May 9, 2018

Summary of Financial Results for the Fiscal Year Ended March 31, 2018

[Japanese GAAP]

Company name: JCU CORPORATION
Listing: Tokyo Stock Exchange, First Section
Stock code: 4975
URL: https://www.jcu-i.com/
Representative: Keiji Ozawa, Chairman and CEO
Contact: Yoji Inoue, Executive Officer, Assistant General Manager of Management Strategy Office
Tel: +81-3-6895-7004

Scheduled date of Annual General Meeting of Shareholders: June 27, 2018
Scheduled date of filing of Annual Securities Report: June 28, 2018
Scheduled date of payment of dividend: June 11, 2018
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

Note: The original disclosure in Japanese was released on May 9, 2018 at 15:00. (GMT +9).

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(1) Consolidated results of operations (Percentages shown for sales and profits represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/18	23,120	11.4	6,948	26.3	6,972	26.7	4,906	18.9
FY3/17	20,760	4.8	5,500	12.1	5,502	11.7	4,124	20.9

Note: Comprehensive income (million yen) FY3/18: 5,496 (up 40.1%) FY3/17: 3,922 (up 37.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to sales
	Yen	Yen	%	%	%
FY3/18	176.31	-	23.7	23.9	30.1
FY3/17	147.55	-	24.3	22.8	26.5

Reference: Equity in earnings of affiliates (million yen) FY3/18: (14) FY3/17: 8

Note: The Company conducted 2-for-1 common stock splits on April 1, 2017 and April 1, 2018. Net income per share has been calculated as if these stock splits had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	32,266	22,996	71.1	823.71
As of Mar. 31, 2017	26,095	18,457	70.5	661.11

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 22,925 As of Mar. 31, 2017: 18,390

Note: The Company conducted 2-for-1 common stock splits on April 1, 2017 and April 1, 2018. Net assets per share have been calculated as if these stock splits had taken place at the beginning of the previous fiscal year.

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY3/18	5,255	(1,061)	(870)	12,234
FY3/17	4,847	(1,579)	(1,188)	8,764

2. Dividends

	Dividends per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/17	-	60.00	-	70.00	130.00	904	22.0	5.4
FY3/18	-	35.00	-	50.00	85.00	1,182	24.1	5.7
FY3/19 (forecasts)	-	22.50	-	22.50	45.00		24.1	

Notes 1: Breakdown of dividend per share: Year-end FY3/18: Ordinary dividend of 45.00 yen, commemorative dividend of 5.00 yen
2: The Company conducted a 2-for-1 common stock split on April 1, 2017. Dividends per share for FY3/17 are the actual amount before the stock split.
3: The Company conducted a 2-for-1 common stock split on April 1, 2018. Dividends per share for FY3/18 are the actual amount before the stock split.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	13,000	26.8	3,300	6.2	3,300	7.8	2,300	2.3	82.64
Full year	26,000	12.5	7,300	5.1	7,300	4.7	5,200	6.0	186.84

Note: The Company conducted 2-for-1 common stock splits on April 1, 2017 and April 1, 2018. Net income per share forecast has been calculated based on the number of shares outstanding (excluding treasury shares) after these stock splits.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): Yes

Newly added: 1 (JCU Surface Technology Hubei Co., Ltd.) Excluded: -

(2) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Mar. 31, 2018: 27,831,914 shares As of Mar. 31, 2017: 28,219,200 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2018: - shares As of Mar. 31, 2017: 402,084 shares

3) Average number of shares outstanding during the period

FY3/18: 27,826,718 shares FY3/17: 27,955,302 shares

Note: The Company conducted 2-for-1 common stock splits on April 1, 2017 and April 1, 2018. Number of outstanding shares (common stock) has been calculated as if these stock splits had taken place at the beginning of the previous fiscal year.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(1) Non-consolidated results of operations (Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/18	14,029	3.8	2,757	15.6	6,111	43.0	5,112	42.3
FY3/17	13,509	16.8	2,385	94.1	4,272	51.3	3,593	65.0

	Net income per share	Diluted net income per share
	Yen	Yen
FY3/18	183.74	-
FY3/17	128.53	-

Note: The Company conducted a 2-for-1 common stock split on April 1, 2017 and April 1, 2018. Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	25,329	18,751	74.0	673.76
As of Mar. 31, 2017	19,993	14,438	72.2	519.06

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 18,751 As of Mar. 31, 2017: 14,438

Note: The Company conducted a 2-for-1 common stock split on April 1, 2017 and April 1, 2018. Net assets per share have been calculated as if these stock splits had taken place at the beginning of the previous fiscal year.

