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On **August 12, 2020**, JTEC CORPORATION (JTEC CORP) announced earnings results for full-year FY06/20.

Cumulative (JPYmm)	FY06/18				FY06/19				FY06/20				FY06/21 FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	368	431	677	1,010	141	300	443	1,286	73	283	542	1,027	1,443
YoY	114.1%	5.5%	-0.5%	26.0%	-61.7%	-30.4%	-34.6%	27.3%	-48.1%	-5.7%	22.4%	-20.1%	40.4%
Gross profit	277	319	497	752	100	184	282	941	32	146	316	637	
YoY	94.3%	-	-	18.7%	-63.9%	-42.3%	-43.2%	25.2%	-68.2%	-20.5%	11.8%	-32.3%	
GPM	75.2%	74.0%	73.3%	74.5%	70.9%	61.4%	63.8%	73.2%	43.5%	51.7%	58.3%	62.0%	
SG&A expenses	104	215	370	508	146	278	420	505	165	358	509	631	
YoY	2.9%	-	-	8.6%	41.0%	29.6%	13.3%	-0.7%	12.8%	28.6%	21.4%	25.1%	
SG&A ratio	28.1%	49.9%	54.7%	50.3%	103.5%	92.8%	94.8%	39.3%	225.1%	126.5%	94.0%	61.4%	
Operating profit	173	104	126	244	-46	-94	-137	437	-133	-212	-194	6	215
YoY	314.1%	-	-	47.0%	-	-	-	79.2%	-	-	-	-98.6%	3495.3%
OPM	47.1%	24.1%	18.6%	24.1%	-32.6%	-31.5%	-31.0%	34.0%	-181.5%	-74.8%	-35.7%	0.6%	14.9%
Recurring profit	174	105	141	279	-3	-52	-75	497	-145	-214	-175	34	237
YoY	324.0%	-	-	39.9%	-	-	-	77.8%	-	-	-	-93.1%	593.2%
RPM	47.4%	24.5%	20.8%	27.7%	-2.3%	-17.5%	-17.0%	38.6%	-197.7%	-75.6%	-32.3%	3.3%	16.4%
Net income	108	64	83	175	-3	-31	-52	332	-102	-151	-124	16	163
YoY	-	-	-	34.3%	-	-	-	90.3%	-	-	-	-95.1%	896.6%
Net margin	29.5%	14.8%	12.2%	17.3%	-2.4%	-10.2%	-11.7%	25.8%	-139.5%	-53.2%	-22.8%	1.6%	11.3%

Quarterly (JPYmm)	FY06/18				FY06/19				FY06/20				FY06/21 FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	368	63	246	333	141	159	143	843	73	210	259	486	1,443
YoY	114.1%	-73.4%	-9.5%	174.3%	-61.7%	152.7%	-42.0%	153.3%	-48.1%	32.0%	81.4%	-42.4%	12.2%
Gross profit	277	42	178	255	100	84	98	659	32	114	169	321	963
YoY	94.3%	-	-	-59.7%	-63.9%	100.2%	-44.8%	158.1%	-68.2%	36.3%	72.3%	-51.2%	-18.8%
GPM	75.2%	66.7%	72.3%	76.7%	70.9%	52.9%	68.9%	78.2%	43.5%	54.6%	65.4%	66.2%	11.1%
SG&A expenses	104	111	156	138	146	132	141	85	165	193	151	122	110
YoY	2.9%	-	-	-70.5%	41.0%	19.0%	-9.3%	-38.3%	12.8%	46.0%	7.2%	43.4%	109.4%
SG&A ratio	28.1%	177.0%	63.2%	41.4%	103.5%	83.3%	98.9%	10.1%	225.1%	92.2%	58.4%	25.1%	56.4%
Operating profit	173	-69	22	117	-46	-48	-43	574	-133	-79	18	200	237
YoY	314.1%	-	-	-29.1%	-	-	-	388.7%	-	-	-	-65.2%	593.2%
OPM	47.1%	-110.3%	9.1%	35.3%	-32.6%	-30.5%	-30.0%	68.1%	-181.5%	-37.6%	7.0%	41.1%	14.9%
Recurring profit	174	-69	36	138	-3	-49	-23	572	-145	-69	39	209	237
YoY	324.0%	-	-	-30.8%	-	-	-	313.7%	-	-	-	-63.4%	593.2%
RPM	47.4%	-109.8%	14.5%	41.6%	-2.3%	-30.9%	-16.1%	67.9%	-197.7%	-33.0%	15.0%	43.1%	16.4%
Net income	108	-45	19	92	-3	-27	-21	384	-102	-49	27	140	163
YoY	-	-	-	-29.4%	-	-	-	318.8%	-	-	-	-63.6%	896.6%
Net margin	29.5%	-71.3%	7.8%	27.6%	-2.4%	-17.2%	-15.0%	45.6%	-139.5%	-23.2%	10.5%	28.8%	11.3%

