

Technology to Inspire Innovation

Financial Results for FY2015

April 27, 2016

6807 Japan Aviation Electronics Industry. Ltd

- I . Financial Results for FY2015**
- II . Prospects and Strategy for FY2016**

I . Financial Results for FY2015

(April 1, 2015 to March 31, 2016)

Business Environment

- ▶ Deteriorated Macroeconomic influence due to stagnant Chinese economy and resource price fall during FY2015 2H
- ▶ Prolonged sluggish business in Industrial and Infrastructure market due to lower investment demand, in addition to slower growth in smartphone market

Results

- ▶ Significantly decreased in connector sales for Mobile Devices during 4Q
- ▶ Decreased in sales for Industrial and Infrastructure equipment from the previous year
- ▶ Implemented the R&D and Capital investment as planned for FY 2016 and future growth, despite sales decline
- ▶ Achieved the forecast announced in January 2016

1-2. Sales & Incomes

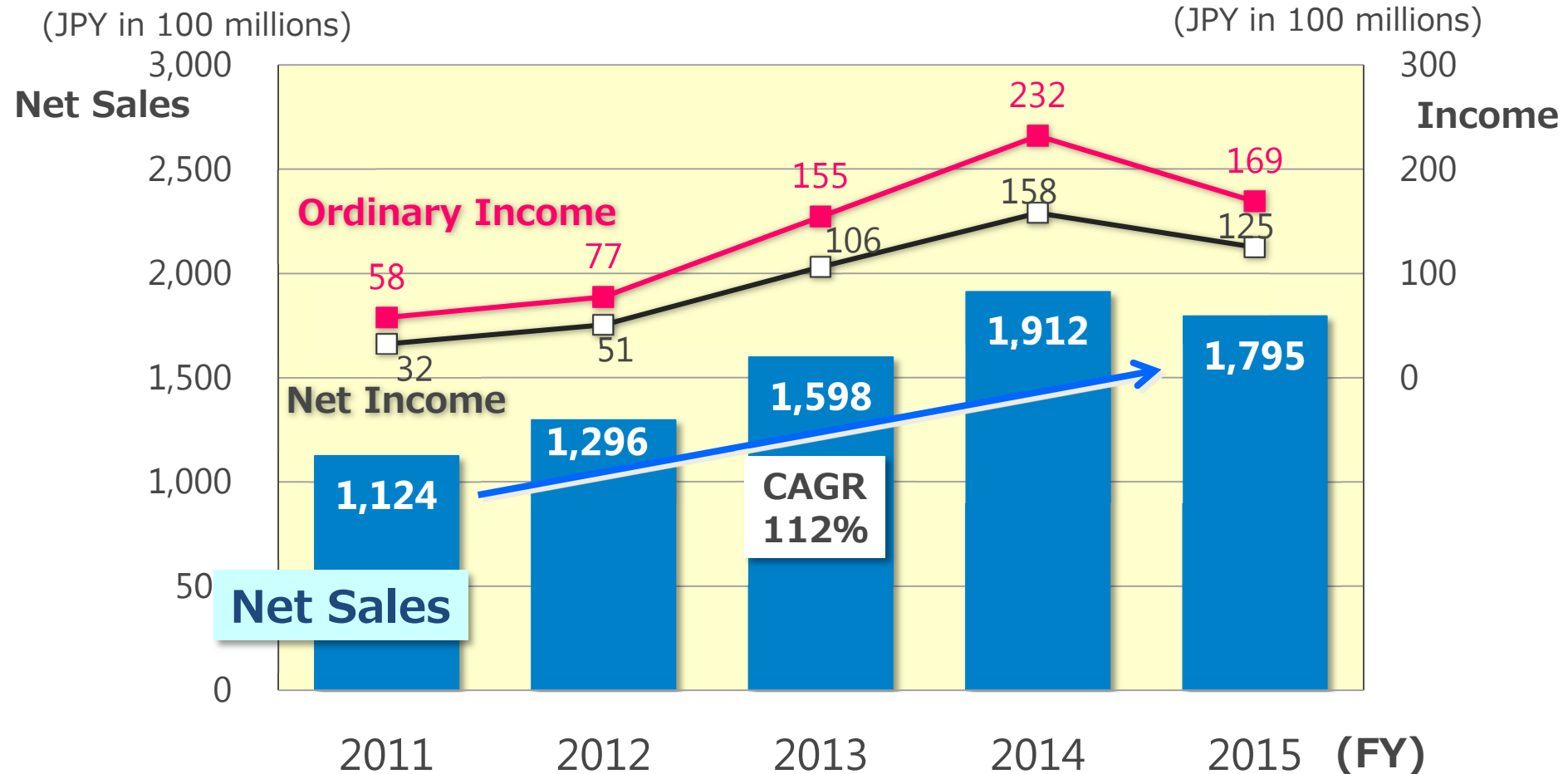
(JPY in 100 millions)

	FY2013	FY2014	FY2015	Year/Year Change (FY2015/FY2014)	
Net Sales	1,598	1,912	1,795	-117	94%
Operating Income (to Net Sales)	165 (10.3%)	259 (13.5%)	179 (10.0%)	-80	69%
Ordinary Income (to Net Sales)	155 (9.7%)	232 (12.1%)	169 (9.4%)	-63	73%
Net Income (to Net Sales)	106 (6.6%)	158 (8.2%)	125 (7.0%)	-33	79%

※ Amounts less than 100 million JPY are rounded off.

1-3. Sales & Incomes Growth

- ▶ Achieved the second highest record beyond FY2013
- ▶ Attained 112% of compound average growth rate since FY2011

