

April 1, 2017 through September 30, 2017

# Interim Business Report 2017

November 22, 2017

## Contents

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### SECTION 1

- 01 Consolidated Statement of Income
- 02 Factors Leading to Difference in Consolidated Ordinary Income Compared With Same Period Last Year
- 03 Factors Leading to Difference in Consolidated Ordinary Income Compared With First Half Plan
- 04 Net Sales and Ordinary Income by Segment- ①
- 05 Net Sales and Ordinary Income by Segment- ②
- 06 Consolidated Balance Sheets
- 07 Consolidated Investment in Plant and Equipment / Depreciation / Research and Development
- 08 JAMCO and Subsidiaries (FY17/1H)
- 09 Outlook for FY17

### SECTION 2

- 10 The Medium - Term Management Plan (FY17-FY19)
- 11 Tasks and Actions
- 12 Progress with Mid-term Issues- ①
- 13 Progress with Mid-term Issues- ②
- 14 Progress with Mid-term Issues- ③

### SECTION 3

- 15 Production Status and Development Status for Boeing and Airbus
- 16 Boeing's Orders and Deliveries
- 17 Airbus' Orders and Deliveries
- 18 Passenger Demand of the World
- 19 Passenger Jet Airplane Demand

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# Consolidated Statement of Income

[ Million Yen ]

	FY16/1H (Actual)	FY17/1H (Plan)	FY17/1H (Actual)	Compared to Previous FY (Change)	Compared to Plan (Change)
<b>Net Sales</b>	40,248	40,300	38,043	(2,205)	(2,256)
<b>Gross Profit</b>	4,142	6,400	5,841	1,699	(558)
<b>Selling, General and Administrative Expenses</b>	4,436	4,590	3,934	(501)	(655)
<b>Operating Income</b>	(293)	1,810	1,906	2,200	96
<b>Non-Operating Income and Expenses</b>	(1,465)	(150)	(33)	1,432	118
<b>Ordinary Income</b>	(1,759)	1,660	1,873	3,632	213
<b>Income Before Taxes</b>	(1,784)	1,630	1,844	3,628	214
<b>Net Income Attributable to Shareholders of Parent Company</b>	(1,122)	1,050	1,034	2,157	(15)
<b>Net Income per Share (Yen)</b>	(41.85)	39.14	38.57	—	—
<b>Exchange Rate (Yen/US\$)</b>	107.76	110.00	110.72	—	—

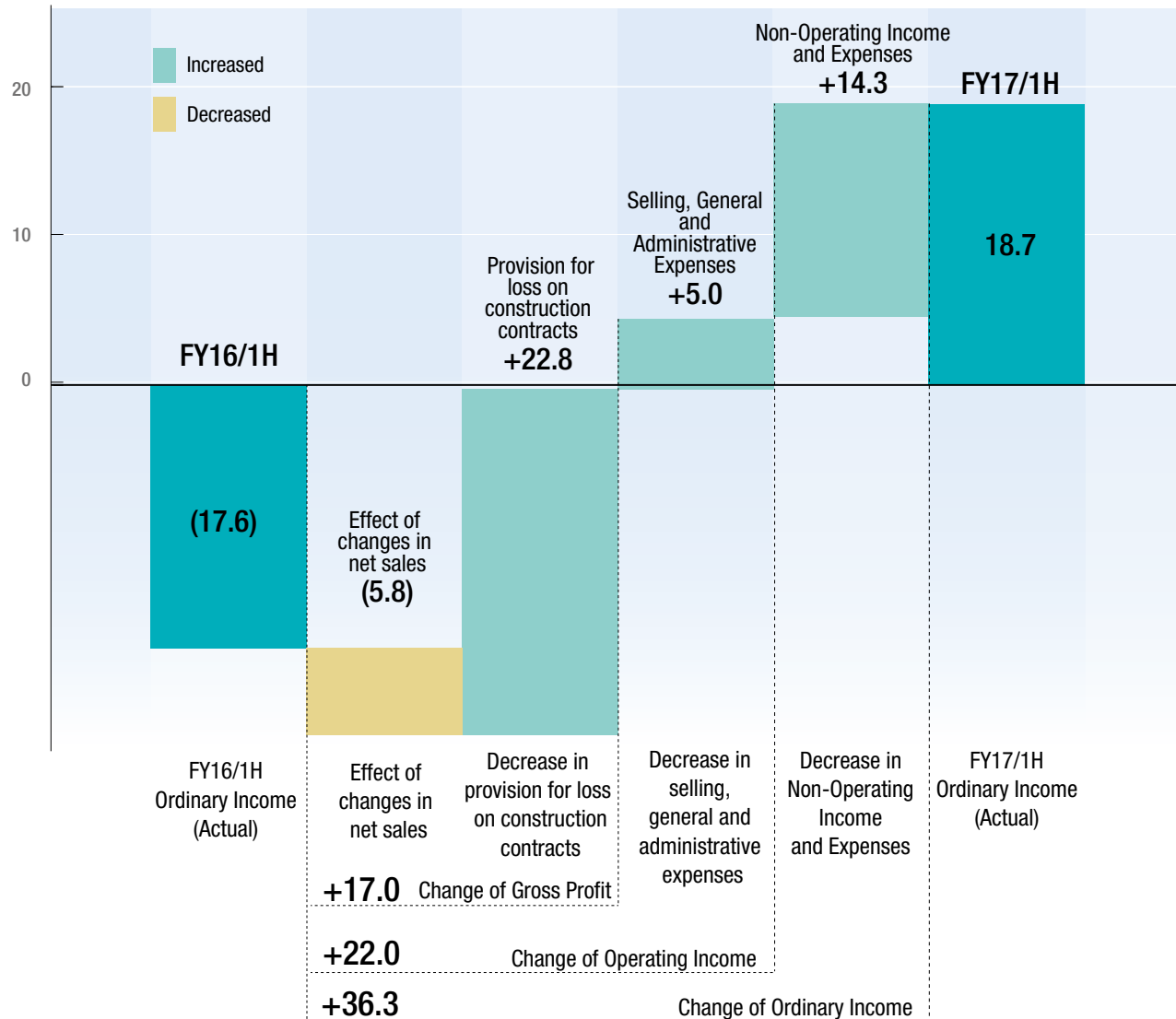
(Note) " Plan" refers to the earnings forecast at the time of business result announcement on May 10, 2017.

