

(Translation)

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



February 9, 2024

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: February 13, 2024
Scheduled payment date of cash dividends: —
Supplemental materials prepared for quarterly financial results: None
Quarterly IR briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Apr. 1, 2023 – Dec. 31, 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	%
Nine months ended Dec. 31, 2023	36,151	2.0	5,485	(40.7)	5,752	(38.8)	3,878	(40.7)
Dec. 31, 2022	35,432	29.5	9,245	31.3	9,407	31.7	6,535	34.7

(Note) Comprehensive income: Nine months ended Dec. 31, 2023: ¥4,407 million, (37.8%)
Nine months ended Dec. 31, 2022: ¥7,084 million, 39.6%

	Basic earnings per share	Diluted earnings per share
Nine months ended Dec. 31, 2023	¥ 37.77	¥ —
Dec. 31, 2022	63.67	—

1.2 Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of Dec. 31, 2023	54,529	46,416	84.5
As of Mar. 31, 2023	52,433	43,541	83.0

(Reference) Equity: As of Dec. 31, 2023: ¥46,097 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 Dec. 31, 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 Dec. 31, 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)

Nine months ended Dec. 31, 2023	102,689,580 shares
Nine months ended Dec. 31, 2022	102,645,569 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 nine months.

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1. Qualitative Information Regarding the Quarterly Financial Results

1.1 Operating Results

During the nine months ended December 31, 2023, the Japanese economy witnessed a further return to normalcy in the economic activity as a result of the downgrading of COVID-19's legal status to Class 5. However, the outlook remains uncertain, amid an unstable international situation, due to the continued high prices of resources and materials, and price hikes resulting from exchange rate fluctuations.

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. However, from the latter half of the third quarter, the memory market is showing signs of recovery.

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, despite the continuing slowdown of capital investments at the NAND flash memory plants from the late third quarter of the fiscal year ended March 31, 2023, saw a year-on-year increase in net sales, thanks to the ongoing capital investments at the logic plants. However, segment profit decreased year-on-year due to the worsening cost ratio prompted by the soaring prices of materials. 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, both net sales and segment profit increased year-on-year, reflecting the strong sales of digital signage-related products.

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 ¥36,151 million (up 2.0% year-on-year), with operating profit of ¥5,485 million (down 40.7% year-on-year), ordinary profit of ¥5,752 million (down 38.8 % year-on-year), and profit attributable to owners of parent of ¥3,878 million (down 40.7% year-on-year)

1.1.1 Electronics business

Segment net sales were ¥34,955 million (up 1.7% year-on-year) with segment profit of ¥6,305 million (down 37.9% year-on-year).

1.1.2 Graphics Solution business

Segment net sales were ¥1,031 million (up 13.1% year-on-year) with segment profit of ¥169 million (up 38.8% year-on-year)

1.1.3 Solar Power business

Segment net sales were ¥164 million (up 2.9% year-on-year) with segment profit of ¥94 million (up 10.3% year-on-year).

1.2 Financial Position

(Assets)

Total assets at the end of the third quarter under review amounted to ¥54,529 million, up ¥2,096 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 ¥3,321 million, property, plant and equipment of ¥2,719 million and goodwill of ¥1,807 million, which were partially offset by a decrease in cash and deposits of ¥5,047 million.

(Liabilities)

Total liabilities at the end of the third quarter under review amounted to ¥8,113 million, down ¥778 million from the end of the previous fiscal year.

This was mainly due to a decrease in income taxes payable of ¥1,388 million, which were partially offset by an increase in notes and accounts payable - trade of ¥785 million.

(Net assets)

