

# Financial Results for 1H of FY2020 and Prospects for FY2020

Technology to Inspire Innovation

October 28, 2020

6807 Japan Aviation Electronics Industry, Ltd.

- I. Financial Results for 1H of FY2020**
- II. Prospects and strategy for FY2020**

# **I. Financial Results for 1H of FY2020**

## **(From April 1, 2020 to September 30, 2020)**

- ※ Effective from the beginning of the first quarter of the current fiscal year, the Company has changed its accounting policy and revised the calculation method of retirement benefit obligations and service cost. Accordingly, the key management indicators for the same quarter of the previous fiscal year and the previous fiscal year have been adjusted to reflect the retrospective application of these changes.
- ※ Total may not correspond to the total value of the items since amounts less than 100 million JPY are basically rounded off

# Net Sales and Income

(JPY in 100 millions)

	FY2019		FY2020 1H	Year/Year Change 1H FY2019/ 1H FY2018	
	1H	2H			
<b>Net Sales</b>	<b>1,008</b>	<b>1,073</b>	<b>972</b>	<b>-36</b>	96%
<b>Operating Income</b> (to Net Sales)	<b>71.1</b> 7.1%	<b>69.1</b> 6.4%	<b>9.2</b> 0.9%	<b>-61.9</b>	13%
<b>Ordinary Income</b> (to Net Sales)	<b>73.0</b> 7.2%	<b>69.3</b> 6.5%	<b>7.9</b> 0.8%	<b>-65.1</b>	11%
<b>Net Income</b> (to Net Sales)	<b>58.2</b> 5.8%	<b>52.3</b> 4.9%	<b>4.3</b> 0.4%	<b>-53.9</b>	7%

<b>Exchange Rate (JPY/USD)</b>	<b>108.6</b>	<b>108.8</b>	<b>106.9</b>
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**vs. 1H  
FY2020  
Projections**

**17** 102%

**-0.8** 92%

**2.9** 158%

**0.8** 123%

**-0.9**

**1H FY2020  
Projections  
announced  
Jul, 2020**

**955**

**10.0**

**5.0**

**3.5**

**107.8**

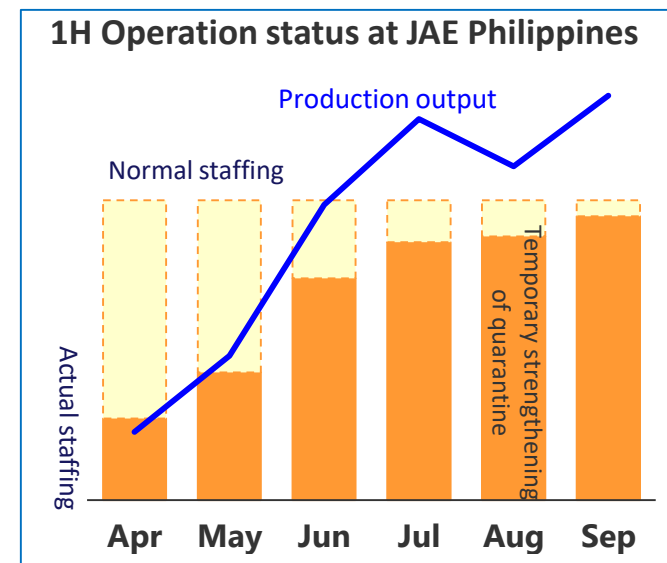
JAE has focused on ensuring business performance as well as fulfilling our responsibility for supplying products to customers under the circumstances of the sharp drop in demand and operational restrictions triggered by COVID-19 crisis

► **Operating conditions of overseas production sites for manufacturing automotive connectors and harnesses.**

- JAE Philippines: Operation was suspended from March 17  
Resumed operations in April in a limited scope under the quarantine
- JAE Tijuana: Operation was suspended from April 14. Gradually resumed operations from early May
- Both sites maintained employment
- Production at alternative facilities and expedited shipment was conducted

**Demand for automotive market rapidly recovered from June**

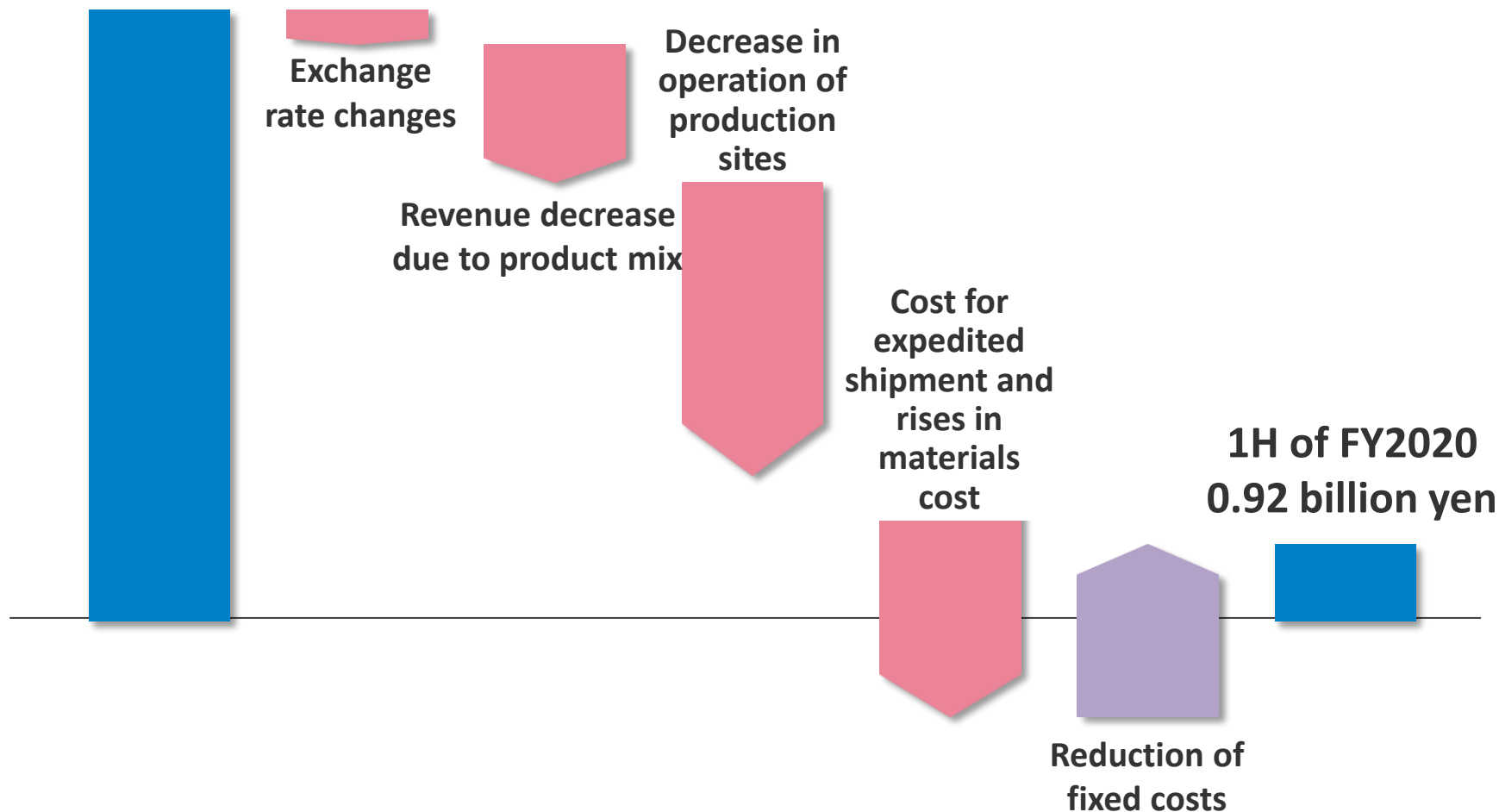
- Expanded production by improving productivity under lower-than-normal staffing



