



April 1, 2018 through September 30, 2018

Interim Business Report 2018

November 20, 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]

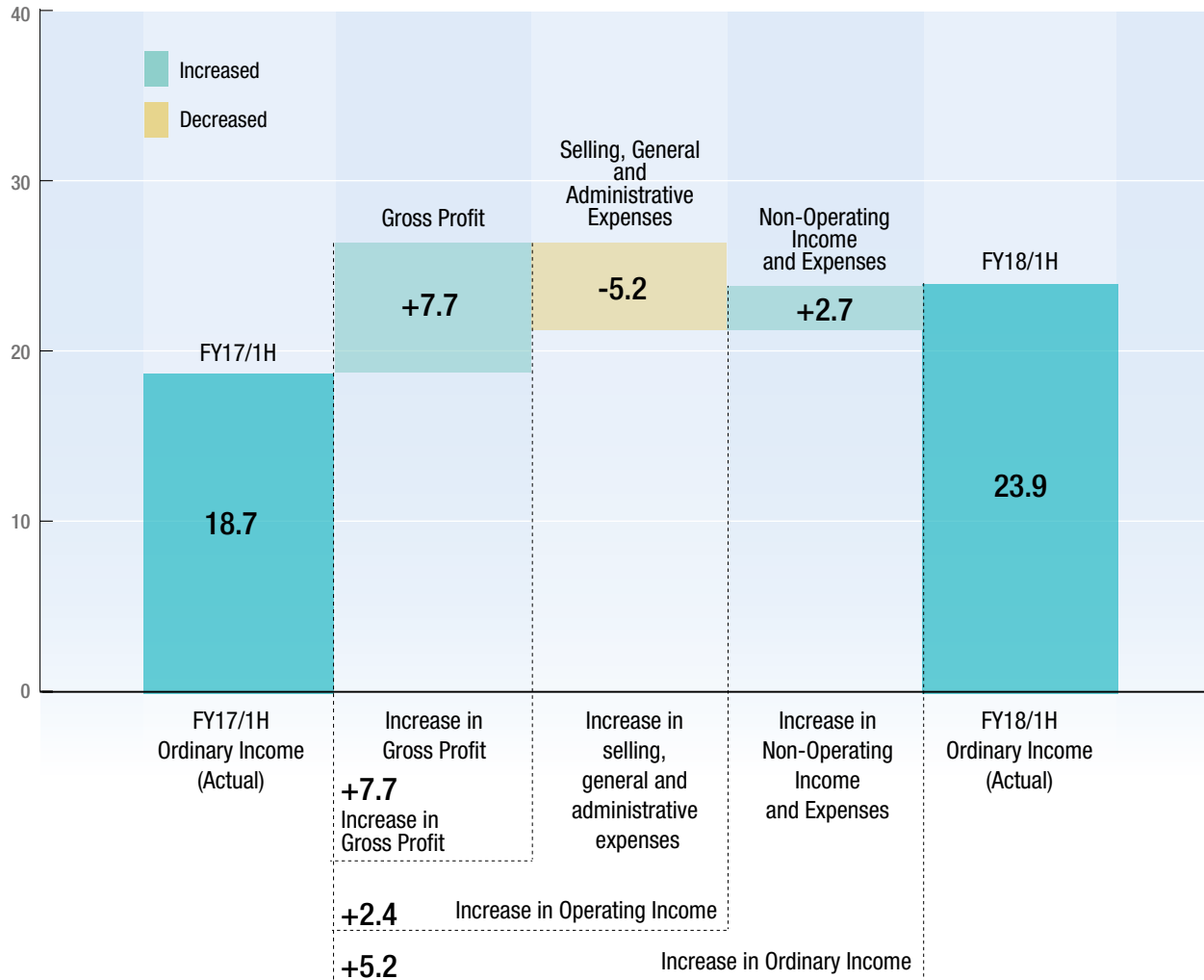
	FY17/1H (Actual)	FY18/1H (Plan)	FY18/1H (Actual)	Compared to Previous FY (Change)	Compared to Plan (Change)
Net Sales	38,043	40,300	40,354	2,310	54
Gross Profit	5,841	6,530	6,612	770	82
Selling, General and Administrative Expenses	3,934	4,970	4,459	525	(510)
Operating Income	1,906	1,550	2,152	245	602
Non-Operating Income and Expenses	(33)	(150)	242	275	392
Ordinary Income	1,873	1,400	2,394	521	994
Income Before Taxes	1,844	1,390	2,268	423	878
Net Income Attributable to Shareholders of Parent Company	1,034	930	1,430	395	500
Net Income Per Share (Yen)	38.57	34.66	53.32	—	—
Exchange Rate (Yen/US\$)	110.72	105.00	108.73	—	—

(Note) "Plan" refers to the earnings forecast at the time of business result announcement on May 8, 2018.

