

Consolidated Financial Results
for the Third Quarter of the Fiscal Year 2018
Ending March 31, 2019
[Japanese GAAP]



February 8, 2019

Company name: JAMCO Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Stock Exchange Code: 7408
 URL: <https://www.jamco.co.jp/>
 Representative: Harutoshi Okita, President & CEO
 Contact: Kentaro Goto, Director & Managing Executive Officer
 Phone: +81-42-503-9145

The date of filing quarterly securities report: February 12, 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 Third Quarter of the Fiscal Year 2018 (from April 1, 2018 to December 31, 2018)

(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 third quarter of								
Fiscal year 2018	61,950	10.8	2,762	(8.7)	2,670	(9.0)	1,611	21.8
Fiscal year 2017	55,896	(4.5)	3,026	144.8	2,933	265.5	1,323	114.3

(Note) Comprehensive income: The third quarter of fiscal year 2018: ¥1,796 million [4.5%]

The third quarter of fiscal year 2017: ¥1,719 million [367.5%]

	Net income per share	Diluted net income per share
	Yen	Yen
For the third quarter of		
Fiscal year 2018	60.08	-
Fiscal year 2017	49.32	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2018	98,626	30,759	30.4
As of March 31, 2018	94,456	29,553	30.4

(Reference) Equity: As of December 31, 2018: ¥29,994 million

As of March 31, 2018: ¥28,752 million

2. Dividend distribution

	Dividend distribution per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year 2017	Yen -	Yen 0.00	Yen -	Yen 20.00	Yen 20.00
Fiscal year 2018	-	0.00	-		
Fiscal year 2018 (Planned)				20.00	20.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year 2018 (from April 1, 2018 to March 31, 2019)

(%: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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	81,900	5.3	3,110	(30.4)	2,680	(23.5)	1,800	7.0	67.10

(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 2018: 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: None

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 December 31, 2018: 26,863,974 shares

As of March 31, 2018: 26,863,974 shares

2) Number of treasury stock:

As of December 31, 2018: 38,801 shares

As of March 31, 2018: 38,762 shares

3) Average number of common shares outstanding:

3rd quarter of FY 2018: 26,825,193 shares

3rd quarter of FY 2017: 26,825,218 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.

Table of Contents

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Operating Results.....	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	4
2. Quarterly Consolidated Financial Statements and Primary Notes.....	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
Quarterly Consolidated Statements of Income.....	7
Quarterly Consolidated Statements of Comprehensive Income.....	8
(3) Notes to Quarterly Consolidated Financial Statements.....	9
(Notes on going concern assumption)	9
(Notes in the case of significant changes in shareholders' equity).....	9
(Additional information)	9
(Segment information, etc.).....	10

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

(1) Explanation of Operating Results

During the third quarter of FY 2018, the overall global economy generally remained firm, as the U.S. economy steadily grew, and the economies in Japan and the euro-zone also continued to recover moderately, despite concerns regarding a slowdown in the Chinese economy due to the growing impact of trade friction between the U.S. and China. In the foreign exchange market, the dollar-yen exchange rate generally showed a trend of a yen depreciation, moving within the range of the upper ¥105 to the lower ¥114 per US\$1, amid uncertainties about the future due mainly to the trends in trade issues.

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. Backed by rising aircraft demand, aircraft manufacturers, both Boeing and Airbus, delivered a record number of aircraft in 2018. With plans to increase production of some models, along with progress toward the development of new models aiming at improved fuel efficiency, the aircraft market is expected to remain robust. Furthermore, historic realignment movements, such as strategic acquisitions of regional jet manufacturers by Boeing and Airbus, are progressing.

Under such circumstances, in the aircraft interiors business, the Group worked to improve production efficiency, while proceeding with the development of lavatories for Boeing 777X. We also embarked on the development of galleys for Boeing 777X upon receipt of orders from major airlines.

In the aircraft seat business, we worked to expand order receipt of the Company's standard seats, while conducting initiatives to improve production efficiency and reduce cost. We also started shipment of first class seats for a major airline.

In the aircraft components business, we promoted initiatives to improve productivity, while proceeding with initiatives to increase production of aircraft engine parts. We also received orders for piping for H3 next-generation launch vehicle rocket engine.

In the aircraft maintenance business, we continued with initiatives to ensure flight safety and enhance quality, while also taking initiatives to expand the range of services and improve earnings. We also conducted capital participation in MRO Japan Co., Ltd. of the ANA Group, in order to expand the business fields of aircraft maintenance.

