

Technology to Inspire Innovation

Financial Results for FY2018 and Prospects for FY2019

April 24, 2019

6807 Japan Aviation Electronics Industry, Ltd.

- I. Financial Results for FY2018**

- II. Prospects and Strategy for FY2019**

I. Financial Results for FY2018

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

Net Sales and Profits

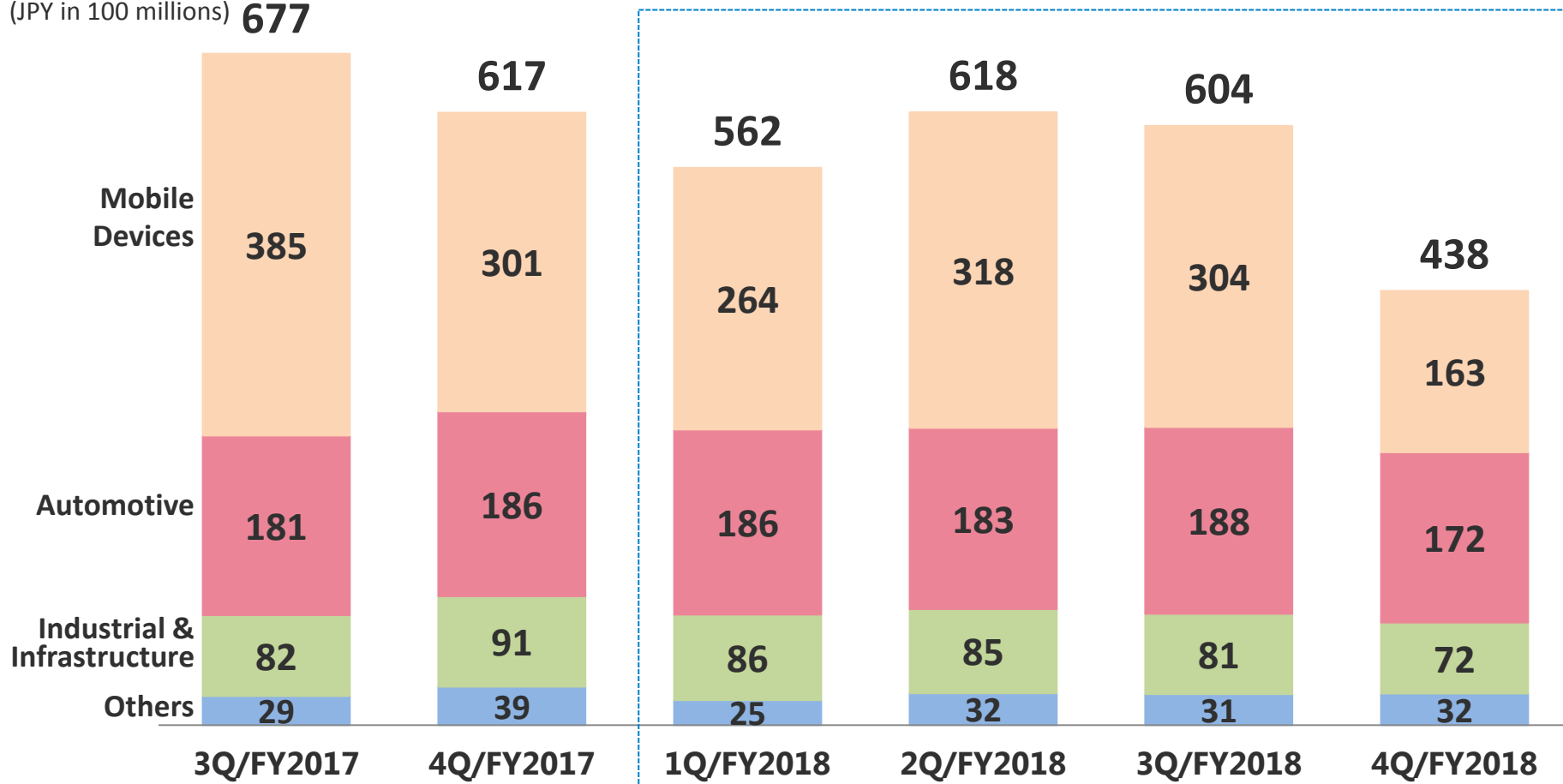
(JPY in 100millions)

	FY2017			FY2018			Year/Year Change		Projections (announced Jan, 2019)
	1H	2H		1H	2H				
Net Sales	1,245	1,294	2,539	1,180	1,042	2,221	-318	87%	2,220
Operating Profit	95	111	206	94	79	173	-33	84%	172
to Net Sales	7.6%	8.6%	8.1%	7.9%	7.6%	7.8%			
Ordinary Profit	85	89	174	106	74	180	7	104%	175
to Net Sales	6.8%	6.9%	6.8%	9.0%	7.1%	8.1%			
Net Profit	62	67	129	77	58	135	6	104%	130
to Net Sales	5.0%	5.2%	5.1%	6.5%	5.6%	6.1%			
Average Exchange Rate (JPY/USD)	111.0	110.7	110.9	110.3	111.6	110.9			
Dividend (JPY)	15.0	15.0	30.0	15.0	20.0	35.0			

Sales by Market Segment

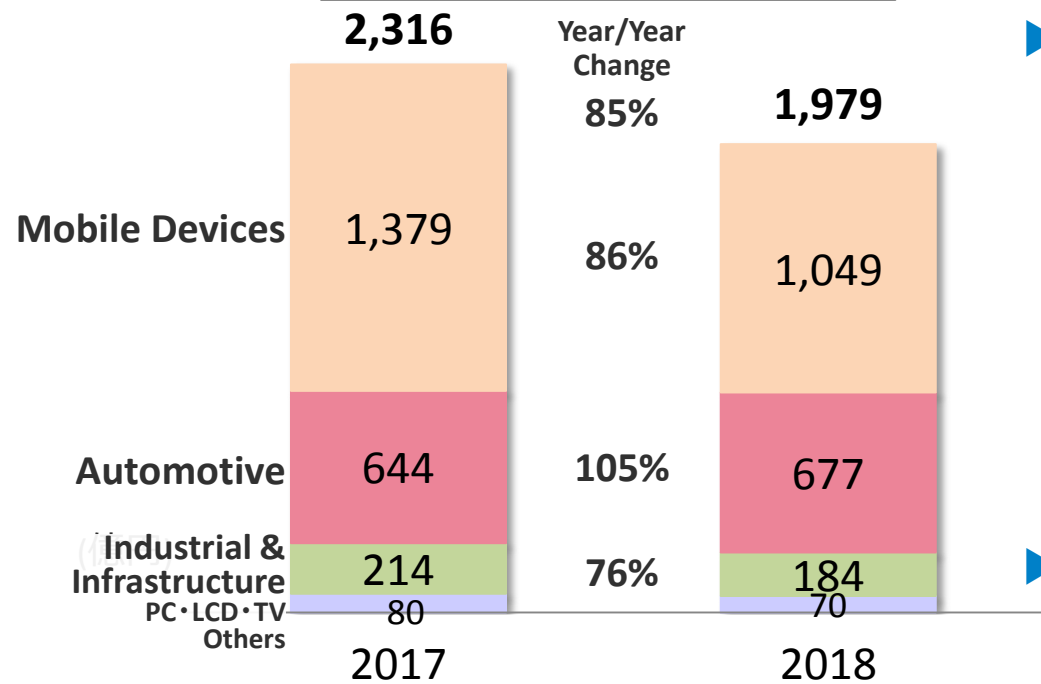
- ▶ Market Environment worsened from later half of 3Q
 - Mobile devices: OEMs adjusted production
 - Automotive: Slowdown of European and Chinese market
 - Industrial & Infrastructure: Demand from Japanese manufactures decreased due to restrained capital investment in China

