

*Explorer in Surface Engineering*



# Financial Results Briefing Material for the First Half of the Fiscal Year Ending March 2019



JCU CORPORATION

TSE First Section (Stock Code: 4975)

November 2, 2018

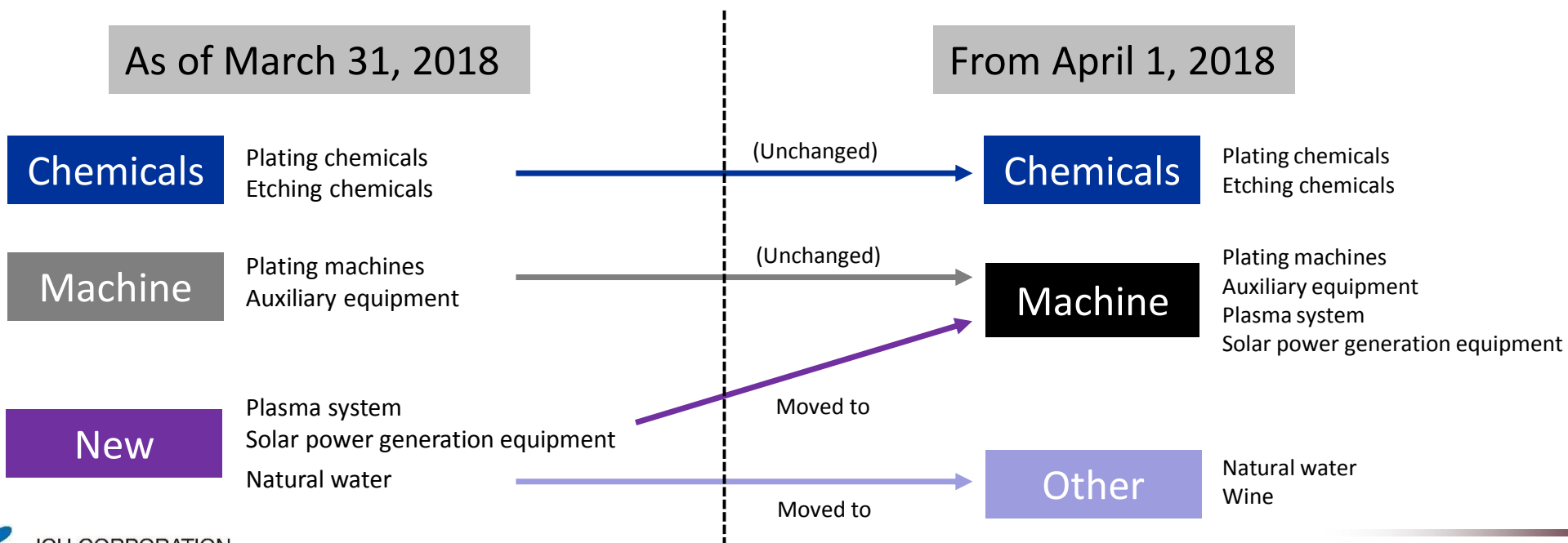


# Revisions to reportable segments

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 1H FY3/19

## Overview of Financial Results

Accounting Period of 1H FY3/19

JCU (non-consolidated): April 1 to September 30

Overseas subsidiaries: January 1 to June 30

### For electronic components

The growth in demand for chemicals along with the increased number of smartphones sold came to a pause as the sales volume of smartphones was sluggish. Especially, demand for high-end smartphones were soft. The sales volume of smartphones for the Chinese market also dropped. However, demand for chemicals were strong in line 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 were soft. In the overseas markets, the chemical sales were higher than the same quarter of the previous fiscal year because the robust production and sales of automobiles in China, along with expanded sales to new customers, contributed to the strong sales of plating chemicals for automotive components. 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 1H FY3/19

Consolidated

(Millions of yen)

	1H FY3/17	1H FY3/18	1H FY3/19		
	Results	Results	Initial forecast	Results	YoY % Change
Net sales	10,514	10,255	13,000	13,078	27.5 %
Operating profit	2,574	3,108	3,300	3,427	10.3 %
Ordinary profit	2,283	3,060	3,300	3,495	14.2 %
Profit attributable to owners of parent	1,682	2,248	2,300	2,559	13.8 %
Net income per share	59.88 yen	80.82 yen	82.64 yen	91.95 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 2017.

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)

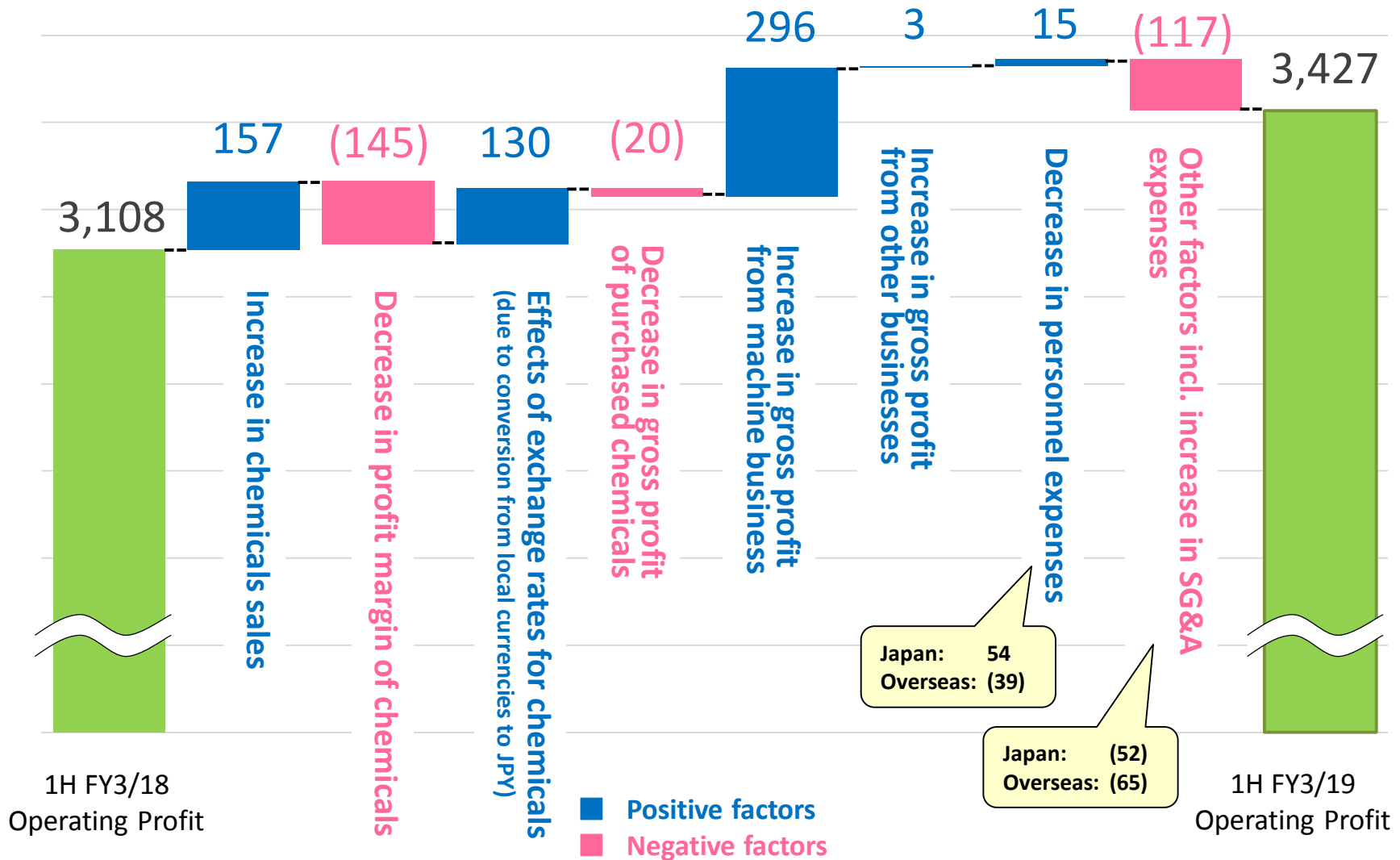
	FY3/18				FY3/19		
	1Q	2Q	3Q	4Q	Estimates	1Q	2Q
Chinese yuan (CNY)	16.57	16.39	16.47	16.62	17.05	17.05	17.09
Taiwan dollar (TWD)	3.66	3.67	3.67	3.69	3.70	3.70	3.68
Korean won (KRW)	0.0986	0.0985	0.0984	0.0993	0.1010	0.1010	0.1011

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.