# Year on Year Changes in Operating Income

**1H of FY2019**

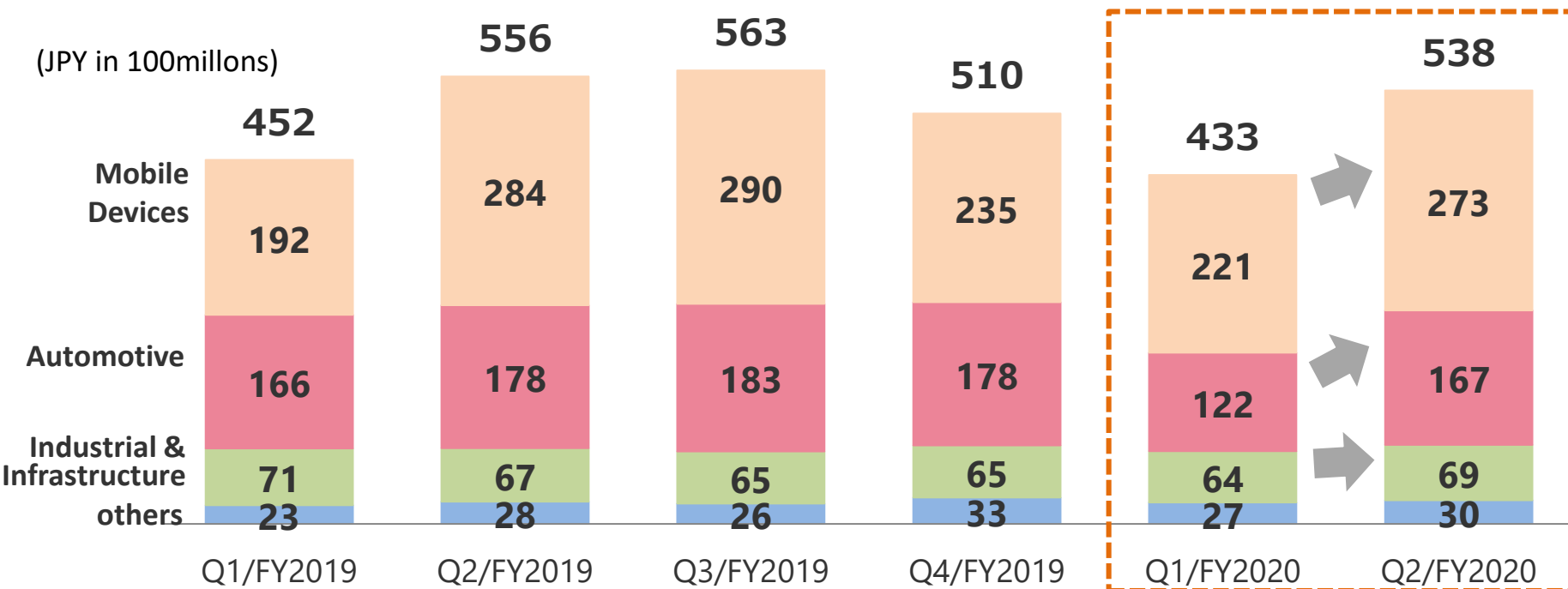
**7.11 billion yen**



# Sales by Market Segment

Demand bottomed out, particularly in the automotive and mobile device markets, in Q1, and sales increased in Q2

