

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



November 5, 2021

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 Stock exchange listing: Tokyo Stock Exchange
 Stock Exchange Code: 7408
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 The date of filing quarterly securities report: November 8, 2021
 The start date of payout of dividend: —
 Availability of supplementary briefing material on quarterly financial results: Yes
 Schedule of quarterly financial results briefing session: Yes (for institutional investors)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Operating Results for the Second Quarter of the Fiscal Year 2021 (from April 1, 2021 to September 30, 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 second quarter of								
Fiscal year 2021	18,477	(28.5)	(511)	-	(687)	-	(47)	-
Fiscal year 2020	25,860	(36.2)	(4,591)	-	(5,409)	-	(4,294)	-

(Note) Comprehensive income: The second quarter of fiscal year 2021: ¥41 million [-%]
 The second quarter of fiscal year 2020: ¥(4,396) million [-%]

	Net income per share	Diluted net income per share
	Yen	Yen
For the second quarter of		
Fiscal year 2021	(1.76)	-
Fiscal year 2020	(160.10)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	95,899	14,925	15.2
As of March 31, 2021	101,236	16,517	16.0

(Reference) Equity: As of September 30, 2021: ¥14,622 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	43,500	(13.1)	(3,980)	-	(4,360)	-	(3,120)	-	(116.31)

(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 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 September 30, 2021: 26,863,974 shares

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

2) Number of treasury stock:

As of September 30, 2021: 38,964 shares

As of March 31, 2021: 38,964 shares

3) Average number of common shares outstanding:

2nd quarter of FY 2021: 26,825,010 shares

2nd 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.

The Company intends to hold a briefing session for institutional investors on November 24, 2021. The materials distributed at the briefing session are scheduled to be posted on the Company's corporate website.

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

(1) Explanation of Operating Results

During the second quarter of FY 2021, some parts of the world economy remained in a challenging situation amid the global spread of COVID-19. However, as the promotion of COVID-19 vaccination and other countermeasures were effective in reducing the spread of COVID-19, economies showed signs of recovery. The dollar-yen exchange rate moved within the range of ¥107 to ¥111 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 second quarter of FY 2021, the Company posted net sales of ¥18,477 million (down ¥7,382 million compared to the same period of the previous fiscal year), operating loss of ¥511 million (an operating loss of ¥4,591 million in the same period of the previous fiscal year), ordinary loss of ¥687 million (an ordinary loss of ¥5,409 million in the same period of the previous fiscal year), and net loss attributable to shareholders of parent company of ¥47 million (a net loss attributable to shareholders of parent company of ¥4,294 million in the same period of the previous fiscal year).

Provision for loss on construction contracts of ¥3,720 million for construction to be completed in or after the quarterly third quarter of FY 2021 was recognized as of September 30, 2021. The impact of this provision for loss on construction contracts on income (loss) for the quarterly second quarter of FY 2021 was a decrease of ¥865 million in cost of sales (provision for loss on construction contracts as of June 30, 2021 was ¥4,586 million) and, for the cumulative second quarter of FY 2021, an increase of ¥124 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 ¥3,651 million (an increase of ¥324 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, warranty expenses, and sales commissions.

In terms of non-operating income (expenses), an expense of ¥175 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 ¥818 million in the same period of the previous fiscal year).

As for extraordinary income (loss), an income of ¥300 million was reported (a loss of ¥640 million in the same period of the previous fiscal year), owing principally to ¥511 million recognized in subsidy income under extraordinary income, such as subsidies for employment adjustment due to the temporary leave of employees, and ¥137 million recognized in reversal of provision for loss on compensation under extraordinary income. This more than offset ¥213 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 ¥99 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, largely because shipments of galleys and lavatories decreased as a result of aircraft manufacturers being forced to further reduce production and change production schedules due mainly to the impact of the spread of COVID-19. Nevertheless, an ordinary income was reported 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 ¥11,890 million (down ¥6,038 million compared to the same period of the previous fiscal year) and ordinary income of ¥851 million (ordinary loss of ¥3,455 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. 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 ¥913 million (down ¥2,739 million compared to the same period of the previous fiscal year) and ordinary loss of ¥1,390 million (ordinary loss of ¥1,791 million in the same period of the previous fiscal year).

