

**Consolidated Financial Results
for the Third Quarter of the Fiscal Year 2016
Ending March 31, 2017
[Japanese GAAP]**



February 7, 2017

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 8, 2017

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 2016 (from April 1, 2016 to December 31, 2016)

(1) Consolidated Operating Results		(%: Changes from the same period of the previous fiscal year.)				
		Net sales	Operating income	Ordinary income	Net income attributable to shareholders of parent company	
For the third quarter of		Million yen %	Million yen %	Million yen %	Million yen %	Million yen %
Fiscal year 2016		58,499 (11.9)	1,236 (82.5)	802 (88.9)	617 (86.3)	
Fiscal year 2015		66,396 22.2	7,062 34.7	7,221 8.3	4,491 (0.1)	

(Note) Comprehensive income: The third quarter of fiscal year 2016: ¥367 million [(92.0)%]

The third quarter of fiscal year 2015: ¥4,576 million [(12.4)%]

	Net income per share	Diluted net income per share
For the third quarter of	Yen	Yen
Fiscal year 2016	23.02	-
Fiscal year 2015	167.43	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2016	90,333	27,443	29.5
As of March 31, 2016	92,284	28,202	29.7

(Reference) Equity: As of December 31, 2016: ¥26,646 million

As of March 31, 2016: ¥27,363 million

2. Dividend distribution

	Dividend distribution per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year 2015	Yen -	Yen 0.00	Yen -	Yen 40.00	Yen 40.00
Fiscal year 2016	-	0.00	-		
Fiscal year 2016 (Planned)				10.00	10.00

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

3. Outlook of Consolidated Operating Results for the Fiscal Year 2016 (from April 1, 2016 to March 31, 2017)

(%: Changes from the previous fiscal year.)

	Net sales	Operating income	Ordinary income	Profit attributable to shareholders of parent company	Net income per share
	Million yen %	Million yen %	Million yen %	Million yen %	Yen
Full year	83,400 (8.9)	1,800 (79.5)	500 (93.9)	300 (94.2)	11.18

(Note) Revision to the outlook of consolidated operating results announced most recently: None

4. Other information

- (1) Changes in significant subsidiaries during this quarter of the fiscal year 2016: 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, 2016: 26,863,974 shares

As of March 31, 2016: 26,863,974 shares
 - 2) Number of treasury stock:

As of December 31, 2016: 38,730 shares

As of March 31, 2016: 38,635 shares
 - 3) Average number of common shares outstanding:

3rd quarter of FY 2016: 26,825,273 shares

3rd quarter of FY 2015: 26,825,408 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. Presentation regarding the implementation status of the quarterly review procedures**

These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. At the time of disclosure of these quarterly financial results, quarterly review procedures for the quarterly financial statements have been completed.

***3. Explanation of the proper use of financial results forecast and other notes**

The earnings forecasts and other forward-looking 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. For the conditions that form the premises of the forecasts and notes on the use of the forecasts, please refer to “(3) Explanation of Consolidated Operating Results Outlook and Other Forward-looking Information” on page 4 of the Attachment.

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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 2016, the overall global economy generally remained firm, as trends in the U.S. economy remained steady, and the economies in Japan and the euro-zone also continued to recover moderately, despite lingering uncertainties about the future due to factors such as the slowdown of economic growth in China and the emerging economies in Asia. Meanwhile, owing to significant fluctuations in the foreign exchange market stemming from U.K.'s decision to exit the EU, trends in the U.S. monetary policies, and the result of the U.S. presidential election, uncertainties in the financial markets have risen, thus adding increased uncertainty to the outlook for the global economy.

In the air transportation industry, fierce competition continued, despite the growing global demand for air transportation and the drop in crude oil prices that contributed to improvements in airline earnings. Although some concerns remain regarding decreased demand for large aircraft, major aircraft manufacturers have been promoting initiatives to enhance the production of their mainstay small passenger aircraft in response to an increase in overall aircraft demand, while maintaining high production levels of their fuel-efficient, mid-sized passenger aircraft such as the Boeing 787 and Airbus A350XWB.

Under such circumstances, in the aircraft interiors business, the Group promoted initiatives to improve production efficiency and reduce cost, while coping with the increase in production of interior products for Boeing 787s. We also promoted the development of lavatories for the Boeing 777X, which is a successor to the Boeing 777, and rear galleys for Airbus A350XWBs. However, orders for galleys directly placed by airlines saw a decline in conventional models such as Boeing 777s, as orders transitioned to successor models.