Factors Leading to Difference in Consolidated Ordinary Income Compared With Same Period Last Year

Compared to Previous FY (+¥520 million)

[100 Millions of Yen]



Point

Gross Profit

- Increase in sales of spare parts for the aircraft interiors
- Improve in aircraft seat business

Selling, General and Administrative Expenses

- Increase in warranty repair costs (-¥240 million)
- Increase in R&D costs (-¥170 million)
- Others (-¥110 million)

Non-Operating Income and Expenses

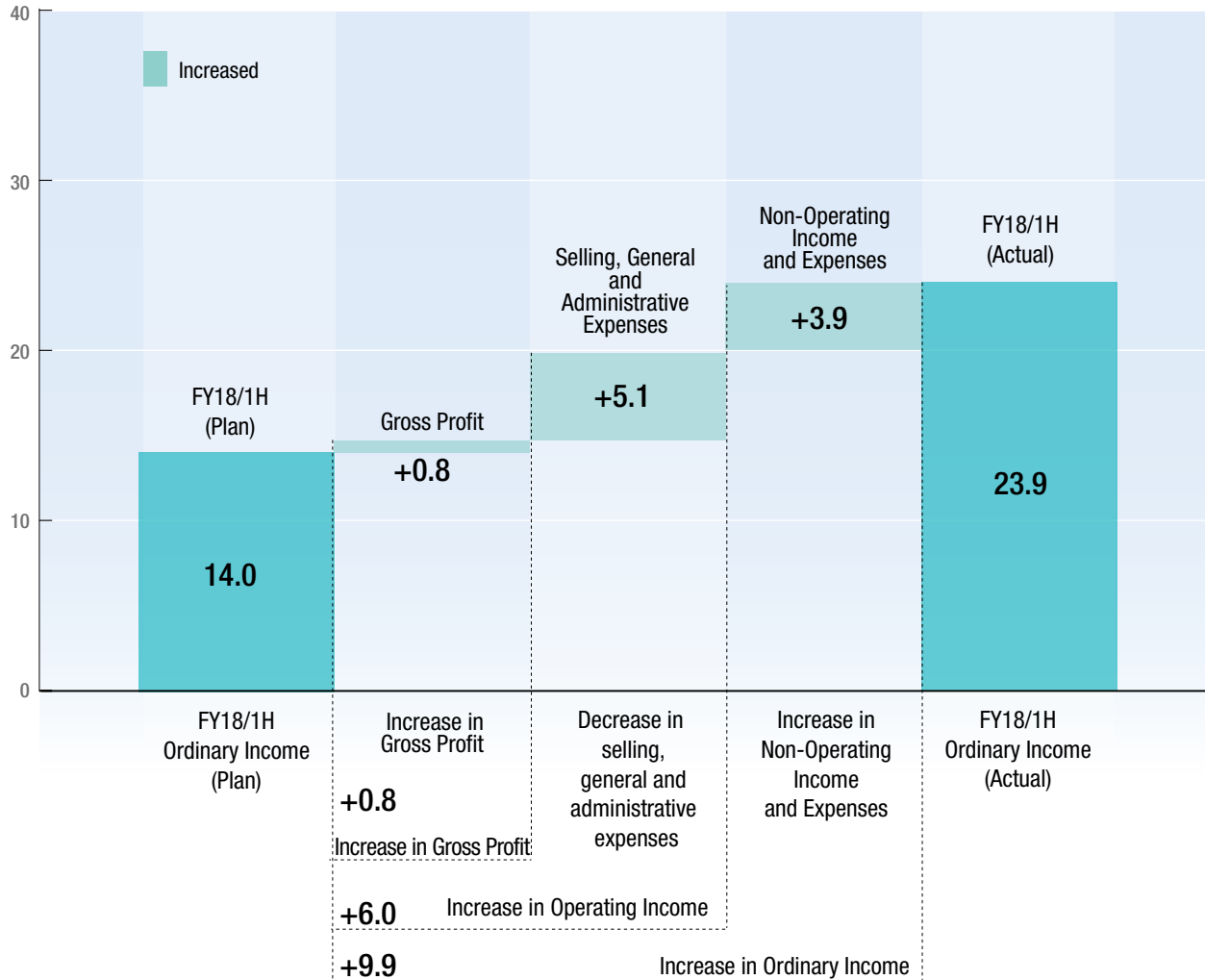
- Increase in foreign exchange gains (+¥430 million)
- Increase of compensation expenses (-¥70 million)
- Others (-¥90 million)

Factors Leading to Difference in Consolidated Ordinary Income Compared With First Half Plan



Compared to Plan (+¥990 million)

[100 Millions of Yen]



Point

Gross Profit

- Increase in net sales due to depreciation of the yen
- Increase in provision for loss on construction contracts

Selling, General and Administrative Expenses

- Decrease in warranty repair costs (+¥160 million)
- Decrease in R&D costs (+¥140 million)
- Others (+¥210 million)

Non-Operating Income and Expenses

- Increase in foreign exchange gains (+¥430 million)
- Others (-¥40 million)

Net Sales and Ordinary Income by Segment—1



[Million Yen]

