

Iriso Electronics (6908)

Consolidated FY (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)	ROE (%)	Equity Ratio (%)
FY03/09		19,426	319	(215)	(997)	(82.5)	10.0	1,547	(5.1%)	75.3%
FY03/10		21,138	2,008	1,767	1,052	90.4	10.0	1,592	5.8%	70.4%
FY03/11CoE		23,508	2,975	2,852	1,694	145.5	15.0	-	9.1%	-
FY03/10	YoY	8.8%	527.9%	-	-	-	-	-	-	-
FY03/11CoE	YoY	11.2%	48.1%	61.4%	60.9%	-	-	-	-	-
Consolidated Half Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)	ROE (%)	Equity Ratio (%)
H1 FY03/10		10,018	1,021	891	534	-	-	-	-	-
H2 FY03/10		11,120	987	876	518	-	-	-	-	-
H1 FY03/11CoE		12,081	1,717	1,477	1,051	-	-	-	-	-
H2 FY03/11CoE		11,427	1,258	1,375	643	-	-	-	-	-
H1 FY03/11CoE	YoY	20.6%	68.0%	65.7%	96.8%	-	-	-	-	-
H2 FY03/11CoE	YoY	2.8%	27.5%	57.0%	24.1%	-	-	-	-	-
Consolidated Quarters (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)	ROE (%)	Equity Ratio (%)
Q1 FY03/10		4,394	185	181	105	-	-	-	-	-
Q2 FY03/10		5,624	836	710	429	-	-	-	-	-
Q3 FY03/10		5,693	715	599	317	-	-	-	-	-
Q4 FY03/10		5,427	272	277	201	-	-	-	-	-
Q1 FY03/11		6,036	843	743	615	-	-	-	-	-
Q2 FY03/11CoE		6,045	874	734	436	-	-	-	-	-
Q1 FY03/11	YoY	37.4%	354.4%	310.0%	483.9%	-	-	-	-	-
Q2 FY03/11CoE	YoY	7.5%	4.5%	3.4%	1.6%	-	-	-	-	-

Source: Company Data


1.0 Company Visit (1 October 2010)

Favorable Earnings Growth

Iriso Electronics, a connector maker with a high exposure to in-car connectors, is seeing favorable earnings growth. In Q1 FY03/2011 results, released on 10 August, sales came in at ¥6.0bn (up 37.4% YoY), operating profit ¥0.8bn (4.6x) and operating profit margins 14.0%. Full-year Company forecasts are going for sales ¥23.5bn (up 11.2%), operating profit ¥3.0bn (up 48.1%) and operating profit margins 12.7%. Recent trading is running ahead of assumptions with Company forecasts, but full-year Company forecasts have remained unchanged so far. The Company is in charge of developments, manufacturing and sales of variety of connectors, while being exposed to in-car connectors as much as 60% in terms of application (in Q1 results) as the key characteristics. Presumably, its exposure in terms of earnings is even higher. The Company's connectors are adopted as components of diversified in-car electronics and as those of electronic devices like car navigation, and its direct customers are so-called "Tier1", i.e., the first suppliers of car components for car makers. The Company develops its businesses both domestically and overseas, and the recent driving forces for sales include increasing supply shares among "Tier1" in Europe as well as increasing volume of cars in Japan due to eco-car tax deductions and the Government subsidies. Q1 sales of in-car connectors were ¥4.0bn, up 6.8% QoQ and up 56.1% YoY.

2.0 Company Profile

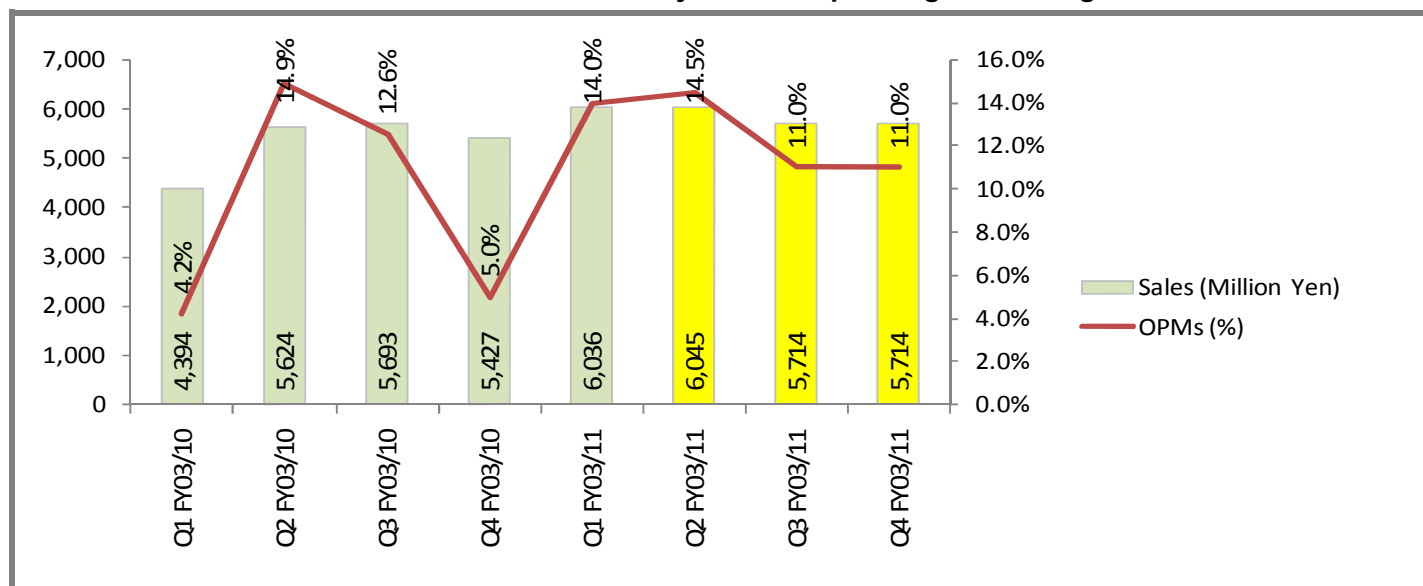
A Connector Maker with a High Exposure to In-Car Connectors

