

**Technology to Inspire Innovation**

# **Financial Results for 1H of FY2017 and Prospects for FY2017**

**October 25, 2017**

**6807 Japan Aviation Electronics Industry, Ltd.**

**I . Financial Results for 1H of FY2017**

**II . Prospects and Strategy for FY2017**

# **I . Financial Results for 1H of FY2017**

## **(April 2017 ~ September 2017)**

※ Amounts less than 100 million JPY are rounded off.

# Net Sales and Incomes

(JPY in 100 millions)

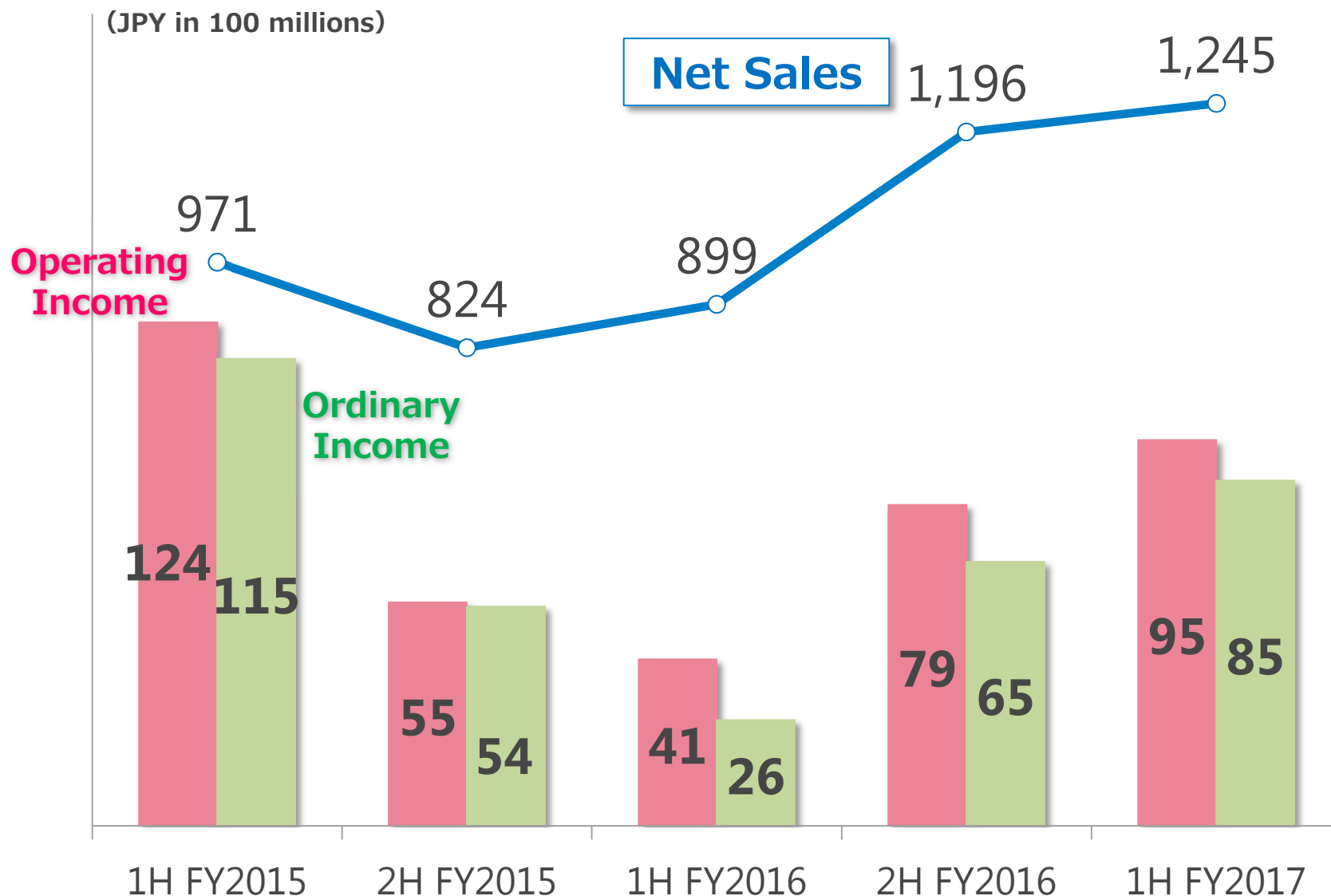
	FY2016		FY2017 1H	Year/Year Change 1H FY2017/ 1H FY2016		Sequential Change 1H FY2017/ 2H FY2016		Projections
	1H	2H			(%)		(%)	(anounced Apr, 2017)
Net Sales	899	1,196	1,245	346	(%) 139%	49	(%) 104%	1,200
Operating Income (to Net Sales)	41 4.6%	79 6.6%	95 7.6%	54	229%	16	120%	80
Ordinary Income (to Net Sales)	26 2.9%	65 5.4%	85 6.8%	59	320%	19	130%	70
Net Income (to Net Sales)	21 2.3%	46 3.9%	62 5.0%	41	295%	16	134%	50

<b>Capital Investment</b>	<b>120</b>	<b>97</b>	<b>86</b>	(Depreciation Include others)
<b>Depreciation</b>	<b>88</b>	<b>109</b>	<b>111</b>	

<b>Exchange Rate (JPY/USD)</b>	<b>105.2</b>	<b>111.5</b>	<b>111.0</b>	(Average)
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※ Amounts less than 100 million JPY are rounded off.

