

Technology to Inspire Innovation

Financial Results for FY2016 and Prospects for FY2017

April 26, 2017

6807 Japan Aviation Electronics Industry, Ltd.

- I. Financial Results for FY2016**
- II. Prospects and Strategy for FY2017**

I . Financial Results for FY2016 (From April 1, 2016 to March 31, 2017)

Net Sales and Incomes

(JPY in 100millions)

	FY2015			FY2016			Year/Year Change		Projections (announced Oct.2016)
	1H	2H		1H	2H			(%)	
Net Sales	971	824	1,795	899	1,196	2,095	300	117%	2,070
Operating Sales	124	55	179	41	79	121	-58	67%	125
to Net Sales	12.8%	6.7%	10.0%	4.6%	6.6%	5.8%			
Ordinary Income	115	54	169	26	65	92	-77	54%	100
to Net Sales	11.9%	6.6%	9.4%	2.9%	5.4%	4.4%			
Net Income	85	40	125	21	46	67	-58	54%	75
to Net Sales	8.8%	4.9%	7.0%	2.3%	3.9%	3.2%			

Capital Investment	97	127	224	120	97	217	-7
Depreciation	89	90	179	88	109	197	18

(Depreciation Include others)

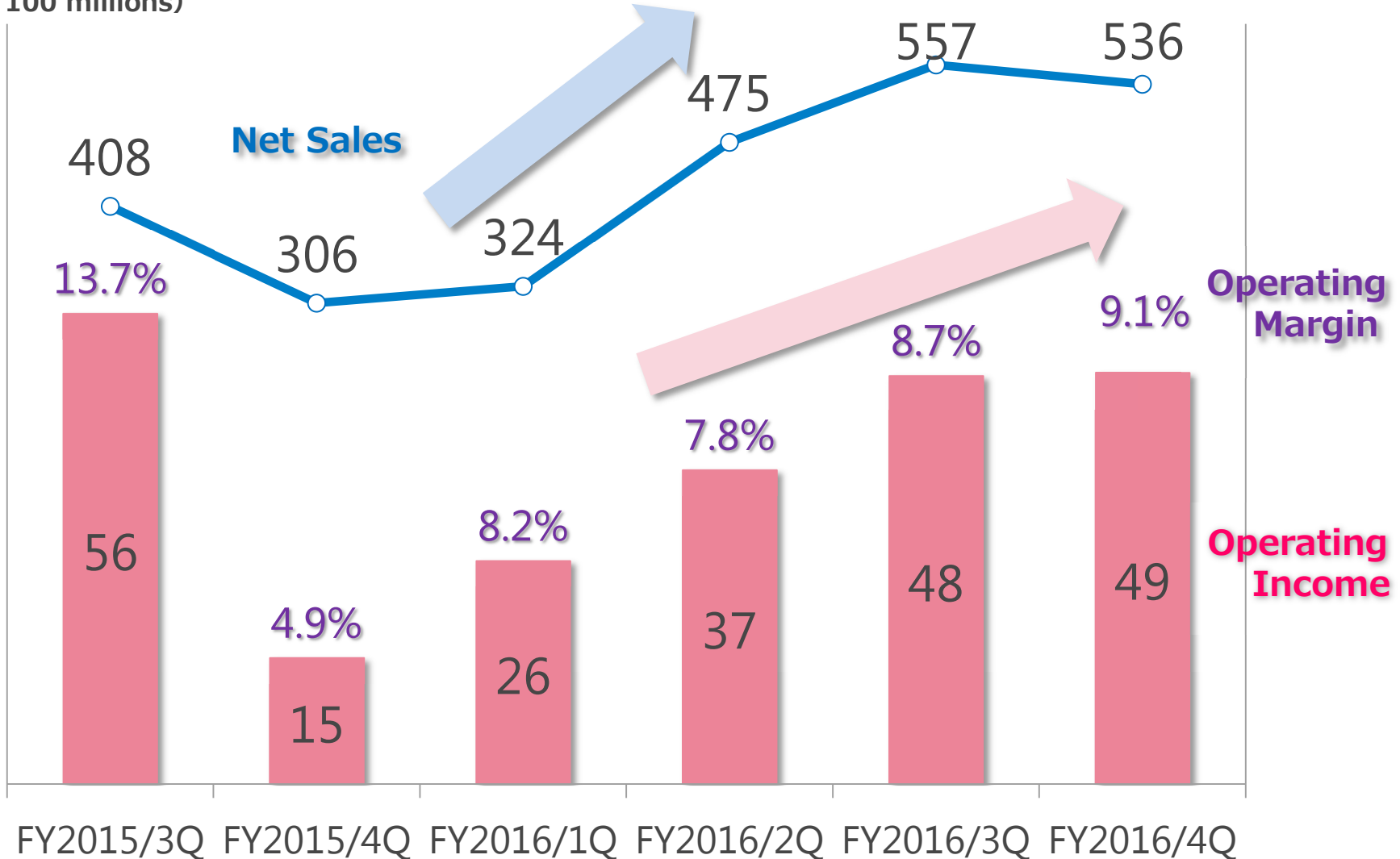
Average Exchange Rate (JPY/USD)	121.9	118.4	120.2	105.2	111.5	108.3
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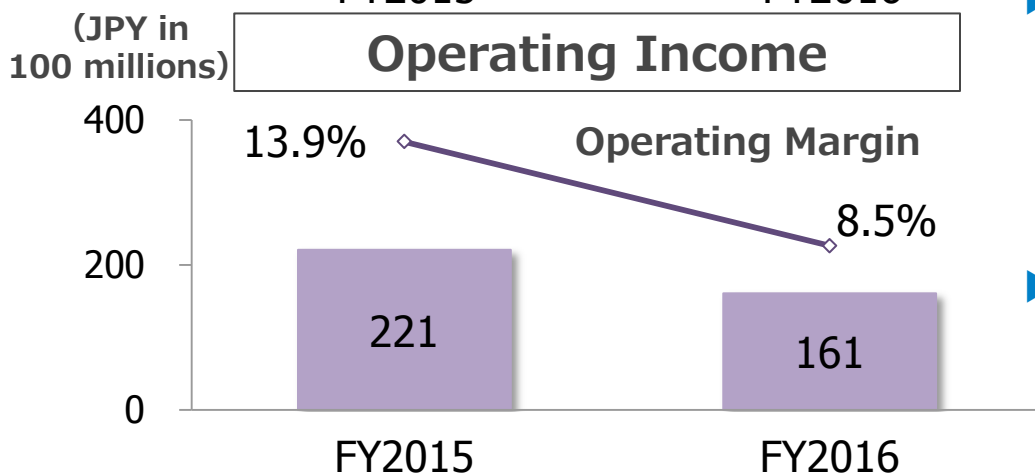
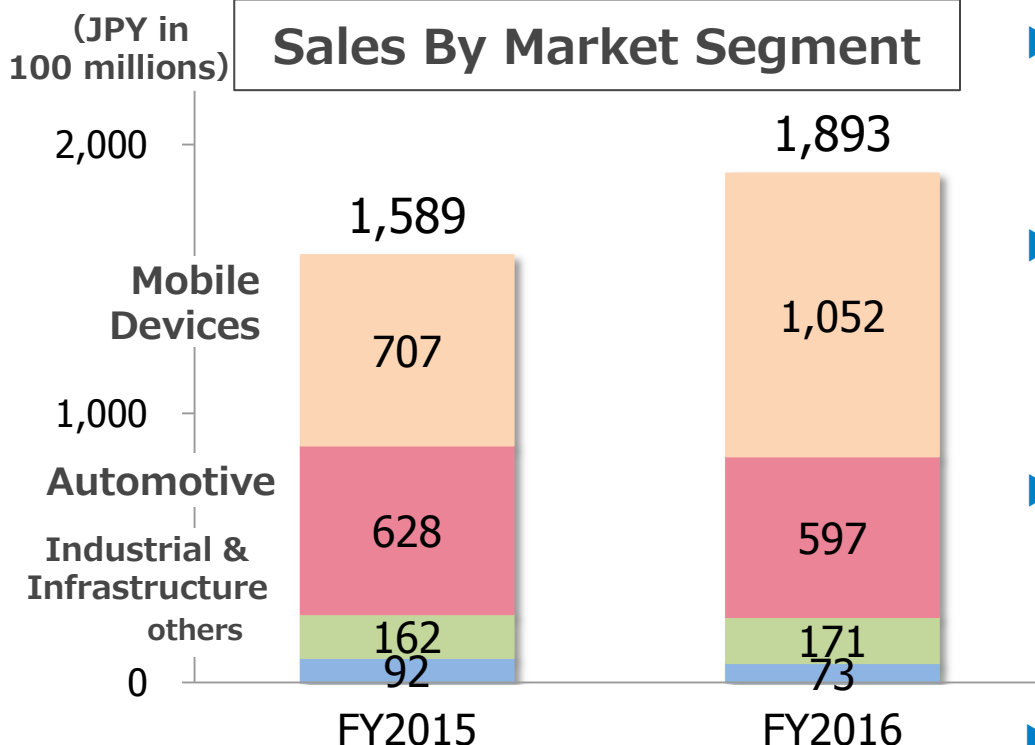
※ Amounts less than 100 million JPY are rounded off.

