

# FY2018 Financial Results Summary The Medium – Term Management Plan (FY2019~FY2021)

May 21, 2019

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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 ]

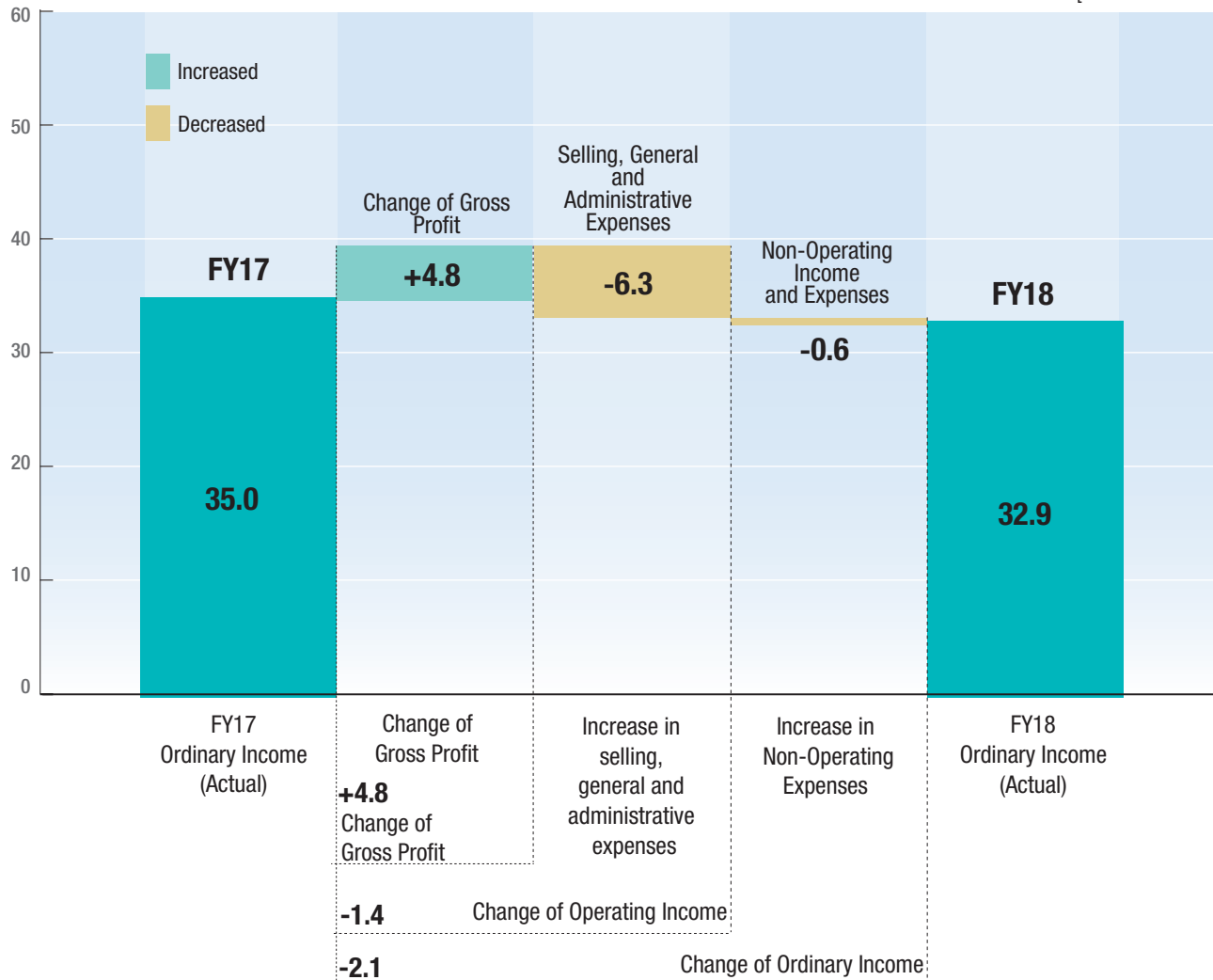
	FY17 (Actual)	FY18 (Plan)	FY18 (Actual)	Compared to Previous FY (Change)	Compared to Plan (Change)
<b>Net Sales</b>	77,791	81,900	84,068	6,276	2,168
<b>Gross Profit</b>	13,154	13,400	13,643	488	243
<b>Selling, General and Administrative Expenses</b>	8,687	10,280	9,321	633	(958)
<b>Operating Income</b>	4,466	3,110	4,321	(144)	1,211
<b>Non-Operating Income and Expenses</b>	(962)	(430)	(1,030)	(68)	(600)
<b>Ordinary Income</b>	3,504	2,680	3,290	(213)	610
<b>Extraordinary loss</b>	(49)	(10)	(263)	(214)	(253)
<b>Income Before Taxes</b>	3,455	2,660	3,026	(428)	366
<b>Net Income Attributable to Shareholders of Parent Company</b>	1,681	1,800	1,910	229	110
<b>Net Income Per Share (Yen)</b>	62.69	67.10	71.23	—	—
<b>Exchange Rate (Yen/US\$)</b>	111.00	105.00	109.74	—	—

(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 Previous FY

## Compared to Previous FY (-¥210 million)

[100 Millions of Yen]



## Point

### Gross Profit

- Improve in aircraft seat business
- Increase in provision for loss on construction contracts

### Selling, General and Administrative Expenses

- Increase in R&D costs (-¥360 million)
- Increase in sales commission (-¥80 million)
- Others (-¥190million)

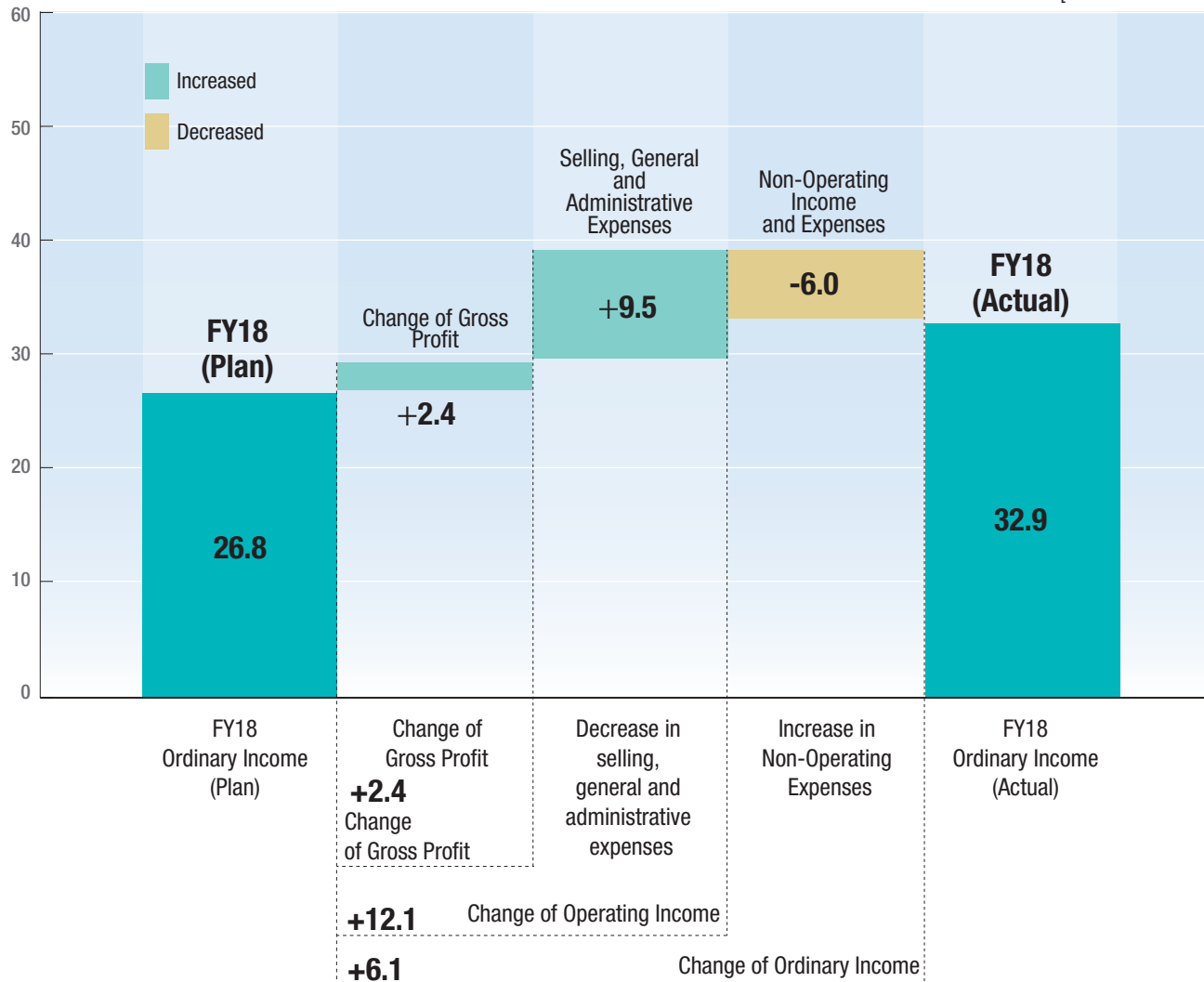
### Non-Operating Income and Expenses

- Improve in foreign exchange gains (+¥740 million)
- Increase of compensation expenses (-¥560 million)
- Others (-¥240 million)