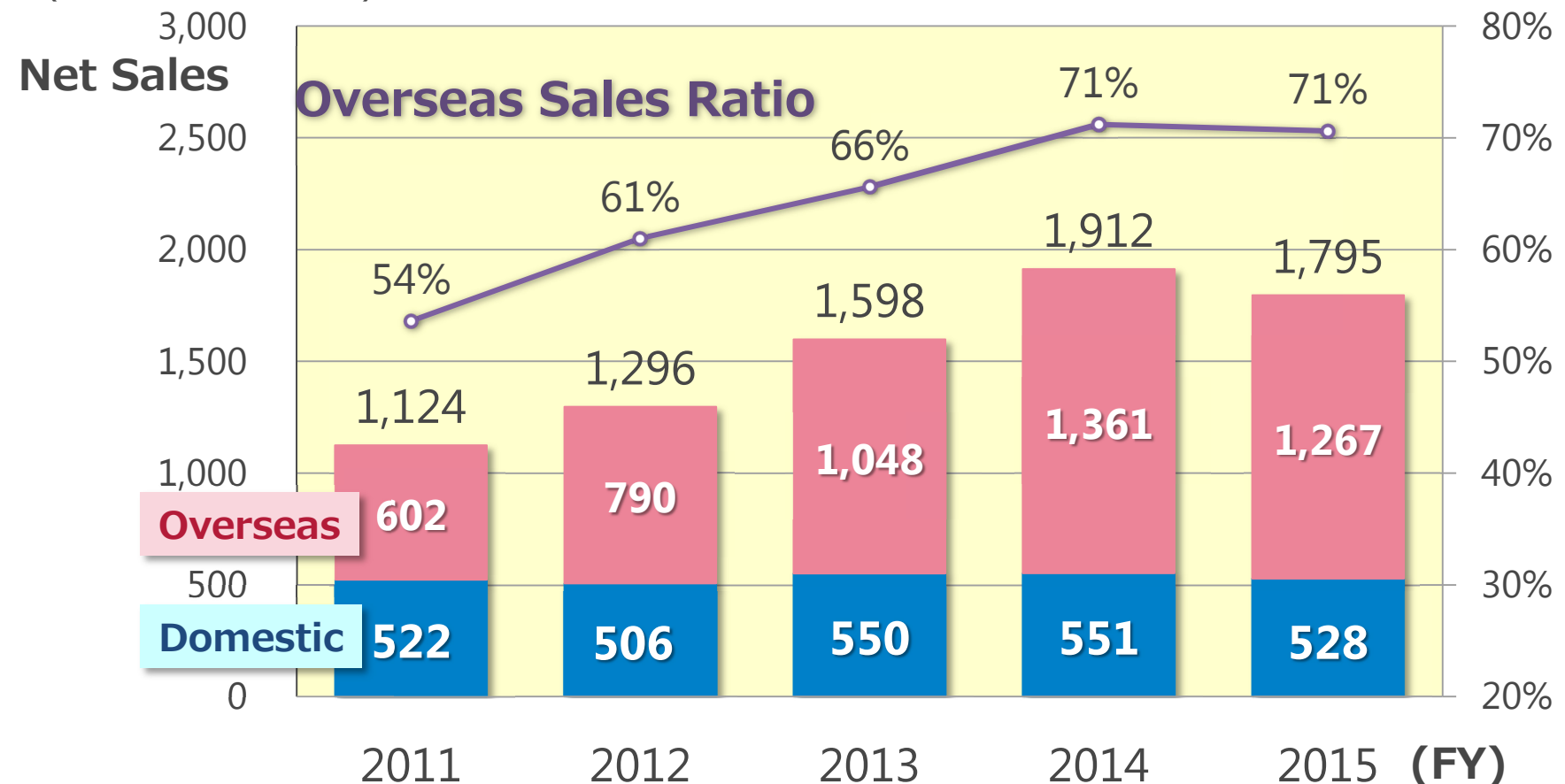


※ Amounts less than 100 million JPY are rounded off.

1-4. Overseas Sales Growth

- ▶ Overseas sales fell due to slower smartphone market
- ▶ Domestic sales fell due to stagnant Industrial and Infrastructure market

(JPY in 100 millions)



※ Amounts less than 100 million JPY are rounded off.

1-5. Sales by Market Segment

- ▶ Sales for Automotive steadily increased with double digit growth
- ▶ Sales declined in Industrial and Infrastructure market due to demand downturn in factory automation, machine tool, railway, oil drilling, in addition to Mobile Devices

(JPY in 100 millions)

	FY2013		FY2014		FY2015		Year/Year Change (FY2015/FY2014)	
Mobile Devices	573	36%	804	42%	707	39%	-97	88%
Automotive	525	33%	604	32%	684	38%	80	113%
Industrial & Infrastructure	270	17%	296	15%	246	14%	-50	83%
Others	230	14%	208	11%	158	9%	-50	76%
Total	1,598	100%	1,912	100%	1,795	100%	-117	94%

※ Amounts less than 100 million JPY are rounded off.

2-1. Sales by Business Segment

(JPY in 100 millions)

	FY2013		FY2014		FY2015		Year/Year Change (FY2015/2014)	
Connector	1,381	86%	1,691	89%	1,589	89%	-102	94%
UIS	63	4%	71	4%	80	4%	9	113%
Aerospace	146	9%	142	7%	118	7%	-24	83%
Others	8	1%	8	0%	8	0%	0	96%
Total	1,598	100%	1,912	100%	1,795	100%	-117	94%

※ Amounts less than 100 million JPY are rounded off.

2-2. Operating Income by Business Segment

(JPY in 100 millions)

	FY2013		FY2014		FY2015		Year/Year Change (FY2015/FY2014)	
Connector	193	14.0%	287	17.0%	221	13.9%	-66	77%
UIS	-0	-0.5%	4	5.1%	11	13.2%	7	292%
Aerospace	9	6.3%	7	4.9%	-10	-8.7%	-17	—
Unallocatable Costs/Others	-37	—	-39	—	-43	—	-4	—
Total	165	10.3%	259	13.5%	179	10.0%	-80	69%

※ Percentages(%) for FY2013、FY2014、FY2015 indicate Operating Income to Net Sales Ratios

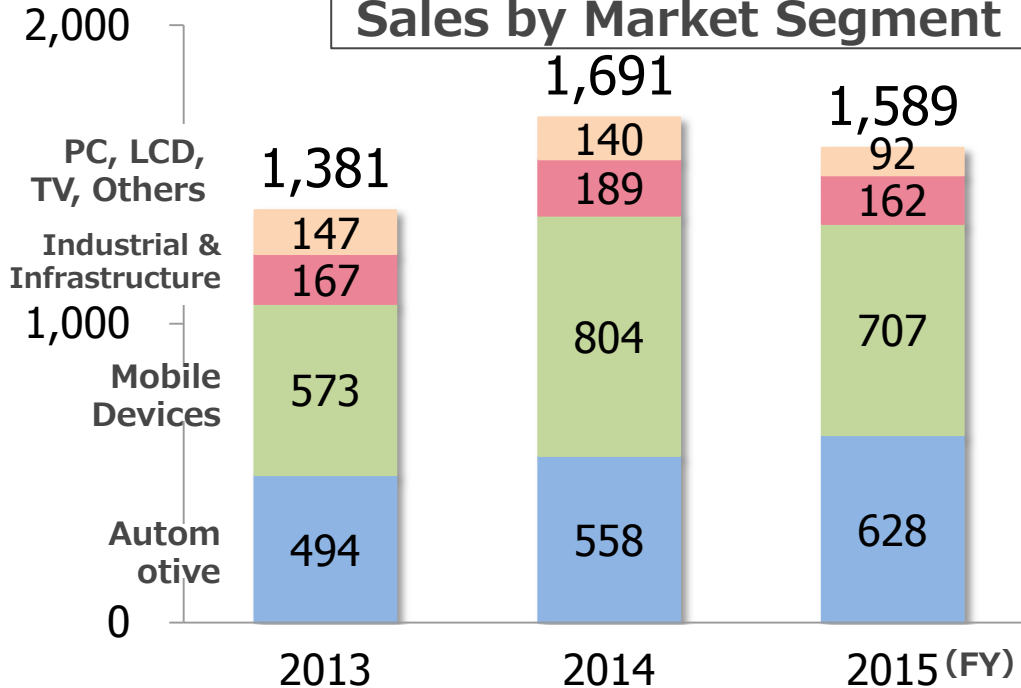
※ Percentages(%) of Previous Year indicate growth rates