Connector Business Outlook

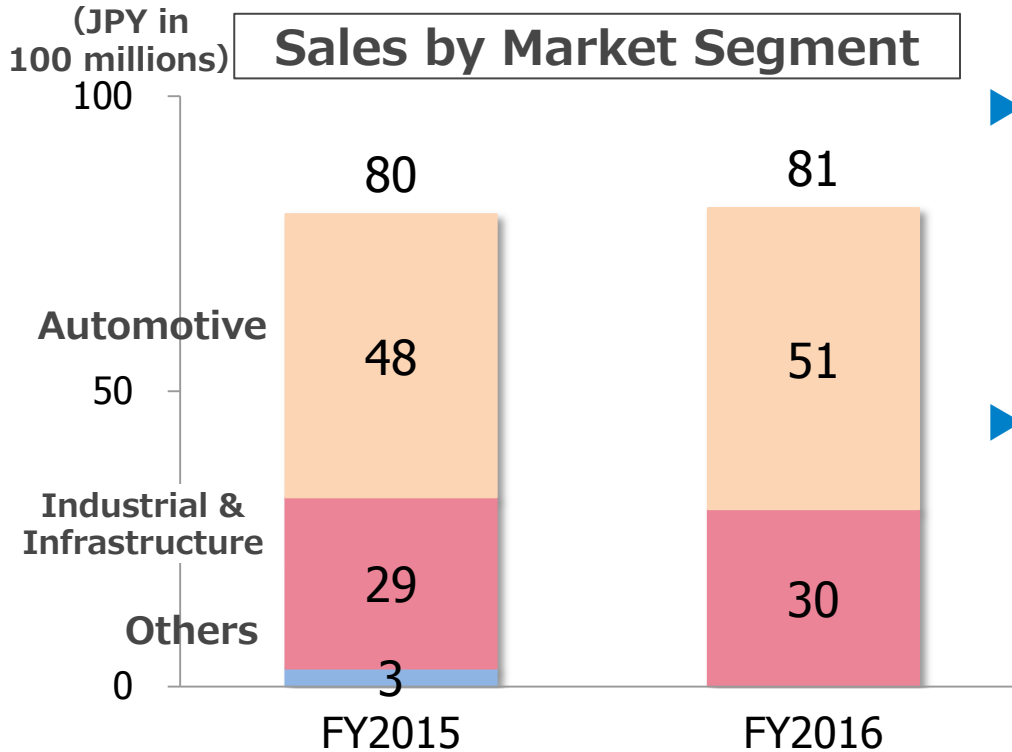
Quarterly Net sales and Operating Income

(JPY in 100 millions)