Note 1: The current financial report is not subject to audit by certified public accountants or auditing firms.

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Note 2: Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ substantially from these forecasts for a number of reasons.

Contents of Attachments

Please note English translation is available with respect to major sections of the following only.

1. Overview of Results of Operations

(1) Results of Operations

In the fiscal year ended March 31, 2018 (hereafter, “the period under review”), the JCU Group reported net sales of 23,120 million yen (up 11.4% year over year) thanks to strong sales of chemicals in domestic and overseas markets, which were partly offset by a decrease in sales of large-scale plating machines and plasma surface treatment machines. As a result, operating profit, ordinary profit, and profit attributable to owners of parent amounted to 6,948 million yen (up 26.3% year over year), 6,972 million yen (up 26.7% year over year) and 4,906 million yen (up 18.9% year over year), respectively.

The segment performance was as follows.

Chemicals Business

The Chemicals Business segment continued to generate steady sales of plating chemicals for PWBs in China, Taiwan and South Korea because a customer manufacturing PWBs used for high-end smartphones started a mass production using a new engineering method and demand for smartphones for the Chinese market remained strong in line with a trend of high functionality. In China, expanded production and robust sales of Japanese automobiles continued to contribute to the strong sales of plating chemicals for automotive components. Furthermore, domestic sales of chemicals, especially those for the electronics industry, saw a continued modest recovery. Consequently, sales increased 18.5% year over year to 19,925 million yen with a segment profit up 29.5% year over year to 7,933 million yen.

Machine Business

Orders received in the Machine Business segment increased to 4,857 million yen (up 125.3% year over year) thanks to receiving orders for large-scale plating machines for automotive components from Japan and overseas. While there was an increase in the construction contract backlog, production and installation works require some time to complete. Consequently, sales decreased 19.8% year over year to 1,768 million yen with a segment profit down 83.9% year over year to 23 million yen. The order backlog increased to 3,454 million yen (up 293.0% year over year).

New Businesses

Orders received in the New Businesses segment decreased to 485 million yen (down 70.0% year over year) due to a reduction in orders for plasma surface treatment machines, which had recorded robust sales in the previous fiscal year and lack of orders received for large-scale solar power generation equipment. The decrease in orders received resulted in sales of 1,426 million yen (down 18.0% year over year) with a segment loss of 150 million yen (as compared with a segment profit of 19 million yen a year earlier). The order backlog decreased to 416 million yen (down 68.9% year over year).

(2) Financial Position

Assets, liabilities and net assets

Assets

Total assets at the end of the period under review increased 6,170 million yen (up 23.6%) from the end of the previous fiscal year to 32,266 million yen.

Current assets increased 5,786 million yen (up 30.4%) to 24,793 million yen mainly due to increases in cash and deposits.

Non-current assets increased 384 million yen (up 5.4%) to 7,472 million yen mainly due to an increase in investment securities as a result of the purchase of additional shares.

Liabilities

Total liabilities at the end of the period under review increased 1,632 million yen (up 21.4%) from the end of the previous fiscal year to 9,270 million yen.

Current liabilities increased 1,522 million yen (up 27.4%) to 7,076 million yen mainly due to increases in advances received and notes and accounts payable-trade.

Non-current liabilities increased 109 million yen (up 5.3%) to 2,194 million yen mainly due to an increase in net defined benefit liability.

Net assets

Net assets at the end of the period under review increased 4,538 million yen (up 24.6%) from the end of the previous fiscal year to 22,996 million yen mainly due to an increase in retained earnings from profit attributable to owners of parent, which was partly offset by a decrease in retained earnings as a result of payment of cash dividends.

(3) Cash Flows

Cash and cash equivalents at the end of the period under review increased 3,470 million yen (up 39.6%) over the end of the previous fiscal year to 12,234 million yen.

The details of cash flows from each activity and the major components of changes are as follows.

Cash flows from operating activities

Net cash provided by operating activities increased 408 million yen (up 8.4%) year over year to 5,255 million yen due mainly to an increase in advanced received in addition to a year-over-year increase of 1,278 million yen (up 23.4%) in profit before income taxes.