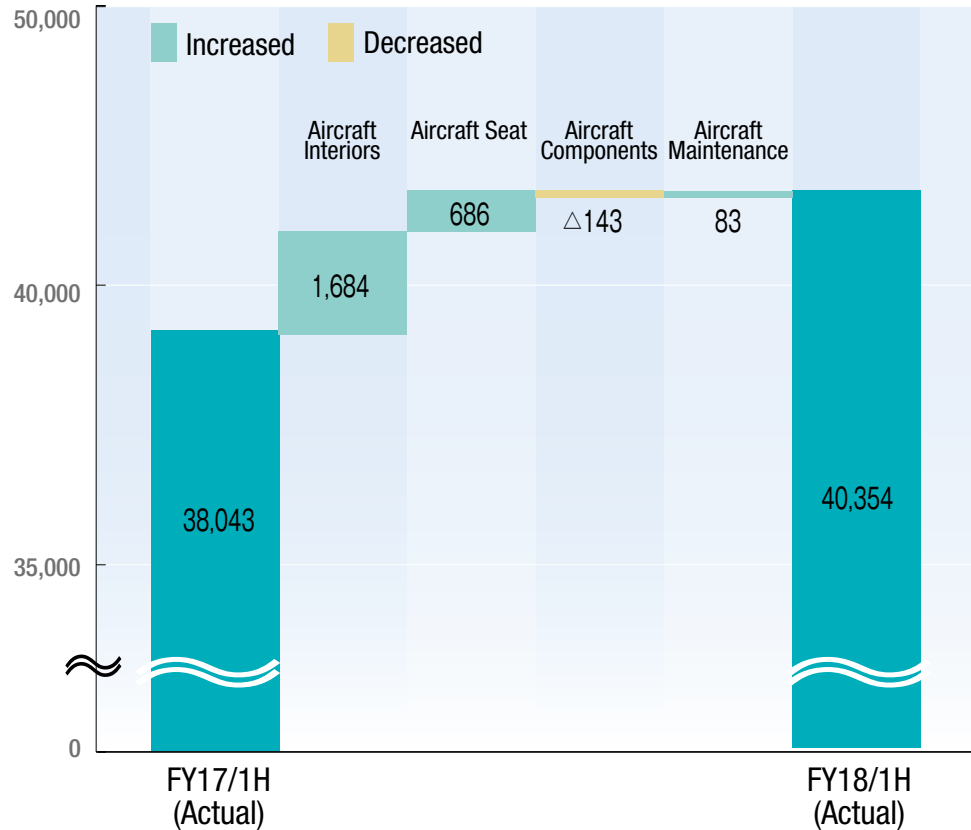
	Net Sales			Ordinary Income		
	FY17/1H (Actual)	FY18/1H (Actual)	Change	FY17/1H (Actual)	FY18/1H (Actual)	Change
Aircraft Interiors	25,846	27,530	1,684	3,833	3,083	(750)
Aircraft Seat	6,274	6,960	686	(1,860)	(674)	1,186
Aircraft Components	2,799	2,656	(143)	(70)	(62)	8
Aircraft Maintenance	3,122	3,205	83	(30)	47	77
Others	0	0	0	1	0	0
Total	38,043	40,354	2,310	1,873	2,394	521

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

Net Sales and Ordinary Income by Segment—②

Net sales

[Million Yen]

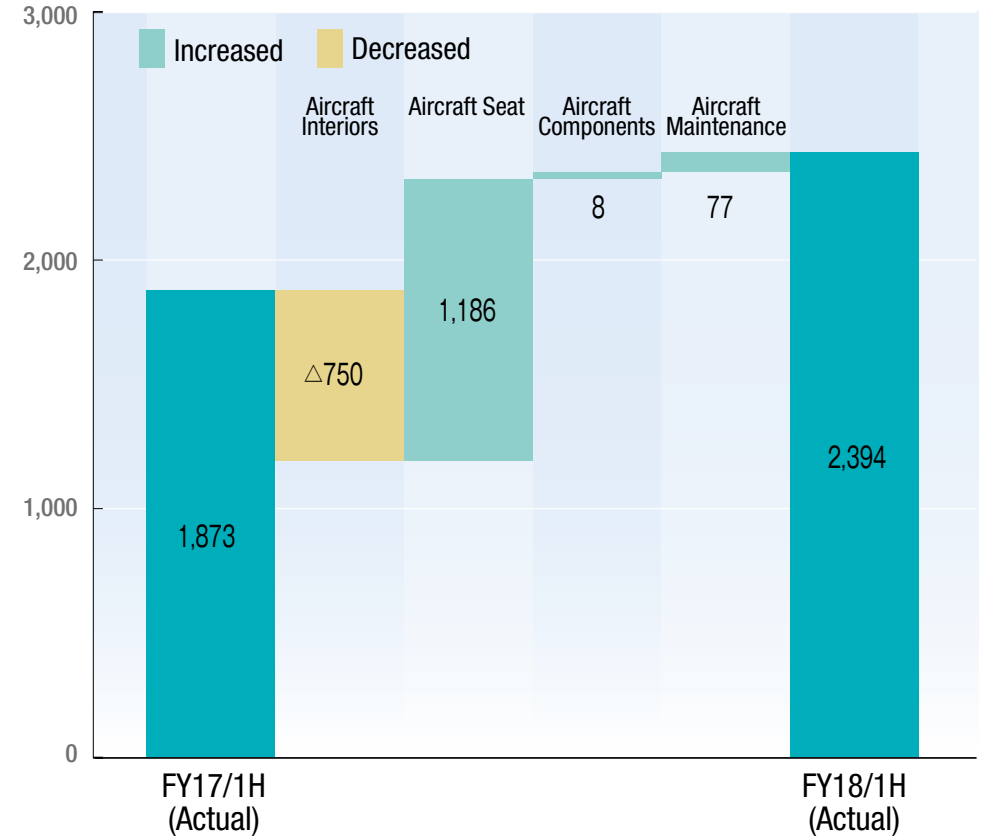


Point

- Net sales for the aircraft interiors business rose due to increased sales of spare parts and shipment of 777X lavatories for flight tests.
- Net sales for the aircraft seat business rose due to increased shipments.