In the aircraft seat business, we worked on establishing a production system at the No. 2 Plant, Miyazaki JAMCO Corporation, which began mass production of the primary components of seats (back shells, console units, etc.) in December 2015, and made efforts to improve production efficiency.

In the aircraft components business, we promoted efforts to address rising costs for cargo struts for Airbus A350XWBs, which are new products for CFRP structure parts, while also cutting costs for other products.

In the aircraft maintenance business, we continued with initiatives to ensure flight safety and enhance quality, while also making efforts to recover orders and improve productivity.

During the third quarter of FY 2016, the Company was significantly impacted by the appreciation of the yen including the decrease in U.S. dollar-denominated net sales and foreign exchange losses incurred on U.S. dollar-denominated notes and accounts receivable due to a sharp appreciation of the yen against the dollar compared to the same period of the previous fiscal year.

As a result, on a consolidated basis, during the third quarter of FY 2016, the Company posted net sales of ¥58,499 million (down ¥7,896 million compared to the same period of the previous fiscal year), operating income of ¥1,236 million (down ¥5,826 million compared to the same period of the previous fiscal year), ordinary income of ¥802 million (down ¥6,418 million compared to the same period of the previous fiscal year) and net income attributable to shareholders of parent company of ¥617 million (down ¥3,873 million compared to the same period of the previous fiscal year).

Selling, general and administrative expenses, non-operating income/expenses and extraordinary income/loss for the Group are as follows:

Selling, general and administrative expenses were ¥6,460 million (a decrease of ¥859 million compared to the same period of the previous fiscal year) due to a decrease in experiment and research expenses, etc.

In terms of non-operating income/expenses, an expense of ¥433 million was reported due to recognition of foreign exchange losses of ¥184 million as a result of the appreciation of the yen against the U.S. dollar compared to the same period of the previous fiscal year (income of ¥159 million in the same period of the previous fiscal year).

As for extraordinary income/loss, an expense of ¥23 million was reported due to factors including loss on disposal of non-current assets and head office transfer expenses (a loss of ¥10 million in the same period of the

previous fiscal year).

Business performance by segment is as follows.

[Aircraft Interiors Business] and [Aircraft Seat Business]

Following the reorganization on June 28, 2016, the aircraft seat business segment was newly established by a split from the aircraft interiors business segment, which previously included the aircraft seat business.

In the aircraft interiors business and aircraft seat business, although shipments of interior products for Boeing 787s and aircraft seats increased, net sales of galleys other than for Boeing 787s fell. Furthermore, sales of spare parts, which were strong during the same period of the previous fiscal year, were slightly weak during the current period. In addition, net sales and ordinary income decreased from the same period of the previous fiscal year due to the appreciating yen on the foreign exchange market causing a relative decrease in foreign currency-denominated net sales, and the incurring of foreign exchange losses under non-operating expenses.

As a result, the former aircraft interiors business segment, composed of the aircraft interiors and aircraft seat businesses, posted net sales of ¥48,514 million (down ¥7,083 million compared to the same period of the previous fiscal year) and ordinary income of ¥865 million (down ¥5,982 million compared to the same period of the previous fiscal year).

As for business performance of each segment for the third quarter of FY 2016, the aircraft interiors business posted net sales of ¥40,461 million and ordinary income of ¥3,004 million and the aircraft seat business posted net sales of ¥8,053 million and ordinary loss of ¥2,138 million.

[Aircraft Components Business]

In the aircraft components business, net sales decreased as a result of a decline in production volume of CFRP structure parts for the Airbus A380 and a relative decrease in foreign currency-denominated net sales due to the appreciating yen on the foreign exchange market, despite increased production volume due to robust order receipt of engine parts for commercial aircrafts. In addition, in spite of the cost reduction promoted for the new CFRP structure parts for the Airbus A350XWB, the impact of the loss in the first half persisted, resulting in the reporting of a modest ordinary loss for the business as a whole.

As a result, the aircraft components business posted net sales of ¥4,721 million (down ¥145 million compared to the same period of the previous fiscal year) and ordinary loss of ¥8 million (ordinary income of ¥312 million in the same period of the previous fiscal year).