# Factors Leading to Difference in Consolidated Ordinary Income Compared With Plan

## Compared to Plan (+¥610 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 R&D cost (+¥340 million)
- Decrease in warranty repair costs (+¥300 million)
- Others (+¥310 million)

## Non-Operating Income and Expenses

- Increase of compensation expense (-¥980 million)
- Increase in foreign exchange gains (+¥330 million)
- Others (+¥50 million)

# Net Sales and Ordinary Income by Segment ①

Compared to Previous FY  
Compared to Plan

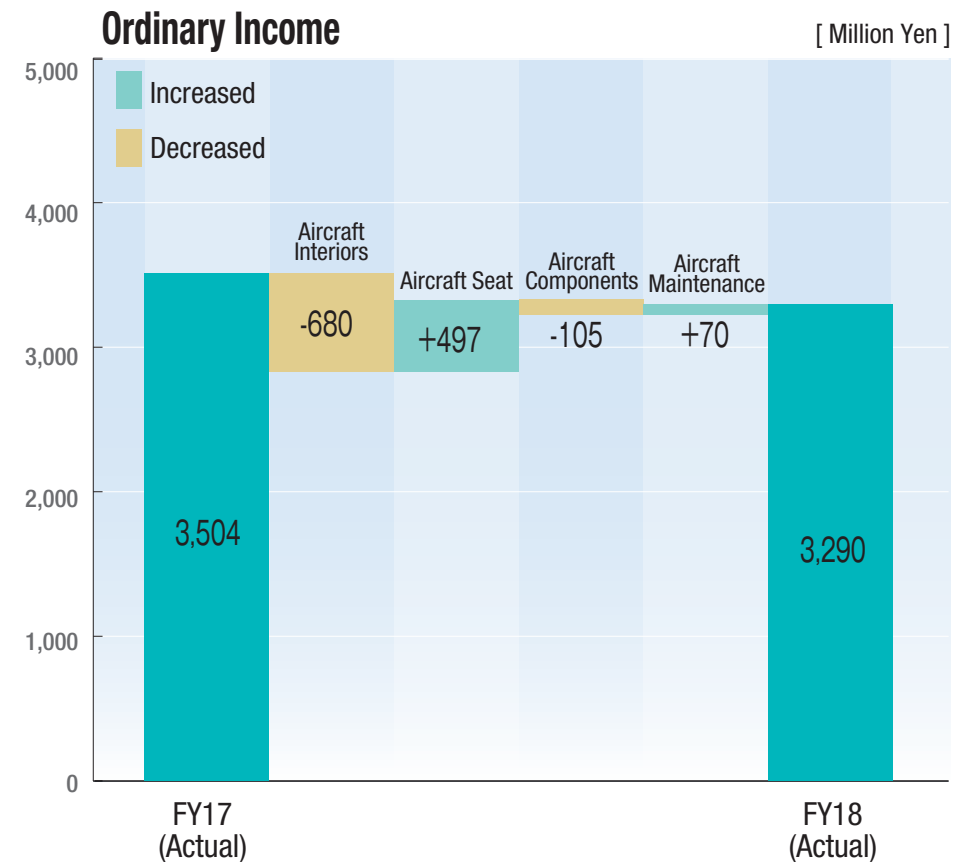
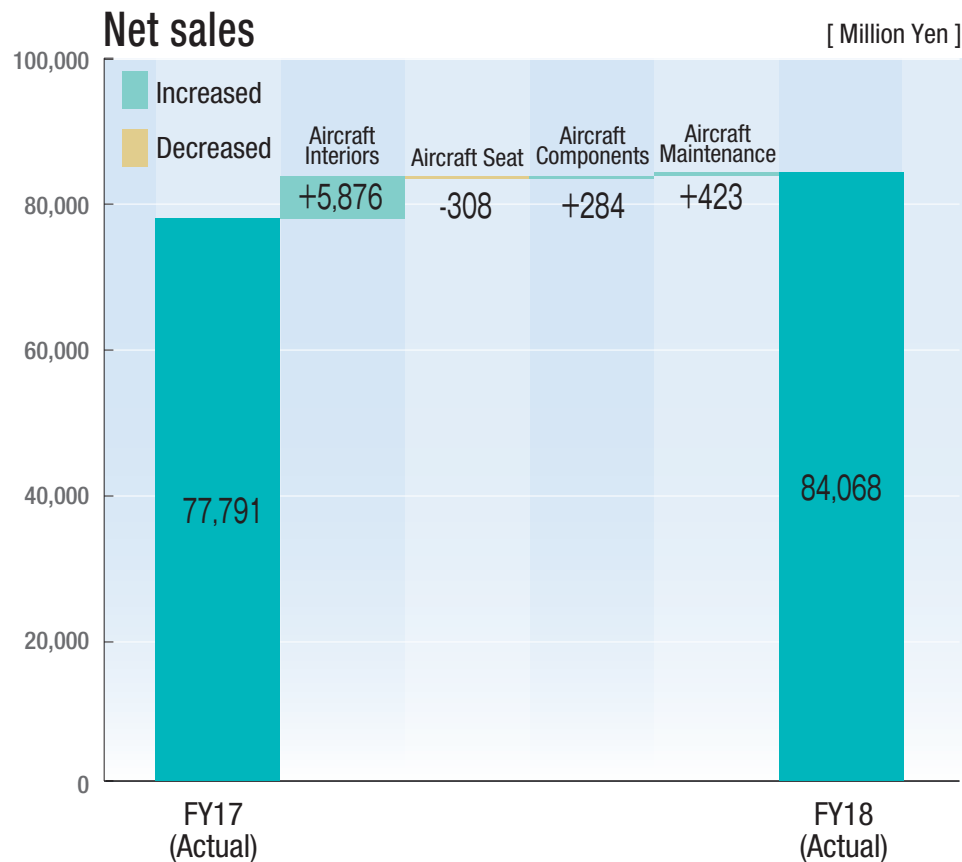


[ Million Yen ]

	Net Sales					Ordinary Income				
	FY17 (Actual)	FY18 (Plan)	FY18 (Actual)	Compared to Previous FY (Change)	Compared to Plan (Change)	FY17 (Actual)	FY18 (Plan)	FY18 (Actual)	Compared to Previous FY (Change)	Compared to Plan (Change)
<b>Aircraft Interiors</b>	50,992	53,000	56,869	5,876	3,869	6,793	3,430	6,113	(680)	2,683
<b>Aircraft Seat</b>	12,484	14,000	12,175	(308)	(1,824)	(3,641)	(1,100)	(3,143)	497	(2,043)
<b>Aircraft Components</b>	6,312	6,500	6,597	284	97	216	240	110	(105)	(129)
<b>Aircraft Maintenance</b>	8,002	8,200	8,426	423	226	139	110	210	70	100
<b>Others</b>	0	0	0	0	0	(4)	(10)	0	3	8
<b>Total</b>	77,791	81,900	84,068	6,276	2,168	3,504	2,680	3,290	(213)	610

