

Technology to Inspire Innovation

Financial Results for FY2017 and Prospects for FY2018

April 25, 2018

6807 Japan Aviation Electronics Industry, Ltd.

- I. Financial Results for FY2017**
- II. Prospects and Strategy for FY2018**

I . Financial Results for FY2017

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

Net Sales and Incomes

(JPY in 100millions)

	FY2016			FY2017			Year/Year Change		Projections (announced Jan.2018)
	1H	2H		1H	2H				
Net Sales	899	1,196	2,095	1,245	1,294	2,539	444	121%	2,500
Operating Sales	41	79	121	95	111	206	86	171%	195
to Net Sales	4.6%	6.6%	5.8%	7.6%	8.6%	8.1%			
Ordinary Income	26	65	92	85	89	174	82	190%	170
to Net Sales	2.9%	5.4%	4.4%	6.8%	6.9%	6.8%			
Net Income	21	46	67	62	67	129	62	192%	130
to Net Sales	2.3%	3.9%	3.2%	5.0%	5.2%	5.1%			

Capital Investment	120	97	217	86	89	176	-42
Depreciation	88	109	197	111	108	219	22

(Depreciation Include others)

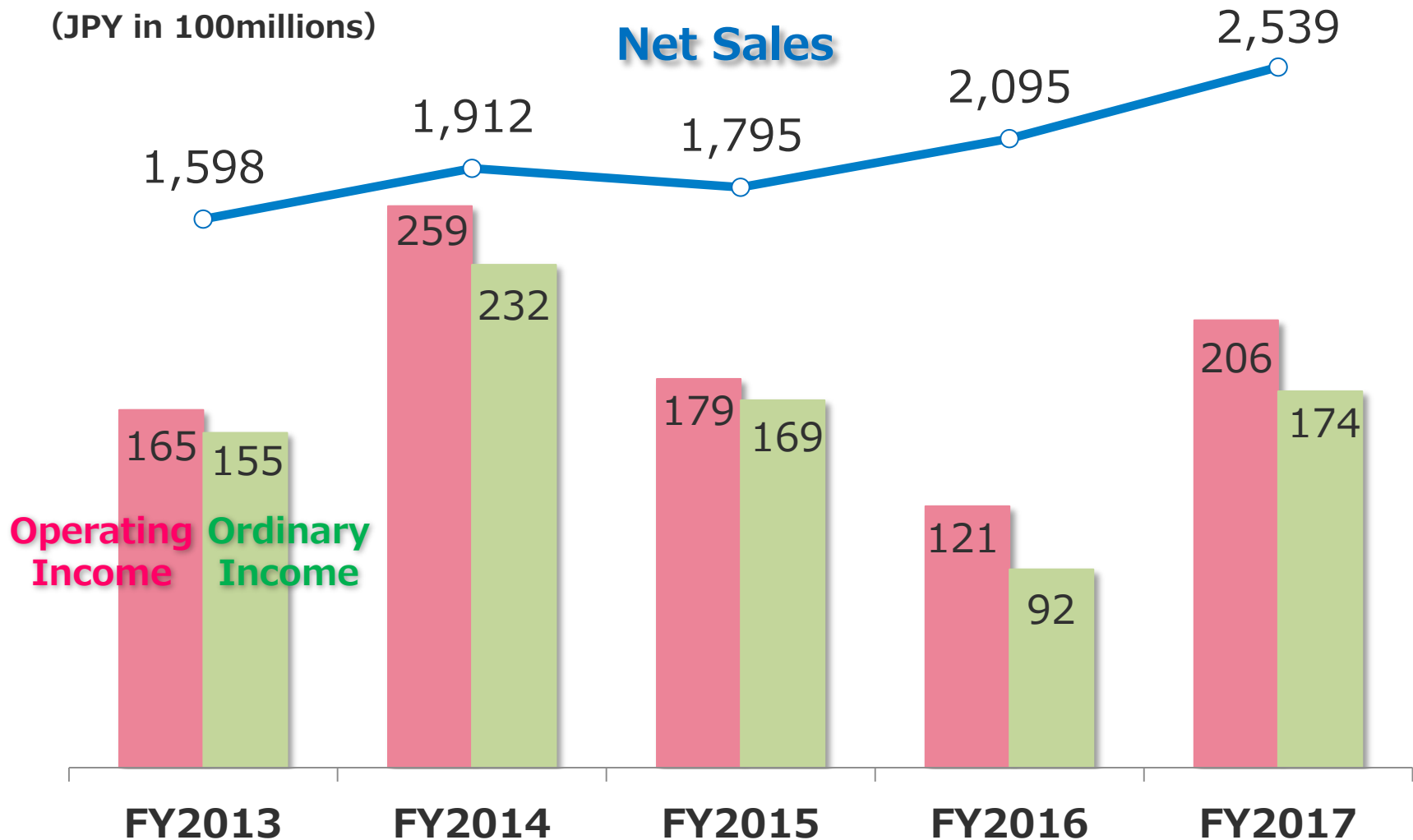
Average Exchange Rate (JPY/USD)	105.2	111.5	108.3	111.0	110.7	110.9
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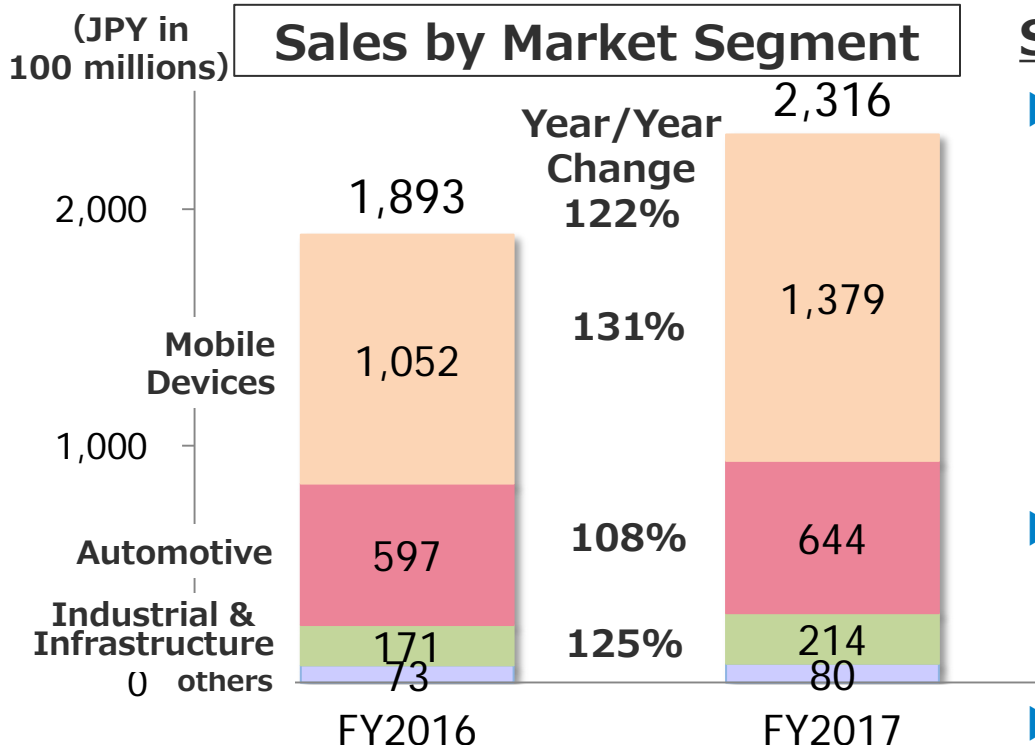
※ Amounts less than 100 million JPY are rounded off.

