



Consolidated Financial Results for the Nine Months Ended March 31, 2023
[Japanese GAAP]

May 15, 2023

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3446
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 Scheduled filing date for quarterly securities report: May 15, 2023
 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 Nine Months Ended March 31, 2023 (July 1, 2022 to March 31, 2023)

(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	%
Nine months ended								
March 31, 2023	1,109	57.2	31	—	90	—	42	—
March 31, 2022	705	—	(166)	—	(126)	—	(95)	—

(Note) Comprehensive income: For the nine months ended March 31, 2023: ¥42 million [—%]
 For the nine months ended March 31, 2022: ¥(95) million [—%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
March 31, 2023	7.27	—
March 31, 2022	(16.38)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2023	3,529	2,283	64.7
As of June 30, 2022	3,227	2,227	69.0

(Reference) Shareholders' equity: As of March 31, 2023: ¥2,283 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	—	0.00	—		
Fiscal year ending June 30, 2023 (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, 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
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):

March 31, 2023: 5,873,000 shares

June 30, 2022: 5,864,000 shares

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

March 31, 2023: 940 shares

June 30, 2022: 148 shares

3) Average number of shares outstanding during the period:

Nine months ended March 31, 2023: 5,868,805 shares

Nine months ended March 31, 2022: 5,859,020 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.

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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 March 31, 2023.

(1) Explanation of Business Results

In the nine months ended March 31, 2023, the Japanese economy saw a gradual return to normal activity as COVID-19 prevention measures were eased. However, several factors contributed to a mounting uncertainty surrounding the economic outlook. These include the surge in commodity and food prices driven by Russia's invasion of Ukraine; the unpredictable course of the economy due to various countries' monetary policies aimed at curbing inflation; and heightened financial instability which, alongside concerns of an impending economic downturn, was sparked by the failure of medium-sized banks in the United States.

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 (ESCO, Ltd.).

As a result, in the nine months ended March 31, 2023, we recorded net sales of ¥1,109,299 thousand (+57.2% year-on-year), operating profit of ¥31,803 thousand (versus a loss of ¥166,385 thousand in the same period of the previous fiscal year), ordinary profit of ¥90,477 thousand (versus a loss of ¥126,055 thousand in the same period of the previous fiscal year), and profit attributable to owners of parent of ¥42,648 thousand (versus a loss of ¥95,949 thousand in the same period of the previous fiscal year).

Results by segment were as follows.

(Optical segment)

In the nine months ended March 31, 2023, segment earnings were driven by sales to SPring-8 and NanoTerasu in Japan, Advanced Photon Source (APS) in the United States, High Energy Photon Source (HEPS) and Shanghai Synchrotron Radiation Facility (SSRF) in China, European Synchrotron Radiation Facility (ESRF) and European XFEL in Europe, and others. The majority of the products for the United States and China for which sales could not be recorded in the previous fiscal year were successfully delivered as of the end of the third quarter.

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 largely resumed normal operations. Upgrades and new projects for synchrotron radiation facilities in China, the United States, and Europe, in addition to NanoTerasu, a next-generation synchrotron radiation facility in Japan, are progressing smoothly.

On the order front, we continue to secure orders for upgrades and new projects of synchrotron radiation facilities in China, the United States, and Europe, and from Japan's next-generation NanoTerasu facility. In China, new construction and upgrades of synchrotron radiation facilities and X-ray free electron laser facilities in major cities are ongoing. In addition to continuing orders from the world's largest next-generation synchrotron radiation facility HEPS under construction in Beijing and the X-ray free electron laser facility Shanghai High Repetition Rate X-ray FEL and Extreme Light Facility (SHINE) being built in Shanghai, we are receiving multiple inquiries from related facilities in Hefei and Shenzhen, which are in the planning stages. In Europe, with the increased activity in cutting-edge research on energy and semiconductors, there is a growing demand for high-precision mirrors at medium-sized synchrotron radiation facilities in Spain, Italy, and France. We are pushing forward with aggressive market development, and the results of these activities are being obtained steadily, such as new orders from the French synchrotron radiation facility SOLEIL.

As for sales activities, considering the normalization of infection control measures in China, we are looking to resume travel-based sales activities. In the United States and Europe, we are continuing our face-to-face sales activities through regular travel. Additionally, the frequency of business opportunities with overseas researchers visiting Japan is on the rise, aiding us in our efforts to tap into further potential demand.

As a result, during the period under review, the Optical segment recorded sales of ¥724,861 thousand (+48.2% year-on-year) and segment profit of ¥244,971 thousand (+112.6% year-on-year).