(JPY in 100 millions) **677**



(JPY in 100 millions)

Sales by Market Segment



Sales: 85% (of FY2018)

▶ Mobile Devices

- Sales to customers in the US significantly decreased
- Sales to Chinese smartphone OEMs increased
- Sales of products with built-in procured components and USB Type-C “DX07 series” decreased

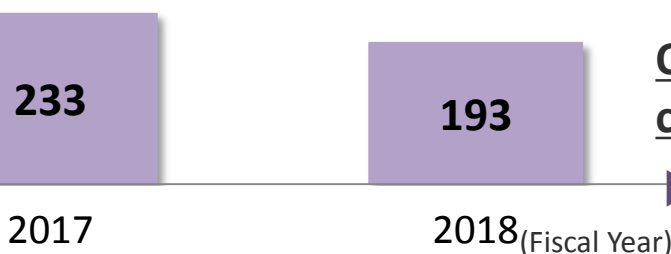
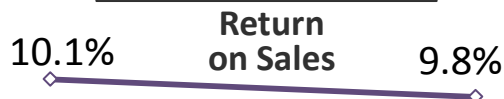
▶ Automotive

- Sales mainly to Japanese OEMs increased

▶ Industrial & Infrastructure

- Demand of Japanese FA market shrunk from later half of the fiscal year

Segment Profit

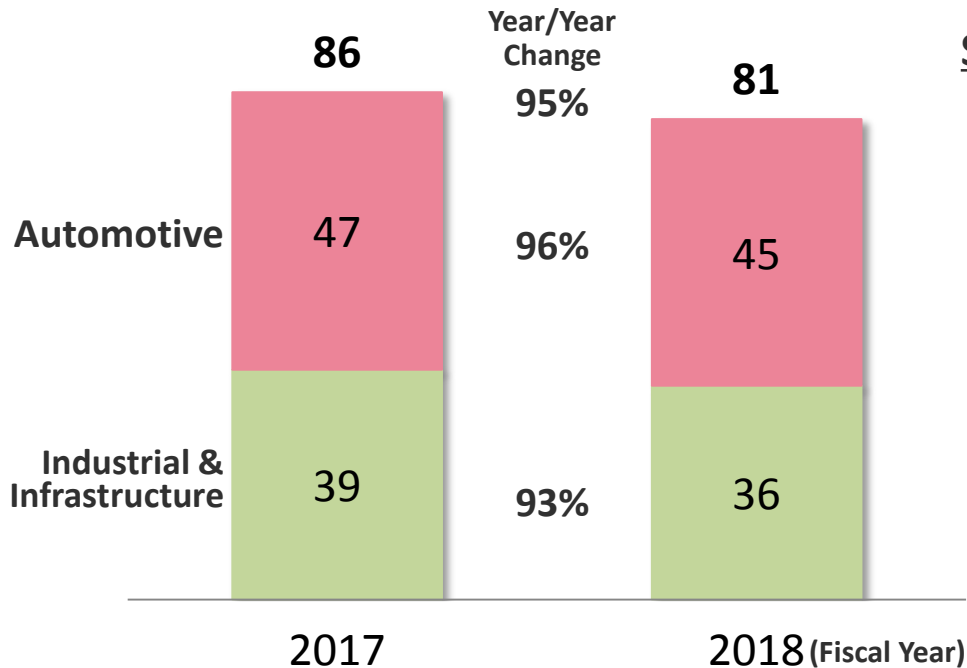


Operating Profit: minus 4.0 billion yen compared to previous year

▶ Impacted by decline in sales

(JPY in 100 millions)

Sales by Market Segment

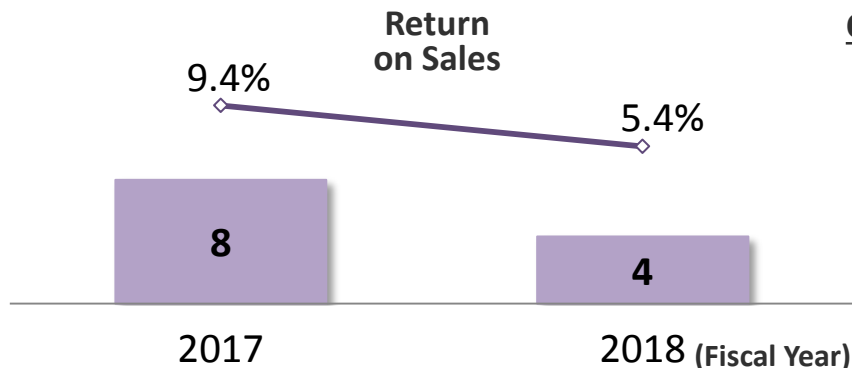


Sales: 95% (of FY2018)

- ▶ **Automotive** (capacitive touch panel)
 - Slight decrease due to end of life of several models although the production of new film sensors models expanded
- ▶ **Industrial & infrastructure**
 - Sales fall short of last year due to market decline

(JPY in 100 millions)

