

# Financial Results for Q1 FY2020 (Apr to Jun 2020) and Prospects for FY2020

Technology to Inspire Innovation

**July 22, 2020**

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

- I. Financial Results for Q1 FY2020**
  
- II. Prospects for FY2020**

# I. Financial Results for Q1 FY2020

(From April 1, 2020 to June 30, 2020)

※ Amounts less than 100 million JPY are rounded off.

# Net Sales and Incomes

(JPY in 100 millions)

3 months ended	Q1 FY2019	Q4 FY2019	Q1 FY2020	Year/Year Change		Sequential Change	
	Jun 30, 2019	Mar 31, 2020	Jun 30, 2020	Q1FY2020/Q1FY2019		Q1FY2020/Q4FY2019	
<b>Net Sales</b>	<b>452</b>	<b>510</b>	<b>433</b>	<b>-19</b>	96%	<b>-76</b>	85%
<b>Operating Income to Net Sales</b>	<b>25</b> 5.6%	<b>30</b> 5.9%	<b>-17</b> -4.0%	<b>-43</b>	-	<b>-48</b>	-
<b>Ordinary Income to Net Sales</b>	<b>26</b> 5.8%	<b>31</b> 6.1%	<b>-16</b> -3.7%	<b>-42</b>	-	<b>-47</b>	-
<b>Net Income to Net Sales</b>	<b>20</b> 4.4%	<b>24</b> 4.7%	<b>-13</b> -3.1%	<b>-33</b>	-	<b>-37</b>	-

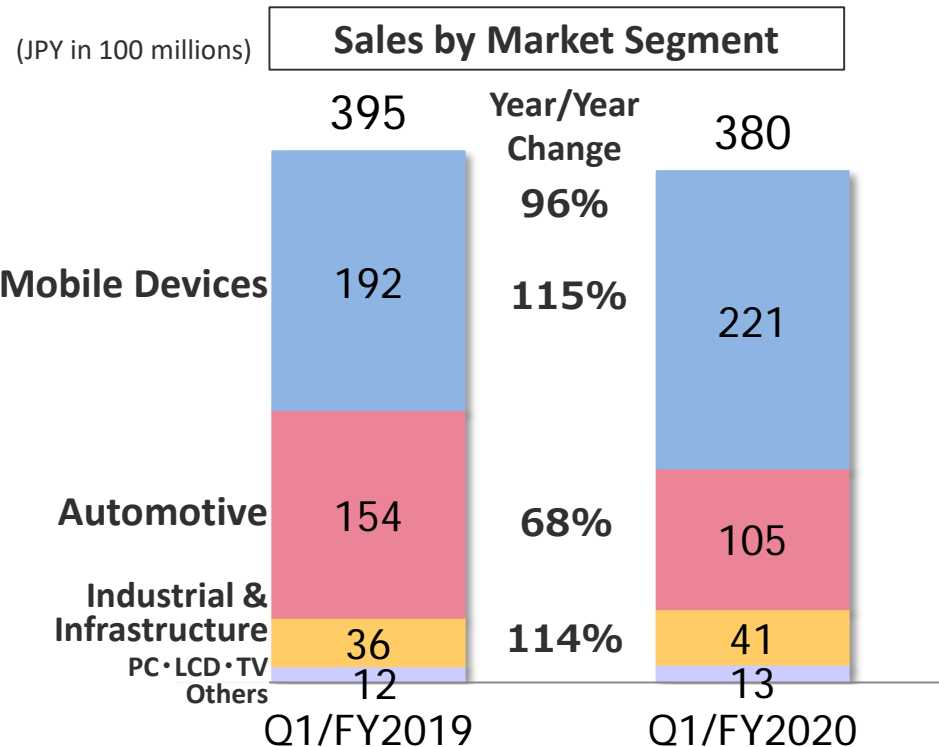
<b>Average Exchange Rate (JPY/USD)</b>	<b>109.9</b>	<b>108.9</b>	<b>107.6</b>	<b>-2.3</b>	<b>-1.3</b>
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# Net Sales by Market Segment

(JPY in 100 millions)

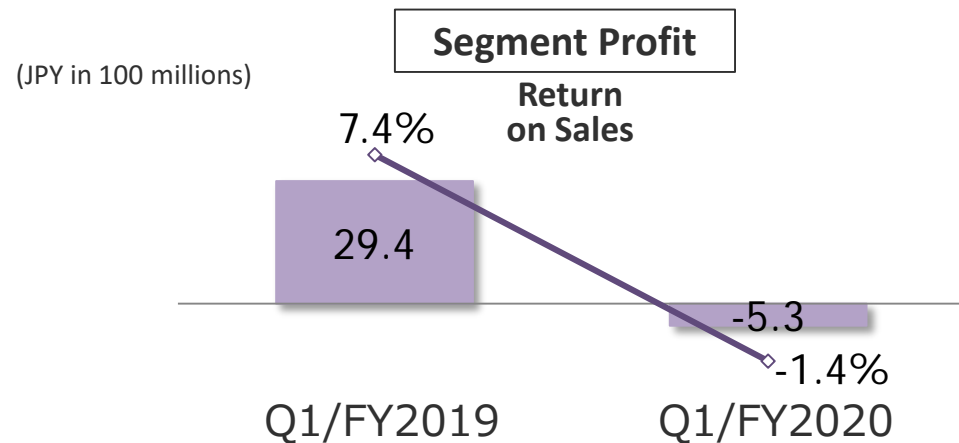
3 months ended	Q1 FY2019		Q4 FY2019		Q1 FY2020		Year/Year Change		Sequential Change	
	Jun 30, 2019		Mar 31, 2020		Jun 30, 2020		Q1FY2020/Q1FY2019		Q1FY2020/Q4FY2019	
Mobile Devices	192	Component Ratio 43%	235	Component Ratio 46%	221	Component Ratio 51%	29	115%	-14	94%
Automotive	166	37%	178	35%	122	28%	-44	74%	-56	69%
Industrial & Infrastructure	71	16%	65	13%	64	15%	-7	90%	-1	99%
Others	23	5%	33	6%	27	6%	3	114%	-6	81%
<b>Total</b>	<b>452</b>	100%	<b>510</b>	100%	<b>433</b>	100%	<b>-19</b>	96%	<b>-76</b>	85%

