

Explorer in Surface Engineering



Financial Results Briefing Material

for the Fiscal Year Ended March 2018

JCU CORPORATION

TSE First Section (Stock Code: 4975)

May 9, 2018



- 
- **Overview of Financial Results for FY3/18
Earnings Forecast for FY3/19**
 - Topics on Financial Results and
Earnings Forecast
 - Reference (Company Profile)

Summary of Financial Results for FY3/18

Overview of Financial Results

Accounting Period

JCU (non-consolidated): April to March next year

Overseas subsidiaries: January to December

For electronic components

The chemicals sales remained at a high level in the overseas market as a customer manufacturing PWBs used for high-end smartphones started a mass production using a new engineering method, and also the demand for smartphones for the Chinese market remained strong in line with a trend of high functionality. The chemicals sales in the domestic market remained on a recovery trend. Overall, we have achieved a year-on-year increase in sales.

For automotive components

While the chemicals sales in the domestic market remained on a moderate recovery trend, those in the Chinese market continued to be strong even after the Chinese government reducing a degree of the tax cut on smaller vehicles thanks to expanded production and robust sales of Japanese automobiles. Overall, we have also achieved a year-on-year increase in sales.

Summary of Financial Results for FY3/18

Consolidated

(Millions of yen)

	FY3/16	FY3/17	FY3/18		
	Results	Results	Revised forecast (Nov. 2, 2017)	Results	YoY % Change
Net sales	19,818	20,760	22,500	23,120	11.4 %
Operating profit	4,906	5,500	6,650	6,948	26.3 %
Ordinary profit	4,926	5,502	6,650	6,972	26.7 %
Profit attributable to owners of parent	3,410	4,124	4,900	4,906	18.9 %
Net income per share	120.88 yen	147.55 yen	176.09 yen	176.31 yen	-

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 these stock splits have taken place at the beginning of the fiscal year ended March 2016.

Summary Consolidated Balance Sheet

Note: Certain line items are omitted.

(Millions of yen)	FY3/17	FY3/18
Current assets	19,007	24,793
Cash and deposits	9,913	13,528
Notes and accounts receivable-trade	6,264	7,437
Inventories	1,663	2,019
Non-current assets	7,087	7,472
Property, plant and equipment	4,237	4,191
Investments and other assets	2,781	3,230
Total assets	26,095	32,266
Current liabilities	5,553	7,076
Notes and accounts payable-trade (incl. electronically recorded obligations-operating)	2,833	3,315
Short-term loans payable (incl. current portion of long-term loans payable)	471	608
Non-current liabilities	2,084	2,194
Long-term loans payable	645	647
Total liabilities	7,638	9,270
Total net assets	18,457	22,996
Total liabilities and net assets	26,095	32,266



Consolidated Earnings Forecast for FY3/19

(Millions of yen)

	FY3/18	FY3/19 (Forecast)	YoY % Change
Net sales	23,120	26,000	12.5 %
Operating profit	6,948	7,300	5.1 %
Ordinary profit	6,972	7,300	4.7 %
Profit attributable to owners of parent	4,906	5,200	6.0 %
Net income per share	176.31 yen	186.84 yen	-

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

Dividend Forecast

		FY3/17	FY3/18	FY3/19
Dividends per share	Interim	15 yen	17.5 yen	 22.5 yen (an increase of 5 yen per share)
	Year-end	17.5 yen	25 yen (incl. commemorative dividend of 2.5 yen)	22.5 yen
	Annual total	32.5 yen	42.5 yen (incl. commemorative dividend of 2.5 yen)	 45 yen (an increase of 2.5 yen per share)

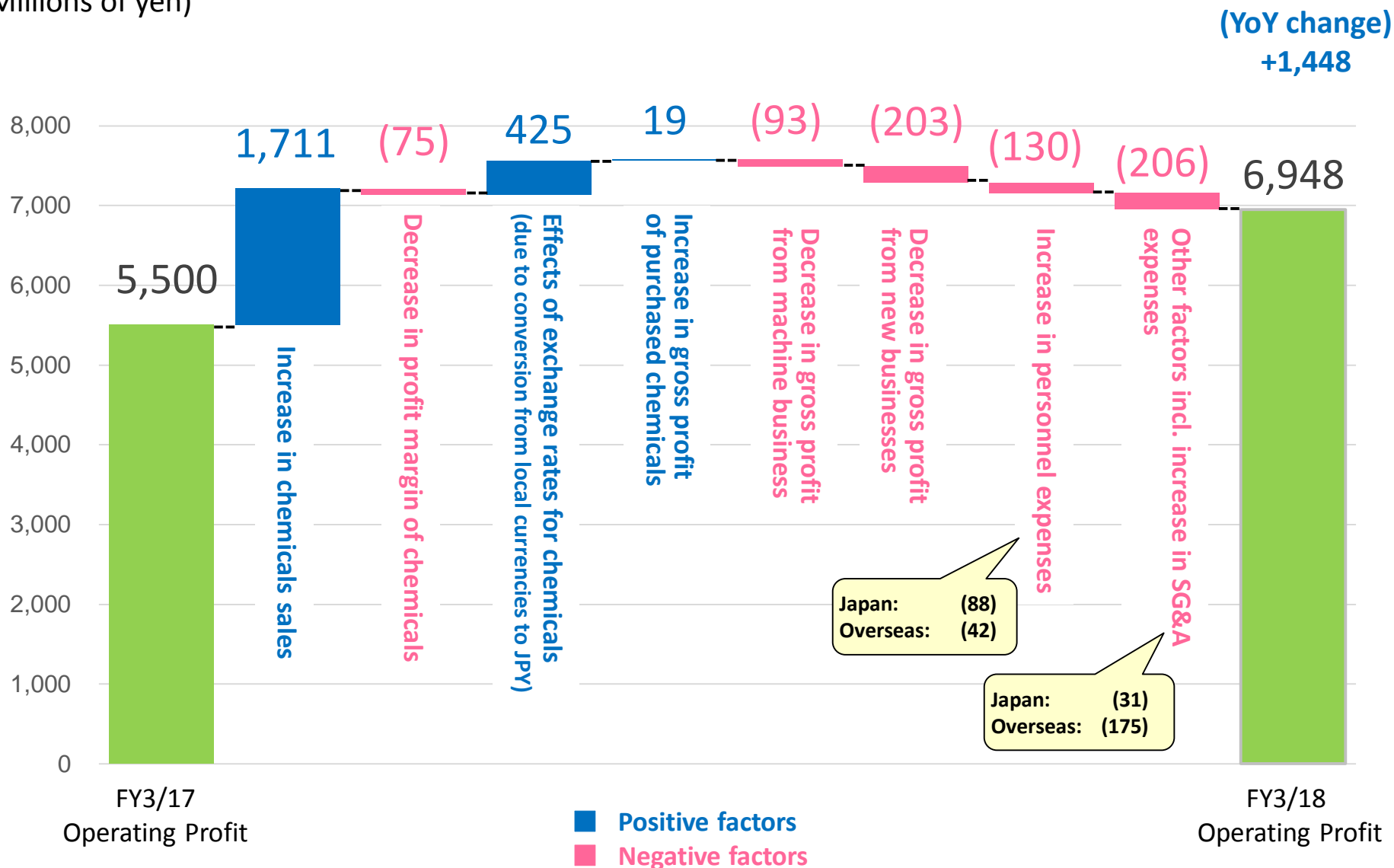
Note: The Company conducted a 2-for-1 common stock split on April 1, 2017 and April 1, 2018. Dividend per share has been calculated as if these stock splits have taken place at the beginning of the fiscal year ended March 2017.

The Company's basic policy is to pay stable dividends considering the payout ratio according to financial results while maintaining an appropriate level of the equity ratio to develop future businesses and enhance financial strength. We intend to use internal reserves effectively to perform our future business activities and strengthen our management foundation.

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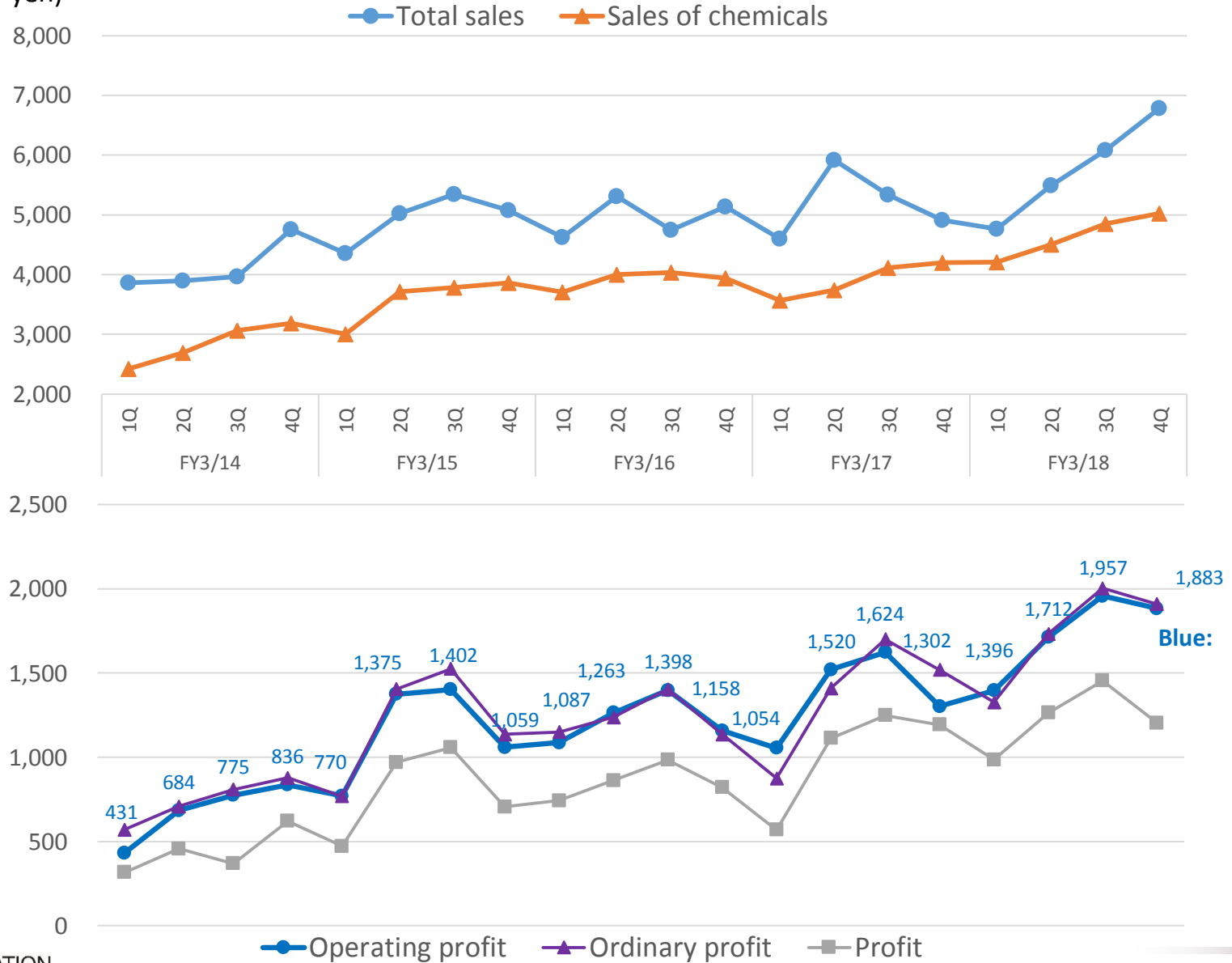
Changes in Consolidated Operating Profit for FY3/18

(Millions of yen)