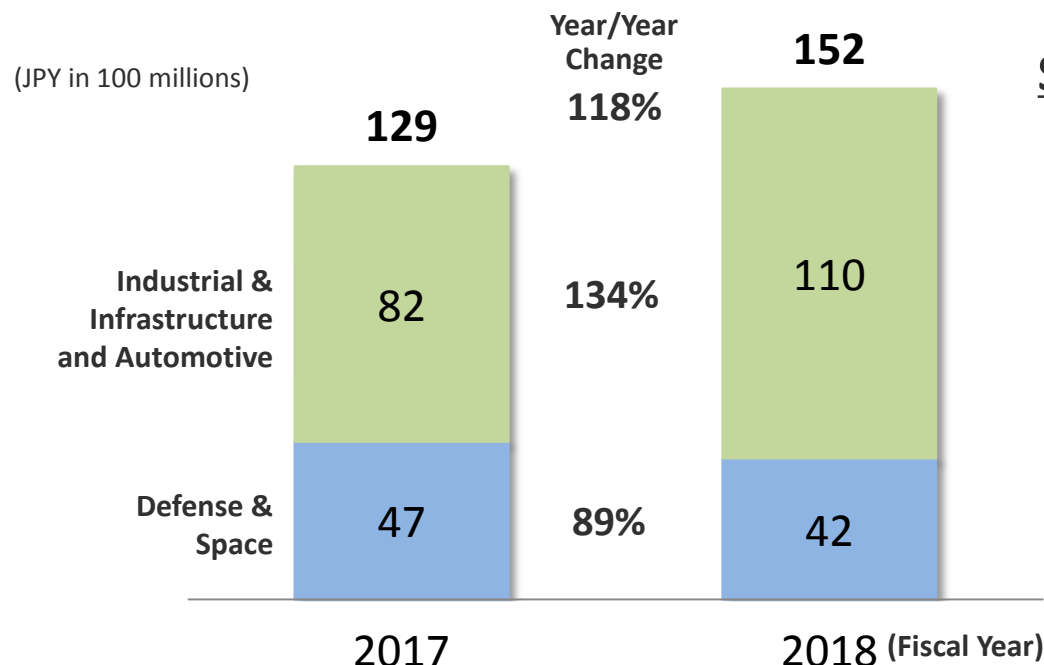
Segment Profit



Operating Profit: minus 0.4 billion yen compared to previous year

- ▶ Development costs and depreciation expenses related to capacitive touch panel production expansion has increased

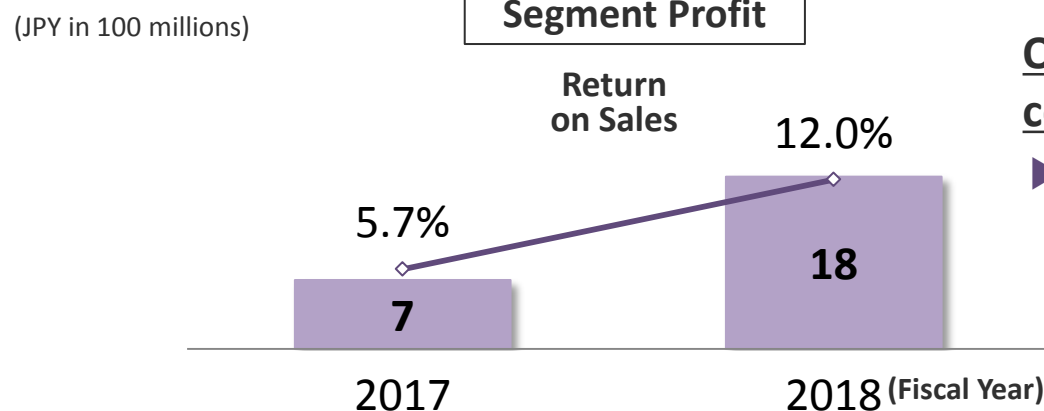
Sales by Market Segment



Sales: 118% (of FY2018)

- ▶ **Industrial & Infrastructure and Automotive**
 - Sales of oil drilling sensors was strong throughout the year
- ▶ **Defense and Space**
 - Sales fell short from previous year due to stagnation of defense budget for domestic goods purchase

Segment Profit

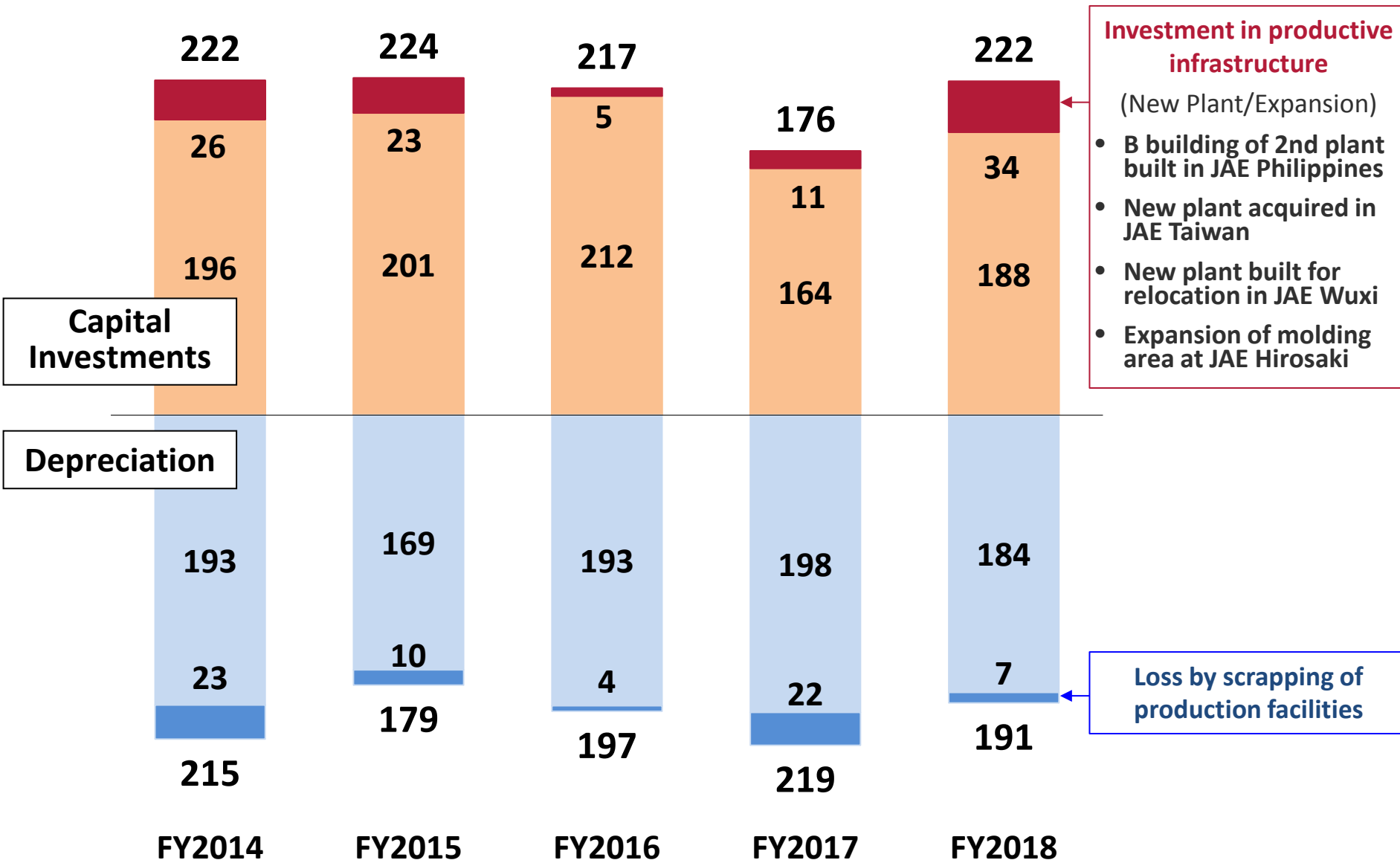


Operating Profit: +1.1 billion yen compared to previous year

- ▶ Sales increase of oil drilling sensors contributed to margin improvement

Capital Investment & Depreciation

(JPY in 100 millions)



