

April 1, 2020 through September 30, 2020

# **Interim Business Report 2020**

November 24, 2020

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- All statements in this document that are not historical facts are forward-looking and reflect the views and assumptions of management based on the information available at the time of publication. These statements contain various elements of risk and uncertainty regarding economic trends, exchange rates, market demand, tax and other systems. It should be noted that actual performance may differ from these forecasts.
- 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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#### **JAMCO CORPORATION**

# **Consolidated Statement of Income**



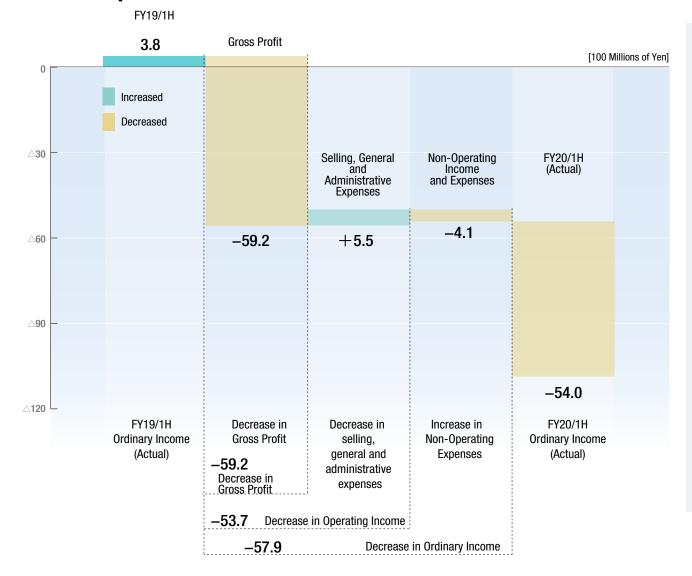
[ Million Yen ]

	FY19/1H (Actual)	FY20/1H (Actual)	Compared to Previous FY (Change)
Net Sales	40,554	25,860	(14,694)
Gross Profit	4,663	(1,264)	(5,927)
Selling, General and Administrative Expenses	3,878	3,326	(551)
Operating Income	784	(4,591)	(5,375)
Non-Operating Income and Expenses	(400)	(818)	(417)
Ordinary Income	384	(5,409)	(5,793)
Income Before Taxes	127	(6,050)	(6,178)
Net Income Attributable to Shareholders of Parent Company	73	(4,294)	(4,367)
Net Income Per Share (Yen)	2.73	(160.10)	_
Exchange Rate (Yen/US\$)	109.68	107.52	_





### **Compared to Previous FY** (-¥5,790 million)



#### Gross Profit

 Shipment of our products decreased as a result of the aircraft manufacturers being forced to plan drastic production cuts due to the sharp decline in demand for air transportation caused by the spread of COVID-19.

#### Selling, General and Administrative Expenses

- Decrease in warranty repair costs (+¥120 million)
- Decrease in R&D costs (+¥120 million)
- Decrease in labor costs (+¥120 million)
- Decrease in sales commission (+¥70 million)
- Others (+¥120 million)

#### Non-Operating Income and Expenses

- Worsening of foreign exchange gains and losses (-¥270 million)
- Increase of compensation expenses (-¥150 million)
- Others (+¥10 million)



# **Net Sales and Ordinary Income by Segment—**



[ Million Yen ]