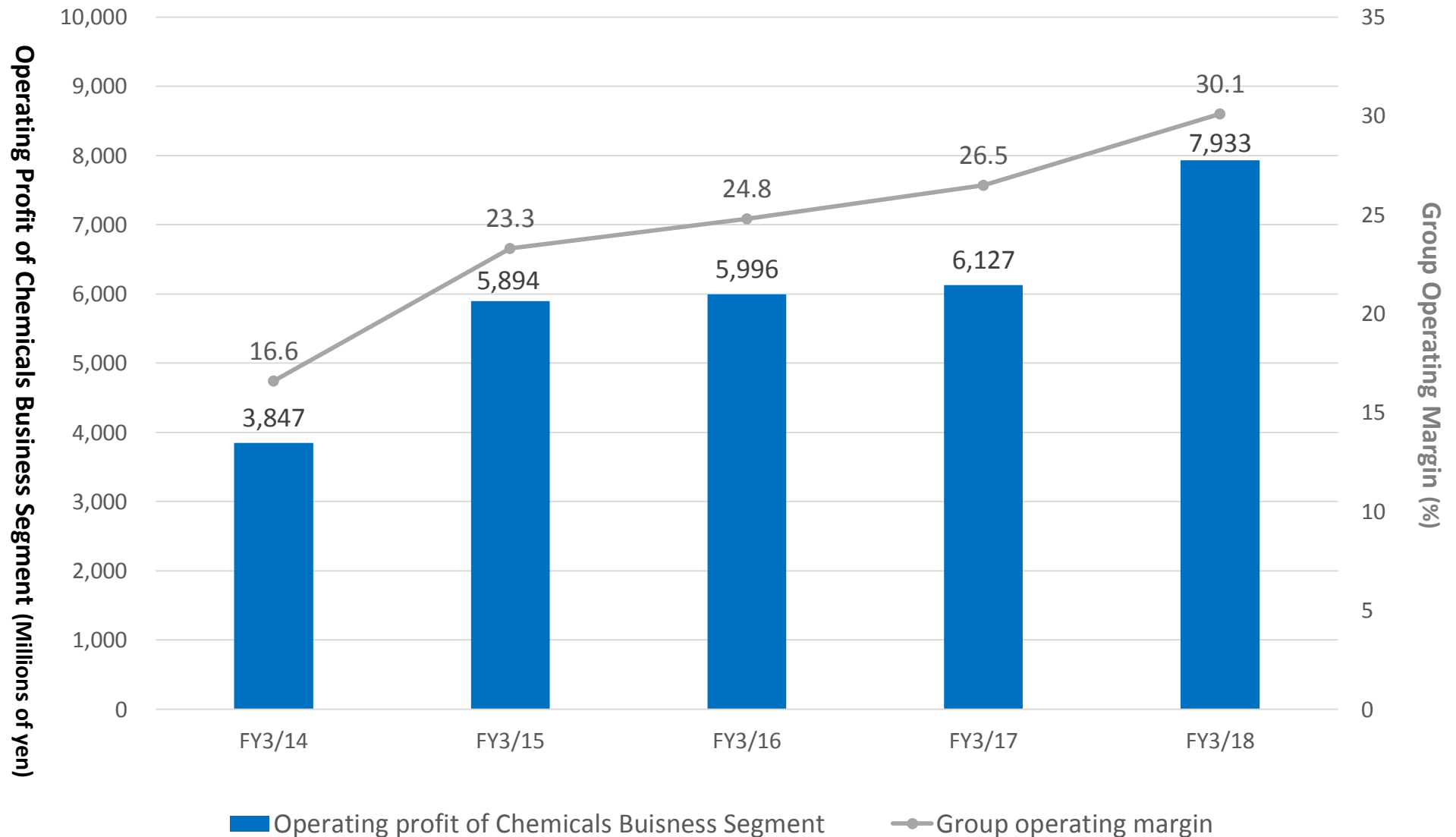


Quarterly Consolidated Financial Results

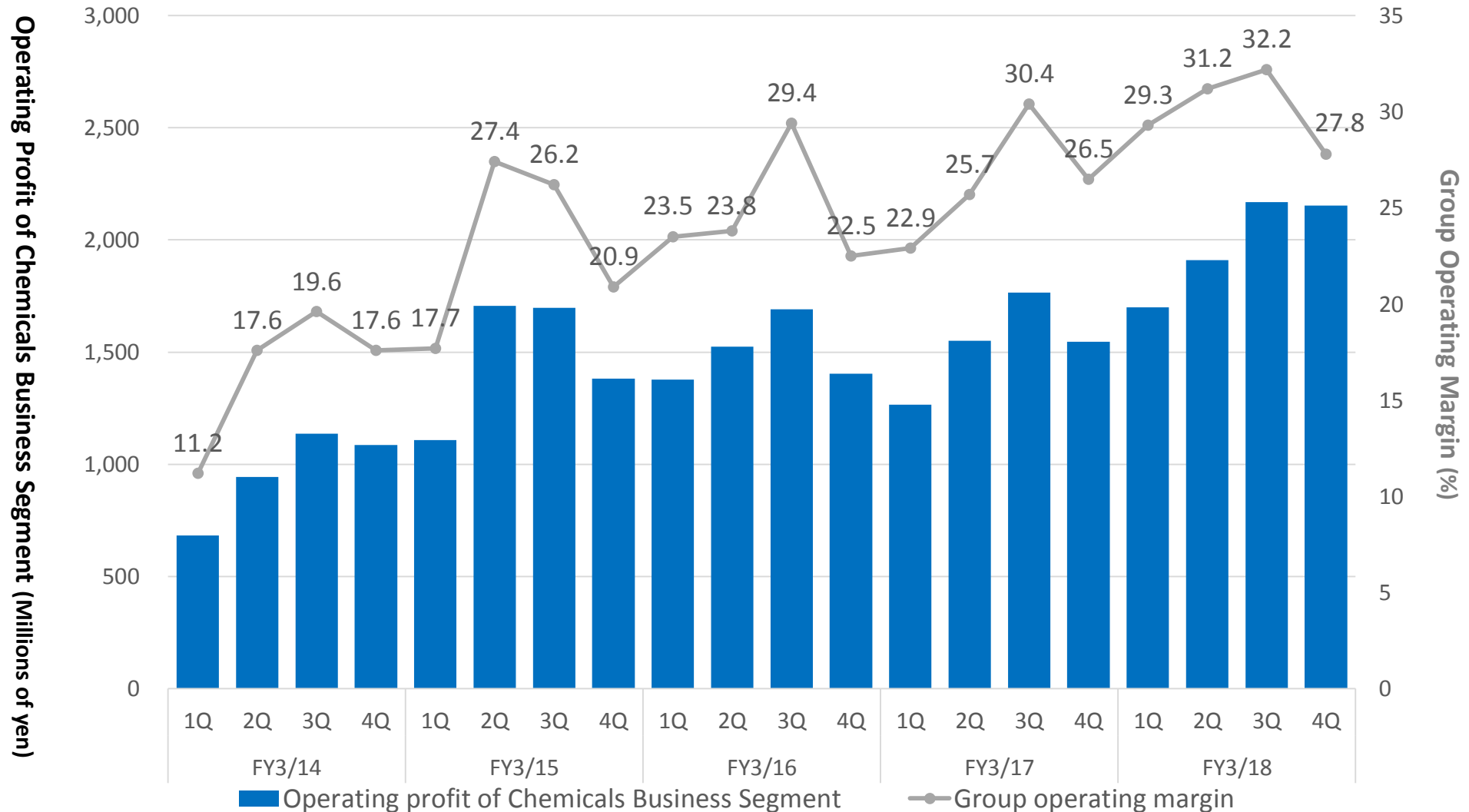
(Millions of yen)



Operating Profit of Chemicals Business Segment and the Group Operating Margin: Annual basis

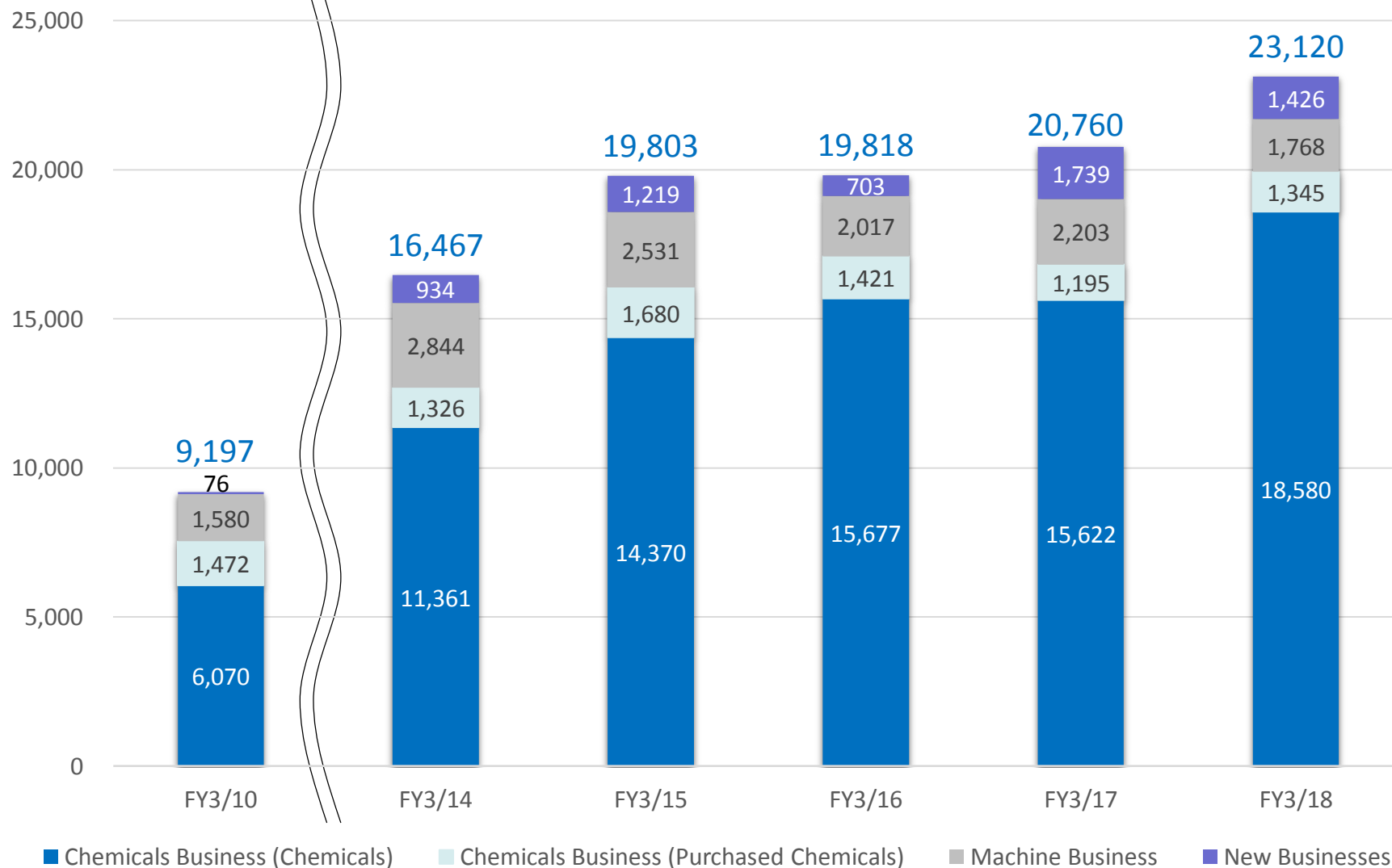


Operating Profit of Chemicals Business Segment and the Group Operating Margin: Quarterly basis



