



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

February 13, 2024

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3446
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 Scheduled date of commencing dividend payments: None
 Availability of supplementary briefing materials on quarterly financial results: Not available
 Financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended December 31, 2023 (July 1, 2023 to December 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	%
Six months ended								
December 31, 2023	537	2.3	(209)	—	(210)	—	(158)	—
December 31, 2022	525	54.8	(124)	—	(122)	—	(97)	—

(Note) Comprehensive income: For the six months ended December 31, 2023: ¥(158) million [—%]
 For the six months ended December 31, 2022: ¥(97) million [—%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2023	(27.03)	—
December 31, 2022	(16.65)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	3,232	2,338	72.3
As of June 30, 2023	3,465	2,478	71.5

(Reference) Shareholders' equity: As of December 31, 2023: ¥2,338 million
 As of June 30, 2023: ¥2,478 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, 2023	—	0.00	—	0.00	0.00
Fiscal year ending June 30, 2024	—	0.00	—	0.00	0.00
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		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	2,630	37.8	540	76.1	557	53.1	358	50.4	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):

December 31, 2023: 5,880,000 shares

June 30, 2023: 5,873,000 shares

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

December 31, 2023: 940 shares

June 30, 2023: 940 shares

3) Average number of shares outstanding during the period:

Six months ended December 31, 2023: 5,874,533 shares

Six months ended December 31, 2022: 5,866,969 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 4 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 Company as of December 31, 2023.

(1) Explanation of Business Results

In the first half of the fiscal year ending June 30, 2024, although the recovery in the Japanese economy after the pandemic is leveling off, the economy continued to mark a gradual uptrend despite weakening trends in personal consumption and capital investment, the twin pillars of the domestic economy. In the global economy, downside risks are fading, especially in the United States, and appetite for capital investment at companies remains high. On the other hand, upward pressure on prices also remains high, particularly with regards the weak yen, prompting concerns that the pace of the domestic economy may slow.

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 six months ended December 31, 2023, we recorded net sales of ¥537,806 thousand (+2.3% year-on-year), an operating loss of ¥209,069 thousand (versus a loss of ¥124,207 thousand in the same period of the previous fiscal year), an ordinary loss of ¥210,897 thousand (versus a loss of ¥122,712 thousand in the same period of the previous fiscal year), and a loss attributable to owners of parent of ¥158,800 thousand (versus a loss of ¥97,681 thousand in the same period of the previous fiscal year).

Results by segment were as follows.

(Optical segment)

In the first half of the fiscal year ending June 30, 2024, segment earnings were driven by projects for domestic institutions, with sales contributions also coming from customers in the United States, China and Taiwan.

With regards to demand for 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, in addition to Nano Terasu, a next-generation synchrotron radiation facility in Japan, plans for synchrotron radiation facility upgrades and new facilities in China and Europe are progressing smoothly and order activities are positive. Longer-term growth is expected in the Asian market due to rising demand in China, Taiwan and South Korea in particular.

Against this backdrop, demand is rising for our high-precision X-ray nano focusing mirrors, from both large and medium-sized synchrotron radiation facilities, and our customer base is expanding further.

In the first half of the fiscal year ending June 30, 2024 we saw shipping on some orders get pushed back due to slight increases in manufacturing processes. As our high-precision projects include a significant element of R&D, manufacturing processes are on the rise. We are therefore striving to improve quality and productivity while shortening production times through optimal production management.

In addition to further expanding transactions with universities and public research institutions, which have been our main customers to date, we are exploring applications for our proprietary technology 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. Recently, we have been actively targeting business with companies and with inquiries related to high-precision optical elements for the light, laser and X-ray domains increasing, we are focusing on developing B2B business in new fields.

As a result, during the period under review, the Optical segment recorded sales of ¥251,170 thousand (-19.8% year-on-year) and a segment loss of ¥27,661 thousand (versus a profit of ¥27,982 thousand in the same period of the previous fiscal year).

(LS & Equipment Development segment)

In the six months ended December 31, 2023 in the LS & Equipment Development segment, equipment maintenance, sales of consumables, sales of custom-made equipment to a major pharmaceutical company and equipment development related to electron transportation components for synchrotron radiation facilities made contributions to sales. We are working to commercialize and secure orders for products in new priority fields in our equipment development business, including equipment related to catalyst-referred etching (CARE), plasma-assisted polishing (PAP), and plasma chemical vaporization machining (PCVM). We have received inquiries from several

companies and this is leading to expansion of potential sales in future. We expect these activities to contribute to earnings in the second half of this year and beyond. We are working to bolster our technological base for medium-to-long term growth to establish our track record in new business fields.

As a result, the LS & Equipment Development segment recorded sales of ¥37,453 thousand (+100.3% year-on-year) and a segment loss of ¥60,672 thousand (versus a loss of ¥66,563 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 six months ended December 31, 2023 included contributions from three projects (sales in Japan and South Korea) in our mainstay equipment sales business, where order value is high.