Ordinary Income

[Million Yen]



Point

- Ordinary income for the aircraft interiors business fell due to an increase in provision for loss on construction contracts.
- Ordinary income for the aircraft seat business rose due to the rebound from the increased initial costs for a portion of programs during the same period of the previous fiscal year.

Consolidated Balance Sheets



[Million Yen]

Items of an Account	End of FY17 (As of March 31, 2018)	End of FY18/1H (As of September 30, 2018)	Change
ASSETS			
Current Assets			
Cash and Deposits	3,833	3,864	30
Notes and Accounts Receivable-Trade	22,451	21,027	(1,424)
Inventories	42,658	45,897	3,239
Other Current Assets	3,767	2,982	(784)
Total Current Assets	72,711	73,771	1,060
Non-Current Assets			
Property, Plant and Equipment	13,840	13,676	(163)
Intangible Assets	1,943	1,813	(130)
Investments and Other Assets	5,961	6,419	458
Total Non-Current Assets	21,745	21,909	164
Total Assets	94,456	95,681	1,225

Items of an Account	End of FY17 (As of March 31, 2018)	End of FY18/1H (As of September 30, 2018)	Change
LIABILITIES			
Current Liabilities			
Notes and Accounts Payable-Trade	7,518	8,116	598
Electronically Recorded Obligations-Operating	7,462	8,152	689
Short-Term Loans Payable	22,239	19,217	(3,021)
Current Portion of Long-Term Loans Payable	900	1,000	100
Provision for Loss on Construction Contracts	2,066	2,367	300
Other Current Liabilities	12,115	13,009	893
Total Current Liabilities	52,302	51,862	(439)
Non-Current Liabilities			
Long-Term Loans Payable	4,500	5,000	500
Other Non-Current Liabilities	8,100	8,289	188
Total Non-Current Liabilities	12,600	13,289	688
Total Liabilities	64,903	65,152	249
NET ASSETS			
Total Net Assets	29,553	30,529	976
Total Liabilities and Net Assets	94,456	95,681	1,225

Point

- Inventories rose due to an increase in development costs and works in process for both the aircraft interiors and seat businesses.
- Investments and other assets increased due to capital participation in MRO Japan Co., Ltd.

- Loans payable decreased due to collection on accounts receivable.
- Equity ratio 30.4% → 31.1% (0.7 point rise)

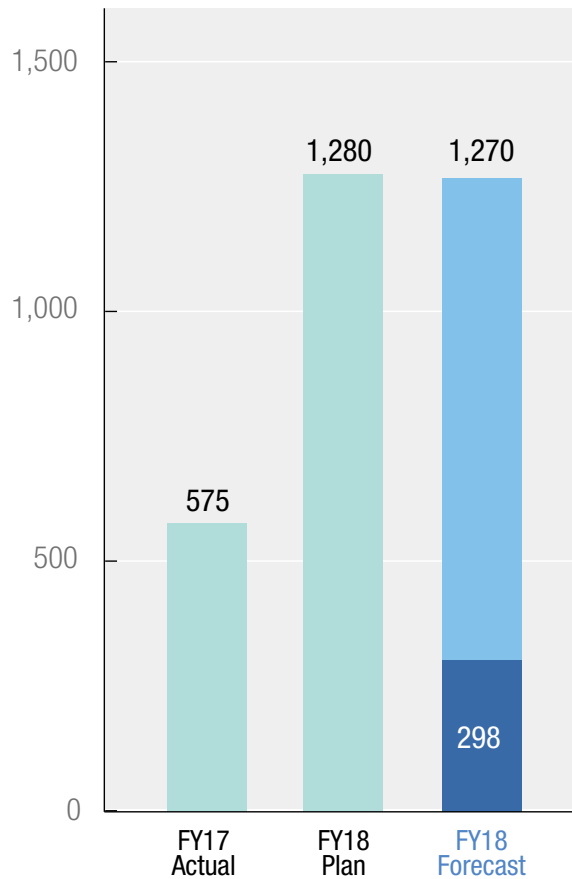
Consolidated Research and Development / Investment in Plant and Equipment / Depreciation



