

Consolidated Financial Results
for the Third Quarter of the Fiscal Year 2021
Ending March 31, 2022
[Japanese GAAP]



February 9, 2022

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 10, 2022
 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 2021 (from April 1, 2021 to December 31, 2021)

(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 2021	26,842	(29.6)	(1,520)	-	(1,812)	-	(852)	-
Fiscal year 2020	38,120	(41.7)	(7,096)	-	(8,086)	-	(6,416)	-

(Note) Comprehensive income: The third quarter of fiscal year 2021: ¥(718) million [-%]
 The third quarter of fiscal year 2020: ¥(6,435) million [-%]

	Net income per share	Diluted net income per share
	Yen	Yen
For the third quarter of		
Fiscal year 2021	(31.78)	-
Fiscal year 2020	(239.19)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	95,471	14,165	14.5
As of March 31, 2021	101,236	16,517	16.0

(Reference) Equity: As of December 31, 2021: ¥13,854 million
 As of March 31, 2021: ¥16,218 million

2. Dividend distribution

	Dividend distribution per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year 2020	-	0.00	-	0.00	0.00
Fiscal year 2021	-	0.00	-		
Fiscal year 2021 (Planned)				0.00	0.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year 2021 (from April 1, 2021 to March 31, 2022)

(%: Changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	40,000	(20.1)	(3,300)	-	(3,500)	-	(2,400)	-	(89.47)

(Note) Revision to the forecast of consolidated financial results announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during this quarter of the fiscal year 2021: 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, 2021: 26,863,974 shares

As of March 31, 2021: 26,863,974 shares

2) Number of treasury stock:

As of December 31, 2021: 38,964 shares

As of March 31, 2021: 38,964 shares

3) Average number of common shares outstanding:

3rd quarter of FY 2021: 26,825,010 shares

3rd quarter of FY 2020: 26,825,042 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	5
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information .	5
2. Quarterly Consolidated Financial Statements and Primary Notes	6
(1) Quarterly Consolidated Balance Sheets	6
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	8
Quarterly Consolidated Statements of Income.....	8
Quarterly Consolidated Statements of Comprehensive Income.....	9
(3) Notes to Quarterly Consolidated Financial Statements	10
(Notes on going concern assumption)	10
(Notes in the case of significant changes in shareholders' equity)	10
(Changes in accounting policies).....	10
(Additional information)	11
(Quarterly Consolidated Statements of Income)	11
(Segment information, etc.).....	12
3. Others	14
Significant Events Regarding Going Concern Assumption	14

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

(1) Explanation of Operating Results

During the third quarter of FY 2021, the world economy showed signs of recovery as the challenging situation gradually eased with the progress of COVID-19 vaccination. However, the economic situation remains uncertain as the risk of resurgence in COVID-19 infection is yet to be eliminated due in part to the emergence of a new variant. The dollar-yen exchange rate moved within the range of ¥107 to ¥115 per US\$1.

In the air transportation industry, while demand for domestic flights is recovering with COVID-19 vaccination ramping up, demand for international flights continues to face a challenging situation. Airlines carried on efforts to reduce costs, though some began ordering aircraft and increasing staff size in anticipation of a recovery in demand for air transportation. Aircraft manufacturers saw a rise in orders for certain models against the backdrop of a gradual recovery in air transportation demand, especially for domestic flights.

In the situation in which the end of the COVID-19 pandemic remained uncertain, the Group promoted business process reforms and measures to enhance the efficiency of its production system on a company-wide level in preparation for a future recovery in demand for air transportation, aiming to improve quality and profitability while enhancing the efficiency of its management by reducing cost, limiting investment, and reducing inventory, under the assumption that the current harsh business environment would continue for some time. In addition, we thoroughly enforced COVID-19 countermeasures while working to reduce physical contact between employees through remote work, shift work, and the dispersion of work areas at the workplace, and flexibly responded to the drop in workload through measures such as temporary leave of employees and secondment to companies outside the Group.