## 1

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

## Compared to Previous FY (+¥3,600 million)

[Unit : 100 Millions of Yen]



## Point

### Gross Profit

- Effect of changes in net sales accompanying the transition period for the 777X, etc. (-¥580 million)
- Decrease in provision for loss on construction contracts accompanying a weakening of the yen and cost reductions. (+¥2,280 million)

### Selling, General and Administrative Expenses

- Reduction of warranty repair costs. (+¥250 million)

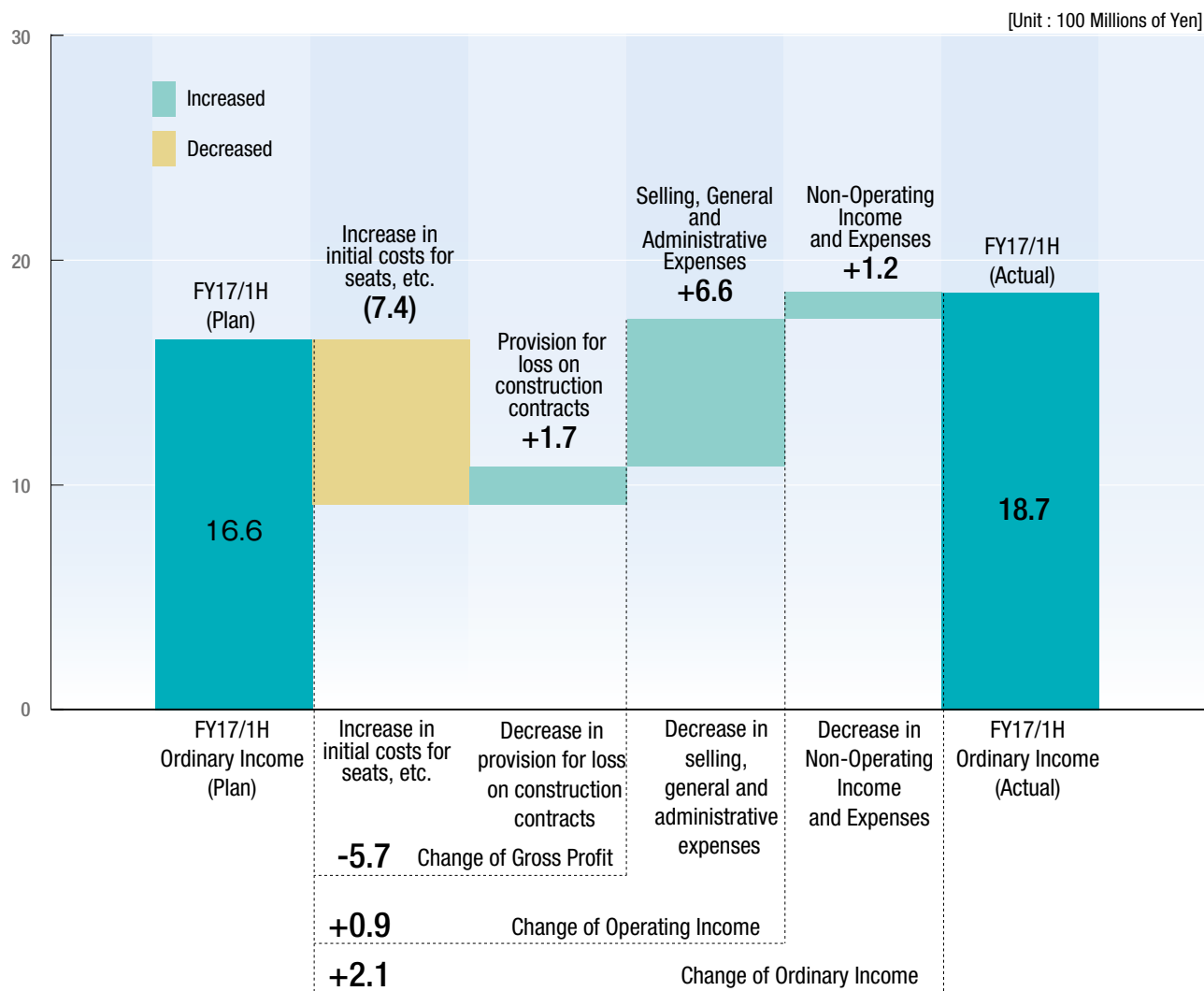
### Non-Operating Income and Expenses

- Rebound from foreign exchange losses of the previous period. (+¥1,300 million)

## 1

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

## Compared to Plan (+¥200 million)



## Point

### Gross Profit

- While aircraft interiors income increased, initial costs for new aircraft seats program also increased, etc. (-¥740 million)
- Decrease in provision for loss on construction contracts (+¥170 million)