※ Amounts less than 100 million JPY are rounded off

2-3. Connector Business

(JPY in 100 millions)

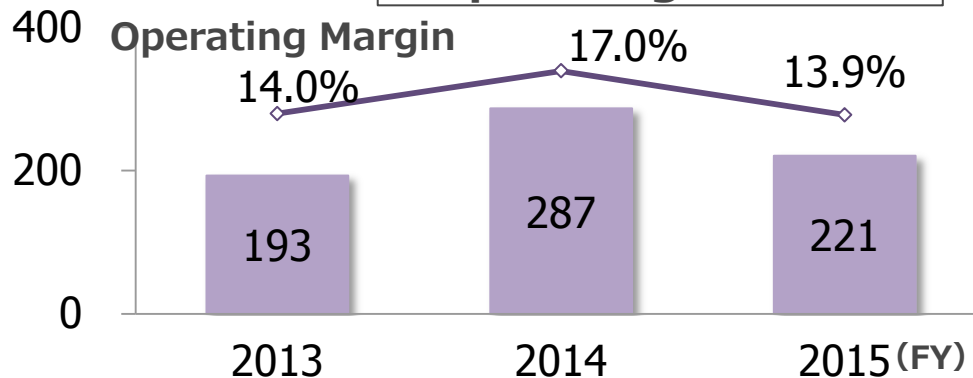
Sales by Market Segment



- ▶ **Automotive continued double-digit growth by 11% year-on-year**
- ▶ **Mobile Devices declined by year-on-year in 4Q due to market deterioration**
 - Weak demand from North American customers
 - Increase by year-on-year although the plan was unachieved on Chinese local makers
- ▶ **Industrial and Infrastructure declined in domestic factory automation and tool machine manufactures**

(JPY in 100 millions)

Operating Income

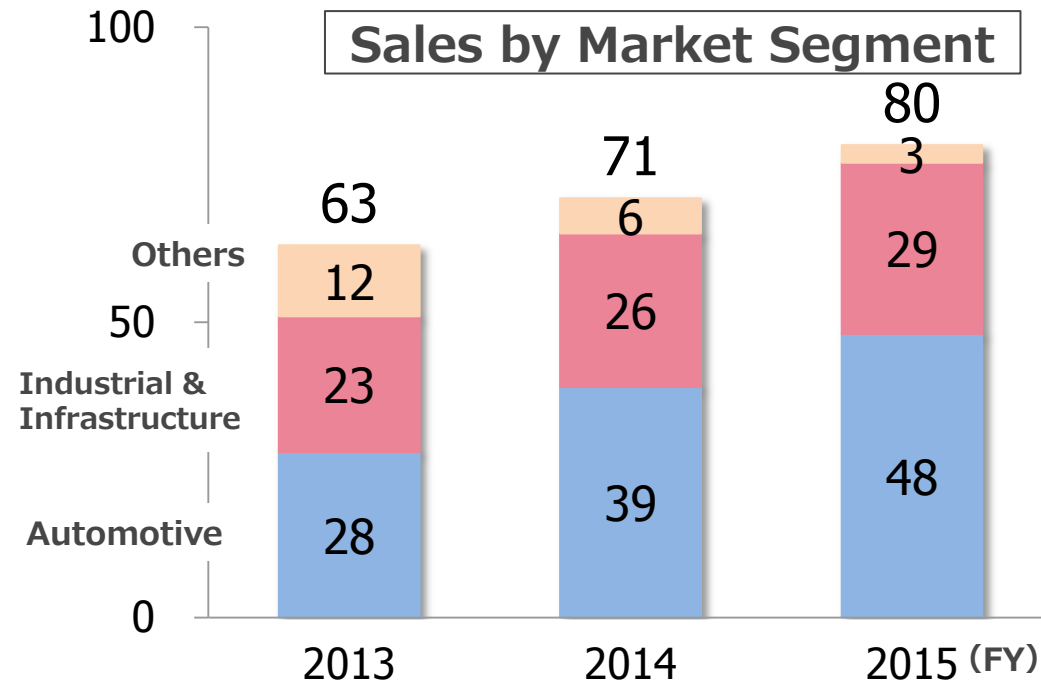


- ▶ **Operating income declined at the level of FY2013 due to R&D spending and manufacturing investments for FY2016 onward, in addition to sales decline**

2-4. UIS Business

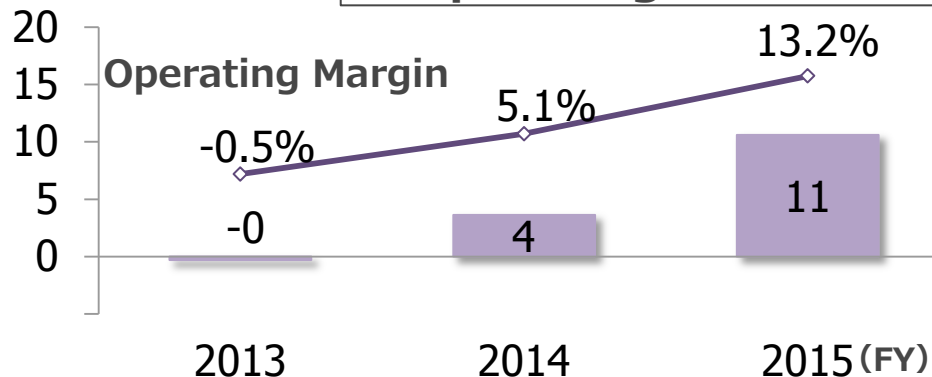
(JPY in 100 millions)