[Aircraft Maintenance Business]

In the aircraft maintenance business, net sales fell due in part to a decrease in completed construction for the current period compared to the same period of the previous fiscal year, when net sales were relatively high due to a large number of order receipt for special work and completed construction. This decrease in net sales resulted in the reporting of ordinary loss due to a decline in profitability for the business as a whole.

As a result, the aircraft maintenance business posted net sales of ¥5,262 million (down ¥666 million compared to the same period of the previous fiscal year) and ordinary loss of ¥53 million (ordinary income of ¥61 million in the same period of the previous fiscal year).

[Others]

The Others segment includes the businesses of the consolidated subsidiaries Orange JAMCO Corporation and JAMCO TECHNICAL CENTER Co., Ltd. As of March 31, 2016, JAMCO TECHNICAL CENTER Co., Ltd. was dissolved, with its liquidation completed on August 22, 2016.

As a result, the Others segment posted net sales of ¥0 million (down ¥0 million from the same period of the previous fiscal year) and ordinary loss of ¥0 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, 2016 amounted to ¥90,333 million, down ¥1,950 million from the end of the previous fiscal year. Of such, total current assets decreased by ¥2,390 million from the end of the previous fiscal year, due mainly to a decrease in cash and deposits (down ¥657 million compared to the end of the previous fiscal year), a decrease in work in process (down ¥265 million compared to the end of the previous fiscal year) and a decrease in raw materials and supplies (down ¥542 million compared to the end of the previous fiscal year). Total non-current assets increased by ¥439 million from the end of the previous fiscal year, as a result of promoting investment in the seat business including introduction of an aircraft seat dynamic testing facility while cutting back on non-essential, non-urgent capital expenditures.

Total liabilities amounted to ¥62,889 million, down ¥1,192 million from the end of the previous fiscal year. This was due primarily to a decrease in notes and accounts payable - trade (down ¥643 million compared to the end of the previous fiscal year), a decrease in income taxes payable (down ¥1,486 million compared to the end of the previous fiscal year) and a decrease in accrued expense-salary (down ¥1,219 million compared to the end of the previous fiscal year), which offset the increase in loans payable (up ¥2,106 million compared to the end of the previous fiscal year) and the increase in provision for loss on construction contracts (up ¥243 million compared to the end of the previous fiscal year).

Total net assets amounted to ¥27,443 million, down ¥758 million from the end of the previous fiscal year. This was due primarily to a decrease in retained earnings (down ¥455 million compared to the end of the previous fiscal year) and a decrease in deferred gains or losses on hedges (down ¥372 million compared to the end of the previous fiscal year). As a result, the equity ratio stood at 29.5%.

(3) Explanation of Consolidated Operating Results Outlook and Other Forward-looking Information

Progress in profit for the operating results for the third quarter of FY 2016 exceeded the full-year consolidated operating results outlook announced on November 2, 2016. This was mainly due to the decrease in foreign exchange losses from foreign exchange valuation of U.S. dollar-denominated notes and accounts receivable as a result of the depreciating yen in the foreign exchange market toward the end of the third quarter.

Taking into consideration the possibility of fluctuations in the foreign exchange market leading to a stronger yen toward the end of the fourth quarter, there are no revisions to the full-year consolidated operating results outlook for FY 2016 announced on November 2, 2016.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Third Quarter of FY 2016

There is no relevant information.

(2) Accounting Policies Adopted Specially for the Preparation of Quarterly Consolidated Financial Statements

There is no relevant information.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement (Changes in Accounting Policies)

Following the revision of the Corporation Tax Act, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (PITF No. 32, June 17, 2016), effective from the first quarter of FY 2016, and accordingly, has changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of this change on profit or loss is immaterial.