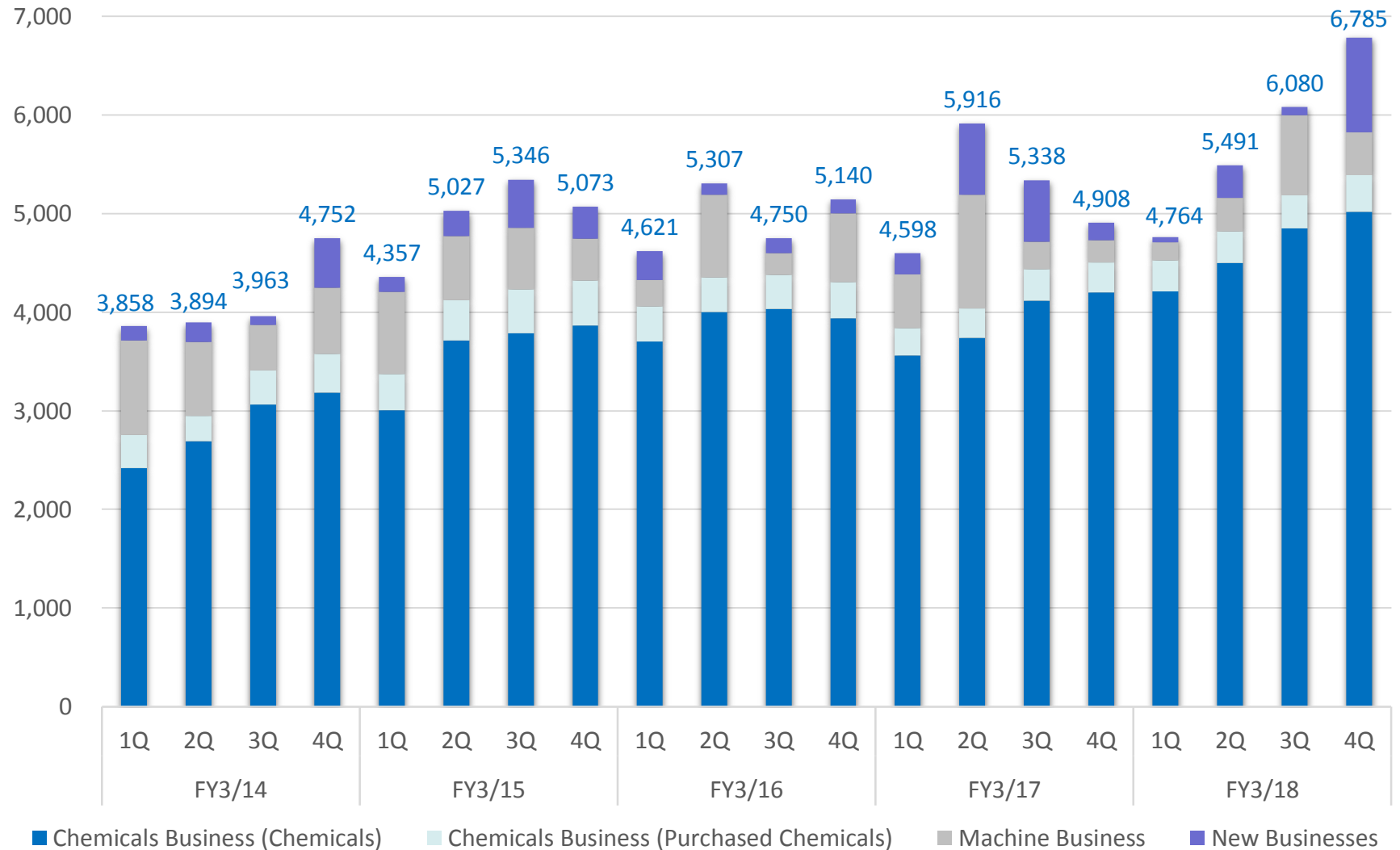
Consolidated Annual Sales

(Millions of yen)



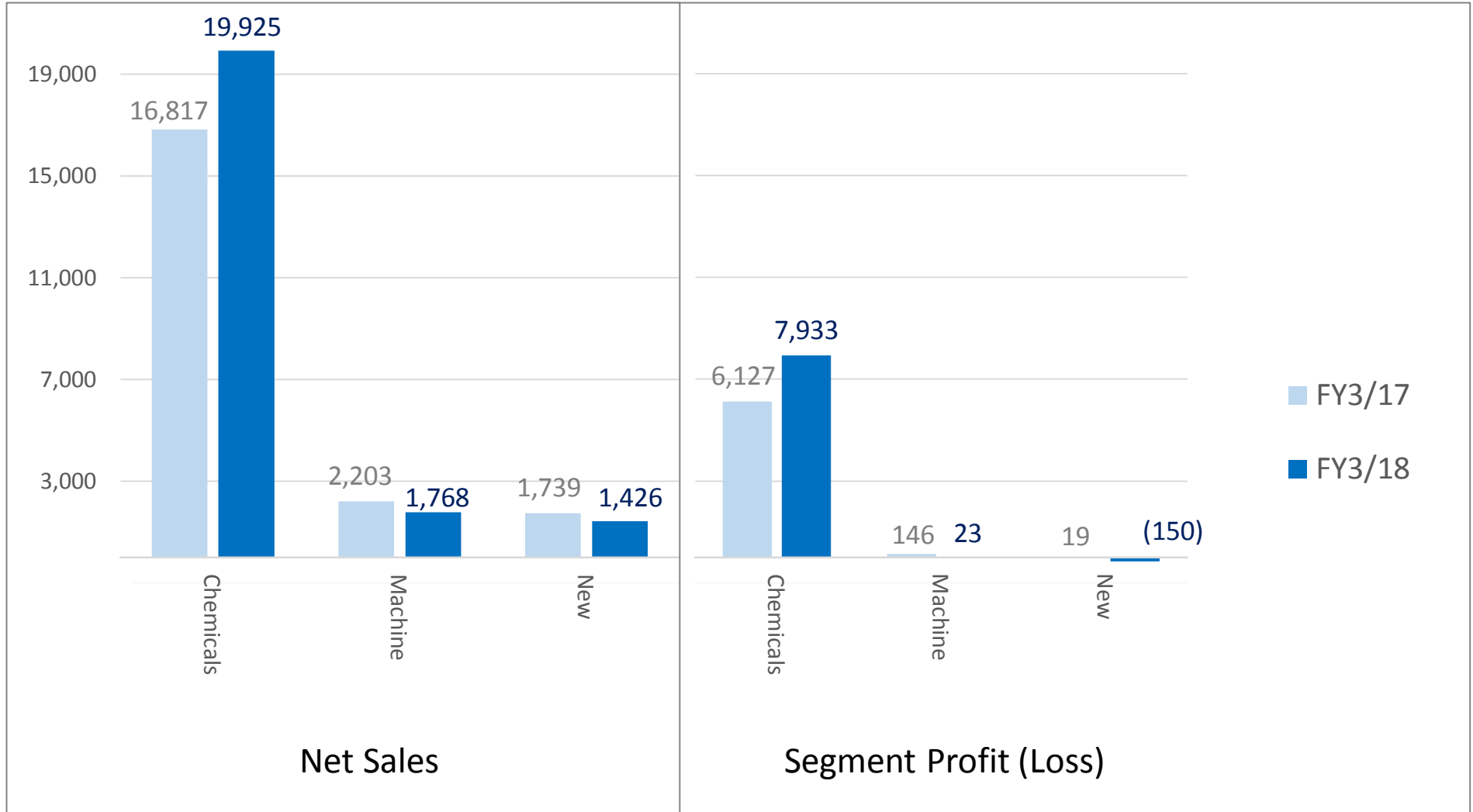
Consolidated Quarterly Sales

(Millions of yen)



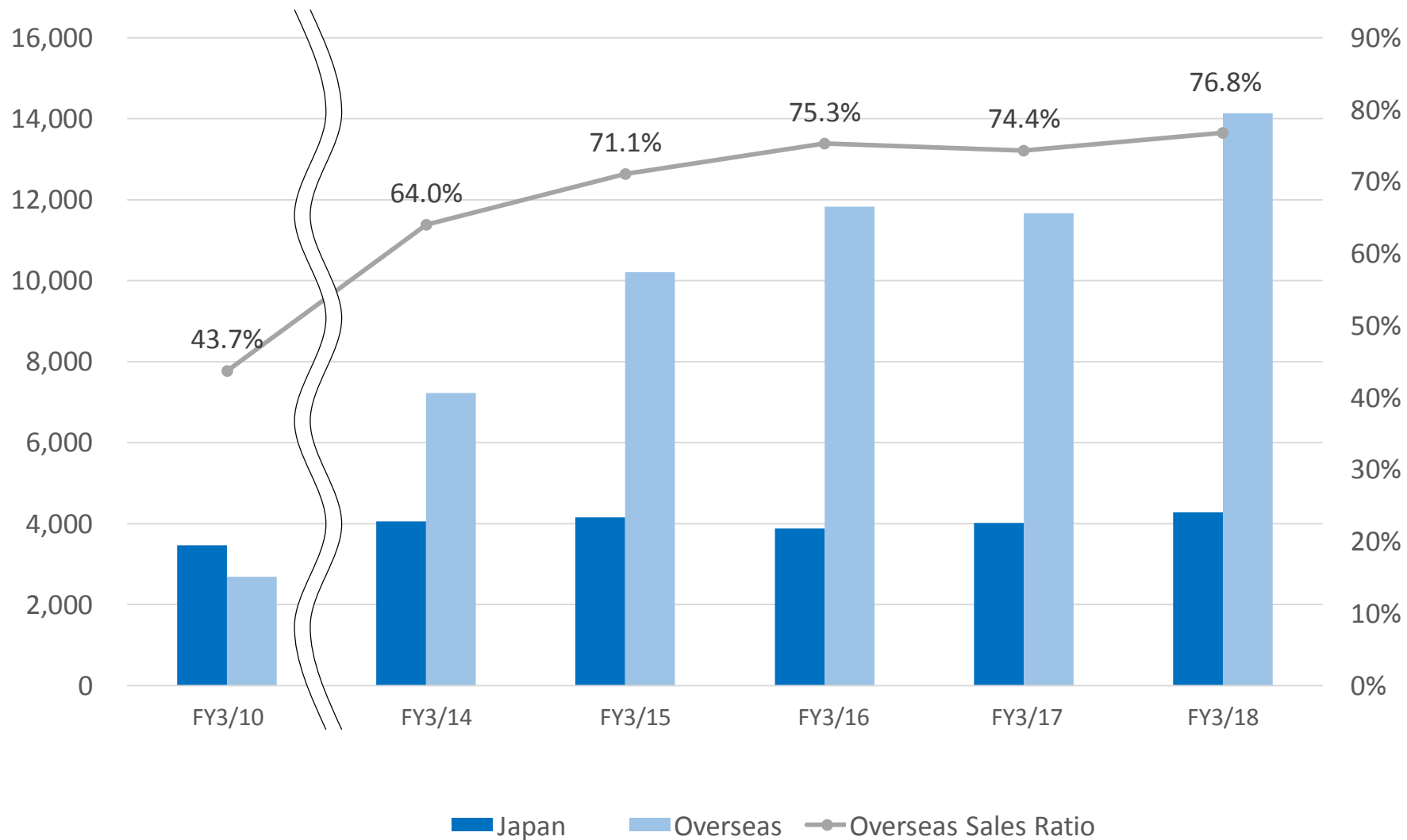
Consolidated Segment Results for FY3/18

(Millions of yen)



Annual Sales of Chemicals in Japan and Overseas

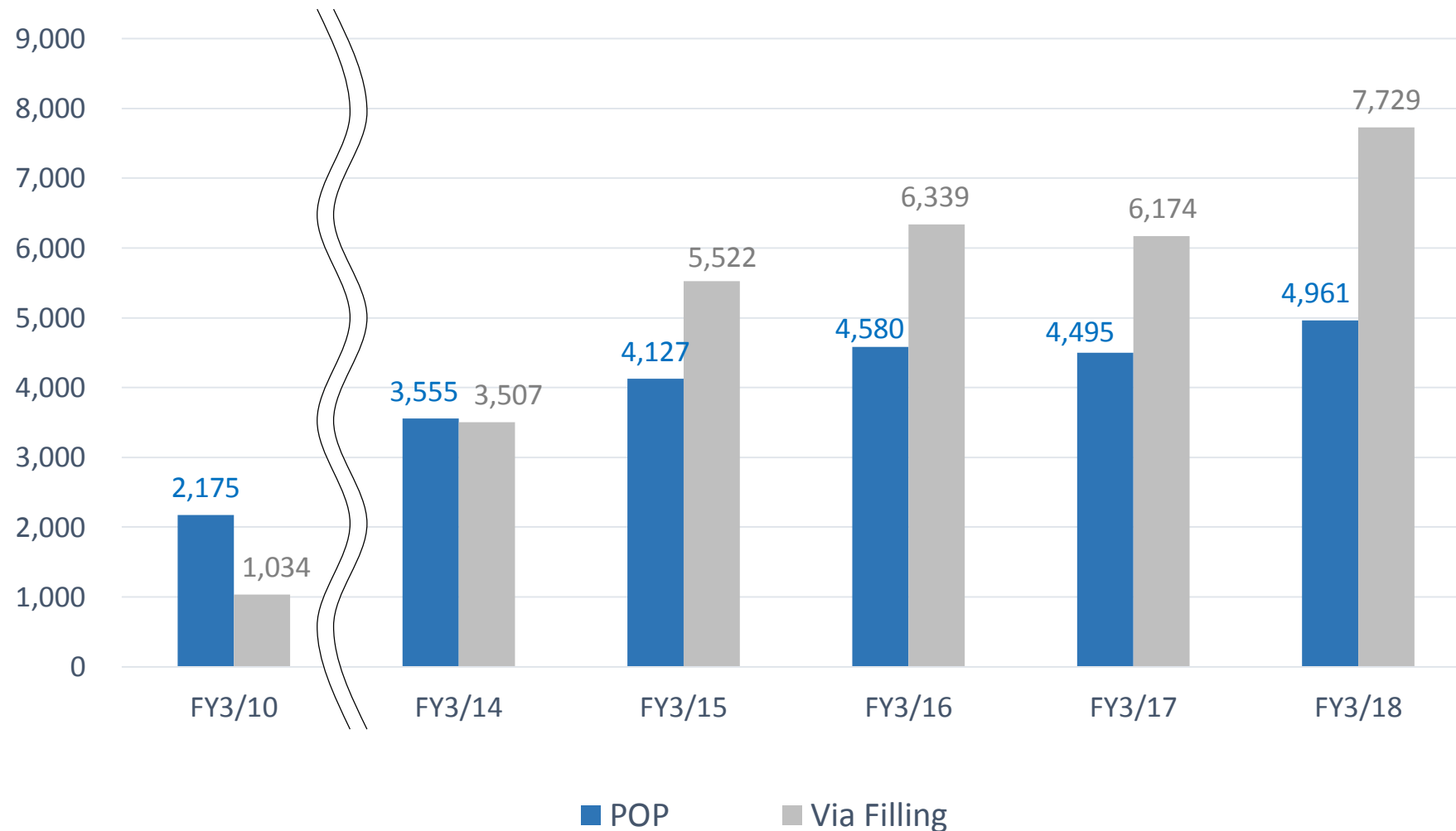
(Millions of yen)