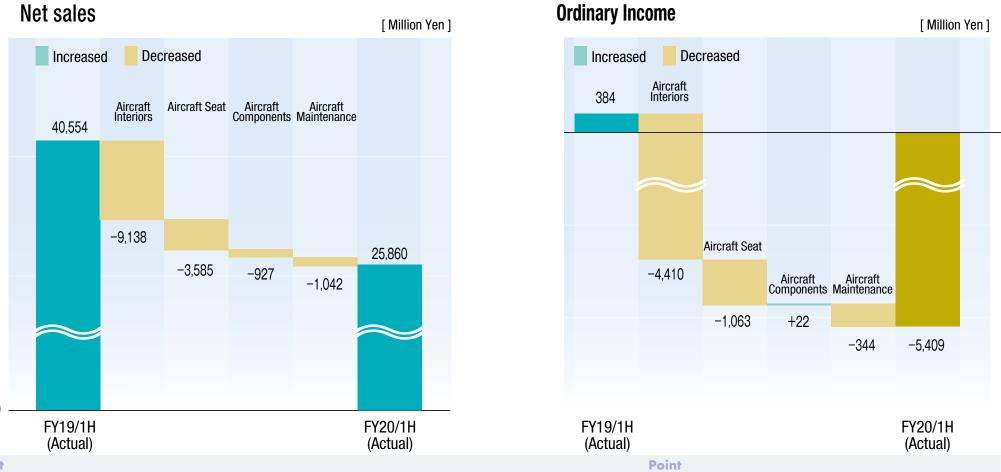
	Net Sales			Ordinary Income			
	FY19/1H (Actual)	FY20/1H (Actual)	Change	FY19/1H (Actual)	FY20/1H (Actual)	Change	
Aircraft Interiors	27,066	17,928	(9,138)	955	(3,455)	(4,410)	
Aircraft Seat	7,238	3,652	(3,585)	(728)	(1,791)	(1,063)	
Aircraft Components	2,658	1,731	(927)	(124)	(102)	22	
Aircraft Maintenance	3,590	2,547	(1,042)	283	(60)	(344)	
Others	0	0	0	(1)	0	2	
Total	40,554	25,860	(14,694)	384	(5,409)	(5,793)	

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

# 1

# **Net Sales and Ordinary Income by Segment–**





#### Point

- Net sales for the aircraft interiors business fell due to sales of cabin retrofit kits and spare parts for airlines decreased reflecting 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.
- Net sales for the aircraft seat business fell due to changes to the delivery dates and some cancellations by customers as a result of the impact of the spread of COVID-19.
- Net sales for the aircraft components business fell 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, despite robust shipments of heat exchangers and other equipment mainly related to defense contracts.
- Net sales for the aircraft maintenance business fell 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.
- Ordinary loss for the aircraft interiors business due mainly to the decrease in net sales.
- Ordinary loss for the aircraft seat business due mainly to the decrease in net sales and an increase in costs, including an increase in provision for loss on construction contracts for custom-made products.
- Although aircraft components business posted a decrease in net sales, losses declined due to some shipments of profitable products.
- Ordinary loss for the aircraft maintenance due mainly to the decrease of net sales.
   due to the impact of the spread of COVID-19.

## **Consolidated Balance Sheets**



【単位:百万円】

Items of an Account	<b>End of FY19</b> (As of March 31, 2020 )	End of FY20/1H (As of September 30,2020)	Change
ASSETS			
<b>Current Assets</b>			
Cash and Deposits	8,690	7,139	(1,551)
Notes and Accounts Receivable - Trade	31,898	21,853	(10,045)
Inventories	52,251	56,618	4,366
Other Current Assets	4,890	3,839	(1,051)
<b>Total Current Assets</b>	97,732	89,451	(8,281)
<b>Non-Current Assets</b>			<u> </u>
Property, Plant and Equipment	13,766	13,208	(557)
Intangible Assets	1,999	1,891	(107)
Investments and Other Assets	6,686	8,380	1,693
<b>Total Non-Current Assets</b>	22,451	23,480	1,028
Total Assets	120,184	112,931	(7,253)