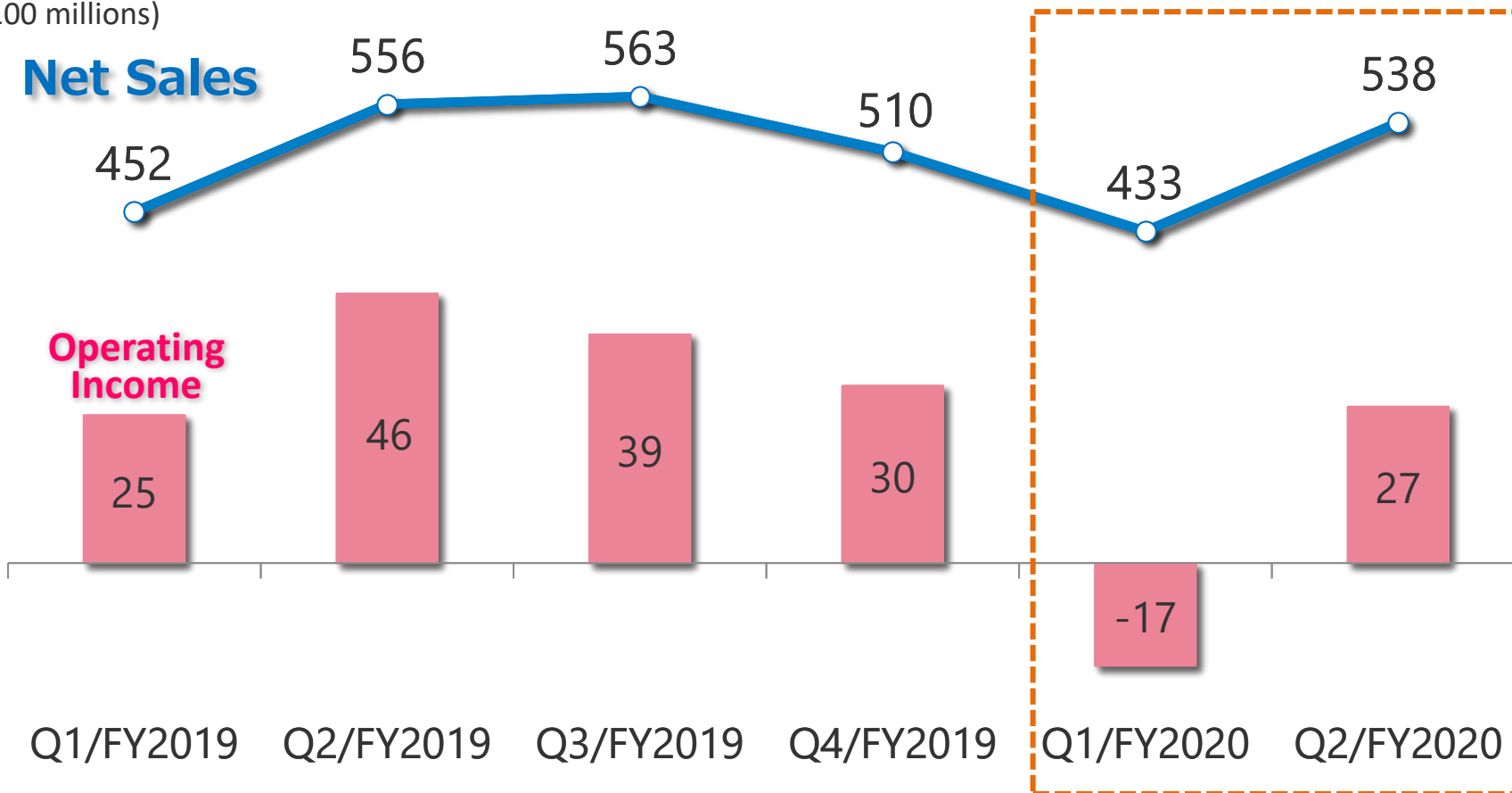
- ▶ **Mobile Devices:** Demand from Chinese smartphone OEMs sharply declined in Q1, however, sales were on a recovery track in Q2 due to the new model release in Q2
- ▶ **Automotive:** Demand recovered sharply from June onward, mainly from Japanese customers
- ▶ **Industrial & Infrastructure:** Market began to follow a gradual recovery trend in spite of the variation among markets

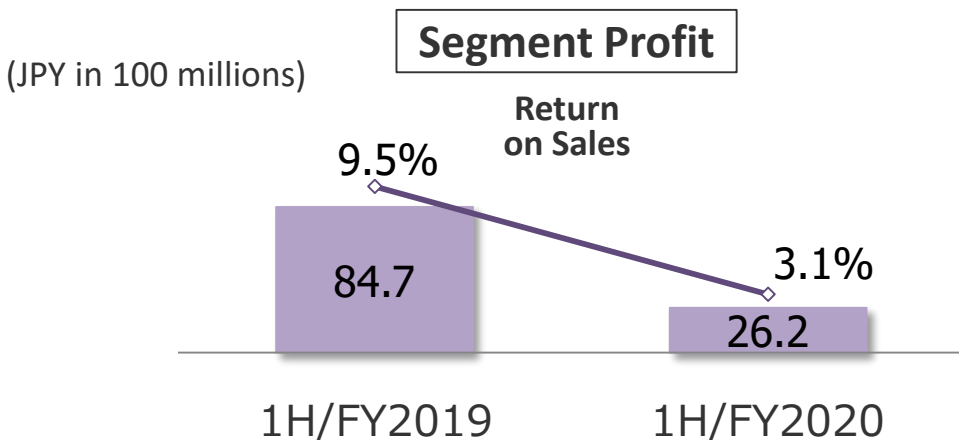
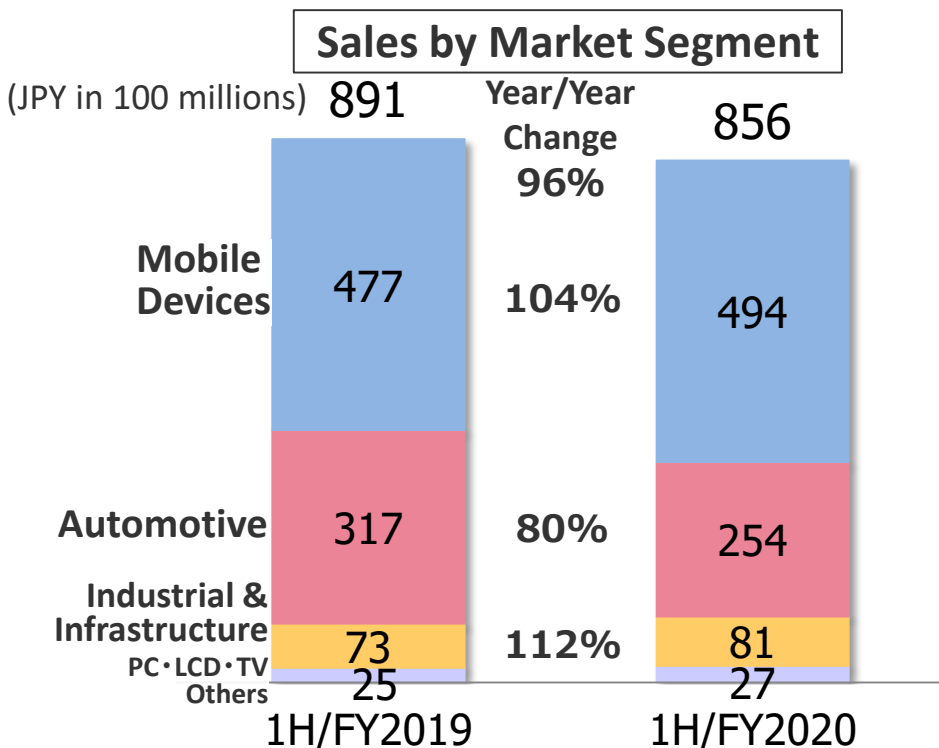


# Net Sales and Operating Income

- ▶ In Q1, we posted a loss owing to demand decrease mainly in the automotive market and production restrictions of our production bases
- ▶ Sales recovered from Q2 and profitability improved due to increase of capacity utilization and productivity of production bases.