Consolidated Research and Development

■ 1H ■ 2H

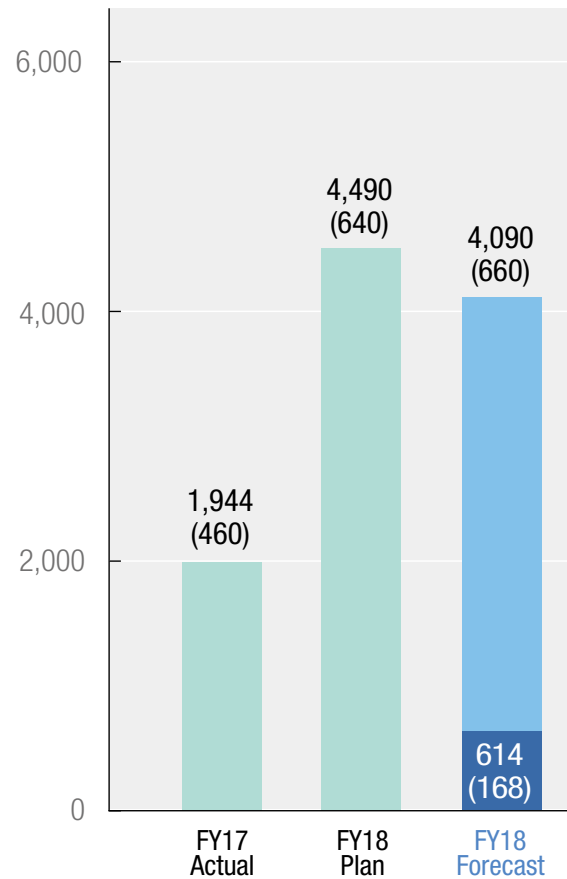
[Million Yen]



Consolidated Investment in Plant and Equipment

■ 1H ■ 2H

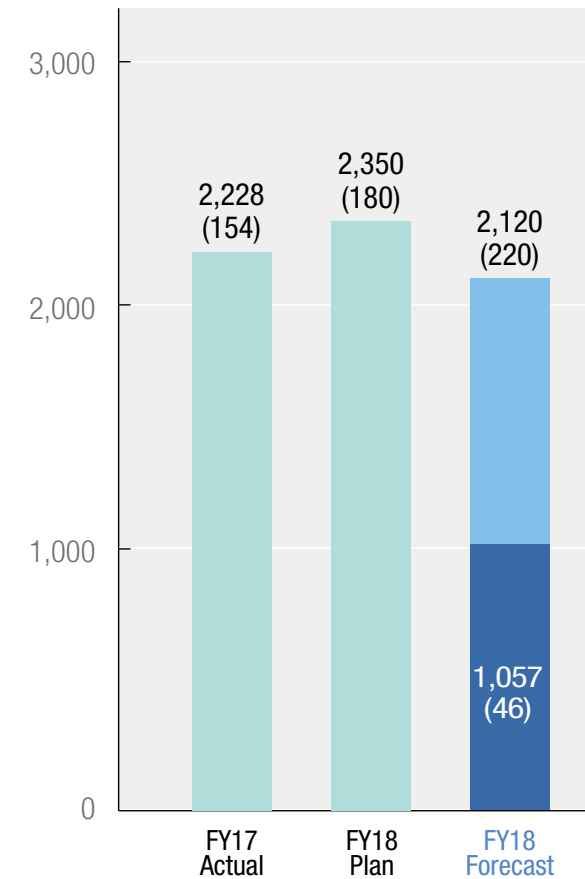
[Million Yen]



Consolidated Depreciation

■ 1H ■ 2H

[Million Yen]



*Capital expenditure includes all lease properties' amounts in parenthesis

*Amounts in parenthesis are for lease assets

(Note) "Plan" refers to the earnings forecast at the time of business result announcement on May 8, 2018.

JAMCO and Subsidiaries (FY18/1H)



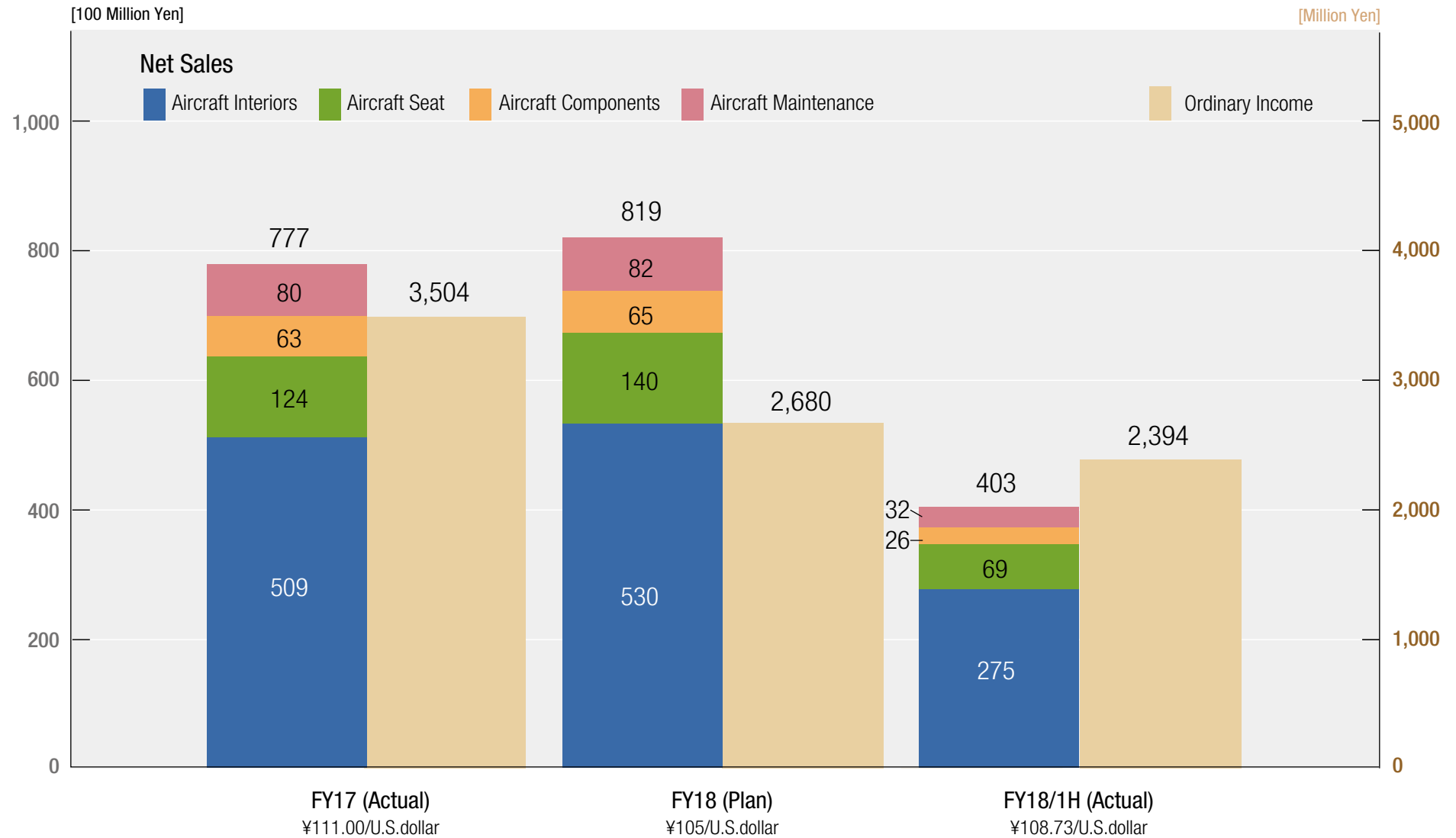
[Million Yen]

