

Technology to Inspire Innovation

Financial Results for FY2019

April 24, 2020

6807 Japan Aviation Electronics Industry, Ltd.

I. Financial Results for FY2019

II. Prospects for FY2020

I. Financial Results for FY2019

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

Net Sales and Profits

(JPY in 100millions)

	FY2018			FY2019			Year/Year Change		Projections (announced Oct, 2019)
	1H	2H		1H	2H				
Net Sales	1,180	1,042	2,221	1,008	1,073	2,081	-140	94%	2,030
Operating Profit to Net Sales	94 7.9%	79 7.6%	173 7.8%	72 7.1%	70 6.5%	142 6.8%	-32	82%	145
Ordinary Profit to Net Sales	106 9.0%	74 7.1%	180 8.1%	74 7.3%	70 6.5%	144 6.9%	-37	80%	140
Net Profit to Net Sales	77 6.5%	58 5.6%	135 6.1%	59 5.8%	53 4.9%	111 5.4%	-24	82%	105
Average Exchange Rate (JPY/USD)	110.3	111.6	110.9	108.6	108.8	108.7			
Dividend (JPY)	15.0	20.0	35.0	20.0	20.0	40.0			

Sales by Market Segment

(JPY in 100millions)

	FY2018			FY2019			Year /Year Change	Projections announced Oct, 2019
	1H	2H		1H	2H			
Mobile Devices	582	466	1,049	477	525	1,001	95%	940
Automotive	369	360	729	343	361	704	97%	700
Industrial & Infrastructure	171	153	324	137	129	267	82%	280
Others	57	63	120	51	58	109	91%	110
Total	1,180	1,042	2,221	1,008	1,073	2,081	94%	2,030

Net Sales and Profits By Business Segment

(JPY in 100millions)		FY2018			FY2019			Year/Year Change		Projections announces Oct, 2019
		1H	2H		1H	2H				
Connector	Sales	1,062	917	1,979	891	945	1,836	-143	93%	1,765
	Segment Profit	105.7	87.3	193.0	85.0	88.9	173.9	-19.2	90%	—
	to Net Sales	10.0%	9.5%	9.8%	9.5%	9.4%	9.5%			
UIS	Sales	43	38	81	39	51	90	8	110%	95
	Segment Profit	3.4	1.0	4.4	-1.9	-2.5	-4.4	-8.8	—	—
	to Net Sales	8.0%	2.5%	5.4%	-5.0%	-4.8%	-4.9%			
Aerospace	Sales	70	82	152	75	73	149	-4	97%	160
	Segment Profit	7.0	11.4	18.3	10.2	3.9	14.1	-4.2	77%	—
	to Net Sales	10.0%	13.8%	12.0%	13.6%	5.3%	9.5%			
Unallocatable cost/ Others	Sales	4	4	8	4	3	7	-1	83%	10
	Segment Profit	-22.6	-20.2	-42.7	-21.6	-20.5	-42.1	0.6	99%	—
Total	Sales	1,180	1,042	2,221	1,008	1,073	2,081	-140	94%	2,030
	Operation Profit	93.6	79.5	173.0	71.7	69.8	141.5	-31.5	82%	145
	to Net Sales	7.9%	7.6%	7.8%	7.1%	6.5%	6.8%			

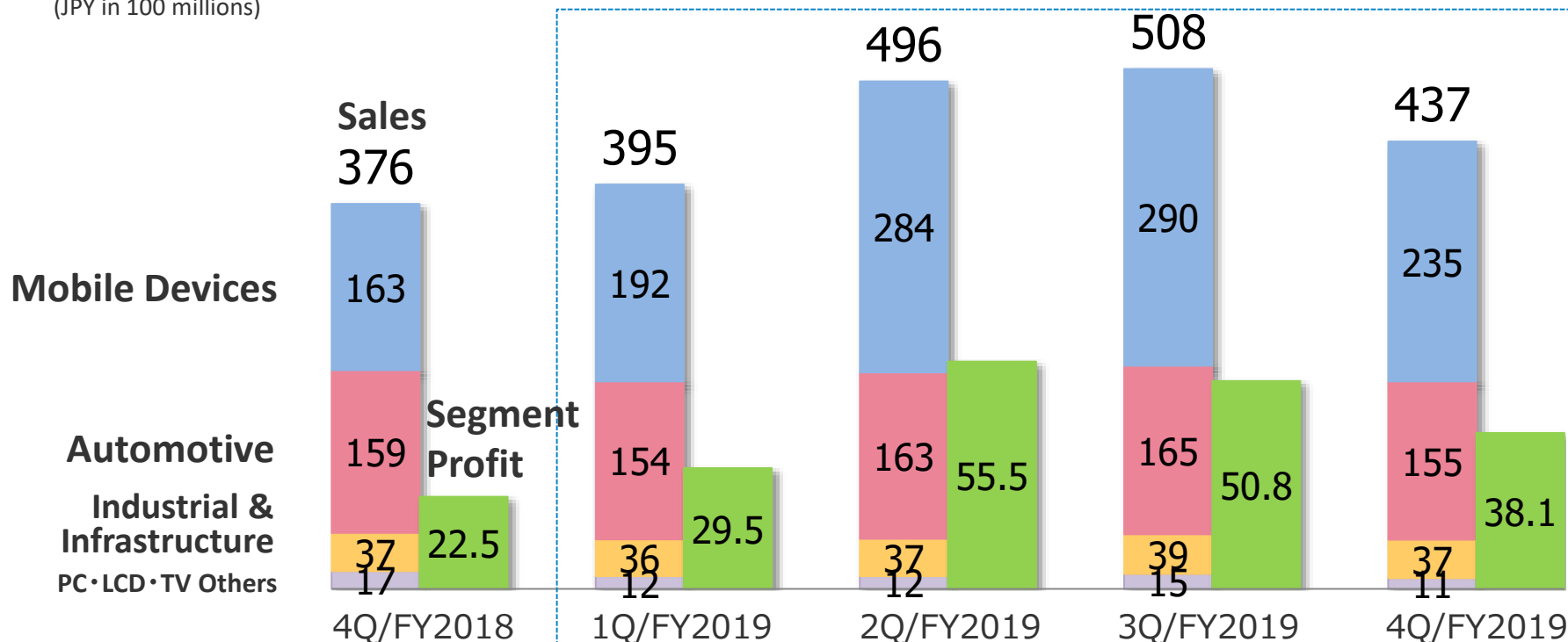
Connector Business [Quarterly Net Sales and Profit]