(JPY in 100 millions)





## Sales : 96% (of 1H FY2019)

### ► Mobile Devices

- Sales to US customers increased
- Demand from Chinese Smartphone OEMs declined

### ► Automotive

- Sales decreased due to shutdowns and operation restrictions at customers and our own plants

### ► Industrial and Infrastructure

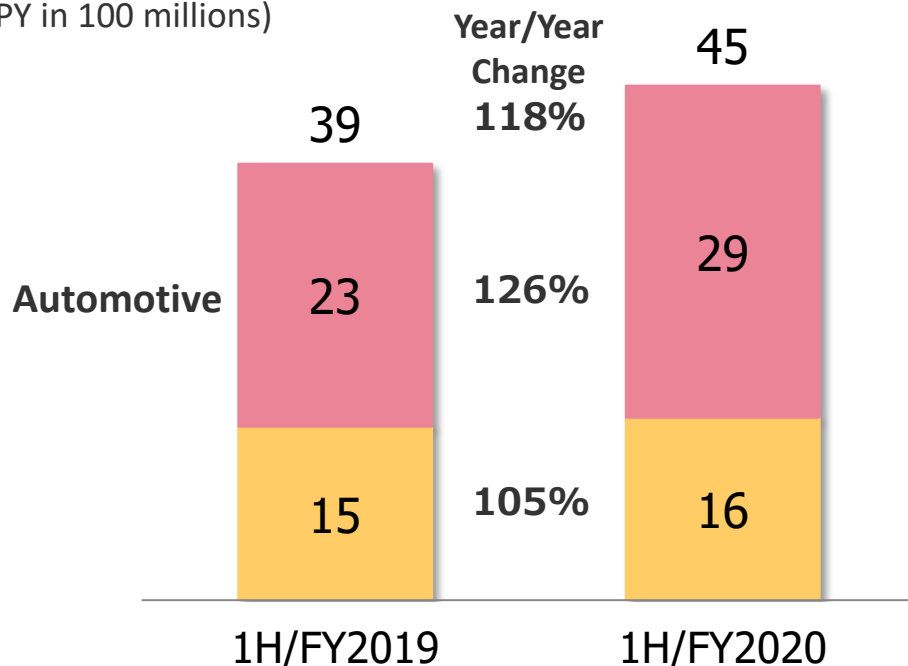
- Demand continues to stagnate although restart of operation was observed in some areas

## Operating Income: Minus 5.86 billion yen from the previous year

- Profits decreased due to a decline in demand in the automotive market and production restrictions of our production bases

## Sales by Market Segment

(JPY in 100 millions)



**Sales : 118% (of 1H FY2019)**

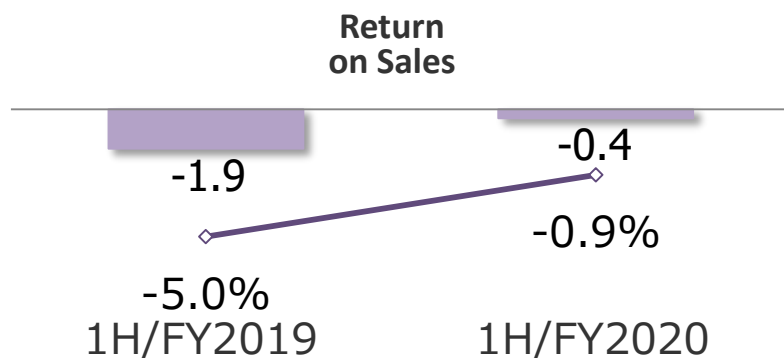
### ▶ Automotive (In-Vehicle Touch Panels)

- Sales significantly increased compared with the same period last year due to expanding production of film sensors in spite of the demand decrease impact

### ▶ Industrial and Infrastructure

- Sales generally flat year-on-year due to continued sluggish market

## Segment Profit

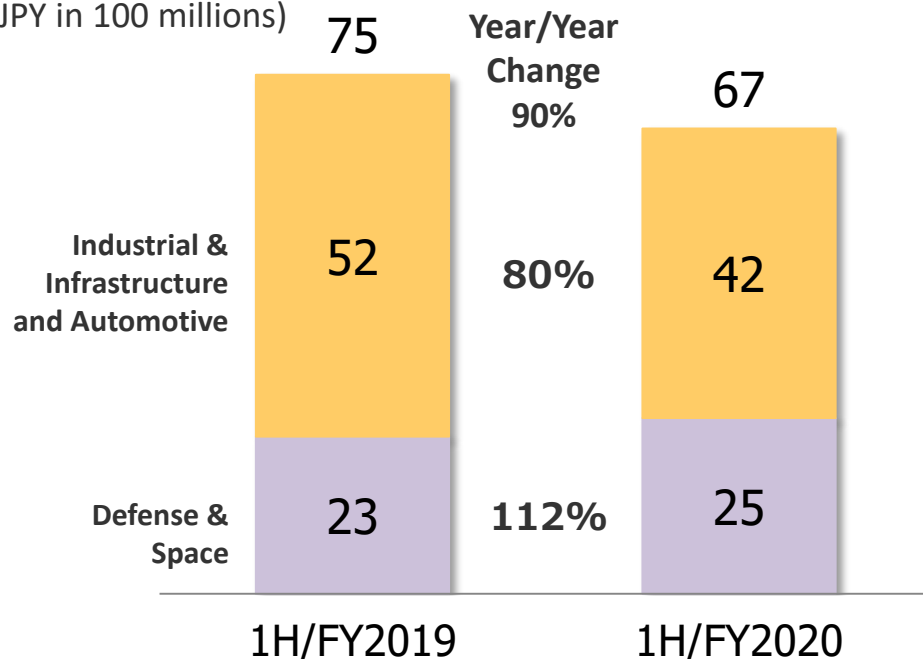


**Operating Income: Plus 150 million yen from the previous year**

- ▶ Profitability of in-vehicle touch panels improved and turned to profit in Q2, resulting to reduction in losses in 1H

