Consolidated Financial Results for the Three Months Ended September 30, 2024 [Japanese GAAP]

November 12, 2024

Company name: JTEC Corporation
Stock exchange listing: Tokyo Stock Exchange
Code number: 3446
URL: https://www.j-tec.co.jp/english/
Representative: Takashi Tsumura, President
Contact: Tetsuya Hidani, Director and General Manager of Management Department
Phone: +81-72-655-2785

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, 2024 (July 1, 2024 to September 30, 2024)

(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	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	232	(21.9)	(132)	—	(147)	—	(105)	—
September 30, 2023	297	29.3	(93)	—	(93)	—	(74)	—

(Note) Comprehensive income: For the three months ended September 30, 2024: ¥(105) million [—%]
For the three months ended September 30, 2023: ¥(74) million [—%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
September 30, 2024	(17.96)	—
September 30, 2023	(12.74)	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	3,336	2,591	77.7
As of June 30, 2024	3,567	2,696	75.6

(Reference) Shareholders' equity: As of September 30, 2024: ¥2, 591 million
As of June 30, 2024: ¥2, 696 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, 2024	—	0.00	—	0.00	0.00
Fiscal year ending June 30, 2025	—				
Fiscal year ending June 30, 2025 (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, 2025 (July 1, 2024 to June 30, 2025)

(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	617	14.9	(289)	—	(290)	—	(231)	—	(39.44)
Full year	2,640	31.4	365	27.9	363	16.8	231	16.1	39.45

(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: 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, 2024: 5,880,000 shares
June 30, 2024: 5,880,000 shares

2) Total number of treasury shares at the end of the period:
September 30, 2024: 970 shares
June 30, 2024: 970 shares

3) Average number of shares outstanding during the period:
Three months ended September 30, 2024: 5,879,030 shares
Three months ended September 30, 2023: 5,872,060 shares

* Review by a certified public accountant or auditing firm of attached quarterly financial statements: Yes (optional)

* 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 Group as of September 30, 2024.

(1) Explanation of Business Results

In the three months ended September 30, 2024, the global economy showed mixed trends. The U.S. economy remained steady, backed by a robust labor market. In Europe, concerns increased over future economic deterioration due to declining economic indicators, while in China, the economic slump continued amid heightened U.S./China tensions and a severe real estate recession. Conflicts in the Ukraine and escalating tensions in the Middle East continued to show no clear path toward resolution. Furthermore, there was ongoing uncertainty due to concerns about economic slowdown as a result of monetary policies in various countries, and persistent high resource prices driven by geopolitical risks and inflationary pressures. In the Japanese economy, major companies planned capital investments significantly in excess of the previous fiscal year, with a trend of economic expansion centered on the manufacturing sector. This was reflected in continued improvements in economic indicators.

Under these economic circumstances, the Group focused on leveraging its unique technologies across its three businesses, namely the Optical segment, the LS & Equipment Development segment, and the Other segment (including ESCO). We strived to deliver high-quality products, enhance research and development activities, strengthen our management foundation, and improve corporate value.

As a result, in the three months ended September 30, 2024, we recorded net sales of ¥232,713 thousand (-21.9% year-on-year), an operating loss of ¥132,812 thousand (versus a loss of ¥93,666 thousand in the same period of the previous fiscal year), an ordinary loss of ¥147,328 thousand (versus a loss of ¥93,522 thousand in the same period of the previous fiscal year), and a loss attributable to owners of parent of ¥105,599 thousand (versus a loss of ¥74,796 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, 2024, segment sales were centered on sales to Asian markets including SHINE (China) and TPS (Taiwan) and the European market such as ESRF (France). As in previous years, sales are expected to be weighted towards the second half of the fiscal year, with production ongoing to fulfill orders from domestic and US customers, among others. We received numerous additional requests from users for unprecedented levels of precision, as well as demands for advanced processing such as film deposition and f diffraction grating using ultra-precision mirrors, a capability unique to our company. Based on our corporate philosophy of pursuing unique technologies, we are making greater efforts to enhance our research, development, and production capacity than ever before.