Items of an Account	<b>End of FY19</b> (As of March 31, 2020)	End of FY20/1H (As of September 30,2020)	Change
LIABILITIES			
Current Liabilities			
Notes and Accounts Payable - Trade	11,394	6,837	(4,557)
Electonically Recorded Obligations - Operating	9,551	6,835	(2,715)
Short-Term Loans Payable	36,386	43,987	7,600
Current Portion of Long-Term Loans Payable	1,200	1,700	500
Advances Received	8,644	7,033	(1,611)
Provision for Loss on Construction Contracts	3,607	4,728	1,120
Other Current Liabilities	6,164	4,121	(2,042)
Total Current Liabilities	76,949	75,243	(1,706)
Non-Current Liabilities			
Long-Term Loans Payable	3,500	3,000	(500)
Other Non-Current Liabilities	9,361	9,254	(106)
Total Non-Current Liabilities	12,861	12,254	(606)
Total Liabilities	89,811	87,497	(2,313)
NET ASSETS			
Total Net Assets	30,373	25,433	(4,939)
Total Liabilities and Net Assets	120,184	112,931	(7,253)

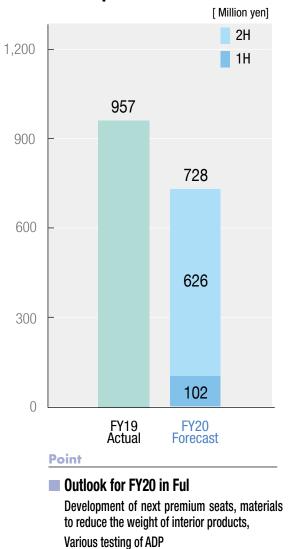
#### **Point**

- Inventories increased due to a sharp decline in net sales and purchase of parts and materials that had been ordered.
- Notes and accounts receivable-trade, decrease due to a sharp decline of net sales and the collection of accounts receivable-trade.
- Loans payable increased due to decreases in net assets, notes and accounts payable-trade, and electronically recorded obligations –operating.
- **Equity ratio 24.8%** → **22.1%**

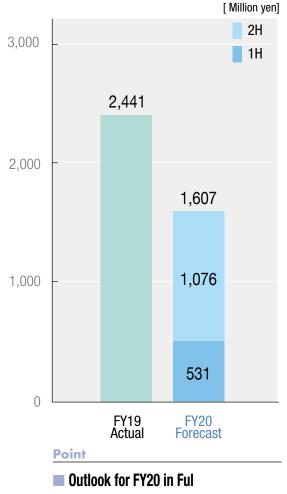
# Consolidated Research and Development / Investment in Plant and Equipment / Depreciation Development / Investment in Plant and Equipment / Depreciation



#### **Consolidated Research and Development**

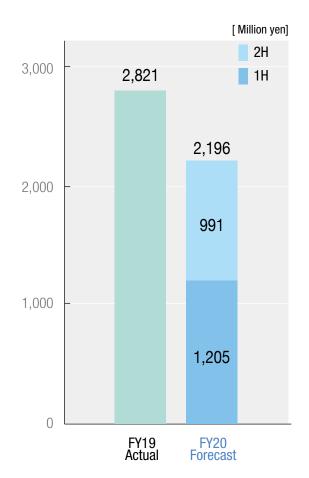


#### **Consolidated Investment** in Plant and Equipment



Freeze large-scale investments and focus on IT for automation and software that contribute to higher productivity

#### **Consolidated Depreciation**





# **JAMCO** and Subsidiaries (FY20/1H)



[ 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
Net sales	24,131	1,516	484	263	5,101	196	398	336	323	367	182	54
Operating income	(4,157)	71	(35)	48	(532)	(27)	(11)	57	(8)	21	19	1
Ordinary income	(4,745)	74	(33)	47	(586)	(19)	(36)	53	(8)	21	19	1
Net income	(3,413)	(105)	(51)	(78)	(578)	12	45	29	(28)	13	9	0

(Note 1) At JAMCO America, sales in cabin retrofit business and of spare parts for airlines decreased significantly.