Cash flows from investing activities

Net cash used in investing activities decreased 518 million yen (down 32.8%) year over year to 1,061 million yen mainly due to a decrease in the payment for purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities decreased 317 million yen (down 26.7%) to 870 million yen year over year mainly due to a decrease in the payment for purchase of treasury shares.

(4) Outlook

Regarding the outlook for the future, sales of chemicals for smartphones and for the automotive sector are expected to remain solid in overseas markets. In the domestic market, however, sales of our chemicals are expected to increase slightly.

Under this business environment, we will maintain and increase our market share by promptly launching new products that meet customers' needs through cost reduction and the development of highly functional plating chemicals compatible with next generation technologies.

2. Basic Approach for the Selection of Accounting Standards

The Group will continue to prepare its consolidated financial statements using Japanese GAAP for the time being, primarily to ensure cross-sectional as well as inter-temporal comparability.

We will, however, make an appropriate policy decision on whether or not we should apply the International Financial Reporting Standards (IFRS) by carefully considering trends in our foreign investor ownership ratio and application of IFRS by our industry peers.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	9,913,204	13,528,085
Notes and accounts receivable-trade	*3 6,264,007	7,437,495
Merchandise and finished goods	1,166,494	1,318,175
Work in process	*4 110,270	*4 285,899
Raw materials and supplies	386,724	415,774
Deferred tax assets	607,735	654,171
Other	*3 750,926	*3 1,332,732
Allowance for doubtful accounts	(191,755)	(178,684)
Total current assets	19,007,609	24,793,649
Non-current assets		
Property, plant and equipment		
Buildings and structures	*1 3,553,896	*1 4,026,439
Accumulated depreciation	(1,472,038)	(1,599,808)
Buildings and structures, net	*1 2,081,858	*1 2,426,631
Machinery, equipment and vehicles	*1 2,222,935	*1 2,249,693
Accumulated depreciation	(1,560,015)	(1,618,422)
Machinery, equipment and vehicles, net	*1 662,919	*1 631,270
Tools, furniture and fixtures	*1 2,053,524	*1 2,136,239
Accumulated depreciation	(1,535,455)	(1,664,165)
Tools, furniture and fixtures, net	*1 518,069	*1 472,073
Land	522,824	522,824
Leased assets	215,533	197,622
Accumulated depreciation	(103,227)	(107,499)
Leased assets, net	112,306	90,122
Construction in progress	339,195	48,112
Total property, plant and equipment	4,237,173	4,191,034
Intangible assets		
Goodwill	6,295	1,823
Other	62,725	48,876
Total intangible assets	69,021	50,699
Investments and other assets		
Investment securities	*2 2,300,420	*2 2,801,022
Deferred tax assets	107,660	83,239
Other	373,503	346,689
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	2,781,584	3,230,950
Total non-current assets	7,087,779	7,472,685
Total assets	26,095,388	32,266,334

(Thousands of yen)

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,461,353	1,796,520
Electronically recorded obligations-operating	1,372,499	1,518,545
Short-term loans payable	52,609	177,398
Current portion of long-term loans payable	419,184	431,168
Lease obligations	21,920	17,048
Income taxes payable	887,048	954,646
Provision for bonuses	335,545	352,980
Provision for loss on construction contracts	*4 13,962	*4 17,101
Advances received	40,461	686,396
Deferred tax liabilities	42,314	98,184
Other	907,068	1,026,080
Total current liabilities	5,553,967	7,076,071
Non-current liabilities		
Long-term loans payable	645,741	647,749
Lease obligations	125,736	108,890
Net defined benefit liability	1,036,391	1,137,844
Deferred tax liabilities	1,675	-
Asset retirement obligations	214,795	230,643
Other	59,940	69,056
Total non-current liabilities	2,084,280	2,194,183
Total liabilities	7,638,247	9,270,255
Net assets		
Shareholders' equity		
Capital stock	1,176,255	1,191,575
Capital surplus	1,124,592	1,138,544
Retained earnings	15,433,294	19,044,487
Treasury shares	(320,931)	-
Total shareholders' equity	17,413,210	21,374,607
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	363,391	509,994
Foreign currency translation adjustment	613,475	1,040,946
Total accumulated other comprehensive income	976,867	1,550,941
Non-controlling interests	67,062	70,531
Total net assets	18,457,140	22,996,079
Total liabilities and net assets	26,095,388	32,266,334

