

Technology to Inspire Innovation

Financial Results for 1H of FY2016 and Prospects for FY2016

October 26, 2016

6807 Japan Aviation Electronics Industry, Ltd.

I . Financial Results for 1H of FY2016

II . Prospects and Strategy for FY2016

I . Financial Results for 1H of FY2016

(April 2016~September 2016)

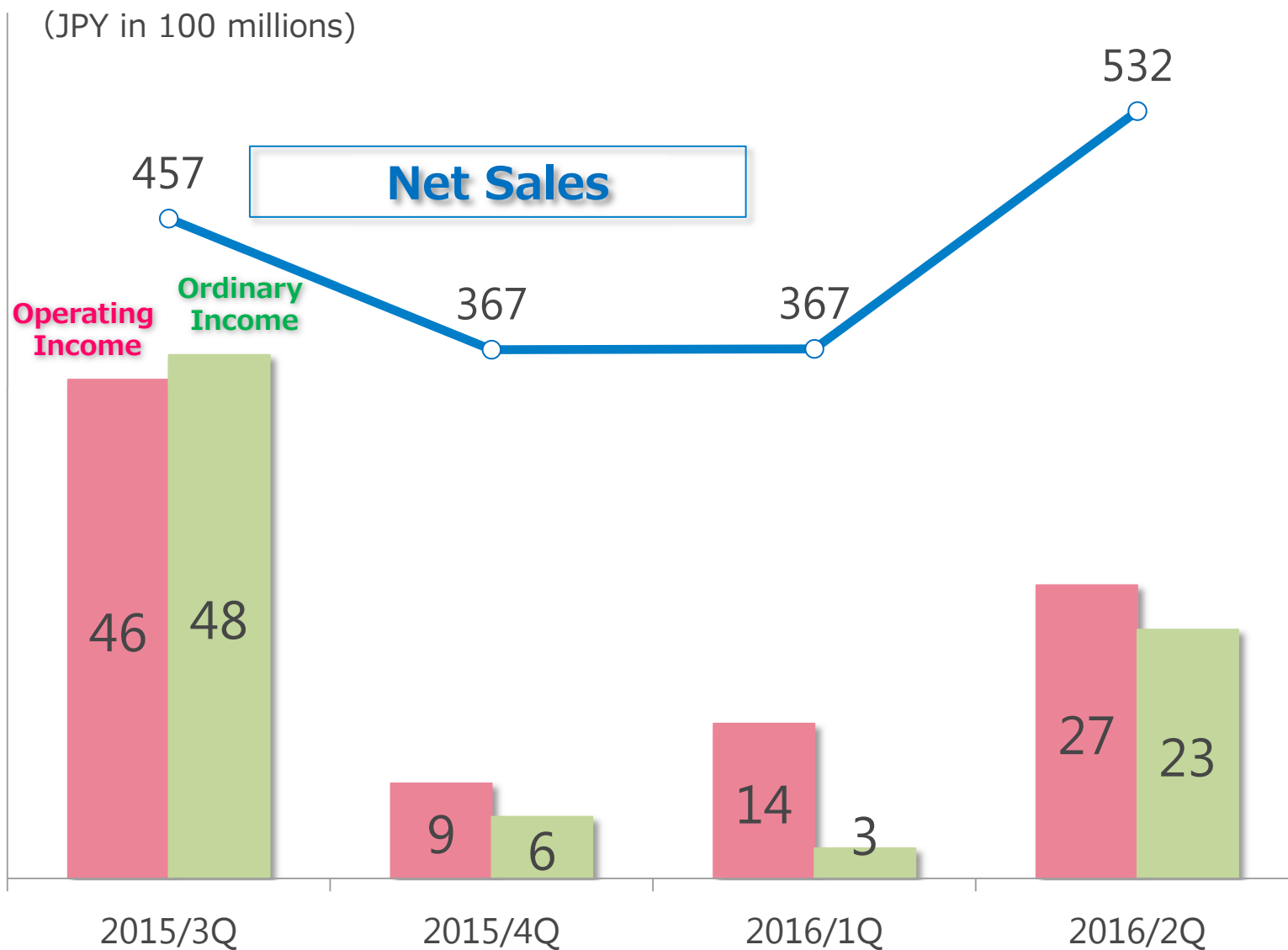
1-1. Net Sales and Incomes

	FY2015		FY2016	Sequential Change	
	1H	2H	1H	2H FY2015/1H FY2016	
					(%)
Net Sales	971	824	899	75	109%
Operating Income (to Net Sales)	124 12.8%	55 6.7%	41 4.6%	-14	75%
Ordinary Income (to Net Sales)	115 11.8%	54 6.6%	26 2.9%	-28	49%
Net Income (to Net Sales)	85 8.8%	40 4.9%	21 2.3%	-19	52%
Average Exchange Rate (JPY/USD)	121.9	118.4	105.2		

Projections (announced Jul. 2016)	
Projections	Change
930	-31
52	-11
36	-10
27	-6

※ Amounts less than 100 million JPY are rounded off.

Quarterly Net Sales



1-2. Net Sales by Market Segment

	FY2015		FY2016		Sequential Change	
	1H	2H	1H		2H FY2015/1H FY2016	
Mobile Devices	425	282	395	Component Ratio 44%	113	Growth Ratio 140%
Automotive	342	343	315	35%	-28	92%
Industrial & Infrastructure	127	119	123	14%	4	104%
Others	77	80	66	7%	-14	82%
Total	971	824	899	100%	75	109%

