

(Translation)

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## Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



November 9, 2023

Company name: JAPAN MATERIAL Co., Ltd.  
Stock exchange listing: Tokyo and Nagoya Stock Exchanges in Japan  
Stock code: 6055  
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Scheduled filing date of Quarterly Report: November 13, 2023  
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, 2023 (Apr. 1, 2023 – Sep. 30, 2023)

#### 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, 2023	22,827	(3.9)	3,095	(49.5)	3,437	(47.1)	2,292	(49.2)
Sep. 30, 2022	23,745	30.1	6,127	31.4	6,493	38.1	4,511	42.1

(Note) Comprehensive income: Six months ended Sep. 30, 2023: ¥2,627 million, (47.0%)

Six months ended Sep. 30, 2022: ¥4,957 million, 47.9%

	Basic earnings per share	Diluted earnings per share
Six months ended Sep. 30, 2023	¥ 22.33	¥ —
Sep. 30, 2022	¥ 43.95	¥ —

#### 1.2 Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of Sep. 30, 2023	53,699	44,618	82.6
As of Mar. 31, 2023	52,433	43,541	83.0

(Reference) Equity: As of Sep. 30, 2023: ¥44,331 million

As of Mar. 31, 2023: ¥43,541 million

## 2. Dividends

	Annual dividends per share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
FY2022	¥ —	¥ 0.00	¥ —	¥ 20.00	¥ 20.00
FY2023	—	0.00			
FY2023(forecast)			—	20.00	20.00

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

## 3. Forecast of Consolidated Financial Results for the FY2023 (Apr. 1, 2023 – Mar. 31, 2024)

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	44,000	(5.4)	7,200	(35.1)	7,200	(36.3)	4,800	(39.3)	46.76

(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.: None
  - 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, 2023	105,149,520 shares
As of Mar. 31, 2023	105,149,520 shares
  - Number of treasury shares at the end of the period

As of Sep. 30, 2023	2,411,340 shares
As of Mar. 31, 2023	2,497,740 shares
  - Average number of shares issued and outstanding during the period (cumulative quarterly period)

Six months ended Sep. 30, 2023	102,668,752 shares
Six months ended Sep. 30, 2022	102,642,908 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.

(Change of units for stating the amounts)

The amounts of items and other matters stated in the Company's quarterly consolidated financial statements were previously stated in units of thousand yen; however, during and after the first quarter of the fiscal year under review, units of million yen are used in stating such amounts. For easier comparison, units of million yen are also used for the previous consolidated fiscal year and the previous consolidated first three months.

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## 1. Qualitative Information Regarding the Quarterly Financial Results

### 1.1 Operating Results

During the six months ended September 30, 2023, the Japanese economy made further progress in returning to normalcy in the economic activity with the downgrading of COVID-19's legal status to Class 5. However, the outlook remains uncertain due to the unstable international situation, continued high prices of resources and materials, and price hikes resulting from the depreciation of the yen.

In the industry to which the JAPAN MATERIAL Group (hereinafter the "Group") belongs, despite robust demand related to generative AI, the overall supply-demand balance for semiconductors loosened as demand for data centers slowed down, as well as due to a decline in 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, saw year-on-year decreases in both net sales and segment profit as the capital investments were continuously slowed down at NAND flash memory plants from the late third quarter of the fiscal year ended March 31, 2023 while capital investment continued at logic plants. 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, saw year-on-year decreases in both net sales and segment profit due to an impact of a decline in production at NAND flash memory plants, the main customers.

In the Graphics Solution business, in addition to strong sales of digital signage-related products, graphics products such as video processors that had been expected to be delivered in the first quarter were delivered and sold in the second quarter. As a result, both net sales and segment profit increased year-on-year.

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

As a result, net sales for the current fiscal year were ¥22,827 million (down 3.9% year-on-year), with operating profit of ¥3,095 million (down 49.5% year-on-year), ordinary profit of ¥3,437 million (down 47.1 % year-on-year), and profit attributable to owners of parent of ¥2,292 million (down 49.2% year-on-year)

#### 1.1.1 Electronics business

Segment net sales were ¥22,045 million (down 4.3% year-on-year) with segment profit of ¥3,668 million (down 45.6% year-on-year).