(LS & Equipment Development segment)

In the nine months ended March 31, 2023, we recorded sales from contracts for developmental product testing required for the enhancement of the light source at SPring-8, as well as sales of control boards for our gravure printing test machines (GP-10), water-based coolers, and consumables for use in mononuclear cell separation

equipment.

As we approach the end of the fiscal year, we continue to advance the commercialization, order acquisition, and sales activities for equipment featuring nano-level surface machining technology (catalyst-referred etching [CARE] related equipment, plasma-assisted polishing [PAP], and plasma chemical vaporization machining [PCVM]) primarily for semiconductor materials, which we have identified as new priority business areas in our equipment development business. We have already received orders related to next-generation polishing equipment. Following our exhibition at SEMICOM Japan 2022, which took place at the end of the second quarter, we have received requests for test machining from multiple companies and have gradually seen results, including entering into joint development contracts with major corporations.

As a result, the LS & Equipment Development segment recorded sales of ¥56,446 thousand (-62.5% year-on-year) and a segment loss of ¥88,109 thousand (versus a loss of ¥40,095 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 nine months ended March 31, 2023 included the sale of two equipment units in South Korea, one equipment unit each in Taiwan and Japan, for a total of four units.

As a result, the Other segment recorded sales of ¥327,991 thousand (+397.8% year-on-year) and segment profit of ¥89,983 thousand (versus a loss of ¥15,162 thousand in the same period of the previous fiscal year).

(2) Explanation of Financial Condition

(Assets)

As of March 31, 2023, current assets amounted to ¥1,660,711 thousand, up ¥359,315 thousand from their level on June 30, 2022. This was primarily due to increases in cash and deposits of ¥221,378 thousand, accounts receivable-trade of ¥60,964 thousand, and work in process of ¥55,738 thousand. Non-current assets came to ¥1,868,360 thousand, down ¥57,276 thousand compared to June 30, 2022. This was mainly because property, plant and equipment declined by ¥14,505 thousand and intangible assets by ¥34,497 thousand (including a reduction of ¥31,787 thousand in goodwill) due to ongoing depreciation.

As a result, total assets were ¥3,529,071 thousand, up ¥302,038 thousand from their level on June 30, 2022.

(Liabilities)

As of March 31, 2023, current liabilities came to ¥692,528 thousand, up ¥306,874 thousand from their level on June 30, 2022. This was mainly because short-term borrowings increased by ¥200,000 thousand and contract liabilities by ¥65,321 thousand. Non-current liabilities were ¥553,175 thousand, down ¥60,486 thousand compared to June 30, 2022. This was mainly due to a ¥56,592 thousand decrease in long-term borrowings.

As a result, total liabilities were ¥1,245,703 thousand, up ¥246,388 thousand from their level on June 30, 2022.

(Net assets)

As of March 31, 2023, total net assets amounted to ¥2,283,367 thousand, up ¥55,650 thousand from their level on June 30, 2022. This was due primarily to the recording of profit attributable to owners of parent of ¥42,648 thousand.

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

The Company has made no changes to its forecast for the fiscal year ending June 30, 2023 that it announced in the "Consolidated Financial Results for the Six Months Ended December 31, 2022" released on February 13, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of June 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	732,324	953,703
Electronically recorded monetary claims– operating	1,881	–
Accounts receivable–trade	248,641	309,605
Merchandise and finished goods	41,427	55,736
Work in process	172,143	227,881
Raw materials and supplies	42,360	55,954
Other	62,617	57,829
Total current assets	1,301,395	1,660,711
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	760,380	755,643
Machinery, equipment and vehicles (net)	220,294	224,514
Land	340,429	340,429
Construction in progress	32,285	20,532
Other (net)	9,628	7,392
Total property, plant and equipment	1,363,019	1,348,513
Intangible assets		
Goodwill	392,042	360,255
Other	11,279	8,569
Total intangible assets	403,322	368,824
Investments and other assets		
Investment securities	20,000	21,000
Deferred tax assets	126,761	112,384
Other	12,533	17,638
Total investments and other assets	159,295	151,022
Total non-current assets	1,925,636	1,868,360
Total assets	3,227,032	3,529,071

(Thousands of yen)