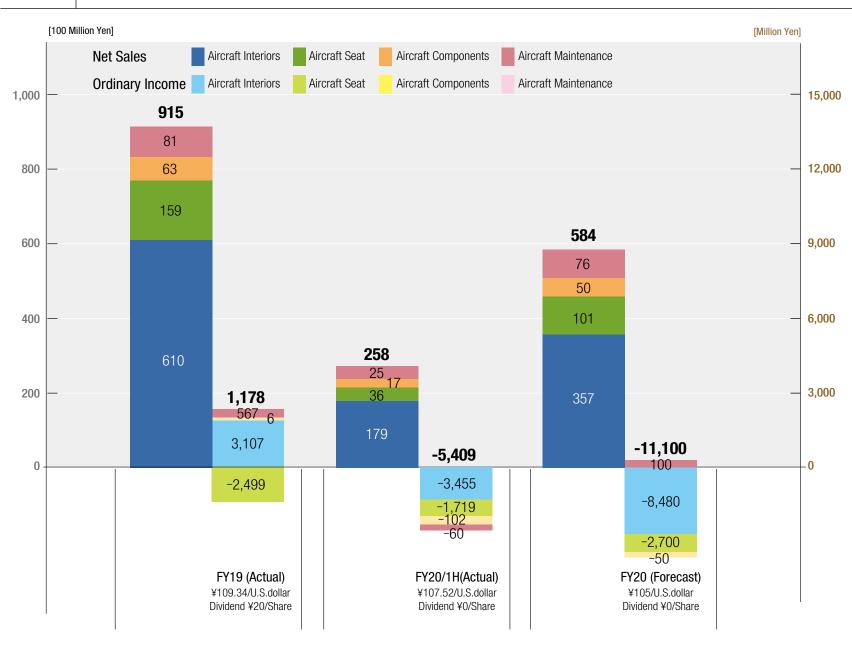
(Note 2) JAMCO Singapore decided to liquidate the company as the prospects for its future stable production were uncertain (the company will be liquidated on January 31, 2021).



#### Interim Business Report 2020

## **Outlook for FY20**





# Plan of Dividend Distribution (No Dividend) for the FY20

The Company's basic policy for dividends to shareholders is to provide stable and continuous returns to shareholders by striving for efficient management and improving profits, and to determine the amount of dividends with a target consolidated payout ratio of 20-30% as for the immediate future. However, the Group's results have deteriorated significantly due to the spread of COVID-19, and we regret to inform shareholders that we will not pay any dividends for this fiscal year. We would like to express our sincere apologies and ask our shareholders for their continued support as we will try to resume dividend payments as soon as practically possible.

### **Business Environment and Market Trend**



- Economies around the world were severely impacted as corporate activities were drastically restricted due to the global spread of COVID-19. Although medical and testing systems expand subsequently, mainly in developed countries, the movement of people has been slow globally and economic recovery remains challenging.
- 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.
  - We are also working to develop products for COVID-19 countermeasures, including hands-free door handles for lavatories that allow users to return to their seats while keeping their washed hands clean, so that passengers can use them safely.



# **JAMCO's Efforts: Urgent Countermeasures**

Uro	ent	Coun	term	easu	res

**Medium-term Responses** 

**Enhancing initiatives** in the post-COVID-19

♦ Reorganization of production bases (Reorganization and consolidation of domestic and overseas production bases)

♦ Supply and demand adjustment (Implement about 25% temporary reduction in workforce across the Group)

(Measures including temporary leave of employees and secondment out of the

Group: maintain employment and skills to the fullest to prepare for a recovery in

demand for air transportation)

**♦** Cost and inventory reduction (In-house production of outsourced work, review of purchase order plans)

**♦** Expense reduction (Reduction of ¥9.5 billion over the previous fiscal year. Cuts in executive

remuneration and personnel expenses, and reduction in divisional expenses)

♦ Freezing of capital investment (Review of about ¥2.3 billion plan)

♦ Increase the limit of loans payable (additional ¥23 billion)