II. Prospects and Strategy for FY2019

(From April 1, 2019 to March 31, 2020)

▶ Business Environment (Market premises)

- Global Smartphone production to slightly decline from FY2019
- Worldwide automobile production to be flat.
In-vehicle electronic component market to expand stably by electrification and popularization of ADAS
- Domestic industrial & infrastructure market to remain stringent



▶ Improve profitability to maintain the same level of profit as FY2018, in spite of sales decrease due to the severe market conditions and demand decrease for specific products

- Maintain same level of sales and profit in 1st half as 2nd half of FY2018
- Improve profitability in 2nd half by not only new smartphone model launches, increase in automobile demand, but also enhanced internal manufacturing and productivity improvement

Prospects for FY2019

(JPY in 100millions)

	FY2018			FY2019					
	1H	2H		1H	Year/Year Change		Projections	Year/Year Change	
Net Sales	1,180	1,042	2,221	1,030	-150	87%	2,150	-71	97%
Operating Profit to Net Sales	94 7.9%	79 7.6%	173 7.8%	77 7.5%	-17	82%	185 8.6%	12	107%
Ordinary Profit to Net Sales	106 9.0%	74 7.1%	180 8.1%	75 7.3%	-31	71%	180 8.4%	0	100%
Net Profit to Net Sales	77 6.5%	58 5.6%	135 6.1%	56 5.4%	-21	73%	135 6.3%	0	100%

Average Exchange Rate	110.3	111.6	110.9	110.0		110.0	
------------------------------	--------------	--------------	--------------	--------------	--	--------------	--

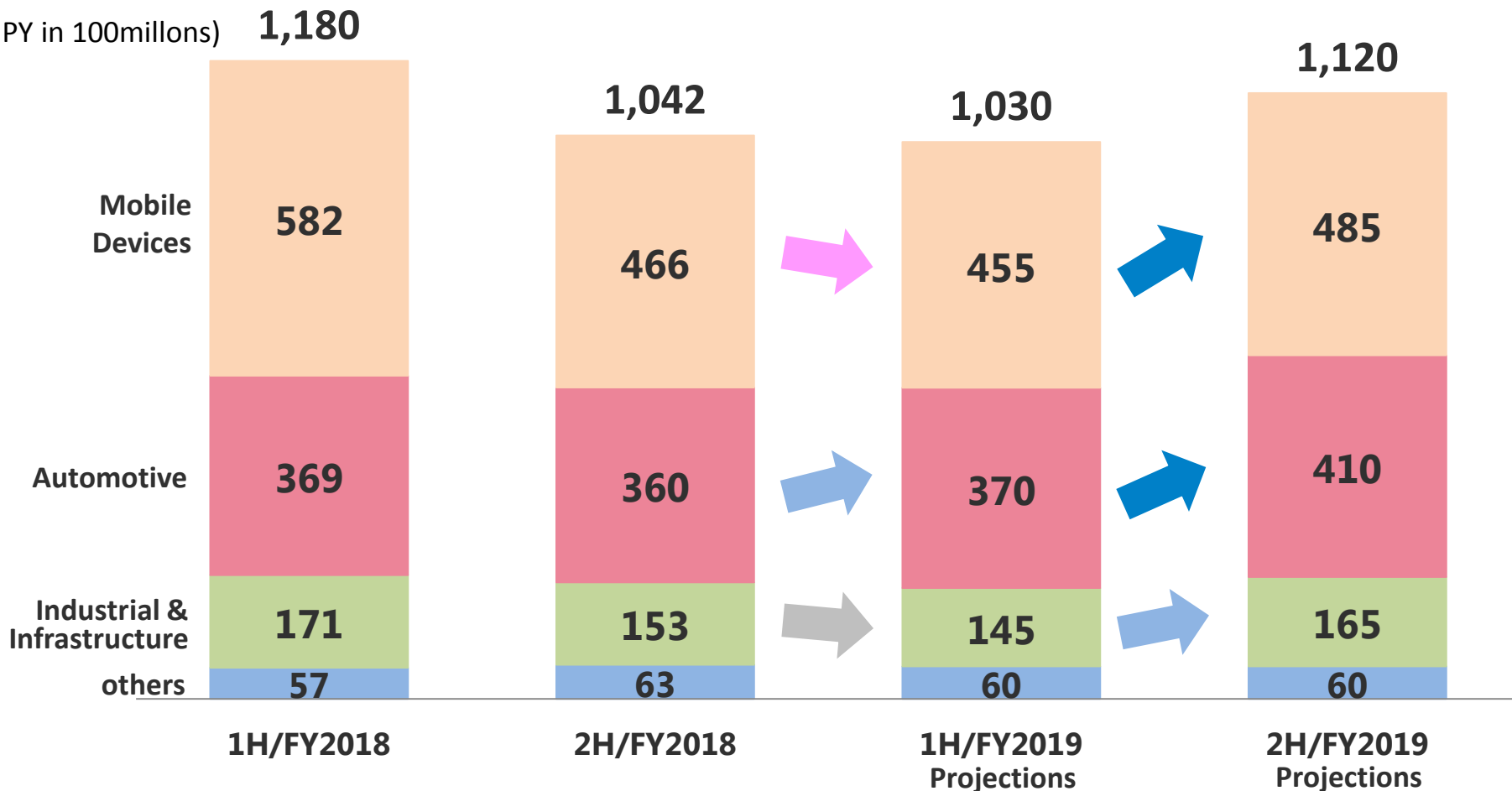
(JPY/USD)

	FY2018	FY2019
Capital Investment	222	195

Sales by Market Segment

- ▶ In the first half of FY2019, the same level of revenue as the previous half is expected due to the market environment
- ▶ In the second half, sales growth in the US smartphone customers, USB Type-C for mobile devices and Japanese OEMs for automotive is expected. For industrial & infrastructure market, sales growth mainly in aerospace business is expected

(JPY in 100millions) **1,180**



Prospects for Sales by Business Segment

(JPY in 100millions)