Annual Sales of Chemicals for POP and Via Filling

(Millions of yen)

POP: Planting on Plastics, mainly for automotive components
Via Filling: Additive for copper plating for printed-wiring boards, mainly for smartphones and PCs

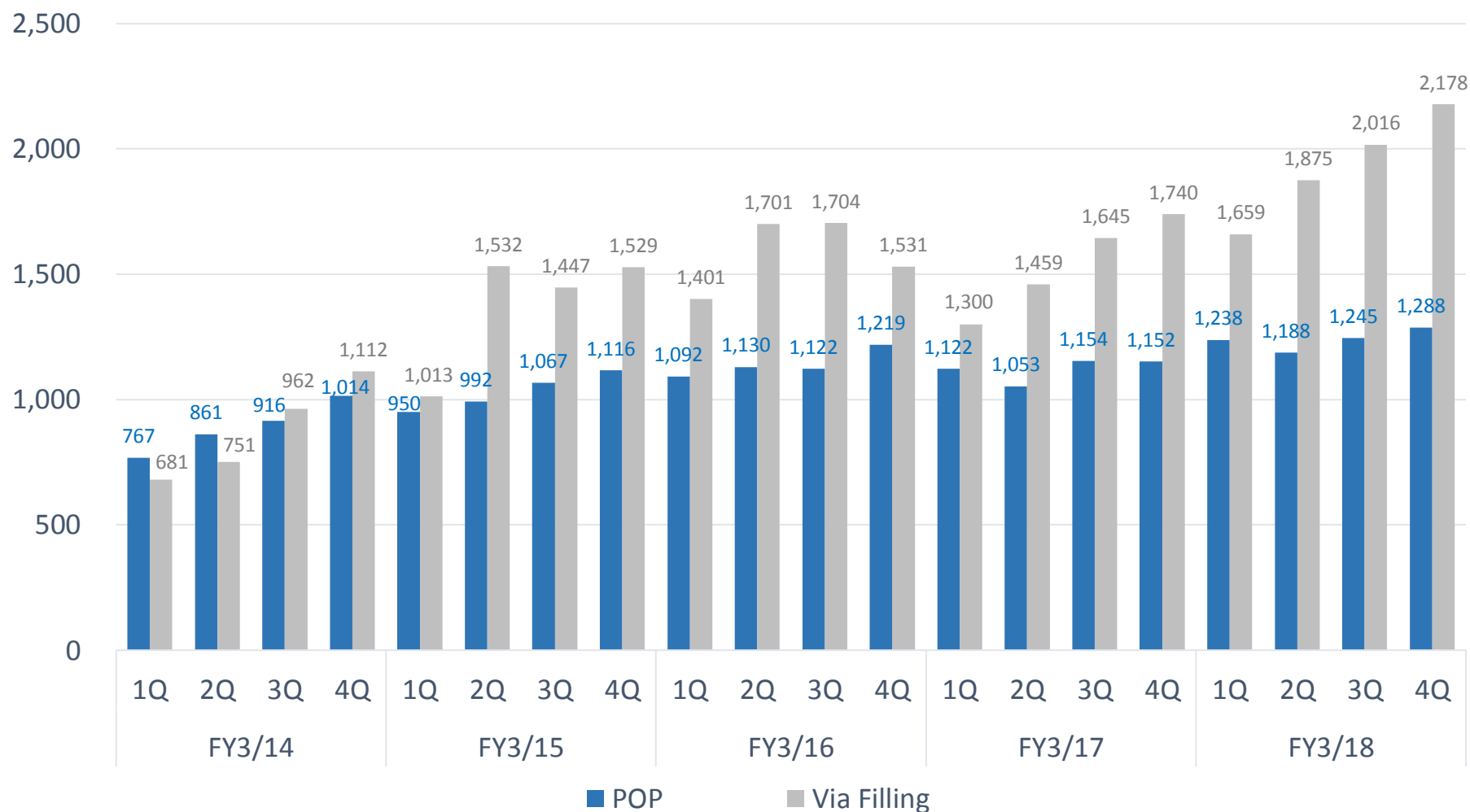


Quarterly Sales of Chemicals for POP and Via Filling

(Millions of yen)

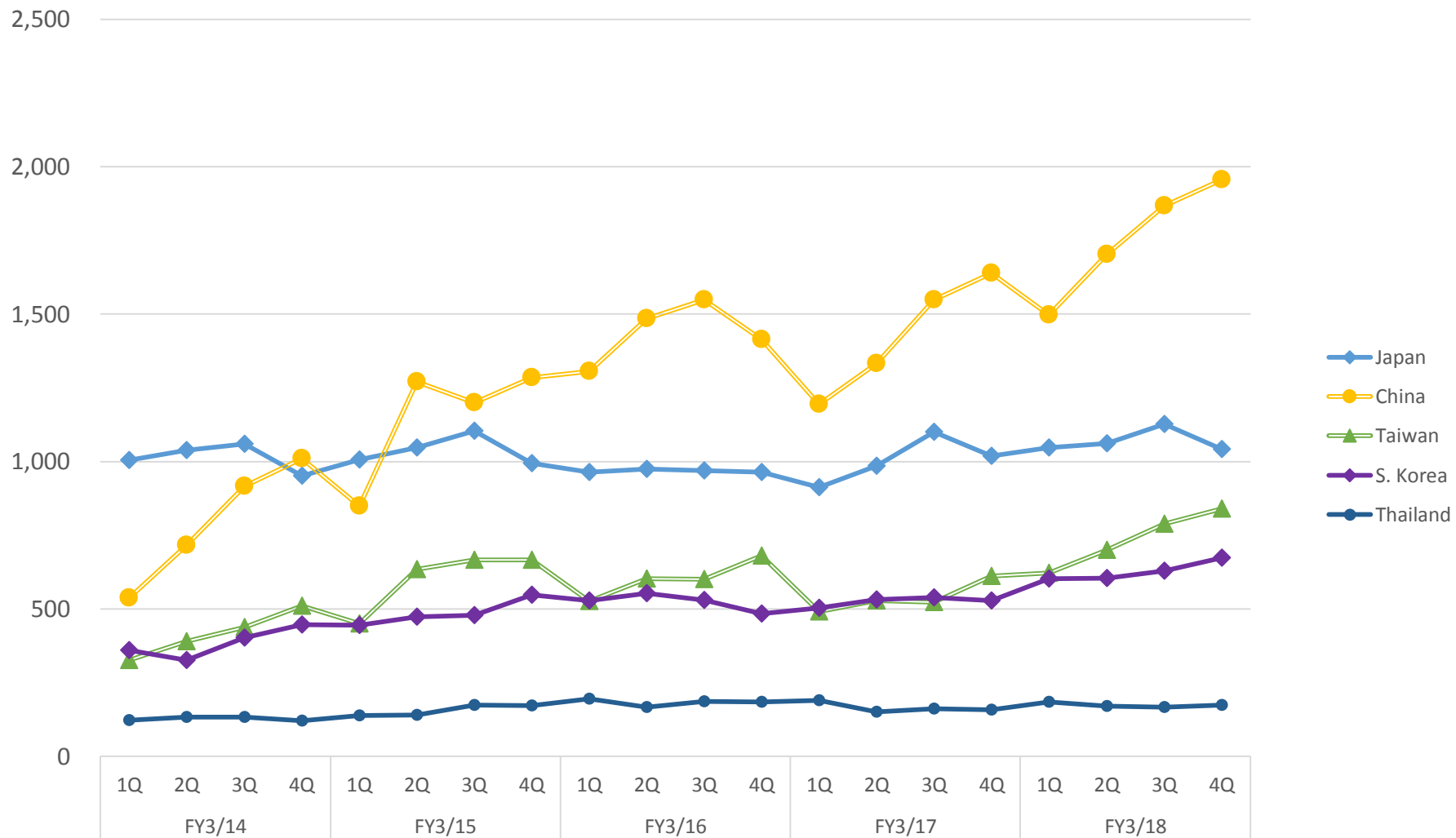
POP: Planting on Plastics, mainly for automotive components

Via Filling: Additive for copper planting for printed-wiring boards, mainly for smartphones and PCs



Quarterly Sales of Chemicals by Region

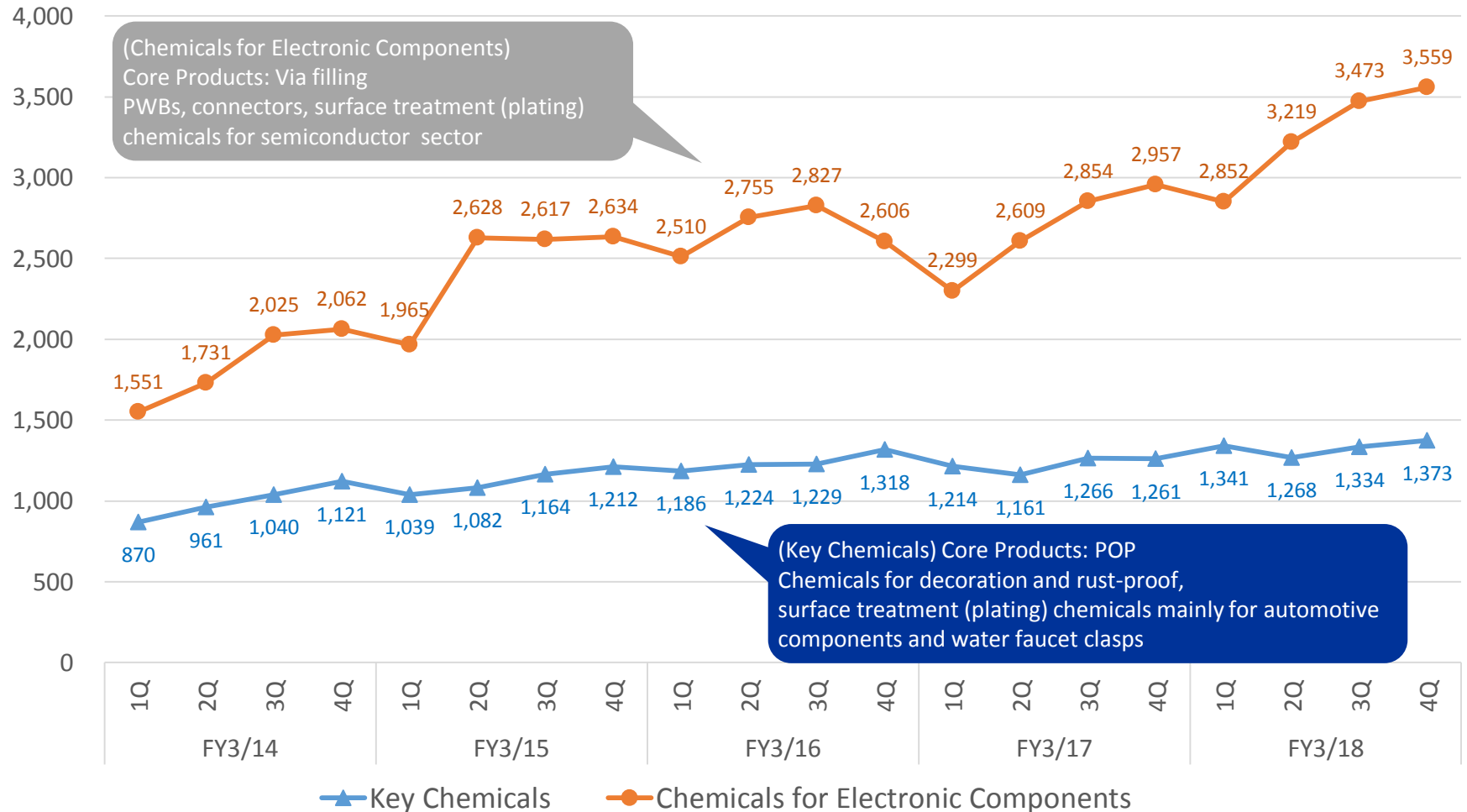
(Millions of yen)