# Net Sales and Incomes



# Net Sales by Business Segment

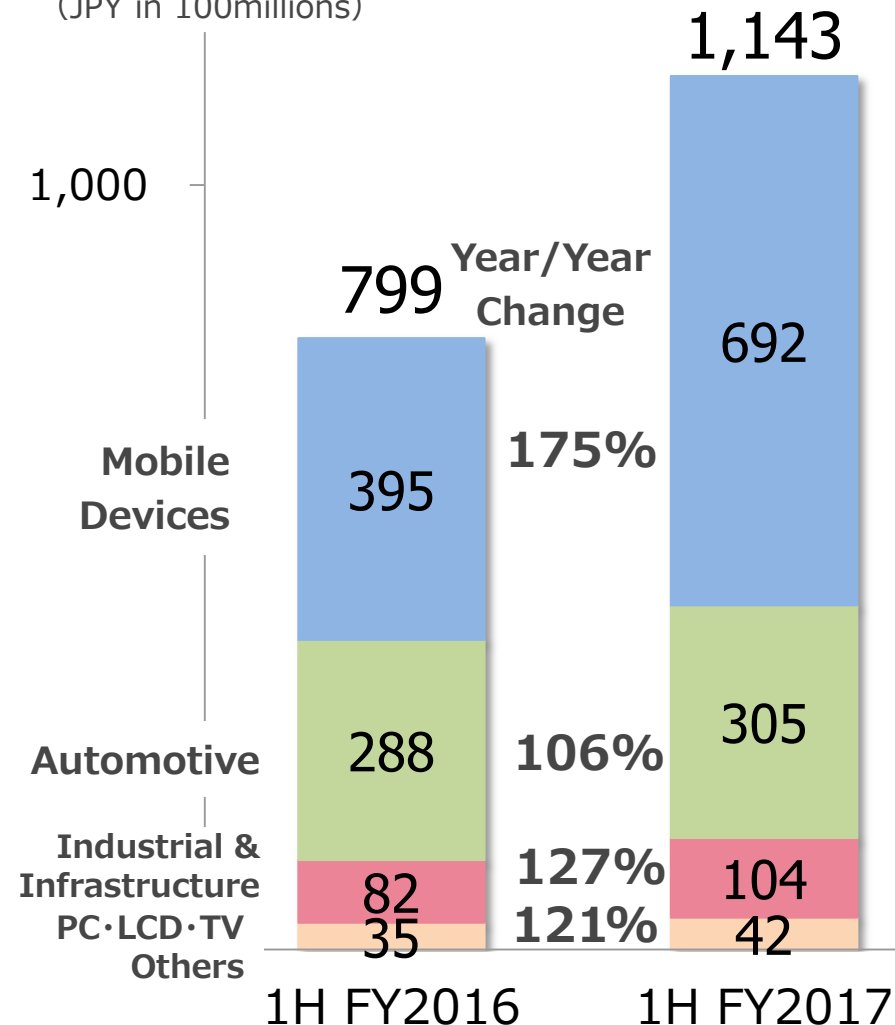
(JPY in 100 millions)

	FY2016		FY2017		Year/Year Change		Sequential Change		Projections
	1H	2H	1H		1H FY2017/ 1H FY2016		1H FY2017/ 2H FY2016		(announced Apr, 2017)
				Component Ratio		Growth Rate		Growth Rate	
Connector	799	1,093	1,143	92%	343	143%	49	105%	1,100
UIS	37	44	41	3%	4	111%	-2	94%	41
Aerospace	59	56	57	5%	-2	97%	2	103%	55
Others	3	4	4	—	1	125%	0	107%	4
Total	899	1,196	1,245	100%	347	139%	49	104%	1,200

※ Amounts less than 100 million JPY are rounded off.