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

Consolidated Statements of Income

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	20,760,609	23,120,222
Cost of sales	8,443,144	9,019,192
Gross profit	12,317,464	14,101,029
Selling, general and administrative expenses		
Salaries and allowances	2,237,777	2,324,170
Bonuses	663,943	672,828
Retirement benefit expenses	172,625	135,236
Depreciation	370,462	382,267
Provision of allowance for doubtful accounts	1,571	-
Other	3,370,341	3,638,164
Total selling, general and administrative expenses	6,816,721	7,152,666
Operating profit	5,500,743	6,948,362
Non-operating income		
Interest income	24,160	24,968
Dividend income	35,241	36,567
Share of profit of entities accounted for using equity method	8,442	-
Subsidy income	16,090	-
House rent income	13,575	24,736
Other	19,482	23,914
Total non-operating income	116,993	110,187
Non-operating expenses		
Interest expenses	16,281	21,205
Foreign exchange losses	80,049	37,932
Share of loss of entities accounted for using equity method	-	14,139
Other	19,277	12,951
Total non-operating expenses	115,608	86,229
Ordinary profit	5,502,127	6,972,320
Extraordinary income		
Gain on change in equity	-	16
Gain on sales of non-current assets	652	3,594
Insurance income	22,239	-
Total extraordinary income	22,892	3,610
Extraordinary losses		
Loss on sales of non-current assets	539	2,810
Loss on retirement of non-current assets	12,760	42,854
Impairment loss	25,177	-
Loss on liquidation of business	17,890	-
Loss on valuation of investment securities	-	182,974
Total extraordinary losses	56,368	228,638
Profit before income taxes	5,468,652	6,747,292
Income taxes-current	1,603,118	1,851,837
Income taxes-deferred	(264,605)	(26,959)
Total income taxes	1,338,513	1,824,878
Profit	4,130,138	4,922,414
Profit attributable to non-controlling interests	5,293	16,282
Profit attributable to owners of parent	4,124,845	4,906,132

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Profit	4,130,138	4,922,414
Other comprehensive income		
Valuation difference on available-for-sale securities	215,943	146,602
Foreign currency translation adjustment	(404,414)	440,347
Share of other comprehensive income of entities accounted for using equity method	(19,088)	(12,580)
Total other comprehensive income	* (207,559)	* 574,370
Comprehensive income	3,922,578	5,496,784
Comprehensive income attributable to:		
Owners of parent	3,930,911	5,480,206
Non-controlling interests	(8,332)	16,578

(3) Consolidated Statements of Changes in Shareholders' Equity

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	1,176,255	1,129,933	12,148,967	(714)	14,454,442
Changes of items during period					
Dividends of surplus			(840,518)		(840,518)
Profit attributable to owners of parent			4,124,845		4,124,845
Change in ownership interest of parent due to transactions with non-controlling interests		(5,341)			(5,341)
Purchase of treasury shares				(320,217)	(320,217)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(5,341)	3,284,326	(320,217)	2,958,768
Balance at the end of current period	1,176,255	1,124,592	15,433,294	(320,931)	17,413,210

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	147,448	1,023,352	1,170,800	79,263	15,704,507
Changes of items during period					
Dividends of surplus			-		(840,518)
Profit attributable to owners of parent			-		4,124,845
Change in ownership interest of parent due to transactions with non-controlling interests			-		(5,341)
Purchase of treasury shares			-		(320,217)
Net changes of items other than shareholders' equity	215,943	(409,876)	(193,933)	(12,200)	(206,134)
Total changes of items during period	215,943	(409,876)	(193,933)	(12,200)	2,752,633
Balance at the end of current period	363,391	613,475	976,867	67,062	18,457,140

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	1,176,255	1,124,592	15,433,294	(320,931)	17,413,210
Changes of items during period					
Issuance of new shares	15,320	15,320			30,640
Dividends of surplus			(973,858)		(973,858)
Profit attributable to owners of parent			4,906,132		4,906,132
Change in ownership interest of parent due to transactions with non-controlling interests		(1,368)			(1,368)
Purchase of treasury shares				(149)	(149)
Retirement of treasury shares			(321,081)	321,081	-
Net changes of items other than shareholders' equity					-
Total changes of items during period	15,320	13,951	3,611,193	320,931	3,961,396
Balance at the end of current period	1,191,575	1,138,544	19,044,487	-	21,374,607

