

Consolidated Financial Results
for the First Quarter of the Fiscal Year 2020
Ending March 31, 2021
[Japanese GAAP]



August 7, 2020

Company name: JAMCO Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Stock Exchange Code: 7408
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 The date of filing quarterly securities report: August 11, 2020
 The start date of payout of dividend: —
 Availability of supplementary briefing material on quarterly financial results: None
 Schedule of quarterly financial results briefing session: None

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Operating Results for the First Quarter of the Fiscal Year 2020 (from April 1, 2020 to June 30, 2020)

(1) Consolidated Operating Results (%: Changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the first quarter of								
Fiscal year 2020	12,475	(33.5)	(2,099)	-	(2,433)	-	(1,831)	-
Fiscal year 2019	18,762	(15.2)	394	(72.9)	110	(93.1)	58	(94.0)

(Note) Comprehensive income: The first quarter of fiscal year 2020: ¥(1,872) million [-%]
 The first quarter of fiscal year 2019: ¥(24) million [-%]

	Net income per share	Diluted net income per share
	Yen	Yen
For the first quarter of		
Fiscal year 2020	(68.29)	-
Fiscal year 2019	2.20	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2020	120,603	27,964	22.8
As of March 31, 2020	120,184	30,373	24.8

(Reference) Equity: As of June 30, 2020: ¥27,462 million
 As of March 31, 2020: ¥29,844 million

2. Dividend distribution

	Dividend distribution per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year 2019	Yen -	Yen 0.00	Yen -	Yen 20.00	Yen 20.00
Fiscal year 2020	-				
Fiscal year 2020 (Planned)		-	-	-	-

(Note) Revision to the plan of dividend distribution announced most recently: None

The plan of dividend distribution for FY 2020 has not been determined at this time. We will disclose the consolidated financial results forecast as soon as it becomes possible.

3. Consolidated Financial Results Forecast for the Fiscal Year 2020 (from April 1, 2020 to March 31, 2021)

The consolidated financial results forecast for FY 2020 has not been determined as it is difficult to reasonably estimate the impact of COVID-19 at this time. We will disclose the consolidated financial results forecast as soon as it becomes possible.

* Notes:

(1) Changes in significant subsidiaries during this quarter of the fiscal year 2020: None

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Number of common shares issued

1) Number of common shares outstanding (including the number of treasury stock):

As of June 30, 2020: 26,863,974 shares

As of March 31, 2020: 26,863,974 shares

2) Number of treasury stock:

As of June 30, 2020: 38,932 shares

As of March 31, 2020: 38,932 shares

3) Average number of common shares outstanding:

1st quarter of FY 2020: 26,825,042 shares

1st quarter of FY 2019: 26,825,142 shares

***Notes:**

- *1. This document is an English translation of a statement written initially in Japanese. The Japanese original document should be considered as the primary version.
- *2. These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit firms.

*3. Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other statements herein are based on information currently available to the Company and certain premises that the Company deems to be reasonable. Actual results may differ significantly from these forecasts due to a wide range of factors.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position.....	5
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.	5
2. Quarterly Consolidated Financial Statements and Primary Notes.....	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
Quarterly Consolidated Statements of Income	8
Quarterly Consolidated Statements of Comprehensive Income	9
(3) Notes to Quarterly Consolidated Financial Statements.....	10
(Notes on going concern assumption)	10
(Notes in the case of significant changes in shareholders' equity).....	10
(Quarterly Consolidated Statements of Income).....	10
(Segment information, etc.)	11

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Operating Results

During the first quarter of FY 2020, economies around the world were severely impacted as corporate activities were drastically restricted due to the global spread of COVID-19. While the economic activities in each country have subsequently resumed in stages, there has been a marked increase in the number of COVID-19 cases since the resumption of economic activities, and an extremely uncertain outlook continues to prevail. Under these circumstances, the dollar-yen exchange rate moved within the range of ¥106 to ¥109 per US\$1.

In the air transportation industry, the business environment has deteriorated significantly due to unprecedented flight reductions and cancellations as a result of the global COVID-19 pandemic. While flights are slowly resuming along with the resumption of economic activities, airlines are being forced to resume flights after taking various COVID-19 countermeasures to alleviate passenger anxiety. As for aircraft manufacturers too, both Boeing and Airbus are substantially reducing production due to the sharp decline in demand for air transportation.