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

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



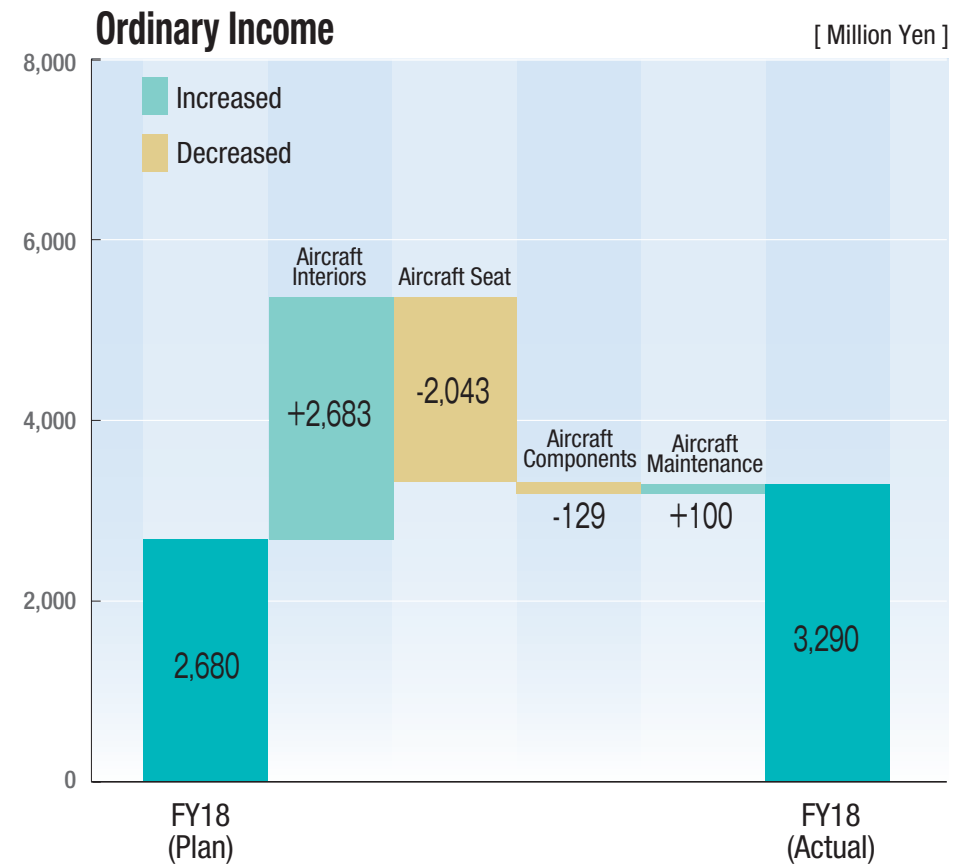
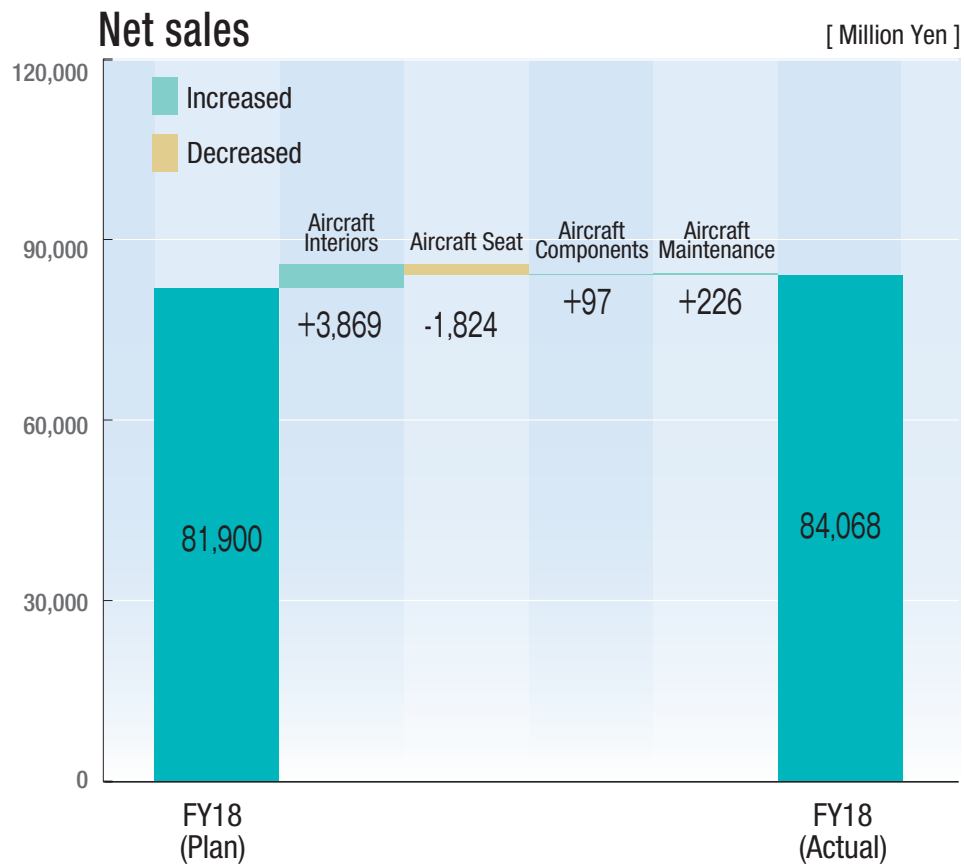
## Point

- Net sales for the aircraft interiors business increased due to the improved sales of cabin upgrade kits, spare parts, and rear galleys for A350s.
- Net sales for the aircraft seat business decreased due to the delays in some programs.

## Point

- Ordinary income for the aircraft interiors business decreased due to the lower sales in Boeing 777 galleys, and an increase in provisions 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 previous fiscal year.

# Net Sales and Ordinary Income by Segment ③ Compared to Plan



## Point

- Net sales for the aircraft interiors business increased due to the yen depreciation and increase in the sales of cabin upgrade kits and spare parts.
- Net sales for the aircraft seat business decreased due to the delays in some programs.

## Point

- Ordinary income for the aircraft interiors business increased due to increase in net sales resulting from the depreciation of the Yen, despite the increase in provisions for loss on construction contracts.
- Ordinary income for the aircraft seat business decreased due to the increase in provisions for loss on construction contracts and the recognition of compensation expense in addition to the delay in some programs.

# Consolidated Balance Sheets

[ Million Yen ]

Items of an Account	End of FY17 (As of March 31, 2018)	End of FY18 (As of March 31, 2019)	Change
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Deposits	3,833	5,822	1,988
Notes and Accounts Receivable - Trade	22,451	22,571	119
Inventories	42,658	48,727	6,069
Other Current Assets	3,767	3,480	(286)
<b>Total Current Assets</b>	<b>72,711</b>	<b>80,602</b>	<b>7,890</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	13,840	13,988	147
Intangible Assets	1,943	1,750	(193)
Investments and Other Assets	5,961	6,640	678
<b>Total Non-Current Assets</b>	<b>21,745</b>	<b>22,378</b>	<b>632</b>
<b>Total Assets</b>	<b>94,456</b>	<b>102,980</b>	<b>8,523</b>

Items of an Account	End of FY17 (As of March 31, 2018)	End of FY18 (As of March 31, 2019)	Change
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Notes and Accounts Payable - Trade	7,518	8,821	1,302
Electronically Recorded Obligations - Operating	7,462	8,910	1,448
Short-Term Loans Payable	22,239	17,404	(4,835)
Current Portion of Long-Term Loans Payable	900	2,300	1,400
Advances Received	6,051	10,675	4,624
Provision for Loss on Construction Contracts	2,066	3,781	1,714
Other Current Liabilities	6,064	7,664	1,599
<b>Total Current Liabilities</b>	<b>52,302</b>	<b>59,556</b>	<b>7,254</b>
<b>Non-Current Liabilities</b>			
Long-Term Loans Payable	4,500	3,700	(800)
Other Non-Current Liabilities	8,100	9,008	907
<b>Total Non-Current Liabilities</b>	<b>12,600</b>	<b>12,708</b>	<b>107</b>
<b>Total Liabilities</b>	<b>64,903</b>	<b>72,265</b>	<b>7,362</b>
<b>NET ASSETS</b>			
<b>Total Net Assets</b>	<b>29,553</b>	<b>30,715</b>	<b>1,161</b>
<b>Total Liabilities and Net Assets</b>	<b>94,456</b>	<b>102,980</b>	<b>8,523</b>

## Point

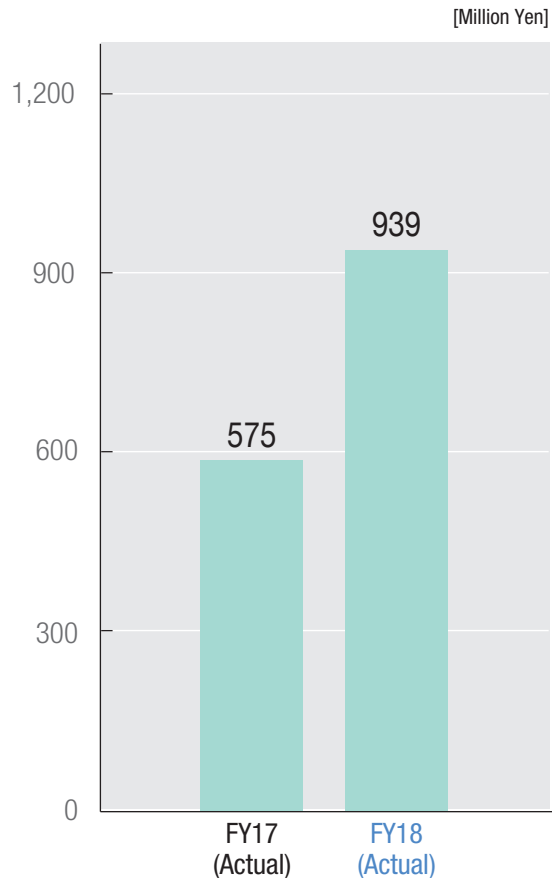
- Inventories rose due to an increase in development costs and works in process for both the aircraft interiors and seat business.
- Provision for loss on construction contracts rose due to increase in initial costs in some aircraft interior products and aircraft seat programs.
- Total Net Assets increased 1.16 billion yen.
- Equity ratio 30.4% → 29.3%



