

FY2017 Financial Results Summary The Medium – Term Management Plan (FY2018~FY2020)

May 22, 2018

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- Monetary amounts have been calculated and rounded down to the nearest indicated unit, while ratios are calculated and rounded off to the nearest decimal place.
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Consolidated Statement of Income



[Million Yen]

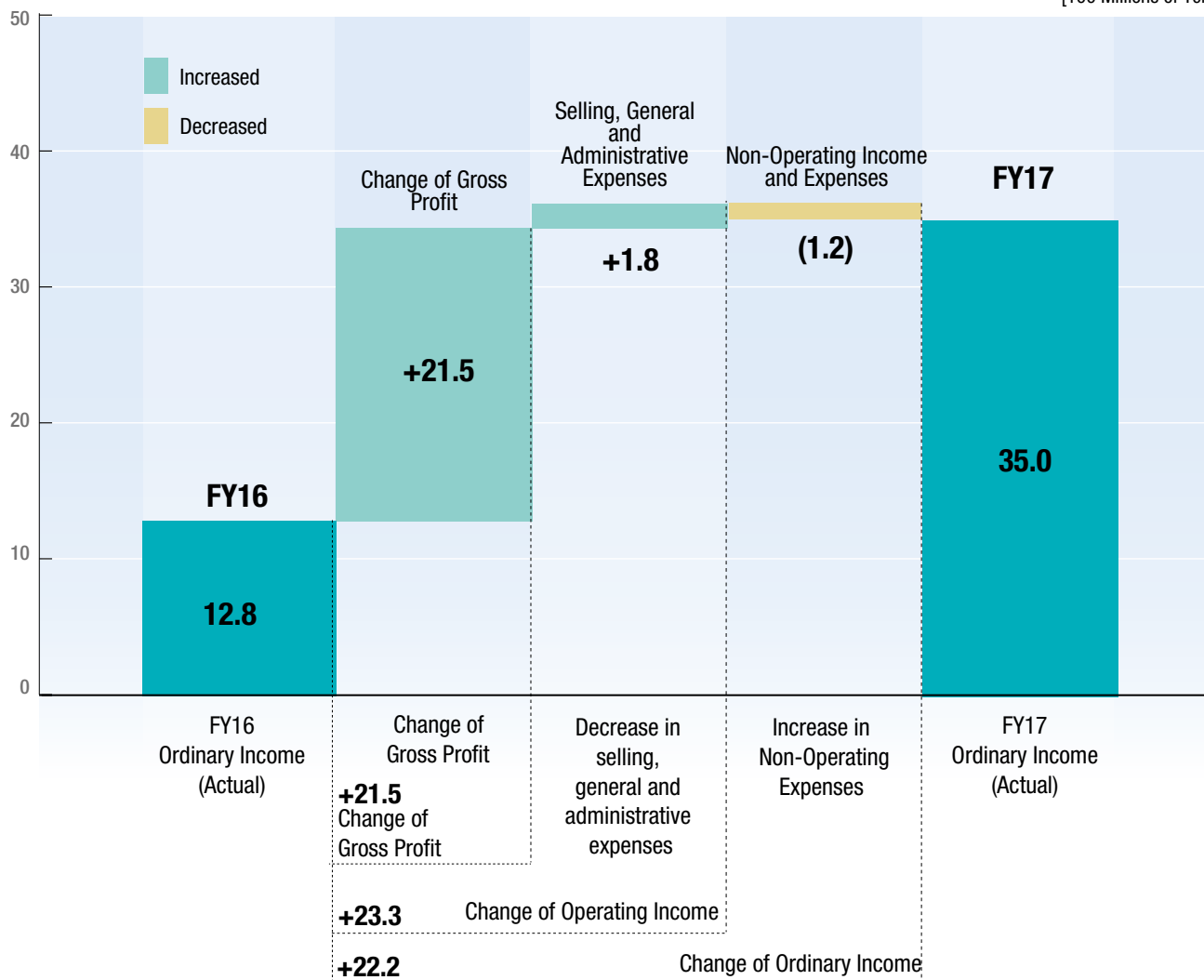
	FY16 (Actual)	FY17 (Plan)	FY17 (Actual)	Compared to Previous FY (Change)	Compared to Plan (Change)
Net Sales	81,834	79,400	77,791	(4,042)	(1,608)
Gross Profit	11,002	13,140	13,154	2,151	14
Selling, General and Administrative Expenses	8,870	9,340	8,687	(182)	(652)
Operating Income	2,132	3,800	4,466	2,334	666
Non-Operating Income and Expenses	(846)	(330)	(962)	(115)	(632)
Ordinary Income	1,285	3,470	3,504	2,218	34
Income Before Taxes	1,261	3,360	3,455	2,193	95
Net Income Attributable to Shareholders of Parent Company	1,014	2,280	1,681	667	(598)
Net Income Per Share (Yen)	37.82	84.99	62.69	—	—
Exchange Rate (Yen/US\$)	109.06	110.00	111.00	—	—

(Note) " Plan" refers to the earnings forecast at the time of business result announcement on May 10,2017.

Factors Leading to Difference in Consolidated Ordinary Income Compared With Previous FY

Compared to Previous FY (+¥2,220 million)

[100 Millions of Yen]



Point

Gross Profit

- Decrease in provision for loss on construction contracts +¥1,270 million
- Others +¥880 million

Selling, General and Administrative Expenses

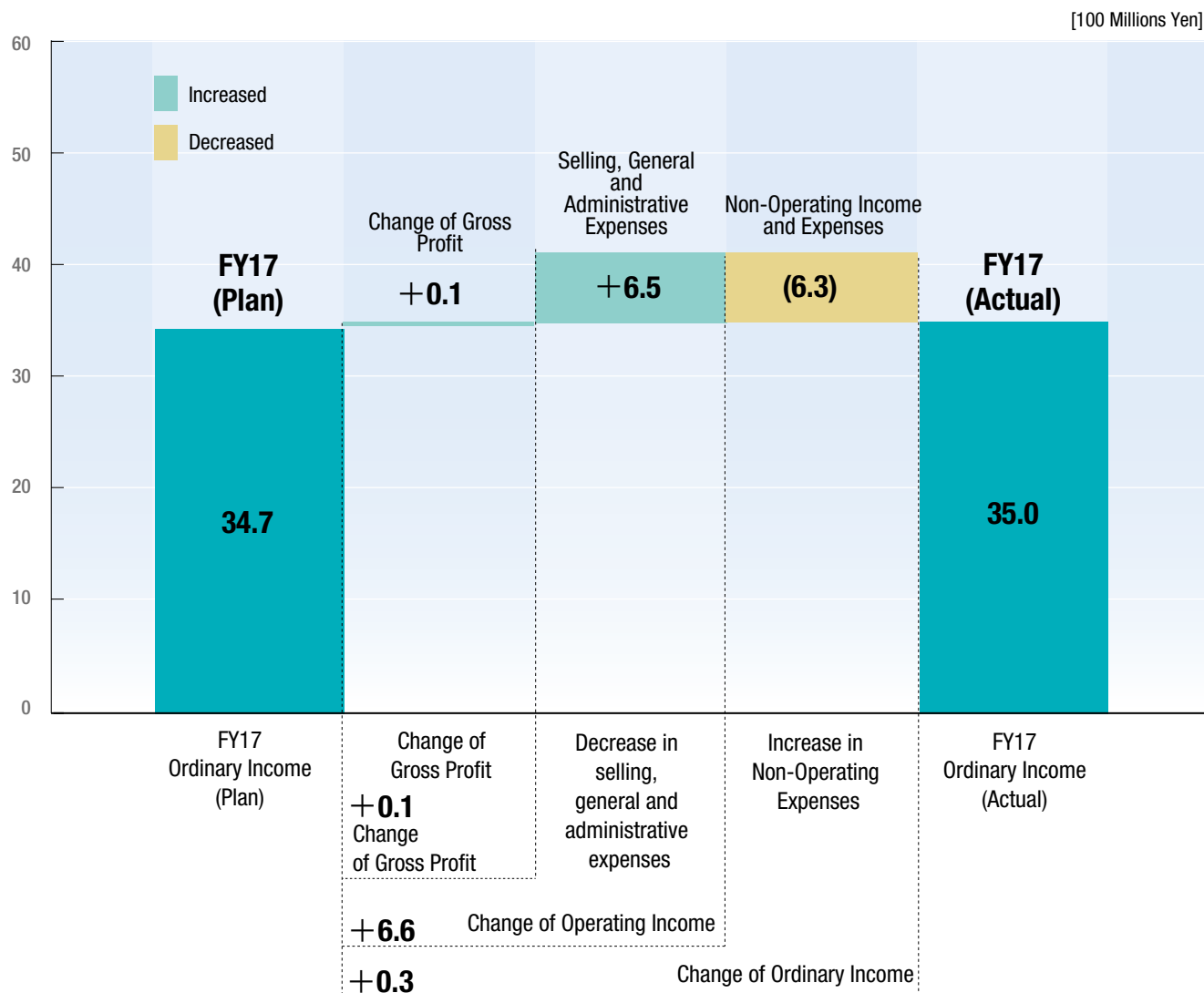
- Reduction of warranty repair costs +¥100 million
- Reduction of sales commissions +¥80 million