- ▶ **Mobile Device:** Sales remained high until 3Q due to strong demand for mobile phones in China and launch in North America, but demand in 4Q decreased due to seasonality and novel coronavirus (COVID-19) diseases.
- ▶ **Automotive:** Stagnation continues due to sluggish automobile sales worldwide.
- ▶ **Industrial & Infrastructure:** Lagging recovery due to sluggish demand in the worldwide market.

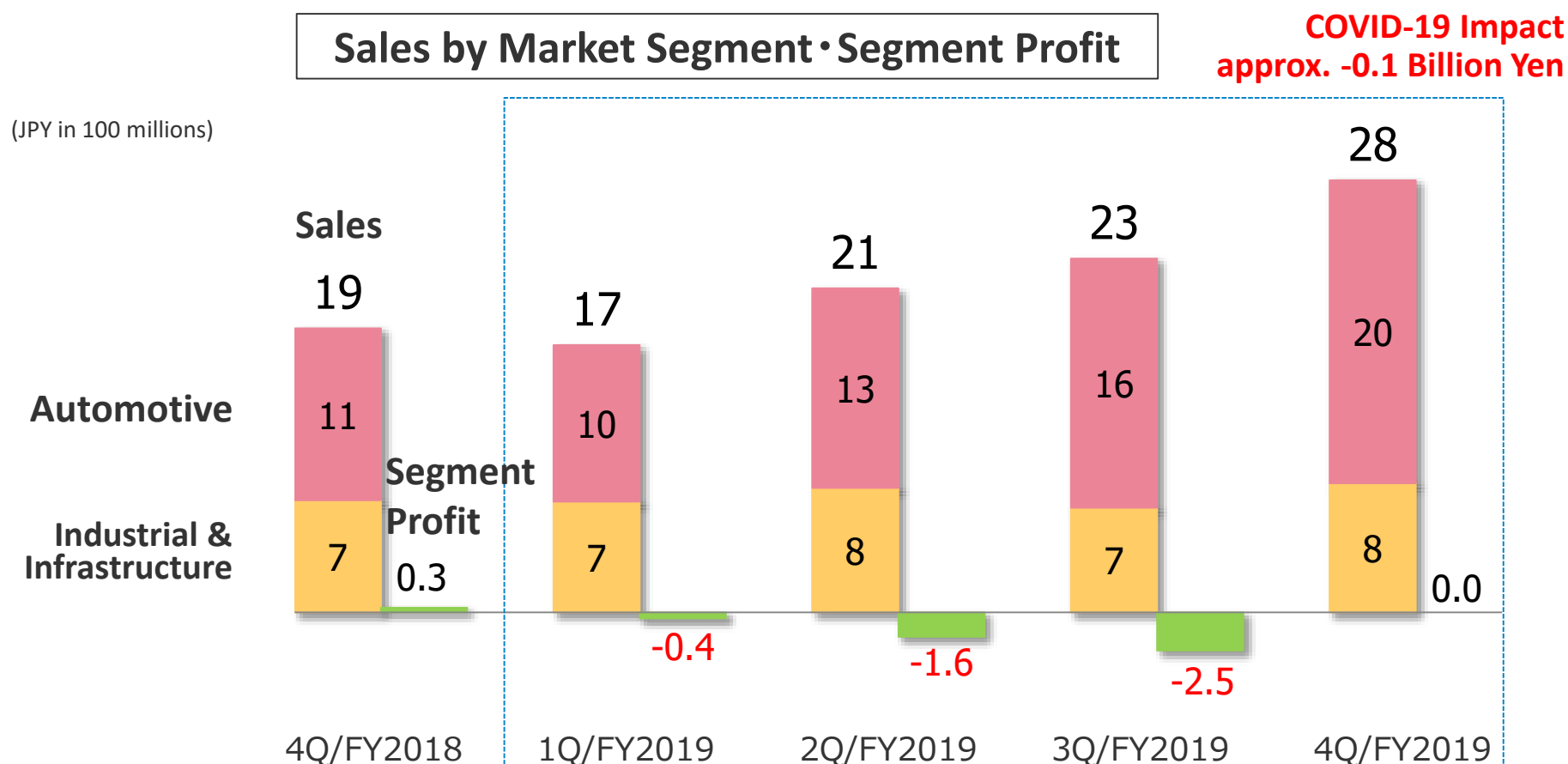
Sales by Market Segment • Segment Profit