#### 1.1.2 Graphics Solution business

Segment net sales were ¥662 million (up 11.6% year-on-year) with segment profit of ¥107 million (up 44.3% year-on-year)

#### 1.1.3 Solar Power business

Segment net sales were ¥120 million (up 3.4% year-on-year) with segment profit of ¥72 million (up 8.2% year-on-year).

### 1.2 Financial Position

#### (Assets)

Total assets at the end of the second quarter under review amounted to ¥53,699 million, up ¥1,266 million from the end of the previous fiscal year.

This was mainly due to increases in property, plant and equipment of ¥2,011 million, goodwill of ¥1,745 million and work in process of ¥663 million, which were partially offset by decreases in cash and deposits of ¥2,619 million, raw materials and supplies of ¥404 million.

(Liabilities)

Total liabilities at the end of the second quarter under review amounted to ¥9,081 million, up ¥189 million from the end of the previous fiscal year.

This was mainly due to an increase in notes and accounts payable - trade of ¥1,247 million, which were partially offset by a decrease in income taxes payable of ¥1,016 million.

(Net assets)

Total net assets at the end of the second quarter under review amounted to ¥44,618 million, up ¥1,076 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 ¥2,292 million, foreign currency translation adjustment of ¥296 million, non-controlling interests of ¥287 million and capital surplus of ¥178 million, which were more than offset by a decrease caused by the dividend payment of ¥2,053 million.

### 1.3 Future Outlook

No change has been made to the forecast of consolidated financial results released in the “Consolidated Financial Results FY2022” dated May 12, 2023. 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 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 millions)

	As of Mar. 31, 2023	As of Sep. 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	9,839	7,220
Notes and accounts receivable - trade, and contract assets	17,343	17,647
Merchandise and finished goods	2,674	2,919
Work in process	1,037	1,701
Raw materials and supplies	4,059	3,654
Other	3,542	3,257
Allowance for doubtful accounts	(62)	(67)
Total current assets	38,433	36,333
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,272	6,772
Other, net	4,942	6,454
Total property, plant and equipment	11,214	13,226
Intangible assets		
Goodwill	—	1,745
Other	43	58
Total intangible assets	43	1,804
Investments and other assets		
Lease receivables and investment assets	1,020	699
Other	2,103	2,005
Allowance for doubtful accounts	(383)	(369)
Total investments and other assets	2,741	2,335
Total non-current assets	13,999	17,366
Total assets	52,433	53,699
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,588	3,835
Accounts payable - other	1,016	794
Accrued expenses	408	483
Income taxes payable	2,046	1,029
Provision for bonuses	639	646
Other	432	691
Total current liabilities	7,132	7,481
Non-current liabilities		
Lease liabilities	412	341
Retirement benefit liability	708	769
Asset retirement obligations	30	33
Other	608	456
Total non-current liabilities	1,759	1,600
Total liabilities	8,891	9,081

(Yen in millions)

	As of Mar. 31, 2023	As of Sep. 30, 2023
Net assets		
Shareholders' equity		
Share capital	1,317	1,317
Capital surplus	1,643	1,821
Retained earnings	41,147	41,387
Treasury shares	(1,053)	(1,017)
Total shareholders' equity	43,054	43,509
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7	43
Foreign currency translation adjustment	505	802
Remeasurements of defined benefit plans	(26)	(23)
Total accumulated other comprehensive income	487	822
Non-controlling interests	—	287
Total net assets	43,541	44,618
Total liabilities and net assets	52,433	53,699



