


Explorer in Surface Engineering



Financial Results Briefing Material

for the Third Quarter of the Fiscal Year Ending March 2019



JCU CORPORATION

TSE First Section (Stock Code: 4975)

February 4, 2019

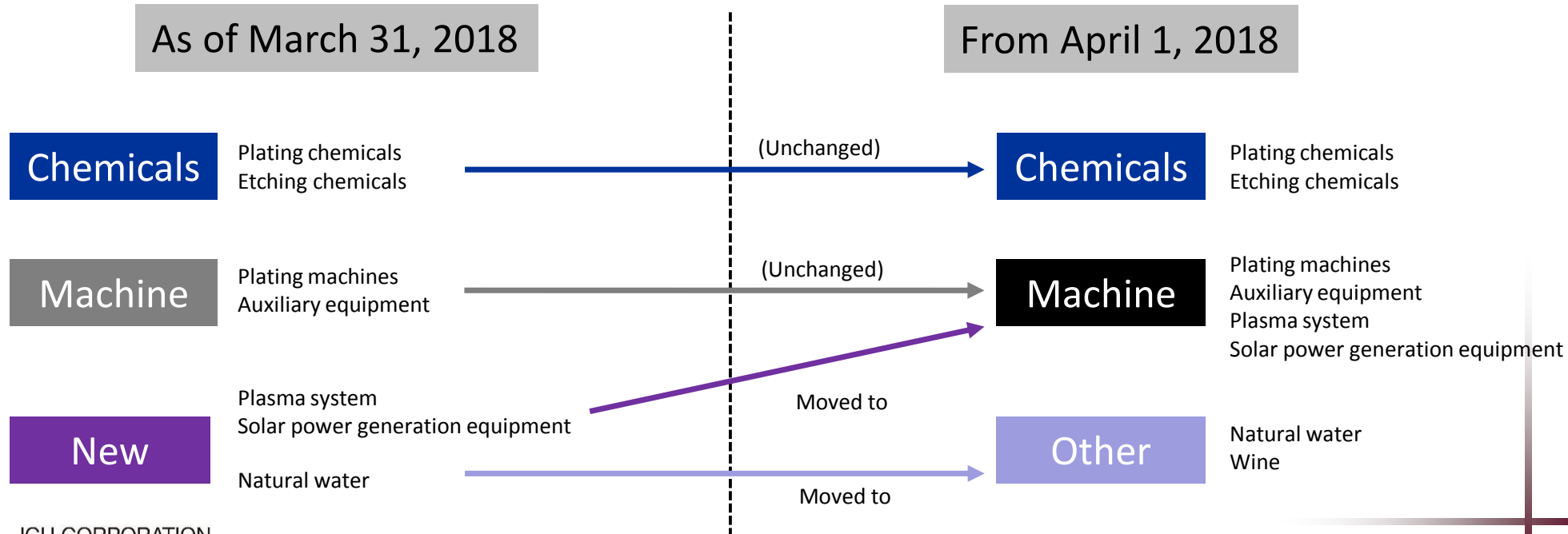


Revisions to Reportable Segments

Effective from the first quarter of the fiscal year ending March 31, 2019 (1Q FY3/19), we changed its reportable segments due to the organizational change. Specifically, the previous three reportable segment structure comprising of the Chemicals Business, the Machine Business, and the New Businesses was changed to the two reportable segment structure comprising of the Chemicals Business and the Machine Business together with the newly established “Other” businesses segment, which includes businesses other than those included in the two reportable segments.

As a result, the Machine Business now includes plasma system, solar power generation equipment and other machines, all of which were previously classified into the New Businesses. The Other Businesses includes the businesses of color processing with the sputtering technology, drinking water, and wine.

The segment information for the first quarter of the previous fiscal year and thereafter is presented based on the new reportable segment structure after the organizational change.



Summary of Financial Results for 3Q FY3/19

Overview of Financial Results

Accounting Period of 3Q FY3/19

JCU (non-consolidated): April 1 to December 31

Overseas subsidiaries: January 1 to September 30

For electronic components

The growth in demand for chemicals along with the increased number of smartphones sold leveled off as the sales volume of smartphones was sluggish. Especially, demand of chemicals for high-end smartphones were soft. The sales volume of smartphones for the Chinese market was also weak. On the other hand, demand for chemicals were stable at a certain level with a trend of high functionality, and demand for other electronic devices was also solid. As a result, chemicals sales remained firm. Sales for electronic components exceeded those for the same quarter of the previous fiscal year.

For automotive components

The chemicals sales in the domestic market showed a modest recovery. In the overseas markets, the chemical sales increased year over year because the strong sales of plating chemicals for automotive components, along with expanded sales to new customers in China. Machine sales significantly increased year over year due to the steady progress of construction involving large-scale plating machines for which orders were received in the previous fiscal year.

Summary of Financial Results for 3Q FY3/19

Consolidated

(Millions of yen)

	Same period of previous FY (3Q FY3/18)	3Q FY3/19	YoY % Change
Net sales	16,335	19,549	+ 19.7%
Operating profit	5,065	5,459	+ 7.8%
Ordinary profit	5,063	5,521	+ 9.1%
Profit attributable to owners of parent	3,702	3,972	+ 7.3%
Net income per share	133.08 yen	142.72 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 31, 2018.

Net sales increased year over year due to a substantial increase in sales of the Machine Business segment (including the businesses previously classified under the New Businesses).

Foreign Exchange Rates

(Yen)

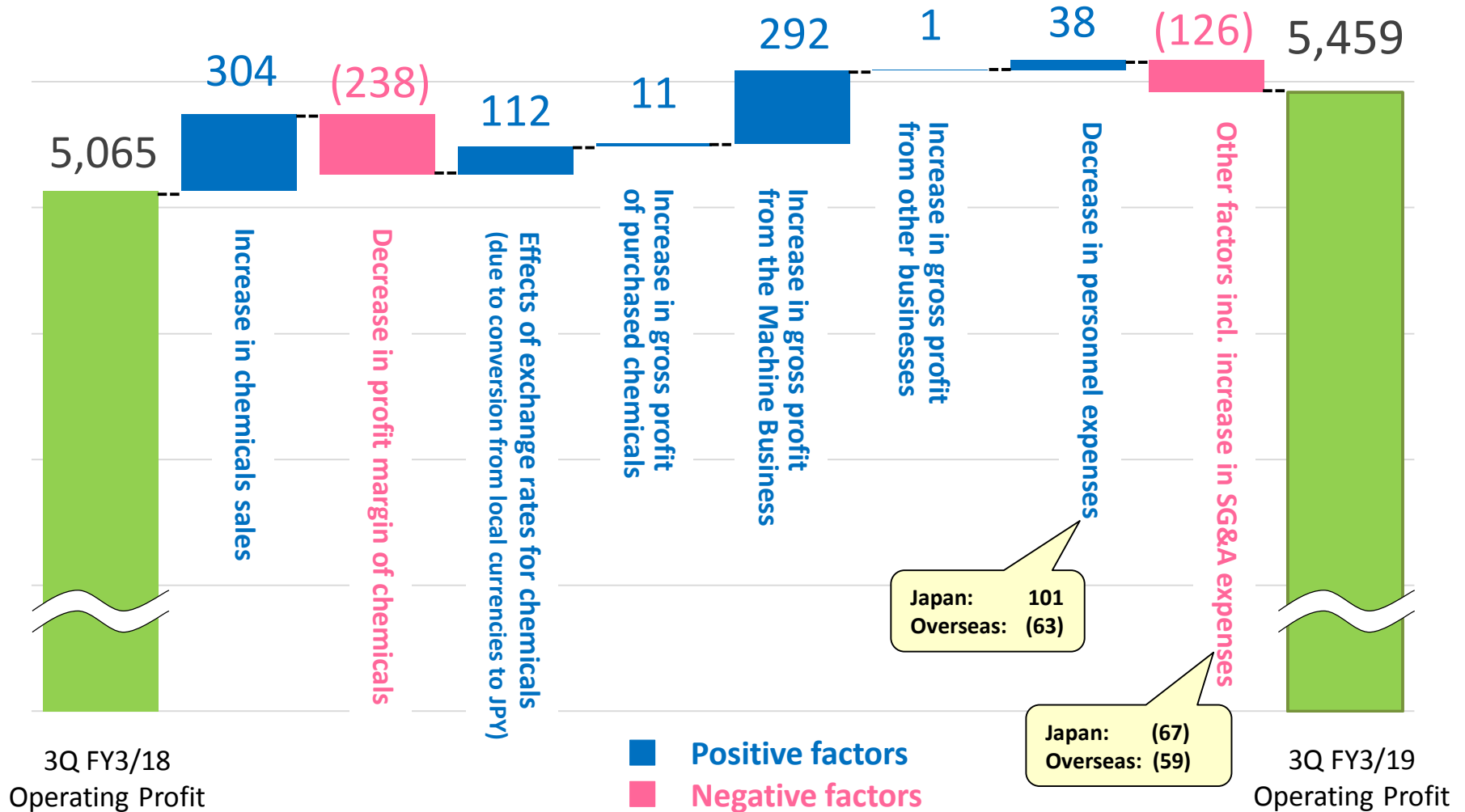
	FY3/18				FY3/19			
	1Q	2Q	3Q	4Q	Estimates	1Q	2Q	3Q
Chinese yuan (CNY)	16.57	16.39	16.47	16.62	17.05	17.05	17.09	16.85
Taiwan dollar (TWD)	3.66	3.67	3.67	3.69	3.70	3.70	3.68	3.67
Korean won (KRW)	0.0986	0.0985	0.0984	0.0993	0.1010	0.1010	0.1011	0.1005

Note: The average rate for the period is used to translate Chinese yuan, Taiwan dollar and Korean won, our major foreign currencies, to Japanese yen.