Currently, we are focusing on combining ESCO's analysis equipment and our automation technology to create new products. We are also striving to broaden our target markets and expand our profit opportunities.

By leveraging strengths of our group companies in both sales and R&D and launching products in new markets, we are working to develop business with new customers and enhance our earnings capability.

As a result, the Other segment recorded sales of ¥249,182 thousand (+28.6% year-on-year) and segment profit of ¥43,565 thousand (-19.1% year-on-year).

(2) Explanation of Financial Condition

1) Status of assets, liabilities, and net assets

(Assets)

As of December 31, 2023, current assets amounted to ¥1,373,668 thousand, down ¥303,647 thousand from their level on June 30, 2023. Although cash and deposits increased by ¥48,411 thousand and work in process grew by ¥55,892 thousand, accounts receivable-trade declined by ¥455,028 thousand. Non-current assets came to ¥1,859,107 thousand, up ¥71,404 thousand compared to June 30, 2023. This was mainly because goodwill declined by ¥21,191 thousand due to ongoing amortization, while deferred tax assets increased by ¥66,964 thousand and machinery, equipment and vehicles increased by ¥25,438 thousand.

As a result, total assets were ¥3,232,775 thousand, down ¥232,243 thousand from their level on June 30, 2023.

(Liabilities)

As of December 31, 2023, current liabilities came to ¥398,201 thousand, down ¥53,232 thousand from their level on June 30, 2023. This was mainly because accounts payable-trade decreased by ¥55,831 thousand. Non-current liabilities were ¥496,118 thousand, down ¥38,558 thousand compared to June 30, 2023. This was due to a ¥37,728 thousand decrease in long-term borrowings.

As a result, total liabilities were ¥894,320 thousand, down ¥91,790 thousand from their level on June 30, 2023.

(Net assets)

As of December 31, 2023, total net assets amounted to ¥2,338,455 thousand, down ¥140,453 thousand from their level on June 30, 2023. This was due primarily to a decline in retained earnings of ¥158,800 thousand.

2) Cash flows

Cash and cash equivalents ("cash") amounted to ¥831,539 thousand as of December 31, 2023, up ¥48,411 thousand compared to June 30, 2023. The cash flows affecting this figure are outlined below.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥137,479 thousand (versus ¥25,053 thousand provided in the same period of the previous fiscal year). This was mainly attributable to a ¥456,564 thousand decrease in trade receivables, a ¥33,141 thousand increase in contract liabilities, and ¥50,505 thousand in depreciation, which more than offset ¥211,340 thousand in loss before income taxes and a ¥63,392 thousand increase in inventories.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥51,318 thousand (versus ¥69,007 thousand used in the same period of the previous fiscal year). This was mainly attributable to ¥51,028 thousand used for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used by financing activities was ¥37,728 thousand (versus ¥162,223 thousand provided in the same period of the previous fiscal year). This was mainly attributable to ¥37,728 thousand in repayments of long-term borrowings.

(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, 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 December 31, 2023
Assets		
Current assets		
Cash and deposits	783,128	831,539
Electronic receivables-trade	1,536	-
Accounts receivable-trade	577,029	122,001
Merchandise and finished goods	33,652	36,337
Work in process	173,008	228,900
Raw materials and supplies	66,643	71,458
Other	45,545	86,659
Allowance for doubtful accounts	(3,228)	(3,228)
Total current assets	1,677,316	1,373,668
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	749,218	730,538
Machinery, equipment and vehicles (net)	208,999	234,437
Land	340,429	340,429
Construction in progress	20,487	40,735
Other (net)	9,802	10,337
Total property, plant and equipment	1,328,938	1,356,478
Intangible assets		
Goodwill	349,659	328,468
Other	7,719	6,951
Total intangible assets	357,379	335,419
Investments and other assets		
Investment securities	17,233	16,534
Deferred tax assets	66,706	133,671
Other	17,445	17,003
Total investments and other assets	101,385	167,209
Total non-current assets	1,787,703	1,859,107
Total assets	3,465,019	3,232,775

(Thousands of yen)

	As of June 30, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable-trade	105,642	49,811
Current portion of long-term borrowings	75,456	75,456
Income taxes payable	63,494	18,532
Contract liabilities	91,895	125,036
Provision for bonuses	22,675	27,476
Other	92,270	101,889
Total current liabilities	451,434	398,201
Non-current liabilities		
Long-term borrowings	521,963	484,235
Provision for retirement benefits for directors (and other officers)	1,650	1,650
Retirement benefit liability	2,199	1,369
Other	8,864	8,864
Total non-current liabilities	534,676	496,118
Total liabilities	986,110	894,320
Net assets		
Shareholders' equity		
Share capital	828,771	837,948
Capital surplus	788,771	797,941
Retained earnings	861,917	703,116
Treasury shares	(550)	(550)
Total shareholders' equity	2,478,908	2,338,455
Total net assets	2,478,908	2,338,455
Total liabilities and net assets	3,465,019	3,232,775