Net Sales and Incomes

- ▶ Significantly recovered profits from previous years' trend
- ▶ Recorded the second highest profits next to FY2014

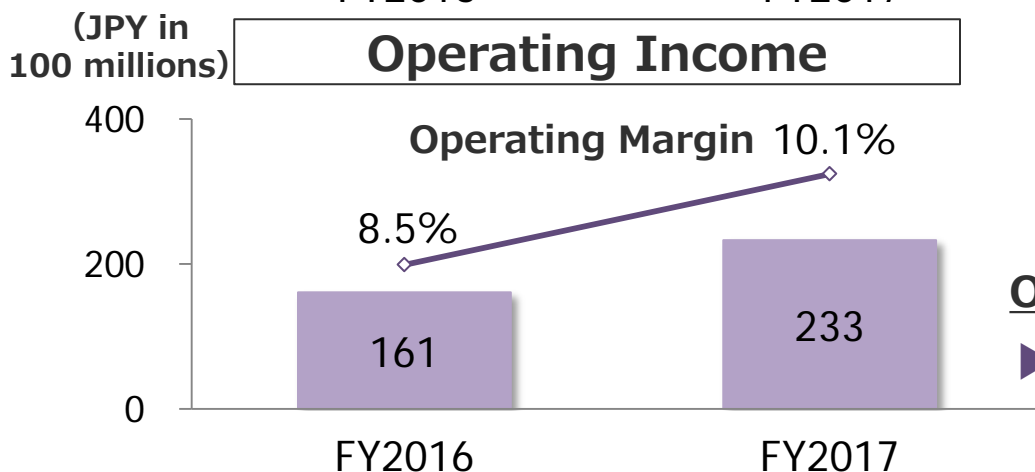
(JPY in 100millions)





Sales : 122% (of FY2016)

- ▶ **Mobile Devices**
 - Significant growth in North American customers
 - Driven by USB Type-C “DX07 series” and certain complex products with built-in procured components
- ▶ **Automotive**
 - Double-digit growth in Japan, China and European markets
- ▶ **Industrial & Infrastructure**
 - Significant growth by strong demand (factory automation sector in Japan)

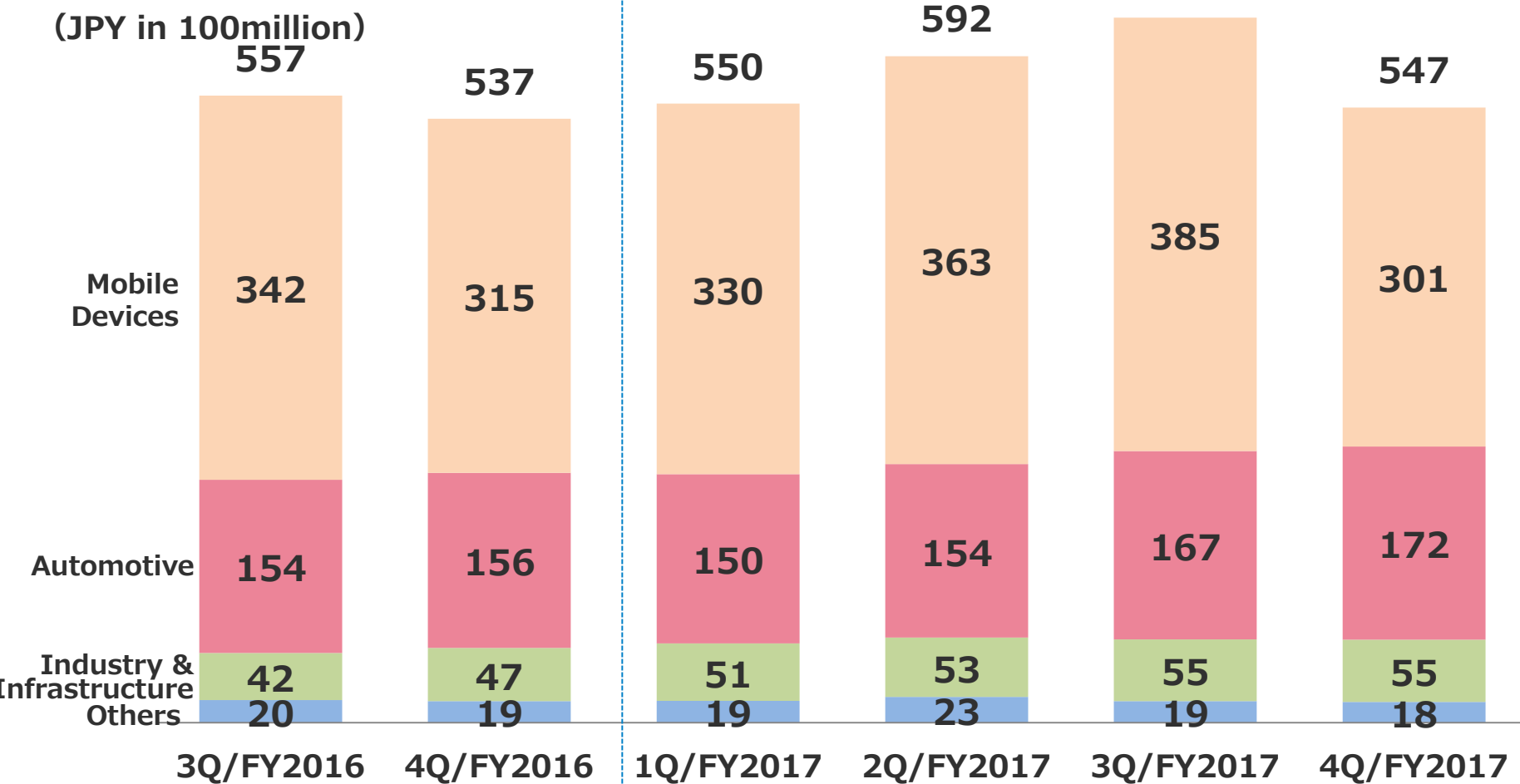


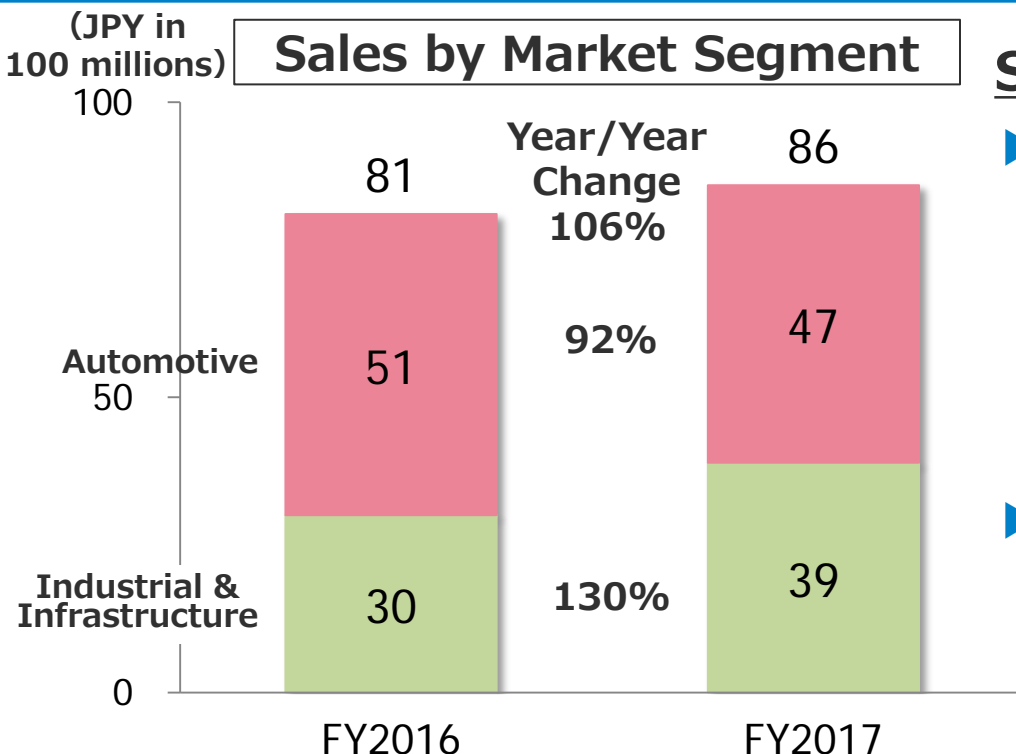
Operating Income : + JPY 7.2 billion

- ▶ **Higher sales and higher productivity raised margin**

Sales by Market Segment (Connector)

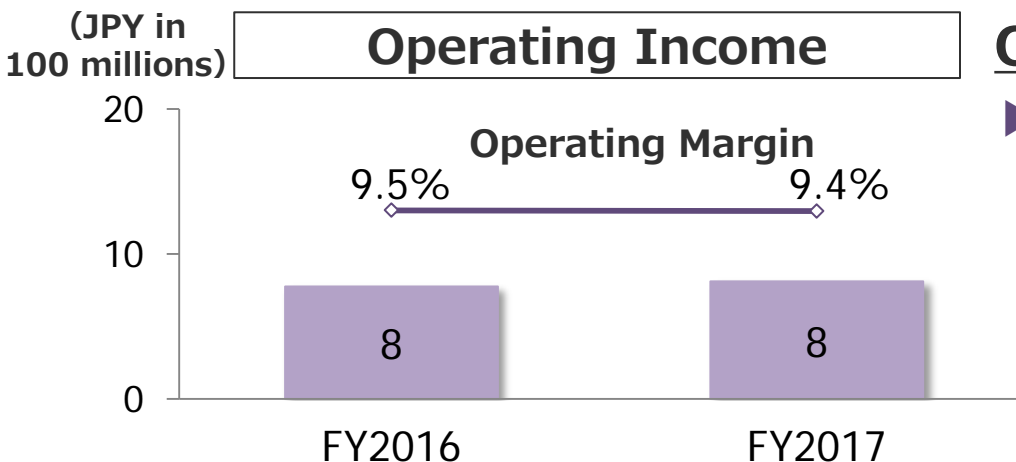
- ▶ Mobile Devices declined in 4Q due to seasonality and key customers' production slow down
- ▶ Automotive and Industrial & Infrastructure grew steadily throughout the year