In the aircraft interiors business and the aircraft seat business, we redoubled our efforts to enhance the efficiency of the production system and reduce the cost of sales. In the aircraft interiors business, we also worked to develop products to ensure a clean and hygienic cabin in order to relieve the anxiety felt by passengers onboard. In the aircraft seat business, we focused on deploying our highly profitable Venture business class seats in other aircraft models to acquire more orders.

The amount of orders received, which had been stagnant due to a sharp drop in air transportation demand caused by the COVID-19 pandemic, recorded an increase compared to the same period of the previous fiscal year. This was because, as the effectiveness of vaccination was confirmed, orders from airlines increased with the expectation that the spread of COVID-19 would subside.

In the aircraft components business, we took initiatives to improve productivity, while proceeding with the development of lightweight aircraft components using thermoplastic CFRP.

In the aircraft maintenance business, we aimed to establish a business base capable of generating stable profits by continuing with initiatives to ensure flight safety and enhance quality, while also endeavoring to acquire orders for aircraft maintenance for airlines and government and municipal offices.

As a result, on a consolidated basis, during the third quarter of FY 2021, the Company posted net sales of ¥26,842 million (down ¥11,277 million compared to the same period of the previous fiscal year), operating loss of ¥1,520 million (an operating loss of ¥7,096 million in the same period of the previous fiscal year), ordinary loss of ¥1,812 million (an ordinary loss of ¥8,086 million in the same period of the previous fiscal year), and net loss attributable to shareholders of parent company of ¥852 million (a net loss attributable to shareholders of parent company of ¥6,416 million in the same period of the previous fiscal year).

Provision for loss on construction contracts of ¥3,733 million for construction to be completed in or after the quarterly fourth quarter of FY 2021 was recognized as of December 31, 2021. The impact of this provision for loss on construction contracts on income (loss) for the quarterly third quarter of FY 2021 was an increase of ¥12 million in cost of sales (provision for loss on construction contracts as of September 30, 2021 was ¥3,720 million) and, for the cumulative third quarter of FY 2021, an increase of ¥136 million in cost of sales (provision for loss on construction contracts as of April 1, 2021 was ¥3,596 million).

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

Selling, general and administrative expenses were ¥5,510 million (an increase of ¥584 million compared to the same period of the previous fiscal year). This was attributable mainly to an increase in experimentation and research expenses stemming primarily from the development of the Venture business class seats for other aircraft models, which more than offset decreases in personnel expenses and warranty expenses.

In terms of non-operating income (expenses), an expense of ¥292 million was reported due mainly to an increase in interest expenses, despite a rise in foreign exchange gains resulting from the depreciation of the yen in the foreign exchange market from the end of the previous fiscal year (an expense of ¥989 million in the same period of the previous fiscal year).

As for extraordinary income (loss), an income of ¥417 million was reported (a loss of ¥1,005 million in the same period of the previous fiscal year), owing principally to ¥675 million recognized in subsidy income under extraordinary income, such as subsidies for employment adjustment due to the temporary leave of employees, and ¥140 million recognized in reversal of provision for loss on compensation under extraordinary income. This more than offset ¥255 million recognized in loss related to COVID-19 under extraordinary loss, which consisted of running costs including fixed costs resulting from the temporary leave of employees, and ¥102 million recognized in loss on liquidation of business under extraordinary loss, which comprised restoration and other costs associated with the reorganization of production bases.

Business performance by segment is as follows.

[Aircraft Interiors Business]

In the aircraft interiors business, net sales decreased from the same period of the previous fiscal year, as shipments of galleys and lavatories decreased as a result of production adjustments of the Boeing 787 aircraft, in addition to aircraft manufacturers being forced to change production schedules due mainly to the impact of the spread of COVID-19. Nevertheless, an ordinary income was reported despite the decrease in net sales primarily because the efforts to reduce cost of sales bore fruit, additional sales resulted from specification change requests from customers to aircraft interiors in certain programs, and foreign exchange gains were recorded.

As a result, the aircraft interiors business posted net sales of ¥15,965 million (down ¥8,914 million compared to the same period of the previous fiscal year) and ordinary income of ¥66 million (ordinary loss of ¥5,417 million in the same period of the previous fiscal year).