## Sales by Market Segment

(JPY in 100 millions)



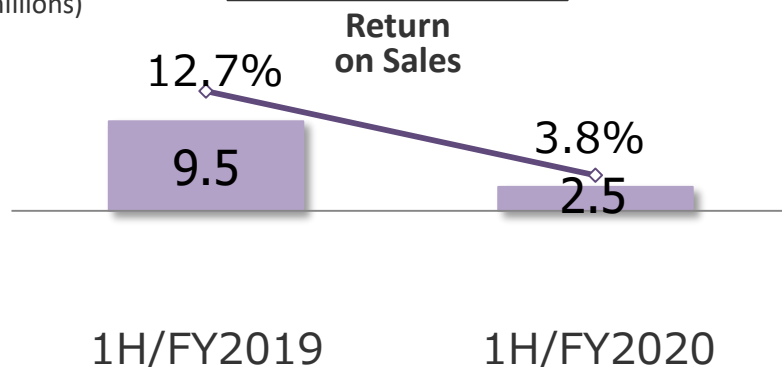
Sales : 90% (of 1H FY2019)

### ► Industrial & infrastructure, and Automotive

- Sluggish demand of sensors for oil drilling due to drop in oil prices
- Linear motors for semiconductor production equipment are on a gradual recovering trend

## Segment Profit

(JPY in 100 millions)



Operating Income: Minus 700 million yen from the previous year

- Profit decreased due to a sharp decrease in sales of sensors for oil drilling

# **II. Prospects and strategy for FY2020**

**(From April 1, 2020 to March 31, 2021)**

## ▶ Business Environment

- Expansion of economic activities in Asia, Europe and North America to further continue
- Assuming that there will be no further significant decline in demand or lock-down due to COVID-19

## ▶ Market Environment

- In spite the recovering smartphone market, there are concerns of US-China trade conflict impacting the demand, and uncertainty are still remaining in the Q4
- Recent robust demand in the automotive market is expected to continue
- Industrial & infrastructure market is expected to recover moderately, but situation varies among customers and equipment

► Full-year outlook remains unchanged despite revision of exchange rate assumptions

(JPY in 100 millions)

	FY2019		FY2020		Year/Year Change		vs. FY2020 Projections	vs. FY2020 Projections announced Jul, 2020
	1H		1H	Projections				
<b>Net Sales</b>	<b>1,008</b>	<b>2,081</b>	<b>972</b>	<b>1,930</b>	<b>-151</b>	93%	<b>0</b>	<b>1,930</b>
<b>Operating Profit</b>	<b>71</b>	<b>140</b>	<b>9</b>	<b>60</b>	<b>-80</b>	43%	<b>0</b>	<b>60</b>
(to Net Sales)	7.1%	6.7%	0.9%	3.1%				3.1%
<b>Ordinary Profit</b>	<b>73</b>	<b>142</b>	<b>8</b>	<b>50</b>	<b>-92</b>	35%	<b>0</b>	<b>50</b>
(to Net Sales)	7.2%	6.8%	0.8%	2.6%				2.6%
<b>Net Profit</b>	<b>58</b>	<b>111</b>	<b>4</b>	<b>37</b>	<b>-74</b>	33%	<b>0</b>	<b>37</b>
(to Net Sales)	5.8%	5.3%	0.4%	1.9%				1.9%
<b>Average Exchange Rate (JPY/USD)</b>	<b>108.6</b>	<b>108.7</b>	<b>106.9</b>	<b>106.0</b>	<b>2H : 105.0</b>			

# Prospects for Net Sales by Business Segment

► No change from assumptions as of July

(JPY in 100 millions)

	FY2019		FY2020		Year/Year change	
	1H	Projections	1H	Projections		
Connector	891	1,836	856	1,680	-156	92%
UIS	39	90	45	100	10	112%
Aerospace	75	149	67	145	-4	98%
Others	4	7	3	5	-2	72%
<b>Total</b>	<b>1,008</b>	<b>2,081</b>	<b>972</b>	<b>1,930</b>	<b>-151</b>	<b>93%</b>

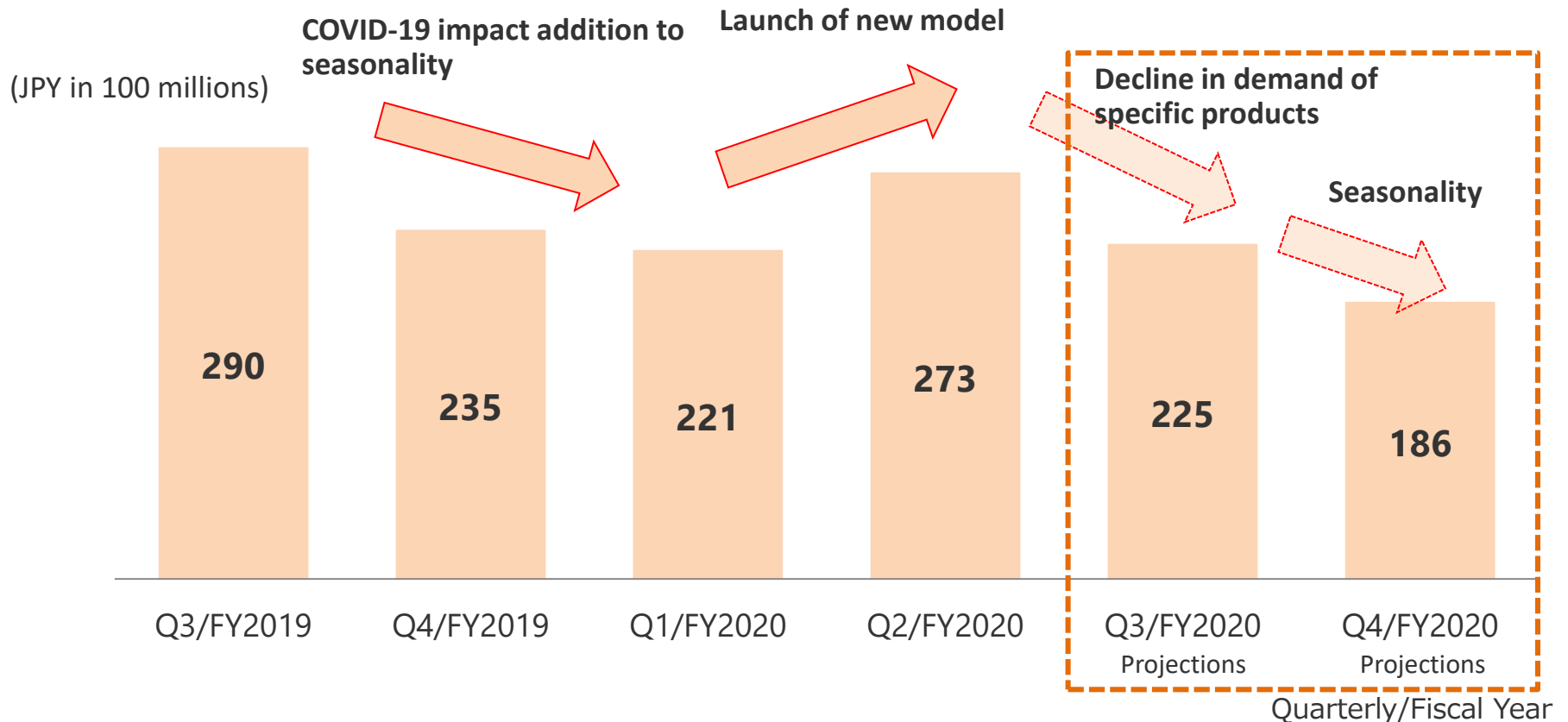
# Prospects for Net Sales by Market Segment