	As of June 30, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable–trade	49,955	54,742
Short-term borrowings	–	200,000
Current portion of long-term borrowings	75,456	75,456
Income taxes payable	16,290	30,664
Contract liabilities	167,850	233,172
Provision for bonuses	21,689	30,229
Provision for loss on orders received	40	–
Other	54,371	68,262
Total current liabilities	385,654	692,528
Non-current liabilities		
Long-term borrowings	597,419	540,827
Provision for retirement benefits for directors (and other officers)	4,912	1,650
Retirement benefit liability	1,990	1,833
Other	9,339	8,864
Total non-current liabilities	613,661	553,175
Total liabilities	999,315	1,245,703
Net assets		
Shareholders' equity		
Share capital	822,246	828,771
Capital surplus	782,246	788,771
Retained earnings	623,727	666,376
Treasury shares	(502)	(550)
Total shareholders' equity	2,227,717	2,283,367
Total net assets	2,227,717	2,283,367
Total liabilities and net assets	3,227,032	3,529,071

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

Consolidated Statement of Income

(Thousands of yen)

	For the nine months ended March 31, 2022	For the nine months ended March 31, 2023
Net sales	705,839	1,109,299
Cost of sales	291,362	408,541
Gross profit	414,477	700,758
Selling, general and administrative expenses	580,862	668,954
Operating profit (loss)	(166,385)	31,803
Non-operating income		
Interest income	5	6
Dividend income	—	2
Insurance claim income	—	5,191
Subsidy income—2	—	1,500
Subsidy income	43,666	56,883
Other	227	315
Total non-operating income	43,899	63,898
Non-operating expenses		
Interest expenses	2,993	2,956
Foreign exchange losses	555	1,152
Other	19	1,115
Total non-operating expenses	3,569	5,224
Ordinary profit (loss)	(126,055)	90,477
Extraordinary income		
Gain on sale of non-current assets	—	299
Total extraordinary income	—	299
Extraordinary losses		
Loss on sale and retirement of non-current assets	442	—
Loss on sale of investment securities	20	—
Impairment losses	578	2,803
Total extraordinary losses	1,041	2,803
Profit (loss) before income taxes	(127,096)	87,973
Income taxes—current	2,318	30,947
Income taxes—deferred	(33,465)	14,377
Total income taxes	(31,147)	45,325
Profit (loss)	(95,949)	42,648
Profit attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	(95,949)	42,648

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the nine months ended March 31, 2022	For the nine months ended March 31, 2023
Profit (loss)	(95,949)	42,648
Comprehensive income	(95,949)	42,648
(Breakdown)		
Comprehensive income attributable to owners of parent	(95,949)	42,648
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)

The Company issued new shares as restricted stock compensation on October 28, 2022 based on a resolution approved at a meeting of the Board of Directors held on September 29, 2022. As a result, share capital and capital surplus increased by ¥6,525 thousand each in the nine months ended March 31, 2023, leaving share capital at ¥828,771 thousand and capital surplus at ¥788,771 thousand as of March 31, 2023.

(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, and 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 Nine months ended March 31, 2022 (July 1, 2021 to March 31, 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	489,257	150,689	65,892	705,839	—	705,839
Total	489,257	150,689	65,892	705,839	—	705,839
Segment profit (loss)	115,218	(40,095)	(15,162)	59,960	(226,345)	(166,385)

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 ¥578 thousand due to a decline in profitability in the LS & Equipment Development segment.

II Nine months ended March 31, 2023 (July 1, 2022 to March 31, 2023)

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	724,861	56,446	327,991	1,109,299	—	1,109,299
Total	724,861	56,446	327,991	1,109,299	—	1,109,299
Segment profit (loss)	244,971	(88,109)	89,983	246,845	(215,042)	31,803

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 changes in reportable segments, etc.

"Other business," which was previously included in "Other," has become increased in significance, and is therefore listed as a reportable segment effective from the end of the fiscal year ended June 30, 2022.

The segment information for the nine months ended March 31, 2022 is disclosed in accordance with the reportable segment classifications for the nine months ended March 31, 2023.

3. 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 ¥2,803 thousand due to a decline in profitability in the LS & Equipment Development segment.

3. Other

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

In the nine months ended March 31, 2023, the Group continued to record an operating loss on a non-consolidated basis, 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 deepen our understanding of their individual situations and the circumstances of their respective regions. By considering these factors, we aim to flexibly optimize our manufacturing setup. This approach is designed to ensure that we are fully equipped to deal with any unexpected circumstances.

Furthermore, the Group has a robust equity base and a stable financial foundation. We have taken a short-term loan of ¥200,000 thousand to launch our Tochigi Production Technology Center and fund our research and development expenses. We have also established overdraft agreements with financial institutions for a total amount of ¥900,000 thousand, ensuring that we are prepared to handle sudden financial demands. The undrawn balance on overdraft agreements as of March 31, 2023 was ¥700,000 thousand.

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