



Consolidated Financial Results for the Nine Months Ended March 31, 2024
[Japanese GAAP]

May 14, 2024

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3446
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 Financial results briefing session: None

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

1. Consolidated Financial Results for the Nine Months Ended March 31, 2024 (July 1, 2023 to March 31, 2024)

(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	%
Nine months ended								
March 31, 2024	803	(27.6)	(287)	-	(269)	-	(206)	-
March 31, 2023	1,109	57.2	31	-	90	-	42	-

(Note) Comprehensive income: For the nine months ended March 31, 2024: ¥(206) million [—%]
 For the nine months ended March 31, 2023: ¥42 million [—%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
March 31, 2024	(35.07)	-
March 31, 2023	7.27	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2024	3,153	2,291	72.7
As of June 30, 2023	3,465	2,478	71.5

(Reference) Shareholders' equity: As of March 31, 2024: ¥2,291million
 As of June 30, 2023: ¥2,478million

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	-		
Fiscal year ending June 30, 2024 (Forecast)				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):

March 31, 2024: 5,880,000 shares

June 30, 2023: 5,873,000 shares

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

March 31, 2024: 970 shares

June 30, 2023: 940 shares

3) Average number of shares outstanding during the period:

Nine months ended March 31, 2024: 5,876,024 shares

Nine months ended March 31, 2023: 5,868,805 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 March 31, 2024.

(1) Explanation of Business Results

In the nine months ended March 31, 2024, the Japanese economy saw a slight decline manufacturing business sentiment due to production declines in automobile-related industries as a result of quality irregularities, but with strong business performance in growth industries such as semiconductors, and strong capital investment in labor-saving measures to supplement manpower, overall business sentiment towards the future is good. On the other hand, there are concerns about the impact on the performance of Japanese companies due to concerns about a prolonged period of global inflation against the backdrop of tensions in the Middle East and the strong US economy.

Under these economic circumstances, we 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 nine months ended March 31, 2024, we recorded net sales of ¥803,648 thousand (-27.6% year-on-year), operating loss of ¥287,228 thousand (versus a profit of ¥31,803 thousand in the same period of the previous fiscal year), ordinary loss of ¥269,198 thousand (versus a profit of ¥90,477 thousand in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥206,099 thousand (versus a profit of ¥42,648 thousand in the same period of the previous fiscal year).

Results by segment were as follows.

(Optical segment)

In the nine months ended March 31, 2024, segment earnings were mainly driven by sales to SPring-8 and NanoTerasu in Japan, while Advanced Photon Source (APS) in the United States, European Synchrotron Radiation Facility (ESRF) and European XFEL in Europe, and High Energy Photon Source (HEPS) and Shanghai Synchrotron Radiation Facility (SSRF) in China, and others also contributed.

With regard to demand at the synchrotron radiation facilities and X-ray free electron laser facilities in Japan and overseas, lead by Japan, but also in the United States, Europe and China upgrades and new projects for synchrotron radiation facilities are progressing smoothly. Orders were notably favorable in China, Taiwan and South Korea, with demand rising not only for new installation plans and version enhancement projects, but also for replacement projects, and the Asian market is generally a favorable environment with medium- to long-term growth prospects.

As for high-precision products, which are in high demand in new installation projects and version enhancement projects, the number of man-hours tends to rise due to the large volume of research and development factors involved.

In addition, as well as further expanding business with universities and public research institutions which have been our main customers to date, we are seeking to develop markets in industrial fields other than X-ray nano-focusing mirrors by applying our proprietary technology and are planning apply it to next-generation semiconductor-related fields and space-related fields towards 2030, the final year of our long-term growth strategy. In recent years, we have been actively developing corporate sales targets, and will focus on expanding business-to-business transactions in new fields, as enquiries for high precision optical elements in the visible light, laser and X-ray fields have been increasing.

As a result, during the period under review, the Optical segment recorded sales of ¥396,624 thousand (-45.3% year-on-year) and segment profit of ¥4,081 thousand (-98.3% year-on-year).

(LS & Equipment Development segment)

In the nine months ended March 31, 2024, equipment maintenance, sales of consumables and made-to-order equipment in the life science business, and made-to-order equipment improvement and test processing projects using next-generation processing and polishing equipment in the equipment development business contributed.

