

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



February 5, 2021

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: February 8, 2021
 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 Third Quarter of the Fiscal Year 2020 (from April 1, 2020 to December 31, 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 third quarter of								
Fiscal year 2020	38,120	(41.7)	(7,096)	-	(8,086)	-	(6,416)	-
Fiscal year 2019	65,337	5.5	1,174	(57.5)	786	(70.5)	339	(78.9)

(Note) Comprehensive income: The third quarter of fiscal year 2020: ¥(6,435) million [-%]
 The third quarter of fiscal year 2019: ¥230 million [(87.1)%]

	Net income per share	Diluted net income per share
	Yen	Yen
For the third quarter of		
Fiscal year 2020	(239.19)	-
Fiscal year 2019	12.67	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2020	106,625	23,146	21.4
As of March 31, 2020	120,184	30,373	24.8

(Reference) Equity: As of December 31, 2020: ¥22,850 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	-	0.00	-		
Fiscal year 2020 (Planned)				0.00	0.00

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

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

(%: Changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	58,400	(36.2)	(10,200)	-	(11,100)	-	(8,800)	-	(328.05)

(Note) Revision to the forecast of consolidated financial results announced most recently: None

* 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 December 31, 2020: 26,863,974 shares

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

2) Number of treasury stock:

As of December 31, 2020: 38,932 shares

As of March 31, 2020: 38,932 shares

3) Average number of common shares outstanding:

3rd quarter of FY 2020: 26,825,042 shares

3rd quarter of FY 2019: 26,825,082 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
(Additional information)	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 third quarter of FY 2020, economies around the world were severely impacted by restrictions on movement of people and sluggish economic activities due to the global spread of COVID-19. Although COVID-19 vaccination has started mainly in developed countries, there is no sign of an end to the infection and economic recovery remains challenging. Under these circumstances, the dollar-yen exchange rate moved in the direction of yen appreciation within the range of ¥109 to ¥103 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, and airlines have been forced to reduce their workforce drastically. While flights are slowly resuming along with the resumption of economic activities with various COVID-19 countermeasures taken by airlines, the situation remains challenging. 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, aiming to improve quality and profitability, while striving to reduce cost through reduction in workforce, limiting investment, and working to reorganize production bases, 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 reorganized production bases, 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.

The amount of orders received decreased significantly compared to the same period of the previous fiscal year due to drastic production cuts by aircraft manufacturers as a result of a sharp drop in air transportation demand and partial postponement and cancellation of orders from airlines.

In the aircraft components business, we took initiatives to improve productivity, while proceeding with in-house production of interiors-related and other parts by applying the processing technologies we have accumulated over the years. We are also proceeding with the development of lightweight aircraft components using thermoplastic CFRP.

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 acquire orders for aircraft maintenance for airlines and government and municipal offices.

As a result, on a consolidated basis, during the third quarter of FY 2020, the Company posted net sales of ¥38,120 million (down ¥27,217 million compared to the same period of the previous fiscal year), operating loss of ¥7,096 million (an operating income of ¥1,174 million in the same period of the previous fiscal year), ordinary loss of ¥8,086 million (an ordinary income of ¥786 million in the same period of the previous fiscal year), and net loss attributable to shareholders of parent company of ¥6,416 million (a net income attributable to shareholders of parent company of ¥339 million in the same period of the previous fiscal year).

Provision for loss on construction contracts of ¥4,881 million for construction to be completed in or after the quarterly fourth quarter of FY 2020 was recognized as of December 31, 2020. The impact of this provision for loss on construction contracts on income (loss) for the quarterly third quarter of FY 2020 was an increase of ¥153 million in cost of sales (provision for loss on construction contracts as of September 30, 2020 was ¥4,728 million) and, for the cumulative third quarter of FY 2020, an increase of ¥1,273 million in cost of sales (provision for loss on construction contracts at the end of the previous fiscal year 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 ¥4,926 million (a decrease of ¥1,236 million compared to the same period of the previous fiscal year), due mainly to decreases in experimentation and research expenses, personnel expenses, warranty expenses, and sales commissions.

In terms of non-operating income (expenses), an expense of ¥989 million was reported due mainly to an increase in foreign exchange losses resulting from the appreciation of the yen in the foreign exchange market from the end of the previous fiscal year and an increase in compensation expenses (an expense of ¥388 million in the same period of the previous fiscal year).

As for extraordinary income (loss), although subsidy income, such as subsidies for employment adjustment due to the temporary leave of employees, of ¥626 million was recognized, a loss of ¥1,005 million was reported due mainly to recognizing loss of ¥1,253 million related to COVID-19, which consists of running costs including fixed costs resulting from the temporary leave of employees, and recognizing extra retirement payments of ¥350 million for employees who retired in connection with the consolidation of overseas production bases in order to optimize the scale of business due to sluggish air passenger demand resulting from the spread of COVID-19 (a loss of ¥215 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 and spare parts for airlines decreased due to a decrease in aircraft operations, in addition to a decrease in shipments of galleys and lavatories, as a result of aircraft manufacturers being forced to reduce production and change production schedules 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 ¥24,880 million (down ¥18,855 million compared to the same period of the previous fiscal year) and ordinary loss of ¥5,417 million (ordinary income of ¥2,219 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 and some cancellations 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 shipments of some unprofitable programs.