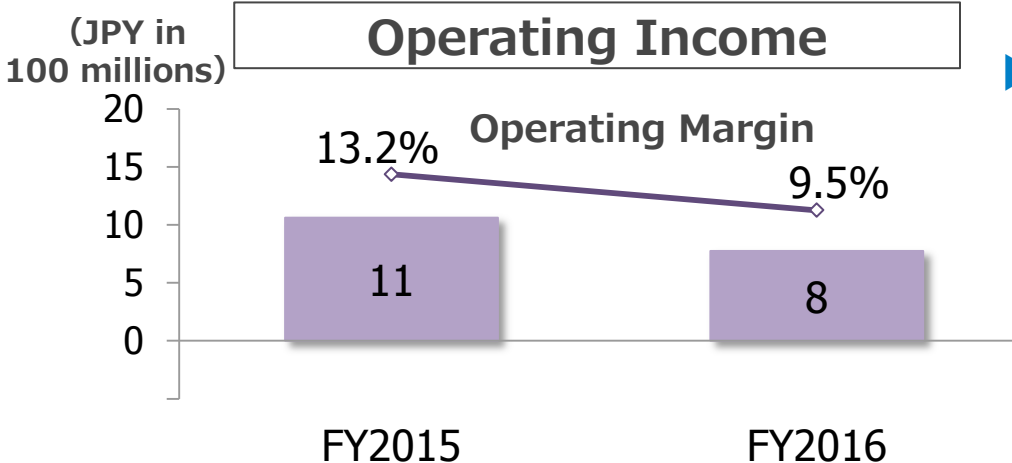




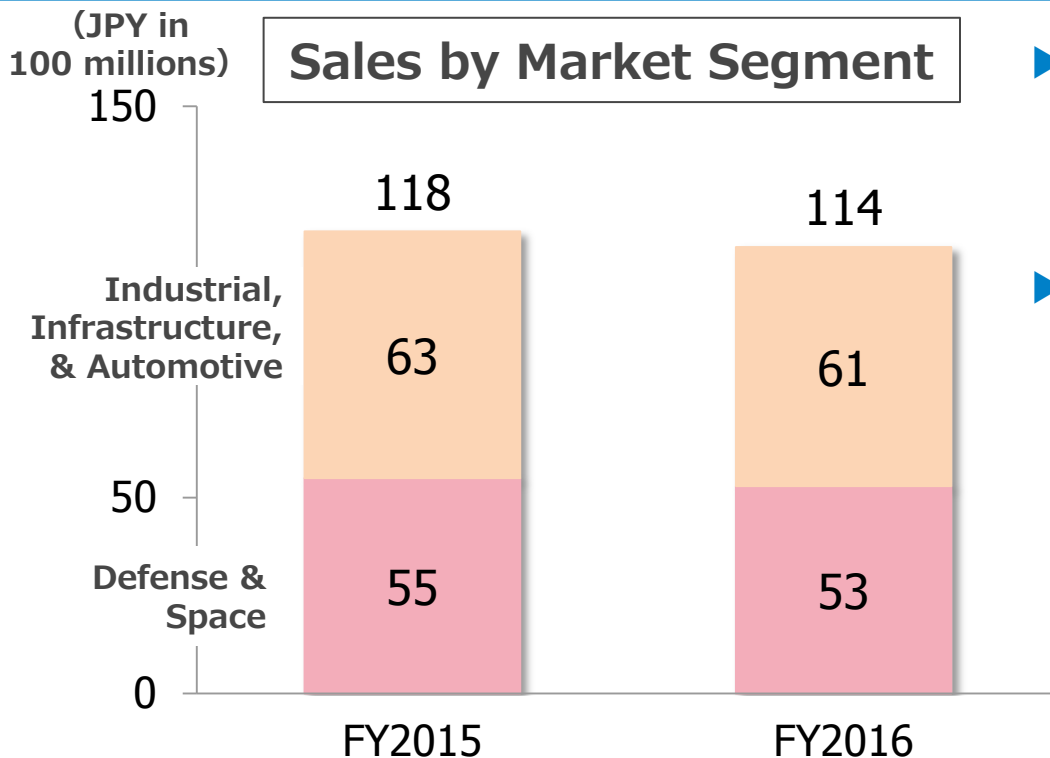
- ▶ **Mobile Devices**
Significant sales increase was achieved by products newly launched
- ▶ **Automotive**
Sales declined due to exchange rate impact and regional demand decrease. However, 2H results were better
- ▶ **Industrial & Infrastructure**
Demand restored by domestic factory automation makers
- ▶ **New products released in 1H cost us much more than we planned, however, due to better productivity we achieved, improvement in income and profitability was made in 2H**
- ▶ **Operating margin decreased due to sales increase of composite products using a lot of purchased parts**



- ▶ **Automotive (capacitive touch panel for automotive)**
Slight increase due to transition to new car model and exchange rate impact
- ▶ **Industrial & Infrastructure**
No sales growth despite of intense marketing efforts to key customers



- ▶ **Operating income was declined** due to depreciation of newly invested production machines for next generation products



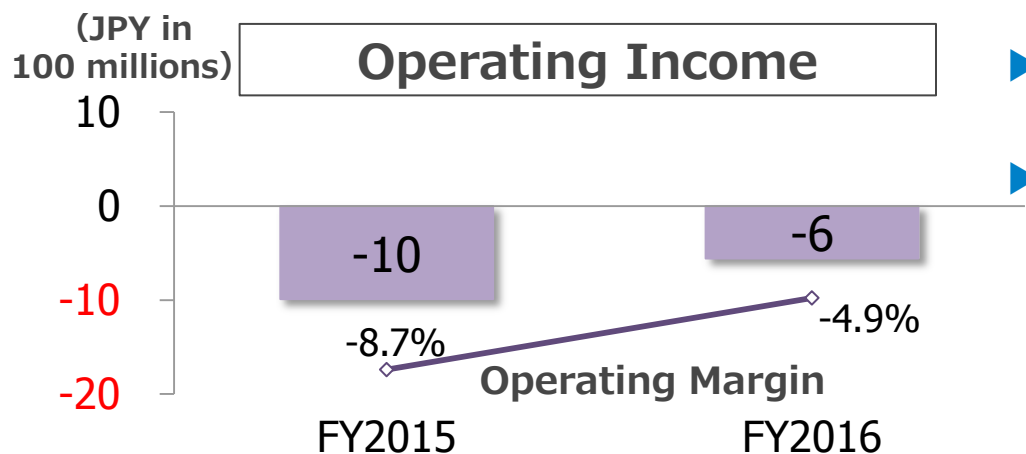
▶ Defense & Space

Decrease on year-over-year basis due to sluggish defense spending on domestic products

▶ Industrial, Infrastructure & Automotive

Slow market recovery of oil drilling sensor

Stagnant growth of linear motor for semiconductor fabrication equipment due to customer's slump



▶ Continuous operating loss due to insufficient sales over the plan

▶ Shrunk operating loss by better manufacturing efficiency (Returned to the black at 4Q)

- ▶ Increased sales significantly by new products launched for Mobile Devices
- ▶ Improved operating income in 2H, thanks to steady recovery from troublesome product releases in 1H
- ➡ Continued improvement of profitability to achieve financial targets for FY 2017
- ▶ Completed TOB by NEC (holding 50.77%) in January 2017 and started specific discussions to achieve mid-term synergy

II. Prospects and Strategy for FY2017

(From April 1, 2017 to March 31, 2018)

▶ Business Environment

- Slow economic recovery, and higher uncertainty
- More in-vehicle electronics, continuous innovation in mobile devices, and market recovery in industrial and infrastructure



▶ Key Strategy

- Carry out product development and release, and aggressive marketing activities in three key markets
- Improve profit profile by innovating product development, manufacturing and procurement and cost cutting
- Advance technology development for middle term growth

Prospects for FY2017

(JPY in 100millions)

	FY2016			FY2017					
	1H	2H		1H	Year/Year Change		Projections	Year/Year Change	
Net Sales	899	1,196	2,095	1,200	301	(%) 134%	2,300	205	(%) 110%
Operating Income	41	79	121	80	39	193%	160	39	133%
to Net Sales	4.6%	6.6%	5.8%	6.7%			7.0%		
Ordinary Income	26	65	92	70	44	265%	140	49	153%
to Net Sales	2.9%	5.4%	4.4%	5.8%			6.1%		
Net Income	21	46	67	50	29	238%	100	33	148%
to Net Sales	2.3%	3.9%	3.2%	4.2%			4.3%		

※ Exchange Rate(1USD = 108JPY)

Capital Investment (FY2017) 200

Depreciation (FY2017) 200

(Depreciation includes others)

Prospects for Sales by Business Segment **JAE**

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(JPY in 100millions)