(JPY in 100 millions)

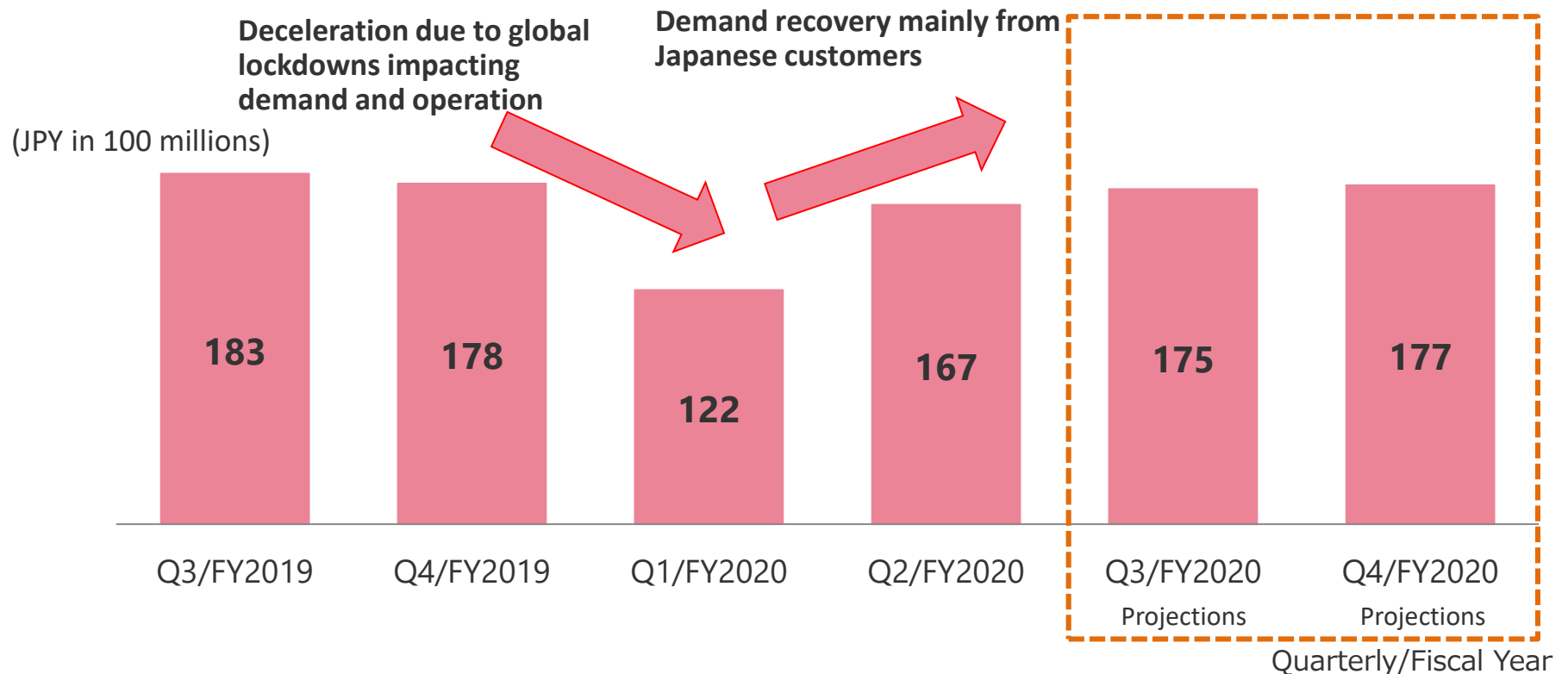
	FY2019		FY2020		Year/Year Change		vs. FY2020 Projections	FY2020 Projections announced Jul, 2020
	1H		1H	Projections				
Mobile Devices	477	1,001	494	905	-96	90%	0	905
Automotive	343	704	289	641	-63	91%	10	631
Industrial & Infrastructure	137	267	133	279	12	105%	0	279
Others	51	109	56	105	-4	96%	-10	115
Total	1,008	2,081	972	1,930	-151	93%	0	1,930

Overseas	711	1,475	682
Overseas Sales Ratio	70.5%	70.9%	70.1%

- ▶ New models remained robust over Q3, while demand from Chinese smartphone OEMs recovered and sales of specified products declined sharply
- ▶ Demand decrease expected in Q4 due to seasonality in the smartphone market



- ▶ Demand mainly from Japanese customers is expected to recover from Q2 and continue beyond Q3
- ▶ By region, following China, demand is expected to recover around the world
- ▶ Amid a tight inventory across the entire supply chain, we will correspond by reviving production system and increasing efficiency to cope with the recovering demand



## Revive and strengthen production system that have shrunk due to reduced demand

- ▶ Revive production systems that have shrunk due to reduced demand in the mobile device and automotive markets in spite of manpower restrictions and new normal conditions
- ▶ Improve production efficiency by optimizing production lines
  - Further accelerate manpower and space savings by semi and full automated systems
- ▶ Enhancing supply chain
  - Deploy multi-site production of automotive cable harnesses and interior connectors for mobile devices

