



Consolidated Financial Results for the Six Months Ended December 31, 2021
[Japanese GAAP]

February 14, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3446
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 Scheduled filing date for quarterly securities report: February 14, 2022
 Scheduled date for commencement of dividend payments: None
 Availability of supplementary briefing materials on quarterly financial results: Not available
 Financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended December 31, 2021 (July 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results (cumulative) (Percentages indicate rates of year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
December 31, 2021	339	—	(231)	—	(234)	—	(169)	—
December 31, 2020	—	—	—	—	—	—	—	—

(Note) Comprehensive income: For the six months ended December 31, 2021: ¥(169) million [—%]
 For the six months ended December 31, 2020: ¥— million [—%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2021	(28.98)	—
December 31, 2020	—	—

(Note) The Company began preparing consolidated financial statements from the end of the consolidated fiscal year ended June 30, 2021. Therefore, there are no year-on-year change figures for the six months ended December 31, 2021, nor figures or year-on-year changes for the six months ended December 31, 2020.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	3,142	2,090	66.5
As of June 30, 2021	3,382	2,257	66.8

(Reference) Shareholders' equity: As of December 31, 2021: ¥2,090 million
 As of June 30, 2021: ¥2,257 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2021	—	0.00	—	0.00	0.00
Fiscal year ending June 30, 2022	—	0.00			
Fiscal year ending June 30, 2022 (Forecast)			—	0.00	0.00

(Note) Changes in dividend forecast from the most recent announcement: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 to June 30, 2022)

(Percentages indicate rates of year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,700	—	194	—	232	—	150	—	25.76

(Note) Changes in financial results forecast from the most recent announcement: None

Notes:

(1) Changes in specific subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None

Newly included: None

Excluded: None

(2) Application of special accounting treatment in preparing the quarterly 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) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2021: 5,864,000 shares

June 30, 2021: 5,855,000 shares

2) Total number of treasury shares at the end of the period:

December 31, 2021: 148 shares

June 30, 2021: 99 shares

3) Average number of shares outstanding during the period

Six months ended December 31, 2021: 5,856,646 shares

Six months ended December 31, 2020: 5,854,901 shares

* The quarterly financial statements are outside the scope of quarterly reviews by certified public accountants and auditing firms.

* 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 assumptions deemed reasonable by the Company, and are not intended to be construed as assurance that they will be accomplished in the future. Actual results may differ significantly from the forecasts due to a wide range of factors. Please see page four of the attached materials, "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Financial Results Forecast and Other Forward-Looking Information" for more information regarding assumptions made when formulating earnings projections and matters to note when using these projections.

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1. Qualitative Information on Quarterly Financial Results

All matters relating to the future in the sections below reflect the current views of the Group as of December 31, 2021. We began preparing consolidated financial statements from the end of the consolidated fiscal year ended June 30, 2021. Accordingly, we have not performed a comparative analysis with the previous fiscal year.

(1) Explanation of Business Results

In the first half of the fiscal year ending June 30, 2022, the Japanese economy saw sluggishness in company activities and personal spending due to the impact of the Delta variant of COVID-19. Later, as the number of cases fell due to the effect of vaccinations there were signs of recovery in economic activities. However, the number of cases is rising again in other countries due to the emergence of the Omicron variant, creating an unpredictable situation for Japan going forward.

Further, the outlook remains uncertain due in part to the impact of semiconductor shortages and parts procurement difficulties on various industries, soaring fuel prices, and inflation concerns in the global economy.

Under these economic circumstances, the Company strove to strengthen and expand the business foundation through two businesses that use proprietary technology, namely the Optical segment and the LS & Equipment Development segment. The results of ESCO, Ltd. are included in the Other business category.

As a result, during the six months ended December 31, 2021, we recorded net sales of ¥339,554 thousand, an operating loss of ¥231,970 thousand, an ordinary loss of ¥234,717 thousand, and a loss attributable to owners of parent of ¥169,740 thousand.

Results by segment were as follows.

(Optical segment)

In the first half of the fiscal year ending June 30, 2022, the segment booked sales on products for synchrotron radiation facilities, including Advanced Photon Source (APS) in the United States, European Synchrotron Radiation Facility (ESRF) in France, Sirius in Brazil, and Taiwan Photon Source (TPS) in Taiwan.