Major synchrotron radiation facilities, both domestic and international, are planning upgrades, and new construction projects, particularly in China, are making progress in the Asian market. These developments have led to numerous inquiries from related facilities. As a result of cutting-edge research in energy and semiconductors, demand for ultra-high-precision mirrors has grown significantly, reflecting the success of our ongoing market expansion initiatives.

With regards to our business activities, we continued to showcase our ultra-precision processing and measurement technologies at academic conferences and exhibitions in the synchrotron radiation field, both domestically and internationally, as well as at general optical exhibitions. During the first quarter, we participated in the "SPIE Optics + Photonics 2024" in the United States and "SRI 2024" in Europe. With a view to expanding our B2B business, we exhibited products such as ultra-high-precision lenses and shape-variable mirrors, which extend beyond the X-ray domain. These exhibitions opened up potential applications in fields previously unforeseen, prompting us to expand our business outreach to new areas. Furthermore, the increase in visits to Japan by researchers from facilities worldwide has resulted in business negotiations as well as created opportunities for joint research. These efforts represent our proactive sales activities aimed at driving revenue growth.

We are also exploring applications of our unique technologies in industrial fields outside X-ray mirrors. As part of our long-term growth strategy, "Innovation 2030," we plan to expand applications to next-generation semiconductor-related fields and the space sector.

As a result, during the period under review, the Optical segment recorded sales of ¥146,388 thousand (+62.8% year-on-year) and a segment profit of ¥26,914 thousand (versus a loss of ¥46,780 thousand in the same period of the previous fiscal year).

(LS & Equipment Development segment)

In the three months ended September 30, 2024, segment sales were mainly driven by recurring revenues such as consumables for automated cell culture systems and fees for equipment maintenance and inspection. In a similar way to the Optical business, 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, as well as next-generation machining and polishing equipment (PAP, CARE, PCVM, ECMP), which is a key focus area for the equipment R&D business.

Continuing from the previous year, the LS & Equipment Development business has prioritized new areas, particularly nano-surface processing technologies such as Plasma Chemical Vaporization Machining (PCVM), Plasma-Assisted Polishing (PAP), CAtalyst-Referred Etching (CARE), and Electrochemical Mechanical Polishing (ECMP) for semiconductor materials. We are actively promoting orders and sales activities for surface processing equipment in these areas. As a new pillar of our business, we are advancing the development and practical application of proprietary surface machining and polishing technologies and equipment. Several semiconductor-related companies have shown interest in our products, and evaluation testing for potential implementation is underway.

Meanwhile, in the Life Sciences segment, there are more promising projects expected to contribute to profitability, such as securing users who are seriously considering the adoption of large-scale automatic cell culture systems.

Additionally, following our participation in "SEMICON Japan 2023" last year, we exhibited at "SEMICON Taiwan 2024" during the first quarter. We are focused on acquiring new customers and received high evaluations from companies from regions with which we had little prior business experience. Building on this, we aim to strengthen our sales efforts and expand this business segment by refining our technologies and delivering products that meet market needs.

As a result, the LS & Equipment Development segment recorded net sales of ¥6,615 thousand (-4.6% year-on-year) and a segment loss of ¥39,790 thousand (versus a loss of ¥37,150 thousand in the same period of the previous fiscal year).

(Other segment)

The Other segment corresponds to subsidiary ESCO, Ltd. In ESCO’s core business of equipment sales and large-scale works, it secured one project in each area (both to domestic clients). Additionally, it booked sales in equipment maintenance services and contract analysis services. ESCO has traditionally focused on Japan, Taiwan, and South Korea as its primary markets. However, through active participation in international exhibitions, inquiries from companies outside these markets has increased. During the first quarter of the consolidated period under review, these trends led to the acquisition of new clients in the United States and China. Going forward, ESCO plans to further expand its sales channels. As a result, the Other segment recorded sales of ¥80,039 thousand (-60.2% year-on-year) and a segment loss of ¥15,479 thousand (versus a profit of ¥69,110 thousand in the same period of the previous fiscal year).