Average Exchange Rate (JPY/USD)	121.9	118.4	105.2
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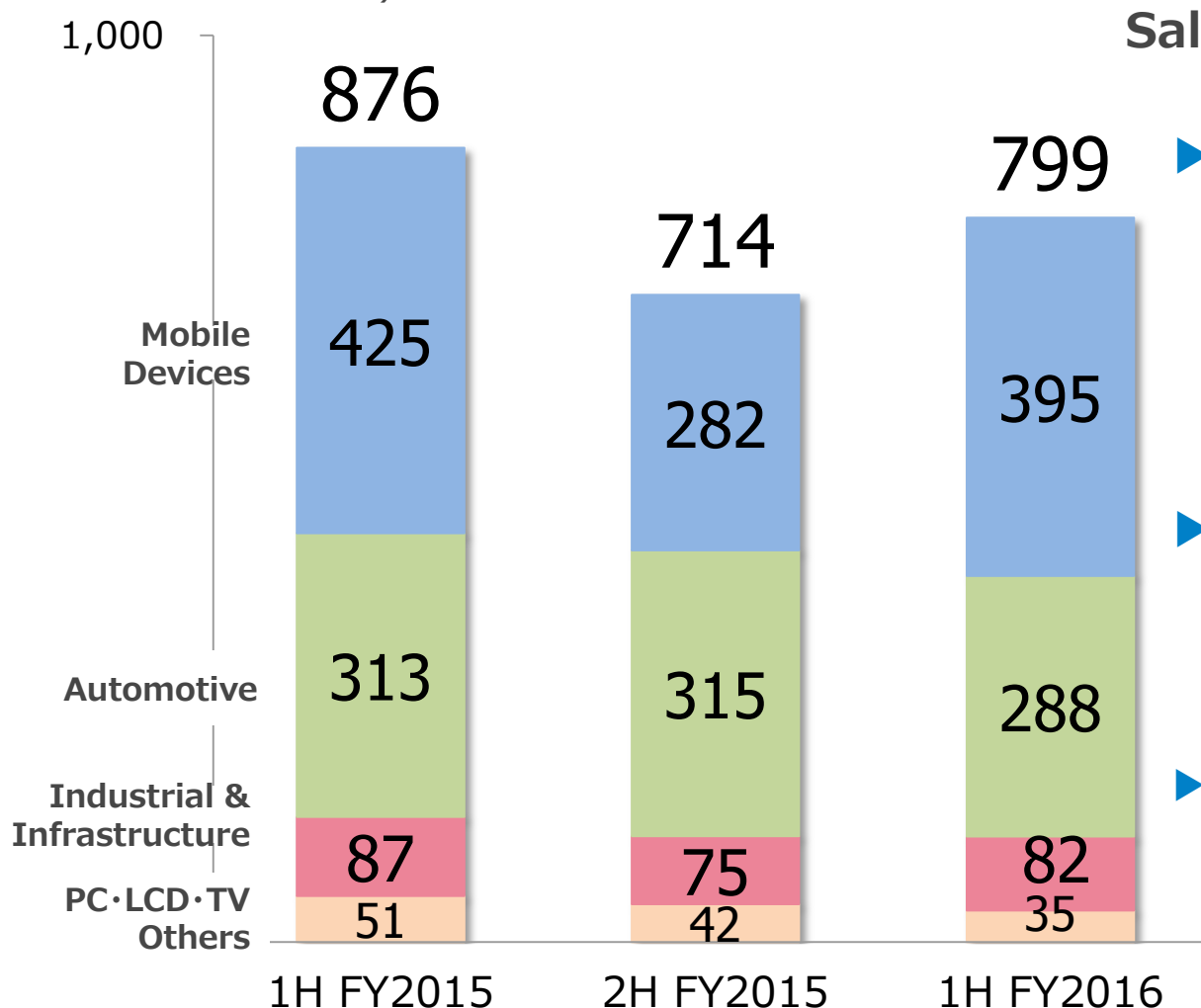
Overseas	714	553	622
Overseas Sales Ratio	73.5%	67.2%	69.2%

※ Amounts less than 100 millions JPY are rounded off.

2-1. Connector Business

Sales by Market Segment

(JPY in 100 millions)



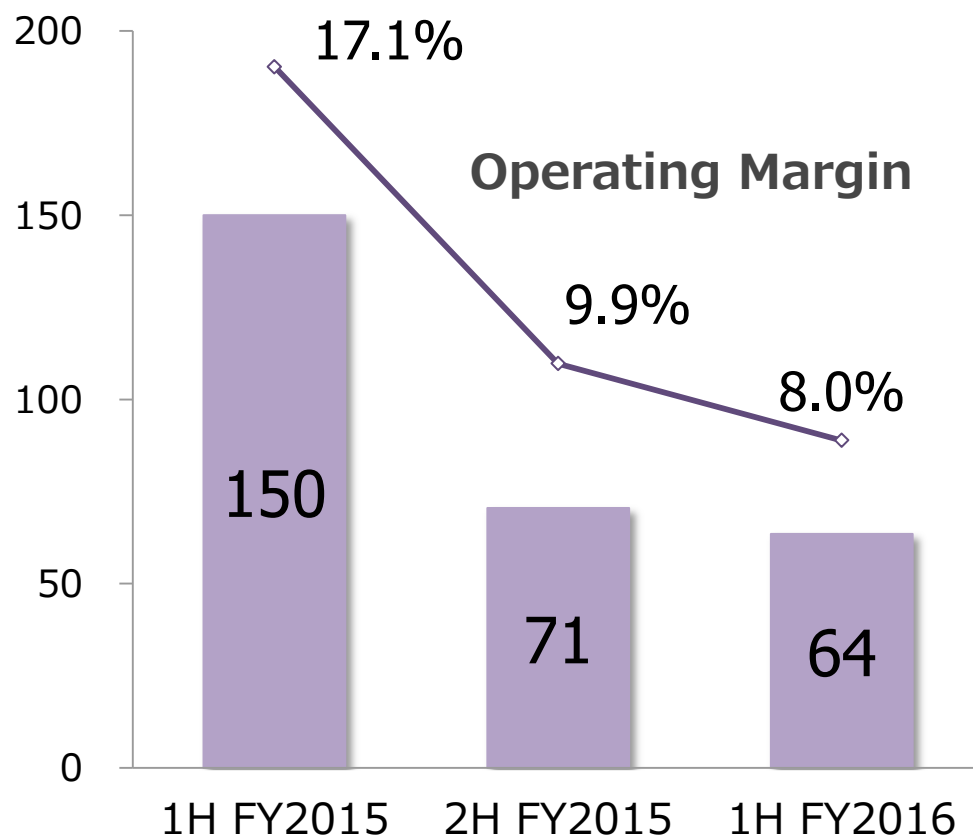
Sales : 112%
(of 2015 2H)

- ▶ **Mobile Devices :**
Increased as projected by sales to North American customers and Chinese smartphone customers
- ▶ **Automotive :**
Increased on year-over-year basis, exclusive of exchange rate impact
- ▶ **Industrial & Infrastructure :**
Increased from the previous quarter despite sluggish market