**Net Loss** 

Improve profitability

/ Recovery in business performance



# **JAMCO's Efforts: Medium-term Responses**

### **Urgent Countermeasures**

### **Medium-term Responses**

**Enhancing initiatives** in the post-COVID-19

- **♦** Reorganization of production bases
- **♦** Supply and demand adjustment
- **♦** Cost and inventory reduction
- **♦** Expense reduction
- Freezing of capital investment
- **♦** Increase the limit of loans payable

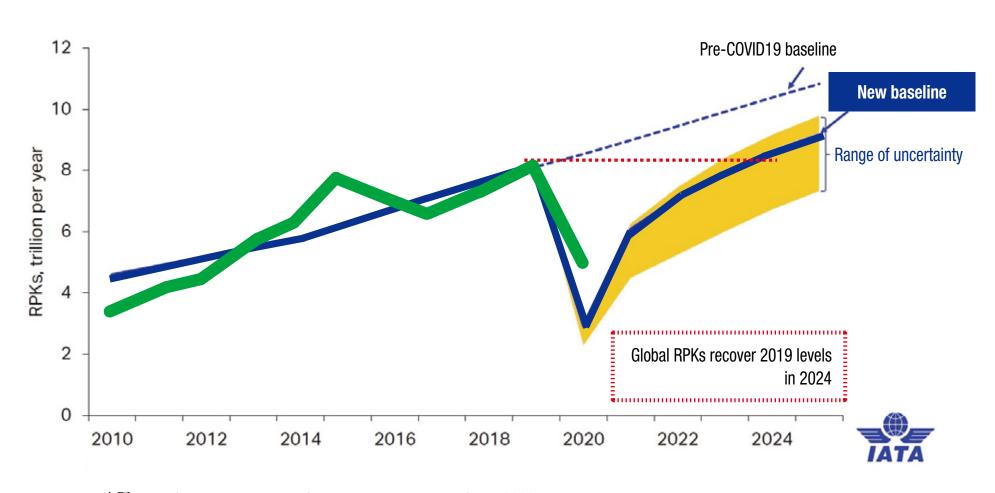
- **♦** Operational Process Reform (J-LEAD)
  - •we aim to enhance quality as well as profitability by promoting operational process reform at a company-wide level, including quality, production, finance, human resources and IT strategy
- Enhance profitability of the aircraft seat business
  - Expand orders for the premium seat "Venture"
- ♦ Actively capture the demand for interior retrofit resulting from aircraft leaseback and resale
- **♦** Develop new products in the composite material business
  - Pursue expansion into new fields beyond the aircraft market

**Net Loss** 

Improve profitability
/ Recovery in business performance



# The trend of Global RPK and Jamco Group's net sales



出所: IATA/Tourism Economics 'Air Passenger Forecasts' July 2020.

Trend of Jamco Group's net sales



# **Enhancing initiatives in the post-COVID-19**

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### **Medium-term Responses**

# **Enhancing initiatives** in the post-COVID-19

- **♦** Reorganization of production bases
- **♦** Supply and demand adjustment
- **♦** Cost and inventory reduction
- **♦** Expense reduction
- **♦** Freezing of capital investment
- **♦** Increase the limit of loans payable

- **♦** Operational Process Reform (J-LEAD)
- ◆ Enhance profitability of the aircraft seat business
- ◆ Actively capture the demand for interior retrofit resulting from aircraft leaseback and resale
- ◆ Develop new products in the composite material business

- ◆ Prepare for production base expansion in preparation for a recovery in demand
- ◆ Intensify efforts in the narrow-body single aisle aircraft market
- ♠ Intensify ESG efforts (weight reduction and electrification of aircraft)