In the equipment business applying nano-surface processing technology for various semiconductor materials, which is a priority new business field, in addition to the catalyst-referred etching (CARE) plasma-assisted polishing (PAP), and plasma chemical vaporisation machining (PVCM), we are also developing electrochemical mechanical polishing (ECMP) technology, a highly efficient surface polishing technology that uses an anodic oxidation reaction.

As we approach the end of the fiscal year, we are promoting order-taking and sales activities for general-purpose

automatic cell culture systems and various culture systems in the life sciences business, with a focus on next-generation processing and polishing systems, which is a priority new business for the equipment development business. In particular, in order to establish a track record in new business fields, which will be a driving force for us to achieve further growth, we are working to establish a technological foundation and strengthen our sales capabilities for medium- to long-term growth.

As a result, the LS & Equipment Development segment recorded sales of ¥66,862 thousand (+18.5% year-on-year) and a segment loss of ¥85,972 thousand (versus a loss of ¥88,109 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 nine months ended March 31, 2024 included the sale of two equipment units each in Japan and South Korea, and one equipment unit in Taiwan, for a total of five units.

Currently, we are focusing on planning and creating new products by linking the analysis technology of ESCO with our automation technology, and in our sales activities, we are using our channels to broaden the range of target markets and expand profit-earnings opportunities.

By leveraging the 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 capabilities.

As a result, the Other segment recorded sales of ¥340,561 thousand (+3.8% year-on-year) and segment profit of ¥39,065 thousand (-56.6% year-on-year).

(2) Explanation of Financial Condition

(Assets)

As of March 31, 2024, current assets amounted to ¥1,288,817 thousand, up ¥388,498 thousand from their level on June 30, 2023. This was primarily due to increases in work in progress of ¥101,622 thousand, and other current assets of ¥81,606 thousand, while cash and deposits declined by ¥208,678 thousand and accounts receivable-trade declined by ¥406,720 thousand. Non-current assets came to ¥1,864,700 thousand, up ¥76,997 thousand compared to June 30, 2023. This was mainly due to a ¥31,787 thousand amortization of goodwill, which was more than offset by increases in deferred tax assets of ¥81,394 thousand, machinery, equipment and vehicles of ¥14,102 thousand and investment securities of ¥14,301 thousand.

As a result, total assets were ¥3,153,517 thousand, up ¥311,501 thousand from their level on June 30, 2023.

(Liabilities)

As of March 31, 2024, current liabilities came to ¥385,593 thousand, down ¥65,840 thousand from their level on June 30, 2023. This was mainly due to an increase in contract liabilities of ¥45,288 thousand, while there were decreases in accounts payable-trade of ¥47,077 thousand, and in income taxes payable of ¥63,494 thousand. Non-current liabilities were ¥476,839 thousand, down ¥57,837 thousand compared to June 30, 2023. This was mainly due to a ¥56,592 thousand decrease in long-term borrowings.

As a result, total liabilities were ¥862,432 thousand, up ¥123,677 thousand from their level on June 30, 2023.

(Net assets)

As of March 31, 2024, total net assets amounted to ¥2,291,085 thousand, down ¥187,823 thousand from their level on June 30, 2023. This was due primarily to a decline in retained earnings of ¥206,099 thousand.

(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 Six Months Ended December 31, 2023" released on February 13, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of June 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	783,128	574,450
Electronically recorded monetary claims– operating	1,536	-
Accounts receivable–trade	577,029	170,309
Merchandise and finished goods	33,652	76,746
Work in process	173,008	274,630
Raw materials and supplies	66,643	68,757
Other	45,545	127,152
Allowance for doubtful debts	(3,228)	(3,228)
Total current assets	1,677,316	1,288,817
Non-current assets		
Property, plant and equipment		
Buildings and structures (net)	749,218	721,894
Machinery, equipment and vehicles (net)	208,999	223,102
Land	340,429	340,429
Construction in progress	20,487	46,729
Other (net)	9,802	8,993
Total property, plant and equipment	1,328,938	1,341,149
Intangible assets		
Goodwill	349,659	317,872
Other	7,719	6,071
Total intangible assets	357,379	323,944
Investments and other assets		
Investment securities	17,233	31,534
Deferred tax assets	66,706	148,101
Other	17,445	19,970
Total investments and other assets	101,385	199,606
Total non-current assets	1,787,703	1,864,700
Total assets	3,465,019	3,153,517

