

(Translation)

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## Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



November 9, 2022

Company name: JAPAN MATERIAL Co., Ltd.  
Stock exchange listing: Tokyo and Nagoya Stock Exchanges in Japan  
Stock code: 6055  
Website: <https://www.j-materials.jp/>  
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Scheduled filing date of Quarterly Report: November 11, 2022  
Scheduled payment date of cash dividends: —  
Supplemental materials prepared for quarterly financial results: None  
Quarterly IR briefing: Yes (for institutional investors and securities analysts in Japanese)

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (Apr. 1, 2022 – Sep. 30, 2022)

#### 1.1 Consolidated operating results (% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Six months ended Sep. 30, 2022	23,745	30.1	6,127	31.4	6,493	38.1	4,511	42.1
Sep. 30, 2021	18,257	12.4	4,663	15.1	4,703	16.0	3,173	13.3

(Note) Comprehensive income: Six months ended Sep. 30, 2022: ¥4,957 million (47.9%)  
Six months ended Sep. 30, 2021: ¥3,352 million (20.1%)

	Basic earnings per share	Diluted earnings per share
Six months ended Sep. 30, 2022	¥ 43.95	¥ —
Sep. 30, 2021	30.92	—

#### 1.2 Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of Sep. 30, 2022	50,300	40,343	80.2
As of Mar. 31, 2022	45,502	37,202	81.8

(Reference) Equity: As of Sep. 30, 2022: ¥40,343 million  
As of Mar. 31, 2022: ¥37,202 million

## 2. Dividends

	Annual dividends per share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
FY2021	¥ —	¥ 0.00	¥ —	¥ 18.00	¥ 18.00
FY2022	—	0.00			
FY2022(forecast)			—	20.00	20.00

(Note) Changes from the most recently released dividend forecast: None

## 3. Forecast of Consolidated Financial Results for the FY2022 (Apr. 1, 2022 – Mar. 31, 2023)

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
	45,000	18.5	11,000	17.9	11,000	13.3	7,500	11.4	73.07

(Note) Changes from the most recently released financial results forecast: None

### \* Notes

- Changes in significant subsidiaries during the period under review: None  
(Changes in specified subsidiaries that caused a change in the scope of consolidation)  
Newly added: -  
Excluded: -
- Adoption of special accounting methods for preparing quarterly consolidated financial statements: None
- Changes in accounting policies and accounting estimates, and restatements
  - Changes in accounting policies due to revisions in accounting standards, etc.: Yes
  - Changes in accounting policies other than a. above: None
  - Changes in accounting estimates: None
  - Restatements: None
- Number of shares issued (ordinary shares)
  - Number of shares issued at the end of the period (including treasury shares)
 

As of Sep. 30, 2022	105,149,520 shares
As of Mar. 31, 2022	105,149,520 shares
  - Number of treasury shares at the end of the period
 

As of Sep. 30, 2022	2,497,740 shares
As of Mar. 31, 2022	2,512,923 shares
  - Average number of shares issued and outstanding during the period (cumulative quarterly period)
 

Six months ended Sep. 30, 2022	102,642,908 shares
Six months ended Sep. 30, 2021	102,620,946 shares

\* This summary of quarterly financial results is not subject to quarterly review by certified public accountants or an audit firm.

### \* Notes for proper use of forecasts and other remarks

Forecasts contain forward-looking statements based on estimates made as of the day of release of these materials. Actual results may differ materially depending on a number of factors including but not limited to potential risks and uncertainties. Please refer to page 3 “1.3 Future Outlook” for forecast assumptions and notes on usage.

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## 1. Qualitative Information Regarding the Quarterly Financial Results

### 1.1 Operating Results

During the six months ended September 30, 2022, the Japanese economy showed signs of recovery as activity restrictions due to the COVID-19 pandemic were eased. However, the outlook remains uncertain due to surging prices of raw materials and energy caused by the deterioration of the international situation surrounding Ukraine, as well as the drastic and continuing depreciation of the yen.

The industry to which the JAPAN MATERIAL Group (hereinafter the “Group”) belongs has a growth trend of demand for semiconductors, supported by an increase in demand for semiconductors for vehicles and data centers that are contributed by the wider use of IoT and 5G (the fifth generation mobile communications system) despite a slight weakening of demand for some consumer electronics products such as smartphones, computers, and televisions.

