



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

November 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: November 14, 2022  
 Scheduled date of commencing dividend payments: None  
 Availability of supplementary briefing materials on quarterly financial results: Not available  
 Financial results briefing session: None

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

1. Consolidated Financial Results for the Three Months Ended September 30, 2022 (July 1, 2022 to September 30, 2022)

(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	%
Three months ended								
September 30, 2022	230	425.3	(114)	—	(115)	—	(83)	—
September 30, 2021	43	—	(194)	—	(195)	—	(136)	—

(Note) Comprehensive income: For the three months ended September 30, 2022: ¥(83) million [—%]  
 For the three months ended September 30, 2021: ¥(136) million [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
September 30, 2022	(14.30)	—
September 30, 2021	(23.33)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	3,359	2,143	63.8
As of June 30, 2022	3,227	2,227	69.0

(Reference) Shareholders' equity: As of September 30, 2022: ¥2,143 million  
 As of June 30, 2022: ¥2,227 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, 2022	—	0.00	—	0.00	0.00
Fiscal year ending June 30, 2023	—				
Fiscal year ending June 30, 2023 (Forecast)		0.00	—	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, 2023 (July 1, 2022 to June 30, 2023)

(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
First half	729	115.0	(55)	—	(57)	—	(47)	—	(8.19)
Full year	2,133	85.4	300	—	355	—	228	—	39.03

(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: Yes

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):

September 30, 2022: 5,864,000 shares

June 30, 2022: 5,864,000 shares

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

September 30, 2022: 148 shares

June 30, 2022: 148 shares

3) Average number of shares outstanding during the period:

Three months ended September 30, 2022: 5,863,852 shares

Three months ended September 30, 2021: 5,855,743 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 3 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.

## Contents of Attached Materials

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation of Business Results .....	2
(2) Explanation of Financial Condition .....	3
(3) Explanation of Financial Results Forecast and Other Forward-Looking Information .....	3
2. Quarterly Consolidated Financial Statements and Primary Notes .....	4
(1) Consolidated Balance Sheet .....	4
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income .....	6
Consolidated Statement of Income .....	6
Consolidated Statement of Comprehensive Income .....	7
(3) Notes to the Consolidated Financial Statements .....	8
(Notes on going concern assumption) .....	8
(Notes in the event of significant changes in shareholders' equity) .....	8
(Changes in accounting policies).....	8
(Additional information).....	8
(Segment information) .....	9
3. Other .....	10
(Significant events relating to going concern assumption, etc.).....	10

## 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 September 30, 2022.

### (1) Explanation of Business Results

In the three months ended September 30, 2022, the Japanese economy saw a gradual return to normal activity as the impact of the COVID-19 pandemic eased. However, the global outlook remained uncertain due to soaring energy and raw material prices caused by conditions in Ukraine, and to renewed financial uncertainty stemming from inflation and rising interest rates.

Under these economic circumstances, the Group strove to strengthen and expand its management foundation through three businesses that use proprietary technology, namely the Optical segment, the LS & Equipment Development segment, and the Other segment.

As a result, in the three months ended September 30, 2022, we recorded net sales of ¥230,324 thousand (+425.3% year-on-year), an operating loss of ¥114,753 thousand (versus a loss of ¥194,058 thousand in the same period of the previous fiscal year), an ordinary loss of ¥115,213 thousand (versus a loss of ¥195,353 thousand in the same period of the previous fiscal year), and a loss attributable to owners of parent of ¥83,840 thousand (versus a loss of ¥136,631 thousand in the same period of the previous fiscal year).

Results by segment were as follows.

#### (Optical segment)

In the three months ended September 30, 2022, segment earnings were driven by the recognition of sales of products to overseas facilities that could not be recorded in the previous fiscal year due to the effects of the COVID-19 pandemic. These products were primarily sold to the Institute of High Energy Physics (IHEP) and the Shanghai Synchrotron Radiation Facility (SSRF) in China, the Advanced Photon Source (APS) in the United States, and the Pohang Accelerator Laboratory (PAL) in South Korea. Many of the products bound for the United States will continue to be delivered in the second quarter as they are being manufactured sequentially.