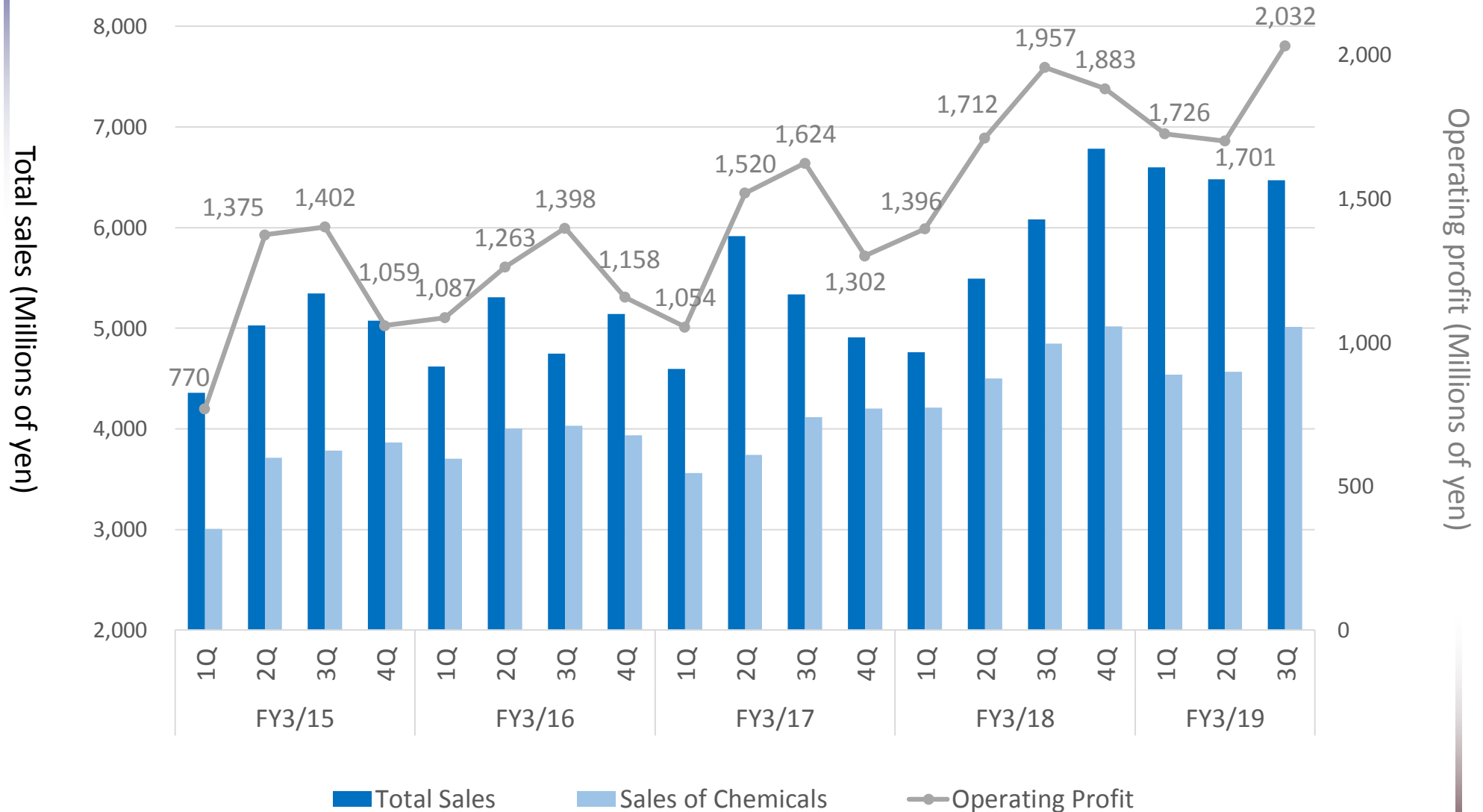
Changes in Consolidated Operating Profit for 3Q FY3/19

(Millions of yen)