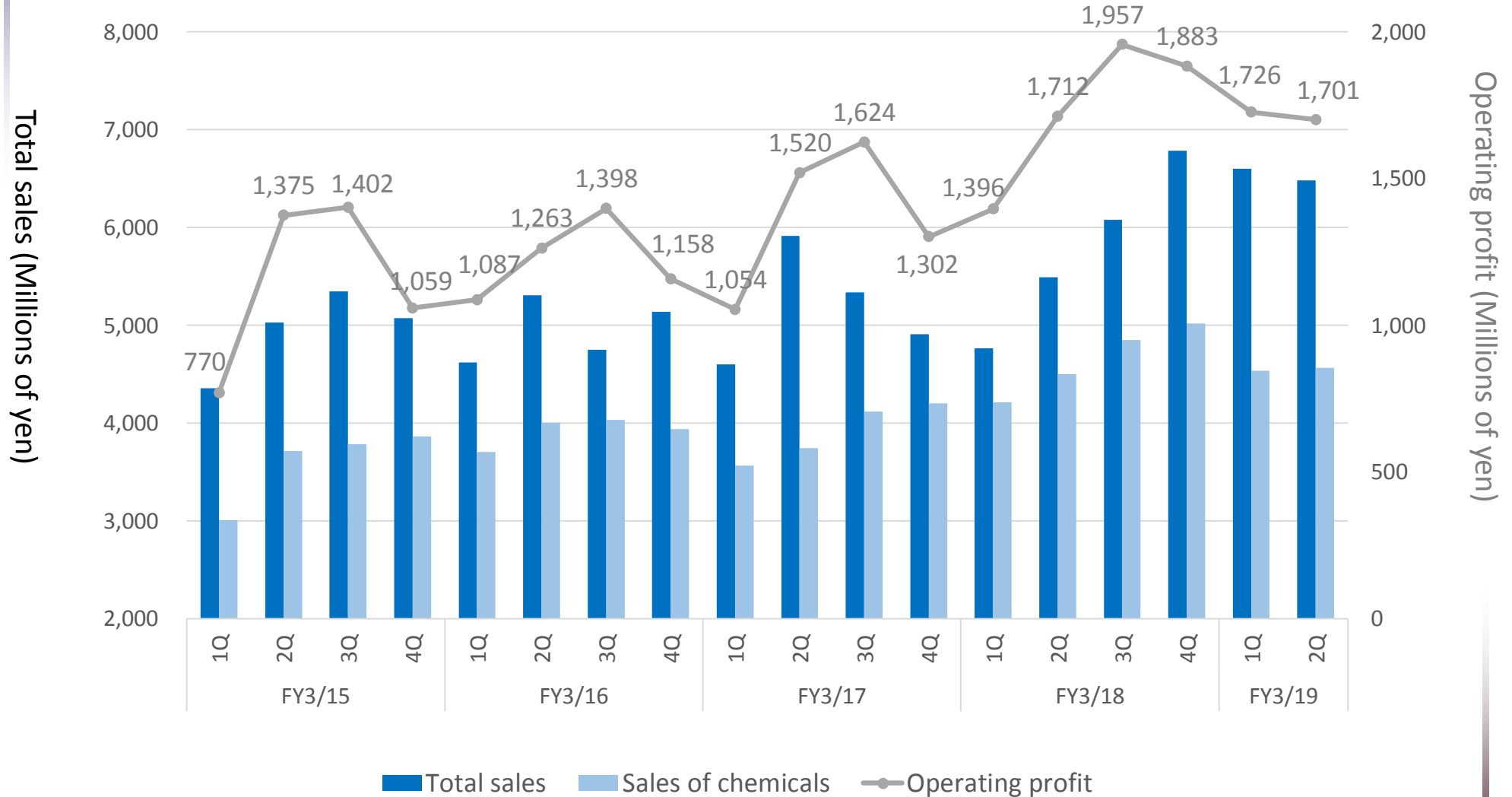
# Changes in Consolidated Operating Profit for 1H FY3/19

(Millions of yen)