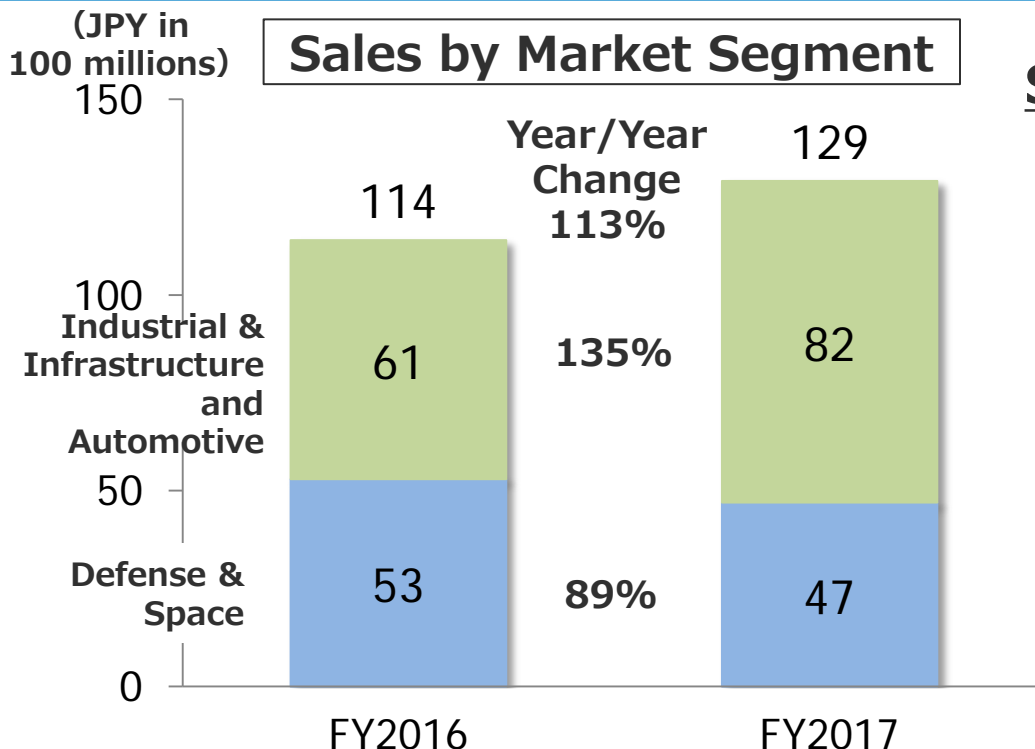
Sales 106% (of FY2016)

- ▶ Automotive (capacitive touch panel)
 - Slightly decreased due to EOL of some models, despite of mass production start of new product (film sensor) in 2H
- ▶ Industrial & Infrastructure
 - Significant increase boosted by growing market



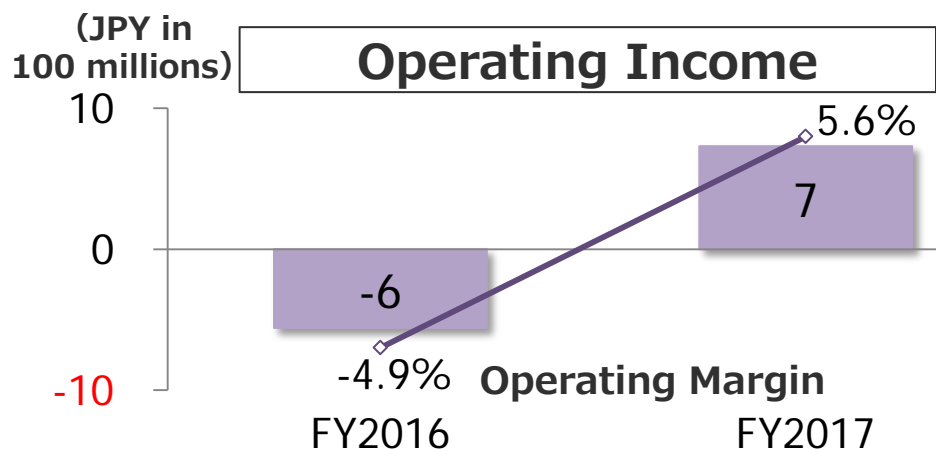
Operating Income : Unchanged

- ▶ Secured profit by higher sales of Industrial & Infrastructure to offset higher development cost and depreciation for new touch panel product



Sales : 113% (of FY2016)

- ▶ **Industrial & Infrastructure and Automotive**
 - Oil drilling sensor and linear motor for semiconductor lithography equipment grew steadily
- ▶ **Defense & Space**
 - Decreased due to stagnant defense budget for domestic product procurement



Operating Income : Turned into surplus

- ▶ Higher sales and improved productivity of Industrial & Infrastructure attributed

II. Prospects and Strategy for FY2018

(From April 1, 2018 to March 31, 2019)

▶ Business Environment

- Uncertainty is expected to grow, although the global economy will continue to expand
- Smartphone market growth is expected to slow down, but more in-vehicle electronics will be installed, and Industrial & Infrastructure market will continue to grow

▶ Key Strategy



- Expand sales of key products for Mobile Devices and ICT market (including Type-C connectors “DX07” and board-to-board connectors)
- Accelerate growth in Automotive market and sustain higher growth in Industrial & Infrastructure markets
- Increase margin by further improvement of productivity
- Expand technology development and production system for mid-to-long term perspective

Prospects for FY2018

(JPY in 100millions)

	FY2017			FY2018					
	1H	2H		1H	Year/Year Change		Projections	Year/Year Change	
Net Sales	1,245	1,294	2,539	1,165	-80	94%	2,400	-139	95%
Operating Income	95	111	206	95	0	100%	200	-6	97%
to Net Sales	7.6%	8.6%	8.1%	8.2%			8.3%		
Ordinary Income	85	89	174	85	1	101%	175	1	101%
to Net Sales	6.8%	6.9%	6.8%	7.3%			7.3%		
Net Income	62	67	129	63	1	101%	130	1	100%
to Net Sales	5.0%	5.2%	5.1%	5.4%			5.4%		
Average Exchange Rate (JPY/USD)	111.0	110.7	110.9	107.0			107.0		