Domestic Sales	143	32%	158	31%	133	31%	-10	93%	-25	84%
Overseas Sales	309	68%	352	69%	300	69%	-9	97%	-52	85%



## Sales : 96% (of Q1 FY2019)

- ▶ **Mobile Devices**  
Sales increased for the specific products  
Sales to smartphone customers in China decreased
- ▶ **Automotive**  
Sales decreased due to customers and our plant shutdowns and operation restrictions at our production sites.
- ▶ **Industrial and Infrastructure**  
Although temporary demand recovery was seen, overall demand remained stagnant mainly in the domestic FA market.

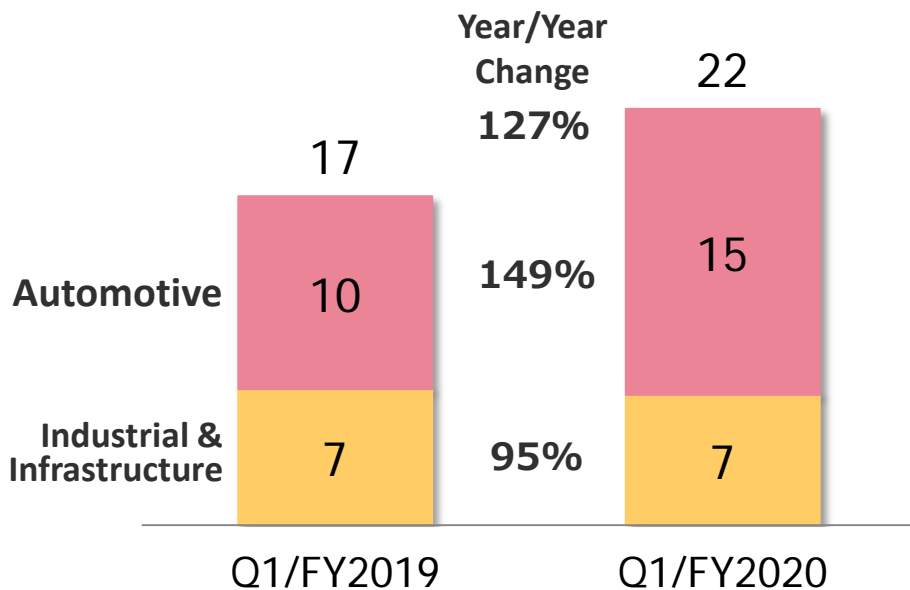


## Operating Income: Minus 3.47 billion yen from the previous year

- ▶ Profit decreased due to erosion of profitability and deterioration of product mix in the automotive market

## Sales by Market Segment

(JPY in 100 millions)

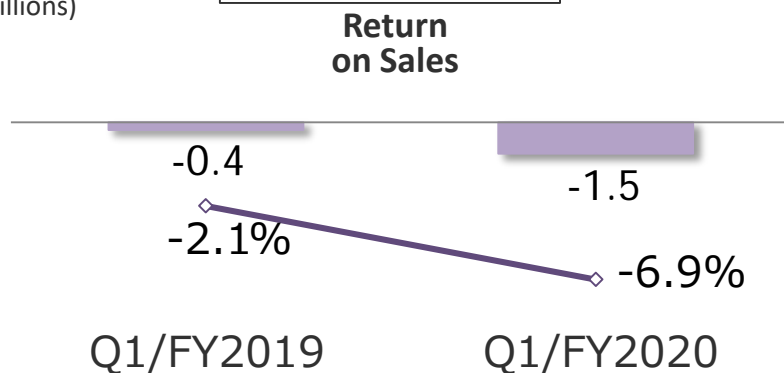


## Sales; 127% (of Q1 FY2019)

- ▶ **Automotive (In-Vehicle Touch Panels)**  
Sales significantly increased compared with the same period last year due to expansion of vehicle models adopting film sensors and expanding production. (Sales declined from Q4/FY2019, due to customer's production shutdowns)
- ▶ **Industrial and Infrastructure**  
Sluggish market continued

## Segment Profit

(JPY in 100 millions)