(2) Explanation of Financial Condition

1. Assets, Liabilities and Net Assets

(Assets)

As of September 30, 2024, current assets amounted to ¥1,562,797 thousand, down ¥252,931 thousand from their level on June 30, 2024. This was mainly due to an increase in cash and deposits by ¥406,158 thousand and work-in-progress by ¥71,017 thousand, offset by a decline in accounts receivable-trade by ¥766,993 thousand. Non-current assets totaled ¥1,773,759 thousand, an increase of ¥21,966 thousand compared to the level on June 30, 2024. This was mainly due to a decrease in intangible assets of ¥11,374 thousand reflecting progress in goodwill amortization, offset by increases in deferred tax assets of ¥42,978 thousand and in machinery, equipment and vehicles by ¥7,813 thousand.

As a result, total assets were ¥3,336,557 thousand, down ¥230,965 thousand from their level on June 30, 2024.

(Liabilities)

As of September 30, 2024, current liabilities came to ¥307,439 thousand, down ¥105,746 thousand from their level on June 30, 2024. This was mainly because accounts payable decreased by ¥40,908 thousand and income taxes payable decreased by ¥37,447 thousand. Non-current liabilities were ¥437,908 thousand, down ¥19,651 thousand compared to June 30, 2024. This was due primarily to a ¥18,864 thousand decrease in long-term borrowings.

As a result, total liabilities were ¥745,348 thousand, down ¥125,398 thousand from their level on June 30, 2024.

(Net assets)

As of September 30, 2024, total net assets amounted to ¥2,591,209 thousand, down ¥105,567 thousand from their level on June 30, 2024. This was due to a decline in retained earnings of ¥105,567 thousand.

2. Cash flows

In the three months ended September 30, 2024, cash and cash equivalents stood at ¥1,016,388 thousand, up ¥406,158 thousand compared to the level on June 30, 2024.

Cash flow conditions and their main factors for the three months ended September 30, 2024 are as follows.

(Cash flows from Operating Activities)

Net cash flows from operating activities for the three months ended September 30, 2024 resulted in a cash inflow of ¥442,973 thousand (compared to a cash inflow of ¥205,104 thousand for the same period of the previous fiscal year). Main factors include the recording of a pre-tax quarterly loss of ¥147,363 thousand and an increase in inventory of ¥78,803 thousand (which resulted in outflows). However, there was also a decrease in accounts receivable of ¥766,993 thousand, depreciation of ¥27,301 thousand and goodwill amortization of ¥10,595 thousand.

(Cash flows from Investing Activities)

Net cash flows from investing activities for the three months ended September 30, 2024 resulted in a cash outflow of ¥17,353 thousand (compared to a cash outflow of ¥18,004 thousand for the same period of the previous fiscal year). Main factors include the acquisition of tangible fixed assets of ¥17,143 thousand.

(Cash flows from Financing Activities)

Net cash flows from financing activities for the three months ended September 30, 2024 resulted in a cash outflow of ¥18,864 thousand (compared to a cash outflow of ¥18,864 thousand for the same period of the previous fiscal year). Main factors include the outflow of ¥18,864 thousand for the repayment of long-term borrowings.

(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, 2024 and the fiscal year ending June 30, 2025 that it announced in the “Consolidated Financial Results for the Fiscal Year Ended June 30, 2023” released on August 9, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of June 30, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	610,230	1,016,388
Electronically receivables-trade	11,000	11,000
Accounts receivable–trade	803,528	36,535
Merchandise and finished goods	101,376	107,705
Work in process	107,162	178,179
Raw materials and supplies	74,340	76,074
Other	108,371	137,194
Allowance for doubtful accounts	(280)	(280)
Total current assets	1,815,729	1,562,797
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	712,659	718,918
Machinery, equipment and vehicles (net)	241,550	249,364
Land	340,429	340,429
Construction in progress	36,319	11,543
Other (net)	8,364	9,429
Total property, plant and equipment	1,339,324	1,329,686
Intangible assets		
Goodwill	307,276	296,680
Other	5,191	4,413
Total intangible assets	312,468	301,094
Investments and other assets		
Investment securities	30,833	30,833
Deferred tax assets	49,197	92,176
Other	19,969	19,969
Total investments and other assets	100,000	142,978
Total non-current assets	1,751,793	1,773,759
Total assets	3,567,522	3,336,557

