



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

November 13, 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: November 13, 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 Three Months Ended September 30, 2023 (July 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (cumulative)

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

	Net sales		Operating profit		Ordinary profit		Net profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
September 30, 2023	297	29.3	(93)	—	(93)	—	(74)	—
September 30, 2022	230	425.3	(114)	—	(115)	—	(83)	—

(Note) Comprehensive income: For the three months ended September 30, 2023: ¥(74) million [—%]
 For the three months ended September 30, 2022: ¥(83) million [—%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2023	(12.74)	—
September 30, 2022	(14.30)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	3,278	2,404	73.3
As of June 30, 2023	3,465	2,478	71.5

(Reference) Shareholders' equity: As of September 30, 2023: ¥2,404 million
 As of June 30, 2023: ¥2,478 million

2. Dividends

	Annual dividends				
	1 st quarter-end	2 nd quarter-end	3 rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	—	0.00	—	0.00	0.00
Fiscal year ending June 30, 2024	—	—	—	—	—
Fiscal year ending June 30, 2024 (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, 2024 (July 1, 2023 to June 30, 2024)
(Percentages indicate rates of year-on-year change)

	Net sales		Operating profit		Ordinary profit		Net 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	640	21.8	(125)	—	(127)	—	(93)	—	(15.86)
Full year	2,630	37.8	540	—	557	—	358	—	61.02

(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: None

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):

September 30, 2023: 5,873,000 shares

June 30, 2023: 5,873,000 shares

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

September 30, 2023: 940 shares

June 30, 2023: 940 shares

3) Average number of shares outstanding during the period:

Three months ended September 30, 2023: 5,872,060 shares

Three months ended September 30, 2022: 5,863,852 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 September 30, 2023.

(1) Explanation of Business Results

In the three months ended September 30, 2023, the Japanese economy continued to return to normal activity as the impact of the COVID-19 pandemic eased. However, as geopolitical risks such as the Russia/Ukraine situation linger, the global outlook remained uncertain due to soaring energy and raw material prices caused by conditions in Ukraine, the impact of monetary policies in various countries as a result of global inflation and accompanying yen depreciation.

Under these economic circumstances, the Group achieved earnings growth across its three businesses, namely the Optical segment, the LS & Equipment Development segment, and the Other segment.

Note that in the fiscal year ending June 2024, sales are projected to be weighted towards the second half and progress towards full-year targets in the three months ended September 2023 were largely in line with the plan.

As a result, in the three months ended September 30, 2023, we recorded net sales of ¥297,891 thousand (+29.3% year-on-year), an operating loss of ¥93,666 thousand (versus a loss of ¥114,753 thousand in the same period of the previous fiscal year), an ordinary loss of ¥93,522 thousand (versus a loss of ¥114,753 thousand in the same period of the previous fiscal year), and a loss attributable to owners of parent of ¥74,796 thousand (versus a loss of ¥83,840 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, 2023, segment earnings were centered on sales to customers in Japan and Taiwan (TPS). Some products are scheduled to be delivered to customers in the United States, Europe and China in the second quarter, but as usual, sales are weighted to the second half of the fiscal year and will be 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 resumed normal operations. Furthermore, marketing activities are now also being carried out in the US, Europe and some parts of Asia, with in-person meetings being carried out on-site at customer bases.

In China, where there are many plans to construct new synchrotron radiation facilities, visa exemptions for travel by Japanese nationals continues to be suspended. Although trips to China for business and marketing purposes have not yet resumed, the number of researchers from China to Japan is increasing and we have been able to maintain strong communication links by also holding online meetings.

On the order front, we are receiving an increasing number of large-sized orders for synchrotron radiation facility upgrades and newly planned facilities in China, Europe, and the United States, as well as from domestic facilities such as Nano Terasu, a next-generation synchrotron radiation facility in Japan that is scheduled to go into operation from 2024.

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. Furthermore, a number of mid-sized synchrotron radiation facilities are moving forward with plans to upgrade to the latest technology, which is also driving some large-sized orders for us.

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 in line with our long-term growth strategy titled "Innovation 2030".

As a result, during the period under review, the Optical segment recorded sales of ¥89,900 thousand (-41.9% year-on-year) and a segment loss of ¥46,790 thousand (versus a loss of ¥3,432 thousand in the same period of the previous fiscal year).

(LS & Equipment Development segment)

In the three months ended September 30, 2023, segment sales were driven by recurring revenues such as

consumables for automated cell culture systems and equipment maintenance/inspection. We expect LS & Equipment Development segment sales in this fiscal year to be weighted towards the second half, and we expect to book sales of large-sized automated cell-culture systems in the life science business heading into the second half, as well as next-generation machining and polishing equipment (PAP, CARE, PCVM), which is a key field for the equipment R&D business.

As a result, the LS & Equipment Development segment recorded sales of ¥6,933 thousand (-14.1% year-on-year) and a segment loss of ¥37,150 thousand (versus a loss of ¥39,134 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, 2023 included the sale of three equipment units in Japan and overseas, which drove earnings.

As a result, the Other segment recorded sales of ¥201,057 thousand (+198.0% year-on-year) and segment profit of ¥69,110 thousand (up ¥68,498 thousand versus the same period of the previous fiscal year).