[Aircraft Components Business]

In the aircraft components business, despite the postponement of shipments of heat exchangers and other equipment mainly related to defense contracts to the quarterly third quarter of FY 2021 or later, 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 ¥1,943 million (up ¥212 million compared to the same period of the previous fiscal year) and ordinary loss of ¥247 million (ordinary loss of ¥102 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, an ordinary income was reported due mainly to the increase in net sales.

As a result, the aircraft maintenance business posted net sales of ¥3,730 million (up ¥1,182 million compared to the same period of the previous fiscal year) and ordinary income of ¥113 million (ordinary loss of ¥60 million in 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 consists 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 (¥0 million in the same period of the previous fiscal year) and ordinary loss of ¥14 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 September 30, 2021 amounted to ¥95,899 million, down ¥5,337 million from the end of the previous fiscal year. Of such, total current assets decreased by ¥5,087 million from the end of the previous fiscal year, due mainly to a decrease in notes and accounts receivable – trade, and contract assets (down ¥3,054 million compared to the end of the previous fiscal year), a decrease in work in process (down ¥5,369 million compared to the end of the previous fiscal year) and a decrease in raw materials and supplies (down ¥1,626 million compared to the end of the previous fiscal year), despite an increase in cash and deposits (up ¥3,998 million compared to the end of the previous fiscal year). Total non-current assets decreased by ¥250 million from the end of the previous fiscal year due to a decrease in property, plant and equipment (down ¥298 million compared to the end of the previous fiscal year) and a decrease in intangible assets (down ¥251 million compared to the end of the previous fiscal year) as a result of relatively limited investment for the second quarter of FY 2021. Total liabilities amounted to ¥80,974 million, down ¥3,745 million from the end of the previous fiscal year. This was attributable primarily to a decrease in short-term loans payable (down ¥1,248 million compared to the end of the previous fiscal year) and a decrease in electronically recorded obligations – operating (down ¥1,000 million compared to the end of the previous fiscal year).

Total net assets amounted to ¥14,925 million, down ¥1,592 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. As a result, the equity ratio stood at 15.2%.

[Cash flows]

During the second quarter of FY 2021, cash and cash equivalents on a consolidated basis amounted to a cash inflow of ¥4,207 million, as a result of the cash flows described below.

(Cash flows from operating activities)

During the second quarter of FY 2021, net cash provided by operating activities amounted to a cash inflow of ¥6,545 million. This was due mainly to a decrease in notes and accounts receivable – trade.

(Cash flows from investing activities)

During the second quarter of FY 2021, net cash used in investing activities amounted to a cash outflow of ¥113 million. This was due mainly to purchase of property, plant and equipment.

(Cash flows from financing activities)

During the second quarter of FY 2021, net cash used in financing activities amounted to a cash outflow of ¥2,290 million. This was due mainly to repayment of loans payable to financial institutions.

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

The Group's operating results for the second quarter of FY 2021 increased in terms of income compared to the consolidated financial results forecast announced on May 11, 2021. This was due to the concentration of additional sales involving changes in customer specifications in the aircraft interiors business in the quarterly first quarter of FY 2021 and the depreciation of the yen in the foreign exchange market.

The consolidated financial results forecast for FY 2021 remains unchanged as the Group assumes that the uncertain business environment will continue for the time being due to the spread of COVID-19 (and its variants) and the announcements of production adjustments by some aircraft manufacturers.

The exchange rate assumed for the consolidated financial results forecast remains unchanged from ¥103 per US\$1 at this time.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	5,275,305	9,273,899
Notes and accounts receivable - trade	21,092,693	-
Notes and accounts receivable - trade, and contract assets	-	18,038,261
Merchandise and finished goods	657,983	1,995,605
Work in process	25,880,634	20,510,874
Raw materials and supplies	20,869,999	19,243,600
Other	3,268,013	2,904,862
Allowance for doubtful accounts	(111,660)	(121,171)
Total current assets	76,932,968	71,845,933
Non-current assets		
Property, plant and equipment	12,782,303	12,484,151
Intangible assets	1,692,365	1,440,479
Investments and other assets	9,829,231	10,128,719
Total non-current assets	24,303,899	24,053,350
Total assets	101,236,868	95,899,283
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,726,562	4,061,867
Electronically recorded obligations - operating	3,482,624	2,481,925
Short-term loans payable	48,118,560	46,869,850
Current portion of long-term loans payable	1,000,000	660,000
Income taxes payable	54,034	88,468
Advances received	5,516,822	5,390,082
Accrued expense-salary	276,135	700,164
Provision for loss on construction contracts	4,102,485	3,720,797
Other	5,095,895	4,601,887
Total current liabilities	71,373,119	68,575,045
Non-current liabilities		
Long-term loans payable	3,000,000	2,640,000
Liability for employee retirement benefits	6,919,824	6,693,043
Provision for loss on compensation	1,452,434	1,109,529
Provision for product warranties	1,166,789	1,166,789
Other	807,220	789,701
Total non-current liabilities	13,346,268	12,399,063
Total liabilities	84,719,388	80,974,109