**COVID-19 Impact
approx. -2.6 Billion Yen**

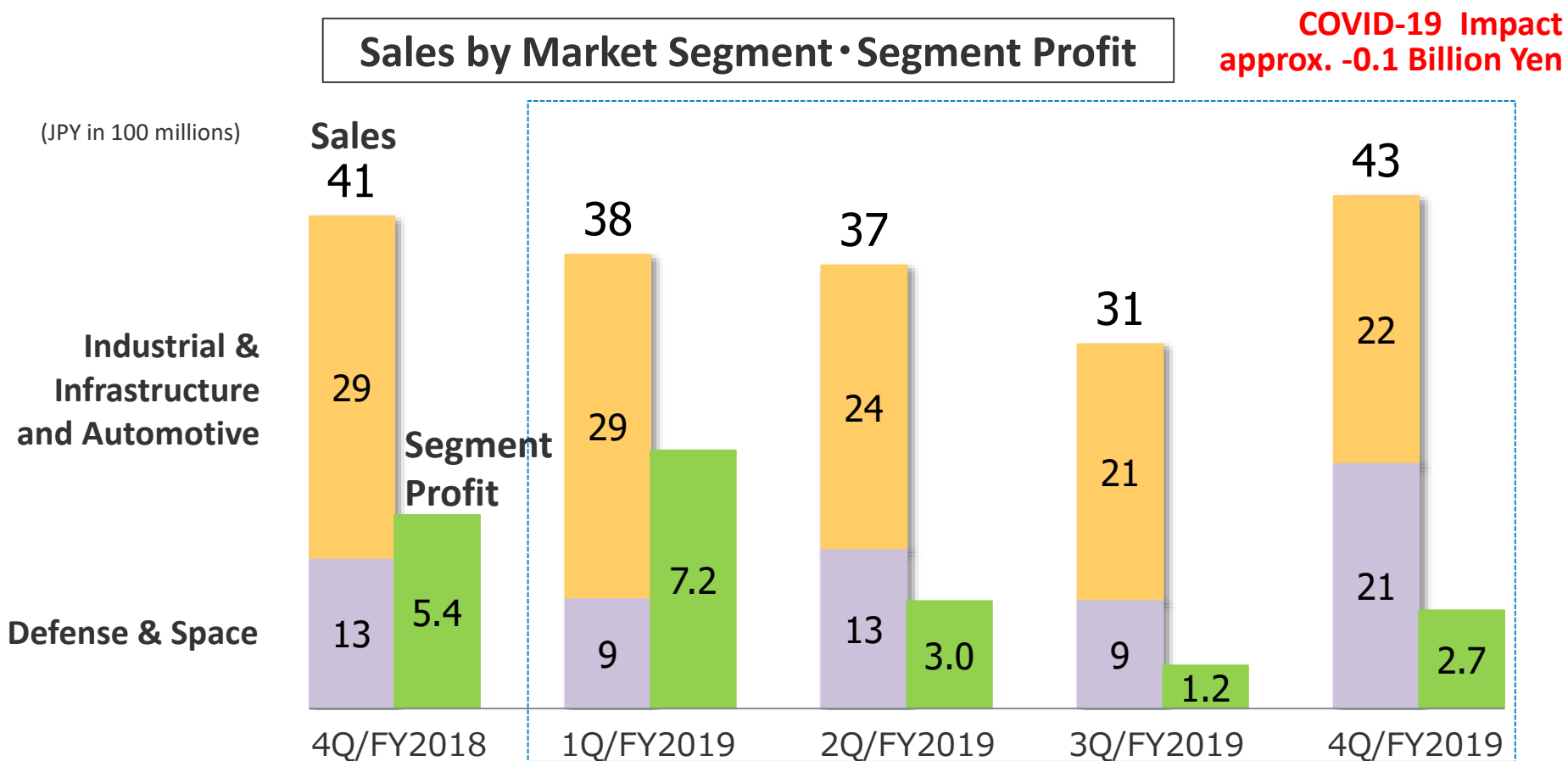
(JPY in 100 millions)



- ▶ **Automotive:** Production of new automotive touch sensor products (film sensors) gradually started and sales increased in the second half of the fiscal year
- ▶ **Industrial and Infrastructure:** Sales remained almost unchanged within the fiscal year due to continued sluggish demand