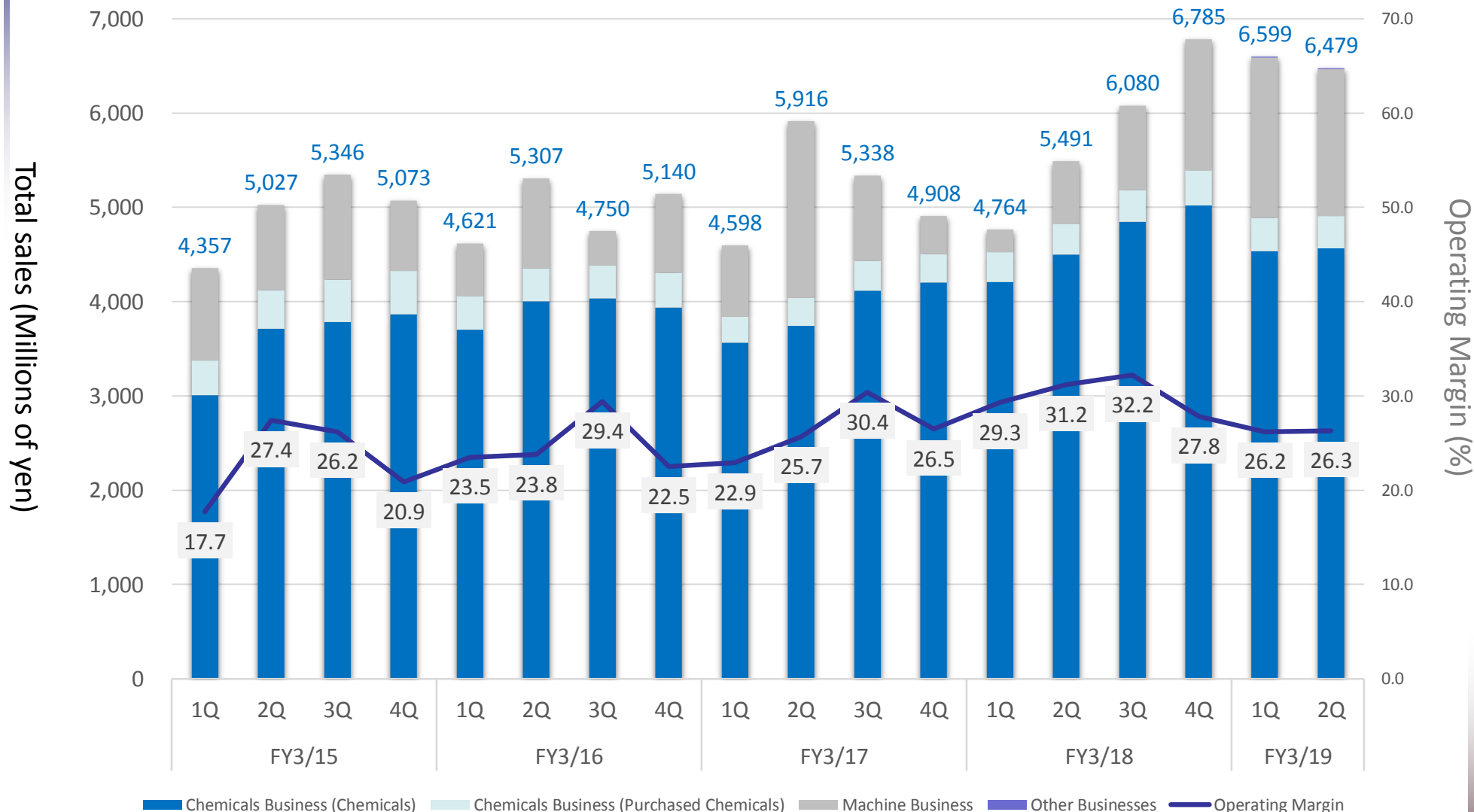
(YoY change)  
**+319**



# Quarterly Consolidated Financial Results



# Quarterly Consolidated Financial Results

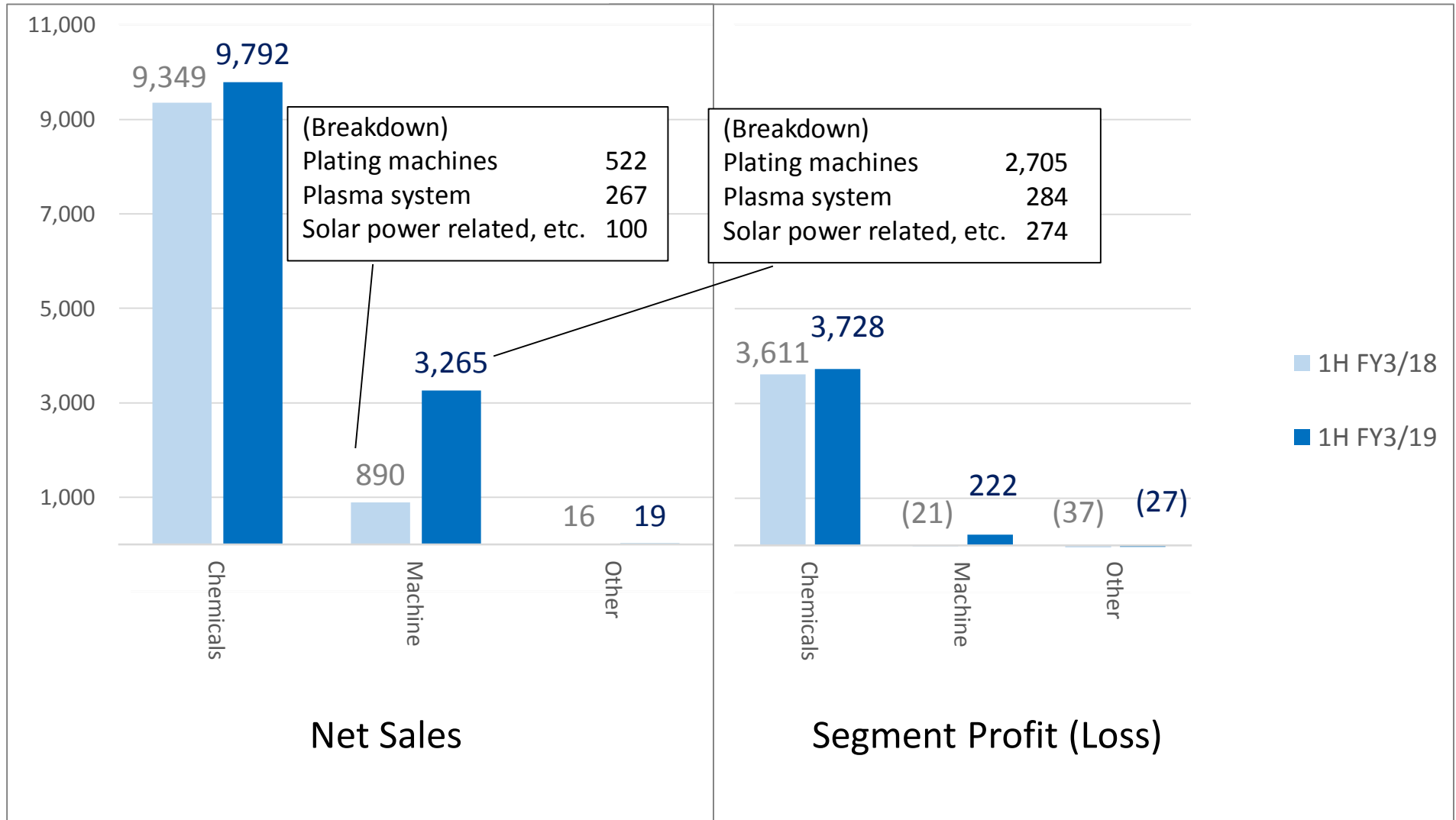


Note: Along with the change in reportable segments, all the businesses classified in the New Businesses segment in or before 4Q of FY3/18 are now included in the Machine Business for convenience purposes.



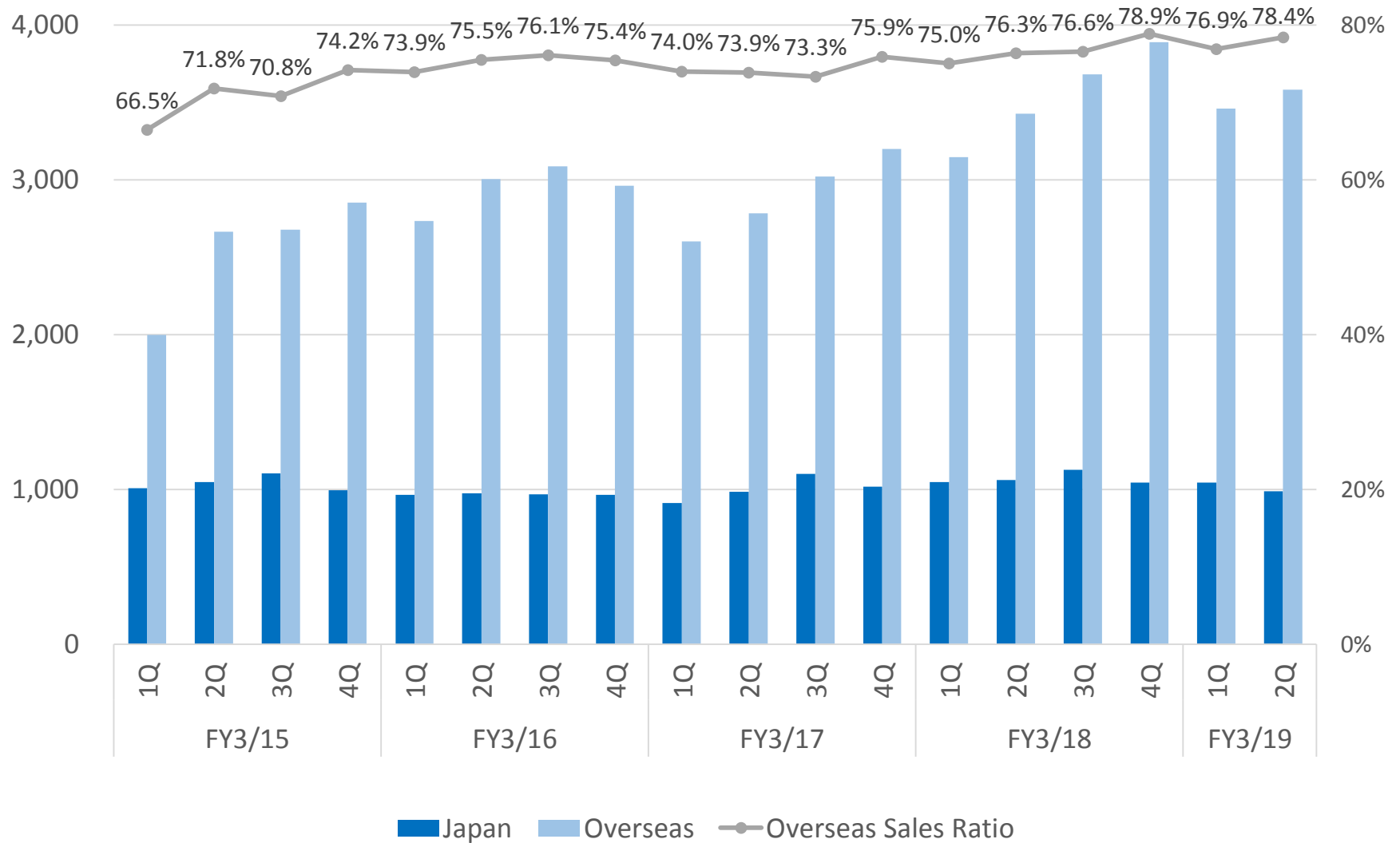
# Consolidated Segment Results for 1H FY3/19

(Millions of yen)



# Quarterly Sales of Chemicals in Japan and Overseas

(Millions of yen)