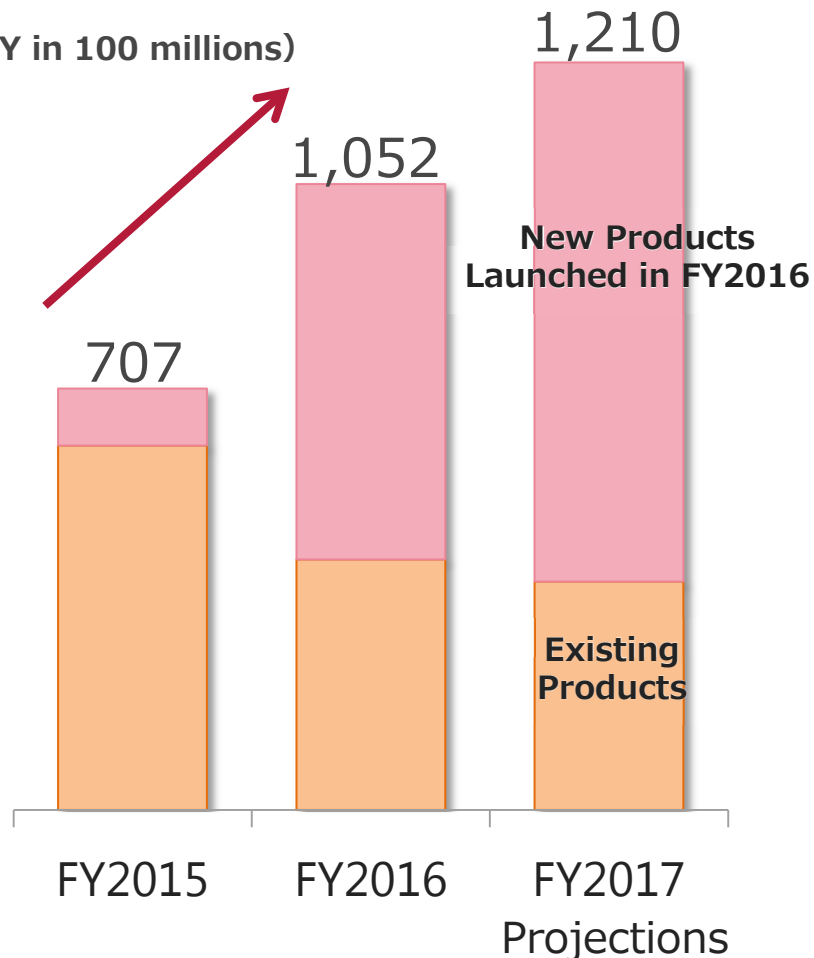
	FY2016		FY2017					
	1H		1H	Year/Year Change		Projections	Year/Year Change	
Connector	799	1,893	1,100	301	(%) 138%	2,090	197	(%) 110%
UIS	37	81	41	4	109%	82	1	101%
Aerospace	59	114	55	-4	94%	120	6	105%
Others	3	7	4	1	123%	8	1	114%
Total	899	2,095	1,200	301	134%	2,300	205	110%

※ Amounts less than 100 million JPY are rounded off.

Expand sales by promoting new products and keeping existing product lineup competitive

Sales growth in Mobile Device market

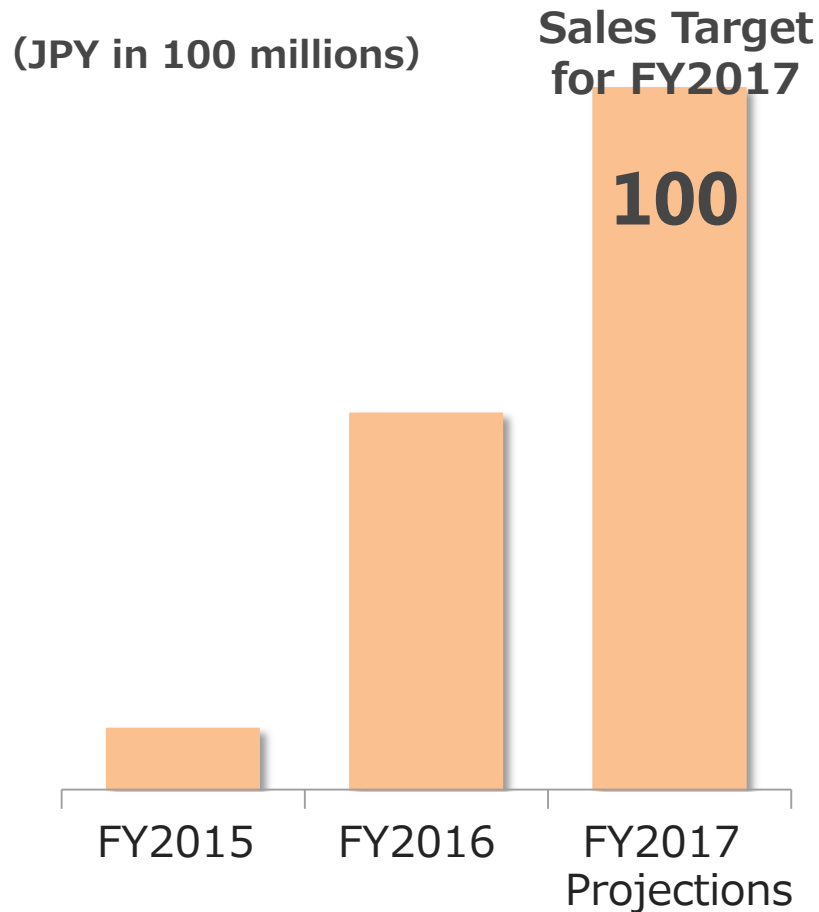
(JPY in 100 millions)



- ▶ New products led to sales growth for FY 2016
- ▶ Latest launched products are expected to drive sales growth for FY 2017
- ▶ Emerging market expansion is expected to sustain existing product sales growth, despite of shorter product life cycle in mobile devices

Full-scale Sales expansion of Type-C™ connector DX07

Sales growth of DX07 series



- ▶ Market will grow as expected
⇒ 500 million units for Type-C installed devices (100 million units in 2016)



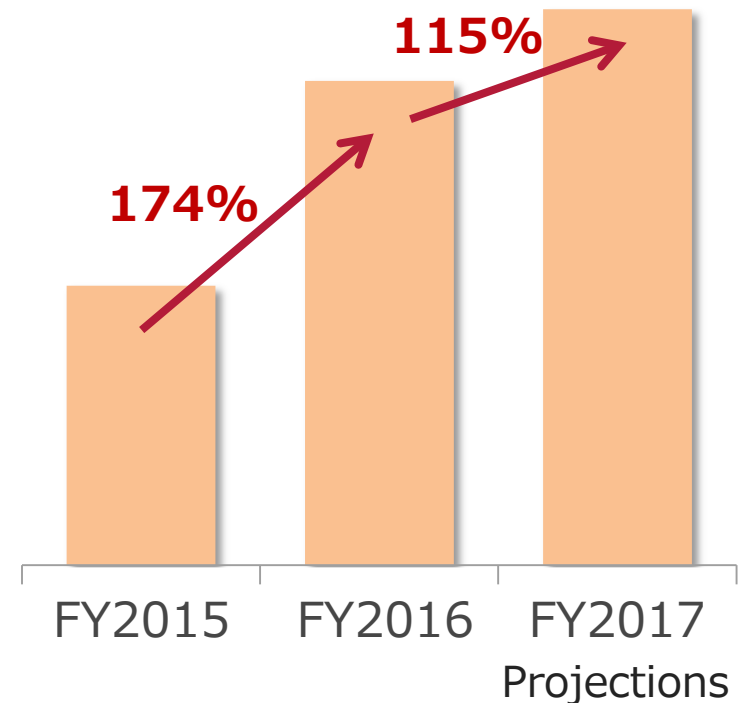
- ▶ Target JPY 10 billion sales in 2017
- ▶ Focus high potential market
 - Harness for PC suppliers, receptacle for Chinese smartphone suppliers, etc.
 - Keep high market share in notebook PC and expand sales to peripheral segment
- ▶ Enhance lineup for high value added products