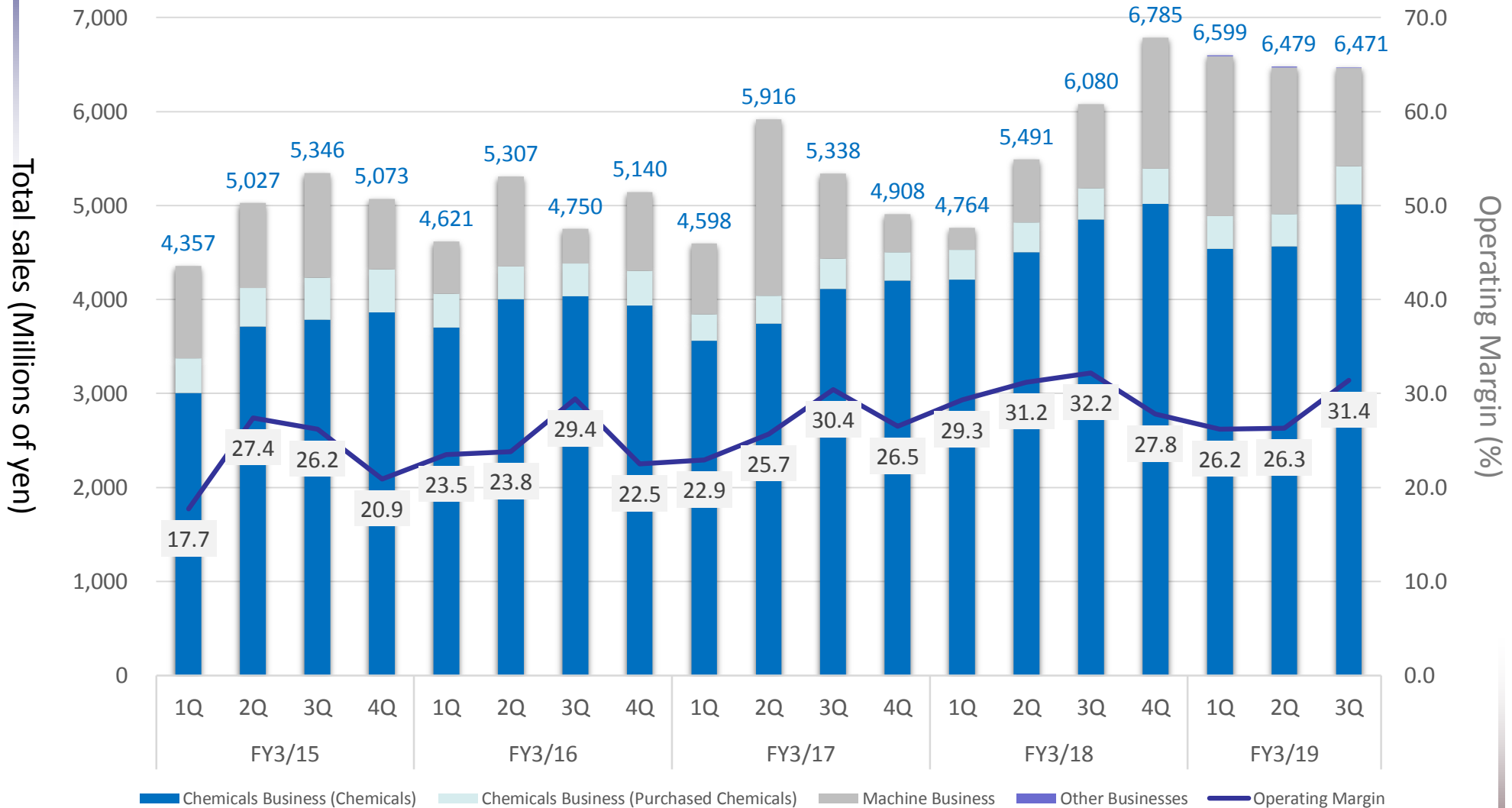
(YoY change)
+ 394



Quarterly Consolidated Financial Results



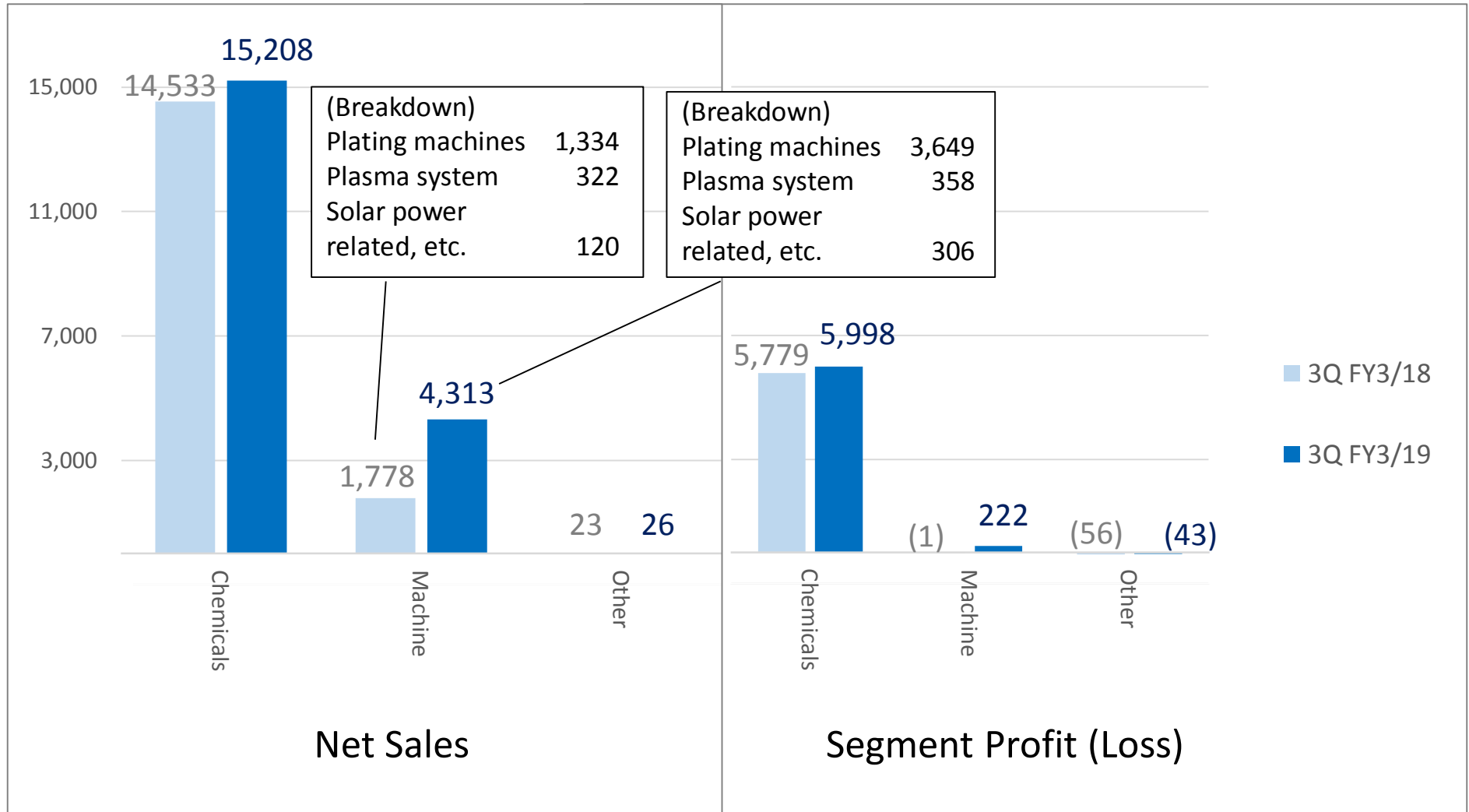
Quarterly Consolidated Financial Results



Note: Along with the change in reportable segments, all the businesses classified in the New Businesses segment in or before 4Q of FY3/18 are now included in the Machine Business for convenience purposes.

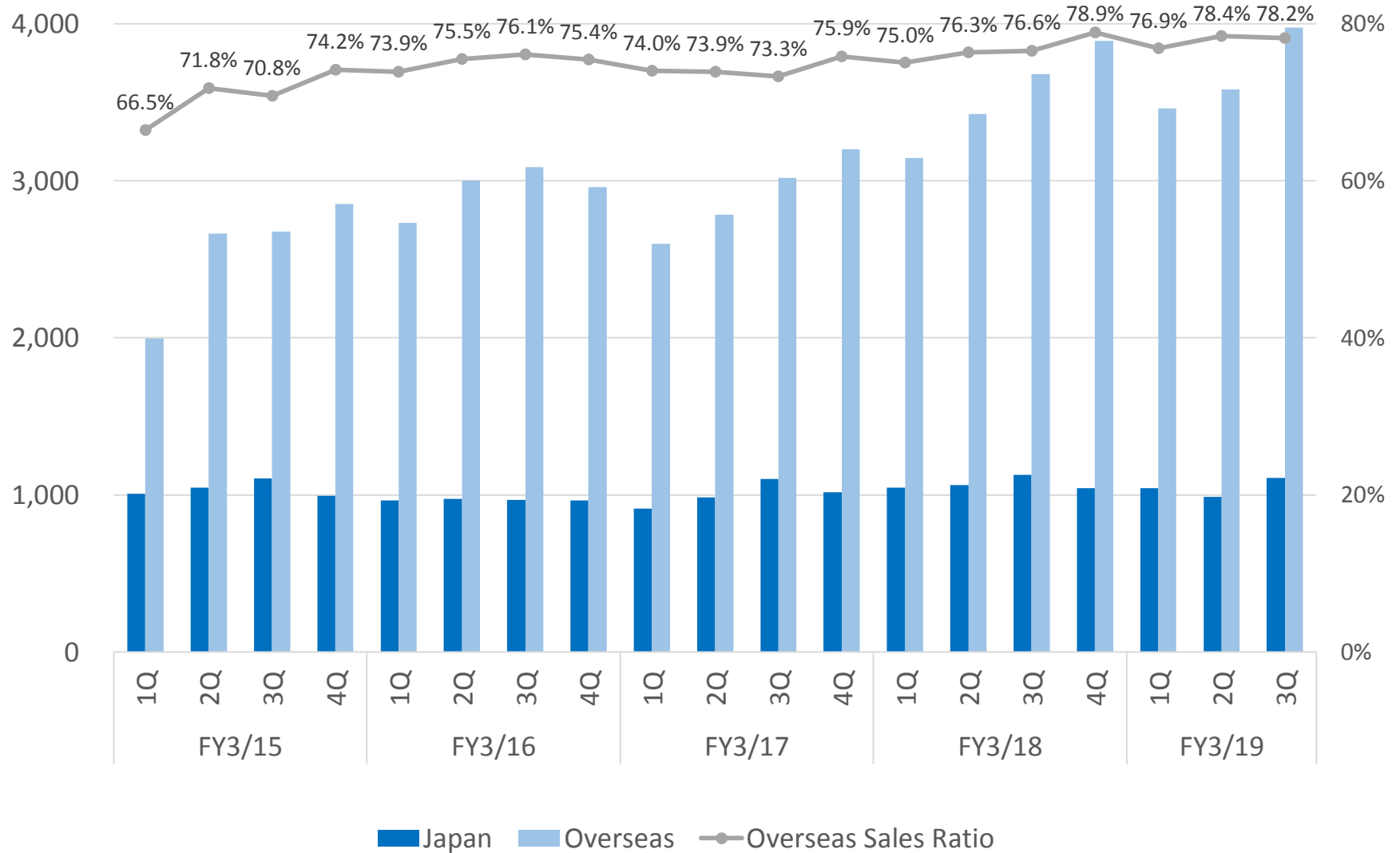
Consolidated Segment Results for 3Q FY3/19

(Millions of yen)



Quarterly Sales of Chemicals in Japan and Overseas

(Millions of yen)