As a result, on a consolidated basis, during the third quarter of FY 2018, the Company posted net sales of ¥61,950 million (up ¥6,054 million compared to the same period of the previous fiscal year), operating income of ¥2,762 million (down ¥263 million compared to the same period of the previous fiscal year), ordinary income of ¥2,670 million (down ¥263 million compared to the same period of the previous fiscal year) and net income attributable to shareholders of parent company of ¥1,611 million (up ¥288 million compared to the same period of the previous fiscal year).

Provision for loss on construction contracts of ¥2,938 million for construction to be completed in or after the next quarter was recognized as of December 31, 2018. The impact of this provision for loss on construction contracts on income (loss) for the quarterly third quarter of FY 2018 was an increase of ¥571 million in cost of sales (provision for loss on construction contracts as of September 30, 2018 was ¥2,367 million) and, for the cumulative third quarter of FY 2018, an increase of ¥871 million in cost of sales (provision for loss on construction contracts at the end of FY 2017 was ¥2,066 million).

Selling, general and administrative expenses were ¥6,747 million (an increase of ¥673 million compared to the same period of the previous fiscal year) due mainly to increases in research and development expenses and sales commissions.

In terms of non-operating income (expenses), an expense of ¥91 million was reported due mainly to recognition of compensation expenses, despite an increase in foreign exchange gains (an expense of ¥92 million in the same period of the previous fiscal year).

As for extraordinary income (loss), a loss of ¥127 million was reported due to loss on disposal of non-current assets (a loss of ¥30 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 increased from the same period of the previous fiscal year due mainly to an increase in sales of the passenger cabin modification kit and spare parts, and shipments of rear galleys for Airbus A350 and lavatories for flight tests of Boeing 777X, which is under development by Boeing, despite the impact of a decrease in shipments of galleys for the current Boeing 777s that are being replaced by Boeing 777X.

Meanwhile, although ordinary income was somewhat impacted by the increase in net sales, it was affected by a decrease in shipments of galleys for Boeing 777 and an increase in initial costs for some programs, and by the increase in selling, general and administrative expenses.

As a result, the aircraft interiors business posted net sales of ¥42,354 million (up ¥4,565 million compared to the same period of the previous fiscal year) and ordinary income of ¥4,400 million (down ¥650 million compared to the same period of the previous fiscal year).

[Aircraft Seat Business]

In the aircraft seat business, net sales increased from the same period of the previous fiscal year due to an increase in product shipments. Although ordinary income (loss) was affected by the increase in costs, mainly reflecting an increase in the cost of some programs, and the increase in research and development expenses, it improved from the same period of the previous fiscal year due mainly to an improvement in profitability as a result of improved production efficiency and a reaction to the impact of an increase in the initial costs of some programs in the same period of the previous fiscal year.

As a result, the aircraft seat business posted net sales of ¥9,557 million (up ¥1,130 million compared to the same period of the previous fiscal year) and ordinary loss of ¥1,796 million (ordinary loss of ¥2,196 million in the same period of the previous fiscal year).

[Aircraft Components Business]

In the aircraft components business, despite a decrease in shipments of heat exchangers and other equipment as a result of factors such as changes in delivery dates, net sales increased from the same period of the previous fiscal year due to an increase in shipments of aircraft engine parts. Meanwhile, with regard to ordinary income (loss), ordinary loss was reported due mainly to the impact of a decrease in shipments of heat exchangers and other equipment despite our efforts to improve production efficiency.

As a result, the aircraft components business posted net sales of ¥4,498 million (up ¥346 million compared to the same period of the previous fiscal year) and ordinary loss of ¥61 million (ordinary loss of ¥53 million in the same period of the previous fiscal year).

[Aircraft Maintenance Business]

In the aircraft maintenance business, despite a decrease in completed construction as a result of factors such as changes in the delivery dates for some aircraft maintenance, net sales and ordinary income remained flat over the same period of the previous fiscal year due to continued solid performance of equipment maintenance.

As a result, the aircraft maintenance business posted net sales of ¥5,540 million (up ¥10 million compared to the same period of the previous fiscal year) and ordinary income of ¥129 million (down ¥1 million compared to the same period of the previous fiscal year).

[Others]

The Others segment includes the businesses of the consolidated subsidiary Orange JAMCO Corporation, and mainly consisted of inter-segment transactions, including assistance work in the aircraft interiors business.