	FY2018		FY2019					
	1H		1H	Year/Year Change		Projections	Year/Year Change	
Connector	1,062	1,979	905	-157	85%	1,875	-104	95%
UIS	43	81	45	2	104%	100	19	123%
Aerospace	70	152	76	6	109%	165	13	108%
Others	4	8	4	0	91%	10	2	119%
Total	1,180	2,221	1,030	-150	87%	2,150	-71	97%

Market Premises for FY2019

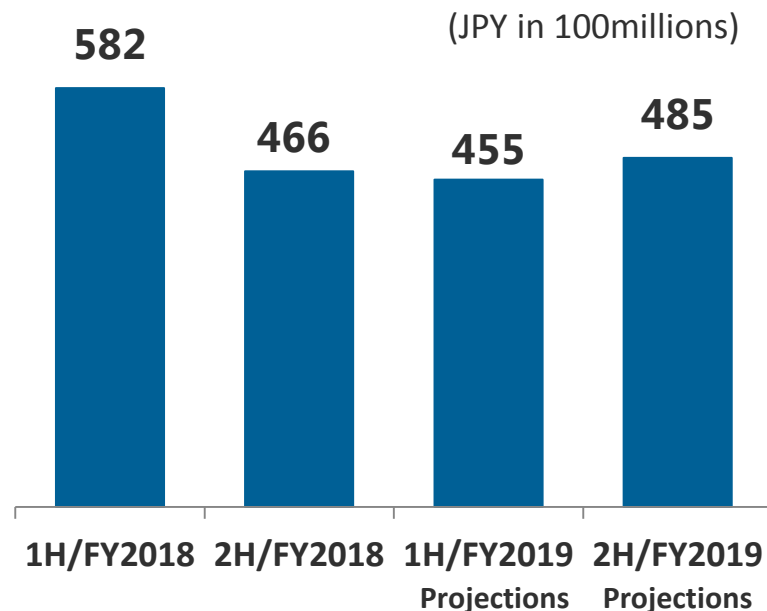
- Sales of products with built-in procured components continues to decrease
- Recovery expected for other products by launch of new models from later part of 1st half

▶ Sales to Chinese Smartphone OEMs

- Sales expected to increase from last year
- Customer base to expand
- Not only board-to-board connectors, but expanding to other types of connector such as card connectors to expand

▶ DX07 Series (USB Type-C)

- Put also focus on smartphone market and recover to a growth path



Combo Type 3-in-2
Card Connector
ST19 Series



Waterproof
USB Type-C™
Receptacle

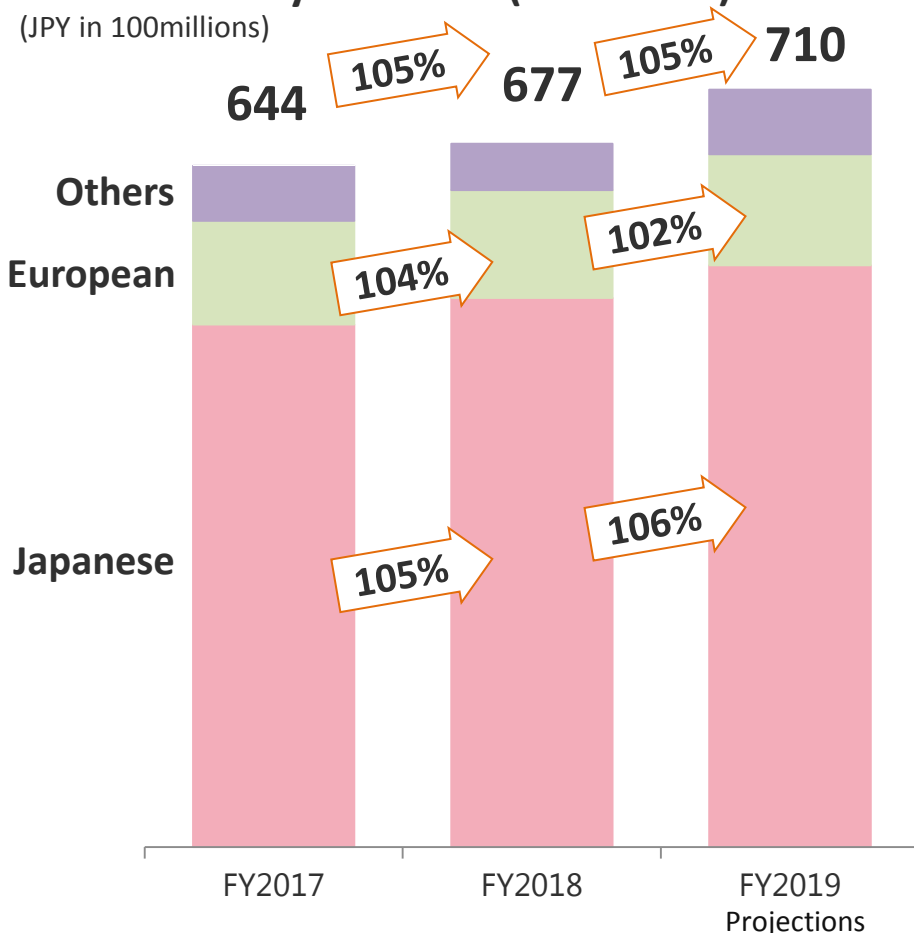


Strengthening efforts to Japanese and overseas customers centering on CASE

Sales of automotive connector

by customer(car maker)

(JPY in 100millions)



- ▶ **Expanding Japanese OEM businesses**
 - Incorporate technology evolution of connected-cars, ADAS and Electric vehicle
- ▶ **Enhance products developed in Europe and expand into other regions**
 - Connectors for in-vehicle camera, AK squib for air bags, waterproof FAKRA standard, etc.
- ▶ **Strengthen engineering and production system**
 - Enhance in-vehicle engineering resources and reorganize technical division to cope with new areas of in-vehicle equipment
 - Construction of B building of 2nd plant in JAE Philippines completed

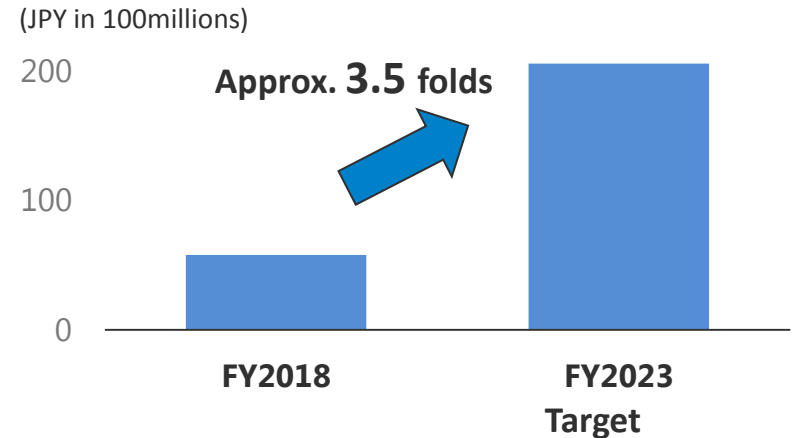
AK: German Automotive Connector Evaluation Standard