Sales by Market Segment



(JPY in 100 millions)

Operating Income



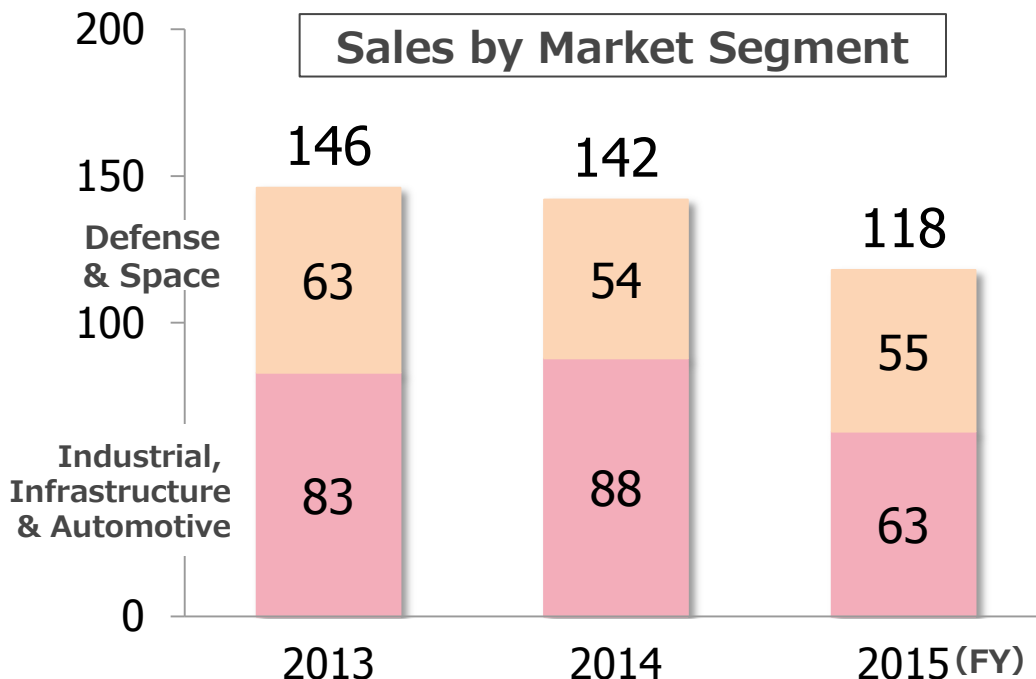
Year on Year 113%

- ▶ Capacitive touch panel for automotive steadily grew (128% year-on-year)
 - more orders from major Japanese customers
 - Capacity expansion to meet demand
- ▶ Sales for Industrial and Infrastructure Equipment increased by year-on-year with key market sales despite adverse market condition
- ▶ Profit margin greatly improved owing to sales increase in capacitive touch panel and improved manufacturing efficiency

2-5. Aerospace Business

(JPY in 100 millions)

Sales by Market Segment

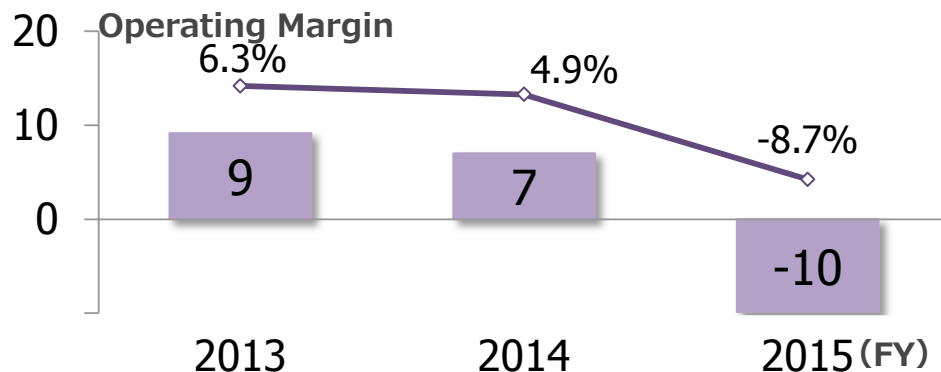


- ▶ Sales for Defense and Space achieved year-on-year growth
- ▶ Sales of accelerometer and sensor package for oil drilling customers overseas significantly decreased due to oil/gas price down in Industrial and Infrastructure business

(JPY in 100 millions)

