

Consolidated Financial Results
for the First Quarter of the Fiscal Year 2019
Ending March 31, 2020
[Japanese GAAP]



August 6, 2019

Company name: JAMCO Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Stock Exchange Code: 7408
 URL: <https://www.jamco.co.jp/>
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 The date of filing quarterly securities report: August 7, 2019
 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 2019 (from April 1, 2019 to June 30, 2019)

(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 2019	18,762	(15.2)	394	(72.9)	110	(93.1)	58	(94.0)
Fiscal year 2018	22,117	25.1	1,456	-	1,609	-	981	-

(Note) Comprehensive income: The first quarter of fiscal year 2019: ¥(24) million [-%]
 The first quarter of fiscal year 2018: ¥945 million [-%]

	Net income per share	Diluted net income per share
	Yen	Yen
For the first quarter of		
Fiscal year 2019	2.20	-
Fiscal year 2018	36.59	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2019	104,302	30,129	28.4
As of March 31, 2019	102,980	30,715	29.3

(Reference) Equity: As of June 30, 2019: ¥29,603 million
 As of March 31, 2019: ¥30,173 million

2. Dividend distribution

	Dividend distribution per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year 2018	-	0.00	-	20.0	20.0
Fiscal year 2019	-				
Fiscal year 2019 (Planned)		0.00	-	25.0	25.0

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

3. Consolidated Financial Results Forecast for the Fiscal Year 2019 (from April 1, 2019 to March 31, 2020)

(%: indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	92,100	9.6	4,310	(0.3)	3,850	17.0	2,630	37.6	98.04

(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 2019: 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: Yes

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, 2019: 26,863,974 shares

As of March 31, 2019: 26,863,974 shares

2) Number of treasury stock:

As of June 30, 2019: 38,832 shares

As of March 31, 2019: 38,832 shares

3) Average number of common shares outstanding:

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

1st quarter of FY 2018: 26,825,212 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.

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

(1) Explanation of Operating Results

During the first quarter of FY 2019, the dollar-yen exchange rate showed a trend of a yen appreciation, moving within the range of the lower ¥112 to the lower ¥107 per US\$1, amid growing concerns over a slowdown in the global economy due to intensifying trade friction between the U.S. and China and the impact of geopolitical risks.

In the air transportation industry, while fierce competition continues due to aggressive efforts of low-cost carriers (LCCs), major airlines are launching various strategies such as securing new flight routes, enhancing passenger cabin services, and entering into LCC business as a result of growing global demand for air transportation. Although the impact of the Boeing 737 MAX aircraft grounding is a matter of temporary concern, both Boeing and Airbus have maintained a high level of order backlog, backed by rising aircraft demand. With plans to increase production of some models, along with progress in the development of new models aiming at improved fuel efficiency, the aircraft market is expected to remain robust.

Under such circumstances, in the aircraft interiors business and the aircraft seat business, we suspended part of its production activities in response to the inappropriate quality issues announced on March 26, 2019, and implemented corrective/preventive measures, while proceeding with efforts to raise awareness of both compliance and quality to a higher level.

Meanwhile, we started shipments of lavatories and galleys for the Boeing 777X and standard seats for KLM Royal Dutch Airlines, while embarking on the production of standard seats for Air Europa.

In the aircraft components business, we promoted initiatives to improve productivity, while beginning in-house production of interiors and seat parts by applying the metal processing technologies we have accumulated over the years.

In the aircraft maintenance business, we continued with initiatives to ensure flight safety and enhance quality, while endeavoring to expand aircraft maintenance for airlines such as by opening the Itami Branch.

As a result, on a consolidated basis, during the first quarter of FY 2019, the Company posted net sales of ¥18,762 million (down ¥3,354 million compared to the same period of the previous fiscal year), operating income of ¥394 million (down ¥1,062 million compared to the same period of the previous fiscal year), ordinary income of ¥110 million (down ¥1,499 million compared to the same period of the previous fiscal year) and net income attributable to shareholders of parent company of ¥58 million (down ¥922 million compared to the same period of the previous fiscal year).

Provision for loss on construction contracts of ¥3,452 million for construction to be completed in or after the second quarter of FY 2019 was recognized as of June 30, 2019. The impact of this provision for loss on construction contracts on income (loss) for the first quarter of FY 2019 was a decrease of ¥328 million in cost of sales (provision for loss on construction contracts as of March 31, 2019 was ¥3,781 million).

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

Selling, general and administrative expenses were ¥2,102 million (a decrease of ¥220 million compared to the same period of the previous fiscal year), due mainly to decreases in sales commissions and warranty expenses.

In terms of non-operating income (expenses), an expense of ¥283 million was reported due mainly to a deterioration in foreign exchange gains (losses) resulting from the appreciation of the yen in the foreign exchange market from the end of the previous fiscal year (an income of ¥153 million in the same period of the previous fiscal year).