2-1. Connector Business

Operating Income

(JPY in 100 millions)



Operating Income :

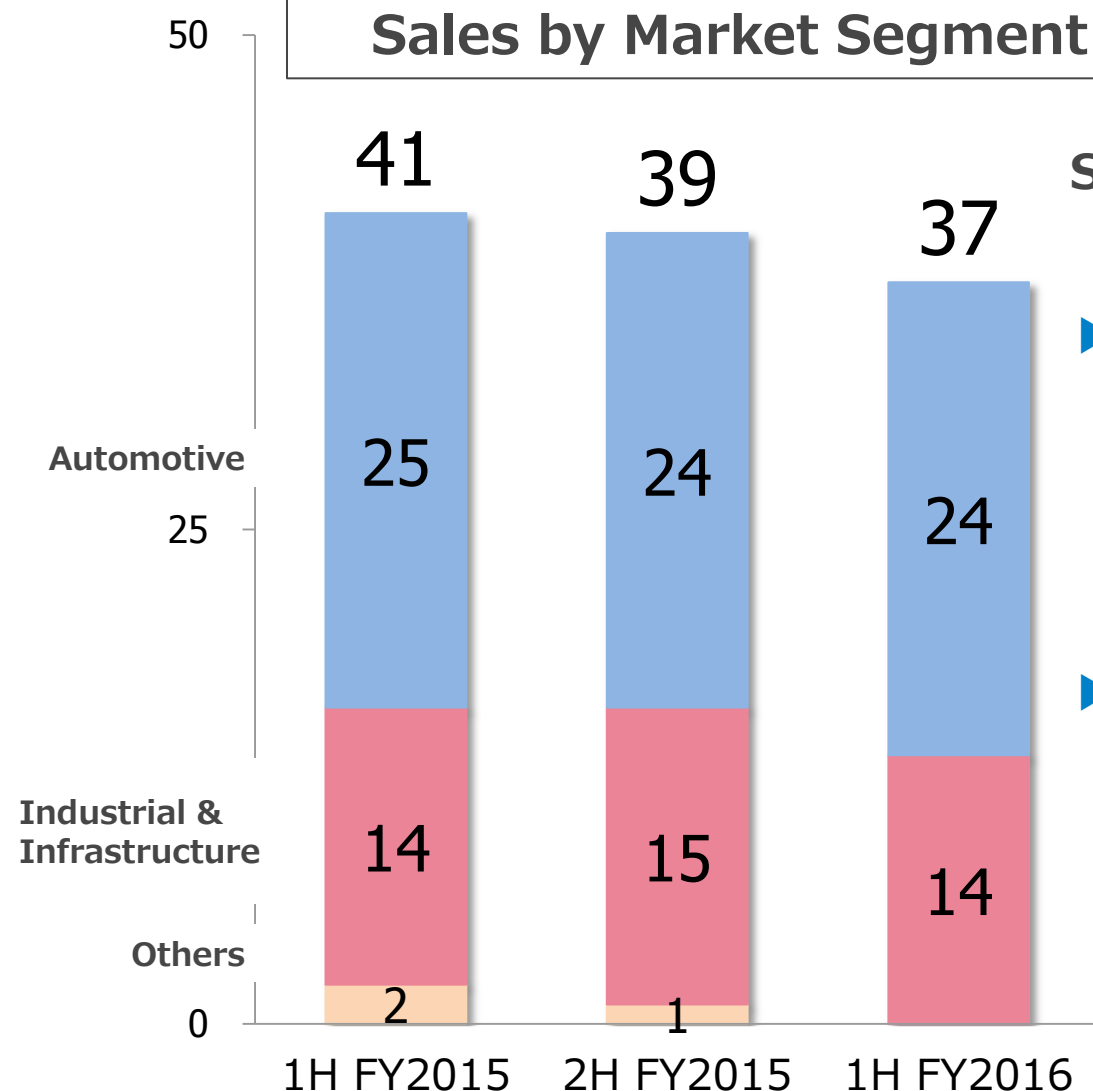
▲ JPY 0.7 billion
(from 2015 2H)

- ▶ Influenced by JPY 13.2 appreciation from the previous quarter
- ▶ Changed in product mixture (which used more purchased parts)
- ▶ Increased in development cost for new products

2-2. UIS Business

(JPY in 100 millions)