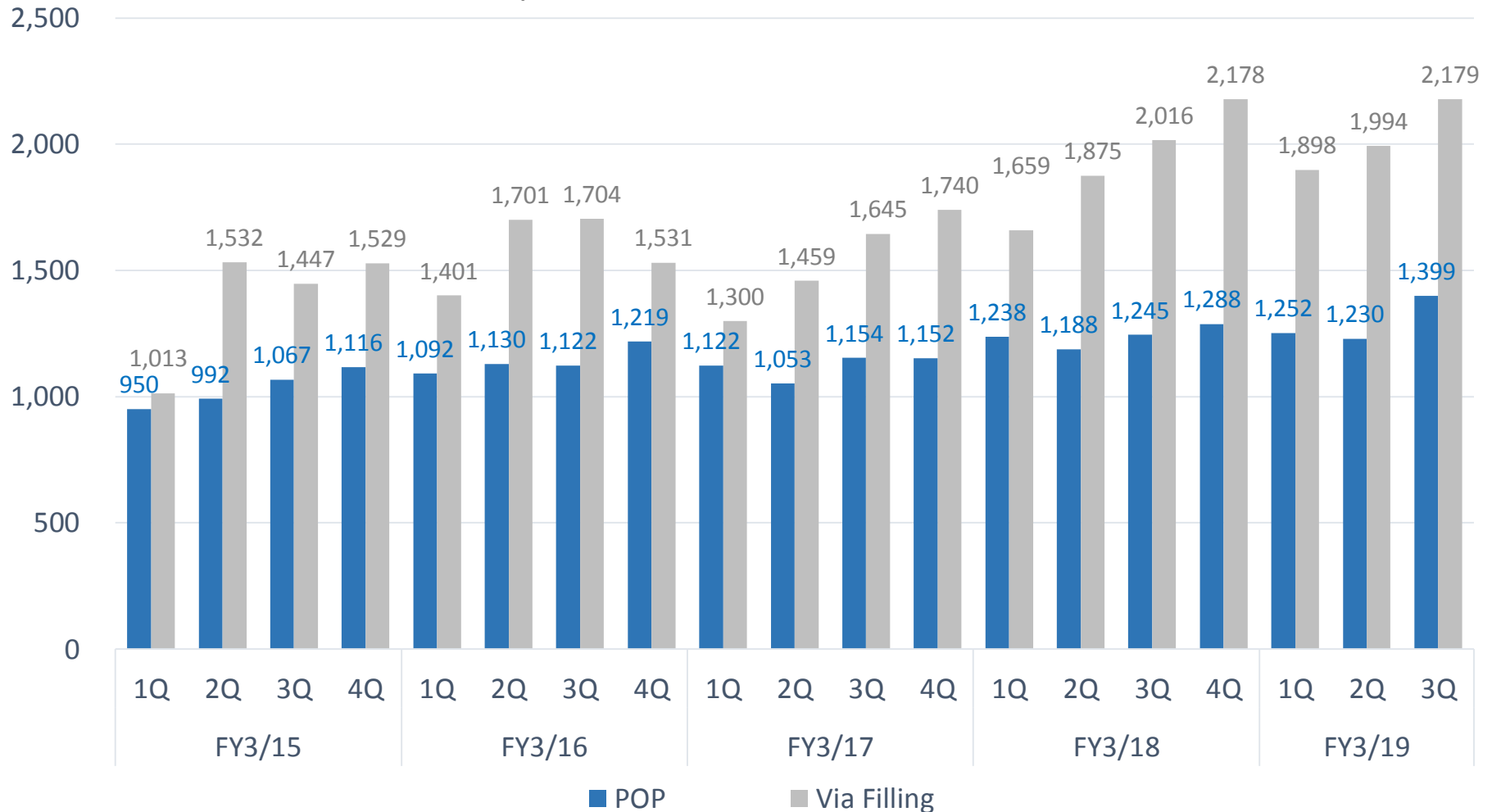


Quarterly Sales of Chemicals for POP and Via Filling

POP: Planting on Plastics, mainly for automotive components

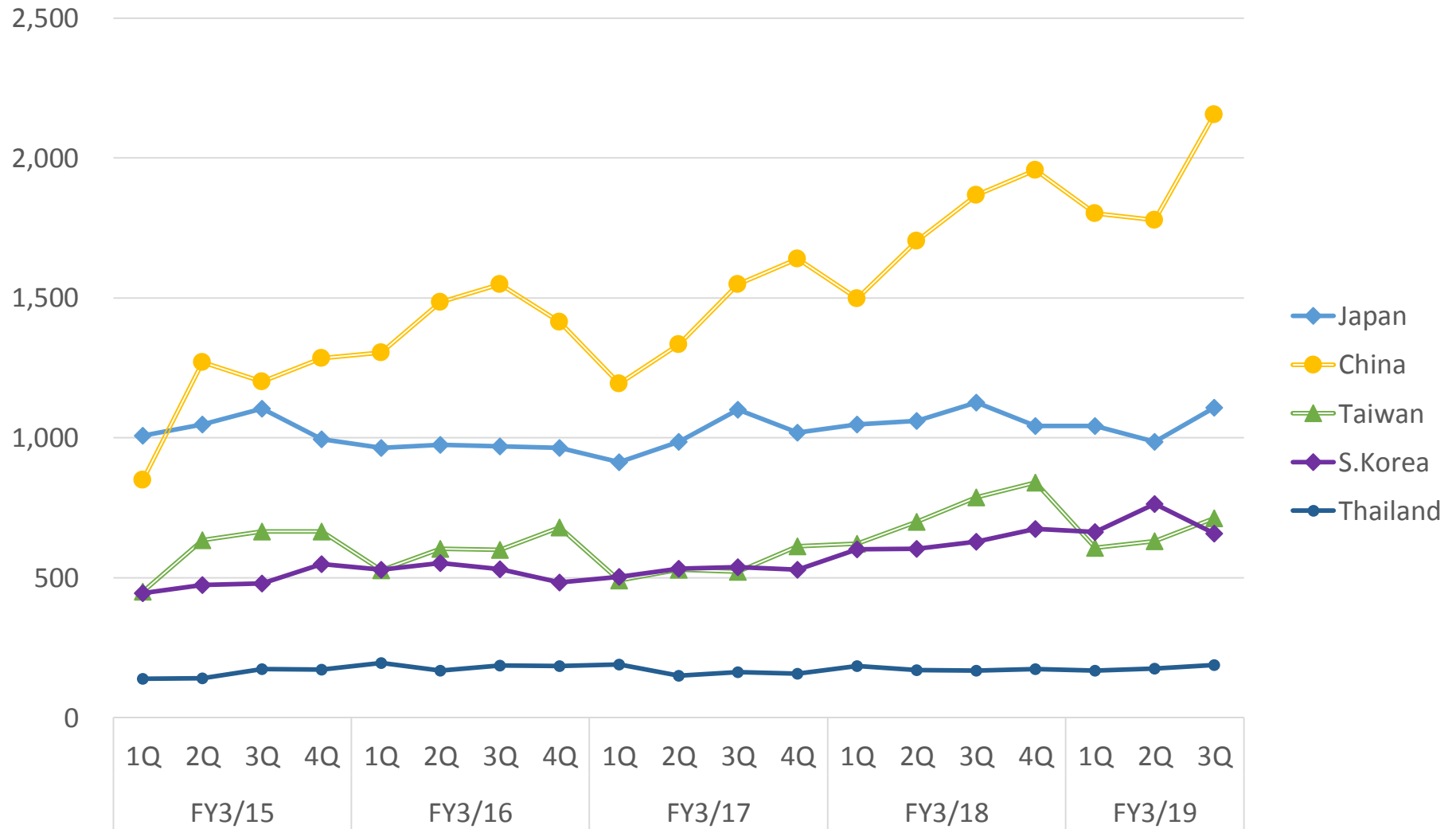
Via Filling: Additive for copper planting for printed-wiring boards, mainly for smartphones and PCs

(Millions of yen)



Quarterly Sales of Chemicals by Region

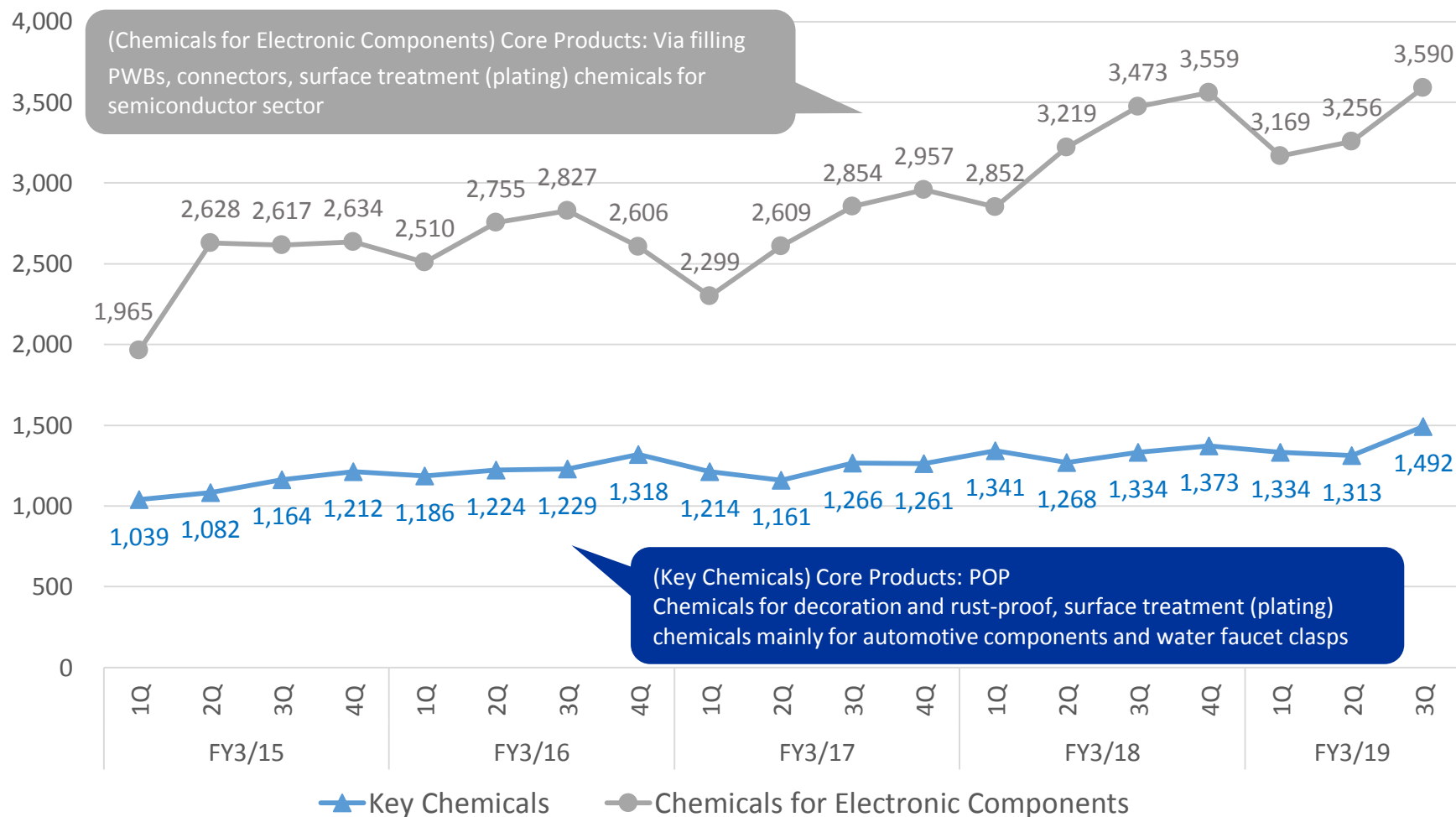
(Millions of yen)