Quarterly Sales of Chemicals by Region

(Millions of yen)

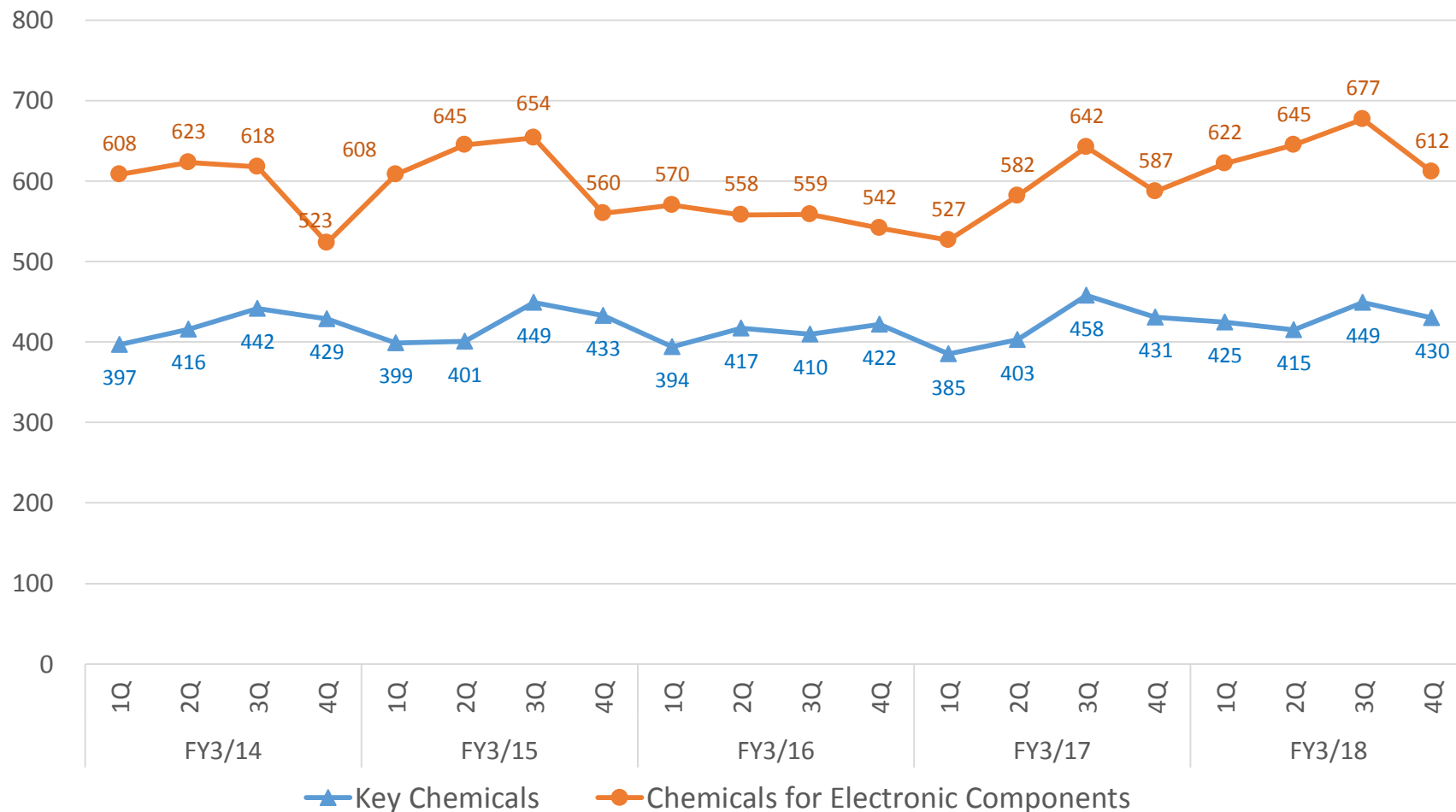
Consolidated



Quarterly Sales of Chemicals by Region

(Millions of yen)

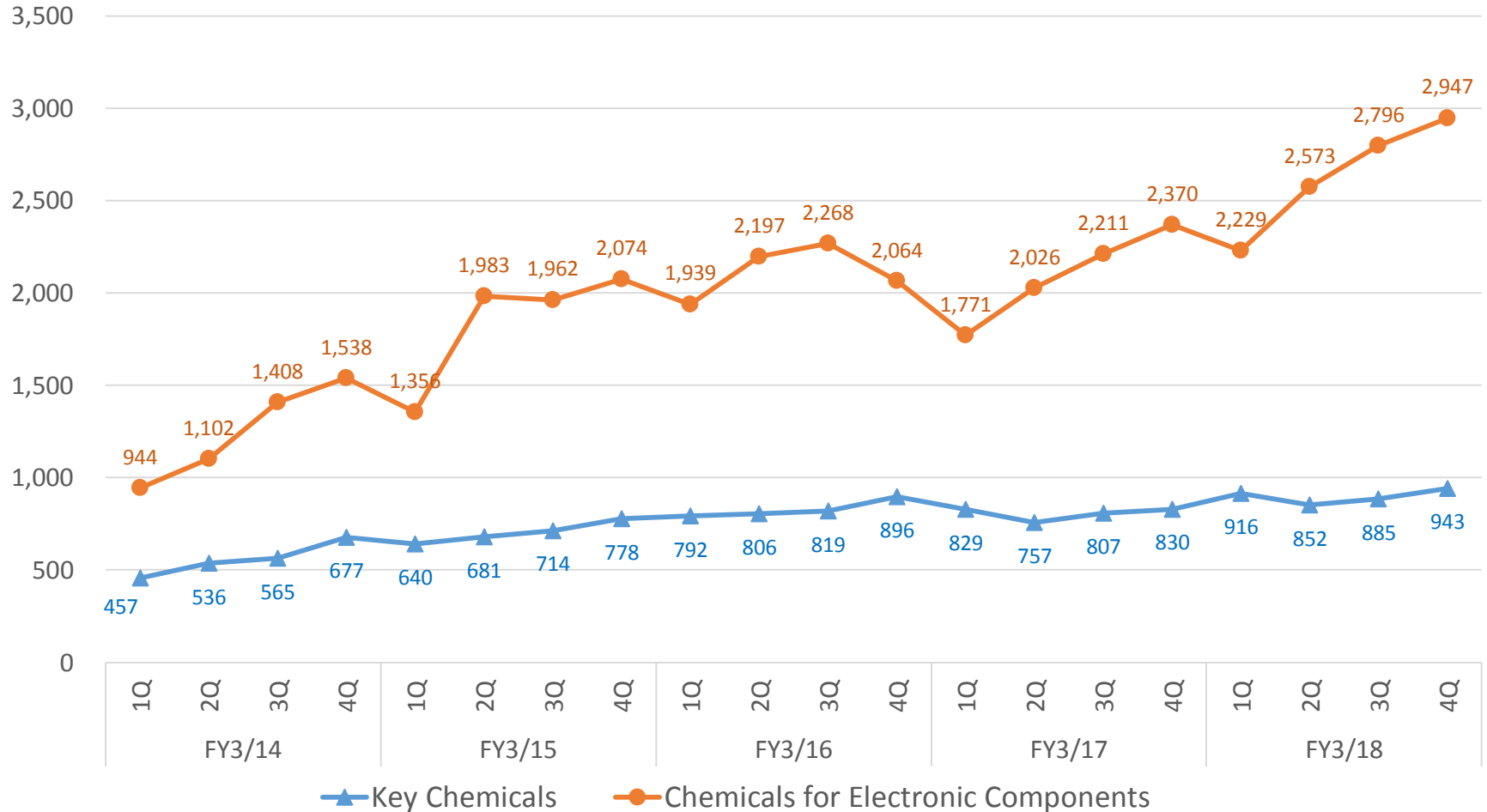
Japan



Quarterly Sales of Chemicals by Region

(Millions of yen)

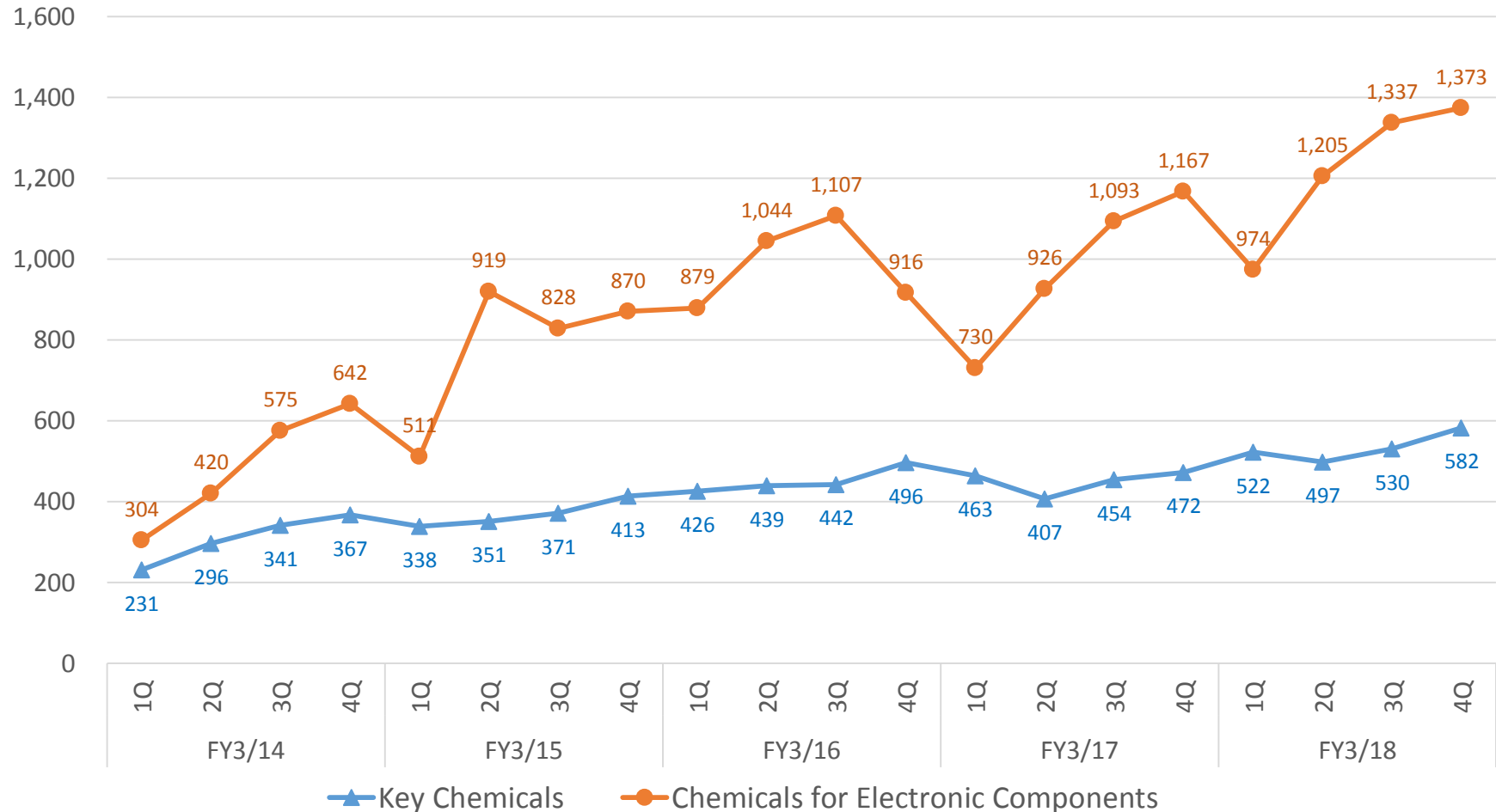
Overseas (total)