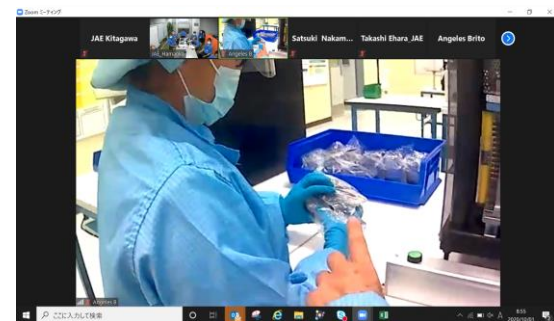
## Continue to win new contracts and develop new products under COVID-19 crisis

### ► Sales Activities

- Use IT tools to promote remote business negotiations and host webinars
- Strengthening Digital Marketing
  - Promote MA (marketing automation), activities using online exhibitions, feature web-sites, SNS, etc.

### ► Product development and start mass production

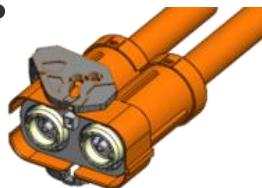
- Launch overseas production facilities remotely /Cost reductions through remote kaizen
  - Launched at 3 sites in the 1H of the fiscal year  
Planned expansion to other production sites in the 2H
- Develop products in key markets for growth



## EV (Electric Vehicle)

- Large-current/high-voltage connectors adopted for EV of European carmaker  
Started delivery of mass production products in this fiscal year

High-current,  
high-voltage connectors



## ADAS / Autonomous

- Expand globally, focusing on Japanese customers, including connectors for sensing cameras

Connector for digital camera



## Safety (Air Bags)

- Adopted by multiple global customers, including largest EV carmaker leading the industry, in addition to existing European customers

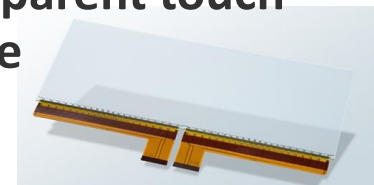
AK Squib connectors for airbags



## User Interface Panel

- Enhance mass production to cater recovering demand, mainly for SUV models for the North American market
- Developed all-transparent touch panel without frame

Frameless all-transparent  
Full Touch 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 28, 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.

# [Reference] Net Sales by Business Segment

(JPY in 100 millions)

	FY2019		FY2020		Year/Year Change 1H FY2020/ 1H FY2019	
	1H	2H	1H	Component Ratio		
Connector	891	945	856	88%	-35	96%
UIS	39	51	45	5%	7	118%
Aerospace	75	73	67	7%	-8	90%
Others	4	3	3	—	-0	92%
Total	1,008	1,073	972	100%	-36	96%

# [Reference] Operating Profit by Business Segment

(JPY in 100 millions)

Lower row indicates return on sales

	FY2019		FY2020	Year/Year Change
	1H	2H	1H	
Connector	<b>84.7</b> 9.5%	<b>88.6</b> 9.4%	<b>26.2</b> 3.1%	<b>-58.6</b>
UIS	<b>-1.9</b> -5.0%	<b>-2.5</b> -4.8%	<b>-0.4</b> -0.9%	<b>1.5</b>
Aerospace	<b>9.5</b> 12.7%	<b>3.2</b> 4.4%	<b>2.5</b> 3.8%	<b>-7.0</b>
Others	<b>-21.3</b>	<b>-20.2</b>	<b>-19.1</b>	<b>2.2</b>
Total	<b>71.1</b> 7.1%	<b>69.2</b> 6.4%	<b>9.2</b> 0.9%	<b>-61.9</b>

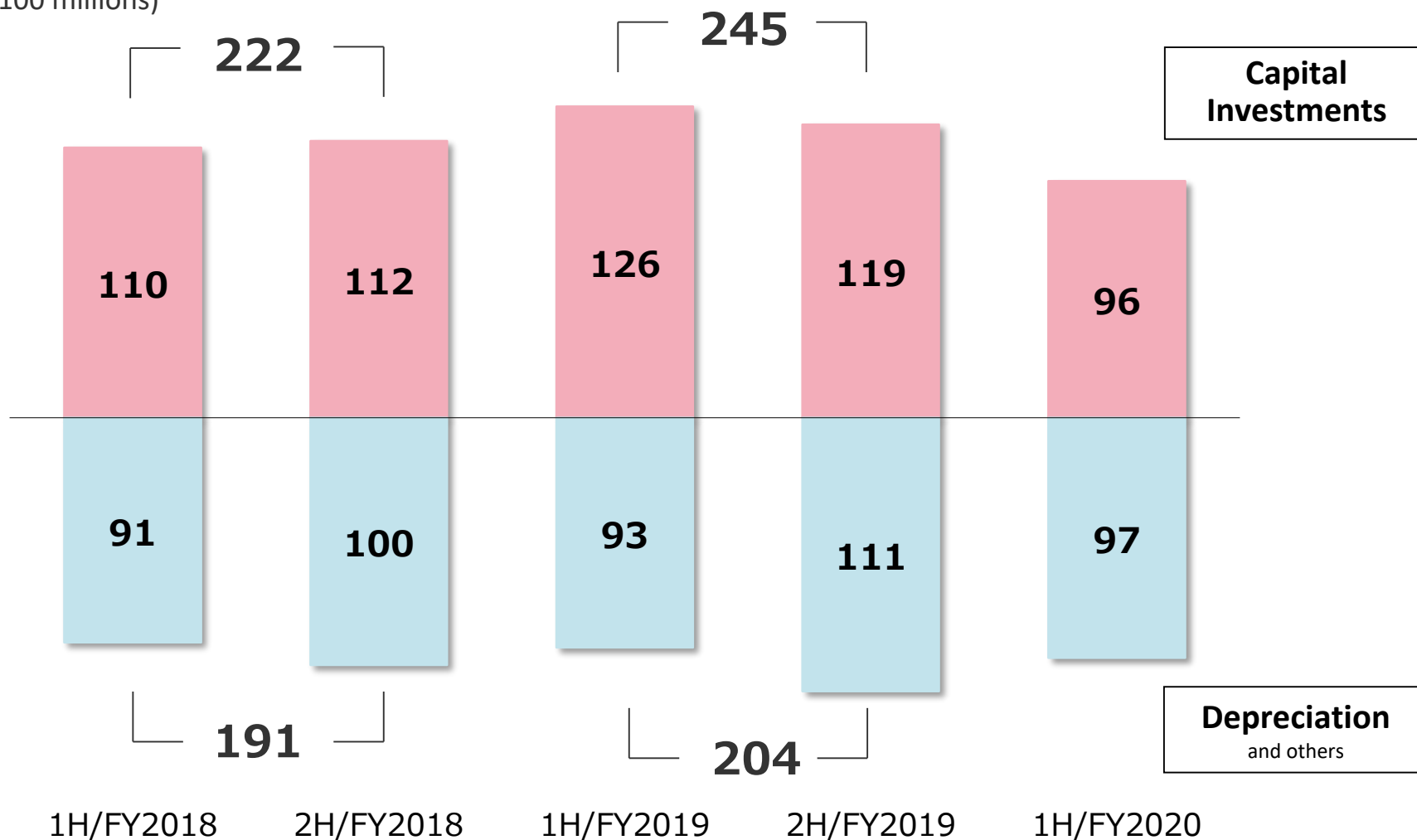
# [Reference] Prospects for Net Sales by Business Segment