Capital Investment (FY2018) 220

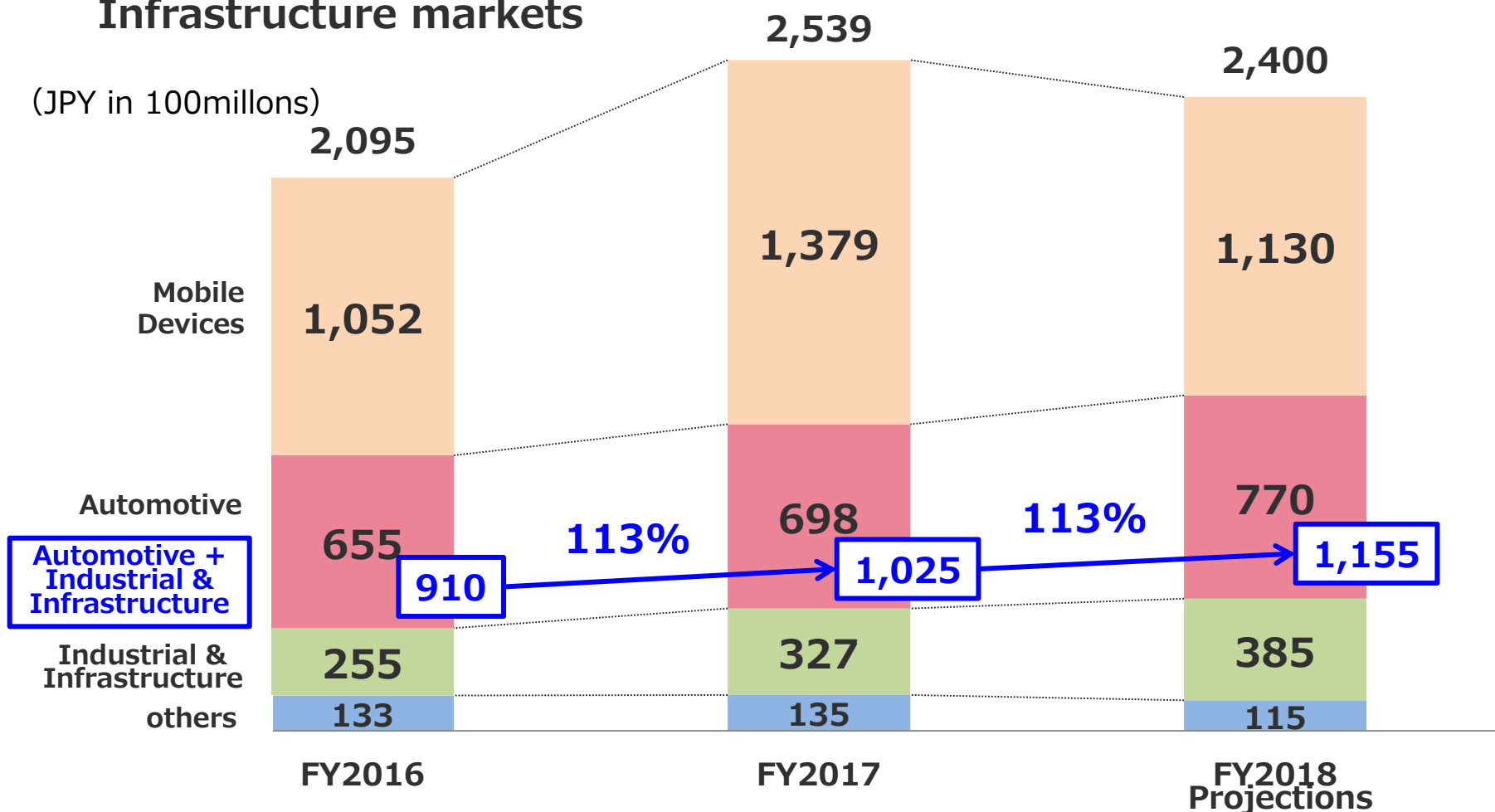
Depreciation (FY2018) 210

(Depreciation includes loss on disposal of fixed assets)

Sales by Market Segment

- ▶ Maintain over JPY100 billion sales in Mobile Devices, although net sales is expected to decline due to weaker demand of certain product launched in FY2016
- ▶ Continue high growth in Automotive and Industrial & Infrastructure markets

(JPY in 100millions)



Prospects for Sales by Business Segment **JAE**

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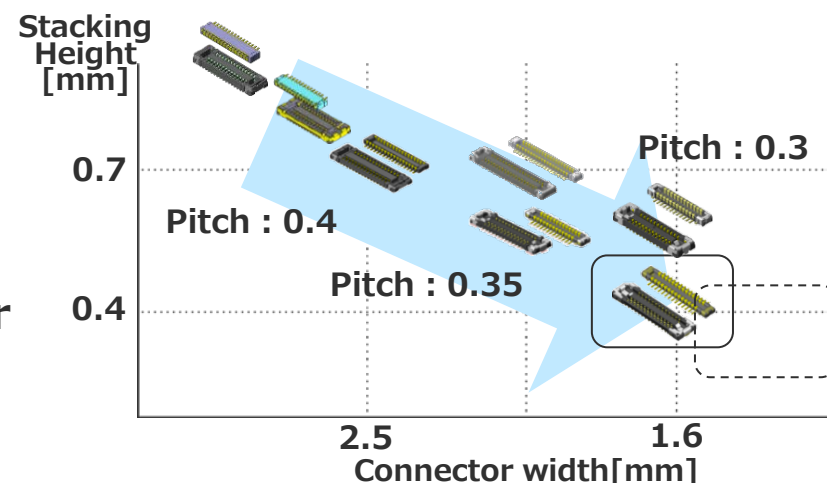
(JPY in 100millions)

	FY2017		FY2018 Projections					
	1H		1H	Year/Year Change			Year/Year Change	
Connector	1,143	2,316	1,050	-93	92%	2,155	-161	93%
UIS	41	86	43	2	104%	89	3	104%
Aerospace	57	129	66	9	116%	144	15	112%
Others	4	9	6	2	146%	12	3	140%
Total	1,245	2,539	1,165	-80	94%	2,400	-139	95%

※ Amounts less than 100 million JPY are rounded off.

Continuously promote DX07 and Board-to-Board connectors

- ▶ Expand sales of “DX07 Series” USB Type-C Connector
 - Keep and expand top class market share of receptacle connectors for notebook PC
 - Strengthen competitiveness by expanding high-performance product line-up
 - Waterproof type (including water repellant coating), high speed transmission, active cable, etc.
- ▶ Launch and expand sales of Board-to-Board Connector for advanced and multifunctional smartphones
 - Smaller size and lower height
 - Meet new customer needs for antenna and power terminal connector
 - Reinforce design-in activities to Chinese smartphone manufacturer

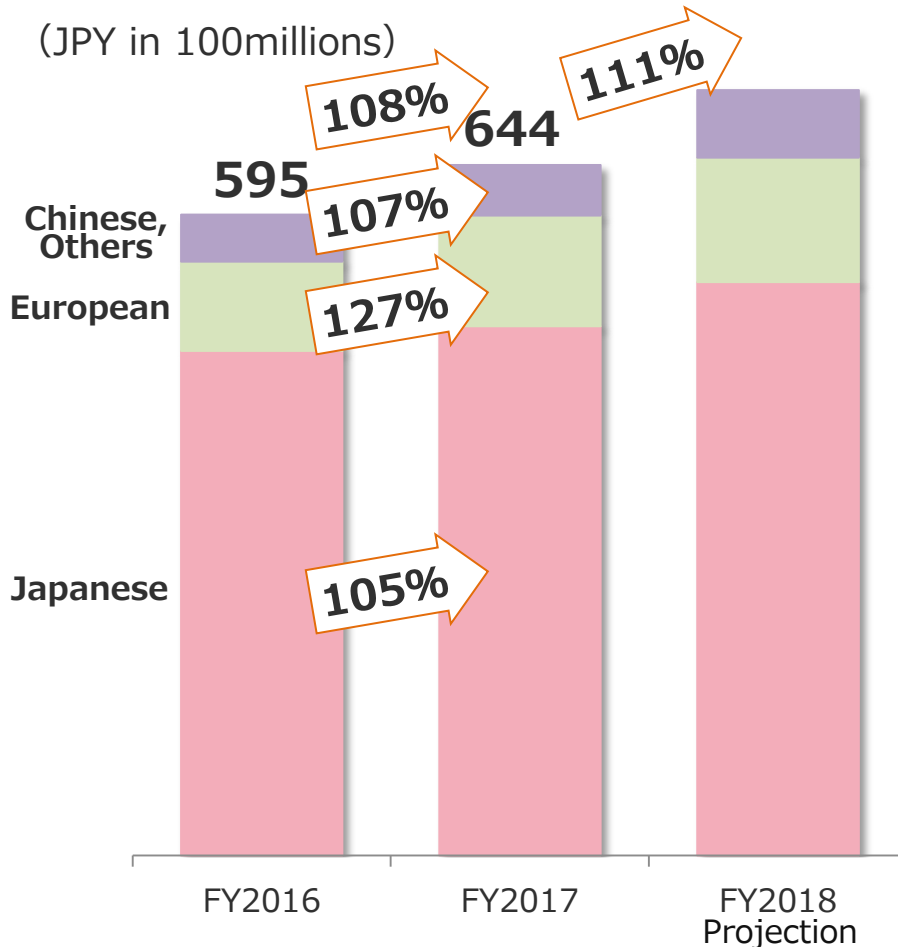


Strategy to achieve FY2018 plan

Sales for automotive connector

by customer(car maker)

(JPY in 100millions)



▶ Expand Japanese customer business

- Continue to focus on ICT projects
- Commence mass-production of in-vehicle digital camera connectors