Under this situation, in which the end of the infection remains unclear, the Group has promoted business process reforms and measures to enhance the efficiency of its production system on a company-wide level in preparation for a future recovery in demand for air transportation, and with the aim of improving both quality and profitability, under the assumption that the current harsh business environment will continue for some time. In addition, we thoroughly enforced COVID-19 countermeasures, while working to reduce physical contact between our employees by adopting remote work, shift work and the dispersion of work areas at the workplace, and flexibly responded to the sudden drop in workload through measures such as temporary leave of employees.

In the aircraft interiors business and the aircraft seat business, we carried out an urgent review of the production plan and took measures to cut back costs, in response to the sudden drop in air transportation demand. We also worked to develop products to ensure a clean and hygienic cabin in order to relieve the anxiety felt by passengers onboard.

In the aircraft components business, we pursued initiatives to improve productivity, while proceeding with in-house production of interiors and seat parts by applying the metal processing technologies we have accumulated over the years. Furthermore, we are pressing on with the development of new products using the ADP method (automated continuous manufacturing process of carbon-fiber reinforced plastic), collaboration with other companies, and entry into new areas.

In the aircraft maintenance business, we aimed to establish a business base capable of generating stable profits by continuing with initiatives to ensure flight safety and enhance quality, while also endeavoring to expand aircraft maintenance for airlines.

As a result, on a consolidated basis, during the first quarter of FY 2020, the Company posted net sales of ¥12,475 million (down ¥6,286 million compared to the same period of the previous fiscal year), operating loss of ¥2,099 million (an operating income of ¥394 million in the same period of the previous fiscal year), ordinary loss of ¥2,433 million (an ordinary income of ¥110 million in the same period of the previous fiscal year), and net loss attributable to shareholders of parent company of ¥1,831 million (a net income attributable to shareholders of parent company of ¥58 million in the same period of the previous fiscal year).

Provision for loss on construction contracts of ¥3,806 million for construction to be completed in or after the quarterly second quarter of FY 2020 was recognized as of June 30, 2020. The impact of this provision for loss on construction contracts on income (loss) for the first quarter of FY 2020 was an increase of ¥198 million in cost of sales (provision for loss on construction contracts as of March 31, 2020 was ¥3,607 million).

Selling, general and administrative expenses, non-operating income (expenses), and extraordinary income (loss) are as follows:

Selling, general and administrative expenses were ¥1,793 million (a decrease of ¥308 million compared to the same period of the previous fiscal year), due mainly to decreases in warranty expenses, experimentation and research expenses and sales commissions.

In terms of non-operating income (expenses), an expense of ¥333 million was reported due mainly to an

increase in interest expenses resulting from the increase in loans payable (an expense of ¥283 million in the same period of the previous fiscal year).

As for extraordinary income (loss), although subsidy income of ¥16 million was recognized due to COVID-19, a loss of ¥315 million was reported due mainly to recognizing loss related to COVID-19, which consists of running costs including fixed costs resulting from the temporary leave of employees (a loss of ¥41 million in the same period of the previous fiscal year).

Business performance by segment is as follows.

[Aircraft Interiors Business]

In the aircraft interiors business, net sales decreased from the same period of the previous fiscal year, as sales of cabin retrofit kits for airlines and spare parts decreased, in addition to a decrease in shipments of galleys and lavatories, as a result of aircraft manufacturers being forced to reduce production due to the impact of the spread of COVID-19. Meanwhile, an ordinary loss was reported due mainly to the decrease in net sales.

As a result, the aircraft interiors business posted net sales of ¥8,633 million (down ¥5,181 million compared to the same period of the previous fiscal year) and ordinary loss of ¥1,367 million (ordinary income of ¥112 million in the same period of the previous fiscal year).

[Aircraft Seat Business]

In the aircraft seat business, net sales decreased from the same period of the previous fiscal year due to changes to the delivery dates made by customers as a result of the impact of the spread of COVID-19. Meanwhile, an ordinary loss was reported due mainly to a decrease in net sales and an increase in costs, including an increase in provision for loss on construction contracts for custom-made products.