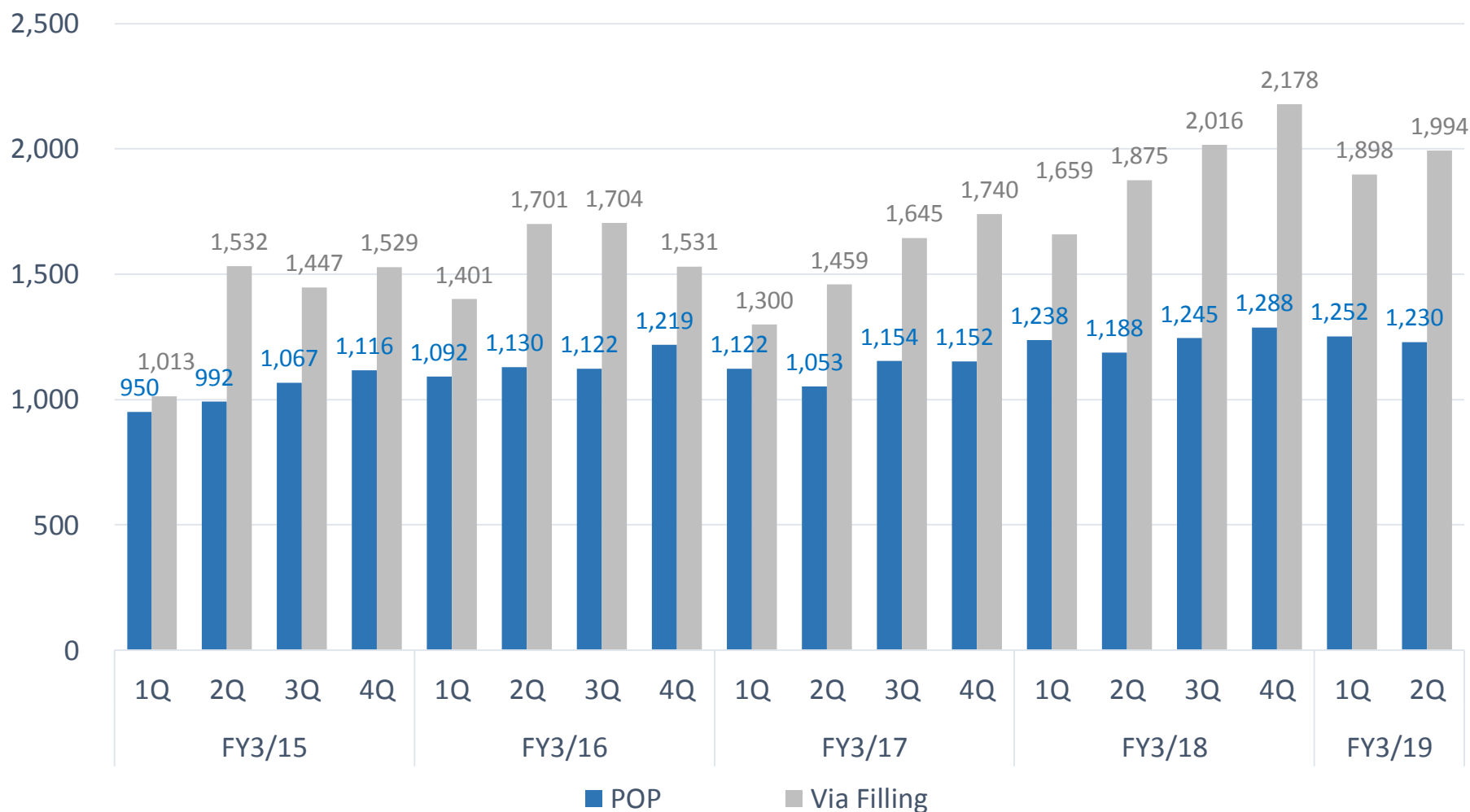


# Quarterly Sales of Chemicals for POP and Via Filling

POP: Planting on Plastics, mainly for automotive components

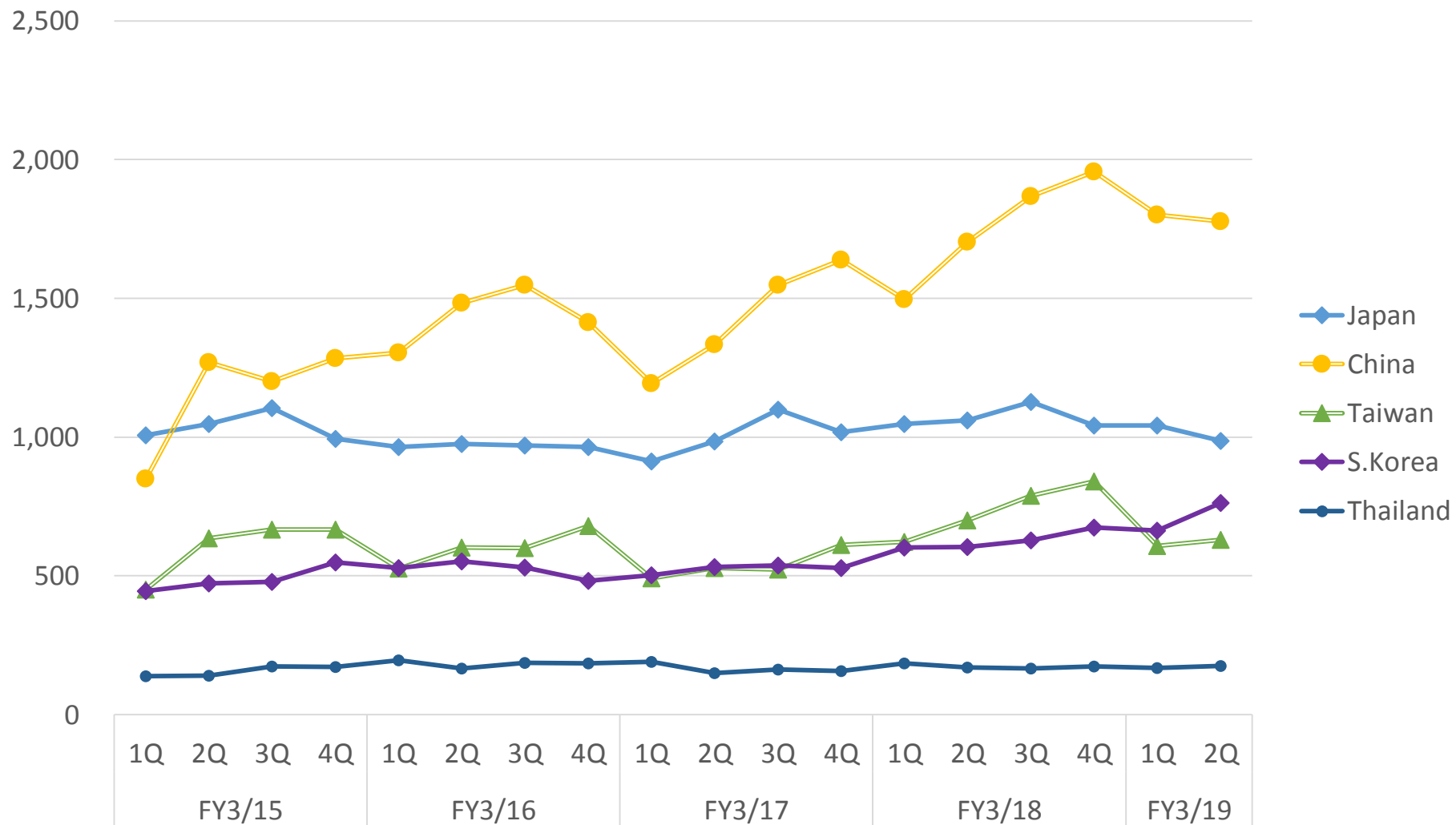
Via Filling: Additive for copper planting for printed-wiring boards, mainly for smartphones and PCs

(Millions of yen)



# Quarterly Sales of Chemicals by Region

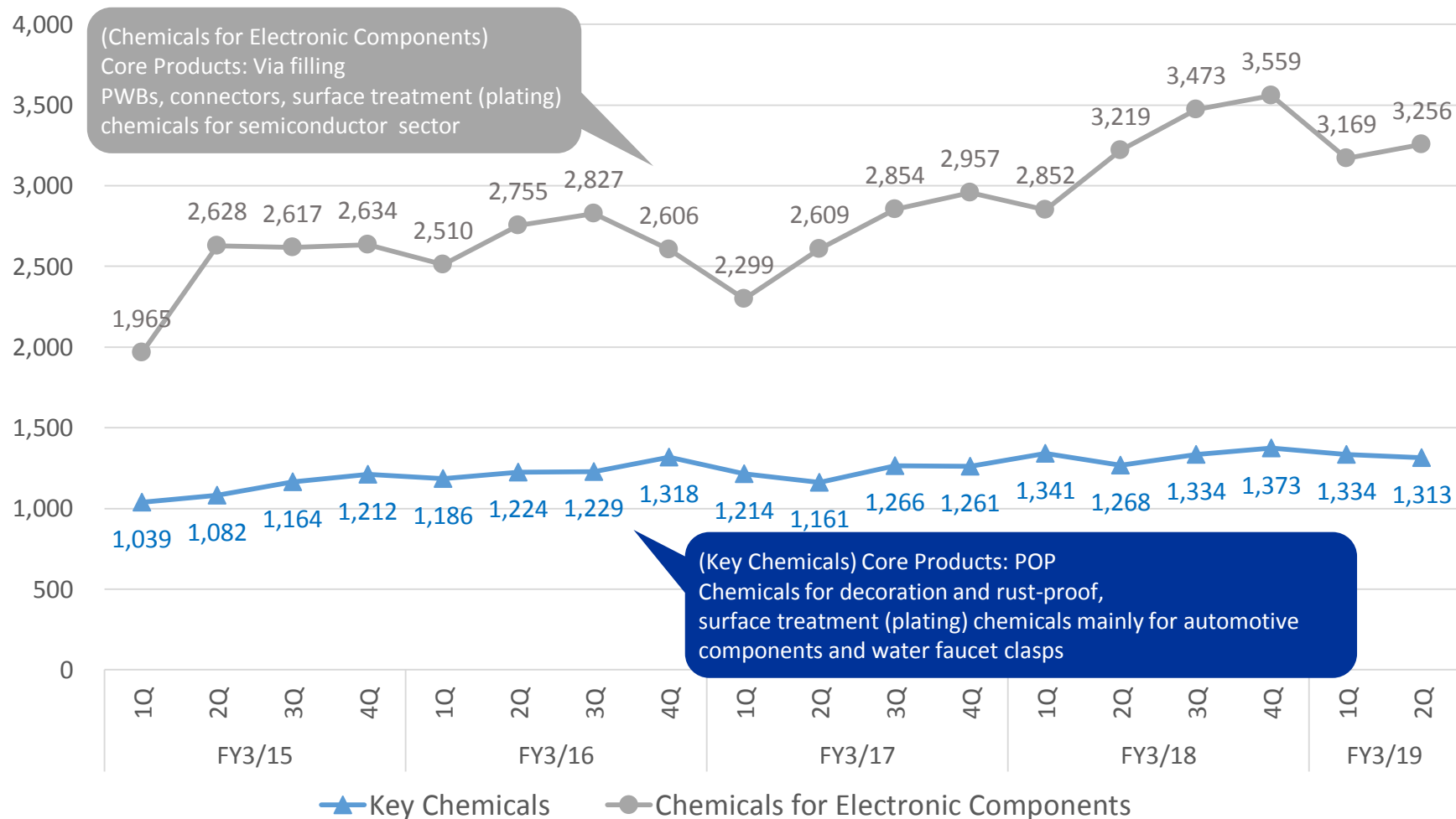
(Millions of yen)