[Aircraft Seat Business]

In the aircraft seat business, net sales decreased from the same period of the previous fiscal year, chiefly on account of changes to the delivery dates made by customers mainly as a result of the impact of the spread of COVID-19, as well as the postponement of shipments of the Venture business class seats to the following quarter or later due in part to the production adjustments of the Boeing 787 aircraft. However, whereas an ordinary loss was reported due mainly to the decrease in net sales, the loss contracted compared to the same period of the previous fiscal year as the efforts to reduce cost of sales yielded positive results and the shipments of unprofitable custom-made products declined.

As a result, the aircraft seat business posted net sales of ¥2,152 million (down ¥4,023 million compared to the same period of the previous fiscal year) and ordinary loss of ¥1,705 million (ordinary loss of ¥2,458 million in the same period of the previous fiscal year).

[Aircraft Components Business]

In the aircraft components business, net sales increased from the same period of the previous fiscal year, due in part to an increase in shipments of CFRP structure parts and aircraft engine parts for commercial aircraft products. Meanwhile, an ordinary loss was reported due mainly to a decrease in the shipments of profitable products, despite the increase in net sales.

As a result, the aircraft components business posted net sales of ¥3,183 million (up ¥427 million compared to the same period of the previous fiscal year) and ordinary loss of ¥273 million (ordinary loss of ¥212 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 as the number of completed construction contracts rose for certain programs in aircraft maintenance. Meanwhile, ordinary income increased from the same period of the previous fiscal year due mainly to the increase in net sales.

As a result, the aircraft maintenance business posted net sales of ¥5,540 million (up ¥1,233 million compared to the same period of the previous fiscal year) and ordinary income of ¥118 million (up ¥118 million compared to the same period of the previous fiscal year).

[Others]

In the Others segment, which includes the businesses of the consolidated subsidiary Orange JAMCO Corporation and consisted chiefly of inter-segment transactions, including assistance work in the aircraft interiors business, an ordinary loss was reported due mainly to a decline in workloads resulting from the closure of the production base in Tachikawa.

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 ¥19 million (ordinary income 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, 2021 amounted to ¥95,471 million, down ¥5,765 million from the end of the previous fiscal year. Of such, total current assets decreased by ¥5,382 million from the end of the previous fiscal year, due mainly to a decrease in notes and accounts receivable – trade, and contract assets (down ¥4,942 million compared to the end of the previous fiscal year), a decrease in work in process (down ¥3,846 million compared to the end of the previous fiscal year) and a decrease in raw materials and supplies (down ¥2,408 million compared to the end of the previous fiscal year), despite an increase in cash and deposits (up ¥4,814 million compared to the end of the previous fiscal year) and an increase in merchandise and finished goods (up ¥1,978 million compared to the end of the previous fiscal year). Total non-current assets decreased by ¥382 million from the end of the previous fiscal year due to a decrease in property, plant and equipment (down ¥512 million compared to the end of the previous fiscal year) and a decrease in intangible assets (down ¥384 million compared to the end of the previous fiscal year) as a result of relatively limited investment for the third quarter of FY 2021. Total liabilities amounted to ¥81,306 million, down ¥3,413 million from the end of the previous fiscal year. This was attributable primarily to a decrease in short-term loans payable (down ¥871 million compared to the end of the previous fiscal year), a decrease in electronically recorded obligations – operating (down ¥694 million compared to the end of the previous fiscal year), and a decrease in long-term loans payable (down ¥660 million compared to the end of the previous fiscal year).

Total net assets amounted to ¥14,165 million, down ¥2,351 million from the end of the previous fiscal year. This was due primarily to a decrease in retained earnings as a result of the application of the Revenue Recognition Accounting Standard, etc. and net loss attributable to shareholders of parent company. As a result, the equity ratio stood at 14.5%.