### Selling, General and Administrative Expenses

- Decrease in R&D costs (+¥260 million)
- Reduction of warranty repair costs (+¥110 million)

### Non-Operating Income and Expenses

- Increase in subsidy income

# 1 Net Sales and Ordinary Income by Segment – ①

[ Million Yen ]

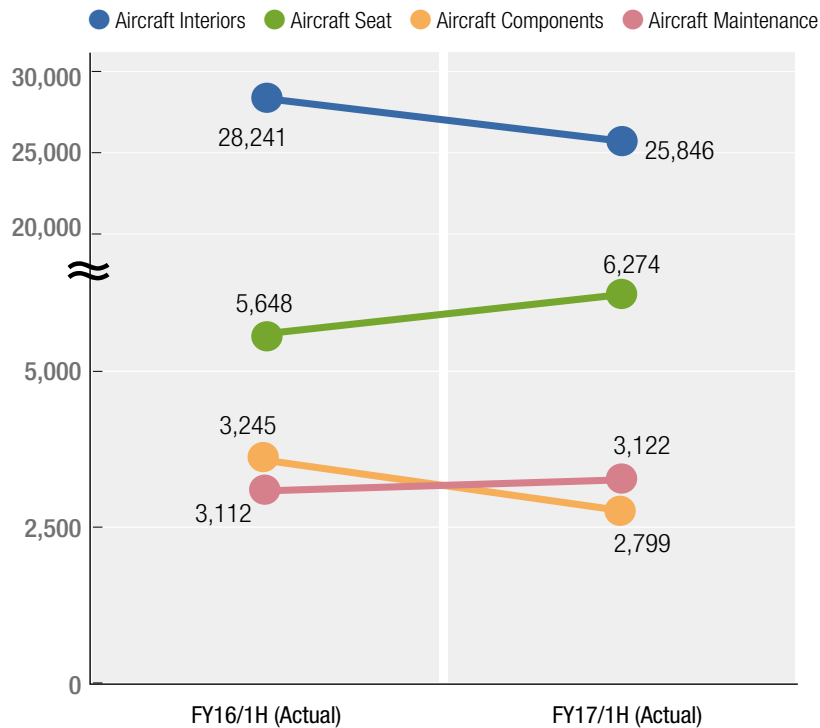
	Net Sales			Ordinary Income		
	FY16/1H (Actual)	FY17/1H (Actual)	Change	FY16/1H (Actual)	FY17/1H (Actual)	Change
<b>Aircraft Interiors</b>	28,241	25,846	(2,394)	461	3,833	3,372
<b>Aircraft Seat</b>	5,648	6,274	625	(2,099)	(1,860)	238
<b>Aircraft Components</b>	3,245	2,799	(445)	(85)	(70)	15
<b>Aircraft Maintenance</b>	3,112	3,122	9	(35)	(30)	4
<b>Others</b>	0	0	0	(1)	1	2
<b>Total</b>	<b>40,248</b>	<b>38,043</b>	<b>(2,205)</b>	<b>(1,759)</b>	<b>1,873</b>	<b>3,632</b>

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

# 1 Net Sales and Ordinary Income by Segment – 2

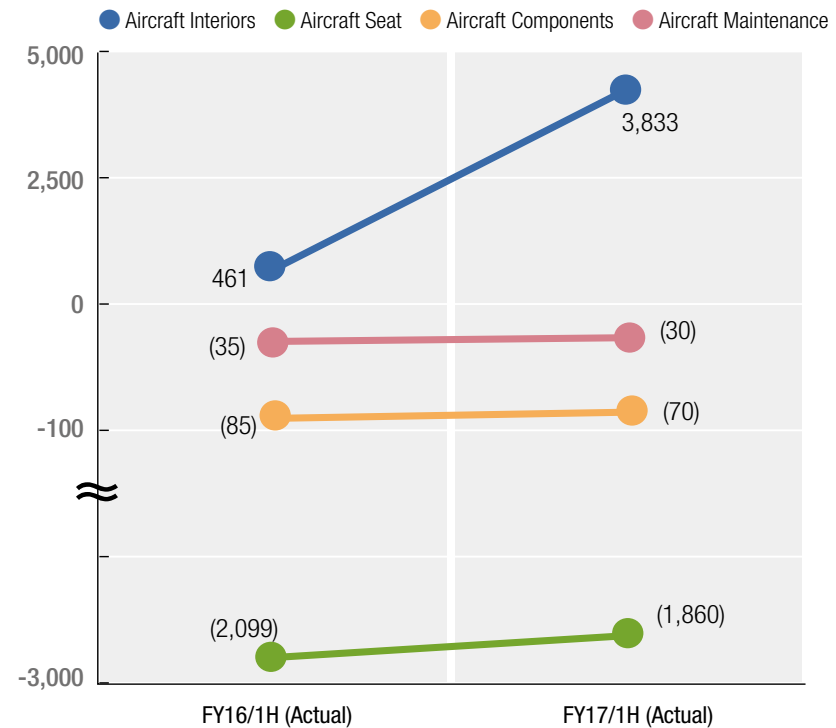
## Net Sales

[ Million Yen ]



## Ordinary Income

[ Million Yen ]



### Point

- Aircraft Interiors sales fell due to decreased sales of galleys and lavatories due to the transition period for the 777X
- Aircraft Seats sales rose due to increased delivery of products from new program and sales of spare parts.
- Aircraft Components sales fell due to decreased sales of CFRP structure parts for the Airbus A380, heat - exchangers and other defense - related products.
- Aircraft Maintenance saw increased accessories maintenance sales, but decreased aircraft maintenance sales.