## Sales by Market Segment

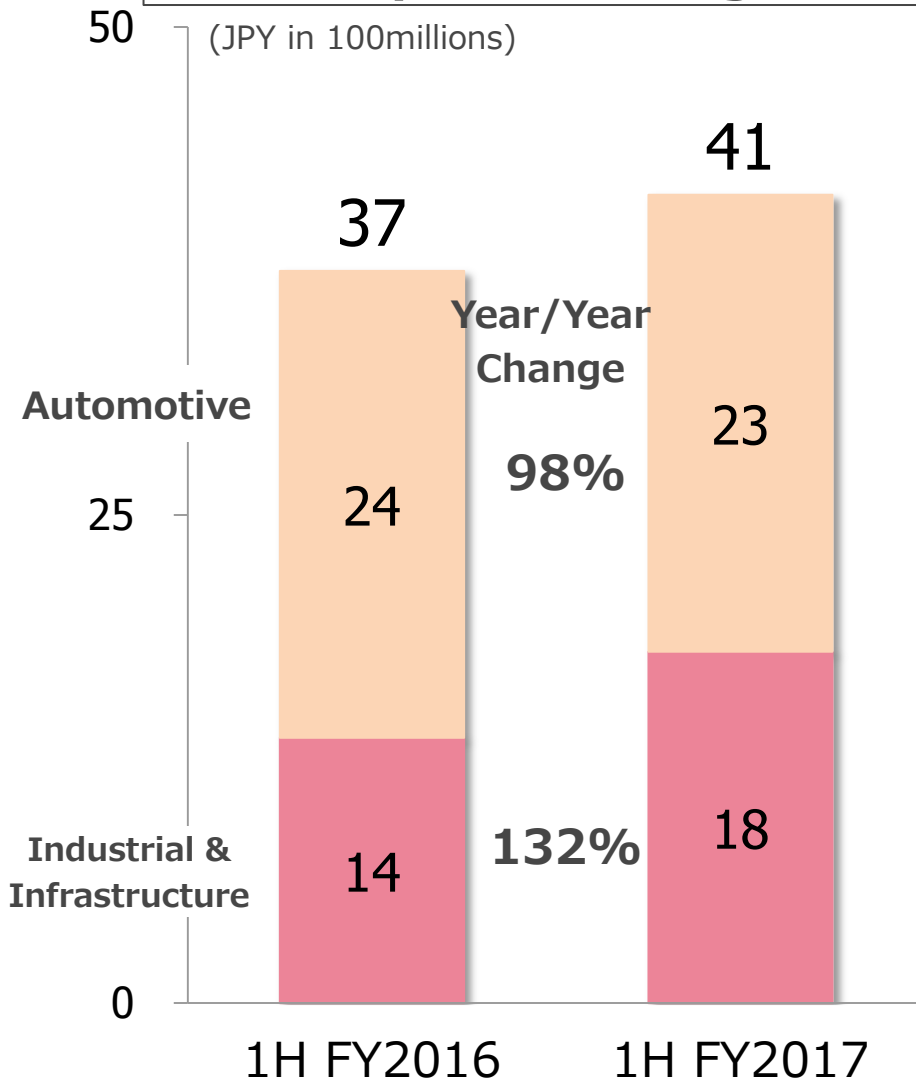
(JPY in 100millions)



## Sales : 143% (of 2016 1H)

- ▶ **Mobile Devices**
  - Substantial sales increase for North American customers
  - Leveraged by new products (assembled with outsourced products) and USB Type-C DX07 series
- ▶ **Automotive**
  - Faced soft market situation in North America, but kept growing in Europe, China and ASEAN
- ▶ **Industrial & Infrastructure**
  - Increased sales in the growing factory automation market in Japan