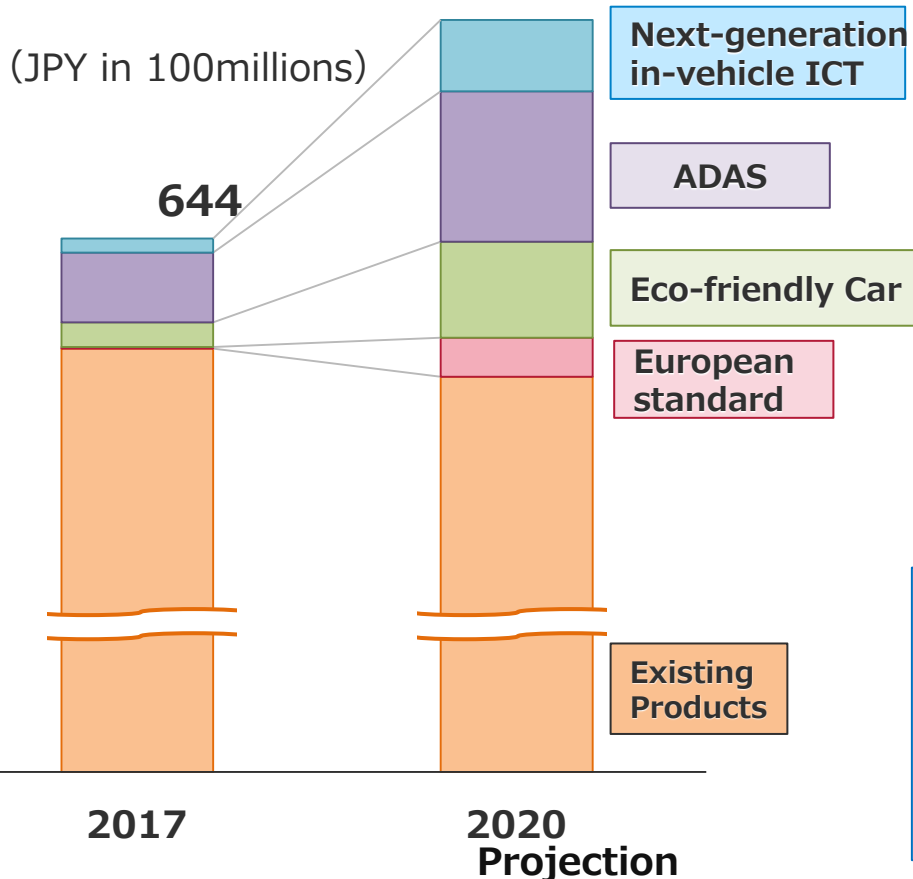
▶ Increase sales to European and Chinese customers

- Europe : expand new models and new parts
- China : strengthen eco-friendly car models

Enhance product development, marketing and production system for further growth

Strategy for further growth

Projection of automotive connector (Growth Area)

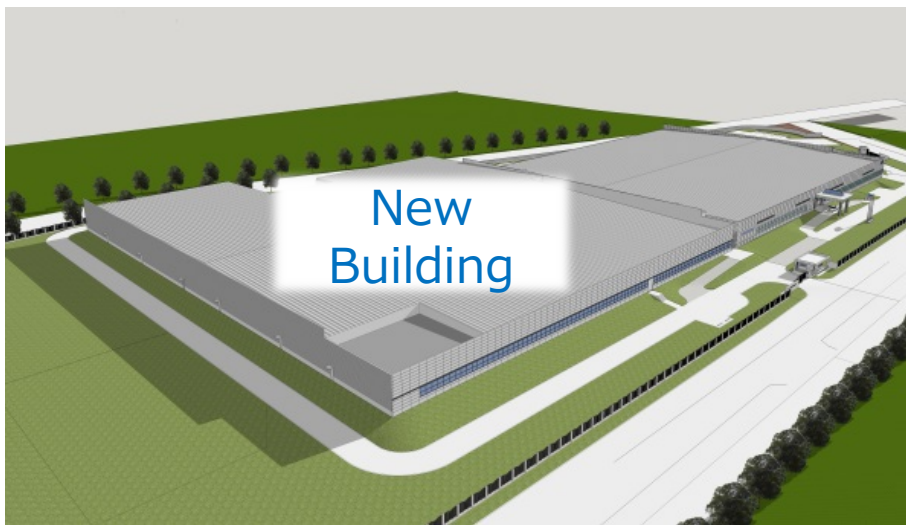


- ▶ Promote in-vehicle ICT segment business by our own high speed data transmission technology
- ▶ Expand ADAS business with in-vehicle digital camera connectors
- ▶ Increase product line-up for eco-friendly car (including high current connector)
- ▶ Increase European customers with expanded line-up of German standard connector

- Increase engineers up to 1.5 fold in 3 years
- Capital investment planned annually at 150% level of FY2017 for next 3 years

Increase production capability for automotive connectors and harnesses

- ▶ JAE Philippines will build a new building in 2nd Plant
 - Expand total floor space by 1.5 fold for business expansion mainly for automotive connector
 - Construction started in February 2018
(Expected to complete in November 2018)



(2nd Plant imaginary drawing)

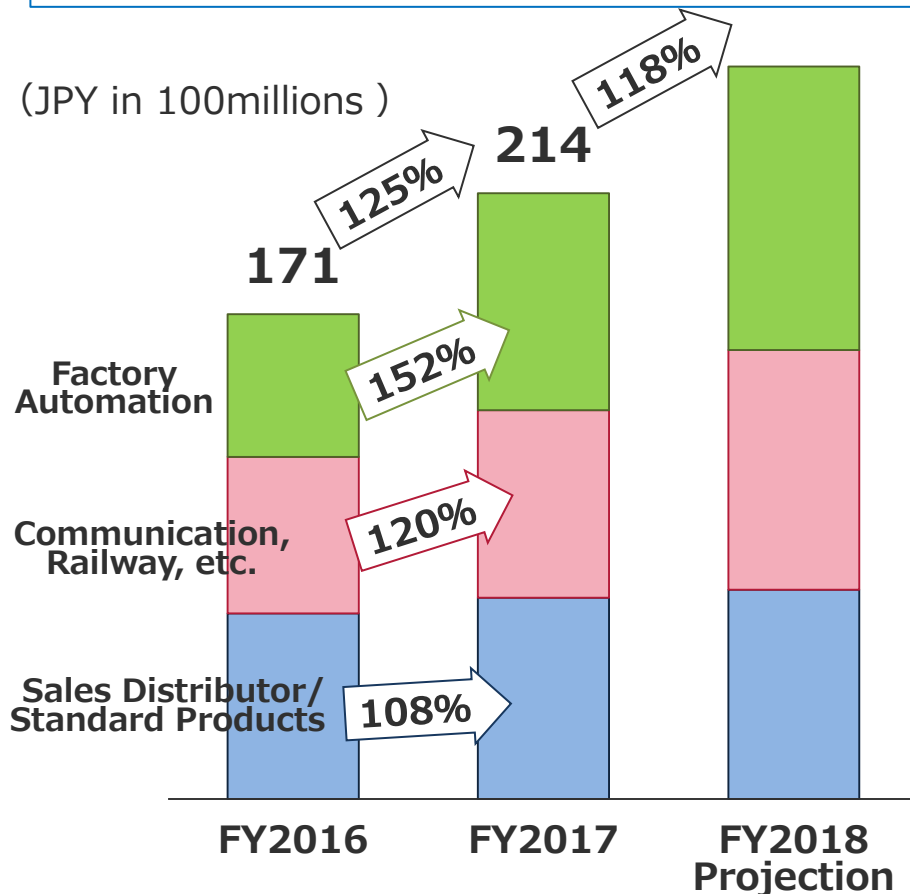
Key Manufacturing Products:

- Connectors and harnesses for automotive (including ETC card connectors)
- Harnesses for ICT connector (DX07 series "USB Type-C") and Industrial & Infrastructure connectors

Capture growing demand and broaden target in Factory Automation market

Sales for connector in Industrial & Infrastructure market

(JPY in 100millions)



※Restated year-on-year growth figure of FY2018 Projection (as of May 7, 2018)

► Sales Expansion in Factory Automation

- Expand market share of major Japanese customers (connectors for servo motor, controller and battery)
- Increase sales in Asian and European markets

► Product Development for future growth

- Increase product line-up for robot application
- Accelerate product development for base station and data center for 5G network