(JPY in 100 millions)

	FY2018	FY2019			Year/Year Change		vs. FY2019 Projections	FY2019 Projections announced Apr, 2019
		1H	2H Projections	FY2019 Projections	FY2019/FY2018			
Connector	1,979	1,062	703	1,765	-214	89%	-110 94%	1,875
UIS	81	43	52	95	14	117%	-5 95%	100
Aerospace	152	70	90	160	8	105%	-5 97%	165
Others	8	4	5	10	1	112%	0 96%	10
Total	2,221	1,180	850	2,030	-192	91%	-120 94%	2,150

# [Reference] Capital Investment & Depreciation

(JPY in 100 millions)



(Depreciation and others include disposal of fixed assets)

# [Reference] Connectors for ADAS

## ► ADAS (Advanced Driver Assistance System)



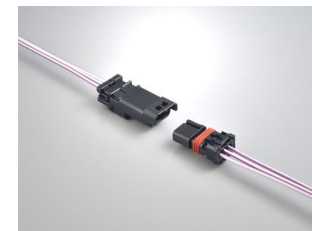
Connector for onboard camera  
MX55 Series



Connector for high-speed transmission  
MX68 Series

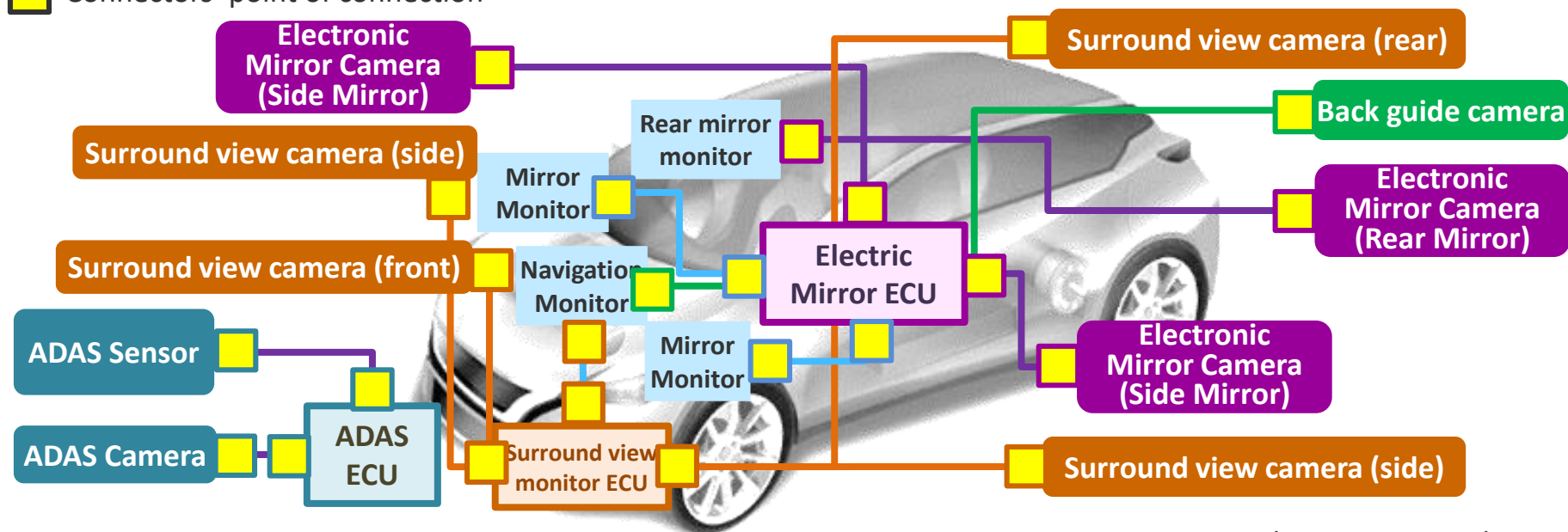


Connector for body-based ECU  
MX77 Series



Compact waterproof in-line connector  
MX80 Series

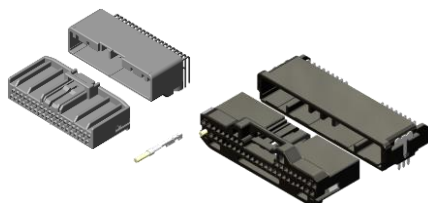
■ Connectors' point of connection



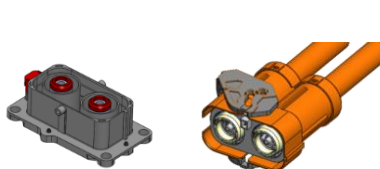
ECU : Electronic Control Unit

# [Reference] Connectors for Electric Vehicle

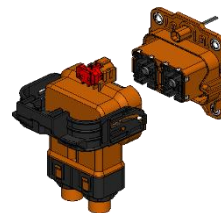
## ▶ EV (Electric Vehicle)



**Connector for battery monitoring ECU**



**High-current, high-voltage connector**



**Service Plug**

## EV Charging



**KW Series**

Service Plug: Plug for safe operation by shutting off power circuit during maintenance, etc. (electric shock prevention purpose)