(Additional Information)

Effective from the first quarter of FY 2016, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	3,479,003	2,821,660
Notes and accounts receivable - trade	20,232,940	20,278,959
Merchandise and finished goods	580,002	1,181,851
Work in process	22,938,144	22,672,761
Raw materials and supplies	18,691,439	18,149,215
Other	6,714,549	5,142,913
Allowance for doubtful accounts	(4,501)	(6,036)
Total current assets	<u>72,631,578</u>	<u>70,241,325</u>
Non-current assets		
Property, plant and equipment	14,496,373	14,728,767
Intangible assets	1,213,884	1,389,882
Investments and other assets	3,942,502	3,973,618
Total non-current assets	<u>19,652,760</u>	<u>20,092,269</u>
Total assets	<u>92,284,339</u>	<u>90,333,594</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,216,137	14,572,992
Short-term loans payable	22,374,049	24,880,320
Income taxes payable	1,598,026	111,295
Accrued expense-salary	1,894,715	674,834
Provision for loss on construction contracts	1,827,438	2,070,659
Other	8,832,547	8,380,773
Total current liabilities	<u>51,742,914</u>	<u>50,690,876</u>
Non-current liabilities		
Long-term loans payable	5,100,000	4,700,000
Provision for directors' and auditors' retirement benefits	154,939	159,047
Provision for executive officers' retirement benefits	80,869	113,823
Liability for employee retirement benefits	6,738,093	6,775,141
Provision for environmental measures	6,887	-
Other	258,316	451,101
Total non-current liabilities	<u>12,339,105</u>	<u>12,199,112</u>
Total liabilities	<u>64,082,020</u>	<u>62,889,989</u>

(Thousand yen)

	As of March 31, 2016	As of December 31, 2016
Net assets		
Shareholders' equity		
Capital stock	5,359,893	5,359,893
Capital surplus	4,367,993	4,367,993
Retained earnings	17,684,729	17,229,219
Treasury stock	(30,452)	(30,689)
Total shareholders' equity	<u>27,382,163</u>	<u>26,926,416</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	87,484	100,961
Deferred gains or losses on hedges	-	(372,876)
Foreign currency translation adjustment	214,971	251,557
Accumulated adjustment for employee retirement benefits	(320,734)	(259,430)
Total accumulated other comprehensive income	<u>(18,278)</u>	<u>(279,788)</u>
Non-controlling interests	<u>838,434</u>	<u>796,977</u>
Total net assets	<u>28,202,319</u>	<u>27,443,605</u>
Total liabilities and net assets	<u>92,284,339</u>	<u>90,333,594</u>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

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

(Thousand yen)

	The third quarter of FY 2015	The third quarter of FY 2016
Net sales	66,396,001	58,499,644
Cost of sales	52,013,034	50,802,532
Gross profit	14,382,966	7,697,112
Selling, general and administrative expenses	7,320,655	6,460,922
Operating income	7,062,311	1,236,189
Non-operating income		
Interest income	941	4,415
Dividend income	4,166	4,445
Foreign exchange gains	266,086	-
Share of profit of entities accounted for using equity method	23,743	20,635
Subsidy income	65,053	60,003
Other	30,065	40,216
Total non-operating income	390,056	129,716
Non-operating expenses		
Interest expenses	202,466	218,642
Foreign exchange losses	-	184,512
Compensation expenses	-	127,324
Other	28,400	32,880
Total non-operating expenses	230,866	563,359
Ordinary income	7,221,500	802,546
Extraordinary income		
Gain on sales of investment securities	-	4,062
Gain on sales of non-current assets	1,799	360
Total extraordinary income	1,799	4,423
Extraordinary loss		
Loss on disposal of non-current assets	10,765	14,842
Head office transfer expenses	-	13,320
Other	1,522	-
Total extraordinary loss	12,288	28,162
Income before taxes	7,211,011	778,807
Income taxes - current	2,174,180	9,801
Income taxes - deferred	464,386	137,927
Total income taxes	2,638,567	147,728
Net income	4,572,444	631,078
Net income attributable to non-controlling shareholders	81,092	13,575
Net income attributable to shareholders of parent company	4,491,352	617,503

Quarterly Consolidated Statement of Comprehensive Income

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

(Thousand yen)

	The third quarter of FY 2015	The third quarter of FY 2016
Net income	4,572,444	631,078
Other comprehensive income		
Valuation difference on available-for-sale securities	15,434	13,477
Deferred gains or losses on hedges	-	(372,876)
Foreign currency translation adjustment	(33,682)	40,376
Adjustment for employee retirement benefits	25,453	61,303
Share of other comprehensive income of entities accounted for using equity method	(3,103)	(5,541)
Total other comprehensive income	4,102	(263,260)
Comprehensive income	<u>4,576,546</u>	<u>367,818</u>
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	4,505,168	355,993
Comprehensive income attributable to non-controlling shareholders	71,378	11,824

(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.