Quarterly Sales of Chemicals by Region

(Millions of yen)

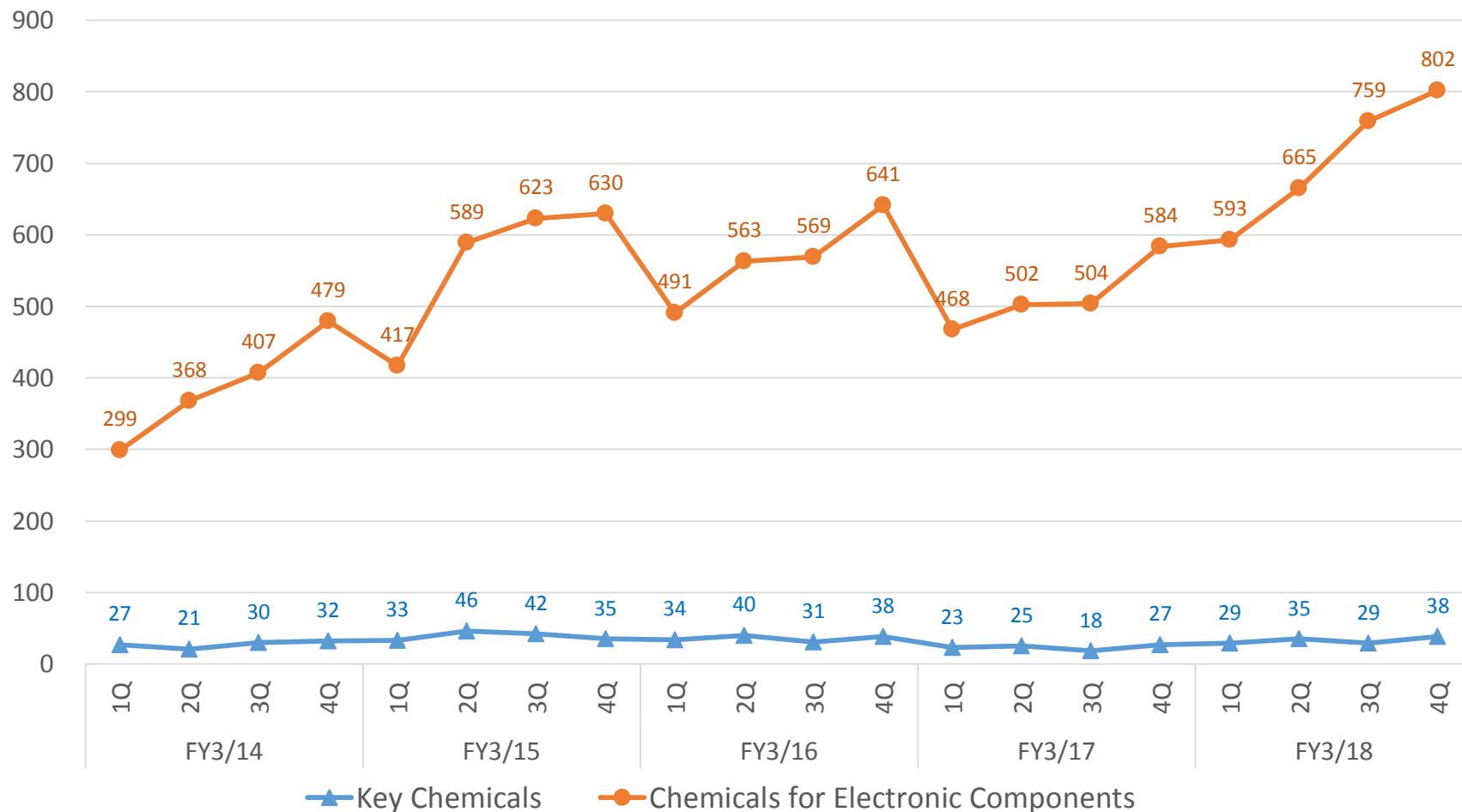
China



Quarterly Sales of Chemicals by Region

(Millions of yen)

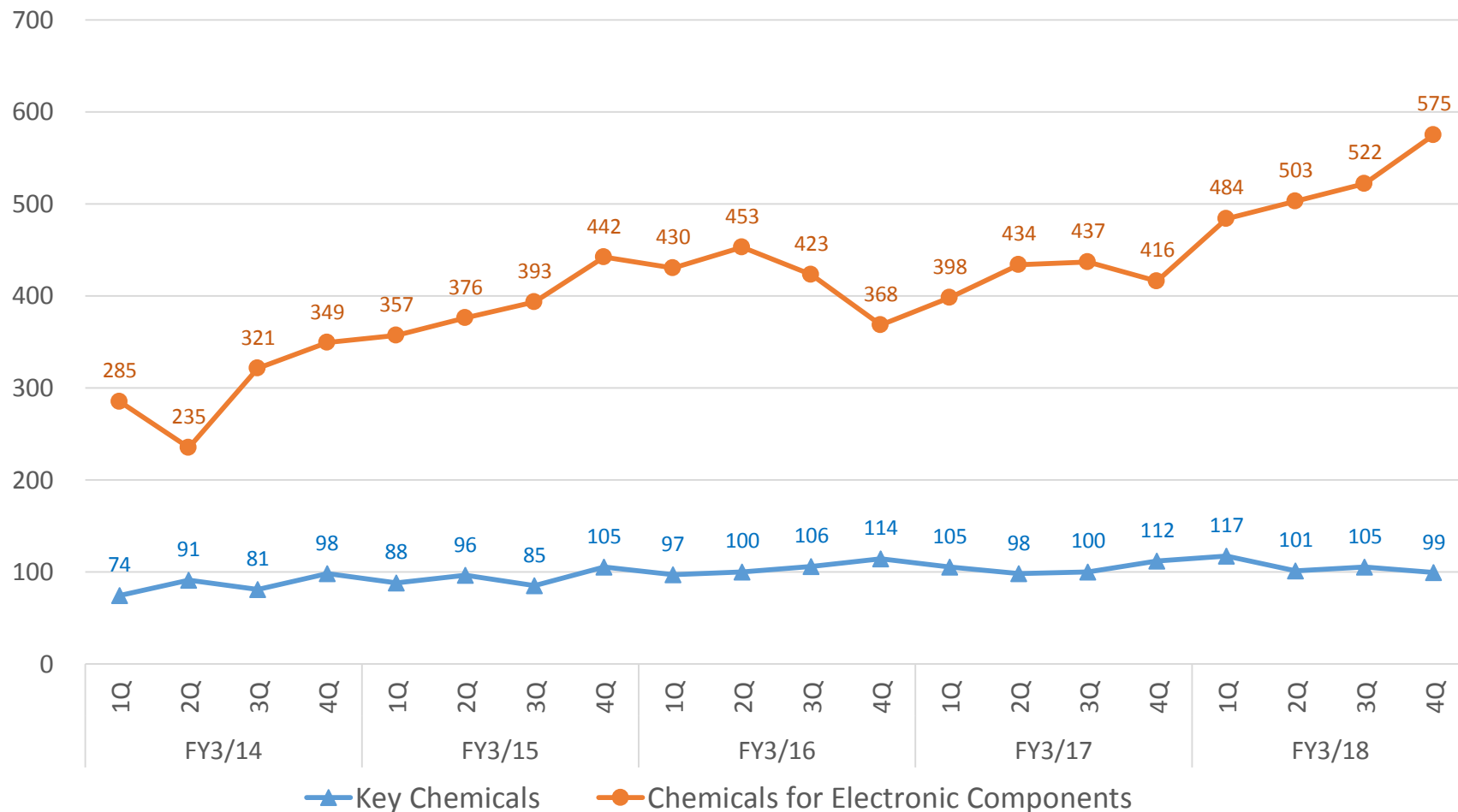
Taiwan



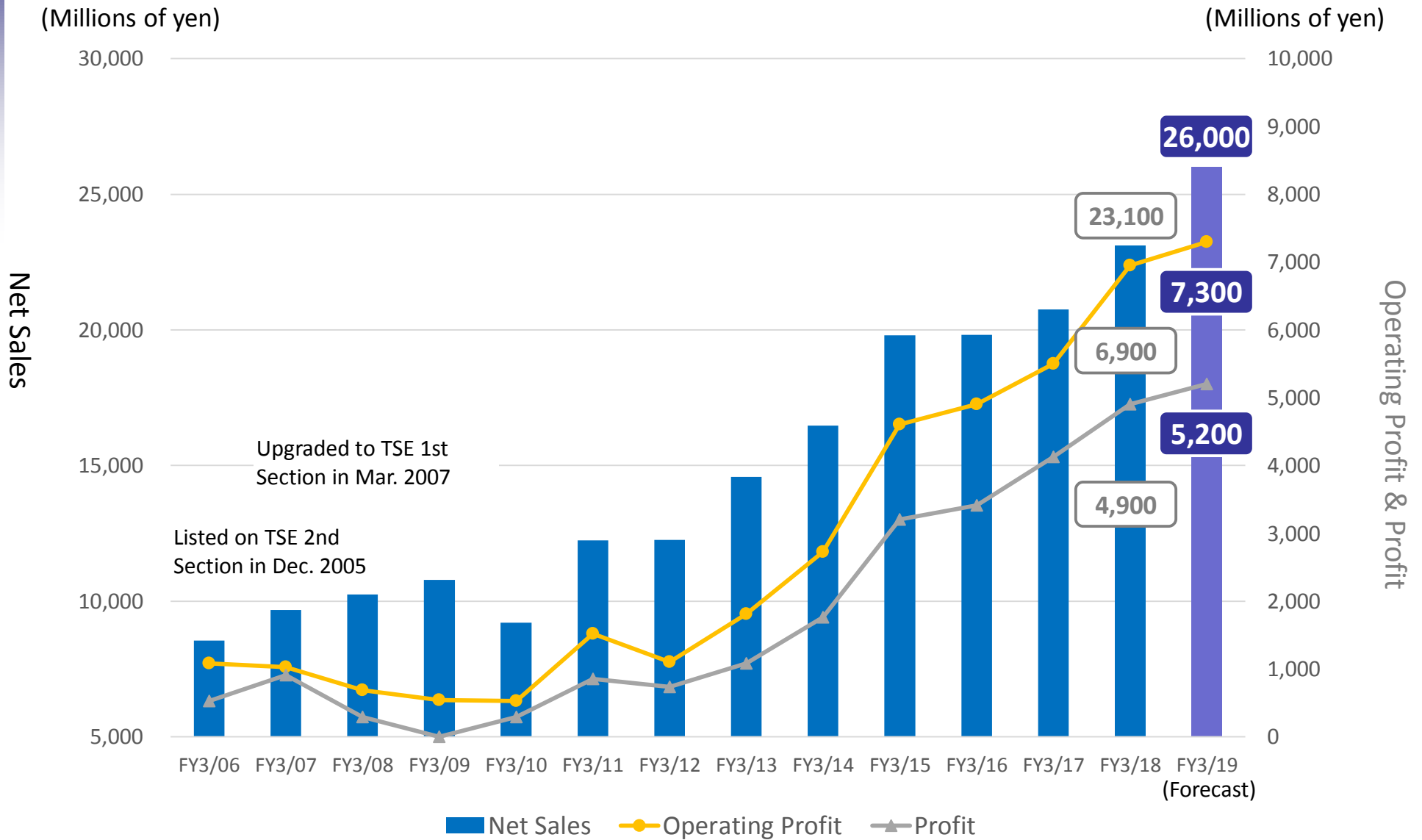
Quarterly Sales of Chemicals by Region

(Millions of yen)