As a result, the aircraft seat business posted net sales of ¥1,911 million (down ¥202 million compared to the same period of the previous fiscal year) and ordinary loss of ¥927 million (ordinary loss of ¥28 million in the same period of the previous fiscal year).

[Aircraft Components Business]

In the aircraft components business, despite robust shipments of heat exchangers and other equipment mainly related to defense contracts, net sales decreased from the same period of the previous fiscal year, due to a postponement of shipments of some CFRP structure parts and aircraft engine parts for commercial aircraft products to the second quarter and thereafter, resulting from changes to delivery dates made by the customers as a result of the impact of the spread of COVID-19. Meanwhile, an ordinary loss was reported due mainly to the decrease in net sales.

As a result, the aircraft components business posted net sales of ¥824 million (down ¥522 million compared to the same period of the previous fiscal year) and ordinary loss of ¥68 million (ordinary loss of ¥48 million in the same period of the previous fiscal year).

[Aircraft Maintenance Business]

In the aircraft maintenance business, net sales decreased from the same period of the previous fiscal year reflecting a decline in the number of shipments of some programs compared to the favorable increase in aircraft maintenance during the same period of the previous fiscal year, as well as a decrease in orders received from airlines for wheels, brakes, and other items in equipment maintenance due to the impact of the spread of COVID-19. Meanwhile, an ordinary loss was reported due mainly to the decrease in net sales.

As a result, the aircraft maintenance business posted net sales of ¥1,105 million (down ¥380 million compared to the same period of the previous fiscal year) and ordinary loss of ¥69 million (ordinary income of ¥76 million in the same period of the previous fiscal year).

[Others]

The Others segment includes the businesses of the consolidated subsidiary Orange JAMCO Corporation, and we were able to make steady progress mainly in inter-segment transactions, including assistance work in the aircraft interiors business.

As a result, the Others segment posted net sales of ¥0 million (down ¥0 million compared to the same period of the previous fiscal year) and ordinary loss of ¥0 million (ordinary income of ¥0 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

[Assets, liabilities and net assets]

Total assets as of June 30, 2020 amounted to ¥120,603 million, up ¥419 million from the end of the previous fiscal year. Of such, total current assets decreased by ¥132 million from the end of the previous fiscal year, due mainly to a decrease in cash and deposits (down ¥1,952 million compared to the end of the previous fiscal year) and a decrease in notes and accounts receivable – trade (down ¥3,507 million compared to the end of the previous fiscal year), despite an increase in work in process (up ¥2,802 million compared to the end of the previous fiscal year) and an increase in raw materials and supplies (up ¥3,313 million compared to the end of the previous fiscal year). Total non-current assets increased by ¥551 million from the end of the previous fiscal year due to an increase in investments and other assets (up ¥888 million compared to the end of the previous fiscal year), despite a decrease in property, plant and equipment (down ¥243 million compared to the end of the previous fiscal year) and a decrease in intangible assets (down ¥93 million compared to the end of the previous fiscal year) as a result of relatively limited investment for the first quarter of FY 2020.

Total liabilities amounted to ¥92,639 million, up ¥2,828 million from the end of the previous fiscal year. This was attributable primarily to an increase in short-term loans payable (up ¥4,614 million compared to the end of the previous fiscal year) and an increase in accrued expense–salary (up ¥813 million compared to the end of the previous fiscal year), which offset the decrease in notes and accounts payable – trade (down ¥1,974 million compared to the end of the previous fiscal year).

Total net assets amounted to ¥27,964 million, down ¥2,409 million from the end of the previous fiscal year. This was due primarily to a decrease in retained earnings (down ¥2,368 million compared to the end of the previous fiscal year) as a result of reporting a net loss attributable to shareholders of parent company, cash dividend payment, and other factors. As a result, the equity ratio stood at 22.8%.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

As for the impact of the spread of COVID-19, while a gradual recovery is forecasted given that the economic activities of each country have resumed in stages, at present, it is not possible to predict the future spread of COVID-19, or when it will come to an end.

In the air transportation industry in which the Group is involved, following the sharp decline in passenger demand mainly as a result of travel bans imposed by each country considering the impact of the virus infection, the global business environment for airlines has deteriorated significantly. Also, the steep decline in demand for air transportation has forced aircraft manufacturers to substantially reduce production.