The synchrotron radiation facilities and X-ray free electron laser facilities in Japan and overseas, which are the main customers for our X-ray nano focusing mirrors, have for the most part resumed normal operations. However, COVID-19 impact has persisted in China, which has maintained travel restrictions under its zero-COVID policy.

On the order front, we continue to receive orders for synchrotron radiation facility upgrades and newly planned facilities in China, Europe, and the United States, as well as from Nano Terasu (formerly SLiT-J), a next-generation synchrotron radiation facility in Japan.

In terms of market trends, China is pushing ahead with the construction of new synchrotron radiation facilities and X-ray free electron laser facilities of an unparalleled scale, and continues to upgrade existing facilities. We therefore view the country as an extremely promising market. For example, IHEP, a next-generation synchrotron radiation facility under construction in Beijing, is expected to be the largest of its kind in the world, and we have already received many orders for this project. China also plans to upgrade several facilities to fourth-generation standards, and build large new synchrotron radiation facilities and X-ray free electron laser facilities in Shanghai, Shenzhen, and Wuhan.

As for sales activities, we will continue to focus on China as a priority region despite the travel restrictions currently in effect in the country. Meanwhile, we have resumed face-to-face sales activities in Europe and the United States by taking advantage of normalized travel conditions, and we will cultivate demand by stepping up in-depth sales negotiations.

Turning to our proprietary technology, we are exploring applications in industrial fields other than X-ray mirrors, and plan to supply applications in the next-generation semiconductor and aerospace related fields heading into 2030.

As a result, during the period under review, the Optical segment recorded sales of ¥154,774 thousand (+456.2% year-on-year) and a segment loss of ¥3,432 thousand (versus a loss of ¥72,666 thousand in the same period of the previous fiscal year).

#### (LS & Equipment Development segment)

We did not anticipate significant levels of sales in the segment in the three months ended September 30, 2022, but we recorded sales for water-based cooler and consumable applications. Heading into the second half of the fiscal

year, we plan to sell products in the priority fields of our equipment development business, including new machining technologies such as catalyst-referred etching (CARE) related and quartz crystal unit wafer machining system related equipment.

As a result, the LS & Equipment Development segment recorded sales of ¥8,070 thousand (-49.6% year-on-year) and a segment loss of ¥39,134 thousand (versus a loss of ¥34,464 thousand in the same period of the previous fiscal year).

(Other segment)

The Other segment corresponds to subsidiary ESCO, Ltd. ESCO's sales are divided into three areas: equipment sales (thermal desorption spectrometry [TDS] equipment), equipment maintenance, and contract analysis services. Sales in the three months ended September 30, 2022 included the sale of one equipment unit in Japan, which could not be recorded in the previous fiscal year due to the effects of the COVID-19 pandemic.

As a result, the Other segment recorded sales of ¥67,479 thousand and segment profit of ¥612 thousand.

Only the balance sheet was consolidated for the three months ended September 30, 2021, so year-on-year comparisons have been omitted.

## (2) Explanation of Financial Condition

(Assets)

As of September 30, 2022, current assets amounted to ¥1,411,133 thousand, up ¥109,737 thousand from their level on June 30, 2022. This was mainly because accounts receivable-trade declined by ¥115,850 thousand, while cash and deposits increased by ¥166,958 thousand and work in process grew by ¥17,451 thousand. Non-current assets came to ¥1,948,315 thousand, up ¥22,678 thousand compared to June 30, 2022. This was mainly because machinery, equipment and vehicles declined by ¥12,449 thousand due to ongoing depreciation, while deferred tax assets increased by ¥36,008 thousand.

As a result, total assets were ¥3,359,448 thousand, up ¥132,416 thousand from their level on June 30, 2022.

(Liabilities)

As of September 30, 2022, current liabilities came to ¥624,267 thousand, up ¥238,613 thousand from their level on June 30, 2022. This was mainly because short-term borrowings increased by ¥200,000 thousand and contract liabilities grew by ¥56,080 thousand. Non-current liabilities were ¥591,304 thousand, down ¥22,356 thousand compared to June 30, 2022. This was due primarily to a ¥18,864 thousand decrease in long-term borrowings.