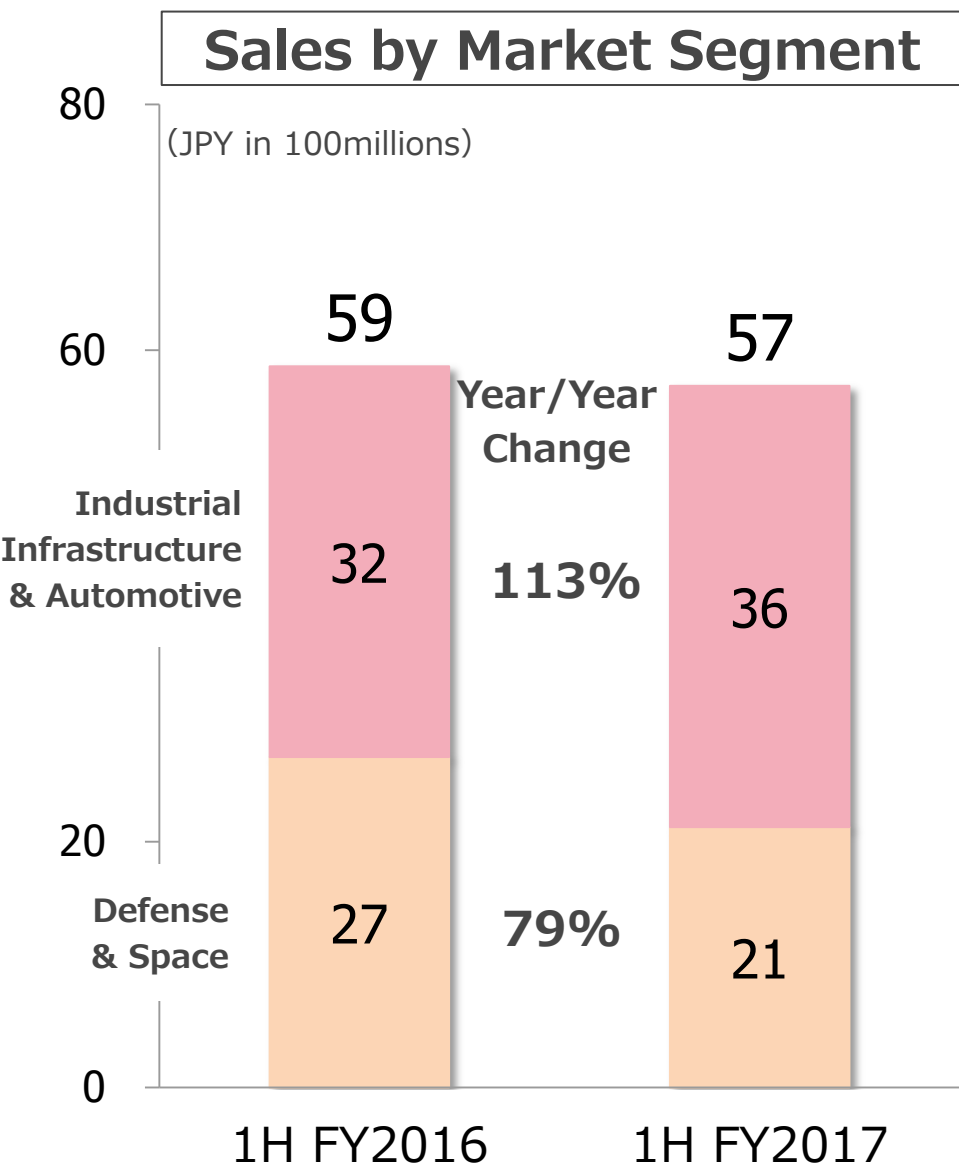
## Sales by Market Segment



## Sales : 111% (of 2016 1H)

- ▶ **Automotive**
  - Maintained the previous year's sales level
- ▶ **Industrial & Infrastructure**
  - Increased sales of touch-sensitive control panel for machine tools in the growing factory automation market in Japan





## Sales : 97% (of 2016 1H)

- ▶ **Industrial & Infrastructure**
  - DDM for oil drilling sensor grew steadily for in North America
    - ※DDM (Digital Directional Module)
  - Expanded sales of linear motor for semiconductor fabrication equipment
- ▶ **Defense & Space**
  - Decreased sales due to development program shifted to 2H in facing reduced government budget for domestic procurement

# Operating Income by Business Segment

(JPY in 100 millions)

	FY2016		FY2017	Year/Year Change	Sequential Change
	1H	2H	1H		
Connector	64 8.0%	97 8.9%	112 9.8%	48	15
UIS	4 9.8%	4 9.3%	4 9.2%	0	0
Aerospace	-4 -6.8%	-2 -2.8%	1 1.6%	5	2
Others	-22	-20	-22	0	-1
Total	41 4.6%	79 6.6%	95 7.6%	53	16

※ Percentages(%) for FY2016 and 1H FY2017 indicate Operating Income to Net Sales Ratios.

※ Amounts less than 100 million JPY are rounded off.

# **II. Prospects and Strategy for FY2017**

**(April 2017 ~ March 2018)**

## ▶ Market Outlook for 2H

- Stable growth in Automotive, Industrial & Infrastructure sectors
- Slowdown due to seasonal decline in demand for North American smartphones (to be carefully watched on the trend)
- Uncertainty in new product launches and demand for Chinese smartphone market



- Maintain our original business plan for 2H
- Sustain efforts for cost reduction and higher business efficiency

# Prospects for FY2017

(JPY in 100 millions)

	FY2016	FY2017			Year/Year Change FY2017/FY2016		Projections (announced Apr, 2017)
		1H	2H Projections	FY2017 Projections		(%)	
<b>Net Sales</b>	<b>2,095</b>	<b>1,245</b>	<b>1,100</b>	<b>2,345</b>	<b>250</b>	112%	<b>2,300</b>
<b>Operating Income</b> (to Net Sales)	<b>121</b> 5.8%	<b>95</b> 7.6%	<b>80</b> 7.3%	<b>175</b> 7.5%	<b>54</b>	145%	<b>160</b> 7.0%
<b>Ordinary Income</b> (to Net Sales)	<b>92</b> 4.4%	<b>85</b> 6.8%	<b>70</b> 6.4%	<b>155</b> 6.6%	<b>63</b>	169%	<b>140</b> 6.1%
<b>Net Income</b> (to Net Sales)	<b>67</b> 3.2%	<b>62</b> 5.0%	<b>50</b> 4.5%	<b>112</b> 4.8%	<b>45</b>	166%	<b>100</b> 4.3%

※ Exchange Rate (1USD = 108JPY)

**Projections of Capital Investment 200**

**Projections of Deprediation(Depreciation Include others) 215**

※ Amounts less than 100 million JPY are rounded off.