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

Consolidated Statement of Income

(Thousands of yen)

	For the six months ended December 31, 2022	For the six months ended December 31, 2023
Net sales	525,486	537,806
Cost of sales	209,076	246,656
Gross profit	316,410	291,150
Selling, general and administrative expenses	440,618	500,219
Operating profit (loss)	(124,207)	(209,069)
Non-operating income		
Interest income	2	3
Dividend income	2	—
Insurance income	5,191	363
Rent income	—	180
Fee income	—	204
Subsidy income	1,500	—
Other	155	146
Total non-operating income	6,851	897
Non-operating expenses		
Interest expenses	1,942	1,569
Foreign exchange losses	3,398	405
Losses on investment partnership management	—	631
Other	14	120
Total non-operating expenses	5,355	2,726
Ordinary profit (loss)	(122,712)	(210,897)
Extraordinary income		
Gain on sale of non-current assets	299	—
Total extraordinary income	299	—
Extraordinary losses		
Impairment losses	2,549	442
Total extraordinary losses	2,549	442
Profit (loss) before income taxes	(124,962)	(211,340)
Corporate tax, inhabitant tax, income tax adjustments	16,671	14,424
Income taxes—deferred	(43,951)	(66,964)
Total income taxes	(27,280)	(52,540)
Profit (loss)	(97,681)	(158,800)
Profit attributable to non-controlling interests	—	—
Profit (loss) attributable to owners of parent	(97,681)	(158,800)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the six months ended December 31, 2022	For the six months ended December 31, 2023
Profit (loss)	(97,681)	(158,800)
Comprehensive income	(97,681)	(158,800)
(Breakdown)		
Comprehensive income attributable to owners of parent	(97,681)	(158,800)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	For the six months ended December 31, 2022	For the six months ended December 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(124,962)	(211,340)
Depreciation	48,486	50,505
Impairment losses	2,549	442
Amortization of goodwill	21,191	21,191
Increase (decrease) in provision for loss on orders received	1,412	—
Increase (decrease) in provision for bonuses	1,956	4,800
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(3,262)	—
Increase (decrease) in retirement benefit liability	(104)	(830)
Loss (gain) on investment partnership management	—	631
Interest and dividend income	(4)	(3)
Interest expenses	1,942	1,569
Decrease (increase) in trade receivables	103,578	456,564
Decrease (increase) in inventories	(79,117)	(63,392)
Decrease (increase) in prepaid expenses	(5,461)	(7,779)
Increase (decrease) in trade payables	(26,461)	(55,831)
Increase (decrease) in accrued expenses	9,207	(19,114)
Increase (decrease) in contract liabilities	56,575	33,141
Other, net	17,908	(13,604)
Subtotal	25,434	196,951
Interest and dividends received	4	3
Interest paid	(2,018)	(1,568)
Income taxes paid	(11,149)	(57,906)
Income taxes refund	12,781	—
Net cash provided by (used in) operating activities	25,053	137,479
Cash flows from investing activities		
Purchase of property, plant and equipment	(62,673)	(51,028)
Purchase of intangible assets	(4,450)	(310)
Other, net	(1,884)	20
Net cash provided by (used in) investing activities	(69,007)	(51,318)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	200,000	—
Repayments of long-term borrowings	(37,728)	(37,728)
Other, net	(48)	—
Net cash provided by (used in) financing activities	162,223	(37,728)
Effect of exchange rate change on cash and cash equivalents	6,558	(22)
Net increase (decrease) in cash and cash equivalents	124,828	48,411
Cash and cash equivalents at beginning of period	732,324	783,128
Cash and cash equivalents at end of period	857,153	831,539

(4) 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 27, 2023 based on a resolution approved at a meeting of the Board of Directors held on September 28, 2023. As a result, share capital increased by ¥9,177 and capital surplus increased by ¥9,170 thousand each in the six months ended December 31, 2023, leaving share capital at ¥837,948 thousand and capital surplus at ¥797,941 thousand as of December 31, 2023.

(Segment information)

I Six months ended December 31, 2022 (July 1, 2022 to December 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	313,066	18,697	193,722	525,486	—	525,486
Total	313,066	18,697	193,722	525,486	—	525,486
Segment profit (loss)	27,982	(66,563)	53,883	15,302	(139,510)	(124,207)

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 ¥2,549 thousand due to a decline in profitability in the LS & Equipment Development segment.

II Six months ended December 31, 2023 (July 1, 2023 to December 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	251,170	37,453	249,182	537,806	—	537,806
Internal sales or transfers	—	400	—	400	(400)	—
Total	251,170	37,853	249,182	538,206	(400)	537,806
Segment profit (loss)	(27,661)	(60,672)	43,565	(44,768)	(164,300)	(209,069)

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.