Accelerate promotion for capacitive touch panel for automotive

▶ Start mass production of next generation product

Film type metal mesh sensor

Industry's
First



- Started mass-production in FY2017 for contribution to FY2018 sales

Glass type metal mesh sensor

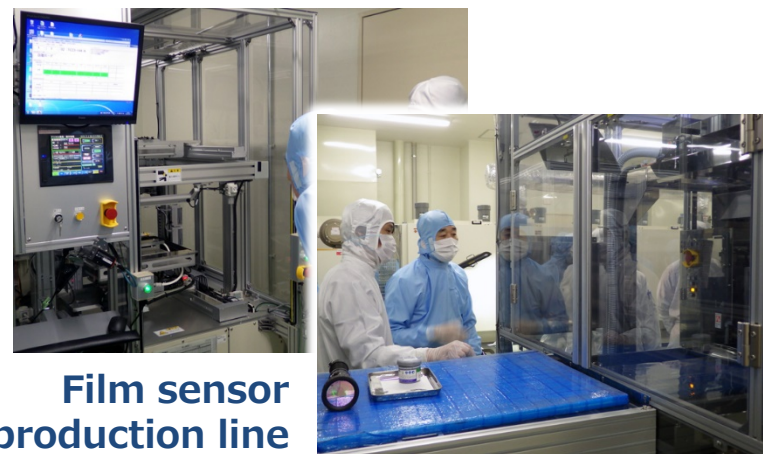
Industry's
First



- Start mass-production in September 2018

▶ Enhance production system

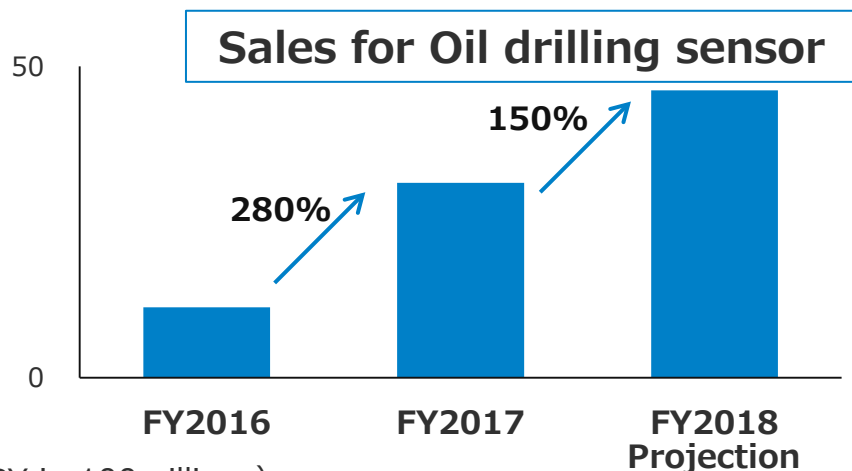
- FY2017: Produced over 1.5 million panels
- FY2019: Expand production line for 2 million panels at Akishima Plant



Film sensor
production line

Expand Oil Drilling Sensor and Semiconductor Fabrication Equipment business in the growing market trend

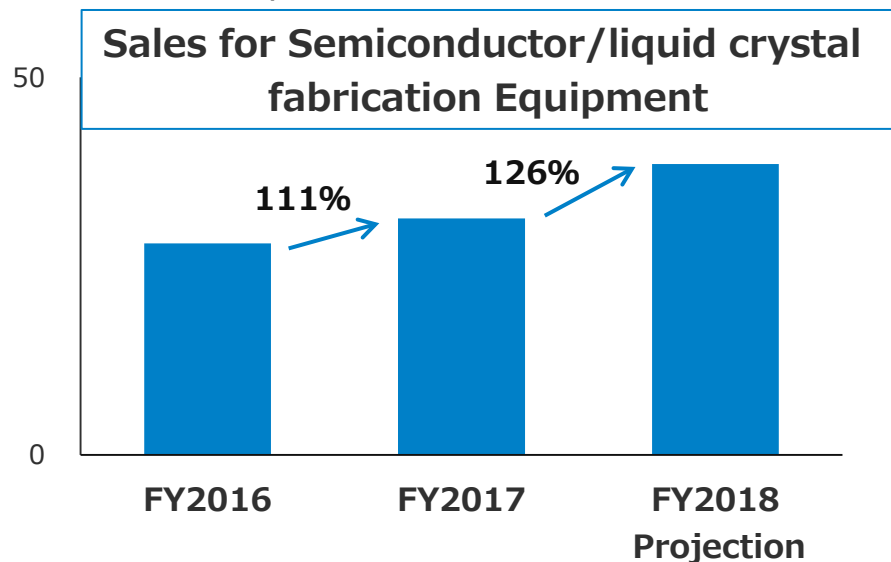
(JPY in 100millions)



► Oil Drilling Sensor

- Strengthen sales and service operation in North America
- Expand sales of Digital Directional Module for oil shale related project
- Mass production of robust accelerometer for deeper and longer oil well

(JPY in 100millions)



► Semiconductor/Liquid Crystal Fabrication Equipment

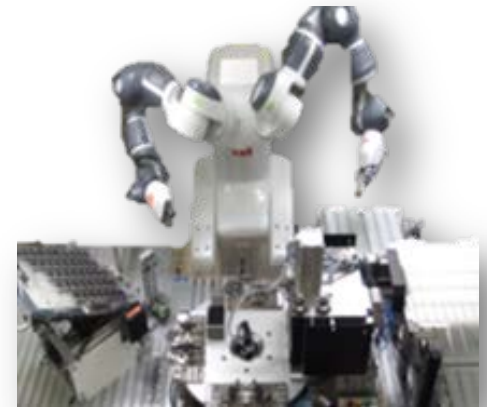
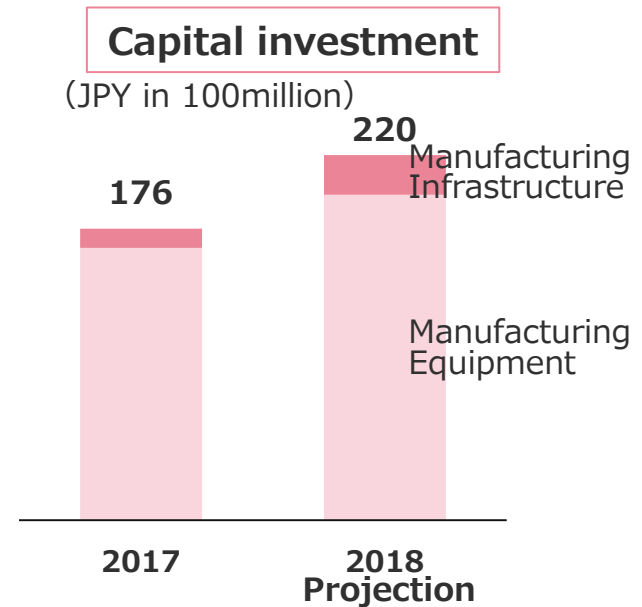
- Increase linear motor production for semiconductor exposure equipment
- Expand scope and application with core technology(coil, linear motor control) such as equipment for liquid crystal exposure and semiconductor tester)

▶ Enhance production system and expand investment for rationalization

- Continue capital investment for production infrastructure (JAE Philippine's plant)
- Increase capital investment for higher productivity and more in-house production (high-speed stamping equipment and plating line)

▶ Innovation in production technology to lead industry

- Strengthen cost competitiveness by ultra-high speed automated assembly machine
- Labor saving by robotic production for high-mix low-volume product
- Promote automation and laborsaving for automotive and ICT (USB Type-C DX07 series) harness products



Pursue further growth in sales and profits by enhancing global marketing and productivity improvement

- **Maintain Mobile Device sales**
- **Accelerate growth in Automotive and Industrial & Infrastructure markets**
- **Productivity improvement by manufacturing technology innovation**

Achieve FY 2018 target, set foundation for growth, and enhance development and marketing for mid-term business growth

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<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 25, 2018, 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]

Sales by Market Segment

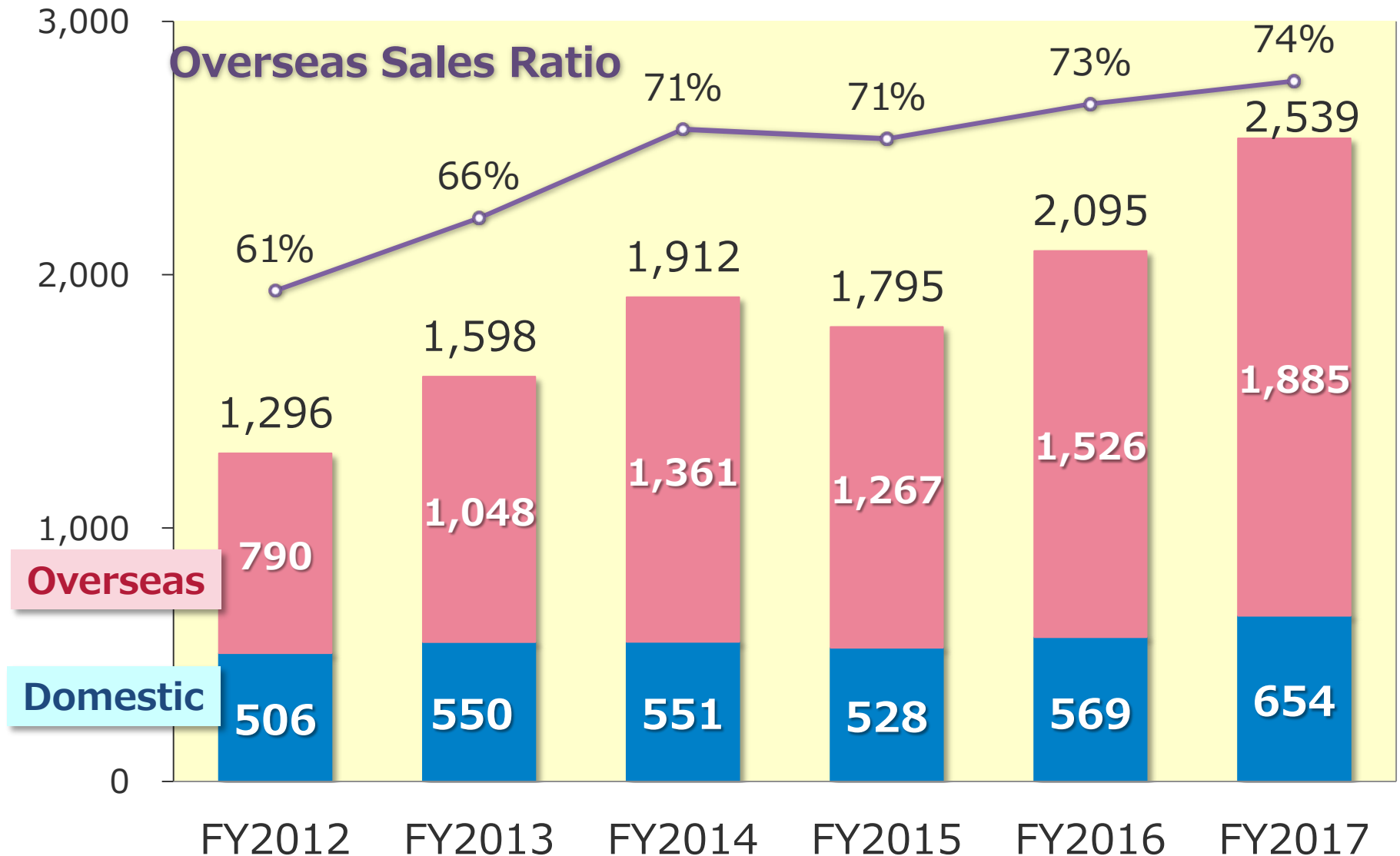
(JPY in 100millions)