Under such circumstances, in the Group’s Electronics business, the divisions engaged in the manufacture of specialty gas supply equipment and the design and construction of supply piping (hereinafter the “initial divisions”), which are driven by capital investment of customers, performed strongly thanks to continuous capital investment while new capital investments were partly postponed at semiconductor plants, the main customers. The divisions engaged in the sales and management of specialty gases and the provision of technical services (hereinafter the “operations divisions”), which are driven by production activity, remained strong, led by the sales and management of specialty gases and the semiconductor manufacturing equipment maintenance service, as production activity increased at semiconductor plants.

Sales of digital signage-related products remained solid for the Graphics Solution business.

In the Solar Power business, we currently operate three solar power plants in Mie Prefecture that are running smoothly.

As a result, net sales for the current fiscal year were ¥23,745 million (up 30.1% year-on-year), with operating profit of ¥6,127 million (up 31.4% year-on-year), ordinary profit of ¥6,493 million (up 38.1% year-on-year), and profit attributable to owners of parent of ¥4,511 million (up 42.1% year-on-year).

#### 1.1.1 Electronics business

Segment net sales were ¥23,035 million (up 31.1% year-on-year) with segment profit of ¥6,744 million (up 33.0% year-on-year).

#### 1.1.2 Graphics Solution business

Segment net sales were ¥593 million (up 2.2% year-on-year) with segment profit of ¥74 million (up 1.9% year-on-year).

#### 1.1.3 Solar Power business

Segment net sales were ¥116 million (up 7.5% year-on-year) with segment profit of ¥67 million (up 31.3% year-on-year).

### 1.2 Financial Position

#### (Assets)

Total assets at the end of the second quarter under review amounted to ¥50,300 million, up ¥4,798 million from the end of the previous fiscal year.

This was mainly due to increases in notes and accounts receivable – trade, and contract assets of ¥4,606 million, advance payments to suppliers included in other of current assets of ¥2,132 million, merchandise and finished goods of ¥1,199 million and raw materials and supplies of ¥798 million, which were more than offset by a decrease in cash and deposits of ¥4,439 million.

#### (Liabilities)

Total liabilities at the end of the second quarter under review amounted to ¥9,956 million, up ¥1,657 million from the end of the previous fiscal year.

This was mainly due to increases in income taxes payable of ¥534 million, accrued expenses of ¥447 million and long-term prepaid expenses included in other of non-current liabilities of ¥550 million.

(Net assets)

Total net assets at the end of the second quarter under review amounted to ¥40,343 million, up ¥3,141 million from the end of the previous fiscal year.

This was attributed mainly to an increase in retained earnings due to the recording of profit attributable to owners of parent of ¥4,511 million despite a decrease caused by the dividend payment of ¥1,847 million, and a ¥451 million increase in foreign currency translation adjustment.

### 1.3 Future Outlook

No change has been made to the forecast of consolidated financial results released in the “Consolidated Financial Results FY2021” dated May 13, 2022. The forecast of results is based on the information available currently, but there is possibility that our future business activity and operating results may be affected by such factors as potential further slowdown in the economic activity in Japan and overseas due to the COVID-19 pandemic, delays in the capital investment by major customers, and a potential significant drop in operating rates of customer plants.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### 2.1 Quarterly Consolidated Balance Sheets

(Yen in thousands)