Operating Income

Operating Margin

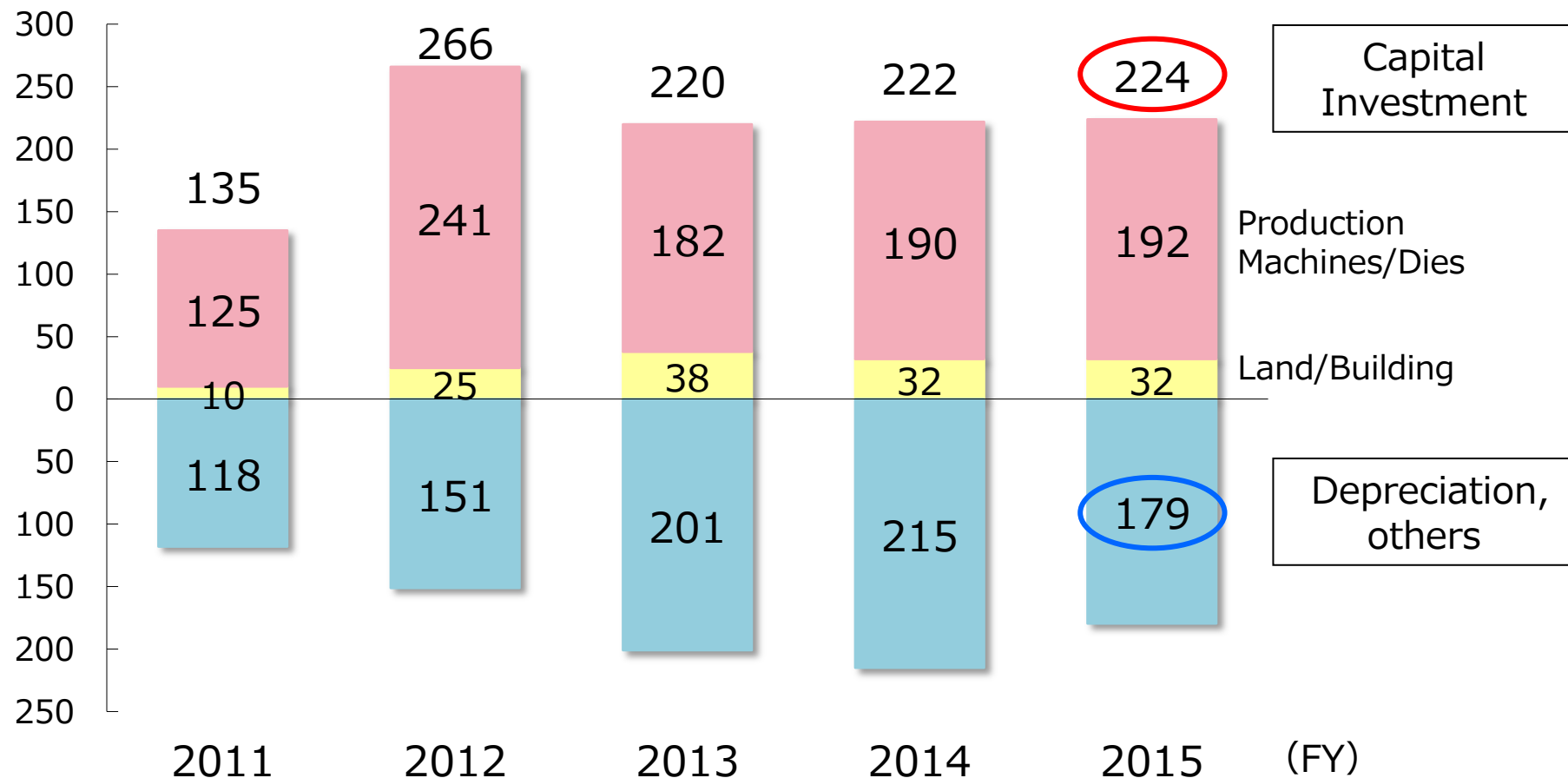


- ▶ Operating loss due to sales decrease
- ▶ Substantially improved in the second half, but failed to return to the black
 - 1H : ▲ JPY 800 million
 - 2H : ▲ JPY 200 million

3. Capital Investment & Depreciation

- ▶ Aggressive investment resulted in continuous growth
- ▶ Maintained our ordinal level of investment in FY2015, including product development for FY2016

(JPY in 100 millions)



II. Prospects and Strategy for FY2016

(April 1, 2016 to March 31, 2017)

Mobile Devices

- ▶ While overall smartphone market growth is slowing down, further enhancement of functions will be continued

Automotive

- ▶ Global production volume will increase slightly
- ▶ Demand of onboard electronics will expand due to technology advancement such as ADAS and Connected Car

Industrial and Infrastructure

- ▶ Overall market may continue to get stagnant
- ▶ Future growth opportunity of IoT and 5G mobile base station will increase

※ ADAS (Advanced Driving Assistant System)

IoT (Internet of Things) 5G : 5th Generation Mobile Communications System

2. Strategy for FY2016

▶ JAE Management Strategy

- Expand business by global marketing and enhanced development capability with timely product release
- Improve profitability by technical and management innovation through in-house manufacturing
- Continue investment and generate profit

▶ Key Business Strategy for FY2016

- Expand strategic product sales and attain profit
- Accelerate sales expansion of competitive products
- Enhance strategic efforts for future growth opportunity



**Continuous growth
under severer business environment**

3-1. Prospects for FY2016

(JPY in 100 millions)

	FY2015	FY2016					
		1H Projections	Year/Year Change		FY2016 Projections	Year/Year Change	
Net Sales	1,795	932	-39	96%	2,100	305	117%
Operating Income (to Net Sales)	179 (10.0%)	68 (7.3%)	-56	55%	190 (9.0%)	11	106%
Ordinary Income (to Net Sales)	169 (9.4%)	60 (6.4%)	-55	52%	175 (8.3%)	6	103%
Net Income (to Net Sales)	125 (7.0%)	44 (4.7%)	-41	52%	130 (6.2%)	5	104%

Capital Investment (Full Year) 220
Depreciation, others (Full Year) 190

※ Amounts less than 100 million JPY are rounded off

3-2. Prospects for Sales by Business Segment

	FY2015	FY2016					
		1H projections	Year/Year Change		FY2016 Projections	Year/Year Change	
Connector	1,589	826	-50	94%	1,870	281	118%
UIS	80	38	-3	93%	82	2	102%
Aerospace	118	64	14	127%	140	22	119%
Others	8	4	0	96%	8	0	104%
Total	1,795	932	-39	96%	2,100	305	117%

※ Amounts less than 100 million JPY are rounded off.

3-3. Prospects for Sales by Market Segment

	FY2015	FY2016					
		1H Projections	Year/Year Change		FY2016 Projections	Year/Year Change	
Mobil Devices	707	388	-37	91%	900	193	127%
Automotive	684	338	-4	99%	740	56	108%
Industrial & Infrastructure	246	133	6	105%	300	54	122%
Others	158	73	-4	95%	160	2	101%
Total	1,795	932	-39	96%	2,100	305	117%

※ Amounts less than 100 million JPY are rounded off.

4. Strategy ① Mobile Devices

Market Trend

- ▶ Continuous innovation and function advancement in smartphone
 - 3G and LTE promoted in emerging market (GSM still occupies 50% of worldwide mobile subscription)
 - Higher function in high-end product and function improvement in low-end product
- ▶ Still huge market in need for innumerable electrical parts

Technology Trend in Terminal

- High spec without price change
- Extensively thinner
- USB Type-C™ market spread

Needs for parts

- Small and thin, but tough
- Low cost

Competitive advantages

- Product development supported by global marketing and rich in-house technology (fine pitch, low-profile, miniaturization)
- Automated factory sustained by in-house manufacturing and continuous technology innovation and quality improvement activities
→ high quality, low cost
- World-class Supply Record board to board connector (Exceeded 15 billion units of sales in total)

4. Strategy① Mobile Devices

- ▶ Expand USB Type-C™ DX07 series
- ▶ Expand product line-up with competitive edge
 - Small, low height product with robustness and easy use
 - Low cost strategic products for low-end smartphones
- ▶ Expand sales in emerging markets

**Expand DX07
Harness line up**
Type-C ⇔ Type-C
Generation2
(10Gbps)



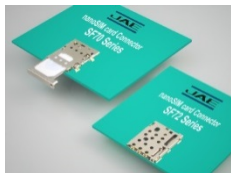
Micro SIM Card Connector



SF58 series

Industry's lowest-in-class Height
& Smallest-in-class Dimension

Nano SIM Card Connector



SF70/72 series

Industry's lowest-in-class Height
& Smallest-in-class Dimension



DX07 series
USB Type-C
Data rate 10 Gbps
Rated current max.5A

Board-to-Board Connector
Industry's narrowest-in-class Pitch
& lowest-in-class Height