While close attention will need to be paid to the Omicron variant, the impact of COVID-19 on the facilities in each country is on the decline as they are in the process of returning to normal operation.

In terms of manufacturing, there were delays in the manufacturing process for mirrors that were scheduled to be delivered in the second quarter, resulting in sales being booked later than forecasted. These products are expected to be delivered in the third quarter of the current fiscal year.

In terms of sales, we have received large orders from facilities in the United States, China, and Japan as was announced three times from the end of the previous fiscal year in our press releases. There have also been orders from facilities in other countries, which have resumed projects that were postponed due to the COVID-19 pandemic.

In Japan, we have received an increasing number of orders from the Super Lightsource for Industrial Technology of Japan (SLIT-J; scheduled for completion in 2023) in the Tohoku region. In China, while travel restrictions continue, order from the fourth-generation synchrotron radiation facility under construction in Beijing that possess world-class number of beamlines, the X-ray free electron laser facility under construction in Shanghai, and other facilities have increased. Furthermore, orders from facilities in European countries, such as Germany, the United Kingdom, Switzerland, and Italy, have grown as they execute plans to upgrade to the fourth-generation facilities. Demand is on the rise not only from existing synchrotron radiation facilities, but also from new and upgraded facilities.

As a result, sales in the Optical segment during the period under review were ¥189,295 thousand and the segment loss was ¥54,333 thousand.

(LS & Equipment Development segment)

In the first half of the fiscal year ending June 30, 2022, the segment's earnings were driven by sales of large automated cell culture systems KB-4000 and MakCell, as well as prototypes of manufacturing equipment for controlled drug-release devices under research and development. Large automated cell culture systems are sold to pharmaceutical companies and will continue to be a focus along with sales promotion of general-purpose equipment that uses the CELLFLOAT® system.

As for the quartz crystal unit wafer machining system, one of our new businesses, we have worked to explore

sales channels following the delivery during the previous fiscal year.

As a result, sales in the LS & Equipment Development segment during the period under review were ¥117,192 thousand and the segment loss was ¥21,585 thousand.

(Other segment)

The Other segment includes results from subsidiary ESCO, Ltd. and records sales associated with contracted measurements and services related to thermal desorption spectrometry (TDS) equipment.

As a result, sales in the Other segment during the period under review were ¥33,066 thousand and the segment loss was ¥9,071 thousand.

In the consolidated fiscal year ended June 30, 2021, the Company acquired shares in ESCO, Ltd., which was included in the scope of consolidation. As the deemed acquisition date was June 30, 2021 and the difference between the closing date of the subsidiary and the consolidated reporting date is within three months, the consolidated financial results for the six months ended December 31, 2021 reflects performance of the acquired company during the three months from July 2021 to September 2021.

(2) Explanation of Financial Condition

1) Status of assets, liabilities and net assets

(Assets)

As of December 31, 2021, current assets amounted to ¥1,215,163 thousand, down ¥256,876 thousand from their level on June 30, 2021. This change was primarily due to a ¥258,358 thousand decline in accounts receivable—trade, offsetting a ¥57,177 thousand increase in work in process. Non-current assets came to ¥1,927,792 thousand, up ¥17,791 thousand compared to June 30, 2021. This was mainly because deferred tax assets increased ¥67,663 thousand, while progress in depreciation reduced buildings and structures by ¥17,059 thousand and machinery, equipment and vehicles by ¥11,390 thousand.

As a result, total assets were ¥3,142,956 thousand, down ¥239,085 thousand from their level on June 30, 2021.

(Liabilities)

Current liabilities came to ¥402,510 thousand, down ¥33,422 thousand from their level on June 30, 2021. This change was primarily because short-term borrowings decreased ¥200,000 thousand, while current liabilities (other) increased ¥97,173 thousand and accounts payable—trade rose ¥56,902 thousand due in part to growth in advances received. Non-current liabilities were ¥650,342 thousand, down ¥37,795 thousand compared to June 30, 2021. This was due to a ¥37,728 thousand decrease in long-term borrowings.