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

The consolidated financial results forecast for FY 2021 (from April 1, 2021 to March 31, 2022) announced on May 11, 2021, has been revised based on recent trends in operating results.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	5,275,305	10,089,952
Notes and accounts receivable - trade	21,092,693	-
Notes and accounts receivable - trade, and contract assets	-	16,149,795
Merchandise and finished goods	657,983	2,636,374
Work in process	25,880,634	22,034,093
Raw materials and supplies	20,869,999	18,461,556
Other	3,268,013	2,301,415
Allowance for doubtful accounts	(111,660)	(123,110)
Total current assets	76,932,968	71,550,078
Non-current assets		
Property, plant and equipment	12,782,303	12,269,738
Intangible assets	1,692,365	1,308,139
Investments and other assets	9,829,231	10,343,906
Total non-current assets	24,303,899	23,921,784
Total assets	101,236,868	95,471,863
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,726,562	4,077,132
Electronically recorded obligations - operating	3,482,624	2,788,177
Short-term loans payable	48,118,560	47,247,460
Current portion of long-term loans payable	1,000,000	960,000
Income taxes payable	54,034	81,993
Advances received	5,516,822	6,330,027
Accrued expense-salary	276,135	500,500
Provision for loss on construction contracts	4,102,485	3,733,407
Other	5,095,895	3,829,097
Total current liabilities	71,373,119	69,547,797
Non-current liabilities		
Long-term loans payable	3,000,000	2,340,000
Liability for employee retirement benefits	6,919,824	6,649,804
Provision for loss on compensation	1,452,434	857,547
Provision for product warranties	1,166,789	1,166,789
Other	807,220	744,285
Total non-current liabilities	13,346,268	11,758,427
Total liabilities	84,719,388	81,306,224

(Thousand yen)

	As of March 31, 2021	As of December 31, 2021
Net assets		
Shareholders' equity		
Capital stock	5,359,893	5,359,893
Capital surplus	4,318,925	4,318,925
Retained earnings	6,360,683	3,874,448
Treasury stock	(31,205)	(31,205)
Total shareholders' equity	16,008,296	13,522,061
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	156,385	187,493
Deferred gains or losses on hedges	-	(21,302)
Foreign currency translation adjustment	17,776	110,474
Accumulated adjustment for employee retirement benefits	36,052	56,074
Total accumulated other comprehensive income	210,214	332,739
Non-controlling interests	298,969	310,837
Total net assets	16,517,480	14,165,638
Total liabilities and net assets	101,236,868	95,471,863

(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 2020	The third quarter of FY 2021
Net sales	38,120,127	26,842,790
Cost of sales	40,290,934	22,852,835
Gross profit (loss)	(2,170,807)	3,989,955
Selling, general and administrative expenses	4,926,018	5,510,139
Operating income (loss)	(7,096,825)	(1,520,183)
Non-operating income		
Interest income	10,612	9,803
Dividend income	1,949	2,580
Foreign exchange gains	-	130,189
Share of profit of entities accounted for using equity method	14,241	58,782
Insurance income	82,189	47,292
Subsidy income	36,729	27,991
Other	61,027	67,568
Total non-operating income	206,749	344,210
Non-operating expenses		
Interest expenses	299,459	403,079
Foreign exchange losses	578,914	-
Compensation expenses	217,741	181,933
Other	100,358	51,863
Total non-operating expenses	1,196,474	636,876
Ordinary income (loss)	(8,086,550)	(1,812,850)
Extraordinary income		
Subsidy income	626,263	675,925
Reversal of extra retirement payments	-	1,444
Reversal of provision for loss on compensation	-	140,616
Total extraordinary income	626,263	817,986
Extraordinary loss		
Loss on disposal of non-current assets	27,017	31,747
Loss related to COVID-19	1,253,601	255,471
Extra retirement payments	350,984	10,987
Loss on liquidation of business	-	102,544
Total extraordinary loss	1,631,603	400,751
Income (loss) before taxes	(9,091,889)	(1,395,615)
Income taxes – current	5,026	56,248
Income taxes – refund	-	(52,602)
Income taxes – deferred	(2,734,062)	(547,020)
Total income taxes	(2,729,036)	(543,374)
Net income (loss)	(6,362,853)	(852,240)
Net income attributable to non-controlling interests	53,441	344
Net income (loss) attributable to shareholders of parent company	(6,416,294)	(852,585)