As a result, total liabilities were ¥1,215,572 thousand, up ¥216,257 thousand from their level on June 30, 2022.

(Net assets)

As of September 30, 2022, total net assets amounted to ¥2,143,876 thousand, down ¥83,840 thousand from their level on June 30, 2022. This was due primarily to the recording of a loss attributable to owners of parent of ¥83,840 thousand.

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

The Company has made no changes to its forecasts for the six months ending December 31, 2022 and the fiscal year ending June 30, 2023 that it announced in the "Consolidated Financial Results for the Fiscal Year Ended June 30, 2022" released on August 12, 2022.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheet

(Thousands of yen)

	As of June 30, 2022	As of September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	732,324	899,282
Accounts receivable–trade	248,641	132,790
Electronically recorded monetary claims–operating	1,881	14,692
Merchandise and finished goods	41,427	42,118
Work in process	172,143	189,594
Raw materials and supplies	42,360	50,622
Other	62,617	82,031
Total current assets	1,301,395	1,411,133
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	760,380	751,621
Machinery, equipment and vehicles (net)	220,294	207,845
Land	340,429	340,429
Construction in progress	32,285	47,474
Other (net)	9,628	8,569
Total property, plant and equipment	1,363,019	1,355,939
Intangible assets		
Goodwill	392,042	381,446
Other	11,279	10,331
Total intangible assets	403,322	391,778
Investments and other assets		
Investment securities	20,000	20,000
Deferred tax assets	126,761	162,770
Other	12,533	17,826
Total investments and other assets	159,295	200,596
Total non-current assets	1,925,636	1,948,315
<b>Total assets</b>	<b>3,227,032</b>	<b>3,359,448</b>

(Thousands of yen)

	As of June 30, 2022	As of September 30, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	49,955	22,724
Short-term borrowings	–	200,000
Current portion of long-term borrowings	75,456	75,456
Income taxes payable	16,290	2,840
Contract liabilities	167,850	223,931
Provision for bonuses	21,689	32,643
Provision for loss on orders received	40	147
Other	54,371	66,524
Total current liabilities	385,654	624,267
Non-current liabilities		
Long-term borrowings	597,419	578,555
Provision for retirement benefits for directors (and other officers)	4,912	1,650
Retirement benefit liability	1,990	1,938
Other	9,339	9,161
Total non-current liabilities	613,661	591,304
Total liabilities	999,315	1,215,572
<b>Net assets</b>		
Shareholders' equity		
Share capital	822,246	822,246
Capital surplus	782,246	782,246
Retained earnings	623,727	539,886
Treasury shares	(502)	(502)
Total shareholders' equity	2,227,717	2,143,876
Total net assets	2,227,717	2,143,876
Total liabilities and net assets	3,227,032	3,359,448

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

## Consolidated Statement of Income

(Thousands of yen)

	For the three months ended September 30, 2021	For the three months ended September 30, 2022
Net sales	43,842	230,324
Cost of sales	26,946	103,509
Gross profit	16,896	126,815
Selling, general and administrative expenses	210,954	241,568
Operating profit (loss)	(194,058)	(114,753)
Non-operating income		
Interest income	2	2
Dividend income	—	2
Subsidy income	—	1,500
Other	—	38
Total non-operating income	2	1,543
Non-operating expenses		
Interest expenses	1,054	892
Foreign exchange losses	242	1,110
Total non-operating expenses	1,296	2,002
Ordinary profit (loss)	(195,353)	(115,213)
Extraordinary losses		
Impairment losses	—	2,400
Total extraordinary losses	—	2,400
Profit (loss) before income taxes	(195,353)	(117,613)
Income taxes—current	1,077	2,235
Income taxes—deferred	(59,799)	(36,008)
Total income taxes	(58,721)	(33,772)
Profit (loss)	(136,631)	(83,840)
Profit attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	(136,631)	(83,840)



## Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the three months ended September 30, 2021	For the three months ended September 30, 2022
Profit (loss)	(136,631)	(83,840)
Comprehensive income	(136,631)	(83,840)
(Breakdown)		
Comprehensive income attributable to owners of parent	(136,631)	(83,840)
Comprehensive income attributable to non-controlling interests	—	—

### (3) Notes to the Consolidated 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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company began applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; June 17, 2021; hereinafter the "Fair Value Measurement Implementation Guidance") at the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Fair Value Measurement Implementation Guidance, the Company will apply the new accounting policy prescribed in the Fair Value Measurement Implementation Guidance prospectively. There is no impact on the quarterly consolidated financial statements.