Sales by Market Segment



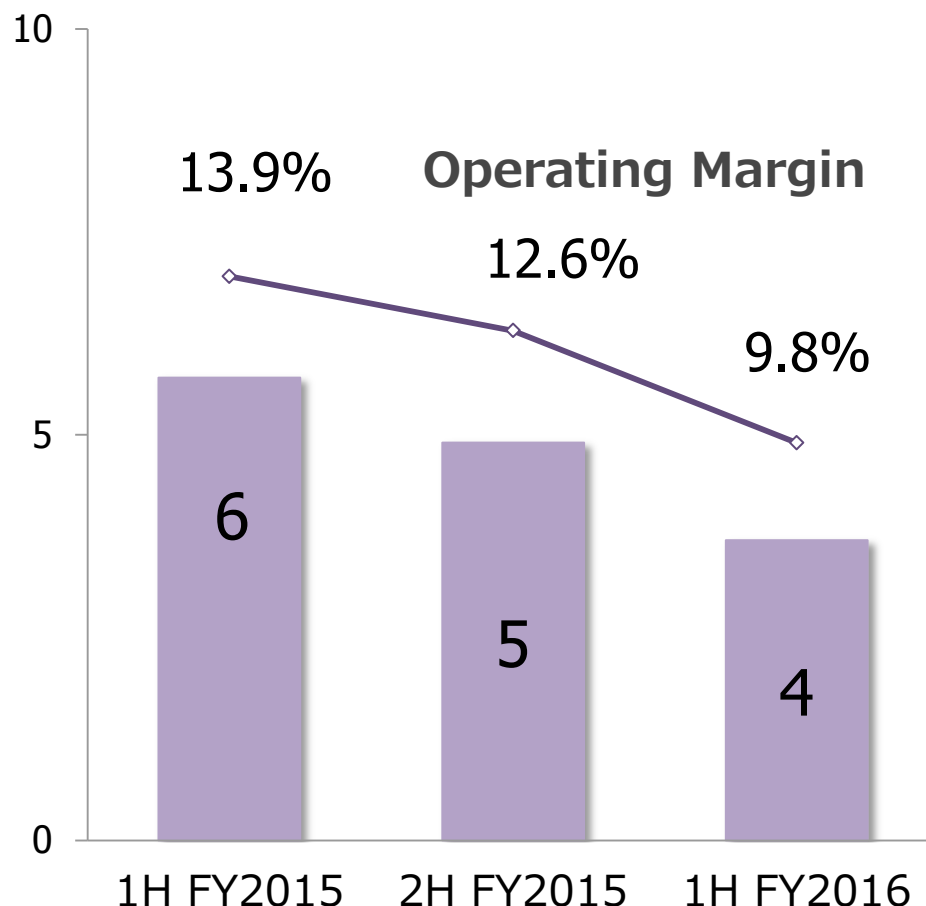
**Sales : 96%
(of 2015 2H)**

- ▶ **Automotive :**
Achieved the same level as the previous quarter for in-vehicle capacitive touch panel
- ▶ **Industrial & Infrastructure :**
Decreased from the previous quarter in the severe market condition

2-2. UIS Business

Operating Income

(JPY in 100 millions)



Operating Income :

▲JPY0.1 billion

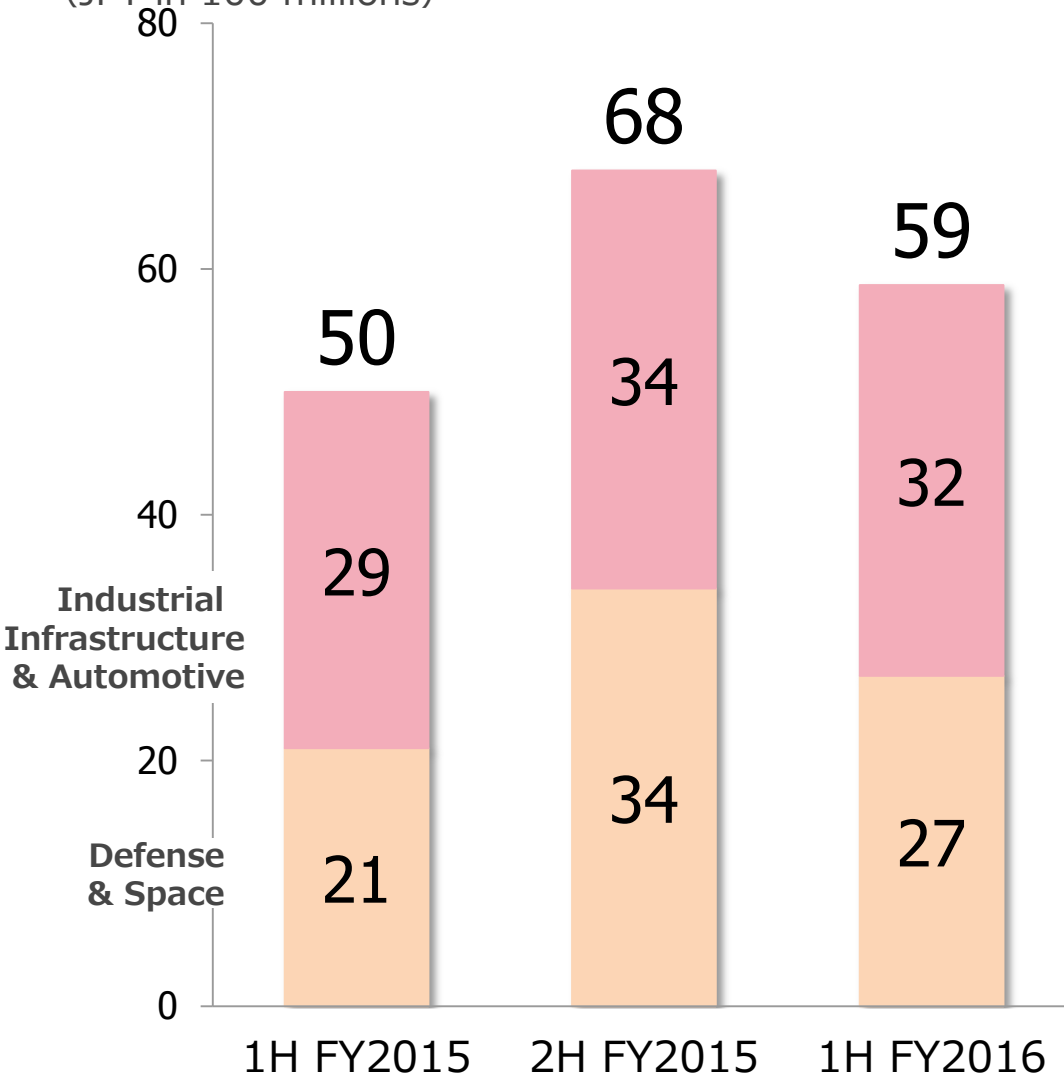
(from 2015 2H)

- Increased in depreciation of capital investment (new production line and prototype production) for in-vehicle capacitive touch panel

2-3. Aerospace Business

Sales by Market Segment

(JPY in 100 millions)