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 2020	The third quarter of FY 2021
Net income (loss)	(6,362,853)	(852,240)
Other comprehensive income		
Valuation difference on available-for-sale securities	42,658	31,108
Deferred gains or losses on hedges	-	(21,302)
Foreign currency translation adjustment	(156,520)	104,221
Adjustment for employee retirement benefits	41,172	20,021
Total other comprehensive income	(72,689)	134,049
Comprehensive income	(6,435,543)	(718,191)
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	(6,467,443)	(730,059)
Comprehensive income attributable to non-controlling interests	31,900	11,868

(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 2021
(from April 1, 2021 to December 31, 2021)

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the “Revenue Recognition Accounting Standard”) since the beginning of the quarterly first quarter of FY 2021, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time the control of those goods or services is transferred to customers. The main changes resulting from the application of the Revenue Recognition Accounting Standard are as follows:

- (1) Revenue from export transactions involving delivery of goods was previously recognized at the time of shipment; however, revenue is recognized at the time the burden of risk is transferred to customers, in accordance with trade terms defined mainly by Incoterms rules.
- (2) Revenue from sales related to design and development was previously recognized in proportion to the number of aircraft for which our products are adopted; however, revenue is recognized in a lump sum at the time of shipment of our products for the aircraft for which our products are adopted for the first time.

The Company has applied the Revenue Recognition Accounting Standard, etc. in accordance with the transitional treatment as provided for in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retroactively applying new accounting policies prior to the beginning of the quarterly first quarter of FY 2021 is added to or deducted from retained earnings at the beginning of the quarterly first quarter of FY 2021, and new accounting policies have been applied to the balance from the beginning of the said period.

As a result, for the third quarter of FY 2021, net sales decreased by ¥1,584,489 thousand, cost of sales decreased by ¥1,425,171 thousand, and operating loss, ordinary loss, and loss before taxes each increased by ¥159,317 thousand, compared with the previous method. Retained earnings at the beginning of the period decreased by ¥1,633,650 thousand.

As a result of the application of the Revenue Recognition Accounting Standard, etc., “notes and accounts receivable – trade,” stated under “current assets” in the consolidated balance sheets for the previous fiscal year, is included in “notes and accounts receivable – trade, and contract assets” from the quarterly first quarter of FY 2021. The Company has made no reclassification for the previous fiscal year by using the new presentation method in accordance with the transitional treatment as provided for in Paragraph 89-2 of the Revenue Recognition Accounting Standard. Furthermore, the Company does not state information on the breakdown of revenue generated from contracts with customers for the third quarter of FY 2020 in accordance with the transitional treatment as provided for in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020).

The third quarter of FY 2021
(from April 1, 2021 to December 31, 2021)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. since the beginning of the quarterly first quarter of FY 2021, applying new accounting policies defined in the Fair Value Measurement Accounting Standard, etc. over the future in accordance with the transitional treatment as provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and in Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This application has no impact on the Company’s quarterly consolidated financial statements.

(Additional information)

The third quarter of FY 2021
(from April 1, 2021 to December 31, 2021)

The Group makes accounting estimates for items including impairment loss on non-current assets and recoverability of deferred tax assets, based on information available at the time of preparation of the quarterly consolidated financial statements.

In making accounting estimates, the Group has formulated its sales plan with the assumption that air passenger demand will recover to pre-COVID-19 levels in or around 2024. As for income, the Group has made accounting estimates based on the expectation that its income will recover to the level of FY 2019, before the COVID-19 pandemic, in FY 2022 due to various measures, including business process reforms.

There are no significant changes from the content of the accounting estimates related to the COVID-19 pandemic included in “Notes (Significant accounting estimates)” in our securities report for the previous fiscal year.

(Quarterly Consolidated Statements of Income)

Subsidy income

¥675,925 thousand in subsidy income, such as subsidies for employment adjustment due to the temporary leave of employees, has been recognized under extraordinary income.