By segment Quarterly (JPYmm)	FY06/18				FY06/19				FY06/20				FY06/21 FY Est.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Sales	368	63	246	333	141	159	143	843	73	210	259	486	1,443
YoY	114.1%	-73.4%	-9.5%	174.3%	-61.7%	152.7%	-42.0%	153.3%	-48.1%	32.0%	81.4%	-42.4%	12.2%
Optical	315	48	232	309	136	98	131	821	56	121	224	432	963
YoY	-	-	-	-56.2%	-56.7%	101.9%	-43.3%	165.8%	-59.2%	24.2%	70.4%	-47.3%	-18.8%
LS & Equipment Development	53	14	15	24	5	61	11	22	18	88	35	53	110
YoY	-	-	-	-75.3%	-91.3%	322.5%	-22.7%	-8.6%	278.3%	44.5%	207.6%	144.7%	11.1%
Operating profit	173	-69	22	117	-46	-48	-43	574	-133	-79	18	200	215
YoY	314.1%	-	-	-29.1%	-	-	-	388.7%	-	-	-	-65.2%	-50.7%
OPM	47.1%	-110.3%	9.1%	35.3%	-32.6%	-30.5%	-30.0%	68.1%	-181.5%	-37.6%	7.0%	41.1%	14.9%
Optical	215	-9	118	199	49	6	53	608	-33	32	94	231	237
YoY	-	-	-	-48.5%	-77.1%	-	-55.2%	205.7%	-	438.2%	79.2%	-62.0%	593.2%
Profit margin	68.1%	-18.0%	50.8%	64.3%	36.1%	6.1%	40.1%	74.0%	-58.5%	26.5%	42.2%	53.4%	16.4%
LS & Equipment Development	3	-14	-42	-23	-33	-2	-38	14	-28	-13	-14	30	30
YoY	-	-	-	-	-	-	-	-	-	-	-	109.4%	109.4%
Profit margin	4.8%	-94.0%	-282.5%	-95.0%	-719.3%	-3.7%	-329.4%	65.9%	-159.5%	-14.3%	-39.5%	56.4%	16.4%
Adjustments	-44	-47	-53	-59	-62	-52	-58	-48	-72	-98	-62	-61	163

Source: Shared Research based on company data

Note: Quarterly figures have been taken from disclosure materials to the extent possible. Some of the full-year figures are unaudited (the same holds true for charts and tables displayed hereafter).

Note: Starting with Q1 FY06/19, expenses related to the Cell Culture Research Center, which had been included in LS & Equipment Development, are now included in adjustments as companywide expenses (applied retroactively).

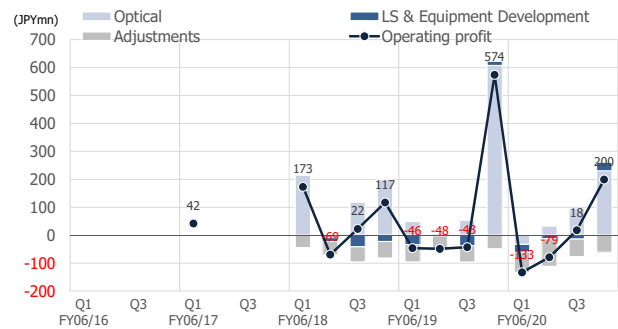
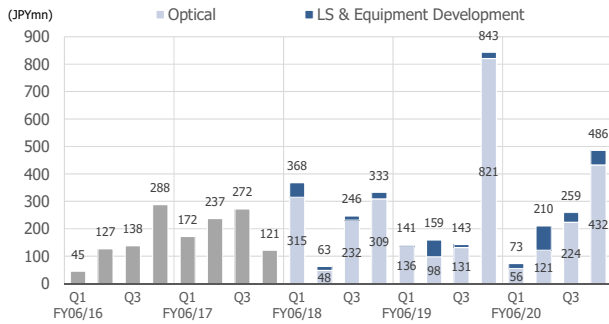
Full-year FY06/20 results (out August 12, 2020)