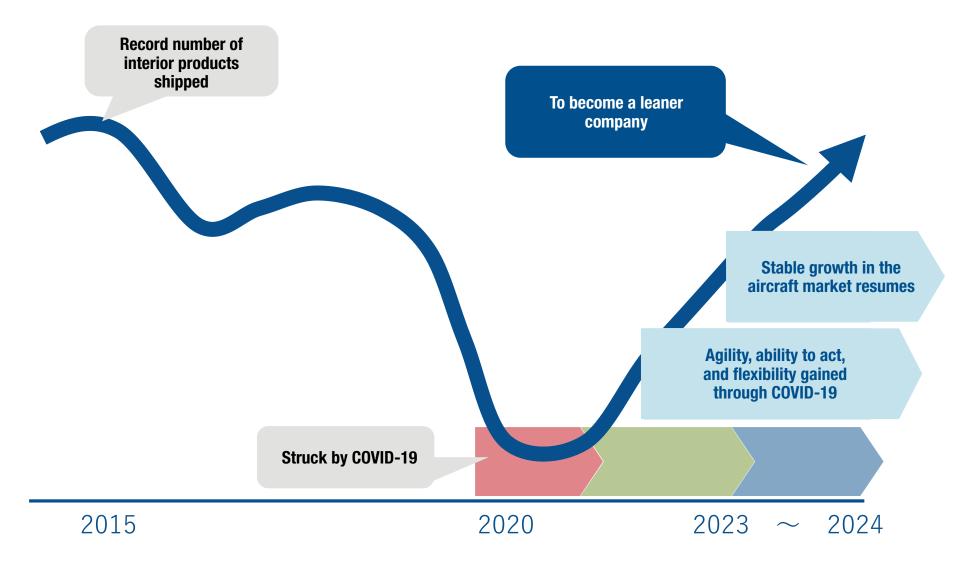
**Net Loss** 

Improve profitability
/ Recovery in business performance

Expand business performance



# **Profit Improvement Image**



## **The Medium - Term Management Plan**



# **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**



The business environment is expected to remain challenging for some time, with no clear forecast for when COVID-19 will be brought under control. JAMCO will promote greater efficiency of its production systems, eliminating unreasonable requirements, waste, and inconsistencies (known respectively in Japanese as muri, muda, mura) operations, in preparation for a future recovery in aviation demand.

The worldwide downturn in demand for air transportation is expected to impact all of JAMCO's businesses significantly, and we aim to enhance quality as well as profitability by promoting operational process reform at a company-wide level, including quality, production, finance, human resources and IT strategy.

#### Aircraft Interiors Segment

- 1 Strive to regain customer trust, through measures to strengthen quality management systems through reliable implementation of SMS (safety management systems) and review of QMS (quality management systems).
- 2 Engage in strategic reorganization of production sites in Japan and overseas, to strengthen competitiveness and reduce foreign exchange risk, as well as in response to changes in the global competitive environment.
- Further enhance QCD (quality, cost and delivery), steadily engage in new design and development, actively invest in seeds of growth (new fields, new technologies and new materials) for the next stage of the interiors business, and promote stronger competitiveness, as a technology and quality oriented company.

#### Aircraft Seat Segment

- Delivery of the custom-made seats for which orders were previously received is expected to conclude during fiscal year 2021, despite the lingering impact of excessive initial development and manufacturing costs. We will work to expand sales of the Venture business class seat, which utilizes a standardized platform, in order to recover profit and build a stable revenue base.
- **2** Enhance management capability and cooperation through the Group supply chain, and build a structure to supply the next generation premium seat utilizing a standardized platform.
- **3** Continually implement growth strategy, by not only working to expand sales of the Venture business class seat, but also developing the next generation premium seat utilizing a standardized platform.

#### Aircraft Components Segment

- In addition to enhancing design and manufacturing capabilities, leveraging our NADCAP-certified special processing technologies to strengthen competitiveness, and promoting orders of products with high technological added value, we will endeavor to select and concentrate order items according to added value and competitive-ness.
- ② In the ADP business, we will engage in restructuring the business model, including new product development, alliances with other companies, and expansion into new fields.
- Apply our technological capabilities in device manufacturing to the aircraft interiors business and seat business, enhancing synergies.