### Point

- The effect of better than expected sales due to the weak yen, decrease in provision for loss on construction contracts, and decrease in non-operating expenses (foreign exchange losses) led to a rise in ordinary income for Aircraft Interiors
- Due to the effect of increased initial costs for new program, Aircraft Seats saw ordinary losses close to those of the same period last year, due to the effect of the rapid strengthening of the yen
- While cost reductions moved ahead for new products, Aircraft Components saw ordinary losses close to those of the same period last year due to decreased sales of heat - exchangers and other defense - related products
- While there was steady growth in accessories maintenance sales, Aircraft Maintenance saw ordinary losses close to those of the same period last year due to decreased aircraft maintenance sales.

## 1

## Consolidated Balance Sheets

[ Million Yen ]

Items of an Account	End of FY16 (As of March 31, 2017)	End of FY17/1H (As of September 30, 2017)	Change
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Deposits	2,277	3,786	1,509
Notes and Accounts Receivable - Trade	23,158	19,908	(3,249)
Inventories	41,360	41,811	450
Other Current Assets	5,952	5,398	(553)
<b>Total Current Assets</b>	<b>72,748</b>	<b>70,905</b>	<b>(1,843)</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	14,356	13,957	(398)
Intangible Assets	1,562	1,596	34
Investments and Other Assets	3,892	4,029	136
<b>Total Non-Current Assets</b>	<b>19,811</b>	<b>19,583</b>	<b>(227)</b>
<b>Total Assets</b>	<b>92,559</b>	<b>90,489</b>	<b>(2,070)</b>

Items of an Account	End of FY16 (As of March 31, 2017)	End of FY17/1H (As of September 30, 2017)	Change
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Notes and Accounts Payable - Trade	9,608	7,289	(2,318)
Short-Term Loans Payable	22,741	22,179	(561)
Provision for Loss on Construction Contracts	3,434	2,350	(1,084)
Other Current Liabilities	16,461	17,165	703
<b>Total Current Liabilities</b>	<b>52,245</b>	<b>48,985</b>	<b>(3,260)</b>
<b>Non-Current Liabilities</b>			
Long-Term Loans Payable	4,700	4,800	100
Other Non-Current Liabilities	7,610	7,701	91
<b>Total Non-Current Liabilities</b>	<b>12,310</b>	<b>12,501</b>	<b>191</b>
<b>Total Liabilities</b>	<b>64,556</b>	<b>61,487</b>	<b>(3,069)</b>
<b>NET ASSETS</b>			
<b>Total Net Assets</b>	<b>28,003</b>	<b>29,001</b>	<b>998</b>
<b>Total Liabilities and Net Assets</b>	<b>92,559</b>	<b>90,489</b>	<b>(2,070)</b>

## Point

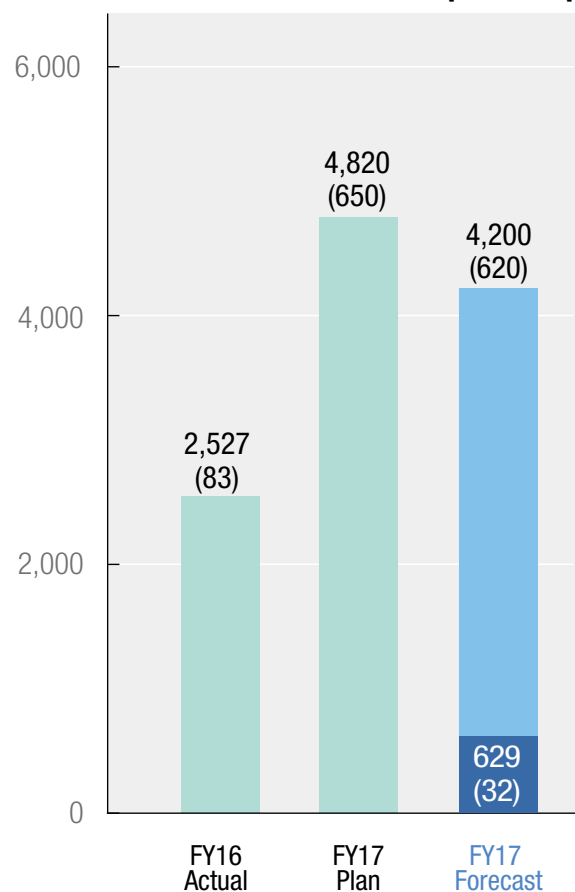
- For current assets, the amount of notes and accounts receivable decreased due to collection of accounts receivable.
- For current liabilities, there was a decrease in the amount of notes and accounts payable, and provision for loss on construction contracts
- Equity ratio 29.4% →31.2% (1.8 point rise)

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

## Consolidated Investment in Plant and Equipment

■ 1H ■ 2H

[ Million Yen ]