As a result, the Others segment posted net sales of ¥0 million (up ¥0 million compared to the same period of the previous fiscal year) and ordinary loss of ¥1 million (ordinary loss of ¥0 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

[Assets, liabilities and net assets]

Total assets as of December 31, 2018 amounted to ¥98,626 million, up ¥4,169 million from the end of the previous fiscal year. Of such, total current assets increased by ¥4,558 million from the end of the previous fiscal year, due mainly to an increase in work in process (up ¥2,816 million compared to the end of the previous fiscal year), an increase in merchandise and finished goods (up ¥1,195 million compared to the end of the previous fiscal year), despite a decrease in notes and accounts receivable - trade (down ¥823 million compared to the end of the previous fiscal year). Total non-current assets decreased by ¥389 million from the end of the previous fiscal year due to decreases in property, plant and equipment (down ¥244 million compared to the end of the previous fiscal year) and intangible assets (down ¥183 million compared to the end of the previous fiscal year) as a result of relatively limited investment for the third quarter of FY 2018.

Total liabilities amounted to ¥67,866 million, up ¥2,963 million from the end of the previous fiscal year. This was attributable primarily to an increase in electronically recorded obligations - operating (up ¥1,342 million compared to the end of the previous fiscal year) and an increase in notes and accounts payable - trade (up ¥1,312 million compared to the end of the previous fiscal year), which offset the decrease in loans payable (down ¥3,012 million compared to the end of the previous fiscal year).

Total net assets amounted to ¥30,759 million, up ¥1,205 million from the end of the previous fiscal year. This was due primarily to an increase in retained earnings (up ¥1,075 million compared to the end of the previous fiscal year). As a result, the equity ratio stood at 30.4%.

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

The financial results forecast for the fiscal year ending March 31, 2019 remains unchanged from the financial results forecast for the full year announced on May 8, 2018 due to the expected impact of profit estimation for foreign currency-denominated net sales and provision for loss on construction contracts as well as foreign exchange losses. The exchange rate for the fourth quarter assumed for the financial results forecast is unchanged at ¥105 per US\$1.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	3,833,880	4,589,819
Notes and accounts receivable - trade	22,451,904	21,628,120
Merchandise and finished goods	715,123	1,910,222
Work in process	27,009,919	29,826,579
Raw materials and supplies	14,933,273	15,995,890
Other	3,770,053	3,332,253
Allowance for doubtful accounts	(2,944)	(13,248)
Total current assets	72,711,210	77,269,637
Non-current assets		
Property, plant and equipment	13,840,417	13,595,871
Intangible assets	1,943,674	1,760,147
Investments and other assets	5,961,625	6,000,601
Total non-current assets	21,745,718	21,356,620
Total assets	94,456,929	98,626,258
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,518,512	8,830,951
Electronically recorded obligations - operating	7,462,195	8,804,241
Short-term loans payable	22,239,114	18,626,602
Current portion of long-term loans payable	900,000	1,200,000
Income taxes payable	611,221	450,478
Accrued expense-salary	1,604,173	957,795
Provision for loss on construction contracts	2,066,719	2,938,245
Other	9,900,322	12,912,224
Total current liabilities	52,302,258	54,720,541
Non-current liabilities		
Long-term loans payable	4,500,000	4,800,000
Provision for directors' and auditors' retirement benefits	184,006	-
Provision for executive officers' retirement benefits	129,501	-
Liability for employee retirement benefits	6,876,571	6,946,894
Provision for loss on compensation	203,751	344,747
Other	706,975	1,054,476
Total non-current liabilities	12,600,807	13,146,118
Total liabilities	64,903,066	67,866,659

(Thousand yen)

	As of March 31, 2018	As of December 31, 2018
Net assets		
Shareholders' equity		
Capital stock	5,359,893	5,359,893
Capital surplus	4,367,993	4,367,993
Retained earnings	19,039,542	20,114,676
Treasury stock	(30,772)	(30,884)
Total shareholders' equity	28,736,656	29,811,678
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	177,595	132,387
Deferred gains or losses on hedges	72,818	82,618
Foreign currency translation adjustment	(46,134)	114,938
Accumulated adjustment for employee retirement benefits	(188,623)	(147,548)
Total accumulated other comprehensive income	15,656	182,395
Non-controlling interests	801,550	765,524
Total net assets	29,553,862	30,759,598
Total liabilities and net assets	94,456,929	98,626,258

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Third Quarter of the Fiscal Year (from April 1 to December 31)

(Thousand yen)