Results summary

- ▷ Full-year FY06/20 sales were JPY1.0bn (-20.1% YoY), operating profit was JPY6mn (-98.6% YoY), and net income was JPY16mn (-95.1% YoY). The Optical segment, which exports worldwide, was negatively affected by the global COVID-19 pandemic. The company posted lower sales and profits, because sales that it planned to book in Q4 were pushed back to FY06/21. In the LS & Equipment Development segment, the company posted higher sales and narrowed its operating loss, as it made steady progress in shifting the sales mix, reducing the share of general-purpose equipment using the CELLFLOAT system while increasing the share of contract-based development projects such as the development of quartz crystal unit wafer machining systems.
- ▷ Optical segment: In the Optical segment, full-year sales came to JPY833mn (-29.8% YoY) and operating profit to JPY325mn (-54.6% YoY). The company's initial full-year forecast factored in sales from a larger-than-usual number of projects in Q4 FY06/20 but delivery was delayed at customers' request because of COVID-19. Specific delays included: 1) delayed decision-making on final specifications by synchrotron radiation facilities, including China's SSRF, Brazil's SIRIUS and Taiwan's TPS, due to shutdowns during the pandemic, 2) delays in outsourced processes due to the German manufacturer—to which the company outsources the grating and multilayering processes for mirrors—shutting down operations during the pandemic, and 3) delays in shipments of focusing devices used in synchrotron radiation facilities—for which production had been outsourced to an Italian device manufacturer. As JTEC CORP only does made-to-order, it has not lost any orders. Domestic sales of SPring-8, SACLA, and New Subaru facilities were brisk.
- ▷ LS & Equipment Development segment: In the LS & Equipment Development segment, full-year sales came to JPY194mn (+96.3% YoY) and operating loss to JPY25mn (versus operating loss of JPY59mn in FY06/19). The development of quartz crystal unit wafer machining equipment and orders for various gas detection equipment drove sales in Q3 FY06/20. Meanwhile, development of the mass production quartz crystal unit wafer machining equipment, for which the company planned to book sales in Q4 FY06/20, was significantly delayed due to a domestic subcontractor switching to teleworking to prevent the spread of COVID-19. The company was unable to complete and ship the system in FY06/20 and therefore will not book sales until FY06/21. Contract research and development of regenerative medicine equipment, contract development of quartz crystal unit wafer manufacturing equipment, and OEM sales of automated cell culture system (KB-2000 series), gas detection equipment, and test printing machines (GP-10) for gravure printing contributed to sales growth.
- ▷ FY06/21 forecasts: JTEC CORP forecasts sales of JPY1.4bn (+40.0% YoY), operating profit of JPY215mn (JPY6mn profit in FY06/20), net income of JPY163mn (JPY16mn net income in FY06/20), and EPS of JPY28.03. The company does not expect to reach its FY06/21 targets set out in its medium-term plan (announced in August 2019) of JPY2.3bn in sales and JPY652mn in operating profit. The company thinks COVID-19 will have minimal impact on the LS & Equipment Development segment, whose products are mostly sold in Japan, but anticipates a delay in meeting earnings targets in the Optical segment, whose products are mainly sold overseas, if restrictions on overseas travel and cancellations of international conferences and trade fairs continue. However, the company expects business conditions to improve gradually, because demand for its products remains robust, business negotiations can be conducted by video conferencing, and academic conferences and trade fairs are being held virtually. The company believes that since its staff do not have to travel to deliver its mainstay X-ray nano focusing mirrors, it can adapt to COVID-19-related restrictions by tweaking and revising sales methods. Demand for high-precision mirrors is unlikely to decline, because they are used in synchrotron radiation facilities and X-ray free electron laser facilities that contribute toward the development of cutting-edge science and technology. In the LS & Equipment Development segment, the sales mix weighting is shifting from general-purpose equipment using the CELLFLOAT system to contract-based equipment development projects. The company is also focused on pioneering new businesses.