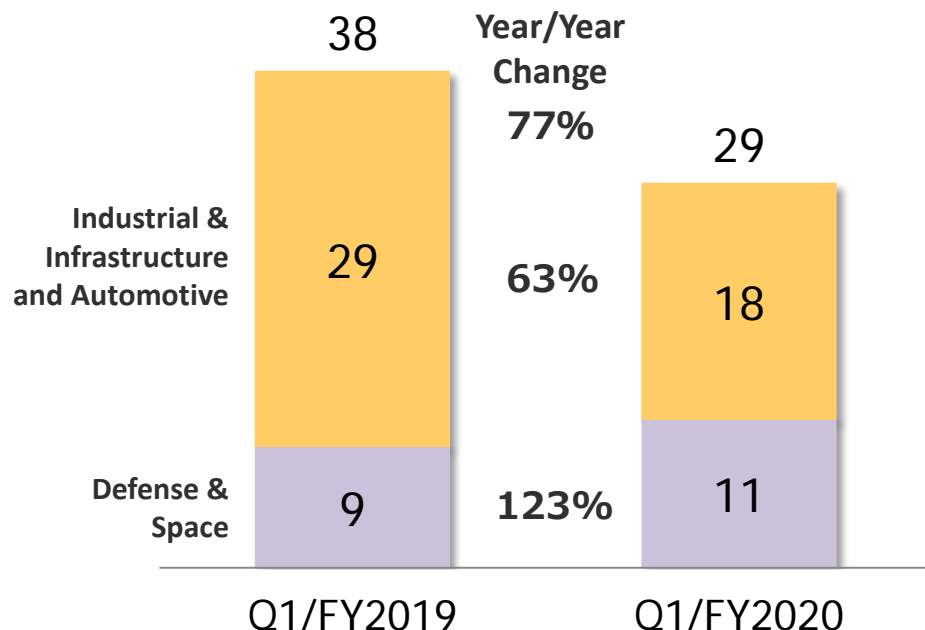


## Operating income: Minus 120 million yen from the previous year

- ▶ **Fixed costs burden increased due to sharp decline in sales, while mass production system enhancement was being done**

(JPY in 100 millions)

**Sales by Market Segment**

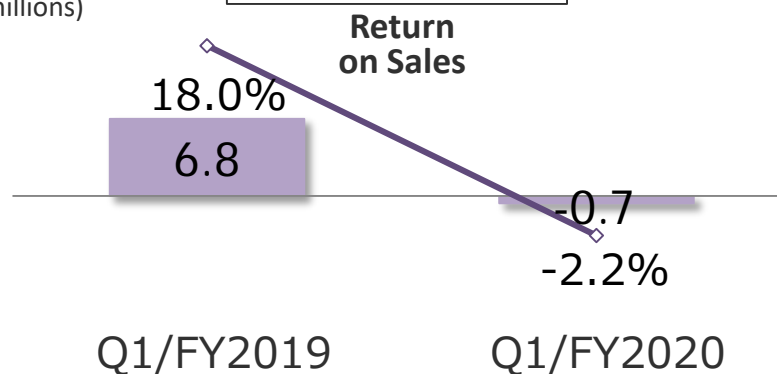


**Sales : 77% (of Q1 FY2019)**

- ▶ **Industrial & infrastructure, and Automotive**  
Sales decreased due to sluggish demand of sensors for oil drilling. Semiconductor production equipment are on a recovery trend

(JPY in 100 millions)

**Segment Profit**



**Operating Income: Minus 750 million yen from the previous year**

- ▶ **Profit margin declined due to the significant decrease in sales of sensors for oil drilling**