(Change in the valuation method for inventories)

The Company previously used a cost method based on the specific identification method as the valuation method for its products. From the first quarter of the current fiscal year, it switched to a cost method based on the moving average method.

The aim of the change in valuation method is to refine profit management in the LS & Equipment Development segment by allowing the Company to rapidly ascertain inventory value and conduct adequate periodical accounting of profit and loss amid soaring raw material prices. This change only has a marginal impact, so it has not been retroactively applied.

(Additional information)

There have been no significant changes to the assumptions underlying our 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, 2022.

(Segment information)

I Three months ended September 30, 2021 (July 1, 2021 to September 30, 2021)

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

(Thousands of yen)

	Reportable segment			Adjustments (Note 1)	Amount stated in the quarterly consolidated statement of income (Note 2)
	Optical	LS & Equipment Development	Total		
Net sales					
Sales to external customers	27,824	16,017	43,842	—	43,842
Total	27,824	16,017	43,842	—	43,842
Segment profit (loss)	(72,666)	(34,464)	(107,131)	(86,926)	(194,058)

Notes

1. “Adjustments” are company-wide expenses, mainly comprising general and administrative expenses, and research and development expenses not attributable to reportable segments.
2. Segment profit (loss) is adjusted to operating profit (loss) in the quarterly consolidated statement of income.
3. The “Other segment” has been omitted because only the balance sheet was consolidated for the three months ended September 30, 2021, as the deemed acquisition date of the subsidiary fell on June 30, 2021, and the difference with the quarterly consolidated closing date did not exceed three months.

2. Information on impairment losses on non-current assets and goodwill, etc., by reportable segment

There is no relevant information.

II Three months ended September 30, 2022 (July 1, 2022 to September 30, 2022)

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

(Thousands of yen)

	Reportable segment				Adjustments (Note 1)	Amount stated in the quarterly consolidated statement of income (Note 2)
	Optical	LS & Equipment Development	Other	Total		
Net sales						
Sales to external customers	154,774	8,070	67,479	230,324	—	230,324
Total	154,774	8,070	67,479	230,324	—	230,324
Segment profit (loss)	(3,432)	(39,134)	612	(41,953)	(72,800)	(114,753)

Notes

1. “Adjustments” are company-wide expenses, mainly comprising general and administrative expenses, and research and development expenses not attributable to reportable segments.
2. Segment profit (loss) is adjusted to operating profit (loss) in the quarterly consolidated statement of income.

2. Information on impairment losses on non-current assets and goodwill, etc., by reportable segment

(Significant impairment losses on non-current assets)

The Company recorded an impairment loss of ¥2,400 thousand due to a decline in profitability in the LS & Equipment Development segment.

### 3. Other

(Significant events relating to going concern assumption, etc.)

The Group recorded an operating loss of ¥114,753 thousand in the first quarter of the current fiscal year, and therefore judges that there are events or conditions that cast significant doubt on its ability to continue as a going concern.

To resolve these conditions, the Group plans to engage in close communication with customers and build a flexible manufacturing system that factors in conditions in the countries or regions where our customers are situated. In this way, we will work toward a position that will allow us to adequately cope with unforeseen circumstances.

Our financial base is stable, and we have obtained a short-term loan of ¥200,000 thousand to launch our Tochigi Production Technology Center and cover research and development expenses. We also have adequate undrawn balances on our overdraft agreements with financial institutions.

In light of the above, the Group judges that there is no significant uncertainty about its ability to continue as a going concern.