Translation

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For Immediate Release

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Notice of Consolidated Financial Forecasts in Conjunction with Start of Consolidated Accounting

We hereby announce our consolidated financial forecasts for the fiscal year ending February 29, 2024 (March 1, 2023 to February 29, 2024) in conjunction with the start of consolidated accounting.

1. Start of consolidated accounting

On March 1, 2023, the Company made Raicol Crystals Ltd. ("Raicol") a subsidiary.

As a result, its assets, profit, loss, etc. will increase in importance. Therefore, Raicol's balance sheet will be consolidated starting with the first quarter of the fiscal year ending February 29, 2024, and its statement of income will be consolidated starting with the second quarter of the fiscal year ending February 29, 2024.

2. Consolidated financial forecasts for FYE February 29, 2024 (March 1, 2023 to February 29, 2024)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Earnings per share
Current forecast	(Millions of yen) 8,773	(Millions of yen) 471	(Millions of yen) 652	(Millions of yen) 430	(Millions of yen) 43.59

Note: On March 1, 2023, the Company conducted a 2-for-1 stock split of its common stock. This stock split has been taken into account in the forecast for earnings per share in the fiscal year ending February 29, 2024.

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(Reference) Non-consolidated financial forecasts for FYE February 29, 2024 (March 1, 2023 to February 29, 2024)

	Net sales	Operating profit	Ordinary profit	Profit	Earnings per share
FYE 2/24 (forecasts)	(Millions of yen) 7,294	(Millions of yen) 681	(Millions of yen) 945	(Millions of yen) 663	(Yen) 67.21
Pct. of net sales	% 100	% 9.3	% 13.0	% 9.1	
Pct. change from previous year	% 26.8	% 26.8	% 37.4	% 19.0	

Note: On March 1, 2023, the Company conducted a 2-for-1 stock split of its common stock. This stock split has been taken into account in the forecast for earnings per share in the fiscal year ending February 29, 2024.

[Basis for establishment of financial forecasts]

We have used the figures below in our financial forecasts for the fiscal year ending February 29, 2024.

Net sales

We expect non-consolidated net sales of 7,294 million yen, up 26.8% from the previous year.

In the Frontier Technology business, net sales temporarily increased in the fiscal year ended February 28, 2023 owing to shipments of analytical instruments to research institutions. However, we expect sales to be down 19.8% to 594 million yen in the fiscal year ending February 29, 2024, on par with previous years.

In the Semiconductors business, the component defects in the second half of the fiscal year ended February 28, 2023 will continue to impact the first half results. However, we plan to record sales of orders carried over from the fiscal year ended February 28, 2023 and to increase shipments in the second half in conjunction with the increased capacity achieved with the start of operations at Factory No. 4. As such, we expect net sales of 4,978 million yen, up 53.7% from the previous year.

In the Healthcare business, we expect demand for PET scanning machines to diagnose cancer to drop by around 20% due to the economic slowdown in the U.S. and the problems between the U.S. and China. However, we also expect increased demand for prototype PET scanning machines for diagnosing Alzheimer’s disease, so we expect net sales of 1,721 million yen, down just 2.9% from the previous year.

We expect 8,773 million yen in consolidated net sales, including Raicol sales. Raicol net sales will be included under the Frontier Technology. Our calculations are based on exchange rates of 130 yen to the dollar and 37.7 yen to the new Israeli shekel.

Operating profit

We expect a non-consolidated operating profit of 681 million yen, up 26.8% from the previous year.

The amount of marginal profit by major customer and finished good is calculated by estimating the required variable costs based on historical results and purchasing trends relative to sales forecasts. Manufacturing costs account for the bulk of variable costs. SG&A is minor. Moreover, we expect marginal profit to come in at around the same level as the fiscal year ended February 28, 2023.

Next, the fixed cost of manufacturing is calculated by estimating the increase in depreciation based on actual results from the previous year and new investments, the increase in labor costs corresponding to the increase in personnel to accommodate the increased sales, and the like. Construction of factories No. 4 and 5 was completed in March 2023, and we have taken into account depreciation associated with capital investments in them.

Gross profit is calculated by subtracting the fixed cost of manufacturing from marginal profit. After that, selling, general and administrative expenses and research and development expenses are estimated based on the previous year's results and the expected increase in labor costs corresponding to the increase in sales. These expenses are then subtracted from gross profit to calculate operating profit. In particular, research and development expenses will significantly impact not only income and expenditures for the fiscal year ending February 29, 2024 but also financial results in the year ending February 28, 2025 onward. These expenses are estimated after careful internal verification and discussion.

A flat wage increase of 30,000 yen/month for all employees implemented in the previous fiscal year has also been factored in.

As for the forecast for consolidated operating profit, we expect to record 476 million yen in costs related to consolidation, including investments in line with the growth strategy, in the fiscal year ending February 29, 2024. The breakdown is as follows: annual amortization of goodwill of 275 million yen (206 million yen for the second to the fourth quarter of the fiscal year ending February 29, 2024) assuming 2,752 million yen in goodwill amortized over a period of 10 years, stock compensation expense of 158 million yen, PMI expense of 68 million yen, and a 43 million yen adjustment for differences in accounting standards. These costs are expected to increase to 631 million yen in the fiscal year ending February 28, 2025 and 794 million yen in the fiscal year ending February 28, 2026. However, the increase is expected to be absorbed by the increase in sales.

Consolidated research and development investment will be about 11% of consolidated net sales, and we plan to discuss the selection of themes and the optimal allotment within the Group in the future.

The consolidated operating margin for the fiscal year ending February 29, 2024 will be 5.4%. However, the investment effect of making Raicol a subsidiary is expected to materialize through medium-term growth.

Quarterly consolidated operating profit is expected to be heavily weighted toward the second half, starting with an operating loss of 229 million yen in the first quarter and ending with an operating profit of 395 million yen in the fourth quarter. Full-year consolidated operating profit is expected to come in at 471 million yen.

Ordinary profit

We expect a non-consolidated ordinary profit of 945 million yen, up 37.4% from the previous year.

As for non-operating income, we expect about 300 million yen in development subsidy income from the New Energy and Industrial Technology Development Organization (NEDO), mainly in the form of subsidies for capital investment associated with research and development. Meanwhile, we expect our main non-operating expenses to be bonds payable and interest expenses related to borrowings.

We expect a consolidated ordinary profit of 652 million yen.

Profit

We do not anticipate any extraordinary gains or losses. Assuming an effective tax rate of around 30% on profit before income taxes, we expect a non-consolidated profit of 663 million yen, up 19.0% from the previous year.

Translation

We expect profit attributable to owners of parent to come to 430 million yen.