As a result, the aircraft seat business posted net sales of ¥6,175 million (down ¥5,438 million compared to the same period of the previous fiscal year) and ordinary loss of ¥2,458 million (ordinary loss of ¥1,748 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 decrease in shipments of CFRP structure parts and aircraft engine parts for commercial aircraft products, resulting from aircraft manufacturers being forced to reduce production and change production schedules 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 ¥2,756 million (down ¥1,369 million compared to the same period of the previous fiscal year) and ordinary loss of ¥212 million (ordinary loss of ¥182 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, ordinary income decreased from the same period of the previous fiscal year due mainly to the decrease in net sales.

As a result, the aircraft maintenance business posted net sales of ¥4,307 million (down ¥1,553 million compared to the same period of the previous fiscal year) and ordinary income of ¥0 million (down ¥500 million compared to 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 income of ¥0 million (ordinary loss of ¥2 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

[Assets, liabilities and net assets]

Total assets as of December 31, 2020 amounted to ¥106,625 million, down ¥13,558 million from the end of the previous fiscal year. Of such, total current assets decreased by ¥15,086 million from the end of the previous fiscal year, due mainly to a decrease in notes and accounts receivable – trade (down ¥11,435 million compared to the end of the previous fiscal year) and a decrease in cash and deposits (down ¥3,417 million compared to the end of the previous fiscal year), despite an increase in raw materials and supplies (up ¥2,683 million compared to the end of the previous fiscal year). Total non-current assets increased by ¥1,528 million from the end of the previous fiscal year due to an increase in investments and other assets (up ¥2,724 million compared to the end of the previous fiscal year), despite a decrease in property, plant and equipment (down ¥954 million compared to the end of the previous fiscal year) and a decrease in intangible assets (down ¥242 million compared to the end of the previous fiscal year) as a result of relatively limited investment for the third quarter of FY 2020.

Total liabilities amounted to ¥83,479 million, down ¥6,331 million from the end of the previous fiscal year. This was attributable primarily to a decrease in notes and accounts payable – trade (down ¥6,883 million compared to the end of the previous fiscal year), a decrease in electronically recorded obligations – operating (down ¥4,892 million compared to the end of the previous fiscal year), a decrease in advances received (down ¥2,330 million compared to the end of the previous fiscal year), and a decrease in accrued expense–salary (down ¥1,053 million compared to the end of the previous fiscal year), which offset the increase in short-term loans payable (up ¥9,622 million compared to the end of the previous fiscal year).

Total net assets amounted to ¥23,146 million, down ¥7,226 million from the end of the previous fiscal year. This was due primarily to a decrease in retained earnings (down ¥6,952 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 21.4%.

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

The consolidated financial results forecast for FY 2020 remains unchanged from that disclosed in the “Notice of the Full Year Consolidated Financial Results Forecast and Plan of Dividend Distribution (No Dividend), and the Recording of Extraordinary Income and Extraordinary Loss” announced on November 6, 2020.

The exchange rate for the quarterly fourth quarter of FY 2020 assumed for the consolidated financial results forecast remains unchanged from ¥105 per US\$1.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	8,690,990	5,273,506
Notes and accounts receivable - trade	31,898,770	20,463,541
Merchandise and finished goods	1,422,398	1,816,673
Work in process	30,328,978	28,838,138
Raw materials and supplies	20,500,595	23,184,491
Other	4,899,335	3,091,452
Allowance for doubtful accounts	(8,504)	(22,138)
Total current assets	97,732,564	82,645,666
Non-current assets		
Property, plant and equipment	13,766,040	12,811,678
Intangible assets	1,999,120	1,756,932
Investments and other assets	6,686,819	9,411,650
Total non-current assets	22,451,980	23,980,260
Total assets	120,184,545	106,625,926
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,394,529	4,510,872
Electronically recorded obligations - operating	9,551,128	4,658,869
Short-term loans payable	36,386,966	46,009,668
Current portion of long-term loans payable	1,200,000	1,000,000
Income taxes payable	302,208	30,756
Advances received	8,644,784	6,314,465
Accrued expense-salary	1,642,946	589,352
Provision for loss on construction contracts	3,607,749	4,881,466
Other	4,219,469	3,273,426
Total current liabilities	76,949,782	71,268,878
Non-current liabilities		
Long-term loans payable	3,500,000	3,000,000
Liability for employee retirement benefits	7,282,672	7,386,194
Provision for loss on compensation	987,196	959,437
Other	1,091,394	864,695
Total non-current liabilities	12,861,263	12,210,327
Total liabilities	89,811,045	83,479,206

(Thousand yen)