WP7 series

0.4mm pitch
Stacking height 0.7mm



WP21 series

0.35mm pitch
Stacking height 0.6mm

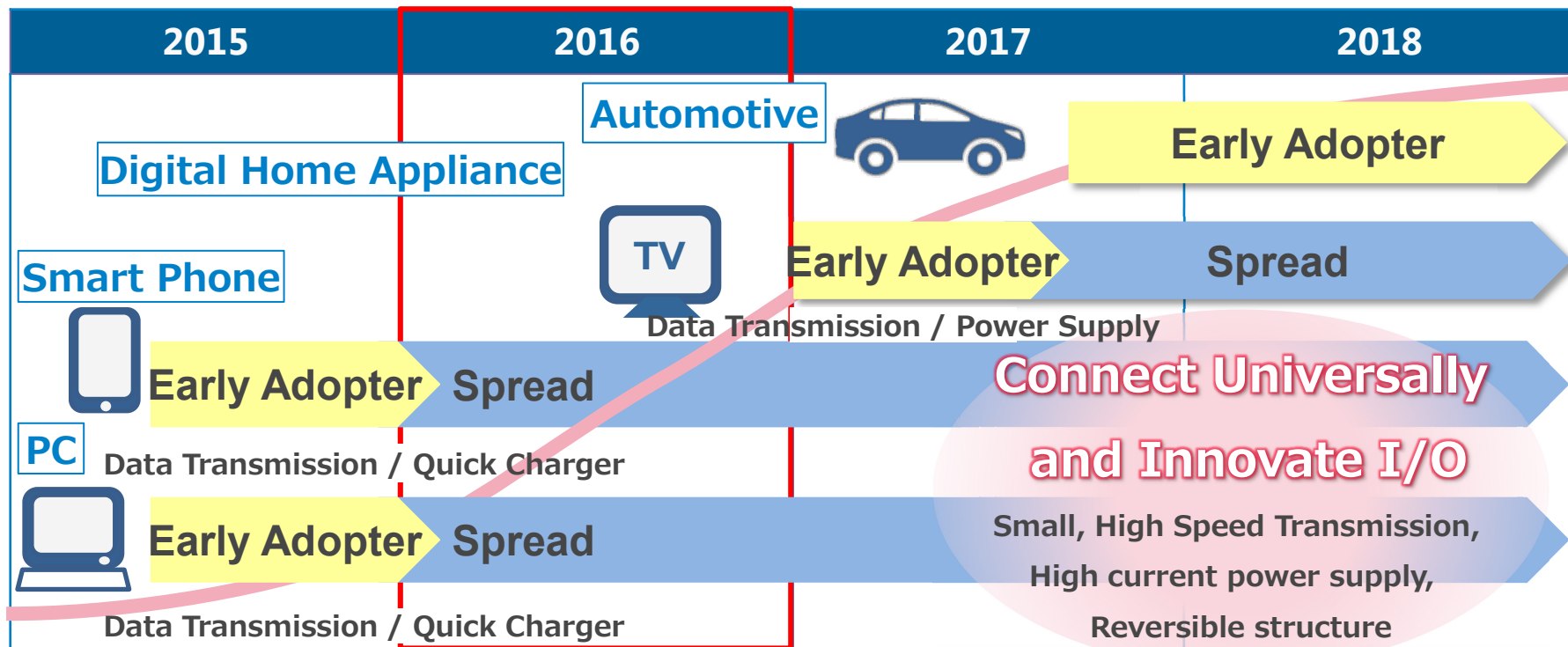


WP25D series

0.35mm pitch
Stacking height 0.7mm
w/ power terminals

- ▶ Significant sales declined FY 2015 4Q due to stock and production adjustments
⇒ Expect market recovery after FY 2016 2Q
- ▶ Project significant sales increase after FY 2016 2Q/2H
 - USB Type-C™ Market expand(DX07 series)
 - Expansion of a sale in China, and other developing country
 - Demand recovery from North American customers
- ▶ Increase in purchasing materials such as cable, IC, etc. for some new items
 - Affect operating margin
 - Improve profitability by increasing sales volume and manufacturing efficiency

Outlook of USB Type-C™ connector growth

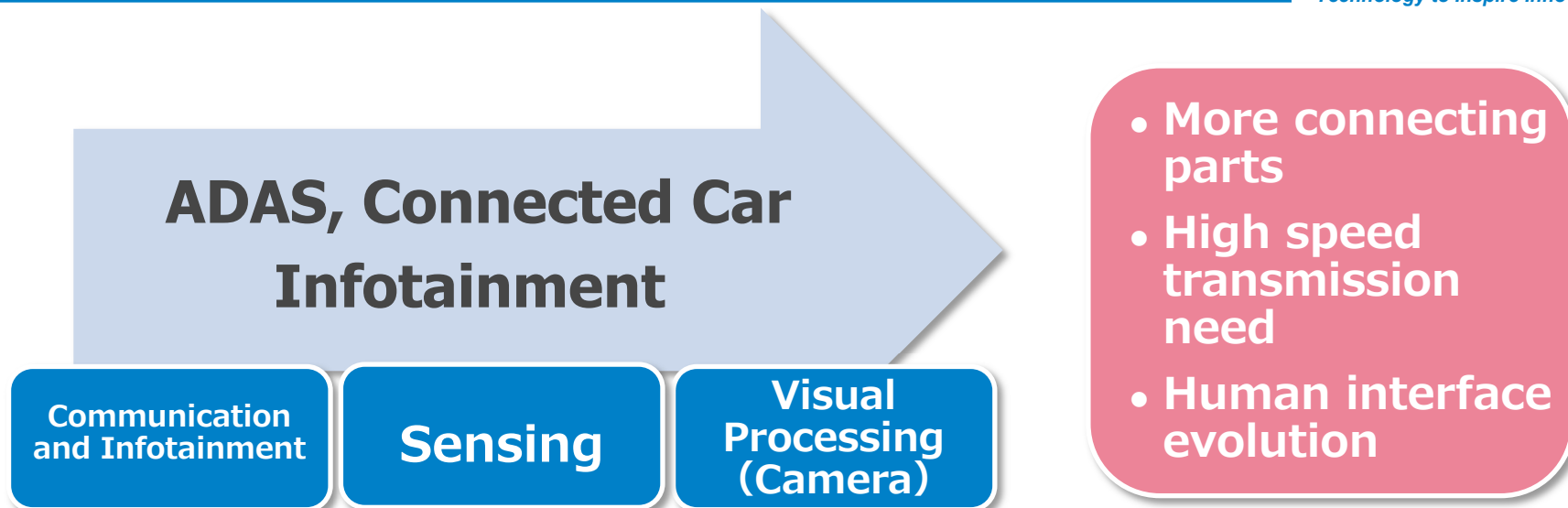


▶ DX07 line-up expansion

- USB certified harness in addition to receptacle, plug-connector
- “USB 3.1 Gen 2 ” (10Gbps) certified

