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May 12, 2025

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Notice Regarding Recognition of Extraordinary Income and Losses, Variances Between Financial Results Forecasts and Actual Results, and Reduction of Executive Compensation

Achilles Corporation (the "Company") recorded extraordinary losses and extraordinary income in the consolidated and non-consolidated financial results for the fiscal year ended March 31, 2025 as outlined below.
In addition, there were variances between the financial results forecasts for the same period (April 1, 2024 through March 31, 2025) that were announced on February 10, 2025, and the actual results. Details are provided as follows.

1. Recording of extraordinary losses (consolidated)

With respect to the fixed assets of the Automotive Materials business held by Achilles (Foshan) New Materials Co., Ltd. our Chinese subsidiary, we assessed their recoverability of those assets in accordance with the Guidance on Accounting Standard for Impairment of Fixed Assets. As a result, it was determined that, due to significant changes in the automotive market environment, earnings originally projected under the business plan could no longer be expected, and that short-term improvement in performance would be unlikely. Accordingly, the Company recorded an impairment loss of 3,256 million yen as an extraordinary loss in the consolidated financial results for the fiscal year ended March 31, 2025.

2. Recording of extraordinary income (non-consolidated and consolidated)

As disclosed in the "Notice Regarding Partial Termination of Retirement Benefit Trust" dated February 26, 2025, the Company recognized in full previously unrecognized actuarial differences in connection with the partial termination and return of assets from the retirement benefit trust. As a result, a gain on return of asset from retirement benefit trust in the amount of 1,958 million yen was recorded as extraordinary income in both consolidated and non-consolidated financial results for the fiscal year ended March 31, 2025.

3. Recording of extraordinary losses (non-consolidated)

With respect to the shares of consolidated subsidiary Achilles (Foshan) New Materials Co., Ltd. held by the Company, the actual value of the shares saw a significant decline due to deterioration in the subsidiary's operating performance and financial condition. In accordance with the Accounting Standard for Financial Instruments, a loss on valuation of shares of the affiliated company totaling 3,836 million yen was recorded as an extraordinary loss in the non-consolidated financial results for the fiscal year ended March 31, 2025.

This loss on variation of shares of the affiliated company is eliminated in the consolidated financial statements and therefore has no impact on the consolidated financial results.

4. (1) Variances between full-year consolidated financial results forecasts and actual results for the fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	Millions of	Millions of yen	Millions of yen	Millions of yen	Yen
Previously announced forecasts (A)	84,000	200	500	1,850	132.47
Actual results (B)	79,093	(436)	(220)	427	30.67
Difference (B–A)	(4,906)	(636)	(720)	(1,422)	
Change (%)	(5.8)	-	-	(76.9)	
(Reference) Actual results for the previous corresponding period (fiscal year ended March 31, 2024)	78,607	(958)	(171)	(8,210)	(560,30)

(2) Reasons for variances

Net sales were below the previous forecast due to a decline in the domestic housing market and continued struggles in the automotive materials business, as well as sluggish performance at overseas subsidiaries in the automotive materials business and other businesses in the Chinese and North American markets. On the profit side, while domestic operations exceeded expectations through enhanced cost reduction efforts and continued price revisions, the decline in revenue at overseas subsidiaries led to deterioration in profitability, resulting in operating profit and ordinary profit falling below forecast. Profit attributable to owners of parent fell significantly below the previous forecast, despite gain on return of assets from retirement benefit trust and on the sale of investment securities, due to factors including the recording of impairment losses at Achilles (Foshan) New Materials Co., Ltd., a Chinese subsidiary of the Company.

5. (1) Variances between full-year non-consolidated financial results forecasts and actual results for the fiscal year ended March 31, 2025 (April 1, 2024–March 31, 2025)

	Net sales	Operating profit	Ordinary profit	Profit	Basic earnings per share
	Millions of	Millions of yen	Millions of yen	Millions of yen	Yen
Previously announced forecasts (A)	65,500	350	950	2,550	179.72
Actual results (B)	62,705	554	1,322	1,514	108.56
Difference (B–A)	(2,794)	204	372	(1,035)	
Change (%)	(4.3)	58.5	39.2	(40.6)	
(Reference) Actual results for the previous corresponding period (fiscal year ended March 31, 2024)	60,992	(1,301)	908	(6,905)	(471.20)

(2) Reasons for variances

Net sales were below the previous forecast due to a decline in the domestic housing market and struggles in the automotive materials business. Operating profit and ordinary profit exceeded the previous forecast as a result of enhanced cost reduction efforts and continued price revisions. However, profit fell significantly below the forecast despite gain on return of assets from retirement benefit trust and on the sale of investment securities, due to factors including the recording of losses on valuation of shares of affiliated companies.

6. Reduction of executive compensation

Although profits were recorded at all levels of earnings in the non-consolidated full-year financial results for the fiscal year ended March 31, 2025, in the consolidated results, only profit (loss) attributable to owners of parent was positive, while operating and ordinary profits recorded losses for the third consecutive year.

We take these results seriously and, as a reflection of management's responsibility, have decided to reduce executive compensation as outlined below.

(1) Details of executive compensation reductions

Representative Director and President	: 40% reduction of monthly compensation
Chairman of the Board	: 30% reduction of monthly compensation
Managing Director	: 30% reduction of monthly compensation
Directors	: 20% reduction of monthly compensation

(Including Directors Audit & Supervisory Committee Member)

*Not applicable to Outside Directors

(2) Applicable period

From April 2025 through June 2025 (three months)

Today we also announced the "Mid-term Management Plan (FY2025–FY2027)", which sets forth our long-term goals and a three-year strategic direction based on these goals. The entire management team is committed to steadily executing the initiatives set out in the plan to rebuild and strengthen our profitability.

We respectfully ask for the continued support and understanding of our shareholders and other stakeholders.