Expand to smartphone markets in China and emerging market countries

- ▶ Worldwide smartphone market is expected to grow from 1.48 billion units (2016) to 1.78 billion units (2019) by emerging market demand expansion
- ▶ Chinese smartphone makers will accelerate entry to emerging markets

Sales Growth Target for Smartphones for Emerging Countries

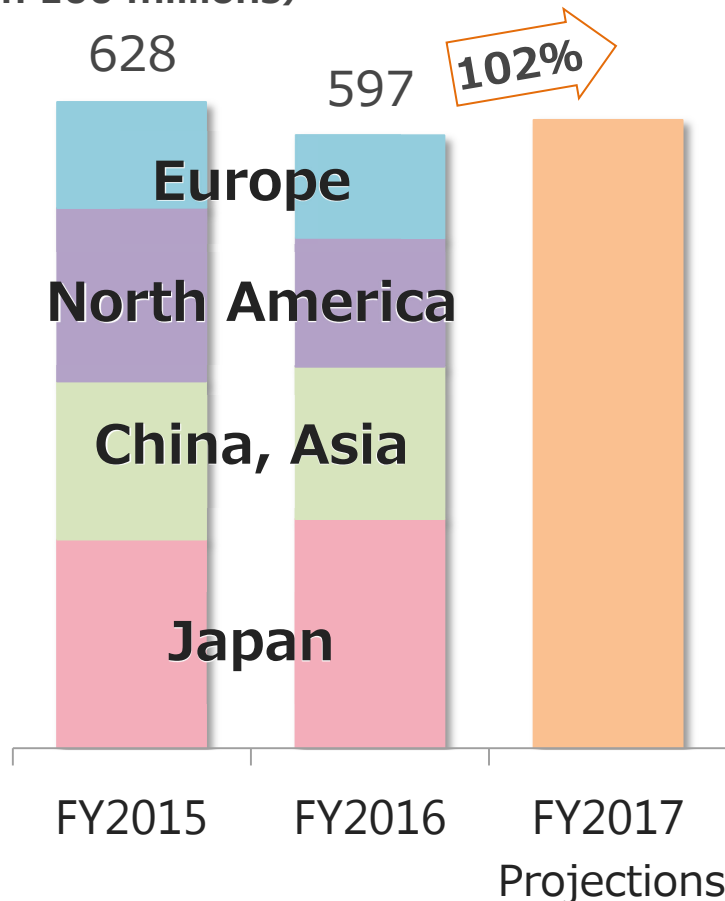
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- ▶ Project sales increase to Chinese smartphone makers by 15% from the previous year
 - Strengthen technical team in Hong Kong and Shanghai and reinforce design-in and technical support to emerging market
 - Acquire new major customers



Turn to growth by capturing European and Chinese automotive demand

Sales for Automotive

(JPY in 100 millions)



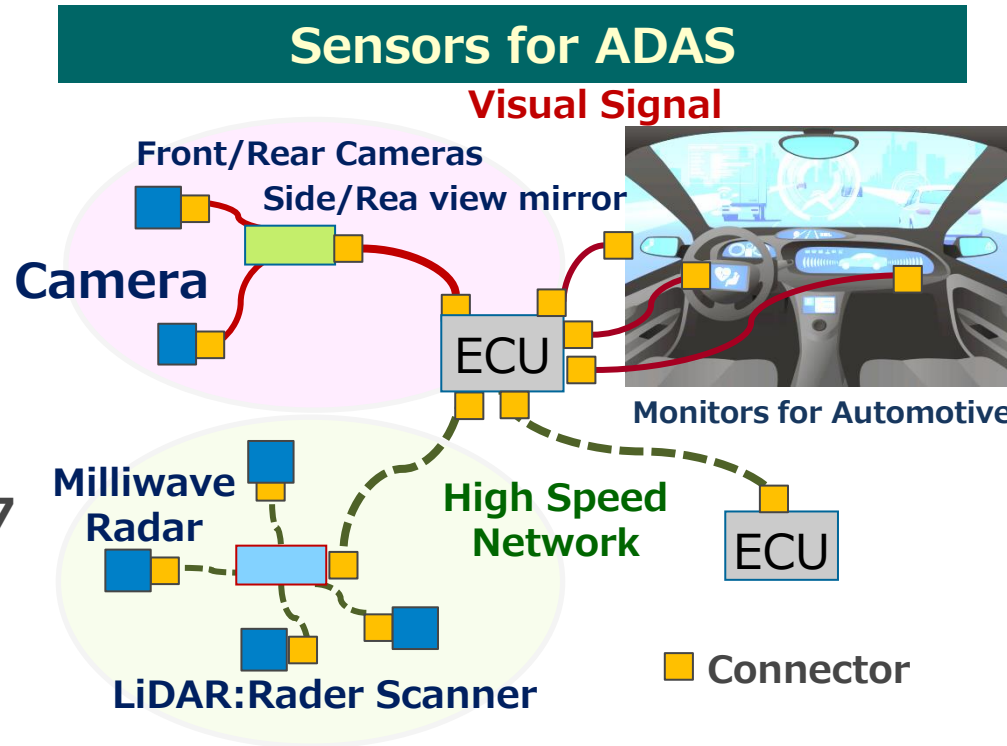
- ▶ Reinforce European automotive business unit and increase human resource
 - Increase local engineers to support local customers
 - Support development and quality assurance functions by increasing automotive product engineers at headquarters
- ▶ Promote electrical vehicles and environmental vehicles for Chinese local automotive makers
 - Establish local technical support unit at Hong Kong and Shanghai

Accelerate ADAS product development to sustain automotive business growth

- ▶ Steady sales growth of in-vehicle digital camera for sensing
 - Expand sales to Japanese automotive makers
 - Project 115% sales of the previous year for FY 2017



- ▶ Expand ADAS lineup, following in-vehicle digital camera
 - Millimeter wave for ADAS sensing and laser application, etc.
 - High speed network for vehicle (LVDS, coaxial, Gigabit- Ethernet)