(Thousands of yen)

	As of June 30, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable–trade	58,399	17,490
Current portion of long-term borrowings	75,456	75,456
Income taxes payable	40,708	3,261
Contract liabilities	110,179	113,578
Provision for bonuses	28,622	36,617
Other	99,819	61,035
Total current liabilities	413,185	307,439
Non-current liabilities		
Long-term borrowings	446,507	427,643
Provision for retirement benefits for directors (and other officers)	1,650	1,650
Retirement benefit liability	538	672
Other	8,864	7,942
Total non-current liabilities	457,560	437,908
Total liabilities	870,746	745,348
Net assets		
Shareholders' equity		
Share capital	837,948	837,948
Capital surplus	797,941	797,941
Retained earnings	1,061,509	955,942
Treasury shares	(621)	(621)
Total shareholders' equity	2,696,776	2,591,209
Total net assets	2,696,776	2,591,209
Total liabilities and net assets	3,567,522	3,336,557

(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, 2023	For the three months ended September 30, 2024
Net sales	297,891	232,713
Cost of sales	141,505	79,389
Gross profit	156,385	153,323
Selling, general and administrative expenses	250,051	286,136
Operating profit (loss)	(93,666)	(132,812)
Non-operating income		
Interest income	3	49
Foreign exchange gains	635	—
Fees from dispatched personnel	—	763
Other	411	196
Total non-operating income	1,049	1,009
Non-operating expenses		
Interest expenses	793	1,071
Foreign exchange losses	—	14,452
Other	112	—
Total non-operating expenses	905	15,524
Ordinary profit (loss)	(93,522)	(147,328)
Extraordinary losses		
Loss on disposal of fixed asset	—	35
Impairment losses	442	—
Total extraordinary losses	442	35
Profit (loss) before income taxes	(93,965)	(147,363)
Income taxes–current	14,923	1,129
Income taxes–deferred	(34,091)	(42,893)
Total income taxes	(19,168)	(41,764)
Net profit (loss)	(74,796)	(105,599)
Net profit attributable to non-controlling interests	—	—
Net profit (loss) attributable to owners of parent	(74,796)	(105,599)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the three months ended September 30, 2023	For the three months ended September 30, 2024
Net profit (loss)	(74,796)	(105,599)
Comprehensive income	(74,796)	(105,599)
(Breakdown)		
Comprehensive income attributable to owners of parent	(74,796)	(105,599)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	Three months ended September 30, 2023	Three months ended September 30, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	(93,965)	(147,363)
Depreciation	24,327	27,301
Impairment losses	442	—
Amortization of goodwill	10,595	10,595
Increase (decrease) in provision for loss on orders received	110	—
Increase (decrease) in provision for bonuses	12,702	7,994
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(415)	133
Interest and dividend income	(3)	(49)
Interest expenses	793	1,071
Loss on disposal of non-current assets	—	35
Decrease (increase) in trade receivables	416,210	766,993
Decrease (increase) in inventories	(5,772)	(78,803)
Decrease (increase) in prepaid expenses	(16,731)	(498)
Increase (decrease) in trade payables	(88,211)	(40,908)
Increase (decrease) in accrued expenses	(22,664)	(31,054)
Increase (decrease) in contract liabilities	34,050	3,398
Other	(7,668)	(39,090)
Subtotal	263,801	479,757
Interest and dividend income	3	49
Interest paid	(793)	(1,104)
Income taxes paid	(57,906)	(35,728)
Net cash provided by (used in) operating activities	205,104	442,973
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,219)	(17,143)
Other	215	(210)
Net cash provided by (used in) investing activities	(18,004)	(17,353)
Cash flows from financing activities		
Repayments of long-term borrowings	(18,864)	(18,864)
Net cash provided by (used in) financing activities	(18,864)	(18,864)
Effect of exchange rate change on cash and cash equivalents	18	(597)
Net increase (decrease) in cash and cash equivalents	168,253	406,158
Cash and cash equivalents at beginning of period	783,128	610,230
Cash and cash equivalents at end of period	951,382	1,016,388