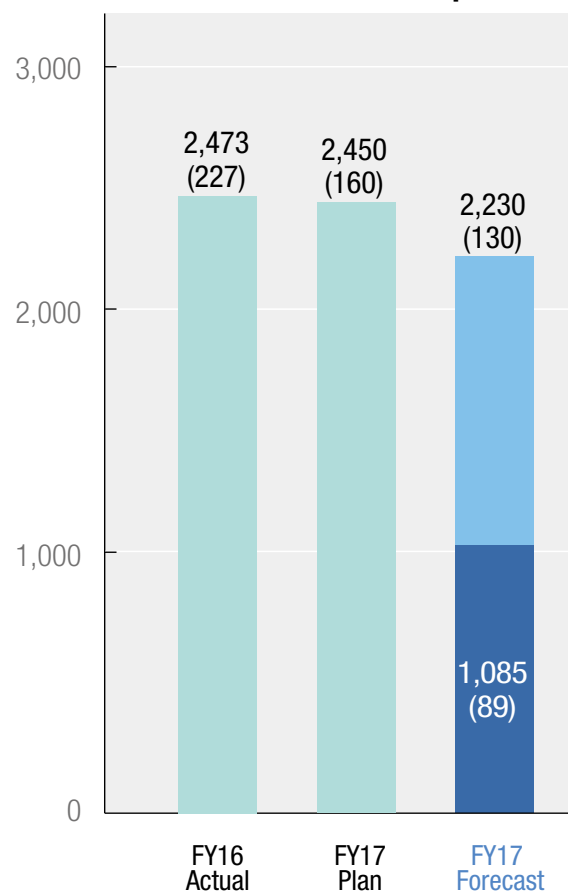


\*Capital expenditure includes all lease properties' amounts in parenthesis

## Consolidated Depreciation

■ 1H ■ 2H

[ Million Yen ]

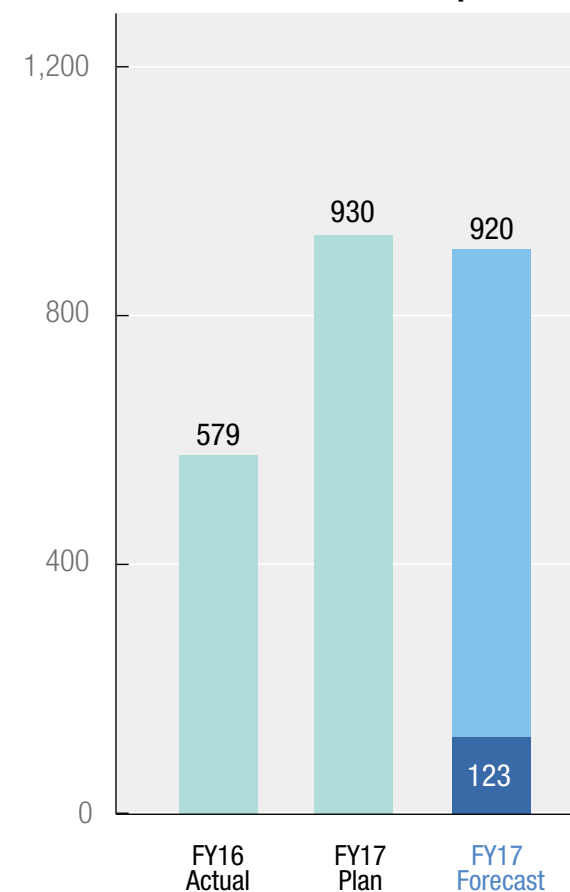


\*Amounts in parenthesis are for lease assets

## Consolidated Research and Development

■ 1H ■ 2H

[ Million Yen ]



(Note) "Plan" refers to the earnings forecast at the time of business result announcement on May 10, 2017.



## 1

## JAMCO and Subsidiaries (FY17/1H)

[ Millions Yen ]

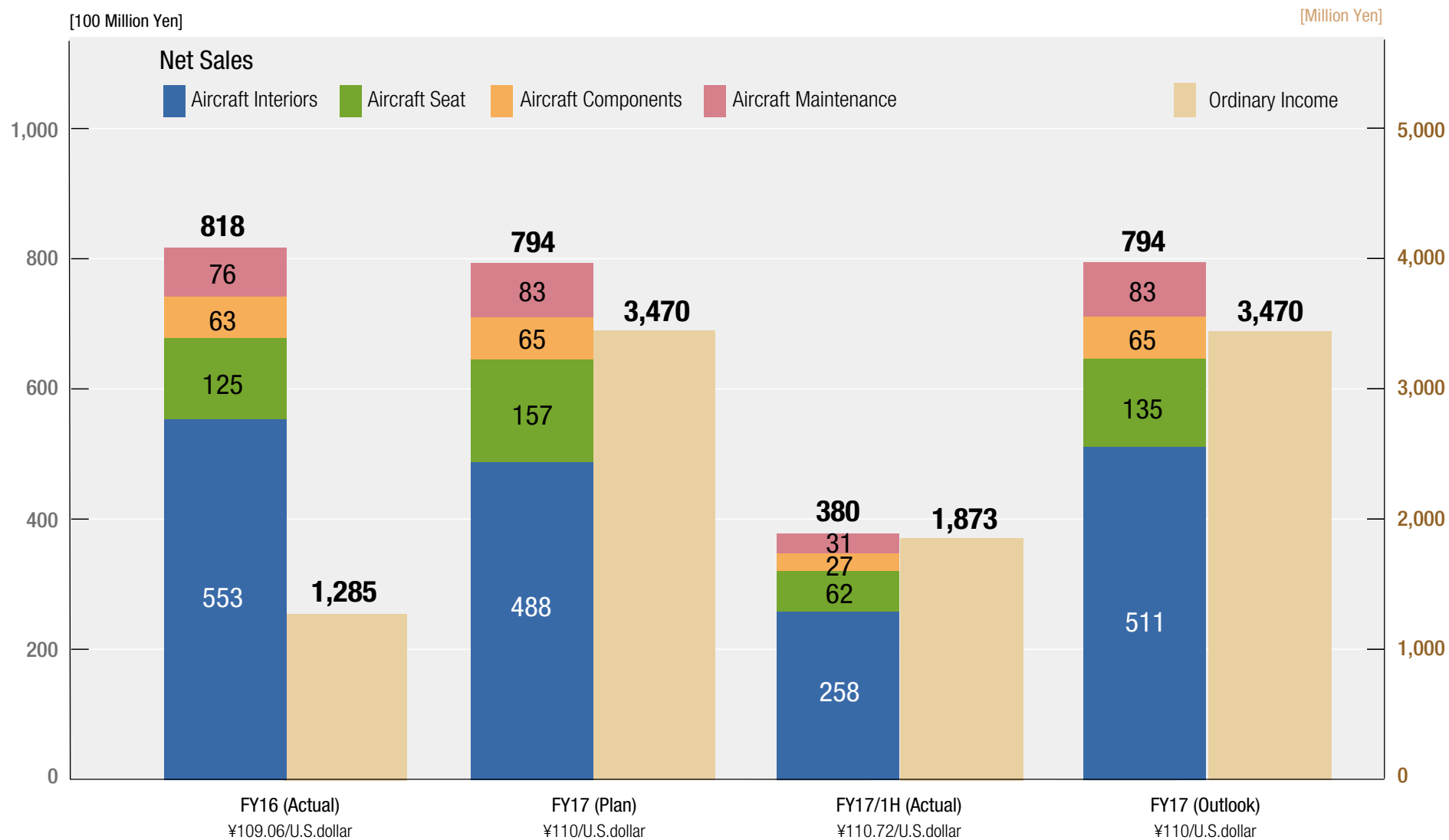
	JAMCO	Niigata JAMCO	Miyazaki JAMCO	Nakajo JAMCO	JAMCO AMERICA, INC.	JAMCO AERO DESIGN & ENGINEERING PTE LTD.	JAMCO SINGAPORE PTE LTD.	JAMCO PHILIPPINES, INC.	JAMCO AERO MANUFACTURING CO., LTD.	Tokushima JAMCO	JAMCO AEROTECH CO., LTD.	Orange JAMCO	SINGAPORE JAMCO SERVICES PTE LTD.
Net sales	31,940	2,023	1,296	410	10,765	1,260	1,603	349	561	351	238	52	1,910
Operating income	1,231	242	82	27	358 (275)	131	(1)	52	14	28	10	2	56
Ordinary income	1,486	250	82	36	1,545 (1,476)	138	(2)	49	24	28	10	2	56
Net income	1,037	167	53	25	1,064 (994)	115	(1)	43	15	18	6	1	47