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



### Consolidated Research and Development

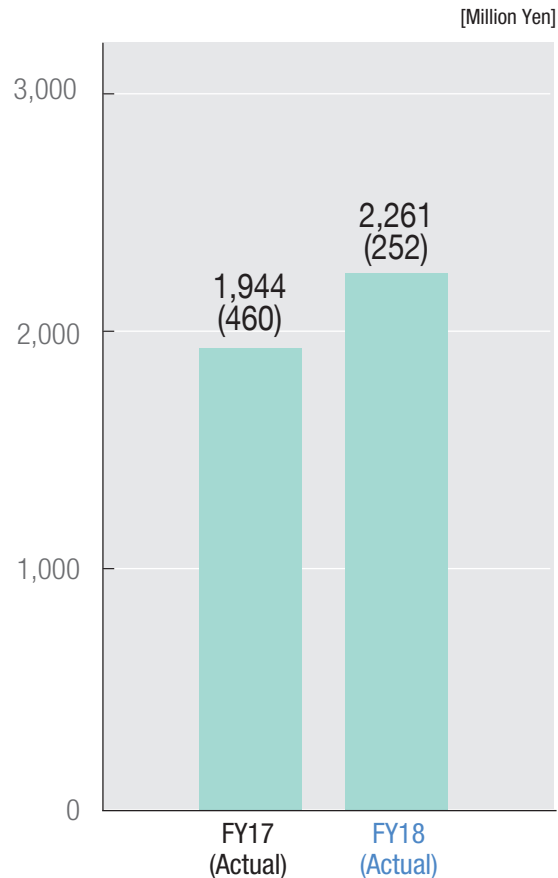


Point

#### FY18 (Actual)

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

### Consolidated Investment in Plant and Equipment



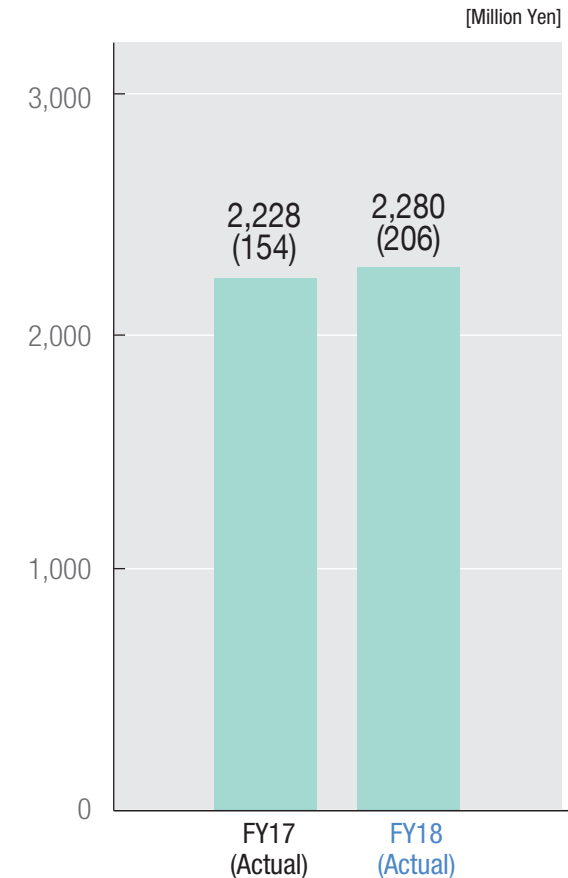
\*Capital expenditure includes all lease properties' amounts in parenthesis

Point

#### FY18 (Actual)

- Investments made in IT for automation and software
- Dies for interior products construction and mock-ups for seat

### 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
Net sales	76,447	3,932	1,287	1,040	19,675	892	1,177	650	1,222	710	465	108
Operating income	3,104	455	14	31	666 (421)	102	(238)	24	51	25	46	6
Ordinary income	2,537	475	18	30	577 (332)	134	(216)	20	55	25	44	6
Net income	2,034	327	(138)	19	498 (305)	113	(208)	(19)	36	18	28	4

(Note 1) 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.

(Note 2) Miyazaki JAMCO recognized extraordinary loss related to quality issues.

(Note 3) JAMCO SINGAPORE PTE LTE. recognized restructuring costs due to reduction in scale.

## Business Environment and Market Trend

- **The global economy faces growing uncertainties about the future, with fears of a global economic slowdown from the issues surrounding Brexit along with concerns regarding the impact of trade friction between the U.S. and China, despite continued strength in the global economy led by firm growth in the U.S.**  
**As for exchange fluctuations, there are concerns regarding the risk of sharp exchange fluctuations due to a slower pace of rate hikes in the U.S., trends in the economic policies of each country, and mounting geopolitical risks.**
- **While increasing in global demand for air transportation has contributed to profits for airlines, fierce competition continues due to aggressive efforts by LCCs.**  
**Major airlines are launching various strategies such as securing new flight routes, enhancing passenger cabin services, and entering into LCC business.**
- **Backed by rising aircraft demand, aircraft manufacturers, both Boeing and Airbus, delivered a record number of aircraft in 2018.**  
**Although there has been concern regarding the 737Max, aircraft manufacturers have a large backlog of orders and are still expected to maintain a high level of production for the mid- to long-term.**  
**In the medium to large-sized aircraft market, Airbus has announced ending production of A380 in the future. On the other hand, production of the major medium-sized aircrafts such as the Boeing 787 and the Airbus A350 are increasing. Boeing is also expected to put on track to produce the Boeing 777X in time for the expected first delivery in 2020.**  
**Furthermore, realignment movements, such as strategic acquisitions of regional jet manufactures by Boeing and Airbus, are progressing.**
- **Reducing aircraft manufacturing costs and lead times are vital challenges for aircraft manufactures, 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.**

Our group is taking the recent quality issues very seriously.

We will keep in mind that the universal code of conduct “commitment to quality first” and “compliance” is the foundation of the Company’s survival and development. We will continue to earnestly revamp our corporate culture and make every effort to restore our customers' trust.

We are aiming for further growth by reforming operational processes, investing for the new field and cultivating human resources.

### 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 Improve profitability by driving cost reductions for our key interior products, as well as expanding orders for customized products required by airlines and retrofitting (cabin upgrades).
- ③ Improve quality, cost and lead times even further in addition to enhancing our competitiveness by improving the design and development processes in the engineering and technology division.
- ④ By strategically reorganizing overseas subsidiaries, increasing our capacity to meet demand as well as addressing the exchange rate fluctuations risk.

### Aircraft Seat Segment

- ① Drive stable profit to intensify development & sales of standard seats as well as transitioning to more effective development and improving manufacturing processes.
- ② Drive stable business by investing next standard seat and developing appealing products for next-generation aircraft.
- ③ Improve production efficiency by strengthening connections in the group supply chain.