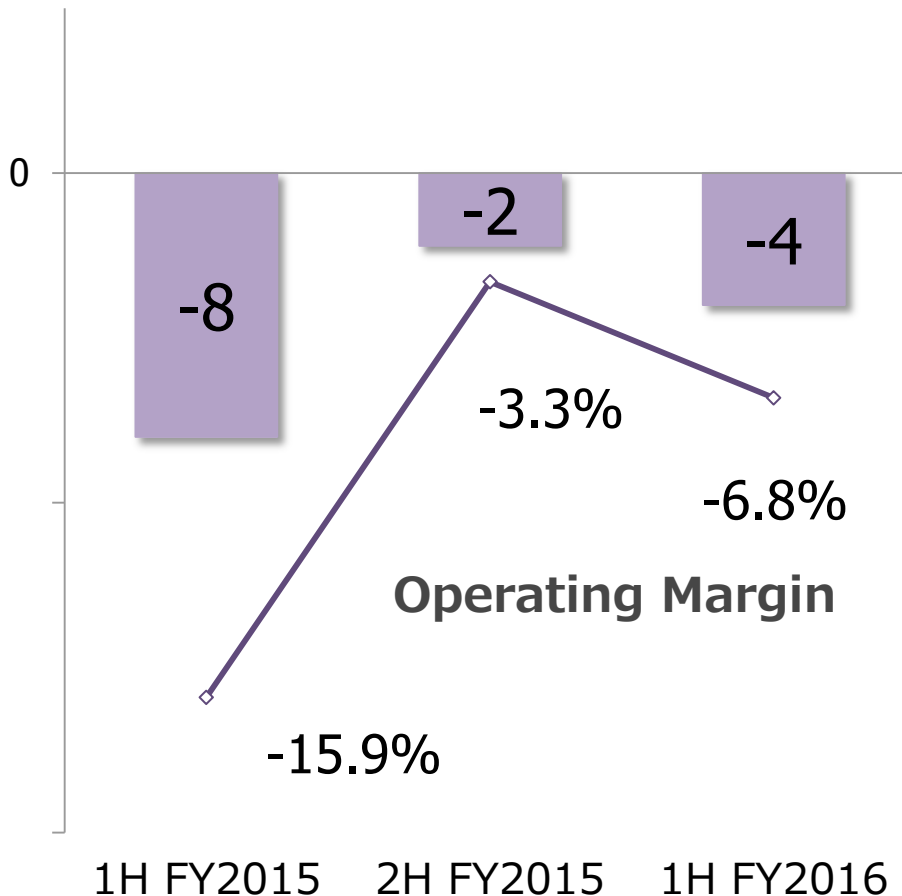
Sales : 116%
(of FY2015 1H)

- ▶ Public and private sectors increased on year-over-year basis despite higher demand seasonality in the second-half year
- ▶ Industrial & Infrastructure :
 - Increased in machinery (linear motor for semiconductor/liquid crystal exposure apparatus)
 - Stagnant demand from oil drilling customers

2-3. Aerospace Business

Operating Income

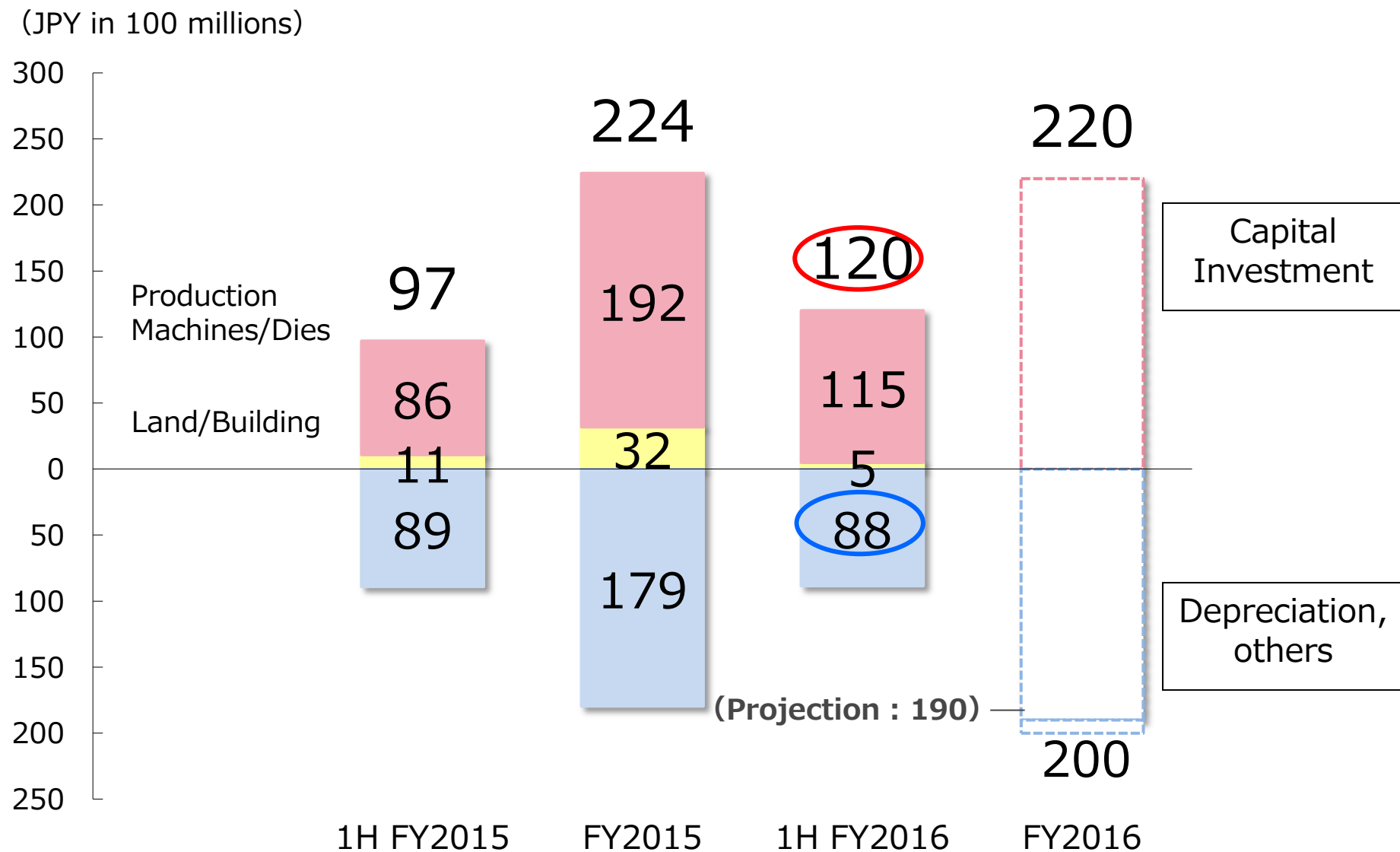
(JPY in 100 millions)



Operating Income :
+ JPY 0.4 billion
(from FY2015 1H)

- ▶ Reduced deficit by half with sales increase
- ▶ Did not reach breakeven in 1H due to slower sales growth

3. Capital Investment & Depreciation



II. Prospects and Strategy for FY2016

(April 2016~March 2017)

1-1. Prospect for FY2016

	FY2015	FY2016			
		1H	FY2016 Projections	Year/Year Change	
Net Sales	1,795	899	2,070	275	(%) 115%
Operating Income	179	41	125	-54	70%
(to Net Sales)	10.0%	4.6%	6.0%		
Ordinary Income	169	26	100	-69	59%
(to Net Sales)	9.4%	2.9%	4.8%		
Net Income	125	21	75	-50	60%
(to Net Sales)	7.0%	2.3%	3.6%		

Projections (announced Jul. 2016)	
Projections	Change
2,100	-30
160	-35
7.6%	
137	-37
6.5%	
100	-25
4.8%	

※ Amounts less than 100 millions JPY are rounded off.