(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.

## 1

## Outlook for FY17



## 2

## The Medium - Term Management Plan (FY17~FY19)

### Medium - Term Vision

- JAMCO's objective is to position itself as the foremost aircraft-related company in its field to focus its primary business on the aircraft interiors segment with capabilities in both component production and aircraft maintenance.

### 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.

## 2

## Tasks and Actions

### Aircraft Interiors Segment

- 1 To further strengthen our cost competitiveness, we have accelerated manufacturing technology innovation, while working to dramatically improve productivity.
- 2 By enhancing our supply chain, we are further improving quality, cost, and lead times.
- 3 To maintain our No. 1 market share globally, we need to continue to strengthen competitiveness through innovative technologies and products, and further solidify the partnerships with our customers.

### Aircraft Seat Segment

- 1 Accelerate cost reductions across design, development, procurement, and production as a whole.
- 2 Encourage orders/sales by developing appealing products.
- 3 Increase production efficiency by working to optimize the group supply chain.

### Aircraft Components Segment

- 1 Improve profitability by pursuing better quality and production efficiency together with affiliated companies.
- 2 Increase orders by encouraging new development of customers in Japan and overseas.
- 3 Capture orders for new products through participation in the development of new projects.
- 4 Apply carbon fiber molding and other manufacturing technologies to interior products and seats.

### Aircraft Maintenance Segment

- 1 Ensure flight safety and continually enhance our quality assurance system.
- 2 Strengthen initiatives related to new business with high added value.
- 3 Expand into overseas markets and strengthen collaborative partnerships with overseas manufacturers.
- 4 Step up preparations for participation in MRO Japan Co., Ltd. (an aircraft maintenance, repair, and overhaul company scheduled to expand its operations to Okinawa).

## Progress with Mid-term Issues—①

### Aircraft Interiors Segment

#### Productivity Improvements

- Established a department dedicated to development of the Increased Cabin Efficiency (ICE) rear galley for the Airbus A350
- Introduced paperless technologies already in use in lavatory production processes to galley processes

#### Strengthening the Supply Chain

- Promoted J-Way 2017 Activities (JAMCO manufacturing innovation)
- Concentrated Aircraft Interiors production in the Niigata area

#### Strengthening Collaborative Partnerships with Customers

- Development of a new lavatory for the Boeing 777X
- Received Airbus Supplier Support Rating Award



Airbus Supplier Support Rating Award

## Progress with Mid-term Issues – ②

### Aircraft Seat Segment

#### Cost Reduction Efforts

- Accumulating design know-how
- Set up an in-house 16G dynamic load test facility (FAA approved)

#### Sales Expansion

- Announced Venture and Journey-B, premium seats for the Boeing 787
- Captured orders for Venture seats, with initial delivery scheduled for 2nd half of FY2018
- Delivered more than 3,300 JAMCO-manufactured seats in total, with an order backlog of more than 2,800 seats (as of the end of September 2017)

#### Productivity Improvements

- Concentrated seat manufacturing functions at Miyazaki JAMCO
- Having obtained EASA certification, Miyazaki JAMCO started delivering orders directly to aircraft manufacturers



Venture



Journey-B

## Progress with Mid-term Issues – ③

### Aircraft Components Segment

#### Improving Profitability

- Promoted improvement (Kaizen) activities group-wide, including JAMCO AEROMANUFACTURING Co. Ltd.
- Productivity improved for CFRP cargo struts for the Airbus A350

#### Increase Orders

- Conducted activities to win orders that build on the strengths of our special process techniques and our ADP manufacturing method technology
- Received orders for new aircraft engine components, and prepared for mass-production

#### Customer Evaluation

- Received Airbus' Zero Concession Award



Zero Concession Award

### Aircraft Maintenance Segment

#### Flight Safety

- Continued to provide high-quality aircraft maintenance

#### New Business Model

- Efforts related to aircraft components sales business
- Started high-pressure gas business
- Concluded a partnership agreement with IBEX Airlines Co., Ltd.