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of current period	363,391	613,475	976,867	67,062	18,457,140
Changes of items during period					
Issuance of new shares			-		30,640
Dividends of surplus			-		(973,858)
Profit attributable to owners of parent			-		4,906,132
Change in ownership interest of parent due to transactions with non-controlling interests			-		(1,368)
Purchase of treasury shares			-		(149)
Retirement of treasury shares			-		-
Net changes of items other than shareholders' equity	146,602	427,471	574,074	3,468	577,542
Total changes of items during period	146,602	427,471	574,074	3,468	4,538,939
Balance at the end of current period	509,994	1,040,946	1,550,941	70,531	22,996,079

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	5,468,652	6,747,292
Depreciation	576,102	588,281
Impairment loss	25,177	-
Amortization of goodwill	5,546	4,539
Increase (decrease) in allowance for doubtful accounts	(9,146)	(18,911)
Increase (decrease) in provision for bonuses	22,692	17,462
Increase (decrease) in net defined benefit liability	140,401	98,209
Interest and dividend income	(59,401)	(61,535)
Interest expenses	16,281	21,205
Foreign exchange losses (gains)	82,835	5,435
Share of loss (profit) of entities accounted for using equity method	(8,442)	14,139
Gain on sales of non-current assets	(652)	(3,594)
Loss on sales of non-current assets	539	2,810
Loss on retirement of non-current assets	9,760	37,295
Insurance income	(22,239)	-
Loss (gain) on valuation of investment securities	-	182,974
Decrease (increase) in notes and accounts receivable-trade	(693,849)	(954,673)
Increase (decrease) in advances received	(107,149)	651,482
Decrease (increase) in inventories	(215,463)	(280,161)
Increase (decrease) in notes and accounts payable-trade	860,692	390,147
Decrease (increase) in advance payments	133,407	(529,384)
Other, net	(137,794)	104,587
Subtotal	6,087,949	7,017,601
Interest and dividend income received	57,463	60,961
Interest expenses paid	(16,420)	(21,727)
Proceeds from insurance income	35,228	-
Income taxes paid	(1,373,315)	(1,811,419)
Income taxes refund	56,543	10,348
Net cash provided by (used in) operating activities	4,847,448	5,255,763
Cash flows from investing activities		
Decrease (increase) in time deposits	(404,299)	(83,685)
Purchase of property, plant and equipment	(786,043)	(475,710)
Proceeds from sales of property, plant and equipment	1,197	5,242
Purchase of intangible assets	(10,831)	(12,318)
Purchase of investment securities	(379,465)	(500,830)
Other, net	(351)	5,667
Net cash provided by (used in) investing activities	(1,579,793)	(1,061,634)

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(57,452)	122,525
Proceeds from long-term loans payable	600,000	500,000
Repayments of long-term loans payable	(536,144)	(487,007)
Repayments of finance lease obligations	(21,424)	(22,176)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,866)	(9,829)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	12,143
Purchase of treasury shares	(320,217)	(149)
Cash dividends paid	(839,734)	(973,305)
Proceeds from share issuance to non-controlling shareholders	6,544	2,934
Dividends paid to non-controlling interests	(12,885)	(14,134)
Other, net	(1,193)	(1,958)
Net cash provided by (used in) financing activities	(1,188,374)	(870,959)
Effect of exchange rate change on cash and cash equivalents	(114,370)	147,741
Net increase (decrease) in cash and cash equivalents	1,964,910	3,470,910
Cash and cash equivalents at beginning of period	6,799,096	8,764,006
Cash and cash equivalents at end of period	* 8,764,006	* 12,234,917

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 16
Names of consolidated subsidiaries:
JCU (SHANGHAI) TRADING CO., LTD.
JCU (THAILAND) CO., LTD.
TAIWAN JCU CO., LTD.
JCU VIETNAM CORPORATION
JCU KOREA CORPORATION
JCU (HONG KONG) CO., LTD.
JCU (SHENZHEN) TRADING CO., LTD.
Ginza Suzurando Cosmetics Co., Ltd.
PT. JCU INDONESIA
JCU Technology (Shenzhen) Co., Ltd.
JCU (BEIJING) TRADING CO., LTD.
JCU AMERICA, S.A. DE C.V.
JCU INTERNATIONAL, INC.
JCU CHEMICALS INDIA PVT. LTD.
Sakuraroku Spring Shanghai International Trading Co., Ltd.
JCU Surface Technology Hubei Co., Ltd.