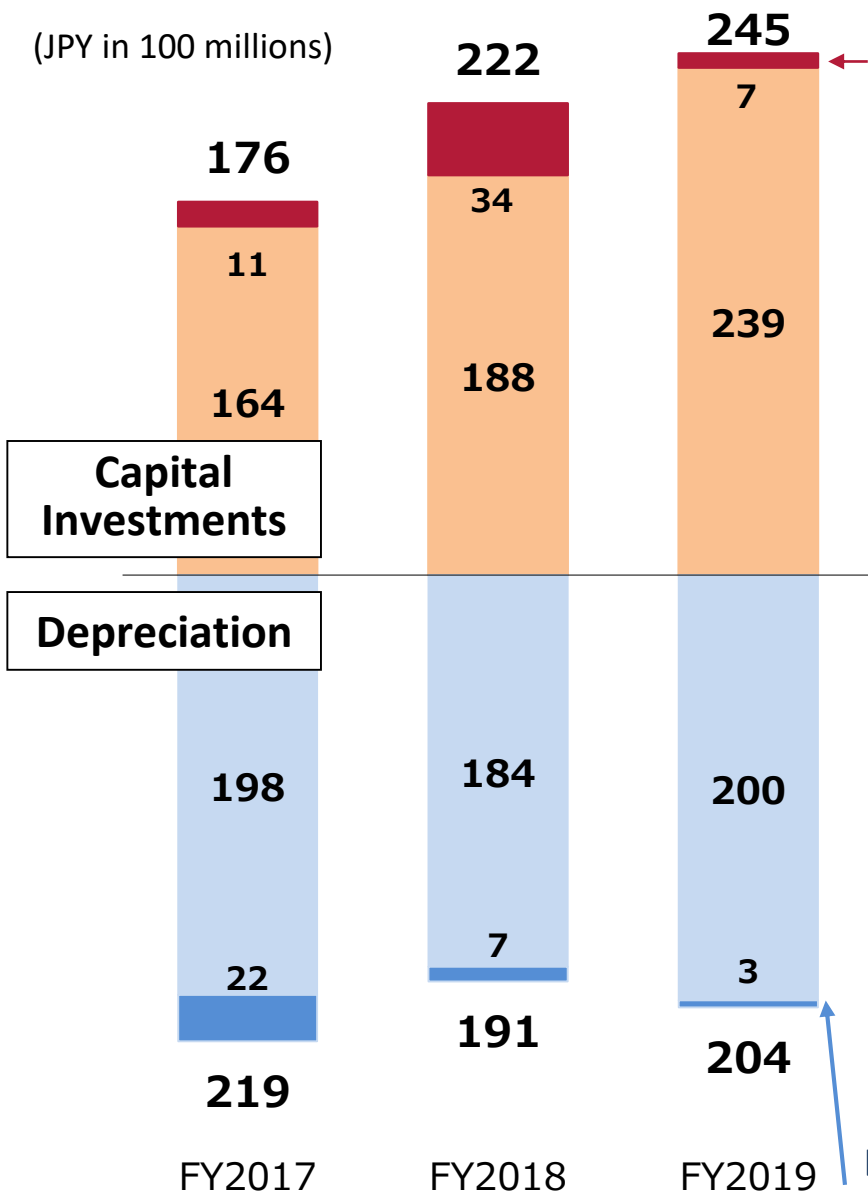


- ▶ **Industrial and Infrastructure:** Demand declined for oil field drilling sensors due to the drop in crude oil prices
Sales of products for semiconductor manufacturing equipment (linear motors, etc.) bottomed out, but did not show a full-fledged recovery



Capital Investment & Depreciation

(JPY in 100 millions)



Investment in productive infrastructure
(New Plant/Expansion)

Breakdown of Increased Investment

- Expansion of facilities in response to increased smartphone demand due to 5G
 - Board-to-board connectors
- Introduction of new products to automotive market
 - European standard compliant airbag connectors
 - High-current connector for EV
 - Production increase of automotive touch panel (film sensor)
- New Products Launch for Industrial and Infrastructure market
 - Board-to-Board connectors for FA machine tool interior

Loss by scrapping of production facilities

Ⅱ . Prospects for FY2020

► Business environment by market

- Mobile and ICT devices
 - Outlook for final consumption is uncertain although market recovery from later 1Q to 2Q is expected due to the launch of new products
 - Delay of customers' overseas production resumption (India, etc.) and that of new models' productions are the risk factors
 - PC, tablets, and game machines exceeded expectations due to worldwide shifting to stay-at-home economy
- Automotive
 - Actual requirement exists to cater resumption of customers' production in some areas, however, the demand from June onward will be uncertain.
- Industrial and Infrastructure
 - Despite signs of a recovery in demand can be seen in some equipment (semiconductor-related) and regions (China), overall recovery cannot be expected.