Loss related to COVID-19

¥255,471 thousand in loss related to COVID-19 has been recognized under extraordinary loss for running costs, including fixed costs resulting from the temporary leave of employees, as operations significantly declined due to the global spread of COVID-19 and a declaration of a state of emergency issued by the government.

Loss on liquidation of business

¥102,544 thousand in loss on liquidation of business has been recognized under extraordinary loss for restoration costs involving reorganization of production bases.

(Segment information, etc.)

[Segment information]

I. For the third quarter of FY 2020

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	24,880,363	6,175,986	2,756,163	4,307,610	38,120,124	3	38,120,127
Inter-segment net sales or transfers	341,111	166,003	2,257	11,948	521,320	81,132	602,453
Total	25,221,474	6,341,990	2,758,421	4,319,559	38,641,444	81,136	38,722,581
Segment income (loss)	(5,417,118)	(2,458,147)	(212,457)	599	(8,087,124)	574	(8,086,550)

(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	(8,087,124)
Income of Others	574
Ordinary income in the Quarterly Consolidated Statement of Income	(8,086,550)

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 2021

1. Information on net sales and income (loss) and information on breakdown of revenue 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							
Revenue generated from contracts with customers	15,965,633	2,152,719	3,183,706	5,540,621	26,842,679	111	26,842,790
Net sales to outside customers	15,965,633	2,152,719	3,183,706	5,540,621	26,842,679	111	26,842,790
Inter-segment net sales or transfers	334,193	-	5,331	11,864	351,390	52,761	404,152
Total	16,299,827	2,152,719	3,189,038	5,552,485	27,194,070	52,872	27,246,943
Segment income (loss)	66,101	(1,705,572)	(273,054)	118,867	(1,793,657)	(19,192)	(1,812,850)

(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 cleaning and assistance work in the Company's facilities, 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	(1,793,657)
Income of Others	(19,192)
Ordinary income in the Quarterly Consolidated Statement of Income	(1,812,850)

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

There is no relevant information.

4. Changes in the measurement method for reportable segments

As stated in "Changes in accounting policies," the Company has applied the Revenue Recognition Accounting Standard, etc. since the beginning of the quarterly first quarter of FY 2021 and changed the accounting method for revenue recognition. The measurement method for the amounts of income (loss) by reportable segment has been changed accordingly.

As a result, net sales of aircraft interiors business decreased by ¥1,434,656 thousand and segment income decreased by ¥179,170 thousand, net sales of aircraft seat business decreased by ¥124,741 thousand and segment loss decreased by ¥26,294 thousand, and net sales of aircraft components business decreased by ¥25,091 thousand and segment loss increased by ¥6,441 thousand for the third quarter of FY 2021, compared with the previous method.

3. Others

Significant Events Regarding Going Concern Assumption

The Group has suffered a significant impact from the spread of COVID-19, including a drop in sales of cabin retrofit interiors and spare parts for airlines due to a decrease in aircraft operations, in addition to a significant drop in shipments of interiors and seats following the reduced production and changes in production schedules by aircraft manufacturers. Operating loss, net loss attributable to shareholders of parent company, and negative cash flows from operating activities were recognized in the previous fiscal year, and in the third quarter of FY 2021, operating loss and net loss attributable to shareholders of parent company have been recognized. As a result, the Group understands that there are events or conditions that may cast significant doubt on going concern assumption.

Under such an unprecedented situation, the Group has carried out a review of the production plan, reorganized production bases, and is making efforts to reduce fixed costs through temporary leave of employees and secondment to companies outside the Group and limiting investment while striving to enhance the efficiency of its management by reducing inventories.

The Group has determined that passenger demand will recover in stages in the future, based on the demand forecast by the International Air Transport Association. Inquiries and orders for cabin retrofit interiors and seats from airlines are recovering. The Group expects that shipments of our products will increase with the recovery in passenger demand and the Group's operating results will recover.

In addition, by enhancing close coordination with partner financial institutions, including the main bank, the Group has secured ongoing support such as increases in borrowing limits and the continuation of loans. As the Group secured necessary financing limits, it has determined that there are no material uncertainties regarding going concern assumption.