▶ Strengthen Global manufacturing platform

4. Strategy② Automotive



Competitive advantages in Automotive market

- ▶ High-speed transmission technology
Utilize the technology (acquired through ICT product development) for in-vehicle product advancement
- ▶ Broad access to in-vehicle component manufactures
Engaged with car maker, tier-1 and tier-2 by each business line of Connector, UIS, and Aerospace
- ▶ Quality
Comply with automotive standard quality system required by ISO/TS16949 as well as each car maker spec

4. Strategy ② Automotive

- ▶ Further expand in-vehicle infotainment connector series
- ▶ high-speed transmission connector launch (HDMI, camera, USB)
- ▶ Strengthen sales force and technical support in Europe

Connector for Information and Communication System

● MX62 USB3.0



● DX07 USB3.1Type-C



● MX49A/48 Ethernet



● MX50/53 HDMI



Connector for Automotive Digital Camera

● MX55 (Camera)



● MX48/MX49A (LVDS)



LVDS Coaxial Type

● MX48/MX49A (Ethernet Type)

Capacitive touch panel



Resolver



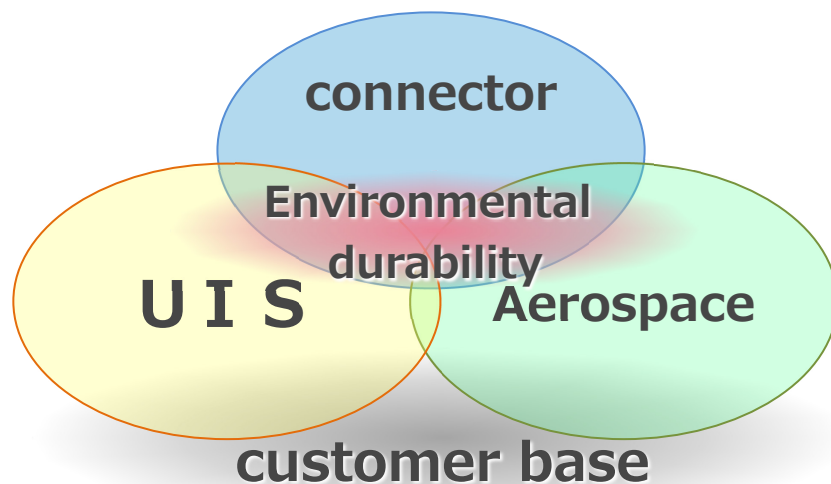
4. Strategy③ Industrial and Infrastructure

Trend in Factory Automation Equipment

- ▶ Factory evolution : advanced sensor, networked, advanced robot → smart factory
- ▶ Servomotor market to expand in mid-term to supervise robot, tool machine

Trend in Telecommunication Infrastructure

- ▶ 5th generation mobile communication system (5G)
 - 2019 : frequency allocation
2020 : commercialization discussion
 - high-speed & capacity, multi-terminal access, low battery consumption



Competitive Advantage

Benefited from 3 business lines

- Reliability under severe environment
(temperature, humidity, pressure, vibration, dust, oil, etc.)
- Japanese leading companies in worldwide competition

4. Strategy③ Industrial and Infrastructure (Connector/UIS)

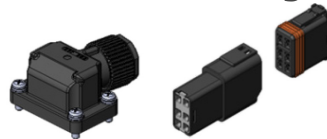
- ▶ Promote competitive products responding to technology evolution
 - One-touch mating, miniaturization, unique featured connector line-up
 - Input devices with touch sensor technology and mechanism design technology

Factory Automation/ Telecom Infrastructure

Easy to Operate
One-Touch Lock
[JL10·JL04V]



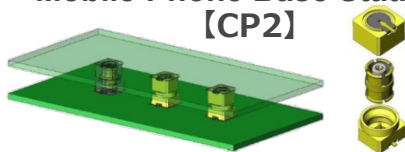
Low Height·
Cable-Connecting



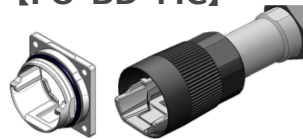
TÜV Approved Standard
Connector
[JL10·JL04V]



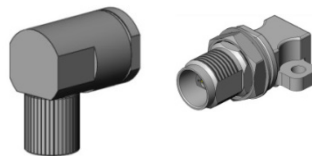
Board to Board Connection
Coaxial Connector for
Mobile Phone Base Stations
[CP2]



Fiber Optic Interface
Connector
[FO-BD·MC]



Coaxial Connector
for Antenna
[N·TNC·SMA]

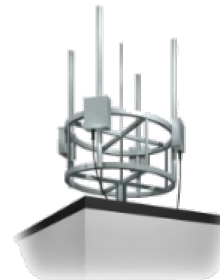


Input Device (U I S)

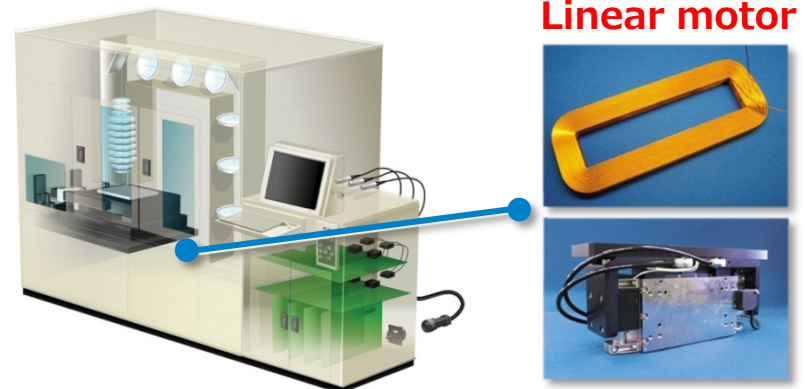
Teaching Pendant



Semiconductor-Fabrication Equipment,
Industrial Operation Panel



- ▶ Increased machinery business by 40% year-on-year as the largest segment of commercial airplane demand
 - Expand linear motor business for semi-conductor / liquid crystal exposure apparatus (high precision and high-speed position control)
 - Expand semi-conductor market sales stimulated by IoT
 - Expand addressable market
- ▶ Develop various markets by “motion sense & control technology”
 - Secure business in oil drilling sector by new customer acquisition and repair/calibration service business
 - Promote activities for new sensor business to IoT era