(Segment information, etc.)

[Segment information]

I. For the third quarter of FY 2015

1. Information on net sales and income (loss) by reportable segment

(Thousands yen)

	Reportable segment				Others (Note)	Total
	Aircraft Interiors Business	Aircraft Components Business	Aircraft Maintenance Business	Total		
Net sales						
Net sales to outside customers	55,598,731	4,867,650	5,929,555	66,395,938	63	66,396,001
Inter-segment net sales or transfers	113,623	39,446	334,895	487,965	99,979	587,945
Total	55,712,355	4,907,096	6,264,451	66,883,904	100,042	66,983,946
Segment income (loss)	6,848,229	312,632	61,354	7,222,217	(716)	7,221,500

(Note) The Others segment includes the businesses of affiliates Orange JAMCO Corporation and JAMCO TECHNICAL CENTER Co., Ltd. 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, while JAMCO TECHNICAL CENTER Co., Ltd. is engaged in the research and development of new technologies and products.

2. Differences between the total amount of income or 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)

(Thousands yen)

Income	Amount
Reportable segments total	7,222,217
Loss of Others	(716)
Ordinary income in the Quarterly Consolidated Statement of Income	7,221,500

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

Statement is omitted due to irrelevance.

II. For the third quarter of FY 2016

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	40,461,556	8,053,375	4,721,717	5,262,934	58,499,584	60	58,499,644
Inter-segment net sales or transfers	719,068	-	3,524	40,012	762,605	67,918	830,524
Total	41,180,625	8,053,375	4,725,242	5,302,946	59,262,190	67,978	59,330,169
Segment income (loss)	3,004,488	(2,138,859)	(8,348)	(53,905)	803,374	(827)	802,546

(Note) The Others segment includes the businesses of affiliates, Orange JAMCO Corporation and JAMCO TECHNICAL CENTER Co., Ltd. Orange JAMCO Corporation is a special-purpose subsidiary, dedicated to promoting the employment of people with disabilities and provides assistance works in the Company's factories, which is one of the corporate social responsibilities.

2. Differences between the total amount of income or 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	803,374
Loss of Others	(827)
Ordinary income in the Quarterly Consolidated Statement of Income	802,546

3. Matters concerning changes to reportable segments, etc.

(Changes to reportable segments)

The Company has abolished the previous in-house company system since June 28, 2016, in light of changes in the business environment and the scale of its operations, as well as to establish a framework capable of meeting the rising demand in commercial aircraft. The Company has reorganized its system into a framework comprising a single group and four divisions. The business of development, design and manufacture of aircraft seats, which had formerly been conducted in the aircraft interiors business, has become an independent business segment, and the former divisions have been reorganized into the "Aircraft Interiors Manufacturing Division," "Aircraft Seat Manufacturing Division," "Aircraft Components Manufacturing Division" and "Aircraft Maintenance Division." Furthermore, the "Aircraft Interiors and Components Group" has been established to oversee the three manufacturing divisions, excluding the Aircraft Maintenance Division. In accordance with this change, from the second quarter of FY 2016, the previous reportable segments of "Aircraft Interiors Business," "Aircraft Components Business" and "Aircraft Maintenance Business" have been changed to "Aircraft Interiors Business," "Aircraft Seat Business," "Aircraft Components Business" and "Aircraft Maintenance Business."

As it would be difficult to retrospectively obtain the information necessary to prepare segment information for the third quarter of FY 2015 according to the segment classification of the third quarter of FY 2016, the segment information for the third quarter of FY 2016 has been prepared as follows based on the classification method of the previous fiscal year for comparison.

(Thousand yen)

	Reportable segment				Others (Note)	Total
	Aircraft Interiors Business	Aircraft Components Business	Aircraft Maintenance Business	Total		
Net sales						
Net sales to outside customers	48,514,932	4,721,717	5,262,934	58,499,584	60	58,499,644
Inter-segment net sales or transfers	50,259	3,524	40,012	93,796	67,918	161,715
Total	48,565,192	4,725,242	5,302,946	58,593,381	67,978	58,661,360
Segment income (loss)	865,628	(8,348)	(53,905)	803,374	(827)	802,546

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

There is no relevant information.