(2) Explanation of Financial Condition

(Assets)

As of September 30, 2023, current assets amounted to ¥1,472,112 thousand, down ¥205,203 thousand from their level on June 30, 2023. This was mainly because accounts receivable-trade declined by ¥417,226 thousand, while cash and deposits increased by ¥168,253 thousand and other current assets increased by ¥36,980 thousand. Non-current assets grew to ¥1,806,493 thousand, an increase of ¥18,790 thousand compared to the level on June 30, 2023. This was mainly due to a decrease in buildings & structures of ¥9,340 thousand and a decrease in intangible assets of ¥11,429 thousand amid ongoing depreciation, while deferred tax assets increased by ¥34,091 thousand and machinery, equipment and vehicles increased by ¥2,724 thousand.

As a result, total assets were ¥3,278,605 thousand, up ¥186,413 thousand from their level on June 30, 2023.

(Liabilities)

As of September 30, 2023, current liabilities came to ¥359,096 thousand, down ¥92,337 thousand from their level on June 30, 2023. This was mainly because contract liabilities grew by ¥32,856 thousand, while accounts payable decreased by ¥88,211 thousand and income taxes payable decreased by ¥46,627 thousand. Non-current liabilities were ¥515,397 thousand, down ¥19,279 thousand compared to June 30, 2023. This was due primarily to a ¥18,864 thousand decrease in long-term borrowings.

As a result, total liabilities were ¥874,494 thousand, down ¥111,616 thousand from their level on June 30, 2023.

(Net assets)

As of September 30, 2023, total net assets amounted to ¥2,404,111 thousand, down ¥74,796 thousand from their level on June 30, 2023. This was due to a decline in retained earnings of ¥74,796 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, 2023 and the fiscal year ending June 30, 2024 that it announced in the "Consolidated Financial Results for the Fiscal Year Ended June 30, 2023" released on August 10, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheet

(Thousands of yen)

	As of June 30, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	783,128	951,382
Electronically receivables-trade	1,536	2,552
Accounts receivable-trade	577,029	159,803
Merchandise and finished goods	33,652	28,751
Work in process	173,008	182,282
Raw materials and supplies	66,643	68,043
Other	45,545	82,526
Allowance for doubtful accounts	(3,228)	(3,228)
Total current assets	1,677,316	1,472,112
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	749,218	739,878
Machinery, equipment and vehicles (net)	208,999	211,724
Land	340,429	340,429
Construction in progress	20,487	21,929
Other (net)	9,802	11,530
Total property, plant and equipment	1,328,938	1,325,492
Intangible assets		
Goodwill	349,659	339,063
Other	7,719	6,885
Total intangible assets	357,379	345,949
Investments and other assets		
Investment securities	17,233	17,233
Deferred tax assets	66,706	100,798
Other	17,445	17,019
Total investments and other assets	101,385	135,051
Total non-current assets	1,787,703	1,806,493
Total assets	3,465,019	3,278,605

(Thousands of yen)

	As of June 30, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable–trade	105,642	17,430
Current portion of long-term borrowings	75,456	75,456
Income taxes payable	63,494	16,897
Contract liabilities	91,895	124,751
Provision for bonuses	22,675	35,378
Provision for loss on orders received	–	110
Other	92,970	89,101
Total current liabilities	451,434	359,096
Non-current liabilities		
Long-term borrowings	521,963	503,099
Provision for retirement benefits for directors (and other officers)	1,650	1,650
Retirement benefit liability	2,199	1,784
Other	8,864	8,864
Total non-current liabilities	534,676	515,397
Total liabilities	986,110	874,494
Net assets		
Shareholders' equity		
Share capital	828,771	828,771
Capital surplus	788,771	788,771
Retained earnings	861,917	787,120
Treasury shares	(550)	(550)
Total shareholders' equity	2,478,908	2,404,111
Total net assets	2,478,908	2,404,111
Total liabilities and net assets	3,465,019	3,278,605

(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, 2022	For the three months ended September 30, 2023
Net sales	230,324	297,891
Cost of sales	103,509	141,505
Gross profit	126,815	156,385
Selling, general and administrative expenses	241,568	250,051
Operating profit (loss)	(114,753)	(93,666)
Non-operating income		
Interest income	2	3
Dividend income	2	—
Subsidy income	1,500	—
Foreign exchange gains	—	635
Other	38	411
Total non-operating income	1,543	1,049
Non-operating expenses		
Interest expenses	892	793
Foreign exchange losses	1,110	—
Other	—	112
Total non-operating expenses	2,002	905
Ordinary profit (loss)	(115,213)	(93,522)
Extraordinary losses		
Impairment losses	2,400	442
Total extraordinary losses	2,400	442
Profit (loss) before income taxes	(117,613)	(93,965)
Income taxes—current	2,235	14,923
Income taxes—deferred	(36,008)	(34,091)
Total income taxes	(33,772)	(19,168)
Net profit (loss)	(83,840)	(74,796)
Net profit attributable to non-controlling interests	—	—
Net profit (loss) attributable to owners of parent	(83,840)	(74,796)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the three months ended September 30, 2022	For the three months ended September 30, 2023
Net profit (loss)	(83,840)	(74,796)
Comprehensive income	(83,840)	(74,796)
(Breakdown)		
Comprehensive income attributable to owners of parent	(83,840)	(74,796)
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.

(Segment information)

I 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.

II Three months ended September 30, 2023 (July 1, 2023 to September 30, 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	89,900	6,933	201,057	297,891	—	297,891
Total	89,900	6,933	201,057	297,891	—	297,891
Segment profit (loss)	(46,780)	(37,150)	69,110	(14,820)	(78,845)	(93,666)

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 ¥442 thousand due to a decline in profitability in the LS & Equipment Development segment.