	The third quarter of FY 2017	The third quarter of FY 2018
Net sales	55,896,092	61,950,487
Cost of sales	46,796,196	52,440,732
Gross profit	9,099,895	9,509,754
Selling, general and administrative expenses	6,073,894	6,747,751
Operating income	3,026,001	2,762,003
Non-operating income		
Interest income	10,248	25,646
Dividend income	4,599	5,222
Foreign exchange gains	12,898	311,254
Share of profit of entities accounted for using equity method	15,793	-
Subsidy income	54,200	80,361
Other	109,594	66,918
Total non-operating income	207,336	489,404
Non-operating expenses		
Interest expenses	239,192	291,062
Share of loss of entities accounted for using equity method	-	22,599
Compensation expenses	-	140,995
Other	60,598	126,334
Total non-operating expenses	299,790	580,992
Ordinary income	2,933,546	2,670,415
Extraordinary loss		
Loss on disposal of non-current assets	30,855	127,143
Total extraordinary loss	30,855	127,143
Income before taxes	2,902,691	2,543,272
Income taxes – current	605,485	785,555
Income taxes – deferred	917,771	151,092
Total income taxes	1,523,256	936,647
Net income	1,379,434	1,606,624
Net income (loss) attributable to non-controlling shareholders	56,331	(5,014)
Net income attributable to shareholders of parent company	1,323,103	1,611,638

Quarterly Consolidated Statements of Comprehensive Income
 Third Quarter of the Fiscal Year (from April 1 to December 31)

(Thousand yen)

	The third quarter of FY 2017	The third quarter of FY 2018
Net income	1,379,434	1,606,624
Other comprehensive income		
Valuation difference on available-for-sale securities	75,934	(45,208)
Deferred gains or losses on hedges	65,036	9,799
Foreign currency translation adjustment	119,586	184,437
Adjustment for employee retirement benefits	70,214	41,075
Share of other comprehensive income of entities accounted for using equity method	9,340	(275)
Total other comprehensive income	340,111	189,828
Comprehensive income	1,719,546	1,796,452
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	1,637,981	1,778,378
Comprehensive income attributable to non-controlling shareholders	81,565	18,073

(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.

(Additional information)

The third quarter of FY 2018
(from April 1, 2018 to December 31, 2018)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

From the beginning of the first quarter of FY 2018, the Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

(Abolition of the retirement benefits plan for Directors and Audit & Supervisory Board Members)

The Company had recognized the amount required to be paid at the end of period pursuant to the internal rules in preparation for the award of retirement benefits for Directors and Audit & Supervisory Board Members as "provision for directors' and auditors' retirement benefits" as well as the amount required to be paid at the end of period pursuant to the internal rules in preparation for the award of retirement benefits for Executive Officers as "provision for executive officers' retirement benefits." However, the Company decided to abolish the retirement benefits plan for Directors and Audit & Supervisory Board Members and for Executive Officers at the closing of the Annual General Meeting of Shareholders held on June 27, 2018 and to make final payments of the retirement benefits corresponding to their terms of office.

Accordingly, ¥328,953 thousand of "provision for directors' and auditors' retirement benefits" and "provision for executive officers' retirement benefits" were fully reversed, and the unpaid portion of the final payments was recognized as "long-term accounts payable - other." The amount of long-term accounts payable - other was included in "other" under non-current liabilities.

(Segment information, etc.)

[Segment information]

I. For the third quarter of FY 2017

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	37,788,364	8,426,288	4,151,702	5,529,725	55,896,080	11	55,896,092
Inter-segment net sales or transfers	1,465,797	-	3,166	134,205	1,603,169	77,940	1,681,110
Total	39,254,162	8,426,288	4,154,868	5,663,930	57,499,250	77,952	57,577,202
Segment income (loss)	5,051,450	(2,196,264)	(53,128)	131,790	2,933,849	(302)	2,933,546

(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	2,933,849
Loss of Others	(302)
Ordinary income in the Quarterly Consolidated Statement of Income	2,933,546

3. Information on impairment loss on non-current assets and goodwill by reportable segment
There is no relevant information.

II. For the third 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	42,354,295	9,557,211	4,498,569	5,540,392	61,950,469	17	61,950,487
Inter-segment net sales or transfers	1,133,008	174,404	10,902	29,360	1,347,675	81,566	1,429,242
Total	43,487,304	9,731,615	4,509,471	5,569,753	63,298,144	81,584	63,379,729
Segment income (loss)	4,400,562	(1,796,643)	(61,578)	129,914	2,672,254	(1,838)	2,670,415

(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	2,672,254
Loss of Others	(1,838)
Ordinary income in the Quarterly Consolidated Statement of Income	2,670,415

3. Information on impairment loss on non-current assets and goodwill by reportable segment

There is no relevant information.