	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	SINGAPORE JAMCO SERVICES PTE LTD.
Net sales	36,252	1,909	669	485	10,485	397	722	335	689	353	237	54	1,968
Operating income	1,465	251	(14)	5	365 (245)	2	(138)	26	67	12	31	2	69
Ordinary income	2,073	259	(13)	4	327 (206)	17	(113)	26	72	12	28	2	69
Net income	1,470	178	(9)	0	274 (179)	15	(106)	(10)	47	9	18	1	57

(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.

Outlook for FY18



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).

Aircraft Interiors Segment

Efforts Related to Next-generation Aircraft

- Made active efforts to secure contracts for interior products for Boeing's next-generation aircraft
- Delivered lavatories for Boeing's 777X (May FY18)



Initial Boeing 777X Lavatory Delivered

Handling of New Development Projects

- Promoted J-Way (JAMCO manufacturing innovation) activities
- Promoted the introduction of automation and IT into design operations

Group Supply Chain Enhancement and Cost Competitiveness Improvement

- Revised supply chain through in-house manufacturing and overseas parts procurement



Airbus A350 ICE Rear Galley

Aircraft Seat Segment

Improvement of Standard Seat Development, Sales, and Manufacturing Processes

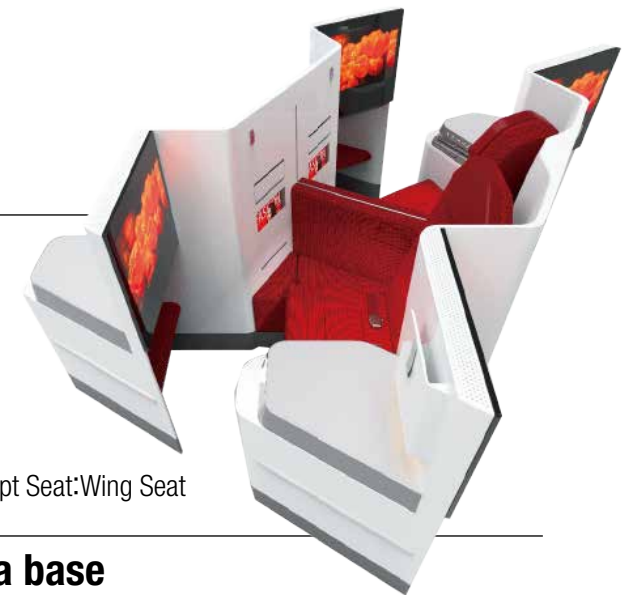
- Scheduled initial shipment of Venture seats for Boeing 787
- Continued improvement activities to stabilize profits



Standard Seat: [Venture]

Next-generation Product Development

- Announced of new concept seat at Aircraft Interiors Expo 2018, Hamburg, Germany
- Promoted the introduction of IT and automation into design operations



New Concept Seat: Wing Seat

Supply Chain Optimization

- Strengthened the supply chain in the Kyushu area using Miyazaki JAMCO as a base
- Promoted in-house manufacture of parts

Aircraft Components Segment

Expand Orders, Strengthen Competitiveness

- Initiatives related to thermoplastic CFRP products
- Received orders for new engine parts (piping for next-generation launch vehicle rocket engine)

Further Improvements in Profitability

- Improved engine part productivity
- Improved CFRP product yield

Synergistic Effects

- Started in-house production of aircraft interior products leveraging own machining technologies

Aircraft Maintenance Segment

Flight Safety

- Continued to offer high quality aircraft maintenance services

Revision & Streamlining of Business Areas, New Business

- Started offering maintenance of high-pressure gas bottles for aircraft
- Strengthened contracting for line maintenance for airlines

Participation in MRO Japan Co., Ltd.