(Note) Effective from the current fiscal year, the Company included JCU Surface Technology Hubei Co., Ltd, a newly established subsidiary, in the scope of consolidation.

2. Application of equity method

Number of affiliates: 1
Name of affiliate:
YUKEN SURFACE TECHNOLOGY, S.A. DE C.V.

3. Fiscal year of consolidated subsidiaries

The fiscal years of our consolidated subsidiaries end on December 31.
The consolidated financial statements include the financial statements of consolidated subsidiaries as of December 31, and necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the consolidated balance sheet date.

4. Accounting standards

(1) Valuation standards and methods for principal assets

a. Marketable securities
Available-for sale securities
Securities with market quotations
Stated at market value on the balance sheet date. (Valuation difference is included directly in net assets. Cost of securities sold is determined by the moving-average method.)
Securities without market quotations
Stated mainly at cost determined by the moving-average method. Investments in investment limited partnerships and similar partnerships (those which are regarded as securities in accordance with Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are stated at the net amount equivalent to equity on the most recent financial statements that are available on the reporting date as specified in the partnership agreement.

b. Derivatives
Stated at fair value.

c. Inventories
Merchandise
Stated at cost determined primarily by the specific identification method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

Merchandise held by overseas consolidated subsidiaries is stated at cost determined by the periodic-average method or the moving average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

Chemicals, work-in-process chemicals, raw materials

Stated at cost determined by the monthly-periodic-average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

Machines, work-in-process machines

Stated at cost determined by the specific identification method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

Supplies

Stated at cost determined by the first-in first-out method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

(2) Depreciation and amortization of principal assets

a. Property, plant and equipment (excluding lease assets)

Depreciation of property, plant and equipment is calculated by the declining-balance method, except for buildings (excluding attached structures) acquired on or after April 1, 1998, as well as facilities attached to buildings and structures acquired on or after April 1, 2016 on which depreciation is calculated by the straight-line method.

Overseas consolidated subsidiaries compute depreciation primarily using the straight-line method.

Useful lives of principle assets are as follows:

Buildings and structures:	3 - 45 years
Machinery, equipment and vehicles:	3 - 17 years
Tools, furniture and fixtures:	2 - 20 years

b. Intangible fixed assets (excluding lease assets)

Amortization of intangible fixed assets is calculated by the straight-line method.

Software for internal use is amortized over an expected useful life of three to ten years by the straight-line method.

c. Lease assets

Lease assets associated with finance leases where there is transfer of ownership

The same method as amortization method used for fixed assets held by the Company is applied.

Lease assets associated with finance leases where there is no transfer of ownership

The straight-line method with no residual value is applied with the lease period used as the useful life of the asset.

(3) Accounting for significant deferred assets

Stock issue expenses

Stock issue expenses are changed to expenses as accrued.

(4) Recognition of significant allowances

a. Allowance for doubtful accounts

Allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio and bad receivables based on case-by-case determination of collectibility.

b. Reserve for bonuses

To provide for employee bonus obligation, an amount accrued for the current fiscal year among the estimated future obligations is designated in the reserve account.

c. Provision for loss on construction contracts

With respect to a contract work outstanding as at the end of the current fiscal year, if a loss is expected to incur on the work and can be reasonably estimated, an allowance equal to such an estimated loss amount is provided.

(5) Recognition of significant revenue and expenses

Recognition criteria for sales and cost of sales

a. The portion of contracted work deemed to have been completed by the end of the current fiscal year

The percentage-of-completion standard (with the percentage of completion estimated on the cost-to-cost basis)

b. Other contracted work

The completed-contract standard

(6) Accounting for retirement benefits

The Company and its consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses by using a simplified method in which these retirement benefit obligations are equal to the amount that would be paid if all employees voluntarily requested benefits at the end of the fiscal year.