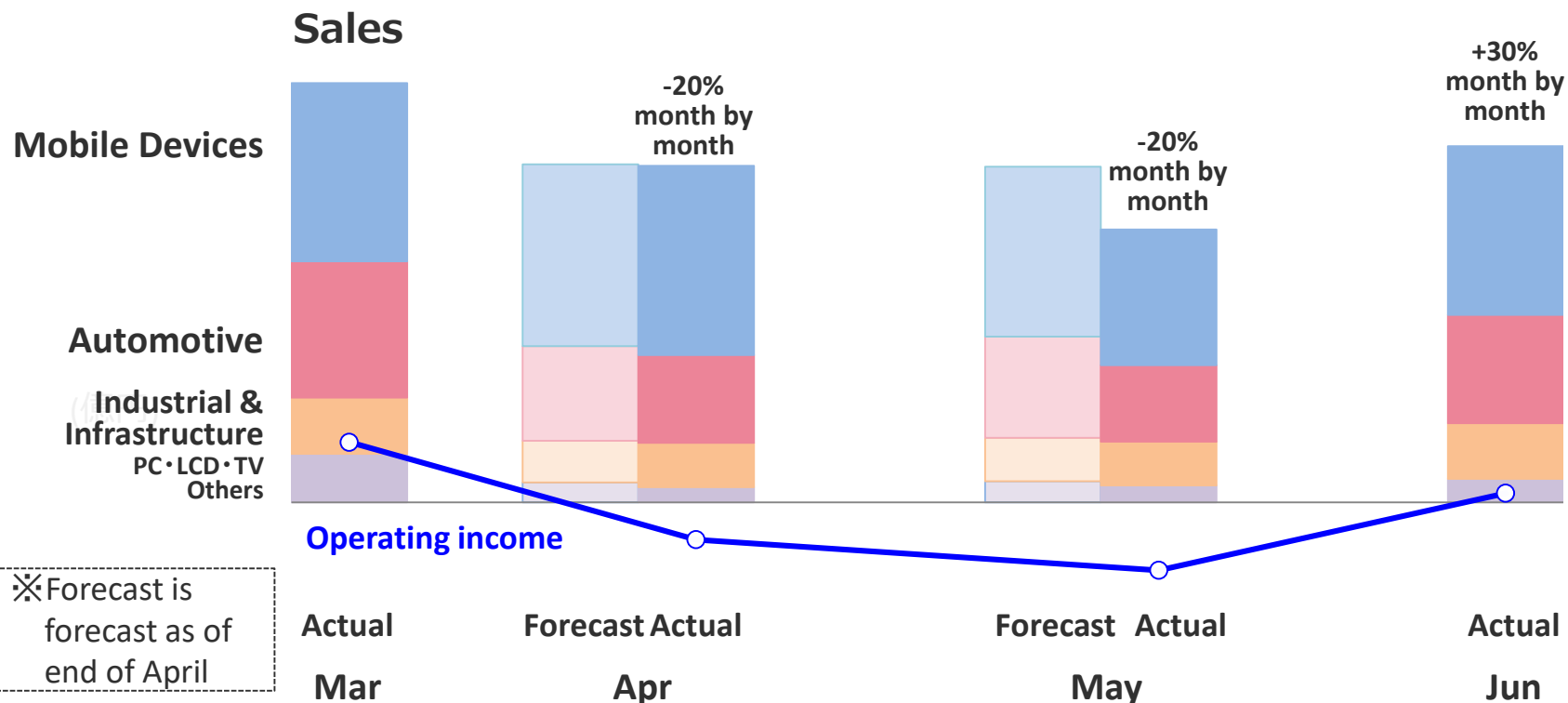


# First Quarter, Monthly Situation

- ▶ Net sales in May declined more than anticipated due to sharp decline in mobile devices and delay in operation resumption at Philippines and Tijuana plants which manufacture products for automotive markets.

Recovery in June owes to the release of new models for mobile devices and the restart of operations at automotive-related plants.

- ▶ Operating income returned profitable in June after bottoming out in May due to restarting operations of automotive-related plants.



## **Ⅱ . Prospects for FY2020**

## ▶ Business Environment

- Resumption and Expansion of economic activities in Asia, Europe and North America to further continue
- Assuming that decline in demand by the novel coronavirus (COVID-19) diseases remains insignificant
- No further operational restriction to JAE production sites

## ▶ Market Environment:

- **Mobile Devices:**  
Production for new models to gain momentum from Q2  
Demand for smartphones in the 2nd Half will fall slightly below the previous year level
- **Automotive:**  
Production by major Japanese customers continue to recover.  
Production and sales conditions remain tough for major European customers  
(Overall vehicle production level shall be around 90% in Q2 and same level in the 2H compared to the previous year)
- **Industrial and Infrastructure:**  
Demand for FA and semiconductor-related products to recover from the 2H of fiscal year.

# Prospects for FY2020

(JPY in 100millions)

	FY2019			FY2020			Year/Year Change	
	1H	2H		1H Projections	2H Projections	Projections		
<b>Net Sales</b>	<b>1,008</b>	<b>1,073</b>	<b>2,081</b>	<b>955</b>	<b>975</b>	<b>1,930</b>	<b>-151</b>	93%
<b>Operating Profit</b> to Net Sales	<b>71.1</b> 7.1%	<b>69.1</b> 6.4%	<b>140.2</b> 6.7%	<b>10.0</b> 1.0%	<b>50.0</b> 5.1%	<b>60.0</b> 3.1%	<b>-80.2</b>	43%
<b>Ordinary Profit</b> to Net Sales	<b>73.0</b> 7.2%	<b>69.3</b> 6.5%	<b>142.3</b> 6.8%	<b>5.0</b> 0.5%	<b>45.0</b> 4.6%	<b>50.0</b> 2.6%	<b>-92.3</b>	35%
<b>Net Profit</b> to Net Sales	<b>58.2</b> 5.8%	<b>52.3</b> 4.9%	<b>110.5</b> 5.3%	<b>3.5</b> 0.4%	<b>33.5</b> 3.4%	<b>37.0</b> 1.9%	<b>-73.5</b>	33%