## 3

## Production Status and Development Status for Boeing and Airbus

### 787 Production Status

- As of the end of September 2017, 600 aircraft have been delivered
- As of the end of September 2017, 683 aircraft are on order

### 777X Development Status

- Delivery of the first aircraft scheduled for 2020
- As of the end of September 2017, 326 aircraft are on order

### 737MAX Production Status

- As of the end of September 2017, 30 aircraft have been delivered
- As of the end of September 2017, 3,872 aircraft are on order

### A380 Production Status

- As of the end of September 2017, 216 aircraft have been delivered
- As of the end of September 2017, 101 aircraft are on order

### A350XWB Production Status

- As of the end of September 2017, 114 aircraft have been delivered
- As of the end of September 2017, 744 aircraft are on order

### A330neo Development Status

- Delivery of the first aircraft scheduled for middle of 2018
- As of the end of September 2017, 212 aircraft are on order

### A320neo Production Status

- As of the end of September 2017, 158 aircraft have been delivered
- As of the end of September 2017, 5,044 aircraft are on order

Source: Boeing Home Page and Airbus Home Page



## 3

## Boeing's Orders and Deliveries

(Jan. 2017~Sep. 2017)

	Orders	Deliveries	Order backlog
<b>Total</b>	498	554	5,659
<b>747</b>	(3)	8	17
<b>777/777X</b>	43	58	427
<b>787</b>	83	100	683
<b>767</b>	15	7	101
<b>737</b>	360	381	4,431

(Note 1)      colored models indicate wide-body aircraft

(Note 2) The 777/777X order backlog includes a backlog of 326 777Xs

(Note 3) Orders indicate net orders

Source: Boeing Home Page

## 3

## Airbus' Orders and Deliveries

(Jan. 2017~Sep. 2017)

	Orders	Deliveries	Order backlog
<b>Total</b>	271	454	6,691
<b>A380</b>	(2)	9	101
<b>A350</b>	40	50	744
<b>A330/A340</b>	8	45	326
<b>A320 family</b>	225	350	5,520