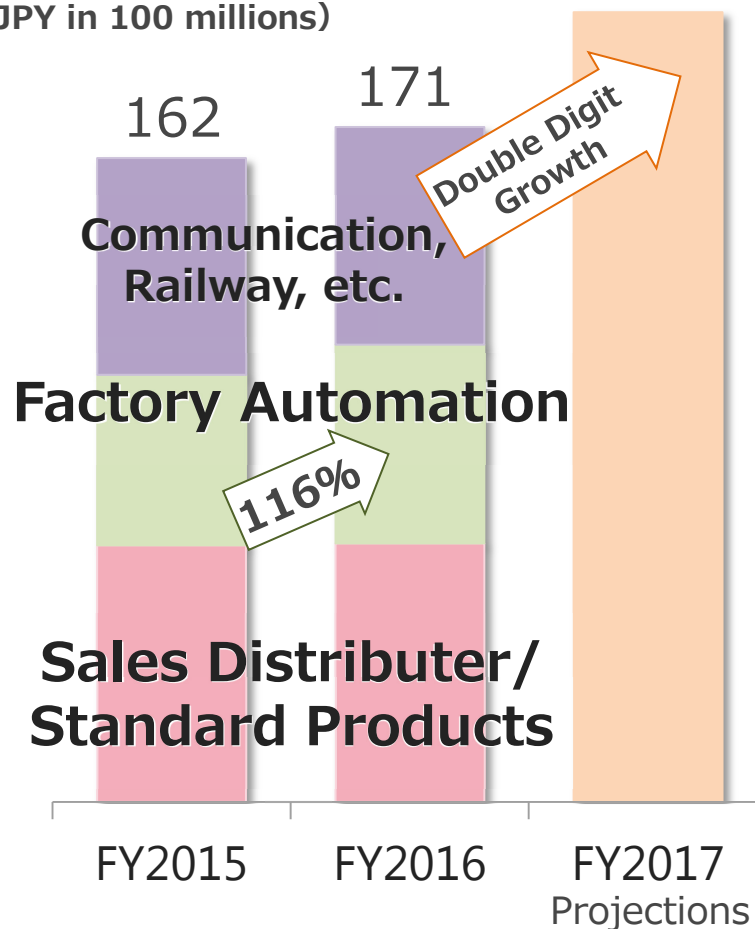
Continuously promote Industrial & Infrastructure business as the third pillar business

- ▶ Enhance marketing at Factory Automation market
- ▶ Intensify marketing for small and medium size market and expand it to overseas market
 - Expand lineup for internal connector and catalog products
 - Link closely with distributors and boost promotion
- ▶ Advance new product development such as 5G, 4K·8K, Data center, IoT (AOC coaxial products)
- ▶ Continue innovation for small and medium scale production

※ 5G : 5th generation mobile communication
4K·8K : Ultra High Definition TV
AOC : Active Optical Cable

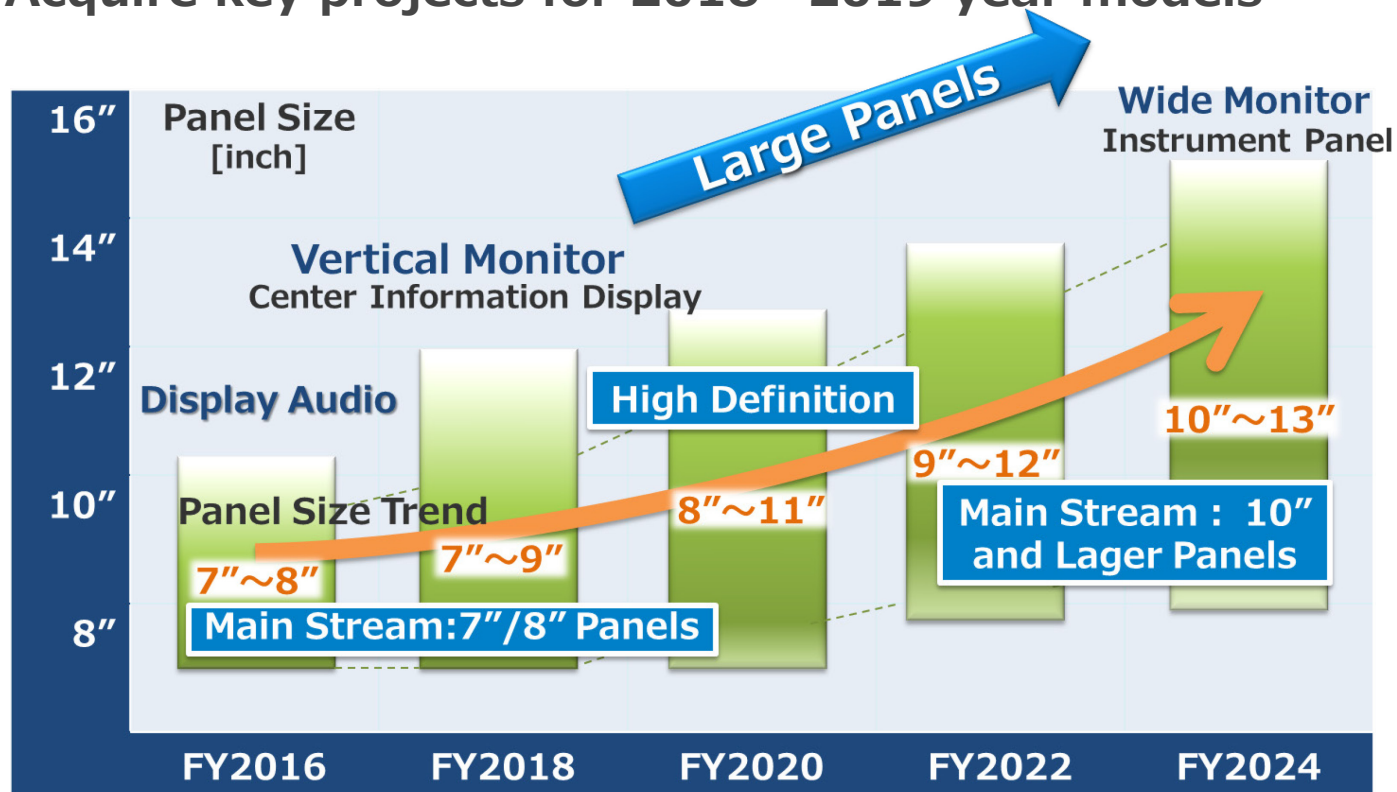
Sales for Industrial & Infrastructure

(JPY in 100 millions)



Set strategy for mid-term growth over transition period

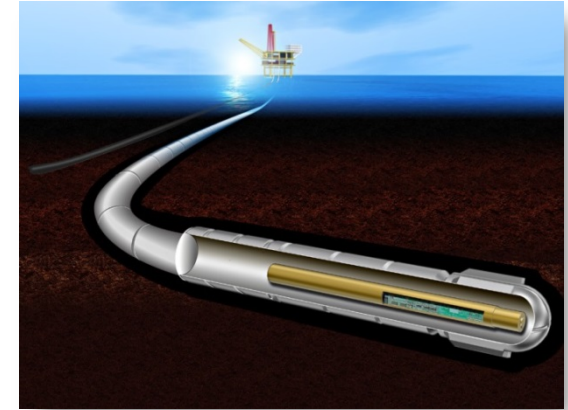
- ▶ Launch next generation of capacitive touch panel for automotive
 - Film-cell type with large screen, curved surface flexibility, and designability
 - Start mass production in FY2017 for domestic car maker's 2018-year model
 - Acquire key projects for 2018~2019 year models