FAKRA: Coaxial connector compatible to German FAKRA standard

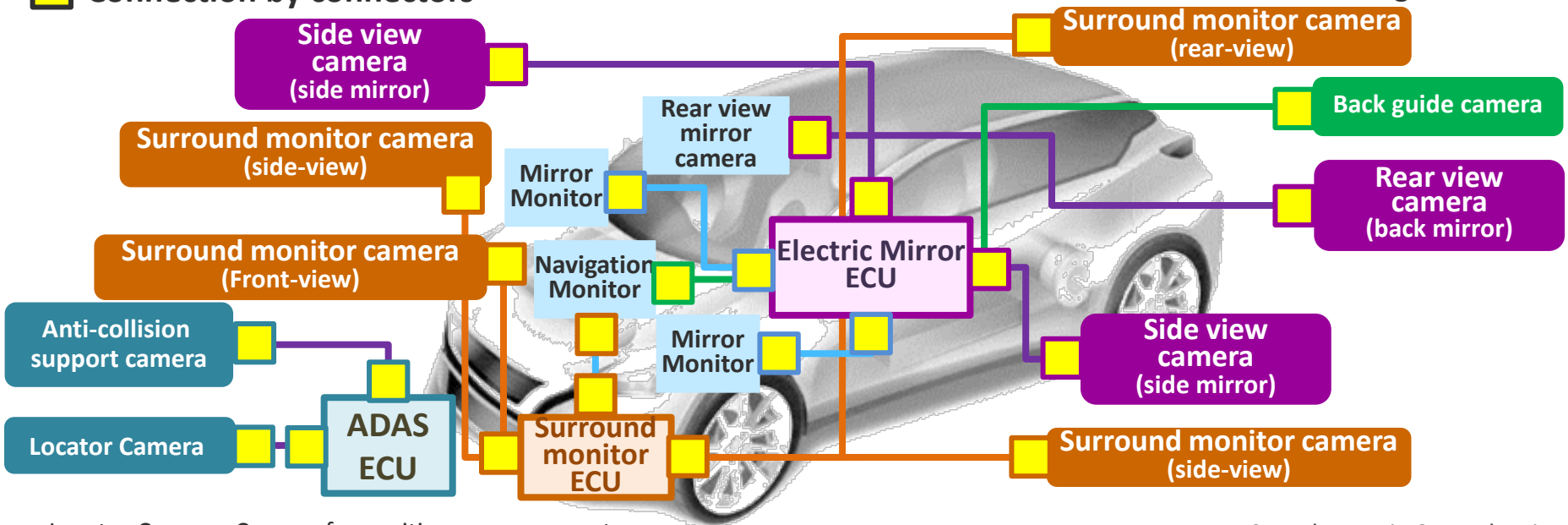
▶ ADAS (Advanced Driver Assistance System)

- The number of on-board cameras and sensors tends to increase due to the penetration of ADAS and automated driving
- Expand customer bases by utilizing prior results in European and Japanese OEMs

Sales of ADAS Camera



■ Connection by connectors



Locator Camera: Camera for position measurement

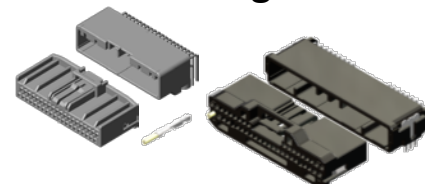
ECU : Electronic Control Unit

▶ EV (Electric Vehicle)

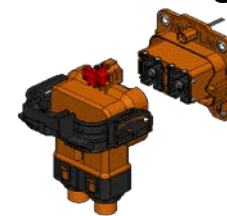
- Increase businesses based on results from service plug and battery monitoring ECU
- Development of 400A class high current technology