## 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 millions)

	From Apr. 1, 2022 to Sep. 30, 2022	From Apr. 1, 2023 to Sep. 30, 2023
Net sales	23,745	22,827
Cost of sales	15,787	17,746
Gross profit	7,957	5,081
Selling, general and administrative expenses	1,830	1,986
Operating profit	6,127	3,095
Non-operating income		
Interest income	5	23
Dividend income	7	2
Foreign exchange gains	335	301
Rental income	12	7
Subsidy income	2	2
Other	7	10
Total non-operating income	370	348
Non-operating expenses		
Interest expenses	2	4
Rental expenses on real estate	1	1
Other	0	0
Total non-operating expenses	4	6
Ordinary profit	6,493	3,437
Extraordinary losses		
Loss on sale and retirement of non-current assets	19	136
Total extraordinary losses	19	136
Profit before income taxes	6,474	3,301
Income taxes - current	2,022	969
Income taxes - deferred	(59)	38
Total income taxes	1,963	1,008
Profit	4,511	2,292
Profit attributable to owners of parent	4,511	2,292

Quarterly Consolidated Statements of Comprehensive Income  
Six Months Ended September 30

(Yen in millions)

	From Apr. 1, 2022 to Sep. 30, 2022	From Apr. 1, 2023 to Sep. 30, 2023
Profit	4,511	2,292
Other comprehensive income		
Valuation difference on available-for-sale securities	(4)	35
Foreign currency translation adjustment	451	296
Remeasurements of defined benefit plans, net of tax	0	2
Total other comprehensive income	446	335
Comprehensive income	4,957	2,627
Comprehensive income attributable to:		
Owners of parent	4,957	2,627
Non-controlling interests	—	—

## 2.3 Consolidated Statements of Cash Flows

(Yen in millions)

	From Apr. 1, 2022 to Sep. 30, 2022	From Apr. 1, 2023 to Sep. 30, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	6,474	3,301
Depreciation	345	374
Increase (decrease) in allowance for doubtful accounts	(11)	(17)
Increase (decrease) in provision for bonuses	25	6
Increase (decrease) in retirement benefit liability	46	64
Interest and dividend income	(12)	(26)
Interest expenses	2	4
Foreign exchange losses (gains)	(24)	(11)
Loss (gain) on sale and retirement of non-current assets	19	136
Decrease (increase) in trade receivables	(4,466)	162
Decrease (increase) in inventories	(1,568)	(62)
Net decrease (increase) in lease receivables and investments in leases	482	450
Increase (decrease) in trade payables	(106)	941
Decrease (increase) in advance payments to suppliers	(2,132)	322
Other, net	335	30
Subtotal	(589)	5,678
Interest and dividends received	9	19
Interest paid	(2)	(4)
Income taxes paid	(1,524)	(2,004)
Net cash provided by (used in) operating activities	(2,107)	3,689
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,292)	(1,926)
Proceeds from withdrawal of time deposits	739	2,557
Purchase of property, plant and equipment	(801)	(2,287)
Purchase of intangible assets	(2)	(16)
Payments for retirement of property, plant and equipment	—	(131)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(1,902)
Other, net	0	(53)
Net cash provided by (used in) investing activities	(1,357)	(3,758)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	18	—
Dividends paid	(1,847)	(2,053)
Other, net	(39)	(38)
Net cash provided by (used in) financing activities	(1,868)	(2,091)
Effect of exchange rate change on cash and cash equivalents	281	113
Net increase (decrease) in cash and cash equivalents	(5,052)	(2,047)
Cash and cash equivalents at beginning of period	8,983	8,287
Cash and cash equivalents at end of period	3,931	6,240

## 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.

(Segment Information, etc.)

[Segment Information]

I. 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

(Yen in millions)

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

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 millions)

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

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

II. Six months ended September 30, 2023 (From Apr. 1, 2023 to Sep. 30, 2023)

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

(Yen in millions)

	Reportable segments			Total
	Electronics	Graphics Solution	Solar Power	
Net sales				
To external customers	22,045	662	120	22,827
Inter-segment sales or transfers	–	–	–	–
Total	22,045	662	120	22,827
Segment profit	3,668	107	72	3,848

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 millions)

Profit	Amount
Reportable segment total	3,848
Corporate expenses (Note)	(759)
Other	6
Operating profit on quarterly consolidated statements of income	3,095

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