As for extraordinary income (loss), a loss of ¥41 million was reported due mainly to loss related to quality (a loss of ¥78 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 due to a temporary delay in the shipment of products owing to the response to inappropriate quality issues.

Ordinary income decreased from the same period of the previous fiscal year, mainly reflecting the impact of a decrease in net sales, a decline in the number of shipments of profitable programs compared with the favorable number in the same period of the previous fiscal year, and an additional provision for loss on construction contracts recorded as a result of an increase in the initial costs of some programs.

As a result, the aircraft interiors business posted net sales of ¥13,815 million (down ¥1,073 million compared to the same period of the previous fiscal year) and ordinary income of ¥112 million (down ¥1,509 million compared to 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 mainly to the postponement of shipments of some programs to the second quarter and thereafter, despite efforts to minimize impacts from the suspension of production due to responses to inappropriate quality issues at Miyazaki JAMCO Corporation, to which the Company outsources production, mainly by shifting orders to other production bases of the Group. Meanwhile, an ordinary loss was reported due mainly to the decrease in net sales.

As a result, the aircraft seat business posted net sales of ¥2,114 million (down ¥2,645 million compared to the same period of the previous fiscal year) and ordinary loss of ¥28 million (ordinary income of ¥5 million in the same period of the previous fiscal year).

[Aircraft Components Business]

In the aircraft components business, despite a decrease in shipments of aircraft engine parts, net sales increased from the same period of the previous fiscal year due to an increase in shipments of heat exchangers and other equipment. Meanwhile, an ordinary loss was reported due mainly to a decline in production efficiency for aircraft engine parts, despite an increase in net sales.

As a result, the aircraft components business posted net sales of ¥1,347 million (up ¥100 million compared to the same period of the previous fiscal year) and ordinary loss of ¥48 million (ordinary income of ¥12 million in the same period of the previous fiscal year).

[Aircraft Maintenance Business]

In the aircraft maintenance business, net sales increased from the same period of the previous fiscal year, while ordinary income (loss) improved due to continued solid performance of aircraft maintenance and equipment maintenance.

As a result, the aircraft maintenance business posted net sales of ¥1,485 million (up ¥263 million compared to the same period of the previous fiscal year) and ordinary income of ¥76 million (ordinary loss of ¥32 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 ¥1 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, 2019 amounted to ¥104,302 million, up ¥1,321 million from the end of the previous fiscal year. Of such, total current assets increased by ¥1,456 million from the end of the previous fiscal year, due mainly to an increase in work in process (up ¥2,110 million compared to the end of the previous fiscal year) and an increase in raw materials and supplies (up ¥1,718 million compared to the end of the previous fiscal year), despite a decrease in cash and deposits (down ¥2,044 million compared to the end of the previous fiscal year). Total non-current assets decreased by ¥134 million from the end of the previous fiscal year due to decreases in property, plant and equipment (down ¥25 million compared to the end of the previous fiscal year) and intangible assets (down ¥111 million compared to the end of the previous fiscal year) as a result of relatively limited investment for the first quarter of FY 2019.

Total liabilities amounted to ¥74,172 million, up ¥1,907 million from the end of the previous fiscal year. This was attributable primarily to an increase in short-term loans payable (up ¥2,183 million compared to the end of the previous fiscal year) and an increase in accrued expense-salary (up ¥867 million compared to the end of the previous fiscal year), which offset the decrease in income taxes payable (down ¥1,304 million compared to the end of the previous fiscal year).

Total net assets amounted to ¥30,129 million, down ¥585 million from the end of the previous fiscal year. This was due primarily to a decrease in retained earnings (down ¥477 million compared to the end of the previous fiscal year) as a result of cash dividend payment and other factors. As a result, the equity ratio stood at 28.4%.

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

Regarding financial results for the first quarter of FY 2019, temporary impacts from factors such as a decrease in net sales are expected through the second quarter against the consolidated financial results forecast announced on May 10, 2019, due to a delay in shipments of some products as a result of responses to inappropriate quality issues related to the aircraft interiors business and the aircraft seat business. However, since these have been no incidents that would develop into the cancellation of orders or a large-scale recall, financial results forecast for the fiscal year ending March 31, 2020 remains unchanged.