	As of March 31, 2020	As of December 31, 2020
Net assets		
Shareholders' equity		
Capital stock	5,359,893	5,359,893
Capital surplus	4,309,484	4,318,925
Retained earnings	20,483,085	13,530,289
Treasury stock	(31,175)	(31,175)
Total shareholders' equity	30,121,288	23,177,933
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	104,663	147,321
Foreign currency translation adjustment	(41,674)	(176,353)
Accumulated adjustment for employee retirement benefits	(339,306)	(298,134)
Total accumulated other comprehensive income	(276,318)	(327,165)
Non-controlling interests	528,529	295,952
Total net assets	30,373,500	23,146,720
Total liabilities and net assets	120,184,545	106,625,926

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Third Quarter of the Fiscal Year (from April 1 to December 31)

(Thousand yen)

	The third quarter of FY 2019	The third quarter of FY 2020
Net sales	65,337,304	38,120,127
Cost of sales	57,999,844	40,290,934
Gross profit (loss)	7,337,459	(2,170,807)
Selling, general and administrative expenses	6,162,790	4,926,018
Operating income (loss)	1,174,669	(7,096,825)
Non-operating income		
Interest income	37,944	10,612
Dividend income	5,300	1,949
Share of profit of entities accounted for using equity method	5,496	14,241
Insurance income	50,838	82,189
Subsidy income	107,182	36,729
Other	38,976	61,027
Total non-operating income	245,739	206,749
Non-operating expenses		
Interest expenses	314,669	299,459
Foreign exchange losses	91,552	578,914
Compensation expenses	74,653	217,741
Other	152,877	100,358
Total non-operating expenses	633,752	1,196,474
Ordinary income (loss)	786,655	(8,086,550)
Extraordinary income		
Insurance income	60,000	-
Subsidy income	-	626,263
Total extraordinary income	60,000	626,263
Extraordinary loss		
Loss on disposal of non-current assets	18,242	27,017
Loss on disaster	13,306	-
Loss related to quality	244,243	-
Loss related to COVID-19	-	1,253,601
Extra retirement payments	-	350,984
Total extraordinary loss	275,793	1,631,603
Income (loss) before taxes	570,862	(9,091,889)
Income taxes – current	60,319	5,026
Income taxes – deferred	149,717	(2,734,062)
Total income taxes	210,037	(2,729,036)
Net income (loss)	360,824	(6,362,853)
Net income attributable to non-controlling interests	20,836	53,441
Net income (loss) attributable to shareholders of parent company	339,987	(6,416,294)

Quarterly Consolidated Statements of Comprehensive Income
 Third Quarter of the Fiscal Year (from April 1 to December 31)

(Thousand yen)

	The third quarter of FY 2019	The third quarter of FY 2020
Net income (loss)	360,824	(6,362,853)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,984)	42,658
Deferred gains or losses on hedges	(68,199)	-
Foreign currency translation adjustment	(82,630)	(156,520)
Adjustment for employee retirement benefits	22,902	41,172
Total other comprehensive income	(129,911)	(72,689)
Comprehensive income	230,912	(6,435,543)
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	219,017	(6,467,443)
Comprehensive income attributable to non-controlling interests	11,895	31,900

(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.

(Additional information)

The third quarter of FY 2020 (from April 1, 2020 to December 31, 2020)
The Group makes accounting estimates for items including impairment loss on non-current assets and recoverability of deferred tax assets, based on information available at the time of preparation of the quarterly consolidated financial statements. There are no significant changes in assumptions, including the timing of the end of COVID-19, that were included in (Additional information) in our quarterly securities report for the quarterly second quarter of FY 2020.

(Quarterly Consolidated Statements of Income)

Subsidy income

¥626,263 thousand in subsidy income, such as subsidies for employment adjustment due to the temporary leave of employees, has been recognized under extraordinary income.

Loss related to COVID-19

¥1,253,601 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.

Extra retirement payments

¥350,984 thousand in extra retirement payments for employees who retired in connection with the consolidation of overseas production bases in order to optimize the scale of business due to sluggish passenger demand resulting from the spread of COVID-19 has been recognized under extraordinary loss.

(Segment information, etc.)

[Segment information]

I. For the third 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	43,735,676	11,614,498	4,125,973	5,861,126	65,337,275	29	65,337,304
Inter-segment net sales or transfers	391,219	151,831	28,602	40,326	611,980	82,089	694,069
Total	44,126,895	11,766,330	4,154,576	5,901,452	65,949,255	82,118	66,031,374
Segment income (loss)	2,219,480	(1,748,297)	(182,804)	501,126	789,505	(2,849)	786,655

(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	789,505
Income of Others	(2,849)
Ordinary income in the Quarterly Consolidated Statement of Income	786,655

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

There is no relevant information.

II. For the third 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	24,880,363	6,175,986	2,756,163	4,307,610	38,120,124	3	38,120,127
Inter-segment net sales or transfers	341,111	166,003	2,257	11,948	521,320	81,132	602,453
Total	25,221,474	6,341,990	2,758,421	4,319,559	38,641,444	81,136	38,722,581
Segment income (loss)	(5,417,118)	(2,458,147)	(212,457)	599	(8,087,124)	574	(8,086,550)

(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	(8,087,124)
Income of Others	574
Ordinary income in the Quarterly Consolidated Statement of Income	(8,086,550)

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

There is no relevant information.