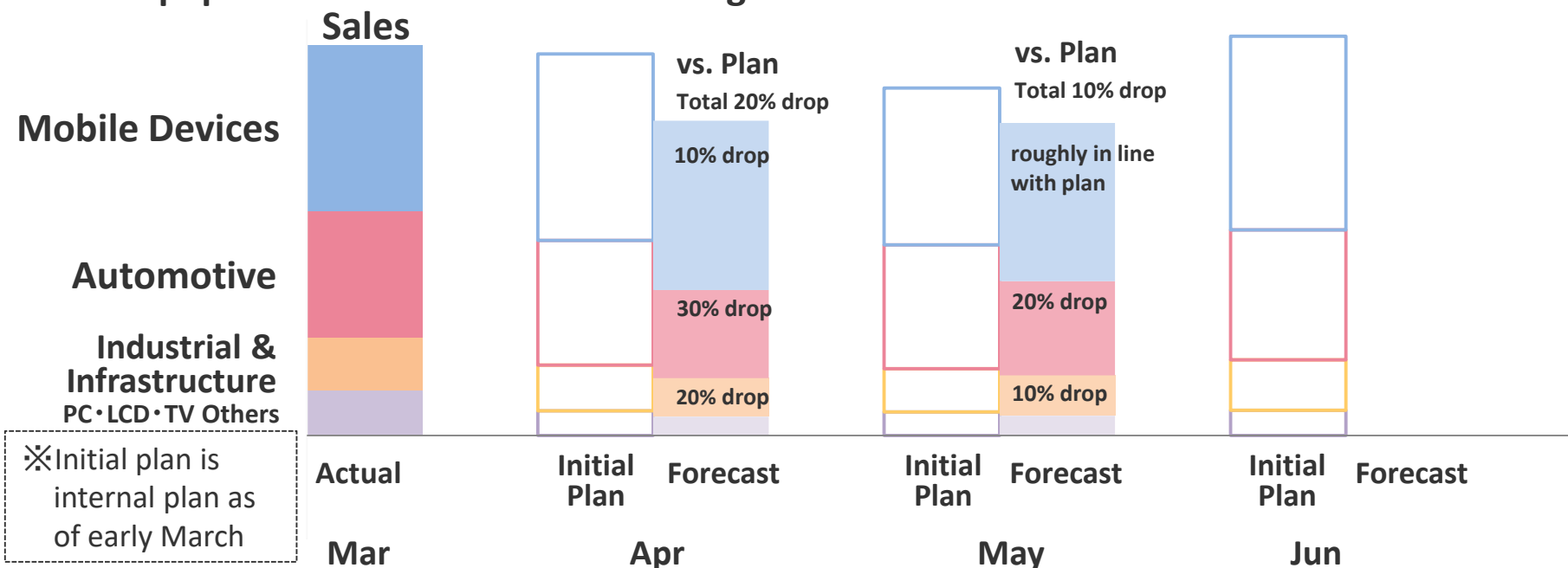
- ▶ **Operation status of the JAE Group's manufacturing sites adversely affected by COVID-19 pandemic, as of April 24**
- **JAE Philippines: Suspended operation from March 17 Resuming operations in a limited scope, respecting the enhanced quarantine.**
 - **Currently operating with approx. 20% of the usual workforce**
 - **Quarantine period ends April 30**
- **JAE Tijuana : Suspended operation from April 14 according to the Mexican Government's Declaration of a National Health Emergency.**
 - **Shutdown other than essential activities are extended to end of May (original deadline: April 30).**
- **Alternative production for items produced in above 2 production sites, mainly automotive connectors/harnesses, will be promoted in Japan and at other overseas sites, however the supply will be limited to minimum amount.**

- ▶ **The COVID-19 outbreak is expected to give significant impact to our performance, such as**
 - **Operational restrictions on the Group's overseas production sites,**
 - **Customers' production cutbacks and shutdowns,**
 - **Sluggish final consumption in each markets.**
- ▶ **It is difficult at this point to forecast the scale and duration of the impact of the above. Therefore, we have left our full-year projection undetermined.**
- ▶ **We will carefully assess the COVID-19 pandemic impact and promptly announce the full-year forecast when it becomes clearer.**

Current Situation (April – May Forecast)

Outlook for June and beyond is uncertain, since it is very hard to determine when our factories affected will resume operations and how final demand will ramp up

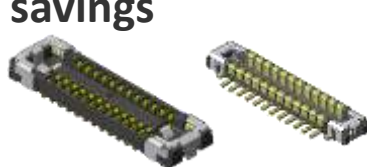
- ▶ **Mobile Device:** Difficult to predict when customers will resume production or when new products will be launched
- ▶ **Automotive:** There is a gap with trends in final consumption despite the latest requirements following the resumption of production at the customer's China plant. Resumption of production at our factories are uncertain.
- ▶ **Industrial and Infrastructure:** The situation is unpredictable, although some equipment and areas are recovering.



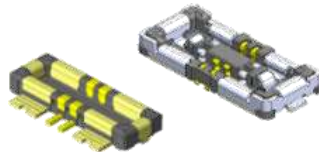
Capturing business opportunities for 5G ecosystem

Smart Phone

- ▶ In FY2019, 24% year-on-year sales growth was achieved for Chinese smartphones, owing to a market share gain
- ▶ Expansion of production capacity was made in FY2019. It was for expected demand increase of internal connectors in coming years due to smartphones with higher-functionality and 5G; thus continue to aim for market share increase
- ▶ Promote internal board-to-board connectors for high-frequency products, high-current compatibilities and space savings



0.3mm Pitch
Board-to-board connectors



Rapid charging high current
Board-to-board connectors

Base Station

- ▶ Products for domestic base station manufacturers launched and sales of new products, such as optical interface connectors and millimeter-wave coaxial connectors, increased in FY2019
- ▶ Acquire businesses triggered by base station increase due to expanding 5G coverage area



Optical interface connectors



Interior coaxial connectors



Connectors for fan docking



Environmental-resistant
round connectors for power
supply

Focus on CASE driven Automotive Markets

ADAS/Connected

▶ ADAS

- For Cameras
Expanding mainly to Japanese makers

▶ Connected

- For multimedia applications (car navigation systems) of Japanese OEMs, design-wins of coaxial connectors connected to antenna, Ethernet connectors for in-vehicle networks, high-speed transmission connectors for image transmission, and in-vehicle USB are increasing.



Connector for in-vehicle camera



HSD-compatible Connectors for High-speed Transmission

EV/Others

▶ High-current, high-voltage connectors for EV

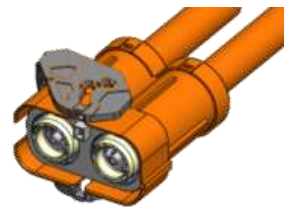
- Started mass production for European manufacturers
Expand adoption to European and Japanese customers

▶ Connectors for EV charging

- Sales grew due to launch of new products for the European market

▶ Squib connectors for airbags

- In addition to European OEMs, number of customers adopting our squib connectors and design-wins are increasing among North American OEMs.