Trends in the air transportation industry directly impact the Group. Since it is unclear when the infection will come to an end at this time, it is difficult to rationally make a financial results forecast. As such, the consolidated financial results forecast for FY 2020 has not been determined. We will disclose the consolidated financial results forecast as soon as it becomes possible.

Dividend for FY 2020 too has not yet been determined at this time. We will disclose the dividend promptly, together with the financial results forecast, when disclosure of such forecast becomes possible.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	8,690,990	6,738,079
Notes and accounts receivable - trade	31,898,770	28,391,357
Merchandise and finished goods	1,422,398	1,128,904
Work in process	30,328,978	33,131,533
Raw materials and supplies	20,500,595	23,813,689
Other	4,899,335	4,416,922
Allowance for doubtful accounts	(8,504)	(20,356)
Total current assets	97,732,564	97,600,130
Non-current assets		
Property, plant and equipment	13,766,040	13,522,681
Intangible assets	1,999,120	1,905,492
Investments and other assets	6,686,819	7,575,346
Total non-current assets	22,451,980	23,003,520
Total assets	120,184,545	120,603,651
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,394,529	9,420,171
Electronically recorded obligations - operating	9,551,128	10,041,156
Short-term loans payable	36,386,966	41,001,273
Current portion of long-term loans payable	1,200,000	1,200,000
Income taxes payable	302,208	129,786
Advances received	8,644,784	7,952,355
Accrued expense-salary	1,642,946	2,456,120
Provision for loss on construction contracts	3,607,749	3,806,419
Other	4,219,469	3,829,993
Total current liabilities	76,949,782	79,837,275
Non-current liabilities		
Long-term loans payable	3,500,000	3,500,000
Liability for employee retirement benefits	7,282,672	7,320,623
Provision for loss on compensation	987,196	977,308
Other	1,091,394	1,004,145
Total non-current liabilities	12,861,263	12,802,078
Total liabilities	89,811,045	92,639,354

(Thousand yen)

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Capital stock	5,359,893	5,359,893
Capital surplus	4,309,484	4,309,484
Retained earnings	20,483,085	18,114,782
Treasury stock	(31,175)	(31,175)
Total shareholders' equity	30,121,288	27,752,985
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	104,663	101,949
Foreign currency translation adjustment	(41,674)	(66,837)
Accumulated adjustment for employee retirement benefits	(339,306)	(325,582)
Total accumulated other comprehensive income	(276,318)	(290,471)
Non-controlling interests	528,529	501,782
Total net assets	30,373,500	27,964,296
Total liabilities and net assets	120,184,545	120,603,651

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
First Quarter of the Fiscal Year (from April 1 to June 30)

(Thousand yen)

	The first quarter of FY 2019	The first quarter of FY 2020
Net sales	18,762,821	12,475,862
Cost of sales	16,265,199	12,781,694
Gross profit (loss)	2,497,621	(305,832)
Selling, general and administrative expenses	2,102,782	1,793,794
Operating income (loss)	394,839	(2,099,627)
Non-operating income		
Interest income	11,019	5,293
Dividend income	3,948	924
Insurance income	20,000	6,275
Subsidy income	53,437	19,044
Other	4,187	16,373
Total non-operating income	92,592	47,911
Non-operating expenses		
Interest expenses	99,490	118,363
Foreign exchange losses	202,568	217,046
Share of loss of entities accounted for using equity method	5,615	2,803
Compensation expenses	5,259	19,787
Other	63,567	23,543
Total non-operating expenses	376,501	381,544
Ordinary income (loss)	110,930	(2,433,260)
Extraordinary income		
Subsidy income	-	16,953
Total extraordinary income	-	16,953
Extraordinary loss		
Loss on disposal of non-current assets	6,103	25,072
Loss related to quality	35,335	-
Loss related to COVID-19	-	307,874
Total extraordinary loss	41,438	332,946
Income (loss) before taxes	69,491	(2,749,253)
Income taxes – current	118,486	24,291
Income taxes – deferred	(136,782)	(920,038)
Total income taxes	(18,296)	(895,747)
Net income (loss)	87,788	(1,853,505)
Net income (loss) attributable to non-controlling interests	28,870	(21,704)
Net income (loss) attributable to shareholders of parent company	58,917	(1,831,801)