	As of Mar. 31, 2022	As of Sep. 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	9,863,817	5,424,483
Notes and accounts receivable - trade, and contract assets	15,584,694	20,191,044
Merchandise and finished goods	1,270,742	2,470,245
Work in process	1,605,243	1,247,468
Raw materials and supplies	2,031,232	2,829,988
Other	3,010,379	5,270,034
<b>Total current assets</b>	<b>33,366,109</b>	<b>37,433,263</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,562,025	5,865,256
Other, net	3,609,069	3,747,400
<b>Total property, plant and equipment</b>	<b>9,171,094</b>	<b>9,612,657</b>
Intangible assets	43,955	39,926
Investments and other assets		
Lease receivables and investment assets	1,927,255	1,454,019
Other	993,704	1,760,879
<b>Total investments and other assets</b>	<b>2,920,959</b>	<b>3,214,899</b>
<b>Total non-current assets</b>	<b>12,136,009</b>	<b>12,867,483</b>
<b>Total assets</b>	<b>45,502,119</b>	<b>50,300,747</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,658,962	3,653,746
Short-term borrowings	134,262	180,453
Accounts payable - other	428,943	876,780
Accrued expenses	376,134	400,965
Income taxes payable	1,493,419	2,028,184
Provision for bonuses	602,907	628,044
Other	350,128	396,181
<b>Total current liabilities</b>	<b>7,044,758</b>	<b>8,164,356</b>
Non-current liabilities		
Lease liabilities	575,004	514,864
Retirement benefit liability	589,567	636,421
Asset retirement obligations	27,389	31,687
Other	62,985	609,554
<b>Total non-current liabilities</b>	<b>1,254,947</b>	<b>1,792,528</b>
<b>Total liabilities</b>	<b>8,299,705</b>	<b>9,956,885</b>

(Yen in thousands)

	As of Mar. 31, 2022	As of Sep. 30, 2022
Net assets		
Shareholders' equity		
Share capital	1,317,815	1,317,815
Capital surplus	1,618,109	1,643,180
Retained earnings	35,090,894	37,754,472
Treasury shares	(1,060,135)	(1,053,767)
Total shareholders' equity	36,966,683	39,661,700
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(555)	(5,401)
Foreign currency translation adjustment	237,030	688,213
Remeasurements of defined benefit plans	(743)	(649)
Total accumulated other comprehensive income	235,730	682,161
Total net assets	37,202,413	40,343,862
Total liabilities and net assets	45,502,119	50,300,747

## 2.2 Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Yen in thousands)

	From Apr. 1, 2021 to Sep. 30, 2021	From Apr. 1, 2022 to Sep. 30, 2022
Net sales	18,257,769	23,745,133
Cost of sales	12,218,936	15,787,168
Gross profit	6,038,833	7,957,965
Selling, general and administrative expenses	1,375,430	1,830,727
Operating profit	4,663,402	6,127,237
Non-operating income		
Interest income	3,198	5,235
Dividend income	2,435	7,602
Foreign exchange gains	19,487	335,184
Rental income	7,909	12,693
Subsidy income	5,670	2,693
Other	6,514	7,414
Total non-operating income	45,216	370,823
Non-operating expenses		
Interest expenses	3,461	2,995
Rental expenses on real estate	1,693	1,460
Other	224	391
Total non-operating expenses	5,380	4,846
Ordinary profit	4,703,239	6,493,214
Extraordinary income		
Gain on sale of non-current assets	278	–
Total extraordinary income	278	–
Extraordinary losses		
Loss on sale and retirement of non-current assets	2,232	19,003
Retirement benefit expenses	121,338	–
Total extraordinary losses	123,571	19,003
Profit before income taxes	4,579,946	6,474,211
Income taxes – current	1,373,729	2,022,459
Income taxes – deferred	32,763	(59,284)
Total income taxes	1,406,493	1,963,174
Profit	3,173,452	4,511,036
Profit attributable to owners of parent	3,173,452	4,511,036



Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Yen in thousands)

	From Apr. 1, 2021 to Sep. 30, 2021	From Apr. 1, 2022 to Sep. 30, 2022
Profit	3,173,452	4,511,036
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,408)	(4,846)
Foreign currency translation adjustment	180,026	451,183
Remeasurements of defined benefit plans, net of tax	299	94
Total other comprehensive income	178,917	446,431
Comprehensive income	3,352,370	4,957,467
Comprehensive income attributable to:		
Owners of parent	3,352,370	4,957,467
Non-controlling interests	-	-

## 2.3 Consolidated Statements of Cash Flows

(Yen in thousands)