Non-Operating Income and Expenses

- Increase of compensation expenses -¥290 million
- Reduction of foreign exchange losses +¥140 million
- Others +¥30 million

Factors Leading to Difference in Consolidated Ordinary Income Compared With Plan

Compared to Plan (+¥30 million)



Point

Gross Profit

- Increase in provision for loss on construction contracts -¥460 million
- Others +¥470 million

Selling, General and Administrative Expenses

- Decrease in R&D costs +¥360 million
- Increase of warranty repair costs -¥80 million
- Others +¥370 million

Non-Operating Income and Expenses

- Increase of foreign exchange losses -¥420 million
- Increase of compensation expenses -¥420 million
- Others +¥210 million

Net Sales and Ordinary Income by Segment ①

Compared to Previous FY
Compared to Plan



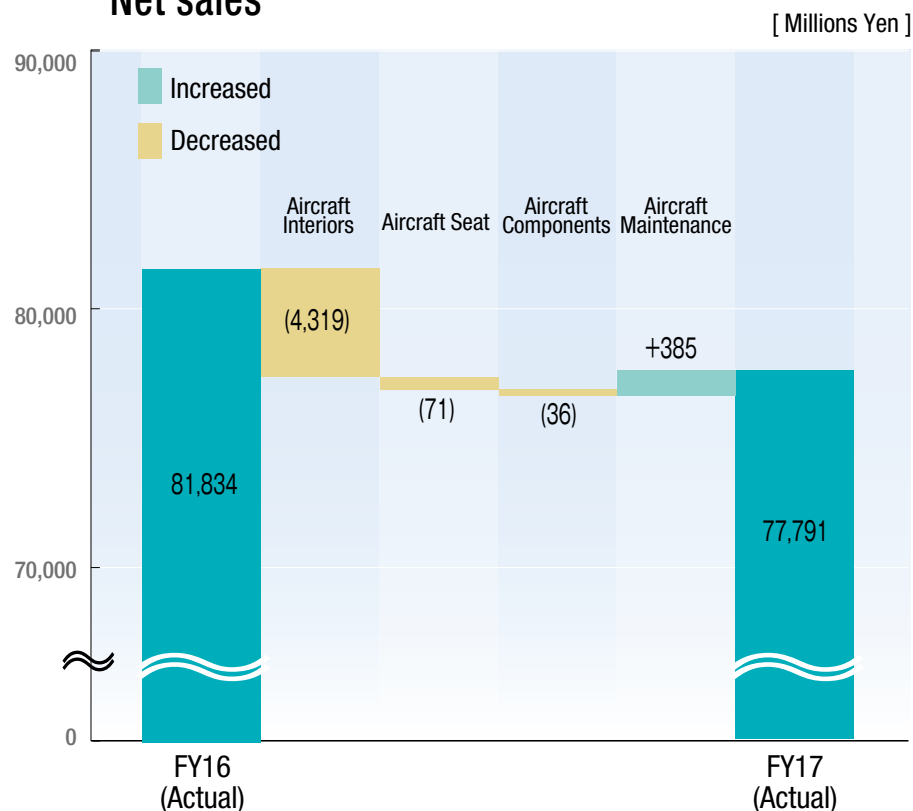
[Million Yen]

	Net Sales					Ordinary Income				
	FY16 (Actual)	FY17 (Plan)	FY17 (Actual)	Compared to Previous FY (Change)	Compared to Plan (Change)	FY16 (Actual)	FY17 (Plan)	FY17 (Actual)	Compared to Previous FY (Change)	Compared to Plan (Change)
Aircraft Interiors	55,311	48,800	50,992	(4,319)	2,192	4,676	3,230	6,793	2,117	3,563
Aircraft Seat	12,556	15,700	12,484	(71)	(3,215)	(3,547)	(330)	(3,641)	(93)	(3,311)
Aircraft Components	6,349	6,500	6,312	(36)	(187)	96	350	216	119	(133)
Aircraft Maintenance	7,617	8,300	8,002	385	(297)	64	220	139	75	(80)
Others	0	0	0	0	0	(4)	(10)	(4)	0	5
Total	81,834	79,400	77,791	(4,042)	(1,608)	1,285	3,470	3,504	2,218	34

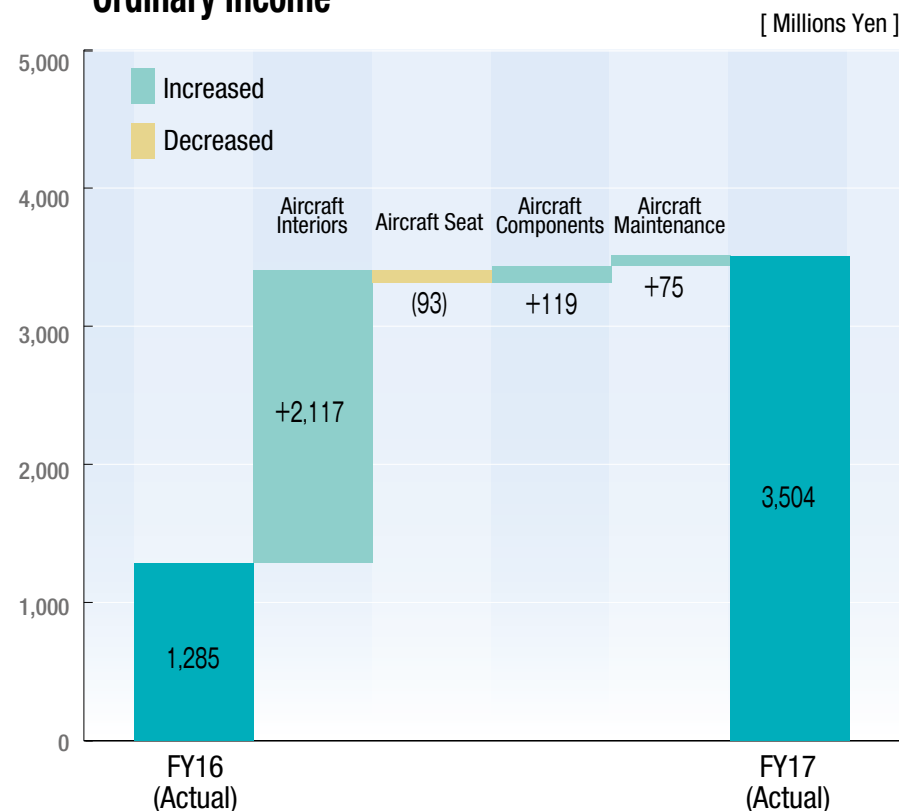
(Note) "Others" include amounts for Orange JAMCO Corporation.