(7) Translation of significant foreign currency-denominated assets and liabilities

Foreign currency monetary assets and liabilities are translated into yen at the spot rate of exchange prevailing at the consolidated balance sheet date and the resulting translation gains or losses are included in the determination of income/loss for the period.
Assets and liabilities of the overseas consolidated subsidiaries are translated into yen at the spot rates of exchange prevailing at the balance sheet dates, while revenues and expenses are translated into yen by the annual average rates of exchange. The resulting translation gains or losses are included in the net assets section of the consolidated balance sheet as foreign currency translation adjustments and non-controlling interests.

(8) Accounting for significant hedges

a. Hedge accounting
The Company applies the deferred hedge accounting method. With respect to foreign currency risk, a hedge is accounted by the short-cut method if the hedging relationship meets certain criteria.
b. Hedging instrument and risk hedged
Hedging instrument:
Forward exchange contracts
Risk hedged:
Foreign currency-denominated trading transactions and foreign currency-denominated forecasted transactions
c. Hedging policy
The Company uses forward exchange contracts to reduce exposure to market risks from fluctuations in exchange rates on foreign currency-denominated trading transactions and foreign currency-denominated forecasted transactions.
d. Evaluation method for effectiveness of hedging
Effectiveness is assessed by rate analysis of the sum total of price fluctuation involving hedging instrument and risk hedged. However, effectiveness of forward exchange contracts accounted by the short-cut method is not assessed.

(9) Amortization method and amortization period of goodwill

Goodwill is amortized by the straight-line method over a period of five years.

(10) Scope of cash and cash equivalents on consolidated statements of cash flows

For the purpose of statements of cash flows, cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible known amounts of cash and present insignificant risk of change in value.

(11) Other significant accounting policies

Accounting for consumption taxes
All amounts stated are exclusive of national and local consumption taxes. Non-deductible national and local consumption taxes are changed to expenses in the current fiscal year.

Accounting Standards, Others that Have Not Yet Been Applied

- *Implementation Guidance on Accounting Standard on Tax Effect Accounting* (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018)
- *Implementation Guidance on Recoverability of Deferred Tax Assets* (ASBJ Guidance No.26, February 16, 2018)

(1) Summary

ASBJ has revised the treatment of taxable temporary differences pertaining to shares of subsidiaries, etc. in the non-consolidated financial statements. Also the Company has clarified the treatment of recoverability of deferred tax assets for the entities that fall under Category 1.

(2) Effective date

The Group will apply the Guidance from the beginning of the fiscal year ending March 31, 2019.

(3) Effects of the application of the above guidance

Effects of the application are under assessment at the time of preparing the consolidated financial statements for the current fiscal year.

- *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 30, 2018)
- *Implementation Guidance on Accounting Standard for Revenue Recognition* (ASBJ Guidance No. 30 issued on March 30, 2018)

(1) Summary

Accounting Standard for Revenue Recognition is a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps:

Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligation in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when or as it satisfies performance obligations.

(2) Effective date

The Group will apply the Guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effects of the application of the above guidance

Effects of the application are under assessment at the time of preparing the consolidated financial statements for the current fiscal year.

Reclassifications

(Consolidated statements of income)

“Insurance income” in the “Non-operating income” presented as a separate line item in the previous fiscal year is included in “Other” from the current fiscal year due to its diminishing monetary materiality. The consolidated financial statements for the previous fiscal year have been reclassified in order to reflect this change in presentation method.

As a result, 5.955 million yen presented as “Insurance income” and 13.526 million yen presented as “Other” in the “Non-operating income” of the consolidated statement of income for the previous fiscal year have been reclassified as 19.482 million yen presented as “Other.”

Segment Information

1. Overview of reportable segments

(1) Method for identifying reportable segments

Segments used for financial reporting are the Company’s constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

Based on the form of the management organization and details on products and services, the Company has identified the following three reporting segments: the Chemicals Business, Machine Business and New Business.

(2) Types of products and services belonging to each reportable segment

The Chemicals Business manufactures and sells surface treatment chemicals (wet process) and related materials in domestic and overseas markets.

The Machine Business manufactures and sells surface treatment machines (wet process) in domestic and overseas markets.

The New Businesses refers to fields the Company aims to grow into new business pillars as opposed to its wet process surface treatment chemicals and machine businesses which traditionally formed the core of its activities. The main products and services of the New Businesses include PWB cleaning equipment utilizing plasma technology, solar power generation equipment, generation of solar power, and drinking water.

2. Calculation methods for sales, profits/losses, assets, liabilities, and other items for each reportable segment

The accounting treatment methods for reportable business segments are generally the same as those listed in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Profits for reportable segments are generally operating profit figures.