	FY2016			FY2017			Year /Year Change	Projections announced Jan. 2018
	1H	2H		1H	2H			
Mobile Devices	395	657	1,052	692	686	1,379	131%	1,350
Automotive	315	340	655	331	367	698	107%	690
Industry & Infrastructure	123	132	255	154	173	327	128%	320
Others	65	68	133	67	68	135	102%	140
Total	899	1,196	2,095	1,245	1,294	2,539	121%	2,500

※ Amounts less than 100 million JPY are rounded off.

Overseas Sales Growth

(JPY in 100millions)



Sales by Business Segment

(JPY in 100millions)

	FY2016			FY2017			Year /Year Change	Projections announced Jan.2018
	1H	2H		1H	2H			
Connector	799	1,093	1,893	1,143	1,173	2,316	122%	2,276
UIS	37	44	81	41	45	86	106%	86
Aerospace	59	56	114	57	72	129	113%	130
Others	3	4	7	4	4	9	122%	8
Total	899	1,196	2,095	1,245	1,294	2,539	121%	2,500

※ Amounts less than 100 million JPY are rounded off.

Operating Income by Business Segment

(JPY in 100millions)

	FY2016			FY2017			Year/Year
	1H	2H		1H	2H		Change
Connector	64 8.0%	97 8.9%	161 8.5%	112 9.8%	121 10.3%	233 10.1%	72
UIS	4 9.8%	4 9.3%	8 9.5%	4 9.2%	4 9.7%	8 9.4%	0
Aerospace	-4 -6.8%	-2 -2.8%	-6 -4.9%	1 1.6%	6 8.9%	7 5.7%	13
Unallocatable cost/Others	-22	-20	-42	-22	-20	-42	0
Total	41 4.6%	79 6.6%	121 5.8%	95 7.6%	111 8.6%	206 8.1%	86

※ Percentages(%) for FY2016、FY2017 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 **JAE**

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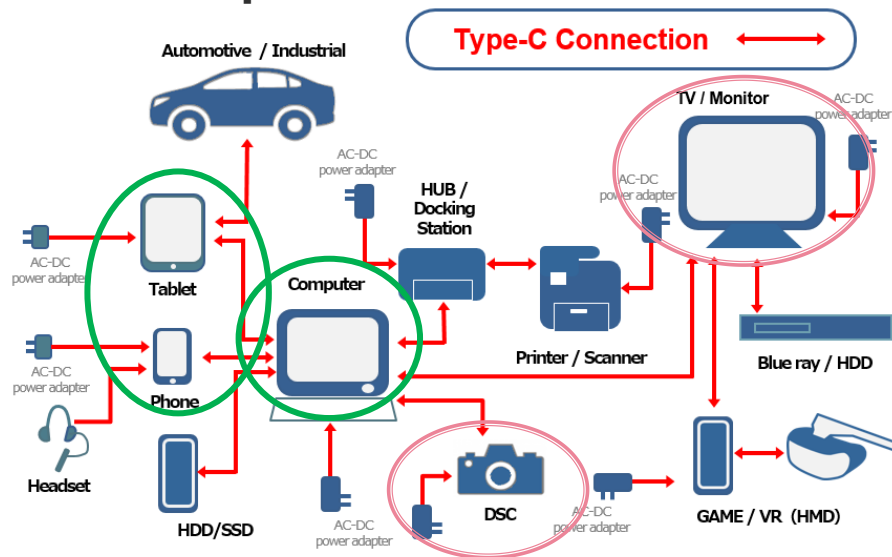
(JPY in 100millions)

	FY2017		FY2018					
	1H		1H	Year/Year Change		Projections	Year/Year Change	
Mobile Devices	692	1,379	547	-145	79%	1,130	-249	82%
Automotive	331	698	378	47	114%	770	72	110%
Industry & Infrastructure	154	327	185	31	120%	385	58	118%
Others	67	135	55	-12	82%	115	-20	85%
Total	1,245	2,539	1,165	-80	94%	2,400	-139	95%

※ Amounts less than 100 million JPY are rounded off.

Type-C Usage

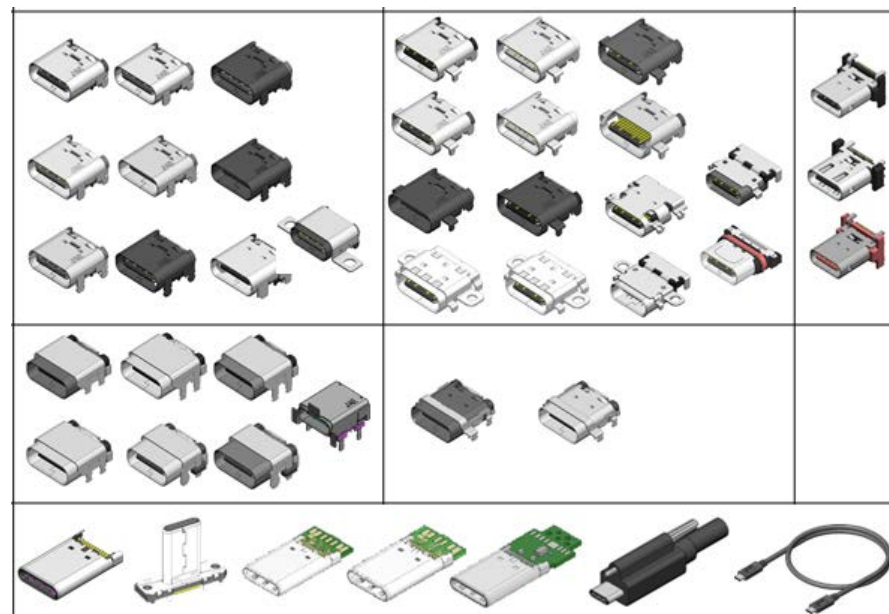
- Steady adoption in PC installation over 60% in 2018 (JAE forecast)
- Installation exceeded 30% for smartphone and tablet