Products for EV

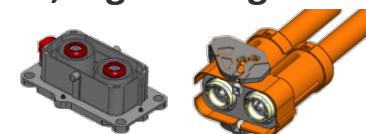
Connector for Battery Monitoring ECU



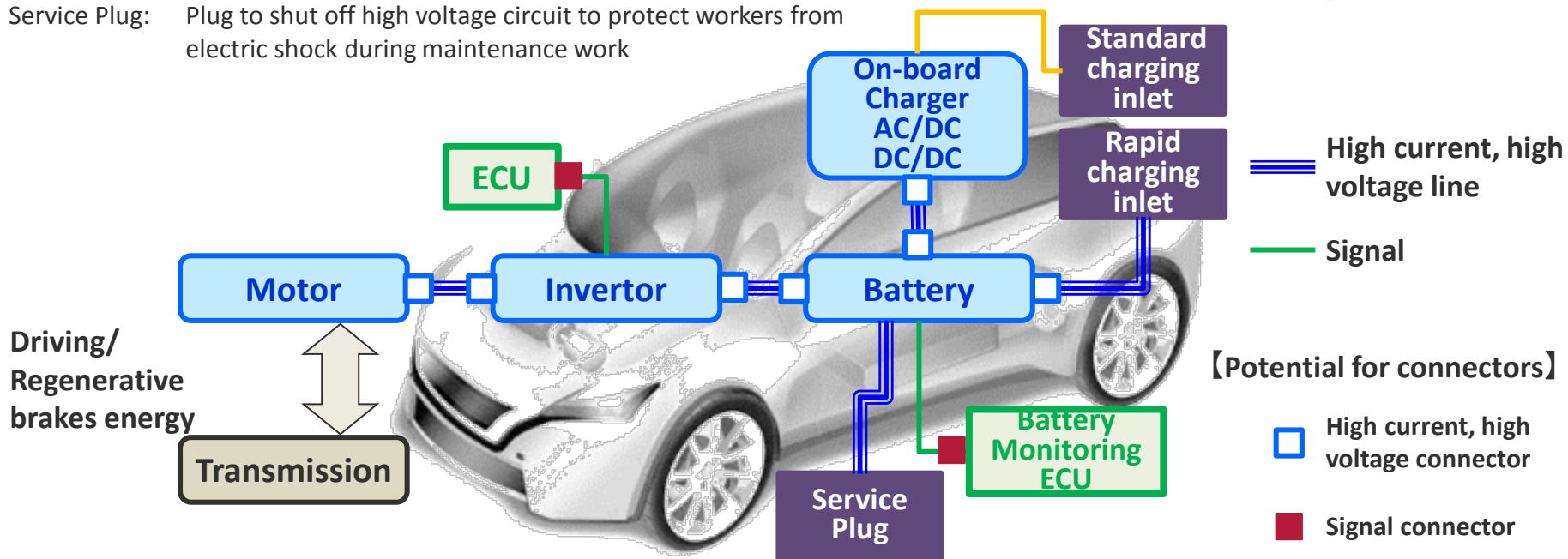
Service Plug



High current, high voltage connector



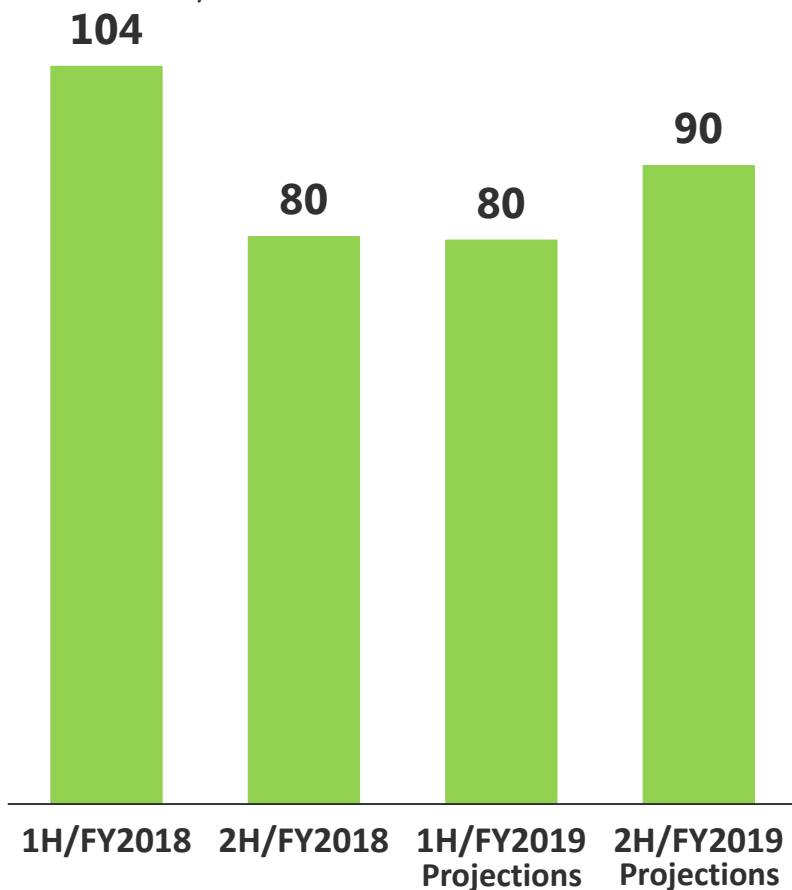
Service Plug: Plug to shut off high voltage circuit to protect workers from electric shock during maintenance work



Pave the way for the growth after market recovery

Sales of connector in Industrial & Infrastructure market

(JPY in 100millions)

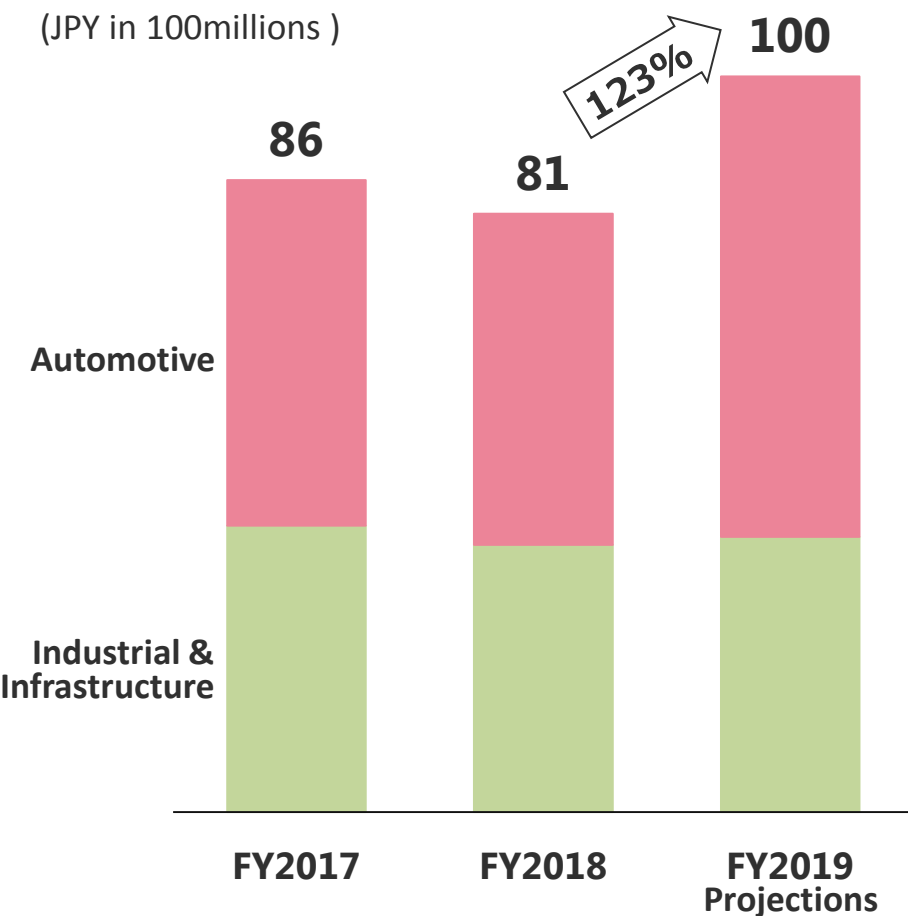


- ▶ **Factory Automation Components**
 - Focus on internal connectors in addition to external I/O connectors
- ▶ **Communications infrastructure**
 - Start shipping connectors for 5G base stations
 - Expand sales of high-speed transmission and power connectors for data centers
- ▶ **Global Expansion of EV charging plug connector**

Return to growth focusing on touch panel

Sales of UIS Business

(JPY in 100millions)



▶ Increase the range of new models to expand the automotive touch panel business

- Substantially increase film sensor sales by launching new models
- Enhance production line for film sensors

▶ Expand electrostatic touch panel to industrial & infrastructure market for future growth