As a result, total liabilities were ¥1,052,853 thousand, down ¥71,217 thousand from their level on June 30, 2021.

(Net assets)

Total net assets amounted to ¥2,090,103 thousand, down ¥167,868 thousand from their level on June 30, 2021. This was primarily due to the booking of a loss of ¥169,740 thousand.

2) Cash flows

Cash and cash equivalents (“cash”) amounted to ¥786,349 thousand as of December 31, 2021, down ¥61,352 thousand compared to June 30, 2021.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥179,924 thousand. This was primarily because while the Company booked a loss before income taxes of ¥235,179 thousand and inventories increased ¥71,783 thousand, trade receivables decreased ¥248,282 thousand, and advances received and trade payables rose ¥130,286 thousand and ¥56,902 thousand, respectively.

(Cash flows from investing activities)

Net cash used in investing activities was ¥10,445 thousand. This result was chiefly due to ¥11,205

thousand spent on the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥235,855 thousand. This was mainly due to a net decrease of ¥200,000 thousand in short-term borrowings and ¥37,728 thousand in repayments of long-term borrowings.

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

The Company has made no changes to the forecast for the fiscal year ending June 30, 2022 that it announced in the “Consolidated Financial Results for the Year Ended June 30, 2021” released on August 12, 2021.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of June 30, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	847,701	786,349
Electronically recorded monetary claims–operating	–	10,076
Accounts receivable–trade	410,865	152,506
Merchandise and finished goods	33,659	41,209
Work in process	80,386	137,563
Raw materials and supplies	33,014	40,070
Other	66,413	47,387
Total current assets	1,472,040	1,215,163
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	794,144	777,084
Machinery, equipment and vehicles (net)	200,272	188,881
Land	318,979	318,979
Construction in progress	12,475	6,685
Other (net)	11,099	9,461
Total property, plant and equipment	1,336,971	1,301,092
Intangible assets		
Goodwill	423,829	413,234
Other	15,186	13,319
Total intangible assets	439,016	426,553
Investments and other assets		
Deferred tax assets	119,524	187,187
Other	14,489	12,959
Total investments and other assets	134,014	200,147
Total non-current assets	1,910,001	1,927,792
Total assets	3,382,042	3,142,956
Liabilities		
Current liabilities		
Accounts payable–trade	18,559	75,461
Short-term borrowings	200,000	–
Current portion of long-term borrowings	75,456	75,456
Income taxes payable	764	6,357
Provision for bonuses	15,457	20,801
Provision for loss on orders received	–	1,565
Other	125,694	222,868
Total current liabilities	435,932	402,510
Non-current liabilities		
Long-term borrowings	672,875	635,147
Provision for retirement benefits for directors (and other officers)	3,018	3,375
Retirement benefit liability	2,192	2,124
Other	10,052	9,695
Total non-current liabilities	688,138	650,342
Total liabilities	1,124,070	1,052,853
Net assets		
Shareholders' equity		
Share capital	821,241	822,246
Capital surplus	781,241	782,246
Retained earnings	655,854	486,114
Treasury shares	(365)	(502)
Total shareholders' equity	2,257,971	2,090,103
Total net assets	2,257,971	2,090,103
Total liabilities and net assets	3,382,042	3,142,956

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	For the six months ended December 31, 2021
Net sales	339,554
Cost of sales	189,074
Gross profit	150,480
Selling, general and administrative expenses	382,450
Operating profit (loss)	(231,970)
Non-operating income	
Interest income	2
Other	92
Total non-operating income	95
Non-operating expenses	
Interest expenses	2,010
Foreign exchange losses	811
Other	19
Total non-operating expenses	2,841
Ordinary profit (loss)	(234,717)
Extraordinary losses	
Loss on sale and retirement of non-current assets	442
Loss on sale of investment securities	20
Total extraordinary losses	462
Profit (loss) before income taxes	(235,179)
Income taxes—current	2,200
Income taxes—deferred	(67,639)
Total income taxes	(65,439)
Profit (loss)	(169,740)
Profit attributable to non-controlling interests	—
Profit (loss) attributable to owners of parent	(169,740)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the six months ended December 31, 2021
Profit (loss)	(169,740)
Comprehensive income	(169,740)
(Breakdown)	
Comprehensive income attributable to owners of parent	(169,740)
Comprehensive income attributable to non-controlling interests	—