Quarterly Consolidated Statements of Comprehensive Income
 First Quarter of the Fiscal Year (from April 1 to June 30)

(Thousand yen)

	The first quarter of FY 2019	The first quarter of FY 2020
Net income (loss)	87,788	(1,853,505)
Other comprehensive income		
Valuation difference on available-for-sale securities	(37,156)	(2,713)
Deferred gains or losses on hedges	97,722	-
Foreign currency translation adjustment	(180,348)	(30,206)
Adjustment for employee retirement benefits	7,634	13,724
Total other comprehensive income	(112,147)	(19,196)
Comprehensive income	(24,359)	(1,872,702)
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	(33,633)	(1,845,954)
Comprehensive income attributable to non-controlling interests	9,274	(26,747)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the case of significant changes in shareholders' equity)

There is no relevant information.

(Quarterly Consolidated Statements of Income)

¥16,953 thousand in subsidy income due to the spread of COVID-19 has been recognized under extraordinary income.

Additionally, ¥307,874 thousand in loss related to COVID-19 has been recognized under extraordinary loss for running costs including fixed costs resulting from the temporary leave of employees, as operations significantly declined due to the global spread of COVID-19 and a declaration of a state of emergency issued by the government.

(Segment information, etc.)

[Segment information]

I. For the first quarter of FY 2019

1. Information on net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segment					Others (Note)	Total
	Aircraft Interiors Business	Aircraft Seat Business	Aircraft Components Business	Aircraft Maintenance Business	Total		
Net sales							
Net sales to outside customers	13,815,314	2,114,458	1,347,409	1,485,636	18,762,818	2	18,762,821
Inter-segment net sales or transfers	167,142	35,190	6,788	22,851	231,972	27,524	259,496
Total	13,982,456	2,149,648	1,354,197	1,508,488	18,994,791	27,526	19,022,318
Segment income (loss)	112,948	(28,865)	(48,929)	76,080	111,234	(303)	110,930

(Note) The Others segment includes the businesses of affiliate Orange JAMCO Corporation. Orange JAMCO Corporation is a special-purpose subsidiary, dedicated to promoting the employment of people with disabilities and provides assistance work in the Company's factories, which is one of the corporate social responsibilities.

2. Differences between the total amount of income (loss) of reportable segments and the amounts in the Quarterly Consolidated Statement of Income and the major details of such differences

(Matters relating to adjustment of differences)

(Thousand yen)

Income	Amount
Reportable segments total	111,234
Income of Others	(303)
Ordinary income in the Quarterly Consolidated Statement of Income	110,930

3. Matters on impairment loss on non-current assets and goodwill by reportable segment

There is no relevant information.

II. For the first quarter of FY 2020

1. Information on net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segment					Others (Note)	Total
	Aircraft Interiors Business	Aircraft Seat Business	Aircraft Components Business	Aircraft Maintenance Business	Total		
Net sales							
Net sales to outside customers	8,633,879	1,911,519	824,935	1,105,527	12,475,862	-	12,475,862
Inter-segment net sales or transfers	98,580	29,478	41	7,194	135,294	27,262	162,557
Total	8,732,459	1,940,998	824,977	1,112,722	12,611,157	27,262	12,638,419
Segment income (loss)	(1,367,222)	(927,983)	(68,281)	(69,564)	(2,433,052)	(207)	(2,433,260)

(Note) The Others segment includes the businesses of affiliate Orange JAMCO Corporation. Orange JAMCO Corporation is a special-purpose subsidiary, dedicated to promoting the employment of people with disabilities and provides assistance work in the Company's factories, which is one of the corporate social responsibilities.

2. Differences between the total amount of income (loss) of reportable segments and the amounts in the Quarterly Consolidated Statement of Income and the major details of such differences

(Matters relating to adjustment of differences)

(Thousand yen)

Income	Amount
Reportable segments total	(2,433,052)
Income of Others	(207)
Ordinary income in the Quarterly Consolidated Statement of Income	(2,433,260)

3. Matters on impairment loss on non-current assets and goodwill by reportable segment

There is no relevant information.