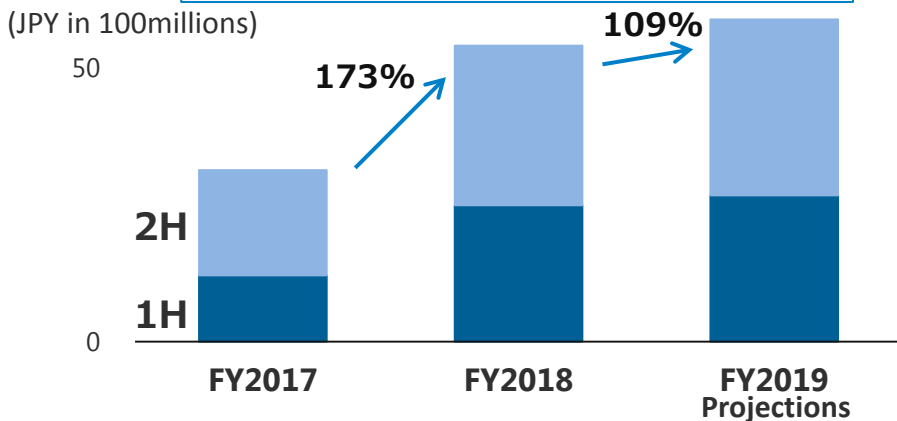
- Adopted to several models in FY2018
- ⇒ Aim for expanding adopted equipment and customers

Continue to expand oil drilling business where the market is strong

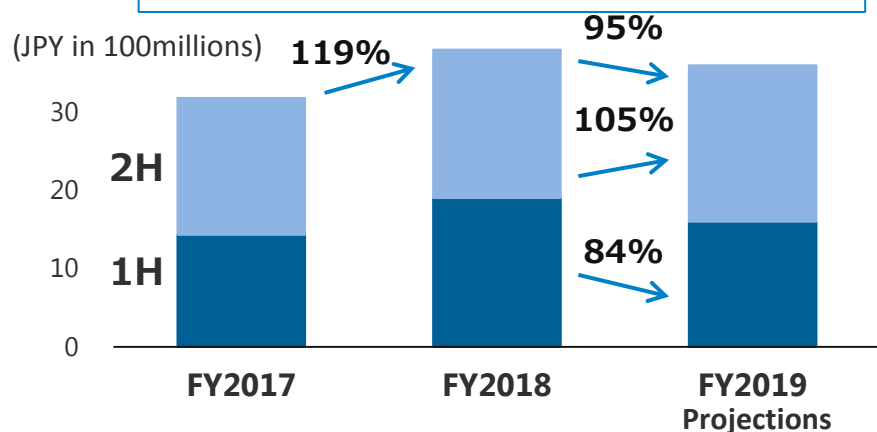
► Sensors for Oil Drilling

- Continue solid growth in FY2019 due to strong oil drilling business
- Expand sales of DDM to major drilling companies in addition to mid-market drilling companies
(DDM: Digital Directional Module)
- Differentiate by demonstrating comprehensive responsiveness by presenting unitization and repair services in addition to accelerometer and geomagnetic sensors itself

Sales of Oil drilling sensor



Sales of Semiconductor/liquid crystal fabrication equipment



► Sensor for semiconductor and LCD panel manufacturing equipment

- Market condition will continue to be severe in the first half of FY2019, but is expected to show recovery from the second half
- Promote deployment to devices other than exposure equipment

Increase internal manufacturing

Cost reduction by increasing in-house manufacturing

- ▶ Increase production capacity
 - B building of 2nd plant in JAE Philippines, completed in March 2019 with floor area of 1.5 folds
- ▶ Enhance in-house production capability of molding dies
 - Expand molding die area of JAE Hiroasaki
- ▶ Expand main factory for industrial & infrastructure market
 - New plant in JAE Taiwan
Operations commence in 2H of 2019
 - Enhancement of in-house vertically integrated production system for industrial & infrastructure products

Realize the results of capital investment implemented in 2018

Production & business innovation

Business innovation by utilizing IoT and Robots

- ▶ Speed-up operation improvement by monitoring of production machine utilizing IoT
- ▶ Increase introduction of collaboration robots
- ▶ Productivity improvement through thorough automated production of automotive cable harnesses
- ▶ Carryout company-wide business reformation activities
 - Speed-up management by business process innovation from order acceptance to shipping
 - Increase efficiency of indirect operation by RPA introduction

Reform to lean corporate structure to improve profitability

Realizing the next-generation mobility and IoT society connected with 5G by continuously developing technology of "connecting information" and "connecting people and devices"

- ▶ Formed an alliance with the Institute of Industrial Science at the University of Tokyo by concluding industrial and academic cooperation agreement to accelerate next-generation elemental technology development

[Research Theme]

- Ultra-compact, high-density connector
- Wearable device / sensor related technology
- Advanced HMI for ADAS (Human Machine Interface)



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 24, 2019, 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.

Sales by Market Segment

(JPY in 100millions)

	FY2017			FY2018			Year /Year Change	Projections announced Jan, 2019
	1H	2H		1H	2H			
Mobile Devices	692	686	1,379	582	466	1,049	76%	1,046
Automotive	331	367	698	369	360	729	104%	736
Industrial & Infrastructure	154	173	327	171	153	324	99%	319
Othres	67	68	135	57	64	120	89%	119
Total	1,245	1,196	2,539	1,180	1,043	2,221	87%	2,220

Sales by Business Segment

(JPY in 100millions)

	FY2017			FY2018			Year /Year Change	Projections announced Jan, 2019
	1H	2H		1H	2H			
Connector	1,143	1,173	2,316	1,062	917	1,979	85%	1,976
UIS	41	45	86	43	38	81	95%	82
Aerospace	57	72	129	70	82	152	118%	152
Others	4	4	9	4	4	8	98%	10
Total	1,245	1,294	2,539	1,180	1,042	2,221	87%	2,220

Operating Profit by Business Segment

(JPY in 100millions)

	FY2017			FY2018		Year/Year Change	
	1H	2H		1H	2H		
Connector	112 9.8%	121 10.3%	233 10.1%	106 10.0%	87 9.5%	193 9.8%	-40
UIS	4 9.2%	4 9.7%	8 9.4%	3 8.0%	1 2.6%	4 5.4%	-4
Aerospace	1 1.6%	6 8.9%	7 5.7%	7 10.0%	11 13.7%	18 12.0%	11
Unallocatable cost/ Others	-22	-20	-42	-23	-20	-43	-1
Total	95 7.6%	111 8.6%	206 8.1%	94 7.9%	79 7.6%	173 7.8%	-33

※ Percentages(%) for FY2017、FY2018 indicate Operating Profit to Net Sales Ratios.

Prospects for Sales by Market Segment

	FY2018		FY2019					
	1H		1H	Year/Year Change		Projections	Year/Year Change	
Mobile Devices	582	1,049	455	-127	78%	940	-109	90%
Automotive	369	729	370	1	100%	780	51	107%
Industrial & Infrastructure	171	324	145	-26	85%	305	-19	94%
Others	57	120	60	3	105%	125	5	104%
Total	1,180	2,221	1,030	-150	87%	2,150	-71	97%