▷ Medium-term management plan (FY06/21–FY06/23): FY06/23 targets are sales of JPY5.5bn (5.4x FY06/20 sales) and operating profit of JPY2.1bn (352x FY06/20 operating profit). In addition to growing sales in the Optical and LS & Equipment Development segments, the company expects growth from new businesses (applications for semiconductor production equipment, X-ray microscopes, high-precision mask substrates, and quartz crystal units). The sales target is unchanged, but the operating profit target is revised up from figures announced in August 2019 (sales of JPY5.5bn and operating profit of JPY2.0bn).

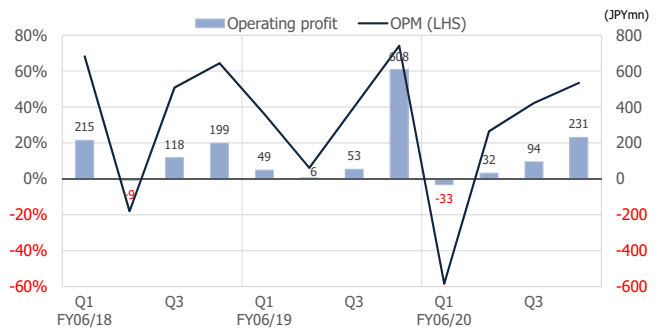
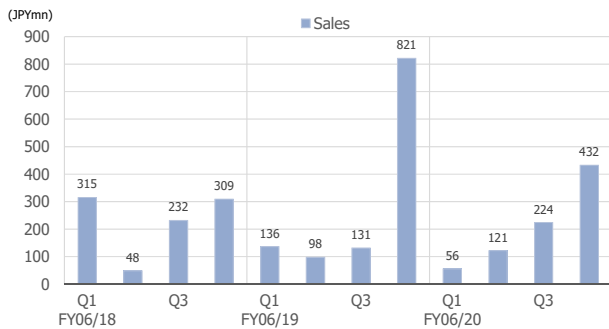
Quarterly earnings: Sales (left), operating profit (right)



Source: Shared Research based on company data

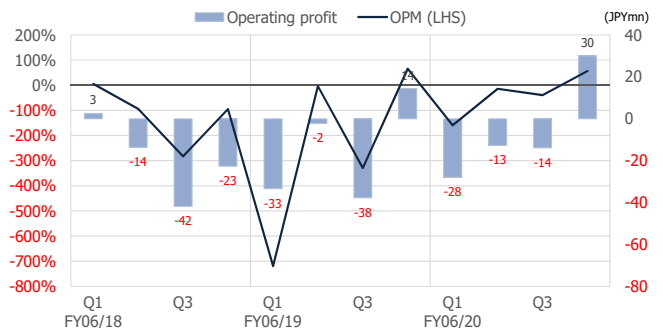
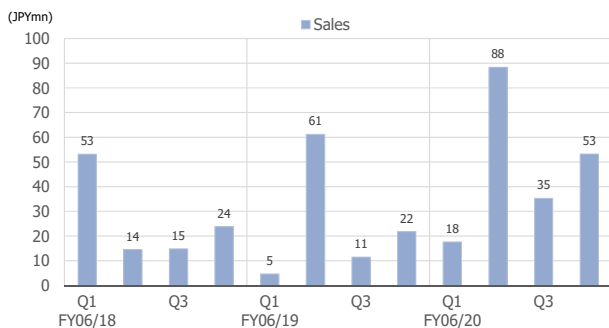
Weighting of results: The mirror products in the Optical segment are all made to order and their manufacturing processes are different for each product. The process from order to shipment takes about one year. Sales are recorded once products have been delivered and inspected, which means they are not evenly distributed across the year but skewed toward certain quarters that vary each year. Sales concentrated in Q2 and Q3 in FY06/17, in Q1 and Q4 in FY06/18, in Q4 in FY06/19, and are expected to concentrate in Q4 in FY06/20.

Optical segment



Source: Shared Research based on company data

LS & Equipment Development segment



Source: Shared Research based on company data

Note: Starting with Q1 FY06/19, expenses related to the Cell Culture Research Center, which had been included in LS & Equipment Development, are now included in adjustments as companywide expenses (applied retroactively).

