

Consolidated Financial Results
for the Third Quarter of the Fiscal Year 2019
Ending March 31, 2020
[Japanese GAAP]



February 7, 2020

Company name: JAMCO Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Stock Exchange Code: 7408
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 The date of filing quarterly securities report: February 10, 2020
 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 2019 (from April 1, 2019 to December 31, 2019)

(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 2019	65,337	5.5	1,174	(57.5)	786	(70.5)	339	(78.9)
Fiscal year 2018	61,950	10.8	2,762	(8.7)	2,670	(9.0)	1,611	21.8

(Note) Comprehensive income: The third quarter of fiscal year 2019: ¥230 million [(87.1)%]
 The third quarter of fiscal year 2018: ¥1,796 million [4.5%]

	Net income per share	Diluted net income per share
	Yen	Yen
For the third quarter of		
Fiscal year 2019	12.67	-
Fiscal year 2018	60.08	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2019	114,420	30,384	26.1
As of March 31, 2019	102,980	30,715	29.3

(Reference) Equity: As of December 31, 2019: ¥29,855 million
 As of March 31, 2019: ¥30,173 million

2. Dividend distribution

	Dividend distribution per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year 2018	Yen -	Yen 0.00	Yen -	Yen 20.00	Yen 20.00
Fiscal year 2019	-	0.00	-		
Fiscal year 2019 (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 2019 (from April 1, 2019 to March 31, 2020)

(%:Changes from the previous fiscal year)

	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
	92,600	10.1	2,900	(32.9)	2,200	(33.1)	1,300	(31.9)	48.46

(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 2019: 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: Yes

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, 2019: 26,863,974 shares

As of March 31, 2019: 26,863,974 shares

2) Number of treasury stock:

As of December 31, 2019: 38,932 shares

As of March 31, 2019: 38,832 shares

3) Average number of common shares outstanding:

3rd quarter of FY 2019: 26,825,082 shares

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

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

(1) Explanation of Operating Results

During the third quarter of FY 2019, there were growing signs of a slowdown in the global economy due mainly to concerns on the trade issue between the U.S. and China as well as confusion stemming from Brexit, despite continued moderate growth in the U.S. economy. The dollar-yen exchange rate moved within the range of the lower ¥112 to the lower ¥105 per US\$1.

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. Although the impact of the Boeing 737 MAX aircraft grounding and the reduction of production of the Boeing 787 aircraft are matters of temporary concern, both Boeing and Airbus have continued to maintain a high level of order backlog, backed by rising passenger demand over the medium to long term. With plans to increase production of some models, along with progress in the development of new models aiming at improved fuel efficiency, the aircraft market is expected to remain robust.

Under such circumstances, in the aircraft interiors business and the aircraft seat business, we worked to identify the cause and verify safety in response to the inappropriate quality issues announced on March 26, 2019, and implemented corrective/preventive measures, while proceeding with efforts to raise awareness of both compliance and quality to a higher level.

In the aircraft components business, we took initiatives to improve productivity, while proceeding with in-house production of interiors and seat parts by applying the metal processing technologies we have accumulated over the years.

In the aircraft maintenance business, we continued with initiatives to ensure flight safety and enhance quality, while endeavoring to expand aircraft maintenance for airlines.

As a result, on a consolidated basis, during the third quarter of FY 2019, the Company posted net sales of ¥65,337 million (up ¥3,386 million compared to the same period of the previous fiscal year), operating income of ¥1,174 million (down ¥1,587 million compared to the same period of the previous fiscal year), ordinary income of ¥786 million (down ¥1,883 million compared to the same period of the previous fiscal year) and net income attributable to shareholders of parent company of ¥339 million (down ¥1,271 million compared to the same period of the previous fiscal year).

Provision for loss on construction contracts of ¥4,068 million for construction to be completed in or after the quarterly fourth quarter of FY 2019 was recognized as of December 31, 2019. The impact of this provision for loss on construction contracts on income (loss) for the quarterly third quarter of FY 2019 was an increase of ¥354 million in cost of sales (provision for loss on construction contracts as of September 30, 2019 was ¥3,713 million) and, for the cumulative third quarter of FY 2019, an increase of ¥287 million in cost of sales (provision for loss on construction contracts at the end of the previous fiscal year was ¥3,781 million).

Selling, general and administrative expenses, non-operating income (expenses), and extraordinary income (loss) are as follows:

Selling, general and administrative expenses were ¥6,162 million (a decrease of ¥584 million compared to the same period of the previous fiscal year), due mainly to decreases in warranty expenses and sales commissions.

In terms of non-operating income (expenses), an expense of ¥388 million was reported due mainly to a deterioration in foreign exchange gains (losses) resulting from the appreciation of the yen in the foreign exchange market from the end of the previous fiscal year (an expense of ¥91 million in the same period of the previous fiscal year).