※ Exchange Rate (1USD = 105JPY)

▶ Prospect for 2H

- Expect significant increase in total sales by new product launched in 2nd quarter in Mobile Devices area, and with steady sales growth of Automotive and Industrial & Infrastructure segments
- Plan significant profit increase by sales increase and development cost improvement



Improve profitability by increasing sales and by enhancing development & production systems for key markets

1-2. Prospect for Sales by Business Segment

	FY2015	FY2016			
		1H	Projections	Year/Year Change	
Connector	1,589	799	1,858	269	(%) 117%
UIS	80	37	80	0	100%
Aerospace	118	59	125	7	106%
Others	8	3	7	-1	91%
Total	1,795	899	2,070	275	115%

※ Amounts less than 100 millions JPY are rounded off.

1-3. Prospect for Sales by Market Segment

	FY2015	FY2016			
		1H	Projections	Year/Year Change	
Mobile Devices	707	395	990	283	(%) 140%
Automotive	685	315	670	-15	98%
Industrial & Infrastructure	246	123	260	14	106%
Others	157	66	150	-7	97%
Total	1,795	899	2,070	275	115%

※ Amounts less than 100 millions JPY are rounded off.

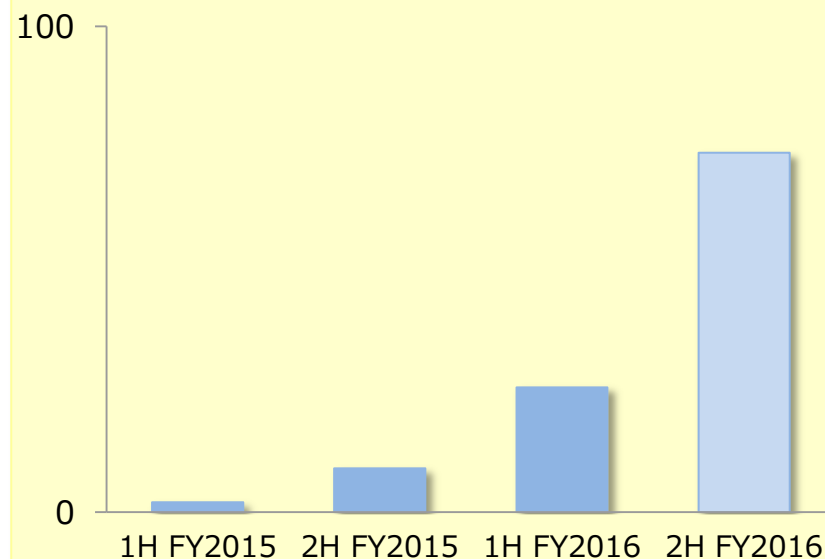
2. Strategy ① Mobile Devices

- ▶ Significantly expand businesses for USB Type-C™ DX07 Series connectors, Chinese smartphones, and North American customers
- ▶ DX07 series connectors and harnesses
 - Further expand product line-up
 - Started Volume shipment to key customers (from August)
 - Start assembly of harness products with DX07 series connectors in big volume at JAE Philippines



Sales of DX07 Series Connectors

(JPY in 100 millions)



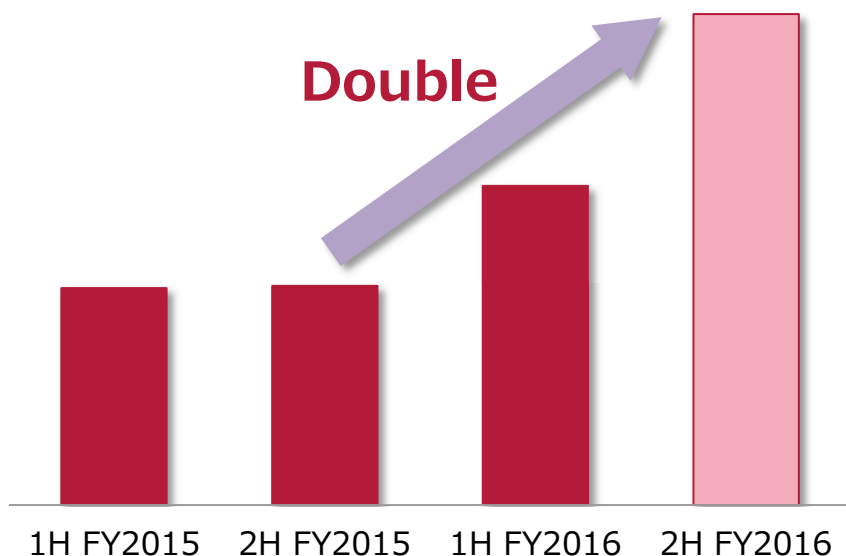
2. Strategy ① Mobile Devices

- ▶ Significantly expand businesses for USB Type-C™ DX07 Series connectors, Chinese smartphones, and North American customers

▶ Chinese smartphones

- Achieved sales expansion to fast growing successful customers
- Expand production capacity for 2H sales increase