Company Name	IRISO ELECTRONICS CO., LTD. Company Information (Japanese , English) IR Information (Japanese , English) Share Price (Japanese , English)	
Established	16 December 1966	
Listing	12 September 1994 (OSE, JASDAQ: 6908)	
Capital	¥5,640m (As of the End of June 2010)	
No. of Shares	12,291,849, including 645,953 treasury stocks (As of the End of June 2010)	
Main Features	<ul style="list-style-type: none"> ● Exposure to in-car connectors, reaching almost 70% in terms of sales ● Placing resources upon market share increases in European markets ● Calling for sales ¥30.0bn, operating profit ¥6.0bn and operating profit margins 20% in FY03/2013 	
Business Segments	I. FPC connectors (34.4% of sales in Q1 FY03/2011 results) II. Board to board connectors (33.0%) III. Pin-headers (8.9%) IV. In-car interface (7.3%) V. Compression (2.7%) VI. Other (13.7%)	
Top Management	President: Toshiyuki Imazu	
Shareholders	Sadao Sato 14.2%, S.F.C. Limited 10.2% (As of the End of March 2010)	
Headquarters	Yokohama, Kanagawa JAPAN	
No. of Employees	Japan 331, overseas 3,204 (As of the End of March 2010)	

Source: Company Data

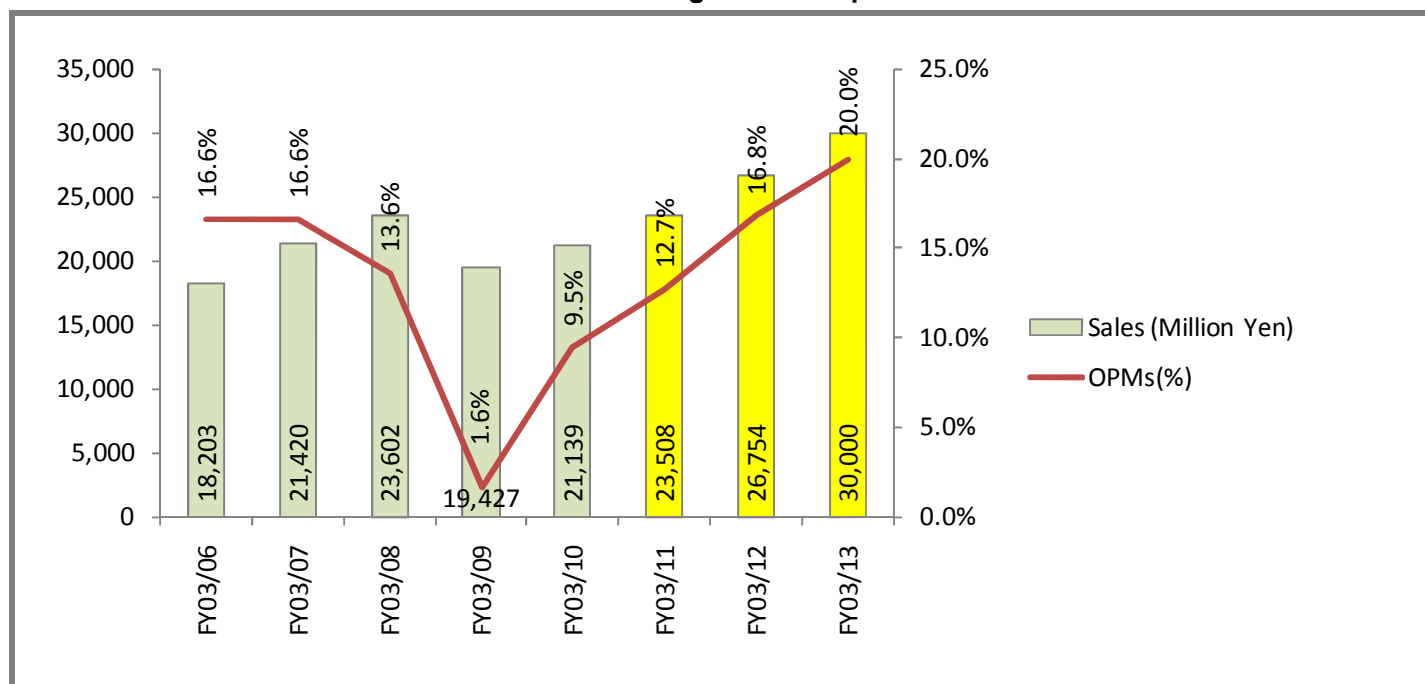
3.0 Recent Trading & Prospects

Trends for Quarterly Sales & Operating Profit Margins



Source: Company Data

Long-Term Prospects



Source: Company Data

4.0 Business Model

Targeting Operating Profit Margins 20%

The market for cars in Japan is likely to sequentially slow down after October, given the termination of the Government subsidies (although tax deductions continue), and thus the Company may suffer. On the other hand, increasing supply shares in Europe shall compensate for it to some extent in a short-term view, while it is expected to be the key driver for the overall business with the Company in a long-term view. The Company's distinguished capability to cope with spec-in needs as well as its high quality services are highly appreciated among "Tier1" in Europe, and there are trends of changeover of order placements to the Company from existing local suppliers, while prospects are of further accelerations. In the market for connectors, needs of spec-in (customization) make it almost always the case that specific maker of final products just keeps on placing order with the same old specific suppliers of connectors. While there is an ongoing consolidation in the market for semiconductors, for example, which is less exposed to customization, the market for connectors still remains so fragmented. This