(4) Notes to the Consolidated Financial Statements

(Notes on changes in accounting policies due to the revision of accounting standards)

(Application of accounting standards for corporation tax, enterprise tax and inhabitants' taxes, etc)

The "Accounting Standard for Taxes on Corporation tax, Enterprise tax and Inhabitants' taxes (Accounting Standards Board of Japan Statement No.27 (ASBJ Statement No. 27, October 28, 2022; hereinafter, "Revised Accounting Standard 2022"), etc. has been applied since the beginning of the first quarter of the fiscal year ending June 30, 2025.

Revisions concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income) are subject to the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, "Revised Guidance 2022"). The change in accounting policies had no impact on the consolidated financial statements for the first quarter under review.

With regard to revisions related to changes in the accounting treatment for consolidated financial statements when gains/losses on sale of shares, etc. in subsidiaries resulting from transactions between consolidated subsidiaries are deferred for tax purposes, the Company has applied the Revised Guidance 2022 from the beginning of the first quarter under review. The change in the accounting policies had no impact on the quarterly consolidated financial statements or the consolidated financial statements due to this change in accounting policy.

(Notes on segment information)

(Segment information)

I 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 .

II Three months ended September 30, 2024 (July 1, 2024 to September 30, 2024)

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	146,388	6,615	79,709	232,713	—	232,713
Intra-segment sales or transfers between segments	—	—	330	330	(330)	—
Total	146,388	6,615	80,039	233,043	(330)	232,713
Segment profit (loss)	26,914	(39,790)	(15,479)	(28,354)	(104,457)	(132,812)

Notes

1. “Adjustments” of ¥104,457 thousand are company-wide expenses, mainly comprising selling, 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)

There is no relevant information.

(Notes in the event of significant changes in shareholders' equity)

There is no relevant information

(Notes on going concern assumption)

There is no relevant information

(Notes regarding revenue recognition)

Information disaggregated by Revenue from Contracts with Customers

Three months ended September 30, 2023 (July 1, 2023 to September 30, 2023)

(Thousands of yen)

	Reportable segment			Total
	Optical	LS & Equipment Development	Other	
Optical Mirrors and Components	89,287	—	—	89,287
General-purpose Life Science Equipment	—	4,724	—	4,724
Equipment development	—	2,108	—	2,108
TDS	—	—	182,940	182,940
Other	613	100	18,117	18,830
Revenue from Contracts with Customers	89,900	6,933	201,057	297,891
Net sales to External Customers	89,900	6,933	201,057	297,891

Three months ended September 30, 2024 (July 1, 2024 to September 30, 2024)

(Thousands of yen)

	Reportable segment			Total
	Optical	LS & Equipment Development	Other	
Optical Mirrors and Components	144,341	—	—	144,341
General-purpose Life Science Equipment	—	6,081	—	6,081
Equipment development	—	534	—	534
TDS	—	—	51,122	51,122
Other	2,046	—	28,586	30,633
Revenue from Contracts with Customers	146,388	6,615	79,709	232,713
Net sales to External Customers	146,388	6,615	79,709	232,713

Independent auditor's interim review report on quarterly consolidated financial statements

7 November 2024

To the Board of Directors of J-TEC Corporation

Gyosei & Co
Osaka Branch

Designated Partner
Managing Partner
Certified Public Accountant
In Koo Huh

Designated Partner
Managing Partner
Certified Public Accountant
Ikegami Yuka

Opinion

We conducted a quarterly review of the quarterly consolidated financial statements of JTEC Corporation, listed in the "Attached Materials" of the Quarterly Financial Report. These financial statements cover the first quarter of the consolidated fiscal year from July 1, 2024, to June 30, 2025 (July 1, 2024, to September 30, 2024), and comprise the quarterly consolidated balance sheet, quarterly consolidated statement of income, quarterly consolidated statement of comprehensive income, quarterly consolidated statement of cash flows, and notes.