Net Sales and Ordinary Income by Segment ② Compared to Previous FY

Net sales



Ordinary Income



Point

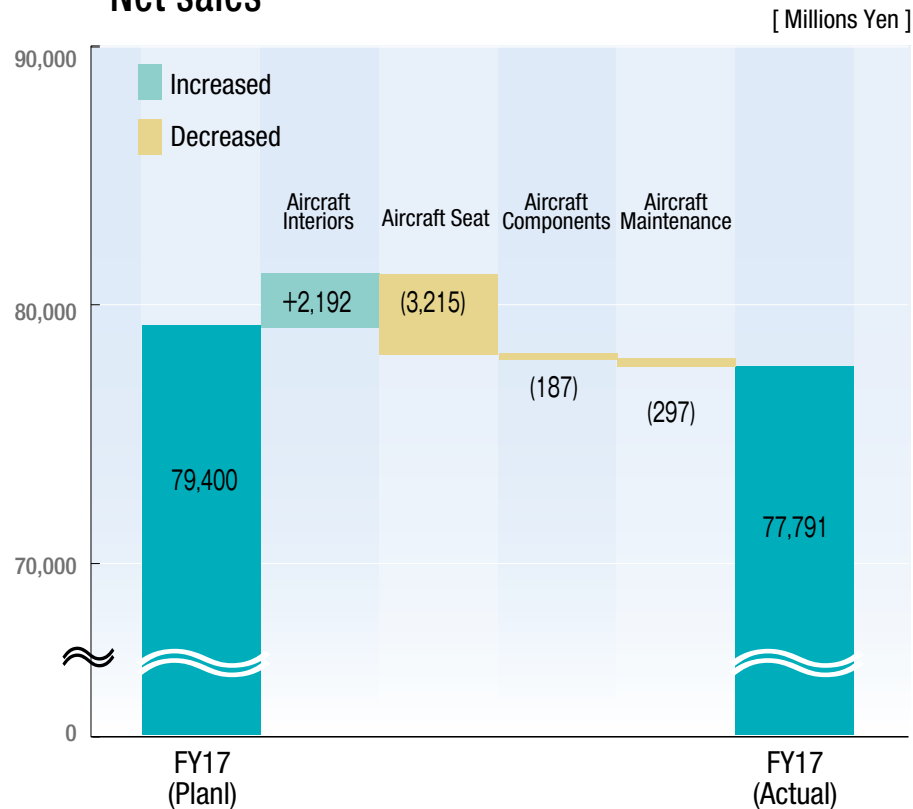
- Net sales for the aircraft interiors business fell due to the transition period accompanying the shift from the 777 to the 777X for galleys and lavatories.
- For the aircraft maintenance business, net sales increased for equipment maintenance despite a decrease in completed construction for aircraft maintenance.

Point

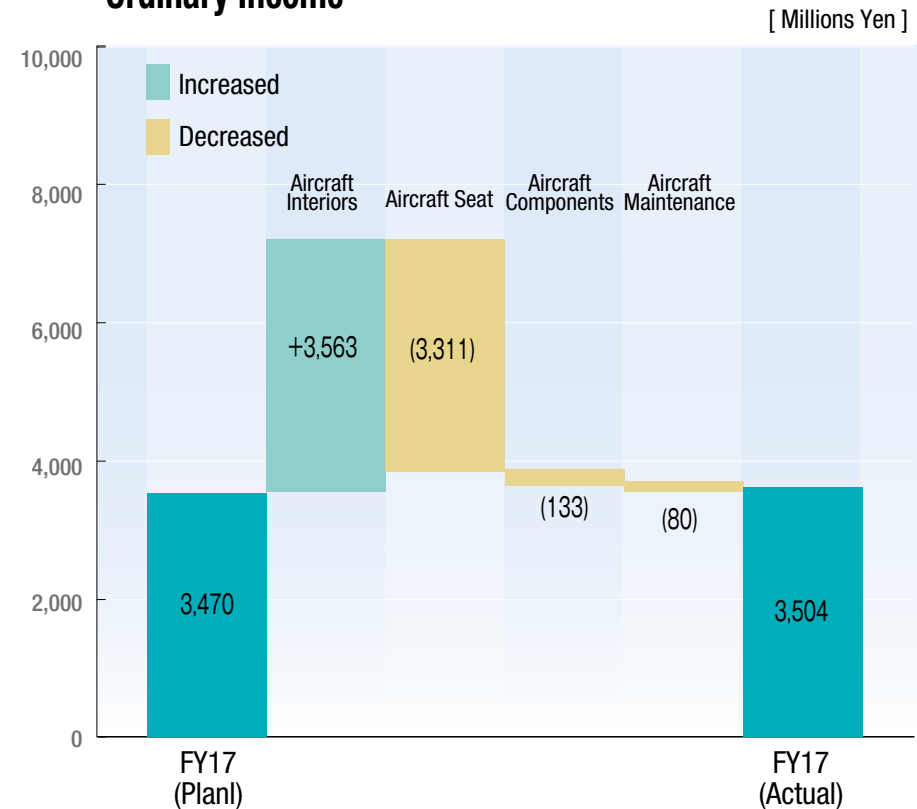
- Ordinary income for the aircraft interiors business increased due to a decrease in provision for loss on contracts, additional sales accompanying changes in customer specifications, and continued strong sales of spare parts.
- Ordinary income for the aircraft components business rose due to an increase in the production of aircraft engine parts.

Net Sales and Ordinary Income by Segment ③ Compared to Plan

Net sales



Ordinary Income



Point

- Net sales for the aircraft interiors business increased due to additional sales accompanying changes in customer specifications and deliveries for additional programs for galleys.
- Despite strong sales for spare parts, net sales for the seats business decreased due to changes in delivery dates for some programs.

Point

- Ordinary income for the aircraft interiors business increased due to lower costs achieved through cost reduction measures in addition to the effect of increased net sales.
- The aircraft seat business saw a decrease in ordinary income due to an increase in initial costs for development and manufacturing for new programs.

Consolidated Balance Sheets

[Million Yen]

Items of an Account	End of FY16 (As of March 31, 2017)	End of FY17 (As of March 31, 2018)	Change
ASSETS			
Current Assets			
Cash and Deposits	2,277	3,833	1,556
Notes and Accounts Receivable - Trade	23,158	22,451	(706)
Inventories	41,360	42,658	1,297
Other Current Assets	5,952	6,008	55
Total Current Assets	72,748	74,952	2,203
Non-Current Assets			
Property, Plant and Equipment	14,356	13,840	(515)
Intangible Assets	1,562	1,943	381
Investments and Other Assets	3,892	3,720	(171)
Total Non-Current Assets	19,811	19,504	(306)
Total Assets	92,559	94,456	1,897

Items of an Account	End of FY16 (As of March 31, 2017)	End of FY17 (As of March 31, 2018)	Change
LIABILITIES			
Current Liabilities			
Notes and Accounts Payable - Trade	9,608	7,518	(2,089)
Electronically Recorded Obligations - Operating	6,371	7,462	1,090
Short-Term Loans Payable	22,741	22,239	(502)
Current Portion of Long-Term Loans Payable	700	900	200
Advances Received	3,704	6,051	2,346
Provision for Loss on Construction Contracts	3,434	2,066	(1,367)
Other Current Liabilities	5,685	6,064	378
Total Current Liabilities	52,245	52,302	56
Non-Current Liabilities			
Long-Term Loans Payable	4,700	4,500	(200)
Other Non-Current Liabilities	7,610	8,100	490
Total Non-Current Liabilities	12,310	12,600	290
Total Liabilities	64,556	64,903	346
NET ASSETS			
Total Net Assets	28,003	29,553	1,550
Total Liabilities and Net Assets	92,559	94,456	1,897

Point

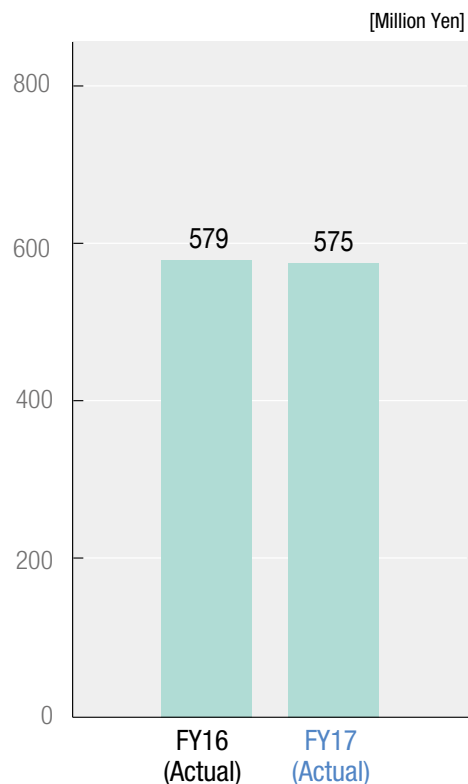
- Inventories increased due to a rise in development costs and work in process for the aircraft interiors and seats businesses.
- Total net assets rose due to increased retained earnings.