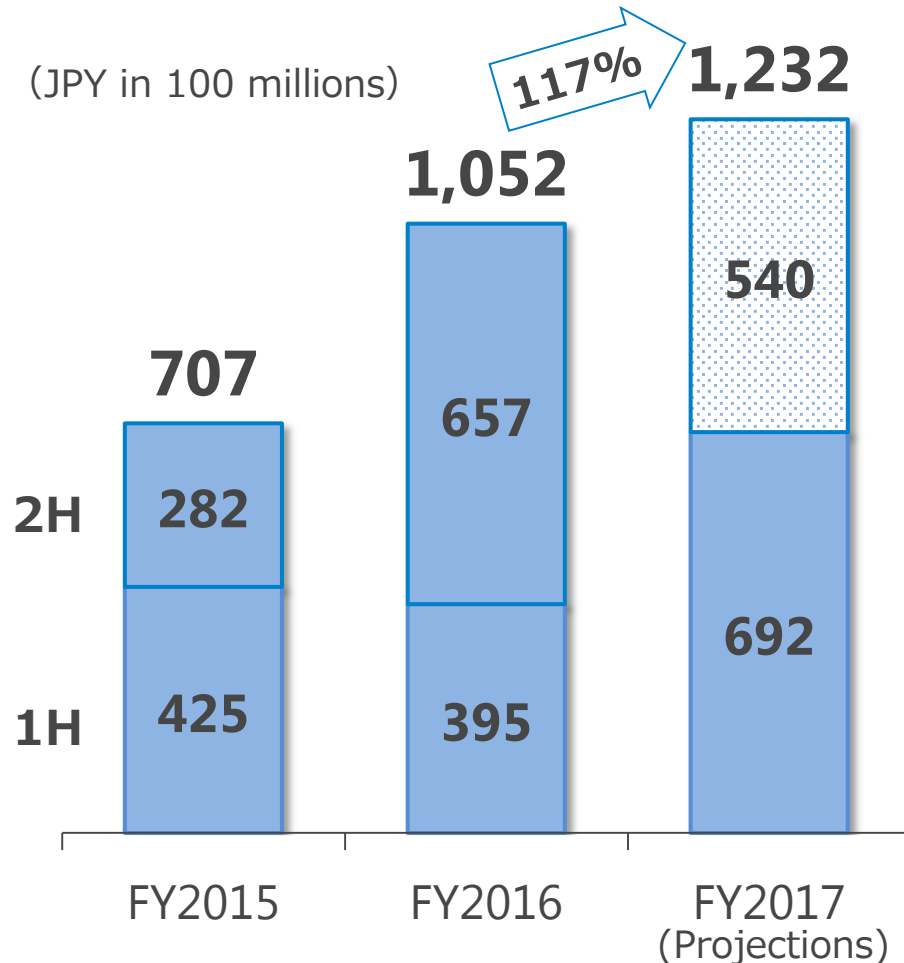
# Prospect for Sales by Business Segment

(JPY in 100 millions)

	FY2016	FY2017			Year/Year Change		Projections (announced Apr,2017)
		1H	2H Projections	FY2017 Projections	FY2017/FY2016		
Connector	1,893	1,143	990	2,133	240	(%) 113%	2,090
UIS	81	41	41	82	1	101%	82
Aerospace	114	57	65	122	8	107%	120
Others	7	4	4	8	1	116%	8
Total	2,095	1,245	1,100	2,345	250	112%	2,300

※ Amounts less than 100 million JPY are rounded off.

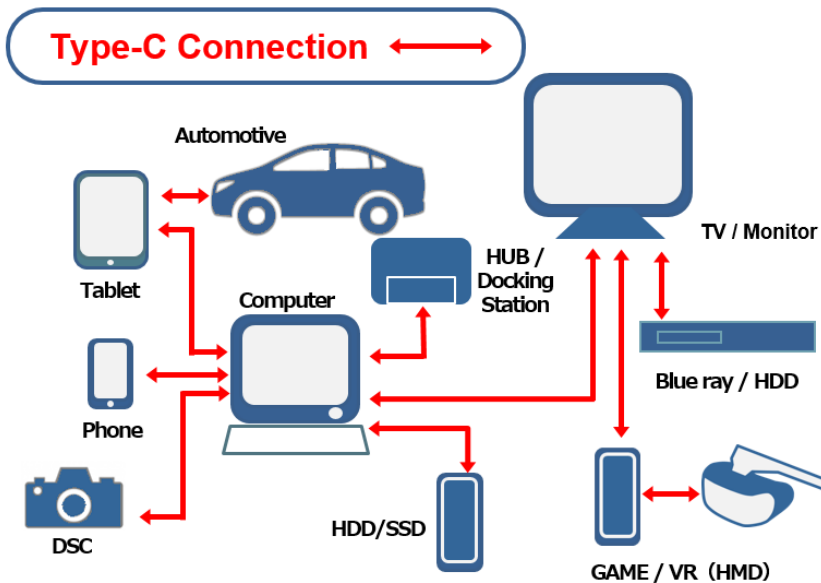
## Sales of Mobile Devices



- ▶ Uncertainties about demands of 2H for North American and Chinese customers
- ▶ Fully execute 2H business plan and accelerate actions for the future growth
  - expand product line-up
  - strengthen marketing activities for emerging markets
  - reinforce product line-up and marketing activities for Type-C connectors (DX07)