High-current, high-voltage connectors

EV Fast Charging
Type-2 CCS



Squib connectors for in-vehicle airbags

Technology to Inspire Innovation

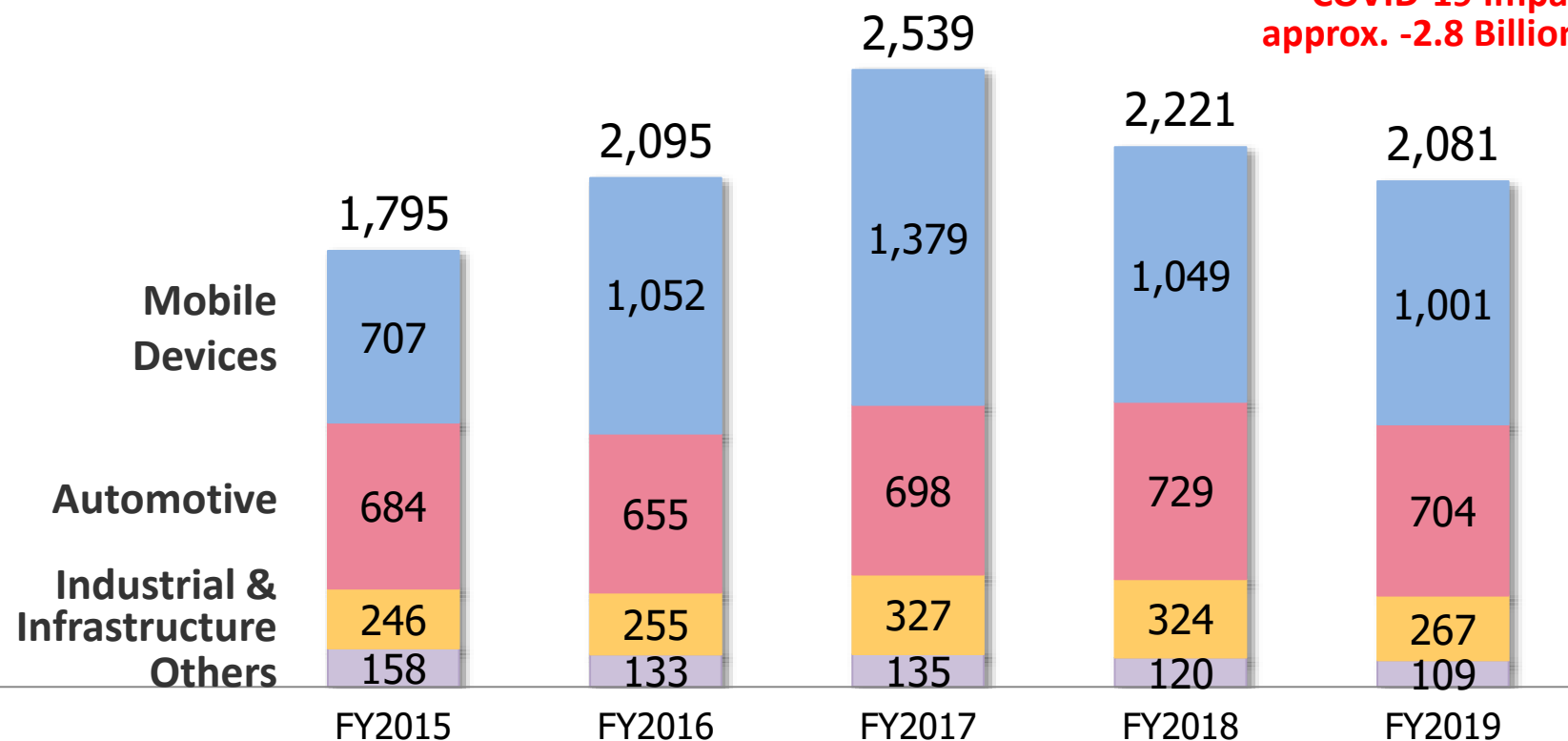
JAE

[Reference] Sales by Market Segment [5 years trend]

- ▶ **Mobile device:** Sales decreased for the specific products with built-in procured components peaked out in FY2017
- ▶ **Automotive:** Both Japanese and European customers were sluggish in FY2019 due to stagnant global automobile sales.
- ▶ **Industrial and Infrastructure:** Slow recovery due to continued slump in the final demand in Japan and overseas from the second half of FY2018

(JPY in 100 millions)

Sales by Market Segment



► Impact on production

- JAE Wuxi (connector) & JAE Wujiang (connector/UIS/Aerospace)
Operations were suspended after the Chinese New Year holiday season until February 9, and resumed on February 10
- JAE Philippines (mainly connectors and cable harnesses for automotive)
Operations were suspended from March 17
- Delayed availability of some components

► Demand-side effects

- Demand decreased mainly for mobile devices due to the shutdown of customers' production sites in China since February