# Quarterly Sales of Chemicals by Region

## Consolidated

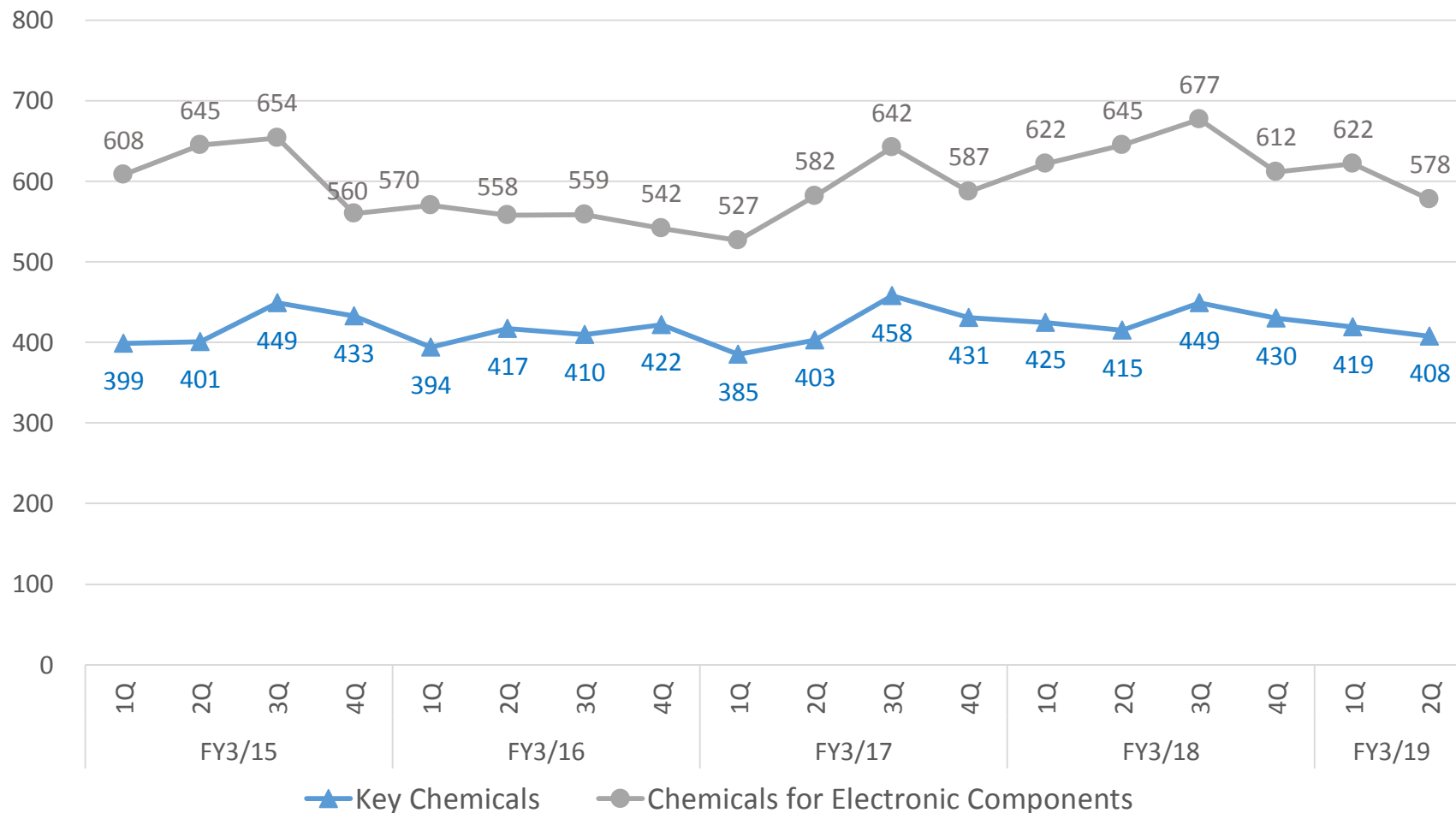
(Millions of yen)



# Quarterly Sales of Chemicals by Region

(Millions of yen)

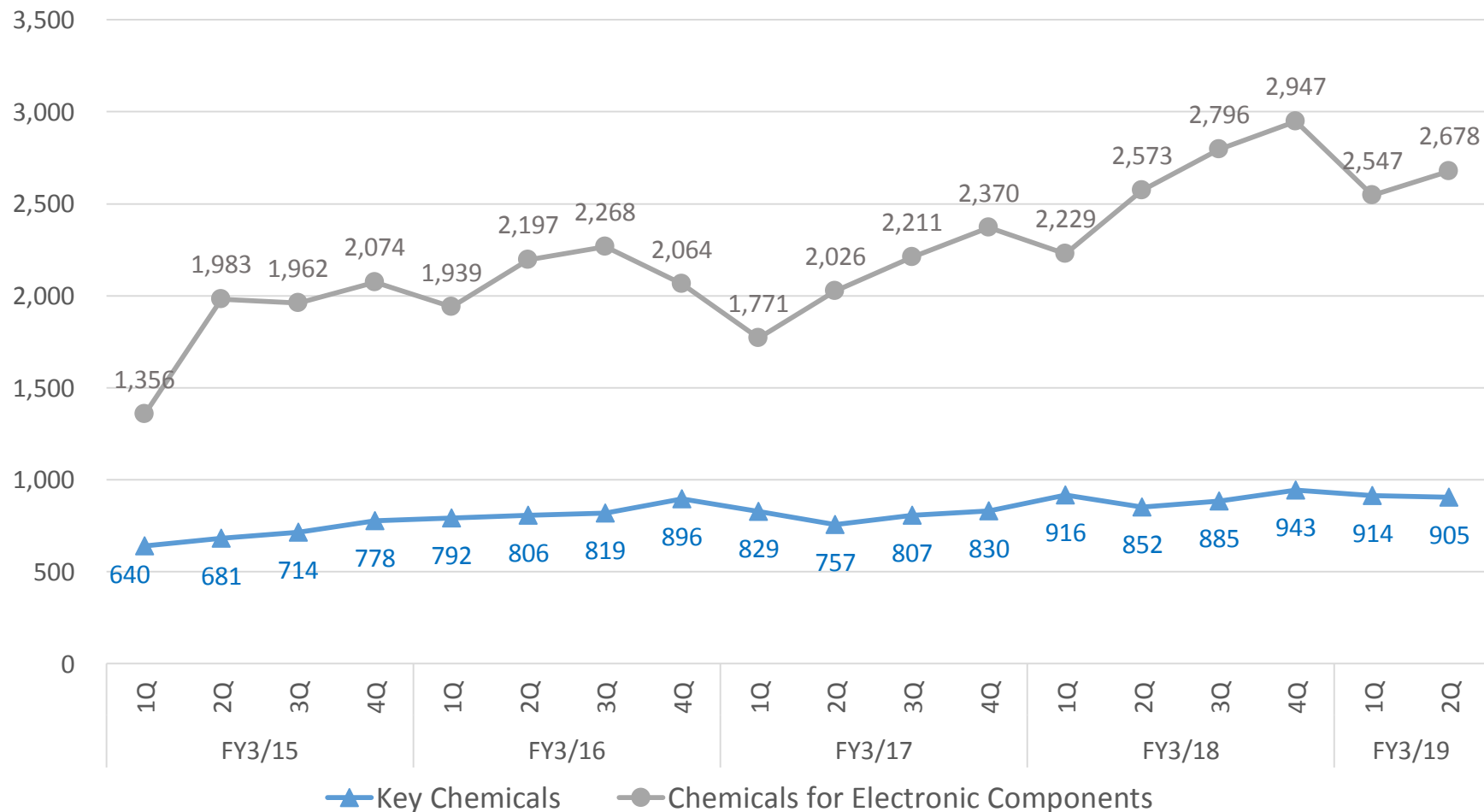
## Japan



# Quarterly Sales of Chemicals by Region

(Millions of yen)