■ Aerospace Core Technology

- high precision motion sensing
- high reliability motion control
- precision mechatronics
- extreme environment design /test

5. Integrated Evaluation & Test Laboratory*

- ▶ Strengthen evaluation and test platform and offer reliable product
- ▶ Contribute to business expansion as our symbol for quality and reliability

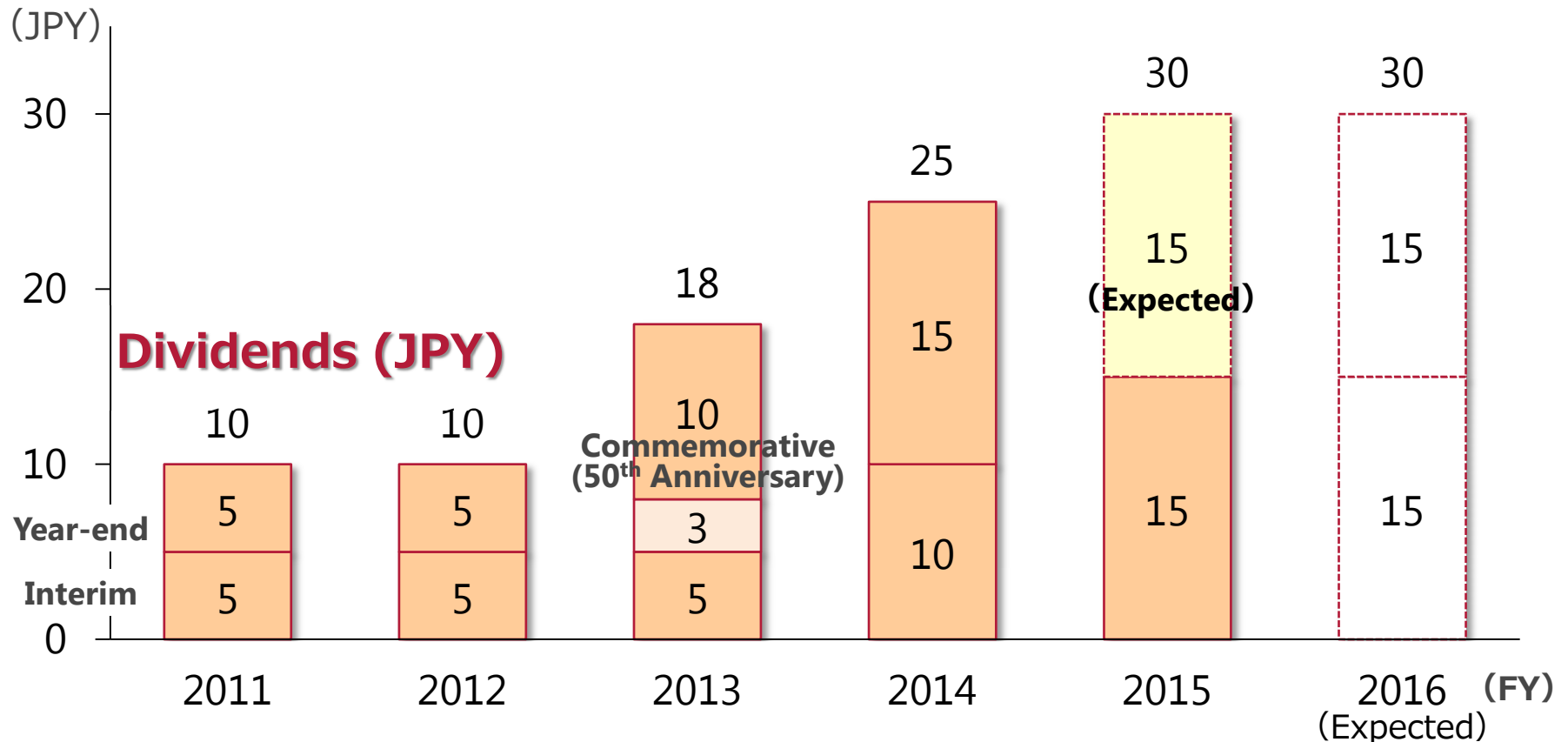
- Gathered test facilities at Akishima plant to improve test efficiency and quality
 - Compound environment test (vibration, temperature, humidity) , tensile and compression test, electrical current test, weatherability test, etc
- Operate to gain trust and recognition from customers
- Utilize to leverage for automotive business expansion



* Completed in May 2016

Basic policy of stable dividend payment

- ▶ FY2015 : JPY 30 annual
Interim : JPY 15, Year-end (projection) : JPY 15
- ▶ FY2016 : JPY30 annual (Projection)
(Interim : JPY 15, Year-end : JPY15)



Maintain our growth path by aggressive marketing for FY2016 and make a steady step to achieve middle range management goal

1

Sales

JPY 250 billion

2

Net Income JPY 20 billion or more

Technology to Inspire Innovation

JAE

<Cautionary Statement>

The plans, strategies & results forecasts and targets for our company and our consolidated affiliates (hereinafter JAE) noted in these materials are forecasts and targets as of April 27, 2016, and include risks and uncertainties.

The targets noted in these materials are not projections, and do not reflect current projections by the management team with regards to future results. Rather, these are targets to be attained by the management team through implementing business strategies.

Note that actual results may differ greatly from forecasts and targets, etc. based on various factors. Major factors that affect actual business results, etc. are the political and economic situations in Japan, the US, Asia and so forth that involve regions where JAE conducts business operations, demand fluctuations for JAE products (including software products) in the market, deflationary pressures caused by severe competition, the ability to continue supplying over our competitors, the ability to expand business operations in overseas markets, changes to the laws and regulations concerning business activities, and their transparency, potential legal responsibilities, exchange rates, etc, and there may be other factors beyond the ones listed here. Actual results may differ from management targets and other forecasts due to a worsening global economy and the global financial situation, stagnation in the domestic and overseas stock markets, etc. Note that descriptions concerning projections are current as of that day.

Although new risks and factors of uncertainty that occur at any anytime are evident, it is impossible to predict their occurrence or effects. In addition, details describing future predictions may not actually occur due to risk and uncertainties. Do not rely solely on these descriptions.