South Korea

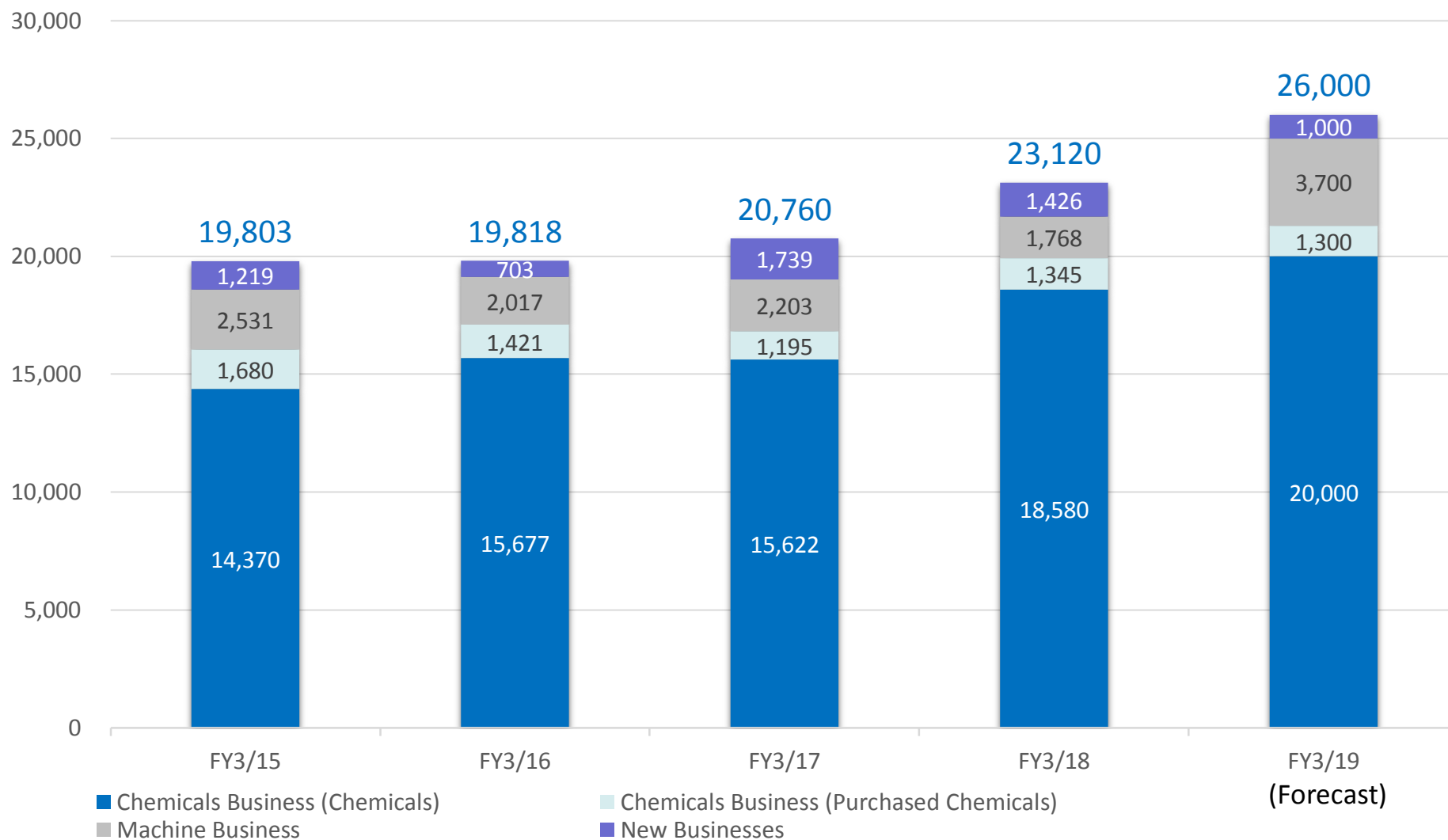


Financial Results since Listing (incl. Forecast)



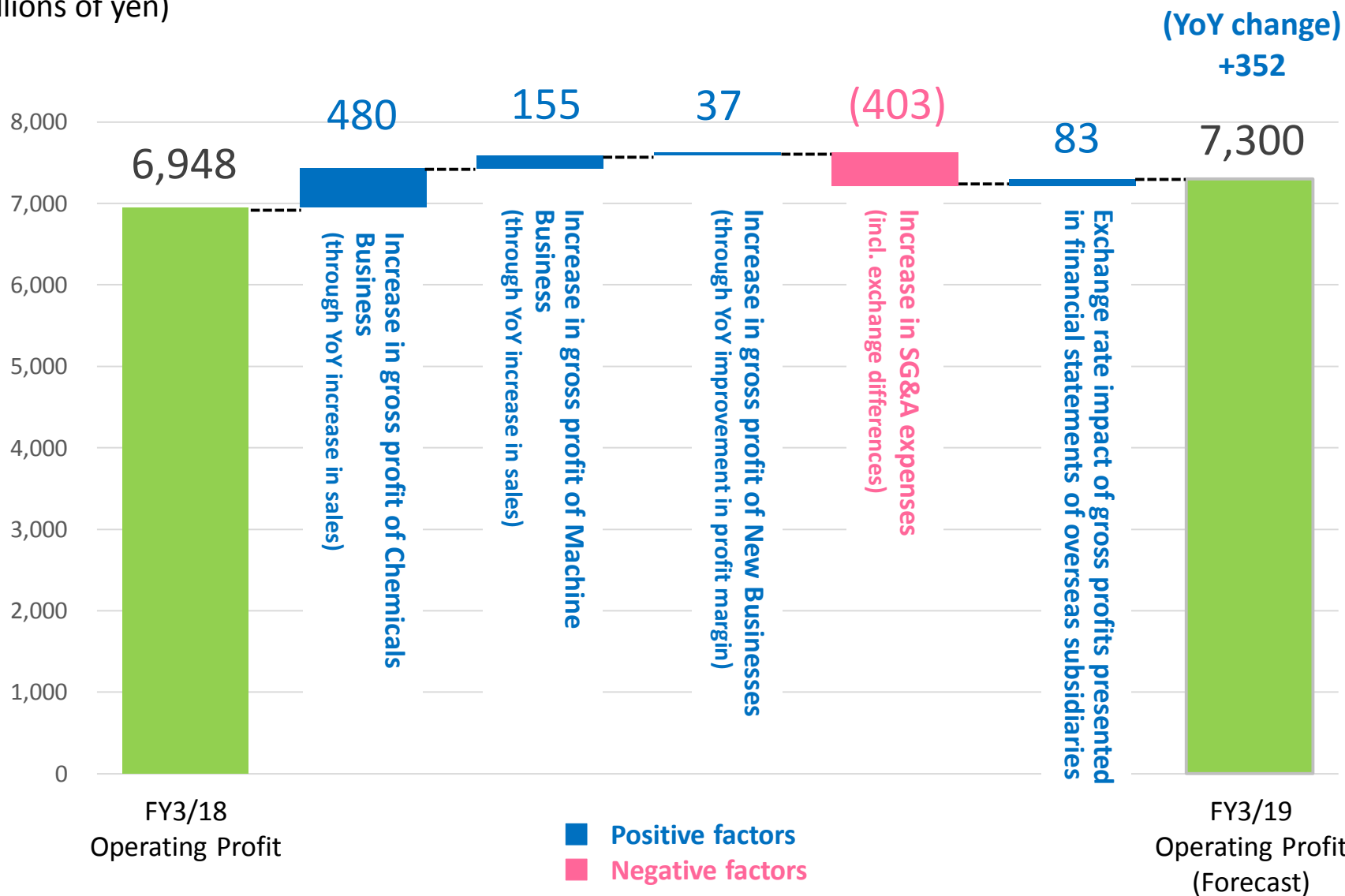
Annual Sales by Business (incl. Forecast)

(Millions of yen)



Changes in Consolidated Operating Profit (Forecast for FY3/19)

(Millions of yen)



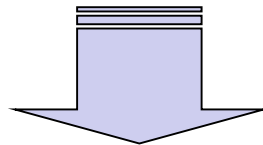
Progress Report on Process for Plating Films (Formerly, FPC Strategy Project)

Process for Plating Films: Summary of Former Report

Summary of Former Report

FPC stands for Flexible Printed Circuit (board), which is a thin, flexible and bendable substrate.

- ◆ In recent years, the need of FPC has been increasing due to its use for mobile devices such as smartphones.
- ◆ To meet the expanded market of FPC, a new manufacturing method (a process named **ELFSEED**) has been proposed.
- ◆ FPC Manufacturers can perform plating directly on substrates, which leads to changes in its commercial distribution. (Please refer to the next page.)
- ◆ Different from sputtering, this method enables a one-time plating on both sides of the substrates with holes, which makes possible the formation of further fine patterns. (the **“holes-first” method**)
- ◆ Chemicals are sold in bundle with roll-to-roll equipment, leading to **productivity improvement and substantial cost reduction**



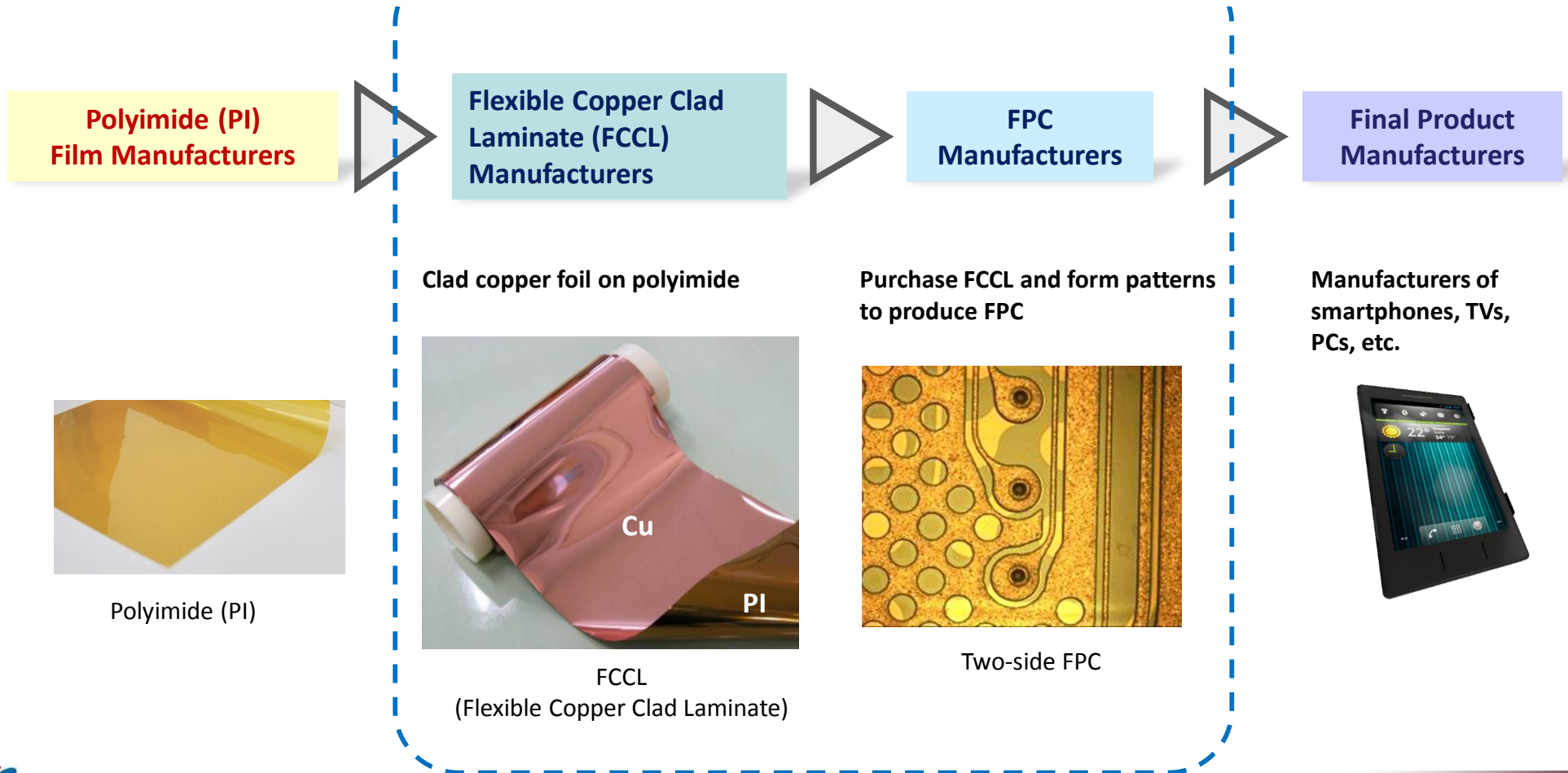
Offering a competitive advantage both technically and cost-effectively!