(Note 1) Light blue colored models indicate wide-body aircraft

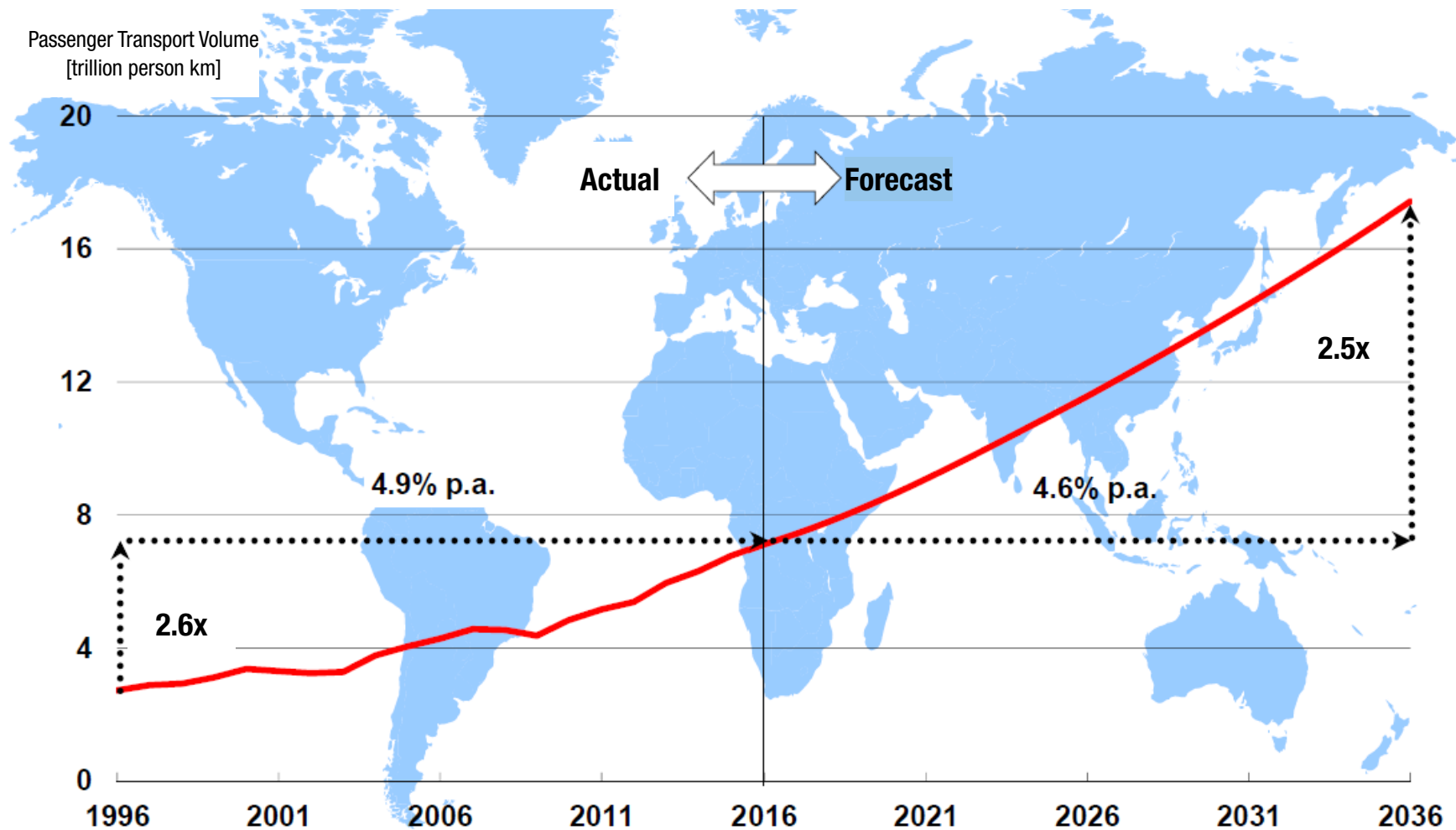
(Note 2) Orders indicate net orders

Source: Airbus Home Page

## 3

## Passenger Demand of the World

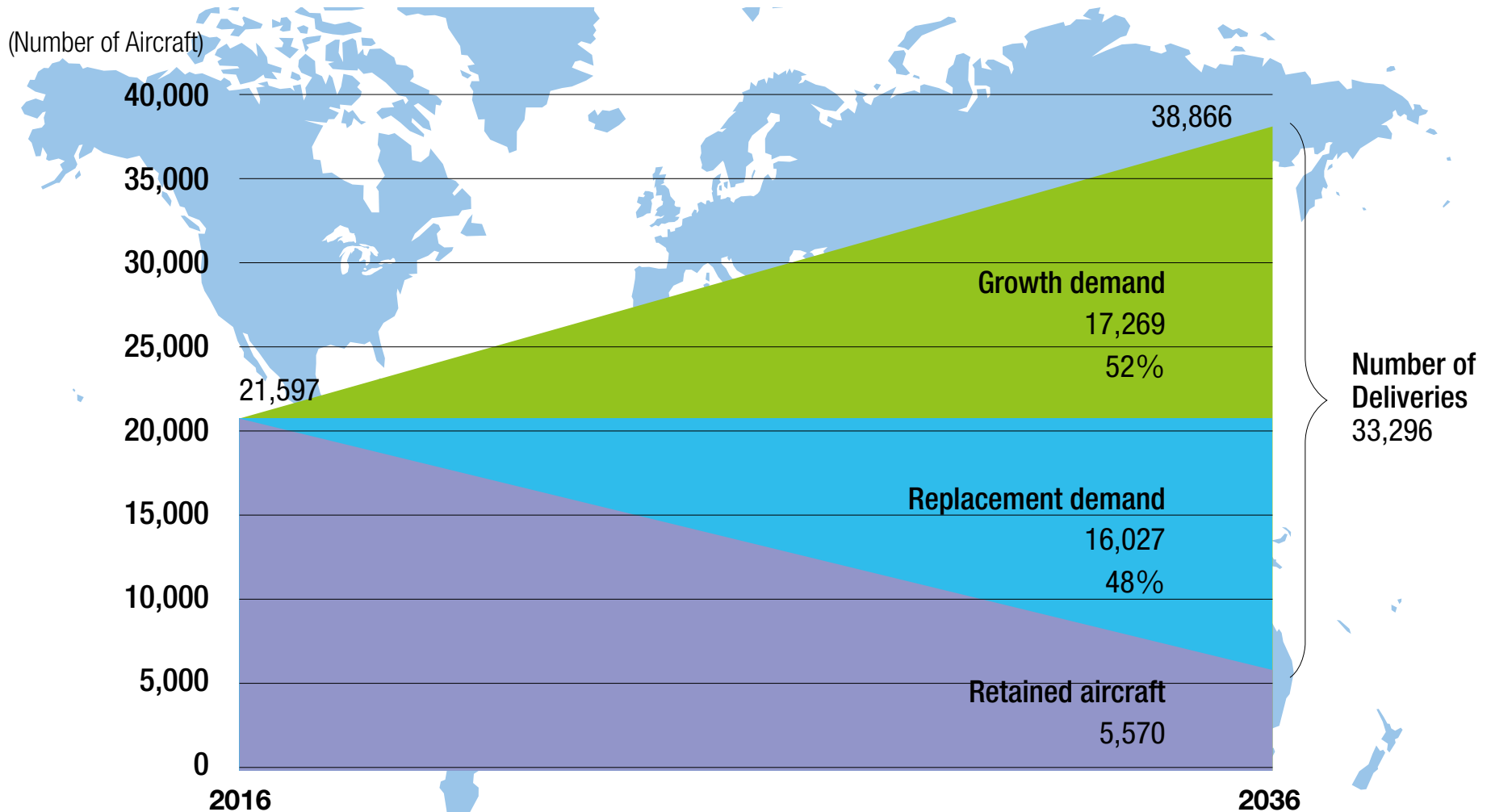
The annual average growth rate of air passenger traffic for the twenty year period of 2017-2036 is estimated to be 4.6%.



## 3

## Passenger Jet Airplane Demand

**Demand for 33,296 aircraft is expected over the next two decades, with 17,269 of those being new demand.**



 **Jamco**  
ALWAYS FLY TOGETHER



*Always Fly Together*