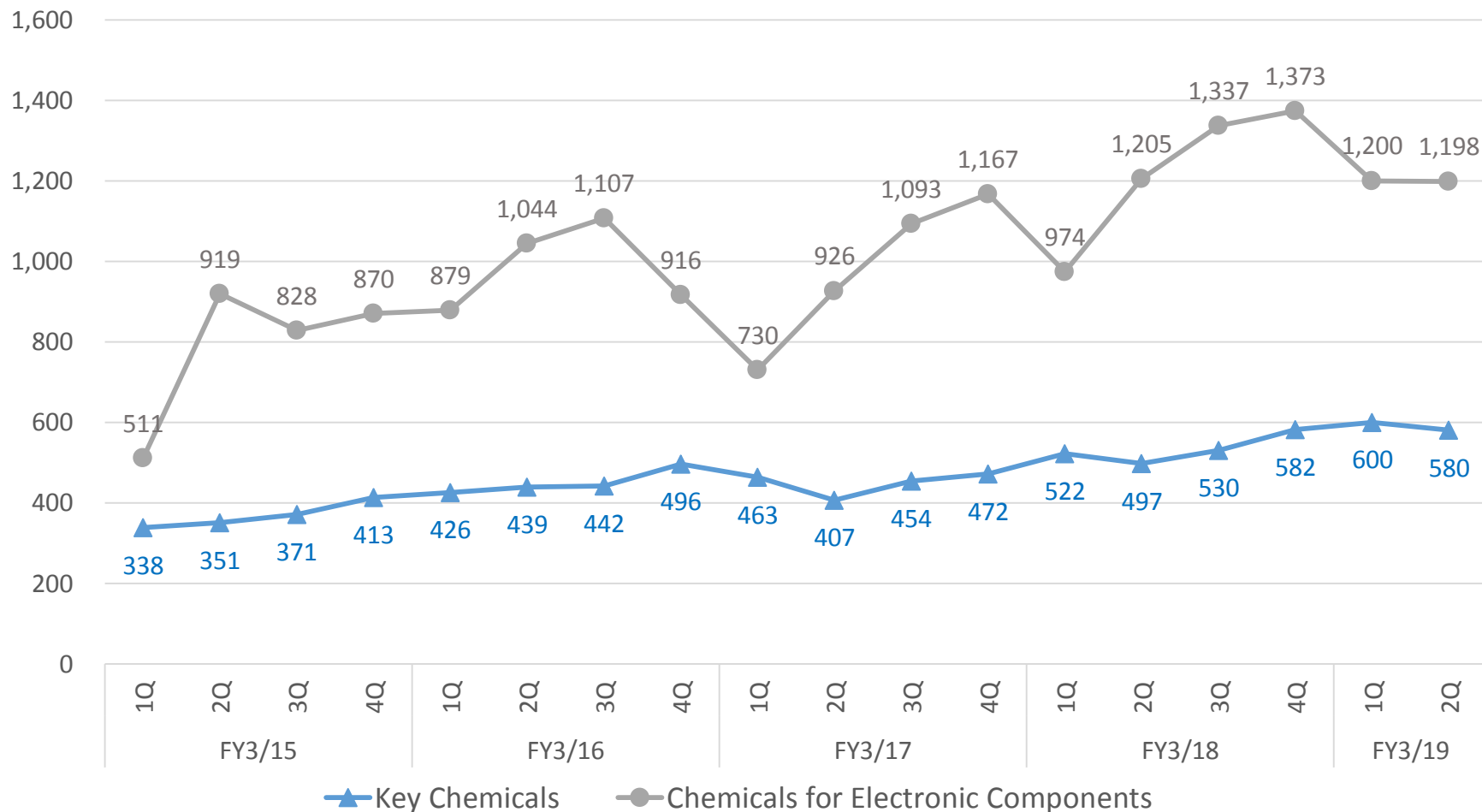
## Overseas (total)



# Quarterly Sales of Chemicals by Region

(Millions of yen)