<b>Average Exchange Rate (JPY/USD)</b>	<b>108.6</b>	<b>108.8</b>	<b>108.7</b>	<b>107.8</b>	<b>108.0</b>	<b>107.9</b>
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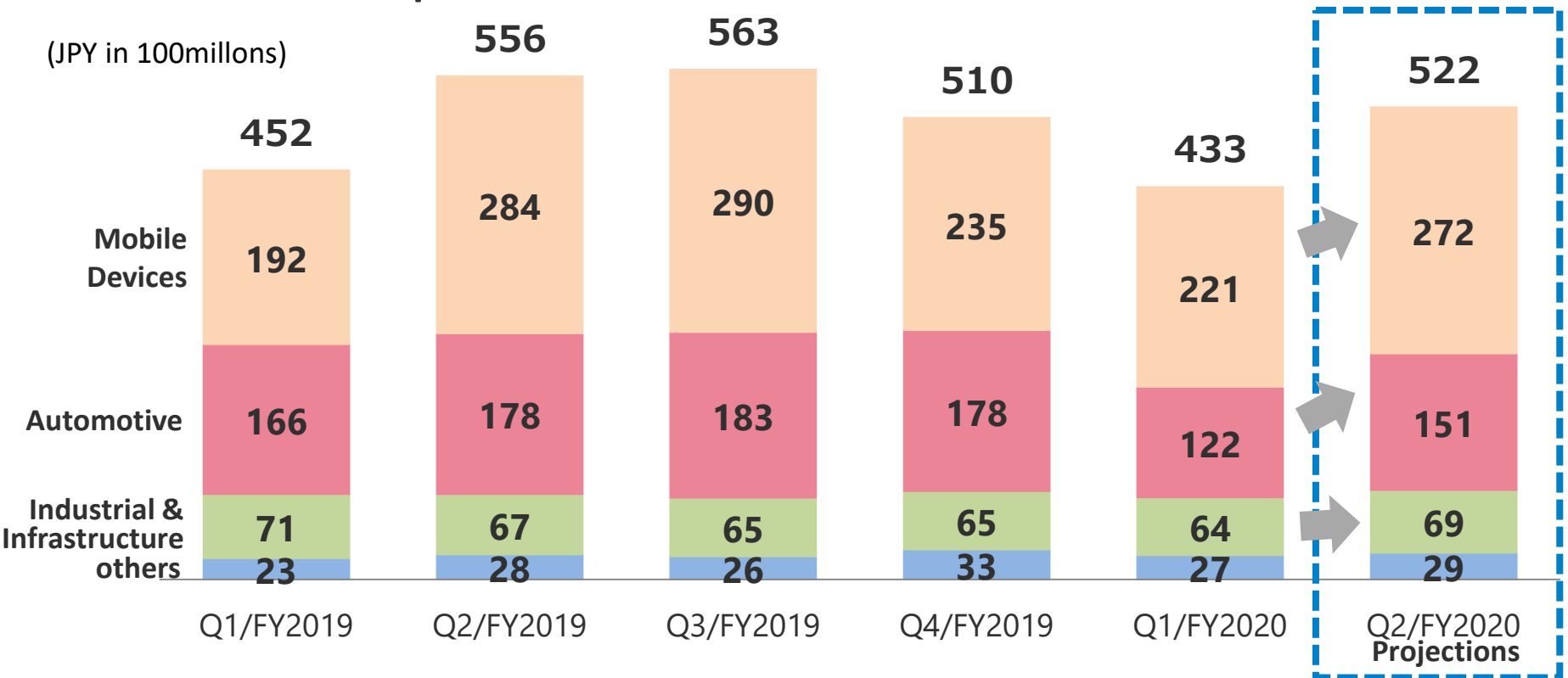
<b>Dividend (JPY)</b>	<b>20</b>	<b>20</b>	<b>40</b>	<b>10</b>	<b>10</b>	<b>20</b>
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	<b>FY2019</b>	<b>FY2020</b>
<b>Capital Investment</b>	<b>245</b>	<b>200</b>

# Sales by Market Segment (Projection of 1st Half)

## Market Environment to recover from Q2

- ▶ **Mobile Devices:** Sales expected to recover in Q2 by new model releases
- ▶ **Automotive:** Sales expected to increase by the recovery of both customer demand and JAE production.
- ▶ **Industrial & Infrastructure:** Sales slightly recover in the latter Q2 despite the continued slump



# Prospects for FY2020

(JPY in 100millions)

	FY2019			FY2020			Year/Year Change	
	1H	2H		1H Projections	2H Projections	Projections		
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<b>Average Exchange Rate (JPY/USD)</b>	<b>108.6</b>	<b>108.8</b>	<b>108.7</b>	<b>107.8</b>	<b>108.0</b>	<b>107.9</b>
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<b>Dividend (JPY)</b>	<b>20</b>	<b>20</b>	<b>40</b>	<b>10</b>	<b>10</b>	<b>20</b>
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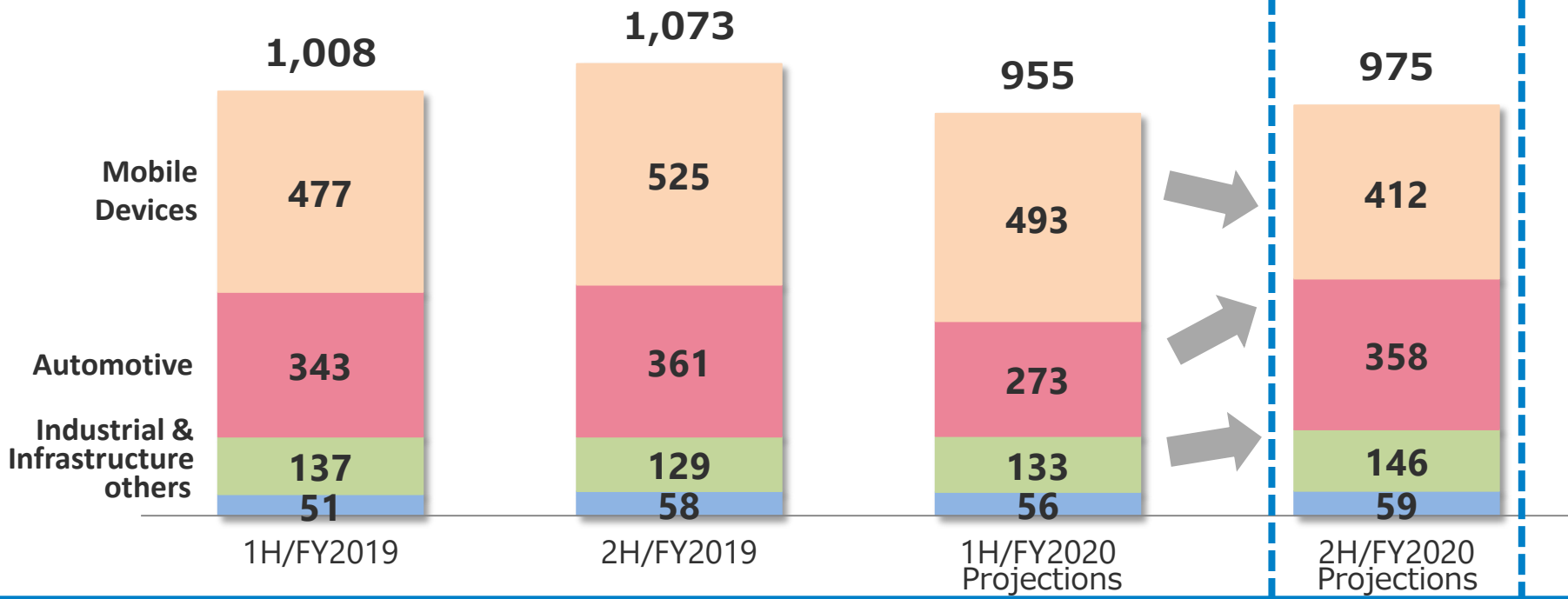
	<b>FY2019</b>	<b>FY2020</b>
<b>Capital Investment</b>	<b>245</b>	<b>200</b>