#### Aircraft Maintenance Segment

- Promote transition to MRO (maintenance, repair & over-haul) providing high added value through selection and focus, and aim to construct a business foundation that enables the generation of stable revenue.
- **Relay the information gained through the maintenance business back to the interiors, seat and components businesses, and work to enhance synergies within the JAMCO Group**

# **Progress with Mid-term Issues-**



# **Operational Process Reform : J-LEAD** (Jamco Lean Enterprise Accelerated Development)

As a project under the direct control of the president, JAMCO has initiated reforms in 5 areas of quality, production systems, finance and accounting, human resources strategy, and IT strategy at the company-wide level. We aim to build production and organizational systems with greater efficiency, and higher liquidity and speed.

- We try to improve the efficiency of the entire process from development to production, by fundamentally reviewing our operational processes as JAMCO Group.
- As for improving the efficiency of operational processes, we promote DX (digital transformation) strategy that supports our business strategy focusing on the medium to long term.

# **Progress with Mid-term Issues-2**



### **Aircraft Interiors Segment**

#### **Efforts to strengthen quality management systems**

- JAMCO has newly established a Safety Promotion Department to foster safety awareness
- The inspection system to ensure product quality is being rebuilt

# Response to the global competitive environment, and strategic reorganization of domestic and overseas production bases

- Reorganization of domestic and overseas production bases is under way to realize efficient production activities
- JAMCO Singapore that manufactures galleys for narrow-body single aisle aircraft will be liquidated, and production of the galleys will be integrated into domestic production bases to reduce costs

### **Aircraft Seat Segment**

#### **Expand sales of the Venture business class seats that utilize a standardized platform**

- Development of upgrade options was carried out and proposals have been made to customers
- Development of seats to be equipped in other types of aircraft is being carried out

### Building a system to supply the next generation premium seat utilizing a standardized platform

Basic development of the next generation premium seat is under way in cooperation with Group companies

### Implementation of continual growth strategy by developing the next generation premium seat

• Actively pursuing media exposure to increase product awareness and promote sales

# **Progress with Mid-term Issues-**



#### **Aircraft Components Segment**

#### Enhancing design and manufacturing capabilities, and strengthening competitiveness

- Actively making presentations to suppliers of engine-related parts
- Receiving orders of and manufacturing heat exchangers for the aerospace field in addition to aircraft

#### **Rebuilding the business model**

- Participating in NEDO's research and development "Development of high-rate molding technology for lightweight aircraft components utilizing thermoplastic CFRP"
- Developed "T-Silent CFRP Floor" by utilizing lightweight CFRP beams manufactured with JAMCO's unique ADvanced Pultrusion (ADP), in collaboration with Taisei Corporation
- Conducting studies to utilize our technology in different industries

#### **Synergies**

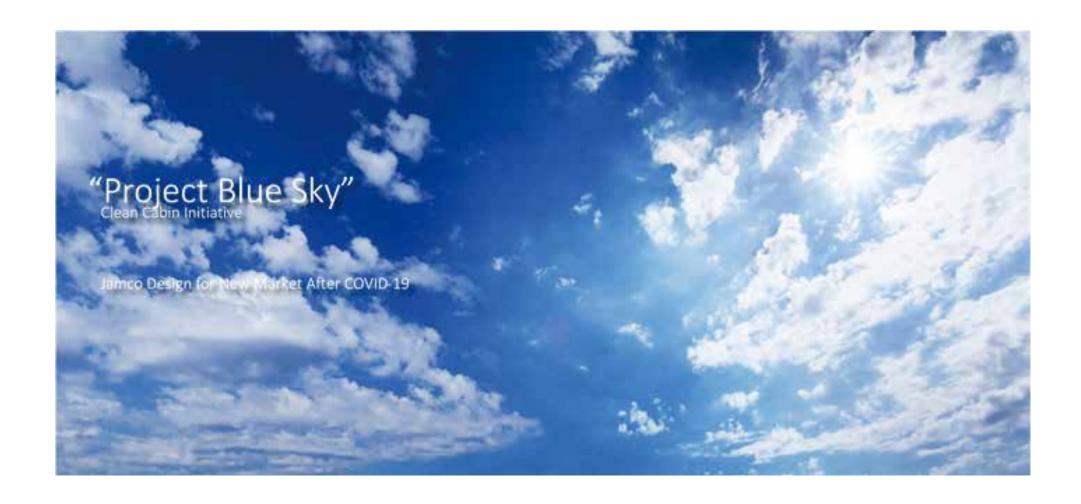
Interior parts we began supplying last fiscal year have shown synergy effects in terms of costs