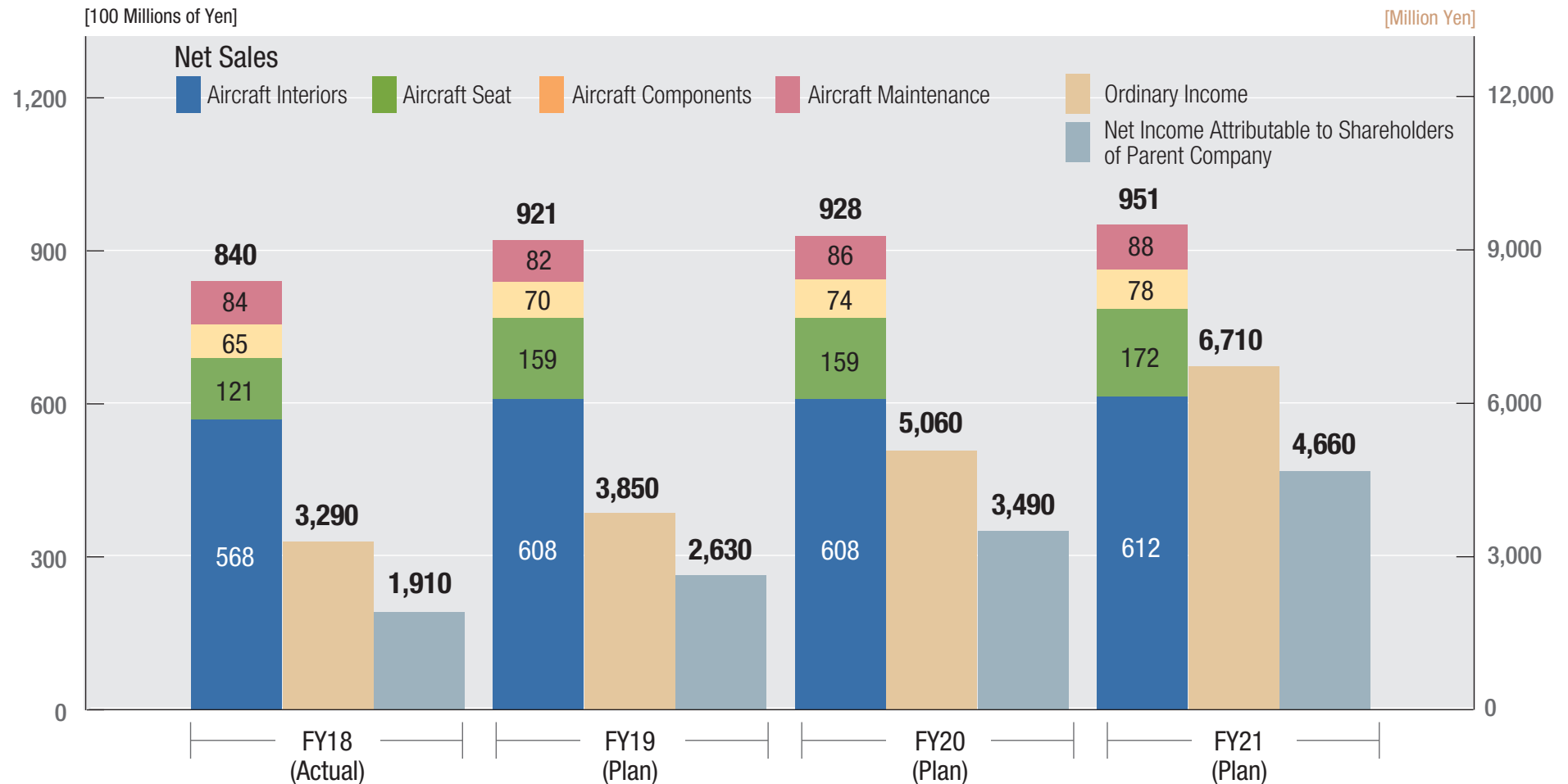
### Aircraft Components Segment

- ① Increase competitiveness by working to expand orders for products with high technological added value.
- ② Expanding business field by improving design/production capacity and developing new proposal-based products.
- ③ Creating group synergy effects by applying technological strengths from component manufacturing segment to Aircraft Interior segment and Aircraft Components Segment.

### Aircraft Maintenance Segment

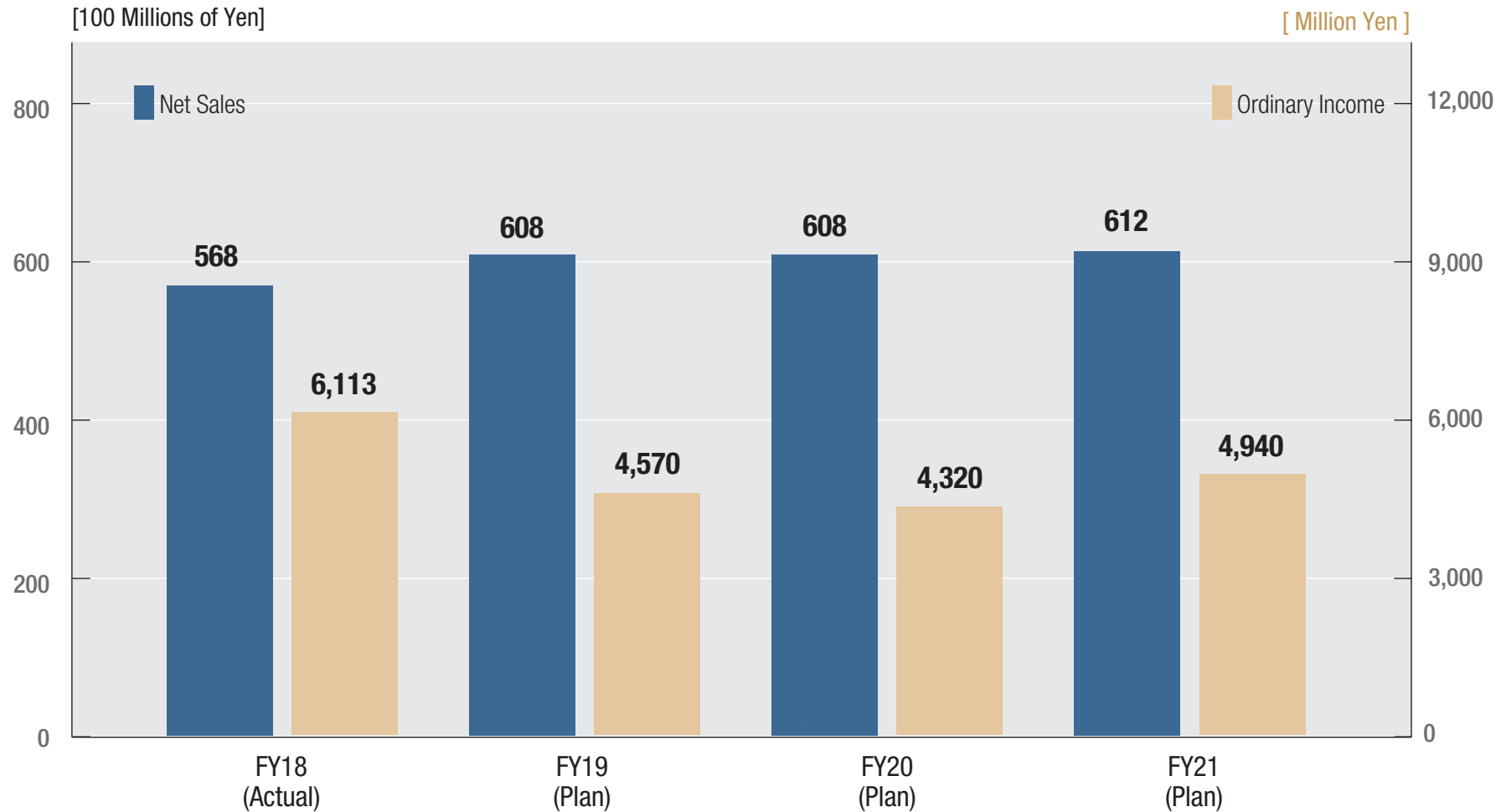
- ① Ensure flight safety while continuously enhancing our quality assurance system.
- ② Strengthen initiatives related to new, high added value business.
- ③ Developing business foundation to drive stable profit.
- ④ We will feed back information obtained from our maintenance businesses into our interior product, seat, and component manufacturing businesses to achieve synergy effects in management of the group as a whole.