# Sales by Market Segment (Projection of 2nd Half)

In spite of the recovery in market environment, sales for mobile devices is predicted to decline

- ▶ **Mobile Devices:** Sales for smartphones in China remain severe.
- ▶ **Automotive:** Sales in the 2nd Half is projected to be on par with the previous year, as both customer demand and JAE production will recover from Q2.
- ▶ **Industrial & Infrastructure:** Sales of FA and semiconductor-related products expected to recover.

(JPY in 100millions)



## Initiatives to return to profitability

- ▶ Restructure production system and reduce indirect costs matching with current demand
- ▶ Postpone capital investments which does not directly link to the sales expansion in FY2020
- ▶ Release new products for new models
- ▶ Securing funding level in case of emergency

## Efforts to ensure business recovery in the second half of FY2020

- ▶ Catching up with the emerging demand
  - Strengthen sales activities under remote work  
Explore new business deals through digital marketing
  - Start-up new facilities at overseas plants remotely from Japan
- ▶ Restructure Philippine, Tijuana and other production sites by improving capacity utilization and productivity in order to achieve lean cost structure



**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 July 22, 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.

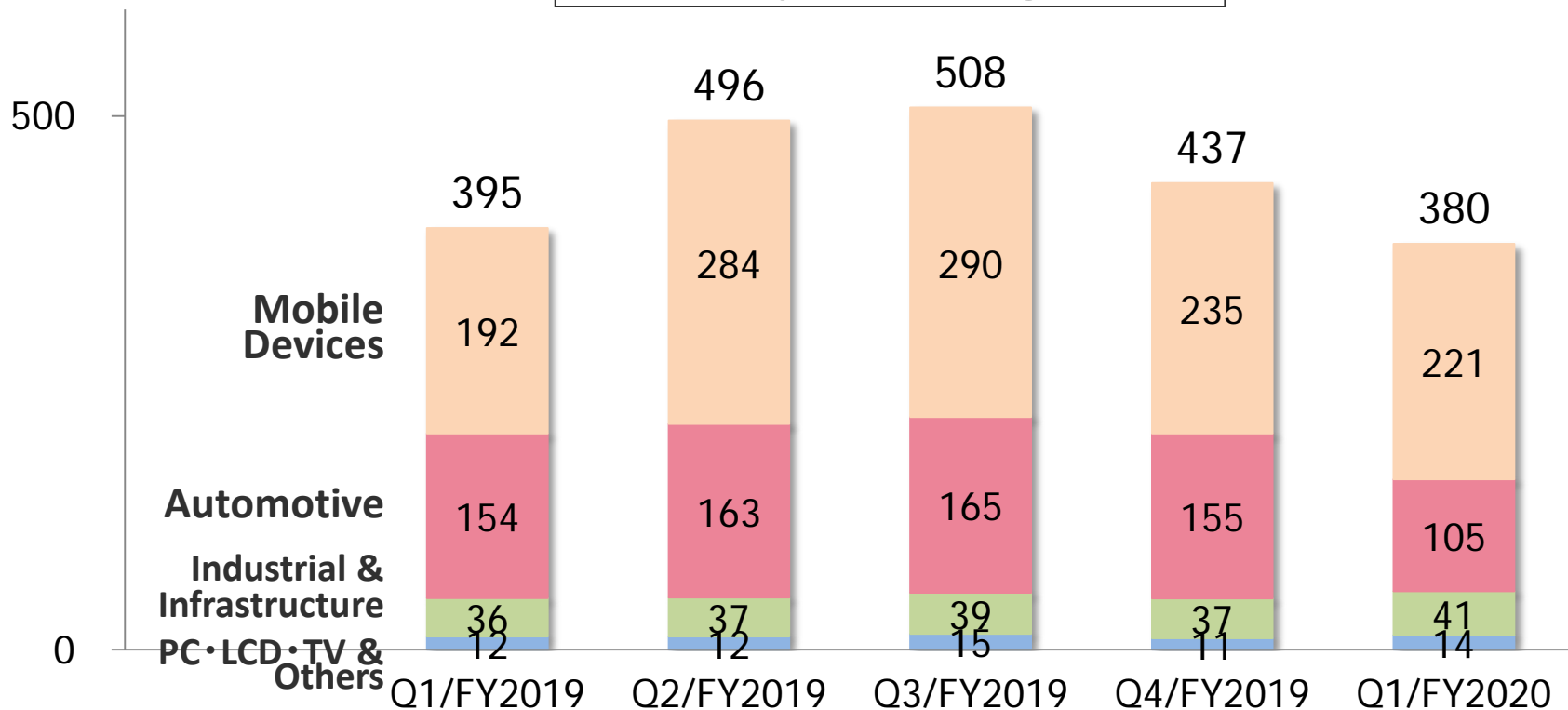
※ Amounts less than 100 million JPY are rounded off.