## China

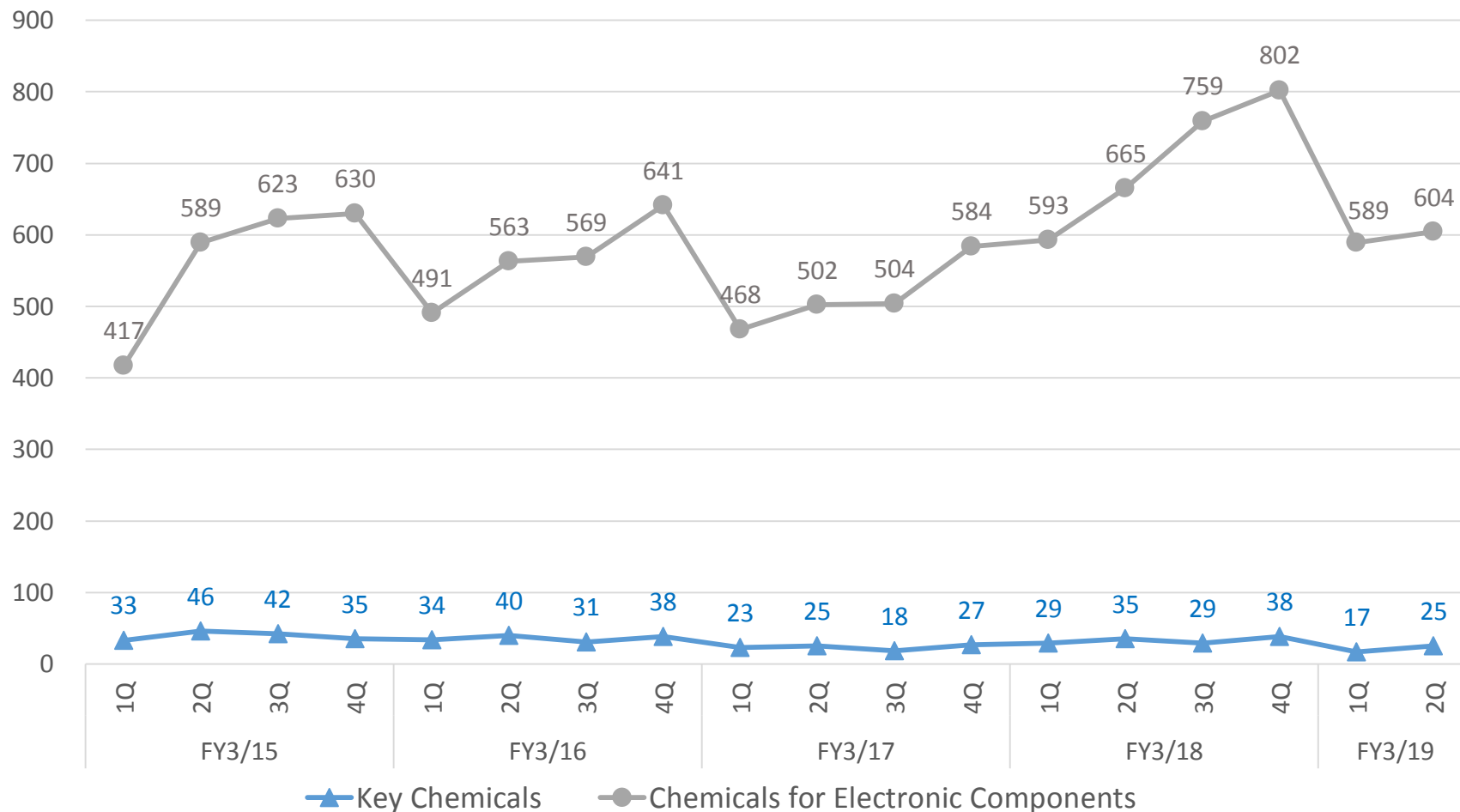




# Quarterly Sales of Chemicals by Region

## Taiwan

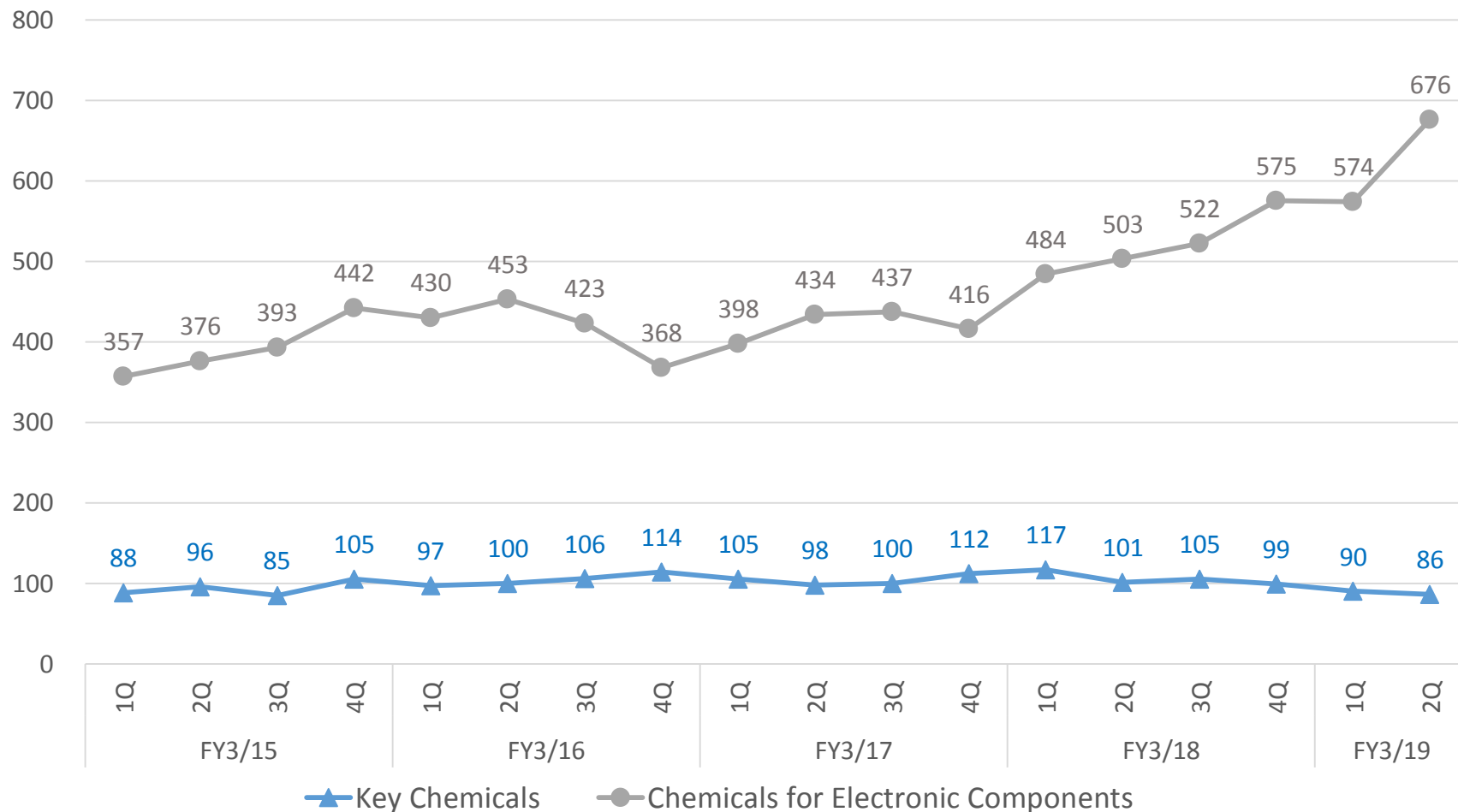
(Millions of yen)



# Quarterly Sales of Chemicals by Region

(Millions of yen)

## South Korea



# Consolidated Forecast for FY3/19

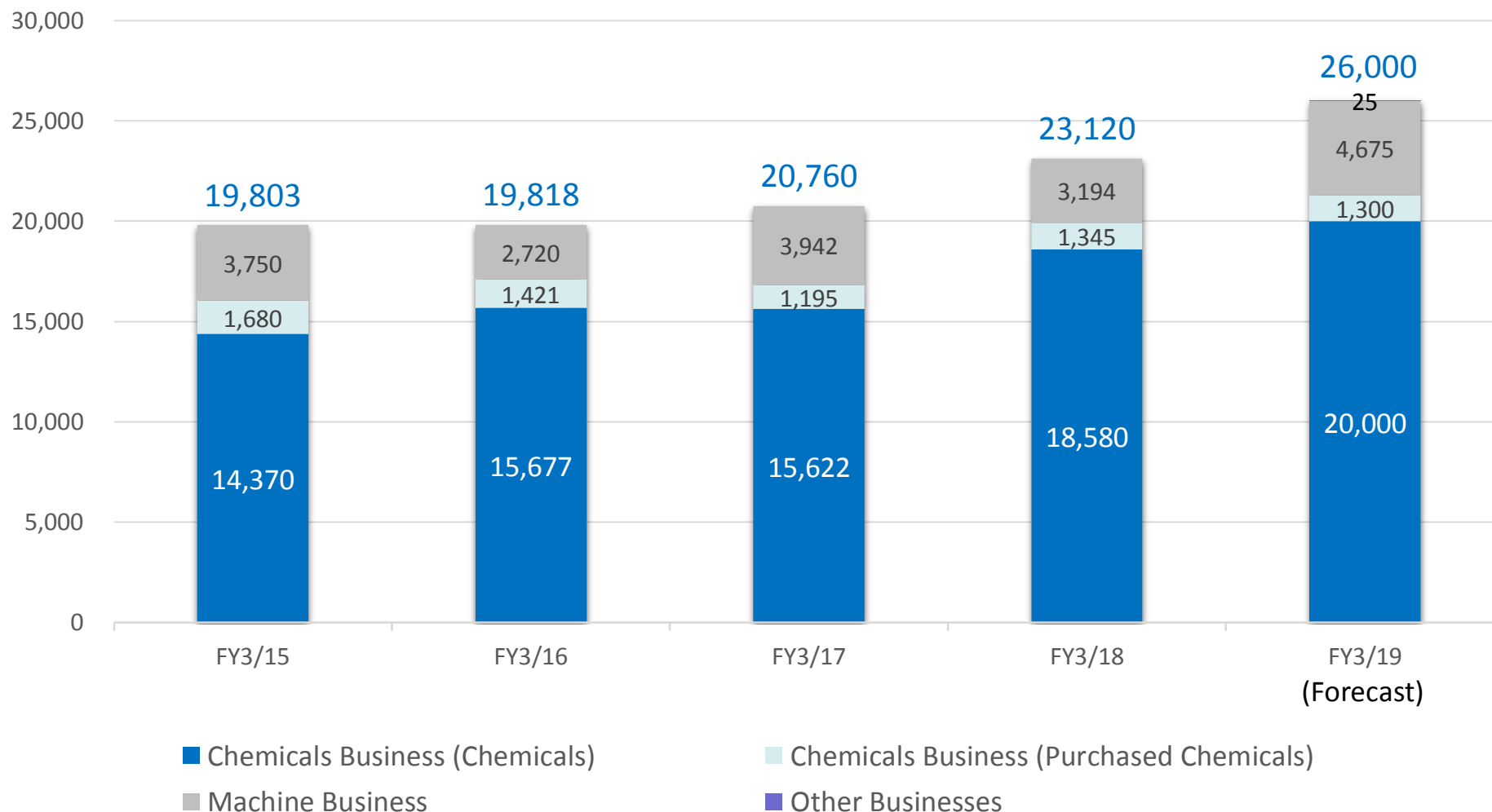
(Millions of yen)

FY3/19	First half (Results)	Full year (Forecast)	Progress rate against full-year forecast
Net sales	13,078	26,000	50.3 %
Operating profit	3,427	7,300	47.0 %
Ordinary profit	3,495	7,300	47.9 %
Profit attributable to owners of parent	2,559	5,200	49.2 %
Net income per share	91.95 yen	186.79 yen	-

Note: No revisions have been made.

# Annual Sales by Business (incl. Forecast)

(Millions of yen)



Note: Along with the change in reportable segments, all the businesses classified in the 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 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.

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.