Medium-term management plan

Medium-term management plan (JPYmn)	FY06/20 Act.	FY06/21 Est.	FY06/22 MTP	FY06/23 MTP	3-year CAGR
Sales	1,027	1,443	2,740	5,500	74.9%
YoY	-20.1%	40.4%	89.9%	100.7%	
Optical	833	963	1,500	1,800	29.3%
YoY	-29.8%	15.6%	55.8%	20.0%	
LS & Equipment Development	194	110	300	400	27.2%
YoY	96.3%	-43.4%	172.7%	33.3%	
New businesses	-	370	940	3,300	-
YoY	-	-	154.1%	251.1%	
Operating profit	6	215	827	2,106	606.2%
YoY	-98.6%	3,495.3%	284.7%	154.7%	
OPM	0.4%	9.4%	24.2%	38.3%	
Recurring profit	34	237	849	2,128	296.3%
YoY	-93.1%	593.2%	258.2%	150.6%	
RPM	2.4%	10.4%	24.8%	38.7%	
Net income	16	163	585	1,468	347.7%
YoY	-95.1%	896.6%	258.9%	150.9%	
Net margin	1.1%	7.1%	17.1%	26.7%	

Source: Shared Research based on company data

Full-year company forecasts

(JPYmn)	FY06/19			FY06/20			FY06/21		
	1H	2H	FY	1H	2H	FY	1H Est.	2H Est.	FY Est.
Sales	300	986	1,286	283	745	1,027	480	963	1,443
YoY	-30.4%	70.2%	27.3%	-5.7%	-24.5%	-20.1%	69.7%	29.3%	40.4%
Optical	234	952	1,187	177	656	833	-	-	963
YoY	-35.5%	76.2%	31.3%	-24.4%	-31.1%	-29.8%	-	-	15.6%
LS & Equipment Development	66	33	99	106	88	194	-	-	110
YoY	-2.6%	-14.0%	-6.8%	60.9%	166.4%	96.3%	-	-	-43.4%
New businesses	-	-	-	-	-	-	-	-	370
YoY	-	-	-	-	-	-	-	-	-
Operating profit	-94	531	437	-212	218	6	-127	342	215
YoY	-	279.9%	79.2%	-	-59.0%	-98.6%	-	57.1%	3,495.3%
OPM	-31.5%	53.9%	34.0%	-74.8%	29.2%	0.6%	-26.5%	35.5%	14.9%
Recurring profit	-52	549	497	-214	248	34	-127	364	237
YoY	-	215.6%	77.8%	-	-54.8%	-93.1%	-	46.7%	593.2%
RPM	-17.5%	55.7%	38.6%	-75.6%	33.3%	3.3%	-26.5%	37.8%	16.4%
Net income	-31	363	332	-151	167	16	-87	250	163
YoY	-	227.1%	90.3%	-	-54.0%	-95.1%	-	49.7%	896.6%
Net margin	-10.2%	36.8%	25.8%	-53.2%	22.4%	1.6%	-18.1%	26.0%	11.3%

Source: Shared Research based on company data

Difference between forecasts and results

Estimates versus Result (JPYmn)		FY06/18	Result	FY06/19	Result	FY06/20	Result
		Cons.	% of Est.	Cons.	% of Est.	Cons.	% of Est.
Sales	Initial Est.	-	-	1,408	-8.7%	1,450	-29.1%
	Est. as of Q1	-	-	1,408	-8.7%	1,450	-29.1%
	Est. as of Q2	-	-	1,408	-8.7%	1,450	-29.1%
	Est. as of Q3	1,223	-17.4%	1,408	-8.7%	1,450	-29.1%
	Result	1,010	-	1,286		1,027	
Operating profit	Initial Est.	-	-	404	+8.0%	278	-97.8%
	Est. as of Q1	-	-	404	+8.0%	278	-97.8%
	Est. as of Q2	-	-	404	+8.0%	278	-97.8%
	Est. as of Q3	419	-41.9%	404	+8.0%	278	-97.8%
	Result	244	-	437		6	
Recurring profit	Initial Est.	-	-	441	+12.6%	302	-88.7%
	Est. as of Q1	-	-	441	+12.6%	302	-88.7%
	Est. as of Q2	-	-	441	+12.6%	302	-88.7%
	Est. as of Q3	417	-33.0%	441	+12.6%	302	-88.7%
	Result	279	-	497		34	
Net income attributable to owners of the parent	Initial Est.	-	-	294	+13.0%	208	-92.1%
	Est. as of Q1	-	-	294	+13.0%	208	-92.1%
	Est. as of Q2	-	-	294	+13.0%	208	-92.1%
	Est. as of Q3	288	-39.4%	294	+13.0%	208	-92.1%
	Result	175	-	332		16	

Source: Shared Research based on company data

 This note is the most recent addition to the [full report](#).

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