- Provision for loss on construction contracts decreased due to deliveries for the interior products and seats businesses.
- Equity ratio 29.4% → 30.4% (1.0 point rise)

Consolidated Research and Development / Investment in Plant and Equipment / Depreciation



Consolidated Research and Development

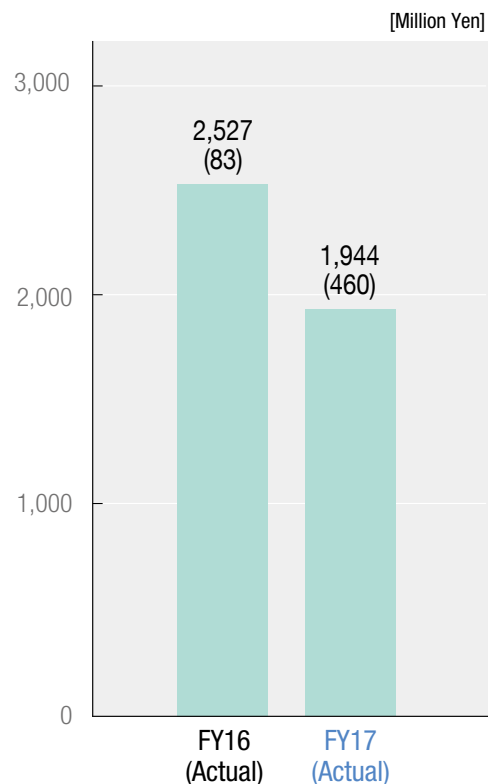


Point

FY17 (Actual)

- Development of standard seats, materials to reduce the weight of interior products
- Various testing of ADP materials

Consolidated Investment in Plant and Equipment



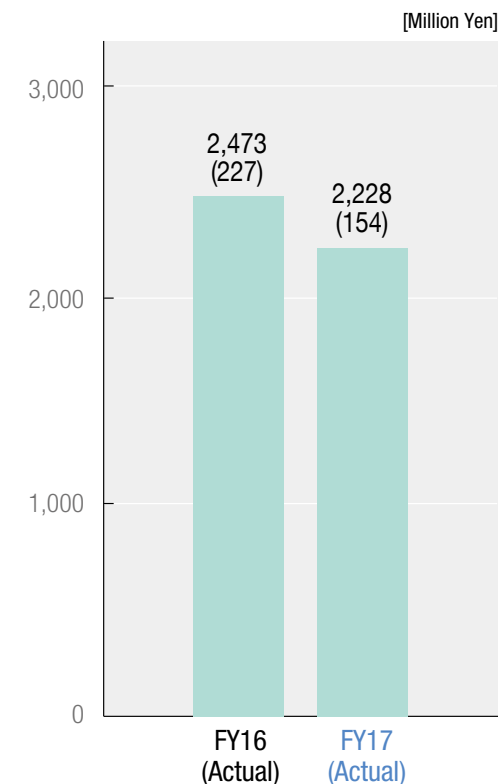
Point

FY17 (Actual)

- Investments made in IT for automation
- Creation of mock-ups and dies for seats

*Capital expenditure includes all lease properties' amounts in parenthesis

Consolidated Depreciation



*Amounts in parenthesis are for lease assets

JAMCO and Subsidiaries



[Million Yen]

	JAMCO	Niigata JAMCO	Miyazaki JAMCO	Nakajo JAMCO	JAMCO AMERICA, INC.	JAMCO AERO DESIGN & ENGINEERING PTE LTD.	JAMCO SINGAPORE PTE LTD.	JAMCO PHILIPPINES, INC.	JAMCO AERO MANUFACTURING CO., LTD.	Tokushima JAMCO	JAMCO AEROTECH CO., LTD.	Orange JAMCO	SINGAPORE JAMCO SERVICES PTE LTD.
Net sales	66,183	3,670	2,128	841	20,919	1,931	3,251	662	1,217	698	461	103	3,937
Operating income	2,979	316	(5)	25	835 (630)	203	76	50	104	24	21	5	220
Ordinary income	2,309	334	5	41	1,962 (1,771)	221	70	45	114	24	21	5	221
Net income	1,576	224	2	28	967 (919)	194	62	34	74	15	13	3	187

(Note 1) Singapore JAMCO Services is an equity method affiliate of JAMCO Group.

(Note 2) JAMCO America accounts for amortization of 787-related development costs using the same standards as JAMCO Corporation. Amounts in parenthesis are based on US accounting standards.

Business Environment and Market Trend

- **The overall global economy remains strong, driven by the continued health of the U.S. economy, as well as the on-going growth of the Chinese market. However, the outlook is uncertain due to the effects of: the current U.S. administration's America First policy; trends in economic policy; the impact of Brexit on the EU's economy and forex markets; and increasing geopolitical risks in the Middle East and East Asia.**
- **While increasing travel demand is contributing to increased profits for airlines, fierce competition continues due to aggressive efforts by LCCs.**
- **Together with this increase in demand, aircraft manufacturers have exceeded their historical production numbers for small-sized aircraft, while production levels of medium-sized aircraft such as the Boeing 787 and Airbus A350 remain high. However, the effect of reduced production of the current 777, due to the transition period accompanying the shift to the 777X, and production cutbacks for the A380, due to lower demand for large-sized aircraft, is expected to continue.**
- **Reducing aircraft manufacturing costs and lead times are vital challenges for aircraft manufacturers, and their demands on suppliers to do the same are intensifying.**

Medium - Term Vision

- **JAMCO will become a leading aircraft interiors company as a specialist in the field of aviation that makes aircraft interiors its primary business, while utilizing its component manufacturing and aircraft maintenance capabilities.**

Medium - Term Management Index

- **Profitability indicator: Consolidated ordinary income ratio of 7% or more.**
- **Efficiency indicator: Consolidated ROA of 7% or more.**
- **Dividend policy: Consolidated dividend payout ratio of 20-30% will be set as a guideline.**

Tasks and Actions

Aircraft Interiors Segment

- 1 Intensify efforts to secure interior products contracts for next-generation aircraft to serve as a stable business foundation for the long-term.
- 2 In addition to addressing customers' demands to reduce costs and lead times, we will make improvements to the development processes we use for new projects to deal with future expansion of new development projects.
- 3 Improve quality, cost and lead times even further by enhancing our supply chain.
- 4 Improve cost competitiveness by reviewing and optimizing outsourcing operations, and benchmarking expenses related to components and outsourcing.

Aircraft Seat Segment

- 1 Intensify development & sales of standard seats using a standardized platform. Drive stable profits by promoting a transition to efficient development and improvements in manufacturing processes.
- 2 Encourage orders & sales by developing appealing products for next-generation aircraft.
- 3 Improve production efficiency by working to optimize the group supply chain.