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



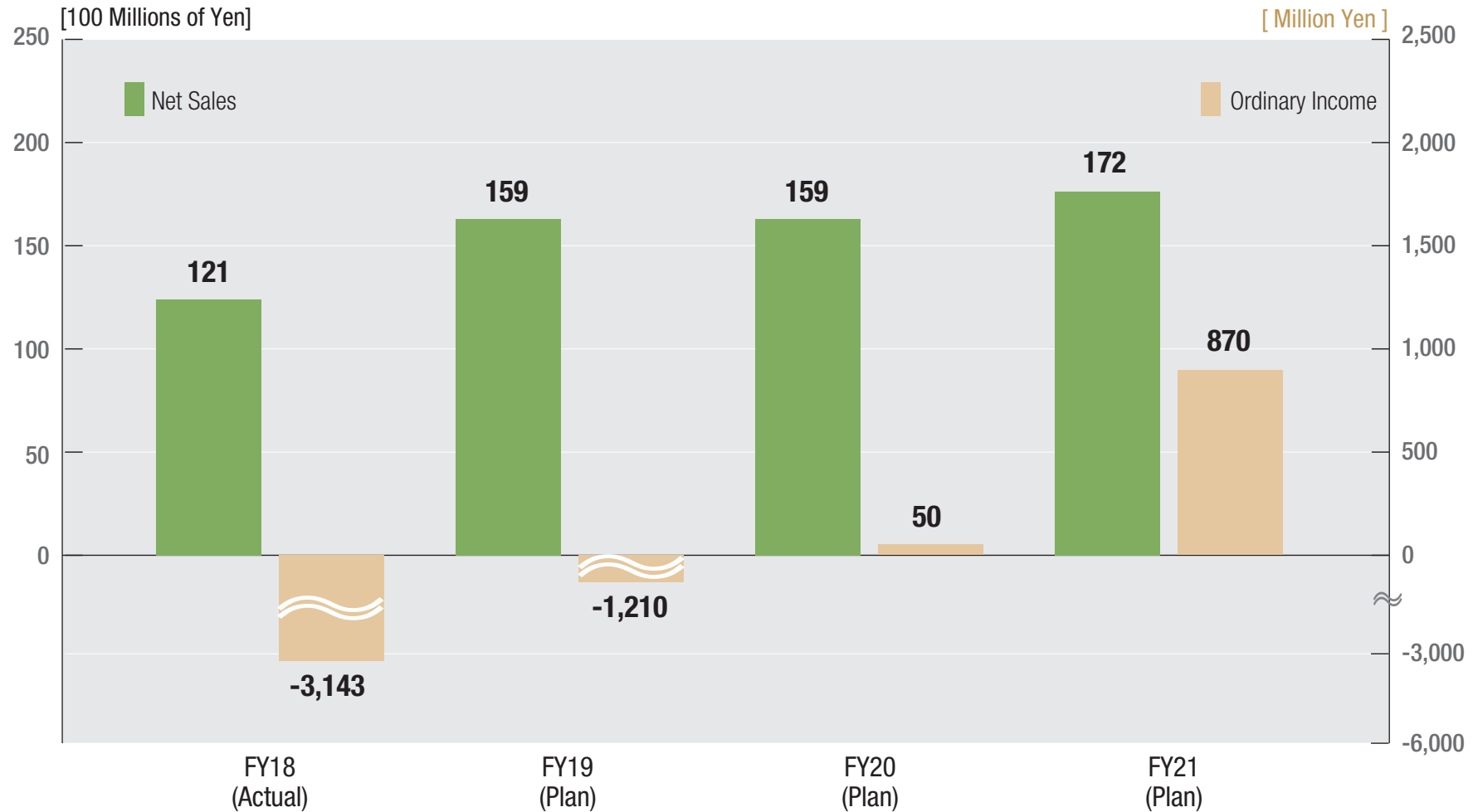
(Note) Exchange Rate for FY19-FY21 ¥105/US\$

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



(Note) Exchange Rate for FY19-FY21 ¥105/US\$

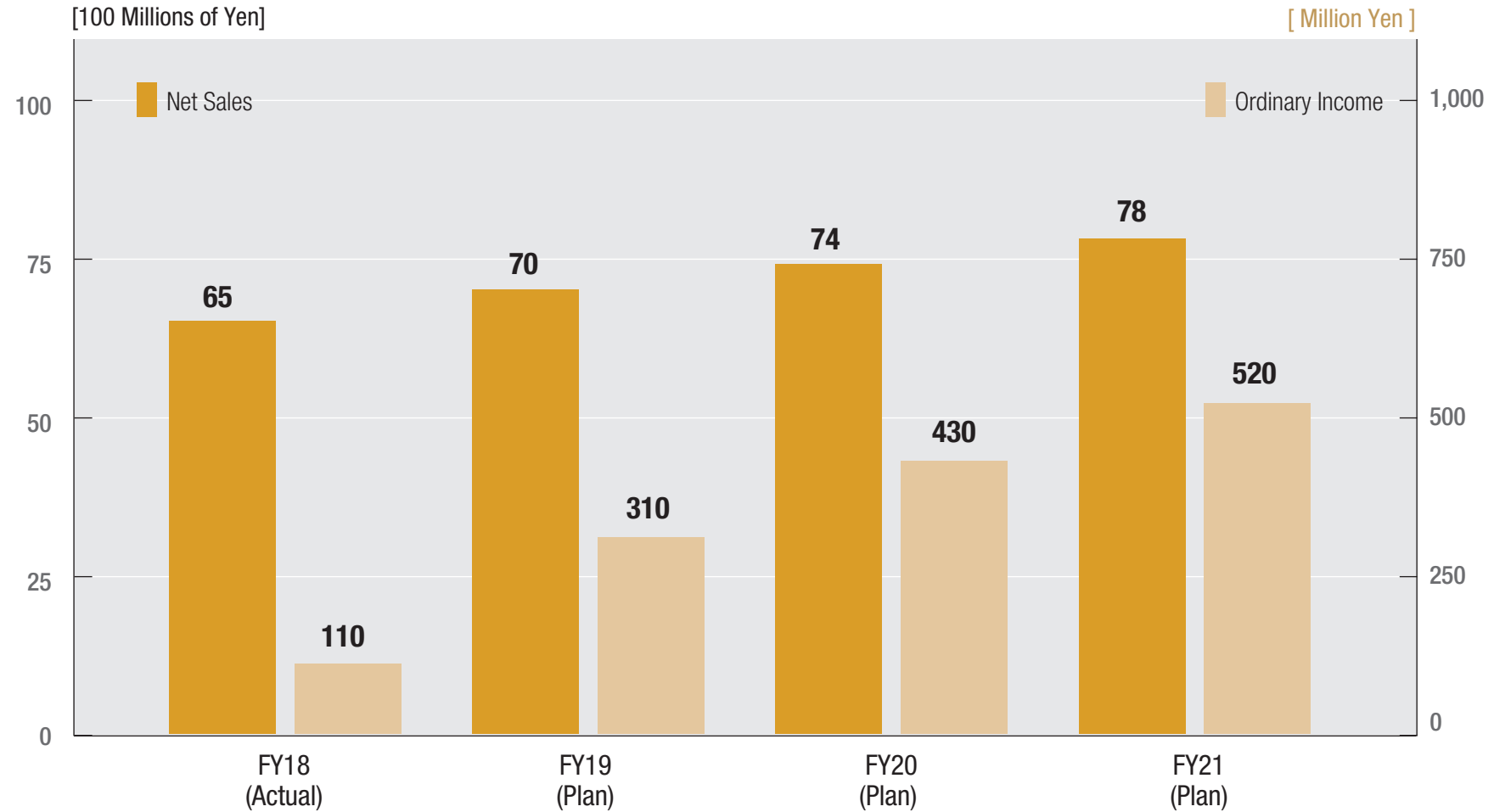
# Consolidated Net Sales and Ordinary Income of Aircraft Seats(Plan)