## USB Type-C connector “DX07 series”

- ▶ **Execute 2H activities to achieve ¥10 billion annual sales**
  - Start full-fledged mass-production for major Chinese smartphone customers
  - Expand marketing to key targeted customers in high value-added segment where the demand grows
- ▶ **For Future Growth**  
Focus on high value-added products for hi-speed transmission, high current, and waterproof type



### 【New Product】

Launched mass-production of USB 3.1 Gen1 / Gen 2 and USB Power Delivery Revision 3.0 certified cable harnesses.

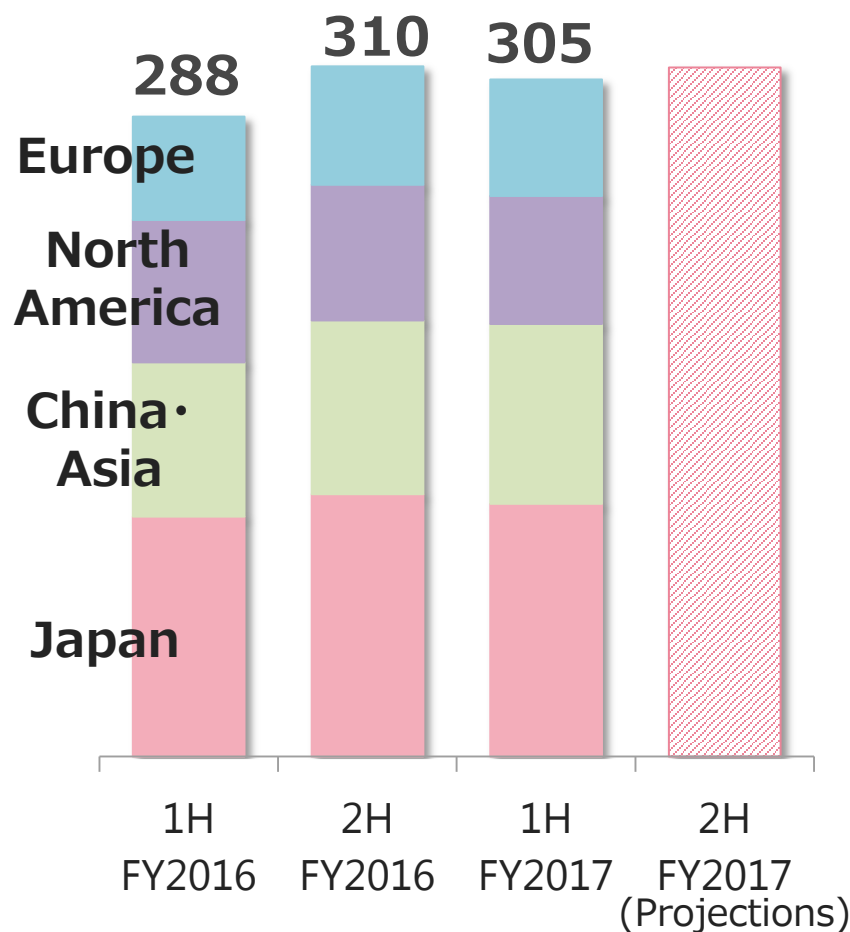




## Sales for Automotive

(JPY in 100 millions)

Horizontal trend



## ► For Achieving 2H Business Plan

- Expand product portfolio among existing customers in European market
- Secure more business from Japanese customers than 1H

## ► For Future Growth

- Expand customer base in European market
- Reinforce marketing to BMS and automotive makers in China under Chinese New Energy Vehicle regulation  
※BMS (Battery Management System)
- Accelerate marketing and sales in newly growing market such as EV, ADAS and Connected Car

## Strengthen global marketing by expanding product line-up for ADAS and EV markets

### ADAS

- ▶ Expand sales of connectors for automotive digital camera to several Japanese customers, in addition to existing European customers

### EV

- ▶ Increase product variation of BMS for further growth in China where BMS suppliers expand their business. (JAE has supply record to more than ten of such customers)
- ▶ Globalize current domestic business of high-current/voltage connectors for use of battery, inverter and motor