Sales for Chinese Smartphones



Micro SIM Card Connector
SF58 series

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



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



WP7 series
0.4mm pitch
Stacking
height 0.7mm



WP25D series
0.35mm pitch
Stacking
height 0.7mm
w/ power terminals

Nano SIM Card Connector



SF70/72 series
Industry's lowest-in-class Height
& Smallest-in-class Dimension

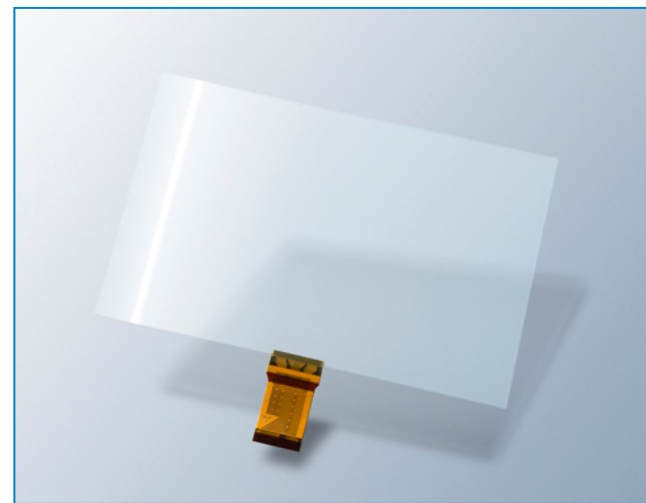
2. Strategy ②Automotive

- ▶ Capture Japanese car maker demand
 - Make sure to capture projects for new model cars
 - Approach to their R&D activities outside Japan
 - Further promote in-vehicle capacitive touch panel business
- ▶ Focus on Europe, China and other Asian markets
 - Acquire orders for environmental friendly vehicle demand in China

New Products

(product launch announced in FY2016)

- ▶ Transparent type glass sensor “TC230”
 - Invisible micro wiring (for electrode of the touch –panel frame)
 - Improved durability and design



- ▶ Sales expansion by share increase with current customers
 - Connector sales to robot, servomotor, machine tool applications in FA market
 - Coaxial and optical connectors for telecommunication equipment
- ▶ New product launch and sales promotion across Connector, UIS, and Aerospace business lines

New products (product launch announced in FY2016)

▶ Connector :

- AOC(Active Optical Cable) "RP04 series"
- Outdoor-use optical interface connector "FO-BD6 series"
- Waterproof cable-to-cable connector "HB01" series for robot and servomotor

▶ Aerospace :

Oil drilling DDM(Digital Directional Modules)



DDM
"Smart DM"

3. Product Development for Middle Term Growth

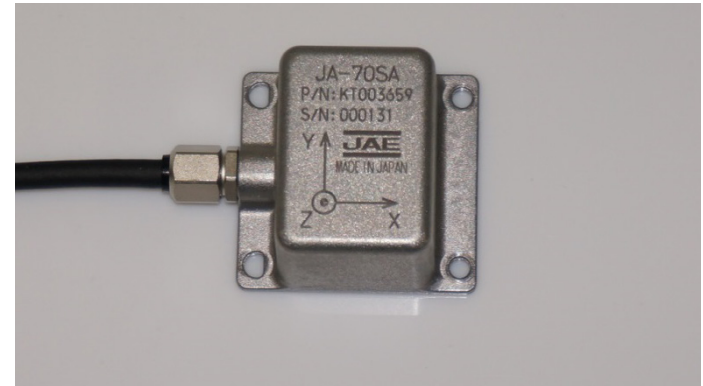
- ▶ Develop new technology for IoT era by exploiting JAE's core technology across three business lines

Structural Health Monitoring (Participate in monitoring project of "Gunkanjima")

Hashima in Nagasaki, Japan ("Gunkanjima")



JA70SA MEMS 3 axes accelerometer

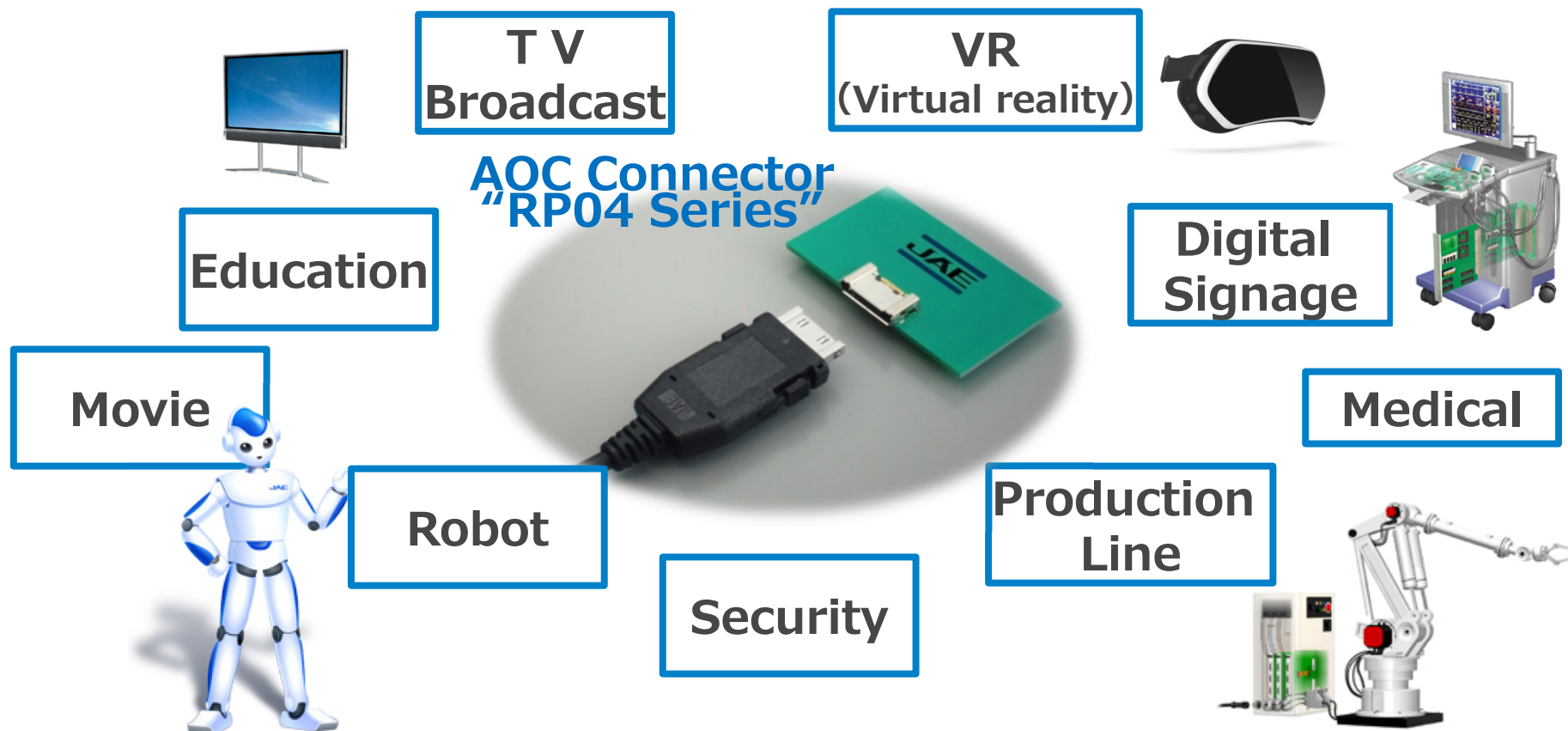


- ▶ Measures for aged social infrastructure (road, bridge, tunnel, etc.)
- ▶ Slant and landslide sensors for disaster prevention