- Undertook a capital increase in MRO Japan through third-party allocation of shares as of September 28th Shareholding ratio: 25%



MRO Japan Co., Ltd.

Production Status and Development Status for Boeing and Airbus



787 Production Status

- As of the end of September 2018, 742 aircraft have been delivered
- As of the end of September 2018, 656 aircraft are on order

777X Development Status

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

737MAX Production Status

- As of the end of September 2018, 219 aircraft have been delivered
- As of the end of September 2018, 4,564 aircraft are on order

A380 Production Status

- As of the end of September 2018, 230 aircraft have been delivered
- As of the end of September 2018, 101 aircraft are on order

A350XWB Production Status

- As of the end of September 2018, 203 aircraft have been delivered
- As of the end of September 2018, 687 aircraft are on order

A330neo Development Status

- Delivery of the first aircraft scheduled for 2019
- As of the end of September 2018, 224 aircraft are on order

A320neo Production Status

- As of the end of September 2018, 471 aircraft have been delivered
- As of the end of September 2018, 5,707 aircraft are on order

Source: Boeing Home Page and Airbus Home Page

Boeing's Orders and Deliveries

(Jan. 2018~Sep. 2018)

	Orders	Deliveries	Order backlog
Total	631	568	5,932
747	14	5	21
777X	0	0	326
777	27	37	92
787	104	106	656
767	38	13	123
737	448	407	4,714

(Note 1) colored models indicate wide-body aircraft

(Note 2) Orders indicate net orders

Source: Boeing Home Page

Airbus' Orders and Deliveries

(Jan. 2018~Sep. 2018)

	Orders	Deliveries	Order backlog
Total	256	495	7,026
A380	14	8	101
A350	36	61	687
A330/A340	8	31	294
A320 family	198	395	5,944

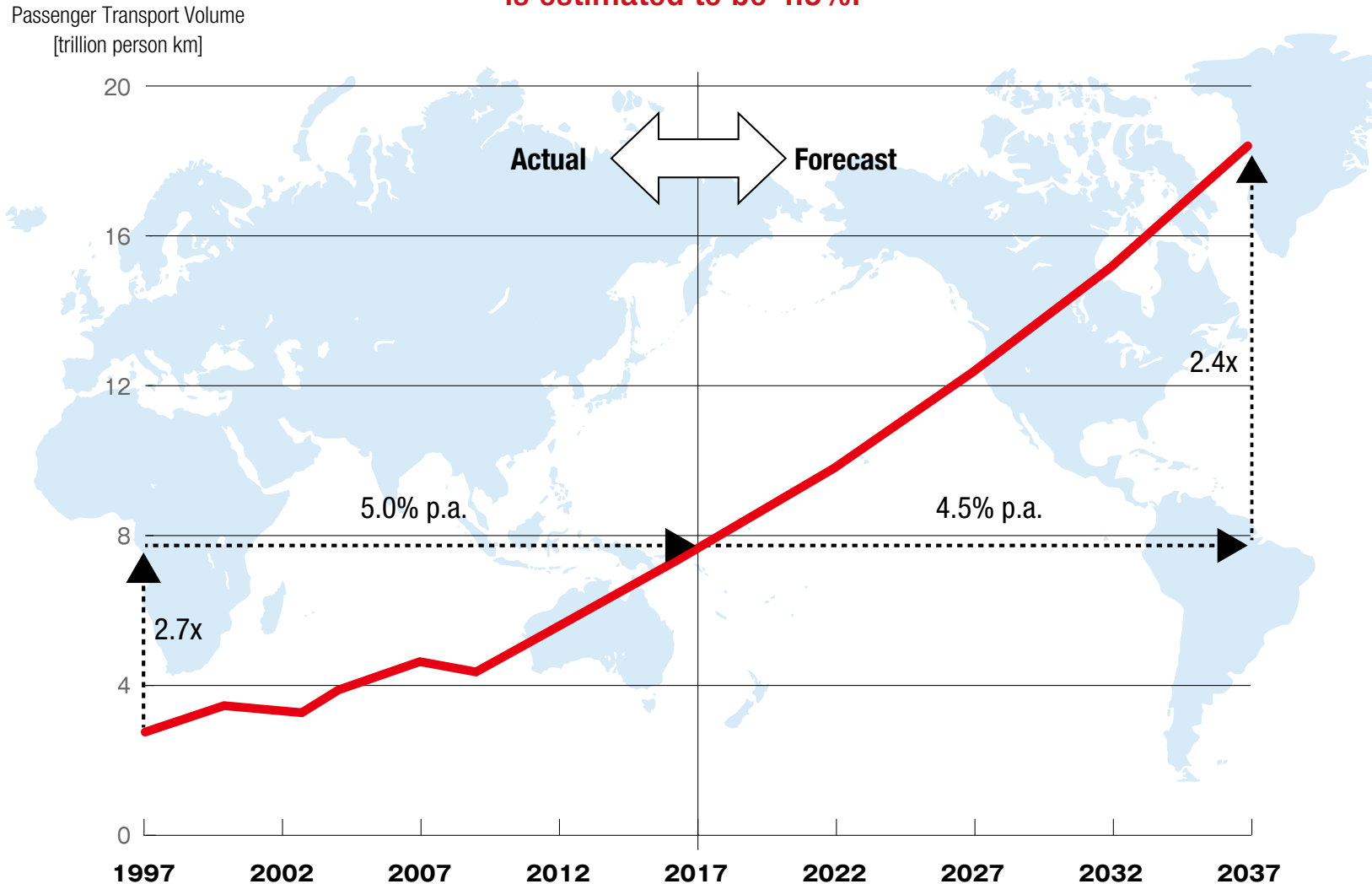
(Note 1) colored models indicate wide-body aircraft