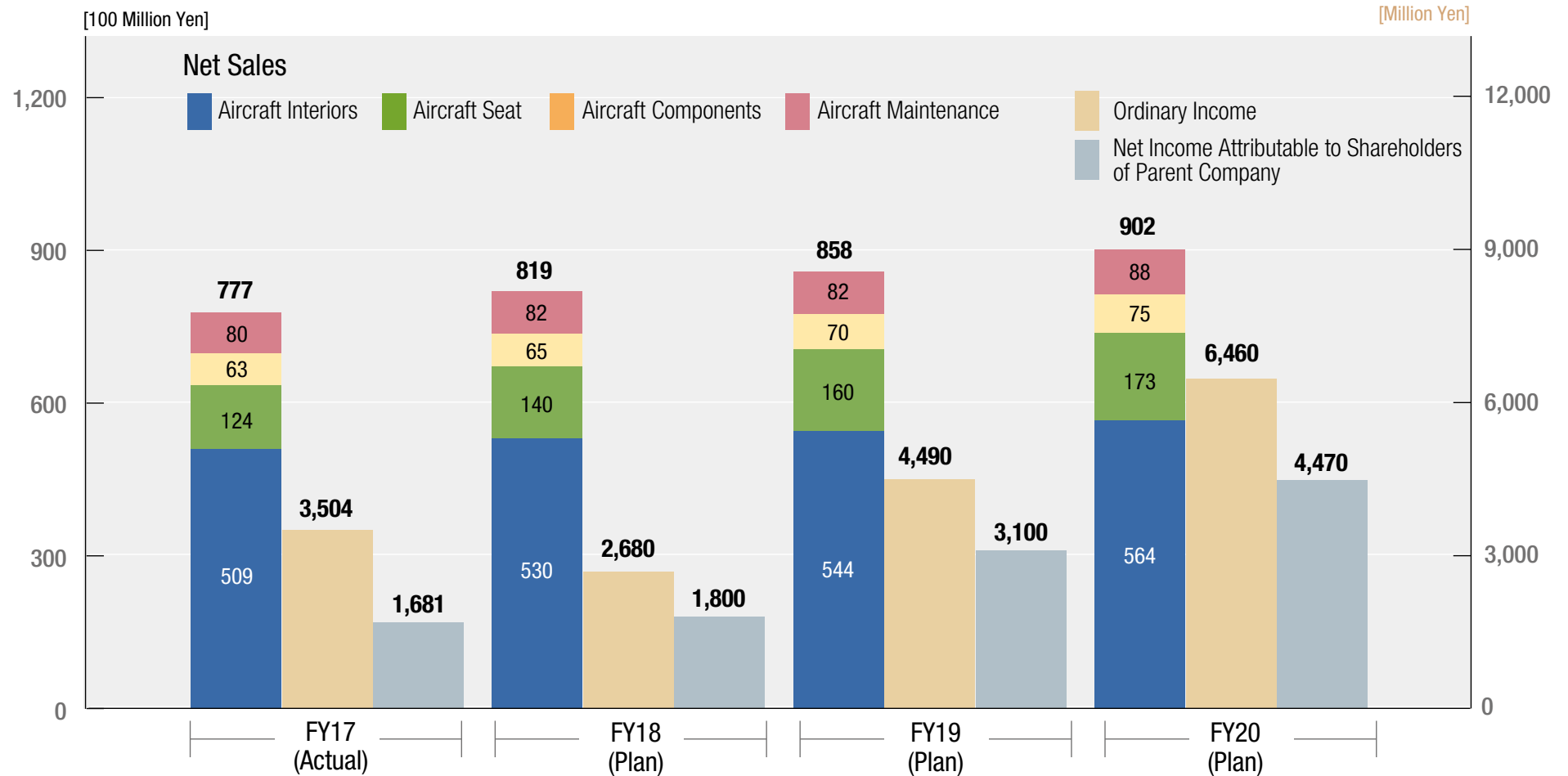
Aircraft Components Segment

- 1 Increase competitiveness by working to expand orders for products with high technological added value.
- 2 Improve profitability by pursuing increased quality and production efficiency together with our affiliated companies.
- 3 Apply CFRP and other manufacturing technologies to interior products and seats.

Aircraft Maintenance Segment

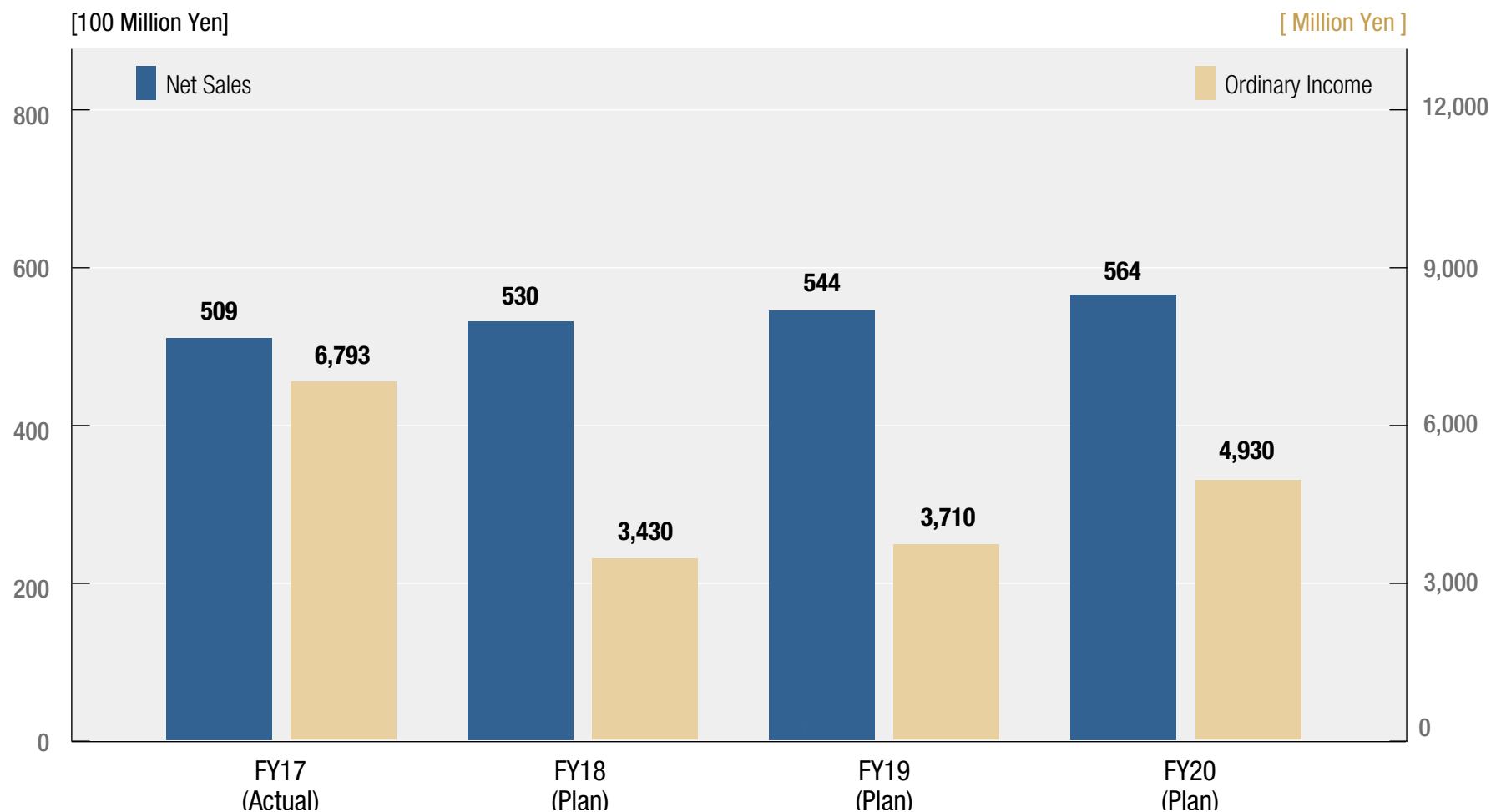
- 1 Ensure flight safety while continuously enhancing our quality assurance system.
- 2 Strengthen initiatives related to new, high added value business.
- 3 Drive streamlining efforts that include changes to areas we do business in and reviewing contract terms.
- 4 Participate in MRO Japan Co., Ltd. (an aircraft maintenance, repair, and overhaul company scheduled to expand its operations to Okinawa).

Consolidated Net Sales / Ordinary Income / Net income Attributable to Shareholders of Parent Company



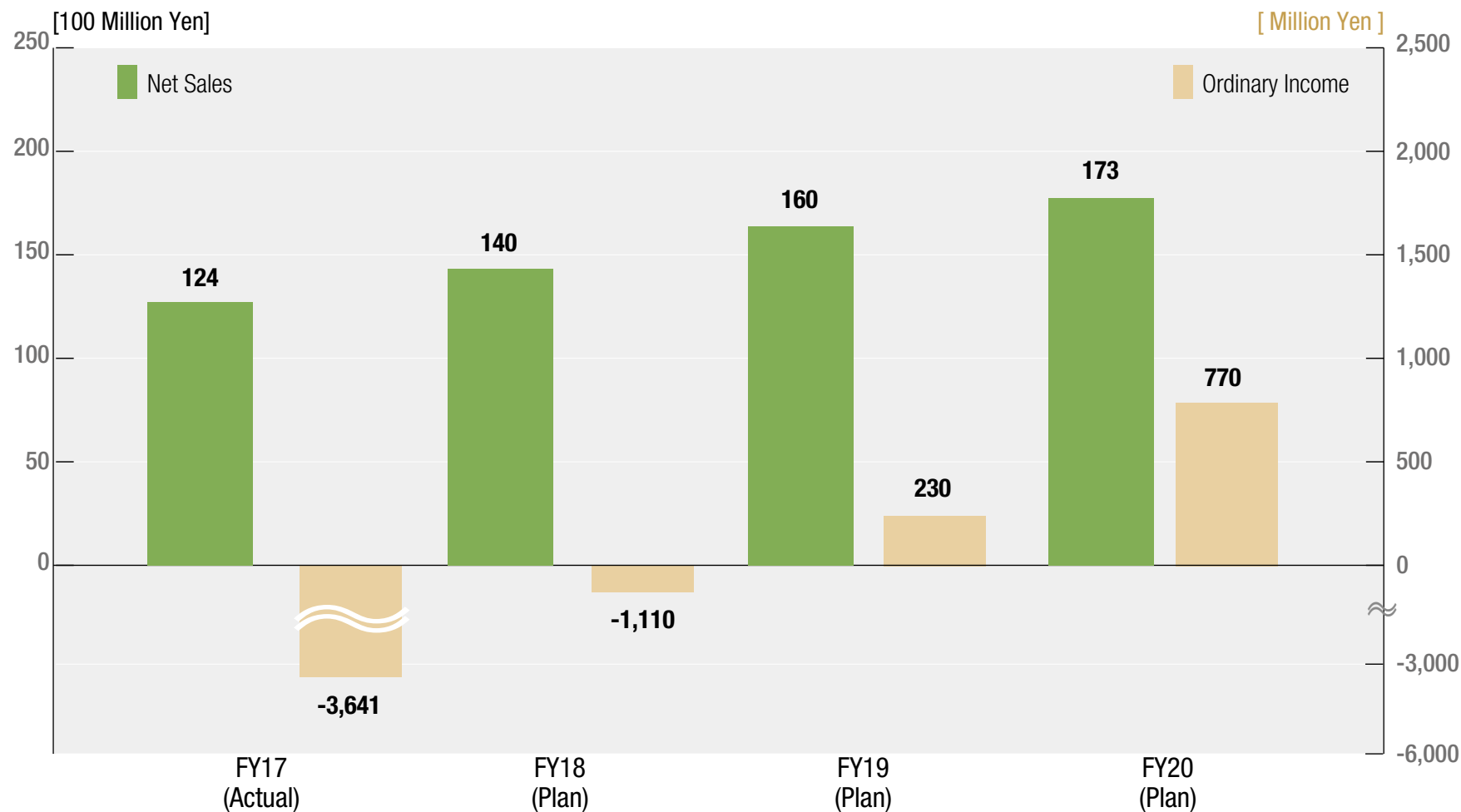
(Note) Exchange Rate for FY18-FY20 ¥105/US\$