As for extraordinary income (loss), although insurance income related to quality issues of ¥60 million was recognized due to liability insurance, a loss of ¥215 million was reported due mainly to loss related to quality (a loss of ¥127 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 to progress in the shipment of products during the quarterly third quarter of FY 2019, despite a temporary delay in the shipment of products owing to the response to inappropriate quality issues. Meanwhile, ordinary income decreased from the same period of the previous fiscal year, mainly reflecting a decline in the number of shipments of profitable programs compared with the favorable number in the same period of the previous fiscal year, in addition to increases in personnel expenses and transportation costs for improving shipment delays.

As a result, the aircraft interiors business posted net sales of ¥43,735 million (up ¥1,381 million compared to the same period of the previous fiscal year) and ordinary income of ¥2,219 million (down ¥2,181 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 the shipment of the business class seat “Venture.” Meanwhile, an ordinary loss was reported due mainly to additional expenses incurred as a result of shifting orders to other production bases following the temporary suspension of production owing to responses to inappropriate quality issues at Miyazaki JAMCO Corporation.

As a result, the aircraft seat business posted net sales of ¥11,614 million (up ¥2,057 million compared to the same period of the previous fiscal year) and ordinary loss of ¥1,748 million (ordinary loss of ¥1,796 million in the same period of the previous fiscal year).

[Aircraft Components Business]

In the aircraft components business, despite an increase in shipments of heat exchangers and other equipment, net sales decreased from the same period of the previous fiscal year due to the postponement of shipments of some aircraft engine parts to the quarterly fourth quarter and thereafter. In addition, an ordinary loss was reported due mainly to a decrease in net sales.

As a result, the aircraft components business posted net sales of ¥4,125 million (down ¥372 million compared to the same period of the previous fiscal year) and ordinary loss of ¥182 million (ordinary loss of ¥61 million in the same period of the previous fiscal year).

[Aircraft Maintenance Business]

In the aircraft maintenance business, net sales increased from the same period of the previous fiscal year due to a solid increase in performance of aircraft maintenance and equipment maintenance for airlines. In addition, ordinary income increased from the same period of the previous fiscal year due mainly to the impact of an increase in net sales and initiatives to improve profitability.

As a result, the aircraft maintenance business posted net sales of ¥5,861 million (up ¥320 million compared to the same period of the previous fiscal year) and ordinary income of ¥501 million (up ¥371 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 we were able to make steady progress mainly in 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 ¥2 million (ordinary loss of ¥1 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, 2019 amounted to ¥114,420 million, up ¥11,439 million from the end of the previous fiscal year. Of such, total current assets increased by ¥11,836 million from the end of the previous fiscal year, due mainly to an increase in notes and accounts receivable – trade (up ¥5,277 million compared to the end of the previous fiscal year) and an increase in raw materials and supplies (up ¥4,501 million compared to the end of the previous fiscal year), despite a decrease in cash and deposits (down ¥142 million compared to the end of the previous fiscal year). Total non-current assets decreased by ¥397 million from the end of the previous fiscal year due mainly to decreases in property, plant and equipment (down ¥243 million compared to the end of the previous fiscal year) and investments and other assets (down ¥176 million compared to the end of the previous fiscal year) as a result of relatively limited investment for the third quarter of FY 2019.

Total liabilities amounted to ¥84,035 million, up ¥11,769 million from the end of the previous fiscal year. This was attributable primarily to an increase in short-term loans payable (up ¥13,587 million compared to the end of the previous fiscal year) and an increase in notes and accounts payable – trade (up ¥1,566 million compared to the end of the previous fiscal year), which offset the decrease in income taxes payable (down ¥1,377 million compared to the end of the previous fiscal year).

Total net assets amounted to ¥30,384 million, down ¥330 million from the end of the previous fiscal year. This was due primarily to a decrease in retained earnings (down ¥196 million compared to the end of the previous fiscal year) as a result of cash dividend payment and other factors. As a result, the equity ratio stood at 26.1%.

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

As for net sales, despite a temporary delay in shipments of products as a result of responses to inappropriate quality issues related to the aircraft interiors business and the aircraft seat business, products were shipped out from the quarterly third quarter of FY 2019.

Meanwhile, the forecast for income remains unchanged from the consolidated financial results forecast for the fiscal year ending March 31, 2020 announced on November 8, 2019 due to progress in the shipment of products and the weaker-than-expected yen exchange rate, despite the lingering impact of additional expenses including personnel expenses and transportation costs for improving shipment delays.