(Note) Exchange Rate for FY19-FY21 ¥105/US\$

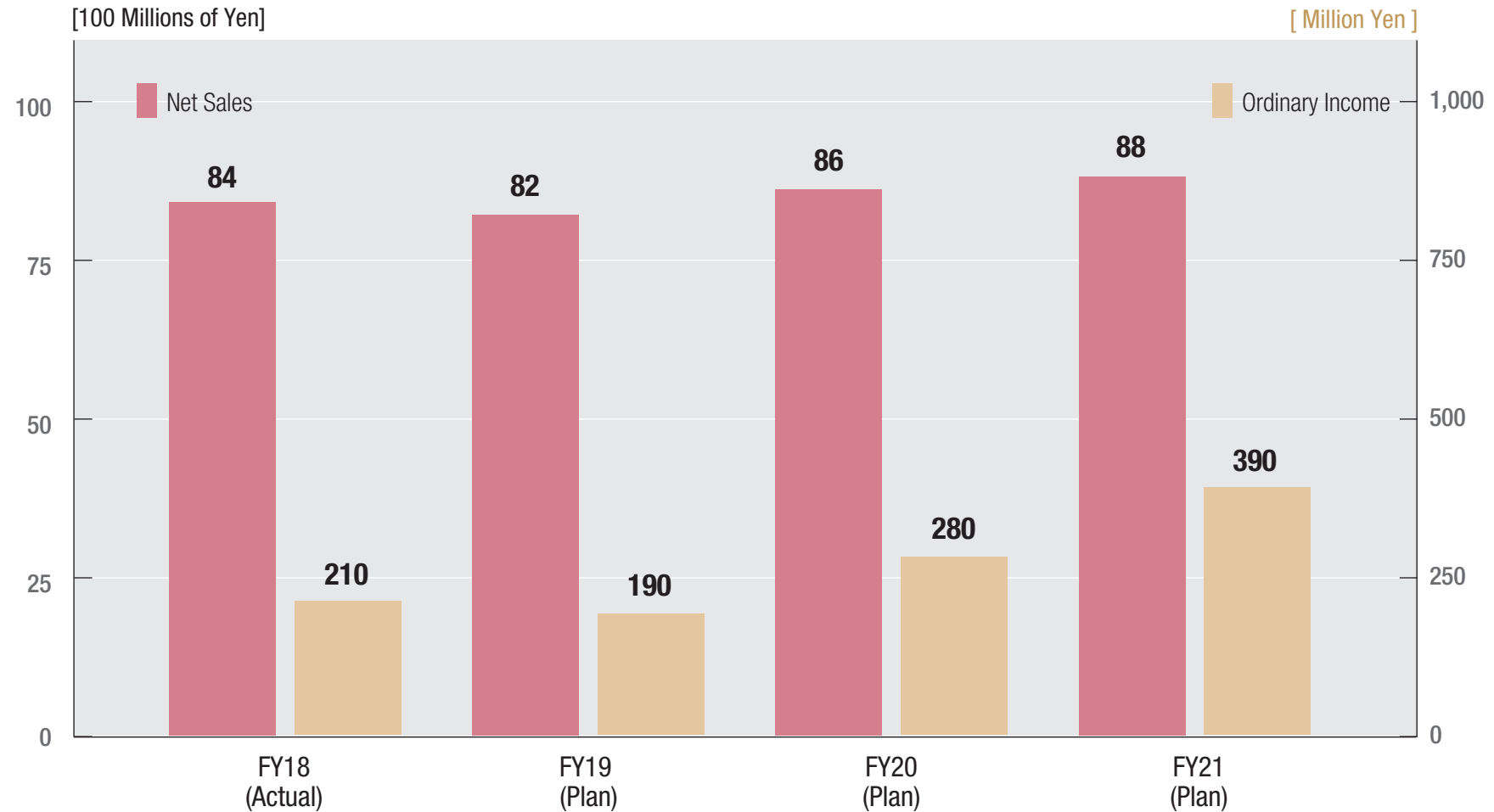


The Medium-Term Management Plan  
**Consolidated Net Sales and Ordinary Income of Aircraft Components (Plan)**



(Note) Exchange Rate for FY19-FY21 ¥105/US\$

The Medium-Term Management Plan  
**Consolidated Net Sales and Ordinary Income of Aircraft Maintenance (Plan)**



(Note) Exchange Rate for FY19-FY21 ¥105/US\$

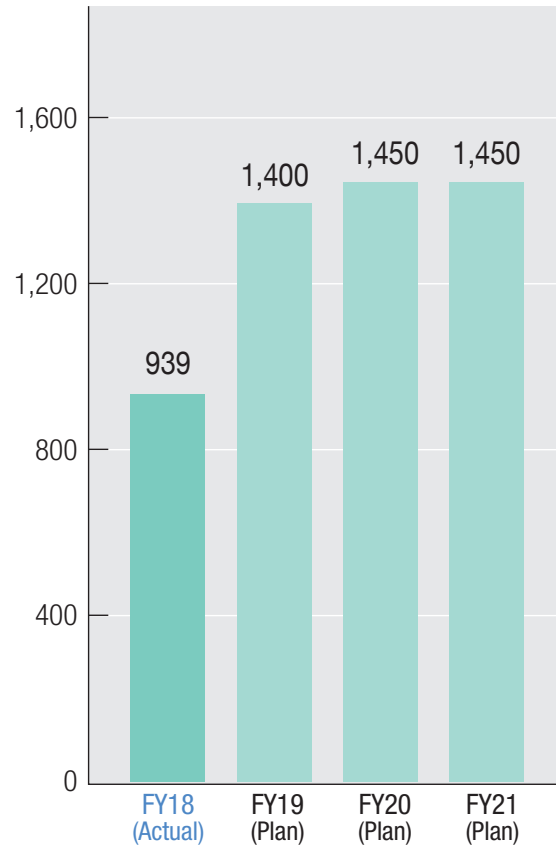
## Trend of Management Index

	FY15	FY16	FY17	FY18	FY19 (Plan)	FY20 (Plan)	FY21 (Plan)
Ordinary Income to Net Sales	9.0%	1.6%	4.5%	3.9%	4.2%	5.5%	7.1%
Ordinary Income to Total Assets Ratio	9.2%	1.4%	3.7%	3.3%	4.0%	5.3%	7.0%
Net Income to Equity Ratio	20.2%	3.7%	6.0%	6.5%	7.9%	9.9%	12.3%
Capital Adequacy Ratio	29.7%	29.4%	30.4%	29.3%	35.9%	37.7%	41.4%
Dividend per Share	¥40	¥10	¥20	¥20	¥25	—	—
Payout Ratio	20.8%	26.4%	31.9%	28.1%	25.5%	—	—
Share Price (The Last Day of the Term)	¥2,816	¥2,475	¥2,242	¥2,314	—	—	—

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

## Consolidated Research and Development

[Million Yen]



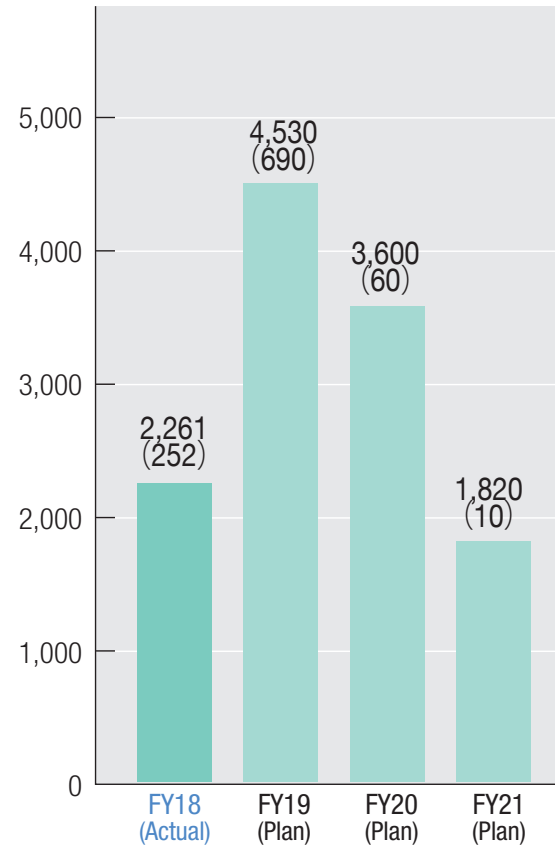
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### FY19 (Plan)

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

## Consolidated Investment in Plant and Equipment

[Million Yen]



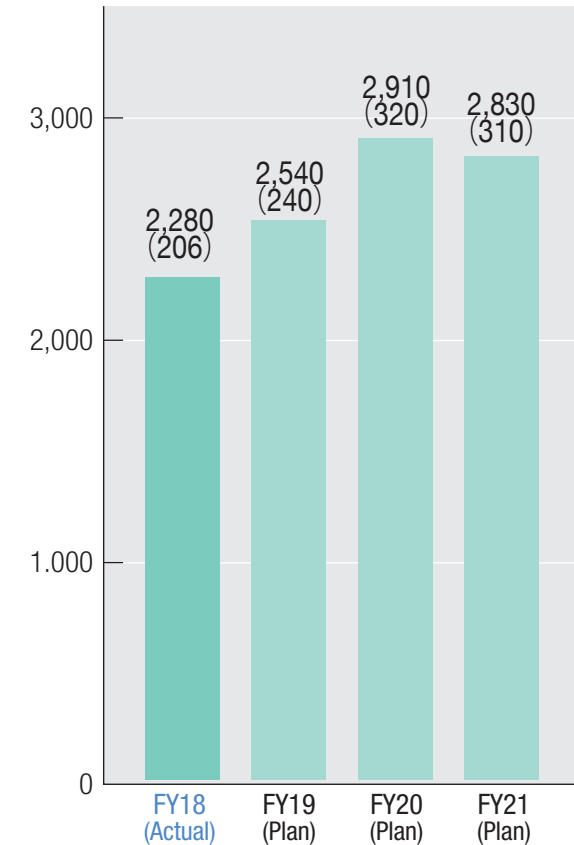
Point

### FY19 (Plan)

- Investments made in IT for automation and software
- Dies for interior products construction and mock-ups for seat

## Consolidated Depreciation

[Million Yen]



\*Amounts in parenthesis are for lease assets

### ■ 787 Production Status

- As of the end of March 2019, 817 aircraft have been delivered
- As of the end of March 2019, 624 aircraft are on order

### ■ 777X Development Status

- Delivery of the first aircraft scheduled for 2020
- As of the end of March 2019, 344 aircraft are on order

### ■ 737MAX Production Status

- As of the end of March 2019, 387 aircraft have been delivered
- As of the end of March 2019, 4,625 aircraft are on order

### ■ A380 Production Status

- As of the end of March 2019, 235 aircraft have been delivered
- As of the end of March 2019, 55 aircraft are on order

### ■ A350XWB Production Status

- As of the end of March 2019, 257 aircraft have been delivered
- As of the end of March 2019, 633 aircraft are on order

### ■ A330neo Production Status

- As of the end of March 2019, 6 aircraft have been delivered
- As of the end of March 2019, 232 aircraft are on order

### ■ A320 Family neo Production Status

- As of the end of March 2019, 731 aircraft have been delivered
- As of the end of March 2019, 5,773 aircraft are on order

Source: Boeing Home Page and Airbus Home Page

## Boeing's Orders and Deliveries

(Jan. 2018~Dec. 2018)