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

For the six months ended
December 31, 2021

Cash flows from operating activities	
Profit (loss) before income taxes	(235,179)
Depreciation	47,818
Amortization of goodwill	10,595
Increase (decrease) in provision for loss on orders received	1,565
Increase (decrease) in provision for bonuses	5,343
Increase (decrease) in provision for retirement benefits for directors (and other officers)	356
Increase (decrease) in retirement benefit liability	(67)
Interest and dividend income	(2)
Loss (gain) on sale of investment securities	20
Interest expenses	2,010
Decrease (increase) in trade receivables	248,282
Decrease (increase) in inventories	(71,783)
Decrease (increase) in advance payments to suppliers	(787)
Decrease (increase) in prepaid expenses	2,567
Increase (decrease) in accrued consumption taxes	(2,334)
Decrease (increase) in consumption taxes refund receivable	17,867
Increase (decrease) in trade payables	56,902
Increase (decrease) in accounts payable—other	3,306
Increase (decrease) in accrued expenses	(24,124)
Increase (decrease) in advances received	130,286
Other	(12,485)
Subtotal	180,158
Interest and dividends received	2
Interest paid	(2,005)
Income taxes paid	(2,469)
Income taxes refund	4,239
Net cash provided by (used in) operating activities	179,924
Cash flows from investing activities	
Purchase of property, plant and equipment	(11,205)
Purchase of intangible assets	(150)
Proceeds from sale of investment securities	1,104
Other	(195)
Net cash provided by (used in) investing activities	(10,445)
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	(200,000)
Repayments of long-term borrowings	(37,728)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	2,010
Other	(137)
Net cash provided by (used in) financing activities	(235,855)
Effect of exchange rate change on cash and cash equivalents	5,023
Net increase (decrease) in cash and cash equivalents	(61,352)
Cash and cash equivalents at beginning of period	847,701
Cash and cash equivalents at end of period	786,349

(4) Notes to the Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes in the event of significant changes in shareholders' equity)

There is no relevant information.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020; hereinafter the "Revenue Recognition Standard") and related implementation guidance at the beginning of the first quarter of the current fiscal year. Accordingly, the Company recognizes the amount expected to be received in exchange for promised goods or services as revenue when control over such goods and services is transferred to the customer.

The Company applies the Revenue Recognition Standard in accordance with the transitional treatment set forth in the proviso in Paragraph 84 of the Revenue Recognition Standard. However, there has been no cumulative effect on retained earnings of retroactively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year. The changes stated above produces no impact on the quarterly consolidated financial statements.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019; hereinafter the "Fair Value Measurement Standard") and related implementation guidance at the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019), the Company will apply the new accounting policy prescribed in the Fair Value Measurement Standard prospectively. There is no impact on the quarterly consolidated financial statements.

(Additional information)

There have been no significant changes to the assumptions underlying accounting estimates in relation to the COVID-19 pandemic, which were described in the "Significant accounting estimates" in the Annual Securities Report for the fiscal year ended June 30, 2021.

(Segment information)

Six months ended December 31, 2021 (July 1, 2021 to December 31, 2021)

1. Information on sales and profit by reportable segment

(Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustments (Note 2)	Amount stated in the consolidated statement of income (Note 3)
	Optical	LS & Equipment Development	Total				
Net sales							
Sales to external customers	189,295	117,192	306,488	33,066	339,554	—	339,554
Total	189,295	117,192	306,488	33,066	339,554	—	339,554
Segment profit (loss)	(54,333)	(21,585)	(75,919)	(9,071)	(84,990)	(146,979)	(231,970)

Notes

1. "Other" refers to businesses not included in reportable segments and includes the results of ESCO, Ltd.
2. "Adjustments" are company-wide expenses, mainly comprising general and administrative expenses, and research and development expenses not attributable to reportable segments.
3. Segment profit (loss) is adjusted to operating profit (loss) in the consolidated statement of income.

2. Information on impairment losses on non-current assets and goodwill

There is no relevant information.