### **Aircraft Maintenance Segment**

### Generating stable profits and establishing a business base

Consolidating the wheel and brake maintenance work to the Narita area to build an efficient production system





# **Project Blue Sky**



#### Hands-free Door Handle







#### Hands-free Door Lock Knob







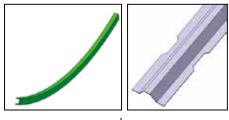
#### Tabbed Toilet Seat and Lid







Development of high-rate molding technology for lightweight aircraft components utilizing thermoplastic CFRP



Develop technologies to form parts such as frames and stringers by utilizing JAMCO's unique CFRP molding technology including ADP method



Source: JEC composite

Aircraft manufacturers integrally form aircraft fuselages

Research and development of next generation lightweight carbon honeycomb panels









Industry-academia-government collaboration in an atmospheric observation project using aircraft on regular international flights







CME (Continuous Carbon Dioxide Measuring Device)



ASE (Automatic Atmospheric Sampling Device



Maintenance of ASE



Japan Open Innovation Environment Minster's Award.

# **Production Status and Development Status for Boeing and Airbus**



#### **787 Production Status**

- As of the end of September 2020, 988 aircraft have been delivered
- As of the end of Septemberh 2020, 475 aircraft are on order
- Reduce 787 production rate from the current 10 per month to 6 per month in 2021

### **777X Development Status**

- Delivery of the first aircraft scheduled for 2022
- As of the end of September 2020, 309 aircraft are on order
- 777/777X combined production rate reduced to 2 per month in 2021

#### **737MAX Production Status**

- As of the end of September 2020, 10,434 aircraft have been delivered
- As of the end of September 2020, 3,403 aircraft are on order
- Gradual increase to 31 per month by the beginning of 2022

Source: Boeing Home Page and Airbus Home Page

#### **A380 Production Status**

- As of the end of September 2020, 242 aircraft have been delivered
- As of the end of September 2020, 9 aircraft are on order
- Stop production in 2021

#### **A350XWB Production Status**

- As of the end of September 2020, 379 aircraft have been delivered
- As of the end of September 2020, 551 aircraft are on order
- Reduce A350XWB production rate from the current
   6 per month to 5 per month in 2021

#### A330neo Production Status

- As of the end of September 2020, 49 aircraft have been delivered
- As of the end of September 2020, 317 aircraft are on order

### **A320 Family neo Production Status**

- As of the end of September 2020, 1,458 aircraft have been delivered
- As of the end of September 2020, 6,048 aircraft are on order

# **Boeing's Orders and Deliveries**



(Jan. 2020~Sep. 2020)

	Orders	Deliveries	Order backlog
Total	(983)	98	4,325
747	(4)	2	11
777X	0	0	309
777	(9)	15	44
787	4	49	475
767	9	20	83
737	(983)	12	3,403

(Note 1) colored models indicate wide-body aircraft (Note 2) Orders indicate net orders

Source: Boeing Home Page

# **Airbus' Orders and Deliveries**



(Jan. 2020~Sep. 2020)

	Orders	Deliveries	Order backlog
エアバス合計	300	341	7,441
A380	0	0	9
A350	4	32	551
A330/A340	(5)	9	317
A320family	262	282	6,048
A220family	39	18	516

(Note 1) colored models indicate wide-body aircraft (Note 2) Orders indicate net orders

Source: Airbus Home Page

# 技術を翼に世界の空へ