Total net assets at the end of the third quarter under review amounted to ¥46,416 million, up ¥2,874 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 ¥3,878 million, foreign currency translation adjustment of ¥476 million and non-controlling interests of ¥318 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 a possibility that our future business activity and operating results may be affected by such factors as potential changes in the schedule of capital investments by major customers and a potential significant drop in the 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 Dec. 31, 2023
Assets		
Current assets		
Cash and deposits	9,839	4,791
Notes and accounts receivable - trade, and contract assets	17,343	20,664
Merchandise and finished goods	2,674	3,391
Work in process	1,037	1,924
Raw materials and supplies	4,059	3,607
Other	3,542	2,351
Allowance for doubtful accounts	(62)	(78)
Total current assets	38,433	36,653
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,272	6,907
Other, net	4,942	7,026
Total property, plant and equipment	11,214	13,934
Intangible assets		
Goodwill	—	1,807
Other	43	59
Total intangible assets	43	1,867
Investments and other assets		
Lease receivables and investment assets	1,020	628
Other	2,103	1,786
Allowance for doubtful accounts	(383)	(339)
Total investments and other assets	2,741	2,075
Total non-current assets	13,999	17,876
Total assets	52,433	54,529
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,588	3,374
Accounts payable - other	1,016	714
Accrued expenses	408	560
Income taxes payable	2,046	657
Provision for bonuses	639	330
Other	432	884
Total current liabilities	7,132	6,521
Non-current liabilities		
Lease liabilities	412	300
Retirement benefit liability	708	797
Asset retirement obligations	30	34
Other	608	460
Total non-current liabilities	1,759	1,591
Total liabilities	8,891	8,113

(Yen in millions)

	As of Mar. 31, 2023	As of Dec. 31, 2023
Net assets		
Shareholders' equity		
Share capital	1,317	1,317
Capital surplus	1,643	1,821
Retained earnings	41,147	42,973
Treasury shares	(1,053)	(1,017)
Total shareholders' equity	43,054	45,094
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7	42
Foreign currency translation adjustment	505	982
Remeasurements of defined benefit plans	(26)	(22)
Total accumulated other comprehensive income	487	1,002
Non-controlling interests	—	318
Total net assets	43,541	46,416
Total liabilities and net assets	52,433	54,529

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

Quarterly Consolidated Statements of Income

Nine Months Ended December 31

(Yen in millions)

	From Apr. 1, 2022 to Dec. 31, 2022	From Apr. 1, 2023 to Dec. 31, 2023
Net sales	35,432	36,151
Cost of sales	23,438	27,600
Gross profit	11,993	8,551
Selling, general and administrative expenses	2,748	3,065
Operating profit	9,245	5,485
Non-operating income		
Interest income	9	31
Dividend income	10	6
Foreign exchange gains	101	167
Rental income	16	11
Subsidy income	19	13
Other	13	47
Total non-operating income	170	277
Non-operating expenses		
Interest expenses	6	6
Rental expenses on real estate	2	2
Other	0	1
Total non-operating expenses	8	10
Ordinary profit	9,407	5,752
Extraordinary income		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sale and retirement of non-current assets	30	146
Other	—	2
Total extraordinary losses	30	149
Profit before income taxes	9,376	5,603
Income taxes - current	2,752	1,544
Income taxes - deferred	88	167
Total income taxes	2,840	1,711
Profit	6,535	3,891
Profit attributable to non-controlling interests	—	13
Profit attributable to owners of parent	6,535	3,878

Quarterly Consolidated Statements of Comprehensive Income
 Nine Months Ended December 31

(Yen in millions)

	From Apr. 1, 2022 to Dec. 31, 2022	From Apr. 1, 2023 to Dec. 31, 2023
Profit	6,535	3,891
Other comprehensive income		
Valuation difference on available-for-sale securities	7	35
Foreign currency translation adjustment	540	476
Remeasurements of defined benefit plans, net of tax	0	3
Total other comprehensive income	548	515
Comprehensive income	7,084	4,407
Comprehensive income attributable to:		
Owners of parent	7,084	4,376
Non-controlling interests	—	31

2.3 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. Nine months ended December 31, 2022 (From Apr. 1, 2022 to Dec. 31, 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	34,360	912	159	35,432
Inter-segment sales or transfers	–	–	–	–
Total	34,360	912	159	35,432
Segment profit	10,152	122	85	10,360

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	10,360
Corporate expenses (Note)	(1,122)
Other	7
Operating profit on quarterly consolidated statements of income	9,245

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

II. Nine months ended December 31, 2023 (From Apr. 1, 2023 to Dec. 31, 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	34,955	1,031	164	36,151
Inter-segment sales or transfers	–	–	–	–
Total	34,955	1,031	164	36,151
Segment profit	6,305	169	94	6,570

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	6,570
Corporate expenses (Note)	(1,095)
Other	10
Operating profit on quarterly consolidated statements of income	5,485

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