### Connectors for ADAS

#### MX55 Series



Automotive Digital Camera Connectors

#### MX49A Series



Automotive LVDS/  
GVIF High-Speed  
Transmission  
Connectors

### Connectors for BMS

#### MX23A Series



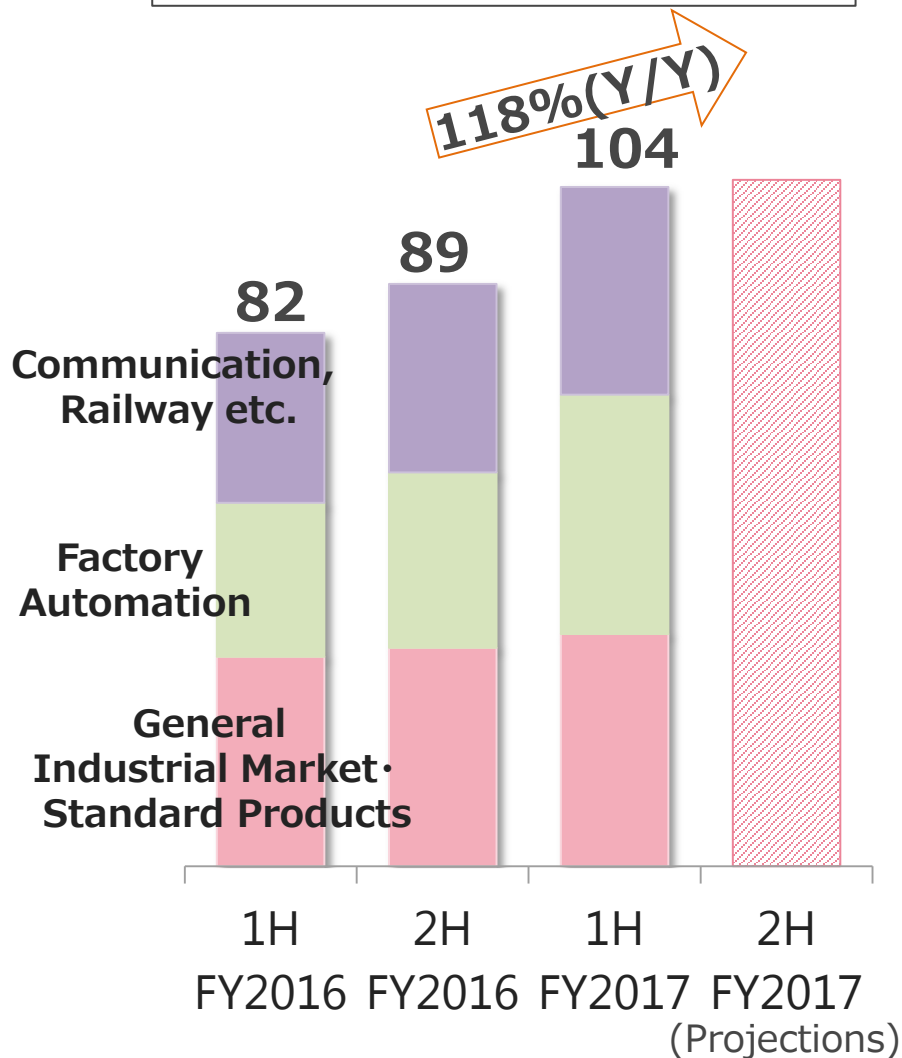
Automotive  
Waterproof, Board-  
to-Cable Connectors

#### MX34 Series



Automotive Compact/  
High-Density Board-to-  
Cable, In-Line Type  
Connectors

## Sales for Industrial & Infrastructure



### ► For Achieving 2H Business Plan

- Target Japanese world-class factory automation customers
- Acquire purchase orders in various market segments

### ► For Future Growth

- Continue marketing activity for domestic factory automation market
- Expand product line-up for overseas factory automation market
- Promote sales of Active Optical Cable and coaxial products for 5G base-station and 4K/8K audio visual products



#### “JN14 Series”

All-plastic, low-profile, waterproof Connector for compact servomotors (Announced in Sep, 2017)

- ▶ Expand product line-up of capacitive touch-sensitive panel for automotive
- ▶ Start mass production of touch-sensitive panel (film-cell) for automotive in 2H

	Glass			Film
	Standard Type (ITO)	Full Pellucidity Type (ITO)	Metal Mesh Sensor	Metal Mesh Sensor
Visual		Industry's First 	Industry's First 	Industry's First 
Features	➢ Adopted in Plentiful Models	➢ Invisible Metal Wiring on The Outer Flame	<ul style="list-style-type: none"> <li>➢ High Sensitive</li> <li>➢ High Rigidity for Bigger Panel</li> </ul>	<ul style="list-style-type: none"> <li>➢ High Flexibility</li> <li>➢ High Sensitive</li> <li>➢ Slim/Light-Weight</li> </ul>
Maximum Size	About to 10 inches		About to 20 inches	