	Orders	Deliveries	Order backlog
<b>Total</b>	893	806	5,951
<b>747</b>	18	6	24
<b>777X</b>	0	0	326
<b>777</b>	51	48	105
<b>787</b>	109	145	622
<b>767</b>	40	27	111
<b>737</b>	675	580	4,763

(Note 1)    colored models indicate wide-body aircraft

(Note 2) Orders indicate net orders

Source: Boeing Home Page

## Airbus' Orders and Deliveries

(Jan. 2018~Dec. 2018)

	Orders	Deliveries	Order backlog
<b>Total</b>	747	800	7,577
<b>A380</b>	4	12	87
<b>A350</b>	40	93	659
<b>A330/A340</b>	27	49	295
<b>A320 family</b>	541	626	6,056
<b>A220 family</b>	135	20	480

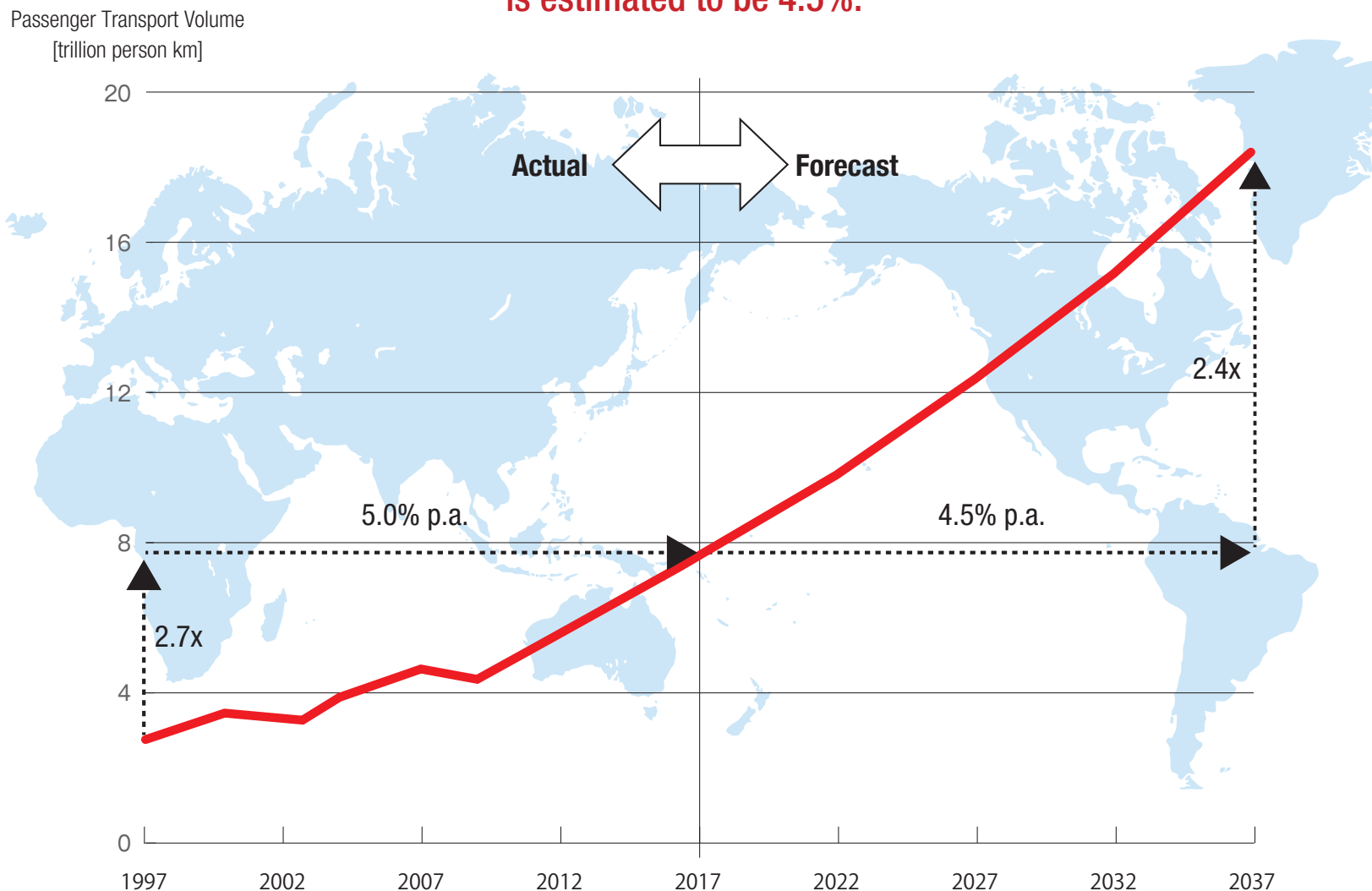
(Note 1)    colored models indicate wide-body aircraft

(Note 2) Orders indicate net orders

Source: Airbus Home Page

# Passenger Demand of the World

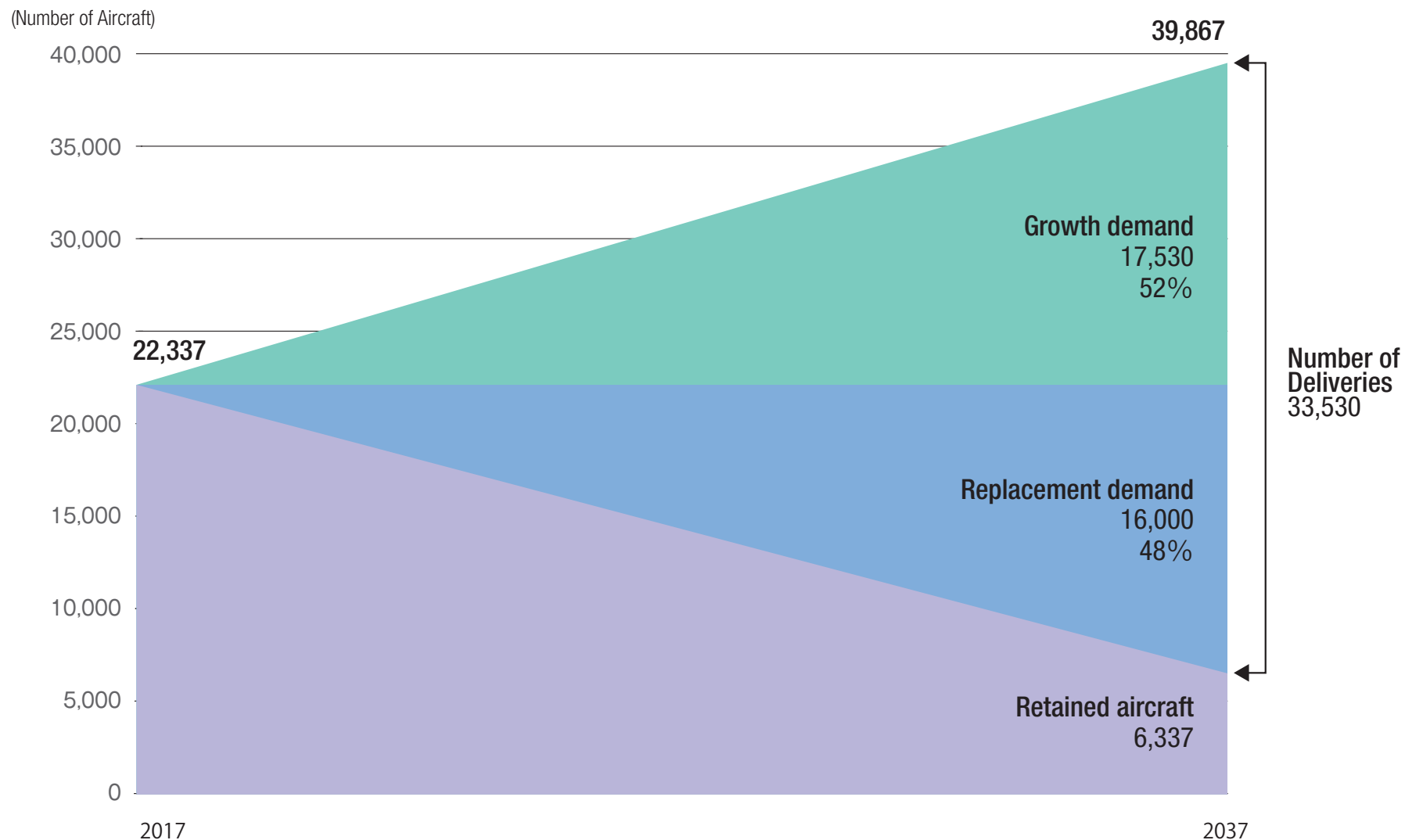
The annual average growth rate of air passenger traffic for the twenty year period of 2018-2037 is estimated to be 4.5%.





# 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*