In light of the present circumstances, the exchange rate for the quarterly fourth quarter of FY 2019 assumed for the consolidated financial results forecast has been changed from ¥105 to ¥108 per US\$1.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	5,822,330	5,679,351
Notes and accounts receivable - trade	22,571,490	27,849,386
Merchandise and finished goods	2,240,670	2,586,068
Work in process	30,282,883	30,341,169
Raw materials and supplies	16,203,864	20,704,955
Other	3,484,320	5,289,983
Allowance for doubtful accounts	(3,388)	(12,016)
Total current assets	80,602,172	92,438,899
Non-current assets		
Property, plant and equipment	13,988,321	13,744,710
Intangible assets	1,750,249	1,772,900
Investments and other assets	6,640,107	6,463,804
Total non-current assets	22,378,679	21,981,415
Total assets	102,980,852	114,420,314
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,821,292	10,387,660
Electronically recorded obligations - operating	8,910,255	9,041,835
Short-term loans payable	17,404,112	30,991,422
Current portion of long-term loans payable	2,300,000	2,300,000
Income taxes payable	1,465,270	88,254
Advances received	10,675,352	9,805,841
Accrued expense-salary	1,696,645	879,822
Provision for loss on construction contracts	3,781,190	4,068,472
Provision for loss related to quality	67,817	-
Other	4,434,703	4,517,932
Total current liabilities	59,556,639	72,081,241
Non-current liabilities		
Long-term loans payable	3,700,000	2,900,000
Liability for employee retirement benefits	7,070,783	7,115,907
Provision for loss on compensation	921,541	828,622
Other	1,016,411	1,109,545
Total non-current liabilities	12,708,736	11,954,074
Total liabilities	72,265,376	84,035,316

(Thousand yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Capital stock	5,359,893	5,359,893
Capital surplus	4,309,484	4,309,484
Retained earnings	20,413,755	20,217,240
Treasury stock	(30,968)	(31,175)
Total shareholders' equity	30,052,165	29,855,443
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166,007	164,023
Deferred gains or losses on hedges	50,597	(17,602)
Foreign currency translation adjustment	121,844	48,155
Accumulated adjustment for employee retirement benefits	(217,091)	(194,188)
Total accumulated other comprehensive income	121,358	387
Non-controlling interests	541,951	529,167
Total net assets	30,715,475	30,384,998
Total liabilities and net assets	102,980,852	114,420,314

(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 2018	The third quarter of FY 2019
Net sales	61,950,487	65,337,304
Cost of sales	52,440,732	57,999,844
Gross profit	9,509,754	7,337,459
Selling, general and administrative expenses	6,747,751	6,162,790
Operating income	2,762,003	1,174,669
Non-operating income		
Interest income	25,646	37,944
Dividend income	5,222	5,300
Foreign exchange gains	311,254	-
Share of profit of entities accounted for using equity method	-	5,496
Insurance income	-	50,838
Subsidy income	80,361	107,182
Other	66,918	38,976
Total non-operating income	489,404	245,739
Non-operating expenses		
Interest expenses	291,062	314,669
Foreign exchange losses	-	91,552
Share of loss of entities accounted for using equity method	22,599	-
Compensation expenses	140,995	74,653
Other	126,334	152,877
Total non-operating expenses	580,992	633,752
Ordinary income	2,670,415	786,655
Extraordinary income		
Insurance income	-	60,000
Total extraordinary income	-	60,000
Extraordinary loss		
Loss on disposal of non-current assets	127,143	18,242
Loss on disaster	-	13,306
Loss related to quality	-	244,243
Total extraordinary loss	127,143	275,793
Income before taxes	2,543,272	570,862
Income taxes – current	785,555	60,319
Income taxes – deferred	151,092	149,717
Total income taxes	936,647	210,037
Net income	1,606,624	360,824
Net income (loss) attributable to non-controlling shareholders	(5,014)	20,836
Net income attributable to shareholders of parent company	1,611,638	339,987

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 2018	The third quarter of FY 2019
Net income	1,606,624	360,824
Other comprehensive income		
Valuation difference on available-for-sale securities	(45,208)	(1,984)
Deferred gains or losses on hedges	9,799	(68,199)
Foreign currency translation adjustment	184,437	(82,630)
Adjustment for employee retirement benefits	41,075	22,902
Share of other comprehensive income of entities accounted for using equity method	(275)	-
Total other comprehensive income	189,828	(129,911)
Comprehensive income	1,796,452	230,912
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	1,778,378	219,017
Comprehensive income attributable to non-controlling shareholders	18,073	11,895

(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.

(Changes in accounting policies)

The third quarter of FY 2019 (from April 1, 2019 to December 31, 2019)
(Changes in accounting policies) Overseas consolidated subsidiaries which adopt the International Financial Reporting Standards (IFRS) have adopted IFRS 16 Leases from the first quarter of FY 2019. The impact of the adoption of this accounting standard on quarterly consolidated financial statements is minor.

(Segment information, etc.)

[Segment information]

I. 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.

II. For the third quarter of FY 2019

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	43,735,676	11,614,498	4,125,973	5,861,126	65,337,275	29	65,337,304
Inter-segment net sales or transfers	391,219	151,831	28,602	40,326	611,980	82,089	694,069
Total	44,126,895	11,766,330	4,154,576	5,901,452	65,949,255	82,118	66,031,374
Segment income (loss)	2,219,480	(1,748,297)	(182,804)	501,126	789,505	(2,849)	786,655

(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	789,505
Loss of Others	(2,849)
Ordinary income in the Quarterly Consolidated Statement of Income	786,655

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