Regain profitability by sales increase and cost reduction

▶ Grow sales of oil drilling sensor

- Enhance marketing of DDM (Digital Directional Module) and accelerometers in the market recovery trend
- Target more than doubled DDM sales from FY2016



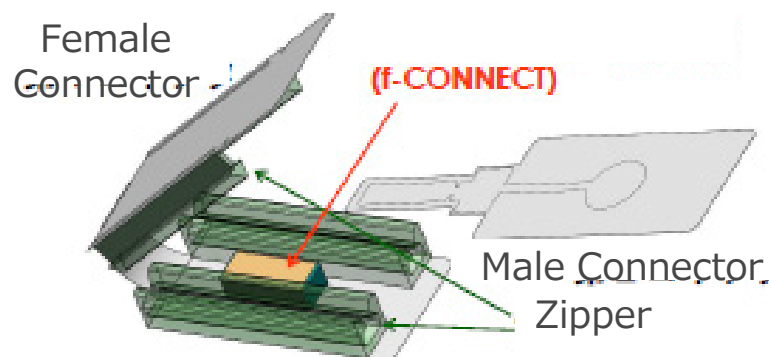
▶ Expand business for Semiconductor Fabrication Equipment (linear motor, etc.)

- Expand sales to domestic customers in response to strong demand
- Improve profitability by more in-house manufacturing and cost down

Promote development of advanced technology for IoT era

▶ Next generation of connection method for wearable market

- Washable, shielded, zipper-type connectors for wearable devices and smart clothes



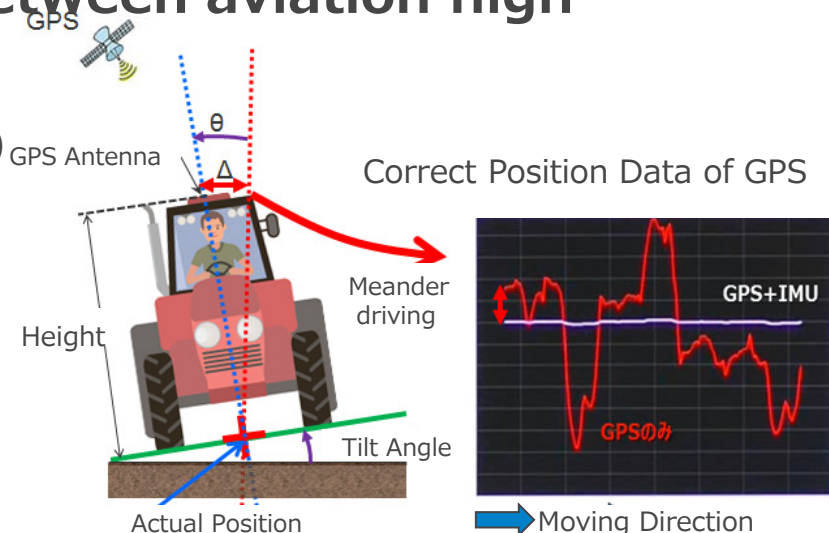
▶ Small-size IMU by Aerospace Business's core technology

- Convergence in technology between aviation high precision and MEMS

(MEMS : Micro Electro Mechanical Systems)

- Under development of unmanned and labor saving applications for construction and agriculture sectors

(IMU : inertial measurement unit)



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 26, 2017, 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.

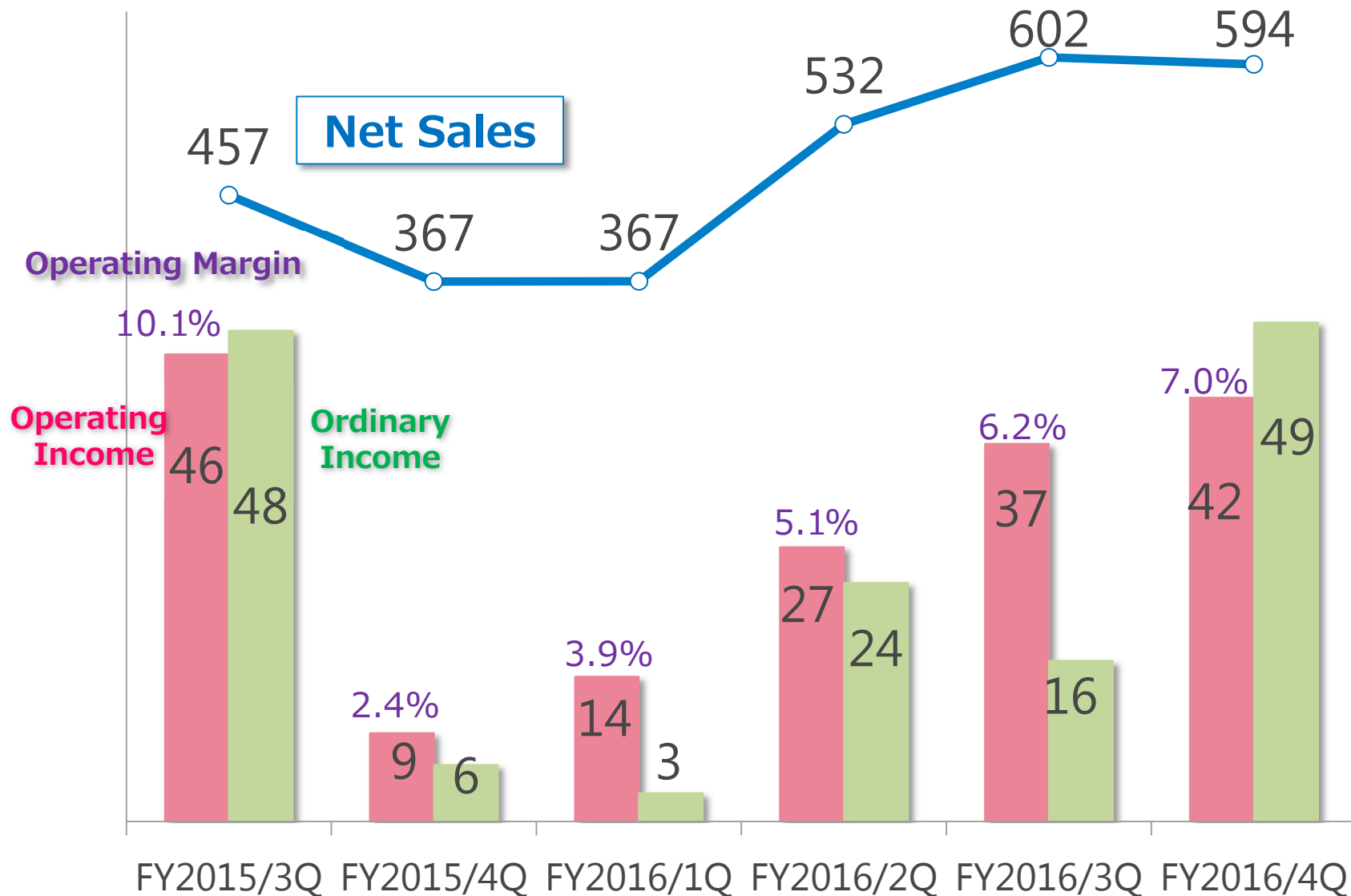
Note that actual results may differ greatly from forecasts and targets, etc. based on various factors. Major factors that affect actual business results, etc. are the political and economic situations in Japan, the US, Asia and so forth that involve regions where JAE conducts business operations, demand 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.