- Increase product variation to meet evolving customer needs e.g. large panel and curved surface, for future growth
- Foster various opportunities with a growing number of prospective customers

ITO : Indium Tin Oxide

## Oil Drilling Sensor

※DDM (Digital Directional Module)

- ▶ For Achieving 2H Business Plan
  - Strengthen sales activities to capture more business of DDM which was successfully launched in North American market
  - Enhance local support to expand DDM sales in 2H
- ▶ For Future Growth
  - Expand Oil Drilling Sensor business in South East Asia, in addition to North American and European markets



Mining sites  
adopted JAE Products  
globally

### Sensor Package



DDM



Analog DM

### Sensor



Harsh  
Environments  
Accelerometer



Geomagnetic  
Sensor

**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 25, 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.





# Net Sales by Market Segment

(JPY in 100 millions)

	FY2016		FY2017		Year/Year Change		Sequential Change		Projections
	1H	2H	1H		1H FY2017/ 1H FY2016		1H FY2017/ 2H FY2016		(announced Apr, 2017)
				Component Ratio		(%)		(%)	
Mobile Devices	395	657	692	44%	297	175%	35	105%	670
Automotive	315	340	331	35%	16	105%	-9	97%	330
Industrial & Infrastructure	123	132	154	14%	31	125%	22	117%	140
Others	65	68	67	7%	1	104%	-1	99%	60
Total	899	1,196	1,245	100%	347	139%	49	104%	1,200

Overseas	622	904	937
Overseas Sales Ratio	69.2%	75.5%	75.2%

※ Amounts less than 100 million JPY are rounded off.

# Sales by Market for 1H FY2017

- Sales by Market of 1Q FY2017 is re-classified.

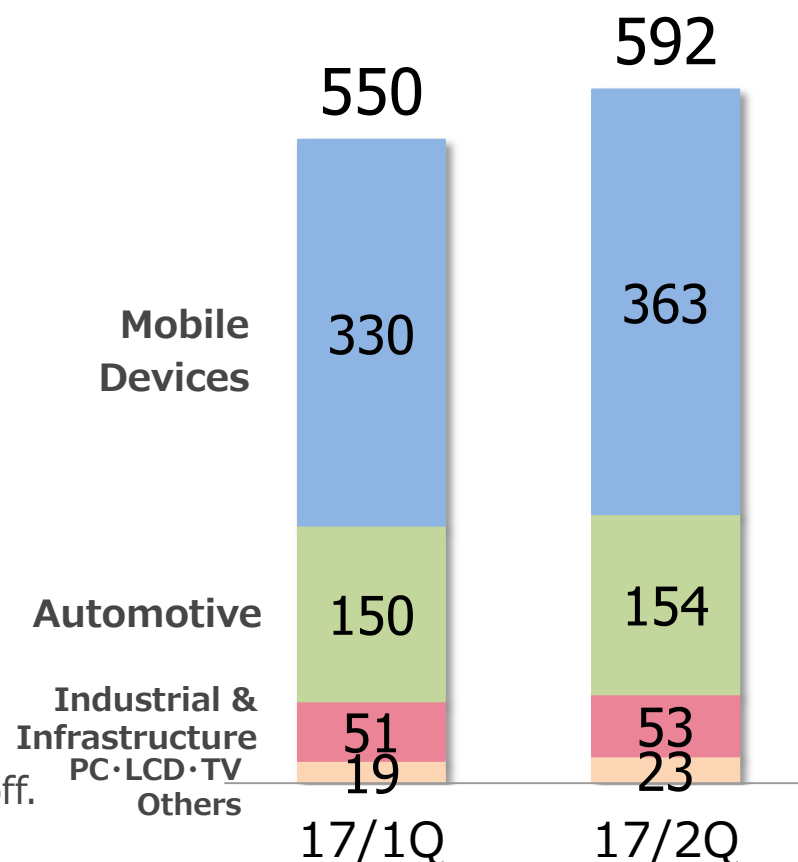
**Sales by Market  
(Company total)**

(JPY in 100 millions)

	FY2017		
	1Q	2Q	1H
Mobile Devices	330	363	692
Automotive	164	167	331
Industrial & Infrastructure	73	81	154
Others	28	40	67
<b>Total</b>	<b>594</b>	<b>651</b>	<b>1,245</b>

※ Amounts less than 100 million JPY are rounded off.

**Sales by Market  
(Connector)**



# Prospect for Income by Market Segment

(JPY in 100 millions)

	FY2016	FY2017			Year/Year Change		Projection (announced Apr, 2017)
		1H	2H Projections	Projections	FY2017/FY2016		
Mobile Devices	1,052	692	540	1,232	180	(%) 117%	1,210
Automotive	655	331	340	671	16	103%	670
Industrial & Infrastructure	255	154	150	304	49	119%	290
Others	133	67	70	137	4	103%	130
Total	2,095	1,245	1,100	2,345	250	112%	2,300

※ Amounts less than 100 million are rounded off.