Consolidated Net Sales and Ordinary Income of Aircraft Interiors (Plan)



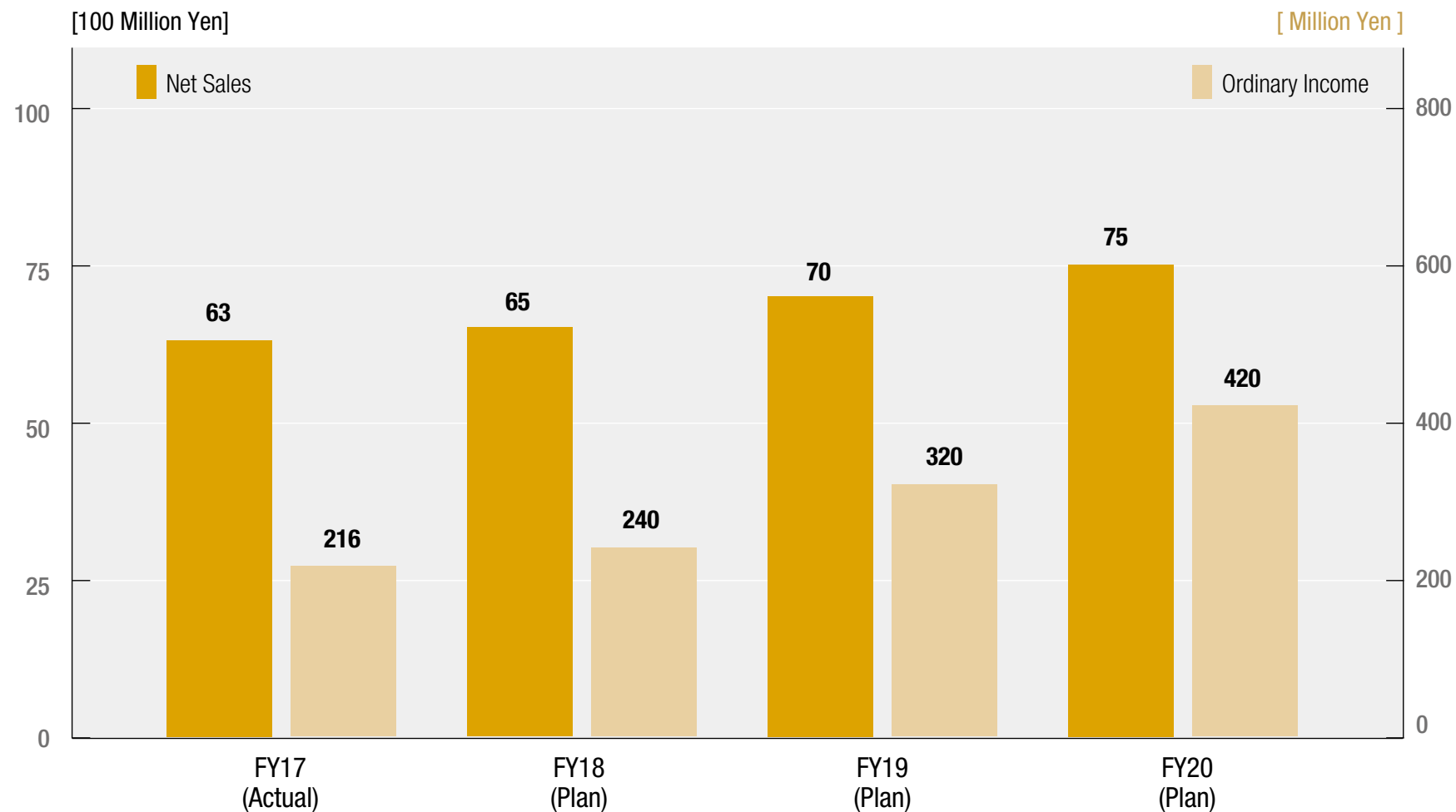
(Note) Exchange Rate for FY18-FY20 ¥105/US\$

Consolidated Net Sales and Ordinary Income of Aircraft Seats (Plan)



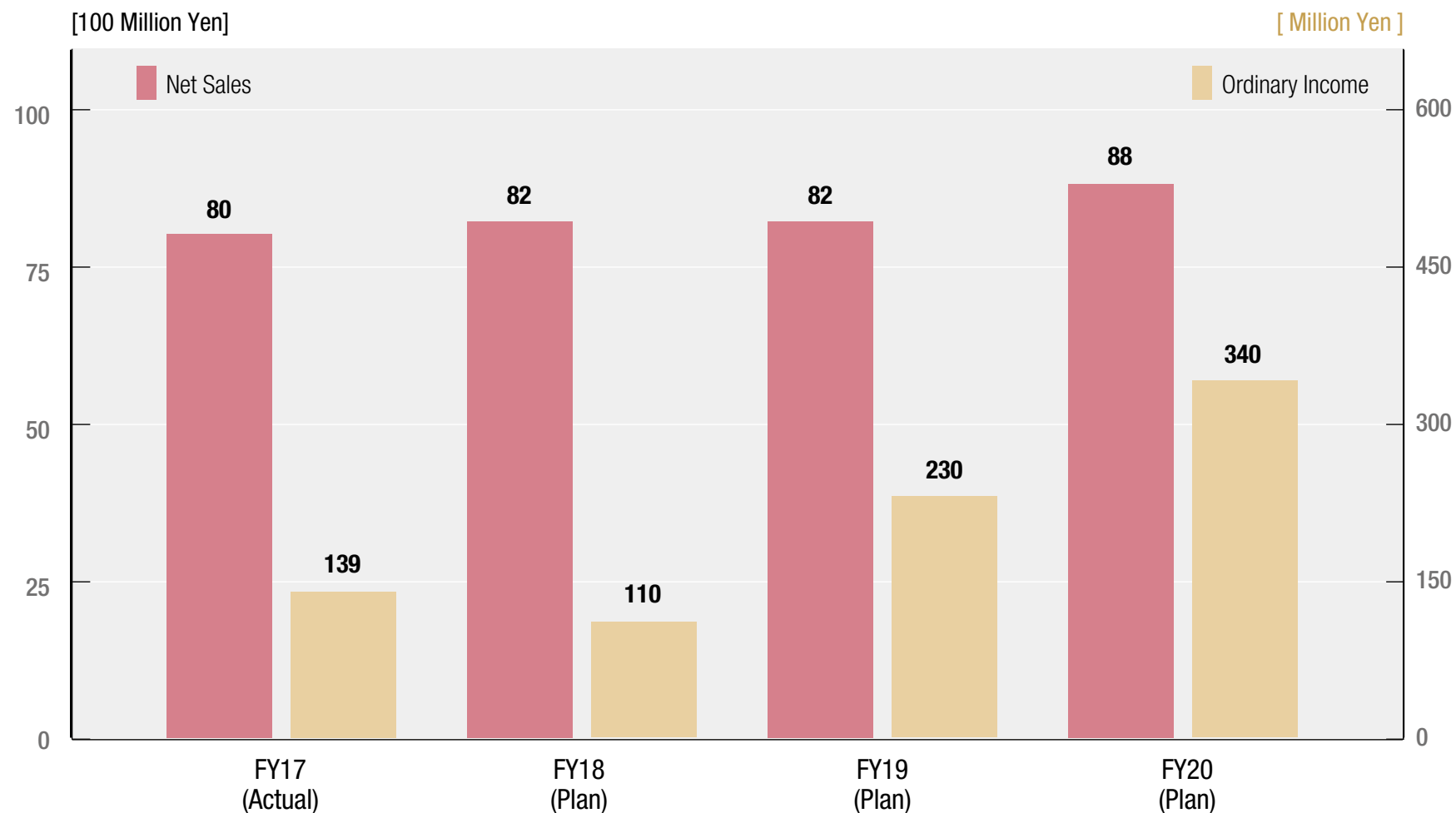
(Note) Exchange Rate for FY18-FY20 ¥105/US\$