3. Product Development for Middle Term Growth

- ▶ Develop new technology for IoT era by exploiting JAE's core technology across three business lines

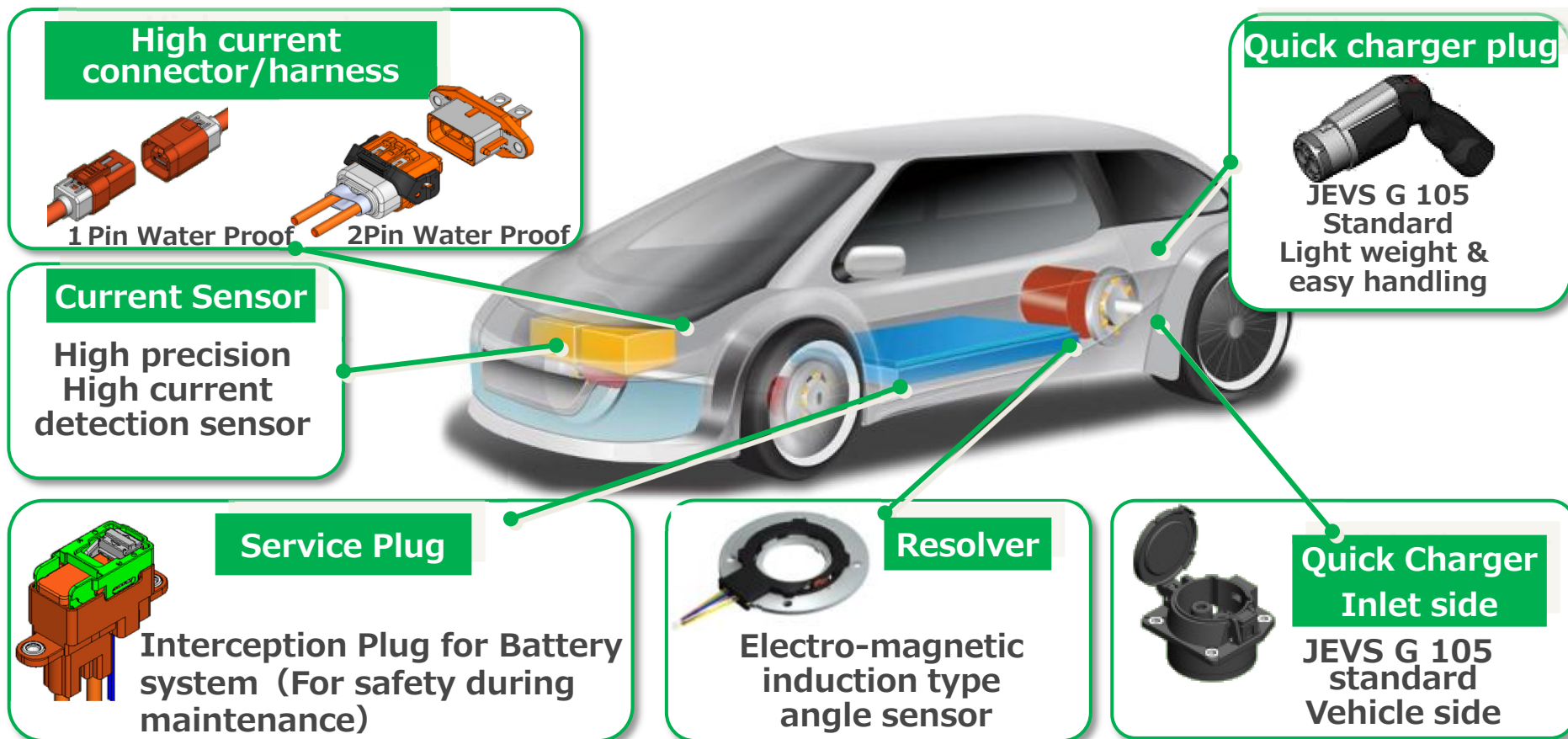
Spread of high-definition graphics (4K·8K) makes AOC market expand
(AOC : Active Optical Cable)



3. Product Development for Middle Term Growth

- ▶ Develop new technology for IoT era by exploiting JAE's core technology across three business lines

Technology for environmental friendly vehicle



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 October 26, 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.

	FY2015		FY2016		Year/Year Change		Sequential Change	
	1H	2H	1H		2H FY2015/ 1H FY2016		2H FY2015/1H FY2016	
Connector	876	714	799	Component Ratio 89%	-76	Growth Rate 91%	86	Growth Rate 112%
UIS	41	39	37	4%	-4	91%	-2	96%
Aerospace	50	67	59	7%	8	116%	-9	87%
Others	4	4	3	—	-1	78%	0	92%
Total	971	824	899	100%	-73	93%	75	109%

※ Amounts less than 100 millions JPY are rounded off.

[Reference] Prospect for Income by Business Segment

	FY2015				FY2016		Year/Year Change		Sequential Change	
	1H		2H		1H		1H FY2015/1H FY2016		2H FY2015/1H FY2016	
		(%)		(%)		(%)		Growth Rate		Growth Rate
Connector	150	17.1%	71	9.9%	64	8.0%	-86	42%	-7	90%
UIS	6	13.9%	5	12.6%	4	9.8%	-2	65%	-1	74%
Aerospace	-8	-15.9%	-2	-3.3%	-4	-6.8%	4	—	-2	—
Unallocatable cost/Others	-23	—	-18	—	-22	—	2	—	-3	—
Total	124	12.8%	55	6.7%	41	4.6%	-83	33%	-14	75%

※ Percentages (%) for FY2015 and 1H FY2016 indicate Operating Income to Net Sales Ratios.

※ Amounts less than 100 million yen are rounded off.