(Thousand yen)

	As of March 31, 2021	As of September 30, 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	4,679,824
Treasury stock	(31,205)	(31,205)
Total shareholders' equity	16,008,296	14,327,437
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	156,385	206,994
Foreign currency translation adjustment	17,776	38,878
Accumulated adjustment for employee retirement benefits	36,052	49,400
Total accumulated other comprehensive income	210,214	295,273
Non-controlling interests	298,969	302,463
Total net assets	16,517,480	14,925,174
Total liabilities and net assets	101,236,868	95,899,283

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Second Quarter of the Fiscal Year (from April 1 to September 30)

(Thousand yen)

	The second quarter of FY 2020	The second quarter of FY 2021
Net sales	25,860,226	18,477,909
Cost of sales	27,124,700	15,338,073
Gross profit (loss)	(1,264,473)	3,139,835
Selling, general and administrative expenses	3,326,898	3,651,587
Operating income (loss)	(4,591,371)	(511,751)
Non-operating income		
Interest income	8,834	3,962
Dividend income	1,049	1,140
Foreign exchange gains	-	114,980
Share of profit of entities accounted for using equity method	7,934	41,276
Insurance income	66,622	38,065
Subsidy income	20,785	16,293
Other	46,243	55,041
Total non-operating income	151,470	270,761
Non-operating expenses		
Interest expenses	209,378	245,709
Foreign exchange losses	466,185	-
Compensation expenses	215,494	168,280
Other	78,789	32,494
Total non-operating expenses	969,848	446,485
Ordinary income (loss)	(5,409,749)	(687,475)
Extraordinary income		
Subsidy income	418,023	511,339
Reversal of extra retirement payments	-	1,444
Reversal of provision for loss on compensation	-	137,791
Total extraordinary income	418,023	650,575
Extraordinary loss		
Loss on disposal of non-current assets	25,245	26,652
Loss related to COVID-19	1,033,493	213,476
Extra retirement payments	-	10,876
Loss on liquidation of business	-	99,294
Total extraordinary loss	1,058,739	350,300
Income (loss) before taxes	(6,050,464)	(387,200)
Income taxes – current	5,255	61,821
Income taxes – refund	-	(51,987)
Income taxes – deferred	(1,723,667)	(350,322)
Total income taxes	(1,718,412)	(340,488)
Net income (loss)	(4,332,052)	(46,711)
Net income (loss) attributable to non-controlling interests	(37,336)	497
Net income (loss) attributable to shareholders of parent company	(4,294,715)	(47,208)

Quarterly Consolidated Statements of Comprehensive Income
 Second Quarter of the Fiscal Year (from April 1 to September 30)

(Thousand yen)

	The second quarter of FY 2020	The second quarter of FY 2021
Net income (loss)	(4,332,052)	(46,711)
Other comprehensive income		
Valuation difference on available-for-sale securities	9,236	50,609
Foreign currency translation adjustment	(101,293)	24,098
Adjustment for employee retirement benefits	27,448	13,347
Total other comprehensive income	(64,609)	88,056
Comprehensive income	(4,396,661)	41,344
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of parent company	(4,345,026)	37,850
Comprehensive income attributable to non-controlling interests	(51,635)	3,493

(3) Quarterly Consolidated Statements of Cash Flows
Second Quarter of the Fiscal Year (from April 1 to September 30)

(Thousand yen)