Consolidated Net Sales and Ordinary Income of Aircraft Components (Plan)



(Note) Exchange Rate for FY18-FY20 ¥105/US\$

Consolidated Net Sales and Ordinary Income of Aircraft Maintenance (Plan)



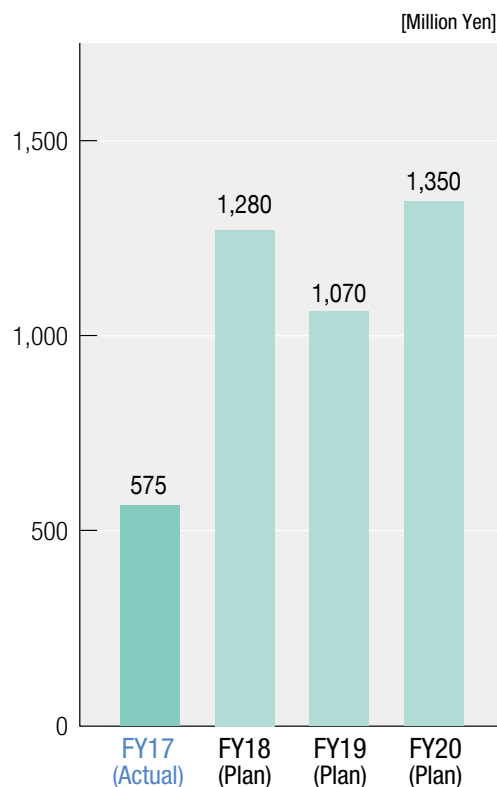
(Note) Exchange Rate for FY18-FY20 ¥105/US\$

Trend of Management Index

	FY14	FY15	FY16	FY17	FY18 (Plan)	FY19 (Plan)	FY20 (Plan)
Ordinary Income to Net Sales	10.2%	9.0%	1.6%	4.5%	3.3%	5.2%	7.2%
Ordinary Income to Total Assets Ratio	9.8%	9.2%	1.4%	3.7%	2.9%	4.9%	7.1%
Net Income to Equity Ratio	22.6%	20.2%	3.7%	6.0%	6.1%	10.0%	13.3%
Capital Adequacy Ratio	27.0%	29.7%	29.4%	30.4%	32.6%	35.2%	38.5%
Dividend per Share	¥35	¥40	¥10	¥20	¥20	—	—
Payout Ratio	19.6%	20.8%	26.4%	31.9%	29.8%	—	—
Share Price (The Last Day of the Term)	¥3,665	¥2,816	¥2,475	¥2,242	—	—	—

Consolidated Research and Development / Investment in Plant and Equipment / Depreciation

Consolidated Research and Development

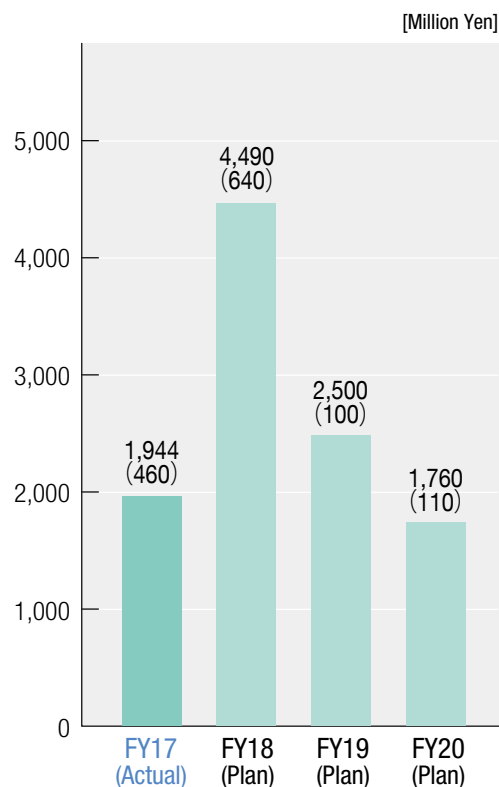


Point

FY17 (Plan)

- Development of standard seats, materials to reduce the weight of interior products
- Various testing of ADP materials

Consolidated Investment in Plant and Equipment



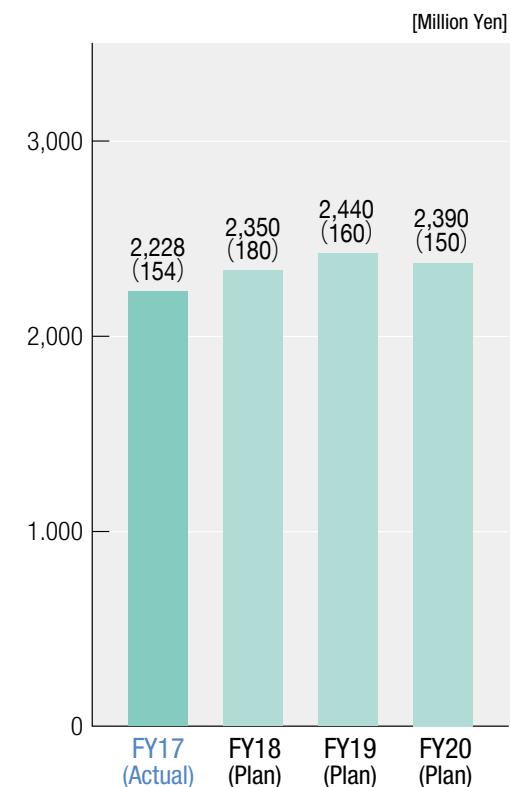
*Capital expenditure includes all lease properties' amounts in parenthesis

Point

FY18 (Plan)

- Investments in IT to improve efficiency of design operations, renovation of systems.
- Introduction of new seat production equipment, dies for interior products

Consolidated Depreciation



*Amounts in parenthesis are for lease assets

Production Status and Development Status for Boeing and Airbus

■ 787 Production Status

- As of the end of March 2018, 670 aircraft have been delivered
- As of the end of March 2018, 648 aircraft are on order

■ 777X Development Status

- Delivery of the first aircraft scheduled for 2020
- As of the end of March 2018, 326 aircraft are on order

■ 737MAX Production Status

- As of the end of March 2018, 110 aircraft have been delivered
- As of the end of March 2018, 4,364 aircraft are on order

■ A380 Production Status

- As of the end of March 2018, 223 aircraft have been delivered
- As of the end of March 2018, 108 aircraft are on order

■ A350XWB Production Status

- As of the end of March 2018, 159 aircraft have been delivered
- As of the end of March 2018, 695 aircraft are on order

■ A330neo Development Status

- Delivery of the first aircraft scheduled for 2018
- As of the end of March 2018, 214 aircraft are on order

■ A320neo Production Status

- As of the end of March 2018, 279 aircraft have been delivered
- As of the end of March 2018, 5,752 aircraft are on order

Source: Boeing Home Page and Airbus Home Page

Boeing's Orders and Deliveries

(Jan. 2017~Dec. 2017)

	Orders	Deliveries	Order backlog
Total	912	763	5,864
747	(2)	14	12
777/777X	60	74	428
787	94	136	658
767	15	10	98
737	745	529	4,668

(Note 1) colored models indicate wide-body aircraft

(Note 2) The 777/777X order backlog includes a backlog of 326 777Xs

(Note 3) Orders indicate net orders

Source: Boeing Home Page

Airbus' Orders and Deliveries

(Jan. 2017~Dec. 2017)