Quarterly Sales of Chemicals by Region

(Millions of yen)

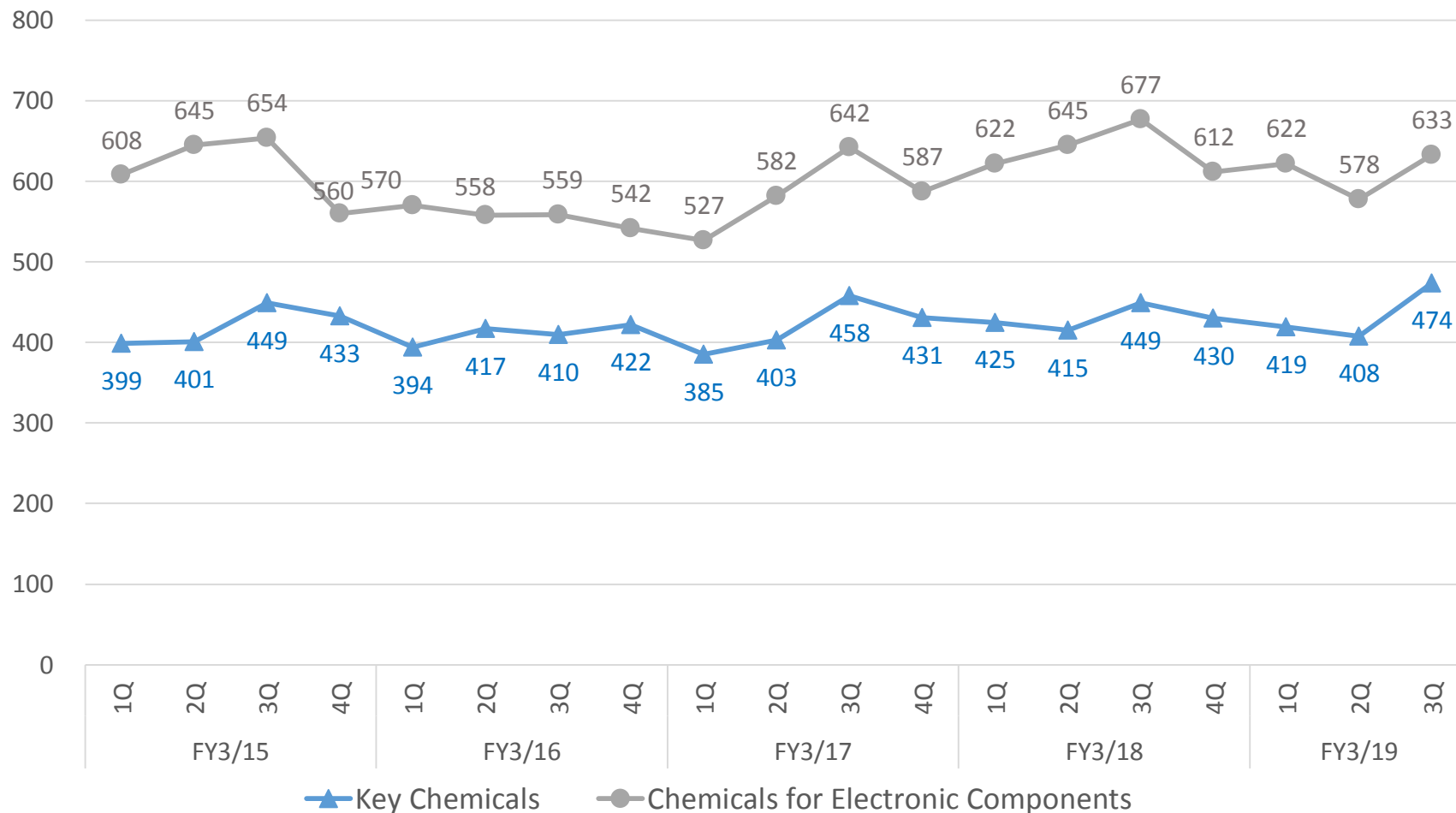
Consolidated



Quarterly Sales of Chemicals by Region

(Millions of yen)

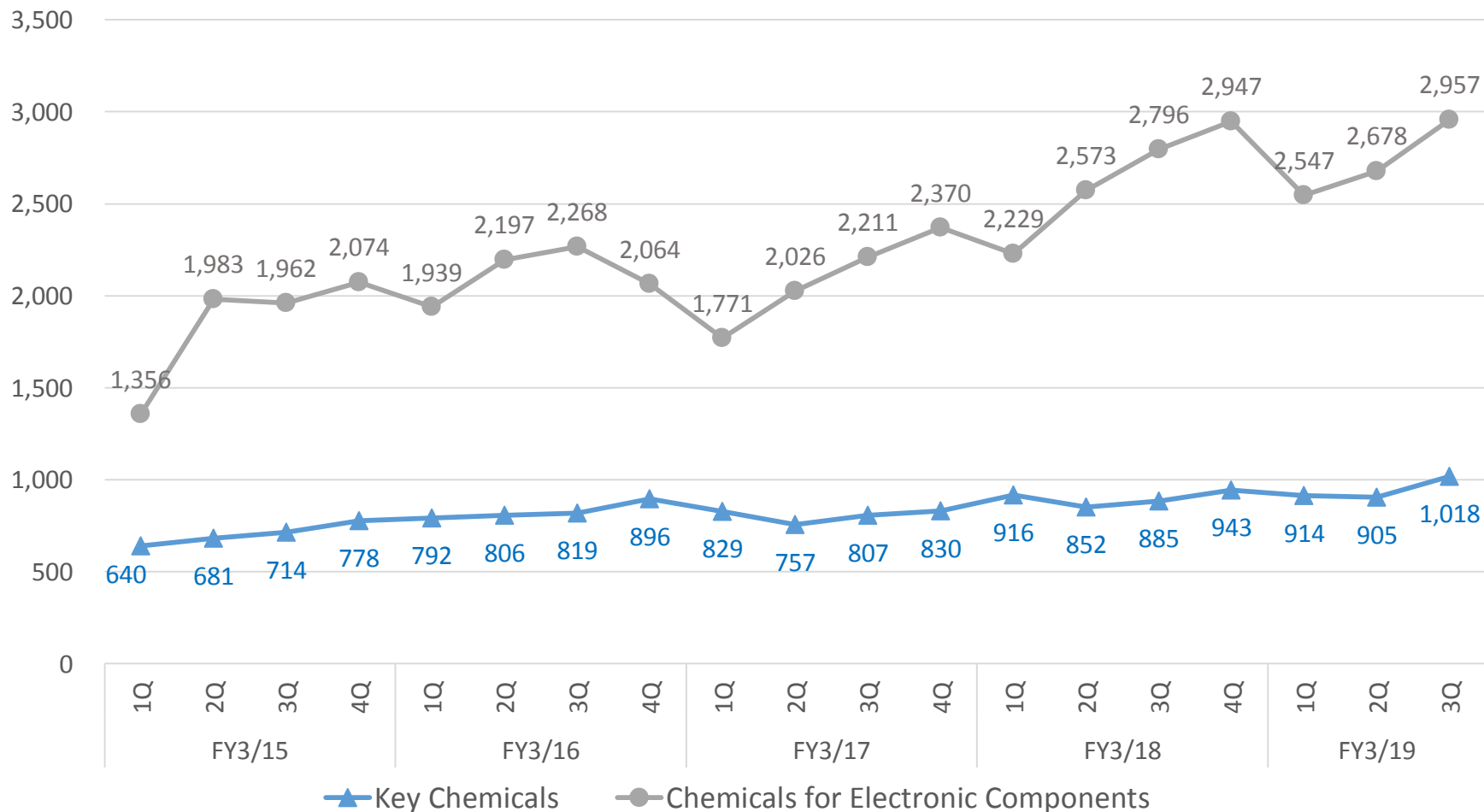
Japan



Quarterly Sales of Chemicals by Region

(Millions of yen)