is because each player in the market for connectors has a tendency to protect own profit margins due to almost fixed relationship with its customers. However, the Company's recent invasions in Europe suggest future changes in the market for connectors. Meanwhile, the Company is currently setting up a system where the Company can cope with increasing sales with decreased administration expenses due to a pursuit of efficiency. On top of this, the Company is making a changeover to Vietnam from China (Shanghai) for its key production base, eventually setting up a full-line production system in Vietnam. These measures are expected to gradually cut back the ratio of SG&A to sales as well as that of CoGS over the next several years in a row, and thus the Company has a target to achieve sales ¥30.0bn, operating profit ¥6.0bn and operating profit margins 20% in FY03/2013.

5.0 Financial Statements

Key Indicators

Iriso Electronics (6908) JASDAQ (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2006	03/2007	03/2008	03/2009	03/2010	03/2011	Net Chg.
Sales	18,203	21,420	23,602	19,427	21,139	23,508	+2,369
Operating Profit	3,017	3,550	3,208	319	2,008	2,975	+967
Recurring Profit	3,477	3,710	2,615	(216)	1,767	2,852	+1,085
Net Profit	2,107	2,107	1,890	(998)	1,053	1,694	+641
OPMs	16.6%	16.6%	13.6%	1.6%	9.5%	12.7%	-
RPMs	19.1%	17.3%	11.1%	(1.1%)	8.4%	12.1%	-
NPMs	11.6%	9.8%	8.0%	(5.1%)	5.0%	7.2%	-
Sales (YoY)	-	+17.7%	+10.2%	(17.7%)	+8.8%	+11.2%	-
Operating Profit (YoY)	-	+17.7%	(9.6%)	(90.1%)	+527.9%	+48.1%	-
Recurring Profit (YoY)	-	+6.7%	(29.5%)	-	-	+61.4%	-
Net Profit (YoY)	-	+0.0%	(10.3%)	-	-	+60.9%	-
Shareholders' Equity	12,615	19,116	19,655	18,019	18,536	-	-
Total Assets	19,658	26,821	25,992	23,923	26,314	-	-
Shareholders' Equity Ratio	64.2%	71.3%	75.6%	75.3%	70.4%	-	-
Return on Equity (ROE)	-	16.7%	9.9%	(5.1%)	5.8%	9.1%	-
Operating CF	3,211	3,398	2,520	2,508	2,605	-	-
Investment CF	(2,120)	(3,993)	(4,279)	(3,012)	(2,058)	-	-
Operating & Investment CF	1,092	(595)	(1,758)	(504)	547	-	-
Financing CF	(683)	3,542	(764)	874	(521)	-	-

Source: Company Data

Disclaimer

Based on "IR Information" of the Company, Walden Research Japan worked on an analysis of the Company from a neutral and professional standing point, and the results are described here in this analyst report. "IR Information" of the Company comprises a) contents of our interview, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage.

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