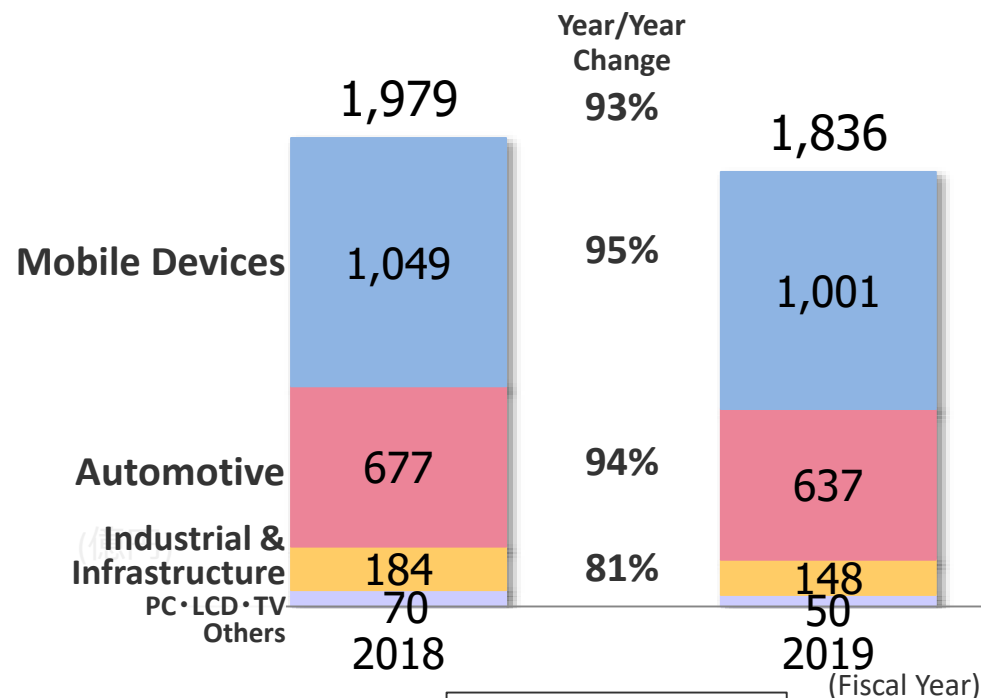
Impact on financial results for 4Q of FY2019

Sales: Approx. 2.8 billion yen

Operating income: Approx. 0.7 billion yen

(JPY in 100 millions)

Sales by Market Segment



Net sales: 93%, year/year

► Mobile devices

- Solid sales to customers in North America
- Gained market share for smartphone customers in China
- Sales of USB Type-C™ DX07 series remained at the same level as the previous fiscal year
- Specific products with built-in procured components decreased

► Automotive

Demand decreased both in Japan and overseas

► Industrial and Infrastructure

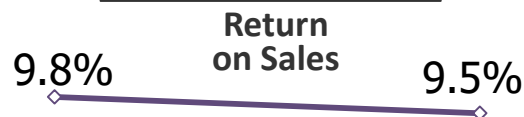
Demand continues to decline, mainly in the domestic FA market

Operating income: minus 1.9 billion yen from the previous year

► Profit decreased due to lower sales

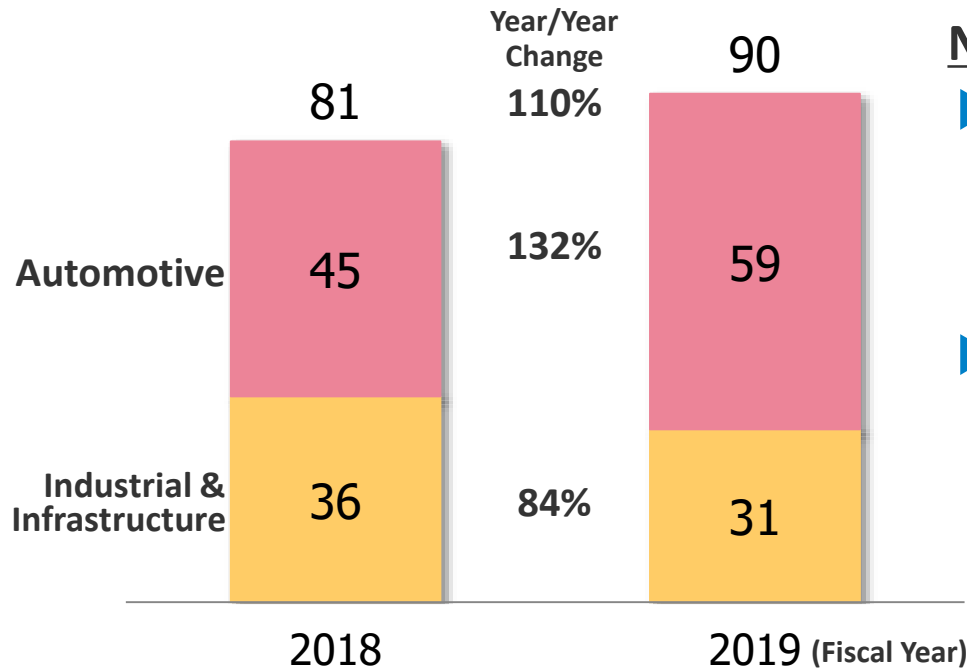
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Segment Profit



(JPY in 100 millions)