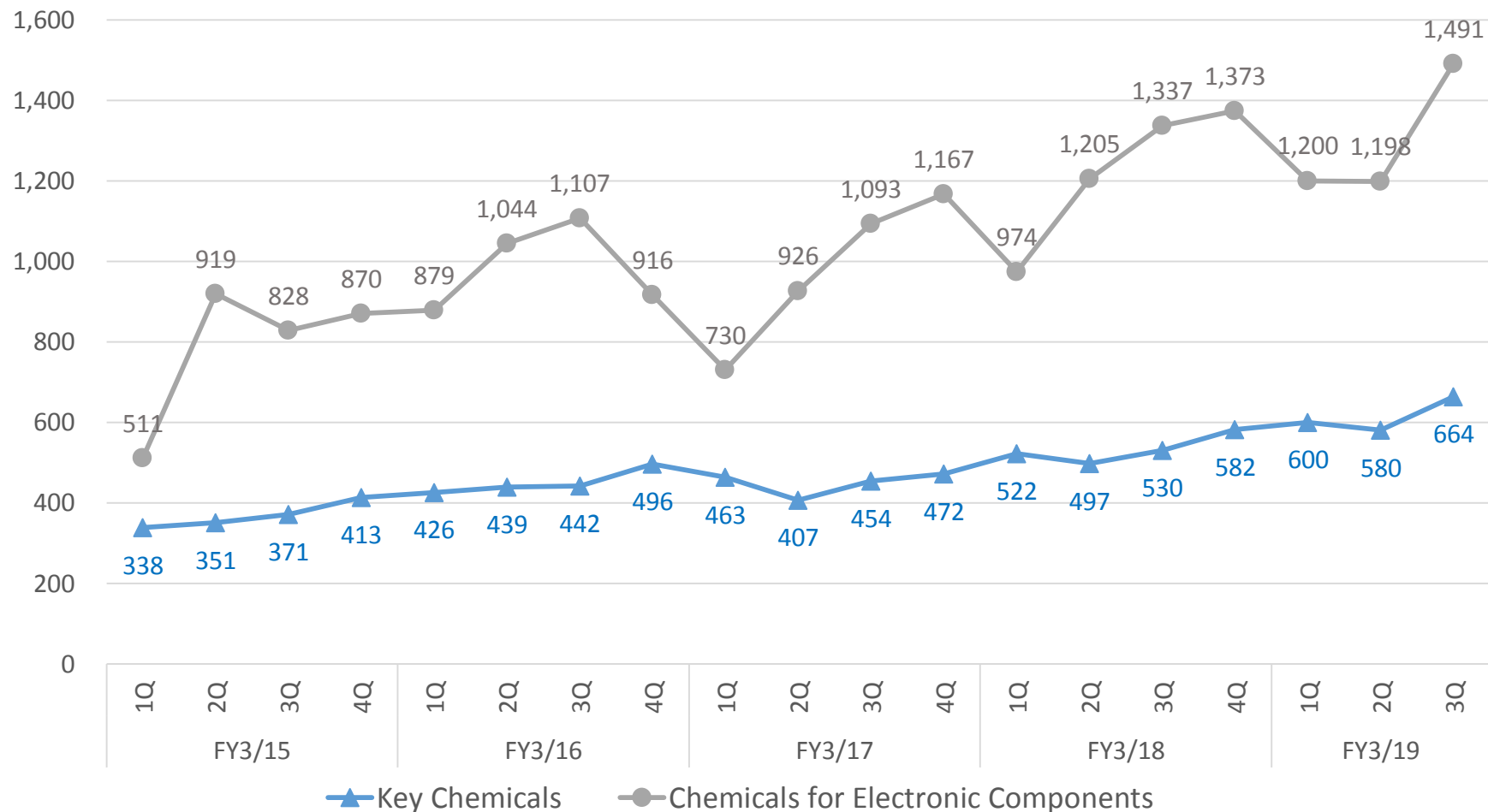
Overseas (total)



Quarterly Sales of Chemicals by Region

China

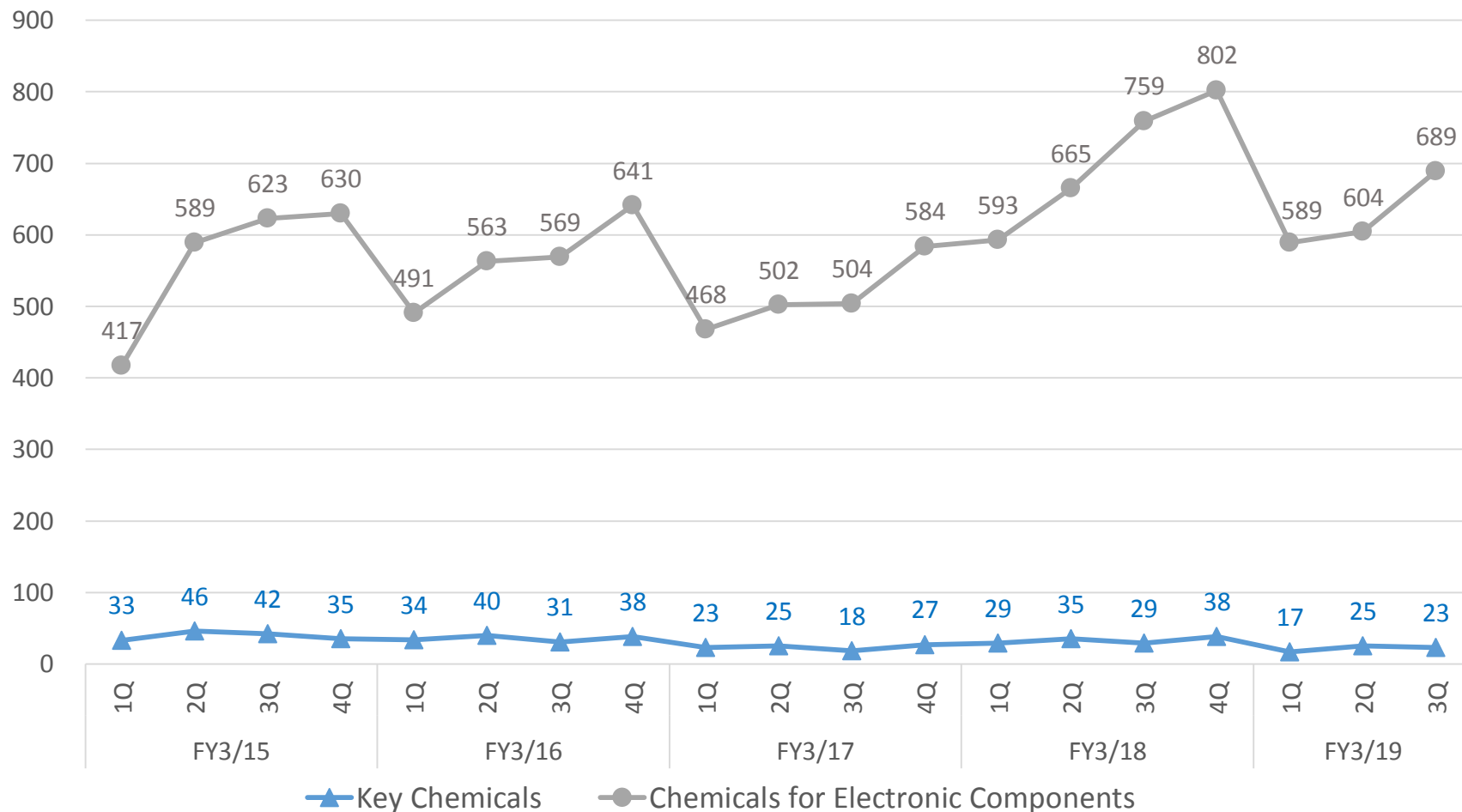
(Millions of yen)