Process for Plating Films: Summary of Former Report

Distribution Flow of FPCs

Targets

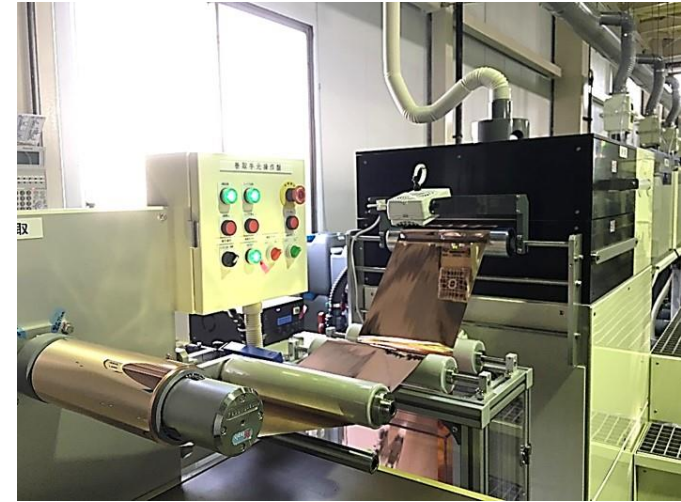
- ◆ For FPC and COF manufacturers to make a FCCL process in-house (for cost reduction and miniaturization)
- ◆ For FCCL manufacturers to adopt a new manufacturing method (for miniaturization)
- ◆ For manufacturers to adopt FPC for their package substrates (for miniaturization)



Process for Plating Films: Summary of Former Report



1) Roll-to-roll electroless nickel plating equipment



2) Roll-to-roll electrolytic copper plating equipment



3) Roll-to-roll plasma equipment

Process for Plating Films

Report on Current Status

* COF (Chip on Film)

Implementation technology for mounting ICs on circuited films. It is implemented to manufacture liquid crystal displays and other products.

- ◆ Achieved one of the targets by receiving a firm order of the roll-to-roll equipment from one company.
- ◆ FPC and COF* are currently manufactured by the subtractive process, but with circuit boards further miniaturized, SAP (Semi Additive Process) may be considered in the future. (Target of ELFSEED)

Actions to be taken

- ◆ The equipment ordered will be delivered at the end of 2018. After the installment of the equipment, we can expect an expanded customer base with our performance and technology recognized through evaluation tests and start of mass production.
- ◆ Continue to propose technology for reducing costs through adopting high precision FPC (with our strength of combining chemicals and equipment in mind).
- ◆ Continue to verify the equipment mechanism that can accommodate various film widths.

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Company Profile

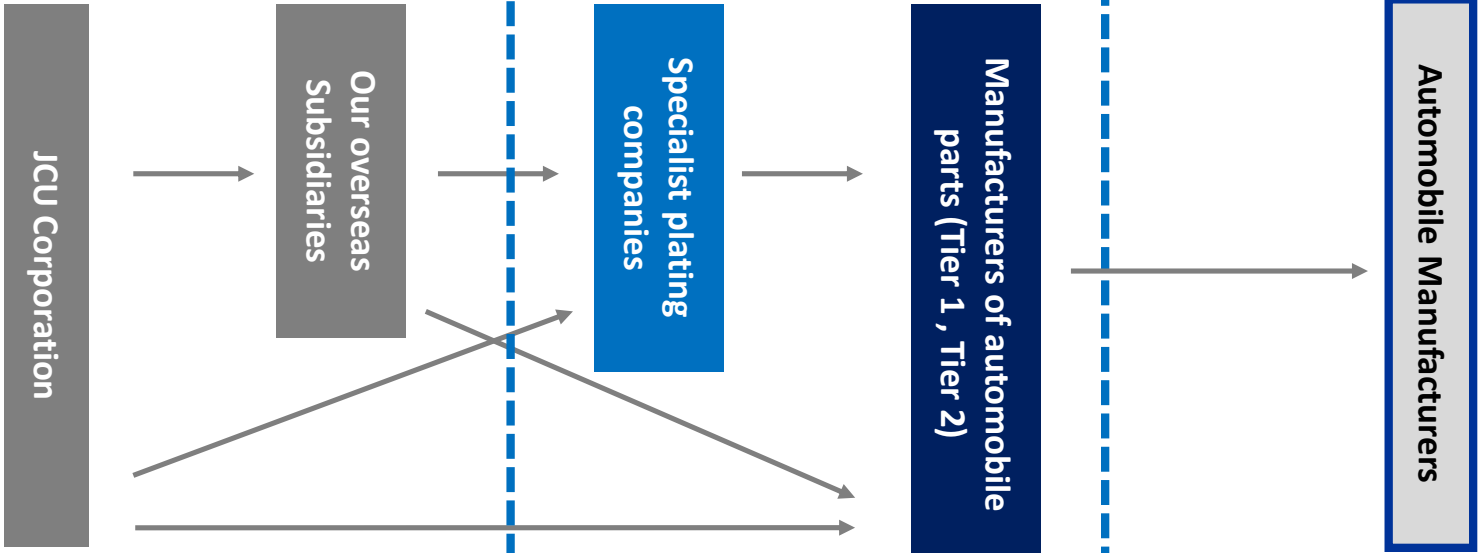
Founded in	: December 1957
Established on	: April 1, 1968
Capital stock	: 1,191 million yen
Annual sales	: Non-consolidated: 14.0 billion yen / Consolidated: 23.1 billion yen (For the fiscal year ended March 31, 2018)
Head office	: TIXTOWER UENO 16F, 8-1 Higashiueno 4-chome, Taito-ku, Tokyo
Lines of business	: Manufacturing and sale of surface treatment chemicals, surface treatment machines, and related materials
Representative Directors	: Keiji Ozawa, Chairman and CEO Masashi Kimura, President and COO
Employees	: Non-consolidated: 264 / Consolidated: 559 (As of March 31, 2018)

ISO Certificates

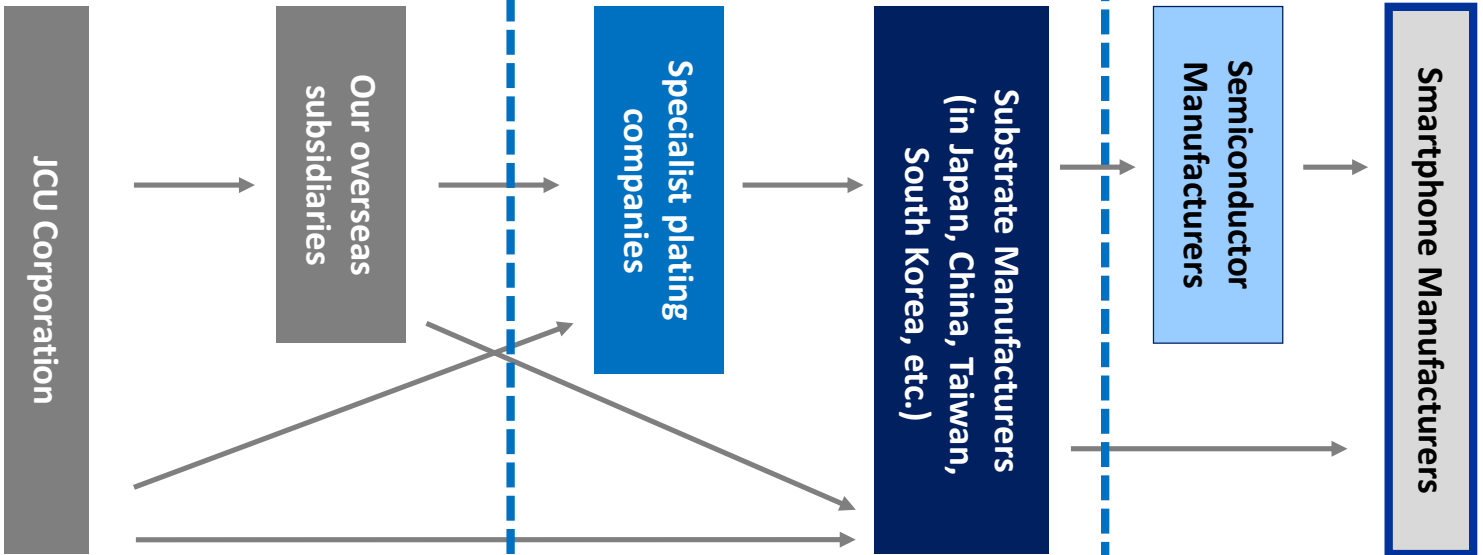
ISO9001	Production Headquarters, Chemicals Procurement Department, Head Office Sales and Marketing Department, and R&D Center (JCQA-0281)
ISO14001	Production Headquarters and R&D Center (JCQA-E-0143)

Major Distribution Channels

Automobiles



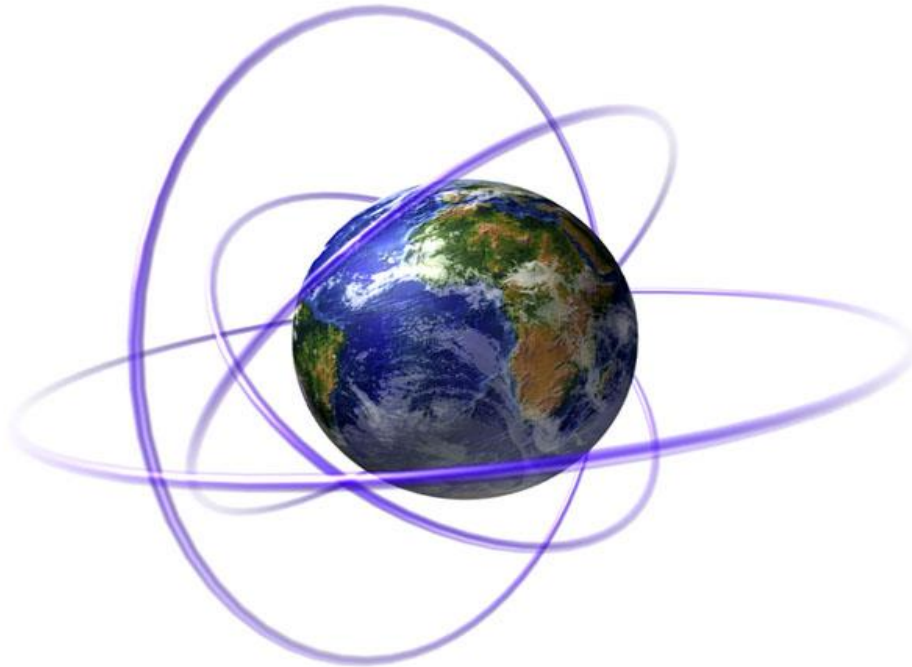
Smartphones



Major Products

Chemicals Business	For decoration and rust-proofing (Key chemicals)	Automotive parts (front grilles, door handles, emblems, etc.) Faucet parts (water supply equipment, showerheads, drain plugs, etc.) Construction materials (bolts, nuts, etc.)
	For electronic components (Chemicals for electronic components)	PWBs (reversible and multilayer substrates, build-up boards, package substrates, etc.) Electronic components (lead frames, chip components, connectors, etc.) Semiconductors (silicon wafers)
Machine Business	Fully-automated surface treatment equipment	Fully-automated equipment from input of materials to completion of the plating process
	Peripheral equipment	Manufacturing and sale of filtration machines and other peripheral equipment to be attached to surface treatment equipment
	Automatic analytical control systems	Automatic management of plating solutions by analyzing concentrations of chemicals and adding chemicals when an insufficient level is detected
New Businesses	Plasma system	Etching and washing devices for PWBs as part of pre-plating processes
	Solar photovoltaic generation facilities	Installation and operation of solar photovoltaic generation facilities (photovoltaic panels)
	Natural water	Sale of natural water branded "FUJIZAKURACHOUMEISUI"

This material contains current plans and forecasts of future performance of the Company. These plans and forecast figures are prepared by the Company based on currently available information. This material does not give any assurance or guarantee of the Company's future financial performance and actual results may differ substantially from these plans for a number of conditions or developments in the future.



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