(Thousands of yen)

	As of June 30, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable–trade	105,642	58,564
Current portion of long-term borrowings	75,456	75,456
Income taxes payable	63,494	-
Contract liabilities	91,895	137,183
Provision for bonuses	22,675	35,593
Other	92,270	78,795
Total current liabilities	451,434	385,593
Non-current liabilities		
Long-term borrowings	521,963	465,371
Provision for retirement benefits for directors (and other officers)	1,650	1,650
Retirement benefit liability	2,199	953
Other	8,864	8,864
Total non-current liabilities	534,676	476,839
Total liabilities	986,110	862,432
Net assets		
Shareholders' equity		
Share capital	828,771	837,948
Capital surplus	788,771	797,941
Retained earnings	861,917	655,817
Treasury shares	(550)	(621)
Total shareholders' equity	2,478,908	2,291,085
Total net assets	2,478,908	2,291,085
Total liabilities and net assets	3,465,019	3,153,517

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

Consolidated Statement of Income

(Thousands of yen)

	For the nine months ended March 31, 2023	For the nine months ended March 31, 2024
Net sales	1,109,299	803,648
Cost of sales	408,541	361,744
Gross profit	700,758	441,904
Selling, general and administrative expenses	668,954	729,132
Operating profit (loss)	31,803	(287,228)
<Non-operating income		
Interest income	6	6
Dividend income	2	-
Insurance claim income	5,191	464
Grant income	1,500	141
Subsidy income	56,883	17,969
Foreign exchange gains	-	1,134
Other	315	1,413
Total non-operating income	63,898	21,129
Non-operating expenses		
Interest expenses	2,956	2,310
Foreign exchange losses	1,152	-
Losses on investment partnership management	-	631
Other	1,115	158
Total non-operating expenses	5,224	3,099
Ordinary profit (loss)	90,477	(269,198)
Extraordinary income		
Gain on sale of non-current assets	299	-
Total extraordinary income	299	-
Extraordinary losses		
Loss on sale and retirement of non-current assets	-	1,656
Impairment losses	2,803	1,837
Total extraordinary losses	2,803	3,494
Profit (loss) before income taxes	87,973	(272,692)
Income taxes—current	30,947	14,802
Income taxes—deferred	14,377	(81,394)
Total income taxes	45,325	(66,592)
Profit (loss)	42,648	(206,099)
Profit (loss) attributable to non-controlling interests	-	-
Profit (loss) attributable to owners of parent	42,648	(206,099)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	For the nine months ended March 31, 2023	For the nine months ended March 31, 2024
Profit (loss)	42,648	(206,099)
Comprehensive income	42,648	(206,099)
(Breakdown)		
Comprehensive income attributable to owners of parent	42,648	(206,099)
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)

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 thousand and capital surplus increased by ¥9,170 thousand each in the nine months ended March 31, 2024, leaving share capital at ¥837,948 thousand and capital surplus at ¥797,941 thousand as of March 31, 2024.

(Segment information)

I Nine months ended March 31, 2023 (July 1, 2022 to March 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	724,861	56,446	327,991	1,109,299	-	1,109,299
Total	724,861	56,446	327,991	1,109,299	-	1,109,299
Segment profit (loss)	244,971	(88,109)	89,983	246,845	(215,042)	31,803

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 ¥2,803 thousand due to a decline in profitability in the LS & Equipment Development segment.

II Nine months ended March 31, 2024 (July 1, 2023 to March 31, 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	396,624	66,462	340,561	803,648	-	803,648
Internal sales or transfers	-	400	-	400	(400)	-
Total	396,624	66,862	340,561	804,048	(400)	803,648
Segment profit (loss)	4,081	(85,972)	39,065	(42,825)	(244,403)	(287,228)

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 ¥1,837 thousand due to a decline in profitability in the LS & Equipment Development segment.