Quarterly Sales of Chemicals by Region

Taiwan

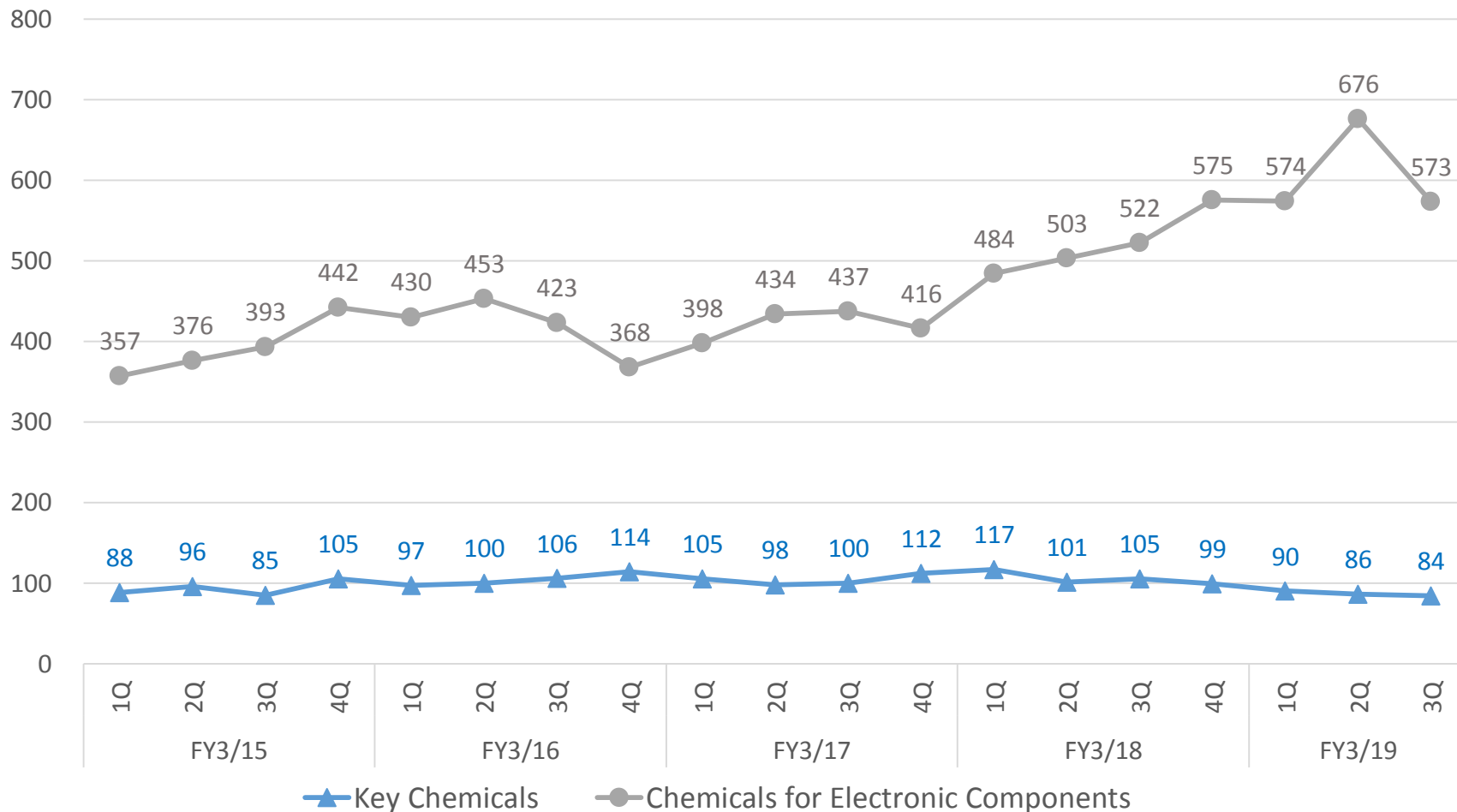
(Millions of yen)



Quarterly Sales of Chemicals by Region





(Millions of yen)

South Korea



Revised Forecast for FY3/19

(Millions of yen)

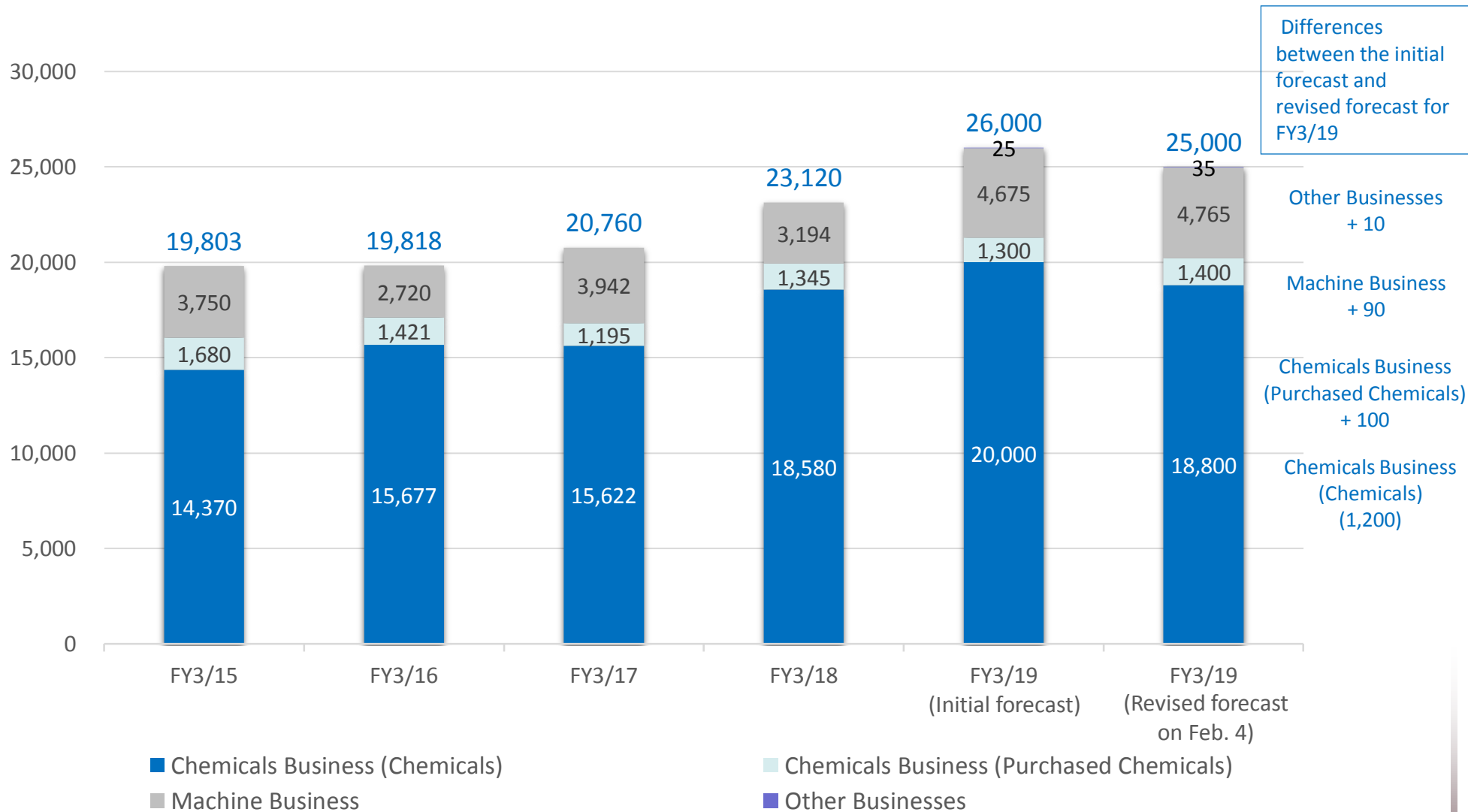
FY3/19	3Q (Results)	Full year (Initial forecast)	Full year (Revised forecast on Feb. 4)	Differences between the initial forecast and revised forecast
Net sales	19,549	26,000	 25,000 (1,000)	(3.8)%
Operating profit	5,459	7,300	 6,950 (350)	(4.8)%
Ordinary profit	5,521	7,300	 7,000 (300)	(4.1)%
Profit attributable to owners of parent	3,972	5,200	 4,700 (500)	(9.6)%
Net income per share	142.72 yen	186.84 yen	168.83 yen	-

Main Reasons for Revisions to Consolidated Forecast

- ◆ As sales of smartphones are sluggish, operating rate at our customers' factories that manufacture related electronic components (notably PWBs) is declining.
- ◆ In particular, it is expected that a decrease in the production volume of our PWB manufacturing customers in China and Taiwan will adversely impact sales of chemicals by our overseas subsidiaries.
- ◆ The significant downward revision to profit attributable to owners of parent is caused by an extraordinary loss of approximately 360 million yen to be recognized in the fourth quarter due to a change in the employees' retirement payment plan (as a result of introducing a defined contribution plan).

Annual Sales by Business (incl. Forecast)

(Millions of yen)



Note: Along with the change in reportable segments, all the businesses classified in the former New Businesses segment in or before FY3/18 are now included in the Machine Business for convenience purposes.

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)
	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)

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 31, 2017.

We will continue to make investments for sustainable growth while securing liquidity on hand and maintaining stable financial base. Our basic policy is to pay dividends with a target payout ratio of 25% with an aim for stable dividend growth.