Sales by Market Segment

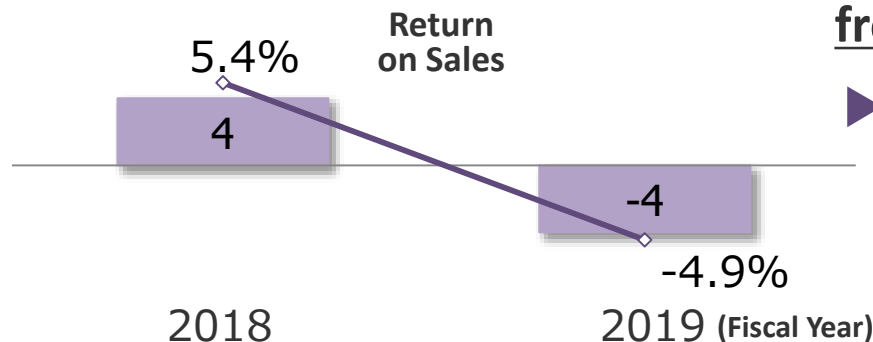


Net sales: 110%, year/year

- ▶ **Automotive (Capacitive Touch Panels)**
Significant increase due to expanding models adopting new products (film sensors)
- ▶ **Industrial and Infrastructure**
Decreased from the previous year due to the continued sluggish market

(JPY in 100 millions)

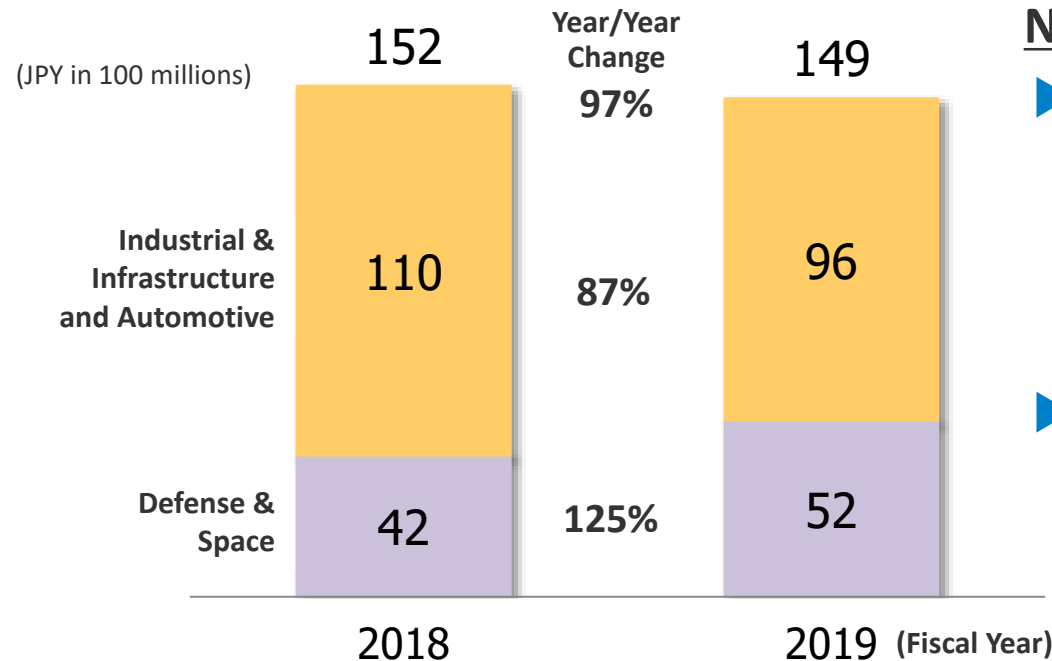
Segment Profit



Operating income: minus 0.9 billion yen from the previous year

- ▶ **Profit deteriorated due to the delay in cost improvement of newly launched automotive touch panels and the sales decrease in industrial & infrastructure market**

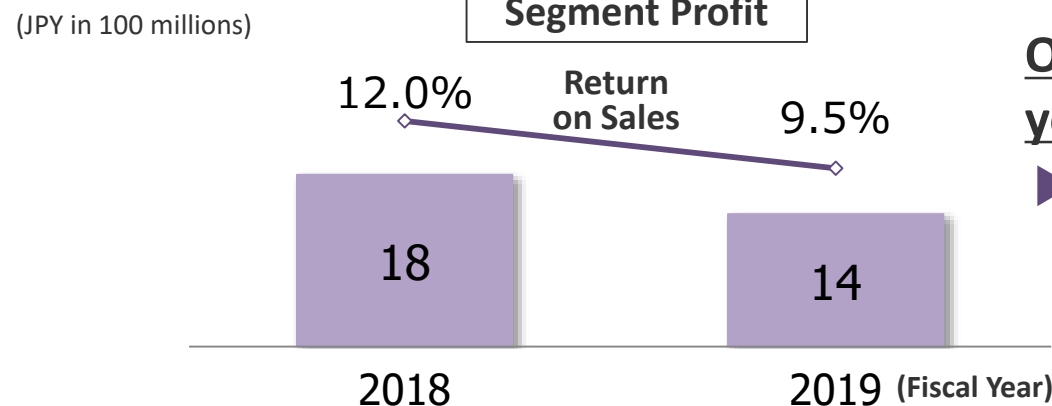
Sales by Market Segment



Net sales: 97%, year/year

- ▶ Industrial & infrastructure, and Automotive
Sales decreased from the 2H due to sluggish demand for sensors for oil drilling
- ▶ Defense & Space
Recovered to the normal-year level, after the transition period of projects in the previous fiscal year

Segment Profit



Operating income: minus 0.4 billion yen from the previous year

- ▶ Profit ratio decreased due to the significant impact of lower sales of sensors for oil drilling

<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, 2020, 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.