(Note 2) Orders indicate net orders

Source: Airbus Home Page

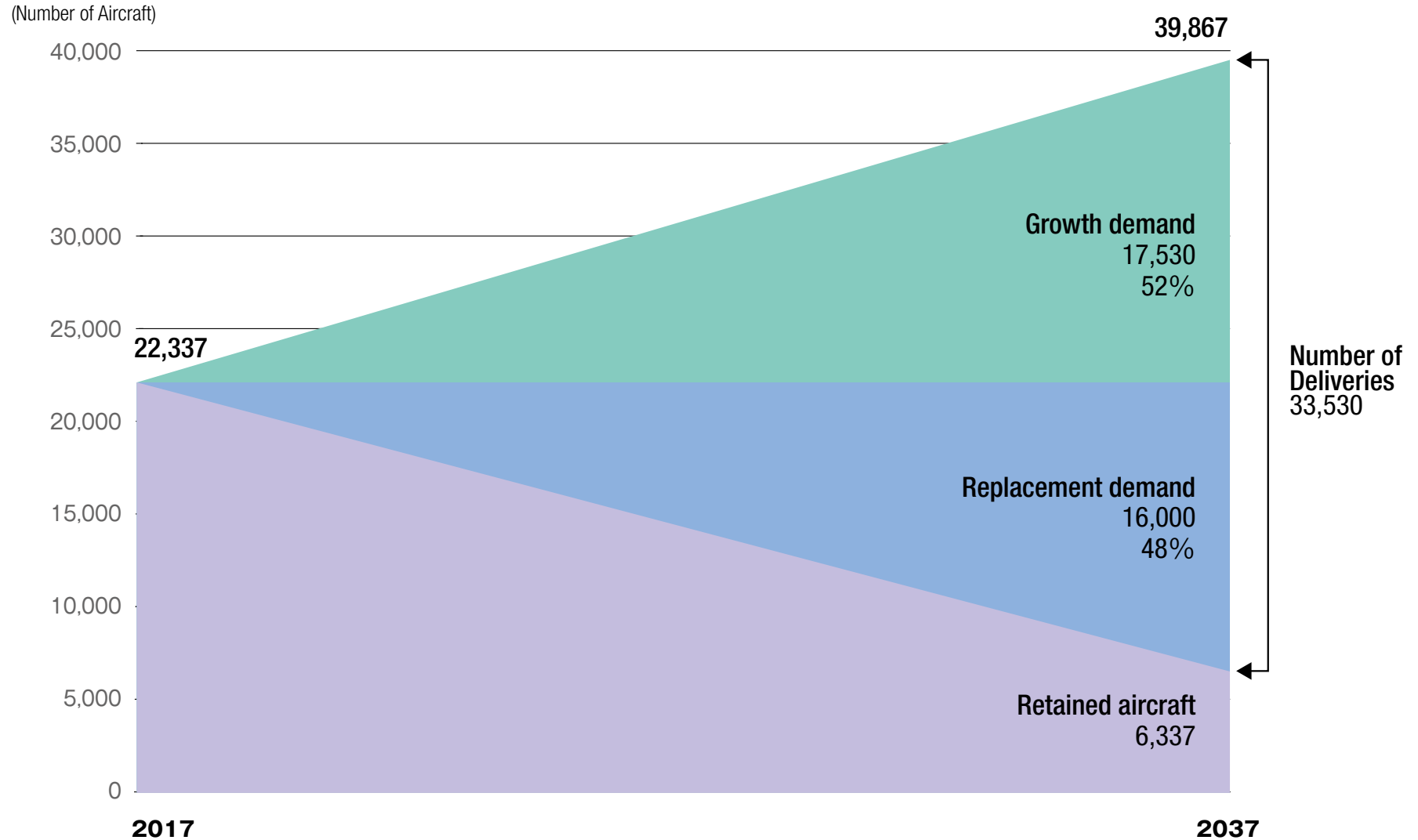
Passenger Demand of the World

The annual average growth rate of air passenger traffic for the twenty year period of 2018-2037 is estimated to be 4.5%.



Passenger Jet Airplane Demand

Demand for 33,530 aircraft is expected over the next two decades, with 17,530 of those being new demand.



技術を翼に世界の空へ

 **Jamco**
ALWAYS FLY TOGETHER



Always Fly Together