In addition, the exchange rate assumed for the consolidated financial results forecast is unchanged at ¥105 per US\$1 at the present time.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	5,822,330	3,778,002
Notes and accounts receivable - trade	22,571,490	21,033,655
Merchandise and finished goods	2,240,670	1,715,367
Work in process	30,282,883	32,393,606
Raw materials and supplies	16,203,864	17,922,422
Other	3,484,320	5,221,031
Allowance for doubtful accounts	(3,388)	(5,708)
Total current assets	80,602,172	82,058,378
Non-current assets		
Property, plant and equipment	13,988,321	13,962,439
Intangible assets	1,750,249	1,639,221
Investments and other assets	6,640,107	6,642,324
Total non-current assets	22,378,679	22,243,985
Total assets	102,980,852	104,302,364
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,821,292	9,661,207
Electronically recorded obligations - operating	8,910,255	8,856,761
Short-term loans payable	17,404,112	19,587,343
Current portion of long-term loans payable	2,300,000	1,600,000
Income taxes payable	1,465,270	161,081
Advances received	10,675,352	11,007,755
Accrued expense-salary	1,696,645	2,563,945
Provision for loss on construction contracts	3,781,190	3,452,675
Provision for loss related to quality	67,817	-
Other	4,434,703	4,007,211
Total current liabilities	59,556,639	60,897,983
Non-current liabilities		
Long-term loans payable	3,700,000	4,100,000
Liability for employee retirement benefits	7,070,783	7,067,613
Provision for loss on compensation	921,541	918,910
Other	1,016,411	1,187,923
Total non-current liabilities	12,708,736	13,274,446
Total liabilities	72,265,376	74,172,430

(Thousand yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Capital stock	5,359,893	5,359,893
Capital surplus	4,309,484	4,309,484
Retained earnings	20,413,755	19,936,170
Treasury stock	(30,968)	(30,968)
Total shareholders' equity	30,052,165	29,574,580
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166,007	128,851
Deferred gains or losses on hedges	50,597	148,320
Foreign currency translation adjustment	121,844	(38,907)
Accumulated adjustment for employee retirement benefits	(217,091)	(209,456)
Total accumulated other comprehensive income	121,358	28,807
Non-controlling interests	541,951	526,545
Total net assets	30,715,475	30,129,933
Total liabilities and net assets	102,980,852	104,302,364

(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 2018	The first quarter of FY 2019
Net sales	22,117,737	18,762,821
Cost of sales	18,337,383	16,265,199
Gross profit	3,780,353	2,497,621
Selling, general and administrative expenses	2,323,457	2,102,782
Operating income	1,456,896	394,839
Non-operating income		
Interest income	7,317	11,019
Dividend income	3,272	3,948
Foreign exchange gains	266,853	-
Share of profit of entities accounted for using equity method	7,283	-
Insurance income	-	20,000
Subsidy income	47,557	53,437
Other	5,005	4,187
Total non-operating income	337,290	92,592
Non-operating expenses		
Interest expenses	98,285	99,490
Foreign exchange losses	-	202,568
Share of loss of entities accounted for using equity method	-	5,615
Compensation expenses	53,143	5,259
Other	32,770	63,567
Total non-operating expenses	184,200	376,501
Ordinary income	1,609,987	110,930
Extraordinary loss		
Loss on disposal of non-current assets	78,998	6,103
Loss related to quality	-	35,335
Total extraordinary loss	78,998	41,438
Income before taxes	1,530,988	69,491
Income taxes – current	947,947	118,486
Income taxes – deferred	(356,004)	(136,782)
Total income taxes	591,943	(18,296)
Net income	939,044	87,788
Net income (loss) attributable to non-controlling shareholders	(42,461)	28,870
Net income attributable to shareholders of parent company	981,506	58,917

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 2018	The first quarter of FY 2019
Net income	939,044	87,788
Other comprehensive income		
Valuation difference on available-for-sale securities	14,503	(37,156)
Deferred gains or losses on hedges	(193,229)	97,722
Foreign currency translation adjustment	171,516	(180,348)
Adjustment for employee retirement benefits	13,691	7,634
Share of other comprehensive income of entities accounted for using equity method	(506)	-
Total other comprehensive income	5,975	(112,147)
Comprehensive income	945,020	(24,359)
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	966,411	(33,633)
Comprehensive income attributable to non-controlling shareholders	(21,391)	9,274

(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.

(Changes in accounting policies)

The first quarter of FY 2019 (from April 1, 2019 to June 30, 2019)

(Changes in accounting policies)

Overseas consolidated subsidiaries which adopt the International Financial Reporting Standards (IFRS) have adopted IFRS 16 Leases from the first quarter of FY 2019.
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The impact of the adoption of this accounting standard on quarterly consolidated financial statements is minor.

(Segment information, etc.)

[Segment information]

I. For the first quarter of FY 2018

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	14,889,048	4,760,175	1,246,645	1,221,859	22,117,728	9	22,117,737
Inter-segment net sales or transfers	410,507	37,768	6,511	25,603	480,390	27,386	507,776
Total	15,299,555	4,797,943	1,253,157	1,247,462	22,598,118	27,395	22,625,514
Segment income (loss)	1,622,761	5,989	12,432	(32,433)	1,608,750	1,236	1,609,987

(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	1,608,750
Income of Others	1,236
Ordinary income in the Quarterly Consolidated Statement of Income	1,609,987

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 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.