Internal revenues and transfer amounts between segments are based on transaction prices determined as the result of price negotiations between the transaction parties using asking prices calculated, with market prices and total cost taken into account.

Segment assets and liabilities are not listed as they are not allocable by business segment.

3. Information related to sales and profit/losses, assets, liabilities, and other items for each reportable segment

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) (Thousands of yen)

	Reportable segment				Adjustments *1	Amounts shown on consolidated financial statements *3
	Chemicals Business	Machine Business	New Businesses	Total		
Sales						
Sales to outside customers	16,817,728	2,203,741	1,739,138	20,760,609	-	20,760,609
Inter-segment sales and transfers	-	-	-	-	-	-
Total	16,817,728	2,203,741	1,739,138	20,760,609	-	20,760,609
Segment profit (loss)	6,127,139	146,599	19,466	6,293,205	(792,462)	5,500,743
Other items						
Depreciation expense *2	504,126	3,626	43,392	551,145	24,957	576,102

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) (Thousands of yen)

	Reportable segment				Adjustments *1	Amounts shown on consolidated financial statements *3
	Chemicals Business	Machine Business	New Businesses	Total		
Sales						
Sales to outside customers	19,925,687	1,768,362	1,426,172	23,120,222	-	23,120,222
Inter-segment sales and transfers	-	-	-	-	-	-
Total	19,925,687	1,768,362	1,426,172	23,120,222	-	23,120,222
Segment profit (loss)	7,933,033	23,619	(150,628)	7,806,023	(857,660)	6,948,362
Other items						
Depreciation expense *2	523,387	4,617	39,097	567,103	21,178	588,281

Notes: 1. Details of the above adjustments are as follows.

To segment profit (Thousands of yen)

	FY3/17	FY3/18
Inter-segment transaction elimination	3,207	-
Corporate expenses *	(795,669)	(857,660)
Total	(792,462)	(857,660)

* Corporate expenses mainly include general and administrative expenses that cannot be attributed to reportable segments.

2. Depreciation expenses include amortization related to long-term prepaid expenses. The adjusted amounts of depreciation for the previous and current fiscal years are corporate expenses.
3. Segment profit (loss) is adjusted to be consistent with operating profit shown on the consolidated financial statements.

Material Subsequent Events

Stock split

Based on the resolution made by the Board of Directors on February 23, 2018, the Company executed the stock split as follows with effective date of April 1, 2018.

1. Purpose of the stock split

The Company intends to reduce the price of share-trading unit by the stock split with an aim to improve liquidity of the shares and expand the investor base.

2. Overview of the stock split

(1) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the final shareholders registry on Saturday, March 31, 2018 (effectively on Friday, March 30, 2018), the record date, was split into two shares.

(2) Number of shares to be increased due to the stock split

Total number of shares outstanding before the stock split:	13,915,957 shares
Number of shares increased due to the stock split:	13,915,957 shares
Total number of shares outstanding after the stock split:	27,831,914 shares
Total number of authorized shares after the stock split:	77,568,000 shares

(3) Schedule for the stock split

Announcement of record date:	March 14, 2018
Record date:	March 31, 2018
Effective date:	April 1, 2018

3. Effect on per-share information

The effect on per share information has been reflected in Per Share Information (Japanese version only).

Establishment of a subsidiary

The Board of Directors of the Company approved a resolution on April 20, 2018 to establish a subsidiary as follows:

1. Purpose of establishment

In anticipation of increasing demand for grapevine seedlings caused by an increase in the production volume of Japanese wine, the Group intends to develop a grapevine seedling business, produce Japanese wines that are expected to be more popular in the future, and sell them in Japan and overseas. To this end, the Company will establish its consolidated subsidiary in Takikawa City, Hokkaido with an aim to promote wines purely made in Japan and their branding.

2. Summary of the subsidiary to be established

(1)	Name:	To be decided.
(2)	Location:	Takikawa City, Hokkaido
(3)	Representative:	Osamu Furuya, President and Representative Director
(4)	Business:	Production and sale of grapes and grapevine seedlings for wine brewing Production and sale of wines
(5)	Capital:	300 million yen
(6)	Date of establishment:	May 2018 (tentative)
(7)	Equity ownership:	Wholly owned by JCU CORPORATION

* *This summary report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*