubtful accounts	(55)	(56)
Total investments and other assets	1,957	1,836
Total non-current assets	40,762	42,340
Total assets	96,856	98,632

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,466	6,348
Short-term borrowings	1,261	4,000
Current portion of long-term borrowings	841	901
Income taxes payable	732	611
Provision for bonuses	724	686
Provision for directors' bonuses	—	70
Other	4,397	3,865
Total current liabilities	13,423	16,483
Non-current liabilities		
Long-term borrowings	4,722	4,635
Retirement benefit liability	507	521
Provision for share awards for directors (and other officers)	147	—
Other	1,038	1,039
Total non-current liabilities	6,415	6,196
Total liabilities	19,839	22,680
Net assets		
Shareholders' equity		
Share capital	5,640	5,640
Capital surplus	8,744	8,744
Retained earnings	49,281	50,068
Treasury shares	(1,167)	(5,328)
Total shareholders' equity	62,498	59,124
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	72	91
Foreign currency translation adjustment	13,624	15,862
Remeasurements of defined benefit plans	37	48
Total accumulated other comprehensive income	13,734	16,001
Non-controlling interests	783	826
Total net assets	77,016	75,952
Total liabilities and net assets	96,856	98,632

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

Quarterly Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	41,140	42,168
Cost of sales	28,076	28,986
Gross profit	13,063	13,182
Selling, general and administrative expenses	8,271	9,300
Operating profit	4,792	3,881
Non-operating income		
Interest income	196	265
Dividend income	5	6
Foreign exchange gains	492	199
Other	41	98
Total non-operating income	736	570
Non-operating expenses		
Interest expenses	86	115
Loss on valuation of derivatives	44	11
Other	14	23
Total non-operating expenses	146	150
Ordinary profit	5,383	4,302
Extraordinary income		
Gain on sale of non-current assets	12	1
Gain on liquidation of subsidiaries	6	—
Total extraordinary income	19	1
Extraordinary losses		
Loss on retirement of non-current assets	84	106
Loss on sale of non-current assets	2	0
Impairment losses	—	200
Loss from money transfer scam at foreign subsidiary	—	35
Total extraordinary losses	86	343
Profit before income taxes	5,316	3,960
Income taxes - current	960	833
Income taxes for prior periods	(55)	—
Income taxes - deferred	25	253
Total income taxes	930	1,086
Profit	4,386	2,873
Profit (loss) attributable to non-controlling interests	91	(44)
Profit attributable to owners of parent	4,294	2,917

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	4,386	2,873
Other comprehensive income		
Valuation difference on available-for-sale securities	13	18
Foreign currency translation adjustment	2,223	2,324
Remeasurements of defined benefit plans, net of tax	(9)	10
Total other comprehensive income	2,227	2,354
Comprehensive income	6,614	5,227
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,487	5,184
Comprehensive income attributable to non-controlling interests	126	42

(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 Interim 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 third 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 is 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 ¥839 million and 147,426 shares for the previous fiscal year.

(Segment information, etc.)

[Segment information]

I For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	7,328	21,913	7,065	4,832	41,140	—	41,140
(2) Intersegment sales and transfer	23,491	19,326	0	—	42,818	(42,818)	—
Total	30,820	41,240	7,065	4,832	83,958	(42,818)	41,140
Segment income	2,731	3,861	399	6	6,997	(2,205)	4,792

Notes 1. The segment income adjustment of ¥(2,205) million consists of corporate expenses of ¥(1,880) million not allocated to each reportable segment and inventory adjustments, etc. of ¥(324) 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 nine months ended December 31, 2024 (from April 1, 2024 to December 31, 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	6,573	24,448	6,747	4,339	42,168	—	42,168
(2) Intersegment sales and transfer	23,639	16,325	—	—	39,964	(39,964)	—
Total	30,212	40,774	6,747	4,399	82,133	(39,964)	42,168
Segment income (loss)	3,568	2,674	(127)	43	6,157	(2,275)	3,881

Notes 1. The segment income (loss) adjustment of ¥(2,275) million consists of corporate expenses of ¥(2,406) million not allocated to each reportable segment and inventory adjustments, etc. of ¥130 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 third quarter of the fiscal year under review. Meanwhile, depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the third quarter of the fiscal year under review are as follows.

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Depreciation	4,674	5,331
Amortization of goodwill	22	22

(Significant subsequent events)

(Structural reform plan)

At the Board meeting held on February 4, 2025, the board has decided to carry out structural reforms as outlined below to achieve the goals set out in the mid-term management plan.

(1) Background and Purpose

Through putting these strategies into practice, the structural reforms will be carried out for streamlining production and indirect labor costs, increasing profitability, as well as improving the human resources system to attract and retain talent.

(2) Structural Reform Plan

A. Reviewing the role and function of the Ibaraki plant

- Improving production efficiency by transferring mass - production products to the Akita plant.
- Redeveloping the plant to make it serve as an engineering center for prototyping and sample production, as well as a parts supply hub.

B. Optimizing workforce at the headquarters and Ibaraki plant

Optimizing personnel structure by offering a voluntary retirement incentive scheme

How to Recruit Retirees

[Details of the Voluntary Retirement Incentive Scheme]

Eligibility: Employees aged 50 and above as of June 30, 2025.

Number of recruits: Approximately 50 employees.

Application period: March 3, 2025, to March 21, 2025.

Retirement date: June 30, 2025.

Incentives: Special retirement allowances will be paid along with regular retirement benefits. In addition, outplacement supports will be offered to those who request it.

(3) Impacts and Benefits of the Structural Reforms

By implementing the structural reforms, annual profits are expected to improve by approximately 700 million yen.

(4) Special Loss

To implement the reforms as explained above, expenses that will be incurred over this fiscal year, such as an asset disposal, impairment loss on fixed assets, special retirement allowances, and outplacement support costs, will be recorded as structural reform expenses, which are estimated at approximately 2,450 million yen.

(Cancellation of treasury shares)

At the Board of Directors meeting held on February 4, 2025, the Company resolved to cancel 122,819 treasury shares pursuant to Article 178 of the Companies Act as part of the settlement procedures following the termination of the Executive Remuneration BIP Trust.