# [Reference] Connector Business

- ▶ **Mobile devise:** Sales to smartphone customers in China fall sharply from May
- ▶ **Automotive:** Sales declined due to global operational restrictions for both customers and at JAE
- ▶ **Industrial & Infrastructure:** Overall market remained stagnant, despite a temporary recovery in China

(JPY in 100 millions)

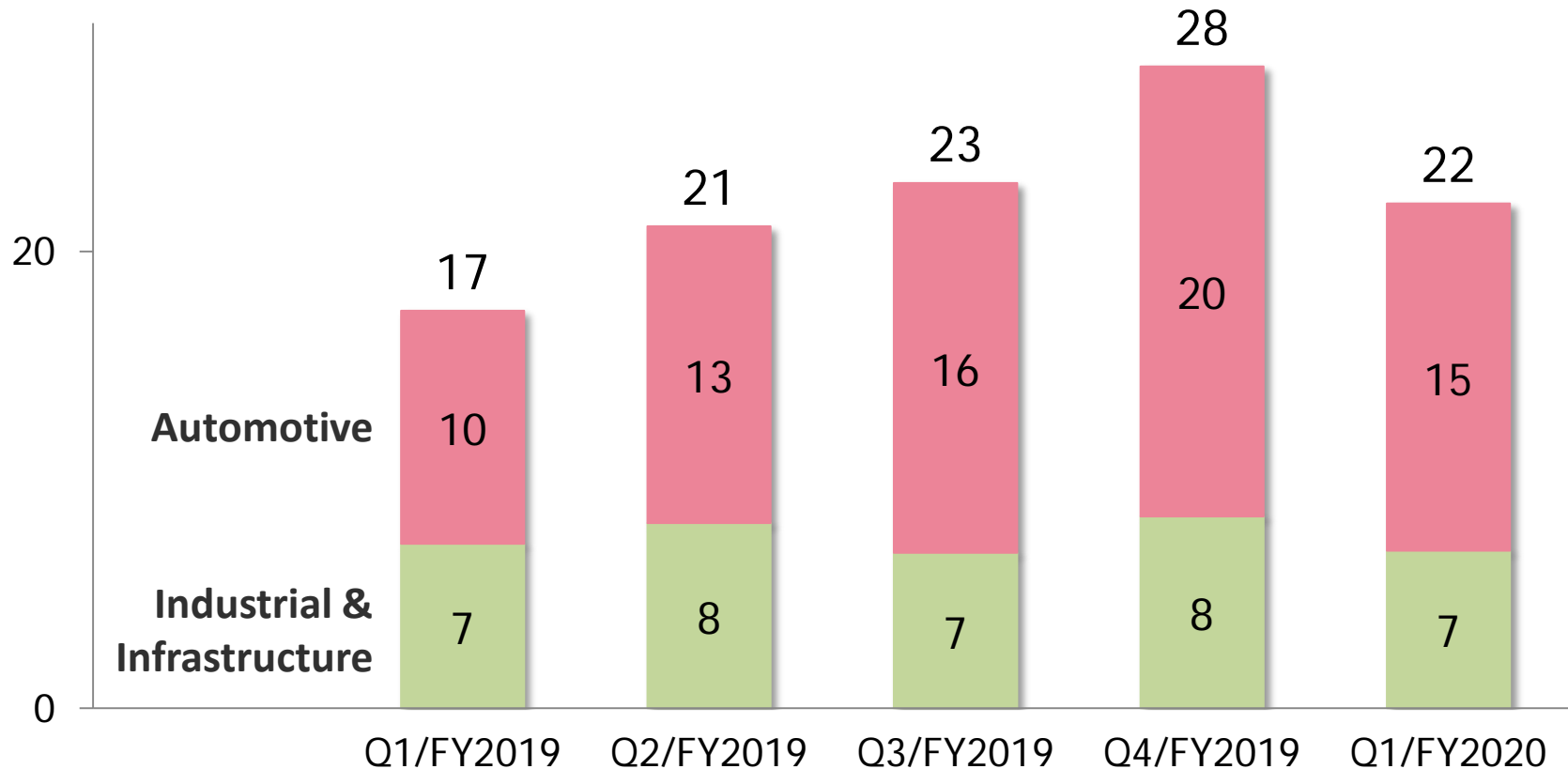
Sales By Market Segment



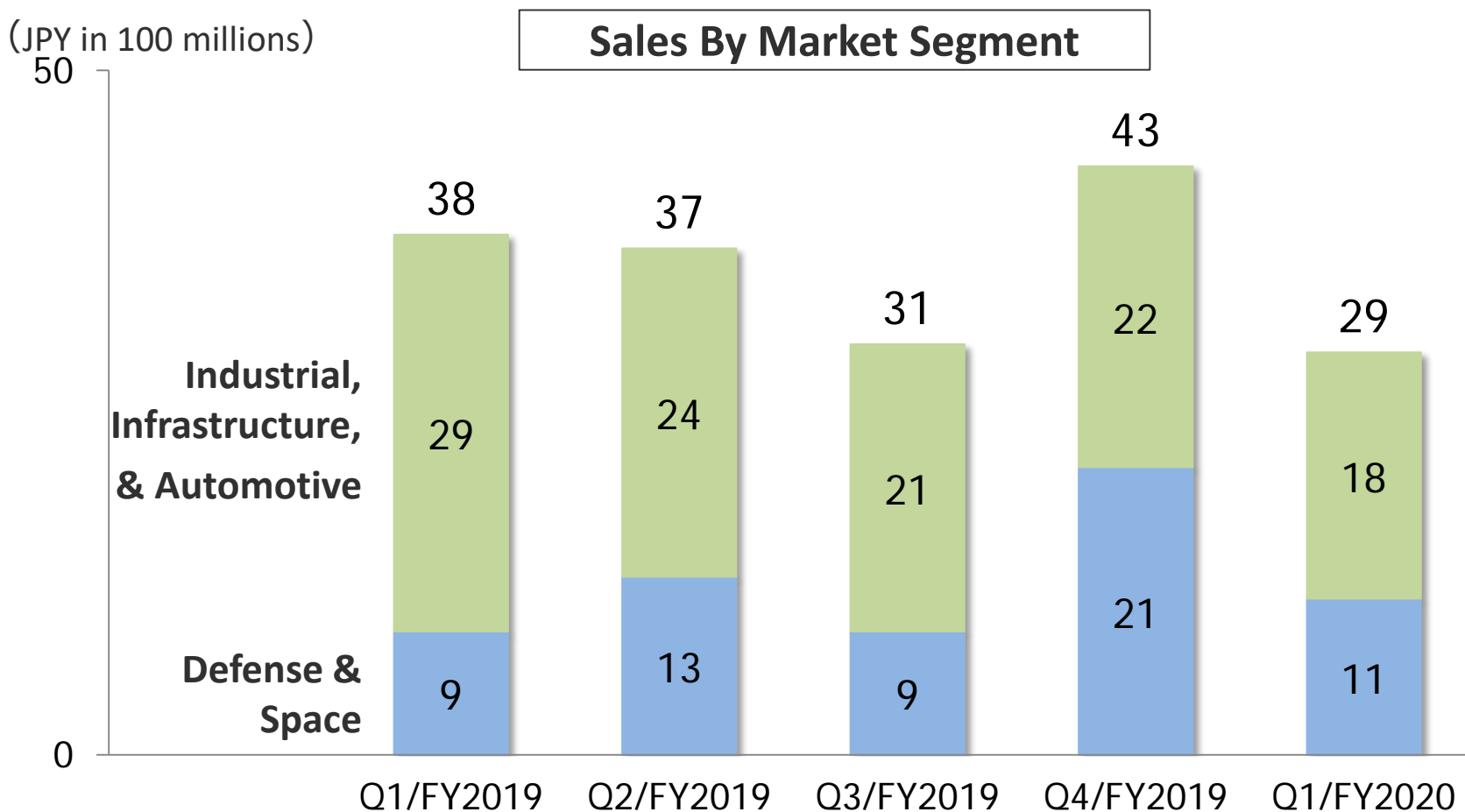
- ▶ **Automotive:** Sales of in-vehicle film-type touch panel significantly declined due to shutdown of operations at customer production plants by COVIT-19 impact
- ▶ **Industrial & Infrastructure:** Sluggish market continues due to slow recovery of the market for machine tools and industrial robots

(JPY in 100 millions)

Sales By Market Segment