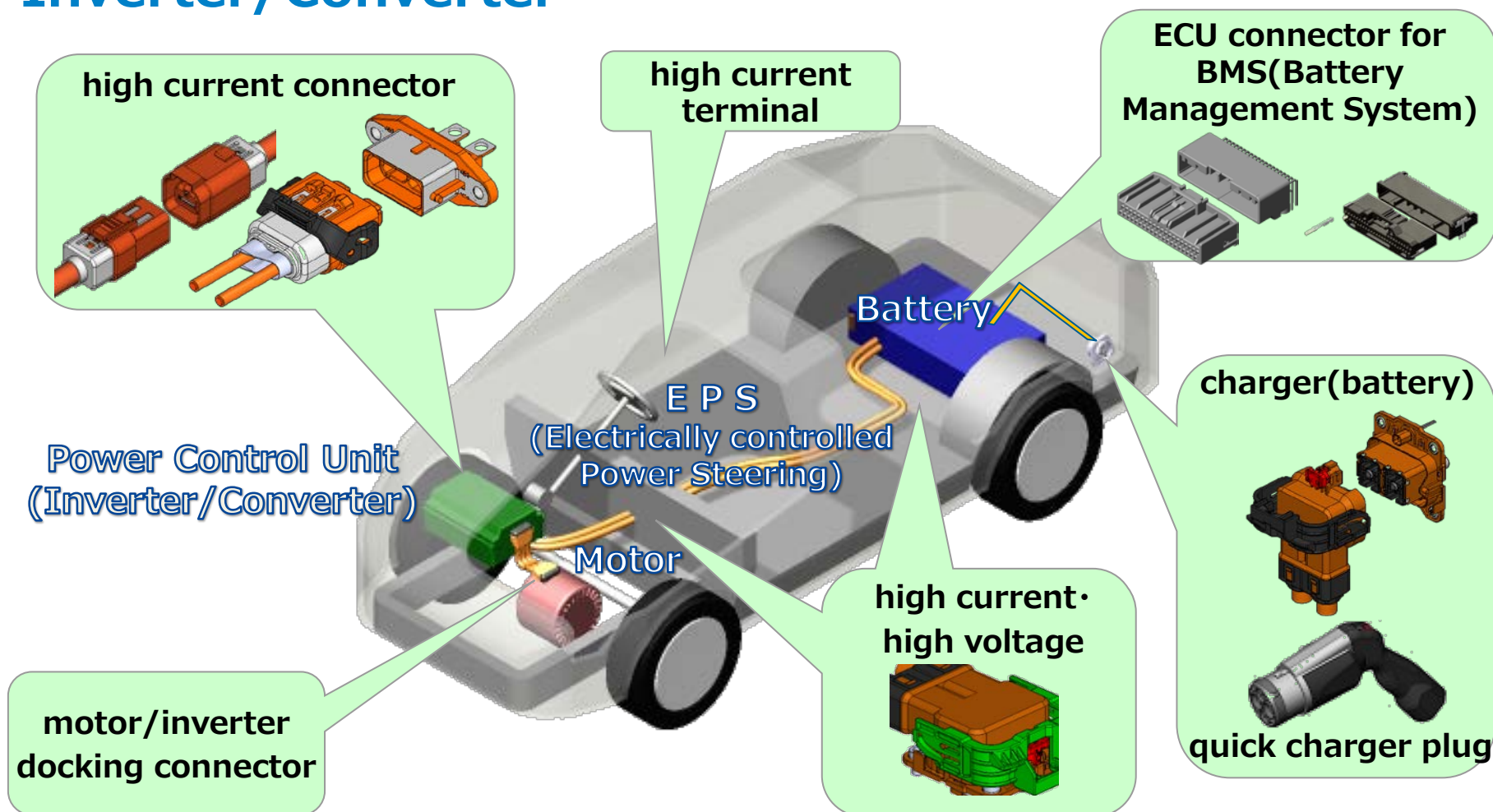
- Not fully installed in TV or DSC (digital camera)

DX07 Series Product Lineup

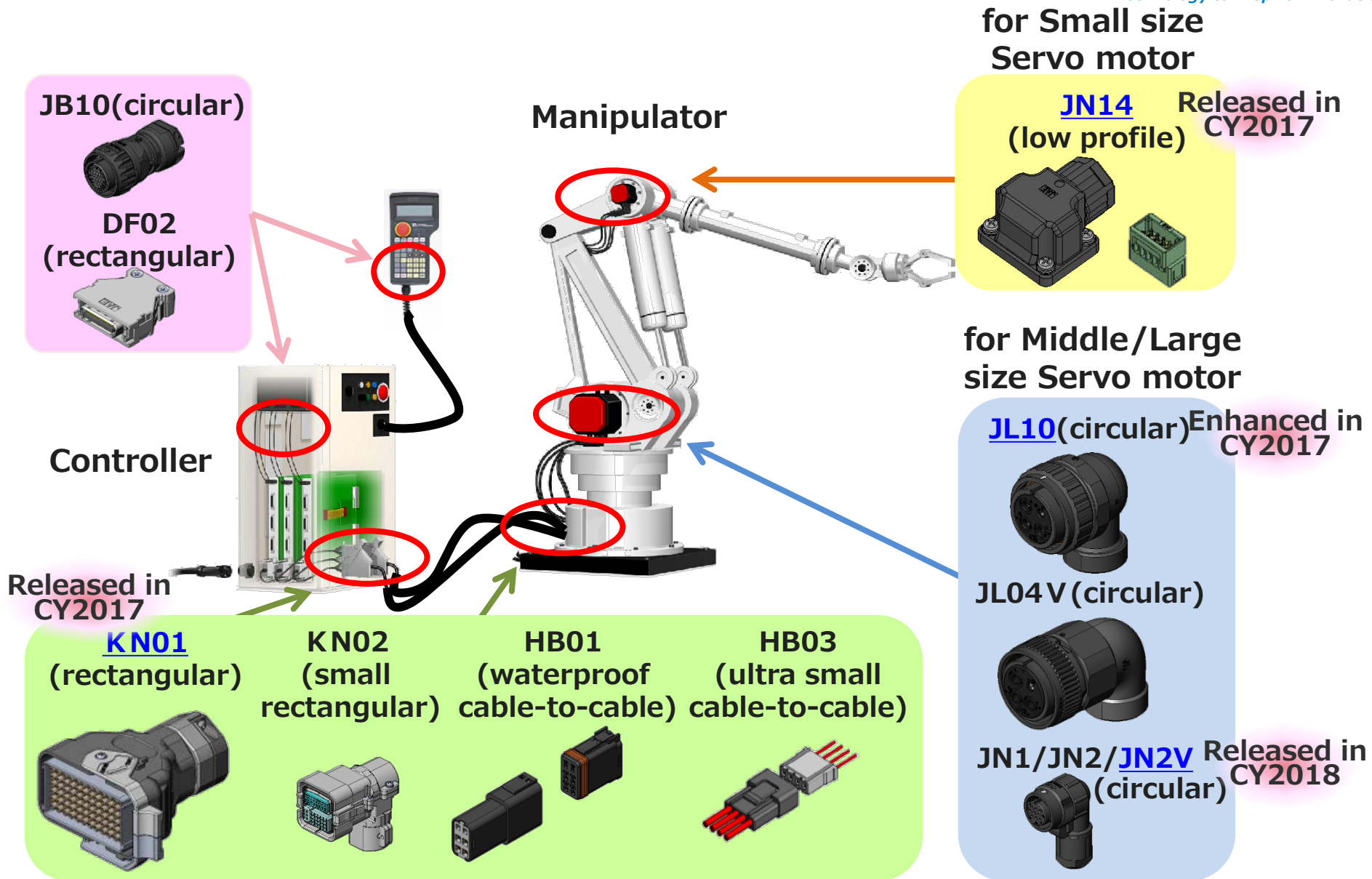
- Meet customer needs by wider product variations
- Expand high performance product in line with USB standardization




Focus on connection for Battery, Motor & Inverter/Converter



Connectors for Robot





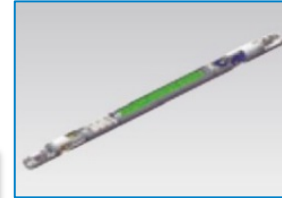
	Glass			Film
	Standard Type (ITO)	Full Pellucidity Type (ITO)	Metal Mesh Sensor	Metal Mesh Sensor
Visual		Industry's First 	Industry's First 	Industry's First 
Features	➤ Adopted in Plentiful Models	➤ Invisible Metal Wiring on The Outer Flame	<ul style="list-style-type: none"> ➤ High Sensitive ➤ High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

for Oil Drilling Equipment

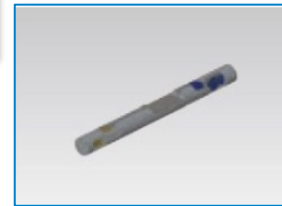


JAE Products are
adopted at drilling
sites globally

Sensor Package



Digital DM



Analog DM

Sensor

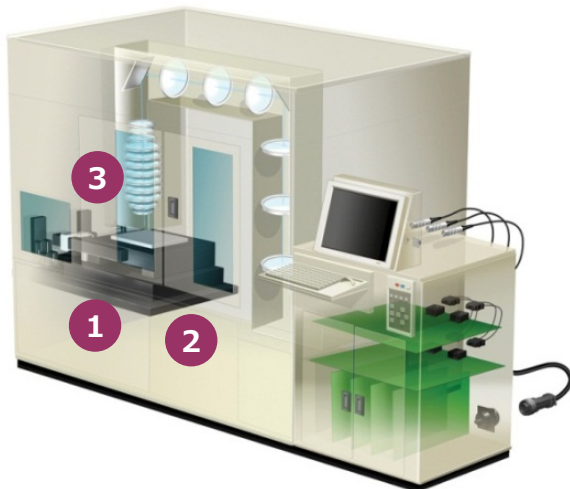


Harsh
Environments
Accelerometer



Geomagnetic
Sensor

for Semiconductor Production Equipment



1 Accelerometer



3 Optical Filter/Laser Mirror



2 Linear Motor