Purchase of Treasury Shares (announced on February 4, 2019)

Type of shares to be repurchased	Common stock
Total number of shares to be repurchased	Up to 1,050,000 shares (3.77% of total shares outstanding, excluding treasury shares)
Total value of shares to be repurchased	Up to 1,500 million yen
Acquisition period	From February 5, 2019 to May 31, 2019
Acquisition method	Purchase on the Tokyo Stock Exchange

Reference: As of January 31, 2019

Total number of shares outstanding, excluding treasury shares: 27,842,470 shares

Number of treasury shares: 53 shares

A globe of the Earth is centered in the upper left quadrant, surrounded by several thin, light purple orbital lines that intersect at various points, creating a network-like pattern. The globe shows continents in light green and brown and oceans in light blue.

Reference

- **Company Profile**
- **Major Distribution Channels**
- **Major Products**

Company Profile

Founded in : December 1957

Established on : April 1, 1968 (marked its 50th Anniversary this year)

Capital stock : 1,206 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

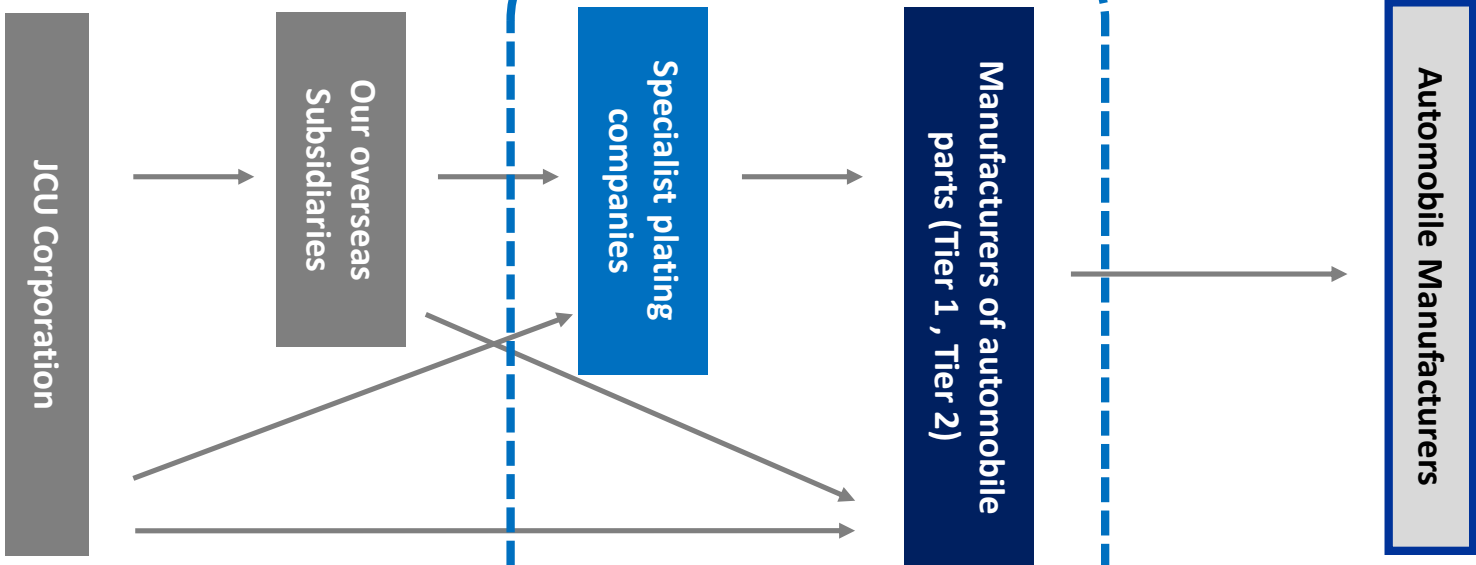
Employees : Non-consolidated: 264 / Consolidated: 559 (As of March 31, 2018)

ISO Certificates

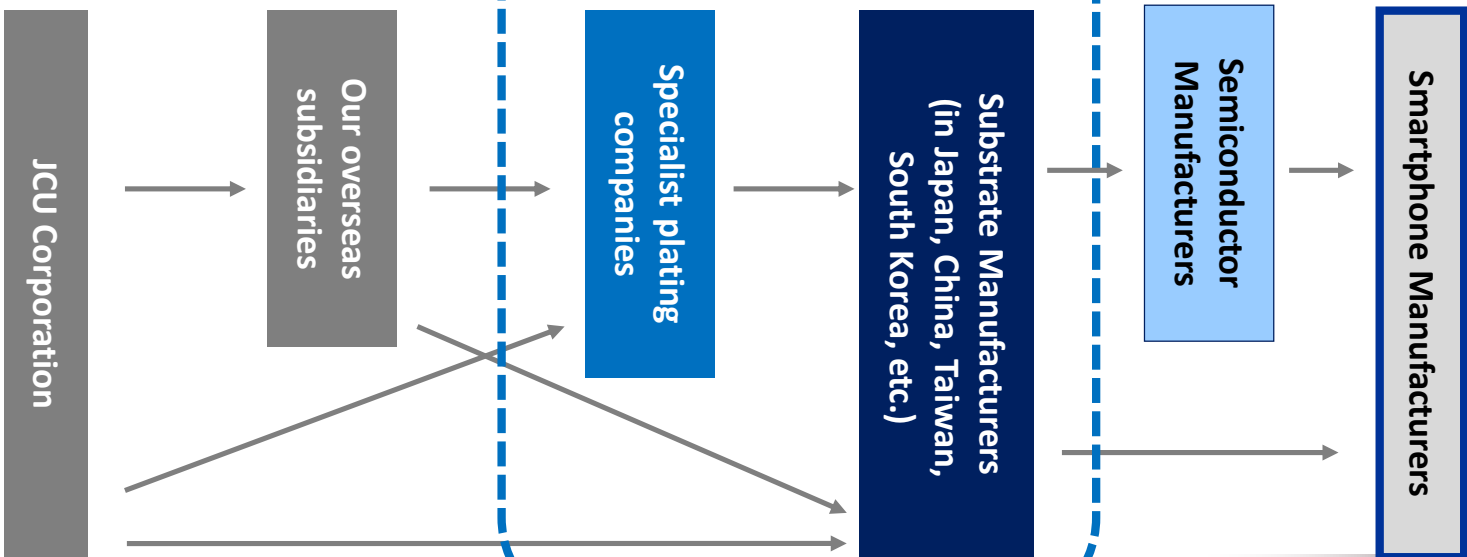
ISO9001	Production Headquarters, Head Office Sales and Marketing Department, and R&D Center (JCQA-0281)
ISO14001	Production Headquarters and R&D Center (JCQA-E-0143)

Major Distribution Channels

Automobiles



Smartphones



Major Products

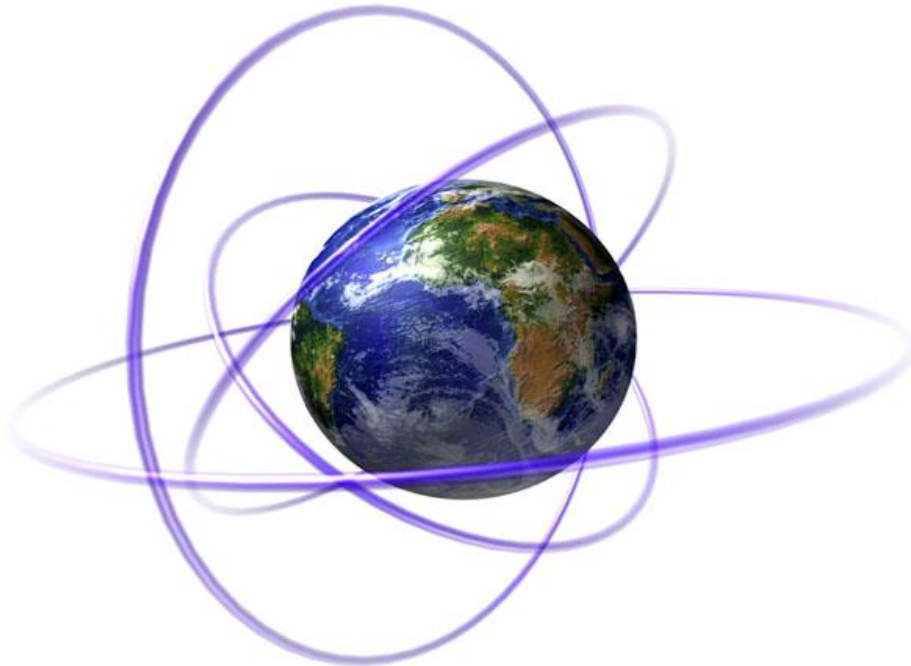
Chemicals Business	For decoration and rust-proofing (Key chemicals)	Automotive parts (front grilles, door handles, emblems, etc.) Faucet parts (water supply equipment, showerheads, drain plugs, etc.) Construction materials (bolts, nuts, etc.)
	For electronic components (Chemicals for electronic components)	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
	Plasma system	Etching and washing devices for PWBs as part of pre-plating processes
	Solar power generation equipment	Installation and operation of solar power generation equipment (photovoltaic panels)
Other Businesses	Natural water	Sale of natural water branded "FUJIZAKURACHOUMEISUI"
	Wine	Production and sale of wines and grapevine seedlings

Previously,
the New Businesses

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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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