[Reference]

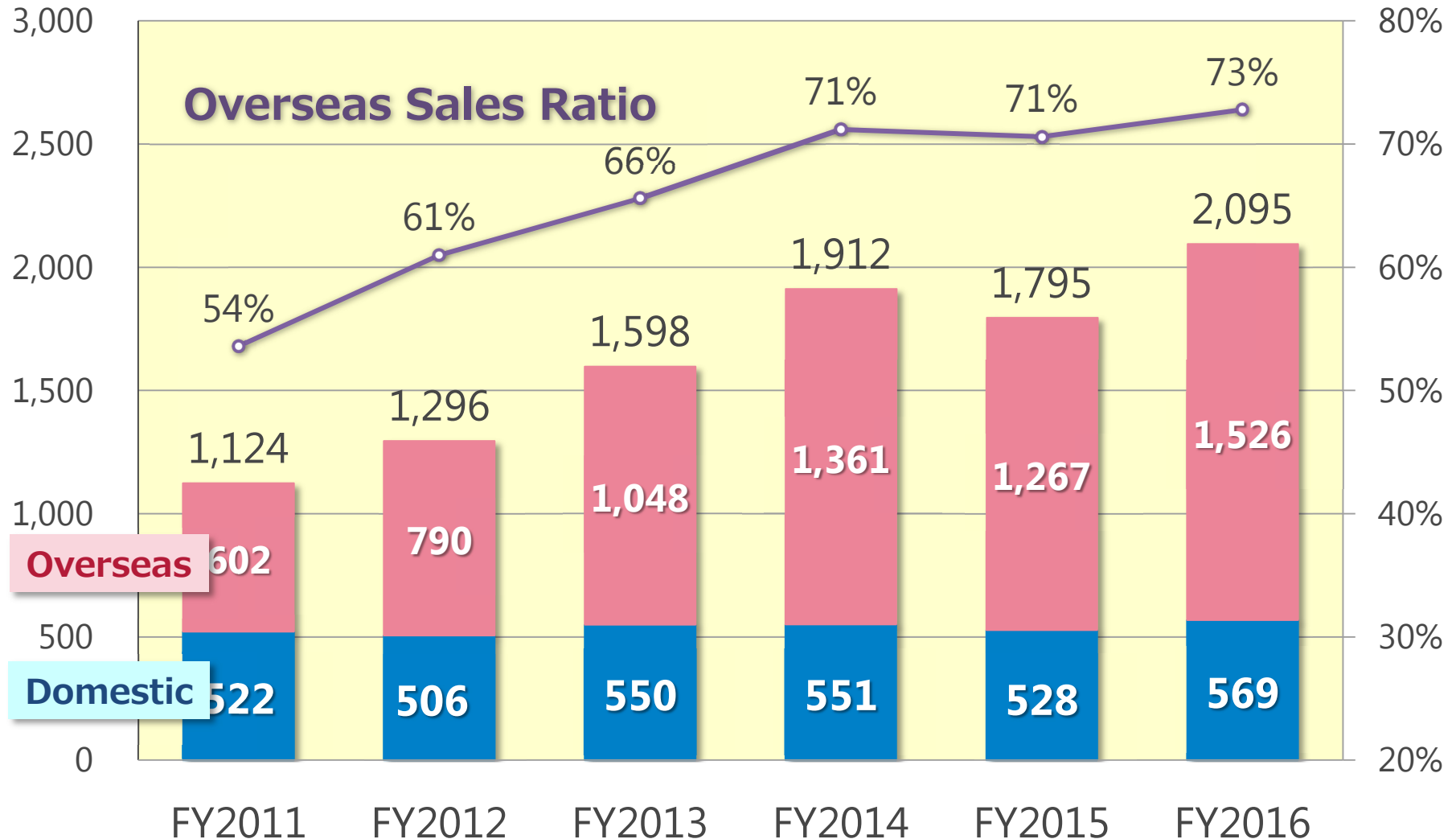
Quarterly Net Sales and Incomes

(JPY in 100 millions)



Overseas Sales Growth

(JPY in 100 millions)



Sales by Market Segment

(JPY in 100millions)

	FY2015			FY2016			Year /Year Change	Projections announced Oct. 2016
	1H	2H		1H	2H			
Mobile Devices	425	282	707	395	657	1,052	149%	990
Automotive	342	342	684	315	340	655	96%	670
Industry & Infrastruct	127	119	246	123	132	255	104%	260
Others	77	81	158	65	68	133	84%	150
Total	971	824	1,795	899	1,196	2,095	117%	2,070

※ Amounts less than 100 million JPY are rounded off.

Sales by Business Segment

(JPY in 100millions)

	FY2015			FY2016			Year /Year	Projections announced in Oct.2016
	1H	2H		1H	2H		Change	
Connector	876	714	1,589	799	1,093	1,893	119%	1,858
UIS	41	39	80	37	44	81	101%	80
Aerospace	50	67	118	59	56	114	97%	125
Others	4	4	8	3	4	7	91%	7
Total	971	824	1,795	899	1,196	2,095	117%	2,070

※ Amounts less than 100 million JPY are rounded off.

Prospects for Sales by Business Segment

(JPY in 100millions)

	FY2015			FY2016			Year/Year
	1H	2H		1H	2H		Change
Connector	150 17.1%	71 9.9%	221 13.9%	64 8.0%	97 8.9%	161 8.5%	-60
UIS	6 13.9%	5 12.6%	11 13.2%	4 9.8%	4 9.3%	8 9.5%	-3
Aerospace	-8 -15.9%	-2 -3.3%	-10 -8.7%	-4 -6.8%	-2 -2.8%	-6 -4.9%	5
Unallocatable cost/Others	-23	-18	-42	-22	-20	-42	0
Total	124 12.8%	55 6.7%	179 10.0%	41 4.6%	79 6.6%	121 5.8%	-59

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

※ Percentages(%) for Year/Year Change indicate Growth Rate.

※ Amounts less than 100 million yen are rounded off.

Prospects for Sales by Market Segment

(JPY in 100millions)

	FY2016		FY2017					
	1H		1H	Year/Year Change		Projections	Year/Year Change	
					(%)			(%)
Mobile Devices	395	1,052	670	275	170%	1,210	158	115%
Automotives	315	655	330	15	105%	670	15	102%
Industry & Infrastructure	123	255	140	17	114%	290	35	114%
Others	65	133	60	-5	92%	130	-3	98%
Total	899	2,095	1,200	301	134%	2,300	205	110%

※ Amounts less than 100 million JPY are rounded off.