	The second quarter of FY 2020	The second quarter of FY 2021
Cash flows from operating activities		
Income (loss) before taxes	(6,050,464)	(387,200)
Depreciation	1,205,160	1,010,563
Increase (decrease) in liability for employee retirement benefits	32,336	(208,395)
Increase (decrease) in provisions	555,891	214,687
Interest and dividend income	(9,883)	(5,102)
Interest expenses	209,378	245,709
Foreign exchange losses (gains)	(118,505)	30,981
Share of loss (profit) of entities accounted for using equity method	(7,934)	(41,276)
Loss related to COVID-19	1,033,493	213,476
Subsidy income	(418,023)	(511,339)
Decrease (increase) in notes and accounts receivable - trade	9,956,648	5,051,967
Decrease (increase) in inventories	(4,495,480)	(227,643)
Increase (decrease) in notes and accounts payable - trade	(7,244,681)	(671,844)
Increase (decrease) in advances received	(1,504,024)	1,844,182
Decrease/increase in consumption taxes receivable/payable	(336,274)	(24,584)
Other	(283,154)	193,762
Subtotal	(7,475,519)	6,727,944
Interest and dividend income received	9,883	5,075
Interest expenses paid	(192,171)	(238,060)
Income taxes paid	(151,407)	(34,647)
Income taxes refund	-	85,393
Net cash provided by (used in) operating activities	(7,809,214)	6,545,704
Cash flows from investing activities		
Purchase of property, plant and equipment	(544,865)	(273,167)
Proceeds from sales of property, plant and equipment	780	6,706
Purchase of investment securities	(405)	(300)
Payments of loans receivable	-	(8,640)
Collection of loans receivable	1,078	410
Decrease (increase) in time deposits	53,460	219,600
Other	(238,054)	(58,058)
Net cash provided by (used in) investing activities	(728,006)	(113,448)
Cash flows from financing activities		
Increase in short-term loans payable	31,624,614	40,197,120
Decrease in short-term loans payable	(23,647,007)	(41,604,120)
Proceeds from long-term loans payable	-	300,000
Repayments of long-term loans payable	-	(1,000,000)
Repayments of lease obligations	(194,742)	(181,992)
Cash dividends paid	(538,877)	(1,270)
Cash dividends paid to non-controlling interests	(24,580)	-
Net cash provided by (used in) financing activities	7,219,405	(2,290,263)
Effect of exchange rate changes on cash and cash equivalents	(138,630)	65,741
Net increase (decrease) in cash and cash equivalents	(1,456,445)	4,207,734
Cash and cash equivalents, beginning of period	7,167,370	3,946,665
Cash and cash equivalents, end of period	5,710,925	8,154,399

(4) 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 second quarter of FY 2021
(from April 1, 2021 to September 30, 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 second quarter of FY 2021, net sales decreased by ¥430,486 thousand, cost of sales decreased by ¥393,551 thousand, and operating loss, ordinary loss, and loss before taxes each increased by ¥36,935 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 second 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 second 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 second quarter of FY 2021
(from April 1, 2021 to September 30, 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 second quarter of FY 2021
(from April 1, 2021 to September 30, 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

¥511,339 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

¥213,476 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

¥99,294 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 second 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	17,928,421	3,652,993	1,731,255	2,547,555	25,860,226	-	25,860,226
Inter-segment net sales or transfers	209,067	72,874	1,146	10,629	293,719	54,212	347,932
Total	18,137,489	3,725,868	1,732,402	2,558,185	26,153,945	54,212	26,208,158
Segment income (loss)	(3,455,749)	(1,791,572)	(102,585)	(60,814)	(5,410,721)	972	(5,409,749)

(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	(5,410,721)
Income of Others	972
Ordinary income in the Quarterly Consolidated Statement of Income	(5,409,749)

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

There is no relevant information.

II. For the second 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	11,890,088	913,789	1,943,876	3,730,154	18,477,909	-	18,477,909
Net sales to outside customers	11,890,088	913,789	1,943,876	3,730,154	18,477,909	-	18,477,909
Inter-segment net sales or transfers	191,467	-	2,480	5,665	199,612	32,006	231,618
Total	12,081,556	913,789	1,946,356	3,735,820	18,677,522	32,006	18,709,528
Segment income (loss)	851,134	(1,390,465)	(247,168)	113,728	(672,770)	(14,704)	(687,475)

(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	(672,770)
Income of Others	(14,704)
Ordinary income in the Quarterly Consolidated Statement of Income	(687,475)

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 ¥352,657 thousand and segment income decreased by ¥47,453 thousand, net sales of aircraft seat business decreased by ¥62,370 thousand and segment loss decreased by ¥13,147 thousand, and net sales of aircraft components business decreased by ¥15,458 thousand and segment loss increased by ¥2,629 thousand for the second 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 second 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.