## Reference

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

# Company Profile

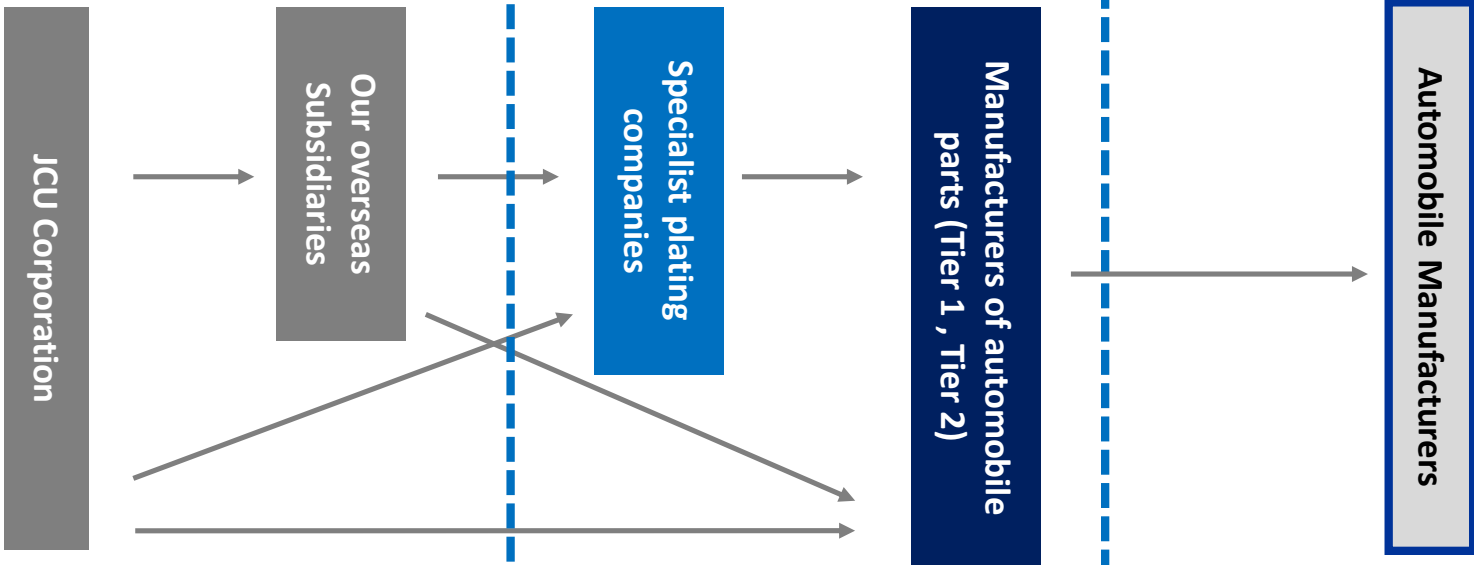
<b>Founded in</b>	:	December 1957
<b>Established on</b>	:	April 1, 1968 (marked its 50th Anniversary this year)
<b>Capital stock</b>	:	1,206 million yen
<b>Annual sales</b>	:	Non-consolidated: 14.0 billion yen / Consolidated: 23.1 billion yen (For the fiscal year ended March 31, 2018)
<b>Head office</b>	:	TIXTOWER UENO 16F, 8-1 Higashiueno 4-chome, Taito-ku, Tokyo
<b>Lines of business</b>	:	Manufacturing and sale of surface treatment chemicals, surface treatment machines, and related materials
<b>Representative Directors</b>	:	Keiji Ozawa, Chairman and CEO Masashi Kimura, President and COO
<b>Employees</b>	:	Non-consolidated: 264 / Consolidated: 559 (As of March 31, 2018)

## ISO Certificates

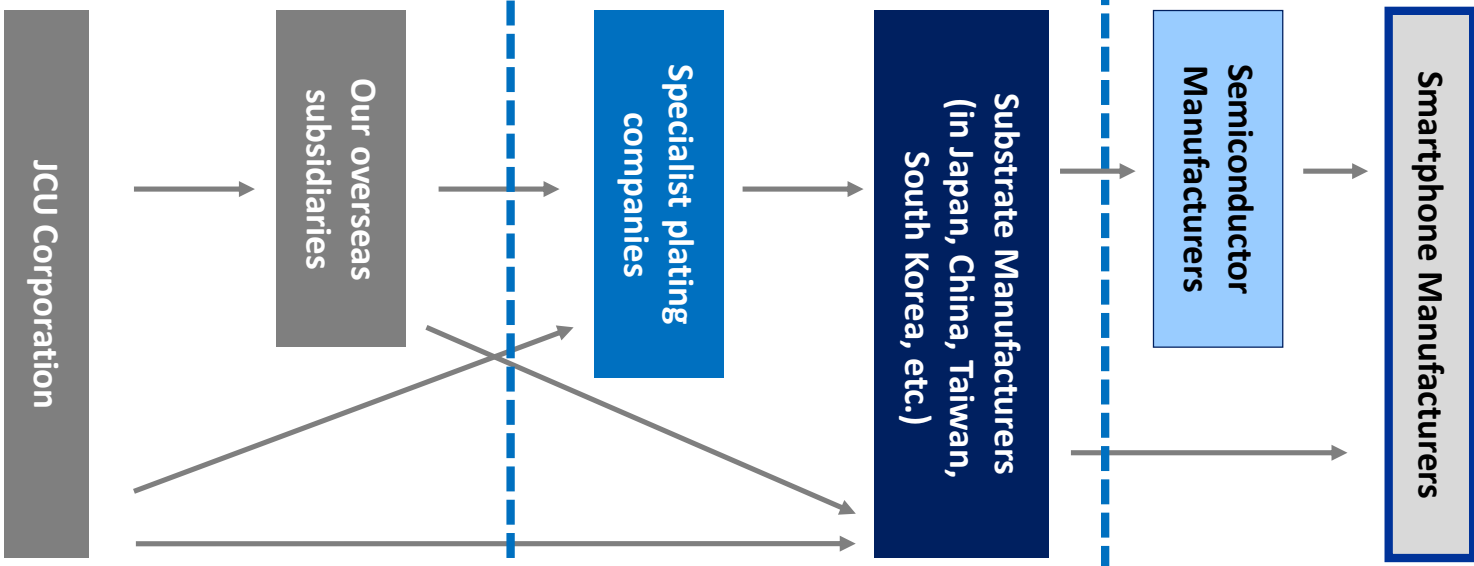
ISO9001	Production Headquarters, Head Office Sales and Marketing Department, and R&D Center (JCQA-0281)
ISO14001	Production Headquarters and R&D Center (JCQA-E-0143)

# Major Distribution Channels

Automobiles



Smartphones





# Major Products

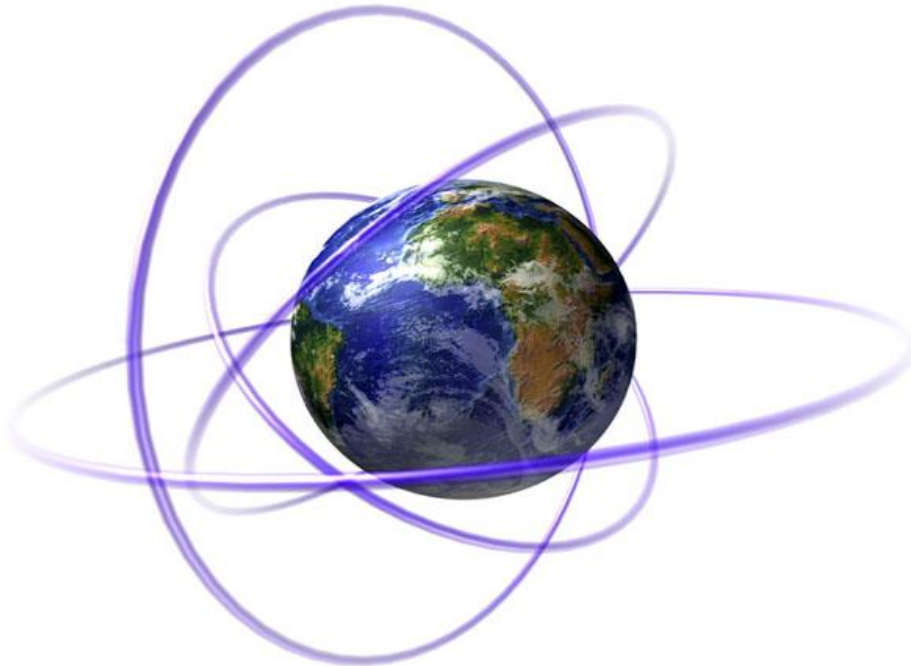
<b>Chemicals Business</b>	For decoration and rust-proofing (Key chemicals)	Automotive parts (front grilles, door handles, emblems, etc.) Faucet parts (water supply equipment, showerheads, drain plugs, etc.) Construction materials (bolts, nuts, etc.)
	For electronic components (Chemicals for electronic components)	PWBs (reversible and multilayer substrates, build-up boards, package substrates, etc.) Electronic components (lead frames, chip components, connectors, etc.) Semiconductors (silicon wafers)
<b>Machine Business</b>	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)
<b>Other Businesses</b>	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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