	From Apr. 1, 2021 to Sep. 30, 2021	From Apr. 1, 2022 to Sep. 30, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,579,946	6,474,211
Depreciation	285,271	345,554
Increase (decrease) in allowance for doubtful accounts	(11,482)	(11,171)
Increase (decrease) in provision for bonuses	(115,539)	25,137
Increase (decrease) in retirement benefit liability	168,899	46,988
Interest and dividend income	(5,633)	(12,837)
Interest expenses	3,461	2,995
Foreign exchange losses (gains)	2,348	(24,105)
Loss (gain) on sale and retirement of non-current assets	1,954	19,003
Decrease (increase) in trade receivables	(110,392)	(4,466,743)
Decrease (increase) in inventories	(391,861)	(1,568,561)
Net decrease (increase) in lease receivables and investments in leases	550,096	482,857
Decrease (increase) in guarantee deposits	176,740	—
Increase (decrease) in trade payables	(55,090)	(106,055)
Decrease (increase) in advance payments to suppliers	8,183	(2,132,598)
Other, net	(156,907)	335,782
Subtotal	4,929,994	(589,542)
Interest and dividends received	5,888	9,270
Interest paid	(3,461)	(2,995)
Income taxes paid	(1,762,402)	(1,524,668)
Net cash provided by (used in) operating activities	3,170,018	(2,107,936)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(661,956)	(1,292,660)
Proceeds from withdrawal of time deposits	658,119	739,080
Purchase of property, plant and equipment	(940,945)	(801,252)
Purchase of intangible assets	(5,038)	(2,280)
Other, net	(6,773)	95
Net cash provided by (used in) investing activities	(956,594)	(1,357,017)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	41,498	18,830
Dividends paid	(1,641,935)	(1,847,458)
Other, net	(35,092)	(39,653)
Net cash provided by (used in) financing activities	(1,635,529)	(1,868,281)
Effect of exchange rate change on cash and cash equivalents	52,049	281,140
Net increase (decrease) in cash and cash equivalents	629,944	(5,052,094)
Cash and cash equivalents at beginning of period	9,514,588	8,983,156
Cash and cash equivalents at end of period	10,144,533	3,931,062

## 2.4 Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Notes in the Case of Significant Changes in Amount of Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the first quarter of the fiscal year ending March 31, 2023, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. The application has no impact on the Quarterly Consolidate Financial Statements for the six months ended September 30, 2022.

(Additional Information)

Impact of COVID-19

We made no material change to the assumptions regarding the impact of COVID-19 described in (Additional Information) (Impact of COVID-19) of the Annual Securities Report for the previous fiscal year.

(Segment Information, etc.)

[Segment Information]

I. Six months ended September 30, 2021 (From Apr. 1, 2021 to Sep. 30, 2021)

1. Information on the amounts of net sales and profit or loss by reportable segment

(Yen in thousands)

	Reportable segments			Total
	Electronics	Graphics Solution	Solar Power	
Net sales				
To external customers	17,569,101	580,310	108,357	18,257,769
Inter-segment sales or transfers	–	–	–	–
Total	17,569,101	580,310	108,357	18,257,769
Segment profit	5,069,994	72,970	51,234	5,194,199

2. Differences between total profit/loss amounts of reportable segments and amounts presented on the quarterly consolidated statements of income, and details of the differences (reconciliations)

(Yen in thousands)

Profit	Amount
Reportable segment total	5,194,199
Corporate expenses (Note)	(533,015)
Other	2,219
Operating profit on quarterly consolidated statements of income	4,663,402

(Note) Corporate expenses mainly consist of general and administrative expenses not allocated to any reportable segments.

II. Six months ended September 30, 2022 (From Apr. 1, 2022 to Sep. 30, 2022)

1. Information on the amounts of net sales and profit or loss by reportable segment and revenue analysis

(Yen in thousands)

	Reportable segments			Total
	Electronics	Graphics Solution	Solar Power	
Net sales				
To external customers	23,035,444	593,206	116,483	23,745,133
Inter-segment sales or transfers	–	–	–	–
Total	23,035,444	593,206	116,483	23,745,133
Segment profit	6,744,415	74,386	67,246	6,886,049

2. Differences between total profit/loss amounts of reportable segments and amounts presented on the quarterly consolidated statements of income, and details of the differences (reconciliations)

(Yen in thousands)

Profit	Amount
Reportable segment total	6,886,049
Corporate expenses (Note)	(763,667)
Other	4,856
Operating profit on quarterly consolidated statements of income	6,127,237

(Note) Corporate expenses mainly consist of general and administrative expenses not allocated to any reportable segments.