	Orders	Deliveries	Order backlog
Total	1,109	718	7,265
A380	(2)	15	95
A350	36	78	712
A330/A340	21	67	317
A320 family	1,054	558	6,141

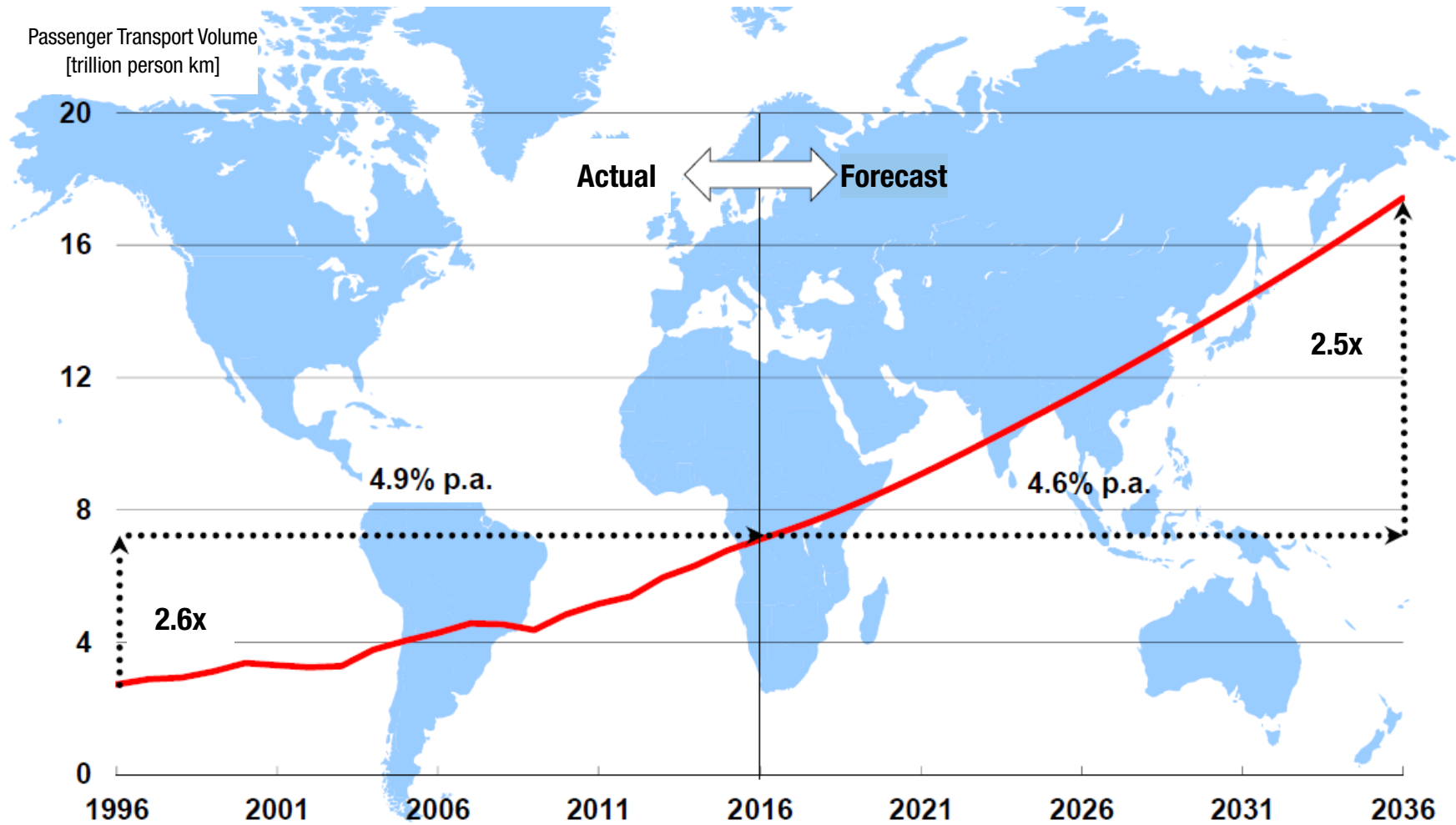
(Note 1) colored models indicate wide-body aircraft

(Note 2) Orders indicate net orders

Source: Airbus Home Page

Passenger Demand of the World

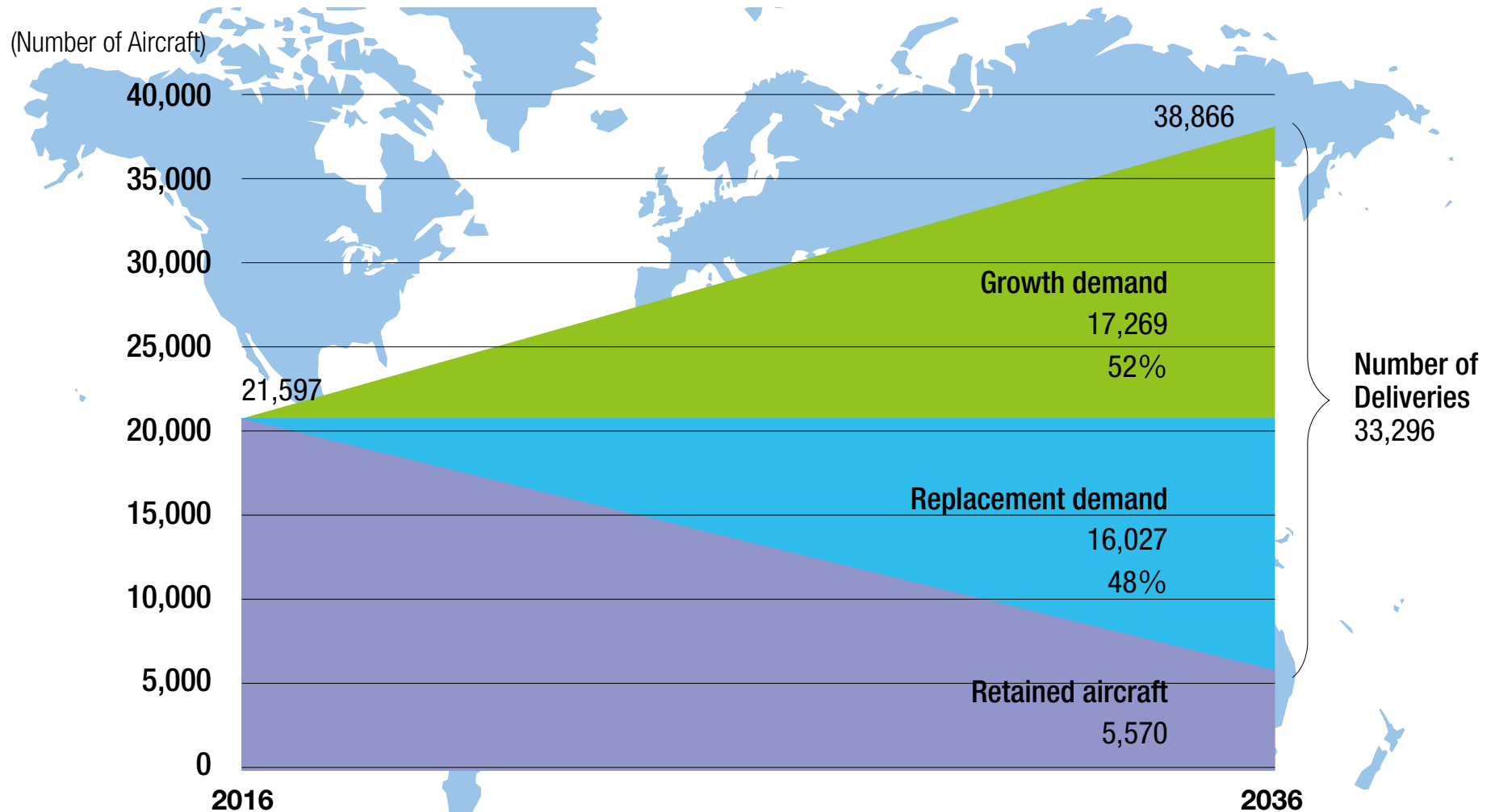
The annual average growth rate of air passenger traffic for the twenty year period of 2017-2036 is estimated to be 4.6%.



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Passenger Jet Airplane Demand

Demand for 33,296 aircraft is expected over the next two decades, with 17,269 of those being new demand.



技術を翼に世界の空へ

 **Jamco**
ALWAYS FLY TOGETHER



Always Fly Together