- ▶ **Industrial & Infrastructure:** Demand declined sharply for oil drilling sensors due to the drop in crude oil prices, however sales of linear motors for semiconductor manufacturing equipment bottomed out



# [Reference] Net Sales and Profits By Business Segment

(JPY in 100millions)

3 months ended		Q1 FY2019	Q4 FY2019	Q1 FY2020	Year/Year Change		Sequential Change	
		30, Jun 2019	31, Mar 2020	30, Jun 2020	Q1FY2020/Q1FY2019		Q1FY2020/Q4FY2019	
Connector	Sales	395	437	380	-15	96%	-57	87%
	Segment Profit to Net Sales	29.4 7.4%	37.9 8.7%	-5.3 -1.4%	-34.7	—	-43.2	—
UIS	Sales	17	28	22	5	127%	-6	78%
	Segment Profit to Net Sales	-0.4 -2.1%	-0.1 -0.4%	-1.5 -6.9%	-1.2	—	-1.4	—
Aerospace	Sales	38	43	29	-9	77%	-13	69%
	Segment Profit to Net Sales	6.8 18.0%	2.5 5.8%	-0.7 -2.2%	-7.5	—	-3.2	—
Unallocatable cost/ Others	Sales	2	2	2	0	102%	0	107%
	Segment Profit	-10.6	-10.1	-10.0	0.7	—	0.1	—
Total	Sales	452	510	433	-19	96%	-76	85%
	Operation Profit to Net Sales	25.2 5.6%	30.2 5.9%	-17.5 -4.0%	-42.6	—	-47.7	—