Based on our interim review, we identified no matters that would cause us to believe that the aforementioned quarterly consolidated financial statements are not prepared in conformity with the quarterly financial statement preparation standards outlined in Article 4, Paragraph 1 of the Tokyo Stock Exchange's Quarterly Financial Statement Preparation Standards and the generally accepted accounting standards in Japan for quarterly financial statements (excluding omissions permitted under Article 4, Paragraph 2 of the preparation standards for quarterly financial statements) in all material respects.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally acceptable in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Quarterly Consolidated Financial Statements of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with Article 4, Paragraph 1 of the Quarterly Financial Statement Preparation Standards of the Tokyo Stock Exchange and accounting standards generally accepted in Japan for quarterly financial statements (subject to the application of the omissions specified in Article 4, Paragraph 2 of the Quarterly Financial Statement Preparation Standards). This includes designing and operating internal controls that management deems from necessary to ensure the preparation of quarterly consolidated financial statements free from material

misstatements, whether due to fraud or error.

In preparing the quarterly consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern assumption under Article 4, Paragraph 1 of the Quarterly Financial Statement Preparation Standards of the Tokyo Stock Exchange and accounting standards generally accepted in Japan (subject to the application of omissions specified in Article 4, Paragraph 2).

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of Quarterly Financial Statements

Our objectives are to provide a conclusion from an independent standpoint regarding the Quarterly Financial Statements in the audit report, based on the reviews we conducted. As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- We primarily review procedures involving inquiries toward management and individuals responsible for financial and accounting matters, as well as analytical procedures and other review processes. These review procedures are more limited in scope compared to the audit procedures conducted for annual financial statements in accordance with generally accepted auditing standards in Japan.
- Conclude on the appropriateness of the going concern assumption. If we identify significant uncertainties regarding events or conditions that may cast substantial doubt on the entity's ability to continue as a going concern, we will determine, based on the evidence obtained, whether the quarterly consolidated financial statements are prepared in accordance with the Tokyo Stock Exchange's "Rules on Preparation of Quarterly Financial Statements" Article 4, Paragraph 1, and accounting standards for quarterly financial statements generally accepted in Japan (with certain disclosures omitted as stipulated in Article 4, Paragraph 2 of the Rules). If we conclude that material risks exist, we are required to draw attention in our auditor's report to the related disclosures in the quarterly consolidated financial statements in the interim review report or, if the disclosures are inadequate, to express a qualified or adverse conclusion on the financial statements. Our conclusion is based on evidence obtained up to the date of the interim review report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Identify and evaluate whether the presentation and disclosures in the quarterly consolidated financial statements are consistent with the Tokyo Stock Exchange's "Rules on Preparation of Quarterly Financial Statements" Article 4, Paragraph 1, and the accounting standards for quarterly financial statements generally accepted in Japan (with certain disclosures omitted as stipulated in Article 4, Paragraph 2 of the Rules).
- Obtain evidence regarding the financial information of the company and its subsidiaries that forms the basis for the conclusion on the quarterly consolidated financial statements. We are responsible for directing, supervising, and reviewing the interim review of the quarterly consolidated financial statements and assume sole responsibility for our conclusion.

Independence

Our firm and its designated engagement partners do not have any interest in the Company, which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes

1. The original copy of the audit mentioned above is separately retained by the Company (the entity disclosing the quarterly financial statements).
2. XBRL data and XTML data are not included in the scope of this audit.